

Investor Update Q2 2014 results

Ton Büchner
July 23, 2014



Agenda

1. **Q2 2014 highlights**
2. **Operational and financial review**
3. **Conclusion**
4. **Questions**

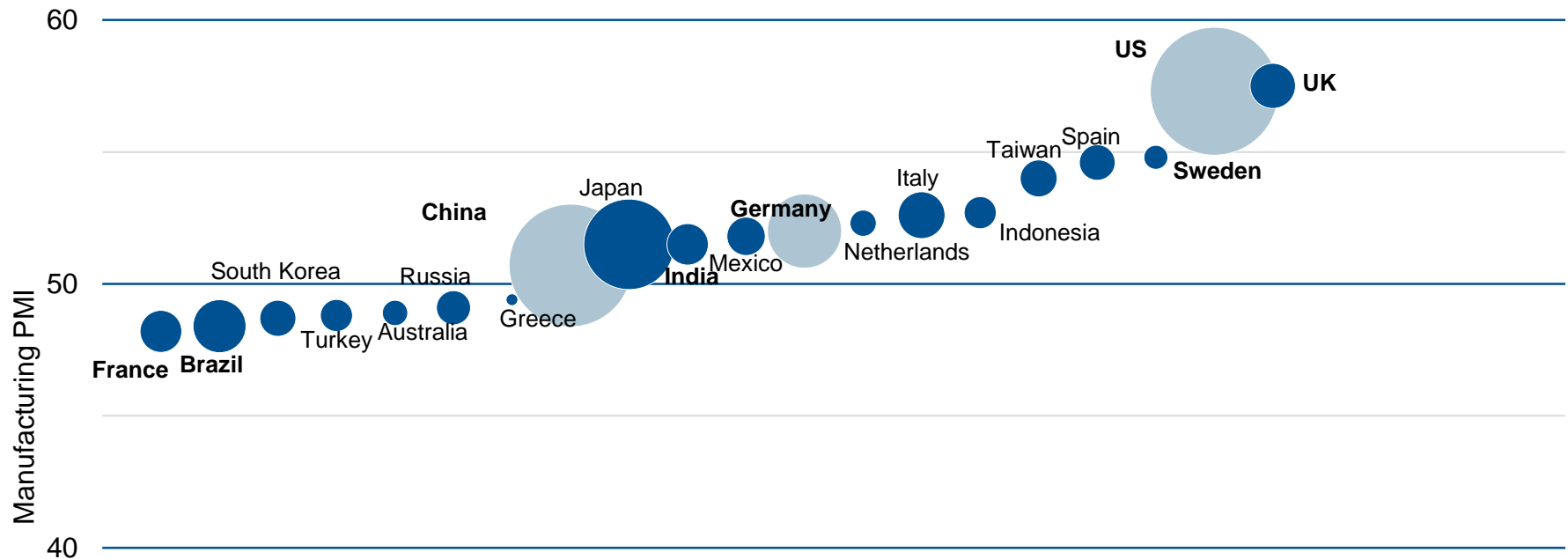
Q2 2014 highlights

- In Q2, volumes were 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 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 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

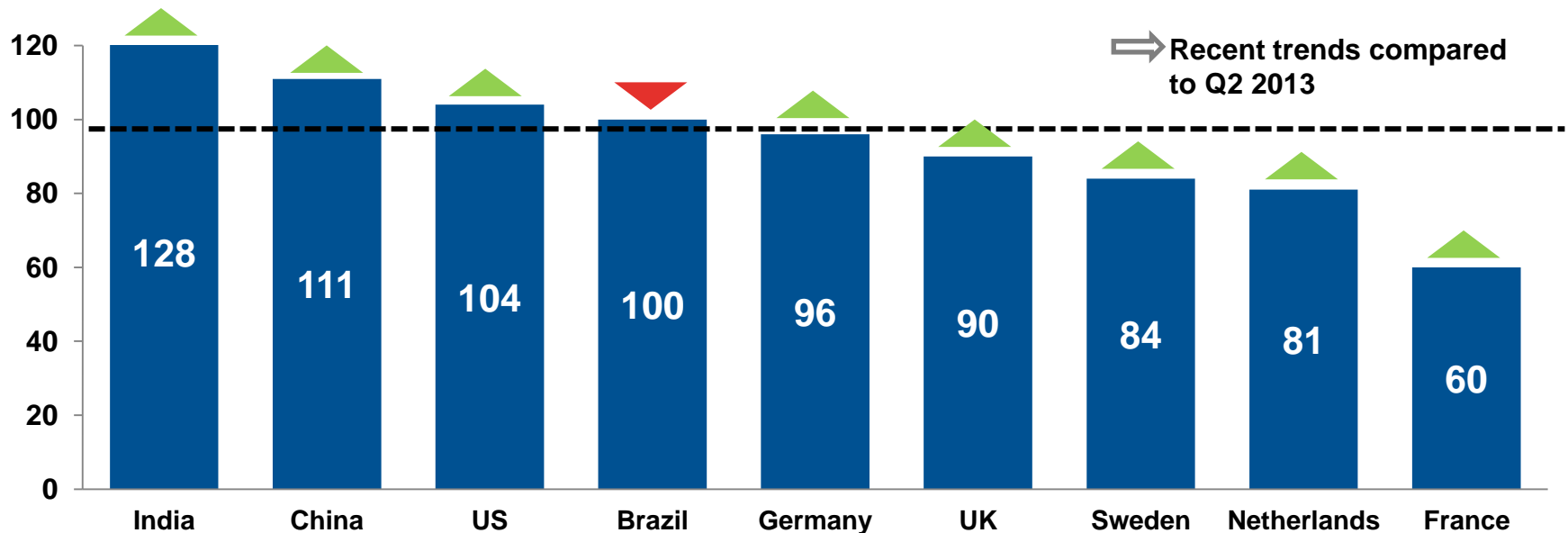


- Greece, Brazil, Turkey and France anticipating contraction
- Expansion expected for most countries, led by US and UK

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

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

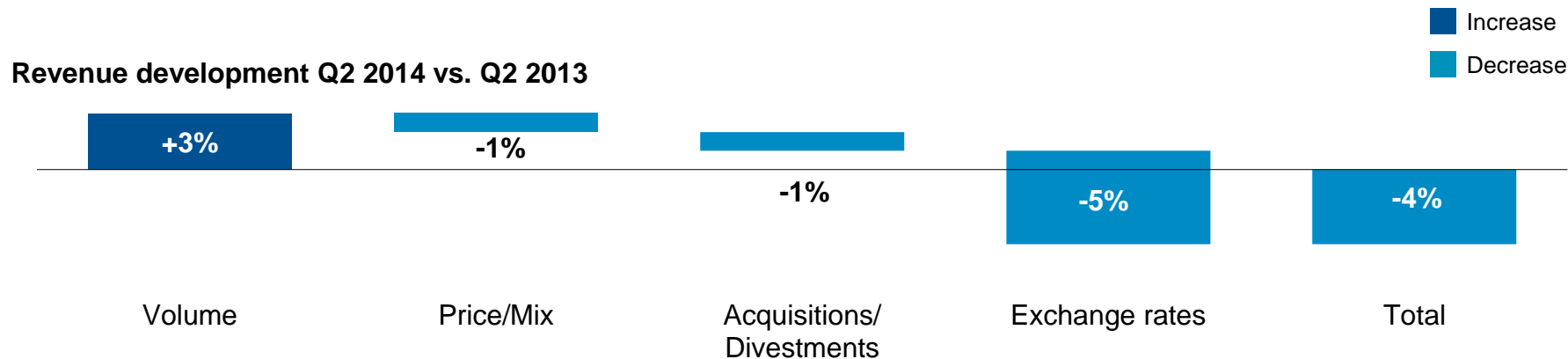
Natural Resource and Energy Industries
Process Industries

Industrial

Q2 2014 revenue and operating income

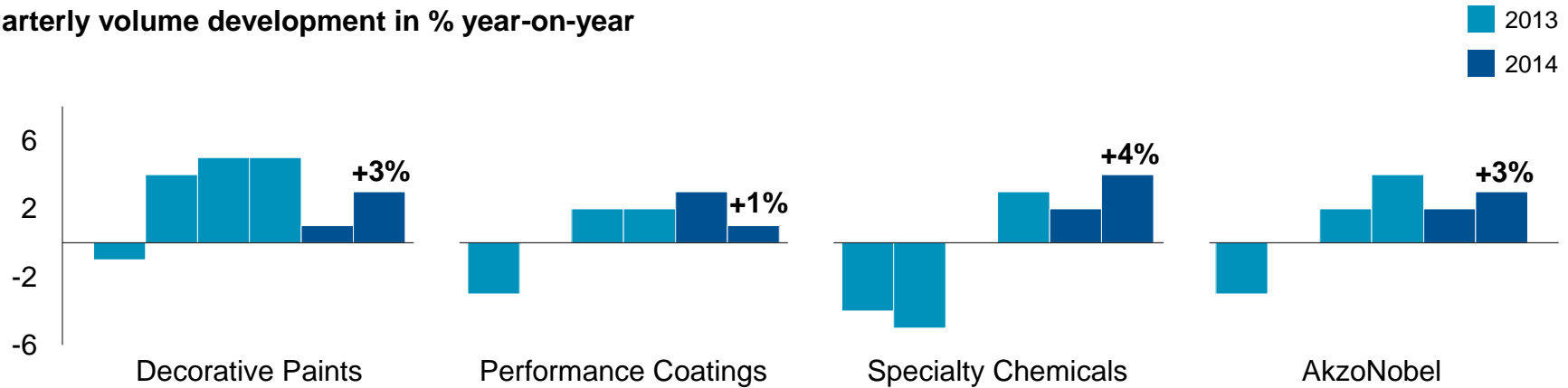
€ million	Q2 2014	Δ%
Revenue	3,710	-4
Operating income	353	10

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

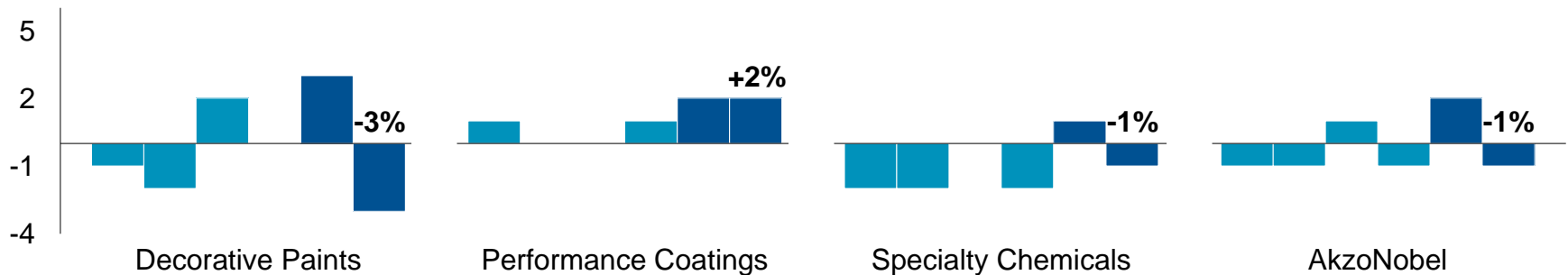


Market conditions remain challenging but volumes continued to improve in all Business Areas

Quarterly volume development in % year-on-year

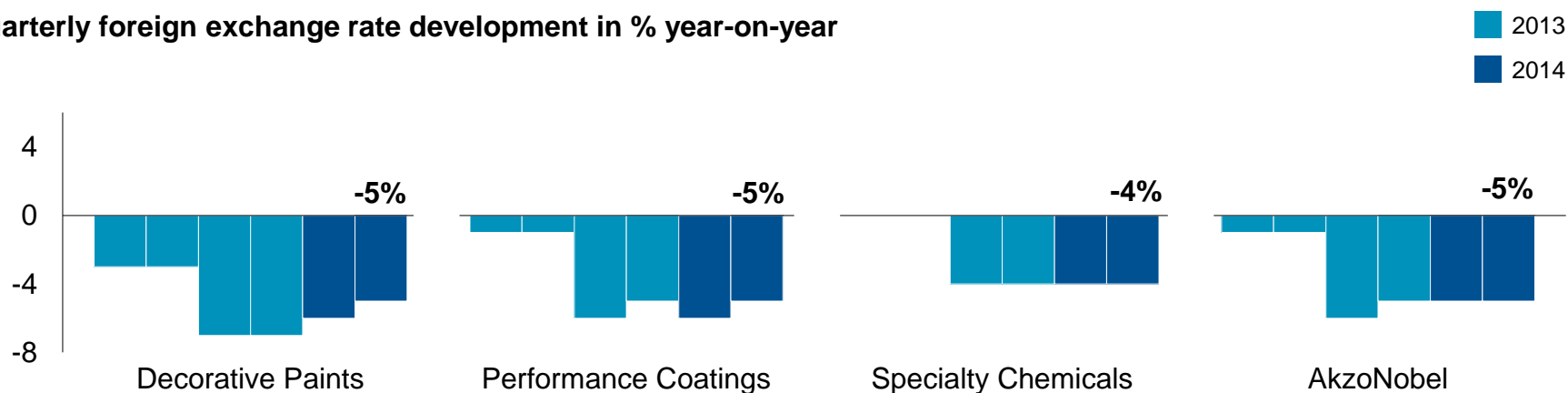


Quarterly price/mix development in % year-on-year



Foreign exchange rates continued to negatively impact our revenues in Q2

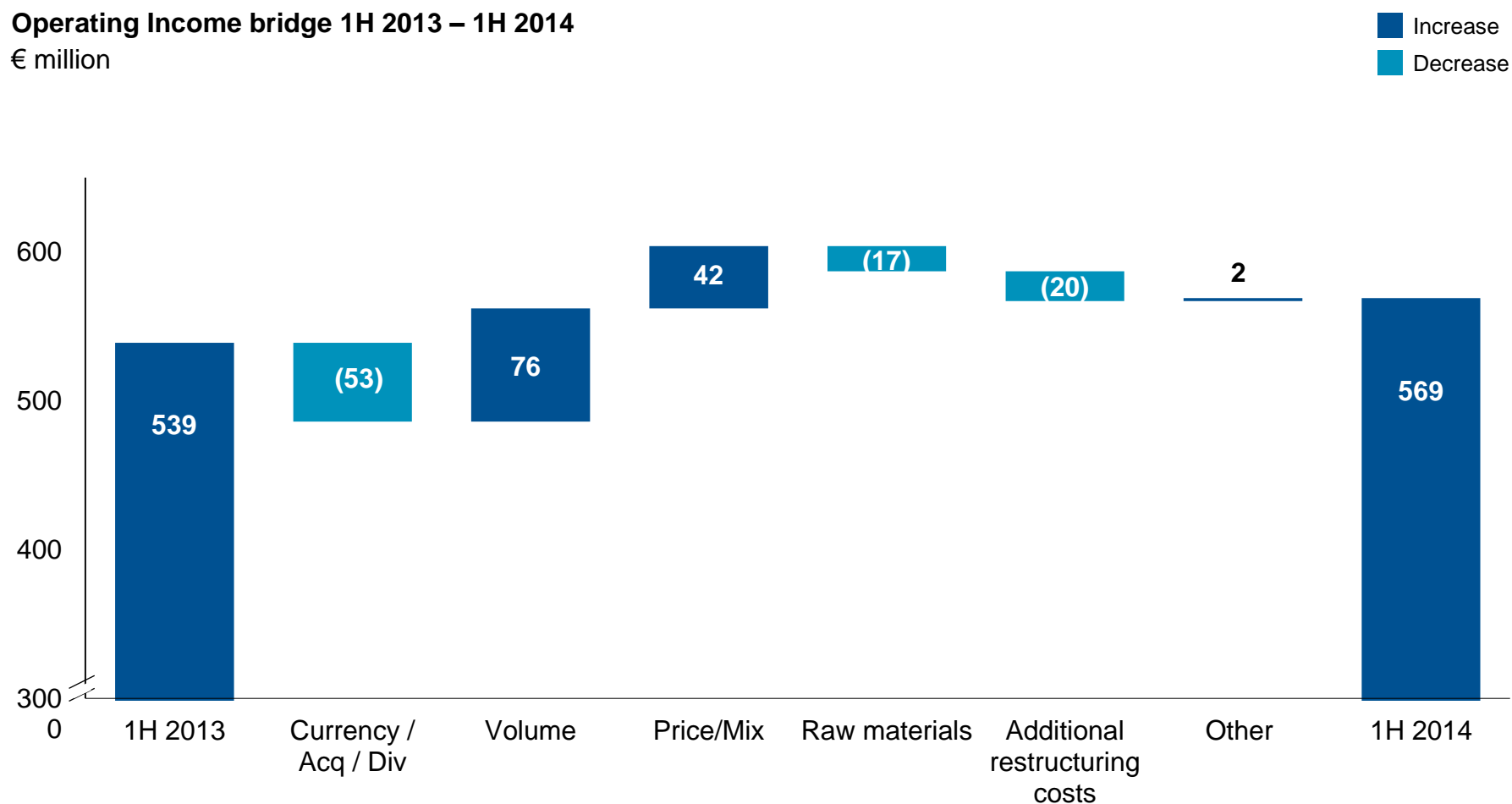
Quarterly foreign exchange rate development in % year-on-year



- 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

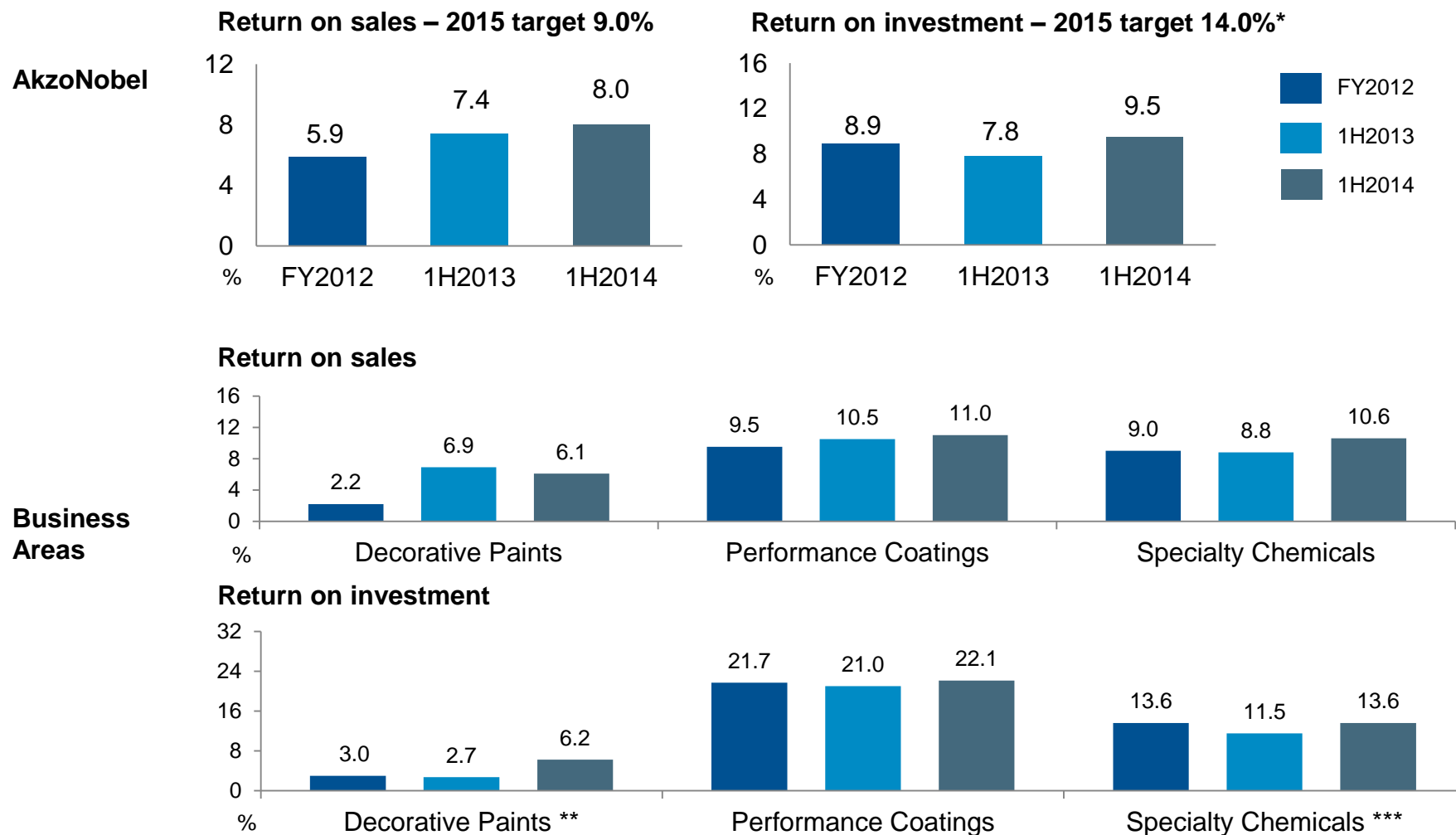
1H 2014 operating income bridge

Operating Income bridge 1H 2013 – 1H 2014
€ million



* Other includes additional benefits from restructuring, wage inflation, one-off's, and depreciation and amortization

