

REPORT Q3 21

AkzoNobel



Bright Skies unveiled as Color of the Year

An airy light blue has been revealed as our 2022 Color of the Year. The stunning collection of colors will inspire interior design and surfaces for the aerospace, automotive and consumer electronics markets. According to our trend research, what people need most is a breath of fresh air. That theme is reflected in Bright Skies – an incredibly versatile shade also showcased in our ColorSurfaces E17 coatings collection.

Our results at a glance

Highlights Q3 2021

- Pricing up 9% compared with Q3 2020. Revenue 6% higher (up 5% from Q3 2019, in constant currencies¹)
- Raw material and other variable costs increased €278 million compared with Q3 2020
- Adjusted operating income lower at €241 million (2020: €353 million), ROS² at 10.0% (2020: 15.5%)
- €1 billion share buyback started April 27, 2021; €557 million completed by end of Q3 2021
- First paints and coatings company to commit to a carbon reduction target of 50% by 2030 (2018 baseline) for the full value chain, verified by the Science Based Targets initiative

Q3 2021 (compared with Q3 2020)

- Revenue up 6%, driven by pricing initiatives. Volumes 6% lower, while acquisitions added 1%
- Operating income lower at €226 million (2020: €326 million). OPI margin 9.4% (2020: 14.3%), includes €15 million net negative impact from identified items
- Adjusted operating income lower at €241 million (2020: €353 million), ROS² at 10.0% (2020: 15.5%)
- Net cash from operating activities lower at €290 million (2020: €457 million)
- Net income attributable to shareholders lower at €164 million (2020: €220 million)
- EPS from total operations lower at €0.89 (2020: €1.15); adjusted EPS from continuing operations at €0.93 (2020: €1.30)
- Interim dividend of €0.44 per share (2020: €0.43 per share)

¹ The 2019 comparatives are included in this report to allow for proper comparison in light of the COVID-19 impact in 2020.

² ROS is adjusted operating income as percentage of revenue; ROS excluding unallocated cost was reported in relation to the Winning together: 15 by 20 strategy and is no longer reported.

Outlook

AkzoNobel targets to grow at least in line with its relevant markets. Trends differ per region and segment, with significant raw material cost inflation and supply constraints expected to continue through mid-2022. Margin management and cost discipline are in place to deliver an average annual 50 basis points increase in return on sales over the period 2021-2023. The company is confident in the €2 billion EBITDA target for 2023, in line with its Grow & Deliver strategy. AkzoNobel targets a leverage ratio of 1-2 times net debt/EBITDA and commits to retain a strong investment grade credit rating.

Summary of financial outcomes

Third quarter			January-September		
2020	2021	Δ% in € millions / %	2020	2021	Δ%
2,276	2,410	6%	6,321	7,184	14%
417	313	(25%)	991	1,170	18%
439	325	(26%)	1,062	1,135	7%
326	226	(31%)	720	913	27%
(27)	(15)		(85)	30	
353	241	(32%)	805	883	10%
14.3	9.4		11.4	12.7	
15.5	10.0		12.7	12.3	
			6,974	6,706	
			14.7	17.5	
64	70		156	189	
			1,315	1,983	
			1.0	1.3	
			32,400	32,700	
457	290		605	427	
220	164		463	642	
190.6	184.1		191.7	186.6	
1.15	0.89		2.41	3.44	
1.30	0.93		2.80	3.32	

¹ Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 12 and 13.

² ROS is adjusted operating income as percentage of revenue; ROS excluding unallocated cost was reported in relation to the Winning together: 15 by 20 strategy and is no longer reported.

Alternative performance measures (APM)

AkzoNobel uses APM adjustments to the IFRS measures to provide supplementary information on the reporting of the underlying developments of the business. A reconciliation of the alternative performance measures to the most directly comparable IFRS measures can be found in the tables on pages 12 and 13.

Financial highlights

Revenue

Q3 2021

Pricing up 9%. Revenue increased by 6% (compared with Q3 2019: up 5% in constant currencies), mainly due to pricing initiatives. Mix was up 2% overall, while volumes were 6% lower.

- Decorative Paints pricing up 7%. Revenue increased 1% overall, with mix 3% higher due to normalization in the DIY segment in EMEA. Volumes were 11% lower than in Q3 2020, while acquisitions added 2%
- Performance Coatings pricing up 11%. Revenue was up 10% overall and increased 9% in constant currencies. Mix was flat. Volumes were 2% below Q3 2020
- Other activities revenue mainly includes service revenue

Cost of sales

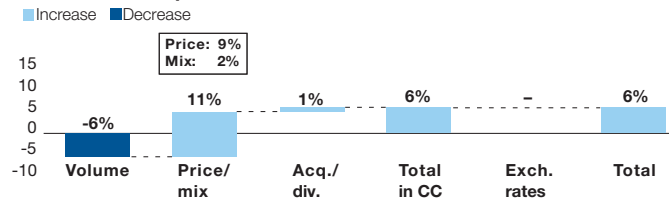
Raw material and other variable costs in the third quarter of 2021 increased €278 million, adjusted for the impact of lower volumes, compared with the third quarter of 2020. The increase was mainly driven by raw material inflation, which continued to intensify.



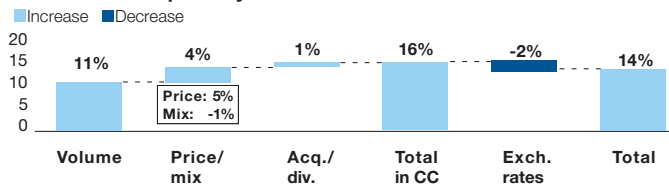
SBTi approves carbon reduction target

Our commitment to setting science-based sustainability targets has been officially validated by the Science Based Targets initiative (SBTi) – confirming AkzoNobel as the first paints and coatings company to receive this endorsement. We've also restated our carbon reduction target across the whole value chain and increased it to 50% by 2030 (baseline 2018). This brings it in line with the company's carbon reduction ambition in its own operations.

