

Investor update Q3 2019

October 23, 2019

AkzoNobel



New dawn rises with 2020 Color of the Year
Tranquil Dawn is AkzoNobel's Color of the Year for
2020. A delicate, fluid shade somewhere between
green, blue and grey, Tranquil Dawn also features
in all four ColourFutures 2020 color palettes.

Agenda



Key highlights



Financial review



Concluding remarks



Q&A

Key highlights

Q3 2019 results show continued progress with adjusted operating income up 23%

- ↗ Adjusted operating income up 23% at €300 million (2018: €243 million)
- ↗ ROS, excluding unallocated costs, increased to 13.8% (2018: 12.3%)
- ↗ Transformation on track and delivered €19 million cost savings
- ↗ Adjusted EPS from continuing operations up 62% at €0.97 (2018: €0.60)
- ↗ New share buyback announced, €500 million to be completed in the first half of 2020
- ↗ Interim dividend of €0.41 per share

AkzoNobel



Customers who rely on super-accurate and effortless color matching and retrieval can now take advantage of four new digital tools introduced by AkzoNobel. These include Salcomix PaintFinder Cloud (with access to more than 600,000 color formulations); and the Color Sensor, which helps professional painters using our decorative paints match their clients' color choices in seconds.



ROS* increased to 13.8% driven by pricing initiatives and cost-saving programs **AkzoNobel**

Q3 2019:

Revenue

Up 3%

2% up in constant currencies

Price/mix

4% higher

Adjusted EPS

62% higher

ROS*

Increased to 13.8%

(Q3 2018: 12.3%)

**Adjusted Operating
Income**

Up 23%

**€2.2 billion shares
repurchased 2019 YTD**

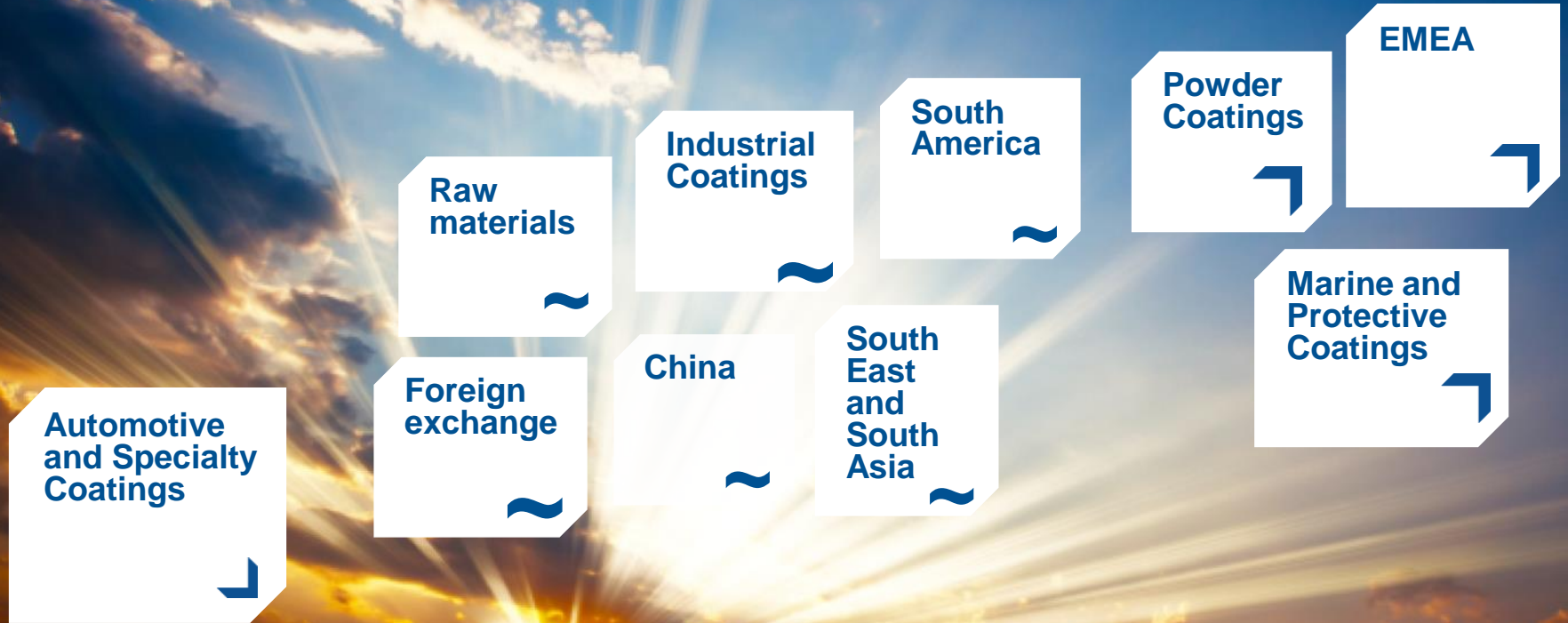
part of €2.5 billion share buyback to
be completed by end 2019



*Excluding unallocated corporate center costs

Uncertain macro-economic environment with softer end market demand

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Winning together: 15 by 20 strategy continues to deliver results



Sales force effectiveness
Margin management
Innovation excellence

Price/mix increased 4% (versus Q3 2018)
Moving towards ongoing margin management



Global Business Services
Integrated Business Planning
ERP and systems platform

GBS: 28 country transitions complete; 43/120 transitions in progress, to be completed by end 2020
13/18 ERP integration go lives for 2019



