

Media release

October 21, 2020

AkzoNobel delivers strong Q3 results with 3% growth in volumes and 18% increase in adjusted operating income

Akzo Nobel N.V. (AKZA; AKZOY) publishes results for third quarter 2020

Highlights Q3 2020

- 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
- 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

Q3 2020 (compared to Q3 2019)

- Revenue 5% lower, while up 1% in constant currencies. Volumes up 3%, showing strong demand for Decorative Paints, partly offset by lower volumes of Performance Coatings and unfavorable price/mix of 1%
- Adjusted operating income up 18% at €353 million (2019: €300 million); ROS increased to 15.5% (2019: 12.5%)
- Operating income of €326 million includes €27 million negative impact from identified items, related to transformation costs (2019: €247 million operating income, including €53 million negative identified items); OPI margin up at 14.3% (2019: 10.3%)
- Net income attributable to shareholders increased 36% to €220 million (2019: €162 million)
- Adjusted EPS from continuing operations up 34% at €1.30 (2019: €0.97); EPS from total operations at €1.15 (2019: €0.79)
- Interim dividend of €0.43 per share (2019: €0.41)

AkzoNobel CEO, Thierry Vanlancker, commented:

"We delivered an excellent performance for the third quarter, with revenue growth in constant currencies, and business return on sales up at 17.7% driven by strong discipline on margins and cost savings. These results were made possible by the continued commitment of all AkzoNobel colleagues around the world, adapting to the challenges presented by COVID-19.

"Although the macro-economic environment remains uncertain, we're continuing to build on our solid position as a frontrunner in our industry, committed to serving our customers with more innovative and sustainable solutions. That's why we're proud to have received a Platinum rating from EcoVadis for corporate social responsibility and sustainable procurement."

AkzoNobel in € millions	Q3 2019	Q3 2020	Δ%	Δ% CC ³
Revenue	2,398	2,276	(5%)	1%
Adjusted operating income ²	300	353	18%	
ROS	12.5%	15.5%		
ROS, excluding unallocated costs ¹	13.8%	17.7%		
Operating income	247	326	32%	

Recent highlights

2021 Color of the Year announced

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.

Chinese site makes switch to water-based products

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.

Platinum rating awarded by EcoVadis

We're proud to have been awarded Platinum by EcoVadis, a key rating agency which benchmarks sustainability performance. It means AkzoNobel is now in the top 1% of all companies and strengthens our leadership in sustainability.

Stahl acquisition delivers unique powder coatings technology

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.

Interpon launches immersive 3D imaging technology

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.

European business to be strengthened following acquisition of Titan in Spain

We're targeting further growth in Europe after announcing on October 19 that we've agreed to acquire the decorative paints business of Spain's Industrias Titan S.A.U., one of the country's best-known brands. Completion is subject to regulatory approvals and expected before the end of Q1, 2021.

Outlook:

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.

The report for the third quarter 2020 can be viewed and downloaded at <https://akzo.no/Q32020-Report>

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

2 Adjusted operating income = operating income excluding identified items

3 Constant Currencies calculations exclude the impact of changes in foreign exchange rates

This is a public announcement by Akzo Nobel N.V. pursuant to section 17 paragraph 1 of the European Market Abuse Regulation (596/2014).

About AkzoNobel

AkzoNobel has a passion for paint. We're experts in the proud craft of making paints and coatings, setting the standard in color and protection since 1792. Our world class portfolio of brands – including Dulux, International, Sikkens and Interpon – is trusted by customers around the globe. Headquartered in the Netherlands, we are active in over 150 countries and employ around 32,000 talented people who are passionate about delivering the high-performance products and services our customers expect.

Not for publication – for more information

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Safe harbor statement

This media release 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. www.akzonobel.com.

