

AkzoNobel



Q2  
23  
REPORT

# Our results at a glance

## Highlights Q2 2023 (compared with Q2 2022)

- Revenue 4% down on unfavorable exchange rates, 3% up in constant currencies
- Pricing up 5%, volumes 1% lower
- Operating income 36% higher at €279 million (2022: €205 million), adjusted operating income 25% higher at €311 million (2022: €249 million); ROS improved to 11.3% (2022: 8.7%)
- Net cash from operating activities positive €305 million (2022: negative €52 million)

## Highlights half-year 2023 (compared with half-year 2022)

- Revenue flat on unfavorable exchange rates, 5% up in constant currencies
- Pricing up 6%, volumes 2% lower
- Operating income 5% higher at €461 million (2022: €437 million), adjusted operating income 10% higher at €529 million (2022: €479 million); ROS improved to 9.8% (2022: 8.9%)
- Net cash from operating activities positive €255 million (2022: negative €154 million)

## 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 partly mitigate higher than expected inflationary pressure on 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 €1.40 to €1.55 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.

\* Outlook is based on organic volumes and constant currencies, and assumes no significant market disruptions.

## 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 13 (free cash flow), 16 and 17 (all other alternative performance measures).

## Summary of financial results

Second quarter			January-June			
2022	2023	Δ%	in € millions / %	2022	2023	Δ%
2,853	2,741	(4%)	Revenue	5,378	5,398	—%
292	367	26%	EBITDA*	613	636	4%
337	397	18%	Adjusted EBITDA*	654	702	7%
205	279	36%	Operating income	437	461	5%
(44)	(32)		Identified items*	(42)	(68)	
249	311	25%	Adjusted operating income*	479	529	10%
7.2	10.2		OPI margin (%)*	8.1	8.5	
8.7	11.3		ROS (%)*	8.9	9.8	
			Average invested capital*	7,332	8,358	14%
			ROI (%)*	12.7	10.0	
67	56		Capital expenditures	124	118	
			Net debt	3,865	4,353	
			Leverage ratio (net debt/EBITDA)*	3.2	4.0	
			Number of employees	36,100	34,700	
(52)	305		Net cash from operating activities	(154)	255	
(119)	249		Free cash flow*	(278)	137	
106	118		Net income attributable to shareholders	260	212	
175.9	170.6		Weighted average number of shares (in millions)	176.8	170.6	
0.60	0.69		Earnings per share from total operations (in €)	1.47	1.24	
0.84	0.93		Adjusted earnings per share from continuing operations (in €)*	1.70	1.65	

\* Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 13 (free cash flow), 16 and 17 (all other alternative performance measures).

# Financial highlights

## Q2 2023

### Revenue

Revenue was 4% lower, and 3% higher in constant currencies, with pricing up 5%. Volumes were 1% lower, with trends improving after a weak start to the quarter. Acquisitions added 1%, mainly related to Grupo Orbis (acquired April 21, 2022). Other mainly relates to the impact of hyperinflation accounting, which reduced revenue by 2%, mostly due to the devaluation of the Turkish Lira.

### Cost of sales

Raw material and other variable costs (including freight), adjusted for the impact of lower volumes, decreased €5 million compared with the second quarter of 2022.

## Half-year 2023

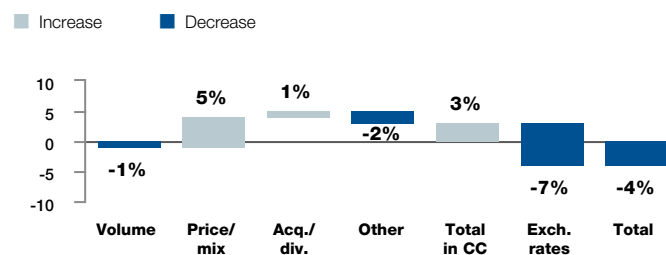
### Revenue

Revenue was flat and 5% higher in constant currencies, with pricing up 6%. Volumes were 2% lower, despite growth in Asia and Marine and Protective. Acquisitions added 2%, mainly related to Grupo Orbis.

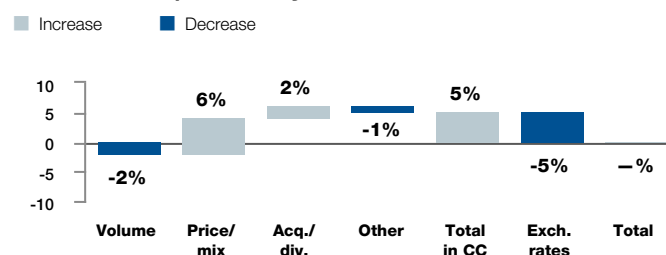
### Cost of sales

Raw material and other variable costs (including freight), adjusted for the impact of lower volumes, increased €118 million compared with the first half-year of 2022.

### Revenue development Q2 2023



### Revenue development half-year 2023



### Revenue

Second quarter				January-June				
2022 <sup>1</sup>	2023	Δ%	Δ% CC <sup>2</sup>	in € millions	2022 <sup>1</sup>	2023	Δ%	Δ% CC <sup>2</sup>
1,177	1,147	(3%)	5%	Decorative Paints	2,175	2,193	1%	7%
1,675	1,594	(5%)	2%	Performance Coatings	3,201	3,205	—%	4%
1	—	—	—	Other activities	2	—	—	—
<b>2,853</b>	<b>2,741</b>	<b>(4%)</b>	<b>3%</b>	<b>Total</b>	<b>5,378</b>	<b>5,398</b>	<b>—%</b>	<b>5%</b>

<sup>1</sup> Revenues for 2022 have been updated to reflect changes in the financial reporting structure.

More information is available on our website.

<sup>2</sup> Change excluding currency impact.

in % versus Q2 2022	Volume	Price/mix	Acq./div.	Other	Exch. rates	Total
Decorative Paints	(1)	5	2	(1)	(8)	(3)
Performance Coatings	(1)	4	1	(2)	(7)	(5)
<b>Total</b>	<b>(1)</b>	<b>5</b>	<b>1</b>	<b>(2)</b>	<b>(7)</b>	<b>(4)</b>

in % versus half-year 2022	Volume	Price/mix	Acq./div.	Other	Exch. rates	Total
Decorative Paints	(1)	5	3	—	(6)	1
Performance Coatings	(3)	6	2	(1)	(4)	—
<b>Total</b>	<b>(2)</b>	<b>6</b>	<b>2</b>	<b>(1)</b>	<b>(5)</b>	<b>—</b>

Volume development per quarter (year-on-year) in %	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23
Decorative Paints	(8)	(6)	(9)	(1)	(1)
Performance Coatings	(9)	(4)	(9)	(4)	(1)
<b>Total</b>	<b>(9)</b>	<b>(5)</b>	<b>(9)</b>	<b>(3)</b>	<b>(1)</b>

Price/mix development per quarter (year-on-year) in %	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23
Decorative Paints	11	11	11	5	5
Performance Coatings	19	14	14	8	4
<b>Total</b>	<b>16</b>	<b>13</b>	<b>13</b>	<b>7</b>	<b>5</b>

Currency development per quarter (year-on-year) in %	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23
Decorative Paints	3	2	(2)	(4)	(8)
Performance Coatings	4	6	1	(1)	(7)
<b>Total</b>	<b>4</b>	<b>5</b>	<b>(1)</b>	<b>(3)</b>	<b>(7)</b>

# Financial highlights

## Q2 2023

### Operating income

Operating income increased 36% to €279 million (2022: €205 million) mainly due to higher pricing.

Operating income includes identified items of negative €32 million, mainly related to restructuring and acquisition-related costs (2022: negative €44 million). OPI margin improved to 10.2% (2022: 7.2%).

