Q2

Quarterly financial report
April through June 2012

Half year financial report

Henkel Excellence is our Passion

Henkel: Financial highlights

in million euros	Q2/2011	Q2/2012	Change[1]	1–6/2011	1–6/2012	Change[1]
Sales	3,953	4,206	6.4 %	7,776	8,214	5.6 %
Operating profit (EBIT)	537	583	8.5 %	967	1,121	15.9 %
Laundry & Home Care	157	153	– 2.5 %	257	310	20.5 %
Cosmetics/Toiletries	140	131	– 6.3 %	253	252	– 0.4 %
Adhesive Technologies	269	327	21.3 %	513	610	18.9 %
Return on sales (EBIT) in %	13.6	13.9	0.3 pp	12.4	13.6	1.2 pp
Earnings before tax	496	548	10.5 %	889	1,050	18.1 %
Net income	375	412	9.9 %	665	790	18.8 %
– Attributable to non-controlling interests	– 9	– 11	22.2 %	– 14	– 20	42.9 %
– Attributable to shareholders of Henkel AG & Co. KGaA	366	401	9.6 %	651	770	18.3 %
Earnings per ordinary share in euros	0.85	0.92	8.2 %	1.50	1.77	18.0 %
Earnings per preferred share in euros	0.85	0.92	8.2 %	1.51	1.78	17.9 %
Return on capital employed (ROCE) in %	19.3	19.5	0.2 pp	17.3	18.9	1.6 pp
Capital expenditures on property, plant and equipment	87	82	–5.8 %	155	174	12.3 %
Research and development expenses	105	105	–	208	207	– 0.5 %
Number of employees (as of June 30)	47,768	46,865	– 1.9 %	47,768	46,865	– 1.9 %

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

Adjusted[1] earnings figures

in million euros	Q2/2011	Q2/2012	Change[2]	1–6/2011	1–6/2012	Change[2]
Adjusted operating profit (EBIT)	514	609	18.6 %	987	1,160	17.6 %
Adjusted return on sales (EBIT) in %	13.0	14.5	1.5 pp	12.7	14.1	1.4 pp
Adjusted earnings before tax	473	574	21.4 %	909	1,089	19.8 %
Adjusted net income	352	431	22.4 %	671	817	21.8 %
– Attributable to non-controlling interests	– 9	– 11	22.2 %	– 14	– 20	42.9 %
– Attributable to shareholders of Henkel AG & Co. KGaA	343	420	22.4 %	657	797	21.3 %
Adjusted earnings per preferred share in euros	0.79	0.97	22.8 %	1.52	1.84	21.1 %

[1] Adjusted for one-time charges/gains and restructuring charges.
[2] Calculated on the basis of units of 1,000 euros; figures commercially rounded. pp = percentage points

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Key financials

4,206 million euros

sales

+4.0%

organic sales growth

+5.1% Laundry & Home Care
+2.8% Cosmetics/Toiletries
+3.6% Adhesive Technologies

583 million euros

operating profit (EBIT)

609 million euros

adjusted[1] operating profit (EBIT):
up 18.6 percent

0.92 euros

earnings per preferred share (EPS)

0.97 euros

adjusted[1] earnings per preferred share (EPS):
up 22.8 percent

401 million euros

net quarterly income attributable to shareholders of Henkel AG & Co. KGaA

14.5%

adjusted[1] return on sales (EBIT):
up 1.5 percentage points

14.5% Laundry & Home Care
14.4% Cosmetics/Toiletries
15.7% Adhesive Technologies

7.5%

net working capital in percent of sales – an improvement of 0.9 percentage points

Key facts

All business sectors continue their profitable growth paths

Gross margin up again

Business sectors each achieve significant margin improvement

Acquisition of high-performance pressure sensitive adhesives from Cytec Industries Inc., USA, agreed and signed

[1] Adjusted for one-time charges (0 million euros)/one-time gains (0 million euros) and restructuring charges (26 million euros).

Major events

You will find our annual reports, our quarterly financial reports, the latest data on Henkel's shares and bonds, and also news, financial reports and presentations relating to the company on our Investor Relations website:
www.henkel.com/ir

On April 16, 2012, the Annual General Meeting of Henkel AG & Co. KGaA approved a dividend of 0.78 euros per ordinary share and 0.80 euros per preferred share. This means that the dividend payout is once again significantly above the level of the previous year. At the AGM, the shareholders also elected their representative members to the Supervisory Board and the members of the Shareholders' Committee.

On June 14, 2012, Henkel was honored by SAM (Sustainable Asset Management) Indexes GmbH in Berlin with three "SAM Sustainability Awards": in the market sector "Nondurable Household Products," Henkel was awarded the title of "Sector Leader" and the "Gold Class" for its sustainable development policies. We also garnered the accolade of "Sector Mover" as the company achieving the greatest improvement in sustainability performance within the sector.

On July 1, 2012, Carsten Knobel assumed the position of CFO, combining this with responsibility for Henkel's purchasing and procurement activities. He thus duly succeeds Dr. Lothar Steinebach who retired on June 30, 2012 after more than 30 years with Henkel.

Share performance

Prices on the stock markets underwent a significant decline in the second quarter of 2012, the DAX decreasing by 7.6 percent and the Dow Jones Euro Stoxx Consumer Goods Index by 4.6 percent.

The price of the Henkel preferred share reached its highest level of 56.71 euros on May 3. However, it fell overall in the second quarter by 4.7 percent, from 54.94 euros to 52.37 euros. Our stock, like the shares in the consumer goods sector, therefore experienced less of a decline than the DAX.

The premium generated by the preferred share compared to the ordinary share during the second quarter averaged 19.7 percent.

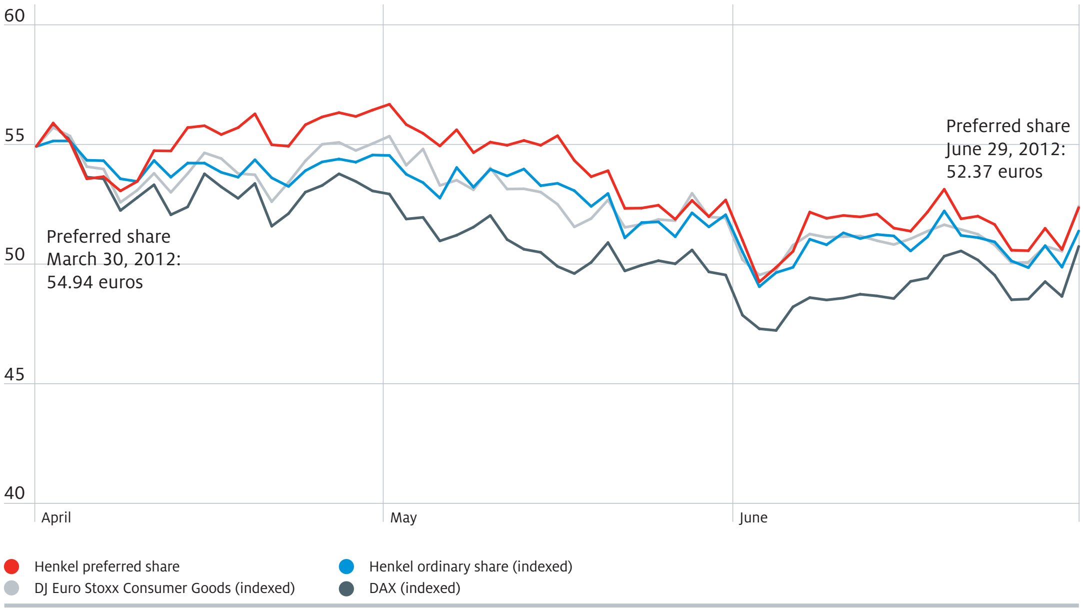
Key data on Henkel shares, second quarter

in euros	Q2/2011	Q2/2012
Earnings per share		
Ordinary share	0.85	**0.92**
Preferred share	0.85	**0.92**
Share price at period end [1]		
Ordinary share	39.53	**43.78**
Preferred share	47.87	**52.37**
High for the period [1]		
Ordinary share	41.10	**47.00**
Preferred share	49.81	**56.71**
Low for the period [1]		
Ordinary share	36.18	**41.78**
Preferred share	43.35	**49.25**
Market capitalization [1] **in bn euros**	**18.8**	**20.7**
Ordinary shares in bn euros	10.3	**11.4**
Preferred shares in bn euros	8.5	**9.3**

[1] Closing share prices, Xetra trading system.

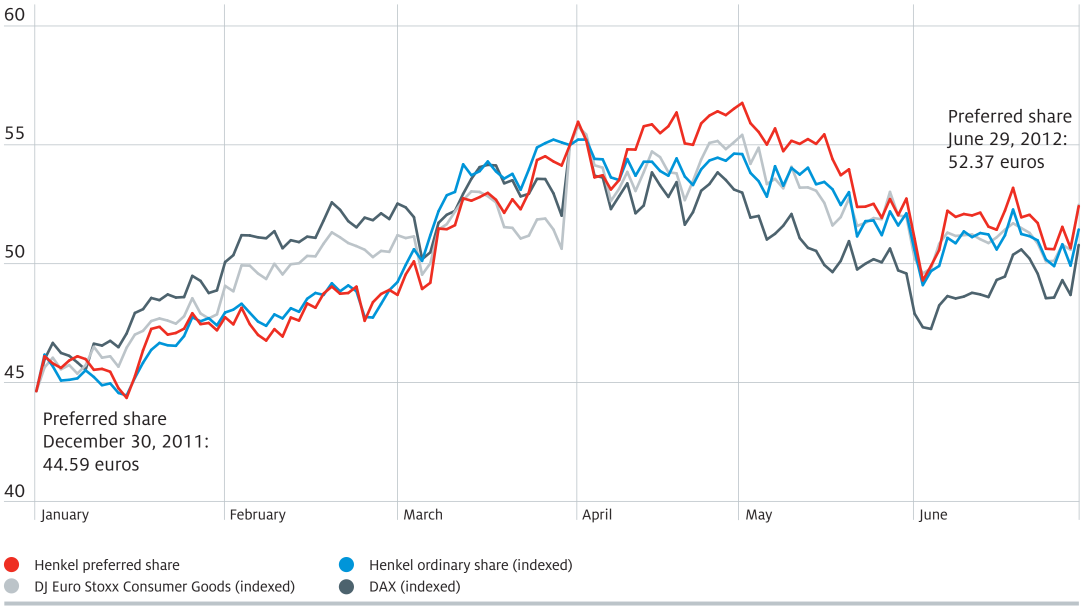
Performance of Henkel shares versus market second quarter 2012

in euros



Performance of Henkel shares versus market January through June 2012

in euros



Report second quarter 2012

Business performance second quarter 2012

Key financials[1]

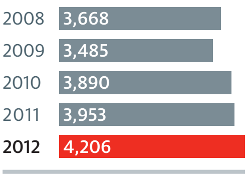
in million euros	Q2/2011	Q2/2012	+/–
Sales	3,953	4,206	6.4 %
Operating profit (EBIT)	537	583	8.5 %
Adjusted[2] operating profit (EBIT)	514	609	18.6 %
Return on sales (EBIT)	13.6 %	13.9 %	0.3 pp
Adjusted[2] return on sales (EBIT)	13.0 %	14.5 %	1.5 pp
Net income – Attributable to shareholders of Henkel AG & Co. KGaA	366	401	9.6 %
Adjusted[2] net income – Attributable to shareholders of Henkel AG & Co. KGaA	343	420	22.4 %
Earnings per preferred share in euros	0.85	0.92	8.2 %
Adjusted[2] earnings per preferred share in euros	0.79	0.97	22.8 %

pp = percentage points
[1] Calculated on the basis of units of 1,000 euros; figures commercially rounded.
[2] Adjusted for one-time charges/gains and restructuring charges.

Results of operations

In the second quarter of 2012, we achieved an increase in sales of 6.4 percent to 4,206 million euros. After adjusting for foreign exchange, sales improved by 2.9 percent. Organically – i.e. adjusted for foreign exchange and acquisitions/divestments – sales rose by 4.0 percent. This once again represents a solid rate of increase compared to the prior-year quarter.

Second quarter sales
in million euros



Sales development[1]

in percent	Q2/2012
Change versus previous year	6.4
Foreign exchange	3.5
After adjusting for foreign exchange	2.9
Acquisitions/divestments	– 1.1
Organic	4.0
of which price[2]	3.7
of which volume	0.3

[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.

