

# Q3 Report

AkzoNobel



New dawn rises with 2020 Color of the Year  
Our Color of the Year for 2020 is Tranquil Dawn, which also features in  
all four ColourFutures 2020 color palettes. They're designed to  
empower and inspire customers and make the task of choosing color  
easier.

20  
19

# Our results at a glance

## Highlights Q3 2019:

- Adjusted operating income up 23% at €300 million (2018: €243 million)
- ROS, excluding unallocated costs, increased to 13.8% (2018: 12.3%)
- Transformation on track and delivered €19 million cost savings
- Adjusted EPS from continuing operations up 62% at €0.97 (2018: €0.60)
- New share buyback announced, €500 million to be completed in the first half of 2020

## Q3 2019:

- Revenue up 3% and 2% higher in constant currencies, with positive price/mix of 4% and acquisitions contributing 1%, offset by 4% lower volumes
- Adjusted operating income up 23% at €300 million (2018: €243 million) driven by ongoing pricing initiatives and cost-saving programs; ROS increased to 12.5% (2018: 10.4%)
- Operating income at €247 million includes €53 million negative impact from identified items, related to transformation costs and non-cash impairments; 2018 operating income at €237 million included €6 million negative identified items
- Decorative Paints ROS up at 13.8% (2018: 12.1%); Performance Coatings ROS up at 13.7% (2018: 12.2%)
- Net income from total operations at €162 million, including €nil million from discontinued operations (2018: €301 million, including €152 million from discontinued operations)
- Adjusted EPS from continuing operations up 62% at €0.97 (2018: €0.60); EPS from total operations at €0.79 (2018: €1.18)
- €2.2 billion of the €2.5 billion share buyback program completed
- Interim dividend of €0.41 per share

## Outlook:

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

## 2020 guidance\*

ROS 15%  
ROI >25%

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

## Summary of financial outcomes

Third quarter			January-September		
2018	2019	Δ% in € millions	2018	2019	Δ%
2,326	2,398	3%	6,948	7,034	1%
303	387	28%	797	1,029	29%
297	334	12%	717	929	30%
243	300	23%	617	768	24%
237	247	4%	537	668	24%
10.4	12.5		8.9	10.9	
10.2	10.3		7.7	9.5	
			6,322	6,823	
			12.6	13.9	
12.3	13.8		11.1	12.3	
			16.5	16.8	
41	52	27%	120	135	13%
			2,700	537	
			34,300	34,300	-%
284	312	10%	(157)	(260)	(65%)
149	162	9%	375	442	18%
152	-		450	16	
301	162	(46%)	825	458	(44%)
0.60	0.97	62%	1.48	2.35	59%
1.18	0.79	(33%)	3.24	2.10	(35%)

<sup>1</sup> The statement of income, statement of cash flows and the balance sheet for 2019 include the impact from the adoption of IFRS 16 "Leases" (as per January 1, 2019). The 2018 comparative figures have not been restated. Further details and a quantification of the impact are provided on pages 4 and 11.

# Financial highlights

## Q3 2019:

### Revenue

Revenue was up 3%, and up 2% in constant currencies. Price/mix was up 4% overall, mainly driven by pricing initiatives. Volumes were 4% lower due to our value over volume strategy.

- Decorative Paints revenue was up 3%, and up 2% in constant currencies, with positive price/mix up 5%. Pricing initiatives and acquisitions more than offset lower volumes due to our value over volume strategy
- Performance Coatings revenue was up 2% and flat in constant currencies. Price/mix was 3% positive, driven by pricing initiatives, while volumes were 3% lower
- Other revenue includes royalty and service revenue related to continued services to the former Specialty Chemicals business

### Raw material

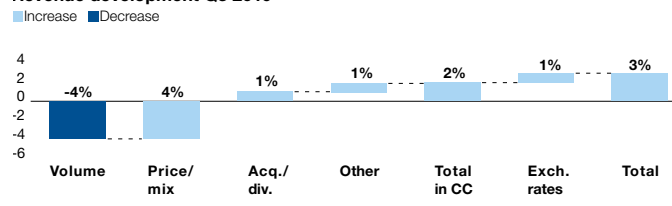
Raw material costs in Q3 2019 were roughly flat compared to Q3 2018. Pricing initiatives and cost-saving programs continued to offset raw material inflation.

### Acquisitions

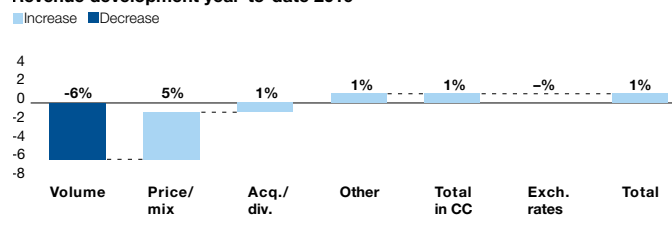
The impact of acquisitions on revenue was 2% for Decorative Paints and 1% for AkzoNobel overall.

The acquisition of Mapaero to further strengthen our global position in the steadily growing aerospace coatings industry was announced on July 18, 2019, and is subject to regulatory approvals.

### Revenue development Q3 2019

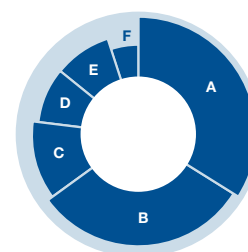


### Revenue development year-to-date 2019



### AkzoNobel around the world Revenue by destination

Region	%
<b>A</b> Mature Europe	34
<b>B</b> Asia Pacific	31
<b>C</b> North America	12
<b>D</b> South America	9
<b>E</b> Emerging Europe	9
<b>F</b> Other regions	5
<b>Total</b>	100



(Based on the full-year 2018)

### Revenue

Third quarter

January-September

2018	2019	Δ%	CC *	Δ%	in € millions	2018	2019	Δ%	CC *
951	977	3%	2%		Decorative Paints	2,803	2,826	1%	2%
1,388	1,418	2%	-%		Performance Coatings	4,184	4,202	-%	(1)%
(13)	3				Other activities/ eliminations	(39)	6		
<b>2,326</b>	<b>2,398</b>	<b>3%</b>	<b>2%</b>		<b>Total</b>	<b>6,948</b>	<b>7,034</b>	<b>1%</b>	<b>1%</b>

\* Change excluding currency impact

in % versus Q3 2018	Volume	Price/mix	Acq./div.	Other	Exchange rates	Total
Decorative Paints	(5)	5	2	-	1	3
Performance Coatings	(3)	3	-	-	2	2
<b>Total</b>	<b>(4)</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>3</b>

in % versus year-to-date 2018	Volume	Price/mix	Acq./div.	Other	Exchange rates	Total
Decorative Paints	(5)	5	2	-	(1)	1
Performance Coatings	(6)	5	-	-	1	-
<b>Total</b>	<b>(6)</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>1</b>

### Volume development per quarter

(year-on-year) in %	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19
Decorative Paints	(5)	(6)	(6)	(4)	(5)
Performance Coatings	(7)	(7)	(8)	(7)	(3)
<b>Total</b>	<b>(6)</b>	<b>(7)</b>	<b>(7)</b>	<b>(6)</b>	<b>(4)</b>

### Price/mix development per quarter

(year-on-year) in %	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19
Decorative Paints	5	8	6	4	5
Performance Coatings	7	11	7	7	3
<b>Total</b>	<b>6</b>	<b>9</b>	<b>6</b>	<b>5</b>	<b>4</b>

### Currency development per quarter

(year-on-year) in %	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19
Decorative Paints	(6)	(6)	(2)	(2)	1
Performance Coatings	(3)	(2)	1	(1)	2
<b>Total</b>	<b>(4)</b>	<b>(3)</b>	<b>(1)</b>	<b>(1)</b>	<b>1</b>

# Financial highlights

## Q3 2019:

### Adjusted operating income

Adjusted operating income was up at €300 million (2018: €243 million), driven by pricing initiatives and cost-saving programs. Several one-off items, including asset network optimization, effect the year-on-year cost comparison with Q3 2018. Continuous improvement initiatives successfully offset inflation, while cost savings resulting from the ongoing transformation delivered €19 million in the quarter. We are on track to deliver €200 million of savings planned by 2020. ROS was up 2.1% at 12.5% (2018: 10.4%).