Other activities at negative €40 million (2022: negative €35 million).

### Adjusted operating income

Adjusted operating income increased 25% to €311 million (2022: €249 million). ROS improved to 11.3% (2022: 8.7%).

## Half-year 2023

### Operating income

Operating income increased 5% to €461 million (2022: €437 million), with pricing more than offsetting lower volumes and cost inflation.

Operating income includes identified items of negative €68 million, mainly related to restructuring and acquisition-related costs (2022: negative €42 million). OPI margin at 8.5% (2022: 8.1%). Other activities at negative €82 million (2022: negative €66 million), mainly due to higher restructuring costs.

### Adjusted operating income

Adjusted operating income increased 10% to €529 million (2022: €479 million). ROS improved to 9.8% (2022: 8.9%).

### Financing income and expenses

Financing income and expenses amounted to negative €83 million (2022: negative €40 million). The higher net expenses largely result from:

- An increase of net interest on net debt of €17 million
- An increase of €22 million in Other items (negative impact), which includes the impact from FX rate differences and hyperinflation accounting

### Income tax

The effective tax rate was 38.7% (2022: 31.5%). The relatively high effective tax rate in 2023 is mainly the result of derecognition of deferred tax asset positions in several countries due to re-

assessments of, amongst others, technical tax limitations to deduct interest and to offset losses against profits. These derecognitions increased the tax rate with 9.7%.

### Net income

Net income attributable to shareholders was €212 million (2022: €260 million). Earnings per share from total operations was €1.24 (2022: €1.47).

### Impact from hyperinflation accounting (Türkiye and Argentina)

As from our Q2 2022 reporting, we have retrospectively applied IAS 29 hyperinflation accounting for Türkiye from January 1, 2022. For Argentina, hyperinflation accounting has been applied 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 the balance sheet and the statement of income into euros.

The impact from hyperinflation accounting and the use of end of period rates (together referred to as “the impact from hyperinflation accounting”) is included in normal results; no identified item treatment is applied.

The net impact from hyperinflation accounting for Q2 2023 amounted to €46 million negative on revenues, €14 million negative on operating income and €21 million negative on net income.

The net impact from hyperinflation accounting for half-year 2023 was €50 million negative on revenues, €23 million negative on operating income and €40 million negative on net income.

## Operating income

Second quarter			January-June			
2022*	2023	Δ%	in € millions	2022*	2023	Δ%
128	151	18%	Decorative Paints	239	245	3%
112	168	50%	Performance Coatings	264	298	13%
(35)	(40)		Other activities	(66)	(82)	
<b>205</b>	<b>279</b>	<b>36%</b>	<b>Total</b>	<b>437</b>	<b>461</b>	<b>5%</b>

\* Operating income per segment for 2022 has been updated to reflect changes in the financial reporting structure. More information is available on our website.

## Adjusted operating income

Second quarter			January-June			
2022*	2023	Δ%	in € millions	2022*	2023	Δ%
133	157	18%	Decorative Paints	236	259	10%
143	173	21%	Performance Coatings	294	318	8%
(27)	(19)		Other activities	(51)	(48)	
<b>249</b>	<b>311</b>	<b>25%</b>	<b>Total</b>	<b>479</b>	<b>529</b>	<b>10%</b>

\* Adjusted operating income per segment for 2022 has been updated to reflect changes in the financial reporting structure. More information is available on our website.

## Operating income to net income

Second quarter			January-June	
2022	2023	in € millions	2022	2023
205	279	<b>Operating income</b>	437	461
(28)	(45)	Financing income and expenses	(40)	(83)
5	5	Results from associates and joint ventures	13	12
<b>182</b>	<b>239</b>	<b>Profit before tax</b>	<b>410</b>	<b>390</b>
(67)	(106)	Income tax	(129)	(151)
<b>115</b>	<b>133</b>	<b>Profit from continuing operations</b>	<b>281</b>	<b>239</b>
(6)	—	Profit from discontinued operations	(6)	(1)
<b>109</b>	<b>133</b>	<b>Profit for the period</b>	<b>275</b>	<b>238</b>
(3)	(15)	Non-controlling interests	(15)	(26)
<b>106</b>	<b>118</b>	<b>Net income</b>	<b>260</b>	<b>212</b>

# Decorative Paints

## Highlights Q2 2023

- Revenue 3% lower and 5% higher in constant currencies
- ROS improved to 13.7% (2022: 11.3%)

## Q2 2023

Revenue was 3% lower and 5% higher in constant currencies mainly due to higher pricing. Lower volumes in Europe and Latin America were partly offset by higher volumes in Asia. Acquisitions added 2%, mainly related to Grupo Orbis. Other, mainly related to the impact of hyperinflation accounting in Türkiye, reduced revenue by 1%.

Operating income increased 18% to €151 million (2022: €128 million). Pricing more than offset the combined impact from lower volumes and cost inflation. Operating income includes identified items of negative €6 million, mainly related to restructuring costs (2022: negative €5 million).

Adjusted operating income increased 18% to €157 million (2022: €133 million). ROS improved to 13.7% (2022: 11.3%).

## Half-year 2023

Revenue was 1% higher and 7% higher in constant currencies, driven by pricing. Lower volumes in Europe and Latin America were partly offset by higher volumes in Asia. Acquisitions added 3%.

Operating income increased 3% to €245 million (2022: €239 million). Pricing more than offset the combined impact from lower volumes and cost inflation. Operating income includes identified items of negative €14 million, mainly related to restructuring costs (2022: positive €3 million).

Adjusted operating income increased 10% to €259 million (2022: €236 million). ROS improved to 11.8% (2022: 10.9%).

Revenue								
Second quarter				January-June				
2022 <sup>1</sup>	2023	Δ%	Δ% CC <sup>2</sup>	in € millions	2022 <sup>1</sup>	2023	Δ%	Δ% CC <sup>2</sup>
673	668	(1%)	4%	Decorative Paints EMEA	1,273	1,266	(1%)	3%
196	196	—	20%	Decorative Paints Latin America	307	373	21%	43%
308	283	(8%)	(2%)	Decorative Paints Asia	595	554	(7%)	(2%)
<b>1,177</b>	<b>1,147</b>	<b>(3%)</b>	<b>5%</b>	<b>Total</b>	<b>2,175</b>	<b>2,193</b>	<b>1%</b>	<b>7%</b>

<sup>1</sup> Revenues for 2022 have been updated to reflect changes in the financial reporting structure.

More information is available on our website.

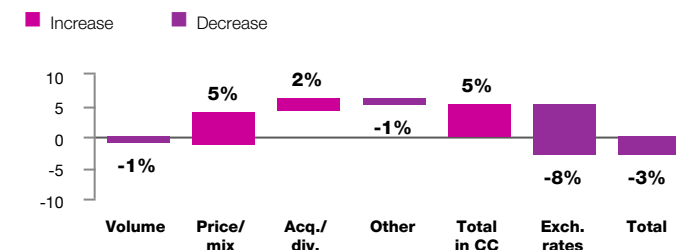
<sup>2</sup> Change excluding currency impact.

