

A modern living room with a grey sofa, a black floor lamp, and a large window. The room is brightly lit, and the walls are a warm, neutral color. The AkzoNobel logo is in the top right corner.

# AkzoNobel

## Investor update Q3 2018

October 17, 2018

Spiced Honey has been unveiled by AkzoNobel as the Color of the Year for 2019. It was selected following expert research into global trends, insights and consumer behavior. The warm amber tone – which perfectly captures the theme of “Let the light in” – is being marketed under well-known decorative paints brands such as Dulux, Coral, Levis and Flexa.

# Continued progress on transformation into a focused paints and coatings company

- ↗ Paints ROS up at 12.1% (2017: 9.4%) and Coatings ROS up at 12.2% (2017: 10.3%)
- ↗ Price/mix increased further to 6% overall
- ↗ Lower volumes, partly driven by moving away from lower margins given our value over volume strategy
- ↗ Continued progress on transformation delivered €35 million cost savings in Q3
- ↗ Taking next step in our transformation to deliver next €200 million cost savings by 2020
- ↗ Sale of Specialty Chemicals completed; returning a total of €6.5 billion to shareholders
- ↗ Acquired Xylazel in Spain and completed acquisition of Fabryo in Romania



# Q3 2018 delivering towards our “Winning together: 15 by 20” strategy



Sales force effectiveness  
**Margin management**  
Innovation excellence

Price/mix increased further to 6% in Q3  
ROS\* up at 12.3% (Q3 2017: 10.0%)



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

Continued progress on IBP implementation:  
Coatings started monthly cycle; Paints in training



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

>€30m continuous improvement savings in Q3  
€35m cost savings in Q3 from fit-for-purpose  
Taking the next step in our transformation

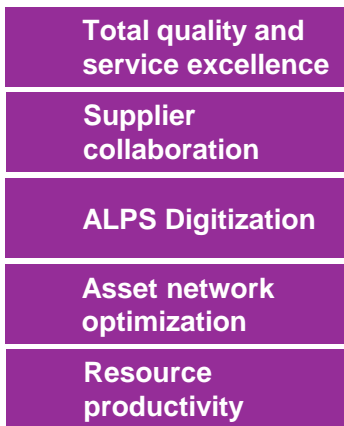


**High performance culture**  
Career and capability development  
**Core principles**

Focusing on value over volume  
#4 DJSI (13<sup>th</sup> consecutive year in sector top 10)

# Taking next step in our transformation to deliver next €200m cost savings by 2020

**AkzoNobel**



# €200m

annual cost savings by 2020\*  
(from ISC, SG&A and R&D)

# €350m

total one-off costs between  
2018 and 2020

including €60m non-cash items  
related to asset network  
optimization

\* Estimated run rate savings of around €240m in 2021

# Focusing on value over volume; Dealing with market headwinds

**AkzoNobel**



# Robust pricing initiatives continue in Q3; ROS\* increased 230 basis points

**AkzoNobel**

## Revenue

**Flat**  
in constant currencies

Lower volumes, partly due to  
focus on value over volume

## Price/mix

**6% higher**

Completed sale of Specialty  
Chemicals; returning a total  
of €6.5 billion to  
shareholders

## ROS\*

**Increased to 12.3%**  
(Q3 2017: 10.0%)

## Interim dividend

**€0.37 per share**  
Rebased for Paints and Coatings

Acquired Xylazel in Spain;  
completed acquisition of  
Fabryo in Romania

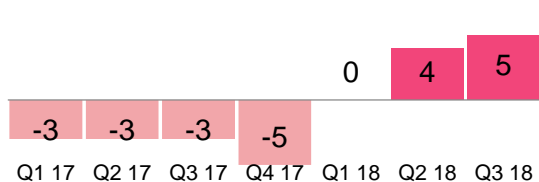
\*Excluding unallocated corporate center costs



