Annual Report **2012**

Henkel Excellence is our Passion

Henkel at a glance 2012

Highlights

16,510 million euros
sales

14.1 %
adjusted[1] return on sales (EBIT): up 1.1 percentage points

3.70 euros
adjusted[1] earnings per preferred share (EPS): up 17.8 percent

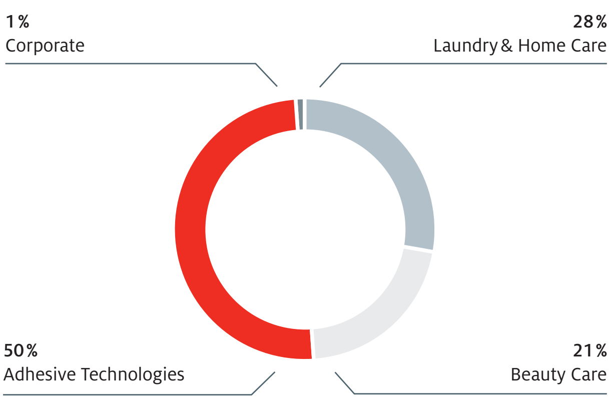
0.95 euros
dividend per preferred share[2]

Key financials

in million euros	2008	2009	2010	2011 restated[3]	2012	+/– 2011 – 2012
Sales	14,131	13,573	15,092	15,605	**16,510**	5.8 %
Operating profit (EBIT)	779	1,080	1,723	1,765	**2,199**	24.6 %
Adjusted[1] operating profit (EBIT)	1,460	1,364	1,862	2,029	**2,335**	15.1 %
Return on sales (EBIT) in %	5.5	8.0	11.4	11.3	**13.3**	2.0 pp
Adjusted[1] return on sales (EBIT) in %	10.3	10.0	12.3	13.0	**14.1**	1.1 pp
Net income	1,233	628	1,143	1,191	**1,556**	30.6 %
– Attributable to non-controlling interests	12	26	25	30	**46**	53.3 %
– Attributable to shareholders of Henkel AG & Co. KGaA	1,221	602	1,118	1,161	**1,510**	30.1 %
Earnings per preferred share in euros	2.83	1.40	2.59	2.69	**3.49**	29.7 %
Adjusted[1] earnings per preferred share in euros	2.19	1.91	2.82	3.14	**3.70**	17.8 %
Return on capital employed (ROCE) in %	6.9	9.8	14.9	15.8	**18.7**	2.9 pp
Dividend per ordinary share in euros	0.51	0.51	0.70	0.78	**0.93**[2]	19.2 %
Dividend per preferred share in euros	0.53	0.53	0.72	0.80	**0.95**[2]	18.8 %

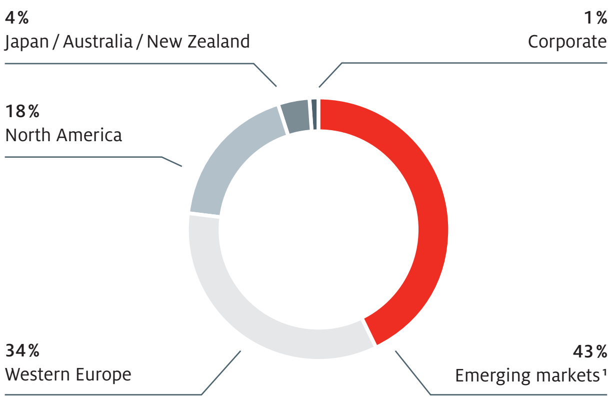
pp = percentage points
[1] Adjusted for one-time charges/gains and restructuring charges.
[2] Proposal to shareholders for the Annual General Meeting on April 15, 2013.
[3] Application of IAS 8 "Accounting policies, changes in accounting estimates and errors" (see notes on pages 116 and 117).

Sales by business sector



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

Sales by region



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

Our business sectors

Laundry & Home Care

+4.7%
organic sales growth

Key financials

in million euros	2011 restated	2012	+/–
Sales	4,304	**4,556**	5.9%
Operating profit (EBIT)	419	**621**	48.3%
Adjusted[1] operating profit (EBIT)	570	**659**	15.5%
Return on sales (EBIT)	9.7%	**13.6%**	3.9 pp
Adjusted[1] return on sales (EBIT)	13.2%	**14.5%**	1.3 pp

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

Sales

in million euros

2008	4,172
2009	4,129
2010	4,319
2011	4,304
2012	4,556

Beauty Care

+3.1%
organic sales growth

Key financials

in million euros	2011	2012	+/–
Sales	3,399	**3,542**	4.2%
Operating profit (EBIT)	471	**483**	2.6%
Adjusted[1] operating profit (EBIT)	482	**514**	6.8%
Return on sales (EBIT)	13.8%	**13.6%**	–0.2 pp
Adjusted[1] return on sales (EBIT)	14.2%	**14.5%**	0.3 pp

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

Sales

in million euros

2008	3,016
2009	3,010
2010	3,269
2011	3,399
2012	3,542

Adhesive Technologies

+3.6%
organic sales growth

Key financials

in million euros	2011	2012	+/–
Sales	7,746	**8,256**	6.6%
Operating profit (EBIT)	1,002	**1,191**	18.9%
Adjusted[1] operating profit (EBIT)	1,075	**1,246**	15.9%
Return on sales (EBIT)	12.9%	**14.4%**	1.5 pp
Adjusted[1] return on sales (EBIT)	13.9%	**15.1%**	1.2 pp

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

Sales

in million euros

2008	6,700
2009	6,224
2010	7,306
2011	7,746
2012	8,256

Our top brands

Persil | Schwarzkopf | LOCTITE
Purex | Dial | TEROSON
Pril | syoss | TECHNOMELT

Contents

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 Strategy

We will outperform our competition as a globalized company with simplified operations and a highly inspired team!

Our targets 2016

20 bn € sales

10 bn € sales in emerging markets

10 % earnings per share[1]

Including continuous portfolio optimization.

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

Dear Friends of the Company,

2012 was a milestone year for Henkel: We achieved excellent financial results in a highly volatile and competitive market environment. We also delivered on the ambitious mid-term financial targets we set in 2008 for the period up to 2012. Over the past four years, we have substantially advanced Henkel in all the strategic dimensions we had defined: customer focus, achieving our full business potential and strengthening our global team.

We are now committed to moving the company forward with a clear strategy and new financial targets for the period up to 2016 – focused on our vision to become a global leader in brands and technologies.

Strong business performance in 2012

In 2012, the global business environment continued to be challenging: recession and austerity programs in many countries in Western and Southern Europe, slowing growth in China, unrest in the Middle East, and a slow recovery combined with persistently high unemployment in the United States of America continued to affect both consumer and industrial demand.

"We have substantially strengthened Henkel's competitiveness in many dimensions, establishing a strong foundation for our future growth."

However, all three Henkel business sectors delivered strong performance with profitable growth and expansion of market shares in their relevant markets.

In 2012, Henkel Group revenue increased to 16,510 million euros, which represents organic sales growth of 3.8 percent compared to 2011. Adjusted[1] EBIT rose 15.1 percent to 2,335 million euros, while our adjusted return on sales (EBIT) increased to 14.1 percent compared to 13.0 percent in 2011. Adjusted earnings per preferred share (EPS) grew by 17.8 percent to 3.70 euros.

+3.8 %
organic sales growth.

14.1 %
adjusted[1] return on sales.

+17.8 %
adjusted[1] earnings per preferred share.

Thanks to our strong business performance and a continuous focus on cost, we were able to substantially increase our cash flow from operating activities to 2,634 million euros and reduce our net debt to 85 million euros. At the end of 2008, following the acquisition of the National Starch businesses, our net debt amounted to around 4.3 billion euros.

At the Annual General Meeting on April 15, we will propose a dividend payout of 0.95 euros per preferred share. This is an increase of 18.8 percent compared to 0.80 euros in the previous year.

Delivering on our targets 2008–2012

2012 also marks the successful achievement of our four-year targets. In 2008, when we announced our financial targets for 2012, we had anticipated a more favorable business environment with an average annual global GDP growth of 3 to 4 percent. Instead, we had to counter the biggest financial and economic crisis of the past decades, which reduced average annual GDP growth between 2008 and 2012 to around 1.8 percent.

Despite these challenges, we delivered on our commitments. We met – and in some dimensions exceeded – the ambitious mid-term financial targets for the period 2008-2012. Specifically, we achieved:

- average organic sales growth of 3.3 percent, in line with our target range of 3 to 5 percent,
- adjusted return on sales (EBIT margin) of 14.1 percent, slightly above our target of 14 percent,
- average adjusted EPS growth of 14.0 percent compared to a target of more than 10 percent.

On behalf of the Management Board, I would like to thank all Henkel employees around the world for their contribution to the successful development of Henkel. Their commitment to our strategic priorities and financial targets as well as their ambition to strive for excellence in everything they do have been key to our success.

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

Kasper Rorsted
Chairman of the Management Board

Strong foundation for future growth

Over the past four years, our company has increased its financial performance and regained a strong balance sheet by reducing debt and improving cash flow. We have also substantially strengthened Henkel's competitiveness in many dimensions, establishing a strong foundation for our future growth.

Since 2008, Henkel has become a more globalized company: in 2012, we generated 86 percent of our total sales outside Germany. Emerging markets have become particularly important for our business performance. They accounted for 43 percent of our total sales in 2012 compared to 37 percent in 2008. This corresponds with the evolution of our workforce. In 2012, around 55 percent of Henkel employees worked in emerging markets compared to 51 percent in 2008.

Today, Henkel has stronger brands, higher innovation rates and higher market shares in almost all its relevant markets. We have consolidated the number of brands from more than 1,000 to under 400, while sales from our top ten brands represented 44 percent at the end of 2012 compared to 38 percent at the end of 2008. Our balanced portfolio with fewer but stronger brands drives business performance in several ways. We can focus our marketing as well as research and development (R&D) investments on these brands. Strong brands also generate higher margins and strengthen our position in competitive markets.

We have made significant progress in building a customer-centric organization and have become closer to our customers in both our consumer and industrial businesses. By establishing regular "top-to-top" exchanges with our largest customers at board level, we ensure our organization is fully aligned toward our customers' expectations, demands and business development.

44 %
of our sales generated by our top 10 brands.

43 %
of our sales generated in emerging markets.

We are more efficient and flexible in reacting to changing market conditions and customer demand thanks to the standardization and simplification of our business processes on a global scale. The continuous expansion of our shared services has played an important role in driving these improvements. At the end of 2012, around 1,500 employees worked in our shared service centers.

We have developed a stronger and better global team – with a clear focus on delivering excellent performance. In 2012, for the fourth consecutive year, we conducted our "Development Round Tables" to evaluate the performance and development potential of around 9,000 managers at Henkel in a globally aligned process. Combined with defining ambitious targets and a compensation system designed to reward outstanding performance, we have established a strong focus on performance in our global teams: a "winning culture."

"Our strategy: We will outperform our competition as a globalized company with simplified operations and a highly inspired team!"

Around **31 %** of our managers are women.

We are convinced that diverse teams deliver better results and offer competitive advantages, and we actively manage diversity at Henkel – in terms of nationality, gender and seniority. Globally, around 31 percent of our managers are women, a share which we have steadily improved over the past years, ranking Henkel among the top-performing companies listed in the DAX. We aim to further increase this share by 1 to 2 percentage points per year.

New growth strategy for 2016

In November 2012, we announced our new strategy for the period up to 2016: "We will outperform our competition as a globalized company with simplified operations and a highly inspired team!"

The foundation for our new strategy was a thorough analysis of the long-term market trends which will affect our businesses in the coming years.

First, the ongoing consolidation in our supplier and customer base as well as in our competitive environment highlights the need to grow our businesses. Size will be a critical success factor in the future.

Second, as we expect the shift of economic gravity from mature to emerging markets to continue, we need to expand our already strong footprint in these markets over the coming years.

Third, we anticipate a highly dynamic evolution of our markets. As a consequence, we need to continue simplifying our processes and aim for operational excellence across our entire organization.

We reviewed our three business sectors against these megatrends to determine how they are positioned in their respective markets. As a result, we identified considerable potential for accelerated growth and increased profitability for each of our businesses.

To capture this growth potential, we will increase our investments and raise capital expenditures to a total of around 2 billion euros between now and 2016, an increase of more than 40 percent compared to the four-year period leading up to 2012.

Ambitious targets and clear strategic priorities

We also defined new, ambitious financial targets for Henkel. By the end of 2016, we aim to achieve:

- 20 billion euros total sales,
- 10 billion euros emerging markets sales,
- 10 percent compound annual growth rate (CAGR) in adjusted earnings per preferred share (EPS).

These targets are based on organic growth, including continuous portfolio optimization.

To focus everyone at Henkel on successfully implementing our strategy, we have defined four strategic priorities:
Outperform – Globalize – Simplify – Inspire.

Outperform our competition: we aim to leverage our full potential in categories by actively managing our portfolio, strengthening top brands, launching powerful innovations and focusing on customers and consumers.

In our core categories, we will invest in strengthening and expanding leading positions. In growth categories, investments will fuel disproportionate growth of existing and new segments. In value categories, investments will be tailored to maximize profit potential.

We will continue to focus on our strong brands. By 2016, we expect our top 10 brands to generate approximately 60 percent of total sales.

Globalize our company: in mature markets, we will leverage our strengths and generate profitable growth through increased brand investments and continued cost focus. By 2016, we aim to gain more top positions while increasing profitability. In emerging markets, we will expand our existing category positions and accelerate growth in countries where we already have a strong presence. In addition, we will selectively enter new countries. By 2016, we expect 12 out of Henkel's top 20 countries to be emerging markets.

Simplify our operations: we will continuously improve our operational excellence by making our processes more standardized and more digital, driving cost-efficiency and reducing administration cost.

Inspire our people: our strategy cannot be successfully implemented without the support of a highly motivated global team. With this in mind, we are focusing on three areas in order to make our team even stronger – the training and development of our management worldwide, rewarding talent and performance, and further increasing the diversity of our workforce.

Long-term sustainability strategy

At the beginning of 2012, we announced our long-term sustainability strategy "Factor 3" which aims to triple our resource efficiency by 2030. To ensure continuous progress over that long time period, we also defined specific intermediate targets for five-year intervals.

Factor 3

In 2012, we were named sector leader in the Dow Jones Sustainability Index for the sixth consecutive year and achieved top positions in many other sustainability rankings.

Together, we will make Henkel stronger

In summary, 2012 was a milestone year for Henkel in many aspects. In addition to thanking all employees for their contribution to our success, I would like to extend the special thanks of the entire Management Board to our supervisory bodies. On behalf of Henkel, I thank you, our shareholders, for your continued trust and support. We also thank our customers throughout the world for the confidence they have shown in Henkel, in our brands and in our technologies.

We are committed to continuing our excellent performance and making Henkel an even stronger company.

Düsseldorf, January 28, 2013

Sincerely,

Kasper Rorsted
Chairman of the Management Board

Dear Shareholders and Friends of the Company,

Our company has just ended an extremely successful fiscal 2012. We also managed to reach the financial targets for 2012 that we set for ourselves in 2008. For the first time in the history of our company, we are able to report a year-end adjusted return on sales (EBIT) of 14.1 percent. This is an excellent result, not least in light of the extremely volatile nature of our markets, the political upheavals in the Middle East and North Africa, the debt crisis, and the trend in raw material prices.

I would like to thank all Henkel employees for their untiring commitment, without which we would not have been able to achieve these goals. Thanks are equally due to the members of the Management Board who have steered the company so successfully through these difficult times, and to our employee representatives and Works Councils for their continuous and constructive support in moving our company forward.

"I would like to thank all of our employees for their untiring commitment, without which we would not have been able to achieve our goals."

Last but not least, my thanks go to you, our shareholders, for again placing your confidence in our company last year.

Ongoing dialogue with the Management Board

In fiscal 2012, we again diligently discharged our duties as the Supervisory Board in accordance with the legal statutes, Articles of Association and rules of procedure governing our actions. In particular, we carefully and regularly monitored the work of the Management Board, advising and supporting it in its stewardship, in the strategic further development of the company and in decisions relating to matters of major importance.

Cooperation between the Management Board and the Supervisory Board takes place through extensive dialogue based on mutual trust and confidence. The Management Board kept us fully informed of all major issues affecting the company and its Group companies with prompt, detailed written and oral reports. The Management Board specifically provided explanations of the business situation, operational development, business policy, profitability issues, and our short-term and long-term corporate, financial and personnel planning, as well as capital expenditures and organizational measures. In the course of preparing the quarterly reports, details were given of the sales and profits of Henkel Group as a whole, with further analysis by business sector and region.

Outside Supervisory Board meetings, I as Chairwoman remained in regular contact with the Chairman of the Management Board; this ensured that the Supervisory Board was constantly kept informed of current business developments and major occurrences.

The Supervisory Board and the Audit Committee each held four regular meetings in fiscal 2012. The Supervisory Board also held a separate meeting to discuss future strategic direction and financial targets for 2016.

All of the Supervisory Board members attended the regular meetings; two members were unable to attend the separate meeting. Attendance of the Committee meetings averaged about 88 percent during the year; no Committee member took part in fewer than half the meetings.

There were no conflicts of interest involving Management Board or Supervisory Board members which had to be disclosed to the Supervisory Board and reported to the Annual General Meeting.

Major issues discussed at Supervisory Board meetings

Our consultations focused mainly on strategy issues, and the business performance and activities of both the Group as a whole, and the individual business sectors. Our meeting on March 6,

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

2012 dealt primarily with the approval of the annual and consolidated financial statements for 2011, including the risk report and corporate governance report, the results of our efficiency audit, the 2012 Declaration of Compliance, and our proposals for resolution by the 2012 Annual General Meeting. A detailed report was included in our last Annual Report. We also discussed the euro crisis and the challenges it posed for the company.

The agenda for our meeting on April 16, 2012 included the general performance of the business sectors and, in particular, our global human resources strategy aimed at strengthening our global teams. We focused particularly on issues surrounding the recruitment and development of talented professionals, on our processes for assessing performance and potential, development measures in the emerging markets, measures at the top management level, and encouraging diversity within Henkel.

In addition to discussing our business performance over the first eight months of fiscal 2012, the main focus of discussion at our meeting on September 21, 2012 was the future strategic orientation of Henkel. Based on the megatrends that we had identified, and the impact they would have on Henkel, we discussed the overall strategy of Henkel, the overriding category and regional strategy of our operating business sectors, and the areas of strategic focus of our corporate business sectors. We then discussed details of the enhanced strategy and its implementation at our meeting on November 15, 2012, together with the resulting financial targets for 2016.

Based on comprehensive documentation, we discussed in detail our assets and financial planning for fiscal 2013, the budgets of our business sectors, and our human resource planning at our meeting on December 7, 2012.

Supervisory Board committees

In order to efficiently comply with the duties incumbent upon us according to legal statute and our Articles of Association, we assign certain activities to our Audit Committee and Nominations Committee. The Audit Committee was chaired in the year under review by Dr. Bernhard Walter (until April 16, 2012) and Prof. Dr. Theo Siegert (from April 16, 2012), both of whom comply with the statutory requirements of impartiality and expertise in the fields of accounting and auditing. For more details on the responsibilities and composition of these committees, please refer to the corporate governance report (on pages 25 to 32) and the membership lists on page 167.

Committee activities

The Audit Committee mandated the external auditor, pursuant to the latter's appointment by the 2012 Annual General Meeting, to audit the annual financial statements and the consolidated financial statements for fiscal 2012, and also to review the interim financial reports for fiscal 2012. The audit fee was 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 meetings and resolutions were prepared through the provision of reports and other information by the Management Board. The respective Chairs 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 consolidated Group accounts, including the interim financial reports, with all matters 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 respective reviews and on all 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 scrutinized the accounting process and the efficacy and further development of the internal Group-wide control and risk management system. In addition, the Audit Committee received the status reports of the General Counsel & Chief Compliance Officer and the Head of Internal Audit, and 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.

As part of its remit, the Audit Committee also focused in 2012 on supporting the Supervisory Board in the request for quotations to audit the annual financial statements. After a thorough review of the submitted quotations, the Audit Committee recommended that the Supervisory Board propose to the Annual General Meeting the appointment of KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG), Berlin, to audit the annual financial statements.

At its meeting on February 25, 2013, attended by the auditor, the Audit Committee discussed the annual and consolidated financial statements for fiscal 2012, including the audit reports, the associated proposal for the appropriation of profits, and the risk report, and submitted to the Supervisory Board corresponding proposals for resolution by the Annual General Meeting.

Bearing in mind the outcome of its requests for quotation, the Committee further 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 2013. A declaration from the auditor asserting its independence was again duly received, accompanied by details pertaining to non-audit services rendered in fiscal 2012 and those envisaged for fiscal 2013. 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 also took part as guests in this specifically audit-related meeting of the Audit Committee.

On the basis of the objectives agreed by the Supervisory Board with respect to its future composition, the members of the Nominations Committee made appropriate recommendations in preparation for the resolutions to be formulated by the Supervisory Board and placed before the 2012 Annual General Meeting with respect to the election of shareholder-representative members conducted at this meeting.

Corporate governance and declaration of compliance

The Supervisory Board also discussed issues relating to corporate governance, based on the German Corporate Governance Code (Kodex) as last amended on May 15, 2012. In light of the new Kodex regulation governing the impartiality of the Supervisory Board, in particular, we re-examined our objectives in respect of Supervisory Board composition and came to the conclusion that an appropriate number of the members of our Supervisory Board are independent. Further details on this and Henkel's corporate governance in general can be found in the corporate governance report (on pages 25 to 32), with which we fully acquiesce.

At our meeting on February 26, 2013, 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 for 2013. 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 annual financial statements and management report of Henkel AG & Co. KGaA have been prepared by the Management Board in accordance with the provisions of the German Commercial Code [HGB]. The consolidated financial statements and the Group management report have been prepared by the Management Board in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union, and in accordance with the supplementary German statutory provisions pursuant to Section 315a (1) German Commercial Code [HGB]. The consolidated financial statements in their present form exempt us from the requirement to prepare consolidated financial statements in accordance with German law.

The auditor appointed for 2012 by the last Annual General Meeting – KPMG – has examined the 2012 annual financial statements of Henkel AG & Co. KGaA and the 2012 consolidated financial statements, including the management reports. The annual financial statements and the consolidated financial statements have been issued with an unqualified opinion.

KPMG reports that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of Henkel AG & Co. KGaA in accordance with German generally accepted accounting principles, “Thanks to the great progress we have made and the successful business performance of Henkel, we feel well equipped to face the future, and are confident that we will achieve our new targets.”

and that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in compliance with International Financial Reporting Standards and the supplementary German statutes pursuant to Section 315a (1) HGB.

The annual financial statements and management report, consolidated financial statements and Group 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 26, 2013. This was attended by the auditor, who reported on its main audit findings. We received the audit reports and voiced 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 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. 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 26, 2013, we concurred with the recommendations of the Audit Committee and therefore approved the annual financial statements, the consolidated financial statements and the management reports as prepared by the Management Board.

We also discussed and approved the proposal by the Management Board to pay out of the unappropriated profit of Henkel AG & Co. KGaA a dividend of 0.93 euros per ordinary share and of 0.95 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 company, its medium-term financial and investment planning, and the interests of our shareholders. We consider the proposed dividends to be reasonable and appropriate.

In our meeting on February 26, 2013, we also ratified our proposal for resolution to be presented before the Annual General Meeting relating to the appointment of the external auditor for the next financial 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 management system were also integral to the audit performed by KPMG, which found no cause for reservation. It is 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

The Supervisory and Management Boards underwent a number of changes, some of which were already reported last year.

Effective January 1, 2012, Dr. Martina Seiler joined the Supervisory Board as Senior Staff Representative, replacing Ulf Wentzien, who resigned his seat as of December 31, 2011. In the course of the regular re-election of shareholder representatives to the Supervisory Board by the 2012 Annual General Meeting, Dr. Bernhard Walter, Thomas Manchot and Johann-Christoph Frey have left the Supervisory Board and have been replaced by Béatrice Guillaume-Grabisch, Boris Canessa and Ferdinand Groos. The other shareholder representatives were re-elected. During the constituent meeting, I was elected to the Chair, and Winfried Zander was confirmed as Vice-chair. We also changed the composition of the Audit and Nominations Committees.

In elections held on January 11, 2013, in accordance with the provisions of the Codetermination Act, the following employee representatives were elected, or re-elected, effective as of the close of the Annual General Meeting on April 15, 2013: Jutta Bernicke, Peter Hausmann, Birgit Helten-Kindlein, Mayc Nienhaus, Andrea Pichottka, Dr. Martina Seiler, Edgar Topsch and Winfried Zander.

Effective January 14, 2013, Thierry Paternot resigned his seat on the Supervisory Board for personal reasons.

Effective June 30, 2012, Dr. Lothar Steinebach retired from the Management Board. Carsten Knobel was appointed to the Management Board as new CFO with effect from July 1, 2012. We wish him all the best for the work that lies ahead.

We are sincerely grateful to all former members of the Supervisory and Management Boards, who – in some cases over many years – worked tirelessly in driving Henkel's successful development. Our particular thanks go to Dr. Bernhard Walter, whose extensive experience was so valuable in chairing the Audit Committee, Thierry Paternot for his helpful contribution and analysis, and Dr. Lothar Steinebach, who has retired after more than 30 successful years in the dedicated service of the company.

Even though we achieved success in fiscal 2012 and reached our financial targets, we expect both 2013 and the years that lie ahead to pose further challenges for all of our employees and the management at Henkel. Thanks to the great progress we have made and the successful business performance of Henkel, however, we feel well equipped to face the future, and are confident that we will achieve our new targets.

We thank you for your ongoing trust and support.

Düsseldorf, February 26, 2013

On behalf of the Supervisory Board

Simone Bagel-Trah

Dr. Simone Bagel-Trah
(Chairwoman)


Yokohama


Istanbul


Moscow


Mumbai

Bridgewater, USA

Introducing our new strategy

In November 2012, we introduced our new strategy for 2016: “We will outperform our competition as a globalized company with simplified operations and a highly inspired team!”


London


Dubai


Scottsdale, USA

Our new strategy is built on the foundation of our corporate values and will drive our successful development in the coming years in order to achieve our long-term vision for Henkel: to become a global leader in brands and technologies.

The basis for our new strategy was a detailed analysis of major long-term market trends. We identified three megatrends which will affect our different businesses over the next years: consolidation, emerging markets and speed.

- Consolidation in our supplier, manufacturer and customer base as well as in our competitive environment will continue. Size will become a critical success factor in the future. Consequently, we need to grow our businesses.
- We expect the shift of growth from mature to emerging markets to continue. As a result, we need to expand our already strong footprint in these markets over the coming years.
- We anticipate highly dynamic market evolution, and faster decision-making by suppliers, customers and competitors. In addition, further digitalization will lead to changes in our market environment. We therefore need to continue simplifying our processes and increasing our operational excellence.

Financial targets 2016

We have defined ambitious financial targets for our company. By 2016, Henkel aims to grow sales to 20 billion euros, of which 10 billion euros will come from emerging markets. For adjusted earnings per preferred share (EPS), Henkel targets a compound annual growth rate (CAGR) of 10 percent between now and 2016.

These financial targets are based on organic growth, including continuous portfolio optimization, i.e. small and mid-sized acquisitions as well as divestment or discontinuation of non-strategic activities. Potential major acquisitions or divestments are not built into our financial targets.

Introducing our strategy – around the world

In order to steer the focus of the entire organization toward our new strategy and ensure its successful implementation, we have defined four strategic priorities:
Outperform – Globalize – Simplify – Inspire.

We made substantial efforts to inform all Henkel employees around the world immediately after the announcement of our new strategy. We presented and discussed our strategy, targets and priorities in detail with employees in more than 50 townhall meetings around the world – more than half of these townhall meetings were led by a member of the Management Board.

Our new strategy is complemented by our long-term sustainability strategy, which we announced at the beginning of 2012: by 2030, we aim to triple our resource efficiency ("Factor 3"). In order to make continuous progress toward this ambitious target, we defined intermediate targets at five-year intervals.

Our strategic framework

Vision	A global leader in brands and technologies				
Values	Customers	People	Financials	Sustainability	Family
Strategy	Outperform	Globalize	Simplify	Inspire	
Targets	20 bn € sales	10 bn € emerging markets sales	10 % EPS CAGR[1]		

Including continuous portfolio optimization.

[1] Adjusted earnings per preferred share; CAGR: Compound Annual Growth Rate.

Leverage potential in categories

Successful roll-out: our new Persil Duo-Caps

The innovative Persil Duo-Caps is one of the great success stories for our Laundry & Home Care business in 2012. The pre-dosed concentrated liquid detergent can be put directly into the washing machine drum. The dual-chamber technology of Persil Duo-Caps, first introduced by Henkel, combines the Persil brightness formula in the green chamber with a powerful active stain remover in the blue chamber.

Introduced in more than 20 countries so far, Persil Duo-Caps meets the demand of consumers all over Europe for easy-to-use pre-dosed detergent pouches, while delivering superior performance compared to its competition. Since its introduction, Persil Duo-Caps has exceeded targeted sales thanks to its clear advantage for consumers and its unique selling proposition compared to other detergent pouches on the market.

Photo: Ukraine is one of the markets in our defined growth regions. Alyona Nesterenko, Regional Key Account Manager, explains the advantages of the new Persil Duo-Caps to a consumer during a special launch promotion in a supermarket in Kiev.

"Outperform" is the first of our four new strategic priorities. We want to leverage the full potential in our product categories in order to gain market shares and thus to outperform our competition by:

- actively managing our portfolio,
- strengthening our top brands,
- launching powerful innovations, and
- focusing on our customers and consumers.

To capture the potential for accelerated growth and increased profitability in our categories, we have segmented them into three clusters:

Core, growth and value

In our core categories, we will continue to invest in strengthening and expanding our leading positions. In our growth categories, investments will fuel disproportionately high growth of existing and new segments. In our value categories, investments will be tailored to maximize our profit potential.

The acquisition of the pressure sensitive adhesives (PSA) product range from Cytec Industries Inc. in August 2012 demonstrates how we actively manage our product portfolio. It has strengthened our existing high-performance industrial adhesives business and thus offers added value to our customers.

Strengthening our brands

We will continue to focus on our top brands such as Persil, Schwarzkopf or Loctite while further consolidating our brand portfolio. By 2016, our top 10 brands are expected to generate approximately 60 percent of total sales (2012: 44 percent). To achieve this, we will expand our global brands and support our top brands with strong innovations and focused marketing investments. This has been proven with the successful international roll-out of innovative consumer products such as Persil Duo-Caps (see left page) or Gliss Kur Oil Elixir (see below).

Innovation and customer focus

A consistent innovation process, driving trend-based innovations that are developed to meet the individual needs of our customers and consumers, will help us to reinforce our innovation leadership. By capitalizing on sustainability and on trends such as accessible luxury or convenience, we will ensure that our products remain highly attractive and relevant for our customers and consumers.

To move our innovation capabilities closer to the growing consumer base in emerging markets, we will open seven research and development sites in these markets, for example in India, South Africa and Brazil. Our focus on customers and consumers will be strengthened through targeted customer relationship management programs and initiatives.

To understand and assess consumer needs in depth and to identify which shopper attitudes drive purchasing behavior, we conduct shopper studies in our branded goods businesses. These insights benefit our strong relationships with key retail customers, helping them to optimize their offer to their specific "shoppers." Examples of how we are leveraging consumer insights and proximity on both a global and local level are the shopper studies conducted by our Laundry & Home Care and Beauty Care businesses.

A true success story: Gliss Kur Oil Elixir

With the first retail oil treatment, Schwarzkopf has once again defined a benchmark as innovation leader. The elixir formula with precious oils nourishes and tangibly smoothens each hair fiber. It has been rolled out in almost all Gliss Kur markets and has a market share of 2.9 percent in Germany.

From left: Saskia Schmaus, International Marketing Manager Gliss Kur Family, Dr. Elisabeth Poppe, Corporate Director Research and Development Hair Care, and Dr. Martin Andree, Corporate Vice President International Marketing Hair Care, discuss the latest laboratory results.

Globalize

Focus on regions with high potential

New adhesives factory in China: leveraging our global strengths

Henkel Adhesive Technologies is the global market leader in adhesives, sealants and surface treatments. We serve customers in a broad range of industries, as well as craftsmen and consumers, with our well-balanced portfolio and global setup.

We develop and specialize our solutions in close cooperation with our industrial customers. Our site in Irvine, California, USA, for example, is located in close proximity to our customers' design centers, enabling testing and engineering to operate in close alignment with our Electronics business customers. Since our customers' manufacturing sites are often located in emerging markets such as Asia, we need to produce our solutions close to them and use our technical expertise to ensure successful integration "on site."

In keeping with our strategy of expanding our position in growth regions, we are building our new adhesives factory in Shanghai, China. The facility will start production in mid 2013. It will be one of our main manufacturing bases in Asia-Pacific and our largest adhesives factory in the world with an estimated annual production of 428,000 metric tons.

Photo: In our new factory, Sharpin Zou (right), Plant Manager, and Vincent Wang, Instrumentation and Control Supervisor, discuss the installation of the hotmelt production unit in the new plant.

"Globalize," the second of our four strategic priorities, describes our differentiated regional strategies to grasp growth opportunities around the world.

Leverage strengths in mature markets and expand in emerging markets

In mature markets, we will leverage our strengths and generate profitable growth by increasing our brand investments and maintaining our cost focus. By 2016, we aim to gain more top positions in these markets with our strong brands, while increasing profitability.

In emerging markets, we will expand our existing category positions and accelerate growth in countries where we already have a strong presence. We will also selectively enter new growth markets where we do not have a foothold yet.

By 2012, emerging markets already accounted for 43 percent of our total sales, and around 55 percent of our employees worked there. By 2016, sales in emerging markets are targeted to grow to 10 billion euros. By then, 12 out of Henkel's top 20 countries in terms of sales are expected to be emerging markets.

As part of our overall strategy to expand our capacities in the emerging markets, for example, we built a new adhesives factory in Shanghai, which will start production in 2013 (see left). It will enable us to meet the rapidly growing demand in the Asia-Pacific region.

We develop and specialize our products and solutions in close cooperation with our customers. Therefore, our Adhesive Technologies research and development centers will continue to be located around the world.

Speed and efficiency

We are strengthening our global presence continuously. One example is our Beauty Care Asia-Pacific logistics hub in Thailand, which was opened in November 2012. It will serve as a platform to enable future growth in the Asia-Pacific region (see below).

As a globalized company, we are able to bring top innovations to our markets faster and more successfully than our competition. In less than 18 months, we rolled out our latest toilet care innovation – the "Power Aktiv" rim block, launched under the Bref and WC Frisch brands – in over 40 countries. Key factors that contributed immensely to this successful and accelerated worldwide launch were a customer-relevant innovation based on our global consumer insights, a powerful formula that meets our customers' performance expectations as well as our sustainability requirements, and highly committed marketing and sales teams who turned a global innovation into local success stories.

New Beauty Care logistics hub for Asia-Pacific

To enable further profitable growth in Asia-Pacific, we opened a new logistics hub in Thailand in November 2012. By consolidating shipments from Germany and products manufactured locally, the hub will serve Henkel locations across the Asia-Pacific region more efficiently. The hub is expected to produce significant improvements in supply chain performance by reducing lead time to market, optimizing inventory levels and reducing logistics costs. Bernd Bunje (middle), Head of Supply Chain South East Asia and India, Tripang U-Nontakarn, Chief Financial Officer Henkel Thailand, and Tammo Sassen, Plant Manager Yamahatsu (Thailand) Co., Ltd., attended the opening ceremony of the facility.

Simplify

Drive operational excellence

Shared services: supporting customer services

In 2012, we started to transfer administrative customer service tasks in local markets to our Shared Service Center in Bratislava (Slovakia). By concentrating the customer service support activities of our consumer businesses in the shared service center, we successfully combined local customer expertise and efficient global processes.

The support teams in the countries now have more time to serve their customers, while the support team in the shared service center efficiently manages back office processes, such as manual order entries, invoicing or claims.

By the end of 2012, around 110 employees in Bratislava were supporting their colleagues in 14 Western European countries. Clear improvements, such as faster response times, are already visible in different areas; additional benefits from this standardized and integrated approach are expected.

Photo: The customer service support management team in Bratislava reviews the results of the recent migrations and discusses how best practice can be shared across countries. This is part of a constant review dedicated to end-to-end process optimization. From left: Marek Schmidt, Customer Service Support Manager Beauty Care, Michelle Anthony, Customer Service Support Manager Adhesive Technologies, and Alen Hope, Process Manager Order To Cash (OTC).

"Simplify" is the strategic priority which summarizes our ongoing improvement of global processes. We will continuously drive our operational excellence by making our processes faster and more standardized, focusing on cost-efficiency as well as end-to-end optimization.

Extending shared services: new hubs, more business processes

We will extend our existing shared services by increasing the number of processes handled in shared service centers. To expand the global coverage of these centers, we will open two new hubs for the Arabic-speaking region and Greater China/North East Asia in addition to our existing four centers in Bratislava (Slovakia), Manila (Philippines), Mexico City (Mexico) and Bangalore (India). The number of employees in the shared service centers is expected to grow from around 1,500 by the end of 2012 to more than 3,000 in 2016.

Integrated IT platform

In addition to shared services, a stronger focus on information technology (IT) will be critical to increasing the efficiency of our business processes. We will leverage an integrated global process platform supported by significant additional IT investments. Out of 2,200 existing processes, around 800 have been identified as global standard processes to be deployed in all regions and businesses. In 2012, the pilot implementation in Switzerland and the first wave of six Asian countries already confirmed the advantages of this transformational IT program: more transparency, more standardization and real-time global management across all business units. Thanks to end-to-end process harmonization, our shared service centers will deliver their services even more efficiently, as the data they need to handle their processes will be more standardized in the future.

Increased efficiency: driving value generation

We aim to increase our efficiency by sourcing via global hubs, expanding e-sourcing and reducing the number of suppliers globally by around 40 percent by 2016. We will improve our structural costs and optimize our global manufacturing footprint on an ongoing basis. In addition, we seek to keep our net working capital, expressed as a proportion of sales, at the low level already achieved. All initiatives will accelerate our strong free cash flow generation, increasing our capacity for future investments.

Global process harmonization

Our global IT process harmonization program aims at increasing the efficiency of our business processes by standardizing and reducing the overall number of processes. This will result in more transparency and enable real-time management on a global scale.

In order to ensure the successful implementation of this ambitious program, regular cross-regional team meetings take place, supported by telepresence video conferencing, which allow for virtual meetings with a "real life" touch.

From left: Program coordinator Klemens Preussing in Düsseldorf and his colleagues Bart Kerkman in Scottsdale, USA, Mikhail Gordeev and Raphaela Goth in Vienna, Austria, and Lee-Win Ding in Shanghai, China.

Inspire

Strengthen our global team

Beauty Care Lighthouse: inspiration for employees and customers

In September 2012, the Beauty Care Lighthouse was opened in Düsseldorf, Germany. It reflects our ambition to be the leading beauty partner and offers an exceptional experience of Beauty Care's innovation power.

Designed as an innovative and future-oriented forum for customers, employees and investors, the Lighthouse also serves as a major source of inspiration.

With cutting-edge technology and live demonstrations, every visitor can gain valuable insights into Henkel Beauty Care's core competencies: innovation, digital advisory, point-of-sale marketing, research and development as well as sustainability. The focus of the new Henkel Beauty Care Lighthouse: experience the world of beauty – first hand and up close.

Photo: The Lighthouse management has created a unique customer experience, and an inspirational space for our customers, our employees and investors (from right to left): Michael Kellner, Corporate Vice President International Marketing Body Care, Esther Kumpan-Bahrami, Director Special Projects, Xenia Barth, Director Marketing Retail Germany, and Katharina van Betteray, Beauty Care Lighthouse Manager.

"Inspire" is the strategic priority which describes our clear commitment to strengthen our global team. We will focus on three areas: Leadership, Talents & Performance, and Diversity.

Developing strong leaders

As part of our focus on developing strong leaders, we have defined new leadership principles which will provide guidance on how to manage the complexity of leadership roles and inspire our global teams. We introduced these new leadership principles to our top management in November 2012 prior to the global roll-out in 2013. They will be an integral part of the evaluation and development of our leaders. With the new Leadership Development series, for example, a mandatory training program for all people managers, we support them from their first operational leadership tasks up to advanced, strategically relevant leadership responsibilities.

Talents & Performance

To attract and retain talents globally, we will strengthen our employer brand and continue to concentrate on making Henkel a highly attractive employer. This includes competitive compensation and reward programs that are strongly linked to performance, as well as attractive career development opportunities in different businesses, offering international experience and participation in challenging projects (see left page).

Managing diversity as a competitive asset

As a diverse employee base with different cultural and professional backgrounds provides a competitive advantage, we promote diversity by actively managing the dimensions of nationality, age, and gender. We strive to increase the international composition of our teams, leverage the experience of our senior colleagues and systematically support female career development, while at the same time providing the right infrastructure in terms of flexible working models.

In 2012, we reinforced the importance of flexible work arrangements for both employees and the company. All Board Members and our top management have demonstrated their strong commitment to flexible working and a culture of performance orientation at Henkel by signing our "Charter of Work-Life Flexibility." This Charter has provided the framework for developing individual solutions for employees around the world, enabling them to better balance their individual situation and the requirements related to their role at Henkel through increased flexibility (see below).

Flexible work arrangements: enabling a better work-life balance

One or two days each week, Henkel IT analyst João Alves works from his home office, saving four hours of commuting between his home and the Henkel office in São Paulo, Brazil.

After a severe health issue, he reviewed his work assignments together with his line manager, Adriana Bianca, and they agreed on a home office solution for him.

This flexible working arrangement helped João Alves not only to significantly increase his productivity but also to better balance his professional and private life.

Our 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

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

Group 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 / Corporate management report

The German Corporate Governance Code (Kodex) was introduced in order to promote confidence in the management and oversight of listed German corporations. It sets out the internationally recognized regulations and standards of responsible corporate management applicable in Germany. The Kodex, which is aligned to the statutory provisions applicable to a German joint stock corporation ("Aktiengesellschaft" [AG]), is applied analogously by Henkel AG & Co. KGaA. For a better understanding of Henkel's legal structure, 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 shareholder rights of Henkel AG & Co. KGaA are explained as well. The report takes into account the recommendations of the Kodex 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 legal entity in which at least one partner assumes unlimited liability in respect of the company's creditors (i.e. personally liable partner). The other partners' liability is limited to their shares in the capital stock and 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 focus in stock corporation law. The difference with respect to an AG is 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 Article 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. Additionally, it votes on the adoption of the annual financial statements of the corporation and formally approves the actions of the Personally Liable Partner(s). In the case of Henkel, it also elects and approves the actions of the members of the Shareholders' Committee. Resolutions passed in General Meeting require the approval of the Personally Liable Partner 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 the 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 ten members, all of whom are elected by the General Meeting (Article 27 of the Articles of Association).

The Shareholders' Committee is required in particular to perform the following functions:

- It acts in place of the 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 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 (Section 278 (2) AktG in conjunction with Sections 114 and 161 HGB and Articles 8, 9 and 26 of the Articles of Association).

Capital stock denominations / Shareholder rights

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: 259,795,875 euros or 59.3 percent) and 178,162,875 are preferred bearer shares (nominal proportion of capital stock: 178,162,875 euros or 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. The preferred shares grant to their holders all shareholder rights apart from the right to vote. Unless otherwise resolved in the Annual General Meeting, the unappropriated profit attributable to shareholders of Henkel AG & Co. KGaA is distributed as follows: first, the holders of preferred shares receive a preferred dividend in the amount of 0.04 euros per preferred share. The holders of ordinary shares then receive a preliminary dividend 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 (Art. 35 (2) of the Articles of Association). 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 control rights.

The shareholders exercise their rights in the 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 – either personally, by postal vote, through a legal representative or through a proxy-holder nominated by the company – and are also entitled to speak on agenda items and raise pertinent questions and motions.

Unless otherwise mandated by statute or the Articles of Association, the resolutions of the 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).

Approved capital / Share buy-back

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, subject to the approval of the Supervisory Board and of the Shareholders' Committee, to increase the capital stock of the corporation in one or several acts until April 18, 2015, by up to a total of 25,600,000 euros through the issue for cash of new preferred shares with no voting rights. All shareholders are essentially assigned pre-emptive rights. However, these may be set aside in three cases: (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/bond-holders 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 18, 2015, 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 in entities. Treasury stock 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 further resolution being required in General Meeting.

Shares may be issued or used to the exclusion of pre-emptive rights; the proportion of capital stock represented by such shares shall not exceed 10 percent.

Restrictions with respect to voting rights or the transfer of shares

Henkel preferred shares acquired by employees through the employee share program are subject to a company-imposed lock-up period of three years during which the shares may not be sold. The lock-up period begins on the first day of the respective participation period.

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 annual variable remuneration. (For additional information, please see the remuneration report on pages 33 to 41.)

Major shareholders

According to notifications received by the corporation on December 13, 2012, a total of 53.65 percent of the voting rights are held by members of the Henkel family share-pooling agreement. This agreement was concluded between members of the families of the descendants of company founder Fritz Henkel; it contains restrictions with respect to transfers of the ordinary shares covered (Art. 7 of the Articles of Association).

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.

Interaction between Management Board, Supervisory Board, Shareholders' Committee and other committees

The Management Board of Henkel Management AG (Management Board), which is responsible for management of the overall business including planning, coordination, allocation of resources and financial control/risk management, works closely with the Supervisory Board and the Shareholders' Committee for the benefit of the corporation.

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.

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

In keeping with good corporate management practice, 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 its major affiliated companies, and also matters relating to risk exposure and risk management.

53.65 %
of voting rights held by members of the Henkel family share-pooling agreement.

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 operational results of the company. 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 General Meeting.

The Shareholders' Committee reaches its decisions by a simple majority of the votes cast. It has established a Finance Subcommittee and a Human Resources Subcommittee, each of which comprises of five 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 company. It also performs the necessary preparatory work for decisions to be made by the Shareholders' Committee in situations where decision authority has not been delegated to it.

