

An aerial photograph of a hillside town in Turkey, where the houses are painted in vibrant colors like yellow, green, blue, and orange. The town is built on a steep, rocky slope. In the background, a city and mountains are visible under a clear sky.

# AkzoNobel

## Investor update Q1 2019

April 24, 2019



**Turkish town transformed with rainbow of color**

We've transformed the lives of hundreds of people in a town on Turkey's Aegean coast as part of a major "Let's Colour" project. More than 50,000 liters of our Marshall paint brand has been used to revitalize over 400 homes in the hilltop neighborhood of Tepe in Kuşadası. It's the latest example of how our passion for paint can help to make a difference. #AkzoNobelCares

## Agenda



Key highlights



Financial review



Concluding remarks



Q&A

# Key highlights

# Q1 2019 results show progress towards Winning together: 15 by 20 strategy

- Adjusted operating income 9% higher at €163 million
  - Raw material inflation continued; variable costs €77 million higher
  - Ongoing pricing initiatives resulted in price/mix up 6%
  - Cost-saving programs delivered €38 million
  - Volumes lower due to value over volume strategy
- ROS, excluding unallocated costs, increased to 9.1% (2018: 8.7%)
  - Decorative Paints continued good momentum in seasonally low quarter
  - Automotive and Specialty Coatings impacted by order pattern
- On track returning a total of €6.5 billion to shareholders
- €639 million cash payments to main UK pension plans

AkzoNobel



# Focus on pricing initiatives and cost-saving AkzoNobel programs delivered 9% higher profitability

Q1 2019:

**Revenue**

**Up 1%**

In constant currencies

**Price/mix**

**6% higher**

**€2 billion capital  
repayment and share  
consolidation**  
completed in January 2019

**Cash top-up  
payments to main UK  
pension plans**

**ROS\***

**Increased to 9.1%**

(Q1 2018: 8.7%)

**Adjusted  
Operating Income**

**Up 9%**

**€1 billion special  
cash dividend  
(€4.50/share)  
paid in February**

**>€300 million shares  
repurchased**  
part of €2.5 billion share  
buyback to be completed  
by end 2019



\*Excluding unallocated corporate center costs

# Winning together: 15 by 20 strategy delivering results and gathering momentum

**AkzoNobel**



Sales force effectiveness  
**Margin management**  
Innovation excellence

**Price/mix increased 6% in Q1**  
160 entries for Paint the Future startup challenge



**Global Business Services**  
Integrated Business Planning  
**ERP and systems platform**

All 5 GBS hubs operational; 8 country transitions complete;  
54 of 120 transitions in progress, to be completed by 2020  
5/18 planned ERP integration go lives for 2019 complete



**ALPS continuous improvement**  
Fit-for-purpose organization  
**Procurement excellence**

New procurement category management organization operational  
**Investment in major site upgrade**  
to strengthen position in US wood coatings



