

Media release

April 22, 2020

AkzoNobel's Q1 results show 31% profitability improvement, despite headwinds from COVID-19

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

Highlights Q1 2020

- Adjusted operating income¹ up 31% at €214 million (2019: €163 million), despite impact from COVID-19
- Return on Sales, excluding unallocated costs,² increased to 12.4% (2019: 9.1%) with price/mix up 2%
- Operating income up 65% at €187 million (2019: €113 million); OPI margin improved to 9.1% (2019: 5.2%)
- Transformation and other savings delivered €44 million lower costs (compared with the first quarter of 2019)
- €408 million of €500 million share buyback program executed during Q1 2020

Q1 2020 (compared to Q1 2019)

- Revenue 6% lower and 5% lower in constant currencies³, with positive price/mix of 2% more than offset by 7% lower volumes, mainly due to the impact of COVID-19
- Operating income at €187 million includes €27 million negative impact from identified items, related to transformation costs (2019: €113 million, including €50 million negative identified items related to transformation costs and non-cash impairments); OPI margin improved to 9.1% (2019: 5.2%)
- Net income from total operations at €114 million (2019: €65 million)
- Adjusted EPS from continuing operations up 54% at €0.71 (2019: €0.46), EPS from total operations at €0.59 (2019: €0.28)

AkzoNobel CEO, Thierry Vanlancker, commented:

“Just like many around the world, we’re dealing with challenges from COVID-19. Our top priority at AkzoNobel is the health and safety of our colleagues. As a business, we’re also taking all reasonable steps to continue serving our customers and make sure AkzoNobel remains in a strong position to weather the storm.

“Our results for the first quarter demonstrate our transformation was fully on track, even though COVID-19 already had a significant impact, especially in China and later in the quarter other regions of the world. Our performance improvement accelerated, resulting in business return on sales 330 basis points higher at 12.4%. These results were possible due to the passion and commitment of everyone at AkzoNobel who have been working – and winning – together during unprecedented circumstances.

“While things are gradually returning to normal in China, COVID-19 headwinds are increasing for most of the world and will have a significant impact during Q2. Although we’ve been forced to pause key parts of our transformation and suspend our 2020 financial ambition, we’re eager to quickly resume our positive momentum once markets normalize.”

AkzoNobel in € millions	Q1 2019	Q1 2020	Δ%	Δ% CC ³
Revenue	2,185	2,058	(6%)	(5%)
Adjusted operating income ¹	163	214	31%	
ROS	7.5%	10.4%		
ROS, excluding unallocated costs ²	9.1%	12.4%		
Operating income	113	187	65%	

Recent highlights

Ultimate rust-busting metal paint launched

A new wave of exterior water-based paint has been launched by AkzoNobel which offers superior metal protection. Hammerite Ultima can be applied directly onto any metal surface – as well as rust – without the need for a primer. Suitable for anything from gates and fences to railings and garden furniture, the new product is now available in Germany, Spain and France and is scheduled to be launched onto other markets in due course.

Community healthcare project in India switches focus to COVID-19 response

Villagers living near Bangalore are receiving initial screening for COVID-19 through an existing e-health initiative which had been set up as part of the company's AkzoNobel Cares program. Following the outbreak, the focus of the community healthcare project was changed to help tackle the virus. More than 1,000 people have been tested to date.

Rapid response contributes to construction of hospital in China

When Chinese authorities announced they were about to rapidly construct a hospital in Yinchuan – capital city of the Ningxia Hui Autonomous Region – the local AkzoNobel organization sprang into action. The facility was being built as an expansion project at the existing Fourth People's Hospital of Ningxia. However, as the work was taking place during the Spring Festival in February, paint was in short supply. AkzoNobel moved quickly to donate 450 tins of Dulux Pro interior emulsion during the early days of the project. It helped to ensure that the new buildings could be completed on time (in just 15 days) as part of an urgent local response to the COVID-19 outbreak.

Supply deal secured with leading car manufacturer

The BMW Group has chosen AkzoNobel to be a trusted supplier of vehicle refinish products and services to a large part of its distribution network around the world. The deal came into effect on February 1, 2020. Covering 44 locations, the agreement means that the company's premium Sikkens and Lesonal brands are now approved for paint repairs of BMW and Mini passenger cars at authorized dealers, repairers, importers and national BMW Group branches.

Automotive training center in Poland doubled in size

One of the company's automotive training centers has been given a new lease of life. Now restored and expanded, the new facility in Pruszków, Poland, has doubled in size and is the company's most advanced automotive training center in Europe. Featuring state-of-the-art equipment, it will serve as a hub of learning and collaboration, hosting more than 1,000 people a year.

First wave of sustainability ambitions for 2030 announced

The first in a series of challenging sustainability ambitions has been announced by AkzoNobel, designed to accelerate the newly focused paints and coatings company towards zero waste and cut carbon emissions in half by 2030. These two key ambitions – and their related targets – are the first in a wave of measures and focus on the "Planet" element of the company's new "People. Planet. Paint." approach to sustainability. The associated targets for 2030 include a 30% reduction in energy use, 100% renewable electricity, 100% water reuse at the company's most water intensive sites and zero non-reusable waste.

Outlook:

AkzoNobel has paused key parts of the company's transformation and suspended its 2020 financial ambition in response to the significant market disruption resulting from the COVID-19 pandemic. Headwinds related to COVID-19 are increasing for most parts of the world and will have a significant impact during Q2. Demand trends differ per region and segment in an uncertain macro-economic environment. Raw material costs are expected to have a moderately favorable impact for the first half of 2020. Continued margin management and cost-saving programs are in place to address the current challenges. Once markets normalize, AkzoNobel intends to resume its positive momentum and drive performance in line with industry frontrunners. The company targets a leverage ratio of 1-2 times net debt/EBITDA by the end of 2020 and commit to retain a strong investment grade credit rating.

The report for the first quarter 2020 can be viewed and downloaded at <https://akzo.no/Q12020>

1 Adjusted operating income = operating income excluding identified items

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

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 33,500 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.