

REPORT

Q4  
21

AkzoNobel

**Preserving sporting history**

This is the impressive Centenario Stadium in Uruguay, which was built to host the first-ever FIFA World Cup in 1930. The stadium has just been renovated and our Inca brand provided a valuable assist by supplying 12,000 liters of paint. An important consideration was using colors that respected the essence of the original project by architect Juan Antonio Scasso. As well as coating exteriors and the stands, our products were also used in the changing rooms, the tunnel and the interior warm-up areas.

# Highlights

## Q4 2021 (compared with Q4 2020)

- Pricing up 12.5%; December pricing up 14%
- Revenue up 9% and 7% higher in constant currencies. Compared with Q4 2019, revenue was up 12% in constant currencies
- Volumes 6% lower, flat compared with Q4 2019
- Operating income at €205 million (2020: €243 million)
- Adjusted operating income at €209 million (2020: €294 million) despite raw material and other variable costs increases of €325 million
- €1 billion share buyback completed in January 2022
- €500 million share buyback announced, to be completed by Q1 2023

## Full-year 2021 (compared with full-year 2020)

- Pricing up 7%
- Revenue up 12% and 14% higher in constant currencies. Compared with 2019, revenue up 9% in constant currencies
- Operating income up 16% at €1,118 million (2020: €963 million)
- Adjusted operating income at €1,092 million (2020: €1,099 million) despite raw material and other variable costs increases of €769 million

## Outlook

AkzoNobel targets to grow at or above its relevant markets, in line with its Grow & Deliver strategy. Trends differ per region and segment, while raw material cost inflation and supply constraints are expected to gradually ease by mid-2022. Plans are in place to deliver the €2 billion adjusted EBITDA target for 2023, and an average annual 50 basis points increase in return on sales over the period 2021-2023. AkzoNobel targets a leverage ratio of 1-2 times net debt/EBITDA and commits to retain a strong investment grade credit rating.

### Alternative performance measures (APM)

AkzoNobel uses APM adjustments to IFRS measures to provide supplementary information on the reporting of the underlying developments of the business. A reconciliation of the alternative performance measures to the most directly comparable IFRS measures can be found in the tables on pages 16 and 17.



### Leading the way in sustainability

In 2021, we became the first paints and coatings company to receive official validation for setting science-based sustainability targets. The commitment we've made – a 50% carbon reduction by 2030 (2018 baseline) – covers the full value chain and is aligned with the 1.5°C pathway in the Paris agreement. The validation was confirmed just a few weeks before we became one of the first recipients of the Terra Carta Seal, a major new sustainability award launched at COP26. We were the only paints and coatings company to receive the honor.

# Our results at a glance

## Highlights Q4 2021 (compared with Q4 2020)

- Pricing up 12.5%; December pricing up 14%
- Revenue up 9% and 7% higher in constant currencies (compared with Q4 2019: up 12% in constant currencies), driven by pricing initiatives and despite supply constraints
- Volumes 6% lower, flat compared with Q4 2019
- Raw material and other variable costs increased €325 million
- Operating income at €205 million (2020: €243 million), includes €4 million net negative impact from identified items. OPI margin 8.5% (2020: 11.0%)
- Adjusted operating income at €209 million (2020: €294 million), ROS<sup>2</sup> at 8.7% (2020: 13.3%)
- Net cash from operating activities lower at €178 million (2020: €615 million), mainly due to the impact from the increase in raw material cost on working capital
- Net income attributable to shareholders at €187 million (2020: €167 million)
- EPS from total operations at €1.04 (2020: €0.87); adjusted EPS from continuing operations at €0.74 (2020: €1.08)

<sup>1</sup> The 2019 comparatives are included in this report to allow for proper comparison in light of the COVID-19 impact in 2020.

<sup>2</sup> ROS is adjusted operating income as percentage of revenue; ROS excluding unallocated cost was reported in relation to the Winning together: 15 by 20 strategy and is no longer reported.



### Membership of Responsible Mica Initiative formalized

We formalized our membership of the Responsible Mica Initiative (RMI), having been one of the founding members when it was launched in 2017. Used in a wide range of industries, mica minerals are mined extensively in India, where a variety of factors contribute to poor working conditions, including the use of child labor. The RMI's mission is to establish responsible and sustainable mica supply chains that are free of child labor. Following the RMI's pilot year, we continued to focus on the issue and a commitment was made to conduct serious due diligence and look for creative ways to contribute to the initiative – which has now resulted in full membership.

## Full-year 2021 (compared with full-year 2020)

- Pricing up 7%
- Revenue up 12% and 14% higher in constant currencies (compared with full-year 2019: up 9% in constant currencies), driven by pricing initiatives and volume growth
- Volumes 7% higher, while acquisitions added 1%
- Raw material and other variable costs increased €769 million
- Operating income up at €1,118 million (2020: €963 million), includes €26 million net positive impact from identified items. OPI margin 11.7% (2020: 11.3%)
- Adjusted operating income at €1,092 million (2020: €1,099 million), ROS<sup>2</sup> at 11.4% (2020: 12.9%)
- Net cash from operating activities lower at €605 million (2020: €1,220 million), mainly due to the impact from the increase in raw material cost on working capital
- Net income attributable to shareholders at €829 million (2020: €630 million)
- EPS from total operations at €4.48 (2020: €3.29); adjusted EPS from continuing operations at €4.07 (2020: €3.88)
- Final dividend proposed of €1.54 per share (2020: €1.52 per share)

<sup>1</sup> The 2019 comparatives are included in this report to allow for proper comparison in light of the COVID-19 impact in 2020.

<sup>2</sup> ROS is adjusted operating income as percentage of revenue; ROS excluding unallocated cost was reported in relation to the Winning together: 15 by 20 strategy and is no longer reported.

			Summary of financial outcomes			
Fourth quarter			January-December			
2020	2021	Δ%	in € millions / %	2020	2021	Δ%
2,209	2,403	9%	Revenue	8,530	9,587	12%
333	299	(10%)	EBITDA <sup>1</sup>	1,324	1,469	11%
380	301	(21%)	Adjusted EBITDA <sup>1</sup>	1,442	1,436	—%
243	205	(16%)	Operating income	963	1,118	16%
(51)	(4)		Identified items <sup>1</sup>	(136)	26	
294	209	(29%)	Adjusted operating income <sup>1</sup>	1,099	1,092	(1%)
11.0	8.5		OPI margin (%) <sup>1</sup>	11.3	11.7	
13.3	8.7		ROS (%) <sup>1,2</sup>	12.9	11.4	
			Average invested capital <sup>1</sup>	6,834	6,829	
			ROI (%) <sup>1</sup>	16.1	16.0	
102	99		Capital expenditures	258	288	
			Net debt	1,034	2,340	
			Leverage ratio (net debt/EBITDA) <sup>1</sup>	0.8	1.6	
			Number of employees	32,200	32,800	
615	178		Net cash from operating activities	1,220	605	
167	187		Net income attributable to shareholders	630	829	
190.5	180.6		Weighted average number of shares (in millions)	191.4	185.0	
0.87	1.04		Earnings per share from total operations (in €)	3.29	4.48	
1.08	0.74		Adjusted earnings per share from continuing operations (in €) <sup>1</sup>	3.88	4.07	

<sup>1</sup> Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 16 and 17.

<sup>2</sup> ROS is adjusted operating income as percentage of revenue; ROS excluding unallocated cost was reported in relation to the Winning together: 15 by 20 strategy and is no longer reported.

# Financial highlights

## Revenue

### Q4 2021

Pricing up 12.5%; December pricing up 14%. Revenue was 9% higher, and 7% higher in constant currencies.

- Decorative Paints pricing up 10%. Revenue was 5% higher and 4% higher in constant currencies. Volumes were 8% lower, mainly due to normalization of seasonality in the DIY segment in EMEA. Volumes were up 4% compared with Q4 2019
- Performance Coatings pricing up 14%. Revenue was 11% higher and 9% higher in constant currencies. Volumes were 5% lower, mainly due to continued supply constraints, especially in North America. Volumes were 4% lower compared with Q4 2019

### Full-year 2021

Pricing up 7%. Revenue was 12% higher, and 14% higher in constant currencies. Volumes were 7% higher, mainly due to the impact of the recovery from COVID-19 on end market demand.

- Decorative Paints pricing up 6%. Revenue up 12% and 13% higher in constant currencies. Volumes up 6%, mainly due to higher end market demand
- Performance Coatings pricing up 8%. Revenue was 13% higher and 15% higher in constant currencies. Volumes were 8% higher, mainly due to end market demand recovery in all segments

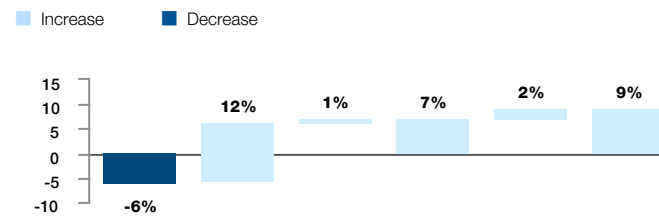
## Cost of sales

Raw material and other variable costs in the fourth quarter of 2021 increased €325 million, adjusted for the impact of lower volumes, compared with the fourth quarter of 2020. For the full-year 2021, this number amounts to €769 million. The increase was mainly driven by raw material inflation, which is expected to gradually ease by mid-2022.

