Q3 | 2011

Quarterly financial report July through September
Nine-month financial report

Henkel Excellence is our Passion

Henkel: Financial highlights

in million euros	Q3/2010	Q3/2011	Change[1]	1–9/2010	1–9/2011	Change[1]
Sales	3,961	4,028	1.7 %	11,363	11,804	3.9 %
Operating profit (EBIT)	501	451	–10.0 %	1,344	1,418	5.5 %
Laundry & Home Care	139	125	–10.4 %	427	382	–10.6 %
Cosmetics/Toiletries	113	111	–1.2 %	325	364	12.0 %
Adhesive Technologies	268	254	–5.4 %	676	767	13.5 %
Return on sales (EBIT) in %	12.7	11.2	–1.5 pp	11.8	12.0	0.2 pp
Earnings before tax	464	414	–10.8 %	1,218	1,303	7.0 %
Net income	343	314	–8.5 %	889	979	10.1 %
– Attributable to non-controlling interests	–6	–7	16.7 %	–20	–21	5.0 %
– Attributable to shareholders of Henkel AG & Co. KGaA	337	307	–8.9 %	869	958	10.2 %
Earnings per ordinary share in euros	0.78	0.70	–10.3 %	2.00	2.20	10.0 %
Earnings per preferred share in euros	0.78	0.71	–9.0 %	2.01	2.22	10.4 %
Return on capital employed (ROCE) in %	16.3	15.9	–0.4 pp	15.2	16.8	1.6 pp
Capital expenditures on property, plant and equipment	52	108	>100 %	164	263	60.4 %
Research and development expenses	95	103	8.4 %	293	311	6.1 %
Number of employees (as of September 30)	48,151	47,790	–0.8 %	48,151	47,790	–0.8 %

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

Adjusted[1] earnings figures

in million euros	Q3/2010	Q3/2011	Change[2]	1–9/2010	1–9/2011	Change[2]
Adjusted operating profit (EBIT)	517	541	4.7 %	1,414	1,528	8.0 %
Adjusted return on sales (EBIT) in %	13.0	13.4	0.4 pp	12.4	12.9	0.5 pp
Adjusted earnings before tax	480	504	5.0 %	1,288	1,413	9.7 %
Adjusted net income	355	373	5.1 %	942	1,044	10.8 %
– Attributable to non-controlling interests	–6	–7	16.7 %	–20	–21	5.0 %
– Attributable to shareholders of Henkel AG & Co. KGaA	349	366	4.9 %	922	1,023	11.0 %
Adjusted earnings per preferred share in euros	0.80	0.85	6.3 %	2.13	2.37	11.3 %

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

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Key financials

4,028 million euros
Sales

307 million euros
Net income attributable to shareholders of Henkel AG & Co. KGaA

451 million euros
Operating profit (EBIT)

0.71 euros
Earnings per preferred share (EPS)

+6.5%
Organic sales growth

+3.8% Laundry & Home Care
+5.6% Cosmetics/Toiletries
+8.7% Adhesive Technologies

13.4%
Adjusted[1] return on sales (EBIT): plus 0.4 percentage points

14.0% Laundry & Home Care
14.3% Cosmetics/Toiletries
14.4% Adhesive Technologies

541 million euros
Adjusted[1] operating profit (EBIT): plus 4.7 percent

0.85 euros
Adjusted[1] earnings per preferred share (EPS): plus 6.3 percent

8.0%
Net working capital at prior-year level

Key facts

All business sectors achieve positive organic sales growth, posting market share gains across the board

Gross margin decline due to raw material price increases

All business sectors post significant EBIT margin improvement

Net debt reduced to 1.9 billion euros

[1] Adjusted for one-time charges (0 million euros)/one-time gains (0 million euros) and restructuring charges (90 million euros).

You will find our annual reports, our quarterly 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

Major events

Pursuing the further consolidation and optimization of our worldwide production network, we laid the foundation stone in Shanghai for the construction of our largest industrial adhesives factory anywhere in the world. From the end of 2012, this ultra-modern facility will be primarily employed to satisfy the rising demand for industrial adhesive technologies in China and the entire Asia-Pacific region, thus contributing to the further expansion of our position in the growth regions. Through ongoing development of our production processes, we have been able to design a plant that will operate with significantly lower water and energy consumption and generally reduced CO_2 emissions.

For the fifth year in a row, Henkel has been declared sector leader in the "Fast-Moving Consumer Goods" category in both the Dow Jones Sustainability World Index and the Dow Jones Sustainability Index Europe. The indices are comprised of corporations that follow the principles of sustainable development in their business operations.

Effective October 1, 2011, Kathrin Menges was appointed as a new member of the Henkel Management Board. She takes over global executive responsibility for Human Resources.

Share performance

During the third quarter of 2011, share prices on the stock markets generally experienced falls in the double-digit percentage range. With the debt crisis deepening in the course of the three months, the DAX underwent a decrease of 25.4 percent while the Dow Jones Euro Stoxx Consumer Goods Index lost 20.0 percent.

Within this market environment, the price of Henkel preferred shares fell by 16.4 percent, from 47.87 euros to 40.00 euros. Our shares were thus able to better withstand the general decline than the DAX and peer stocks representing the consumer goods segment.

The premium generated by the preferred share compared to the ordinary share during the third quarter averaged 22.4 percent.

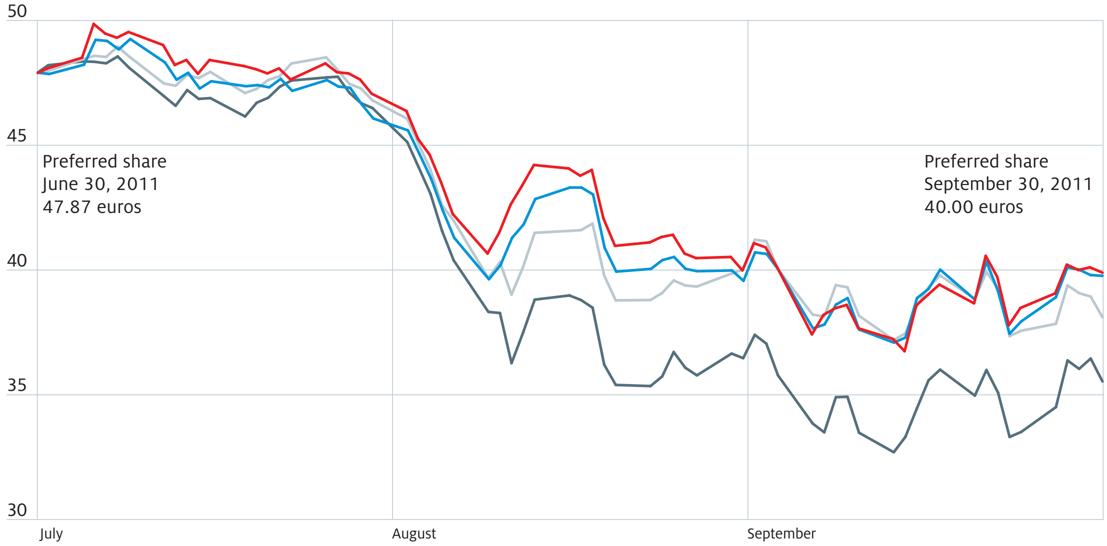
Key data on Henkel shares third quarter

in euros	Q3/2010	Q3/2011
Earnings per share		
Ordinary share	0.78	**0.70**
Preferred share	0.78	**0.71**
Share price at period end[1]		
Ordinary share	33.22	**32.95**
Preferred share	39.40	**40.00**
High for the period[1]		
Ordinary share	33.71	**40.61**
Preferred share	40.17	**49.77**
Low for the period[1]		
Ordinary share	31.20	**30.78**
Preferred share	36.89	**36.90**
Market capitalization[1] in bn euros	**15.6**	**15.7**
Ordinary shares in bn euros	8.6	**8.6**
Preferred shares in bn euros	7.0	**7.1**

[1] Closing share prices, Xetra trading system.

Performance of Henkel shares versus market third quarter 2011

in euros



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

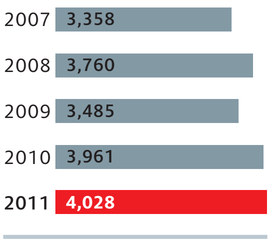
Performance of Henkel shares versus market January through September 2011

in euros

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

Report third quarter 2011

Sales third quarter
in million euros



Business performance third quarter 2011

Key financials[1]

in million euros	Q3/2010	Q3/2011	+/–
Sales	3,961	**4,028**	1.7 %
Operating profit (EBIT)	501	**451**	–10.0 %
Adjusted[2] operating profit (EBIT)	517	**541**	4.7 %
Return on sales (EBIT)	12.7 %	**11.2 %**	–1.5 pp
Adjusted[2] return on sales (EBIT)	13.0 %	**13.4 %**	0.4 pp
Net income – Attributable to shareholders of Henkel AG & Co. KGaA	337	**307**	– 8.9 %
Adjusted[2] net income – Attributable to shareholders of Henkel AG & Co. KGaA	349	**366**	4.9 %
Earnings per preferred share in euros	0.78	**0.71**	–9.0 %
Adjusted[2] earnings per preferred share in euros	0.80	**0.85**	6.3 %

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

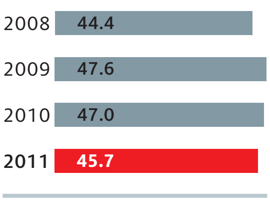
We achieved an increase in sales of 1.7 percent to 4,028 million euros in the third quarter of 2011. After adjusting for foreign exchange, sales improved by 5.7 percent. With growth of 6.5 percent, organic sales – i.e. sales adjusted for foreign exchange and acquisitions/divestments – once again experienced a strong increase compared to the prior-year quarter.

Sales development[1]

in percent	Q3/2011
Change versus previous year	1.7
Foreign exchange	–4.0
After adjusting for foreign exchange	5.7
Acquisitions/divestments	–0.8
Organic	6.5
of which price	4.0
of which volume	2.5

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

Adjusted gross margin third quarter
in percent of sales



All three business sectors contributed to this gratifying development: Laundry & Home Care registered encouraging organic growth of 3.8 percent, driven exclusively by pricing. The organic sales growth of the Cosmetics/Toiletries business sector came in at 5.6 percent on the back of significant volume increases.

The Adhesive Technologies business sector achieved a strong organic sales increase of 8.7 percent, attributable both to volume growth and successfully implemented price rises. We were able to further expand global market share in all three business sectors.

The third quarter of 2011 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 2010 (starting on page 66).

Price and volume effects third quarter 2011

in percent	Organic sales growth	of which price	of which volume
Laundry & Home Care	3.8	3.8	0.0
Cosmetics/Toiletries	5.6	–0.7	6.3
Adhesive Technologies	8.7	6.2	2.5
Henkel Group	**6.5**	**4.0**	**2.5**

In order to continuously adapt to our markets and customers, we increased our restructuring charges from 26 million euros to 90 million euros, with the focus primarily on Western Europe and North America. We are further expanding our shared service centers, reorganizing our Laundry & Home Care business sector for enhanced efficiency, and further optimizing the production network serving our Adhesive Technologies business sector.

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 income statement can be found on Q3 page 25.

Due to raw material price rises, the cost of sales increased compared to the prior-year figure by 4.2 percent to 2,187 million euros. Gross profit decreased to 1,841 million euros; as a result, gross margin declined by 1.3 percentage points to 45.7 percent. The negative impact amounting to some 600 basis points caused by increases in cost of sales was offset by about 75 percent through increases in our selling prices, savings generated by our cost-reduction measures, and our strict ongoing focus on efficiency improvements in production and along the supply chain.

