

AkzoNobel Q4 2016 Analyst Factsheet

February 15, 2017

AkzoNobel

Volume growth and record profitability in 2016

Full-year:

- Record ROS, ROI, EBIT, adjusted EPS and net cash inflow from operating activities for AkzoNobel
- Volumes 1% higher; up 3% for Decorative Paints, up 1% for Specialty Chemicals and flat for Performance Coatings
- Revenue down 4%, due to unfavorable currency and price/mix effects
- EBIT up 3% at €1,502 million (2015: €1,462 million), positively impacted by volume growth, continuous improvement and lower costs
- Profitability improved with ROS at 10.6% (2015: 9.8%). ROI increased to 15.0% (2015: 14.0%).
- Adjusted EPS up 3% at €4.15 (2015: €4.02)
- Total dividend proposed for 2016 up 6% to €1.65 (2015: €1.55)
- Net cash inflow from operating activities up 14% at €1,297 million (2015: €1,136 million)

For Q4:

- Volumes up 2%, driven by Decorative Paints and Specialty Chemicals
- Revenue down 3%, mainly due to unfavorable currency and price/mix effects
- EBIT at €235 million (2015: €268 million) due to adverse price/mix effects and higher restructuring expenses partly offset by volume growth and continuous improvement
- Adjusted EPS lower at €0.66 (2015: €0.72), mainly due to higher restructuring expenses
- Completed acquisition of BASF's Industrial Coatings business
- Share repurchase program announced; anticipated to be concluded by the end of April 2017

Outlook

We anticipate positive developments for EMEA, North America and Asia, improving during the year, while Latin America is expected to stabilize. Some economic and political uncertainty is expected to remain. Market trends experienced in the second part of 2016, including for marine and oil and gas industries, are expected to continue during the first half of 2017.

We have structurally improved our ability to respond to developments in our markets. We are taking appropriate measures to deal with higher raw material prices in an inflationary environment. Our stronger operational and financial foundation means we are more agile and better able to seize growth opportunities, including acquisitions. We maintain our financial guidance for 2016-2018.

Highlights

Decorative Paints

Full-year:

Volumes were up 3% overall with positive developments in Asia and EMEA, while volumes in Latin America were down. Revenue was down 4%, mainly due to unfavorable currency effects, in particular the pound sterling and currencies in Latin America. EBIT increased by 3% due to volume growth, continuous improvement and cost discipline, partly offset by adverse currencies.

Q4:

Volumes were higher for another consecutive quarter, although continued to decline in Latin America. Positive developments in Asia were more than offset by unfavorable currency effects and adverse price/mix. Revenue was down 4%. EBIT increased by 11%, mainly as a result of volume growth, continuous improvement and cost discipline.

Performance Coatings

Full-year:

Volume growth in some segments was offset by adverse conditions in the marine and oil and gas industries. Demand trends differed per segment and region. Revenue was down 5%, driven by adverse currencies and price/mix. EBIT decreased 4% driven by adverse currencies and price/mix effects and weakness in the marine and oil and gas industries, partly offset by continuous improvement. Operating income was negatively impacted by incidental items.

Q4:

Volumes increased for Automotive and Specialty Coatings, as well as Industrial and Powder Coatings. Revenue decreased 6% due to adverse currencies, price/mix and reduced demand in the marine and oil and gas industries. EBIT decreased 21%, mainly driven by adverse price/mix and lower volumes, due to weakness in the marine and oil and gas industries, partly offset by continuous improvement. Operating income was negatively impacted by incidental items.

Specialty Chemicals

Full-year:

Volumes were up 1%, mainly driven by Asia and Europe, partly offset by lower demand in the oil related segments. Revenue was down 4% with positive volume developments more than offset by price deflation in several markets. EBIT increased 9% due to improved volumes and operational efficiencies.

Q4:

Volumes were up 4%, mainly driven by Asia and Europe and improved manufacturing availability. Demand in oil related segments bottomed out. Revenue was flat with increased volume offset by adverse price/mix effects. EBIT increased by 31% as a result of improved volumes and operational efficiencies.