ALPS continuous improvement
Fit-for-purpose organization
Procurement excellence

Delivered €19m cost savings in the quarter
On track to deliver previously announced €200m by 2020



High performance culture
Career and capability development
Core principles

Maintained our Ecovadis gold rating (top 5%)
Retained top 10 position in DJSI



Pricing initiatives have successfully offset AkzoNobel raw material cost inflation on a run-rate basis



Sales force effectiveness
Margin management
 Innovation excellence



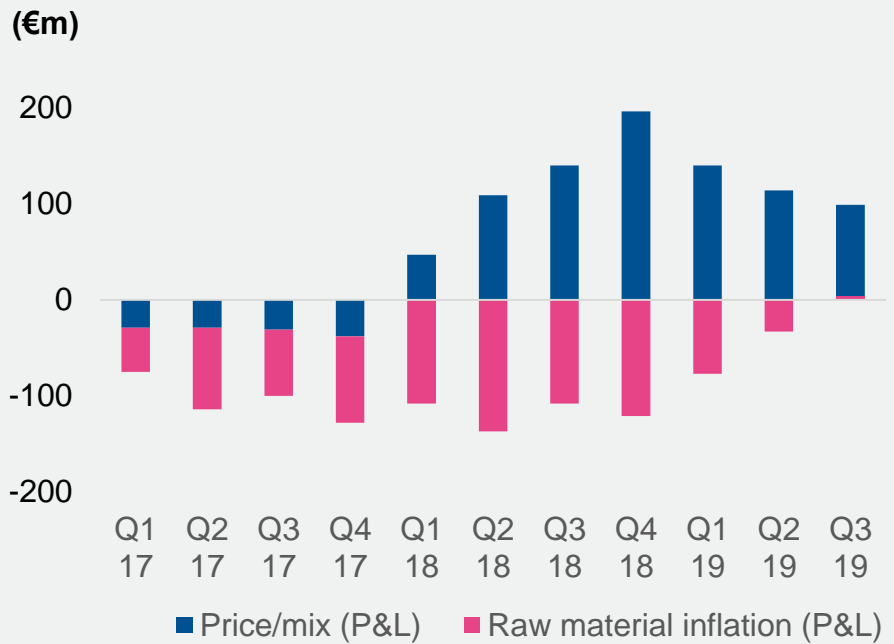
Global Business Services
 Integrated Business Planning
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ALPS continuous improvement
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 Procurement excellence



High performance culture
 Career and capability development
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Global Business Services hubs fully operational and transitions ongoing



Sales force effectiveness
Margin management
Innovation excellence



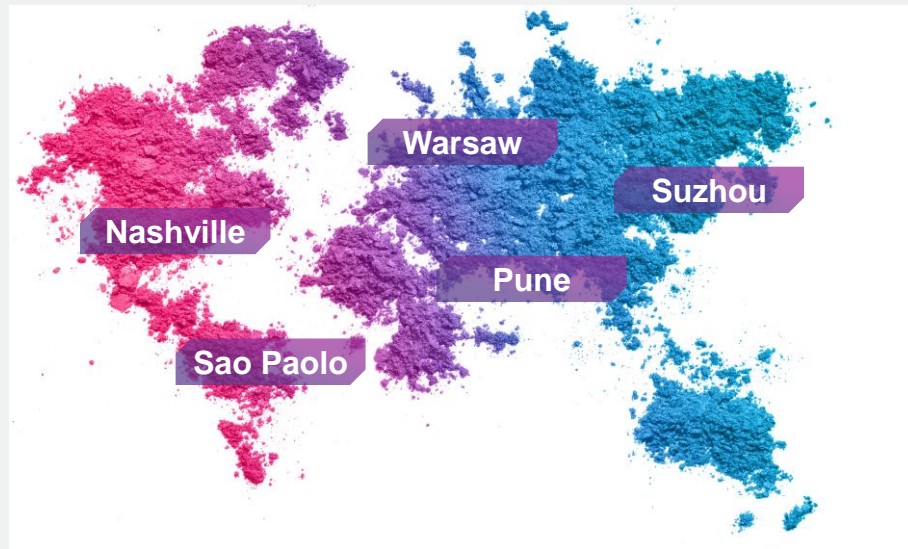
Global Business Services
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ALPS continuous improvement
Fit-for-purpose organization
Procurement excellence



