

Q1 2017 Analyst Factsheet

April 19, 2017

AkzoNobel



Further volume growth and record profitability

- Record Q1 profitability (EBIT, ROS and ROI) for AkzoNobel
- Revenue up in all Business Areas and 7% overall, mainly due to higher volumes and acquisitions
- Volumes up 4% driven by Decorative Paints and Specialty Chemicals
- EBIT up in all Business Areas and 13% overall, at €376 million (2016: €334 million), reflecting the positive effects of volume growth, continuous improvement and cost discipline
- Operating income up 5% at €376 million (2016: €357 million)
- Profitability improved, with ROS at 10.3% (2016: 9.7%) and ROI at 15.2% (2016: 14.5%)
- Adjusted EPS up 8% at €1.05 (2016: €0.97)
- Net cash outflow from operating activities improved to €287 million (2016: €336 million)
- In Q1 2017, we announced a review of strategic options for the separation of our Specialty Chemicals business
- Share repurchase program in progress. The total number of shares repurchased up to March 31, 2017 was 2.17 million common shares (€144 million)

Outlook

We continue to anticipate positive developments for EMEA, North America and Asia, improving during the year, while Latin America is expected to stabilize. Market trends experienced in the second part of 2016, including for the 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 and continue taking appropriate measures to deal with higher raw material prices in an inflationary environment.

We expect EBIT for 2017 to be around €100 million higher than 2016, as a result of growth momentum and continuous improvement, assuming no material change in market and economic dynamics.

Highlights Q1 2017

Decorative Paints

Revenue was up 7%, mainly driven by strong volume growth. Positive volume developments and currency effect was partly offset by adverse price/mix. Volumes were up 9%, with volume growth in all regions and realized consistently throughout the quarter. Volume developments were positive for the sixth consecutive quarter.

EBIT increased by 48%, mainly as a result of higher revenue and continued focus on cost measures, while recognizing Q1 is a seasonally smaller quarter.

Performance Coatings

Revenue was up 6%, driven by positive volume development in Industrial and Powder Coatings, as well as Automotive and Specialty Coatings, and the acquisition of BASF's Industrial Coatings business. Adverse conditions persisted in the marine and oil and gas industries, which resulted in lower volumes for our Marine and Protective businesses.

EBIT was up 1%, mainly due to positive volume and margin development in several segments and regions, most notably in Automotive & Specialty coatings and North America. These gains were offset by ongoing weakness in the marine and oil and gas industries, as well as costs associated with the integration of the acquired BASF Industrial Coatings business.

Specialty Chemicals

Revenue was up 7% due to positive volume developments in all business units and regions and favorable currency effects. Volumes were up 5%. Several of our businesses benefited from improved market conditions in the oil drilling, mining, agrochemicals and building and construction segments. China delivered significant growth, driven by the start-up of our new organic peroxides facility in Ningbo and plant closures at competitors, driven by an increased government focus on implementation of health, safety and environmental standards.

EBIT increased by 7%, mainly due to improved volumes and operational efficiencies, partly offset by raw material price increases which were not yet fully recaptured through increased selling prices.

Other

In Other activities and eliminations, EBIT improved. Operating income last year in Q1 2016 was positively impacted by sale of assets of €23 million.

Raw materials:

Raw material prices were higher compared to the same period in 2016. We are taking appropriate measures to deal with higher raw material prices in an inflationary environment.

Invested Capital

Invested capital at the end of Q1 2017 totaled €10.6 billion, up €0.3 billion on year-end 2016 mainly due to seasonality of operating working capital.

Operating working capital:

Operating working capital as % of revenue improved to 12.5% in Q1 2017 compared with 13.1% in Q1 2016.

Cash flows and net debt

Operating activities in Q1 resulted in a cash outflow of €287 million (2016: €336 million). The lower cash outflow in Q1 versus last year was mainly due to improved working capital management in all Business Areas and lower pension top-up payments.

At March 31, 2017 net debt was €1.8 billion (2016: €1.7 billion) versus €1.3 billion at year-end 2016. The increase is mainly due to pension top-ups which are paid in Q1 and the share repurchase program.

Financial summary

€ million unless stated otherwise	2016					2017
	Q1	Q2	Q3	Q4	FY	Q1
Revenue	3,430	3,711	3,600	3,456	14,197	3,661
Decorative Paints	861	1,055	1,021	898	3,835	922
Performance Coatings	1,388	1,473	1,406	1,398	5,665	1,471
Specialty Chemicals	1,206	1,206	1,202	1,169	4,783	1,289
Other	(25)	(23)	(29)	(9)	(86)	(21)
EBITDA	487	642	594	385	2,108	534
D&A	(153)	(151)	(152)	(150)	(606)	(158)
EBIT (operating income excluding identified items)	334	491	442	235	1,502	376
Decorative Paints	52	131	123	51	357	77
Performance Coatings	186	222	199	152	759	187
Specialty Chemicals	164	179	168	118	629	176
Other	(68)	(41)	(48)	(86)	(243)	(64)
Identified items	23	0	12	(18)	17	-
Operating Income	357	491	454	217	1,519	376
Finance Income/expenses	(27)	(22)	(33)	(32)	(114)	(22)
Results from associates and joint ventures	20	8	10	5	43	8
Profit before tax	350	477	431	190	1,448	362
Income tax	(86)	(138)	(131)	(39)	(394)	(101)
Non-controlling interests	(23)	(27)	(15)	(17)	(82)	(21)
Discontinued operations	(1)	-	-	(1)	(2)	-
Net Income attributable to shareholders	240	312	285	133	970	240
Tax Rate	25%	29%	30%	21%	27%	28%

Revenue development Q1 2017

in % versus Q1 2016	Volume	Price/mix	Acquisitions/ Divestments	Exchange rates	Total
Decorative Paints	9	(3)	0	1	7
Performance Coatings	-	(1)	5	2	6
Specialty Chemicals	5	-	0	2	7
Total	4	(1)	2	2	7

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.