- Decorative Paints continued to improve. Price/mix effects and cost savings more than compensated for lower volumes. ROS was up at 13.8% (2018: 12.1%)
- Performance Coatings improved as a result of pricing initiatives and cost savings more than offsetting lower volumes. ROS was up at 13.7% (2018: 12.2%)
- Other activities/eliminations improved €13 million to €29 million, mainly due to lower costs and a one-off gain on a disposal (2018: €42 million)

### Operating income

Operating income increased to €247 million (2018: €237 million) and included negative identified items of €53 million, mainly related to transformation costs and non-cash impairments in Performance Coatings, following the implementation of our strategic portfolio review (2018: €6 million negative, mainly related to transformation costs).

## Year-to-date 2019:

### Adjusted operating income

Adjusted operating income was up at €768 million (2018: €617 million), driven by pricing initiatives and cost-saving programs. ROS was up 2.0% at 10.9% (2018: 8.9%).

- Decorative Paints continued to improve. Price/mix effects and cost savings more than offset raw material inflation and lower volumes. ROS was up at 11.7% (2018: 10.5%)
- Performance Coatings improved as a result of pricing initiatives and cost savings more than offsetting higher raw material costs and lower volumes. ROS was up at 12.6% (2018: 11.4%)
- Other activities/eliminations improved €61 million to €92 million, mainly due to lower costs and one-off gains on disposals (2018: €153 million)

### Operating income

Operating income was up 24% at €668 million and includes €100 million negative impact from identified items, mainly related to transformation costs and non-cash impairments, partly offset by a gain on disposal of €57 million following asset network optimization (2018: €537 million, including €80 million negative impact from identified items).

### Net financing income/(expenses)

Net financing expenses increased by €29 million to €58 million, mainly due to an interest benefit on a tax settlement in 2018.

### Income tax

The effective tax rate was 24% (2018: 21%). The 2018 income tax expenses were positively impacted by a re-recognition of deferred tax assets and a tax settlement.

### Profit from discontinued operations

Profit from discontinued operations was €16 million. In 2018, the results of the Specialty Chemicals business (€460 million) were included as profit from discontinued operations.

### Net income

Net income attributable to shareholders was €458 million (2018: €825 million), of which €16 million was attributable to discontinued operations. In 2018, €375 million was attributable to continuing operations and €450 million to discontinued operations related to the divested Specialty Chemicals business. Adjusted earnings per share from continuing operations increased to €2.35 (2018: €1.48).

### Adoption IFRS 16 "Leases"

IFRS 16 "Leases" was adopted per January 1, 2019, applying the modified retrospective method. The 2018 comparative figures have not been restated. As a result, right-of-use assets and lease liabilities have been recognized on the balance sheet. In the P&L, the operating lease expenses in operating income have been replaced by depreciation of the right-of-use assets (operating income) and interest on the lease liability (net financing expenses). In the cash flow statement, the payments for operating leases are now recognized in the net cash from financing activities instead of net cash from operating activities. Further details are provided on page 11.

## Adjusted operating income <sup>1</sup>

Third quarter			January-September			
2018	2019	Δ%	in € millions	2018	2019	Δ%
115	135	17%	Decorative Paints	294	331	13%
170	194	14%	Performance Coatings	476	529	11%
(42)	(29)		Other activities/eliminations	(153)	(92)	
<b>243</b>	<b>300</b>	<b>23%</b>	<b>Total</b>	<b>617</b>	<b>768</b>	<b>24%</b>

## ROS%

Third quarter			January-September			
2018	2019	Δ	in € millions	2018	2019	Δ
12.1%	13.8%	1.7%	Decorative Paints	10.5%	11.7%	1.2%
12.2%	13.7%	1.5%	Performance Coatings	11.4%	12.6%	1.2%
			Other activities/eliminations <sup>2</sup>			
<b>10.4%</b>	<b>12.5%</b>	<b>2.1%</b>	<b>Total</b>	<b>8.9%</b>	<b>10.9%</b>	<b>2.0%</b>
<b>12.3%</b>	<b>13.8%</b>	<b>1.5%</b>	<b>Excl. Unallocated costs</b>	<b>11.1%</b>	<b>12.3%</b>	<b>1.2%</b>

## Operating income <sup>1</sup>

Third quarter			January-September			
2018	2019	Δ%	in € millions	2018	2019	Δ%
112	130	16%	Decorative Paints	271	350	29%
164	156	(5%)	Performance Coatings	447	427	(4%)
(39)	(39)		Other activities/eliminations	(181)	(109)	
<b>237</b>	<b>247</b>	<b>4%</b>	<b>Total</b>	<b>537</b>	<b>668</b>	<b>24%</b>

## Operating income to net income

Third quarter			January-September		
2018	2019	in € millions	2018	2019	
<b>237</b>	<b>247</b>	<b>Operating income <sup>1</sup></b>	<b>537</b>	<b>668</b>	
(20)	(27)	Net financing expenses <sup>1</sup>	(29)	(58)	
4	6	Results from associates and joint ventures	14	16	
<b>221</b>	<b>226</b>	<b>Profit before tax</b>	<b>522</b>	<b>626</b>	
(66)	(51)	Income tax	(112)	(151)	
<b>155</b>	<b>175</b>	<b>Profit from continuing operations</b>	<b>410</b>	<b>475</b>	
153	-	Profit from discontinued operations	460	16	
<b>308</b>	<b>175</b>	<b>Profit for the period</b>	<b>870</b>	<b>491</b>	
(7)	(13)	Non-controlling interests	(45)	(33)	
<b>301</b>	<b>162</b>	<b>Net income</b>	<b>825</b>	<b>458</b>	

<sup>1</sup> Adjusted operating income and Operating income in Q3 2019 include the impact from the adoption of IFRS 16 "Leases" (as per January 1, 2019). As a result, €2 million of interest expenses, which previously were included in Lease expenses within operating income, are now recorded in Net financing expenses. The 2018 comparative figures have not been restated. Further details are provided on page 11.

<sup>2</sup> ROS% for Other activities/eliminations is not shown, as this is not meaningful.



# Decorative Paints

## Highlights Q3 2019:

- Revenue up 3% with strong performance in EMEA and South America; higher profitability in all businesses
- ROS up at 13.8% (2018: 12.1%) driven by pricing initiatives and cost savings

## Q3 2019:

- Revenue was up 3% and up 2% in constant currencies; price/mix was 5% positive, driven by pricing initiatives, while acquisitions contributed 2%
- Adjusted operating income increased to €135 million (2018: €115 million) with pricing initiatives and cost savings more than compensating for lower volumes
- Volumes were 5% lower due to our value over volume strategy and lower volumes in Asia
- ROS up at 13.8% (2018: 12.1%); ROI at 12.5% (2018: 12.6%)

## Q3 2019:

Revenue was up 3% and up 2% in constant currencies. Continued focus on pricing initiatives contributed to positive price/mix of 5%, while volumes were 5% lower, mainly due to our value over volume strategy. Acquisitions contributed 2% to revenues.

Adjusted operating income increased to €135 million (2018: €115 million). Continued pricing initiatives and cost savings more than offset lower volumes, while raw material costs were roughly flat, resulting in ROS of 13.8% (2018: 12.1%).

Operating income increased to €130 million and was negatively impacted by €5 million identified items related to transformation costs. In 2018, operating income of €112 million was adversely impacted by €3 million identified items.

## Europe, Middle East and Africa

Revenue in Q3 was up 5% and up 5% in constant currencies due to successful pricing initiatives, partly offset by lower volumes. The acquisitions of Fabryo in Romania, Xylazel in Spain and Doves Decorating Supplies in the UK contributed 4% to revenues. AkzoNobel has become the first major manufacturer to launch recycled paint. The revolutionary Dulux Trade Evolve contains 35% recycled paint and meets the same high standards expected from Dulux Trade.

## South America

Revenue in Q3 was up 3% and up 12% in constant currencies, mainly driven by positive price/mix effects following our focus on value over volume and further market penetration. Pricing initiatives and cost control offset inflation.

