

REPORT

Q4
22

AkzoNobel



Our results at a glance

Highlights Q4 2022 (compared with Q4 2021)

- Revenue up 8% and 9% higher in constant currencies; pricing up 11%, volumes 9% lower
- Operating income at €103 million (2021: €205 million), resulting from lower volumes, higher raw material and freight costs, and inflation on operating expenses; OPI margin 4.0% (2021: 8.5%)
- Adjusted operating income at €126 million (2021: €209 million), excludes €23 million negative impact from Identified items (2021: €4 million negative impact); ROS at 4.8% (2021: 8.7%)
- Acquisition of wheel liquid coatings business of Lankwitzer Lackfabrik completed in December
- Share buyback of €500 million finalized in December

Highlights full-year 2022 (compared with full-year 2021)

- Revenue up 13% and 11% higher in constant currencies, pricing up 14%, volumes 7% lower
- Operating income at €708 million (2021: €1,118 million), resulting from lower volumes, higher raw material and freight costs, inflation on operating expenses and €46 million negative impact from hyperinflation accounting. OPI margin 6.5% (2021: 11.7%)
- Adjusted operating income at €789 million (2021: €1,092 million), excludes €81 million negative impact from Identified items (2021: €26 million positive impact); ROS at 7.3% (2021: 11.4%)
- Adjusted EBITDA at €1,157 million (2021: €1,436 million)
- Final dividend proposed of €1.54 per share (2021: €1.54 per share)

2023 Outlook*

AkzoNobel expects the ongoing macro-economic uncertainties to continue and weigh on organic volume growth. The company will focus on margin management, cost reduction, working capital normalization and de-leveraging.

Cost reduction programs are expected to mitigate the ongoing pressure from inflation in operating expenses for 2023. AkzoNobel expects declining raw material costs to have a favorable impact on profitability.

Based on current market conditions, AkzoNobel targets to deliver €1.2 to €1.5 billion adjusted EBITDA.

The company aims to lower its leverage ratio to less than 3.4 times net debt/EBITDA, including the impact of the Kansai Paint Africa acquisition, by the end of 2023 and return to around 2 times post-2023.

*Targets are based on organic volumes and constant currencies, and assume no significant market disruptions.

Summary of financial results

Fourth quarter			January-December			
2021	2022	Δ%	in € millions / %	2021	2022	Δ%
2,403	2,606	8%	Revenue	9,587	10,846	13%
299	198	(34%)	EBITDA*	1,469	1,076	(27%)
301	220	(27%)	Adjusted EBITDA*	1,436	1,157	(19%)
205	103	(50%)	Operating income	1,118	708	(37%)
(4)	(23)		Identified items*	26	(81)	
209	126	(40%)	Adjusted operating income*	1,092	789	(28%)
8.5	4.0		OPI margin (%)*	11.7	6.5	
8.7	4.8		ROS (%)*	11.4	7.3	
			Average invested capital*	6,829	8,062	18%
			ROI (%)*	16.0	9.8	
99	96		Capital expenditures	288	292	
			Net debt	2,340	4,089	
			Leverage ratio (net debt/EBITDA)*	1.6	3.8	
			Number of employees	32,800	35,200	
178	291		Net cash from operating activities	605	263	
187	8		Net income attributable to shareholders	829	352	
180.6	171.5		Weighted average number of shares (in millions)	185.0	174.7	
1.04	0.05		Earnings per share from total operations (in €)	4.48	2.01	
0.74	0.16		Adjusted earnings per share from continuing operations (in €)*	4.07	2.45	

* Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 15 and 16.

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 15 and 16.

Financial highlights

Q4 2022

Revenue

Revenue was 8% higher, and 9% higher in constant currencies, mainly resulting from significant pricing initiatives with pricing up 11%. Volumes were 9% lower, driven by softer demand in both Decorative Paints and Performance Coatings. Furthermore, volumes were negatively impacted by continued impact from COVID-19 in China. Acquisitions added 5%, mainly related to Grupo Orbis.

Cost of sales

Raw material and other variable costs (including freight), adjusted for the impact of lower volumes, increased €209 million compared with the fourth quarter of 2021.

Full-year 2022

Revenue

Revenue was 13% higher, and 11% higher in constant currencies, resulting from significant pricing initiatives with pricing up 14%. Volumes were 7% lower, mainly due to destocking in the distribution channels in Decorative Paints in Europe and in Performance Coatings, as well as the impact from COVID-19 in China. Furthermore, volumes were negatively impacted by supply constraints, especially in North America. Acquisitions added 4%, mainly related to Grupo Orbis.

Cost of sales

For the full-year 2022, raw material and other variable costs (including freight), adjusted for the impact of lower volumes, increased €1,143 million compared with the full-year 2021.

Acquisitions

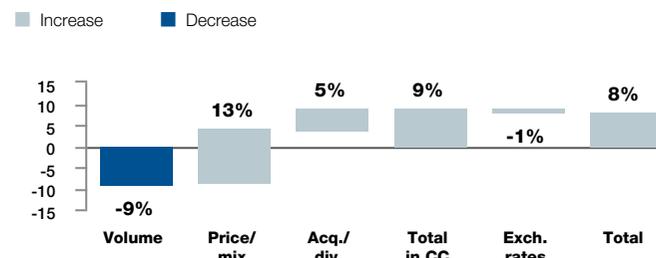
In April 2022, the acquisition of Colombia-based paints and coatings company Grupo Orbis was completed. A provisional purchase price allocation is included in the figures and will be finalized in Q1 2023.

Grupo Orbis results as from the acquisition date are included in the Decorative Paints Latin America business unit, and under Other in Performance Coatings. The allocation of revenues to the Decorative Paints and Performance Coatings segments is based on the nature and products of the underlying activities. Further allocation of revenues to business unit level within the Performance Coatings segment will be available as from Q1 2023.

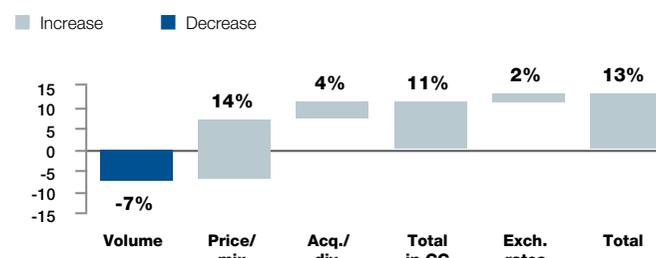
On December 1, 2022, the acquisition of the wheel liquid coatings business of Lankwitzer Lackfabrik GmbH was completed. Lankwitzer results as from the acquisition date are included in the Powder Coatings business unit in Performance Coatings.

On June 1, 2022, the intention to acquire Kansai Paints' activities in Africa was announced. The acquisition is expected to be completed in the second half of 2023.

