

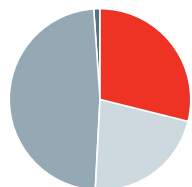
# Annual Report 2010 Summary



Excellence is our Passion

# How Henkel developed in 2010

## Sales by business sector



- 29% Laundry & Home Care
- 22% Cosmetics/Toiletries
- 48% Adhesive Technologies
- 1% Corporate

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

## Key financials

in million euros	2009	2010	+/-
Sales	13,573	15,092	11.2%
Operating profit (EBIT)	1,080	1,723	59.5%
Adjusted <sup>1)</sup> operating profit (EBIT)	1,364	1,862	36.5%
Return on sales (EBIT) in %	8.0	11.4	3.4 pp
Adjusted <sup>1)</sup> return on sales (EBIT) in %	10.0	12.3	2.3 pp
Net income	628	1,143	82.0%
– Attributable to non-controlling interests	26	25	-3.8%
– Attributable to shareholders of Henkel AG & Co. KGaA	602	1,118	87.5%
Earnings per preferred share in euros	1.40	2.59	85.0%
Adjusted <sup>1)</sup> earnings per preferred share in euros	1.91	2.82	47.6%
Return on capital employed (ROCE) in %	9.8	14.9	5.1 pp
Capital expenditures on property, plant and equipment	344	240	-30.2%
Research and development expenses	396	391	-1.3%
Number of employees (annual average)	51,361	48,141	-6.3%
Dividend per ordinary share in euros	0.51	0.70 <sup>2)</sup>	37.3%
Dividend per preferred share in euros	0.53	0.72 <sup>2)</sup>	35.8%

<sup>1)</sup> Adjusted for one-time charges/gains and restructuring charges.

pp = percentage points

<sup>2)</sup> Proposed.

## Henkel at a glance

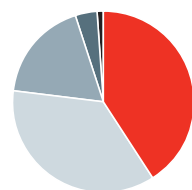
### Global supplier of brands and technologies

- 134 years of brand success
- Around 48,000 employees

### Competence in three business sectors:

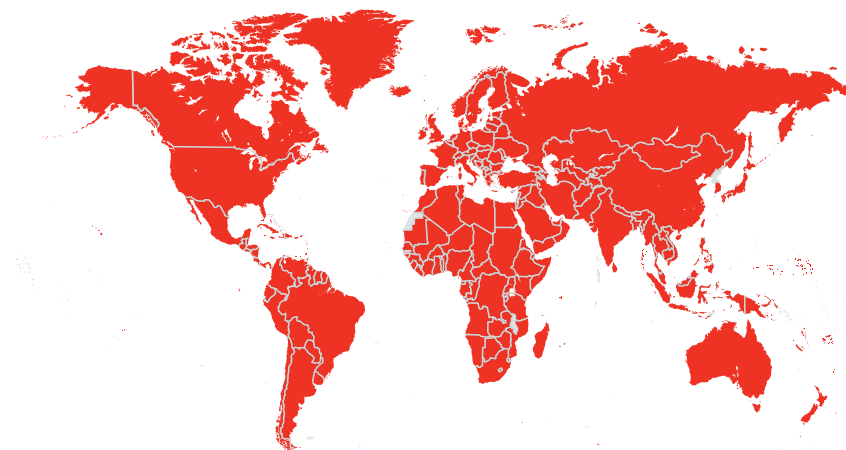
- Laundry & Home Care
- Cosmetics / Toiletries
- Adhesive Technologies

## Sales by region



- 41% Growth regions<sup>1)</sup>
- 36% Western Europe
- 18% North America
- 4% Japan/Australia/  
New Zealand
- 1% Corporate

<sup>1)</sup> Eastern Europe, Africa/Middle East, Latin America, Asia (excluding Japan).



## Laundry & Home Care

Leading market positions worldwide.

Achieving profitable growth through innovation, strong brands and good, solid customer relationships.

Expanding our strong market position in Europe and further extending our presence in North America and the growth regions.

### Key financials

in million euros	2009	2010	+/-
Sales	4,129	4,319	4.6%
Operating profit (EBIT)	501	542	8.2%
Adjusted <sup>1)</sup> operating profit (EBIT)	530	562	6.2%
Return on sales (EBIT)	12.1%	12.6%	0.5 pp
Adjusted <sup>1)</sup> return on sales (EBIT)	12.8%	13.0%	0.2 pp

pp = percentage points

<sup>1)</sup> Adjusted for one-time charges/gains and restructuring charges.

## + 1.5%

organic sales growth

Sales

in million euros



## Cosmetics / Toiletries

Leading market positions worldwide.

Achieving profitable growth with appealing innovations under strong brands, aligned to exacting customer demands.

Expanding our strong market position in Europe and extending our presence in North America and – selectively – in the growth regions.

### Key financials

in million euros	2009	2010	+/-
Sales	3,010	3,269	8.6%
Operating profit (EBIT)	387	411	6.1%
Adjusted <sup>1)</sup> operating profit (EBIT)	387	436	12.4%
Return on sales (EBIT)	12.9%	12.6%	-0.3 pp
Adjusted <sup>1)</sup> return on sales (EBIT)	12.9%	13.3%	0.4 pp

pp = percentage points

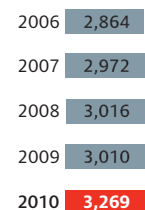
<sup>1)</sup> Adjusted for one-time charges/gains and restructuring charges.

## + 4.8%

organic sales growth

Sales

in million euros



## Adhesive Technologies

Leading our markets worldwide.

Achieving profitable growth through innovations under strong brands, efficient processes and a firm focus on our customers.

Developing new applications and growth potential in all regions of the world.

### Key financials

in million euros	2009	2010	+/-
Sales	6,224	7,306	17.4%
Operating profit (EBIT)	290	878	>100%
Adjusted <sup>1)</sup> operating profit (EBIT)	506	938	85.5%
Return on sales (EBIT)	4.7%	12.0%	7.3 pp
Adjusted <sup>1)</sup> return on sales (EBIT)	8.1%	12.8%	4.7 pp

pp = percentage points

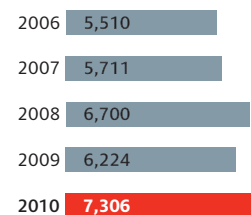
<sup>1)</sup> Adjusted for one-time charges/gains and restructuring charges.

## + 11.8%

organic sales growth

Sales

in million euros



## Our strategic priorities



We continue to focus our efforts on the pursuit of our strategic priorities, formulated in 2008 in order to secure Henkel's success over the long term. And in fiscal 2010 we again made great progress toward their achievement.

Central to our approach is a strong, unique corporate ethos: a winning culture characterized by a clear commitment to excellent performance and being the best in a highly competitive environment. And helping us to constantly raise our game we have our long-term vision and five shared values to guide our decisions and our actions.

## Our top brands

**Persil Purex Dixan**

**Schwarzkopf Dial Fa**

**LOCTITE Teroson technomelt**

Our strong brands are the basis of our economic success. Going forward, we will be keeping our focus on our major, widely recognized brands: With Schwarzkopf, Loctite and Persil – our three biggest brands – we generate 23 percent of total sales. And our ten biggest brands contribute 41 percent to total sales.

The Laundry & Home Care business sector realizes 32 percent of its sales with its three strongest brands Persil, Purex (in North America) and Dixan. Cosmetics/Toiletries achieves 71 percent of its sales with its three biggest brands Schwarzkopf, Dial (in North America) and Fa. And the Adhesive Technologies business sector makes 26 percent of its sales with its three biggest brands Loctite, Teroson and Technomelt.

## 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.

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The cover photo shows members of the management team responsible for Cosmetics / Toiletries Asia-Pacific attending their Vision and Values Workshop in Shanghai, China. From left to right: Vijay Manickavasagam, Antje Chu, Rungaroon Koohasaneh and Paul Khol.



Excellence is our Passion



**Kasper Rorsted**  
Chairman of the  
Management Board.

## Dear Friends of the Company,

**12.3 %**

adjusted<sup>1)</sup> return on sales.

**+ 7 %**

organic sales growth.

**+ 47.6 %**

adjusted<sup>1)</sup> earnings  
per preferred share.