## Asia

Revenue in Q3 was down 2%, and was 4% lower in constant currencies. Profitability improved due to continued focus on pricing initiatives and cost savings. Volumes were lower in China, although the impact was less than previous quarters.

The acquisition of Colourland Paints in Malaysia contributed 1% to revenues.



## Recycled paint launched in UK to help close loop on waste

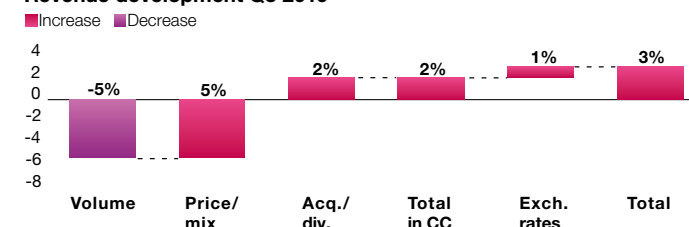
AkzoNobel has become the first major manufacturer to launch recycled paint, thanks to a ground-breaking partnership in the UK with resource management experts Veolia. The revolutionary Evolve matt white emulsion contains 35% recycled paint and has been re-engineered and tested to meet the same high standards expected from Dulux Trade.

## Revenue

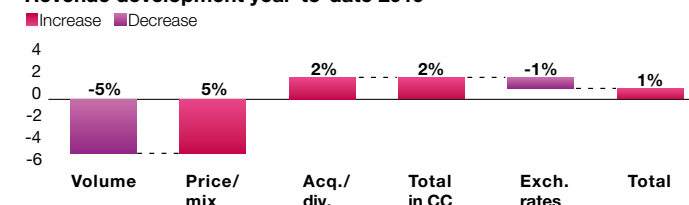
Third quarter					January-September			
2018	2019	Δ%	CC *	in € millions	2018	2019	Δ%	CC *
546	573	5%	5%	Decorative Paints Europe, Middle East and Africa	1,628	1,699	4%	5%
117	121	3%	12%	Decorative Paints South America	329	324	(2%)	10%
288	283	(2%)	(4%)	Decorative Paints Asia	849	807	(5%)	(6%)
-	-	-	-	Other/intragroup eliminations	(3)	(4)	-	-
<b>951</b>	<b>977</b>	<b>3%</b>	<b>2%</b>		<b>2,803</b>	<b>2,826</b>	<b>1%</b>	<b>2%</b>

\* Change excluding currency impact

## Revenue development Q3 2019



## Revenue development year-to-date 2019



## Key financial figures

Third quarter					January-September		
2018	2019	Δ%	in € millions	2018	2019	Δ%	
115	135	17%	Adjusted operating income <sup>1</sup>	294	331	13%	
112	130	16%	Operating income <sup>1</sup>	271	350	29%	
12.1	13.8		ROS%	10.5	11.7		
			Average invested capital <sup>2</sup>	2,790	3,076		
			ROI%	12.6	12.5		

<sup>1</sup> Adjusted operating income and Operating income in 2019 include the impact from the adoption of IFRS 16 "Leases" (as per January 1, 2019). As a result interest expenses, which previously were included in Lease expenses within operating income, are now recorded in Net financing expenses. The 2018 comparative figures have not been restated. Further details are provided on page 11.

<sup>2</sup> Average invested capital includes the impact from adoption of IFRS 16 "Leases" (as per January 1, 2019). Right-of-use assets (€165 million as per January 1, 2019) have been added to Invested capital whereas Lease liabilities remain excluded from Invested capital. The 2018 comparative figures have not been restated.

# Performance Coatings

## Highlights Q3 2019:

- Revenue up in all business, except for Automotive and Specialty Coatings due to softer end market demand
- ROS up at 13.7% (2018: 12.2%) driven by pricing initiatives and cost savings

## Q3 2019:

- Revenue was up 2% and was flat in constant currencies, with 3% positive price/mix offset by lower volumes due to our focus on value over volume
- Adjusted operating income was up at €194 million (2018: €170 million) as pricing initiatives and cost savings more than offset lower volumes
- ROS up at 13.7% (2018: 12.2%); ROI up at 20.8% (2018: 20.2%)

## Q3 2019:

Revenue was 2% up and flat in constant currencies. Price/mix was offset by lower volumes in all segments due to our value over volume strategy and softer market demand, including the automotive industry.

Adjusted operating income increased to €194 million (2018: €170 million, including the positive impact of asset network optimization), as pricing initiatives and cost control more than compensated for lower volumes, while raw material costs were roughly flat.

Operating income at €156 million was adversely impacted by €38 million identified items, mainly related to the transformation of the organization and non-cash impairments in Industrial Coatings, following the implementation of our portfolio management. In 2018, operating income of €164 million was adversely impacted by €6 million identified items.

## Powder Coatings

Revenue in Q3 was up 4% and up 2% in constant currencies. Positive price/mix was partly offset by lower volumes, including for the automotive industry. Powder Coatings continued to build on its strong positions with the introduction of Interpon D X-Pro, a scratch-resistant powder coating for the architectural market, meeting customer demand.

## Marine and Protective Coatings

Revenue in Q3 was up 5% and in constant currencies up 3%. Profitability continued to improve due to measures focused on restructuring and right-sizing, in particular in Marine Coatings. Awlgrip HDT (High Definition Technology), a new single-stage repairable topcoat was launched, creating a new standard in topcoat appearance and durability.

## Automotive and Specialty Coatings

Revenue in Q3 was down 1% and 2% lower in constant currencies, with positive price/mix more than offset by lower volumes.

Automotive and Specialty Coatings was impacted by reduced demand from the automotive industry. Demand for aerospace coatings remained strong. AkzoNobel's sustainable chromate-free exterior primer has been newly qualified by Boeing, underlining our ongoing drive to make the aerospace industry more sustainable.

The acquisition of Mapaero to further strengthen our global position in the steadily growing aerospace coatings industry was announced on July 18, 2019, and is subject to regulatory approvals.

## Industrial Coatings

Revenue in Q3 was up 3% and up 1% in constant currencies. Continued focus on value over volume resulted in positive price/mix effects, partly offset by lower volumes. Strategic portfolio management was implemented. Demand for packaging coatings remained strong.



### Single-stage topcoat makes life a breeze for yacht owners

Yacht care and maintenance just got easier following the launch of Awlgrip HDT (High Definition Technology), a new single-stage repairable topcoat from AkzoNobel. Creating a new standard in topcoat appearance and durability, Awlgrip HDT is a high performance, mirror-like single-stage coating which allows owners to protect their boat with a stunning, long-lasting finish, without sacrificing convenience.

## Revenue

Third quarter

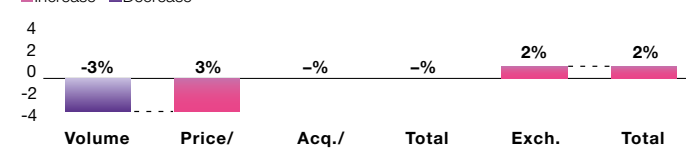
January-September

2018	2019	Δ%	Δ% CC *	in € millions	2018	2019	Δ%	Δ% CC *
302	314	4%	2%	Powder Coatings	911	929	2%	1%
318	335	5%	3%	Marine and Protective Coatings	958	976	2%	-%
346	344	(1%)	(2%)	Automotive and Specialty Coatings	1,051	1,044	(1%)	(2%)
438	451	3%	1%	Industrial Coatings	1,317	1,320	-%	(1%)
(16)	(26)			Other/intragroup eliminations	(53)	(67)		
<b>1,388</b>	<b>1,418</b>	<b>2%</b>	<b>-%</b>		<b>4,184</b>	<b>4,202</b>	<b>-%</b>	<b>(1%)</b>

\* Change excluding currency impact

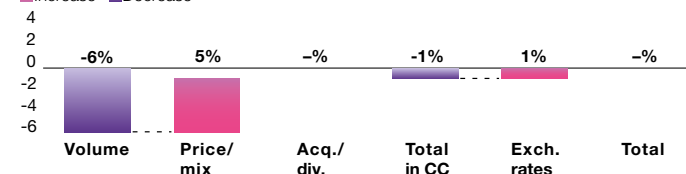
## Revenue development Q3 2019

■ Increase ■ Decrease



## Revenue development year-to-date 2019

■ Increase ■ Decrease



## Key financial figures

Third quarter

January-September

2018	2019	Δ%	in € millions	2018	2019	Δ%
170	194	14%	Adjusted operating income <sup>1</sup>	476	529	11%
164	156	(5%)	Operating income <sup>1</sup>	447	427	(4%)
12.2	13.7		ROS%	11.4	12.6	
			Average invested capital <sup>2</sup>	3,021	3,272	
			ROI%	20.2	20.8	

<sup>1</sup> Adjusted operating income and Operating income in 2019 include the impact from the adoption of IFRS 16 "Leases" (as per January 1, 2019). As a result interest expenses, which previously were included in lease expenses within operating income, are now recorded in Net financing expenses. The 2018 comparative figures have not been restated. Further details are provided on page 11.

