

Investor update Q4 2019

February 12, 2020

AkzoNobel



Interpon[®]
POWDER COATINGS

AkzoNobel's powder coatings take landmark building to another level. Europe will soon have a new tallest building – and it's being protected from the ravages of the Warsaw weather by a high class powder coatings system supplied by AkzoNobel.

Agenda



Key highlights



Financial review



Concluding remarks



Q&A

Key highlights

Q4 2019 profitability on track despite softer end market demand

- Adjusted operating income up 23% at €223 million (2018: €181 million), despite softer end market demand
- ROS, excluding unallocated cost, increased to 11.0% (2018: 9.0%)
- Margin management and cost-saving programs successfully improved profitability
- Delivered on commitment by returning €6.5 billion to our shareholders following the sale of the Specialty Chemicals
- New €500 million share buyback program announced in October 2019, to be completed in the first half of 2020
- Final dividend proposed for €1.49 per share (2018: €1.43)



The acquisition of Mapaero closed, strengthening AkzoNobel's global position in aerospace coatings, notably in the structural and cabin coating sub-segments. Combining the world class product ranges from both companies will also enable AkzoNobel to provide customers with a much wider portfolio of innovative and sustainable solutions – as well as contributing directly to its Winning together: 15 by 20 strategy.



Continued progress towards delivering our Winning together: 15 by 20 strategy

Q4 2019:

ROS*

Increased to **11.0%**
(2018: 9.0%)

FY 2019:

ROS*

Increased to **12.0%**
(2018: 10.6%)

Revenue

Up 0.2% 

Adjusted EPS
(continuing operations)

62% higher 

Free cash flow

Up 47% 

Free cash flow
(excluding pension top-ups)**

Up 179% 

Adjusted
Operating Income

Up 24% 

€2.5 billion share
buyback completed 

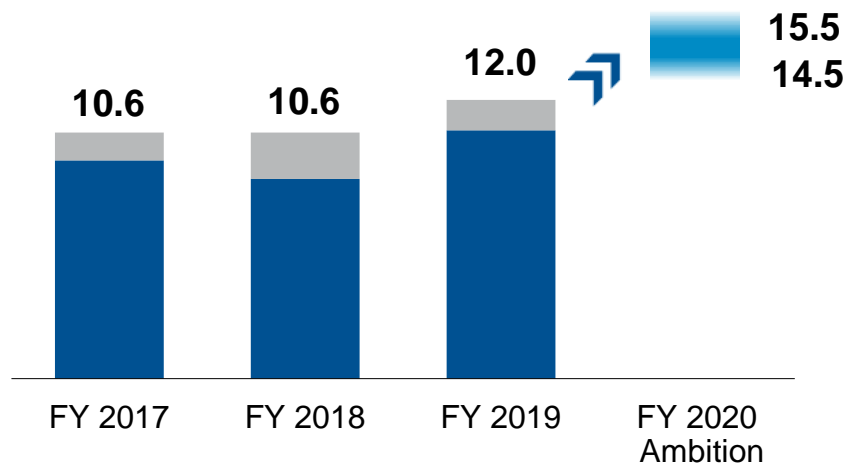
*ROS = adjusted operating income as percentage of revenue (excluding unallocated cost)