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

in million euros	Q3/2010	%	Q3/2011	%	Change
Sales	3,961	100.0	4,028	100.0	1.7 %
Cost of sales	–2,098	–53.0	–2,187	–54.3	4.2 %
Gross profit	1,863	47.0	1,841	45.7	–1.2 %
Marketing, selling and distribution expenses	–1,086	–27.4	–1,018	–25.3	–6.3 %
Research and development expenses	–94	–2.4	–94	–2.3	0.0 %
Administrative expenses	–182	–4.6	–179	–4.4	–1.6 %
Other operating income/charges	16	0.4	–9	–0.2	>–100 %
Adjusted operating profit (EBIT)	517	13.0	541	13.4	4.7 %

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

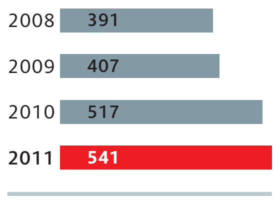
Marketing, selling and distribution expenses decreased by 6.3 percent to 1,018 million euros; this was essentially due to shifts in the marketing budgets of the consumer goods businesses. Total expenditure on marketing and promotional activities, on the other hand, remained unchanged in the year-on-year comparison. We spent 94 million euros on research and development, representing 2.3 percent of sales. As a result of expansion of our shared service centers, administrative expenses expressed as a proportion of sales came in at 4.4 percent, slightly below the 4.6 percent of the third quarter of 2010.

The balance of other operating income and charges fell from 16 million euros to –9 million euros, due in part to higher expenses relating to other periods and lower gains resulting from the reversal of provisions.

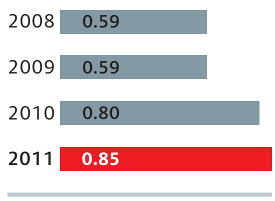
Adjusted operating profit (EBIT) increased by 4.7 percent, from 517 million euros to 541 million euros, with all three business sectors contributing. Despite the influence of rising prices for raw materials and packaging, we were able to increase the Group's return on sales from 13.0 percent to 13.4 percent. The most pronounced improvement in EBIT margin was realized by the Cosmetics/Toiletries business sector with an increase from 13.6 to 14.3 percent, achieved through excellent sales performance coupled with strict ongoing cost management. Adhesive Technologies was also able to substantially improve its return on sales, from 13.8 percent to 14.4 percent, as a result of both increases in its selling prices and efficiency enhancements. Thanks to higher selling prices and strict ongoing cost management, we also generated an improvement in the EBIT margin of the Laundry & Home Care business sector of 0.4 percentage points to 14.0 percent.

At –37 million euros, our financial result remained at the level of the prior-year quarter. The tax rate amounted to 24.2 percent (adjusted: 26.0 percent). Net income for the quarter decreased by 8.5 percent, from 343 million euros to 314 million euros. After deducting income of 7 million euros attributable to non-controlling interests, net income for the quarter was 307 million euros (prior-year quarter: 337 million euros). Adjusted net income for the quarter after deducting non-controlling interests was 366 million euros compared to 349 million euros in the prior-year quarter. Earnings per preferred share (EPS) decreased from 0.78 euros to 0.71 euros. After adjustment, EPS was 0.85 euros versus 0.80 euros in the prior-year quarter.

Adjusted operating profit (EBIT) third quarter
in million euros



Adjusted earnings per preferred share third quarter
in euros



Regional performance

Sales by region third quarter*)
in million euros

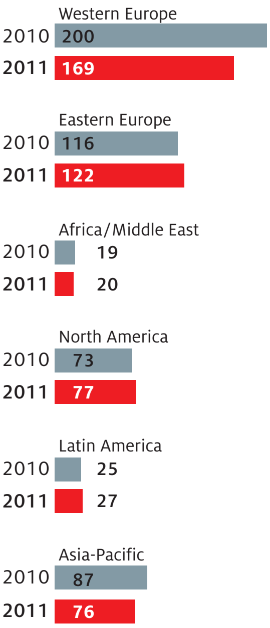
*) Excluding Corporate.

Henkel: Key figures by region[1] third quarter 2011

in million euros Regions	Western Europe	Eastern Europe	Africa / Middle East	North America	Latin America	Asia-Pacific	Corporate[2]	Henkel Group
Sales July – September 2011	**1,422**	**775**	**237**	**699**	**273**	**586**	**38**	**4,028**
Sales July – September 2010	1,369	743	229	733	259	579	49	**3,961**
Change from previous year	3.8 %	4.2 %	3.1 %	–4.6 %	5.4 %	1.2 %	–	**1.7 %**
After adjusting for foreign exchange	3.7 %	10.7 %	13.1 %	4.0 %	11.0 %	3.6 %	–	**5.7 %**
Organic	3.8 %	10.3 %	13.1 %	4.0 %	11.0 %	7.6 %	–	**6.5 %**
Proportion of Henkel sales July – September 2011	**35 %**	**19 %**	**6 %**	**17 %**	**7 %**	**15 %**	**1 %**	**100 %**
Proportion of Henkel sales July – September 2010	34 %	19 %	6 %	18 %	7 %	15 %	1 %	**100 %**
Operating profit (EBIT) July – September 2011	**169**	**122**	**20**	**77**	**27**	**76**	**–38**	**451**
Operating profit (EBIT) July – September 2010	200	116	19	73	25	87	–19	**501**
Change from previous year	–15.5 %	4.5 %	5.2 %	5.5 %	6.0 %	–12.7 %	–	**–10.0 %**
After adjusting for foreign exchange	–15.9 %	10.6 %	19.1 %	15.1 %	12.5 %	–9.6 %	–	**–6.6 %**
Return on sales (EBIT) July – September 2011	**11.9 %**	**15.7 %**	**8.5 %**	**11.1 %**	**9.8 %**	**12.9 %**	**–**	**11.2 %**
Return on sales (EBIT) July – September 2010	14.6 %	15.7 %	8.4 %	10.0 %	9.7 %	15.0 %	–	**12.7 %**

[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.

Operating profit (EBIT) by region third quarter*)
in million euros



*) Excluding Corporate.

The following is a commentary on the reported results:

In the highly competitive environment of the **Western Europe** region, we improved sales organically by 3.8 percent compared to the third quarter of 2010. The main driver was sales growth in Germany. Despite the increasing severity of the financial crisis in Southern Europe, growth in Italy was particularly gratifying.

Adjusted for foreign exchange, operating profit in the region decreased by 15.9 percent. This was attributable to the disproportionately high restructuring charges attributable to the Western Europe region. Regional return on sales fell accordingly, by 2.7 percentage points to 11.9 percent.

Organic sales in the **Eastern Europe** region rose by 10.3 percent with our businesses in Turkey and also our adhesives operation in Russia making a particularly important contribution.

Adjusted for foreign exchange, operating profit within the region increased by 10.6 percent. Return on sales remained stable at 15.7 percent.

Expansion of our sales in the **Africa/Middle East** region continued to be hampered by political unrest in some countries. Nevertheless, we returned to double-digit organic growth with an increase of 13.1 percent. Our adhesives business made a particularly strong contribution to this improvement in performance.

After adjusting for foreign exchange, the region's operating profit rose by 19.1 percent. Return on sales increased slightly by 0.1 percentage points to 8.5 percent.

Organic sales in the **North America** region grew by 4.0 percent, despite sluggish consumer spending in the USA.

After adjusting for foreign exchange, operating profit in the region increased by 15.1 percent, despite restructuring charges. Return on sales rose from 10.0 percent in the prior-year quarter to 11.1 percent this time.

Henkel: Key figures by region[1] January – September 2011

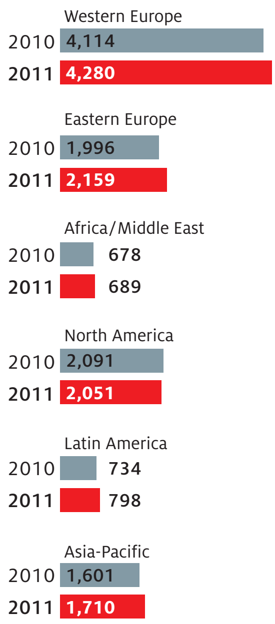
in million euros

Regions	Western Europe	Eastern Europe	Africa/ Middle East	North America	Latin America	Asia-Pacific	Corporate[2]	Henkel Group
Sales January – September 2011	**4,280**	**2,159**	**689**	**2,051**	**798**	**1,710**	**117**	**11,804**
Sales January – September 2010	4,114	1,996	678	2,091	734	1,601	148	11,363
Change from previous year	4.0 %	8.2 %	1.8 %	–1.9 %	8.7 %	6.8 %	–	3.9 %
After adjusting for foreign exchange	3.6 %	11.7 %	9.3 %	4.4 %	10.3 %	7.3 %	–	6.2 %
Organic	3.4 %	11.4 %	9.3 %	4.6 %	10.2 %	10.1 %	–	6.6 %
Proportion of Henkel sales January – September 2011	**36 %**	**18 %**	**6 %**	**17 %**	**7 %**	**15 %**	**1 %**	**100 %**
Proportion of Henkel sales January – September 2010	36 %	18 %	6 %	19 %	6 %	14 %	1 %	100 %
Operating profit (EBIT) January – September 2011	**593**	**300**	**56**	**200**	**81**	**283**	**–94**	**1,418**
Operating profit (EBIT) January – September 2010	555	248	59	247	80	237	–84	1,344
Change from previous year	6.8 %	20.8 %	–6.7 %	–19.0 %	1.2 %	19.1 %	–	5.5 %
After adjusting for foreign exchange	6.3 %	24.7 %	3.0 %	–13.4 %	3.0 %	20.2 %	–	7.6 %
Return on sales (EBIT) January – September 2011	**13.8 %**	**13.9 %**	**8.1 %**	**9.8 %**	**10.2 %**	**16.5 %**	–	**12.0 %**
Return on sales (EBIT) January – September 2010	13.5 %	12.4 %	8.8 %	11.8 %	10.9 %	14.8 %	–	11.8 %

[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.

Sales by region January – September 2011*)

in million euros



*) Excluding Corporate.

We increased organic sales in the **Latin America** region by 11.0 percent, with business performance in Mexico and Venezuela a major contributor.

Adjusted for foreign exchange, operating profit rose by 12.5 percent. The region's return on sales improved slightly by 0.1 percentage points to 9.8 percent.

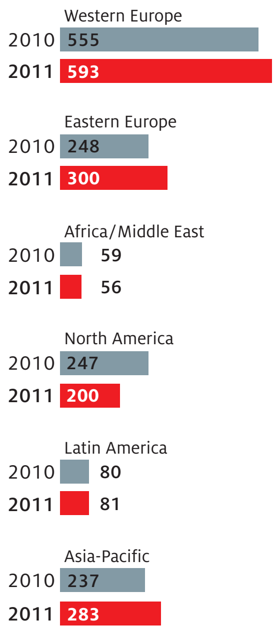
Within the **Asia-Pacific** region, developments in Japan exerted a dampening influence on local revenue growth. Nevertheless, with a rise of 7.6 percent, the region again posted a positive overall performance in terms of organic sales growth, supported in particular by the double-digit rates of increase achieved in China and India.

After adjusting for foreign exchange, operating profit fell by 9.6 percent, due largely to the events in Japan. Return on sales decreased correspondingly, by 2.1 percentage points to 12.9 percent.

Revenue expansion was again given a particular boost by our performance in the **growth regions** of Eastern Europe, Africa/Middle East, Latin America and Asia (excluding Japan). We were able to increase sales in these emerging markets by 3.4 percent to 1,713 million euros, representing 43 percent of Group sales (third quarter 2010: 42 percent). Maintaining the recent series of double-digit improvements, organic growth came in at 10.9 percent, thanks in particular to the sales performance of Adhesive Technologies and Cosmetics/Toiletries.

Operating profit (EBIT) by region January – September 2011*)

in million euros

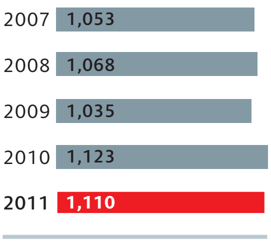


*) Excluding Corporate.

