

Investor update Q3 2021

October 20, 2021

AkzoNobel



ColorSurfaces Edition 17 sparks design inspiration

This stunning collection of colors, finishes and effects will inspire surfaces designed for the aerospace, automotive and consumer electronics markets. According to our trend research, what people need most is a breath of fresh air. That theme is reflected in our light and airy Color of the Year 2022, Bright Skies – an incredibly versatile shade showcased in ColorSurfaces E17

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 2021 Report. The Q3 2021 Report provides additional information, including the IAS34 condensed consolidated financial statements.

Key highlights

Revenue up driven by strong pricing, on track to offset raw material inflation

Q3 2021:

Revenue

In constant currencies*

6% higher
(up 5% vs 2019)

Pricing*

Up 9%

Adjusted operating income*

Decreased 32%
Adj. EBITDA down 26%

Adjusted EPS*

From continuing operations

29% lower at €0.93
(Q3 2019: €0.97)

YTD 2021:

Revenue

In constant currencies*

16% higher
(up 8% vs 2019)

Adjusted operating income*

Increased 10%
Adj. EBITDA up 7%

€557m of €1bn
share buyback
completed

Increased interim
dividend per
share to €0.44

Pricing and growth segment performance, AkzoNobel underpin confidence in Grow & Deliver strategy

- ↗ Growth for fifth consecutive quarter (revenue* up 5% versus 2019)
- ↗ Strong growth in Deco EMEA and Deco South America (vs. 2019)
- ↗ Revenue growth of 9% in Coatings, with growth in all businesses

GROW

- ↗ Strong focus on margin management; pricing 9%
- ↗ Successful geographic expansion in Deco China while avoiding project market issues
- ↗ Paint the Future: 4 winners in regional China challenge
- ↗ First paints and coatings company committing to carbon reduction target for full value chain (SBTi)

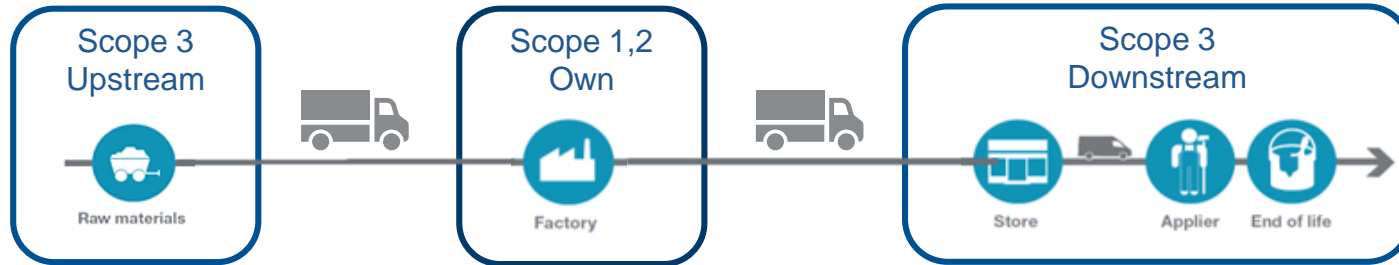
DELIVER



*in constant currencies

Leading the industry in sustainability, with value chain carbon reduction target

- First paints and coatings company announcing a **carbon reduction target** for the full value chain
- Our target is **aligned with the Paris agreement**, aiming to limit global warming to max 1.5**
- Reducing **scope 1 and 2** is already part of our **Planet.** ambitions
- Reducing our **scope 3 emissions** is all about collaboration with **key value chain partners** and **innovating** to deliver **sustainable solutions** to our customers (**Paint.** ambitions)

