

Investor update Q3 2022

October 20, 2022

AkzoNobel



Powering the future of electric vehicles

The electric vehicle market continued to accelerate during Q3, reflected in ongoing interest for our dedicated powder coatings portfolio. We supply products that help batteries to last longer and vehicles to drive further.

Agenda



Key highlights



Financial review



Concluding remarks



Q&A

Alternative performance measures (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 appendix to this presentation. This Investor Update covers the highlights for the quarter. We recommend to read the Investor Update in combination with the AkzoNobel Q3 2022 Report. The Q3 2022 Report provides additional information, including the IAS34 condensed consolidated financial statements. All figures in this presentation and in the AkzoNobel Q3 2022 Report are unaudited. The interim condensed consolidated financial statements were discussed and approved by the Board of Management and the Supervisory Board.

Revenue up 19% on strong pricing of 13% 3rd consecutive quarter offsetting raw material inflation

Q3 2022:

Revenue

Up 19%
(up 6% in Q3'21)

Pricing

Up 13%
(up 9% in Q3'21)

Adjusted operating income¹

(excl. retrospective hyperinflation accounting)

€201m²
(€241m in Q3'21)

ROS¹

6.4%
(10.0% in Q3'21)

YTD 2022:

Revenue

Up 15%
(up 14% in YTD'21)

Adjusted operating income¹

€663m
(€883m in YTD'21)

€354m of €500m share buyback completed

4% reduction in share count vs 2021YE



Interim dividend €0.44 per share



1. Alternative performance measure, for definitions and reconciliation of the alternative performance measures to the most directly comparable IFRS measures please see appendix.

2. Excludes €17m negative impact from retrospective hyperinflation accounting. See appendix for details.

Progress despite external headwinds

Cumulative pricing offsets cumulative raw material inflation

- ↗ Growth for 9th consecutive quarter
- ↗ Cumulative pricing 22% offsets cumulative raw material inflation over seven quarters
- ↗ Strong growth in Paints LATAM and Paints South Asia
- ↗ Share gain in Automotive & Specialty and continued recovery in Marine & Protective

GROW

- ↗ Paints EMEA packaging rationalization: number of packs reduced by 35%
- ↗ In-house resins helped mitigate force majeure impact from North America supplier
- ↗ Cost savings and inventory reduction initiatives actioned
- ↗ Grupo Orbis revenue and margin performance above plan

DELIVER



High macro-economic uncertainty in Europe and China

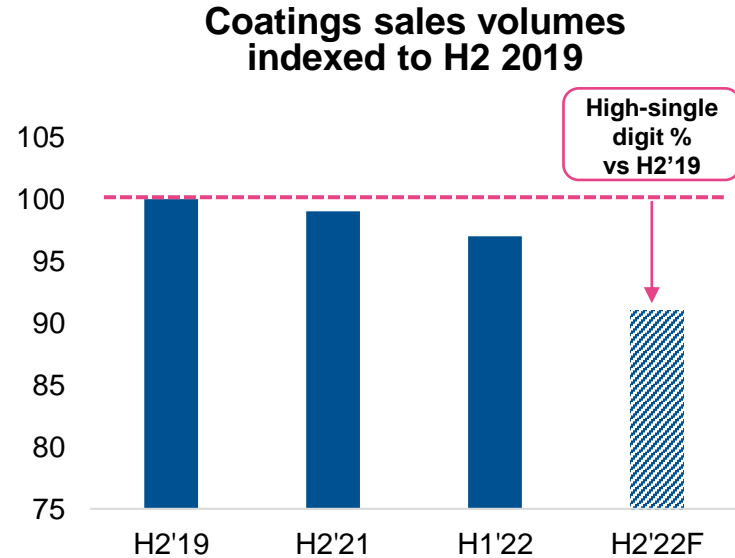
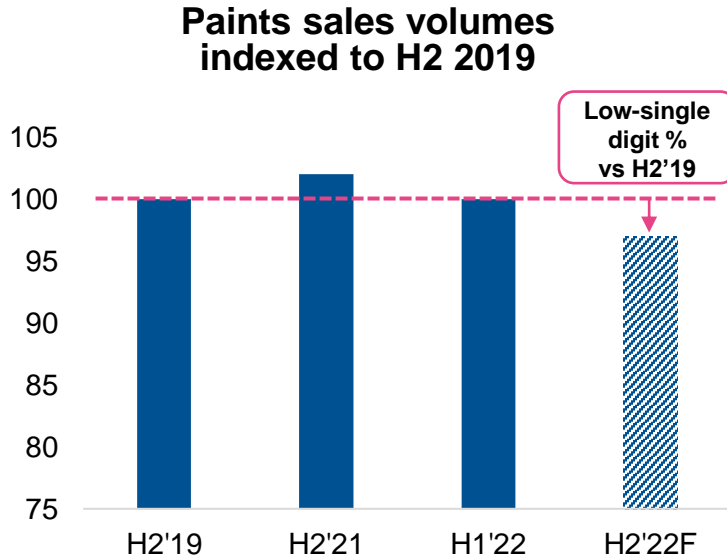
	North America	Latin America	EMEA	North Asia	South Asia
Paints			Europe: ↴ Weakening consumer confidence ↴ Deterioration in economic outlook ↴ Proactive destocking across channels	China: ↴ COVID restrictions ↴ Declining real estate market ↴ Weakening consumer confidence	
Industrial					
Powder	Continued supply chain constraints				
Automotive and Specialty					
Marine and Protective	Sequential recovery				



Source: Company estimates.

Organic volume trends below 2019 level

Destocking across distribution channels and market slowdown



↗ Excluding M&A, Q4 volumes expected to be down mid to high-single digit % y-o-y

Organic volumes indexed to H2 2019, H2 2022 internal forecast.



