

Media release

March 8, 2018

AkzoNobel delivers improved results for 2017; reconfirms financial guidance for 2020

Akzo Nobel N.V. publishes results for the full-year and the fourth quarter 2017
(AKZA; AKZOY)

Akzo Nobel N.V. (continuing and discontinued operations):

- **On track to create two focused, high performing businesses**
- **Separation of Specialty Chemicals on track for April 2018**; Specialty Chemicals business now reported as discontinued operations
- **Revenue, including discontinued operations, up 3% (up 4% excluding currency impact)** at €14,575 million
- **EBIT¹, including discontinued operations, up 2% to €1,525 million**
- **Operating income**, including discontinued operations, at €1,396 million includes identified items of €129 million, mainly related to the transformation of AkzoNobel, including the separation of Specialty Chemicals
- **Net income** attributable to shareholders at €832 million (2016: €970 million)
- **Total dividend per share proposed for 2017 up 52% to €2.50** (2016: €1.65). €4.00 special cash dividend paid in December 2017 as advance proceeds related to the separation of Specialty Chemicals business
- **Net cash inflow** from operating activities at €969 million (2016: €1,291 million)
- **2020 financial guidance reconfirmed²:**
 - Paints and Coatings: 15% return on sales (ROS)³; return on investment (ROI)⁴ >25%;
 - Specialty Chemicals 16% ROS; ROI >20%

AkzoNobel Paints and Coatings (reported as continuing operations):

- **Revenue up 2%** (up 4% excluding currency impact) and in both Business Areas, mainly due to volume growth and acquisitions, partly offset by unfavorable currency and price/mix
- **Volumes 2% higher**; up 7% for Decorative Paints with growth in all regions, down 1% for Performance Coatings due to adverse conditions in the marine, and oil and gas industries
- **EBIT at €905 million** (2016: €928 million), resulting from higher raw material costs, partly offset by increased selling prices, continuous improvement and cost control
- **ROS at 9.4%** (2016: 9.8%). **ROI at 13.9%** (2016: 14.4%)
- **Adjusted EPS** from continuing operations at €2.56 (2016: €2.38)
- **Three acquisitions** to help grow the business
- **Opening of the most advanced and sustainable paints factory: Ashington, UK**
- Dulux voted **healthiest brand** in the UK

Akzo Nobel N.V. CEO, Thierry Vanlancker, commented:

"In 2017 we delivered another year of increased EBIT with revenue growth for all Business Areas, driven by a combination of higher volumes and bolt-on acquisitions. We are taking various measures amongst which cost control to deal with industry-wide headwinds, including higher raw material costs and challenges for the Marine and Protective Coatings business.

“We strengthened our leading global position in performance coatings through the acquisitions of V.Powdertech business for Powder Coatings, Flexcrete Technologies Ltd. for Protective Coatings and Disa Technology (Disatech) for Specialty Coatings.

“In 2017, we opened the world’s most advanced and sustainable paint plant in Ashington, UK. This will be the production center for our leading global brand, Dulux. Other examples of our focus on strengthening the business include a €13 million investment in a new innovation hub in the UK, and the opening of a new Performance Coatings facility in Chonburi, Thailand.

“In September, we were ranked number one on the Dow Jones Sustainability Index. During the year, we put particular emphasis on increasing our energy efficiency, reducing material waste and continuing to deliver more eco-premium solutions for our customers.

“We are on track to create two focused, high performing businesses. The internal separation of the Specialty Chemicals business is complete and a full separation remains on track for April 2018. The transformation of AkzoNobel into a focused Paints and Coatings company is progressing well, with phase one on track to achieve €110 million savings in 2018, contributing directly towards delivering the 2020 financial guidance.”

Outlook AkzoNobel Paints and Coatings:

Headwinds experienced during 2017, including higher raw material costs and adverse effects from foreign currency, are projected to continue in 2018, especially during the start of the year.

We anticipate ongoing positive developments for Decorative Paints in all regions, particularly Asia. Trends for Performance Coatings are expected to be positive for most segments and regions, while still challenging for Marine and Protective Coatings.

We continue to implement various measures to mitigate current market challenges, including increased selling prices and cost discipline. Our “Winning Together – 15 by 20” strategy will create a focused Paints and Coatings company and deliver our 2020 guidance.

Full-year 2017 in € million

Paints and Coatings

Q4 2016 ⁵	Q4 2017	Δ%		FY 2016 ⁵	FY 2017	Δ%
2,291	2,283	(-)	Revenue	9,434	9,612	2
149	178	19	EBIT ¹	928	905	(2)
6.5	7.8		ROS ³ %	9.8	9.4	
			ROI ⁴ %	14.4	13.9	

Paints and Coatings performance in 2017

Decorative Paints revenue was up 2% (up 4% excluding currency impact) driven by strong volume growth, partly offset by adverse currencies and price/mix effects. Volumes were up 7% overall, with growth in all regions.