Key financial figures						
Second quarter				First quarter		
2022	2023	Δ%	in € millions / %	2022	2023	Δ%
128	151	18%	Operating income <sup>1</sup>	239	245	3%
(5)	(6)		Identified items <sup>2</sup>	3	(14)	
133	157	18%	Adjusted operating income <sup>1,2</sup>	236	259	10%
10.9	13.2		OPI margin (%) <sup>1,2</sup>	11.0	11.2	
11.3	13.7		ROS (%) <sup>1,2</sup>	10.9	11.8	
			Average invested capital <sup>2</sup>	3,220	3,857	20%
			ROI (%) <sup>1,2</sup>	15.1	10.8	

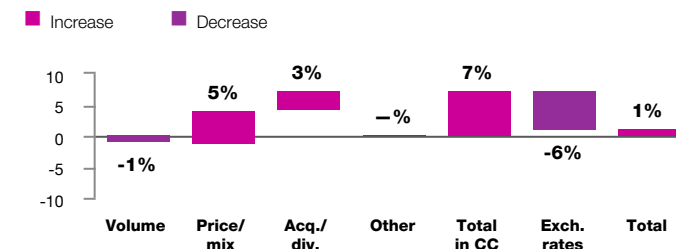
<sup>1</sup> Operating income and adjusted operating income (and related measures) for 2022 have been updated to reflect changes in the financial reporting structure. More information is available on our website.

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

## Revenue development Q2 2023



## Revenue development half-year 2023



### Europe, Middle East and Africa

Revenue in Q2 was 1% lower and 4% higher in constant currencies. Higher pricing was partly offset by lower volumes, especially in the professional segment which was impacted by a slower start of the exterior season. Europe DIY stabilized, with volumes flat compared to previous year.

Half-year revenue was 1% lower and 3% higher in constant currencies. Pricing initiatives more than offset lower volumes.

### Latin America

Revenue in Q2 was flat and up 20% in constant currencies. The Grupo Orbis acquisition contributed 9% (11% in constant currencies). Revenue growth in constant currencies was mainly driven by pricing, partly offset by lower volumes.

Half-year revenue was 21% higher and 43% higher in constant currencies, driven by the acquisition of Grupo Orbis (effective April 21, 2022) and pricing initiatives. The Grupo Orbis acquisition contributed 25% (29% in constant currencies).

### Asia

Revenue in Q2 was 8% lower and 2% lower in constant currencies. Volumes in China were higher, with our geographic expansion contributing to negative mix. Pricing was impacted by competitive pricing pressure. Higher volumes in South Asia, mainly in India, were more than offset by softer market conditions in Vietnam.

Half-year revenue was 7% lower and 2% lower in constant currencies. Volumes in China were higher, offset by lower pricing and negative mix. In South Asia, lower volumes in Vietnam were offset by higher volumes in India.



#### Mural pays tribute to traditional artform

The Abasto neighborhood in Buenos Aires, Argentina received a makeover recently using products supplied by our Alba brand. Five vibrant wall paintings and a 600-meter long floor mural were created to bring color to the local area. The designs pay tribute to a traditional pictorial artform known as “filete porteño” – which has received official UNESCO recognition.

# Performance Coatings

## Highlights Q2 2023

- Revenue 5% lower and 2% higher in constant currencies
- ROS improved to 10.9% (2022: 8.5%)

## Q2 2023

Revenue was 5% lower and 2% higher in constant currencies mainly due to higher pricing. Volumes were 1% lower, with growth in Marine and Protective more than offset by continued soft demand in Industrial Coatings. Acquisitions added 1%, mainly related to Grupo Orbis. Other, mainly related to the impact of hyperinflation accounting in Türkiye, reduced revenue by 2% and impacted all businesses.

Operating income increased 50% to €168 million (2022: €112 million) mainly due to pricing, lower raw material cost and lower restructuring costs. Operating income includes identified items of negative €5 million, mainly related to restructuring costs (2022: negative €31 million identified items).

Adjusted operating income increased 21% to €173 million (2022: €143 million). ROS improved to 10.9% (2022: 8.5%).

## Half-year 2023

Revenue was flat and 4% higher in constant currencies, driven by pricing. Acquisitions added 2%, mainly related to Grupo Orbis.

Volumes were 3% lower, with growth in Marine and Protective more than offset by soft demand in Industrial Coatings. The suspension of activities in Russia negatively impacted revenues by 1%.

Operating income increased 13% to €298 million (2022: €264 million), as pricing more than offset lower volumes. Operating income includes identified items of negative €20 million, mainly related to restructuring costs (2022: €30 million negative).

Adjusted operating income increased 8% to €318 million (2022: €294 million). ROS improved to 9.9% (2022: 9.2%).

Revenue								
Second quarter				January-June				
2022 <sup>1</sup>	2023	Δ%	Δ% CC <sup>2</sup>	in € millions	2022 <sup>1</sup>	2023	Δ%	Δ% CC <sup>2</sup>
356	345	(3%)	4%	Powder Coatings	700	689	(2%)	2%
346	375	8%	15%	Marine and Protective Coatings	647	741	15%	19%
359	354	(1%)	4%	Automotive and Specialty Coatings	699	717	3%	6%
614	520	(15%)	(9%)	Industrial Coatings	1,155	1,058	(8%)	(4%)
<b>1,675</b>	<b>1,594</b>	<b>(5%)</b>	<b>2%</b>	<b>Total</b>	<b>3,201</b>	<b>3,205</b>	<b>-</b>	<b>4%</b>

<sup>1</sup> Revenues for 2022 have been updated to reflect changes in the financial reporting structure. More information is available on our website.

<sup>2</sup> Change excluding currency impact.

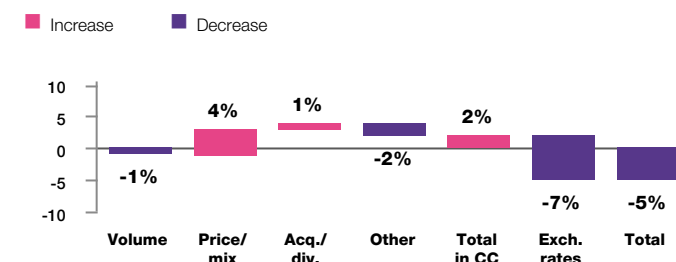
## Key financial figures

Second quarter				January-June		
2022	2023	Δ%	in € millions / %	2022	2023	Δ%
112	168	50%	Operating income <sup>1</sup>	264	298	13%
(31)	(5)		Identified items <sup>2</sup>	(30)	(20)	
143	173	21%	Adjusted operating income <sup>1,2</sup>	294	318	8%
6.7	10.5		OPI margin (%) <sup>1,2</sup>	8.2	9.3	
8.5	10.9		ROS (%) <sup>1,2</sup>	9.2	9.9	
			Average invested capital <sup>2</sup>	3,727	3,896	5%
			ROI (%) <sup>1,2</sup>	14.7	13.4	

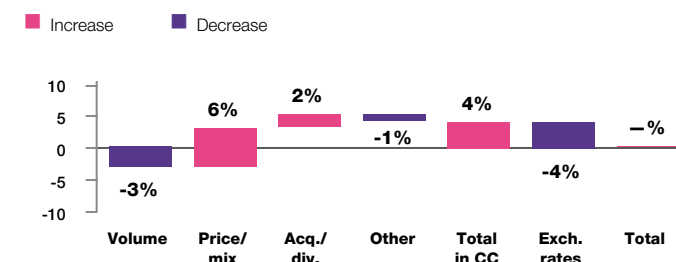
<sup>1</sup> Operating income and adjusted operating income (and related measures) for 2022 have been updated to reflect changes in the financial reporting structure. More information is available on our website.

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

## Revenue development Q2 2023



## Revenue development half-year 2023



### Powder Coatings

Revenue in Q2 was 3% lower and 4% higher in constant currencies mainly due to higher pricing. Volumes were flat, with growth in Asia offset by Europe and North America. The Automotive segment showed growth, while the Industrial and Consumer segment, as well as Architectural remained soft.

Half-year revenue was 2% lower and 2% higher in constant currencies, as pricing initiatives were partly offset by lower volumes.

### Marine and Protective Coatings

Revenue in Q2 was 8% higher and 15% higher in constant currencies. The increase was driven by pricing as well as volume growth in the Marine and Protective segments, especially in Asia.