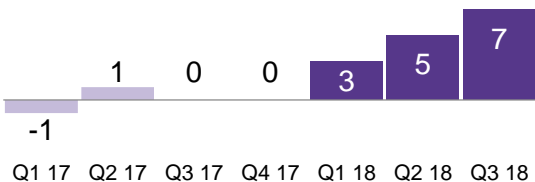
# Focusing on value over volume: Continued progress on pricing initiatives

## Decorative Paints

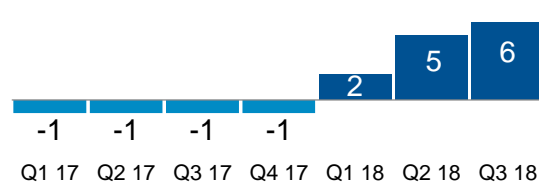
Quarterly price/mix development in % year-on-year



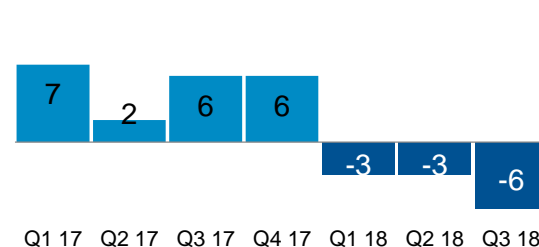
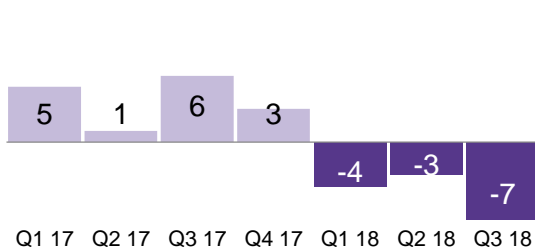
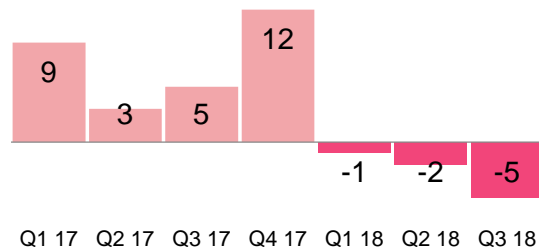
## Performance Coatings\*



## Paints and Coatings\*



Quarterly volume development in % year-on-year



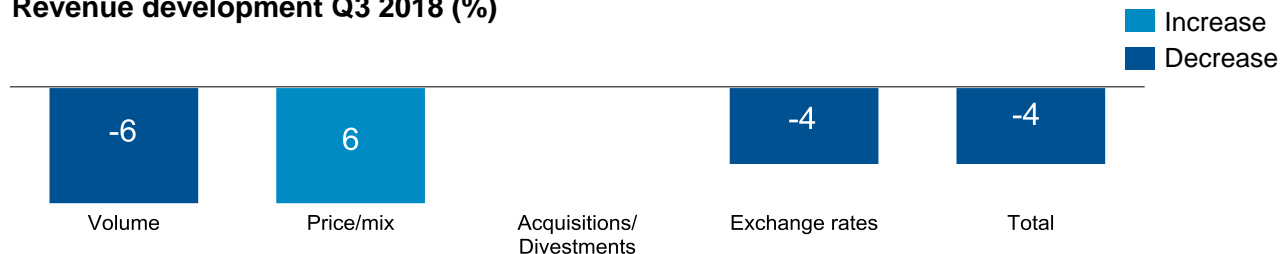
\* Includes impact from acquisitions

# Pricing initiatives and cost savings compensating for higher raw material costs

€ million	Q3 2017 <sup>1</sup>	Q3 2018	Δ%	Δ%CC
Revenue	2,419	2,326	(4%)	0%
Adjusted EBITDA	294	303	3%	
<b>Adjusted operating income</b>	<b>225</b>	<b>243</b>	<b>8%</b>	
Operating income	215	237	10%	
<i>ROS% excluding unallocated corporate center costs</i>	<b>10.0</b>	<b>12.3</b>		
<b>ROS%<sup>2</sup></b>	<b>9.3</b>	<b>10.4</b>		
ROI% <sup>2</sup>	13.4	12.6		

