

Investor update Q3 2020

October 21, 2020

AkzoNobel

Unearth your courage in 2021 with AkzoNobel's Color of the Year
Brave Ground has been unveiled as AkzoNobel's Color of the Year for 2021. It's a warm and grounding neutral shade that gives us the courage to embrace change. A range of palettes has been developed to help customers of the company's Decorative Paints, Automotive and Specialty Coatings, Powder Coatings and Wood Coatings businesses choose on-trend colors with confidence.

Agenda



Key highlights



Financial review



Concluding remarks



Q&A

Key highlights

Strong profitability during Q3, driven by disciplined margin and cost focus

- ↗ ROS, excluding unallocated costs, increased to 17.7% (2019: 13.8%) due to strong margin management and cost savings
- ↗ Growth in volumes of 3%, with strong demand trends for most segments and regions
- ↗ Total cost savings delivered €49 million, of which €27 million structural savings related to transformation initiatives
- ↗ Net cash from operating activities improved by 46% to €457 million (2019: €312 million); maintained a strong balance sheet
- ↗ Interim dividend of €0.43 per share (2019: €0.41 per share)
- ↗ On October 19, the acquisition of Titan Paints in Spain was announced, with completion expected before the end of Q1 2021
- ↗ €300 million share buyback announced, to be completed in the first half of 2021

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Our Guangzhou decorative paints site in China is undergoing a major upgrade to enable it to exclusively produce water-based products. It's the last of our four Chinese deco plants to make the switch, enabling us to meet growing demand for more eco-premium, water-based paints



Q3 2020 ROS* improved to 17.7%, and 51% increased cash generation

Q3 2020:

ROS*

Increased to 17.7%
(2019: 13.8%)

Revenue

In constant currencies

Up 1%

YTD 2020:

Adjusted EPS

From continuing operations

Up 19% at €2.80

ROI**

18.8%
(2019: 16.8%)

Free cash flow

51% higher

Leverage

(Net Debt/EBITDA)

1.0x
(Target 1-2x by end 2020)

