Embracing the sweet life

Spiced Honey was unveiled as our Color of the Year for 2019. The shade was selected following expert research into global trends, insights and consumer behavior.

It’s a versatile and contemporary choice, complementing a wide variety of lifestyle and interior design preferences. It also expresses the new sense of optimism felt throughout the global trend research which was carried out.

The warm amber tone is being marketed under well-known decorative paints brands such as Dulux, Coral, Levis and Flexa. Some of our Coatings businesses also adapt the trend research for their own markets.

www.akzonobel.com/en/colourfutures
Our transformation into a focused paints and coatings company is what really defined 2018 for AkzoNobel. It was a landmark year which gave us more clarity and enabled us to direct all our attention towards our customers in the paints and coatings market.

2018 proved to be a tough year for the whole industry. However, we remained committed to growing the business and improving our performance. So we were quick and decisive in responding to raw material price pressure and made a series of bolt-on acquisitions that proved we’re serious about getting ourselves fighting fit for long-term success. Yes, we need to improve profitability – which is what our Winning together: 15 by 20 strategy is primarily about – but we also need to look beyond that.

The bolt-on acquisitions we made in 2018 sent a clear signal that we’re building, we’re growing and we’re making good progress. The Fabryo deal makes us a leader for decorative paints in Romania, while acquiring Xylazel increased our presence in Spain’s decorative paints market. We were also delighted to acquire the minority interest share and obtain full ownership of the AkzoNobel Swire Paints joint venture in China, as well as purchasing Colourland Paints in Malaysia. Both these deals help to increase our footprint in Asia.

While we had one eye on the future, we also needed to quickly respond to the challenging trading conditions. Raw material prices in particular hit us hard across the board. It’s something the entire industry had to deal with. Our response to these challenges was swift, with extensive pricing initiatives being introduced. It made an important difference. When combined with various cost-saving measures, we were able to offset a large part of the headwinds we encountered.

We couldn’t compensate entirely, though, due to the turbulent nature of the global economy, including changing dynamics in China, where the building industry was hit by less government investment. South America also proved difficult, due to turbulent economic and political issues. Things were better in North America – where our Coatings activities had a successful year – while Europe was more of a mixed bag.

One of our best performing businesses was Powder Coatings, which continued to do very well and had another excellent year. Aerospace Coatings also put in a

Explorer Sir Edmund Hillary’s historic Antarctic hut was restored during 2018 thanks to a successful fundraising campaign and the application of coatings donated by AkzoNobel. A specialist team from the Antarctic Heritage Trust spent three months renovating the famous landmark, which contains hundreds of precious artifacts. Exterior work included building a new aluminum roof over the existing leaky one. The metal is coated with a special topcoat batch of our Polydure coil coatings.
strong performance for 2018, due to a combination of the growing popularity of our market-leading two-coat system and the high levels of service we offer our customers. The results of our Marine business also started to improve in the second half of the year due to the pricing initiatives we introduced and various cost-saving measures. We’re starting to see the first signs of an upturn in the cycle – with faster recovery expected in oil and gas – although we won’t see the benefits for a while.

There were also several other important developments during the year. In the UK, we acquired four businesses to enhance our network of Dulux Decorator Centres and further improve the service and support we offer our trade customers. The deals involved the purchase of Whites Trade Paints, Cambrian Decorators Supplies, Doves Decorating Supplies, and Trade Paints. It took our total number of stores in the UK to 229, a 20% increase compared with 2017. In China, production started at our new powder coatings plant in Changzhou – one of the largest facilities of its kind in the world. We also opened a newly-constructed mega-warehouse in Texas in the US, which will serve as a central regional hub for our Marine and Protective Coatings business.

In 2018, we continued to set the standard in sustainability and are well positioned to benefit from current and future opportunities. Sustainability is a key value driver. As one of our core principles, it adds purpose and meaning to what we do and our customers appreciate it. Our marketing decisions also continue to be guided by insights into local needs. This has enabled us to position our solutions and the benefits they offer, such as accelerating green building, making shipping more sustainable and improving air quality. In China specifically, the rapid growth of low VOC products contributed to increased eco-premium revenue in the region. Meanwhile, total revenue of eco-premium solutions amounted to 22% of overall revenue, ahead of our target of 20%.

Our societal involvement is a key part of our sustainability agenda, so it was encouraging to see our global “Let’s Colour” program continue to gather momentum. A particular highlight was an exciting project in Kuşadası, Turkey, which involved repainting 400 homes and transforming the lives of 2,000 people (find out more on page 10).

