

Investor Update Q3 2014 results

Ton Büchner & Maëlys Castella
October 21, 2014



Agenda

1. **Q3 2014 highlights**
2. **Operational review**
3. **Financial review**
4. **Conclusion**
5. **Questions**

Q3 2014 highlights

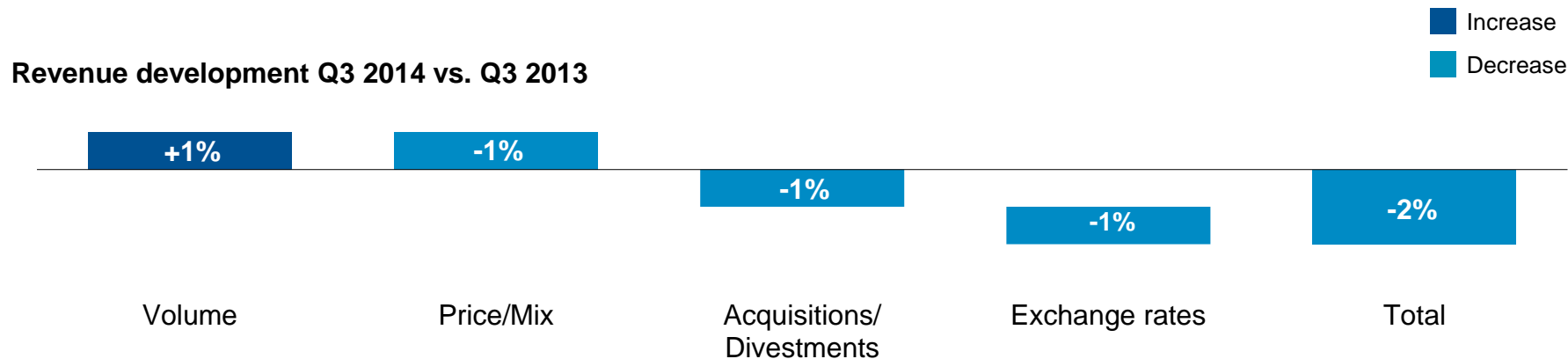
- Q3 volumes up 1 percent, more than offset by currency effects and divestments, resulting in revenues down 2 percent
- Operating income of €335 million reflects benefits from improvement actions and lower restructuring charges
- Return on sales (ROS) 9.1 percent (2013: 8.0 percent). Excluding restructuring 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 million), 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

Operational review

Return on Sales improvement continued in Q3 2014

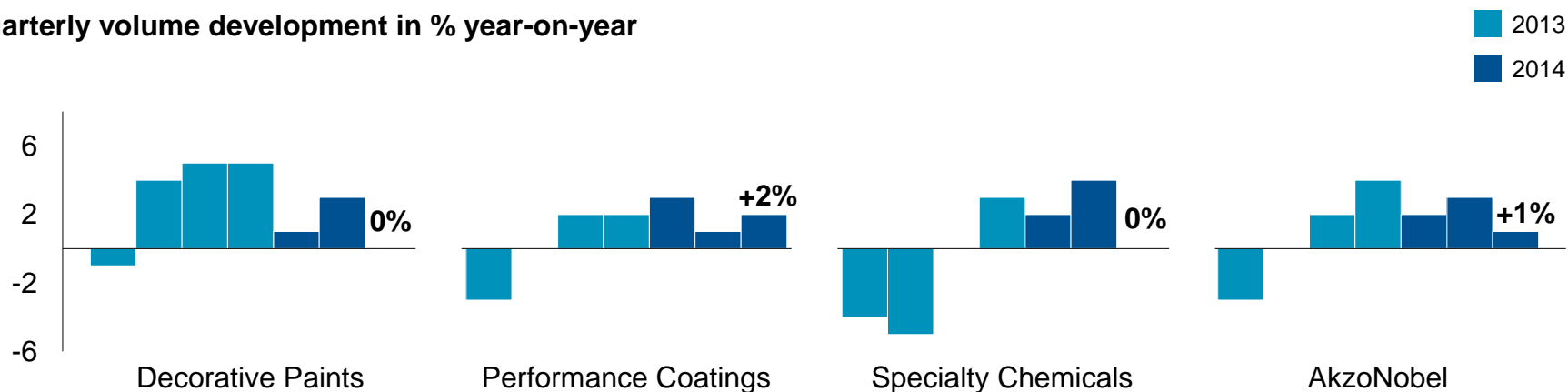
€ million	Q3 2014	Δ%
Revenue	3,686	-2
Operating income	335	11

Ratio, %	Q3 2014	Q3 2013
Return on sales	9.1	8.0
Return on sales (excluding restructuring costs)	10.6	10.0
Moving average return on investment	10.5	8.6

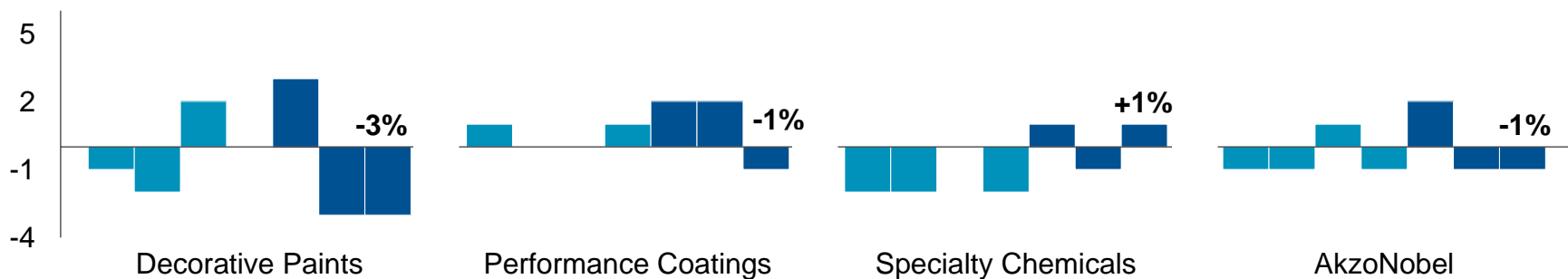


Continued fragile economic environment impacting all Business Areas

Quarterly volume development in % year-on-year

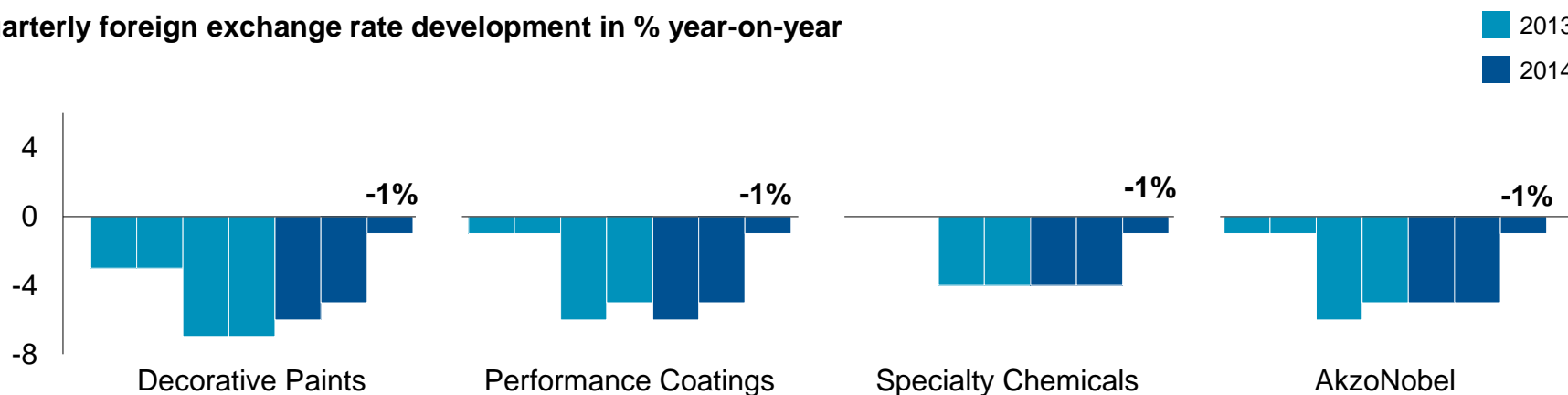


Quarterly price/mix development in % year-on-year



Foreign exchange rates have become less of a headwind in Q3

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



- Adverse currency effects, impacting 1H 2014, were visible in all Business Areas and any lost income related to this will not come back in our results
- Negative currency effects levelling off in Q3, with less impact on this quarter's results

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

Decorative Paints

Q3 2014 highlights

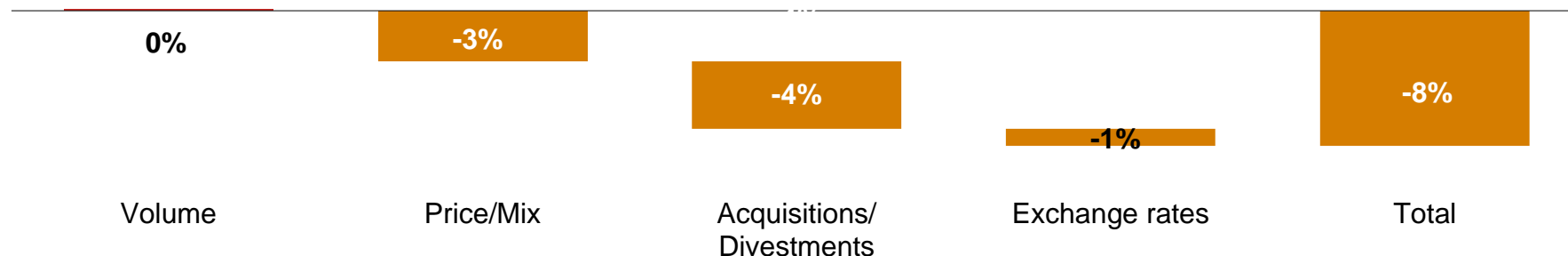
€ million	Q3 2014	Δ%
Revenue	1,050	-8
Operating income	113	6

Ratio, %	Q3 2014	Q3 2013
Return on sales	10.8	9.4
Return on sales (excluding restructuring costs)	10.8	10.1

- Volumes were flat compared with previous year
- Revenues down 8 percent due to divestments and adverse price/mix
- Price/mix largely driven by the sale of the German stores
- Operating income was up 6 percent, mainly due to lower restructuring expenses and effects from restructuring programs contributing to results

Revenue development Q3 2014 vs. Q3 2013

■ Increase
■ Decrease



Performance Coatings

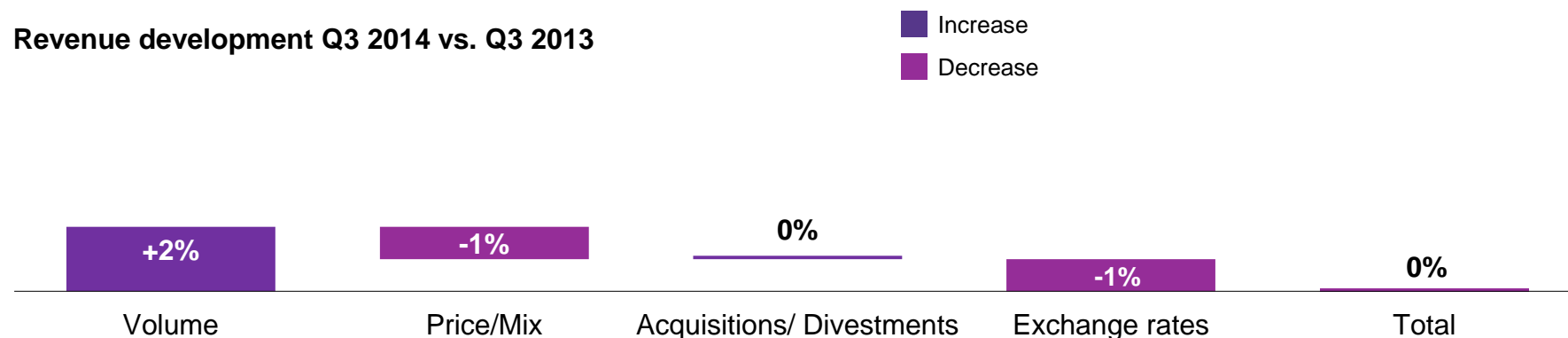
Q3 2014 highlights

€ million	Q3 2014	Δ%
Revenue	1,420	0
Operating income	135	-16

Ratio, %	Q3 2014	Q3 2013
Return on sales	9.5	11.3
Return on sales (excluding restructuring costs)	12.4	11.9

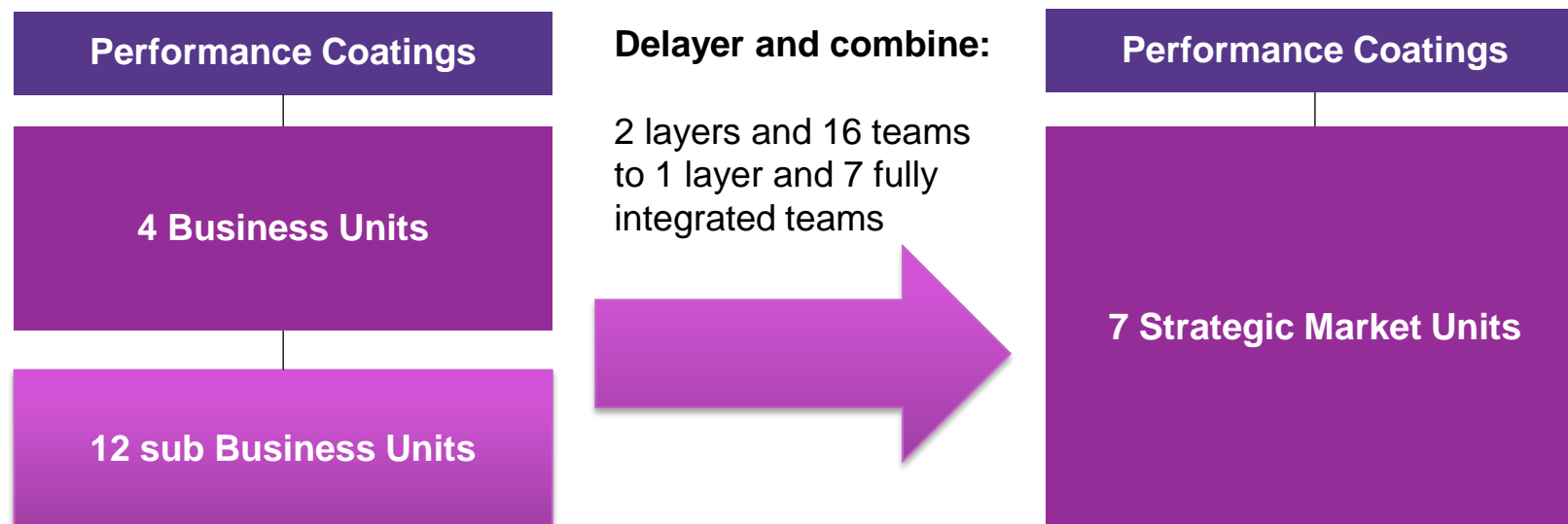
- Volumes were up 2 percent compared with previous year, driven by Marine and Protective Coatings and Powder Coatings
- Revenues were flat, with positive volumes offset by negative price/mix and adverse currency effects
- Operating income down 16 percent, return on sales at 9.5 percent (2013:11.3 percent), due to higher restructuring charges

Revenue development Q3 2014 vs. Q3 2013



Performance Coatings – New organizational structure

- An organization that is more customer focused, agile and lean, with Strategic Market Units directly managed by the Business Area
- Easier execution of the diversified growth strategy
 - Stronger focus on capturing market opportunities in growth regions
 - Diversified approach in mature markets
- Lowering Selling, General & Administrative costs



Specialty Chemicals

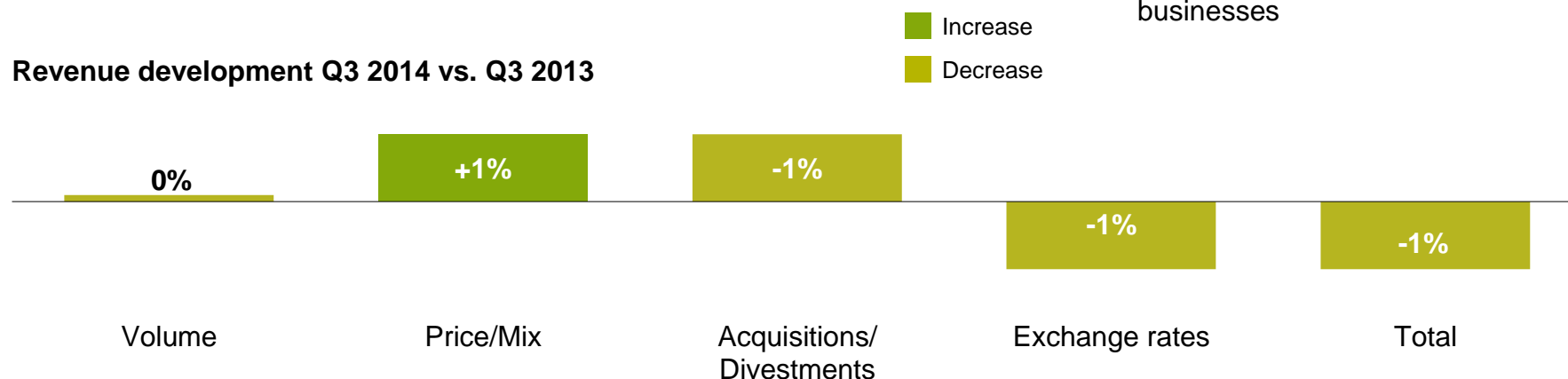
Q3 2014 highlights

€ million	Q3 2014	Δ%
Revenue	1,239	-1
Operating income	156	46

Ratio, %	Q3 2014	Q3 2013
Return on sales	12.6	8.5
Return on sales (excluding restructuring costs)	13.1	12.2