Revenue development Q4 2022



Revenue development full-year 2022



Revenue

Fourth quarter				January-December				
2021	2022	Δ%	Δ% CC*	in € millions	2021	2022	Δ%	Δ% CC*
950	1,013	7%	9%	Decorative Paints	3,979	4,371	10%	8%
1,452	1,593	10%	9%	Performance Coatings	5,603	6,472	16%	13%
1	—	—	—	Other activities	5	3	—	—
2,403	2,606	8%	9%	Total	9,587	10,846	13%	11%

* Change excluding currency impact.

in % versus Q4 2021	Volume	Price/mix	Acq./div	Other	Exch. rates	Total
Decorative Paints	(9)	11	8	(1)	(2)	7
Performance Coatings	(9)	14	3	1	1	10
Total	(9)	13	5	—	(1)	8

in % versus full-year 2021	Volume	Price/mix	Acq./div	Other	Exch. rates	Total
Decorative Paints	(8)	11	5	—	2	10
Performance Coatings	(7)	17	3	—	3	16
Total	(7)	14	4	—	2	13

Volume development per quarter (year-on-year) in %	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22
Decorative Paints	(8)	(7)	(8)	(6)	(9)
Performance Coatings	(5)	(7)	(9)	(4)	(9)
Total	(6)	(7)	(9)	(5)	(9)

Price/mix development per quarter (year-on-year) in %	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22
Decorative Paints	10	12	11	11	11
Performance Coatings	14	19	19	14	14
Total	12	16	16	13	13

Currency development per quarter (year-on-year) in %	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22
Decorative Paints	1	2	3	2	(2)
Performance Coatings	2	2	4	6	1
Total	2	2	4	5	(1)

Financial highlights

Q4 2022

Operating income

Operating income was lower at €103 million (2021: €205 million) as a result of lower volumes, despite pricing initiatives more than compensating for raw material and freight costs inflation.

Operating income includes Identified items of €23 million negative, mainly related to restructuring costs (2021: €4 million negative). OPI margin at 4.0% (2021: 8.5%).

Other activities at €30 million negative (2021: €25 million negative).

Adjusted operating income

Adjusted operating income at €126 million (2021: €209 million). ROS at 4.8% (2021: 8.7%).

Full-year 2022

Operating income

Operating income was lower at €708 million (2021: €1,118 million) as a result of lower volumes, despite pricing initiatives more than compensating for raw material and freight costs inflation. Operating expenses increased as a result of higher manufacturing and supply chain costs.

Operating income includes Identified items of €81 million negative, mainly related to restructuring costs. In 2021, €26 million net positive Identified items mainly related to gains from the Brazil ICMS case and the UK pensions past service credit, partly offset by restructuring costs). OPI margin at 6.5% (2021: 11.7%).

Other activities at €128 million negative (2021: €120 million negative).

Adjusted operating income

Adjusted operating income at €789 million (2021: €1,092 million). ROS at 7.3% (2021: 11.4%).

Impact from the war in Ukraine and sanctions on Russia

Our business in Ukraine and Russia combined represented about 2% of our revenue prior to the start of the war, of which the vast majority concerned Russia.

Following the EU sanctions, the majority of our Performance Coatings activities in Russia was suspended and the residual Russian business is locally operated. As a result, the global Q4 2022 Performance Coatings revenues were negatively impacted by approximately 1% lower volumes (compared with Q4 2021).

No significant impairments of assets occurred in Russia; in Ukraine, the value of the assets is immaterial.

Impact from hyperinflation accounting (Türkiye and Argentina)

As per Q2 2022, we have retrospectively applied IAS 29 hyperinflation accounting for Türkiye as from January 1, 2022. For Argentina, hyperinflation accounting was already applicable since January 1, 2018. In addition, and in line with IAS 21, foreign currency rates at the end of the reporting period are used to translate both balance sheet and the statement of income into euros. The impact from hyperinflation accounting is included in operating income, as well as in adjusted operating income; no Identified item treatment is applied.

The net impact from hyperinflation accounting and the use of end of period rates on key financials for Q4 2022 and full-year is included in the table below.

Impact from hyperinflation accounting

in € millions	Revenues	(Adjusted) Operating income	Net income
Impact related to the fourth quarter	(21)	(16)	(15)
Full-year impact	5	(46)	(63)

Operating income

Fourth quarter			January-December			
2021*	2022	Δ%	in € millions	2021*	2022	Δ%
102	49	(52%)	Decorative Paints	622	392	(37%)
128	84	(34%)	Performance Coatings	616	444	(28%)
(25)	(30)		Other activities	(120)	(128)	
205	103	(50%)	Total	1,118	708	(37%)

* Operating income per segment for 2021 has 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.

Adjusted operating income

Fourth quarter			January-December			
2021*	2022	Δ%	in € millions	2021*	2022	Δ%
102	54	(47%)	Decorative Paints	580	397	(32%)
128	96	(25%)	Performance Coatings	614	493	(20%)
(21)	(24)		Other activities	(102)	(101)	
209	126	(40%)	Total	1,092	789	(28%)

* Adjusted operating income per segment for 2021 has 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.

Financial highlights

Full-year 2022

Financing income and expenses

Financing income and expenses at €124 million negative (2021: €39 million negative). The net higher expenses largely result from:

- An increase of net Interest on net debt of €25 million, mainly as a result of the bonds issued in March 2022, increased short-term debt and financing related to the Grupo Orbis acquisition
- An increase of Exchange rate results to €85 million negative (2021: €21 million negative), of which €20 million relates to expenses from Argentina and Türkiye hyperinflation accounting
- A decrease of Identified items included in interest income, which in 2022 included an interest income of €10 million related to the UK ACT case, whilst 2021 included an interest income of €28 million related to the Brazil ICMS case

Partly offset by:

- An increase of Interest on provisions to €17 million (2021: income of €3 million), mainly as a result of higher discount rates which reduce discounted provision balances.

Income tax

The effective tax rate was 35.5% (2021: 22.3%). Excluding Identified items, the effective tax rate was 32.5% (2021: 24.9%).

The high effective tax rate in 2022 is mainly related to a €13 million true-up of the tax charge related to the UK ACT case (booked as Identified item), non-deductible charges resulting from hyperinflation accounting and the impact from the UK tax rate change.

The low effective tax rate in 2021 was mainly related to the impact from the Brazil ICMS and UK ACT cases, in combination with a net re-recognition of deferred tax assets (all booked as Identified items).

Net income

Net income attributable to shareholders was €352 million (2021: €829 million). Earnings per share from total operations decreased to €2.01 (2021: €4.48), including the impact of share buyback programs.

		Fourth quarter		January-December	
2021	2022	in € millions		2021	2022
205	103	Operating income		1,118	708
(8)	(51)	Financing income and expenses		(39)	(124)
5	(1)	Results from associates and joint ventures		26	18
202	51	Profit before tax		1,105	602
(2)	(34)	Income tax		(246)	(214)
200	17	Profit from continuing operations		859	388
1	—	Profit from discontinued operations		6	(10)
201	17	Profit for the period		865	378
(14)	(9)	Non-controlling interests		(36)	(26)
187	8	Net income		829	352



Partner power driving collective reduction of carbon emissions

Value chain partners have teamed up with AkzoNobel in the fields of circular solutions, process efficiency and solvent reduction in a determined effort to collectively reduce carbon emissions in the paints and coatings value chain, including Scope 3 emissions. Five teams have been established as part of our first ever Paint the Future Collaborative Sustainability Challenge. They will now work together in their respective groups to develop possible solutions for limiting climate change.

