

Q4 Report

AkzoNobel

20
20

sikkens
WOOD COATINGS

Customers given new window of opportunity

Window manufacturers can now make their production process more efficient and sustainable after we launched a new instant drying solution. The RUBBOL 100% UV cured exterior range of Sikkens wood coatings is the first of its kind and can cut up to 16 hours of drying time. This means significant savings in production time and energy costs, as well as leading performance.

Highlights 2020

- 15.0% ROS excluding unallocated cost¹, delivering on our 15 by 20 promise
- ROI excluding unallocated cost² up at 20.6%, exceeding our 2020 ambition
- €243 million of cost savings, of which €115 million structural savings
- Net cash from operating activities significantly increased to €1,220 million
- €545 million share buyback in 2020
- €1 billion share buyback announced, to be completed in Q1 2022

Outlook 2021

AkzoNobel targets to grow at least in line with its relevant markets. Although trends differ per region and segment with raw material inflation expected, margin management and cost-saving programs are in place to deliver 50 basis points increase in return on sales. The company targets a leverage ratio of 1-2 times net debt/EBITDA and commits to retain a strong investment grade credit rating.

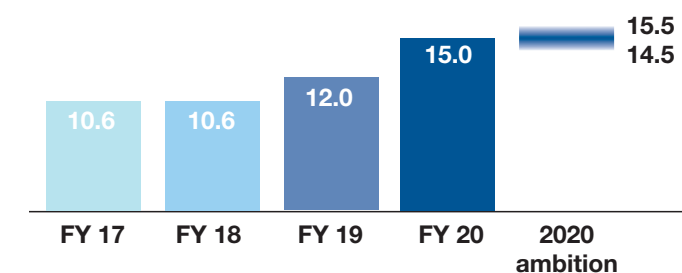
Alternative performance measures (APM)

AkzoNobel uses APM adjustments to the IFRS measures to provide supplementary information on the reporting of the underlying developments of the business. A reconciliation of the alternative performance measures to the most directly comparable IFRS measures can be found in the tables on pages 16 and 17.

Successfully delivered Winning together: 15 by 20

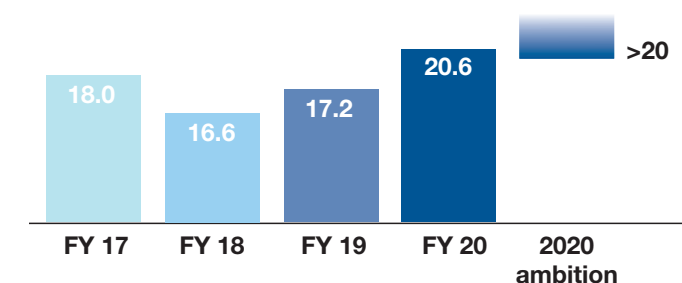
ROS excluding unallocated cost¹

% of revenue



ROI excluding unallocated cost²

%



¹ ROS excluding unallocated cost is adjusted operating income as percentage of revenue for Decorative Paints and Performance Coatings; it excludes unallocated cost, consistent with our 2020 ambition.

² 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 cost and unallocated invested capital, consistent with our 2020 ambition.

Our results at a glance

Highlights Q4 2020

- Strong growth in volumes of 6%; second consecutive quarter of volume growth
- ROS excluding unallocated cost increased to 15.3% (2019: 11.0%) due to strong margin management and cost savings
- Total cost savings €34 million, of which €25 million structural savings related to transformation initiatives
- Acquisitions of Titan Paints in Spain announced and New Nautical Coatings completed in Q4 2020

Q4 2020 (compared with Q4 2019)

- Revenue 1% lower and up 6% in constant currencies, with volumes 6% higher and positive price/mix of 1% more than offset by adverse currency impact
- Adjusted operating income 32% higher at €294 million (2019: €223 million); ROS increased to 13.3% (2019: 9.9%)
- Operating income up 40% at €243 million, includes €51 million negative impact from identified items, mainly related to transformation costs (2019: €173 million, including €50 million negative identified items); OPI margin increased to 11.0% (2019: 7.7%)
- Net cash from operating activities increased 35% to €615 million (2019: €454 million); maintained a strong balance sheet
- Net income attributable to shareholders increased 106% to €167 million (2019: €81 million)
- Adjusted EPS from continuing operations up 46% at €1.08 (2019: €0.74); EPS from total operations at €0.87 (2019: €0.41)

Full-year 2020 (compared with full-year 2019)

- Revenue 8% lower and 4% lower in constant currencies, with 1% positive price/mix and 4% lower volumes, mainly due to the impact of COVID-19 in Performance Coatings
- Adjusted operating income up 11% at €1,099 million (2019: €991 million); ROS up at 12.9% (2019: 10.7%)
- Operating income up 15% at €963 million, includes €136 million negative impact from identified items, mainly related to transformation costs (2019: €841 million, including €150 million negative identified items); OPI margin increased to 11.3% (2019: 9.1%)
- Net income attributable to shareholders increased 17% to €630 million (2019: €539 million)
- Adjusted EPS from continuing operations up 25% at €3.88 (2019: €3.10); EPS from total operations up at €3.29 (2019: €2.53)
- At December 31, 2020, net debt was €1,034 million (2019: €802 million)
- Final dividend proposed of €1.52 (2019: €1.49) per share

Summary of financial outcomes

Fourth quarter			January-December		
2019	2020	Δ% in € millions / %	2019	2020	Δ%
2,242	2,209	(1%)	Revenue	9,276	8,530 (8%)
312	380	22%	Adjusted EBITDA*	1,341	1,442 8%
272	333	22%	EBITDA*	1,201	1,324 10%
223	294	32%	Adjusted operating income*	991	1,099 11%
(50)	(51)		Identified items*	(150)	(136)
173	243	40%	Operating income	841	963 15%
9.9	13.3		ROS%*	10.7	12.9
7.7	11.0		OPI margin*	9.1	11.3
			Average invested capital*	7,026	6,834
			ROI%*	14.1	16.1
11.0	15.3		ROS% excl. unallocated cost*	12.0	15.0
			ROI% excl. unallocated cost*	17.2	20.6
79	102	29%	Capital expenditures	214	258 21%
			Net debt	802	1,034
			Leverage ratio (net debt/EBITDA)*	0.7	0.8
			Number of employees	33,800	32,200
454	615		Net cash from operating activities	33	1,220
75	168	24%	Net income from continuing operations	517	637 23%
6	(1)		Net income from discontinued operations	22	(7)
81	167	106%	Net income attributable to shareholders	539	630 17%
198.5	190.5		Weighted average number of shares	213.1	191.4
0.74	1.08	46%	Adjusted earnings per share from continuing operations (in €)*	3.10	3.88 25%
0.41	0.87	112%	Earnings per share from total operations (in €)	2.53	3.29 30%

*Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 16 and 17.

Financial highlights

Revenue

Q4 2020

Revenue was 1% lower, and up 6% in constant currencies. Price/mix was up 1% overall. Volumes were 6% higher, mainly due to strong performance in Decorative Paints.

- Decorative Paints revenue was 4% higher and up 14% in constant currencies; Decorative Paints continued to be heavily impacted by adverse currency impacts in South America. Volumes were up 12% and price/mix up 2%, partly offset by adverse currency impact of 10%
- Performance Coatings revenue was 4% lower and up 1% in constant currencies. Volumes were up 1%, mainly due to strong recovery from the impact of COVID-19. Exchange rates adversely impacted revenues by 5%
- Other activities includes service revenue. In 2019, other activities included royalty income and other revenue mainly related to services to the former Specialty Chemicals business, which have been phased out during 2020

Full-year 2020

Revenue was 8% lower, and 4% lower in constant currencies. Price/mix was up 1% overall. Volumes were 4% lower, mainly due to the impact of COVID-19 on end market demand.