** Excluding pension top up payments and pension pre-funding

Performance improvement accelerated during H2 2019

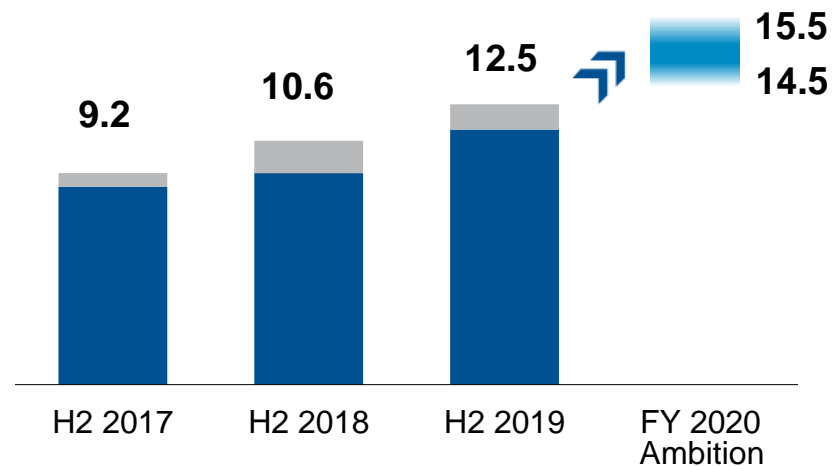
Return on sales (ROS), full-year

% ■ Unallocated cost



Return on sales (ROS), second half-year

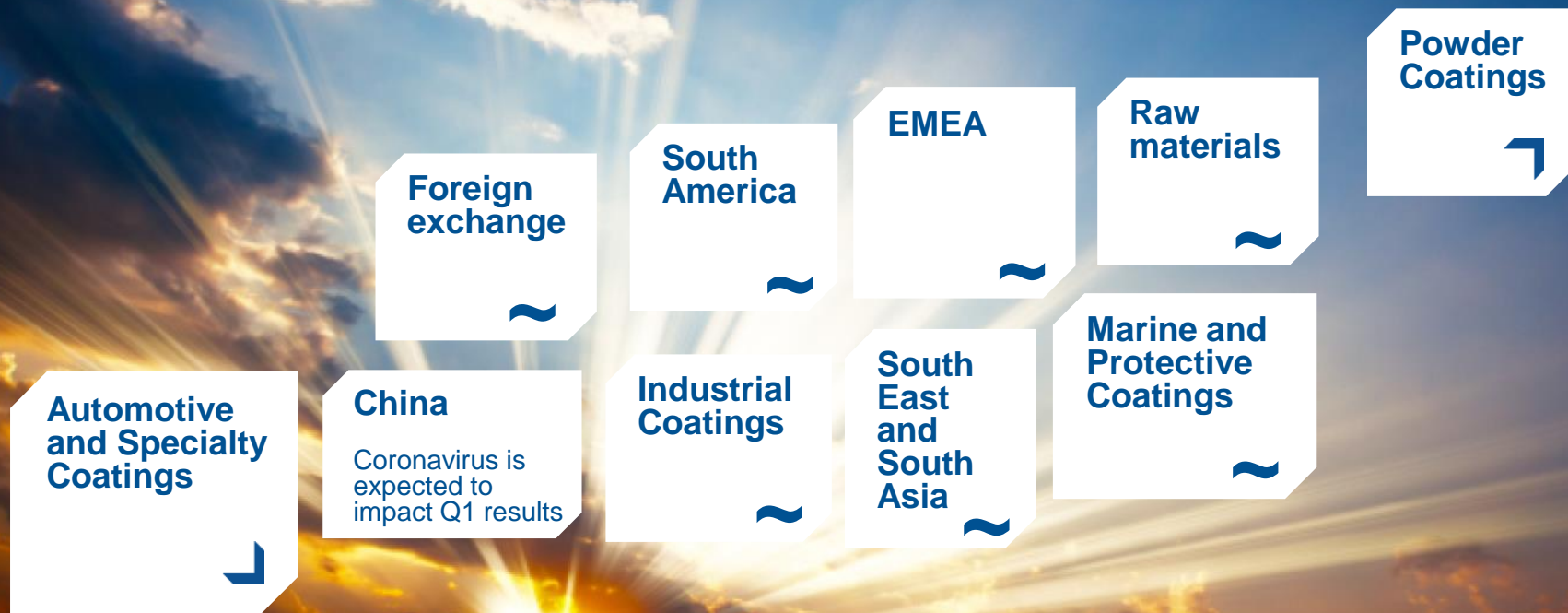
% ■ Unallocated cost



ROS = adjusted operating income as percentage of revenue (excluding unallocated cost)
Assumes no significant market disruption

Uncertain macro-economic environment with softer end market demand

AkzoNobel



Winning together: 15 by 20 strategy continues to deliver results



Sales force effectiveness
Margin management
Innovation excellence

10% cumulative price increases (2017-2019)
Moving towards ongoing margin management



Global Business Services
Integrated Business Planning
ERP and systems platform

38 GBS transitions completed in 2019
16 ERP integrations realized out of the 18 planned



ALPS continuous improvement
Fit-for-purpose organization
Procurement excellence

€80m cost savings delivered towards €200m by 2020
Delivered €10m cost savings in Q4



High performance culture
Career and capability development
Core principles

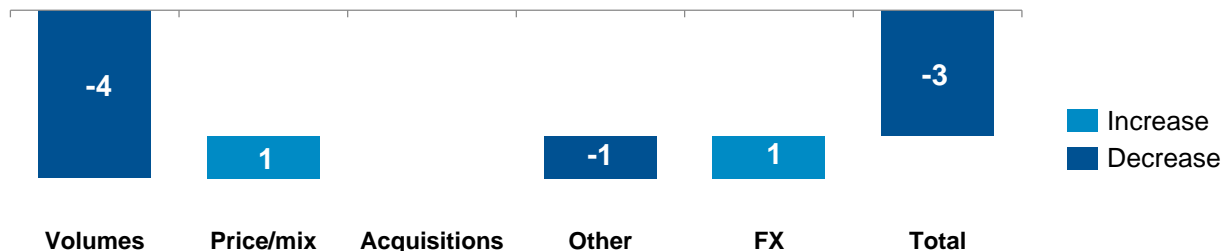
Top Employer awards in five major countries

