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.
Key highlights
Q1 2020 showed transformation on track, despite significant market disruption

- 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 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)
- In response to significant market disruption resulting from the COVID-19 pandemic, we have paused key parts of our transformation and suspended our 2020 financial ambition
- €408 million of €500 million share buyback program executed during Q1 2020

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.
Progress towards 2020 financial ambition, even with initial impact from COVID-19

Q1 2020:

**ROS**
Increased to 12.4% (2019: 9.1%)

**Price/mix**
Up 2%

**Adjusted EPS**
Up at 18.3% (2019: 16.2%)

ROI**
Increased to 12.4% (2019: 9.1%)

**Price/mix**
Up 2%

Adjusted operating income
31% higher

€500 million share buyback almost complete

*ROS = adjusted operating income as percentage of revenue (excluding unallocated cost)
**ROI = adjusted operating income of the last 12 months as percentage of average invested capital (excluding unallocated cost and invested capital).
COVID-19 impact significant in China, increasing in other regions and segments

**Decorative Paints**
Revenue development Q1 2020 (Δ%)

**Performance Coatings**
Revenue development Q1 2020 (Δ%)
End market demand expected to be significantly lower in Q2 (relative headwinds)
Key parts of transformation paused, taking steps to rapidly reduce costs

- **Sales force effectiveness**
  - **Margin management**
  - Innovation excellence

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

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

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

---

**Price/mix up 2%**

- Ongoing margin management in place

**GBS transitions**: 8 completed, 18 remain in progress

- ERP integration in Middle East successful, Q2 integrations paused
- Moved from monthly to weekly demand and supply cycle

**Central procurement team ensured continuity of supply**

- Delivered €44m cost savings overall

**Global and regional COVID-19 response teams in place**

- Focused AkzoNobel Cares program on COVID-19 response
- Highest employee engagement (OHI score)
Financial review
Q1 2020 ROS* increased 330bps to 12.4%, despite softer end market demand

<table>
<thead>
<tr>
<th>€ million</th>
<th>Q1 2019</th>
<th>Q1 2020</th>
<th>Δ%</th>
<th>Δ%CC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>2,185</td>
<td>2,058</td>
<td>(6%)</td>
<td>(5%)</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>248</td>
<td>302</td>
<td>22%</td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted operating income</strong></td>
<td>163</td>
<td>214</td>
<td>31%</td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>113</td>
<td>187</td>
<td>65%</td>
<td></td>
</tr>
<tr>
<td><strong>ROS</strong> excluding unallocated cost</td>
<td>9.1%</td>
<td>12.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ROS</strong></td>
<td>7.5%</td>
<td>10.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ROI%</strong> excluding unallocated cost</td>
<td>16.2%</td>
<td>18.3%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Revenue development Q1 2020 (%)

-7 1 -1 -6

Volumes  Price/mix  Acquisitions  Other  FX  Total

Increase Decrease

We estimate that the COVID-19 crisis has negatively impacted Q1 revenue by around 5%

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

Operating income increased to €187 million (2019: €113 million) and included negative identified items of €27 million, mainly related to transformation costs.

---

1ROS = adjusted operating income as percentage of revenue (excluding unallocated cost)
2ROI = adjusted operating income of the last 12 months as percentage of average invested capital (excluding unallocated cost and invested capital).
Price/mix continued positive trend, volumes lower mainly due to COVID-19

**Decorative Paints**
Quarterly price/mix development in % year-on-year

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q1 18</th>
<th>Q2 18</th>
<th>Q3 18</th>
<th>Q4 18</th>
<th>Q1 19</th>
<th>Q2 19</th>
<th>Q3 19</th>
<th>Q4 19</th>
<th>Q1 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>0</td>
<td>4</td>
<td>5</td>
<td>8</td>
<td>6</td>
<td>4</td>
<td>5</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

