

Media release

October 19, 2016

AkzoNobel publishes Q3 2016 results

Profitability increased in an environment of mixed volume growth

Interim dividend increased. Currency headwinds continue

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

- **Volume growth** in Decorative Paints and Specialty Chemicals, while volumes were flat overall
- **Revenue** down 4 percent to €3.6 billion, due to adverse currency and price/mix effects
- **EBIT*** up 1 percent at €442 million (2015: €436 million), reflecting continuous improvement initiatives and lower costs, partly offset by adverse currency effects
- **Operating income** up 4 percent at €454 million (2015: €436 million) positively impacted by incidental items
- **Return on sales**** was up at 12.3 percent (2015: 11.6 percent) and **return on investment**** improved to 15.2 percent (2015: 13.0 percent). ROS and ROI improved in all three Business Areas
- **Net income attributable to shareholders** was €285 million (2015: €285 million)
- **Adjusted earnings per share (EPS)** was €1.20 (2015: €1.24)
- **Net cash inflow from operating activities** up at €600 million (2015: €583 million)
- **Interim dividend up 6 percent to €0.37 per share** (2015: €0.35)
- Further de-risking of pension liabilities
- **Outlook unchanged:** The market environment remains uncertain with challenging conditions in several countries and segments. Deflationary pressures and currency headwinds are expected to continue. We maintain our financial guidance for 2016-2018

AkzoNobel today reported volume growth in Decorative Paints and Specialty Chemicals with further overall profitability growth in the third quarter, despite challenging conditions in several countries and segments. EBIT increased 1 percent to €442 million and return on sales improved to 12.3 percent (2015: 11.6 percent). Overall volumes were flat, and revenue was down 4 percent to €3.6 billion, due to adverse currency and price/mix effects. Return on investment was 15.2 percent (2015: 13.0 percent).

CFO Maëlys Castella:

"We achieved further growth in profitability in the third quarter, with returns up for all Business Areas and positive volume developments in Decorative Paints and Specialty Chemicals. We are delivering on our improvement programs and maintaining a strong cash discipline. We decided to increase the interim dividend by 6 percent to €0.37 per share.

"Our focus remains on driving continuous improvement and organic growth. We broke ground on a powder coatings plant in Mumbai that will bring us closer to our customers in the north and west of India. We also introduced innovative products that bring major sustainability benefits to our customers, including our Berol DR-B1 direct release surfactant and Aquasilk waterborne wood coating. Denim Drift was launched as our Color of the Year for 2017."

**Operating income excluding incidental items.*

*** ROS% is EBIT divided by revenue. Moving average ROI% is 12 months EBIT divided by 12 months average invested capital.*

Q3 2016 in € million

	Q3 2015	Q3 2016	Δ %
Revenue	3,760	3,600	(4)
Operating income	436	454	4
EBIT (operating income excl. incidentals)	436	442	1
Return on sales (ROS) %**	11.6	12.3	
Net income attributable to shareholders	285	285	—

Year-to-date January – September 2016 in € million

	YTD 2015	YTD 2016	Δ %
Revenue	11,300	10,741	(5)
Operating income	1,228	1,302	6
EBIT (operating income excl. incidentals)	1,194	1,267	6
Return on sales (ROS) %**	10.6	11.8	
Net income attributable to shareholders	776	837	8

Decorative Paints: Volumes increased 3 percent due to positive developments in Asia and EMEA, while volumes continued to be lower in Latin America. Revenue was down 3 percent mainly due to unfavorable currency effects. We launched our 2017 Color of the Year, Denim Drift, part of our ongoing efforts to inspire customers to make confident color choices and drive growth for our business.

Performance Coatings: Volumes were down by 2 percent affected by adverse conditions in the marine and oil and gas industries, partly offset by positive developments in other segments, including automotive and specialty coatings. Revenue was down 6 percent due to unfavorable currencies, lower volumes and adverse price/mix effects. The intended acquisition of BASF's Industrial Coatings business is expected to be completed towards the end of 2016. We broke ground on a €9 million powder coatings plant in Mumbai which will bring us closer to our customers in the north and west of India and will also provide several innovative lines new to the Indian market.

Specialty Chemicals: Volumes were up 1 percent with positive developments, especially in Industrial Chemicals, partly offset by lower demand in the oil-related segments. Revenue was down 3 percent mainly due to price deflation in several markets. We launched Berol DR-B1, an essential ingredient for outdoor cleaning products which successfully meets stringent US Environmental Protection Agency (EPA) standards, without compromising on performance.

Sustainability, Human Cities and Innovation: We achieved several milestones in the quarter, including: The launch of Aquasilk, a waterborne wood coating that helps Chinese customers meet strict local environmental standards; an addition to our award-winning Intersleek marine foul release coating range which incorporates a bio-renewable raw material; and the signing of a flagship Human Cities project to help renovate four historic sites in the Jing'an district of Shanghai.

Business Area highlights in € million

Decorative Paints

Q3 2015	Q3 2016	Δ%		YTD 2015	YTD 2016	Δ%
1,052	1,021	(3)	Revenue	3,076	2,937	(5)
121	132	9	Operating income	299	315	5
121	123	2	EBIT (operating income excl. incidentals)	299	306	2
11.5	12.0		ROS %**	9.7	10.4	

Performance Coatings

Q3 2015	Q3 2016	Δ%		YTD 2015	YTD 2016	Δ%
1,493	1,406	(6)	Revenue	4,473	4,267	(5)
210	192	(9)	Operating income	600	600	-
210	199	(5)	EBIT (operating income excl. incidentals)	600	607	1
14.1	14.2		ROS %**	13.4	14.2	

Specialty Chemicals

Q3 2015	Q3 2016	Δ%		YTD 2015	YTD 2016	Δ%
1,235	1,202	(3)	Revenue	3,821	3,614	(5)
163	168	3	Operating income	518*	511	(1)
163	168	3	EBIT (operating income excl. incidentals)	488	511	5
13.2	14.0		ROS %**	12.8	14.1	

The Q3 2016 report can be viewed and downloaded at www.akzonobel.com/quarterlyresults.

* Includes a book profit net of related costs of €30 million in Q2 2015 related to the divestment of the Paper Chemicals business.

** ROS% is EBIT divided by revenue.

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

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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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