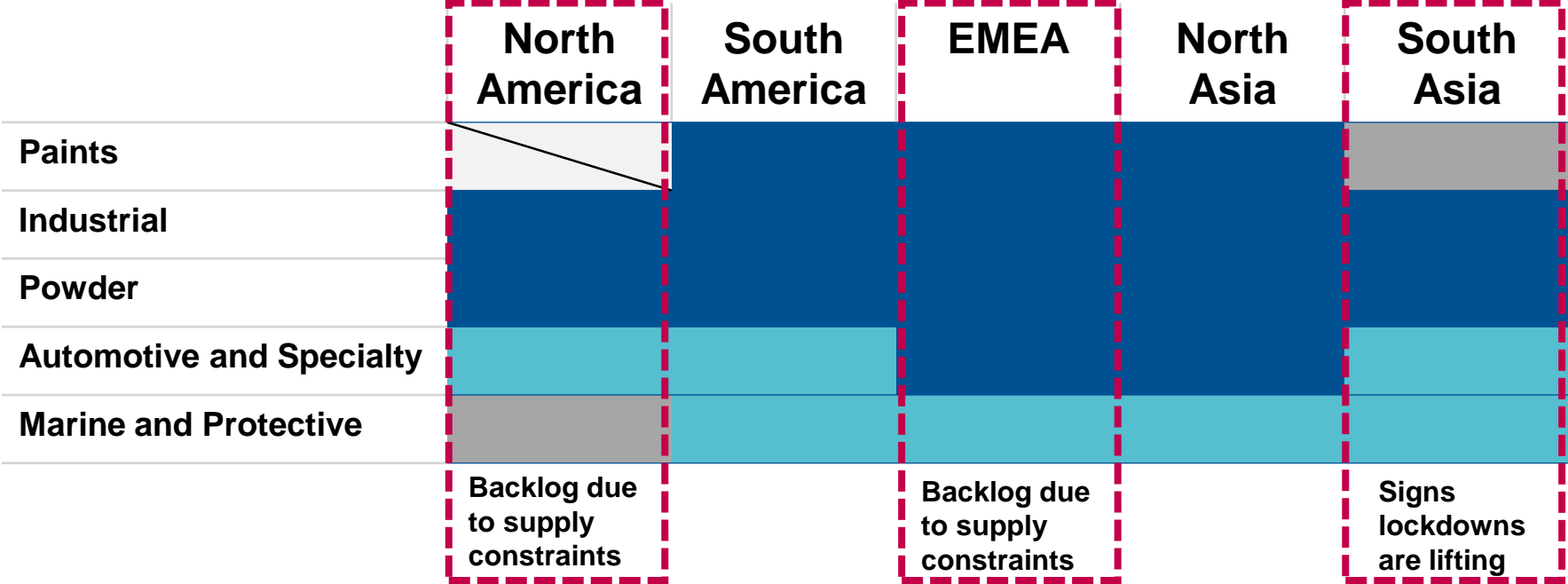


50% carbon reduction throughout our value chain by 2030**



*Above pre-industrial levels
**Baseline 2018

Underlying demand robust, Q3 impacted by supply constraints and continued lockdowns AkzoNobel



End market demand (y-o-y)



Decorative Paints China growth supported AkzoNobel by sustainable offering and wider distribution

~€5bn market

#1 in premium segment

Predominantly in Retail segment post-2018

Profitability above global Decorative Paints average

Leader in sustainability

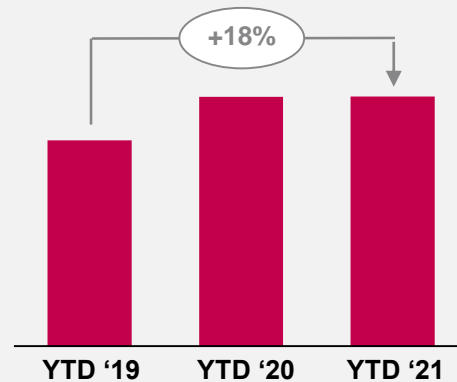
Recognized “Superbrand”



YTD 2021 revenue up 3% in constant currency vs. YTD 2019

Revenue development emulsion paints in line with GDP

Adj. Operating Income*



Expanding to Tier 3 and 4 cities

- ↗ Expanded to 90 new cities YTD
- ↗ Increased reach to additional 11,000 stores selling Dulux paints YTD

Limited exposure to Project (<20%)

- ↗ Direct exposure to nationwide property developers immaterial
- ↗ Project segment historically higher risk on receivables for the industry
- ↗ Retail more profitable

Mitigating energy challenges

- ↗ Sufficient manufacturing capacity to meet current demand
- ↗ Energy use ~1% of sales

Source: Orr & Boss, internal estimates

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

Automotive and Specialty Coatings continues profitable sequential recovery

AkzoNobel

€1.1bn revenue in 2020

DYNACOAT

WANDA

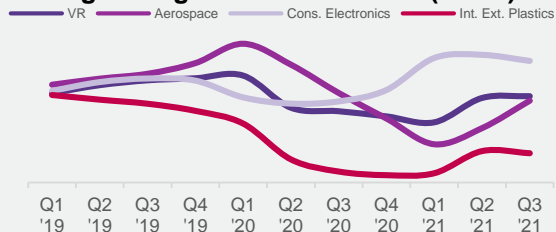
LESONAL®

sikkens

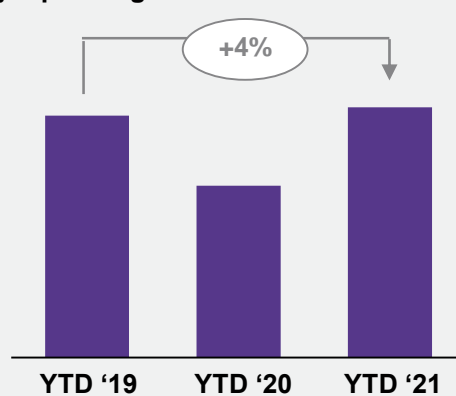


Continued customer collaborations delivering special liveries for aircraft

Moving average revenue vs. 2018 (index)



Adj. Operating Income*



Vehicle refinish: ~€6bn market (#3)

- Margin management discipline
- Renewal of business partnership with Premium OEMs (including Mercedes, McLaren)
- Expanding end-user digital and service offering; digital orders now >50% of revenues
- Customer collaboration on decarbonization and reduced energy use

Aerospace: ~€600m market (#1)

- Faster global market recovery than originally anticipated
- Solid growth rates in MRO
- Realizing commercial synergies with Mapaero customers and products
- Developing sustainable solutions with key customers

