

Q1 Report

AkzoNobel



Ultimate rust-busting metal paint launched

A new wave of exterior water-based paint has been launched by AkzoNobel which offers superior metal protection. Hammerite Ultima can be applied directly onto any metal surface – as well as rust – without the need for a primer. Suitable for anything from gates and fences to railings and garden furniture, the new product is now available in Germany, Spain and France and is scheduled to be launched onto other markets in due course.

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Our results at a glance

Highlights Q1 2020

- Adjusted operating income up 31% at €214 million (2019: €163 million), despite impact from COVID-19
- ROS, excluding unallocated costs, increased to 12.4% (2019: 9.1%) with price/mix up 2%
- Operating income up 65% at €187 million (2019: €113 million); OPI margin improved to 9.1% (2019: 5.2%)
- Transformation and other savings delivered €44 million lower costs (compared with the first quarter of 2019)
- €408 million of €500 million share buyback program executed during Q1 2020

Q1 2020 (compared to Q1 2019)

- Revenue 6% lower and 5% lower in constant currencies, with positive price/mix of 2% more than offset by 7% lower volumes, mainly due to the impact of COVID-19
- Operating income at €187 million includes €27 million negative impact from identified items, related to transformation costs (2019: €113 million, including €50 million negative identified items related to transformation costs and non-cash impairments); OPI margin improved to 9.1% (2019: 5.2%)
- Net income from total operations at €114 million (2019: €65 million)
- Adjusted EPS from continuing operations up 54% at €0.71 (2019: €0.46); EPS from total operations at €0.59 (2019: €0.28)

Outlook:

AkzoNobel has paused key parts of the company's transformation and suspended its 2020 financial ambition in response to the significant market disruption resulting from the COVID-19 pandemic. Headwinds related to COVID-19 are increasing for most parts of the world and will have a significant impact during Q2. 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. Once markets normalize, AkzoNobel intends to resume its positive momentum and drive performance in line with industry frontrunners. The company targets a leverage ratio of 1-2 times net debt/EBITDA by the end of 2020 and commits to retain a strong investment grade credit rating.

Alternative performance measures (APM)

AkzoNobel uses APM adjustments to the IFRS measures to provide supplementary information on the reporting of the underlying developments of the business. These APM adjustments may affect the IFRS measures operating income, net income and earnings per share. A reconciliation of the alternative performance measures to the most directly comparable IFRS measures can be found in the tables on page 12 and 13.

Summary of financial outcomes

| First quarter | | | |
|--|---------|--------|-------|
| in € millions | 2019 | 2020 | Δ% |
| Revenue | 2,185 | 2,058 | (6%) |
| Adjusted EBITDA* | 248 | 302 | 22% |
| EBITDA* | 198 | 277 | 40% |
| Adjusted operating income* | 163 | 214 | 31% |
| Identified items* | (50) | (27) | (46%) |
| Operating income | 113 | 187 | 65% |
| ROS%* | 7.5 | 10.4 | |
| OPI margin* | 5.2 | 9.1 | |
| Average invested capital* | 6,494 | 7,071 | |
| ROI%* | 12.5 | 14.7 | |
| ROS% excl. unallocated costs* | 9.1 | 12.4 | |
| ROI% excl. unallocated costs* | 16.2 | 18.3 | |
| Capital expenditures | 37 | 46 | |
| Net debt | (1,259) | 1,496 | |
| Leverage ratio (net debt/EBITDA)* | (1.4) | 1.2 | |
| Number of employees | 34,400 | 33,500 | (3%) |
| Net cash from operating activities | (885) | (160) | |
| Net income from continuing operations | 65 | 115 | 77% |
| Net income from discontinued operations | – | (1) | |
| Net income attributable to shareholders | 65 | 114 | 75% |
| Weighted average number of shares | 243.3 | 194.0 | (20%) |
| Adjusted earnings per share from continuing operations (in €)* | 0.46 | 0.71 | 54% |
| Earnings per share from total operations (in €) | 0.28 | 0.59 | 111% |

*Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on page 12 and 13.

Financial highlights

Revenue

Q1 2020

Revenue was 6% lower, and 5% lower in constant currencies. Price/mix was up 2% overall. Volumes were 7% lower, mainly due to the impact of COVID-19 on end market demand.

- Decorative Paints revenue was 10% lower and 8% lower in constant currencies, with positive price/mix up 1% offset by 9% lower volumes mainly due to COVID-19
- Performance Coatings revenue was 3% lower and 3% lower in constant currencies. Revenue was positively impacted by 3% price/mix and 1% due to acquisitions, while volumes were 7% lower, mainly due to impact of COVID-19 on end market demand
- Other activities revenue includes royalty and service revenue related to continued services to the former Specialty Chemicals business, which will be phased out during 2020

Cost of sales

Raw material and other variable costs in the first quarter of 2020 were €50 million lower compared with the first quarter of 2019.

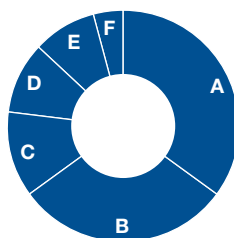
Acquisitions

The impact of acquisitions on revenue was 1% for Performance Coatings and 1% for AkzoNobel overall, mainly related to the acquisition of Mapaero. The acquisition of Mauvilac Industries, announced on December 12, 2019, was closed on April 1, 2020.

AkzoNobel around the world

Revenue by destination

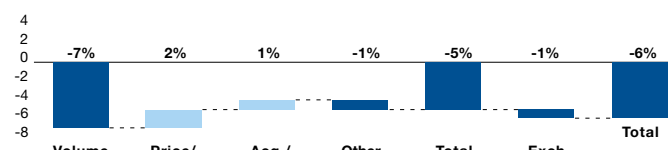
| | % |
|--------------------------|-----|
| A Mature Europe | 35 |
| B Asia Pacific | 30 |
| C North America | 12 |
| D Emerging Europe | 10 |
| E South America | 9 |
| F Other regions | 4 |
| | 100 |



(Based on the full-year 2019)

Revenue development Q1 2020

■ Increase ■ Decrease



Revenue

First quarter

| in € millions | 2019 ¹ | 2020 | Δ% | CC ² |
|----------------------|-------------------|--------------|-------------|-----------------|
| Decorative Paints | 836 | 754 | (10%) | (8%) |
| Performance Coatings | 1,333 | 1,295 | (3%) | (3%) |
| Other activities | 16 | 9 | | |
| Total | 2,185 | 2,058 | (6%) | (5%) |

¹ Represented to present revenue from third parties instead of total revenue.