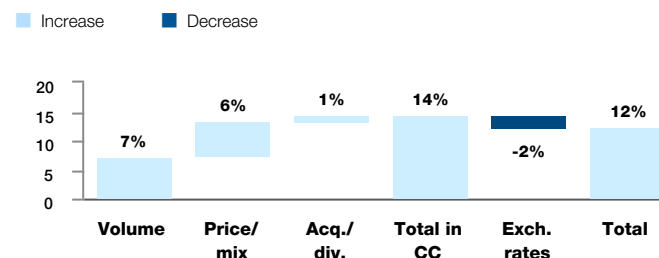
## Acquisitions

In March 2021, the acquisition of Titan Paints in Spain was completed, strengthening our paints business and footprint in Spain. In June 2021, the intended acquisition of Colombia-based paints and coatings company Grupo Orbis was announced. The acquisition is expected to be completed in the first quarter of 2022.

### Revenue development Q4 2021

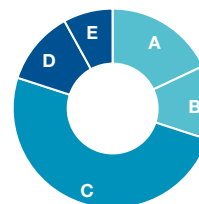


### Revenue development full-year 2021



## AkzoNobel around the world Revenue by destination

Destination	%
<b>A</b> North Asia	18
<b>B</b> South Asia Pacific	12
<b>C</b> EMEA	50
<b>D</b> North America	12
<b>E</b> South America	8
<b>Total</b>	100



(Based on the full-year 2021)

## Revenue

Fourth quarter

January-December

2020	2021	Δ%	Δ% CC*	in € millions	2020	2021	Δ%	Δ% CC*
901	950	5%	4%	Decorative Paints	3,558	3,979	12%	13%
1,306	1,462	11%	9%	Performance Coatings	4,957	5,603	13%	15%
2	1			Other activities	15	5		
<b>2,209</b>	<b>2,403</b>	<b>9%</b>	<b>7%</b>	<b>Total</b>	<b>8,530</b>	<b>9,587</b>	<b>12%</b>	<b>14%</b>

\* Change excluding currency impact.

in % versus Q4 2020	Volume	Price/mix	Acq./div.	Exchange rates	Total
Decorative Paints	(8)	10	2	1	5
Performance Coatings	(5)	14	—	2	11
<b>Total</b>	<b>(6)</b>	<b>12</b>	<b>1</b>	<b>2</b>	<b>9</b>

in % versus full-year 2020	Volume	Price/mix	Acq./div.	Exchange rates	Total
Decorative Paints	6	5	2	(1)	12
Performance Coatings	8	7	—	(2)	13
<b>Total</b>	<b>7</b>	<b>6</b>	<b>1</b>	<b>(2)</b>	<b>12</b>

Volume development per quarter (year-on-year) in %

	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21
Decorative Paints	12	28	22	(11)	(8)
Performance Coatings	1	10	30	(2)	(5)
<b>Total</b>	<b>6</b>	<b>16</b>	<b>26</b>	<b>(6)</b>	<b>(6)</b>

Price/mix development per quarter (year-on-year) in %

	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21
Decorative Paints	2	1	(2)	10	10
Performance Coatings	—	(2)	4	11	14
<b>Total</b>	<b>1</b>	<b>(1)</b>	<b>1</b>	<b>11</b>	<b>12</b>

Currency development per quarter (year-on-year) in %

	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21
Decorative Paints	(10)	(8)	(2)	—	1
Performance Coatings	(5)	(5)	(4)	1	2
<b>Total</b>	<b>(7)</b>	<b>(6)</b>	<b>(3)</b>	<b>—</b>	<b>2</b>

# Financial highlights

## Q4 2021

### Operating income

Operating income at €205 million (2020: €243 million) as pricing initiatives were more than offset by significant raw material cost impact and lower volumes. Operating income includes negative identified items of €4 million, mainly related to transformation initiatives (2020: €51 million negative identified items relating to transformation initiatives). OPI margin at 8.5% (2020: 11.0%).

- Decorative Paints operating income decreased, mainly due to significant raw material cost increases and 8% lower volumes due to normalization of seasonality in the DIY segment in EMEA, partly offset by pricing initiatives. OPI margin at 11.4% (2020: 13.5%)
- Performance Coatings delivered significantly higher pricing, with prices up 14% compared with Q4 2020. Volumes 5% lower, as Performance Coatings continues to be heavily impacted by raw material cost inflation and supply constraints. OPI margin at 9.4% (2020: 16.5%)
- Other activities improved €54 million to €40 million negative (2020: €94 million negative), mainly as a result of transformation costs in 2020

### Adjusted operating income

Adjusted operating income at €209 million (2020: €294 million). ROS<sup>1</sup> at 8.7% (2020: 13.3%).

## Full-year 2021

### Operating income

Operating income was up 16% at €1,118 million (2020: €963 million). Significant price increases and volume increases contributed to offset raw material cost inflation and supply constraints. Operating income further includes net positive identified items of €26 million, mainly related to gains from the Brazil ICMS case and UK pensions past service credit (refer to page 6 for further details), partly offset by transformation initiatives (2020: €136 million negative identified items, mainly relating to transformation initiatives). OPI margin improved to 11.7% (2020: 11.3%).

- Decorative Paints performance improved, mainly due to strong demand across all regions and one-off gains, with volumes up 6% compared with full-year 2020. OPI margin was up at 16.1% (2020: 15.5%)
- Performance Coatings volumes up 8%. Operating income decreased, mainly due to higher raw material prices. OPI margin at 11.6% (2020: 13.4%)
- Other activities improved €81 million to €172 million negative (2020: €253 million negative), mainly resulting from lower negative identified items

### Adjusted operating income

Adjusted operating income was 1% lower at €1,092 million (2020: €1,099 million). ROS<sup>1</sup> at 11.4% (2020: 12.9%).

## Operating income

Fourth quarter			January-December			
2020	2021	Δ%	in € millions	2020	2021	Δ%
122	108	(11%)	Decorative Paints	551	640	16%
215	137	(36%)	Performance Coatings	665	650	(2%)
(94)	(40)		Other activities	(253)	(172)	
<b>243</b>	<b>205</b>	<b>(16%)</b>	<b>Total</b>	<b>963</b>	<b>1,118</b>	<b>16%</b>

## Adjusted operating income

Fourth quarter			January-December			
2020	2021	Δ%	in € millions	2020	2021	Δ%
126	108	(14%)	Decorative Paints	573	598	4%
212	137	(35%)	Performance Coatings	700	648	(7%)
(44)	(36)		Other activities	(174)	(154)	
<b>294</b>	<b>209</b>	<b>(29%)</b>	<b>Total</b>	<b>1,099</b>	<b>1,092</b>	<b>(1%)</b>

## ROS%<sup>1</sup>

Fourth quarter			January-December		
2020	2021	in %	2020	2021	
14.0	11.4		Decorative Paints	16.1	15.0
16.2	9.4		Performance Coatings	14.1	11.6
			Other activities <sup>2</sup>		
<b>13.3</b>	<b>8.7</b>		<b>Total</b>	<b>12.9</b>	<b>11.4</b>

<sup>1</sup> ROS is adjusted operating income as percentage of revenue; ROS excluding unallocated cost was reported in relation to the Winning together: 15 by 20 strategy and is no longer reported.

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

**Net financing income/(expenses) (full-year)**

Net financing expenses decreased by €30 million, mainly due to one-off interest income from the Brazil ICMS case, refer to below description on identified items for further details.

**Income tax (full-year)**

The effective tax rate was 22.3% (2020: 26.2%). The decrease compared with the previous year is mainly related to the impact from the Brazil ICMS and UK ACT cases (refer to below description on identified items), in combination with a net re-recognition of deferred tax assets. All of these were booked as an identified item. Excluding identified items, the effective tax rate in 2021 was 24.9% (2020: 25.6%).

**Net income (full-year)**

Net income attributable to shareholders was €829 million (2020: €630 million). Earnings per share from total operations increased to €4.48 (2020: €3.29), including the impact of share buyback programs.

**Identified items (full-year)**

Besides transformation and acquisition-related costs, 2021 identified items include the components listed below.

**Brazil state tax on goods and services (ICMS)**

In May 2021, the Brazilian Supreme Court (STF) recognized the right to deduct state tax on goods and services (ICMS) from the calculation basis of the Social Integration Program-PIS (Programa de Integração Social) and the Financing of Social Security-COFINS (Contribuição para Financiamento da Seguridade Social).

This STF decision impacts a multi-year period prior to 2018. As a result, a full-year net gain of €64 million was recognized in net income, of which €42 million in Other results (in operating income), €28 million in interest income, €14 million negative in income tax and net €8 million in discontinued operations.

**UK pensions past service credit**

Following a court decision in April 2021, which allows the amendment of the scheme documentation of one of the company's UK pension funds, a gain of €23 million was recognized in Other results (in operating income) in 2021.

