

Report for the first quarter

2014

AkzoNobel 

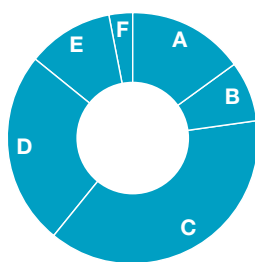


AkzoNobel around the world

Revenue by destination

(44 percent in high growth markets)

	%
A North America	15
B Emerging Europe	8
C Mature Europe	38
D Asia Pacific	25
E Latin America	11
F Other regions	3
	100



(Based on the full year 2013)

Our results

at a glance

- Volume and price/mix development positive in all three Business Areas
- Revenue down 2 percent due to 5 percent adverse currency effects
- Restructuring costs €44 million (2013: €29 million). Excluding these, ROS% is 7.7 percent (2013: 7.1 percent)
- Operating income at €216 million (2013: €217 million) reflects adverse currencies and €15 million higher restructuring costs
- Net income attributable to shareholders €129 million increased (2013: €89 million), mainly due to lower financing expenses
- Adjusted EPS at €0.61 (2013: €0.51)
- Net cash outflow from operating activities was €552 million (2013: €406 million)
- On track to deliver 2015 targets despite expected continued fragile economic environment and volatile currencies in 2014

Summary of financial outcomes

1st quarter			
in € millions	2013	2014	Δ%
Revenue	3,465	3,383	(2)
Operating income	217	216	–
ROS%	6.3	6.4	
Average invested capital	11,325	9,820	
Moving average ROI (in %) *	7.8	9.7	
EBITDA	375	364	(3)
Capital expenditures	131	115	
Net cash from operating activities	(406)	(552)	
Net debt	2,888	2,186	
Net income from continuing operations	96	126	31
Net income from discontinued operations	(7)	3	
Net income attributable to shareholders	89	129	45
Earnings per share from total operations (in €)	0.37	0.53	
Adjusted earnings per share (in €)	0.51	0.61	
Number of employees	50,320	48,520	

* On a comparable basis: 2013: 8.4 percent and 2014: 9.1 percent.

Financial highlights

Volume and price/mix development was positive in all three Business Areas. Revenue was down 2 percent, mainly due to divestments and 5 percent adverse currency effects. Operating income at €216 million (2013: €217 million) reflects adverse currencies and €15 million higher restructuring costs. Excluding restructuring costs, ROS% was 7.7 percent (2013: 7.1 percent). Cash outflow from operating activities was €552 million (2013: €406 million). As a consequence of de-risking our pension liabilities in the UK, other comprehensive income in shareholders' equity was adversely affected by €0.8 billion.

Revenue

- Volume in Decorative Paints was up compared with 2013. The market conditions in Europe remained challenging with lower volumes while volumes were higher in Asia. Revenue in Decorative Paints declined 6 percent due to a 6 percent adverse currency effect driven by Latin America and Asia and 4 percent from the divestment of Building Adhesives. Price/mix was positive in all three regions
- Volume in Performance Coatings was up compared with 2013. Revenue was 1 percent lower due to a 6 percent adverse currency effect
- Volume in Specialty Chemicals was higher compared with 2013 as a result of better market conditions in Functional Chemicals and the absence of the previous year's production issues, notably in Industrial Chemicals. Revenue declined, due to adverse currency developments and divestments

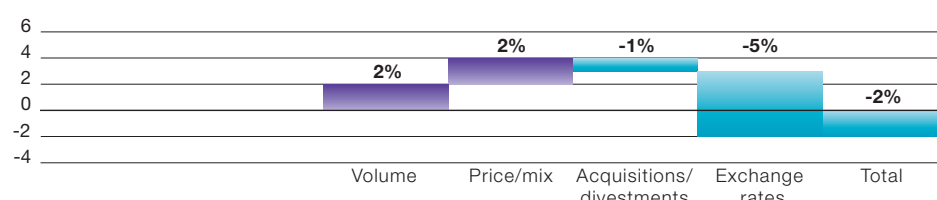
Revenue

1st quarter

in € millions	2013	2014	Δ%
Decorative Paints	925	865	(6)
Performance Coatings	1,331	1,319	(1)
Specialty Chemicals	1,244	1,222	(2)
Other activities/eliminations	(35)	(23)	
Total	3,465	3,383	(2)