- Volumes were flat compared with the previous year
- Revenues down 1 percent, due to adverse currency effects and divestments
- Operating income up 46 percent at €156 million, due to lower restructuring costs, cost control and improved price/mix
- Continuous improvement measures continue in all businesses

Revenue development Q3 2014 vs. Q3 2013



Financial review

Summary – Q3 2014 results

<i>€ million</i>	Q3 2014	Q3 2013
EBITDA	487	456
Amortization and depreciation	(152)	(153)
Incidentals	-	-
Operating income	335	303
Net financing expenses	(38)	(56)
Minorities and associates	(10)	(10)
Income tax	(84)	(83)
Discontinued operations	2	1
Net income attributable to shareholders	205	155

<i>Ratio</i>	Q3 2014	Q3 2013
Adjusted earnings per share (in €)	0.92	0.74

Cash flows Q3 2014

€ million	Q3 2014	Q3 2013
Profit for the period from continuing operations	219	168
Amortization and depreciation	152	153
Change working capital	137	183
Change provisions	(48)	(37)
Other changes	29	85
Net cash from operating activities	489	552
Capital expenditures	(137)	(133)
Acquisitions and divestments net of cash acquired	6	10
Changes from borrowings	(277)	5
Dividends	(19)	(30)
Other changes	2	7
Cash flows from discontinued operations	(11)	-
Total cash flows	53	411

Conclusion

Conclusion

- Fifth consecutive quarter of improvement in return on sales at group level and underlying return on sales improvement visible in all Business Areas
- Continuous improvement programs are ongoing in all businesses, with expectation of at least €250 million restructuring costs in 2014
- Number one ranking on the influential Dow Jones Sustainability Index (DJSI) for the third consecutive year
- 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 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	Q3 2014	YTD 2014
Decorative Paints	7	24	8	66	105	22	23	1	46
Performance Coatings	11	5	9	77	102	15	17	41	73
Specialty Chemicals	1	0	46	27	74	7	2	6	15
Other	10	11	12	34	67	0	3	7	10
Total	29	40	75	204	348	44	45	55	144

* 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

Q3 2014 Operating income – Cash bridge

<i>€ million</i>	Q3 2014	Q3 2013
Operating Income	335	303
Incidentals	-	-
Depreciation & amortization	152	153
EBITDA before incidentals	487	456
Other	3	26
Change working capital	137	183
Change provisions	(48)	(37)
Interest paid	(24)	(25)
Income tax paid	(66)	(51)
Net cash from operating activities	489	552

IAS 19 pension deficit unchanged in Q3 2014

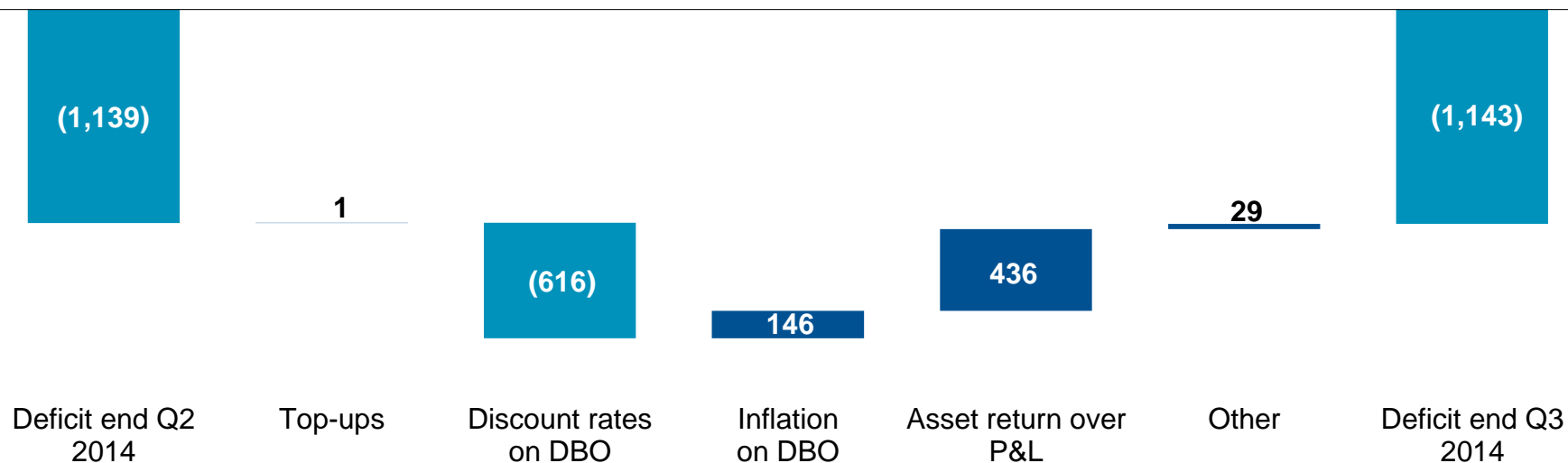
<i>Key pension assumptions metrics</i>	Q3 2014	Q2 2014
Discount rate	3.7%	4.0%
Inflation rate	3.0%	3.1%

Pension deficit development during Q3 2014

€ million

■ Decrease

■ Increase



Innovation Pipeline Q3 2014

Decorative Paints – Dulux Forest Breath

Key Features

- Waterborne interior woodstain available as clear varnish and opaque finishes that are compatible with current color solutions
- Anti-bacterial properties
- Improves indoor air quality by absorbing and destroying atmospheric formaldehyde

Customer Benefits

- Family friendly:
 - low odor whilst painting
 - affordable anti-bacterial, easily cleanable surfaces throughout the home
- Very easy to apply
- Good hardness and scratch resistance

Growth Potential

- Launched in China in May 2014
- Drive cross-selling in retail channel through Dulux branded stores
- Positioned as an eco-premium solution offering family-friendly, well-being advantages



High performance waterborne interior woodcare for the China market

Innovation Pipeline Q3 2014

Packaging Coatings - EvCote™ Water Barrier 3000

Key Features

- Heat-sealable, abrasion-resistant varnish with excellent water and grease barrier properties
- Base resin made from recycled PET, enabling 100% recyclable, re-pulpable and compostable paper packaging
- Replaces polyethylene and fluorocarbon wax barrier coatings in paper packaging applications

Customer Benefits

- 100% paper waste from production process recaptured instead of going to landfill, with significant cost and materials savings for customers
- Increased efficiency for customers through faster processing
- Improved package performance through enhanced barrier properties

Growth Potential

- Significant growth opportunity secured over next five years for paper cup application
- AkzoNobel's entry into €4 billion global paper coatings market
- Technology platform is readily adaptable to other paper coating market segments



Multi-functional solution for paper and paperboard packaging applications with reduced environmental footprint

Innovation Pipeline Q3 2014

Functional Chemicals – ELOTEX® CAST

Key Features

- A new specialty additive for dispersing and stabilizing calcium sulfate in mortar mixes, enabling the use of all gypsum types for flooring applications
- Provides good workability and excellent levelling properties, resulting in high strength and smooth surface floors
- Product is delivered in powder form which simplifies handling and product formulation
- Sustainable contribution in an eco-premium product

Customer Benefits

- Possibility to use any kind of available gypsum for leveling compounds and screeds
- Savings on time and costs for raw material and logistics

Growth Potential

- Elotex® CAST 700 and CAST 710 launched in Q1/2013 and Q2/2014, respectively
- Global potential in all regions with access to natural or synthetic gypsum (esp. RU, CN, BR, US, TR)
- Opportunity for building product formulators to differentiate from competition and open new markets



CALCIUM SULFATE TECHNOLOGY - a unique and innovative technology for gypsum floorings

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

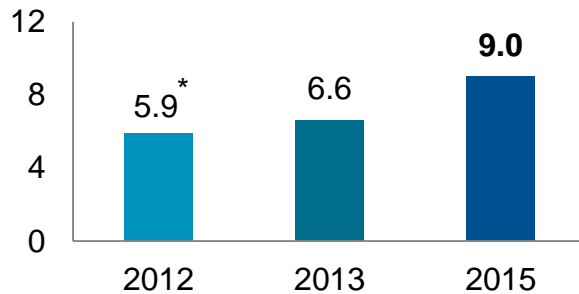
Clear focus to deliver on our significant potential

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

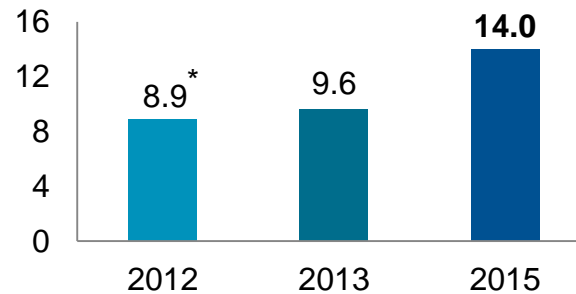


Realistic 2015 financial targets focused on quality of earnings and value creation

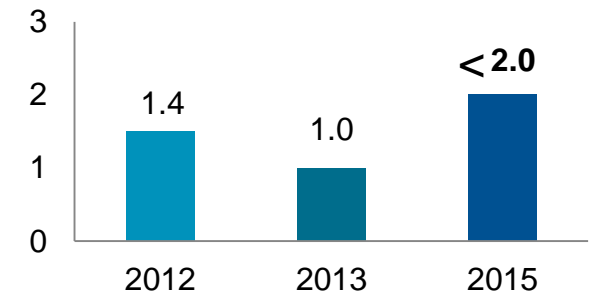
Return on sales
(Operating income/revenue)
%



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

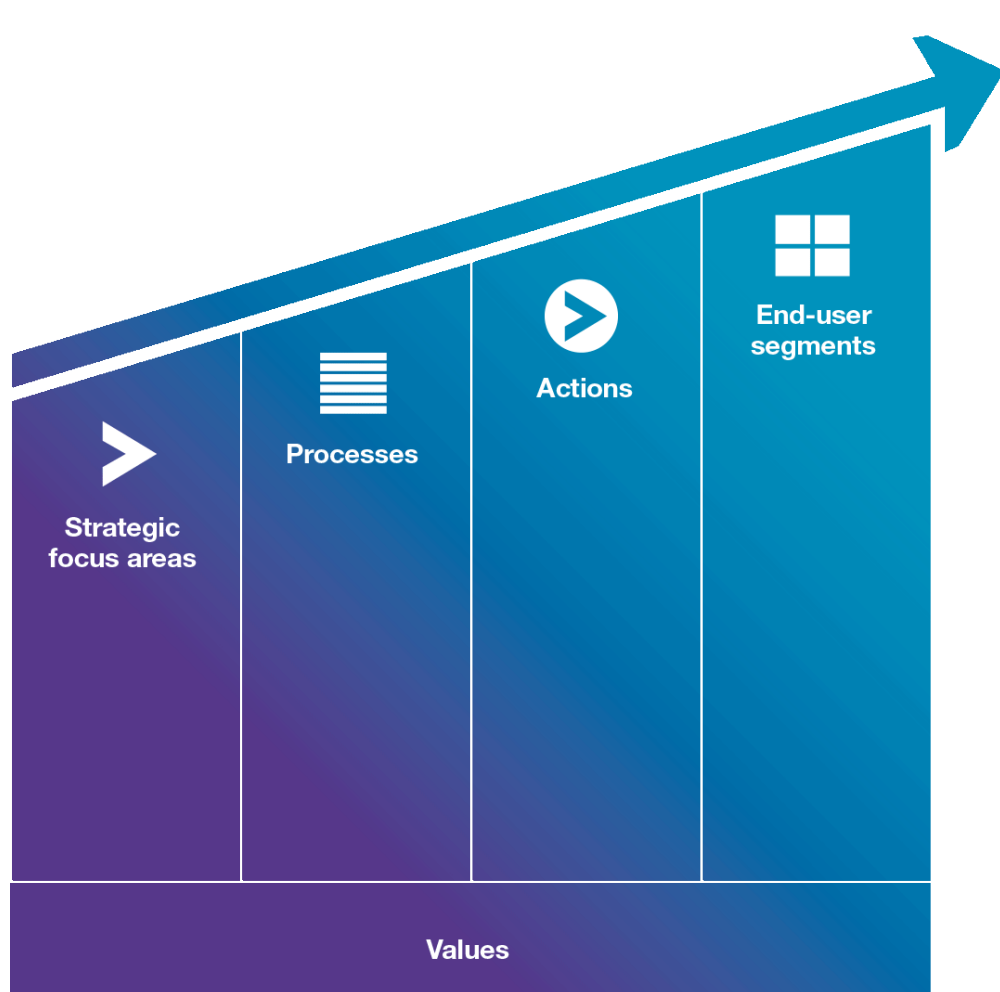


Net debt/EBITDA
x



On track to achieve 2015 targets

AkzoNobel strategy introduced in 2013



Vision:

**Leading
market positions
delivering
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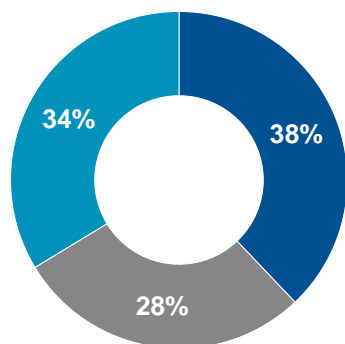
- Organic growth
- Operational excellence

AkzoNobel today

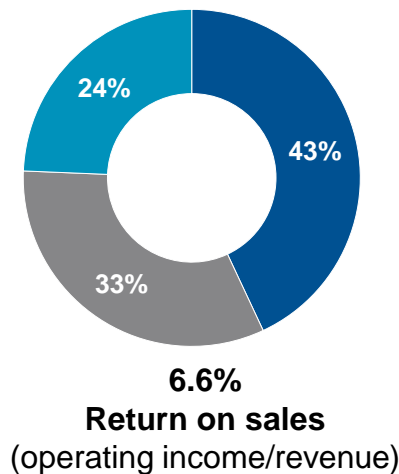
- Revenue €14.6 billion
- 49,560 employees
- 44% of revenue from high growth markets
- Major producer of Paints, Coatings and Specialty Chemicals
- Leadership positions in many markets