Revenue development Q3 2021



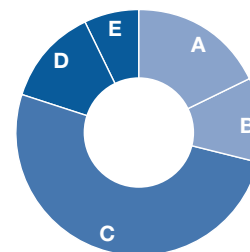
Revenue development year-to-date 2021



AkzoNobel around the world Revenue by destination

Destination	%
A North Asia	18
B South Asia Pacific	11
C EMEA	51
D North America	13
E South America	7
Total	100

(Based on the full-year 2020)



Revenue

Third quarter

January-September

2020	2021	Δ%	Δ% CC*	in € millions	2020	2021	Δ%	Δ% CC*
1,004	1,013	1%	1%	Decorative Paints	2,657	3,029	14%	16%
1,270	1,396	10%	9%	Performance Coatings	3,651	4,151	14%	17%
2	1			Other activities	13	4		
2,276	2,410	6%	6%	Total	6,321	7,184	14%	16%

* Change excluding currency impact.

in % versus Q3 2020	Volume	Price/mix	Acq./div.	Exchange rates	Total
Decorative Paints	(11)	10	2	-	1
Performance Coatings	(2)	11	-	1	10
Total	(6)	11	1	-	6

in % versus year-to-date 2020	Volume	Price/mix	Acq./div.	Exchange rates	Total
Decorative Paints	11	3	2	(2)	14
Performance Coatings	12	5	-	(3)	14
Total	11	4	1	(2)	14

Volume development per quarter

(year-on-year) in %	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21
Decorative Paints	14	12	28	22	(11)
Performance Coatings	(5)	1	10	30	(2)
Total	3	6	16	26	(6)

Price/mix development per quarter

(year-on-year) in %	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21
Decorative Paints	(4)	2	1	(2)	10
Performance Coatings	1	-	(2)	4	11
Total	(1)	1	(1)	1	11

Currency development per quarter

(year-on-year) in %	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21
Decorative Paints	(7)	(10)	(8)	(2)	-
Performance Coatings	(5)	(5)	(5)	(4)	1
Total	(6)	(7)	(6)	(3)	-

Financial highlights

Q3 2021

Operating income

Operating income at €226 million (2020: €326 million) as pricing initiatives were more than offset by significant raw material cost impact and lower volumes. OPI margin at 9.4% (2020: 14.3%).

- Decorative Paints operating income decreased, mainly due to significant raw material cost increases and 11% lower volumes, partly offset by pricing initiatives. OPI margin at 14.5% (2020: 20.1%)
- Performance Coatings delivered 11% higher pricing, although heavily impacted by continued raw material cost inflation. OPI margin at 9.5% (2020: 14.1%)
- Other activities improved €1 million to €54 million negative (2020: €55 million negative)

Adjusted operating income

Adjusted operating income at €241 million (2020: €353 million) excludes negative identified items of €15 million, mainly related to transformation initiatives (2020: €27 million negative identified items relating to transformation initiatives). ROS¹ at 10.0% (2020: 15.5%).

Year-to-date

Operating income

Operating income up 27% at €913 million (2020: €720 million), driven by significant volume increases and one-off gains. Operating income includes net positive identified items of €30 million, mainly related to gains from the Brazil ICMS case and UK pensions curtailments, partly offset by transformation initiatives (2020: €85 million negative identified items, mainly relating to transformation initiatives). OPI margin improved to 12.7% (2020: 11.4%).

- Decorative Paints performance improved, mainly due to strong demand across all regions and one-off gains, with volumes up 11% compared with year-to-date Q3 2020. OPI margin was up at 17.6% (2020: 16.1%)
- Performance Coatings operating income increased, mainly due to 12% higher volumes. OPI margin improved to 12.4% (2020: 12.3%)
- Other activities improved €27 million to €132 million negative (2020: €159 million negative), mainly resulting from lower negative identified items

Adjusted operating income

Adjusted operating income was 10% higher at €883 million (2020: €805 million). ROS¹ at 12.3% (2020: 12.7%).

Net financing income/(expenses)

Net financing expenses decreased by €22 million, mainly due to one-off interest income from the Brazil ICMS case (see below).

Income tax

The effective tax rate was 27.0% (2020: 27.6%). The decrease compared with previous year is mainly related to non-taxable interest income from the Brazil ICMS case (see below). Excluding identified items, the effective tax rate in 2021 was 24.8% (2020: 26.8%).

In July 2021, the UK Supreme Court issued a decision in a group litigation case the company participates in ("Franked Investment Income"; filed in 2003). The company is in the process of assessing the impact of this decision and has not yet accounted for such impact.

Net income

Net income attributable to shareholders was €642 million (2020: €463 million). Earnings per share from total operations increased to €3.44 (2020: €2.41), including the impact of share buyback programs.

Identified items: Brazil ICMS and UK pensions year-to-date

Brazil state tax on goods and services (ICMS)

In May 2021, the Brazilian Supreme Court (STF) recognized the right to deduct state tax on goods and services (ICMS) from the calculation basis of the Social Integration Program-PIS (Programa de Integração Social) and the Financing of Social Security-COFINS (Contribuição para Financiamento da Seguridade Social).

This STF decision covers a multi-year period prior to 2018. As a result, a year-to-date net gain of €50 million was recognized in net income, of which €36 million in Other results, €21 million in interest income, €6 million in discontinued operations and €13 million negative in income tax.

UK pensions curtailment

Following a court decision in April 2021, which allows the amendment of the scheme documentation of one of the company's UK pension funds, a curtailment gain of €23 million was recognized in Other results in Q2 2021.

Operating income

Third quarter			January-September			
2020	2021	Δ%	in € millions	2020	2021	Δ%
202	147	(27%)	Decorative Paints	429	532	24%
179	133	(26%)	Performance Coatings	450	513	14%
(55)	(54)		Other activities	(159)	(132)	
326	226	(31%)	Total	720	913	27%

Adjusted operating income

Third quarter			January-September			
2020	2021	Δ%	in € millions	2020	2021	Δ%
208	151	(27%)	Decorative Paints	447	490	10%
195	136	(30%)	Performance Coatings	488	511	5%
(50)	(46)		Other activities	(130)	(118)	
353	241	(32%)	Total	805	883	10%

ROS¹

Third quarter			January-September		
2020	2021	in %	2020	2021	
20.7	14.9		Decorative Paints	16.8	16.2
15.4	9.7		Performance Coatings	13.4	12.3
			Other activities ²		
15.5	10.0		Total	12.7	12.3

¹ ROS is adjusted operating income as percentage of revenue; ROS excluding unallocated cost was reported in relation to the Winning together: 15 by 20 strategy and is no longer reported.