**UK Advanced Corporation Tax (ACT)**

In July 2021, the UK Supreme Court issued a further decision in a group litigation case the company participates in ("Franked Investment Income"; filed in 2003). The company assessed the consequences of this judgement and performed a further file review which, taking into account legal advice, resulted in the recognition of a net tax benefit of €29 million.

**Operating income to net income**

Fourth quarter			January-December	
2020	2021	in € millions	2020	2021
<b>243</b>	<b>205</b>	<b>Operating income</b>	<b>963</b>	<b>1,118</b>
(16)	(8)	Net financing expenses	(69)	(39)
7	5	Results from associates and joint ventures	25	26
<b>234</b>	<b>202</b>	<b>Profit before tax</b>	<b>919</b>	<b>1,105</b>
(52)	(2)	Income tax	(241)	(246)
<b>182</b>	<b>200</b>	<b>Profit from continuing operations</b>	<b>678</b>	<b>859</b>
(1)	1	Profit from discontinued operations	(7)	6
<b>181</b>	<b>201</b>	<b>Profit for the period</b>	<b>671</b>	<b>865</b>
(14)	(14)	Non-controlling interests	(41)	(36)
<b>167</b>	<b>187</b>	<b>Net income</b>	<b>630</b>	<b>829</b>

# Decorative Paints

## Q4 2021

- Pricing up 10%. Revenue up 5% and 4% higher in constant currencies (compared with Q4 2019: up 17% in constant currencies)
- Volumes were 8% lower due to normalization of seasonality in the DIY segment in EMEA, while volumes were up 4% compared with Q4 2019. Acquisitions added 2%
- Operating income at €108 million (2020: €122 million) as price increases did not fully compensate for raw material cost inflation and lower volumes

## Full-year 2021

- Pricing up 6%. Revenue up 12% and 13% higher in constant currencies (compared with full-year 2019: up 16% in constant currencies)
- Volumes were 6% higher, while mix was 1% lower. Acquisitions added 2%
- Operating income up at €640 million (2020: €551 million) mainly as a result of pricing initiatives and higher volumes

## Q4 2021

Revenue was up 5% and 4% higher in constant currencies, with significant pricing initiatives partly offset by lower volumes due to normalization of end market demand, especially in EMEA. Volumes up 4% compared with Q4 2019.

Operating income of €108 million (2020: €122 million) was adversely impacted by raw material cost inflation and lower volumes, partly offset by pricing initiatives. Operating income does not include net identified items. In 2020, operating income included €4 million identified items related to transformation initiatives.

Adjusted operating income at €108 million (2020: €126 million) and ROS at 11.4% (2020: 14.0%).

## Full-year 2021

Revenue was up 12% and 13% higher in constant currencies, driven by 6% price increases and 6% higher volumes, with Asia significantly up compared with 2020.

Operating income of €640 million (2020: €551 million) was supported by pricing initiatives and higher volumes, partly offset by raw material cost inflation. Operating income includes €42 million net positive identified items, mainly related to one-off gains (refer to page 6), partly offset by transformation initiatives. In 2020, operating income included €22 million negative identified items related to transformation initiatives.

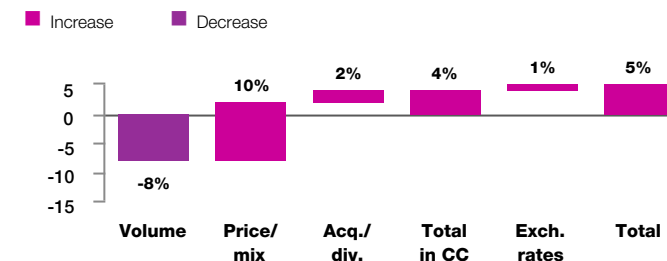
Adjusted operating income higher at €598 million (2020: €573 million) and ROS at 15.0% (2020: 16.1%).

## Revenue

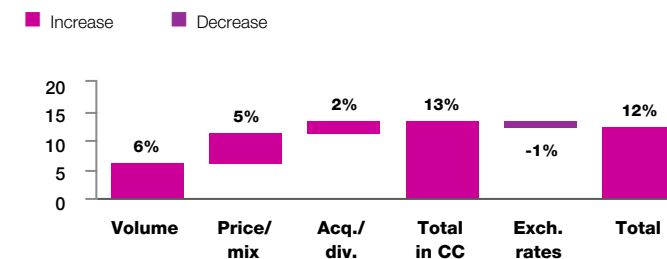
Fourth quarter				January-December				
2020	2021	Δ%	Δ% CC*	in € millions	2020	2021	Δ%	Δ% CC*
497	498	—%	(3%)	Deco Paints Europe, Middle East and Africa	2,246	2,429	8%	8%
137	148	8%	18%	Deco Paints South America	396	477	20%	39%
267	304	14%	9%	Deco Paints Asia	916	1,073	17%	17%
<b>901</b>	<b>950</b>	<b>5%</b>	<b>4%</b>	<b>Total</b>	<b>3,558</b>	<b>3,979</b>	<b>12%</b>	<b>13%</b>

\* Change excluding currency impact

## Revenue development Q4 2021



## Revenue development full-year 2021



## Key financial figures

Fourth quarter				January-December		
2020	2021	Δ%	in € millions / %	2020	2021	Δ%
122	108	(11%)	Operating income	551	640	16%
(4)	—		Identified items*	(22)	42	
126	108	(14%)	Adjusted operating income*	573	598	4%
13.5	11.4		OPI margin (%)*	15.5	16.1	
14.0	11.4		ROS (%)*	16.1	15.0	
			Average invested capital*	2,799	2,872	
			ROI (%)*	20.5	20.8	

\*Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 16 and 17.

**Europe, Middle East and Africa**

Revenue in Q4 was flat and 3% lower in constant currencies (compared with Q4 2019: up 12% in constant currencies). Pricing initiatives were offset by lower volumes as a result of normalizing market demand in the DIY segment. Volumes were flat when comparing with Q4 2019.

Revenue for the full-year was 8% higher (compared with 2019, 16% higher), with revenue growth supported by organic volume growth, pricing initiatives and the Titan Paints acquisition.

**South America**

Revenue in Q4 was 8% higher and up 18% in constant currencies (compared with Q4 2019: up 67% in constant currencies), driven by pricing initiatives and partly offset by lower volumes due to supply constraints, especially in Brazil. Volumes were up 6% when comparing with Q4 2019.

Revenue for the full-year was 20% higher and up 39% in constant currencies (compared with 2019, 64% higher), resulting from strong pricing initiatives and higher volumes.

**Asia**

Revenue in Q4 was 14% higher and up 9% in constant currencies (compared with Q4 2019: 11% higher in constant currencies). Pricing initiatives were partly offset by lower volumes. South East Asia showed strong growth towards the end of the quarter, while both India and Indonesia showed strong growth in the retail segment. For China, revenue was up, supported by volume growth in the retail segment, although offset by the project segment. Volumes were up 4% when comparing with Q4 2019.

Revenue for the full-year was 17% higher (compared with 2019, 2% higher) as a result of pricing initiatives and volume growth.

**Youthful energy on display in Indonesia**

As part of our global “Let’s Colour” program, we teamed up with a community of mural artists in Bandung, Indonesia, to paint the walls of the Saparua Sports Center. Staged to mark Youth Pledge Day, the event was designed to encourage young people to demonstrate their creativity and positive spirit. The company donated 1,300 liters of Dulux paint for the project.



# Performance Coatings

## Q4 2021

- Pricing up 14% compared with Q4 2020. Revenue 11% higher and up 9% in constant currencies (compared with Q4 2019: up 10% in constant currencies)
- Volumes 5% lower compared with Q4 2020, and 4% lower compared with Q4 2019
- Operating income at €137 million (2020: €215 million), mainly as a result of raw material cost inflation and continued supply constraints

## Full-year 2021

- Revenue 13% higher and up 15% in constant currencies (compared with 2019: up 5% in constant currencies), mainly resulting from pricing initiatives and higher volumes, which both increased 8% compared with 2020
- Operating income at €650 million (2020: €665 million), mainly as a result of raw material cost inflation, partly offset by pricing initiatives and higher volumes

## Q4 2021

Pricing up 14%. Revenue was 11% higher and up 9% in constant currencies, driven by strong sequential recovery for Marine and Protective Coatings and strong growth in Industrial Coatings. Volumes 5% lower compared with Q4 2020, due to significant supply constraints, especially in North America.

Operating income of €137 million (2020: €215 million) was impacted by raw material inflation and supply constraints, partly offset by pricing initiatives. Operating income does not include net identified items. In 2020, operating income of €215 million included €3 million positive identified items, mainly related to transformation initiatives.

Adjusted operating income at €137 million (2020: €212 million). ROS at 9.4% (2020: 16.2%).

## Full-year 2021

Revenue was 13% higher and up 15% in constant currencies, driven by strong demand recovery in all segments. Both volumes and pricing up 8%, while mix was 1% lower.