² Change excluding currency impact.

| in % versus Q1 2019 | Volume | Price/mix | Acq./div. | Other | Exchange rates | Total |
|----------------------|------------|-----------|-----------|------------|----------------|------------|
| Decorative Paints | (9) | 1 | – | – | (2) | (10) |
| Performance Coatings | (7) | 3 | 1 | – | – | (3) |
| Total | (7) | 2 | 1 | (1) | (1) | (6) |

Volume development per quarter

| (year-on-year) in % | Q1 19 | Q2 19 | Q3 19 | Q4 19 | Q1 20 |
|----------------------|------------|------------|------------|------------|------------|
| Decorative Paints | (6) | (4) | (5) | (4) | (9) |
| Performance Coatings | (8) | (7) | (3) | (4) | (7) |
| Total | (7) | (6) | (4) | (4) | (7) |

Price/mix development per

| quarter (year-on-year) in % | Q1 19 | Q2 19 | Q3 19 | Q4 19 | Q1 20 |
|-----------------------------|----------|----------|----------|----------|----------|
| Decorative Paints | 6 | 4 | 5 | 2 | 1 |
| Performance Coatings | 7 | 7 | 3 | – | 3 |
| Total | 6 | 5 | 4 | 1 | 2 |

Currency development per quarter

| (year-on-year) in % | Q1 19 | Q2 19 | Q3 19 | Q4 19 | Q1 20 |
|----------------------|------------|------------|----------|----------|------------|
| Decorative Paints | (2) | (2) | 1 | – | (2) |
| Performance Coatings | 1 | (1) | 2 | 1 | – |
| Total | (1) | (1) | 1 | 1 | (1) |



Community healthcare project in India switches focus to COVID-19 response

Villagers living near Bangalore are receiving initial screening for COVID-19 through an existing e-health initiative which had been set up as part of the company's AkzoNobel Cares program. Following the outbreak, the focus of the community healthcare project was changed to help tackle the virus. More than 1,000 people have been tested to date.

Financial highlights

Q1 2020

Adjusted operating income

Adjusted operating income was 31% higher at €214 million (2019: €163 million), despite the impact from COVID-19, driven by margin management and cost-saving programs. Continuous improvement initiatives successfully offset inflation. Transformation and other savings delivered €44 million lower costs (compared with the first quarter of 2019). ROS was up 2.9% at 10.4% (2019: 7.5%).

- Decorative Paints continued to improve despite the impact from COVID-19. Margin management and cost savings more than compensated for lower volumes. ROS was up at 8.5% (2019: 7.2%)
- Performance Coatings improved due to positive price/mix, margin management and cost savings more than offsetting lower volumes from COVID-19. ROS was up at 14.7% (2019: 10.4%)
- Other activities decreased €5 million to €40 million (2019: €35 million)

Operating income

Operating income increased to €187 million (2019: €113 million) and included negative identified items of €27 million, mainly related to transformation costs (2019: €50 million negative identified items, mainly relating to one-off costs for the transformation and non-cash impairments in Performance Coatings, following the implementation of strategic portfolio review). OPI margin improved to 9.1% (2019: 5.2%)

Net financing income/(expenses)

Net financing expenses were flat at €13 million.

Income tax

The effective tax rate was 29.8% (2019: 29.5%). Excluding identified items the effective tax rate in 2020 was 28.4% (2019: 25.8%).

Net income

Net income attributable to shareholders was €114 million (2019: €65 million). Adjusted earnings per share from continuing operations increased to €0.71 (2019: €0.46), including the impact of the share consolidation and share buyback programs.

COVID-19

COVID-19 is having a significant impact on the operations and performance. The top priority of AkzoNobel is the health and safety of employees, their families, and partners. All reasonable steps are being taken to continue serving customers, some of whom are relying on AkzoNobel to provide products across a whole range of critical industries. The supply and demand balance and regulatory situations are complex, constantly evolving, and differ per region and segment. AkzoNobel takes care to fully support and comply with the requirements of relevant authorities. In affected countries and regions, employees are working remotely if their jobs allow.

The pandemic situation is closely monitored and all necessary measures are being taken, including steps to rapidly reduce costs and carefully manage cash flows in the short term. To focus on these priorities, for now we have paused key parts of the transformation and suspended the 2020 financial ambition. Once markets normalize, AkzoNobel intends to resume the positive momentum and drive performance in line with industry frontrunners.

COVID-19 is estimated to have had a negative impact on Q1 revenue of around 5%. Asia was impacted most, with other regions being impacted as from the second half of March. Decorative Paints was impacted more immediately than Performance Coatings due to the lockdown of distribution channels. There is currently little reliable visibility on the second quarter, however end market demand is expected to be significantly below previous year.

The company has a strong balance sheet and solid cash position. At March 31, 2020, cash and cash equivalents were €0.8 billion and the financial leverage (net debt/EBITDA) was 1.2. The company has a €1.3 billion unutilized revolving credit facility with a maturity of 2025. The next bond maturity is €750 million in July 2022. AkzoNobel is committed to retain a strong investment grade credit rating. On April 15, 2020, AkzoNobel received the proceeds of a €750 million bond, with a ten-year maturity and a coupon of 1.625%. In addition, the company has sufficient access to commercial paper and bank credit facilities.

Adjusted operating income

| First quarter | | | |
|----------------------|------------|------------|------------|
| in € millions | 2019 | 2020 | Δ% |
| Decorative Paints | 60 | 64 | 7% |
| Performance Coatings | 138 | 190 | 38% |
| Other activities | (35) | (40) | |
| Total | 163 | 214 | 31% |

ROS%

| First quarter | | | |
|-----------------------------------|-------------|--------------|-------------|
| in € millions | 2019 | 2020 | Δ |
| Decorative Paints ¹ | 7.2% | 8.5% | 1.3% |
| Performance Coatings ¹ | 10.4% | 14.7% | 4.3% |
| Other activities ² | | | |
| Total | 7.5% | 10.4% | 2.9% |
| Excl. Unallocated costs | 9.1% | 12.4% | 3.3% |

¹ ROS% 2019 represented, based on revenue from third parties in stead of total revenue.

² ROS% for Other activities is not shown, as this is not meaningful.

Operating income

| First quarter | | | |
|----------------------|------------|------------|------------|
| in € millions | 2019 | 2020 | Δ% |
| Decorative Paints | 54 | 58 | 7% |
| Performance Coatings | 97 | 182 | 88% |
| Other activities | (38) | (53) | |
| Total | 113 | 187 | 65% |

Operating income to net income

| First quarter | | |
|--|------------|------------|
| in € millions | 2019 | 2020 |
| Operating income | 113 | 187 |
| Net financing expenses | (13) | (13) |
| Results from associates and joint ventures | 5 | 7 |
| Profit before tax | 105 | 181 |
| Income tax | (31) | (54) |
| Profit from continuing operations | 74 | 127 |
| Profit from discontinued operations | - | (1) |
| Profit for the period | 74 | 126 |
| Non-controlling interests | (9) | (12) |
| Net income | 65 | 114 |

Decorative Paints

Highlights Q1 2020

- Revenue was impacted by around 8% due to COVID-19 including the lockdown of distribution channels, mainly in Asia
- ROS up 1.3% at 8.5% (2019: 7.2%) driven by margin management and continued strong performance in EMEA; OPI margin up at 7.7% (2019: 6.5%)

Q1 2020

- Revenue was 10% lower and 8% lower in constant currencies; positive price/mix of 1% was more than offset by 9% lower volumes, mainly due to the impact of COVID-19
- Adjusted operating income increased to €64 million (2019: €60 million), driven by margin management and cost savings more than offsetting lower volumes
- Operating income improved to €58 million (2019: €54 million)

Q1 2020

Revenue was down 10% and 8% lower in constant currencies as positive price/mix of 1% was more than offset by 9% lower volumes, mainly due to the impact of COVID-19.

Adjusted operating income increased to €64 million (2019: €60 million). Margin management and cost savings more than offset lower volumes, resulting in ROS of 8.5% (2019: 7.2%).

Operating income increased to €58 million and was negatively impacted by €6 million identified items related to transformation costs. In 2019, operating income of €54 million was adversely impacted by €6 million identified items.

Europe, Middle East and Africa

Revenue in Q1 was 1% lower, due to successful margin management more than offset by lower volumes. Performance continued to improve, including the UK and France. Strong revenue trends in the first two months were impacted by COVID-19 towards the end of the quarter.