Financial targets – progress made to date



* Adjusted for 2012 impairment charge (€2.1 billion), 2013 impairment charge (€139 million) and sale of Building Adhesives

** Adjusted for 2012 impairment charge (€2.1 billion) and sale of Building Adhesives

*** Adjusted for 2013 impairment charge (€139 million)

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 11.6% in Q2 2014
- Exiting the German stores has a positive impact on 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



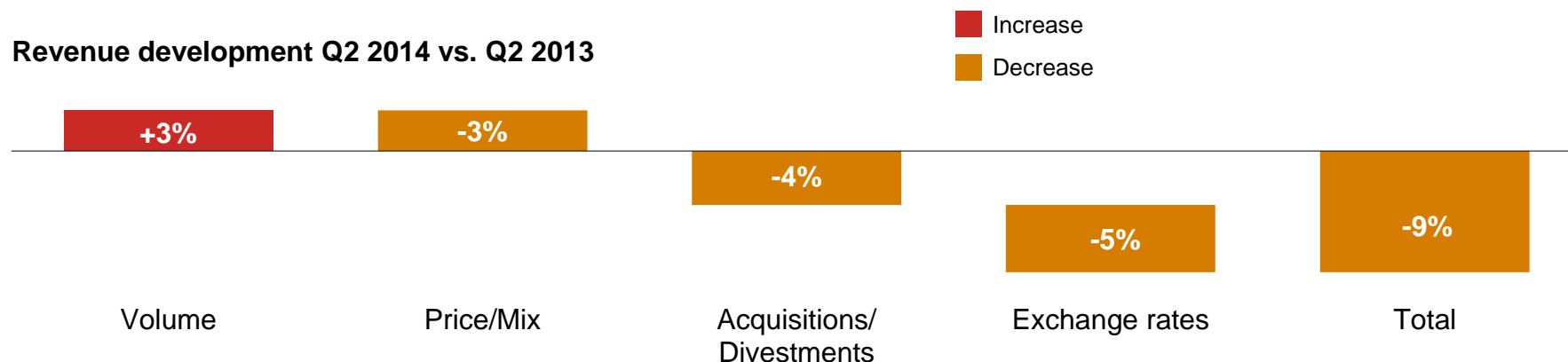
Decorative Paints Q2 2014 highlights

€ 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

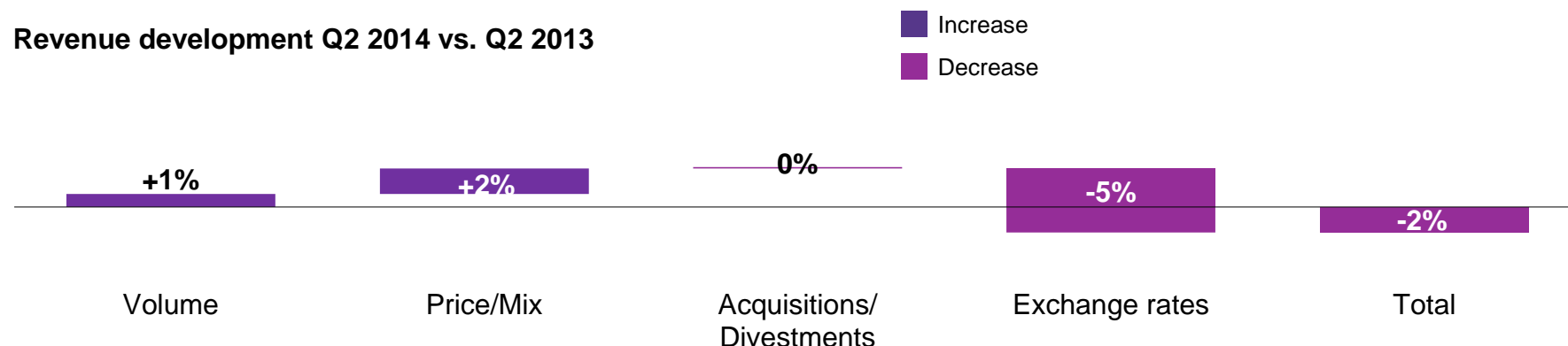
Q2 2014 highlights

€ 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

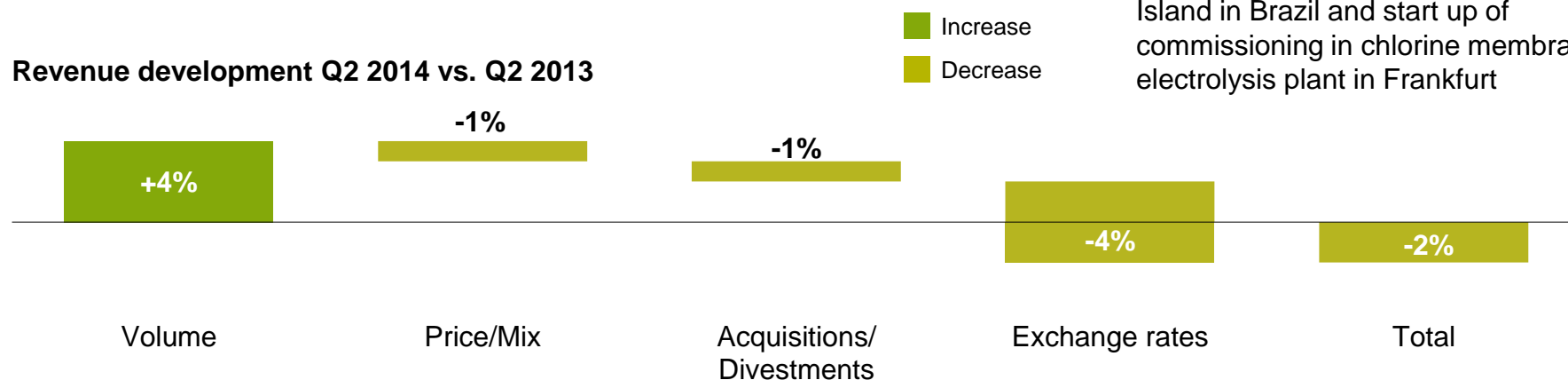
Q2 2014 highlights

€ 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
Ratio	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

Cash flows Q2 2014

€ million	Q2 2014	Q2 2013
Profit for the period from continuing operations	230	333
Amortization and depreciation	156	152
Change working capital	(2)	(123)
• Pension provisions	(27)	(19)
• Restructuring	(14)	(16)
• Other provisions	(19)	(3)
Change provisions	(60)	(38)
Other changes	69	(63)
Net cash from operating activities	393	261
Capital expenditures	(150)	(168)
Acquisitions and divestments net of cash acquired	-	7
Changes from borrowings	(22)	(59)
Dividends	(175)	(178)
Other changes	3	11
Cash flows from discontinued operations	(11)	779
Total cash flows	38	653

IAS 19 pension deficit slightly higher in Q2 2014

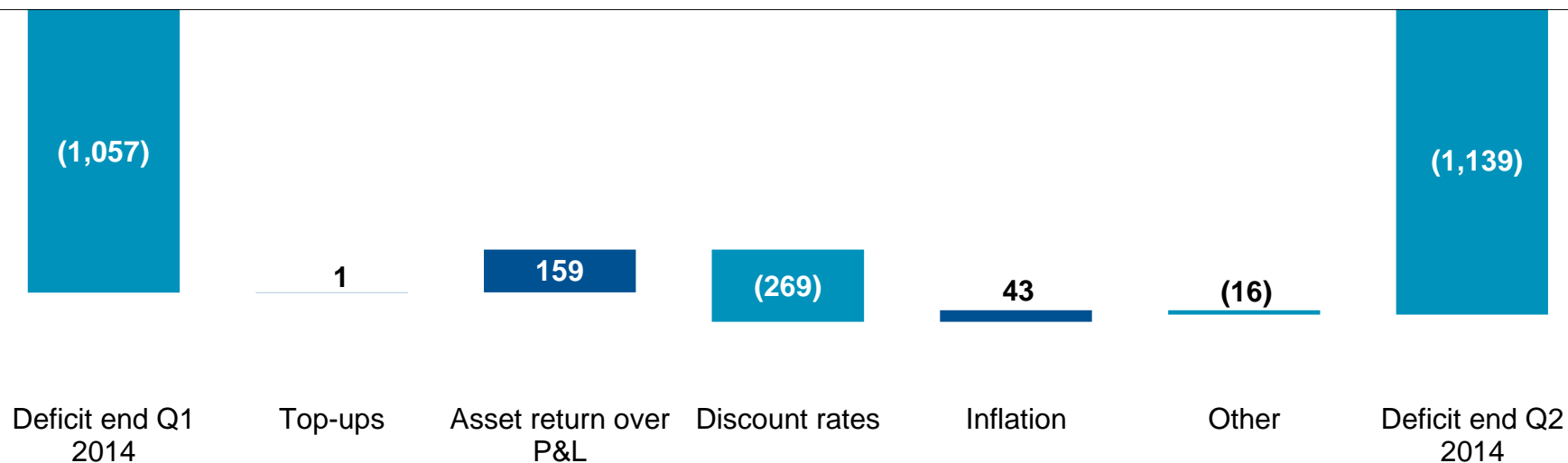
<i>Key pension assumptions metrics</i>	Q2 2014	Q1 2014
Discount rate	4.0%	4.1%
Inflation rate	3.1%	3.1%

Pension deficit development during Q2 2014

€ million

■ Decrease

■ Increase

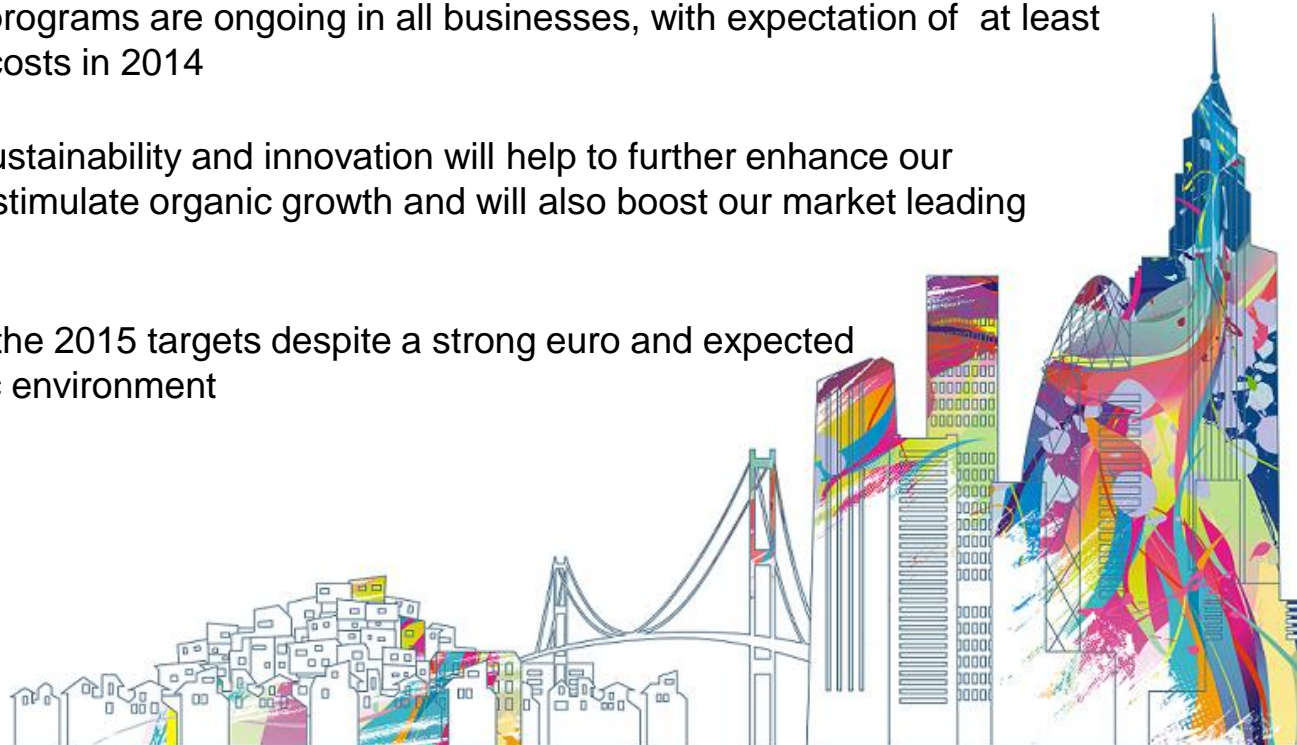


Conclusion

- 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

Restructuring charges by quarter*

€ million	Q1	Q2	Q3	Q4	FY 2013	Q1 2014	Q2 2014	YTD 2014
Decorative Paints	7	24	8	66	105	22	23	45
Performance Coatings	11	5	9	77	102	15	17	32
Specialty Chemicals	1	0	46	27	74	7	2	9
Other	10	11	12	34	67	0	3	3
Total	29	40	75	204	348	44	45	89

* 2013 charges related to Performance Improvement Program

Effects from Building Adhesives on FY 2013 results

€ million	Q1	Q2	Q3	Q4	FY 2013
Revenue	45	49	47	-	141
Operating Income	4	5	3	-	12

- Divestment completed on October 1st, 2013
- Results still included in 2013 financials, impact on 2014 revenue development visible through acquisitions/divestments

Q2 2014 Operating income – Cash bridge

<i>€ million</i>	Q2 2014	Q2 2013
Operating Income	353	322
Incidentals	-	-
Depreciation & amortization	156	152
EBITDA before incidentals	509	474
Other	15	14
Change working capital	(2)	(123)
Change provisions	(60)	(38)
Interest paid	(17)	(27)
Income tax paid	(52)	(39)
Net cash from operating activities	393	261

Innovation Pipeline Q2 2014 Decorative Paints – Rubbol Satin

Key Features

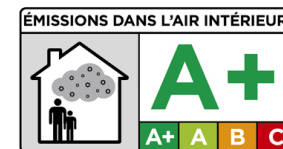
- Cobalt-free technology
- High whiteness and low yellowing
- Creamy aspect
- Good mechanical resistance

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

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

Our proposition: Leading market positions delivering leading performance

AkzoNobel has gone through a significant amount of strategic change over the past five years

Today, the company has

- Excellent portfolio of businesses
- Good long term growth potential on the basis of end-user segment growth
- Strong positions in high growth markets (44% of revenue)
- Leadership positions in many markets
- Clear leader in sustainability
- Track record of delivering sustainable innovations and products
- Strong brands, both in consumer and industrial markets

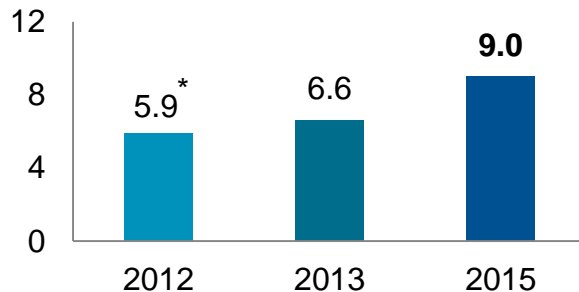
Clear focus to deliver on our significant potential

- Improved returns and cash flow
- Leveraging scale
- Simplification and standardization
- Continued innovation

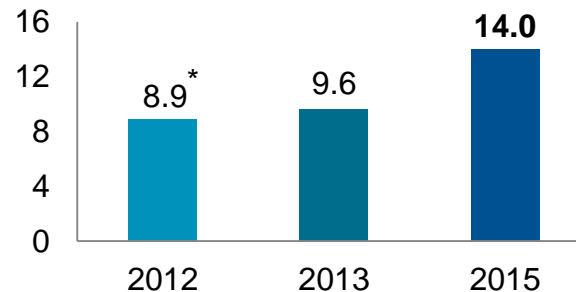


Realistic 2015 financial targets focused on quality of earnings and value creation

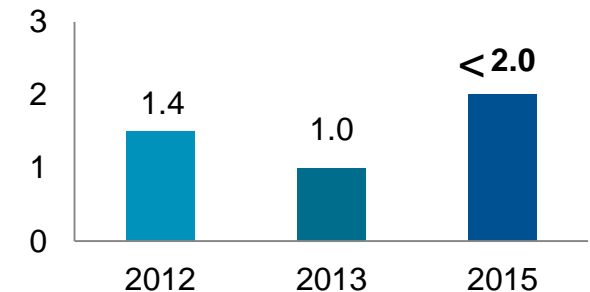
Return on sales
(Operating income/revenue)
%



Return on investment
(Operating income/average
12 months invested capital)
%

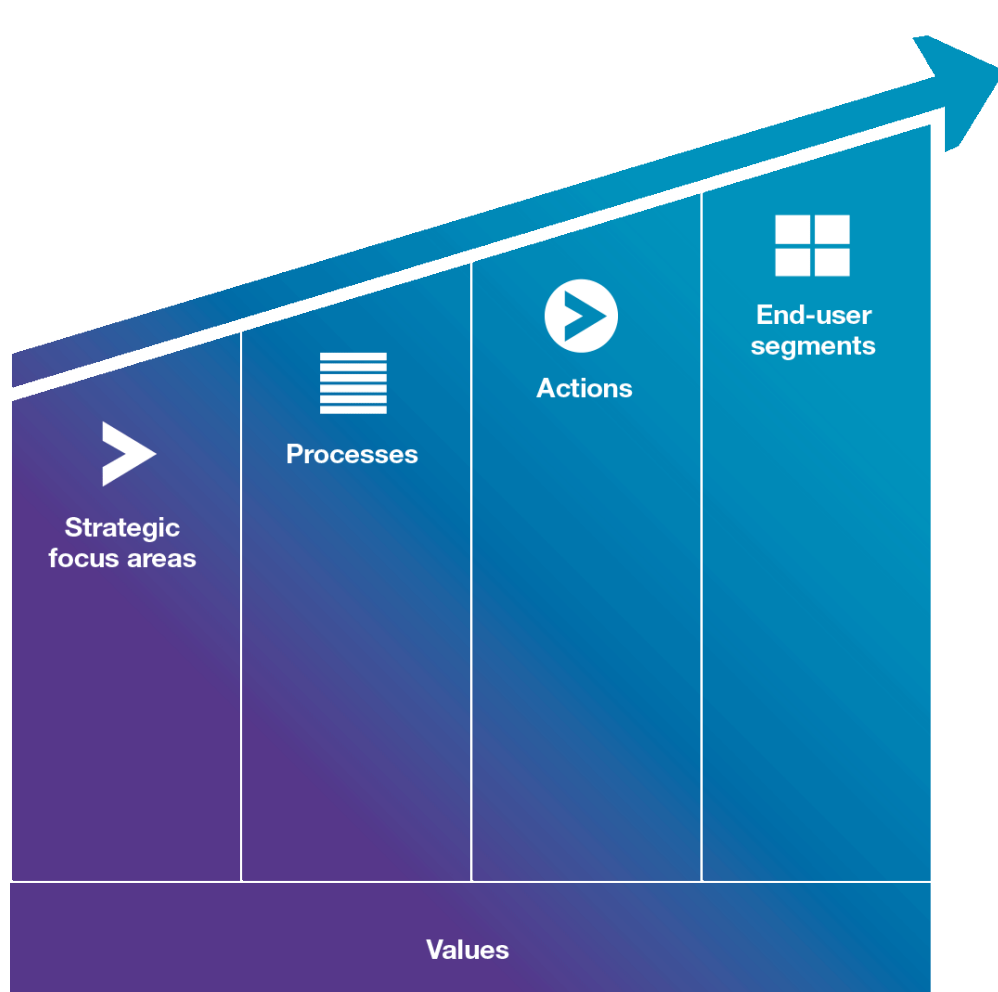


Net debt/EBITDA
x



On track to achieve 2015 targets

AkzoNobel strategy introduced in 2013



Vision:

