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AkzoNobel full-year and Q4 2014 results

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Strong underlying performance

Full-year results:

- Revenue down 2 percent: Volume up 1 percent in all Business Areas, more than offset by currency effects and divestments
- Operating income excluding incidental items was €1,072 million (2013: €897 million), up 20 percent
- Operating income of €987 million up 3 percent, due to higher operating results and lower restructuring charges, offset by adverse incidental items
- ROS was 6.9 percent (2013: 6.6 percent); excluding incidentals ROS was 7.5 percent (2013: 6.1 percent)
- Adjusted EPS at €2.81 (2013: €2.62)
- Net income attributable to shareholders €546 million (2013: €724 million*)
- Total dividend for 2014 proposed at €1.45 (2013: €1.45)
- Net cash inflow from operating activities €811 million (2013: €716 million)

Q4 results:

- Revenue up 1 percent, with 2 percent favorable currency effects offset by 1 percent lower volumes
- Operating income excluding incidentals was €169 million (2013: €55 million) up 207 percent due to improved operational performance and lower restructuring charges
- Adjusted EPS at €0.33 (2013: (€0.01))

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Q4 2014 in € million

	Q4 2013	Q4 2014	Δ%	Q4 & full-year 2014 report (PDF, 482kb)
Revenue	3,482	3,517	1	
Operating income	116	83	(28)	
Operating income <i>excluding incidentals</i>	55	169	207	
Return on sales (ROS) %	3.3	2.4		
Return on sales (ROS) % <i>excluding incidentals</i>	1.6	4.8		
EBITDA	208	330	59	
Net income attributable to shareholders	51	7		

Full-year 2014 in € million

	FY 2013	FY 2014	Δ%
Revenue	14,590	14,296	(2)
Operating income	958	987	3
Operating income <i>excluding incidentals</i>	897	1,072	20
Return on sales (ROS) %	6.6	6.9	
Return on sales (ROS) % <i>excluding incidentals</i>	6.1	7.5	
Moving average ROI (in %)	9.6	10.0	
EBITDA	1,513	1,690	12
Net income attributable to shareholders	724	546	(25)

https://www.akzonobel.com/news_center/publications/reports_and_presentations/2015/q4_and_full_year_2014_report.aspx

Akzo Nobel N.V. (AkzoNobel) today reported positive volume growth and an improvement in return on sales (ROS) for the full-year 2014. Excluding incidentals, ROS was 7.5 percent (2013: 6.1 percent).

Operating income excluding incidentals grew 20 percent to €1,072 million (2013: €897 million), reflecting higher benefits from ongoing operational efficiency programs and lower restructuring charges, offset by higher adverse incidental items. Contrary to positive incidental items of €61 million in 2013, mainly related to gain on divestments, the negative incidental items of €85 million in 2014 relate to provisions for legacy items, an external fraud suffered by one of our subsidiaries in the US, and project costs related to a divestment. Net income attributable to shareholders was €546 million (2013: €724 million which includes exceptional items). Revenue for the full year declined 2 percent, with volume up 1 percent in all Business Areas, more than offset by negative currency effects and divestments.

CEO Ton Büchner

"For the full year we achieved further improvements in our operational performance, visible in our return on sales and return on investment levels. The introduction of several commercial excellence initiatives will help us drive organic growth going forward.

"2014 was challenging, evidenced by negative currency effects, a continued lack of growth in Europe and a slowdown in some of the Asian and Latin American economies. During the year, we continued to build a solid foundation and remain on track to deliver on our 2015 targets.

"The year was also notable for several key achievements. A major highlight for us in 2014 was the launch of our Human Cities initiative and our partnership with 100 Resilient Cities. We introduced the first carbon credit methodology for the international shipping industry, which allows ships to generate income in the form of carbon credits by reducing CO₂ emissions. We were also especially pleased to be ranked first on the Dow Jones Sustainability Index (in the Materials industry group) for the third year in a row."

Decorative Paints successfully implemented a new operating model in Europe. Volumes for the full year were up 1 percent with a positive volume development in Asia. Revenue declined 6 percent compared with 2013 due to divestments, adverse currency effects and an adverse price/mix effect. Q4 revenue was down 1 percent, mainly driven by the sale of the German stores, which offset 3 percent revenue growth in Asia and 6 percent revenue

growth in Latin America. Operational results clearly improved.

Performance Coatings continued to profit from operational improvements and successfully introduced a new organizational structure with fewer management layers. Volumes for the full year were up 1 percent, mainly from growth in Marine and Protective Coatings and Powder Coatings. Revenue was flat compared with the previous year due to adverse currencies. Q4 revenue was up 4 percent on 2013 due to favorable currencies and price/mix, with 4 percent revenue growth in Powder Coatings and 8 percent revenue growth in Marine and Protective Coatings.

Specialty Chemicals showed increased volumes and increased its profitability in 2014, the latter due to significant savings from restructuring programs. Volumes for the full year were up 1 percent. Revenue was 1 percent lower due to headwinds such as price pressure in caustic, unfavorable currency developments during the first half of the year and interruptions in supply chain and manufacturing. Q4 volume was 1 percent down, due to production interruptions in Rotterdam and market reactions following the large oil price reduction, leading to destocking. Q4 revenue was in line with the previous year, with the adverse impact of volumes and divestments being offset by a favorable currency effect.

Outlook

We anticipate that significant developments in raw material prices, combined with relevant exchange rate movements and lower growth rates in high growth economies, will principally determine the dynamics of 2015. The preparations made during 2013 and 2014 will form a sound basis for further improvements in 2015. AkzoNobel remains on track to achieve its targets for 2015.

Business Area highlights

Decorative Paints

Q4 2013	Q4 2014	Δ%		2013	2014	Δ%
934	920	(1)	Revenue	4,174	3,909	(6)
146	16	(89)	Operating income*	398	248	(38)
15.6	1.7		ROS %	9.5	6.3	
(13)	58		EBITDA	362	405	12

* Operating income in 2013 was affected by a €198 million gain from divestments

** Operating income in 2013 was affected by €121 million incidental charges

Performance Coatings

Q4 2013	Q4 2014	Δ%		2013	2014	Δ%
1,367	1,416	4	Revenue	5,571	5,589	-
73	106	45	Operating income	525	545	4
5.3	7.5		ROS %	9.4	9.8	
110	142	29	EBITDA	663	687	4

The report for the full year and Q4 2014 can be downloaded via the AkzoNobel Report **iPad app** [\[http://bit.ly/ANApp\]](http://bit.ly/ANApp) or read online at

Specialty Chemicals

Q4 2013	Q4 2014	Δ%		2013	2014	Δ%
1,200	1,194	(1)	Revenue	4,949	4,883	(1)
(30)	93		Operating income**	297	508	71
(2.5)	7.8		ROS %	6.0	10.4	
169	175	4	EBITDA	726	815	12

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Page Navigation

- [News](https://www.akzonobel.com/news_center/news/) [\[https://www.akzonobel.com/news_center/news/\]](https://www.akzonobel.com/news_center/news/)
 - [News & Press Releases](https://www.akzonobel.com/news_center/news/news_and_press_releases/) [\[https://www.akzonobel.com/news_center/news/news_and_press_releases/\]](https://www.akzonobel.com/news_center/news/news_and_press_releases/)
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