Financial review

Q4 adjusted operating income up 23% despite softer end market demand

€ million	Q4 2018	Q4 2019	Δ%	Δ%CC
Revenue	2,308	2,242	(3%)	(4%)
Adjusted EBITDA	240	312	30%	
Adjusted operating income	181	223	23%	
Operating income	68	173	154%	
<i>ROS¹ excluding unallocated cost</i>	9.0%	11.0%		
ROS	7.8%	9.9%		
<i>ROI%² excluding unallocated cost</i>	16.6%	17.2%		

Revenue development Q4 2019 (%)



- Revenue was 3% lower, and 4% lower in constant currencies. Price/mix was up 1% overall
- ROS, excluding unallocated cost, increased to 11.0% (2018: 9.0%)
- Adjusted operating income up 23% at €223 million (2018: €181 million) driven by margin management and cost-saving programs
- ROS increased to 9.9% (2018: 7.8%)

¹ROS = adjusted operating income as percentage of revenue (excluding unallocated cost)

²ROI = adjusted operating income of the last 12 months as percentage of average invested capital (excluding unallocated cost and invested capital).

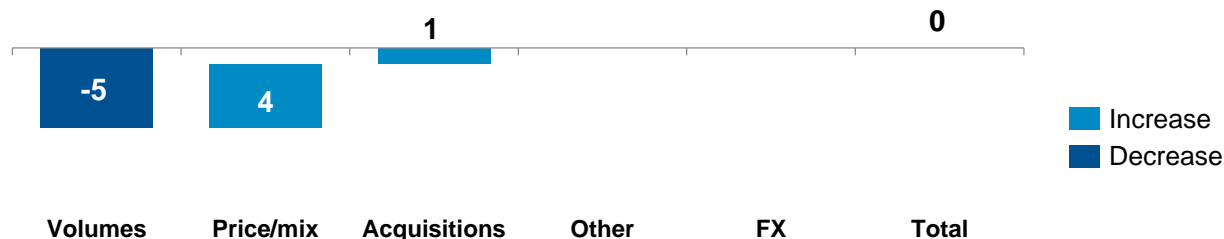
Assumes no significant market disruption

2019 adjusted operating income up 24% and total revenue flat

€ million	FY 2018	FY 2019	Δ%	Δ%CC
Revenue	9,256	9,276	-%	-%
Adjusted EBITDA	1,037	1,341	29%	
Adjusted operating income	798	991	24%	
Operating income	605	841	39%	
<i>ROS¹ excluding unallocated cost</i>	10.6%	12.0%		
ROS	8.6%	10.7%		
<i>ROI%² excluding unallocated cost</i>	16.6%	17.2%		

- Revenue was flat. Price/mix was up 4% overall, mainly driven by pricing initiatives
- Acquisitions contributed 1%. Volumes were 5% lower due to our value over volume strategy
- ROS, excluding unallocated cost, increased to 12.0%

Revenue development FY 2019 (%)



Other activities/eliminations includes royalty and service revenue related to continued services to the former Specialty Chemicals business. This will not recur in 2020.

¹ROS = adjusted operating income as percentage of revenue (excluding unallocated cost)

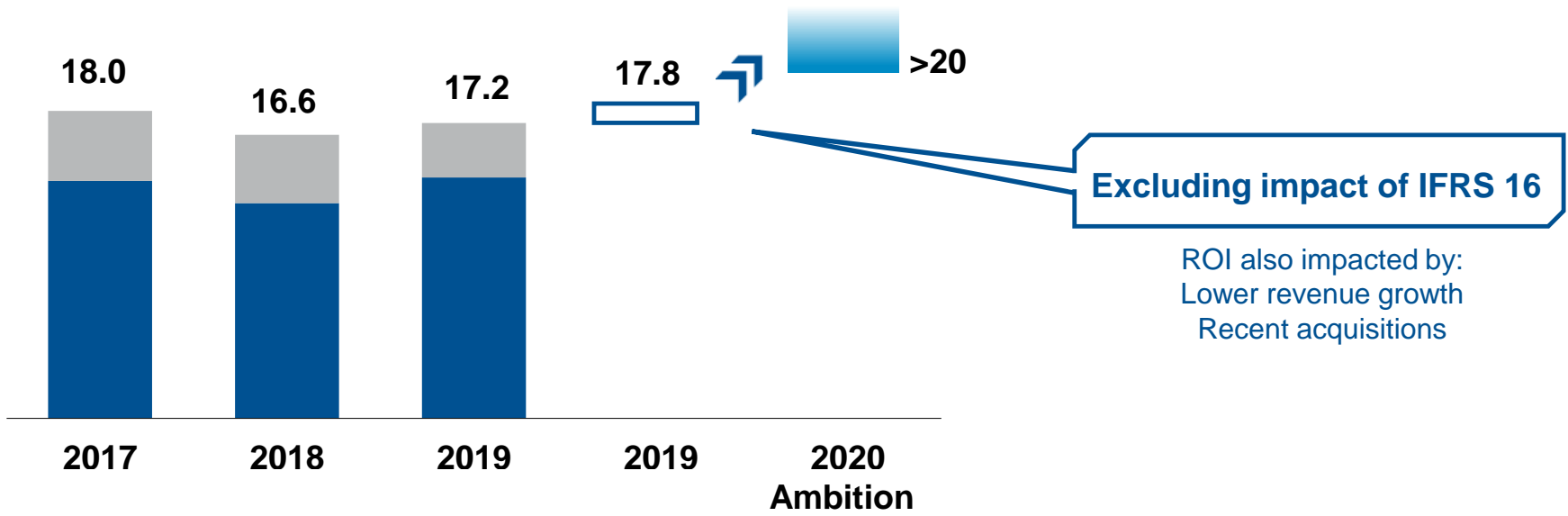
²ROI = adjusted operating income of the last 12 months as percentage of average invested capital (excluding unallocated cost and invested capital).