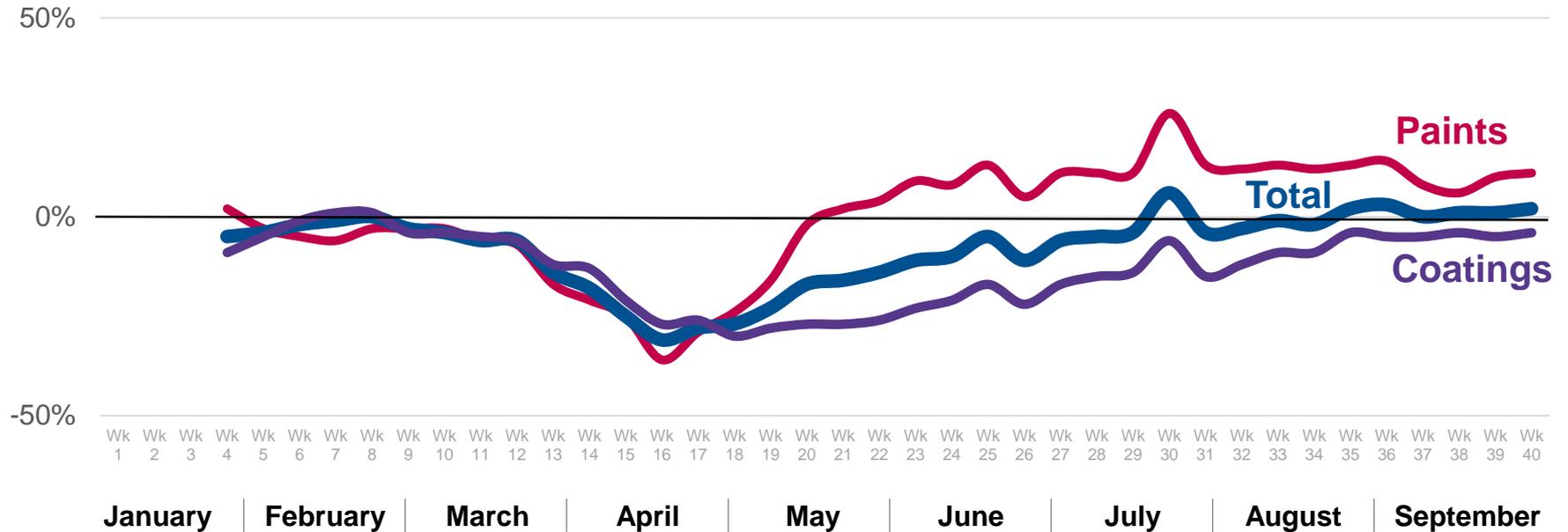


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**ROI = adjusted operating income of the last 12 months as percentage of average invested capital (excluding unallocated cost and invested capital).

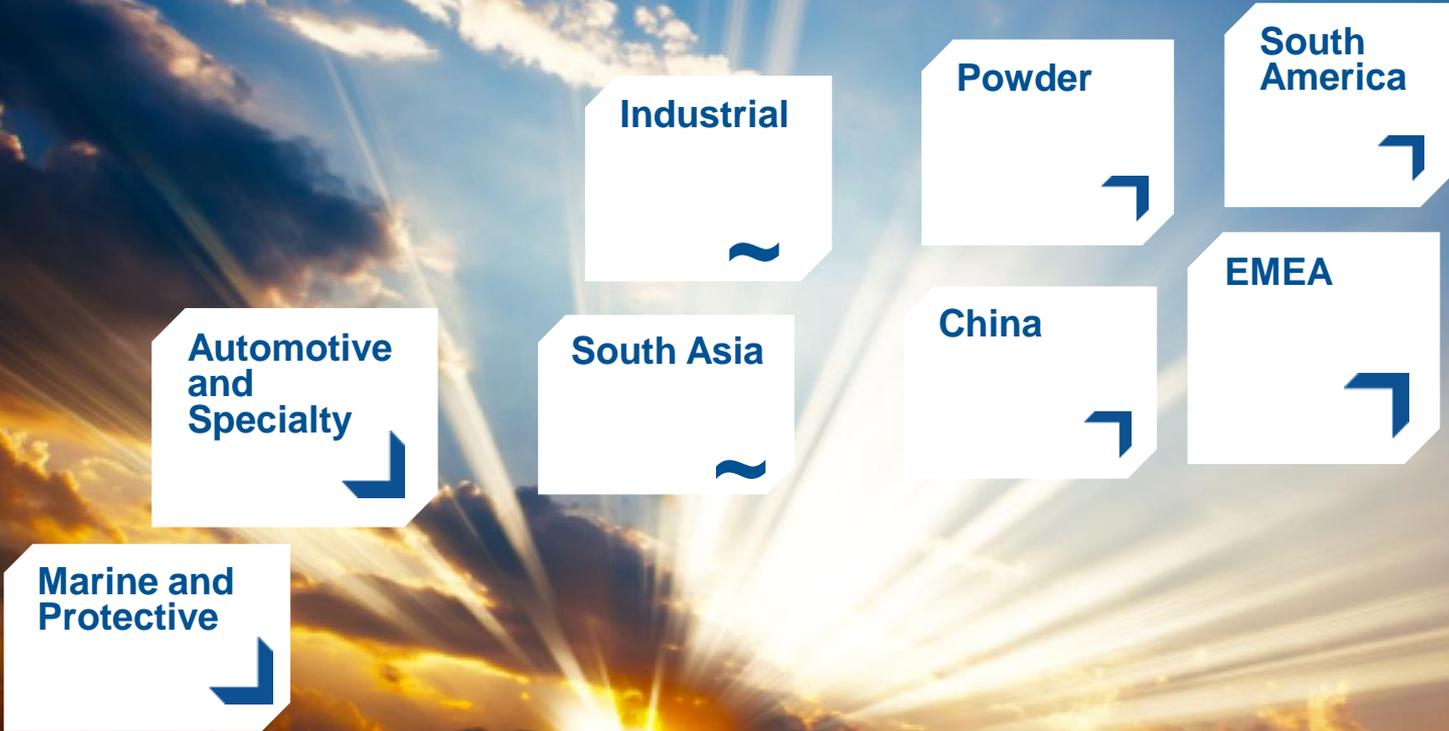
COVID-19 headwinds eased in Q3; revenue up 1% in constant currencies

