

Media release

April 19, 2017

AkzoNobel reports record profitability in Q1 2017

Full-year EBIT expected to be around €100 million higher than 2016

Akzo Nobel N.V. (AKZA.AS; AKZOY)

- **Record profitability**, with higher EBIT¹, return on sales (ROS)² and return on investment (ROI)³
- **Revenue up across all Business Areas and 7% overall**, mainly due to higher volumes and acquisitions
- **Volumes up 4%** driven by Decorative Paints and Specialty Chemicals
- **EBIT up in all Business Areas** and 13% overall, at €376 million (2016: €334 million), reflecting the positive effects of volume growth, continuous improvement and cost discipline
- **Full-year EBIT** expected to be around €100 million higher than 2016, excluding any substantial changes in market conditions
- **Profitability improved**, with ROS at 10.3% (2016: 9.7%) and ROI at 15.2% (2016: 14.5%)
- **Adjusted earnings per share** up 8% at €1.05 (2016: €0.97)
- **Net cash outflow** from operating activities improved to €287 million (2016: €336 million)
- **€150 million share repurchase** program underway: €144 million completed up to March 31, 2017
- **A strategy update** including further details of the proposed separation of Specialty Chemicals will follow today at 08.00 CET

Outlook: AkzoNobel continues to anticipate positive developments for EMEA, North America and Asia, improving during the year, while Latin America is expected to stabilize. Market trends experienced in the second part of 2016, including for the marine and oil and gas industries, are expected to continue during the first half of 2017.

The company has structurally improved its ability to respond to developments in its markets and continues taking appropriate measures to deal with higher raw material prices in an inflationary environment. EBIT for 2017 is expected to be around €100 million higher than 2016, as a result of growth momentum and continuous improvement, assuming no material change in market and economic dynamics.

CFO Maëlys Castella:

“Our record performance continued this quarter, showing the substantial growth momentum we have across the business. Significant progress continues across all our Business Areas, reflecting both our strong customer focus and great portfolio of brands.

“We remain focused on increasing returns to shareholders, including a €150 million share repurchase program that began in the quarter.

“We made another industry-leading commitment to sustainability, announcing our ambition to become carbon neutral by 2050 and use 100% renewable energy.

“Our R&D efforts will be strengthened with a new innovation hub at Felling in the UK, and we announced more key partnerships for our Human Cities Program around the world.

“Our strong financial and operational foundation has enabled us to embark on the next phase of our strategy, with a review of options for the separation of the Specialty Chemicals business to further unlock value for shareholders. We look forward to updating the market on our new strategy.”

Q1 2017 in € million

	Q1 2016	Q1 2017	Δ %
Revenue	3,430	3,661	7
EBIT ¹	334	376	13
Return on sales (ROS) % ²	9.7	10.3	
Return on investment (ROI) % ³	14.5	15.2	
Net income attributable to shareholders	240	240	-

Decorative Paints: Revenue was up 7%, mainly driven by strong volume growth. Volumes were up 9%, with positive developments in all regions. Volume developments were positive for the sixth consecutive quarter. EBIT increased by 48%, mainly as a result of higher revenue and continued focus on cost measures, while recognizing that Q1 is a seasonally smaller quarter. Communities in more than 40 countries will benefit from a partnership between [AkzoNobel and MasterPeace](#), a global peace movement, to paint 100 “Walls of Connection,” part of the company’s Let’s Colour initiative.

Performance Coatings: Revenue was up 6%, driven by positive volume development across a number of segments and the acquisition of BASF’s Industrial Coatings business. EBIT was up 1%, with positive development in segments including Industrial and Powder Coatings and Automotive and Specialty Coatings offsetting continued weak demand in the marine and oil and gas industries and integration costs. More than 100 scientists will be brought together in a new €12.6 million [research and innovation hub](#) in Felling, UK. The facility will focus on developing protective coatings for the energy, mining, infrastructure and oil and gas industries.

Specialty Chemicals: Revenue was up 7%, due to positive volume developments in all business units and regions and favorable currency effects. Volumes were up 5%, with several businesses benefiting from improved market conditions in the oil drilling, mining, agrochemical and building and construction segments. EBIT increased by 7%, mainly due to improved volumes and operational efficiencies, partly offset by price increases which were not yet fully recaptured through increased selling prices. AkzoNobel’s [Imagine Chemistry](#) open innovation challenge generated more than 200 ideas to solve real-life chemistry-related challenges as well as uncovering sustainable commercial opportunities for the Specialty Chemicals businesses.

Sustainability: AkzoNobel has committed to accelerating its sustainability agenda by announcing a new ambition to use 100% renewable energy and become [carbon neutral by 2050](#). The company was also awarded a top grade on the Influential [Supplier Climate A List](#) for its efforts to combat climate change. The Dutch government recognized AkzoNobel’s latest contribution to meeting [national sustainability targets](#) resulting from investments at its chemicals complex in Rotterdam.