Assumes no significant market disruption

Momentum to deliver improved ROI in 2020 AkzoNobel despite lower growth assumptions and impact of IFRS 16

Return on investment (ROI)

% ■ Unallocated cost and invested capital

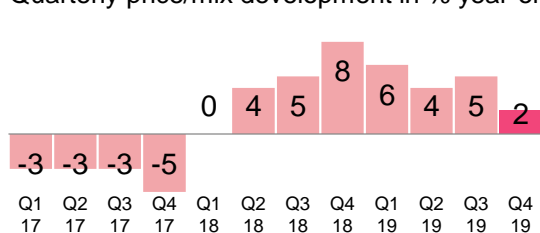


ROI = adjusted operating income of the last 12 months as percentage of average invested capital (excluding unallocated cost and invested capital). Assumes no significant market disruption

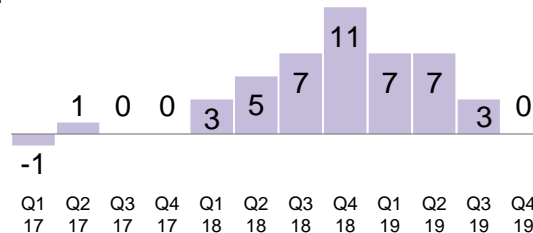
Cumulative price/mix increase of 10% now moving towards margin management

Decorative Paints

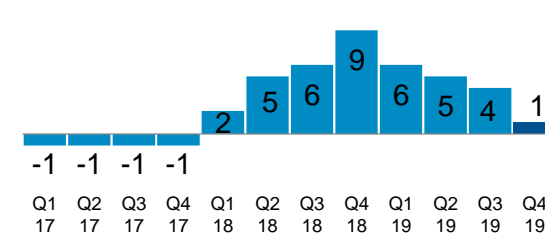
Quarterly price/mix development in % year-on-year



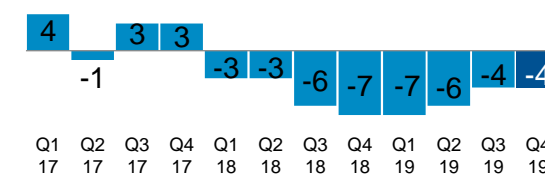
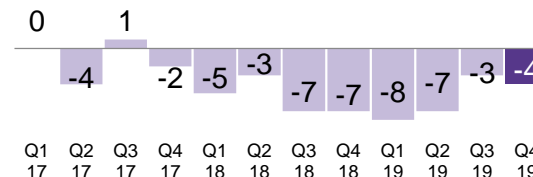
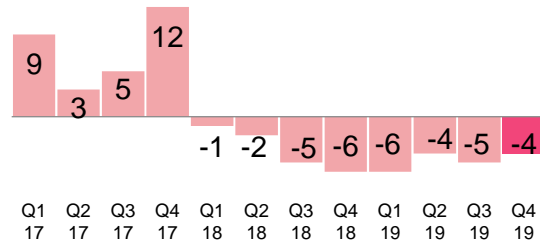
Performance Coatings