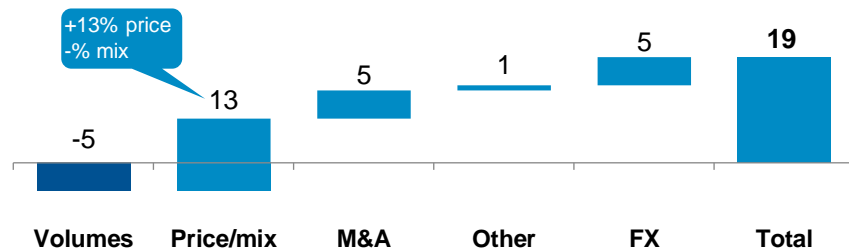
Financial review

Revenue 19% higher driven by strong pricing

€ million	Q3 2021	Q3 2022	Δ%	Δ%CC
Revenue	2,410	2,862	19%	14%
Adjusted EBITDA ¹	325	283	(13%)	
Adjusted operating income ¹	241	184	(24%)	
excl. retrospective hyperinflation accounting	241	201	(17%)	
ROS¹	10.0%	6.4%		
ROI¹	17.5%	11.3%		

Revenue development Q3 2022 (%)

■ Increase ■ Decrease



- ↑ **Volumes** lower driven by destocking in the distribution channels for Deco Europe and Coatings, as well as lower market demand in China
- ↑ **Revenue** growth with pricing, M&A and FX offsetting lower volumes
- ↑ **Adj. operating income** lower mainly due to volumes and retrospective hyperinflation accounting



€20 million to be invested in French facilities

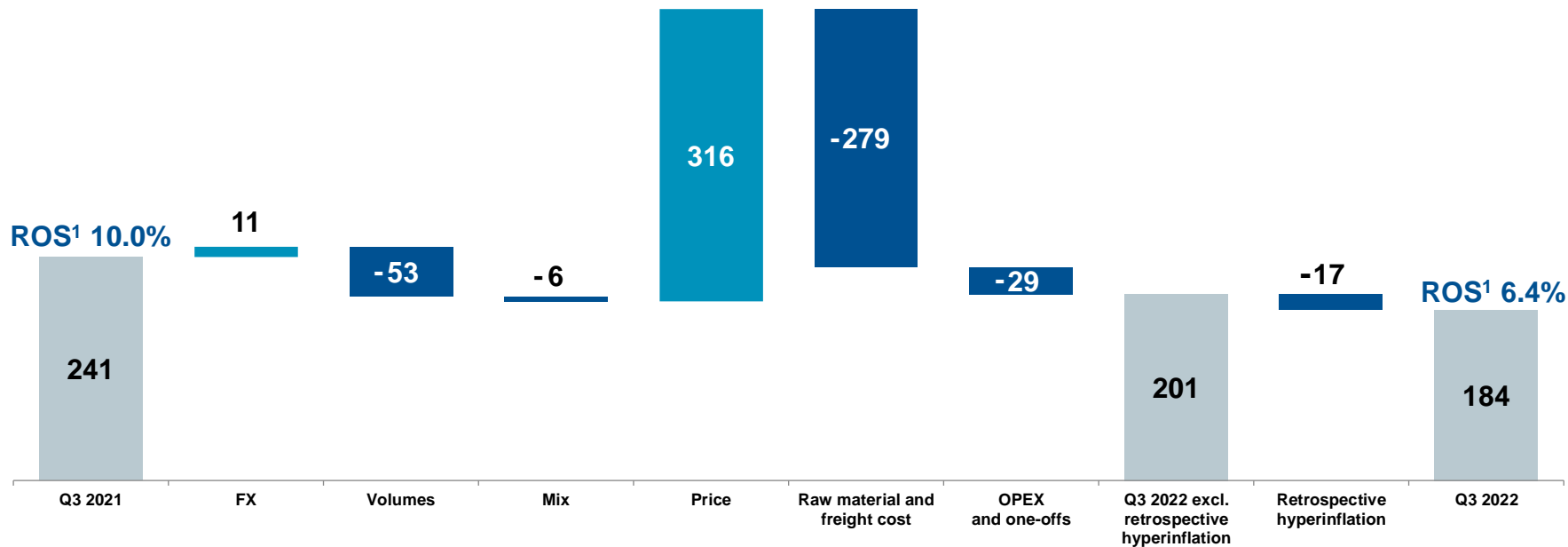
A €20 million investment has been announced by AkzoNobel to increase and improve production at two sites in France. A total of €15 million will be spent on the company's aerospace coatings facility in Pamiers (Mapaero acquisition in 2019). The other €5 million will be spent on improving production flexibility at the decorative paints site in Montataire.

1. Alternative performance measure, for definitions and reconciliation of the alternative performance measures to the most directly comparable IFRS measures please see appendix.

Pricing offsets inflation headwind for the third consecutive quarter

Adjusted operating income¹ (€m)