South America

Revenue in Q1 was 13% lower and up 5% in constant currencies, mainly driven by positive price/mix effects following a continued focus on value over volume. Currency devaluations were significant. Pricing initiatives and cost control offset inflation. Revenue was impacted by measures related to COVID-19, particularly distribution in Argentina.

Asia

Revenue in Q1 was 26% lower. Revenues were impacted by lower demand because of COVID-19. In Asia and particularly China, activities were showing initial signs of recovery in March, after being impacted by significantly lower sales in February.



Revenue

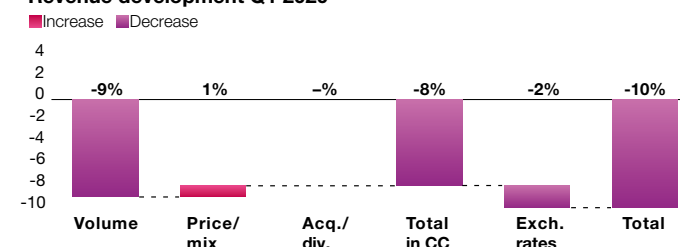
First quarter

| in € millions | 2019 ¹ | 2020 | Δ% | Δ% CC ² |
|--|-------------------|------------|--------------|--------------------|
| Decorative Paints Europe, Middle East and Africa | 498 | 491 | (1%) | (1%) |
| Decorative Paints South America | 98 | 85 | (13%) | 5% |
| Decorative Paints Asia | 240 | 178 | (26%) | (26%) |
| Other activities | - | - | - | - |
| Total | 836 | 754 | (10%) | (8%) |

¹ Represented to present revenue from third parties instead of total revenue.

² Change excluding currency impact.

Revenue development Q1 2020



Key financial figures

First quarter

| in € millions | 2019 | 2020 | Δ% |
|----------------------------|-------|-------|----|
| Adjusted operating income* | 60 | 64 | 7% |
| Identified items* | (6) | (6) | - |
| Operating income | 54 | 58 | 7% |
| ROS%* | 7.2 | 8.5 | - |
| OPI margin%* | 6.5 | 7.7 | - |
| Average invested capital* | 2,903 | 2,993 | - |
| ROI%* | 12.0 | 14.1 | - |

*Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on page 12.

Rapid response contributes to construction of hospital in China

When Chinese authorities announced they were about to rapidly construct a hospital in Yinchuan – capital city of the Ningxia Hui Autonomous Region – the local AkzoNobel organization sprang into action. The facility was being built as an expansion project at the existing Fourth People's Hospital of Ningxia. However, as the work was taking place during the Spring Festival in February, paint was in short supply. AkzoNobel moved quickly to donate 450 tins of Dulux Pro interior emulsion during the early days of the project. It helped to ensure that the new buildings could be completed on time (in just 15 days) as part of an urgent local response to the COVID-19 outbreak.

Performance Coatings

Highlights Q1 2020

- Revenue was impacted by around 3% due to COVID-19, mainly to the automotive industry and in Asia
- ROS up 4.3% at 14.7% (2019: 10.4%) driven by margin management and cost discipline; OPI margin up at 14.1% (2019: 7.3%)

Q1 2020

- Revenue was 3% lower and 3% lower in constant currencies, with 3% positive price/mix and 1% added through acquisitions, offset by 7% lower volumes, mainly due to the impact of COVID-19 on end market demand
- Adjusted operating income was up at €190 million (2019: €138 million) as margin management and cost savings more than offset lower volumes
- Operating income improved to €182 million (2019: €97 million)

Q1 2020

Revenue was 3% lower, and the same in constant currencies. Price/mix was 3% positive and acquisitions added 1%, while volumes were 7% lower, mainly due to the impact of COVID-19 on customer demand and softer end market demand, including the automotive industry.

Adjusted operating income increased to €190 million (2019: €138 million) as margin management and cost control more than compensated for lower volumes.

Operating income at €182 million was adversely impacted by €8 million identified items, mainly related to the transformation of the organization. In 2019, operating income of €97 million was adversely impacted by €41 million identified items, mainly relating to the transformation of the organization and non-cash impairments in Industrial Coatings, following the implementation of our portfolio management.

Powder Coatings

Revenue in Q1 was 6% lower and 5% lower in constant currencies. Price/mix was flat and volumes were lower, mainly to the automotive industry and in Asia, which were significantly impacted by COVID-19.

Marine and Protective Coatings

Revenue in Q1 was 2% lower. Profitability continued to improve due to measures focused on restructuring and right-sizing, in particular in Marine Coatings.

Automotive and Specialty Coatings

Revenue in Q1 was 2% lower and 1% lower in constant currencies, with positive price/mix offset by lower volumes. Automotive and Specialty

Coatings was affected by the impact of COVID-19 on customer demand, which particularly impacted our vehicle refinishes and consumer electronics businesses. Demand for aerospace coatings started strong and decreased at the end of the quarter.

Industrial Coatings

Revenue in Q1 was 2% lower, mainly due to lower volumes following our value over volume strategy. Strategic portfolio management was implemented. Demand for packaging coatings continued its strong momentum in all regions. Demand for wood coatings remained slow, in particular in North America, as well as parts of Asia.



Supply deal secured with leading car manufacturer

The BMW Group has chosen AkzoNobel to be a trusted supplier of vehicle refinish products and services to a large part of its distribution network around the world. The deal came into effect on February 1, 2020. Covering 44 locations, the agreement means that the company's premium Sikkens and Lesonal brands are now approved for paint repairs of BMW and Mini passenger cars at authorized dealers, repairers, importers and national BMW Group branches.

Revenue

First quarter

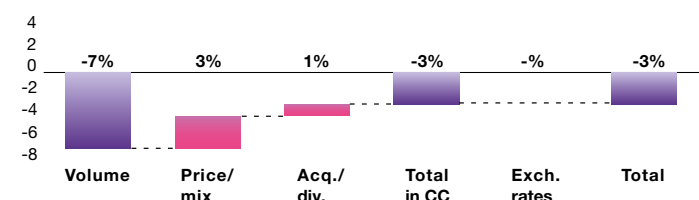
| in € millions | 2019 ¹ | 2020 | Δ% | CC ² |
|-----------------------------------|-------------------|--------------|-------------|-----------------|
| Powder Coatings | 298 | 281 | (6%) | (5%) |
| Marine and Protective Coatings | 295 | 290 | (2%) | (2%) |
| Automotive and Specialty Coatings | 319 | 314 | (2%) | (1%) |
| Industrial Coatings | 420 | 410 | (2%) | (2%) |
| Other activities | 1 | - | | |
| Total | 1,333 | 1,295 | (3%) | (3%) |

¹ Represented to present revenue from third parties instead of total revenue.

² Change excluding currency impact.

Revenue development Q1 2020

■ Increase ■ Decrease



Key financial figures

First quarter

| in € millions | 2019 | 2020 | Δ% |
|----------------------------|-------|-------|-----|
| Adjusted operating income* | 138 | 190 | 38% |
| Identified items* | (41) | (8) | |
| Operating income | 97 | 182 | 88% |
| ROS%* | 10.4 | 14.7 | |
| OPI margin%* | 7.3 | 14.1 | |
| Average invested capital* | 3,146 | 3,368 | |
| ROI%* | 20.1 | 22.0 | |

* Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on page 12.