Total



Quarterly volume* development in % year-on-year



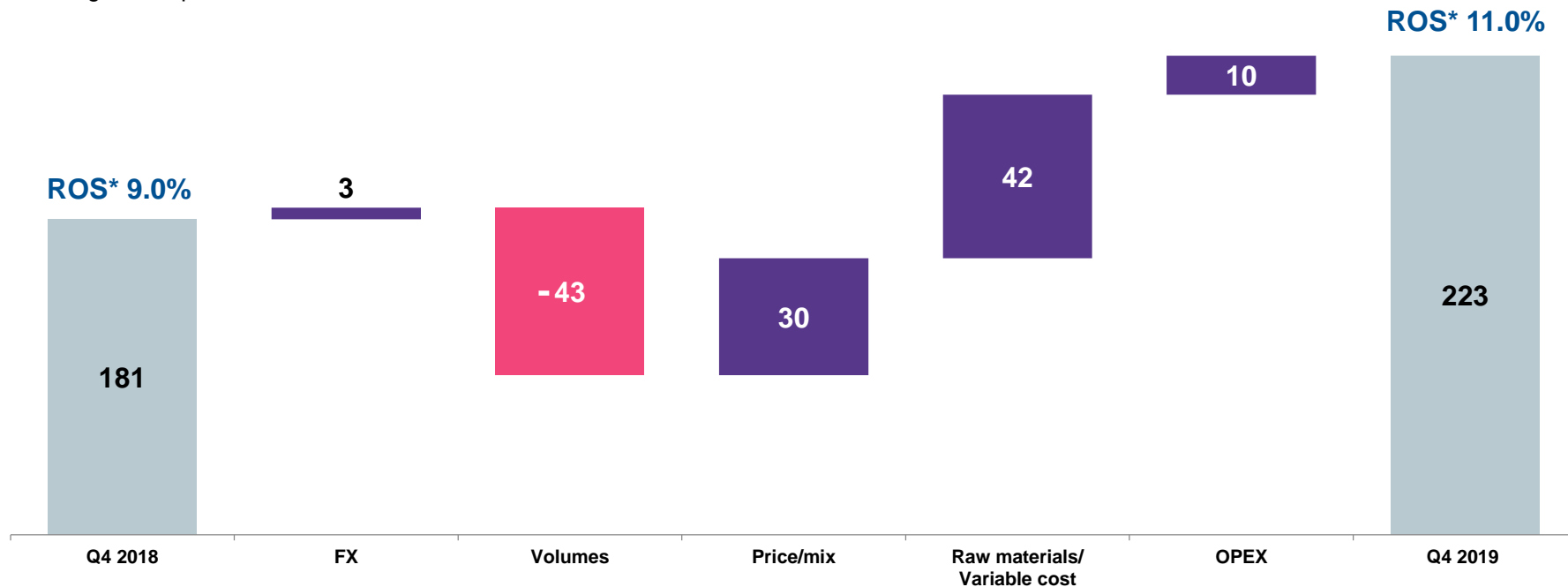
*Organic volume development, does not include acquisition impact



Adjusted operating income up 23% due to positive price/mix and cost savings

Adjusted operating income

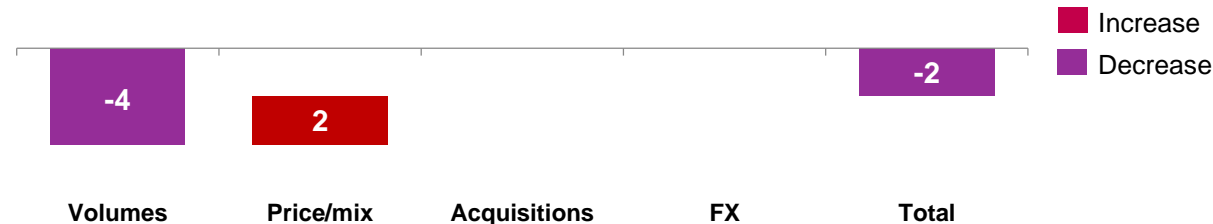
- Positive impact
- Negative impact



Decorative Paints ROS up significantly at 9.9% in seasonally low quarter

€ million	Q4 2018	Q4 2019	Δ%	Δ%CC
Revenue	896	877	(2%)	(2%)
Adjusted EBITDA	76	127	67%	
Adjusted operating income	52	87	67%	
Operating income	37	75	103%	
ROS¹	5.8%	9.9%		
RO _{IC} ²	12.4%	13.4%		

Revenue development Q4 2019 (%)



Dulux has introduced six special effects paints under the name Ambiance Our Dulux brand has launched a series of paints under the Ambiance name which are by artisans and their materials. The new colors offer consumers a perfect balance of craftsmanship and personalization and have been successfully launched in the Netherlands, Belgium, Brazil, Tunisia, Indonesia, Vietnam and India.

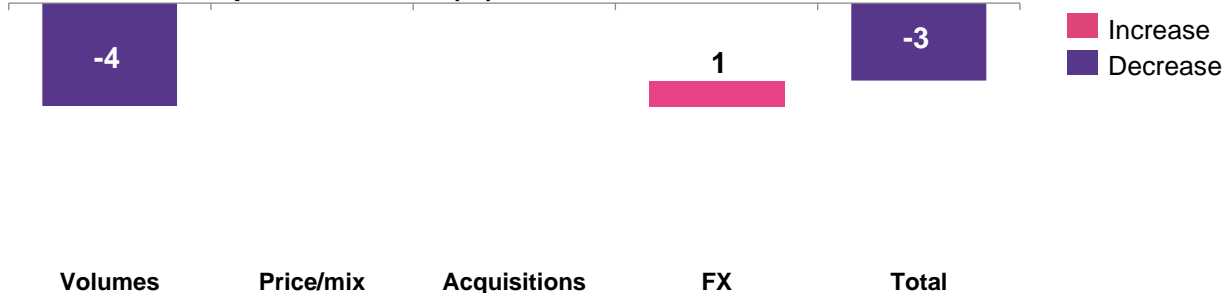
¹ROS = adjusted operating income as percentage of revenue (excluding unallocated cost)

²ROI = adjusted operating income of the last 12 months as percentage of average invested capital (excluding unallocated cost and invested capital).