2010 was an excellent year for Henkel. For the first time in our corporate history, we concluded a financial year with adjusted<sup>1)</sup> return on sales above 12 percent. Organic sales increased by 7 percent while adjusted<sup>1)</sup> earnings per preferred share rose by 47.6 percent. With these strong results, we are well on our way to achieving our financial targets for 2012.

We have further improved the market positions of all our business sectors relative to our competitors, have strengthened our top brands and have deepened our business relationships with our customers. We have been able to further expand our positions in the emerging markets, particularly in Asia and the Middle East. We have also initiated a comprehensive change process throughout the company, aimed at strengthening the “Winning Culture” at Henkel aligned to a clear, long-term vision: A global leader in brands and technologies.

The outstanding results achieved in 2010 prove that we have made the appropriate decisions in the past. Having adjusted to the decline in global economic growth at an early stage, we have emerged from this crisis stronger than ever. With more efficient structures and improved processes, we have been able to benefit from the recovery of the world economy, gaining strength and momentum with advancing globalization.

### **Growth in all sectors and regions**

While growth in the US economy was slow, the emerging economies once again exhibited the highest rate of expansion. Following a substantial decline in the recession year of 2009, global industrial production again grew strongly in 2010. The recovery was particularly pronounced in Asia, especially in China, South Korea and Taiwan. Germany took a leading role among the industrialized nations, registering a double-digit growth rate in industrial output and taking the lead as Europe’s growth engine.

<sup>1)</sup> Adjusted for one-time charges/gains and restructuring charges.

An analysis of the individual sectors shows that manufacturing – after substantial declines in the previous year – became a growth driver, with the automotive, metals and electronics industries all returning to growth. By contrast, growth in private consumption – having suffered only a comparatively minor decline in 2009 – was moderate.

In an improved yet, in some markets, still difficult environment, all our business sectors and regions were able to make major contributions to our business success. This was due not just to the general economic recovery but also, and particularly, to our continued strong focus on our strategic priorities:

- Achieve our full business potential
- Focus more on our customers
- Strengthen our global team

Everyone at Henkel has made important contributions to our success in 2010. I would like, on behalf of the entire Management Board, to express our sincere thanks for their commitment and hard work!

### Ongoing adaptation of our structures

The volatile business environment in recent years has shown how important it is to respond quickly, flexibly and decisively to change. Even though the economic situation has stabilized in most markets, the necessity remains to continuously adapt and optimize existing structures so we can stay ahead of our international competition. In 2010, we were able to make further progress in a number of areas.

For example, we successfully concluded the integration process of the National Starch businesses, the largest acquisition in our corporate history. Through further improvements in purchasing, human resources and our supply chain, and through the expansion of our shared service centers in Bratislava (Slovakia) and Manila (Philippines), we have succeeded in simplifying our processes and further increasing efficiency. The ongoing optimization of our production sites around the world has also had a positive effect on our cost efficiency.

A major factor for success is and will remain expansion in the emerging markets: once again, we were able to generate double-digit growth in 2010. We currently realize 41 percent of our total sales within these emerging economies, and

53 percent of our employees are now working in those markets.

Our strong brands are equally important for our business success. In 2010, we further strengthened our top brands and continued to optimize our brand portfolio. In the Laundry & Home Care business sector, we generate 81 percent<sup>1)</sup> of consolidated sales with our ten strongest brands, led by Persil. In Cosmetics/Toiletries, the contribution of the ten strongest brands is even higher at 89 percent. Of these, Schwarzkopf has developed into a mega-brand, accounting for annual sales of some 1.8 billion euros. In the Adhesive Technologies business sector, our top ten brands generate 52 percent of sales, with Loctite leading the way.

Our new and innovative products make a particularly important contribution to growth. In the branded consumer goods segments, we generate around 40 percent of our sales with products that have been in the market for less than three years. In the industrial business, where the development times for our customized technologies are significantly longer, the share of products that have been in the market for less than five years is around 24 percent.

### Strengthening our corporate culture

Last year we initiated a process aimed at further developing our corporate culture. The internationality and diversity of Henkel require a strong, common culture – with a clear vision and shared values that provide orientation, guidance and identification for all our employees around the world. Our vision of being “a global leader in brands and technologies” defines a clear ambition for every Henkel employee. And in striving to achieve this goal, everyone at Henkel is guided in their daily activities by five values: customers, people, financial performance, sustainability and family.

Our employees have to understand these values in order to act upon them and make them the foundation of our future success. During the second half of 2010, every employee had the opportunity to actively familiarize themselves with our vision and our new values. Participating in around 5,000 workshops, they discussed how our vision and values can be effectively implemented within their working environment.

### Sales from top ten brands in %

Laundry & Home Care

81<sup>1)</sup>

Cosmetics/Toiletries

89

Adhesive Technologies

52

41%

of sales generated in the emerging markets.

<sup>1)</sup> Top brand clusters.

We have also aligned our global system for employee assessment directly to our five values. By the end of 2010, the performance and development potential of around 9,000 managerial staff had been evaluated on the basis of these internationally standardized criteria. With this approach, we ensure that the decisions and the performance of our managers are fully aligned to our values.

Together, our vision and values define our credo as a company: “One Henkel.” In order to communicate and strengthen the Henkel brand both internally and externally, we are introducing a new claim in combination with a revised corporate identity. Our claim captures what we stand for:



What do we expect for 2011? In order to achieve our full business potential, we intend to further optimize our portfolio by divesting marginal businesses and non-strategic local brands. In addition, continued focus on costs, adaptation of our structures in mature markets and further measures aimed at efficiency enhancement throughout the company will contribute to achieving our targets. Major elements in this process include the further expansion of our shared service center organization and increased utilization of standardized processes in all our business sectors and functions.

We want to further enhance our strong customer focus with targeted projects in all our business sectors. It is becoming increasingly important for many of our customers and consumers to understand how we integrate sustainability in our business activities. Henkel has already assumed a leading position in sustainability performance, as confirmed numerous times by external ratings. Based on this strong position, we will be further developing our long-term sustainability strategy in 2011.

We are introducing a new compensation system offering higher incentives for outperformance, and we will also increase our focus on talent development in 2011. We particularly want to increase the number of women in our management. By the end of 2010, the share of female managers had already climbed to around 29 percent.

### Outlook for 2011

We expect further growth in the world economy in 2011. Following the substantial expansion in many of our customer industries, especially at the beginning of 2010, growth in the industrial sector is likely to normalize, with private consumption showing moderate growth.

We are confident of generating organic sales growth (i.e. sales adjusted for foreign exchange and acquisitions/divestments) in the range of 3 to 5 percent in 2011. We anticipate achieving an increase to around 13 percent in adjusted<sup>1)</sup> return on sales (EBIT) and an increase in adjusted<sup>1)</sup> earnings per preferred share of around 10 percent.

Our Supervisory Board and Shareholders' Committee also made an important contribution to Henkel's business success in 2010. On behalf of the Management Board, I would like to take this opportunity to thank them for their strong support and advice throughout the year.

And on behalf of the entire company, I would also like to express our gratitude to our shareholders for their confidence and support. We are also grateful to our customers for their continuing trust in our company, our brands and our technologies.

Henkel is well positioned for the future. We have a solid financial base, hold strong positions in our international markets, and have highly motivated employees, successful brands and a strong presence in the growth regions. We intend to continue our transformation process in 2011 and to create a strong foundation for the future success of our company.

Düsseldorf, January 28, 2011

Kasper Rorsted  
Chairman of the Management Board

<sup>1)</sup>Adjusted for one-time charges/gains and restructuring charges.

# Innovations and product groups

## Laundry & Home Care

### Persil Gold Plus Cold Active

Full laundry performance in stain removal even in cold water – that’s the pr rsil Gold Plus Cold Active to consumers in Eastern Europe.

### Dac Disinfectant

Formulated for the markets of North Africa and the Middle East, this instant-action cleaner offers up to 24 hours of protection against household bacteria.

### Bref / WC Frisch Kraft-Aktiv

The first WC rim block with four active pearls. With three different fragrances and an innovative combination of powerful ingredients for WC freshness.



### Product groups

Heavy-duty detergents; fabric softeners; laundry conditioning products; dishwashing products; all-purpose cleaners; scouring agents; floor and carpet care products; bath and WC cleaners; glass cleaners; kitchen cleaners; specialty cleaning products; air fresheners and insecticides for household applications.