² ROS for Other activities is not shown, as this is not meaningful.

Operating income to net income

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

Decorative Paints

Highlights Q3 2021

- Pricing up 7% compared with Q3 2020, driven by strong pricing initiatives in all regions
- Revenue up 1% (compared with Q3 2019: up 11% in constant currencies)
- Normalization in the DIY segment in EMEA, while the professional segment returned to growth; mix up 3%

Q3 2021

- Pricing up 7%. Revenue up 1% (compared with Q3 2019: up 11% in constant currencies). Pricing initiatives and positive mix of 3% were offset by 11% lower volumes, while acquisitions added 2%
- Operating income lower at €147 million (2020: €202 million) as pricing initiatives of 7% were more than offset by raw material cost inflation and lower volumes

Q3 2021

Revenue was up 1%, with pricing initiatives and positive mix partly offset by lower volumes. Acquisitions added 2%.

Operating income of €147 million (2020: €202 million) was adversely impacted by raw material cost inflation and lower volumes, partly offset by pricing initiatives and positive mix effects. Operating income includes €4 million net negative identified items, mainly related to transformation initiatives. In 2020, operating income included €6 million identified items related to transformation initiatives.

Adjusted operating income lower at €151 million (2020: €208 million) and ROS at 14.9% (2020: 20.7%).

Europe, Middle East and Africa

Revenue in Q3 was 1% lower and 2% lower in constant currencies (compared with Q3 2019: up 10% in constant currencies), with pricing initiatives offset by lower volumes.

Positive mix effects and lower volumes were driven by normalization in the DIY segment. DIY normalizing above 2019 levels, while the professional segment returned to growth, although still impacted by supply constraints.

South America

Revenue in Q3 was 13% higher and up 25% in constant currencies (compared with Q3 2019: up 70% in constant currencies), driven by pricing initiatives and market share gains in Brazil and Argentina.

Asia

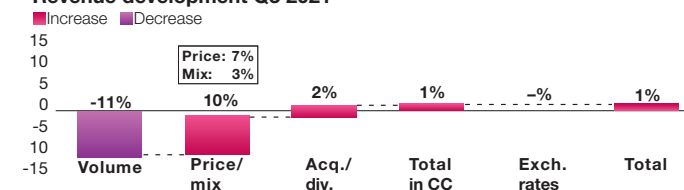
Revenue in Q3 was flat and 2% lower in constant currencies (compared with Q3 2019: 3% lower in constant currencies). China showed strong growth in the premium retail segment, contributing to a positive mix. Pricing initiatives were offset by lower volumes as Vietnam, Malaysia and Indonesia were still heavily impacted by lockdown measures in Q3 2021, while India showed signs of recovery.

Revenue

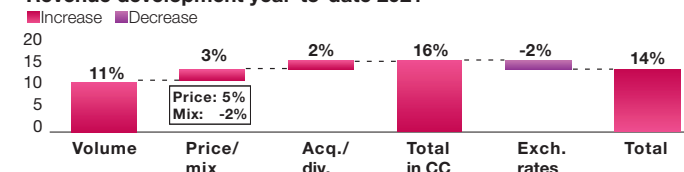
Third quarter				January-September					
2020	2021	Δ%	Δ% CC*	in € millions		2020	2021	Δ%	Δ% CC*
620	615	(1%)	(2%)	Decorative Paints Europe, Middle East and Africa		1,749	1,931	10%	11%
116	131	13%	25%	Decorative Paints South America		259	329	27%	52%
268	267	-%	(2%)	Decorative Paints Asia		649	769	18%	20%
1,004	1,013	1%	1%	Total		2,657	3,029	14%	16%

* Change excluding currency impact.

Revenue development Q3 2021



Revenue development year-to-date 2021



Key financial figures

Third quarter				January-September		
2020	2021	Δ%	in € millions / %	2020	2021	Δ%
202	147	(27%)	Operating income	429	532	24%
(6)	(4)		Identified items*	(18)	42	
208	151	(27%)	Adjusted operating income*	447	490	10%
20.1	14.5		OPI margin (%)*	16.1	17.6	
20.7	14.9		ROS (%)*	16.8	16.2	
			Average invested capital*	2,882	2,771	
			ROI (%)*	18.5	22.2	

*Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 12 and 13.

Performance Coatings

Highlights Q3 2021

- Pricing up 11% compared with Q3 2020, driven by strong pricing initiatives in all segments
- Revenue up 10% and up 9% in constant currencies (compared with Q3 2019: up 3% in constant currencies)

Q3 2021

- Revenue 10% higher and up 9% in constant currencies (compared with Q3 2019: up 3% in constant currencies) mainly resulting from positive pricing initiatives of 11%, while mix impact was flat. Revenue growth was driven by strong demand for Industrial Coatings and continued recovery in Marine and Protective Coatings
- Operating income 26% lower at €133 million (2020: €179 million), mainly as a result of raw material cost inflation, partly offset by pricing initiatives

Q3 2021

Revenue was 10% higher and up 9% in constant currencies, driven by strong demand for Industrial Coatings and continued recovery in Marine and Protective Coatings. Positive pricing impact of 11%, while mix impact was flat.

Operating income of €133 million (2020: €179 million) was impacted by raw material inflation, partly offset by pricing initiatives. Operating income includes €3 million negative identified items, mainly related to transformation initiatives. In 2020, operating income of €179 million included €16 million identified items, mainly related to transformation initiatives.

Adjusted operating income at €136 million (2020: €195 million), ROS at 9.7% (2020: 15.4%).

Powder Coatings

Revenue in Q3 was up 7% and 6% higher in constant currencies (compared with Q3 2019: up 7% in constant currencies). Revenue growth in Powder Coatings was driven by pricing initiatives, mainly in automotive, as well as the industrial and consumer segments. Powder Coatings showed strong underlying demand, including the electric vehicle industry. Supply constraints continued, mainly in North America.