Laundry & Home Care

Sales third quarter 2011

in million euros



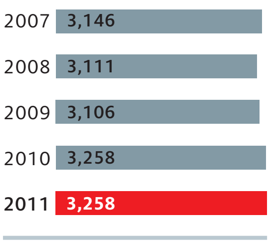
Key financials[1]

in million euros	Q3/2010	Q3/2011	+/–	1–9/2010	1–9/2011	+/–
Sales	1,123	**1,110**	–1.2 %	3,258	**3,258**	–
Proportion of Henkel sales	28 %	**28 %**		29 %	**28 %**	
Operating profit (EBIT)	139	**125**	–10.4 %	427	**382**	–10.6 %
Adjusted[2] operating profit (EBIT)	153	**155**	1.6 %	424	**428**	0.7 %
Return on sales (EBIT)	12.4 %	**11.2 %**	–1.2 pp	13.1 %	**11.7 %**	–1.4 pp
Adjusted[2] return on sales (EBIT)	13.6 %	**14.0 %**	0.4 pp	13.0 %	**13.1 %**	0.1 pp
Return on capital employed (ROCE)	20.6 %	**21.9 %**	1.3 pp	21.9 %	**22.0 %**	0.1 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 January – September 2011

in million euros



Sales development[1]

in percent	Q3/2011	1–9/2011
Change versus previous year	**–1.2**	**0.0**
Foreign exchange	**–4.0**	–2.6
After adjusting for foreign exchange	**2.8**	**2.6**
Acquisitions/divestments	**–1.0**	–0.5
Organic	**3.8**	**3.1**
of which price	**3.8**	0.6
of which volume	**0.0**	2.5

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

Organic sales of the **Laundry & Home Care** business sector – i.e. sales adjusted for acquisitions/divestments and foreign exchange – grew in the third quarter by 3.8 percent. We were able to further augment the positive price developments from the second quarter, with the result that the entire organic growth generated in the third quarter was price driven. Despite a slight decline in our relevant markets, volumes remained at the level of the prior-year quarter.

Encouraging momentum in organic sales development came from the growth regions of Eastern Europe, Africa/Middle East and Latin America. The Africa/Middle East region continued its recovery following the political upheavals, once again contributing to organic growth with a high single-digit growth rate. The engines of growth in Eastern Europe were Russia, Poland and Turkey. Organic growth in Latin America was positively influenced by Persil, which we launched in Mexico at the beginning of the year. Despite a continuously declining market, organic sales in North America in the third quarter were again higher than in the prior-year period. In Western Europe too, we achieved an increase in revenue – supported in particular by continued strong growth in Germany and encouraging developments in Italy. Having increased sales in still contracting markets, we again expanded our global market shares in the third quarter of 2011, with substantial increases particularly in Germany, Eastern Europe and the

Innovation

Perwoll with "Re-new Effect"

The innovative "Re-new Effect" in the Perwoll delicates detergent formulations "Brilliant Colors," "Intensive Black" and "Radiant White" smoothes roughened textile fibers, bringing lustrous life to dull shades. Only smooth fibers can optimally reflect the light, causing colors to once again radiate. Perwoll is currently being launched with these new formulations in the main markets of Western Europe. www.perwoll.de

For further information relating to our product innovations, please take a look at our "Innovation Letter" on our Investor Relations website: www.henkel.com/ir

USA, laundry products doing especially well in the case of the latter.

We were able to further increase adjusted operating profit (EBIT). At 14 percent, adjusted return on sales exceeded the level for the prior-year quarter and was also a whole percentage point higher than the figure for the second quarter of 2011. Once again, the third quarter was burdened by high raw material prices. However, with price increases of our own and ongoing measures to reduce cost and increase efficiency in both production and supply chain, we succeeded in largely offsetting the impact of the rise in material costs on gross margin. Return on sales further improved as a result of cost reductions. Return on capital employed (ROCE) rose from 20.6 percent in the third quarter of 2010 to 21.9 percent this time. Based on adjusted operating profit, ROCE underwent an even greater increase. Net working capital as a proportion of sales once again decreased substantially to the point where it moved into the negative. This was due in particular to ongoing improvements in the management of customer accounts receivable and a rise in trade accounts payable.

Again in the third quarter, the *Laundry* business sector put in a very strong performance, with the greatest growth momentum once more emanating from our heavy-duty detergents. Here, our core brand Persil again delivered a double-digit growth rate supported by strong business in Germany and the successful market launches of Persil in Mexico and South Korea. Innovative product launches also boosted sales. One example is Persil Black-Gel which we successfully introduced in Western Europe in the second quarter. In addition, our Perwoll specialty detergents for delicate fabrics are now available with the innovative “Re-new Effect” (see “Innovation” below left). The positive trend enjoyed by our softeners was further boosted by the successful launch of Purex Crystals in the USA at the beginning of the year. Innovative variants of Vernel, particularly those related to hygiene and purity, also contributed to this positive performance.

Organic sales of our *Home Care* business fell just short of the level of the prior-year quarter, as our air freshener business in North America suffered a decline due to a markedly adverse market development. However, we were able to generate significant increases in revenue with our WC products, particularly Bref Power Active, known as WC Frisch Kraft Aktiv in Germany. Sales of our machine dishwashing products also showed encouraging development, benefiting from the launch of Somat 10 in Germany. With its instant-active formula, Somat 10 dissolves faster, enabling it to develop its strong cleaning performance in the dishwasher right from the start. And at all wash settings, too: thanks to the low-temperature activator, Somat 10 is effective even at 40 degrees Celsius, improving the protection of glassware and dishes while also saving energy.

Outlook

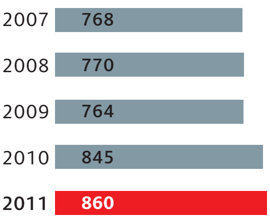
We expect market conditions to remain difficult in 2011. We intend to further expand our world market position and, in terms of organic sales growth, to once again outperform our relevant markets, which we expect to slightly decline. With the selling price increases already implemented and those still planned, and with our continued effort to enhance efficiency and reduce cost, we expect – despite the persistently high material prices – to achieve an improvement in adjusted return on sales versus the prior-year figure (2010: 13.0 percent).

Top brands

Persil Purex Dixan

Cosmetics / Toiletries

Sales third quarter 2011
in million euros

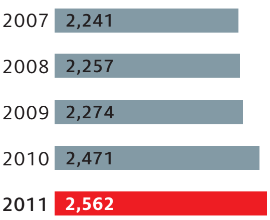


Key financials[1)]

in million euros	Q3/2010	Q3/2011	+/–	1–9/2010	1–9/2011	+/–
Sales	845	**860**	1.9 %	2,471	**2,562**	3.7 %
Proportion of Henkel sales	21 %	**21 %**		22 %	**22 %**	
Operating profit (EBIT)	113	**111**	–1.2 %	325	**364**	12.0 %
Adjusted[2)] operating profit (EBIT)	115	**123**	7.0 %	325	**360**	10.8 %
Return on sales (EBIT)	13.4 %	**13.0 %**	–0.4 pp	13.1 %	**14.2 %**	1.1 pp
Adjusted[2)] return on sales (EBIT)	13.6 %	**14.3 %**	0.7 pp	13.2 %	**14.1 %**	0.9 pp
Return on capital employed (ROCE)	21.3 %	**22.0 %**	0.7 pp	20.8 %	**24.4 %**	3.6 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 January – September 2011
in million euros



Sales development[1)]

in percent	Q3/2011	1–9/2011
Change versus previous year	**1.9**	3.7
Foreign exchange	**–3.1**	–1.5
After adjusting for foreign exchange	**5.0**	5.2
Acquisitions/divestments	**–0.6**	–0.4
Organic	**5.6**	5.6
of which price	**–0.7**	–0.8
of which volume	**6.3**	6.4

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

The third quarter again saw the **Cosmetics/Toiletries** business sector continue its upward growth curve. As in the previous quarters, organic growth – i.e. sales growth adjusted for acquisitions/divestments and foreign exchange – outstripped the relevant markets, coming in this time at 5.6 percent. Despite the persistently difficult and intensely competitive market environment, we were able to further expand our market shares. With prices slightly below the level of the prior-year quarter, organic growth was driven by significant volume expansion, backed up by a strong innovation program.

All our regions contributed to the substantial increase in revenue. Once again, the strongest rises were registered by the growth regions of Eastern Europe, Africa/Middle East, Latin America and Asia (excluding Japan), with the overall increase once again in the double-digit percentage range. Development in China was particularly dynamic with a strong core business being boosted by numerous new product launches. We were also able to increase sales in the mature markets. Aside from substantial revenue growth in Western Europe, North America also showed encouraging developments, outgrowing the relevant markets compared to the prior-year quarter.

Innovation

Osis Style Shifters

Osis, the supercool styling brand from Schwarzkopf Professional, offers innovation aplenty – this time with unique, neon-like packaging and equally striking performance: anywhere, any time, Style Shifters with their tactile textures generate amazing sculpting effects. Thanks to a new liquid polymer technology, hair can be remolded in an instant.
www.schwarzkopf-professional.com

For further information relating to our product innovations, please take a look at our "Innovation Letter" on our Investor Relations website: www.henkel.com/ir

Adjusted operating profit (EBIT) rose in the third quarter by a very strong 7 percent to 123 million euros, while adjusted return on sales increased to a new high of 14.3 percent, representing an appreciable improvement of 0.7 percentage points versus the prior-year quarter. Our ongoing measures to reduce costs and increase efficiency in both production and supply chain enabled us to partially offset the impact on gross margin arising from the persistently high prices for raw materials and packaging. We were able to further improve our EBIT margin through additional cost savings. Return on capital employed (ROCE) increased by 0.7 percentage points to 22.0 percent. Aside from the improvement in our operating profit, this high value was also the result of a further reduction in our capital base. Net working capital as a proportion of sales was slightly above the ratio prevailing in the prior-year quarter.

Sales of our *Branded Consumer Goods* business again rose substantially in the third quarter, with our hair segment once again driving growth. We expanded our market shares in Western Europe, Eastern Europe, Latin America, Africa/Middle East and Asia-Pacific. In the Hair Care category, Oil Elixir was launched as a care product under the Gliss Kur brand, following the success of the Ultimate Repair line. In the Colorants business, the successful roll-out of the new subline Syoss Mixing Colors generated additional growth momentum. After a further increase in market share in Western Europe, Syoss is now the number one colorant brand in several countries. In the Hair Styling category, the international introduction of Taft Heidi's Heat Styles contributed to a positive performance. Meanwhile, in the Body Care business, special mention must be made of the Fa brand which achieved a double-digit increase in sales. This was driven by strong growth in the existing portfolio, augmented by the further roll-out of the new product innovation Fa NutriSkin. Even in the fiercely competitive German market, we therefore achieved an excellent market share with this product. Supported by numerous activities, we have now successfully introduced Right Guard, our men's brand, into the Africa/Middle East region. The brand has also achieved a very good UK market share with innovations such as Xtreme Dry. The focus of our Right Guard operation in North America was on establishing innovative Right Guard 5-in-1 Bodywash.

The *Hair Salon* business continued to generate very high growth in the third quarter of 2011, following on from the positive performance of previous quarters. Driving this ongoing success were again the growth regions of Eastern Europe, Africa/Middle East, Latin America and Asia-Pacific (excluding Japan), with double-digit growth rates across the board. Significant growth momentum was generated by, in particular, [3D]Mension, a purely salon brand especially developed to fulfill all the needs of men's hair care. The strong growth achieved was supported by the successful market launch of Osis Style Shifters, a styling spray providing hold and control (see "Innovation" below left).

Outlook

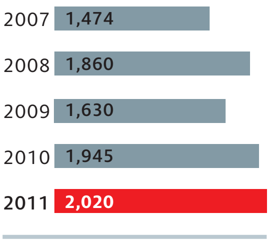
We expect market conditions to remain difficult in 2011. With our ongoing innovation offensive, we intend to further expand our worldwide market positions, again aiming to organically outperform our relevant markets, which we expect to remain flat at best. With our continuing activities aligned to improving our cost structure, we expect to achieve an improvement in adjusted return on sales versus the prior-year figure (2010: 13.3 percent), despite the persistently high material prices.

