

Media Update Q2 2014 results

Ton Büchner
July 23, 2014



Agenda

1. **Q2 2014 Operational and financial review**
2. **Visible results in Q2**
3. **Conclusion**
4. **Questions**

Q2 2014 Operational and financial review

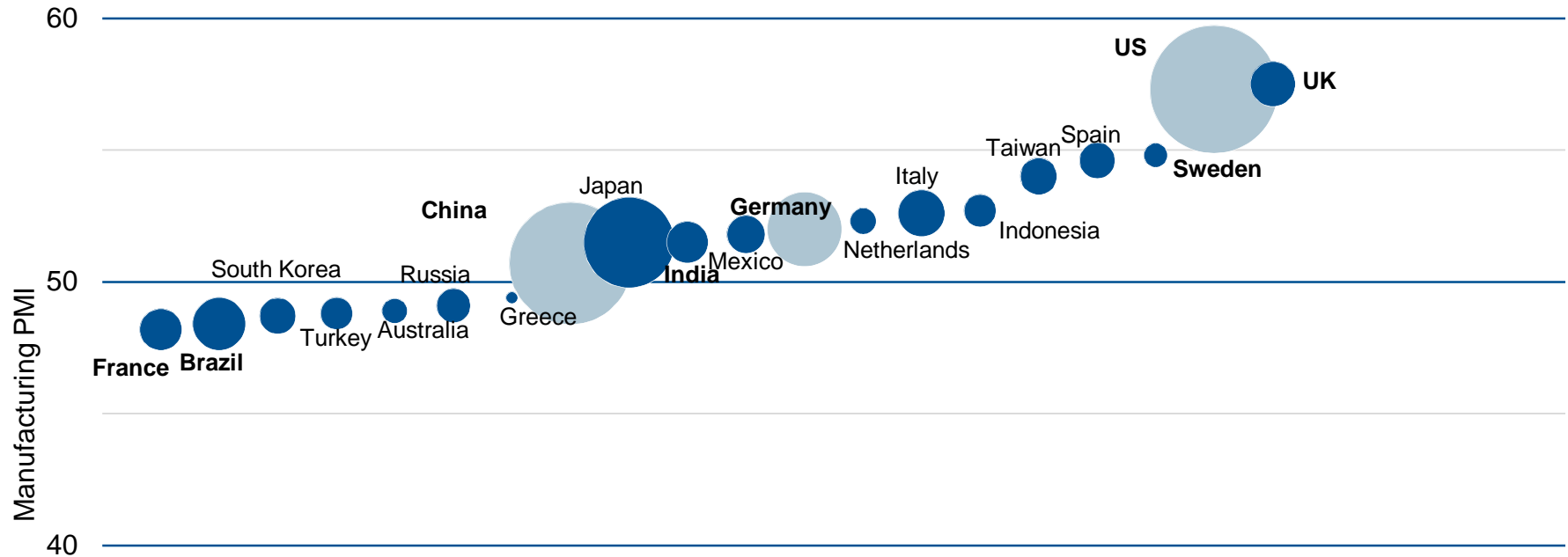
Q2 2014 highlights

- Volumes positive in all three Business Areas
- Revenue down 4 percent, mainly due to 5 percent adverse currency effects
- Operating income €353 million (2013: €322 million) reflecting increased volumes and benefits from improvement actions
- Return on sales (ROS) improved from 8.3 percent to 9.5 percent. Restructuring costs were €45 million (2013: €40 million). Excluding these, ROS is 10.7 percent (2013: 9.3 percent)
- Net income attributable to shareholders €205 million (2013: €184 million on a comparable basis), mainly due to higher operating income
- Adjusted EPS increased 23 percent to €0.95 (2013: €0.77 adjusted for an incidental tax gain)
- Net cash inflow from operating activities was €393 million (2013: €261 million)
- On track to deliver 2015 targets despite the strong euro and expected continued fragile economic environment

The majority of global manufacturing output is still anticipating expansion

Purchase Managers' Index (PMI)*

June 2014



- Greece, Brazil, Turkey and France anticipating contraction
- Expansion expected for most countries, led by US and UK