Source: Orr & Boss, internal estimates

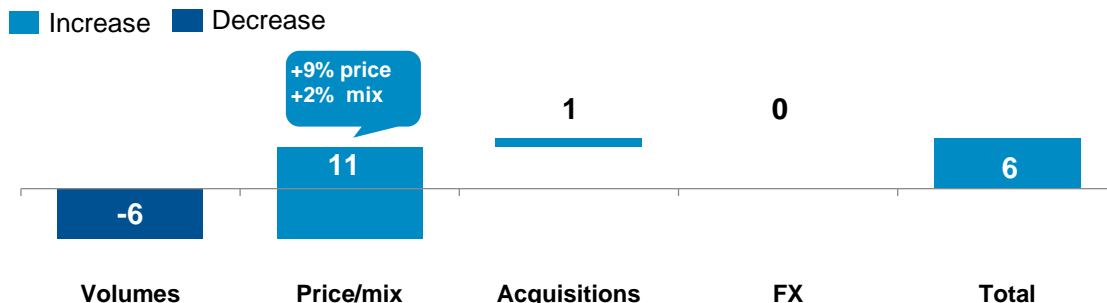
*Alternative performance measure, for definitions reconciliation of the alternative performance measures to the most directly comparable IFRS measures please see appendix

Financial review

Revenue up 6% (5% versus 2019), with strong pricing initiatives to continue

€ million	Q3 2020	Q3 2021	Δ%	Δ%CC	Δ%CC Vs. Q3 '19
Revenue	2,276	2,410	6%	6%	5%
Adjusted EBITDA*	439	325	(26%)		
Adjusted operating income*	353	241	(32%)		
ROS*	15.5%	10.0%			
ROI*	14.7%	17.5%			

Revenue development Q3 2021 (%)

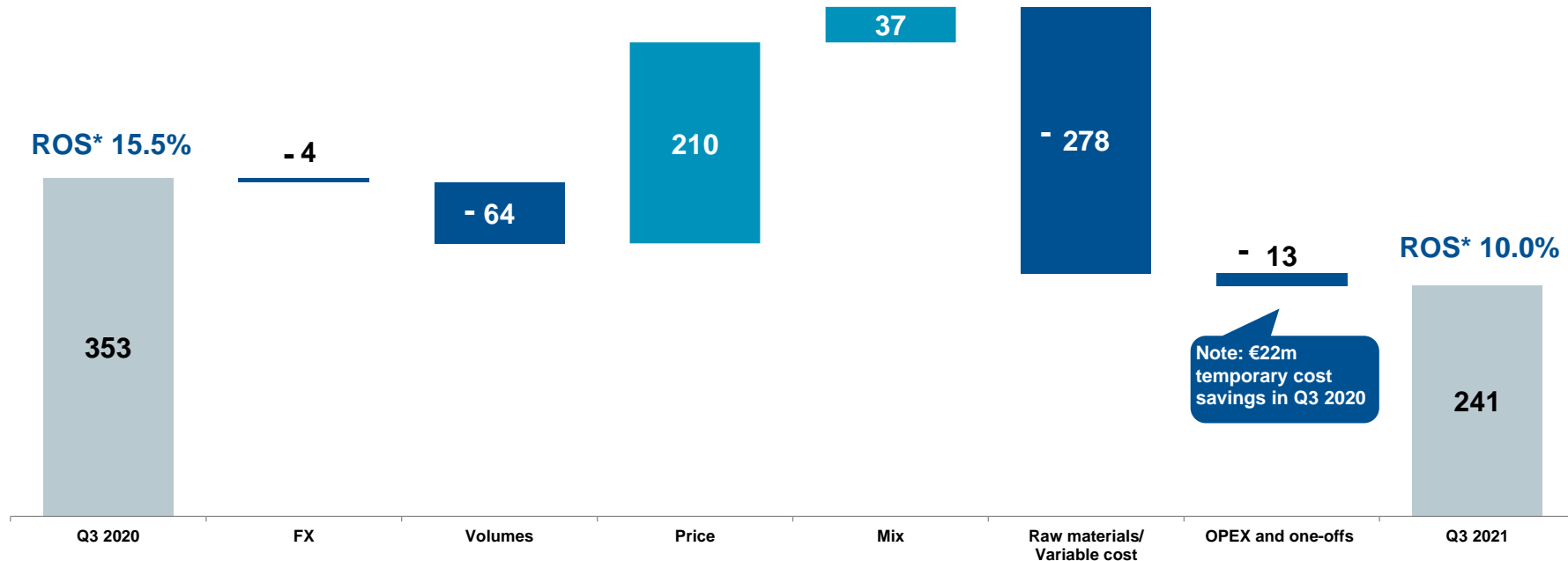


An airy light blue which feels like the breath of fresh air we all need has been revealed as our 2022 Color of the Year. After a spell of feeling shut in, Bright Skies will help us embrace new ideas and shape a new future.

Significant price increases partly offset raw material inflation and volume decline

Adjusted operating income* (€m)

- Positive impact
- Negative impact



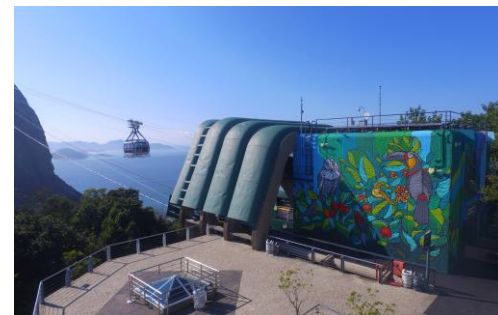
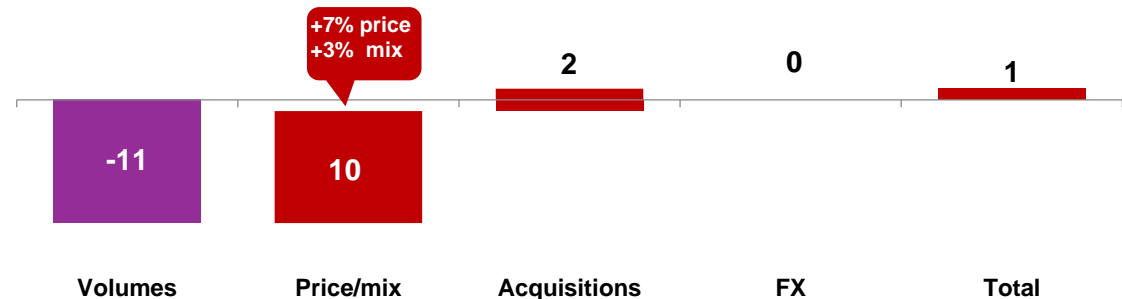
*Alternative performance measure, for definitions reconciliation of the alternative performance measures to the most directly comparable IFRS measures please see appendix

