

Media release

July 18, 2018

AkzoNobel executing on transformation, creating a fit-for-purpose organization, and strong pricing momentum dealing with headwinds

Akzo Nobel N.V. publishes results for Q2 2018 (AKZA; AKZOY)

- Implemented phase one of transformation to create a fit-for-purpose organization delivering €25 million in Q2
- Decorative Paints return on sales¹ up at 12.2% (2017: 11.6%) driven by 5% higher selling prices
- Improving trend for Performance Coatings with return on sales at 11.8% (2017: 13.4%); pricing initiatives gaining traction and closing the gap
- Investing in attractive markets: acquisition of Fabryo in Romania and opening of new powder coatings plant in China

Q2 AkzoNobel (Paints and Coatings):

- Revenue 3% lower, although up 2% in constant currencies², with positive price/mix partly offset by lower volumes
- Adjusted operating income³ at €225 million (2017: €294 million) mainly impacted by €21 million adverse foreign currencies and €20 million non-recurring items
- Operating income includes the adverse impact of identified items of €33 million, mainly related to the transformation
- Return on sales at 9.2% (2017: 11.6%), up for Paints and improving for Coatings; return on investment⁴ at 12.2% (2017: 14.4%)
- Net income from total operations at €271 million (2017: €301 million), including discontinued operations at €164 million (2017: €134 million)

AkzoNobel CEO, Thierry Vanlancker, commented:

"Disciplined execution on the first phase of our transformation into a focused Paints and Coatings company is creating a fit-for-purpose organization and delivering cost savings.

"Revenue in constant currencies increased in all Performance Coatings segments except Marine and Protective Coatings. Decorative Paints delivered a particularly strong performance with pricing initiatives and cost savings compensating for higher raw material costs.

"We continued investing in our market leading positions, including the acquisition of the Fabryo decorative paints business in Romania and the opening of a new powder coatings plant in Changzhou, China."

Outlook:

We are delivering towards our "Winning together: 15 by 20" strategy by creating a fit-for-purpose organization for a focused Paints and Coatings company, contributing to the achievement of our 2020 guidance. For the remainder of 2018, we expect positive developments for Decorative Paints and Performance Coatings, excluding Marine and Protective Coatings, where market conditions are still challenging. Demand trends differ per region and segment. Raw material inflation is projected to continue for the remainder of 2018, although at a slower rate than during the start of the year. Robust pricing initiatives and cost-saving programs are in place to mitigate the current challenges.

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AkzoNobel in € millions	Q2 2017⁵	Q2 2018	Δ%	∆% CC²
Revenue	2,533	2,446	(3)	2
Adjusted operating income ³	294	225	(23)	
ROS% excluding unallocated corporate center costs	12.8	12.1		
ROS% ¹	11.6	9.2		
ROI% ⁴	14.4	12.2		
Net income from total operations, including discontinued operations	301	271		

The Q2 2018 report can be viewed and downloaded at <u>https://www.akzonobel.com/for-investors/all-reports/q2-2018-results</u>

Discontinued operations (including Specialty Chemicals)

- Revenue up 1%
- Adjusted operating income up 50% at €252 million (2017: €168 million), caused by held for sale effects (Q2 impact: €74 million) and stronger underlying performance in Specialty Chemicals
- In Specialty Chemicals, adjusted operating income was higher, mainly due to stronger price/mix
 effects and productivity improvements, partly offset by adverse currencies, restructuring costs
 related to manufacturing network optimization projects and other one-off costs

Discontinued operations in € millions (including Specialty Chemicals)	Q2 2017 ⁵	Q2 2018	Δ%	Δ % CC ²
Revenue	1,252	1,264	1	7
Adjusted operating income ³	168	252	50	
ROS% ¹	13.4	19.9		
ROI% ⁴	15.6	20.7		

1 ROS% is adjusted operating income as a percentage of revenue

2 Constant Currencies calculations exclude the impact of changes in foreign exchange rates

3 Adjusted operating income = operating income excluding identified items (previously called EBIT)

4 ROI% is adjusted operating income of the last 12 months as percentage of average invested capital

5 Represented to present the Specialty Chemicals business as discontinued operations

This is a public announcement by Akzo Nobel N.V. pursuant to section 17 paragraph 1 of the European Market Abuse Regulation (596/2014).

About AkzoNobel

AkzoNobel has a passion for paint. We're experts in the proud craft of making paints and coatings, setting the standard in color and protection since 1792. Our world class portfolio of brands – including Dulux, International, Sikkens and Interpon – is trusted by customers around the globe. Headquartered in the Netherlands, we operate in over 80 countries and employ around 35,000 talented people who are passionate about delivering the high performance products and services our customers expect. The sale of our Specialty Chemicals business is expected to be completed by the end of 2018.

About AkzoNobel Specialty Chemicals

Industries worldwide rely on our essential chemistry in the manufacture of everyday products such as paper, plastics, building materials, and personal care items. Building on the dedication of our 9,500 employees and our shared commitment to safety, sustainability, and open innovation, we have established a world-class business and built strong partnerships with our customers. We operate in over 80 countries around the world and our portfolio of industry leading brands includes Eka, Dissolvine, Trigonox, and Berol.

Not for publication – for more information

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Safe Harbor Statement

This press release contains statements which address such 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, as well as the separation of Specialty Chemicals. 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.

TideOn Plastic DOMEGA FEETER AKZONODE

AkzoNobel in the Volvo Ocean Race 2017-18

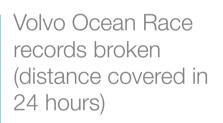
Our highly successful campaign came to an end in June 2018 when team AkzoNobel finished fourth overall in the latest edition of the world's toughest offshore sailing event. Here are some of the highlights.

















Media value



Total amount of International and Awlgrip paint used during the race







Corporate guests



Youth Academy sailing participants



Stopovers with special employee events



Beach clean-ups

Media reach

billion

11.7

Number of custom

for the race by

AkzoNobel

made colors developed



IXTRECORD BREAKERS!

602.51 nautical miles in 24 hours Volvo Ocean Race leg nine, May 28, 2018