Operating income of €650 million (2020: €665 million) was impacted by raw material inflation and supply constraints, partly offset by pricing initiatives. Operating income includes €2 million positive identified items, mainly related to one-off gains (refer to page 6), partly offset by transformation initiatives. In 2020, operating income of €665 million included €35 million negative identified items, mainly related to transformation initiatives.

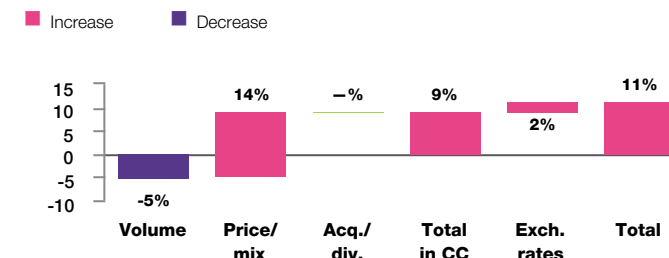
Adjusted operating income at €648 million (2020: €700 million). ROS at 11.6% (2020: 14.1%).

## Revenue

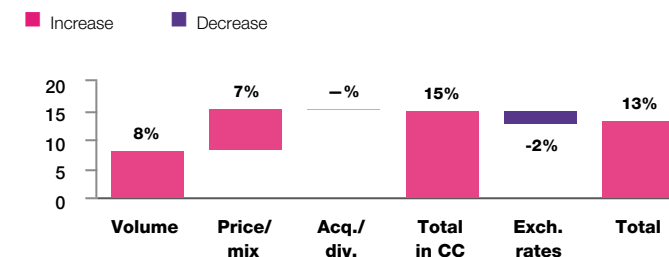
Fourth quarter				January-December				
2020	2021	Δ%	Δ% CC*	in € millions	2020	2021	Δ%	Δ% CC*
314	332	6%	4%	Powder Coatings	1,128	1,315	17%	18%
264	307	16%	13%	Marine and Protective Coatings	1,068	1,164	9%	10%
303	314	4%	2%	Automotive and Specialty Coatings	1,127	1,231	9%	11%
425	499	17%	15%	Industrial Coatings	1,634	1,893	16%	18%
<b>1,306</b>	<b>1,452</b>	<b>11%</b>	<b>9%</b>	<b>Total</b>	<b>4,957</b>	<b>5,603</b>	<b>13%</b>	<b>15%</b>

\* Change excluding currency impact.

## Revenue development Q4 2021



## Revenue development full-year 2021



## Key financial figures

Fourth quarter				January-December		
2020	2021	Δ%	in € millions / %	2020	2021	Δ%
215	137	(36%)	Operating income	665	650	(2%)
3	—		Identified items*	(35)	2	
212	137	(35%)	Adjusted operating income*	700	648	(7%)
16.5	9.4		OPI margin (%)*	13.4	11.6	
16.2	9.4		ROS (%)*	14.1	11.6	
			Average invested capital*	3,388	3,520	
			ROI (%)*	20.7	18.4	

\*Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 16 and 17.

### Powder Coatings

Revenue in Q4 was up 6% and 4% higher in constant currencies (compared with Q4 2019: up 14% in constant currencies). Revenue growth in Powder Coatings was driven by pricing initiatives, mainly in the industrial and consumer segments. Powder Coatings continued to be impacted by supply constraints, especially in North America.

Revenue for the full-year was 17% higher and up 18% in constant currencies (compared with 2019: 12% higher in constant currencies), driven by pricing and volume increases. Powder Coatings showed strong growth, especially in the automotive, industrial and consumer segments.

### Marine and Protective Coatings

Revenue in Q4 was up 16% and 13% higher in constant currencies (compared with Q4 2019: 3% lower in constant currencies) driven by pricing initiatives and volume growth. Marine and Protective showed strong recovery, mainly in the protective segment.

Revenue for the full-year was 9% higher and up 10% in constant currencies (compared with 2019: 6% lower in constant currencies), driven by pricing and volume increases. Yacht showed strong growth, while marine and protective both showed recovery.

### Automotive and Specialty Coatings

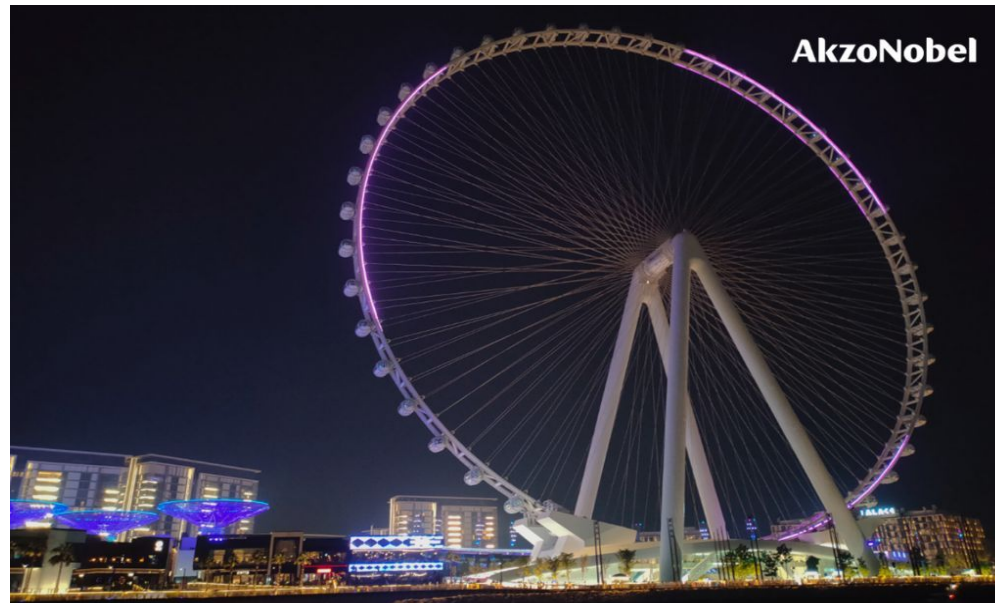
Revenue in Q4 was 4% higher and 2% higher in constant currencies (compared with Q4 2019: flat in constant currencies), mainly due to pricing initiatives, despite slightly lower volumes. Aerospace showed strong recovery, while automotive remained impacted by supply constraints.

Revenue for the full-year was 9% higher and up 11% in constant currencies (compared with 2019: 2% lower in constant currencies), resulting from strong volume increases and pricing initiatives. Growth in all segments compared with 2020, while aerospace and automotive continued to be impacted by lower end market demand compared with 2019.

### Industrial Coatings

Revenue in Q4 was up 17% and 15% in constant currencies (compared with Q4 2019: up 28% in constant currencies), driven by significant pricing initiatives. Revenue growth in all segments, despite volume impact from supply constraints.

Revenue for the full-year was 16% higher and up 18% in constant currencies (compared with 2019: 17% higher in constant currencies), driven by pricing initiatives and volume growth in all segments.



#### Protecting a record breaker

This is the hugely impressive Ain Dubai, the world's highest and largest Ferris wheel. It's now officially open to visitors, who get a stunning 360° view from its 48 passenger capsules. Measuring a dizzying 250 meters and featuring more than 9,000 tons of steel, we were sole supplier of protective coatings for the massive structure. The specification – from our International brand – is designed to deliver maximum protection, as well as offering outstanding color and gloss retention.

# Condensed consolidated financial statements

## Condensed consolidated statement of income

Condensed consolidated statement of income				
Fourth quarter			January-December	
2020	2021	in € millions	2020	2021
<b>Continuing operations</b>				
2,209	2,403	Revenue	8,530	9,587
(1,234)	(1,494)	Cost of sales	(4,745)	(5,732)
<b>975</b>	<b>909</b>	<b>Gross profit</b>	<b>3,785</b>	<b>3,855</b>
(727)	(712)	SG&A costs	(2,817)	(2,804)
(5)	8	Other results	(5)	67
<b>243</b>	<b>205</b>	<b>Operating income</b>	<b>963</b>	<b>1,118</b>
(16)	(8)	Net financing expenses	(69)	(39)
7	5	Results from associates and joint ventures	25	26
<b>234</b>	<b>202</b>	<b>Profit before tax</b>	<b>919</b>	<b>1,105</b>
(52)	(2)	Income tax	(241)	(246)
<b>182</b>	<b>200</b>	<b>Profit for the period from continuing operations</b>	<b>678</b>	<b>859</b>
<b>Discontinued operations</b>				
(1)	1	Profit/(loss) for the period from discontinued operations	(7)	6
<b>181</b>	<b>201</b>	<b>Profit for the period</b>	<b>671</b>	<b>865</b>
<b>Attributable to</b>				
167	187	Shareholders of the company	630	829
14	14	Non-controlling interests	41	36
<b>181</b>	<b>201</b>	<b>Profit for the period</b>	<b>671</b>	<b>865</b>