Top brands

Schwarzkopf Dial syoss

Adhesive Technologies

Sales third quarter 2011
in million euros

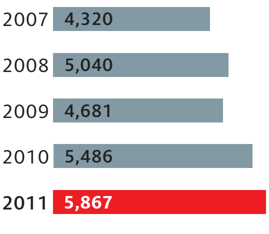


Key financials[1)]

in million euros	Q3/2010	Q3/2011	+/–	1–9/2010	1–9/2011	+/–
Sales	1,945	**2,020**	3.9 %	5,486	**5,867**	6.9 %
Proportion of Henkel sales	49 %	**50 %**		48 %	**50 %**	
Operating profit (EBIT)	268	**254**	–5.4 %	676	**767**	13.5 %
Adjusted[2)] operating profit (EBIT)	268	**291**	8.6 %	725	**816**	12.6 %
Return on sales (EBIT)	13.8 %	**12.6 %**	–1.2 pp	12.3 %	**13.1 %**	0.8 pp
Adjusted[2)] return on sales (EBIT)	13.8 %	**14.4 %**	0.6 pp	13.2 %	**13.9 %**	0.7 pp
Return on capital employed (ROCE)	14.3 %	**14.5 %**	0.2 pp	12.7 %	**14.8 %**	2.1 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 January – September 2011
in million euros



Sales development[1)]

in percent	Q3/2011	1–9/2011
Change versus previous year	3.9	6.9
Foreign exchange	–4.6	–2.5
After adjusting for foreign exchange	8.5	9.4
Acquisitions/divestments	–0.2	–0.2
Organic	8.7	9.6
of which price	6.2	4.6
of which volume	2.5	5.0

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

In this third quarter of 2011, quarterly sales of the **Adhesive Technologies** business sector passed the 2 billion euro mark for the first time. As a consequence, our adhesives business once again significantly outperformed its relevant markets, with organic sales – i.e. sales adjusted for acquisitions/divestments and foreign exchange – rising by 8.7 percent. This positive development was driven by both volume increases and successfully implemented price rises.

All our regions contributed to the encouraging growth achieved. In addition to a significant increase in sales in the mature markets, appreciable momentum was also once again generated in the growth regions, with Africa/Middle East and Eastern Europe – driven by Russia particularly – again exhibiting the highest growth rates for the quarter. Sales growth in the emerging markets of Asia (excluding Japan) and Latin America likewise accelerated significantly.

Adjusted operating profit (EBIT) improved considerably compared to the prior-year quarter, rising 8.6 percent to 291 million euros. We were able to largely offset the substantial increases in raw ma-

Innovation

Aerodag Ceramishield

The ceramic coating Aerodag Ceramishield offers long-term spatter protection for MIG/MAG welding equipment. This silicone-free substance significantly reduces the adhesion of molten particles of the kind caused when metals are welded. Compared to conventional weld protection sprays, Aerodag Ceramishield is able to reduce costs by 40 percent and lost time by 7 percent.
www.ceramishield.com

For further information relating to our product innovations, please take a look at our “Innovation Letter” on our Investor Relations website: www.henkel.com/ir terial and packaging prices through price increases of our own, and by reducing costs and enhancing efficiency. Consequently, adjusted return on sales improved to a new high of 14.4 percent. At 14.5 percent, return on capital employed (ROCE) underwent a slight improvement versus the prior-year quarter. The ratio of net working capital to sales increased compared to the previous year.

Sales of the *Adhesives for Consumers, Craftsmen and Building* business increased by a double-digit percentage rate in the reporting period, thus contributing substantially to the encouraging performance levels achieved. The highest sales growth rates occurred in the regions of Africa/Middle East and Eastern Europe.

The *Transport and Metal* business likewise continued its very positive sales performance. We again registered a strong increase in sales in the growth regions. And in Western Europe too, this business performed particularly well with double-digit growth.

In the *General Industry* segment, all the regions contributed to the strong growth achieved. In Africa/Middle East, Eastern Europe and Latin America, however, this business performed especially well.

The strongest sales growth rate was posted by the *Packaging, Consumer Goods and Construction Adhesives* business, the highest rates of increase being generated in the growth regions. This business also performed very encouragingly in North America.

Sales of the *Electronics* business came in slightly below the level of the prior-year quarter. While our activities in North America particularly generated positive momentum, the Asia-Pacific region experienced a slight decline.

In order to promote the development of further innovative technologies in the flexible electronics domain, we have entered into a cooperation agreement with the Holst Centre, an open innovation initiative of the research organizations imec (Belgium) and TNO (Netherlands). The joint research program will be geared in part to developing new adhesive technologies and applications for large-area organic photovoltaic modules and also for OLED electro-luminescent screens and signage.

Outlook

We expect all the markets of relevance to us to expand at roughly the same rate as in the previous year, i.e. with growth in the low single-digit percentage range. Limited capacities among some manufacturers could again lead to supply shortages. Following a very successful 2010, our aim is to continue generating profitable growth in 2011. We intend to once again outperform our relevant markets in terms of organic sales growth. As a result of the substantial improvement in our cost structure, we expect adjusted return on sales to exceed that of the previous year (2010: 12.8 percent).

Top brands

Nine-month financial report 2011

Underlying economic conditions

World economic growth decreased over the first nine months of this year to around 3 percent. With a good 6 percent increase, industrial production expanded more than twice as fast as private consumption, which grew by some 2.5 percent (all figures based on Feri EuroRating Services data).

Persistently high risks emanating e.g. from the debt crisis in Europe and North America adversely affected economic development and also had an increasingly erosive effect on investor and private consumer confidence.

From January through September 2011, the US economy only experienced a small degree of growth. In the year-on-year comparison, there was a rise in economic output of about 2 percent. Japan's economy shrank by around 1 percent in the aftermath of the natural disaster.

Economic performance within Western Europe was generally weak in the nine-month period. As a result of a plus of 3 percent in Germany, the region was nevertheless able to achieve growth of 1.5 percent. Meanwhile, the crisis in Southern Europe worsened. In Eastern Europe, economic recovery continued with growth of around 3.5 percent.

Latin America posted strong growth of almost 5 percent. Asia's emerging markets increased their economic output by around 7 percent, with India and China continuing to set the pace.

The euro appreciated somewhat in the year-on-year comparison, from 1.32 to 1.40 US dollars related to the first nine months of 2011. Inflation has accelerated noticeably in many regions. Globally, consumer prices rose by around 4 percent. Global unemployment decreased slightly in the first nine months compared to the corresponding prior-year period.

Sectors of importance for Henkel

The rise in private consumption has remained sluggish. Consumers in the USA increased their spend by around 2 percent in the first nine months of this year. In Western Europe, consumer spending was only marginally above that of the prior-year period, buoyed primarily by Germany. The emerging markets exhibited a greater propensity to consume with a plus of a good 5 percent.

Once again, industrial production expanded faster than overall economic growth. The growth drivers were the electrical engineering and electronic industries, the transport sector and metal processing. Each saw output rise by between 7 and 8 percent. Developments in the consumer-related segments such as the packaging industry were more modest, with increases of around 3 percent. Construction growth was also disappointing during the first nine months of this year, coming in at around 1 percent.

Effects on Henkel

Despite losing momentum, general economic development in the first nine months of 2011 had a positive effect overall on Henkel's business performance: robust economic activity in many regions of the world was reflected in a disproportionately strong increase in organic sales of 6.6 percent, with our growth regions making a particularly important contribution.

Growth in private consumption has had a positive impact on our consumer goods businesses, while the Adhesive Technologies business sector benefited from the relatively strong upturn in industrial production.

The effects of the persistently high raw material prices have been very much felt by all three business sectors.

Business performance January – September 2011

Key financials[1]

in million euros	1–9/2010	1–9/2011	+/–
Sales	11,363	**11,804**	3.9 %
Operating profit (EBIT)	1,344	**1,418**	5.5 %
Adjusted[2] operating profit (EBIT)	1,414	**1,528**	8.0 %
Return on sales (EBIT)	11.8 %	**12.0 %**	0.2 pp
Adjusted[2] return on sales (EBIT)	12.4 %	**12.9 %**	0.5 pp
Net income – Attributable to shareholders of Henkel AG & Co. KGaA	869	**958**	10.2 %
Adjusted[2] net income – Attributable to shareholders of Henkel AG & Co. KGaA	922	**1,023**	11.0 %
Earnings per preferred share in euros	2.01	**2.22**	10.4 %
Adjusted[2] earnings per preferred share in euros	2.13	**2.37**	11.3 %

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 3.9 percent to 11,804 million euros in the first nine months of 2011. Adjusted for foreign exchange, sales improved by 6.2 percent. With growth of 6.6 percent, organic sales – i.e. sales adjusted for foreign exchange and acquisitions/divestments – increased strongly compared to the prior-year period.

Sales development[1]

in percent	1–9/2011
Changes versus previous year	3.9
Foreign exchange	– 2.3
After adjusting for foreign exchange	6.2
Acquisitions/divestments	– 0.4
Organic	6.6
of which price	2.2
of which volume	4.4

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

All three business sectors contributed to this gratifying development: Laundry & Home Care registered encouraging growth of 3.1 percent driven by volume increases. Also due to volume expansion, the Cosmetics/Toiletries business sector posted organic sales growth of 5.6 percent. Organically, Adhesive Technologies increased sales by 9.6 percent above the level of the prior-year period, attributable to both volume increases and successfully implemented price rises. We were able to further expand global market share in all three business sectors.

The first nine months of 2011 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 2010 (starting on page 66).

Price and volume effects, January – September 2011

in percent	Organic sales growth	of which price	of which volume
Laundry & Home Care	3.1	0.6	2.5
Cosmetics/Toiletries	5.6	– 0.8	6.4
Adhesive Technologies	9.6	4.6	5.0
Henkel Group	6.6	2.2	4.4

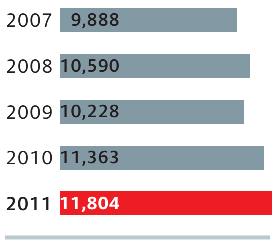
In order to continuously adapt to our markets and customers, we increased our restructuring charges from 104 million euros to 167 million euros, with the focus primarily on Western Europe and North America. We are further expanding our shared service centers, reorganizing our Laundry & Home Care business sector for enhanced efficiency and further optimizing the production network serving our Adhesive Technologies business sector.

In the following, we discuss our operating income and expense items adjusted for one-time charges/gains and restructuring charges. The reconciliation statement and the allocation of the restructuring charges between the various items of the income statement can be found on Q3 page 26.

Due primarily to raw material price rises, the cost of sales rose versus the prior-year period by 6.8 percent to 6,363 million euros. Gross profit increased to 5,441 million euros; however, gross margin declined by 1.5 percentage points to 46.1 percent. The negative impact amounting to some 500 basis points caused by increases in cost of sales was offset by about 75 percent through increases in our selling prices, savings generated by our cost-reduction measures and our strict ongoing focus on efficiency improvements in production and along the supply chain.