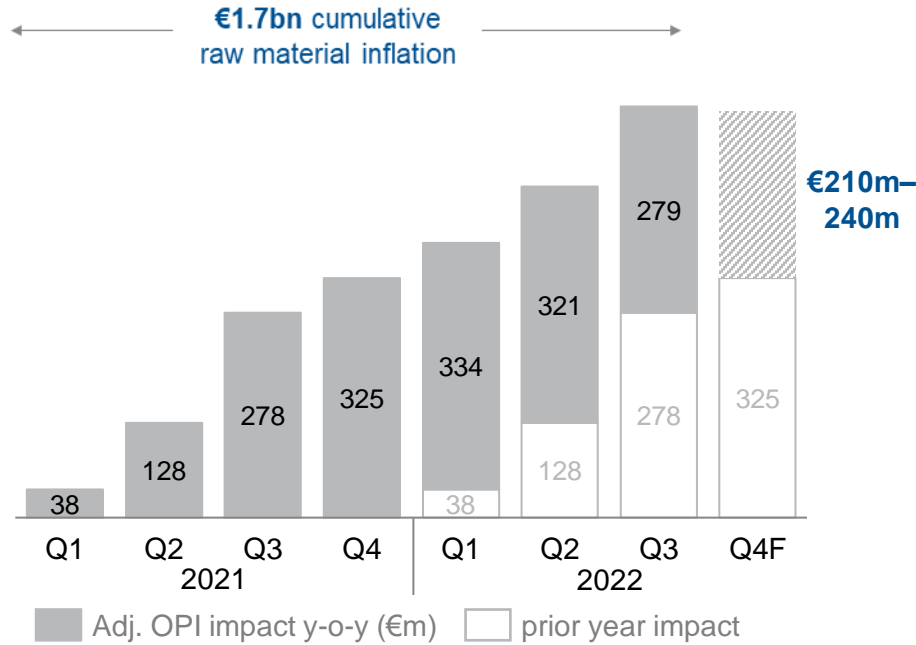
- Positive impact
- Negative impact



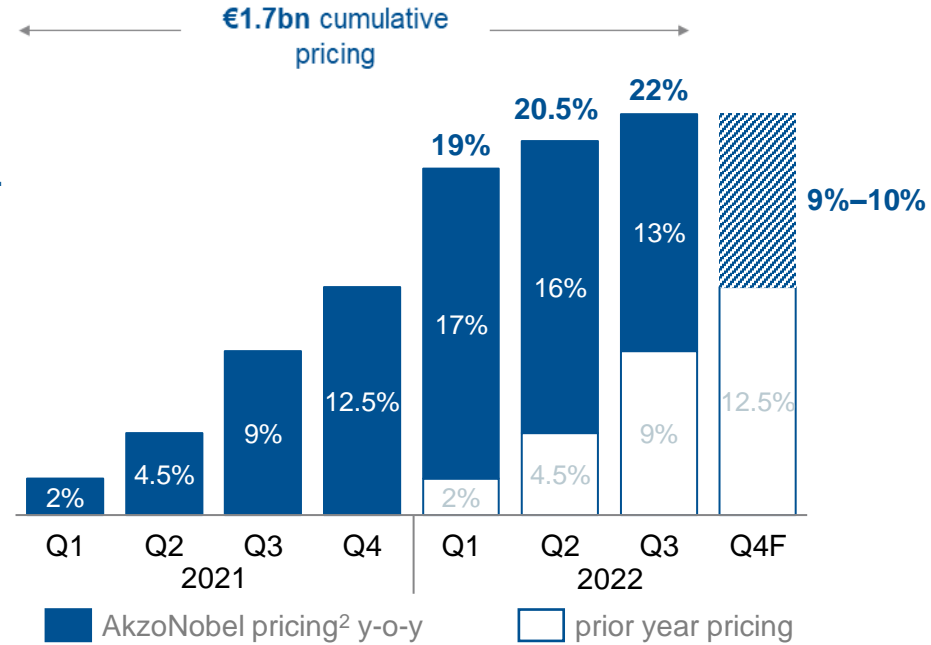
1. Alternative performance measure, for definitions and reconciliation of the alternative performance measures to the most directly comparable IFRS measures please see appendix.

Raw material and freight inflation of €1.7bn fully offset by strong pricing initiatives over Q1'21-Q3'22

