

Press release

October 21, 2014

AkzoNobel Q3 results 2014

Profit grows following operational efficiencies despite fragile economy

- Operating income totaled €335 million, boosted by operational efficiency programs and lower restructuring charges
- Revenue down 2 percent: volume up 1 percent, more than offset by negative currency effects and divestments
- Return on sales (ROS) at 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 €205 million (2013: €155 million), due to higher operating income and lower finance 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

Q3 2014 in € million

	Q3 2013	Q3 2014	Δ%
Revenue	3,778	3,686	(2)
Operating income	303	335	11
Return on sales (ROS) %	8.0	9.1	
EBITDA	456	487	7
Net income attributable to shareholders	155	205	32

Year-to-date January – September 2014 in € million

	YTD 2013	YTD 2014	Δ%
Revenue	11,108	10,779	(3)
Operating income	842	904	7
Return on sales (ROS) %	7.6	8.4	
EBITDA	1,305	1,360	4
Net income attributable to shareholders	673	539	(20)

Akzo Nobel N.V. (AkzoNobel) today reported positive volume growth and, for the fifth consecutive quarter, an improvement in Return on sales (ROS) – from 8.0 percent to 9.1 percent. Excluding restructuring costs of €55 million, ROS was 10.6 percent (2013: 10.0 percent).

Operating income grew 11 percent to €335 million (2013: €303 million), reflecting the benefits of ongoing operational efficiency programs, although this was partially offset by new restructuring costs in Performance Coatings. Net income attributable to shareholders was €205 million (2013: €155 million), due to higher operating income and lower finance expenses. Revenue for the third quarter declined 2 percent, with volume growth being offset by negative currency effects and divestments.

CEO Ton Büchner

“AkzoNobel delivered a solid Q3 performance, despite continued economic uncertainty. Return on sales improved for the fifth consecutive quarter to 9.1 percent, while operating income grew by 11 percent. Conditions continue to be challenging, but we have a resilient strategy focused on stimulating organic and sustainable growth. Coupled with the benefits from our ongoing operational efficiency programs, we are on track to deliver on our 2015 targets.

“Q3 was also notable for several achievements, including being ranked first in our industry on the Dow Jones Sustainability Index for the third year running. In addition, our Human Cities initiative gathered momentum when we made a commitment to the Clinton Global Initiative and partnered with The Rockefeller Foundation through its 100 Resilient Cities program. We also developed coatings technology for the world’s first fully recyclable and compostable paper cup, and we broke ground on a new Decorative Paints site in Chengdu, China.”

Decorative Paints: Volumes were flat compared with the previous year. Market conditions in Europe remained challenging, while volumes were higher in Asia. Revenue declined compared with the previous year, due to the divestment of Building Adhesives and the adverse price/mix effect driven by the sale of the German stores. Operating income was higher than 2013 due to lower restructuring expenses.

Performance Coatings: Volumes were up, while revenue was flat on 2013 as price/mix and adverse currencies offset higher volumes. Cost control measures continued in all businesses. The new organizational structure has reduced the number of global management layers, resulting in higher restructuring costs. As a result, operating income declined on the previous year.

Specialty Chemicals: Volume for the quarter was in line with 2013, with growth being offset by some planned outages in the chain, as well as industrial action in Rotterdam. Revenue declined, due to adverse currency developments and price pressure in some segments such as in caustic. Despite the economic slowdown, profitability increased due to benefits from restructuring activities and cost savings, as well as lower restructuring costs.

Outlook

AkzoNobel is on track to deliver on its 2015 targets despite the continued fragile economic environment.

Business Area highlights

Decorative Paints						
Q3 2013	Q3 2014	Δ%		YTD 2013	YTD 2014	Δ%
1,136	1,050	(8)	Revenue	3,240	2,989	(8)
107	113	6	Operating Income	252	232	(8)
9.4	10.8		ROS %	7.8	7.8	
146	150	3	EBITDA	375	347	(7)

Performance Coatings						
Q3 2013	Q3 2014	Δ%		YTD 2013	YTD 2014	Δ%
1,415	1,420	-	Revenue	4,204	4,173	(1)
160	135	(16)	Operating Income	452	439	(3)
11.3	9.5		ROS %	10.8	10.5	
193	170	(12)	EBITDA	553	545	(1)

Specialty Chemicals						
Q3 2013	Q3 2014	Δ%		YTD 2013	YTD 2014	Δ%
1,252	1,239	(1)	Revenue	3,749	3,689	(2)
107	156	46	Operating Income	327	415	27
8.5	12.6		ROS %	8.7	11.2	
185	232	25	EBITDA	557	640	15

The Q3 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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Safe Harbor Statement

This press release contains statements which address key issues such 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 our website www.akzonobel.com