

Media release

October 17, 2018

AkzoNobel delivers higher profitability as a focused paints and coatings company

Akzo Nobel N.V. publishes results for Q3 2018 (AKZA; AKZOY)

- Decorative Paints return on sales¹ up at 12.1% (2017: 9.4%) with 5% positive price/mix driven by pricing initiatives
- Performance Coatings return on sales up at 12.2% (2017: 10.3%) with higher selling prices contributing to price/mix up 7%
- Volumes were lower, partly driven by moving away from lower margins given our value over volume strategy
- Continued focus on transformation delivered €35 million cost savings in Q3
- Taking next step in our transformation to deliver next €200 million cost savings by 2020
- Completed sale of Specialty Chemicals on October 1, 2018; returning a total of €6.5 billion to shareholders
- Acquisition of Xylazel in Spain; acquisition of Fabryo in Romania completed on October 1, 2018

Q3 AkzoNobel (Paints and Coatings)

- Revenue 4% lower, and flat in constant currencies², with positive price/mix offset by lower volumes
- Adjusted operating income³ was up €18 million at €243 million (2017: €225 million) driven by pricing initiatives and cost saving programs despite €10 million adverse impact from foreign currencies
- Operating income was up €22 million at €237 million (2017: €215 million) and includes a €6 million adverse impact from identified items, mainly related to the transformation
- Return on sales improved to 10.4% (2017: 9.3%); return on investment⁴ at 12.6% (2017: 13.4%)
- Net income from total operations at €301 million (2017: €216 million), including discontinued operations at €152 million (2017: €95 million)
- Interim dividend of €0.37 per share, rebased for AkzoNobel as a focused paints and coatings company

AkzoNobel CEO, Thierry Vanlancker, commented:

"We made further progress towards becoming a focused, high performing, paints and coatings company thanks to the continued efforts of our dedicated organization. I'm encouraged by what we achieved, despite challenging market conditions, including higher raw material costs and adverse foreign currencies.

"Profitability increased for both Paints and Coatings as a result of our pricing initiatives and cost saving programs. We also continued to build on our leading positions in the paints and coatings market with the acquisitions of Fabryo in Romania, Xylazel in Spain and expansion of our Dulux Decorator Centre network in the UK.

"Completing the sale of our Specialty Chemicals business was a key milestone in the long and proud history of AkzoNobel as we take the next step in our transformation, delivering towards our [Winning together: 15 by 20 strategy](#)."

Outlook:

We are delivering towards our "Winning together: 15 by 20" strategy and continue creating a fit-for-purpose organization for a focused paints and coatings company, contributing to the achievement of our 2020 guidance. 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 address the current challenges. We are taking the next step in our transformation to deliver the next €200 million cost savings by 2020, incurring total one-off costs of €350 million between 2018 and 2020.

AkzoNobel in € millions	Q3 2017 ⁵	Q3 2018	Δ %	Δ% CC ²
Revenue	2,419	2,326	(4%)	0%
Adjusted operating income ³	225	243	8%	
ROS% excluding unallocated corporate center costs	10.0	12.3		
ROS% ¹	9.3	10.4		
ROI% ⁴	13.4	12.6		
Net income from total operations, including discontinued operations	216	301		

The Q3 2018 report can be viewed and downloaded at <http://akzo.no/Q32018Report>

Discontinued operations (including Specialty Chemicals)

Profit from discontinued operations increased by €57 million, including the ceasing of depreciation and amortization (as required per IFRS 5).

In the Specialty Chemicals business, revenue was up 6%, and 9% higher in constant currencies, mainly driven by positive price/mix. Adjusted operating income was 7% lower, as strong pricing and productivity improvements, did not fully offset environmental costs and other one-off items (totaling €35 million) as well as adverse currencies.

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 are active in over 150 countries and employ around 35,000 talented people who are passionate about delivering the high-performance products and services our customers expect.

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.