Revenue development YTD 2020 ($\Delta\%$)*



*Four week moving average

Demand trends continue to differ per region and segment



Taking steps to rapidly reduce costs and key parts of transformation resumed



Sales force effectiveness
Margin management
Innovation excellence

Delivering strong margin management

Powder technology acquisition accelerated access to low curing technology



Global Business Services
Integrated Business Planning
ERP and systems platform

10 GBS transitions completed in Q3

Successfully transitioned 60% of revenue to final ERP solution (SAP HANA technology)



ALPS continuous improvement
Fit-for-purpose organization
Procurement excellence

€49m cost savings overall in Q3, including €27m transformation cost savings



High performance culture
Career and capability development
Core principles

EcoVadis platinum rating (top 1%)

Progress towards zero non-reusable waste, with 5% less waste YTD*
Highest ever participation rate of 81% for latest employee survey (OHI)



Financial review

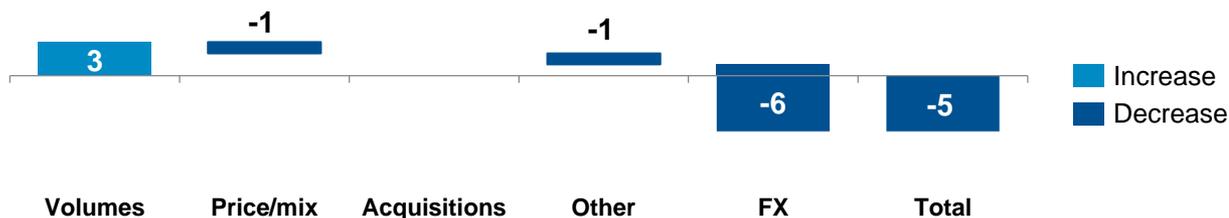
ROS* increased 390bps during Q3 2020, due to margin management and cost savings

€ million	Q3 2019	Q3 2020	Δ%	Δ%CC
Revenue	2,398	2,276	(5%)	1%
Adjusted EBITDA	387	439	13%	
Adjusted operating income	300	353	18%	
Operating income	247	326	32%	
<i>ROS* excluding unallocated cost</i>	13.8%	17.7%		
ROS	12.5%	15.5%		
<i>ROI** excluding unallocated cost</i>	16.8%	18.8%		

Revenue was 5% lower, while up 1% up in constant currencies. Volumes were up 3% overall, mainly driven by Decorative Paints. Price/mix was 1% lower

Adjusted operating income was up 18% at €353 million (2019: €300 million); driven by strong margin management and cost-saving programs. Continuous improvement initiatives successfully offset inflation

Revenue development Q3 2020 (%)



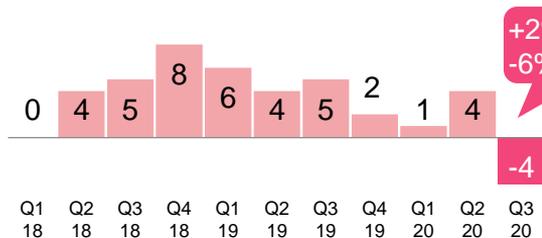
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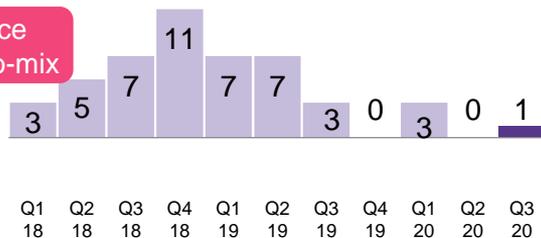
Revenue up 1% in constant currencies, with differing trends per segment