Raw material and freight inflation¹

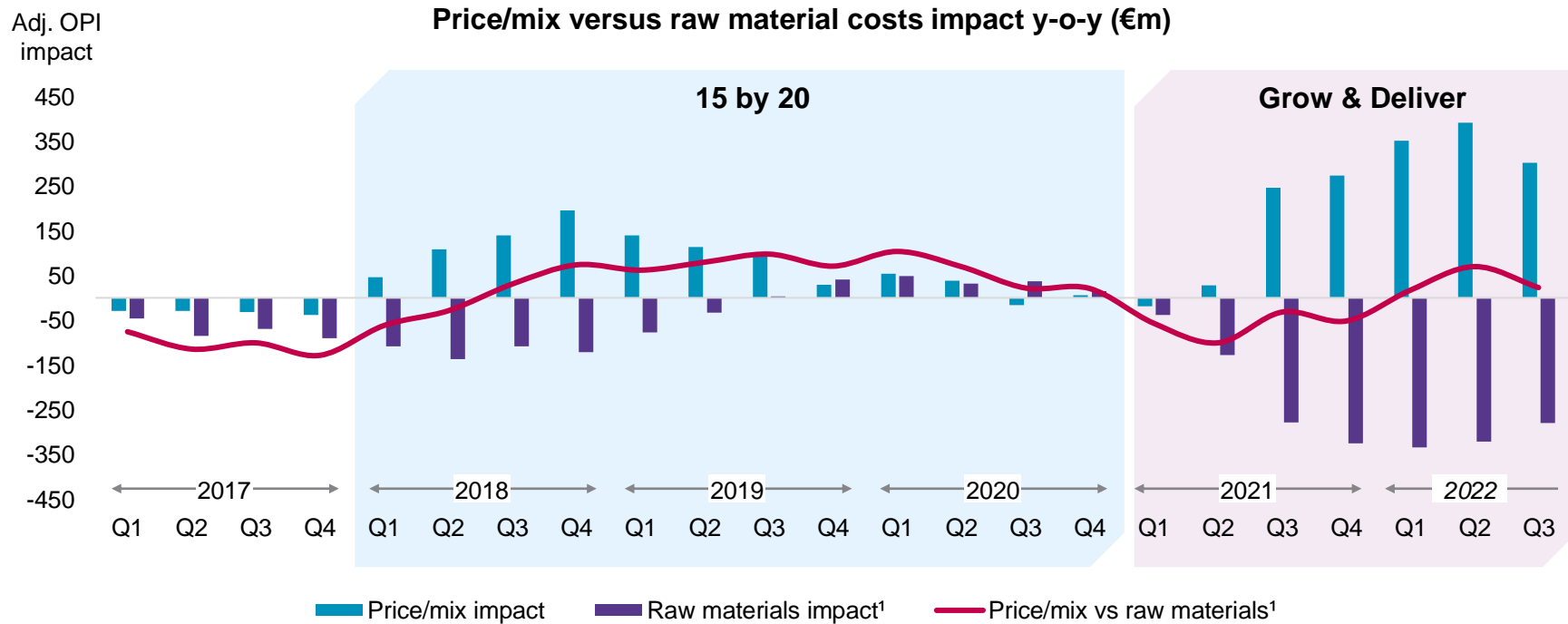


Pricing



1. Raw material and other variable cost Euro value includes freight value from Q1 2022 onwards.
 2. Price only and excluding mix.

Early signs of raw material cycle turning



1. Raw materials impact includes freight from Q1 2022 onwards.

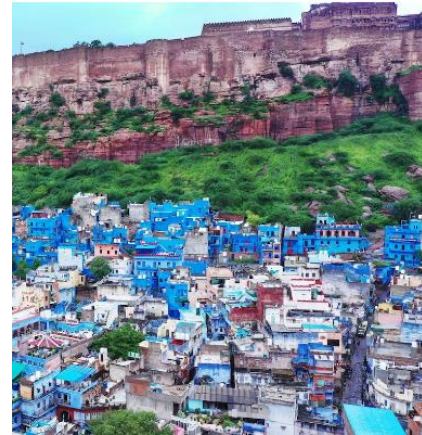
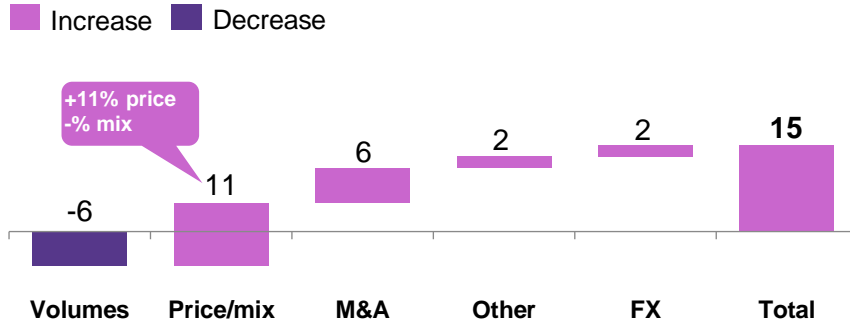
Paints pricing up 11%

Strong growth in LATAM and recovery in South Asia

€ million	Q3 2021 ²	Q3 2022	Δ%	Δ%CC
Revenue	1,013	1,170	15%	13%
Adjusted EBITDA ¹	184	148	(20%)	
Adjusted operating income ¹	147	105	(29%)	
excl. retrospective hyperinflation accounting	147	116	(21%)	
ROS¹	14.5%	9.0%		

- ↗ **EMEA:** revenue 1% higher, strong pricing and relatively stable demand in professional trade offset by lower volumes in DIY segment
- ↗ **LATAM:** revenue 83% higher driven by pricing, store expansion and Grupo Orbis (revenue up 34% excluding Grupo Orbis)
- ↗ **Asia:** revenue 15% higher due to pricing and volume recovery in South Asia while China impacted by COVID-19 restrictions and softer demand

Revenue development Q3 2022 (%)



Jodhpur given a transformational dose of the blues

India's world famous Blue City, Jodhpur, has been repainted and refreshed by AkzoNobel as part of a major "Let's Colour" project involving 250 homes. More than 5,600 liters of Dulux paint has been used to revitalize the iconic area of Rajasthan, which is known the world over as a leading tourist destination. As well as painting exterior walls in a distinctive shade of vibrant blue, the roofs of more than 100 houses have been coated with Dulux Weathershield Protect, which can help to reduce temperatures by up to 5°C.

1. Alternative performance measure, for definitions and reconciliation of the alternative performance measures to the most directly comparable IFRS measures please see appendix.

2. Adjusted EBITDA, adjusted operating income and ROS per segment for 2021 have been updated to reflect changes in the financial reporting structure related to a narrower definition of corporate activities and corporate costs in 'Other activities'. More information is available on our website.

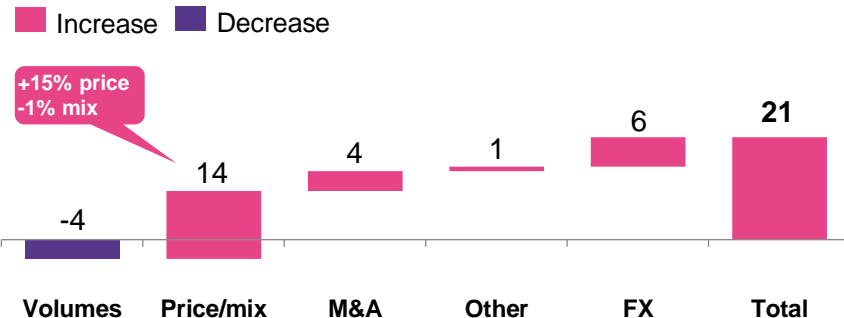
Coatings pricing up 15%

Volume growth in Automotive & Specialty and Marine & Protective

€ million	Q3 2021 ²	Q3 2022	Δ%	Δ%CC
Revenue	1,396	1,691	21%	15%
Adjusted EBITDA ¹	168	149	(11%)	
Adjusted operating income ¹	127	105	(17%)	
excl. retrospective hyperinflation accounting	127	111	(13%)	
ROS ¹	9.1%	6.2%		