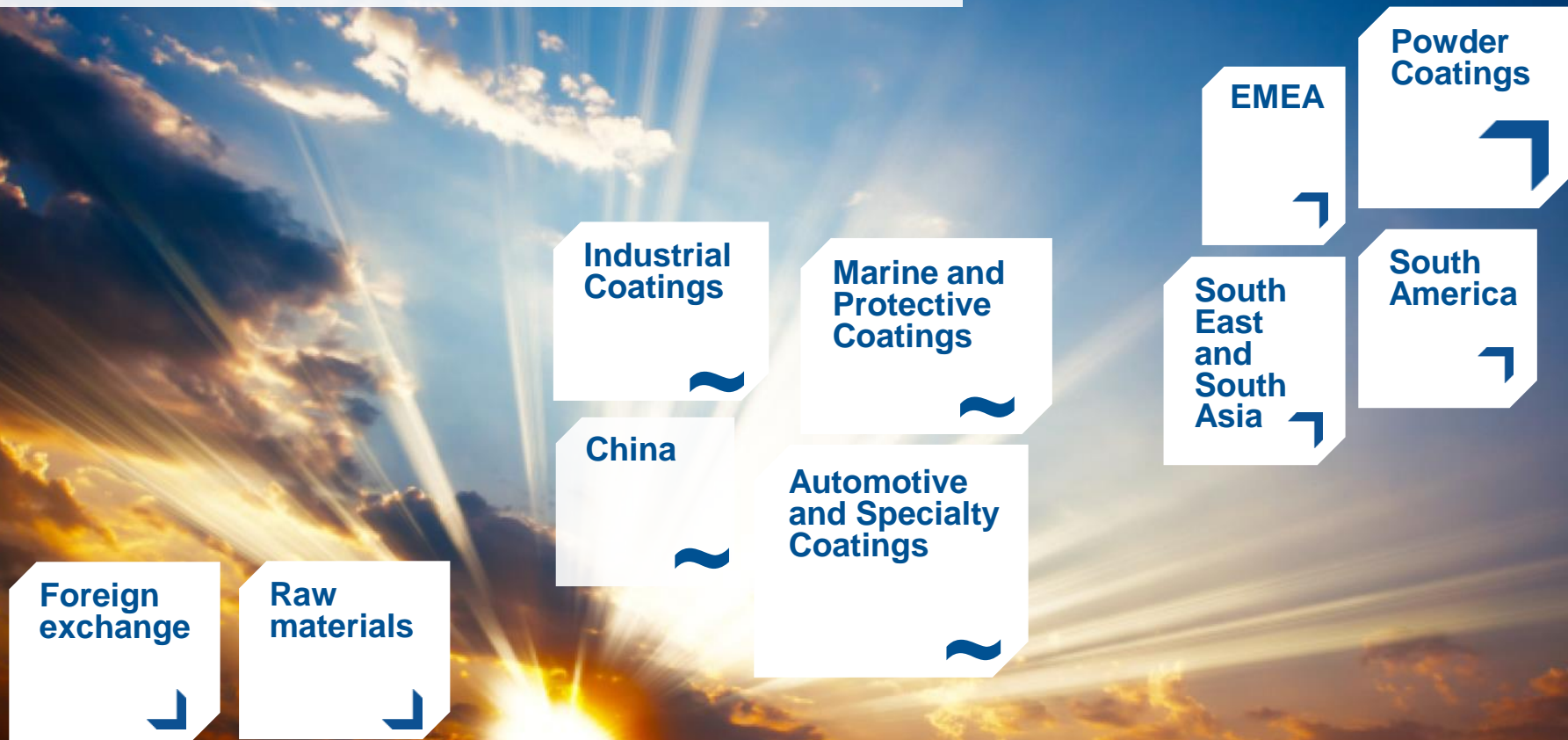
High performance culture  
**Career and capability development**  
Core principles

**Successfully focused on value over volume**  
Internal succession planning; David Prinselaar promoted  
to Executive Committee as Chief Supply Chain Officer



# Dealing with market headwinds

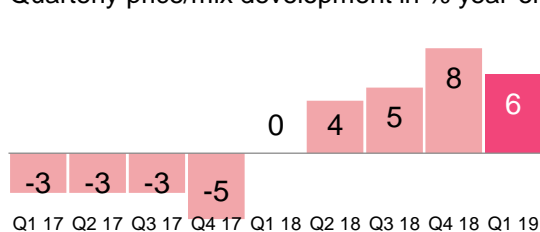
**AkzoNobel**



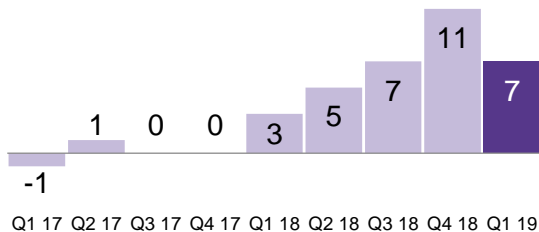
# Pricing initiatives and clear strategic mandates focus on value over volume

## Decorative Paints

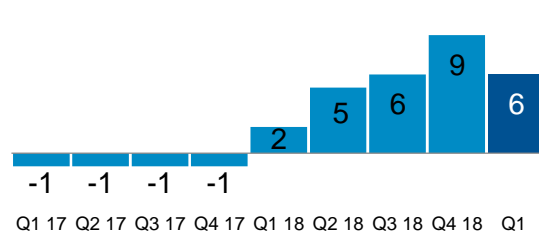
Quarterly price/mix development in % year-on-year