All three business sectors contributed to this gratifying development: Laundry & Home Care registered strong organic sales growth of 5.1 percent, driven primarily by price. The solid organic sales growth of 2.8 percent posted by the Cosmetics/Toiletries business sector was mainly achieved through price increases. The Adhesive Technologies business sector likewise posted solid organic sales growth of 3.6 percent, achieved through pricing.

Price and volume effects second quarter 2012

in percent	Organic sales growth	of which price	of which volume
Laundry & Home Care	5.1	3.9[1]	1.2
Cosmetics/Toiletries	2.8	2.5[1]	0.3
Adhesive Technologies	3.6	4.1	– 0.5
Henkel Group	**4.0**	**3.7[1]**	**0.3**

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

The second quarter of 2012 saw no major changes in our sales markets, nor were there any significant shifts in our competitive positions from those described in our AR Annual Report 2011 (starting on page 76).

In order to continuously adapt our structures to our markets and customers, we spent another 26 million euros on restructuring charges (prior-year quarter: 34 million euros). We are further expanding our shared service centers and continue to optimize our production footprint.

In the following, we discuss our operating income and expense items up to operating profit, adjusted in each case 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 Q2 page 25.

Condensed statement of income from sales to adjusted operating profit[1]

in million euros	Q2/2011	%	Q2/2012	%	Change
Sales	3,953	100.0	4,206	100.0	6.4 %
Cost of sales	– 2,132	– 53.9	– 2,203	– 52.4	3.3 %
Gross profit	1,821	46.1	2,003	47.6	10.0 %
Marketing, selling and distribution expenses	– 1,047	– 26.5	– 1,107	– 26.3	5.7 %
Research and development expenses	– 103	– 2.6	– 104	– 2.5	1.0 %
Administrative expenses	– 186	– 4.7	– 184	– 4.4	– 1.1 %
Other operating income/charges	29	0.7	1	0.1	–
Adjusted operating profit (EBIT)	514	13.0	609	14.5	18.6 %

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

Due to raw material price rises, cost of sales increased compared to the prior-year quarter by 3.3 percent to 2,203 million euros. Gross profit rose by 10.0 percent to 2,003 million euros. Despite negative impact of around 200 basis points resulting from higher cost of sales, we were able to grow gross margin by 1.5 percentage points to 47.6 percent, driven by increased selling prices, savings generated by our cost-reduction measures, and efficiency improvements in production and supply chain.

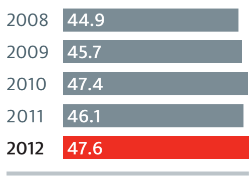
Marketing, selling and distribution expenses increased to 1,107 million euros (prior-year quarter: 1,047 million euros). We spent a total of 104 million euros on research and development, hence keeping the share of sales virtually constant at 2.5 percent. As a result in part of expansion of our shared service centers, administrative expenses expressed as a proportion of sales came in at 4.4 percent, 0.3 percentage points below the level of the second quarter of 2011.

The balance of other operating income and charges was 1 million euros. The figure of 29 million euros for the second quarter of 2011 was primarily due to higher amounts resulting from the release of provisions.

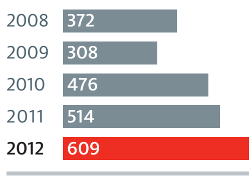
Adjusted operating profit (EBIT) grew by 18.6 percent, from 514 million euros to 609 million euros, with all three business sectors contributing. We succeeded in increasing adjusted return on sales for the Group from 13.0 to 14.5 percent. The Adhesive Technologies business sector produced a significant margin improvement from 14.2 to 15.7 percent, driven by the launch of a number of innovative product solutions, selling price increases and efficiency improvements. Laundry & Home Care likewise substantially increased its return on sales, from 13.0 to 14.5 percent, on the back of a strong sales performance combined with ongoing strict cost management. In the Cosmetics/Toiletries business sector, we achieved a further margin improvement of 0.3 percentage points to 14.4 percent on the basis of a solid sales performance accompanied by ongoing strict cost management.

At –35 million euros, our financial result improved compared to the –41 million euros of the prior-year quarter. This is primarily due to an improved foreign exchange result. The tax rate amounted to 24.8 percent (adjusted: 24.9 percent). Net income for the quarter increased by 9.9 percent, from 375 million euros to 412 million euros. After deducting income of 11 million euros attributable to non-controlling interests, net income for the quarter was 401 million euros (second quarter 2011: 366 million euros). Adjusted net income for the quarter after deducting non-controlling interests was 420 million euros compared to 343 million euros in the prior-year quarter. Earnings per preferred share (EPS) rose from 0.85 euros to 0.92 euros. After adjustment, EPS amounted to 0.97 euros versus 0.79 euros in the second quarter of 2011.

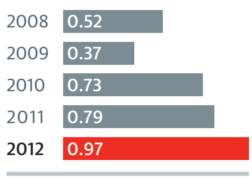
Second quarter adjusted gross margin
in percent of sales



Second quarter adjusted EBIT
in million euros



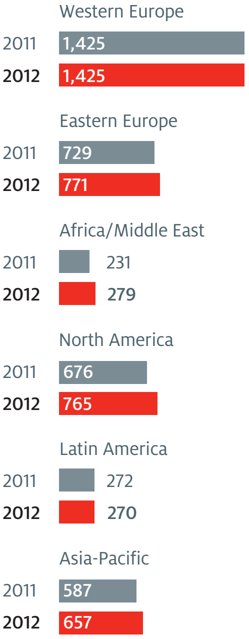
Second quarter adjusted earnings per preferred share
in euros



Regional performance

Sales by region, second quarter *

in million euros



* Excluding Corporate.

EBIT by region, second quarter *

in million euros

* Excluding Corporate.

Henkel: Key figures by region[1] second quarter 2012

in million euros	Western Europe	Eastern Europe	Africa/ Middle East	North America	Latin America	Asia-Pacific	Corporate[2]	Henkel Group
Sales April – June 2012	**1,425**	**771**	**279**	**765**	**270**	**657**	**39**	**4,206**
Sales April – June 2011	1,425	729	231	676	272	587	33	3,953
Change from previous year	0.0 %	5.8 %	20.7 %	13.2 %	– 0.8 %	11.8 %	–	**6.4 %**
After adjusting for foreign exchange	– 0.6 %	7.9 %	14.1 %	1.2 %	3.9 %	1.8 %	–	**2.9 %**
Organic	– 0.1 %	7.9 %	14.1 %	3.8 %	3.9 %	4.5 %	–	**4.0 %**
Proportion of Henkel sales April – June 2012	**34 %**	**18 %**	**7 %**	**18 %**	**6 %**	**16 %**	**1 %**	**100 %**
Proportion of Henkel sales April – June 2011	36 %	18 %	6 %	17 %	7 %	15 %	1 %	100 %
EBIT April – June 2012	**221**	**123**	**27**	**116**	**26**	**98**	**– 28**	**583**
EBIT April – June 2011	208	109	18	58	32	142	– 29	537
Change from previous year	6.1 %	13.4 %	47.6 %	> 100 %	– 19.8 %	– 30.8 %	–	**8.5 %**
After adjusting for foreign exchange	5.5 %	16.2 %	35.6 %	80.4 %	– 11.1 %	– 38.2 %	–	**5.0 %**
Return on sales (EBIT) April – June 2012	**15.5 %**	**16.0 %**	**9.7 %**	**15.2 %**	**9.5 %**	**14.9 %**	**–**	**13.9 %**
Return on sales (EBIT) April – June 2011	14.6 %	14.9 %	7.9 %	8.5 %	11.8 %	24.1 %	–	13.6 %

[1] Calculated on the basis of units of 1,000 euros; figures commercially rounded.
[2] Corporate = sales and services not assigned to the individual regions and business sectors.

The following is a commentary on the reported results for the second quarter:

Our sales in the highly competitive market environment of the **Western Europe** region remained at the level of the prior-year quarter, with organic growth at –0.1 percent. We were able to compensate for the effects of the growing financial crisis in Southern Europe.

The operating profit of the region improved – adjusted for foreign exchange – by 5.5 percent, despite restructuring expenses. Return on sales of the region increased accordingly, by 0.9 percentage points to 15.5 percent.

In the **Eastern Europe** region we increased sales organically by 7.9 percent, with our businesses in Turkey and our Adhesives business in Russia making a particularly significant contribution.

The operating profit of the region increased – adjusted for foreign exchange – by 16.2 percent. We improved return on sales of the region by 1.1 percentage points to 16.0 percent.

In the **Africa/Middle East** region, we once again generated double-digit organic growth in this quarter, posting an increase of 14.1 percent. The contribution made here by our Laundry & Home Care business was particularly strong.

We improved the operating profit of the region – adjusted for foreign exchange – by 35.6 percent. Return on sales increased by 1.8 percentage points to 9.7 percent.

Despite a sluggish consumer climate in the USA, sales of the **North America** region grew organically by 3.8 percent, driven in particular by the Adhesives business.

We were able to increase the operating profit of the region – adjusted for foreign exchange – by 80.4 percent. Return on sales of the region increased significantly, from 8.5 percent in the prior-year quarter to 15.2 percent.

Henkel: Key figures by region[1] first half year 2012

in million euros	Western Europe	Eastern Europe	Africa/ Middle East	North America	Latin America	Asia-Pacific	Corporate[2]	Henkel Group
Sales January – June 2012	**2,862**	**1,446**	**538**	**1,511**	**533**	**1,245**	**78**	**8,214**
Sales January – June 2011	2,859	1,384	453	1,352	525	1,124	80	7,776
Change from previous year	0.1 %	4.5 %	18.8 %	11.8 %	1.5 %	10.8 %	–	**5.6 %**
After adjusting for foreign exchange	– 0.4 %	7.1 %	15.4 %	3.6 %	5.8 %	2.7 %	–	**3.4 %**
Organic	0.0 %	7.2 %	15.4 %	5.0 %	5.8 %	6.3 %	–	**4.3 %**
Proportion of Henkel sales January – June 2012	**35 %**	**18 %**	**7 %**	**18 %**	**6 %**	**15 %**	**1 %**	**100 %**
Proportion of Henkel sales January – June 2011	37 %	18 %	6 %	17 %	7 %	14 %	1 %	100 %
EBIT January – June 2012	**456**	**207**	**49**	**223**	**50**	**187**	**– 50**	**1,121**
EBIT January – June 2011	424	179	35	123	55	207	– 56	967
Change from previous year	7.4 %	15.8 %	37.8 %	82.1 %	– 9.3 %	– 9.7 %	–	**15.9 %**
After adjusting for foreign exchange	7.0 %	19.5 %	31.8 %	68.4 %	– 1.2 %	– 17.9 %	–	**13.3 %**
Return on sales (EBIT) January – June 2012	**15.9 %**	**14.3 %**	**9.1 %**	**14.8 %**	**9.3 %**	**15.0 %**	**–**	**13.6 %**
Return on sales (EBIT) January – June 2011	14.8 %	12.9 %	7.8 %	9.1 %	10.4 %	18.4 %	–	12.4 %

[1] Calculated on the basis of units of 1,000 euros; figures commercially rounded.
[2] Corporate = sales and services not assigned to the individual regions and business sectors.

Organic sales in the **Latin America** region increased by 3.9 percent in the second quarter. Our business performance in Mexico made a particular contribution to this improvement, while Brazil fell below the level of the prior-year quarter.

Operating profit after adjusting for foreign exchange decreased by 11.1 percent. Return on sales of the region declined from 11.8 percent to 9.5 percent.

With organic growth of 4.5 percent, the **Asia-Pacific** region posted another solid performance, driven in particular by growth in China and Indonesia.

Adjusted for foreign exchange, operating profit decreased by 38.2 percent; the prior-year quarter had been positively influenced by a one-time gain arising from the divestment of our branded consumer goods business in India. Return on sales underwent a corresponding decline of 9.2 percentage points to 14.9 percent.

Sales growth was again given a particular boost by our performance in the **emerging markets** of Eastern Europe, Africa/Middle East, Latin America and Asia (excluding Japan). Here we were able to increase sales by 9.3 percent to 1,829 million euros. The emerging markets thus accounted for 43 percent of Group sales (second quarter 2011: 42 percent). Organic growth came in at 8.1 percent.