<sup>2</sup> Average invested capital includes the impact from adoption of IFRS 16 "Leases" (as per January 1, 2019). Right-of-use assets (€126 million as per January 1, 2019) have been added to Invested capital whereas Lease liabilities remain excluded from Invested capital. The 2018 comparative figures have not been restated.

# Condensed consolidated financial statements

## Condensed consolidated statement of income

IFRS 16 "Leases" was adopted per January 1, 2019, applying the modified retrospective method. In the Statement of income January - September 2019, the Operating lease expenses (€83 million), previously recorded in operating income, are replaced by the depreciation charge on Right-of-use assets (€78 million; remains recorded in operating income) and by Interest expenses for the lease liability (€5 million; recorded in Net financing expenses). In addition we recorded a non-cash impairment charge of Right-of-use assets of €5 million, presented as identified items. The 2018 comparative figures have not been restated.

On a net basis, the adoption of IFRS 16 has led to an unchanged operating income and an increase of Net financing expenses by €5 million; Profit before tax and Profit for the period were €3 million lower.

## Condensed consolidated statement of income

Third quarter		January-September	
2018	2019	2018	2019
in € millions			
<b>Continuing operations</b>			
2,326	2,398	6,948	7,034
(1,326)	(1,378)	(3,972)	(4,033)
<b>1,000</b>	<b>1,020</b>	<b>2,976</b>	<b>3,001</b>
(763)	(776)	(2,439)	(2,332)
-	3	-	(1)
<b>237</b>	<b>247</b>	<b>537</b>	<b>668</b>
(20)	(27)	(29)	(58)
4	6	14	16
<b>221</b>	<b>226</b>	<b>522</b>	<b>626</b>
(66)	(51)	(112)	(151)
<b>155</b>	<b>175</b>	<b>410</b>	<b>475</b>
<b>Discontinued operations</b>			
153	-	460	16
<b>308</b>	<b>175</b>	<b>870</b>	<b>491</b>
<b>Attributable to</b>			
301	162	825	458
7	13	45	33
<b>308</b>	<b>175</b>	<b>870</b>	<b>491</b>

The Specialty Chemicals business is reported as discontinued operations. Therefore, the results of the Specialty Chemicals business are included on the line "Profit for the period from discontinued operations" in the Condensed consolidated statement of income.

## Condensed consolidated statement of comprehensive income

The condensed consolidated statement of comprehensive income includes both continuing and discontinued operations.

## Condensed consolidated statement of comprehensive income

Third quarter		January-September	
2018	2019	2018	2019
in € millions			
308	175	870	491
<b>Other comprehensive income</b>			
(127)	81	(213)	88
16	-	46	-
(76)	65	(6)	(100)
1	23	(3)	49
<b>(186)</b>	<b>169</b>	<b>(176)</b>	<b>37</b>
<b>122</b>	<b>344</b>	<b>694</b>	<b>528</b>
<b>Comprehensive income for the period attributable to</b>			
136	325	673	492
(14)	19	21	36
<b>122</b>	<b>344</b>	<b>694</b>	<b>528</b>

## Condensed consolidated balance sheet

IFRS 16 "Leases" was adopted per January 1, 2019, applying the modified retrospective approach. The adoption of IFRS 16 has led to recognition on the balance sheet of €420 million Right-of-use assets, of which €65 million previously was recorded on other lines in the balance sheet (€371 million as at September 30, 2019), as well as €355 million lease liabilities (€349 million as at September 30, 2019). The 2018 comparative figures have not been restated. For more information on the 2019 opening balance sheet adjustments, please refer to page 11 of this report.

## Condensed consolidated balance sheet

in € millions	December 31, 2018	September 30, 2019
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	3,458	3,403
Property, plant and equipment	1,748	1,668
Right-of-use assets	-	371
Other financial non-current assets	1,965	2,704
<b>Total non-current assets</b>	<b>7,171</b>	<b>8,146</b>
<b>Current assets</b>		
Inventories	1,139	1,221
Trade and other receivables	2,141	2,404
Other current assets	74	73
Short-term investments	5,460	1,576
Cash and cash equivalents	2,799	625
<b>Total current assets</b>	<b>11,613</b>	<b>5,899</b>
<b>Total assets</b>	<b>18,784</b>	<b>14,045</b>
<b>Equity and liabilities</b>		
<b>Group equity</b>	<b>12,038</b>	<b>7,019</b>
<b>Non-current liabilities</b>		
Provisions and deferred tax liabilities	1,267	1,394
Long-term borrowings	1,799	2,038
<b>Total non-current liabilities</b>	<b>3,066</b>	<b>3,432</b>
<b>Current liabilities</b>		
Short-term borrowings	599	700
Trade and other payables	2,645	2,454
Other short-term liabilities	436	440
<b>Total current liabilities</b>	<b>3,680</b>	<b>3,594</b>
<b>Total equity and liabilities</b>	<b>18,784</b>	<b>14,045</b>

### Shareholders' equity

Shareholders' equity decreased from €11.8 billion at year-end 2018 to €6.8 billion at the end of September, 2019, due to the net effect of:

- Share repurchase of €2.2 billion
- Capital repayment and share consolidation of €2.0 billion
- Special cash dividend of €1.0 billion
- Profit for the period of €458 million
- Final 2018 dividend of €315 million
- Currency effects of €89 million positive (including taxes)
- Actuarial losses of €55 million (including taxes)

### Dividend

Our dividend policy is to pay a stable to rising dividend. The final 2018 dividend of €1.43 per consolidated share was approved by the AGM in May 2019 and was paid to our shareholders. The total 2018 dividend amounted to €1.80 per share (2017: €2.50, including €0.85 related to the Specialty Chemicals business).

In line with our announcement on April 19, 2017, we are returning the vast majority of the net proceeds from the separation of the Specialty Chemicals business to our shareholders:

- The Extraordinary General Meeting of November 13, 2018, approved to return an amount of €2.0 billion to shareholders by means of a capital repayment and share consolidation, which was executed in January 2019. A share consolidation ratio of 9:8 was applied
- We distributed €1.0 billion by means of a special cash dividend of €4.50 per common share (post consolidation) on February 25, 2019
- A share buyback program to repurchase common shares up to the value of €2.5 billion has started and is due to be completed at the end of 2019. €2.2 billion was executed in the first three quarters of 2019, thus acquiring 27.8 million common shares. We intend to cancel these shares after repurchase. In Q3 2019, 17.4 million shares were acquired.

An interim dividend of €0.41 per share (post consolidation) will be paid. In 2018, an interim dividend of €0.37 was paid.

Please refer to the final page of this report for dividend payment dates.

