Consolidated financial statements

Group segment report by business unit[1]

in million euros	Laundry & Home Care	Beauty Care	Adhesives for Consumers, Craftsmen and Building	Industrial Adhesives	Total Adhesive Technologies	Operating business units total	Corporate	Henkel Group
Sales 2013	**4,580**	**3,510**	**1,924**	**6,193**	**8,117**	**16,207**	**148**	**16,355**
Proportion of Group sales	28 %	21 %	12 %	38 %	50 %	99 %	1 %	100 %
Sales 2012	4,556	3,542	1,988	6,268	8,256	16,355	155	16,510
Change from previous year	0.5 %	– 0.9 %	– 3.2 %	– 1.2 %	– 1.7 %	– 0.9 %	– 4.5 %	– 0.9 %
After adjusting for foreign exchange	5.7 %	2.8 %	0.9 %	3.4 %	2.8 %	3.6 %	–	3.5 %
Organic	5.7 %	3.0 %	2.5 %	2.8 %	2.7 %	3.6 %	–	3.5 %
EBIT 2013	**682**	**474**	**286**	**985**	**1,271**	**2,426**	**– 141**	**2,285**
EBIT 2012	621	483	280	911	1,191	2,296	– 97	2,199
Change from previous year	9.7 %	– 1.9 %	2.2 %	8.1 %	6.7 %	5.7 %	–	3.9 %
Return on sales (EBIT) 2013	**14.9 %**	**13.5 %**	**14.9 %**	**15.9 %**	**15.7 %**	**15.0 %**	**–**	**14.0 %**
Return on sales (EBIT) 2012	13.6 %	13.6 %	14.1 %	14.5 %	14.4 %	14.0 %	–	13.3 %
Adjusted EBIT 2013	**714**	**525**	**311**	**1,059**	**1,370**	**2,609**	**– 93**	**2,516**
Adjusted EBIT 2012	659	514	287	959	1,246	2,419	– 84	2,335
Change from previous year	8.5 %	2.1 %	8.3 %	10.4 %	9.9 %	7.8 %	–	7.8 %
Adjusted return on sales (EBIT) 2013	**15.6 %**	**15.0 %**	**16.2 %**	**17.1 %**	**16.9 %**	**16.1 %**	**–**	**15.4 %**
Adjusted return on sales (EBIT) 2012	14.5 %	14.5 %	14.4 %	15.3 %	15.1 %	14.8 %	–	14.1 %
Capital employed 2013[2]	**2,321**	**2,007**	**922**	**5,830**	**6,752**	**11,080**	**59**	**11,138**
Capital employed 2012[2]	2,409	2,084	1,017	6,188	7,204	11,697	54	11,751
Change from previous year	– 3.7 %	– 3.7 %	– 9.3 %	– 5.8 %	– 6.3 %	– 5.3 %	–	– 5.2 %
Return on capital employed (ROCE) 2013	**29.4 %**	**23.6 %**	**31.0 %**	**16.9 %**	**18.8 %**	**21.9 %**	**–**	**20.5 %**
Return on capital employed (ROCE) 2012	25.8 %	23.2 %	27.5 %	14.7 %	16.5 %	19.6 %	–	18.7 %
Amortization / depreciation / impairment / write-ups of intangible assets and property, plant, equipment 2013	**121**	**56**	**43**	**182**	**225**	**402**	**18**	**420**
of which impairment losses 2013	**16**	**1**	**7**	**8**	**15**	**32**	**1**	**33**
of which write-ups 2013	**–**	**–**	**1**	**4**	**5**	**5**	**–**	**5**
Amortization / depreciation / impairment / write-ups of intangible assets and property, plant, equipment 2012	107	54	44	187	231	393	17	409
of which impairment losses 2012	4	–	1	6	7	11	1	12
of which write-ups 2012	–	–	–	1	1	1	–	1
Capital expenditures (excl. financial assets) 2013	**158**	**101**	**72**	**126**	**198**	**457**	**8**	**465**
Capital expenditures (excl. financial assets) 2012	170	74	77	188	265	509	7	516
Operating assets 2013[3]	**4,111**	**3,164**	**1,434**	**7,105**	**8,538**	**15,813**	**488**	**16,301**
Operating liabilities 2013	**1,626**	**1,355**	**562**	**1,696**	**2,259**	**5,240**	**429**	**5,669**
Net operating assets 2013[3]	**2,484**	**1,809**	**871**	**5,408**	**6,279**	**10,573**	**59**	**10,632**
Operating assets 2012[3]	3,938	2,982	1,462	7,298	8,759	15,679	411	16,090
Operating liabilities 2012	1,349	1,085	495	1,540	2,035	4,468	357	4,826
Net operating assets 2012[3]	2,589	1,897	966	5,758	6,725	11,211	54	11,265

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

Key financials by region [1]

in million euros	Western Europe	Eastern Europe	Africa/ Middle East	North America	Latin America	Asia-Pacific	Total Regions	Corporate	Henkel Group
Sales [2] 2013	**5,580**	**3,034**	**1,080**	**2,928**	**1,061**	**2,524**	**16,207**	**148**	**16,355**
Sales [2] 2012	5,610	2,986	1,077	3,023	1,062	2,597	16,355	155	16,510
Change from previous year	– 0.5 %	1.6 %	0.3 %	– 3.2 %	– 0.1 %	– 2.8 %	– 0.9 %	–	– 0.9 %
After adjusting for foreign exchange	0.1 %	6.0 %	17.4 %	1.1 %	8.7 %	3.3 %	3.6 %	–	3.5 %
Organic	0.2 %	6.0 %	17.6 %	1.0 %	8.7 %	3.3 %	3.6 %	–	3.5 %
Proportion of Group sales 2013	**34 %**	**19 %**	**7 %**	**18 %**	**6 %**	**15 %**	**99 %**	**1 %**	**100 %**
Proportion of Group sales 2012	34 %	18 %	7 %	18 %	6 %	16 %	99 %	1 %	100 %
Operating profit (EBIT) 2013	**1,021**	**459**	**34**	**497**	**74**	**340**	**2,426**	**– 141**	**2,285**
Operating profit (EBIT) 2012	811	425	103	456	83	417	2,296	– 97	2,199
Change from previous year	25.8 %	8.1 %	– 66.7 %	8.9 %	– 10.8 %	– 18.3 %	5.7 %	–	3.9 %
After adjusting for foreign exchange	26.1 %	13.7 %	– 43.8 %	12.8 %	2.0 %	– 13.9 %	9.9 %	–	7.3 %
Return on sales (EBIT) 2013	**18.3 %**	**15.1 %**	**3.2 %**	**17.0 %**	**7.0 %**	**13.5 %**	**15.0 %**	**–**	**14.0 %**
Return on sales (EBIT) 2012	14.5 %	14.2 %	9.6 %	15.1 %	7.8 %	16.0 %	14.0 %	–	13.3 %

[1] Calculation on the basis of units of 1,000 euros.
[2] By location of company.

In 2013, the affiliated companies domiciled in Germany, including Henkel AG & Co. KGaA, generated sales of 2,247 million euros (previous year: 2,254 million euros). Sales realized by the affiliated companies domiciled in the USA in 2013 amounted to 2,700 million euros (previous year: 2,787 million euros). In fiscal 2012 and 2013, no individual customer accounted for more than 10 percent of total sales.

Of the total non-current assets disclosed for the Henkel Group at December 31, 2013 (excluding financial instruments and deferred tax claims) amounting to 10,611 million euros (previous year: 11,083 million euros), 1,156 million euros (previous year: 1,068 million euros) was attributable to the affiliated companies domiciled in Germany, including Henkel AG & Co. KGaA. The non-current assets (excluding financial assets and deferred tax assets) recognized in respect of the affiliated companies domiciled in the USA at December 31, 2013 amounted to 5,438 million euros (previous year: 5,727 million euros).

Accounting principles and methods applied in preparation of the consolidated financial statements

General information

The consolidated financial statements of Henkel AG & Co. KGaA, Düsseldorf, as of December 31, 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the relevant interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted per Regulation number 1606/2002 of the European Parliament and the Council, on the application of international accounting standards in the European Union, and in compliance with Section 315a of the German Commercial Code [HGB].

The individual financial statements of the companies included in the consolidation are drawn up on the same accounting date, December 31, 2013, as that of Henkel AG & Co. KGaA.

Members of the KPMG organization or other independent firms of auditors instructed accordingly have audited the financial statements of the material companies included in the consolidation. The Management Board of Henkel Management AG – which is the Personally Liable Partner of Henkel AG & Co. KGaA – compiled the consolidated financial statements on January 30, 2014 and approved them for forwarding to the Supervisory Board and for publication.

The consolidated financial statements are based on the principle of historical cost with the exception that certain financial instruments are accounted for at their fair values and pension obligations are measured using the projected unit credit method. The functional currency of Henkel AG & Co. KGaA and the reporting currency of the Group is the euro. Unless otherwise indicated, all amounts are shown in million euros. In order to improve the clarity and informative value of the consolidated financial statements, certain items are combined in the consolidated statement of financial position, the consolidated statement of income and the consolidated statement of comprehensive income, and then shown separately in the notes.

Scope of consolidation

In addition to Henkel AG & Co. KGaA as the ultimate parent company, the consolidated financial statements at December 31, 2013 include seven German and 166 non-German companies in which Henkel AG & Co. KGaA has a dominating influence over financial and operating policy, based on the concept of control. This is generally the case where Henkel AG & Co. KGaA holds, directly or indirectly, a majority of the voting rights. Companies in which not more than half of the voting rights are held are fully consolidated if Henkel AG & Co. KGaA, on the basis of contractual agreements or rights held, has the power, directly or indirectly, to appoint executive and managerial bodies and thereby to govern their financial and operating policies.

The following table shows the changes to the scope of consolidation in fiscal 2013:

Scope of consolidation

At January 1, 2013	**178**
Additions	7
Mergers	– 2
Disposals	– 9
At December 31, 2013	**174**

The changes in the scope of consolidation have had no effect on the main items of the consolidated financial statements.

Subsidiaries which are of secondary importance to the Group and to the presentation of a true and fair view of our net assets, financial position and results of operations due to their inactivity or low level of activity are generally not included in the consolidated financial statements. The total assets of these companies represent less than 1 percent of the Group's total assets; their total sales and income net of taxes are also less than 1 percent of the Group totals.

Acquisitions and divestments

The acquisitions and divestments in fiscal 2013 had no material effect on the business and organizational structure of Henkel, nor on our net assets, financial position, or results of operations.

Acquisitions

On June 6, 2013, we spent 3 million euros acquiring the outstanding non-controlling interests in Henkel Kenya Ltd., Nairobi, Kenya, increasing our shareholding from 80 percent to 100 percent. The difference between the previously held share of net assets and the purchase price has been recognized in retained earnings.

Effective September 4, 2013, we completed an acquisition in the professional hair care segment in South Africa. The purchase price paid was 4 million euros. This resulted in the recognition of goodwill amounting to 2 million euros.

On December 11, 2013, we spent 66 million euros acquiring the outstanding non-controlling interests in OOO Henkel Bautechnik, Moscow, Russia. A performance-related component of consideration was also agreed under which we will pay a maximum of 44 million euros to the seller within the next four years. Our shareholding has increased from 66 percent to 100 percent. The difference between the previously held share of net assets and the purchase price has been recognized in retained earnings.

Effective December 11, 2013, we completed the full acquisition of a production facility for hair styling products in Russia from Wellchem Holding GmbH, Austria. The purchase price paid was 27 million euros. This resulted in the recognition of goodwill amounting to 9 million euros.

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

The following table shows the acquisitions of subsidiaries in fiscal 2013. The acquisitions indicated, taken both individually and in sum, have not exerted any material effect on the net assets, financial position or results of operations of the Group.

Acquisitions 2013

January 1 to December 31 in million euros	Carrying amount	Adjustments	Fair value
Assets	25	– 5	20
Non-current assets	25	– 5	20
Current assets	–	–	–
Cash and cash equivalents	–	–	–
Liabilities	–	–	–
Non-current liabilities and provisions	–	–	–
Current liabilities and provisions	–	–	–
Net assets	25	– 5	20

Goodwill 2013

in million euros	Fair value
Purchase price (paid in cash)	31
Fair value of non-controlling interests	–
Less net assets	– 20
Goodwill	11

Divestments

Effective January 10, 2013, we sold Chemofast Anchoring GmbH, Willich, Germany, for 26 million euros. As of December 31, 2012, we reported the assets and liabilities of the company as “held for sale.” The sale transaction included the transfer of 4 million euros in cash to the buyer. We recognized the gain of 9 million euros from the deconsolidation under other operating income.

Disposal and deconsolidation effects 2013

January 1 to December 31 in million euros	Chemofast Anchoring GmbH	Other companies	Total
Disposal effects			
Non-current assets	11	7	18
Current assets	5	–	5
Cash and cash equivalents	4	2	6
Non-current liabilities and provisions	– 3	–	– 3
Current liabilities and provisions	–	– 1	– 1
Net assets	17	8	25
Proportion of net income attributable to shareholders of Henkel AG & Co. KGaA	17	8	25
Total consideration	26	4	30
Transaction costs	–	–	–
Accumulated currency translation gains (+)/loss (–)	–	– 2	– 2
Deconsolidation gain (+)/loss (–)	9	– 2	7

Consolidation methods

The financial statements of Henkel AG & Co. KGaA and of the subsidiaries included in the consolidated financial statements were prepared on the basis of uniformly valid principles of recognition and measurement, applying the standardized year-end date adopted by the Group. Such entities are included in the consolidated financial statements as of the date on which the Group acquired control.

All receivables and liabilities, sales, income and expenses, as well as intra-group profits on transfers of non-current assets or inventories, are eliminated on consolidation.

The purchase method is used for capital consolidation. With business combinations, therefore, all hidden reserves and hidden charges in the entity acquired are revalued at the time of acquisition, and fully reflected at fair value, and all identifiable intangible assets are separately disclosed if they are clearly separable or if their recognition arises from a contractual or other legal right. Any difference arising between the cost of acquisition and the (share of) net assets after purchase price allocation is recognized as goodwill. The goodwill of subsidiaries is measured in the functional currency of the subsidiary.

Entities acquired are included in the consolidation for the first time as subsidiaries by offsetting the carrying amount of the respective parent company's investment in them against their assets and liabilities. Contingent consideration is recognized at fair value as of the date of first-time consolidation. Subsequent changes in value do not result in an adjustment to the valuation at the time of acquisition. (Incidental) costs related to the acquisition of subsidiaries are not included in the purchase price. Instead, they are recognized through profit and loss in other operating charges in the period in which they occur.

In the recognition of acquisitions of less than 100 percent, non-controlling interests are measured at the fair value of the share of net assets that they represent. We do not apply the option of measuring non-controlling interests at their fair value (full goodwill method).

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

Changes in the shareholdings of subsidiary companies, as a result of which the participating interests of the Group decrease or increase without loss of control, are recognized within equity as changes in ownership without loss of control.

As soon as the control of a subsidiary is relinquished, all the assets and liabilities and the non-controlling interests, and also the accumulated currency translation gains or losses, are derecognized. In the event that Henkel continues to own non-controlling interests in the non-consolidated entity, these are measured at fair value. The result of deconsolidation is recognized under other operating income or charges.

Companies recognized at equity

Associated companies and joint ventures are recognized at equity.

An associated company is a company over which the Group can exercise material influence on the financial and operating policies without controlling it. Material influence is generally assumed when the Group holds 20 percent or more of the voting rights. Where a Group company conducts transactions with an associated company or a joint venture, the resulting profits or losses are eliminated in accordance with the share of the Group in that company.

Currency translation

The annual financial statements of the consolidated companies, including the hidden reserves and hidden charges of Group companies recognized under the purchase method, and also goodwill arising on consolidation, are translated into euros using the functional currency method outlined in International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates." The functional currency is the currency in which the foreign company predominantly generates funds and makes payments. As the functional currency for all the companies included in the consolidation is generally the local currency of the company concerned, assets and liabilities are translated at closing rates, while income and expenses are translated at the average rates for the year, based on an approximation of the actual rates at the date of the transaction. Equity items are recognized at historical exchange rates. The differences arising from using average rather than closing rates are taken to equity and shown as other components of equity or non-controlling interests, and remain neutral in respect of net income until the shares are divested.

In the subsidiaries' annual financial statements, transactions in foreign currencies are converted at the rates prevailing at the time of the transaction. Financial assets and liabilities in foreign currencies are measured at closing rates and recognized in profit or loss. For the main currencies in the Group, the following exchange rates have been used based on 1 euro:

Currencies

		Average exchange rate		Exchange rate on December 31	
	ISO code	2012	2013	2012	2013
Chinese yuan	CNY	8.10	**8.16**	8.22	**8.35**
Mexican peso	MXN	16.90	**16.97**	17.19	**18.07**
Polish zloty	PLN	4.18	**4.20**	4.07	**4.15**
Russian ruble	RUB	39.93	**42.34**	40.33	**45.32**
Turkish lira	TRY	2.31	**2.53**	2.36	**2.96**
US dollar	USD	1.28	**1.33**	1.32	**1.38**

Recognition and measurement methods

Summary of selected measurement methods

Items in the consolidated statement of financial position	Measurement method
Assets	
Goodwill	Lower of carrying amount and recoverable amount ("impairment only" method)
Other intangible assets	
with indefinite useful lives	Lower of carrying amount and recoverable amount ("impairment only" method)
with definite useful lives	(Amortized) cost less any impairment losses
Property, plant and equipment	(Depreciated) cost less any impairment losses
Financial assets (categories per IAS 39)	
"Loans and receivables"	(Amortized) cost using the effective interest method
"Available for sale"	Fair value with gains or losses recognized directly in equity [1]
"Held for trading"	Fair value through profit or loss
"Fair value option"	Fair value through profit or loss
Other assets	(Amortized) cost
Inventories	Lower of cost and net realizable value
Assets held for sale	Lower of cost and fair value less costs to sell

[1] Apart from permanent impairment losses and effects arising from measurement in a foreign currency.

Liabilities	
Provisions for pensions and similar obligations	Present value of future obligations (projected unit credit method)
Other provisions	Settlement amount
Financial liabilities (categories per IAS 39)	
"Measured at amortized cost"	(Amortized) cost using the effective interest method
"Held for trading"	Fair value through profit or loss
Other liabilities	Settlement amount

The methods of recognition and measurement, which are basically unchanged from the previous year, are described in detail in the notes relating to the individual items of the statement of financial position on these pages. Also provided as part of the report on our financial instruments (Note 21 on pages 140 to 152) are the disclosures relevant to IFRS 7 showing the breakdown of our financial instruments by category, our methods for fair value measurement, and the derivative financial instruments that we use.

Changes in the methods of recognition and measurement arising from revised and new standards are applied retrospectively, provided that the effect is material and there are no alternative regulations that supersede the standard concerned. The consolidated statement of income from the previous year and the opening balance of the consolidated statement of financial position for this comparative period are adjusted as if the new methods of recognition and measurement had always been applied.

Accounting estimates, assumptions and discretionary judgments

Preparation of the consolidated financial statements is based on a number of accounting estimates and assumptions. These have an impact on the reported amounts of assets, liabilities and contingent liabilities at the reporting date and the disclosure of income and expenses for the reporting period. The actual amounts may differ from these estimates.

The accounting estimates and their underlying assumptions are based on past experience and are continually reviewed. Changes in accounting estimates are recognized in the period in which the change takes place where such change exclusively affects that period. A change is recognized in the period in which it occurs and in later periods where such change affects both the reporting period and subsequent periods. The judgments of the Management Board regarding the application of those IFRSs which have a significant impact on the consolidated financial statements are presented in particular in the explanatory notes on taxes on income (Note 30 on pages 155 to 157), intangible assets (Note 1 on pages 119 to 122), pension obligations (Note 15 on pages 128 to 136), income tax provisions and other provisions (Note 16 on page 137), financial instruments (Note 21 on pages 140 to 152) and share-based payment plans (Note 33 on pages 158 and 159).

