

# Laundry & Home Care

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

## Innovations 2012



### Persil Duo-Caps

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



### Bref / WC Frisch "Power Aktiv"

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



### Silan Royal

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

## Key financials \*

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

pp = percentage points

\* Calculated on the basis of units of 1,000 euros; figures commercially rounded.

## Sales development \*

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

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

\*\* In determining the price effect, we account for the positive structural effect arising from the launch of new products.

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

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

## Economic environment and market position

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

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

## Business activity and strategy

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

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

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

## Top brands

**Persil**

**Purex**



**42 %**  
innovation rate.

<sup>1</sup> Percentage share of sales generated with new products launched onto the market within the last three years.

## Sales

in million euros

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

**+ 4.7%**

organic sales growth.

## Sales and profits

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

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

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

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

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

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

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

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

<sup>1</sup> Ratio of a company's share of total advertising spending to its market share, specific to the markets in which Henkel is active.

## Business areas

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

### Laundry

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

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

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

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

### Home Care

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

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

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

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

### Capital expenditures

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

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

# Beauty Care

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

## Innovations 2012



### Schwarzkopf Color Mask

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



### Right Guard TD5 Cooling

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



### Syoss Beauty Elixir Absolute Oil

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

## Key financials \*

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

pp = percentage points

\* Calculated on the basis of units of 1,000 euros; figures commercially rounded.

## Sales development \*

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

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

\*\* In determining the price effect, we account for the positive structural effect arising from the launch of new products.

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

### Economic environment and market position

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

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

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

### Business activity and strategy

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

In the Branded Consumer Goods business, we want to continue expanding our innovation leadership in the mature markets in order to further grow our market shares. To this end, we pursue a consistent, pro-active innovation strategy accompanied by strict cost management to allow us to step up our market investments and increase profitability. We are driving business development in our emerging markets by expanding our portfolio. The aim in our Hair Salon business is to continue pursuing our strategy of globalization. In this area, we will push forward targeting our emerging markets in particular.

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

In our Branded Consumer Goods business, our focus is on the international expansion of our core businesses of Hair Cosmetics, Body Care, Oral Care and Skin Care. Through targeted portfolio management and the associated marketing activities aimed at strengthening our top brands, we were able to further develop our ten biggest brands in 2012. They grew at a considerably faster rate than the overall portfolio, and once again accounted for more than 90 percent of sales. In addition to strengthening our brand equities, we focus particularly on the growth potential available in our key accounts. We develop our Hair Salon business through product innovations and efficient sales and distribution structures. At the same time, we are selectively taking advantage of new regional potentials.

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

### Top brands

  
Schwarzkopf



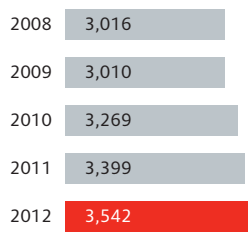
SYOSS

**45%**  
innovation rate.

<sup>1</sup> Percentage share of sales generated with new products launched onto the market within the last three years.

## Sales

in million euros

**+3.1%**

organic sales growth.

**Sales and profits**

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

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

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

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

Following significant increases in the previous year, raw material costs stabilized at a high level in 2012, and increased only slightly. We

succeeded in increasing our gross margin over the previous year through our innovation offensive and ongoing measures to reduce costs and enhance efficiency in both production and supply chain. In addition, the continuation of our strict cost management also in other areas had a positive impact on the return on sales.

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

**Business areas**

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

**Branded Consumer Goods**

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

In our Hair Care business we again succeeded in increasing market share, driven, above all, by the successful launch of new hair care lines. Beauty Care set new trends by launching innovative oil technologies, such as Gliss Kur with Marrakesh Oil & Coconut, Schauma Cream & Oil or Syoss Oleo Intense, an intensely nourishing oil-based shampoo for particularly dry and damaged hair. Furthermore, the launch of the new silicone-free Syoss and Schauma lines enabled us to establish an entirely novel area in retail business. Together with technical innovations and applications, such as the new Gliss Kur Express Mousse repair treatments – which repair the hair without weighing it down – we managed to register very strong growth overall in our Hair Care business. Our Hair Colorants also generated strong growth, and we were once again able to increase market shares to new highs. Growth was primarily driven

by the launch of Color Mask, our first colorant with a texture that is as rich and easy to apply as a hair mask, making the process of coloring hair a completely new and pampering experience. Growth momentum in our Palette brand – number one in the market for colorants in Europe – was generated by the launch of Palette Salon Colors. This new product line is the first expert hair colorant under the Palette brand to produce intense, long-lasting color in brilliant fashion shades. The relaunch of Syoss Color with ProCellium-Keratin also had a positive effect on sales. The innovative active ingredient produces an exact replica of the desired color with professional coverage of gray hair, at the same time giving the hair a healthy shine.

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

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

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

Our Oral Care business was dominated by innovative product launches: with Theramed ProElectric,

we introduced the first toothpaste formulated specially for electric toothbrushes; Theramed X-ite toothpaste promises a particularly intense feeling of freshness.

### **Hair Salon**

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

### **Capital expenditures**

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

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



# Adhesive Technologies

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

## Innovations 2012



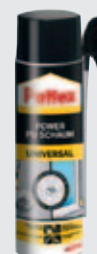
### Loctite instant adhesives

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



### Loctite Ablestik CDF 200P

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



### Pattex Power PU-Schaum

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

## Key financials \*

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

pp = percentage points

\* Calculated on the basis of units of 1,000 euros; figures commercially rounded.

## Sales development \*

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

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

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

### Economic environment and market position

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

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

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

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

### Business activity and strategy

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

for generating innovation potential across the business sector.

In the Adhesives for Consumers, Craftsmen and Building business, we market a wide range of brandname products for private and professional users. Based on our four international brand platforms, namely Loctite, Pritt, Pattex and Ceresit, we offer target group-aligned system solutions for applications in the household, schools and offices, for do-it-yourselfers and craftsmen, and also for the building industry.

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

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

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

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

### Top brands

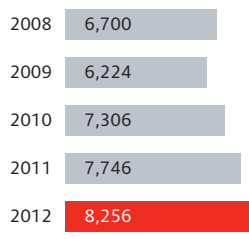
**LOCTITE**

**TEROSON**

**TECHNOMELT**

## Sales

in million euros

**+ 3.6 %**

organic sales growth.

**32 %**

innovation rate.

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

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

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

The business areas reach more than 100,000 direct customers of widely varying sizes in a large number of markets and market segments. Our superior chemical engineering and market-related expertise coupled with our global presence allows us to offer a differentiated range of

products and services around the world for the benefit of our customers. We are continuing to expand our customer-oriented range of integrated solution systems. An example of this is our partnership with Nordson Corporation, a leading producer of precision dispensing equipment for adhesives in the USA. Together, we are developing new applications for the global packaging industry. We will further reduce the complexity of our business processes by introducing a new, globally harmonized information technology system, which includes, for example, a globally standardized model for optimal customer service.

**Sales and profits**

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

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

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

Operating profit (EBIT) increased to 1,191 million euros, driven once again by strict optimization of our cost structures and further improvements to

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

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

### Business areas

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

#### Adhesives for Consumers, Craftsmen and Building

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

#### Industrial Adhesives

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

We posted our highest sales increase in the Transport and Metal business. As the markets steadily recovered, our business in Asia grew very strongly, with sales reaching double-digit growth rates. Sales growth was also in the double-

digit range in North America, where we launched new high-performance adhesives that support the trend toward lightweight construction in the automotive and aircraft industries.

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

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

### Capital expenditures

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

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