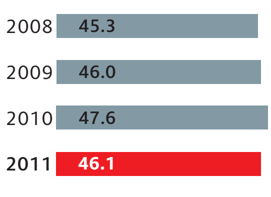
Sales January – September 2011

in million euros



Adjusted gross margin January – September 2011

in percent of sales



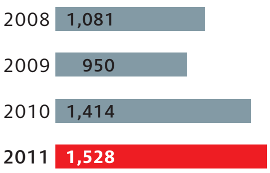
Condensed income statement from sales to adjusted operating profit[1]

in million euros	1–9/2010	%	1–9/2011	%	Change
Sales	11,363	100.0	11,804	100.0	3.9 %
Cost of sales	– 5,958	– 52.4	– 6,363	– 53.9	6.8 %
Gross profit	5,405	47.6	5,441	46.1	0.7 %
Marketing, selling and distribution expenses	– 3,196	– 28.1	– 3,120	– 26.4	– 2.4 %
Research and development expenses	– 289	– 2.5	– 297	– 2.5	2.8 %
Administrative expenses	– 546	– 4.8	– 543	– 4.6	– 0.5 %
Other operating income / charges	40	0.4	47	0.3	17.5 %
Adjusted operating profit (EBIT)	1,414	12.4	1,528	12.9	8.0 %

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

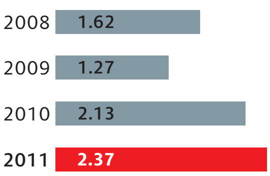
Adjusted operating profit (EBIT) January – September 2011

in million euros



Adjusted earnings per preferred share January – September 2011

in euros



Marketing, selling and distribution expenses amounted to 3,120 million euros, a decrease of 2.4 percent compared to the prior-year period. We spent a total of 297 million euros on research and development, keeping the R&D ratio expressed as a proportion of sales constant at 2.5 percent. As a result of expansion of our shared service centers, administrative expenses expressed as a proportion of sales amounted to 4.6 percent, slightly below the nine-month level of the previous year.

The balance of other operating income and charges increased from 40 million euros to 47 million euros.

Adjusted operating profit (EBIT) rose by 8.0 percent, from 1,414 million euros to 1,528 million euros, with particular contributions coming from the Adhesive Technologies and Cosmetics/Toiletries business sectors. The Group's return on sales rose from 12.4 percent to 12.9 percent. The most pronounced improvement in EBIT margin was realized by the Cosmetics/Toiletries business sector with an increase from 13.2 to 14.1 percent, achieved through excellent sales performance coupled with strict ongoing cost management. Adhesive Technologies was also able to substantially improve its return on sales, from 13.2 percent to 13.9 percent, as a consequence of both increases in its selling prices and ongoing efficiency enhancements. In the Laundry & Home Care business sector, we were able to increase our EBIT margin by 0.1 percentage points to 13.1 percent, despite rising material prices.

Our financial result improved from –126 million euros to –115 million euros, due primarily to a reduction in net debt. The tax rate amounted to 24.9 percent (adjusted: 26.1 percent). Net income for the nine months increased by 10.1 percent, from 889 million euros to 979 million euros. After deducting income of 21 million euros attributable to non-controlling interests, net income for the nine months was 958 million euros (prior-year period: 869 million euros). Adjusted net income for the nine months after deducting non-controlling interests was 1,023 million euros compared to 922 million euros in the prior-year period. Earnings per preferred share (EPS) rose from 2.01 euros to 2.22 euros. After adjustment, EPS came in at 2.37 euros versus 2.13 euros in the prior-year period.

Comparison of forecast versus results

	Forecast 2011	Results January – September 2011
Organic sales growth	Outperform relevant market developments	Laundry & Home Care: +3.1 percent (relevant market: slight decline) Cosmetics/Toiletries: +5.6 percent (relevant market: slight decline) Adhesive Technologies: +9.6 percent (relevant market: low single-digit growth)
Adjusted return on sales (EBIT)	Increase to around 13 percent	Increase to 12.9 percent
Adjusted earnings per preferred share	Increase of around 10 percent	Increase of 11.3 percent

Comparison between actual and forecasted business performance

In our report for the second quarter of 2011, we published guidance for the current year stating that we expected to again outperform our relevant markets in terms of organic sales growth, and that we anticipated generating growth of around 5 percent. We forecasted an increase in adjusted return on sales (EBIT) to around 13 percent, and also a rise in adjusted earnings per preferred share of about 10 percent.

Based on the gratifying sales performance achieved in the first nine months of 2011, we now expect an increase in organic sales of between 5 and 6 percent for fiscal 2011. We confirm our forecast for adjusted return on sales (EBIT) of around 13 percent and an increase in adjusted earnings per preferred share of about 10 percent.

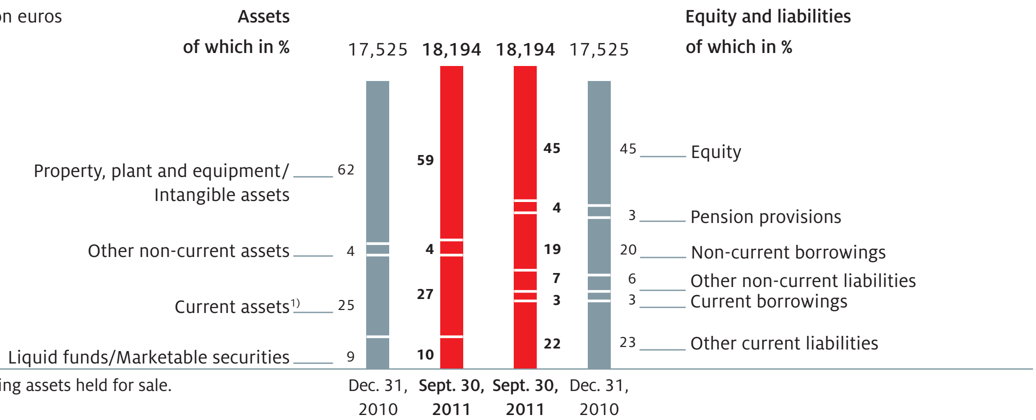
Net assets

Compared to year-end 2010, total assets increased by 0.7 billion euros to 18.2 billion euros. Under **non-current assets**, intangible assets declined by 129 million euros, due primarily to currency translation effects. The slight decrease in the property, plant and equipment figure resulted from our capital expenditures of 263 million euros being outweighed by the combined effect of depreciation in the amount of 230 million euros and a negative foreign exchange impact of 39 million euros. Under **current assets**, which expanded from 5.9 billion euros to 6.7 billion euros, the growth in our business volume was reflected in both higher inventories and an increase in trade accounts receivable. Liquid funds rose by 309 million euros due to a strong net cash inflow in the third quarter.

At 8,279 million euros, **equity** including non-controlling interests remained roughly at the level of the end of fiscal 2010. The individual components influencing equity development are shown in the statement of changes in equity on Q3 page 27. The main downside effect emanated from the lower US dollar exchange rate that has prevailed since the beginning of the year. At 45.5 percent, the equity ratio (equity as a percentage of total assets) stayed virtually constant.

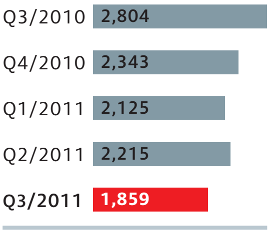
At 5.4 billion euros, **non-current liabilities** were above the level at year-end 2010 due to a decline in the value of securities and the burdening effect this had on pension funds, leading to higher pension provisions. As in the previous quarter, our non-current borrowings continue to be made up from three bonds – two senior bonds with a redemption value of 1.0 billion euros each, and a hybrid bond with a redemption value of 1.3 billion euros. Under **current liabilities**, which increased slightly to 4.5 billion euros, trade accounts payable amounted to 2,557 million euros, representing an increase versus the end of 2010 that matched developments in current assets. However, this was countervailed by a further reduction in current borrowings of 64 million euros to 472 million euros.

Financial structure
in million euros



[1] Including assets held for sale.

Net debt
in million euros



Net debt[1] as of September 30, 2011 amounted to 1,859 million euros, a decrease of 484 million euros versus the figure at December 31, 2010 (2,343 million euros). For the first time since the acquisition of the National Starch businesses in 2008, therefore, it is now once again below the 2 billion euro mark. As a result of the reduced level of indebtedness, operating debt coverage increased in the period under review to 85.2 percent, well above our target of 50 percent. The interest coverage ratio also further improved, benefiting from the lower interest expense incurred.

Key financial ratios

	Dec. 31, 2010	Sept. 30, 2011
Operating debt coverage (Net earnings + amortization and depreciation + Interest element of pension provisions ÷ Net borrowings and pension provisions)[1]	71.4 %	85.2 %
Interest coverage ratio (EBITDA ÷ Net interest expense including interest element of pension provisions)	12.8	14.9
Equity ratio (Equity ÷ Total assets)	45.4 %	45.5 %

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

Financial position

The development of our financial position is indicated in detail in the consolidated statement of cash flows Q3 page 28. At 1,122 million euros, **cash flow from operating activities** in the first nine months of 2011 was below the high comparative figure of the prior-year period (1,334 million euros). One of the factors causing the decrease was a rise in the outflow of funds attributable to net working capital. At 8.0 percent of sales, net working capital was 0.2 percentage points above the level of the prior-year period. However, an improvement in net working capital in the months of July through September had a positive effect on cash flow from operating activities.

Higher proceeds from the sale of non-current assets, predominantly from the disposal of our branded consumer goods business in India in the second quarter, benefited **cash flow from investing activities**. However, increased investments in property, plant and equipment compared to the first nine months of 2010 led to a higher net outflow.

[1] Borrowings less liquid funds minus any positive or plus any negative fair values of hedging contracts covering those borrowings, provided that the underlying borrowings are themselves subject to mark-to-market accounting.

The negative **cash flow from financing activities** (–611 million euros) was significantly lower than in the prior-year period (–1,425 million euros), despite the higher dividend payout. The allocation last year of liquid funds to marketable securities and time deposits, and also the liquid funds used to further strengthen our pension funds, were reported as cash outflows.

Liquid funds/marketable securities underwent an increase in value to 1,824 million euros (December 31, 2010: 1,515 million euros).

At 725 million euros, **free cash flow** was lower than the figure for the prior-year period (1,087 million euros) due to lower cash flow from operating activities and higher capital expenditures in property, plant and equipment.

Capital expenditures

Investments in property, plant and equipment for continuing operations amounted to 263 million euros compared to 164 million euros in the first nine months of 2010. We spent 4 million euros on intangible assets (prior-year period: 8 million euros). A large part of these capital expenditures was attributable to the Adhesive Technologies and Laundry & Home Care business sectors. Around two thirds of the investment sum went into expansion and rationalization measures, including the introduction of innovative product lines and the structural optimization of our production and logistics activities. In regional terms, capital expenditures focused primarily on Western Europe, Eastern Europe and North America.

First-time consolidations and purchase price adjustments resulted in additions to non-current assets amounting to 52 million euros.

Capital expenditures January – September 2011

in million euros	Continuing operations	Acquisitions	Total
Intangible assets	4	52	56
Property, plant and equipment	263	–	263
Total	**267**	**52**	**319**

Acquisitions and divestments

In the third quarter, we spent 2 million euros acquiring outstanding non-controlling interests in Rilken Cosmetics Industry S.A., Athens, Greece. Effective September 30, 2011, we increased our shareholding to 70 percent with the purpose of acquiring 100 percent of the shares in the future.

Neither the acquisitions and divestments made nor other measures and activities undertaken have resulted in 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 2010, page 26.

Thanks to continuing good business performance and our improved financial profile, we regained our target ratings of "A flat" (Standard & Poor's) and "A2" (Moody's) in the second quarter of 2011. Any acquisitions made will be limited in scope such that they do not jeopardize these ratings.

Employees

As of September 30, 2011, we had 47,790 employees (September 30, 2010: 48,151). The decrease is due both to the sale of our branded consumer goods business in India and the continuation of our restrictive hiring policy.

In accordance with our strategy, we continue to increase the number of employees in the emerging markets of Eastern Europe and Asia.

Research and development

Henkel Group expenditures on research and development in the first nine months of 2011 amounted to 311 million euros (adjusted for restructuring charges: 297 million euros), compared to 293 million euros (adjusted: 289 million euros) in the first nine months of 2010. Expressed as a proportion of sales, R&D expenditures remained constant at 2.6 percent (adjusted: 2.5 percent) versus the prior-year period.

The development of innovative products is of key importance to our business model. The research and development strategy described in our AR Annual Report 2010 (starting on page 59) has remained unchanged.