Marine and Protective Coatings

Revenue in Q3 was up 12% and 11% higher in constant currencies (compared with Q3 2019: 9% lower in constant currencies) driven by pricing initiatives. Marine and Protective showed sequential year-on-year recovery, mainly in the protective and yacht segments, although still impacted by supply constraints.

Automotive and Specialty Coatings

Revenue in Q3 was 6% higher (compared with Q3 2019: 2% lower in constant currencies), mainly due to pricing initiatives, despite slightly lower volumes. Aerospace showing strong recovery, whereas demand for consumer electronics continued to normalize.

Industrial Coatings

Revenue in Q3 was up 13% (compared with Q3 2019: up 15% in constant currencies), driven by pricing initiatives. Revenue growth in all segments, especially in packaging and wood.

Revenue

Third quarter

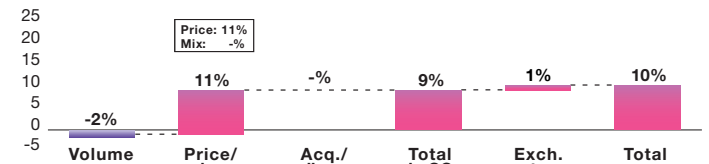
January-September

2020	2021	Δ%	CC*	Δ%	CC*	in € millions	2020	2021	Δ%	Δ%	CC*
300	320	7%	6%			Powder Coatings	814	983	21%	24%	
257	289	12%	11%			Marine and Protective Coatings	804	857	7%	9%	
288	305	6%	6%			Automotive and Specialty Coatings	824	917	11%	14%	
425	482	13%	13%			Industrial Coatings	1,209	1,394	15%	19%	
1,270	1,396	10%	9%			Total	3,651	4,151	14%	17%	

* Change excluding currency impact.

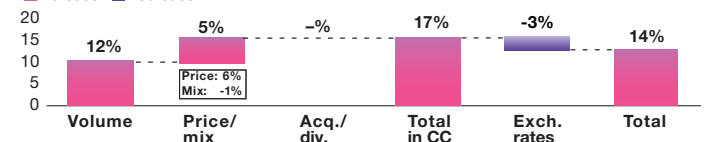
Revenue development Q3 2021

■ Increase ■ Decrease



Revenue development year-to-date 2021

■ Increase ■ Decrease



Key financial figures

Third quarter

January-September

2020	2021	Δ%	in € millions / %	2020	2021	Δ%
179	133	(26%)	Operating income	450	513	14%
(16)	(3)		Identified items*	(38)	2	
195	136	(30%)	Adjusted operating income*	488	511	5%
14.1	9.5		OPI margin (%)*	12.3	12.4	
15.4	9.7		ROS (%)*	13.4	12.3	
			Average invested capital*	3,406	3,434	
			ROI (%)*	19.0	21.0	

*Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 12 and 13.

Condensed consolidated financial statements

Condensed consolidated statement of income

Condensed consolidated statement of income			January-September	
Third quarter			2020	2021
2020	2021	in € millions	2020	2021
Continuing operations				
2,276	2,410	Revenue	6,321	7,184
(1,259)	(1,483)	Cost of sales	(3,511)	(4,238)
1,017	927	Gross profit	2,810	2,946
(694)	(701)	SG&A costs	(2,090)	(2,092)
3	–	Other results	–	59
326	226	Operating income	720	913
(15)	(19)	Net financing expenses	(53)	(31)
6	6	Results from associates and joint ventures	18	21
317	213	Profit before tax	685	903
(82)	(48)	Income tax	(189)	(244)
235	165	Profit for the period from continuing operations	496	659
Discontinued operations				
(5)	–	Profit/(loss) for the period from discontinued operations	(6)	5
230	165	Profit for the period	490	664
Attributable to				
220	164	Shareholders of the company	463	642
10	1	Non-controlling interests	27	22
230	165	Profit for the period	490	664

Condensed consolidated statement of comprehensive income

Condensed consolidated statement of comprehensive income			January-September	
Third quarter			2020	2021
2020	2021	in € millions	2020	2021
230	165	Profit for the period	490	664
Other comprehensive income				
(123)	29	Exchange differences arising on translation of foreign operations	(438)	228
–	(1)	Cash flow hedges	–	(1)
(133)	(72)	Post-retirement benefits	290	(4)
25	17	Tax relating to components of other comprehensive income	(49)	(3)
(231)	(27)	Other comprehensive income for the period (net of tax)	(197)	220
(1)	138	Comprehensive income for the period	293	884
Comprehensive income for the period attributable to				
(2)	133	Shareholders of the company	285	859
1	5	Non-controlling interests	8	25
(1)	138	Comprehensive income for the period	293	884

Condensed consolidated balance sheet

Condensed consolidated balance sheet			December 31, 2020	September 30, 2021
in € millions				
Assets				
Non-current assets				
Intangible assets			3,554	3,645
Property, plant and equipment			1,621	1,724
Right-of-use assets			324	299
Other non-current assets			2,614	2,646
Total non-current assets			8,113	8,314
Current assets				
Inventories			1,159	1,564
Trade and other receivables			1,994	2,380
Other current assets			55	99
Short-term investments			250	13
Cash and cash equivalents			1,606	1,087
Total current assets			5,064	5,143
Total assets			13,177	13,457
Equity and liabilities				
Group equity				
Non-current liabilities				
Provisions and deferred tax liabilities			1,363	1,325
Long-term borrowings			2,771	2,000
Total non-current liabilities			4,134	3,325
Current liabilities				
Short-term borrowings			119	1,083
Trade and other payables			2,580	2,978
Other short-term liabilities			394	346
Total current liabilities			3,093	4,407
Total equity and liabilities			13,177	13,457

Shareholders' equity

Shareholders' equity amounted to €5.5 billion at September 30, 2021, compared with €5.7 billion at year-end 2020. Main movements relate to:

- Profit for the period of €642 million
- Currency effects of €223 million positive (including taxes)

Offset by:

- Share buyback of €824 million (including taxes)
- Final 2020 dividend of €285 million

Dividend

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

An interim dividend of €0.44 per share will be paid. In 2020, an interim dividend of €0.43 per share was paid.