## Condensed consolidated statement of comprehensive income

Condensed consolidated statement of comprehensive income					
Fourth quarter			January-December		
2020	2021	in € millions	2020	2021	
181	201	Profit for the period	671	865	
<b>Other comprehensive income</b>					
8	145	Exchange differences arising on translation of foreign operations	(430)	373	
—	(18)	Cash flow hedges	—	(19)	
(175)	(9)	Post-retirement benefits	115	(13)	
36	(4)	Tax relating to components of other comprehensive income	(13)	(7)	
<b>(131)</b>	<b>114</b>	<b>Other comprehensive income for the period (net of tax)</b>	<b>(328)</b>	<b>334</b>	
<b>50</b>	<b>315</b>	<b>Comprehensive income for the period</b>	<b>343</b>	<b>1,199</b>	
<b>Comprehensive income for the period attributable to</b>					
38	305	Shareholders of the company	323	1,164	
12	10	Non-controlling interests	20	35	
<b>50</b>	<b>315</b>	<b>Comprehensive income for the period</b>	<b>343</b>	<b>1,199</b>	

## Condensed consolidated balance sheet

Condensed consolidated balance sheet		
in € millions	December 31, 2020	December 31, 2021
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	3,554	3,690
Property, plant and equipment	1,621	1,800
Right-of-use assets	324	304
Other non-current assets	2,614	2,736
<b>Total non-current assets</b>	<b>8,113</b>	<b>8,530</b>
<b>Current assets</b>		
Inventories	1,159	1,650
Trade and other receivables	1,994	2,339
Current tax assets	55	149
Short-term investments	250	58
Cash and cash equivalents	1,606	1,152
<b>Total current assets</b>	<b>5,064</b>	<b>5,348</b>
<b>Total assets</b>	<b>13,177</b>	<b>13,878</b>
<b>Equity and liabilities</b>		
<b>Group equity</b>		
	<b>5,950</b>	<b>5,636</b>
<b>Non-current liabilities</b>		
Provisions and deferred tax liabilities	1,363	1,379
Long-term borrowings	2,771	1,994
<b>Total non-current liabilities</b>	<b>4,134</b>	<b>3,373</b>
<b>Current liabilities</b>		
Short-term borrowings	119	1,556
Trade and other payables	2,580	2,948
Other short-term liabilities	394	365
<b>Total current liabilities</b>	<b>3,093</b>	<b>4,869</b>
<b>Total equity and liabilities</b>	<b>13,177</b>	<b>13,878</b>

### Shareholders' equity

Shareholders' equity amounted to €5.4 billion at December 31, 2021, compared with €5.7 billion at year-end 2020. Main movements relate to:

- Profit for the period of €829 million
- Currency effects of €380 million positive (including taxes)

Offset by:

- Share buyback of €1,135 million (including taxes)
- Final 2020 dividend of €285 million and interim dividend of €80 million

### Dividend

The dividend policy remains unchanged and is to pay a stable to rising dividend.

The final 2020 dividend of €1.52 per common share was approved by the AGM in April 2021 and was paid. The total 2020 dividend amounted to €1.95 per share (2019: €1.90).

An interim dividend of €0.44 per share (2020: €0.43) was paid. A final 2021 dividend of €1.54 (2020: €1.52) per share is proposed.

### Outstanding share capital

The outstanding share capital was 181.6 million common shares at the end of December 2021. This included 2.7 million shares acquired in the share buyback programs not yet cancelled. In total, 12 million shares were acquired in the share buyback programs in 2021 and a total of 9.3 million shares were cancelled during the year.

The weighted average number of shares in Q4 2021 was 180.6 million shares. The weighted average number of shares in 2021 was 185.0 million. These weighted average numbers of shares exclude shares not yet cancelled and were the basis for the calculation of earnings per share.

On February 16, 2021, a €1 billion share buyback program was announced, to be completed in Q1 2022. This program started on April 27, 2021. At December 31, 2021, a total of 8.6 million shares had been acquired under this program.

### Changes in equity

in € millions	Subscribed share capital	Cash flow hedge reserve	Cumulative translation reserves	Other (legal) reserves and undistributed profit	Shareholders' equity	Non-controlling interests	Group equity
<b>Balance at December 31, 2019</b>	<b>100</b>	—	<b>(469)</b>	<b>6,719</b>	<b>6,350</b>	<b>218</b>	<b>6,568</b>
Profit for the period	—	—	—	630	630	41	671
Other comprehensive income	—	—	(404)	97	(307)	(21)	(328)
<b>Comprehensive income for the period</b>	<b>—</b>	<b>—</b>	<b>(404)</b>	<b>727</b>	<b>323</b>	<b>20</b>	<b>343</b>
Dividend	—	—	—	(366)	(366)	(19)	(385)
Share buyback	(5)	—	—	(540)	(545)	—	(545)
Equity-settled transactions	—	—	—	13	13	—	13
Acquisitions and divestments	—	—	—	(29)	(29)	(15)	(44)
<b>Balance at December 31, 2020</b>	<b>95</b>	<b>—</b>	<b>(873)</b>	<b>6,524</b>	<b>5,746</b>	<b>204</b>	<b>5,950</b>
<b>Balance at December 31, 2020</b>	<b>95</b>	<b>—</b>	<b>(873)</b>	<b>6,524</b>	<b>5,746</b>	<b>204</b>	<b>5,950</b>
Profit for the period	—	—	—	829	829	36	865
Other comprehensive income	—	(19)	380	(26)	335	(1)	334
<b>Comprehensive income for the period</b>	<b>—</b>	<b>(19)</b>	<b>380</b>	<b>803</b>	<b>1,164</b>	<b>35</b>	<b>1,199</b>
Dividend	—	—	—	(365)	(365)	(27)	(392)
Share buyback	(4)	—	—	(1,131)	(1,135)	—	(1,135)
Equity-settled transactions	—	—	—	16	16	—	16
Acquisitions and divestments	—	—	—	(1)	(1)	(1)	(2)
<b>Balance at December 31, 2021</b>	<b>91</b>	<b>(19)</b>	<b>(493)</b>	<b>5,846</b>	<b>5,425</b>	<b>211</b>	<b>5,636</b>

### Cash flows and net debt

Net cash from operating activities in Q4 2021 resulted in an inflow of €178 million (2020: inflow of €615 million). This decrease in inflow was mainly driven by changes in working capital and changes in other provisions, partly offset by increased profit for the quarter.

Net cash from investing activities in Q4 2021 resulted in an outflow of €129 million (2020: outflow of €268 million). Net cash from investing activities in Q4 2021 was mainly related to an outflow for capital expenditures (€99 million, including investments in growth).

Net cash from financing activities in Q4 2021 resulted in an inflow of €31 million (2020: outflow of €344 million). Net cash from financing activities mainly related to an outflow for the share buyback (€344 million) and an outflow for dividends (€90 million), offset by changes from borrowings (inflow of €465 million).

At December 31, 2021, net debt was €2,340 million versus €1,034 million at year-end 2020. The increase in net debt was mainly due to share buybacks (€1,135 million), dividend paid (€391 million) and capital expenditures (€288 million), offset by net cash generated from operating activities (€605 million). The net debt/EBITDA leverage ratio at December 31, 2021, was 1.6 (December 31, 2020: 0.8).

### Free cash flows

The cash generation in Q4 2021 was lower compared with Q4 2020, mainly due to changes in working capital, other changes in provisions and lower EBITDA for the quarter.

### Condensed consolidated statements of cash flows

Fourth quarter			January-December	
2020	2021	in € millions	2020	2021
<b>1,460</b>	<b>1,020</b>	<b>Net cash and cash equivalents at beginning of period</b>	<b>1,210</b>	<b>1,581</b>
182	200	Profit for the period from continuing operations	678	859
90	94	Amortization and depreciation	361	351
9	—	Impairment losses	10	3
16	8	Financing income and expenses	69	39
(7)	(5)	Results from associates and joint ventures	(25)	(26)
(17)	(2)	Pre-tax result on acquisitions and divestments	(27)	(14)
52	2	Income tax	241	246
366	(10)	Changes in working capital	184	(405)
—	—	Pension pre-funding	—	23
(21)	(13)	Changes in post-retirement benefit provisions	(46)	(55)
16	(20)	Changes in other provisions	(22)	(94)
(10)	(15)	Interest paid	(47)	(77)
(72)	(65)	Income tax paid	(165)	(222)
11	4	Other changes	9	(23)
<b>615</b>	<b>178</b>	<b>Net cash generated from/(used for) operating activities</b>	<b>1,220</b>	<b>605</b>
(102)	(99)	Capital expenditures	(258)	(288)
(36)	8	Acquisitions and divestments net of cash acquired/divested	(82)	(52)
(140)	(45)	Investment in short-term investments	(248)	(56)
—	—	Repayments of short-term investments	136	247
10	7	Other changes	25	15
<b>(268)</b>	<b>(129)</b>	<b>Net cash generated from/(used for) investing activities</b>	<b>(427)</b>	<b>(134)</b>
(53)	465	Changes from borrowings	631	553
(93)	(90)	Dividend paid	(385)	(391)
(76)	(344)	Share buyback	(555)	(1,135)
1	—	Buy-out of non-controlling interests	(44)	(1)
<b>(221)</b>	<b>31</b>	<b>Net cash from/(used for) financing activities</b>	<b>(353)</b>	<b>(974)</b>
<b>126</b>	<b>80</b>	<b>Net cash generated from/(used for) continuing operations</b>	<b>440</b>	<b>(503)</b>
(1)	(1)	Cash flows from discontinued operations	(3)	(1)
<b>125</b>	<b>79</b>	<b>Net change in cash and cash equivalents of continued and discontinued operations</b>	<b>437</b>	<b>(504)</b>
(4)	13	Effect of exchange rate changes on cash and cash equivalents	(66)	35
<b>1,581</b>	<b>1,112</b>	<b>Net cash and cash equivalents at December 31</b>	<b>1,581</b>	<b>1,112</b>