Decorative Paints

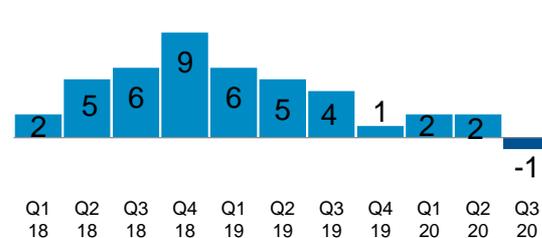
Quarterly price/mix development in % year-on-year



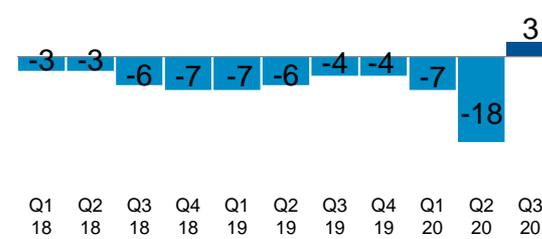
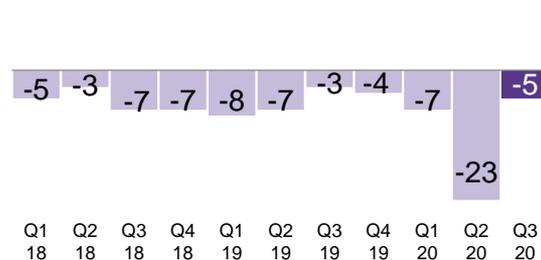
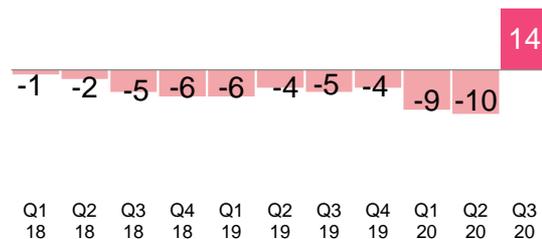
Performance Coatings



