

Investor update Q2 2019

July 24, 2019

Operation Night Watch

We recently partnered with the Rijksmuseum for one of the most innovative projects in the history of art – the live restoration of Rembrandt's Night Watch. In a spectacular fusion of old and new, Operation Night Watch will use ground-breaking techniques to preserve the painting for future generations. We'll also be contributing our color expertise to the historic project.

sikkens

Agenda



Key highlights



Financial review



Concluding remarks



Q&A

Key highlights

Q2 2019 results show continued progress towards Winning together: 15 by 20 strategy AkzoNobel

- Adjusted operating income 36% higher at €305 million (2018: €225 million)
 - ROS, excluding unallocated costs, increased to 13.7% (2018: 12.1%)
 - Focus on value over volume resulted in price/mix up 5% and 6% lower volumes
 - Transformation on track and delivered €43 million cost savings
-
- €1.5 billion of €2.5 billion share buyback program completed in H1 2019
 - Acquisition of Mapaero strengthens global position in aerospace coatings



The intended acquisition of Mapaero will improve AkzoNobel's position in the structural and cabin coating sub-segments and contribute directly towards delivering our 2020 guidance.



Profit up 36% and ROS* 13.7% driven by pricing initiatives and cost-saving programs

AkzoNobel

Q2 2019:

Revenue

Up 1%

In constant currencies

Price/mix

5% higher

Adjusted EPS

85% higher

ROS*

Increased to 13.7%

(Q2 2018: 12.1%)

**Adjusted Operating
Income**

Up 36%

**€1.5 billion shares
repurchased in H1**

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



*Excluding unallocated corporate center costs

Investor update | Q2 2019

5

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

AkzoNobel



Sales force effectiveness
Margin management
Innovation excellence

Price/mix increased 5% (versus Q2 2018)
Agreements signed with all Paint the Future finalists



Global Business Services
Integrated Business Planning
ERP and systems platform

GBS: 18 country transitions complete; 45/120 transitions in progress, to be completed by end 2020
7/18 ERP integration go lives for 2019



ALPS continuous improvement
Fit-for-purpose organization
Procurement excellence

Delivered €43m cost savings in the quarter, on track to deliver the next €200m by 2020