Condensed consolidated financial statements

Condensed consolidated statement of income

| Condensed consolidated statement of income | | |
|---|------------|------------|
| First quarter | | |
| in € millions | 2019 | 2020 |
| Continuing operations | | |
| Revenue | 2,185 | 2,058 |
| Cost of sales | (1,272) | (1,142) |
| Gross profit | 913 | 916 |
| SG&A costs | (799) | (729) |
| Other results | (1) | - |
| Operating income | 113 | 187 |
| Net financing expenses | (13) | (13) |
| Results from associates and joint ventures | 5 | 7 |
| Profit before tax | 105 | 181 |
| Income tax | (31) | (54) |
| Profit for the period from continuing operations | 74 | 127 |
| Discontinued operations | | |
| Profit for the period from discontinued operations | - | (1) |
| Profit for the period | 74 | 126 |
| Attributable to | | |
| Shareholders of the company | 65 | 114 |
| Non-controlling interests | 9 | 12 |
| Profit for the period | 74 | 126 |

Condensed consolidated statement of comprehensive income

| Condensed consolidated statement of comprehensive income | | | |
|---|------------|------------|--|
| First quarter | | | |
| in € millions | 2019 | 2020 | |
| Profit for the period | 74 | 126 | |
| Other comprehensive income | | | |
| Exchange differences arising on translation of foreign operations | 150 | (241) | |
| Post-retirement benefits | (111) | 752 | |
| Tax relating to components of other comprehensive income | 24 | (60) | |
| Other comprehensive income for the period (net of tax) | 63 | 451 | |
| Comprehensive income for the period | 137 | 577 | |
| Comprehensive income for the period attributable to | | | |
| Shareholders of the company | 125 | 573 | |
| Non-controlling interests | 12 | 4 | |
| Comprehensive income for the period | 137 | 577 | |

Condensed consolidated balance sheet

| Condensed consolidated balance sheet | | |
|---|-------------------|----------------|
| in € millions | December 31, 2019 | March 31, 2020 |
| Assets | | |
| Non-current assets | | |
| Intangible assets | 3,625 | 3,564 |
| Property, plant and equipment | 1,700 | 1,637 |
| Right-of-use assets | 374 | 363 |
| Other non-current assets | 2,541 | 3,248 |
| Total non-current assets | 8,240 | 8,812 |
| Current assets | | |
| Inventories | 1,139 | 1,210 |
| Trade and other receivables | 2,133 | 2,250 |
| Other current assets | 63 | 65 |
| Short-term investments | 138 | 2 |
| Cash and cash equivalents | 1,271 | 832 |
| Total current assets | 4,744 | 4,359 |
| Total assets | 12,984 | 13,171 |
| Equity and liabilities | | |
| Group equity | | |
| | 6,568 | 6,691 |
| Non-current liabilities | | |
| Provisions and deferred tax liabilities | 1,372 | 1,434 |
| Long-term borrowings | 2,042 | 2,036 |
| Total non-current liabilities | 3,414 | 3,470 |
| Current liabilities | | |
| Short-term borrowings | 169 | 295 |
| Trade and other payables | 2,406 | 2,321 |
| Other short-term liabilities | 427 | 394 |
| Total current liabilities | 3,002 | 3,010 |
| Total equity and liabilities | 12,984 | 13,171 |

Shareholders' equity

Shareholders' equity increased from €6.4 billion at year-end 2019 to €6.5 billion at March 31, 2020, mainly due to the net effect of:

- Share repurchase of €428 million (including taxes)
- Profit for the period of €114 million
- Currency effects of €229 million negative (including taxes)
- Post-retirements benefits of €688 million (including taxes)

Dividend

The company's dividend policy is to pay a stable to rising dividend. A final 2019 dividend of €1.49 per common share is proposed for approval at the AGM, which would equal a total 2019 dividend of €1.90 (2018: €1.80).

Please refer to the final page of this report for the dividend payment dates.

On October 23, 2019, a €500 million share buyback program was announced, of which €408 million (5.3 million common shares) was executed during Q1 2020.

Outstanding share capital

The outstanding share capital was 199.9 million common shares at the end of March 2020. This included 8.5 million shares acquired in the share buyback program, which had not yet been cancelled. The weighted average number of shares in Q1 2020 was 194.0 million. This number of shares was the basis for the calculation of earnings per share in Q1 2020.

Changes in equity

| in € millions | Subscribed share capital | Additional paid-in capital | Cumulative translation reserves | Other (legal) reserves and undistributed profit | Shareholders' equity | Non-controlling interests | Group equity |
|--|--------------------------|----------------------------|---------------------------------|---|----------------------|---------------------------|---------------|
| Balance at December 31, 2018 | 512 | 958 | (608) | 10,972 | 11,834 | 204 | 12,038 |
| Profit for the period | – | – | – | 65 | 65 | 9 | 74 |
| Other comprehensive income | – | – | 153 | (93) | 60 | 3 | 63 |
| Comprehensive income for the period | – | – | 153 | (28) | 125 | 12 | 137 |
| Dividend | – | – | – | (1,026) | (1,026) | (2) | (1,028) |
| Share repurchase | – | – | – | (327) | (327) | – | (327) |
| Capital repayment and share consolidation | (399) | (958) | – | (643) | (2,000) | – | (2,000) |
| Equity-settled transactions | – | – | – | 5 | 5 | – | 5 |
| Issue of common shares | 1 | – | – | (1) | – | – | – |
| Balance at March 31, 2019 | 114 | – | (455) | 8,952 | 8,611 | 214 | 8,825 |
| Balance at December 31, 2019 | 100 | – | (469) | 6,719 | 6,350 | 218 | 6,568 |
| Profit for the period | – | – | – | 114 | 114 | 12 | 126 |
| Other comprehensive income | – | – | (229) | 688 | 459 | (8) | 451 |
| Comprehensive income for the period | – | – | (229) | 802 | 573 | 4 | 577 |
| Dividend | – | – | – | – | – | (1) | (1) |
| Share buyback | – | – | – | (428) | (428) | – | (428) |
| Equity-settled transactions | – | – | – | 4 | 4 | – | 4 |
| Acquisitions and divestments | – | – | – | (22) | (22) | (7) | (29) |
| Balance at March 31, 2020 | 100 | – | (698) | 7,075 | 6,477 | 214 | 6,691 |

Cash flows and net debt

Net cash from operating activities in Q1 2020 resulted in an outflow of €160 million (2019: outflow of €885 million). This increase driven by increased profit for the period, lower outflow for pension pre-funding, lower outflow for post-retirement benefit provisions and lower working capital outflow, which was partly offset by higher changes in other provisions.

The Q1 2019 pension pre-funding concerns €161 million transferred into an escrow account for the Akzo Nobel (CPS) Pension Scheme. Q1 2019 changes in post-retirement benefit provisions include top-up payments of €478 million. These payments were made following the conclusion of the negotiations on the triennial review of the main UK defined benefit pension schemes.

Net cash from investing activities in Q1 2020 resulted in an inflow of €102 million (2019: inflow of €2,724 million). Net cash from investing activities in Q1 2020 is mainly related to an outflow for capital expenditures of €46 million and an inflow from lower short-term investments of €135 million.

Net cash from financing activities in Q1 2020 resulted in an outflow of €395 million (2019: outflow of €3,355 million). Net cash from financing activities mainly related to an outflow for the share buyback (€413 million, including some shares repurchased in December 2019), an outflow for the buy-out of non-controlling interests (€30 million) and a net inflow from changes of borrowings (€49 million).