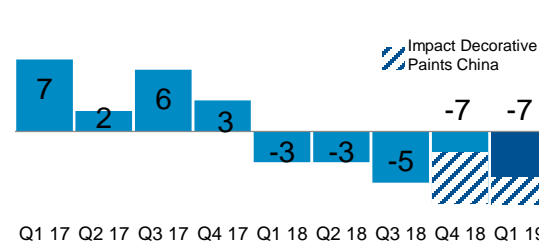
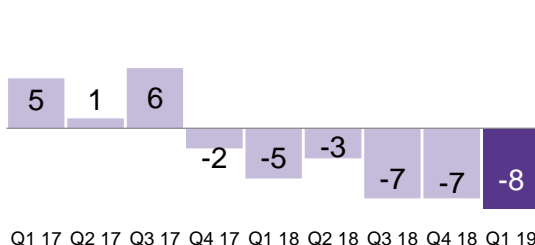
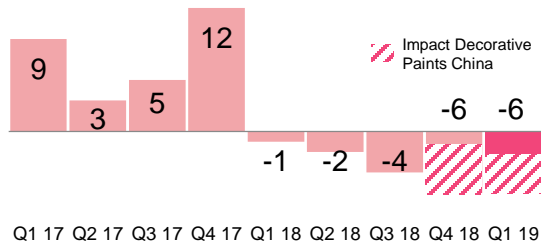
## Performance Coatings



## Total



Quarterly volume development in % year-on-year



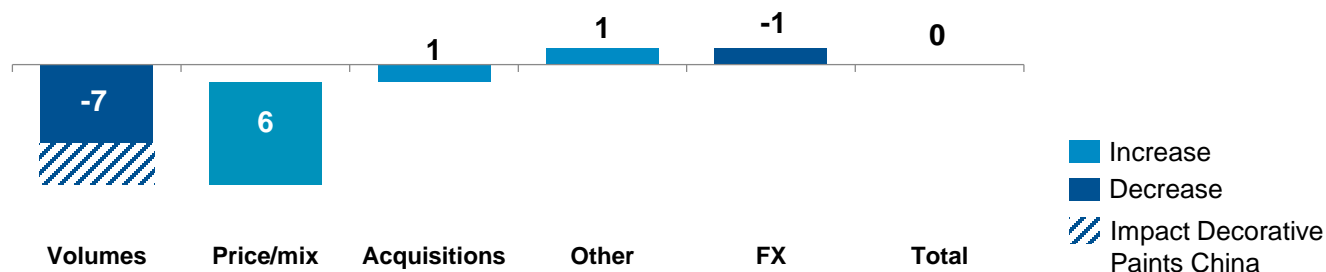


# Financial review

# Adjusted operating income 9% higher and revenue up in constant currencies

€ million	Q1 2018	Q1 2019	Δ%	Δ%CC
Revenue	2,176	2,185	-%	1%
Adjusted EBITDA	209	248	19%	
<b>Adjusted operating income</b>	<b>149</b>	<b>163</b>	<b>9%</b>	
Operating income	108	113	5%	
<b>ROS% excluding unallocated costs</b>	<b>8.7%</b>	<b>9.1%</b>		
<b>ROS%<sup>1</sup></b>	<b>6.8%</b>	<b>7.5%</b>		
<b>ROI%<sup>2</sup> excluding unallocated costs</b>	<b>16.6%</b>	<b>16.2%</b>		

## Revenue development Q1 2019 (%)



- Price/mix was 6% overall, mainly driven by pricing initiatives
- Volumes were 7% lower due to our value over volume strategy, lower volumes in China, as well as market demand and order pattern in Automotive and Specialty Coatings
- ROS, excluding unallocated costs, increased to 9.1% (2018: 8.7%)
- Operating income at €113 million includes €50 million adverse impact from identified items, mainly related to transformation costs and non-cash impairments