- ↗ **Industrial:** revenue up 17% despite lower volumes from destocking
- ↗ **Powder:** revenue up 7% with material impact from destocking in Europe and North America
- ↗ **Marine and Protective:** revenue up 27% reflecting continued sequential recovery in marine and protective demand
- ↗ **Automotive and Specialty:** revenue up 16% driven by volume growth in aerospace and vehicle refinishes

Revenue development Q3 2022 (%)



Industry-first tool launched to drive bodyshop sustainability

Bodyshops can now take advantage of the vehicle refinish industry's first repair calculator to measure, manage and reduce carbon emissions, which has been developed by AkzoNobel. Designed to help customers improve their carbon footprint when using the company's premium refinish products, the CO₂eRepairCalculator is part of a new initiative which aims to encourage bodyshops to become more sustainable.

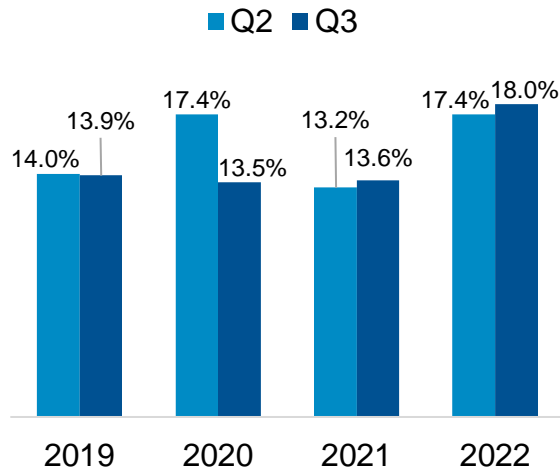
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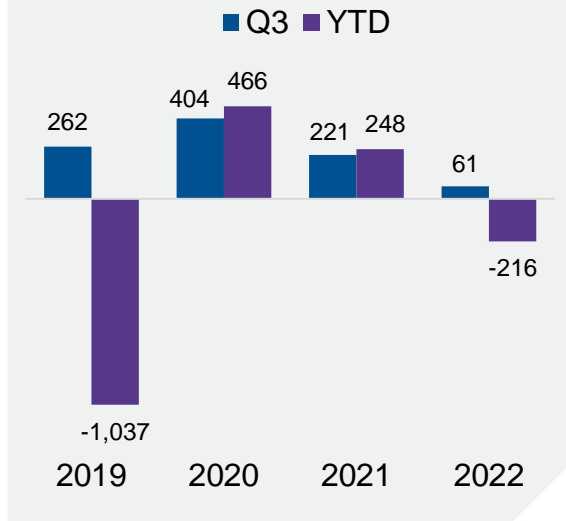
Working capital and free cash flow

Impacted by raw material inflation and destocking in end-markets

Operating working capital (Trade)¹ as a % of revenue



Free cash flow (FCF)² €m excl. pension top-up payments



↗ Working capital impacted by increase in raw material prices
– vs Q2, inventory reduction outweighed by lower payables

↗ **Focus2: inventory reduction³**
– ~€200m by 2022YE
– ~€100m in early 2023

↗ Net Debt/EBITDA 3.4 times
– expected to stay elevated by 2022YE

↗ Higher leverage partly due to Grupo Orbis acquisition

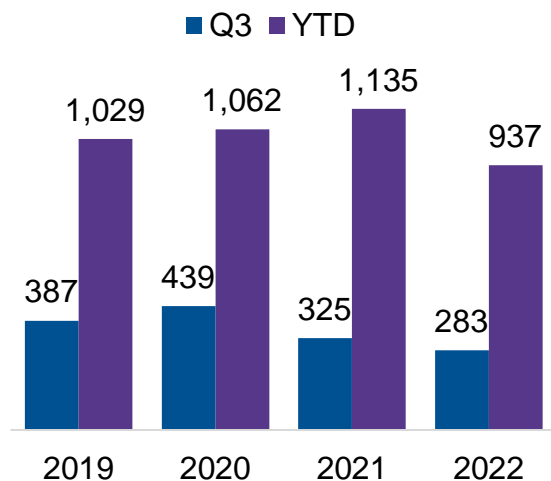
1. Defined as the sum of inventories, trade receivables and trade payables. Operating working capital is measured against four times last quarter revenue.

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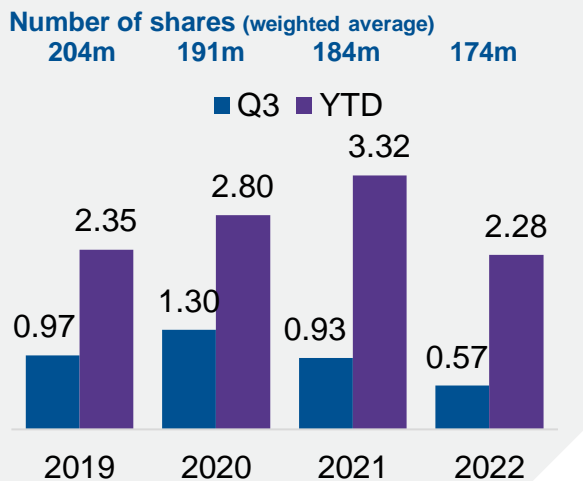
3. Versus Q2 2022 in constant currencies.