The Human Resources Subcommittee deals primarily with personnel matters relating to members of the Management Board, 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 situations where decision authority has not been delegated to it. The committee also addresses issues concerned with succession planning and management potential within the individual business sectors, taking into account relevant diversity aspects.

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 also reviews the annual financial statements of Henkel AG & Co. KGaA and the consolidated financial statements, taking into account the audit reports submitted by the auditor. It further 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 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 Supervisory Board. The Chairperson of the Audit Committee is elected based on a proposal of the shareholder representative members on the Supervisory Board. It is a statutory requirement that the Audit Committee includes an independent member of the Supervisory Board with expertise in the fields of accounting and auditing. The Chairpersons of the Audit Committee in 2012, Dr. Bernhard Walter and Prof. Dr. Theo Siegert, who are not Chairpersons of the Supervisory Board nor present or former members of the Management Board, satisfy 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 decides on the audit fee 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. 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, as well as being involved in compliance issues. It also 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 shareholder representatives on the Supervisory Board. 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 of the Supervisory Board (representatives of the shareholders).

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.

Pursuant to the German Corporate Governance Code (Kodex), 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 more than just temporary 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 member in question.

For more details on the composition of the Management Board, the Supervisory Board and the Shareholders' Committee or the (sub)committees established by the Supervisory Board and Shareholders' Committee, please refer to pages 166 to 169. Details of compensation can be found in the remuneration report on pages 33 to 41.

Objectives regarding Supervisory Board composition

Based on the revised version of the German Corporate Governance Code (Kodex) as of May 15, 2012, the Supervisory Board updated the objectives for its composition which had been established in view of the specific situation of the corporation in fiscal 2010. 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/technology, and marketing/sales/distribution, as is knowledge of the industrial or consumer business in 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. Here, a proportion of 30 percent is essentially regarded as appropriate. Efforts will therefore be made to maintain or, if possible, increase this proportion for upcoming new and ad-hoc replacement elections.
- 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 significant conflicts of interest which are not of a temporary nature. Assuming that the pure exercise of their Supervisory Board mandate by the employee representatives does not give rise to doubts as to whether the independence criteria as defined by item 5.4.2 of the Kodex are fulfilled, the Supervisory Board should include at least 13 members who are independent as defined by the Kodex. 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. Further, 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.

Objectives attainment status

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

Around 38 %
Supervisory Board membership female.

Currently, six of the 16 Supervisory Board members are women, a ratio of around 38 percent. Following the election under the provisions of the German Codetermination Act held on January 11, 2013 of the employee representatives to the Supervisory Board, who will begin their term of office as of the close of the Annual General Meeting on April 15, 2013, the ratio of women on the Supervisory Board will continue to be around 38 percent.

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 which are not of a 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.

Transparency / Communications

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, with all stakeholders being treated equally. All such information is also promptly made available on the internet.

Up-to-the-minute information is also incorporated in the regular financial reporting undertaken by the corporation. The dates of the major recurring publications, including 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 company'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 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.

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 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 likewise 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.

Principles of corporate management / 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 the 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, 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 company to be successful, it is essential that we share a common approach to entrepreneurship. The company's vision provides its 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 its employees not only to respect the company'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 company does business. The Management Board has therefore issued a series of Group-wide codes, standards and guidelines with binding precepts. These regulatory instruments are regularly 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 define the scope of responsibilities for managers. The Code of Corporate Sustainability describes the principles that drive our sustainable, socially responsible approach to business. These codes also enable Henkel to meet the commitments derived from the United Nations Global Compact.

Ensuring compliance in the sense of obeying laws and adhering to 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 supports the corporation in the further development and implementation of the associated standards.

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 through the locally or regionally responsible presidents to the Corporate Compliance Office and/or the General Counsel & CCO. The General Counsel & CCO reports regularly to the Management Board and also 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 adopted 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 the fields of safety, health and the environment, 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 of the law. 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 company 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 kept, listing the people involved.

For further information on corporate governance and the principles guiding our corporate stewardship, please go to our website at www.henkel.com/ir

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 German Corporate Governance Code (Kodex), as amended, with one exception: in order to protect the legitimate interests and privacy of the members of the corporate management bodies who are also members of the Henkel family, their shareholdings are not disclosed unless required by law. The Kodex 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: 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 company. The members of the Management Board together hold less than one percent of the shares issued by the company.

Henkel also complies with all the suggestions ("may/should" provisions) of the Kodex 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 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

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.

This remuneration report takes into account the recommendations of the German Corporate Governance Code and contains all the disclosures and explanations required pursuant to Section 285 sentence 1 no. 9, Section 289 (2) no. 5, Section 314 (1) no. 6 and Section 315 (2) no. 4 of the German Commercial Code [HGB]. The associated information has not therefore been additionally disclosed in the notes to the consolidated financial statements at the end of this Annual Report.

1. Remuneration of the Management Board

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 for the Management Board. In consideration of management board compensation trends among the DAX 30 listed companies, since the last remuneration adjustment in 2009, it raised the fixed remuneration for ordinary members of the Management Board from 642,000 euros to 700,000 euros per year, effective from fiscal year 2012 onward. Accordingly – and assuming similarity of the areas of responsibility – ordinary members of the Management Board receive total annual compensation (excluding other ancillary emoluments and pension entitlements) of around 2.3 million euros if they fully meet all of their performance targets (= "at target"). Of this compensation, the fixed remuneration accounts for around 30 percent, annual variable remuneration for some 60 percent, and long-term incentive for about 10 percent. Taking into account the own investment of about 40 percent that members must make from the annual variable remuneration, around 35 percent is therefore short-term performance-related and a further 35 percent is aligned to components of a long-term performance-related nature. 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 ("at target")

Fixed salary: 30 percent	Short-term components: 35 percent	Long-term components: 35 percent
	35 percentage points from variable annual remuneration (cash component)	25 percentage points from variable annual remuneration (own investment in Henkel preferred shares)
		10 percentage points in long-term incentive

The components in detail:

Fixed salary

Assuming similarity of the areas of responsibility, each ordinary member of the Management Board receives a non-performance-related fixed salary of 700,000 euros per year, which is paid in twelve monthly installments. The amount paid reflects the function and responsibilities of the position, and market conditions.

Variable annual remuneration

The variable annual remuneration is made up of annual performance-related components which account for around 60 percent of the target compensation amount, and a long-term variable incentive which accounts for around 40 percent of the target compensation amount and takes the form of an investment by the recipient (own investment) in Henkel preferred shares with a minimum vesting period of three years.

Determination of variable annual remuneration

The performance criteria governing the variable annual remuneration are primarily return on capital employed (ROCE) and earnings per preferred share (EPS) in the relevant fiscal year, adjusted in each case for exceptional items. The application of these performance parameters ensures that profitable growth is duly rewarded by Henkel. Further factors used in establishing the variable annual remuneration payable to the Management Board members are: the Group results and the results of the relevant department, the quality of management demonstrated in those departments, and the individual contribution made by the Management Board member concerned.

In determining the variable annual remuneration, the Supervisory Board of Henkel Management AG also takes into due account the apparent sustainability of the economic performance, and the performance levels of the Management Board members.

Variable annual remuneration is also subject to an overall cap, with the result that the amount paid may only range between 0 and 230 percent of the “at target” amount.

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

The variable annual remuneration is paid annually in arrears once the corporation’s annual financial statements have been approved by the Annual General Meeting. The full amount of variable annual remuneration is paid in cash, of which the recipients can dispose of about 60 percent as they wish. The members of the Management Board invest the remaining amount corresponding to about 40 percent in Henkel preferred shares (own investment), which they purchase on the stock exchange at the price prevailing at the time of acquisition. 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 third year following the own investment. This own investment 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 achieved. 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 amounts included in 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 long-term incentive is also subject to an overall cap, with the result that the amount paid may only range between 0 percent and 230 percent of the “at target” amount.

Pension benefits

The retirement pension for members joining the Management Board of the former Henkel KGaA before January 1, 2005, amounts to a certain percentage of the last paid fixed remuneration (defined benefit).

Effective January 1, 2005, we changed the pension entitlement for new members of the Management Board to a defined contribution scheme. Once a covered event occurs, the beneficiaries receive a superannuation lump-sum payment combined with a continuing basic annuity. The superannuation lump-sum payment comprises the total of annual contributions calculated on the basis of a certain percentage of the “at target” compensation amount, this percentage being the same for all members of the Management Board. The annual contributions depend to a certain degree on changes in the cash compensation (fixed remuneration plus variable annual remuneration) paid in the fiscal year in question. Any vested pension rights earned within the corporation prior to the executive's joining the Management Board are taken into account as start-up units. The defined contribution pension system ensures an appropriate, performance-based retirement pension.

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 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. In addition, the executive's surviving spouse receives pension payments amounting to 60 percent and each dependent child benefit payments amounting to 15 percent of the executive's pension entitlement – up to a maximum of 100 percent for all beneficiaries. The surviving child's benefit is generally paid until the child's 18th birthday or until completion of their professional training, but only up to their 27th birthday.

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

Other provisions
In the event of retirement or death of members of the Management Board who were first appointed prior to 2009, they are entitled to continued payment of compensation for a further six months, but not beyond their 65th birthday. In the event of death, the payments are made to the spouse or entitled dependent children.

In the event of a member's position on the Management Board being terminated without good cause or reason, the executive contract provides for a severance settlement amounting to the remuneration for the remaining contractual term 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 no more than two years' compensation.

In addition, the executive contracts include a post-contractual non-competition clause with a term of up to two years. The associated discretionary payment can be up to 50 percent of annual compensation after allowing for any severance payments. Equally, 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 ten percent or more. No entitlements exist in the event of premature termination of executive duties resulting from a change in control.

The corporation maintains directors and officers insurance (D&O insurance) for directors, officers and employees of the Henkel Group, which also covers members of the Management Board. For members of the Management Board 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.

Structure of Management Board remuneration

in euros		Fixed salary	Short-term components of variable annual remuneration	Long-term remuneration components: Long-term components of variable annual remuneration	Long-term remuneration components: Long-term incentive	Other emoluments	Total remuneration
Total	**2012**	**4,445,000**	**10,707,036**	**7,138,024**	**1,539,250**	**194,616**	**24,023,926**
		18.5%	*44.6%*	*29.7%*	*6.4%*	*0.8%*	***100.0%***
Total	2011	3,774,500	7,854,368	5,236,245	1,258,142	223,936	18,347,191
		20.6%	*42.8%*	*28.5%*	*6.9%*	*1.2%*	*100.0%*

Remuneration for 2012

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, including the cumulative savings reserve for the Special Incentive 2012, amounted to 25,309,802 euros (previous year: 21,992,191 euros). Of the total cash emoluments of 22,484,676 euros (previous year: 17,089,049 euros) paid or payable in respect of 2012, fixed salaries accounted for 4,445,000 euros (previous year: 3,774,500 euros), annual variable remuneration 17,845,060 euros (previous year: 13,090,613 euros), and other emoluments 194,616 euros (previous year: 223,936 euros).

Also included in the total compensation is the long-term incentive granted for 2012 which – depending on the achievement of the performance targets – will only become payable in 2015. It is a legal requirement that a value be disclosed in the year of grant. This value is determined on the basis of an “at target” calculation, i.e., assuming the achievement of an increase in EPS over the performance period of 30 percent, giving an imputed amount of 1,539,250 euros (previous year: 1,258,142 euros).

The following table shows the remuneration paid to the individual members of the Management Board in the year under review, broken down into the aforementioned components:

Management Board remuneration

in euros		Cash components: Fixed salary	Cash components: Variable annual remuneration	Cash components: Other emoluments	Total cash emoluments	Value of long-term incentive[1]	Total remuneration
Kasper Rorsted	**2012**	**1,050,000**	**4,659,939**	**66,015**	**5,775,954**	**399,500**	**6,175,454**
	2011	*963,000*	*3,423,549*	*87,391*	*4,473,940*	*321,000*	*4,794,940*
Jan-Dirk Auris	**2012**	**700,000**	**2,708,788**	**20,266**	**3,429,054**	**235,000**	**3,664,054**
	2011	*642,000*	*2,199,033*	*57,189*	*2,898,222*	*214,000*	*3,112,222*
Carsten Knobel (since 7/1/2012)	**2012**	**350,000**	**1,334,394**	**9,827**	**1,694,221**	**117,500**	**1,811,721**
	2011	–	–	–	–	–	–
Kathrin Menges (since 10/1/2011)	**2012**	**595,000**	**2,369,969**	**15,418**	**2,980,387**	**199,750**	**3,180,137**
	2011	*136,500*	*482,669*	*3,033*	*622,202*	*45,475*	*667,677*
Bruno Piacenza	**2012**	**700,000**	**2,708,788**	**34,844**	**3,443,632**	**235,000**	**3,678,632**
	2011	*642,000*	*2,199,033*	*28,472*	*2,869,505*	*214,000*	*3,083,505*
Dr. Friedrich Stara (until 2/28/2011)	**2012**	–	–	–	–	–	–
	2011	*107,000*	*308,263*	*2,466*	*417,729*	*35,667*	*453,396*
Dr. Lothar Steinebach[2] (until 6/30/2012)	**2012**	**350,000**	**1,354,394**	**21,756**	**1,726,150**	**117,500**	**1,843,650**
	2011	*642,000*	*2,239,033*	*24,327*	*2,905,360*	*214,000*	*3,119,360*
Hans Van Bylen	**2012**	**700,000**	**2,708,788**	**26,490**	**3,435,278**	**235,000**	**3,670,278**
	2011	*642,000*	*2,239,033*	*21,058*	*2,902,091*	*214,000*	*3,116,091*
Total	**2012**	**4,445,000**	**17,845,060**	**194,616**	**22,484,676**	**1,539,250**	**24,023,926**
	2011	*3,774,500*	*13,090,613*	*223,936*	*17,089,049*	*1,258,142*	*18,347,191*

[1] 2012 LTI payout in 2015; these figures will only be attained in the event that the adjusted earnings per preferred share increase by 30 percent in the performance period.
[2] Dr. Steinebach received total payment of 1,704,394 euros in fixed remuneration and annual variable remuneration for a period of six months following departure.

No member of the Management Board was granted by the company non-standard benefits in the event of 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 year under review.

Special Incentive 2012

In order to underpin Henkel's strategic priorities and the ambitious 2012 financial targets announced in this regard, the Supervisory Board of Henkel Management AG, in consultation with and on the recommendation of the Human Resources Subcommittee of the Shareholders' Committee, resolved in 2010 that an additional cash bonus should be payable to the members of the Management Board on the condition that the adjusted return on sales for 2012 is at least 14 percent (Special Incentive 2012). The target was achieved. The volume of the Special Incentive 2012 is 50 percent of the variable annual remuneration for 2012.

Following the 2013 Annual General Meeting, 60 percent of the Special Incentive will be paid out. The remaining 40 percent will be paid out following the 2014 AGM provided that, in 2013, the adjusted return on sales achieved amounts to at least 13.8 percent. These sequential payments adequately satisfy the criterion of sustainability.

Special Incentive 2012

in euros	Addition to savings reserve 2012	Total amount	Payment in 2013	Payment in 2014[1]
Kasper Rorsted	529,969	2,329,969	1,397,981	931,988
Jan-Dirk Auris (since 1/1/2011)	102,929	902,929	541,757	361,172
Carsten Knobel (since 7/1/2012)	222,399	222,399	133,439	88,960
Kathrin Menges (since 10/1/2011)	68,744	493,744	296,246	197,498
Bruno Piacenza (since 1/1/2011)	102,929	902,929	541,757	361,172
Dr. Friedrich Stara (until 2/28/2011)	– 24,150	442,517	265,510	177,007
Dr. Lothar Steinebach (until 6/30/2012)	128,662	1,128,662	677,197	451,465
Hans Van Bylen	154,394	1,354,394	812,636	541,758
Total	1,285,876	7,777,543	4,666,523	3,111,020

[1] Payment is conditional upon achievement of an adjusted return on sales (EBIT) of at least 13.8 percent in 2013.

Pension benefits

The pension benefits accruing to the members of the Management Board and the former management of Henkel KGaA as of the reporting date, and contributions to the pension scheme made in 2012, are shown in the tables on the following page.

Defined benefit pension

in euros	Retirement pension p.a. on onset of pension as of reporting date	Change in pension provisions for 2012
Dr. Lothar Steinebach (until 6/30/2012)	434,000	1,895,208

Defined contribution pension

	Superannuation lump sum		Basic annuity	
in euros	Total lump sum	Addition to lump sum 2012	Total basic annuity (p.a.)	Addition to basic annuity 2012
Kasper Rorsted	3,139,020	648,720	1,833	152
Jan-Dirk Auris	495,900	391,680	421	192
Carsten Knobel (since 7/1/2012)	57,240	57,240	100	100
Kathrin Menges	364,815	343,080	212	164
Bruno Piacenza	495,900	391,680	372	171
Hans Van Bylen	2,222,594	391,680	1,674	146

Provisions for pension obligations for former members of the Management Board and the management of Henkel KGaA and former Managing Directors of the legal predecessor and their surviving dependents totaled 90,881,294 euros (previous year: 80,208,248 euros). Amounts paid to such recipients during the year under review totaled 7,041,167 euros (previous year: 6,332,108 euros).

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

For assumption of liability and management, 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 emoluments and pensions paid to its 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 General Meeting; the corresponding provisions are contained in Articles 17 and 33 of the Articles of Association.

The structure and amount of the remunerations are commensurate with the size of the corporation, its economic success and the functions performed by the Supervisory Board and the Shareholders' Committee, respectively.

In accordance with a resolution by the 2012 General Meeting, only the fixed fee will be paid with effect from fiscal 2012 onward, instead of the former remuneration comprising fixed remuneration, a variable dividend-related bonus and an annual variable performance-related bonus (change in EPS over a three-year performance period). 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 Chairperson of the Supervisory Board and the Chairperson of the Shareholders' Committee each receives double this amount, and the Vice-Chairperson 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 are the Chairperson of 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 are the Chairperson of one or more committees, they receive 70,000 euros. Activity in the Nominations Committee is not remunerated separately.

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 (D&O insurance) for directors, officers and employees of the Henkel Group, which also covers members of the Supervisory Board and of the Shareholders' Committee. 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 fee.

Remuneration for 2012

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 1,580,000 euros plus VAT (previous year: 1,515,500 euros plus VAT). Of this amount, fixed fees accounted for 1,225,000 euros, attendance fees 87,000 euros, and remuneration for committee activity (including associated attendance fees) 268,000 euros.

Total remuneration paid to the members of the Shareholders' Committee for the year under review (fixed fee and remuneration for committee activity) amounted to 2,350,000 euros (previous year: 2,295,205 euros). Of this amount, fixed fees accounted for 1,150,000 euros and remuneration for committee 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 emoluments of the individual members of the Supervisory Board and of the Shareholders' Committee, broken down according to the above-mentioned components, are presented in the tables on the following pages.

4. Remuneration 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 members of the Supervisory Board of Henkel Management AG are also members of the Shareholders' Committee, no remuneration was paid in respect of this Supervisory Board in the year under review.

Supervisory Board remuneration[1]

in euros		Cash components: Fixed fee	Dividend bonus	Attendance fee	Fee for committee activity[2]	Total cash emoluments	Value of long-term incentive[1]	Total remuneration[3]
Dr. Simone Bagel-Trah[4], Chair	2012	140,000	–	5,000	39,000	184,000	–	184,000
	2011	*40,000*	*100,000*	*2,000*	*36,500*	*178,500*	*–*	*178,500*
Winfried Zander[4], Vice-chair	2012	105,000	–	5,000	39,000	149,000	–	149,000
	2011	*30,000*	*75,000*	*2,000*	*37,000*	*144,000*	*–*	*144,000*
Jutta Bernicke	2012	70,000	–	6,000	–	76,000	–	76,000
	2011	*20,000*	*50,000*	*2,500*	*–*	*72,500*	*–*	*72,500*
Dr. Kaspar von Braun	2012	70,000	–	6,000	–	76,000	–	76,000
	2011	*20,000*	*50,000*	*2,500*	*–*	*72,500*	*–*	*72,500*
Boris Canessa (since 4/16/2012)	2012	49,727	–	4,000	–	53,727	–	53,727
	2011	*–*	*–*	*–*	*–*	*–*	*–*	*–*
Johann-Christoph Frey (until 4/16/2012)	2012	20,273	–	2,000	–	22,273	–	22,273
	2011	*20,000*	*50,000*	*2,500*	*–*	*72,500*	*–*	*72,500*
Ferdinand Groos (since 4/16/2012)	2012	49,727	–	4,000	–	53,727	–	53,727
	2011	*–*	*–*	*–*	*–*	*–*	*–*	*–*
Béatrice Guillaume-Grabisch (since 4/16/2012)	2012	49,727	–	4,000	–	53,727	–	53,727
	2011	*–*	*–*	*–*	*–*	*–*	*–*	*–*
Birgit Helten-Kindlein[4]	2012	70,000	–	5,000	39,000	114,000	–	114,000
	2011	*20,000*	*50,000*	*2,000*	*37,000*	*109,000*	*–*	*109,000*
Prof. Dr. Michael Kaschke[4]	2012	70,000	–	4,000	28,864	102,864	–	102,864
	2011	*20,000*	*50,000*	*1,500*	*–*	*71,500*	*–*	*71,500*
Thomas Manchot (until 4/16/2012)	2012	20,273	–	2,000	–	22,273	–	22,273
	2011	*20,000*	*50,000*	*2,500*	*–*	*72,500*	*–*	*72,500*
Mayc Nienhaus	2012	70,000	–	6,000	–	76,000	–	76,000
	2011	*20,000*	*50,000*	*2,500*	*–*	*72,500*	*–*	*72,500*
Thierry Paternot	2012	70,000	–	6,000	–	76,000	–	76,000
	2011	*20,000*	*50,000*	*2,500*	*–*	*72,500*	*–*	*72,500*
Andrea Pichottka	2012	70,000	–	5,000	–	75,000	–	75,000
	2011	*20,000*	*50,000*	*2,500*	*–*	*72,500*	*–*	*72,500*
Dr. Martina Seiler (since 1/1/2012)	2012	70,000	–	6,000	–	76,000	–	76,000
	2011	*–*	*–*	*–*	*–*	*–*	*–*	*–*
Prof. Dr. Theo Siegert[4]	2012	70,000	–	5,000	63,863	138,863	–	138,863
	2011	*20,000*	*50,000*	*2,000*	*36,500*	*108,500*	*–*	*108,500*
Edgar Topsch	2012	70,000	–	6,000	–	76,000	–	76,000
	2011	*20,000*	*50,000*	*2,500*	*–*	*72,500*	*–*	*72,500*
Michael Vassiliadis[4]	2012	70,000	–	5,000	37,000	112,000	–	112,000
	2011	*20,000*	*50,000*	*2,000*	*37,000*	*109,000*	*–*	*109,000*
Dr. Bernhard Walter[4] (until 4/16/2012)	2012	20,273	–	1,000	21,273	42,546	–	42,546
	2011	*20,000*	*50,000*	*1,500*	*72,000*	*143,500*	*–*	*143,500*
Ulf Wentzien (until 12/31/2011)	2012	–	–	–	–	–	–	–
	2011	*20,000*	*50,000*	*1,500*	*–*	*71,500*	*–*	*71,500*
Total	2012	1,225,000	–	87,000	268,000	1,580,000	–	1,580,000
	2011	*350,000*	*875,000*	*34,500*	*256,000*	*1,515,500*	*–*	*1,515,500*

[1] Remuneration comprises only fixed fee from fiscal 2012 onward. As such, no dividend bonus or LTI is payable for 2012. According to the remuneration arrangements up to and including fiscal 2011, the dividend bonus and LTI together were capped at 50,000 euros in one reference year for ordinary members. Since the cap was already reached by the dividend bonus in reference year 2011 and LTI payment was therefore no longer possible, a figure is not indicated for LTI.

[2] Remuneration for service on the Audit Committee, including attendance fee; there is no separate remuneration payable for service on the Nominations Committee. Remuneration for 2012: fixed fee only. Remuneration for 2011: proportional fixed fee and dividend bonus.

[3] Figures do not include VAT.

[4] Member of the Audit Committee. Audit Committee Chair: Dr. Bernhard Walter until April 16, 2012; Prof. Dr. Theo Siegert since April 16, 2012.

Shareholders' Committee remuneration[1]

in euros		Cash components: Fixed fee	Dividend bonus[1]	Fee for subcommittee activity[2]	Total cash emoluments	Value of long-term incentive[1]	Total remuneration
Dr. Simone Bagel-Trah, Chair (Chair Human Resources Subcommittee)	2012	200,000	–	200,000	400,000	–	400,000
	2011	*100,000*	*100,000*	*200,000*	*400,000*	–	*400,000*
Dr. Christoph Henkel, Vice-chair (Chair Finance Subcommittee)	2012	150,000	–	200,000	350,000	–	350,000
	2011	*75,000*	*75,000*	*200,000*	*350,000*	–	*350,000*
Prof. Dr. Paul Achleitner (Member Finance Subcommittee)	2012	100,000	–	100,000	200,000	–	200,000
	2011	*50,000*	*50,000*	*100,000*	*200,000*	–	*200,000*
Boris Canessa (until 4/16/2012) (Member HR Subcommittee)	2012	28,962	–	28,962	57,924	–	57,924
	2011	*50,000*	*50,000*	*100,000*	*200,000*	–	*200,000*
Johann-Christoph Frey (since 4/16/2012) (Member HR Subcommittee)	2012	71,038	–	71,038	142,076	–	142,076
	2011	–	–	–	–	–	–
Stefan Hamelmann (Vice-chair Finance Subcommittee)	2012	100,000	–	100,000	200,000	–	200,000
	2011	*50,000*	*50,000*	*100,000*	*200,000*	–	*200,000*
Prof. Dr. Ulrich Lehner (Member Finance Subcommittee)	2012	100,000	–	100,000	200,000	–	200,000
	2011	*50,000*	*50,000*	*100,000*	*200,000*	–	*200,000*
Dr. Norbert Reithofer (since 4/11/2011) (Member Finance Subcommittee)	2012	100,000	–	100,000	200,000	–	200,000
	2011	*36,301*	*36,301*	*72,603*	*145,205*	–	*145,205*
Konstantin von Unger (Vice-chair HR Subcommittee)	2012	100,000	–	100,000	200,000	–	200,000
	2011	*50,000*	*50,000*	*100,000*	*200,000*	–	*200,000*
Karel Vuursteen (Member HR Subcommittee)	2012	100,000	–	100,000	200,000	–	200,000
	2011	*50,000*	*50,000*	*100,000*	*200,000*	–	*200,000*
Werner Wenning (Member HR Subcommittee)	2012	100,000	–	100,000	200,000	–	200,000
	2011	*50,000*	*50,000*	*100,000*	*200,000*	–	*200,000*
Total	2012	1,150,000	–	1,200,000	2,350,000	–	2,350,000
	2011	*561,301*	*561,301*	*1,172,603*	*2,295,205*	–	*2,295,205*

[1] Remuneration comprises solely fixed fee from fiscal 2012 onward. As such, no dividend bonus or LTI is payable for 2012. According to the remuneration arrangements up to and including fiscal 2011, the dividend bonus and LTI together were capped at 50,000 euros in one reference year for ordinary members. Since the cap was already reached by the dividend bonus in reference year 2011 and LTI payment was therefore no longer possible, a figure is not indicated for LTI.
[2] Remuneration for 2012: fixed fee only. Remuneration for 2011: proportional fixed fee and dividend bonus.

Shares and bonds

- Henkel shares reach historic highs
- Henkel preferred share's DAX 30 weighting increased
- Henkel's position in leading sustainability indices confirmed
- International, widely diversified shareholder structure

Henkel shares showed a very positive performance overall in 2012. Over the course of the year, the DAX rose by 29.1 percent to 7,612.39. The index for consumer goods stocks – the Dow Jones Euro Stoxx Consumer Goods – increased 26.0 percent, closing at 423.06. Against this market backdrop, the price of Henkel preferred shares increased to 62.20 euros, closing the year 39.5 percent higher on a year-on-year basis. Our ordinary share price likewise posted strong gains, ending the year 38.9 percent higher at 51.93 euros. As such, our shares performed clearly better than both the DAX and other shares representing the consumer goods sector.

In the course of the year, Henkel shares largely tended to track the overall market, and generally performed very well. Although Henkel shares started with price gains in the first quarter, they generally lagged behind the DAX and consumer goods stocks. This trend reversed from the end of the first quarter onward, with Henkel shares performing much stronger than the markets. The second quarter labored under weak market conditions, which resulted in small share price declines overall. Both Henkel shares and consumer goods stocks posted considerable gains in the third quarter, and outperformed the DAX. This trend continued in the fourth quarter. On December 3, Henkel shares posted their highest ever prices: 64.61 euros for preferred shares and 52.78 euros for ordinary shares. Overall, Henkel shares closed the year much stronger than their relevant benchmark indices.

The preferred shares traded at an average premium of 20.4 percent over the ordinary shares in 2012.

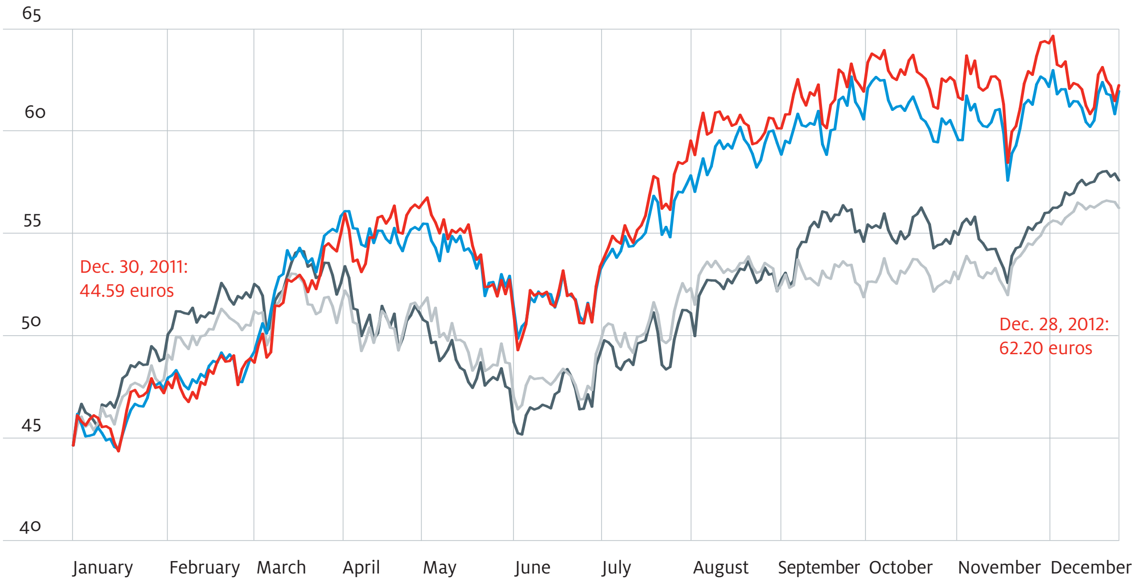
Key data on Henkel shares 2008 to 2012

in euros	2008	2009	2010	2011	2012
Earnings per share					
Ordinary share	2.81	1.38	2.57	2.67 [1]	**3.47**
Preferred share	2.83	1.40	2.59	2.69 [1]	**3.49**
Share price at year-end [2]					
Ordinary share	18.75	31.15	38.62	37.40	**51.93**
Preferred share	22.59	36.43	46.54	44.59	**62.20**
High for the year [2]					
Ordinary share	34.95	31.60	40.30	41.10	**52.78**
Preferred share	38.43	36.87	48.40	49.81	**64.61**
Low for the year [2]					
Ordinary share	16.68	16.19	30.31	30.78	**37.25**
Preferred share	19.30	17.84	35.21	36.90	**44.31**
Dividends					
Ordinary share	0.51	0.51	0.70	0.78	**0.93 [3]**
Preferred share	0.53	0.53	0.72	0.80	**0.95 [3]**
Market capitalization [2] in bn euros	**8.9**	**14.6**	**18.3**	**17.6**	**24.6**
Ordinary share in bn euros	4.9	8.1	10.0	9.7	**13.5**
Preferred share in bn euros	4.0	6.5	8.3	7.9	**11.1**

[1] Application of IAS 8 "Accounting policies, changes in accounting estimates and errors" (see notes on pages 116 and 117).
[2] Closing share prices, Xetra trading system.
[3] Proposal to shareholders for the Annual General Meeting on April 15, 2013.

Henkel share performance versus market
January through December 2012

in euros



- Henkel preferred shares
- Henkel ordinary shares (indexed)
- DJ Euro Stoxx Consumer Goods (indexed)
- DAX (indexed)

Henkel share performance versus market
2003 through 2012

in euros

- Henkel preferred share
- Henkel ordinary share (indexed)
- DJ Euro Stoxx Consumer Goods (indexed)
- DAX (indexed)

24.6 bn euros
market capitalization.

Year on year, the trading volume of preferred shares declined slightly. Each trading day saw an average of 0.8 million preferred shares changing hands (2011: 0.9 million). The average volume for our ordinary shares increased to about 121,000 shares per trading day (2011: 120,000). Due to share price changes, the market capitalization of our ordinary and preferred shares increased to 24.6 billion euros from 17.6 billion euros.

For long-term investors, Henkel shares remain an attractive investment. Shareholders who invested the equivalent of 1,000 euros when Henkel shares were issued in 1985, and re-invested the dividends received (before tax deduction) in the stock, would have had a portfolio value of about 19,777 euros by the end of 2012. This represents an increase in value of 1,878 percent or an average yield of 11.6 percent per year. Over the same period, the DAX provided an annual yield of 7.2 percent. Over the last five and ten years, Henkel shares have shown an average yield of 12.2 and 13.9 percent per year, respectively, offering a significantly higher return than the DAX's returns of –1.2 percent and 10.2 percent for the same periods.

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 about 3.5 million (2011: 3.7 million).

The international importance of Henkel preferred shares derives 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, the Dow Jones Euro Stoxx, and the FTSE World Europe indices. Henkel's inclusion in the Dow Jones Titans 30 Personal & Household Goods Index makes it one of the 30 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

	Preferred	Ordinary
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

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

Once again our advances and achievements in sustainable management also impressed external experts in 2012. Henkel's standing was confirmed in a variety of national and international sustainability ratings and indices. The Dow Jones Sustainability Indices (DJSI World and DJSI Europe) listed Henkel for the sixth consecutive time as industry leader in the "nondurable household goods" sector. Our place in the FTSE4Good Ethical Index was likewise confirmed, as was our continued membership in the Ethibel Sustainability Index and the "Stoxx Global ESG Leaders" index family launched by Deutsche Börse in 2011.

At year-end 2012, the market capitalization of the preferred shares included in the DAX index was 11.1 billion euros, putting Henkel in 20th place among DAX companies (2011: 20th place). In terms of trading volume, Henkel ranked 23rd (2011: 27th). Our DAX weighting rose to 1.63 percent (2011: 1.52 percent).

International shareholder structure

Our preferred shares – the significantly more liquid class of stock – have a free float of 100 percent. A large majority of these shares are owned by institutional investors, whose shareholdings are broadly distributed internationally.

According to notices received by the company, members of the Henkel share-pooling agreement own a majority of the ordinary shares amounting to 53.65 percent. We have received no other notices indicating that a shareholder holds more than three percent of the voting rights (notifiable ownership).

In the period up to 2007, Henkel repurchased around 7.5 million preferred shares for the senior management Stock Option Plan. As of December, 31, 2012, this treasury stock amounted to 3.7 million preferred shares.

Employee share program

Since 2001, Henkel has offered an employee share program (ESP). For each euro invested in 2012 by an employee (limited to 4 percent of salary up to a maximum of 4,992 euros per year), Henkel added an additional 33 euro cents. Around 11,000 employees in 54 countries purchased Henkel preferred shares under this program in 2012. At year-end, some 14,500 employees held a total of close to 3.2 million shares, representing approximately 1.7 percent of total preferred shares outstanding. The vesting 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 42,935 euros at the end of 2012. This represents an increase in value of 225 percent or an average yield of 12 percent per year.

Henkel bonds

Henkel is represented in the international bond markets by three bonds with a total nominal volume of 3.3 billion euros.

Further detailed information on these bonds, current bond price movements and risk premium (credit margin) can be found on our website: www.henkel.com/bonds

Shareholder structure: institutional investors holding Henkel preferred shares

- 28 % USA
- 25 % UK
- 18 % Rest of Europe
- 14 % Germany
- 8 % France
- 7 % Rest of world

Source: Thomson Reuters.

Bond data

	Senior bond	Senior bond	Hybrid bond
Due date	6/10/2013	3/19/2014	11/25/2104[1]
Volume	1.0 bn euros	1.0 bn euros	1.3 bn euros
Nominal coupon	4.25 %	4.625 %	5.375 %
Coupon payment date	Jun. 10	Mar. 19	Nov. 25
Listing	Frankfurt	Luxembourg	Luxembourg
Security code no.	664196	A0AD9Q	A0JBUR
ISIN code	DE0006641962	XS0418268198	XS0234434222

[1] First call option for Henkel on November 25, 2015.

Analyst recommendations

At December 31, 2012,
Basis: 32 equity analysts.

Pro-active capital market communication

Henkel is covered by numerous financial analysts, primarily in the UK and Germany. Over 30 equity and debt analysts regularly publish reports and commentaries on the current performance of the company.

Henkel places great importance on dialogue with investors and analysts. Institutional investors and financial analysts had an opportunity to talk directly with our top management at 14 capital market conferences and roadshows held in Europe and North America.

One highlight of the year was our Investor and Analyst Conference in London on November 16, 2012, where Kasper Rorsted and Carsten Knobel presented our third-quarter business results, and our strategy and financial targets for 2016 to some 60 international investors and analysts. A further highlight was our Investor and Analyst Day for the Laundry & Home Care business on September 4, 2012, where the management team presented our strategy and new trends and developments in the laundry and home care market. We also conducted numerous telephone conferences and one-on-one meetings.

Retail investors can obtain all relevant information through telephone inquiry 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. The AGM offers all shareholders the opportunity to obtain extensive information directly from Henkel's Management Board.

The quality of our capital market communication was again evaluated in 2012 by various independent rankings. Our Investor Relations team once again held top positions in various comparisons with European corporations in the Home & Personal Care sector and other DAX companies – including first place in the Household Products & Personal Care sector in the ThomsonExtel Pan-European Awards ranking. In the Institutional Investor ranking, Henkel was chosen by financial analysts and investors as having the best Investor Relations Team in the European Household & Personal Care Products sector.

Our reporting and progress on non-financial performance indicators (environmental, social and governance issues) was once again positively rated by financial market participants. In the ranking published every two years by the international sustainability rating agency Sustainalytics, Henkel ranked second in the DAX. The companies were rated on environmental, social responsibility, and good corporate governance criteria. Henkel was able to considerably increase its rating from 73.3 to 81.7 points. Henkel also received the DuMont-DWS Prize this year for responsible management. This prize is awarded annually by the German newspaper publishing company DuMont Schauberg together with Deutsche Bank's DWS mutual fund. Critical investors and journalists award companies that use sustainability as a strategic objective, and anchor and rigorously pursue it in their core business. In its "Corporate Responsibility Rating," oekom research AG again awarded Henkel a "B" rating as one of the best companies in its industry, and confirmed our "Prime" status. Bank Sarasin reiterated its "high" rating for Henkel – the best possible rating a company can achieve.

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

Operational activities

Overview

Henkel was founded in 1876. Therefore, the year under review marks the 136th in our corporate history. Today, Henkel employs around 47,000 people worldwide, and we occupy globally leading market positions in the consumer and industrial businesses.

Organization and business sectors

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 by the corporate functions.

Henkel is organized into three business sectors:
- Laundry & Home Care,
- Beauty Care,
- Adhesive Technologies.

Our product range in the Laundry & Home Care business sector comprises heavy-duty detergents, specialty detergents and cleaning products. The portfolio of the Beauty Care business sector encompasses hair cosmetics, products for body, skin and oral care, and products for the hair salon business. The Adhesive Technologies business sector offers decoration and renovation products, adhesive and correction products for home and office, building adhesives and industrial and structural adhesives as well as sealants and surface treatment products.

Our three business sectors are managed on the basis of globally responsible strategic business units. These are supported by the corporate functions of Henkel AG & Co. KGaA in order to ensure optimum utilization of corporate network synergies. One key driver of this development is our further expansion of shared services. Implementation of the strategies at a country and regional level is the responsibility of the affiliated companies. The executive bodies of these companies 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

Strategy and financial targets 2016

Henkel has had four very successful years. The financial targets that we set in 2008 for 2012 formed the basis for our success, and we rigorously pursued them with the implementation of our strategic priorities, even in difficult business conditions. We achieved or even surpassed our ambitious financial targets for 2012.

Achievement of financial targets 2008–2012

	Target	Achievement
Annual organic sales growth (average)[1]	3–5 %	3.3 %
Adjusted[2] return on sales (EBIT) 2012	14 %	14.1 %
Annual growth in adjusted earnings per preferred share (average)[3]	>10 %	14.0 %

[1] Arithmetic mean 2009–2012.
[2] After adjusting for one-time charges/gains and restructuring charges.
[3] Compound annual growth rate (CAGR) 2008 through 2012.

Our new strategy through 2016, which we presented back in November 2012, follows on from the successful implementation of our strategic priorities and financial targets for 2012. As such, it represents a logical continuation and advancement of the progress achieved over the past four years.

The strategy is based on thorough analysis of the long-term megatrends that are relevant for Henkel, and of Henkel's individual business sectors. We examined the existing portfolio of our three business sectors to see whether they were suitably positioned to allow continued successful and profitable growth in their respective environments. As a result, we see considerable potential, both for further organic growth and for enhanced profitability, in all three business sectors.

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

1. We expect progressive consolidation among our competitors, customers and suppliers. Size will become an increasingly important factor for 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 emerging markets will continue. This will require Henkel to steadily expand its position in these important markets and further increase our 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.

That 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 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. This target equates to sales growth of about 3.5 billion euros over the next four years – compared to sales growth of around 2.5 billion euros over the past four years.

Financial targets 2016

20 bn € sales

10 bn € sales in emerging markets

10 % earnings per share[1]

Including continuous portfolio optimization.

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

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. This equates to sales growth of about 3 billion euros in these markets – compared to an increase of around 2 billion euros in the period 2008 to 2012.

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 now and 2016 – as already witnessed between 2008 and 2012.

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 (with total current sales of around 500 million euros). Potential major acquisitions or divestments are not accounted for in the financial targets.

In order to achieve our ambitious targets for 2016, we want to steadily improve both the operational capacity and earning power of the company, while at the same time taking advantage of the strong financial position of the company to further develop our portfolio.

We have defined clear selection criteria for possible acquisitions in respect of strategic fit, financial attractiveness, and implementability. Focus in the Laundry & Home Care and Beauty Care sectors will center on the regional expansion of categories and the addition of new countries; focus in the Adhesive Technologies sector will primarily be on advancing its technology leadership.

Strategic priorities in summary

1. Outperform: leverage potential in categories

In order to outperform our competitors in our individual business sectors, 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 make targeted investments and we will build up 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. Over the next four years, we expect to discontinue or divest businesses and operations that generate 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. Between now and 2016, we intend to increase the share of sales attributable to our top 10 brands to about 60 percent from a current 44 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.

2. 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 position in mature markets, we specifically want to focus on further building our existing positions in emerging markets and on accelerating growth. We also plan to enter new markets on a selective basis.

Between now and the end of 2016, we plan to increase sales in emerging markets to 10 billion euros. We expect twelve countries from the emerging regions 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 the potential in mature markets to increase our earning power compared to 2012 and to achieve more top positions.

3. **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, and to 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 between now and 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. By 2016, we want to reduce the number of global suppliers by about 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 for the North Africa/Middle East region and the greater region of China/Japan/South Korea.

Overall, we intend to raise our investments in property, plant and equipment by more than 40 percent to about 2 billion euros between now and 2016. Investments in IT infrastructure will be one key lever for optimizing our processes. These will increase between now and 2016 compared to the past four years. We intend to reduce the complexity of our IT systems and significantly decrease the number of processes.

4. **Inspire: strengthen our global team**
Further strengthening our global team will be a key element in the successful development of Henkel. This process will be helped by the training and development programs that have already been successfully put in place, such as the Executive Resource Program for top Henkel managers.

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. 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. Team diversity with respect to nationality, gender and age/professional experience will also play an important role.

In order to successfully implement our strategy and achieve our ambitious targets, we need to ensure that our employees worldwide have a clear understanding of the new Henkel strategy and know how they can specifically help to implement it. Within the space of four weeks from the announcement back in November 2012, we therefore organized a large number of information events in about 50 countries – half of which were attended by Henkel Management Board members – to present the new Henkel strategy and financial targets for 2016 to our 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. As pioneers, we aim to develop 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 9 billion. The accompanying increase in global economic output will lead to rising consumption and resource needs. The pressure on available resources will thus intensify in the coming decades. This is why the idea at the heart of our new sustainability strategy is to achieve more with less resources.

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 ecological 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.

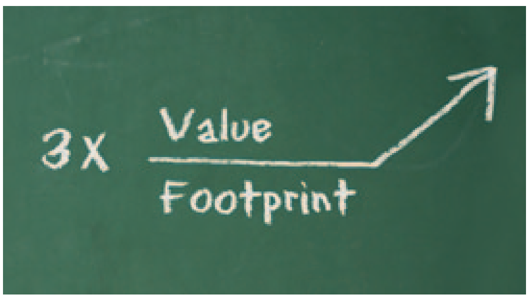
Our goal for 2030: triple our efficiency

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.

Between now and 2030, we therefore want to triple the value we create through our business operations in relation to the ecological footprint of our products and services. We call this goal of becoming three times more efficient "Factor 3." One way to achieve this is to triple the value we create while leaving our footprint at the same level. Or we can reduce the ecological footprint to one third of today's level, achieving 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 have therefore set concrete interim targets for our focal areas (see chart on the next page). By 2015, we intend to improve the relationship between the value we create and the ecological footprint of our business activities by 30 percent overall.



