

AkzoNobel Q3 2014 Analyst Factsheet

21 October 2014

- Q3 revenue down 2 percent: volume up 1 percent more than offset by currencies and divestments.
- Operating income of €335 million reflects benefits from improvement actions and lower restructuring charges
- Return on sales (ROS) 9.1 percent (2013: 8.0 percent). Excluding restructuring costs of €55 million (2013: €75 million), ROS is 10.6 percent (2013: 10.0 percent)
- Net income attributable to shareholders was €205 million (2013: €155), due to higher operating income and lower financing expenses
- Adjusted EPS increased 24 percent to €0.92 (2013: €0.74)
- Interim dividend of €0.33 declared
- Net cash inflow from operating activities €489 million (2013: €552 million)
- On track to deliver 2015 targets despite the continued fragile economic environment

€ million unless stated otherwise	2013		2014		
	Q3	Q4	Q1	Q2	Q3
Decorative Paints	1,136	934	865	1,074	1,050
Performance Coatings	1,415	1,367	1,319	1,434	1,420
Specialty Chemicals	1,252	1,200	1,222	1,228	1,239
Other	(25)	(19)	(23)	(26)	(23)
Group Revenue	3,778	3,482	3,383	3,710	3,686
EBITDA	456	208	364	509	487
D&A	(153)	(153)	(148)	(156)	(152)
EBIT	303	55	216	353	335
Incidentals	-	61	-	-	-
Decorative Paints	107	146	17	102	113
Performance Coatings	160	73	126	178	135
Specialty Chemicals	107	(30)	135	124	156
Other	(71)	(73)	(62)	(51)	(69)
Operating Income	303	116	216	353	335
Finance Income/expenses	(56)	(48)	(37)	(40)	(38)
Associates	4	1	6	6	6
PBT	251	69	185	319	303
Tax Charge	(83)	(21)	(43)	(89)	(84)
Non-controlling interests	(14)	(13)	(16)	(24)	(16)
Discontinued operations	1	16	3	(1)	2
Net Income attributable to shareholders	155	51	129	205	205
<i>Tax Rate</i>	<i>33%</i>	<i>30%</i>	<i>23%</i>	<i>28%</i>	<i>28%</i>

Q3 2014 highlights

- This is the fifth consecutive quarter of improvement in return on sales at group level and underlying return on sales improvement is visible in all Business Areas. There is a disproportionate impact from restructuring charges within Performance Coatings which accounts for €41 million out of the total €55 million
- In Decorative Paints, volumes in Q3 were flat compared with 2013. Market conditions in Europe and Latin America remained challenging, while volumes were higher in Asia. Compared with last year, revenue was down 8% due to the divestment of Building Adhesives and the adverse price/mix effect driven by the sale of the German stores
- In Performance Coatings, volumes in Q3 were up. Revenue was flat compared with the previous year as price/mix and adverse currencies offset higher volumes.
- In the quarter, Performance Coatings announced the implementation of a new organizational structure which reduces the number of management layers, making it more customer aligned, in order to drive leading performance. This results in higher restructuring charges for this business area in the quarter and compared to Q3 2013
- In Specialty Chemicals, volumes in Q3 were in line with 2013, with growth being offset by some planned outages in the chain, as well as an industrial action in Rotterdam. Revenue declined, due to adverse currency developments and price pressure in some segments, such as caustic
- Average raw material costs were stable compared with 2013 exit prices. In some high growth markets, currency effects on imported raw materials have affected some businesses.
- Net debt decreased to €1,801 million at Q3 2014 compared with €2,129 million at Q2 2014, mainly due to net cash from operating activities

Q3 revenue development in % versus Q3 2013

	Volume	Price/mix	Divestments	FX rates	Total
Decorative Paints	-	(3)	(4)	(1)	(8)
Performance Coatings	2	(1)	-	(1)	-
Specialty Chemicals	-	1	(1)	(1)	(1)
Average development	1	(1)	(1)	(1)	(2)

Restructuring charges by quarter

	2013				2014		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Decorative Paints	7	24	8	66	22	23	1
Performance Coatings	11	5	9	77	15	17	41
Specialty Chemicals	1	0	46	27	7	2	6
Other	10	11	12	34	0	3	7
Total	29	40	75	204	44	45	55