Sales by region, first half year *

in million euros

* Excluding Corporate.

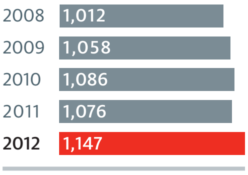
EBIT by region, first half year *

in million euros

* Excluding Corporate.

Laundry & Home Care

Sales
second quarter
in million euros

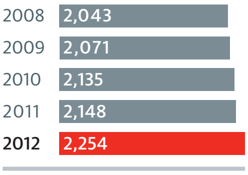


Key financials[1]

in million euros	Q2/2011	Q2/2012	+/–	1–6/2011	1–6/2012	+/–
Sales	1,076	1,147	6.6 %	2,148	2,254	5.0 %
Proportion of Henkel sales	27 %	27 %		28 %	27 %	
Operating profit (EBIT)	157	153	– 2.5 %	257	310	20.5 %
Adjusted[2] operating profit (EBIT)	140	167	19.5 %	272	327	20.2 %
Return on sales (EBIT)	14.6 %	13.3 %	– 1.3 pp	12.0 %	13.7 %	1.7 pp
Adjusted[2] return on sales (EBIT)	13.0 %	14.5 %	1.5 pp	12.7 %	14.5 %	1.8 pp
Return on capital employed (ROCE)	27.3 %	24.2 %	– 3.1 pp	22.1 %	24.9 %	2.8 pp

pp = percentage points
[1] Calculated on the basis of units of 1,000 euros; figures commercially rounded.
[2] Adjusted for one-time charges/gains and restructuring charges.

Sales
first half year
in million euros



Sales development[1]

in percent	Q2/2012	1–6/2012
Change versus previous year	6.6	5.0
Foreign exchange	2.2	1.0
After adjusting for foreign exchange	4.4	4.0
Acquisitions/divestments	– 0.7	– 0.8
Organic	5.1	4.8
of which price[2]	3.9	4.2
of which volume	1.2	0.6

[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.

The **Laundry & Home Care** business sector continued its strong sales and earnings performance also in the second quarter of 2012, with the levels of all key financials exceeding those of the second quarter of 2011. Organically – i.e. adjusted for foreign exchange and acquisitions/divestments – we were able to increase sales by 5.1 percent, benefiting from price increases implemented both in the second half of 2011 and in the first half of 2012. Volume in the second quarter was also above the level of the prior-year quarter.

All our regions contributed to the strong sales performance achieved. The strongest growth momentum again came from the emerging markets which recorded double-digit growth overall, with Africa/Middle East and Latin America posting the highest rates of expansion. Sales in Eastern Europe were also very strong, supported in particular by double-digit growth rates in Russia and Turkey. Following a slight decrease in sales in the first quarter, we were able to return to positive sales growth in Western Europe in this second quarter, despite a still weak market environment in the Southern European countries and a persistently high level of competitive intensity. In a still declining market, we increased our sales in North America versus a good prior-year quarter.

Innovation

Bref "Power Aktiv" with Chlorine Power Balls

The Bref brand portfolio in Eastern Europe has a new product: Bref "Power Aktiv" with Chlorine Power Balls for the superior-value WC rim block segment. The combination of four active ingredients ensures all-round WC care – with a powerful cleaning foam, long-lasting protection against resoiling, a pleasant fragrance, and hygienic cleanliness thanks to integral chlorine bleach.

You can find further information relating to product innovations at Laundry & Home Care on our website at:
www.henkel.com/brands-and-solutions

Overall, we succeeded in further expanding our market shares in our relevant markets.

We significantly increased adjusted operating profit (EBIT) by almost 20 percent. Adjusted return on sales improved by 1.5 percentage points to 14.5 percent. We succeeded in further increasing our gross margin through our price increases and ongoing measures to reduce costs and enhance efficiency in production and supply chain. Further progress in optimizing our cost structures in administration additionally contributed to this substantial increase in return on sales. Return on capital employed (ROCE) was a solid 24.2 percent. The decline compared to the prior-year period is due to the one-time gain made in the second quarter of 2011 from the sale of our Indian business and to higher restructuring charges in the second quarter of 2012. We were able to further improve the ratio of net working capital to sales.

We achieved a solid increase in sales of the *Laundry* business during the second quarter. We generated particular growth momentum in the strategically important category of heavy-duty detergents as a result of the successful launch, in the first quarter of 2012, of our innovative liquid detergent capsules – marketed as Persil Mega-Caps in Germany and as Purex UltraPacks in North America. As in the first quarter, Persil Black and Spee Black with color protection for dark and black apparel brought further positive momentum. Our specialty detergents for delicates benefited from the Perwoll line “Radiant White” with “Re-New Effect” newly launched in Germany and offering an innovative formulation that cleans and protects all white fabrics deep down into the fibers. This new product complements the Perwoll range which, with the successful lines “Care for Delicates,” “Brilliant Colors,” “Intensive Black” and “Sport,” is geared up to meet the special requirements of a wide range of different textiles. The encouraging development registered by our fabric softeners continued in this quarter, driven by Vernel, Silan and, in the USA, Purex Crystals.

We were able to strongly increase sales of the *Home Care* business in the second quarter. Among our automatic dishwashing products, Somat 10 continued to show particularly dynamic development. Sales of our hand-dishwashing products increased strongly, particularly in the emerging markets. We were able to generate double-digit growth with our WC products, driven mainly by Bref “Power Aktiv” – marketed in Germany under the WC Frisch brand – due in part to the product “Power Aktiv” with Chlorine Power Balls. Our air freshener business has extensively recovered, performing very well despite a still declining market in North America.

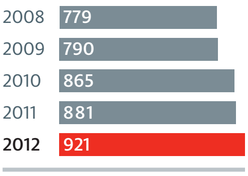
Outlook

We are confident to continue our positive growth path through 2012, and generate an increase in organic sales in the low single-digit percentage range. We expect the increase in prices for direct materials (raw materials, packaging, traded goods and services) to decelerate compared to 2011. We will remain firmly focused on maintaining our strict cost discipline. We intend to further improve our efficiency by grouping activities within our shared service centers. We expect these measures in combination with moderate price increases to result in a significant increase in adjusted return on sales compared to the prior-year level (2011 figure: 13.2 percent).

Top brands

Cosmetics/Toiletries

Sales
second quarter
in million euros

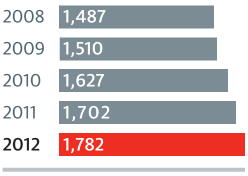


Key financials [1]

in million euros	Q2/2011	Q2/2012	+/–	1–6/2011	1–6/2012	+/–
Sales	881	**921**	4.5 %	1,702	**1,782**	4.7 %
Proportion of Henkel sales	22 %	**22 %**		22 %	**22 %**	
Operating profit (EBIT)	140	**131**	– 6.3 %	253	**252**	– 0.4 %
Adjusted [2] operating profit (EBIT)	124	**133**	7.1 %	238	**257**	8.1 %
Return on sales (EBIT)	15.9 %	**14.3 %**	– 1.6 pp	14.8 %	**14.1 %**	– 0.7 pp
Adjusted [2] return on sales (EBIT)	14.1 %	**14.4 %**	0.3 pp	14.0 %	**14.4 %**	0.4 pp
Return on capital employed (ROCE)	28.8 %	**25.2 %**	– 3.6 pp	25.7 %	**23.7 %**	– 2.0 pp

pp = percentage points
[1] Calculated on the basis of units of 1,000 euros; figures commercially rounded.
[2] Adjusted for one-time charges/gains and restructuring charges.

Sales
first half year
in million euros



Sales development [1]

in percent	Q2/2012	1–6/2012
Change versus previous year	4.5	4.7
Foreign exchange	3.1	2.2
After adjusting for foreign exchange	1.4	2.5
Acquisitions/divestments	– 1.4	– 0.9
Organic	2.8	3.4
of which price [2]	2.5	2.3
of which volume	0.3	1.1

[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.

The **Cosmetics/Toiletries** business sector continued its profitable growth path also in the second quarter. We further increased sales organically – i.e. adjusted for foreign exchange and acquisitions/divestments – with an improvement of 2.8 percent.

All our regions supported this solid sales performance. The emerging markets continued to show the strongest dynamics. With double-digit growth rates, the regions of Africa/Middle East and Asia (excluding Japan) delivered a substantial plus in sales. Revenues in Eastern Europe and Latin America likewise developed positively. Despite negative economic conditions prevailing in the mature markets, we were able to generate solid sales growth in Western Europe within a persistently weak market environment, and also posted a positive sales performance in North America. However, sales generated in the mature markets of Asia in this second quarter remained below the very high level of the prior-year quarter. Overall, we again succeeded in further expanding our market shares in the markets of relevance to us.

We once again improved adjusted operating profit (EBIT) compared to the prior-year quarter, with a strong increase of 7.1 percent to 133 million euros. We therefore maintained our ongoing improvement in return on sales. At 14.4 percent, adjusted return on sales rose by 0.3 percentage

Innovation

Right Guard Cooling
With Right Guard Cooling, the Right Guard brand has introduced into Europe and the USA a new range of shower gels and deodorants – with "Air-Condition® Effect" and 72 hour protection against perspiration and odor. Patent-pending actives stimulate the skin's cold receptors for a lasting polar-fresh feeling – particularly under conditions of stress or elevated activity.
www.rightguard.com

You can find further information relating to product innovations at Cosmetics/Toiletries on our website at:
www.henkel.com/brands-and-solutions

points compared to the second quarter of 2011. We were able to improve gross margin through price increases and our successful innovation offensive, combined with ongoing measures to reduce costs and enhance efficiency in production and supply chain. Moreover, further progress made in optimizing our cost structures had a positive effect on return on sales. At 25.2 percent, return on capital employed (ROCE) was at a good level despite the negative influence of the one-time gain from the sale of our branded consumer goods business in India in the prior-year quarter. Foreign exchange movements also had a negative impact. We reduced the ratio of net working capital to sales thanks in particular to improved inventory management.

Our *Branded Consumer Goods* business posted a solid sales performance in the second quarter. We were able to expand sales in the Hair Cosmetics business in all categories. In the Hair Care business, the focus under the Gliss Kur brand was on the launch of our innovative Express Mousse treatments. With the new Caffeine Hair Activation line under the Syoss brand, we have introduced a shampoo for men that activates hair growth. In the Hair Colorants business, the strong growth achieved in the second quarter was driven by the launch both of new fashion nuances for Brillance – in cooperation with the Milan Fashion Week – and of new red shades for Perfect Mousse. In the Hair Styling business, the successful introduction of the Taft V12 Power Gel variants and of Got2b iStylers contributed to a continuation of our solid sales performance. In the Body Care business, momentum came from the three main brands Dial, Fa and Right Guard. For Right Guard, the focus in the second quarter was very much on the Xtreme Polar line of innovative shower gels and deodorants with their "Air-Condition® Effect" and 72 hour protection against perspiration and body odor. In the Skin Care business, we supplemented our strong Diadermine Lift+ line through the introduction of Lift+ Concealer, an innovative product that combines covering power with an anti-aging effect.

Our *Hair Salon* business achieved positive sales growth in the second quarter, with momentum coming from two innovations in particular: BC Bonacure followed the great success of our Oil Miracle oils from 2011 with the launch of the Oil Miracle Care line in April; and in May, Igora Royal presented its new Fashion Lights. This innovation enables natural hair to be lightened by up to five shades and highlighted with radiant colors, all in one step.

Outlook

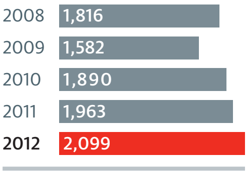
We are confident to continue our positive growth path through 2012, and generate an increase in organic sales in the low single-digit percentage range. We expect the increase in prices for direct materials (raw materials, packaging, traded goods and services) to decelerate compared to 2011. We will remain firmly focused on maintaining our strict cost discipline. We intend to further improve our efficiency by grouping activities within our shared service centers. We expect these measures in combination with our innovation offensive to result in an increase in adjusted return on sales compared to the prior-year level (2011 figure: 14.2 percent).