High performance culture
Career and capability development
Core principles

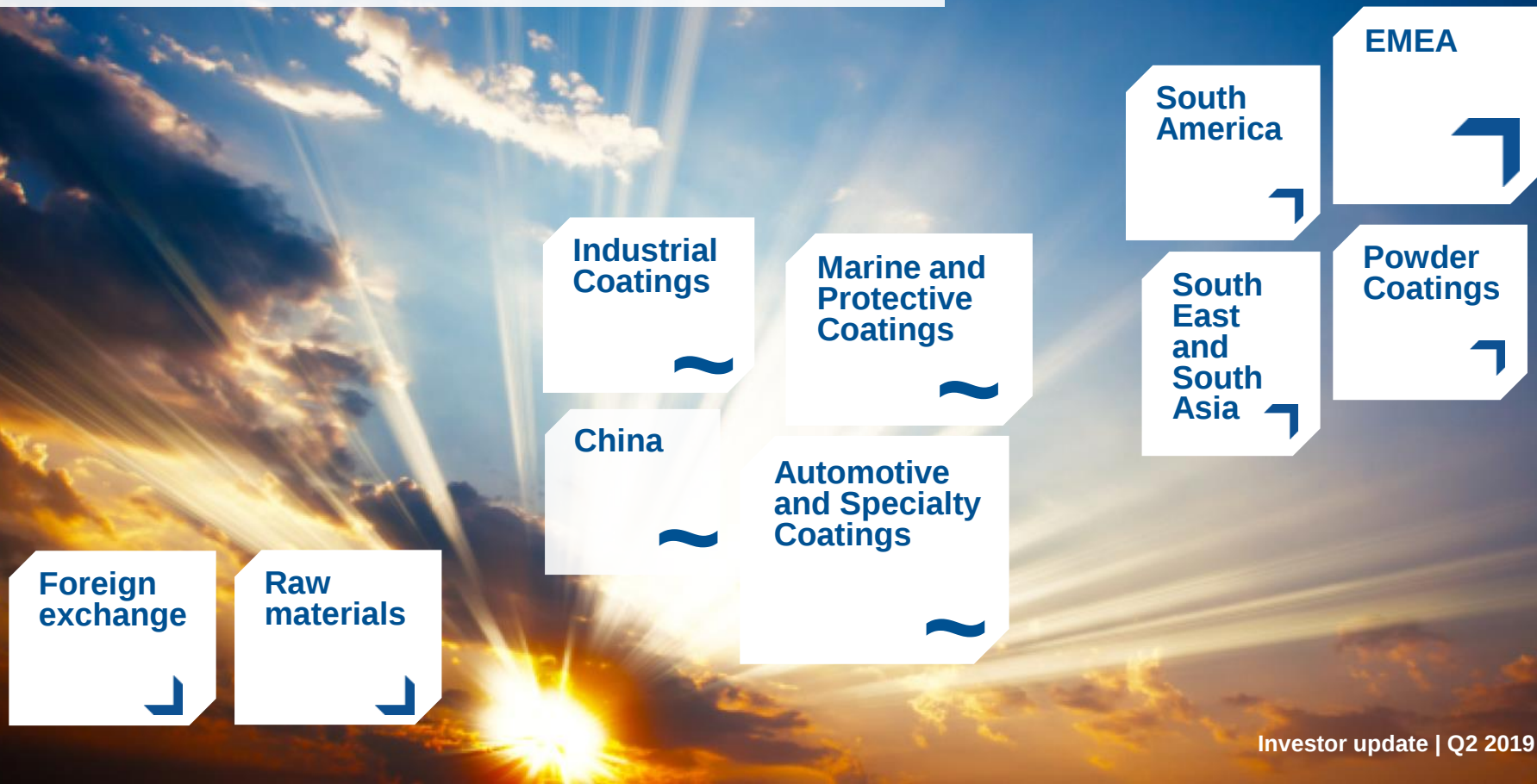
Successfully focused on value over volume
Final purchase price settlement for the sale of Specialty Chemicals



*Excluding unallocated corporate center costs

Dealing with market headwinds

AkzoNobel

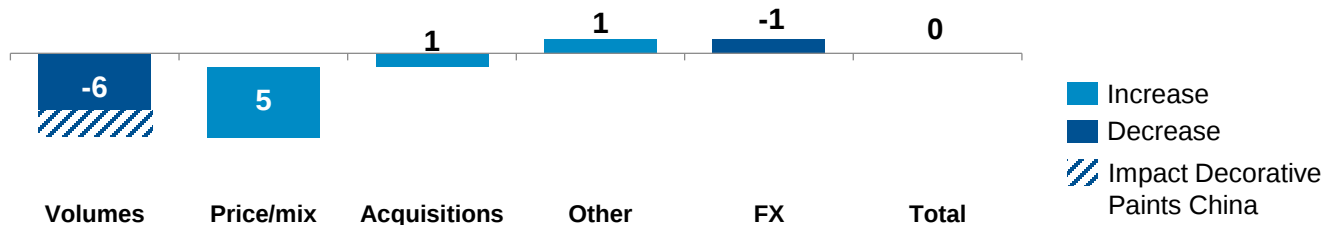


Financial review

Adjusted operating income 36% higher and revenue up in constant currencies

€ million	Q2 2018	Q2 2019	Δ%	Δ%CC
Revenue	2,446	2,451	-%	1%
Adjusted EBITDA	285	394	38%	
Adjusted operating income	225	305	36%	
Operating income	192	308	60%	
<i>ROS% excluding unallocated costs</i>	12.1%	13.7%		
<i>ROS%¹</i>	9.2%	12.4%		
<i>ROI%² excluding unallocated costs</i>	12.2%	13.4%		

Revenue development Q2 2019 (%)



