

## AkzoNobel Q2 2016 Analyst Factsheet

19 July 2016

### Continued volume growth and further profitability improvement

- Volumes up 1 percent, driven by Decorative Paints and Performance Coatings
- Revenue down 6 percent, mainly due to adverse currencies
- 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
- Operating income up 1 percent at €491 million (2015: €486 million\*\*)
- ROS\* improved to 13.2 percent (2015: 11.4 percent); ROI\* improved to 15.1 percent (2015: 12.2 percent). ROS and ROI improved for all Business Areas
- Net income attributable to shareholders at €312 million (2015: €331 million, which included positive incidental items\*\*)
- Adjusted EPS up 2 percent at €1.32 (2015: €1.30)
- 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 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.

€ million unless stated otherwise	2015					2016	
	Q1	Q2	Q3	Q4	FY	Q1	Q2
Decorative Paints	890	1,134	1,052	931	4,007	861	1,055
Performance Coatings	1,430	1,550	1,493	1,482	5,955	1,388	1,473
Specialty Chemicals	1,296	1,290	1,235	1,167	4,988	1,206	1,206
Other	(25)	(25)	(20)	(21)	(91)	(25)	(23)
<b>Group Revenue</b>	<b>3,591</b>	<b>3,949</b>	<b>3,760</b>	<b>3,559</b>	<b>14,859</b>	<b>3,430</b>	<b>3,711</b>
<b>EBITDA</b>	<b>462</b>	<b>610</b>	<b>590</b>	<b>426</b>	<b>2,088</b>	<b>487</b>	<b>642</b>
D&A	(156)	(158)	(154)	(158)	(626)	(153)	(151)
<b>EBIT (Operating income excl. incidentals)</b>	<b>306</b>	<b>452</b>	<b>436</b>	<b>268</b>	<b>1,462</b>	<b>334</b>	<b>491</b>
Incidentals	-	34	-	77	111	23	-
Decorative Paints	50	128	121	46	345	52	131
Performance Coatings	170	220	210	192	792	186	222
Specialty Chemicals	163	192	163	91	609	164	179
Other	(77)	(54)	(58)	16	(173)	(45)	(41)
<b>Operating Income</b>	<b>306</b>	<b>486</b>	<b>436</b>	<b>345</b>	<b>1,573</b>	<b>357</b>	<b>491</b>
Finance Income/expenses	(41)	(27)	(28)	(18)	(114)	(27)	(22)
Associates	(2)	8	6	5	17	20	8
<b>PBT</b>	<b>263</b>	<b>467</b>	<b>414</b>	<b>332</b>	<b>1,476</b>	<b>350</b>	<b>477</b>
Tax Charge	(82)	(108)	(114)	(112)	(416)	(86)	(138)
Non-controlling interests	(18)	(27)	(16)	(26)	(87)	(23)	(27)
Discontinued operations	(3)	(1)	1	9	6	(1)	-
<b>Net Income attributable to shareholders</b>	<b>160</b>	<b>331</b>	<b>285</b>	<b>203</b>	<b>979</b>	<b>240</b>	<b>312</b>
Tax Rate	31%	23%	28%	34%	28%	25%	29%

\* ROS% = EBIT/Revenue. Moving average ROI (in %) = 12 months EBIT/12 months average invested capital

\*\* In Q2 2015, the divestment of the Paper Chemicals business closed and resulted in an incidental result of €30 million reported in operating income, which also impacted net income

## Q2 2016 highlights

- In Decorative Paints, volumes were up in Asia, continued to be down in Latin America and were slightly lower in Europe. Revenue was down 7 percent due to unfavorable currency effects. EBIT and operating income were up 2 percent, mainly due to higher volumes and lower costs, partly offset by adverse currency effects. In all regions foreign currency effects adversely impacted raw material costs in local currencies.
- In Performance Coatings, volumes were up 2 percent with positive developments in all reporting units. Demand trends differed per region. Volumes in Marine Coatings were impacted by the slowdown of new build activity in Asia, as well as maintenance and dry docking. Revenue was down 5 percent due to adverse currencies. EBIT and operating income were up 1 percent due to higher volumes, continuous improvement initiatives and lower costs.
- In Specialty Chemicals, volumes were flat with positive developments in some segments offset by lower demand in oil related segments. Revenue was down 7 percent mainly due to adverse currency effects, divestments and price deflation in several markets. EBIT was up 10 percent due to operational efficiencies and lower costs, while price deflation and adverse currencies also affected the results. In Q2 2015 the divestment of the Paper Chemicals business was closed and resulted in a book profit net of related costs of €30 million reported in operating income.
- EBIT and operating income in other activities were impacted by favorable one-time adjustments on legacy provisions. Corporate and other costs were in line with the previous year.
- Raw material prices were lower, although in most regions foreign currency effects adversely impacted raw material costs in local currencies.
- The net balance sheet position (IAS19) of the pension plans at the end of Q2 2016 was a deficit of €0.4 billion (year-end 2015: €0.6 billion). The development during the first half of 2016 was the net effect of:
  - Top-up payments of €284 million, predominantly into the UK pension plans
  - Higher asset returns and lower inflation
 Offset by:
  - Lower discount rates in the key countries
  - De-risking of pension liabilities through non-cash buy-in transactions totaling €1.2 billion (£0.6 billion in Q2 and £0.3 billion in Q1), related to the ICI Pension Fund, which led to an adverse €221 million impact in Other comprehensive income

An additional non-cash buy-in transaction of £0.8 billion was completed in July 2016 related to the ICI Pension Fund.

## Revenue development Q2 2016

in % versus Q2 2015	Volume	Price/mix	Divestments	FX rates	Total
Decorative Paints	1	(1)	-	(7)	(7)
Performance Coatings	2	(2)	-	(5)	(5)
Specialty Chemicals	-	(3)	(1)	(3)	(7)
<b>Total</b>	<b>1</b>	<b>(2)</b>	<b>-</b>	<b>(5)</b>	<b>(6)</b>