Adjusted EBITDA, adjusted EPS and dividends

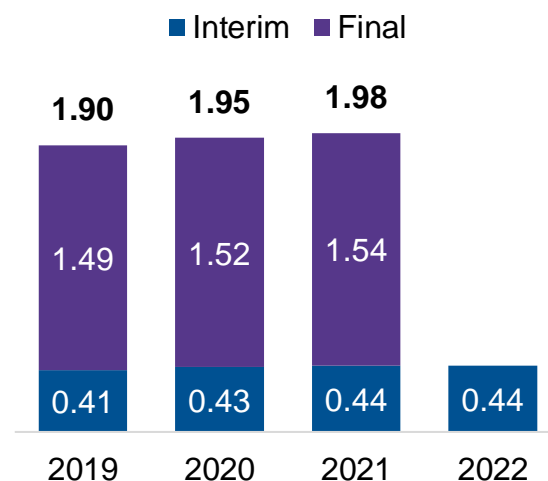
Adjusted EBITDA¹
(€m)



Adjusted earnings per share¹
(EPS) from continuing operations (€)



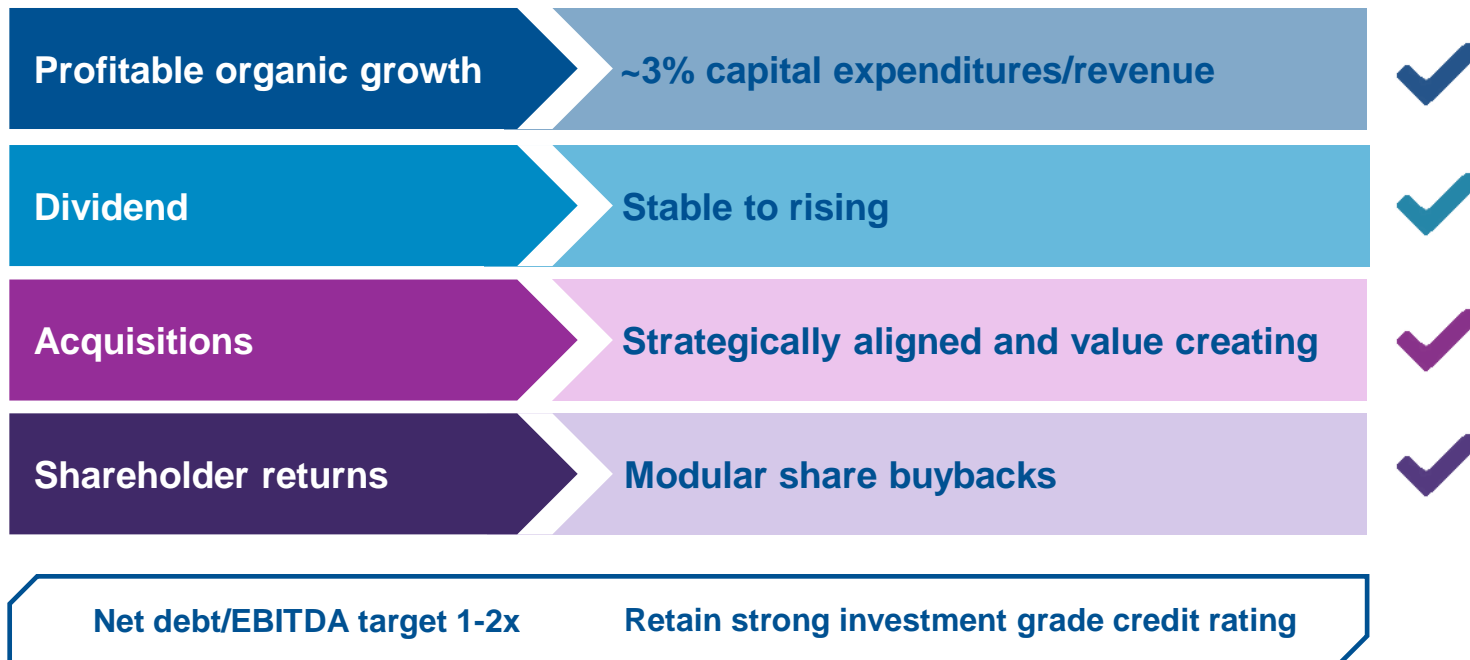
Dividends per share
(€)



1. Alternative performance measure, for definitions and reconciliation of the alternative performance measures to the most directly comparable IFRS measures please see appendix.

Delivering on capital allocation priorities

AkzoNobel



Concluding remarks

Q3 Highlights

- ↗ Pricing up 13% compared with Q3 2021. Revenue 19% higher
- ↗ Weakening consumer confidence resulting in destocking in Europe and softer demand in China
- ↗ Raw material and freight costs increased €279 million compared with Q3 2021 and were fully offset by pricing of €316 million
- ↗ Adjusted operating income¹ at €201 million, excl. negative impact of €17m from retrospective hyperinflation accounting
- ↗ €354m of current €500m share buyback completed by end of Q3
- ↗ €0.44 per share interim dividend

Q4 Assumptions

- ↗ Volumes down mid to high-single digit% y-o-y (excluding M&A)
- ↗ Raw material and freight inflation of €210m- €240m y-o-y
- ↗ Pricing in the range of 9%-10% y-o-y
- ↗ Expected adjusted operating income¹ below €150m

Outlook

AkzoNobel targets to grow at or above its relevant markets, in line with the company's Grow & Deliver strategy. Several end markets are expected to experience significant disruptions due to the ongoing deterioration in the macro-economic environment. As such, the company has suspended the ambition of €2 billion adjusted EBITDA for 2023 and will provide further guidance when announcing the full-year 2022 results.

AkzoNobel expects declining raw material cost to have a favorable margin impact for 2023. Margin management and cost reduction programs have been introduced to mitigate the current challenges. The company aims to return to a leverage ratio of around 2 times net debt/EBITDA and is committed to retaining a strong investment grade credit rating.

1. Alternative performance measure, for definitions and reconciliation of the alternative performance measures to the most directly comparable IFRS measures please see appendix.