The final 2020 dividend of €1.52 per common share was approved by the AGM in April 2021 and was paid. The total 2020 dividend amounted to €1.95 per share (2019: €1.90).

Outstanding share capital

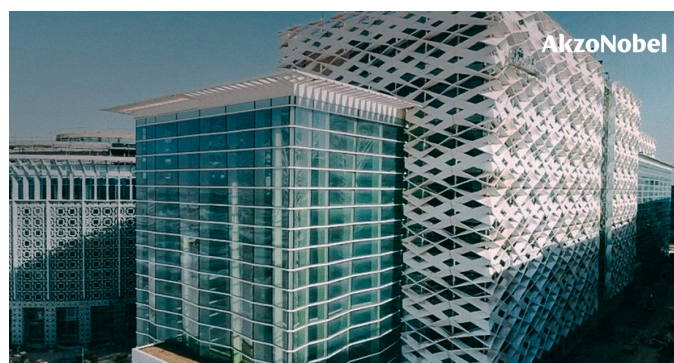
The outstanding share capital was 187.5 million common shares at the end of September 2021. This included 5.1 million shares acquired in the share buyback programs not yet cancelled.

The weighted average number of shares in Q3 2021 was 184.1 million shares. The weighted average number of shares in the first three quarters of 2021 was 186.6 million. These weighted average numbers of shares exclude repurchased shares not yet canceled and were the basis for the calculation of earnings per share.

On February 16, 2021, a €1 billion share buyback program was announced, to be completed in Q1 2022. This program started on April 27, 2021. At September 30, 2021, a total of 5.4 million shares had been acquired under this program.

Changes in equity

in € millions	Subscribed share capital	Additional paid-in 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, 2019	100	-	-	(469)	6,719	6,350	218	6,568
Profit for the period	-	-	-	-	463	463	27	490
Other comprehensive income	-	-	-	(413)	235	(178)	(19)	(197)
Comprehensive income for the period	-	-	-	(413)	698	285	8	293
Dividend	-	-	-	-	(284)	(284)	(8)	(292)
Share buyback	(5)	-	-	-	(480)	(485)	-	(485)
Equity-settled transactions	-	-	-	-	10	10	-	10
Acquisitions and divestments	-	-	-	-	(29)	(29)	(14)	(43)
Balance at September 30, 2020	95	-	-	(882)	6,634	5,847	204	6,051
Balance at December 31, 2020	95	-	-	(873)	6,524	5,746	204	5,950
Profit for the period	-	-	-	-	642	642	22	664
Other comprehensive income	-	-	(1)	223	(5)	217	3	220
Comprehensive income for the period	-	-	(1)	223	637	859	25	884
Dividend	-	-	-	-	(285)	(285)	(12)	(297)
Share buyback	(1)	-	-	-	(823)	(824)	-	(824)
Equity-settled transactions	-	-	-	-	14	14	-	14
Acquisitions and divestments	-	-	-	-	(1)	(1)	(1)	(2)
Balance at September 30, 2021	94	-	(1)	(650)	6,066	5,509	216	5,725



High-performance TRINAR coatings for the new Shadadiyah campus at Kuwait University

Our International Paint colleagues in the Middle East helped the new Shadadiyah campus at Kuwait University meet the grade when it comes to sustainability. We supplied our high-performance TRINAR coatings, which contributed to the impressive facility achieving Silver LEED certification. LEED is the world's most widely-used green building rating system and we're proud to have helped create an ideal learning environment for the thousands of students who use the facility. The products were used on several surfaces, including the external aluminum and curtain walls. We also provided technical support and color services throughout the four-year project.

Cash flows and net debt

Net cash from operating activities in Q3 2021 resulted in an inflow of €290 million (2020: inflow of €457 million). This decrease in inflow was mainly driven by a decrease of profitability for the quarter.

Net cash from investing activities in Q3 2021 resulted in an inflow of €219 million (2020: outflow of €117 million). Net cash from investing activities in Q3 2021 was mainly related to an inflow from short-term investments, partly offset by capital expenditures.

Net cash from financing activities in Q3 2021 resulted in an outflow of €657 million (2020: outflow of €335 million). Net cash from financing activities mainly related to an outflow for the share buyback (€335 million) and changes in borrowings (outflow of €311 million).

At September 30, 2021, net debt was €1,983 million versus €1,034 million at year-end 2020. The increase in net debt was mainly due to share buybacks (€791 million), dividend paid (€301 million) and capital expenditures (€189 million), offset by net cash generated from operating activities (€427 million). The net debt/EBITDA leverage ratio at September 30, 2021, was 1.3 (September 30, 2020: 1.0).

Free cash flows

The cash generation in Q3 2021 was lower compared with Q3 2020, mainly due to lower profitability for the quarter.

Condensed consolidated statements of cash flows

Third quarter			January-September	
2020	2021	in € millions	2020	2021
1,179	1,162	Net cash and cash equivalents at beginning of period	1,210	1,581
Adjustments to reconcile earnings to cash generated from operating activities				
235	165	Profit for the period from continuing operations	496	659
91	87	Amortization and depreciation	271	257
1	4	Impairment losses	1	3
15	19	Financing income and expenses	53	31
(6)	(6)	Results from associates and joint ventures	(18)	(21)
(10)	(1)	Pre-tax result on acquisitions and divestments	(10)	(12)
82	48	Income tax	189	244
101	66	Changes in working capital	(182)	(395)
-	23	Pension pre-funding	-	23
(13)	(5)	Changes in post-retirement benefit provisions	(25)	(42)
8	(6)	Changes in other provisions	(38)	(74)
(22)	(37)	Interest paid	(37)	(62)
(32)	(67)	Income tax paid	(93)	(157)
7	-	Other changes	(2)	(27)
457	290	Net cash generated from/(used for) operating activities	605	427
(64)	(70)	Capital expenditures	(156)	(189)
5	4	Acquisitions and divestments net of cash acquired/divested	(46)	(60)
(61)	36	Investment in short-term investments	(108)	(11)
1	245	Repayments of short-term investments	136	247
2	4	Other changes	15	8
(117)	219	Net cash generated from/(used for) investing activities	(159)	(5)
(27)	(311)	Changes from borrowings	684	88
(7)	(10)	Dividend paid	(292)	(301)
-	(335)	Share buyback	(479)	(791)
(1)	(1)	Buy-out of non-controlling interests	(45)	(1)
(35)	(657)	Net cash from/(used for) financing activities	(132)	(1,005)
305	(148)	Net cash generated from/(used for) continuing operations	314	(583)
(1)	-	Cash flows from discontinued operations	(2)	-
304	(148)	Net change in cash and cash equivalents of continued and discontinued operations	312	(583)
(23)	6	Effect of exchange rate changes on cash and cash equivalents	(62)	22
1,460	1,020	Net cash and cash equivalents at September 30	1,460	1,020

