



18 July 2013

- Revenue down 4 percent due to divestments
- Operating income at €322 million (2012: €388 million) driven by adverse price/mix developments
- Net income attributable to shareholders €429 million (2012: €219 million) due to recognition of a deferred tax asset and the divestment of Decorative Paints North America
- Adjusted EPS €1.37 (2012: €1.06)
- Performance improvement program on track to be completed in 2013
- Operational focus of strategy update announced in February is the right approach for continuing challenging market conditions; 2015 targets confirmed
- Restructuring activities being stepped up with full-year charges expected to be in the order of €325 million, with the benefits of these additional €120 million costs in 2014 and beyond
- Expected higher restructuring charges and continued weak markets mean that full-year operating income is unlikely to exceed the €908 million of 2012

Figure 1: key Q2 metrics

€million unless stated otherwise	2012				2013	
	Q1	Q2	Q3	Q4	Q1	Q2
Decorative Paints	974	1,187	1,141	995	925	1,179
Performance Coatings	1,369	1,472	1,467	1,394	1,331	1,458
Specialty Chemicals	1,399	1,431	1,393	1,320	1,244	1,253
Other	-35	-46	-35	-36	-35	-25
Group Revenue	3,707	4,044	3,966	3,673	3,465	3,865
EBITDA	410	554	428	205	375	474
D&A	-153	-155	-156	-161	-158	-152
EBIT	257	399	272	44	217	322
Incidentals	-21	-11	-2,130	-8	-	-
Decorative Paints	25	112	-2,058	-91	43	102
Performance Coatings	127	171	130	114	129	163
Specialty Chemicals	140	154	133	73	99	121
Other	-56	-49	-63	-60	-54	-64
Operating Income	236	388	-1,858	36	217	322
Finance Income/expenses	-50	-67	-50	-38	-63	-33
Associates	4	5	5	-1	3	6
PBT	190	326	-1,903	-3	157	295
Tax Charge	-66	-89	-64	16	-45	38
Non-controlling interests	-14	-22	-9	-18	-16	-25
Net Income (continuing operations)	110	215	-1,976	-5	96	308
Tax Rate	35%	27%	-3%	533%	29%	-13%

Q2 2013 highlights

- In Decorative Paints revenue declined 1 percent, mainly due to negative price/mix and unfavorable currency effects. In general volumes stabilized, with some markets, in particular China, making a positive contribution in the quarter.
- In Performance Coatings, revenue declined 1 percent, with the slowdown in Europe impacting all businesses. Volume is flat compared with the previous year, with continued focus on cost control and operational efficiencies.
- In Specialty Chemicals, revenue declined 12%, mainly due to divestments and lower volumes in all businesses. A general softening in demand was evident, notably in Europe, although manufacturing also slowed down in China and other high growth markets, impacting global supply chains and adding to the volatility in ordering patterns.
- PIP delivers additional €131 million EBITDA benefit in H1, associated costs of €69 million, €500 million expected for full year.
- In Functional Chemicals (within Specialty Chemicals), the first phase of a large and comprehensive performance improvement program has been initiated. The program will include an estimated FTE reduction of more than 350. Implementation will start as of Q3, when one-time restructuring costs will be recorded as part of the performance improvement plan.
- In Q2, we saw lower input prices as a result of lower TiO₂ costs and the lower oil price, which has begun to impact some of our raw materials. We expect the price of TiO₂ to remain stable for the rest of the year and we should also continue to see some benefit from the lower price of oil in the second half of 2013, although this is not expected to be significant. Overall our raw materials cost for the year will be down marginally compared with 2012 on a like for like basis.
- The increase in net income of €210 million is due to decreased financing expenses of €34 million driven by interest charge reduction due to higher discount rates, the transaction gain of €115 million from the divestment of Decorative Paints North America and the non-cash gain of €124 million as a result of the recognition of previously unrecognized deferred tax assets.
- Q2 Operating Working Capital (OWC) as % of revenue improved to 12.1% (Q2 2012: 13.8%).
- Net debt decreased from €2,888 million in Q1 2013 to €2,197 million in Q2 2013, mainly due to the proceeds from the divestment of Decorative Paints North America of €779 million.
- Pension deficit at the end of Q2 2013 was estimated at €0.4 billion compared to €1.1 billion at the end of Q4 2012 (€0.9 billion on a restated basis).

Figure 2: details of Q2 revenue development in % versus Q2 2012

	Volume Q2	Price/mix Q2	Divestments Q2	Exchange rates Q2	Total Q2
Decorative Paints	4	(2)	-	(3)	(1)
Performance Coatings	-	-	-	(1)	(1)
Specialty Chemicals	(5)	(2)	(5)	-	(12)
Average development	-	(1)	(2)	(1)	(4)