## Cosmetics/Toiletries

### Schwarzkopf Perfect Mousse

The first permanent colorant in foam form from Schwarzkopf. With no ammonia, it’s as easy to apply as a shampoo.

### Osis

New Osis styling products to inspire consumers and hairdressers. Under gentle pressure, the gloss powder Shine Duster transforms into a soft cream.

### Right Guard Total Defense 5

First anti-transpirant from Right Guard, with unique five-fold effect and patented power stripe technology for up to 48 hours of protection from body odor.



### Product groups

Hair shampoos and conditioners; hair colorants; hair styling products; soaps; shower gels; body wash and bath products; deodorants; skin creams; skin care products; oral care products; hair salon products.



[www.perfectmousse.com](http://www.perfectmousse.com)  
[www.schwarzkopf-professional.com/products/styling/osis](http://www.schwarzkopf-professional.com/products/styling/osis)  
[www.rightguard.com](http://www.rightguard.com)

## Adhesive Technologies

### Loctite Power Easy

This odorless and solvent-free instant adhesive bonds an array of different materials quickly and firmly yet avoids the problem of instant skin contact adhesion.

### Terophon HDF

A vibration-damping material that minimizes in-vehicle noise. Allows thinner sheets and lighter materials to be used in automobile production.

### Loctite 3090

The first instant adhesive with gap-filling properties: it combines high bonding power with fast curing on a wide range of materials.



### Product groups

Adhesive and sealant systems, and surface treatment products for industrial applications in the automotive, packaging, aircraft, electronics, durable goods and metal sectors, and for maintenance, repair and overhaul applications; adhesives and sealants for consumers and craftsmen and for applications in the home, school and office.



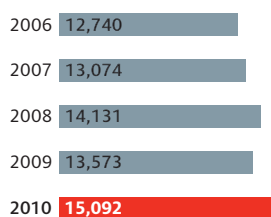
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# Our 134<sup>th</sup> year

## Business performance

### Sales

in million euros



### Sales and profits

Henkel Group sales in fiscal 2010 increased substantially, to 15,092 million euros, representing a rise of 11.2 percent versus the prior-year level. After adjusting for foreign exchange, the increase in sales was 6.4 percent. In organic terms (i.e. after adjusting for foreign exchange and acquisitions/divestments), sales underwent a comparatively high rate of increase of 7.0 percent against the figure for 2009 so adversely affected by the economic crisis. Volume increases enabled us to more than offset negative pricing trends, encountered particularly in the consumer businesses.

In the course of the financial year, growth eased slightly due to the stronger comparative base of the prior-year figures. While organic sales in the first half of the year came in 7.8 percent higher, the curve flattened somewhat in the second half of the year to a rise of 6.2 percent.

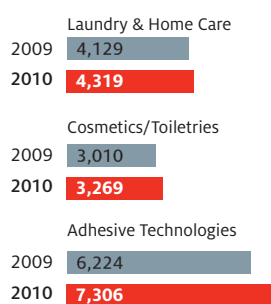
### Sales development<sup>1)</sup>

in percent	2010
Change versus previous year	11.2
Foreign exchange	4.8
After adjusting for foreign exchange	6.4
Acquisitions/Divestments	-0.6
Organic	7.0
of which price	-1.5
of which volume	8.5

<sup>1)</sup> Calculated on the basis of units of 1,000 euros.

### Sales by business sector<sup>\*)</sup>

in million euros



<sup>\*)</sup> Excluding Corporate.

Each of the business sectors posted increases in organic sales: Adhesive Technologies performed exceptionally well, achieving a double-digit growth rate of 11.8 percent; Cosmetics/Toiletries continued its positive growth trend of previous years, and with an improvement of 4.8 percent substantially outperformed a stagnating market; and the Laundry & Home Care business sector achieved an organic increase in sales of 1.5 percent within a slightly contracting market environment. In all three business sectors, we succeeded in further expanding our relevant market share.

We were able to increase sales in all our regions:

In Western Europe, revenues increased by 4.3 percent to 5,470 million euros. The organic sales growth achieved of 4.0 percent was supported by all our business sectors, particularly Adhesive Technologies which recorded an organic growth rate in the high single-digit percentage range. Due to the even stronger growth in other regions, however, the share of sales accounted for by Western Europe fell from 39 to 36 percent.

Sales in the Eastern Europe region increased substantially, by 13.7 percent to 2,649 million euros. Organic sales growth came in at 7.2 percent, supported particularly by the business sectors Cosmetics/Toiletries and Adhesive Technologies, both of which posted double-digit percentage growth rates. Sales of the Laundry & Home Care business sector remained at the level of the previous year. The share of sales accounted for by this region rose from 16 to 18 percent.

Africa/Middle East continued to develop very encouragingly, with sales growing by 18.7 percent to 901 million euros. The share of sales of this region remained constant at 6 percent. All three business sectors contributed to the organic sales growth of 12.8 percent, each turning in double-digit increases.

Sales in North America rose by 7.0 percent to 2,724 million euros. Organic sales growth amounted to 3.5 percent thanks to the results achieved by Adhesive Technologies. Sales of the business sectors Laundry & Home Care and Cosmetics/Toiletries decreased. The share of sales accounted for by the North America region fell from 19 to 18 percent.

The region of Latin America continued to perform very well, recording sales growth of 19.1 percent to 982 million euros. The organic sales growth of 9.8 percent was supported by the business sectors Cosmetics/Toiletries and Adhesive Technologies. The share of sales of this region increased from 6 to 7 percent.

The upward trend was most pronounced in the Asia-Pacific region: sales there increased by 30.8 percent to 2,168 million euros with organic growth at 17.8 percent. The Adhesive Technologies

and the Cosmetics/Toiletries business sectors performed particularly well with double-digit growth rates, more than offsetting the organic decline in sales experienced by Laundry & Home Care. Asia-Pacific increased its share of sales compared to the previous year from 12 to 14 percent.

Sales of our growth regions Eastern Europe, Africa/Middle East, Latin America and Asia (excluding Japan) increased by 19.9 percent to 6,132 million euros. Organic growth reached 11.8 percent with contributions coming particularly from the business sectors Adhesive Technologies and Cosmetics/Toiletries. The share of sales of these emerging markets increased from 38 to 41 percent.

To make the development of our underlying operating activities more transparent, in the following we discuss the earnings of our business sectors after adjusting for one-time charges/gains and restructuring charges:

#### Adjusted<sup>1)</sup> operating profit (EBIT)

in million euros	2009	2010	%
EBIT (as reported)	1,080	1,723	59.5
One-time gains	-9	-59	
One-time charges	134	14	
Restructuring charges	159	184	
Adjusted <sup>1)</sup> EBIT	1,364	1,862	36.5

Our adjusted<sup>1)</sup> operating profit (adjusted EBIT) increased by 36.5 percent, from 1,364 million euros in the previous year to 1,862 million euros in 2010, with all our business sectors contributing. Adjusted<sup>1)</sup> return on sales (adjusted EBIT margin) within the Group improved by 2.3 percentage points to 12.3 percent, matching our guidance updated in November 2010 in which we forecast a figure “significantly above 12.0 percent.” The biggest margin improvement came from Adhesive Technologies with an increase from 8.1 to 12.8 percent. Contributory factors included strong volume growth and a consistently strict focus on cost. At 13.0 percent (previous year: 12.8 percent) and 13.3 percent (previous year: 12.9 percent) respectively, the consumer businesses Laundry & Home Care and Cosmetics/Toiletries likewise posted gratifying increases in adjusted<sup>1)</sup> return on sales, with strict cost control again making a significant contribution.

The positive market environment also contributed to the good earnings performance encountered in our regions:

In Western Europe, operating profit increased to 706 million euros, an improvement of 32.8 percent (32.1 percent after adjusting for foreign exchange). The business sectors Adhesive Technologies and Laundry & Home Care experienced a particularly high increase in their currency-adjusted operating profits. At 12.9 percent, the return on sales for the region was substantially above the prior-year level of 10.1 percent.

In Eastern Europe, we were able to increase EBIT to 314 million euros, a rise of 35.2 percent (25.2 percent after adjusting for foreign exchange). Within this region, all three business sectors were able to improve their currency-adjusted operating profit. The region’s return on sales likewise increased significantly, from 10.0 percent in the previous year to 11.9 percent.

