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AkzoNobel publishes Q2 2015 results

July 21, 2015



AkzoNobel continues to improve performance

- **Operating income** up 38 percent at €486 million (2014: €353 million)
 - **Revenue** up 6 percent to €3.9 billion, mainly driven by favorable currency effects
 - Improved performance with **return on sales** at 12.3 percent (2014: 9.5 percent); and **return on investments** at 11.7 percent (2014: 10.1 percent)
 - **Net income attributable to shareholders** up 61 percent at €331 million (2014: €205 million)
 - **Adjusted earnings per share (EPS)** up 37 percent at €1.30 (2014: €0.95)
 - **Net cash inflow from operating activities** at €407 million (2014: €393 million)
 - **Divestment of Paper Chemical business** completed
- Triennial review ICI **Pension Fund** (UK) completed in July, 2015
 - On track to deliver **2015 targets**

Q2 2015 report (PDF, 2MB) https://www.akzonobel.com/system/images/AkzoNobel_Q2_2015_report_tcm9-92623.pdf

Download the full-size infographic (6.7MB)

https://www.akzonobel.com/system/images/AN_2015_Q2_InfoGraphic_tcm9-92641.jpg

Akzo Nobel N.V. (AKZA.AS; AKZOY) today reported a second quarter with positive developments in profitability of all three Business Areas despite a challenging market environment.

Second quarter operating income increased 38 percent to €486 million, reflecting the positive effects of efficiency programs, lower costs, reduced restructuring expenses, divestment results and favorable currency rates. Revenue of €3,949 million was up 6 percent compared with the same period last year due to favorable currency rates, offset by divestments and lower volumes in some areas. The divestment of Paper Chemicals was completed in line with the strategy of pruning the portfolio. The triennial review with the trustees of the ICI Pension Fund (UK) was completed in July, 2015. Market trends in North America continued to be positive with Europe not improving. Conditions remained challenging in many countries, including in Russia, Brazil and China. Return on sales improved to 12.3 percent and return on investments was up at 11.7 percent. AkzoNobel remains on track to deliver its 2015 targets.


CEO Ton Büchner:

"We continue to deliver on our aim to improve the performance of our company. This will position us well to make the most of future opportunities and growth.

The second quarter continued to show the positive impact of our focus on profitability and leadership in sustainability.



The global economy remains challenging and shows a very mixed picture with different dynamics per region and

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| | Q2 2014 | Q2 2015 | Δ % | |
|---|---------|---------|-----|---|
| Revenue | 3,710 | 3,949 | 6 | Decorative Paints achieved a solid growth in profitability, with operating income increased by 25 percent and revenue up 6 percent. Operating income |
| Operating income | 353 | 486 | 38 | |
| Return on sales (ROS) % | 9.5 | 12.3 | | |
| EBITDA | 509 | 610 | 20 | |
| Net income attributable to shareholders | 205 | 331 | 61 | |
| H1 2015 in € million | | | | |
| | H1 2014 | H1 2015 | Δ % | |
| Revenue | 7,093 | 7,540 | 6 | |
| Operating income | 569 | 792 | 39 | |
| Return on sales (ROS) % | 8.0 | 10.5 | | |
| EBITDA | 873 | 1,072 | 23 | |
| Net income attributable to shareholders | 334 | 491 | 47 | |

showed improvement with an increase of 25 percent, due to the new operating model, lower costs, reduced restructuring expenses, strict cost containment and favorable currency developments. Revenue was up 6 percent, mainly driven by favorable currency effects. Volumes for the second quarter were up in Asia, while volumes were down for Europe and Latin America.

Performance Coatings benefited from cost reductions created through performance improvement initiatives, margin management activities, manufacturing productivity and favorable currencies which resulted in an increase of operating income of 24 percent. Revenue was up 8 percent across all reporting units, benefiting from favorable currencies and a higher demand for premium products. Volumes declined mainly due to lower capital and maintenance spending in the global oil and gas industry. Russia, Brazil and China remain challenging.

Specialty Chemicals operating income increased by 55 percent (31 percent excluding incidental items related to the divestment of Paper Chemicals business). The results were supported by the increase of production at the new Frankfurt plant, operational efficiencies throughout the business and favorable currency developments. Revenue was up 5 percent due to continued favorable currency effects, partly offset by the impact of the divested Paper Chemicals business. Volumes overall were flat. Growth in some segments compensated for lower demand in oil drilling segments. North America continued to show a positive trend while growth in Asia was subdued and demand remained weak in Europe and South America.

Outlook

Exchange rate movements, positive market trends in North America and no improvement for Europe overall, as well as lower growth rates in many countries, including Russia, Brazil and China, are determining the dynamics of 2015. Our significant actions taken in recent years form a sound basis for further improved performance. We are on track to deliver our targets for 2015*.

Business Area highlights in € million

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Decorative Paints

| Q2 2014 | Q2 2015 | Δ% | | H1 2014 | H1 2015 | Δ% |
|---------|---------|----|------------------|---------|---------|----|
| 1,074 | 1,134 | 6 | Revenue | 1,939 | 2,024 | 4 |
| 102 | 128 | 25 | Operating income | 119 | 178 | 50 |
| 9.5 | 11.3 | | ROS % | 6.1 | 8.8 | |
| 141 | 165 | 17 | EBITDA | 197 | 253 | 28 |

Performance Coatings

| Q2 2014 | Q2 2015 | Δ% | | H1 2014 | H1 2015 | Δ% |
|---------|---------|----|------------------|---------|---------|----|
| 1,434 | 1,550 | 8 | Revenue | 2,753 | 2,980 | 8 |
| 178 | 220 | 24 | Operating income | 304 | 390 | 28 |
| 12.4 | 14.2 | | ROS % | 11.0 | 13.1 | |
| 212 | 257 | 21 | EBITDA | 375 | 463 | 23 |

Specialty Chemicals

| Q2 2014 | Q2 2015 | Δ% | | H1 2014 | H1 2015 | Δ% |
|---------|---------|----|------------------|---------|---------|----|
| 1,228 | 1,290 | 5 | Revenue | 2,450 | 2,586 | 6 |
| 124 | 192 | 55 | Operating income | 259 | 355 | 37 |
| 10.1 | 14.9 | | ROS % | 10.6 | 13.7 | |
| 204 | 243 | 19 | EBITDA | 408 | 485 | 19 |

* Overall targets for the full year 2015 are 9.0 percent return on sales and 14.0 percent return on investment

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