Towards the end of the year, we announced our Paint the Future startup challenge. This is an amazing opportunity for us to work with innovators and visionaries who dare to be different. As a global leader, we’re taking the initiative to co-create customer-focused innovation which has a clear eye on the future, while recognizing that we can’t do it all alone. We can’t wait to see what develops as a result (read more on page 14).

Throughout the year, our employees have shown immense pride in what they do and displayed an infectious passion for paint. It’s this energy and commitment which will propel us forward as we continue to build a leading paints and coatings company which delivers for all our stakeholders.

“We’re building, we’re growing and making good progress”
When it comes to innovation, our Asian technology centers are hotbeds of invention and creativity. Located in Shanghai, China, and Bangalore, India, they’re bursting with exciting product developments, helping us lead in our paints and coatings markets with boundary-pushing know-how and expertise.

Serving the growing demand from customers for integrated and tailor-made solutions in Asia and around the world, these centers are equipped with a full array of state-of-the-art material analysis and performance testing facilities.

The Shanghai Technology Center is one of our major hubs, and a driving force in building our company’s innovation capabilities. Its various labs help us deliver quality products to our customers. In line with China’s environmental protection regulations, it focuses on eco-premium solutions, such as water-based and powder coatings products.

A great example is Forest Breath, which was developed by our decorative paints lab. It’s a formaldehyde-free, low emission indoor paint which helps clean the air inside homes and protects against germs. Since the product’s initial launch in 2016, we’ve seen competitors trying to replicate our success. But we’re staying well ahead, and have now raised the level of air quality we can achieve.

That significant improvement in performance means our current products have been upgraded to pass the internationally-recognized GREENGUARD Gold Class and French A+ Class emission certifications – and our customers can continue improving their indoor environments.

Meanwhile, our Bangalore Technology Center has grown significantly since first opening in 2002. It now includes a whole suite of product and service development areas, working mainly on color and achieving the perfect color match.

The facility houses central color teams for all our coatings businesses – so our experts in Bangalore are working for customers across many industries. The color lab is truly unique, developing hundreds of thousands of colors, all in one location.

Achievements at the site include introducing universal colorants for our Marine and Protective Coatings business; formulating coatings for consumer electronics using a tool we developed in our lab; and even using artificial intelligence to create new color formulas.

That’s just a small taste of what’s happening at our technology hubs in Asia. All geared towards discovering new opportunities and creating value for our customers.
KEY BUSINESS DEVELOPMENTS

DECORATIVE PAINTS ASIA

- Revenue and volumes were lower in China and North Asia, with strong cost control unable to offset the impact of the slowdown in China’s paints market
- South East and South Asia continued to increase revenue, despite the challenging political and economic landscape. Most markets performed well, although Indonesia was impacted by a change of distributor
- Acquired the minority interest share to obtain full ownership of the AkzoNobel Swire Paints joint venture in China. We now have greater control and are well positioned for future growth in the Chinese market
- Acquired Colourland Paints in Malaysia, underlining our commitment to growing in the country and throughout the region
- Dulux Weathershield and Dulux EasyClean were relaunched in several markets, offering enhanced functionality with a new and improved formula
- Launched Dulux Promise in Pakistan, our first entry into the country’s mass market paints segment
- In China, an integrated campaign was developed to support the launch of Dulux Forest Breath BioCare. We also launched a BioCare primer to enrich our bio-based product lines
- Our ultra-protective Dulux Weathershield paint was used on the famous Dai Lanh lighthouse in Vietnam, which is more than 100 years old
- As part of our global “Let’s Colour” initiative, we added Pakistan, China and Indonesia to the list of countries involved in our partnership with SOS Children’s Villages

The winners of our seventh China Student Sustainability Awards were announced in November 2018. The annual event recognizes excellent contributions made by university students to local communities and society at large. In total, 309 entries were submitted by 297 student societies from 130 universities across 55 cities.

Through our Dulux Easy Paint Service, we cooperated with the China National Institute of Standardization to introduce even higher standards for our corporate repainting service and drive service operation excellence
- Piloted a new concept store in Shanghai, China, to enhance the in-store experience for customers and drive conversion
- Our Dulux and Dulux Professional range of products were accredited with the prestigious GreenPro Certification by the Confederation of Indian Industry

<table>
<thead>
<tr>
<th>Key brands</th>
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</thead>
<tbody>
<tr>
<td>Dulux</td>
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<tr>
<td>多乐士</td>
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<tr>
<td>Grindal</td>
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</table>