**Leading
market positions
delivering
leading performance**

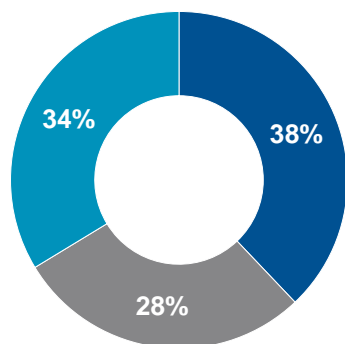
- Organic growth
- Operational excellence

AkzoNobel today

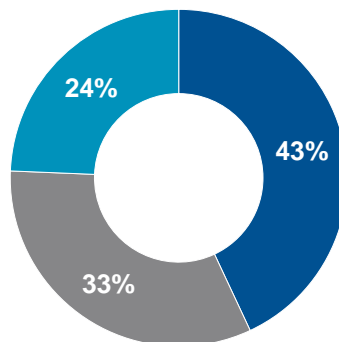
- Revenue €14.6 billion
- 49,560 employees
- 44% of revenue from high growth markets
- Major producer of Paints, Coatings and Specialty Chemicals
- Leadership positions in many markets



Revenue by Business Area

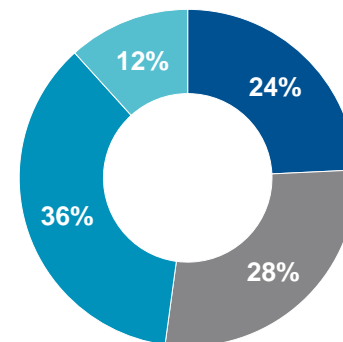


Operating income by Business Area



6.6%
Return on sales
(operating income/revenue)

Invested capital by Business Area

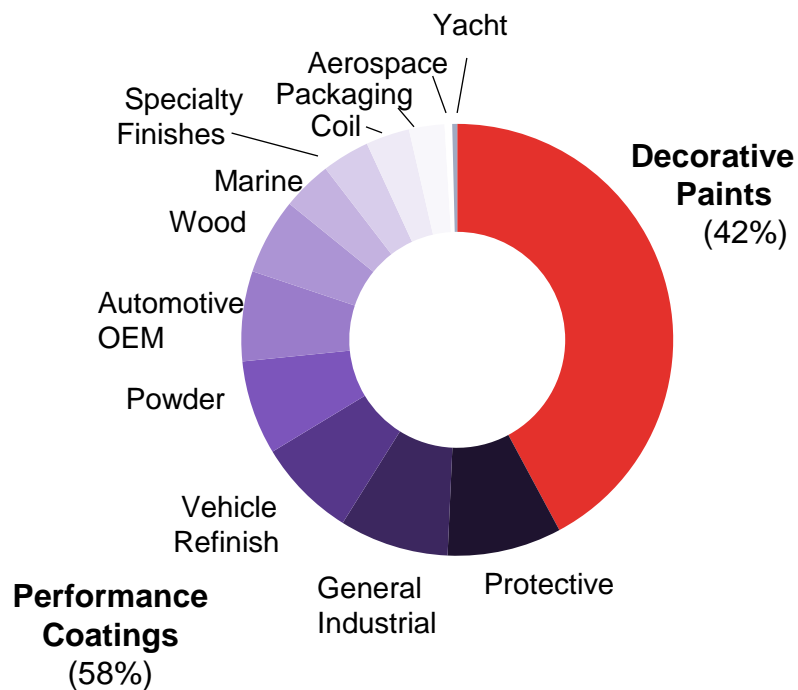


9.6%
Return on investment
(Operating income/average
12 months invested capital)

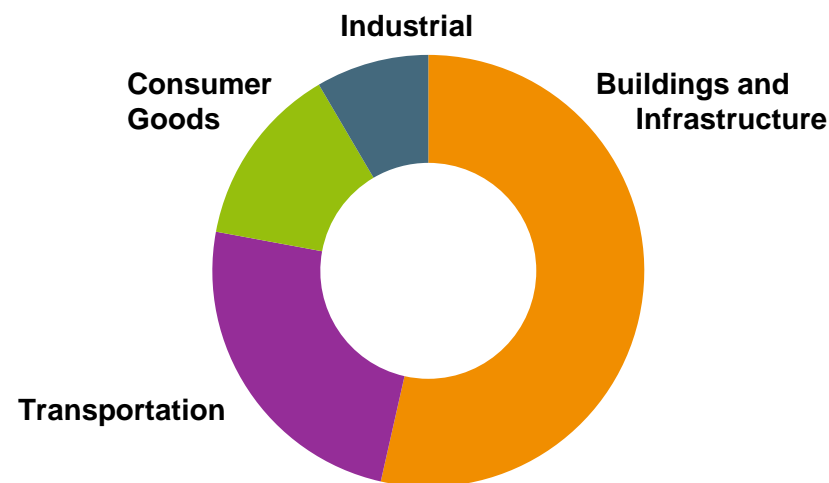
- Performance Coatings
- Decorative Paints
- Specialty Chemicals
- Other

The global paints and coatings market is around €80 billion


By market sector
2013, 100% = €80 billion



By end-user segment
2013, 100% = €80 billion

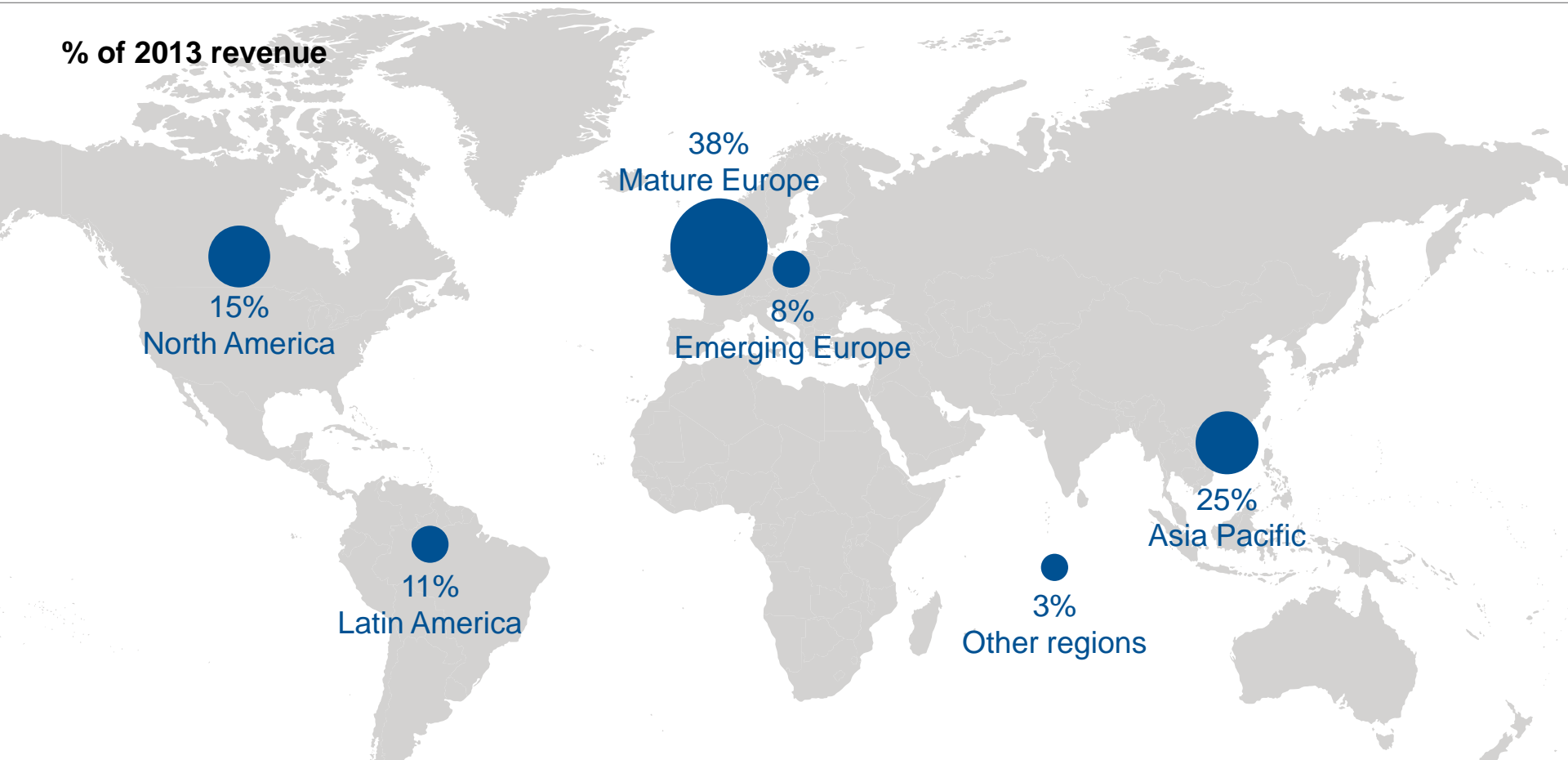


AkzoNobel has many leading market positions

		No.1 Position	Other key players
Decorative	Multiple regions outside North America		PPG, regional players
	North America*	Sherwin-Williams	PPG, regional players
Protective			Sherwin-Williams, Jotun
Powder			Axalta, Jotun, regional players
Auto refinish		Axalta	PPG, AkzoNobel
Wood			Sherwin-Williams, Valspar
Marine			Jotun, Chugoku
Coil			PPG, Beckers

High growth markets are 44% of revenue and their importance will increase

% of 2013 revenue

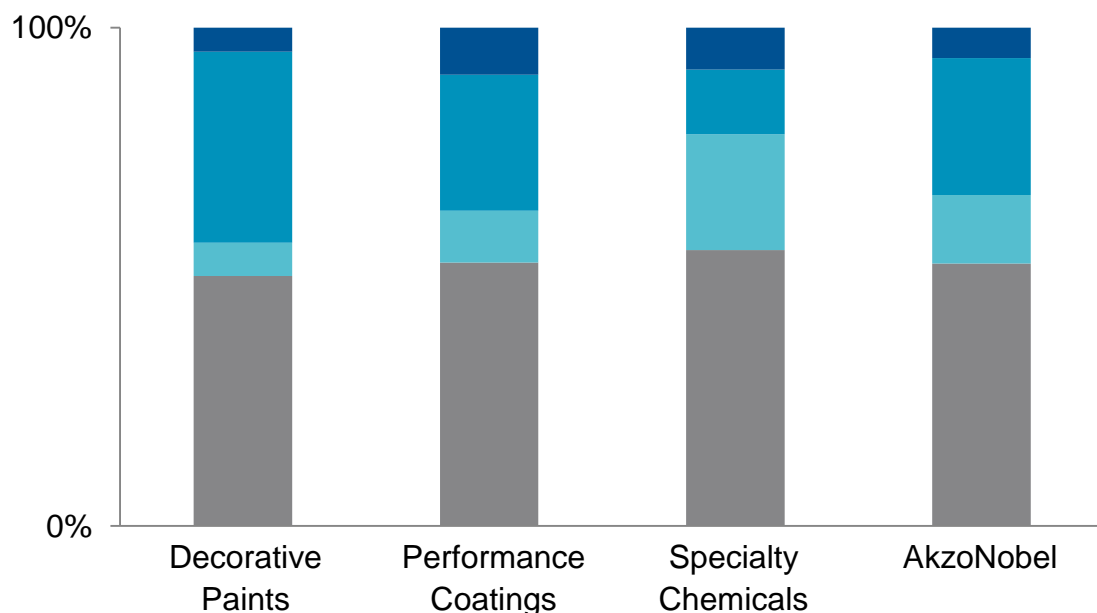


Share of revenues from high growth markets will increase over time

In aggregate variable costs represent 53% of revenue

Profit and loss breakdown*

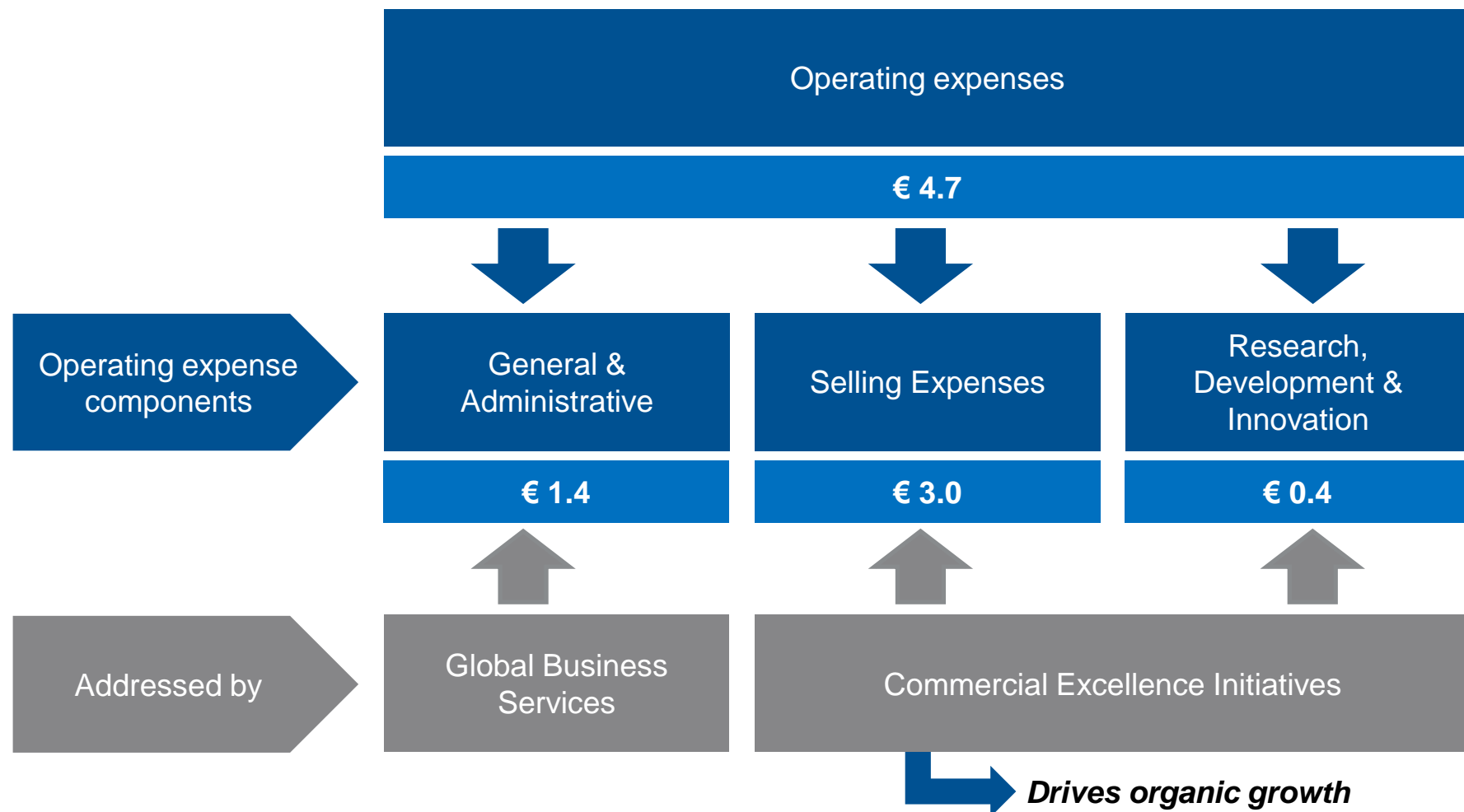
% of total



- EBIT margin
- Selling, advertising, administration, R&D costs
- Fixed production costs
- Raw materials, energy and other variable costs

- AkzoNobel is well positioned for economic recovery
- Variable costs represent 53% of revenue, down from 54% in 2012
- Decorative Paints is more driven by personnel costs in the distribution network, while Specialty Chemicals has more production costs

We are actively addressing all components of operating expenses



Drive towards continuous improvement and commercial excellence

- Restructuring activities to continue into 2014, moving into continuous improvement which will enable us to achieve the 2015 targets
 - 2014 restructuring charges expected to total at least €250 million and will be more evenly spread over the year and Q1 2014 will be higher than the same quarter last year
 - Thereafter, more normalized levels of restructuring costs, around 1% of revenues

Ongoing initiatives in 2014:

Commercial Excellence	<ul style="list-style-type: none"> • Delivering quality products and innovations to our customers at a lower cost to serve <ul style="list-style-type: none"> – Improve customer satisfaction – Drive organic growth – Improve margins – Sales and marketing productivity
Global Business Services	<ul style="list-style-type: none"> • Streamlining corporate functions (Finance, HR, IM et cetera) by introducing a new Global Business Services function responsible for implementing standardized core functional processes throughout the organization • Centers of Excellence, Shared Service Centers, Business Partnering

Sustainability is business; business is sustainability

AkzoNobel

20%

of revenue by 2020 from products that are more sustainable for our customers than the products of our competitors

25-30%

more efficient resource and energy use across the entire value chain by 2020 (measured by carbon footprint reduction)

REI

(Resource Efficiency Index)

A new indicator measuring how efficiently we generate value (expressed as gross profit divided by cradle-to-grave carbon footprint)