High performance culture
Career and capability development
Core principles




Internal
1,350 people


Partners
1,300 people




Transformation on track to deliver previously announced cost savings




Sales force effectiveness
Margin management
 Innovation excellence



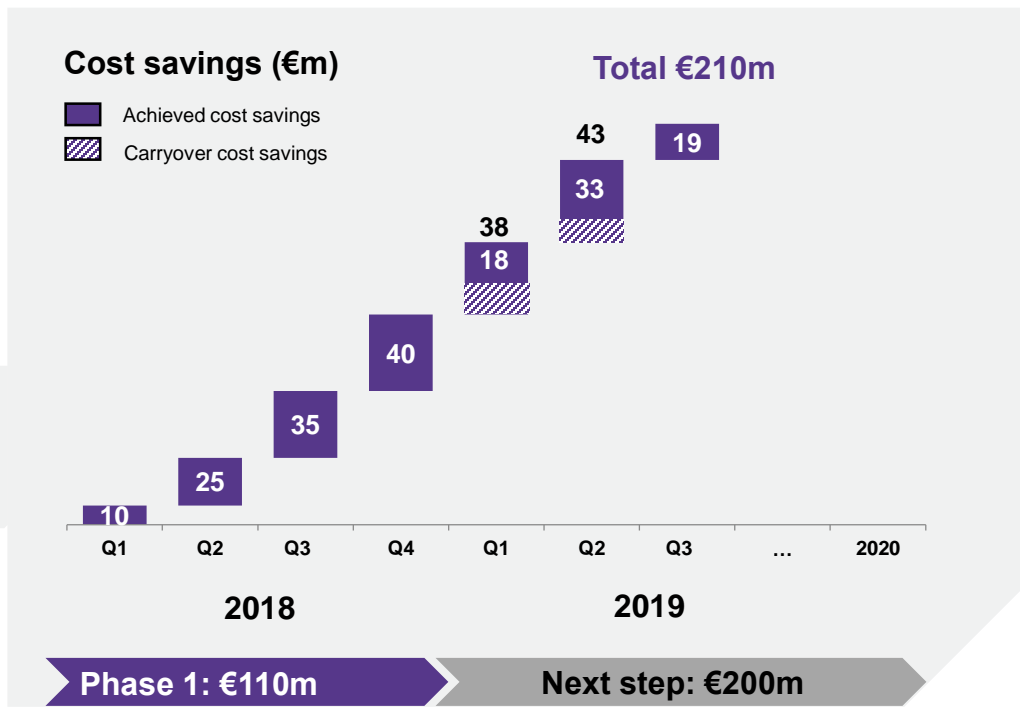
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ALPS continuous improvement
Fit-for-purpose organization
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High performance culture
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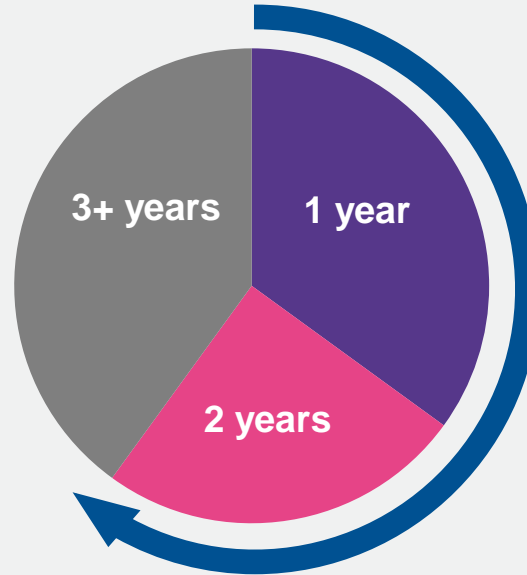


Evolution of extended leadership team shows continued organizational development

-  Sales force effectiveness
Margin management
Innovation excellence
-  **Global Business Services**
Integrated Business Planning
ERP and systems platform
-  ALPS continuous improvement
Fit-for-purpose organization
Procurement excellence