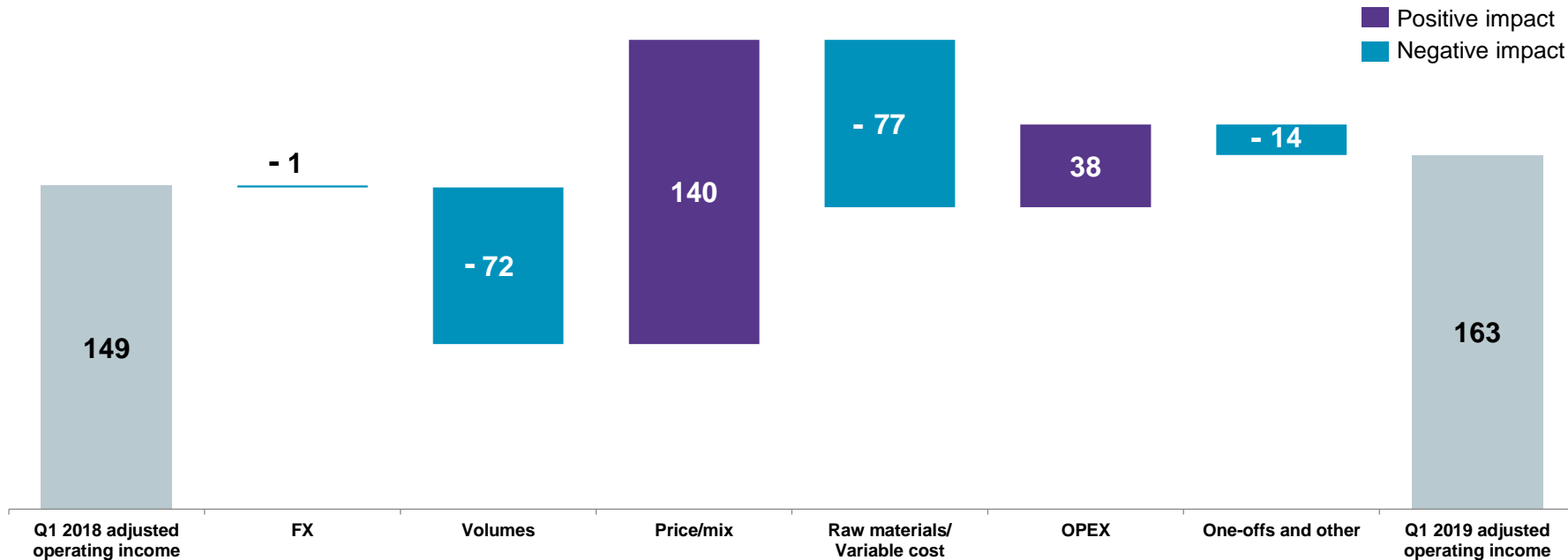
Note: Other revenue includes service revenue related to services for the Specialty Chemicals business

<sup>1</sup>ROS% = Adjusted operating income/revenue.

<sup>2</sup>ROI% = 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

# Positive price/mix and cost savings offsetting higher raw materials

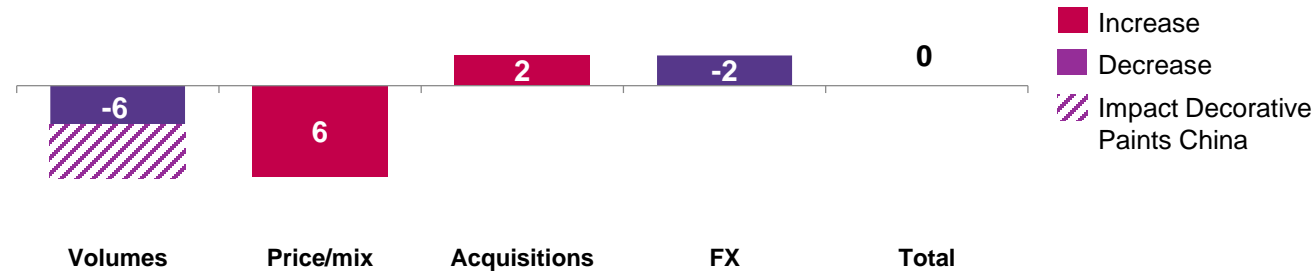
Adjusted operating income bridge: Q1 2018 to Q1 2019



# Decorative Paints continued good momentum in seasonally low quarter

€ million	Q1 2018	Q1 2019	Δ%	Δ%CC
Revenue	846	844	-	2%
Adjusted EBITDA	79	95	20%	
<b>Adjusted operating income</b>	<b>56</b>	<b>60</b>	<b>7%</b>	
Operating income	48	54	13%	
<b>ROS%*</b>	<b>6.6%</b>	<b>7.1%</b>		
<b>ROI%*</b>	<b>11.7%</b>	<b>12.0%</b>		

Revenue development Q1 2019 (%)



A new Dulux concept store has opened in Shanghai, China, offering customers a fully interactive experience. Using digital technology and personalized services, it's designed to help make painting less complicated and more fun.