Essentially, discretionary judgments are made in respect of the following two areas:
- The US dollar liabilities of Henkel of America, Inc., Wilmington, USA, are set off against sureties of Henkel US LLC, Wilmington, USA, as the deposit and the loan are with the same lender and of the same maturity, there is a legal right to set off these sums, and the Group intends to settle net.
- The demarcation of the cash-generating units as explained in Note 1 on pages 119 to 122.

Application of IAS 8 to accounting policies

In application of IAS 8 paragraph 28 ff., the following information is reported:

In June 2011, the International Accounting Standards Board (IASB) published amendments to IAS 19 "Employee Benefits" (IAS 19, revised 2011). IAS 19 revised replaces the expected income from plan assets and the interest expense on the pension obligations with a uniform net interest component. The announcement is applicable for fiscal years beginning on or after January 1, 2013. IAS 19 revised requires retrospective application and the presentation of the effects of the first-time application on the opening balance at January 1, 2012. The retrospective adjustment led to an increase of 40 million euros in interest expense for fiscal 2012. Actuarial gains increased accordingly by 40 million euros. Following application of IAS 19 revised, the interest result for the 2012 fiscal year amounts to –182 million euros (prior to adjustment: –142 million euros).

In addition, IAS 19 revised provides for recognition in profit and loss of non-vested past-service costs as they occur. We did not adjust our pension obligations retrospectively for the 2012 fiscal year as there was no material effect on the presentation of the consolidated financial statements.

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

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

	Significance
IAS 1 (Amendment) "Presentation of Items of Other Comprehensive Income"	relevant
IAS 19 revised "Employee Benefits"	relevant
IAS 36 (Amendment) "Impairment of Assets"	relevant
IFRS 7 (Amendment) "Disclosures – Offsetting Financial Assets and Liabilities"	relevant
IFRS 13 "Fair Value Measurement"	relevant
General standard "Improvements to IFRS 2009–2011"	relevant

- In June 2012, the IASB published amendments to IAS 1 "Presentation of Financial Statements." In the future, items of other comprehensive income in the consolidated statement of comprehensive income which are later reclassified ("recycled") to the statement of income must be presented separately from items of other comprehensive income which will never be reclassified.
- In June 2011, the IASB published amendments to IAS 19 "Employee Benefits" (IAS 19, revised 2011). The impact on the consolidated financial statements is presented on page 116.
- The Amendment to IAS 36 includes revisions to the disclosure requirements if the recoverable amount for the impaired assets was determined on the basis of fair value less costs of disposal. The change will be early adopted.
- In December 2011, the IASB published amendments to IFRS 7 "Financial Instruments: Disclosures." Disclosures with respect to offsetting financial assets and liabilities encompass the duty to disclose both netted financial instruments and any unnetted financial instruments that are subject to an enforceable master netting agreement or similar agreement.
- IFRS 13 "Fair Value Measurement," which was published in May 2011, governs the measurement of fair value. Fair value is defined as exit price, meaning the price that would be realized in the sale of an asset or the price that would have to be paid to transfer an obligation.
- Adjustments arising from the annual improvement cycle are intended to clarify existing regulations. They also provide for changes that affect accounting, methods, valuation and the information reported in the notes to the consolidated financial statements. The standards affected are IAS 1, IAS 16, IAS 32, IAS 34 and IFRS 1.

The first-time application of the amended standards had a material impact on the presentation of our consolidated financial statements only in connection with IAS 19 revised.

Accounting regulations not applied in advance of their effective date

The following standards and amendments to existing standards of possible relevance to Henkel, which have been adopted into EU law (endorsement mechanism) but are not yet mandatory, have not been applied early:

Accounting regulations not applied in advance of their effective date

	Mandatory for fiscal years beginning on or after
IAS 28 (Amendment) "Investments in Associates and Joint Ventures"	January 1, 2014
IAS 32 (Amendment) "Offsetting Financial Assets and Liabilities"	January 1, 2014
IAS 39 (Amendment) "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRS 10 "Consolidated Financial Statements"	January 1, 2014
IFRS 11 "Joint Arrangements"	January 1, 2014
IFRS 12 "Disclosure of Interest in Other Entities"	January 1, 2014
IFRS 10 (Amendment), IFRS 11 (Amendment) and IFRS 12 (Amendment) "Transition Guidance"	January 1,2014

- In December 2011, the IASB published amendments to IAS 32 "Financial Instruments: Presentation." The amendment to IAS 32 explains and clarifies the criteria for offsetting financial assets and financial liabilities in the statement of financial position. The amendment to IAS 32 is mandatory for fiscal years beginning on or after January 1, 2014.
- In May 2011, the IASB published the new standards IFRS 10 "Consolidated Financial Statements," IFRS 11 "Joint Arrangements," and IFRS 12 "Disclosure of Interest in Other Entities," as well as amendments to IAS 28 "Investments in Associates." Under the new concept of IFRS 10, control exists when the potential parent company holds decision power over the potential subsidiary based on voting rights or other rights, it is exposed to positive and negative variability in returns from the subsidiary, and these returns may be affected by the decision power held by the parent. Under the new concept of IFRS 11, a distinction is made in a joint arrangement as to whether it is a joint operation or a joint venture. In a joint operation, the individual rights and obligations are accounted for proportionately in the consolidated financial statements. In contrast, joint ventures are represented in the consolidated financial statements using the equity method. As part of the adoption of IFRS 11, adjustments were also made to IAS 28. The new IFRS 12 expands the disclosure requirements for interests in other entities. The

amendments relate to clarifications and additional changes to ease transition to IFRS 10, IFRS 11, and IFRS 12. The new standards and the amendments to standards must be applied beginning January 1, 2014. The amendments will have no impact on the scope of consolidation.

- With the amendment to IAS 39 in June 2013, a derivative maintains its designation as a hedging instrument under hedge accounting even if it is novated to a central counterparty as the result of legal requirements, provided certain criteria are met.

These new standards and amendments to existing standards will be applied by Henkel from fiscal 2014 or later. Unless otherwise indicated, we expect the future application of the aforementioned regulations not to have a significant impact on the presentation of the financial statements.

Accounting regulations not yet adopted into EU law
In fiscal 2013, the IASB issued the following standards and amendments to existing standards of relevance to Henkel, which still have to be adopted into EU law ("endorsement mechanism") before they become applicable:

Accounting regulations not yet adopted into EU law

	Mandatory for fiscal years beginning on or after
IAS 19 (Amendment) "Defined Benefit Plans: Employee Contributions"	January 1, 2015
IFRS 9 "Financial Instruments"	open
IFRS 7 (Amendment) and IFRS 9 (Amendment) "Mandatory Effective Date and Transition Disclosure"	open
IFRIC 21 "Levies"	January 1, 2014
General standard "Improvements to IFRS 2010–2012"	January 1, 2015
General standard "Improvements to IFRS 2011–2013"	January 1, 2015

These standards and amendments to existing standards will be applied by Henkel starting in fiscal 2014 or later.

Notes to the consolidated statement of financial position

The measurement and recognition policies for financial statement items are described in the relevant note.

Non-current assets

All non-current assets with definite useful lives are depreciated or amortized using the straight-line method on the basis of estimated useful lives. The useful life estimates are reviewed annually. If facts or circumstances indicate the need for impairment, the recoverable amount is determined. It is measured as the higher of the fair value less costs to sell (net realizable value) and the value in use. Impairment losses are recognized if the recoverable amounts of the assets are lower than their carrying amounts, and are charged to the relevant functions.

The following unchanged, standardized useful lives are applied:

Useful life

in years	
Intangible assets with definite useful lives	3 to 20
Residential buildings	50
Office buildings	40
Research and factory buildings, workshops, stores and staff buildings	25 to 33
Plant facilities	10 to 25
Machinery	7 to 10
Office equipment	10
Vehicles	5 to 20
Factory and research equipment	2 to 5

(1) Intangible assets

Cost

in million euros	Trademark rights and other rights: Assets with indefinite useful lives	Trademark rights and other rights: Assets with definite useful lives	Internally generated intangible assets with definite useful lives	Goodwill	Total
At January 1, 2012	1,248	1,538	174	6,723	9,683
Acquisitions	16	14	–	60	90
Divestments	–	–	–	–	–
Additions	–	5	24	–	29
Disposals	–	– 7	–	–	– 7
Reclassifications into assets held for sale[1]	1	–	–	– 11	– 10
Reclassifications	–	4	3	–	7
Translation differences	– 23	– 17	– 1	– 100	– 141
At December 31, 2012 / January 1, 2013	1,242	1,537	200	6,672	9,651
Acquisitions	–	1	–	11	12
Divestments	–	–	–	– 2	– 2
Additions	–	9	23	–	32
Disposals	–	– 22	– 5	–	– 27
Reclassifications into assets held for sale	–	–	–	– 5	– 5
Reclassifications	–	3	1	–	4
Translation differences	– 47	– 79	– 4	– 309	– 439
At December 31, 2013	1,195	1,449	215	6,367	9,226

[1] Of which: 1 million euros acquisition costs and 0 million euros write-downs arising from reclassification of assets held for sale, as disposal is no longer intended.

Accumulated amortization/impairment

in million euros	Trademark rights and other rights: Assets with indefinite useful lives	Trademark rights and other rights: Assets with definite useful lives	Internally generated intangible assets with definite useful lives	Goodwill	Total
At January 1, 2012	13	789	101	11	914
Divestments	–	–	–	–	–
Write-ups	–	–	–	–	–
Scheduled amortization	–	86	20	–	106
Impairment losses	–	–	–	–	–
Disposals	–	– 7	–	–	– 7
Reclassifications into assets held for sale	–	–	–	–	–
Reclassifications	–	–	–	–	–
Translation differences	–	– 7	–	–	– 7
At December 31, 2012 / January 1, 2013	13	861	121	11	1,006
Divestments	–	–	–	–	–
Write-ups	– 5	–	–	–	– 5
Scheduled amortization	–	81	20	–	101
Impairment losses	8	–	–	5	13
Disposals	–	– 21	– 5	–	– 26
Reclassifications into assets held for sale	–	–	–	– 2	– 2
Reclassifications	–	– 1	1	–	–
Translation differences	–	– 48	– 2	–	– 50
At December 31, 2013	16	872	135	14	1,037

Net book values

in million euros	Trademark rights and other rights: Assets with indefinite useful lives	Trademark rights and other rights: Assets with definite useful lives	Internally generated intangible assets with definite useful lives	Goodwill	Total
At December 31, 2013	1,179	577	80	6,353	8,189
At December 31, 2012	1,229	676	79	6,661	8,645

Goodwill represents the future economic benefit of assets that are acquired through business combinations and not individually identifiable and separately recognized, as well as expected synergies, and is recognized at cost. Trademarks and other rights acquired for valuable consideration are stated at purchase cost, while internally generated software is stated at manufacturing cost.

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

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

Goodwill as well as trademarks and other rights with indefinite useful lives are subjected to an impairment test at least once a year and also when indicators of impairment are present ("impairment only" approach).

Amortization and impairment of trademark rights and other rights are recognized as selling expenses. Amortization and impairment of other intangible assets are allocated to the relevant functions in the consolidated statement of income.

In the course of our annual impairment test, we reviewed the carrying amounts of goodwill and trademark rights and other rights with indefinite useful lives. The following table shows the cash-generating units together with the associated goodwill at book value at the reporting date. The description of the cash-generating units can be found in the notes to the consolidated financial statements, Note 34 on pages 159 and 160 and in the Group management report on pages 78 to 89.

Book values – Goodwill

Cash-generating units (summarized) in million euros	December 31, 2012 Goodwill	December 31, 2013 Goodwill
Laundry	689	653
Home Care	788	753
Total Laundry & Home Care	**1,477**	**1,406**
Branded Consumer Goods	1,058	1,026
Hair Salon	100	98
Total Beauty Care	**1,158**	**1,124**
Industrial Adhesives	3,632	3,452
Adhesives for Consumers, Craftsmen and Building	394	371
Total Adhesive Technologies	**4,026**	**3,823**

We assess goodwill impairment and impairment to trademarks and other rights according to the fair-value-less-costs-to-sell approach on the basis of future estimated cash flows which are obtained from corporate budgets. The determination of fair value (before deduction of costs to sell) is allocated to valuation level 3 (see Note 21 on pages 140 to 152). The assumptions upon which the essential planning parameters are based reflect experience gained in the past, aligned to current information provided by external sources. Budgets are prepared on the basis of a financial planning horizon of three years. For the period after that, a growth rate in a range between 1 and 2 percent in the cash flows is assumed for the purpose of impairment testing. The US dollar to euro exchange rate applied is 1.32. Taking into account specific tax effects, the cash flows in all cash-generating units are discounted at different rates reflecting the weighted average cost of capital (WACC) in each business unit: 6.00 percent after tax for Laundry & Home Care and Beauty Care, and 7.75 percent after tax for Adhesive Technologies. The reportable segment Industrial Adhesives is comprised of the two business areas Packaging, Consumer Goods and Construction Adhesives; and Transport, Metal, General Industry and Electronics. Goodwill at our Packaging, Consumer Goods and Construction Adhesives business in fiscal 2013 amounted to 1,782 million euros (previous year: 1,880 million euros), while goodwill at Transport, Metal, General Industry and Electronics had a value of 1,670 million euros in 2013 (previous year: 1,752 million euros).

In the Laundry & Home Care business unit, we have assumed an increase in sales during the three-year detailed forecasting horizon of 3 to 4 percent per year, with a slight increase in market share. Sales growth in the Beauty Care business unit over the three-year forecasting horizon is budgeted at around 4 percent per annum. Here, too, we expect a slight increase in market share. Sales in the Adhesive Technologies business unit are expected to grow by around 6 percent per annum on average over the detailed three-year forecasting horizon, and thus above the market average.

In all the business units, we assume that a future increase in the cost of raw materials can be extensively offset by cost reduction measures in purchasing and by passing the increase on to our customers, as well as through the implementation of efficiency improvement measures. Given our continued pro-active management of the portfolio, we anticipate achieving higher gross margins in all our business units.

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

Trademark rights and other rights with indefinite useful lives are presented in the following table.

Book values – Trademark rights and other rights

by business area (summarized) in million euros	December 31, 2012 Trademark and other rights with indefinite useful lives	December 31, 2013 Trademark and other rights with indefinite useful lives
Laundry	381	359
Home Care	244	234
Total Laundry & Home Care	**625**	**593**
Branded Consumer Goods	460	442
Hair Salon	13	13
Total Beauty Care	**473**	**455**
Industrial Adhesives	48	51
Adhesives for Consumers, Craftsmen and Building	83	80
Total Adhesive Technologies	**131**	**131**

The trademark rights with indefinite useful lives with a net book value of 1,179 million euros (previous year: 1,229 million euros) are established in their markets and will continue to be intensively promoted. Moreover, there are no other statutory, regulatory or competition-related factors that limit our usage of our brand names. The value of trademarks and other rights with indefinite useful lives attributable to our Industrial Adhesives segment is composed of 40 million euros (previous year: 42 million euros) for our Packaging, Consumer Goods and Construction Adhesives businesses, and 40 million euros (previous year: 41 million euros) for our Transport, Metal, General Industry and Electronics businesses.

Our annual impairment tests on trademark rights and other rights with indefinite useful lives with a total value of 1,179 million euros (previous year: 1,229 million euros) resulted in impairment losses of 8 million euros (previous year: 0 million euros) in our Laundry & Home Care business unit. An impairment reversal of 5 million euros was made in fiscal 2013 for trademark rights in our Adhesive Technologies business unit.

The company also intends to continue using the brands disclosed as having definite useful lives. No impairment losses were registered with respect to trademark rights and other rights with definite useful lives in 2013.

(2) Property, plant and equipment

Cost

in million euros	Land, land rights and buildings	Plant and machinery	Factory and office equipment	Assets in the course of construction	Total
At January 1, 2012	1,998	2,668	927	227	5,820
Acquisitions	–	4	–	–	4
Divestments	–	–	–	–	–
Additions	32	106	66	189	393
Disposals	– 23	– 107	– 72	– 1	– 203
Reclassifications into assets held for sale	– 5	– 7	– 2	–	– 14
Reclassifications	46	109	35	– 197	– 7
Translation differences	– 10	– 10	– 5	– 2	– 27
At December 31, 2012 / January 1, 2013	2,038	2,763	949	216	5,966
Acquisitions	10	6	–	1	17
Divestments	– 8	– 15	– 4	–	– 27
Additions	21	86	61	236	404
Disposals	– 37	– 92	– 91	– 4	– 224
Reclassifications into assets held for sale	– 2	–	–	–	– 2
Reclassifications	44	109	30	– 188	– 5
Translation differences	– 66	– 80	– 31	– 10	– 187
At December 31, 2013	2,000	2,777	914	251	5,942

Accumulated depreciation/impairment

in million euros	Land, land rights and buildings	Plant and machinery	Factory and office equipment	Assets in the course of construction	Total
At January 1, 2012	913	1,933	710	–	3,556
Divestments	–	–	–	–	–
Write-ups	–	– 1	–	–	– 1
Scheduled depreciation	58	148	86	–	292
Impairment losses	2	10	–	–	12
Disposals	– 16	– 100	– 71	–	– 187
Reclassifications into assets held for sale	– 2	– 4	– 1	–	– 7
Reclassifications	–	–	–	–	–
Translation differences	– 1	– 9	– 3	–	– 13
At December 31, 2012 / January 1, 2013	954	1,977	721	–	3,652
Divestments	– 4	– 12	– 3	–	– 19
Write-ups	–	–	–	–	–
Scheduled depreciation	57	152	82	–	291
Impairment losses	3	13	4	–	20
Disposals	– 27	– 89	– 89	–	– 205
Reclassifications into assets held for sale	– 2	–	–	–	– 2
Reclassifications	–	– 1	1	–	–
Translation differences	– 20	– 48	– 21	– 1	– 90
At December 31, 2013	961	1,992	695	– 1	3,647

Net book values

in million euros	Land, land rights and buildings	Plant and machinery	Factory and office equipment	Assets in the course of construction	Total
At December 31, 2013	1,039	785	219	252	2,295
At December 31, 2012	1,084	786	228	216	2,314

Additions are stated at purchase or manufacturing cost. The latter includes direct costs and appropriate proportions of necessary overheads. Interest charges on borrowings are not included, as Henkel does not currently hold any qualifying assets in accordance with IAS 23 "Borrowing Costs." A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. Cost figures are shown net of investment grants and allowances. Incidental acquisition costs incurred in order to make the asset ready for the intended use are capitalized. An overview of the primary investment projects undertaken during the fiscal year can be found on page 62 in the Group management report.

At December 31, 2013, property, plant and equipment with a carrying amount of 1 million euros had been pledged as security for existing liabilities. The periods over which the assets are depreciated are based on their estimated useful lives as set out on page 119. Scheduled depreciation and impairment losses recognized are allocated to the relevant functions in the consolidated statement of income.

Of the impairment losses amounting to 20 million euros, structure optimization measures attributable to the Laundry & Home Care business unit accounted for 4 million euros. In the Adhesive Technologies business unit, impairment losses of 11 million euros were recognized as a result of production optimization measures.

(3) Other financial assets

Analysis

in million euros	December 31, 2012 Non-current	Current	Total	December 31, 2013 Non-current	Current	Total
Receivables from associated companies	–	1	1	–	–	–
Financial receivables from third parties	15	44	59	15	17	32
Derivative financial instruments	204	54	258	95	57	152
Investments accounted for at equity	6	–	6	5	–	5
Other investments	18	–	18	18	–	18
Receivable from Henkel Trust e.V.	–	20	20	–	120	120
Securities and time deposits	–	2,241	2,241	–	2,380	2,380
Financial collateral provided	–	4	4	–	26	26
Sundry financial assets	15	79	94	15	64	79
Total	**258**	**2,443**	**2,701**	**148**	**2,664**	**2,812**

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

The receivable from Henkel Trust e.V. relates to pension payments made by Henkel AG & Co. KGaA to retirees, for which reimbursement can be claimed from Henkel Trust e.V.