Upcoming events

Ex-dividend date of 2022 interim dividend
Record date of 2022 interim dividend
Payment date of 2022 interim dividend
Report for fourth quarter

October 24, 2022
October 25, 2022
November 3, 2022
February 8, 2023

A focused, high performing, paints and coatings company

AkzoNobel

- Strong global brands
- Leading positions in large and attractive markets
- Balanced geographic exposure: ~50% revenue from emerging markets
- Grow & Deliver strategy balances growth and margin improvement
- Sustainability fully integrated with our People. Planet. Paint. purpose
- Science Based Targets carbon reduction target of 50% by 2030¹



Disclaimer/forward-looking statements

This presentation¹ does not constitute or form a part of any offer to sell, or any invitation or other solicitation of any offer, to buy or subscribe for any securities in the United States or any other jurisdiction.

Some statements in this presentation are 'forward-looking statements'. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. These forward-looking statements involve known and unknown risks, uncertainties and other factors that are outside of our control and impossible to predict and may cause actual results to differ materially from any future results expressed or implied. These forward-looking statements are based on current expectations, estimates, forecasts, analyses and projections about the industries in which we operate and management's beliefs and assumptions about possible future events. You are cautioned not to put undue reliance on these forward-looking statements, which only speak as of the date of this presentation and are neither predictions nor guarantees of possible future events or circumstances. We do not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this presentation or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

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, a copy of which can be found on the company's corporate website

www.akzonobel.com

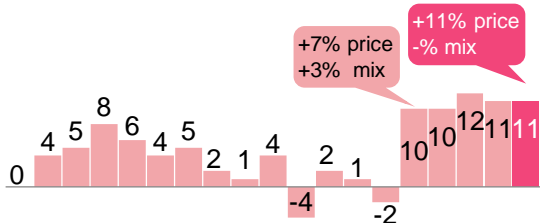
1. Please note numbers in this presentation are unaudited.

Appendix

Robust pricing initiatives continue; Q3 pricing up 13%

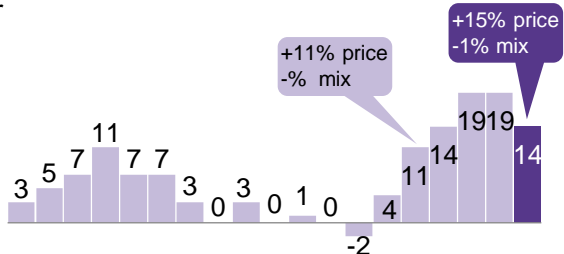
Paints

Quarterly price/mix development in % year-on-year



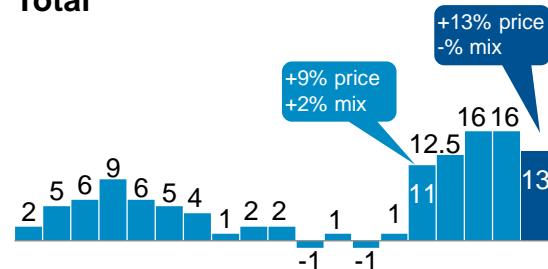
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Coatings



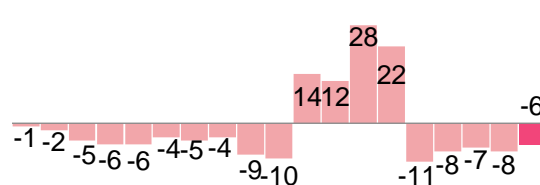
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Total

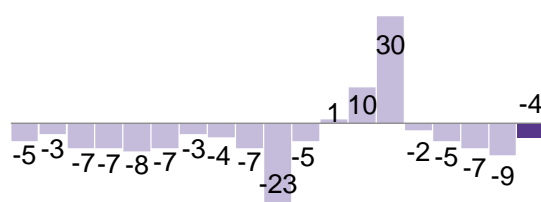


Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3
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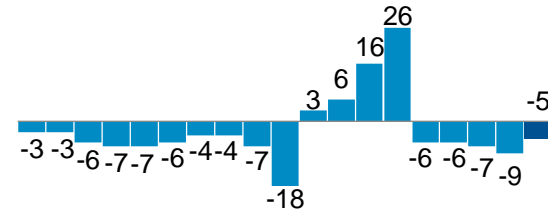
Quarterly volume¹ development in % year-on-year



Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3
18 18 18 18 19 19 19 19 20 20 20 20 21 21 21 21 22 22 22



Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3
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Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3
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1. Organic volume development, does not include acquisition impact.

Definitions of alternative performance measures

- ↗ **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 operating income** is operating income excluding identified items
- ↗ **Constant currencies** calculations exclude the impact of changes in foreign exchange rates
- ↗ **Free cash flow** is net cash generated from/(used for) operating activities minus capital expenditures.
- ↗ **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
- ↗ **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
- ↗ **Leverage ratio** is calculated as net debt divided by EBITDA, which is calculated as the total of the last 12 months
- ↗ **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

Consolidated statement of free cash flows¹

Q3 2021	Q3 2022	€ million	YTD 2021	YTD 2022
313	265	EBITDA	1,170	878
3	2	Impairment losses	3	6
(1)	(3)	Pre-tax results on acquisitions and divestments	(12)	(16)
66	(25)	Changes in working capital	(395)	(713)
23	—	Pension pre-funding	23	48
(1)	(7)	Pension top-up payments	(10)	(8)
(9)	(10)	Other changes in provisions	(105)	(18)
(37)	(34)	Interest paid	(62)	(58)
(67)	(73)	Income tax paid	(157)	(171)
—	11	Other	(28)	24
290	126	Net cash generated from/(used for) operating activities	427	(28)
(70)	(72)	Capital expenditures	(189)	(196)
220	54	Free cash flow	238	(224)
Net Debt			1,983	3,946
Leverage (Net Debt/EBITDA)			1.3	3.4