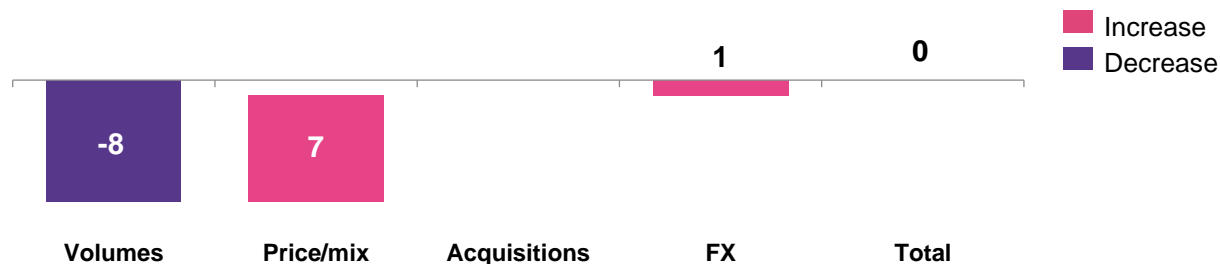
\*ROS% = Adjusted operating income/revenue. ROI% = 12 months adjusted operating income/12 months average invested capital.

# Performance Coatings ROS higher; focus on pricing initiatives and cost savings

**AkzoNobel**

€ million	Q1 2018	Q1 2019	Δ%	Δ%CC
Revenue	1,342	1,339	-	(1%)
Adjusted EBITDA	169	182	8%	
<b>Adjusted operating income</b>	<b>134</b>	<b>138</b>	<b>3%</b>	
Operating income	121	97	(20%)	
<b>ROS%*</b>	<b>10.0%</b>	<b>10.3%</b>		
<b>ROI%*</b>	<b>21.3%</b>	<b>20.1%</b>		

Revenue development Q1 2019 (%)



A trailblazing lab complex which can test new products in conditions that mimic the world's most extreme environments has been officially opened by AkzoNobel in Felling, UK.

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

# Adjusted EPS 30% higher

<b>€ million</b>	<b>Q1 2018</b>	<b>Q1 2019</b>
<b>Operating income</b>	<b>108</b>	<b>113</b>
Net financing expenses	19	(13)
Results from associates and joint ventures	4	5
<b>Profit before tax</b>	<b>131</b>	<b>105</b>
Income tax	1	(31)
<b>Profit from continuing operations</b>	<b>132</b>	<b>74</b>
Profit from discontinued operations	142	-
<b>Profit for the period</b>	<b>274</b>	<b>74</b>
Non-controlling interests	(21)	(9)
<b>Net income from total operations</b>	<b>253</b>	<b>65</b>

<b>Earnings per share (in €)</b>	<b>Q1 2018</b>	<b>Q1 2019</b>
<b>Total operations</b>	<b>1.00</b>	<b>0.28</b>

<b>Adjusted earnings per share (in €)</b>	<b>Q1 2018</b>	<b>Q1 2019</b>
Continuing operations	0.35	0.46



# Free cash flow mainly impacted by pension top-up payments

€ million	Q1 2018	Q1 2019
<b>EBITDA</b>	<b>168</b>	<b>198</b>
Impairment losses	-	33
Pre-tax results on acquisitions and divestments	(20)	-
Changes in working capital	(360)	(421)
Pension top-up payments	(175)	(478)*
Other changes in provisions	(10)	(20)
Interest paid	(4)	(6)
Income tax paid	(51)	(30)
Other changes	(4)	-
<b>Net cash from operating activities</b>	<b>(456)</b>	<b>(724)</b>
Capital expenditures	(37)	(37)
<b>Free cash flow</b>	<b>(493)</b>	<b>(761)</b>

<b>Net Debt</b>	<b>2,964</b>	<b>(1,259)</b>
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\*Cash top-up payments for main UK pension plans of €478 million. Excludes pre-funding of escrow account €161 million.