Consolidated statement of free cash flows

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



"Let's Colour" hits new heights

This is the stunning Pão de Açúcar cable car in Rio de Janeiro, Brazil, which takes visitors to the top of Sugarloaf Mountain. It was the spectacular location for one of our most recent "Let's Colour" projects. Colorful paintings of plants and animals were added to the three cable car stations, designed to help portray the incredible biodiversity of the surrounding landscape. Artist Bruno Big used 540 liters of our Coral paint to bring the surface of the stations to life, while reflecting the importance of raising environmental awareness.

Invested capital

Invested capital at September 30, 2021, totaled €6.9 billion, up €0.5 billion from year-end 2020. This increase was mainly caused by higher operating working capital (trade) as a result of seasonality.

Operating working capital (trade)

Operating working capital (trade) was €1.3 billion at September 30, 2021 (September 30, 2020: €1.2 billion). Operating working capital (trade) as percentage of revenue at 13.6% in Q3 2021, compared with 13.5% in Q3 2020, as raw material cost inflation caused inventories, as well as trade payables, to increase.

Pension

The net balance sheet position (according to IAS19) of the pension plans at the end of Q3 2021 was a surplus of €1.1 billion (year-end 2020: surplus of €1.0 billion). The development during the first three quarters of the year was the result of the net effect of:

- Higher discount rates in key countries
- Top-up contributions into funds
- Foreign exchange translation gains

Offset by:

- Lower plan asset returns in key countries
- Higher inflation rates in key countries

Workforce

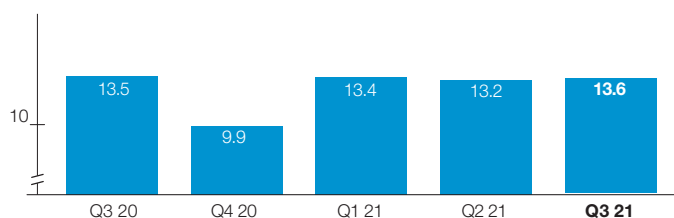
At September 30, 2021, the number of people employed was 32,700 (June 30, 2021: 32,800).

Invested capital

in € millions	September 30, 2020	December 31, 2020	September 30, 2021
Trade receivables	1,962	1,751	2,104
Inventories	1,134	1,159	1,564
Trade payables	(1,863)	(2,032)	(2,360)
Operating working capital (trade)	1,233	878	1,308
Other working capital items	(409)	(412)	(412)
Non-current assets	8,207	8,113	8,314
Less investments in associates and joint ventures	(159)	(166)	(173)
Less pension assets	(1,690)	(1,543)	(1,568)
Deferred tax liabilities	(498)	(467)	(552)
Invested capital	6,684	6,403	6,917

Operating working capital (trade)

In % of revenue



Partnership with Mercedes-Benz extended in China and Indonesia

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

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 financial statements of Akzo Nobel N.V. and its consolidated subsidiaries (in this document referred to as "AkzoNobel", "Group" or "the company").

The company was incorporated under the laws of the Netherlands and is listed on Euronext Amsterdam.

Basis of preparation

All quarterly figures 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. The interim condensed consolidated financial statements should be read in conjunction with AkzoNobel's consolidated financial statements in the 2020 annual report as published on March 10, 2021. The financial statements were adopted by the Annual General Meeting of shareholders on April 22, 2021. 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 significant accounting policies applied in the condensed consolidated interim financial statements are consistent with those applied in AkzoNobel's consolidated financial statements for the year ended December 31, 2020, except for IFRS standards and interpretations becoming effective on January 1, 2021. This includes, among others, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16 "Interest Rate Benchmark Reform – Phase 2" and amendments to IFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021". 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-September 2021

in € millions	Decorative Paints	Performance Coatings	Other	Total
Primary geographical markets				
The Netherlands	184	73	4	261
Other EMEA countries	1,747	1,702	–	3,449
North Asia	419	874	–	1,293
South Asia Pacific	350	456	–	806
North America	–	854	–	854
South America	329	192	–	521
Total	3,029	4,151	4	7,184
Timing of revenue recognition				
Goods transferred at a point in time	2,990	4,011	–	7,001
Services transferred over time	39	140	4	183
Total	3,029	4,151	4	7,184

* The regional split has been changed compared to 2020 to align to our new internal regional structure.

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.

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 tables on this page and the next page.

ROS and OPI margin are used as performance measures. ROS is adjusted operating income as percentage of revenue; ROS excluding unallocated cost was reported in relation to the Winning together: 15 by 20 strategy and is no longer reported. 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.

Operating income

Third quarter			January-September		
2020	2021	Δ% in € millions	2020	2021	Δ%
202	147	(27%)	429	532	24%
179	133	(26%)	450	513	14%
(55)	(54)		(159)	(132)	
326	226	(31%)	720	913	27%

Identified items

Third quarter			January-September	
2020	2021	in € millions	2020	2021
(6)	(4)	Decorative Paints	(18)	42
(16)	(3)	Performance Coatings	(38)	2
(5)	(8)	Other activities	(29)	(14)
(27)	(15)	Total	(85)	30

Adjusted operating income

Third quarter			January-September		
2020	2021	Δ% in € millions	2020	2021	Δ%
208	151	(27%)	447	490	10%
195	136	(30%)	488	511	5%
(50)	(46)		(130)	(118)	
353	241	(32%)	805	883	10%