-  High performance culture
Career and capability development
Core principles

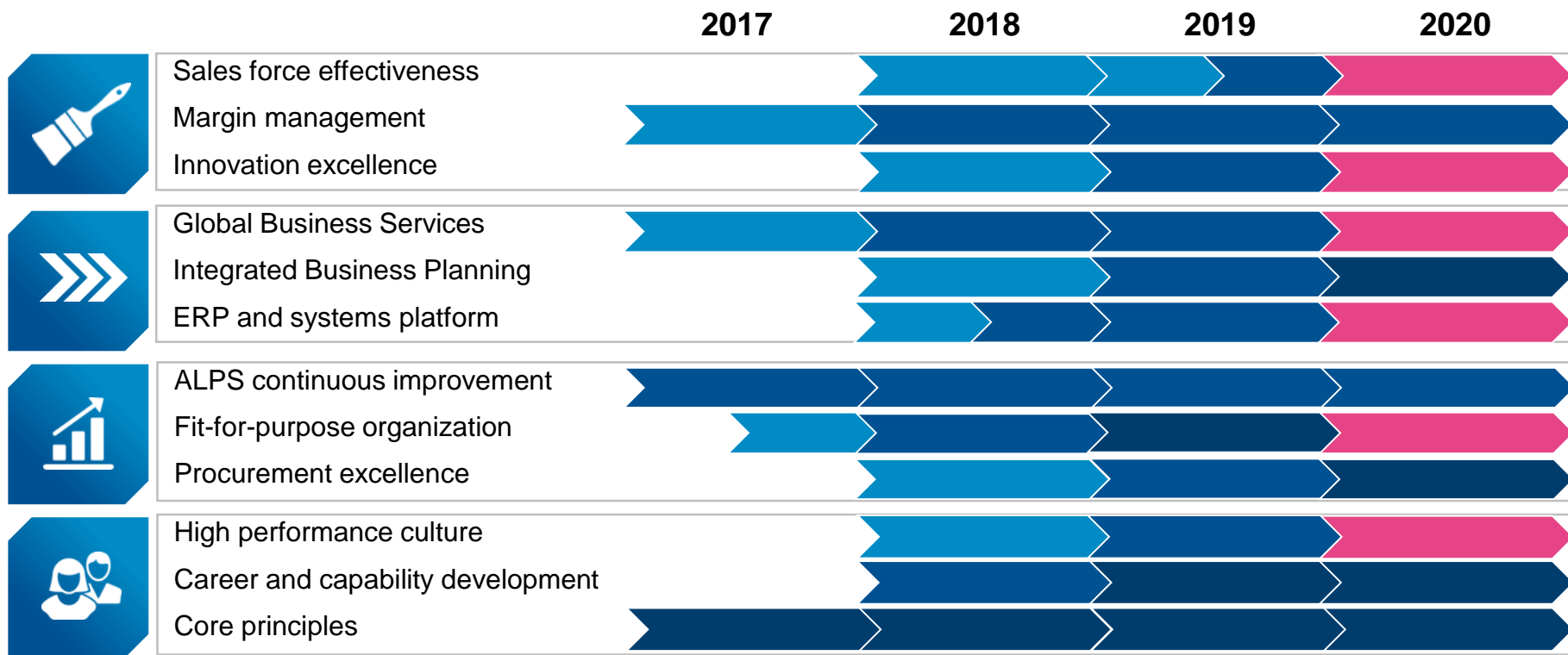
Extended Leadership Team* tenure



More than half ELT joined in last 2 years of which 50% were promoted from within



Good progress and sustained focus on transformation plans



Significant € contribution to 2020 cost savings

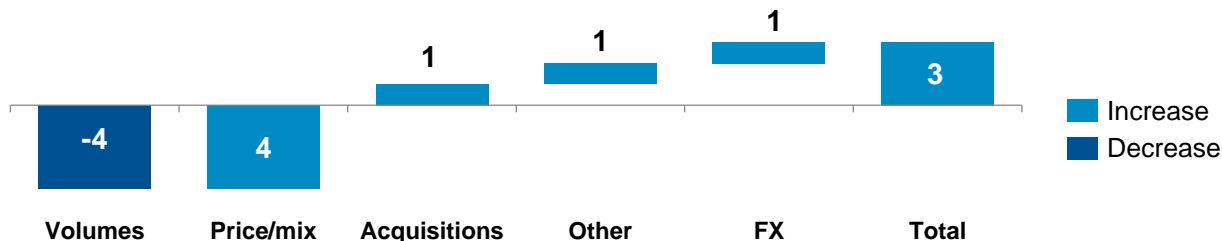
Financial review

Revenue 3% higher and adjusted operating income up 23%

€ million	Q3 2018	Q3 2019	Δ%	Δ%CC
Revenue	2,326	2,398	3%	2%
Adjusted EBITDA	303	387	28%	
Adjusted operating income	243	300	23%	
Operating income	237	247	4%	
<i>ROS% excluding unallocated costs</i>	12.3%	13.8%		
<i>ROS%¹</i>	10.4%	12.5%		
<i>ROI%² excluding unallocated costs</i>	16.5%	16.8%		

- Revenue was up 3%, and up 2% in constant currencies. Price/mix was up 4% overall, mainly driven by pricing initiatives
- ROS, excluding unallocated costs, increased to 13.8% (2018: 12.3%)
- Adjusted operating income was up at €300 million (2018: €243 million), driven by pricing initiatives and cost-saving programs

Revenue development Q3 2019 (%)



Note: Other revenue includes service revenue related to services for the Specialty Chemicals business

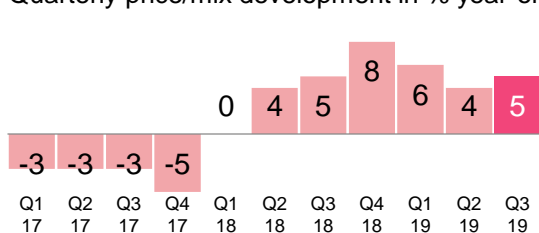
¹ROS% = Adjusted operating income/revenue.

²ROI% = Adjusted operating income of the last 12 months as percentage of average invested capital for Decorative Paints and Performance Coatings. It excludes unallocated corporate center costs and invested capital consistent with our 2020 guidance

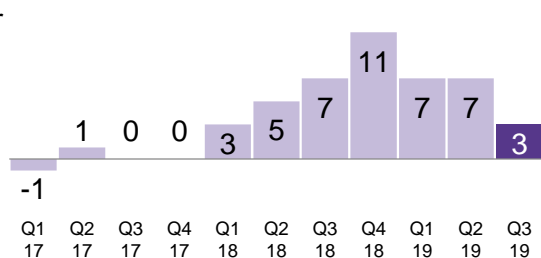
Pricing initiatives and clear strategic mandates focus on value over volume

Decorative Paints

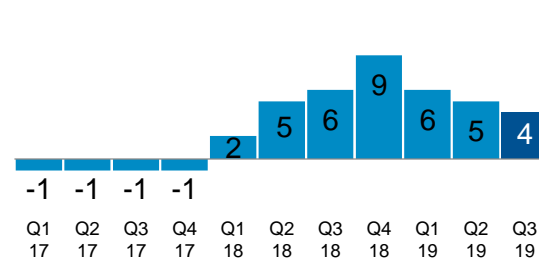
Quarterly price/mix development in % year-on-year



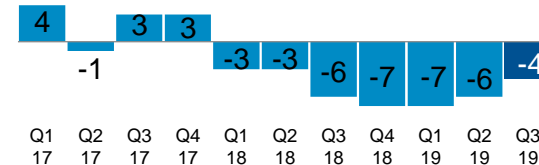
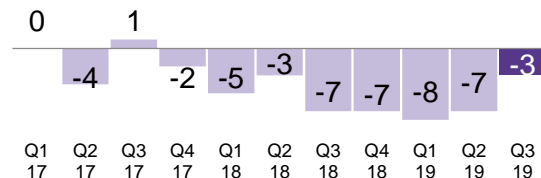
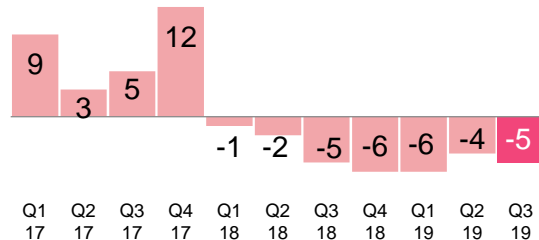
Performance Coatings