- ↗ Revenue flat in constant currencies, with positive price/mix offset by lower volumes
- ↗ Volumes were lower, partly due to focus on value over volume
- ↗ Adjusted operating income up €18m at €243m driven by pricing initiatives and cost saving programs despite €10 million adverse impact from foreign currencies
- ↗ Operating income was up €22m at €237m and includes a €6m adverse impact from identified items, mainly related to the transformation

## Revenue development Q3 2018 (%)



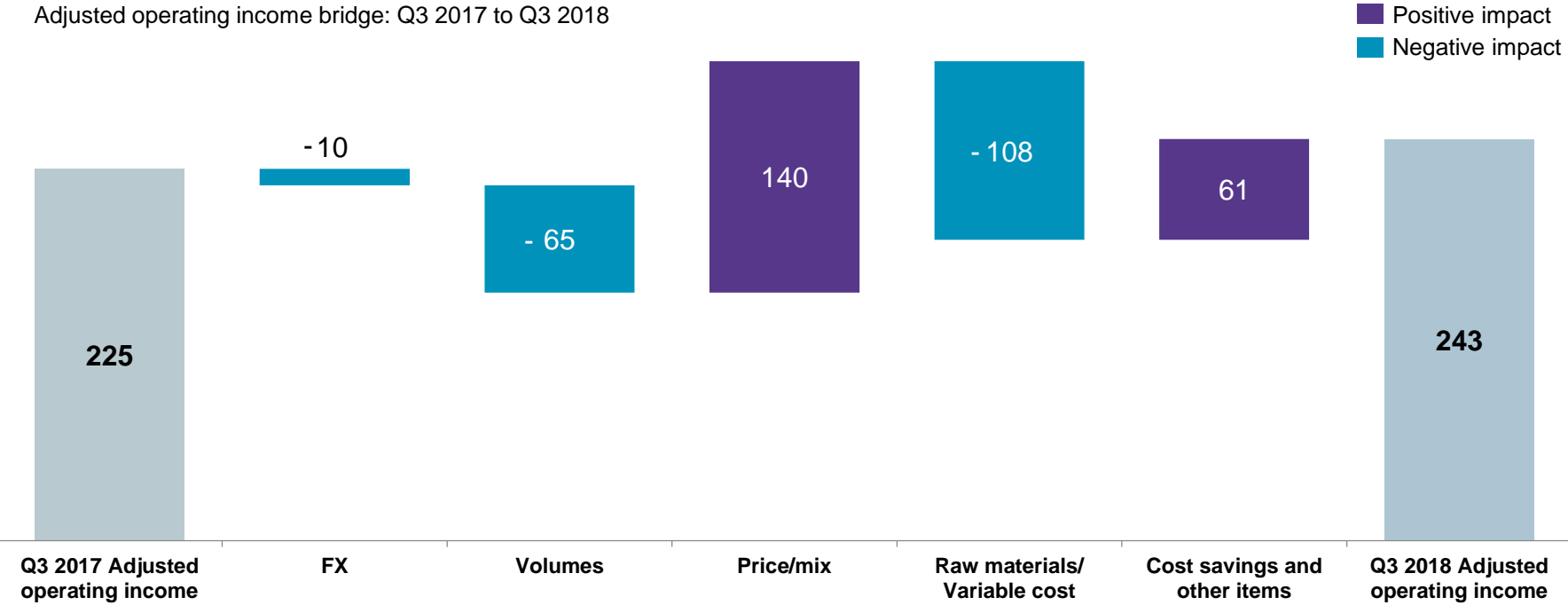
1. Represented to present the Specialty Chemicals business as discontinued operations.

2. ROS% = Adjusted operating income/Revenue. ROI% = 12 months adjusted operating income/12 months average invested capital.