Our ambition is to become three times more efficient by 2030. We call this "Factor 3." That means tripling the value we create through our business activities in relation to the ecological footprint made by 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 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. With our new strategy, we have added a sixth focal area to the previous five, namely that of “Performance.” This reflects both our goals as a commercial enterprise, and our core value contribution to society. At the same time, we have subdivided the focal areas into 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 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 consumption and less waste.

Our approach for sustainable business processes
In order to successfully implement our strategy and reach our goals, they must be reflected in the mindset and day-to-day actions of our employees and in our business processes. We have defined three strategic principles to achieve this: products, partners, and people.

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 vendors, so that they can supply us with raw materials that have an improved envi-

Our focal areas and company-wide targets for 2015

ronmental 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.

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 sustainability activities in collaboration with the individual business sectors 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 Corporate Sustainability and Code of Conduct. From these codes are derived our more detailed internal standards governing safety, health and environmental protection, our 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 and contract manufacturers and logistics centers.

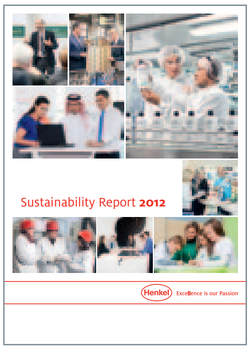
By joining the United Nations Global Compact in July 2003, we also publicly underscored our commitment to respect human rights, fundamental labor standards and environmental protection, and to work against all forms of corruption.

Stakeholder dialogue

Viable solutions for promoting sustainability can only be developed in dialogue 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 dialogue 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 dialogue 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 dialogue. More details and background reading on the subject of sustainability can be found in our Sustainability Report. In this report, 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.

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 which is available in both printed and online form.

www.henkel.com/sustainabilityreport

6 years

in succession sector leader in the Dow Jones Sustainability Index (see page 44).

9.5%
Group WACC before tax in fiscal 2012.

Value-based management and control system

We align our corporate management and control activities to the overall objective of achieving a sustainable increase in shareholder value. To make achievement of our growth targets measurable, we have adopted a modern system of metrics with which we calculate value-added and return ratios in line with capital market practice.

We use economic value added (EVA®)[1] to assess growth to date and to appraise future plans. EVA® is a measure of the surplus financial value generated by a company over a certain period. A company creates economic value added if its operating profit exceeds its cost of capital, the latter being defined as the return on capital expected by the capital market.

Operational business performance is measured based on operating profit (EBIT) before deduction of any goodwill impairment losses. The capital employed figure is calculated from the asset side of the statement of financial position. A reconciliation of the year-end figures in the statement of financial position and the average values used to determine capital employed can be found on page 156.

Cost of capital

The cost of capital is calculated as a weighted average of the cost of equity and debt capital (WACC). In fiscal year 2012 we used a WACC before tax of 9.5 percent. After tax, the figure was 6.5 percent. We regularly review our cost of capital in order to reflect changing market conditions. Starting in fiscal 2013, we are using a WACC of 8.0 percent before tax and 5.5 percent after tax. In determining the capitalization rate, we raised the market risk premium from 4.5 to 5.5 percent to take account of the financial market crisis.

We apply different WACC rates depending on the business sector involved. These are based on sector-specific beta factors determined from a peer group benchmark. In fiscal 2012, this resulted in a WACC before tax of 9.5 percent (6.5 percent after tax) for both Laundry & Home Care and Beauty Care, and of 11.5 percent before tax (8.0 percent after tax) for Adhesive Technologies. In 2013 we are using a WACC of 7.5 percent before tax (5.25 percent after tax) for the Laundry & Home Care and Beauty Care business sectors, and 10.5 percent before tax (7.25 percent after tax) for Adhesive Technologies.

Weighted average cost of capital (WACC)

	2012	from 2013
Risk-free interest rate	3.5%	2.25%
Market risk premium	4.5%	5.5%
Beta factor	0.8	0.7
Cost of equity after tax	**7.1%**	**6.1%**
Cost of debt capital before tax	4.7%	3.2%
Tax shield (30%)	−1.4%	−1.0%
Cost of debt capital after tax	**3.3%**	**2.2%**
Share of equity[1] (peer group structure)	85%	85%
Share of debt capital[1] (peer group structure)	15%	15%
WACC after tax[2]	**6.5%**	**5.5%**
Tax rate	30%	30%
WACC before tax[2]	**9.5%**	**8.0%**

[1] At market values.
[2] Rounded.

WACC before tax by business sector

	2012	from 2013
Laundry & Home Care	9.5%	7.5%
Beauty Care	9.5%	7.5%
Adhesive Technologies	11.5%	10.5%

[1] EVA® is a registered trademark of Stern Stewart & Co.

EVA® and ROCE

EVA® serves to promote value-added decisions and profitable growth in our business sectors. Operations showing negative value contributions with no prospect of positive EVA® in the future are divested or otherwise discontinued.

We calculate EVA® as follows:

EVA® = EBIT * – (Capital Employed x WACC).

In order to be better able to compare business units of varying size, we additionally apply return on capital employed, calculated as follows:

ROCE = EBIT * / Capital Employed.

ROCE represents the return on average capital employed. We create value where this measure exceeds the cost of capital before tax.

In fiscal 2012, the Henkel Group generated positive economic value added (EVA®) of 1,083 million euros, a year-on-year increase of 326 million euros (+43.0 percent). This is mainly attributable to the strong rise in operating profit. All our business sectors recorded positive EVA®. Laundry & Home Care generated EVA® of 393 million euros, a significant increase of 85.7 percent versus 2011, achieved thanks to a substantial increase in operating profit. At 285 million euros, the EVA® generated by Beauty Care was down slightly by – 1.9 percent year on year, due to an increase in capital employed and an essentially stable operating profit. At Adhesive Technologies, we substantially increased our EVA® by 28.5 percent to 363 million euros due to a significant improvement in operating profit.

ROCE increased from 15.8 percent to 18.7 percent. This is essentially due to the very large increase in operating profit.

1,083 million euros
economic value added (EVA®) in 2012.

EVA® and ROCE [1]

in million euros	Laundry & Home Care	Beauty Care	Adhesive Technologies	Henkel Group
EBIT *	621	483	1,191	**2,199**
Capital employed	2,409	2,084	7,204	**11,751**
Cost of capital [2]	**229**	**198**	**828**	**1,116 [3]**
EVA® 2012	**393**	**285**	**363**	**1,083 [3]**
EVA® 2011	211 [4]	290	282	**757 [4,5]**
ROCE 2012	**25.8 %**	**23.2 %**	**16.5 %**	**18.7 %**
ROCE 2011	18.2 % [4]	23.5 %	14.6 %	**15.8 % [4]**

[1] Calculated on the basis of units of 1,000 euros.
[2] Calculated on the basis of the different sector-specific WACC rates applied.
[3] Calculated on the basis of a WACC of 9.5 percent for the Henkel Group.
[4] Application of IAS 8 “Accounting policies, changes in accounting estimates and errors” (see notes on pages 116 and 117).
[5] Calculated on the basis of a WACC of 9.0 percent for the Henkel Group.

* Adjusted for goodwill impairment losses.

Business performance

World economy

Overview:
moderate growth while general conditions remain difficult

In 2012, the global economy [1] showed only moderate growth. Gross domestic product grew by about 2 percent around the world. Mature markets exceeded the prior year's level only slightly, by around 1 percent, while emerging markets achieved an increase of approximately 4 percent. This trend continues to be driven by the financial crisis in Europe, with a particularly negative general economic environment in Southern European countries, the debt crisis in the USA and the weakening of growth in Asian emerging markets.

Developments in 2012:
stronger first half of the year

Over the course of the year under review, global economic growth slowed. Economic output declined, particularly in the second half of the year, in the face of the continuing financial and debt crises in Europe and the USA, and the slowdown in growth momentum in Asia.

Industry and consumption:
industry shows moderate growth

With an increase of around 3 percent, industrial production expanded only slightly more than private consumption, which rose by approximately 2.5 percent. While the export-dependent industries in particular posted moderate increases, growth in consumer-related sectors was significantly subdued.

Regions:
mature markets moderate, emerging markets robust

Over the year as a whole, both the North American and Japanese economies posted moderate growth of around 2 percent. In Western Europe, economic growth declined slightly due to recessionary trends seen particularly in some Southern European countries, whereas Germany's economy managed to grow by around 1 percent, driven by exports and low unemployment. The emerging regions of Asia (excluding Japan), Latin America and Africa/Middle East registered comparatively robust economic growth. Asia (excluding Japan) boosted its economic output by around 5 percent, as before driven mainly by China and India. Latin America registered growth of around 3 percent, and Africa/Middle East of around 4 percent. By contrast, economic growth slowed to approximately 2 percent in Eastern Europe, primarily as a result of declining demand from Western Europe.

Raw material prices:
moderate increase year on year

Raw material prices increased moderately in 2012 on a year-on-year basis. In the first six months they were influenced by strong fluctuations in input material prices, which stabilized at a high level in the second half of the year. The situation differed both by region and type of input material. Prices for palm kernel oil and butadiene dropped, for example, whereas ethylene prices rose in Europe and Asia, and prices for caustic soda rose around the world. The average price of crude oil was on a par with the prior year.

Currencies:
euro in the throes of the European debt crisis

The euro devalued substantially versus the US dollar on average during the year. However, the development was volatile throughout the year: at the beginning of the year the euro rose steadily, occasionally reaching 1.35 US dollars in the first quarter. Around the middle of the year, the euro drifted steadily lower to 1.20 US dollars before climbing back to 1.32 US dollars toward the end of the year. This development was mainly driven by the debt crisis in Europe.

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

Average rates of exchange versus the euro

	2011	2012
Chinese yuan	8.99	**8.10**
Mexican peso	17.31	**16.90**
Russian ruble	40.91	**39.93**
Turkish lira	2.34	**2.31**
US dollar	1.39	**1.28**

[1] Source of global economic data:
Feri EuroRating Services, January 2013.

Inflation: moderate rise in global price levels

Global inflation was around 3 percent. While the overall rate of inflation decreased in both mature markets and emerging markets, the changes differed by region and country. Inflation declined in North America and Western Europe – including Germany. Inflation also declined in Eastern Europe and Asia – and especially in China. By contrast, inflation rose substantially in Latin America and Africa/Middle East.

Unemployment: unchanged year on year around the world

Global unemployment was on a par with the prior year at 7.5 percent. The unemployment rate in mature markets remained unchanged year on year at around 8 percent, and was also stable, at approximately 7 percent, in emerging markets. The development however differed considerably between regions. Unemployment in North America dropped from around 9 to 8 percent, whereas it increased noticeably in Western Europe in the wake of the debt crisis. Germany's unemployment rate declined slightly to 6.5 percent. Unemployment fell in Eastern Europe, was slightly above the prior year in Asia, and remained stable year on year in Latin America.

Development by sector: subdued increase in global consumption

Growth in private consumer spending remained moderate at approximately 2.5 percent. Consumer spending in mature markets actually only increased by around 1 percent year on year in the year under review. Consumers in North America increased their spending by around 2 percent. The debt crisis pushed consumer spending down slightly in Western Europe, while Germany experienced an increase of around 1 percent. The emerging markets exhibited a higher propensity to consume with an increase of around 5 percent.

Industry: moderate growth

Industrial production expanded at a moderate rate of around 3 percent in 2012, which was again slightly faster than the economy as a whole. Growth continued to be driven by export-dependent sectors, especially the transport sector. Other export-dependent sectors, such as electronics and metal processing, showed moderate increases in production.

The change in industrial production differed from one region to the next. The manufacturing sector in North America repeated its prior year's expansion of around 4 percent, while all other regions posted growth rates that fell considerably below the prior year. The debt crisis even caused negative industrial growth in Western Europe. Industrial production declined in Latin America, and particularly in Brazil.

Our important customer sectors, the transport and electronics industries, saw production expand by around 6 percent and 3 percent, respectively. Within the electronics industry, the growth relevant to us in basic products such as electrical systems and semiconductor units was slightly higher than the prior year. The metal industry underwent significantly less growth compared to 2011, expanding by around 3 percent. Expansion in consumer-related sectors, such as the global packaging industry, was extremely sluggish. These sectors had only marginal growth along with food products, beverages, paper and printing. Production in the construction industry increased moderately, by around 2 percent in 2012. Construction activity was extremely brisk in North America and the emerging regions, except for Eastern Europe, but declined in Western and Eastern Europe by around 6 and 2 percent, respectively.

Review of overall business performance

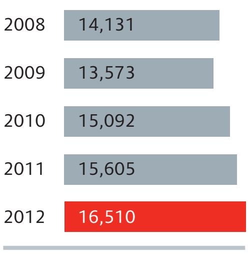
The year 2012 was a very successful year for Henkel. Despite a challenging market environment, we were able to fully meet all of the financial targets that we had set in 2008 for 2012. All three business sectors contributed to this important success.

Henkel's business performance was impacted by the general conditions prevailing in the global economy, as described above. The debt crises in Europe and the USA and the weakening of growth in Asia (excluding Japan) played a particularly influential role. Despite these challenging conditions, Henkel was able to generate organic sales growth of 3.8 percent. Performance was again given a particular boost by the emerging regions of Eastern Europe, Africa/Middle East, Latin America and Asia (excluding Japan). For the first time, emerging markets accounted for 43 percent of Group sales (2011: 42 percent).

Over the course of the year, prices for our direct materials (raw materials, packaging, purchased goods and services) stabilized at a high level in procurement markets. They registered year-on-year increases in the lower single-digit percentage range. By increasing our selling prices, enforcing strict cost discipline, and improving production and supply chain efficiency, we were able to increase our adjusted gross margin by 1.3 percentage points to 47.1 percent in 2012.

Sales

in million euros



Moreover, continuously adjusting our structures to our markets and customers, and further reducing our overheads by expanding our shared services and optimizing our production network enabled us to further improve our profitability in 2012 compared to the prior year. Our adjusted[1] return on sales reached 14.1 percent for the first time ever, meaning that we even slightly surpassed the 2012 target of 14 percent set in the fall of 2008.

Our highly successful business performance is also reflected in a further improvement in our net working capital to sales ratio, our very strong free cash flow, and our improved key financial ratios: over the course of year, we were able to reduce our net debt to 85 million euros (previous year: 1,392 million euros). We increased our operating debt coverage ratio from 92 to 496 percent. This gratifying performance strengthens our target rating of "A flat" (Standard & Poor's) as well as "A2" (Moody's), which were awarded again in 2011.

Our solid financial structure and large liquidity reserve allowed us to take advantage of opportunities for external growth during the course of the year. We acquired the high-performance pressure sensitive adhesives business of Cytec Industries Inc. in the USA on August 1, 2012. We also acquired the laundry detergent business of Colgate-Palmolive in the Dominican Republic in the third quarter of 2012.

Based on our business performance in 2012, we were able to announce new and challenging financial targets for 2016 in November of last year.

Sales and profits

In a challenging economic environment, Henkel Group sales grew to 16,510 million euros in fiscal year 2012, an increase of 5.8 percent versus the prior year. After adjusting for foreign exchange, sales increased by 3.1 percent. Organic sales growth (i.e. after adjusting for foreign exchange and acquisitions/divestments) amounted to 3.8 percent, driven by both price and volume.

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

The rate of organic sales growth declined somewhat during the course of the financial year due to a slowdown in world economic expansion. While organic growth in the first half of the year came in at 4.3 percent, it eased to 3.2 percent in the second half.

Sales development[1]

in percent	2012
Change versus previous year	5.8
Foreign exchange	2.7
Adjusted for foreign exchange	3.1
Acquisitions/divestments	– 0.7
Organic	3.8
of which price[2]	3.1
of which volume	0.7

[1] Calculated on the basis of units of 1,000 euros.
[2] In determining the price effect, we account for the positive structural effect arising from the launch of new products.

We achieved organic sales growth in each of our business sectors, further expanding our share of relevant markets. Laundry & Home Care sales grew organically by 4.7 percent. Adhesive Technologies was able to increase organic sales by 3.6 percent to 8,256 million euros. Beauty Care reported organic sales growth of 3.1 percent.

Price and volume effects

in percent	Organic sales growth	of which price	of which volume
Laundry & Home Care	4.7	3.4[1]	1.3
Beauty Care	3.1	1.8[1]	1.3
Adhesive Technologies	3.6	3.5	0.1
Henkel Group	3.8	3.1[1]	0.7

[1] In determining the price effect, we account for the positive structural effect arising from the launch of new products.

We were able to further improve revenues in almost all regions:

In Western Europe we were able to virtually match the prior year, generating sales of 5,610 million euros in a highly competitive market environment. Organic sales growth was negative, at –0.5 percent. The positive trend in Germany and Northern Europe was overshadowed by the recessionary trend in Southern Europe. The share of sales from the region decreased from 36 to 34 percent.

Sales in Eastern Europe increased by a nominal 6.2 percent to 2,986 million euros. The organic sales growth of 6.0 percent was supported primarily by our businesses in Turkey and Russia. The share of sales from the region remained constant at 18 percent.

In the Africa/Middle East region, we were able to grow sales by a nominal 15.3 percent to 1,077 million euros. Organic sales growth was 12.6 percent, driven by double-digit growth rates in, among others, the United Arab Emirates, Algeria and Egypt. The share of sales from the region increased from 6 to 7 percent.

Sales in the North America region registered a nominal increase of 11.3 percent to 3,023 million euros. Despite a reluctant consumer climate in the USA, organic sales growth for the region came in at 4.8 percent. The share of sales from the region increased from 17 to 18 percent.

Sales in Latin America declined slightly by a nominal –0.4 percent to 1,062 million euros. Organically, we were able to achieve sales growth of 3.1 percent, mainly thanks to our business performance in Mexico, whereas Brazil experienced declining sales. The share of sales from the region decreased from 7 to 6 percent.

In the Asia-Pacific region, we were able to grow sales by a nominal 13.1 percent to 2,597 million euros. With organic growth of 7.4 percent, the region continued to show very strong performance, driven in particular by double-digit growth rates in China and India. The share of sales attributable to the Asia-Pacific region increased to 16 from 15 percent in the prior year.

Sales by business sector*

in million euros

* Excluding Corporate.

Sales by region[1]/EBIT by region[1]

in million euros

Region	Year	Sales	EBIT
Western Europe	2011	5,624	675[2]
	2012	5,610	811
Eastern Europe	2011	2,813	384
	2012	2,986	425
Africa/Middle East	2011	934	79
	2012	1,077	103
North America	2011	2,716	289
	2012	3,023	456
Latin America	2011	1,065	105
	2012	1,062	83
Asia-Pacific	2011	2,296	360
	2012	2,597	417

[1] Excluding Corporate.
[2] Application of IAS 8 "Accounting policies, changes in accounting estimates and errors" (see notes on pages 116 and 117).

43 %
of our sales generated in emerging markets.

Sales generated by our emerging regions of Eastern Europe, Africa/Middle East, Latin America and Asia (excluding Japan) increased nominally by 9.3 percent to 7,115 million euros. Organic sales growth was 7.8 percent, with all our business sectors contributing. The share of sales from emerging markets increased from 42 to 43 percent.

In order to continuously adapt our structures to our markets and customers, we spent 124 million euros for restructuring (previous year: 227 million euros). We further expanded our shared services and continued to optimize the production networks in our Adhesive Technologies and Laundry & Home Care business sectors.

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

Adjusted operating profit (EBIT)

in million euros	2011 restated[1]	2012	%
EBIT (as reported)	1,765	2,199	24.6
One-time gains	– 57	–	
One-time charges	94	12	
Restructuring charges	227	124	
Adjusted EBIT	2,029	2,335	15.1

[1] Application of IAS 8 "Accounting policies, changes in accounting estimates and errors" (see notes on pages 116 and 117).

We were able to increase adjusted operating profit (adjusted EBIT) to 2,335 million euros, an increase of 15.1 percent over the figure of 2,029 million euros in the prior year. All three business sectors contributed to this positive development. Despite having to pay higher prices in procurement markets, we were able to improve the adjusted return on sales (adjusted EBIT margin) for the Group by 1.1 percentage points to 14.1 percent, thereby achieving one of our key financial targets for 2012.

Adhesive Technologies produced the most significant margin improvement with an increase from 13.9 to 15.1 percent, due in part to the introduction of innovative product solutions and efficiency improvements. Laundry & Home Care was also able to significantly improve its profitability to 14.5 percent (previous year: 13.2 percent) thanks to strong sales growth and strict cost management. Beauty Care improved its adjusted return on sales by 0.3 percentage points to 14.5 percent (previous year: 14.2 percent). This was again due to gratifying sales growth and thorough cost management. Further explanations relating to our business performance can be found in the discussion of the business sectors starting on page 80.

Comparison between actual business performance and guidance

In our 2012 reports, we expected organic sales growth of between 3 and 5 percent for the Henkel Group in fiscal year 2012. Compared to the figures for 2011, we expected adjusted return on sales (EBIT) to increase to 14 percent, and adjusted earnings per preferred share to rise by around 15 percent.

We fully realized this sales and earnings guidance. Our organic growth rate of 3.8 percent was within the guidance corridor. All three business sectors contributed significantly to this growth. At Group level, we achieved a significant increase in adjusted return on sales from 13.0 to 14.1 percent, and a 17.8 percent improvement in adjusted earnings per preferred share, increasing it to 3.70 euros (2011: 3.14 euros).

Additionally, prices for direct materials (raw materials, packaging, purchased goods and services) increased by low single-digit percentages, as predicted in our reports for 2012. Our restructuring expenses totaled 124 million euros, as expected. We invested 393 million euros in property, plant and equipment, which was in line with our forecasts in our reports.

Guidance versus performance 2012

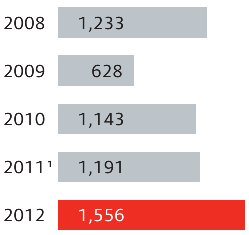
	Guidance for 2012	Performance in 2012
Organic sales growth	Henkel Group: 3–5 percent	Henkel Group: 3.8 percent
	Laundry & Home Care: in the low single-digit percentage range	Laundry & Home Care: 4.7 percent
	Beauty Care: in the low single-digit percentage range	Beauty Care: 3.1 percent
	Adhesive Technologies: in the mid single-digit percentage range	Adhesive Technologies: 3.6 percent
Adjusted return on sales	Increase to 14 percent	Increase to 14.1 percent
Adjusted earnings per preferred share	Increase of around 15 percent	Increase of 17.8 percent

Reconciliation from sales to adjusted operating profit

in million euros	2011	%	2012	%	Change
Sales	15,605	100.0	16,510	100.0	5.8%
Cost of sales	–8,455	–54.2	–8,738	–52.9	3.3%
Gross profit	7,150	45.8	7,772	47.1	8.7%
Marketing, selling and distribution expenses	–4,081	–26.2	–4,278	–25.9	4.8%
Research and development expenses	–396	–2.5	–406	–2.6	2.5%
Administrative expenses	–706	–4.5	–727	–4.4	3.0%
Other operating income/charges	62	0.4	–26	–0.1	>100%
Adjusted operating profit (EBIT)	2,029	13.0	2,335	14.1	15.1%

Net income

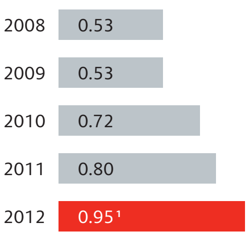
in million euros



[1] Application of IAS 8 “Accounting policies, changes in accounting estimates and errors“ (see notes on pages 116 and 117).

Preferred share dividends

in euros



[1] Proposal to shareholders for the Annual General Meeting on April 15, 2013.

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 items of the statement of income can be found on page 106.

Due to a higher sales volume and raw material price increases, the cost of sales increased year on year by 3.3 percent to 8,738 million euros. Gross profit rose by 8.7 percent to 7,772 million euros. We were able to improve the gross margin by 1.3 percentage points to 47.1 percent, supported by higher selling prices, savings from cost reduction measures, and improvements in production and supply chain efficiency.

Marketing, selling and distribution expenses increased to 4,278 million euros (previous year: 4,081 million euros). We spent a total of 406 million euros on research and development, thus slightly increasing these expenses to 2.6 percent of sales. At 727 million euros, administrative expenses accounted for 4.4 percent of sales, slightly less than in the previous year.

Other operating income and charges

The balance of adjusted other operating income and charges was –26 million euros. The year-on-year decline (2011: 62 million euros) was primarily due to lesser amounts released from provisions.

Financial result

The financial result improved by 14 million euros to –141 million euros, mainly as a result of positive foreign exchange effects. The decrease in our net debt and lower interest rates also had a positive effect.

Net income

Income before tax increased by 448 million euros to 2,058 million euros. Taxes on income amounted to 502 million euros. The tax rate of 24.4 percent was slightly lower than the previous year (26.0 percent). The adjusted tax rate of 24.8 percent declined by 1.2 percentage points compared to the previous year. Net income increased by 30.6 percent, from 1,191 million euros to 1,556 million euros. After deducting 46 million euros attributable to non-controlling interests, net income totaled 1,510 million euros (+30.1 percent). Adjusted net income after deducting non-controlling interests was 1,603 million euros compared to 1,356 million euros in fiscal year 2011. A summary of the annual financial statements of the parent company of the Henkel Group – Henkel AG & Co. KGaA – can be found on page 164.

Dividends

In keeping with our financial strategy, the dividend payout of Henkel AG & Co. KGaA should be around 25 percent of net income after non-controlling interests, adjusted for exceptional items. As such, we intend to propose a higher dividend to the Annual General Meeting than was paid in the previous year: we are proposing 0.95 euros per preferred share and 0.93 euros per ordinary share. The payout ratio would therefore be 25.6 percent.

Earnings per share (EPS)

Basic earnings per preferred share increased from 2.69 euros to 3.49 euros. Earnings per ordinary share increased from 2.67 euros to 3.47 euros. Adjusted earnings per preferred share amounted to 3.70 euros (previous year: 3.14 euros).

Net assets and financial position

Acquisitions and divestments

Effective January 2, 2012, we acquired control of the distribution company Bella Vista A/S, Silkeborg, Denmark. This acquisition strengthens our existing hair salon business in Scandinavia. We hold 100 percent of the voting rights in the company. The purchase price paid was 5 million euros.

In the first quarter, we spent 7 million euros acquiring the outstanding non-controlling interests in Chemofast Anchoring GmbH, Willich, Germany, increasing our shareholding from 73 percent to 95 percent.

Effective August 1, 2012, we acquired the high-performance pressure sensitive adhesives business of Cytec Industries Inc., USA. The purchase price paid was 88 million euros. This acquisition is in keeping with our strategy to expand our core business, and strengthens our expertise in the field of high-performance adhesives.

In the second half of the year, we acquired the laundry detergent business of Colgate-Palmolive in the Dominican Republic for a purchase price of 20 million euros. This acquisition will enable us to grow our core business, and complements our existing distribution business in the Dominican Republic.

In 2012, we spent 3 million euros on the acquisition of outstanding non-controlling interests in Rilken Cosmetics Industry S.A., Athens, Greece. We increased our shareholding from 78 percent to 100 percent effective December 31, 2012. The company has since been delisted and merged into its parent, Henkel Hellas S.A., Athens, Greece.

We realized 3 million euros in the third quarter from the sale of non-core activities in the Adhesive Technologies business sector.

For further details of our acquisitions and divestments, please refer to pages 111 and 112 of the notes to the 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 corresponding discussion on page 47.

Our long-term rating remains 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 potential acquisitions.

Capital expenditures

Capital expenditures (excluding acquisitions) in the year under review amounted to 422 million euros. Capital expenditures on property, plant and equipment for continuing operations amounted to 393 million euros, following 384 million euros in 2011. We invested 29 million euros in intangible assets (previous year: 9 million euros). The majority of these capital expenditures was attributable to the Adhesive Technologies and Laundry & Home Care business sectors. More than two-thirds of our total capital expenditures went into expansion projects and rationalization measures. The main focus was on structural optimizations in production and capital expenditures on production plants for the manufacture of innovative product lines (Laundry & Home Care and Beauty Care). The focus in the Adhesive Technologies business sector was on consolidating production sites and expanding production capacities in emerging markets.

The major projects of 2012 were as follows:

- Construction of a production plant for pre-dosed liquid detergent capsules ("Mega-Caps") in Körösladány, Hungary (Laundry & Home Care)
- Consolidation of production sites and expansion of production capacity in China (Adhesive Technologies)
- Construction of a production plant for automatic dishwashing products (Somat tabs) in Düsseldorf, Germany (Laundry & Home Care)
- Construction of a factory for the manufacture of construction products in Roznov, Romania (Adhesive Technologies)
- Consolidation and optimization of our IT system architecture for managing business processes in the Asia-Pacific region
- Construction of a customer and innovation center ("Lighthouse") in Düsseldorf, Germany (Beauty Care).

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

Capital expenditures by business sector

- 36 % Laundry & Home Care
- 16 % Beauty Care
- 46 % Adhesive Technologies
- 2 % Corporate

Corporate = sales and services not attributable to the individual business sectors.

First-time consolidation of entities resulted in additions to intangible assets and property, plant and equipment in the amount of 94 million euros. Details of these additions can be found on pages 111 and 112 of the notes to the consolidated financial statements.

Capital expenditures 2012

in million euros	Continuing operations	Acquisitions	Total
Intangible assets	29	90	119
Property, plant and equipment	393	4	397
Total	422	94	516

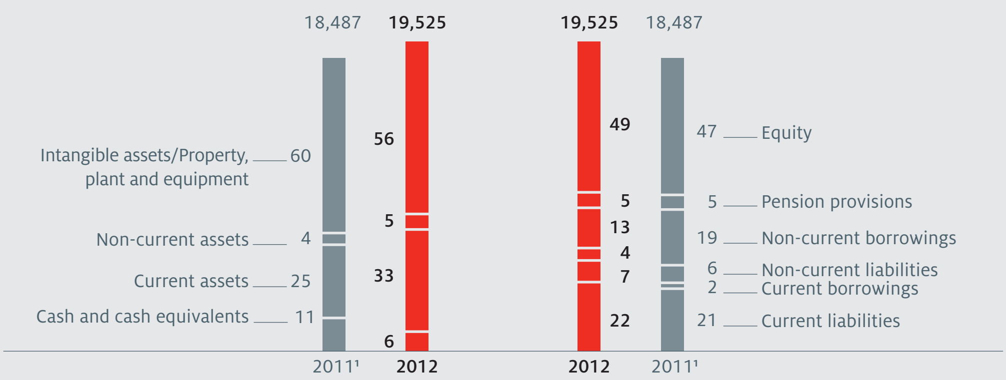
Net assets

Compared to year-end 2011, total assets increased significantly, by 1.0 billion to 19.5 billion euros. Under **non-current assets**, the value of intangible assets decreased by 124 million euros, primarily as a result of foreign currency translation and amortization. Additions to assets, on the other hand, resulted from acquisitions and capital expenditure on continuing operations. The figure for property, plant and equipment increased slightly, with capital expenditures of 393 million euros in continuing operations being offset by depreciation of 292 million euros and disposals with a book value of 16 million euros. Foreign currency translation caused the value of property, plant and equipment to decrease by 14 million euros.

Current assets increased from 6.6 billion euros to 7.6 billion euros. This is mainly attributable to a strong cash flow from operating activities. The high inflow of cash and cash equivalents was largely invested in securities and time deposits. Cash and cash equivalents decreased by 742 million euros to 1.2 billion euros, mainly as a result of these investments. Despite the higher business volume, inventories and trade accounts receivable remained largely unchanged.

Equity, including non-controlling interests, increased year on year by the net income for the year in the amount of 1,556 million euros. Dividend payments and actuarial losses caused equity

Financial structure
in million euros



¹ Application of IAS 8 "Accounting policies, changes in accounting estimates and errors" (see notes on pages 116 and 117).

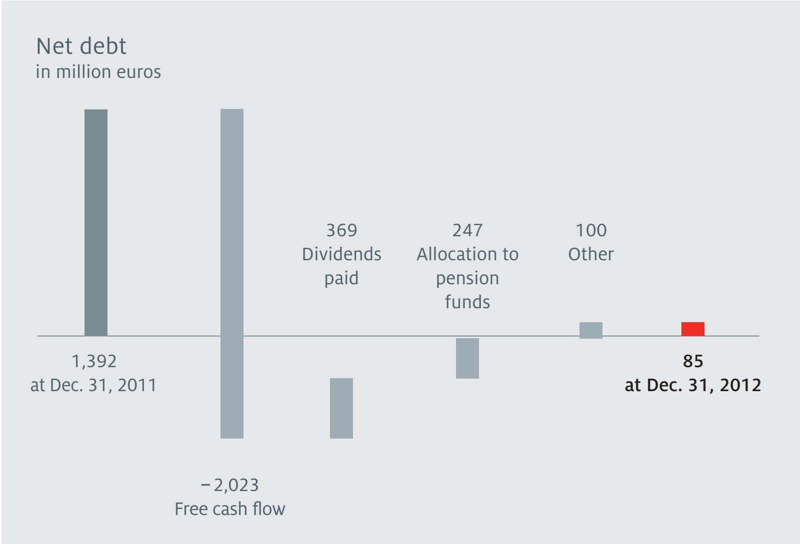
to decrease by 642 million euros in total. The changes are shown in detail in the consolidated statement of changes in equity on page 107. The equity ratio increased compared to the previous year by 1.8 percentage points to 48.7 percent.

The decline in **non-current liabilities** of 1.3 billion to 4.2 billion euros is primarily due to the reclassification of our senior bond maturing in June 2013 with a redemption value of 1.0 billion euros as current borrowings. As of December 31, 2012, our non-current borrowings include two bonds: a senior bond with a redemption value of 1 billion euros, and a hybrid bond with a redemption value of 1.3 billion euros. Pension obligations decreased by 38 million euros in fiscal year 2012. Actuarial losses of 421 million euros caused by lower discount rates for the obligations were offset by allocations of 362 million euros to pension funds. The pension plan assets also increased significantly as a result of the return on investment.

The rise in **current liabilities** of 1.5 billion to 5.8 billion euros is due both to the reclassification of the senior bond as current borrowings, and to higher trade accounts payable.

When investing our financial funds, we ensure appropriate risk spreading. Consequently, in addition to investments reported as cash and cash equivalents in the statement of financial position, we also invest in interest-bearing securities and time deposits. In the future, we intend to further increase the proportion allocated to such securities and time deposits. To improve the presentation of the financial position of the Group, we therefore adjusted the definition of our **net debt** [1] in 2012 and included securities and time deposits.

We reduced our net debt to 85 million euros as of December 31, 2012 (December 31, 2011: 1,392 million euros). With the improvement in net income for the year and the decrease in our indebtedness, operating debt coverage increased to 495.7 percent in the reporting period, placing it well above the target of 50 percent. Our interest coverage ratio also improved further due to an increase in EBITDA (earnings before interest, taxes, depreciation, amortization and impairment).



Financial position

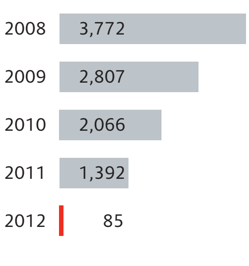
Cash flow from operating activities totaled 2,634 million euros in fiscal year 2012, which was significantly higher than the figure of 1,562 million euros in the previous year. This increase was partly due to the increased operating profit, and partly to high cash inflows (283 million euros) from net working capital. In the previous year, the net working capital figure had been burdened by a cash outflow of –105 million euros. Net working capital amounted to 5.2 percent of sales and was thus –2.1 percentage points below the level prevailing at the end of the prior-year period (7.3 percent).

The cash outflow in the **cash flow from investing activities** (–479 million euros) was 182 million euros above the figure for the previous year. This was mainly due to increased expenditures on acquisitions compared to the previous year. There were also lower proceeds arising from the disposal of subsidiaries and other business units.

The cash outflow in the **cash flow from financing activities** (–2,858 million euros) was mainly due to the investments in short-term securities and time deposits (–1,849 million euros) recognized under other financing transactions. The increase in dividends paid and allocations to pension funds also led to increased outflow.

Net debt [1]

in million euros



[1] 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.

Cash and cash equivalents decreased compared to December 31, 2011, by –742 million euros to 1,238 million euros. This was mainly due to reallocations of cash and cash equivalents to securities and time deposits.

The increase in **free cash flow** by 1,072 million euros to 2,023 million euros was due to significantly higher cash flow from operating activities compared to the previous year (951 million euros).

Financing and capital management

Financing of the Group is centrally managed by Henkel AG & Co. KGaA. Funds are, as a general rule, acquired 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 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 year under review, Henkel paid a higher dividend for both our ordinary and our preferred shares compared to the previous year. Cash flows not required for capital expenditures, dividends and interest payments are used for reducing net debt, allocating to pension funds and financing acquisitions. We cover our short-term financing requirement primarily with commercial papers and bank loans. Our multi-currency commercial paper program is additionally secured by a syndicated credit facility. The outstanding bonds serve to cover long-term financing requirements.

Our financial management is based on the financial ratios defined in our financial strategy (see page 67). Due to the international orientation of our businesses, we must comply with a variety of statutory and regulatory provisions, depending on the region concerned. The current status and changes to these provisions are centrally monitored and any changes are taken into account in our capital management decision-making.

Our creditworthiness is regularly checked by two 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). This means that both Standard & Poor's and Moody's continue to assign Henkel an investment grade rating, the best possible category.

Credit ratings

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

At Dec. 31, 2012.

As of December 31, 2012, our non-current borrowings amounted to 2,454 million euros. Included in this figure are the hybrid bond issued in November 2005 with a nominal value of 1.3 billion euros, and the fixed-interest bond issued in March 2009 with a nominal value of 1.0 billion euros. Our current borrowings – i.e. those with maturities of less than 12 months – amounted to 1,320 million euros on the reporting date, and comprised the fixed-interest bond issued in May 2003 with a nominal value of 1 billion euros, together with interest-bearing bank loans and credits.

We used the cash flow from operating activities for investments in securities and time deposits, and allocations to pension funds. Overall, we have further reduced net debt by a significant amount. The hybrid bond is treated as 50 percent equity by Standard & Poor's and – following a change in valuation method – also by Moody's. This treatment benefits the rating-specific debt ratios of the Group (see table of key financial ratios).

For further information on our financial instruments, please refer to pages 138 to 148 of the notes to the consolidated financial statements.

Henkel's financial risk management activities are explained in detail in our financial instruments reporting on pages 138 to 148 of the notes to the consolidated financial statements and on pages 92 to 98 of the risk report.

Key financial ratios

Due to a reduction in our indebtedness, our operating debt coverage increased to 495.7 percent in 2012, bringing it well above our minimum value of 50 percent. Our interest coverage ratio, i.e. EBITDA divided by net interest expense, also improved further, aided by a higher EBITDA and lower interest expense. And our equity ratio similarly reflects the high financial strength of the Group.

Key financial ratios

	2011 restated[1]	2012
Operating debt coverage[2] (Net income + Amortization and depreciation, impairment and write-ups + Interest element of pension obligations) / Net borrowings and pension obligations	91.6 %	**495.7 %**
Interest coverage ratio (EBITDA / Net interest expense including interest element of pension provisions)	14.0	**18.4**
Equity ratio (Equity / Total assets)	46.9 %	**48.7 %**

[1] Application of IAS 8 "Accounting policies, changes in accounting estimates and errors" (see notes on pages 116 and 117).
[2] Hybrid bond included on a 50 percent debt basis only. Prior-year figures adjusted to reflect changed definition of net borrowings.

Attractive employer

Henkel offers a wide range of activities and programs, both internally and externally, to fortify its already strong reputation as an attractive employer. Students, for example, get to know the company through our international competition “Henkel Innovation Challenge.” Photo left: Cheung Hoi Fai (left) and Sun Yi, winners in 2012. Henkel also facilitates a healthier work-life balance by offering child care facilities. Photo right: employee Maria Dominguez-Parra and her son Luis at Henkel’s daycare center “Kleine Löwen” (Little Lions) in Düsseldorf.

Employees by region in 2012

- 31 % Western Europe
- 20 % Eastern Europe
- 19 % Asia-Pacific
- 11 % Africa/Middle East
- 11 % North America
- 8 % Latin America

Employees by business sector

- 19 % Laundry & Home Care
- 16 % Beauty Care
- 52 % Adhesive Technologies
- 13 % Functions

Employees

At the end of 2012, Henkel employed 46,610 people around the world (annual average: 46,786). Consolidation measures and the relocation of further business processes to our shared service centers have enabled us to improve efficiency. As a result, the number of employees is 1 percent below the level of the previous year. The number of employees in our mature markets is declining, while our emerging markets are showing a slight upward trend. The number of people employed in Eastern Europe, in particular, has grown by 3 percent. Sales per employee increased by 8 percent to 352,878 euros. Personnel expenses were 2,643 million euros.

We rely on high-performance teams to achieve our business success. These teams are diverse in terms of nationality, gender and age/professional experience, as we are convinced that diversity is a key factor for success and competitiveness. Challenging assignments in a global context, individualized development programs and a firmly established feedback culture enable us to develop the necessary skills among our employees at an early stage, while at the same time enhancing our attractiveness as an employer.

This attractiveness was again confirmed in 2012, when Henkel was awarded 1st place as the “Top Employer in Germany” for the third year in a row by the renowned CRF Institute. We also ranked first in the sub-categories of corporate culture, and training and development. Our newly designed careers website was also awarded 1st place in the “Human Resources on the Internet 2012” study. This top ranking was due, in particular, to the extensive information available, a high level of interactivity, and full optimization of the careers website for mobile devices.

When addressing talented potential applicants, we focus strongly on online channels, which we strengthened in June 2012 by setting up our own German Facebook Careers page. Our activities helped to position Henkel more effectively as an employer of choice, attract new talent and retain existing employees.

The “Henkel Innovation Challenge,” a successfully established innovation competition for students, also relies on social media channels such as Facebook. Our global competition for students attracts great interest, including in the key target group of prospective engineers and scientists. We are increasingly appealing to them by expanding assignments to include Henkel technologies and by focusing on the sustainability aspects of innovation. All of the business sectors take part in the student competition, now in 26 countries on all continents, using a mentoring program to actively assist the participants. The professional framework of the “Henkel Innovation Challenge” is creating a steady increase in qualified job applications.

In order to ensure the continued high quality of our personnel development program, in 2012 we expanded our talent management process, which is already well established for executives, to include high-potential employees who do not yet have management-level responsibilities. This enables us to individually promote their development based on annual performance and potential reviews using standardized criteria and competences, as well as in feedback meetings. At the same time, this program secures long-term succession planning aligned to internal employees.

In order to assist the career development of all of our employees, we revised our "Henkel Global Academy" development program in 2012. The program now combines all of the company's training under one umbrella. Following a global conceptual phase, we have tested the training programs and will offer them to our employees worldwide in 2013. The globally standardized programs feature flexible, virtual training content. In the future, we will support continuous learning through, for example, e-learning programs, webinars and online libraries.

In order to strengthen management capabilities, we have developed a mandatory, standardized, multi-level training program for executives. This program assists executives with management responsibility from the very first operational management tasks right up to strategic management issues.

In addition, selected executives attend internationally renowned business schools to further develop themselves in specific areas of management. For this purpose, we have devised a program with challenging content tailored to our specific needs. High-performing, high-potential employees who qualified for our Executive Resource Program once again attended selected courses at Harvard Business School in 2012. The Executive Resource Program carries great significance for Henkel as it plays a major role in our internal succession planning for top management. Again in 2012, we filled several top management positions with candidates from this program.

Competitive remuneration is a key element in our performance culture and an integral component of our talent cycle. Our remuneration system rewards both personal achievement and corporate success. It distinguishes individual contributions, motivates outstanding performance, and is aligned with achieving our medium-term financial targets.

The success of our teams derives from their diversity, with employees working together with different competences and skills, educational backgrounds, and experience gained in different situations and countries. This diversity of our teams plays a key role in Henkel's success and drives our innovations and creative business processes.

In the last two years, we have placed particular attention on gender diversity. Around 31 percent of the management positions at Henkel are held by women, which gives us a leading position in this area among the DAX 30 companies in Germany. At the same time, we again emphasize our goal, within the framework of the voluntary declaration of commitment undertaken by all DAX 30 companies, of increasing the share of women in management positions by one to two percentage points per year. To achieve this goal, Henkel continues to strive for a balanced ratio between men and women when recruiting. We are, moreover, continuing to define systematic medium- to long-term career planning. Our "Triple 2" concept – 2 functions, 2 business areas, 2 countries – still plays a key role in this respect. Within this concept, we have further sharpened our focus on mobility. Assignments abroad, for example, are mandatory for talented next-generation executives at the start of their careers. These assignments can also be project-related. Monitoring and supporting these career stages remains an

Employees by activity

- 50 % Production and engineering
- 31 % Marketing, selling and distribution
- 13 % Administration
- 6 % Research and development

Employees by age group

- 18 % 16–29 years
- 34 % 30–39 years
- 30 % 40–49 years
- 18 % 50–65 years

Around **31 %** of our managers are women.

Employees[1]

(at December 31)	2008	%	2009	%	2010	%	2011	%	2012	%
Europe / Africa / Middle East	33,485	60.7	30,933	62.8	30,078	62.9	29,530	62.5	**28,866**	**62.0**
North America	7,360	13.4	5,714	11.6	5,440	11.4	5,233	11.1	**5,187**	**11.1**
Latin America	4,293	7.8	4,002	8.1	3,699	7.7	3,681	7.8	**3,642**	**7.8**
Asia-Pacific	10,004	18.1	8,613	17.5	8,637	18.0	8,821	18.6	**8,915**	**19.1**
Total	**55,142**	**100.0**	**49,262**	**100.0**	**47,854**	**100.0**	**47,265**	**100.0**	**46,610**	**100.0**

[1] Basis: permanent employees excluding apprentices.

important component of personnel development at Henkel. We have therefore specifically expanded our mentoring program, in particular for female executives.

We offer a working environment that allows for more flexibility, as we are convinced that work flexibility will play an increasingly important role in individual career planning in the future. In 2012, therefore, great emphasis was placed on the introduction of an internal global declaration of commitment to work flexibility. At the core of this declaration is our "Charter of Work-Life Flexibility," to which all managers around the world can voluntarily commit by adding their signatures. This marks a further step in Henkel's efforts to progress from a culture based on presence to one based on performance throughout the entire company, and also encourages a better work-life balance. Child care facilities also form an integral part of this concept. For example, Henkel is currently building a third daycare center in Düsseldorf, which is scheduled to open in summer 2013. Once opened, the child care facilities offered by the company will be able to care for 80 more children, bringing the total to 240.