Revenue development Q1 2014

■ Increase ■ Decrease



Divestments

- On October 1, 2013, the divestment of Building Adhesives was completed. This accounts for the divestment impact in Decorative Paints
- The divestment of the German stores in Decorative Paints was completed in Q1
- The divestment of the Primary Amides and Purate businesses was completed in Q4, 2013 and accounts for the divestment impact in Specialty Chemicals

in % versus Q1 2013	Volume	Price/mix	Divestments	Exchange rates	Total
Decorative Paints	1	3	(4)	(6)	(6)
Performance Coatings	3	2	–	(6)	(1)
Specialty Chemicals	2	1	(1)	(4)	(2)
Total	2	2	(1)	(5)	(2)

Volume development per quarter (year-on-year)

	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14
Decorative Paints	(1)	4	5	5	1
Performance Coatings	(3)	–	2	2	3
Specialty Chemicals	(4)	(5)	–	3	2
Total	(3)	–	2	4	2

Price/mix development per quarter (year-on-year)

	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14
Decorative Paints	(2)	(2)	2	–	3
Performance Coatings	1	–	–	1	2
Specialty Chemicals	(2)	(2)	–	(2)	1
Total	(1)	(1)	1	(1)	2

Operating income

- Decorative Paints operating income for the quarter was lower than the previous year due to adverse currency effects and higher restructuring costs in mature markets
- In Performance Coatings, operating income was down 2 percent due to higher restructuring costs and adverse currency effects. Variability across individual businesses, and within regions, continued
- In Specialty Chemicals, profitability increased compared with 2013, despite currencies, due to better market conditions in Functional Chemicals and benefits from restructuring

Average raw material costs were slightly down on Q1 2013 and stable compared with 2013 exit prices.

Total restructuring charges amounted to €44 million (2013: €29 million). Excluding these, ROS% was 7.7 percent (2013: 7.1 percent). The majority of the restructuring charges related to Decorative Paints in Europe and Performance Coatings.

Operating income in other activities

Operating income in other activities was lower than the prior year due to costs incurred in respect of the de-risking of pension liabilities in the UK and non-recurring positive results in 2013 in insurance.

Following the successful delivery of the performance improvement project, on-going restructuring and continuous improvement costs are included in corporate costs. 2013 numbers have been restated accordingly.

Net financing expenses

Net financing expenses decreased by €26 million to €37 million, mainly due to lower financing expenses as a result of bond repayments and lower interest on provisions due to changed discount rates.

Tax

The Q1 effective tax rate is 23 percent (2013: 29 percent). The tax rate was positively impacted by an adjustment to previous years. Excluding this and other one-off factors, the tax rate is 29 percent.

Operating income

1st quarter			
in € millions	2013	2014	Δ%
Decorative Paints	43	17	(60)
Performance Coatings	129	126	(2)
Specialty Chemicals	99	135	36
Other activities/eliminations	(54)	(62)	
Total	217	216	–

Operating income in other activities

1st quarter		
in € millions	2013	2014
Corporate costs	(45)	(44)
Pensions	(3)	(6)
Insurances	6	3
Other	(12)	(15)
Operating income in other activities	(54)	(62)

Operating income to net income

1st quarter		
in € millions	2013	2014
Operating income	217	216
Net financing expenses	(63)	(37)
Results from associates and joint ventures	3	6
Profit before tax	157	185
Income tax	(45)	(43)
Profit from continuing operations	112	142
Profit/(loss) from discontinued operations	(7)	3
Profit for the period	105	145
Non-controlling interests	(16)	(16)
Net income	89	129

Decorative Paints

- Volumes up due to strong volume development in Asia while market conditions in Europe and Latin America were challenging
- Revenue down 6 percent mainly due to adverse currency effects (6 percent) and divestments (4 percent)
- Operating income benefited from lower costs, but was adversely impacted by higher restructuring charges and currencies
- German stores divestment completed end of March

Volume in Decorative Paints was up compared with 2013. The market conditions in Europe remained challenging with lower volumes while volumes were higher in Asia. Revenue in Decorative Paints declined 6 percent due to a 6 percent adverse currency effect driven by Latin America and Asia and a 4 percent divestment effect. Price/mix was positive in all three regions.

Operating income for the quarter was lower than the previous year with higher restructuring costs in mature markets.