Total



Quarterly volume* development in % year-on-year



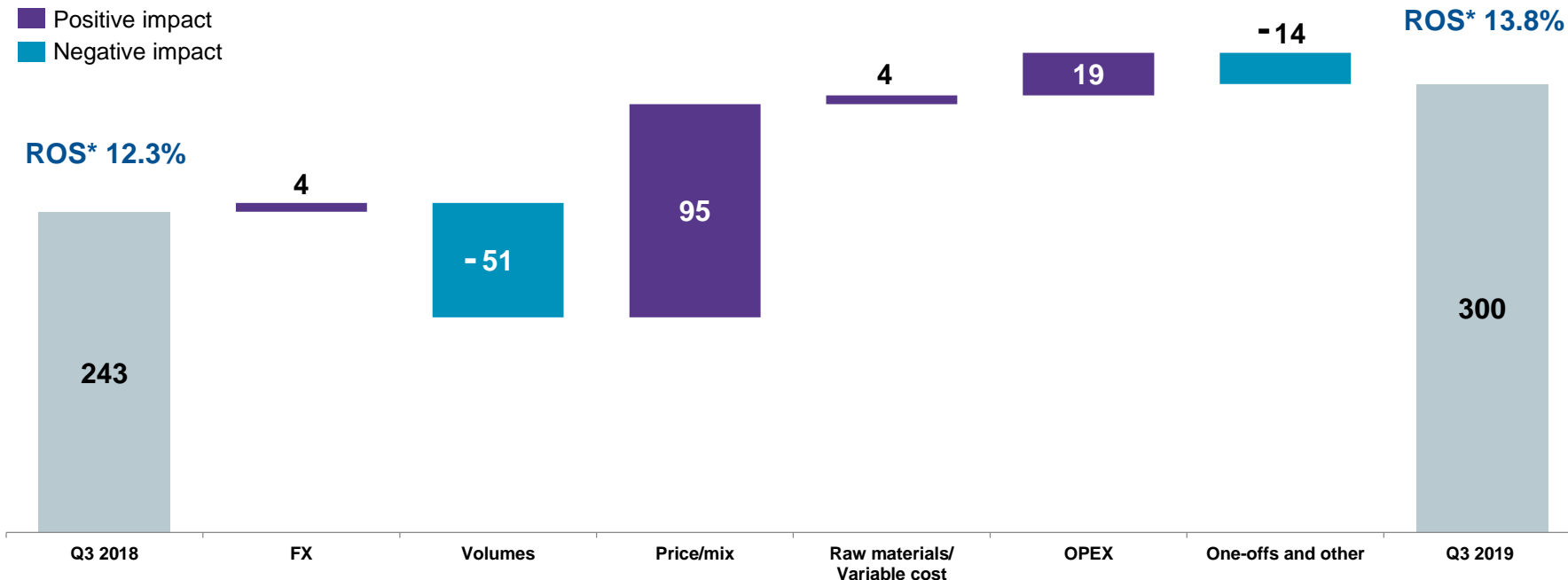
*Organic volume development, does not include acquisition impact



Positive price/mix and cost savings increased adjusted operating income

Adjusted operating income

- Positive impact
- Negative impact



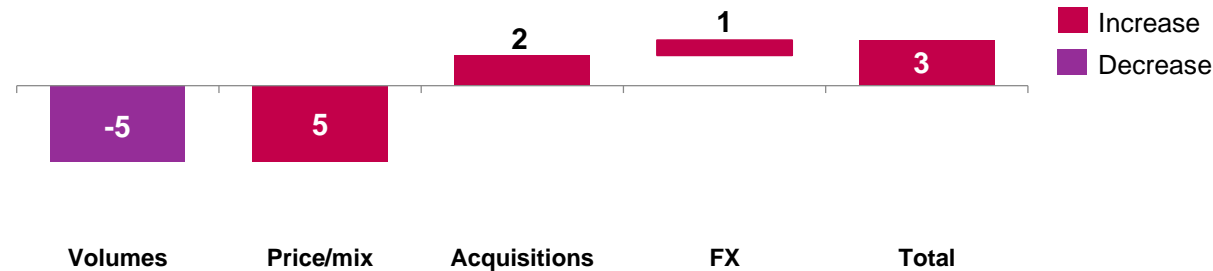
*Excluding unallocated corporate center costs

Decorative Paints revenue and ROS up with higher profitability in all regions

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€ million	Q3 2018	Q3 2019	Δ%	Δ%CC
Revenue	951	977	3%	2%
Adjusted EBITDA	138	174	26%	
Adjusted operating income	115	135	17%	
Operating income	112	130	16%	
ROS%*	12.1%	13.8%		
ROI%*	12.6%	12.5%		

Revenue development Q3 2019 (%)