Total



Quarterly volume* development in % year-on-year

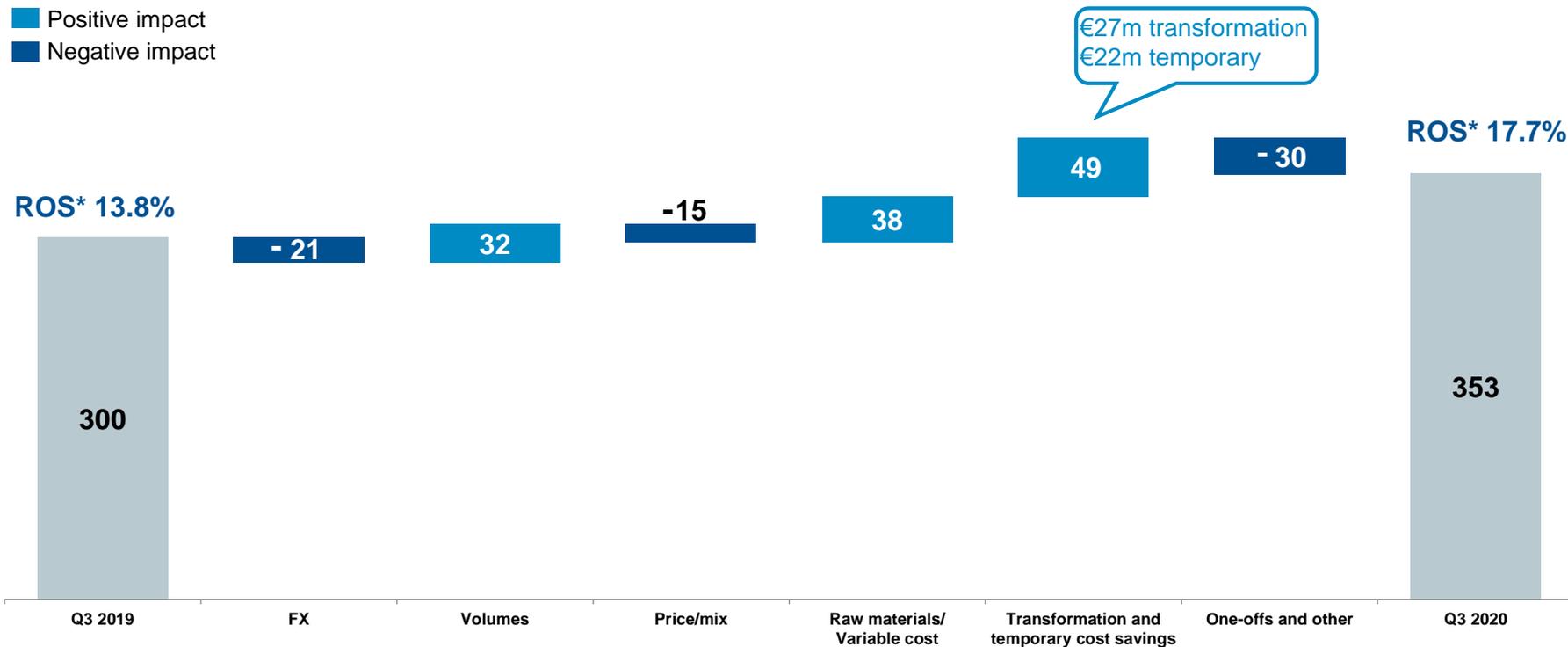


*Organic volume development, does not include acquisition impact

Margin management and cost savings delivered 18% higher profitability in Q3 2020

Adjusted operating income

- Positive impact
- Negative impact



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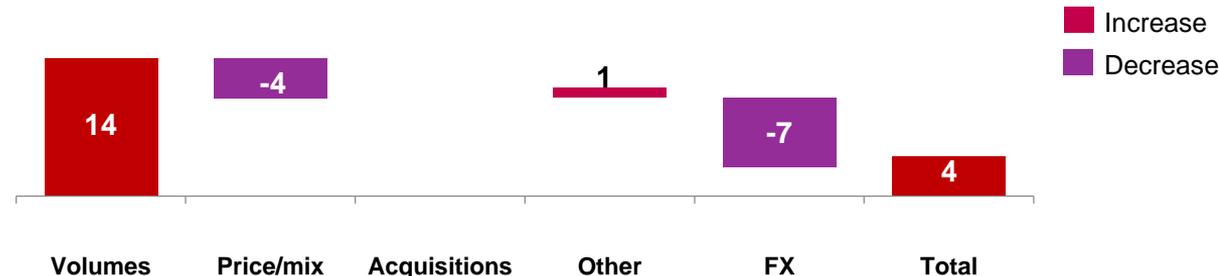
Decorative Paints ROS at 20.7%, driven by strong demand globally

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€ million	Q3 2019	Q3 2020	Δ%	Δ%CC
Revenue	968	1004	4%	11%
Adjusted EBITDA	174	243	40%	
Adjusted operating income	135	208	54%	
Operating income	130	202	55%	
ROS*	13.9%	20.7%		
ROI**	12.5%	18.5%		



Revenue development Q3 2020 (%)



AkzoNobel is to further grow in Europe after agreeing to acquire the decorative paints business of Spain's Industrias Titan. Completion is subject to regulatory approvals and expected before the end of Q1, 2021. Titan – which also has a relevant presence in Portugal – is one of Spain's best-known brands.

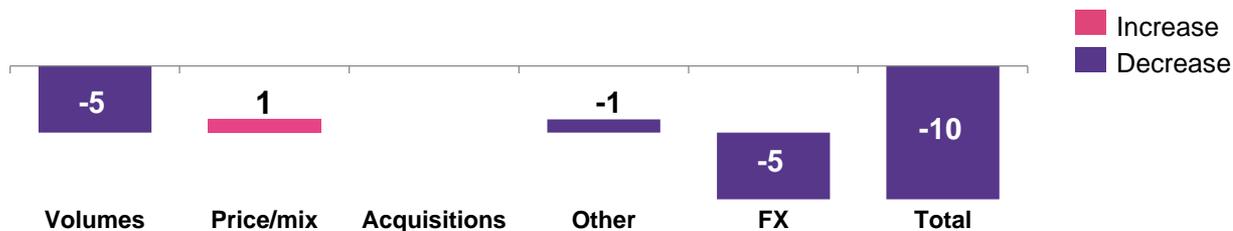
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Performance Coatings demand improving AkzoNobel with revenue in constant currency up in September