At March 31, 2020, net debt was €1,496 million versus €802 million at year-end 2019. This was mainly due to the share buyback (€413 million), an outflow of the net cash from operating activities (€160 million), capital expenditures (€46 million) and the buy-out of non-controlling interests (€30 million). The net debt/EBITDA leverage ratio at March 31, 2020, was 1.2 (March 31, 2019: 1.4 negative).

On April 15, 2020, the proceeds of a €750 million bond, with a ten-year maturity and a coupon of 1.625%, were received. In addition, AkzoNobel has sufficient access to commercial paper and bank credit facilities.

Condensed consolidated statements of cash flows

| First quarter in € millions | 2019 | 2020 |
|---|----------------|--------------|
| Net cash and cash equivalents at beginning of period | 2,732 | 1,210 |
| Profit for the period from continuing operations | 74 | 127 |
| Amortization and depreciation | 85 | 90 |
| Impairment losses | 33 | - |
| Financing income and expenses | 13 | 13 |
| Results from associates and joint ventures | (5) | (7) |
| Income tax | 31 | 54 |
| Changes in working capital | (421) | (353) |
| Pension pre-funding* | (161) | - |
| Changes in post-retirement benefit provisions | (482) | (9) |
| Changes in other provisions | (16) | (29) |
| Interest paid | (6) | (5) |
| Income tax paid | (30) | (34) |
| Other changes | - | (7) |
| Net cash from operating activities | (885) | (160) |
| Capital expenditures | (37) | (46) |
| Acquisitions and divestments net of cash acquired/divested | 3 | 1 |
| Investment in short-term investments | (295) | - |
| Repayments of short-term investments | 3,054 | 135 |
| Other changes | (1) | 12 |
| Net cash from investing activities | 2,724 | 102 |
| Changes from borrowings | (25) | 49 |
| Dividend paid | (1,026) | (1) |
| Capital repayment | (2,000) | - |
| Buy-back of shares | (303) | (413) |
| Buy-out of non-controlling interests | - | (30) |
| Other changes | (1) | - |
| Net cash from financing activities | (3,355) | (395) |
| Net cash used for continuing operations | (1,516) | (453) |
| Cash flows from discontinued operations | - | (1) |
| Net change in cash and cash equivalents of continued and discontinued operations | (1,516) | (454) |
| Effect of exchange rate changes on cash and cash equivalents | 23 | (37) |
| Net Cash and cash equivalents at March 31 | 1,239 | 719 |

* Pension pre-funding 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.

Free cash flows

The cash generation in Q1 2020 improved compared to Q1 2019, mainly due to higher EBITDA, lower pre-pension funding, lower pension top-up payments and lower outflow for working capital. Excluding the impact of pension pre-funding and pension top-up payments the cash generation in Q1 2020 improved by €82 million, mainly due to higher EBITDA and lower outflow for working capital.

Consolidated statement of free cash flows

| First quarter in € millions | 2019 | 2020 |
|---|--------------|--------------|
| EBITDA | 198 | 277 |
| Impairment losses | 33 | - |
| Changes in working capital | (421) | (353) |
| Pension pre-funding | (161) | - |
| Pension top-up payments | (478) | (5) |
| Other changes in provisions | (20) | (33) |
| Interest paid | (6) | (5) |
| Income tax paid | (30) | (34) |
| Other | - | (7) |
| Net cash from operating activities | (885) | (160) |
| Capital expenditures | (37) | (46) |
| Free cash flow | (922) | (206) |

Invested capital

Invested capital at March 31, 2020, totaled €7.1 billion, up €0.1 billion from year-end 2019, mainly due to higher operating working capital (trade), partially offset by lower currencies.

Operating working capital (Trade)

Operating working capital (trade) as percentage of revenue increased to 16.5% in Q1 of 2020, compared with 14.4% in Q1 2019, mainly due to higher trade receivables as a percentage of revenue. In addition trade payables were lower. Weekly demand and supply reviews to closely manage trade receivables and inventories have been put in place in response to COVID-19.

Pension

The net balance sheet position (according to IAS19) of the pension plans at the end of Q1 2020 was a surplus of €1.6 billion (year-end 2019: surplus of €0.8 billion). The development during the quarter was the result of the net effect of:

- Higher discount rates in key countries
- Lower inflation rates in key countries

Offset by:

- Lower asset returns in key countries

Workforce

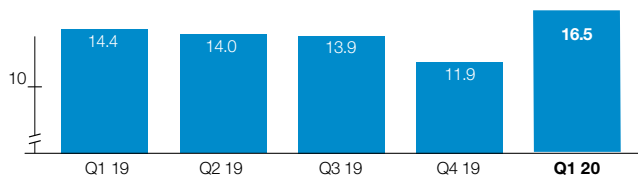
At March 31, 2020, the number of people employed was 33,500 (March 31, 2019: 34,400). Acquisitions in 2019 added around 150 people.

Invested capital

| in € millions | March 31, 2019 | December 31, 2019 | March 31, 2020 |
|---|----------------|-------------------|----------------|
| Trade receivables | 2,032 | 1,812 | 1,934 |
| Inventories | 1,226 | 1,139 | 1,210 |
| Trade payables | (1,997) | (1,883) | (1,789) |
| Operating working capital (Trade) | 1,261 | 1,068 | 1,355 |
| Other working capital items | (357) | (335) | (340) |
| Non-current assets | 8,213 | 8,240 | 8,812 |
| Less investments in associates and joint ventures | (143) | (150) | (156) |
| Less pension assets | (1,461) | (1,418) | (2,155) |
| Deferred tax liabilities | (384) | (391) | (464) |
| Invested capital | 7,129 | 7,014 | 7,052 |

Operating working capital (Trade)

In % of revenue



Automotive training center in Poland doubled in size

One of the company's automotive training centers has been given a new lease of life. Now restored and expanded, the new facility in Pruszków, Poland, has doubled in size and is the company's most advanced automotive training center in Europe. Featuring state-of-the-art equipment, it will serve as a hub of learning and collaboration, hosting more than 1,000 people a year.

Notes to the condensed consolidated financial statements

General information

Akzo Nobel N.V. is a public limited liability company headquartered in Amsterdam, the Netherlands. The interim condensed consolidated financial statements include the financial statements of Akzo Nobel N.V. and its consolidated subsidiaries (in this document referred to as "AkzoNobel", "Group" or "the company").

The company was incorporated under the laws of the Netherlands and is listed on Euronext Amsterdam.

Basis of preparation

All quarterly figures are unaudited. The interim condensed consolidated financial statements were discussed and approved by the Board of Management and Supervisory Board. These condensed financial statements have been authorized for issue. The interim condensed consolidated financial statements should be read in conjunction with AkzoNobel's consolidated financial statements in the 2019 Report as published on March 10, 2020. The financial statements are proposed for adoption by the Annual General Meeting of shareholders on April 23, 2020. In accordance with Article 393 of Book 2 of the Dutch Civil Code, PricewaterhouseCoopers Accountants N.V. has issued an unqualified auditor's opinion on these financial statements.

Accounting policies

The significant accounting policies applied in the condensed consolidated interim financial statements are consistent with those applied in AkzoNobel's consolidated financial statements for the year ended December 31, 2019, except for IFRS standards and interpretations effective on January 1, 2020. These include amongst others amendments to IFRS 3 "Definition of a Business", amendments to IAS 1 and IAS 8 "Definition of Material" and "Amendments to References to the Conceptual Framework in IFRS Standards". These changes have been assessed for their potential impact and do not have a material effect on AkzoNobel's Consolidated financial statements.