- Price/mix up 5% overall, mainly driven by pricing initiatives
- Volumes 6% lower due to value over volume strategy
- ROS, excluding unallocated costs, increased to 13.7% (2018: 12.1%)
- Operating income at €308 million included identified items of €3 million positive (2018: €33 million negative)

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

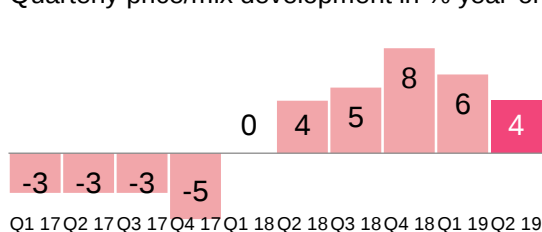
¹ROS% = Adjusted operating income/revenue.

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

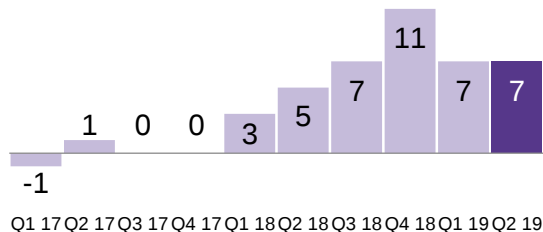
Pricing initiatives and clear strategic mandates focus on value over volume

Decorative Paints

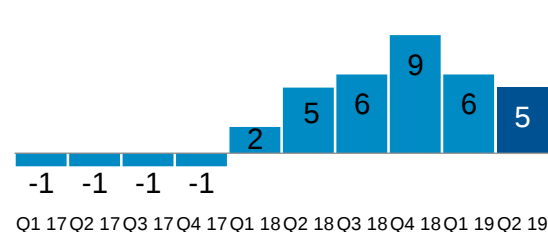
Quarterly price/mix development in % year-on-year



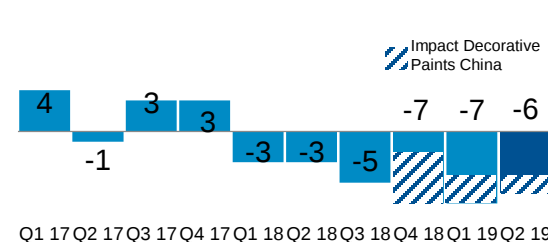
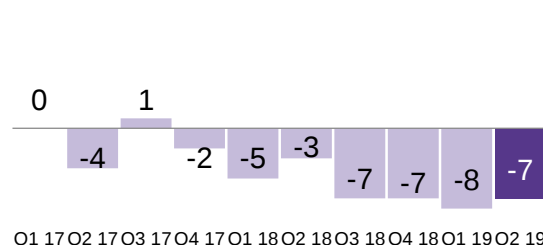
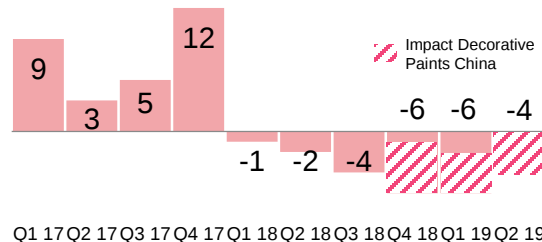
Performance Coatings