Europe

The combined effect of volume and price/mix in Europe was flat. Revenue was 8 percent lower, mainly due to the divestment of Building Adhesives. From a regional perspective, performance was mixed, with volumes declining in Western Europe and Southern Europe, while there was positive development in Eastern Europe. Restructuring measures and various operational efficiency improvement programs led to a lower cost base, but the ongoing restructuring spend meant that total operational costs were higher. As a result, operating income was lower than the previous year.

Latin America

Volume was down, however, revenue mostly declined due to adverse currency effects. Profitability increased due to lower fixed costs.

Asia

China and South East and South Asia had strong volume development. In China, volume and revenue continued to grow by double digits. Profitability continued to increase due to strong cost control.

Revenue

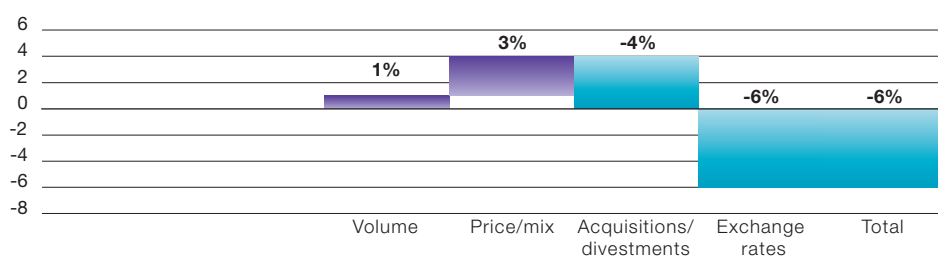
1st quarter

in € millions	2013	2014	Δ%
Decorative Paints Europe	578	532	(8)
Decorative Paints Latin America	134	116	(13)
Decorative Paints Asia	213	218	2
Other/intragroup eliminations	–	(1)	(1)
Total	925	865	(6)
Operating income	43	17	(60)
ROS%	4.6	2.0	
Average invested capital	4,116	2,816	
Moving average ROI (in %) *	2.7	13.2	
EBITDA	88	56	(36)
Capital expenditures	27	28	
Number of employees	16,960	15,630	

* On a comparable basis: 2013: 2.9 percent and 2014: 5.9 percent.

Revenue development Q1 2014

■ Increase ■ Decrease



Performance Coatings

- Volumes up 3 percent compared with the previous year
- Revenue down 1 percent, mainly due to adverse currency effects (6 percent)
- Operating income down 2 percent due to higher restructuring charges and currencies
- Continuing focus on cost control and operating efficiencies

Volume in Performance Coatings was up compared with 2013. Revenue was lower due to adverse currency effects. Operating income was down 2 percent due to adverse currency effects and higher restructuring costs. Variability across individual businesses, and within regions, continued.

Marine and Protective Coatings

Volume was up, resulting in higher revenue despite adverse currency effects. Volume was up in Marine and Protective, but slightly down in Yacht. In Marine, the increase was driven by growth in deep sea maintenance, while in Protective Coatings, the volume improvement resulted from continued high activity levels in oil and gas.

Automotive and Aerospace Coatings

Revenue declined 3 percent due to adverse currencies and volumes, partially offset by favorable price/mix. In Vehicle Refinishes, volumes grew in Asia. Europe was stable, but there was a decline in the Americas, particularly in South America. Specialty Finishes and Aerospace were broadly flat.

Powder Coatings

Volume increases in all regions resulted in higher revenue, more than offsetting the adverse currency effects. The Transportation segment was strong across the regions. The closure of one of our Italian factories was completed at the end of the quarter.

Industrial Coatings

Revenue declined 4 percent due to currencies and lower volumes, partially offset by favorable price/mix. Overall volumes declined, with growth in Wood being more than offset by declines in Coil Coatings and Packaging. Volume growth in Asia was achieved in Coil and Packaging. Europe showed signs of recovery in Wood and Coil. Two site closures were announced in Wood Americas.