Decorative Paints

Highlights Q4 2022

- Revenue up 7% and up 9% in constant currencies, mainly resulting from pricing initiatives, with pricing up 10%
- ROS at 5.3% (2021: 10.7%), resulting from lower volumes and continued raw material and freight costs inflation

Highlights full-year 2022

- Revenue up 10% and up 8% in constant currencies, mainly resulting from pricing initiatives with pricing up 12%
- ROS at 9.1% (2021: 14.6%), resulting from lower volumes and continued raw material and freight costs inflation

Q4 2022

Revenue was up 7% and 9% higher in constant currencies, with significant pricing initiatives partly offset by lower volumes, mainly due to softer market demand in Europe and continued impact from COVID-19 in China. Pricing was up 10%; acquisitions added 8%.

Operating income of €49 million (2021: €102 million), as pricing initiatives were more than offset by a combined impact from lower volumes, continued raw material and freight costs inflation and higher operating expenses. Operating income included €5 million negative Identified items (2021: €nil).

Adjusted operating income at €54 million (2021: €102 million). ROS at 5.3% (2021: 10.7%).

Full-year 2022

Revenue was up 10% and 8% higher in constant currencies, with significant pricing initiatives partly offset by lower volumes, mainly due to destocking in the distribution channels in Europe and softer market demand in China due to the impact from COVID-19. Pricing was up 12%; acquisitions added 5%.

Operating income of €392 million (2021: €622 million), as pricing initiatives were more than offset by the combined impact from lower volumes, continued raw material and freight costs inflation and higher operating expenses. Operating income included €5 million negative Identified items, mainly related to restructuring costs (2021: €42 million positive, mainly related to one-off gains from the Brazil

ICMS case and UK pensions curtailment, partly offset by restructuring costs).

Adjusted operating income at €397 million (2021: €580 million). ROS at 9.1% (2021: 14.6%).

Revenue

Fourth quarter				January-December				
2021	2022	Δ%	Δ% CC ¹	in € millions	2021	2022	Δ%	Δ% CC ¹
498	509	2%	4%	Decorative Paints EMEA	2,429	2,405	(1%)	(1%)
148	234	58%	85%	Decorative Paints Latin America ²	477	794	66%	68%
304	270	(11%)	(13%)	Decorative Paints Asia	1,073	1,172	9%	3%
950	1,013	7%	9%	Total	3,979	4,371	10%	8%

¹ Change excluding currency impact

² Previously reported as Decorative Paints South America; includes Grupo Orbis Paints business as from April 21, 2022

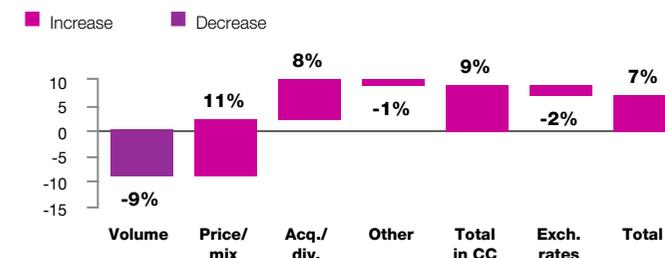
Key financial figures

Fourth quarter				January-December		
2021	2022	Δ%	in € millions / %	2021	2022	Δ%
102	49	(52%)	Operating income ¹	622	392	(37%)
—	(5)		Identified items ²	42	(5)	
102	54	(47%)	Adjusted operating income ^{1,2}	580	397	(32%)
10.7	4.8		OPI margin (%) ^{1,2}	15.6	9.0	
10.7	5.3		ROS (%) ^{1,2}	14.6	9.1	
			Average invested capital ²	2,872	3,678	28%
			ROI (%) ^{1,2}	20.2	10.8	

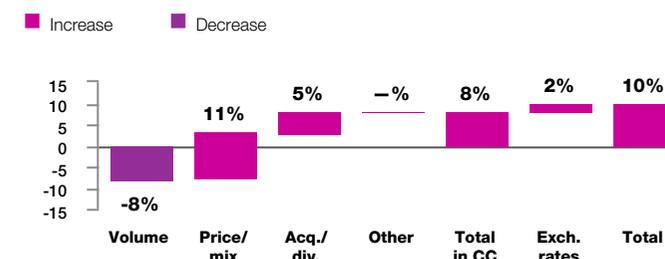
¹ Operating income and adjusted operating income (and related measures) for 2021 have been updated to reflect changes in the financial reporting structure related to a narrower definition of corporate activities and corporate costs in 'Other activities'. More information is available on our website.

² Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 15 and 16.

Revenue development Q4 2022



Revenue development full-year 2022



Europe, Middle East and Africa

Revenue in Q4 was up 2% and 4% higher in constant currencies, mainly as a result of significant pricing initiatives, partially offset by lower volumes. Lower volumes were mainly due to weakening consumer confidence resulting in softer market demand, especially in Western Europe.

Revenue for the full-year was 1% lower and down 1% in constant currencies, with revenue growth from pricing initiatives more than offset by lower volumes, mainly in the DIY segment.

Latin America

Revenue in Q4 was 58% higher and up 85% in constant currencies, driven by the acquisition of Grupo Orbis (effective April 21, 2022) and pricing initiatives. Excluding Grupo Orbis, revenue in Latin America was 6% higher compared with Q4 2021 (23% in constant currencies), despite lower volumes in Brazil. Revenue growth was driven by pricing initiatives, store expansions and new product introductions across countries. Grupo Orbis continued to show strong performance.

Revenue for the full-year was 66% higher and up 68% in constant currencies, resulting from the Grupo Orbis acquisition and strong pricing initiatives. Excluding Grupo Orbis, revenue grew 28% compared with 2021 (29% in constant currencies).

Asia

Revenue in Q4 was 11% lower and down 13% in constant currencies, mainly due to lower volumes from continued COVID-19 impact and decreased consumer confidence in China. South Asia continued to deliver higher pricing. South Asia was impacted by extended seasonal rain conditions early in the quarter, especially in India, while showing recovery in the second half of the quarter.

Revenue for the full-year was 9% higher and up 3% in constant currencies. China volumes were impacted by COVID-19, which was offset by pricing initiatives, favorable currency effects and geographic expansion. South Asia showing revenue growth as a result of pricing initiatives and higher volumes, especially in India and Vietnam.



Protecting the protectors

We completed a repainting project in Vietnam as part of our Lighthouse Protection Campaign. Cu Lao Xanh – built in 1890 – was coated with more than 11,000 liters of Dulux Weathershield to help protect it against the elements. A great example of how our People. Planet. Paint. approach helps to preserve local history and heritage.