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

Sundry non-current financial assets include among others receivables from employees. The sundry current financial assets include the following:
- Receivables from sureties and guarantee deposits amounting to 34 million euros (previous year: 38 million euros)
- Receivables from suppliers amounting to 9 million euros (previous year: 13 million euros)
- Receivables from employees amounting to 11 million euros (previous year: 9 million euros)

(4) Other assets

Analysis

in million euros	December 31, 2012 Non-current	Current	Total	December 31, 2013 Non-current	Current	Total
Tax receivables	7	117	124	3	136	139
Payments on account	–	20	20	–	17	17
Overfunding of pension obligations	4	–	4	3	–	3
Reimbursement rights related to employee benefits	84	5	89	89	7	96
Accruals	6	56	62	20	59	79
Sundry other assets	16	18	34	1	22	23
Total	**117**	**216**	**333**	**116**	**241**	**357**

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

(5) Deferred taxes

Deferred taxes are recognized for temporary differences between the valuation of an asset or a liability in the financial statements and its tax base, for tax losses carried forward and for unused tax credits. This also applies to temporary differences in valuation arising through acquisitions, with the exception of goodwill.

Deferred tax liabilities on taxable temporary differences related to shares in subsidiaries are recognized to the extent that a reversal of this difference is expected in the foreseeable future.

Changes in the deferred taxes in the statement of financial position result in deferred tax expenses or income unless the underlying item is directly recognized in equity. For items recognized directly in equity, the associated deferred taxes are also recognized in equity.

The valuation, recognition and breakdown of deferred taxes in respect of the various items in the statement of financial position are disclosed under Note 30 ("Taxes on income") on pages 155 to 157.

(6) Inventories

In accordance with IAS 2, reported under inventories are those assets that are intended to be sold in the ordinary course of business (finished products and merchandise), those in the process of production for such sale (unfinished products) and those to be utilized or consumed in the course of manufacture or the rendering of services (raw materials and supplies). Payments on account made for the purpose of purchasing inventories are likewise disclosed under the inventories heading.

Inventories are measured at the lower of cost and net realizable value.

Inventories are measured using either the "first in, first out" (FIFO) or the average cost method. Manufacturing cost includes not only the direct costs but also appropriate portions of necessary overheads (for example goods-in department, raw material storage, filling, costs incurred through to the finished goods warehouse), production-related administrative expenses, the costs of the retirement pensions of people who are employed in the production process, and production-related amortization/depreciation. The overhead add-ons are calculated on the basis of average capacity utilization. Not included, however, are interest expenses incurred during the manufacturing period.

The net realizable value is determined as an estimated selling price less costs yet to be incurred through to completion, and necessary selling and distribution costs. Write-downs to the net realizable value are made if, at year-end, the carrying amounts of the inventories are above their realizable fair values. The resultant valuation allowance amounted to 125 million euros (previous year: 119 million euros). The carrying amount of inventories recognized at fair value less costs to sell amounted to 260 million euros. The carrying amount of inventories pledged as security for liabilities amounted to 30 million euros.

Analysis of inventories

in million euros	December 31, 2012	December 31, 2013
Raw materials and supplies	471	431
Work in progress	62	56
Finished products and merchandise	942	1,000
Payments on account for merchandise	3	7
Total	**1,478**	**1,494**

(7) Trade accounts receivable

Trade accounts receivable amounted to 2,370 million euros (previous year: 2,021 million euros). They are all due within one year. Valuation allowances have been recognized in respect of specific risks as appropriate. Overall, we recognized total valuation allowances of 17 million euros (previous year: 30 million euros).

Trade accounts receivable

in million euros	December 31, 2012	December 31, 2013
Trade accounts receivable, gross	2,130	2,468
less: cumulative valuation allowances on trade accounts receivable	109	98
Trade accounts receivable, net	**2,021**	**2,370**

Development of valuation allowances on trade accounts receivable

in million euros	2012	2013
Valuation allowances at January 1	**100**	**109**
Additions	27	13
Transfer of receivables	– 17	– 20
Currency translation effects	– 1	– 4
Valuation allowances at December 31	**109**	**98**

(8) Cash and cash equivalents

Recognized under cash and cash equivalents are liquid funds, sight deposits and other financial assets with an original term of not more than three months. In accordance with IAS 7, also recognized under cash equivalents are shares in money market funds which, due to their first-class credit rating and investment in extremely short-term money market securities, undergo only minor value fluctuations and can be readily converted within one day into known amounts of cash. Utilized bank overdrafts are recognized in the statement of financial position as liabilities to banks.

The volume of cash and cash equivalents decreased compared to the previous year, from 1,238 million euros to 1,051 million euros. Of this figure, 873 million euros (previous year: 913 million euros) relate to cash and 178 million euros (previous year: 325 million euros) to cash equivalents. The change is shown in the consolidated statement of cash flows.

(9) Assets and liabilities held for sale

Assets held for sale are assets that can be sold in their current condition and whose sale is very probable. Disposal must be expected within one year from the time of reclassification as held for sale. Such assets may be individual assets, groups of assets (disposal groups) or business operations (discontinued operations). Assets held for sale are no longer subject to scheduled depreciation and amortization and are instead recognized at the lower of carrying amount and fair value less costs to sell (level 3), which is determined by the current price negotiations with potential buyers.

Compared to December 31, 2012, assets held for sale declined by 2 million euros to 36 million euros. Liabilities held for sale rose from 9 million euros to 29 million euros in the same period. This increase is due in part to the reclassification of the assets and liabilities of our companies in Iran as assets and liabilities held for sale. We intend to sell the companies within twelve months. The impairments resulting from the measurement of the assets at the lower of carrying amount and fair value were recognized through profit and loss. An additional charge is also expected to be incurred as a result of the deconsolidation of the two companies. We expect the entire expense connected with the sale to be around 55 million euros. The planned sale marks our complete withdrawal from Iran.

In addition, our assets held for sale increased as a result of the reclassification of the assets of a non-core activity in the Adhesive Technologies business unit. This was partially offset by the transfer to the buyer of the assets of Chemofast Anchoring GmbH. As of December 31, 2012, the assets and liabilities of the company had been classified as "held for sale."

Assets and liabilities held for sale

in million euros	December 31, 2013
Intangible assets and property, plant and equipment	7
Inventories and trade accounts receivable	11
Cash and cash equivalents	10
Other assets	8
Provisions	– 17
Borrowings	– 6
Other liabilities	– 6
Net assets	**7**

(10) Issued capital

Issued capital

in million euros	December 31, 2012	December 31, 2013
Ordinary bearer shares	260	260
Preferred bearer shares	178	178
Capital stock	**438**	**438**

Comprising:
259,795,875 ordinary shares, 178,162,875 non-voting preferred shares.

All the shares are fully paid in. The ordinary and preferred shares are bearer shares of no par value, each of which represents a nominal proportion of the capital stock amounting to 1 euro. The liquidation proceeds are the same for all shares. The number of ordinary shares issued remained unchanged from the previous year. The number of preferred shares in circulation is also unchanged from the previous year and amounted to 174,482,305 shares at December 31, 2013.

According to Art. 6 (5) of the Articles of Association, the Personally Liable Partner is authorized – with the approval of the Shareholders' Committee and of the Supervisory Board – to increase the capital of the corporation in one or more installments at any time until April 18, 2015, by as much as 25.6 million euros (25.6 million shares) in total by issuing new non-voting preferred shares to be paid up in cash (authorized capital). All shareholders are essentially assigned pre-emptive rights. However, these may be set aside where necessary in order to grant to holders of bonds with warrants or conversion rights issued by the corporation, or one of the companies dependent upon it, pre-emptive rights to new shares corresponding to those that would accrue to such bondholders following the exercise of their warrant or conversion rights, or if the issue price of the new shares is not significantly below the quoted market price at the time of issue price fixing. Pre-emptive rights may also be set aside where necessary in order to dispose of fractional amounts.

On April 19, 2010, the Annual General Meeting of Henkel AG & Co. KGaA resolved to authorize the Personally Liable Partner to acquire, by April 18, 2015, ordinary or preferred shares of the corporation representing a nominal proportion of the capital stock of not more than 10 percent. This authorization can be exercised for any legal purpose. To the exclusion of the pre-emptive rights of existing shareholders, treasury shares may be used for transferring to third parties for the purpose of acquiring companies or investing in companies. Treasury shares may also be sold to third parties against payment in cash, provided that the selling price is not significantly below the quoted market price at the time of share disposal. The shares may likewise be used to satisfy warrants or conversion rights granted by the corporation.

The Personally Liable Partner has also been authorized – with the approval of the Shareholders' Committee and of the Supervisory Board – to cancel treasury shares without the need for further resolution by the Annual General Meeting. The proportion of capital stock represented by treasury shares issued or sold on the basis of these authorizations must not exceed a total of 10 percent. Also to be taken into account in this restriction are shares used to service bonds with warrants or conversion rights or a conversion obligation, issued by the corporation or one of the companies dependent upon it, where these bonds were or are issued with the pre-emptive rights of existing shareholders excluded.

Treasury shares held by the corporation at December 31, 2013 amounted to 3,680,570 preferred shares. This represents 0.84 percent of the capital stock and a proportional nominal value of 3.7 million euros.

See also the explanatory notes on pages 26 to 28 of the Group management report.

(11) Capital reserve

The capital reserve comprises the amounts received in previous years in excess of the nominal value of preferred shares and convertible warrant bonds issued by Henkel AG & Co. KGaA.

(12) Retained earnings

Recognized in retained earnings are the following:
- Amounts allocated in the financial statements of Henkel AG & Co. KGaA in previous years
- Amounts allocated from consolidated net income less those amounts attributable to non-controlling interests
- Buy-back of treasury shares by Henkel AG & Co. KGaA at cost and the proceeds from their disposal
- Actuarial gains and losses recognized in equity
- The acquisition or disposal of ownership interests in subsidiaries with no change in control

For details on the acquisition of ownership interests in subsidiaries with no change in control in fiscal 2013, please see the section “Acquisitions and divestments” on pages 111 and 112.

(13) Other components of equity

Reported under this heading are differences arising from the currency translation of annual financial statements of foreign subsidiaries and also the effects arising from the valuation in total comprehensive income of financial assets in the “Available for sale” category and of derivative financial instruments for which hedge accounting is used. The latter are derivatives used in connection with cash flow hedges or hedges of a net investment in a foreign entity. Due in particular to the depreciation of the US dollar versus the euro, the negative difference attributable to shareholders of Henkel AG & Co. KGaA arising from currency translation grew compared to the figure at December 31, 2012, by –530 million euros to –1,336 million euros.

(14) Non-controlling interests

Recognized under non-controlling interests are equity shares held by third parties measured on the basis of the proportion of net assets.

(15) Pension obligations

Description of the pension plans

Employees in companies included in the consolidated financial statements have entitlements under company pension plans which are either defined contribution or defined benefit plans. These take different forms depending on the legal, financial and tax regime of each country. The level of benefits provided is based, as a rule, on the length of service and on the income of the person entitled. Details on pension benefits for members of the Management Board are provided in the remuneration report on pages 33 to 41.

In defined benefit plans, the liability for pensions and other post-employment benefits is calculated at the present value of the future obligations (projected unit credit method). This actuarial method of calculation takes future trends in wages, salaries and retirement benefits into account.

A total of around 67,600 plan participants qualify for benefits under our pension programs. Of this figure, 28,300 are active employees, 9,100 are former employees with vested benefits, and 30,200 are retirees. The majority of the recipients of pension benefits are located in Germany and the USA. The pension obligations are primarily financed via various external trust assets that are legally independent of Henkel.

Active employees of Henkel in Germany participate in a defined contribution system, "Altersversorgung 2004 (AV 2004)," which was restructured in 2004. AV 2004 is an employer-financed pension plan that reflects the personal income development of employees during their career at Henkel and thus provides a defined benefit pension. Henkel guarantees a minimum return on the company's contributions. The benefit essentially consists of an annuity payable upon attainment of the retirement age plus a lump-sum payment if the annuity threshold is exceeded in the employee's service period. In addition to age and disability pensions, the plan benefits include surviving spouse and surviving child benefits.

Employees who started at Henkel after April 1, 2011 participate in the pension plan "Altersversorgung 2011 (AV 2011)." AV 2011 is an employer-financed, fund-linked retirement plan funded by contributions based on the income development of the employee. Henkel ensures its employees that a principal amount is available upon retirement which is at least equivalent to the level of principal contributions made by Henkel. Henkel makes the pension contribution to an investment fund established for the purpose of the company pension plan. Upon attaining retirement age, the employee can choose between an annuity through transfer of the superannuation lump-sum to a pension fund, or a one-time payment.

To provide protection under civil law of the pension entitlements of future and current pensioners of Henkel AG & Co. KGaA against insolvency, we have transferred the proceeds of the bond issued in 2005 and certain other assets to Henkel Trust e.V. The trustee invests the cash with which it has been entrusted in the capital market in accordance with investment policies laid down in the trust agreement. In addition, we also subsidize medical benefits for retired employees resident mainly in the USA. Under these programs, retirees are reimbursed for a certain percentage of their medical expenses. We build provisions during the employees' service period and pay the promised benefits when they are claimed.

The defined contribution plans are structured in such a way that the corporation pays contributions to public or private sector institutions on the basis of statutory or contractual terms or on a voluntary basis and has no further obligations regarding the payment of benefits to employees. The contributions for defined contribution plans excluding multi-employer plans for the year under review amounted to 85 million euros (previous year: 90 million euros). In 2013, we paid 46 million euros to public sector institutions (previous year: 48 million euros) and 39 million euros to private sector institutions (previous year: 42 million euros).

The pension benefits paid from plan assets in the USA increased from –45 million euros to –149 million euros in the reporting period. The increase resulted from early benefit payments to former employees in the USA.

Multi-employer plans

Henkel provides defined pension benefits that are financed by more than one employer. The following multi-employer plans are treated as defined contribution plans because, due to the limited share of the contribution volume in the plans, the information available for each of the financing companies is insufficient for defined benefit accounting. In the Henkel Group, benefits from multi-employer plans are provided for employees primarily in the USA and Japan. Withdrawal from our multi-employer plans at the present time would incur a one-time expense of around 25 million euros (previous year: around 25 million euros).

The most significant information concerning our major multi-employer plans is presented below:

Overview of multi-employer plans at December 31, 2013

Country in million euros	Share of plan contribution volume	Coverage ratio	Contributions	Expected contributions 2014
USA	0.20 %	48 %	1.0	1.0
Japan	0.44 %	75 %	0.5	0.5
Japan	1.67 %	82 %	0.5	0.5
Japan	7.13 %	81 %	0.2	0.2

Assumptions

Group-wide, the obligations from our pension plans are valued by an independent external actuary at the end of the fiscal year. The calculations at the end of the fiscal year are based on the actuarial assumptions below. These are given as the weighted average. The mortality rates used are based on published statistics and experience relating to each country. In Germany, the assumptions are based on the "Heubeck 2005G" mortality table. In the USA, the assumptions are based on the "RP 2000 projected to 2030" mortality table. The valuation of pension obligations in Germany was based essentially on the assumption of a 2 percent increase in retirement benefits (previous year: 2 percent).

The discount rate is based on yields in the market for high-ranking corporate bonds on the respective date. The currency and term of the underlying bonds are aligned with the currency and expected maturities of the post-employment pension obligation.

Actuarial assumptions

	Germany		USA		Other countries[1]	
in percent	2012	2013	2012	2013	2012	2013
Discount rate	3.00	**3.00**	3.80	**4.90**	4.20	**3.50**
Income trend	3.25	**3.25**	4.25	**4.25**	3.00	**3.25**
Expected increases in costs for medical benefits	–	**–**	8.00	**7.50**	6.30	**3.00**
in years						
Life expectancy at age 65 as of the valuation date for a person currently						
65 years old	20.6	**20.8**	20.0	**21.0**	22.9	**23.5**
40 years old	23.7	**24.0**	20.0	**21.0**	25.2	**26.0**

[1] Weighted average.

Prior-year figures adjusted in application of IAS 19 revised (see notes on page 116).

Present value of pension obligations at December 31, 2012

in million euros	Germany	USA	Other countries	Total
At January 1, 2012	**2,269**	**1,169**	**846**	**4,284**
Changes in the Group	–	–	–	–
Translation differences	–	– 20	–	– 20
Actuarial gains (–)/losses (+)	418	89	115	622
of which: from changes in demographic assumptions[1]	–	–	–	–
of which: from changes in financial assumptions	413	84	109	606
of which: from experience adjustments	5	5	6	16
Current service cost	37	19	27	83
Employee contributions to pension funds	–	–	1	1
Gains (–)/losses (+) arising from the termination and curtailment of plans	–	–	– 15	– 15
Interest expense	96	50	35	181
Retirement benefits paid out of plan assets/out of reimbursement rights	– 36	– 54	– 53	– 143
Employer's payments for pension obligations	– 104	– 26	– 13	– 143
Past service cost (+)/gain (–)	4	– 1	– 3	–
At December 31, 2012	**2,684**	**1,226**	**940**	**4,850**
of which: unfunded obligations	100	298	103	501
of which: funded obligations	2,584	821	837	4,242
of which: obligations covered by reimbursement rights	–	107	–	107

[1] Other countries not calculated due to materiality; figures reported based on financial assumptions.

Fair value of plan assets at December 31, 2012

in million euros	Germany	USA	Other countries	Total
At January 1, 2012	**1,933**	**728**	**642**	**3,303**
Changes in the Group	–	–	–	–
Translation differences	–	– 16	4	– 12
Employer contributions to pension funds	235	80	47	362
Employee contributions	–	–	1	1
Retirement benefits paid out of plan assets	– 36	– 45	– 53	– 134
Interest income on plan assets	88	27	24	139
Plan administration costs	–	–	–	–
Remeasurements in equity	153	48	40	241
At December 31, 2012	**2,373**	**822**	**705**	**3,900**

Fair value of reimbursement rights at December 31, 2012

in million euros	Germany	USA	Other countries	Total
At January 1, 2012	–	84	–	84
Changes in the Group	–	–	–	–
Translation differences	–	– 2	–	– 2
Employer contributions	–	6	–	6
Employee contributions	–	–	–	–
Retirement benefits paid out of reimbursement rights	–	– 9	–	– 9
Interest income on plan assets	–	4	–	4
Remeasurements in equity	–	6	–	6
At December 31, 2012	–	89	–	89

Net liability from pension obligations at December 31, 2012

in million euros	Germany	USA	Other countries	Total
At January 1, 2012	336	446	216	998
Recognized through profit and loss				
Current service cost	37	19	27	83
Gains (–)/losses (+) arising from the termination and curtailment of plans	–	–	– 15	– 15
Plan administration costs [1]	–	–	–	–
Interest expense	8	19	11	38
Recognized in equity in other comprehensive income				
Actuarial gains (–)/losses (+)	418	89	115	622
Interest income on plan assets	– 153	– 48	– 40	– 241
Interest income on reimbursement rights	–	– 6	–	– 6
Change in effect of asset ceiling	–	–	– 7	– 7
Other items recognized in equity				
Employer’s payments	– 339	– 112	– 60	– 511
Changes in the Group	–	–	–	–
Translation differences	–	– 2	– 4	– 6
Past service cost [1]	4	– 1	– 3	–
Change in effect of asset ceiling including reimbursement rights	–	5	–	5
Recognized provision for pension obligations at December 31, 2012	311	409	240	960

[1] Prior-year amount not adjusted (see notes on page 116).