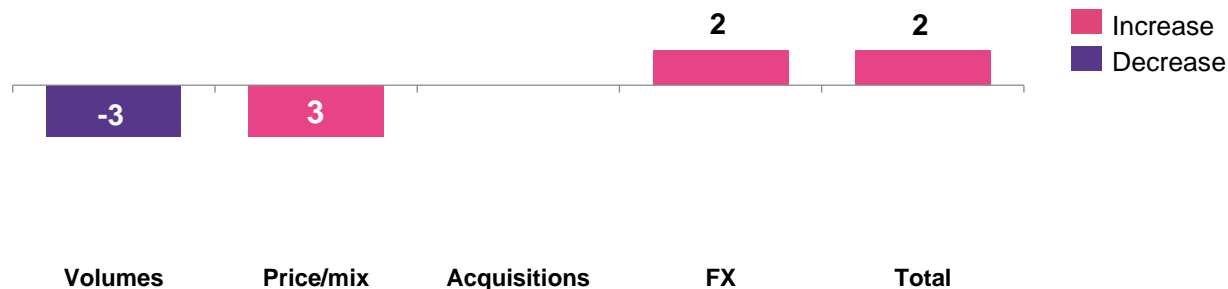
AkzoNobel has become the first major manufacturer to launch recycled paint thanks to a ground-breaking partnership in the UK with resource management experts Veolia. The revolutionary Evolve matt white emulsion contains 35% recycled paint but has been re-engineered and tested to meet the same high standards expected from Dulux Trade.

*ROS% = Adjusted operating income/revenue. ROI% = 12 months adjusted operating income/12 months average invested capital.

Performance Coatings ROS up at 13.7% driven by pricing initiatives and cost savings

€ million	Q3 2018	Q3 2019	Δ%	Δ%CC
Revenue	1,388	1,418	2%	-%
Adjusted EBITDA	204	238	17%	
Adjusted operating income	170	194	14%	
Operating income	164	156	(5%)	
ROS%*	12.2%	13.7%		
ROI%*	20.2%	20.8%		

Revenue development Q3 2019 (%)



Yacht care and maintenance just got a whole lot easier following the launch of Awlgrip HDT (High Definition Technology), a new single-stage repairable topcoat from AkzoNobel. This high performance, mirror-like single-stage coating allows owners to protect their boat with a stunning, long-lasting finish, without sacrificing convenience.

*ROS% = Adjusted operating income/revenue. ROI% = 12 months adjusted operating income/12 months average invested capital.

Adjusted EPS up 62% at €0.97

Q3 2018	Q3 2019	€ million	Q3 YTD 2018	Q3 YTD 2019
237	247	Operating income	537	668
(20)	(27)	Net financing expenses	(29)	(58)
4	6	Results from associates and joint ventures	14	16
221	226	Profit before tax	522	626
(66)	(51)	Income tax	(112)	(151)
155	175	Profit from continuing operations	410	475
153	-	Profit from discontinued operations	460	16
308	175	Profit for the period	870	491
(7)	(13)	Non-controlling interests	(45)	(33)
301	162	Net income from total operations	825	458

Q3 2018	Q3 2019	Earnings per share (in €)	Q3 YTD 2018	Q3 YTD 2019
1.18	0.79	Total operations	3.24	2.10

Q3 2018	Q3 2019	Adjusted earnings per share (in €)	Q3 YTD 2018	Q3 YTD 2019
0.60	0.97	Continuing operations	1.48	2.35



Q3 free cash flow improved mainly due to higher EBITDA

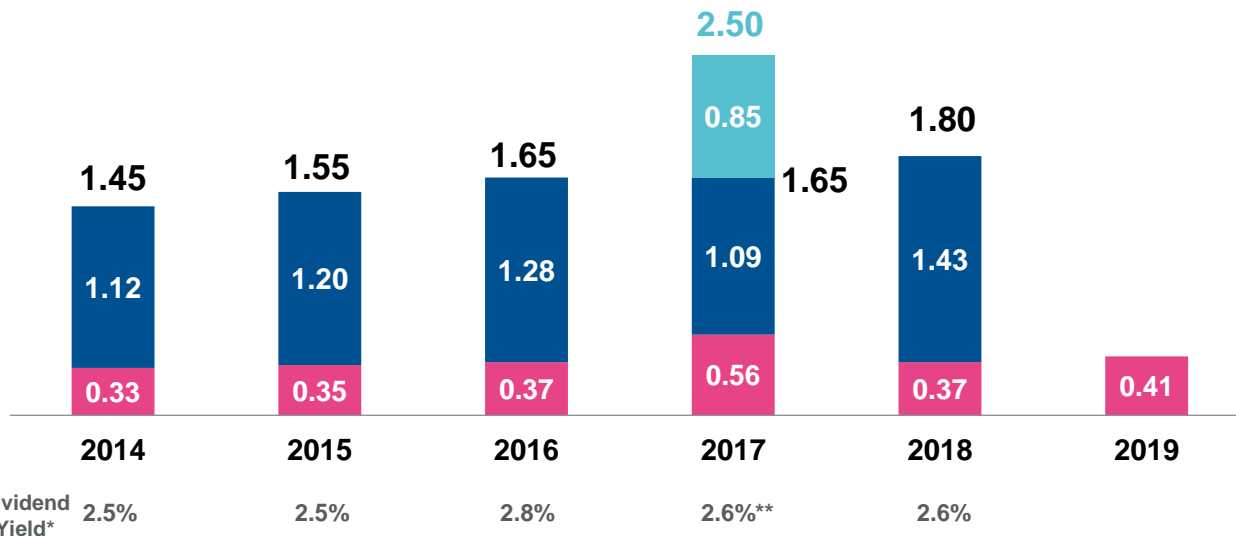
Q3 2018	Q3 2019	€ million	Q3 YTD 2018	Q3 YTD 2019
297	334	EBITDA	717	929
-	28	Impairment losses	-	61
(18)	(5)	Pre-tax results on acquisitions and divestments	(40)	(71)
155	35	Changes in working capital	(427)	(502)
(1)	(2)	Pension top-up payments	(186)	(481)
(44)	(14)	Other changes in provisions	(62)	(27)
(27)	(29)	Interest paid	(41)	(50)
(74)	(45)	Income tax paid	(111)	(132)
(4)	10	Other changes	(7)	13
284	312	Net cash from operating activities	(157)	(260)
(41)	(52)	Capital expenditures	(120)	(135)
243	260	Free cash flow	(277)	(395)
Net Debt			2,700	537