EBITDA

Third quarter			January-September		
2020	2021	Δ% in € millions	2020	2021	Δ%
326	226	(31%)	720	913	27%
91	87	(4%)	271	257	(5%)
417	313	(25%)	991	1,170	18%

Adjusted EBITDA

Third quarter			January-September		
2020	2021	Δ% in € millions	2020	2021	Δ%
353	241	(32%)	805	883	10%
86	84	(2%)	257	252	(2%)
439	325	(26%)	1,062	1,135	7%

OPI margin

Third quarter			January-September	
2020	2021	in %	2020	2021
20.1	14.5	Decorative Paints	16.1	17.6
14.1	9.5	Performance Coatings	12.3	12.4
		Other activities ¹		
14.3	9.4	Total	11.4	12.7

ROS¹

Third quarter			January-September	
2020	2021	in %	2020	2021
20.7	14.9	Decorative Paints	16.8	16.2
15.4	9.7	Performance Coatings	13.4	12.3
		Other activities ²		
15.5	10.0	Total	12.7	12.3

¹ ROS is adjusted operating income as percentage of revenue; ROS excluding unallocated cost was reported in relation to the Winning together: 15 by 20 strategy and is no longer reported.

² ROS for Other activities is not shown, as this is not meaningful.

Adjusted earnings per share from continuing operations

Third quarter			January-September	
2020	2021	in € millions	2020	2021
317	213	Profit before tax from continuing operations	685	903
27	15	Identified items reported in operating income	85	(30)
–	(1)	Identified items reported in interest	–	(21)
(87)	(54)	Adjusted income tax	(206)	(211)
(10)	(1)	Non-controlling interests	(27)	(22)
247	172	Adjusted net income from continuing operations	537	619
190.6	184.1	Weighted average number of shares (in millions)	191.7	186.6
1.30	0.93	Adjusted earnings per share from continuing operations	2.80	3.32

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

Average invested capital

October 2019 - September 2020/October 2020 - September 2021

in € millions	2020	2021	Δ%
Decorative Paints	2,882	2,771	(4%)
Performance Coatings	3,406	3,434	1%
Other activities/eliminations	686	501	(27%)
Total	6,974	6,706	(4%)

ROI

October 2019 - September 2020/October 2020 - September 2021

in %	2020	2021
Decorative Paints	18.5	22.2
Performance Coatings	19.0	21.0
Other activities*		
Total	14.7	17.5

* 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

October 2019 - September 2020/October 2020 - September 2021

in € millions	2020	2021
Operating income	893	1,156
Depreciation and amortization	370	347
EBITDA	1,263	1,503

Net debt

in € millions	September 30, 2020	September 30, 2021
Short-term investments	(110)	(13)
Cash and cash equivalents	(1,502)	(1,087)
Long-term borrowings	2,761	2,000
Short-term borrowings	167	1,083
Net debt	1,316	1,983

Leverage ratio

October 2019 - September 2020/October 2020 - September 2021

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

Outlook

AkzoNobel targets to grow at least in line with its relevant markets. Trends differ per region and segment, with significant raw material cost inflation and supply constraints expected to continue through mid-2022. Margin management and cost discipline are in place to deliver an average annual 50 basis points increase in return on sales over the period 2021-2023. The company is confident in the €2 billion EBITDA target for 2023, in line with its Grow & Deliver strategy. AkzoNobel targets a leverage ratio of 1-2 times net debt/EBITDA and commits to retain a strong investment grade credit rating.

Amsterdam, October 19, 2021 The Board of Management

Thierry Vanlancker
Maarten de Vries

Paints and Coatings

Quarterly statistics

					2020						2021
Q1	Q2	Q3	Q4	2020	in € millions	Q1	Q2	Q3	2021	year-to-date	
Revenue											
754	899	1,004	901	3,558	Decorative Paints	930	1,086	1,013	3,029		
1,295	1,086	1,270	1,306	4,957	Performance Coatings	1,332	1,423	1,396	4,151		
9	2	2	2	15	Other activities	1	2	1	4		
2,058	1,987	2,276	2,209	8,530	Total	2,263	2,511	2,410	7,184		
EBITDA*											
95	210	240	159	704	Decorative Paints	183	275	185	643		
223	127	218	256	824	Performance Coatings	232	225	174	631		
(41)	(40)	(41)	(82)	(204)	Other activities	(27)	(31)	(46)	(104)		
277	297	417	333	1,324	Total	388	469	313	1,170		
13.5	14.9	18.3	15.1	15.5	EBITDA margin (in %)	17.1	18.7	13.0	16.3		
Adjusted EBITDA (excluding identified items)*											
100	211	243	160	714	Decorative Paints	183	226	188	597		
230	139	232	253	854	Performance Coatings	234	218	176	628		
(28)	(29)	(36)	(33)	(126)	Other activities	(26)	(25)	(39)	(90)		
302	321	439	380	1,442	Total	391	419	325	1,135		
14.7	16.2	19.3	17.2	16.9	Adjusted EBITDA margin (in %)	17.3	16.7	13.5	15.8		
Depreciation/Depreciation excluding identified items											
(32) / (31)	(36) / (31)	(33) / (30)	(33) / (30)	(134) / (122)	Decorative Paints	(31) / (30)	(32) / (30)	(33) / (32)	(96) / (92)		
(32) / (31)	(29) / (27)	(31) / (29)	(32) / (32)	(124) / (119)	Performance Coatings	(29) / (29)	(31) / (31)	(32) / (31)	(92) / (91)		
(10) / (10)	(9) / (9)	(11) / (11)	(9) / (8)	(39) / (38)	Other activities	(8) / (8)	(5) / (6)	(4) / (3)	(17) / (17)		
(74) / (72)	(74) / (67)	(75) / (70)	(74) / (70)	(297) / (279)	Total	(68) / (67)	(68) / (67)	(69) / (66)	(205) / (200)		
Amortization/Amortization excluding identified items											
(5) / (5)	(5) / (5)	(5) / (5)	(4) / (4)	(19) / (19)	Decorative Paints	(5) / (5)	(5) / (5)	(5) / (5)	(15) / (15)		
(9) / (9)	(9) / (9)	(8) / (8)	(9) / (9)	(35) / (35)	Performance Coatings	(9) / (9)	(8) / (8)	(9) / (9)	(26) / (26)		
(2) / (2)	(2) / (2)	(3) / (3)	(3) / (3)	(10) / (10)	Other activities	(3) / (3)	(4) / (4)	(4) / (4)	(11) / (11)		
(16) / (16)	(16) / (16)	(16) / (16)	(16) / (16)	(64) / (64)	Total	(17) / (17)	(17) / (17)	(18) / (18)	(52) / (52)		

*Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 12 and 13.

