

Press release

July 23, 2014

AkzoNobel Q2 results 2014

- 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 volume 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 was €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 a strong euro and the expected continued fragile economic environment in 2014

Q2 2014 in € million

	Q2 2013	Q2 2014	Δ%
Revenue	3,865	3,710	(4)
Operating income	322	353	10
Return on sales (ROS) %	8.3	9.5	
EBITDA	474	509	7
Net income attributable to shareholders*	184	205	11

H1 2014 in € million

	H1 2013	H1 2014	Δ%
Revenue	7,330	7,093	(3)
Operating income	539	569	6
Return on sales (ROS) %	7.4	8.0	
EBITDA	849	873	3
Net income attributable to shareholders*	280	334	19

* Excluding discontinued operations and a deferred tax gain

Akzo Nobel N.V. (AkzoNobel) today reported positive volume development in all three Business Areas. Second quarter revenue of €3,710 million was 4 percent lower compared with the same quarter last year. The decrease was mainly due to 5 percent adverse currency effects.

Operating income improved 10 percent to €353 million (2013: €322 million), leading to an increase in net income attributable to shareholders of €205 million (2013: €184 million on a comparable basis). Excluding restructuring costs, return on sales improved in all three Business Areas, with an overall ROS of 9.5 percent (2013: 8.3 percent).

CEO Ton Büchner said:

“With the publication of the Q2 figures, the results of our ongoing commitment to organic growth and operational efficiency continue to be visible. We are operating in a volatile market, but we managed to increase volumes in all three Business Areas, and for the fourth consecutive quarter we saw positive progress in our year-on-year ROS. Compared to 2013, net income attributable to shareholders increased

on a comparable basis. This quarter also highlighted some great examples of AkzoNobel's commitment to innovation and sustainability, such as the opening of our new membrane electrolysis plant in Germany, the €6.5 million investment to expand the research center at our Performance Coatings site in China, and the start-up of our new €80 million Imperatriz Chemical Island in Brazil. We also launched our Human Cities initiative. These developments will not only help to further enhance our operational efficiency and stimulate organic growth, but will also boost our market leading positions, ensuring that we are on track to deliver on our 2015 financial targets."

In **Decorative Paints**, volumes rose by 3 percent, mainly because of increased volumes in Asia and most European countries. Revenue declined 9 percent compared with 2013, due to the divestment of Building Adhesives and a 5 percent adverse currency effect. Operating income was at the same level as last year, although when the effect of divestments and adverse currency developments are excluded, it increased on a comparable basis. The ongoing operational excellence measures in Europe continue to support the improvements in margin.

Volumes in **Performance Coatings** rose 1 percent compared with 2013. Revenue declined 2 percent, with the improvements in volume and price/mix being offset by adverse currencies. Operating income improved 9 percent, due to operating effectiveness measures, which offset increased restructuring costs and an adverse currency impact. Return on sales was 12.4 percent (2013: 11 percent).

Volumes in **Specialty Chemicals** increased 4 percent due to better market conditions in most businesses, with Pulp and Performance Chemicals and Functional Chemicals showing strong growth. Revenue declined, mainly due to adverse currency developments and continued caustic price pressure. Operating income increased 2 percent compared with 2013 due to cost control and operational efficiencies.

Business area highlights

Decorative Paints						
Q2 2013	Q2 2014	Δ%		H1 2013	H1 2014	Δ%
1,179	1,074	(9)	Revenue	2,104	1,939	(8)
102	102	-	Operating Income	145	119	(18)
8.7	9.5		ROS %	6.9	6.1	
141	141	-	EBITDA	229	197	(14)

Performance Coatings						
Q2 2013	Q2 2014	Δ%		H1 2013	H1 2014	Δ%
1,458	1,434	(2)	Revenue	2,789	2,753	(1)
163	178	9	Operating Income	292	304	4
11.2	12.4		ROS %	10.5	11.0	
197	212	8	EBITDA	360	375	4

Specialty Chemicals						
Q2 2013	Q2 2014	Δ%		H1 2013	H1 2014	Δ%
1,253	1,228	(2)	Revenue	2,497	2,450	(2)
121	124	2	Operating Income	220	259	18
9.7	10.1		ROS %	8.8	10.6	
198	204	3	EBITDA	372	408	10

Outlook

We are on track to deliver on our 2015 targets despite a strong euro and the expected continued fragile economic environment in 2014.

The Q2 2014 report can be downloaded via the AkzoNobel Report iPad app <http://bit.ly/obljrf> or read online at www.akzonobel.com/quarterlyresults.

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AkzoNobel is a leading global paints and coatings company and a major producer of specialty chemicals. We supply industries and consumers worldwide with innovative products and are passionate about developing sustainable answers for our customers. Our portfolio includes well-known brands such as Dulux, Sikkens, International and Eka. Headquartered in Amsterdam, the Netherlands, we are consistently ranked as one of the leaders in the area of sustainability. With operations in more than 80 countries, our 50,000 people around the world are committed to delivering leading products and technologies to meet the growing demands of our fast-changing world.

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