Paints revenues 11% higher than 2019, driven by EMEA and South America

€ million	Q3 2020	Q3 2021	Δ%	Δ%CC	Δ%CC Vs. Q3 '19
Revenue	1,004	1,013	1%	1%	11%
Adjusted EBITDA*	243	188	(23%)		
Adjusted operating income*	208	151	(27%)		
ROS*	20.7%	14.9%			

Revenue development Q3 2021 (%)

■ Increase ■ Decrease



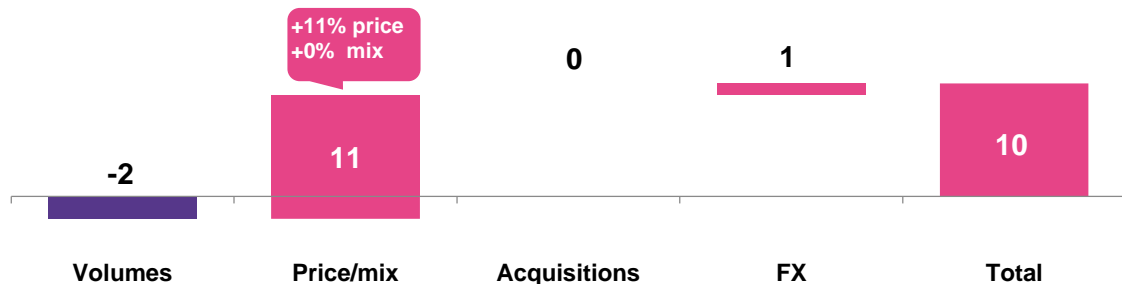
This is the stunning Pão de Açúcar cable car in Rio de Janeiro, Brazil, which takes visitors to the top of Sugarloaf Mountain. It was the spectacular location for one of our most recent "Let's Colour" projects. Colorful paintings of plants and animals were added to the three cable car stations, designed to help portray the incredible biodiversity of the surrounding landscape

Coatings revenue up 9%, supported by y-o-y growth in all segments

€ million	Q3 2020	Q3 2021	Δ%	Δ%CC	Δ%CC Vs. Q3 '19
Revenue	1,270	1,396	10%	9%	3%
Adjusted EBITDA*	232	176	(24%)		
Adjusted operating income*	195	136	(30%)		
ROS*	15.4%	9.7%			

Revenue development Q3 2021 (%)

■ Increase ■ Decrease

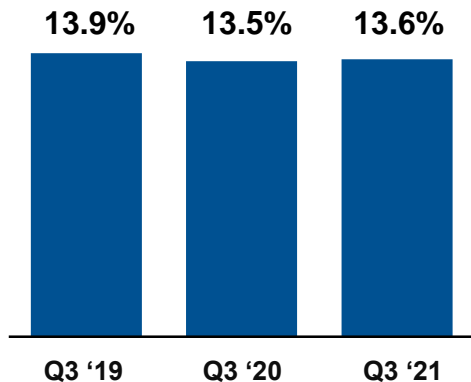


We've agreed to extend our partnership agreement with Mercedes-Benz for another four years. It means the company will continue to be a recommended supplier of vehicle refinish products and services in China and a preferred partner in Indonesia. The deal was confirmed after extensive testing and analysis of the product assortments and services provided by AkzoNobel's premium Sikkens brand

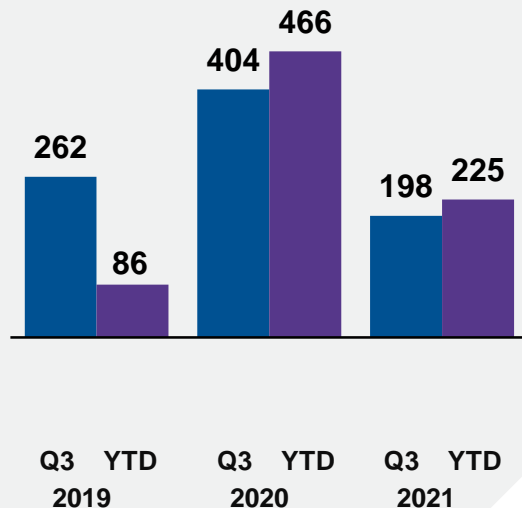
*Alternative performance measure, for definitions reconciliation of the alternative performance measures to the most directly comparable IFRS measures please see appendix