<table>
<thead>
<tr>
<th>Revenue in € millions</th>
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</thead>
<tbody>
<tr>
<td>2016</td>
</tr>
<tr>
<td>1,196</td>
</tr>
<tr>
<td>2017</td>
</tr>
<tr>
<td>1,299</td>
</tr>
<tr>
<td>2018</td>
</tr>
<tr>
<td>1,144</td>
</tr>
</tbody>
</table>
DECORATIVE PAINTS EUROPE, MIDDLE EAST AND AFRICA

- Achieved strong profit growth, despite higher raw material costs. Also saw a significant improvement in return on sales.
- Maintained strong market position in Europe and Africa.
- Results were impacted by uncertainty in the UK economy due to Brexit and currency fluctuations, such as the weakening of the Turkish lira.
- Acquired Fabryo in Romania and Xylazel in Spain.
- Expanded our network of Dulux Decorator Centres in the UK and our Sikkens Center franchise network in the Netherlands.
- The environmental footprint of our formulations was reduced in virtually all countries, supported by the launch of new water-based products and programs to convert users to these products.
- New paint range launched by Sadolin in Uganda, while our successful EasyCare washable wall paints concept was further rolled out.
- Launched a program across the region to further optimize the color accuracy of our in-store tinting system.
- Celebrated 25 years of Community RePaint in the UK, an initiative which makes use of left-over paint and redistributes it to communities, charities and people in need.
- Continued our partnership with SOS Children's Villages, which included activities in Russia, Nigeria, South Africa, and Belgium. It involved helping to refurbish villages and provide training in painting and sales skills.

Some of our customers
- Bricomarché
- Kingfisher
- Leroy Merlin
- OBI

Revenue in € millions

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,140</td>
<td>2,095</td>
<td>2,093</td>
</tr>
</tbody>
</table>

Key brands

- [Bruguer](#)
- [Dulux](#)
- [Flexa](#)
- [Levi's](#)
- [Marshall](#)
- [Nordsjö](#)
- [Sadolin](#)
- [Herbol](#)
- [Polyfilla](#)
- [Sigma](#)
- [Hammerite](#)
- [Sikkens](#)
DECORATIVE PAINTS SOUTH AMERICA

- Strong pricing initiatives helped offset raw material inflation and currency devaluation. Product mix was also positive, driven by commercial and product innovation.
- Brazil delivered volume growth in premium wall paints for the second year in a row, while market segment contracted.
- Commercial initiatives continued driving the topline. In Brazil, distributors reached an additional 4,000 stores and category management drove shopping experience improvement in more than 200 stores.
- Successful launch of our roller tester in Brazil, the first market outside Europe to introduce the product. Coral Teste Fácil is available in 240 different colors, with more than 700 points of sale being activated and about 600,000 units sold.
- Brazil’s Coral brand introduced Renova as a new premium wall paint range, inspired by the Dulux Valentine Crème de Couleur range in France. Both products are designed to help consumers make confident color choices and transform their homes with ease.
- “Balance technology” concept roll-out drove conversion to water-based trim and woodcare products across the region, representing savings of 14,000 tons of CO₂ from the atmosphere.
- In Argentina, our Cetol woodcare brand sponsored the book Extreme Wood, which brings together 32 Argentine studies of wood in architecture protected against extreme weather by Cetol and sustainable balance technology.
- Our wastewater treatment plant in Mauá, Brazil (inaugurated in 2017), is already reusing 50% water, and aims to reuse 100% water by 2020.
- Supported the Mais Vida nos Morros initiative in Recife through local “Let’s Colour” initiatives. About 20,000 liters of donated paint transformed the homes and communities of around 200 families in Beberibe, Sitio São Brás and Vasco da Gama.
AUTOMOTIVE AND SPECIALTY COATINGS

- Strong performance, despite higher raw material prices, with positive price/mix more than offsetting lower volumes
- Solidified our leading position in aerospace with several key customer wins
- Successfully launched a new e-commerce platform in the US for vehicle refinishes, including the introduction of our bespoke Modern Classikk range
- Celebrated the 160th birthday of our Lesonal premium vehicle refinishes brand. Also successfully launched the Wanda vehicle refinishes range in several new European markets, and Wanda’s sustainable product range in our China and Asian markets
- A new digital color matching tool was launched, combining our Automatchic hand-held spectrophotometer and MiXT digital color retrieval system
- Continued our long-standing partnership with McLaren, developing the stunning Papaya Spark color used on their Formula 1 racing cars
- Received the Best Performer award from Airbus, recognizing our value as supplier and partner of choice
- Bodyshops around the world started adopting Carbeat, which enables the next level of digital transformation in vehicle refinishes
- Launched Intura, our newest range of aircraft cabin coatings
- Marked the 50th anniversary of our Alumigrip aerospace coatings brand
- Successfully developed an imitation glass and gradient coating solution for consumer electronics customers
- Shared our aerospace customers’ passion for paint on unique liveries and designs, including special aircraft to celebrate the 100th anniversary of Iceland’s independence and sovereignty
- Proudly supplied aerospace coatings to the Mirpuri Foundation and Hi Fly for their latest high profile aircraft, campaigning to save the world’s coral reefs