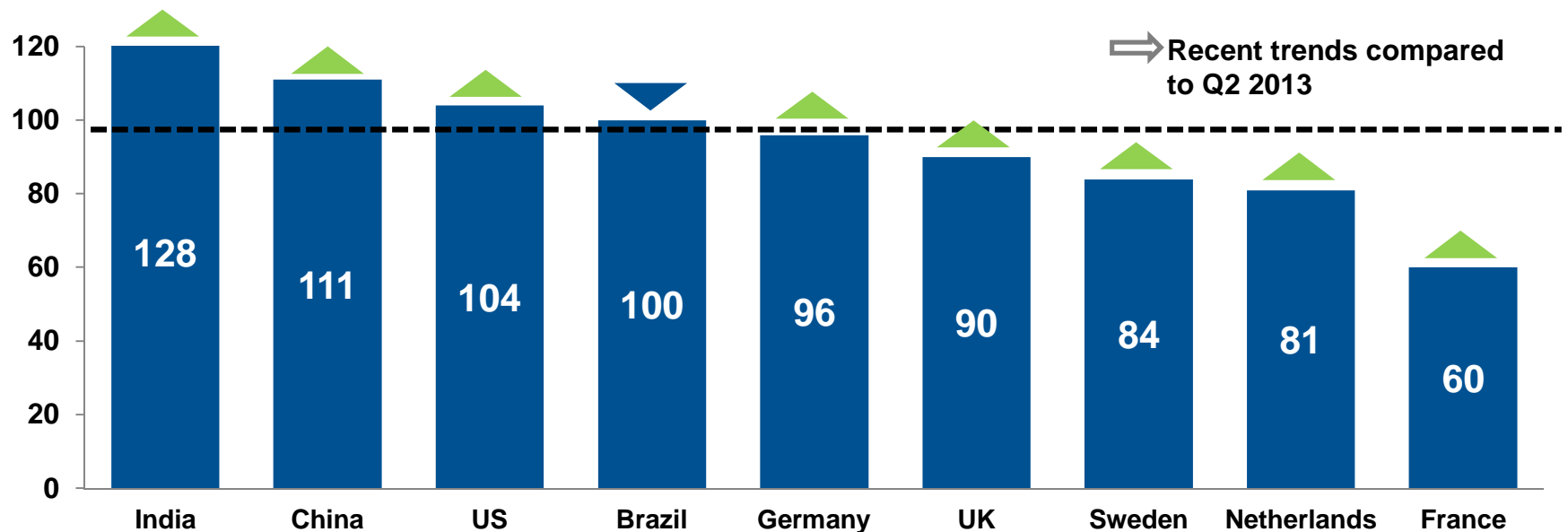
*Bubble size=manufacturing output, 2014e (US\$bn: 2005 prices)

Consumer confidence levels in parts of Europe are low, but rising. Confidence in Latin America is declining

