

REPORT Q2 21

AkzoNobel



Bringing color and inspiration to Port Moresby

The surface of a bland concrete wall in Port Moresby, Papua New Guinea, has been brought to life thanks to one of our latest "Let's Colour" projects. The 100-meter-long wall was transformed into something far more colorful and inspiring with the help of 212 liters of our Taubmans paint. The work was carried out by 13 AkzoNobel volunteers, who teamed up with 25 young people we trained in the local community. The project involved creating a colorful mural full of modern, traditional and cultural motifs.

- Revenue 26% higher than Q2 2020 (up 8% from Q2 2019, in constant currencies¹) with 4.5% price increase
- Adjusted operating income at €335 million (ROS² at 13.3%), 41% higher than Q2 2020 and up 10% from Q2 2019
- €1 billion share buyback started April 27, 2021; €223 million completed by end of Q2 2021
- Acquisition Colombia-based Grupo Orbis announced, expected to be completed by the end of 2021 or early 2022

- Revenue up 26% and 29% higher in constant currencies, with volumes up 26%, mainly due to strong end market demand. Price/mix up 1%, while acquisitions added 2%
- Operating income up 86% at €384 million (2020: €207 million); OPI margin improved to 15.3% (2020: 10.4%)
- Adjusted operating income up 41% at €335 million (2020: €238 million); excludes €49 million net positive impact from identified items, mainly related to Brazil ICMS and UK pension gains³ (2020: €31 million negative identified items related to transformation initiatives)
- Net cash from operating activities at €168 million (2020: €308 million)
- Net income from total operations up 102% at €261 million (2020: €129 million)
- EPS from total operations up 106% at €1.40 (2020: €0.68); adjusted EPS from continuing operations up 50% at €1.20 (2020: €0.80)

- Revenue up 18% and 23% higher in constant currencies, with volumes up 22%, mainly due to strong end market demand. Price/mix flat. Compared with the first half-year of 2019¹, revenue was up 9% in constant currencies
- Operating income up 74% at €687 million (2020: €394 million); OPI margin improved to 14.4% (2020: 9.7%)
- Adjusted operating income up 42% at €642 million (2020: €452 million) and excludes €45 million net positive impact from identified items, mainly related to Brazil ICMS and UK pension gains³ (2020: €58 million negative identified items related to transformation initiatives)
- Net cash from operating activities at €137 million (2020: €148 million)
- ROJ increased to 19.3% (2020: 13.8%)

³ Refer to page 4 for further information on the Brazil ICMS and UK pension identified items.

AkzoNobel targets to grow at least in line with its relevant markets. Trends differ per region and segment with significant raw material inflation expected to continue in the second half of 2021. 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 targets a leverage ratio of 1-2 times net debt/EBITDA and commits to retain a strong investment grade credit rating.

Second quarter				January-June		
2020	2021	Δ% in € millions / %		2020	2021	Δ%
1,987	2,511	26%	Revenue	4,045	4,774	18%
297	469	58%	EBITDA ¹	574	857	49%
321	419	31%	Adjusted EBITDA ¹	623	810	30%
207	384	86%	Operating income	394	687	74%
(31)	49		Identified items ¹	(58)	45	
238	335	41%	Adjusted operating income ¹	452	642	42%
10.4	15.3		OPI margin (%) ¹	9.7	14.4	
12.0	13.3		ROS (%) ^{1,2}	11.2	13.4	
			Average invested capital ¹	7,060	6,673	(5%)
			ROI (%) ¹	13.8	19.3	
46	62	35%	Capital expenditures	92	119	29%
			Net debt	1,683	1,857	
			Leverage ratio (net debt/ EBITDA) ¹	1.4	1.2	
			Number of employees	33,200	32,800	
308	168		Net cash from operating activities	148	137	
129	261	102%	Net income attributable to shareholders	243	478	97%
190.7	187.0		Weighted average number of shares (in millions)	192.3	187.9	
0.68	1.40	106%	Earnings per share from total operations (in €)	1.26	2.54	102%
0.80	1.20	50%	Adjusted earnings per share from continuing operations (in €) ¹	1.51	2.38	58%

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 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 16 and 17.

Financial highlights

Revenue

Q2 2021

Revenue was up 26% and 29% higher in constant currencies (compared with Q2 2019: up 8% in constant currencies) due to strong end market demand. Volumes were up 26%. Price was up 4%, while mix was 3% lower overall, mainly due to geographic mix in Decorative Paints EMEA.