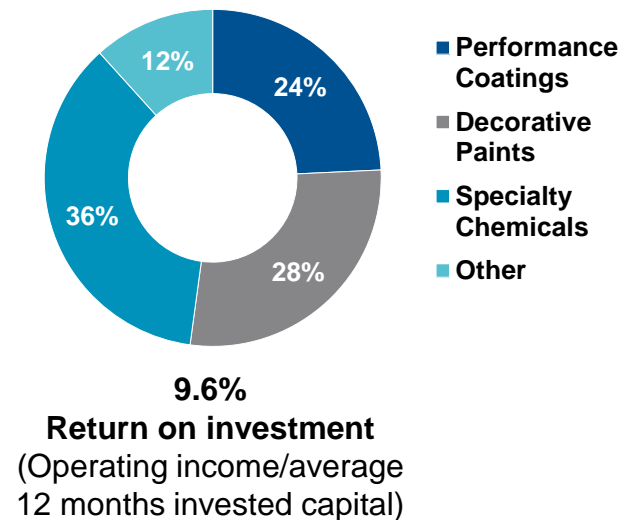
Revenue by Business Area



Operating income by Business Area



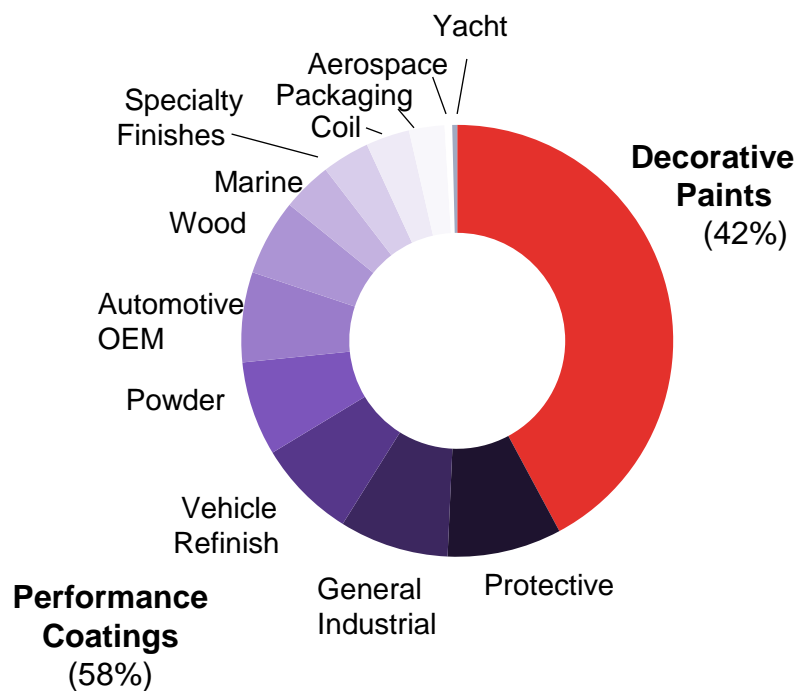
Invested capital by Business Area



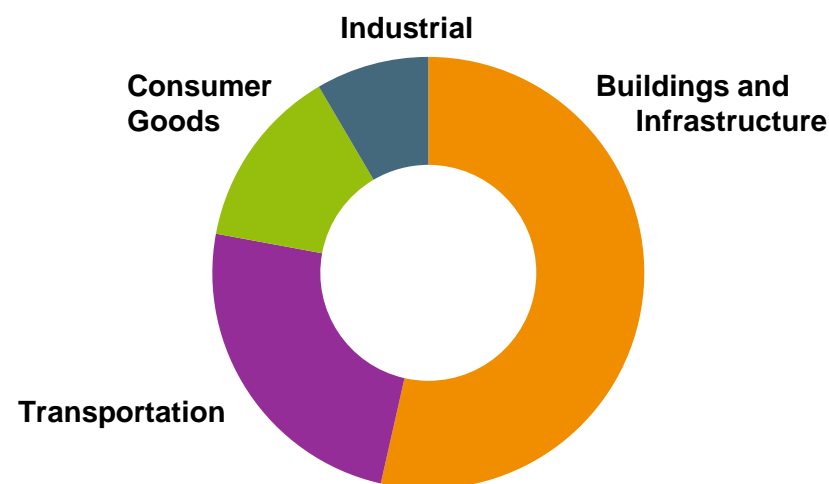
- Performance Coatings
- Decorative Paints
- Specialty Chemicals
- Other

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

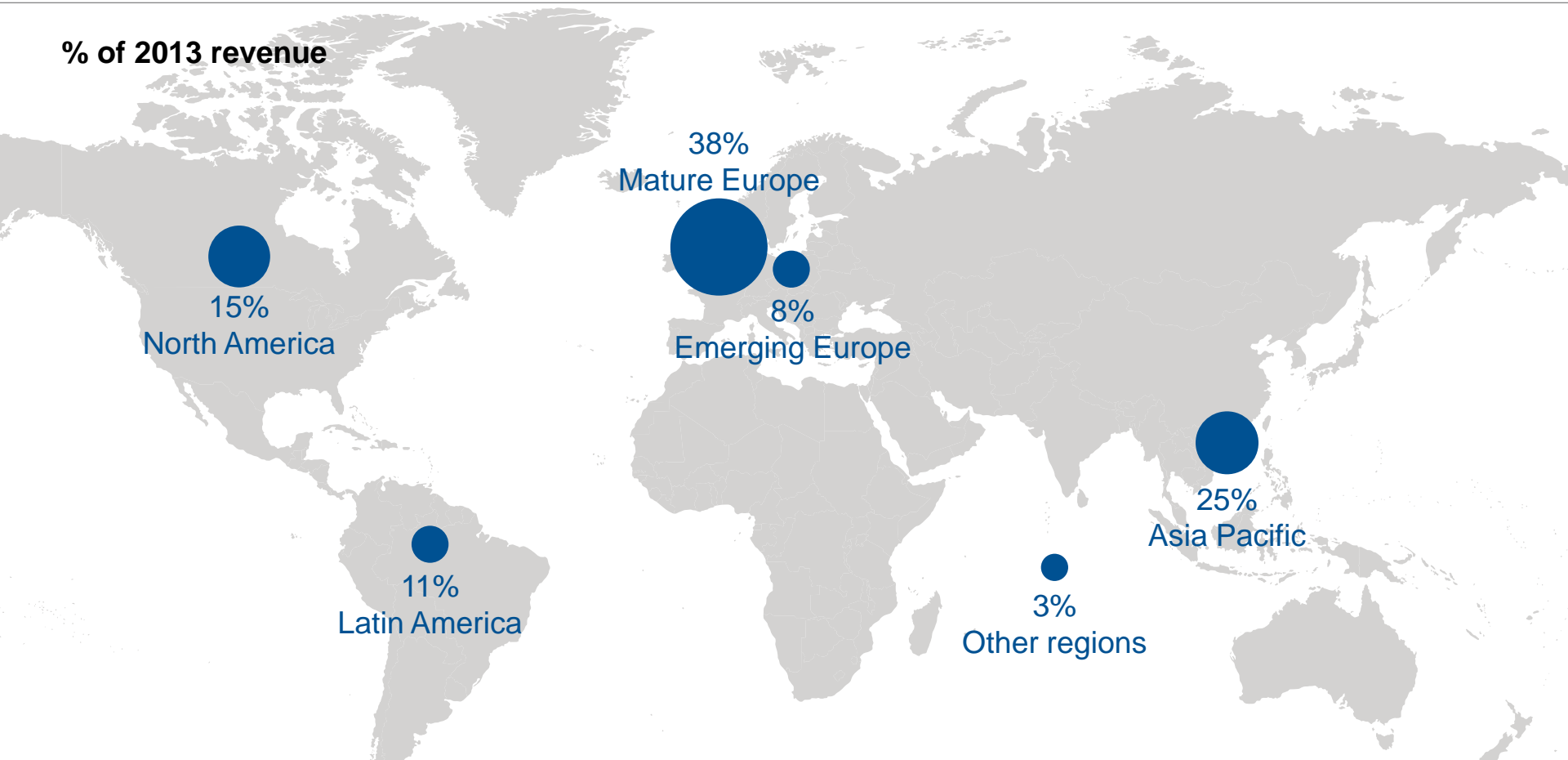


AkzoNobel has many leading market positions

		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

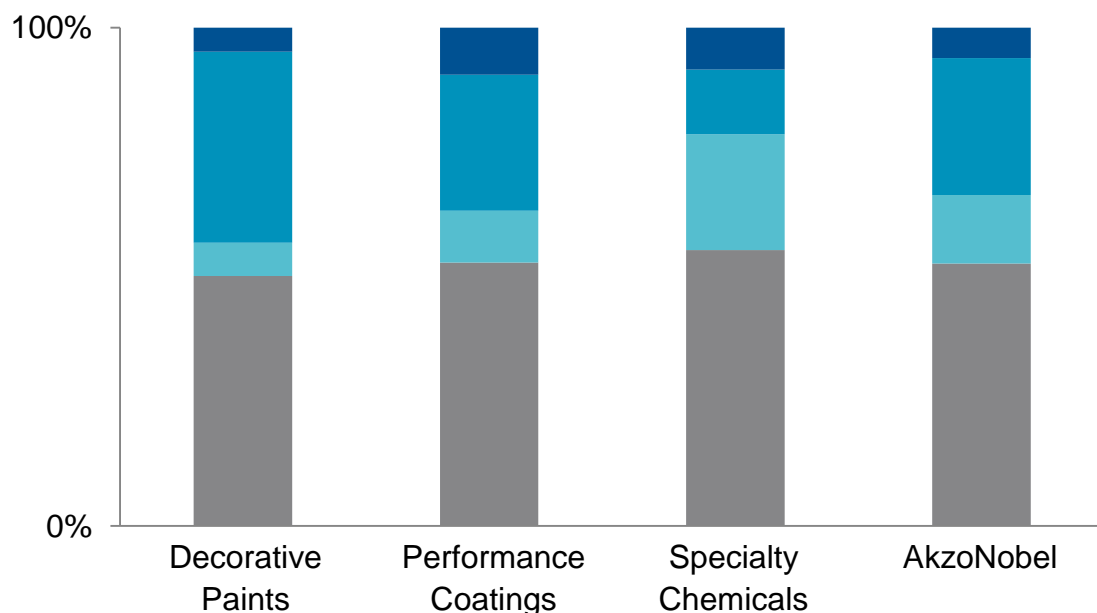


Share of revenues from high growth markets will increase over time

In aggregate variable costs represent 53% of revenue

Profit and loss breakdown*

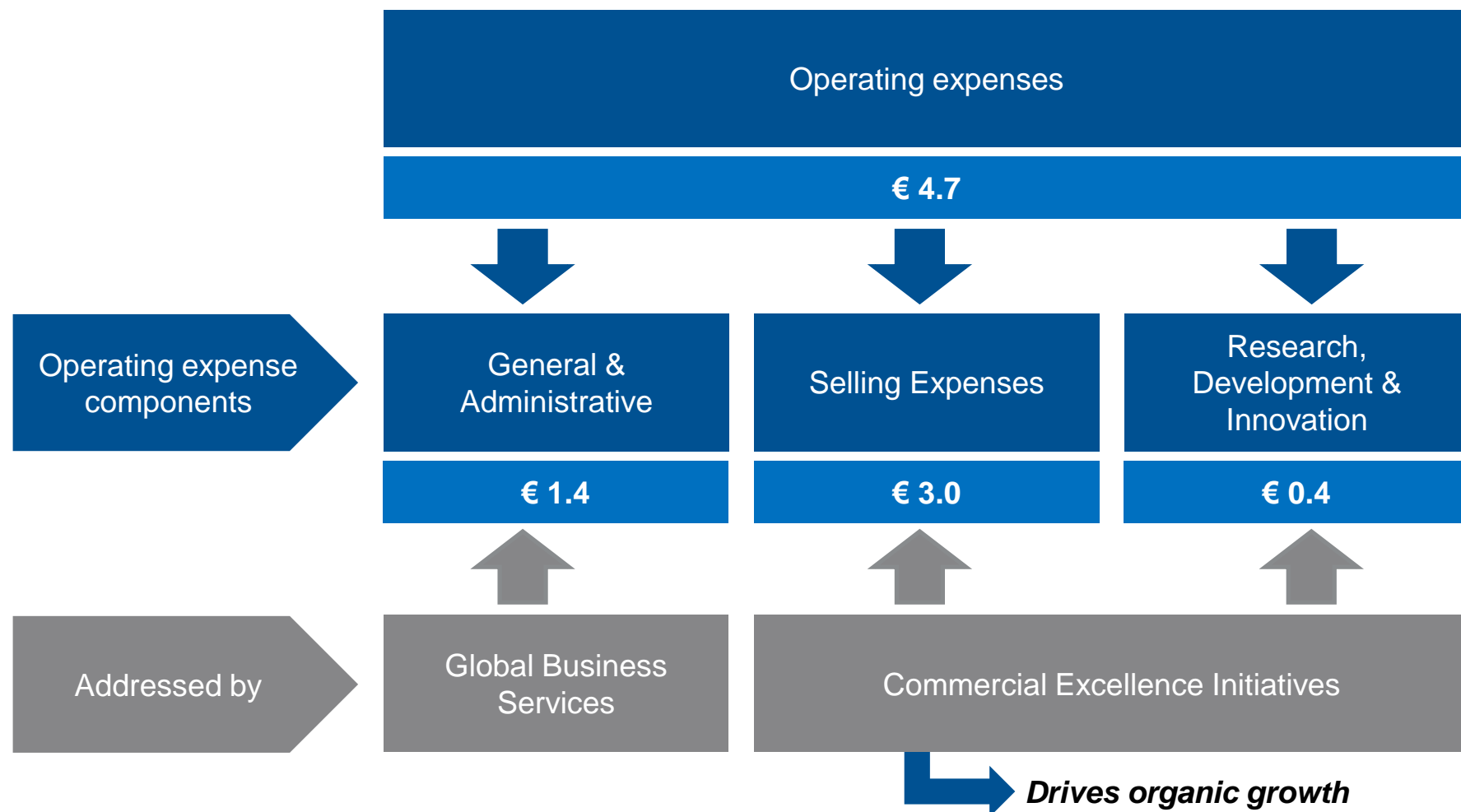
% of total



- 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)

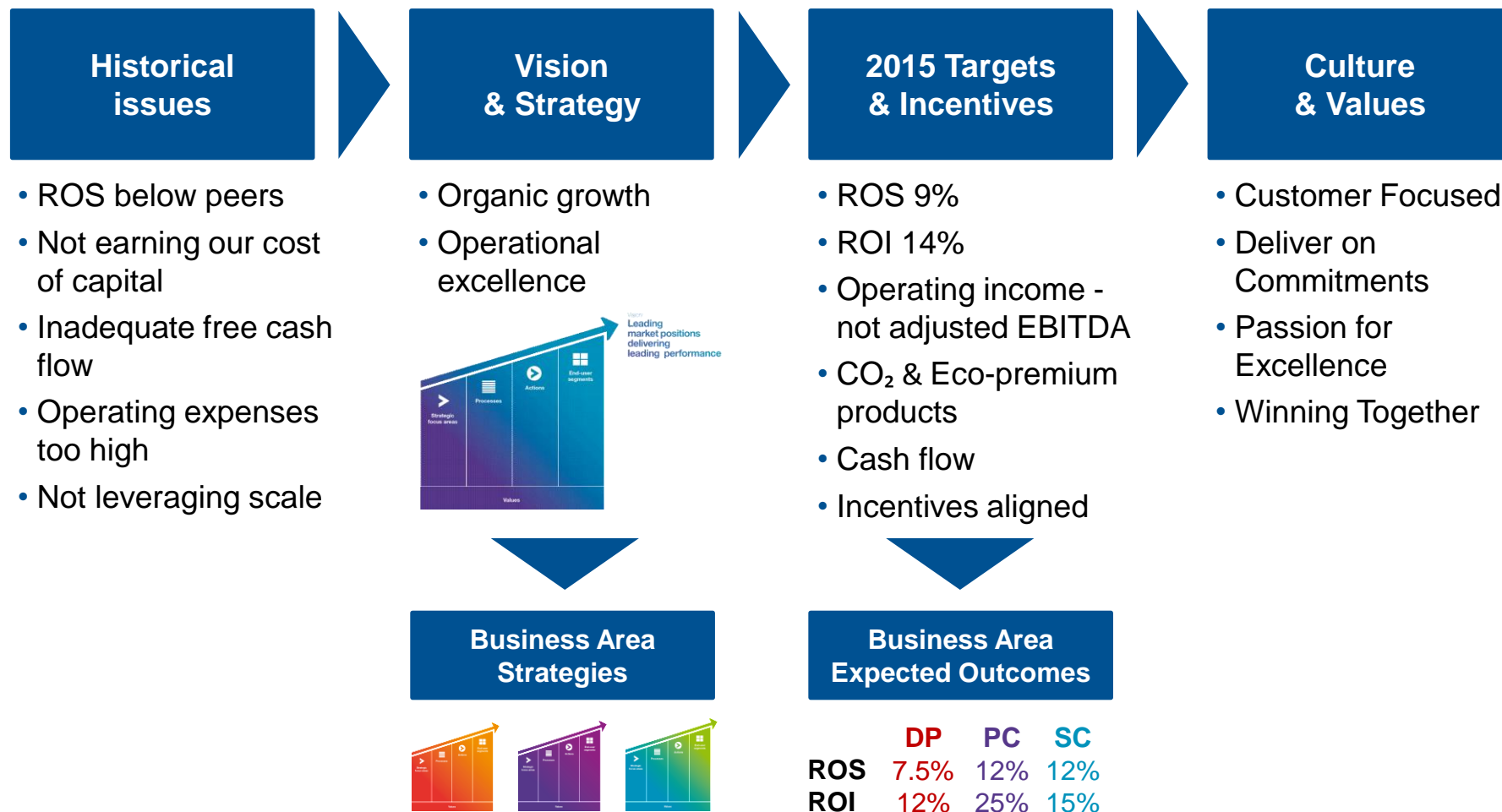


AkzoNobel ranked #1 again in the Dow Jones Sustainability Index for the Materials Industry group