AkzoNobel

Consumer confidence, Q2 2014

Figures below 100 indicate some degree of pessimism



Buildings and Infrastructure

~44% of revenues

New Build Projects

Maintenance, Renovation & Repair

Building Products & Components

Transportation

~16% of revenues

Automotive OEM, Parts and Assembly

Automotive Repair

Marine and Air Transport

~16% of revenues

Consumer Durables

Consumer Packaged Goods

Consumer Goods

~24% of revenues

Natural Resource and Energy Industries

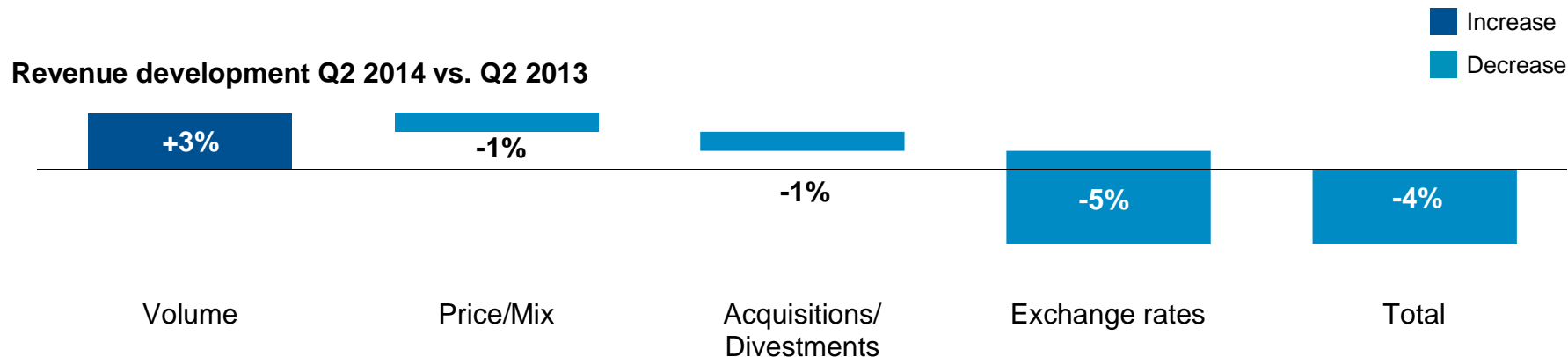
Process Industries

Industrial

Q2 2014 revenue and operating income

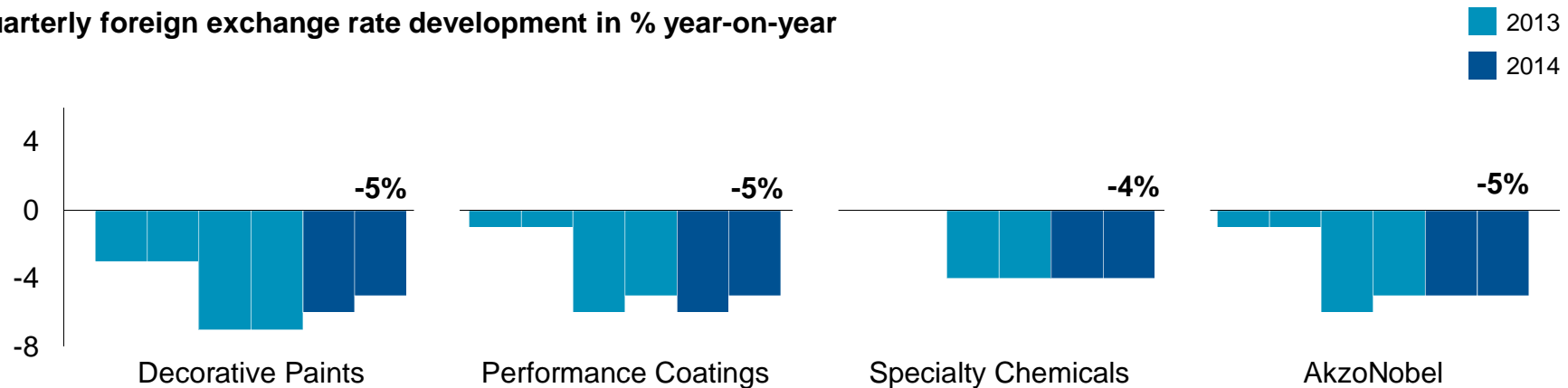
€ million	Q2 2014	Δ%
Revenue	3,710	-4
Operating income	353	10

Ratio, %	Q2 2014	Q2 2013
Return on sales	9.5	8.3
Return on sales (excluding restructuring costs)	10.7	9.3
Moving average return on investment	10.1	7.7



Foreign exchange rates continued to negatively impact our revenues in Q2

Quarterly foreign exchange rate development in % year-on-year



- Higher volumes were offset by a 5 percent negative impact from adverse currency effects in Q2
- The effects were visible in all Business Areas and largely driven by our exposure to high growth markets

Decorative Paints Quarterly developments

- Exiting low margin contracts improved return on sales, but negatively impacted reported volume growth
- Restructuring charges at €23 million are similar to last year (2013: €24 million). Underlying ROS% improves from 10.7% in Q2 2013 to 11.7% in Q2 2014
- Exiting the German stores had a positive impact on our return on sales and a temporary negative price/mix impact on revenues
- In order to address difficult market conditions in France, we are rebranding our stores and are seeing signals that this is having a positive effect
- The sale of Building Adhesives had an impact of €49 million on revenues and €5 million on operating income



