

Media release

February 13, 2019

AkzoNobel Q4 2018 results show continued progress towards '15 by 20' strategy

Akzo Nobel N.V. (AKZA; AKZOD; AKZOY) publishes results for full-year and fourth quarter 2018

Q4 2018 highlights:

- Revenue up 1% and up 4% in constant currencies¹, with positive price/mix partly offset by lower volumes
 - Pricing initiatives contributed to positive price/mix of 9% overall in response to higher raw material cost
 - Volumes were 7% lower (excluding China, volumes were 2% lower). Volumes in China normalized at 2016 level versus an exceptionally strong quarterly volume in Decorative Paints China last year
 - ROS excluding unallocated costs², was up at 9.0% (2017: 8.4%)
 - Completed sale of Specialty Chemicals business on October 1, 2018; net profit on the sale was €5.8 billion
 - Acquisition of Colourland Paints in Malaysia and minority interest share to obtain full ownership of the AkzoNobel Swire Paints joint venture in China
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- Adjusted operating income³ was up €3 million at €181 million (2017: €178 million) driven by pricing initiatives and cost-saving programs
 - Net income from total operations at €5,849 million (2017: €75 million), including discontinued operations at €5,814 million (2017: €46 million)

Full-year 2018:

- Revenue 4% lower, although up 1% in constant currencies, with positive price/mix partly offset by lower volumes
- Adjusted operating income at €798 million (2017: €905 million) impacted by adverse currencies, higher raw material costs and lower volumes, not yet fully offset by pricing initiatives and cost-saving programs
- ROS excluding unallocated costs, at 10.6% (2017: 10.6%); ROI⁴ at 12.6% (2017: 13.9%)
- Final dividend proposed of €1.43 per share (post consolidation)

AkzoNobel CEO, Thierry Vanlancker, commented:

"2018 was a landmark year for AkzoNobel as we completed the sale of the Specialty Chemicals business and began returning the vast majority of proceeds to our shareholders. Despite strong headwinds we made good progress on delivering our Winning together: 15 by 20 strategy with an increased business return on sales at 9.0% in the fourth quarter compared to 8.4% last year and 10.6% in the second half of the year versus 9.2% in the same period in 2017.

"We're now a focused paints and coatings company and are channeling all our experience, energy and passion into being recognized as the reference in our industry. We continue to invest in growth and in 2018, we made multiple bolt-on acquisitions, including Fabryo in Romania, Xylazel in Spain, Colourland Paints in Malaysia and the AkzoNobel Swire Paints joint venture in China. These deals will help accelerate our momentum as we continue to build AkzoNobel into an industry leader.

"Another highlight was the introduction of our Paint the Future startup challenge. It's designed to combine our global scale, know-how and expertise with the ingenious solutions of startups and scale-ups in the dynamic world of paints and coatings, making sure AkzoNobel is the reference when it comes to open innovation."

AkzoNobel in € millions	Q4 2017	Q4 2018	Δ%	Δ% CC ¹
Revenue	2,283	2,308	1%	4%
Adjusted operating income ³	178	181	2%	
ROS excluding unallocated costs ²	8.4%	9.0%		

Key developments

Working with the world's coolest innovators

AkzoNobel created a major buzz in the coatings industry with the launch of our Paint the Future startup challenge. We want to combine our global scale, know-how and expertise with the ingenious solutions of startups and scale-ups across the planet. It's all about connecting with new disruptive technologies and accelerating innovation in the dynamic world of paints and coatings. www.letspaintthefuture.com

Asian acquisitions underline commitment to key markets

Two transactions in the final months of 2018 highlighted our continued focus on further strengthening our positions in Asia. In December, we acquired the minority interest share to obtain full ownership of the AkzoNobel Swire Paints joint venture, giving us greater control over our future growth and direction. A month earlier, we acquired Colourland Paints in Malaysia, which will boost our growth ambitions in the country itself and throughout Southeast Asia.

Awlgrip HDT offers extreme performance for yacht owners

Yacht owners can now benefit from advanced coatings technology which passed the ultimate test during the latest edition of the Volvo Ocean Race. Our new Awlgrip HDT (high definition technology) polyurethane clearcoat is not only more durable and abrasion resistant than current market offerings, but it's also repairable and lower in VOCs (volatile organic compounds).

Boeing partnership reaches milestone

Special aircraft livery was developed to mark a major milestone in our paint partnership with Boeing. To celebrate the delivery of Boeing's 787th 787 aircraft, our industry-leading 'base coat/clear coat' system was used as part of a one-off design painted onto the landmark plane, which was ordered by China Southern Airlines. Boeing also hit another milestone recently, delivering its 1,000th new aircraft to have been painted with our unrivalled Aerodur 3001/3002 paint system.

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 macroeconomic environment. Raw material inflation is expected to continue during the first half of 2019, although at a lower rate than 2018. Robust pricing initiatives and cost saving programs are in place to address the current challenges.

We continue executing our transformation to deliver the next €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.

The report for the full-year and fourth quarter 2018 can be viewed and downloaded at
<http://akzo.no/FYQ42018Report>

- 1 Constant Currencies calculations exclude the impact of changes in foreign exchange rates
- 2 ROS excluding unallocated costs is adjusted operating income as a percentage of revenue excluding unallocated corporate center costs
- 3 Adjusted operating income = operating income excluding identified items (previously called EBIT)
- 4 ROI is adjusted operating income of the last 12 months as percentage of average invested capital

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 34,500 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 press release contains statements which address such key issues such 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 forecasted 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 the sale of Specialty Chemicals. 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, a copy of which can be found on our website: www.akzonobel.com.