- Decorative Paints revenue was 3% lower and up 3% in constant currencies, with volumes up 2% and positive price/mix of 1%, more than offset by 6% adverse currency impact
- Performance Coatings revenue was 11% lower and 8% lower in constant currencies. Revenue was positively impacted by 1% price/mix, while volumes were 9% lower, mainly due to the impact of COVID-19 on end market demand, especially in the first half of the year
- Other activities includes service revenue. In 2019, other activities included royalty income and other revenue mainly related to services to the former Specialty Chemicals business, which have been phased out during 2020

Cost of sales

In the fourth quarter, raw material and other variable costs were €15 million lower compared with the fourth quarter of 2019.

Raw material and other variable costs were €135 million lower for the full-year 2020 compared with 2019.

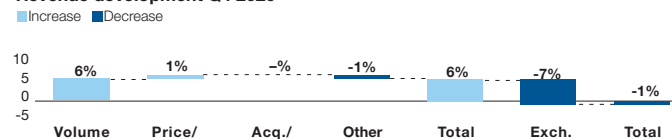
Acquisitions

The acquisition of Mauvilac Industries, announced on December 12, 2019, was closed on April 1, 2020.

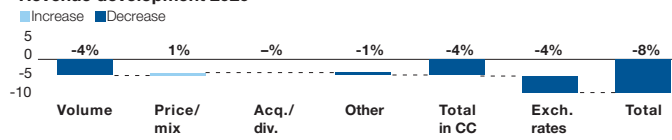
On September 2, 2020, the acquisition of Stahl's performance powder coatings activities was completed.

The acquisition of Titan Paints in Spain was announced on October 19, 2020, and the acquisition of New Nautical Coatings in the US was completed in Q4 2020.

Revenue development Q4 2020



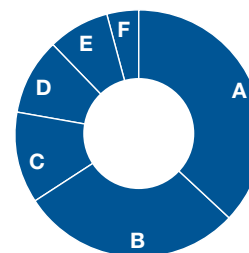
Revenue development 2020



AkzoNobel around the world

Revenue by destination

Destination	%
A Mature Europe	37
B Asia Pacific	29
C North America	12
D Emerging Europe	10
E South America	8
F Other regions	4
Total	100



(Based on the full-year 2020)

Revenue

Fourth quarter

January-December

2019 ¹	2020	Δ%	Δ% CC ²	in € millions	2019 ¹	2020	Δ%	Δ% CC ²
869	901	4%	14%	Decorative Paints	3,670	3,558	(3%)	3%
1,365	1,306	(4%)	1%	Performance Coatings	5,549	4,957	(11%)	(8%)
8	2			Other activities	57	15		
2,242	2,209	(1%)	6%	Total	9,276	8,530	(8%)	(4%)

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

² Change excluding currency impact.

in % versus Q4 2019	Volume	Price/mix	Acq./div.	Other	Exchange rates	Total
Decorative Paints	12	2	-	-	(10)	4
Performance Coatings	1	-	-	-	(5)	(4)
Total	6	1	-	(1)	(7)	(1)

in % versus year-to-date 2019	Volume	Price/mix	Acq./div.	Other	Exchange rates	Total
Decorative Paints	2	1	-	-	(6)	(3)
Performance Coatings	(9)	1	-	-	(3)	(11)
Total	(4)	1	-	(1)	(4)	(8)

Volume development per quarter

(year-on-year) in %	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20
Decorative Paints	(4)	(9)	(10)	14	12
Performance Coatings	(4)	(7)	(23)	(5)	1
Total	(4)	(7)	(18)	3	6

Price/mix development per quarter

(year-on-year) in %	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20
Decorative Paints	2	1	4	(4)	2
Performance Coatings	-	3	-	1	-
Total	1	2	2	(1)	1

Currency development per quarter

(year-on-year) in %	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20
Decorative Paints	-	(2)	(4)	(7)	(10)
Performance Coatings	1	-	(1)	(5)	(5)
Total	1	(1)	(2)	(6)	(7)

Financial highlights

Q4 2020

Adjusted operating income

Adjusted operating income was up 32% at €294 million (2019: €223 million), driven by strong margin management and cost-saving programs. Continuous improvement initiatives successfully offset inflation. Total cost savings delivered €34 million, of which €25 million were structural savings related to transformation initiatives. ROS increased to 13.3% (2019: 9.9%).

- Decorative Paints adjusted operating income was up 45%, driven by higher volumes, margin management and cost savings. ROS was up at 14.0% (2019: 10.0%)
- Performance Coatings adjusted operating income increased by 33%, driven by margin management and cost savings. ROS was up at 16.2% (2019: 11.6%)
- Other activities were negative €44 million (2019: negative €23 million); other activities in 2019 included higher royalty income and a one-off gain on a disposal

Operating income

Operating income was up 40% at €243 million (2019: €173 million) and included negative identified items of €51 million, mainly related to transformation costs. In 2019, identified items were negative €50 million, mainly related to transformation costs and non-cash impairments following the implementation of a strategic portfolio review. OPI margin increased to 11.0% (2019: 7.7%).

Full-year 2020

Adjusted operating income

Adjusted operating income was up 11% at €1,099 million (2019: €991 million), driven by margin management and cost-saving programs. Continuous improvement initiatives successfully offset inflation. ROS increased to 12.9% (2019: 10.7%).

- Decorative Paints adjusted operating income increased 37% as a result of volume growth, supported by margin management and cost savings. ROS was up at 16.1% (2019: 11.4%)
- Performance Coatings adjusted operating income increased by 2%, with positive price/mix, margin management and cost savings more than compensating lower volumes due to the COVID-19 impact on end user demand. ROS increased to 14.1% (2019: 12.4%)
- Other activities were negative €174 million (2019: negative €115 million); other activities in 2019 included higher royalty income and one-off gains on disposals

Operating income

Operating income was up 15% at €963 million (2019: €841 million) and included negative identified items of €136 million (€22 million in Decorative Paints, €35 million in Performance Coatings and €79 million in Other activities), mainly related to transformation costs. In 2019, identified items were negative €150 million, mainly related to transformation costs and non-cash impairments, partly offset by a gain on disposal of €54 million following asset network optimization. OPI margin increased to 11.3% (2019: 9.1%).

Adjusted operating income*

Fourth quarter			January-December			
2019	2020	Δ%	in € millions	2019	2020	Δ%
87	126	45%	Decorative Paints	418	573	37%
159	212	33%	Performance Coatings	688	700	2%
(23)	(44)		Other activities	(115)	(174)	
223	294	32%	Total	991	1,099	11%

ROS%*

Fourth quarter			January-December		
2019 ¹	2020	in %	2019 ¹	2020	
10.0	14.0		11.4	16.1	
11.6	16.2		12.4	14.1	
			Other activities ²		
9.9	13.3		10.7	12.9	
11.0	15.3		12.0	15.0	
			Excl. unallocated cost		

¹ ROS 2019 represented, based on revenue from third parties instead of total revenue.

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

Operating income

Fourth quarter			January-December			
2019	2020	Δ%	in € millions	2019	2020	Δ%
75	122	63%	Decorative Paints	425	551	30%
138	215	56%	Performance Coatings	565	665	18%
(40)	(94)		Other activities	(149)	(253)	
173	243	40%	Total	841	963	15%

*Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 16 and 17.

COVID-19

The pandemic situation is being closely monitored and appropriate measures are being taken to continue serving customers and save costs, while at the same time keeping the organization intact and able to respond quickly to changes in end market demand. Although demand trends differ per region and segment, the overall impact on AkzoNobel for the full-year 2020 was limited. An overall positive impact was noted for the Decorative Paints segment, whereas there was an overall adverse impact in the Performance Coatings segment. The pandemic has not impacted our going concern assumption.