Total



Quarterly volume* development in % year-on-year

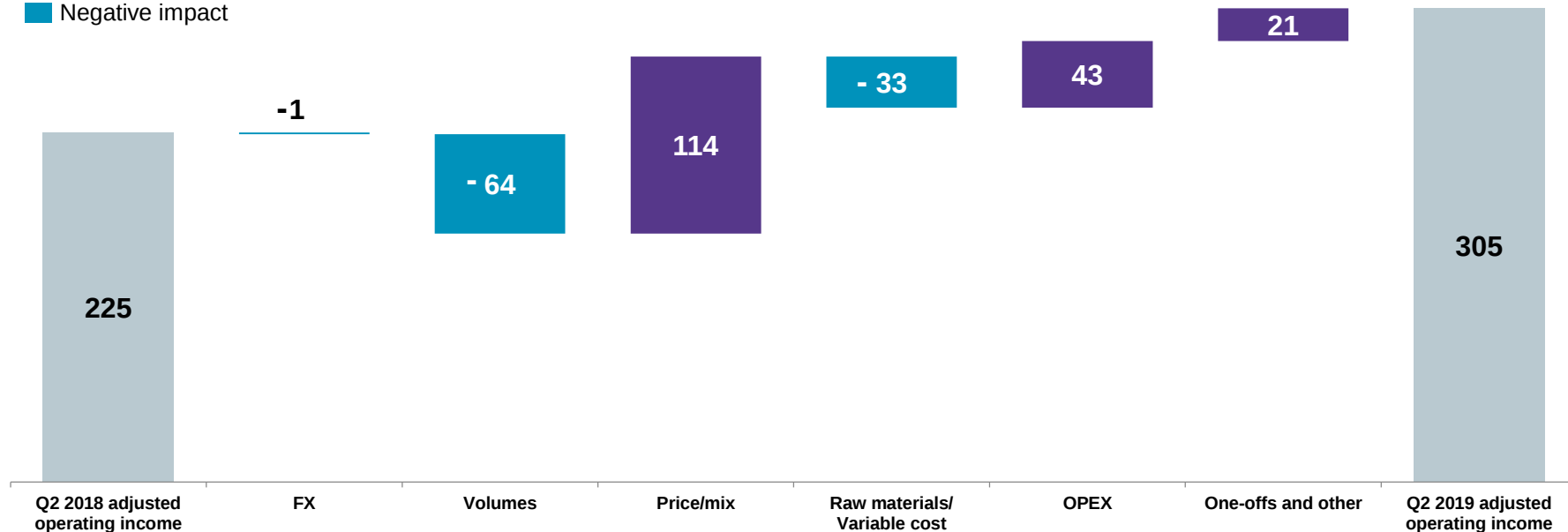


Organic volume development, does not include acquisition impact

Positive price/mix and cost savings offsetting higher raw material costs

Adjusted operating income bridge: Q2 2018 to Q2 2019

- Positive impact
- Negative impact



Decorative Paints ROS up, driven by strong performance in EMEA

AkzoNobel

€ million	Q2 2018	Q2 2019	Δ%	Δ%CC
Revenue	1,006	1,005	-	2%
Adjusted EBITDA	145	177	22%	
Adjusted operating income	123	136	11%	
Operating income	111	166	50%	
ROS%*	12.2%	13.5%		
ROI%*	11.8%	12.2%		

Revenue development Q2 2019 (%)



Our Dulux Valentine decorative paint brand in France has roared onto the market with a new EasyCare product called Color Resist. The EasyCare range (also known as EasyClean) has now been introduced in 26 countries worldwide, including brands such as Dulux and Marshall.

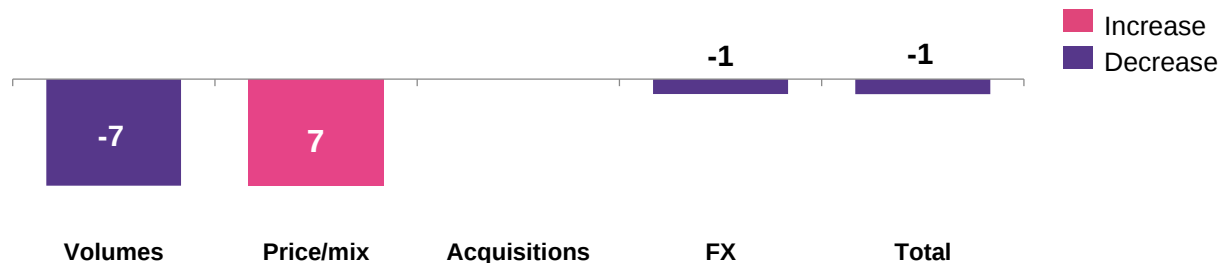
*ROS% = Adjusted operating income/revenue. ROI% = 12 months adjusted operating income/12 months average invested capital.