Performance Coatings

Highlights Q4 2022

- Revenue up 10% and up 9% in constant currencies. Revenue growth driven by Marine and Protective Coatings and Automotive and Specialty Coatings, pricing up 12%
- ROS at 6.0% (2021: 8.8%), resulting from lower volumes and continued raw material and freight costs inflation

Highlights full-year 2022

- Revenue up 16% and up 13% in constant currencies. Revenue growth in all segments resulting from pricing initiatives with pricing up 16%
- ROS at 7.6% (2021: 11.0%), resulting from lower volumes, raw material and freight costs inflation and supply constraints, mainly in North America

Q4 2022

Revenue was 10% higher and up 9% in constant currencies, driven by strong pricing initiatives in all segments with pricing up 12%. Volumes were lower due to softer market demand, as well as the continued impact from COVID-19 in China, offsetting volume growth in Marine and Protective, Automotive and Aerospace. Furthermore, the suspension of activities in Russia negatively impacted revenues by 1%.

Operating income of €84 million (2021: €128 million), as pricing initiatives were more than offset by lower volumes and continued impact from raw material and freight costs inflation. Operating income included €12 million negative Identified items, mainly related to restructuring costs (2021: €nil).

Adjusted operating income at €96 million (2021: €128 million). ROS at 6.0% (2021: 8.8%).

Full-year 2022

Revenue was 16% higher and up 13% in constant currencies, driven by strong pricing initiatives in all segments with pricing up 16%. Volumes were lower due to destocking, COVID-19 impact in China and supply chain constraints, mainly in North America.

Operating income of €444 million (2021: €616 million), as pricing initiatives were more than offset by lower volumes and the continued impact from raw material and freight costs inflation. Operating income included €49 million negative Identified items, mainly related

to restructuring costs (2021: €2 million positive, related to one-off gains from the Brazil ICMS case, partly offset by restructuring costs).

Adjusted operating income at €493 million (2021: €614 million). ROS at 7.6% (2021: 11.0%).

Revenue

Fourth quarter				January-December				
2021	2022	Δ%	Δ% CC*	in € millions	2021	2022	Δ%	Δ% CC*
332	335	1%	—%	Powder Coatings	1,315	1,376	5%	2%
307	363	18%	16%	Marine and Protective Coatings	1,164	1,374	18%	13%
314	342	9%	7%	Automotive and Specialty Coatings	1,231	1,390	13%	9%
499	504	1%	1%	Industrial Coatings	1,893	2,181	15%	12%
—	49			Other activities	—	151		
1,452	1,593	10%	9%	Total	5,603	6,472	16%	13%

* Change excluding currency impact.

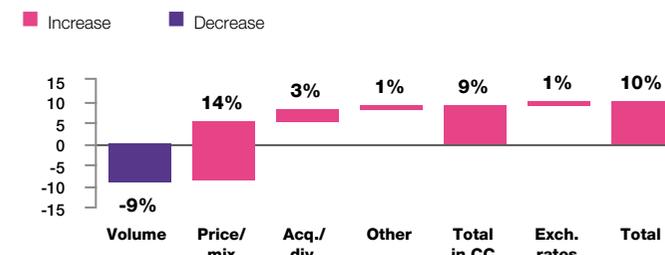
Key financial figures

Fourth quarter				January-December		
2021	2022	Δ%	in € millions / %	2021	2022	Δ%
128	84	(34%)	Operating income ¹	616	444	(28%)
—	(12)		Identified items ²	2	(49)	
128	96	(25%)	Adjusted operating income ^{1,2}	614	493	(20%)
8.8	5.3		OPI margin (%) ^{1,2}	11.0	6.9	
8.8	6.0		ROS (%) ^{1,2}	11.0	7.6	
			Average invested capital ²	3,520	3,894	11%
			ROI (%) ^{1,2}	17.4	12.7	

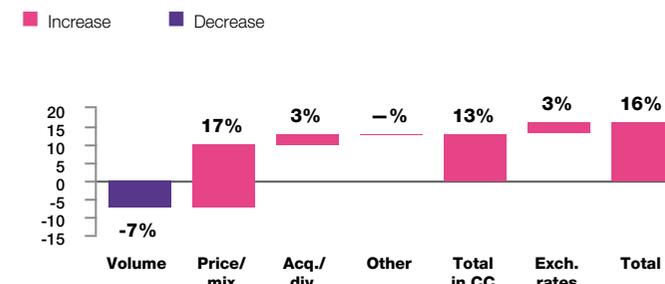
¹ Operating income and adjusted operating income (and related measures) for 2021 have been updated to reflect changes in the financial reporting structure related to a narrower definition of corporate activities and corporate costs in 'Other activities'. More information is available on our website.

² Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 15 and 16.

Revenue development Q4 2022



Revenue development full-year 2022



Powder Coatings

Revenue in Q4 was up 1% and flat in constant currencies due to pricing initiatives in all segments partly offset by lower volumes. Volumes in the architectural segment were lower as a result of softer demand in Europe and North America, which was partly offset by higher volumes in the automotive segment resulting from market recovery. Furthermore, volumes in China were impacted as a result of COVID-19.

Revenue for the full-year was 5% higher and up 2% in constant currencies, driven by pricing initiatives, despite lower volumes.

Marine and Protective Coatings

Revenue in Q4 was up 18% and 16% higher in constant currencies. The increase was driven by pricing initiatives and volume growth in all segments, especially in Asia.

Revenue for the full-year was 18% higher and up 13% in constant currencies, driven by significant pricing initiatives and volume growth in the Marine and Protective segment.

Automotive and Specialty Coatings

Revenue in Q4 was up 9% and 7% higher in constant currencies, mainly due to pricing initiatives, despite weakness in Consumer Electronics in Asia and COVID-19 impact in China. Aerospace and Automotive continued to show strong revenue growth.

Revenue for the full-year was 13% higher and up 9% in constant currencies, resulting from pricing initiatives. Volume growth in Aerospace, Vehicle Refinishes and Automotive. Volumes lower in Consumer Electronics as a result of continued softer market demand.

Industrial Coatings

Revenue in Q4 was up 1% and 1% higher in constant currencies, driven by significant pricing initiatives partly offset by lower volumes. Volumes were lower as a result of destocking and softer market demand, as well as high energy costs impacting Packaging and Wood in Europe and North America.

Revenue for the full-year was 15% higher and up 12% in constant currencies, resulting from significant pricing initiatives. Industrial Coatings had a solid first half-year despite supply constraints early in the year, while the second half-year was impacted by lower volumes from softer market demand.

Other activities

Other activities includes Grupo Orbis revenues (as from April 21, 2022) to the extent these relate to the Performance Coatings segment.



Partnership with electric vehicle maker BYD announced

We've become the global refinish partner for BYD Auto Sales Company Ltd. – currently the world's leading seller of electric vehicles. AkzoNobel has been a recommended supplier of vehicle refinish products and services to BYD in China since 2017. The new deal means that agreement will continue, while extending the partnership to serve BYD's bodyshops and approved repairer networks worldwide.