Direct involvement of our employees plays a key role in the implementation of our sustainability strategy. By mid 2012, our managers had attended some 670 Action Plan meetings around the world to discuss our strategy with their teams, and defined more than 6,000 measures for implementation. In addition, we have integrated the topic of sustainability to a greater degree in existing training programs, for example in the well-established Advanced Management Program run by the renowned Spanish business school IESE, which targets high-potential executives.

The issue of sustainability has also been addressed in more depth in our internal communications, including discussion panels with internal and external sustainability experts, and a Sustainability Day throughout Henkel on September 26, the "birthday" of the company. Henkel's apprenticeship program in Düsseldorf also added a new project on the topic of sustainability. Together with our retail partner, the drug store chain dm, we have set up a joint education program focusing on sustainability, entitled "Verstehen durch Erleben – Gemeinsam Zukunft gestalten" (understanding through experience – shaping the future together). Commercial and chemical apprentices from Henkel and dm tested the environmentally compatible application of Henkel products in Henkel's laboratory. They then demonstrated what they had learned to customers in dm stores using illustrative experiments.

Social commitment that extends beyond our business activities forms an integral part of our corporate culture – this is referred to internationally as Corporate Citizenship. We focus mainly on projects and concepts where our core competences enable us to make definite measurable improvements. Education initiatives are one of our main areas of social engagement, and focus on the three areas of encouraging the commitment of our staff and the company, and partnerships with our brands. Education is an essential basis for both personal development of each individual and for a functioning society. If catastrophes hit, we provide aid quickly and unbureaucratically, as, for example, following the earthquake in Guatemala and the devastating flood in the Philippines.

In Germany, Henkel offers more than 20 apprenticeship professions, for which we took on 168 apprentices last year. The new recruits also included 31 students who are taking part in our dual study program, where they combine a full-time Bachelor's degree course at a university with periods of in-depth practical experience at Henkel. Both training programs attract a large number of applicants. Currently, 491 apprentices are learning a profession at Henkel. All our trainees successfully completed their final examination with the German Chamber of Commerce and Industry [IHK].

Procurement

We use externally procured 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. Price increases for direct materials were in the low single-digit percentage range in 2012.

Aside from supply and demand, the prices of raw materials, packaging and purchased goods are mainly determined by the prices of the input materials used to manufacture them. The price development of the input materials varied between regions and materials. Prices for palm kernel oil and butadiene declined, for example, while ethylene prices rose in Europe and Asia, and prices for caustic soda rose globally. The average price of crude oil remained at the same high level as in 2011. A few input materials again suffered disruptions in external supplier procurement chains, due to postponed maintenance and repair measures, and unforeseen failures in production facilities. Developments in procurement markets and the supply and demand situation led to higher purchase prices for the raw materials, packaging and purchased goods procured by Henkel.

Direct material expenditures were 7.5 billion euros in the year under review, 0.2 billion euros more than the previous year. This is primarily attributable to higher production volumes and increased prices for direct materials. Higher selling prices, our global procurement strategy, savings from cost reduction measures, and improvements in production and supply chain efficiency enabled us to increase our adjusted[1] gross margin.

In terms of direct materials, our five most important groups of raw materials are raw materials for use in hotmelt adhesives, washing-active substances (surfactants), raw materials for polyurethane-based adhesives, inorganic raw materials and water-based adhesive raw materials. These account for around 34 percent of our total direct material expenditures. Our five largest suppliers account for around 13 percent of our direct material expenditures.

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, logistics, marketing and IT services. Our global procurement strategy and structural cost reduction measures enabled us to reduce our procurement prices in these areas compared to the previous year.

Expenses for indirect materials and services were 4.2 billion euros in 2012, matching the level of the previous year.

In order to improve efficiency and secure material supplies, we continuously optimize our value chain while at the same time maintaining our level of quality. In addition to continuous negotiation of new, competitive contract terms, our ongoing initiative to reduce total procurement expenses is a major factor in the success of our purchasing strategy. Working together with the three business sectors, Purchasing works continuously on reducing product complexity, optimizing the raw materials mix and further standardizing packaging and raw materials. This gives us stronger negotiating positions and greater leeway to further consolidate our supplier base. For long-term business relationships, we choose suppliers we feel offer the greatest potential in terms of innovation and optimization of manufacturing costs and logistics processes, while limiting the risk of supply shortages. We manage our strategic suppliers using individual target agreements. Last year, we succeeded in reducing the number of suppliers by more than 10 percent.

We were able to increase the efficiency of our purchasing activities by further standardizing, automating and centralizing our procurement processes. In addition to making greater use of e-sourcing tools to support our purchasing processes, we have already combined large portions of our administrative purchasing activities – such as order processing, price maintenance and reporting activities – in our shared service centers.

The improvement in net working capital is primarily due to optimization of our payment terms, continuous improvements in our supply chain processes, and better inventory management.

Material expenditures by business sector

- 30 % Laundry & Home Care
- 18 % Beauty Care
- 52 % Adhesive Technologies

Material expenditures by type

- 63 % Raw materials
- 19 % Packaging
- 18 % Purchased goods and services

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

Given the uncertainties with respect to material price changes and supply shortages in procurement markets, risk management is an important part of our purchasing strategy. An emphasis is put on reducing price and supply risks while maintaining uniformly high quality. As part of our active price management approach, we employ strategies to safeguard prices over the long term, both by means of contracts and, when appropriate and possible, financial hedging instruments. In order to minimize the risk of supplier default, we use 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 regarded as critical. If a high risk of supplier default is identified, we systematically prepare back-up plans in order to ensure continuous supply.

We expect our suppliers and contractual partners to behave in a manner in keeping 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, when choosing and developing our suppliers and counterparties, we take into account their performance in 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 multistage Responsible Supply Chain Process. The objective of this process is to ensure supplier compliance with these standards and to improve the sustainability standards in our supply chain with our strategic suppliers. A global training program ensures that the requirements for the sustainability profile of our suppliers are understood and properly applied by our employees.

Production

We further optimized our production sites in fiscal year 2012, with Henkel manufacturing products with a total weight of about 7.6 million metric tons at 171 sites in 54 countries. Our largest production facility is in Düsseldorf, Germany. Here we manufacture not only detergents and household cleaners but also adhesives for consumers and craftsmen, and products for our industrial customers. 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

	2011	2012
Laundry & Home Care	29	28
Beauty Care	8	8
Adhesive Technologies	143	135
Total	**180**	**171**

Our plant in Düsseldorf continues to be the largest production site for our **Laundry & Home Care** business sector. Here we predominantly manufacture powdered and liquid detergents, fabric softeners, liquid cleaning products and dishwasher tabs.

We further reduced the number of production sites worldwide from 29 to 28 in the year under review. Concentrating our production on fewer, more efficient factories close to our customers has enabled us to continuously improve our performance. By the end of 2012, Group headquarters and 16 other sites had been certified in accordance with the new ISO 50001 standard for energy management systems. In addition, a building at our production site in Körösladány, Hungary, was certified for the first time in accordance with the ÖGNI/DGNB standards for sustainable construction, and an application has been submitted for LEED (Leadership in Energy and Environmental Design) certification. In this way, the Laundry & Home Care business sector is further expanding its leading role in the successful implementation of sustainability strategies within the area of production.

An international study on optimizing logistics flows was performed in 2012. We want to reduce transport volumes in order to both save costs and reduce environmental pollution. We will be implementing the recommendations of the study during coming years to significantly reduce transport volumes and consolidate to a smaller number of larger warehousing sites. This will allow us to make greater use of automated warehouses. We already implemented projects of this type in Russia and Austria in 2012.

The **Beauty Care** business sector is very efficiently structured with eight factories around the world. Our largest plant is located in Wassertrüdingen, Germany, and focuses on the production of body and hair care products. As in previous years, sustainability was a major driver of our activities. We were able to achieve further significant reductions in energy consumption, and waste and wastewater volume. The continuous improvement of our "Total Productive Management Plus" program has allowed us to further increase productivity at all of our plants.

In our **Adhesive Technologies** business sector, emerging markets are the primary driver of organic growth. As a result, we are investing disproportionately in new production facilities in these regions.

We are introducing new technologies and expanding our production capacity at the same time in order to further improve our competitiveness. With production volumes rising in emerging markets, the pooling of technologies at selected sites gives rise to economies of scale. These multi-technology sites use a shared infrastructure, which also helps boost resource efficiency. Our largest adhesives production site is currently being constructed on the basis of this concept in Shanghai, China. This will allow us to expand production capacity with fewer sites.

The increased use of standardized processes and systems is a further driver of continuous improvement in production. We ensure at the same time that the different requirements of the customers of our businesses are satisfied.

We continued the overall consolidation of our global production footprint in 2012. Despite a further increase in capacities, we reduced the number of factories by eight to 135. In combination with other measures taken to improve efficiency, this allowed us to further reduce our manufacturing costs.

Sustainability performance 2008 to 2012, Henkel Group

Environmental indicators per metric ton of output		
Water consumption	– 35 %	↘
Energy consumption	– 30 %	↘
Waste footprint	– 19 %	↘
Occupational accidents[1]	– 29 %	↘

[1] Per million hours worked.

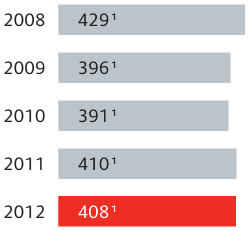
In all three business sectors, our optimization efforts are aligned to reducing the ecological footprint of our production activities. We focus in particular on cutting energy consumption, thereby contributing to climate protection, reducing materials use and waste volume, and limiting water consumption and wastewater pollution. New storage concepts and the manufacture of packaging materials directly at the filling site reduce transport costs and thus likewise contribute to climate protection.

Overall, our global programs in 2012 resulted in 49 percent of our sites reducing their energy consumption, 52 percent reducing their water consumption and 56 percent lowering their waste footprint.

Our five-year Group-wide targets for occupational safety, resource conservation and emissions reduction that we set in 2007 were achieved ahead of schedule by the end of 2010. Building on this, we further developed our strategy and set new sustainability targets for the end of 2015:
- 15 percent less energy per production unit.
- 15 percent less water per production unit.
- 15 percent less waste per production unit.
- 20 percent increase in occupational safety per million hours worked.

R&D expenditures

in million euros



[1] Includes restructuring charges of:
52 million euros (2008),
13 million euros (2009),
8 million euros (2010),
14 million euros (2011),
2 million euros (2012).

R&D expenditures by business sector

23% Laundry & Home Care
14% Beauty Care
63% Adhesive Technologies

For further details on our sustainability targets, please see pages 51 to 53 and our Sustainability Report on our website at www.henkel.com/sustainability

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

We have the environmental management systems at our sites externally certified where our partners in the markets recognize such certification. By the end of 2012, around 85 percent of our production output was generated by factories certified under the ISO 14001 international standard for environmental management systems.

Research and development

Expenditures for research and development were 408 million euros for the Henkel Group in the year under review (adjusted for restructuring charges: 406 million euros), compared to 410 million euros (adjusted: 396 million euros) in 2011. As a percentage of sales, we spent 2.5 percent (adjusted: 2.6 percent) on research and development (2011: 2.6 percent, adjusted: 2.5 percent). Successful implementation of our Open Innovation strategy, project outsourcing, and the relocation of resources in the direction of emerging markets led to improved efficiency and demonstrated our ongoing focus on innovation.

A substantial part of our research and development activity takes place in the areas of polymer chemistry, materials management, surface treatment, metering systems and innovative packaging. These activities are important for all three Henkel business sectors. As in the previous year, personnel expenses accounted for around half of total R&D spending.

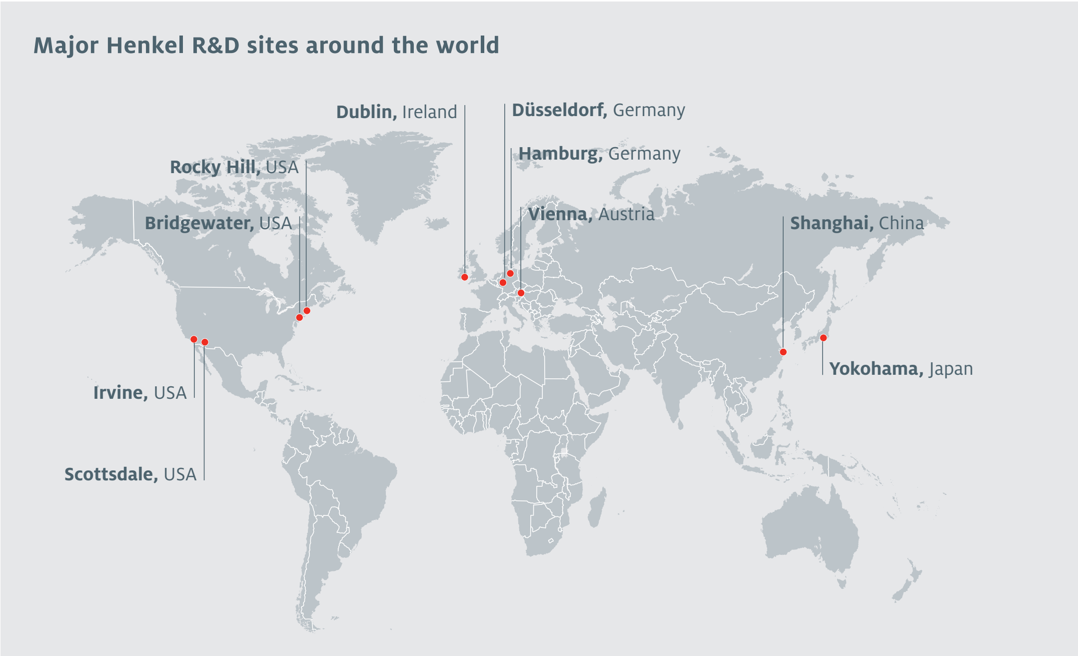
Our research and development costs were fully expensed, no development costs were capitalized in accordance with International Financial Reporting Standards (IFRS).

On an annual average, 2,657 employees worked in research and development (2011: 2,654), corresponding to 5.7 percent of the total workforce. The success of our R&D activities is based on the talents, skills and capabilities of our highly qualified employees. Our teams are comprised of natural scientists – predominantly chemists – as well as material scientists, engineers and technicians.

Key R&D figures

	2008	2009	2010	2011	2012
R&D expenditures (million euros)	377 [1]	383 [1]	383 [1]	396 [1]	**406 [1]**
R&D expenditures (in % of sales)	2.7 [1]	2.8 [1]	2.5 [1]	2.5 [1]	**2.6 [1]**
Employees (annual average)	2,942	2,743	2,665	2,654	**2,657**

[1] Adjusted for restructuring charges.



Open innovation

In 2012, the Open Innovation concept played an even more important role in our innovation process than in previous years. The involvement of external partners, such as universities, research institutes and suppliers in many of our larger projects was of major importance. Involving our customers also helped to speed up the progress of our research and development projects.

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

- Laundry & Home Care was honored with the Best Innovator Award 2012 in the category "Best overall implementation in a major corporation." This prize is awarded annually by Zeppelin University Friedrichshafen in recognition of a company's outstanding open innovation activities. Particular mention was given to our 360 degree open innovation strategy, innovation culture, and the ability to open up new business areas.
- We awarded the "Best Innovation Contributor Award 2012" to our raw materials supplier Dow Corning for its involvement in developing an innovative new generation of emulsion-based antiperspirant sprays. This innovative emulsion technology offers excellent long-term protection against underarm perspiration while at the same time protecting fabrics against white, yellow or oily stains.
- In collaboration with Pennsylvania University (PENN) in the USA, researchers in our Adhesive Technologies business sector have developed a new generation of acrylate-based copolymers. As a result, we now have at our disposal a wide range of new materials for developing high-quality customer- and application-specific products. Examples include new engine seals with improved oil resistance for the automotive industry, and special adhesives and seals for displays in the electronics industry.

Worldwide, growth and quality of life need to be decoupled from resource consumption and emissions. Our contribution 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: our researchers must demonstrate that their projects offer specific benefits in terms of product performance and added value for our customers, resource efficiency and social progress. We therefore focus our R&D efforts on innovations that combine product performance and quality with social and environmental responsibility.

Life cycle analyses of our key product categories and our many years of experience in the area of sustainable development help us, right from the start of the product development process, to determine where in the various product categories the main environmental effects occur and where appropriate improvement measures could be applied. One key tool in this respect is our "Henkel Sustainability#Master," an evaluation system centered around a matrix based on the individual steps in our value creation chains and our six focal areas. This 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 have made valuable contributions to sustainability and the performance of our company in many areas. A selection of important research projects is provided in the examples below:

Laundry & Home Care

- Launch of pre-dosed liquid detergents in dual-chamber capsules ("Duo-Caps"): the dual-chamber technology allows two different ingredients to be provided, one specifically for removing stains, and one for brilliant colors (Color) or whites (Universal) – and requires only half the quantity compared to conventional liquid detergents. At the same time, we save resources on packaging materials, transport and water consumption, and ensure that our consumers always use the optimal quantity. Laundry & Home Care awarded the "Sustainability Award" to the company MonoSol, which developed the necessary rapid-action water-soluble films. The Sustainability Award honors partners in our supply chain for exceptional support of our "Factor 3" sustainability goal (see our sustainability strategy for 2030 on pages 51 to 53).
- Global launch of the triple-action hand-dishwashing liquid Pril 3x Action: this high-performance formulation removes grease, ensures a brilliant finish, and eliminates odors. Pril Style was launched at the same time – two variants in modern, striking bottles with an attractive design.
- Improvement of the first multi-purpose liquid dishwasher detergent Somat/Pril Perfect Gel Express Power: the trend toward high-performance liquid dishwasher detergents continues with new active grease removers that have the power to dissolve grease even at low temperatures or short cycles – presented in a convenient, ergonomically designed bottle.

Beauty Care

- Innovative formulation platform for hair care products with improved care and sustainability properties. Joint research efforts in collaboration with our industry and university partners produced a new, high-performance care technology with targeted use of keratin modules to replace the protein lost in damaged hair. These newly developed platforms for formulating shampoos and conditioners demonstrate a noticeable improvement in care performance, resource conservation and an improved environmental profile. The new platforms were put to use for the first time in the relaunch of Gliss Kur.
- Development of developer emulsions containing oil for oxidative hair colorants in the Branded Consumer Goods and Hair Salon businesses: the addition of nourishing oils noticeably improves hair care properties and significantly enhances scalp compatibility. The new oil technology was launched globally under the Palette, Diadem, BlondMe and Igora Royal colorant brands.
- Together, our researchers in Germany and North America identified new plant-based active ingredients that stimulate the skin's cold receptors. The patent-pending active ingredients can be used both in shower gel and deodorant formulations. Once applied, they generate a cooling effect that recurs constantly during physical activity. The body care products with lasting cooling effect were launched under the name "Xtreme Polar" under the Right Guard brand.

Adhesive Technologies

- Global market launch of a new two-stage process for pre-treating multi-metal car bodies prior to painting: overall, both the quality and ecological impact of this pre-treatment process were improved by reducing the chemical and energy input. At the same time, a much smaller quantity of phosphate sludge is produced, which positively impacts the waste footprint.
- New, solvent-free assembly adhesives for craftsmen and consumers with improved performance capabilities: these products are replacing solvent-based adhesives as part of our sustainability strategy.
- Launch of a new generation of polyurethane- and acrylate-based adhesives for bonding mobile devices: new application devices developed specifically for these products now allow customers to use these adhesives more efficiently.

Fritz Henkel Award for Innovation 2012

www.perwoll.de

www.schwarzkopf-professional.de

www.pattex.de

Fritz Henkel Award for Innovation

Each year we select a number of outstanding developments for our Fritz Henkel Award for Innovation. In 2012, the innovation award went to three interdisciplinary project teams for the realization and commercialization of the following concepts:

- **Innovative detergent formulations for delicate fabrics with “Re-new Effect”** for black, colored or white fabrics, sold under our Perwoll, Fewa, Mir Couleurs, Micolor and MAS Color brands, and used by consumers all over Europe and in Latin America, feature a special anti-pilling technology which results in significantly smoother fibers, thus producing better light reflection and glowing colors. The novel formula not only cleans delicate garments, but provides care and protection to the fibers as well, while also acting directly to prevent roughening and graying.
- **Breakthrough in oil technologies for a new dimension in hair care:** based on innovative formulation concepts such as micro-emulsification and oil evaporation technology, a new generation of oil-containing hair care elixirs and micro-emulsion shampoos has been developed that transports micro-fine nourishing oils deep into the internal hair structure to give it extraordinary shine and suppleness. The oil-containing care products marketed under the Bonacure, Gliss Kur, Syoss and Got2b brands even repair extremely damaged hair and split ends without overly stressing the hair.
- **Pattex Power PU-Schaum is a single-component assembly foam (PU foam)** with improved insulation properties and strength, and significantly better UV resistance. Thanks to its innovative formulation, it was the first PU foam containing MDI to be released for unrestricted sale in retail following stricter European legislation. The product is based on innovative “white technology” and guarantees a fine and uniform foam texture even in difficult conditions, such as low humidity. As such, it guarantees optimal thermal insulation of window joints, for example.

We hold more than 7,700 patents to protect our technologies around the world. Close to 4,800 patents are currently pending. We have registered some 1,700 design patents to protect our designs.

Further information on our research and development activities can be found on our website at 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 each of our business sectors to the requirements of each specific audience and target group.

In the **Laundry & Home Care** business sector, we have oriented our marketing activities even more closely to our markets and customers as a result of the new business model introduced in 2011. Central management of our global brands plays an important role, as it enables us to adopt more efficient decision-making processes, accelerate the market launch and further commercialization of our innovations, and further advance the use of new and important media. At the same time, close cooperation between our central marketing unit and local organizational units ensures that local market conditions and consumer habits are taken into account. We plan our distribution activities on a country-specific basis, while coordinating them internationally. At the same time, we have harmonized processes worldwide and improved the transfer of knowledge, experience and applications within the organization.

In the **Beauty Care** business sector, we develop marketing strategies for both our Branded Consumer Goods and our Hair Salon businesses on a global scale, while implementing them locally. Our distribution activities are also increasingly being coordinated internationally, but managed on a country-specific basis. We communicate with consumers primarily through media advertising and point-of-sale campaigns. The use of digital marketing, especially social media, to address potential customers is also gaining in importance. Consumers purchase our products from retailers, primarily drug stores, supermarkets and department stores. We engage with our customers in the Hair Salon business through the activities of our sales force. Field sales representatives support the salons at the local level with, for example, product demonstrations and technical advice. As an additional service, we also offer specialist seminars and training courses in our globally established Schwarzkopf academies.

Marketing in our **Consumer Goods Businesses** is focused on the needs of the consumer. Our marketing organization initiates innovation processes and uses knowledge gained from market research and observation. Our marketing teams develop and execute media strategies and advertising formats that specifically address consumers. To support our strong brands and continue the successful marketing of our innovations, we manage our marketing activities and investments using clear priorities set according to category and region.

Our primary direct customer group is the grocery retail trade with distribution channels in the form of supermarkets, large-scale mass merchandizers/hypermarkets and discount stores. In Europe, drug stores are also important, while in markets outside Europe and North America, a large proportion of our sales continues to be made using wholesalers and distributors. Our sales unit offers a full range of competences to serve trade customers.

The **Adhesive Technologies** business sector serves a wide range of customers with different uses for our products. Customers range from large international industrial clients to small and medium-sized industrial businesses, craftsmen, do-it-yourselfers and private households.

We generally rely on our own sales personnel as the channel for approaching our customers. Our direct customers are industrial clients and retail companies. The retail companies serve the needs of private users, craftsmen and small industrial customers more efficiently than direct sales. Our most important customers are served by our key account management teams. We are further expanding our key account organizations in order to better exploit the potential offered by these customers. As many of our products are technically complex, our technical customer service and user training also play an important role.

Based on feedback from more than 5,000 users, we have further improved our new system for Customer Relationship Management that was rolled out globally in 2011 for our industrial businesses. As a result, we can now plan, manage and document sales projects and activities more efficiently, while sales projects involving key accounts can be more easily managed around the world, across local or regional borders.

We develop our marketing strategy on both the global and regional level. The measures derived from our planning are then implemented locally, with a specific focus on our strong international brands. In light of this, we will divide our industrial business into five technology cluster brands in future: Loctite, Bonderite, Technomelt, Teroson and Aquence. In the consumer business, we will further strengthen our four existing brand platforms.

Electronic media are playing an increasingly important role in communication with all of our target groups. In addition, we rely on traditional media advertising and supporting point-of-sale activities in the retail trade to communicate with private users. Craftsmen and industrial customers are primarily addressed by our sales organization through the provision of technical advice, product demonstrations and training courses, and also at industrial fairs.

The use of electronic media for communicating with customers and users is becoming increasingly important for Henkel. In all three of our business sectors, we therefore focus not only on constantly improving our existing websites but also and increasingly on the use of social media.

The importance of sustainability has increased significantly in our relationships with customers and consumers. Our customers increasingly 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-viable 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, as well as detailed information provided in the new media, such as electronic newspapers and online platforms, and at events.

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 brought together in our “Henkel Sustainability#Master.” This evaluation system centers around a matrix based on the individual steps in our value chains and on our six focal areas. This 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.

We also participate in related projects and working groups, such as various working groups of the Consumer Goods Forum, the Sustainability Consortium and the World Business Council for Sustainable Development, and in the Environmental Footprint Pilot Project of the European Commission.

For further information on the products and brands of our three business sectors, please go to our website at www.henkel.com/products-and-solutions

Laundry & Home Care

- **Organic sales growth of 4.7 percent**
- **Adjusted[1] operating profit improved by 15.5 percent to 659 million euros**
- **Adjusted[1] return on sales increased by 1.3 percentage points to 14.5 percent**
- **Return on capital employed (ROCE) up 7.6 percentage points to 25.8 percent**
- **Economic value added (EVA®) further improved to 393 million euros**

Innovations 2012

Persil Duo-Caps

New Persil Duo-Caps, for all major European markets, is an innovative, pre-dosed liquid detergent offering dual-chamber technology. Easy to dispense, Persil Duo-Caps combines the Persil brightness formula in the green chamber with a powerful active stain remover in the blue chamber.
www.persil.at

Bref / WC Frisch "Power Aktiv"

Bref – marketed in Germany under the WC Frisch brand – launched a major freshness campaign with two new fragrances: the WC rim block is now available for sale in "Fresh Eucalyptus" and "Floral Fresh" variants. The combination of four active ingredients ensures reliable all-round WC care.
www.wc-frisch.de

Silan Royal

Silan Royal fabric softener promises a feeling of luxury and elegance. The "Royal Gold" and "Royal Pearl" variants contain high-quality fragrance pearls that provide particularly long-lasting freshness, giving every wash a wonderful soft feeling and a touch of brilliance and glamor.
www.silan.at/products/royal

Key financials *

in million euros	2011 restated ***	2012	+/–
Sales	4,304	**4,556**	5.9 %
Proportion of Henkel sales	27 %	**28 %**	1 pp
Operating profit (EBIT)	419	**621**	48.3 %
Adjusted operating profit (EBIT)	570	**659**	15.5 %
Return on sales (EBIT)	9.7 %	**13.6 %**	3.9 pp
Adjusted return on sales (EBIT)	13.2 %	**14.5 %**	1.3 pp
Return on capital employed (ROCE)	18.2 %	**25.8 %**	7.6 pp
Economic Value Added (EVA®)	211	**393**	85.7 %

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

Sales development *

in percent	2012
Change versus previous year	**5.9**
Foreign exchange	1.6
Adjusted for foreign exchange	**4.3**
Acquisitions/divestments	– 0.4
Organic	**4.7**
of which price **	3.4
of which volume	1.3

* Calculated on the basis of units of 1,000 euros.
** In determining the price effect, we account for the positive structural effect arising from the launch of new products.

*** Application of IAS 8 "Accounting policies, changes in accounting estimates and errors" (see notes on pages 116 and 117).

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

Economic environment and market position

The world market for laundry and home care products was generally characterized in 2012 by continued intense price and sales competition. The global consumption climate was dampened by a high level of uncertainty surrounding the persisting debt and financial crisis. High levels of unemployment caused especially the markets in Southern Europe to decline strongly. Overall, the markets relevant for Laundry & Home Care picked up again in 2012 after experiencing slightly declining growth in the two previous years. This positive trend was primarily driven by double-digit growth in emerging markets. Suppliers of private labels were again able to increase market share – quite considerably in some cases – in Southern Europe, especially in Spain and Italy. This was due to price sensitivity among consumers in light of the prevailing crisis.

Despite this challenging market environment, we again succeeded in outperforming our relevant markets. The increase in our market share spanned all regions. Although the markets in North America continued to be burdened by declining growth and consumer reticence in 2012, they did start trending upward in the second half of the year. In Western Europe, the markets in Germany, Italy and France grew, with France exhibiting the best market performance of all Western European countries. These countries made up for the strongly declining markets in Portugal, Spain and Greece. We were able to expand our market shares in both Western Europe and North America. The market development in Eastern Europe was positive, recording a double-digit growth rate, due mainly to strong growth in the Russian and Turkish markets. In a highly competitive environment, we were able to sustain our position in the Eastern European market, and to defend our market share. Despite the ongoing political unrest, the Africa/Middle East region recorded very strong market growth, and we were able to expand our market shares. The Latin American market also grew, and we were able to significantly increase our market shares here and in South Korea, our only market in the Asia-Pacific region.

Business activity and strategy

The Laundry & Home Care business sector is globally active in the laundry and home care Branded Consumer Goods business. The Laundry business includes not only heavy-duty and specialty detergents but also fabric softeners, laundry performance enhancers and laundry care products. Our Home Care product portfolio encompasses hand and automatic dishwashing products, cleaners for bathroom and WC applications, and household, glass and specialty cleaners. We also offer air fresheners and insecticides for household applications in selected regions.

Our aim is to continue generating profitable growth through expansion of our continuing operations. We therefore intend to pursue both sustainable market share gains and further margin improvements. Based on our leading positions in the profitable mature markets of Western Europe and North America, we plan to further expand the share of sales from emerging markets, particularly Eastern Europe, Africa/Middle East and Latin America. We intend to leverage the dynamics of these regions in order to accelerate the growth of our portfolio. We also endeavor to further increase our market share and raise profitability to the higher level of the mature markets.

Strong brands and innovations offering consumers added value provide the basis of our strategy of profitable growth. Successful product launches again contributed significantly to our positive business performance in the year under review. In 2012, we managed to increase our innovation rate[1] to 42 percent. Through central and more efficient management of our innovation process and deepened insights into the purchasing habits of consumers, we are able to quickly identify and respond to consumer trends and effectively convert these into new products. By prioritizing categories and centrally steering our global brand portfolio, we are able to direct our investments toward those segments that offer growth and profitability, enabling us to generate disproportionately strong growth with our most important brands and market segments. In 2012, we generated 84 percent of our sales with our top ten brand clusters. A brand cluster comprises several individual local brands which, in terms of their positioning, are comparable to a large international brand. By adopting this approach, we are able to generate high synergies in our marketing mix.

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

Top brands

Persil

Purex

Pril

42 %
innovation rate.

Sales

in million euros

+ 4.7 %
organic sales growth.

Sales and profits

Nominally, sales increased 5.9 percent to 4,556 million euros for the year. Organically – i.e. adjusted for foreign exchange and acquisitions/divestments – we succeeded in increasing sales by 4.7 percent, significantly outstripping the positive growth of our relevant markets. In order to compensate for material price increases, we continued to raise our own prices – despite the difficult market environment. Increased volumes also contributed to our organic sales growth.

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

All regions contributed to the positive business performance achieved. Western Europe – despite the persistently difficult market environment in the Southern European countries – recorded positive sales growth and benefited significantly from the very good performances in Germany (in spite of the insolvency of the drug store chain Schlecker), France and Italy. Our sales growth in North America was solid, despite a highly competitive and still declining market. We managed to increase sales in our emerging markets by a high single-digit percentage overall. Eastern Europe showed a very strong sales increase, mainly driven by again double-digit growth rates in Russia and Turkey. In the Africa/Middle East region, we were able to record double-digit increases in sales despite the ongoing unrest in Egypt and civil war in Syria. Latin America also registered strong growth, mainly benefiting from the very good performance in Mexico, where we launched Persil in 2011 and have successfully gained a foothold in the premium detergent segment. Effective August 31, 2012, we acquired the laundry cleaning business of Colgate-Palmolive in the Dominican Republic. This acquisition is an example of our strategy to grow our core categories in selected emerging markets. It also significantly strengthens our position in the laundry and home care market in Central America. In the Asia-Pacific region, business benefited from our launch of Persil in South Korea. The successful performance of our newly launched WC products also contributed to double-digit sales growth.

Operating profit (EBIT) increased by 48.3 percent compared to the previous year. In addition to a positive business performance, we spent less on restructuring than in the previous year, which also contributed to this marked increase. Adjusted operating profit rose significantly by 15.5 percent, and adjusted return on sales improved by 1.3 percentage points, from 13.2 percent in 2011 to 14.5 percent in 2012.

Following significant increases in the previous year, raw material costs stabilized at high levels in 2012, and only showed moderate increase. We succeeded in significantly increasing our gross margin through price increases and ongoing measures to reduce costs and enhance efficiency in both production and supply chain. Further progress in optimizing our cost structures in administration additionally contributed to the increase in return on sales.

To further support the success of our new products with marketing activities, we increased spending on promotional activities and advertising. As a result of the increased advertising spending, our share of advertising/share of market ratio[1] rose in fiscal year 2012.

We posted a substantial improvement in return on capital employed (ROCE) of 7.6 percentage points to 25.8 percent. This increase was mainly due to the improvement in operating profit. Net working capital was –3.6 percent of sales and therefore below the already very low level of the previous year. Economic value added (EVA®) rose from 211 million euros in 2011 to 393 million euros in the year under review.

Overall, 2012 was the best financial year recorded for this business sector. The successful implementation of our “Change to Lead” program played a major role in this success. In this program, we introduced a new organizational model to ensure leaner structures and more efficient decision-making processes.

[1] Ratio of a company’s share of total advertising spending to its market share, specific to the markets in which Henkel is active.

Business areas

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

Laundry

The Laundry business recorded a strong sales performance in 2012, with our strategically important category of heavy-duty detergents generating the greatest growth momentum.

Substantial drivers of this growth were innovations in the field of pre-dosed liquid detergents, in particular for our top brands, Persil, Dixan and Purex. The successful launches of our innovative Persil Mega-Caps in Germany, Purex UltraPacks in North America, and Duo-Caps, which we also successfully launched in the Eastern European market in the third quarter, all contributed significantly to this growth. The pre-dosed liquid detergent capsules are easy to use, and produce a brilliantly clean and perfectly fresh result.

Strong growth momentum also came from our new Persil Black and Spee Black products with color protection for black and dark apparel, launched in German-speaking countries. In addition, Spee 2in1 Gel positively contributed to growth. It combines the cleaning power of a heavy-duty detergent with the extra freshness of a fabric softener, producing a wash result that is both clean and fragrantly fresh.

Our specialty detergents benefited from the launch of the new Perwoll variants with “Re-new Effect,” an innovative detergent for delicate color fabrics that smoothens roughened textile fibers, bringing lustrous life to faded shades.

Home Care

The Home Care business posted a solid sales performance in 2012.

Hand-dishwashing products grew very strongly, supported in part by Pril brand products. With its improved formulation, Pril is particularly economical and powerful, and is effective even in cold water. Automatic dishwashing products continued to experience very dynamic growth – due mainly to Somat 10.

Sales of WC products increased further, mainly thanks to the great success of our WC Frisch / Bref “Power Aktiv” brand products. The innovative Bref “Power Aktiv” WC rim block – known in Germany under the WC Frisch brand – offers patent-pending technology for all-round WC freshness. This is the first WC rim block with four functions to combat dirt and odor. The product represents our biggest innovation in recent years, and we are marketing it successfully around the world. We intend to launch the products in additional markets in 2013.

Our air freshener business also posted a very strong performance in 2012.

Capital expenditures

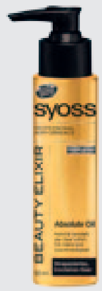
The focus of our investments was on optimization of our production processes as well as on innovation and on capacity expansion. We also invested more in plant safety. Capital expenditures for property, plant and equipment totaled 146 million euros, compared to 160 million euros in the previous year.

You will find the summary outlook for the Henkel Group on pages 100 and 101.

Beauty Care

- **Organic sales growth of 3.1 percent**
- **Adjusted[1] operating profit improved by 6.8 percent to 514 million euros**
- **Adjusted[1] return on sales increased by 0.3 percentage points to 14.5 percent**
- **Return on capital employed (ROCE) at 23.2 percent**
- **Economic value added (EVA®) at 285 million euros**

Innovations 2012



Schwarzkopf Color Mask

This global innovation is the first Schwarzkopf colorant in a jar. A simple shake produces a creamy texture, like a hair mask. In combination with its vitamin oil complex, the colorant offers the ultimate in deep-action care.
www.colormask.de

Right Guard TD5 Cooling

Right Guard Cooling combines the patent-pending Air-Condition® effect with highly effective protection against perspiration and body odor. Cooling active ingredients stimulate the skin's cold receptors for a long-lasting polar-fresh feeling.
www.rightguard.com

Syoss Beauty Elixir Absolute Oil

The professional lightweight micro-oil formula contains precious oils that nourish hair and smoothen its structure without weighing it down. Used before or after washing, or as a styling finish, the Elixir produces a seductive sheen.
www.syoss.de

Key financials *
in million euros

	2011	2012	+/–
Sales	3,399	**3,542**	4.2 %
Proportion of Henkel sales	22 %	**21 %**	–1 pp
Operating profit (EBIT)	471	**483**	2.6 %
Adjusted operating profit (EBIT)	482	**514**	6.8 %
Return on sales (EBIT)	13.8 %	**13.6 %**	–0.2 pp
Adjusted return on sales (EBIT)	14.2 %	**14.5 %**	0.3 pp
Return on capital employed (ROCE)	23.5 %	**23.2 %**	–0.3 pp
Economic Value Added (EVA®)	290	**285**	–1.9 %

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

Sales development *
in percent

	2012
Change versus previous year	**4.2**
Foreign exchange	2.3
Adjusted for foreign exchange	**1.9**
Acquisitions/divestments	–1.2
Organic	**3.1**
of which price **	1.8
of which volume	1.3

* Calculated on the basis of units of 1,000 euros.
** In determining the price effect, we account for the positive structural effect arising from the launch of new products.

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

Economic environment and market position

The world cosmetics market of relevance to us was characterized in 2012 by intense displacement competition and predominantly declining demand. Despite the persistently difficult and highly competitive environment, we were able to globally expand our market shares and therefore further strengthen our leading positions in our relevant markets across the world.

In our Branded Consumer Goods business, the core markets in Western Europe and North America remained weak as the result of the increasingly difficult economic conditions. We also witnessed a strong increase in promotional activities and growing price pressure. In some areas, volume expansion failed to compensate for these developments. Despite this challenging market environment, we nonetheless succeeded in maintaining our growth trend of recent years, again outstripping the market in overall terms. We were able to increase our market shares in Western Europe and further extend our strong market position in the hair cosmetics business. We also expanded our position in our core segments in North America. The emerging markets continued to develop positively, and we were able to further expand our business in these markets overall. Continued growth was recorded in the strongly growing regions of Asia, Africa/Middle East and Latin America in particular. It was, above all, the successful introduction of our international product innovations that allowed us to achieve above-average growth, leading to considerable gains in market share.

The hair salon market was characterized by persisting customer reticence, and recorded declining growth. The negative economic conditions in Southern Europe were a particularly contributing factor. We were, however, able to counter this market trend in our Schwarzkopf Professional hair salon business and further consolidate our position as the world number three in the hair salon market.

Business activity and strategy

The Beauty Care business sector is active in the Branded Consumer Goods business with Hair Cosmetics, Body Care, Skin Care and Oral Care, as well as 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 shares. To this end, we pursue a consistent, pro-active 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 by expanding our portfolio. The aim in our Hair Salon business is to continue pursuing our strategy of globalization. In this area, we will push forward targeting our emerging markets in particular.

Organic growth is at the center of our growth strategy. In a market environment characterized by strong competition, we pursue this strategy by focusing on our top brands, ensuring the rapid international launch of innovations with above-average profitability, and by selectively driving regional expansion. Further key success factors include strong support for our top brands through 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, Oral Care and Skin Care. Through targeted portfolio management and the associated marketing activities aimed at strengthening our top brands, we were able to further develop our ten biggest brands in 2012. They grew at a considerably faster rate than the overall portfolio, and once again accounted for more than 90 percent of sales. In addition to strengthening our brand equities, we focus particularly on the growth potential available in our key accounts. We develop our Hair Salon business through product innovations and efficient sales and distribution structures. At the same time, we are selectively taking advantage of new regional potentials.

Through our pro-active innovation strategy and the consistent strengthening of our brand values, we want to continue generating dynamic, profitable growth. In 2012, we were able to increase our innovation rate[1] to 45 percent. And we are developing additional growth potential through expansion of strategic partnerships with our customers.

Top brands

Schwarzkopf

Dial

syoss

45 %
innovation rate.

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

Sales

in million euros

+3.1 %
organic sales growth.

Sales and profits

In 2012, the Beauty Care business sector continued its profitable growth recorded in previous years. Sales increased further, by a nominal rate of 4.2 percent. Organically – i.e. adjusted for foreign exchange and acquisitions/divestments – sales rose by 3.1 percent, driven by both price and volume. The increase was once again much higher than the growth rate of our relevant markets. As in previous years, the foundation for this success was provided by our strong innovation program. By launching profitable new products and selectively increasing prices, we were able to raise the average price level. This was all the more gratifying in light of the intensive competition and continued strong promotional activity that again characterized our market environment in 2012.

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

From a regional perspective, business performance was particularly successful in the emerging markets, with Asia (excluding Japan) standing out through strong double-digit growth thanks to very strong business growth in China. The Africa/Middle East region posted double-digit growth rates, continuing the successful trend of previous years. Sales growth was solid also in Latin America, despite political instability. We were able to increase overall sales in the mature markets, with particularly good sales performance in North America. In Europe, we managed to sustain the level of sales achieved in 2011 despite the euro crisis and adverse economic development in Southern Europe. Sales in the mature markets of the Asia-Pacific region, however, fell short of the previous year's level. This was due to the difficult market environment in Japan, which was not compensated by the good performance in the other mature markets of this region.

We were able to increase operating profit (EBIT) to 483 million euros, 2.6 percent above the level of the previous year. Adjusted operating profit increased significantly by 6.8 percent versus the prior year, to 514 million euros, our highest earnings figure to date. As a result, the adjusted return on sales rose by 0.3 percentage points to 14.5 percent, likewise reaching a new high.

Following significant increases in the previous year, raw material costs stabilized at a high level in 2012, and increased only slightly. We succeeded in increasing our gross margin over the previous year through our innovation offensive and ongoing measures to reduce costs and enhance efficiency in both production and supply chain. In addition, the continuation of our strict cost management also in other areas had a positive impact on the return on sales.

We were once again able to achieve a significant reduction in our net working capital compared to the previous year, reaching a new low of 2.1 percent of sales. In addition to efficient management of our liabilities to suppliers, we also focused on continuously improving our production and warehousing structures. The return on capital employed (ROCE), at 23.2 percent, and the economic value added (EVA®), at 285 million euros, fell just short of the previous year's figures. This was mainly due to the negative effect of the one-time gain from the sale of our Branded Consumer Goods business in India in 2011.

Business areas

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

Branded Consumer Goods

In 2012, our Branded Consumer Goods business produced solid sales growth overall. The Hair Cosmetics business, in particular, generated strong growth in sales. We again managed to achieve new record highs in our market shares. Growth was driven, in particular, by successful innovations under our Schwarzkopf and Syoss brands.

In our Hair Care business we again succeeded in increasing market share, driven, above all, by the successful launch of new hair care lines. Beauty Care set new trends by launching innovative oil technologies, such as Gliss Kur with Marrakesh Oil & Coconut, Schauma Cream & Oil or Syoss Oleo Intense, an intensely nourishing oil-based shampoo for particularly dry and damaged hair. Furthermore, the launch of the new silicone-free Syoss and Schauma lines enabled us to establish an entirely novel area in retail business. Together with technical innovations and applications, such as the new Gliss Kur Express Mousse repair treatments – which repair the hair without weighing it down – we managed to register very strong growth overall in our Hair Care business. Our Hair Colorants also generated strong growth, and we were once again able to increase market shares to new highs. Growth was primarily driven by the launch of Color Mask, our first colorant with a texture that is as rich and easy to apply as a hair mask, making the process of coloring hair a completely new and pampering experience. Growth momentum in our Palette brand – number one in the market for colorants in Europe – was generated by the launch of Palette Salon Colors. This new product line is the first expert hair colorant under the Palette brand to produce intense, long-lasting color in brilliant fashion shades. The relaunch of Syoss Color with ProCellium-Keratin also had a positive effect on sales. The innovative active ingredient produces an exact replica of the desired color with professional coverage of gray hair, at the same time giving the hair a healthy shine.

Successful innovations also helped to produce good sales growth in our Hair Styling business, where we were able to increase market shares to new highs. The Drei Wetter Taft brand – the number 1 in hair styling in Europe – was able to further expand its market position, with substantial support coming from the relaunch of Taft Volume, our first line of styling products with collagen push-up effect. Positive growth momentum was also generated by the launch of Taft Keratin, the first styling line with hair-identical keratin for a 48-hour hold and strong hair. Our trend styling brand Got2b posted very strong sales growth, expanding its market share internationally with successful product innovations.

Our Body Care business benefited from successful new product launches, such as Fa Double Power Sport, a strong line in our core shower and deodorant categories. We also established a line of high-quality care products called Luxurious Moments. Our Right Guard brand was able to generate positive momentum with the Xtreme Polar innovation with special cooling effect, while the launch of Triple Moisture shower care contributed particularly to the positive performance of our Dial brand.