Strong working capital management

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



Free cash flow (FCF) €m excl. pension pre-funding and top-up payments**



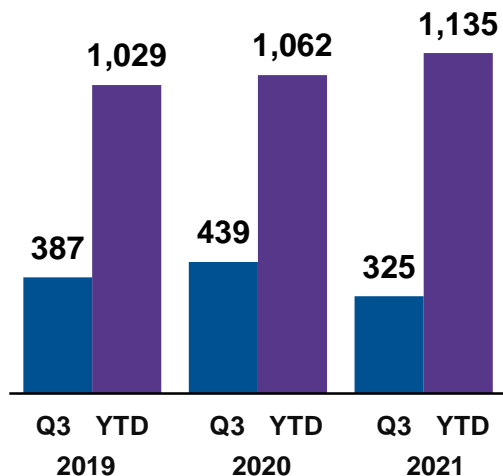
Net Debt/EBITDA 1.3 times
(Q3 2020: 1.0)

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

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

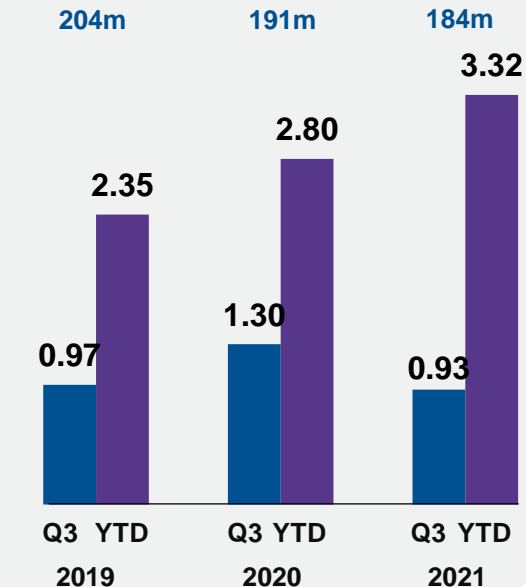
YTD Adjusted EPS up 19%, interim dividend up at €0.44

Adjusted EBITDA*
(€m)

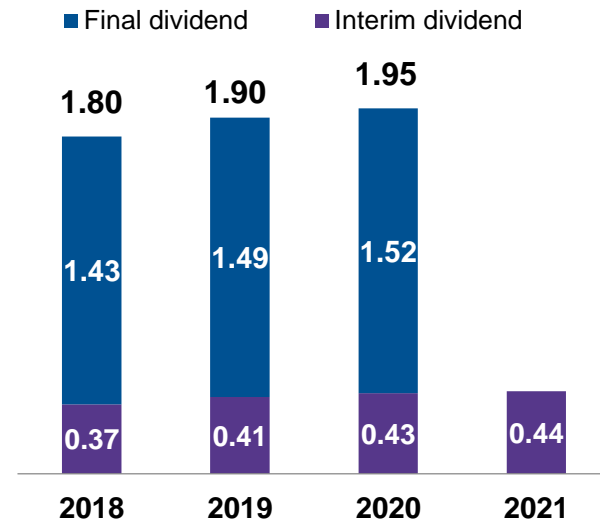


Adjusted earnings per share*
(EPS) from cont. operations (€)

Number of shares (weighted average)



Dividend
(€)