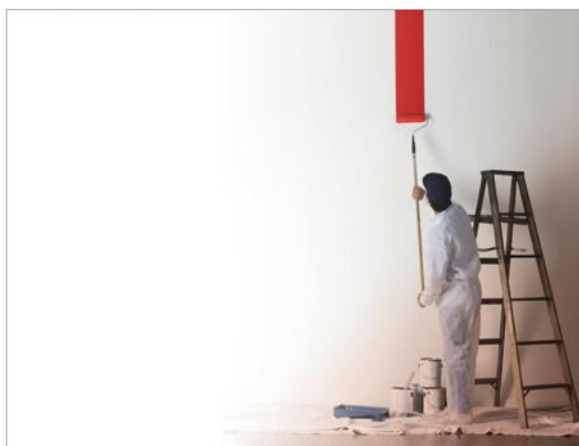
AkzoNobel values drive cultural change



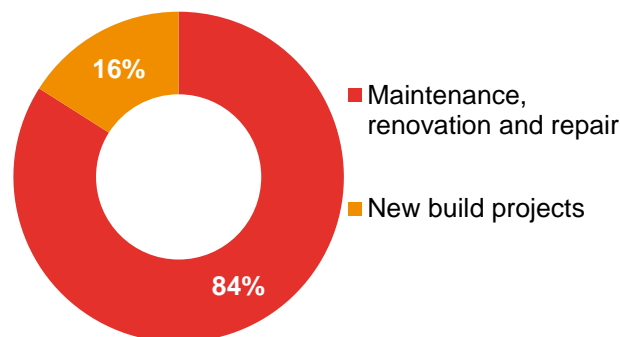
Leading performance; gaining momentum



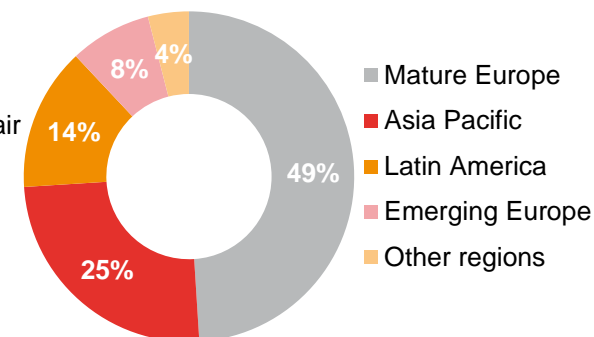
Decorative Paints business at a glance



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

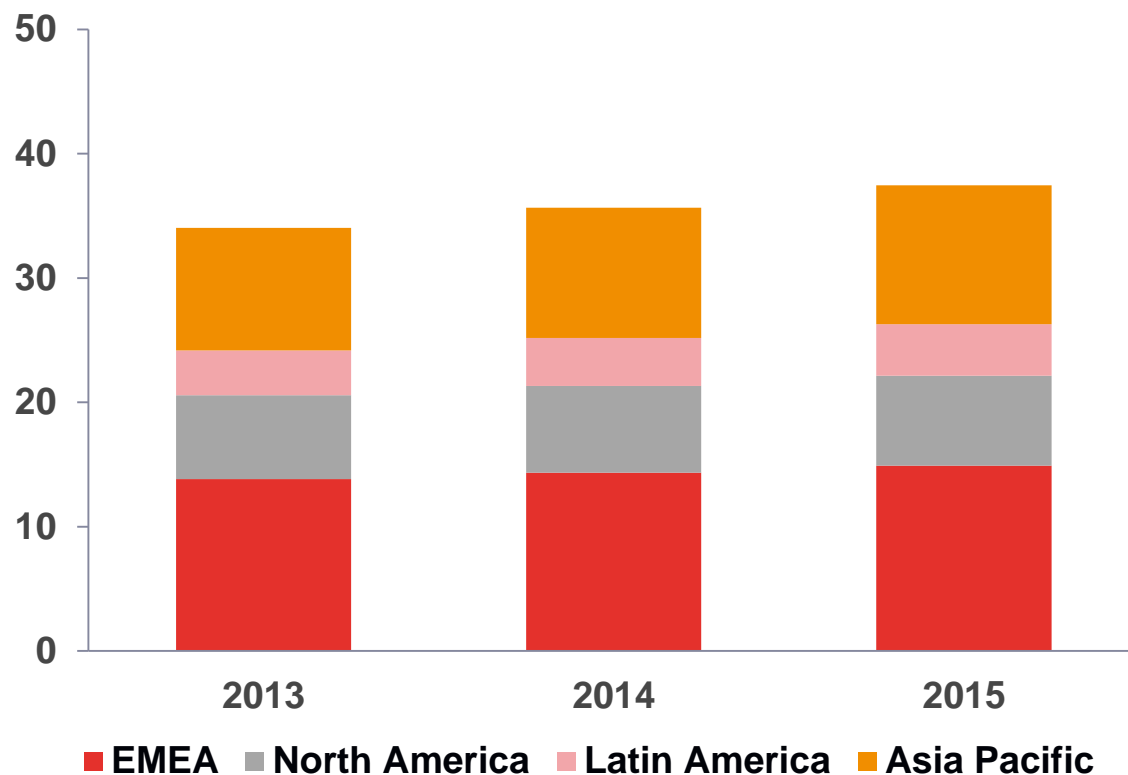
- We are the global leader in size in the attractive global Decorative Paints market
- We are pursuing a vision of becoming the leading global Decorative Paints company in size and performance
- Strategic priorities:
 - Fix Europe
 - Grow profitably in high-growth markets

* 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

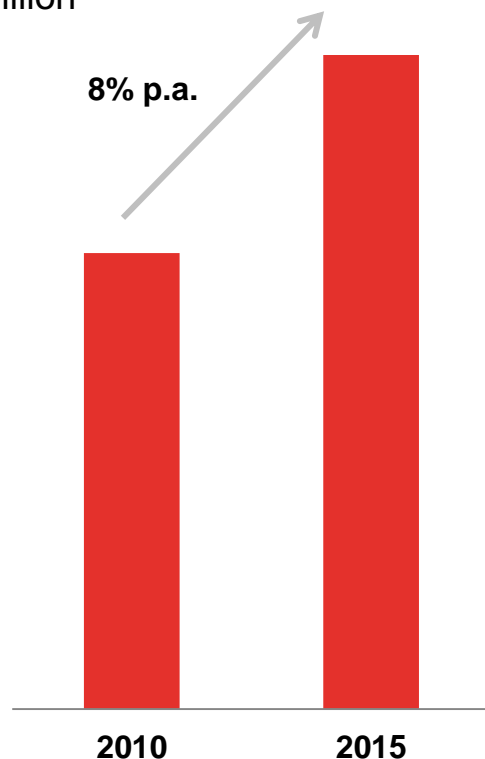
€ billion



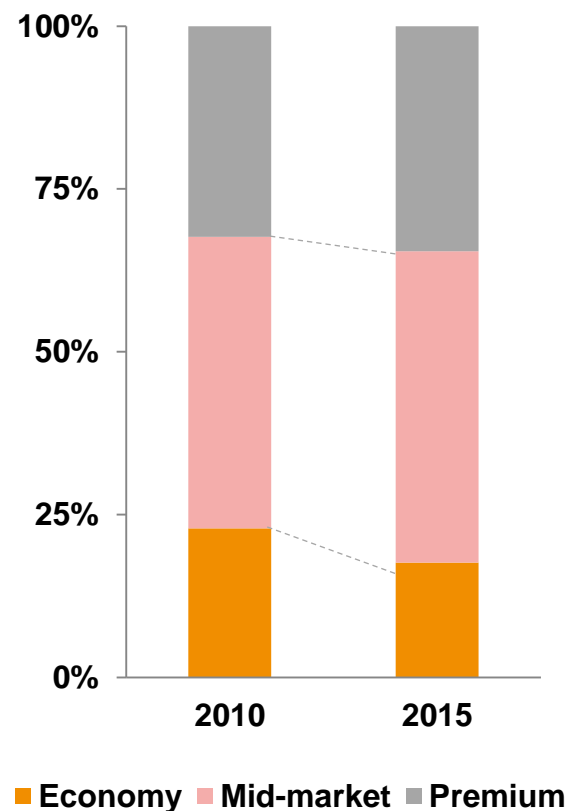
- Used for protection as well as decoration
- Consumption per capita driven primarily by the frequency of repainting
- Demand growth closely correlated with GDP growth, consumer expectations
- In high-growth markets, tends to outstrip GDP growth by up to 1.5x

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

In Decorative Paints we hold strong market positions across all regions

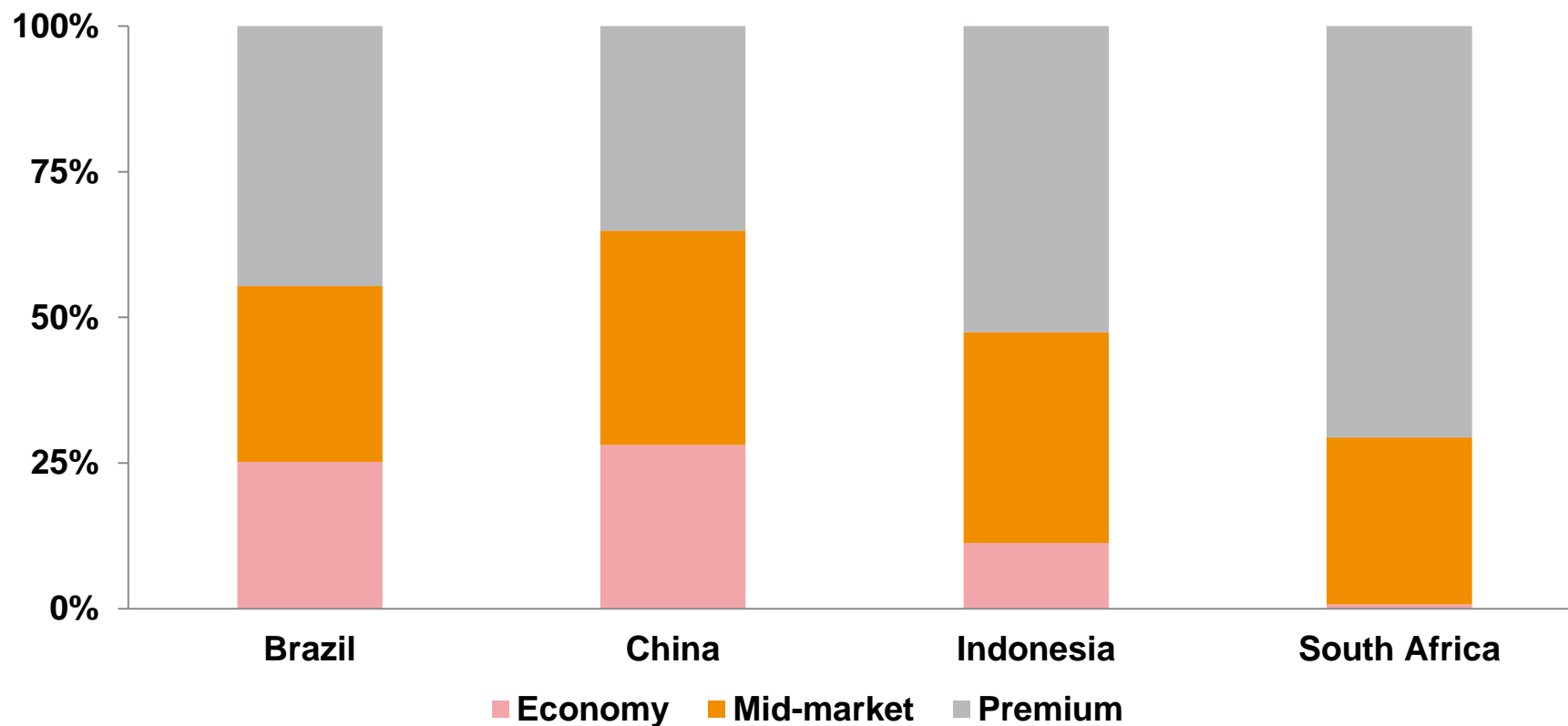
Geographic area	Geographic size (€ billion)	AkzoNobel position
Europe*	12.2	1
South East Asia and Pacific	1.7	1
China and North Asia	6.4	2
Latin America	2.5	2
India and South Asia	2.8	3

* 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:

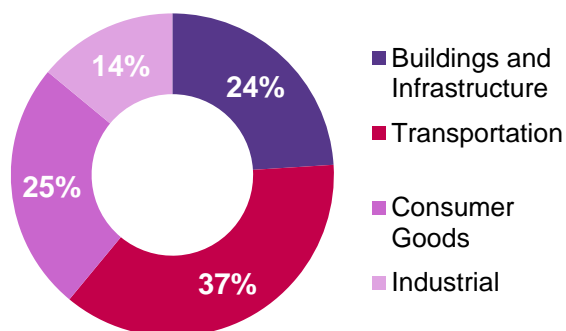
- Develop profitable mid-market business model(s)
- Build and implement a robust distribution strategy framework
- Leverage global marketing and innovation scale to win locally
- Leverage our strong brands
- Create and implement a digital marketing strategy



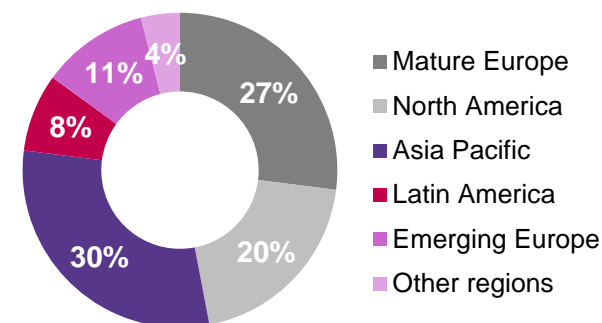
Performance Coatings business at a glance



Revenue by end-user segment



Revenue by geographic spread



Performance Coatings key figures

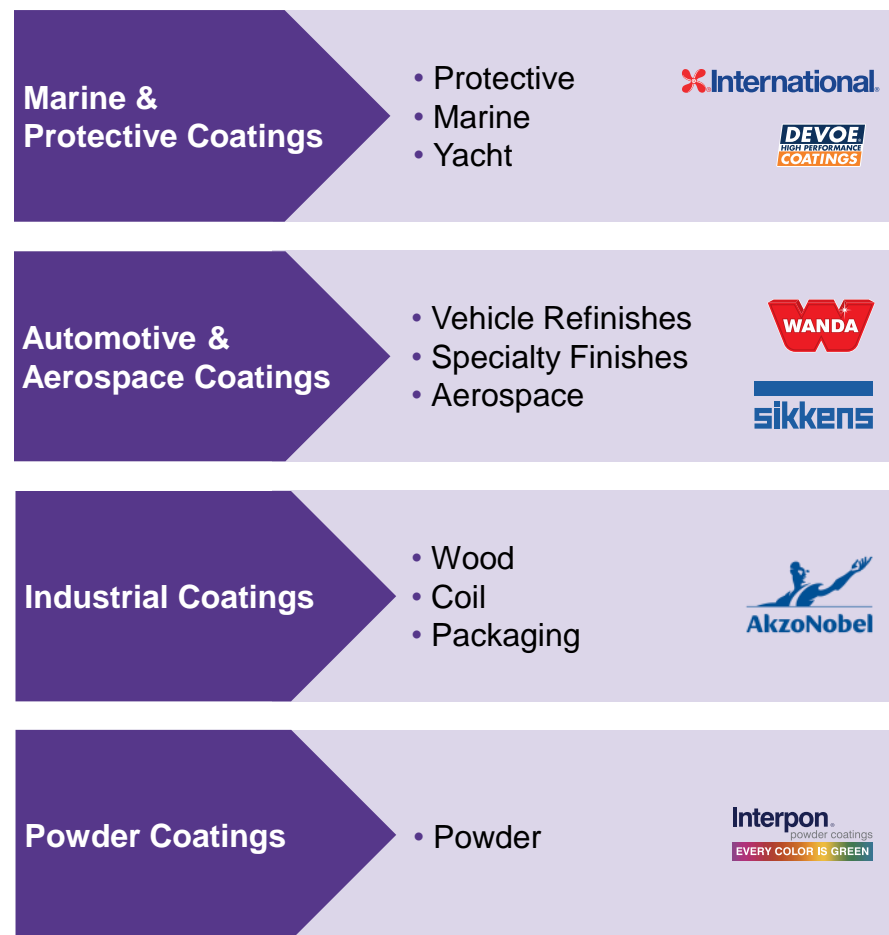
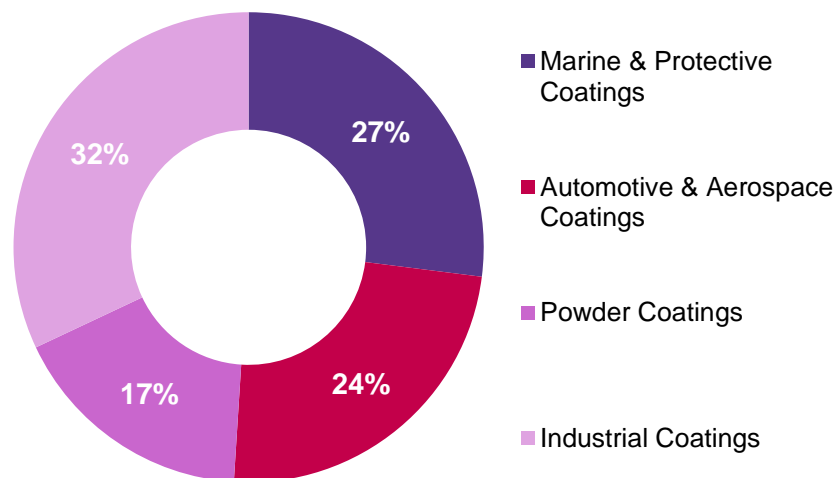
€ million	2013
Revenue	5,571
EBITDA	663
Operating income	525
Return on sales	9.4%
Return on investment	21.3%
Employees	21,360