Our Skin Care business benefited from the market success generated by the launch of Diadermine Lift+ Sun Protect, our first anti-age skin care with UV and light protection. In collaboration with the European Center for Allergy Research Foundation (ECARF), we developed a particularly skin-friendly line called Diadermine High Tolerance.

Our Oral Care business was dominated by innovative product launches: with Theramed ProElectric, we introduced the first toothpaste formulated specially for electric toothbrushes; Theramed X-ite toothpaste promises a particularly intense feeling of freshness.

Hair Salon

The Hair Salon market declined sharply, especially in our core markets in Western Europe. We were nevertheless able to sustain sales at the previous year's level, thereby successfully expanding our market position and consolidating our position as number three in the world. We again stimulated the market with innovative launches, such as the successful launch of Igora Royal Fashion Lights, a colorant specifically for streaks. The launch of Igora Expert Mousse, the first semi-permanent color mousse in the Schwarzkopf Professional line, was also a great success. In the hair care sector, the expansion of our Bonacure Oil Miracle and Bonacure Color Freeze lines added stimulus to the markets.

Capital expenditures

The emphasis of our investment activity in the year under review was on optimizing our production structures and processes. Expenditures on property, plant and equipment were 62 million euros, compared to 66 million euros in the previous year. Among others, we invested in further efficiency enhancements of our production, packaging tools for new products, and expansion of our capacity.

You will find the summary outlook for the Henkel Group on pages 100 and 101.

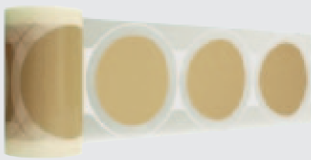
Adhesive Technologies

- **Organic sales growth of 3.6 percent**
- **Adjusted[1] operating profit improved by 15.9 percent to 1,246 million euros**
- **Adjusted[1] return on sales increased by 1.2 percentage points to 15.1 percent**
- **Return on capital employed (ROCE) up 1.9 percentage points to 16.5 percent**
- **Economic value added (EVA®) improved by 81 million euros to 363 million euros**

Innovations 2012

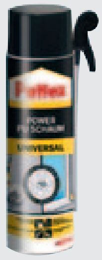
Loctite instant adhesives

The three new Loctite variants – 403, 408 and 460 – are extensively odor-free, offer improved moisture tolerance and are suitable for bonding almost any material – plastics, metals and even rubber.
www.loctite.co.uk/instantadhesives



Loctite Ablestik CDF 200P

Electronic devices are getting smaller, thinner and more capable – and so are the chips inside. Loctite Ablestik 200P is an electrically conductive die attach film that enables our customers to produce ultra-small, high-performance components in a simplified process.
www.henkel.com/electronics



Pattex Power PU-Schaum

Pattex PU-Schaum is extremely powerful, and also safe and easy to apply. Its improved insulating performance enhances energy efficiency. Thanks to its innovative formulation, it was the first PU foam containing MDI to be released for unrestricted sale in retail following stricter European legislation.
www.pattex.de

Key financials *
in million euros

	2011	2012	+/–
Sales	7,746	**8,256**	6.6 %
Proportion of Henkel sales	50 %	**50 %**	–
Operating profit (EBIT)	1,002	**1,191**	18.9 %
Adjusted operating profit (EBIT)	1,075	**1,246**	15.9 %
Return on sales (EBIT)	12.9 %	**14.4 %**	1.5 pp
Adjusted return on sales (EBIT)	13.9 %	**15.1 %**	1.2 pp
Return on capital employed (ROCE)	14.6 %	**16.5 %**	1.9 pp
Economic Value Added (EVA®)	282	**363**	28.5 %

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

Sales development *
in percent

	2012
Change versus previous year	**6.6**
Foreign exchange	**3.5**
Adjusted for foreign exchange	**3.1**
Acquisitions/divestments	**– 0.5**
Organic	**3.6**
of which price	**3.5**
of which volume	**0.1**

* 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 for the Adhesive Technologies business sector was characterized by strong market growth in the first six months of the year, followed by a slowdown in growth momentum in the second half of the year. Trends differed, however, between regions. The non-European emerging markets developed very well, while momentum in the mature markets in North America and Western Europe was subdued. The increase in market volume was in the low single-digit range in 2012. Private consumption remained largely stable. The global transport sector grew considerably compared to the previous year, while growth rates in the construction and packaging industries, and in general industry fell short of their previous year levels. The initial positive growth in the electronics industry weakened as the year progressed.

Market growth was primarily driven by continued strong performance in the emerging markets. Growth was boosted, in particular, by the regions of Africa/Middle East, Eastern Europe and Asia (excluding Japan). The market in Western Europe declined slightly – partly as a result of the negative economic conditions in Southern Europe. By contrast, North America generated positive growth stimulus. Overall, we were able to further strengthen our leading market position in 2012.

Price increases for raw materials and packaging materials were lower overall in 2012 compared to the previous year.

Innovative technological trends that require novel adhesives and adhesive applications will continue to offer strong growth potential for our business in the future. These include the growing trend toward lightweight automotive and aircraft construction, the steadily growing use of mobile computers and communication devices, and the increasing demand for sustainable products and technologies.

Business activity and strategy

The Adhesive Technologies business sector comprises five market- and customer-focused strategic business units. The shared use of structures, systems and technologies creates a strong base for exploiting synergies – in administration and materials management, for example – as well as for generating innovation potential across the business sector.

In the Adhesives for Consumers, Craftsmen and Building business, we market a wide range of brandname products for private and professional users. 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.

Our Transport and Metal business serves major international customers in the automotive and metal-processing industries, offering tailored system solutions and specialized technical services that cover the entire value chain from steel strip coating to final vehicle assembly.

In the General Industry business, our customers comprise manufacturers from a multitude of industries, ranging from household appliance producers to the wind power industry. Our product portfolio here encompasses Loctite products for industrial maintenance, repair and overhaul, as well as a wide range of sealants and system solutions for surface treatment applications, and specialty adhesives. Through our high-quality solutions, we help our customers strengthen their own competitiveness.

The Packaging, Consumer Goods and Construction Adhesives business serves major international customers as well as medium- and small-sized manufacturers of the consumer goods and packaging industries. Our economies of scale allow us to offer attractive solutions for standard and volume applications. At the same time, our global technical customer service offers innovative product ideas and technical advice, enabling our customers to become more efficient and achieve more with less material input, and to benefit from the innovative strength of our business units.

Our Electronics business offers customers in the worldwide electronics industry a technology-spanning portfolio of innovative high-technology adhesives for the manufacture of electrical systems and semiconductor units. Continuously high investments in research and development and close cooperation with our customers help in developing solutions for future product generations.

Top brands

LOCTITE

TEROSON

TECHNOMELT

Sales

in million euros

+3.6 %
organic sales growth.

32 %
innovation rate.

The strategy of this business sector aims at us being the preferred partner for our customers and offering them lasting competitive advantages through pronounced product and solution expertise and a global range of products. Active portfolio management is a key element in the design of our differentiated range of products and services. This includes targeted investments in profitable emerging markets and segments where we can build on existing strengths. In addition to investing in organic growth, we take advantage of selected acquisition opportunities to further develop our business. One example of this is the acquisition of the specialty high-performance pressure sensitive adhesives business, particularly for films and foils, from Cytec Industries Inc., USA, in 2012.

We are driving the globalization of our business by accelerating the expansion of our strong positions in emerging markets. Our focus in North America and Europe centers primarily on utilizing economies of scale together with established synergy structures, and on strengthening our leading market position. We are continuously increasing our innovation rate by systematically exploiting the technological application and development potential offered by megatrends. In 2012, we generated 32 percent of our sales from products successfully launched onto the market in the last five years. We are also supporting our innovative strength by further expanding our regional application centers where our specialists test, validate and demonstrate innovative products and solutions with our customers.

In order to offer industrial customers across all of our business areas an easier, systematic view of our entire product portfolio, we will divide our industrial business into five technology cluster brands in the future: Loctite, Bonderite, Technomelt, Teroson and Aquence. Each of these brands represents a group of specific technologies and applications. In the consumer business, we are further strengthening our four existing brand platforms: Loctite, Pritt, Pattex and Ceresit. Our top ten brands generated 57 percent of our total sales in 2012.

The business areas reach more than 100,000 direct customers of widely varying sizes in a large number of markets and market segments. Our superior chemical engineering and market-related expertise coupled with our global presence allows us to offer a differentiated range of products and services around the world for the benefit of our customers. We are continuing to expand our customer-oriented range of integrated solution systems. An example of this is our partnership with Nordson Corporation, a leading producer of precision dispensing equipment for adhesives in the USA. Together, we are developing new applications for the global packaging industry. We will further reduce the complexity of our business processes by introducing a new, globally harmonized information technology system, which includes, for example, a globally standardized model for optimal customer service.

Sales and profits

The Adhesive Technologies business sector continued its profitable growth in 2012. Despite economic activity slowing overall during the course of the year, we increased sales above the 8 billion euro mark for the first time, reaching a new high of 8,256 million euros. Organic sales growth – i.e. adjusted for foreign exchange and acquisitions/divestments – was 3.6 percent, supported by price and volume increases. The ongoing alignment of our portfolio toward innovative customer solutions was a key factor in this solid performance. We managed to increase volume slightly in 2012 – in spite of the increased use of more efficient adhesive systems and the deliberate exit from less profitable businesses, such as part of the emulsion business in Asia.

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

We once again recorded strong sales growth in emerging markets. The Africa/Middle East region accounted for the largest increase, with sales growing at a double-digit rate. Sales performance was also very strong in Eastern Europe. We posted strong sales growth in Asia (excluding Japan), and also Latin America showed solid growth. Sales performance was positive overall in the mature markets, with especially large contributions from our businesses in North America. Here we generated strong sales growth that more than compensated for the effects of the negative economic conditions in Western Europe, particularly in the countries of Southern Europe.

Operating profit (EBIT) increased to 1,191 million euros, driven once again by strict optimization of our cost structures and further improvements to our product portfolio. Adjusted operating profit reached a new high of 1,246 million euros. Adjusted return on sales rose by 1.2 percentage points versus the prior year, reaching another high of 15.1 percent. Ongoing measures to reduce costs and enhance efficiency in both production and supply chain also helped to further increase our gross margin and compensate for the increased cost of materials.

Net working capital improved significantly to 11.9 percent of sales. The return on capital employed (ROCE) rose by 1.9 percentage points to 16.5 percent. Economic value added (EVA®) increased by 81 million euros to 363 million euros.

Business areas

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

Adhesives for Consumers, Craftsmen and Building

Our Adhesives for Consumers, Craftsmen and Building business recorded a solid increase in sales, with above-average growth in the construction industry. The highest regional growth rates were generated in our emerging markets, particularly the Eastern Europe and Africa/Middle East regions. In mature markets, growth in sales of adhesives and sealants for household and professional applications in North America was particularly gratifying.

Industrial Adhesives

Following strong performance in 2011, our Packaging, Consumer Goods and Construction Adhesives business once again showed increased sales in 2012. All of our regions, with the exception of Western Europe, contributed to this solid business performance. Effective August 1, 2012, we acquired the product range of high-performance pressure sensitive adhesives from the US specialty chemicals company Cytec Industries Inc. These products give special adhesive properties to foils and films, adhesive tape and labels. This acquisition strengthens our expertise in the field of high-performance adhesives.

We posted our highest sales increase in the Transport and Metal business. As the markets steadily recovered, our business in Asia grew very strongly, with sales reaching double-digit growth rates. Sales growth was also in the double-digit range in North America, where we launched new high-performance adhesives that support the trend toward lightweight construction in the automotive and aircraft industries.

Our General Industry business recorded a solid increase in sales versus the prior year. Sales only declined in Western Europe, due to negative economic conditions. Our emerging markets posted particularly strong growth rates. We strengthened our portfolio of innovative solutions by adding new adhesive formulations with a broader range of application and improved health and safety ratings.

Despite continued difficult market conditions, we were able to maintain our level of sales for the Electronics business as in the previous year. A major factor in this performance was the ongoing alignment of our portfolio toward innovative, high-growth applications, such as new customer solutions in the field of mobile communications, or LED-based lighting systems.

Capital expenditures

As in previous years, our investments in 2012 were aligned to our strategy. The focus was on enhancing the efficiency of our production sites, and further expanding capacity in emerging markets. Overall, we increased capital expenditures for property, plant and equipment from 154 million euros in 2011 to 179 million euros in the year under review.

You will find the summary outlook for the Henkel Group on pages 100 and 101.

Risk 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 identify risks at an early stage, evaluate the exposure and introduce effective countermeasures. We have incorporated these instruments within a uniform risk management system as described below.

Entrepreneurial activity also involves identifying, developing and exploiting opportunities as a means of securing and extending the company's competitiveness. The reporting aspect of our risk management system does not extend to entrepreneurial opportunity. The early and regular identification, analysis and exploitation of opportunities is performed at the Group level and within the individual business sectors. It 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. The major opportunities have been included in our forecast report on pages 98 to 101.

Risk Management System

The Risk Management System (RMS) at Henkel is an integral component of the comprehensive planning, control and reporting system used in the affiliated companies, in our business sectors and at corporate level. It encompasses the systematic identification, evaluation, management, documentation, communication and monitoring of risks. Risk control and monitoring combined with our Internal Control System (ICS) support our risk management capability within the corporate governance framework.

We have defined the principles, processes and responsibilities relating to risk management in a corporate standard that is binding on the Henkel Group. As we continuously develop our corporate standards and systems, we take into account updated findings and knowledge. Risk management is thus performed on a holistic, integrative basis involving the systematic assessment of our exposure. We understand risk as the probability of a negative deviation from a financial target or key performance indicator (KPI) resulting from an event or change in circumstances.

Our annual risk reporting process begins with identifying major risks using checklists based on predefined operating risk categories (e.g. procurement and production) and predefined functional risk categories (e.g. information technology and human resources). 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.

We initially determine the gross risk and then, in a second stage, the net risk after taking countermeasures into account. Initially, risks are recorded on a decentralized, per-country basis, with the assistance of regional coordinators. The locally collated risks are then analyzed by the experts in the business sectors and corporate functions, classified in the appropriate corporate management committees, and finally assigned to a segment-specific risk inventory. Corporate Accounting is responsible for coordinating the overall process and analyzing the inventoried exposure.

All the risk management processes are supported by a web-based database which ensures transparent communication throughout the entire company. Within the framework of the 2012 audit of our financial statements, the auditor examined the structure and function of our early warning risk system, confirming its adequacy and regulatory compliance.

Major risk categories

Risk category	Probability	Potential financial impact
Operating risks		
Procurement market risks	Possible	Major
Production risks	Possible	Major
Macroeconomic and sector-specific risks	Likely	Major
Functional risks		
Financial risks		
Credit risks	Unlikely	Major
Liquidity risks	Unlikely	Minor
Currency risks	Likely	Moderate
Interest rate risks	Possible	Minor
Risks from pension obligations	Likely	Major
Legal risks	Unlikely	Major
IT risks	Unlikely	Major
Personnel risks	Possible	Minor
Risks in connection with our brand image or reputation of the company	Unlikely	Major
Environmental and safety risks	Possible	Major
Business strategy risks	Possible	Moderate

Classification of risks in ascending order

Probability	
Unlikely	
Possible	
Likely	
Potential financial impact	
Minor	
Moderate	
Major	

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 of the German Commercial Code [HGB]. In accordance 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. Consequently, it is the task of the Internal Control System implemented in order to combat such discrepancies, to put in place corresponding principles, procedures and controls that will ensure a regulatorily compliant process for the preparation of such financial statements.

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 functions Risk Management, Compliance, Corporate Accounting, Corporate Finance and Financial Operations. Within these functions, there are a number of integrated monitoring and control levels, ensuring multi-point stability of the Internal Control and Risk Management System. This is further attested by regular and comprehensive effectiveness tests performed by our Internal Audit function.

Of the many and varied control processes incorporated into the accounting process, several are worthy of particular mention. The basis for all our accounting processes is provided by our “Accounting” corporate standard, which contains detailed accounting and reporting instructions covering all major circumstances. It specifies, for example, clear procedures for inventory valuation and how the transfer prices applicable for intra-group transactions are to be determined. This corporate standard is binding on the entire Group and is regularly updated and approved by the CFO. 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 separation of responsibilities in our accounting systems between transaction entry on the one hand, and checking/auditing and approval on the other. Documentation relating to the operational accounting and closing process ensures that important tasks – such as the reconciliation of receivables and payables on the basis of account balance confirmations – are clearly assigned. Additionally, a strict authorization regulation exists governing the approval of contracts, credit notes and the like, and we have implemented our Four-Eyes (dual control) principle globally. This is also stipulated in our Group-wide corporate standards. We consider our systems to be appropriate and effective. They are regularly reviewed in order to determine potential for improvement and optimization. Once identified, we implement these improvements.

Major risk categories

Operating risks

Procurement market risks

We expect moderate price rises in our procurement markets in 2013. In light of geopolitical uncertainties, and the uncertainty surrounding global economic development, we expect prices to fluctuate on the procurement markets throughout the course of 2013. As uncertainties will prevail in the development of raw material prices, we see additional price risks arising in relation to important raw materials and packaging. Further price and supply risks ensue from the possibility of supply shortages in the procurement markets due to demand or production restrictions. Continued unrest in the Africa/Middle East region, in particular, could lead to rising material prices and supply shortages.

We combat these risks by adopting a comprehensive risk management approach. This involves the pro-active management of our vendor portfolio and utilization of our globally engaged, cross-divisional sourcing capability, together with strategies aimed at securing both price and volume through the conclusion of contracts. Where appropriate and possible, we also make prudent use of effectively tailored financial safeguards and hedging instruments. For further information relating to the risks arising from derivative financial instruments used for hedging purposes, please refer to Note 21 on pages 138 to 148.

We also work within interdisciplinary teams (Research and Development, Supply Chain Management and Purchasing) on devising alternative formulations and different forms of packaging to be able to respond flexibly to unforeseen fluctuations in raw material prices. We also avoid becoming dependent on individual vendors so as to better secure the constant supply of the goods and services that we require. Close collaboration with our strategic suppliers plays an exceptionally important role in our risk management system. More detail regarding to the assessment of supplier financial stability can be found in the section on “Procurement” on pages 71 and 72. The basis for our successful risk management approach in this domain is a comprehensive procurement information system that ensures permanent transparency with respect to our purchasing volumes.

Production risks

In the area of production, Henkel faces the risk from low capacity utilization due to volume decreases and possible operational interruptions, especially at our so-called single-source sites. The negative effects of possible production outages can be offset through flexible production control and, where economically viable, appropriate insurance policies. Generally, production risks are minimized by ensuring a high level of employee qualification, establishing clearly defined safety standards, and carrying out regular plant and equipment maintenance. Decisions relating to capital expenditures on property, plant and equipment are made in accordance with defined, differentiated responsibility matrices and approval procedures in order to ensure effective risk mitigation. The procedures implemented incorporate all the relevant specialist functions and are regulated in an internal corporate guideline requiring that such investments be analyzed in advance on the basis of a detailed risk appraisal. Further auditing and analytical procedures accompanying projects provide the foundation for successful project management and effective risk reduction.

Macroeconomic and sector-specific risks

We remain exposed to macroeconomic risks emanating from the uncertainties of the current geopolitical and economic environment. Specifically, a deterioration of the consumption climate and a weakening of market growth constitute risk in both our Branded Consumer Goods and our industrial businesses. A continuation of the debt and financial crisis would primarily affect our markets in Southern Europe.

A further key risk is posed by the increasingly fierce competitive environment which could result in stronger price and promotional pressures. As consolidation in the retail sector continues and private labels occupy a growing share of the market, crowding-out competition could intensify. Our focus therefore is on achieving a steady increase in our brand equities and developing further innovations. We see innovative products as enabling us to differentiate ourselves from the competition, this being a significant prerequisite for the success of our company.

Functional risks

Financial risks

Henkel is exposed to financial risk in the form of credit risks, liquidity risks, currency risks, interest rate risks, and risks arising from our pension obligations.

For information relating to our credit risk, liquidity risk, interest rate and currency risk, including the risk-limiting measures applied and the management approach to such exposure, please refer to the financial instruments report under Note 21 on pages 138 to 148.

Risks from pension obligations relate to changes in interest rates, inflation rates, trends in wages and salaries, and changes in the statistical life expectancy of pension beneficiaries. To minimize exposure and improve risk management, Henkel strives to ensure 90 to 100 percent coverage of the projected defined pension benefit obligations. Plan assets can be adversely affected in the event of a downturn in the capital markets. We mitigate this risk by investing in widely diversified classes of assets and different instruments within each asset class. The risks inherent in the pension plan assets are continuously monitored and controlled on the basis of risk and return criteria. Risks are quantified using sensitivity analyses. Further information on the management of risks arising from pension obligations and the associated developments can be found in Note 15 on pages 129 to 134.

Legal risks

As a globally active corporation, we are also exposed in the course of our ordinary business activities to a range of risks relating to litigations and other proceedings or actions, including those brought by governmental agencies, 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, laws relating to competition and monopolies, the infringement of proprietary rights, patent law and tax law, and environmental protection and land contamination issues. The possibility cannot be discounted that the final decisions taken in some of these litigations and proceedings will go against us.

Ensuring compliance in the sense of obeying laws and adhering to regulations is an integral component of our business processes. We counteract legal risks by issuing corresponding binding guidelines and codes of conduct and by instituting appropriate training measures. Henkel has established a Group-wide compliance organization for this purpose, with locally and regionally responsible compliance officers led by a globally responsible General Counsel & Chief Compliance Officer (for detailed information, see the corporate governance report on pages 25 to 32). In addition, our corporate legal department maintains constant contact with local attorneys; current actions and potential risks are collated 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. We form provisions for litigation when it is likely in our estimation that obligations may arise that are either excluded from or not fully covered by our insurance policies and a reasonably accurate estimate of the potential loss is possible. However, predicting the results of actions is beset with considerable difficulties, 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 litigation. Consequently, major losses can result from litigation and proceedings that are not covered by our insurance policies or provisions.

We do not currently foresee risks arising from litigations or proceedings, either pending or threatened, that could have a material influence on our net assets, financial position or results of operations.

Supplementary information on pending actions:
Henkel is involved in litigations being brought by various antitrust authorities in Europe. These relate to infringements, some of which occurred more than ten years ago. Henkel has cooperated with the authorities in all such actions.

On April 13, 2011, the European Commission imposed fines on a number of international detergent manufacturers for reason of infringements that had occurred in various countries in Western Europe between 2002 and the beginning of 2005 that were discovered by Henkel in the course of internal compliance audits carried out in 2008. Henkel then immediately informed the relevant authorities and contributed materially to investigations into the matter. Due to our extensive cooperation with the European Commission, Henkel was granted full immunity from fines.

On December 8, 2011, the French antitrust authorities imposed fines totaling around 360 million euros on several international laundry detergent manufacturers on account of antitrust violations in France in the period from 1997 to 2004. Henkel received a fine of around 92 million euros. We have paid the fine and filed an action against the decision of the French authorities. In our opinion and the opinion of the attorneys advising us, the French antitrust authorities' decision is not legally correct. We cooperated extensively with the antitrust authorities throughout the entire proceedings and, on the basis of our own internal investigations, supplied important information that assisted in establishing the key facts of the matter in France. In addition, we were the first company to disclose the European dimension of the case. In our understanding, the case in France is directly related to the antitrust violations concerning heavy-duty detergents in various Western European countries – including France – that led to sanctions being imposed by the European Commission on April 13, 2011. We were granted full exemption from any fines in relation to these antitrust violations. It would be contradictory if the French antitrust authorities were to impose separate sanctions on us in respect of these infringements.

In addition to other retail companies and manufacturers, Henkel is involved in an antitrust action involving consumer goods (cosmetics and detergents) in Belgium relating to violations in the period from 2004 to the beginning of 2007. The action relates 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. Henkel has received a corresponding statement of objections; a conclusive assessment of the outcome of the action and amount of any fine that might be levied is not possible at present.

Information technology risks

The risks associated with our IT operations relate primarily to the potential for unauthorized access and data loss. Appropriate approval procedures, authorization profiles and defensive technologies are deployed in order to guard against such eventualities. Daily data back-up runs are conducted to shadow all critical databases, and the resultant files are transferred to another site. We also carry out regular restore tests. External attacks that took place in 2012 – for example in the form of hacking, spamming or viruses – were successfully repelled by the security measures implemented and therefore had no disruptive effect on our business processes.

Henkel has put in place a globally binding internal IT guideline to which our external service providers are also bound. Major components of this code include the classification of information with respect to confidentiality, availability, integrity and data protection requirements, measures for avoiding risk, and descriptions of escalation processes and best-practice technologies. Correct implementation is continuously monitored by our globally active Internal Audit function. In addition, our safeguards are examined for effectiveness and efficiency by external specialists.

Risks in connection with our brand image or the reputation of the company

As a globally operating company, Henkel is exposed to the potential damage of its image in the event of widespread negative reports in the media – including social media – regarding Henkel's corporate brand or individual product brands. A negative impact on sales could be the result. This risk is minimized by ongoing active and image-enhancing public relations work, a global communication network, and international and local crisis management systems with regular training sessions and workflow planning.

Personnel risks

Since the motivation and the skills of our employees are key drivers of business success at Henkel, it is important to recruit highly qualified professionals and executives and secure their loyalty over the long term. We combat the risk of losing valuable employees through specifically targeted personnel development programs and incentive systems. These include a thorough annual review process from which we derive individually tailored and viable qualification programs, and performance-related remuneration systems. Henkel combats the intensified competition for talented professionals by offering strong in-house training programs and attractive employer branding initiatives. We are constantly adding to our recruiting channels and sources, for example by optimizing our careers website and increased use of social networks. You will find further information relating to our employees on pages 68 to 70.

Environmental and safety risks

Henkel is a global manufacturing company 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 reputation damage. We minimize these risks by applying appropriate management systems and processes, and through our auditing, advisory and training activities. We update these preventive measures continuously with a view to safeguarding our facilities, assets and reputation. Integrity in this respect is further ensured by compliance with high technical standards and our rules of conduct, and by implementation of relevant statutory requirements.

Business strategy risks

Business strategy risks can arise from the expectations we set for internal projects, acquisitions and strategic alliances failing to materialize in part or in full. This may, in turn, mean that we are unable to recoup the associated capital expenditures. Individual projects could also be delayed or even stopped by unforeseen risks. We endeavor to identify these business strategy risks as early as possible through regular and intensive analysis of the market and our competition, and to take suitable countermeasures to mitigate or minimize them.

Our strategy of standardizing our processes on a global scale and concentrating our production facilities may give rise, for example, to strained relationships with employees and vendors. We limit exposure through early risk analyses performed by experienced specialist departments, supported by external consultants where appropriate.

Overall risk – Management Board appraisal

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 of the Group as a going concern. As we have no special-purpose entities or investment vehicles, there is no risk that might originate from such a source. Aggregation of the most significant individual risks is not appropriate due to the improbability that such risks would occur simultaneously. Our risk analysis indicates that our exposure to risk does not represent any lasting danger to the net assets, financial position and results of operations either of Henkel AG & Co. KGaA or the Group. Although our assessment of the probability of occurrence and/or potential financial impact of individual risk categories has changed compared to the previous year, the overall risk situation has not changed 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 and financial risk, to which we are responding with the countermeasures described above.

Forecast

Macroeconomic development

Overview: moderate gross domestic product growth of less than 3 percent

We expect global economic growth to remain moderate in 2013. Based on figures published by Feri EuroRating Services, we expect gross domestic product to increase by less than 3 percent.

We expect the mature markets to grow by just over 1 percent. The North American economy is likely to grow by around 2 percent, with Japan's expanding by less than 1 percent. In Western Europe, we expect a slight recovery, with growth of less than 1 percent following slightly declining growth in 2012.

The emerging markets will once again achieve comparatively strong economic growth of approximately 5 percent in 2013. In the case of Asia (excluding Japan), we expect economic output to increase by around 6 percent, with Latin America likely posting a plus of approximately 4 percent. Eastern Europe should grow by around 3 percent. For the Africa/Middle East region, we expect economic growth of approximately 4 percent.

Raw material prices: moderate rise in price level

We anticipate moderate price rises in all business sectors in 2013. In light of the geopolitical and global economic situation, we expect the procurement markets to remain highly volatile. Limited capacities in some supply areas may lead to shortages.

Currencies: no major changes

We do not expect any material change in the euro exchange rate versus the US dollar, and anticipate an annual average for 2013 of around 1.25 US dollars per euro. This forecast assumes no intensification of the debt crisis in Europe. Moreover, we expect that currencies of importance for Henkel from the emerging markets, such as the Russian ruble, Chinese yuan, Mexican peso and Turkish lira, will not change to any major extent in this environment. We have used the following exchange rates in our forecast:

Average exchange rates versus the euro

	2012	2013[1]
Chinese yuan	8.10	8.00
Mexican peso	16.90	16.90
Russian ruble	39.93	40.30
Turkish lira	2.31	2.30
US dollar	1.28	1.25

[1] Forecast.

Inflation: moderate rise in global price levels

According to data provided by Feri EuroRating Services, global inflation is predicted to be around 4 percent. While we can continue to expect a high degree of price stability for the mature markets, with a rise of around 2 percent, the inflation rate in the emerging regions is likely to average around 6 percent.

Sector development

Consumption and the retail sector: growth of less than 3 percent

Based on data provided by Feri EuroRating Services, we anticipate that worldwide private consumption – and, linked to this, retail sales – will rise by less than 3 percent in 2013. In the mature markets, consumers are likely to spend around 1 percent more than in the previous year. The emerging markets should again show an increase in consumption of around 5 percent in 2013.

Industry: growth of more than 3 percent

According to figures provided by Feri EuroRating Services, industry will grow globally by just over 3 percent compared to the previous year and, as such, faster than the overall economy.

We expect the transport industry to record an increase of around 4 percent. Production in the electronics industry, an important customer sector for Henkel, is likely to increase by around 6 percent, the same level witnessed in 2011. Within the electronics industry, the growth of basic products relevant for Henkel, such as electrical systems and semiconductor units, should be considerably higher than the previous year. Production in the metal industry is likely to expand by around 4 percent. Development in consumer-related sectors, such as the global packaging industry, is likely to be stronger than the previous year, with growth according to our estimates in the low single-digits percentage range. We expect global construction to expand by around 3 percent.

Opportunities: expanding our market positions and strict focus on cost

We see clear opportunities to expand our market positions in all of our business sectors across Europe and North America, and to further exploit the potential in emerging markets. In the emerging markets, we see above-average growth opportunities that we want to exploit through our local business activities. The regions concerned include, in particular, Asia-Pacific, Eastern Europe and Africa/Middle East, with Latin America also part of the wider group.

We regard our research and development activities and the rigorous continuation of our innovation offensive as a great future source of opportunity. We are developing a steady stream of new and innovative products and problem solutions offering our customers added value. We have a well filled and balanced pipeline of medium and long-term innovations that we intend to launch on the market in all three of our business sectors, both this year and in years to come.

Additional opportunity lies in our strict focus on cost and our willingness to constantly examine and analyze the status quo. The results of this process lead to measures for cost reductions and capacity adjustments, or the elimination of non-core business activities and minor brands from our portfolio. We also expect the planned further expansion of our shared services to make a substantial contribution to cost reduction.

Opportunities also arise from the rigorous pursuit and implementation of our strategic priorities, which are explained in detail in the "Strategy and financial targets 2016" section on pages 48 to 53.

Outlook for the Henkel Group 2013

We expect the Henkel Group to generate organic sales growth of between 3 and 5 percent in fiscal year 2013. Our expectation is that each business sector generates organic sales growth within this range.

We base this prediction on our strong competitive position, which we have consolidated and further extended in recent years through our innovative strength, strong brands, leading market positions and 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 continue our strict cost discipline, especially in administration. By optimizing and standardizing our processes and continuing to expand our shared services, we can pool activities and thus further improve our own efficiency while at the same time enhancing the quality of our customer service. The optimization of our production and logistics networks will, moreover, help to improve our cost structures.

These factors, together with the expected increase in sales, will have a positive effect on our earnings performance. Compared to the figures for 2012, we expect our adjusted return on sales (EBIT) to increase to around 14.5 percent, and that all business sectors will contribute to this improvement. We expect adjusted earnings per preferred share to increase by around 10 percent.

We also expect the following developments in 2013:

- Moderate increase in the prices for raw materials, packaging and purchased goods and services,
- Restructuring charges of around 125 million euros.
- Investments in property, plant and equipment of around 500 million euros.

Dividends

Based on the anticipated increase in earnings, we expect a further increase in the dividend paid for fiscal year 2013.

Capital expenditures

We are planning to increase our investments in property, plant and equipment to around 500 million euros in fiscal year 2013. In keeping with our growth strategy, we will allocate the largest share of our budget for the first time to expanding our business in emerging markets.

Considerable investments are planned in our Laundry & Home Care and Beauty Care business sectors for optimizing and expanding production in the Africa/Middle East, Latin America, and Eastern Europe regions. In our Adhesive Technologies business sector, the focus in 2013 will be on further expanding our capacities for products for the construction industry in Eastern Europe to enable us to expand in new regional markets. Investment activity in the emerging markets of Asia-Pacific will focus on further consolidation of our production sites. In addition, investments in IT infrastructure will contribute substantially to optimizing our processes.

Net debt, financing and acquisitions

We plan to reduce our net debt to zero in fiscal year 2013 and to convert it into a net asset. In doing so, we will continue to support our financial flexibility by maintaining adequate holdings of cash and credit lines for securing our commercial paper program.

When assessing potential acquisitions, we will continue to endeavor not to jeopardize our target ratings of “A flat” (Standard & Poor’s) and “A2” (Moody’s) over the long term.

Post-2013 outlook

We announced our new strategy and financial targets for 2016 in November 2012. We are confident that, by rigorously implementing our strategic priorities, we will be able to continue our growth trend in sales and profits in 2014. We plan to advance cash flow from operating activities in line with sales. Capital expenditures are scheduled to remain high. Net debt development will be influenced by our acquisition activity. We will publish specific financial targets for 2014 in our 2013 annual report.

Subsequent events

Effective January 10, 2013, we sold Chemofast Anchoring GmbH, Willich, Germany. As at December 31, 2012, the assets and liabilities of the company were reported as “held for sale.”

Consolidated financial statements

Consolidated statement of financial position

Assets

in million euros	Note	2011 restated[1]	%	2012	%
Intangible assets	1	8,769	47.5	8,645	44.3
Property, plant and equipment	2	2,264	12.2	2,314	11.9
Other financial assets	3	246	1.3	258	1.3
Income tax refund claims		1	–	1	–
Other assets	4	103	0.6	117	0.6
Deferred tax assets	5	465	2.5	592	3.0
Non-current assets		**11,848**	**64.1**	**11,927**	**61.1**
Inventories	6	1,550	8.4	1,478	7.6
Trade accounts receivable	7	2,001	10.8	2,021	10.4
Other financial assets	3	656	3.5	2,443	12.5
Income tax refund claims		164	0.9	164	0.8
Other assets	4	237	1.3	216	1.1
Cash and cash equivalents	8	1,980	10.7	1,238	6.3
Assets held for sale	9	51	0.3	38	0.2
Current assets		**6,639**	**35.9**	**7,598**	**38.9**
Total assets		**18,487**	**100.0**	**19,525**	**100.0**

[1] Application of IAS 8 “Accounting policies, changes in accounting estimates and errors” (see notes on pages 116 and 117).

Equity and liabilities

in million euros	Note	2011 restated[1]	%	2012	%
Issued capital	10	438	2.4	438	2.2
Capital reserve	11	652	3.5	652	3.4
Treasury shares		–93	–0.5	–91	–0.5
Retained earnings	12	8,494	45.9	9,381	48.0
Other components of equity	13	–942	–5.1	–1,004	–5.1
Equity attributable to shareholders of Henkel AG & Co. KGaA		**8,549**	**46.2**	**9,376**	**48.0**
Non-controlling interests	14	121	0.7	135	0.7
Equity		**8,670**	**46.9**	**9,511**	**48.7**
Pension obligations	15	998	5.4	960	4.9
Income tax provisions	16	93	0.5	66	0.3
Other provisions	16	394	2.1	265	1.4
Borrowings	17	3,501	19.0	2,454	12.6
Other financial liabilities	18	54	0.3	16	0.1
Other liabilities	19	23	0.1	18	0.1
Deferred tax liabilities	5	481	2.6	449	2.3
Non-current liabilities		**5,544**	**30.0**	**4,228**	**21.7**
Income tax provisions	16	309	1.7	189	1.0
Other provisions	16	833	4.5	1,264	6.5
Borrowings	17	412	2.2	1,320	6.7
Trade accounts payable	20	2,411	13.1	2,647	13.6
Other financial liabilities	18	84	0.5	111	0.6
Other liabilities	19	207	1.1	219	1.1
Income tax liabilities		17	0.1	27	0.1
Liabilities held for sale	9	–	–	9	–
Current liabilities		**4,273**	**23.1**	**5,786**	**29.6**
Total equity and liabilities		**18,487**	**100.0**	**19,525**	**100.0**

[1] Application of IAS 8 “Accounting policies, changes in accounting estimates and errors” (see notes on pages 116 and 117).

Consolidated statement of income

in million euros	Note	2011 restated [2]	%	2012	%	Change
Sales	22	15,605	100.0	16,510	100.0	5.8 %
Cost of sales [1]	23	– 8,538	– 54.7	– 8,778	– 53.2	2.8 %
Gross profit		7,067	45.3	7,732	46.8	9.4 %
Marketing, selling and distribution expenses [1]	24	– 4,132	– 26.5	– 4,302	– 26.1	4.1 %
Research and development expenses [1]	25	– 410	– 2.6	– 408	– 2.5	– 0.5 %
Administrative expenses [1]	26	– 785	– 5.0	– 785	– 4.7	0.0 %
Other operating income	27	209	1.3	109	0.7	– 47.8 %
Other operating charges	28	– 184	– 1.2	– 147	– 0.9	– 20.1 %
Operating profit (EBIT)		1,765	11.3	2,199	13.3	24.6 %
Interest income		45	0.3	50	0.3	11.1 %
Interest expense		– 200	– 1.3	– 192	– 1.2	– 4.0 %
Interest result		– 155	– 1.0	– 142	– 0.9	– 8.4 %
Investment result		–	–	1	–	–
Financial result	29	– 155	– 1.0	– 141	– 0.9	– 9.0 %
Income before tax		1,610	10.3	2,058	12.4	27.8 %
Taxes on income	30	– 419	– 2.7	– 502	– 3.0	19.8 %
Tax rate in %		*26.0*		*24.4*		
Net income		1,191	7.6	1,556	9.4	30.6 %
– Attributable to non-controlling interests	31	30	0.2	46	0.3	53.3 %
– Attributable to shareholders of Henkel AG & Co. KGaA		1,161	7.4	1,510	9.1	30.1 %

[1] Restructuring charges 2012: 124 million euros (2011: 227 million euros), of which: cost of sales 40 million euros (2011: 83 million euros); marketing, selling and distribution expenses 24 million euros (2011: 51 million euros); research and development expenses 2 million euros (2011: 14 million euros); administrative expenses 58 million euros (2011: 79 million euros).

Earnings per share (basic)

in euros	Note	2011 restated [2]	2012	Change
Ordinary shares	35	2.67	3.47	30.0 %
Non-voting preferred shares	35	2.69	3.49	29.7 %

Earnings per share (diluted)

in euros	Note	2011 restated [2]	2012	Change
Ordinary shares	35	2.66	3.47	30.5 %
Non-voting preferred shares	35	2.68	3.49	30.2 %

Additional voluntary information

in million euros		2011 restated [2]	2012	Change
EBIT (as reported)		1,765	2,199	24.6 %
One-time gains		– 57	–	–
One-time charges		94 [3]	12	–
Restructuring charges		227	124	–
Adjusted EBIT		2,029	2,335	15.1 %
Adjusted return on sales	*in %*	*13.0*	*14.1*	*1.1 pp*
Adjusted tax rate	*in %*	*26.0*	*24.8*	*– 1.2 pp*
Adjusted earnings per ordinary share basic	in euros	3.12	3.68	17.9 %
Adjusted earnings per preferred share basic	in euros	3.14	3.70	17.8 %
Adjusted net income – Attributable to shareholders of Henkel AG & Co. KGaA		1,356	1,603	18.2 %

[2] Application of IAS 8 “Accounting policies, changes in accounting estimates and errors” (see notes on pages 116 and 117).
[3] Of which 92 million euro fine from the anti-trust case in France.

Consolidated statement of comprehensive income

See Notes 15 and 21 for further explanatory information

in million euros	2011 restated [1]	2012
Net income	**1,191**	**1,556**
Exchange differences on translation of foreign operations	113	– 145
Gains from derivative financial instruments (hedge reserve per IAS 39)	4	79
Gains/losses from financial instruments in the available-for-sale category (Available-for-sale reserve)	– 2	3
Actuarial losses including effects from asset ceilings	– 297	– 273
Other comprehensive income (net of taxes)	**– 182**	**– 336**
Total comprehensive income for the period	**1,009**	**1,220**
– Attributable to non-controlling interests	29	45
– Attributable to shareholders of Henkel AG & Co. KGaA	980	1,175

[1] Application of IAS 8 “Accounting policies, changes in accounting estimates and errors” (see notes on pages 116 and 117).

Consolidated statement of changes in equity

See Notes 10 to 14 for further explanatory information

	Issued capital					Other components of equity					
in million euros	Ordinary shares	Preferred shares	Capital reserve	Treasury shares	Retained earnings	Currency translation	Hedge reserve per IAS 39	Available-for-sale reserve	Shareholders of Henkel AG & Co. KGaA	Non-controlling interests	Total
At January 1, 2011	**260**	**178**	**652**	**– 99**	**7,926**	**– 776**	**– 282**	**–**	**7,859**	**91**	**7,950**
Net income [1]	–	–	–	–	1,161 [1]	–	–	–	1,161 [1]	30	1,191 [1]
Other comprehensive income	–	–	–	–	– 297	114	4	– 2	– 181	– 1	– 182
Total comprehensive income for the period [1]	*–*	*–*	*–*	*–*	*864* [1]	*114*	*4*	*– 2*	*980* [1]	*29*	*1,009* [1]
Dividends	–	–	–	–	– 307	–	–	–	– 307	– 16	– 323
Sale of treasury shares	–	–	–	6	6	–	–	–	12	–	12
Changes in ownership interest with no change in control	–	–	–	–	– 1	–	–	–	– 1	– 2	– 3
Other changes in equity	–	–	–	–	6	–	–	–	6	19	25
At December 31, 2011/ January 1, 2012 [1]	**260**	**178**	**652**	**– 93**	**8,494** [1]	**– 662**	**– 278**	**– 2**	**8,549** [1]	**121**	**8,670** [1]
Net income	–	–	–	–	1,510	–	–	–	1,510	46	1,556
Other comprehensive income	–	–	–	–	– 273	– 144	79	3	– 335	– 1	– 336
Total comprehensive income for the period	*–*	*–*	*–*	*–*	*1,237*	*– 144*	*79*	*3*	*1,175*	*45*	*1,220*
Dividends	–	–	–	–	– 342	–	–	–	– 342	– 27	– 369
Sale of treasury shares	–	–	–	2	3	–	–	–	5	–	5
Changes in ownership interest with no change in control	–	–	–	–	– 4	–	–	–	– 4	– 6	– 10
Other changes in equity	–	–	–	–	– 7	–	–	–	– 7	2	– 5
At December 31, 2012	**260**	**178**	**652**	**– 91**	**9,381**	**– 806**	**– 199**	**1**	**9,376**	**135**	**9,511**

[1] Application of IAS 8 “Accounting policies, changes in accounting estimates and errors” (see notes on pages 116 and 117).

Consolidated statement of cash flows

See Note 36 for further explanatory information

in million euros	2011 restated [1]	2012
Operating profit (EBIT)	**1,765**	**2,199**
Income taxes paid	– 426	– 588
Amortization/depreciation/impairment/write-ups of intangible assets and property, plant and equipment [2]	403	409
Net gains/losses on disposal of intangible assets and property, plant and equipment, and from divestments	– 68	– 12
Change in inventories	– 105	64
Change in trade accounts receivable	– 111	– 37
Change in other assets	21	– 18
Change in trade accounts payable	111	256
Change in other liabilities and provisions	– 28	361
Cash flow from operating activities	**1,562**	**2,634**
Purchase of intangible assets and property, plant and equipment	– 393	– 422
Acquisition of subsidiaries and other business units	– 4	– 113
Purchase of associated companies and joint ventures held at equity	–	– 5
Proceeds on disposal of subsidiaries and other business units	53	3
Proceeds on disposal of intangible assets and property, plant and equipment	47	58
Cash flow from investing activities	**– 297**	**– 479**
Dividends paid to shareholders of Henkel AG & Co. KGaA	– 307	– 342
Dividends paid to non-controlling shareholders	– 16	– 27
Interest received	37	46
Interest paid	– 200	– 191
Dividends and interest paid and received	*– 486*	*– 514*
Change in borrowings	– 181	– 131
Allocation to pension funds	– 46	– 247
Other changes in pension obligations	– 102	– 102
Purchase of non-controlling interests with no change of control	– 3	– 10
Other financing transactions	16	– 1,854
Cash flow from financing activities	**– 802**	**– 2,858**
Net change in cash and cash equivalents	463	– 703
Effect of exchange rates on cash and cash equivalents	2	– 39
Change in cash and cash equivalents	**465**	**– 742**
Cash and cash equivalents at January 1	1,515	1,980
Cash and cash equivalents at December 31	1,980	1,238

[1] Application of IAS 8 “Accounting policies, changes in accounting estimates and errors” (see notes on pages 116 and 117).
[2] Of which: impairment losses amounting to 12 million euros (previous year: 21 million euros).