Present value of pension obligations at December 31, 2013

in million euros	Germany	USA	Other countries	Total
At January 1, 2013	**2,684**	**1,226**	**940**	**4,850**
Changes in the Group	–	–	–	–
Translation differences	–	– 38	– 25	– 63
Actuarial gains (–)/losses (+)	1	– 109	11	– 97
of which: from changes in demographic assumptions	–	23	–	23
of which: from changes in financial assumptions	2	– 120	13	– 105
of which: from experience adjustments	– 1	– 12	– 2	– 15
Current service cost	44	19	30	93
Employee contributions to pension funds	3	–	2	5
Gains (–)/losses (+) arising from the termination and curtailment of plans	–	–	– 1	– 1
Interest expense	78	44	30	152
Retirement benefits paid out of plan assets/out of reimbursement rights	– 118	– 156	– 41	– 315
Employer's payments for pension obligations	– 18	– 24	– 13	– 55
At December 31, 2013	**2,674**	**962**	**933**	**4,569**
of which: unfunded obligations	83	267	103	453
of which: funded obligations	2,591	648	830	4,069
of which: obligations covered by reimbursement rights	–	47	–	47

Fair value of plan assets at December 31, 2013

in million euros	Germany	USA	Other countries	Total
At January 1, 2013	**2,373**	**822**	**705**	**3,900**
Changes in the Group	–	–	–	–
Translation differences	–	– 30	– 16	– 46
Employer contributions to pension funds	28	–	34	62
Employee contributions	3	–	2	5
Retirement benefits paid out of plan assets	– 118	– 149	– 41	– 308
Interest income on plan assets	72	29	23	124
Plan administration costs	–	– 3	–	– 3
Remeasurements in equity	57	– 21	– 18	18
At December 31, 2013	**2,415**	**648**	**689**	**3,752**

Fair value of reimbursement rights at December 31, 2013

in million euros	Germany	USA	Other countries	Total
At January 1, 2013	**–**	**89**	**–**	**89**
Changes in the Group	–	–	–	–
Translation differences	–	– 4	–	– 4
Employer contributions	–	8	–	8
Employee contributions	–	–	–	–
Retirement benefits paid out of reimbursement rights	–	– 7	–	– 7
Interest income on plan assets	–	4	–	4
Remeasurements in equity	–	6	–	6
At December 31, 2013	**–**	**96**	**–**	**96**

Net liability from pension obligations at December 31, 2013

in million euros	Germany	USA	Other countries	Total
At January 1, 2013	311	409	240	960
Recognized through profit and loss				
Current service cost	44	19	30	93
Gains (–)/losses (+) arising from the termination and curtailment of plans	–	–	– 1	– 1
Plan administration costs	–	3	–	3
Interest expense	6	11	7	24
Recognized in equity in other comprehensive income				
Actuarial gains (–)/losses (+)	1	– 109	11	– 97
Interest income on plan assets	– 57	21	18	– 18
Interest income on reimbursement rights	–	– 6	–	– 6
Change in effect of asset ceiling	–	–	– 2	– 2
Other items recognized in equity				
Employer's payments	– 46	– 32	– 47	– 125
Changes in the Group	–	–	–	–
Translation differences	–	– 4	– 9	– 13
Change in past service cost	–	– 5	1	– 4
Change in effect of asset ceiling including reimbursement rights	–	7	– 1	6
Recognized provision for pension obligations at December 31, 2013	259	314	247	820

A total of 67,600 plan participants qualify for benefits under our pension programs. The total present value (defined benefit obligation – DBO) is comprised of:

- 1,572 million euros for active employees
- 676 million euros for former employees with vested benefits
- 2,321 million euros for retirees

The average weighted duration of pension obligations is 14 years for Germany, 9 years for the USA and 20 years for other countries.

In determining net liability, we take into account amounts that are not recognized due to asset ceiling restrictions. If the fair value of the plan assets exceeds the obligations arising from the pension benefits, an asset is recognized only if the reporting entity can also derive economic benefit from these assets, for example in the form of return flows or a future reduction in contributions (“asset ceiling” per IAS 19.58 ff.). In the reporting period, we recorded an amount of 0 million euros (previous year: 2 million euros).

Within our consolidated statement of income, current service costs are allocated on the basis of cost of sales to the respective cost item. Only the net of interest expense for the present value of obligations and interest income from plan assets is reported in the interest result. All gains/losses from the termination and curtailment of plans have been recognized in other operating income/charges. The employer’s contributions in respect of state pension provisions are included as “Social security contributions and staff welfare costs” under Note 32, page 158. In 2013, payments into the plan assets amounted to 62 million euros (previous year: 362 million euros).

The reimbursement rights covering a portion of the pension obligations in the USA are assets that do not fulfill the definition of plan assets as stated in IAS 19.

The reimbursement rights indicated are available to the Group in order to cover the expenditures required to fulfill the respective pension obligations. Reimbursement rights and the associated pension obligations must, according to IAS 19, be shown unnetted in the statement of financial position.

Payments into pension funds in fiscal 2014 are expected to total 30 million euros.

Analysis of plan assets

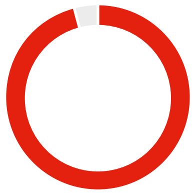
in million euros	December 31, 2012 Quotation on active markets	No quotation on active markets	Total	December 31, 2013 Quotation on active markets	No quotation on active markets	Total
Shares	896	–	896	1,038	–	1,038
Europe	358	–	358	454	–	454
USA	156	–	156	167	–	167
Others	382	–	382	417	–	417
Bonds and hedging instruments	2,455	– 96	2,359	2,410	– 11	2,399
Government bonds	747	–	747	739	–	739
Corporate bonds	1,708	–	1,708	1,671	–	1,671
Derivatives	–	– 96	– 96	–	– 11	– 11
Alternative investments	56	184	240	3	151	154
Cash	–	214	214	–	71	71
Liabilities[1]	–	– 20	– 20	–	– 120	– 120
Other assets	–	211	211	–	210	210
Total	3,470	430	3,900	3,451	301	3,752

[1] Liability to Henkel AG & Co. KGaA from the takeover of pension payments for Henkel Trust e.V.

Plan assets by country 2013

- 64% Germany
- 17% USA
- 19% Other countries

Classification of bonds by rating 2013



- 96% Investment grade
- 4% Non-investment grade

The objective of the investment strategy for the global plan assets is the long-term security of pension payments. This is ensured by comprehensive risk management that takes into account the asset and liability portfolios of the defined benefit pension plans. Henkel pursues a liability-driven investment (LDI) approach in order to achieve the investment objective. This approach takes into account the structure of the pension obligations and manages the cover ratio of the pension plans. In order to improve the funding ratio, Henkel invests plan assets in a diversified portfolio whose expected long-term yield is above the interest costs of the pension obligations.

In order to cover the risks arising from trends in wages, salaries and life expectancies, and to close the potential deficit between plan assets and pension obligations over the long term, additional investments are made in a return-enhancing portfolio as an add-on instrument that contains assets such as equities, private equity, commodities and real estate. In principle, the target portfolio structure of the plan assets is determined in asset-liability studies. These studies are conducted regularly with the help of external advisors who assist Henkel in the investment of plan assets. They examine the actual portfolio structure taking into account current capital market conditions, investment principles and the obligation structure, and can suggest that adjustments be made to the portfolio.

The expected long-term yield for individual plan assets is derived from the target portfolio structure and the expected long-term yields for the individual asset classes.

Major plan assets are administered by external fund managers in Germany and the USA. These countries pursue the above investment strategies and are monitored centrally. At December 31, 2013, other assets making up the plan assets included the present value of a non-current receivable of 47 million euros (previous year: 47 million euros) relating to claims pertaining to a hereditary building lease assigned by Henkel AG & Co. KGaA to Henkel Trust e.V. Also shown here is a claim of 132 million euros against BASF Personal Care & Nutrition GmbH (formerly Cognis GmbH) for indemnification of pension obligations (previous year: 140 million euros). This claim represents the nominal value which is equivalent to the market price. In the reporting year, as in the previous year, we held no direct investments and no treasury shares with respect to plan assets in the portfolio.

Risks associated with pension obligations

Our internal pension risk management monitors the risks of all pension plans Group-wide in compliance with local legal regulations. As part of the monitoring process, guidelines on the control and management of risks are adopted and continuously developed; these guidelines mainly govern external funding, portfolio structure and actuarial assumptions. The objective of the financing strategy within the Group is to ensure that plan assets cover 90 to 100 percent of the present value of the funded pension obligations. The contributions and investment strategies are intended to ensure nearly complete coverage of the plans for the duration of the pension obligations.

Henkel's pension obligations are exposed to various market risks. These risks are counteracted by the degree of external funding and the structure of pension benefits. The risks relate primarily to changes in market interest rates, inflation, and life expectancy, as well as general market fluctuations. Pension obligations based on contractual provisions in Germany generally entail lifelong benefits payable in the event of death or disability or when the employee reaches a retirement age. In order to reduce the risks arising from the payment of lifelong benefits as well as inflation, pension benefits have been gradually converted since 2004 to what are known as modular benefits with a pension option in which the benefit is initially divided into an annuity and lump-sum benefit portion. Newly hired employees since 2011 receive a benefit based primarily on the lump-sum benefit. Generally, lump-sum benefits may also be paid out as an annuity through a pension fund. All benefits in Germany are financed through a provident fund (Vorsorgefonds) established for the purpose of the occupational pension plan. Benefits for new employees since 2011 as well as a portion of the entitlements vested since 2004 are linked to the performance of this provident fund, resulting in a reduction in overall risk to the Group. The described adjustments reduce the financial risk from pension commitments within the pension structure.
By linking the benefit to the capital investment, the net risk is also largely eliminated. An increase in the long-term inflation assumption would mainly affect the expected increases in pensions and the expected increase in pension-eligible salaries.

The pension obligations in the USA are based primarily on three retirement plans that are all closed to new employees. New employees receive a pension benefit based on a defined contribution plan. The pension benefits generally have a lump-sum option which is usually exercised. When a pension becomes payable, the amount of the lump-sum payment is determined on the basis of current market interest rates. As a result, the impact of a change to the interest rate used in the calculation is low compared to pension commitments entailing lifelong benefits. Additionally, in the USA, pensions paid once are not adjusted by amount, thus there are no direct risks during the pension payment period arising from pending adjustments. Inflation risks therefore result mainly from the salary adjustments awarded.

In addition to the pension obligation risks already presented, there are specific risks associated with multi-employer plans. In the Henkel Group, these are mainly related to the USA. The contributions to these plans are raised mainly through an allocation process based on the pension-eligible income of active employees. Restructuring contributions may also be made in order to close gaps in coverage. The risks of such plans arise largely from higher future contributions to close coverage gaps or through discontinuation by other companies obligated to make contributions.

The impact of changes to assumptions in medical benefits for employees and retirees in the USA are shown in the sensitivities analysis overleaf.

The analysis of our Group-wide pension obligations revealed no extraordinary risks.

Cash flows and sensitivities

In the next five financial years, the following payments from pension plans are expected:

Future payments for pension benefits

in million euros	Germany	USA	Other countries	Total
2014	142	105	31	**278**
2015	132	84	30	**246**
2016	131	82	30	**243**
2017	130	80	29	**239**
2018	130	79	31	**240**

The future level of the funded status and thus of the pension obligations depends on the development of the discount rate, among other factors. Companies based in Germany and the USA account for 80 percent of our pension obligations. The medical costs for employees of our subsidiaries in the USA which are incurred after retirement are also recognized in the pension obligations for defined benefit plans. A rate of increase of 7.5 percent (previous year: 8.0 percent) was assumed for the medical costs. We expect this rate of increase to fall gradually to 4.5 percent by 2028 (previous year: 5.0 percent by 2018). The effects of a change in material actuarial assumptions for the present value of pension obligations are as follows:

Sensitivities – Present value of pension obligations at December 31, 2013

in million euros	Germany	USA	Other countries	Total
Present value of obligations	2,674	962	933	**4,569**
in the event of:				
Increase in the discount rate by 0.5 pp	2,496	927	849	**4,272**
Reduction of the discount rate by 0.5 pp	2,862	1,002	1,029	**4,893**
Rise in future income increases by 0.5 pp	2,675	967	955	**4,597**
Reduction of future income increases by 0.5 pp	2,673	958	911	**4,542**
Rise in retirement benefits increases by 0.5 pp	2,810	962	990	**4,762**
Reduction of retirement benefits increases by 0.5 pp	2,547	962	883	**4,392**
Rise in medical costs by 0.5 pp	2,674	966	934	**4,574**
Reduction of medical costs by 0.5 pp	2,674	960	932	**4,566**

pp = percentage points

The extension of life expectancy in Germany by one year would increase the present value of pension obligations by 4 percent. This would have a more limited effect in the USA because a significant share of the pension plans is based on lump-sum benefits.

It should be noted with respect to the sensitivities presented that, due to mathematical effects, the percentage change is not and does not need to be linear. Thus the percentage increases and decreases do not vary with the same absolute amount. Each sensitivity is independently calculated and is not subject to scenario analysis.

(16) Income tax provisions and other provisions

Development in 2013

in million euros	Initial balance January 1, 2013	Other changes	Utilized	Released	Added	End balance December 31, 2013
Income tax provisions	255	– 14	119	47	175	250
of which: non-current	66	0	3	35	50	78
of which: current	189	– 14	116	12	125	172
Restructuring provisions	255	– 22	100	20	127	240
of which: non-current	79	– 11	7	3	30	88
of which: current	176	– 11	93	17	97	152
Sundry provisions	1,274	– 29	993	44	1,341	1,549
of which: non-current	186	4	46	4	107	247
of which: current	1,088	– 33	947	40	1,234	1,302
Total	1,784	– 65	1,212	111	1,643	2,039
of which: non-current	331	– 7	56	42	187	413
of which: current	1,453	– 58	1,156	69	1,456	1,626

Provisions are recognized for obligations toward third parties where the outflow of resources is probable and the expected obligation can be reliably estimated. Provisions are measured to the best estimate of the expenditures required in order to meet the current obligation as of the reporting date. Price increases expected to take place prior to the time of performance are included in the calculation. Provisions in which the interest effect is material are discounted to the reporting date at a pre-tax interest rate. For obligations in Germany, we have applied interest rates of between 0.7 and 3.2 percent.

The income tax provisions comprise accrued tax liabilities and amounts set aside for the outcome of external tax audits.

Other provisions include identifiable contingent obligations toward third parties. They are measured at total cost.

Provisions have been made for risks arising from legal disputes in the amount of probable claims plus associated procedural costs.

Other changes in provisions include changes in the scope of consolidation, movements in exchange rates, compounding effects, as well as adjustments to reflect changes in maturity as time passes.

Provisions are recognized in respect of restructuring measures, provided that work has begun on the implementation of a detailed, formal plan or such a plan has already been communicated. Additions to the restructuring provisions are related to the continued expansion of our shared services and to the further optimization of production and process structures in all business units.

The provisions for obligations arising from our sales activities cover expected burdens in the form of subsequent reductions in already generated revenues, and risks arising from pending transactions.

Provisions for obligations in the personnel sphere essentially cover expenditures likely to be incurred by the Group for variable, performance-related compensation components. The decrease of the current payroll provision is mainly attributable to the "Special Incentive 2012" payout.

Provisions for obligations in the production and engineering sphere relate primarily to provisions for warranties.

Analysis of sundry provisions by function

in million euros	December 31, 2012	December 31, 2013
Sales	213	623
of which: non-current	5	10
of which: current	208	613
Payroll	690	517
of which: non-current	114	140
of which: current	576	377
Production and engineering	39	41
of which: non-current	22	21
of which: current	17	20
Various sundry obligations	332	368
of which: non-current	45	76
of which: current	287	292
Total	1,274	1,549
of which: non-current	186	247
of which: current	1,088	1,302

(17) Borrowings

	December 31, 2012			December 31, 2013		
in million euros	Non-current	Current	Total	Non-current	Current	Total
Bonds	2,451	1,173	3,624	1,383	1,078	2,461
Commercial papers [1]	–	–	–	–	35	35
Liabilities to banks [2]	–	146	146	–	117	117
Other borrowings	3	1	4	3	–	3
Total	2,454	1,320	3,774	1,386	1,230	2,616

[1] From the euro and US dollar commercial paper program (total volume 2 billion US dollars and 1 billion euros).
[2] Obligations with floating rates of interest or interest rates pegged for less than one year.

Bonds

Issuer	Type	Nominal value	Carrying amounts excluding accrued interest		Market values excluding accrued interest [1]		Market values including accrued interest [1]		Interest rate [2]		Interest fixing
in million euros			2012	2013	2012	2013	2012	2013	2012	2013	
Henkel AG & Co. KGaA	Bond	1,000	1,015	–	1,017	–	1,041	–	4.2500	–	to 2013
Interest rate swap (3-month Euribor +0.405 %) [5]	*Receiver swap*	*1,000*	*16*	*–*	*16*	*–*	*40*	*–*	*0.5951*	*–*	*3 months*
Henkel AG & Co. KGaA	Bond	1,000	1,024	1,004	1,050	1,008	1,086	1,044	4.6250	4.6250	to 2014 [3]
Interest rate swap (3-month Euribor +2.02 %) [5]	*Receiver swap*	*1,000*	*26*	*5*	*26*	*5*	*61*	*41*	*2.2053*	*2.2955*	*3 months*
Henkel AG & Co. KGaA	Hybrid bond	1,300	1,427	1,383	1,401	1,379	1,408	1,386	5.3750	5.3750	to 2015 [4]
Interest rate swap (3-month Euribor +1.80 %) [5]	*Receiver swap*	*650*	*60*	*39*	*60*	*39*	*62*	*41*	*1.9902*	*2.0172*	*3 months*
Interest rate swap (1-month Euribor +0.955 %) [5]	*Receiver swap*	*650*	*78*	*51*	*78*	*51*	*82*	*54*	*1.0650*	*1.1133*	*1 month*
Total bonds		3,300	3,466	2,387	3,468	2,387	3,535	2,430			
Total interest rate swaps		3,300	180	95	180	95	245	136			

[1] Market value of the bonds derived from the stock market price at December 31.
[2] Interest rate on December 31.
[3] Fixed-rate interest of bond coupon: 4.625 percent, converted using interest rate swaps into a floating interest rate; no further interest fixing (previous year: March 19, 2013) (fair value hedge).
[4] Fixed-rate interest of bond coupon: 5.375 percent, converted using interest rate swaps into a floating interest rate; interest rate fixed on January 27, 2014 (previous year: January 23, 2013) (fair value hedge).
[5] Not including the valuation allowance in the amount of 2 million euros to provide for counterparty credit risk (previous year: 1 million euros).

The ten-year bond issued in 2003 by Henkel AG & Co. KGaA for 1 billion euros with a coupon of 4.25 percent matured in June 2013 and has been redeemed.

The five-year bond issued in 2009 by Henkel AG & Co. KGaA for 1 billion euros with a coupon of 4.625 percent matures in March 2014.

The 1.3 billion euro subordinated hybrid bond issued by Henkel AG & Co. KGaA in November 2005 to finance a large part of the pension obligations in Germany matures in 2104. Under the terms of the bond, the coupon for the first ten years is 5.375 percent. The earliest bond redemption date is November 25, 2015. If it is not redeemed, the bond interest will be based on the 3-month Euribor interest rate plus a premium of 2.85 percentage points. The bond terms also stipulate that if there is a "cash flow event," Henkel AG & Co. KGaA has the option or the obligation to defer the interest payments. A cash flow event is deemed to have occurred if the adjusted cash flow from operating activities is below a certain percentage of the net liabilities (20 percent for optional interest deferral, 15 percent for mandatory interest deferral); see Section 3 (4) of the bond terms and conditions for more details. On the basis of the cash flow calculated at December 31, 2013, the percentage was 123.11 percent (previous year: 70.56 percent).

The US dollar liabilities of Henkel of America, Inc., Wilmington, USA, in the amount of 1,340 million euros are set off against the deposit of 1,302 million euros of Henkel US LLC, Wilmington, USA, and financial collateral of 60 million euros. The net amount of financial collateral shown in the statement of financial position under "Other financial assets" is 22 million euros.