Revenue

1st quarter

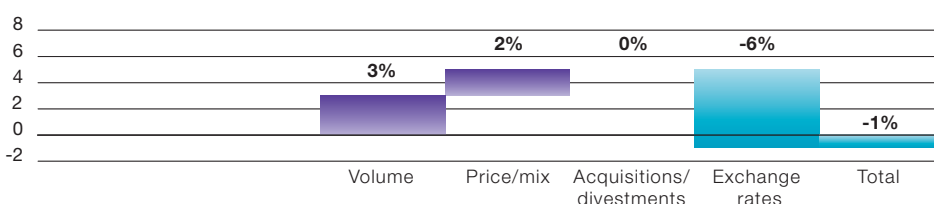
in € millions	2013	2014	Δ%
Marine and Protective Coatings	351	357	2
Automotive and Aerospace Coatings	318	307	(3)
Powder Coatings	230	240	4
Industrial Coatings	440	421	(4)
Other/intragroup eliminations	(8)	(6)	
Total	1,331	1,319	(1)

Operating income	129	126	(2)
ROS%	9.7	9.6	
Average invested capital	2,549	2,442	
Moving average ROI (in %)	21.3	21.4	

EBITDA	163	163	–
Capital expenditures	26	26	
Number of employees	21,220	21,200	

Revenue development Q1 2014

■ Increase ■ Decrease



Specialty Chemicals

- Volumes up 2 percent compared with the previous year
- Revenue down 2 percent, mainly due to adverse currency effects (4 percent)
- Operating income up by 36 percent at €135 million, despite currencies, due to cost control and operational efficiencies
- Continuous improvement measures continue in all businesses

Volume in Specialty Chemicals was higher compared with 2013 as a result of better market conditions in Functional Chemicals and the absence of the previous year's production issues, notably in Industrial Chemicals. Revenue declined, mainly due to adverse currency developments.

Profitability increased compared with 2013 due to better market conditions in Functional Chemicals and benefits from restructuring.

Functional Chemicals

Volume increased significantly, resulting in higher revenue despite adverse currency effects. Demand in Europe improved during the quarter. China achieved most of the growth in Asia, while North America was impacted by the severe winter weather.

Industrial Chemicals

Volume increased, mainly due to the absence of previous year's production issues. Enhanced capacity from the MCA plant in Taixing, China, also contributed to the increase. Margins were impacted by caustic price pressure.

Surface Chemistry

Volumes were impacted by the severe winter conditions in North America, which disrupted production and logistics. This, in addition to adverse currency effects, resulted in 3 percent lower revenue.

Pulp and Performance Chemicals

Volumes from bleaching chemicals in Asia and Brazil were strong, with weaker demand in Europe and North America. Revenue was down 7 percent, mainly due to adverse currency effects and divestments.

Revenue

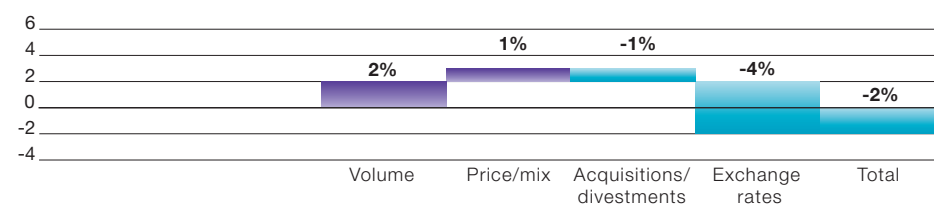
1st quarter

in € millions	2013	2014	Δ%
Functional Chemicals	467	473	1
Industrial Chemicals	291	293	1
Surface Chemistry	258	250	(3)
Pulp and Performance Chemicals	262	243	(7)
Other/intragroup eliminations	(34)	(37)	
Total	1,244	1,222	(2)
Operating income	99	135	36
ROS%	8.0	11.0	
Average invested capital	3,704	3,552	
Moving average ROI (in %) *	12.4	9.4	
EBITDA	174	204	17
Capital expenditures	78	61	
Number of employees	10,680	10,150	

* On a comparable basis 2014: 13.3 percent

Revenue development Q1 2014

■ Increase ■ Decrease



Condensed financial statements

Consolidated statement of income

1st quarter

in € millions

	2013	2014
Continuing operations		
Revenue	3,465	3,383
Cost of sales	(2,125)	(2,076)
Gross profit	1,340	1,307
SG&A costs	(1,123)	(1,094)
Other operating income/(expenses)	–	3
Operating income	217	216
Net financing expenses	(63)	(37)
Results from associates and joint ventures	3	6
Profit before tax	157	185
Income tax	(45)	(43)
Profit for the period from continuing operations	112	142
Discontinued operations		
Profit for the period from discontinued operations	(7)	3
Profit for the period	105	145
Attributable to		
Shareholders of the company	89	129
Non-controlling interests	16	16
Profit for the period	105	145