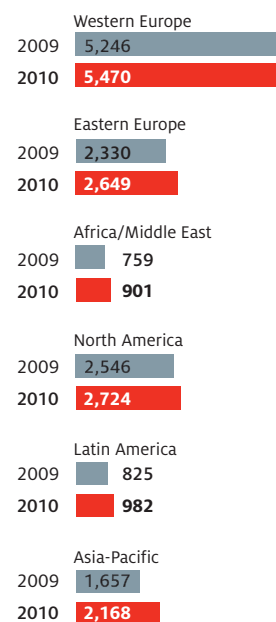
The operating profit attributable to Africa/Middle East improved to 81 million euros, an increase of 8.7 percent (0.5 percent after adjusting for foreign exchange), due mainly to the significant increase in profit at Laundry & Home Care. Return on sales in this region came in at 9.0 percent, below the prior-year figure of 9.8 percent.

In North America, operating profit increased considerably to 320 million euros, up 152.7 percent (137.6 percent after adjusting for foreign exchange). With the market environment recovering, the Adhesive Technologies business sector in particular was able to substantially improve its operating result, more than offsetting the decline encountered at Laundry & Home Care. Overall, return on sales rose significantly, from 5.0 to 11.8 percent.

Operating profit in the Latin America region rose substantially to 104 million euros, an improvement of 39.8 percent. After adjusting for foreign exchange, the EBIT increase was 29.9 percent. Return on sales rose by 1.5 percentage points to 10.5 percent.

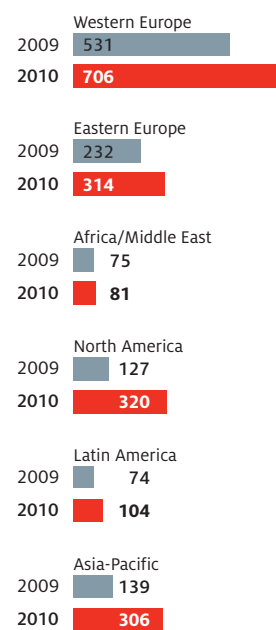
In the Asia-Pacific region, we more than doubled operating profit to 306 million euros, an increase of 119.7 percent (96.6 percent after adjusting for-

#### Sales by region<sup>\*)</sup> in million euros



<sup>\*)</sup> Excluding Corporate.

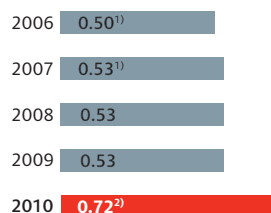
#### EBIT by region<sup>\*)</sup> in million euros



<sup>\*)</sup> Excluding Corporate.

<sup>1)</sup> Adjusted for one-time charges/gains and restructuring charges.

### Preferred share dividends in euros



<sup>1)</sup> Comparable based on share split (1:3) of June 18, 2007.  
<sup>2)</sup> Proposal.

## Forecast

for 2010 achieved in full.

eign exchange). This improvement is primarily due to the significant recovery undergone by Adhesive Technologies. The region's return on sales recovered substantially from 8.4 to 14.1 percent.

### Comparison between actual and forecast business performance

In our report for fiscal 2009, we offered guidance for the coming financial year of 2010 indicating that the sales of our business sectors would again exceed the rate of expansion of our relevant markets and that there would be a noticeable improvement in adjusted<sup>1)</sup> operating profit (EBIT) and adjusted<sup>1)</sup> earnings per preferred share (EPS) compared to the levels recorded in 2009. We achieved this forecast in full.

In all three business sectors, we posted organic growth rates above those of the relevant markets. At the Group level, we achieved a substantial increase in adjusted<sup>1)</sup> operating profit of 36.5 percent to 1,862 million euros (2009: 1,364 million euros) and an even greater rise in adjusted<sup>1)</sup> earnings per preferred share of 47.6 percent to 2.82 euros (2009: 1.91 euros).

The adjusted<sup>1)</sup> return on sales figure rose by 2.3 percentage points to 12.3 percent, and likewise came in as forecast in our report for the third quarter, published on November 10, 2010, in which our guidance indicated that the figure would be "well above 12.0 percent."

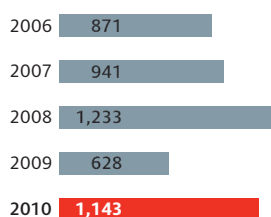
### Net income

Income before tax increased by 75.4 percent to 1,552 million euros. Taxes on income amounted to 409 million euros. The tax rate was 26.4 percent, 2.6 percentage points lower than in the previous year. In 2009, the tax rate was burdened by exceptional items arising from the integration of the National Starch businesses.

Net income for the year increased by 82.0 percent to 1,143 million euros. After deducting non-controlling interests of 25 million euros, net income totaled 1,118 million euros (+85.7 percent). Adjusted net income after non-controlling interests rose by 47.9 percent to 1,217 million euros.

### Net income

in million euros



### Dividends

According to our financial strategy, our dividend payout ratio should be around 25 percent of the net income attributable to shareholders of Henkel AG & Co. KGaA after adjustment for exceptional items. We therefore intend to propose to the Annual General Meeting that the dividends payable on both classes of share should increase to 0.72 euros per preferred share and 0.70 euros per ordinary share, giving a payout ratio of 25.5 percent.

### Earnings per share (EPS)

Basic earnings per preferred share increased from 1.40 euros to 2.59 euros, and earnings per ordinary share increased from 1.38 euros to 2.57 euros. Adjusted earnings per preferred share amounted to 2.82 euros (previous year: 1.91 euros). As of December 31, 2010, the Stock Incentive Plan introduced in 2000 resulted in a dilution of earnings per ordinary and per preferred share of 1 eurocent each.

### Assets and financial analysis

#### Acquisitions and divestments

Within the Laundry & Home Care business sector, we increased our shareholding in two companies to 100 percent, spending 23 million euros in Guatemala and 6 million euros in Cyprus in the process.

In the Cosmetics/Toiletries business sector, we paid 41 million euros to acquire Schwarzkopf Inc., Culver City, California, USA, in order to better utilize the potential available from having a direct presence in the marketplace. We also spent 1 million euros on an acquisition in the Middle East.

Within the Adhesive Technologies business sector, we increased our shareholding in a company in China to 100 percent at a cost of 7 million euros. In Taiwan, we sold our business involving solder bumps/spheres for 5 million euros. Activities not regarded as core were sold in South Korea for 15 million euros, and in Japan for 2 million euros.

Neither the acquisitions and divestments made nor the other measures resulted in changes in our business and organizational structure.

<sup>1)</sup> Adjusted for one-time charges/gains and restructuring charges.

## Capital expenditures

Capital expenditures (excluding financial assets) amounted to 256 million euros in the year under review. Investments in property, plant and equipment for our continuing operations totaled 240 million euros, 104 million euros below the level of the previous year. This decrease is essentially due to a reduction in our investment plans and postponement of major capital expenditure projects. A large portion of the 2010 spend was on property, plant and equipment due to continuing integration and consolidation work involving the acquired National Starch sites. Further focal points were structural optimizations in production, and investments in plant for the manufacture of innovative, sustainable product lines.

### Capital expenditures 2010

in million euros	Continuing operations	Acquisitions	Total
Intangible assets	16	4	20
Property, plant and equipment	240	–	240
<b>Total</b>	<b>256</b>	<b>4</b>	<b>260</b>

For structural reasons, the emphasis of our capital expenditures in 2010 lay in Europe and North America. Around two thirds of the investment sum was spent on expansion projects.

## Employees

The positive economic developments and the effects of our expeditiously completed restructuring programs variously impacted headcount in 2010. As a result, the number of people employed at Henkel at the end of the reporting period decreased slightly by 1,408 to 47,854. Sales per capita increased substantially, by 19 percent to 313,502 euros. Henkel Group payroll costs amounted to 2,487 million euros. In accordance with our strategy of expanding our growth regions, we increased our personnel levels in Eastern Europe and Asia, while reducing them in the mature markets of Western Europe and North America. We intend to

### Employees

(at December 31 <sup>1)</sup> )	2006	%	2007	%	2008	%	2009	%	2010	%
Europe/Africa/Middle East	33,326	64.3	33,687	64.0	33,485	60.7	30,933	62.8	<b>30,078</b>	<b>62.9</b>
North America	6,651	12.8	6,438	12.2	7,360	13.4	5,714	11.6	<b>5,440</b>	<b>11.4</b>
Latin America	4,297	8.3	4,268	8.1	4,293	7.8	4,002	8.1	<b>3,699</b>	<b>7.7</b>
Asia-Pacific	7,545	14.6	8,235	15.7	10,004	18.1	8,613	17.5	<b>8,637</b>	<b>18.0</b>
<b>Total</b>	<b>51,819</b>	<b>100.0</b>	<b>52,628</b>	<b>100.0</b>	<b>55,142</b>	<b>100.0</b>	<b>49,262</b>	<b>100.0</b>	<b>47,854</b>	<b>100.0</b>

<sup>1)</sup> Base: permanent employees excluding apprentices.

further boost the employee numbers in the emerging economies in 2011, particularly in the fields of marketing, sales and distribution.