AkzoNobel has a strong balance sheet and solid cash position. At December 31, 2020, cash and cash equivalents were €1.6 billion and financial leverage (net debt/EBITDA) was 0.8. AkzoNobel is committed to retain a strong investment grade credit rating.

In 2020, a detailed assessment was performed of potential valuation adjustments to the overall asset base, either due to the direct impact of COVID-19 or due to its impact on future profitability. Goodwill and intangible asset impairment tests have been performed based on most recently updated forecasts; this has not revealed impairments. Recoverability of deferred tax assets has also been reassessed based on these forecasts, leading to immaterial adjustments only. Furthermore, while the allowance for impairment of trade receivables initially increased as a direct result of the additional risk associated with COVID-19, impairment of trade receivables returned to normal levels at year-end.

In 2020, a compensation of €33 million related to governmental support measures for COVID-19 was recognized as a reduction of employee benefit costs, mainly in the second and third quarters. No application was made for the "Noodmaatregel Overbrugging voor Werkgelegenheid (NOW)" in the Netherlands.

In our 2020 figures, all COVID-19 related impacts have been treated as normal operations; none of these impacts has been included in identified items.

Net financing income/(expenses)

Net financing expenses decreased by €7 million, mainly due to lower interest on loans.

Income tax

The effective tax rate was 26.2% (2019: 29.3%). The decrease is mainly related to impairments of deferred tax assets in 2019. Excluding identified items, the effective tax rate in 2020 was 25.6% (2019: 25.3%).

Net income

Net income attributable to shareholders was €630 million (2019: €539 million). Earnings per share from total operations increased to €3.29 (2019: €2.53), including the impact of the share consolidation in 2019 and share buyback programs.

Operating income to net income

Fourth quarter			January-December	
2019	2020	in € millions	2019	2020
173	243	Operating income	841	963
(18)	(16)	Net financing income/(expenses)	(76)	(69)
4	7	Results from associates and joint ventures	20	25
159	234	Profit before tax	785	919
(79)	(52)	Income tax	(230)	(241)
80	182	Profit from continuing operations	555	678
6	(1)	Profit from discontinued operations	22	(7)
86	181	Profit for the period	577	671
(5)	(14)	Non-controlling interests	(38)	(41)
81	167	Net income	539	630



Sustainability ambitions heat up

Thousands of solar panels have been installed at two of our sites on two continents as we continue to accelerate towards our ambition of cutting carbon emissions in half by 2030. The two recent projects took place in Garcia, Mexico – where 1,650 solar panels have been installed – and Barcelona, Spain, where work to install 1,600 roof panels is well underway. As part of our People. Planet. Paint. sustainability ambitions, we want to cut our energy use by 30% and increase our renewable electricity use to 100%.

Decorative Paints

Highlights Q4 2020

- Revenue up 4%, mainly due to strong demand in all regions
- ROS up at 14.0% (2019: 10.0%) driven by continued strong performance; OPI margin increased to 13.5% (2019: 8.6%)

Q4 2020

- Revenue up 4% and 14% higher in constant currencies. Significant volume growth of 12% and positive price/mix of 2%, partly offset by adverse currency impact of 10%, mainly related to South America
- Adjusted operating income increased to €126 million (2019: €87 million), driven by higher volumes, positive price/mix, margin management and cost savings
- Operating income increased to €122 million (2019: €75 million)

Full-year 2020

- Revenue 3% lower and 3% higher in constant currencies; positive volumes and price/mix more than offset by 6% adverse currency effects, mainly in South America
- Adjusted operating income increased to €573 million (2019: €418 million), driven by higher volumes, positive price/mix, margin management and cost savings
- Operating income increased to €551 million (2019: €425 million)

Q4 2020

Revenue was up 4% and 14% higher in constant currencies, mainly due to strong demand in all regions. Europe and South America delivered continued strong performance, while most parts of Asia returned to growth.

Adjusted operating income increased to €126 million (2019: €87 million), driven by higher volumes, positive price/mix, margin management and cost savings. ROS increased to 14.0% (2019: 10.0%).

Operating income increased to €122 million and was adversely impacted by €4 million identified items related to transformation costs. In 2019, operating income of €75 million was adversely impacted by €12 million identified items related to transformation costs.

Full-year 2020

Revenue was 3% lower and up 3% in constant currencies as positive volume developments of 2% and price/mix of 1% were more than offset by 6% adverse currency impact.

Adjusted operating income increased to €573 million (2019: €418 million). Positive price/mix effect, margin management and cost savings resulted in an increased ROS of 16.1% (2019: 11.4%).

Operating income increased to €551 million and was negatively impacted by €22 million identified items related to transformation costs. In 2019, operating income of €425 million was positively impacted by €7 million identified items related to a gain on a disposal following asset network optimization (€54 million), partly offset by transformation costs (€47 million).

Revenue

Fourth quarter

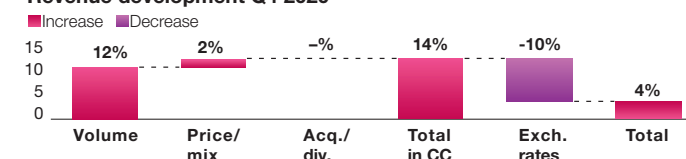
January-December

2019 ¹	2020	Δ%	CC ²	Δ%	in € millions	2019 ¹	2020	Δ%	CC ²
455	497	9%	14%		Decorative Paints Europe, Middle East and Africa	2,129	2,246	5%	8%
137	137	-%	49%		Decorative Paints South America	457	396	(13%)	21%
277	267	(4%)	2%		Decorative Paints Asia	1,084	916	(15%)	(13%)
869	901	4%	14%		Total	3,670	3,558	(3%)	3%

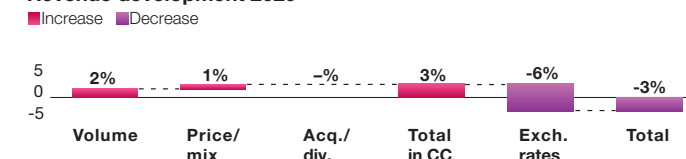
¹ Represented to present revenue from third parties instead of total revenue.

² Change excluding currency impact.

Revenue development Q4 2020



Revenue development 2020



Key financial figures

Fourth quarter

January-December

2019	2020	Δ%	in € millions / %	2019	2020	Δ%
87	126	45%	Adjusted operating income*	418	573	37%
(12)	(4)		Identified items*	7	(22)	
75	122	63%	Operating income	425	551	30%
10.0	14.0		ROS%*	11.4	16.1	
8.6	13.5		OPI margin%*	11.6	15.5	
			Average invested capital*	3,106	2,799	
			ROI%*	13.5	20.5	

*Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 16 and 17.

Europe, Middle East and Africa

Revenue in Q4 was 9% higher and up 14% in constant currencies, driven by continued strong demand for the professional and the DIY segments. Volumes increased significantly compared with the same period last year.

Revenue for the full-year was 5% higher and 8% higher in constant currencies, with positive volume and price/mix effects more than compensating for adverse currency effects.

South America

Revenue in Q4 was flat and up 49% in constant currencies, as positive volume and price/mix effects were offset by adverse currency impacts. Strong performance in South America was driven by market share gains and strong recovery from the impact of COVID-19. The impact from pricing initiatives and cost control was offset by significant currency devaluations.

Revenue for the full-year was 13% lower, and up 21% in constant currencies. Currency impact was driven by the Brazilian real and the Argentinian peso, which was partly offset by the IAS 29 impact from hyperinflation accounting in Argentina.

Asia

Revenue in Q4 was 4% lower and up 2% in constant currencies. China continued the growth momentum, especially in the premium product offering. South Asia is showing initial signs of recovery after being more heavily impacted by COVID-19, mainly in the first half of 2020.