Key messages

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

We are organized in four Business Units

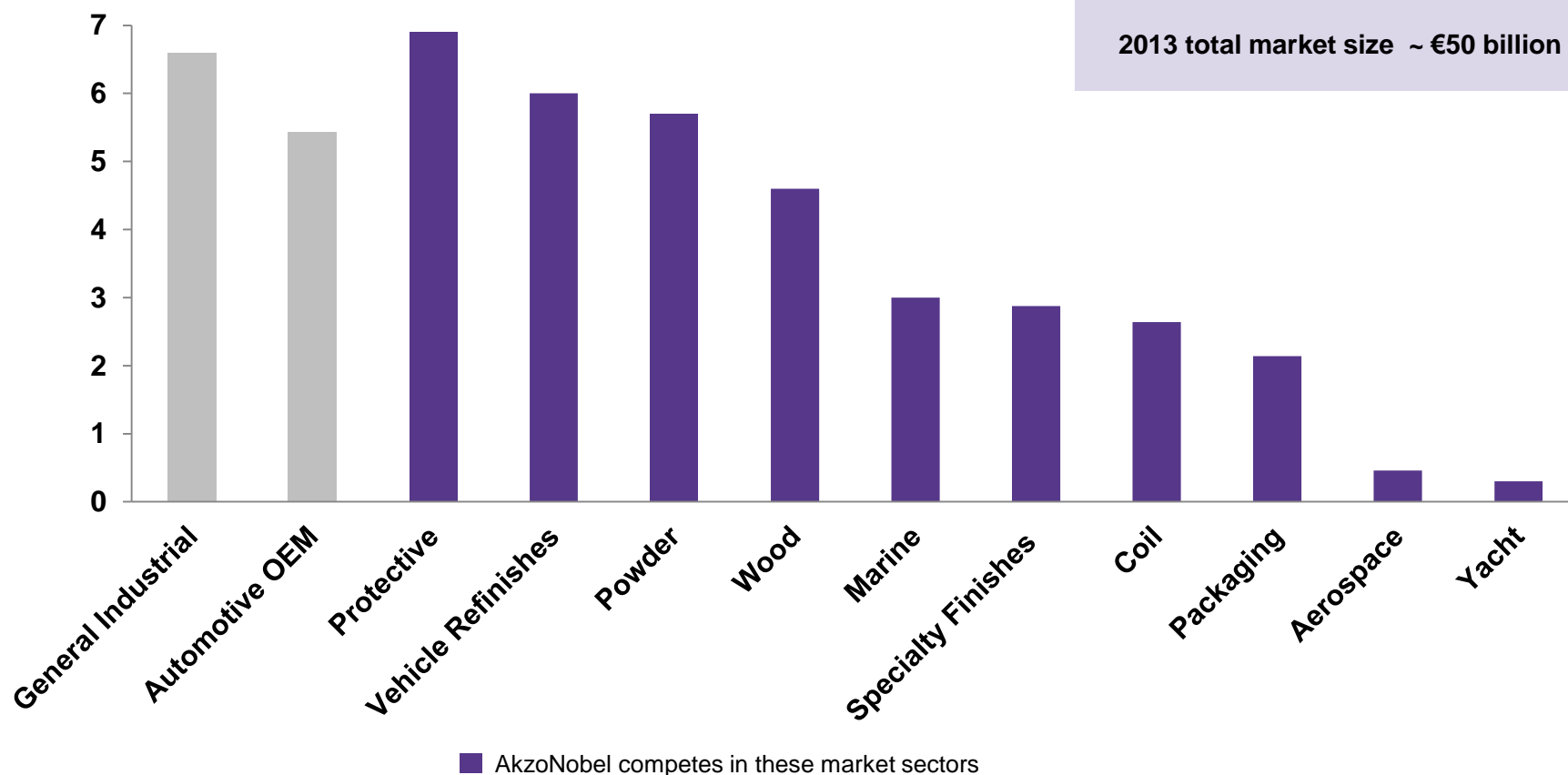
2013 revenue by Business Unit



The Performance Coatings market is based on twelve sectors

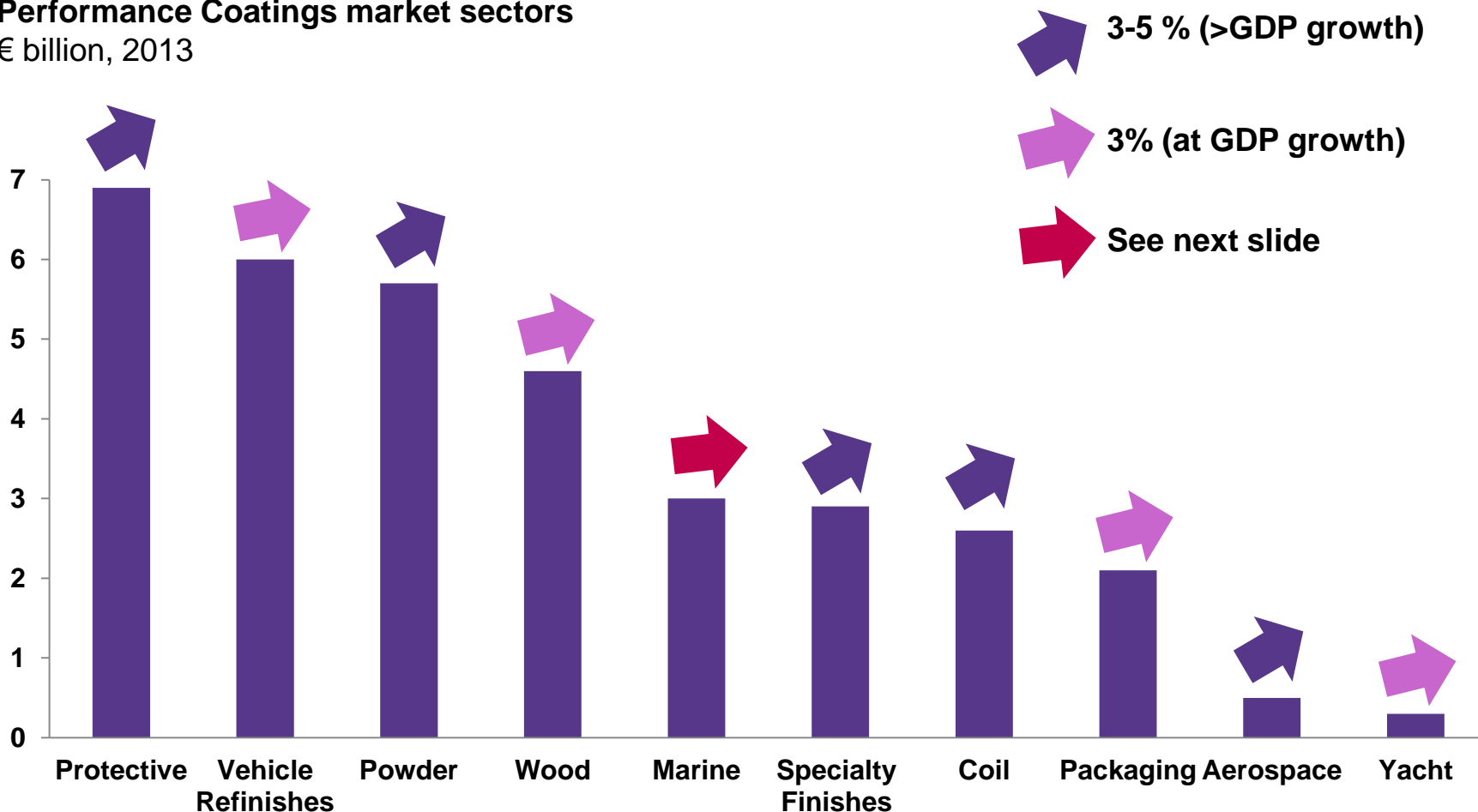
Performance Coatings market sectors

€ billion, 2013



The five year outlook for most sectors is positive

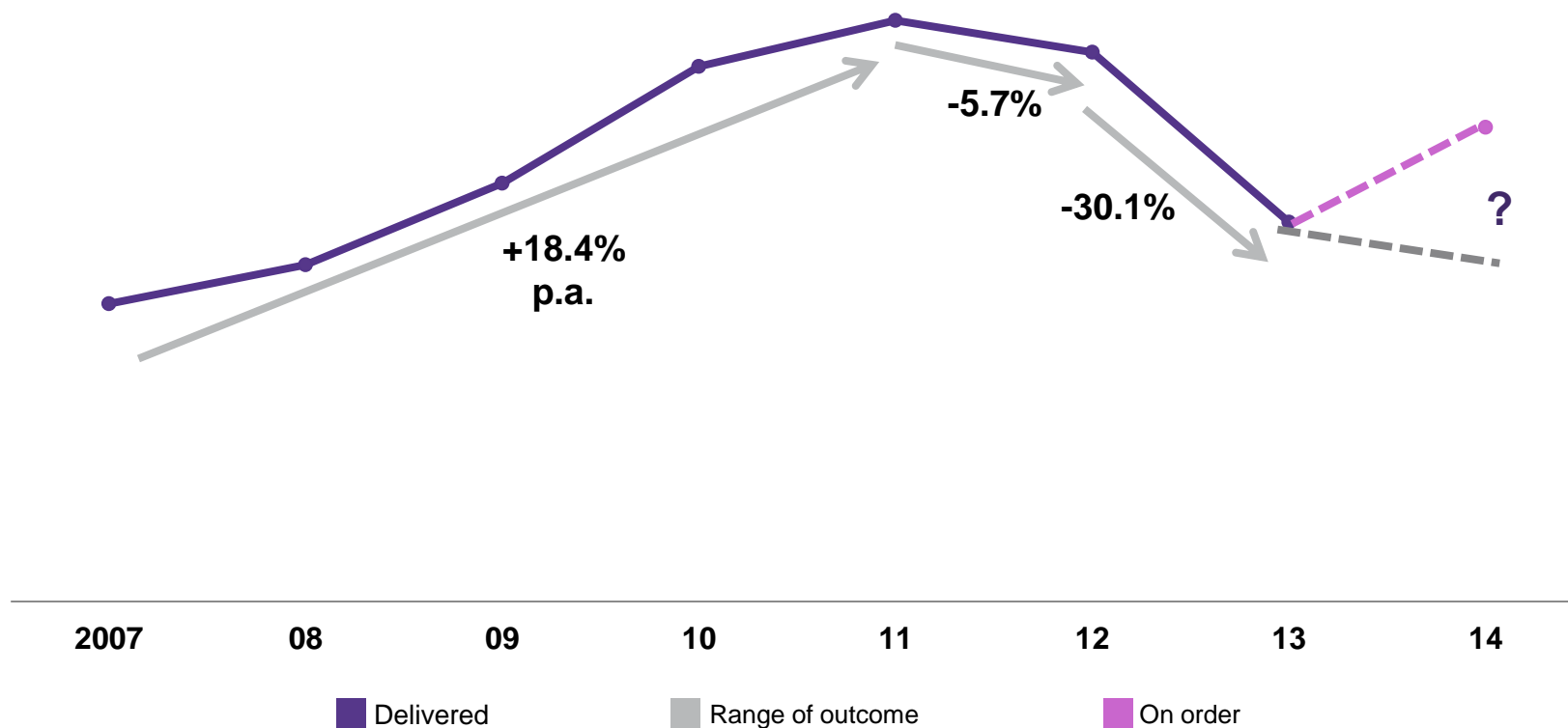
Performance Coatings market sectors
€ billion, 2013