Top brands

Schwarzkopf Dial syoss

Adhesive Technologies

Sales
second quarter
in million euros

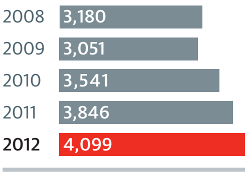


Key financials[1]

in million euros	Q2/2011	Q2/2012	+/–	1–6/2011	1–6/2012	+/–
Sales	1,963	**2,099**	6.9%	3,846	**4,099**	6.6%
Proportion of Henkel sales	50%	**50%**		49%	**50%**	
Operating profit (EBIT)	269	**327**	21.3%	513	**610**	18.9%
Adjusted[2] operating profit (EBIT)	278	**330**	18.7%	525	**619**	17.9%
Return on sales (EBIT)	13.7%	**15.6%**	1.9 pp	13.3%	**14.9%**	1.6 pp
Adjusted[2] return on sales (EBIT)	14.2%	**15.7%**	1.5 pp	13.7%	**15.1%**	1.4 pp
Return on capital employed (ROCE)	15.8%	**18.0%**	2.2 pp	15.0%	**16.9%**	1.9 pp

pp = percentage points
[1] Calculated on the basis of units of 1,000 euros; figures commercially rounded.
[2] Adjusted for one-time charges/gains and restructuring charges.

Sales
first half year
in million euros



Sales development[1]

in percent	Q2/2012	1–6/2012
Change versus previous year	6.9	6.6
Foreign exchange	4.3	2.9
After adjusting for foreign exchange	2.6	3.7
Acquisitions/divestments	– 1.0	– 0.9
Organic	3.6	4.6
of which price	4.1	5.1
of which volume	– 0.5	– 0.5

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

The **Adhesive Technologies** business sector again succeeded in increasing its sales in the second quarter of 2012, accompanied by a further substantial improvement in earnings. The launch of a number of innovative product solutions contributed to this favorable development. Sales grew organically – i.e. adjusted for foreign exchange and acquisitions/divestments – by 3.6 percent to 2.1 billion euros. While price increases strengthened this solid sales performance, volume was slightly below the level of the prior-year quarter, partly due to our portfolio mix and our deliberate exit from less profitable businesses.

The emerging markets provided important momentum for the solid sales increase achieved, with revenues in the regions of Eastern Europe and Africa/Middle East developing particularly well. In Western Europe, sales were slightly below the level of the prior-year quarter, due primarily to negative market conditions in the countries of Southern Europe. By contrast, the strong growth posted once again by our businesses in North America made a significant contribution to the rise in revenues.

We significantly increased adjusted operating profit (EBIT) by 18.7 percent to 330 million euros. Adjusted return on sales improved by 1.5 percentage points, reaching 15.7 percent for the first time. Due in part to our ongoing measures to reduce costs and enhance efficiency in produc-

Innovation

Liofol

Liofol LA 1640-21 is a one-component laminating adhesive for the manufacture of food packaging. It features a very high initial bond strength and an extremely fast cure. With this innovative technology, the film packaging produced is immediately ready for its food product fill, eliminating delay in the subsequent processes.

www.henkel.com/liofolfastone

You can find further information relating to product innovations at Adhesive Technologies on our website at:
www.henkel.com/brands-and-solutions

tion and supply chain, we were able to once again increase our gross margin, despite the rise in material costs. Continuing optimization of our cost structures in administration additionally contributed to the significant increase in return on sales. Return on capital employed (ROCE) rose substantially to 18.0 percent. We were likewise able to improve the ratio of net working capital to sales.

During the second quarter, we signed an agreement with the US specialty chemicals company Cytec Industries Inc. to take over their product range of high-performance pressure sensitive adhesives. In 2011, Cytec generated sales of 94 million US dollars with this product range. The economic transfer of the business is planned for the third quarter of 2012.

The *Adhesives for Consumers, Craftsmen and Building* business put in a solid sales performance in the second quarter, with contributions coming both from strong sales with products for craftsmen and the building industry, and from innovative products for do-it-yourselfers. The regions of Eastern Europe and Africa/Middle East again contributed significantly to the growth achieved. Our business in North America also performed very strongly.

We likewise achieved solid sales growth in the *Packaging, Consumer Goods and Construction Adhesives* business. This positive performance was assisted in part by the launch of innovative products such as a solvent-free laminating adhesive based on renewable raw materials. Growth was negatively impacted by our exit from certain high-volume but lower-margin businesses in Asia.

We achieved our highest increase in sales in the *Transport and Metal* business, generating strong growth both in the mature and in the emerging markets. In the mature markets, North America was particularly encouraging with a double-digit growth rate. Here too, we further succeeded in implementing our strategy to develop higher-margin businesses within our portfolio mix.

In the *General Industry* business, we also further increased sales. Our businesses in Africa/Middle East, Latin America and Eastern Europe performed particularly well, each posting double-digit growth rates.

In a persistently difficult market environment, sales of the *Electronics* business were below the level of the prior-year quarter. We were able to further improve our position in the rapidly growing market segments of smart phones and tablet computers through the introduction of various innovative products.

Outlook

For 2012 we estimate organic sales growth in the mid single-digit percentage range. We expect the increase in prices for direct materials (raw materials, packaging, traded goods and services) to decelerate compared to 2011. We will remain firmly focused on maintaining our strict cost discipline. We intend to further improve our efficiency by grouping activities within our shared service centers. We expect these measures in combination with our strategy to develop higher-margin businesses within our portfolio mix to result in an increase in adjusted return on sales compared to the prior-year level (2011 figure: 13.9 percent).

Top brands

LOCTITE Teroson technomelt

Financial report first half year 2012

Underlying economic conditions

The world economy grew by around 2 percent in the first half of 2012 compared to the prior-year period. With an increase of a good 4 percent, industrial production expanded twice as fast as private consumption, which rose by around 2 percent, based in each case on data provided by Feri EuroRating Services.

Persistently high risks such as the debt crises in Europe and the USA, and also weakening growth in Asia arising from efforts to combat inflation, continued to adversely affect economic development together with investor and private consumer confidence.

In the first half year of 2012, the North American economy underwent moderate growth of around 2 percent while Japan's economy expanded by about 3 percent. Gross domestic product in Western Europe stagnated due to the recessive trend in economic activity, particularly in certain Southern European countries.

The emerging region of Asia (excluding Japan) increased its economic output by around 5 percent. Latin America registered growth of about 3 percent. Due in particular to a lower level of demand from Western Europe, economic growth in Eastern Europe cooled slightly to less than 3 percent.

The euro depreciated against the US dollar from 1.40 to 1.30 USD in the first half of 2012 versus the prior-year period, due in particular to the debt crisis in Europe. Around the world, consumer prices likely rose by around 3 percent. At around 7 percent, global unemployment remains at the level encountered at the end of 2011.

Sectors of importance for Henkel

With a rise of around 2 percent, private consumption remained sluggish in the first half of 2012. Consumers in North America increased their spend by about 2 percent. Consumer spending in Western Europe, and here particularly in Southern Europe, likely declined slightly compared to the prior-year period. The emerging markets exhibited a higher propensity to consume with a plus of around 4 percent.

With a good 4 percent increase, industrial production continued to expand faster than the economy as a whole. The transport sector saw its output grow by around 9 percent. The metal industry showed robust development with an increase of around 5 percent. The electronics sector expanded production by around 4 percent. Developments were slower in consumer-related sectors such as the global packaging industry, which grew by around 1 percent. Global construction likewise expanded by around 1 percent in the first half of 2012.

Effects on Henkel

Growth in private consumption remained sluggish in the first half year. General economic development and political events in the second quarter led to high levels of uncertainty in the financial markets. This situation in turn created a reluctant consumer climate, albeit to different degrees in the various regions. Overall, industrial production maintained its growth path, but with variations between the individual sectors. Within this environment, our organic growth rate came in at 4.3 percent, outstripping global economic output.

Within our consumer goods businesses, we succeeded in increasing organic sales against the background of a moderate private consumer climate. Sales in the Adhesive Technologies business sector rose in line with growth in industrial production.

Raw material prices stabilized toward the end of the first half of 2012. We succeeded in further growing gross margin by increasing our selling prices and maintaining our strict cost discipline.

Business performance January – June 2012

Key financials[1]

in million euros	1–6/2011	1–6/2012	+/–
Sales	7,776	8,214	5.6 %
Operating profit (EBIT)	967	1,121	15.9 %
Adjusted[2] operating profit (EBIT)	987	1,160	17.6 %
Return on sales (EBIT)	12.4 %	13.6 %	1.2 pp
Adjusted[2] return on sales (EBIT)	12.7 %	14.1 %	1.4 pp
Net income – Attributable to shareholders of Henkel AG & Co. KGaA	651	770	18.3 %
Adjusted[2] net income – Attributable to shareholders of Henkel AG & Co. KGaA	657	797	21.3 %
Earnings per preferred share in euros	1.51	1.78	17.9 %
Adjusted[2] earnings per preferred share in euros	1.52	1.84	21.1 %

pp = percentage points
[1] Calculated on the basis of units of 1,000 euros; figures commercially rounded.
[2] Adjusted for one-time charges/gains and restructuring charges.

Results of operations

We increased sales by a strong 5.6 percent to 8,214 million euros in the first half of 2012. Adjusted for foreign exchange, sales improved by 3.4 percent. With growth of 4.3 percent, organic sales – i.e. sales adjusted for foreign exchange and acquisitions/divestments – showed a solid rate of increase compared to the first half of 2011.

Sales development[1]

in percent	1–6/2012
Change versus previous year	5.6
Foreign exchange	2.2
After adjusting for foreign exchange	3.4
Acquisitions/divestments	–0.9
Organic	4.3
of which price[2]	4.2
of which volume	0.1

[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.

All three business sectors contributed to this positive development: Laundry & Home Care registered a solid growth rate of 4.8 percent, due primarily to price increases. The Cosmetics/Toiletries business sector achieved a solid organic growth rate of 3.4 percent, driven by both price and volume. With 4.6 percent, Adhesive Technologies likewise generated solid organic growth, achieved through pricing.

Price and volume effects first half year 2012

in percent	Organic sales growth	of which price	of which volume
Laundry & Home Care	4.8	4.2[1]	0.6
Cosmetics/Toiletries	3.4	2.3[1]	1.1
Adhesive Technologies	4.6	5.1	–0.5
Henkel Group	4.3	4.2[1]	0.1

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

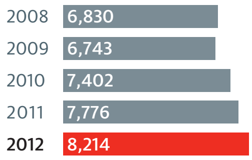
The first six months of 2012 saw no major changes in our sales markets, nor were there any significant shifts in our competitive positions from those described in our AR Annual Report 2011 (starting on page 76).

In order to continuously adapt our structures to our markets and customers, we spent another 39 million euros on restructuring charges (first half of 2011: 77 million euros). We are further expanding our shared service centers and continue to optimize our production footprint.

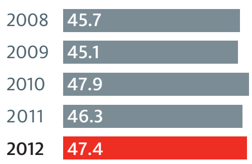
In the following, we discuss our operating income and expense items up to operating profit, adjusted in each case for one-time charges/gains and restructuring charges. The reconciliation statement and the allocation of the restructuring charges between the various items of the statement of income can be found on Q2 page 26.

Due to raw material price rises, cost of sales increased compared to the prior-year period by 3.5 percent to 4,322 million euros. Gross profit rose by 8.1 percent to 3,892 million euros. Despite negative impact of around 300 basis points resulting from a higher cost of sales, we were able to grow gross margin by 1.1 percentage points to 47.4 percent through increased selling prices, savings generated by our cost-reduction measures and efficiency improvements in production and supply chain.

First half year sales
in million euros



First half year adjusted gross margin
in percent of sales



Condensed statement of income from sales to adjusted operating profit[1]

in million euros	1–6/2011	%	1–6/2012	%	Change
Sales	**7,776**	**100.0**	**8,214**	**100.0**	**5.6%**
Cost of sales	– 4,176	– 53.7	– 4,322	– 52.6	3.5%
Gross profit	**3,600**	**46.3**	**3,892**	**47.4**	**8.1%**
Marketing, selling and distribution expenses	– 2,102	– 27.0	– 2,159	– 26.4	2.7%
Research and development expenses	– 203	– 2.6	– 205	– 2.5	1.0%
Administrative expenses	– 364	– 4.7	– 369	– 4.5	1.4%
Other operating income/charges	56	0.7	1	0.1	–
Adjusted operating profit (EBIT)	**987**	**12.7**	**1,160**	**14.1**	**17.6%**

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

Marketing, selling and distribution expenses increased to 2,159 million euros (prior-year period: 2,102 million euros). We spent a total of 205 million euros on research and development, thus keeping the share of sales virtually constant at 2.5 percent. As a result in part of expansion of our shared service centers, administrative expenses expressed as a proportion of sales came in at 4.5 percent, 0.2 percentage points below the level of the first half of 2011.