Revenue for the full-year was 15% lower, and 13% lower in constant currencies. Volumes in Asia were lower due to the impact of COVID-19 in the first half of the year, with recovery in India and Indonesia, and China continuing to grow in the fourth quarter. Other countries in Asia continue to be impacted.



New bio-based paint is a breath of fresh air

We've launched a new bio-based wall paint in Vietnam. Dulux Better Living Air Clean BioBased is enhanced with Pure Air technology. It contains natural sustainable ingredients, such as bamboo charcoal, to create a better living environment.

Performance Coatings

Highlights Q4 2020

- Return to growth with 1% volume increase driven by strong performance in Industrial Coatings and Powder Coatings
- ROS up at 16.2% (2019: 11.6%) supported by margin management and cost savings; OPI margin 16.5% (2019: 10.1%)

Q4 2020

- Revenue 4% lower and up 1% in constant currencies, with 1% higher volumes, mainly due to continued recovery from the impact of COVID-19 on end market demand
- Adjusted operating income up 33% at €212 million (2019: €159 million) as a result of volume growth, margin management and cost savings
- Operating income at €215 million (2019: €138 million)

Full-year 2020

- Revenue 11% lower and 8% lower in constant currencies, with 1% positive price/mix more than offset by 9% lower volumes, mainly due to the impact of COVID-19 on end market demand
- Adjusted operating income up at €700 million (2019: €688 million) with margin management and cost savings more than offsetting lower volumes due to the impact of COVID-19
- Operating income increased to €665 million (2019: €565 million)

Q4 2020

Revenue was 4% lower, and 1% up in constant currencies. Volumes were up 1%, mainly due to recovery from the impact of COVID-19 on end market demand, in particular in Powder Coatings and Industrial Coatings. Marine and oil and gas related projects continued to be impacted.

Adjusted operating income increased to €212 million (2019: €159 million) mainly driven by volume growth, margin management and cost savings.

Operating income at €215 million included a gain of €3 million in identified items, related to the transformation of the organization. In 2019, operating income of €138 million was adversely impacted by €21 million identified items, mainly related to the transformation of the organization and non-cash impairments in Industrial Coatings, following the implementation of our strategic portfolio review.

Full-year 2020

Revenue was 11% lower, and 8% lower in constant currencies. Price/mix was 1% positive, while volumes were 9% lower, mainly due to the impact of COVID-19 on end market demand, in particular for the automotive and aerospace industries, as well as for marine and oil and gas related projects.

Adjusted operating income increased to €700 million (2019: €688 million) as margin management and cost control were more than offsetting lower volumes due to the impact of COVID-19.

Operating income at €665 million was adversely impacted by €35 million identified items, mainly related to the transformation of the organization. In 2019, operating income of €565 million was adversely impacted by €123 million identified items, mainly related to the transformation and non-cash impairments in Industrial Coatings, following the implementation of our strategic portfolio review.

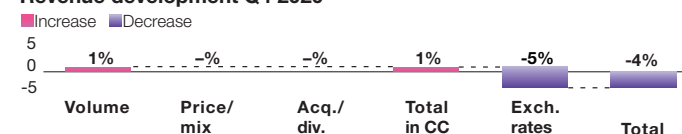
Revenue

Fourth quarter					January-December				
2019 ¹	2020	Δ%	Δ% CC ²	in € millions	2019 ¹	2020	Δ%	Δ% CC ²	
302	314	4%	10%	Powder Coatings	1,229	1,128	(8%)	(5%)	
326	264	(19%)	(14%)	Marine and Protective Coatings	1,290	1,068	(17%)	(14%)	
328	303	(8%)	(2%)	Automotive and Specialty Coatings	1,318	1,127	(14%)	(11%)	
407	425	4%	12%	Industrial Coatings	1,707	1,634	(4%)	(1%)	
2	-			Other activities	5	-			
1,365	1,306	(4%)	1%	Total	5,549	4,957	(11%)	(8%)	

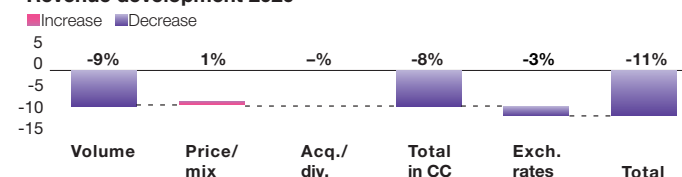
¹ Represented to present revenue from third parties instead of total revenue.

² Change excluding currency impact.

Revenue development Q4 2020



Revenue development 2020



Key financial figures

Fourth quarter				January-December		
2019	2020	Δ%	in € millions / %	2019	2020	Δ%
159	212	33%	Adjusted operating income*	688	700	2%
(21)	3		Identified items*	(123)	(35)	
138	215	56%	Operating income	565	665	18%
11.6	16.2		ROS%*	12.4	14.1	
10.1	16.5		OPI margin%*	10.2	13.4	
			Average invested capital*	3,325	3,388	
			ROI%*	20.7	20.7	

*Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 16 and 17.

Powder Coatings

Revenue in Q4 was up 4% and 10% higher in constant currencies. Volumes were up 11% and price/mix was flat. Growth in Powder Coatings was driven by both demand and market share growth, in particular in the automotive industry, including electric vehicles.

Revenue for the full-year was 8% lower and 5% lower in constant currencies, mainly due to lower volumes as a result of the impact of COVID-19 on end market demand in the first half of the year.

Marine and Protective Coatings

Revenue in Q4 was 19% lower and 14% lower in constant currencies. Marine and oil and gas related projects continued to be impacted.

Revenue for the full-year was 17% lower and 14% lower in constant currencies, with revenues mainly impacted by lower volumes due to the impact of COVID-19.

Automotive and Specialty Coatings

Revenue in Q4 was 8% lower and 2% lower in constant currencies, with positive price/mix more than offset by lower volumes. Demand returned to growth, especially for vehicle refinishes and consumer electronics. Demand for the aerospace segment stabilized at a lower level, after being heavily impacted by COVID-19 in previous quarters.

Revenue for the full-year was 14% lower and 11% lower in constant currencies. Price/mix effects were more than offset by lower volumes due to lower end market demand as a result of COVID-19.

Industrial Coatings

Revenue in Q4 was up 4%, and 12% higher in constant currencies, supported by growth in all segments, particularly in the metal and packaging coatings segments.

Revenue for the full-year was 4% lower and 1% lower in constant currencies, mainly as a result of the first half-year impact on end market demand due to COVID-19.



Creating South America's most colorful plane

Our Coral brand in Brazil partnered with Aerospace Coatings colleagues to help create South America's most colorful airplane. They worked with Azul Airlines and Embraer to pay tribute to the Spix's macaw, a national symbol in Brazil. The design features 58 colors, half of which were custom made.

Condensed consolidated financial statements

Condensed consolidated statement of income

Condensed consolidated statement of income			Fourth quarter		January-December	
	2019*	2020	in € millions		2019*	2020
Continuing operations						
2,242	2,209	Revenue	9,276	8,530		
(1,281)	(1,234)	Cost of sales	(5,314)	(4,745)		
961	975	Gross profit	3,962	3,785		
(784)	(727)	SG&A costs	(3,116)	(2,817)		
(4)	(5)	Other results	(5)	(5)		
173	243	Operating income	841	963		
(18)	(16)	Net financing expenses	(76)	(69)		
4	7	Results from associates and joint ventures	20	25		
159	234	Profit before tax	785	919		
(79)	(52)	Income tax	(230)	(241)		
80	182	Profit for the period from continuing operations	555	678		
Discontinued operations						
6	(1)	Profit/(loss) for the period from discontinued operations	22	(7)		
86	181	Profit for the period	577	671		
Attributable to						
81	167	Shareholders of the company	539	630		
5	14	Non-controlling interests	38	41		
86	181	Profit for the period	577	671		

* Costs by nature 2019 have been reclassified to align to our 2020 cost structure and allocations. This resulted in reclassifications between cost lines in our statement of income, which did not impact total operating income.