€ million	Q3 2019	Q3 2020	Δ%	Δ%CC
Revenue	1,413	1,270	(10%)	(5%)
Adjusted EBITDA	238	232	(3%)	
Adjusted operating income	194	195	1%	
Operating income	156	179	15%	
ROS*	13.7%	15.4%		
ROI**	20.8%	19.0%		

Revenue development Q3 2020 (%)



During Q3, we completed the acquisition of Stahl Performance Powder Coatings and its range of products for heat sensitive substrates. The deal gives us accelerated access to unique low curing technology which is the only one of its kind in the powder coatings industry. It includes both UV and thermally curing powders and will enable the company to penetrate the ultra-low cure (80-100°C) domain

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Adjusted EPS for continuing operations up 34% for Q3 and 19% YTD

Q3 2019	Q3 2020	€ million	YTD 2019	YTD 2020
247	326	Operating income	668	720
(27)	(15)	Net financing expenses	(58)	(53)
6	6	Results from associates and joint ventures	16	18
226	317	Profit before tax	626	685
(51)	(82)	Income tax	(151)	(189)
175	235	Profit from continuing operations	475	496
-	(5)	Profit from discontinued operations	16	(6)
175	230	Profit for the period	491	490
(13)	(10)	Non-controlling interests	(33)	(27)
162	220	Net income from total operations	458	463

Q3 2019	Q3 2020	Earnings per share (in €)	YTD 2019	YTD 2020
0.79	1.15	Total operations	2.10	2.41

Q3 2019	Q3 2020	Adjusted earnings per share (in €)	YTD 2019	YTD 2020
0.97	1.30	Continuing operations	2.35	2.80

↗ The outstanding share capital was 190.6 million common shares at the end of September 2020



Q3 free cash flow improved by 51%; maintained strong balance sheet

Q3 2019	Q3 2020	€ million	YTD 2019	YTD 2020
334	417	EBITDA	929	991
28	1	Impairment losses	61	1
(5)	(10)	Pre-tax result on acquisitions and divestments	(71)	(10)
35	101	Changes in working capital	(502)	(182)
-	-	Pension pre-funding	(161)	-
(2)	(11)	Pension top-up payments	(481)	(17)
(14)	6	Other changes in provisions	(27)	(46)
(29)	(22)	Interest paid	(50)	(37)
(45)	(32)	Income tax paid	(132)	(93)
10	7	Other changes	13	(2)
312	457	Net cash from operating activities	(421)	605
(52)	(64)	Capital expenditures	(135)	(156)
260	393	Free cash flow	(556)	449
Net Debt			537	1,315
Leverage (Net Debt/EBITDA*)			0.5x	1.0x

*Last twelve months.

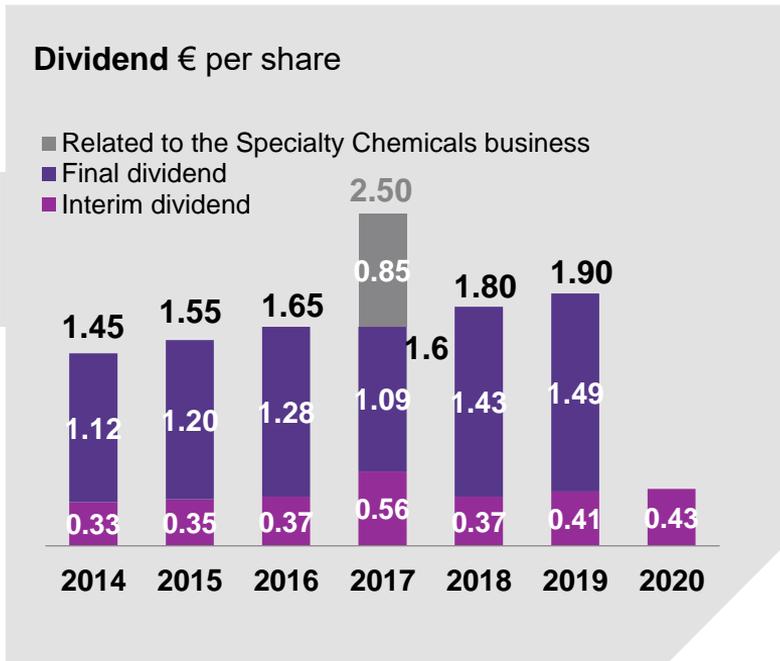
Delivering on capital allocation priorities