Decorative Paints

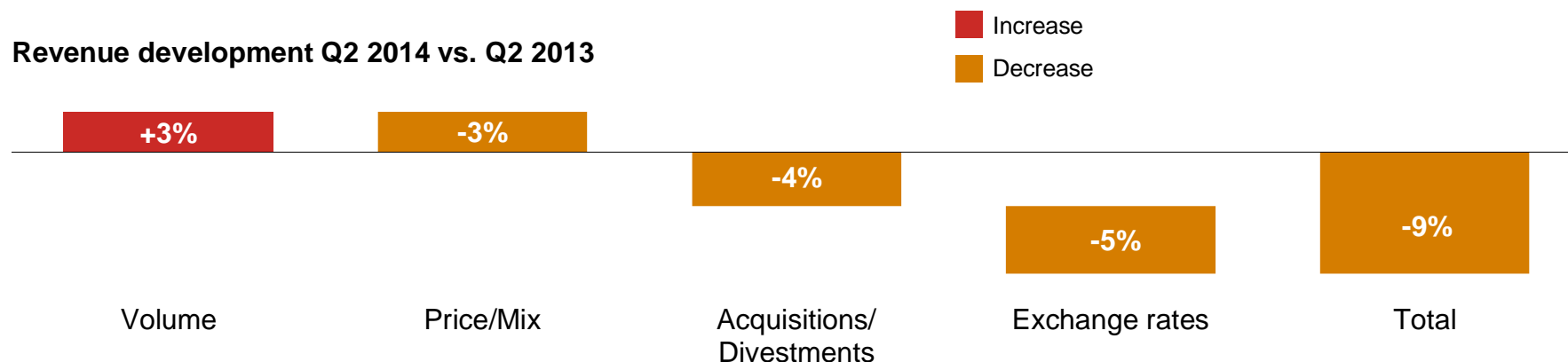
Q2 2014 highlights

€ million	Q2 2014	Δ%
Revenue	1,074	-9
Operating income	102	0

Ratio, %	Q2 2014	Q2 2013
Return on sales	9.5	8.7
Return on sales (excluding restructuring costs)	11.7	10.7

- Volumes up 3 percent compared with previous year
- Revenues down 9 percent due to divestments and adverse currency effects
- Price/mix driven by the sale of the German stores
- Operating income flat, but return on sales higher than the previous year as a result of restructuring activities in Europe and improved margins

Revenue development Q2 2014 vs. Q2 2013



Performance Coatings

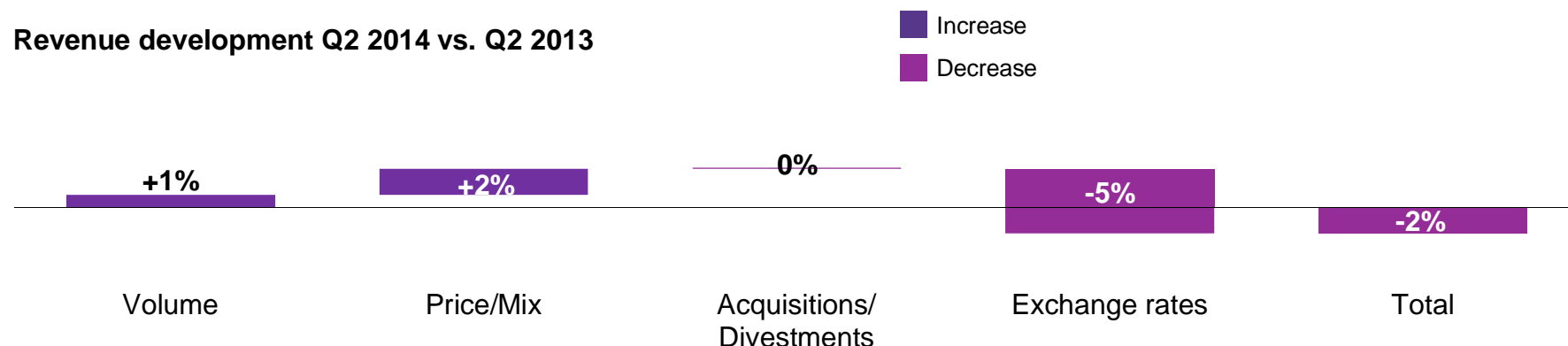
Q2 2014 highlights

€ million	Q2 2014	Δ%
Revenue	1,434	-2
Operating income	178	9

Ratio, %	Q2 2014	Q2 2013
Return on sales	12.4	11.2
Return on sales (excluding restructuring costs)	13.6	11.5

- Volumes increased 1 percent compared with previous year
- Revenues down 2 percent, primarily due to adverse currency effects
- Operating income up 9 percent, return on sales at 12.4 percent (2013:11.2 percent)
- Operating efficiencies visible despite higher restructuring charges