Condensed consolidated financial statements

Condensed consolidated statement of income

Fourth quarter			January-December	
2021	2022	in € millions	2021	2022
Continuing operations				
2,403	2,606	Revenue	9,587	10,846
(1,481)	(1,675)	Cost of sales*	(5,683)	(6,923)
922	931	Gross profit	3,904	3,923
(725)	(829)	SG&A costs*	(2,853)	(3,215)
8	1	Other results	67	—
205	103	Operating income	1,118	708
(8)	(51)	Financing income and expenses	(39)	(124)
5	(1)	Results from associates and joint ventures	26	18
202	51	Profit before tax	1,105	602
(2)	(34)	Income tax	(246)	(214)
200	17	Profit for the period from continuing operations	859	388
Discontinued operations				
1	—	Profit/(loss) for the period from discontinued operations	6	(10)
201	17	Profit for the period	865	378
Attributable to				
187	8	Shareholders of the company	829	352
14	9	Non-controlling interests	36	26
201	17	Profit for the period	865	378

* Cost of sales and SG&A costs for 2021 have been updated to reflect changes in the financial reporting structure related to recent changes in the organizational set-up and related governance structure, with no net impact on operating income or net income. More information is available on our website.

Condensed consolidated statement of comprehensive income

Fourth quarter			January-December	
2021	2022	in € millions	2021	2022
201	17	Profit for the period	865	378
Other comprehensive income				
145	(326)	Exchange differences arising on translation of foreign operations	373	(163)
(18)	(36)	Cash flow hedges	(19)	(15)
(9)	(303)	Post-retirement benefits	(13)	(375)
(4)	74	Tax relating to components of other comprehensive income	(7)	88
114	(591)	Other comprehensive income for the period (net of tax)	334	(465)
315	(574)	Comprehensive income for the period	1,199	(87)
Comprehensive income for the period attributable to				
305	(570)	Shareholders of the company	1,164	(115)
10	(4)	Non-controlling interests	35	28
315	(574)	Comprehensive income for the period	1,199	(87)

Condensed consolidated balance sheet

in € millions	December 31, 2021	December 31, 2022
Assets		
Non-current assets		
Intangible assets	3,690	4,072
Property, plant and equipment	1,800	1,968
Right-of-use assets	304	291
Other non-current assets	2,736	2,166
Total non-current assets	8,530	8,497
Current assets		
Inventories	1,650	1,843
Trade and other receivables	2,339	2,447
Current tax assets	149	168
Short-term investments	58	336
Cash and cash equivalents	1,152	1,450
Total current assets	5,348	6,244
Total assets	13,878	14,741
Equity and liabilities		
Group equity		
	5,636	4,548
Non-current liabilities		
Provisions and deferred tax liabilities	1,379	1,115
Long-term borrowings	1,994	3,332
Total non-current liabilities	3,373	4,447
Current liabilities		
Short-term borrowings	1,556	2,543
Trade and other payables	2,948	2,801
Other short-term liabilities	365	402
Total current liabilities	4,869	5,746
Total equity and liabilities	13,878	14,741

Shareholders' equity

Shareholders' equity amounted to €4.3 billion at December 31, 2022, compared with €5.4 billion at year-end 2021. Main movements relate to:

- Profit for the period of €352 million

Offset by movements from:

- Share buyback of €660 million (including taxes)
- Dividend of €347 million
- Actuarial losses of €289 million (including taxes)
- Currency effects of €163 million negative (including taxes)

Dividend

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

The final 2021 dividend of €1.54 per common share was approved by the AGM in April 2022 and was paid. The total 2021 dividend amounted to €1.98 per share (2020: €1.95).

In 2022, an interim dividend of €0.44 per share (2021: €0.44) was paid. A final 2022 dividend of €1.54 (2021: €1.54) per share is proposed.

Outstanding share capital

The outstanding share capital was 174.4 million common shares at the end of December 2022. This included 4.0 million shares acquired in the share buyback programs not yet cancelled.

The weighted average number of shares in Q4 2022 was 171.5 million shares. The weighted average number of shares for the full-year 2022 was 174.7 million shares. The weighted average number of shares excludes shares bought back and not yet cancelled and is the basis for the calculation of earnings per share.

In February 2021, a €1 billion share buyback program was announced, which was completed in January 2022.

In February 2022, a €500 million share buyback program was announced, which was completed in December 2022.

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
Balance at December 31, 2020	95	—	(873)	6,524	5,746	204	5,950
Profit for the period	—	—	—	829	829	36	865
Other comprehensive income	—	(19)	380	(26)	335	(1)	334
Comprehensive income for the period	—	(19)	380	803	1,164	35	1,199
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)
Balance at December 31, 2021	91	(19)	(493)	5,846	5,425	211	5,636
Balance at December 31, 2021	91	(19)	(493)	5,846	5,425	211	5,636
Impact IAS 29 Hyperinflation Türkiye*	—	—	—	16	16	2	18
Balance at January 1, 2022	91	(19)	(493)	5,862	5,441	213	5,654
Profit for the period	—	—	—	352	352	26	378
Other comprehensive income	—	(15)	(163)	(289)	(467)	2	(465)
Comprehensive income for the period	—	(15)	(163)	63	(115)	28	(87)
Dividend	—	—	—	(347)	(347)	(29)	(376)
Share buyback	(4)	—	—	(656)	(660)	—	(660)
Equity-settled transactions	—	—	—	14	14	—	14
Acquisitions and divestments	—	—	—	—	—	3	3
Balance at December 31, 2022	87	(34)	(656)	4,936	4,333	215	4,548

*As per June 2022, Türkiye has been identified as a hyperinflation economy. IAS 29 "Financial Reporting in Hyperinflationary Economies" has been applied retrospectively as from January 1, 2022, for our activities in Türkiye.

Cash flows and net debt

Net cash from operating activities in Q4 resulted in an inflow of €291 million (2021: inflow of €178 million). The increase in inflow was mainly driven by a higher inflow from changes in working capital, partly offset by lower profit for the quarter.

Net cash from investing activities in Q4 resulted in an outflow of €420 million (2021: outflow of €129 million) mainly related to a higher net outflow from short-term investments.

Net cash from financing activities in Q4 resulted in an inflow of €328 million (2021: inflow of €31 million); the increase in inflow is mainly related to a higher inflow from changes from borrowings and lower outflows from the share buyback.

At December 31, 2022, net debt was €4,089 million versus €2,340 million at year-end 2021, mainly due to the share buyback programs (€669 million), outflows related to acquisitions (€552 million), dividend (€379 million) and capital expenditures (€292 million). The net debt/ EBITDA leverage ratio at December 31, 2022, was 3.8 (December 31, 2021: 1.6).

Free cash flows

The free cash flow in Q4 2022 was higher compared with Q4 2021, mainly due to the impact from changes in working capital, partly offset by lower profit for the period.