# Concluding remarks



# Q1 2019 results show progress towards Winning together: 15 by 20 strategy

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  - Raw material inflation continued; variable costs €77 million higher
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  - Decorative Paints continued good momentum in seasonally low quarter
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- ↗ On track returning a total of €6.5 billion to shareholders
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**2020  
guidance\***

**ROS 15%  
ROI >25%**

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 continue during the first half of 2019, although at a lower rate than 2018. Robust pricing initiatives and cost-saving programs are in place to address the current challenges.

We continue executing our transformation to deliver the next €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.

# Upcoming events



Annual General Meeting of shareholders	April 25, 2019
Ex-dividend date of 2018 final dividend	April 29, 2019
Record date of 2018 final dividend	April 30, 2019
Payment of 2018 final dividend	May 6, 2019
Report for the second quarter 2019	July 24, 2019

# 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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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 measures as well as the sale of the Specialty Chemicals business. State 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](http://www.akzonobel.com)



# Appendix

# IFRS 16 has limited impact, adopting the modified retrospective approach

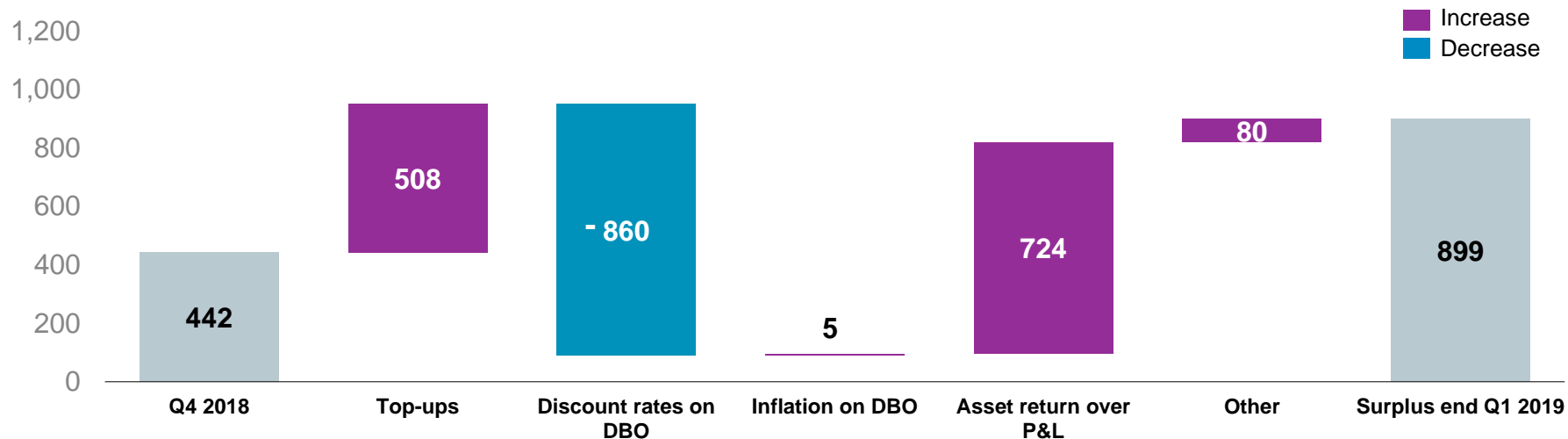
€ million	Q1 2019 before IFRS16	Impact IFRS 16	Q1 2019 including IFRS 16
Adjusted EBITDA	221	27	248
EBITDA	171	27	198
Depreciation/amortization	(60)	(25)	(85)
Adjusted operating income	161	2	163
Operating income	111	2	113
Net financing expense	(11)	(2)	(13)
Net income	65	-	65
Net cash from operating activities	(751)	27	(724)
Net cash from financing activities	(3,328)	(27)	(3,355)
<b>ROS%</b>	<b>7.4%</b>	<b>0.1%</b>	<b>7.5%</b>