Consolidated statement of comprehensive income

1st quarter

in € millions

	2013	2014
Profit for the period	105	145
Other comprehensive income		
Exchange differences arising on translation of foreign operations	91	(14)
Cash flow hedges	3	(20)
Post-retirement benefits	(6)	(739)
Tax relating to components of other comprehensive income	(20)	18
Other comprehensive income for the period (net of tax)	68	(755)
Comprehensive income for the period	173	(610)
Comprehensive income for the period attributable to		
Shareholders of the company	148	(628)
Non-controlling interests	25	18
Comprehensive income for the period	173	(610)

Condensed consolidated balance sheet

in € millions	December 31, 2013	March 31, 2014
Assets		
Non-current assets		
Intangible assets	3,906	3,888
Property, plant and equipment	3,589	3,581
Other financial non-current assets	2,219	1,749
Total non-current assets	9,714	9,218
Current assets		
Inventories	1,426	1,519
Trade and other receivables	2,536	2,857
Cash and cash equivalents	2,098	979
Other current assets	86	83
Assets held for sale	203	208
Total current assets	6,349	5,646
Total assets	16,063	14,864
Equity and liabilities		
Total equity	6,021	5,425
Non-current liabilities		
Provisions and deferred tax liabilities	2,327	2,324
Long-term borrowings	2,666	2,037
Total non-current liabilities	4,993	4,361
Current liabilities		
Short-term borrowings	961	1,127
Trade and other payables	3,218	3,101
Other short-term liabilities	821	792
Liabilities held for sale	49	58
Total current liabilities	5,049	5,078
Total equity and liabilities	16,063	14,864

Shareholders' equity

Shareholders' equity decreased from €5.6 billion at year-end 2013 to €5.0 billion at the end of March 2014, mainly due to the net effect of:

- The de-risking of the pension liabilities in the UK, which had an effect on shareholders' equity of €0.8 billion
- Net income of €129 million

Dividend

Our dividend policy is to pay a stable to rising dividend. A final dividend for 2013 of €1.12 per share is proposed to the AGM, which would make a total 2013 dividend of €1.45 (2012: €1.45) per share. There will be a stock dividend option with cash dividend as default. Please refer to the last page of this report for dividend payment dates.

Changes in equity

in € millions	Subscribed share capital	Additional paid-in capital	Cashflow hedge reserve	Cumulative transla- tion reserves	Other reserves	Shareholders' equity	Non-control- ling interests	Total equity
Balance at January 1, 2013	478	174	(17)	59	5,070	5,764	464	6,228
Profit for the period	–	–	–	–	89	89	16	105
Other comprehensive income	–	–	2	79	(22)	59	9	68
Comprehensive income for the period	–	–	2	79	67	148	25	173
Dividend paid	–	–	–	–	–	–	(8)	(8)
Equity-settled transactions	–	–	–	–	13	13	–	13
Issue of common shares	2	8	–	–	–	10	–	10
Acquisitions and divestments	–	–	–	–	1	1	(1)	–
Balance at March 31, 2013	480	182	(15)	138	5,151	5,936	480	6,416
Balance at January 1, 2014	485	319	(19)	(417)	5,226	5,594	427	6,021
Profit for the period	–	–	–	–	129	129	16	145
Other comprehensive income	–	–	(15)	(18)	(724)	(757)	2	(755)
Comprehensive income for the period	–	–	(15)	(18)	(595)	(628)	18	(610)
Dividend paid	–	–	–	–	–	–	(2)	(2)
Equity-settled transactions	–	–	–	–	7	7	–	7
Issue of common shares	2	7	–	–	–	9	–	9
Balance at March 31, 2014	487	326	(34)	(435)	4,638	4,982	443	5,425

Invested capital

Invested capital at the end of Q1 2014 totaled €9.8 billion, up €0.5 billion on year-end 2013. Invested capital was primarily impacted by the seasonal increase of operating working capital of €0.4 billion.

Pensions

The funded status of the pension plans at the end of Q1 2014 was a deficit of €1.1 billion (year-end 2013: €0.6 billion).