Additional voluntary information
Reconciliation to free cash flow

in million euros	2011	2012
Cash flow from operating activities	1,562	2,634
Purchase of intangible assets and property, plant and equipment	– 393	– 422
Proceeds on disposal of intangible assets and property, plant and equipment	47	58
Net interest paid	– 163	– 145
Other changes in pension obligations	– 102	– 102
Free cash flow	**951**	**2,023**

Group segment report by business sector[1]

See Note 34 for further explanatory information

in million euros	Laundry & Home Care	Beauty Care	Adhesives for Consumers, Craftsmen and Building	Industrial Adhesives	Total Adhesive Technologies	Operating business sectors total	Corporate	Henkel Group
Sales 2012	**4,556**	**3,542**	**1,988**	**6,268**	**8,256**	**16,355**	**155**	**16,510**
Proportion of Group sales	28%	21%	12%	38%	50%	**99%**	1%	**100%**
Sales 2011	4,304	3,399	1,933	5,813	7,746	**15,449**	156	**15,605**
Change from previous year	5.9%	4.2%	2.9%	7.8%	6.6%	**5.9%**	–0.7%	**5.8%**
After adjusting for foreign exchange	4.3%	1.9%	1.5%	3.6%	3.1%	**3.1%**	–	**3.1%**
Organic	4.7%	3.1%	2.5%	4.0%	3.6%	**3.8%**	–	**3.8%**
EBIT 2012	**621**	**483**	**280**	**911**	**1,191**	**2,296**	**–97**	**2,199**
EBIT 2011[4]	419[4]	471	232	769	1,002	**1,891[4]**	–127	**1,765[4]**
Change from previous year	48.3%	2.6%	20.5%	18.4%	18.9%	**21.4%**	–	**24.6%**
Return on sales (EBIT) 2012	**13.6%**	**13.6%**	**14.1%**	**14.5%**	**14.4%**	**14.0%**	**–**	**13.3%**
Return on sales (EBIT) 2011[4]	9.7%[4]	13.8%	12.0%	13.2%	12.9%	**12.2%[4]**	–	**11.3%[4]**
Adjusted EBIT 2012	**659**	**514**	**287**	**959**	**1,246**	**2,419**	**–84**	**2,335**
Adjusted EBIT 2011	570	482	254	821	1,075	**2,127**	–98	**2,029**
Change from previous year	15.5%	6.8%	12.9%	16.8%	15.9%	**13.7%**	–	**15.1%**
Adjusted return on sales (EBIT) 2012	**14.5%**	**14.5%**	**14.4%**	**15.3%**	**15.1%**	**14.8%**	**–**	**14.1%**
Adjusted return on sales (EBIT) 2011	13.2%	14.2%	13.2%	14.1%	13.9%	**13.8%**	–	**13.0%**
Capital employed 2012[2]	**2,409**	**2,084**	**1,017**	**6,188**	**7,204**	**11,697**	**54**	**11,751**
Capital employed 2011[2,4]	2,306[4]	2,001	979	5,874	6,853	**11,160[4]**	40	**11,200[4]**
Change from previous year	4.4%	4.2%	3.8%	5.3%	5.1%	**4.8%**	–	**4.9%**
Return on capital employed (ROCE) 2012	**25.8%**	**23.2%**	**27.5%**	**14.7%**	**16.5%**	**19.6%**	**–**	**18.7%**
Return on capital employed (ROCE) 2011[4]	18.2%[4]	23.5%	23.7%	13.1%	14.6%	**16.9%[4]**	–	**15.8%[4]**
Amortization/depreciation/impairment/write-ups of intangible assets and property, plant, equipment 2012	**107**	**54**	**44**	**187**	**231**	**393**	**17**	**409**
of which impairment losses 2012	**4**	**–**	**1**	**6**	**7**	**11**	**1**	**12**
of which write-ups 2012	**–**	**–**	**–**	**1**	**1**	**1**	**–**	**1**
Amortization/depreciation/impairment/write-ups of intangible assets and property, plant, equipment 2011	113	49	43	181	224	**386**	17	**403**
of which impairment losses 2011	14	–	1	6	7	**21**	–	**21**
of which write-ups 2011	–	–	–	1	1	**1**	–	**1**
Capital expenditures (excl. financial assets) 2012	**170**	**74**	**77**	**188**	**265**	**509**	**7**	**516**
Capital expenditures (excl. financial assets) 2011	162	113	59	105	164	**439**	4	**443**
Operating assets 2012[3]	**3,938**	**2,982**	**1,462**	**7,298**	**8,759**	**15,679**	**411**	**16,090**
Operating liabilities 2012	**1,349**	**1,085**	**495**	**1,540**	**2,035**	**4,468**	**357**	**4,826**
Net operating assets 2012[3]	**2,589**	**1,897**	**966**	**5,758**	**6,725**	**11,211**	**54**	**11,265**
Operating assets 2011[3,4]	3,696[4]	2,848	1,429	7,019	8,448	**14,992[4]**	425	**15,417[4]**
Operating liabilities 2011	1,228	1,050	504	1,458	1,962	**4,240**	385	**4,625**
Net operating assets 2011[3,4]	2,468[4]	1,798	925	5,561	6,486	**10,752[4]**	40	**10,791[4]**

[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.
[4] Application of IAS 8 “Accounting policies, changes in accounting estimates and errors” (see notes on pages 116 and 117).

Key financials by region[1]

in million euros	Western Europe	Eastern Europe	Africa/ Middle East	North America	Latin America	Asia-Pacific	Total Regions	Corporate	Henkel Group
Sales[2] 2012	**5,610**	**2,986**	**1,077**	**3,023**	**1,062**	**2,597**	**16,355**	**155**	**16,510**
Sales[2] 2011	5,624	2,813	934	2,716	1,065	2,296	15,449	156	15,605
Change from previous year	–0.2%	6.2%	15.3%	11.3%	–0.4%	13.1%	5.9%	–	5.8%
After adjusting for foreign exchange	–0.6%	5.8%	12.6%	3.2%	3.2%	5.1%	3.1%	–	3.1%
Organic	–0.5%	6.0%	12.6%	4.8%	3.1%	7.4%	3.8%	–	3.8%
Proportion of Group sales 2012	**34%**	**18%**	**7%**	**18%**	**6%**	**16%**	**99%**	**1%**	**100%**
Proportion of Group sales 2011	36%	18%	6%	17%	7%	15%	99%	1%	100%
Operating profit (EBIT) 2012	**811**	**425**	**103**	**456**	**83**	**417**	**2,296**	**–97**	**2,199**
Operating profit (EBIT) 2011	675[3]	384	79	289	105	360	1,891[3]	–127	1,765[3]
Change from previous year	20.2%	10.6%	31.0%	58.0%	–20.7%	15.7%	21.4%	–	24.6%
After adjusting for foreign exchange	19.6%	10.1%	27.4%	45.9%	–22.7%	5.5%	17.0%	–	20.4%
Return on sales (EBIT) 2012	**14.5%**	**14.2%**	**9.6%**	**15.1%**	**7.8%**	**16.0%**	**14.0%**	**–**	**13.3%**
Return on sales (EBIT) 2011	12.0%[3]	13.6%	8.5%	10.6%	9.8%	15.7%	12.2%[3]	–	11.3%[3]

[1] Calculated on the basis of units of 1,000 euros.
[2] By location of company.
[3] Application of IAS 8 "Accounting policies, changes in accounting estimates and errors" (see notes on pages 116 and 117).

In 2012, the affiliated companies domiciled in Germany, including Henkel AG & Co. KGaA, generated sales of 2,254 million euros (previous year: 2,241 million euros). Sales realized by the affiliated companies domiciled in the USA in 2012 amounted to 2,787 million euros (previous year: 2,499 million euros). In fiscal 2011 and 2012, 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, 2012 (excluding financial instruments and deferred tax claims) amounting to 11,083 million euros (previous year: 11,137 million euros), 1,068 million euros (previous year: 1,043 million euros) was attributable to the affiliated companies domiciled in Germany, including Henkel AG & Co. KGaA. The non-current assets (excluding financial assets and deferred tax assets) recognized in respect of the affiliated companies domiciled in the USA amounted to 5,727 million euros (previous year: 5,993 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 as of December 31, 2012 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 no. 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, 2012, 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 financial statements on January 28, 2013 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, 2012 include eight German and 169 non-German companies in which Henkel AG & Co. KGaA has a dominating influence over financial and operating policy, based on the concept of control. This is generally the case where Henkel AG & Co. KGaA holds, directly or indirectly, a majority of the voting rights. Companies in which not more than half of the voting rights are held are fully consolidated if Henkel AG & Co. KGaA, on the basis of contractual agreements or rights held, has the power, directly or indirectly, to appoint executive and managerial bodies and thereby to govern their financial and operating policies.

The following table shows the changes in the scope of consolidation compared to December 31, 2011:

Scope of consolidation

At January 1, 2012	**178**
Additions	9
Mergers	– 4
Disposals	– 5
At December 31, 2012	**178**

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

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

The acquisitions and divestments made in fiscal 2012 had no material effect on the business and organizational structure of Henkel, nor on our net assets, financial position or results of operations.

Acquisitions

Effective January 2, 2012, we acquired control of the distribution company Bella Vista A/S, Silkeborg, Denmark. Our share of voting rights in the company is 100 percent. The purchase price paid was 5 million euros. This resulted in the recognition of goodwill amounting to 5 million euros.

In the first quarter, we spent 7 million euros acquiring the outstanding non-controlling interests in Chemofast Anchoring GmbH, Willich, Germany, increasing our shareholding as of March 1, 2012 from 73 percent to 95 percent. The difference between the previously held share of net assets and the purchase price has been recognized in retained earnings.

Effective August 1, 2012, we acquired the portfolio of high-performance pressure sensitive adhesives from Cytec Industries Inc., USA. The purchase price paid was 88 million euros, resulting in the recognition of goodwill of 51 million euros. It is assumed that the capitalized goodwill is completely tax-deductible. Incidental acquisition costs of 2 million euros were recognized in operating profit. Customer relationships were capitalized in the amount of 15 million euros. The fair value applied to the acquired trade accounts receivable is 9 million euros. If the high-performance pressure sensitive adhesives business we acquired had been included in the consolidated financial statements as of January 1, 2012, sales would have been 42 million euros higher and operating profit (EBIT) would have been 2 million euros higher.

In the second half of the year, we acquired the laundry cleaning business of Colgate-Palmolive in the Dominican Republic, paying a purchase price of 20 million euros. We have included the business in the consolidated financial statements since September 1, 2012. Trademarks with a fair value of 16 million euros were recognized, resulting in the recognition of goodwill amounting to 4 million euros.

In 2012, we spent 3 million euros on the acquisition of outstanding non-controlling interests in Rilken Cosmetics Industry S.A., Athens, Greece. Effective December 31, 2012, we increased our shareholding from 78 percent to 100 percent. The difference between the previously held share of net assets and the purchase price has been recognized in retained earnings.

The goodwill recognized in the year under review essentially represents the market position and profitability of the acquired businesses, together with expected synergies.

The purchase price allocation for all acquisitions was completed on December 31, 2012. The following table shows the acquisitions of subsidiaries in fiscal 2012. The acquisitions indicated, taken both individually and in sum, have not exerted any material effect on the net assets, financial position or results of operations of the Group.

Acquisitions 2012

January 1 to December 31 in million euros	Carrying amount	Adjustments	Fair value
Assets	**24**	**32**	**56**
Non-current assets	4	32	36
Current assets	20	–	20
Cash and cash equivalents	–	–	–
Liabilities	**3**	**–**	**3**
Non-current liabilities and provisions	–	–	–
Current liabilities and provisions	3	–	3
Net assets	**21**	**32**	**53**

Goodwill 2012

in million euros	Fair value
Purchase price	113
Fair value of non-controlling interests	–
Less net assets	53
Goodwill	**60**

Divestments

We realized 3 million euros in the third quarter from the sale of non-core activities attributable to the Adhesive Technologies business sector. The gain from the sale was 2 million euros.

The proceeds from the divestments indicated were received in cash. The gains were recognized under other operating income.

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 fully reflected at fair value, 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 cost of acquisition 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 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. We do not apply the option of measuring non-controlling interests at their fair value (full goodwill method).

In subsequent years, the carrying amount of the Henkel AG & Co. KGaA investment is eliminated against the current (share of) equity of the subsidiary entities concerned.

Changes in the shareholdings of subsidiary companies, as a result of which the participating interests of the Group decrease or increase 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 at equity

Associated companies and joint ventures are recognized at equity.

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 gains or losses are eliminated in accordance with the share of the Group in that company.

Currency translation

The annual financial statements of the consolidated companies, including the hidden reserves and hidden charges of Group companies recognized under the purchase method, and also goodwill arising on consolidation, 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 the 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, based on an approximation of the actual rates at the date of the transaction. Equity items are recognized at historic 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 and recognized in profit or loss. For the main currencies in the Group, the following exchange rates have been used based on 1 euro:

Currencies

		Average exchange rate		Exchange rate on December 31	
	ISO code	2011	2012	2011	2012
Chinese yuan	CNY	8.99	**8.10**	8.16	**8.22**
Mexican peso	MXN	17.31	**16.90**	18.05	**17.19**
Russian ruble	RUB	40.91	**39.93**	41.77	**40.33**
Turkish lira	TRY	2.34	**2.31**	2.44	**2.36**
US dollar	USD	1.39	**1.28**	1.29	**1.32**

Recognition and measurement methods

Summary of selected measurement methods

Items in the consolidated statement of financial position	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 net realizable value
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 138 to 148) are the disclosures relevant to 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 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 the explanatory notes on taxes on income (Note 30 on pages 150 to 152), intangible assets (Note 1 on pages 120 to 123), pension obligations (Note 15 on pages 129 to 134), income tax provisions and other provisions (Note 16 on page 135), financial instruments (Note 21 on pages 138 to 148) and share-based payment plans (Note 33 on pages 153 to 154).

Essentially, discretionary judgments are made in respect of the following two areas:

- The US dollar liabilities of Henkel of America, Inc., Wilmington, USA, are set off against sureties of Henkel US LLC, Wilmington, USA, as the deposit and the loan are with the same lender and of the same maturity, there is a legal right to set off these sums, and the Group intends to settle net.
- The demarcation of the cash-generating units is also a discretionary judgment of the Group management and is explained under Note 1 on pages 120 to 123.

Application of IAS 8 “Accounting policies, changes in accounting estimates and errors”

In application of IAS 8 paragraph 41 et seq., the following information is reported:

On April 13, 2011, the European Commission imposed fines on a number of international laundry detergent manufacturers for reason of infringements that had occurred in various countries in Western Europe between 2002 and the beginning of 2005, which were discovered by Henkel in the course of internal compliance audits carried out in 2008. Henkel then immediately informed the relevant authorities and contributed materially to investigations into the matter. Due to our extensive cooperation with the EU Commission, Henkel was granted full immunity from fines.

On December 8, 2011, the French antitrust authorities imposed fines totaling around 360 million euros on several international detergent manufacturers on account of antitrust violations in France in the period from 1997 to 2004. Henkel received a fine of around 92 million euros. We have paid the amount and filed an action against the decision of the French antitrust authorities. In our opinion and in that of the attorneys from whom we are seeking advice, the French antitrust authorities’ decision is not legally correct. We cooperated extensively with the relevant authorities throughout the entire proceedings and, on the basis of our own internal investigations, supplied important information that assisted in establishing the key facts of the matter in France. In addition, we were the first company to disclose the European dimension of the case. In our understanding, the case in France is directly related to the antitrust violations concerning heavy-duty detergents in various Western European countries – including France – that led to sanctions being imposed by the European Commission on April 13, 2011 and in respect of which we were granted full exemption from sanctions. It would be contradictory if the French antitrust authorities were to impose separate sanctions on us in respect of these infringements.

In fiscal 2012, we reviewed the recognition made in the previous year. The review revealed that the recognition criteria of an asset were not present. We retain our legal position with no changes.

We have therefore subsequently restated the values from the previous year (2011) in the consolidated financial statement for 2012 and recognized the payment in other operating charges for 2011.

The restatement results in the effects shown in the following overview on items in the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of comprehensive income and the consolidated statement of cash flows. We have also corrected the relevant details accordingly in the notes and the consolidated statement of changes in equity.

Application of IAS 8 “Accounting policies, changes in accounting estimates and errors”

in million euros	December 31, 2011 reported	Restatement	December 31, 2011 restated
Consolidated statement of financial position			
Other financial assets	748	– 92	656
Current assets	6,731	– 92	6,639
Total assets	18,579	– 92	18,487
Capital reserve	8,586	– 92	8,494
Equity attributable to shareholders of Henkel AG & Co. KGaA	8,641	– 92	8,549
Equity	8,762	– 92	8,670
Total equity and liabilities	18,579	– 92	18,487
Consolidated statement of income			
Other operating charges	– 92	– 92	– 184
Operating profit (EBIT)	1,857	– 92	1,765
Income before tax	1,702	– 92	1,610
Net income	1,283	– 92	1,191
– Attributable to shareholders of Henkel AG & Co. KGaA	1,253	– 92	1,161
One-time charges (additional voluntary information)	– 2	– 92	– 94
Consolidated statement of comprehensive income			
Total comprehensive income for the period	1,668	– 92	1,576
Total comprehensive income for the period, attributable to shareholders of Henkel AG & Co. KGaA	1,637	– 92	1,545
Earnings per share			
Earnings per ordinary share (basic)	2.88	– 0.21	2.67
Earnings per preferred share (basic)	2.90	– 0.21	2.69
Earnings per ordinary share (diluted)	2.87	– 0.21	2.66
Earnings per preferred share (diluted)	2.89	– 0.21	2.68
Consolidated statement of cash flows			
Operating profit (EBIT)	1,857	– 92	1,765
Change in other assets	– 71	+ 92	21

New international accounting regulations according to International Financial Reporting Standards (IFRS)

Accounting methods applied for the first time in the year under review

Accounting methods applied for the first time in the year under review

	Significance
IFRS 7 (Amendment) “Disclosure Requirements for Transfers of Financial Assets” – application as of July 1, 2011	irrelevant
IAS 12 (Amendment) “Recovery of Underlying Assets” – application as of January 1, 2012	irrelevant
IFRS 1 (Amendment) “Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters” – application as of July 1, 2011	irrelevant

- In October 2010 the International Accounting Standards Board (IASB) published amendments to IFRS 7 “Financial Instruments: Disclosures.” The purpose of the extended disclosure requirements is to provide financial statement users with a better understanding of the relationship between the transferred financial assets and the corresponding liabilities. Particularly where financial assets are completely derecognized, the additional information now required should enable an assessment of the type and the risks of any continuing involvement.
- In December 2010, the IASB published amendments to IAS 12 “Income Taxes.” The amendment concerns the treatment of temporary tax differences related to investment property. It clarifies that the valuation of deferred taxes must proceed based on the rebuttable assumption that the amount will be reversed through sale.

The first-time application of the amended standards had no material impact on the presentation of our 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

	Mandatory for fiscal years beginning on or after
IAS 32 (Amendment) “Offsetting Financial Assets and Liabilities”	January 1, 2014
IFRS 7 (Amendment) “Disclosures – Offsetting Financial Assets and Liabilities”	January 1, 2013
IAS 1 (Amendment) “Presentation of Items of Other Comprehensive Income”	July 1, 2012
IAS 19 revised “Employee Benefits”	January 1, 2013
IAS 28 (Amendment) “Investments in Associates and Joint Ventures”	January 1, 2014
IFRS 10 “Consolidated Financial Statements”	January 1, 2014
IFRS 11 “Joint Arrangements”	January 1, 2014
IFRS 12 “Disclosure of Interest in Other Entities”	January 1, 2014
IFRS 13 “Measurement of Fair Value”	January 1, 2013

- In December 2011, the IASB published amendments to IAS 32 “Financial Instruments: Presentation” and IFRS 7 “Financial Instruments: Disclosures.” The amendment to IAS 32 explains and clarifies the criteria for offsetting financial assets and financial liabilities in the statement of financial position. Along with this clarification, the explanatory notes in IFRS 7 were also expanded. The amendment to IAS 32 is mandatory for financial years beginning on or after January 1, 2014. The amendment to IFRS 7 is mandatory for financial years beginning on or after January 1, 2013.
- In June 2012, the IASB published amendments to IAS 1 “Presentation of Financial Statements.” In the future, items of other comprehensive income in the consolidated statement of comprehensive income which are later reclassified (“recycled”) to the statement of income must be presented separately from items of other comprehensive income which will never be reclassified. The change is first applicable for financial years beginning on or after July 1, 2012.
- In June 2011, the IASB published amendments to IAS 19 “Employee Benefits” (IAS 19, revised 2011). Henkel expects that the following changes will affect the consolidated financial statements: IAS 19 (revised) replaces the expected income from plan assets and the interest expense on the pension obligation with a uniform net interest component.

In addition, IAS 19 (revised) provides for recognition in profit and loss of non-vested past-service costs as they occur. The disclosure and explanation requirements are also expanded. The announcement is applicable for financial years beginning on or after January 1, 2013. IAS 19 (revised) requires retrospective application and the presentation of the effects of the first-time application on the opening balance at January 1, 2012. Henkel expects no material effects from this for the items "Total comprehensive income for the period" and "Equity." The net interest component for fiscal 2012 will increase as a result of IAS 19 (revised) by around 40 million euros. In fiscal 2013, the net interest component will approach the level of the adjusted 2012 fiscal year.

- In May 2011, the IASB published the new standards IFRS 10 "Consolidated Financial Statements," IFRS 11 "Joint Arrangements," and IFRS 12 "Disclosure of Interest in Other Entities" as well as amendments to IAS 28 "Investments in Associates." Under the new concept of IFRS 10, control exists when the potential parent company holds decision power over the potential subsidiary based on voting rights or other rights, it is exposed to positive and negative variability in returns from the subsidiary, and these returns may be affected by the decision power held by the parent. Under the new concept of IFRS 11, a distinction is made in a joint arrangement as to whether it is a joint operation or a joint venture. In a joint operation, the individual rights and obligations are accounted for proportionately in the consolidated financial statements. In contrast, joint ventures are represented in the consolidated financial statements using the equity method. As part of the adoption of IFRS 11, adjustments were also made to IAS 28. The new IFRS 12 expands the disclosure requirements for interests in other entities. The new standards and the amendments to standards must be applied beginning January 1, 2014.
- IFRS 13 "Fair Value Measurement," which was published in May 2011, provides for the uniform measurement of fair value in IFRS financial statements. Fair value is defined as exit price, meaning the price that would be realized in the sale of an asset or the price that would have to be paid to transfer an obligation. IFRS 13 is mandatory for financial years beginning on or after January 1, 2013.

These new standards and amendments to existing standards will be applied by Henkel from fiscal year 2013 or later. 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 2012, 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

	Mandatory for fiscal years beginning on or after
General standard "Improvements to IFRS 2009–2011"	January 1, 2013
IFRS 1 (Amendment) "Government Loans"	January 1, 2013
IFRS 9 "Financial Instruments"	January 1, 2015
IFRS 7 (Amendment) and IFRS 9 (Amendment) "Mandatory Effective Date and Transition Disclosure"	January 1, 2015
IFRS 10 (Amendment), IFRS 11 (Amendment) and IFRS 12 (Amendment) "Transition Guidance"	January 1, 2014
IFRS 10 (Amendment), IFRS 12 (Amendment) and IAS 27 (Amendment) "Investment Companies"	January 1, 2014

These standards and amendments to existing standards will be applied by Henkel starting in 2013 or later.

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 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

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

	Trademark rights and other rights				
in million euros	Assets with indefinite useful lives	Assets with definite useful lives	Internally generated intangible assets with definite useful lives	Goodwill	Total
At January 1, 2011	1,240	1,517	168	6,532	9,457
Acquisitions	–	3	–	47	50
Divestments	–	–	–	– 5	– 5
Additions	–	5	4	–	9
Disposals	–	– 14	–	–	– 14
Reclassifications into assets held for sale	– 27	–	–	–	– 27
Reclassifications	–	1	–	–	1
Translation differences	35	26	2	149	212
At December 31, 2011 / January 1, 2012	1,248	1,538	174	6,723	9,683
Acquisitions	16	14	–	60	90
Divestments	–	–	–	–	–
Additions	–	5	24	–	29
Disposals	–	– 7	–	–	– 7
Reclassifications into assets held for sale[1]	1	–	–	– 11	– 10
Reclassifications	–	4	3	–	7
Translation differences	– 23	– 17	– 1	– 100	– 141
At December 31, 2012	1,242	1,537	200	6,672	9,651

[1] Of which: 1 million euros in cost and 0 million euros amortization arising from reclassification from assets held for sale, as their disposal is no longer intended.

Accumulated amortization/impairment

in million euros	Trademark rights and other rights: Assets with indefinite useful lives	Trademark rights and other rights: Assets with definite useful lives	Internally generated intangible assets with definite useful lives	Goodwill	Total
At January 1, 2011	13	713	79	11	816
Divestments	–	–	–	–	–
Write-ups	–	–	–	–	–
Scheduled amortization	–	81	21	–	102
Impairment losses	–	–	–	–	–
Disposals	–	– 14	–	–	– 14
Reclassifications into assets held for sale	–	–	–	–	–
Reclassifications	–	–	–	–	–
Translation differences	–	9	1	–	10
At December 31, 2011 / January 1, 2012	13	789	101	11	914
Divestments	–	–	–	–	–
Write-ups	–	–	–	–	–
Scheduled amortization	–	86	20	–	106
Impairment losses	–	–	–	–	–
Disposals	–	– 7	–	–	– 7
Reclassifications into assets held for sale	–	–	–	–	–
Reclassifications	–	–	–	–	–
Translation differences	–	– 7	–	–	– 7
At December 31, 2012	13	861	121	11	1,006

Net book values

in million euros	Trademark rights and other rights: Assets with indefinite useful lives	Trademark rights and other rights: Assets with definite useful lives	Internally generated intangible assets with definite useful lives	Goodwill	Total
At December 31, 2012	1,229	676	79	6,661	8,645
At December 31, 2011	1,235	749	73	6,712	8,769

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 manufacturing cost.

Additions to internally generated intangible assets mostly reflect investments on consolidating and optimizing our IT system environment for managing business processes in the Asia-Pacific region.

The change in goodwill resulting from acquisitions and divestments made in the fiscal year is presented in the section "Acquisitions and divestments" on pages 111 and 112.

For subsequent measurement, goodwill and trademark rights and other rights with indefinite useful lives are subjected to an impairment test at least once a year ("impairment only" approach).

Amortization and impairment of trademark rights 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 and trademark rights and other rights with indefinite useful lives. The following table shows the cash-generating units together with the associated goodwill and trademark rights and other rights with indefinite useful lives 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 34 on pages 154 to 156 and in the Group management report on pages 80 to 91.

Book values

Cash-generating units (summarized) in million euros	December 31, 2011 Trademark and other rights with indefinite useful lives	December 31, 2011 Goodwill	December 31, 2012 Trademark and other rights with indefinite useful lives	December 31, 2012 Goodwill
Laundry	372	700	381	689
Home Care	249	797	244	788
Total Laundry & Home Care	**621**	**1,497**	**625**	**1,477**
Branded Consumer Goods	467	1,073	460	1,058
Hair Salon	13	96	13	100
Total Beauty Care	**480**	**1,169**	**473**	**1,158**
Adhesives for Consumers, Craftsmen and Building	49	408	48	394
Industrial Adhesives	85	3,638	83	3,632
Total Adhesive Technologies	**134**	**4,046**	**131**	**4,026**

The assessment for goodwill impairment according to the fair-value-less-cost-to-sell approach is based on future estimated cash flows which are obtained from corporate budgets. 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 US dollar to euro exchange rate applied is 1.30. Taking into account specific tax effects, the cash flows in all cash-generating units are discounted at different rates reflecting the weighted average cost of capital (WACC) in each business sector: 5.25 percent after tax for Laundry & Home Care and Beauty Care, and 7.25 percent after tax for Adhesive Technologies. The reportable segment Industrial Adhesives is comprised of the two business areas Packaging, Consumer Goods and Construction Adhesives; and Transport, Metal, General Industry and Electronics. Goodwill at our Packaging, Consumer Goods and Construction Adhesives business in fiscal 2012 amounted to 1,880 million euros (previous year: 1,857 million euros), while goodwill at Transport, Metal, General Industry and Electronics had a value of 1,752 million euros in 2012 (previous year: 1,781 million euros).

In the Laundry & Home Care business sector, 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 sector over the three-year forecasting horizon is budgeted at around 4 percent per annum. Here, too, we expect a slight increase in market share. Sales in the Adhesive Technologies business sector are expected to grow by about 6 percent per annum on average over the detailed three-year forecasting horizon, and thus above the market average.

In all the business sectors, 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 higher gross margins in all our business sectors.

The impairment tests revealed sufficient impairment buffers so that, as in the previous year, no impairment of goodwill was required.

The trademark rights with indefinite useful lives 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 brandnames. The value of trademarks and other rights with indefinite useful lives attributable to our Industrial Adhesives segment is composed of 42 million euros (previous year: 43 million euros) for our Packaging, Consumer Goods and Construction Adhesives businesses, and 41 million euros (previous year: 42 million euros) for our Transport, Metal, General Industry and Electronics businesses.

As in the previous year, the impairment tests on trademark rights and other rights with indefinite useful lives resulted in no impairment losses.

The company also intends to continue using the brands disclosed as having definite useful lives. No impairment losses were registered with respect to trademark rights and other rights with definite useful lives in 2012.

(2) Property, plant and equipment

Cost

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, 2011	**2,002**	**2,687**	**934**	**96**	**5,719**
Acquisitions	–	–	–	–	–
Divestments	– 7	– 14	– 5	–	– 26
Additions	32	80	61	211	384
Disposals	– 40	– 134	– 82	– 1	– 257
Reclassifications into assets held for sale [1]	– 9	1	1	–	– 7
Reclassifications	13	52	16	– 82	– 1
Translation differences	7	– 4	2	3	8
At December 31, 2011 / January 1, 2012	**1,998**	**2,668**	**927**	**227**	**5,820**
Acquisitions	–	4	–	–	4
Divestments	–	–	–	–	–
Additions	32	106	66	189	393
Disposals	– 23	– 107	– 72	– 1	– 203
Reclassifications into assets held for sale	– 5	– 7	– 2	–	– 14
Reclassifications	46	109	35	– 197	– 7
Translation differences	– 10	– 10	– 5	– 2	– 27
At December 31, 2012	**2,038**	**2,763**	**949**	**216**	**5,966**

[1] Of which in previous year: 4 million euros acquisition costs and 2 million euros write-downs arising from reclassification of assets held for sale, as disposal is no longer intended.

Accumulated depreciation/impairment

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, 2011	**882**	**1,915**	**707**	**–**	**3,504**
Divestments	– 3	– 12	– 4	–	**– 19**
Write-ups	– 1	–	–	–	**– 1**
Scheduled depreciation	54	145	82	–	**281**
Impairment losses	9	11	1	–	**21**
Disposals	– 24	– 125	– 80	–	**– 229**
Reclassifications into assets held for sale[1]	– 6	1	1	–	**– 4**
Reclassifications	–	– 1	1	–	**–**
Translation differences	2	– 1	2	–	**3**
At December 31, 2011 / January 1, 2012	**913**	**1,933**	**710**	**–**	**3,556**
Divestments	–	–	–	–	**–**
Write-ups	–	– 1	–	–	**– 1**
Scheduled depreciation	58	148	86	–	**292**
Impairment losses	2	10	–	–	**12**
Disposals	– 16	– 100	– 71	–	**– 187**
Reclassifications into assets held for sale	– 2	– 4	– 1	–	**– 7**
Reclassifications	–	–	–	–	**–**
Translation differences	– 1	– 9	– 3	–	**– 13**
At December 31, 2012	**954**	**1,977**	**721**	**–**	**3,652**

[1] Of which in previous year: 4 million euros acquisition costs and 2 million euros write-downs arising from reclassification of assets held for sale, as disposal is no longer intended.

Net book values

in million euros	Land, land rights and buildings	Plant and machinery	Factory and office equipment	Assets in course of construction	Total
At December 31, 2012	**1,084**	**786**	**228**	**216**	**2,314**
At December 31, 2011	1,085	735	217	227	2,264

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 IAS 23 “Borrowing Costs.” A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. 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 pages 63 and 64 in the Group Management Report.

At December 31, 2012, property, plant and equipment with a carrying amount of 1 million euros had been pledged as security for existing liabilities. The periods over which the assets are depreciated are based on their estimated useful lives as set out on page 120. Scheduled depreciation and impairment losses recognized are disclosed in the consolidated statement of income according to the functions in which the assets are used.

Of the impairment losses amounting to 12 million euros, further structure optimization measures attributable to the Laundry & Home Care business sector accounted for 4 million euros. In the Adhesive Technologies business sector, impairment losses of 7 million euros were recognized as a result of production optimization measures.

(3) Other financial assets

Analysis

in million euros	December 31, 2011 Non-current	December 31, 2011 Current	December 31, 2011 Total	December 31, 2012 Non-current	December 31, 2012 Current	December 31, 2012 Total
Receivables from associated companies	1	5	6	–	1	1
Financial receivables from third parties	23	22	45	15	44	59
Derivative financial instruments	194	70	264	204	54	258
Investments accounted for at equity	–	–	–	6	–	6
Other investments	19	–	19	18	–	18
Receivable from Henkel Trust e.V.	–	115	115	–	20	20
Securities and time deposits	–	362	362	–	2,245	2,245
Sundry financial assets [1] (restated)	9	82	91	15	79	94
Total (restated) [1]	**246**	**656**	**902**	**258**	**2,443**	**2,701**

[1] Application of IAS 8 "Accounting policies, changes in accounting estimates and errors" (see notes on pages 116 and 117).

With the exception of investments, derivatives, securities and time deposits, other financial assets are measured at amortized cost.

In the reporting year, the accrued interest on derivative financial instruments in connection with the interest rate swap in the amount of 65 million euros (previous year: 62 million euros) is reported in accordance with the term of the underlying interest rate hedging transactions.

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. In fiscal 2012, Henkel AG & Co. KGaA waived existing receivables of 213 million euros and thus made a further contribution to pension plan assets.

Included under securities and time deposits are monies deposited as part of our short-term financial management arrangements. The securities involved are fixed-interest and floating-interest bonds. All the bonds are publicly listed and can be sold at short notice.

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 38 million euros (previous year: 31 million euros),
- Receivables from suppliers amounting to 13 million euros (previous year: 15 million euros),
- Receivables from employees amounting to 9 million euros (previous year: 10 million euros).

(4) Other assets

Analysis

in million euros	December 31, 2011 Non-current	December 31, 2011 Current	December 31, 2011 Total	December 31, 2012 Non-current	December 31, 2012 Current	December 31, 2012 Total
Tax receivables	–	123	123	7	117	124
Payments on account	–	21	21	–	20	20
Overfunding of pension obligations	4	–	4	4	–	4
Reimbursement rights related to employee benefits	79	9	88	84	5	89
Accruals	5	46	51	6	56	62
Sundry other assets	15	38	53	16	18	34
Total	**103**	**237**	**340**	**117**	**216**	**333**

The reimbursement rights related to employee benefits are related to defined-benefit pension obligations. The reimbursement rights and the pension obligations are reported unnetted in the statement of financial position per IAS 19.

(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 equity. For items recognized directly in equity, the associated deferred taxes are also recognized in equity.

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 150 to 152.

(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 (unfinished products) 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-in department, raw material storage, filling, costs incurred through to the finished goods warehouse), production-related administrative expenses, the costs of the retirement pensions of people who are employed in the production process, and production-related amortization. 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 119 million euros (previous year: 105 million euros). The carrying amount of inventories pledged as security for liabilities amounted to 6 million euros.

Analysis of inventories

in million euros	December 31, 2011	December 31, 2012
Raw materials and supplies	475	471
Work in progress	61	62
Finished products and merchandise	1,010	942
Payments on account for merchandise	4	3
Total	**1,550**	**1,478**

(7) Trade accounts receivable

Trade accounts receivable amounted to 2,021 million euros (previous year: 2,001 million euros). All such receivables are due within one year. Valuation allowances have been recognized in respect of specific risks as appropriate. Overall, the total valuation allowances recognized amount to 30 million euros (previous year: 23 million euros).

Trade accounts receivable

in million euros	December 31, 2011	December 31, 2012
Trade accounts receivable, gross	2,101	2,130
less: cumulative valuation allowances on trade accounts receivable	100	109
Trade accounts receivable, net	**2,001**	**2,021**

Development of valuation allowances on trade accounts receivable

in million euros	2012
Valuation allowances at January 1	100
Additions	27
Transfer of receivables against valuation allowance accounts	–17
Currency translation effects	–1
Valuation allowances at December 31	109

(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 investments 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 1,980 million euros to 1,238 million euros. Of this figure, 913 million euros (previous year: 829 million euros) relate to cash and 325 million euros (previous year: 1,151 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.

Compared to December 31, 2011, assets held for sale decreased by 13 million euros to 38 million euros. The reduction is due in part to the transfer of non-core brands in the Beauty Care business sector to the buyer with economic effect as of April 2, 2012. The disposal had no effect on income. Furthermore, sales of other Group companies also took place. A countervailing increase resulted from the reclassification of the assets and liabilities of Chemofast Anchoring GmbH, Willich, Germany, into assets and liabilities held for sale. The transfer of the company to the buyer is planned for January 2013. In the Adhesive Technologies business sector we have reclassified the assets of our non-core print finishing applications business, which we intend to sell, as assets held for sale. Certain non-current assets of various Group companies have also been reclassified. Furthermore, assets with a carrying amount of 1 million euros were reclassified back to intangible assets as their sale is no longer intended.

Assets and liabilities held for sale

January 1 to December 31 in million euros	2012
Intangible assets and property, plant and equipment	23
Inventory and trade receivables	9
Cash and cash equivalents	1
Other assets	5
Provisions	– 3
Borrowings	– 3
Other liabilities	– 3
Net assets	**29**

(10) Issued capital

Issued capital

in million euros	December 31, 2011	December 31, 2012
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 the 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 has remained unchanged since December 31, 2011. The number of preferred shares in circulation increased by 95,600 to 174,482,305 due to the exercise of option rights from stock incentive plans during the fiscal year, accompanied by a corresponding decrease in the number of treasury shares.

According to Art. 6 (5) of the Articles of Association, 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 in one or more installments at any time until April 18, 2015, up to a total of 25.6 million euros (25.6 million shares) by issuing new non-voting preferred shares to be paid up in cash (authorized capital). All shareholders are essentially assigned pre-emptive rights. However, these may be set aside where necessary in order 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 to new shares corresponding to those that would accrue to such bondholders following the exercise of their warrant or conversion rights, or if the issue price of the new shares is not significantly below the quoted market price at the time of issue price fixing. Pre-emptive rights may also be set aside where necessary in order to dispose of fractional amounts.

On April 19, 2010, the Annual General Meeting of Henkel AG & Co. KGaA resolved to authorize the Personally Liable Partner to acquire, by April 18, 2015, 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 be used to operate the Stock Incentive Plan of the Henkel Group or transferred to third parties for the purpose of acquiring companies or investing 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 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 one of the 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, 2012 amounted to 3,680,570 preferred shares. This represents 0.84 percent of capital stock and a proportional nominal value of 3.7 million euros. The treasury shares were acquired in order to service the option rights arising from the Stock Incentive Plans. Originally, 992,680 shares were purchased in 2000, 808,120 shares in 2001 and 694,900 shares in 2002. This corresponds to a total of 2,495,700 shares or, following the share split implemented in 2007 (at a ratio of 1:3), 7,487,100 shares. Options were exercised for the first time under the Stock Incentive Plan in 2004. Since 2004, taking the share split into account, the exercise of options has led to a reduction of 3,806,530 in treasury shares held, with a proportional nominal value of 3.8 million euros (0.87 percent of capital stock). In 2012 the exercise of options led to a reduction of 95,600 in treasury shares held. The proportional nominal value of the capital stock amounted to 0.1 million euros (0.02 percent). The selling prices were based on the stock market prices prevailing at the time of disposal. The total proceeds on disposal of 5 million euros were recognized directly in equity.

See also the explanatory notes on pages 26 and 27 of the 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

Included in the retained earnings are the following:
- Amounts allocated in the financial statements of Henkel AG & Co. KGaA in previous years.
- Amounts allocated from the 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 2012, please see the section "Acquisitions and divestments" on pages 111 to 112.

(13) Other components of equity

Reported under this heading are differences arising from the currency translation of annual financial statements of foreign subsidiaries and also the effects arising from the revenue-neutral valuation 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 depreciation of the US dollar versus the euro, the negative difference attributable to shareholders of Henkel AG & Co. KGaA arising from currency translation grew by –144 million euros compared to the figure at December 31, 2011, to – 806 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 earnings of the person entitled.

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.

In addition, we also subsidize medical benefits for retired employees resident 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.

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 financing, 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 average weighted duration of pension obligations is 13 years for Germany, 9 years for the USA and 22 years for other countries. The contributions and investment strategies are intended to ensure nearly complete coverage of the plans for the duration of the pension obligations.

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 for the year under review amounted to 90 million euros (previous year: 90 million euros). In 2012, payments to public sector institutions totaled 48 million euros (previous year: 50 million euros) and payments to private sector institutions totaled 42 million euros (previous year: 40 million euros).

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 mortality rates used are based on published statistics and actuarial data as applicable in each country. In Germany, the assumptions are based on the "Heubeck 2005G" mortality table. In the USA, the assumptions are based on the "RP 2000 projected to 2015" mortality table.

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 2012, existing pension benefits in Ireland and the Netherlands were partly unified. In Japan, the pension benefits were subject to new legal regulations. The effects of the plan changes were recognized as income in other operating income. Plan changes had no material impact on our pension obligations.

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. 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).

Actuarial assumptions

in percent	Germany 2011	Germany 2012	USA 2011	USA 2012	Other countries[1] 2011	Other countries[1] 2012
Discount factor	4.30	**3.00**	4.40	**3.80**	4.20	**4.20**
Income trend	3.25	**3.25**	4.25	**4.25**	3.10	**3.00**
Expected return on plan assets	5.69	**5.62**	5.80	**5.88**	3.80	**4.11**
Expected return from reimbursement rights	–	**–**	6.50	**4.40**	–	**–**
Expected increases in costs for medical benefits	–	**–**	8.50	**8.00**	8.00	**6.30**

[1] Weighted average.

Present value of pension obligations at December 31, 2011

in million euros	Germany	USA	Other countries	Total
At January 1, 2011	**2,223**	**1,018**	**762**	**4,003**
Changes in the Group	– 1	1	– 3	**– 3**
Translation differences	–	41	14	**55**
Actuarial gains (–)/losses (+)	59	121	56	**236**
Current service cost	35	16	27	**78**
Gains (–)/losses (+) arising from the termination and curtailment of plans	–	– 1	– 2	**– 3**
Interest expense	97	49	33	**179**
Retirement benefits paid out of plan assets/out of reimbursement rights	– 119	– 54	– 30	**– 203**
Employer’s payments for pension obligations	– 25	– 21	– 14	**– 60**
Past service cost (+)/gain (–)	–	– 1	3	**2**
At December 31, 2011	**2,269**	**1,169**	**846**	**4,284**
of which: unfunded obligations	105	208	92	**405**
of which: funded obligations	2,164	867	754	**3,785**
of which: obligations covered by reimbursement rights	–	94	–	**94**

Fair value of plan assets at December 31, 2011

in million euros	Germany	USA	Other countries	Total
At January 1, 2011	**2,098**	**686**	**603**	**3,387**
Changes in the Group	–	–	– 3	**– 3**
Translation differences	–	24	13	**37**
Employer contributions to pension funds	23	–	23	**46**
Employee contributions to pension funds	–	–	1	**1**
Retirement benefits paid out of plan assets	– 119	– 46	– 30	**– 195**
Expected return on plan assets	119	35	26	**180**
Actuarial gains (+)/losses (–)	– 188	29	9	**– 150**
At December 31, 2011	**1,933**	**728**	**642**	**3,303**
Actual return on plan assets	– 69	64	35	**30**

Fair value of reimbursement rights at December 31, 2011

in million euros	Germany	USA	Other countries	Total
At January 1, 2011	**–**	**90**	**–**	**90**
Changes in the Group	–	–	–	**–**
Translation differences	–	2	–	**2**
Employer contributions	–	–	–	**–**
Employee contributions	–	–	–	**–**
Retirement benefits paid out of reimbursement rights	–	– 7	–	**– 7**
Expected return on reimbursement rights	–	4	–	**4**
Actuarial gains (+)/losses (–)	–	– 5	–	**– 5**
At December 31, 2011	**–**	**84**	**–**	**84**
Actual return on reimbursement rights	–	– 1	–	**– 1**

Net pension cost 2011

in million euros	Germany	USA	Other countries	Total
Current service cost	35	16	27	78
Amortization of past service cost	–	–	–	–
Gains (–)/losses (+) arising from the termination and curtailment of plans	–	– 1	– 2	– 3
Interest expense	97	49	33	179
Expected return on plan assets	– 119	– 35	– 26	– 180
Expected return on reimbursement rights	–	– 4	–	– 4
Net pension cost 2011	**13**	**25**	**32**	**70**

Reconciliation of overfunding/underfunding to recognized provisions for pension obligations and to net obligation at December 31, 2011

in million euros	Germany	USA	Other countries	Total
Overfunding/underfunding of obligations	– 336	– 441	– 204	– 981
Amount not recognized due to asset ceiling	–	–	– 9	– 9
Past service cost	–	– 5	1	– 4
Reimbursement rights	–	84	–	84
Net obligation	**– 336**	**– 362**	**– 212**	**– 910**
Plan assets reported as net assets	–	–	– 4	– 4
Recognized as reimbursement rights (asset)	–	– 84	–	– 84
Recognized provision for pension obligations at December 31, 2011	**– 336**	**– 446**	**– 216**	**– 998**

Present value of pension obligations at December 31, 2012

in million euros	Germany	USA	Other countries	Total
At January 1, 2012	**2,269**	**1,169**	**846**	**4,284**
Changes in the Group	–	–	–	–
Translation differences	–	– 20	–	– 20
Actuarial gains (–)/losses (+)	418	89	115	622
Current service cost	37	19	27	83
Employee contributions to pension fund	–	–	1	1
Gains (–)/losses (+) arising from the termination and curtailment of plans	–	–	– 15	– 15
Interest expense	96	50	35	181
Retirement benefits paid out of plan assets/out of reimbursement rights	– 36	– 54	– 53	– 143
Employer’s payments for pension obligations	– 104	– 26	– 13	– 143
Past service cost (+)/gain (–)	4	– 1	– 3	–
At December 31, 2012	**2,684**	**1,226**	**940**	**4,850**
of which: unfunded obligations	100	298	103	501
of which: funded obligations	2,584	821	837	4,242
of which: obligations covered by reimbursement rights	–	107	–	107

Fair value of plan assets at December 31, 2012

in million euros	Germany	USA	Other countries	Total
At January 1, 2012	**1,933**	**728**	**642**	**3,303**
Changes in the Group	–	–	–	–
Translation differences	–	– 16	4	– 12
Employer contributions to pension funds	235	80	47	362
Employee contributions to pension funds	–	–	1	1
Retirement benefits paid out of plan assets	– 36	– 45	– 53	– 134
Expected return on plan assets	115	38	26	179
Actuarial gains (+)/losses (–)	126	37	38	201
At December 31, 2012	**2,373**	**822**	**705**	**3,900**
Actual return on plan assets	241	75	64	380

Fair value of reimbursement rights at December 31, 2012

in million euros	Germany	USA	Other countries	Total
At January 1, 2012	**–**	**84**	**–**	**84**
Changes in the Group	–	–	–	–
Translation differences	–	– 2	–	– 2
Employer contributions	–	6	–	6
Employee contributions	–	–	–	–
Retirement benefits paid out of reimbursement rights	–	– 9	–	– 9
Expected return on reimbursement rights	–	4	–	4
Actuarial gains (+)/losses (–)	–	6	–	6
At December 31, 2012	**–**	**89**	**–**	**89**
Actual return on reimbursement rights	–	10	–	10

Net pension cost 2012

in million euros	Germany	USA	Other countries	Total
Current service cost	37	19	27	83
Amortization of past service cost	–	–	–	–
Gains (–)/losses (+) arising from the termination and curtailment of plans	–	–	– 15	– 15
Interest expense	96	50	35	181
Expected return on plan assets	– 115	– 38	– 26	– 179
Expected return on reimbursement rights	–	– 4	–	– 4
Net pension cost 2012	**18**	**27**	**21**	**66**

Reconciliation of overfunding/underfunding to recognized provisions for pension obligations and to net obligation at December 31, 2012

in million euros	Germany	USA	Other countries	Total
Overfunding/underfunding of obligations	– 311	– 404	– 235	– 950
Amount not recognized due to asset ceiling	–	–	– 2	– 2
Past service cost	–	– 5	1	– 4
Reimbursement rights	–	89	–	89
Net obligation	**– 311**	**– 320**	**– 236**	**– 867**
Plan assets reported as net assets	–	–	– 4	– 4
Recognized as reimbursement rights (asset)	–	– 89	–	– 89
Recognized provision for pension obligations at December 31, 2012	**– 311**	**– 409**	**– 240**	**– 960**

Exercising the elective right that exists, we recognize actuarial gains and losses in the year in which they arise as part of the pension provision and include them in the statement of comprehensive income in accordance with IAS 19.93B "Employee Benefits." Hence, the full extent of the obligation is recognized as of the reporting date. As of December 31, 2012, accumulated actuarial losses of 1,883 million euros (previous year: 1,475 million euros) were offset against retained earnings. Of the actuarial losses in the reporting period, 7 million euros result from effects per IAS 19.58.