**Performance Coatings**
Quarterly price/mix development in % year-on-year

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q1 18</th>
<th>Q2 18</th>
<th>Q3 18</th>
<th>Q4 18</th>
<th>Q1 19</th>
<th>Q2 19</th>
<th>Q3 19</th>
<th>Q4 19</th>
<th>Q1 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>3</td>
<td>5</td>
<td>7</td>
<td>11</td>
<td>7</td>
<td>7</td>
<td>3</td>
<td>0</td>
<td>3</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q1 18</th>
<th>Q2 18</th>
<th>Q3 18</th>
<th>Q4 18</th>
<th>Q1 19</th>
<th>Q2 19</th>
<th>Q3 19</th>
<th>Q4 19</th>
<th>Q1 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>2</td>
<td>5</td>
<td>6</td>
<td>9</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

*Organic volume development, does not include acquisition impact*
Adjusted operating income 31% higher, with lower volumes offset by cost savings

Adjusted operating income
- Positive impact
- Negative impact

Q1 2019
ROS* 9.1%
- 2
163

Q1 2020
ROS* 12.4%
- 8
214

Q1 2020
FX
- Volumes
- Price/mix
- Raw materials/Variable cost
- OPEX
- One-offs and other

ROS = adjusted operating income as percentage of revenue (excluding unallocated cost)
Decorative Paints ROS up 130bps at 8.5%, despite COVID-19 impact mainly in Asia

<table>
<thead>
<tr>
<th>€ million</th>
<th>Q1 2019</th>
<th>Q1 2020</th>
<th>Δ%</th>
<th>Δ%CC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>836</td>
<td>754</td>
<td>(10%)</td>
<td>(8%)</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>95</td>
<td>100</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Adjusted operating income</td>
<td>60</td>
<td>64</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>54</td>
<td>58</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>ROS¹</td>
<td>7.2%</td>
<td>8.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROI²</td>
<td>12.0%</td>
<td>14.1%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Revenue development Q1 2020 (%)

Increase  Decrease

-9  1  -2  -10

Volumes  Price/mix  Acquisitions  FX  Total

¹ROS = adjusted operating income as percentage of revenue (excluding unallocated cost)
²ROI = adjusted operating income of the last 12 months as percentage of average invested capital (excluding unallocated cost and invested capital).

When Chinese authorities announced they were about to rapidly construct a hospital in Yinchuan the local AkzoNobel organization sprang into action. 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 ROS 330bps higher, AkzoNobel while end market demand lower

<table>
<thead>
<tr>
<th>€ million</th>
<th>Q1 2019</th>
<th>Q1 2020</th>
<th>Δ%</th>
<th>Δ%CC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,333</td>
<td>1,295</td>
<td>(3%)</td>
<td>(3%)</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>182</td>
<td>230</td>
<td>26%</td>
<td></td>
</tr>
<tr>
<td>Adjusted operating income</td>
<td>138</td>
<td>190</td>
<td>38%</td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>97</td>
<td>182</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROS(^1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROI(^2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Revenue development Q1 2020 (%)

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.

\(^1\)ROS = adjusted operating income as percentage of revenue (excluding unallocated cost)
\(^2\)ROI = adjusted operating income of the last 12 months as percentage of average invested capital (excluding unallocated cost and invested capital).
Q1 adjusted EPS up 54% at €0.71 mainly due to higher operating income

<table>
<thead>
<tr>
<th>€ million</th>
<th>Q1 2019</th>
<th>Q1 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>113</td>
<td>187</td>
</tr>
<tr>
<td>Net financing expenses</td>
<td>(13)</td>
<td>(13)</td>
</tr>
<tr>
<td>Results from associates and joint ventures</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>105</td>
<td>181</td>
</tr>
<tr>
<td>Income tax</td>
<td>(31)</td>
<td>(54)</td>
</tr>
<tr>
<td>Profit from continuing operations</td>
<td>74</td>
<td>127</td>
</tr>
<tr>
<td>Profit from discontinued operations</td>
<td>-</td>
<td>(1)</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>74</td>
<td>126</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>(9)</td>
<td>(12)</td>
</tr>
<tr>
<td>Net income from total operations</td>
<td>65</td>
<td>114</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Earnings per share (in €)</th>
<th>Q1 2019</th>
<th>Q1 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total operations</td>
<td>0.28</td>
<td>0.59</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Adjusted earnings per share (in €)</th>
<th>Q1 2019</th>
<th>Q1 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuing operations</td>
<td>0.46</td>
<td>0.71</td>
</tr>
</tbody>
</table>

Outstanding share capital was 199.9 million common shares at the end of March 2020.