The interim condensed consolidated financial statements have not been prepared in accordance with IAS 34 "Interim financial reporting". The only exception to IAS 34 is related to any valuation adjustments to our asset base, that might be required as a result of the possible impact of COVID-19 on our future profitability and cash flow generation. This is due to the fact that we do not yet have sufficient longer-term visibility of this impact. Most importantly, no assessment has been performed

during Q1 of the impact of COVID-19 on the recoverability of the book value of non-current assets and on the recoverability of deferred tax assets. Other than this, the Q1 report is based on the accounting principles as applied in our 2019 financial statements and complies with IAS 34 "Interim financial reporting".

Seasonality

Revenue and results in Decorative Paints are impacted by seasonal influences. Revenue and profitability tend to be higher in the second and third quarter of the year as weather conditions determine whether paints and coatings can be applied. In Performance Coatings, revenue and profitability vary with building patterns from original equipment manufacturers.

Other activities

In Other activities, we report activities which are not allocated to a particular segment.

Related parties

We purchased and sold goods and services to various related parties in which we hold a 50% or less equity interest (associates and joint ventures). Such transactions were conducted at arm's length with terms

comparable with transactions with third parties. We consider the members of the Executive Committee and the Supervisory Board to be the key management personnel as defined in IAS 24 "Related parties". In the ordinary course of business, we have transactions with various organizations with which certain of the members of the Supervisory Board and Executive Committee are associated. All related party transactions were conducted at arm's length.

Revenue disaggregation

The table below reflects the disaggregation of revenue. Additional disaggregation of revenue is included on the respective pages of Decorative Paints and Performance Coatings.

Revenue disaggregation

First quarter

| in € millions | Decorative Paints | Performance Coatings | Other | Total |
|--|-------------------|----------------------|----------|--------------|
| Primary geographical markets - revenue from third parties | | | | |
| The Netherlands | 49 | 26 | 9 | 84 |
| Other European Countries | 406 | 497 | – | 903 |
| US and Canada | – | 293 | – | 293 |
| South America | 85 | 83 | – | 168 |
| Asia | 178 | 303 | – | 481 |
| Other regions | 36 | 93 | – | 129 |
| Total | 754 | 1,295 | 9 | 2,058 |
| Timing of revenue recognition | | | | |
| Goods transferred at a point in time | 748 | 1,249 | – | 1,997 |
| Services transferred over time | 6 | 46 | 9 | 61 |
| Total | 754 | 1,295 | 9 | 2,058 |

Alternative performance measures

In presenting and discussing AkzoNobel's operating results, management uses certain alternative performance measures (APM) not defined by IFRS, which exclude the so-called identified items that are generated outside the normal course of business. These alternative performance measures should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used as supplementary information in conjunction with the most directly comparable IFRS measures. Alternative performance measures do not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Where a non-financial measure is used to calculate an operational or statistical ratio, this is also considered an APM.

AkzoNobel uses APM adjustments to the IFRS measures to provide supplementary information on the reporting of the underlying developments of the business. These APM adjustments may affect the IFRS measures operating income, net profit and earnings per share. A reconciliation of the alternative performance measures to the most directly comparable IFRS measures can be found in the tables for adjusted operating income and adjusted earnings from continuing operations on this page.

OPI margin, ROS% and ROS% excluding unallocated costs are used as performance measures. OPI margin is operating income as percentage of revenue. ROS% is adjusted operating income as percentage of revenue. ROS% excluding unallocated costs is adjusted operating income as percentage of revenue for Decorative Paints and Performance Coatings; it excludes unallocated corporate center costs. The calculations are based on the revenue as disclosed in the revenue table on page 4.

Operating income

| First quarter | | | |
|----------------------|------------|------------|------------|
| in € millions | 2019 | 2020 | Δ% |
| Decorative Paints | 54 | 58 | 7% |
| Performance Coatings | 97 | 182 | 88% |
| Other activities | (38) | (53) | |
| Total | 113 | 187 | 65% |

Identified items

| First quarter | | | |
|----------------------|-------------|-------------|--------------|
| in € millions | 2019 | 2020 | Δ% |
| Decorative Paints | (6) | (6) | -% |
| Performance Coatings | (41) | (8) | (80%) |
| Other activities | (3) | (13) | |
| Total | (50) | (27) | (46%) |

Adjusted operating income

| First quarter | | | |
|------------------------------------|------------|------------|------------|
| in € millions | 2019 | 2020 | Δ% |
| Decorative Paints | 60 | 64 | 7% |
| Performance Coatings | 138 | 190 | 38% |
| Excluding unallocated costs | 198 | 254 | 28% |
| Other activities | (35) | (40) | |
| Total | 163 | 214 | 31% |

OPI margin

| First quarter | | | |
|----------------------|-------------|-------------|-------------|
| in € millions | 2019 | 2020 | Δ% |
| Decorative Paints | 6.5% | 7.7% | 1.2% |
| Performance Coatings | 7.3% | 14.1% | 6.8% |
| Other activities* | | | |
| Total | 5.2% | 9.1% | 3.9% |

ROS%

| First quarter | | | |
|----------------------|-------------|--------------|-------------|
| in € millions | 2019 | 2020 | Δ |
| Decorative Paints | 7.2% | 8.5% | 1.3% |
| Performance Coatings | 10.4% | 14.7% | 4.3% |
| Other activities* | | | |
| Total | 7.5% | 10.4% | 2.9% |

* ROS% and OPI margin for Other activities is not shown, as this is not meaningful.

ROS% excluding unallocated costs

| First quarter | | |
|--|--------------|--------------|
| in € millions | 2019 | 2020 |
| Total revenue | 2,185 | 2,058 |
| Less: revenue unallocated | (16) | (9) |
| Revenue excluding unallocated revenue | 2,169 | 2,049 |

| | | |
|---|------------|------------|
| Adjusted operating income excluding unallocated costs* | 198 | 254 |
|---|------------|------------|

| | | |
|---|------------|-------------|
| ROS% excluding unallocated costs | 9.1 | 12.4 |
|---|------------|-------------|

* Adjusted operating income excluding unallocated costs equals the totals of the adjusted operating incomes of Decorative Paints and Performance Coatings as calculated in the table Adjusted operating income.

Adjusted earnings per share from continuing operations

| First quarter | | |
|--|------|------|
| in € millions | 2019 | 2020 |
| Profit before tax from continuing operations | 105 | 181 |
| Identified items reported in operating income | 50 | 27 |
| Adjusted income tax | (39) | (59) |
| Non-controlling interests | (9) | (12) |
| Adjusted net income from continuing operations | 107 | 137 |

| | | |
|-----------------------------------|-------|-------|
| Weighted average number of shares | 234.3 | 194.0 |
|-----------------------------------|-------|-------|

| | | |
|---|-------------|-------------|
| Adjusted earnings per share from continuing operations | 0.46 | 0.71 |
|---|-------------|-------------|

ROI is adjusted operating income of the last 12 months as percentage of average invested capital. ROI excluding unallocated cost is 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.

Average invested capital

April 2019 - March 2020

| in € millions | 2019 | 2020 | Δ% |
|----------------------|--------------|--------------|-----------|
| Decorative Paints | 2,903 | 2,993 | 3% |
| Performance Coatings | 3,146 | 3,368 | 7% |
| Other activities | 445 | 710 | |
| Total | 6,494 | 7,071 | 9% |

ROI%

April 2019 - March 2020

| in € millions | 2019 | 2020 | Δ% |
|----------------------|--------------|--------------|-------------|
| Decorative Paints | 12.0% | 14.1% | 2.1% |
| Performance Coatings | 20.1% | 22.0% | 1.9% |
| Other activities* | | | |
| Total | 12.5% | 14.7% | 2.2% |

* ROI% for Other activities is not shown, as this is not meaningful.