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

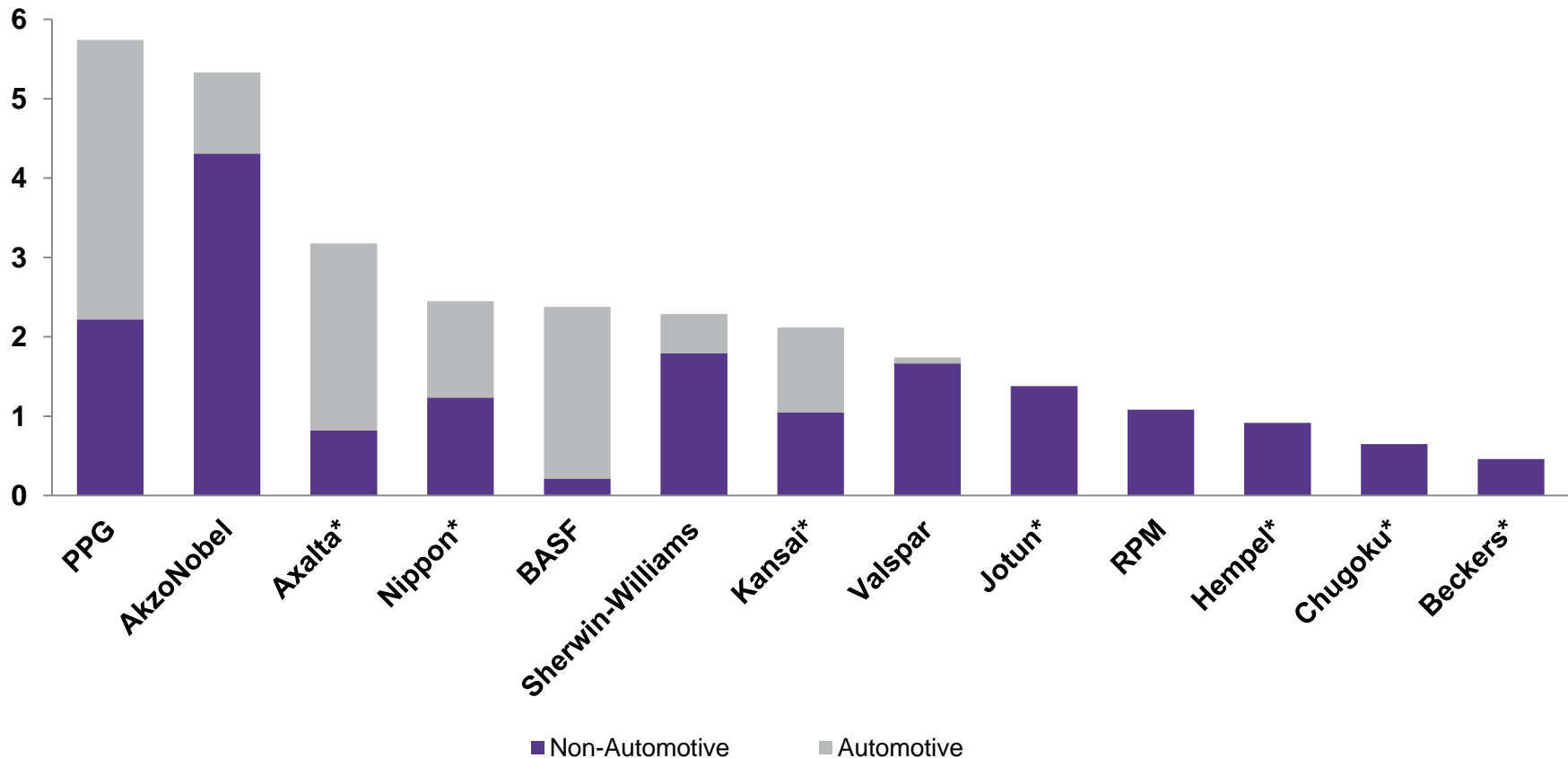
New build ship deliveries

Million deadweight tons, 2007 = 95



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

Performance Coatings revenue
 € billion, 2013 unless noted

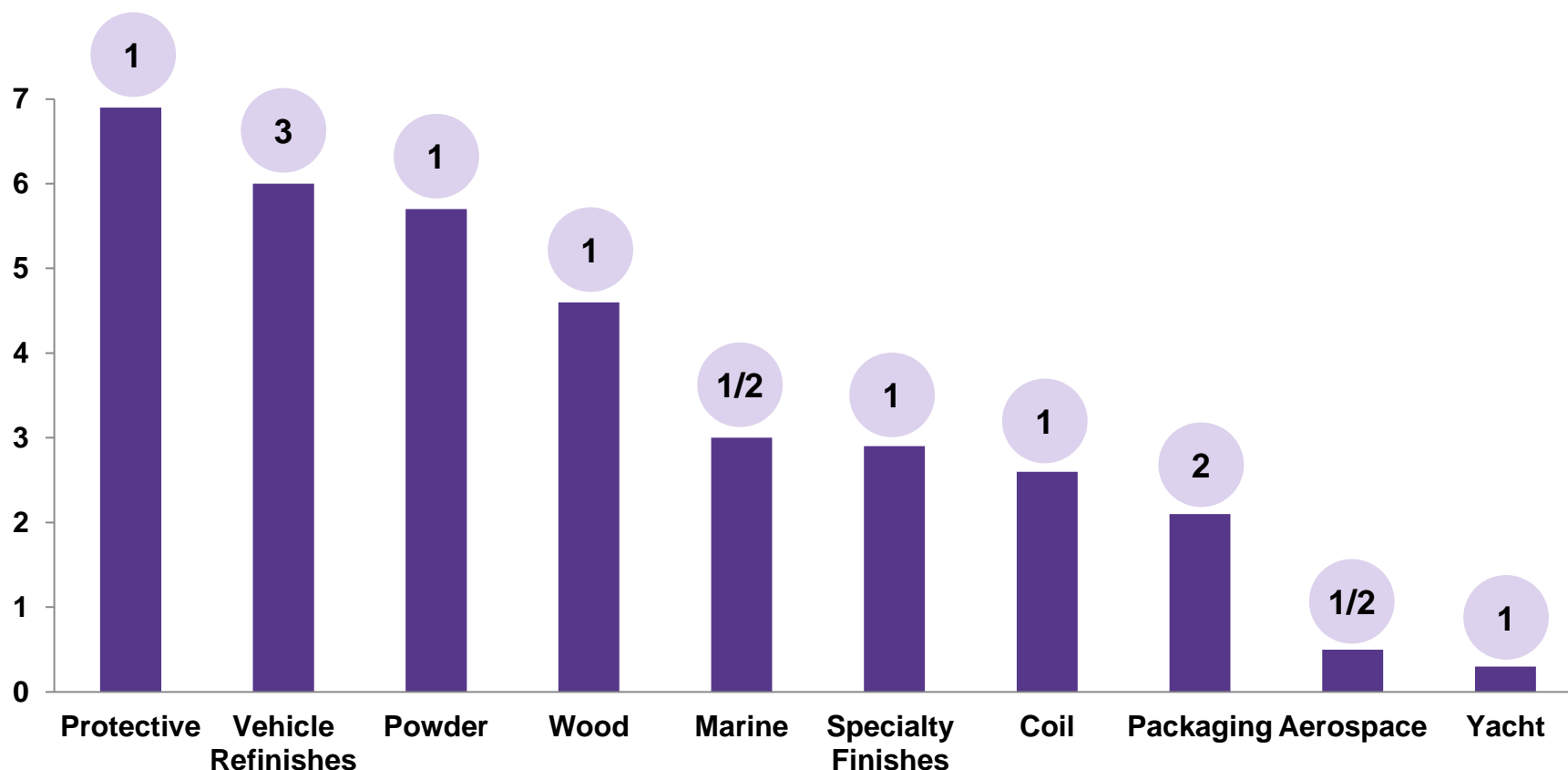


* 2012 data
 Source: Annual Reports; AkzoNobel analysis

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



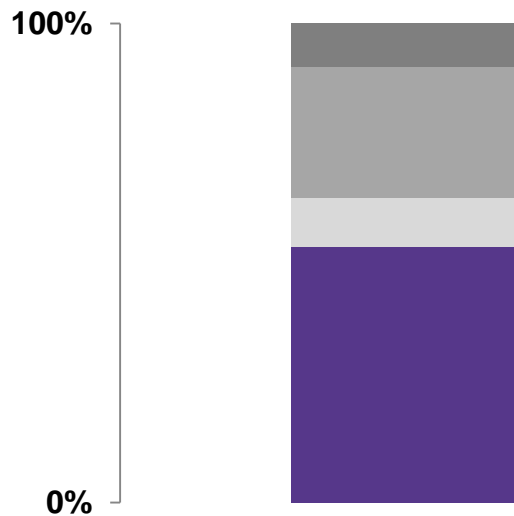
Complexity reduction and continuously reduce external spend

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

* Rounded percentages

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



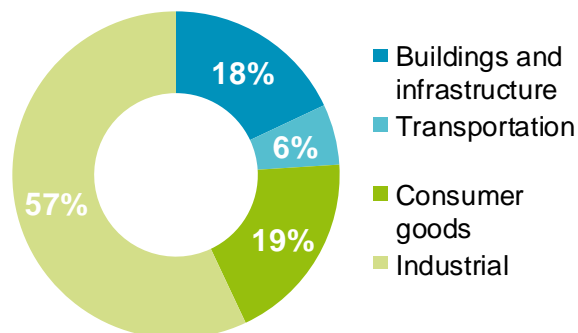
Expected outcomes

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

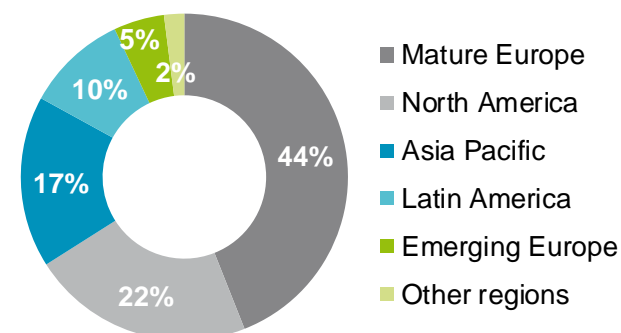
Business at a glance



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

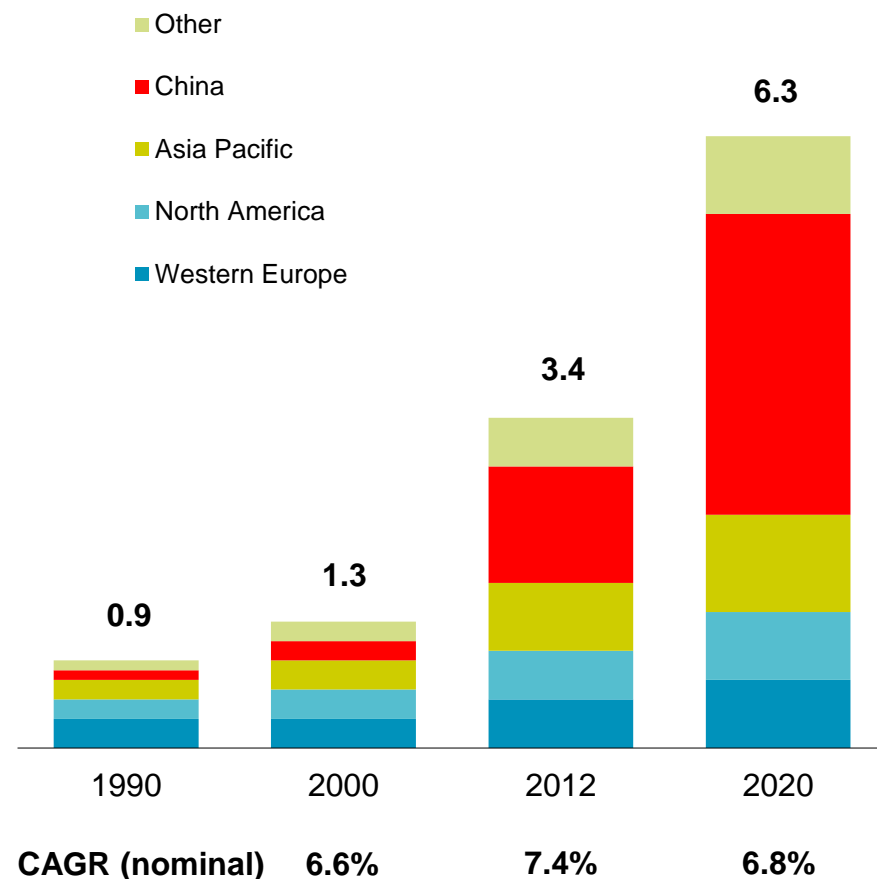
Key messages

- 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

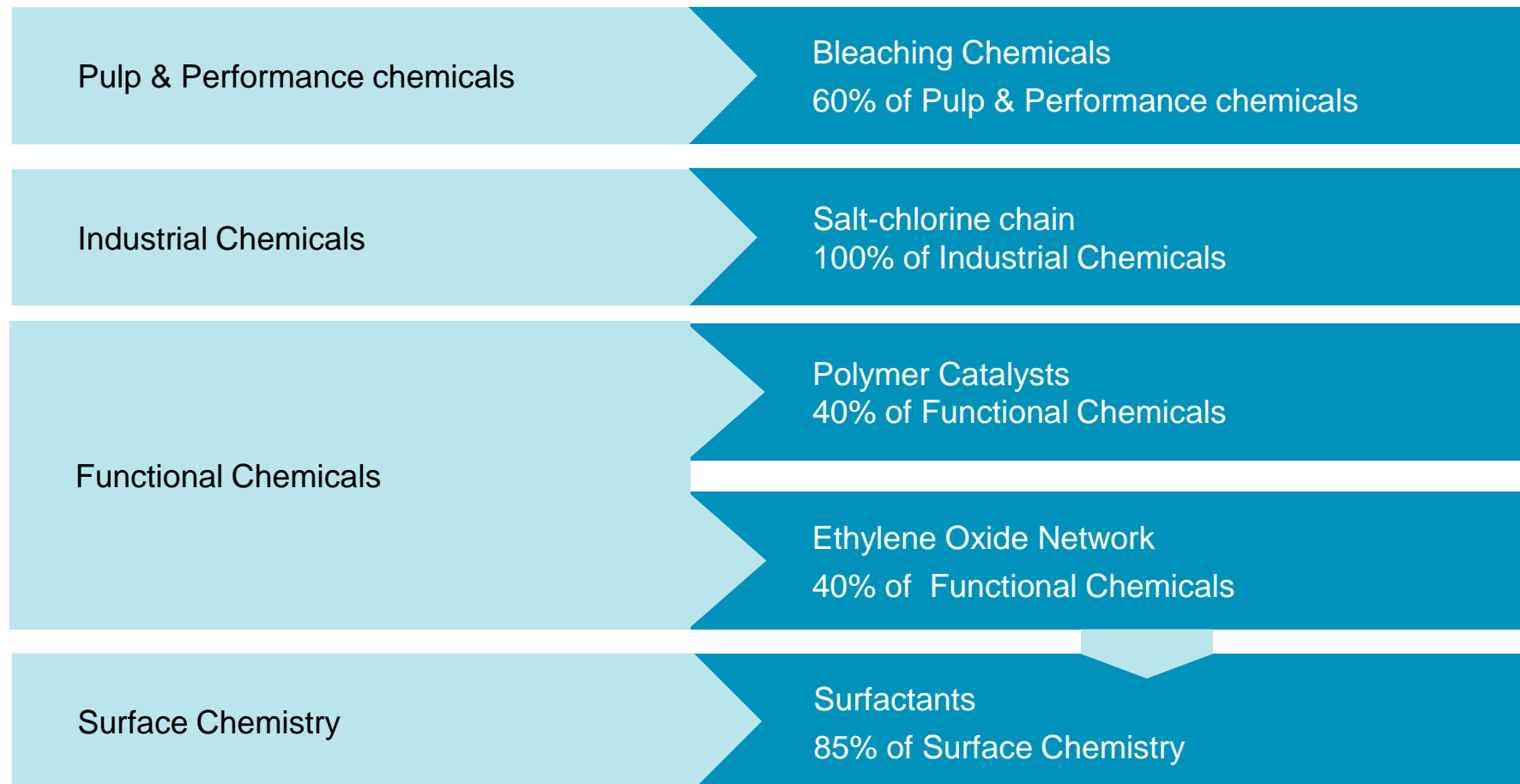


- \$3.5 trillion market
- Solution provider for society
 - manufacturing
 - food production
 - climate change
- Continuous growth
- Strong growth in China

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



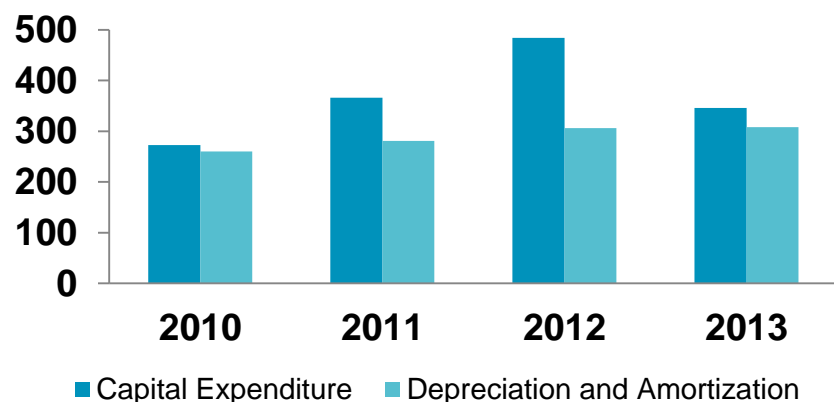
Surfactants

- Ethoxylates
- Natural oil and fat based nitrogen surfactants

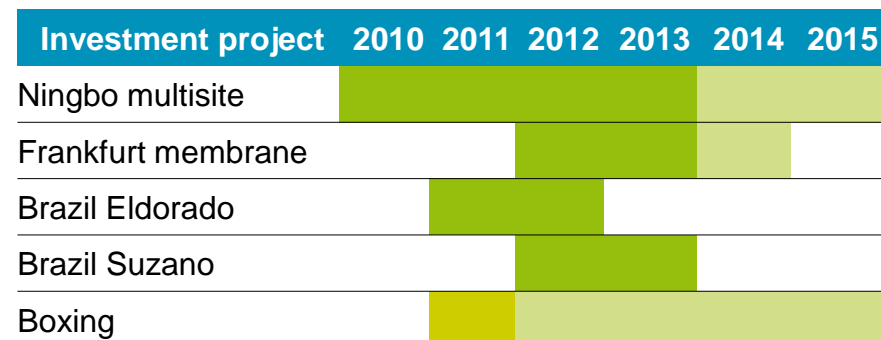


We have invested in the recent past and are well-prepared for future growth

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

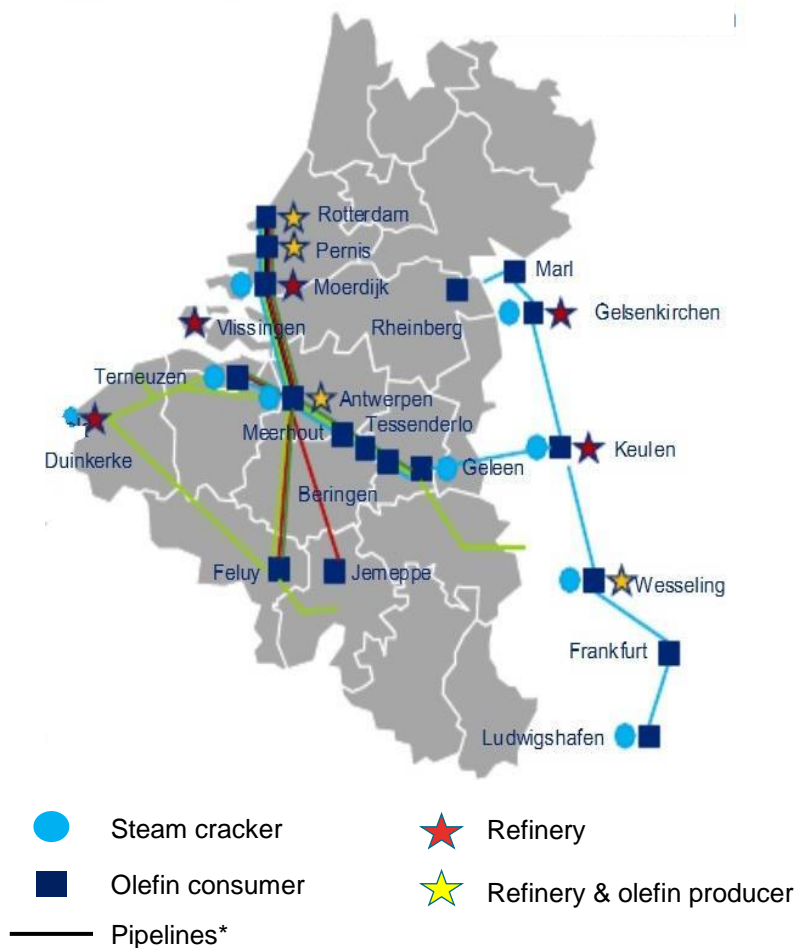
- Salt-chlorine chain
- Polymer catalysts
- Ethylene oxide network