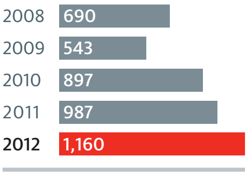
The balance of other operating income and charges was 1 million euros. The figure of 56 million euros for the first half of 2011 resulted primarily from higher amounts arising from the release of provisions and higher gains from the disposal of non-current assets.

Adjusted operating profit (EBIT) rose by 17.6 percent, from 987 million euros to 1,160 million euros, with all our business sectors contributing. We increased the Group's return on sales from 12.7 percent to 14.1 percent. The greatest improvement in EBIT margin was realized by the Laundry & Home Care business sector with an increase from 12.7 to 14.5 percent, driven by a solid sales performance accompanied by ongoing strict cost management. The Adhesive Technologies business sector likewise substantially increased its return on sales, from 13.7 percent to 15.1 percent, driven by the launch of a number of innovative product solutions, selling price increases and efficiency improvements. In the Cosmetics/Toiletries business sector, we achieved a further margin improvement of 0.4 percentage points to 14.4 percent through a solid sales performance and ongoing strict cost management.

Our financial result improved from –78 million euros to –71 million euros, due primarily to an improved foreign exchange result. The tax rate amounted to 24.8 percent (adjusted: 25.0 percent). Net income for the half year increased by 18.8 percent, from 665 million euros to 790 million euros. After deducting income of 20 million euros attributable to non-controlling interests, net income for the half year was 770 million euros (first half year 2011: 651 million euros). Adjusted net income for the half year after deducting non-controlling interests was 797 million euros com-

First half year adjusted EBIT

in million euros



Guidance versus performance 2012

	Updated guidance 2012	Performance first half year 2012
Organic sales growth	Laundry & Home Care: in the low single-digit percentage range Cosmetics/Toiletries: in the low single-digit percentage range Adhesive Technologies: in the mid single-digit percentage range	Laundry & Home Care: + 4.8 percent Cosmetics/Toiletries: + 3.4 percent Adhesive Technologies: + 4.6 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 21.1 percent

pared to 657 million euros in the first half of 2011. We increased earnings per preferred share (EPS) from 1.51 euros to 1.78 euros. After adjustment, EPS amounted to 1.84 euros versus 1.52 euros in the prior-year period.

Comparison between actual business performance and guidance

In our report for fiscal 2011, we published guidance for fiscal year 2012 indicating that we expected to achieve organic sales growth of between 3 and 5 percent. For adjusted return on sales (EBIT), we forecasted an increase to 14 percent, and for adjusted earnings per preferred share, we anticipated a rise of at least 10 percent.

We continue to expect an organic sales growth rate of between 3 and 5 percent for fiscal 2012. We confirm our guidance for adjusted return on sales (EBIT) of 14 percent. We specify our guidance for the increase in adjusted earnings per preferred share (2011 figure: 3.14 euros): We now expect an increase of around 15 percent (previously: at least 10 percent).

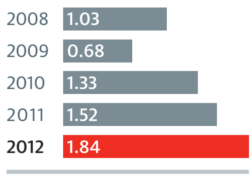
Net assets

Compared to year-end 2011, total assets increased by 0.6 billion euros to 19.2 billion euros. Under non-current assets, intangible assets increased by 159 million euros, due essentially to currency translation factors. Property, plant and equipment rose slightly, with capital expenditures of 174 million euros set against depreciation of 144 million euros. Due to currency translation factors, property, plant and equipment increased in value by 28 million euros.

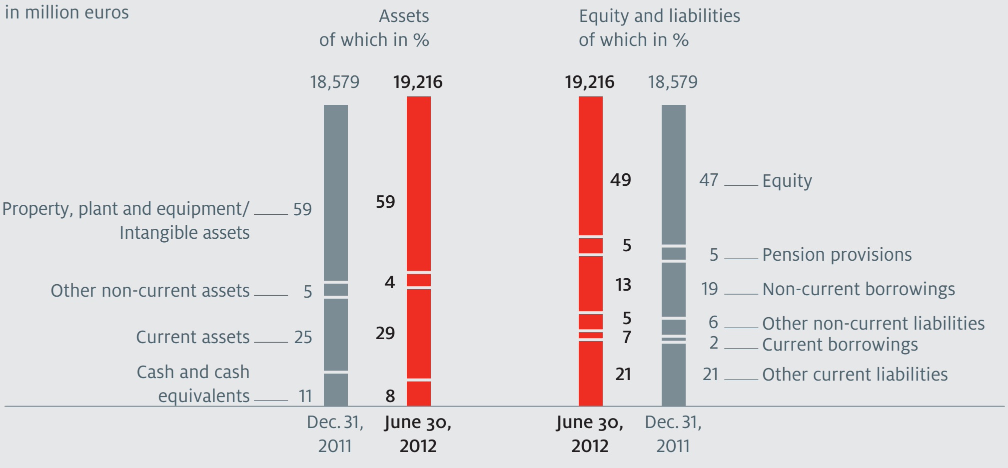
Current assets grew from 6.7 billion euros to 7.2 billion euros, with the increase in business volume being reflected in both higher inventories and higher trade accounts receivable. Cash and cash equivalents decreased by 434 million euros to 1.5 billion euros due to the dividend payment of Henkel AG & Co. KGaA and investments in securities and time deposits.

Equity including non-controlling interests underwent an increase of 605 million euros compared to the end of fiscal 2011. The individual components influencing equity development are shown in the statement of changes in equity on Q2 page 27. The increase is essentially due to the net income for the half year in the amount of 0.8 billion euros. The currency translation impact arising from the decline of the US dollar since the beginning of the year had a dampening effect. The equity ratio (equity as a percentage of total assets) increased from 47.2 percent to 48.8 percent.

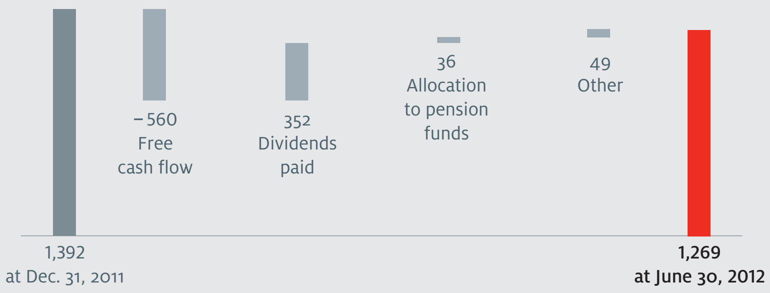
First half year adjusted earnings per preferred share
in euros



Financial structure
in million euros



Net debt[1]
in million euros



Net debt[1]
in million euros

The decline in **non-current liabilities** of 1.1 billion euros to 4.4 billion euros is due to the reclassification and transfer to current borrowings of our senior bond with a redemption value of 1.0 billion euros, which matures in June 2013. As of June 30, 2012, our non-current borrowings include two bonds: a senior bond with a redemption value of 1.0 billion euros and a hybrid bond with a redemption value of 1.3 billion euros. Non-current liabilities also decreased due to a decline in other provisions in the amount of 95 million euros. The rise in **current liabilities** to 5.5 billion euros is due both to the reclassification of the senior bond and to higher trade accounts payable. These matched developments in current assets and were therefore higher than at the end of 2011.

When investing our financial funds, we ensure an appropriate spread of risk. Consequently, we invest not only in vehicles that fall under the cash and cash equivalents heading within the statement of financial position, but also in interest-bearing securities and time deposits. In the future, we intend to further increase the proportion of our funds allocated to such securities and time deposits. Therefore, in order to improve insight into the financial position of the Group, we have adapted[1] our definition of **net debt** by also including securities and time deposits, effective the first quarter of 2012. As of June 30, 2012, we have reduced net debt to 1,269 million euros (December 31, 2011: 1,392 million euros). With the decrease in our indebtedness, operating debt coverage increased to 122.3 percent in the reporting period, placing it well above the target of 50 percent. With EBITDA higher, our interest coverage ratio also further improved.

[1] Borrowings less cash and cash equivalents and readily monetizable financial instruments classified as "available for sale," and also less positive and plus negative fair values of hedging transactions.

Key financial ratios

	Dec. 31, 2011	June 30, 2012
Operating debt coverage[1] (Net income + Amortization and depreciation + Interest element of pension obligations) ÷ Net borrowings and pension obligations	96.8 %	**122.3 %**
Interest coverage ratio EBITDA ÷ Net interest expense including interest element of pension obligations	14.6	**18.5**
Equity ratio Equity ÷ Total assets	47.2 %	**48.8 %**

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

Financial position

The development of our financial position is indicated in detail in the consolidated statement of cash flows on Q2 page 28. At 829 million euros, **cash flow from operating activities** in the first half of 2012 substantially exceeded the comparative figure for the prior-year period (446 million euros). There was an increase in cash flow as a result of the rise in operating profit, even after taking into account higher corporate income tax payments. The outflow in net working capital was also below that of the prior-year period. Net working capital amounted to 7.5 percent of sales, a decrease of 0.9 percentage points versus the level at the end of the prior-year period (8.4 percent).

The outflow of funds in **cash flow from investing activities** (–157 million euros) was higher than in the first half of 2011 (–57 million euros) due to the increased level of capital expenditures made versus the prior-year period. Lower proceeds from the divestment of subsidiaries and other business units also had an effect.

The high outflow of funds in **cash flow from financing activities** (–1,090 million euros) was mainly due to the investments made in short-term securities and time deposits (–519 million euros), recognized under other financing transactions. The increase in dividends paid and further redemption payments to reduce our current borrowings likewise led to increased outflow.

Cash and cash equivalents decreased compared to December 31, 2011 by 434 million euros to 1,546 million euros. This is due to the dividend payment made by Henkel AG & Co. KGaA and the transfer of cash and cash equivalents to securities and time deposits.

The rise in **free cash flow** in the amount of 560 million euros was due to a significantly higher cash flow from operating activities compared to the first half of 2011 (210 million euros).

Capital expenditures

Investments in property, plant and equipment for continuing operations amounted to 174 million euros compared to 155 million euros in the first half of 2011. We spent 14 million euros on intangible assets (prior-year period: 4 million euros). A large part of these capital expenditures was attributable to the Adhesive Technologies and Laundry & Home Care business sectors. Around three quarters of the investment sum went into expansion projects or rationalization measures, for example the introduction of innovative product lines and optimization of our production structure and business processes. In regional terms, capital expenditures focused primarily on Western Europe, Eastern Europe and Asia.

The first-time consolidation of Bella Vista A/S, Silkeborg, Denmark, resulted in an addition to intangible assets in the amount of 4 million euros.

Capital expenditures first half year 2012

in million euros	Continuing operations	Acquisitions	Total
Intangible assets	14	4	18
Property, plant and equipment	174	–	174
Total	188	4	192

Acquisitions and divestments

We did not close any acquisitions or divestments in the second quarter of 2012. Our acquisitions in the first quarter of 2012 are described on Q2 page 32.

There were no changes in our business and organizational structures. For a detailed description of our organization and business activities, please refer to the information provided in our AR Annual Report 2011 (starting on page 45).

Our long-term credit rating remains in line with "A flat" (Standard & Poor's) and "A2" (Moody's). These are also our target ratings. Looking forward, we intend not to jeopardize these when assessing possible acquisitions.

Employees

As of June 30, 2012, we had 46,865 employees (June 30, 2011: 47,768). The decrease is due in part to our restrictive hiring policy. We have also expanded our shared service centers, realizing the associated synergies through corporate-wide consolidation. In accordance with this strategy, we continue to increase the number of employees in the emerging markets of Eastern Europe and Asia.

Research and development

In the first six months of this fiscal year, our expenditure on research and development amounted to 207 million euros (adjusted for restructuring charges: 205 million euros) compared to 208 million euros (adjusted: 203 million euros) in the prior-year period. Expressed as a proportion of sales, R&D expenditures decreased slightly versus the prior-year period to 2.5 percent (adjusted: 2.5 percent).

The development of innovative products is of key importance to our business model. The research and development strategy described in our AR Annual Report 2011 (starting on page 70) has remained unchanged.