ROI% excluding unallocated costs

April 2019 - March 2020

| in € millions | 2019 | 2020 |
|---|--------------|--------------|
| Average invested capital | 6,494 | 7,071 |
| Less: unallocated average invested capital | (445) | (710) |
| Average invested capital excluding unallocated capital | 6,049 | 6,361 |
| Adjusted operating income excluding unallocated costs | 982 | 1,163 |
| Total | 16.2 | 18.3 |

The leverage ratio is calculated based on the net debt per balance sheet position divided by EBITDA of the last 12 months.

EBITDA

April 2019 - March 2020

| in € millions | 2019 | 2020 |
|-------------------------------|------------|--------------|
| Operating income | 610 | 915 |
| Depreciation and amortization | 264 | 365 |
| EBITDA | 874 | 1,280 |

Net debt

| in € millions | March 31, 2019 | March 31, 2020 |
|---------------------------|----------------|----------------|
| Short-term investments | (2,701) | (2) |
| Cash and cash equivalents | (1,334) | (832) |
| Long-term borrowings | 2,065 | 2,036 |
| Short-term borrowings | 711 | 294 |
| Net debt | (1,259) | 1,496 |

Leverage ratio

| in € millions | March 31, 2019 | March 31, 2020 |
|-----------------------|----------------|----------------|
| Net debt | (1,259) | 1,496 |
| EBITDA | 874 | 1,280 |
| Leverage ratio | (1.4) | 1.2 |

Revenue representation

Revenue of 2019 is represented to present revenue from third parties instead of total revenue. The table below reflects the 2019 Q1 revenue as reported in 2019 and the represented revenue for Q1 2019 as included in this report. The quarterly statistics on page 15 of this report reflect the represented quarterly revenue for 2019.

Representation of revenue 2019

First quarter

| in € millions | Reported | Represented |
|--|--------------|--------------|
| Decorative Paints Europe, Middle East and Africa | 506 | 498 |
| Decorative Paints South America | 99 | 98 |
| Decorative Paints Asia | 240 | 240 |
| Other/eliminations | (1) | - |
| Decorative Paints total | 844 | 836 |
| Powder Coatings | 298 | 298 |
| Marine and Protective Coatings | 300 | 295 |
| Automotive and Specialty Coatings | 336 | 319 |
| Industrial Coatings | 424 | 420 |
| Other/eliminations | (19) | 1 |
| Performance Coatings total | 1,339 | 1,333 |
| Other/eliminations | 2 | 16 |
| Total | 2,185 | 2,185 |

Outlook:

AkzoNobel has paused key parts of the company's transformation and suspended its 2020 financial ambition in response to the significant market disruption resulting from the COVID-19 pandemic. Headwinds related to COVID-19 are increasing for most parts of the world and will have a significant impact during Q2. 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. Once markets normalize, AkzoNobel intends to resume its positive momentum and drive performance in line with industry frontrunners. The company targets a leverage ratio of 1-2 times net debt/EBITDA by the end of 2020 and commits to retain a strong investment grade credit rating.

**Amsterdam, April 21, 2020
The Board of Management**

Thierry Vanlancker
Maarten de Vries

**First wave of sustainability ambitions for 2030 announced**

The first in a series of challenging sustainability ambitions has been announced by AkzoNobel, designed to accelerate the newly focused paints and coatings company towards zero waste and cut carbon emissions in half by 2030. These two key ambitions – and their related targets – are the first in a wave of measures and focus on the "Planet" element of the company's new "People. Planet. Paint." approach to sustainability. The associated targets for 2030 include a 30% reduction in energy use, 100% renewable electricity, 100% water reuse at the company's most water intensive sites and zero non-reusable waste.

Paints and Coatings

Quarterly statistics

| | Q1 | Q2 | Q3 | Q4 | 2019 year | in € millions | 2020 Q1 |
|---|--------------|--------------|--------------|--------------|--------------|---|--------------|
| Revenue¹ | | | | | | | |
| | 836 | 997 | 968 | 868 | 3,669 | Decorative Paints | 754 |
| | 1,333 | 1,438 | 1,413 | 1,366 | 5,550 | Performance Coatings | 1,295 |
| | 16 | 16 | 17 | 8 | 57 | Other activities | 9 |
| | 2,185 | 2,451 | 2,398 | 2,242 | 9,276 | Total | 2,058 |
| Adjusted EBITDA (excluding identified items) | | | | | | | |
| | 95 | 177 | 174 | 127 | 573 | Decorative Paints | 100 |
| | 182 | 241 | 238 | 200 | 861 | Performance Coatings | 230 |
| | (29) | (24) | (25) | (15) | (93) | Other activities | (28) |
| | 248 | 394 | 387 | 312 | 1,341 | Total | 302 |
| | 11.4 | 16.1 | 16.1 | 13.9 | 14.4 | Adjusted EBITDA margin (in %) | 14.7 |
| Depreciation (excluding identified items)² | | | | | | | |
| | (30) | (35) | (34) | (35) | (134) | Decorative Paints | (31) |
| | (34) | (35) | (35) | (31) | (135) | Performance Coatings | (31) |
| | (5) | (4) | (4) | (8) | (21) | Other activities | (10) |
| | (69) | (74) | (73) | (74) | (290) | Total | (72) |
| Amortization (excluding identified items)² | | | | | | | |
| | (5) | (6) | (5) | (5) | (21) | Decorative Paints | (5) |
| | (10) | (9) | (9) | (10) | (38) | Performance Coatings | (9) |
| | (1) | – | – | – | (1) | Other activities | (2) |
| | (16) | (15) | (14) | (15) | (60) | Total | (16) |
| Adjusted operating income (excluding identified items) | | | | | | | |
| | 60 | 136 | 135 | 87 | 418 | Decorative Paints | 64 |
| | 138 | 197 | 194 | 159 | 688 | Performance Coatings | 190 |
| | (35) | (28) | (29) | (23) | (115) | Other activities | (40) |
| | 163 | 305 | 300 | 223 | 991 | Total | 214 |
| | 7.5 | 12.4 | 12.5 | 9.9 | 10.7 | ROS% | 10.4 |
| | 9.1 | 13.7 | 13.8 | 11.0 | 12.0 | ROS% excluding unallocated costs | 12.4 |

¹ 2019 figures represented to present revenue from third parties instead of total revenue.

² Depreciation and amortization of Q4 2019 and full-year 2019 is excluding €10 million of depreciation and amortization, which are recognized as identified items on the next page. Depreciation and amortization of Q1 2020 is excluding €2 million of depreciation and amortization, which are recognized as identified items on the next page.