The movement compared with year-end 2013 is primarily due to:

- De-risking the pension liabilities in the UK, giving rise to a loss of €0.8 billion which is recorded in other comprehensive income. More details of this transaction are provided in the press release of March 26, 2014 on our website
- Lower discount rates in all key countries

Offset by:

- Top-up payments of €297 million into certain UK defined benefit pension plans
- Asset returns above credits taken to the statement of income
- Lower inflation in the UK

Other effects of de-risking the pension liabilities in the UK were an increase of €58 million of the pension liabilities as well as a decrease of non-current financial assets by €715 million. The pension asset increased in Q1 2014 mostly as a consequence of top-up payments.

Workforce

At March 31, 2014, we employed 48,520 staff (year-end 2013: 49,560 employees). The net decrease was mainly due to:

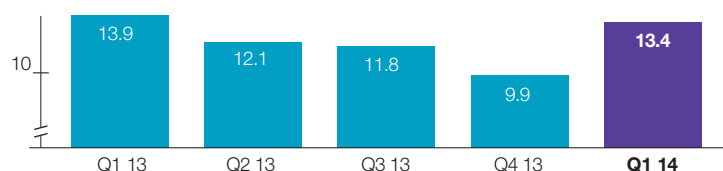
- A decrease of 430 employees due to divestments
- A decrease of 440 employees due to ongoing restructuring

Invested capital

in € millions	March 31, 2013	December 31, 2013	March 31, 2014
Trade receivables	2,468	2,087	2,329
Inventories	1,633	1,426	1,519
Trade payables	(2,169)	(2,129)	(2,033)
Operating working capital	1,932	1,384	1,815
Other working capital items	(809)	(774)	(653)
Non-current assets	10,966	9,714	9,218
Less investments in associates and joint ventures	(186)	(183)	(178)
Less pension assets	(1,006)	(471)	(57)
Deferred tax liabilities	(413)	(389)	(387)
Invested capital	10,484	9,281	9,758

Operating working capital

In % of revenue



Operating working capital

in € millions, % of revenue	March 31, 2013	December 31, 2013	March 31, 2014
Decorative Paints	537 14.5	228 6.1	441 12.7
Performance Coatings	879 16.5	693 12.7	813 15.4
Specialty Chemicals	647 13.0	553 11.5	647 13.2
Other activities	(131)	(90)	(86)
Total	1,932 13.9	1,384 9.9	1,815 13.4

Condensed consolidated statement of cash flows

1st quarter

in € millions

	2013	2014
Cash and cash equivalents at beginning of period	1,558	2,020
Adjustments to reconcile earnings to cash generated from operating activities		
Profit for the period from continuing operations	112	142
Amortization and depreciation	158	148
Changes in working capital	(350)	(471)
Changes in provisions	(279)	(294)
Other changes	(47)	(77)
Net cash from operating activities	(406)	(552)
Capital expenditures	(131)	(115)
Acquisitions and divestments net of cash acquired	(13)	–
Other changes	13	18
Net cash from investing activities	(131)	(97)
Changes from borrowings	163	(492)
Dividends	(8)	(2)
Other changes	10	9
Net cash from financing activities	165	(485)
Net cash used for continuing operations	(372)	(1,134)
Cash flows from discontinued operations	(87)	(3)
Net change in cash and cash equivalents of total operations	(459)	(1,137)
Effect of exchange rate changes on cash and cash equivalents	13	(4)
Cash and cash equivalents at March 31	1,112	879

Cash flows and net debt

Operating activities in Q1 2014 resulted in a cash outflow of €552 million (2013: €406 million). The change is mainly due to higher seasonal cash outflows for working capital.

As a consequence of this cash outflow from operating activities and capital expenditures of €115 million, net debt increased from €1,529 million at year-end 2013 to €2,186 million at the end of Q1 2014.

During the quarter, a €825 million euro bond was repaid from existing resources, which further reduced borrowing costs.

Outlook and 2015 targets

We are on track to deliver the 2015 targets despite the expected continued fragile economic environment and continued volatile currencies in 2014.