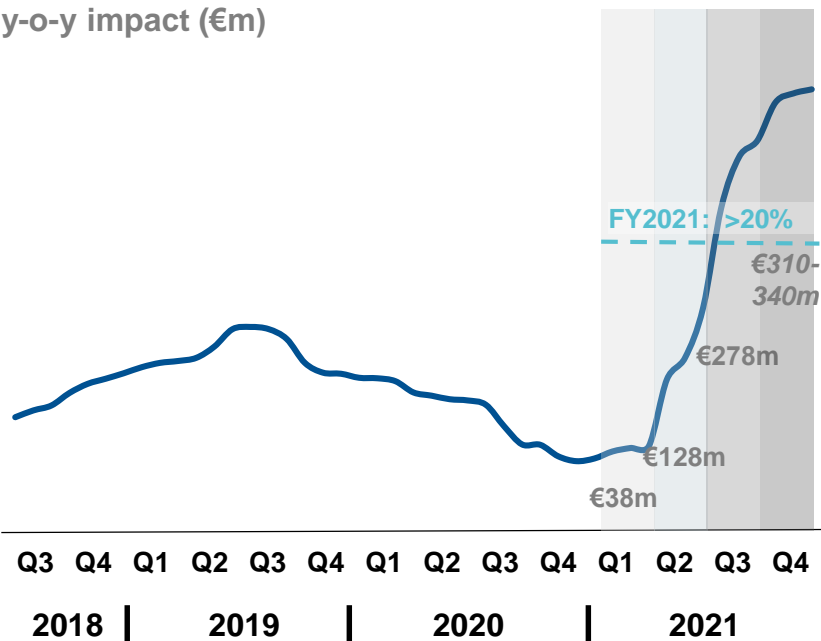


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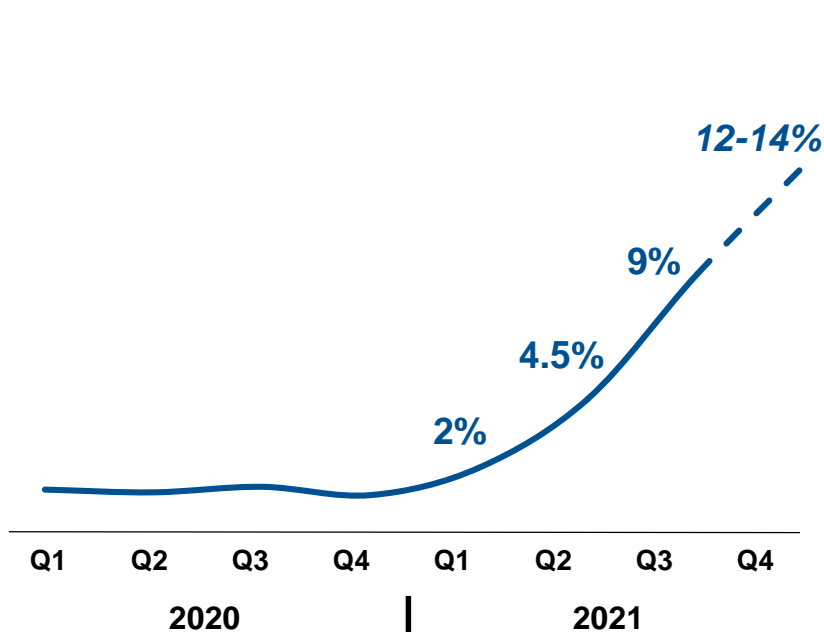
Q3 pricing September run rate at 10%, AkzoNobel on track to offset inflation on run rate basis by end 2021

Raw material price index development

y-o-y impact (€m)



AkzoNobel pricing (%)*



Percentage change to FY2020 annual average

*Price only (excluding mix), percentage change vs. prior year

Concluding remarks

Q3 Highlights

- Pricing up 9% compared with Q3 2020. Revenue 6% higher (up 5% from Q3 2019, in constant currencies)
- Raw material and other variable costs increased €278 million compared with Q3 2020
- Adjusted operating income at €241 million (2020: €353 million), ROS at 10.0% (2020: 15.5%)
- €1 billion share buyback started April 27, 2021; €557 million completed by end of Q3 2021

Outlook

AkzoNobel targets to grow at least in line with its relevant markets. Trends differ per region and segment, with significant raw material cost inflation and supply constraints expected to continue through mid-2022.

Margin management and cost discipline are in place to deliver an average annual 50 basis points increase in return on sales over the period 2021-2023. The company is confident in the €2 billion EBITDA target for 2023, in line with its Grow & Deliver strategy.

AkzoNobel targets a leverage ratio of 1-2 times net debt/EBITDA and commits to retain a strong investment grade credit rating.

Upcoming events



AkzoNobel

Ex-dividend date of 2021 interim dividend
Record date of 2021 interim dividend
Payment date of 2021 interim dividend
Report for fourth quarter

October 22, 2021
October 25, 2021
November 4, 2021
February 9, 2022

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
- People. Planet. Paint. approach to sustainable business
- Science Based Targets carbon reduction target of 50% by 2030*



Disclaimer/forward-looking statements

This presentation 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 under-stood 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

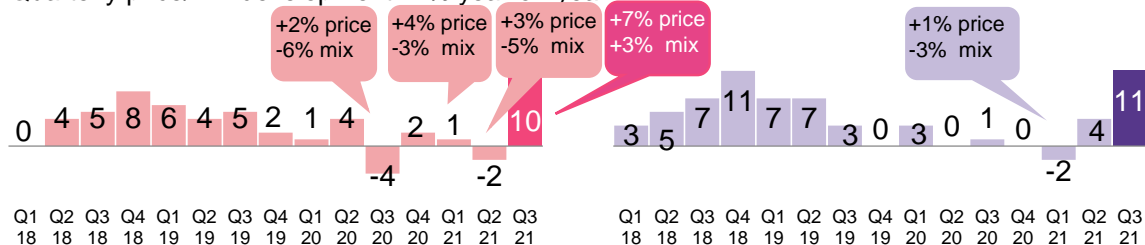


Appendix

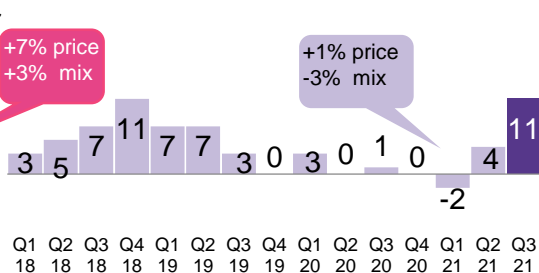
Robust pricing initiatives continue, Q3 pricing up 9%

Paints

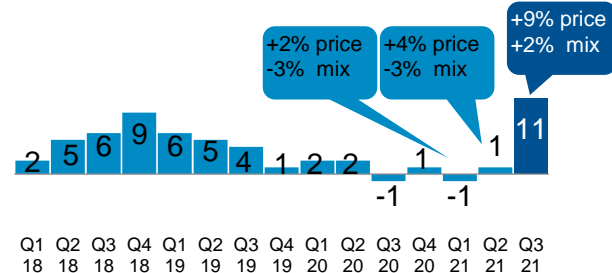
Quarterly price/mix development in % year-on-year