Human Cities: AkzoNobel joined forces with [SOS Children's Villages](#) to drive a positive impact on youth unemployment including professional training through the company’s painter academies. More than [200 children in Egypt](#) have benefited from a major renovation of their school’s facilities by AkzoNobel volunteers. The company’s Human Cities projects have touched the lives of more than [9 million people](#) in the past year.

Innovation: AkzoNobel signed an agreement with specialty chemicals company Itaconix to explore opportunities for the production of [bio-based polymers](#). A new online tool which can track and certify the amount of [bio-based raw materials](#) in products was launched as a pilot by AkzoNobel and partners. Another partnership involving AkzoNobel is [developing a drone](#) capable of remotely inspecting enclosed spaces, helping to improve safety in the marine and oil and gas industries.

Strategic review: We announced a review of strategic options for the separation of our Specialty Chemicals business. Further details will follow today at 08.00 CET.

Business Area highlights in € million

Decorative Paints

	Q1 2016	Q1 2017	Δ%
Revenue	861	922	7
EBIT ¹	52	77	48
ROS % ²	6.0	8.4	

Performance Coatings

	Q1 2016	Q1 2017	Δ%
Revenue	1,388	1,471	6
EBIT ¹	186	187	1
ROS % ²	13.4	12.7	

Specialty Chemicals

	Q1 2016	Q1 2017	Δ%
Revenue	1,206	1,289	7
EBIT ¹	164	176	7
ROS % ²	13.6	13.7	

More information on our financial guidance can be found on www.akzonobel.com/about-us/strategy

1. Operating income excluding identified items.
2. ROS% is EBIT divided by revenue.
3. Moving average ROI% is 12 months EBIT divided by 12 months average invested capital

The Q1 2017 report can be viewed and downloaded at www.akzonobel.com/quarterlyresults

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AkzoNobel creates everyday essentials to make people's lives more liveable and inspiring. As a leading global paints and coatings company and a major producer of specialty chemicals, we supply essential ingredients, essential protection and essential color to industries and consumers worldwide. Backed by a pioneering heritage, our innovative products and sustainable technologies are designed to meet the growing demands of our fast-changing planet, while making life easier. Headquartered in Amsterdam, the Netherlands, we have approximately 46,000 people in around 80 countries, while our portfolio includes well-known brands such as Dulux, Sikkens, International, Interpon and Eka. Consistently ranked as a leader in sustainability, we are dedicated to energizing cities and communities while creating a protected, colorful world where life is improved by what we do.

Not for publication – for more information

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Safe Harbor Statement

This press release contains statements which address key issues such as AkzoNobel's growth strategy, future financial results, market positions, product development, products in the pipeline and product approvals. Such statements should be carefully considered, and it should be understood that many factors could cause forecasted and actual results to differ from these statements. These factors include, but are not limited to, price fluctuations, currency fluctuations, developments in raw material and personnel costs, pensions, physical and environmental risks, legal issues, and legislative, fiscal, and other regulatory measures. Stated competitive positions are based on management estimates supported by information provided by specialized external agencies. For a more comprehensive discussion of the risk factors affecting our business please see our latest annual report, a copy of which can be found on our website: www.akzonobel.com.

ROS | ROI
10.3% | 15.2%

“Our record performance continued in Q1, showing the substantial growth momentum we have across the business.”

Maëlys Castella, CFO

WE CREATE **EVERYDAY ESSENTIALS** TO MAKE PEOPLE’S LIVES MORE LIVEABLE AND INSPIRING

Essential ingredients
Essential protection
Essential color

Q1 2017

2050 CARBON COMMITMENT

We announced our ambition to become **carbon neutral** and use **100% renewable energy** by 2050 in our operations, demonstrating our clear and unwavering commitment to sustainability.



March

DRIVING SUSTAINABILITY WITH MAERSK

A partnership with global container shipping company Maersk Line was agreed which is focused on **jointly elevating sustainability** in the maritime industry.

CONNECTING PEOPLE THROUGH COLOR

People in more than **40 countries** will benefit from our new collaboration with global peace movement MasterPeace, which will involve **painting 100 Let’s Colour Walls of Connection**.

February

INVESTMENT IN UK INNOVATION HUB

A new **€12.6 million** research and innovation center is being established at our Felling site in the UK which will house more than **100** of the coatings industry’s **leading scientists**.

TACKLING YOUTH UNEMPLOYMENT

We joined forces with SOS Children’s Villages to set up **painter training** opportunities for **disadvantaged young people**, with a view to actively contributing to their employability.

January

IMAGINE CHEMISTRY CHALLENGE LAUNCHED

Our exciting **open innovation initiative** proved to be a big success. Designed to help solve real-life chemistry-related challenges, over **200 submissions** were received. The finals are in June.

MEETING GROWING DEMAND IN CHINA

Our **€11 million** powder coatings facility in **Chengdu**, western China, officially opened. The new site serves customers with a **full range of powder products** for the automotive, construction, furniture and IT industries.

Q4 2016