

Media release

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Half-year revenue up 4%; strong progress on strategy to accelerate growth and value creation

AkzoNobel publishes half-year and Q2 2017 results

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

Progressing strategy to accelerate growth and value creation

- **Capacity expansions** in Brazil, Mexico, Sweden and Thailand
- **Two acquisitions announced** to strengthen Performance Coatings business
- **Decorative Paint product** launches including Levis in China and EasyCare in Brazil
- **Specialty Chemicals separation process** remains on track
- **Shareholder engagement** plans announced including Extraordinary General Meeting (EGM) on September 8, 2017
- **New set-up for Executive Committee**

Half year:

- **Volumes up 2%**, driven by Decorative Paints and Specialty Chemicals
- **Revenue up in all Business Areas** and 4% overall, mainly due to volume growth and acquisitions
- **EBIT¹ up 1%** at €837 million (2016: €825 million), mainly due to volume growth and continuous improvement, partly offset by higher raw material costs and continued weak demand in Marine and Protective Coatings

Q2:

- **Volumes increased for Decorative Paints and Specialty Chemicals**, and flat overall
- **Revenue up 2%** driven by Performance Coatings and Specialty Chemicals
- **EBIT at €461 million** (2016: €491 million), impacted by continued weak demand in Marine and Protective Coatings, higher raw material costs and planned maintenance turnarounds in Industrial Chemicals
- **Adjusted EPS up 2%** at €1.35 (2016: €1.32)
- **€160 million** share repurchase program completed

Outlook: AkzoNobel continues to anticipate positive developments for EMEA (excluding the UK), North America and Asia, improving during the year, while Latin America is expected to stabilize. Market trends will remain challenging for the marine and oil and gas industries.

The company has improved its ability to respond to developments in its markets and continues taking appropriate measures, including structure to drive operational excellence and additional cost control, to deal with higher raw material prices in an inflationary environment.

The company continues to expect EBIT for 2017 to be around €100 million higher than 2016, as a result of growth momentum and continuous improvement, assuming no further material changes in market and economic dynamics, including foreign currencies.

CEO Thierry Vanlancker, commented:

“It is a privilege to lead AkzoNobel, a company full of great people focused on delivering for our customers every day.

“I was involved in developing our strategy to accelerate sustainable growth and value creation for all our stakeholders. We will continue to deliver on the plans for the creation of two focused, high-performing businesses – Paints and Coatings and Specialty Chemicals. The separation process remains on track.

“During the first half of the year, we invested to significantly increase our production capacity around the world and launched two of our premium Decorative Paints brands in key markets. We also announced two acquisitions to strengthen our Performance Coatings business.

“We are putting in place a new Executive Committee structure designed to build momentum across the business and maintain our focus on operational excellence.

“Following a record performance for AkzoNobel in the first quarter, we continued to see growth across all our business areas with the exception of challenging market conditions in the marine and oil and gas industries, and inflationary pressures which impact part of our business. Mitigation plans are in place and we will see the benefit of these later in the year.

“As part of our ongoing program to strengthen the relationship with our shareholders, we are announcing a range of new activities including an EGM, which will be held on September 8.

“We remain focused on executing our new strategy and continue to expect EBIT for 2017 to be around €100 million higher than 2016, as a result of growth momentum and continuous improvement. This assumes no further material changes in market and economic dynamics, including foreign currencies.”

H1 2017 in € million

	H1 2016	H1 2017	Δ %
Revenue	7,141	7,446	4
EBIT ¹	825	837	1
Return on sales (ROS) % ²	11.6	11.2	
Return on investment (ROI) % ³	15.1	14.8	
Net income attributable to shareholders	552	541	(2)

Q2 2017 in € million

	Q2 2016	Q2 2017	Δ %
Revenue	3,711	3,785	2
EBIT ¹	491	461	(6)
Return on sales (ROS) % ²	13.2	12.2	
Return on investment (ROI) % ³	15.1	14.8	
Net income attributable to shareholders	312	301	(4)

Decorative Paints:

Half-year revenue was up driven by strong volume growth. Positive volume developments were partly offset by adverse price/mix. Volumes were up 6% with volume growth in Asia and Latin America. The favorable impact from the Brazilian real was offset by the weakening of the pound sterling. EBIT increased 8% mainly as a result of improved volumes and cost control.

The company has made a series of [product launches](#) in key markets including the Levis premium coating brand in the professional market segment in China and its EasyCare brand in Brazil.