### Changes in equity

in € millions	Subscribed share capital	Additional paid-in capital	Cashflow hedge reserve	Cumulative translation reserves	Other (legal) reserves and undistributed profit	Shareholders' equity	Non-controlling interests	Group equity
<b>Balance at December 31, 2017</b>	505	769	15	(549)	5,125	5,865	442	6,307
Impact adoption IFRS 9	-	-	-	-	(3)	(3)	-	(3)
Impact adoption IFRS 15	-	-	-	-	(48)	(48)	(5)	(53)
Impact application IAS 29	-	-	-	23	-	23	-	23
<b>Balance at January 1, 2018</b>	505	769	15	(526)	5,074	5,837	437	6,274
Profit for the period	-	-	-	-	825	825	45	870
Other comprehensive income	-	-	35	(172)	(15)	(152)	(24)	(176)
<b>Comprehensive income for the period</b>	-	-	35	(172)	810	673	21	694
Dividend	5	191	-	-	(491)	(295)	(21)	(316)
Equity-settled transactions	-	-	-	-	28	28	-	28
Issue of common shares	2	(2)	-	-	-	-	-	-
Acquisitions and divestments	-	-	-	-	(18)	(18)	(11)	(29)
<b>Balance at September 30, 2018</b>	512	958	50	(698)	5,403	6,225	426	6,651
<b>Balance at December 31, 2018</b>	512	958	-	(608)	10,972	11,834	204	12,038
Profit for the period	-	-	-	-	458	458	33	491
Other comprehensive income	-	-	-	89	(55)	34	3	37
<b>Comprehensive income for the period</b>	-	-	-	89	403	492	36	528
Dividend	-	-	-	-	(1,341)	(1,341)	(12)	(1,353)
Share repurchase	-	-	-	-	(2,207)	(2,207)	-	(2,207)
Capital repayment and share consolidation	(407)	(958)	-	-	(635)	(2,000)	-	(2,000)
Equity-settled transactions	-	-	-	-	13	13	-	13
Issue of common shares	-	-	-	-	-	-	-	-
<b>Balance at September 30, 2019</b>	105	-	-	(519)	7,205	6,791	228	7,019

### Outstanding share capital

The outstanding share capital was 210.6 million common shares at the end of September 2019. This included 10.4 million shares acquired in the share buyback program, which have not yet been cancelled. The weighted average number of shares in Q3 2019 was 204.3 million. This number of shares was the basis for the calculation of earnings per share in Q3 2019.



### Invested capital

Invested capital at September 30, 2019, totaled €7.1 billion, up €0.9 billion from year-end 2018, mainly due to seasonality of operating working capital and the impact of the adoption of IFRS 16.

### Operating working capital (Trade)

Operating working capital as percentage of revenue increased to 13.9% in Q3 of 2019, compared to 11.6% in Q3 of 2018, mainly due to higher trade receivables, higher inventories and lower trade payables, including an adverse impact from acquisitions.

### Pension

The net balance sheet position (according to IAS19) of the pension plans at the end of Q3 2019 was a surplus of €0.9 billion (year-end 2018: surplus of €0.4 billion). The development in the first three quarters of 2019 was the result of the net effect of:

- Top-up payments into pension plans
- Higher asset returns in key countries

Offset by:

- Lower discount rates in key countries

In February 2019, negotiations on the triennial review of the main UK defined benefit pension schemes were concluded, leading to a total of €640 million of cash payments:

- An amount of £290 million (€333 million) of top-up payments have been made in relation to deficit recovery plans for the ICI Pension Fund and Akzo Nobel (CPS) Pension Scheme
- Top-up payments of £129 million (€146 million) were paid in accordance with the previously agreed recovery plans
- An amount of £142 million (€161 million) of pre-funding was paid into an escrow account for the Akzo Nobel (CPS) Pension Scheme

Other top-up payments amounted to €2 million.

### Workforce

At September 30, 2019, the number of people employed was 34,300 (September 30, 2018: 34,300). Acquisitions in Q4 2018 added around 850 people.

### Consolidated statement of free cash flows

Third quarter			January-September		
2018	2019	in € millions	2018	2019	
297	334	<b>EBITDA</b>	717	929	
-	28	Impairment losses	-	61	
(18)	(5)	Pre-tax results on acquisitions and divestments	(40)	(71)	
155	35	Changes in working capital	(427)	(502)	
(1)	(2)	Pension top-up payments	(186)	(481)	
(44)	(14)	Other changes in provisions	(62)	(27)	
(27)	(29)	Interest paid	(41)	(50)	
(74)	(45)	Income tax paid	(111)	(132)	
(4)	10	Other	(7)	13	
<b>284</b>	<b>312</b>	<b>Net cash from operating activities</b>	<b>(157)</b>	<b>(260)</b>	
(41)	(52)	Capital expenditures	(120)	(135)	
<b>243</b>	<b>260</b>	<b>Free cash flows</b>	<b>(277)</b>	<b>(395)</b>	

### Free cash flows

The cash generation in Q3 2019 improved compared to Q3 2018, mainly due to higher EBITDA and lower income taxes paid, partly offset by lower working capital inflow.

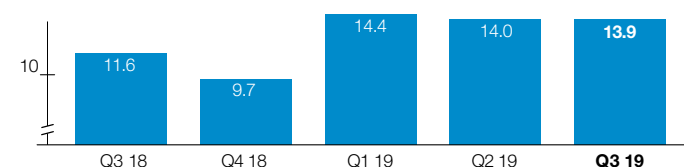
EBITDA was impacted by the adoption of IFRS 16 as per January 1, 2019. As a result, in the first three quarters of 2019, some €83 million of lease expenses were recognized as depreciation of Right-of-use assets (€78 million) and as interest expense (€5 million). The 2018 comparative figures have not been restated.

### Invested capital

in € millions	September 30, 2018	December 31, 2018	September 30, 2019
Trade receivables	1,982	1,843	2,080
Inventories	1,150	1,139	1,221
Trade payables <sup>1</sup>	(2,053)	(2,084)	(1,970)
<b>Operating working capital (Trade)</b>	<b>1,079</b>	<b>898</b>	<b>1,331</b>
Other working capital items <sup>1</sup>	(360)	(414)	(293)
Non-current assets <sup>2</sup>	7,123	7,171	8,146
Less investments in associates and joint ventures	(138)	(137)	(153)
Less pension assets	(1,020)	(947)	(1,545)
Deferred tax liabilities	(266)	(368)	(362)
<b>Invested capital <sup>2</sup></b>	<b>6,418</b>	<b>6,203</b>	<b>7,124</b>

### Operating working capital (Trade)

In % of revenue



<sup>1</sup> Trade payables now include certain other payables, which were previously classified as Other working capital. Trade payables, Operating working capital and Other working capital items reported in the quarters of 2018 have been represented for this change of definition for some €240 million.

<sup>2</sup> Invested capital includes the impact from the adoption of IFRS 16 "Leases" (as per January 1, 2019). Right-of-use assets (€355 million as per January 1, 2019) have been added to Invested capital whereas Lease liabilities remain excluded from Invested capital. The 2018 comparative figures have not been restated. Further details and a quantification of the impact are provided on page 11.

**Condensed consolidated statements of cash flows**

Third quarter		January-September	
2018	2019	in € millions	
2018	2019	2018	2019
837	1,059	1,278	2,732
<b>Net cash and cash equivalents at beginning of period</b>			
<b>Adjustments to reconcile earnings to cash generated from operating activities</b>			
155	175	410	475
60	87	180	261
–	28	–	61
20	27	29	58
(4)	(6)	(14)	(16)
(18)	(5)	(40)	(71)
66	51	112	151
155	35	(427)	(502)
(45)	(16)	(248)	(508)
(27)	(29)	(41)	(50)
(74)	(45)	(111)	(132)
(4)	10	(7)	13
<b>284</b>	<b>312</b>	<b>(157)</b>	<b>(260)</b>
(41)	(52)	(120)	(135)
(13)	6	6	92
–	(220)	–	(1,565)
–	790	–	6,069
1	2	45	(156)
<b>(53)</b>	<b>526</b>	<b>(69)</b>	<b>4,305</b>
(74)	(30)	418	(85)
(23)	(8)	(501)	(1,353)
–	–	–	(2,000)
–	(717)	–	(2,206)
(29)	1	(28)	1
<b>(126)</b>	<b>(754)</b>	<b>(111)</b>	<b>(5,643)</b>
<b>105</b>	<b>84</b>	<b>(337)</b>	<b>(1,598)</b>
34	(4)	34	(5)
<b>139</b>	<b>80</b>	<b>(303)</b>	<b>(1,603)</b>
(24)	16	(23)	26
<b>952</b>	<b>1,155</b>	<b>952</b>	<b>1,155</b>
<b>Net Cash and cash equivalents at September 30</b>			

**Condensed consolidated statement of cash flows**

IFRS 16 "Leases" was adopted per January 1, 2019, applying the modified retrospective method. The payments for the operating leases, in 2018 reported in the cash flow from operating activities, as from January 1, 2019, are included in the cash flow from financing activities. For the first three quarters of 2019, the adoption of IFRS 16 has resulted in €83 million of lease expenses being presented as redemption of lease liabilities in Net cash from financing activities; this amount was previously recorded in Net cash from operating activities. The 2018 comparative figures have not been restated.