Some of our customers
- Airbus
- Allianz
- BBIG
- Boeing
- Dell
- General Motors
- Gold Coast Marine
- HP
- KMC/HMC
- Leonardo
- Plastic Omnium
- Samsung

Geo-mix revenue by destination in %

<table>
<thead>
<tr>
<th>Destination</th>
<th>Revenue in € millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>A EMEA</td>
<td>1,392</td>
</tr>
<tr>
<td>B Americas</td>
<td>1,426</td>
</tr>
<tr>
<td>C Asia Pacific</td>
<td>1,392</td>
</tr>
</tbody>
</table>

Key brands

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- L1G1
- L1G2
- L1G3
MARINE AND PROTECTIVE COATINGS

- Improved our profitability levels – despite higher raw material costs – through portfolio simplification, a keen focus on selling prices and cost savings
- Slowdown in new build activity in the marine sector continued, despite a recovery in contracts for some vessel types
- Positive trends and increasing market activity indicate a return of opportunities in oil and gas, albeit slowly
- Completed the construction of a new €12 million complex in Felling, UK, which will offer world-leading testing and laboratory facilities when it opens in 2019
- A major highlight was the Volvo Ocean Race. Every boat in the race was protected with our products, bringing us closer to our customers and providing a global stage to showcase the performance of our key brands
- Our Awlgrip Quick Build range – launched in North America and Europe – is driving significant productivity benefits for boat builders. It also won the Innovation award for Boat Care and Maintenance at the 2018 International Boatbuilders’ Exhibition and Conference (IBEX)
- Extended our long-standing relationship with shipping giant Nakilat, agreeing to the continued supply of Intersleek 1100SR biocide-free foul release coating to their fleet
- Continued our focus on sustainable shipping by launching new products to help customers meet increased VOC regulations in China. Also continued our partnership with The Ocean Cleanup
- Our technology leadership in passive fire protection continues. Chartek 2218 has been used to protect oil and gas assets located in harsh Arctic conditions
- Interchar 3120 was launched to deliver epoxy fire protection with a step-change in aesthetics for the infrastructure market
- Introduced several new concrete protection and repair products to International’s Intercrete range, through the integration of the Flexcrete Technologies Ltd business acquired in 2017

Some of our customers

- Bechtel
- Brunswick
- ExxonMobil
- Feadship
- Florakis
- GE
- Hapag Lloyd
- Hyundai Heavy Industries
- Lürssen
- Pinmar
- Rio Tinto
- Sandvik
- Shell
- Siemens
- Teekey

Revenue in € millions

<table>
<thead>
<tr>
<th>Year</th>
<th>Europe</th>
<th>Americas</th>
<th>Asia Pacific</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1,581</td>
<td>1,424</td>
<td>1,291</td>
</tr>
<tr>
<td>2017</td>
<td>1,424</td>
<td>1,291</td>
<td>1,581</td>
</tr>
<tr>
<td>2018</td>
<td>1,291</td>
<td>1,581</td>
<td>1,424</td>
</tr>
</tbody>
</table>

Geo-mix revenue by destination in %

- A EMEA 37
- B Americas 23
- C Asia Pacific 40
INDUSTRIAL COATINGS

- Revenue growth was driven by successfully focusing on increasing prices globally across all segments
- Strong adoption of our new generation BPANI (BPA non-intent) coatings for beer and beverage metal packaging, providing customers with more sustainable and innovative products
- Further integrated the Industrial Coatings business acquired from BASF into our activities. The deal was completed at the end of 2016
- Introduced intelliCURE system of software and machinery, creating a single solution for manufacturers of glued wooden parts
- Launched PurTone, a “no-wipe” stain system which allows a significant reduction in manual labor in the industrial cabinet and furniture industry
- Our new generation chrome-free primer for coil applications now provides the pre-painted metal industry with a more sustainable and innovative solution
- Introduced Expressions print technology for the coil market, which combines the visual appeal of print with a textured finish. This enables customers to create designs with unprecedented definition and dimension, including authentic-looking wood grain, slate or granite patterns

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**Revenues in € millions**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>1,656</td>
<td>1,805</td>
<td>1,738</td>
</tr>
</tbody>
</table>