Employees by region

- 32 % Western Europe
- 20 % Eastern Europe
- 11 % Africa/Middle East
- 11 % North America
- 8 % Latin America
- 18 % Asia-Pacific

R&D expenditures by business sector

- 23 % Laundry & Home Care
- 15 % Cosmetics/Toiletries
- 62 % Adhesive Technologies

Outlook

Our view based on data provided by Feri EuroRating Services is that the world economy will grow by less than 3 percent during 2012. The industrialized countries should undergo no more than moderate growth at 1.5 percent, while we expect the emerging regions to show a relatively robust rate of economic growth of around 4 percent.

The North American economy is likely to grow by around 2 percent, with Japan's expanding 2.5 percent. For Western Europe, we anticipate stagnation, with the recession tendencies in some Southern European countries exerting major influence.

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 around 3 percent. Eastern Europe should grow by about 2 percent. For the Africa/Middle East region, we expect economic growth of around 4 percent.

Global inflation is forecasted at 3.5 percent for 2012. While we can expect a high degree of price stability for the industrialized countries with a rise of 2 percent, the inflation rate of the emerging regions is likely to average about 6 percent.

Private consumption should rise by around 3 percent globally in 2012. In the industrialized countries, consumers are likely to spend about 1 percent more than in the previous year. The emerging countries should again show an increase in consumption of about 5 percent in 2012.

Global industrial growth will ease compared to the previous year, with expansion at about 4 percent. Here again, the emerging regions are likely to make by far the greater contribution.

We expect the transport industry to register a plus of around 6 percent. Production in the electronics industry, an important customer sector for Henkel, should increase by about 3 percent. Within the electronics industry, the growth of relevance to us in basic products such as semiconductors and printed circuit boards should be slightly higher than in fiscal 2011. We expect production in the metal industry to grow slightly less than in 2011, with expansion at about 4 percent. Developments in the global packaging industry are likely to be sluggish, with our estimates showing growth in the low single-digit range. We expect global construction to expand by around 2 percent.

Opportunities and risks

We continue to see great potential in the emerging markets, with above-average growth opportunities from which we intend to benefit through our local business activities. The regions concerned include, in particular, Asia (excluding Japan), Eastern Europe and Africa/Middle East, with Latin America also part of the wider group.

We regard our research and development activities as a further great source of opportunity. We are developing a steady stream of new and innovative products and product solutions offering our customers added value. We have a well filled and balanced pipeline of medium and long-term projects involving products and systems that we intend to launch onto the markets of all three of our business sectors, both this year and in years to come.

Further opportunity lies in our strict focus on cost and our willingness to constantly examine and analyze the status quo. Such scrutiny regularly reveals further potential 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 service centers to make a substantial contribution to cost reduction.

Opportunities will also arise from the ongoing pursuit and implementation of our three strategic priorities. These are explained in detail in the section entitled "Strategy and financial targets for 2012" on pages 45 to 48 of our AR Annual Report 2011.

We see risks for our consumer businesses arising from a further downturn in the macroeconomic conditions and particularly from a deteriorating consumer climate – as would ensue, for example, in the event of a hefty rise in unemployment. We also expect the intensity of competition to remain challenging, manifesting itself in persistent promotional pressure.

Risks for our Adhesive Technologies business sector lie in the macroeconomic effects arising from the current debt crises, and also, to a degree, in the development of our emerging markets.

For all three business sectors, unexpectedly high rises in raw material and packaging prices present a risk, as do supply shortages with respect to certain raw materials. In addition, the effects of the political turmoil in the Middle East are not yet fully assessable.

At the time of preparing this report, no risks in relation to future developments have been identified that might jeopardize the continuing existence of the company or of the Group as a going concern. For an appraisal of the various risk categories, please refer to the risk report in our AR Annual Report 2011, pages 88 to 93. The situation with respect to our legal action against the fine of 92 million euros imposed by the French antitrust authorities remains unchanged.

Further specific opportunities and risks are discussed in the sections dealing with the individual business sectors in our AR Annual Report 2011 in the relevant sections on pages 76 through 87.

Outlook for the Henkel Group 2012

We continue to expect the Henkel Group to generate organic sales growth of between 3 and 5 percent in fiscal 2012.

We are confident of continuing the positive growth trend posted by our consumer goods businesses, with organic sales expanding in the low single-digit percentage range.

For the Adhesive Technologies business sector, we expect organic sales to grow in the mid single-digit percentage range.

We confirm our forecast for adjusted [1] return on sales (EBIT) of 14 percent (2011 figure: 13.0 percent). We specify our guidance for the increase in adjusted earnings per preferred share (2011 figure: 3.14 euros): We now expect an increase of around 15 percent (previously: at least 10 percent).

We base this guidance on anticipated increases of our selling prices and the ongoing adaptation of our structures to the constantly changing market conditions. Through these activities and the maintenance of our strict cost discipline, we intend to more than offset the effects of increased raw material costs on our earnings.

We also expect the following developments in 2012:

- Increase in the prices for raw materials, packaging, contract manufacturing and traded goods in the low single-digit percentage range (previously: in the mid single-digit percentage range).
- Restructuring charges of around 100 million euros.
- Investments in property, plant and equipment of around 410 million euros.

Financial targets for 2012

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

Adjusted return on sales (EBIT):
14 percent

Annual growth in adjusted earnings per preferred share (average):
> 10 percent

Subsequent events

After June 30, 2012, there were no notifiable events likely to materially affect the net assets, financial position or results of operations of the Group.

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

Consolidated statement of financial position

Assets

in million euros	June 30, 2011	%	Dec. 31, 2011	%	June 30, 2012	%
Intangible assets	8,149	47.4	8,769	47.2	**8,928**	**46.5**
Property, plant and equipment	2,136	12.5	2,264	12.2	**2,306**	**12.0**
Other financial assets [1]	179	1.0	246	1.3	**235**	**1.2**
Income tax refund claims	2	–	1	–	**1**	**–**
Other assets [1]	171	1.0	103	0.6	**122**	**0.7**
Deferred tax assets	369	2.1	465	2.5	**449**	**2.3**
Non-current assets	**11,006**	**64.0**	**11,848**	**63.8**	**12,041**	**62.7**
Inventories	1,592	9.3	1,550	8.3	**1,612**	**8.4**
Trade accounts receivable	2,188	12.7	2,001	10.8	**2,312**	**12.0**
Other financial assets [1]	584	3.5	748	4.0	**1,303**	**6.8**
Income tax refund claims	127	0.7	164	0.9	**160**	**0.8**
Other assets [1]	248	1.4	237	1.2	**223**	**1.2**
Cash and cash equivalents	1,421	8.3	1,980	10.7	**1,546**	**8.0**
Assets held for sale	18	0.1	51	0.3	**19**	**0.1**
Current assets	**6,178**	**36.0**	**6,731**	**36.2**	**7,175**	**37.3**
Total assets	**17,184**	**100.0**	**18,579**	**100.0**	**19,216**	**100.0**

Equity and liabilities

in million euros	June 30, 2011	%	Dec. 31, 2011	%	June 30, 2012	%
Issued capital	438	2.5	438	2.4	**438**	**2.3**
Capital reserve	652	3.8	652	3.5	**652**	**3.4**
Treasury shares	–94	–0.5	–93	–0.5	**–91**	**–0.5**
Retained earnings	8,303	48.3	8,586	46.2	**9,010**	**46.9**
Other components of equity	–1,480	–8.6	–942	–5.1	**–773**	**–4.0**
Equity attributable to shareholders of Henkel AG & Co. KGaA	**7,819**	**45.5**	**8,641**	**46.5**	**9,236**	**48.1**
Non-controlling interests	119	0.7	121	0.7	**131**	**0.7**
Equity	**7,938**	**46.2**	**8,762**	**47.2**	**9,367**	**48.8**
Pension obligations [1]	598	3.6	998	5.4	**995**	**5.2**
Income tax provisions	126	0.7	93	0.5	**86**	**0.4**
Other provisions	334	1.9	394	2.1	**299**	**1.6**
Borrowings	3,422	19.9	3,501	18.8	**2,462**	**12.8**
Other financial liabilities [1]	71	0.4	54	0.3	**32**	**0.2**
Other liabilities [1]	24	0.1	23	0.1	**20**	**0.1**
Deferred tax liabilities	449	2.6	481	2.6	**485**	**2.5**
Non-current liabilities	**5,024**	**29.2**	**5,544**	**29.8**	**4,379**	**22.8**
Income tax provisions	301	1.8	309	1.7	**213**	**1.1**
Other provisions	752	4.4	833	4.4	**865**	**4.5**
Borrowings	396	2.3	412	2.2	**1,412**	**7.3**
Trade accounts payable	2,454	14.3	2,411	13.0	**2,658**	**13.8**
Other financial liabilities [1]	71	0.4	84	0.5	**64**	**0.4**
Other liabilities [1]	233	1.3	207	1.1	**232**	**1.2**
Corporate income tax liabilities	15	0.1	17	0.1	**26**	**0.1**
Current liabilities	**4,222**	**24.6**	**4,273**	**23.0**	**5,470**	**28.4**
Total equity and liabilities	**17,184**	**100.0**	**18,579**	**100.0**	**19,216**	**100.0**

[1] Prior-year figures adjusted (see "Recognition and measurement methods" on AR pages 108 and 109).

Consolidated statement of income

in million euros	Q2/2011	%	Q2/2012	%	Change
Sales	3,953	100.0	4,206	100.0	6.4 %
Cost of sales [1]	– 2,138	– 54.1	– 2,206	– 52.4	3.2 %
Gross profit	1,815	45.9	2,000	47.6	10.2 %
Marketing, selling and distribution expenses [1]	– 1,063	– 26.8	– 1,115	– 26.5	4.9 %
Research and development expenses [1]	– 105	– 2.7	– 105	– 2.6	–
Administrative expenses [1]	– 196	– 5.0	– 198	– 4.7	1.0 %
Other operating income	98	2.5	28	0.7	– 71.4 %
Other operating charges	– 12	– 0.3	– 27	– 0.6	> 100 %
Operating profit (EBIT)	537	13.6	583	13.9	8.5 %
Interest income	6	0.2	5	0.1	– 16.7 %
Interest expense	– 47	– 1.2	– 39	– 1.0	– 17.0 %
Interest result	– 41	– 1.0	– 34	– 0.9	– 17.1 %
Investment result	–	–	– 1	–	–
Financial result	– 41	– 1.0	– 35	– 0.9	– 14.6 %
Income before tax	496	12.6	548	13.0	10.5 %
Taxes on income	– 121	– 3.1	– 136	– 3.2	12.4 %
Tax rate in %	*24.4*		*24.8*		
Net income	375	9.5	412	9.8	9.9 %
– Attributable to non-controlling interests	– 9	– 0.2	– 11	– 0.3	22.2 %
– Attributable to shareholders of Henkel AG & Co. KGaA	366	9.3	401	9.5	9.6 %

[1] Restructuring charges, second quarter 2012: 26 million euros (Q2/2011: 34 million euros), of which: cost of sales 3 million euros (Q2/2011: 6 million euros); marketing, selling and distribution expenses 8 million euros (Q2/2011: 16 million euros); research and development expenses 1 million euros (Q2/2011: 2 million euros); administrative expenses 14 million euros (Q2/2011: 10 million euros).