The weighted average number of shares in Q1 2020 was 194.0 million (2019: 234.3 million). This number of shares was the basis for the calculation of earnings per share in Q1 2020.
**Strong balance sheet and solid cash position**

<table>
<thead>
<tr>
<th>€ million</th>
<th>Q1 2019</th>
<th>Q1 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EBITDA</strong></td>
<td>198</td>
<td>277</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>33</td>
<td>-</td>
</tr>
<tr>
<td>Changes in working capital</td>
<td>(421)</td>
<td>(353)</td>
</tr>
<tr>
<td>Pension pre-funding</td>
<td>(161)</td>
<td>-</td>
</tr>
<tr>
<td>Pension top-up payments</td>
<td>(478)</td>
<td>(5)</td>
</tr>
<tr>
<td>Other changes in provisions</td>
<td>(20)</td>
<td>(33)</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(6)</td>
<td>(5)</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(30)</td>
<td>(34)</td>
</tr>
<tr>
<td>Other changes</td>
<td>-</td>
<td>(7)</td>
</tr>
</tbody>
</table>

**Net cash from operating activities**

<table>
<thead>
<tr>
<th></th>
<th>Q1 2019</th>
<th>Q1 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(885)</td>
<td>(160)</td>
</tr>
</tbody>
</table>

**Free cash flow**

<table>
<thead>
<tr>
<th></th>
<th>Q1 2019</th>
<th>Q1 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(922)</td>
<td>(206)</td>
</tr>
</tbody>
</table>

**Net Debt**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1,259)</td>
<td>1,496</td>
</tr>
</tbody>
</table>

**Leverage (Net Debt/EBITDA*)**

<table>
<thead>
<tr>
<th></th>
<th>Q1 2019</th>
<th>Q1 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1.4)</td>
<td>1.2</td>
</tr>
</tbody>
</table>

- 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.
- Issued €750 million bond at attractive terms, with a ten-year maturity and a coupon of 1.625%.
- Next bond maturity is €750 million in July 2022.

*Last twelve months.*
Capital allocation priorities unchanged

Pension liabilities de-risked

€500m share buyback almost completed

Profitable organic growth
- ~2.5% capital expenditures/revenue

Dividend
- Stable to rising

Acquisitions
- Strategically aligned and value creating

Shareholder returns
- Modular share buybacks

Leverage ratio
- 1-2x net debt/EBITDA

Retain strong investment grade credit rating

Pension liabilities de-risked

€500m share buyback almost completed

Profitable organic growth
- ~2.5% capital expenditures/revenue

Dividend
- Stable to rising

Acquisitions
- Strategically aligned and value creating

Shareholder returns
- Modular share buybacks

Leverage ratio
- 1-2x net debt/EBITDA

Retain strong investment grade credit rating
Concluding remarks
Q1 2020 showed transformation on track, despite significant market disruption

- 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 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)
- In response to significant market disruption resulting from the COVID-19 pandemic, we have paused key parts of our transformation and suspended our 2020 financial ambition
- €408 million of €500 million share buyback program executed during Q1 2020

The first in a series of challenging sustainability ambitions have been announced, 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.
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.
Upcoming events

- Annual general meeting of Shareholders: April 23, 2020
- Report for the second quarter: July 22, 2020
A focused, high performing, paints and coatings company

- 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

* Excluding unallocated costs and invested capital; assumes no significant market disruption
Disclaimer/forward-looking statements