- Decorative Paints revenue increased 21% and was up 23% in constant currencies, driven by 22% higher volumes, mainly due to continued strong demand. Price was up 3%, while mix was 5% lower due to geographic mix in EMEA. Acquisitions added 3%
- Performance Coatings revenue was up 31% and increased 35% in constant currencies. Revenue was positively impacted by 30% higher volumes. Price was up 5%, while mix was 1% lower due to geographic and segment mix. Acquisitions added 1%
- Other activities revenue mainly includes service revenue

Half-year 2021

Revenue was up 18% and 23% higher in constant currencies (compared with the first half-year of 2019: up 9% in constant currencies) due to strong end market demand. Volumes were 22% higher. Price was up 3%, while mix was 3% lower overall due to geographic and segment mix.

- Decorative Paints revenue increased 22% and was up 26% in constant currencies, driven by 25% higher volumes, mainly due to continued strong demand. Price was up 3%, while mix was 4% lower, mainly due to geographic mix. Acquisitions added 2%
- Performance Coatings revenue was up 16% and increased 21% in constant currencies. Revenue was positively impacted by 20% higher volumes. Price was up 3%, while mix was 2% lower due to geographic and segment mix
- Other activities revenue mainly includes service revenue

Cost of sales

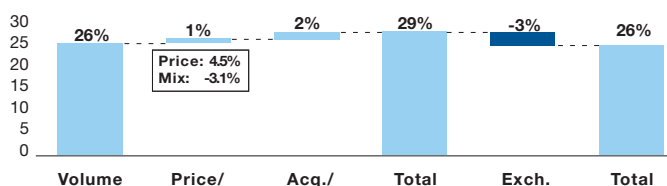
Raw material and other variable costs in the second quarter of 2021 increased €128 million, in addition to the impact of higher volumes, compared with the second quarter of 2020. The increase was mainly driven by raw material inflation which continued to intensify.

Acquisitions

On June 29, 2021, the intention to acquire Colombia-based paints and coatings company Grupo Orbis was announced. The acquisition is expected to be completed by the end of 2021 or early 2022.

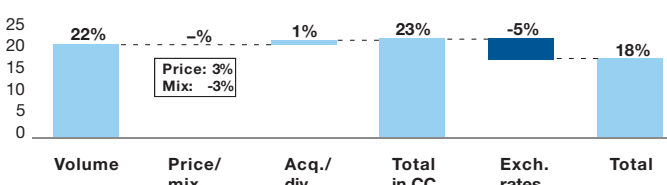
Revenue development Q2 2021

■ Increase ■ Decrease



Revenue development half-year 2021

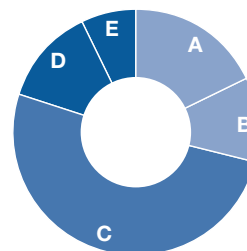
■ Increase ■ Decrease



AkzoNobel around the world Revenue by destination

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

(Based on the full-year 2020)



Revenue

Second quarter

January-June

2020	2021	Δ%	Δ% CC*	in € millions	2020	2021	Δ%	Δ% CC*
899	1,086	21%	23%	Decorative Paints	1,653	2,016	22%	26%
1,086	1,423	31%	35%	Performance Coatings	2,381	2,755	16%	21%
2	2			Other activities	11	3		
1,987	2,511	26%	29%	Total	4,045	4,774	18%	23%

* Change excluding currency impact.

in % versus Q2 2020	Volume	Price/mix	Acq./div.	Exchange rates	Total
Decorative Paints	22	(2)	3	(2)	21
Performance Coatings	30	4	1	(4)	31
Total	26	1	2	(3)	26

in % versus year-to-date 2020	Volume	Price/mix	Acq./div.	Exchange rates	Total
Decorative Paints	25	(1)	2	(4)	22
Performance Coatings	20	1	-	(5)	16
Total	22	-	1	(5)	18

Volume development per quarter
(year-on-year) in %

	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21
Decorative Paints	(10)	14	12	28	22
Performance Coatings	(23)	(5)	1	10	30
Total	(18)	3	6	16	26

Price/mix development per quarter
(year-on-year) in %

	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21
Decorative Paints	4	(4)	2	1	(2)
Performance Coatings	-	1	-	(2)	4
Total	2	(1)	1	(1)	1

Currency development per quarter
(year-on-year) in %

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

Financial highlights

Q2 2021

Operating income

Operating income increased 86% to €384 million (2020: €207 million), driven by significantly higher volumes and one-off gains from identified items. OPI margin improved to 15.3% (2020: 10.4%).