Earnings per share (basic)

in euros	Q2/2011	Q2/2012	Change
Ordinary shares	0.85	0.92	8.2 %
Non-voting preferred shares	0.85	0.92	8.2 %

Earnings per share (diluted)

in euros	Q2/2011	Q2/2012	Change
Ordinary shares	0.84	0.92	9.5 %
Non-voting preferred shares	0.84	0.92	9.5 %

Additional voluntary information

in million euros		Q2/2011	Q2/2012
EBIT (as reported)		537	583
One-time gains		– 57	–
One-time charges		–	–
Restructuring charges		34	26
Adjusted EBIT		514	609
Adjusted return on sales	*in %*	*13.0*	*14.5*
Adjusted tax rate	*in %*	*25.6*	*24.9*
Adjusted earnings per share (basic)	in euros	0.79	0.97
Adjusted net income – Attributable to shareholders of Henkel AG & Co. KGaA		343	420

Consolidated statement of income

in million euros	1–6/2011	%	1–6/2012	%	Change
Sales	7,776	100.0	8,214	100.0	5.6%
Cost of sales[1]	–4,211	–54.2	–4,330	–52.7	2.8%
Gross profit	3,565	45.8	3,884	47.3	8.9%
Marketing, selling and distribution expenses[1]	–2,120	–27.3	–2,172	–26.5	2.5%
Research and development expenses[1]	–208	–2.7	–207	–2.5	–0.5%
Administrative expenses[1]	–383	–4.9	–385	–4.7	0.5%
Other operating income	144	1.9	53	0.6	–63.2%
Other operating charges	–31	–0.4	–52	–0.6	67.7%
Operating profit (EBIT)	967	12.4	1,121	13.6	15.9%
Interest income	20	0.3	22	0.3	10.0%
Interest expense	–98	–1.3	–93	–1.1	–5.1%
Interest result	–78	–1.0	–71	–0.8	–9.0%
Investment result	–	–	–	–	–
Financial result	–78	–1.0	–71	–0.8	–9.0%
Income before tax	889	11.4	1,050	12.8	18.1%
Taxes on income	–224	–2.9	–260	–3.2	16.1%
Tax rate in %	*25.2*		*24.8*		
Net income	665	8.5	790	9.6	18.8%
– Attributable to non-controlling interests	–14	–0.2	–20	–0.2	42.9%
– Attributable to shareholders of Henkel AG & Co. KGaA	651	8.3	770	9.4	18.3%

[1] Restructuring charges, first half year 2012: 39 million euros (first half year 2011: 77 million euros), of which: cost of sales 8 million euros (first half year 2011: 35 million euros); marketing, selling and distribution expenses 13 million euros (first half year 2011: 18 million euros); research and development expenses 2 million euros (first half year 2011: 5 million euros); administrative expenses 16 million euros (first half year 2011: 19 million euros).

Earnings per share (basic)

in euros	1–6/2011	1–6/2012	Change
Ordinary shares	1.50	1.77	18.0%
Non-voting preferred shares	1.51	1.78	17.9%

Earnings per share (diluted)

in euros	1–6/2011	1–6/2012	Change
Ordinary shares	1.49	1.77	18.8%
Non-voting preferred shares	1.50	1.78	18.7%

Additional voluntary information

in million euros		1–6/2011	1–6/2012
EBIT (as reported)		967	1,121
One-time gains		–57	–
One-time charges		–	–
Restructuring charges		77	39
Adjusted EBIT		987	1,160
Adjusted return on sales	*in %*	*12.7*	*14.1*
Adjusted tax rate	*in %*	*26.2*	*25.0*
Adjusted earnings per share (basic)	in euros	1.52	1.84
Adjusted net income – Attributable to shareholders of Henkel AG & Co. KGaA		657	797

Consolidated statement of comprehensive income

in million euros	Q2/2011	Q2/2012	1–6/2011	1–6/2012
Net income	375	412	665	790
Exchange differences on translation of foreign operations	– 85	316	– 430	157
Gains/losses from derivative financial instruments (hedge reserve per IAS 39)	– 8	6	– 2	11
Gains from financial instruments in the available-for-sale category (available-for-sale reserve)	–	–	–	3
Actuarial gains/losses	– 26	– 78	27	4
Other comprehensive income (net of taxes)	– 119	244	– 405	175
Total comprehensive income for the period	256	656	260	965
– Attributable to non-controlling interests	6	15	4	22
– Attributable to shareholders of Henkel AG & Co. KGaA	250	641	256	943

Consolidated statement of changes in equity

	Issued capital					Other components of equity					
in million euros	Ordinary shares	Preferred shares	Capital reserve	Treasury shares	Retained earnings	Translation differences	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	–	–	–	–	651	–	–	–	651	14	665
Other comprehensive income	–	–	–	–	27	– 420	– 2	–	– 395	– 10	– 405
Total comprehensive income for the period	–	–	–	–	*678*	*– 420*	*– 2*	–	*256*	*4*	*260*
Dividends	–	–	–	–	– 307	–	–	–	– 307	– 6	– 313
Sale of treasury shares	–	–	–	5	6	–	–	–	11	–	11
Changes in ownership interest without loss of control	–	–	–	–	–	–	–	–	–	–	–
Other changes in equity	–	–	–	–	–	–		–	–	30	30
At June 30, 2011	260	178	652	– 94	8,303	– 1,196	– 284	–	7,819	119	7,938
At December 31, 2011/ January 1, 2012	260	178	652	– 93	8,586	– 662	– 278	– 2	8,641	121	8,762
Net income	–	–	–	–	770	–	–	–	770	20	790
Other comprehensive income	–	–	–	–	4	155	11	3	173	2	175
Total comprehensive income for the period	–	–	–	–	*774*	*155*	*11*	*3*	*943*	*22*	*965*
Dividends	–	–	–	–	– 342	–	–	–	– 342	– 10	– 352
Sale of treasury shares	–	–	–	2	3	–	–	–	5	–	5
Changes in ownership interest without loss of control	–	–	–	–	– 5	–	–	–	– 5	– 3	– 8
Other changes in equity	–	–	–	–	– 6	–	–	–	–6	1	– 5
At June 30, 2012	260	178	652	– 91	9,010	– 507	– 267	1	9,236	131	9,367

Consolidated statement of cash flows

in million euros	Q2/2011	Q2/2012	1–6/2011	1–6/2012
Operating profit (EBIT)	537	583	967	1,121
Income taxes paid	– 123	– 218	– 202	– 351
Amortization/depreciation/write-ups of intangible assets and property, plant and equipment	97	98	200	196
Net gains/losses on disposal of intangible assets and property, plant and equipment, and from divestments	– 58	– 4	– 66	– 4
Change in inventories	– 53	52	– 192	– 42
Change in trade accounts receivable	– 112	– 57	– 368	– 282
Change in other assets	28	10	– 26	– 19
Change in trade accounts payable	29	62	208	222
Change in other liabilities and provisions	– 72	– 82	– 75	– 12
Cash flow from operating activities	273	444	446	829
Purchase of intangible assets and property, plant and equipment	– 89	– 91	– 159	– 188
Acquisition of subsidiaries and other business units	– 1	–	– 4	– 5
Purchase of associated companies and joint ventures held “at equity“	–	– 4	–	– 4
Proceeds on disposal of subsidiaries and other business units	34	–	38	–
Proceeds on disposal of intangible assets and property, plant and equipment	13	38	33	40
Cash flow from investing activities	– 43	– 57	– 92	– 157
Dividends paid to shareholders of Henkel AG & Co. KGaA	– 307	– 342	– 307	– 342
Dividends (of subsidiaries) paid to non-controlling interests	– 2	– 9	– 6	–10
Interest received	6	4	19	20
Interest paid	– 46	– 37	– 98	– 89
Dividends and interest paid and received	*– 349*	*– 384*	*– 392*	*– 421*
Change in borrowings	13	– 40	4	– 49
Allocation to pension funds	– 9	– 11	– 36	– 36
Other changes in pension obligations	– 22	– 28	– 31	– 52
Purchase of non-controlling interests with no change of control	–	–	–	– 7
Other financing transactions	–32	–491	29	– 525
Cash flow from financing activities	– 399	– 954	– 426	– 1,090
Net change in cash and cash equivalents	– 169	– 567	– 72	– 418
Effect of exchange rates on cash and cash equivalents	– 4	5	– 22	– 16
Change in cash and cash equivalents	– 173	– 562	– 94	– 434
Cash and cash equivalents at April 1/January 1	1,594	2,108	1,515	1,980
Cash and cash equivalents at June 30	1,421	1,546	1,421	1,546

Additional voluntary information
Reconciliation to free cash flow

in million euros	Q2/2011	Q2/2012	1–6/2011	1–6/2012
Cash flow from operating activities	273	444	446	829
Purchase of intangible assets and property, plant and equipment	– 89	– 91	– 159	– 188
Proceeds on disposal of intangible assets and property, plant and equipment	13	38	33	40
Net interest paid	– 40	– 33	– 79	– 69
Other changes in pension obligations	– 22	– 28	– 31	– 52
Free cash flow	135	330	210	560

Group segment report by business sector[1]

Second quarter 2012

in million euros	Laundry & Home Care	Cosmetics/ Toiletries	Adhesives for Consumers, Craftsmen and Building	Industrial Adhesives	Total Adhesive Technologies	Total operating business sectors	Corporate	Henkel Group
Sales April – June 2012	**1,147**	**921**	**527**	**1,572**	**2,099**	**4,166**	**39**	**4,206**
Change from previous year	6.6 %	4.5 %	3.9 %	8.0 %	6.9 %	6.3 %	17.1 %	6.4 %
After adjusting for foreign exchange	4.4 %	1.4 %	3.0 %	2.5 %	2.6 %	2.8 %	–	2.9 %
Organic	5.1 %	2.8 %	5.0 %	3.1 %	3.6 %	3.8 %	–	4.0 %
Proportion of Group sales	27 %	22 %	13 %	37 %	50 %	99 %	1 %	100 %
Sales April – June 2011	1,076	881	507	1,456	1,963	3,920	33	3,953
EBIT April – June 2012	**153**	**131**	**82**	**245**	**327**	**611**	**– 28**	**583**
EBIT April – June 2011	157	140	69	200	269	566	– 29	537
Change from previous year	– 2.5 %	– 6.3 %	17.9 %	22.5 %	21.3 %	7.9 %	–	8.5 %
Return on sales (EBIT) April – June 2012	**13.3 %**	**14.3 %**	**15.5 %**	**15.6 %**	**15.6 %**	**14.7 %**	**–**	**13.9 %**
Return on sales (EBIT) April – June 2011	14.6 %	15.9 %	13.7 %	13.7 %	13.7 %	14.4 %	–	13.6 %
Adjusted EBIT April – June 2012	**167**	**133**	**83**	**248**	**330**	**630**	**– 21**	**609**
Adjusted EBIT April – June 2011	140	124	69	209	278	542	– 28	514
Change from previous year	19.5 %	7.1 %	19.0 %	18.6 %	18.7 %	16.3 %	–	18.6 %
Return on sales (adjusted EBIT) April – June 2012	**14.5 %**	**14.4 %**	**15.7 %**	**15.8 %**	**15.7 %**	**15.1 %**	**–**	**14.5 %**
Return on sales (adjusted EBIT) April – June 2011	13.0 %	14.1 %	13.7 %	14.3 %	14.2 %	13.8 %	–	13.0 %
Capital employed April – June 2012[2]	**2,526**	**2,087**	**1,045**	**6,220**	**7,265**	**11,878**	**61**	**11,939**
Capital employed April – June 2011[2]	2,299	1,951	996	5,821	6,816	11,066	60	11,126
Change from previous year	9.9 %	7.0 %	5.0 %	6.9 %	6.6 %	7.3 %	–	7.3 %
Return on capital employed (ROCE) April – June 2012	**24.2 %**	**25.2 %**	**31.3 %**	**15.7 %**	**18.0 %**	**20.6 %**	**–**	**19.5 %**
Return on capital employed (ROCE) April – June 2011	27.3 %	28.8 %	27.9 %	13.7 %	15.8 %	20.5 %	–	19.3 %
Amortization/depreciation/write-ups of intangible assets and property, plant and equipment April – June 2012	**25**	**13**	**11**	**45**	**56**	**95**	**3**	**98**
of which impairment losses 2012	**1**	**–**	**–**	**–**	**–**	**1**	**–**	**1**
of which write-ups 2012	**–**	**–**	**–**	**1**	**1**	**1**	**–**	**1**
Amortization/depreciation/write-ups of intangible assets and property, plant and equipment April – June 2011	25	12	10	44	55	92	5	96
of which impairment losses 2011	1	–	–	–	–	1	–	1
of which write-ups 2011	–	–	–	–	–	–	–	–
Capital expenditures (excl. financial assets) April – June 2012	**29**	**13**	**22**	**25**	**48**	**90**	**1**	**91**
Capital expenditures (excl. financial assets) April – June 2011	34	14	12	33	45	93	3	96
Operating assets April – June 2012[3]	**4,030**	**2,975**	**1,485**	**7,301**	**8,786**	**15,791**	**392**	**16,183**
Operating liabilities April – June 2012	**1,322**	**1,082**	**490**	**1,512**	**2,002**	**4,407**	**331**	**4,738**
Net operating assets April – June 2012[3]	**2,708**	**1,893**	**995**	**5,789**	**6,784**	**11,385**	**61**	**11,445**
Operating assets April – June 2011[3]	3,614	2,808	1,449	6,951	8,400	14,822	431	15,254
Operating liabilities April – June 2011	1,166	1,063	515	1,445	1,960	4,189	371	4,560
Net operating assets April – June 2011[3]	2,448	1,745	934	5,506	6,440	10,633	60	10,694

[1] Calculated on the basis of units of 1,000 euros.
[2] Including goodwill at cost prior to any accumulated amortization in accordance with IFRS 3.79(b).
[3] Including goodwill at net book value.