Revenue development Q2 2014 vs. Q2 2013



Specialty Chemicals

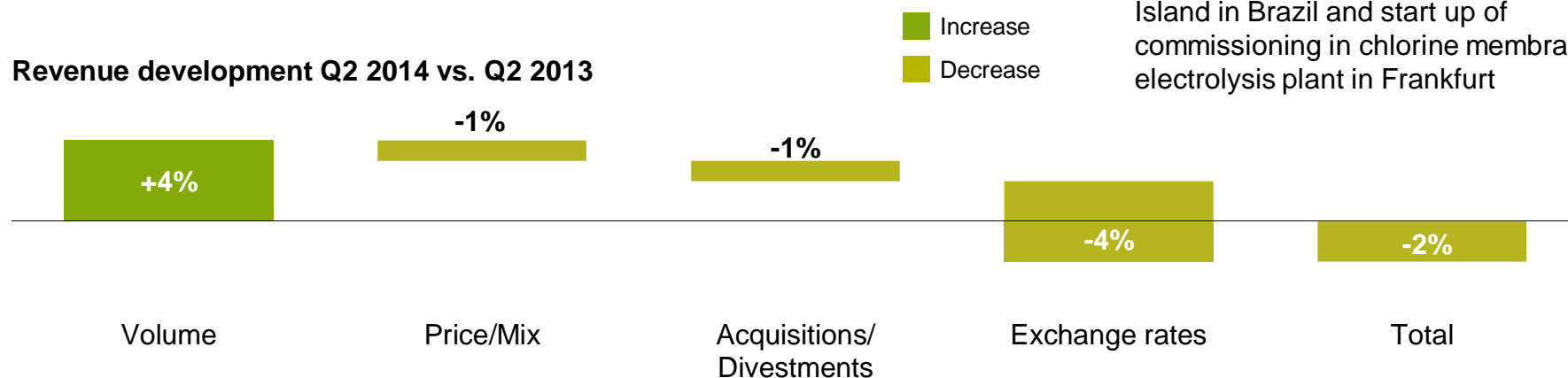
Q2 2014 highlights

€ million	Q2 2014	Δ%
Revenue	1,228	-2
Operating income	124	2

Ratio, %	Q2 2014	Q2 2013
Return on sales	10.1	9.7
Return on sales (excluding restructuring costs)	10.2	9.6

- Volumes up 4 percent compared with the previous year
- Revenues down 2 percent, mainly due to adverse currency effects
- Operating income up 2 percent at €124 million, due to cost control and operational efficiencies
- Continuous improvement measures continue in all businesses
- Start up of Imperatriz Chemical Island in Brazil and start up of commissioning in chlorine membrane electrolysis plant in Frankfurt

Revenue development Q2 2014 vs. Q2 2013



Divestment of Paper Chemicals business

- Following a strategic review of the business' fit within our portfolio we announced the intended sale of our paper chemicals business to Kemira for €153 million
- Paper chemicals, part of the pulp and performance division within Specialty Chemicals, generated annual revenues in 2013 of €243 million
- The sale does not include our pulp bleaching business nor the specialties business, which we consider as core
- The transaction is expected to be completed in approximately six months



Summary – Q2 2014 results

<i>€ million</i>	Q2 2014	Q2 2013
EBITDA	509	474
Amortization and depreciation	(156)	(152)
Incidentals	-	-
Operating income	353	322
Net financing expenses	(40)	(33)
Minorities and associates	(18)	(19)
Income tax	(89)	38
Discontinued operations	(1)	121
Net income attributable to shareholders – as reported	205	429
Net income attributable to shareholders – comparable*	205	184

<i>Ratio</i>	Q2 2014	Q2 2013
Adjusted earnings per share (in €) – as reported	0.95	1.37
Adjusted earnings per share (in €) – comparable*	0.95	0.77

* Q2 2013 adjusted for incidental tax gain and profit on the sale of North America Decorative Paints and other items in discontinued operations

Visible results in Q2

Progress in Q2

EUROINVESTOR

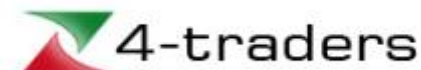
NASDAQ OMX | GlobeNewswire

29/04/2014 16:48:58

AkzoNobel shareholders adopt all resolutions, approve dividend at AGM



Akzo Nobel and Solvay seal partnership with EY to monitor sustainable raw material use



**AKZO NOBEL :
ANNOUNCES FIRST CARBON
CREDIT METHODOLOGY**

05/16/2014 | 07:48am US/Eastern • Recommend:

IHS Chemical Week

AkzoNobel inaugurates chlor-alkali plant in Germany, CEO confirms targets



Akzo Nobel Says EUR80 Mln Imperatriz Chemical Island In Brazil Operational

THE WALL STREET JOURNAL.