Interim dividend of €0.41 per share

Dividend € per share

- Related to the Speciality Chemicals business
- Final dividend



↗ Dividend policy remains to pay a “stable to rising” dividend

↗ Dividend paid in cash



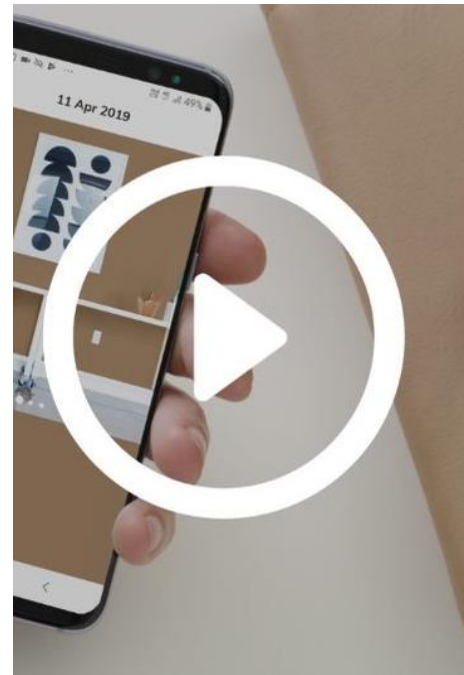
*Based on year-end share price
**Based on rebased dividend

Concluding remarks

Q3 2019 results show continued progress with adjusted operating income up 23%

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- ↗ Adjusted operating income up 23% at €300 million (2018: €243 million)
- ↗ ROS, excluding unallocated costs, increased to 13.8% (2018: 12.3%)
- ↗ Transformation on track and delivered €19 million cost savings
- ↗ Adjusted EPS from continuing operations up 62% at €0.97 (2018: €0.60)
- ↗ New share buyback announced, €500 million to be completed in the first half of 2020
- ↗ Interim dividend of €0.41 per share



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 guidance.

Demand trends differ per region and segment in an uncertain macro-economic environment. Raw material inflation is expected to have a favorable effect on the remainder of 2019. Continued pricing initiatives and cost-saving programs are in place to address the current challenges.

We continue executing our transformation to deliver the previously announced €200 million cost savings by 2020, incurring one-off costs in 2019 and 2020.

We target a leverage ratio of between 1.0-2.0 times net debt/EBITDA by the end of 2020 and commit to retain a strong investment grade credit rating.

2020
guidance*

ROS 15%
ROI >25%

Upcoming events

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Ex-dividend date of 2019 interim dividend	October 25, 2019
Record date of 2019 interim dividend	October 28, 2019
Payment of 2019 interim dividend	November 6, 2019
Report for the full-year and the fourth quarter	February 12, 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

**2020
guidance***

**ROS 15%
ROI >25%**



* Excluding unallocated corporate center costs and invested capital; assumes no significant market disruption

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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



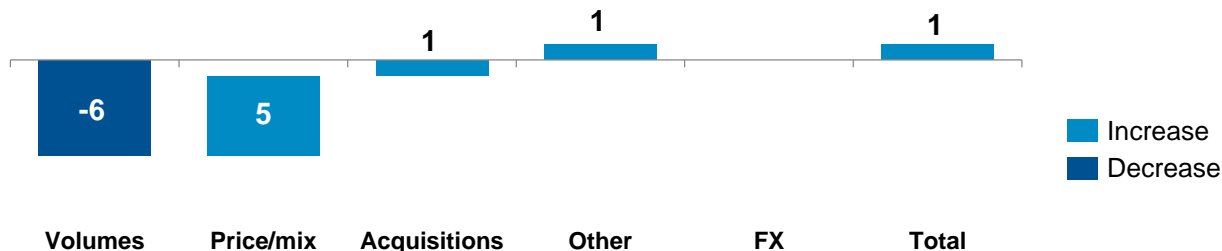
Appendix

YTD 2019: Profit up 24% and ROS* 12.3%

€ million	YTD 2018	YTD 2019	Δ%	Δ%CC
Revenue	6,948	7,034	1%	1%
Adjusted EBITDA	797	1,029	29%	
Adjusted operating income	617	768	24%	
Operating income	537	668	24%	
ROS% excluding unallocated costs	11.1%	12.3%		
ROS%¹	8.9%	10.9%		
ROI% ² excluding unallocated costs	16.5%	16.8%		

- Price/mix up 5% overall, mainly driven by pricing initiatives
- Volumes 6% lower due to value over volume strategy
- ROS, excluding unallocated costs, increased to 12.3%

Revenue development YTD 2019 (%)