Group segment report by business sector[1]

First half year 2012

in million euros	Laundry & Home Care	Cosmetics/ Toiletries	Adhesives for Consumers, Craftsmen and Building	Industrial Adhesives	Total Adhesive Tech-nologies	Total operating business sectors	Corporate	Henkel Group
Sales January – June 2012	**2,254**	**1,782**	**978**	**3,121**	**4,099**	**8,136**	**78**	**8,214**
Change from previous year	5.0%	4.7%	2.8%	7.8%	6.6%	5.7%	–2.4%	5.6%
After adjusting for foreign exchange	4.0%	2.5%	2.7%	4.0%	3.7%	3.5%	–	3.4%
Organic	4.8%	3.4%	4.5%	4.6%	4.6%	4.4%	–	4.3%
Proportion of Group sales	27%	22%	12%	38%	50%	99%	1%	100%
Sales January – June 2011	2,148	1,702	951	2,895	3,846	7,696	80	7,776
EBIT January – June 2012	**310**	**252**	**133**	**477**	**610**	**1,171**	**–50**	**1,121**
EBIT January – June 2011	257	253	124	389	513	1,023	–56	967
Change from previous year	20.5%	–0.4%	7.3%	22.6%	18.9%	14.5%	–	15.9%
Return on sales (EBIT) January – June 2012	**13.7%**	**14.1%**	**13.6%**	**15.3%**	**14.9%**	**14.4%**	**–**	**13.6%**
Return on sales (EBIT) January – June 2011	12.0%	14.8%	13.1%	13.4%	13.3%	13.3%	–	12.4%
Adjusted EBIT January – June 2012	**327**	**257**	**135**	**484**	**619**	**1,203**	**–43**	**1,160**
Adjusted EBIT January – June 2011	272	238	125	400	525	1,035	–48	987
Change from previous year	20.2%	8.1%	8.0%	21.0%	17.9%	16.3%	–	17.6%
Return on sales (adjusted EBIT) January – June 2012	**14.5%**	**14.4%**	**13.8%**	**15.5%**	**15.1%**	**14.8%**	**–**	**14.1%**
Return on sales (adjusted EBIT) January – June 2011	12.7%	14.0%	13.2%	13.8%	13.7%	13.4%	–	12.7%
Capital employed January – June 2012[2]	**2,488**	**2,125**	**1,037**	**6,186**	**7,222**	**11,834**	**43**	**11,877**
Capital employed January – June 2011[2]	2,330	1,969	984	5,863	6,847	11,146	38	11,184
Change from previous year	6.7%	8.0%	5.3%	5.5%	5.5%	6.2%	–	6.2%
Return on capital employed (ROCE) January – June 2012	**24.9%**	**23.7%**	**25.7%**	**15.4%**	**16.9%**	**19.8%**	**–**	**18.9%**
Return on capital employed (ROCE) January – June 2011	22.1%	25.7%	25.2%	13.3%	15.0%	18.4%	–	17.3%
Amortization/depreciation/write-ups of intangible assets and property, plant and equipment January – June 2012	**52**	**26**	**21**	**89**	**111**	**189**	**8**	**196**
of which impairment losses 2012	**3**	**–**	**–**	**–**	**–**	**3**	**–**	**3**
of which write-ups 2012	**–**	**–**	**–**	**1**	**1**	**1**	**–**	**1**
Amortization/depreciation/write-ups of intangible assets and property, plant and equipment January – June 2011	57	24	21	89	110	191	9	200
of which impairment losses 2011	7	–	–	–	–	7	–	7
of which write-ups 2011	–	–	–	–	–	–	–	–
Capital expenditures (excl. financial assets) January – June 2012	**66**	**32**	**36**	**55**	**92**	**190**	**2**	**192**
Capital expenditures (excl. financial assets) January – June 2011	58	67	20	56	76	201	6	207
Operating assets January – June 2012[3]	**3,982**	**2,999**	**1,469**	**7,274**	**8,742**	**15,724**	**396**	**16,120**
Operating liabilities January – June 2012	**1,318**	**1,071**	**483**	**1,519**	**2,002**	**4,391**	**353**	**4,744**
Net operating assets January – June 2012[3]	**2,664**	**1,928**	**986**	**5,755**	**6,740**	**11,333**	**43**	**11,376**
Operating assets January – June 2011[3]	3,683	2,802	1,417	7,007	8,423	14,909	420	15,329
Operating liabilities January – June 2011	1,199	1,038	493	1,460	1,953	4,190	382	4,572
Net operating assets January – June 2011[3]	2,484	1,765	923	5,547	6,471	10,719	38	10,757

[1] Calculated on the basis of units of 1,000 euros.
[2] Including goodwill at cost prior to any accumulated amortization in accordance with IFRS 3.79(b).
[3] Including goodwill at net book value.

Earnings per share

In calculating earnings per share for the period January through June 2012, we have included the standard dividend differential between ordinary and preferred shares for the full year of 2 eurocents (as stipulated in the Articles of Association), weighted on a time-proportional basis.

As of June 30, 2012, the Stock Incentive Plan had not resulted in any dilutive effect.

Earnings per share

in million euros		1–6/2011	1–6/2012
Net income for the first half year, attributable to shareholders of Henkel AG & Co. KGaA	**in mill. euros**	**651**	**770**
Number of outstanding ordinary shares		259,795,875	259,795,875
Earnings per ordinary share (basic)	**in euros**	**1.50**	**1.77**
Number of outstanding preferred shares[1]		174,300,434	174,460,902
Earnings per preferred share (basic)	**in euros**	**1.51**	**1.78**
Dilutive effect arising from Stock Incentive Plan		122,086	11,908
Number of potentially outstanding preferred shares[2]		174,422,520	174,472,811
Earnings per ordinary share (diluted)	**in euros**	**1.49**	**1.77**
Earnings per preferred share (diluted)	**in euros**	**1.50**	**1.78**

[1] Weighted average of preferred shares.
[2] Weighted average of preferred shares (adjusted for the potential number of shares arising from the Stock Incentive Plan).

Changes in treasury shares

Treasury stock held by the corporation at June 30, 2012 amounted to 3,680,570 preferred shares. This represents 0.84 percent of the capital stock and a proportional nominal value of 3.7 million euros.

As a result of options exercised and lapsed under the Stock Incentive Plan, our treasury stock decreased during the period January through June 2012 by 95,600 preferred shares, representing a proportional nominal value of 0.1 million euros (0.02 percent of issued shares).

Accounting policies

The interim financial report and interim consolidated financial statements of the Henkel Group for the first half of the year have been prepared in accordance with section 37w of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and consequently in compliance with International Accounting Standard (IAS) 34 "Interim Financial Reporting."

The same accounting principles have been applied as for the 2011 consolidated financial statements, with the exception of the accounting pronouncements recently adopted in 2012. These pronouncements do not exert any material influence on the presentation of the half year financial report. In order to further ensure a true and fair view of our net assets, financial position and results of operations, additional line items have been included and some line items have been renamed in the consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows.

To simplify interim financial reporting, IAS 34.41 allows certain estimates and assumptions to be made beyond the scope permitted for annual financial statements, on condition that all material financial information is appropriately presented to enable a proper assessment of the net assets, financial position and results of operations of the company. In calculating taxes on income, the interim tax expense is determined on the basis of the estimated effective income tax rate for the current financial year.

The interim report for the first half year, comprised of condensed consolidated financial statements and an interim Group management report, was duly subjected to an auditor's review.

Scope of consolidation

In addition to Henkel AG & Co. KGaA as the ultimate parent company, the scope of consolidation as of June 30, 2012 includes eight German and 173 non-German companies in which Henkel AG & Co. KGaA has the power to govern 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 has the power, directly or indirectly, to govern their financial and operating policies.

Compared to December 31, 2011, six new companies have been included in the scope of consolidation and two companies have left the Group. There have been no new mergers. The changes in the scope of consolidation have not had any material effect on the main items of the consolidated financial statements.

Acquisitions and divestments

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. A provisional difference of 4 million euros has been recognized.

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. The difference between the previously held share of net assets and the purchase price has been recognized in retained earnings.

Consolidated statement of comprehensive income

Of the components included in other comprehensive income, tax income relating to actuarial losses amounts to 5 million euros (June 30, 2011: tax expenses of 23 million euros) and tax expenses from cash flow hedges amount to 6 million euros (June 30, 2011: tax income of 1 million euros).

Other financial assets

Also included under current other financial assets is the fine of 92 million euros deposited in connection with the antitrust action in France (June 30, 2011: 0 million euros).

Assets held for sale

Compared to December 31, 2011, the value of assets held for sale decreased by 32 million euros to 19 million euros. The decline is due in part to the transfer – with economic effect as of April 2, 2012 – of the non-core brands of the Cosmetics/Toiletries business sector previously recorded as held for sale. The disposal had no effect on income.

Contingent liabilities

Effective June 30, 2012, liabilities under guarantee and warranty agreements totaled 5 million euros. On December 31, 2011, these liabilities amounted to 8 million euros.

Operating lease obligations

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 June 30, 2012, they were due for payment as follows:

Operating lease obligations

in million euros	Dec. 31, 2011	June 30, 2012
Due in the following year	59	58
Due within 1 to 5 years	118	108
Due after 5 years	35	33
Total	**212**	**199**

Voting rights, related party disclosures

Henkel AG & Co. KGaA, Düsseldorf, Germany, has been notified that the share of voting rights of the parties to the Henkel family share-pooling agreement at October 21, 2010 represented around 53.21 percent of the voting rights (138,240,804 votes) in Henkel AG & Co. KGaA.

Notes to the Group segment report

There have been no changes in the basis by which the segments are classified or in the presentation of the segment results as compared to the annual financial statements of December 31, 2011. For definitions of ROCE, operating assets and capital employed, please refer to our AR Annual Report 2011, page 52, and also pages 146 and 147.

Notes to the consolidated statement of cash flows

Other financing transactions include –519 million euros (previous year: 19 million euros) in investments in short-term securities and time deposits. Other main items of the consolidated statement of cash flows and the changes thereto are explained on Q2 page 20.

Independent review report

To Henkel AG & Co. KGaA, Düsseldorf:
We have reviewed the condensed interim consolidated financial statements – comprising the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and selected notes – and the interim group management report of Henkel AG & Co. KGaA, Düsseldorf, for the period from January 1, 2012 to June 30, 2012 which form part of the half year financial report according to section 37w German Securities Trading Act (Wertpapierhandelsgesetz – WpHG).

The preparation of the condensed interim consolidated financial statements in accordance with those International Financial Reporting Standards (IFRS) applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the German Securities Trading Act applicable to interim group management reports, is the responsibility of the Company's legal representatives. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) and in supplementary compliance with the International Standard on Review Engagements (ISRE) 2410. Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material aspects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material aspects, in accordance with the regulations of the German Securities Trading Act applicable to interim group management reports.

A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

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

Düsseldorf, July 30, 2012

KPMG AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Kai C. Andrejewski
Wirtschaftsprüfer
(German Public Auditor)

Michael Gewehr
Wirtschaftsprüfer
(German Public Auditor)

Responsibility statement

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

Düsseldorf, July 30, 2012

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

Report of the Audit Committee of the Supervisory Board

In the meeting of July 30, 2012, the Audit Committee was presented the interim consolidated financial report for the first six months of fiscal 2012 and the report prepared by KPMG AG, Wirtschaftsprüfungsgesellschaft, on its review of the condensed interim consolidated financial statements and the interim Group management report. The Audit Committee also received verbal explanations from the Management Board and KPMG pertaining to the above. The Audit Committee has approved and endorses the interim consolidated financial report.

Düsseldorf, July 30, 2012

Chairman of the Audit Committee
Prof. Dr. Theo Siegert

Credits

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