Outlook

Underlying economic conditions

Our view based on data provided by Feri EuroRating Services is that the world economy will grow by some 2.5 percent during 2011. The industrialized countries will only undergo moderate growth of around 1.5 percent while the emerging markets will, we anticipate, experience comparatively strong expansion amounting to 5.5 percent.

For the US economy and Western Europe, we expect the full year to bring growth of about 1.5 percent each. In Western Europe, growth of almost 3 percent in Germany will be diluted by smaller pluses of 0.5 to 1 percent in Italy and Spain. We expect Japan to register a decline in gross domestic product of around 0.5 percent for full fiscal 2011.

The emerging markets of Asia will, in our view, grow by some 7 percent. For Latin America, we expect growth to come in at 4.5 to 5 percent. Eastern Europe will, in our opinion, expand by 3.5 percent.

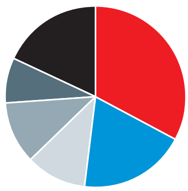
The global unemployment rate this year is likely to fall by around half a percentage point to 7.4 percent. We expect global inflation to be something above 4 percent.

We forecast that private consumption in 2011 will rise by around 2.5 percent worldwide. In the industrialized countries, consumers will only grow their spend by 1 percent, while that of the emerging markets can be expected to increase by a good 5 percent.

We foresee worldwide industrial production rising by around 6 percent. Western Europe's industry is likely to expand by some 4.5 percent, that of North America by around 4 percent; industrial output will be somewhat stronger in Asia (rise of 7.5 to 8 percent) and also in Eastern Europe (up by around 6 percent).

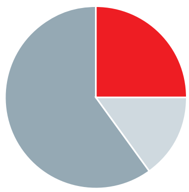
For the transport sector, electrical engineering, the electronics industry and metal processing, we forecast continuing rapid growth at rates of 7 to 8 percent per segment. By contrast, we expect no more than a moderate production increase of around 2.5 percent in the packaging industry. Global growth in the construction industry is likely to be even lower at 1.5 percent.

Employees by region



- 33 % Western Europe
- 19 % Eastern Europe
- 11 % Africa/Middle East
- 11 % North America
- 8 % Latin America
- 18 % Asia-Pacific

R&D expenditures by business sector



- 25 % Laundry & Home Care
- 15 % Cosmetics/Toiletries
- 60 % Adhesive Technologies

Opportunities and risks

We have identified major potential in the emerging economies. The regions concerned include, for Henkel, Asia (without Japan), Eastern Europe, Africa/Middle East and Latin America, where there are above-average growth opportunities from which we expect to benefit.

We likewise see opportunities in our research and development activities. We are constantly developing new and innovative products and problem solutions capable of providing our customers with added value. We have a well filled and balanced pipeline of medium-term and long-term innovation projects which we intend to bring onto the market in this and coming years in all three of our business sectors.

We see further progress arising from our strict ongoing focus on cost. The process we have implemented involves constantly examining and analyzing the prevailing status quo. From the ensuing results, we derive measures and solutions that enable us to reduce costs, adapt capacity and streamline our portfolio by removing marginal activities and disposing of smaller brands as appropriate. We likewise expect the planned further expansion of our shared service centers to make a major contribution to reducing costs.

Opportunities are also likely to emanate from the resolute pursuit and implementation of our three strategic priorities. These are described in detail under the heading “Strategy and financial targets for 2012” in our AR Annual Report 2010, pages 40 to 43.

We see risks for our consumer businesses arising 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 possibility that the current market recovery will falter, leading to the failure of individual customers and suppliers.

For all three business sectors, further increases in raw material and packaging prices, in some cases substantial, also represent a risk, as do supply shortages with respect to certain raw materials, particularly those required by the Adhesive Technologies business sector. In addition, the effects on the global supply chain of the political turmoil in North Africa and also the environmental and nuclear power plant catastrophes in Japan 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.

Further specific opportunities and risks are discussed in the sections dealing with the individual business sectors in our AR Annual Report 2010 in the relevant sections on pages 66 through 77.

Expected development of the markets of relevance to Henkel

Business sector	2011
Laundry & Home Care	Slight decline
Cosmetics/Toiletries	Flat
Adhesive Technologies	Low single-digit growth

Outlook for the Henkel Group 2011

Following the first three quarters, we are confident of again outperforming our relevant markets in terms of organic sales growth – i.e. sales adjusted for acquisitions/divestments and foreign exchange. We now expect an increase in organic sales of between 5 and 6 percent (previous outlook: around 5 percent).

We confirm our forecast for an adjusted[1] return on sales (EBIT) of around 13 percent (2010: 12.3 percent) and for an increase in adjusted[1] earnings per preferred share of around 10 percent (2010: 2.82 euros).

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 to materialize in 2011:

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

- An increase in the overall price of raw materials, packaging, contract manufacturing and traded goods in the low teens percentage range
- A research and development ratio[1] of around 2.6 percent
- Restructuring charges amounting to around 220 million euros (previous outlook: around 160 million euros)
- A financial result of about minus 160 million euros
- A tax rate[1] of around 26 percent
- Investments in property, plant and equipment of below 400 million euros.

Sales and profits forecast 2012

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

Following the forecasts of Feri EuroRating Services, we now expect world economic growth in 2011 to be close to 3 percent, with a similar rate of expansion occurring in 2012.

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

Financial targets for 2012

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

Adjusted[1] return on sales (EBIT):
14 percent

Annual growth in adjusted[1] earnings per preferred share (average):
>10 percent

Subsequent events

After September 30, 2011, 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	Sept. 30, 2010	%	Dec. 31, 2010	%	Sept. 30, 2011	%
Intangible assets	8,561	49.6	8,641	49.3	8,512	46.8
Property, plant and equipment	2,216	12.8	2,215	12.6	2,187	12.0
Non-current financial assets	365	2.1	328	1.9	323	1.8
Non-current income tax refund claims	1	–	3	–	2	–
Other non-current assets	16	0.1	30	0.2	29	0.2
Deferred taxes	402	2.3	358	2.0	397	2.2
Non-current assets	**11,561**	**66.9**	**11,575**	**66.0**	**11,450**	**63.0**
Inventories	1,477	8.5	1,460	8.3	1,621	8.9
Trade accounts receivable	2,117	12.3	1,893	10.8	2,219	12.2
Other current financial assets	740	4.3	708	4.0	731	4.0
Other current assets	305	1.8	210	1.2	215	1.2
Current income tax refund claims	160	0.9	133	0.8	116	0.6
Liquid funds / Marketable securities	879	5.1	1,515	8.7	1,824	10.0
Current assets	**5,678**	**32.9**	**5,919**	**33.8**	**6,726**	**36.9**
Assets held for sale	**36**	**0.2**	**31**	**0.2**	**18**	**0.1**
Total assets	**17,275**	**100.0**	**17,525**	**100.0**	**18,194**	**100.0**

Equity and liabilities

in million euros	Sept. 30, 2010	%	Dec. 31, 2010	%	Sept. 30, 2011	%
Issued capital	438	2.5	438	2.5	438	2.4
Capital reserve	652	3.8	652	3.7	652	3.6
Treasury shares	–102	–0.5	–99	–0.5	–94	–0.5
Retained earnings	7,467	43.2	7,926	45.2	8,379	46.1
Other components of equity	–1,229	–7.1	–1,058	–6.0	–1,226	–6.7
Equity attributable to shareholders of Henkel AG & Co. KGaA	**7,226**	**41.9**	**7,859**	**44.9**	**8,149**	**44.8**
Non-controlling interests	75	0.4	91	0.5	130	0.7
Equity	**7,301**	**42.3**	**7,950**	**45.4**	**8,279**	**45.5**
Pension obligations	823	4.8	594	3.4	796	4.4
Non-current income tax provisions	160	0.9	119	0.7	128	0.7
Other non-current provisions	246	1.4	302	1.7	352	1.9
Non-current borrowings	3,475	20.1	3,570	20.4	3,498	19.2
Non-current financial liabilities	153	0.9	128	0.7	126	0.7
Other non-current liabilities	21	0.1	17	0.1	18	0.1
Deferred taxes	389	2.3	416	2.4	456	2.5
Non-current liabilities	**5,267**	**30.5**	**5,146**	**29.4**	**5,374**	**29.5**
Current income tax provisions	281	1.6	327	1.9	290	1.6
Other current provisions	1,026	5.9	867	4.9	859	4.7
Current borrowings	531	3.1	536	3.1	472	2.6
Trade accounts payable	2,362	13.7	2,308	13.1	2,557	14.1
Current financial liabilities	169	1.0	175	1.0	133	0.7
Other current liabilities	323	1.8	205	1.1	212	1.2
Current income tax liabilities	15	0.1	11	0.1	18	0.1
Current liabilities	**4,707**	**27.2**	**4,429**	**25.2**	**4,541**	**25.0**
Total equity and liabilities	**17,275**	**100.0**	**17,525**	**100.0**	**18,194**	**100.0**

Consolidated statement of income

in million euros	Q3/2010	%	Q3/2011	%	Change
Sales	3,961	100.0	4,028	100.0	1.7%
Cost of sales[1]	–2,106	–53.2	–2,215	–55.0	5.2%
Gross profit	1,855	46.8	1,813	45.0	–2.3%
Marketing, selling and distribution expenses[1]	–1,090	–27.5	–1,041	–25.8	–4.5%
Research and development expenses[1]	–95	–2.4	–103	–2.6	8.4%
Administrative expenses[1]	–185	–4.7	–209	–5.2	13.0%
Other operating income	37	0.9	13	0.3	–64.9%
Other operating charges	–21	–0.5	–22	–0.5	4.8%
Operating profit (EBIT)	501	12.7	451	11.2	–10.0%
Interest income	5	0.1	8	0.2	60.0%
Interest expense	–42	–1.0	–46	–1.1	9.5%
Interest result	–37	–0.9	–38	–0.9	2.7%
Investment result	–	–	1	0.0	–
Financial result	–37	–0.9	–37	–0.9	0.0%
Income before tax	464	11.8	414	10.3	–10.8%
Income tax expense	–121	–3.1	–100	–2.5	–17.4%
Net income	343	8.7	314	7.8	–8.5%
– Attributable to non-controlling interests	–6	–0.2	–7	–0.2	16.7%
– Attributable to shareholders of Henkel AG & Co. KGaA	337	8.5	307	7.6	–8.9%

[1] Restructuring charges third quarter 2011: 90 million euros (third quarter 2010: 26 million euros), of which: cost of sales 28 million euros (third quarter 2010: 18 million euros); marketing, selling and distribution expenses 23 million euros (third quarter 2010: 4 million euros); research and development expenses 9 million euros (third quarter 2010: 1 million euros); administrative expenses 30 million euros (third quarter 2010: 3 million euros).

Earnings per share (basic)

in euros	Q3/2010	Q3/2011	Change
Ordinary shares	0.78	0.70	–10.3%
Non-voting preferred shares	0.78	0.71	–9.0%

Earnings per share (diluted)

in euros	Q3/2010	Q3/2011	Change
Ordinary shares	0.77	0.70	–9.1%
Non-voting preferred shares	0.77	0.71	–7.8%

Additional voluntary information

in million euros		Q3/2010	Q3/2011
EBIT (as reported)		501	451
One-time gains[1]		–10	–
One-time charges		–	–
Restructuring charges[2]		26	90
Adjusted EBIT		517	541
Adjusted return on sales	*in %*	*13.0*	*13.4*
Adjusted financial result		–37	–37
Adjusted net income – Attributable to shareholders of Henkel AG & Co. KGaA		349	366
Adjusted earnings per preferred share	in euros	0.80	0.85

[1] Third quarter 2011: 90 million euros (third quarter 2010: 26 million euros) arising from ordinary operating activities.