Profitable organic growth → ~2.5% CAPEX/revenue
Investing in our sites and systems

Dividend → Policy “stable to rising”
Interim dividend €0.43 (2019: €0.41)

Acquisitions → Strategically aligned and value creating
Acquisition of Titan Paints and Stahl Powder Coatings

Shareholder returns → Modular share buybacks
€300 million share buyback to be completed in the first half of 2021



Net debt/EBITDA Target 1-2x
1.0x (Q3 2020)

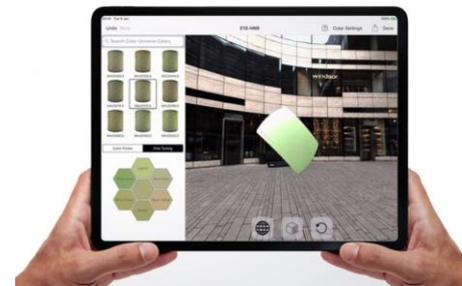
Retain strong investment grade credit rating



Concluding remarks

Strong profitability during Q3, driven by disciplined margin and cost focus

- ↗ ROS, excluding unallocated costs, increased to 17.7% (2019: 13.8%) due to strong margin management and cost savings
- ↗ Growth in volumes of 3%, with strong demand trends for most segments and regions
- ↗ Total cost savings delivered €49 million, of which €27 million structural savings related to transformation initiatives
- ↗ Net cash from operating activities improved by 46% to €457 million (2019: €312 million); maintained a strong balance sheet
- ↗ Interim dividend of €0.43 per share (2019: €0.41 per share)
- ↗ On October 19, the acquisition of Titan Paints in Spain was announced, with completion expected before the end of Q1 2021
- ↗ €300 million share buyback announced, to be completed in the first half of 2021



Choosing the right powder coating has never been easier, thanks to the introduction of immersive 3D imaging technology by our Interpon brand. The new color tool – available via the AkzoNobel Design app – is designed to help architects and specifiers find exactly the right product for their needs. As well as enabling users to digitally rotate coatings samples, it's also possible to zoom in and out and view them in the context of different environments.



AkzoNobel has suspended its 2020 financial ambition in response to the significant market disruption resulting from the pandemic.

Headwinds related to COVID-19 continued to ease, although demand trends differ per region and segment in an uncertain macro-economic environment.

Raw material costs are expected to have a favorable impact for the fourth quarter of 2020.

Continued margin management and cost-saving programs are in place to address the current challenges.

The company targets a leverage ratio of 1-2 times net debt/EBITDA and commits to retain a strong investment grade credit rating.

Upcoming events

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Ex-dividend date of 2020 interim dividend	October 23, 2020
Record date of 2020 interim dividend	October 26, 2020
Payment of 2020 interim dividend	November 5, 2020
Report for the full-year and the fourth quarter	February 17, 2021