Performance Coatings ROS up at 11.7% despite softer end market demand

€ million	Q4 2018	Q4 2019	Δ%	Δ%CC
Revenue	1,403	1,361	(3%)	(4%)
Adjusted EBITDA	187	200	7%	
Adjusted operating income	153	159	4%	
Operating income	130	138	6%	
ROS¹	10.9%	11.7%		
ROIC ²	20.5%	20.7%		

Revenue development Q4 2019 (%)



Yacht market primed for revolutionary spray filler Superyacht builders and applicators can now benefit from revolutionary spray filler technology which is all set to make waves in the industry. Part of our Awlgrip range, Awlfair SF is a high-performance filler which can be applied by pressurized airless spray, rather than by hand.

¹ROS = adjusted operating income as percentage of revenue (excluding unallocated cost)

²ROI = adjusted operating income of the last 12 months as percentage of average invested capital (excluding unallocated cost and invested capital).

Q4 adjusted EPS up 72% at €0.74 and 2019 adjusted EPS up 62% at €3.10

Q4 2018	Q4 2019	€ million	FY 2018	FY 2019
68	173	Operating income	605	841
(23)	(18)	Net financing expenses	(52)	(76)
6	4	Results from associates and joint ventures	20	20
51	159	Profit before tax	573	785
(6)	(79)	Income tax	(118)	(230)
45	80	Profit from continuing operations	455	555
5,814	6	Profit from discontinued operations	6,274	22
5,859	86	Profit for the period	6,729	577
(10)	(5)	Non-controlling interests	(55)	(38)
5,849	81	Net income from total operations	6,674	539

Q4 2018	Q4 2019	Earnings per share (in €)	FY 2018	FY 2019
22.83	0.41	Total operations	26.19	2.53

Q4 2018	Q4 2019	Adjusted earnings per share (in €)	FY 2018	FY 2019
0.43	0.74	Continuing operations	1.91	3.10



Q4 free cash flow improved 47% mainly due to higher EBITDA

Q4 2018	Q4 2019	€ million	FY 2018	FY 2019
127	272	EBITDA	844	1,201
1	5	Impairment losses	1	66
(2)	(12)	Pre-tax results on acquisitions and divestments	(42)	(83)
250	258	Changes in working capital	(177)	(244)
-	-	Pension pre-funding*	-	(161)
(1)	-	Pension top-up payments	(187)	(481)
46	(16)	Other changes in provisions	(16)	(43)
(48)	(16)	Interest paid	(89)	(66)
(53)	(52)	Income tax paid	(164)	(184)
(1)	15	Other changes	(8)	28
319	454	Net cash from operating activities	162	33
(64)	(79)	Capital expenditures	(184)	(214)
255	375	Free cash flow	(22)	(181)
Net Debt			(5,861)	802

Pension pre-funding for the full-year 2019 has been included in net cash from operating activities, whereas in the first quarter of 2019, when the payment was made, this was included in the net cash from investing activities.