Consolidated statement of income

in million euros	1–9/2010	%	1–9/2011	%	Change
Sales	11,363	100.0	11,804	100.0	3.9%
Cost of sales[1]	–6,009	–52.9	–6,426	–54.4	6.9%
Gross profit	5,354	47.1	5,378	45.6	0.4%
Marketing, selling and distribution expenses[1]	–3,209	–28.2	–3,161	–26.8	–1.5%
Research and development expenses[1]	–293	–2.6	–311	–2.6	6.1%
Administrative expenses[1]	–572	–5.0	–592	–5.0	3.5%
Other operating income	141	1.2	157	1.3	11.3%
Other operating charges	–77	–0.7	–53	–0.5	–31.2%
Operating profit (EBIT)	1,344	11.8	1,418	12.0	5.5%
Interest income	20	0.2	28	0.2	40.0%
Interest expense	–146	–1.3	–144	–1.2	–1.4%
Interest result	–126	–1.1	–116	–1.0	–7.9%
Investment result	–	–	1	0.0	–
Financial result	–126	–1.1	–115	–1.0	–8.7%
Income before tax	1,218	10.7	1,303	11.0	7.0%
Income tax expense	–329	–2.9	–324	–2.7	–1.5%
Net income	889	7.8	979	8.3	10.1%
– Attributable to non-controlling interests	–20	–0.2	–21	–0.2	5.0%
– Attributable to shareholders of Henkel AG & Co. KGaA	869	7.6	958	8.1	10.2%

[1] Restructuring charges first nine months 2011: 167 million euros (first nine months 2010: 104 million euros), of which: cost of sales 63 million euros (first nine months 2010: 61 million euros); marketing, selling and distribution expenses 41 million euros (first nine months 2010: 13 million euros); research and development expenses 14 million euros (first nine months 2010: 4 million euros); administrative expenses 49 million euros (first nine months 2010: 26 million euros).

Earnings per share (basic)

in euros	1–9/2010	1–9/2011	Change
Ordinary shares	2.00	2.20	10.0%
Non-voting preferred shares	2.01	2.22	10.4%

Earnings per share (diluted)

in euros	1–9/2010	1–9/2011	Change
Ordinary shares	1.99	2.19	10.1%
Non-voting preferred shares	2.00	2.21	10.5%

Additional voluntary information

in million euros		1–9/2010	1–9/2011
EBIT (as reported)		1,344	1,418
One-time gains		–43	–57
One-time charges		9	–
Restructuring charges[1]		104	167
Adjusted EBIT		1,414	1,528
Adjusted return on sales	*in %*	*12.4*	*12.9*
Adjusted financial result		–126	–115
Adjusted net income – Attributable to shareholders of Henkel AG & Co. KGaA		922	1,023
Adjusted earnings per preferred share	in euros	2.13	2.37

[1] Of which 48 million euros gain from the sale of our branded consumer goods business in India, and 9 million euros gain from the sale of our roofing membrane business under the Wolfin brand operated by Adhesive Technologies.
[2] First nine months 2011: 167 million euros (first nine months 2010: 100 million euros) arising from ordinary operating activities. In 2010, 4 million euros attributable to integration of the National Starch businesses.

Statement of comprehensive income

in million euros	Q3/2010	Q3/2011	1–9/2010	1–9/2011
Net income	343	314	889	979
Exchange differences on translation of foreign operations	–575	261	375	–169
Financial instruments	–44	–2	–74	–4
Actuarial gains/losses	–102	–225	–200	–198
Other comprehensive income (net of taxes)	–721	34	101	–371
Total comprehensive income for the period	–378	348	990	608
– Attributable to non-controlling interests	5	12	26	16
– Attributable to shareholders of Henkel AG & Co. KGaA	–383	336	964	592

Statement of changes in equity

in million euros	Issued capital					Other components				
	Ordinary shares	Preferred shares	Capital reserve	Treasury shares	Retained earnings	Translation differences	Financial instru-ments	Shareholders of Henkel AG & Co. KGaA	Non-con-trolling interests	Total
At January 1, 2010	260	178	652	–109	7,017	–1,301	–223	6,474	70	6,544
Net income	–	–	–	–	869	–	–	869	20	889
Other comprehensive income	–	–	–	–	–200	369	–74	95	6	101
Total comprehensive income	–	–	–	–	*669*	*369*	*–74*	*964*	*26*	*990*
Distributions	–	–	–	–	–225	–	–	–225	–16	–241
Sale of treasury shares	–	–	–	7	6	–	–	13	–	13
Other changes in equity	–	–	–	–	–	–	–	–	–5	–5
At September 30, 2010	260	178	652	–102	7,467	–932	–297	7,226	75	7,301
At December 31, 2010/ January 1, 2011	260	178	652	–99	7,926	–776	–282	7,859	91	7,950
Net income	–	–	–	–	958	–	–	958	21	979
Other comprehensive income	–	–	–	–	–198	–164	–4	–366	–5	–371
Total comprehensive income	–	–	–	–	*760*	*–164*	*–4*	*592*	*16*	*608*
Distributions	–	–	–	–	–307	–	–	–307	–9	–316
Sale of treasury shares	–	–	–	5	7	–	–	12	–	12
Other changes in equity	–	–	–	–	–7	–	–	–7	32	25
At September 30, 2011	260	178	652	–94	8,379	–940	–286	8,149	130	8,279

Consolidated statement of cash flows

in million euros	Q3/2010	Q3/2011	1–9/2010	1–9/2011
Operating profit (EBIT)	501	451	1,344	1,418
Income taxes paid	–107	–87	–265	–289
Amortization/depreciation/write-ups of non-current assets (excluding financial assets)	120	105	346	305
Net gains/losses on disposal of non-current assets (excluding financial assets)	–	–1	1	–67
Change in inventories	–50	–13	–215	–205
Change in trade accounts receivable	–26	–5	–326	–373
Change in other assets	–8	27	–107	1
Change in trade accounts payable	110	80	427	288
Change in other liabilities and provisions	76	119	129	44
Cash flow from operating activities	616	676	1,334	1,122
Purchase of intangible assets	–3	–	–8	–4
Purchase of property, plant and equipment	–52	–108	–164	–263
Purchase of financial assets/acquisitions	–1	–	–4	–4
Proceeds on disposal of subsidiaries and business units	–	7	6	45
Proceeds on disposal of other non-current assets	11	7	24	40
Cash flow from investing activities/acquisitions	–45	–94	–146	–186
Dividends paid to shareholders of Henkel AG & Co. KGaA	–	–	–225	–307
Dividends (of subsidiaries) paid to non-controlling interests	–4	–3	–16	–9
Interest received	7	8	21	27
Interest paid	–38	–47	–134	–145
Dividends and interest paid and received	*–35*	*–42*	*–354*	*–434*
Change in borrowings	37	–81	–355	–77
Allocation to pension funds	–315	–9	–390	–45
Other changes in pension obligations	13	–21	14	–52
Other financing transactions	–244	–32	–340	–3
Cash flow from financing activities	–544	–185	–1,425	–611
Net change in cash and cash equivalents	27	397	–237	325
Effect of exchange rates on cash and cash equivalents	–36	6	6	–16
Change in liquid funds/marketable securities	–9	403	–231	309
Liquid funds/marketable securities at July 1 / January 1	888	1,421	1,110	1,515
Liquid funds/marketable securities at September 30	879	1,824	879	1,824

Additional voluntary information
Reconciliation to free cash flow

in million euros	Q3/2010	Q3/2011	1–9/2010	1–9/2011
Cash flow from operating activities	616	676	1,334	1,122
Purchase of intangible assets	–3	–	–8	–4
Purchase of property, plant and equipment	–52	–108	–164	–263
Proceeds on disposal of other non-current assets	11	7	24	40
Net interest paid	–31	–39	–113	–118
Other changes in pension obligations	13	–21	14	–52
Free cash flow	554	515	1,087	725

Group segment report by business sector[1)]

Third quarter 2011

in million euros	Laundry & Home Care	Cosmetics/ Toiletries	*Adhesives for Consumers and Craftsmen*	*Industrial Adhesives*	Total Adhesive Technologies	Operating business sectors total	Corporate	Henkel Group
Sales July – September 2011	**1,110**	**860**	**544**	**1,477**	**2,020**	**3,991**	**38**	**4,028**
Change from previous year	–1.2 %	1.9 %	2.2 %	4.5 %	3.9 %	2.0 %	–23.1 %	1.7 %
After adjusting for foreign exchange	2.8 %	5.0 %	7.0 %	9.0 %	8.5 %	6.1 %	–	5.7 %
Organic	3.8 %	5.6 %	10.0 %	8.3 %	8.7 %	6.7 %	–	6.5 %
Proportion of Group sales	28 %	21 %	13 %	37 %	50 %	99 %	1 %	100 %
Sales July – September 2010	1,123	845	532	1,413	1,945	3,912	49	3,961
EBIT July – September 2011	**125**	**111**	**67**	**187**	**254**	**490**	**–38**	**451**
EBIT July – September 2010	139	113	100	169	268	520	–19	501
Change from previous year	–10.4 %	–1.2 %	–32.5 %	10.6 %	–5.4 %	–5.8 %	–	–10.0 %
Return on sales (EBIT) July – September 2011	**11.2 %**	**13.0 %**	**12.3 %**	**12.6 %**	**12.6 %**	**12.3 %**	**–**	**11.2 %**
Return on sales (EBIT) July – September 2010	12.4 %	13.4 %	18.7 %	11.9 %	13.8 %	13.3 %	–	12.7 %
Adjusted EBIT July – September 2011	**155**	**123**	**81**	**210**	**291**	**569**	**–28**	**541**
Adjusted EBIT July – September 2010	153	115	91	177	268	536	–19	517
Change from previous year	1.6 %	7.0 %	–10.8 %	18.6 %	8.6 %	6.3 %	–	4.7 %
Return on sales (adjusted EBIT) July – September 2011	**14.0 %**	**14.3 %**	**14.9 %**	**14.2 %**	**14.4 %**	**14.3 %**	**–**	**13.4 %**
Return on sales (adjusted EBIT) July – September 2010	13.6 %	13.6 %	17.1 %	12.5 %	13.8 %	13.7 %	–	13.0 %
Capital employed July – September 2011[2)]	**2,280**	**2,027**	**998**	**5,998**	**6,996**	**11,303**	**36**	**11,339**
Capital employed July – September 2010[2)]	2,700	2,117	1,019	6,487	7,506	12,322	4	12,326
Change from previous year	–15.5 %	–4.2 %	–2.0 %	–7.5 %	–6.8 %	–8.3 %	–	–8.0 %
Return on capital employed (ROCE) July – September 2011	**21.9 %**	**22.0 %**	**26.9 %**	**12.4 %**	**14.5 %**	**17.3 %**	**–**	**15.9 %**
Return on capital employed (ROCE) July – September 2010	20.6 %	21.3 %	39.1 %	10.4 %	14.3 %	16.9 %	–	16.3 %
Amortization / depreciation / write-ups of intangible assets and property, plant and equipment July – September 2011	**28**	**12**	**11**	**48**	**58**	**99**	**7**	**105**
of which impairment losses 2011	**4**	**–**	**1**	**5**	**6**	**10**	**–**	**10**
of which write-ups 2011	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Amortization / depreciation / write-ups of intangible assets and property, plant and equipment July – September 2010	28	12	11	63	75	115	5	120
of which impairment losses 2010	1	–	2	14	16	17	–	17
of which write-ups 2010	–	–	–	4	4	4	1	5
Capital expenditures (excl. financial assets) July – September 2011	**49**	**16**	**12**	**32**	**44**	**109**	**3**	**112**
Capital expenditures (excl. financial assets) July – September 2010	14	11	9	18	27	52	4	56
Operating assets July – September 2011[3)]	**3,667**	**2,894**	**1,461**	**7,195**	**8,657**	**15,218**	**398**	**15,616**
Operating liabilities July – September 2011	**1,230**	**1,078**	**523**	**1,496**	**2,019**	**4,328**	**362**	**4,690**
Net operating assets July – September 2011[3)]	**2,437**	**1,816**	**938**	**5,699**	**6,637**	**10,890**	**36**	**10,926**
Operating assets July – September 2010[3)]	4,216	2,986	1,481	7,419	8,901	16,102	406	16,508
Operating liabilities July – September 2010	1,343	1,066	517	1,241	1,758	4,167	402	4,569
Net operating assets July – September 2010[3)]	2,873	1,920	965	6,178	7,142	11,935	4	11,938