- Decorative Paints performance improved mainly due to strong demand across all regions and one-off gains. Volumes up 22% compared with Q2 2020. OPI margin increased to 21.9% (2020: 18.8%)
- Performance Coatings operating income increased, mainly due to 30% higher volumes. OPI margin increased to 13.1% (2020: 8.2%)
- Other activities improved €11 million to €40 million negative (2020: €51 million negative), mainly resulting from lower negative identified items

Adjusted operating income

Adjusted operating income was 41% higher at €335 million (2020: €238 million) and excludes net positive identified items of €49 million (2020: €31 million negative identified items relating to transformation initiatives). ROS¹ was up at 13.3% (2020: 12.0%).

Half-year 2021

Operating income

Operating income increased 74% to €687 million (2020: €394 million), driven by significant volume increases and one-off gains. OPI margin improved to 14.4% (2020: 9.7%).

- Decorative Paints performance improved mainly due to strong demand across all regions and one-off gains, with volumes up 25% compared with Q2 2020. OPI margin was up at 19.1% (2020: 13.7%)
- Performance Coatings operating income increased, mainly due to 20% higher volumes. OPI margin improved to 13.8% (2020: 11.4%)
- Other activities improved €26 million to €78 million negative (2020: €104 million negative), mainly resulting from lower negative identified items

Adjusted operating income

Adjusted operating income was 42% higher at €642 million (2020: €452 million) and excludes net positive identified items of €45 million (2020: €58 million negative identified items, mainly relating to transformation initiatives). ROS¹ was up at 13.4% (2020: 11.2%).

Net financing income/(expenses)

Net financing expenses decreased by €26 million, mainly due to one-off interest income from the Brazil ICMS case.

Income tax

The effective tax rate was 28.4% (2020: 29.1%). The decrease compared with previous year is mainly related to impairments of deferred tax assets in 2020. In 2021, the effective tax rate is impacted by the upcoming UK tax rate change from 19% to 25%. The change resulted in a one time tax charge of €18 million as a result of the remeasurement of (net) deferred tax liabilities which is included in identified items. Excluding identified items, the effective tax rate in 2021 was 25.1% (2020: 27.9%).

Net income

Net income attributable to shareholders was €478 million (2020: €243 million). Earnings per share from total operations increased to €2.54 (2020: €1.26), including the impact of share buyback programs.

Identified items: Brazil ICMS and UK pensions

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, in Q2 2021, a net gain of €42 million was recognized in net income, of which €36 million in Other results, €20 million in interest income, €5 million in discontinued operations and €19 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.

Operating income

Second quarter				January-June		
2020	2021	Δ%	in € millions	2020	2021	Δ%
169	238	41%	Decorative Paints	227	385	70%
89	186	109%	Performance Coatings	271	380	40%
(51)	(40)		Other activities	(104)	(78)	
207	384	86%	Total	394	687	74%

Adjusted operating income

Second quarter				January-June		
2020	2021	Δ%	in € millions	2020	2021	Δ%
175	191	9%	Decorative Paints	239	339	42%
103	179	74%	Performance Coatings	293	375	28%
(40)	(35)		Other activities	(80)	(72)	
238	335	41%	Total	452	642	42%

ROS¹

Second quarter				January-June		
2020	2021		in %	2020	2021	
19.5	17.6		Decorative Paints	14.5	16.8	
9.5	12.6		Performance Coatings	12.3	13.6	
			Other activities ²			
12.0	13.3		Total	11.2	13.4	

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

Second quarter				January-June		
2020	2021		in € millions	2020	2021	
207	384		Operating income	394	687	
(25)	(4)		Net financing income/(expenses)	(38)	(12)	
5	8		Results from associates and joint ventures	12	15	
187	388		Profit before tax	368	690	
(53)	(123)		Income tax	(107)	(196)	
134	265		Profit from continuing operations	261	494	
–	7		Profit from discontinued operations	(1)	5	
134	272		Profit for the period	260	499	
(5)	(11)		Non-controlling interests	(17)	(21)	
129	261		Net income	243	478	

Decorative Paints

Highlights Q2 2021

- Revenue up 21% (compared with Q2 2019: up 18% in constant currencies), due to strong demand across all regions
- Pricing up 3% compared with Q2 2020
- Adjusted operating income increased to €191 million (ROS at 17.6%), up 9% from Q2 2020 and 40% higher than Q2 2019

Q2 2021

- Revenue up 21% and 23% higher in constant currencies (compared with Q2 2019: up 18% in constant currencies); 22% higher volumes and 3% price increase was offset by 5% adverse geographic mix impact for EMEA. Acquisitions added 3%
- Operating income increased 41% to €238 million (2020: €169 million), driven by higher volumes, margin management, cost discipline and one-off gains

Half-year 2021

- Revenue 22% higher and up 26% in constant currencies; 25% higher volumes and 3% price increase was offset by 4% adverse mix impact
- Operating income increased 70% to €385 million (2020: €227 million), driven by higher volumes, margin management, cost discipline and one-off gains
- Adjusted operating income increased 42% to €339 million (2020: €239 million)

Q2 2021

Revenue was up 21% and 23% higher in constant currencies, due to strong demand across all regions. Europe and South America delivered continued strong performance, while most parts of Asia returned to growth.