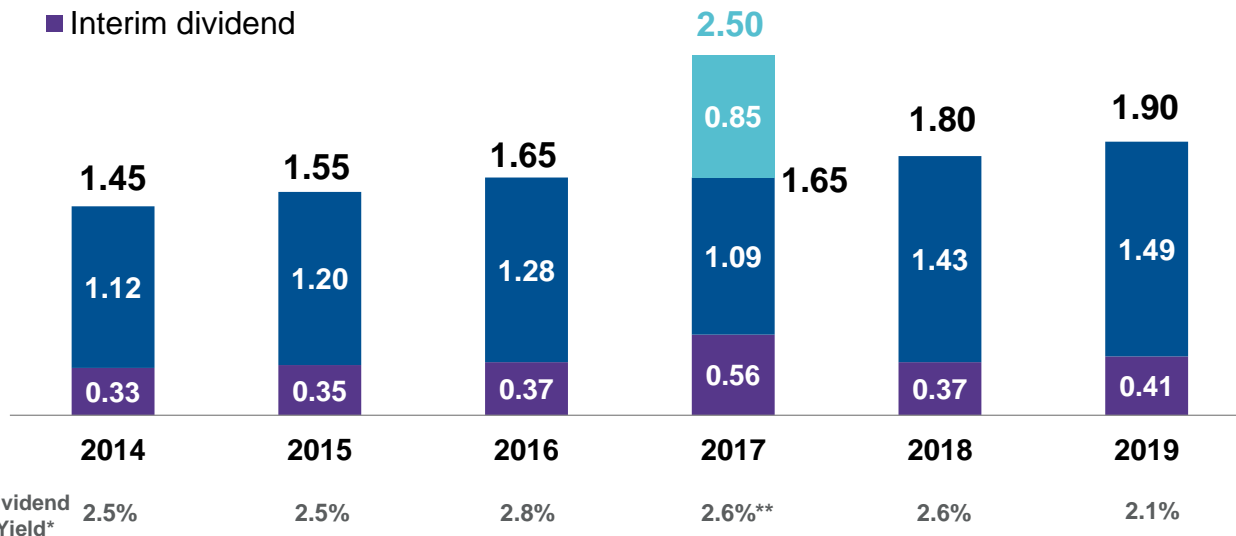
Final dividend of €1.49 per share

Dividend € per share

■ Related to the Speciality Chemicals business

■ Final dividend

■ Interim dividend



↗ Dividend policy remains “stable to rising”

↗ Dividend paid in cash

*Based on year-end share price
**Based on rebased dividend

Concluding remarks

Q4 2019 profitability on track despite softer end market demand

- Adjusted operating income up 23% at €223 million (2018: €181 million), despite softer end market demand
- ROS, excluding unallocated cost, increased to 11.0% (2018: 9.0%)
- Margin management and cost-saving programs successfully improved profitability
- Delivered on commitment by returning €6.5 billion to our shareholders following the sale of the Specialty Chemicals
- New €500 million share buyback program announced in October 2019, to be completed in the first half of 2020
- Final dividend proposed for €1.49 per share (2018: €1.43)

AkzoNobel



Our team in China has gained Top Employer status from the Top Employers Institute for the seventh year in a row. The award recognizes the company's excellence in creating the best conditions for its employees. AkzoNobel also received similar recognition in Brazil, the UK, the Netherlands and the US during the course of 2019.

We are delivering towards our Winning together: 15 by 20 strategy and continue creating a fit-for-purpose organization for a focused paints and coatings company, contributing to the achievement of our 2020 ambition.

Demand trends differ per region and segment in an uncertain macro-economic environment. Raw material costs are expected to have a moderately favorable impact for the first half of 2020. Continued margin management and cost-saving programs are in place to address the current challenges.

We continue executing our transformation, incurring one-off costs, to deliver the previously announced €200 million cost savings. We target a leverage ratio of 1.0-2.0 times net debt/EBITDA by the end of 2020 and commit to retain a strong investment grade credit rating.

Upcoming events

AkzoNobel

Investor update - 2020 and beyond
Publication annual report 2019
Report for the first quarter 2020

February 13, 2020
March 10, 2020
April 22, 2020

Annual general meeting of Shareholders
Ex-dividend date of 2019 final dividend
Record date of 2019 final dividend
Payment of 2019 final dividend

April 23, 2020
April 27, 2020
April 28, 2020
May 7, 2020

A focused, high performing, paints and coatings company

AkzoNobel

- ↗ Strong global brands
- ↗ Leading positions in large and attractive markets
- ↗ Balanced geographic exposure: 50% revenue from emerging markets
- ↗ Well positioned to accelerate growth and enhance profitability
- ↗ Transformation plans in place and clear path to deliver
- ↗ Significant returns to shareholders



This presentation does not constitute or form a part of any offer to sell, or any invitation or other solicitation of any offer, to buy or subscribe for any securities in the United States or any other jurisdiction.

Some statements in this presentation are 'forward-looking statements'. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. These forward-looking statements involve known and unknown risks, uncertainties and other factors that are outside of our control and impossible to predict and may cause actual results to differ materially from any future results expressed or implied. These forward-looking statements are based on current expectations, estimates, forecasts, analyses and projections about the industries in which we operate and management's beliefs and assumptions about possible future events. You are cautioned not to put undue reliance on these forward-looking statements, which only speak as of the date of this presentation and are neither predictions nor guarantees of possible future events or circumstances. We do not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this presentation or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

This presentation also 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 forecast 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 factors. 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

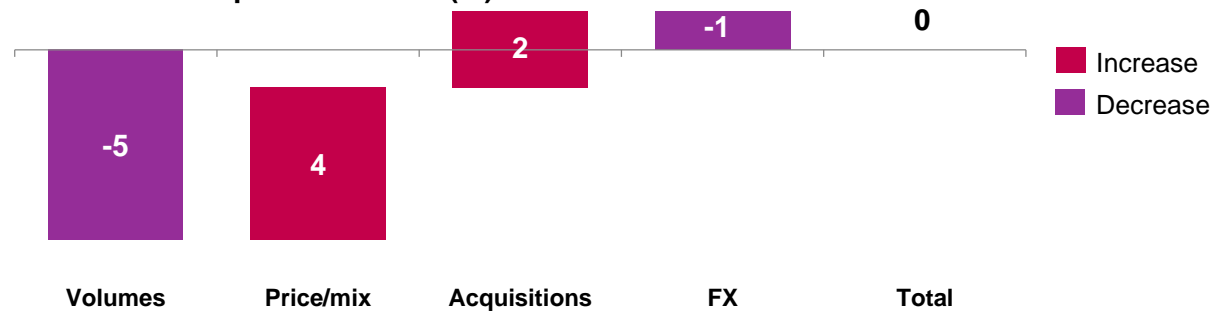


Appendix

FY 2019: Decorative Paints

€ million	FY 2018	FY 2019	Δ%	Δ%CC
Revenue	3,699	3,703	-%	1%
Adjusted EBITDA	438	573	23%	
Adjusted operating income	346	418	21%	
Operating income	308	425	38%	
ROS¹	9.4%	11.3%		
RO _P ²	12.4%	13.4%		