(18) Other financial liabilities

Analysis

	December 31, 2012			December 31, 2013		
in million euros	Non-current	Current	Total	Non-current	Current	Total
Liabilities to non-consolidated affiliated companies and associated companies	–	15	15	–	15	15
Liabilities to customers	–	47	47	–	30	30
Derivative financial instruments	14	38	52	–	34	34
Sundry financial liabilities	2	11	13	2	8	10
Total	**16**	**111**	**127**	**2**	**87**	**89**

Of the liabilities to non-consolidated affiliated companies and associated companies, 7 million euros relate to non-consolidated affiliated companies and 8 million euros relate to associated companies. Sundry financial liabilities include payments owed to the Pensionssicherungsverein mutual insurance association amounting to 5 million euros (previous year: 9 million euros).

(19) Other liabilities

Analysis

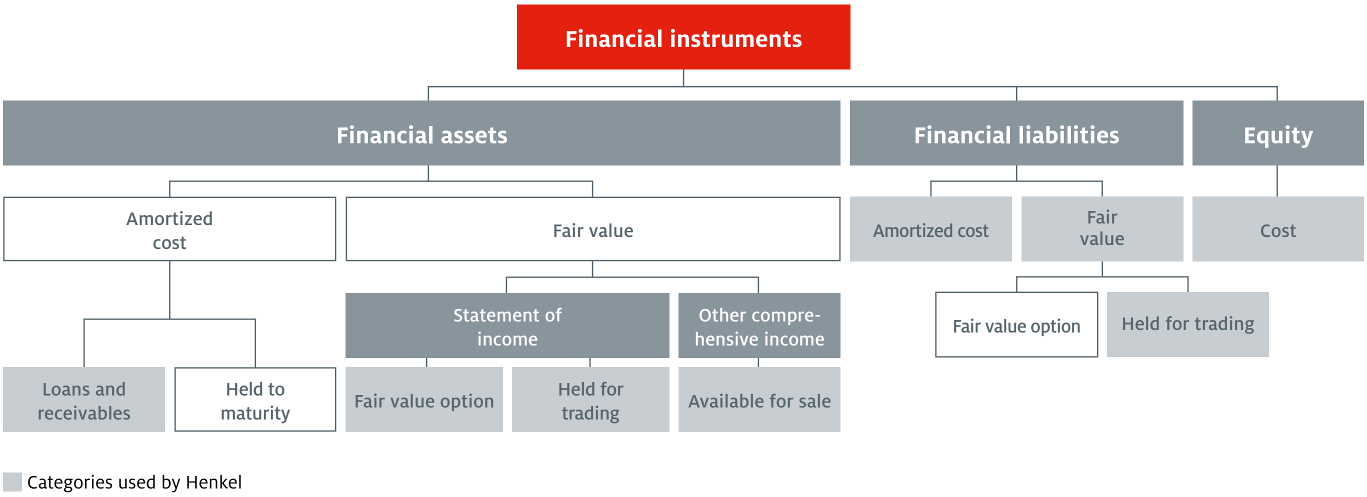
	December 31, 2012			December 31, 2013		
in million euros	Non-current	Current	Total	Non-current	Current	Total
Other tax liabilities	–	90	90	–	94	94
Liabilities to employees	2	14	16	1	17	18
Liabilities relating to employee deductions	–	56	56	–	60	60
Liabilities in respect of social security	1	19	20	1	21	22
Sundry other liabilities	15	40	55	12	38	50
Total	**18**	**219**	**237**	**14**	**230**	**244**

The sundry other liabilities primarily comprise various accruals and deferrals amounting to 14 million euros (previous year: 15 million euros) and payments on account in the amount of 4 million euros (previous year: 5 million euros).

(20) Trade accounts payable

Trade accounts payable increased from 2,647 million euros to 2,872 million euros. In addition to purchase invoices, they also relate to accruals for invoices outstanding in respect of goods and services received. They are all due within one year.

(21) Financial instruments report



Financial instruments explained by category
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Within the Henkel Group, financial instruments are reported under trade accounts receivable, trade accounts payable, borrowings, other financial assets and other financial liabilities, and also cash and cash equivalents within the statement of financial position.

Financial instruments are recognized once Henkel becomes a party to the contractual provisions of the financial instrument. The recognition of financial assets takes place at the settlement date, with the exception of derivative financial instruments, which are recognized on the transaction date. All financial instruments are initially reported at their fair value. Incidental acquisition costs are only capitalized if the financial instruments are not subsequently remeasured to fair value through profit or loss. For subsequent remeasurement, financial instruments are divided into the following classes in accordance with IAS 39:

- Financial instruments measured at amortized cost
- Financial instruments measured at fair value

Different valuation categories are allocated to these two classes. Financial instruments assigned to the valuation categories "Fair value option," "Available for sale" and "Held for trading" are generally measured at fair value. In the fair value option, we include fixed-interest bonds, which are recognized in other financial assets under securities and time deposits and for which we have concluded interest rate swaps in order to convert the fixed interest rate into a floating interest. Other securities and time deposits as well as other investments which are not measured at equity, both part of other financial assets in the statement of financial position, are categorized as "Available for sale." Only the derivative financial instruments held by the Henkel Group which are not included in hedge accounting are designated as "Held for trading." We recognize all other financial instruments including the financial assets categorized as "Loans and receivables" at amortized cost using the effective interest method. The measurement category "Held to maturity" is not used within the Henkel Group.

The financial instruments in the measurement category "Loans and receivables" are non-derivative financial instruments. They are characterized by fixed or determinable payments and are not traded in an active market. Within the Henkel Group, this category is mainly comprised of trade accounts receivable, cash and cash equivalents, and other financial assets with the exception of investments, derivatives, securities and time deposits. The carrying amounts of the financial instruments categorized as "Loans and receivables" closely approximate their fair value due to their predominantly short-term nature. If there are doubts as to the realizability of these financial instruments, they are recognized at amortized cost less appropriate valuation allowances.

Financial instruments are recognized in the "Fair value option" if this classification conveys more relevant information by eliminating or significantly reducing inconsistencies in the measurement or in the recognition that result from the valuation of assets or liabilities or the recognition of gains and losses on a different basis. Financial instruments classified in the fair value option are recognized at fair value through profit or loss.

Financial instruments in the category "Available for sale" are non-derivative financial assets and are recognized at fair value, provided that this is reliably determinable. If the fair value cannot be reliably determined, they are recognized at cost. Value changes between the reporting dates are essentially recognized in comprehensive income (revaluation reserve) without affecting profit or loss, unless the cause lies in permanent impairment. Impairment losses are recognized through profit or loss. When the asset is derecognized, the amounts recognized in the revaluation reserve are released through profit or loss. In the Henkel Group, the securities and time deposits recognized under other financial assets, and not classified under the fair value option, and also other investments, are categorized as "Available for sale." The fair values of the securities and time deposits are based on quoted market prices, or derived from market data. As the fair values of the financial investments not recognized at equity cannot be reliably determined, they are measured at amortized cost. The sale or disposal of these financial instruments is currently not intended.

The derivative financial instruments not included in a designated hedging relationship and therefore categorized as "Held for trading" are essentially recognized at their fair value. All fair value changes are recognized through profit or loss. Hedge accounting is applied in individual cases – where possible and economically sensible – in order to avoid profit and loss variations arising from fair value changes in derivative financial instruments. Depending on the type of underlying and the risk being hedged, fair value and cash flow hedges are designated within the Group. Details relating to the hedging contracts transacted within the Group and how the fair values of the derivatives are determined are provided on pages 144 to 147.

All financial liabilities – with the exception of derivative financial instruments – are essentially recognized at amortized cost using the effective interest method.

Borrowings for which a hedging transaction has been concluded that meets the requirements of IAS 39 with respect to hedge accounting are recognized in hedge accounting.

In addition to the disclosures provided in this note with respect to offsetting financial assets and financial liabilities for derivatives (see pages 148 and 149), further offsetting disclosures can be found in Note 17 ("Borrowings") on page 138.

Carrying amounts and fair values of financial instruments

December 31, 2012 in million euros	Carrying amount December 31	Valuation according to IAS 39 Amortized cost	Fair value, through other comprehensive income	Fair value, through profit or loss	Fair value December 31
Assets					
Loans and receivables	**3,433**	3,433	–	–	**3,433**
Trade accounts receivable	**2,021**	2,021	–	–	**2,021**
Other financial assets	**174**	174	–	–	**174**
Receivables from associated companies	**1**	1	–	–	**1**
Financial receivables from third parties	**59**	59	–	–	**59**
Receivables from Henkel Trust e.V.	**20**	20	–	–	**20**
Sundry financial assets	**94**	94	–	–	**94**
Cash and cash equivalents	**1,238**	1,238	–	–	**1,238**
Fair value option	**537**	–	–	537	**537**
Other financial assets	**537**	–	–	537	**537**
Fixed-interest securities (level 1)	**248**	–	–	248	**248**
Fixed-interest securities (level 2)	**289**	–	–	289	**289**
Available for sale	**1,726**	18	1,708	–	**1,726**
Other financial assets	**1,726**	18	1,708	–	**1,726**
Other investments	**18**	18	–	–	**18**
Floating-interest securities and time deposits (level 1)	**1,654**	–	1,654	–	**1,654**
Floating-interest securities (level 2)	**–**	–	–	–	**–**
Fixed-interest securities (level 1)	**50**	–	50	–	**50**
Financial collateral provided	**4**	–	4	–	**4**
Held for trading (level 2)	**14**	–	–	14	**14**
Derivative financial instruments not included in a designated hedging relationship	**14**	–	–	14	**14**
Derivative financial instruments included in a designated hedging relationship (level 2)	**244**	–	–	244	**244**
Total	**5,954**	**3,451**	**1,708**	**795**	**5,954**
Liabilities					
Amortized cost	**6,496**	6,496	–	–	**6,498**
Trade accounts payable	**2,647**	2,647	–	–	**2,647**
Borrowings with no financial statement hedging relationship	**241**	241	–	–	**241**
Borrowings with a financial statement hedging relationship	**3,533**	3,533	–	–	**3,535**
Other financial liabilities	**75**	75	–	–	**75**
Held for trading (level 2)	**33**	–	–	33	**33**
Derivative financial instruments not included in a designated hedging relationship	**33**	–	–	33	**33**
Derivative financial instruments included in a designated hedging relationship (level 2)	**19**	–	19	–	**19**
Total	**6,548**	**6,496**	**19**	**33**	**6,550**

December 31, 2013 in million euros	Carrying amount December 31	Valuation according to IAS 39 Amortized cost	Fair value, through other comprehensive income	Fair value, through profit or loss	Fair value December 31
Assets					
Loans and receivables	3,652	3,652	–	–	3,652
Trade accounts receivable	2,370	2,370	–	–	2,370
Other financial assets	231	231	–	–	231
Receivables from associated companies	–	–	–	–	–
Financial receivables from third parties	32	32	–	–	32
Receivables from Henkel Trust e.V.	120	120	–	–	120
Sundry financial assets	79	79	–	–	79
Cash and cash equivalents	1,051	1,051	–	–	1,051
Fair value option	619	–	–	619	619
Other financial assets	619	–	–	619	619
Fixed-interest securities (level 1)	245	–	–	245	245
Fixed-interest securities (level 2)	374	–	–	374	374
Available for sale	1,805	18	1,787	–	1,805
Other financial assets	1,805	18	1,787	–	1,805
Other investments	18	18	–	–	18
Floating-interest securities and time deposits (level 1)	1,720	–	1,720	–	1,720
Floating-interest securities (level 2)	22	–	22	–	22
Fixed-interest securities (level 1)	19	–	19	–	19
Financial collateral provided	26	–	26	–	26
Held for trading (level 2)	17	–	–	17	17
Derivative financial instruments not included in a designated hedging relationship	17	–	–	17	17
Derivative financial instruments included in a designated hedging relationship (level 2)	135	–	–	135	135
Total	6,228	3,670	1,787	771	6,228
Liabilities					
Amortized cost	5,543	5,543	–	–	5,543
Trade accounts payable	2,872	2,872	–	–	2,872
Borrowings with no financial statement hedging relationship	186	186	–	–	186
Borrowings with a financial statement hedging relationship	2,430	2,430	–	–	2,430
Other financial liabilities	55	55	–	–	55
Held for trading (level 2)	31	–	–	31	31
Derivative financial instruments not included in a designated hedging relationship	31	–	–	31	31
Derivative financial instruments included in a designated hedging relationship (level 2)	3	–	3	–	3
Total	5,577	5,543	3	31	5,577

The following hierarchy is applied in order to determine and disclose the fair value of financial instruments:

- Level 1: Fair values which are determined on the basis of quoted, unadjusted prices in active markets.
- Level 2: Fair values which are determined on the basis of parameters for which either directly or indirectly derived market prices are available.
- Level 3: Fair values which are determined on the basis of parameters for which the input factors are not derived from observable market data.

The fair value of securities and time deposits classified as level 1 is based on the quoted market prices on the reporting date. Observable market data were used to measure the fair value of level 2 securities.

We did not perform any reclassifications between the valuation categories or transfers within the fair value hierarchy either in fiscal 2013 or in the previous year.

Net gains and losses from financial instruments by category

The net gains and losses from financial instruments can be allocated to the following categories:

Net results of the measurement categories and reconciliation to financial result

in million euros	2012	2013
Loans and receivables	55	47
Fair value option	3	7
Financial assets available for sale	11	10
Financial assets and liabilities held for trading including derivatives in a designated hedging relationship	9	– 35
Financial liabilities measured at amortized cost	– 203	– 109
Total net results	**– 125**	**– 80**
Foreign exchange effects	– 6	– 1
Interest expense of pension provisions less interest income from plan assets and reimbursement rights [1]	– 38	– 24
Other financial result (not related to financial instruments)	– 12	– 8
Financial result	**– 181**	**– 113**

[1] Adjusted in application of IAS 19 revised (see notes on page 116).

The net result of "Loans and receivables" is allocated in full to interest income. Net expenses arising from additions and releases of valuation allowances amounting to 17 million euros (previous year: 30 million euros) and income from payments on financial instruments already written off and derecognized amounting to 4 million euros (previous year: 3 million euros) were recognized in operating profit.

The net result of the securities and time deposits classified under the "Fair value option" includes interest income of 7 million euros (previous year: 1 million euros) and valuation gains of 0 million euros (previous year: 2 million euros).

The net result from securities and time deposits classified as "Available for sale" amounts to 10 million euros (previous year: 10 million euros) for interest income and 0 million euros (previous year: 1 million euros) for income from other investments. The measurement of these financial instruments at fair value led to a gain of 1 million euros (previous year: gain of 3 million euros) which we have recognized in the reserve for "Financial instruments available for sale" in equity.

The net result from "Held for trading" financial instruments and derivatives in a designated hedging relationship includes, in addition to the outcome of measurement of these derivatives at fair value amounting to – 94 million euros (previous year: –46 million euros), an expense of 1 million euros arising from additions to the valuation allowance made for counterparty credit risk (previous year: income from the release of the valuation allowance in the amount of 4 million euros). Moreover 60 million euros of interest income from interest rate derivatives and amounts recycled from cash flow hedges recognized in equity are also included under this heading (previous year: 51 million euros).

The net result from "Financial liabilities measured at amortized cost" is essentially derived from the interest expense for borrowings amounting to 184 million euros (previous year: 215 million euros). Also included are valuation gains of 81 million euros (previous year: 17 million euros) from borrowings in a fair value hedge relationship. Fees amounting to 6 million euros for procuring money and loans were also recognized under this heading (previous year: 5 million euros).

The realization and valuation of financial assets and liabilities in foreign currencies (without derivative financial instruments) resulted in an expense of – 1 million euros (previous year: –6 million euros).

Derivative financial instruments

Derivative financial instruments are measured at their fair value at the reporting date. Recognition of the gains and losses arising from fair value changes of derivative financial instruments is dependent upon whether the requirements of IAS 39 are fulfilled with respect to hedge accounting.

Hedge accounting is not applied to the large majority of derivative financial instruments. We recognize through profit or loss the fair value changes in these derivatives which, in economic terms, represent effective hedges within the framework of Group strategy. These are largely compensated by fair value changes in the hedged items. In hedge accounting, derivative financial instruments are qualified as instruments for hedging the fair value of a recognized underlying ("fair value hedge"), as instruments for hedging future cash flows ("cash flow hedge") or as instruments for hedging a net investment in a foreign entity ("hedge of a net investment in a foreign entity"). The following table provides an overview of the derivative financial instruments utilized and recognized within the Group, and their fair values:

Derivative financial instruments

At December 31 in million euros	Nominal value		Positive fair value[2]		Negative fair value[2]	
	2012	2013	2012	2013	2012	2013
Forward exchange contracts[1]	1,985	**2,118**	14	**17**	– 17	**– 20**
(of which: for hedging loans within the Group)	*(1,628)*	***(1,671)***	*(12)*	***(12)***	*(– 16)*	***(– 19)***
(of which: designated as cash flow hedge)	–	***(56)***	–	***(1)***	–	**–**
Foreign exchange options	–	**62**	–	**1**	–	**–**
Interest rate swaps	4,734	**3,424**	244	**134**	– 35	**– 14**
(of which: designated as fair value hedge)	*(3,300)*	***(2,300)***	*(244)*	***(134)***	*(–)*	***(–)***
(of which: designated as cash flow hedge)	*(910)*	***(508)***	*(–)*	***(–)***	*(– 19)*	***(– 3)***
(of which: to hedge financial instruments in the fair value option)	*(524)*	***(616)***	*(–)*	***(–)***	*(– 16)*	***(– 11)***
Commodity futures[1]	1	**1**	–	**–**	–	**–**
(of which: designated for hedge accounting)	*(–)*	***(–)***	*(–)*	***(–)***	*(–)*	***(–)***
Total derivative financial instruments	**6,720**	**5,605**	**258**	**152**	**– 52**	**– 34**

[1] Maturity less than 1 year.
[2] Fair values including accrued interest and a valuation allowance for counterparty credit risk of 2 million euros (previous year: 1 million euros).

For forward exchange contracts, we determine the fair value on the basis of the reference exchange rates of the European Central Bank prevailing at the reporting date, taking into account forward premiums/forward discounts for the remaining term of the respective contract versus the contracted foreign exchange rate. Foreign exchange options are measured using price quotations or recognized models for the determination of option prices. We measure interest rate hedging instruments on the basis of discounted cash flows expected in the future, taking into account market interest rates applicable for the remaining term of the contracts. These are indicated for the two most important currencies in the following table. It shows the interest rates quoted on the interbank market in each case on December 31.

Interest rates in percent p. a.

At December 31 Term	Euro		US dollar	
	2012	2013	2012	2013
1 month	0.07	**0.24**	0.23	**0.16**
3 months	0.18	**0.25**	0.42	**0.25**
6 months	0.25	**0.41**	0.48	**0.38**
1 year	0.48	**0.52**	0.88	**0.59**
2 years	0.38	**0.54**	0.39	**0.48**
5 years	0.77	**1.26**	0.85	**1.79**
10 years	1.60	**2.22**	1.82	**3.17**

Due to the complexities involved, financial derivatives for hedging commodity price risks are primarily measured on the basis of simulation models, which are derived from market quotations. We perform regular plausibility checks in order to safeguard valuation correctness.

In measuring derivative financial instruments, counterparty credit risk is taken into account with a lump-sum adjustment to the fair values concerned, determined on the basis of credit risk premiums. The adjustment relating to fiscal 2013 amounts to 2 million euros (previous year: 1 million euros). We recognized the addition in profit and loss under financial result.

Depending on their fair value and their maturity on the reporting date, derivative financial instruments are included in financial assets (positive fair value) or in financial liabilities (negative fair value).

Most of the forward exchange contracts serve to hedge risks arising from trade accounts receivable and payable, and those pertaining to Group financing.

Interest rate hedges serve to manage the interest rate risks arising from the fixed-interest bonds issued by Henkel AG & Co. KGaA and the floating-interest bank liabilities of Henkel of America, Inc. See also the following explanations relating to fair value hedges and cash flow hedges and to the interest rate risk in the Henkel Group. In addition, interest rate derivatives are entered into to hedge the fair value of the fixed-interest securities classified in the “Fair value option.”