Half-year revenue was 15% higher and 19% higher in constant currencies. The increase in revenue was driven by pricing initiatives and volume growth across all regions.

### Automotive and Specialty Coatings

Revenue in Q2 was 1% lower and 4% higher in constant currencies mainly due to higher pricing. Revenue growth in constant currencies was driven by higher pricing in all segments, with volume growth in Aerospace and Automotive.

Half-year revenue was 3% higher and 6% higher in constant currencies. Strong revenue growth in Vehicle Refinishes and Aerospace, while Consumer Electronics remained weak.

### Industrial Coatings

Revenue in Q2 was 15% lower and 9% lower in constant currencies. Wood and Packaging demand was soft, while volumes were higher in Coil, especially in Asia. Pricing was positive in all segments.

Half-year revenue was 8% lower and 4% lower in constant currencies. Wood and Packaging demand was soft, while volumes were higher in Coil, especially in Asia. Pricing was positive in all segments.



#### Supply agreement with Porsche China

The company received approval to supply the full water-based Sikkens range of refinish products to Porsche China. Our products will play an important role in helping Porsche China to meet the country's strict VOC regulation.



# Principal risks and uncertainties

In our 2022 annual report, we consider risk assessment and mitigation a continuous process, which is carried out against the background of an evolving risk landscape that includes short-, medium- and longer-term challenges. We consider the major risk factors communicated in the annual report of 2022 to still be valid. The information below reflects the updated risk assessment since the publication of the 2022 annual report.

## Risks assessed to remain fairly stable

Risk	Risk description	Mitigating actions
<b>Geopolitical instability</b>	The risk that increasing geo-political turbulence results in declining customer and industry confidence, as well as a decline in key markets and significant losses to our sales and profitability.	<ul style="list-style-type: none"> <li>• Keeping balanced geographic presence with revenue generated from all regions and continued investment focus on higher growth markets to optimize geographic spread</li> <li>• Geo-political assessment as part of investment decisions and medium-term operational planning (e.g. taskforce for Russia/Ukraine war)</li> <li>• Continue to drive BU strategic mandates underpinning the company strategy</li> <li>• Driving demand planning through Integrated Business Planning</li> </ul>
<b>Macro-economic crisis</b>	The risk of a prolonged macro-economic downturn, leading to local currency devaluation, high inflation, customer de-stocking and a reduction in volume and margin.	<ul style="list-style-type: none"> <li>• Keeping balanced geographic presence with revenue generated from all regions and continued investment focus on higher growth markets to optimize geographic spread</li> <li>• Continued focus on operational cost, complexity reduction and margin management, and deployment of commercial and procurement excellence programs</li> <li>• Continue to drive BU strategic mandates underpinning the company strategy</li> </ul>
<b>Ability to execute</b>	The risk of misalignment between the business and functions and short term versus long term, leading to inability to support and drive the business agenda and growth plans, resulting in not delivering on our strategy.	<ul style="list-style-type: none"> <li>• Global process organization in place to increase common competencies and align on key end-to-end process improvements, as well as increased collaboration between relevant functions in Integrated Business Planning</li> <li>• Changed the leadership team: flattening the organization, increased business representation in the Executive Committee and consolidated Commercial and Strategic functions</li> </ul>
<b>Pricing and margin management</b>	The risk of lower margins resulting from higher raw material prices and inflation (including freight and energy) and increased competitive pressure, combined with insufficient margin management.	<ul style="list-style-type: none"> <li>• Continue to drive BU strategic mandates underpinning the company strategy and increase collaboration between BUs to enable agility</li> <li>• Investment in sales capability and deployment of commercial excellence programs</li> <li>• Continuation of close monitoring of raw material prices and availability</li> </ul>
<b>Product portfolio</b>	The risk of lacking a fit for purpose product portfolio, leading to a cost base that's too high and an inability to compete in the market.	<ul style="list-style-type: none"> <li>• Continue to reduce the complexity of our product portfolio and further increase integrated decision making</li> <li>• Continue to deploy our sustainable product portfolio management to further develop low carbon and more circular solutions (see the Sustainability statements)</li> </ul>

# Principal risks and uncertainties

## Risks assessed to remain fairly stable

<b>Cyber security</b>	The risk of significant business disruption and/or inadequate recovery following a cybersecurity attack, leading to potential loss of sensitive information, intellectual property, hard cash, or reputational damage.	<ul style="list-style-type: none"> <li>Continually reinforcing a cybersecurity culture (intensified training, awareness creation)</li> <li>Renewing and upgrading legacy systems and increasing security</li> <li>Increasing collaboration with suppliers on various detection and response activities and measures</li> <li>Introduction of the updated Information and Cybersecurity Policies framework</li> </ul>
<b>Attract, retain and develop talent</b>	The risk that we are unable to attract, retain or develop talent (in an overheated labor market) to ensure a fit for future workforce with the right capabilities, resulting in a threat to the organization's competitive advantage and ability to achieve our strategic objectives.	<ul style="list-style-type: none"> <li>Strengthening AkzoNobel's value proposition, based on our commitment to employee growth and the company's purpose</li> <li>Continue to focus on talent acquisition, talent development and succession planning in several ongoing programs</li> <li>Continuation of employee well-being programs and embedding the Talent Management Framework to drive talent and leadership development</li> </ul>
<b>Integrated Business Planning maturity</b>	The risk that we do not reach the required service levels due to inadequate end-to-end planning processes and supply chain infrastructure (forecasting, manufacturing capability, logistic network, IBP process, footprint changes, technology product transfer), leading to loss of existing business and inability to win new business.	<ul style="list-style-type: none"> <li>Increase agility and velocity in the end-to-end process through simplification, cross-company initiatives, digitization and data-driven modeling</li> <li>Roll-out of complexity reduction programs and improving efficiency of the product portfolio and supply chain process</li> </ul>
<b>Business continuity</b>	The risk of being unable to respond adequately to a significant business interruption (e.g. system outage, fire, shipping issues, supply disruption) leading to financial and reputational damage.	<ul style="list-style-type: none"> <li>Continue to enhance our business continuity processes and plans, supported by taking Integrated Business Planning to a next maturity level and increasing cross-functional and business collaboration</li> </ul>

## Risks assessed to decrease

Risk	Risk description	Mitigating actions
<b>Supply shortages</b>	The risk of supply shortages of key raw materials, packaging and/or spare parts, resulting in production interruptions, additional cost and muted organic growth.	<ul style="list-style-type: none"> <li>Maintain and further improve strong industry and market intelligence analysis of suppliers and raw material markets</li> <li>Drive supply chain network design, end-to-end from supplier to end customer</li> <li>Continue to assess climate change impact and develop mitigation plans for own operations, key suppliers' locations and logistics (see the Sustainability statements)</li> </ul>

# Condensed consolidated financial statements

## Condensed consolidated statement of income

Second quarter			January-June	
2022	2023	in € millions	2022	2023
<b>Continuing operations</b>				
2,853	2,741	Revenue	5,378	5,398
(1,820)	(1,635)	Cost of sales	(3,364)	(3,310)
<b>1,033</b>	<b>1,106</b>	<b>Gross profit</b>	<b>2,014</b>	<b>2,088</b>
(826)	(823)	SG&A costs	(1,575)	(1,619)
(2)	(4)	Other results	(2)	(8)
<b>205</b>	<b>279</b>	<b>Operating income</b>	<b>437</b>	<b>461</b>
(28)	(45)	Financing income and expenses	(40)	(83)
5	5	Results from associates and joint ventures	13	12
<b>182</b>	<b>239</b>	<b>Profit before tax</b>	<b>410</b>	<b>390</b>
(67)	(106)	Income tax	(129)	(151)
<b>115</b>	<b>133</b>	<b>Profit for the period from continuing operations</b>	<b>281</b>	<b>239</b>
<b>Discontinued operations</b>				
(6)	—	Profit/(loss) for the period from discontinued operations	(6)	(1)
<b>109</b>	<b>133</b>	<b>Profit for the period</b>	<b>275</b>	<b>238</b>
<b>Attributable to</b>				
106	118	Shareholders of the company	260	212
3	15	Non-controlling interests	15	26
<b>109</b>	<b>133</b>	<b>Profit for the period</b>	<b>275</b>	<b>238</b>