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)]

January – September 2011

in million euros	Laundry & Home Care	Cosmetics/ Toiletries	*Adhesives for Consumers and Craftsmen*	*Industrial Adhesives*	Total Adhesive Technologies	Operating business sectors total	Corporate	Henkel Group
Sales January – September 2011	**3,258**	**2,562**	**1,495**	**4,372**	**5,867**	**11,687**	**117**	**11,804**
Change from previous year	0.0 %	3.7 %	4.9 %	7.7 %	6.9 %	**4.2 %**	−20.8 %	**3.9 %**
After adjusting for foreign exchange	2.6 %	5.2 %	7.5 %	10.1 %	9.4 %	**6.5 %**	–	**6.2 %**
Organic	3.1 %	5.6 %	9.5 %	9.6 %	9.6 %	**6.8 %**	–	**6.6 %**
Proportion of Group sales	27 %	22 %	13 %	37 %	50 %	**99 %**	1 %	**100 %**
Sales January – September 2010	3,258	2,471	1,426	4,060	5,486	**11,215**	148	**11,363**
EBIT January – September 2011	**382**	**364**	**191**	**576**	**767**	**1,513**	**−94**	**1,418**
EBIT January – September 2010	427	325	171	505	676	**1,428**	−84[4)]	**1,344**
Change from previous year	−10.6 %	12.0 %	11.8 %	14.1 %	13.5 %	**5.9 %**	–	**5.5 %**
Return on sales (EBIT) January – September 2011	**11.7 %**	**14.2 %**	**12.8 %**	**13.2 %**	**13.1 %**	**12.9 %**	**–**	**12.0 %**
Return on sales (EBIT) January – September 2010	13.1 %	13.1 %	12.0 %	12.4 %	12.3 %	**12.7 %**	–	**11.8 %**
Adjusted EBIT January – September 2011	**428**	**360**	**206**	**610**	**816**	**1,604**	**−77**	**1,528**
Adjusted EBIT January – September 2010	424	325	205	519	725	**1,474**	−60	**1,414**
Change from previous year	0.7 %	10.8 %	0.3 %	17.5 %	12.6 %	**8.8 %**	–	**8.0 %**
Return on sales (adjusted EBIT) January – September 2011	**13.1 %**	**14.1 %**	**13.8 %**	**14.0 %**	**13.9 %**	**13.7 %**	**–**	**12.9 %**
Return on sales (adjusted EBIT) January – September 2010	13.0 %	13.2 %	14.4 %	12.8 %	13.2 %	**13.1 %**	–	**12.4 %**
Capital employed January – September 2011[2)]	**2,314**	**1,988**	**989**	**5,908**	**6,897**	**11,199**	**37**	**11,236**
Capital employed January – September 2010[2)]	2,603	2,083	1,009	6,171	7,180	**11,866**	−38	**11,828**
Change from previous year	−11.1 %	−4.5 %	−2.0 %	−4.3 %	−3.9 %	**−5.6 %**	–	**−5.0 %**
Return on capital employed (ROCE) January – September 2011	**22.0 %**	**24.4 %**	**25.8 %**	**13.0 %**	**14.8 %**	**18.0 %**	**–**	**16.8 %**
Return on capital employed (ROCE) January – September 2010	21.9 %	20.8 %	23.4 %	10.9 %	12.7 %	**16.1 %**	–	**15.2 %**
Amortization/depreciation/write-ups of intangible assets and property, plant and equipment January – September 2011	**85**	**36**	**32**	**137**	**169**	**290**	**15**	**305**
of which impairment losses 2011	**11**	**–**	**1**	**5**	**6**	**17**	**–**	**17**
of which write-ups 2011	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Amortization/depreciation/write-ups of intangible assets and property, plant and equipment January – September 2010	82	36	52	163	214	**333**	12	**346**
of which impairment losses 2010	1	–	14	28	42	**43**	–	**43**
of which write-ups 2010	–	–	–	4	4	**4**	1	**5**
Capital expenditures (excl. financial assets) January – September 2011	**107**	**83**	**32**	**88**	**120**	**310**	**9**	**319**
Capital expenditures (excl. financial assets) January – September 2010	50	31	24	60	84	**165**	11	**176**
Operating assets January – September 2011[3)]	**3,678**	**2,833**	**1,431**	**7,070**	**8,501**	**15,012**	**413**	**15,425**
Operating liabilities January – September 2011	**1,210**	**1,051**	**503**	**1,472**	**1,975**	**4,236**	**376**	**4,611**
Net operating assets January – September 2011[3)]	**2,468**	**1,782**	**928**	**5,598**	**6,526**	**10,776**	**37**	**10,813**
Operating assets January – September 2010[3)]	4,061	2,883	1,433	7,207	8,640	**15,584**	357	**15,941**
Operating liabilities January – September 2010	1,288	998	479	1,306	1,785	**4,071**	395	**4,467**
Net operating assets January – September 2010[3)]	2,773	1,885	954	5,901	6,855	**11,512**	−38	**11,474**

[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.
[4)] Including for the first nine months of 2010 restructuring charges of 4 million euros disclosed for the last time under Corporate, arising from integration of the National Starch businesses.

Earnings per share

In calculating earnings per share for the period January through September 2011, 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 proportional basis.

As of September 30, 2011, the Stock Incentive Plan had diluted the earnings per ordinary share and per preferred share by 1 eurocent each.

Earnings per share

	1–9/2010	1–9/2011
Net income for the first half year, attributable to shareholders of Henkel AG & Co. KGaA in mill. euros	869	958
Number of outstanding ordinary shares	259,795,875	259,795,875
Earnings per ordinary share (basic) in euros	2.00	2.20
Number of outstanding preferred shares[1]	173,921,371	174,300,434
Earnings per preferred share (basic) in euros	2.01	2.22
Dilutive effect arising from Stock Incentive Plan	317,856	119,887
Number of potentially outstanding preferred shares[2]	174,239,227	174,420,321
Earnings per ordinary share (diluted) in euros	1.99	2.19
Earnings per preferred share (diluted) in euros	2.00	2.21

[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 September 30, 2011 amounted to 3,776,170 preferred shares. This represents 0.86 percent of the capital stock and a proportional nominal value of 3.8 million euros.

As a result of options exercised and lapsed under the Stock Incentive Plan, our treasury stock decreased during the period January through September 2011 by 259,395 preferred shares, representing a proportional nominal value of 0.3 million euros (0.06 percent of issued shares).

Accounting policies

The interim financial report and interim consolidated financial statements of the Henkel Group for the third quarter and the first nine months of the year have been prepared in accordance with section 37x (3) in conjunction with section 37w (2) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), in accordance with International Financial Reporting Standard (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 2010 consolidated financial statements, with the exception of the accounting pronouncements recently adopted in 2011. These pronouncements do not exert any material influence on the presentation of the nine-month 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 income, the statement of comprehensive income, the consolidated statement of financial position, the 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 nine months, 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 September 30, 2011 includes seven German and 175 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, 2010, four new companies have been included in the scope of consolidation and eight companies have left the Group. In addition, there have been five 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 1, 2011, we assumed control over Schwarzkopf Inc., Culver City, California, USA. Our share of the voting rights in the company is 100 percent. The purchase price paid was 42 million euros. The provisional difference corresponds to the purchase price paid. Liquid funds assumed of 1 million euros are disclosed in the cash flow statement under purchase of financial assets/acquisitions. Having a direct presence in the US hair salon segment will enable us to better exhaust the potential of this market.

Since April 1, 2011, we have included in our consolidated financial statements Purbond Group, Hatfield, United Kingdom, which was previously accounted for using the equity method. The purchase price paid amounted to 4 million euros. Taking into account the provisions of IFRS 3 relating to business combinations achieved in stages (step acquisition) and the corresponding revaluation at fair value of the previously held 50 percent interest, a gain of 2.5 million euros was recognized.

In the third quarter, we spent 2 million euros acquiring outstanding non-controlling interests in Rilken Cosmetics Industry S.A., Athens, Greece. Effective September 30, 2011, we increased our shareholding to 70 percent with the purpose of acquiring 100 percent of the shares in the future.

At the end of January 2011, we disposed of our non-core TAED bleach activator business in Ireland for 4 million euros. On May 31, 2011, we sold our shares in Henkel India Limited, Chennai, India. The sale proceeds amounted to 29 million euros with a gain of 48 million euros. In the course of the divestment, bank liabilities amounting to 66 million euros were discharged. Effective June 30, 2011, we disposed of a non-core operation in the Adhesive Technologies business sector. The proceeds of the sale amounted to 13 million euros, with a gain of 9 million euros.

Statement of comprehensive income

Of the components included in other comprehensive income, deferred tax expenses relating to actuarial gains amount to 37 million euros (September 30, 2010: deferred tax income of 91 million euros) and deferred tax income from cash flow hedges amount to 2 million euros (September 30, 2010: deferred tax expense of 2 million euros).

Assets held for sale

The value of assets held for sale decreased by 13 million euros compared to the level as of December 31, 2010. The decrease is due to the transfer to the acquirer, effective January 11, 2011, of the assets disclosed under this heading relating to a portion of our building adhesives business in South Korea, and sale of assets attributable to various other companies of the Group. Moreover, assets of one company were reclassified as property, plant and equipment due to a reversal of the decision to sell.

Contingent liabilities

Effective September 30, 2011, liabilities under guarantee and warranty agreements totaled 8 million euros. On December 31, 2010, these liabilities amounted to 15 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 when they can be terminated. The amounts shown are the nominal values. At September 30, 2011, the payments due were as follows:

Operating lease obligations

in million euros	Dec. 31, 2010	Sept. 30, 2011
Due in the following year	58	53
Due within 1 to 5 years	127	118
Due after 5 years	36	37
Total	221	208

Voting rights, related party transactions

Henkel AG & Co. KGaA, Düsseldorf, Germany, has been notified that the share of voting rights of the parties to the Henkel 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, 2010. For definitions of ROCE, operating assets and capital employed, please refer to our AR Annual Report 2010, pages 44 and 129.

Notes to the consolidated statement of cash flows

The main items of the consolidated statement of cash flows and the changes thereto are explained on Q3 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 statement of comprehensive income, the 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, 2011 to September 30, 2011 which form part of the nine-month financial report according to section 37x (3) in conjunction with section 37w (2) 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 regulations of the German Securities Trading Act applicable to interim group management reports, is the responsibility of the Company's management. 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 performed 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 2410 (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 all material respects, 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 all material respects, 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 all material respects, in accordance with the regulations of the German Securities Trading Act applicable to interim group management reports.

Düsseldorf, November 7, 2011

KPMG AG
Wirtschaftsprüfungsgesellschaft

Thomas Sauter German Public Auditor	Michael Gewehr German Public Auditor

Report of the Audit Committee of the Supervisory Board

In the meeting of November 7, 2011, the Audit Committee was presented the interim financial report for the first nine months of fiscal 2011 and the report prepared by KPMG AG, Wirtschaftsprüfungsgesellschaft, on its review of the interim financial statements and the interim 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 financial report.

Düsseldorf, November 7, 2011

Chairman of the Audit Committee
Dr. Bernhard Walter

Credits

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Financial calendar

Publication of report
for fiscal 2011:
Thursday, March 8, 2012

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

Publication of report
for the first quarter 2012:
Wednesday, May 9, 2012

Publication of report
for the second quarter / half year 2012:
Wednesday, August 8, 2012

Publication of report
for the third quarter / nine months 2012:
Wednesday, November 7, 2012

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