To a small extent, we use commodity derivatives to hedge uncertainties in future commodity price developments. See also the explanations relating to other price risks on page 152.

Fair value hedges: A fair value hedge hedges the fair value of recognized assets and liabilities. The change in the fair value of the derivatives and the change in the fair value of the underlying relating to the hedged risk are simultaneously recognized in profit or loss.

Receiver interest rate swaps are used to hedge the fair value risk of the fixed-interest bonds issued by Henkel AG & Co. KGaA. The fair value of these interest rate swaps is 95 million euros (previous year: 180 million euros) excluding accrued interest. The changes in fair value of the receiver interest rate swaps arising from market interest rate risks amounted to – 85 million euros (previous year: –19 million euros). The corresponding changes in fair value of the hedged bonds amounted to 81 million euros (previous year: 17 million euros). In determining the fair value change in the bonds (see also Note 17 on page 138), only that portion is taken into account that relates to the interest rate risk.

The following table provides an overview of the gains and losses arising from fair value hedges (valuation allowance made for the counterparty credit risk not included):

Gains and losses from fair value hedges

in million euros	2012	2013
Gains (+)/losses (–) from hedged items	17	81
Gains (+)/losses (–) from hedging instruments	– 19	– 85
Net	– 2	– 4

Cash flow hedges: A cash flow hedge hedges fluctuations in future cash flows from recognized assets and liabilities (in the case of interest rate risks), and also transactions that are either planned or highly probable, or firmly contracted unrecognized financial commitments, from which a currency risk arises. The effective portion of a cash flow hedge is recognized in the hedge reserve in equity. Ineffective portions arising from the change in value of the hedging instrument are recognized through profit or loss in the financial result. The gains and losses associated with the hedging measures initially remain in equity and are subsequently recognized through profit or loss in the period in which the hedged transaction influences the results for that period. If the hedging of a contracted item subsequently results in the recognition of a non-financial asset, the gains and losses recognized in equity are usually assigned to the asset on its addition (basis adjustment).

Cash flow hedges (after tax)

in million euros	Initial balance	Addition (recognized in equity)	Disposal (recognized through profit or loss)	End balance
2013	– 234	7	10	– 217
2012	– 347	103	10	– 234

The initial value of the cash flow hedges recognized in equity reflects firstly the fair values of the payer interest swaps used to hedge the cash flow risks arising from the floating-interest US dollar liabilities at Henkel of America, Inc. Secondly, it relates to forward exchange contracts for acquisitions in prior years and to one already contracted transaction.

Of the addition in the amount of 7 million euros, 5 million euros relates to interest rate hedging of US dollar liabilities at Henkel of America, Inc. The remaining increase of 2 million euros after taxes on income relates to the contracted transaction. The amortization of the amounts recognized in equity for the US dollar liabilities resulted in a disposal of 10 million euros after tax (15 million euros before tax). The fair value of the interest rate swaps for the US dollar liabilities of Henkel of America, Inc. amounted to –3 million euros (previous year: –18 million euros) excluding accrued interest. The fair value of the currency hedges for the contracted transaction amounted to 1 million euros. In the fiscal year under review, ineffective portions amounting to less than 1 million euros (as in the previous year) were recognized in profit or loss under financial result. Both the cash flows arising from hedging and the hedged cash flows of the US dollar liabilities of Henkel of America, Inc. are expected in 2014 and will be recognized through profit or loss in the period concerned as interest expense. The hedged cash flows relating to acquisitions of previous years will only be recognized in operating profit with disposal or in the event of an impairment loss on the goodwill attributable to the acquisition of these businesses. The cash flows relating to currency hedging and the hedged cash flows from the contracted transaction are expected to arise in 2014 and will only be recognized in operating profit with disposal or in the event of an impairment loss on the hedged items.

Hedges of a net investment in a foreign entity: The accounting treatment of hedges of a net investment in a foreign entity against translation risk is similar to that applied to cash flow hedges. The gain or loss arising from the effective portion of the hedging instrument is recognized in equity through other comprehensive income; the gain or loss of the ineffective portion is recognized directly through profit or loss. The gains or losses recognized directly in equity remain there until disposal or partial disposal of the net investment.

The items recognized in equity relate to translation risks arising from net investments in Swiss francs and US dollars for which the associated hedges were entered into and settled in previous years.

As in the previous year, no hedges of a net investment in a foreign entity were entered into in the past fiscal year. We did not transfer any amounts from equity to profit or loss in the course of the year.

Hedges of a net investment in a foreign entity (after tax)

in million euros	Initial balance	Addition (recognized in equity)	Disposal (recognized through profit or loss)	End balance
2013	35	–	–	35
2012	69	– 34	–	35

Risks arising from financial instruments, and risk management

As a globally active corporation, Henkel is exposed in the course of its ordinary business operations to credit risks, liquidity risks and market risks (currency translation, interest rate and commodity price risks). The purpose of financial risk management is to restrict the exposure arising from operating activities through the use of selective derivative and non-derivative hedges. Henkel uses derivative financial instruments exclusively for the purposes of risk management. Without these instruments, Henkel would be exposed to higher financial risks. Changes in exchange rates, interest rates or commodity prices can lead to significant fluctuations in the fair values of the derivatives used. These variations in fair value should not be regarded in isolation from the hedged items, as derivatives and the underlying constitute a unit in terms of countervailing fluctuations.

Management of currency, interest rate and liquidity risks is based on the treasury guidelines introduced by the Management Board, which are binding on the entire corporation. They define the targets, principles and competences of the Corporate Treasury organizational unit. These guidelines describe the fields of responsibility and establish the distribution of these responsibilities between Corporate Treasury and Henkel's subsidiaries. The Management Board is regularly and comprehensively informed of all major risks and of all relevant hedging transactions and arrangements. Our description of the objectives and fundamental principles adopted in capital management can be found in the Group management report on pages 64 and 65. There were no major risk clusters in the year under review.

Credit risk

In the course of its business activities with third parties, the Henkel Group is exposed to global credit risk arising from both its operating business and its financial investments. This risk derives from the possibility of a contractual party not fulfilling its obligations.

The maximum credit risk is represented by the carrying value of the financial assets recognized in the statement of financial position (excluding financial investments recognized at equity), as indicated in the following table:

Maximum risk position

in million euros	2012	2013
Trade accounts receivable	2,021	2,370
Derivative financial instruments not included in a designated hedging relationship	14	17
Derivative financial instruments included in a designated hedging relationship	244	135
Other financial assets	2,437	2,655
Cash and cash equivalents	1,238	1,051
Total carrying values	5,954	6,228

In its operating business, Henkel is confronted by progressive concentration and consolidation on the customer side, reflected in the receivables from individual customers.

A credit risk management system operating on the basis of a globally applied credit policy ensures that credit risks are constantly monitored and bad debts minimized. This policy, which applies to both new and existing customers, governs the allocation of credit limits and compliance with those limits, individual analyses of customers' creditworthiness based on both internal and external financial information, risk classification, and continuous monitoring of the risk of bad debts at the local level. We also monitor our key customer relationships at the regional and global level. In addition, safeguarding measures are implemented on a selective basis for particular countries and customers inside and outside the eurozone.

Collateral received and other safeguards include country-specific and customer-specific protection afforded by credit insurance, confirmed and unconfirmed letters of credit in export business, as well as warranties, guarantees and cover notes.

We make valuation allowances with respect to financial assets so that the assets are recognized at their fair value at the reporting date. In the case of impairment losses that have already occurred but have not yet been identified, we make global valuation allowances on the basis of empirical evidence, taking into account the overdue structure of the trade accounts receivable. Receivables and loans that are more than 180 days overdue are, following the impairment test, generally written off.

The decision as to whether a credit risk is accounted for through a valuation allowance account or by derecognition of the impaired receivable depends upon the probability of incurring a loss. For accounts receivable classified as irrecoverable, we report the credit risk directly through derecognition of the impaired receivable or the relevant amount in the valuation allowance account. If the basis for the original impairment is eliminated, we recognize a reversal through profit and loss.

In all, we recognized valuation allowances on loans and receivables in 2013 in the amount of 17 million euros (previous year: 30 million euros).

The carrying amount for loans and receivables, the term of which was renegotiated because they would have otherwise fallen overdue or been impaired, was 1 million euros (previous year: 1 million euros).

Based on our experience, we do not expect the necessity for any further valuation allowances, other than those described above, on non-overdue, non-impaired financial assets.

Age analysis of non-impaired overdue loans and receivables

Analysis

in million euros	Less than 30 days	30 to 60 days	61 to 90 days	More than 91 days	Total
At December 31, 2013	165	52	20	5	242
At December 31, 2012	151	46	14	4	215

Credit risks also arise from monetary investments such as cash at bank, securities and the positive fair value of derivatives. Such exposure is limited by our Corporate Treasury specialists through the selection of counterparties with strong credit ratings, and limitations on the amounts allocated to individual investments. In financial investments and derivatives trading with German and international banks, we only enter into transactions with counterparties of high financial standing. We invest exclusively in securities from issuers with an investment grade rating. Our cash deposits can be liquidated at short notice. Our financial investments are broadly diversified across various counterparties and various financial assets. To minimize the credit risk, we agree netting arrangements to offset bilateral receivables and obligations with counterparties. We additionally enter into collateral agreements with selected banks, on the basis of which reciprocal sureties are established twice a month to secure the fair values of contracted derivatives and other claims and obligations. The netting arrangements only provide for a contingent right to offset transactions conducted with a contractual party. Accordingly, associated amounts can be offset only under certain circumstances, such as the insolvency of one of the contractual parties. Thus, the netting arrangements do not meet the offsetting criteria under IAS 32 “Financial Instruments: Presentation.” The following table provides an overview of financial assets and financial liabilities from derivatives that are subject to netting, collateral, or similar arrangements:

Financial assets and financial liabilities from derivatives subject to netting, collateral, or similar arrangements

At December 31 in million euros	Gross amount recognized in the statement of financial position [1]		Amount eligible for offsetting		Financial collateral received/provided		Net amount	
	2012	2013	2012	2013	2012	2013	2012	2013
Financial assets	258	154	46	19	66	54	146	81
Financial liabilities	52	34	46	19	–	4	6	11

[1] Market values excluding valuation allowance of 2 million euros (previous year: 1 million euros) made for counterparty credit risk.

In addition to netting and collateral arrangements, investment limits are set, based on the ratings of the counterparties, in order to minimize credit risk. These limits are monitored and adjusted regularly. When determining the limits, we also apply certain other indicators, such as the pricing of credit default swaps (CDS) by banks. A valuation allowance of 2 million euros exists to cover the remaining credit risk from the positive fair values of derivatives (previous year: 1 million euros).

Liquidity risk

Liquidity risk is defined as the risk of an entity failing to meet its financial obligations at any given time.

We minimize this risk by deploying long-term financing instruments in the form of issued bonds. With the help of our existing debt issuance program in the amount of 6 billion euros, this is also possible on a short-term and flexible basis. In order to ensure the financial flexibility of the Henkel Group at any time, the liquidity within the Group is extensively centralized and managed through the use of cash pools. We predominantly invest cash in financial assets traded in a liquid market in order to ensure that they can be sold at any time to procure liquid funds. In addition, the Henkel Group has at its disposal confirmed credit lines of 1.5 billion euros to ensure its liquidity and financial flexibility at all times. These credit lines have terms until 2018. The individual subsidiaries of the Henkel Group additionally have at their disposal committed bilateral loans of 0.1 billion euros with a revolving term of up to one year. Our credit rating is regularly assessed by the rating agencies Standard & Poor's and Moody's.

Our liquidity risk can therefore be regarded as very low.

The maturity structure of the original and derivative financial liabilities within the scope of IFRS 7 based on cash flows is shown in the following table.

Cash flows from financial liabilities

in million euros	December 31, 2012 Carrying amounts	Remaining term: Up to 1 year	Remaining term: Between 1 and 5 years	Remaining term: More than 5 years	December 31, 2012 Total cash flow
Bonds [1]	3,624	1,250	2,486	–	3,736
Commercial papers [2]	–	–	–	–	–
Liabilities to banks	146	147	–	–	147
Trade accounts payable	2,647	2,647	–	–	2,647
Sundry financial instruments [3]	79	74	2	3	79
Original financial instruments	6,496	4,118	2,488	3	6,609
Derivative financial instruments	52	38	15	–	53
Total	6,548	4,156	2,503	3	6,662

[1] The cash flows from the hybrid bond issued in 2005 are disclosed for the period until the first possible redemption date by Henkel on November 25, 2015.
[2] From the euro and US dollar commercial paper program (total volume 2 billion US dollars and 1 billion euros).
[3] Sundry financial instruments include amounts due to customers and finance bills.

Cash flows from financial liabilities

in million euros	December 31, 2013 Carrying amounts	Remaining term: Up to 1 year	Remaining term: Between 1 and 5 years	Remaining term: More than 5 years	December 31, 2013 Total cash flow
Bonds [1]	2,461	1,146	1,370	–	2,516
Commercial papers [2]	35	35	–	–	35
Liabilities to banks	117	117	–	–	117
Trade accounts payable	2,872	2,872	–	–	2,872
Sundry financial instruments [3]	58	53	2	3	58
Original financial instruments	5,543	4,223	1,372	3	5,598
Derivative financial instruments	34	28	6	–	34
Total	5,577	4,251	1,378	3	5,632

[1] The cash flows from the hybrid bond issued in 2005 are disclosed for the period until the first possible redemption date by Henkel on November 25, 2015.
[2] From the euro and US dollar commercial paper program (total volume 2 billion US dollars and 1 billion euros).
[3] Sundry financial instruments include amounts due to customers and finance bills.

Market risk

Market risk exists where the fair value or future cash flows of a financial instrument may fluctuate due to changes in market prices. Market risks primarily take the form of currency risk, interest rate risk and various price risks (particularly the commodity price risk).

The Corporate Treasury department manages currency exposure and interest rates centrally for the Group and is therefore responsible for all transactions with financial derivatives and other financial instruments. Trading, Treasury Controlling and Settlement (front, middle and back offices) are separated both physically and in terms of organization. The parties to the contracts are German and international banks which Henkel monitors regularly, in accordance with Corporate Treasury guidelines, for creditworthiness and the quality of their quotations. Financial derivatives are used to manage currency exposure and interest rate risks in connection with operating activities and the resultant financing requirements, again in accordance with the Corporate Treasury guidelines. Financial derivatives are entered into solely for hedging purposes.

The currency and interest rate risk management of the Group is supported by an integrated treasury system which is used to identify, measure and analyze the Group's currency exposure and interest rate risks. In this context, "integrated" means that the entire process from the conclusion of financial transactions to their entry in the accounts is covered. Much of the currency trading takes place on internet-based, multibank dealing platforms. These foreign currency transactions are automatically transferred into the treasury system. The currency exposure and interest rate risks reported by all subsidiaries under standardized reporting procedures are integrated into the treasury system by data transfer. As a result, it is possible to retrieve and measure at any time all currency and interest rate risks across the Group and all derivatives entered into to hedge the exposure to these risks. The treasury system supports the use of various risk concepts.

Market risk is monitored on the basis of sensitivity analyses and value-at-risk computations. Sensitivity analyses enable estimation of potential losses, future gains, fair values or cash flows of instruments susceptible to market risks arising from one or several selected hypothetical changes in foreign exchange rates, interest rates, commodity prices or other relevant market rates or prices over a specific period. Sensitivity analyses are used in the Henkel Group because they enable reasonable risk assessments to be made on the basis of direct assumptions (e.g. an increase in interest rates). Value-at-risk computations reveal the maximum potential future loss of a certain portfolio over a given period that, based on a specified probability level, will not be exceeded.

Currency risk

The global nature of our business activities results in a huge number of cash flows in different currencies. The resultant currency risk breaks down into two categories, namely transaction and translation risks.

Transaction risks arise from possible exchange rate fluctuations causing changes in the value of future foreign currency cash flows. The hedging of the resultant exchange rate risks forms a major part of our central risk management activity. Transaction risks arising from our operating business are partially avoided by the fact that we largely manufacture our products in those countries in which they are sold. Residual transaction risks on the operating side are proactively managed by Corporate Treasury. This includes the ongoing assessment of the specific currency risk and the development of appropriate hedging strategies. The objective of our currency hedging is to fix prices based on hedging rates so that we are protected from future adverse fluctuations in exchange rates. Because we limit our potential losses, any negative impact on profits is restricted. The transaction risk arising from major financial payables and receivables is, for the most part, hedged. In order to manage these risks, we primarily utilize forward exchange contracts and currency swaps. The derivatives are designated as "Held for trading" and are recognized at fair value through profit or loss. The currency risk that exists within the Group in the form of transaction risk therefore has a direct effect on income rather than being recognized in equity.

The value-at-risk pertaining to the transaction risk of the Henkel Group as of December 31, 2013 amounted to 74 million euros after hedging (previous year: 21 million euros). The value-at-risk shows the maximum expected risk of loss in a year as a result of currency fluctuations. Starting in fiscal 2013, our value-at-risk analysis has been extended to one year in our internal risk reports as it provides a more comprehensive representation of the risk associated with a fiscal year. The risk arises from imports and exports by Henkel AG & Co. KGaA and its foreign subsidiaries. Due to the international nature of its activities, the Henkel Group has a portfolio with more than 50 different currencies. In addition to the US dollar, the main influence on currency risk is exerted by the Russian ruble, the Mexican peso, the Ukrainian hryvnia and the Turkish lira. The value-at-risk analysis assumes a time horizon of one year and a unilateral confidence interval of 95 percent. We adopt the variance-covariance approach as our basis for calculation. Volatilities and correlations are determined using historical data. The value-at-risk analysis is based on the operating book positions and budgeted positions in foreign currency, normally with a forecasting horizon of nine months.

Translation risks emanate from changes caused by foreign exchange fluctuations to items on the statement of financial position and the income statement of a subsidiary, and the effect these changes have on the translation of individual company financial statements into Group currency. However, unlike transaction risk, translation risk does not necessarily impact future cash flows. The Group's equity reflects the changes in carrying value resulting from foreign exchange influences. The risks arising from the translation of the earnings results of subsidiaries in foreign currencies and from net investments in foreign entities are only hedged in exceptional cases.

Interest rate risk

The interest rate risk encompasses those potentially negative influences on profits, equity or cash flow in current or future reporting periods arising from changes in interest rates. In the case of fixed-interest financial instruments, changing capital market interest rates result in a fair value risk, as the attributable fair values fluctuate depending on capital market interest rates. In the case of floating-interest financial instruments, a cash flow risk exists because the interest payments may be subject to future fluctuations.

The Henkel Group obtains and invests the majority of the cash it requires from and in the international money and capital markets. The resulting financial liabilities and our cash deposits may be exposed to the risk of changes in interest rates. The aim of our centralized interest rate management system is to manage this risk through our choice of interest commitments and the use of derivative financial instruments. Only those derivative financial instruments that can be modeled, monitored and assessed in the risk management system may be used to hedge the interest rate risk.

Henkel's interest management strategy is essentially aligned to optimizing the net interest result for the Group. The decisions made in interest management relate to the bonds issued to secure Group liquidity, the securities and time deposits used for cash investments, and the other financial instruments. The financial instruments and interest rate derivatives exposed to interest rate risk are primarily denominated in euros and US dollars.

Depending on forecasts with respect to interest rate developments, Henkel enters into derivative financial instruments, primarily interest rate swaps, in order to optimize the interest rate lock-down structure. The coupon interest on the euro-denominated bonds issued by Henkel has been converted from fixed to floating with the aid of interest rate swaps. In the event of an expected rise in interest rate levels, Henkel protects its positions by transacting additional interest rate derivatives as an effective means of guarding against interest rates rising over the short term. A major portion of the financing in US dollars has been converted from floating to fixed interest rates through interest rate swaps. The fixed interest period expires at the end of the first quarter 2014. As a result, the net interest position primarily comprises a structured mix of fixed US dollar and floating euro interest rates.