## Condensed consolidated statement of comprehensive income

Second quarter			January-June	
2022	2023	in € millions	2022	2023
109	133	Profit for the period	275	238
<b>Other comprehensive income</b>				
98	2	Exchange differences arising on translation of foreign operations	124	(29)
(16)	(1)	Cash flow hedges	19	(9)
7	(130)	Post-retirement benefits	47	(91)
(4)	32	Tax relating to components of other comprehensive income	(16)	22
<b>85</b>	<b>(97)</b>	<b>Other comprehensive income for the period (net of tax)</b>	<b>174</b>	<b>(107)</b>
<b>194</b>	<b>36</b>	<b>Comprehensive income for the period</b>	<b>449</b>	<b>131</b>
<b>Comprehensive income for the period attributable to</b>				
180	33	Shareholders of the company	427	115
14	3	Non-controlling interests	22	16
<b>194</b>	<b>36</b>	<b>Comprehensive income for the period</b>	<b>449</b>	<b>131</b>

## Condensed consolidated balance sheet

in € millions	December 31, 2022	June 30, 2023
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	4,072	4,039
Property, plant and equipment	1,968	1,956
Right-of-use assets	291	295
Other non-current assets	2,166	2,139
<b>Total non-current assets</b>	<b>8,497</b>	<b>8,429</b>
<b>Current assets</b>		
Inventories	1,843	1,757
Trade and other receivables	2,447	2,792
Current tax assets	168	153
Short-term investments	336	235
Cash and cash equivalents	1,450	1,498
<b>Total current assets</b>	<b>6,244</b>	<b>6,435</b>
<b>Total assets</b>	<b>14,741</b>	<b>14,864</b>
<b>Equity and liabilities</b>		
<b>Group equity</b>		
	4,548	4,418
<b>Non-current liabilities</b>		
Provisions and deferred tax liabilities	1,115	1,079
Long-term borrowings	3,332	3,682
<b>Total non-current liabilities</b>	<b>4,447</b>	<b>4,761</b>
<b>Current liabilities</b>		
Short-term borrowings	2,543	2,404
Trade and other payables	2,801	2,833
Other short-term liabilities	402	448
<b>Total current liabilities</b>	<b>5,746</b>	<b>5,685</b>
<b>Total equity and liabilities</b>	<b>14,741</b>	<b>14,864</b>

### Shareholders' equity

Shareholders' equity amounted to €4.2 billion at June 30, 2023, compared with €4.3 billion at year-end 2022. Main movements relate to:

- Dividend of €263 million
- Actuarial losses of €68 million (including taxes)
- Profit for the period of €212 million

### Dividend

The dividend policy remains unchanged and is to pay a stable to rising dividend. A final 2022 dividend of €1.54 (2021: €1.54) per common share was approved at the AGM on April 21, 2023, which resulted in a total 2022 dividend of €1.98 per share (2021: €1.98).

### Outstanding share capital

The outstanding share capital was 170.6 million common shares at the end of June 2023. The weighted average number of shares in Q2 2023 was 170.6 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. At the end of Q1 2023, all shares repurchased had been cancelled.

### 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, 2021	91	(19)	(493)	5,846	5,425	211	5,636
Impact IAS 29 Hyperinflation Türkiye*	—	—	—	18	18	2	20
<b>Balance at January 1, 2022</b>	<b>91</b>	<b>(19)</b>	<b>(493)</b>	<b>5,864</b>	<b>5,443</b>	<b>213</b>	<b>5,656</b>
Profit for the period	—	—	—	260	260	15	275
Other comprehensive income	—	19	117	31	167	7	174
<b>Comprehensive income for the period</b>	<b>—</b>	<b>19</b>	<b>117</b>	<b>291</b>	<b>427</b>	<b>22</b>	<b>449</b>
Dividend	—	—	—	(272)	(272)	(8)	(280)
Share buyback	(2)	—	—	(402)	(404)	—	(404)
Equity-settled transactions	—	—	—	10	10	—	10
Acquisitions and divestments	—	—	—	—	—	3	3
<b>Balance at June 30, 2022</b>	<b>89</b>	<b>—</b>	<b>(376)</b>	<b>5,491</b>	<b>5,204</b>	<b>230</b>	<b>5,434</b>
Balance at December 31, 2022	87	(34)	(656)	4,936	4,333	215	4,548
Profit for the period	—	—	—	212	212	26	238
Other comprehensive income	—	(9)	(20)	(68)	(97)	(10)	(107)
<b>Comprehensive income for the period</b>	<b>—</b>	<b>(9)</b>	<b>(20)</b>	<b>144</b>	<b>115</b>	<b>16</b>	<b>131</b>
Dividend	—	—	—	(263)	(263)	(6)	(269)
Share buyback	(2)	—	—	2	—	—	—
Equity-settled transactions	—	—	—	9	9	—	9
Acquisitions and divestments	—	—	—	(1)	(1)	—	(1)
<b>Balance at June 30, 2023</b>	<b>85</b>	<b>(43)</b>	<b>(676)</b>	<b>4,827</b>	<b>4,193</b>	<b>225</b>	<b>4,418</b>

\*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 Q2 resulted in an inflow of €305 million (2022: outflow of €52 million). The increased cash flow was mainly driven by a decrease in working capital requirements.

Net cash from investing activities in Q2 resulted in an inflow of €42 million (2022: outflow of €315 million), mainly related to repayment of short-term investments; the Q2 2022 outflow included the payment for the acquisition of Grupo Orbis.

Net cash from financing activities in Q2 resulted in an outflow of €24 million (2022: outflow of €15 million); Q2 2022 included an impact from the share buyback, offset by changes from borrowings.

At June 30, 2023, net debt was €4,353 million versus €4,089 million at year-end 2022, mainly due to dividend (€272 million) and capital expenditures (€118 million), partly offset by net cash generated from operating activities (€255 million). The net debt/EBITDA leverage ratio at June 30, 2023, was 4.0 (December 31, 2022: 3.8).

### Free cash flows

The free cash flow in Q2 2023 was higher compared with Q2 2022, mainly due to the positive impact from changes in working capital and higher EBITDA.

