

Media release

July 22, 2020

AkzoNobel's Q2 results show strong focus on margin and cost savings in response to COVID-19 headwinds

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

Highlights Q2 2020

- ROS, excluding unallocated costs¹, increased to 14.0% (2019: 13.7%) due to strong margin management and cost savings
- Headwinds related to COVID-19 eased during the quarter, with revenue almost 30% lower in April and nearly 5% lower in June
- Total cost savings delivered €116 million, of which €38 million structural savings related to transformation initiatives
- Net cash from operating activities improved to €308 million (2019: €152 million); maintained a strong balance sheet

Q2 2020 (compared to Q2 2019)

- Revenue 19% lower and 17% lower in constant currencies, with positive price/mix of 2% and 18% lower volumes, mainly due to the impact of COVID-19
- Adjusted operating income² at €238 million (2019: €305 million); ROS was 12.0% (2019: 12.4%)
- Operating income at €207 million includes €31 million negative impact from identified items, related to transformation costs (2019: €308 million, including €3 million positive identified items); OPI margin was 10.4% (2019: 12.6%)
- Net income attributable to shareholders at €129 million (2019: €231 million)
- Adjusted EPS from continuing operations at €0.80 (2019: €0.96); EPS from total operations at €0.68 (2019: €1.07)

AkzoNobel CEO, Thierry Vanlancker, commented:

“Despite lower end market demand, our business return on sales increased 30 basis points to 14% for the second quarter as a result of continued focus on margin management and cost-saving measures.

“I’m extremely proud of our teams around the world, who have continued to focus on serving our customers and delivered this resilient performance while also helping many communities affected by the pandemic.

“Our rigorous cash management and strong balance sheet put us in a sound position to deal with the ongoing uncertainty from COVID-19 as we strive to deliver powerful performance as a frontrunner in our industry.”

AkzoNobel in € millions	Q2 2019	Q2 2020	Δ%	Δ% CC ³
Revenue	2,451	1,987	(19%)	(17%)
Adjusted operating income ²	305	238	(22%)	
ROS	12.4%	12.0%		
ROS, excluding unallocated costs ¹	13.7%	14.0%		
Operating income	308	207	(33%)	

Recent highlights

Partnership with SOS Children's Villages extended

Our global partnership with SOS Children's Villages has been extended for another three years. Part of our "Let's Colour" initiative, the collaboration has already benefited more than 20,000 children and young people all over the world. It will continue to focus on renewing living spaces and offer practical skills training so that young people, families at risk and children without adequate parental care can have a brighter future.

Rising to the challenge

The outbreak of COVID-19 has not only seen us continue to supply our products to critical industries around the world. Our businesses and employees have also made every effort to support local projects and community initiatives in an effort to help as many people as possible.

Dulux gets tough on walls

The battle to keep interior walls stain-free has escalated following the launch of Dulux EasyCare+. Reinforced with Scuff Resist technology, the paint forms a durable matt coating, providing extraordinary mechanical strength. So it prevents those familiar battle scars you often get when plastic, rubber or wood is knocked against a wall.

Interpon puts the emphasis on hygiene

Our Interpon powder coatings continue to make an important contribution to critical industries around the world. We recently expanded our antimicrobial offering (which already includes products for hygiene sensitive environments such as hospitals) by enhancing the functionality of our Interpon D1000 and 2000 range of architectural powder coatings. The inclusion of BioCote® antimicrobial technology means that building interiors can now be given increased protection against microbes such as bacteria and mold – which can cause issues such as bad odors, staining or material degradation.

*BioCote® technology does not protect users or others against disease-causing bacteria, germs, viruses or other harmful organisms. This technology is not a substitute for good hygiene and/or cleaning practices.

Innovation out of adversity

We received nearly 200 entries for our internal Paint the Future innovation challenge. It aimed to capture some of the creative thinking which emerged over the last few months following the COVID-19 outbreak, as employees improvised and learned to adapt to new and challenging situations. A group of 500 employees from across the company was invited to rate the ideas and drew up the shortlist which was used to determine the winners.

Beaming with pride

Our CEO, Thierry Vanlancker, has signed the Declaration of Amsterdam to show AkzoNobel's support for LGBTI+ inclusion. During the official signing event, he said he wanted everyone working at AkzoNobel to feel at home, and that all employees deserve a workplace where they feel respected and are offered equal opportunities, regardless of sexual orientation, race, gender or nationality. Organized by Workplace Pride, signing the declaration is a visible and very positive way for the company to show its commitment to creating an inclusive environment for everybody.

Outlook:

AkzoNobel has suspended its 2020 financial ambition in response to the significant market disruption resulting from the pandemic. COVID-19 will continue to impact the second half of 2020, 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 second half 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 by the end of 2020 and commits to retain a strong investment grade credit rating.

The report for the second quarter 2020 can be viewed and downloaded at <https://akzo.no/Q22020-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

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 33,000 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.