Condensed consolidated statement of comprehensive income

Condensed consolidated statement of comprehensive income			Fourth quarter		January-December	
	2019	2020	in € millions		2019	2020
86	181	Profit for the period	577	671		
Other comprehensive income						
39	8	Exchange differences arising on translation of foreign operations	127	(430)		
(149)	(175)	Post-retirement benefits	(249)	115		
(14)	36	Tax relating to components of other comprehensive income	35	(13)		
(124)	(131)	Other comprehensive income for the period (net of tax)	(87)	(328)		
(38)	50	Comprehensive income for the period	490	343		
Comprehensive income for the period attributable to						
(39)	38	Shareholders of the company	453	323		
1	12	Non-controlling interests	37	20		
(38)	50	Comprehensive income for the period	490	343		

Condensed consolidated balance sheet

Condensed consolidated balance sheet			December 31,	
	in € millions		2019	2020
Assets				
Non-current assets				
Intangible assets			3,625	3,554
Property, plant and equipment			1,700	1,621
Right-of-use assets			374	324
Other non-current assets			2,541	2,614
Total non-current assets			8,240	8,113
Current assets				
Inventories			1,139	1,159
Trade and other receivables			2,133	1,994
Other current assets			63	55
Short-term investments			138	250
Cash and cash equivalents			1,271	1,606
Total current assets			4,744	5,064
Total assets			12,984	13,177
Equity and liabilities				
Group equity			6,568	5,950
Non-current liabilities				
Provisions and deferred tax liabilities			1,372	1,363
Long-term borrowings			2,042	2,771
Total non-current liabilities			3,414	4,134
Current liabilities				
Short-term borrowings			169	119
Trade and other payables			2,406	2,580
Other short-term liabilities			427	394
Total current liabilities			3,002	3,093
Total equity and liabilities			12,984	13,177

Shareholders' equity

Shareholders' equity decreased from €6.4 billion at year-end 2019 to €5.7 billion at December 31, 2020, mainly due to the net effect of:

- Profit for the period of €630 million
- Share buyback of €545 million (including taxes)
- Currency effects of €404 million negative (including taxes)
- Dividends of €366 million (final dividend 2019: €284 million and interim dividend 2020: €82 million)
- Post-retirement benefits of €97 million positive (including taxes)

Dividend

The dividend policy remains unchanged and is to pay a stable to rising dividend.

The final 2019 dividend of €1.49 per common share was approved by the AGM in April 2020 and was paid. The total 2019 dividend amounted to €1.90 per share (2018: €1.80).

In Q4 2020, a €300 million share buyback program was announced, to be completed in the first half of 2021. The €500 million share buyback program announced in 2019 was completed during Q2 2020.

An interim dividend of €0.43 per share (2019: €0.41) was paid. A final 2020 dividend of €1.52 (2019: €1.49) per share is proposed.

Outstanding share capital

The outstanding share capital was 190.6 million common shares at the end of December 2020. This included 0.7 million shares acquired in the share buyback program, which have not yet been cancelled. The weighted average number of shares in Q4 2020 was 190.5 million shares. The weighted average number of shares for the full-year 2020 was 191.4 million. These weighted average numbers of shares exclude shares not yet cancelled and were the basis for the calculation of earnings per share.

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	–	–	–	539	539	38	577
Other comprehensive income	–	–	139	(225)	(86)	(1)	(87)
Comprehensive income for the period	–	–	139	314	453	37	490
Dividend	–	–	–	(1,423)	(1,423)	(23)	(1,446)
Share buyback	(14)	–	–	(2,520)	(2,534)	–	(2,534)
Capital repayment and share consolidation	(399)	(957)	–	(644)	(2,000)	–	(2,000)
Equity-settled transactions	–	–	–	20	20	–	20
Issue of common shares	1	(1)	–	–	–	–	–
Balance at December 31, 2019	100	–	(469)	6,719	6,350	218	6,568
Balance at December 31, 2019	100	–	(469)	6,719	6,350	218	6,568
Profit for the period	–	–	–	630	630	41	671
Other comprehensive income	–	–	(404)	97	(307)	(21)	(328)
Comprehensive income for the period	–	–	(404)	727	323	20	343
Dividend	–	–	–	(366)	(366)	(19)	(385)
Share buyback	(5)	–	–	(540)	(545)	–	(545)
Equity-settled transactions	–	–	–	13	13	–	13
Acquisitions and divestments	–	–	–	(29)	(29)	(15)	(44)
Balance at December 31, 2020	95	–	(873)	6,524	5,746	204	5,950

Cash flows and net debt

Net cash from operating activities in Q4 2020 resulted in an inflow of €615 million (2019: inflow of €454 million). This increase was mainly driven by higher profit for the period of €182 million (2019: profit of €80 million) and an inflow of working capital of €366 million (2019: inflow of €258 million).

Net cash from investing activities in Q4 2020 resulted in an outflow of €268 million (2019: inflow of €546 million). In Q4 2019, there was a net cash inflow from short-term investments of €834 million, which was used for the share buyback.

Net cash from financing activities in Q4 2020 resulted in an outflow of €221 million (2019: outflow of €936 million). Net cash from financing activities mainly relates to an outflow from changes in borrowings (€53 million), an outflow for dividend paid (€93 million) and an outflow for the share buyback (€76 million).

At December 31, 2020, net debt was €1,034 million versus €802 million at year-end 2019. The net debt/EBITDA leverage ratio at December 31, 2020, was 0.8 (December 31, 2019: 0.7).

Free cash flows

The cash generation in Q4 2020 improved by 37% compared to Q4 2019, mainly due to a higher profit for the period and an inflow of working capital.

Condensed consolidated statements of cash flows

Fourth quarter		January-December		
2019	2020	in € millions	2019	2020
1,155	1,460	Net cash and cash equivalents at beginning of period	2,732	1,210
Adjustments to reconcile earnings to cash generated from operating activities				
80	182	Profit from the period from continuing operations	555	678
99	90	Amortization and depreciation	360	361
5	9	Impairment losses	66	10
18	16	Financing income and expenses	76	69
(4)	(7)	Results from associates and joint ventures	(20)	(25)
(12)	(17)	Pre-tax result on acquisitions and divestments	(83)	(27)
79	52	Income tax	230	241
258	366	Changes in working capital	(244)	184
-	-	Pension pre-funding	(161)	-
(12)	(21)	Changes in post-retirement benefit provisions	(509)	(46)
(4)	16	Changes in other provisions	(15)	(22)
(16)	(10)	Interest paid	(66)	(47)
(52)	(72)	Income tax paid	(184)	(165)
15	11	Other changes	28	9
454	615	Net cash generated from / (used for) operating activities	33	1,220
(79)	(102)	Capital expenditures	(214)	(258)
(212)	(36)	Acquisitions and divestments net of cash acquired/divested	(120)	(82)
(760)	(140)	Investment in short-term investments	(2,325)	(248)
1,594	-	Repayments of short-term investments	7,663	136
3	10	Other changes	8	25
546	(268)	Net cash generated from / (used for) investing activities	5,012	(427)
(528)	(53)	Changes from borrowings	(613)	631
(93)	(93)	Dividend paid	(1,446)	(385)
-	-	Capital repayment	(2,000)	-
(314)	(76)	Share buyback	(2,520)	(555)
-	1	Buy-out of non-controlling interests	-	(44)
(1)	-	Other changes	-	-
(936)	(221)	Net cash generated from / (used for) financing activities	(6,579)	(353)
64	126	Net cash generated from / (used for) continuing operations	(1,534)	440
(5)	(1)	Cash flows from discontinued operations	(10)	(3)
59	125	Net change in cash and cash equivalents of continued and discontinued operations	(1,544)	437
(4)	(4)	Effect of exchange rate changes on cash and cash equivalents	22	(66)
1,210	1,581	Net Cash and cash equivalents at December 31	1,210	1,581