Operating income to net income

Q3 2021	Q3 2022	€ million	YTD 2021	YTD 2022
226	168	Operating income	913	605
(19)	(33)	Financing income and expenses	(31)	(73)
6	6	Results from associates and joint ventures	21	19
213	141	Profit before tax	903	551
(48)	(51)	Income tax	(244)	(180)
165	90	Profit from continuing operations	659	371
—	(4)	Profit from discontinued operations	5	(10)
165	86	Profit for the period	664	361
(1)	(2)	Non-controlling interests	(22)	(17)
164	84	Net income	642	344
Earnings per share (in €)				
0.89	0.48	Total operations	3.44	1.96
Adjusted earnings per share¹ (in €)				
0.93	0.57	Continuing operations	3.32	2.28

1. Alternative performance measure, for definitions and reconciliation of the alternative performance measures to the most directly comparable IFRS measures please see appendix.

Alternative performance measures

Q3 2021	Q3 2022	Δ%	Operating income (€m)	YTD 2021	YTD 2022	Δ%
143	102	(29%)	Decorative Paints	520	343	(34%)
125	98	(22%)	Performance Coatings	488	360	(26%)
(42)	(32)		Other activities	(95)	(98)	
226	168	(26%)	Total	913	605	(34%)

Q3 2021	Q3 2022	Identified items (€m)	YTD 2021	YTD 2022
(4)	(3)	Decorative Paints	42	—
(2)	(7)	Performance Coatings	2	(37)
(9)	(6)	Other activities	(14)	(21)
(15)	(16)	Total	30	(58)

Q3 2021	Q3 2022	Δ%	Adjusted operating income (€m)	YTD 2021	YTD 2022	Δ%
147	105	(29%)	Decorative Paints	478	343	(28%)
127	105	(17%)	Performance Coatings	486	397	(18%)
(33)	(26)		Other activities	(81)	(77)	
241	184	(24%)	Total	883	663	(25%)

Q3 2021	Q3 2022	Δ%	EBITDA (€m)	YTD 2021	YTD 2022	Δ%
226	168	(26%)	Operating income	913	605	(34%)
87	97		Depreciation and amortization	257	273	
313	265	(15%)	EBITDA	1,170	878	(25%)

Q3 2021	Q3 2022	Δ%	Adjusted EBITDA (€m)	YTD 2021	YTD 2022	Δ%
241	184	(24%)	Adjusted operating income	883	663	(25%)
84	99		Depreciation and amortization (excluding Identified items)	252	274	
325	283	(13%)	Adjusted EBITDA	1,135	937	(17%)

Q3 2021	Q3 2022	OPI margin (%)	YTD 2021	YTD 2022
14.1	8.7	Decorative Paints	17.2	10.2
9.0	5.8	Performance Coatings	11.8	7.4
		Other activities ¹		
9.4	5.9	Total	12.7	7.3

Q3 2021	Q3 2022	ROS (%)	YTD 2021	YTD 2022
14.5	9.0	Decorative Paints	15.8	10.2
9.1	6.2	Performance Coatings	11.7	8.1
		Other activities ¹		
10.0	6.4	Total	12.3	8.0

Q3 2021	Q3 2022	Adjusted earnings per share from continuing operations (€m)	YTD 2021	YTD 2022
213	141	Profit before tax from continuing operations	903	551
15	16	Identified items reported in operating income	(30)	58
(1)	—	Identified items reported in interest	(21)	(10)
(54)	(55)	Adjusted income tax	(211)	(181)
(1)	(2)	Non-controlling interests	(22)	(17)
172	100	Adjusted net income from continuing operations	619	401

184.1	174.0	Weighted average number of shares (in millions)	186.6	175.8
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0.93	0.57	Adjusted earnings per share from continuing operations	3.32	2.28
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Average invested capital (€m)	2021	2022	Δ%
Oct'20 – Sep'21/Oct'21 – Sep'22			
Decorative Paints	2,771	3,450	25%
Performance Coatings	3,434	3,856	12%
Other activities	501	438	
Total	6,706	7,744	15%

ROI (%)	2021	2022
Oct'20 – Sep'21/Oct'21 – Sep'22		
Decorative Paints	21.8	12.9
Performance Coatings	20.3	13.6
Other activities ¹		
Total	17.5	11.3

EBITDA (€m)	2021	2022
Oct'20 – Sep'21/Oct'21 – Sep'22		
Operating income	1,156	810
Depreciation and amortization	347	367
EBITDA	1,503	1,177

Net Debt (€m)	Sep 30, 2021	Sep 30, 2022
Short-term investments	(13)	(23)
Cash and cash equivalents	(1,087)	(1,346)
Long-term borrowings	2,000	3,362
Short-term borrowings	1,083	1,953
Total	1,983	3,946

Leverage ratio	2021	2022
Oct'20 – Sep'21/Oct'21 – Sep'22		
Net debt	1,983	3,946
EBITDA	1,503	1,177
Leverage ratio	1.3	3.4

Updates in financial reporting structure

Operating income, adjusted operating income, EBITDA and adjusted EBITDA (and related measures) per segment for 2021 have been updated to reflect changes in the financial reporting structure related to a narrower definition of corporate activities and corporate costs in 'Other activities'. More information is available on our website.

Impact from hyperinflation accounting

€ million	Revenues	Adj. OPI ¹	Net income
Impact related to Q3	19	(8)	(22)
Impact related to H1 recognized in Q3	(6)	(17)	(6)
Total impact recognized in Q3	13	(25)	(28)
YTD impact	26	(30)	(48)

1. Alternative performance measure, for definitions and reconciliation of the alternative performance measures to the most directly comparable IFRS measures please see appendix.

Recognized sustainability leader in industry AkzoNobel