Condensed consolidated statements of cash flows

Fourth quarter			January-December	
2021	2022	in € millions	2021	2022
1,020	1,248	Net cash and cash equivalents at beginning of period	1,581	1,112
200	17	Profit for the period from continuing operations	859	388
94	95	Amortization and depreciation	351	368
—	—	Impairment losses	3	6
8	51	Financing income and expenses	39	124
(5)	1	Results from associates and joint ventures	(26)	(18)
(2)	(5)	Pre-tax result on acquisitions and divestments	(14)	(21)
2	34	Income tax	246	214
(10)	204	Changes in working capital	(405)	(509)
—	(1)	Pension pre-funding	23	47
(13)	(15)	Changes in post-retirement benefit provisions	(55)	(31)
(20)	(23)	Changes in other provisions	(94)	(33)
(15)	(20)	Interest paid	(77)	(78)
(65)	(53)	Income tax paid	(222)	(224)
4	6	Other changes	(23)	30
178	291	Net cash generated from/(used for) operating activities	605	263
(99)	(96)	Capital expenditures	(288)	(292)
8	(22)	Acquisitions and divestments net of cash acquired/divested	(52)	(552)
(45)	(316)	Investments in short-term investments	(56)	(1,361)
—	3	Repayments of short-term investments	247	1,084
7	11	Other changes	15	26
(129)	(420)	Net cash generated from/(used for) investing activities	(134)	(1,095)
465	600	Changes from borrowings	553	2,189
(344)	(182)	Share buyback	(1,135)	(669)
(90)	(90)	Dividend paid	(391)	(379)
—	—	Buy-out of non-controlling interests	(1)	—
31	328	Net cash from/(used for) financing activities	(974)	1,141
80	199	Net cash generated from/(used for) continuing operations	(503)	309
(1)	—	Cash flows from discontinued operations	(1)	(9)
79	199	Net change in cash and cash equivalents of continuing and discontinued operations	(504)	300
13	(49)	Effect of exchange rate changes on cash and cash equivalents	35	(14)
1,112	1,398	Net cash and cash equivalents at December 31	1,112	1,398

Consolidated statement of free cash flows

Fourth quarter			January-December	
2021	2022	in € millions	2021	2022
299	198	EBITDA	1,469	1,076
—	—	Impairment losses	3	6
(2)	(5)	Pre-tax results on acquisitions and divestments	(14)	(21)
(10)	204	Changes in working capital	(405)	(509)
—	(1)	Pension pre-funding	23	47
(1)	(1)	Pension top-up payments	(11)	(9)
(32)	(37)	Other changes in provisions	(138)	(55)
(15)	(20)	Interest paid	(77)	(78)
(65)	(53)	Income tax paid	(222)	(224)
4	6	Other	(23)	30
178	291	Net cash generated from/(used for) operating activities	605	263
(99)	(96)	Capital expenditures	(288)	(292)
79	195	Free cash flow	317	(29)

Invested capital

Invested capital at December 31, 2022, totaled €8.1 billion, up €1.0 billion from year-end 2021. This increase was mainly caused by higher intangible and tangible fixed assets (included in non-current assets; largely resulting from the Grupo Orbis acquisition), higher operating working capital (trade) and FX impact.

Operating working capital (trade)

Operating working capital (trade) was €1.8 billion at December 31, 2022 (December 31, 2021: €1.2 billion).

Operating working capital (trade) as a percentage of revenue was 16.9% in Q4 2022, compared with 13.0% in Q4 2021. This increase in operating working capital (trade) as a percentage of revenue was mainly due to increased raw material prices, higher pricing and FX impact. Compared with Q3 2022, inventory reduction initiatives caused inventories to decrease by €0.2 billion. Payables decreased, mainly as a result of destocking initiatives in the second half of the year.

Pension

The net balance sheet position (according to IAS19) of the pension plans at the end of Q4 was a surplus of €0.7 billion (year-end 2021: surplus of €1.1 billion). The development during 2022 mainly was the result of the net effect in key countries from higher discount rates, lower plan asset returns and higher other results, including FX.

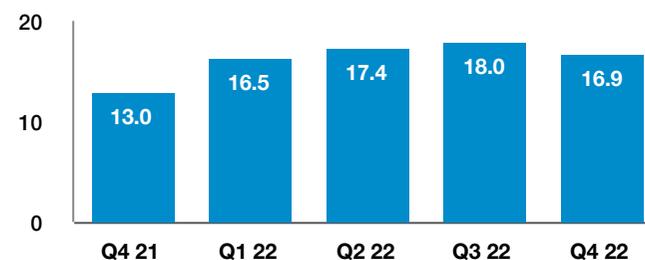
Workforce

At December 31, 2022, the number of people employed was 35,200 (September 30, 2022: 35,600).

Invested capital		
in € millions	December 31, 2021	December 31, 2022
Trade receivables	1,973	2,123
Inventories	1,650	1,843
Trade payables	(2,376)	(2,206)
Operating working capital (trade)	1,247	1,760
Other working capital items	(273)	(339)
Non-current assets	8,530	8,497
Less investments in associates and joint ventures	(178)	(193)
Less pension assets	(1,638)	(1,029)
Deferred tax liabilities	(567)	(561)
Invested capital	7,121	8,135

Operating working capital (trade)

In % of revenue



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 condensed financial statements of Akzo Nobel N.V. and its consolidated subsidiaries (in this document referred to as "AkzoNobel", "the 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 interim condensed financial statements have been authorized for issue. The full-year 2022 numbers included in the interim condensed consolidated financial statements are derived from the consolidated financial statements 2022. The consolidated financial statements 2022 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 1, 2023.

Accounting policies

The significant accounting policies applied in the interim condensed consolidated financial statements are consistent with those applied in AkzoNobel's consolidated financial statements for the year ended December 31, 2021, except for IFRS standards and interpretations becoming effective on January 1, 2022. This includes, among others, amendments to IFRS 3 "References to the Conceptual Framework", amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use", amendments to IAS 37 "Onerous Contracts – Costs of Fulfilling a Contract" and IFRS 9 "Financial Instruments – Fees in the '10 percent' test for derecognition of Financial liabilities". 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 2022

in € millions	Decorative Paints	Performance Coatings	Other	Total
Primary geographical markets				
The Netherlands	206	110	3	319
Other EMEA countries	2,199	2,515	–	4,714
North Asia	564	1,164	–	1,728
South Asia Pacific	608	763	–	1,371
North America	–	1,416	–	1,416
Latin America*	794	504	–	1,298
Total	4,371	6,472	3	10,846
Timing of revenue recognition				
Goods transferred at a point in time	4,284	6,258	–	10,542
Services transferred over time	87	214	3	304
Total	4,371	6,472	3	10,846

*Previously reported as South America

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.

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 margins are used as performance measures. ROS is adjusted operating income as percentage of revenue.

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.

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.