**Key brands**

- AklzNobel
- ZWEIHORN

**Trade names**

- Aquasure
- Aquaprime
- Ceram-a-Star
- GripPro
- LignuPro
- Polydure
- Trinar
- Vitalac
- Vitalure

**Geo-mix revenue by destination in %**

- A EMEA 44
- B Americas 32
- C Asia Pacific 24

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**Some of our customers**

**Wood Coatings:**
- American WoodMark
- Armstrong
- IKEA
- Masco
- Masterbrand
- Pella
- Prosol
- Schweighoffer
- Würth

**Coil and Packaging Coatings:**
- Arcelor Mittal
- Ardaqgh
- Ball
- Bluescope Steel
- Crown
- Precat
- Sigan
- Steel Dynamics
- Tata Steel
- Thyssen Krupp
POWDER COATINGS

- Achieved strong topline growth, driven by volume, price and product mix. Ongoing focus is on further strengthening our market position for premium products.
- Headwinds from raw materials lowered the net impact of margin growth.
- Officially opened our new Changzhou plant in China, one of the largest facilities of its kind in the world.
- Also opened our new Thane plant near Mumbai in India, which is fully equipped to offer a broad range of products tailored specifically to the local Indian market.
- Following the 2017 acquisition of V.Powdertech in Thailand, we began integrating the business into our activities.
- Launched Interpon Precis ultra matt, a super-durable architectural powder coating.
- Several other new products were also introduced, including Interpon IT 4002, a high performance, single coat TGIC-free polyester powder coating for the telecommunications industry.
- Our Interpon brand continues to be the powder coating of choice for protecting and beautifying important landmarks. Recent projects include: Istanbul Airport in Turkey; Van Don Airport in Vietnam (one of the first buildings in South Asia to be protected by our hyper-durable powder coatings); and Westminster Abbey in the UK, where we coated all the window frames on the first major addition to the famous building since 1745 (see page 38).

### Revenue in € millions

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1,079</td>
</tr>
<tr>
<td>2017</td>
<td>1,173</td>
</tr>
<tr>
<td>2018</td>
<td>1,218</td>
</tr>
</tbody>
</table>

### Key brands

- Interpon Powder Coatings
- Resicoat
- Relest
- V.Powdertech

### Geo-mix revenue by destination in %

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A EMEA</td>
<td>48</td>
</tr>
<tr>
<td>B Americas</td>
<td>20</td>
</tr>
<tr>
<td>C Asia Pacific</td>
<td>34</td>
</tr>
</tbody>
</table>

### Some of our customers

- Bosch Siemens
- GE
- Mercedes Bus
- Prime Wheel
- Samsung
- Schüco
- Signify
- Tata
- Toyota
- Valiant
- Whirlpool
FAMOUS ABBEY PUTS FAITH IN OUR COATINGS

History was made at Westminster Abbey in London during 2018 with the first significant addition to the famous church since 1745. The new £23 million Weston Tower features 500 leaded windows – and every single window frame is protected with our Interpon powder coatings.

The tower provides staircase and lift access to the Queen’s Diamond Jubilee Galleries, located in the medieval Triforium – an area 16 meters (52 feet) above the abbey’s floor, which has been unused for centuries. More than 300 precious regal and religious artifacts are on display in the “hidden” attic space, which deftly winds its way around the rafters.

Described by some as a “gothic space rocket” and a “steampunk tower”, the new addition has been expertly slotted between the 13th century chapter house and the 16th century Lady Chapel by architect Ptolemy Dean.

Its leaded windows are based on Christopher Wren’s late 17th century additions to the abbey. They sit in frames powder coated with our Interpon D2525 Anodic Bronze finish and BPP600 barrier primer, which provide a perfect color match and long-lasting protection. The use of powder coatings also offers inherent sustainability benefits, such as no solvent emissions and hardly any waste during the application process.

“As the leader in powder coatings, we are very proud to have contributed to such a significant project, which is integral to the history of the UK,” says Daniela Vlad, Managing Director of the company’s Powder Coatings business. Adds the Very Reverend Dr. John Hall, Dean of Westminster: “The views are breathtaking; the space astonishing; the displays fascinating. Visitors can now gain far greater insight into the life and history of the abbey than ever before.”

Westminster Abbey is one of the world’s great churches, welcoming over two million worshippers and visitors annually. It’s the latest in an impressive list of London landmarks to feature our coatings. We’ve already supplied products for the London Eye, the Shard, the Gherkin and Wembley Stadium, to name just a few.

watch video
The Queen’s Diamond Jubilee Galleries are located in a part of the abbey which has never been open to the public before.