Consolidated statement of free cash flows

Fourth quarter		January-December		
2019	2020	in € millions	2019	2020
272	333	EBITDA	1,201	1,324
5	9	Impairment losses	66	10
(12)	(17)	Pre-tax results on acquisitions and divestments	(83)	(27)
258	366	Changes in working capital	(244)	184
-	-	Pension pre-funding	(161)	-
-	(9)	Pension top-up payments	(481)	(26)
(16)	5	Other changes in provisions	(43)	(42)
(16)	(10)	Interest paid	(66)	(47)
(52)	(72)	Income tax paid	(184)	(165)
15	10	Other	28	9
454	615	Net cash generated from / (used for) operating activities	33	1,220
(79)	(102)	Capital expenditures	(214)	(258)
375	513	Free cash flow	(181)	962

Invested capital

Invested capital at December 31, 2020, totaled €6.4 billion, €0.6 billion lower compared to year-end 2019, mainly due to a reduction in working capital and other non-current assets.

Operating working capital (Trade)

Operating working capital (Trade) as percentage of revenue decreased to 9.9% in Q4 2020, compared with 11.9% in Q4 2019, mainly due to lower trade receivables as a percentage of revenue and higher trade payables. This was mainly caused by strong focus on working capital reduction, which was also reflected in the improvement of net cash generation in Q4 2020 compared to Q4 2019. Operating working capital increased during the first half of the year due to the impact of COVID-19 on customer payment patterns, in addition to normal seasonality, and decreased again in the second half of 2020.

Pension

The net balance sheet position (according to IAS19) of pension plans at the end of Q4 2020 was a surplus of €1.0 billion (year-end 2019: surplus of €0.8 billion). The development during 2020 was mainly the result of the net effect of:

- Higher asset returns in key countries
- Lower inflation rates in key countries

Offset by:

- Lower discount rates in key countries

Workforce

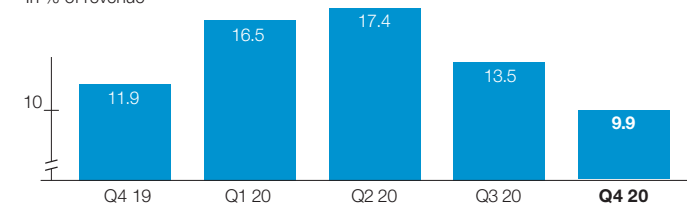
At December 31, 2020, the number of people employed was 32,200 (December 31, 2019: 33,800). Acquisitions in 2020 added around 250 people.

Invested capital

in € millions	December 31, 2019	December 31, 2020
Trade receivables	1,812	1,751
Inventories	1,139	1,159
Trade payables	(1,883)	(2,032)
Operating working capital (Trade)	1,068	878
Other working capital items	(335)	(412)
Non-current assets	8,240	8,113
Less investments in associates and joint ventures	(150)	(166)
Less pension assets	(1,418)	(1,543)
Deferred tax liabilities	(391)	(467)
Invested capital	7,014	6,403

Operating working capital (Trade)

In % of revenue



AkzoNobel springs for 2021 Paint the Future startup challenge in China

Forging an even stronger connection with startups in a key market, AkzoNobel will launch its next regional startup challenge in China in March 2021. The challenge joins a series of programs for startups, academia, research institutes and suppliers to collaborate and test, launch and scale revolutionary solutions together with AkzoNobel. The company first kicked off Paint the Future in 2019 with an industry-first global startup challenge. In 2020, it staged the first regional startup challenge in Brazil. Now it's preparing to stir things up with startups in China, a country renowned for technological innovation.

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 have been prepared in accordance with IAS 34 "Interim financial reporting". The interim condensed consolidated financial statements were discussed and approved by the Board of Management and Supervisory Board. These condensed consolidated financial statements have been authorized for issue. The full-year 2020 numbers included in the condensed consolidated financial statements are derived from the consolidated financial statements 2020. The consolidated financial statements have not yet been published by law and still have to be adopted by the Annual General Meeting of shareholders. 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 on February 16, 2021. The consolidated financial statements will be published on March 10, 2021.

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 that became effective on January 1, 2020. These include, amongst others amendments to IFRS 3 'Definition of a Business', amendments to IFRS 9, IAS 39 and IFRS 7 'Interest Rate Benchmark Reform – Phase 1', amendments to IAS 1 and IAS 8 'Definition of Material', 'Amendments to References to the Conceptual Framework in IFRS Standards' and the amendment to IFRS 16 'COVID-19-Related Rent Concessions'. These changes have been assessed for their potential impact and do not have a material effect on AkzoNobel's consolidated financial statements.

Potential 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, have been assessed. Reference is made to the paragraph on COVID-19 on page 6 of this report.

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

AkzoNobel purchased and sold goods and services to various related parties in which we hold a 50% or less equity interest (associates and joint ventures). 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 with terms comparable with third party transactions.

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

January-December 2020

in € millions	Decorative Paints	Performance Coatings	Other	Total
Primary geographical markets				
The Netherlands	233	94	15	342
Other European countries	1,847	1,779	–	3,626
US and Canada	–	1,019	–	1,019
South America	396	301	–	697
Asia	910	1,434	–	2,344
Other regions	172	330	–	502
Total	3,558	4,957	15	8,530
Timing of revenue recognition				
Goods transferred at a point in time	3,530	4,772	–	8,302
Services transferred over time	28	185	15	228
Total	3,558	4,957	15	8,530

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. 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, environmental and tax cases. 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. A reconciliation of the alternative performance measures to the most directly comparable IFRS measures can be found in the tables on this page and the next page.

OPI margin, ROS and ROS excluding unallocated cost 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 cost is adjusted operating income as percentage of revenue for Decorative Paints and Performance Coatings; it excludes unallocated cost. The calculations are based on the revenue as disclosed in the revenue table on page 3.

Operating income

Fourth quarter			January-December		
2019	2020	Δ% in € millions	2019	2020	Δ%
75	122	63%	425	551	30%
138	215	56%	565	665	18%
(40)	(94)		(149)	(253)	
173	243	40%	841	963	15%

Identified items

Fourth quarter			January-December		
2019	2020	in € millions	2019	2020	
(12)	(4)	Decorative Paints		7	(22)
(21)	3	Performance Coatings		(123)	(35)
(17)	(50)	Other activities		(34)	(79)
(50)	(51)	Total	(150)	(136)	

Adjusted operating income

Fourth quarter			January-December		
2019	2020	Δ% in € millions	2019	2020	Δ%
87	126	45%	418	573	37%
159	212	33%	688	700	2%
246	338	37%	1,106	1,273	15%
(23)	(44)	Other activities	(115)	(174)	
223	294	32%	991	1,099	11%

OPI margin

Fourth quarter			January-December		
2019	2020	in %	2019	2020	
8.6	13.5	Decorative Paints	11.6	15.5	
10.1	16.5	Performance Coatings	10.2	13.4	
		Other activities*			
7.7	11.0	Total	9.1	11.3	

ROS%

Fourth quarter			January-December		
2019	2020	in %	2019	2020	
10.0	14.0	Decorative Paints	11.4	16.1	
11.6	16.2	Performance Coatings	12.4	14.1	
		Other activities*			
9.9	13.3	Total	10.7	12.9	

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

ROS excluding unallocated cost

Fourth quarter			January-December		
2019	2020	in € millions	2019	2020	
2,242	2,209	Total revenue	9,276	8,530	
(8)	(2)	Less: revenue unallocated	(57)	(15)	
2,234	2,207	Revenue excluding unallocated revenue	9,219	8,515	
246	338	Adjusted operating income excluding unallocated cost*	1,106	1,273	
11.0	15.3	ROS% excluding unallocated cost	12.0	15.0	

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

Adjusted earnings per share from continuing operations

Fourth quarter			January-December		
2019	2020	in € millions	2019	2020	
159	234	Profit before tax from continuing operations	785	919	
50	51	Identified items reported in operating income	150	136	
-	(3)	Identified items reported in interest	-	(3)	
(57)	(63)	Adjusted income tax	(237)	(269)	
(5)	(14)	Non-controlling interests	(38)	(41)	
147	205	Adjusted net income from continuing operations	660	742	
198.5	190.5	Weighted average number of shares (in millions)	213.1	191.4	
0.74	1.08	Adjusted earnings per share from continuing operation	3.10	3.88	

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 cost and invested capital.