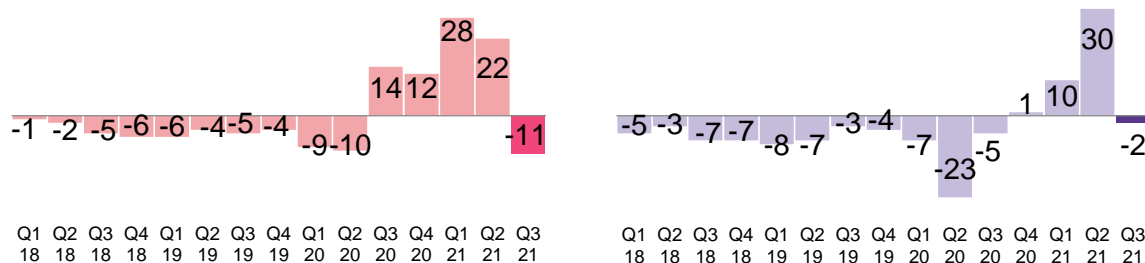
Coatings



Total



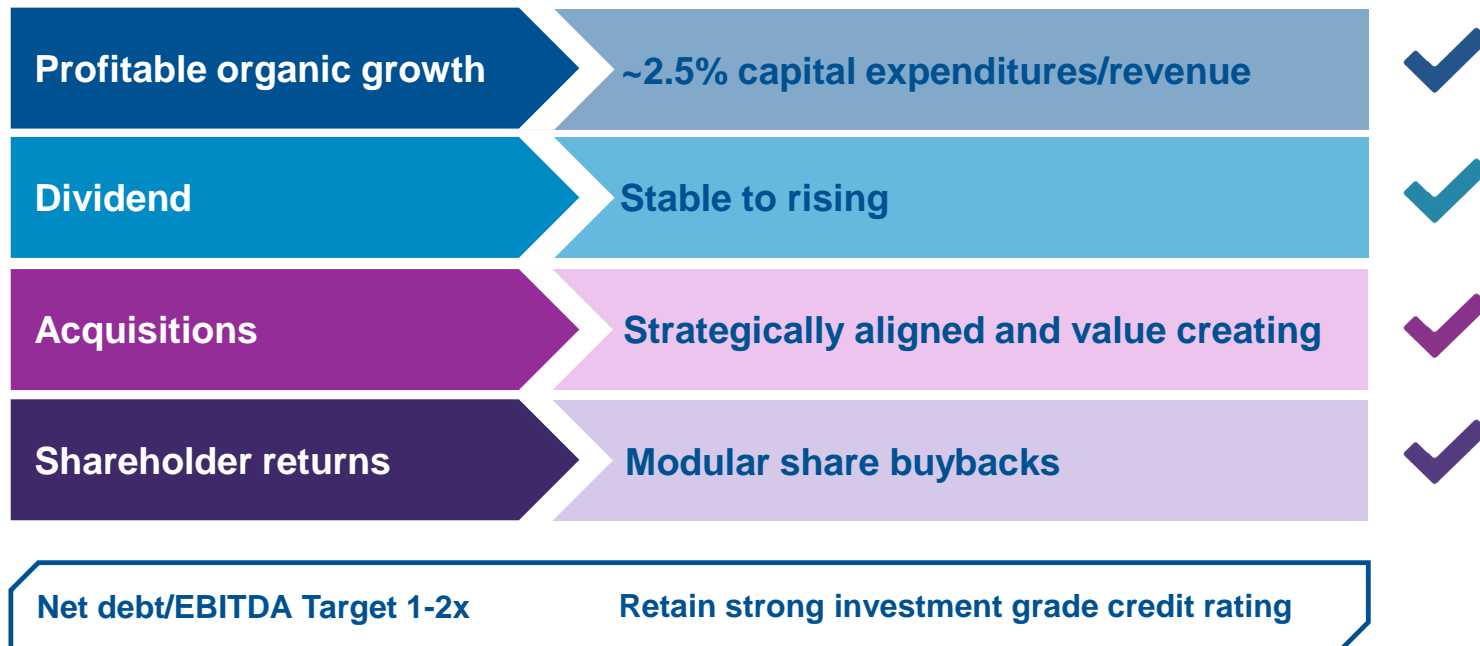
Quarterly volume* development in % year-on-year



*Organic volume development, does not include acquisition impact

Delivering on capital allocation priorities

AkzoNobel



Definitions of alternative performance measures

- ↗ **Adjusted earnings per share** are the basic earnings per share from operations, excluding identified items and taxes thereon
- ↗ **Adjusted operating income** is operating income excluding identified items
- ↗ **Adjusted EBITDA** is operating income excluding depreciation, amortization and identified items
- ↗ **Constant currencies** calculations exclude the impact of changes in foreign exchange rates
- ↗ **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; ROS excluding unallocated cost was reported in relation to the Winning together: 15 by 20 strategy and is no longer reported
- ↗ **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

Assumptions for 2021-2023

- ↗ Revenue growth \geq market CAGR
- ↗ ROS* +50bps CAGR
- ↗ Other activities €140-180 million
- ↗ Effective tax rate ~27% (cash tax rate ~20%)
- ↗ Capital expenditures ~€275 million
- ↗ Dividend policy “stable to rising”
- ↗ Leverage 1-2x net debt/EBITDA

Consolidated statement of free cash flows*

Q3 2020	Q3 2021	€ million	YTD 2020	YTD 2021
417	313	EBITDA	991	1,170
1	3	Impairment losses	1	3
(10)	(1)	Pre-tax result on acquisitions and divestments	(10)	(12)
101	66	Changes in working capital	(182)	(395)
-	23	Pension pre-funding	-	23
(11)	(1)	Pension top-up payments	(17)	(10)
6	(9)	Other changes in provisions	(46)	(105)
(22)	(37)	Interest paid	(37)	(62)
(32)	(67)	Income tax paid	(93)	(157)
7	-	Other changes	(2)	(28)
457	290	Net cash from operating activities	605	427
(64)	(70)	Capital expenditures	(156)	(189)
393	220	Free cash flow	449	238