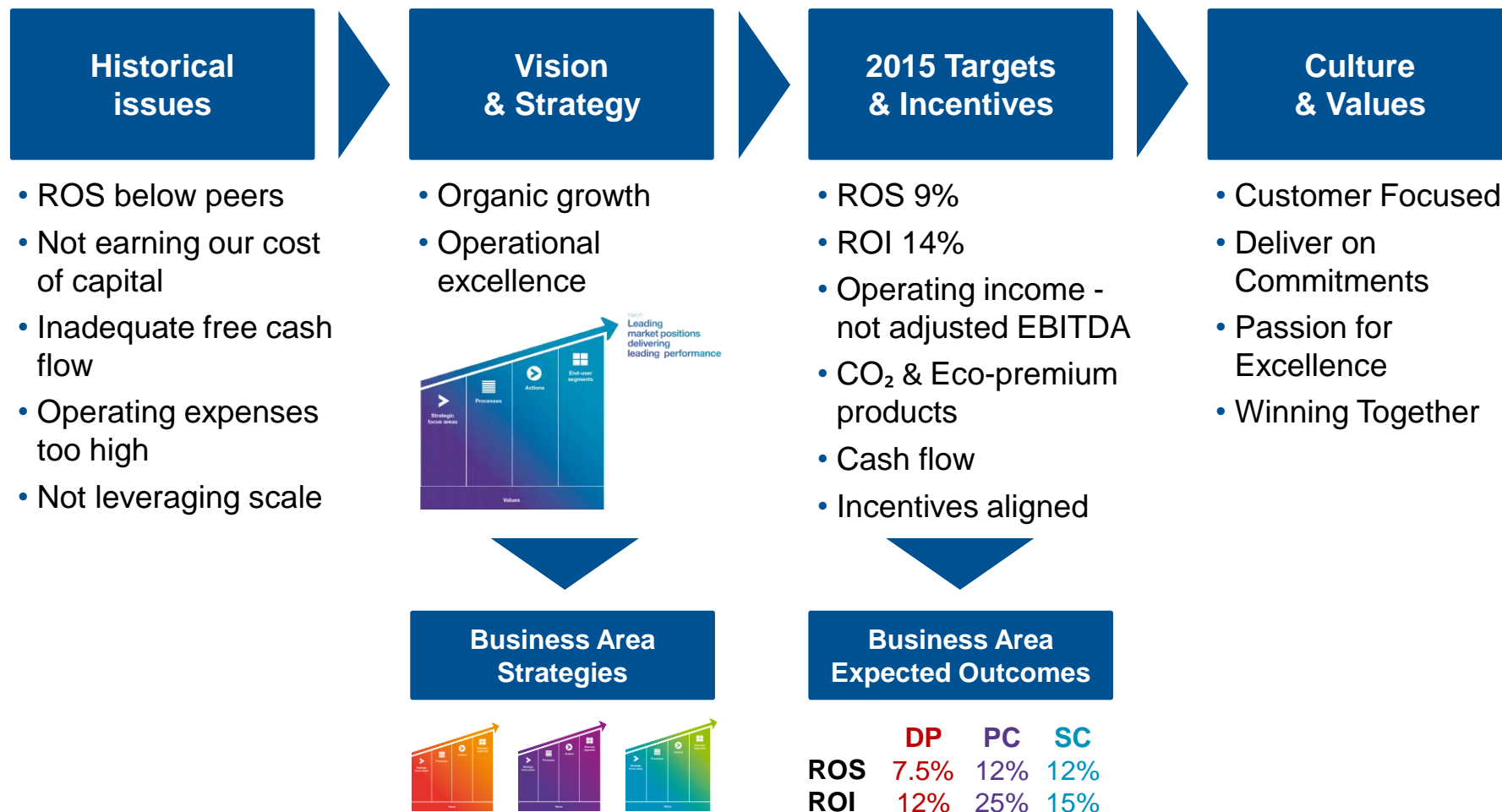


AkzoNobel ranked #1 again in the Dow Jones Sustainability Index for the Materials Industry group

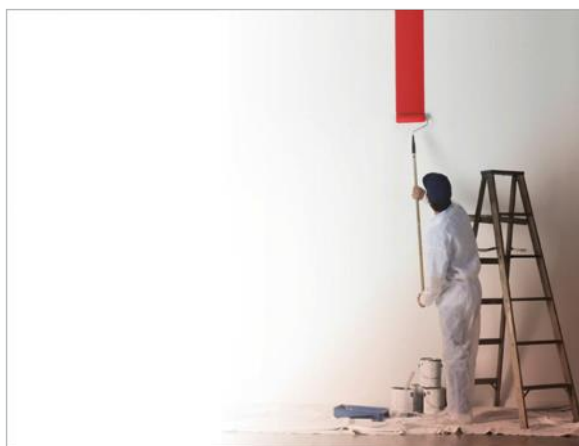
AkzoNobel values drive cultural change



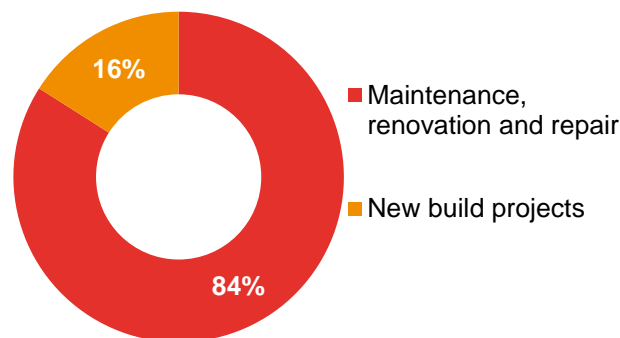
Leading performance; gaining momentum



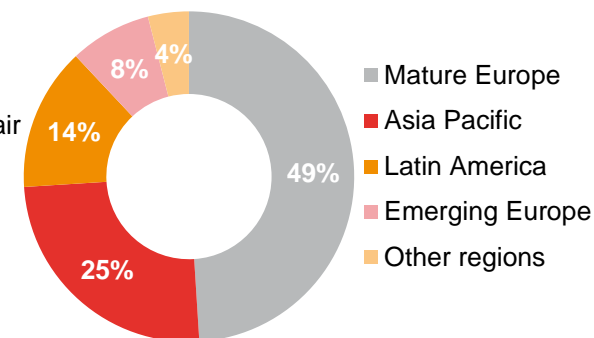
Decorative Paints business at a glance



Revenue by end-user sub-segment



Revenue by geographic spread



Decorative Paints key figures

€ million	2013
Revenue	4,174
EBITDA	362
Operating income	200*
Return on sales	4.8%*
Return on investment	6.9%*
Employees	16,240

Key messages

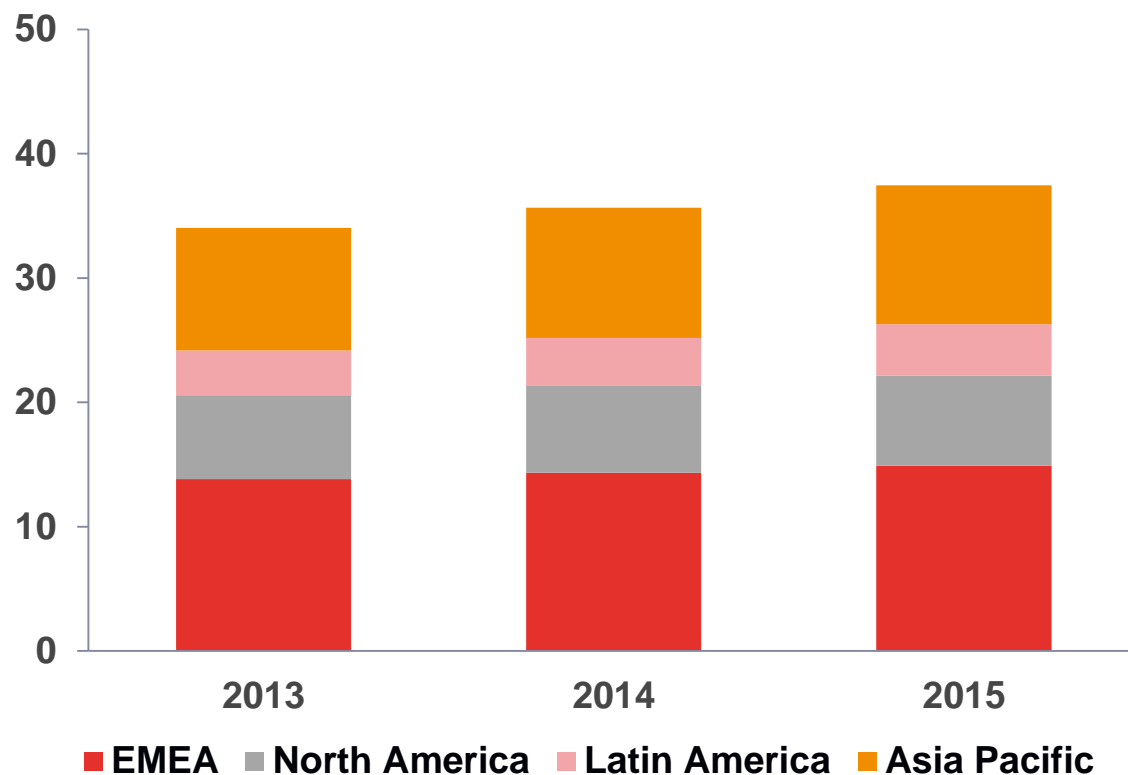
- We are the global leader in size in the attractive global Decorative Paints market
- We are pursuing a vision of becoming the leading global Decorative Paints company in size and performance
- Strategic priorities:
 - Fix Europe
 - Grow profitably in high-growth markets

* Excludes a €198 million gain on the sale of Building Adhesives

The global Decorative Paints market is attractive in terms of size and growth

Decorative Paints sales

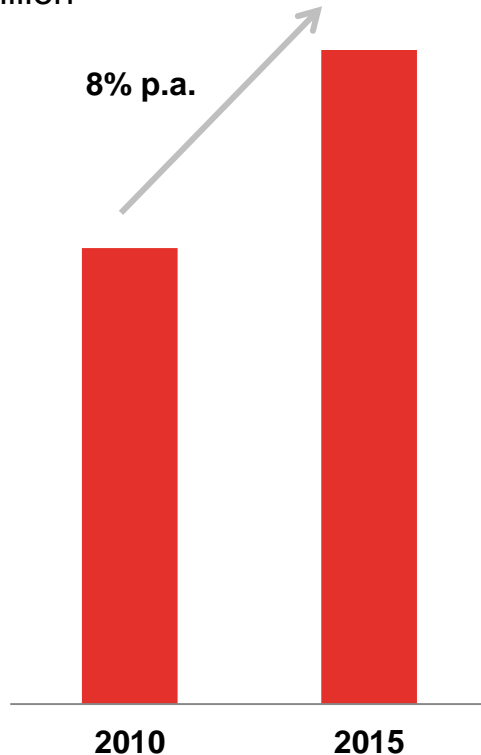
€ billion



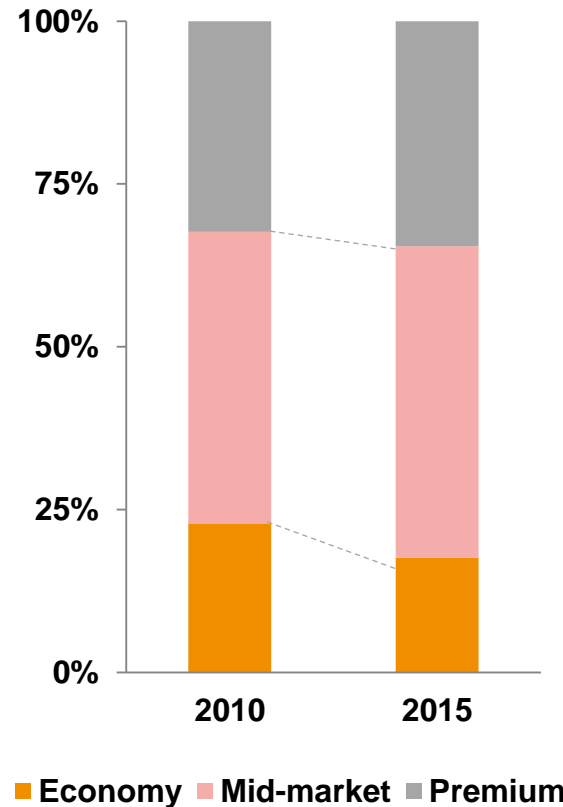
- Used for protection as well as decoration
- Consumption per capita driven primarily by the frequency of repainting
- Demand growth closely correlated with GDP growth, consumer expectations
- In high-growth markets, tends to outstrip GDP growth by up to 1.5x

High-growth markets are growing well and are increasingly 'trading up'

Paint market growth*
\$ billion



Paint market composition*
% of total, by value



- Paint markets in high-growth markets are still showing significant opportunities for growth
- Spending power of the middle class in high-growth markets is increasing

Source: Orr & Boss, management estimates.

* includes China, India, other emerging Asia-Pacific, Brazil, Argentina, other emerging Latin America, Middle East and Africa

In Decorative Paints we hold strong market positions across all regions

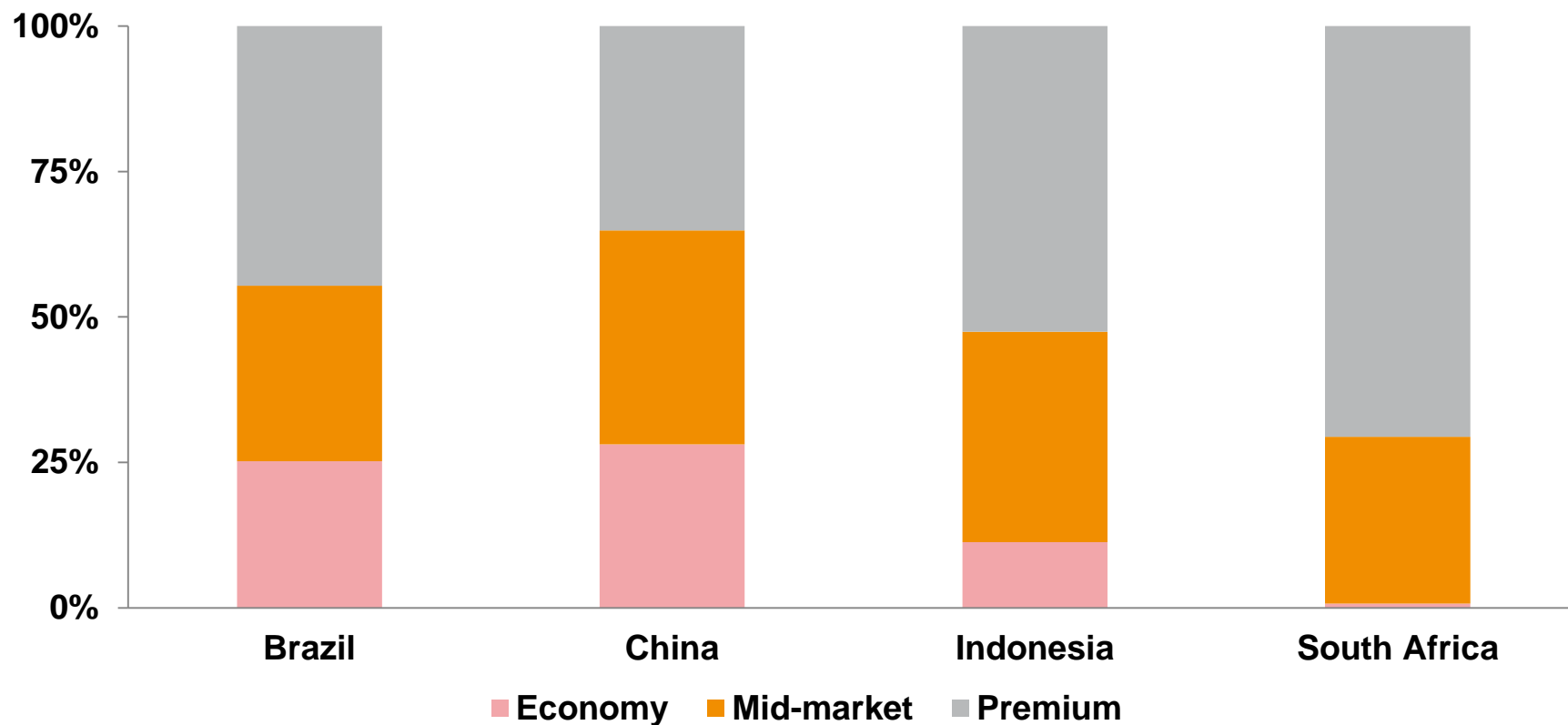
Geographic area	Geographic size (€ billion)	AkzoNobel position
Europe*	12.2	1
South East Asia and Pacific	1.7	1
China and North Asia	6.4	2
Latin America	2.5	2
India and South Asia	2.8	3

* Europe includes Africa and Middle East

We are strong in the premium segment, but also compete successfully elsewhere

AkzoNobel Decorative Paints revenue by segment

% of revenue



We have very strong brands linked by a global approach to branding

- Our well-known brands are one of our key competitive advantages
- We have a number of powerful, relevant brands occupying a number of positions across different markets (consumer, professional, and other such as woodcare)
- Where possible, we have leveraged our scale and created a single global identity
- We have rationalized our brand portfolio – concentrating our investment behind fewer, bigger, better brands



Accomplishments to date

Area	Beginning 2008	End 2013
Cost reductions*	n/a	> 200 million
Number of FTEs	25,800	16,240
Brands	100	59
SKUs	>90,000	69,000
Factories	80	45
Warehouses	160	135
ERP systems	>40	1

Fix Europe

Objectives:

- Improve performance by driving operational excellence and changing the operating model in Europe
- Ensure that we are positioned for organic growth in mature European markets when the market recovers (e.g. UK)
- Pursue organic growth in select countries where there are attractive opportunities today (e.g. Turkey, Poland)



Fix Europe

Actions:

- Implement a central operating model and simplify our organizational structure
- Consolidate our manufacturing and distribution footprint
- Develop and implement standardized and efficient marketing and sales platforms
- Redesign back office processes to support back office consolidation and restructuring
- Maintain a strong focus on customers and markets through the transition period



Changing our operating model in Europe

Action	2012	2013	2014	2015
Integrate relevant European activities and management				
Rationalize product portfolio and raw materials				
Rationalize manufacturing footprint				
Fully implement sales excellence				
Outsource certain finance businesses				
Implement central operating model				
Leverage repeatable models globally				

Grow profitably in high-growth markets

Objectives:

- Outgrow the market
- Ensure that we leverage our (global) scale to ensure that we improve relative profitability while we grow

Actions:

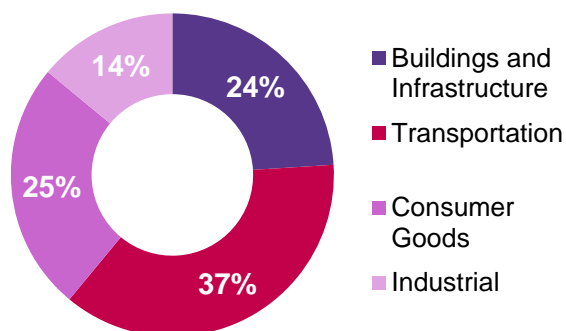
- Develop profitable mid-market business model(s)
- Build and implement a robust distribution strategy framework
- Leverage global marketing and innovation scale to win locally
- Leverage our strong brands
- Create and implement a digital marketing strategy



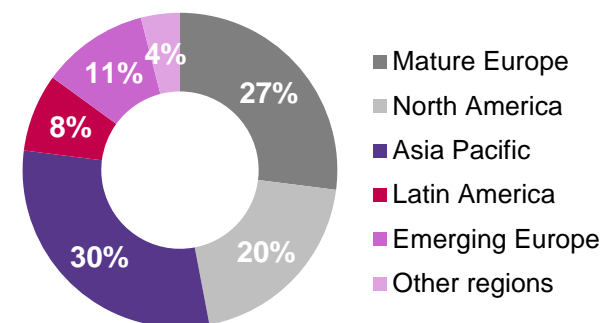
Performance Coatings business at a glance