Note: Other revenue includes service revenue related to services for the Specialty Chemicals business

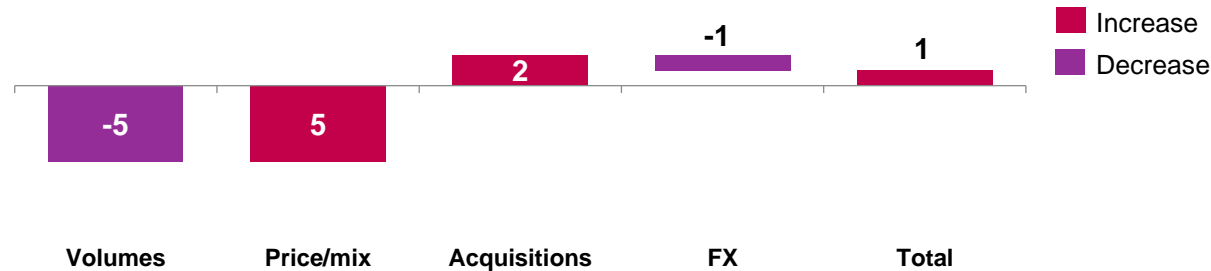
¹ROS% = Adjusted operating income/revenue. ²ROI% = Adjusted operating income of the last 12 months as percentage of average invested capital for Decorative Paints and Performance Coatings. It excludes unallocated corporate center costs and invested capital consistent with our 2020 guidance

* Excluding unallocated corporate center costs and invested capital; assumes no significant market disruption

YTD 2019: Decorative Paints

€ million	YTD 2018	YTD 2019	Δ%	Δ%CC
Revenue	2,803	2,826	1%	2%
Adjusted EBITDA	362	446	23%	
Adjusted operating income	294	331	13%	
Operating income	271	350	29%	
ROS%*	10.5%	11.7%		
ROI%*	12.6%	12.5%		

Revenue development YTD 2019 (%)



Volumes

Price/mix

Acquisitions

FX

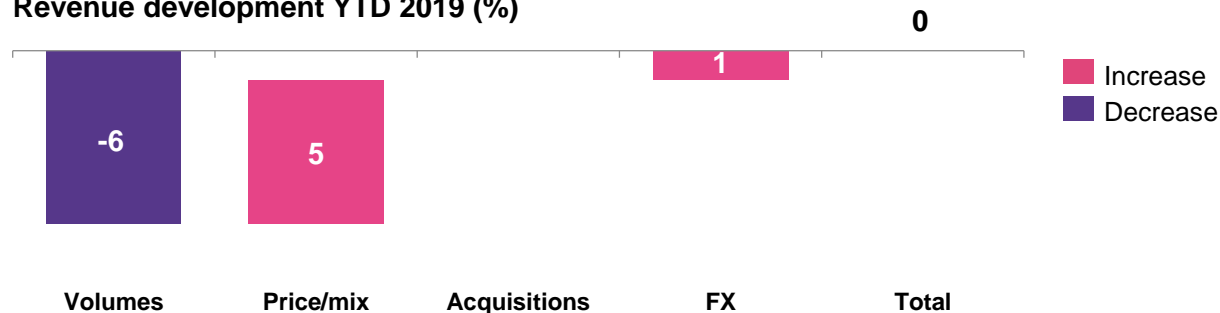
Total

*ROS% = Adjusted operating income/revenue. ROI% = 12 months adjusted operating income/12 months average invested capital.

YTD 2019: Performance Coatings

€ million	YTD 2018	YTD 2019	Δ%	Δ%CC
Revenue	4,184	4,202	-	(1%)
Adjusted EBITDA	580	661	14%	
Adjusted operating income	476	529	11%	
Operating income	447	427	(4%)	
ROS%*	11.4%	12.6%		
ROI%*	20.2%	20.8%		

Revenue development YTD 2019 (%)



*ROS% = Adjusted operating income/revenue. ROI% = 12 months adjusted operating income/12 months average invested capital.

IFRS 16 has limited impact; adopting the modified retrospective approach

Third quarter				January - September		
Before IFRS16	Impact	including IFRS 16	€ million	before IFRS16	Impact	including IFRS 16
358	29	387	Adjusted EBITDA	946	83	1,029
305	29	334	EBITDA	846	83	929
(60)	(27)	(87)	Depreciation/amortization	(183)	(78)	(261)
298	2	300	Adjusted operating income	763	5	768
250	(3)	247	Operating income	668	-	668
(25)	(2)	(27)	Net financing expense	(53)	(5)	(58)
165	(3)	162	Net income	445	(3)	442
283	29	312	Net cash from operating activities	(343)	83	(260)
(725)	(29)	(754)	Net cash from financing activities	(5,560)	(83)	(5,643)
12.4%	0.1	12.5%	ROS%	10.8%	0.1%	10.9%
			ROI%	14.4%	(0.5%)	13.9%

€ million	As reported at December 31, 2018	Restatement due to adoption IFRS 16	Restated opening balance at January 1, 2019
Intangible assets	3,458	(35)	3,423
Property, plant and equipment	1,748	(30)	1,718
Right-use-of asset	-	420	420
Other financial non-current assets	1,965	-	1,965
Current assets	11,613	-	11,613
Total assets	18,784	355	19,139
Group equity	12,038	-	12,038
Non-current liabilities	3,066	264	3,330
Current liabilities	3,680	91	3,771
Total liabilities	18,784	355	19,139