### Consolidated statements of cash flows

Second quarter		First quarter	January-June	
2022	2023	in € millions	2022	2023
1,364	1,145	<b>Net cash and cash equivalents at beginning of period</b>	1,112	1,398
115	133	Profit for the period from continuing operations	281	239
87	88	Amortization and depreciation	176	175
1	2	Impairment losses	4	2
28	45	Financing income and expenses	40	83
(5)	(5)	Results from associates and joint ventures	(13)	(12)
—	—	Pre-tax result on acquisitions and divestments	(13)	3
67	106	Income tax	129	151
(284)	48	Changes in working capital	(688)	(213)
—	—	Pension pre-funding	48	—
(2)	(5)	Changes in post-retirement benefit provisions	(3)	(12)
7	(5)	Changes in other provisions	(6)	4
(20)	(49)	Interest paid	(24)	(90)
(59)	(56)	Income tax paid	(98)	(94)
13	3	Other changes	13	19
(52)	305	<b>Net cash generated from/(used for) operating activities</b>	(154)	255
(67)	(56)	Capital expenditures	(124)	(118)
(545)	1	Acquisitions and divestments net of cash acquired/divested	(539)	(39)
—	(12)	Investments in short-term investments	(1,045)	(24)
298	100	Repayments of short-term investments	322	129
(1)	9	Other changes	10	25
(315)	42	<b>Net cash generated from/(used for) investing activities</b>	(1,376)	(27)
425	244	Changes from borrowings	2,034	130
(167)	—	Share buyback	(363)	—
(273)	(268)	Dividend paid	(280)	(272)
(15)	(24)	<b>Net cash from/(used for) financing activities</b>	1,391	(142)
(382)	323	<b>Net cash generated from/(used for) continuing operations</b>	(139)	86
—	(1)	Cash flows from discontinued operations	—	(2)
(382)	322	<b>Net change in cash and cash equivalents of continuing and discontinued operations</b>	(139)	84
16	(16)	Effect of exchange rate changes on cash and cash equivalents	25	(31)
998	1,451	<b>Net cash and cash equivalents at June 30</b>	998	1,451

### Consolidated statement of free cash flows

Second quarter		First quarter	January-June	
2022	2023	in € millions	2022	2023
292	367	<b>EBITDA</b>	613	636
1	2	Impairment losses	4	2
—	—	Pre-tax results on acquisitions and divestments	(13)	3
(284)	48	Changes in working capital	(688)	(213)
—	—	Pension pre-funding	48	—
—	—	Pension top-up payments	(1)	(1)
5	(10)	Other changes in provisions	(8)	(7)
(20)	(49)	Interest paid	(24)	(90)
(59)	(56)	Income tax paid	(98)	(94)
13	3	Other	13	19
(52)	305	<b>Net cash generated from/(used for) operating activities</b>	(154)	255
(67)	(56)	Capital expenditures	(124)	(118)
(119)	249	<b>Free cash flow</b>	(278)	137

### Invested capital

Invested capital at June 30, 2023, totaled €8.3 billion, up €0.2 billion from year-end 2022. This increase was caused by higher trade receivables, due to seasonality.

### Operating working capital (trade)

Operating working capital (trade) was €1.9 billion at June 30, 2023 (June 30, 2022: €2.0 billion).

Operating working capital (trade) as a percentage of revenue was 17.5% in Q2 2023, compared with 17.4% in Q2 2022. Compared to Q1 2023 operating working capital as a percentage of revenue decreased, mainly due to lower inventories.

### Pension

The net balance sheet position (according to IAS19) of the pension plans at the end of Q2 was a surplus of €0.7 billion (year-end 2022: surplus of €0.7 billion). The development during 2023 was mainly the result of the net effect in key countries of higher discount rates, offset by lower plan asset returns.

### Workforce

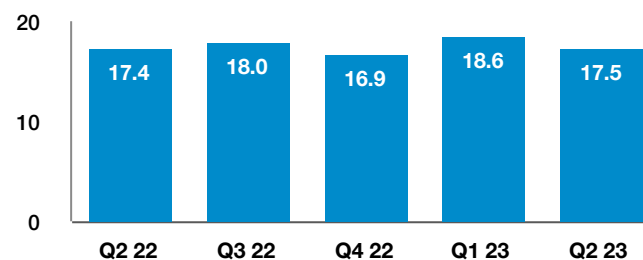
At June 30, 2023, the number of employees was 34,700 (December 31, 2022: 35,200).

### Invested capital

in € millions	June 30, 2022	December 31, 2022	June 30, 2023
Trade receivables	2,521	2,123	2,443
Inventories	2,118	1,843	1,757
Trade payables	(2,657)	(2,206)	(2,283)
<b>Operating working capital (trade)</b>	<b>1,982</b>	<b>1,760</b>	<b>1,917</b>
Other working capital items	(322)	(339)	(319)
Non-current assets	9,154	8,497	8,429
Less investments in associates and joint ventures	(189)	(193)	(198)
Less pension assets	(1,523)	(1,029)	(1,002)
Deferred tax liabilities	(675)	(561)	(526)
<b>Invested capital</b>	<b>8,427</b>	<b>8,135</b>	<b>8,301</b>

### Operating working capital (trade)

As % of revenue



### New product marks turning point for packaging industry

The packaging business continued to drive innovation with the launch of Accelshield 700, an internal coating for beverage can-tops that does not use BPA or bisphenol-based epoxies as part of its manufacturing process. This new product will help customers to meet the surge in demand for safer and more sustainable coatings, supporting our leading market position.

# 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 interim condensed consolidated financial statements should be read in conjunction with AkzoNobel's consolidated financial statements in the 2022 annual report as published on March 1, 2023. The 2022 financial statements were adopted by the Annual General Meeting of shareholders on April 21, 2023. In accordance with Article 393 of Book 2 of the Dutch Civil Code, PricewaterhouseCoopers Accountants N.V. has issued an unqualified auditor's opinion on these annual financial statements.

## Accounting policies

The material 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, 2022, except for IFRS standards and interpretations becoming effective on January 1, 2023. This includes, among others, amendments to IFRS 17 "Insurance contracts", amendments to IAS 8 "Definition of accounting estimates", amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies" and amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" and "International Tax Reform - Pillar Two Model Rules". 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-June 2023

in € millions	Decorative Paints	Performance Coatings	Other	Total
<b>Primary geographical markets</b>				
The Netherlands	110	55	—	165
Other EMEA countries	1,156	1,252	—	2,408
North Asia	268	569	—	837
South Asia Pacific	286	364	—	650
North America	—	704	—	704
Latin America	373	261	—	634
<b>Total</b>	<b>2,193</b>	<b>3,205</b>	<b>—</b>	<b>5,398</b>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	2,150	3,099	—	5,249
Services transferred over time	43	106	—	149
<b>Total</b>	<b>2,193</b>	<b>3,205</b>	<b>—</b>	<b>5,398</b>

### Alternative performance measures

In presenting and discussing AkzoNobel's operating results, management uses certain alternative performance measures (APM) not defined by IFRS, which exclude the so-called Identified items that are generated outside the normal course of business. Identified items are special charges and benefits, results on acquisitions and divestments, major restructuring and impairment charges, and charges and benefits related to major legal, environmental and tax cases. Alternative performance measures should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used as supplementary information in conjunction with the most directly comparable IFRS measures. Alternative performance measures do not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Where a non-financial measure is used to calculate an operational or statistical ratio, this is also considered an APM.

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 2022 have been updated to reflect changes in the financial reporting structure. More information is available on our website.