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



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

This 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

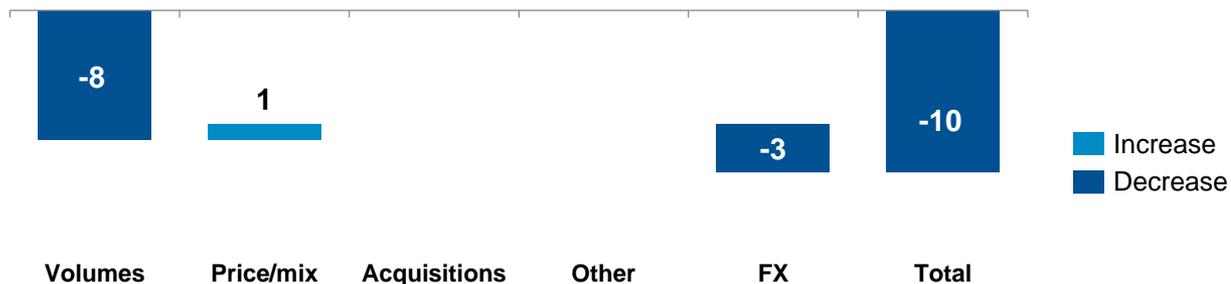


Appendix

€ million	YTD 2019	YTD 2020	Δ%	Δ%CC
Revenue	7,034	6,321	(10%)	(7%)
Adjusted EBITDA	1,029	1,062	3%	
Adjusted operating income	768	805	5%	
Operating income	668	720	8%	
<i>ROS%* excluding unallocated costs</i>	12.3%	14.8%		
ROS%	10.9%	12.7%		
<i>ROI%** excluding unallocated costs</i>	16.8%	18.8%		

Adjusted operating income was €805 million (2019: €768 million); driven by margin management and cost-saving programs. Continuous improvement initiatives successfully offset inflation

Revenue development YTD 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)

YTD 2020: Decorative Paints

€ million	YTD 2019	YTD 2020	Δ%	Δ%CC
Revenue	2,801	2,657	(5%)	-%
Adjusted EBITDA	446	554	24%	
Adjusted operating income	331	447	35%	
Operating income	350	429	23%	
ROS%*	11.8%	16.8%		
ROI%**	12.5%	18.5%		

Decorative Paints performance continued to improve. Margin management and cost savings more than compensated for lower volumes

Revenue development YTD 2020 (%)



*ROS% = Adjusted operating income/revenue

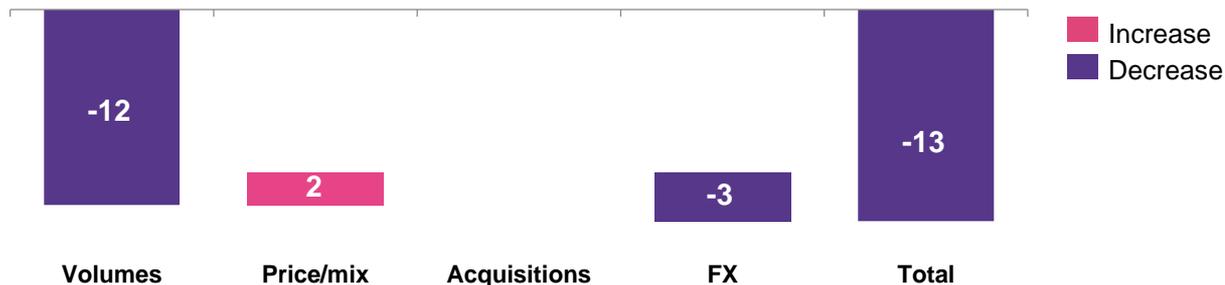
**ROI% = 12 months adjusted operating income/12 months average invested capital.

YTD 2020: Performance Coatings

€ million	YTD 2019	YTD 2020	Δ%	Δ%CC
Revenue	4,184	3,651	(13%)	(10%)
Adjusted EBITDA	661	601	(9%)	
Adjusted operating income	529	488	(8%)	
Operating income	427	450	5%	
ROS%*	12.6%	13.4%		
ROI%**	20.8%	19.0%		

Performance Coatings adjusted operating income was lower, with positive price/mix, margin management and cost savings more than offset by lower volumes

Revenue development YTD 2020 (%)



*ROS% = Adjusted operating income/revenue

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

Representation of revenue 2019

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

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

- ↯ 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
- ↯ CapEx €200-250m
- ↯ Effective tax rate 27%
- ↯ Dividend policy “stable to rising”