In the reconciliation to the net obligation we take into account amounts that are not recognized due to asset ceiling restrictions. If the fair value of the plan assets exceeds the obligations arising from the pension benefits, an asset is recognized 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 et seq.).

Of the amounts added to the provision in 2012, 83 million euros (previous year: 78 million euros) are included in operating profit (pension costs as part of payroll cost, see page 153) and 2 million euros (previous year: 5 million euros) in financial result (see page 150). The expenses shown in operating profit are allocated by function, depending on the sphere of activity of the employees. 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 32, page 153. In 2012, payments into the plan assets amounted to 362 million euros (previous year: 46 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 2013 are expected to total 23 million euros.

Description of plan assets

Analysis of plan assets

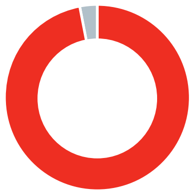
in million euros	December 31, 2011 Fair value	%	December 31, 2012 Fair value	%
Shares	828	25.1	896	23.0
Europe	355	10.7	358	9.2
USA	138	4.2	156	4.0
Others	335	10.2	382	9.8
Bonds and hedging instruments	2,054	62.2	2,359	60.5
Government bonds	646	19.5	747	19.2
Corporate bonds	1,488	45.1	1,708	43.8
Derivatives	– 80	– 2.4	– 96	– 2.5
Alternative investments	149	4.5	240	6.1
Cash	192	5.8	214	5.5
Liabilities [1]	– 115	– 3.5	– 20	– 0.5
Other assets	195	5.9	211	5.4
Total	3,303	100.0	3,900	100.0

[1] Liability to Henkel AG & Co. KGaA from the takeover of pension payments for Henkel Trust e.V.

Plan assets by country 2012

61 % Germany
21 % USA
18 % Other countries

Classification of bonds by rating 2012



97 % Investment grade
3 % Non-investment grade

The objective of the investment strategy of 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 cover ratio, Henkel invests plan assets in a diversified portfolio whose 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, commodities and real estate.

In principle, the target portfolio structure of the plan assets is 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 result in adjustments being 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, the USA, the UK, Ireland and the Netherlands. All these countries pursue the above investment strategies and are monitored centrally.

At December 31, 2012, other assets making up the plan assets included the present value of a non-current receivable of 47 million euros (previous year: 47 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 140 million euros against BASF Personal Care & Nutrition GmbH (formerly Cognis GmbH) for indemnification of pension obligations (previous year: 132 million euros).

In 2012, Henkel AG & Co. KGaA waived existing receivables against Henkel Trust e.V. in the amount of 213 million euros.

Sensitivities and cash flows

In the next five financial years, the payments expected to be paid out of pension plans are as follows:

Future pension payments

in million euros	Germany	USA	Other countries	Total
2013	145	143	33	**321**
2014	135	181	34	**350**
2015	132	91	34	**257**
2016	130	89	35	**254**
2017	129	88	36	**253**

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 81 percent of our pension obligations. The effect of a change in the discount rate on the calculation of the present value of pension obligations is as follows:

Effect of discount rate changes on the present value of pension obligations

in million euros	Germany	USA
Present value of obligations	2,684	1,226
Increase of 0.5 percentage points	– 167	– 49
Decrease of 0.5 percentage points	178	55

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 8.0 percent (previous year: 8.5 percent) was assumed for the medical costs. We expect this rate of increase to fall gradually to 5.0 percent by 2018 (previous year: 5.0 percent). The effects of a trend change in medical costs are as follows:

Effects of a trend change in medical costs

	December 31, 2011			December 31, 2012		
in million euros	Current service cost	Interest expense	Present value of obligations	Current service cost	Interest expense	Present value of obligations
Increase in medical costs of 1 percentage point	–	–	8	–	–	**8**
Decrease in medical costs of 1 percentage point	–	–	– 7	–	–	**– 7**

The following overview shows the present value of the obligations and the corresponding health care obligations for current and prior reporting periods. The adjustments in expectations reflect the difference between the actuarial assumptions at the beginning of the fiscal year and the actual development of the pension obligations and plan assets.

Multi-year summary

in million euros	2008	2009	2010	2011	2012
Present value of obligations	3,248	3,684	4,003	4,284	4,850
of which: post-retirement health care obligations	212	199	191	196	187
Fair value of plan assets	2,445	2,840	3,387	3,303	3,900
of which: for post-retirement health care obligations	8	7	7	6	7
Overfunding/underfunding of obligations	– 803	– 844	– 616	– 981	– 950
Experience adjustments on pension obligations	5	25	9	5	16
Experience adjustments on plan assets	– 499	53	214	– 150	– 201

(16) Income tax provisions and other provisions

Development in 2012

in million euros	Initial balance January 1, 2012	Other changes	Utilized	Released	Added	End balance December 31, 2012
Income tax provisions	402	– 6	177	78	114	255
of which: non-current	93	– 1	19	8	1	66
of which: current	309	– 5	158	70	113	189
Restructuring provisions	291	– 5	125	0	94	255
of which: non-current	92	– 8	10	0	5	79
of which: current	199	3	115	0	89	176
Sundry provisions	936	– 9	380	14	741	1,274
of which: non-current	302	– 143	26	2	55	186
of which: current	634	134	354	12	686	1,088
Total	1,629	– 20	682	92	949	1,784
of which: non-current	487	– 152	55	10	61	331
of which: current	1,142	132	627	82	888	1,453

Provisions are recognized for obligations towards 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 0.6 and 3.6 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 towards third parties. They are measured at total cost.

Other changes in provisions include changes in the scope of consolidation, movements in exchange rates, 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 optimization of production sites in the business sector Adhesive Technologies.

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 obligations in the personnel sphere essentially cover expenditures likely to be incurred by the Group for variable, performance-related compensation components. In the year under review, we added 16 million euros to the provisions for our "Special Incentive 2012," which is included in current provisions under "Personnel." The program extends to our Management Circles 0 to IIb.

Provisions for obligations in the production and technology sphere relate primarily to provisions for warranties.

Analysis of sundry provisions by function

in million euros	December 31, 2011	December 31, 2012
Sales	120	213
of which: non-current	4	5
of which: current	116	208
Personnel	585	690
of which: non-current	228	114
of which: current	357	576
Production and technology	40	39
of which: non-current	22	22
of which: current	18	17
Various sundry obligations	191	332
of which: non-current	48	45
of which: current	143	287
Total	936	1,274
of which: non-current	302	186
of which: current	634	1,088

(17) Borrowings

	December 31, 2011			December 31, 2012		
in million euros	Non-current	Current	Total	Non-current	Current	Total
Bonds	3,483	187	3,670	2,451	1,173	3,624
Commercial papers[1]	–	29	29	–	–	–
Liabilities to banks[2]	15	194	209	–	146	146
Other borrowings	3	2	5	3	1	4
Total	3,501	412	3,913	2,454	1,320	3,774

[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

Issuer	Type	Nominal value	Carrying amounts excluding accrued interest		Market values excluding accrued interest[1]		Market values including accrued interest[1]		Interest rate[2]		Interest fixing
in million euros			2011	2012	2011	2012	2011	2012	2011	2012	
Henkel AG & Co. KGaA	Bond	1,000	1,030	**1,015**	1,044	**1,017**	1,068	**1,041**	4.2500	**4.2500**	until 2013[3]
Interest rate swap (3-month Euribor +0.405 %)[6]	*Receiver swap*	*1,000*	*32*	***16***	*32*	***16***	*55*	***40***	*1.8751*	***0.5951***	*3 months*
Henkel AG & Co. KGaA	Bond	1,000	1,029	**1,024**	1,072	**1,050**	1,108	**1,086**	4.6250	**4.6250**	until 2014[4]
Interest rate swap (3-month Euribor +2.02 %)[6]	*Receiver swap*	*1,000*	*32*	***26***	*32*	***26***	*67*	***61***	*3.4403*	***2.2053***	*3 months*
Henkel AG & Co. KGaA	Hybrid bond	1,300	1,424	**1,427**	1,296	**1,401**	1,303	**1,408**	5.3750	**5.3750**	until 2015[5]
Interest rate swap (3-month Euribor +1.80 %)[6]	*Receiver swap*	*650*	*54*	***60***	*54*	***60***	*55*	***62***	*3.2712*	***1.9902***	*3 months*
Interest rate swap (1-month Euribor +0.955 %)[6]	*Receiver swap*	*650*	*81*	***78***	*81*	***78***	*84*	***82***	*2.0750*	***1.0650***	*1 month*
Total bonds		3,300	3,483	3,466	3,412	3,468	3,479	3,535			
Total interest rate swaps		3,300	199	180	199	180	261	245			

[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: 4.25 percent, converted using interest rate swaps into a floating interest rate; interest rate to be fixed next on March 11, 2013 (previous year: March 12, 2012) (fair value hedge).
[4] Fixed-rate interest of bond coupon: 4.625 percent, converted using interest rate swaps into a floating interest rate; interest rate to be fixed next on March 19, 2013 (previous year: March 19, 2012) (fair value hedge).
[5] Fixed-rate interest of bond coupon: 5.375 percent, converted using interest rate swaps into a floating interest rate; interest rate fixed on January 23, 2013 (previous year: January 25, 2012) (fair value hedge).
[6] Not including the valuation allowance in the amount of 1 million euros to provide for counterparty default risk (previous year: 5 million euros).

The ten-year bond issued in 2003 by Henkel AG & Co. KGaA for 1 billion euros with a coupon of 4.25 percent matures in June 2013.

The five-year bond issued in 2009 by Henkel AG & Co. KGaA for 1 billion euros with a coupon of 4.625 percent matures in March 2014.

The 1.3 billion euro subordinated hybrid bond issued by Henkel AG & Co. KGaA in November 2005 to finance a large part of the pension obligations in Germany matures in 2104. Under the terms of the bond, the coupon for the first ten years is 5.375 percent. The earliest bond redemption date is November 25, 2015. If it is not redeemed, the bond interest will be based on the 3-month Euribor interest rate plus a premium of 2.85 percentage points. The bond terms also stipulate that if there is a “cash flow event,” Henkel AG & Co. KGaA has the option or the obligation to defer the interest payments. A cash flow event is deemed to have occurred if the adjusted cash flow from operating activities is below a certain percentage of the net liabilities (20 percent for optional interest deferral, 15 percent for mandatory interest deferral); see Section 3 (4) of the bond terms and conditions for the definition. On the basis of the cash flow calculated at December 31, 2012, the percentage was 70.56 percent (previous year: 77.42 percent).

The US dollar liabilities of Henkel of America, Inc., Wilmington, USA, are set off against sureties of Henkel US LLC, Wilmington, USA. Liabilities to banks set off against deposits amounted to 1,400 million euros. See also the explanatory notes on discretionary judgments on page 116.

(18) Other financial liabilities

Analysis

	December 31, 2011			December 31, 2012		
in million euros	Non-current	Current	Total	Non-current	Current	Total
Liabilities to non-consolidated affiliated companies and associated companies	–	8	8	–	15	15
Liabilities to customers	–	33	33	–	47	47
Derivative financial instruments	50	25	75	14	38	52
Sundry financial liabilities	4	18	22	2	11	13
Total	**54**	**84**	**138**	**16**	**111**	**127**

Of the liabilities to non-consolidated affiliated companies and associated companies, 7 million euros relate to non-consolidated affiliated companies and 8 million euros relate to associated companies. Sundry financial liabilities include payments owed to the Pensionssicherungsverein (German pension protection fund) amounting to 9 million euros (previous year: 9 million euros).

(19) Other liabilities

Analysis

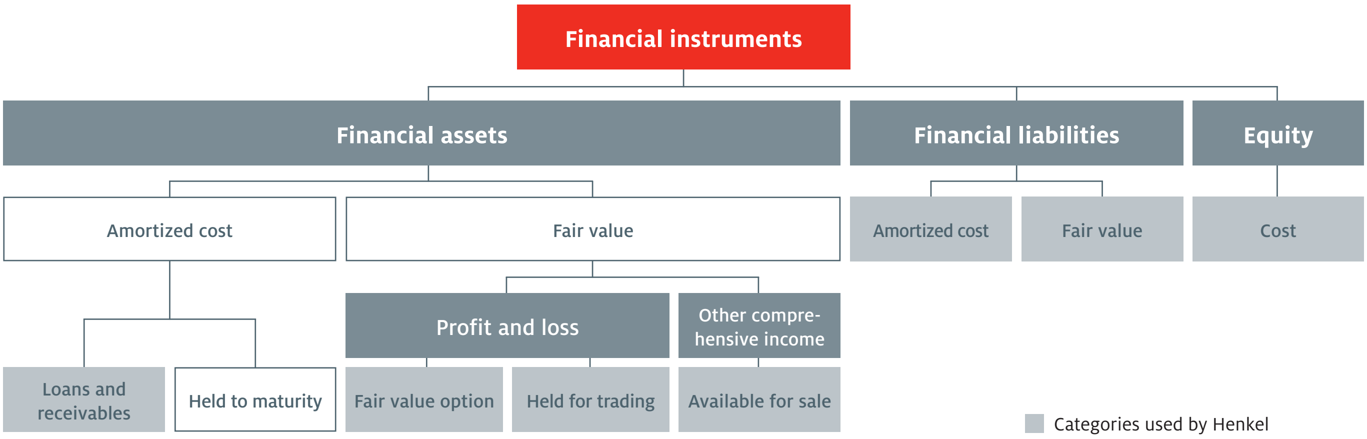
	December 31, 2011			December 31, 2012		
in million euros	Non-current	Current	Total	Non-current	Current	Total
Other tax liabilities	–	81	81	–	90	90
Liabilities to employees	4	18	22	2	14	16
Liabilities relating to employees' deductions	–	53	53	–	56	56
Liabilities in respect of social security	–	20	20	1	19	20
Sundry other liabilities	19	35	54	15	40	55
Total	**23**	**207**	**230**	**18**	**219**	**237**

The sundry other liabilities primarily comprise various accruals and deferrals amounting to 15 million euros (previous year: 15 million euros) and payments on account in the amount of 5 million euros (previous year: 4 million euros).

(20) Trade accounts payable

Trade accounts payable increased from 2,411 million euros to 2,647 million euros. In addition to purchase invoices, they also relate to accruals for invoices outstanding in respect of goods and services received. All such payables are due within one year.

(21) Financial instruments report



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 and other financial liabilities, and also 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 essentially measured at fair value. In the fair value option, for the first time in fiscal 2012 we are including fixed-interest bonds, which are recognized in other financial assets under securities and time deposits and for which we have concluded interest rate swaps in order to convert the fixed interest rate into a floating interest. Securities and time deposits as well as other investments which are not measured at equity, 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.” All other financial instruments including the financial assets categorized as “Loans and receivables” are recognized 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 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 the other investments are categorized as "Available for sale." The fair values of the securities and time deposits are based on quoted market prices. As the fair values of the financial investments not recognized at equity cannot be reliably determined, they are measured at amortized cost. The sale or disposal of these financial instruments is not currently intended.

The derivative financial instruments not included in a designated hedging relationship and therefore categorized as "Held for trading" are essentially 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 141 to 143.

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 hedge accounting are recognized in hedge accounting.

Carrying amounts and fair values of financial instruments

December 31, 2011 in million euros	Carrying amount December 31	Valuation according to IAS 39 Amortized cost	Fair value, through other comprehensive income	Fair value, through profit or loss	Fair value December 31
Assets					
Loans and receivables	**4,238**	4,238	–	–	**4,238**
Trade accounts receivable	**2,001**	2,001	–	–	**2,001**
Other financial assets (restated) [1]	**257**	257	–	–	**257**
Cash and cash equivalents	**1,980**	1,980	–	–	**1,980**
Fair value option	**–**	–	–	–	**–**
Other financial assets	**–**	–	–	–	**–**
Available for sale	**381**	19	362	–	**381**
Other financial assets	**381**	19	362	–	**381**
Held for trading	**8**	–	–	8	**8**
Derivative financial instruments not included in a designated hedging relationship	**8**	–	–	8	**8**
Derivative financial instruments included in a designated hedging relationship	**256**	–	–	256	**256**
Total	**4,883**	**4,257**	**362**	**264**	**4,883**
Liabilities					
Amortized cost	**6,387**	6,387	–	–	**6,316**
Trade accounts payable	**2,411**	2,411	–	–	**2,411**
Borrowings with no financial statement hedging relationship	**363**	363	–	–	**363**
Borrowings with a financial statement hedging relationship	**3,550**	3,550	–	–	**3,479**
Other financial liabilities	**63**	63	–	–	**63**
Held for trading	**24**	–	–	24	**24**
Derivative financial instruments not included in a designated hedging relationship	**24**	–	–	24	**24**
Derivative financial instruments included in a designated hedging relationship	**51**	–	51	–	**51**
Total	**6,462**	**6,387**	**51**	**24**	**6,391**

[1] Application of IAS 8 "Accounting policies, changes in accounting estimates and errors" (see notes on pages 116 and 117).

December 31, 2012 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	3,433	3,433	–	–	3,433
Trade accounts receivable	2,021	2,021	–	–	2,021
Other financial assets	174	174	–	–	174
Cash and cash equivalents	1,238	1,238	–	–	1,238
Fair value option	537	–	–	537	537
Other financial assets	537	–	–	537	537
Available for sale	1,726	18	1,708	–	1,726
Other financial assets	1,726	18	1,708	–	1,726
Held for trading	14	–	–	14	14
Derivative financial instruments not included in a designated hedging relationship	14	–	–	14	14
Derivative financial instruments included in a designated hedging relationship	244	–	–	244	244
Total	5,954	3,451	1,708	795	5,954
Liabilities					
Amortized cost	6,496	6,496	–	–	6,498
Trade accounts payable	2,647	2,647	–	–	2,647
Borrowings with no financial statement hedging relationship	241	241	–	–	241
Borrowings with a financial statement hedging relationship	3,533	3,533	–	–	3,535
Other financial liabilities	75	75	–	–	75
Held for trading	33	–	–	33	33
Derivative financial instruments not included in a designated hedging relationship	33	–	–	33	33
Derivative financial instruments included in a designated hedging relationship	19	–	19	–	19
Total	6,548	6,496	19	33	6,550

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 securities categorized within the Henkel Group as "Available for sale" or using the "Fair value option" and measured at fair value fall under fair value hierarchy level 1, while financial instruments "Held for trading" fall under fair value hierarchy level 2.

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

in million euros	2011	2012
Loans and receivables	66	55
Fair value option	–	3
Available for sale	9	11
Held for trading including derivatives in a designated hedging relationship	43	9
Financial liabilities measured at amortized cost	– 220	– 203
Total net results	– 102	– 125
Foreign exchange effects	– 59	– 6
Interest expense of pension provisions less expected return from plan assets and reimbursement rights	5	2
Other financial result (not related to financial instruments)	1	– 12
Financial result	– 155	– 141

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 30 million euros (previous year: 39 million euros) and income from payments on financial instruments already written off and derecognized amounting to 3 million euros (previous year: 2 million euros) were recognized in operating profit.

The net result of the securities and time deposits classified under the "Fair value option" includes interest income of 1 million euros (previous year: 0 million euros) and valuation gains of 2 million euros (previous year: 0 million euros).

The net result from securities and time deposits classified as "Available for sale" amounts to 10 million euros (previous year: 9 million euros) for interest income and 1 million euros (previous year: 0 million euros) for income from other investments. The measurement of these other instruments at fair value led to a gain of 3 million euros (previous year: loss of 2 million euros) which was recognized in the reserve for "Financial instruments available for sale" in other comprehensive income.

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 to fair value amounting to –46 million euros (previous year: 11 million euros), income in the amount of 4 million euros (previous year: –4 million euros) arising from the release of the valuation allowance made for counterparty credit risk. In addition, 51 million euros of interest income from interest rate derivatives and amounts recycled from cash flow hedges recognized in equity are also included under this heading (previous year: 36 million euros).

The net result from "Financial liabilities measured at amortized cost" is essentially derived from the interest expense for borrowings amounting to 215 million euros (previous year: 217 million euros). Also included are valuation gains of 17 million euros from borrowings in a fair value hedge relationship. In the previous year, the net loss for fair value hedges of 1 million euros was reported in the net result for financial instruments held for trading, including derivatives in a designated hedging relationship. Fees for procuring money and loans amounting to 5 million euros 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 –6 million euros (previous year: expense of –59 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. The fair value changes in these derivatives which, in economic terms, represent effective hedges within the framework of Group strategy, are recognized through profit or loss. 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

At December 31	Nominal value		Positive fair value [2]		Negative fair value [2]	
in million euros	2011	2012	2011	2012	2011	2012
Forward exchange contracts [1]	1,445	1,985	7	14	– 23	– 17
(of which: for hedging loans within the Group)	*(881)*	*(1,628)*	*(4)*	*(12)*	*(– 14)*	*(– 16)*
Interest rate swaps	4,537	4,734	256	244	– 51	– 35
(of which: designated as fair value hedge)	*(3,300)*	*(3,300)*	*(256)*	*(244)*	*(–)*	*(–)*
(of which: designated as cash flow hedge)	*(1,237)*	*(910)*	*(–)*	*(–)*	*(– 51)*	*(– 19)*
(of which: to hedge financial instruments in the fair value option)	–	*(524)*	–	*(–)*	–	*(– 16)*
Other interest rate hedging instruments	386	–	–	–	–	–
(of which: designated for hedge accounting)	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*
Commodity futures [1]	39	1	1	–	– 1	–
(of which: designated for hedge accounting)	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*
Total derivative financial instruments	**6,407**	**6,720**	**264**	**258**	**– 75**	**– 52**

[1] Maturity less than 1 year.
[2] Fair values including accrued interest and a valuation allowance for counterparty credit risk of 1 million euros (previous year: 5 million euros).

For forward exchange contracts, the fair value is determined 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. Interest rate hedging instruments are measured on the basis of discounted cash flows expected in the future, taking into account market interest rates applicable for the remaining term of the contracts. These are indicated for the two most important currencies in the following table. It shows the interest rates quoted on the interbank market in each case on December 31.

Interest rates in percent p. a.

At December 31	EUR		USD	
Term	2011	2012	2011	2012
1 month	1.02	**0.07**	0.40	**0.23**
3 months	1.36	**0.18**	0.69	**0.42**
6 months	1.84	**0.25**	0.76	**0.48**
1 year	1.95	**0.48**	1.23	**0.88**
2 years	1.29	**0.38**	0.75	**0.39**
5 years	1.73	**0.77**	1.27	**0.85**
10 years	2.42	**1.60**	2.10	**1.82**

Due to the complexities involved, financial derivatives entered into as hedges of commodity price risks are primarily measured on the basis of simulation models, which are derived from market quotations. Regular plausibility checks are performed in order to safeguard valuation correctness.

In measuring derivative financial instruments, counterparty credit risk is taken into account with a lump-sum adjustment to the fair values concerned, determined on the basis of credit risk premiums. The adjustment relating to fiscal 2012 amounts to 1 million euros (previous year: 5 million euros). The release was recognized in profit and 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.

Interest rate hedges serve to manage the interest rate risks arising from the fixed-interest bonds issued by Henkel AG & Co. KGaA and the floating-interest bank liabilities of Henkel of America, Inc. See also the following explanations relating to fair value hedges and cash flow hedges and to the interest rate risk in the Henkel Group. In addition, interest rate derivatives are entered into to hedge the fair value of the fixed-interest securities classified in the “Fair value option.”

To a small extent, commodity derivatives are used to hedge uncertainties in future commodity price developments. See also the explanations relating to other price risks on page 148.

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 are used to hedge the fair value risk of the fixed-interest bonds issued by Henkel AG & Co. KGaA. The fair value of these interest rate swaps is 180 million euros (previous year: 199 million euros) excluding accrued interest. The changes in fair value of the receiver interest rate swaps arising from market interest rate risks amounted to –19 million euros (previous year: 14 million euros). The corresponding changes in fair value of the hedged bonds amounted to 17 million euros (previous year: –15 million euros). In determining the fair value change in the bonds (see also Note 17 on page 136), only that portion is taken into account that relates to the interest rate risk.

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

in million euros	2011	2012
Gains (+) / losses (–) from hedged items	– 15	**17**
Gains (+) / losses (–) from hedging instruments	14	**– 19**
Net	– 1	**– 2**

Cash flow hedges: A cash flow hedge hedges fluctuations in future cash flows from recognized assets and liabilities (in the case of interest rate risks), and also transactions that are either planned or highly probable, or firmly contracted unrecognized financial commitments, from which a currency risk arises. The effective portion of a cash flow hedge is recognized in the hedge reserve in equity. Ineffective portions arising from the change in value of the hedging instrument are recognized through profit or loss in the financial result. The gains and losses associated with the hedging measures initially remain in equity and are subsequently recognized through profit or loss in the period in which the hedged transaction influences the results for that period. If the hedging of a contracted item subsequently results in the recognition of a non-financial asset, the gains and losses recognized in equity are usually assigned to the asset on its addition (basis adjustment).

Cash flow hedges
(after tax)

in million euros	Initial balance	Addition (recognized in equity)	Disposal (recognized through profit or loss)	End balance
2012	–347	103	10	–234
2011	–351	4	–	–347

The initial value of the cash flow hedges recognized in equity reflects firstly the fair values of the payer interest swaps used to hedge the cash flow risks arising from the floating interest US dollar liabilities at Henkel of America, Inc., and secondly it relates to forward exchange contracts for acquisitions in prior years.

Of the addition in the amount of 103 million euros, 94 million euros is related to the release of provisions associated with the acquisition of the National Starch businesses. The remaining increase of 9 million euros after taxes on income relates to the interest rate hedge of the US dollar liabilities of Henkel of America, Inc. The partial repayment of the US dollar liabilities in the reporting year and the amortization of the amounts recognized in equity resulted in a disposal of 10 million euros after tax (15 million euros before tax). The fair value of the interest rate swaps for the US dollar liabilities of Henkel of America, Inc. amounted to –18 million euros (previous year: –50 million euros) excluding accrued interest. 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. The cash flows arising from hedging the floating interest rate of the US dollar liabilities of Henkel of America, Inc. are expected in the period from 2013 to 2014 and will be recognized through profit or loss in the periods concerned as interest expense. In the reporting year, the hedging relationship for a portion of the US dollar liabilities was ended. The hedged cash flows relating to acquisitions of previous years will only be recognized in operating profit with disposal or in the event of an impairment loss on the goodwill attributable to the acquisition of these businesses.

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 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 in the amount of 34 million euros is related to the release of provisions associated with the acquisition of the National Starch businesses. As in the previous year, no hedges of a net investment in a foreign entity were entered into in the past fiscal year. No amounts were transferred in the course of the year from equity to profit or loss.

Hedges of a net investment in a foreign entity
(after tax)

in million euros	Initial balance	Addition (recognized in equity)	Disposal (recognized through profit or loss)	End balance
2012	69	–34	–	35
2011	69	–	–	69

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 Corporate Treasury. They describe the fields of responsibility and establish the distribution of these responsibilities between the Corporate Treasury department and Henkel's subsidiaries. The Management Board is regularly and comprehensively informed of all major risks and of all relevant hedging transactions and arrangements. The objectives and fundamental principles adopted in capital management are described in the Management Report on pages 66 and 67.

There were no major risk clusters in the year under review.

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 at equity), as indicated in the following table:

Maximum risk position

in million euros	2011 restated [1]	2012
Trade accounts receivable	2,001	2,021
Derivative financial instruments not included in a designated hedging relationship	8	14
Derivative financial instruments included in a designated hedging relationship	256	244
Other financial assets	638	2,437
Cash and cash equivalents	1,980	1,238
Total carrying values	**4,883**	**5,954**

[1] Application of IAS 8 “Accounting policies, changes in accounting estimates and errors” (see notes on pages 116 and 117).

In its operating business, Henkel is confronted by progressive concentration and consolidation on the customer side, 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. Our key customer relationships are also monitored 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 euro zone.

Collateral received and other safeguards include country-specific and customer-specific protection afforded by credit insurance, confirmed and unconfirmed letters of credit in export business, as well as warranties, guarantees and cover notes.

Valuation allowances are made in respect of financial assets so that those 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, global valuation allowances are made on the basis of empirical evidence, taking into account the overdue structure. Financial assets that are more than 180 days overdue are, following the impairment test, generally written off.

In all, we recognized valuation allowances on loans and receivables in 2012 in the amount of 30 million euros (previous year: 39 million euros).

The carrying amount for loans and receivables, the term of which was renegotiated because they would have otherwise fallen overdue or been impaired, was 1 million euros (previous year: 1 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

Analysis

in million euros	Less than 30 days	30 to 60 days	61 to 90 days	>91 days	Total
At December 31, 2012	151	46	14	4	215
At December 31, 2011	130	35	14	2	181

Credit risks also arise from monetary investments such as cash at bank, 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, netting arrangements to offset bilateral receivables and obligations are agreed with counterparties and investment limits are set. These limits are based on the credit ratings of the counterparties and are regularly monitored and adjusted. Besides relevant ratings, certain other indicators, such as the pricing of credit default swaps (CDS) by banks, are applied in determining the limits. We additionally enter into collateral agreements with selected banks, on the basis of which reciprocal sureties are established to secure the fair values of contracted derivatives and other claims and obligations. Effective December 31, 2012, the balance of collateral received from banks and paid to banks amounted to 37 million euros (previous year: 70 million euros). A valuation allowance of 1 million euros exists to cover the remaining credit risk from the positive fair values of derivatives (previous year: 5 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 long-term financing instruments in the form of issued bonds. 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 the Henkel Group 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 to ensure its liquidity and financial flexibility at all times. These credit lines have terms until to 2015 and 2017. The individual subsidiaries of the Henkel Group 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 IFRS 7 based on cash flows is shown in the following table.

Cash flows from financial liabilities

in million euros	December 31, 2011 Carrying amounts	Remaining term: Up to 1 year	Remaining term: Between 1 and 5 years	Remaining term: More than 5 years	December 31, 2011 Total cash flow
Bonds [1]	3,670	284	3,644	–	3,928
Commercial papers [2]	29	29	–	–	29
Liabilities to banks	209	201	12	2	215
Trade accounts payable	2,411	2,411	–	–	2,411
Sundry financial instruments [3]	68	61	4	3	68
Original financial instruments	6,387	2,986	3,660	5	6,651
Derivative financial instruments	75	45	30	–	75
Total	6,462	3,031	3,690	5	6,726

[1] The cash flows from the hybrid bond issued in 2005 are disclosed for the period until the first possible redemption date by Henkel on November 25, 2015.
[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 from customers and finance bills.

Cash flows from financial liabilities

in million euros	December 31, 2012 Carrying amounts	Remaining term Up to 1 year	Between 1 and 5 years	More than 5 years	December 31, 2012 Total cash flow
Bonds [1]	3,624	1,250	2,486	–	3,736
Commercial papers [2]	–	–	–	–	–
Liabilities to banks	146	147	–	–	147
Trade accounts payable	2,647	2,647	–	–	2,647
Sundry financial instruments [3]	79	74	2	3	79
Original financial instruments	6,496	4,118	2,488	3	6,609
Derivative financial instruments	52	38	15	–	53
Total	6,548	4,156	2,503	3	6,662

[1] The cash flows from the hybrid bond issued in 2005 are disclosed for the period until the first possible redemption date by Henkel on November 25, 2015.
[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 from 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 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. Sensitivity analyses are used 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 that, based on a specified probability level, will not be exceeded.

Currency risk

The global nature of our business activities results in a huge number of cash flows in different currencies. The resultant currency risk 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. To avoid complexity, we do not apply hedge accounting for the derivatives employed. The derivatives are designated as “Held for trading” and are recognized at fair value through profit or loss. The currency risk that exists within the Group in the form of transaction risk therefore has a direct effect on income rather than being recognized in equity.

The value-at-risk pertaining to the transaction risk of the Henkel Group as of December 31, 2012 amounted to 21 million euros after hedging (previous year: 16 million euros). The value-at-risk shows the maximum expected risk of loss in a month as a result of currency fluctuations. 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. In addition to the US dollar, the main influence on currency risk is exerted by the Russian ruble, the Mexican peso, the Ukrainian hryvnia and the Argentine peso. The value-at-risk analysis assumes a time horizon of one month and a unilateral confidence interval of 95 percent. The calculation is based on the variance-covariance approach. 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 value 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 bonds issued to secure Group liquidity, the securities and term deposits used for cash investments, and the other financial instruments. The financial instruments and interest rate derivatives 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 bonds issued by Henkel has been converted from fixed to floating with the aid of interest rate swaps. 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. As a result, the net interest position primarily comprises a structured mix of fixed US dollar and floating euro interest rates.

Our exposure to interest rate risk at the reporting dates was as follows:

Interest rate exposure

in million euros	Carrying amounts 2011	2012
Fixed-interest financial instruments		
Euro	–	–
US dollar	1,237	910
Others	–	–
	1,237	910
Floating-interest financial instruments		
Euro	170	– 260
US dollar	212	42
Chinese yuan	– 107	– 228
Russian ruble	– 109	– 129
Others	– 88	– 250
	78	– 825

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. The analysis of fair value risk assumes a parallel shift in the interest curve of 100 basis points, with the hypothetical loss or gain of the relevant interest rate derivatives at the reporting date being calculated accordingly. The fixed-interest financial instruments exposed to fair value risk are essentially the fixed-interest rate bank liabilities denominated in US dollars.

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 table below.

Interest rate risk

in million euros	2011	2012
Based on an interest rate change of 100 basis points	27	– 2
of which:		
Cash flow through profit and loss	5	– 8
Fair value recognized in equity through comprehensive income	22	6

Other price risks (commodity price risk)

Uncertainty with respect to raw material price development impacts the Group. Purchase prices for raw materials can affect the net assets, financial position and results of operations of the corporation. 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 report on pages 92 and 98.

As a small part of the risk management strategy, cash-settled commodity futures are 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 is therefore 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.

The influence of negative commodity price developments on the valuation of the derivatives employed is immaterial to the financial position of the Henkel Group due to the low volume of derivatives used. In the event of a change in commodity prices of 10 percent, the resultant loss from the derivatives would be less than 1 million euros.

Notes to the consolidated statement of income

(22) Sale proceeds and principles of income recognition

Sales increased from 15,605 million euros to 16,510 million euros. Revenues and their development by business sector and region are summarized in the Group segment report and in the key financials by region on pages 109 and 110. A detailed explanation of the development of major income and expense items can be found in the management report on pages 58 to 62.

Sales comprise sales of goods and services less 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 when risks and rewards are transferred. 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 in respect of 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 shareholder's right to receive payment is legally established.

(23) Cost of sales

The cost of sales rose from 8,538 million euros to 8,778 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 4,302 million euros (previous year: 4,132 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 as well as valuation allowances and impairment on trademarks and other rights.

(25) Research and development expenses

Research and development expenses remained at the previous year's level of 408 million euros.

Research expenditures may not be recognized as an asset. 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 IAS 38 "Intangible Assets" for recognizing development expenditures are not all being met, due to a high level of interdependence within the development projects and the difficulty of assessing which products will eventually be marketable.

(26) Administrative expenses

Administrative expenses amounted to 785 million euros (previous year: 785 million euros).

Administrative expenses include personnel and non-personnel costs of Group management and costs relating to the Human Resources, Purchasing, Accounting and IT departments.

(27) Other operating income

Other operating income

in million euros	2011	2012
Release of provisions[1]	37	29
Gains on disposal of non-current assets	15	19
Insurance claim payouts	7	6
Write-ups of non-current assets	1	1
Payments on derecognized receivables	2	3
Profits on sale of businesses	62	2
Sundry operating income	85	49
Total	**209**	**109**

[1] Including income from the release of provisions for pension obligations (curtailment gains) of 15 million euros (previous year: 3 million euros).

Sundry operating income relates to a number of individual items arising from ordinary operating activities, such as grants and subsidies, bonus credits and similar income.

(28) Other operating charges

Other operating charges

in million euros	2011 restated[1]	2012
Fine from antitrust proceedings in France	92	–
Losses on disposal of non-current assets	9	8
Contractual termination severance payments	1	13
Impairment on assets held for sale	2	–
Impairment on other assets	5	–
Sundry operating expenses	75	126
Total	184	147

[1] Application of IAS 8 "Accounting policies, changes in accounting estimates and errors" (see notes on pages 116 to 117).

Sundry operating expenses relate to a number of individual items arising from ordinary operating activities, such as fees, sundry taxes, provisions for litigation, transfer risks from countries with weak currencies, third party claims and similar expenses. The contractual termination severance payments were incurred as a result of terminating a disadvantageous distribution agreement.

(29) Financial result

Financial result

in million euros	2011	2012
Investment result	–	1
Interest result	– 155	– 142
Total	– 155	– 141

Investment result

in million euros	2011	2012
Income from other investments	–	–
Other	–	1
Total	–	1

Interest result

in million euros	2011	2012
Interest and similar income from third parties[1]	34	32
Expected return on plan assets less interest expense for pension provisions[2]	1	–
Expected return on reimbursement rights (IAS 19)	4	4
Other financial income	6	14
Total interest income	45	50
Interest to third parties[1]	– 145	– 129
Other financial charges	– 55	– 61
Interest expense for pension provisions less expected return on plan assets[2]	–	– 2
Total interest expense	– 200	– 192
Total	– 155	– 142

[1] Including interest income and interest expense, both in the amount of 35 million euros (previous year: 41 million euros), in respect of mutually offset deposits and liabilities to banks, reported on a net basis.
[2] Interest expense: 181 million euros; expected interest income: 179 million euros (previous year: Interest expense: 179 million euros; expected interest income: 180 million euros).

Please see page 140 of the section "Financial instruments report" for information on the net results of the valuation categories under IFRS 7 and the reconciliation to financial result.

(30) Taxes on income

Income tax expense/income breaks down as follows:

Income before taxes on income and analysis of taxes

in million euros	2011 restated[1]	2012
Income before tax	1,610	2,058
Current taxes	384	532
Deferred taxes	35	– 30
Taxes on income	419	502
Tax rate in percent	*26.0 %*	*24.4 %*

[1] Application of IAS 8 "Accounting policies, changes in accounting estimates and errors" (see notes on pages 116 to 117).

Main components of tax expense and income

in million euros	2011	2012
Current tax expense/income in the reporting year	455	534
Current tax adjustments for prior years	– 71	– 2
Deferred tax expense/income from temporary differences	14	– 50
Deferred tax expense from unused tax losses	22	24
Deferred tax expense from tax credits	2	1
Deferred tax expense/income from changes in tax rates	– 5	– 3
Increase/decrease in valuation allowances on deferred tax assets	2	– 2

Deferred tax expense by items on the statement of financial position

in million euros	2011	2012
Intangible assets	8	– 52
Property, plant and equipment	3	3
Financial assets	– 1	5
Inventories	2	3
Other receivables and other assets	– 34	– 8
Special tax item	– 3	– 3
Provisions	– 10	– 26
Liabilities	44	25
Tax credits	2	1
Unused tax losses	22	24
Valuation allowances	2	– 2
Financial statement figures	35	– 30

The individual company reports – prepared on the basis of the tax rates applicable in each country and taking into account consolidation procedures – have been summarized 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

in million euros	2011 restated[1]	2012
Income before taxes on income	1,610	2,058
Tax rate (including trade tax) of Henkel AG & Co. KGaA	31 %	31 %
Expected tax charge	499	638
Tax reductions due to differing tax rates abroad	– 64	– 77
Tax increases/reductions for prior years	– 61	8
Tax increases/reductions due to changes in tax rates	– 5	– 3
Tax increases/reductions due to the recognition of deferred tax assets relating to unused tax losses and temporary differences	2	– 2
Tax reductions due to tax-free income and other items	– 49	– 159
Tax increases/reductions arising from additions and shortfalls for local taxes	18	18
Tax increases due to withholding taxes	20	27
Tax increases due to non-deductible expenses	59	52
Tax charge disclosed	419	502
Tax rate	26.0 %	24.4 %

[1] Application of IAS 8 "Accounting policies, changes in accounting estimates and errors" (see notes on pages 116 to 117).

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 tax 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

	Deferred tax assets		Deferred tax liabilities	
in million euros	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012
Intangible assets	99	162	674	669
Property, plant and equipment	19	18	87	90
Financial assets	2	6	7	14
Inventories	39	36	5	6
Other receivables and other assets	63	59	108	97
Special tax item	–	–	46	43
Provisions	522	679	8	10
Liabilities	144	109	12	17
Tax credits	9	8	–	–
Unused tax losses	52	27	–	–
Amounts netted	– 466	– 497	– 466	– 497
Valuation allowances	– 18	– 15	–	–
Financial statement figures	465	592	481	449

The deferred tax assets of 679 million euros (previous year: 522 million euros) relating to provisions in the financial statement result primarily from recognition and measurement differences with respect to pensions. The deferred tax liabilities of 669 million euros (previous year: 674 million euros) relating to intangible assets are mainly attributable to business combinations such as the acquisition of the National Starch businesses in 2008.

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 carryforwards can be used. Deferred taxes have not been recognized with respect to unused tax losses of 52 million euros (previous year: 58 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, 2 million euros lapse within one year, 1 million euros within two years, 24 million euros after three years or more with 25 million euros non-expiring.

Deferred tax liabilities of 5 million euros relating to the retained earnings of foreign subsidiaries have been recognized due to the fact that these earnings are distributed in 2013.

The table below summarizes the expiry dates of unused tax losses and tax credits. This table includes unused tax losses arising from the disposal of assets of 11 million euros (previous year: 12 million euros) which may be carried forward without restriction.

In many countries, different tax rates apply to losses on the disposal of assets and 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 lapsing beyond three years, 104 million euros (previous year: 202 million euros) relate to loss carryforwards of US subsidiaries in respect of state taxes (tax rate about 5 percent).

Equity-increasing deferred taxes of 124 million euros were recognized (previous year: equity-increasing amount of 91 million euros). Within this figure, 135 million euros is a net actuarial gain on pension obligations, this being offset by –11 million euros in gains and losses from cash flow hedges.

Expiry dates of unused tax losses and tax credits

	Unused tax losses		Tax credits	
in million euros	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012
Lapse within				
1 year	9	4	–	–
2 years	5	3	–	–
3 years	14	–	–	–
more than 3 years	254	140	9	8
May be carried forward without restriction	104	61	–	–
Total	**386**	**208**	**9**	**8**

(31) Non-controlling interests

The amount shown here represents the proportion of net income and losses attributable to other shareholders of affiliated companies.

Their share of net income was 47 million euros (previous year: 33 million euros) and that of losses 1 million euros (previous year: 3 million euros).

Other disclosures

(32) Payroll cost and employee structure

Payroll cost[1]

in million euros	2011	2012
Wages and salaries	2,052	2,139
Social security contributions and staff welfare costs	336	356
Pension costs	134	148
Total	2,522	2,643

[1] Excluding personnel-related restructuring charges of 92 million euros (previous year: 140 million euros).

