

Media release

February 15, 2017

AkzoNobel publishes Q4 and full-year 2016 results

Volume growth and record profitability in 2016

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

Full-year:

- **Delivering on our strategy** with volume growth and record profitability in 2016
- **Volume growth** in Decorative Paints and Specialty Chemicals; flat in Performance Coatings
- **Revenue** down 4% due to unfavorable currency and price/mix effects
- **EBIT¹** up 3% at €1,502 million (2015: €1,462 million), positively impacted by volume growth, continuous improvement and lower costs
- **Record profitability:** Return on sales² increased to 10.6% (2015: 9.8%) and return on investment² improved to 15.0% (2015: 14.0%)
- **Adjusted earnings per share** up 3% at €4.15 (2015: €4.02)
- **Total dividend proposed for 2016** up 6.5% to €1.65 per share (2015: €1.55)
- **Net cash inflow from operating activities** up 14% at €1,297 million (2015: €1,136 million)
- **Acquisition** of BASF's Industrial Coatings business completed
- **Ongoing investments in new capacity** to support organic growth including in the US, UK, China and India
- **Sustainable innovation:** Revenue from eco premium³ solutions reached 20%

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

AkzoNobel has structurally improved its ability to respond to developments in its markets and is taking appropriate measures to deal with higher raw material prices in an inflationary environment. This stronger operational and financial foundation means AkzoNobel is more agile and better able to seize growth opportunities, including acquisitions. AkzoNobel maintains its financial guidance for 2016-2018.

CEO Ton Büchner:

"We achieved record levels of profitability in 2016 and are making further steps in delivering on our strategy of continuous improvement and growth.

"Our financial discipline also improved cash generation and our current share buyback program reinforces our confidence in this moving forward.

"We have structurally improved our ability to respond to developments in our markets and are better able to seize growth opportunities, including acquisitions. We completed the purchase of the BASF Industrial Coatings business in December 2016.

"We continued to invest to support growth, with new plants and research facilities in the US, UK, China and India.

"Throughout the year we introduced more innovative new products, advanced our digital agenda and made significant steps in sustainability with higher levels of revenue from our eco premium solutions. Our Human Cities program – everything we do for and with society – positively impacted millions of people around the world.

"We are now a stronger, more agile company, with excellent brands, a growing global presence and a solid financial and operational foundation. We maintain our financial guidance for 2016-2018."

Full-year 2016 in € million

	FY 2015	FY 2016	Δ %
Revenue	14,859	14,197	(4)
EBIT ¹	1,462	1,502	3
Return on sales (ROS) % ²	9.8	10.6	
Return on investment (ROI) % ²	14.0	15.0	
Net income attributable to shareholders	979	970	(1)

Q4 2016 in € million

	Q4 2015	Q4 2016	Δ %
Revenue	3,559	3,456	(3)
EBIT ¹	268	235	(12)
Return on sales (ROS) % ²	7.5	6.8	
Net income attributable to shareholders	203	133	(34)

* Mainly due to lower incidental items compared to 2015

Decorative Paints: Full-year volumes were up 3% overall with positive developments in Asia and EMEA, while volumes in Latin America were down. Positive volumes were more than offset by unfavorable currency effects and adverse price/mix. Revenue was down 4%. The company won a key award for its [wet color tester](#) in the Netherlands; it is now being rolled out into other markets, part of ongoing efforts to help consumers make more confident color choices.

Performance Coatings: Full-year volume was flat as growth in some segments was offset by adverse conditions in the marine and oil & gas industries. Demand trends differed per segment and region. Revenue was down 5%, driven by adverse currencies and price/mix effects. AkzoNobel's Vehicle Refinishes business launched [Colorvation digital technology](#), a unique system to increase speed and accuracy in color matching for body shops, maximizing productivity and profitability.

Specialty Chemicals: Full-year volumes were up 1%, with positive developments, mainly driven by Asia and Europe. Revenue was down 4% with positive volume developments more than offset by price deflation in several markets. Continuing the focus on growth markets, AkzoNobel inaugurated [two new plants in Ningbo, China](#), and announced a further facility in Tianjin. The company also announced a [joint venture with Atul](#) to set up a monochloroacetic acid plant in India.

Continuous improvement

AkzoNobel is on track with a multi-year program to transform its global functions into a standard operating model to better support the business to drive growth and innovation. In addition, 75% of the company's manufacturing sites have now deployed the AkzoNobel Leading Performance System (ALPS), designed to increase productivity and performance.

Acquisition

AkzoNobel completed the acquisition of BASF's Industrial Coatings business in the fourth quarter. This business is expected to generate sales of around €280 million in 2017. It strengthens the company's position as the global number one supplier in coil coatings, and gives it a full-service offering for the protection and maintenance of wind turbines. The deal includes manufacturing plants in the UK and South Africa.

Sustainability, Human Cities and Innovation

AkzoNobel led a unique [partnership with Google, Philips and DSM](#) to jointly source power from renewable energy projects in the Netherlands. It also introduced an essential ingredient, [Dissolvine M-40](#), to help detergent manufacturers meet strict environmental regulations. The company's Human Cities initiatives helped regenerate areas around the world, including [Rotterdam, Shanghai, China, Quito, Ecuador](#); and [Montevideo, Uruguay](#), making people's lives more liveable and inspiring.

Business Area highlights in € million

Decorative Paints

Q4 2015	Q4 2016	Δ%		FY 2015	FY 2016	Δ%
931	898	(4)	Revenue	4,007	3,835	(4)
46	51	11	EBIT ¹	345	357	3
4.9	5.7		ROS % ²	8.6	9.3	

Performance Coatings

Q4 2015	Q4 2016	Δ%		FY 2015	FY 2016	Δ%
1,482	1,398	(6)	Revenue	5,955	5,665	(5)
192	152	(21)	EBIT ¹	792	759	(4)
13.0	10.9		ROS % ²	13.3	13.4	

Specialty Chemicals

Q4 2015	Q4 2016	Δ%		FY 2015	FY 2016	Δ%
1,167	1,169	-	Revenue	4,988	4,783	(4)
90	118	31	EBIT ¹	578	629	9
7.7	10.1		ROS % ²	11.6	13.2	

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

1. Operating income excluding incidental items.
2. ROS% is EBIT divided by revenue. Moving average ROI% is 12 months EBIT divided by 12 months average invested capital
3. Eco premium solutions and services deliver environmental or social benefits for our customers when compared with competitive products

The Q4 2016 report can be viewed and downloaded at www.akzonobel.com/quarterlyresults.

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

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