

Media release

July 19, 2016

AkzoNobel publishes Q2 2016 results

Continued volume growth with improved profitability across all Business Areas
A strong adverse currency impact

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

- **Volumes** up 1 percent, driven by Decorative Paints and Performance Coatings
- **EBIT** (operating income excluding incidental items) up 9 percent at €491 million (2015: €452 million), reflecting continuous improvement initiatives and lower costs, partly offset by adverse currency effects
- **Revenue** down 6 percent to €3.7 billion, strongly adversely affected by currencies
- **Return on sales*** improved to 13.2 percent (2015: 11.4 percent); **return on investment*** improved to 15.1 percent (2015: 12.2 percent). ROS and ROI improved for all Business Areas
- **Adjusted earnings per share** (EPS) up 2 percent at €1.32 (2015: €1.30)
- **Net income attributable to shareholders** up at €312 million (2015: €331 million, which included positive incidental items)
- **Net cash inflow from operating activities** up at €453 million (2015: €407 million)
- Launched **€500 million ten year bond** at a coupon of 1.125 percent in April 2016
- **Further de-risking of UK pension liabilities**
- **Outlook:** The market environment remains uncertain with challenging conditions in several countries and segments. Deflationary pressures and currency headwinds are expected to continue

AkzoNobel today reported a second quarter with positive developments in profitability in all three Business Areas, despite currency pressures and a challenging market environment. EBIT increased 9 percent to €491 million. Overall volumes improved by 1 percent, although this increase was not reflected in Q2 revenue, which was down 6 percent at €3.7 billion, strongly affected by currencies. Return on sales improved to 13.2 percent and return on investment was up at 15.1 percent.

CEO Ton Büchner:

"During the quarter we increased volumes while improving profitability across all Business Areas, showing the ongoing resilience of our business. The market environment in 2016 remains uncertain, with challenging conditions in several countries and segments. Deflationary pressures and currency headwinds are expected to continue. Our ongoing focus will remain on driving continuous improvement and organic growth across our Business Areas.

We were delighted to open our largest technology center in China, which will support product innovation and the development of next-generation paints, coatings and specialty chemicals. We were also ranked number one in our industry on the influential FTSE4GOOD index of sustainable companies, reinforcing our commitment to embedding sustainability at the heart of our business strategy."

* ROS% is EBIT divided by revenue

Moving average ROI% is 12 months EBIT divided by 12 months average invested capital

Q2 2016 in € million

	Q2 2015	Q2 2016	Δ %
Revenue	3,949	3,711	(6)
Operating income	486	491	1
EBIT (operating income excl. incidentals)	452	491	9
Return on sales (ROS) %*	11.4	13.2	
Net income attributable to shareholders	331	312	(6)

H1 2016 in € million

	H1 2015	H1 2016	Δ %
Revenue	7,540	7,141	(5)
Operating income	792	848	7
EBIT (operating income excl. incidentals)	758	825	9
Return on sales (ROS) %*	10.1	11.6	
Net income attributable to shareholders	491	552	12

Decorative Paints: Positive developments in Asia contributed to an increase in volumes and also drove an improvement in EBIT which was up 2 percent. These gains were more than offset by unfavorable currency effects. Volumes continued to be down in Latin America and slightly lower in Europe, with overall revenue down 7 percent. We launched our Unexpected Courts project in Rio de Janeiro, Brazil. It involves using paint in an imaginative way to create areas where children are inspired to try out different sports, such as basketball, hockey and volleyball in surprising places.

Performance Coatings: Demand trends differed per region, with higher volumes being more than offset by adverse currencies. This resulted in a revenue decrease of 5 percent. Higher volumes, continuous improvement initiatives and lower costs contributed to an increase in EBIT, although this was limited to 1 percent due to unfavorable currencies. We completed phase one of the expansion of our protective coatings facility in Cikarang, Indonesia. The expansion will increase capacity at the facility by 40 percent and will help us to meet growing domestic demand.

Specialty Chemicals: Volumes were flat overall, with positive developments in some segments balanced out by lower demand in oil-related segments. Revenue was down 7 percent, mainly due to the divestments of Paper Chemicals in 2015, adverse currency effects and price deflation in several segments. EBIT rose 10 percent due to operational efficiencies and lower costs. Our Expancel Microspheres gained approval from the US Food and Drug Administration as a constituent in wine corks. The product helps to ensure wines are kept as perfect as possible and can be enjoyed as intended.

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Business Area highlights in € million

Decorative Paints

Q2 2015	Q2 2016	Δ%		H1 2015	H1 2016	Δ%
1,134	1,055	(7)	Revenue	2,024	1,916	(5)
128	131	2	Operating income	178	183	3
128	131	2	EBIT (operating income excl. incidentals)	178	183	3
11.3	12.4		ROS %*	8.8	9.6	

Performance Coatings

Q2 2015	Q2 2016	Δ%		H1 2015	H1 2016	Δ%
1,550	1,473	(5)	Revenue	2,980	2,861	(4)
220	222	1	Operating income	390	408	5
220	222	1	EBIT (operating income excl. incidentals)	390	408	5
14.2	15.1		ROS %*	13.1	14.3	

Specialty Chemicals

Q2 2015	Q2 2016	Δ%		H1 2015	H1 2016	Δ%
1,290	1,206	(7)	Revenue	2,586	2,412	(7)
192	179	(7)	Operating income	355	343	(3)
162	179	10	EBIT (operating income excl. incidentals)	325	343	6
12.6	14.8		ROS %*	12.6	14.2	

The Q2 2016 report can be downloaded via the AkzoNobel Report iPad app <http://bit.ly/obljrf> or read online 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 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.

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