€ million	Q1 2019 before IFRS16	Impact IFRS 16	Q1 2019 including IFRS 16
Intangible assets	3,458	(35)	3,423
Property, plant and equipment	1,748	(30)	1,718
Right-use-of asset	-	435	435
Other financial non-current assets	1,965	-	1,965
Current assets	11,613	-	11,613
<b>Total assets</b>	<b>18,784</b>	<b>370</b>	<b>19,154</b>
Group equity	12,038	-	12,038
Non-current liabilities	3,066	274	3,340
Current liabilities	3,680	96	3,776
<b>Total liabilities</b>	<b>18,784</b>	<b>370</b>	<b>19,154</b>

# IAS19 pension surplus following cash top-up payments

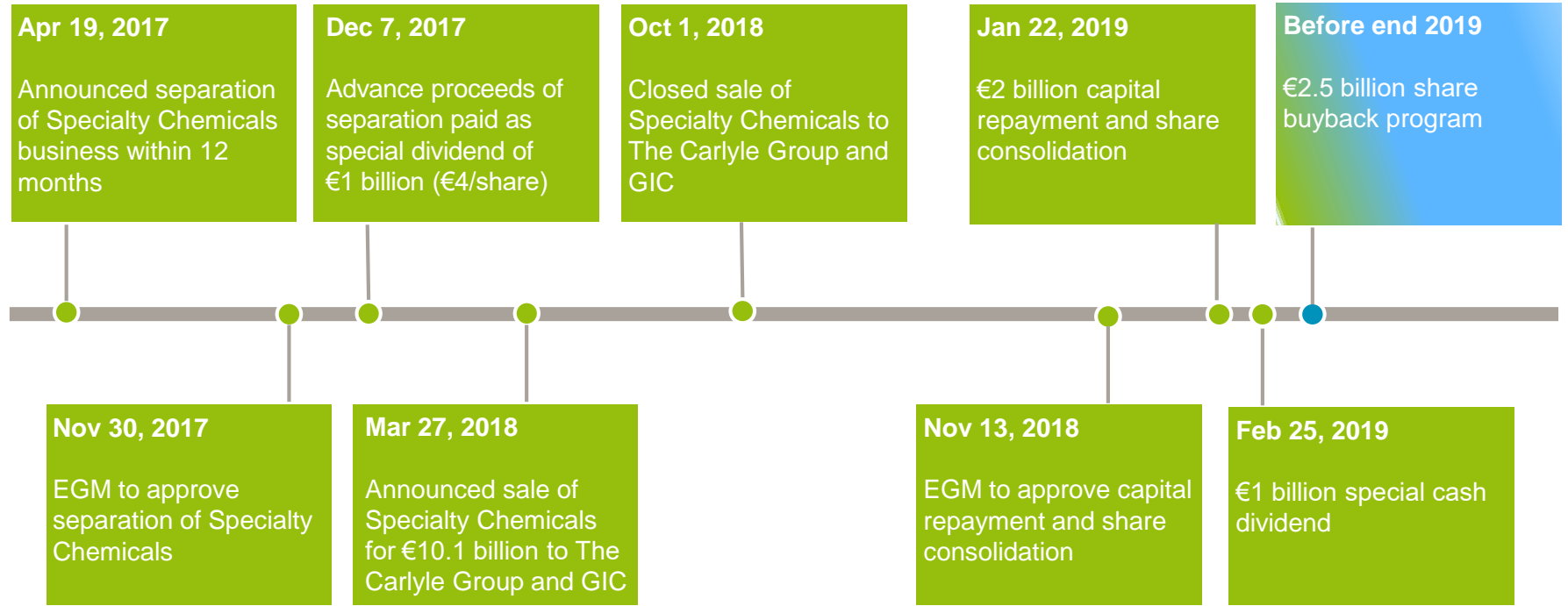
Key pension financial assumptions	Q4 2018	Q1 2019
Discount rate	2.7%	2.3%
Inflation rate	3.1%	3.1%

€ million





# €6.5 billion return to shareholders to be completed before end 2019



# Breakdown of total raw material spend

2018 (%)