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

Adjusted operating income bridge: Q3 2017 to Q3 2018



(continuing operations)

# Decorative Paints ROS% up driven by selling prices and cost savings

€ million	Q3 2017	Q3 2018	Δ%	Δ%CC
Revenue	1,007	951	(6%)	0%
Adjusted EBITDA	124	138	11%	
<b>Adjusted operating income</b>	<b>95</b>	<b>115</b>	<b>21%</b>	
Operating income	95	112	18%	
<b>ROS%*</b>	<b>9.4</b>	<b>12.1</b>		
ROI%*	12.4	12.6		

## Revenue development Q3 2018 (%)



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

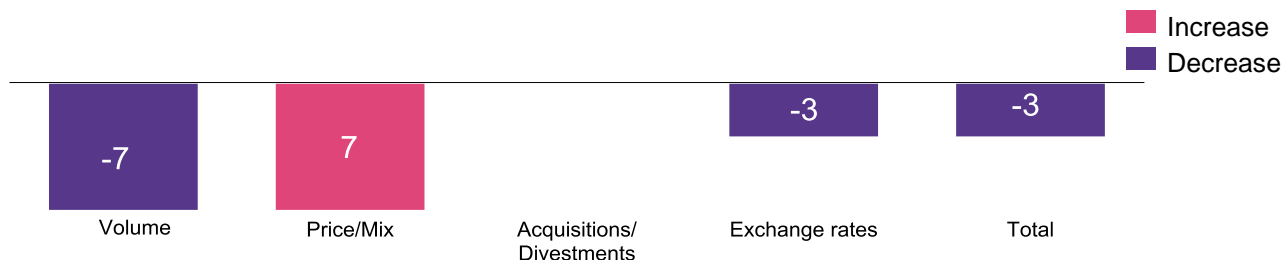


Colorful Yunnan Happy World, the first theme park in southwest China, opened to the public in Kunming, Yunnan province, after collaborating with AkzoNobel's Dulux Pro brand to paint around 180,000 square meters of attractions and facilities in approximately 80 different colors.

# Performance Coatings ROS% up for all businesses

€ million	Q3 2017	Q3 2018	Δ%	Δ%CC
Revenue	1,428	1,388	(3%)	0%
Adjusted EBITDA	185	204	10%	
<b>Adjusted operating income</b>	<b>147</b>	<b>170</b>	<b>16%</b>	
Operating income	147	164	12%	
<b>ROS%*</b>	<b>10.3</b>	<b>12.2</b>		
ROI%*	24.8	20.2		

## Revenue development Q3 2018 (%)



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



Animal attraction has drawn AkzoNobel and Embraer together to develop stunning livery for three of the aircraft maker's latest line of E2 commercial jets. The eye-catching trio of designs – depicting an eagle, a tiger and a shark – were created using aerospace coatings from the company's Alumigrup and Aerodur ranges.

# Specialty Chemicals revenue up; Adverse impact from one-off items

€ million	Q3 2017	Q3 2018	Δ%	Δ%CC
Revenue	1,209	1,287	6%	9%
Adjusted EBITDA	239	229	(4%)	
<b>Adjusted operating income</b>	<b>156</b>	<b>145</b>	<b>(7%)</b>	
Operating income	156	145	(7%)	
<b>ROS%*</b>	<b>12.9</b>	<b>11.3</b>		
ROI%*	15.6	16.4		

- Revenue up 9% in constant currencies, mainly due to positive price/mix
- Adjusted operating income 7% lower at €145m; strong pricing and productivity improvements were more than offset by environmental and other one-off items (totaling €35m) and adverse currencies

## Revenue development Q3 2018 (%)



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

# Total operations Q3 net income higher for continuing and discontinued operations

€ million	Q3 2017*	Q3 2018
<b>Operating income</b>	<b>215</b>	<b>237</b>
Net financing expenses	(31)	(20)
Results from associates and joint ventures	3	4
<b>Profit before tax</b>	<b>187</b>	<b>221</b>
Income tax	(57)	(66)
<b>Profit from continuing operations</b>	<b>130</b>	<b>155</b>
Profit from discontinued operations	96	153
<b>Profit for the period</b>	<b>226</b>	<b>308</b>
Non-controlling interests	(10)	(7)
<b>Net income from total operations</b>	<b>216</b>	<b>301</b>