**Cash flows and net debt**

Net cash from operating activities in Q3 2019 resulted in an inflow of €312 million (2018: €284 million). This increase was driven by the aforementioned implementation of IFRS 16, increased profit for the period and lower income taxes paid, which was partly offset by lower inflow of working capital.

Net cash from investing activities in Q3 2019 resulted in an inflow of €526 million (2018: outflow of €53 million). This was mainly impacted by a net cash inflow from the short-term investments of €570 million.

Net cash from financing activities in Q3 2019 resulted in an outflow of €754 million (2018: outflow of €126 million). This was mainly impacted by the share buyback (€0.7 billion) and the impact of the implementation of IFRS 16 leading to €29 million redemption of lease liabilities.

At September 30, 2019, net debt was positive €537 million versus negative €5,861 million at year-end 2018. This was mainly due to a capital repayment (€2.0 billion), the final dividend 2018 (€315 million), a special cash dividend payment (€1.0 billion), share buyback (€2.2 billion), pension related payments (€642 million) and seasonality of the operating working capital.

# 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. The interim condensed consolidated financial statements should be read in conjunction with AkzoNobel's consolidated financial statements in the 2018 annual report, as published on March 7, 2019. The financial statements were adopted by the Annual General Meeting of shareholders on April 25, 2019. 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.

## Accounting policies and restatements

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, 2018, except for the following changes in accounting policies and disclosures:

IFRS 16 "Leases" is the most important change. IFRS 16 replaces the previous standard on lessee accounting for leases. It requires lessees to bring most leases on balance sheet in a single lease accounting model, recognizing a Right-of-use asset and a Lease liability. Compared with the previous standard for operating leases, it also impacts the classification and timing of expenses and consequently the classification between cash flow from operating activities and cash flow from financing activities. AkzoNobel has adopted IFRS 16 as per January 1, 2019, applying the modified retrospective approach. All Right-of-use assets are measured at the amount of the lease liability at transition, adjusted

for any prepaid or accrued lease expenses. Short-term and low-value leases are exempted. AkzoNobel has not restated its 2018 comparative figures. The adoption did not have an impact on group equity. IFRS 16 requires the Right-of-use asset and the Lease liability to be recognized at discounted value and assumptions with regards to termination and renewal options should be taken into consideration.

The blended incremental borrowing rate applied to the lease liabilities at January 1, 2019, was 2.2%. The table below reflects the reconciliation of the operating lease commitments as at December 31, 2018, and the lease liabilities recognized as at January 1, 2019.

## Changes in lease accounting

in € millions	Reconciliation
<b>Operating lease commitments as at December 31, 2018</b>	<b>420</b>
Adjustments as a result of a re-assessment of service contracts	(14)
Low-value and short-term leases recognized on a straight-line basis as expense	(11)
<b>Total undiscounted lease commitments</b>	<b>395</b>
Discounting of lease commitments	(40)
<b>Lease liabilities recognized as at January 1, 2019</b>	<b>355</b>

The adoption of the standard as per January 1, 2019, has resulted in the recognition of Right-of-use assets of approximately €355 million, and additional Lease liabilities of approximately €355 million. In addition, assets with a book value of some €65 million have been reclassified to Right-of-use assets, including among others finance leases. In the Consolidated statement of income January - September 2019, the Operating lease expenses (€83 million), previously recorded in Operating income, are replaced by the depreciation charge on Right-of-use assets (€78 million; remains recorded in Operating income) and by Interest expenses for the lease liability (€5 million; recorded in Net financing expenses). In addition we recorded a non-cash impairment charge of Right-of-use assets of €5 million, presented as identified item. On a net basis, the adoption of IFRS 16 has led to an unchanged operating income and an increase of Net financing expenses by €5 million; Profit before tax and Profit for the period were €3 million lower. The payments for the Operating leases (€83 million), previously included in the cash flow from operating activities, are now included in the cash flow from financing activities.

## Impact of adoption IFRS 16 on the consolidated balance sheet

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

## Impact of adoption IFRS 16 on the consolidated statement of income

			January-September		
Third quarter					
Before IFRS 16	Impact	Including IFRS 16	Before IFRS 16	Impact	Including IFRS 16
358	29	387	946	83	1,029
305	29	334	846	83	929
(60)	(27)	(87)	(183)	(78)	(261)
298	2	300	763	5	768
(48)	(5)	(53)	(95)	(5)	(100)
250	(3)	247	668	–	668
(25)	(2)	(27)	(53)	(5)	(58)
(53)	2	(51)	(153)	2	(151)
165	(3)	162	445	(3)	442
283	29	312	(343)	83	(260)
(725)	(29)	(754)	(5,560)	(83)	(5,643)
12.4	0.1	12.5	10.8	0.1	10.9
10.4	(0.1)	10.3	9.4	–	9.4
			14.4	(0.5)	13.9

\* The IFRS 16 impact of €5 million relates to a non-cash impairment of Right-of-use assets following the implementation of our strategic portfolio review.

AkzoNobel's activities as a lessor are not truly material and hence the impact on the financial statements is not significant.

Several other new accounting standards were issued. These include, among others, IFRIC 23 "Uncertainty over income tax treatments" and "Plan Amendment, Curtailment and Settlement" (Amendments to IAS 19), both effective as from January 1, 2019. These changes do not have a material effect on AkzoNobel's Consolidated financial statements, as to a large extent we already complied with these clarifications on IFRS.

#### Application of IAS 29 "Financial Reporting in Hyperinflationary economies"

IAS 29, "Financial Reporting in Hyperinflationary Economies" is applied to the financial statements for entities whose functional currency is the currency of a hyperinflationary economy. Since July 1, 2018, Argentina qualifies as a so-called hyperinflationary country under IFRS. As a consequence, special accounting procedures have been applied to eliminate hyperinflation effects from the accounts of the Argentinian operations, starting on January 1, 2018. The revaluation effect on the non-monetary assets at January 1, 2018, was a gain of €23 million after taxes, recorded as an adjustment to opening shareholders' equity. Effects during the subsequent periods were not significant.

#### Related parties

We purchased and sold goods and services to various related parties in which we hold a 50% or less equity interest (associates and joint ventures). Such transactions were conducted at arm's length with terms comparable with transactions with third parties. 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.

#### 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.

#### 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-September

in € millions	Decorative Paints	Performance Coatings	Other	Total
Primary geographical markets - revenue from third parties				
The Netherlands	158	74	49	281
Other European Countries	1,382	1,532	-	2,905
USA and Canada	-	847	-	847
South America	318	276	-	594
Asia	800	1,180	-	1,980
Other regions	142	284	1	427
<b>Total</b>	<b>2,800</b>	<b>4,184</b>	<b>50</b>	<b>7,034</b>
Timing of revenue recognition				
Goods transferred at a point in time	2,782	4,040	1	6,823
Services transferred over time	18	144	49	211
<b>Total</b>	<b>2,800</b>	<b>4,184</b>	<b>50</b>	<b>7,034</b>



# 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. These 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 clear reporting on the underlying developments of the business. These APM adjustments may affect the IFRS measures operating income, net profit and the earnings per share. A reconciliation of the alternative performance measures to the most directly comparable IFRS measures can be found in the tables for adjusted operating income and adjusted earnings from continuing operations on this page.

## Identified items

Identified items were €100 million negative in the first three quarters of 2019, mainly related to transformation costs and non-cash impairments, partly offset by a gain on disposal of €57 million following asset network optimization. In the first three quarters of 2018 identified items were €80 million negative, mainly relating to transformation costs.