### Operating income

Second quarter			January-June			
2022	2023	Δ%	in € millions	2022	2023	Δ%
128	151	18%	Decorative Paints	239	245	3%
112	168	50%	Performance Coatings	264	298	13%
(35)	(40)		Other activities	(66)	(82)	
<b>205</b>	<b>279</b>	<b>36%</b>	<b>Total</b>	<b>437</b>	<b>461</b>	<b>5%</b>

### Identified items

Second quarter			January-June			
2022	2023		in € millions	2022	2023	
(5)	(6)		Decorative Paints	3	(14)	
(31)	(5)		Performance Coatings	(30)	(20)	
(8)	(21)		Other activities	(15)	(34)	
<b>(44)</b>	<b>(32)</b>		<b>Total</b>	<b>(42)</b>	<b>(68)</b>	

### Adjusted operating income

Second quarter			January-June			
2022	2023	Δ%	in € millions	2022	2023	Δ%
133	157	18%	Decorative Paints	236	259	10%
143	173	21%	Performance Coatings	294	318	8%
(27)	(19)		Other activities	(51)	(48)	
<b>249</b>	<b>311</b>	<b>25%</b>	<b>Total</b>	<b>479</b>	<b>529</b>	<b>10%</b>

### EBITDA

Second quarter			January-June			
2022	2023	Δ%	in € millions	2022	2023	Δ%
205	279	36%	Operating income	437	461	5%
87	88		Depreciation and amortization	176	175	
<b>292</b>	<b>367</b>	<b>26%</b>	<b>EBITDA</b>	<b>613</b>	<b>636</b>	<b>4%</b>

### Adjusted EBITDA

Second quarter			January-June			
2022	2023	Δ%	in € millions	2022	2023	Δ%
249	311	25%	Adjusted operating income	479	529	10%
88	86		Depreciation and amortization (excluding Identified items)	175	173	
<b>337</b>	<b>397</b>	<b>18%</b>	<b>Adjusted EBITDA</b>	<b>654</b>	<b>702</b>	<b>7%</b>

### OPI margin

Second quarter			January-June		
2022	2023	in %	2022	2023	
10.9	13.2		Decorative Paints	11.0	11.2
6.7	10.5		Performance Coatings	8.2	9.3
<b>7.2</b>	<b>10.2</b>		<b>Total</b>	<b>8.1</b>	<b>8.5</b>

### ROS

Second quarter			January-June		
2022	2023	in %	2022	2023	
11.3	13.7		Decorative Paints	10.9	11.8
8.5	10.9		Performance Coatings	9.2	9.9
<b>8.7</b>	<b>11.3</b>		<b>Total</b>	<b>8.9</b>	<b>9.8</b>

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

### Adjusted earnings per share from continuing operations

Second quarter			January-June		
2022	2023	in € millions	2022	2023	
182	239	Profit before tax from continuing operations	410	390	
44	32	Identified items reported in operating income	42	68	
(10)	1	Identified items reported in interest	(10)	1	
(65)	(99)	Adjusted income tax	(126)	(151)	
(3)	(15)	Non-controlling interests	(15)	(26)	
<b>148</b>	<b>158</b>	<b>Adjusted net income from continuing operations</b>	<b>301</b>	<b>282</b>	
175.9	170.6	Weighted average number of shares (in millions)	176.8	170.6	
<b>0.84</b>	<b>0.93</b>	<b>Adjusted earnings per share from continuing operations</b>	<b>1.70</b>	<b>1.65</b>	



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

#### Average invested capital

July 2021 - June 2022/July 2022 - June 2023

in € millions	2022	2023	Δ%
Decorative Paints	3,220	3,857	20%
Performance Coatings	3,727	3,896	5%
Other activities	385	605	
<b>Total</b>	<b>7,332</b>	<b>8,358</b>	<b>14%</b>

#### ROI%

July 2021 - June 2022/July 2022 - June 2023

in %	2022	2023
Decorative Paints	15.1	10.8
Performance Coatings	14.7	13.4
Other activities*		
<b>Total</b>	<b>12.7</b>	<b>10.0</b>

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

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

#### EBITDA

July 2021 - June 2022/July 2022 - June 2023

in € millions	2022	2023
Operating income	868	732
Depreciation and amortization	357	367
<b>EBITDA</b>	<b>1,225</b>	<b>1,099</b>

#### Net debt

in € millions	June 30, 2022	June 30, 2023
Short-term investments	(782)	(235)
Cash and cash equivalents	(1,076)	(1,498)
Long-term borrowings	3,404	3,682
Short-term borrowings	2,319	2,404
<b>Total</b>	<b>3,865</b>	<b>4,353</b>

#### Leverage ratio

July 2021 - June 2022/July 2022 - June 2023

in € millions	2022	2023
Net debt	3,865	4,353
EBITDA	1,225	1,099
<b>Leverage ratio</b>	<b>3.2</b>	<b>4.0</b>

#### 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 partly mitigate higher than expected inflationary pressure on 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 €1.40 to €1.55 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.

\*Outlook is based on organic volumes and constant currencies, and assumes no significant market disruptions.

#### Amsterdam, 24 July, 2023 The Board of Management

Greg Poux-Guillaume  
Maarten de Vries

# Paints and Coatings

## Quarterly statistics

	Q1	Q2	Q3	Q4	2022		Q1	Q2	2023
					Full-year	in € millions			
<b>Revenue</b>									
	998	1,177	1,161	1,008	4,344	Decorative Paints	1,046	1,147	2,193
	1,526	1,675	1,700	1,598	6,499	Performance Coatings	1,611	1,594	3,205
	1	1	1	—	3	Other activities	—	—	—
	<b>2,525</b>	<b>2,853</b>	<b>2,862</b>	<b>2,606</b>	<b>10,846</b>	<b>Total</b>	<b>2,657</b>	<b>2,741</b>	<b>5,398</b>
<b>EBITDA<sup>1,2</sup></b>									
	150	163	144	85	542	Decorative Paints	129	185	314
	191	156	142	130	619	Performance Coatings	172	210	382
	(20)	(27)	(21)	(17)	(85)	Other activities	(32)	(28)	(60)
	<b>321</b>	<b>292</b>	<b>265</b>	<b>198</b>	<b>1,076</b>	<b>Total</b>	<b>269</b>	<b>367</b>	<b>636</b>
	<b>12.7</b>	<b>10.2</b>	<b>9.3</b>	<b>7.6</b>	<b>9.9</b>	<b>EBITDA margin (in %)</b>	<b>10.1</b>	<b>13.4</b>	<b>11.8</b>
<b>Adjusted EBITDA (excluding Identified items)<sup>1,2</sup></b>									
	141	168	148	91	548	Decorative Paints	137	191	328
	189	188	149	142	668	Performance Coatings	187	214	401
	(13)	(19)	(14)	(13)	(59)	Other activities	(19)	(8)	(27)
	<b>317</b>	<b>337</b>	<b>283</b>	<b>220</b>	<b>1,157</b>	<b>Total</b>	<b>305</b>	<b>397</b>	<b>702</b>
	<b>12.6</b>	<b>11.8</b>	<b>9.9</b>	<b>8.4</b>	<b>10.7</b>	<b>Adjusted EBITDA margin (in %)</b>	<b>11.5</b>	<b>14.5</b>	<b>13.0</b>
<b>Depreciation/Depreciation excluding Identified items<sup>2</sup></b>									
	(34)/(33)	(29)/(29)	(33)/(34)	(31)/(32)	(127)/(128)	Decorative Paints	(30)/(30)	(29)/(29)	(59)/(59)
	(30)/(29)	(34)/(35)	(35)/(35)	(35)/(35)	(134)/(134)	Performance Coatings	(33)/(33)	(34)/(33)	(67)/(66)
	(7)/(7)	(3)/(3)	(5)/(6)	(5)/(3)	(20)/(19)	Other activities	(4)/(4)	(6)/(5)	(10)/(9)
	<b>(71)/(69)</b>	<b>(66)/(67)</b>	<b>(73)/(75)</b>	<b>(71)/(70)</b>	<b>(281)/(281)</b>	<b>Total</b>	<b>(67)/(67)</b>	<b>(69)/(67)</b>	<b>(136)/(134)</b>
<b>Amortization/Amortization excluding Identified items<sup>2</sup></b>									
	(5)/(5)	(6)/(6)	(9)/(9)	(7)/(7)	(27)/(27)	Decorative Paints	(5)/(5)	(5)/(5)	(10)/(10)
	(9)/(9)	(10)/(10)	(9)/(9)	(9)/(9)	(37)/(37)	Performance Coatings	(9)/(9)	(8)/(8)	(17)/(17)
	(4)/(4)	(5)/(5)	(6)/(6)	(8)/(8)	(23)/(23)	Other activities	(6)/(6)	(6)/(6)	(12)/(12)
	<b>(18)/(18)</b>	<b>(21)/(21)</b>	<b>(24)/(24)</b>	<b>(24)/(24)</b>	<b>(87)/(87)</b>	<b>Total</b>	<b>(20)/(20)</b>	<b>(19)/(19)</b>	<b>(39)/(39)</b>

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

<sup>2</sup> EBITDA, adjusted EBITDA, depreciation and amortization (and related measures) per segment for 2022 have been updated to reflect changes in the financial reporting structure. More information is available on our website.