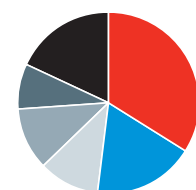
## Shares

Henkel share prices again experienced above-average increases in 2010, reaching historic highs. Thanks to the end of the global recession and positive growth rates in the world economy, the DAX gained 16.1 percent compared to the closing price of the previous year. The industry benchmark in the form of the Dow Jones Euro Stoxx Consumer Goods index increased by 25.6 percent. Within this positive market environment, the price of Henkel's preferred shares actually outpaced that increase, closing the year at 46.54 euros, 27.7 percent above the prior-year level, having reached a historic high on December 1 with 48.40 euros. Closing at 38.62 euros, our ordinary shares showed an increase of 24.0 percent, having likewise reached a historic high of 40.30 euros on December 6.

In the first ten months of 2010, Henkel shares initially tracked the market as a whole with overall positive tendencies, thereafter rising substantially as the end of the year approached. Henkel share price levels were positively influenced by the very strong operational developments undergone by the company. Toward year-end, Henkel's shares were able to successively further improve on their previous highs, outperforming the relevant benchmark indexes.

Trading volumes in preferred shares remained almost unchanged in the year-on-year comparison. Each trading day saw an average of 1.0 million preferred shares changing hands (previous year: 1.0 million). The average volume in the case of our ordinary shares decreased to 130,000 per trading day (previous year: 200,000). Due to the positive increase in share price levels, the market capitalization of our ordinary and preferred stock combined rose from 14.6 billion euros to 18.3 billion euros.

Employees by region in 2010



- 34% Western Europe
- 18% Eastern Europe
- 11% Africa/Middle East
- 11% North America
- 8% Latin America
- 18% Asia-Pacific

Key data on Henkel shares 2006 to 2010

in euros	2006 <sup>1)</sup>	2007 <sup>1)</sup>	2008	2009	2010
<b>Earnings per share</b>					
Ordinary share	1.97	2.12	2.81	1.38	2.57
Preferred share	1.99	2.14	2.83	1.40	2.59
<b>Share price at year-end<sup>2)</sup></b>					
Ordinary share	32.73	34.95	18.75	31.15	38.62
Preferred share	37.16	38.43	22.59	36.43	46.54
<b>High for the year<sup>2)</sup></b>					
Ordinary share	33.14	37.50	34.95	31.60	40.30
Preferred share	37.82	41.60	38.43	36.87	48.40
<b>Low for the year<sup>2)</sup></b>					
Ordinary share	25.66	29.96	16.68	16.19	30.31
Preferred share	28.21	33.70	19.30	17.84	35.21

<sup>1)</sup> Comparable based on share split (1:3) of June 18, 2007.

<sup>2)</sup> Closing share prices, Xetra trading system.

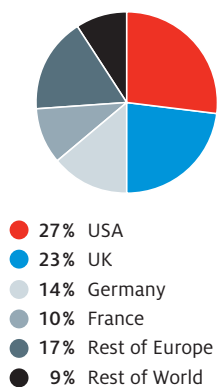
For long-term investors, Henkel's shares remain a very attractive investment. Shareholders who invested 1,000 euros when Henkel's preferred shares were issued in 1985, and then re-invested the dividends received (before tax deduction) in the stock, would have had a portfolio value of about 14,344 euros by the end of 2010. This represents an investment growth of 1,334 percent or an average yield of 11.1 percent per year. Over the same period, DAX tracking would have provided an annual yield of 7.4 percent. And over the last five and ten years, Henkel preferred shares have shown an average yield of 12.4 and 9.1 percent per year respectively, offering a significantly higher return than the DAX which yielded 5.0 and 0.7 percent in the same respective periods.

of these shares are owned by institutional investors with globally distributed shareholdings.

According to notices of disclosure received by the company, members of the Henkel family own a majority of the ordinary shares amounting to 53.21 percent. We have received no further notices of disclosure from other shareholders indicating a shareholding in excess of 3 percent of the voting shares (notifiable ownership).

In the period up to 2007, Henkel repurchased around 7.5 million preferred shares to fund the Stock Incentive Plan operated for our senior executive personnel. As of December 31, 2010, this treasury stock amounted to 4.0 million preferred shares.

Shareholder structure: Institutional investors holding Henkel preferred shares



Source: Thomson Reuters.

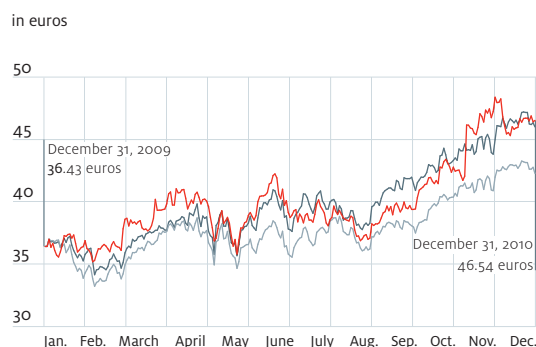
International shareholder structure

The ownership structure of our preferred shares – the significantly more liquid class of stock – shows a free float of 100 percent. A large majority

Employee share program

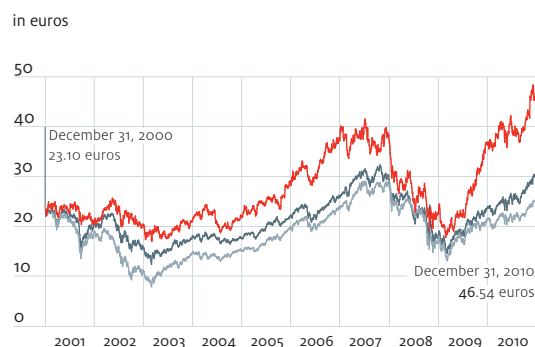
Since 2001, Henkel has been operating an employee share program (ESP). For each euro invested by an employee (limited to 4 percent of salary up to a

Henkel preferred share performance versus market 2010



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

Henkel preferred share performance versus market 2001 to 2010



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

maximum of 5,000 euros per year), Henkel added an additional 33 cents in 2010. The number of subscribers increased by 12 percent in the year under review compared to the previous year, with around 10,500 employees in 57 countries buying Henkel shares within the framework of this program. At year-end, around 14,000 employees held a total of some 3.6 million shares within the ESP, representing roughly 2.0 percent of the total preferred shares outstanding. The vesting period for newly acquired ESP shares is three years.

## Forecast

### General economic development

#### Overview: GDP growth of 3 percent expected

The world economy is set to continue growing in 2011. We anticipate an increase in global gross domestic product of around 3 percent. Private consumption is likely to increase by a good 2.5 percent, with industrial output experiencing considerably stronger growth of some 6 percent.

#### Regions: emerging markets also heading for serious growth

The emerging nations – and here especially the BRIC states, i.e. Brazil, Russia, India and China – are again likely to prove to be the “growth engines” of the world economy in 2011.

We expect the industrialized countries to undergo growth of around 2 percent in 2011, with only relatively minor regional differences. The US economy should grow by about 2 percent, with Western Europe and Japan each expanding by 1.5 percent. Our expectation for Asia (excluding Japan) and Latin America is for a rise in GDP of around 7 percent and 4 percent respectively. Eastern Europe is likely to accelerate to about 4 percent. We expect GDP in the Africa/Middle East region to also grow by around 4 percent, despite the current political tensions apparent in some states.

#### Raw material prices: further rises ahead

Given the upward direction of current economic development, we expect raw material prices to also increase, in some cases in the double-digit percentage range. We also anticipate an increase in energy prices.