Paints and Coatings

Quarterly statistics

| | | | | 2019 | | 2020 |
|---|-------------|-------------|-------------|--------------|--|-------------|
| Q1 | Q2 | Q3 | Q4 | year | in € millions | Q1 |
| Identified items per Business Area | | | | | | |
| (6) | 30 | (5) | (12) | 7 | Decorative Paints | (6) |
| (41) | (23) | (38) | (21) | (123) | Performance Coatings | (8) |
| (3) | (4) | (10) | (17) | (34) | Other activities | (13) |
| (50) | 3 | (53) | (50) | (150) | Total | (27) |
| Operating income | | | | | | |
| 54 | 166 | 130 | 75 | 425 | Decorative Paints | 58 |
| 97 | 174 | 156 | 138 | 565 | Performance Coatings | 182 |
| (38) | (32) | (39) | (40) | (149) | Other activities | (53) |
| 113 | 308 | 247 | 173 | 841 | Total | 187 |
| Reconciliation net financing income/(expenses) | | | | | | |
| 5 | 4 | 4 | 4 | 17 | Financing income | 4 |
| (17) | (20) | (21) | (18) | (76) | Financing expenses | (15) |
| (12) | (16) | (17) | (14) | (59) | Net interest on net debt | (11) |
| Other interest movements | | | | | | |
| 5 | 6 | 4 | 6 | 21 | Financing expenses related to post-retirement benefits | 4 |
| (3) | (2) | (8) | (1) | (14) | Interest on provisions | (2) |
| (3) | (6) | (6) | (9) | (24) | Other items | (4) |
| (1) | (2) | (10) | (4) | (17) | Net other financing charges | (2) |
| (13) | (18) | (27) | (18) | (76) | Net financing expenses* | (13) |
| Quarterly net income analysis | | | | | | |
| 5 | 5 | 6 | 4 | 20 | Results from associates and joint ventures | 7 |
| 105 | 295 | 226 | 159 | 785 | Profit before tax | 181 |
| (31) | (69) | (51) | (79) | (230) | Income tax | (54) |
| 74 | 226 | 175 | 80 | 555 | Profit for the period from continuing operations | 127 |
| 30 | 23 | 23 | 50 | 29 | Effective tax rate (in %) | 30 |

AkzoNobel

Quarterly statistics

| | Q1 | Q2 | Q3 | Q4 | 2019 year | | 2020 Q1 |
|---|-------------|-------------|-------------|-------------|--------------|--|-------------|
| Earnings per share from continuing operations (in €) | | | | | | | |
| | 0.28 | 1.00 | 0.79 | 0.38 | 2.43 | Basic | 0.59 |
| | 0.28 | 1.00 | 0.79 | 0.38 | 2.42 | Diluted | 0.59 |
| Earnings per share from discontinued operations (in €) | | | | | | | |
| | – | 0.07 | – | 0.03 | 0.10 | Basic | – |
| | – | 0.07 | – | 0.03 | 0.10 | Diluted | – |
| Earnings per share from total operations (in €) | | | | | | | |
| | 0.28 | 1.07 | 0.79 | 0.41 | 2.53 | Basic | 0.59 |
| | 0.28 | 1.07 | 0.79 | 0.41 | 2.52 | Diluted | 0.59 |
| Number of shares (in millions) | | | | | | | |
| | 234.3 | 215.7 | 204.3 | 198.5 | 213.1 | Weighted average number of shares* | 194.0 |
| | 223.9 | 208.7 | 200.2 | 196.4 | 196.4 | Number of shares at end of quarter* | 191.4 |
| Adjusted earnings from continuing operations (in € millions) | | | | | | | |
| | 105 | 295 | 226 | 159 | 785 | Profit before tax from continuing operations | 181 |
| | 50 | (3) | 53 | 50 | 150 | Identified items reported in operating income | 27 |
| | (39) | (73) | (68) | (57) | (237) | Adjusted income tax | (59) |
| | (9) | (11) | (13) | (5) | (38) | Non-controlling interests | (12) |
| | 107 | 208 | 198 | 147 | 660 | Adjusted net income from continuing operations | 137 |
| | 0.46 | 0.96 | 0.97 | 0.74 | 3.10 | Adjusted earnings per share from continuing operations (in €) | 0.71 |

* After share buyback

Glossary

Adjusted earnings per share are the basic earnings per share from operations, excluding identified items and taxes thereon.

Adjusted EBITDA is operating income excluding depreciation, amortization and identified items.

Adjusted operating income is operating income excluding identified items.

Capital expenditures is the total of investments in property, plant and equipment and investments in intangible assets.

Comprehensive income is the change in equity during a period resulting from transactions and other events other than those changes resulting from transactions with shareholders in their capacity as shareholders.

Constant currencies calculations exclude the impact of changes in foreign exchange rates.

EBITDA is operating income excluding depreciation and amortization.

EBITDA margin is EBITDA as percentage of revenue.

Emerging Europe: Central and Eastern Europe (excluding Austria), Baltic States and Turkey.

Mature Europe: Western, Northern and Southern Europe, including Austria.

Identified items are special charges and benefits, results on acquisitions and divestments, major restructuring and impairment charges, and charges and benefits related to major legal, anti-trust, environmental and tax cases.

Invested capital is total assets (excluding cash and cash equivalents, short-term investments, investments in associates, the receivable from pension funds in an asset position, assets held for sale) less current income tax payable, deferred tax liabilities and trade and other payables.

Mature markets comprise of Mature Europe, the US, Canada, Japan and Oceania.

Leverage ratio is calculated as net debt divided by EBITDA, which is calculated as the total of the last 12 months.

Net debt is defined as long-term borrowings plus short-term borrowings less cash and cash equivalents and short-term investments.

Operating income is defined as income excluding Net financing expenses, Results from associates and joint ventures, Income tax and Profit from discontinued operations. Operating income includes the share of Non-controlling interests. Operating income includes Identified items to the extent these relate to lines included in Operating Income.

Operating working capital (Trade) is defined as the sum of inventories, trade receivables and trade payables of the total company. When expressed as a ratio, operating working capital is measured against four times last quarter revenue.

OPI margin is operating income as percentage of revenue.

ROI is adjusted operating income of the last 12 months as percentage of average invested capital.

ROI excluding unallocated cost is 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

ROS is adjusted operating income as percentage of revenue.

ROS excluding unallocated cost is adjusted operating income as percentage of revenue for Decorative Paints and Performance Coatings; it excludes unallocated corporate center costs

SG&A costs includes selling and distribution expenses, general and administrative expenses and research, development and innovation expenses.

South America includes Central America.

Safe harbor statement

This report 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 significant market disruptions such as the impact of pandemics. 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.

Brand and trademarks

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Akzo Nobel N.V.

Christiaan Neefestraat 2
P.O. Box 75730
1070 AS Amsterdam, the Netherlands
T +31 88 969 7555
www.akzonobel.com

For more information:

The explanatory sheets used during the press conference can be viewed on AkzoNobel's corporate website www.akzonobel.com/quarterlyresults

AkzoNobel Global Communications
T +31 88 969 7833
E info@akzonobel.com

AkzoNobel Investor Relations
T +31 88 969 7856
E investor.relations@akzonobel.com

Financial calendar

| | |
|---|----------------|
| Annual General Meeting of shareholders | April 23, 2020 |
| Ex-dividend date of 2019 final dividend | April 27, 2020 |
| Record date of 2019 final dividend | April 28, 2020 |
| Payment of 2019 final dividend | May 7, 2020 |
| Report for the second quarter | July 22, 2020 |

AkzoNobel

www.akzonobel.com

AkzoNobel has a passion for paint. We're experts in the proud craft of making paints and coatings, setting the standard in color and protection since 1792. Our world class portfolio of brands – including Dulux, International, Sikkens and Interpon – is trusted by customers around the globe. Headquartered in the Netherlands, we are active in over 150 countries and employ around 34,000 talented people who are passionate about delivering the high-performance products and services our customers expect.

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