Actions

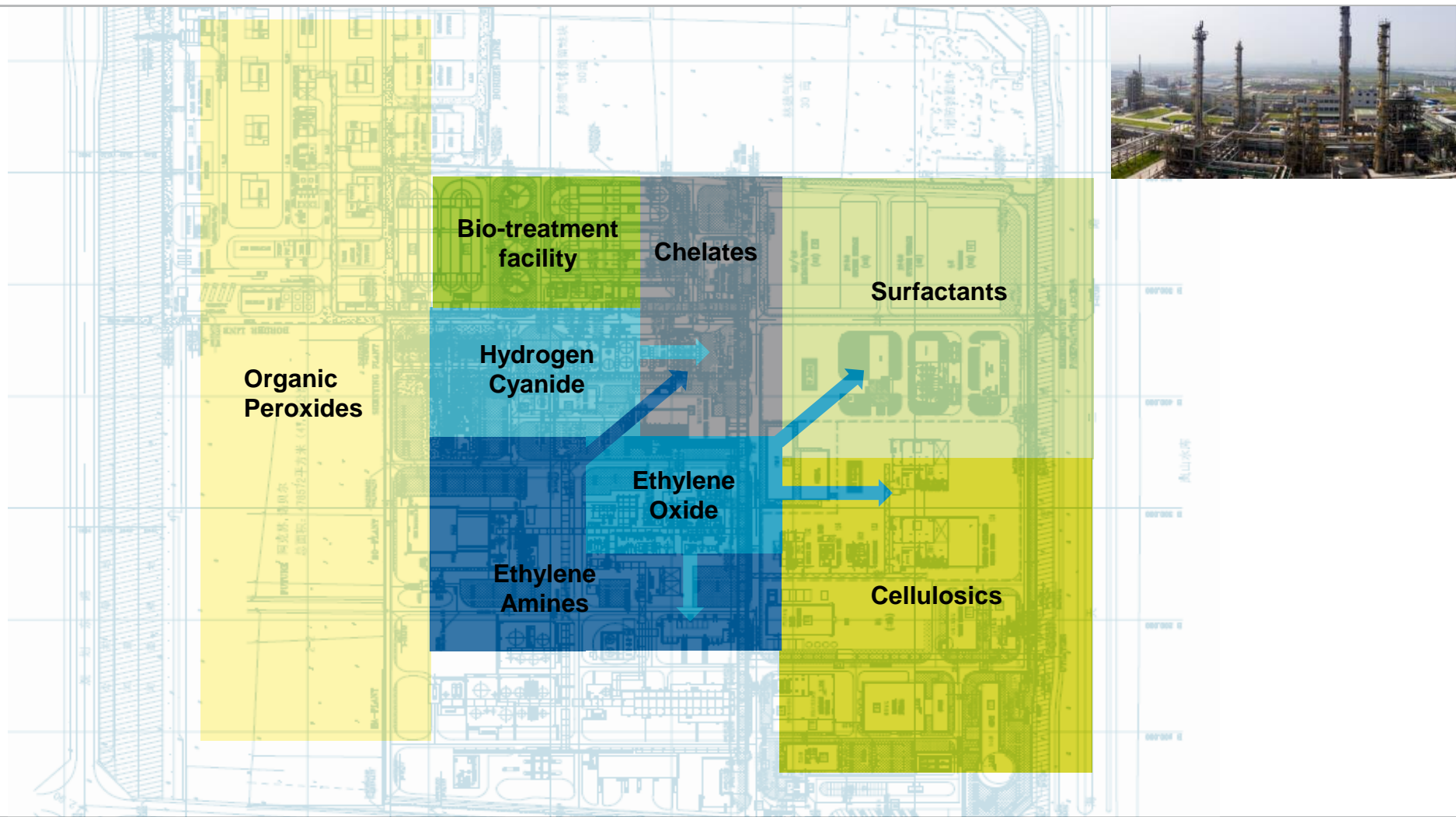
- Reduce costs and further improve productivity in operations
- Improve raw material (cost) position

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



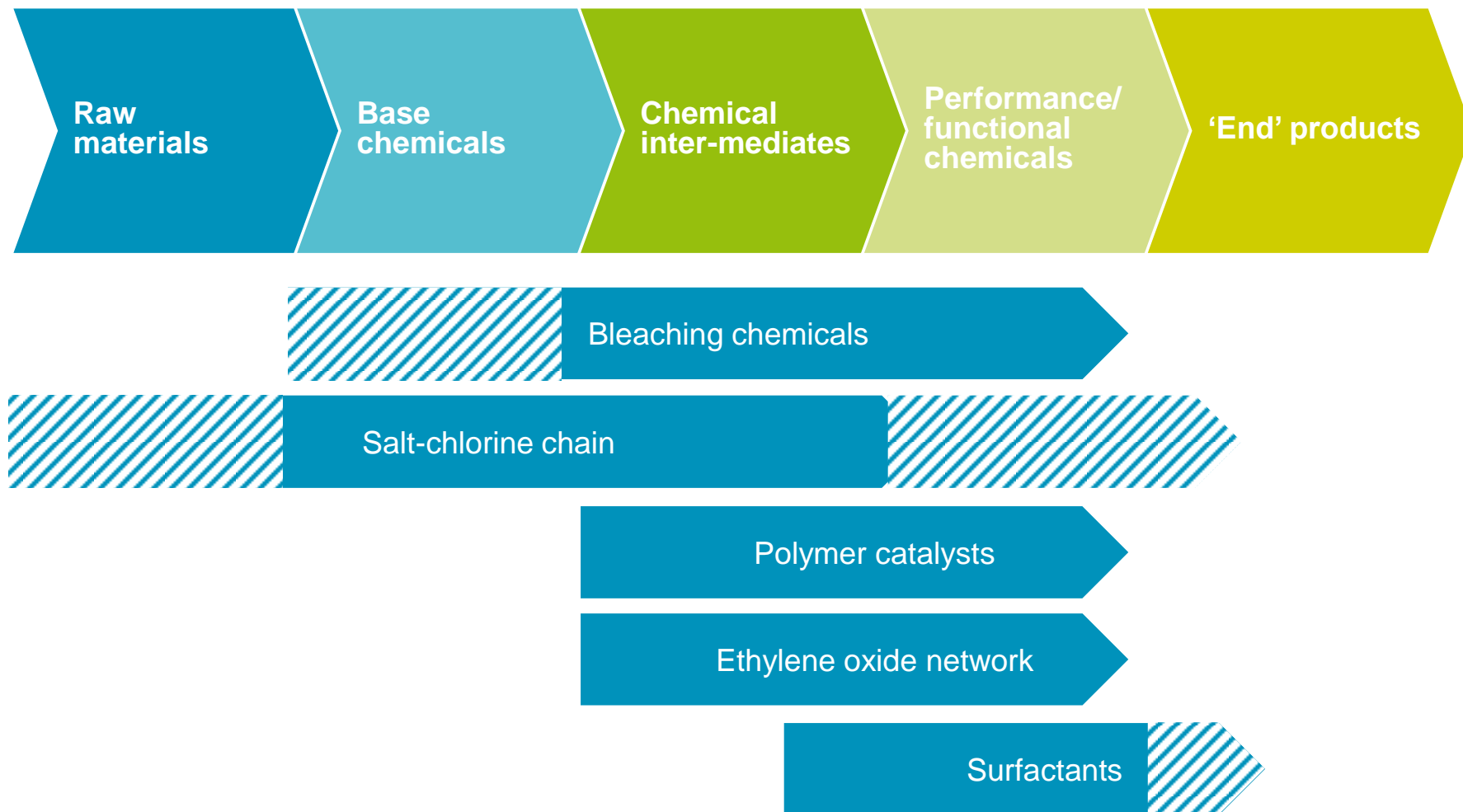
Mining



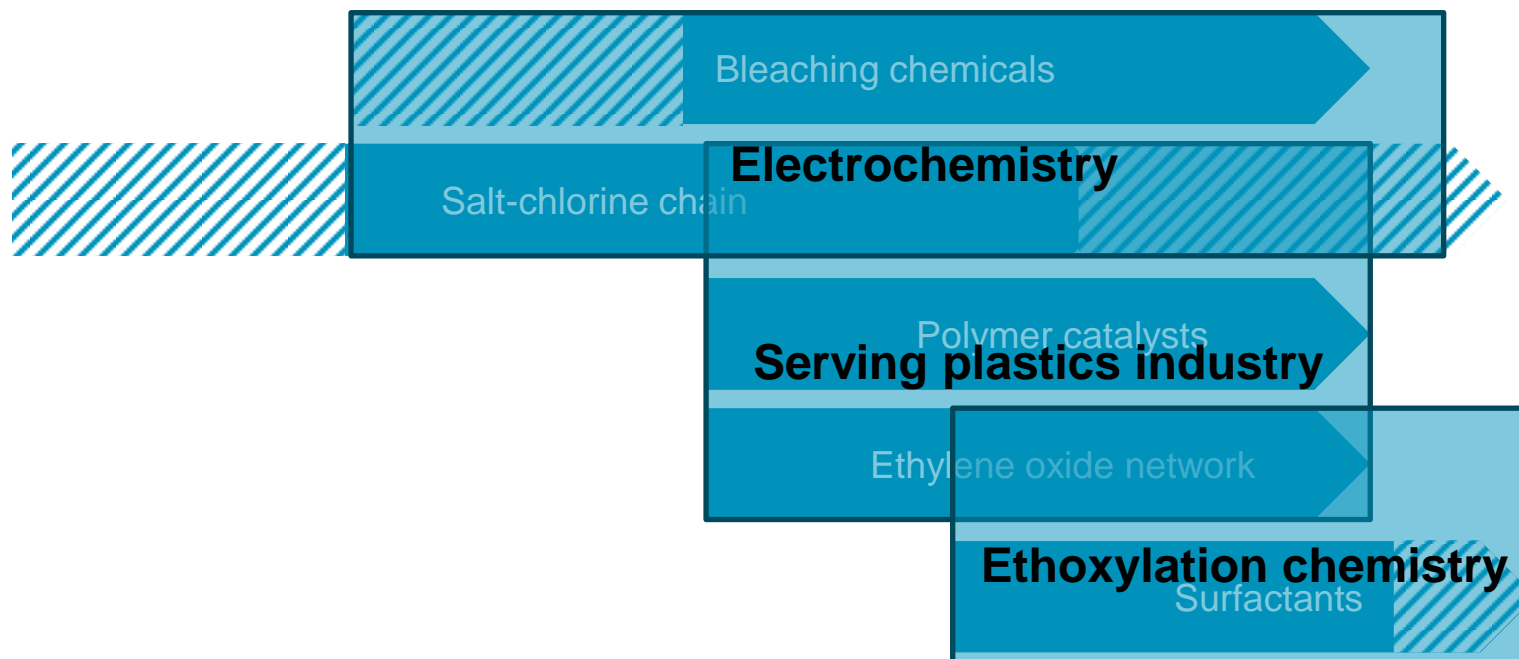
Agriculture



Our platforms build on value chains

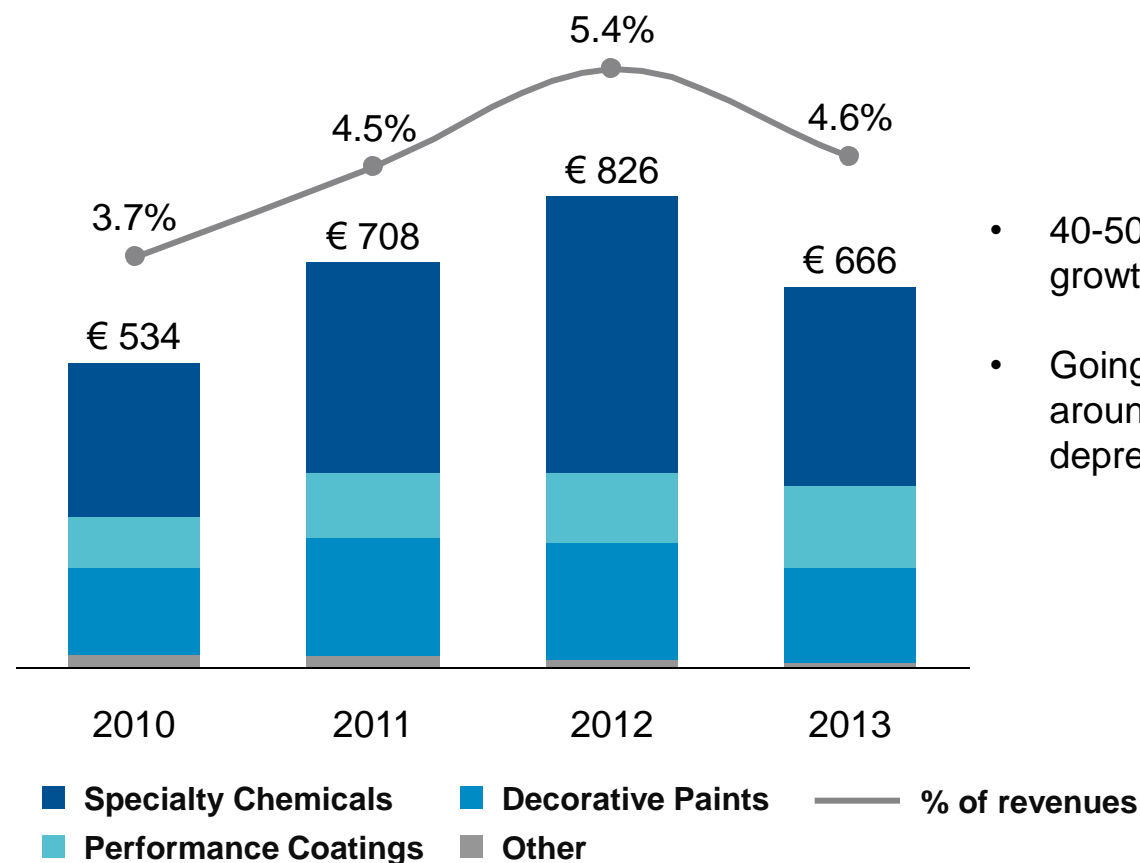


Our platforms build on value chains



Capital expenditure will be more in line with depreciation and amortization

Capital Expenditures (millions €)

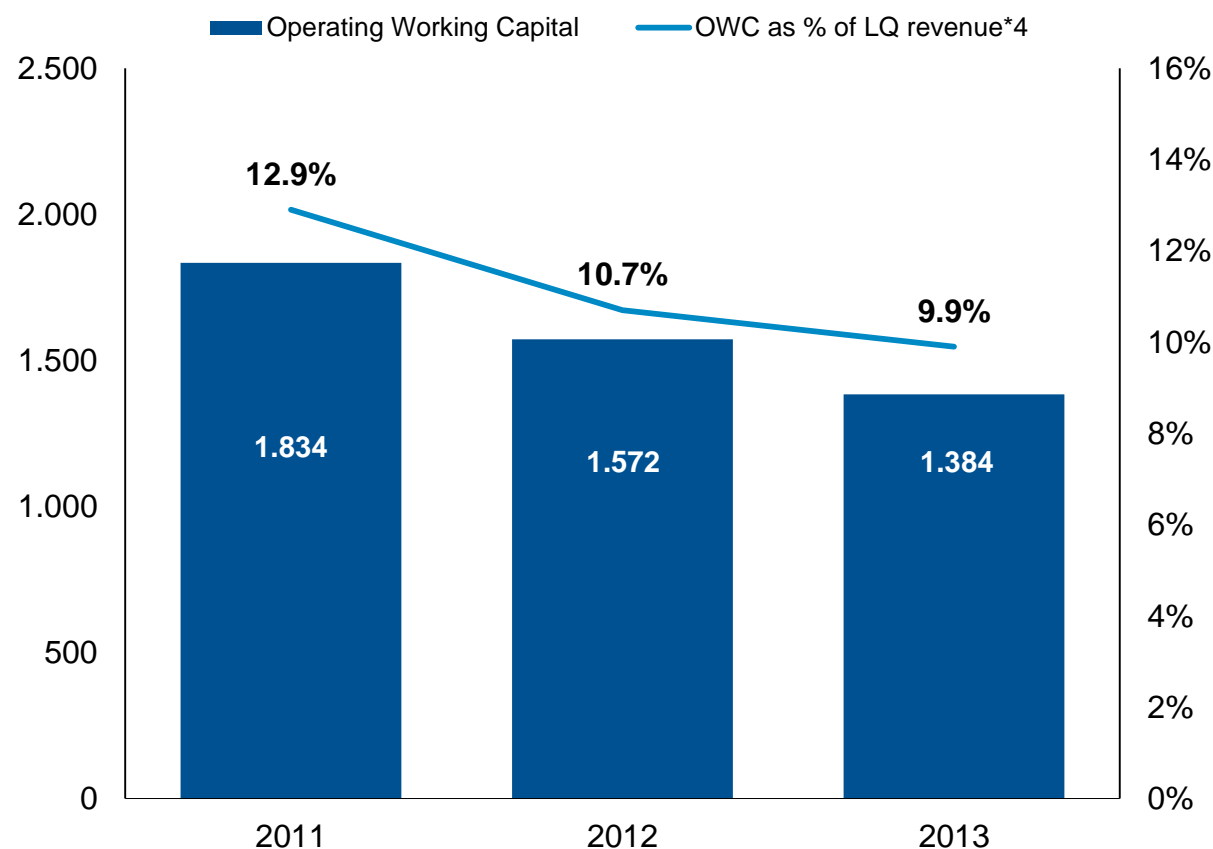


- 40-50% of capital expenditure is growth related
- Going forward, capital expenditure will be around 4% of revenues, in line with depreciation and amortization