Annual average headcount excluding apprentices and trainees, work experience students and interns, based on quarterly figures:

Number of employees per function

	2011	2012
Production and engineering	23,568	23,172
Marketing, selling and distribution	14,941	14,684
Research and development	2,654	2,657
Administration	6,590	6,273
Total	47,753	46,786

(33) Share-based payment plans

Stock incentive plan from the years 2000 to 2004

The objective of the Henkel Stock Incentive Plan introduced in the year 2000 was to provide additional motivation for about 700 senior executive personnel around the world. Participants in the plan were granted option rights to subscribe for Henkel preferred shares, which could be exercised for the first time after a vesting period of three years. The rights had to be exercised within a period not exceeding five years after completion of the vesting period. Under the plan, rights were issued annually on a revolving basis, the relevant terms being revised each year by the Management Board and Shareholders' Committee. In 2004, options were issued for the last time, in this case to the members of the Management Board.

The table shows the number of option rights and shares in the fifth tranche. The vesting period has now expired for all the tranches. Fiscal 2012 was the last opportunity to exercise options from the fifth tranche. 21 shares per option could be acquired by beneficiaries: 15 shares based on absolute performance and six shares based on relative performance. The option rights for the fifth tranche lapsed on May 15, 2012 as per the prescribed deadline. In 2007 for the fifth tranche, the Management Board decided to avail itself of the right to pay in cash the gain arising on the exercise of the options to the employees participating in the plan. The fifth tranche was treated as if it had been paid in shares. The last payments at the expense of equity were made in 2012.

Option rights / Subscribable preferred shares

in number of shares/options	5th tranche
At January 1, 2012	4,552
expressed in preferred shares	*95,600*
Options granted	–
expressed in preferred shares	–
Options exercised[1]	4,552
expressed in preferred shares	*95,600*
Options forfeited	–
expressed in preferred shares	–
Lapsed options	–
expressed in preferred shares	–
At December 31, 2012	–
expressed in preferred shares	–

[1] Average price at exercise date: 51.24 euros.

Global Cash Performance Units Plan (CPU Plan)

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. The CPUs are granted on condition that the member of the Plan is 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 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 two subsequent calendar years.

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 periods to date, these targets have been 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.

The total value of CPUs granted to senior management personnel is remeasured at each year-end and treated as a payroll cost over the period in which the plan member provides their services to Henkel. The sixth tranche, which was issued in 2009, became due for payment in July 2012. Worldwide, at December 31, 2012, the CPU Plan comprised 473,572 CPUs (previous year: 551,718 CPUs) issued in the seventh tranche in 2010 (expense: 9.9 million euros), 411,736 CPUs (previous year: 456,754 CPUs) from the eighth tranche issued in 2011 (expense: 8.6 million euros) and 492,938 CPUs from the ninth tranche issued in the reporting year (expense: 10.3 million euros). This resulted in additional expense in the reporting year of 28.8 million euros (previous year: 20.9 million euros). The corresponding provision amounted to 57.2 million euros (previous year: 41.0 million euros).

Cash Performance Units Program

Effective fiscal 2010, the compensation system for members of the Management Board changed. From 2010, they receive as a long-term incentive (LTI) a variable cash payment related to the corporation's long-term financial performance as measured by the future increase in earnings per share (EPS) over a period of three years (performance period) (for details, please refer to the remuneration report on pages 33 to 41).

In fiscal 2005 to 2009, the members of the Management Board received an LTI in the form of a cash payment based on preferred share performance. Each member of the Management Board was allocated, as a function of the absolute increase in the price of the Henkel preferred share and the increase in the earnings per Henkel preferred share (EPS) achieved over a period of three years (performance period), the cash equivalent of up to 10,800 Henkel preferred shares – so-called Cash Performance Units – per financial year (this being equivalent to a tranche). On expiry of the performance period, the number and the value of the Cash Performance Units (CPUs) due are determined and the resulting tranche income is paid in cash. Each member of the Management Board participating in a tranche was required to acquire a personal stake by investing in Henkel preferred shares to the value of 25 percent of the gross tranche payout, and to place these shares in a blocked custody account with a five-year drawing restriction.

In the event of an absolute rise in the share price during the performance period of at least 15 percent, 21 percent or 30 percent, each participant is allocated 1,800, 3,600 or 5,400 CPUs respectively. To calculate the increase in the share price, the average price in January of the year of issue of a tranche is compared with the average price in January of the third financial year following the year of issue (reference price). If, during the performance period, earnings per preferred share increase by at least 15 percent, 21 percent or 30 percent, each participant is allocated a further 1,800, 3,600 or 5,400 CPUs respectively. To calculate the increase in earnings per preferred share, the earnings per preferred share of the financial year prior to the year of issue are compared with the earnings per preferred share of the second financial year after the year of issue. The amounts included in the calculation of the increase are, in each case, the earnings per preferred share as disclosed in the certified and approved consolidated financial statements of the relevant financial years, adjusted for exceptional items.

The monetary value per CPU essentially corresponds to the reference price of the Henkel preferred share. An upper limit is imposed in the event of extraordinary share price increases.

The base price for the 2009 tranche was 21.78 euros. We based the measurement of the provision for the year of tranche issue on the achievement of mid-range targets; in the subsequent years, the pro rata provisions for the still live tranches issued in the previous years were adjusted on the basis of the latest figures. The provision for the still live tranche from this Program, which was discontinued as of 2009, was settled within the reporting year (previous year: 1.9 million euros).

(34) Group segment report

The format for reporting the activities of the Henkel Group by segment is by business sector; selected regional information is also provided. This classification corresponds to the way in which the Group manages its operating business, and the Group's reporting structure.

Business sectors

The activities of the Henkel Group are divided into the following reported operating segments: Laundry & Home Care, Beauty Care and Adhesive Technologies (Adhesives for Consumers, Craftsmen and Building, and Industrial Adhesives).

Laundry & Home Care

The Laundry & Home Care business sector is globally active in the laundry and home care Branded Consumer Goods business. The Laundry business includes not only heavy-duty and specialty detergents but also fabric softeners, laundry performance enhancers and laundry care products. Our Home Care product portfolio encompasses hand and automatic dishwashing products, cleaners for bathroom and WC applications, and household, glass and specialty cleaners. We also offer air fresheners and insecticides for household applications in selected regions.

Beauty Care

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

Adhesive Technologies (Adhesives for Consumers, Craftsmen and Building, and Industrial Adhesives)
The Adhesive Technologies business sector comprises five market- and customer-focused strategic business units.

In the Adhesives for Consumers, Craftsmen and Building business, we market a wide range of brandname products for private and professional users. 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.

Our Transport and Metal business serves major international customers in the automotive and metal-processing industries, offering tailored system solutions and specialized technical services that cover the entire value chain from steel strip coating to final vehicle assembly.

In the General Industry business, 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, as well as a wide range of sealants and system solutions for surface treatment applications, and specialty adhesives.

The Packaging, Consumer Goods and Construction Adhesives business serves major international customers as well as medium- and small-sized manufacturers of the consumer goods and furniture industry. Our economies of scale allow us to offer attractive solutions for standard and volume applications.

Our Electronics business offers customers from the worldwide electronics industry a technology-spanning portfolio of innovative high-technology adhesives and soldering materials for the manufacture of electrical systems and semiconductor units.

Principles of Group segment reporting
In determining the segment results and the assets and liabilities, essentially the same principles of recognition and measurement are applied as in the consolidated financial statements. Net operating assets in foreign currencies have been valued 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, 25 million euros is attributable to the business sector Laundry & Home Care, 32 million euros is attributable to Beauty Care and 55 million euros is attributable to Adhesive Technologies.

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 sectors.

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, sales are allocated to countries on the basis of the country-of-origin principle; non-current assets are allocated in accordance with the domicile of the international company to which they pertain.

Reconciliation between net operating assets / capital employed and financial statement figures

in million euros	Net operating assets		Financial statement figures	Net operating assets		Financial statement figures
	Annual average[1] 2011 restated[4]	December 31, 2011 restated[4]	December 31, 2011 restated[4]	Annual average[1] 2012	December 31, 2012	December 31, 2012
Goodwill at book value	6,361	6,713	6,713	6,774	6,661	**6,661**
Other intangible assets and property, plant and equipment (total)	4,192	4,319	4,319	4,377	4,298	**4,298**
Deferred taxes	–	–	465	–	–	**592**
Inventories	1,588	1,550	1,550	1,619	1,478	**1,478**
Trade accounts receivable from third parties	2,110	2,001	2,001	2,238	2,021	**2,021**
Intra-group accounts receivable	799	911	–	712	709	**–**
Other assets and tax refund claims[2]	367	339	1,408	370	304	**3,199**
Cash and cash equivalents			1,980			**1,238**
Assets held for sale			51			**38**
Operating assets (gross) / Total assets	**15,417**	**15,834**	**18,487**	**16,090**	**15,471**	**19,525**
– Operating liabilities	4,625	4,687	–	4,826	5,007	**–**
of which: trade accounts payable to third parties	2,460	2,411	2,411	2,661	2,647	**2,647**
intra-group accounts payable	799	911	–	712	709	**–**
other provisions and other liabilities[2] (financial and non-financial)	1,366	1,365	1,595	1,453	1,651	**1,893**
Net operating assets	10,791	11,147	–	11,265	10,464	**–**
– Goodwill at book value	6,361	–	–	6,774	–	**–**
+ Goodwill at cost[3]	6,770	–	–	7,260	–	**–**
Capital employed	11,200	–	–	11,751	–	**–**

[1] The annual average is calculated on the basis of the twelve monthly figures.
[2] Only amounts relating to operating activities are taken into account in calculating net operating assets.
[3] Before deduction of accumulated impairment pursuant to IFRS 3.79 (b).
[4] Application of IAS 8 "Accounting policies, changes in accounting estimates and errors" (see notes on pages 116 and 117).

(35) Earnings per share

Earnings per share

in million euros (rounded)	2011 restated[5]	2012
Net income attributable to shareholders of Henkel AG & Co. KGaA	**1,161**	**1,510**
Dividends, ordinary shares	203	**242**
Dividends, preferred shares	139	**166**
Total dividends	342	**408**
Retained earnings per ordinary share	490	**659**
Retained earnings per preferred share	329	**443**
Retained earnings	**819**	**1,102**
Number of ordinary shares	259,795,875	**259,795,875**
Dividend per ordinary share in euros	0.78	**0.93[4]**
of which preliminary dividend per ordinary share in euros[1]	*0.02*	***0.02***
Retained earnings per ordinary share in euros	1.89	**2.54**
EPS per ordinary share in euros	**2.67**	**3.47**
Number of outstanding preferred shares[2]	174,309,407	**174,460,902**
Dividend per preferred share in euros	0.80	**0.95[4]**
of which preferred dividend per preferred share in euros[1]	*0.04*	***0.04***
Retained earnings per preferred share in euros	1.89	**2.54**
EPS per preferred share in euros	**2.69**	**3.49**
Number of ordinary shares	259,795,875	**259,795,875**
Dividend per ordinary share in euros	0.78	**0.93[4]**
of which preliminary dividend per ordinary share in euros[1]	*0.02*	***0.02***
Retained earnings per ordinary share in euros (after dilution)	1.88	**2.54**
Diluted EPS per ordinary share in euros	**2.66**	**3.47**
Number of potential outstanding preferred shares[3]	174,467,626	**174,473,723**
Dividend per preferred share in euros	0.80	**0.95[4]**
of which preferred dividend per preferred share in euros[1]	*0.04*	***0.04***
Retained earnings per preferred share in euros after dilution	1.88	**2.54**
Diluted EPS per preferred share in euros	**2.68**	**3.49**

[1] See Group management report, Corporate governance, Division of capital stock, Shareholder rights on page 26.
[2] Weighted annual average of preferred shares (Henkel buy-back program).
[3] Weighted annual average of preferred shares adjusted for the potential number of shares arising from the Stock Incentive Plan.
[4] Proposal to shareholders for the Annual General Meeting on April 15, 2013.
[5] Application of IAS 8 “Accounting policies, changes in accounting estimates and errors” (see notes on pages 116 and 117).

(36) Consolidated statement of cash flows

The statement of cash flows is prepared in accordance with IAS 7 “Statements of Cash Flows.” It describes the flow of cash and cash equivalents by origin and usage of liquid funds. It distinguishes between changes in funds arising from operating activities, investing activities, and financing activities. Financial funds include cash on hand, checks and credits 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. As in the previous year, Henkel’s financial funds match the cash and cash equivalents figure disclosed in the consolidated statement of financial position. 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. Payments made for income taxes are disclosed under operating cash flow.

Cash flows from investment 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 at equity and joint ventures. Also recognized here are inflows of funds from the sale of intangible assets and property, plant and equipment, subsidiaries and other business units. In the reporting period, cash flows from investment activities mainly involved outflows for investments in intangible assets and property, plant and equipment in the amount of –422 million euros (previous year: –393 million euros) and outflows for the acquisition of subsidiaries and other business units in the amount of –113 million euros (previous year: –4 million euros). These relate to the acquisitions described in the section "Acquisitions and divestments" on pages 111 to 112.

Cash flows from financing activities take into account 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 takes into account a number of cash inflows and outflows, particularly arising from the assumption and amortization of current liabilities to banks. Other financial transactions include payments for the purchase of securities and time deposits in the amount of –1,849 million euros (previous year: 10 million euros).

Free cash flow shows how much cash is actually available for acquisitions and dividends, reducing debt and/or contributions to pension funds.

(37) Contingent liabilities

Analysis

in million euros	December 31, 2011	December 31, 2012
Liabilities under guarantee and warranty agreements	8	5

(38) 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 obligations under operating lease agreements are shown at the total amounts payable up to the earliest date of termination. The amounts shown are the nominal values. At December 31, 2012, they were due for payment as follows:

Operating lease commitments

in million euros	December 31, 2011	December 31, 2012
Due in the following year	59	71
Due within 1 to 5 years	118	127
Due after 5 years	35	33
Total	212	231

In the course of the 2012 financial year, 66 million euros became due for payment under operating leases (previous year: 67 million euros).

As of the end of 2012, commitments arising from orders for property, plant and equipment amounted to 39 million euros (previous year: 52 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, 2012 amounted to 0 million euros (previous year: 7 million euros).

(39) 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 the control or a material influence by Henkel AG & Co. KGaA or its subsidiaries. These include, in particular, the members of the Henkel share-pooling agreement, non-consolidated entities in which Henkel holds a participating interest, associated businesses and also the members of the management bodies of Henkel AG & Co. KGaA whose remunerations are indicated in the remuneration report section of the management report on pages 33 to 41. 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]:

The company has been notified that the share of voting rights of the parties to the Henkel family share-pooling agreement at December 13, 2012 represented a total of 53.65 percent of the voting rights (139,380,672 votes) in Henkel AG & Co. KGaA and is held by

- 115 members of the families of the descendants of Fritz Henkel, the company's founder,
- four foundations set up by members of those families,
- five private limited companies set up by members of those families, ten 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 (agreement restricting the transfer of shares) pursuant to Section 22 (2) of the German Securities Trading Act [WpHG], whereby the shares held by the five private limited companies, the ten limited partnerships with a limited company as general partner and the one limited partnership representing a total of 14.57 percent (37,855,789 voting rights) are attributed (pursuant to Section 22 (1) no. 1 WpHG) to the family members who control those companies.

Dr. Christoph Henkel, Great Britain, has exceeded the 5 percent threshold of voting rights in Henkel AG & Co. KGaA with 13,661,234 voting ordinary shares in Henkel AG & Co. KGaA, representing a rounded percentage of 5.26 percent. Even after adding voting rights expressly granted under the terms of usufruct agreements, no other party to the share-pooling agreement has a notification obligation triggered by their reaching or exceeding the threshold of 3 percent or more of the total voting rights in Henkel AG & Co. KGaA.

The authorized representative of the parties to the Henkel share-pooling agreement is Dr. Simone Bagel-Trah, Düsseldorf.

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 125). The receivable does not bear interest.

Henkel AG & Co. KGaA has assumed the charges (75,000 euros) for extending the rights to the resting place of company founder Fritz Henkel by 30 years.

(40) Exercise of exemption options

The following German companies included in the consolidated financial statements of Henkel AG & Co. KGaA exercised exemption options in fiscal 2012:

- Elch GmbH, Leverkusen (Section 264 (3) German Commercial Code [HGB])
- Schwarzkopf Henkel Production Europe GmbH & Co. KG, Düsseldorf (Section 264b German Commercial Code [HGB])
- Henkel Loctite-KID GmbH, Hagen (Section 264 (3) German Commercial Code [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.

(41) Remuneration of the corporate management

The total remuneration of the members of the Supervisory Board and of the Shareholders' Committee of Henkel AG & Co. KGaA amounted to 1,580,000 euros plus value-added tax (previous year: 1,515,500 euros) or 2,350,000 euros (previous year: 2,295,205 euros). The total remuneration (Section 285 no. 9a and Section 314(1) no. 6a German Commercial Code [HGB]) of the Management Board and members of the Management Board of Henkel Management AG amounted to 25,309,802 euros (previous year: 21,992,191 euros). For pension obligations to former members of the Management Board and management of Henkel KGaA as well as the former management of its legal predecessor and surviving dependents, 90,881,294 euros (previous year: 80,208,248 euros) is deferred. The total remuneration for this group of persons (Section 285 no. 9b and Section 314(1) no. 6b German Commercial Code [HGB]) amounted to 7,041,167 euros (previous year: 6,332,108 euros) in the reporting year. For further details regarding the emoluments of the corporate management, please refer to the audited remuneration report on pages 33 to 41.

(42) Declaration of compliance with the Corporate Governance Code (Kodex)

In March 2012, 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 (Kodex) 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

(43) 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/ir

(44) 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 KPMG network in fiscal 2011 and 2012 were as follows:

Type of fee

in million euros	2011	of which Germany	2012	of which Germany
Audits	7.7	1.3	7.0	1.3
Other audit-related services	1.4	0.3	1.5	0.4
Tax advisory services	0.6	0.1	0.9	0.3
Other services	0.8	0.7	0.2	0.1
Total	10.5	2.4	9.6	2.1

The item "Audits" includes fees and disbursements in respect of the audit of the Group accounts and the legally prescribed financial statements of Henkel AG & Co. KGaA and its affiliated companies. The fees for 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 28, 2013

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

We have issued the following unqualified auditor's report:
"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 as at December 31, 2012, and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the financial year then ended, and the notes to the consolidated financial statements.

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 European Union and the supplementary requirements of German law pursuant to Section 315a (1) 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 it 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

It is our responsibility to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Section 317 German Commercial Code and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) as well as in supplementary compliance with International Standards on Auditing (ISA). Those standards require that we comply with professional requirements and plan and perform the audit as 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 system of internal control 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 system of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the tenability 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 Section 322 (3) 1 German Commercial Code [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 International Financial Reporting Standards as adopted by the European Union and the supplementary requirements of German law pursuant to Section 315a (1) German Commercial Code and give a true and fair view of the net assets and financial position of the Henkel Group as at December 31, 2012, as well as the results of operations for the financial year then ended, in accordance with these requirements.

Report on the Group Management Report

We have audited the accompanying Group management report of Henkel AG & Co. KGaA. The personally liable partner of Henkel AG & Co. KGaA is responsible for the preparation of the Group management report in compliance with the applicable requirements of German law pursuant to Section 315a (1) German Commercial Code. We conducted our audit in accordance with Section 317 (2) German Commercial Code and German generally accepted standards for the audit of the Group management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit of the Group management report to obtain reasonable assurance about whether the Group management report is consistent with the consolidated financial statements and with the findings of our audit, 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 Section 322 (3) 1 German Commercial Code, we state that our audit of the Group management report has not led to any reservations.

In our opinion, based on the findings of our audit of the consolidated financial statements and of the Group management report, the Group 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 28, 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

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

Michael Gewehr
Wirtschaftsprüfer
(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 593,788,240.84 euros for the fiscal year 2012 be applied as follows:

a)	Payment of a dividend of 0.93 euros per ordinary share (259,795,875 shares)	= 241,610,163.75 euros
b)	Payment of a dividend of 0.95 euros per preferred share (178,162,875 shares)	= 169,254,731.25 euros
c)	The remaining to be carried forward (profit brought forward)	= 182,923,345.84 euros
		593,788,240.84 euros

According to Section 71 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 0.93 euros per ordinary share qualifying for a dividend and 0.95 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 28, 2013

Henkel Management AG
(Personally Liable Partner
of Henkel AG & Co. KGaA)

Management Board

Annual financial statements of Henkel AG & Co. KGaA (summarized) *

Statement of income

in million euros	2011	2012
Sales	**3,424**	**3,410**
Cost of sales	– 2,426	– 2,337
Gross profit	**998**	**1,073**
Selling, research and administrative expenses	– 1,331	– 1,317
Other income (net of other expenses)	442	359
Operating profit	**109**	**115**
Financial result	**– 6**	**458**
Profit on ordinary activities	**103**	**573**
Change in special accounts with reserve element	11	10
Extraordinary result	–	–
Income before tax	**114**	**583**
Taxes on income	– 82	8
Net income	**32**	**591**
Profit brought forward	304	3
Allocated to other retained earnings / transferred from other retained earnings	9	–
Unappropriated profit [1]	**345**	**594**

[1] Statement of income figures are rounded; unappropriated profit 2011: 345,171,082.50 euros; unappropriated profit 2012: 593,788,240.84 euros.

Balance sheet

in million euros	2011	2012
Intangible assets and property, plant and equipment	660	649
Financial assets	7,185	7,302
Non-current assets	**7,845**	**7,951**
Inventories	233	225
Receivables and miscellaneous assets / Deferred charges	1,591	1,697
Marketable securities	309	1,488
Liquid funds	1,389	423
Current assets	**3,522**	**3,833**
Assets arising from the overfunding of pension obligations	**2**	**304**
Total assets	**11,369**	**12,088**
Equity	**5,204**	**5,458**
Special accounts with reserve element	139	129
Provisions	762	623
Liabilities, deferred income and accrued expenses	5,264	5,878
Total equity and liabilities	**11,369**	**12,088**

* The full financial statements of Henkel AG & Co. KGaA with the auditor's unqualified opinion are filed with the commercial register and are also available at www.henkel.com/ir. Copies can be obtained from Henkel AG & Co. KGaA on request.

Responsibility statement by the Personally Liable Partner

To the best of our knowledge, and in accordance with the applicable accounting principles for financial reporting, 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 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 28, 2013

Henkel Management AG
Management Board
Kasper Rorsted,
Jan-Dirk Auris, Carsten Knobel, Kathrin Menges,
Bruno Piacenza, Hans Van Bylen

Corporate management 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, 2013

Dipl.-Ing. Albrecht Woeste: Honorary Chairman of the Henkel Group

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]
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, Munich

Born in 1971
Member since: April 19, 2010

Boris Canessa
(since April 16, 2012)
Private Investor, Düsseldorf

Born in 1963
Member since: April 16, 2012

Membership:
Wilhelm von Finck Deutsche Family Office AG[1]

Johann-Christoph Frey
(until April 16, 2012)
Private Investor, Klosters

Born in 1955
Member from: September 23, 2009

Ferdinand Groos
(since April 16, 2012)
Managing Partner, Cryder Capital Partners LLP, London

Born in 1965
Member since: April 16, 2012

Béatrice Guillaume-Grabisch
(since April 16, 2012)
Chief Executive Officer Beverage Partners Worldwide (Europe) S.A., Zurich

Born in 1964
Member since: April 16, 2012

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:
Carl Zeiss Group:
Carl Zeiss SMT GmbH (Chair)[1]
CZM AG (Chair)[1]
CZ Microscopy GmbH (Chair)[2]
CZ Vision Holding GmbH (Chair)[2]
Carl Zeiss Co. Ltd. (Chair), Japan[2]
Carl Zeiss Co. Ltd. (Chair), South Korea[2]
Carl Zeiss Australia Pty. Ltd. (Chair), Australia[2]
Carl Zeiss Far East Co. Ltd. (Chair), China/Hong Kong[2]
Carl Zeiss Pte. Ltd. (Chair), Singapore[2]
Carl Zeiss India Pte. Ltd. (Chair), Singapore[2]
Carl Zeiss India (Bangalore) Private Ltd., India[2]

Thomas Manchot
(until April 16, 2012)
Private Investor, Düsseldorf

Born in 1965
Member from: April 10, 2006

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

Thierry Paternot
(until January 14, 2013)
Operating Partner, Duke Street Capital, Paris

Born in 1948
Member from: April 14, 2008

Memberships:
Eckes AG[1]
Bio DS SAS (Chair), France[2]
Freedom-FullSix SAS (Chair), France[2]
Oeneo SA, France[2]
PT Invest SAS (Chair), France[2]
QCNS Cruises SAM, Monaco[2]

Andrea Pichottka*
Managing Director, IG BCE Bonusagentur GmbH, Hannover

Born in 1959
Member since: October 26, 2004

Membership:
Siltronic AG[1]

Dr. rer. nat. Martina Seiler*
(since January 1, 2012)
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

Michael Vassiliadis*
Chairman of the Executive Committee of
IG Bergbau, Chemie, Energie, Hannover

Born in 1964
Member since: May 4, 1998

Memberships:
BASF SE[1]
Evonik Industries AG (Vice-chair)[1]
K + S AG (Vice-chair)[1]
STEAG GmbH (Vice-chair)[1]

Dr.-Ing. E.h. Bernhard Walter
(until April 16, 2012)
Former Chairman of the Executive Board of
Dresdner Bank AG, Frankfurt/Main

Born in 1942
Member from: May 4, 1998

Memberships:
Bilfinger Berger SE (Chair)[1]
Daimler AG[1]
Deutsche Telekom AG[1]

*Employee representatives.
[1] Membership in statutory supervisory and administrative boards in Germany.
[2] Membership of comparable oversight bodies.

Subcommittees of the Supervisory Board

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. Bernhard Walter (until April 16, 2012)
Johann-Christoph Frey (until April 16, 2012)
Dr. Kaspar von Braun (since April 16, 2012)
Prof. Dr. Theo Siegert (since April 16, 2012)

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
Dr. Bernhard Walter, Chair (until April 16, 2012)
Prof. Dr. Theo Siegert, Chair (since April 16, 2012), Vice-chair (until April 16, 2012)
Prof. Dr. Michael Kaschke, Vice-chair (since April 16, 2012)
Dr. Simone Bagel-Trah
Birgit Helten-Kindlein
Michael Vassiliadis
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]
Heraeus Holding GmbH[1]

Dr. rer. pol. h.c. Christoph Henkel
Vice-chair,
Managing 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]
RWE AG[1]

Boris Canessa
(until April 16, 2012)
Private Investor, Düsseldorf

Born in 1963
Member from: September 19, 2009

Membership:
Wilhelm von Finck Deutsche Family Office AG[1]

Johann-Christoph Frey
(since April 16, 2012)
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 AG[1]
Henkel Management AG[1]
Porsche Automobil Holding SE[1]
ThyssenKrupp AG[1]
Dr. August Oetker KG[2]
Novartis AG, Switzerland[2]

Dr.-Ing. Dr.-Ing. E.h. Norbert Reithofer
Chairman of the Management Board
of Bayerische Motoren Werke AG, Munich

Born in 1956
Member since: April 11, 2011

Konstantin von Unger
Founding Partner, Blue Corporate Finance AG,
London

Born in 1966
Member since: April 14, 2003

Membership:
Ten Lifestyle Management Ltd.,
Great Britain[2]

Karel Vuursteen
Former Chairman of the Executive Board
of Heineken N.V., Amsterdam

Born in 1941
Member since: May 6, 2002

Memberships:
Akzo Nobel N.V. (Chair), Netherlands[2]
Heineken Holding N.V., Netherlands[2]
Tom Tom N.V. (Chair), Netherlands[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]
Deutsche Bank AG[1]
E.ON AG (Chair)[1]
HDI V.a.G.[1]
Talanx AG[1]
Freudenberg & Co. KG[2]

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. 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
Boris Canessa (until April 16, 2012)
Johann-Christoph Frey (since April 16, 2012)
Karel Vuursteen
Werner Wenning

[1] Membership in 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
Corporate Communications / IT /
Legal & Compliance

Born in 1962
Member since: April 1, 2005 [3]

Memberships:
Bertelsmann AG [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
(since July 1, 2012)
Finance / Purchasing

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]
Türk Henkel Kimya Sanayi ve Ticaret AS (Chair), Turkey [2]

Kathrin Menges
Human Resources / Infrastructure Services

Born in 1964
Member since: October 1, 2011

Memberships:
Henkel Central Eastern Europe GmbH, Austria [2]
Henkel Nederland BV, Netherlands
Henkel Norden AB, Sweden [2]
Henkel Norden Oy, Finland [2]
Henkel of America Inc., USA [2]

Bruno Piacenza
Laundry & Home Care

Born in 1965
Member since: January 1, 2011

Dr. jur. Lothar Steinebach
(until June 30, 2012)
Finance / Purchasing / IT / Legal

Born in 1948
Member from: July 1, 2003 [3]

Membership:
LSG Lufthansa Service Holding AG [1]

Hans Van Bylen
Beauty Care

Born in 1961
Member since: July 1, 2005 [3]

Membership:
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]
Heraeus Holding GmbH [1]

Stefan Hamelmann
(until April 17, 2012)
Vice-chair,
Private Investor, Düsseldorf

Born in 1963
Member from: September 19, 2009

Membership:
Henkel AG & Co. KGaA
(Shareholders' Committee) [2]

Konstantin von Unger
(since April 17, 2012)
Vice-chair
Founding Partner, Blue Corporate Finance AG, London

Born in 1966
Member since: April 17, 2012

Membership:
Ten Lifestyle Management Ltd., Great Britain [2]

Prof. Dr. rer. pol. Ulrich Lehner
Former Chairman of the Management Board
of Henkel KGaA, Düsseldorf

Born in 1946
Member since: February 15, 2008

Memberships:
Deutsche Telekom AG (Chair) [1]
E.ON AG [1]
Porsche Automobil Holding SE [1]
ThyssenKrupp AG [1]
Henkel AG & Co. KGaA (Shareholders' Committee) [2]
Dr. August Oetker KG [2]
Novartis AG, Switzerland [2]

* Personally Liable Partner of Henkel AG & Co. KGaA.
[1] Membership in statutory supervisory and administrative boards in Germany.
[2] Membership of comparable oversight bodies.
[3] Including membership of the Management Board of Henkel KGaA.

Further information

Corporate Senior Vice Presidents

Laundry & Home Care

Georg Baratta-Dragono
Marketing Laundry Care,
Latin America, Western Europe

Ashraf El Afifi
Middle East/Africa

Pascal Houdayer
Marketing Home Care,
Business Development

Dr. Marcus Kuhnert
Financial & Business Controlling

Prof. Dr. Thomas Müller-Kirschbaum
Research & Development,
Supply Chain

Günter Thumser
Eastern Europe

Beauty Care

Michelle Cheung
Asia-Pacific

Dr. Stefan Huchler
Supply Chain/Packaging

Thomas Keller
Eastern Europe/CIS,
Latin America, Middle East/Africa

Norbert Koll*
North America

Michael Rauch
Financial & Business Controlling

Marie-Eve Schröder
SBU Hair

Jens-Martin Schwärzler
SBU Body/Skin/Oral,
Western Europe

Stefan Sudhoff
Professional

Adhesive Technologies

Prof. Dr. Ramón Bacardit
Research & Development

Julian Colquitt
SBU General Industry,
North America

Jean Fayolle
SBU Packaging Industry,
Latin America

Enric Holzbacher
SBU Consumer/Craftsmen/Building,
Europe, Middle East/Africa

Paul Kirsch
SBU Transportation/Metal

Michael Olosky
Asia-Pacific

Dr. Matthias Schmidt
Financial & Business Controlling

Alan Syzdek
SBU Electronic Materials

Corporate Functions

Wolfgang Beynio
Finance/Controlling

Dr. Andreas Bruns
Infrastructure Services

Bertrand Conquéret
Purchasing

Dr. Joachim Jäckle
Financial Operations

Thomas Gerd Kühn
Legal & Compliance

Carsten Tilger
Corporate Communications

Dr. Peter Wroblowski
Information Technology

*Also responsible for Laundry & Home Care North America.

SBU = Strategic Business Unit

Active personnel,
as at January 2013.

Management Circle I Worldwide

Hikaru Adachi
Aleksej Ananishnov
Dr. Martin Andree
Giacomo Archi
Faruk Arig
Valerie Aubert
Thomas Hans Jörg Auris

Dr. Kourosh Bahrami
Paul Berry
Cedric Berthod
Michael Biondolillo
Dr. Joachim Bolz
Oriol Bonaclocha
Guy Boone
Oliver Bossmann
Robert Bossuyt
Hanno Brenningmeyer
Daniel Brogan
Sergey Bykovskih

Angela Cackovich
Edward Capasso
Renata Casaro
Adil Choudhry
Dr. John Cocco
Jürgen Convent
Susanne Cornelius
Matthias Czaja
Michael Czech

Dr. Nils Daecke
Paul De Bruecker
Ivan De Jonghe
Joseph DeBiase
Hermann Deitzer
Nicola delli Venneri
Patrick de Meyer
Raymond Dimuzio
Eric Dumez

Christoph Eibel
Simon Ellis
Steven Essick
Charles Evans

Ahmed Fahmy
Thomas Feldbrügge
Dr. Lars Feuerpeil
Dr. Peter Florenz
Dr. Thomas Förster
Stephan Füsti-Molnár

Holger Gerdes
Roberto Gianetti
Luc Godefroid
Michael Goder
Ralf Grauel
Peter Günther

Andreas Hartleb
Peter Hassel

Dr. Christian Hebeler
Lars Hennemann
Georg Höbenstreit
Dr. Alois Hoeger
Katharina Höhne
Dr. Dirk Holbach
Thomas Holenia
Jos Hubin
Jeremy Hunter

Dr. Regina Jäger

Adrian Kaczmarczyk
Dr. Dieter Kahling
Julio Muñoz Kampff
George Kazantzis
Michael Kellner
Klaus Keutmann
Dr. Christian Kirsten
Patrick Kivits
Rolf Knörzer
Nuri Erdem Kocak
Dr. Harald Köster

Luis Carlos Lacorte
Dr. Daniel Langer
Frank Liebich
Tom Linckens

Marie-Laure Marduel
Christian Melcher

Alfredo Morales
Liam Murphy

Christoph Neufeldt
Sylvie Nicol
Heinz Nicolas

Joseph O'Brien
Björk Ohlhorst
Dr. Uwe Over

Ian Parish
Jerry Perkins
Jeffrey Piccolomini
Dr. Torsten Pilz

Gary Raykovitz
Birgit Rechberger-Krammer
Wolfgang Reiter
Dr. Michael Reuter
Nuria Ribe
Robert Risse
Dr. Michael Robl
David Rodriguez
Dr. Daniela Roxin
Steffen Ruebke

Norman Sack
Jean-Baptiste Santoul
Dr. Arndt Scheidgen
Dr. Berthold Schreck
Dr. Zuzana Schütz-Halkova

Eric S. Schwartz
Dr. Johann Seif
Dr. Simone Siebeke
Martina Steinberger-Voracek
Katrin Steinbüchel
Dr. Walter Sterzel
Klaus Strottmann
Monica Sun
Marco Swoboda
Csaba Szendrei

Makoto Tamaki
Dr. Boris Tasche
Agnès Thee
Michael G. Todd
Thomas Tönnesmann
Johnny Tong
Gordon Tredgold
Alexander Trömel

Ben Van den hende
Amélie Vidal-Simi

Dr. Tilo Weiss
Stefan Wickmann
Dorian Williams
Bing Wu

Active personnel,
as at January 2013.

Quarterly breakdown of key financials

in million euros	1st quarter 2011	1st quarter 2012	2nd quarter 2011	2nd quarter 2012	3rd quarter 2011	3rd quarter 2012	4th quarter 2011 restated[1]	4th quarter 2012	Full year 2011 restated[1]	Full year 2012
Sales										
Laundry & Home Care	1,072	**1,108**	1,076	**1,147**	1,110	**1,194**	1,046	**1,108**	4,304	**4,556**
Beauty Care	821	**861**	881	**921**	860	**908**	836	**852**	3,399	**3,542**
Adhesive Technologies	1,884	**2,001**	1,963	**2,099**	2,020	**2,153**	1,879	**2,004**	7,746	**8,256**
Corporate	46	**39**	33	**39**	38	**39**	39	**38**	156	**155**
Henkel Group	**3,823**	**4,008**	**3,953**	**4,206**	**4,028**	**4,294**	**3,800**	**4,002**	**15,605**	**16,510**
Cost of sales	–2,073	**–2,124**	–2,138	**–2,206**	–2,215	**–2,277**	–2,111	**–2,171**	–8,538	**–8,778**
Gross profit	**1,750**	**1,884**	**1,815**	**2,000**	**1,813**	**2,017**	**1,689**	**1,831**	**7,067**	**7,732**
Marketing, selling and distribution expenses	–1,057	**–1,057**	–1,063	**–1,115**	–1,041	**–1,106**	–971	**–1,024**	–4,132	**–4,302**
Research and development expenses	–103	**–102**	–105	**–105**	–103	**–99**	–99	**–102**	–410	**–408**
Administrative expenses	–187	**–187**	–196	**–198**	–209	**–213**	–193	**–187**	–785	**–785**
Other operating charges and income	27	**0**	86	**1**	–9	**–13**	–79	**–26**	25	**–38**
EBIT										
Laundry & Home Care	100	**157**	157	**153**	125	**168**	37	**143**	419	**621**
Beauty Care	112	**120**	140	**131**	111	**114**	107	**118**	471	**483**
Adhesive Technologies	244	**283**	269	**327**	254	**329**	235	**253**	1,002	**1,191**
Corporate	–27	**–22**	–29	**–28**	–38	**–24**	–32	**–22**	–127	**–97**
Henkel Group	**430**	**538**	**537**	**583**	**451**	**586**	**347**	**492**	**1,765**	**2,199**
Investment result	–	**1**	–	**–1**	1	**–**	–1	**1**	–	**1**
Interest result	–37	**–37**	–41	**–34**	–38	**–42**	–39	**–29**	–155	**–142**
Financial result	**–37**	**–36**	**–41**	**–35**	**–37**	**–42**	**–40**	**–28**	**–155**	**–141**
Income before tax	**393**	**502**	**496**	**548**	**414**	**544**	**307**	**464**	**1,610**	**2,058**
Taxes on income	**–103**	**–124**	**–121**	**–136**	**–100**	**–135**	**–95**	**–107**	**–419**	**–502**
Net income	**290**	**378**	**375**	**412**	**314**	**409**	**212**	**357**	**1,191**	**1,556**
– Attributable to non-controlling interests	–5	**–9**	–9	**–11**	–7	**–12**	–9	**–14**	–30	**–46**
– Attributable to shareholders of Henkel AG & Co. KGaA	**285**	**369**	**366**	**401**	**307**	**397**	**203**	**343**	**1,161**	**1,510**
Earnings per preferred share in euros	**0.66**	**0.86**	**0.85**	**0.92**	**0.71**	**0.92**	**0.47**	**0.79**	**2.69**	**3.49**

in million euros	1st quarter 2011	1st quarter 2012	2nd quarter 2011	2nd quarter 2012	3rd quarter 2011	3rd quarter 2012	4th quarter 2011 restated[1]	4th quarter 2012	Full year 2011 restated[1]	Full year 2012
EBIT (as reported)	**430**	**538**	**537**	**583**	**451**	**586**	**347**	**492**	**1,765**	**2,199**
One-time gains	–	**–**	–57	**–**	–	**–**	–	**–**	–57	**–**
One-time charges	–	**–**	–	**–**	–	**–**	94	**12**	94	**12**
Restructuring charges	43	**13**	34	**26**	90	**45**	61	**40**	227	**124**
Adjusted EBIT	**473**	**551**	**514**	**609**	**541**	**631**	**502**	**544**	**2,029**	**2,335**
Adjusted earnings per preferred share in euros	**0.73**	**0.87**	**0.79**	**0.97**	**0.85**	**0.99**	**0.77**	**0.87**	**3.14**	**3.70**

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.
[1] Application of IAS 8 "Accounting policies, changes in accounting estimates and errors" (see notes on pages 116 and 117).

Multi-year summary

in million euros		2006	2007	2008[1]	2009	2010	2011 restated[2]	2012
Results of operations								
Sales		12,740	13,074	14,131	13,573	15,092	15,605	**16,510**
Laundry & Home Care		4,117	4,148	4,172	4,129	4,319	4,304	**4,556**
Beauty Care		2,864	2,972	3,016	3,010	3,269	3,399	**3,542**
Adhesive Technologies		5,510	5,711	6,700	6,224	7,306	7,746	**8,256**
Corporate		249	243	243	210	199	156	**155**
Gross margin		45.3	46.4	42.0	45.4	46.5	45.3	**46.8**
Research and development expenses		340	350	429	396	391	410	**408**
Operating profit (EBIT)		1,298	1,344	779	1,080	1,723	1,765	**2,199**
Laundry & Home Care		449	459	439	501	542	419	**621**
Beauty Care		359	372	376	387	411	471	**483**
Adhesive Technologies		579	621	658	290	878	1,002	**1,191**
Corporate		– 89	– 108	– 694	– 98	– 108	– 127	**– 97**
Income before tax		1,176	1,250	1,627	885	1,552	1,610	**2,058**
Tax rate	in %	25.9	24.7	24.2	29.0	26.4	26.0	**24.4**
Net income		871	941	1,233	628	1,143	1,191	**1,556**
Net income attributable to shareholders of Henkel AG & Co. KGaA		855	921	1,221	602	1,118	1,161	**1,510**
Net return on sales[3]	in %	6.8	7.2	8.7	4.7	7.6	7.6	**9.4**
Interest coverage ratio[4]		9.4	9.4	4.8	8.7	12.8	14.0	**18.4**
Net assets								
Total assets		13,346	13,048	16,173	15,818	17,525	18,487	**19,525**
Non-current assets		8,664	7,931	11,360	11,162	11,590	11,848	**11,927**
Current assets		4,682	5,117	4,813	4,656	5,935	6,639	**7,598**
Equity		5,547	5,706	6,535	6,544	7,950	8,670	**9,511**
Liabilities		7,799	7,342	9,539	9,274	9,575	9,817	**10,014**
Equity ratio	in %	41.6	43.7	40.3	41.4	45.4	46.9	**48.7**
Return on equity[5]	in %	16.1	17.0	21.6	9.6	17.5	15.0	**17.9**
Operating debt coverage ratio[4]	in %	48.4	71.6	45.1	41.8	71.4	91.6[6]	**495.7**
Financial position								
Cash flow from operating activities		1,131	1,321	1,165	1,919	1,851	1,562	**2,634**
Capital expenditures		897	548	4,074	415	260	443	**516**
Investment ratio	as % of sales	7.0	4.2	28.8	3.0	1.7	2.8	**3.1**
Shares								
Dividend per ordinary share	in euros	0.48	0.51	0.51	0.51	0.70	0.78	**0.93[7]**
Dividend per preferred share	in euros	0.50	0.53	0.53	0.53	0.72	0.80	**0.95[7]**
Total dividends		214	227	227	227	310	345	**411[7]**
Payout ratio	in %	25.0	24.6	24.0	27.6	25.5	25.5	**25.6[7]**
Share price, ordinary shares, at year end	in euros	32.73[8]	34.95[8]	18.75	31.15	38.62	37.40	**51.93**
Share price, preferred shares, at year end	in euros	37.16[8]	38.43[8]	22.59	36.43	46.54	44.59	**62.20**
Market capitalization at year end	in bn euros	15.1	15.9	8.9	14.6	18.3	17.6	**24.6**
Employees								
Total[9]	(at December 31)	51,819	52,628	55,142	49,262	47,854	47,265	**46,610**
Germany	(number)	9,981	9,820	9,747	8,830	8,580	8,322	**8,007**
Abroad	(number)	41,838	42,808	45,395	40,432	39,274	38,943	**38,603**

[1] Adjusted following finalization of purchase price allocation relating to the acquisition of the National Starch businesses.
[2] Application of IAS 8 "Accounting policies, changes in accounting estimates and errors" (see notes on pages 116 and 117).
[3] Net income divided by sales.
[4] See page 67 for formula.
[5] Net income divided by equity at the start of the year.
[6] Adjusted using the new definition of net debt.
[7] Proposed.
[8] Basis: share split (1:3) of June 18, 2007.
[9] Basis: permanent employees excluding apprentices.

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
Inflows and outflows of cash and cash equivalents divided within the statement of cash flows into cash flows from ordinary activities, from investing activities, and from financing activities.

Commercial papers
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, over a defined period.

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 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 benefit plans
Post-employment benefit plans other than defined contribution plans.

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 the 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, enabling 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.

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.

MDI
Chemical abbreviation for diphenylmethane diisocyanate. MDI is a chemical compound from the aromatic isocyanate group. Pattex Power PU-Schaum (PU foam) uses a reduced-MDI formula.

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
Net balance of inventories, trade receivables and trade payables.

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 earnings 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.

Share of advertising/Share of market
A company’s share of total advertising spend in relation to its market share, specific to its active markets.

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, 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.

Contacts

Corporate Communications
Phone: +49 (0)211-797-3533
Fax: +49 (0)211-798-2484
E-mail: corporate.communications@henkel.com

Investor Relations
Phone: +49 (0)211-797-3937
Fax: +49 (0)211-798-2863
E-mail: investor.relations@henkel.com

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Financial calendar

Annual General Meeting
Henkel AG & Co. KGaA 2013:
Monday, April 15, 2013

Publication of Report
for the First Quarter 2013:
Wednesday, May 8, 2013

Publication of Report
for the Second Quarter / Half Year 2013:
Thursday, August 8, 2013

Publication of Report
for the Third Quarter / Nine Months 2013:
Tuesday, November 12, 2013

Publication of Report
for Fiscal 2013:
Thursday, February 20, 2014

Annual General Meeting
Henkel AG & Co. KGaA 2014:
Friday, April 4, 2014

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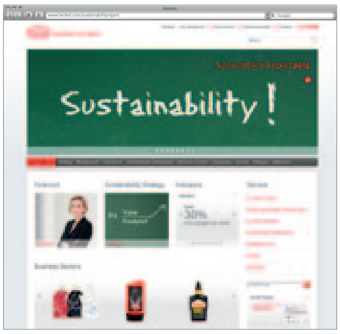

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Henkel AG & Co. KGaA
40191 Düsseldorf, Germany
Phone: +49 (0)211-797-0
www.henkel.com