Revenue by end-user segment



Revenue by geographic spread



Performance Coatings key figures

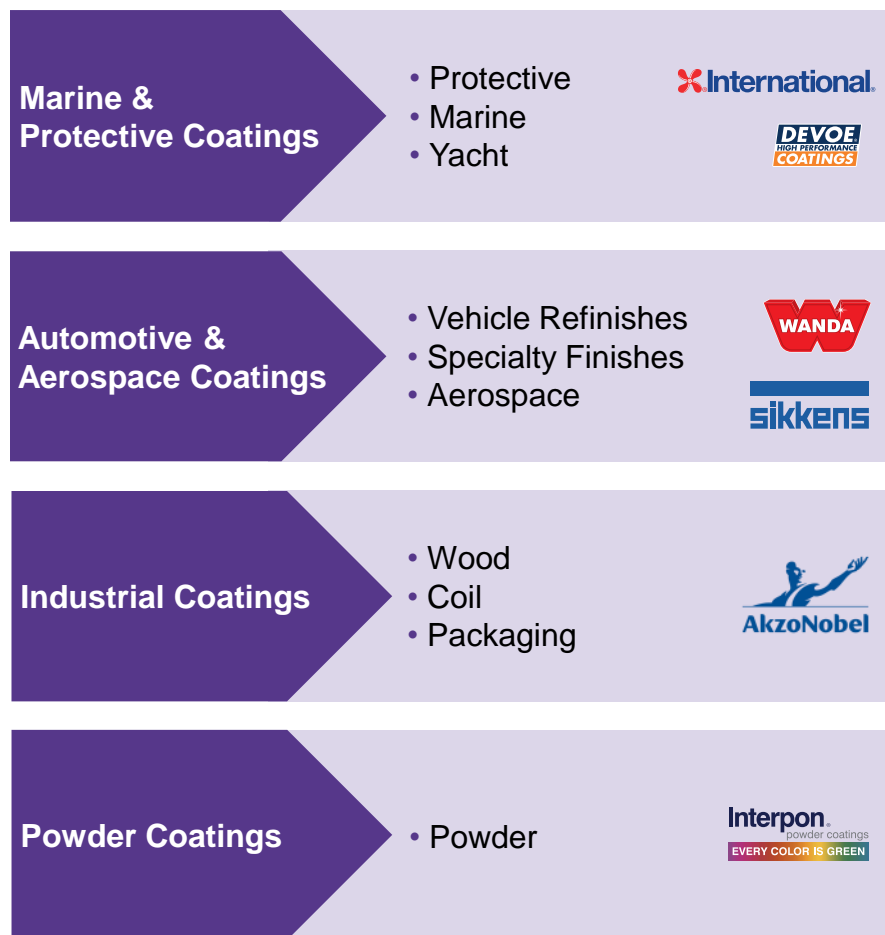
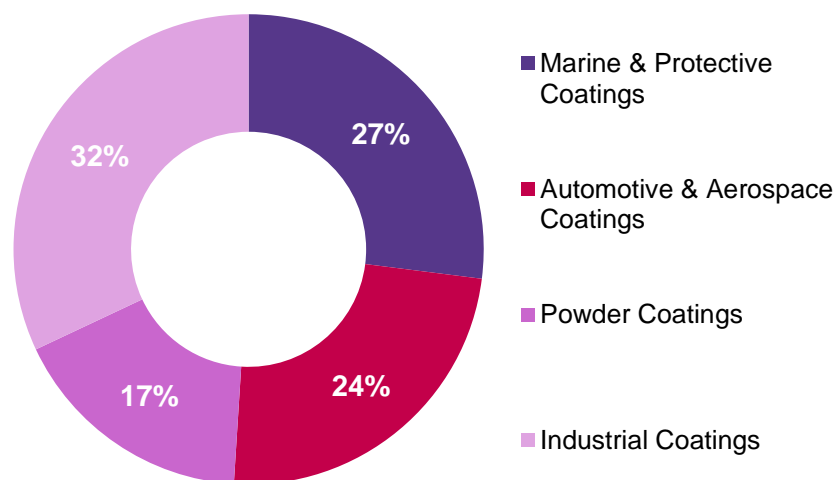
€ million	2013
Revenue	5,571
EBITDA	663
Operating income	525
Return on sales	9.4%
Return on investment	21.3%
Employees	21,360

Key messages

- We have leading market positions
- Strategic priorities include:
 - Performance improvement initiatives
 - Differentiated growth strategies

We are organized in four Business Units

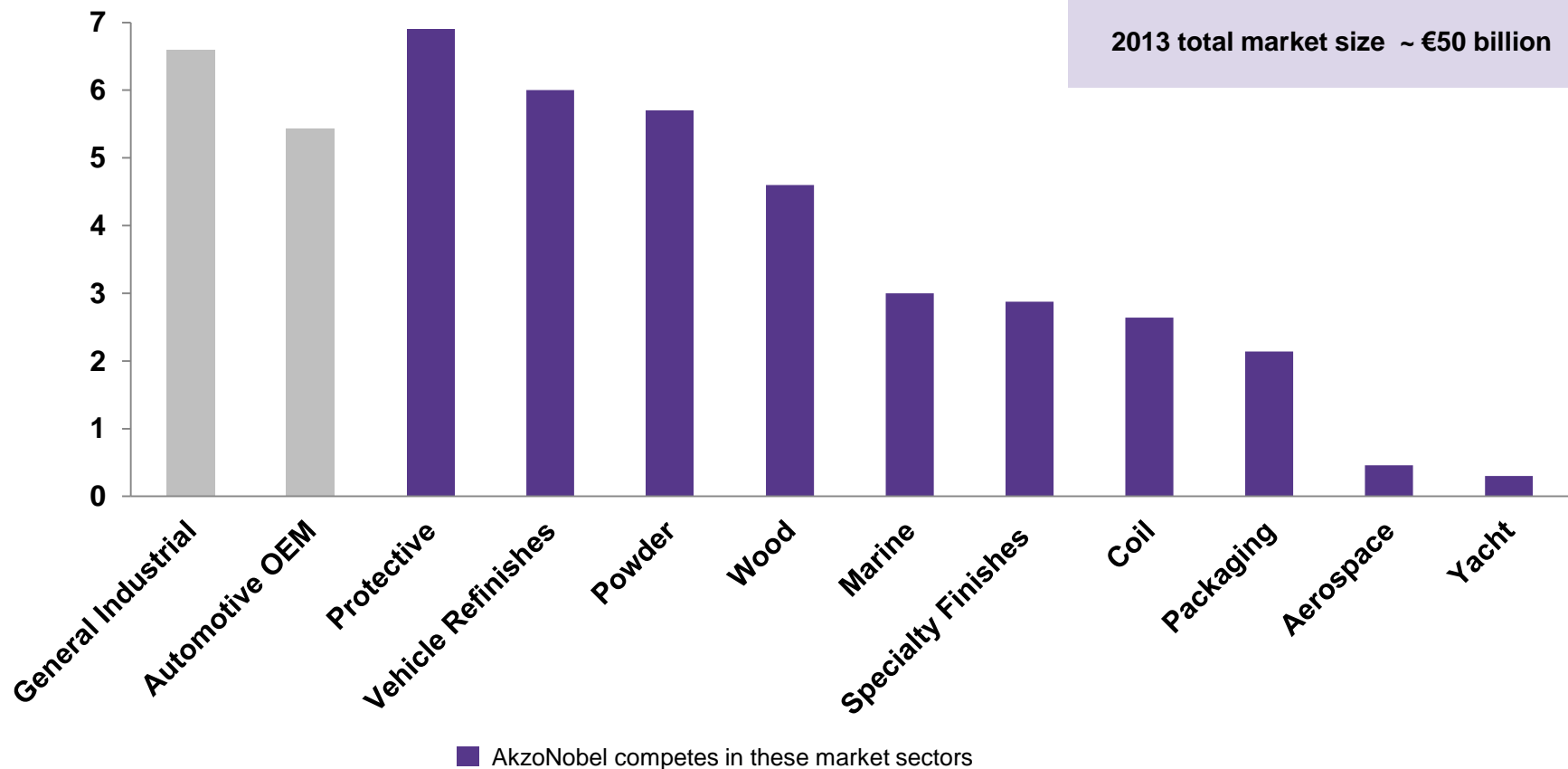
2013 revenue by Business Unit



The Performance Coatings market is based on twelve sectors

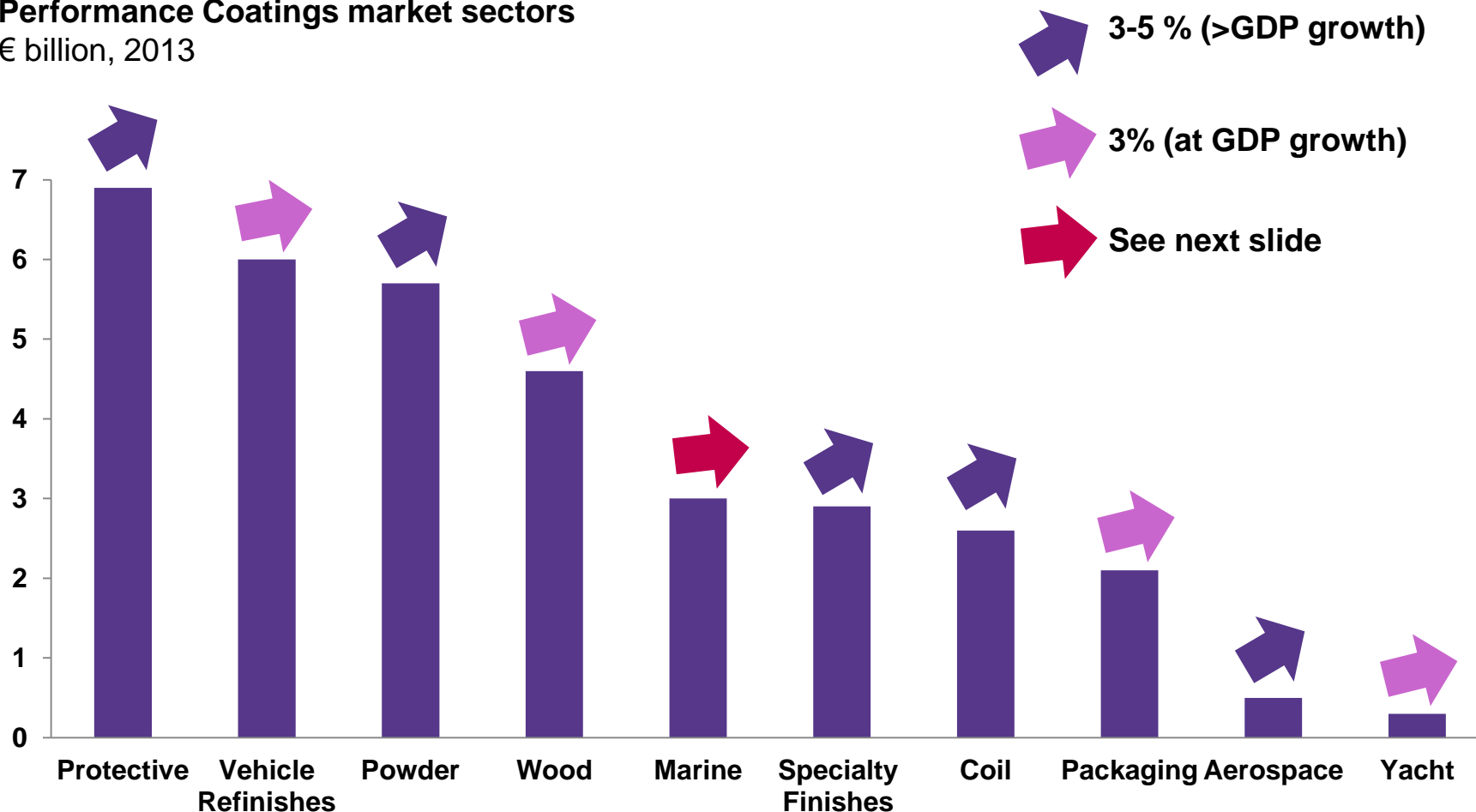
Performance Coatings market sectors

€ billion, 2013



The five year outlook for most sectors is positive

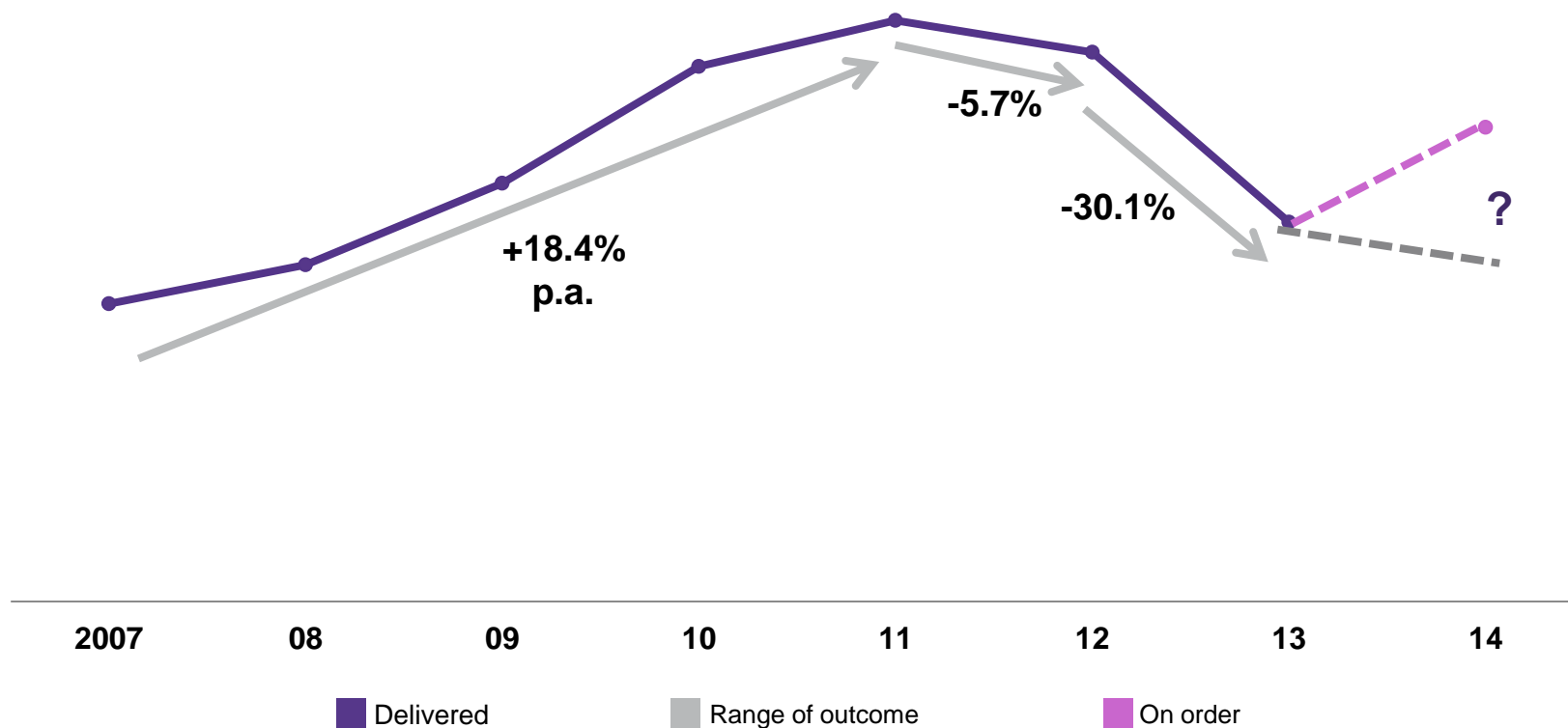
Performance Coatings market sectors
€ billion, 2013



The Marine new build market *may* have now reached the bottom of the cycle...

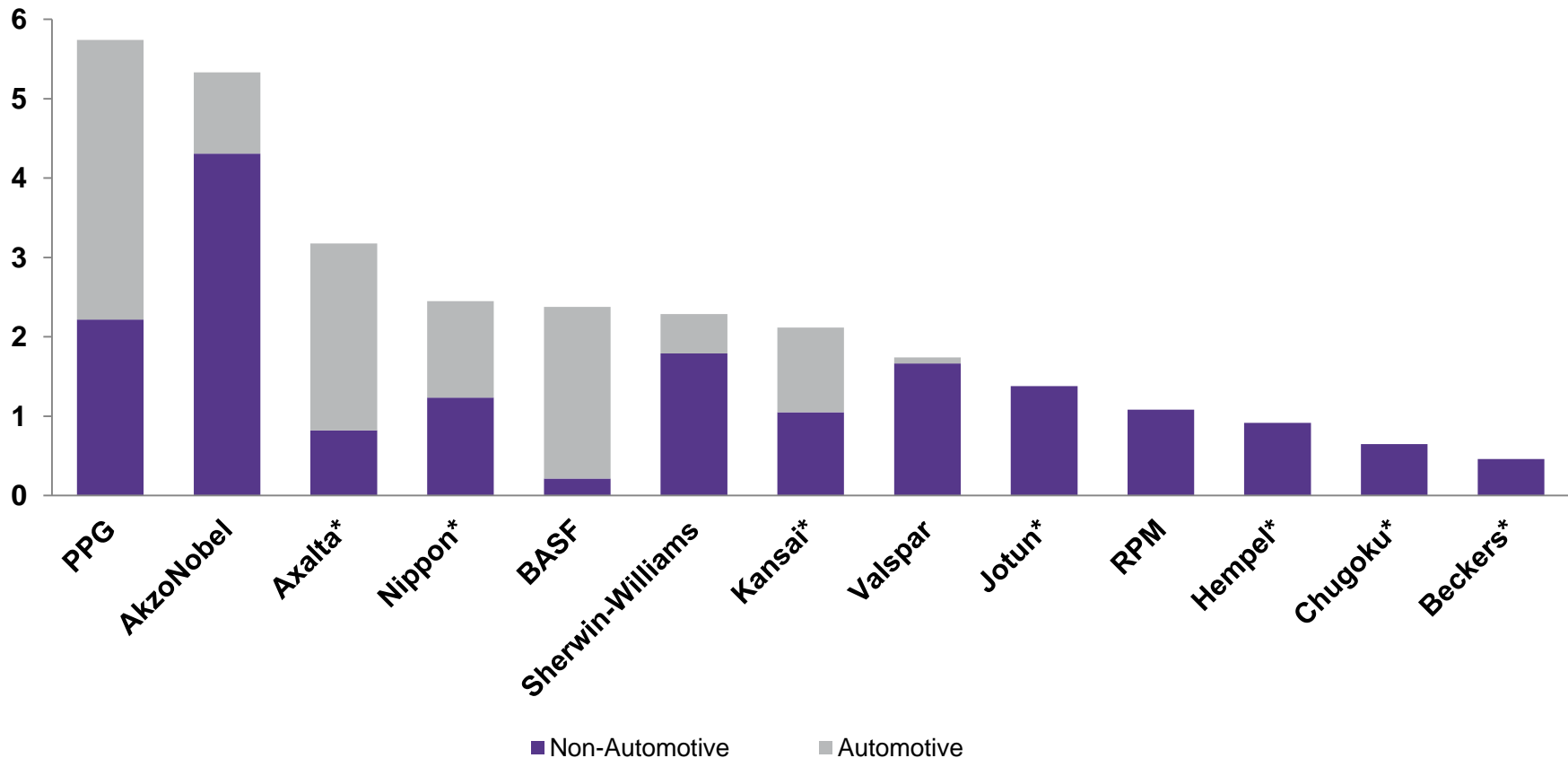
New build ship deliveries

Million deadweight tons, 2007 = 95



AkzoNobel is the global market leader in Performance Coatings, excluding Automotive