## Operating income

Third quarter			January-September			
2018	2019	Δ%	in € millions	2018	2019	Δ%
112	130	16%	Decorative Paints	271	350	29%
164	156	(5%)	Performance Coatings	447	427	(4%)
(39)	(39)		Other activities/eliminations	(181)	(109)	
<b>237</b>	<b>247</b>	<b>4%</b>	<b>Total</b>	<b>537</b>	<b>668</b>	<b>24%</b>

## Identified items

Third quarter			January-September			
2018	2019	Δ	in € millions	2018	2019	Δ
3	5	2	Decorative Paints	23	(19)	(44)
6	38	32	Performance Coatings	29	102	73
(3)	10	13	Other activities/eliminations	28	17	(11)
<b>6</b>	<b>53</b>	<b>47</b>	<b>Total</b>	<b>80</b>	<b>100</b>	<b>20</b>

## Adjusted operating income

Third quarter			January-September			
2018	2019	Δ%	in € millions	2018	2019	Δ%
115	135	17%	Decorative Paints	294	331	13%
170	194	14%	Performance Coatings	476	529	11%
(42)	(29)		Other activities/eliminations	(153)	(92)	
<b>243</b>	<b>300</b>	<b>23%</b>	<b>Total</b>	<b>617</b>	<b>768</b>	<b>24%</b>

## Adjusted earnings per share from continuing operations

Third quarter			January-September		
2018	2019	in € millions	2018	2019	
221	226	Profit before tax from continuing operations	522	626	
6	53	Identified items reported in operating income	80	100	
–	–	Interest on tax settlements	(30)	–	
(67)	(68)	Adjusted income tax	(161)	(180)	
(6)	(13)	Non-controlling interests	(35)	(33)	
<b>154</b>	<b>198</b>	<b>Adjusted net income from continuing operations</b>	<b>376</b>	<b>513</b>	
255.8	204.3	Weighted average number of shares	254.4	218.0	
<b>0.60</b>	<b>0.97</b>	<b>Adjusted earnings per share from continuing operations</b>	<b>1.48</b>	<b>2.35</b>	

## Outlook

We are delivering towards our Winning together: 15 by 20 strategy and continue creating a fit-for-purpose organization for a focused paints and coatings company, contributing to the achievement of our 2020 guidance.

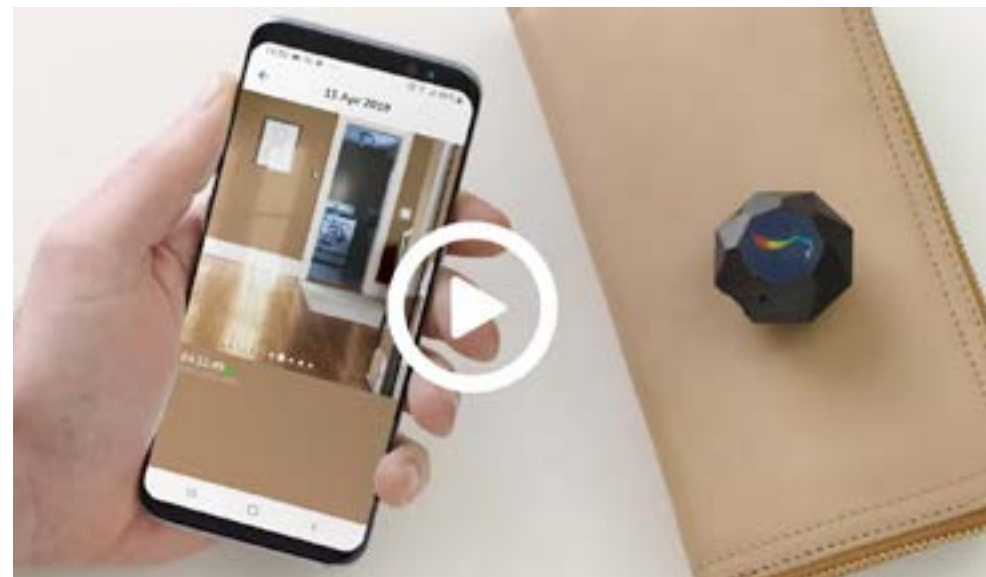
Demand trends differ per region and segment in an uncertain macro-economic environment. Raw material inflation is expected to have a favorable effect on the remainder of 2019. Continued pricing initiatives and cost-saving programs are in place to address the current challenges.

We continue executing our transformation to deliver the previously announced €200 million cost savings by 2020, incurring one-off costs in 2019 and 2020.

We target a leverage ratio of between 1.0-2.0 times net debt/ EBITDA by the end of 2020 and commit to retain a strong investment grade credit rating.

## Amsterdam, October 23, 2019 The Board of Management

Thierry Vanlancker  
Maarten de Vries



### Gaining color confidence from four new digital color tools

We recently introduced four new digital tools to make precise color-matching easier for our customers. Three of them serve our industrial customers and work with the Salcomix system, an on-site facility which enables paint to be mixed on demand with superior color accuracy. They include Salcomix PaintFinder Cloud (with access to more than 600,000 color formulations); the high-end Automatchic Vision measuring device; and the ColorFinder, which works via a dedicated app. The fourth tool, the digital Color Sensor, helps professional painters who use our decorative paints to match their clients' color choices in seconds. The small portable device scans the color on any object and links to the Color Sensor app to provide an exact paint match.

# Paints and Coatings (continuing operations)

## Quarterly statistics

					2018					2019
Q1	Q2	Q3	Q4	year	in € millions	Q1	Q2	Q3	year-to-date	
<b>Revenue</b>										
846	1,006	951	896	3,699	Decorative Paints	844	1,005	977	2,826	
1,342	1,454	1,388	1,403	5,587	Performance Coatings	1,339	1,445	1,418	4,202	
(12)	(14)	(13)	9	(30)	Other activities/eliminations	2	1	3	6	
<b>2,176</b>	<b>2,446</b>	<b>2,326</b>	<b>2,308</b>	<b>9,256</b>	<b>Total</b>	<b>2,185</b>	<b>2,451</b>	<b>2,398</b>	<b>7,034</b>	
<b>Adjusted EBITDA (excluding identified items)</b>										
79	145	138	76	438	Decorative Paints	95	177	174	446	
169	207	204	187	767	Performance Coatings	182	241	238	661	
(39)	(67)	(39)	(23)	(168)	Other activities/eliminations	(29)	(24)	(25)	(78)	
<b>209</b>	<b>285</b>	<b>303</b>	<b>240</b>	<b>1,037</b>	<b>Total</b>	<b>248</b>	<b>394</b>	<b>387</b>	<b>1,029</b>	
<b>9.6</b>	<b>11.7</b>	<b>13.0</b>	<b>10.4</b>	<b>11.2</b>	<b>Adjusted EBITDA margin (in %)</b>	<b>11.4</b>	<b>16.1</b>	<b>16.1</b>	<b>14.6</b>	
<b>Depreciation *</b>										
(18)	(18)	(17)	(19)	(72)	Decorative Paints	(30)	(35)	(34)	(99)	
(26)	(26)	(24)	(25)	(101)	Performance Coatings	(34)	(35)	(35)	(104)	
(2)	(2)	(4)	-	(8)	Other activities/eliminations	(5)	(4)	(4)	(13)	
<b>(46)</b>	<b>(46)</b>	<b>(45)</b>	<b>(44)</b>	<b>(181)</b>	<b>Total</b>	<b>(69)</b>	<b>(74)</b>	<b>(73)</b>	<b>(216)</b>	
<b>Amortization</b>										
(5)	(4)	(6)	(5)	(20)	Decorative Paints	(5)	(6)	(5)	(16)	
(9)	(9)	(10)	(9)	(37)	Performance Coatings	(10)	(9)	(9)	(28)	
-	(1)	1	(1)	(1)	Other activities/eliminations	(1)	-	-	(1)	
<b>(14)</b>	<b>(14)</b>	<b>(15)</b>	<b>(15)</b>	<b>(58)</b>	<b>Total</b>	<b>(16)</b>	<b>(15)</b>	<b>(14)</b>	<b>(45)</b>	
<b>Adjusted operating income (excluding identified items)</b>										
56	123	115	52	346	Decorative Paints	60	136	135	331	
134	172	170	153	629	Performance Coatings	138	197	194	529	
(41)	(70)	(42)	(24)	(177)	Other activities/eliminations	(35)	(28)	(29)	(92)	
<b>149</b>	<b>225</b>	<b>243</b>	<b>181</b>	<b>798</b>	<b>Total</b>	<b>163</b>	<b>305</b>	<b>300</b>	<b>768</b>	
<b>6.8</b>	<b>9.2</b>	<b>10.4</b>	<b>7.8</b>	<b>8.6</b>	<b>ROS%</b>	<b>7.5</b>	<b>12.4</b>	<b>12.5</b>	<b>10.9</b>	
<b>8.7</b>	<b>12.1</b>	<b>12.3</b>	<b>9.0</b>	<b>10.6</b>	<b>ROS% excluding unallocated costs</b>	<b>9.1</b>	<b>13.7</b>	<b>13.8</b>	<b>12.3</b>	

\* Depreciation in 2019 includes the impact from the adoption of IFRS 16 "Leases", resulting in an additional depreciation charge on Right-of-use assets of €78 million in the first three quarters of 2019. The 2018 comparative figures have not been restated.