Performance Coatings:

Half-year revenue was up 4%, driven by the acquired Industrial Coatings business. Positive volume developments for Industrial and Powder Coatings were more than offset by continued weak demand in Marine and Protective Coatings. Excluding Marine and Protective Coatings, volumes were higher. EBIT was down due to ongoing weakness in the marine and oil and gas industries. Excluding Marine and Protective Coatings EBIT was up. Return on sales and return on investment were affected by Marine and Protective Coatings and the acquired Industrial Coatings business.

Customers will benefit from the startup of a €31 million state-of-the-art [production facility in Chonburi, Thailand](#) as well as the expansion of an existing facility in [Santo André, Brazil](#). The company also [announced two acquisitions](#) recently to strengthen its Performance Coatings business: Flexcrete Technologies Ltd., a UK manufacturer of products used for the protection and repair of concrete substrates; and Disa Technology, a French supplier of adhesive films used in the aerospace, transportation and industrial equipment sectors.

Specialty Chemicals: Half-year revenue was up 6%, with growth in all business units and regions. Several of the businesses benefitted from improved market conditions in the oil drilling, agrochemicals and building and construction segments. Strong growth in China was driven by the new organic peroxides plant in Ningbo and plant closures at competitors driven by an increased focus on implementation of health, safety and environmental standards. EBIT increased by 3% as a result of higher volumes which were partly offset by raw material price increases not yet fully being recaptured through increased selling prices and the impact of planned maintenance turnaround in Industrial Chemicals. Return on sales would have been higher than 2016 excluding the impact of planned maintenance turnaround in Industrial Chemicals, which impacted Q2 EBIT by around €13 million.

A €10 million investment in Sweden will boost supplies of [chelated micronutrients](#) for agricultural markets, while an expansion in Los Reyes, Mexico cements the company's leading position in [organic peroxides](#) used in the polymer industry.

Innovation: Ten start-ups will see their innovative ideas for more sustainable chemistry move a step closer to reality after being named winners of the [Imagine Chemistry](#) challenge, launched earlier this year. AkzoNobel also completed a €2.6 million [expansion of its R&D facilities](#) in Houston, Texas to support its Performance Coatings businesses. Architects, designers and specifiers can now research and create a full coatings specification from a mobile device following the launch of a new [digital app](#) by the Powder Coatings business.

Sustainability: A contract with energy company Vattenfall will enable AkzoNobel to ramp up the supply of [renewable electricity](#) to its facilities in Sweden and Finland. The company joined forces with [The Ocean Cleanup](#), providing advanced, biocide-free coatings technology for the equipment used in the cleanup operations. AkzoNobel will be an official [sustainability partner](#) of the 2017/2018 Volvo Ocean Race, which also focuses on protecting the oceans.

Human Cities: AkzoNobel launched the [Human Cities Coalition](#), a public-private partnership bringing together more than 150 stakeholders and 20 partners to focus on improving life in mega cities. Argentine and Belgian muralists used paint donated by AkzoNobel's Alba brand to transform grey facades into a colorful [open-air gallery in Saldías](#), a slums area of Buenos Aires. Malaysian artists showcased their creativity to create murals at [Starbucks stores in Malaysia](#) using AkzoNobel's Dulux brand.

Business Area highlights in € million

Decorative Paints

H1 2016	H1 2017	Δ%		Q2 2016	Q2 2017	Δ%
1,916	1,968	3	Revenue	1,055	1,046	(1)
183	198	8	EBIT ¹	131	121	(8)
9.6	10.1		ROS % ²	12.4	11.6	

Performance Coatings

H1 2016	H1 2017	Δ%		Q2 2016	Q2 2017	Δ%
2,861	2,975	4	Revenue	1,473	1,504	2
408	389	(5)	EBIT ¹	222	202	(9)
14.3	13.1		ROS % ²	15.1	13.4	

Specialty Chemicals

H1 2016	H1 2017	Δ%		Q2 2016	Q2 2017	Δ%
2,412	2,548	6	Revenue	1,206	1,259	4
343	355	3	EBIT ¹	179	179	-
14.2	13.9		ROS % ²	14.8	14.2	

1. Operating income excluding identified items.
2. ROS% is EBIT divided by revenue.
3. Moving average ROI% is 12 months EBIT divided by 12 months average invested capital

For more information on our new strategy can be found [here](#) and the full Half-Year and Q2 report can be viewed and downloaded at www.akzonobel.com/quarterlyresults

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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.

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