Average invested capital

January 2020 - December 2020

in € millions	2019	2020	Δ%
Decorative Paints	3,106	2,799	(10%)
Performance Coatings	3,325	3,388	2%
Other activities	595	647	9%
Total	7,026	6,834	(3%)

ROI%

January 2020 - December 2020

in %	2019	2020
Decorative Paints	13.5	20.5
Performance Coatings	20.7	20.7
Other activities*		
Total	14.1	16.1

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

ROI% excluding unallocated cost

January 2020 - December 2020

in € millions	2019	2020
Average invested capital	7,026	6,834
Less: unallocated average invested capital	(595)	(647)
Average invested capital excluding unallocated capital	6,431	6,187
Adjusted operating income excluding unallocated cost	1,106	1,273
Total	17.2	20.6

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

EBITDA

January 2020 - December 2020

in € millions	2019	2020
Operating income	841	963
Depreciation and amortization	360	361
EBITDA	1,201	1,324

Adjusted EBITDA

January 2020 - December 2020

in € millions	2019	2020
Adjusted operating income	991	1,099
Depreciation and amortization (excluding identified items)	350	343
Adjusted EBITDA	1,341	1,442

Net debt

in € millions	December 31, 2019	December 31, 2020
Short-term investments	(138)	(250)
Cash and cash equivalents	(1,271)	(1,606)
Long-term borrowings	2,042	2,771
Short-term borrowings	169	119
Net debt	802	1,034

Leverage ratio

in € millions	December 31, 2019	December 31, 2020
Net debt	802	1,034
EBITDA	1,201	1,324
Leverage ratio	0.7	0.8

Revenue segmentation representation 2019

Segment and business unit revenue of 2019 is represented to present revenue from third parties instead of total revenue. The table below reflects the 2019 revenue as reported in 2019 and the represented revenue for 2019 as included in this report. The quarterly statistics on page 19 of this report reflect the represented quarterly revenue for 2019.

Revenue segmentation representation 2019

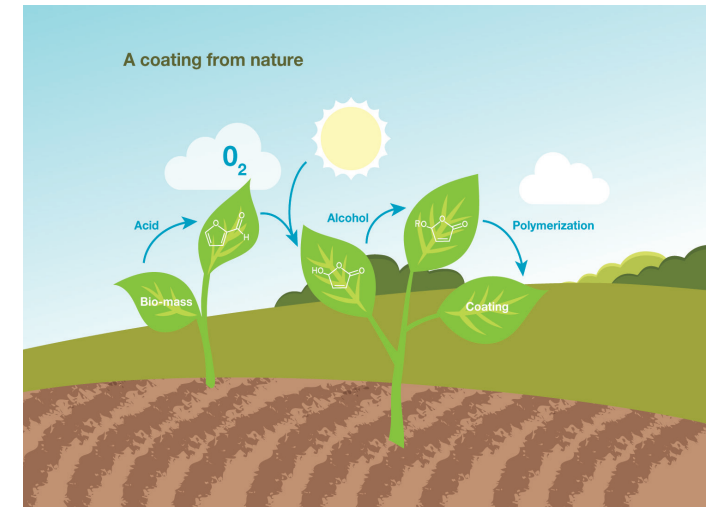
Fourth quarter			January-December	
Reported	Repre- sented	in € millions	Reported	Repre- sented
462	455	Decorative Paints Europe, Middle East and Africa	2,161	2,129
139	137	Decorative Paints South America	463	457
277	277	Decorative Paints Asia	1,084	1,084
(1)	–	Other/eliminations	(5)	–
877	869	Decorative Paints total	3,703	3,670
305	302	Powder Coatings	1,234	1,229
330	326	Marine and Protective Coatings	1,306	1,290
344	328	Automotive and Specialty Coatings	1,388	1,318
411	407	Industrial Coatings	1,731	1,707
(29)	2	Other/eliminations	(96)	5
1,361	1,365	Performance Coatings total	5,563	5,549
4	8	Other/eliminations	10	57
2,242	2,242	Total	9,276	9,276

Outlook 2021

AkzoNobel targets to grow at least in line with its relevant markets. Although trends differ per region and segment with raw material inflation expected, margin management and cost-saving programs are in place to deliver 50 base points increase in return on sales. The company targets a leverage ratio of 1-2 times net debt/EBITDA and commits to retain a strong investment grade credit rating.

Amsterdam, February 16, 2021 The Board of Management

Thierry Vanlancker
Maarten de Vries



Biomass breakthrough unlocks world of possibilities

A breakthrough innovation which involves a more sustainable method for making resins has been discovered thanks to a research collaboration between AkzoNobel and the Dutch Advanced Research Center Chemical Building Blocks Consortium (ARC CBBC). The new process involves using bio-based monomers to make resins, which could pave the way for the introduction of futuristic functionality. It's part of our collaborative approach to innovation, which involves working with startups, academia, research institutes and suppliers to test, launch and scale-up revolutionary solutions.

Paints and Coatings

Quarterly statistics

					2019						2020
Q1	Q2	Q3	Q4	year	in € millions	Q1	Q2	Q3	Q4	year	
Revenue¹											
836	997	968	869	3,670	Decorative Paints	754	899	1,004	901	3,558	
1,333	1,438	1,413	1,365	5,549	Performance Coatings	1,295	1,086	1,270	1,306	4,957	
16	16	17	8	57	Other activities	9	2	2	2	15	
2,185	2,451	2,398	2,242	9,276	Total	2,058	1,987	2,276	2,209	8,530	
Adjusted EBITDA (excluding identified items)²											
95	177	174	127	573	Decorative Paints	100	211	243	160	714	
182	241	238	200	861	Performance Coatings	230	139	232	253	854	
(29)	(24)	(25)	(15)	(93)	Other activities	(28)	(29)	(36)	(33)	(126)	
248	394	387	312	1,341	Total	302	321	439	380	1,442	
11.4	16.1	16.1	13.9	14.4	Adjusted EBITDA margin (in %)	14.7	16.2	19.3	17.2	16.9	
EBITDA²											
89	207	169	115	580	Decorative Paints	95	210	240	159	704	
141	218	200	189	748	Performance Coatings	223	127	218	256	824	
(32)	(28)	(35)	(32)	(127)	Other activities	(41)	(40)	(41)	(82)	(204)	
198	397	334	272	1,201	Total	277	297	417	333	1,324	
9.1	16.2	13.9	12.1	12.9	EBITDA margin (in %)	13.5	14.9	18.3	15.1	15.5	
Depreciation / Depreciation excluding identified items											
(30) / (30)	(35) / (35)	(34) / (34)	(35) / (35)	(134) / (134)	Decorative Paints	(32) / (31)	(36) / (31)	(33) / (30)	(33) / (30)	(134) / (122)	
(34) / (34)	(35) / (35)	(35) / (35)	(34) / (31)	(138) / (135)	Performance Coatings	(32) / (31)	(29) / (27)	(31) / (29)	(32) / (32)	(124) / (119)	
(5) / (5)	(4) / (4)	(4) / (4)	(8) / (8)	(21) / (21)	Other activities	(10) / (10)	(9) / (9)	(11) / (11)	(9) / (8)	(39) / (38)	
(69) / (69)	(74) / (74)	(73) / (73)	(77) / (74)	(293) / (290)	Total	(74) / (72)	(74) / (67)	(75) / (70)	(74) / (70)	(297) / (279)	
Amortization / Amortization excluding identified items											
(5) / (5)	(6) / (6)	(5) / (5)	(5) / (5)	(21) / (21)	Decorative Paints	(5) / (5)	(5) / (5)	(5) / (5)	(4) / (4)	(19) / (19)	
(10) / (10)	(9) / (9)	(9) / (9)	(17) / (10)	(45) / (38)	Performance Coatings	(9) / (9)	(9) / (9)	(8) / (8)	(9) / (9)	(35) / (35)	
(1) / (1)	- / -	- / -	- / -	(1) / (1)	Other activities	(2) / (2)	(2) / (2)	(3) / (3)	(3) / (3)	(10) / (10)	
(16) / (16)	(15) / (15)	(14) / (14)	(22) / (15)	(67) / (60)	Total	(16) / (16)	(16) / (16)	(16) / (16)	(16) / (16)	(64) / (64)	