### Consolidated statement of free cash flows

Fourth quarter			January-December	
2020	2021	in € millions	2020	2021
<b>333</b>	<b>299</b>	<b>EBITDA</b>	<b>1,324</b>	<b>1,469</b>
9	—	Impairment losses	10	3
(17)	(2)	Pre-tax results on acquisitions and divestments	(27)	(14)
366	(10)	Changes in working capital	184	(405)
—	—	Pension pre-funding	—	23
(9)	(1)	Pension top-up payments	(26)	(11)
4	(32)	Other changes in provisions	(42)	(138)
(10)	(15)	Interest paid	(47)	(77)
(72)	(65)	Income tax paid	(165)	(222)
11	4	Other	9	(23)
<b>615</b>	<b>178</b>	<b>Net cash generated from/(used for) operating activities</b>	<b>1,220</b>	<b>605</b>
(102)	(99)	Capital expenditures	(258)	(288)
<b>513</b>	<b>79</b>	<b>Free cash flow</b>	<b>962</b>	<b>317</b>

### Invested capital

Invested capital at December 31, 2021, totaled €7.1 billion, up €0.7 billion from year-end 2020. This increase was mainly caused by higher operating working capital (trade) and investments in non-current assets.

### Operating working capital (Trade)

Operating working capital (trade) was €1.2 billion at December 31, 2021 (December 31, 2020: €0.9 billion). Operating working capital (trade) as percentage of revenue was 13.0% in Q4 2021, compared with 9.9% in Q4 2020. This increase in operating working capital (trade) as a percentage of revenue was mainly due to the increase in raw material prices.

### Pension

The net balance sheet position (according to IAS19) of the pension plans at the end of Q4 2021 was a surplus of €1.1 billion (year-end 2020: surplus of €1.0 billion). The development during 2021 was the result of the net effect of:

- Higher discount rates in key countries
  - Top-up contributions into funds
  - Foreign exchange translation gains
- Offset by:
- Higher inflation rates in key countries
  - Lower plan asset returns in key countries

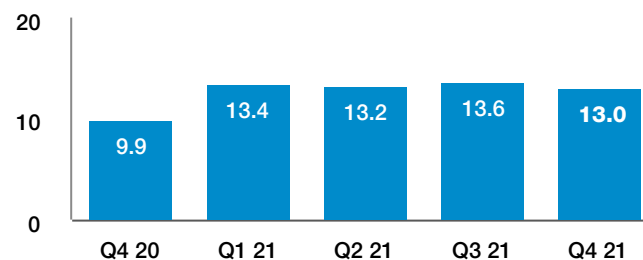
### Workforce

At December 31, 2021, the number of people employed was 32,800 (December 31, 2020: 32,200). Acquisitions in 2021 added around 400 people.

Invested capital		
in € millions	December 31, 2020	December 31, 2021
Trade receivables	1,751	1,973
Inventories	1,159	1,650
Trade payables	(2,032)	(2,376)
<b>Operating working capital (trade)</b>	<b>878</b>	<b>1,247</b>
Other working capital items	(412)	(273)
Non-current assets	8,113	8,530
Less investments in associates and joint ventures	(166)	(178)
Less pension assets	(1,543)	(1,638)
Deferred tax liabilities	(467)	(567)
<b>Invested capital</b>	<b>6,403</b>	<b>7,121</b>

### Operating working capital (Trade) In % of revenue

In % of revenue



### World's brightest startups join Paint the Future bootcamp

Our latest Paint the Future global startup challenge has invited 10 finalists to participate in a three-day bootcamp and finals event due to take place in Amsterdam in March 2022. They'll meet our experts face-to-face to explore potential collaborations together. The jury-selected winners will be announced during the event's closing ceremony. They will receive a prestigious Paint the Future award and a collaboration agreement to work together with AkzoNobel on sustainable business opportunities.

# 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 figures in this report are unaudited. The interim condensed consolidated financial statements were discussed and approved by the Board of Management and the Supervisory Board. These condensed financial statements have been authorized for issue. The full-year 2021 numbers included in the condensed consolidated financial statements in this report are derived from the consolidated financial statements 2021. The consolidated financial statements have not yet been audited nor published by law, and still have to be adopted by the Annual General Meeting of shareholders. The consolidated financial statements will be published on March 2, 2022.

## Accounting policies

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, 2020, except for IFRS standards and interpretations becoming effective on January 1, 2021. This includes among others amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16 "Interest Rate Benchmark Reform – Phase 2" and amendments to IFRS 16 "Covid-19-Related Rent Concessions beyond June 2021". These changes have been assessed for their potential impact and do not have a material effect on AkzoNobel's consolidated financial statements.

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim financial reporting".

## 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, among others, with building patterns from original equipment manufacturers.

## Other activities

In Other activities, we report activities which are not allocated to a particular segment.

## Related parties

AkzoNobel purchased and sold goods and services to various related parties in which we hold a 50% or less equity interest (associates and joint ventures). 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 with terms comparable with third party transactions.

## 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-December 2021

in € millions	Decorative Paints	Performance Coatings	Other	Total
<b>Primary geographical markets</b>				
The Netherlands	231	99	5	335
Other EMEA countries	2,198	2,275	—	4,473
North Asia	560	1,175	—	1,735
South Asia Pacific	513	624	—	1,137
North America	—	1,163	—	1,163
South America	477	267	—	744
<b>Total</b>	<b>3,979</b>	<b>5,603</b>	<b>5</b>	<b>9,587</b>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	3,923	5,405	—	9,328
Services transferred over time	56	198	5	259
<b>Total</b>	<b>3,979</b>	<b>5,603</b>	<b>5</b>	<b>9,587</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. 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, environmental and tax cases. 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 supplementary information on the reporting of the underlying developments of the business. A reconciliation of the alternative performance measures to the most directly comparable IFRS measures can be found in the tables on this page and the next page.

ROS and OPI margin are used as performance measures. ROS is adjusted operating income as percentage of revenue; ROS excluding unallocated cost was reported in relation to the Winning together: 15 by 20 strategy and is no longer reported. OPI margin is operating income as percentage of revenue. The calculations are based on the revenue as disclosed in the revenue table on page 3.

### Operating income

Fourth quarter			January-December			
2020	2021	Δ%	in € millions	2020	2021	Δ%
122	108	(11%)	Decorative Paints	551	640	16%
215	137	(36%)	Performance Coatings	665	650	(2%)
(94)	(40)		Other activities	(253)	(172)	
<b>243</b>	<b>205</b>	<b>(16%)</b>	<b>Total</b>	<b>963</b>	<b>1,118</b>	<b>16%</b>

### Identified items

Fourth quarter			January-December			
2020	2021		in € millions	2020	2021	
(4)	—		Decorative Paints	(22)	42	
3	—		Performance Coatings	(35)	2	
(50)	(4)		Other activities	(79)	(18)	
<b>(51)</b>	<b>(4)</b>		<b>Total</b>	<b>(136)</b>	<b>26</b>	

### Adjusted operating income

Fourth quarter			January-December			
2020	2021	Δ%	in € millions	2020	2021	Δ%
126	108	(14%)	Decorative Paints	573	598	4%
212	137	(35%)	Performance Coatings	700	648	(7%)
(44)	(36)		Other activities	(174)	(154)	
<b>294</b>	<b>209</b>	<b>(29%)</b>	<b>Total</b>	<b>1,099</b>	<b>1,092</b>	<b>(1%)</b>

### EBITDA

Fourth quarter			January-December			
2020	2021	Δ%	in € millions	2020	2021	Δ%
243	205	(16%)	Operating income	963	1,118	16%
90	94		Depreciation and amortization	361	351	
<b>333</b>	<b>299</b>	<b>(10%)</b>	<b>EBITDA</b>	<b>1,324</b>	<b>1,469</b>	<b>11%</b>

### Adjusted EBITDA

Fourth quarter			January-December			
2020	2021	Δ%	in € millions	2020	2021	Δ%
294	209	(29%)	Adjusted operating income	1,099	1,092	(1%)
86	92		Depreciation and amortization (excluding identified items)	343	344	
<b>380</b>	<b>301</b>	<b>(21%)</b>	<b>Adjusted EBITDA</b>	<b>1,442</b>	<b>1,436</b>	<b>—%</b>

### OPI margin

Fourth quarter			January-December		
2020	2021	in %	2020	2021	
13.5	11.4		Decorative Paints	15.5	16.1
16.5	9.4		Performance Coatings	13.4	11.6
<b>11.0</b>	<b>8.5</b>		<b>Total</b>	<b>11.3</b>	<b>11.7</b>

### ROS\*

Fourth quarter			January-December		
2020	2021	in %	2020	2021	
14.0	11.4		Decorative Paints	16.1	15.0
16.2	9.4		Performance Coatings	14.1	11.6
<b>13.3</b>	<b>8.7</b>		<b>Total</b>	<b>12.9</b>	<b>11.4</b>

\* ROS% and OPI margin for Other activities are not shown, as this is not meaningful.