Earnings per share (in €)	Q3 2017*	Q3 2018
<b>Total operations</b>	<b>0.86</b>	<b>1.18</b>
Continuing operations	0.48	0.58
<b>Adjusted earnings per share (in €)</b>	<b>Q3 2017*</b>	<b>Q3 2018</b>
<b>Total operations</b>	<b>0.99</b>	<b>1.24</b>
Continuing operations	0.53	0.60

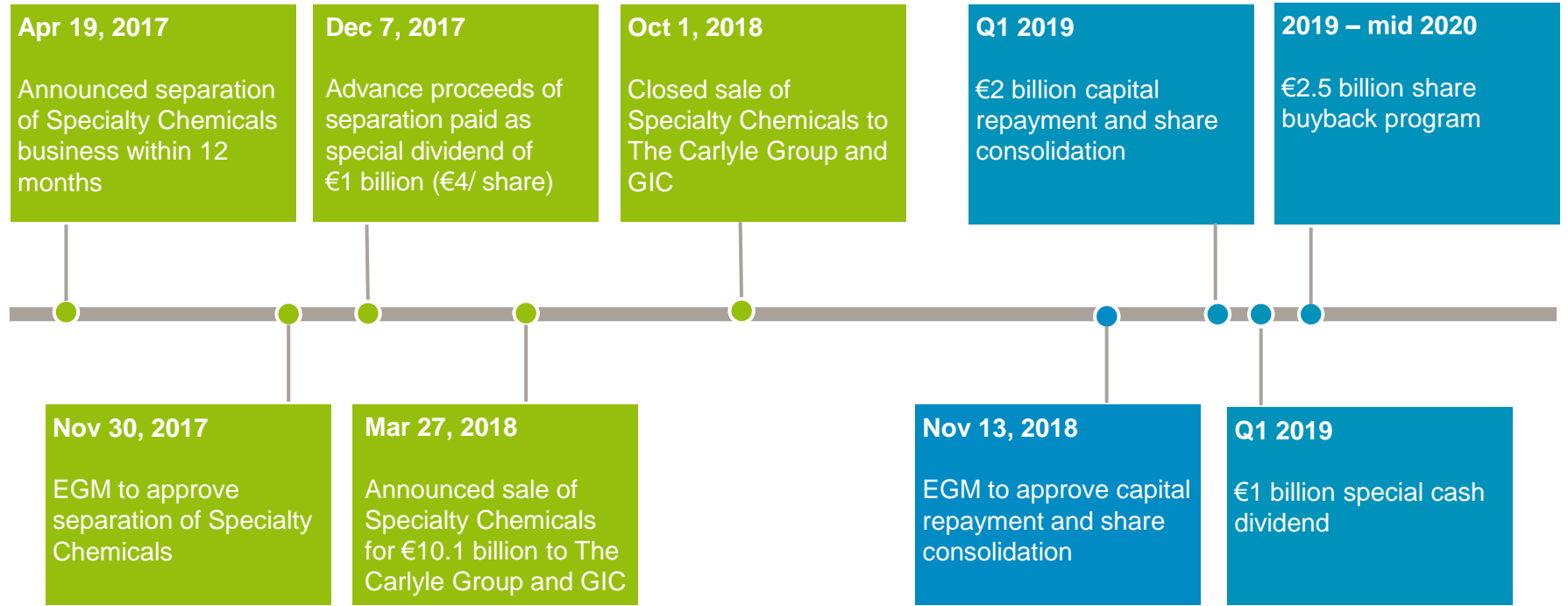
\* Represented to present the Specialty Chemicals business at discontinued operations.