Net Debt	1,315	1,983
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Leverage (Net Debt/EBITDA) **1.0** **1.3**

Operating income to net income

Q3 2020	Q3 2021	€ million	YTD 2020	YTD 2021
326	226	Operating income	720	913
(15)	(19)	Net financing expenses	(53)	(31)
6	6	Results from associates and joint ventures	18	21
317	213	Profit before tax	685	903
(82)	(48)	Income tax	(189)	(244)
235	165	Profit from continuing operations	496	659
(5)	-	Profit from discontinued operations	(6)	5
230	165	Profit for the period	490	664
(10)	(1)	Non-controlling interests	(27)	(22)
220	164	Net income	463	642

Q3 2020	Q3 2021	Earnings per share (in €)	YTD 2020	YTD 2021
1.15	0.89	Total operations	2.41	3.44

Q3 2020	Q3 2021	Adjusted earnings per share* (in €)	YTD 2020	YTD 2021
1.30	0.93	Continuing operations	2.80	3.32

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

Alternative performance measures

Q3 '20	Q3 '21	Δ%	Operating income (€m)	YTD '20	YTD '21	Δ%
202	147	(27%)	Decorative Paints	429	532	24%
179	133	(26%)	Performance Coatings	450	513	14%
(55)	(54)		Other activities	(159)	(132)	
326	226	(31%)	Total	720	913	27%

Q3 '20	Q3 '21	Identified items (€m)	YTD '20	YTD '21
(6)	(4)	Decorative Paints	(18)	42
(16)	(3)	Performance Coatings	(38)	2
(5)	(8)	Other activities	(29)	(14)
(27)	(15)	Total	(85)	30

Q3 '20	Q3 '21	Δ%	Adjusted operating income (€m)	YTD '20	YTD '21	Δ%
208	151	(27%)	Decorative Paints	447	490	10%
195	136	(30%)	Performance Coatings	488	511	5%
(50)	(46)		Other activities	(130)	(118)	
353	241	(32%)	Total	805	883	10%

Q3 '20	Q3 '21	Δ%	EBITDA (€m)	YTD '20	YTD '21	Δ%
326	226	(31%)	Operating income	720	913	27%
91	87	(4%)	Depreciation and Amortization	271	257	(5%)
417	313	(25%)	EBITDA	991	1,170	18%

Q3 '20	Q3 '21	Δ%	Adjusted EBITDA (€m)	YTD '20	YTD '21	Δ%
353	241	(32%)	Adjusted operating income	805	883	10%
86	84	(2%)	Depreciation and Amortization (excl. identified items)	257	252	(2%)
439	325	(26%)	Adjusted EBITDA	1,062	1,135	7%

Q3 '20	Q3 '21	OPI margin (%)	YTD '20	YTD '21
20.1	14.5	Decorative Paints	16.1	17.6
14.1	9.5	Performance Coatings	12.3	12.4
		Other activities*		
14.3	9.4	Total	11.4	12.7

Q3 '20	Q3 '21	ROS (%)	YTD '20	YTD '21
20.7	14.9	Decorative Paints	16.8	16.2
15.4	9.7	Performance Coatings	13.4	12.3
		Other activities*		
15.5	10.0	Total	12.7	12.3

Q3 '20	Q3 '21	Adjusted earnings per share from continuing operations	YTD '20	YTD '21
317	213	Profit before tax from continuing operations	685	903
27	15	Identified items reported in operating income	85	(30)
-	(1)	Identified items reported in interest	-	(21)
(87)	(54)	Adjusted income tax	(206)	(211)
(10)	(1)	Non-controlling interests	(27)	(22)
247	172	Adjusted net income from continuing operations	537	619

190.6	184.1	Weighted average number of shares (in millions)	191.7	186.6
1.30	0.93	Adjusted earnings per share from continuing operations	2.80	3.32

Average invested capital (€m)	2020	2021	Δ%
Decorative Paints	2,882	2,771	(4%)
Performance Coatings	3,406	3,434	1%
Other activities	686	501	(27%)
Total	6,974	6,706	(4%)

ROI (%)	2020	2021
Decorative Paints	18.5	22.2
Performance Coatings	19.0	21.0
Total	14.7	17.5

EBITDA (€m)	2020	2021
Operating income	893	1,156
Depreciation and amortization	370	347
EBITDA	1,263	1,503

Net Debt (€m)	2020	2021
Short term investments	(110)	(13)
Cash and cash equivalents	(1,502)	(1,087)
Long-term borrowings	2,761	2,000
Short-term borrowings	167	1,083
Net Debt	1,316	1,983

Leverage ratio	2020	2021
Net debt	1,316	1,983
EBITDA	1,263	1,503
Leverage ratio	1.0	1.3

*OPI/ROS for Other activities is not shown, as this is not meaningful

Leading industry in sustainability ratings

AkzoNobel



MSCI ESG RATINGS	ecovadis 2020 Sustainability Rating	SUSTAINALYTICS a Morningstar company	vigeo eiris	Corporate Knights	chemsec CHEMSCORE
 CCC B BB BBB A AA AAA					
Investors	Customers	Investors	Europe	Society	Chemical sector
 Only P&C company rated "AAA"	 "Platinum" rating	 "Low risk" rating	 First in the chemical industry	 Included in Clean200	 Highest ranked P&C company