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

² Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 16 and 17. Depreciation excluding identified items and amortization excluding identified items are presented to allow calculation of adjusted EBITDA.

Paints and Coatings

Quarterly statistics

					2019						2020	
Q1	Q2	Q3	Q4	2019	year	in € millions	Q1	Q2	Q3	Q4	2020	
												year
Adjusted operating income (excluding identified items)*												
60	136	135	87	418	Decorative Paints	64	175	208	126	573		
138	197	194	159	688	Performance Coatings	190	103	195	212	700		
(35)	(28)	(29)	(23)	(115)	Other activities	(40)	(40)	(50)	(44)	(174)		
163	305	300	223	991	Total	214	238	353	294	1,099		
7.5	12.4	12.5	9.9	10.7	ROS%	10.4	12.0	15.5	13.3	12.9		
9.1	13.7	13.8	11.0	12.0	ROS% excluding unallocated cost	12.4	14.0	17.7	15.3	15.0		
Identified items												
(6)	30	(5)	(12)	7	Decorative Paints	(6)	(6)	(6)	(4)	(22)		
(41)	(23)	(38)	(21)	(123)	Performance Coatings	(8)	(14)	(16)	3	(35)		
(3)	(4)	(10)	(17)	(34)	Other activities	(13)	(11)	(5)	(50)	(79)		
(50)	3	(53)	(50)	(150)	Total	(27)	(31)	(27)	(51)	(136)		
Operating income												
54	166	130	75	425	Decorative Paints	58	169	202	122	551		
97	174	156	138	565	Performance Coatings	182	89	179	215	665		
(38)	(32)	(39)	(40)	(149)	Other activities	(53)	(51)	(55)	(94)	(253)		
113	308	247	173	841	Total	187	207	326	243	963		
5.2	12.6	10.3	7.7	9.1	OPI margin (in %)	9.1	10.4	14.3	11.0	11.3		
Reconciliation net financing income/(expenses)												
5	4	4	4	17	Financing income	4	3	3	4	14		
(17)	(20)	(21)	(18)	(76)	Financing expenses	(15)	(17)	(17)	(17)	(66)		
(12)	(16)	(17)	(14)	(59)	Net interest on net debt	(11)	(14)	(14)	(13)	(52)		
Other interest movements												
5	6	4	6	21	Financing expenses related to post-retirement benefits	4	3	4	3	14		
(3)	(2)	(8)	(1)	(14)	Interest on provisions	(2)	(5)	–	(3)	(10)		
(3)	(6)	(6)	(9)	(24)	Other items	(4)	(9)	(5)	(3)	(21)		
(1)	(2)	(10)	(4)	(17)	Net other financing charges	(2)	(11)	(1)	(3)	(17)		
(13)	(18)	(27)	(18)	(76)	Net financing expenses	(13)	(25)	(15)	(16)	(69)		

*Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 16 and 17.

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Quarterly statistics

					2019						2020
Q1	Q2	Q3	Q4	year		Q1	Q2	Q3	Q4	year	
Quarterly net income analysis (in € millions)											
5	5	6	4	20	Results from associates and joint ventures	7	5	6	7	25	
105	295	226	159	785	Profit before tax	181	187	317	234	919	
(31)	(69)	(51)	(79)	(230)	Income tax	(54)	(53)	(82)	(52)	(241)	
74	226	175	80	555	Profit for the period from continuing operations	127	134	235	182	678	
30	23	23	50	29	Effective tax rate (in %)	30	28	26	22	26	
Earnings per share from continuing operations (in €)											
0.28	1.00	0.79	0.38	2.43	Basic	0.59	0.68	1.18	0.88	3.33	
0.28	1.00	0.79	0.38	2.42	Diluted	0.59	0.67	1.18	0.88	3.32	
Earnings per share from discontinued operations (in €)											
-	0.07	-	0.03	0.10	Basic	-	-	(0.03)	(0.01)	(0.04)	
-	0.07	-	0.03	0.10	Diluted	-	-	(0.03)	(0.01)	(0.04)	
Earnings per share from total operations (in €)											
0.28	1.07	0.79	0.41	2.53	Basic	0.59	0.68	1.15	0.87	3.29	
0.28	1.07	0.79	0.41	2.52	Diluted	0.59	0.67	1.15	0.87	3.28	
Number of shares (in millions)											
234.3	215.7	204.3	198.5	213.1	Weighted average number of shares ¹	194.0	190.7	190.6	190.5	191.4	
223.9	208.7	200.2	196.4	196.4	Number of shares at end of quarter ¹	191.4	190.6	190.6	189.9	189.9	
Adjusted earnings from continuing operations (in € millions)²											
105	295	226	159	785	Profit before tax from continuing operations	181	187	317	234	919	
50	(3)	53	50	150	Identified items reported in operating income	27	31	27	51	136	
-	-	-	-	-	Identified items reported in interest	-	-	-	(3)	(3)	
(39)	(73)	(68)	(57)	(237)	Adjusted income tax	(59)	(60)	(87)	(63)	(269)	
(9)	(11)	(13)	(5)	(38)	Non-controlling interests	(12)	(5)	(10)	(14)	(41)	
107	208	198	147	660	Adjusted net income from continuing operations	137	153	247	205	742	
0.46	0.96	0.97	0.74	3.10	Adjusted earnings per share from continuing operations (in €)	0.71	0.80	1.30	1.08	3.88	

¹ After share buyback

² Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 16 and 17.

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.

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, 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.

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

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

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

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. 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 cost 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 cost

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.

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

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Financial calendar

Publication annual report	March 10, 2021
Report for the first quarter	April 21, 2021
Annual General Meeting of shareholders	April 22, 2021
Ex-dividend date of 2020 final dividend	April 26, 2021
Record date of 2020 final dividend	April 27, 2021
Payment of 2020 final dividend	May 6, 2021

AkzoNobel

We've been pioneering a world of possibilities to bring surfaces to life for well over 200 years. As experts in making coatings, there's a good chance you're only ever a few meters away from one of our products. Our world class portfolio of brands – including Dulux, International, Sikkens and Interpon – is trusted by customers around the globe. We're active in more than 150 countries and have set our sights on becoming the global industry leader. It's what you'd expect from the most sustainable paints company, which has been inventing the future for more than two centuries.

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