**Human Power Team and AkzoNobel
prepare to ride into the record books**

Progress in Q2

fd.nl | dow jones

AkzoNobel financiert onderzoek van OMA in kader Human Cities-initiatief



Koningssloep over jaar weer vaarklaar

WORLDnews network

AkzoNobel's investor relations team wins top award



AkzoNobel To Invest In New Performance Coatings Tech Center In China

June 23, 2014 | By aftermarketNews staff

De Telegraaf

di 08 jul 2014, 08:26

AkzoNobel verkoopt onderdeel

AMSTERDAM (AFN) - AkzoNobel verkoopt het onderdeel Paper Chemicals voor 153 miljoen euro aan Kemira. Dat werd dinsdag bekendgemaakt.

Bloomberg

Akzo Nobel Appoints Maelys Castella First Female CFO

Launch of Human Cities initiative

- By 2050, more than 75 percent of the world's population will live in cities
- 60 percent of our products are in the Buildings & Infrastructure and Transportation end-user segments
- The relation between a city and its citizens goes beyond purely functional aspects
- In Q2, we launched our Human Cities initiative, which is designed to engage with the challenges and opportunities of the 21st century city via color, heritage, transport, education, sport & leisure, and sustainability



Conclusion

Conclusion

- Volume development positive in all three Business Areas
- Return on sales and return on investment improved in all Business Areas
- Continuous improvement programs are ongoing in all businesses, with expectation of at least €250 million restructuring costs in 2014
- Continued investment in sustainability and innovation will help to further enhance our operational efficiency and stimulate organic growth and will also boost our market leading positions
- We are on track to deliver the 2015 targets despite a strong euro and expected continued fragile economic environment

Vision:
**Leading
market positions
delivering
leading performance**

Questions

Safe Harbor Statement

This presentation contains statements which address such key issues as AkzoNobel's growth strategy, future financial results, market positions, product development, products in the pipeline, and product approvals. Such statements should be carefully considered, and it should be understood that many factors could cause forecasted and actual results to differ from these statements. These factors include, but are not limited to, price fluctuations, currency fluctuations, developments in raw material and personnel costs, pensions, physical and environmental risks, legal issues, and legislative, fiscal, and other regulatory measures. Stated competitive positions are based on management estimates supported by information provided by specialized external agencies. For a more comprehensive discussion of the risk factors affecting our business please see our latest Annual Report, a copy of which can be found on the company's corporate website www.akzonobel.com.

Appendices

Innovation Pipeline Q2 2014

Decorative Paints – Rubbol Satin

Key Features

- Cobalt-free technology
- High whiteness and low yellowing
- Creamy aspect
- Good mechanical resistance

Customer Benefits

- Long-lasting paint film
- Very easy to apply
- Very good opacity and edge covering
- Best indoor air quality rating: A+
- Available in ready mixed White and 3 Acomix base paints

Growth Potential

- Launched by Sikkens France in March 2014
- Further launches planned under French professional brands Levis and Astral
- Additional launches expected in other European countries, e.g. Germany and Belgium



A high performance, soft-sheen, solvent-based lacquer for interior use in the professional market

Innovation Pipeline Q2 2014

Vehicle Refinishes – Sikkens AutoClear 2.0

Key Features

- High-performance clearcoat finish based on patented binder technology
- Combines quick and easy application with outstanding drying characteristics
- Unique environmental advantages through 17.5 percent renewable ingredients
- Drawn on experience by working together as partner with the McLaren Formula One racing team

Customer Benefits

- Greater efficiency in bodyshop processes:
 - reduced mixing and drying times
 - immediate handling, polishing and reassembly after drying
- Reduced waste and energy costs
- Improved booth occupancy through increased scheduling flexibility

Growth Potential

- Product gradually launched in Europe in 2014
- Future-proof platform, strengthening the position in mature markets



Sustainable clear coat system with outstanding drying characteristics & appearance

Innovation Pipeline Q2 2014

Surface Chemistry – DERMACRYL® 2.0

AkzoNobel

Key Features

- Waterproofing film-former designed for use in ethanol-based sunscreens
- Higher sun protection factor (SPF) performance in ethanol-based systems vs competition
- Improved aesthetics - lower formulation tack and shine
- Provides water barrier protection
- Patent pending

Customer Benefits

- Improved skin feel
- Protection from exposure to sunlight as well as water
- Less UV actives for higher SPF performance
- Potential formulation cost savings

Growth Potential

- Launched globally in 2014
- Builds on the market-leading position of our DERMACRYL® 79 technology



Enhanced performance and improved economics in ethanol-based sunscreen formulations