Performance Coatings ROS higher: focus on pricing initiatives and cost savings

AkzoNobel

€ million	Q2 2018	Q2 2019	Δ%	Δ%CC
Revenue	1,454	1,445	(1%)	-%
Adjusted EBITDA	207	241	16%	
Adjusted operating income	172	197	15%	
Operating income	162	174	7%	
ROS%*	11.8%	13.6%		
ROI%*	19.9%	20.6%		

Revenue development Q2 2019 (%)



New York's historic Hudson Yards development – which is changing the city's iconic skyline – has reached its latest milestone, and AkzoNobel has made a major contribution.

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

Adjusted EPS increased 85% mainly due to higher operating income

Q2 2018	Q2 2019	€ million	H1 2018	H1 2019
192	308	Operating income	300	421
(28)	(18)	Net financing expenses	(9)	(31)
6	5	Results from associates and joint ventures	10	10
170	295	Profit before tax	301	400
(47)	(69)	Income tax	(46)	(100)
123	226	Profit from continuing operations	255	300
165	16	Profit from discontinued operations	307	16
288	242	Profit for the period	562	316
(17)	(11)	Non-controlling interests	(38)	(20)
271	231	Net income from total operations	524	296

Q2 2018	Q2 2019	Earnings per share (in €)	H1 2018	H1 2019
1.06	1.07	Total operations	2.07	1.32

Q2 2018	Q2 2019	Adjusted earnings per share (in €)	H1 2018	H1 2019
0.52	0.96	Continuing operations	0.87	1.40

Q2 free cash flow improved driven by increased EBITDA

Q2 2018	Q2 2019	€ million	H1 2018	H1 2019
252	397	EBITDA	420	595
-	-	Impairment losses	-	33
(2)	(66)	Pre-tax results on acquisitions and divestments	(22)	(66)
(222)	(116)	Changes in working capital	(582)	(537)
(10)	(1)	Pension top-up payments	(185)	(479)*
(8)	7	Other changes in provisions	(18)	(13)
(10)	(15)	Interest paid	(14)	(21)
14	(57)	Income tax paid	(37)	(87)
1	3	Other changes	(3)	3
15	152	Net cash from operating activities	(441)	(572)
(42)	(46)	Capital expenditures	(79)	(83)
(27)	106	Free cash flow	(520)	(655)
Net Debt			2,887	62

*Cash top-up payments for main UK pension plans of €479 million. Excludes pre-funding of escrow account €161 million.

Concluding remarks

Q2 2019 results show continued progress towards Winning together: 15 by 20 strategy AkzoNobel

- Adjusted operating income 36% higher at €305 million (2018: €225 million)
 - ROS, excluding unallocated costs, increased to 13.7% (2018: 12.1%)
 - Focus on value over volume resulted in price/mix up 5% and 6% lower volumes
 - Transformation on track and delivered €43 million cost savings
-
- €1.5 billion of €2.5 billion share buyback program completed in H1 2019
 - Acquisition of Mapaero strengthens global position in aerospace coatings



Our pioneering Paint the Future startup challenge proved to be a huge success, with five business agreements being awarded by AkzoNobel at the accelerator event held in May.



Outlook

AkzoNobel

2020
guidance*

ROS 15%
ROI >25%

We're delivering towards our Winning together: 15 by 20 strategy and continue creating a fit-for-purpose organization for a focused paints and coatings company, contributing to the achievement of our 2020 guidance. Demand trends differ per region and segment in an uncertain macro-economic environment. Raw material inflation is expected to stabilize during the second half of this year. Continued pricing initiatives and cost saving programs are in place to address the current challenges. We continue executing our transformation to deliver the next €200 million cost savings by 2020, incurring one-off costs in 2019 and 2020. We target a leverage ratio of between 1.0-2.0 times net debt/EBITDA by the end of 2020 and commit to retain a strong investment grade credit rating.