Operating income

Fourth quarter			January-December			
2021	2022	Δ%	in € millions	2021	2022	Δ%
102	49	(52%)	Decorative Paints	622	392	(37%)
128	84	(34%)	Performance Coatings	616	444	(28%)
(25)	(30)		Other activities	(120)	(128)	
205	103	(50%)	Total	1,118	708	(37%)

Identified items

Fourth quarter			January-December			
2021	2022		in € millions	2021	2022	
—	(5)		Decorative Paints	42	(5)	
—	(12)		Performance Coatings	2	(49)	
(4)	(6)		Other activities	(18)	(27)	
(4)	(23)		Total	26	(81)	

Adjusted operating income

Fourth quarter			January-December			
2021	2022	Δ%	in € millions	2021	2022	Δ%
102	54	(47%)	Decorative Paints	580	397	(32%)
128	96	(25%)	Performance Coatings	614	493	(20%)
(21)	(24)		Other activities	(102)	(101)	
209	126	(40%)	Total	1,092	789	(28%)

EBITDA

Fourth quarter			January-December			
2021	2022	Δ%	in € millions	2021	2022	Δ%
205	103	(50%)	Operating income	1,118	708	(37%)
94	95		Depreciation and amortization	351	368	
299	198	(34%)	EBITDA	1,469	1,076	(27%)

Adjusted EBITDA

Fourth quarter			January-December			
2021	2022	Δ%	in € millions	2021	2022	Δ%
209	126	(40%)	Adjusted operating income	1,092	789	(28%)
92	94		Depreciation and amortization (excluding Identified items)	344	368	
301	220	(27%)	Adjusted EBITDA	1,436	1,157	(19%)

OPI margin

Fourth quarter			January-December		
2021	2022	in %	2021	2022	
10.7	4.8		Decorative Paints	15.6	9.0
8.8	5.3		Performance Coatings	11.0	6.9
8.5	4.0		Total	11.7	6.5

ROS

Fourth quarter			January-December		
2021	2022	in %	2021	2022	
10.7	5.3		Decorative Paints	14.6	9.1
8.8	6.0		Performance Coatings	11.0	7.6
8.7	4.8		Total	11.4	7.3

* 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		
2021	2022	in € millions	2021	2022	
202	51		Profit before tax from continuing operations	1,105	602
4	23		Identified items reported in operating income	(26)	81
(8)	—		Identified items reported in interest	(29)	(10)
(50)	(38)		Adjusted income tax	(261)	(219)
(14)	(9)		Non-controlling interests	(36)	(26)
134	27		Adjusted net income from continuing operations	753	428
180.6	171.5		Weighted average number of shares (in millions)	185.0	174.7
0.74	0.16		Adjusted earnings per share from continuing operations	4.07	2.45

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

Average invested capital

January 2021 - December 2021/January 2022 - December 2022

in € millions	2021	2022	Δ%
Decorative Paints	2,872	3,678	28%
Performance Coatings	3,520	3,894	11%
Other activities	437	490	
Total	6,829	8,062	18%

ROI%

January 2021 - December 2021/January 2022 - December 2022

in %	2021	2022
Decorative Paints	20.2	10.8
Performance Coatings	17.4	12.7
Other activities*		
Total	16.0	9.8

* 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 2021 - December 2021/January 2022 - December 2022

in € millions	2021	2022
Operating income	1,118	708
Depreciation and amortization	351	368
EBITDA	1,469	1,076

Net debt

in € millions	December 31, 2021	December 31, 2022
Short-term investments	(58)	(336)
Cash and cash equivalents	(1,152)	(1,450)
Long-term borrowings	1,994	3,332
Short-term borrowings	1,556	2,543
Total	2,340	4,089

Leverage ratio

January 2021 - December 2021/January 2022 - December 2022

in € millions	2021	2022
Net debt	2,340	4,089
EBITDA	1,469	1,076
Leverage ratio	1.6	3.8

2023 Outlook*

AkzoNobel expects the ongoing macro-economic uncertainties to continue and weigh on organic volume growth. The company will focus on margin management, cost reduction, working capital normalization and de-leveraging.

Cost reduction programs are expected to mitigate the ongoing pressure from inflation in operating expenses for 2023. AkzoNobel expects declining raw material costs to have a favorable impact on profitability.

Based on current market conditions, AkzoNobel targets to deliver €1.2 to €1.5 billion adjusted EBITDA.

The company aims to lower its leverage ratio to less than 3.4 times net debt/EBITDA, including the impact of the Kansai Paint Africa acquisition, by the end of 2023 and return to around 2 times post-2023.

*Targets are based on organic volumes and constant currencies, and assume no significant market disruptions.

Amsterdam, February 7, 2023 The Board of Management

Greg Poux-Guillaume
Maarten de Vries

Paints and Coatings

Quarterly statistics

					2021						2022
Q1	Q2	Q3	Q4	Full-year	in € millions	Q1	Q2	Q3	Q4	Full-year	
Revenue											
930	1,086	1,013	950	3,979	Decorative Paints	1,006	1,182	1,170	1,013	4,371	
1,332	1,423	1,396	1,452	5,603	Performance Coatings	1,518	1,670	1,691	1,593	6,472	
1	2	1	1	5	Other activities	1	1	1	—	3	
2,263	2,511	2,410	2,403	9,587	Total	2,525	2,853	2,862	2,606	10,846	
EBITDA^{1,2}											
179	271	181	145	776	Decorative Paints	151	164	144	87	546	
223	217	166	170	776	Performance Coatings	190	155	142	128	615	
(14)	(19)	(34)	(16)	(83)	Other activities	(20)	(27)	(21)	(17)	(85)	
388	469	313	299	1,469	Total	321	292	265	198	1,076	
17.1	18.7	13.0	12.4	15.3	EBITDA margin (in %)	12.7	10.2	9.3	7.6	9.9	
Adjusted EBITDA (excluding Identified items)^{1,2}											
179	222	184	143	728	Decorative Paints	142	169	148	93	552	
225	210	168	170	773	Performance Coatings	188	187	149	140	664	
(13)	(13)	(27)	(12)	(65)	Other activities	(13)	(19)	(14)	(13)	(59)	
391	419	325	301	1,436	Total	317	337	283	220	1,157	
17.3	16.7	13.5	12.5	15.0	Adjusted EBITDA margin (in %)	12.6	11.8	9.9	8.4	10.7	
Depreciation/Depreciation excluding Identified items²											
(31)/(30)	(32)/(30)	(33)/(32)	(38)/(36)	(134)/(128)	Decorative Paints	(33)/(32)	(30)/(30)	(33)/(34)	(31)/(32)	(127)/(128)	
(29)/(28)	(31)/(31)	(32)/(32)	(33)/(33)	(125)/(124)	Performance Coatings	(31)/(30)	(33)/(34)	(35)/(35)	(35)/(35)	(134)/(134)	
(8)/(9)	(5)/(6)	(4)/(2)	(5)/(5)	(22)/(22)	Other activities	(7)/(7)	(3)/(3)	(5)/(6)	(5)/(3)	(20)/(19)	
(68)/(67)	(68)/(67)	(69)/(66)	(76)/(74)	(281)/(274)	Total	(71)/(69)	(66)/(67)	(73)/(75)	(71)/(70)	(281)/(281)	
Amortization/Amortization excluding Identified items²											
(5)/(5)	(5)/(5)	(5)/(5)	(5)/(5)	(20)/(20)	Decorative Paints	(5)/(5)	(6)/(6)	(9)/(9)	(7)/(7)	(27)/(27)	
(9)/(9)	(8)/(8)	(9)/(9)	(9)/(9)	(35)/(35)	Performance Coatings	(9)/(9)	(10)/(10)	(9)/(9)	(9)/(9)	(37)/(37)	
(3)/(3)	(4)/(4)	(4)/(4)	(4)/(4)	(15)/(15)	Other activities	(4)/(4)	(5)/(5)	(6)/(6)	(8)/(8)	(23)/(23)	
(17)/(17)	(17)/(17)	(18)/(18)	(18)/(18)	(70)/(70)	Total	(18)/(18)	(21)/(21)	(24)/(24)	(24)/(24)	(87)/(87)	

¹ Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 15 and 16.