Amsterdam, April 17, 2014
The Board of Management

Quarterly statistics

	Q1	Q2	Q3	Q4	2013 year	in € millions	2014 Q1
Revenue							
	925	1,179	1,136	934	4,174	Decorative Paints	865
	1,331	1,458	1,415	1,367	5,571	Performance Coatings	1,319
	1,244	1,253	1,252	1,200	4,949	Specialty Chemicals	1,222
	(35)	(25)	(25)	(19)	(104)	Other activities/eliminations	(23)
	3,465	3,865	3,778	3,482	14,590	Total	3,383
EBITDA							
	88	141	146	(13)	362	Decorative Paints	56
	163	197	193	110	663	Performance Coatings	163
	174	198	185	169	726	Specialty Chemicals	204
	(50)	(62)	(68)	(58)	(238)	Other activities/eliminations	(59)
	375	474	456	208	1,513	Total	364
	10.8	12.3	12.1	6.0	10.4	EBITDA margin (in %)	10.8
Depreciation							
	(28)	(28)	(24)	(26)	(106)	Decorative Paints	(27)
	(25)	(25)	(24)	(28)	(102)	Performance Coatings	(27)
	(62)	(64)	(66)	(65)	(257)	Specialty Chemicals	(60)
	(4)	(2)	(3)	2	(7)	Other activities/eliminations	(3)
	(119)	(119)	(117)	(117)	(472)	Total	(117)
Amortization							
	(17)	(11)	(15)	(13)	(56)	Decorative Paints	(12)
	(9)	(9)	(9)	(9)	(36)	Performance Coatings	(10)
	(13)	(13)	(12)	(13)	(51)	Specialty Chemicals	(9)
	–	–	(1)	–	(1)	Other activities/eliminations	–
	(39)	(33)	(37)	(35)	(144)	Total	(31)
EBIT							
	43	102	107	(52)	200	Decorative Paints	17
	129	163	160	73	525	Performance Coatings	126
	99	121	107	91	418	Specialty Chemicals	135
	(54)	(64)	(71)	(57)	(246)	Other activities/eliminations	(62)
	217	322	303	55	897	Total	216
	6.3	8.3	8.0	1.6	6.1	EBIT margin (in %)	6.4
Operating income							
	43	102	107	146	398	Decorative Paints	17
	129	163	160	73	525	Performance Coatings	126
	99	121	107	(30)	297	Specialty Chemicals	135
	(54)	(64)	(71)	(73)	(262)	Other activities/eliminations	(62)
	217	322	303	116	958	Total	216
	6.3	8.3	8.0	3.3	6.6	ROS% before impairment	6.4

Quarterly statistics

	Q1	Q2	Q3	Q4	2013 year	in € millions	2014 Q1
Incidentals per Business Area							
	–	–	–	198	198	Decorative Paints	–
	–	–	–	–	–	Performance Coatings	–
	–	–	–	(121)	(121)	Specialty Chemicals	–
	–	–	–	(16)	(16)	Other activities/eliminations	–
	–	–	–	61	61	Total	–
Incidentals included in operating income							
	–	–	–	–	–	Restructuring costs	–
	–	–	–	(139)	(139)	Impairment	–
	–	–	–	–	–	Results related to major legal and environmental cases	–
	–	–	–	216	216	Results on acquisitions and divestments	–
	–	–	–	(16)	(16)	Other incidental results	–
	–	–	–	61	61	Total	–
Reconciliation net financing expense							
	9	8	6	9	32	Financing income	12
	(56)	(57)	(54)	(54)	(221)	Financing expenses	(44)
	(47)	(49)	(48)	(45)	(189)	Net interest on net debt	(32)
Other interest movements							
	(5)	(5)	(5)	(6)	(21)	Financing expenses related to pensions	(5)
	(12)	15	(8)	(3)	(8)	Interest on provisions	(4)
	1	6	5	6	18	Other items	4
	(16)	16	(8)	(3)	(11)	Net other financing charges	(5)
	(63)	(33)	(56)	(48)	(200)	Net financing expenses	(37)
Quarterly net income analysis							
	3	6	4	1	14	Results from associates and joint ventures	6
	(16)	(25)	(14)	(13)	(68)	Profit attributable to non-controlling interests	(16)
	157	295	251	69	772	Profit before tax	185
	(45)	38	(83)	(21)	(111)	Income tax	(43)
	112	333	168	48	661	Profit for the period from continuing operations	142
	29	(13)	33	30	14	Effective tax rate (in %)	23