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

Upcoming events

AkzoNobel



Report for the third quarter 2019

October 23, 2019

Report for the full-year and the fourth quarter

February 12, 2020

A focused, high performing, paints and coatings company

AkzoNobel

- Strong global brands
- Leading positions in large and attractive markets
- Balanced geographic exposure: 50% revenue from emerging markets
- Well positioned to accelerate growth and enhance profitability
- Transformation plans in place and clear path to deliver
- Significant returns to shareholders

**2020
guidance***

**ROS 15%
ROI >25%**



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

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This presentation also contains statements, which address such key issues as AkzoNobel's growth strategy, future financial results, market positions, product development, products in the pipeline and product approvals. Such statements should be carefully considered, and it should be understood that many factors could cause forecast and actual results to differ from these statements. These factors include, but are not limited to, price fluctuations, currency fluctuations, developments in raw material and personnel costs, pensions, physical and environmental risks, legal issues, and legislative, fiscal, and other regulatory factors. Stated competitive positions are based on management estimates supported by information provided by specialized external agencies. For a more comprehensive discussion of the risk factors affecting our business please see our latest annual report., a copy of which can be found on the company's corporate website www.akzonobel.com



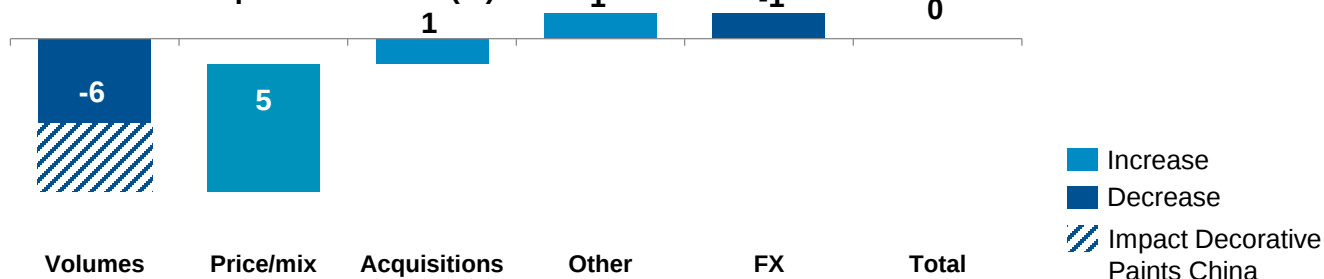
Appendix

H1 2019: Profit up 25% and ROS* 11.5%

€ million	H1 2018	H1 2019	Δ%	Δ%CC
Revenue	4,622	4,636	-%	1%
Adjusted EBITDA	494	642	30%	
Adjusted operating income	374	468	25%	
Operating income	300	421	40%	
ROS% excluding unallocated costs	10.5%	11.5%		
ROS%¹	8.1%	10.1%		
ROI%² excluding unallocated costs	15.9%	16.5%		

- Price/mix up 5% overall, mainly driven by pricing initiatives
- Volumes 6% lower due to value over volume strategy
- ROS, excluding unallocated costs, increased to 11.5%

Revenue development H1 2019 (%)



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

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

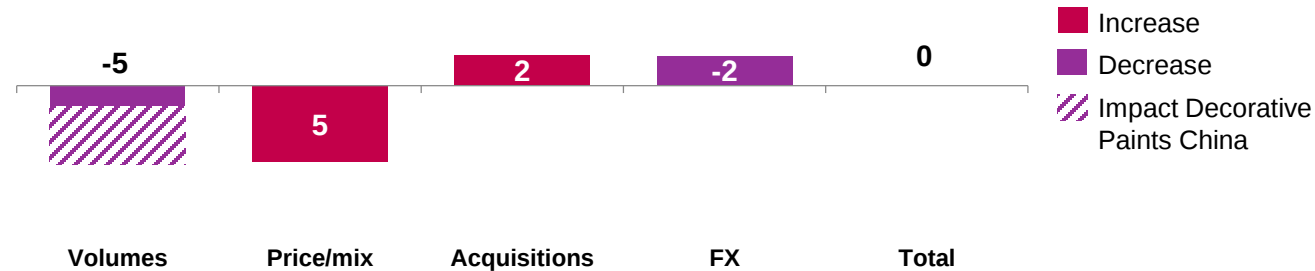
* Excluding unallocated corporate center costs and invested capital; assumes no significant market disruption