Revenue development FY 2019 (%)



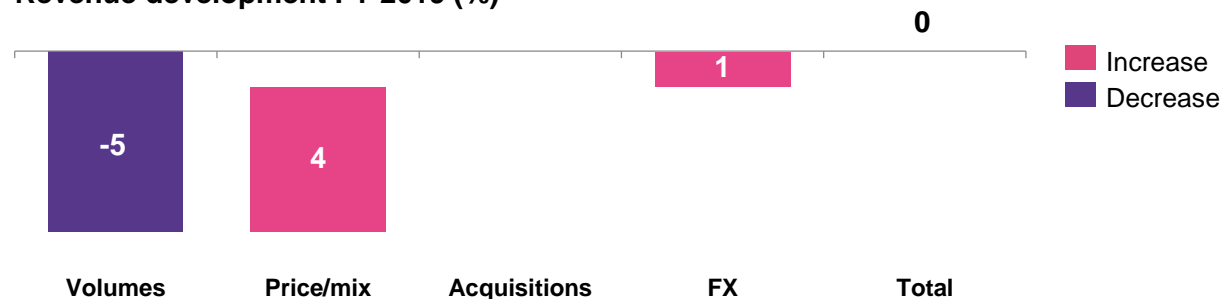
¹ROS = adjusted operating income as percentage of revenue (excluding unallocated cost)

²ROI = adjusted operating income of the last 12 months as percentage of average invested capital (excluding unallocated cost and invested capital).

FY 2019: Performance Coatings

€ million	FY 2018	FY 2019	Δ%	Δ%CC
Revenue	5,587	5,563	-%	(1%)
Adjusted EBITDA	767	861	12%	
Adjusted operating income	629	688	9%	
Operating income	577	565	(2%)	
ROS¹	11.3%	12.4%		
ROIC ²	20.5%	20.7%		

Revenue development FY 2019 (%)



¹ROS = adjusted operating income as percentage of revenue (excluding unallocated cost)

²ROI = adjusted operating income of the last 12 months as percentage of average invested capital (excluding unallocated cost and invested capital).

IFRS 16 has limited impact; adopting the modified retrospective approach

Fourth Quarter				January - December		
Before IFRS16	Impact	including IFRS 16	€ million	before IFRS16	Impact	including IFRS 16
282	30	312	Adjusted EBITDA	1,228	113	1,341
242	30	272	EBITDA	1,088	113	1,201
(72)	(27)	(99)	Depreciation/amortization	(255)	(105)	(360)
220	3	223	Adjusted operating income	983	8	991
(50)	-	(50)	Impairment reported as identified items	(145)	(5)	(150)
170	3	173	Operating income	838	3	841
(15)	(3)	(18)	Net financing expense	(68)	(8)	(76)
75	-	75	Net income	520	(3)	517
429	25	454	Net cash from operating activities	(75)	108	33
(911)	(25)	(936)	Net cash from financing activities	(6,471)	(108)	(6,579)
9.8%	0.1	9.9%	ROS	10.6%	0.1	10.7%
			ROI	14.7%	(0.6)	14.1%

€ million	As reported at December 31, 2018	Restatement due to adoption IFRS 16	Restated opening balance at January 1, 2019
Intangible assets	3,458	(36)	3,422
Property, plant and equipment	1,748	(29)	1,719
Right-use-of asset	-	432	432
Other financial non-current assets	1,965	-	1,965
Current assets	11,613	(4)	11,609
Total assets	18,784	363	19,147
Group equity	12,038	-	12,038
Non-current liabilities	3,066	270	3,336
Current liabilities	3,680	93	3,773
Total liabilities	18,784	363	19,147

Assumptions 2020

- ↯ ROS = adjusted operating income as percentage of revenue (excluding unallocated cost)
- ↯ ROI = adjusted operating income of the last 12 months as percentage of average invested capital (excluding unallocated cost and invested capital)
- ↯ Assumes no significant market disruption
- ↯ Other activities/eliminations €140-180m
- ↯ Leverage 1-2x net debt/EBITDA by end 2020
- ↯ CapEx €200-250m
- ↯ Effective tax rate 27%
- ↯ Dividend policy “stable to rising”