Performance improvement actions release cash in Operating Working Capital

Operating Working Capital

€ million

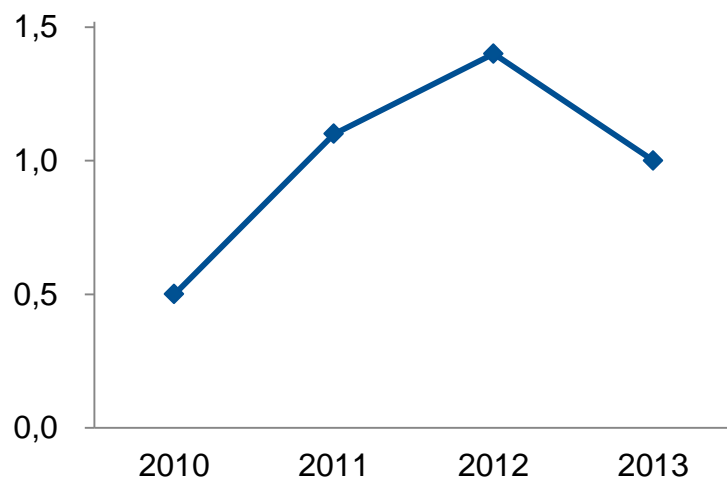


- Operating Working Capital as % of revenue has reduced towards 9.9%
- Significant seasonality occurs during the year with peak requirement in the summer

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

Net debt/EBITDA

x

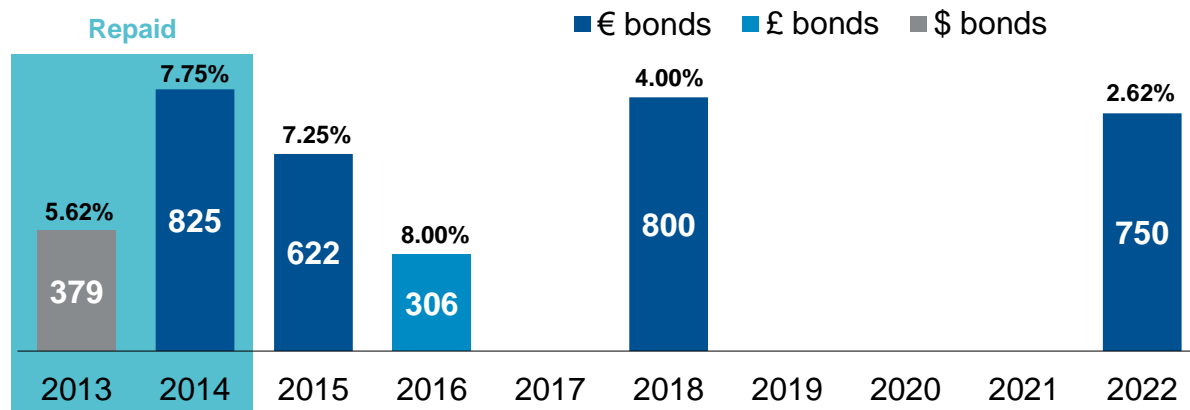


- We have a **strong liquidity** position to support business needs: net cash and cash equivalents €2.1 billion*
- Undrawn revolving credit facility of €1.8 billion (2018) €1.5 and \$3 billion commercial paper programs, backed by revolving credit facility
- 2013 improvement in Net Debt / EBITDA
- Maintain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

Continuously reducing costs of long term bonds

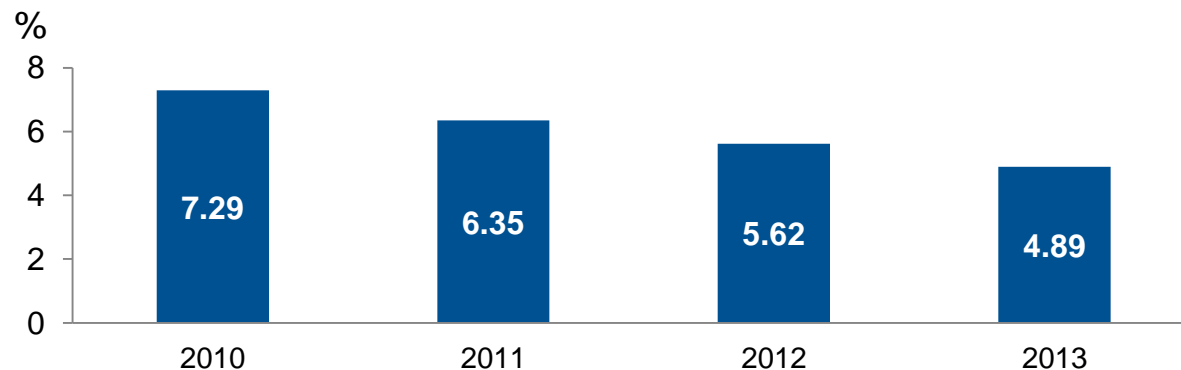
Debt maturities

€ million



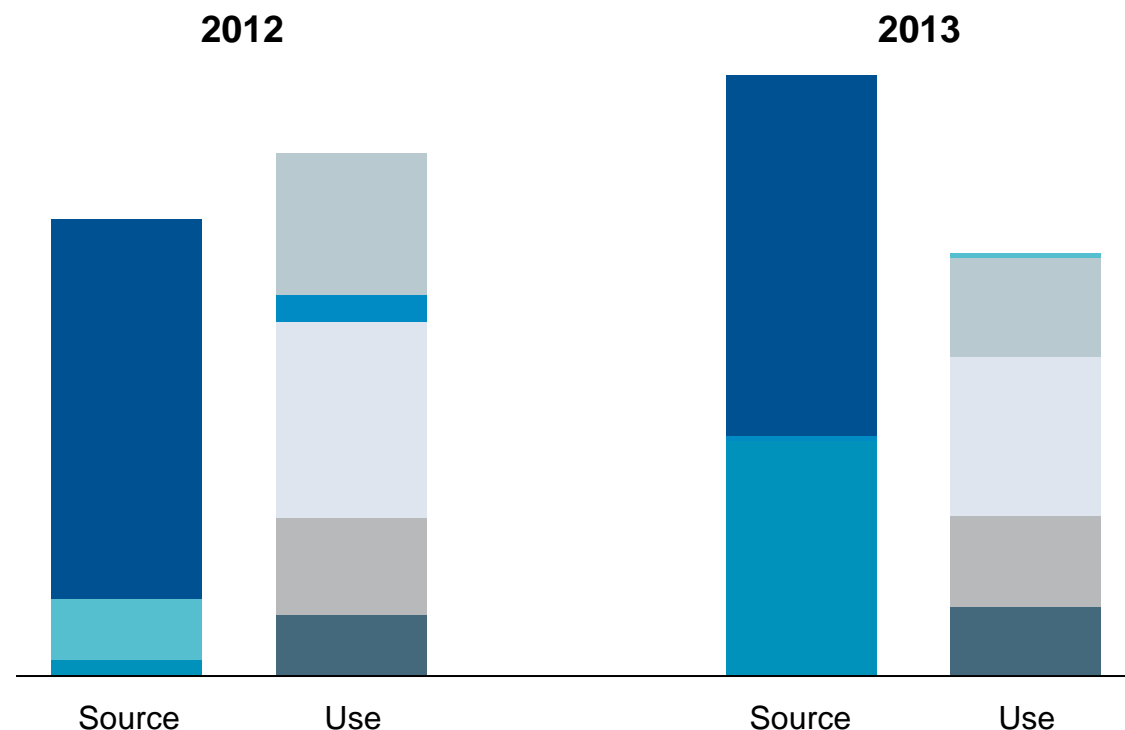
- Debt duration 3.6 years
- Improving cash flow and divestments enabled full repayment of two maturing bonds without refinancing

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

■ EBITDA
 ■ Pensions
 ■ CapEx
 ■ Divestments**
■ OWC
 ■ Provisions
 ■ Other*
 ■ Dividends

* Including interest and tax ** Including acquisitions, divestments and discontinued operations

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

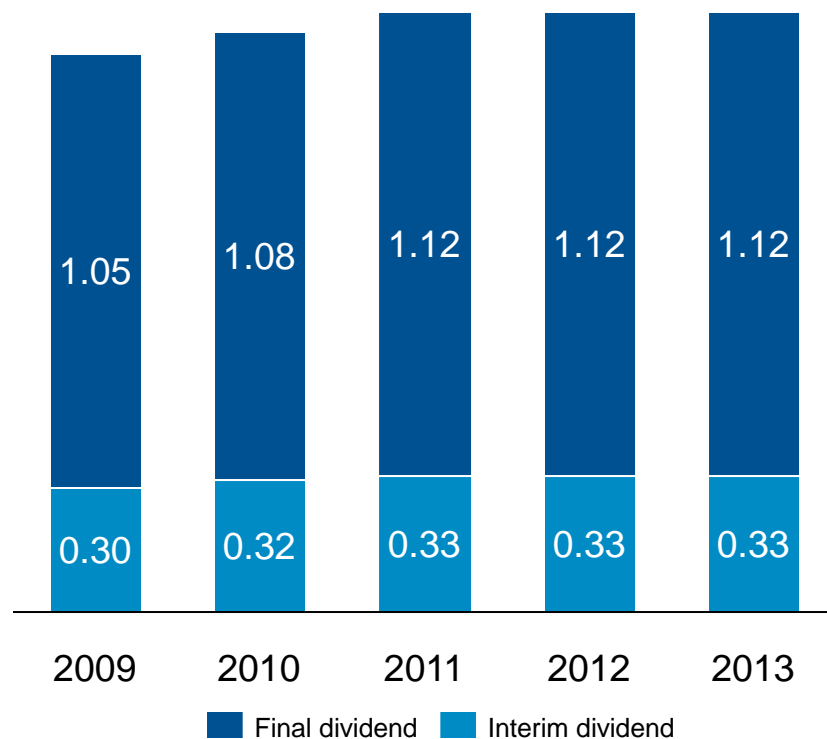
- Top-ups relate mainly to the 2 big UK plans, the ICI Pension Fund and the CPS Pension Scheme
- Top-ups are based on prudent actuarial valuation of liabilities, which differs from accounting liability
- Actuarial pension deficit of the 2 big UK plans is estimated at €1.5-2 billion
- The next triennial 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

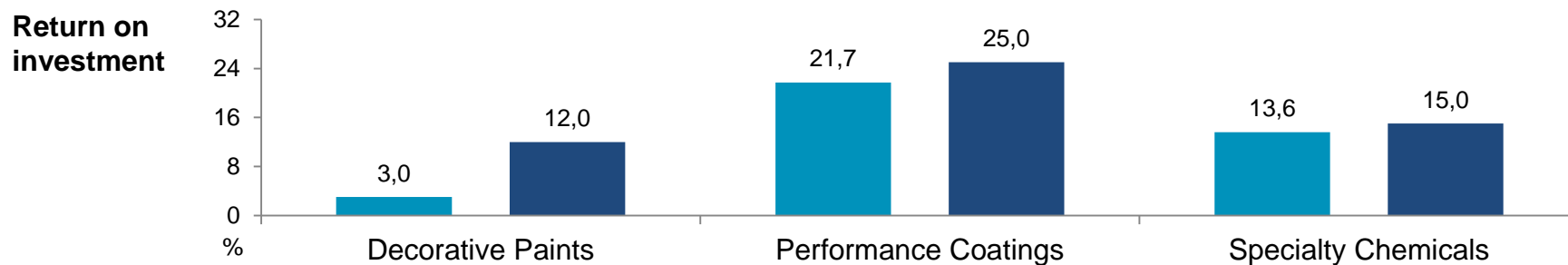
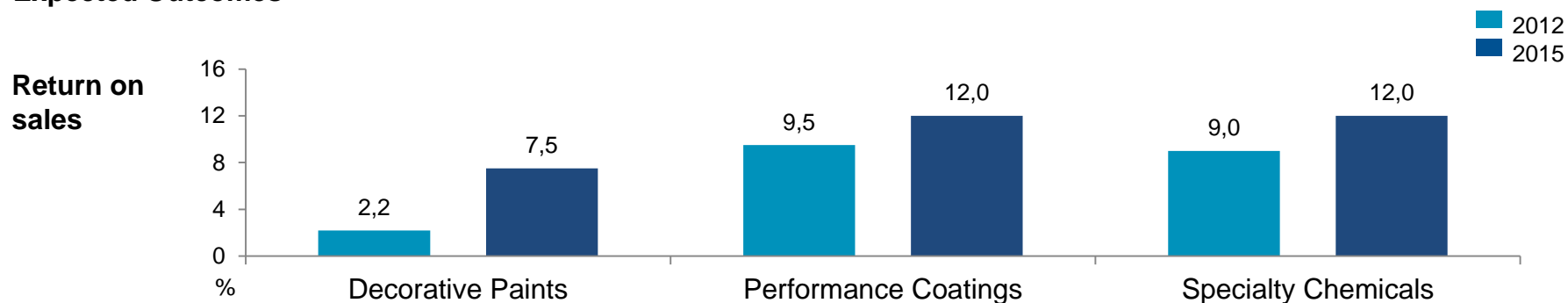
Dividends paid (€)



- 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

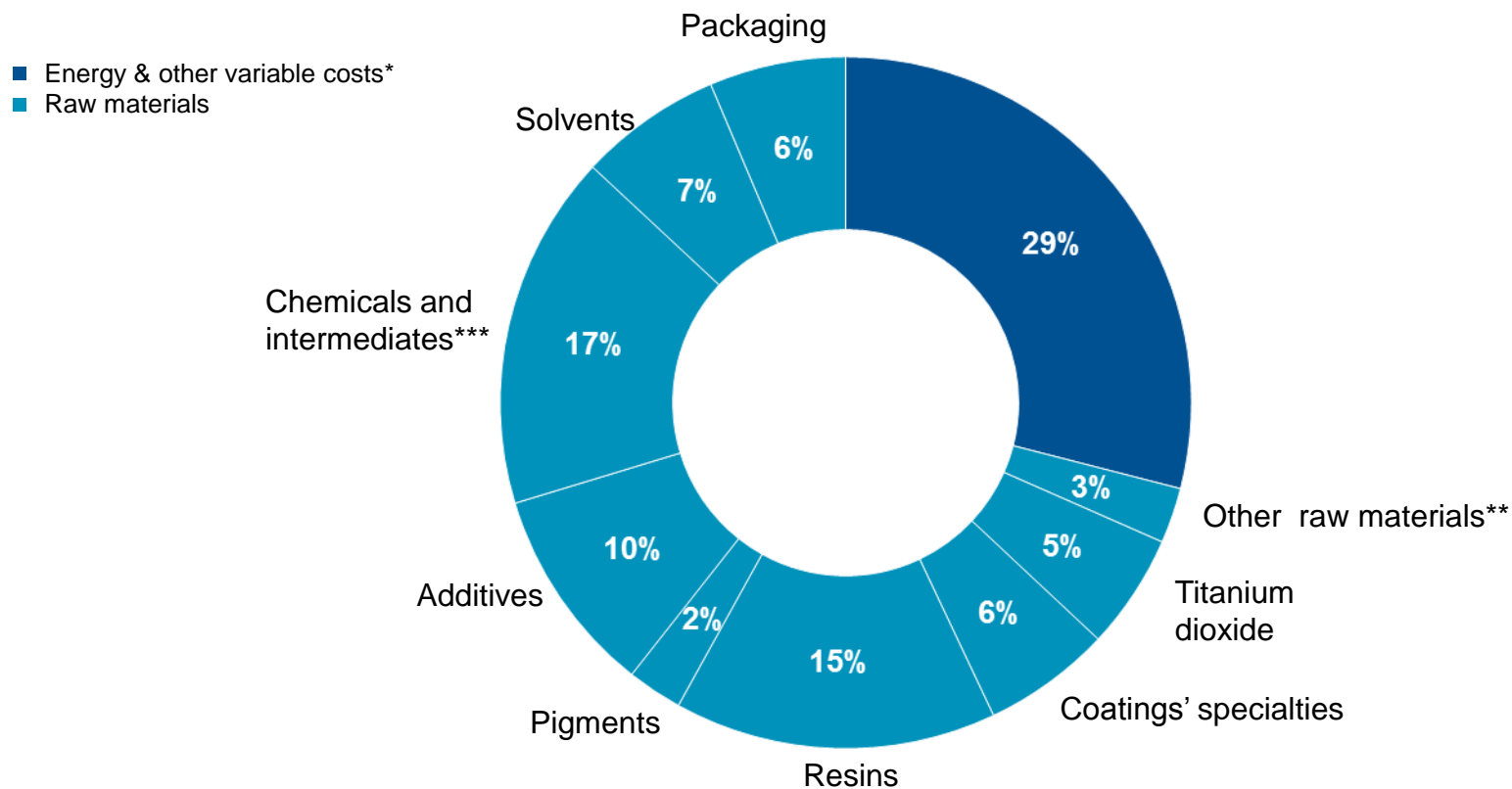
Realistic expected 2015 outcomes

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