H1 2019: Decorative Paints

€ million	H1 2018	H1 2019	Δ%	Δ%CC
Revenue	1,852	1,849	-	2%
Adjusted EBITDA	224	272	21%	
Adjusted operating income	179	196	9%	
Operating income	159	220	38%	
ROS%*	9.7%	10.6%		
ROI%*	11.8%	12.2%		

- Revenue flat and up 2% in constant currencies
- Continued focus on pricing initiatives contributed to positive price/mix of 5%, while volumes were lower
- Acquisitions contributed 2% to revenues
- Adjusted operating income increased to €196 million (2018: €179 million)
- Continued pricing initiatives and cost savings offset higher raw material costs and lower volumes, resulting in ROS of 10.6% (2018: 9.7%)

Revenue development H1 2019 (%)

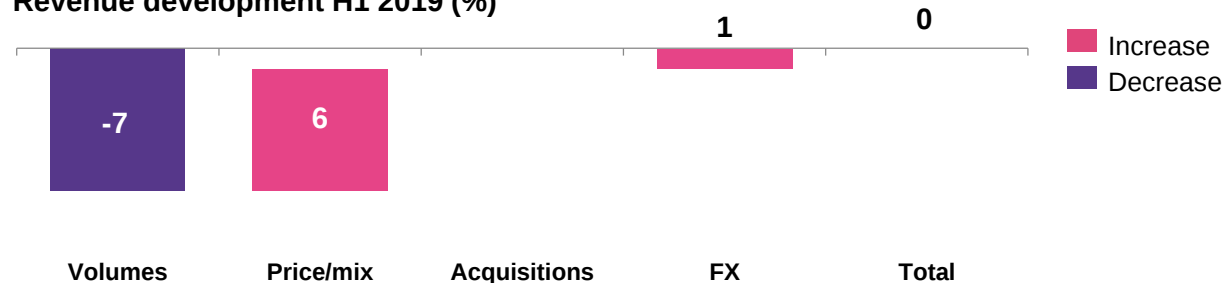


H1 2019: Performance Coatings

€ million	H1 2018	H1 2019	Δ%	Δ%CC
Revenue	2,796	2,784	-	(1%)
Adjusted EBITDA	376	423	13%	
Adjusted operating income	306	335	9%	
Operating income	283	271	-4%	
ROS%*	10.9%	12.0%		
ROI%*	19.9%	20.6%		

- Revenue flat, and 1% lower in constant currencies
- Price/mix was more than offset by lower volumes
- Adjusted operating income increased to €335 million (2018: €306 million) as pricing initiatives and cost control more than compensated for higher raw material costs and lower volumes

Revenue development H1 2019 (%)



IFRS 16 has limited impact; adopting the modified retrospective approach

Second quarter				January - June		
Before IFRS16	Impact	including IFRS 16	€ million	before IFRS16	Impact	including IFRS 16
367	27	394	Adjusted EBITDA	588	54	642
370	27	397	EBITDA	541	54	595
(63)	(26)	(89)	Depreciation/amortization	(123)	(51)	(174)
304	1	305	Adjusted operating income	465	3	468
307	1	308	Operating income	418	3	421
(17)	(1)	(18)	Net financing expense	(28)	(3)	(31)
215	-	215	Net income	280	-	280
125	27	152	Net cash from operating activities	(626)	54	(572)
(1,507)	(27)	(1,534)	Net cash from financing activities	(4,835)	(54)	(4,889)
12.4%	-	12.4%	ROS%	10.0%	0.1%	10.1%

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

IAS19 pension surplus following cash top-up payments

Key pension financial assumptions	Q1 2019	Q2 2019
Discount rate	2.3%	2.1%
Inflation rate	3.1%	3.1%

€ million