Performance Coatings revenue
 € billion, 2013 unless noted

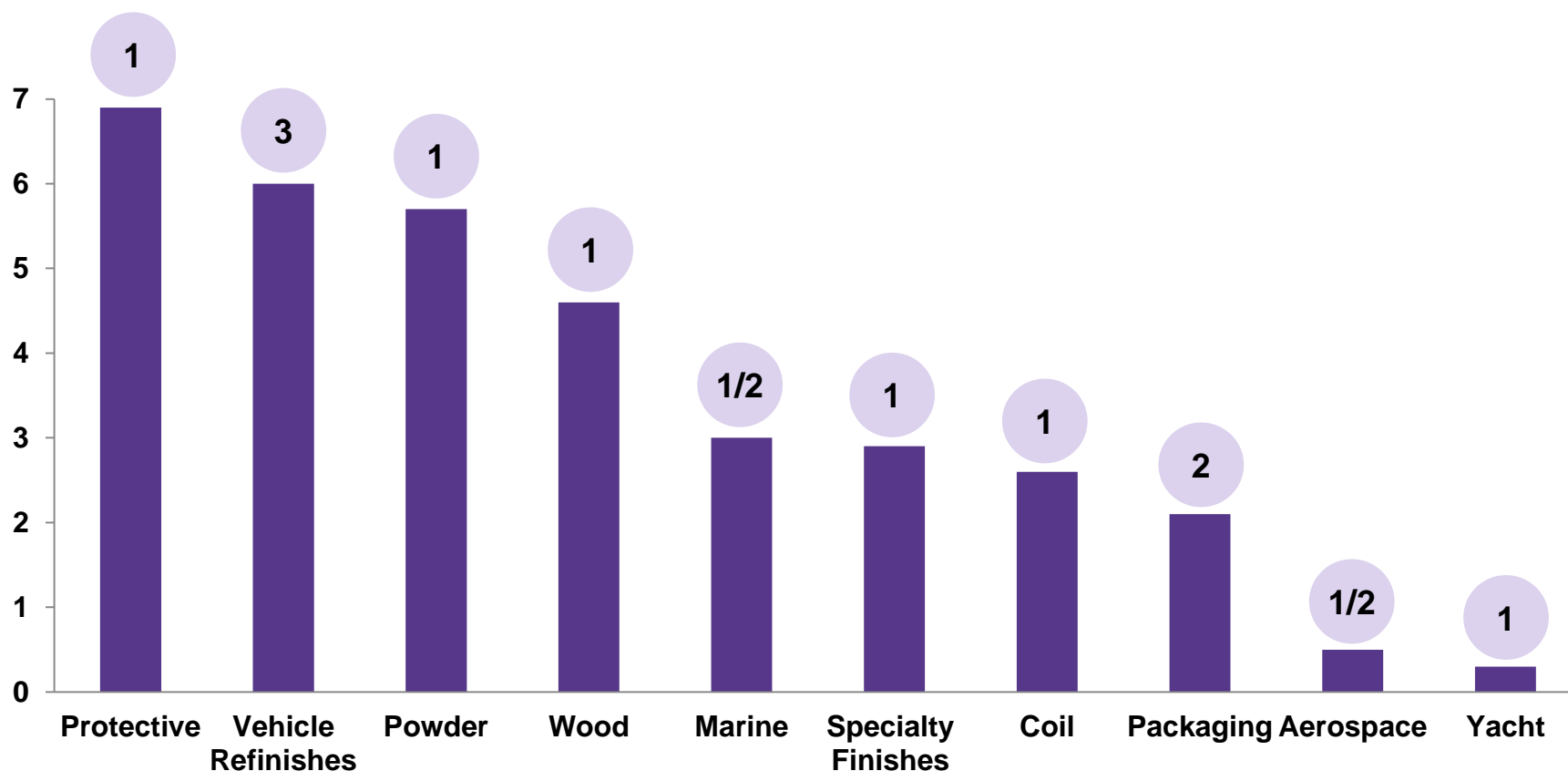


* 2012 data
 Source: Annual Reports; AkzoNobel analysis

AkzoNobel has many leading market sector positions in Performance Coatings

Performance Coatings market sectors
€ billion, 2013

x AkzoNobel market share position (by value) 2013



We successfully expanded our portfolio and global presence

- Performance Coatings has made four bolt-on acquisitions over the last few years that brought many benefits, including:
 - Expanding our global reach
 - Broadening our technology offering
 - Taking leadership positions
 - Extracting significant synergies, particularly in procurement

Acquisition	Business Unit	Year
Dow/Rohm & Haas	Powder	2010
Lindgens Metal Decorating Coatings and Inks	Industrial Coatings	2010
Changzhou Prime Automotive Paint Co., Ltd	Vehicle Refinish	2010
Schramm & SCCP	Automotive & Aerospace	2011

We have a strong business but there is room for improvement going forward

What we have done over the last three years

Room for improvement over the next three years

Grown the business in a difficult market environment

- Bolt-on acquisitions
- Margin management actions

Grow volume organically

Reduced costs through the performance improvement program

Improve return on sales

Delivered strong return on investment on tight working capital management and prudent capital expenditure

Continue to deliver strong and stable return on investment

Drive performance improvement initiatives

Initiative

Actions

Drive commercial excellence to increase sales effectiveness

Roll out a common set of commercial processes to deliver both organic growth and commercial efficiency

Deliver further complexity reduction and continuously reduce external spend

Use a cross-business, cross-functional approach to deliver complexity reduction and year-on-year savings in external spend

Continuously improve operational productivity

Embed standard processes and continuous improvement capabilities to achieve year-on-year savings exceeding inflation impact

Drive commercial excellence to increase sales growth and commercial efficiency

Commercial excellence is a key value driver in Performance Coatings

Actions



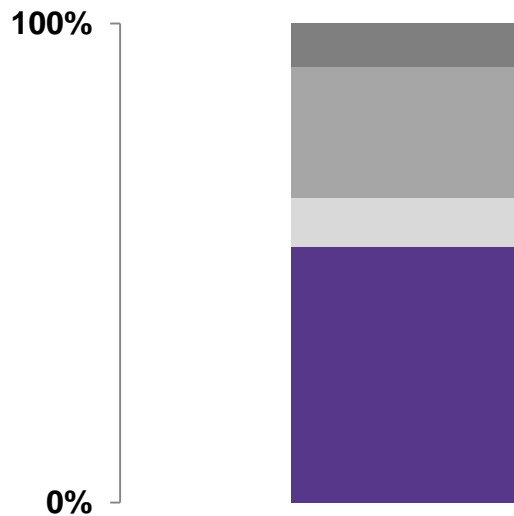
Complexity reduction and continuously reduce external spend

Performance Coatings

2013

Profit and loss breakdown*

% of total



- EBIT margin
- Selling, advertising, administration, R&D costs
- Fixed production costs
- Raw materials, energy and other variable costs

Actions

Drive further complexity reduction:

- Harmonize recipes
- SKU reductions

Use a cross-functional approach to deliver year-on-year savings in external spend

- Aggregate commodity spend
- Develop and utilize alternate supply sources
- Utilize value engineering
- Develop local suppliers and localize raw materials spend

Continuously improve operational productivity

Supply Chain performance is a key element for success in Performance Coatings

- Supply Chain cost
(Manufacturing, logistics and warehousing)
- Inventory value



Actions

Embed standard processes and continuous improvement capabilities to achieve year-on-year savings exceeding inflation impact

- Continue footprint optimization
- Embed continuous improvement at all sites
- Standardize and optimize sales and operations planning
- Reduce logistics and warehousing costs by leveraging synergy across AkzoNobel

Pursue differentiated growth strategies

Outgrow the market organically

- Marine
- Protective
- Powder
- Specialty Finishes



Expected outcomes

- Improved market share
- Costs don't grow as fast as revenue
- Improved return on sales in percentage terms

Improve performance by driving operational excellence

- Industrial (Wood, Coil, Packaging)
- Vehicle Refinishes
- Yacht
- Aerospace



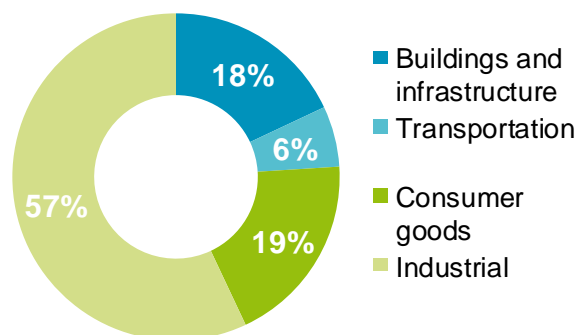
Expected outcomes

- Growth with the market
- Reduced absolute operating expenditure
- Improved return on sales based on cost reduction

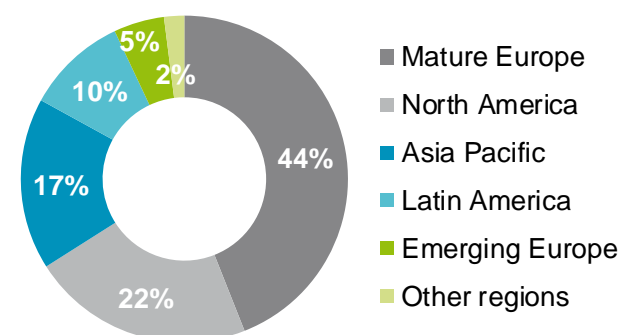
Business at a glance



Revenue by end user segment



Revenue by geographic spread



Specialty Chemicals key figures

€ million	2013
Revenue	4,949
EBITDA	726
Operating income*	418
Return on sales*	8.5%
Return on investment*	11.6%
Employees	10,430

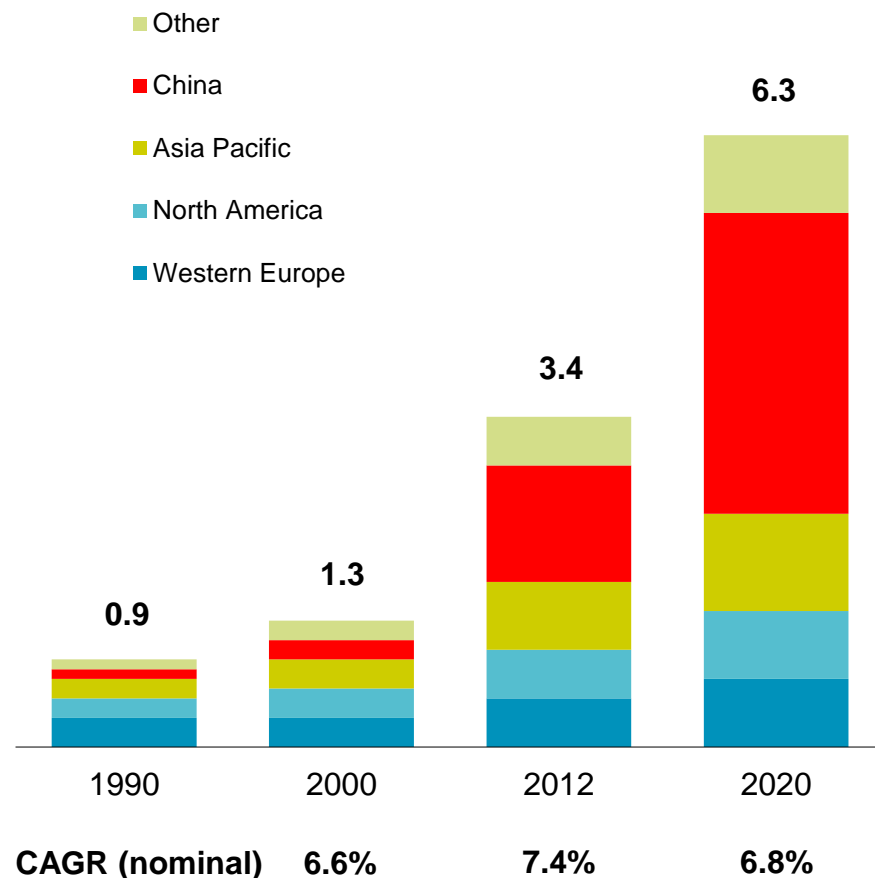
Key messages

- Serving attractive markets, growing over the cycle
- Leading positions in five main platforms
- 56% of revenues generated outside of mature Europe
- Significant expansion investments now operational
- Driving functional excellence

* Excludes incidentals

The chemical industry is large and growing

Chemicals industry over time, by geography
\$ trillion

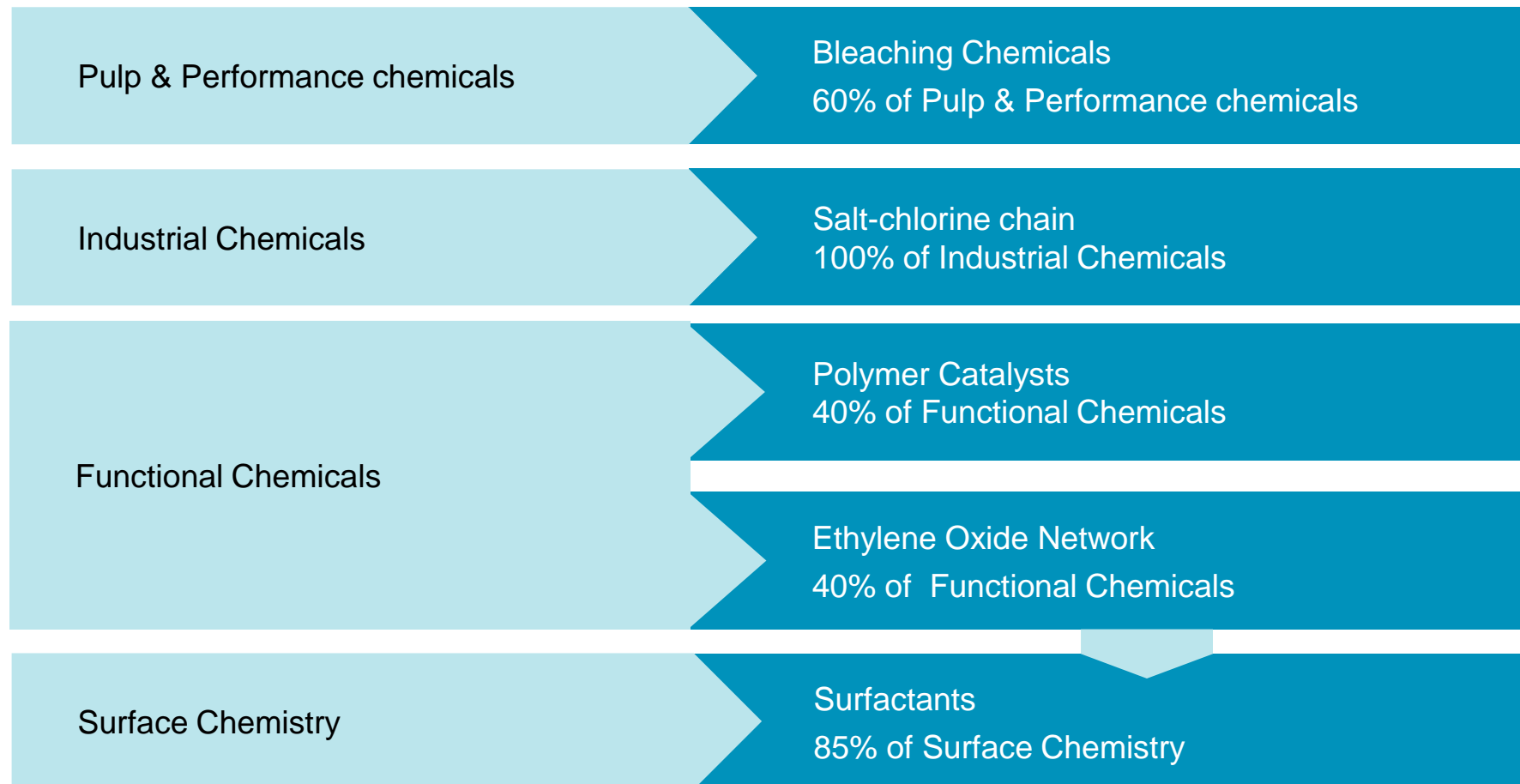


- \$3.5 trillion market
- Solution provider for society
 - manufacturing
 - food production
 - climate change
- Continuous growth
- Strong growth in China

Five well positioned platforms in their industries

Our Business Units

Our Platforms



Platforms operate world scale plants based on advanced technologies

Our main chemical platforms

Key products

Bleaching chemicals

- Sodium chlorate
- Hydrogen peroxide



Salt-chlorine chain

- Energy/Salt
- Chlorine
- Monochloroacetic acid
- Chloromethanes



Polymer catalysts

- Organic peroxides
- Metal alkyls



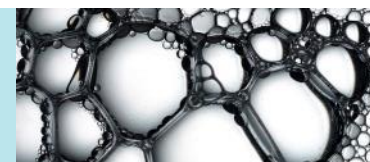
Ethylene oxide network

- Ethylene oxide
- Ethylene amines
- Cellulosics
- Chelates
- Micronutrients



Surfactants

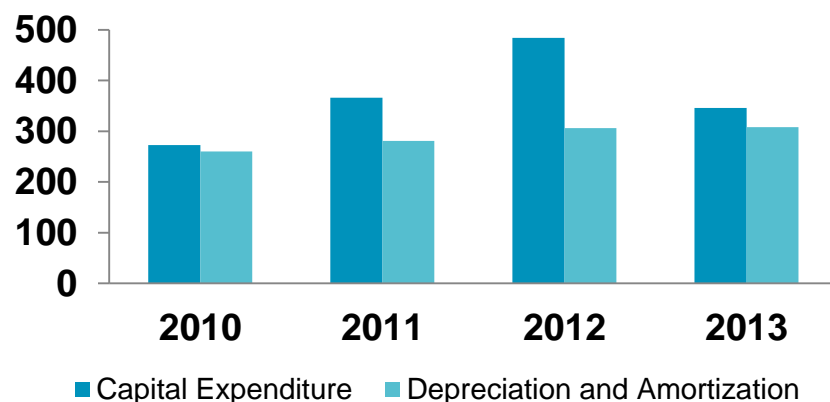
- Ethoxylates
- Natural oil and fat based nitrogen surfactants



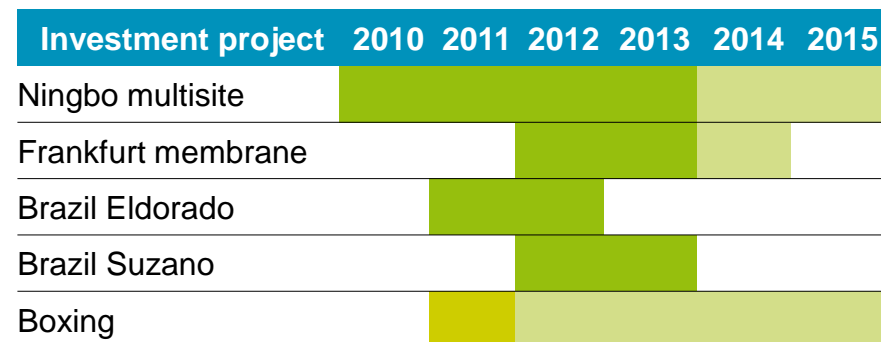
We have invested in the recent past and are well-prepared for future growth

BA Specialty Chemicals capital expenditure

€ million



Major projects and timing of spend



- Capital expenditure peaked at 8.7% of revenue in 2012
- Infrastructure is now in place and ready to take on additional demand

Accomplishments to date

Area	2010	2013	Delta
Number of operations integrated with customers	15	17	+13%
Sales per FTE (k€)	445	467	+5%
Capacity expansions (>10%)		12 units	
Number of manufacturing sites	109	102	-7%
Sales/site (€ million)	42.6	48.5	+14%
Renewable energy usage	n/a	31%	
Waste (ton/€ million sales)	15.8	12.0	-24%
Number of ERP systems	9	3	-67%
Cost reductions (€ million)*	n/a	142	
Number of FTEs	11,100	10,430	-6%

Four operational improvement initiatives

Improve productivity of supply chain and operations

- Asset optimization
- Production system roll out
- Lean six sigma
- Industrial IT platform
- Yield, waste and quality focus

Strengthen commercial excellence

- Customer value creation
- Organic growth
- Margin management
- Sales force productivity

Reduce organizational costs

- Restructuring
- Organization delayering
- Restricted recruitment

Enhance product and process innovation

- New applications and products
- Variable cost reduction
- Process intensification
- Standard processes

Differentiated strategies per platform

Outgrow the market organically

~ 50% of portfolio

Main platforms

- Bleaching chemicals
- Surfactants



Actions

- Capitalize on investments
- Grow by successfully commercializing products for attractive applications

