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		Financial statement figures	Net operating assets		Financial statement figures
	Annual average[1] 2012	December 31, 2012	December 31, 2012	Annual average[1] 2013	December 31, 2013	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