### Adjusted earnings per share from continuing operations

Fourth quarter			January-December		
2020	2021	in € millions	2020	2021	
234	202	Profit before tax from continuing operations	919	1,105	
51	4	Identified items reported in operating income	136	(26)	
(3)	(8)	Identified items reported in interest	(3)	(29)	
(63)	(50)	Adjusted income tax	(269)	(261)	
(14)	(14)	Non-controlling interests	(41)	(36)	
<b>205</b>	<b>134</b>	<b>Adjusted net income from continuing operations</b>	<b>742</b>	<b>753</b>	
190.5	180.6	Weighted average number of shares (in millions)	191.4	185.0	
<b>1.08</b>	<b>0.74</b>	<b>Adjusted earnings per share from continuing operations</b>	<b>3.88</b>	<b>4.07</b>	



ROI is adjusted operating income of the last 12 months as percentage of average invested capital.

### Average invested capital

January 2020 - December 2020 / January 2021 - December 2021

in € millions	2020	2021	Δ%
Decorative Paints	2,799	2,872	3%
Performance Coatings	3,388	3,520	4%
Other activities	647	437	
<b>Total</b>	<b>6,834</b>	<b>6,829</b>	<b>—%</b>

### ROI%

January 2020 - December 2020 / January 2021 - December 2021

in %	2020	2021
Decorative Paints	20.5	20.8
Performance Coatings	20.7	18.4
Other activities*		
<b>Total</b>	<b>16.1</b>	<b>16.0</b>

\* ROI% for Other activities is not shown, as this is not meaningful.

The leverage ratio is calculated based on the net debt per balance sheet position divided by EBITDA of the last 12 months.

### EBITDA

January 2020 - December 2020 / January 2021 - December 2021

in € millions	2020	2021
Operating income	963	1,118
Depreciation and amortization	361	351
<b>EBITDA</b>	<b>1,324</b>	<b>1,469</b>

### Net debt

in € millions	December 31, 2020	December 31, 2021
Short-term investments	(250)	(58)
Cash and cash equivalents	(1,606)	(1,152)
Long-term borrowings	2,771	1,994
Short-term borrowings	119	1,556
<b>Total</b>	<b>1,034</b>	<b>2,340</b>

### Leverage ratio

January 2020 - December 2020 / January 2021 - December 2021

in € millions	December 31, 2020	December 31, 2021
Net debt	1,034	2,340
EBITDA	1,324	1,469
<b>Leverage ratio</b>	<b>0.8</b>	<b>1.6</b>

## Outlook

AkzoNobel targets to grow at or above its relevant markets, in line with its Grow & Deliver strategy. Trends differ per region and segment, while raw material cost inflation and supply constraints are expected to gradually ease by mid-2022. Plans are in place to deliver the €2 billion adjusted EBITDA target for 2023, and an average annual 50 basis points increase in return on sales over the period 2021-2023. AkzoNobel targets a leverage ratio of 1-2 times net debt/EBITDA and commits to retain a strong investment grade credit rating.

## Amsterdam, February 8, 2022 The Board of Management

Thierry Vanlancker  
Maarten de Vries



### Endless powder coatings possibilities

Our new Interpon W range of innovative powder on wood coatings achieved its first commercial successes in 2021. Designed for heat-sensitive substrates (both indoors and outdoors), it's a smart system which enables a variety of heat-sensitive materials to be coated in a durable, sustainable and more efficient manner. Suitable for interior design, automotive and architecture, the product range also includes special solutions for anti-microbial surfaces and food contact.

# Paints and Coatings

## Quarterly statistics

					2020						2021
Q1	Q2	Q3	Q4	Year	in € millions	Q1	Q2	Q3	Q4	Year	
<b>Revenue</b>											
754	899	1,004	901	3,558	Decorative Paints	930	1,086	1,013	950	3,979	
1,295	1,086	1,270	1,306	4,957	Performance Coatings	1,332	1,423	1,396	1,452	5,603	
9	2	2	2	15	Other activities	1	2	1	1	5	
<b>2,058</b>	<b>1,987</b>	<b>2,276</b>	<b>2,209</b>	<b>8,530</b>	<b>Total</b>	<b>2,263</b>	<b>2,511</b>	<b>2,410</b>	<b>2,403</b>	<b>9,587</b>	
<b>EBITDA*</b>											
95	210	240	159	704	Decorative Paints	183	275	185	151	794	
223	127	218	256	824	Performance Coatings	232	225	174	179	810	
(41)	(40)	(41)	(82)	(204)	Other activities	(27)	(31)	(46)	(31)	(135)	
<b>277</b>	<b>297</b>	<b>417</b>	<b>333</b>	<b>1,324</b>	<b>Total</b>	<b>388</b>	<b>469</b>	<b>313</b>	<b>299</b>	<b>1,469</b>	
<b>13.5</b>	<b>14.9</b>	<b>18.3</b>	<b>15.1</b>	<b>15.5</b>	<b>EBITDA margin (in %)</b>	<b>17.1</b>	<b>18.7</b>	<b>13.0</b>	<b>12.4</b>	<b>15.3</b>	
<b>Adjusted EBITDA (excluding identified items)*</b>											
100	211	243	160	714	Decorative Paints	183	226	188	148	745	
230	139	232	253	854	Performance Coatings	234	218	176	179	807	
(28)	(29)	(36)	(33)	(126)	Other activities	(26)	(25)	(39)	(26)	(116)	
<b>302</b>	<b>321</b>	<b>439</b>	<b>380</b>	<b>1,442</b>	<b>Total</b>	<b>391</b>	<b>419</b>	<b>325</b>	<b>301</b>	<b>1,436</b>	
<b>14.7</b>	<b>16.2</b>	<b>19.3</b>	<b>17.2</b>	<b>16.9</b>	<b>Adjusted EBITDA margin (in %)</b>	<b>17.3</b>	<b>16.7</b>	<b>13.5</b>	<b>12.5</b>	<b>15.0</b>	
<b>Depreciation/Depreciation excluding identified items</b>											
(32)/(31)	(36)/(31)	(33)/(30)	(33)/(30)	(134)/(122)	Decorative Paints	(31)/(30)	(32)/(30)	(33)/(32)	(38)/(35)	(134)/(127)	
(32)/(31)	(29)/(27)	(31)/(29)	(32)/(32)	(124)/(119)	Performance Coatings	(29)/(29)	(31)/(31)	(32)/(31)	(33)/(33)	(125)/(124)	
(10)/(10)	(9)/(9)	(11)/(11)	(9)/(8)	(39)/(38)	Other activities	(8)/(8)	(5)/(6)	(4)/(3)	(5)/(6)	(22)/(23)	
<b>(74)/(72)</b>	<b>(74)/(67)</b>	<b>(75)/(70)</b>	<b>(74)/(70)</b>	<b>(297)/(279)</b>	<b>Total</b>	<b>(68)/(67)</b>	<b>(68)/(67)</b>	<b>(69)/(66)</b>	<b>(76)/(74)</b>	<b>(281)/(274)</b>	
<b>Amortization/Amortization excluding identified items</b>											
(5)/(5)	(5)/(5)	(5)/(5)	(4)/(4)	(19)/(19)	Decorative Paints	(5)/(5)	(5)/(5)	(5)/(5)	(5)/(5)	(20)/(20)	
(9)/(9)	(9)/(9)	(8)/(8)	(9)/(9)	(35)/(35)	Performance Coatings	(9)/(9)	(8)/(8)	(9)/(9)	(9)/(9)	(35)/(35)	
(2)/(2)	(2)/(2)	(3)/(3)	(3)/(3)	(10)/(10)	Other activities	(3)/(3)	(4)/(4)	(4)/(4)	(4)/(4)	(15)/(15)	
<b>(16)/(16)</b>	<b>(16)/(16)</b>	<b>(16)/(16)</b>	<b>(16)/(16)</b>	<b>(64)/(64)</b>	<b>Total</b>	<b>(17)/(17)</b>	<b>(17)/(17)</b>	<b>(18)/(18)</b>	<b>(18)/(18)</b>	<b>(70)/(70)</b>	

\* Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 16 and 17.