Our exposure to interest rate risk at the reporting dates was as follows:

Interest rate exposure

	Carrying amounts	
in million euros	2012	2013
Fixed-interest financial instruments		
Euro	–	–
US dollar	910	508
Others	–	–
	910	508
Floating-interest financial instruments		
Euro	– 260	– 827
US dollar	42	168
Chinese yuan	– 228	– 364
Russian ruble	– 129	– 106
Others	– 250	– 338
	– 825	– 1,467

The calculation of the interest rate risk is based on sensitivity analyses. The analysis of cash flow risk examines all the main floating-interest financial instruments as of the reporting date. Net debt is defined as borrowings less cash and cash equivalents and readily monetizable financial instruments classified as “Available for sale” or according to the “Fair value option,” less positive and plus negative fair values of hedging transactions. The interest rate risk figures shown in the table are based on this calculation at the relevant reporting date. When analyzing fair value risk, we assume a parallel shift in the interest curve of 100 basis points, and calculate the hypothetical loss or gain of the relevant interest rate derivatives at the reporting date accordingly. The fixed-interest financial instruments exposed to fair value risk are essentially the fixed-interest rate bank liabilities denominated in US dollars.

The risk of interest rate fluctuations with respect to the earnings of the Henkel Group is shown in the basis point value (BPV) analysis in the following table.

Interest rate risk

in million euros	2012	2013
Based on an interest rate change of 100 basis points	– 2	– 15
of which:		
Cash flow through profit and loss	– 8	– 15
Fair value recognized in equity through comprehensive income	6	–

Other price risks (commodity price risk)

Uncertainty with respect to raw material price development impacts the Group. Purchase prices for raw materials can affect the net assets, financial position and results of operations of the corporation. The risk management strategy put in place by the Group management for safeguarding against procurement market risk is described in more detail in the risk and opportunities report on pages 92 and 93.

As a small part of the risk management strategy, cash-settled commodity futures are entered into on the basis of forecasted purchasing requirements in order to hedge future uncertainties with respect to commodity prices. Cash-settled commodity derivatives are only used at Henkel where there is a direct relationship between the hedging derivative and the physical underlying. Henkel does not practice hedge accounting and is therefore exposed to temporary price risks when holding commodity derivatives. Such price risks arise due to the fact that the commodity derivatives are measured at fair value whereas the purchasing requirement, as a pending transaction, is not measured or recognized. This can lead to losses being recognized in profit or loss and equity. Developments in fair values and the resultant risks are continuously monitored.

The influence of negative commodity price developments on the valuation of the derivatives employed is immaterial to the financial position of the Henkel Group due to the low volume of derivatives used. In the event of a change in commodity prices of 10 percent, the resultant loss from the derivatives would be less than 1 million euros.

Notes to the consolidated statement of income

(22) Sale proceeds and principles of income recognition

Sales remained approximately at the previous year's level, at 16,355 million euros. Revenues and their development by business unit and region are summarized in the Group segment report and in the key financials by region on pages 109 and 110. A detailed explanation of the development of major income and expense items can be found in the Group management report on pages 57 to 61.

Sales comprise sales of goods and services less direct sales deductions such as customer-related rebates, credits and other benefits paid or granted. Sales are recognized once the goods have been delivered or the service has been performed. In the case of goods, this coincides with the physical delivery and so-called transfer of risks and rewards. Henkel uses different terms of delivery that contractually determine the transfer of risks and rewards. It must also be probable that the economic benefits associated with the transaction will flow to the Group, and the costs incurred with respect to the transaction must be reliably measurable.

Services are generally provided in conjunction with the sale of goods, and recorded once the service has been performed. No sale is recognized if there are significant risks relating to the receipt of the consideration or it is likely that the goods will be returned.

Interest income is recognized on a time-proportion basis that takes into account the effective yield on the asset and the interest rate in force. Dividend income from investments is recognized when the shareholders' right to receive payment is legally established.

(23) Cost of sales

The cost of sales decreased from 8,778 million euros to 8,546 million euros.

Cost of sales comprises the cost of products and services sold and the purchase cost of merchandise sold. It consists of the directly attributable cost of materials and primary production cost, as well as indirect production overheads including the production-related amortization/depreciation and impairment of intangible assets and property, plant and equipment.

(24) Marketing, selling and distribution expenses

Marketing, selling and distribution expenses amounted to 4,242 million euros (previous year: 4,302 million euros).

In addition to marketing organization and distribution expenses, this item comprises, in particular, advertising, sales promotion and market research expenses. Also included here are the expenses of technical advisory services for customers, valuation allowances on trade accounts receivable as well as valuation allowances and impairment on trademarks and other rights.

(25) Research and development expenses

Research and development expenses were slightly above the previous year's level, at 415 million euros.

Research expenditures may not be recognized as an asset. Development expenditures are recognized as an asset if all the criteria for recognition are met, the research phase can be clearly distinguished from the development phase, and the expenditures can be attributed to distinct project phases. Currently, the criteria set out in IAS 38 "Intangible Assets" for recognizing development expenditures are not all being met, due to a high level of interdependence within the development projects and the difficulty of assessing which products will eventually be marketable.

(26) Administrative expenses

Administrative expenses amounted to 842 million euros (previous year: 785 million euros).

Administrative expenses include personnel and non-personnel costs of Group management and costs relating to the Human Resources, Purchasing, Accounting and IT departments.

(27) Other operating income

Other operating income

in million euros	2012	2013
Release of provisions[1]	29	14
Gains on disposal of non-current assets	19	39
Insurance claim payouts	6	4
Write-ups of non-current assets	1	5
Payments on derecognized receivables	3	4
Profits on sale of businesses	2	–
Sundry operating income	49	56
Total	**109**	**122**

[1] Including income from the release of provisions for pension obligations (curtailment gains) of 0 million euros in 2013 (2012: 15 million euros).

Gains on the disposal of non-current assets include income from the sale of Chemofast Anchoring GmbH, and from the sale of enzyme production technologies in the Laundry & Home Care business unit. Sundry operating income relates to a number of individual items arising from ordinary operating activities, such as grants and subsidies, bonus credits, tax refunds and similar income.

(28) Other operating charges

Other operating charges

in million euros	2012	2013
Losses on disposal of non-current assets	8	5
Contractual termination severance payments	13	–
Impairment on assets held for sale	–	35
Impairment on other assets	–	–
Sundry operating expenses	126	107
Total	**147**	**147**

The impairment on assets held for sale relates to our companies in Iran (Laundry & Home Care and Adhesive Technologies). Sundry operating expenses relate to the settlement of a legal dispute with a former joint venture partner in the amount of 20 million euros, and to a number of individual items arising from ordinary operating activities, such as fees, provisions for litigation, third party claims, sundry taxes, and similar expenses.

(29) Financial result

Financial result

in million euros	2012[1]	2013
Investment result	1	–
Interest result	– 182	– 113
Total	**– 181**	**– 113**

[1] Adjusted in application of IAS 19 revised (see notes on page 116).

Investment result

in million euros	2012	2013
Income from other investments	–	–
Other	1	–
Total	**1**	**–**

Interest result

in million euros	2012[1]	2013
Interest and similar income from third parties[2]	32	36
Interest income from plan assets less interest expense for pension obligations[3]	–	–
Interest income on reimbursement rights (IAS 19)	4	4
Other financial income	14	25
Total interest income	**50**	**65**
Interest to third parties[2]	– 129	– 94
Other financial charges	– 61	– 56
Interest expense for pension obligations less interest income from plan assets[3]	– 42	– 28
Total interest expense	**– 232**	**– 178**
Total	**– 182**	**– 113**

[1] Adjusted in application of IAS 19 revised (see notes on page 116).
[2] Including interest income and interest expense, both in the amount of 30 million euros in 2013 (2012: 35 million euros), with respect to mutually offset deposits and liabilities to banks, reported on a net basis.
[3] Interest expense in 2013: 152 million euros; interest income: 124 million euros (interest expense in 2012: 181 million euros; interest income in 2012: 139 million euros).

Please see page 140 of the financial instruments report for information on the net results of the valuation categories under IFRS 7 and the reconciliation to financial result.

(30) Taxes on income

Income tax expense/income breaks down as follows:

Income before taxes on income and analysis of taxes

in million euros	2012[1]	2013
Income before tax	**2,018**	**2,172**
Current taxes	532	571
Deferred taxes	– 40	– 24
Taxes on income	**492**	**547**
Tax rate in percent	*24.4 %*	*25.2 %*

[1] Adjusted in application of IAS 19 revised (see notes on page 116).

Main components of tax expense and income

in million euros	2012[1]	2013
Current tax expense/income in the reporting year	534	609
Current tax adjustments for prior years	– 2	– 38
Deferred tax expense/income from temporary differences	– 50	– 31
Deferred tax expense from unused tax losses	24	–
Deferred tax expense from tax credits	1	–
Deferred tax expense/income from changes in tax rates	– 3	– 3
Increase/decrease in valuation allowances on deferred tax assets	– 2	10
Tax income from application of IAS 19 revised	– 10	–

[1] Adjusted in application of IAS 19 revised (see notes on page 116).

Deferred tax expense by items on the statement of financial position

in million euros	2012[1]	2013
Intangible assets	– 52	– 6
Property, plant and equipment	3	– 12
Financial assets	5	– 1
Inventories	3	– 1
Other receivables and other assets	– 8	– 28
Special tax item	– 3	– 3
Provisions	– 36	4
Liabilities	25	13
Tax credits	1	–
Unused tax losses	24	–
Valuation allowances	– 2	10
Financial statement figures	**– 40**	**– 24**

[1] Adjusted in application of IAS 19 revised (see notes on page 116).

We have summarized the individual company reports – prepared on the basis of the tax rates applicable in each country and taking into account consolidation procedures – in the statement below, showing how the expected tax charge, based on the tax rate applicable to Henkel AG & Co. KGaA of 31 percent, is reconciled to the effective tax charge disclosed.

Tax reconciliation statement

in million euros	2012[1]	2013
Income before taxes on income	2,018	2,172
Tax rate (including trade tax) of Henkel AG & Co. KGaA	31 %	31 %
Expected tax charge	**626**	**673**
Tax reductions due to differing tax rates abroad	– 75	– 86
Tax increases/reductions for prior years	8	– 32
Tax increases/reductions due to changes in tax rates	– 3	– 3
Tax increases/reductions due to the recognition of deferred tax assets relating to unused tax losses and temporary differences	– 2	10
Tax reductions due to tax-free income and other items	– 159	– 107
Tax increases/reductions arising from additions and deductions for local taxes	18	18
Tax increases due to withholding taxes	27	22
Tax increases due to non-deductible expenses	52	52
Tax charge disclosed	**492**	**547**
Tax rate	**24.4 %**	**25.2 %**

[1] Adjusted in application of IAS 19 revised (see notes on page 116).

Deferred taxes are calculated on the basis of tax rates that apply in the individual countries at the year-end date or which have already been legally decided. In Germany there is a uniform corporate income tax rate of 15 percent plus a solidarity tax of 5.5 percent. After taking into account trade tax, this yields an overall tax rate of 31 percent.

Deferred tax assets and liabilities are netted where they involve the same tax authority and the same tax creditor.

The deferred tax assets and liabilities stated on the reporting date relate to the following items of the consolidated statement of financial position, unused tax losses and tax credits:

Allocation of deferred taxes

in million euros	Deferred tax assets December 31, 2012	Deferred tax assets December 31, 2013	Deferred tax liabilities December 31, 2012	Deferred tax liabilities December 31, 2013
Intangible assets	162	**193**	669	**661**
Property, plant and equipment	18	**15**	90	**73**
Financial assets	6	**10**	14	**18**
Inventories	36	**35**	6	**7**
Other receivables and other assets	59	**48**	97	**59**
Special tax items	–	**–**	43	**40**
Provisions	679	**636**	10	**12**
Liabilities	109	**77**	17	**9**
Tax credits	8	**8**	–	**–**
Unused tax losses	27	**29**	–	**–**
Amounts netted	– 497	**– 422**	– 497	**– 422**
Valuation allowances	– 15	**– 23**	–	**–**
Financial statement figures	**592**	**606**	**449**	**457**

The deferred tax assets of 636 million euros (previous year: 679 million euros) relating to provisions in the financial statement result primarily from recognition and measurement differences with respect to pensions. The deferred tax liabilities of 661 million euros (previous year: 669 million euros) relating to intangible assets are mainly attributable to business combinations such as the acquisition of the National Starch businesses in 2008.

An excess of deferred tax assets is only recognized insofar as it is likely that the company concerned will achieve sufficiently positive taxable profits in the future against which the deductible temporary differences can be offset and tax loss carry-forwards can be used. Deferred taxes have not been recognized with respect to unused tax losses of 93 million euros (previous year: 52 million euros), as it is not sufficiently probable that taxable gains or benefits will be available against which they may be utilized. Of these tax losses carried forward, 75 million euros (previous year: 24 million euros) expire after more than three years. State taxes relating to our US-American subsidiary account for 42 million euros (previous year: 0 million euros) of these unused tax losses (tax rate: around 5 percent). Of the tax losses carried forward, 18 million euros are non-expiring (previous year: 25 million euros).

Deferred tax liabilities of 12 million euros (previous year: 5 million euros) relating to the retained earnings of foreign subsidiaries have been recognized due to the fact that these earnings will be distributed in 2014.

We have summarized the expiry dates of unused tax losses and tax credits in the table below, which includes unused tax losses arising from losses on the disposal of assets of 9 million euros (previous year: 11 million euros) which may be carried forward without restriction.

Expiry dates of unused tax losses and tax credits

in million euros	Unused tax losses December 31, 2012	Unused tax losses December 31, 2013	Tax credits December 31, 2012	Tax credits December 31, 2013
Expire within				
1 year	4	4	–	–
2 years	3	–	–	–
3 years	–	–	–	–
more than 3 years	140	144	8	8
May be carried forward without restriction	61	52	–	–
Total	208	200	8	8

In many countries, different tax rates apply to losses on the disposal of assets and to operating profits, and in some cases losses on the disposal of assets may only be offset against gains on the disposal of assets.

Of unused tax losses expiring beyond three years, 93 million euros (previous year: 104 million euros) relate to loss carry-forwards of US subsidiaries with respect to state taxes.

Equity-decreasing deferred taxes of 36 million euros were recognized (previous year: equity-increasing amount of 114 million euros). Of these deferred tax liabilities, 26 million euros result from actuarial gains and losses on pension obligations, and 10 million euros from gains and losses on cash flow hedges.

(31) Non-controlling interests

The amount shown here represents the proportion of net income and losses attributable to other shareholders of affiliated companies.

Their share of net income was 36 million euros (previous year: 47 million euros) and that of losses 0 million euros (previous year: 1 million euros).

Other disclosures

(32) Payroll cost and employee structure

Payroll cost [1]

in million euros	2012	2013
Wages and salaries	2,139	2,056
Social security contributions and staff welfare costs	356	358
Pension costs	148	156
Total	2,643	2,570

[1] Excluding personnel-related restructuring charges of 116 million euros (previous year: 92 million euros).

Number of employees per function [1]

	2012	2013
Production and engineering	23,150	23,000
Marketing, selling and distribution	14,700	14,850
Research and development	2,650	2,600
Administration	6,300	6,350
Total	46,800	46,800

[1] Annual average headcount: full-time employees, excluding apprentices and trainees, work experience students and interns; figures rounded.

(33) Share-based payment plans

Global Cash Performance Units Plan (Global CPU Plan) 2004–2012

Since the end of the Stock Incentive Plan in 2004, those eligible for that plan, the senior executive personnel of the Henkel Group (excluding members of the Management Board), have been part of the Global CPU Plan, which enables them to participate in any increase in the price of the Henkel preferred share. Cash Performance Units (CPUs) are awarded on the basis of the level of achievement of certain defined targets. They grant the beneficiary the right to receive a cash payment at a fixed point in time. The CPUs are granted on condition that the member of the Plan is employed for three years by Henkel AG & Co. KGaA or one of its subsidiaries in a position senior enough to qualify to participate and that he or she is not under notice during that period. This minimum period of employment pertains to the calendar year in which the CPUs are granted and the two subsequent calendar years.

The number of CPUs granted depends not only on the seniority of the officer, but also on the achievement of set target figures. For the cycles up 2012, these targets were operating profit (EBIT) and net income attributable to shareholders of Henkel AG & Co. KGaA. The value of a CPU in each case is the average price of the Henkel preferred share as quoted 20 stock exchange trading days after the Annual General Meeting following the performance period. An upper limit or cap is imposed in the event of extraordinary share price increases.

Global Long Term Incentive Plan (Global LTI Plan) 2013

In fiscal 2013, the general terms and conditions of the Global CPU Plan were amended and replaced by the Global LTI Plan 2013. Starting in 2013, CPUs are granted on condition that the member of the Plan is employed for four years by Henkel AG & Co. KGaA or one of its subsidiaries in a position senior enough to qualify to participate and that he or she is not under notice during that period. This minimum period of employment pertains to the calendar year in which the CPUs are granted and the three subsequent calendar years. In addition, an Outperformance Reward, which awards CPUs based on the achievement of target figures established in advance, may be set at the beginning of a four-year medium-term plan.

Due to the extension of the cycle, one tranche with a three-year term and another with a four-year term were issued in the reporting period. The number of CPUs granted depends not only on the seniority of the officer, but also on the achievement of set target figures. For the 2011 and 2012 cycles, the target is based on growth in adjusted earnings per preferred share. The value of a CPU in each case is the average price of the Henkel preferred share as quoted 20 stock exchange trading days after the Annual General Meeting following the performance period. The overall payout of the long-term incentive is subject to a cap.

The total value of CPUs granted to senior management personnel is remeasured at each year-end and treated as a payroll cost over the period in which the plan members provide their services to Henkel. The seventh cycle, which was issued in 2010, became due for payment in 2013. At December 31, 2013, the CPU Plan worldwide comprised 383,715 CPUs (previous year: 411,736 CPUs) from the eighth tranche issued in 2011 (expense: 10.2 million euros), 514,776 CPUs (previous year: 492,938 CPUs) from the ninth tranche issued in 2012 (expense: 13.7 million euros) and 1,099,475 CPUs from the tranches issued in the reporting year (expense: 25.6 million euros). The Outperformance Reward comprised 549,473 CPUs (expense: 11.0 million euros). This resulted in an additional expense in the reporting year of 60.5 million euros (previous year: 28.8 million euros). The corresponding provision amounted to 94.7 million euros (previous year: 57.2 million euros).

Cash Performance Units Program

Effective fiscal 2010, the compensation system for members of the Management Board changed. From 2010, they receive as a long-term incentive (LTI) a variable cash payment related to the corporation's long-term financial performance as measured by the future increase in earnings per preferred share (EPS), adjusted for exceptional items, over a period of three years (performance period – for details, please refer to the remuneration report on pages 33 to 41).

(34) Group segment report

The format for reporting the activities of the Henkel Group by segment is by business unit; selected regional information is also provided. This classification corresponds to the way in which the Group manages its operating business, and the Group's reporting structure.

Business units

The activities of the Henkel Group are divided into the following reported operating segments: Laundry & Home Care, Beauty Care, and Adhesive Technologies (Adhesives for Consumers, Craftsmen and Building, and Industrial Adhesives).

Laundry & Home Care

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

Beauty Care

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

Adhesive Technologies (Adhesives for Consumers, Craftsmen and Building, and Industrial Adhesives)

The Adhesive Technologies business unit comprises five market- and customer-focused strategic businesses.

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

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

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

The Packaging, Consumer Goods and Construction Adhesives business serves major international customers as well as medium- and small-sized manufacturers of the consumer goods and furniture industries. Our economies of scale allow us to offer attractive solutions for standard and volume applications.

Our Electronics business offers customers from the worldwide electronics industry a technology-spanning portfolio of innovative high-technology adhesives and soldering materials for the manufacture of microchips and electronic assemblies.