Improve performance by driving operational excellence

~50% of portfolio

Main platforms

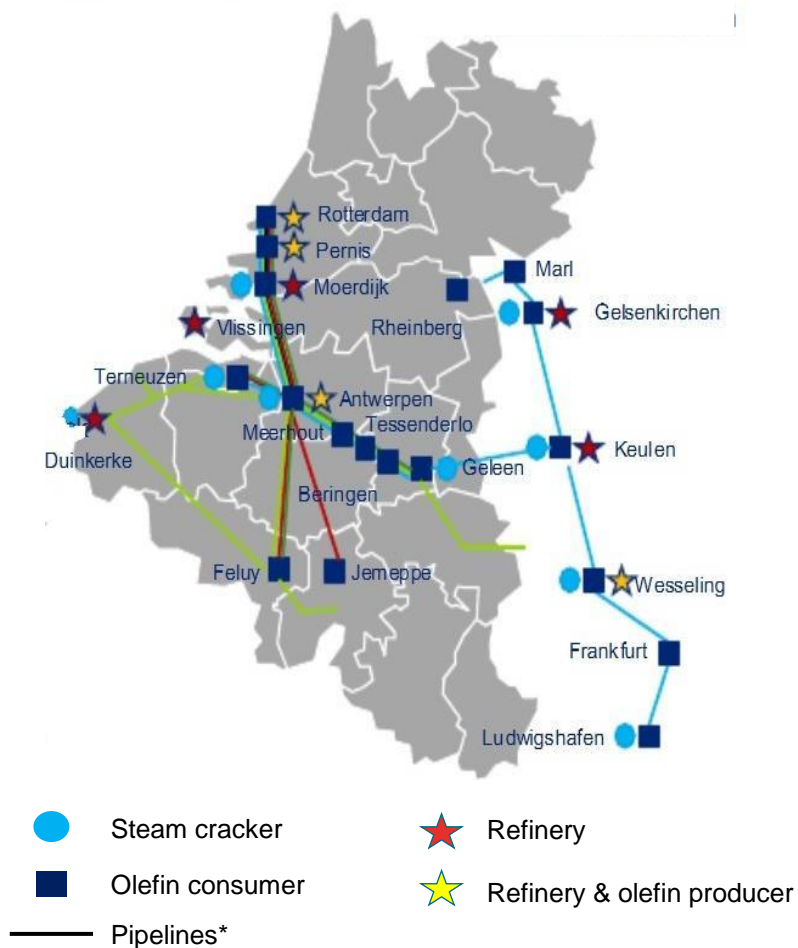
- Salt-chlorine chain
- Polymer catalysts
- Ethylene oxide network



Actions

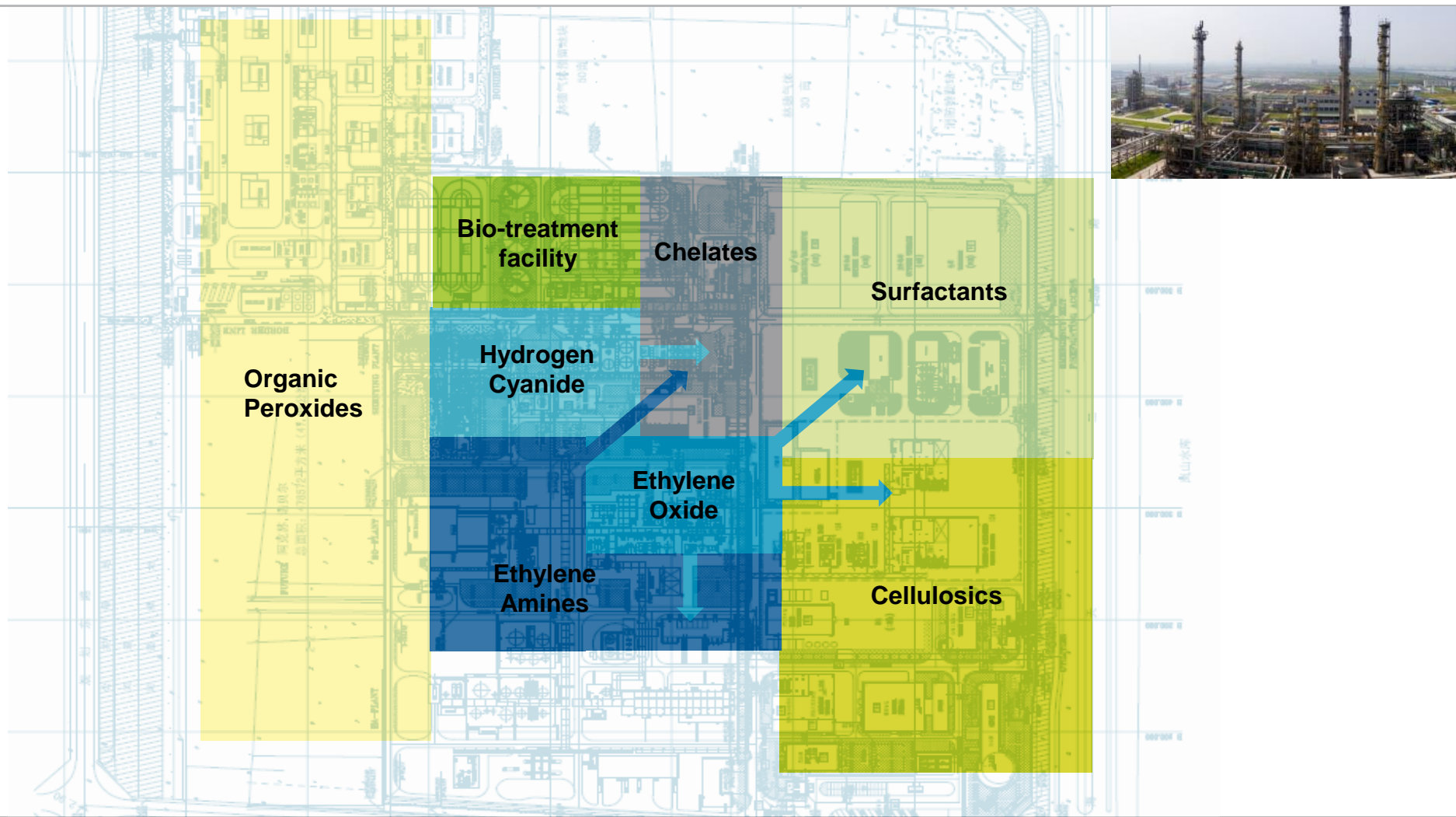
- Reduce costs and further improve productivity in operations
- Improve raw material (cost) position

Salt-Chlorine chain: Right at the heart of the customer base



* Pipelines transporting crude oil (RAPL), nafta (PALL), industrial gasses, ethylene and propylene

Ethylene oxide network: Capitalizing on China investments



Surfactants: Growing with attractive end markets

Oilfield



Lubricants



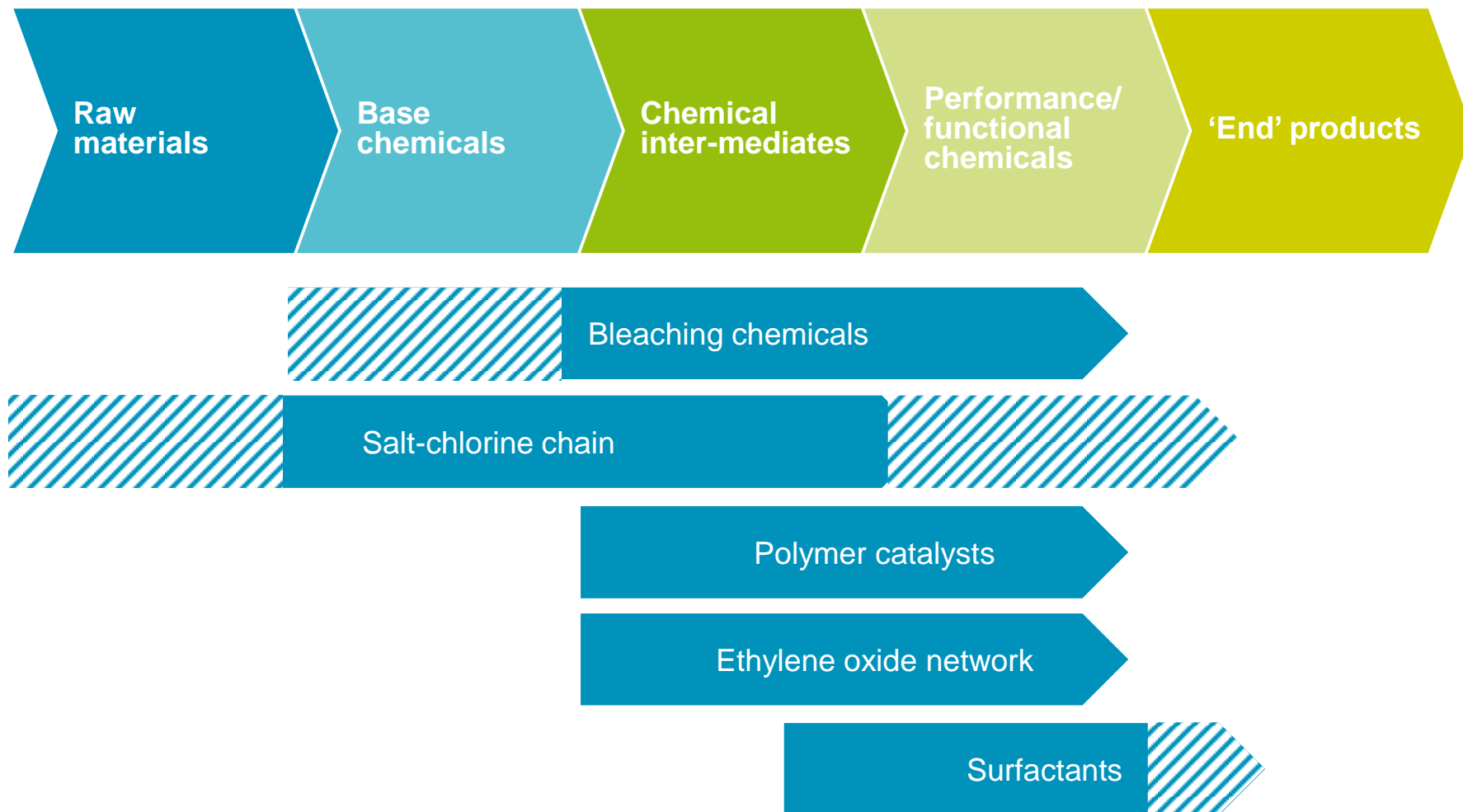
Mining



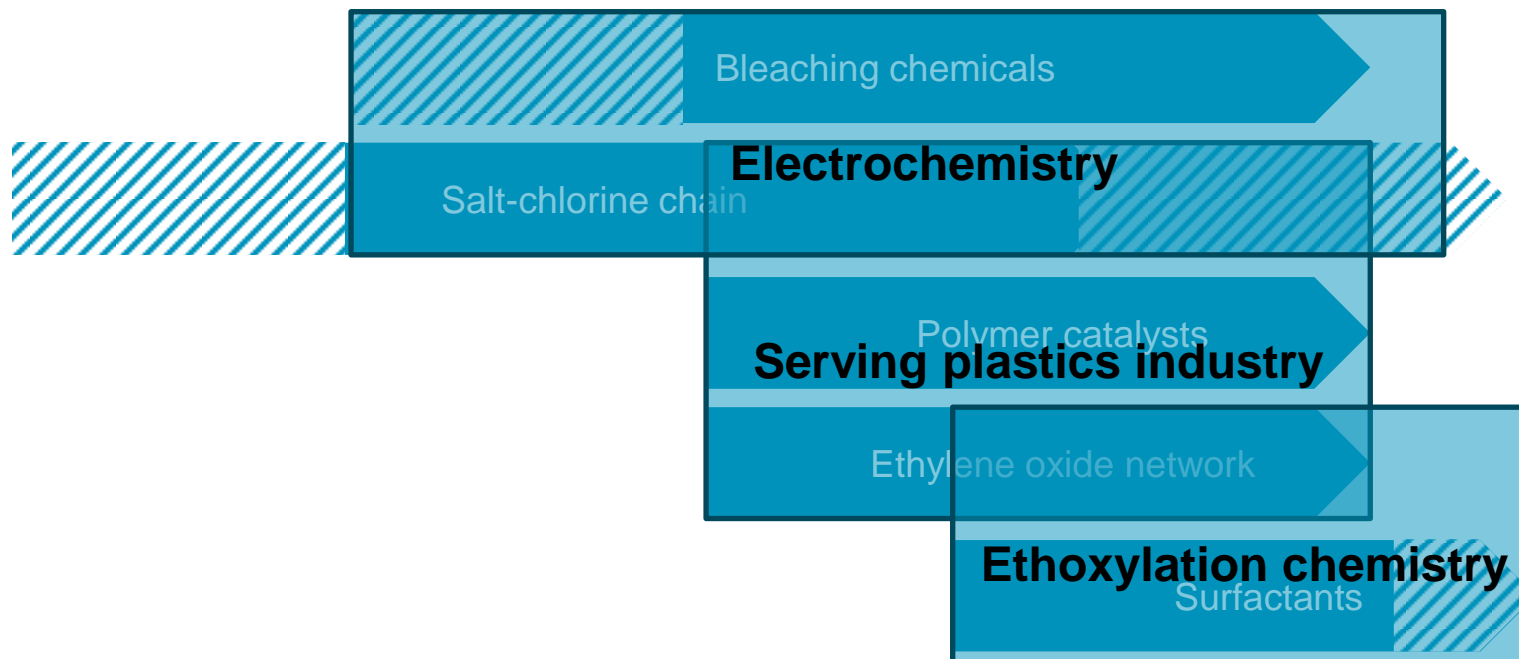
Agriculture



Our platforms build on value chains

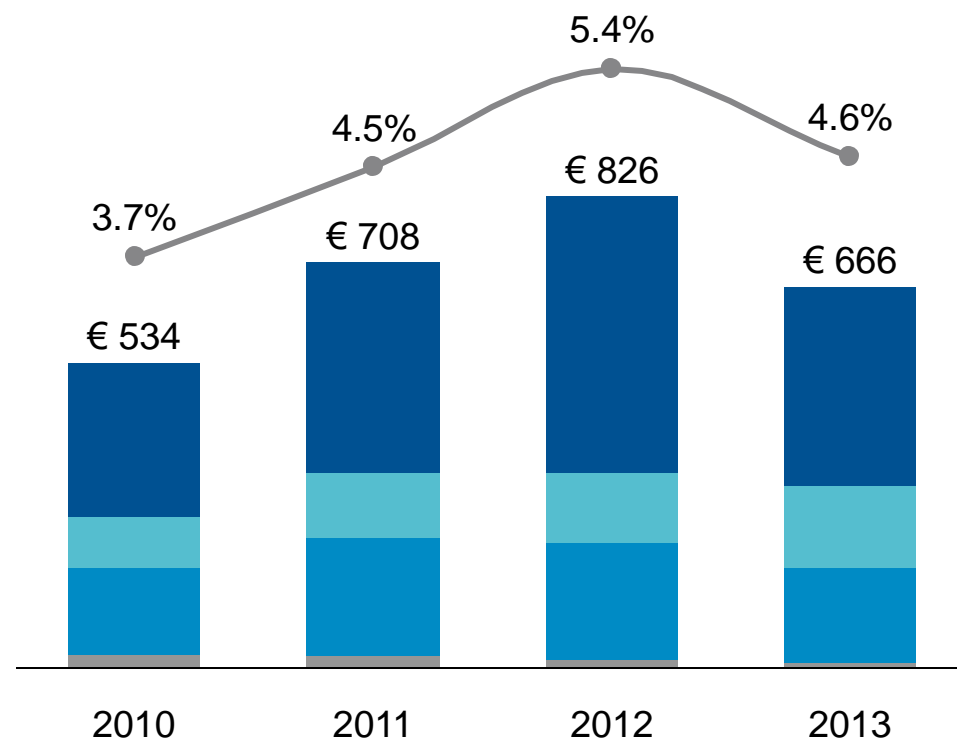


Our platforms build on value chains



Capital expenditure will be more in line with depreciation and amortization

Capital Expenditures (millions €)



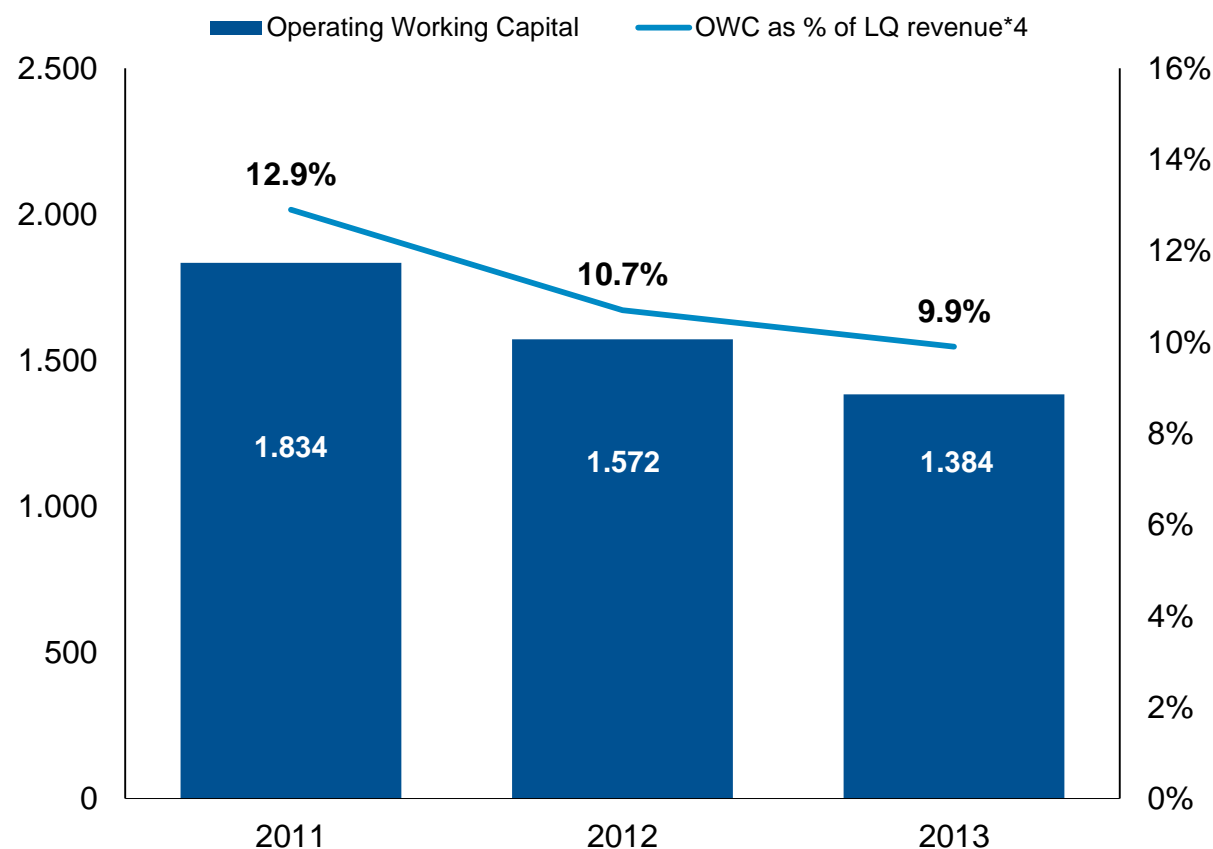
- 40-50% of capital expenditure is growth related
- Going forward, capital expenditure will be around 4% of revenues, in line with depreciation and amortization

■ Specialty Chemicals
 ■ Decorative Paints
 — % of revenues
■ Performance Coatings
 ■ Other

Performance improvement actions release cash in Operating Working Capital

Operating Working Capital

€ million

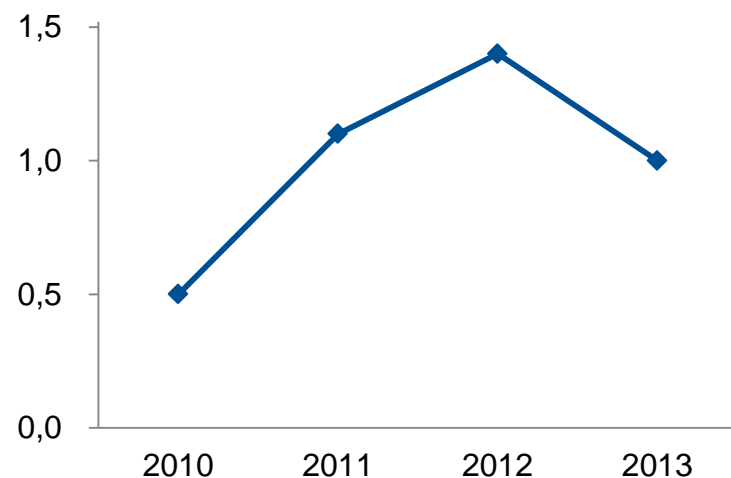


- Operating Working Capital as % of revenue has reduced towards 9.9%
- Significant seasonality occurs during the year with peak requirement in the summer