# Paints and Coatings

## Quarterly statistics

	Q1	Q2	Q3	Q4	2022		Q1	Q2	2023
					Full-year	in € millions			
<b>Operating income<sup>2</sup></b>									
	111	128	102	47	388	Decorative Paints	94	151	245
	152	112	98	86	448	Performance Coatings	130	168	298
	(31)	(35)	(32)	(30)	(128)	Other activities	(42)	(40)	(82)
	<b>232</b>	<b>205</b>	<b>168</b>	<b>103</b>	<b>708</b>	<b>Total</b>	<b>182</b>	<b>279</b>	<b>461</b>
	<b>9.2</b>	<b>7.2</b>	<b>5.9</b>	<b>4.0</b>	<b>6.5</b>	<b>OPI margin (in %)</b>	<b>6.8</b>	<b>10.2</b>	<b>8.5</b>
<b>Identified items included in operating income</b>									
	8	(5)	(3)	(5)	(5)	Decorative Paints	(8)	(6)	(14)
	1	(31)	(7)	(12)	(49)	Performance Coatings	(15)	(5)	(20)
	(7)	(8)	(6)	(6)	(27)	Other activities	(13)	(21)	(34)
	<b>2</b>	<b>(44)</b>	<b>(16)</b>	<b>(23)</b>	<b>(81)</b>	<b>Total</b>	<b>(36)</b>	<b>(32)</b>	<b>(68)</b>
<b>Adjusted operating income (excluding identified items)<sup>1,2</sup></b>									
	103	133	105	52	393	Decorative Paints	102	157	259
	151	143	105	98	497	Performance Coatings	145	173	318
	(24)	(27)	(26)	(24)	(101)	Other activities	(29)	(19)	(48)
	<b>230</b>	<b>249</b>	<b>184</b>	<b>126</b>	<b>789</b>	<b>Total</b>	<b>218</b>	<b>311</b>	<b>529</b>
	<b>9.1</b>	<b>8.7</b>	<b>6.4</b>	<b>4.8</b>	<b>7.3</b>	<b>ROS (in %)</b>	<b>8.2</b>	<b>11.3</b>	<b>9.8</b>
<b>Reconciliation financing income and expenses</b>									
	4	1	4	10	19	Financing income	11	15	26
	(16)	(29)	(26)	(35)	(106)	Financing expenses	(38)	(45)	(83)
	<b>(12)</b>	<b>(28)</b>	<b>(22)</b>	<b>(25)</b>	<b>(87)</b>	<b>Net interest on net debt</b>	<b>(27)</b>	<b>(30)</b>	<b>(57)</b>
<b>Other interest</b>									
	5	5	4	4	18	Financing income related to post-retirement benefits	8	9	17
	6	6	5	—	17	Interest on provisions	(1)	2	1
	(11)	(11)	(20)	(30)	(72)	Other items	(18)	(26)	(44)
	<b>—</b>	<b>—</b>	<b>(11)</b>	<b>(26)</b>	<b>(37)</b>	<b>Net other financing charges</b>	<b>(11)</b>	<b>(15)</b>	<b>(26)</b>
	<b>(12)</b>	<b>(28)</b>	<b>(33)</b>	<b>(51)</b>	<b>(124)</b>	<b>Financing income and expenses</b>	<b>(38)</b>	<b>(45)</b>	<b>(83)</b>

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

<sup>2</sup> Operating income and adjusted operating income (and related measures) per segment for 2022 have been updated to reflect changes in the financial reporting structure. More information is available on our website.

# AkzoNobel

## Quarterly statistics

				2022		2023		
Q1	Q2	Q3	Q4	Full-year		Q1	Q2	Year-to-date
<b>Quarterly net income analysis (in € millions)</b>								
8	5	6	(1)	18	Results from associates and joint ventures	7	5	12
228	182	141	51	602	Profit before tax	151	239	390
(62)	(67)	(51)	(34)	(214)	Income tax	(45)	(106)	(151)
166	115	90	17	388	Profit for the period from continuing operations	106	133	239
27	37	36	67	36	Effective tax rate (in %)	30	44	39
<b>Earnings per share from continuing operations (in €)</b>								
0.87	0.64	0.51	0.05	2.07	Basic	0.56	0.69	1.25
0.86	0.63	0.50	0.05	2.06	Diluted	0.56	0.69	1.24
<b>Earnings per share from discontinued operations (in €)</b>								
—	(0.03)	(0.02)	—	(0.06)	Basic	(0.01)	—	(0.01)
—	(0.03)	(0.02)	—	(0.06)	Diluted	(0.01)	—	(0.01)
<b>Earnings per share from total operations (in €)</b>								
0.87	0.60	0.48	0.05	2.01	Basic	0.55	0.69	1.24
0.86	0.60	0.48	0.05	2.01	Diluted	0.55	0.69	1.24
<b>Number of shares (in millions)</b>								
177.7	175.9	174.0	171.5	174.7	Weighted average number of shares <sup>1</sup>	170.5	170.6	170.6
176.9	174.5	172.7	170.4	170.4	Number of shares at end of quarter <sup>1</sup>	170.6	170.6	170.6
<b>Adjusted earnings from continuing operations (in € millions)<sup>2</sup></b>								
228	182	141	51	602	Profit before tax from continuing operations	151	239	390
(2)	44	16	23	81	Identified items reported in operating income	36	32	68
—	(10)	—	—	(10)	Identified items reported in interest	—	1	1
(61)	(65)	(55)	(38)	(219)	Adjusted income tax	(52)	(99)	(151)
(12)	(3)	(2)	(9)	(26)	Non-controlling interests	(11)	(15)	(26)
153	148	100	27	428	<b>Adjusted net income from continuing operations</b>	<b>124</b>	<b>158</b>	<b>282</b>
0.86	0.84	0.57	0.16	2.45	<b>Adjusted earnings per share from continuing operations (in €)</b>	<b>0.73</b>	<b>0.93</b>	<b>1.65</b>

<sup>1</sup> After share buyback.

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

# Glossary

**Adjusted earnings per share** are the basic earnings per share from operations, excluding Identified items and taxes thereon.

**Adjusted EBITDA** is operating income excluding depreciation, amortization and Identified items.

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

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

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

**Comprehensive income** is the change in equity during a period resulting from transactions and other events other than those changes resulting from transactions with shareholders in their capacity as shareholders.

**Constant currencies** calculations exclude the impact of changes in foreign exchange rates by retranslating the prior year local currency amounts into euro at the current year's 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.**

Christian Neefestraat 2  
P.O. Box 75730  
1070 AS Amsterdam, the Netherlands  
T +31 88 969 7555  
[www.akzonobel.com](http://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](http://www.akzonobel.com)

AkzoNobel Global Communications  
T +31 88 969 7833  
E [media.relations@akzonobel.com](mailto:media.relations@akzonobel.com)

AkzoNobel Investor Relations  
T +31 88 969 0139  
E [investor.relations@akzonobel.com](mailto:investor.relations@akzonobel.com)

**Financial calendar**

Report for the third quarter 2023

October 25, 2023

# AkzoNobel

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

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

© 2023 Akzo Nobel N.V. All rights reserved.