Principles of Group segment reporting

In determining the segment results and the assets and liabilities, we apply essentially the same principles of recognition and measurement as in the consolidated financial statements. We have valued net operating assets in foreign currencies at average exchange rates.

The Group measures the performance of its segments on the basis of a segment income variable referred to by Internal Control and Reporting as "adjusted EBIT." For this purpose, operating profit (EBIT) is adjusted for one-time charges and gains and also restructuring charges.

Of the restructuring charges, 28 million euros is attributable to the business unit Laundry & Home Care, 51 million euros is attributable to Beauty Care and 58 million euros is attributable to Adhesive Technologies.

For reconciliation with the figures for the Henkel Group, Group overheads are reported under Corporate together with income and expenses that cannot be allocated to the individual business units.

Proceeds transferred between the segments only exist to a negligible extent and are therefore not separately disclosed.

Operating assets, provisions and liabilities are assigned to the segments in accordance with their usage or origin. Where usage or origin is attributable to several segments, allocation is effected on the basis of appropriate ratios and keys.

For regional and geographic analysis purposes, we allocate sales to countries on the basis of the country-of-origin principle, and non-current assets in accordance with the domicile of the international company to which they pertain.

Reconciliation between net operating assets / capital employed and financial statement figures

in million euros	Net operating assets: Annual average[1] 2012	Net operating assets: December 31, 2012	Financial statement figures: December 31, 2012	Net operating assets: Annual average[1] 2013	Net operating assets: December 31, 2013	Financial statement figures: December 31, 2013
Goodwill at book value	6,774	6,661	6,661	6,565	6,353	**6,353**
Other intangible assets and property, plant and equipment (total)	4,377	4,298	4,298	4,281	4,131	**4,131**
Deferred taxes	–	–	592	–	–	**606**
Inventories	1,619	1,478	1,478	1,618	1,494	**1,494**
Trade accounts receivable from third parties	2,238	2,021	2,021	2,633	2,370	**2,370**
Intra-group accounts receivable	712	709	–	765	706	–
Other assets and tax refund claims[2]	370	304	3,199	439	372	**3,303**
Cash and cash equivalents			1,238			**1,051**
Assets held for sale			38			**36**
Operating assets (gross) / Total assets	**16,090**	**15,471**	**19,525**	**16,301**	**15,426**	**19,344**
– Operating liabilities	4,826	5,007	–	5,669	5,470	–
of which: Trade accounts payable to third parties	2,661	2,647	2,647	2,920	2,872	**2,872**
Intra-group accounts payable	712	709	–	768	706	–
Other provisions and other liabilities[2] (financial and non-financial)	1,453	1,651	1,893	1,981	1,892	**2,122**
Net operating assets	11,265	10,464	–	10,632	9,959	–
– Goodwill at book value	6,774	–	–	6,565	–	–
+ Goodwill at cost[3]	7,260	–	–	7,072	–	–
Capital employed	11,751	–	–	11,139	–	–

[1] The annual average is calculated on the basis of the twelve monthly figures.
[2] We only take amounts relating to operating activities into account in calculating net operating assets.
[3] Before deduction of accumulated impairment pursuant to IFRS 3.79(b).

(35) Earnings per share

Earnings per share

in million euros (rounded)	2012 [1]	2013
Net income attributable to shareholders of Henkel AG & Co. KGaA	**1,480**	**1,589**
Dividends, ordinary shares	242	312
Dividends, preferred shares	166	213
Total dividends	408	525
Retained earnings per ordinary share	641	636
Retained earnings per preferred share	431	428
Retained earnings	**1,072**	**1,064**
Number of ordinary shares	259,795,875	259,795,875
Dividend per ordinary share in euros	0.93	1.20 [4]
of which preliminary dividend per ordinary share in euros [2]	*0.02*	*0.02*
Retained earnings per ordinary share in euros	2.47	2.45
EPS per ordinary share in euros	**3.40**	**3.65**
Number of outstanding preferred shares [3]	174,460,902	174,482,305
Dividend per preferred share in euros	0.95	1.22 [4]
of which preferred dividend per preferred share in euros [2]	*0.04*	*0.04*
Retained earnings per preferred share in euros	2.47	2.45
EPS per preferred share in euros	**3.42**	**3.67**
Number of ordinary shares	259,795,875	259,795,875
Dividend per ordinary share in euros	0.93	1.20 [4]
of which preliminary dividend per ordinary share in euros [2]	*0.02*	*0.02*
Retained earnings per ordinary share in euros (after dilution)	2.47	2.45
Diluted EPS per ordinary share in euros	**3.40**	**3.65**
Number of potential outstanding preferred shares	174,473,723 [5]	174,482,305
Dividend per preferred share in euros	0.95	1.22 [4]
of which preferred dividend per preferred share in euros [2]	*0.04*	*0.04*
Retained earnings per preferred share in euros (after dilution)	2.47	2.45
Diluted EPS per preferred share in euros	**3.42**	**3.67**

[1] Adjusted in application of IAS 19 revised (see notes on page 116).
[2] See Group management report, Corporate governance, Division of capital stock, Shareholder rights on page 26.
[3] Weighted annual average of preferred shares (Henkel buy-back program).
[4] Proposal to shareholders for the Annual General Meeting on April 4, 2014.
[5] Weighted annual average of preferred shares adjusted for the potential number of shares arising from the Stock Incentive Plan.

(36) Consolidated statement of cash flows

We prepare the consolidated statement of cash flows in accordance with International Accounting Standard (IAS) 7 "Statements of Cash Flows." It describes the flow of cash and cash equivalents by origin and usage of liquid funds. It distinguishes between changes in funds arising from operating activities, investing activities, and financing activities. Financial funds include cash on hand, checks and credit at banks, and other financial assets with a remaining term of not more than three months. Securities are therefore included in financial funds, provided that they are available at short term and are only exposed to an insignificant price change risk. The computation is adjusted for effects arising from currency translation. In some countries, there are administrative hurdles to the transfer of money to the parent company. The assets held for sale of our companies in Iran include cash and cash equivalents of 10 million euros that cannot be transferred to the parent company at present.

Cash flows from operating activities are determined by initially adjusting operating profit by non-cash variables such as amortization/depreciation/impairment/write-ups on intangible assets and property, plant and equipment – supplemented by changes in provisions, changes in other assets and liabilities, and also changes in net working capital. We disclose payments made for income taxes under operating cash flow.

Cash flows from investing activities occur essentially as a result of outflows of funds for investments in intangible assets and property, plant and equipment, subsidiaries and other business units, as well as investments accounted for at equity and joint ventures. We also recognize inflows of funds from the sale of intangible assets and property, plant and equipment, subsidiaries and other business units here. In the reporting period, cash flows from investing activities mainly involved outflows for investments in intangible assets and property, plant and equipment in the amount of –436 million euros (previous year: –422 million euros). Outflows for the acquisition of subsidiaries and other business units in the amount of –31 million euros (previous year: –113 million euros) and inflows from the sale of subsidiaries and other business units in the amount of 24 million euros (previous year: 3 million euros) relate to the acquisitions and divestments described in the section "Acquisitions and divestments" on pages 111 and 112.

In cash flows from financing activities, we recognize interest and dividends paid and received, the change in borrowings and in pension provisions, and also payments made for the acquisition of non-controlling interests and other financing transactions. The change in borrowings in the reporting year was significantly affected by the redemption of our senior bond in June 2013.

Free cash flow shows how much cash is actually available for acquisitions and dividends, reducing debt and/or contributions to pension funds.

(37) Contingent liabilities

Analysis

in million euros	December 31, 2012	December 31, 2013
Liabilities under guarantee and warranty agreements	5	4

(38) Other unrecognized financial commitments

Operating leases as defined in IAS 17 comprise all forms of rights of use of assets, including rights of use arising from rent and leasehold agreements. Payment commitments under operating lease agreements are shown at the total amounts payable up to the earliest date of termination. The amounts shown are the nominal values. At December 31, 2013, they were due for payment as follows:

Operating lease commitments

in million euros	December 31, 2012	December 31, 2013
Due in the following year	71	62
Due within 1 to 5 years	127	119
Due after 5 years	33	19
Total	**231**	**200**

Within the Group, we primarily lease office space and equipment, automobiles, and IT equipment. Some of these contracts contain extension options and price adjustment clauses. In the course of the 2013 fiscal year, 63 million euros became due for payment under operating leases (previous year: 66 million euros).

As of the end of 2013, commitments arising from orders for property, plant and equipment amounted to 62 million euros (previous year: 39 million euros).

As of the reporting date, payment commitments under the terms of agreements for capital increases and share purchases contracted prior to December 31, 2013 amounted to 0 million euros (previous year: 0 million euros).

(39) Voting rights/Related party disclosures

Related parties as defined by IAS 24 ("Related Party Disclosures") are legal entities or natural persons who may be able to exert influence on Henkel AG & Co. KGaA and its subsidiaries, or be subject to the control or a material influence by Henkel AG & Co. KGaA or its subsidiaries. These include, in particular, the members of the Henkel share-pooling agreement, non-consolidated entities in which Henkel holds a participating interest, associated entities and also the members of the corporate management bodies of Henkel AG & Co. KGaA whose remunerations are indicated in the remuneration report section of the management report on pages 33 to 41. Henkel Trust e.V. and Metzler Trust e.V. also fall into the category of related parties as defined in IAS 24.

Information required by Section 160 (1) no. 8 of the German Stock Corporation Act [AktG]:

Henkel AG & Co. KGaA, Düsseldorf, has been notified that on December 14, 2013 the proportion of voting rights held by the members of the Henkel share-pooling agreement represents in total a percentage of 58.68 percent of the voting rights (152,437,099 votes) in Henkel AG & Co. KGaA, held by

- 121 members of the families of the descendents of Fritz Henkel, the company's founder,
- four foundations set up by members of those families,
- three trusts set up by members of those families,
- three private limited companies (GmbH) set up by members of those families, eleven limited partnerships with a limited company as general partner (GmbH & Co. KG), and one limited partnership (KG),

under the terms of a share-pooling agreement per Section 22 (2) of the German Securities Trading Law [WpHG], whereby the shares held by the three private limited companies, by the eleven limited partnerships with a limited company as general partner, and by the one limited partnership, representing a percentage of 14.57 percent (37,855,790 voting rights), are attributed (per Section 22 (1) no. 1 WpHG) to the family members who control those companies.

No party to the share-pooling agreement is obliged to notify that it has reached or exceeded 3 percent or more of the total voting rights in Henkel AG & Co. KGaA, even after adding voting rights expressly granted under the terms of usufruct agreements.

Dr. Simone Bagel-Trah, Germany, is the authorized representative of the parties to the Henkel share-pooling agreement. Financial receivables from and payables to other investments in the form of non-consolidated affiliated entities and associated entities are disclosed in Notes 3 and 18.

Henkel Trust e.V. and Metzler Trust e.V., as parties to relevant contractual trust arrangements (CTA), hold the assets required to cover the pension obligations in Germany. The claim on Henkel Trust e.V. for reimbursement of pension payments made is shown under other financial assets (Note 3 on page 124). The receivable does not bear interest.

(40) Exercise of exemption options

The following German companies included in the consolidated financial statements of Henkel AG & Co. KGaA exercised exemption options in fiscal 2013:

- Schwarzkopf Henkel Production Europe GmbH & Co. KG, Düsseldorf (Section 264b German Commercial Code [HGB])
- Henkel Loctite-KID GmbH, Hagen (Section 264 (3) HGB)

The Dutch company Henkel Nederland B.V., Nieuwegein, exercised the exemption option afforded in Article 2:403 of the Civil Code of the Netherlands.

(41) Remuneration of the corporate management bodies

The total remuneration of the members of the Supervisory Board and of the Shareholders' Committee of Henkel AG & Co. KGaA amounted to 1,529,589 euros plus value-added tax (previous year: 1,580,000 euros) and 2,350,000 euros (previous year: 2,350,000 euros), respectively. The total remuneration (Section 285 no. 9a and Section 314 (1) no. 6a HGB) of the Management Board and members of the Management Board of Henkel Management AG amounted to 26,944,135 euros (previous year: 25,309,802 euros).

For pension obligations to former members of the Management Board and the management of Henkel KGaA, as well as the former management of its legal predecessor and surviving dependents, 95,956,228 euros (previous year: 90,881,294 euros) is deferred. The total remuneration for this group of persons (Section 285 no. 9b and Section 314 (1) no. 6b HGB) in the reporting year amounted to 7,626,894 euros (previous year: 7,041,167 euros). For further details regarding the emoluments of the corporate management bodies, please refer to the audited remuneration report on pages 33 to 41.

(42) Declaration of compliance with the Corporate Governance Code (DCGK)

In February 2013, the Management Board of Henkel Management AG and the Supervisory Board and Shareholders' Committee of Henkel AG & Co. KGaA approved a joint declaration of compliance with the recommendations of the German Corporate Governance Code (DCGK) in accordance with Section 161 AktG. The declaration has been made permanently available to shareholders on the company website: www.henkel.com/ir

(43) Subsidiaries and other investments

Details relating to the investments held by Henkel AG & Co. KGaA and the Henkel Group, which are part of these financial statements, are provided in a separate schedule appended to these notes to the consolidated financial statements but not included in the printed form of the Annual Report. Said schedule is included in the accounting record submitted for publication in the electronic Federal Gazette and can be viewed there and at the Annual General Meeting. The schedule is also included in the online version of the Annual Report on our website: www.henkel.com/ir

(44) Auditor's fees and services

The total fees charged to the Group for services provided by the auditor KPMG AG Wirtschaftsprüfungsgesellschaft and other companies of the KPMG network in fiscal 2012 and 2013 were as follows:

Type of fee

in million euros	2012	of which Germany	2013	of which Germany
Audits	7.0	1.3	6.5	1.5
Other audit-related services	1.5	0.4	2.0	0.9
Tax advisory services	0.9	0.3	1.0	0.0
Other services	0.2	0.1	0.3	0.2
Total	9.6	2.1	9.8	2.6

The item "Audits" includes fees and disbursements with respect to the audit of the Group accounts and the legally prescribed financial statements of Henkel AG & Co. KGaA and its affiliated companies. The fees for audit-related services relate primarily to the quarterly reviews. The item "Tax advisory services" includes fees for advice and support on tax issues and the performance of tax compliance services on behalf of affiliated companies outside Germany. "Other services" comprise fees predominantly for project-related consultancy services.

Düsseldorf, January 30, 2014

Henkel Management AG,
Personally Liable Partner
of Henkel AG & Co. KGaA

Management Board
Kasper Rorsted,
Jan-Dirk Auris, Carsten Knobel, Kathrin Menges,
Bruno Piacenza, Hans Van Bylen

Independent Auditor's Report

We have issued the following unqualified auditor's report:
"Independent Auditor's Report
To Henkel AG & Co. KGaA, Düsseldorf

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Henkel AG & Co. KGaA, Düsseldorf, and its subsidiaries, which comprise the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, and notes to the consolidated financial statements for the business year from January 1 to December 31, 2013.

Responsibility of the Personally Liable Partner of the Company for the Consolidated Financial Statements

The personally liable partner of Henkel AG & Co. KGaA is responsible for the preparation of these consolidated financial statements. This responsibility includes preparing these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and the supplementary requirements of German law pursuant to § [Article] 315a Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code], to give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The personally liable partner of the company is also responsible for the internal controls that management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) as well as in supplementary compliance with International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the company's personally liable partner, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

Pursuant to § 322 Abs. 3 Satz 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply in all material respects with IFRSs as adopted by the EU and the supplementary requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Henkel Group as at December 31, 2013, as well as the results of operations for the business year then ended, in accordance with these requirements.

Report on the Group Management Report

We have audited the accompanying Group management report of Henkel AG & Co. KGaA for the business year from January 1 to December 31, 2013. The personally liable partner of Henkel AG & Co. KGaA is responsible for the preparation of the Group management report in compliance with the applicable requirements of German commercial law pursuant to § [Article] 315a Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code]. We conducted our audit in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of the Group management report promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Accordingly, we are required to plan and perform the audit of the Group management report to obtain reasonable assurance about whether the Group management report is consistent with the consolidated financial statements and the audit findings, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 Satz 1 HGB, we state that our audit of the Group management report has not led to any reservations.

In our opinion, based on the findings of our audit of the consolidated financial statements and Group management report, the Group management report is consistent with the consolidated financial statements, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, January 30, 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Kai C. Andrejewski	Simone Fischer
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)"

Recommendation for the approval of the annual financial statements and the appropriation of the profit of Henkel AG & Co. KGaA

It is proposed that the annual financial statements of Henkel AG & Co. KGaA be approved as presented and that the unappropriated profit of 700,363,032.37 euros for the fiscal year 2013 be applied as follows:

a)	Payment of a dividend of 1.20 euros per ordinary share (259,795,875 shares)	= 311,755,050.00 euros
b)	Payment of a dividend of 1.22 euros per preferred share (178,162,875 shares)	= 217,358,707.50 euros
c)	The remaining to be carried forward (profit brought forward)	= 171,249,274.87 euros
		700,363,032.37 euros

According to Section 71 German Stock Corporation Act [AktG], treasury shares do not qualify for a dividend. The amount in unappropriated profit which relates to the shares held by the corporation (treasury shares) at the date of the Annual General Meeting will be carried forward as retained earnings. As the number of such treasury shares can change up to the time of the Annual General Meeting, a correspondingly adapted proposal for the appropriation of profit will be submitted to it, providing for an unchanged payout of 1.20 euros per ordinary share qualifying for a dividend and 1.22 euros per preferred share qualifying for a dividend, with corresponding adjustment of the other retained earnings and retained earnings carried forward to the following year.

Düsseldorf, January 30, 2014

Henkel Management AG
(Personally Liable Partner
of Henkel AG & Co. KGaA)

Management Board

Annual financial statements of Henkel AG & Co. KGaA (summarized) *

Statement of income

in million euros	2012	2013
Sales	**3,410**	**3,469**
Cost of sales	– 2,337	– 2,375
Gross profit	**1,073**	**1,094**
Selling, research and administrative expenses	– 1,317	– 1,383
Other income (net of other expenses)	359	343
Operating profit	**115**	**54**
Financial result	**458**	**982**
Profit on ordinary activities	**573**	**1,036**
Change in special accounts with reserve element	10	9
Extraordinary result	–	–
Income before tax	**583**	**1,045**
Taxes on income	8	– 17
Net income	**591**	**1,028**
Profit brought forward	3	186
Allocated to other retained earnings/transferred from other retained earnings	–	– 514
Unappropriated profit [1]	**594**	**700**

[1] Statement of income figures are rounded; unappropriated profit 2012: 593,788,240.84 euros; unappropriated profit 2013: 700,363,032.37 euros.

Balance sheet

in million euros	2012	2013
Intangible assets and property, plant and equipment	649	648
Financial assets	7,302	8,716
Non-current assets	**7,951**	**9,364**
Inventories	225	236
Receivables and miscellaneous assets/Deferred charges	1,697	2,218
Marketable securities	1,488	459
Liquid funds	423	329
Current assets	**3,833**	**3,242**
Assets arising from the overfunding of pension obligations	**304**	**293**
Total assets	**12,088**	**12,899**
Equity	**5,458**	**6,078**
Special accounts with reserve element	129	120
Provisions	623	702
Liabilities, deferred income and accrued expenses	5,878	5,999
Total equity and liabilities	**12,088**	**12,899**

* The full financial statements of Henkel AG & Co. KGaA with the auditor's unqualified opinion are filed with the commercial register and are also available at www.henkel.com/ir. Copies can be obtained from Henkel AG & Co. KGaA on request.

Responsibility statement by the Personally Liable Partner

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

Düsseldorf, January 30, 2014

Henkel Management AG
Management Board
Kasper Rorsted,
Jan-Dirk Auris, Carsten Knobel, Kathrin Menges,
Bruno Piacenza, Hans Van Bylen