2015 target: net debt to EBITDA ratio of less than two

Net debt/EBITDA

x

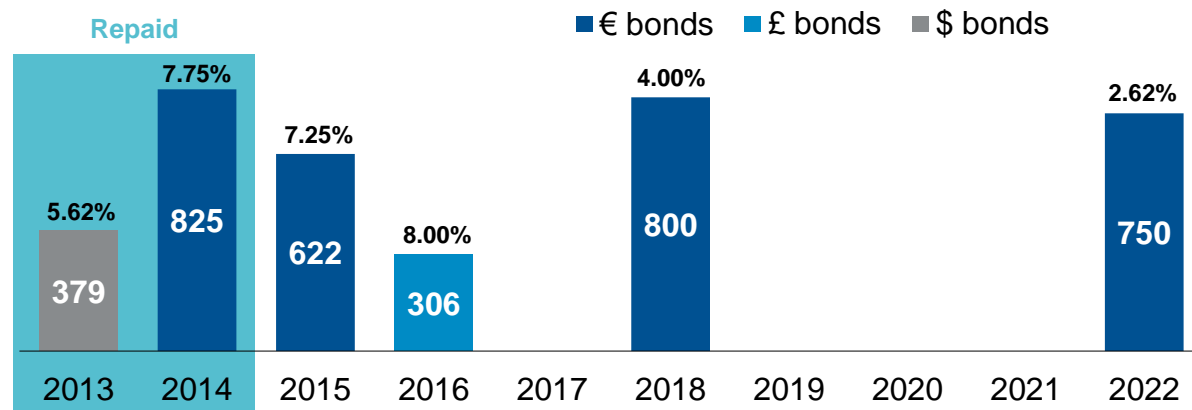


- We have a **strong liquidity** position to support business needs: net cash and cash equivalents €2.1 billion*
- Undrawn revolving credit facility of €1.8 billion (2018) €1.5 and \$3 billion commercial paper programs, backed by revolving credit facility
- 2013 improvement in Net Debt / EBITDA
- Maintain **investment grade rating** of BBB+

Continuously reducing costs of long term bonds

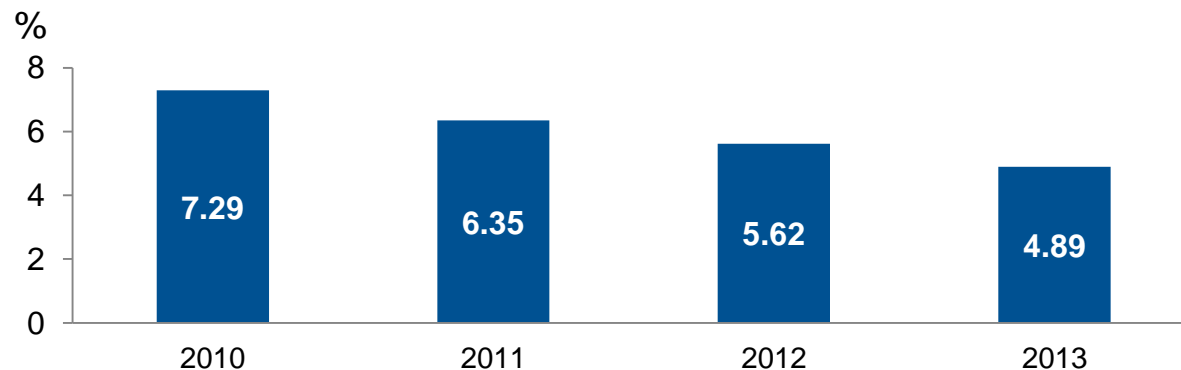
Debt maturities

€ million



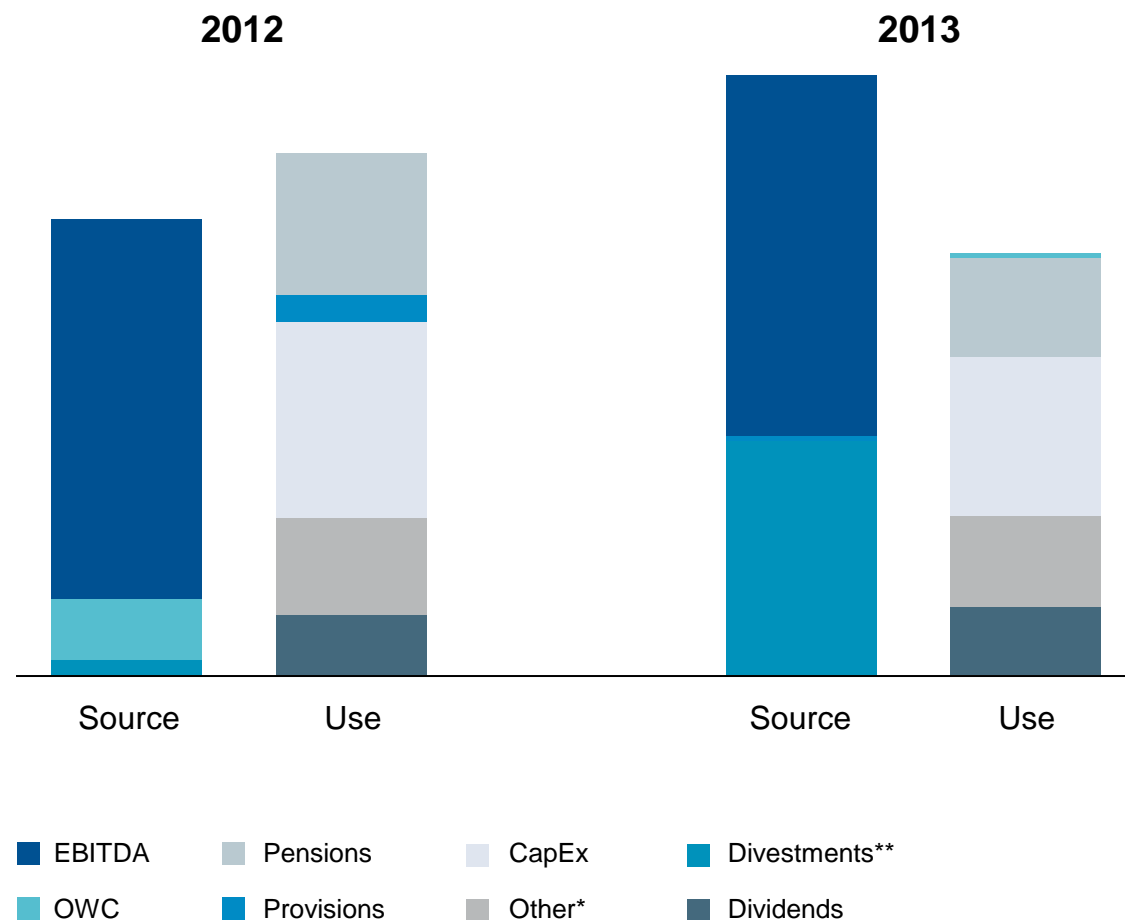
- Debt duration 3.6 years
- Improving cash flow and divestments enabled full repayment of two maturing bonds without refinancing

Average cost of long term bonds



On track to deliver cash positive after dividend in 2015

Cash flow sources and uses



- Restructuring and pension top-ups consume a significant proportion of cash
- Performance improvement focus starts to address cash challenge
- Remuneration metrics include cash generation
- Positive cash in 2013 driven by divestments of Decorative Paints North-America and Building Adhesives

Proactively managing or removing pension liabilities

Retain and Manage Risk	Interest rate / Inflation hedging	<ul style="list-style-type: none"> • ICIPF's active management of interest rate and inflation exposure, with around 80% of defined benefit obligation (DBO) risks hedged to date
	Longevity hedging	<ul style="list-style-type: none"> • Courtaulds (CPS) longevity swap with Swiss Re in 2012 (€1.75billion)
	Captive insurance	<ul style="list-style-type: none"> • Considered to be too complex
Remove Risk	Divestments	<ul style="list-style-type: none"> • Sale of Decorative Paints Canada in 2013 (DBO reduced by €301 million) • Sale of National Starch in 2011 resulted in substantial DBO reduction
	Cash out / Sleeper management	<ul style="list-style-type: none"> • US plan deferred members offered a cash out in 2013 (red. €85 million) • UK CPS cash out in 2013 (DBO reduced by €39 million)
	Buy-in / Buy-out	<ul style="list-style-type: none"> • USA buy-out with MetLife in 2013 (DBO reduced by €493 million) • Sweden buy-out in 2008; substantial DBO reduction

Pension cash flow guidance

Defined benefit pension cash top-ups

€ million

2013 actual*	311
2014 -17 est.**	~330/year
2018 est.**	~100

Regular contributions

€ million 2014 estimated

Defined benefit	110
Defined contribution	180

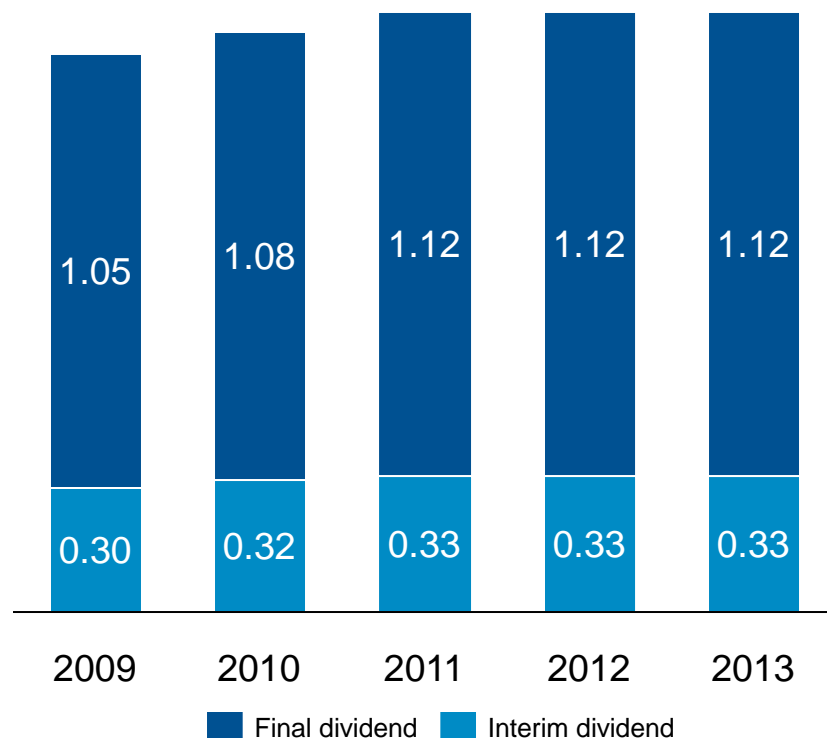
- Top-ups relate mainly to the 2 big UK plans, the ICI Pension Fund and the CPS Pension Scheme
- Top-ups are based on prudent actuarial valuation of liabilities, which differs from accounting liability
- Actuarial pension deficit of the 2 big UK plans is estimated at €1.5-2 billion
- The next triennial funding review for the ICI Pension Fund is expected to be completed in 2015 and in 2016 for the CPS Scheme
- The forward looking estimates make no allowance for changes in the funded status at future actuarial valuations or for additional contributions to de-risking such as the 2013 MetLife transaction in the US

*Excludes one-off contribution of €127 million to our US plan to part-finance the transfer of pensioners to MetLife in December 2013

** Based upon currently agreed deficit contribution schedules for the UK plans

Dividend policy unchanged

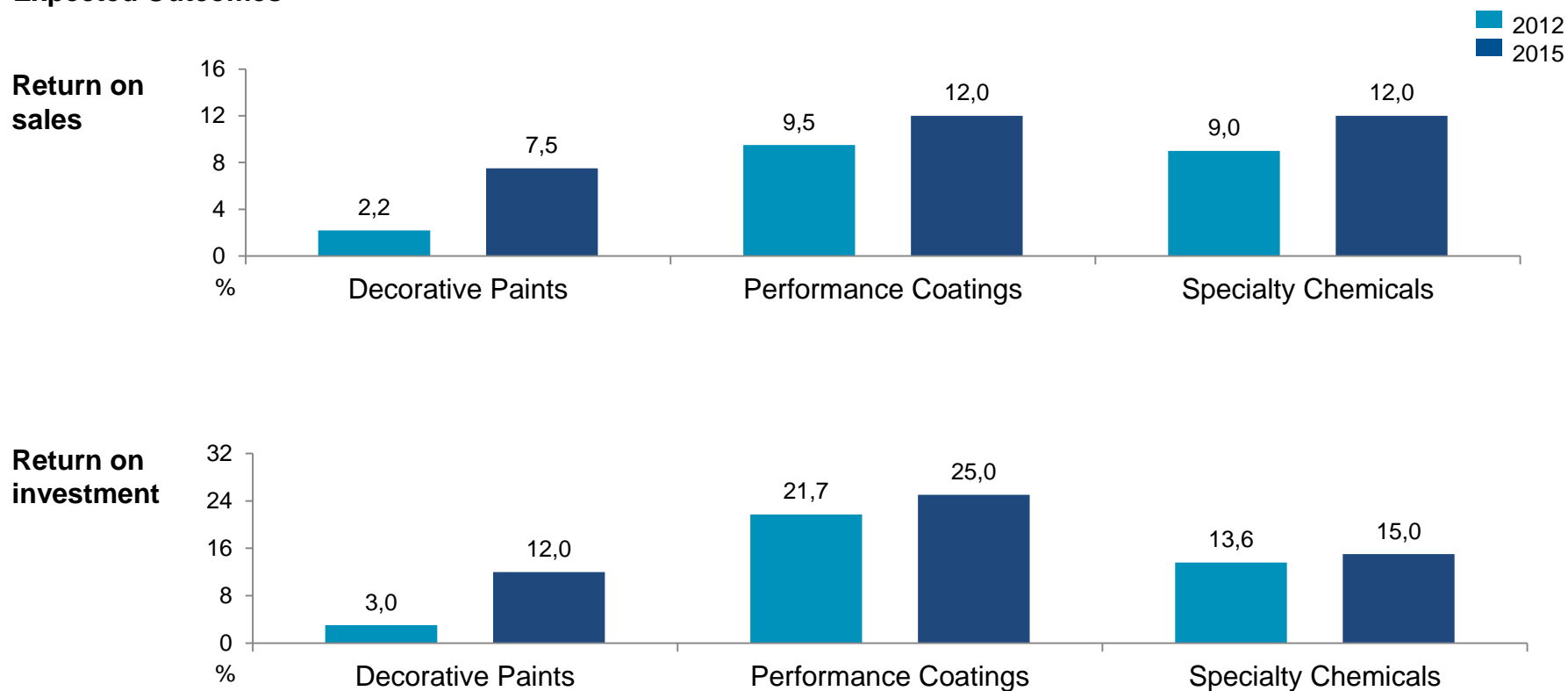
Dividends paid (€)



- Our dividend policy is to pay a stable to rising dividend each year
- An interim and final dividend will be paid in cash unless shareholders elect to receive a stock dividend

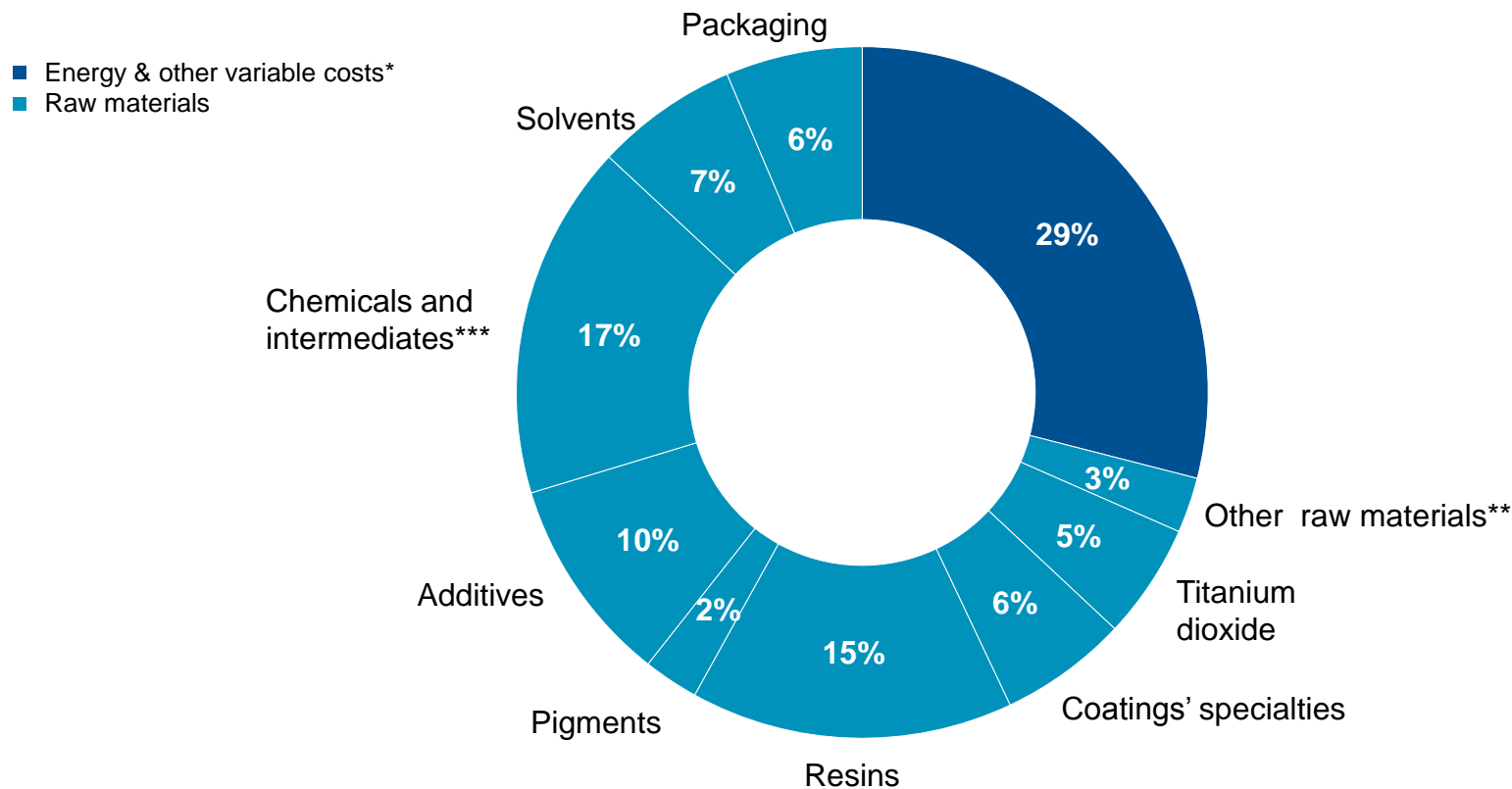
Realistic expected 2015 outcomes

Expected Outcomes



Variable costs analysis

2013 (excluding Decorative Paints North America)



* Other variable costs include variable selling costs (e.g. freight) and products for resale ** Other raw materials include cardolite, hylar etc.

*** Chemicals and intermediates include caustic soda, acetic acid, tallow, ethylene, ethylene oxide, sulfur, amines etc.

Both short & long term incentives are aligned with our priorities

Executive short term incentive 2014

STI Element	Metric
20%	Return on investment
20%	Operating income
30%	Operating cash flow
30%	Personal targets – related to performance improvement plan

Executive long term incentive 2014

LTI Element	Metric
35%	Return on investment
35%	Total Shareholder Return
30%	Sustainability / SAM - DJSI

- Covers more than 600 executives
- Priorities are aligned with strategy and 2015 targets