² EBITDA, adjusted EBITDA, depreciation and amortization (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.

Paints and Coatings

Quarterly statistics

					2021							2022			
Q1	Q2	Q3	Q4	Full-year	in € millions	Q1	Q2	Q3	Q4	Full-year	Q1	Q2	Q3	Q4	Full-year
Operating income²															
143	234	143	102	622	Decorative Paints	113	128	102	49	392					
185	178	125	128	616	Performance Coatings	150	112	98	84	444					
(25)	(28)	(42)	(25)	(120)	Other activities	(31)	(35)	(32)	(30)	(128)					
303	384	226	205	1,118	Total	232	205	168	103	708					
13.4	15.3	9.4	8.5	11.7	OPI margin (in %)	9.2	7.2	5.9	4.0	6.5					
Identified items included in operating income															
(1)	47	(4)	—	42	Decorative Paints	8	(5)	(3)	(5)	(5)					
(3)	7	(2)	—	2	Performance Coatings	1	(31)	(7)	(12)	(49)					
—	(5)	(9)	(4)	(18)	Other activities	(7)	(8)	(6)	(6)	(27)					
(4)	49	(15)	(4)	26	Total	2	(44)	(16)	(23)	(81)					
Adjusted operating income (excluding Identified items)^{1,2}															
144	187	147	102	580	Decorative Paints	105	133	105	54	397					
188	171	127	128	614	Performance Coatings	149	143	105	96	493					
(25)	(23)	(33)	(21)	(102)	Other activities	(24)	(27)	(26)	(24)	(101)					
307	335	241	209	1,092	Total	230	249	184	126	789					
13.6	13.3	10.0	8.7	11.4	ROS (in %)	9.1	8.7	6.4	4.8	7.3					
Reconciliation financing income and expenses															
3	4	2	3	12	Financing income	4	1	4	10	19					
(17)	(18)	(20)	(19)	(74)	Financing expenses	(16)	(29)	(26)	(35)	(106)					
(14)	(14)	(18)	(16)	(62)	Net interest on net debt	(12)	(28)	(22)	(25)	(87)					
Other interest															
3	3	4	3	13	Financing expenses related to post-retirement benefits	5	5	4	4	18					
5	(2)	—	—	3	Interest on provisions	6	6	5	—	17					
(2)	9	(5)	5	7	Other items	(11)	(11)	(20)	(30)	(72)					
6	10	(1)	8	23	Net other financing charges	—	—	(11)	(26)	(37)					
(8)	(4)	(19)	(8)	(39)	Financing income and expenses	(12)	(28)	(33)	(51)	(124)					

¹ Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 15 and 16.

² Operating income and adjusted operating income (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.

AkzoNobel

Quarterly statistics

					2021					2022						
Q1	Q2	Q3	Q4	Full-year		Q1	Q2	Q3	Q4	Full-year		Q1	Q2	Q3	Q4	Full-year
Quarterly net income analysis (in € millions)																
7	8	6	5	26	Results from associates and joint ventures	8	5	6	-1	18		8	5	6	-1	18
302	388	213	202	1,105	Profit before tax	228	182	141	51	602		228	182	141	51	602
(73)	(123)	(48)	(2)	(246)	Income tax	(62)	(67)	(51)	(34)	(214)		(62)	(67)	(51)	(34)	(214)
229	265	165	200	859	Profit for the period from continuing operations	166	115	90	17	388		166	115	90	17	388
24	32	23	1	22	Effective tax rate (in %)	27	37	36	67	36		27	37	36	67	36
Earnings per share from continuing operations (in €)																
1.16	1.36	0.89	1.03	4.45	Basic	0.87	0.64	0.51	0.05	2.07		0.87	0.64	0.51	0.05	2.07
1.16	1.35	0.89	1.02	4.43	Diluted	0.86	0.63	0.50	0.05	2.06		0.86	0.63	0.50	0.05	2.06
Earnings per share from discontinued operations (in €)																
(0.01)	0.04	–	0.01	0.03	Basic	–	(0.03)	(0.02)	–	(0.06)		–	(0.03)	(0.02)	–	(0.06)
(0.01)	0.04	–	0.01	0.03	Diluted	–	(0.03)	(0.02)	–	(0.06)		–	(0.03)	(0.02)	–	(0.06)
Earnings per share from total operations (in €)																
1.15	1.40	0.89	1.04	4.48	Basic	0.87	0.60	0.48	0.05	2.01		0.87	0.60	0.48	0.05	2.01
1.15	1.39	0.89	1.03	4.46	Diluted	0.86	0.60	0.48	0.05	2.01		0.86	0.60	0.48	0.05	2.01
Number of shares (in millions)																
188.8	187.0	184.1	180.6	185.0	Weighted average number of shares ¹	177.7	175.9	174.0	171.5	174.7		177.7	175.9	174.0	171.5	174.7
187.8	185.6	182.4	178.9	178.9	Number of shares at end of quarter ¹	176.9	174.5	172.7	170.4	170.4		176.9	174.5	172.7	170.4	170.4
Adjusted earnings from continuing operations (in € millions)²																
302	388	213	202	1,105	Profit before tax from continuing operations	228	182	141	51	602		228	182	141	51	602
4	(49)	15	4	(26)	Identified items reported in operating income	(2)	44	16	23	81		(2)	44	16	23	81
–	(20)	(1)	(8)	(29)	Identified items reported in interest	–	(10)	–	–	(10)		–	(10)	–	–	(10)
(74)	(83)	(54)	(50)	(261)	Adjusted income tax	(61)	(65)	(55)	(38)	(219)		(61)	(65)	(55)	(38)	(219)
(10)	(11)	(1)	(14)	(36)	Non-controlling interests	(12)	(3)	(2)	(9)	(26)		(12)	(3)	(2)	(9)	(26)
222	225	172	134	753	Adjusted net income from continuing operations	153	148	100	27	428		153	148	100	27	428
1.18	1.20	0.93	0.74	4.07	Adjusted earnings per share from continuing operations (in €)	0.86	0.84	0.57	0.16	2.45		0.86	0.84	0.57	0.16	2.45

¹ After share buyback

² Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 15 and 16.

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.

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.

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.

Latin America excludes Mexico.

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 profit/loss 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.

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

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.

Akzo Nobel N.V.

Christiaan Neefestraat 2
 P.O. Box 75730
 1070 AS Amsterdam, the Netherlands
 T +31 88 969 7555
www.akzonobel.com

For more information:

The explanatory sheets used during the press conference can be viewed on AkzoNobel's corporate website: www.akzonobel.com

AkzoNobel Global Communications
 T +31 88 969 7833
 E media.relations@akzonobel.com

AkzoNobel Investor Relations
 T +31 88 969 7856
 E investor.relations@akzonobel.com

Financial calendar

Publication annual report	March 1, 2023
Annual General Meeting of shareholders	April 21, 2023
Report for the first quarter	April 25, 2023
Ex-dividend date of 2022 final dividend	April 25, 2023
Record date of 2022 final dividend	April 26, 2023
Payment of 2022 final dividend	May 5, 2023

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.