# Paints and Coatings

## Quarterly statistics

					2020						2021
Q1	Q2	Q3	Q4	Year	in € millions	Q1	Q2	Q3	Q4	Year	
<b>Operating income</b>											
58	169	202	122	551	Decorative Paints	147	238	147	108	640	
182	89	179	215	665	Performance Coatings	194	186	133	137	650	
(53)	(51)	(55)	(94)	(253)	Other activities	(38)	(40)	(54)	(40)	(172)	
<b>187</b>	<b>207</b>	<b>326</b>	<b>243</b>	<b>963</b>	<b>Total</b>	<b>303</b>	<b>384</b>	<b>226</b>	<b>205</b>	<b>1,118</b>	
<b>9.1</b>	<b>10.4</b>	<b>14.3</b>	<b>11.0</b>	<b>11.3</b>	<b>OPI margin (in %)</b>	<b>13.4</b>	<b>15.3</b>	<b>9.4</b>	<b>8.5</b>	<b>11.7</b>	
<b>Identified items included in operating income</b>											
(6)	(6)	(6)	(4)	(22)	Decorative Paints	(1)	47	(4)	—	42	
(8)	(14)	(16)	3	(35)	Performance Coatings	(2)	7	(3)	—	2	
(13)	(11)	(5)	(50)	(79)	Other activities	(1)	(5)	(8)	(4)	(18)	
<b>(27)</b>	<b>(31)</b>	<b>(27)</b>	<b>(51)</b>	<b>(136)</b>	<b>Total</b>	<b>(4)</b>	<b>49</b>	<b>(15)</b>	<b>(4)</b>	<b>26</b>	
<b>Adjusted operating income (excluding identified items)<sup>1</sup></b>											
64	175	208	126	573	Decorative Paints	148	191	151	108	598	
190	103	195	212	700	Performance Coatings	196	179	136	137	648	
(40)	(40)	(50)	(44)	(174)	Other activities	(37)	(35)	(46)	(36)	(154)	
<b>214</b>	<b>238</b>	<b>353</b>	<b>294</b>	<b>1,099</b>	<b>Total</b>	<b>307</b>	<b>335</b>	<b>241</b>	<b>209</b>	<b>1,092</b>	
<b>10.4</b>	<b>12.0</b>	<b>15.5</b>	<b>13.3</b>	<b>12.9</b>	<b>ROS<sup>2</sup> (in %)</b>	<b>13.6</b>	<b>13.3</b>	<b>10.0</b>	<b>8.7</b>	<b>11.4</b>	
<b>Reconciliation net financing income/(expenses)</b>											
4	3	3	4	14	Financing income	3	4	2	3	12	
(15)	(17)	(17)	(17)	(66)	Financing expenses	(17)	(18)	(20)	(19)	(74)	
<b>(11)</b>	<b>(14)</b>	<b>(14)</b>	<b>(13)</b>	<b>(52)</b>	<b>Net interest on net debt</b>	<b>(14)</b>	<b>(14)</b>	<b>(18)</b>	<b>(16)</b>	<b>(62)</b>	
<b>Other interest movements</b>											
4	3	4	3	14	Financing expenses related to post-retirement benefits	3	3	4	3	13	
(2)	(5)	—	(3)	(10)	Interest on provisions	5	(2)	—	—	3	
(4)	(9)	(5)	(3)	(21)	Other items	(2)	9	(5)	5	7	
<b>(2)</b>	<b>(11)</b>	<b>(1)</b>	<b>(3)</b>	<b>(17)</b>	<b>Net other financing charges</b>	<b>6</b>	<b>10</b>	<b>(1)</b>	<b>8</b>	<b>23</b>	
<b>(13)</b>	<b>(25)</b>	<b>(15)</b>	<b>(16)</b>	<b>(69)</b>	<b>Net financing expenses</b>	<b>(8)</b>	<b>(4)</b>	<b>(19)</b>	<b>(8)</b>	<b>(39)</b>	

<sup>1</sup> Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 16 and 17.

<sup>2</sup> ROS is adjusted operating income as percentage of revenue; ROS excluding unallocated cost was reported in relation to the Winning together: 15 by 20 strategy and is no longer reported.

# AkzoNobel

## Quarterly statistics

					2020						2021
Q1	Q2	Q3	Q4	Year		Q1	Q2	Q3	Q4	Year	
<b>Quarterly net income analysis (in € millions)</b>											
7	5	6	7	25	Results from associates and joint ventures	7	8	6	5	26	
181	187	317	234	919	Profit before tax	302	388	213	202	1,105	
(54)	(53)	(82)	(52)	(241)	Income tax	(73)	(123)	(48)	(2)	(246)	
127	134	235	182	678	Profit for the period from continuing operations	229	265	165	200	859	
30	28	26	22	26	Effective tax rate (in %)	24	32	23	1	22	
<b>Earnings per share from continuing operations (in €)</b>											
0.59	0.68	1.18	0.88	3.33	Basic	1.16	1.36	0.89	1.03	4.45	
0.59	0.67	1.18	0.88	3.32	Diluted	1.16	1.35	0.89	1.02	4.43	
<b>Earnings per share from discontinued operations (in €)</b>											
—	—	(0.03)	(0.01)	(0.04)	Basic	(0.01)	0.04	—	0.01	0.03	
—	—	(0.03)	(0.01)	(0.04)	Diluted	(0.01)	0.04	—	0.01	0.03	
<b>Earnings per share from total operations (in €)</b>											
0.59	0.68	1.15	0.87	3.29	Basic	1.15	1.40	0.89	1.04	4.48	
0.59	0.67	1.15	0.87	3.28	Diluted	1.15	1.39	0.89	1.03	4.46	
<b>Number of shares (in millions)</b>											
194.0	190.7	190.6	190.5	191.4	Weighted average number of shares <sup>1</sup>	188.8	187.0	184.1	180.6	185.0	
191.4	190.6	190.6	189.9	189.9	Number of shares at end of quarter <sup>1</sup>	187.8	185.6	182.4	178.9	178.9	
<b>Adjusted earnings from continuing operations (in € millions)<sup>2</sup></b>											
181	187	317	234	919	Profit before tax from continuing operations	302	388	213	202	1,105	
27	31	27	51	136	Identified items reported in operating income	4	(49)	15	4	(26)	
—	—	—	(3)	(3)	Identified items reported in interest	—	(20)	(1)	(8)	(29)	
(59)	(60)	(87)	(63)	(269)	Adjusted income tax	(74)	(83)	(54)	(50)	(261)	
(12)	(5)	(10)	(14)	(41)	Non-controlling interests	(10)	(11)	(1)	(14)	(36)	
<b>137</b>	<b>153</b>	<b>247</b>	<b>205</b>	<b>742</b>	Adjusted net income from continuing operations	<b>222</b>	<b>225</b>	<b>172</b>	<b>134</b>	<b>753</b>	
<b>0.71</b>	<b>0.80</b>	<b>1.30</b>	<b>1.08</b>	<b>3.88</b>	<b>Adjusted earnings per share from continuing operations (in €)</b>	<b>1.18</b>	<b>1.20</b>	<b>0.93</b>	<b>0.74</b>	<b>4.07</b>	

<sup>1</sup> After share buyback

<sup>2</sup> Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 16 and 17.

# 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 EBITDA margin** is adjusted EBITDA as percentage of revenue.

**Adjusted operating income** is operating income excluding identified items.

**Capital expenditures** is the total of investments in property, plant and equipment and investments in 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.

**EMEA** is Europe, Middle East and Africa.

**Mature Europe:** Western, Northern and Southern Europe, including Austria.

**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, 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.

**Leverage ratio** is calculated as net debt divided by EBITDA, which is calculated as the total of the last 12 months.

**Net debt** is defined as long-term borrowings plus short-term borrowings less cash and cash equivalents and short-term investments.

**North America** includes Mexico.

**North Asia** includes, among others, China, Japan and South Korea.

**Operating income** is defined as income excluding net financing expenses, results from associates and joint ventures, income tax and from discontinued operations. Operating income includes the share of non-controlling interests. Operating income includes 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. 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.

**ROS** is adjusted operating income as percentage of revenue. Note: ROS excluding allocated cost was reported in relation to the Winning together: 15 by 20 strategy and is no longer reported.

**SG&A costs** includes selling and distribution expenses, general and administrative expenses and research, development and innovation expenses.

**South America** excludes Mexico.

**South Asia Pacific** includes South East Asia and Asia Pacific.

## 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, 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.

## Brand and trademarks

In this report, reference is made to brands and trademarks owned by, or licensed to, AkzoNobel. Unauthorized use of these is strictly prohibited.

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

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**Financial calendar**

Publication annual report	March 2, 2022
Report for the first quarter	April 21, 2022
Annual General Meeting of shareholders	April 22, 2022
Ex-dividend date of 2021 final dividend	April 26, 2022
Record date of 2021 final dividend	April 27, 2022
Payment of 2021 final dividend	May 4, 2022

# AkzoNobel

We supply the sustainable and innovative paints and coatings that our customers, communities – and the environment – are increasingly relying on. That's why everything we do starts with People. Planet. Paint. Our world class portfolio of brands – including Dulux, International, Sikkens and Interpon – is trusted by customers around the globe. We're active in more than 150 countries and have set our sights on becoming the global industry leader. It's what you'd expect from a pioneering paints company that's committed to science-based targets and is taking genuine action to address globally relevant challenges and protect future generations.

For more information please visit [www.akzonobel.com](http://www.akzonobel.com).