# Paints and Coatings free cash flow impacted by higher OWC; CAPEX lower

Q3 2017	Q3 2018	in € millions	YTD Q3 2017	YTD Q3 2018
<b>130</b>	<b>155</b>	<b>Profit for the period</b>	<b>466</b>	<b>410</b>
69	60	Amortization and depreciation	214	180
43	155	Changes in working capital	(344)	(427)
(66)	(45)	Changes in provisions	(329)	(248)
(5)	(1)	<i>Of which pension top-up payments</i>	(219)	(186)
(25)	(27)	Interest paid	(37)	(41)
(80)	(74)	Income tax paid	(204)	(111)
86	60	Other changes	210	80
<b>157</b>	<b>284</b>	<b>Net cash from operating activities</b>	<b>(24)</b>	<b>(157)</b>
(59)	(36)	Capital expenditures	(165)	(106)
<b>98</b>	<b>248</b>	<b>Free cash flow (from operations)</b>	<b>(189)</b>	<b>(263)</b>
<b>103</b>	<b>249</b>	<b>Free cash flow, excluding pension top-up payments</b>	<b>30</b>	<b>(77)</b>
<b>Net Debt</b>			<b>1,691</b>	<b>2,700</b>

(continuing operations)

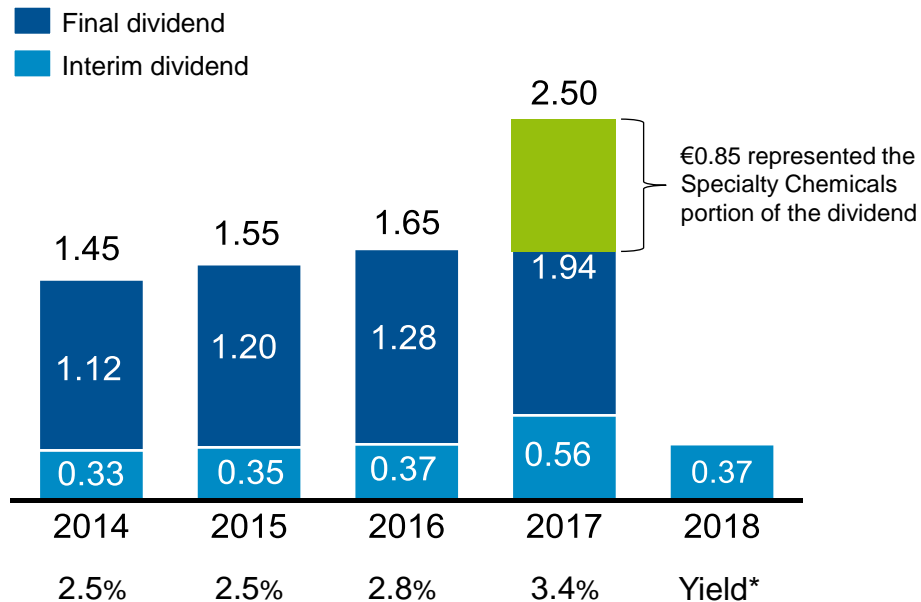
# Sale of Specialty Chemicals completed; AkzoNobel returning a total of €6.5 billion to shareholders





# Interim dividend of €0.37 per share; Suspending scrip option

### Dividend € per share



- Dividend rebased for AkzoNobel as a focused paints and coatings company
- Dividend policy remains to pay a “stable to rising” dividend
- Dividend paid in cash (scrip option suspended)

\* Based on year-end share price

# Continued progress on transformation into a focused paints and coatings company

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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. Raw material inflation is projected to continue for the remainder of 2018, although at a slower rate than during the start of the year. Robust pricing initiatives and cost saving programs are in place to address the current challenges.

We are taking the next step in our transformation to deliver the next €200 million cost savings by 2020, incurring total one-off costs of €350 million between 2018 and 2020.

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

# Upcoming events



↗ Ex-dividend date of 2018 interim dividend	October 19, 2018
↗ Record date of 2018 interim dividend	October 22, 2018
↗ Payment of 2018 interim dividend	October 26, 2018
↗ Extraordinary General Meeting (EGM)	November 13, 2018
↗ Report for the full-year and fourth quarter 2018	February 13, 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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