# Paints and Coatings (continuing operations)

## Quarterly statistics

					2018					2019
Q1	Q2	Q3	Q4	year	in € millions	Q1	Q2	Q3	year-to-date	
<b>Operating income</b>										
48	111	112	37	308	Decorative Paints	54	166	130	350	
121	162	164	130	577	Performance Coatings	97	174	156	427	
(61)	(81)	(39)	(99)	(280)	Other activities/eliminations	(38)	(32)	(39)	(109)	
<b>108</b>	<b>192</b>	<b>237</b>	<b>68</b>	<b>605</b>	<b>Total</b>	<b>113</b>	<b>308</b>	<b>247</b>	<b>668</b>	
<b>Identified items per Business Area</b>										
(8)	(12)	(3)	(15)	(38)	Decorative Paints	(6)	30	(5)	19	
(13)	(10)	(6)	(23)	(52)	Performance Coatings	(41)	(23)	(38)	(102)	
(20)	(11)	3	(75)	(103)	Other activities/eliminations	(3)	(4)	(10)	(17)	
<b>(41)</b>	<b>(33)</b>	<b>(6)</b>	<b>(113)</b>	<b>(193)</b>	<b>Total</b>	<b>(50)</b>	<b>3</b>	<b>(53)</b>	<b>(100)</b>	
<b>Reconciliation net financing income/(expenses)</b>										
6	5	3	2	16	Financing income	5	4	4	13	
(22)	(22)	(24)	(24)	(92)	Financing expenses	(17)	(20)	(21)	(58)	
<b>(16)</b>	<b>(17)</b>	<b>(21)</b>	<b>(22)</b>	<b>(76)</b>	<b>Net interest on net debt</b>	<b>(12)</b>	<b>(16)</b>	<b>(17)</b>	<b>(45)</b>	
<b>Other interest movements</b>										
2	3	2	3	10	Financing expenses related to post-retirement benefits	5	6	4	15	
-	(1)	-	(2)	(3)	Interest on provisions	(3)	(2)	(8)	(13)	
33	(13)	(1)	(2)	17	Other items	(3)	(6)	(6)	(15)	
<b>35</b>	<b>(11)</b>	<b>1</b>	<b>(1)</b>	<b>24</b>	<b>Net other financing charges</b>	<b>(1)</b>	<b>(2)</b>	<b>(10)</b>	<b>(13)</b>	
<b>19</b>	<b>(28)</b>	<b>(20)</b>	<b>(23)</b>	<b>(52)</b>	<b>Net financing expenses *</b>	<b>(13)</b>	<b>(18)</b>	<b>(27)</b>	<b>(58)</b>	
<b>Quarterly net income analysis</b>										
4	6	4	6	20	Results from associates and joint ventures	5	5	6	16	
131	170	221	51	573	Profit before tax	105	295	226	626	
1	(47)	(66)	(6)	(118)	Income tax	(31)	(69)	(51)	(151)	
132	123	155	45	455	Profit for the period from continuing operations	74	226	175	475	
(1)	28	30	12	21	Effective tax rate (in %)	30	23	23	24	

\* Net financing expenses in 2019 include the impact of the adoption of IFRS 16 "Leases" resulting in Interest expenses from the lease liabilities (€83 million) in the first three quarters of 2019, previously recorded as lease expenses in operating income. The 2018 comparative figures have not been restated.



# AkzoNobel (continuing and discontinued operations)

## Quarterly statistics

					2018					2019
Q1	Q2	Q3	Q4	year		Q1	Q2	Q3	year-to-date	
<b>Earnings per share from continuing operations (in €)</b>										
0.47	0.42	0.58	0.14	1.61	Basic	0.28	1.00	0.79	2.03	
0.47	0.42	0.58	0.14	1.60	Diluted	0.28	1.00	0.79	2.02	
<b>Earnings per share from discontinued operations (in €)</b>										
0.53	0.64	0.60	22.69	24.58	Basic	-	0.07	-	0.07	
0.53	0.64	0.59	22.61	24.47	Diluted	-	0.07	-	0.07	
<b>Earnings per share from total operations (in €)</b>										
1.00	1.06	1.18	22.83	26.19	Basic	0.28	1.07	0.79	2.10	
1.00	1.06	1.17	22.75	26.07	Diluted	0.28	1.07	0.79	2.09	
<b>Number of shares (in millions)</b>										
252.9	254.5	255.8	256.2	254.9	Weighted average number of shares	234.3	215.7	204.3	218.0	
253.2	255.8	255.8	256.2	256.2	Number of shares at end of quarter *	223.9	208.7	200.2	200.2	
<b>Adjusted earnings from continuing operations (in € millions)</b>										
131	170	221	51	573	Profit before tax from continuing operations	105	295	226	626	
41	33	6	113	193	Identified items reported in operating income	50	(3)	53	100	
(31)	1	-	-	(30)	Interest on tax settlement	-	-	-	-	
(39)	(55)	(67)	(43)	(204)	Adjusted income tax	(39)	(73)	(68)	(180)	
(13)	(16)	(6)	(10)	(45)	Non-controlling interests	(9)	(11)	(13)	(33)	
89	133	154	111	487	Adjusted net income from continuing operations	107	208	198	513	
<b>0.35</b>	<b>0.52</b>	<b>0.60</b>	<b>0.43</b>	<b>1.91</b>	<b>Adjusted earnings per share from continuing operations (in €)</b>	<b>0.46</b>	<b>0.96</b>	<b>0.97</b>	<b>2.35</b>	

\* in 2019 after share buyback

# 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 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, Baltic States and Turkey.

**Mature Europe:** Western Europe.

**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, anti-trust, 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.

**Mature markets** comprise of Western 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 in accordance with IFRS and includes the 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 of the total company. 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 corporate center costs and invested capital consistent with our 2020 guidance.

**ROS** is adjusted operating income as percentage of revenue.

**ROS excluding unallocated cost** is adjusted operating income of Decorative Paints and Performance Coatings as percentage of revenue. It excludes unallocated corporate center costs consistent with our 2020 guidance.

**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. 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.

## Brand and trademarks

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**Akzo Nobel N.V.**

Christiaan Neefstraat 2  
P.O. Box 75730  
1070 AS Amsterdam, the Netherlands  
T +31 88 969 7555  
www.akzonobel.com

For more information:

The explanatory sheets used during the press conference  
can be viewed on AkzoNobel's corporate website  
[www.akzonobel.com/quarterlyresults](http://www.akzonobel.com/quarterlyresults)

AkzoNobel Global Communications  
T +31 88 969 7833  
E [info@akzonobel.com](mailto:info@akzonobel.com)

AkzoNobel Investor Relations  
T +31 88 969 7856  
E [investor.relations@akzonobel.com](mailto:investor.relations@akzonobel.com)

**Financial calendar**

Ex-dividend date of 2019 interim dividend	October 25, 2019
Record date of 2019 interim dividend	October 28, 2019
Payment date of 2019 interim dividend	November 6, 2019
Report for the full-year and the fourth quarter 2019	February 12, 2020

# AkzoNobel

[www.akzonobel.com](http://www.akzonobel.com)

**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 34,500 talented people who are passionate about delivering the high-performance products and services our customers expect.

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