Performance Coatings revenue was up 2% (up 4% excluding currency impact), mainly due to the acquired Industrial Coatings business, partly offset by adverse currencies. Volumes 1% lower due to adverse conditions in the marine, and oil and gas industries offsetting growth in most segments and regions.

Developments in Paints and Coatings in 2017

Growing the business

AkzoNobel opened a new [facility in Ashington, UK](#), which is the world's most advanced and sustainable paint factory. The hi-tech plant is the new center of production for Dulux, the world's leading decorative paint brand.

In Dongguan, China, the company opened [a Specialty Coatings facility](#) dedicated to producing aerospace coatings for the North and South Asian aviation market. This new facility will offer improved and faster service to existing, as well as new customers, in this rapidly-growing market.

Leading brands, products and customer solutions

Customers at automotive body repair shops can now save time and money thanks to an industry first digital solution introduced by AkzoNobel's Vehicle Refinishes business. [Carbeat](#) provides significant benefits by giving a real-time overview of the repair process. The application is deployed on a large touch screen monitor, designed to make using the system quick and intuitive, while providing a comprehensive overview of all the work in production.

Acquisitions and divestments

In 2017, the company [acquired the V.Powdertech business](#), the leading Thai manufacturer of powder coatings, which supplies a range of products for domestic appliances, furniture and general industrial applications. The company also completed the acquisitions of [Flexcrete Technologies Ltd. and Disa Technology \(Disatech\)](#) to further strengthen the portfolio of its Protective and Specialty Coatings business.

Specialty Chemicals *(reported as discontinued operations)*

- **Separation of Specialty Chemicals**, via a private sale or legal demerger, on track for April 2018
- **Revenue up 4%** (up 5% excluding currency impact), mainly due to positive volume and price/mix effects, partly offset by adverse currencies
- **Volumes up 3%** with positive developments in all business units and regions
- **EBIT¹ up 10%** to €689 million, with favorable volumes and cost control more than compensating for adverse currencies and raw material price inflation
- **Return on sales (ROS)³** at 13.8% (2016: 13.2%); **return on investment (ROI)⁴** at 19.1% (2016: 17.9%)
- **14 capacity expansions** announced or completed to support the growth of customers
- **Breakthrough technology** to produce ethylene amines and derivatives from ethylene oxide
- **Multiple contracts** to increase the use of renewable electricity

Full-year 2017 in € million

Specialty Chemicals

Q4 2016	Q4 2017	Δ%		FY 2016	FY 2017	Δ%
1,169	1,228	5	Revenue	4,783	4,985	4
118	165	40	EBIT ¹	629	689	10
10.1	13.4		ROS ³ %	13.2	13.8	
			ROI ⁴ %	17.9	19.1	

Specialty Chemicals performance in 2017

Revenue was up 4% (up 5% excluding currency impact), due to positive volume developments and price/mix effects, partly offset by adverse currencies. Volumes were up in all business units and in all regions. Europe, Asia and Latin America showed strong growth during the whole year while North America suffered most from supply chain disruptions, such as Hurricane Harvey.

Developments in Specialty Chemicals in 2017

Growing with our customers

During 2017, Specialty Chemicals announced or completed a further 14 [capacity expansions](#) to support customer growth. These included investments in Brazil, China, Denmark, Germany, the Netherlands, Spain, Sweden and the US, as well as a joint arrangement with Atul to produce monochloroacetic acid in India.

Innovation

The 2017 edition of the [Imagine Chemistry](#) open innovation challenge generated more than 200 ideas for sustainable products and processes, several of which are being targeted for commercialization. The company also signed an [agreement with Itaconix](#) for the development and commercialization of bio-based polymers, and announced a [breakthrough technology](#) to produce ethylene amines and their derivatives from ethylene oxide.

Sustainability and energy

The company led an initiative with DSM, Google and Philips in the Netherlands to source green power from the [Bouwdokken windpark](#) and signed a [deal with Vattenfall](#) which will enable renewable electricity supply in the Nordics to increase to 100% in 2020. We also teamed up with a [bio-steam facility](#) in Delfzijl, the Netherlands, to reduce annual CO₂ emissions by around 100,000 tons.

The Q4 and full-year 2017 report can be viewed and downloaded at www.akzonobel.com/quarterlyresults

- 1 Operating income excluding identified items
- 2 Excluding unallocated corporate center costs and invested capital; assumes no significant market disruption
- 3 ROS% is EBIT divided by revenue
- 4 ROI% is 12 months EBIT divided by 12 months average invested capital
- 5 Represented to present the Specialty Chemicals business as discontinued operations

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

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About AkzoNobel N.V.

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 45,000 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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