Other

Full-year EBIT in Other activities improved due to lower costs, driven by improvement programs and the implementation of the Global Business Services model, and favorable one-time adjustments on legacy provisions, partly offset by higher restructuring expenses.

Q4 EBIT in other activities was impacted by restructuring expenses related to several functions.

Raw materials:

Raw material prices were lower at the beginning of the year compared to the same period in 2015. In Q4, raw material costs were roughly flat versus the previous year, due to increases throughout the year. In most regions foreign currency effects adversely impacted raw material costs in local currencies.

Operating income

Full-year operating income was positively impacted by €17 million of incidental items, including adjustments to post-retirement provisions, asset impairments and acquisition-related costs. The incidental items impacted operating income of Decorative Paints, Performance Coatings and the operating income in Other activities.

In Q4, operating income was negatively impacted by incidental items, including acquisition and integration related costs of the acquisition of BASF's Industrial Coatings business, and asset impairments. In 2015, operating income was positively impacted by €77 million of incidental items.

Net Debt

Net debt at year-end 2016 was slightly higher at €1,252 million compared with year-end 2015 (€1,226 million) and up compared with Q3 2016 (€1,119 million), as a result of the consideration paid for BASF's Industrial Coatings business.

Financial summary

€ million unless stated otherwise	2015		2016				
	Q4	FY	Q1	Q2	Q3	Q4	FY
Revenue	3,559	14,859	3,430	3,711	3,600	3,456	14,197
Decorative Paints	931	4,007	861	1,055	1,021	898	3,835
Performance Coatings	1,482	5,955	1,388	1,473	1,406	1,398	5,665
Specialty Chemicals	1,167	4,988	1,206	1,206	1,202	1,169	4,783
Other	(21)	(91)	(25)	(23)	(29)	(9)	(86)
EBITDA	426	2,088	487	642	594	385	2,108
D&A	(158)	(626)	(153)	(151)	(152)	(150)	(606)
EBIT (Operating income excl. incidentals)	268	1,462	334	491	442	235	1,502
Decorative Paints	46	345	52	131	123	51	357
Performance Coatings	192	792	186	222	199	152	759
Specialty Chemicals	90	578	164	179	168	118	629
Other	(60)	(253)	(68)	(41)	(48)	(86)	(243)
Incidentals	77	111	23	0	12	(18)	17
Operating Income	345	1,573	357	491	454	217	1,519
Finance Income/expenses	(18)	(114)	(27)	(22)	(33)	(32)	(114)
Results from associates and joint ventures	5	17	20	8	10	5	43
Profit before tax	332	1,476	350	477	431	190	1,448
Income tax	(112)	(416)	(86)	(138)	(131)	(39)	(394)
Non-controlling interests	(26)	(87)	(23)	(27)	(15)	(17)	(82)
Discontinued operations	9	6	(1)	0	0	(1)	(2)
Net Income attributable to shareholders	203	979	240	312	285	133	970
Tax Rate	34%	28%	25%	29%	30%	21%	27%

Revenue development Q4 2016

in % versus Q4 2015	Volume	Price/mix	Acquisitions/ divestments	Exchange rates	Total
Decorative Paints	2	(2)	0	(4)	(4)
Performance Coatings	(1)	(3)	0	(2)	(6)
Specialty Chemicals	4	(4)	0	0	0
Total	2	(3)	0	(2)	(3)

Safe Harbor Statement

This document contains statements which address such key issues as AkzoNobel's growth strategy, future financial results, market positions, product development, products in the pipeline, and product approvals. Such statements should be carefully considered, and it should be understood that many factors could cause forecasted and actual results to differ from these statements. These factors include, but are not limited to, price fluctuations, currency fluctuations, developments in raw material and personnel costs, pensions, physical and environmental risks, legal issues, and legislative, fiscal, and other regulatory measures. Stated competitive positions are based on management estimates supported by information provided by specialized external agencies. For a more comprehensive discussion of the risk factors affecting our business please see our latest Annual Report, a copy of which can be found on the company's corporate website www.akzonobel.com.