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

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

This 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, a copy of which can be found on the company’s corporate website www.akzonobel.com.
## Representation of revenue 2019

<table>
<thead>
<tr>
<th>€ million</th>
<th>Q1 2019 Reported</th>
<th>Q1 2019 Represented</th>
<th>Q2 2019 Reported</th>
<th>Q2 2019 Represented</th>
<th>Q3 2019 Reported</th>
<th>Q3 2019 Represented</th>
<th>Q4 2019 Reported</th>
<th>Q4 2019 Represented</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decorative Paints EMEA</td>
<td>506</td>
<td>498</td>
<td>620</td>
<td>611</td>
<td>573</td>
<td>565</td>
<td>462</td>
<td>454</td>
</tr>
<tr>
<td>Decorative paints South America</td>
<td>99</td>
<td>98</td>
<td>103</td>
<td>102</td>
<td>121</td>
<td>120</td>
<td>139</td>
<td>137</td>
</tr>
<tr>
<td>Decorative Paints Asia</td>
<td>240</td>
<td>240</td>
<td>284</td>
<td>284</td>
<td>283</td>
<td>283</td>
<td>277</td>
<td>277</td>
</tr>
<tr>
<td>Other/eliminations</td>
<td>(1)</td>
<td>-</td>
<td>(2)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>(1)</td>
<td>0</td>
</tr>
<tr>
<td>Decorative Paints total</td>
<td>844</td>
<td>836</td>
<td>1,005</td>
<td>997</td>
<td>977</td>
<td>968</td>
<td>877</td>
<td>868</td>
</tr>
<tr>
<td>Powder Coatings</td>
<td>298</td>
<td>298</td>
<td>317</td>
<td>316</td>
<td>314</td>
<td>313</td>
<td>305</td>
<td>302</td>
</tr>
<tr>
<td>Marine and Protective Coatings</td>
<td>300</td>
<td>295</td>
<td>341</td>
<td>338</td>
<td>335</td>
<td>331</td>
<td>330</td>
<td>326</td>
</tr>
<tr>
<td>Automotive and Specialty Coatings</td>
<td>336</td>
<td>319</td>
<td>364</td>
<td>345</td>
<td>344</td>
<td>326</td>
<td>344</td>
<td>328</td>
</tr>
<tr>
<td>Industrial Coatings</td>
<td>424</td>
<td>420</td>
<td>445</td>
<td>439</td>
<td>451</td>
<td>441</td>
<td>411</td>
<td>407</td>
</tr>
<tr>
<td>Other/eliminations</td>
<td>(19)</td>
<td>1</td>
<td>(22)</td>
<td>0</td>
<td>(26)</td>
<td>2</td>
<td>(29)</td>
<td>3</td>
</tr>
<tr>
<td>Performance Coatings total</td>
<td>1,339</td>
<td>1,333</td>
<td>1,445</td>
<td>1,438</td>
<td>1,418</td>
<td>1,413</td>
<td>1,361</td>
<td>1,366</td>
</tr>
<tr>
<td>Other/eliminations</td>
<td>2</td>
<td>16</td>
<td>1</td>
<td>16</td>
<td>3</td>
<td>17</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>2,185</td>
<td>2,185</td>
<td>2,451</td>
<td>2,451</td>
<td>2,398</td>
<td>2,398</td>
<td>2,242</td>
<td>2,242</td>
</tr>
</tbody>
</table>

2019 revenue is represented to present revenue from third parties instead of total revenue. This table reflects the reported and the represented revenue for Q1 2019.
Assumptions 2020

- ROS = adjusted operating income as percentage of revenue (excluding unallocated cost)
- ROI = adjusted operating income of the last 12 months as percentage of average invested capital (excluding unallocated cost and invested capital)
- Other activities/eliminations €140-180m
- Leverage 1-2x net debt/EBITDA by end 2020
- CapEx €200-250m
- Effective tax rate 27%
- Dividend policy “stable to rising”