

Media release

October 20, 2022

AkzoNobel revenue up 19% due to strong pricing, despite increased macro-economic headwinds impacting results

Akzo Nobel N.V. (AKZA; AKZOY) publishes results for Q3 2022

Highlights Grow & Deliver (compared with Q3 2021)

- Revenue up 19% and 14% higher in constant currencies¹, pricing up 13%
- ROS² at 6.4% (2021: 10.0%), resulting from lower volumes and higher raw material and freight costs, as well as inflation on operating expenses
- Adjusted EBITDA at €283 million (2021: €325 million)
- Q4 2022 adjusted operating income expected below €150 million

Highlights Q3 2022 (compared with Q3 2021)

- Pricing up 13%, offsetting the increase of raw material and other variable costs. Volumes 5% lower, mainly due to destocking in the distribution channels in Decorative Paints in Europe and in Performance Coatings, as well as lower market demand in China
- Operating income at €168 million (2021: €226 million), includes €16 million negative impact from Identified items (2021: €15 million net negative impact) and €17 million negative from the retrospective hyperinflation impact of the first half-year of 2022. OPI margin 5.9% (2021: 9.4%)
- Adjusted operating income³ at €184 million (2021: €241 million); excluding the retrospective impact of hyperinflation accounting at €201 million
- Net cash from operating activities decreased to an inflow of €126 million (2021: inflow of €290 million)
- Net income attributable to shareholders at €84 million (2021: €164 million)
- EPS from total operations at €0.48 (2021: €0.89); adjusted EPS from continuing operations at €0.57 (2021: €0.93)
- Interim dividend of €0.44 per share (2021: €0.44 per share)

AkzoNobel CEO, Thierry Vanlancker, commented:

"Our €201 million adjusted operating income excluding the retrospective impact of hyperinflation accounting bring our Q3 results in line with the market update issued at the end of September. Sharply increased macro-economic uncertainties negatively impacted consumer confidence. This resulted in destocking across several distribution channels in decorative paints Europe and performance coatings, while the market in China was impacted by the ongoing zero COVID-19 policy.

"Thanks to the strong commitment of our teams, we continue to offset the impact of raw material and freight cost inflation with pricing. We've now delivered cumulative pricing of 22% over the last two years. The macro-economic turbulence is expected to continue well into next year. We've therefore decided to suspend our targets for 2023 and will provide further guidance when announcing our full-year 2022 results. In the meantime, we will continue to focus on our margin management and cost reduction initiatives."

AkzoNobel in € millions	Q3 2021	Q3 2022	Δ%	Δ% CC ¹
Revenue	2,410	2,862	19%	14%
Operating income	226	168	(26%)	
Adjusted operating income ³ *	241	184	(24%)	
ROS ²	10.0%	6.4%		

* Adjusted operating income excluding retrospective impact of hyperinflation accounting: €201 million

Recent highlights

Powering the future of electric vehicles

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

Jodhpur given a transformational dose of the blues

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

€20 million to be invested in French facilities

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

Color of the Year 2023 announced

Wild Wonder – a hue inspired by the warm tones of harvested crops – is AkzoNobel's 2023 Color of the Year. Its upbeat glow connects us with nature, creating a sense of energy and positivity. As people search for support, connection, inspiration and balance in the world today, they're diving into the wonders of the natural world to find it. Extensive research conducted by a team of in-house color experts and international design professionals found hope at the heart of global social, design and consumer trends.

Largest warehousing base in China on schedule

A huge logistics hub which is set to become AkzoNobel's largest warehousing base in China is on course to be completed by the middle of 2023. Located at our decorative paints site in Songjiang, Shanghai, the new €10.3 million facility – a nerve center for production, storage and transport – will use intelligent digital technologies and advanced security management to customize storage and operation modes for different product categories. It's scheduled for completion in May next year.

Outlook

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

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

The report for the third quarter can be viewed and downloaded: <https://akzo.no/Q3-2022-results>

1 Constant currencies calculations exclude the impact of changes in foreign exchange rates

2 Return on sales (ROS) is adjusted operating income as percentage of revenue

3 Adjusted operating income = operating income excluding identified items

This media release covers the highlights for the quarter. We recommend reading the media release in combination with the full quarterly report. The quarterly report provides additional information, including the IAS34 condensed consolidated financial statements. ROS, adjusted OPI, adjusted EPS, EBITDA and Adjusted EBITDA are Alternative Performance Measures (APM's). AkzoNobel uses APM adjustments to the IFRS measures to provide supplementary information on the reporting of the underlying developments of the business. A reconciliation of the alternative performance measures to the most directly comparable IFRS measures can be found in the AkzoNobel quarterly report.

All figures in the media release and in the AkzoNobel quarterly report are unaudited. The interim condensed consolidated financial statements were discussed and approved by the Board of Management and the Supervisory Board. These condensed financial statements have been authorized for issue.

This is a public announcement by Akzo Nobel N.V. pursuant to section 17 paragraph 1 of the European Market Abuse Regulation (596/2014).

About 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.

Not for publication – for more information

AkzoNobel Media Relations
T +31 (0)88 - 969 7833
Contact: Joost Ruempol
Media.relations@akzonobel.com

AkzoNobel Investor Relations
T +31 (0)88 – 969 0139
Contact: Kenny Chae
Investor.relations@akzonobel.com

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.

Link to the quarter report: <https://akzo.no/Q3-2022-results>