Quarterly statistics

	Q1	Q2	Q3	Q4	2013 year		2014 Q1
Earnings per share from continuing operations (in €)							
	0.40	1.28	0.64	0.14	2.46	Basic	0.52
	0.40	1.27	0.64	0.14	2.44	Diluted	0.52
Earnings per share from discontinued operations (in €)							
	(0.03)	0.50	–	0.07	0.54	Basic	0.01
	(0.03)	0.50	–	0.07	0.54	Diluted	0.01
Earnings per share from total operations (in €)							
	0.37	1.78	0.64	0.21	3.00	Basic	0.53
	0.37	1.77	0.64	0.21	2.98	Diluted	0.53
Number of shares (in millions)							
	239.4	241.0	242.1	242.4	241.2	Weighted average number of shares	243.0
	239.8	242.1	242.1	242.6	242.6	Number of shares at end of quarter	243.4
Adjusted earnings (in € millions)							
	157	295	251	69	772	Profit before tax from continuing operations	185
	–	–	–	(61)	(61)	Incidentals reported in operating income	–
	39	33	36	36	144	Amortization of intangible assets	31
	(57)	28	(93)	(34)	(156)	Adjusted income tax	(52)
	(16)	(25)	(14)	(13)	(68)	Non-controlling interests	(16)
	123	331	180	(3)	631	Adjusted net income for continuing operations	148
	0.51	1.37	0.74	(0.01)	2.62	Adjusted earnings per share (in €)	0.61

Notes to the condensed financial statements

Accounting policies and restatements

This interim financial report is in compliance with IAS 34 "Interim Financial Reporting". This report is unaudited. As of January 2014, IFRS 10 "Consolidated Financial Statements" and IFRS 11 "Joint Arrangements" have been implemented, which had no impact on our consolidated financial statements. Otherwise the accounting principles are as applied in the 2013 financial statements.

Seasonality

Revenue and results in Decorative Paints are impacted by seasonal influences. Revenue and profitability tend to be higher in the second and third quarter of the year as weather conditions determine whether paints and coatings can be applied. In Performance Coatings, revenue and profitability vary with building patterns from original equipment manufacturers. In Specialty Chemicals, the Functional Chemicals and the Surface Chemistry businesses experience seasonal influences. Revenue and profitability are affected by developments in the agricultural season and tend to be higher in the first half of the year.

Other activities

In other activities, we report activities which are not allocated to a particular Business Area. Corporate costs are the unallocated costs of our head office and shared services center in the Netherlands. Pensions reflects pension costs after the elimination of interest cost (reported as financing expenses). Insurances are the results from our captive insurance companies. Other includes the cost of share-based compensation and company projects, the results of treasury and legacy operations as well as the unallocated cost of some country organizations.

Glossary

Adjusted earnings per share are the basic earnings per share from continuing operations excluding incidentals in operating income, amortization of intangible assets and tax on these adjustments.

Comprehensive income is the change in equity during a period resulting from transactions and other events other than those changes

resulting from transactions with shareholders in their capacity as shareholders.

EBIT is operating income before incidentals.

EBIT margin is EBIT as percentage of revenue.

EBITDA is EBIT before depreciation and amortization and refers to EBITDA before incidentals.

EBITDA margin is EBITDA as percentage of revenue.

Emerging Europe: Central and Eastern Europe (excluding Austria), Baltic States and Turkey.

Incidentals are special charges and benefits, results on acquisitions and divestments, restructuring and impairment charges, and charges related to major legal, anti-trust, and environmental cases.

Invested capital is total assets (excluding cash and cash equivalents, investments in associates, the receivable from pension funds in an asset position, assets/liabilities held for sale) less current income tax payable, deferred tax liabilities and trade and other payables.

Mature markets comprise of Western Europe, the US, Canada, Japan and Oceania.

Moving average ROI is calculated as operating income of the last twelve months divided by average invested capital.

Net debt is defined as long-term borrowings plus short-term borrowings less cash and cash equivalents.

Operating income is defined in accordance with IFRS and includes the relevant incidental results.

Operating working capital is defined as the sum of inventories, trade receivables and trade payables of the total company. When expressed as a ratio, operating working capital is measured against four times last quarter revenue.

ROS% is operating income as percentage of revenue.

Safe Harbor Statement

This report 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 forecast 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.

Brands and trademarks

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Financial calendar

Annual General Meeting	April 29, 2014
Ex-dividend date of 2013 final dividend	May 2, 2014
Record date of 2013 final dividend	May 6, 2014
Election period cash or stock final dividend	May 7, 2014 – May 22, 2014
Determination of exchange ratio	May 23, 2014
Payment date cash dividend and delivery of new shares	May 28, 2014
Report for the 2 nd quarter 2014	July 23, 2014
Report for the 3 rd quarter 2014	October 21, 2014



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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.