#### Currencies: no major changes

We do not anticipate any marked change in the euro exchange rate versus the US dollar, with the

annual average likely to remain at around 1.30 to the dollar, subject to the proviso that the European financial crisis is not unduly exacerbated. We also assume that there will be no major changes in the euro parities with respect to the other major currencies such as the Japanese yen, the Chinese yuan or the Russian ruble.

#### Inflation: slight uptick anticipated

World inflation is likely to lie at around 3 percent in 2011. While the industrialized countries are expected to enjoy a high degree of price stability and therefore an index increase of just 1.5 percent, the figure for the growth regions is likely to average a good 5 percent.

#### Interest policy: low rates set to continue for the time being

We expect that the central banks will maintain their low-interest and expansive monetary policies, with favorable interest rate levels persisting.

#### Unemployment: slight global decrease anticipated

Employment opportunities are likely to gradually improve as the global economic recovery continues. In our estimation, world unemployment levels should therefore decrease from 8 to around 7.8 percent.

#### Outlook for the Henkel Group in 2011

Our guidance is based on the assumption that global gross domestic product will increase by around 3 percent in fiscal 2011.

We are confident of once again outperforming our relevant markets in terms of organic sales growth (i.e. sales adjusted for foreign exchange and acquisitions/divestments), expecting an increase within the range of 3 to 5 percent.

We base this prediction on our strong competitive position. This we have consolidated and further extended in recent years through our innovative strength, our strong brands, our leading market presence and the quality of our portfolio.

In recent years we have introduced a number of measures that have had a positive impact on our cost structure. And in this year too, we intend to further adapt our structures to the constantly changing market conditions as a continuation of our commitment to strict cost discipline.

### Expected development of the markets of relevance to Henkel

Business sector	2011
Laundry & Home Care	0%
Cosmetics/Toiletries	0%
Adhesive Technologies	3–5%

**3 to 5%**  
organic growth rate expected for 2011.

Around **13 %**  
adjusted<sup>1)</sup> return on sales  
expected for 2011.

Around **10 %**  
rise in adjusted<sup>1)</sup> earnings per  
preferred share expected.

All these factors, together with the expected increase in sales, will positively influence our earnings development. Taking the 2010 results as our basis, we anticipate achieving an increase to around 13 percent (2010: 12.3 percent) in adjusted<sup>1)</sup> return on sales (EBIT) and an increase in adjusted<sup>1)</sup> earnings per preferred share of around 10 percent.

#### Dividends

In keeping with our financial strategy, the dividend payout should be around 25 percent of net income attributable to shareholders of Henkel AG & Co. KGaA. Based on the anticipated increase in earnings, we therefore expect to further increase dividends paid for 2011.

#### Research and development

The development of innovative products is of key importance to the performance of all three of our business sectors. Hence, we plan to invest around 2.6 percent of our sales in R&D in 2011.

#### Capital expenditures

Having cut back our capital expenditures in 2010 in the wake of the economic and financial crisis, we plan to invest around 400 million euros in property, plant and equipment in 2011. We intend to substantially increase capital expenditures in our growth regions. For structural reasons, a large portion of our investments will be in Europe and North America. Major projects in the pipeline include a high-capacity packaging line for air fresheners in the USA (Laundry & Home Care), a packaging line for new folding boxes in Germany (Cosmetics/Toiletries) and the construction of a plant in China destined to be our largest adhesives manufacturing facility worldwide (Adhesive Technologies).

#### Acquisitions and financing

Our priority in fiscal 2011 will be on further reducing our net debt and, related to this, adding to the strength of our financial base. Our priority is on regaining our target ratings "A flat" (Standard & Poor's) and "A2" (Moody's). Any acquisitions made will therefore be limited in scope such that they do not inhibit the achievement of this primary objective.

We also expect the following developments to materialize in 2011:

- An increase in the overall cost of raw materials, packaging, contract manufacturing and traded goods in the high single-digit percentage range.
- Restructuring charges amounting to between 100 and 120 million euros.
- A financial result in the region of minus 160 million euros.
- A tax rate of around 26 percent.

#### Sales and profits forecast 2012

With our focus firmly fixed on pursuing the three strategic priorities formulated in 2008 and the progress that we have made in their achievement, we have laid a solid foundation for the generation of future profitable growth.

With world economic growth in 2011 likely to be around 3 percent, we expect a similar rate of expansion in 2012.

On that basis, we will again be aiming in 2012 at achieving an organic sales growth rate of between 3 and 5 percent, therefore outperforming the markets of relevance to us. Due to the measures aimed at achieving our full business potential – both implemented and still outstanding – we are very confident of reaching our 2012 targets of 14 percent in adjusted<sup>1)</sup> return on sales (EBIT) and an increase of more than 10 percent in adjusted<sup>1)</sup> earnings per preferred share (EPS).

#### Financial targets for 2012

Annual organic sales growth (average):  
**3–5 percent**

Adjusted<sup>1)</sup> return on sales (EBIT):  
**14 percent**

Annual growth in adjusted<sup>1)</sup> earnings per  
preferred share (average):  
**> 10 percent**

<sup>1)</sup> Adjusted for one-time charges/gains and restructuring charges.

# Consolidated balance sheet

## Assets

in million euros	2009	%	2010	%
Intangible assets	8,218	52.0	8,641	49.3
Property, plant and equipment	2,248	14.2	2,215	12.6
Non-current financial assets	360	2.3	328	1.9
Non-current income tax refund claims	2	–	3	–
Other non-current assets	12	0.1	30	0.2
Deferred taxes	322	2.0	358	2.0
<b>Non-current assets</b>	<b>11,162</b>	<b>70.6</b>	<b>11,575</b>	<b>66.0</b>
Inventories	1,218	7.7	1,460	8.3
Trade accounts receivable	1,721	10.9	1,893	10.8
Other current financial assets	214	1.3	708	4.0
Other current assets	224	1.4	210	1.2
Current income tax refund claims	139	0.9	133	0.8
Liquid funds/Marketable securities	1,110	7.0	1,515	8.7
<b>Current assets</b>	<b>4,626</b>	<b>29.2</b>	<b>5,919</b>	<b>33.8</b>
<b>Assets held for sale</b>	<b>30</b>	<b>0.2</b>	<b>31</b>	<b>0.2</b>
<b>Total assets</b>	<b>15,818</b>	<b>100.0</b>	<b>17,525</b>	<b>100.0</b>

## Equity and liabilities

in million euros	2009	%	2010	%
Issued capital	438	2.8	438	2.5
Capital reserve	652	4.1	652	3.7
Treasury shares	–109	–0.7	–99	–0.5
Retained earnings	7,017	44.4	7,926	45.2
Other components of equity	–1,524	–9.6	–1,058	–6.0
<b>Equity attributable to shareholders of Henkel AG &amp; Co. KGaA</b>	<b>6,474</b>	<b>41.0</b>	<b>7,859</b>	<b>44.9</b>
Non-controlling interests	70	0.4	91	0.5
<b>Equity</b>	<b>6,544</b>	<b>41.4</b>	<b>7,950</b>	<b>45.4</b>
Pension obligations	867	5.5	594	3.4
Non-current income tax provisions	152	1.0	119	0.7
Other non-current provisions	241	1.5	302	1.7
Non-current borrowings	3,426	21.7	3,570	20.4
Non-current financial liabilities	88	0.5	128	0.7
Other non-current liabilities	20	0.1	17	0.1
Deferred taxes	367	2.3	416	2.4
<b>Non-current liabilities</b>	<b>5,161</b>	<b>32.6</b>	<b>5,146</b>	<b>29.4</b>
Current income tax provisions	224	1.4	327	1.9
Other current provisions	938	5.9	867	4.9
Current borrowings	660	4.2	536	3.1
Trade accounts payable	1,885	11.9	2,308	13.1
Current financial liabilities	145	0.9	175	1.0
Other current liabilities	251	1.6	205	1.1
Current income tax liabilities	10	0.1	11	0.1
<b>Current liabilities</b>	<b>4,113</b>	<b>26.0</b>	<b>4,429</b>	<b>25.2</b>
<b>Total equity and liabilities</b>	<b>15,818</b>	<b>100.0</b>	<b>17,525</b>	<b>100.0</b>