Paints and Coatings

Quarterly statistics

					2020					2021
Q1	Q2	Q3	Q4	year	in € millions	Q1	Q2	Q3	year-to-date	
Operating income										
58	169	202	122	551	Decorative Paints	147	238	147	532	
182	89	179	215	665	Performance Coatings	194	186	133	513	
(53)	(51)	(55)	(94)	(253)	Other activities	(38)	(40)	(54)	(132)	
187	207	326	243	963	Total	303	384	226	913	
9.1	10.4	14.3	11.0	11.3	OPI margin (in %)	13.4	15.3	9.4	12.7	
Identified items										
(6)	(6)	(6)	(4)	(22)	Decorative Paints	(1)	47	(4)	42	
(8)	(14)	(16)	3	(35)	Performance Coatings	(2)	7	(3)	2	
(13)	(11)	(5)	(50)	(79)	Other activities	(1)	(5)	(8)	(14)	
(27)	(31)	(27)	(51)	(136)	Total	(4)	49	(15)	30	
Adjusted operating income (excluding identified items)¹										
64	175	208	126	573	Decorative Paints	148	191	151	490	
190	103	195	212	700	Performance Coatings	196	179	136	511	
(40)	(40)	(50)	(44)	(174)	Other activities	(37)	(35)	(46)	(118)	
214	238	353	294	1,099	Total	307	335	241	883	
10.4	12.0	15.5	13.3	12.9	ROS²	13.6	13.3	10.0	12.3	
Reconciliation net financing income/(expenses)										
4	3	3	4	14	Financing income	3	4	2	9	
(15)	(17)	(17)	(17)	(66)	Financing expenses	(17)	(18)	(20)	(55)	
(11)	(14)	(14)	(13)	(52)	Net interest on net debt	(14)	(14)	(18)	(46)	
Other interest movements										
4	3	4	3	14	Financing expenses related to post-retirement benefits	3	3	4	10	
(2)	(5)	–	(3)	(10)	Interest on provisions	5	(2)	–	3	
(4)	(9)	(5)	(3)	(21)	Other items	(2)	9	(5)	2	
(2)	(11)	(1)	(3)	(17)	Net other financing charges	6	10	(1)	15	
(13)	(25)	(15)	(16)	(69)	Net financing expenses	(8)	(4)	(19)	(31)	

¹ Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 12 and 13.

² ROS is adjusted operating income as percentage of revenue; ROS excluding unallocated cost was reported in relation to the Winning together: 15 by 20 strategy and is no longer reported.

AkzoNobel

Quarterly statistics

					2020					2021
Q1	Q2	Q3	Q4	year		Q1	Q2	Q3	year-to-date	
Quarterly net income analysis (in € millions)										
7	5	6	7	25	Results from associates and joint ventures	7	8	6	21	
181	187	317	234	919	Profit before tax	302	388	213	903	
(54)	(53)	(82)	(52)	(241)	Income tax	(73)	(123)	(48)	(244)	
127	134	235	182	678	Profit for the period from continuing operations	229	265	165	659	
30	28	26	22	26	Effective tax rate (in %)	24	32	23	27	
Earnings per share from continuing operations (in €)										
0.59	0.68	1.18	0.88	3.33	Basic	1.16	1.36	0.89	3.41	
0.59	0.67	1.18	0.88	3.32	Diluted	1.16	1.35	0.89	3.40	
Earnings per share from discontinued operations (in €)										
–	–	(0.03)	(0.01)	(0.04)	Basic	(0.01)	0.04	–	0.03	
–	–	(0.03)	(0.01)	(0.04)	Diluted	(0.01)	0.04	–	0.03	
Earnings per share from total operations (in €)										
0.59	0.68	1.15	0.87	3.29	Basic	1.15	1.40	0.89	3.44	
0.59	0.67	1.15	0.87	3.28	Diluted	1.15	1.39	0.89	3.43	
Number of shares (in millions)										
194.0	190.7	190.6	190.5	191.4	Weighted average number of shares ¹	188.8	187.0	184.1	186.6	
191.4	190.6	190.6	189.9	189.9	Number of shares at end of quarter ¹	187.8	185.6	182.4	182.4	
Adjusted earnings from continuing operations (in € millions)²										
181	187	317	234	919	Profit before tax from continuing operations	302	388	213	903	
27	31	27	51	136	Identified items reported in operating income	4	(49)	15	(30)	
–	–	–	(3)	(3)	Identified items reported in interest	–	(20)	(1)	(21)	
(59)	(60)	(87)	(63)	(269)	Adjusted income tax	(74)	(83)	(54)	(211)	
(12)	(5)	(10)	(14)	(41)	Non-controlling interests	(10)	(11)	(1)	(22)	
137	153	247	205	742	Adjusted net income from continuing operations	222	225	172	619	
0.71	0.80	1.30	1.08	3.88	Adjusted earnings per share from continuing operations (in €)	1.18	1.20	0.93	3.32	

¹ After share buyback

² 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.

EBITDA is operating income excluding depreciation and amortization.

EBITDA margin is EBITDA as percentage of revenue.

EMEA is Europe, Middle East and Africa.

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.

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, amongst 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 results 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.
Note: ROS excluding unallocated cost was reported in relation to the Winning together: 15 by 20 strategy and is no longer reported.

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

South America excludes Mexico.

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.

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The explanatory sheets used during the press conference
can be viewed on AkzoNobel's corporate website:
www.akzonobel.com/en/investors/results-center

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Financial calendar

Ex-dividend date of 2021 interim dividend	October 22, 2021
Record date of 2021 interim dividend	October 25, 2021
Payment of 2021 interim dividend	November 4, 2021
Report for the full-year and the fourth quarter 2021	February 9, 2022

AkzoNobel

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