

Financial highlights

Revenue for Q3 was down 2 percent, with volume up 1 percent more than offset by adverse currency and price/mix effects and divestments. Operating income of €335 million reflects the benefits from improvement actions and includes lower restructuring charges. Return on sales (ROS) improved from 8.0 percent to 9.1 percent. Excluding restructuring costs of €55 million, ROS was 10.6 percent (2013: 10.0 percent). Cash from operating activities was €489 million (2013: €552 million).

Revenue

- Volumes in Q3 in Decorative Paints were flat compared with 2013. Market conditions in Europe remained challenging, while volumes were higher in Asia. Compared with last year, revenue was down 8 percent due to the divestment of Building Adhesives and the adverse price/mix effect driven by the sale of the German stores
- Volumes in Q3 in Performance Coatings were up. Revenue was flat compared with the previous year as price/mix and adverse currencies offset higher volumes
- Volumes in Q3 in Specialty Chemicals were in line with 2013, with growth being offset by some planned outages in the chain, as well as an industrial action in Rotterdam. Revenue declined, due to adverse currency developments and price pressure in some segments, such as caustic

Investments and divestments

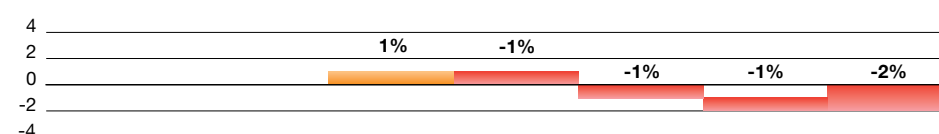
- On October 1, 2013, the divestment of Building Adhesives was completed. Together with the divestment of the German stores in Q1 2014, this accounts for the divestment impact in Decorative Paints
- The divestment of the Primary Amides and Purate businesses was completed in Q4 2013, and accounts for the divestment impact in Specialty Chemicals
- Specialty Chemicals announced the intended sale of its Paper Chemicals portfolio for €153 million. The business is currently part of Pulp and Performance Chemicals. The transaction is expected to be completed in Q1 2015, subject to regular consultation with employee representatives and satisfaction of closing conditions such as receipt of required regulatory clearance

Revenue

3rd quarter			January - September			
2013	2014	Δ%	in € millions	2013	2014	Δ%
1,136	1,050	(8)	Decorative Paints	3,240	2,989	(8)
1,415	1,420	-	Performance Coatings	4,204	4,173	(1)
1,252	1,239	(1)	Specialty Chemicals	3,749	3,689	(2)
(25)	(23)		Other activities/eliminations	(85)	(72)	
3,778	3,686	(2)	Total	11,108	10,779	(3)

Revenue development Q3 2014

■ Increase ■ Decrease



in % versus Q3 2013	Volume	Price/mix	Divestments	Exchange rates	Total
Decorative Paints	-	(3)	(4)	(1)	(8)
Performance Coatings	2	(1)	-	(1)	-
Specialty Chemicals	-	1	(1)	(1)	(1)
Total	1	(1)	(1)	(1)	(2)

Volume development per quarter (year-on-year)	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14
Decorative Paints	5	5	1	3	-
Performance Coatings	2	2	3	1	2
Specialty Chemicals	-	3	2	4	-
Total	2	4	2	3	1

Price/mix development per quarter (year-on-year)	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14
Decorative Paints	2	-	3	(3)	(3)
Performance Coatings	-	1	2	2	(1)
Specialty Chemicals	-	(2)	1	(1)	1
Total	1	(1)	2	(1)	(1)

Operating income

- In Decorative Paints, Q3 operating income was higher than the previous year, mainly due to lower restructuring expenses. Restructuring programs will continue for the remainder of 2014
- In Performance Coatings, the new organizational structure reduces the number of management layers, resulting in higher restructuring costs in the quarter which more than offset operating income improvement
- In Specialty Chemicals, despite the economic slowdown, profitability increased due to benefits from restructuring programs and cost savings, as well as lower restructuring costs

Average raw material costs were stable compared with 2013 exit prices. In some high growth markets, currency effects on imported raw materials have affected some businesses.

ROS for the quarter was 9.1 percent (2013: 8.0 percent). Excluding restructuring charges of €55 million (2013: €75 million), ROS was 10.6 percent (2013: 10.0 percent). The majority of the restructuring charges related to Performance Coatings.

Operating income in other activities

Operating income in other activities was better than the prior year mainly due to lower corporate costs which are continuing to decline as a result of cost control. Year-to-date pension costs are higher compared with 2013 due to de-risking of pension liabilities in the UK in Q1 2014. Other costs are higher because of a benefit in legacy costs in the previous year.

Net financing expenses

Net financing expenses decreased by €18 million to €38 million, mainly due to lower interest expenses on net debt.

Tax

The year-to-date effective tax rate is 27 percent. Excluding the positive adjustment to previous years recorded in Q1 2014, the effective tax rate is 28 percent (2013: 30 percent excluding a deferred tax gain).

Operating income

3rd quarter				January - September		
2013	2014	Δ%	in € millions	2013	2014	Δ%
107	113	6	Decorative Paints	252	232	(8)
160	135	(16)	Performance Coatings	452	439	(3)
107	156	46	Specialty Chemicals	327	415	27
(71)	(69)		Other activities/eliminations	(189)	(182)	
303	335	11	Total	842	904	7

Operating income in other activities

3rd quarter			January - September	
2013	2014	in € millions	2013	2014
(58)	(53)	Corporate costs	(145)	(138)
(2)	(3)	Pensions	(7)	(12)
1	4	Insurances	4	12
(12)	(17)	Other	(41)	(44)
(71)	(69)	Operating income in other activities	(189)	(182)

Operating income to net income

3rd quarter			January - September	
2013	2014	in € millions	2013	2014
303	335	Operating income	842	904
(56)	(38)	Net financing expenses	(152)	(115)
4	6	Results from associates and joint ventures	13	18
251	303	Profit before tax	703	807
(83)	(84)	Income tax	(90)	(216)
168	219	Profit from continuing operations	613	591
1	2	Profit from discontinued operations	115	4
169	221	Profit for the period	728	595
(14)	(16)	Non-controlling interests	(55)	(56)
155	205	Net income	673	539