# Consolidated statement of income

in million euros	2009	%	2010	%	Change
Sales	13,573	100.0	15,092	100.0	11.2%
Cost of sales <sup>1)</sup>	-7,411	-54.6	-8,078	-53.5	9.0%
<b>Gross profit</b>	<b>6,162</b>	<b>45.4</b>	<b>7,014</b>	<b>46.5</b>	<b>13.8%</b>
Marketing, selling and distribution expenses <sup>1)</sup>	-3,926	-28.9	-4,257	-28.2	8.4%
Research and development expenses <sup>1)</sup>	-396	-2.9	-391	-2.6	-1.3%
Administrative expenses <sup>1)</sup>	-735	-5.4	-750	-5.0	2.0%
Other operating income	140	1.0	216	1.4	54.3%
Other operating charges	-165	-1.2	-109	-0.7	-33.9%
<b>Operating profit (EBIT)</b>	<b>1,080</b>	<b>8.0</b>	<b>1,723</b>	<b>11.4</b>	<b>59.5%</b>
Interest income	70	0.5	64	0.4	-8.6%
Interest expense	-261	-1.9	-236	-1.5	-9.6%
Interest result	-191	-1.4	-172	-1.1	-9.9%
Investment result	-4	-	1	-	>100.0%
<b>Financial result</b>	<b>-195</b>	<b>-1.4</b>	<b>-171</b>	<b>-1.1</b>	<b>-12.3%</b>
<b>Income before tax</b>	<b>885</b>	<b>6.6</b>	<b>1,552</b>	<b>10.3</b>	<b>75.4%</b>
Income tax expense	-257	-1.9	-409	-2.7	59.1%
<b>Net income</b>	<b>628</b>	<b>4.7</b>	<b>1,143</b>	<b>7.6</b>	<b>82.0%</b>
– Attributable to non-controlling interests	26	0.2	25	0.2	-3.8%
– Attributable to shareholders of Henkel AG & Co. KGaA	602	4.5	1,118	7.4	85.7%

<sup>1)</sup> Restructuring charges 2010: 184 million euros (2009: 159 million euros), of which: cost of sales 114 million euros (2009: 70 million euros); marketing, selling and distribution expenses 23 million euros (2009: 52 million euros); research and development expenses 8 million euros (2009: 52 million euros); administrative expenses 39 million euros (2009: 24 million euros).

## Earnings per share (basic)

in euros	2009	2010	Change
Ordinary shares	1.38	2.57	86.2%
Non-voting preferred shares	1.40	2.59	85.0%

## Earnings per share (diluted)

in euros	2009	2010	Change
Ordinary shares	1.38	2.56	85.5%
Non-voting preferred shares	1.40	2.58	84.3%

## Additional voluntary information

in million euros	2009	2010
<b>EBIT (as reported)</b>	<b>1,080</b>	<b>1,723</b>
One-time gains <sup>1)</sup>	-9	-59
One-time charges <sup>2)</sup>	134	14
Restructuring charges	159	184
<b>Adjusted EBIT</b>	<b>1,364</b>	<b>1,862</b>
<b>Adjusted return on sales</b>	<b>in %</b>	<b>12.3</b>
<b>Adjusted financial result</b>	<b>-195</b>	<b>-171</b>
<b>Adjusted net income</b>	<b>822</b>	<b>1,217</b>
– Attributable to shareholders of Henkel AG & Co. KGaA		
<b>Adjusted earnings per preferred share</b>	<b>in euros</b>	<b>2.82</b>

<sup>1)</sup> Of which: 19 million euros from the release of a provision for an onerous supplier contract; 15 million euros gain from a compensation payment for license rights; 15 million euros from the release of provisions for post-retirement health care; 10 million euros from the release of provisions for restructuring.

<sup>2)</sup> Of which: 6 million euros arising from the write-down of assets relating to the sale of our adhesives business in South Korea; 5 million euros loss from the impairment of a customer relationship attributable to our adhesives business; 3 million euros loss from the sale of our adhesives business involving solder bumps (soldering spheres) in Taiwan.

## Statement of comprehensive income

in million euros	2009	2010
<b>Net income</b>	628	1,143
Exchange differences on translation of foreign operations	-104	531
Derivative financial instruments	-11	-59
Actuarial gains/losses	-285	53
<b>Other comprehensive income (net of taxes)</b>	-400	525
<b>Total comprehensive income for the period</b>	228	1,668
– Attributable to non-controlling interests	24	31
– Attributable to shareholders of Henkel AG & Co. KGaA	204	1,637

## Statement of changes in equity

in million euros	Issued capital		Capital reserve	Treasury shares	Retained earnings	Other components		Shareholders of Henkel AG & Co. KGaA	Non-controlling interests	Total
	Ordinary shares	Preferred shares				Translation differences	Financial instruments			
<b>At January 1, 2009</b>	260	178	652	-115	6,920	-1,199	-212	6,484	51	6,535
Net income					602			602	26	628
Other comprehensive income					-285	-102	-11	-398	-2	-400
<b>Total comprehensive income</b>					317	-102	-11	204	24	228
Distributions					-224			-224	-12	-236
Sale of treasury shares				6	4			10		10
Other changes in equity					-				7	7
<b>At December 31, 2009 / January 1, 2010</b>	260	178	652	-109	7,017	-1,301	-223	6,474	70	6,544
Net income					1,118			1,118	25	1,143
Other comprehensive income					53	525	-59	519	6	525
<b>Total comprehensive income</b>					1,171	525	-59	1,637	31	1,668
Distribution					-225			-225	-19	-244
Sale of treasury shares				10	9			19		19
Other changes in equity					-46			-46	9	-37
<b>At December 31, 2010</b>	260	178	652	-99	7,926	-776	-282	7,859	91	7,950

# Consolidated cash flow statement

in million euros	2009	2010
<b>Operating profit (EBIT)</b>	<b>1,080</b>	<b>1,723</b>
Income taxes paid	-305	-365
Amortization/depreciation/write-ups of non-current assets (excluding financial assets)	588	478
Net gains/losses on disposal of non-current assets (excluding financial assets)	12	-5
Change in inventories	276	-182
Change in trade accounts receivable	136	-72
Change in other financial assets and other assets	-15	-14
Change in trade accounts payable	208	341
Change in other liabilities and provisions	-61	-53
<b>Cash flow from operating activities</b>	<b>1,919</b>	<b>1,851</b>
Purchase of intangible assets	-28	-16
Purchase of property, plant and equipment	-344	-240
Purchase of financial assets/acquisitions	19 <sup>1) 2)</sup>	-46
Proceeds on disposal of subsidiaries and business units	90	19
Proceeds on disposal of other non-current assets	51	43
<b>Cash flow from investing activities/acquisitions</b>	<b>-212</b>	<b>-240</b>
Dividends paid to shareholders of Henkel AG & Co. KGaA	-224	-225
Dividends paid to non-controlling interests	-12	-19
Interest received	70	60
Interest paid	-211	-220
<i>Dividends and interests paid and received</i>	<i>-377</i>	<i>-404</i>
Change in borrowings	-152	-174
Allocation to pension funds	-389	-312
Other changes in pensions obligations	5	30
Other financing transactions	-19 <sup>2)</sup>	-363
<b>Cash flow from financing activities</b>	<b>-932</b>	<b>-1,223</b>
Net increase in cash and cash equivalents	775	388
Effect of exchange rates on cash and cash equivalents	-3	17
<b>Change in liquid funds/marketable securities</b>	<b>772</b>	<b>405</b>
Liquid funds/marketable securities at January 1	338	1,110
Liquid funds/marketable securities at December 31	1,110	1,515

<sup>1)</sup> Of which: 103 million euros proceeds from the cash pool settlement from acquisition of the National Starch businesses.

<sup>2)</sup> Prior-year figures adjusted with retrospective effect following changes in IAS 7 resulting from IAS 27.

## Additional voluntary information

### Reconciliation to free cash flow

in million euros	2009	2010
Cash flow from operating activities	1,919	1,851
Purchase of intangible assets	-28	-16
Purchase of property, plant and equipment	-344	-240
Proceeds on disposal of other non-current assets	51	43
Net interest paid	-141	-160
Other changes in pensions obligations	5	30
<b>Free cash flow</b>	<b>1,462</b>	<b>1,508</b>

# Group segment report by business sector<sup>1)</sup>

in million euros	Laundry & Home Care	Cosmetics/ Toiletries	Adhesives for Consumers and Craftsmen	Industrial Adhesives	Total Adhesive Technologies	Operating business sectors total	Corporate	Henkel Group
Sales 2010	4,319	3,269	1,872	5,434	7,306	14,894	199	15,092
Change from previous year	4.6%	8.6%	7.7%	21.1%	17.4%	11.5%	–	11.2%
After adjusting for foreign exchange	1.1%	4.7%	3.0%	14.2%	11.1%	6.6%	–	6.4%
Organic	1.5%	4.8%	6.6%	13.9%	11.8%	7.0%	–	7.0%
Proportion of Group sales	29%	22%	12%	36%	48%	99%	1%	100%
Sales 2009	4,129	3,010	1,738	4,486	6,224	13,363	210	13,573
EBIT 2010	542	411	216	662	878	1,831	–108 <sup>4)</sup>	1,723
EBIT 2009	501	387	104	186	290	1,178	–98 <sup>4)</sup>	1,080
Change from previous year	8.2%	6.1%	>100%	>100%	>100%	55.4%	–	59.5%
Return on sales (EBIT) 2010	12.6%	12.6%	11.5%	12.2%	12.0%	12.3%	–	11.4%
Return on sales (EBIT) 2009	12.1%	12.9%	6.0%	4.2%	4.7%	8.8%	–	8.0%
EBIT adjusted 2010	562	436	246	692	938	1,936	–74	1,862
EBIT adjusted 2009	530	387	199	307	506	1,423	–59	1,364
Change from previous year	6.2%	12.4%	23.9%	>100%	85.5%	36.1%	–	36.5%
Return on sales (adjusted EBIT) 2010	13.0%	13.3%	13.1%	12.7%	12.8%	13.0%	–	12.3%
Return on sales (adjusted EBIT) 2009	12.8%	12.9%	11.4%	6.8%	8.1%	10.6%	–	10.0%
Capital employed 2010 <sup>2)</sup>	2,558	2,041	1,004	6,046	7,049	11,648	–53	11,595
Capital employed 2009 <sup>2)</sup>	2,562	2,125	1,161	5,874	7,035	11,722	–181	11,541
Change from previous year	–0.2%	–3.9%	–13.5%	2.9%	0.2%	–0.6%	–	0.5%
Return on capital employed (ROCE) 2010	21.2%	20.1%	22.1%	11.0%	12.5%	15.8%	–	14.9%
Return on capital employed (ROCE) 2009	19.6%	18.2%	10.4%	3.7%	4.8%	10.4%	–	9.8%
Amortization and depreciation of intangible assets and property, plant and equipment 2010	121	48	67	220	287	456	22	478
of which impairment losses 2010	12	2	25	35	60	74	1	75
of which write-ups 2010	–	–	1	4	5	5	1	6
Amortization and depreciation of intangible assets and property, plant and equipment 2009	121	46	96	282	378	545	43	588
of which impairment losses 2009	10	1	32	105	137	148	27	175
of which write-ups 2009	1	–	–	2	2	3	–	3
Capital expenditures (excl. financial assets) 2010	85	43	35	85	120	248	11	260
Capital expenditures (excl. financial assets) 2009	156	43	40	153	193	392	23	415
Operating assets 2010 <sup>3)</sup>	4,135	2,919	1,433	7,190	8,623	15,677	352	16,029
Operating liabilities 2010	1,408	1,077	487	1,419	1,906	4,391	405	4,796
Net operating assets employed 2010 <sup>3)</sup>	2,727	1,842	946	5,770	6,717	11,286	–53	11,233
Operating assets 2009 <sup>3)</sup>	3,838	2,723	1,470	6,789	8,259	14,820	357	15,177
Operating liabilities 2009	1,123	800	375	1,195	1,570	3,493	538	4,031
Net operating assets employed 2009 <sup>3)</sup>	2,715	1,923	1,095	5,594	6,689	11,327	–181	11,146

<sup>1)</sup> Calculated on the basis of units of 1,000 euros.

<sup>2)</sup> Including goodwill at cost prior to any accumulated amortization in accordance with IFRS 3.79 (b).

<sup>3)</sup> Including goodwill at net book value.

<sup>4)</sup> Including restructuring charges of 14 million euros (2009: 44 million euros) disclosed for the last time under Corporate, arising from integration of the National Starch businesses.

## Key financials by region<sup>1)</sup>

in million euros	Western Europe	Eastern Europe	Africa/Middle East	North America	Latin America	Asia-Pacific	Regions total	Corporate	Henkel Group
<b>Sales<sup>2)</sup> 2010</b>	<b>5,470</b>	<b>2,649</b>	<b>901</b>	<b>2,724</b>	<b>982</b>	<b>2,168</b>	<b>14,894</b>	<b>199</b>	<b>15,092</b>
Change from previous year	4.3%	13.7%	18.7%	7.0%	19.1%	30.8%	11.5%	–	11.2%
After adjusting for foreign exchange	3.6%	7.4%	12.8%	1.0%	11.6%	17.9%	6.6%	–	6.4%
Organic	4.0%	7.2%	12.8%	3.5%	9.8%	17.8%	7.0%	–	7.0%
Proportion of Group sales	36%	18%	6%	18%	7%	14%	99%	1%	100%
Sales <sup>2)</sup> 2009	5,246	2,330	759	2,546	825	1,657	13,363	210	13,573
<b>EBIT 2010</b>	<b>706</b>	<b>314</b>	<b>81</b>	<b>320</b>	<b>104</b>	<b>306</b>	<b>1,831</b>	<b>–108</b>	<b>1,723</b>
EBIT 2009	531	232	75	127	74	139	1,178	–98	1,080
Change from previous year	32.8%	35.2%	8.7%	>100%	39.8%	>100%	55.4%	–	59.5%
After adjusting for foreign exchange	32.1%	25.2%	0.5%	>100%	29.9%	96.6%	47.6%	–	53.2%
<b>Return on sales (EBIT) 2010</b>	<b>12.9%</b>	<b>11.9%</b>	<b>9.0%</b>	<b>11.8%</b>	<b>10.5%</b>	<b>14.1%</b>	<b>12.3%</b>	<b>–</b>	<b>11.4%</b>
Return on sales (EBIT) 2009	10.1%	10.0%	9.8%	5.0%	9.0%	8.4%	8.8%	–	8.0%
<b>Return on capital employed (ROCE) 2010</b>	<b>26.6%</b>	<b>49.5%</b>	<b>25.9%</b>	<b>5.5%</b>	<b>20.3%</b>	<b>18.5%</b>	<b>15.8%</b>	<b>–</b>	<b>14.9%</b>
Return on capital employed (ROCE) 2009	17.6%	35.7%	26.0%	2.5%	14.8%	11.1%	10.4%	–	9.8%

<sup>1)</sup> Calculated on the basis of units of 1,000 euros.

<sup>2)</sup> By location of company.

In 2010, the affiliated companies domiciled in Germany, including Henkel AG & Co. KGaA, generated sales of 2,182 million euros (previous year: 2,048 million euros). Sales realized by the affiliated companies domiciled in the USA in 2010 amounted to 2,502 million euros (previous year: 2,363 million euros).

Of the total recognized non-current assets in the Henkel Group as of December 31, 2010 (excluding financial instruments and

deferred tax assets) in the amount of 10,876 million euros (previous year: 10,471 million euros), the affiliated companies domiciled in Germany, including Henkel AG & Co. KGaA, accounted for 1,043 million euros (previous year: 1,087 million euros). The affiliated companies domiciled in the USA reported non-current assets (excluding financial instruments and deferred tax assets) of 5,731 million euros (previous year: 5,448 million euros).

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## Financial calendar

### Annual General Meeting

Henkel AG & Co. KGaA 2011:  
Monday, April 11, 2011

### Publication of Report

for the First Quarter 2011:  
Wednesday, May 4, 2011

### Publication of Report

for the Second Quarter / Half Year 2011:  
Wednesday, August 10, 2011

### Publication of Report

for the Third Quarter / Nine Months 2011:  
Wednesday, November 9, 2011

### Publication of Report

for Fiscal 2011:  
Thursday, March 8, 2012

### Annual General Meeting

Henkel AG & Co. KGaA 2012:  
Monday, April 16, 2012

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