Operating income increased 41% to €238 million and was impacted by €47 million net positive identified items, mainly related to one-off gains (refer to page 4). In 2020, operating income of €169 million was adversely impacted by €6 million identified items related to transformation initiatives.

Adjusted operating income increased 9% to €191 million (2020: €175 million), mainly driven by higher volumes. ROS at 17.6% (2020: 19.5%) with price increases offset by geographic mix.

Half-year 2021

Revenue was 22% higher and up 26% in constant currencies, with positive volume developments of 25%. A positive price impact of 3% was more than offset by 4% adverse mix effect. Acquisitions added 2%.

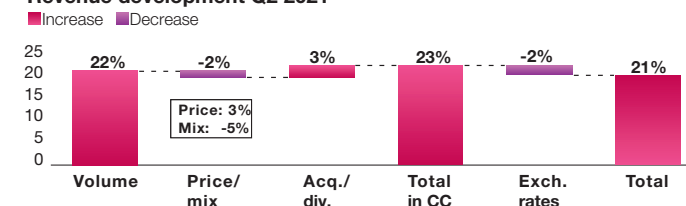
Operating income increased 70% to €385 million and was impacted by €46 million net positive identified items, mainly related to one-off gains (refer to page 4). In 2020, operating income of €227 million was adversely impacted by €12 million identified items related to transformation initiatives.

Adjusted operating income increased 42% to €339 million (2020: €239 million). Margin management and cost discipline resulted in an increased ROS of 16.8% (2020: 14.5%).

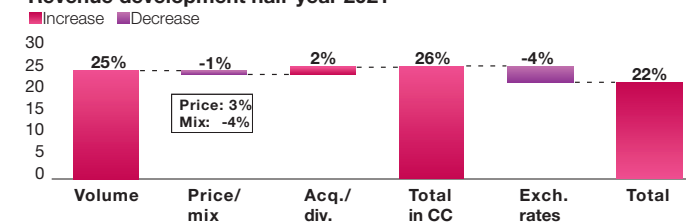
Revenue					January-June			
Second quarter								
2020	2021	Δ%	Δ% CC*	in € millions	2020	2021	Δ%	Δ% CC*
638	720	13%	13%	Decorative Paints Europe, Middle East and Africa	1,129	1,316	17%	18%
58	101	74%	102%	Decorative Paints South America	143	198	38%	77%
203	265	31%	34%	Decorative Paints Asia	381	502	32%	37%
899	1,086	21%	23%	Total	1,653	2,016	22%	26%

* Change excluding currency impact.

Revenue development Q2 2021



Revenue development half-year 2021



Key financial figures

Second quarter				January-June		
2020	2021	Δ%	in € millions / %	2020	2021	Δ%
169	238	41%	Operating income	227	385	70%
(6)	47		Identified items*	(12)	46	
175	191	9%	Adjusted operating income*	239	339	42%
18.8	21.9		OPI margin (%)*	13.7	19.1	
19.5	17.6		ROS (%)*	14.5	16.8	
			Average invested capital*	2,959	2,734	
			ROI (%)*	15.5	24.6	

*Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 16 and 17.

Europe, Middle East and Africa

Revenue in Q2 was 13% higher and up 13% in constant currencies (compared with Q2 2019: up 20% in constant currencies), driven by continued strong demand for the DIY segment and professional demand recovering. Volumes increased significantly compared with the same period last year, despite raw material constraints.

Pricing continued to be positive; mix was adversely impacted by strong growth in countries with lower average selling prices, in particular in the Middle East and Africa.

Half-year revenue was 17% higher and 18% higher in constant currencies, with positive volume effects more than compensating for adverse price/mix effects.

South America

Revenue in Q2 was 74% higher and up 102% in constant currencies (compared with Q2 2019: up 56% in constant currencies), as positive volume and price/mix effects more than compensated for adverse currency impacts. Strong performance in South America was driven by price increases and strong recovery from the impact of COVID-19.

Half-year revenue was up 38% and 77% higher in constant currencies. Currency impact was driven by the Brazilian real and the Argentinian peso.

Asia

Revenue in Q2 was up 31% and 34% higher in constant currencies (compared with Q2 2019: 2% lower in constant currencies). China and South Asia both showed recovery after being more heavily impacted by COVID-19, mainly in the first half of 2020, while India, Vietnam and other parts of South East Asia continued to be impacted by lock-down measures.

Half-year revenue was up 32% and 37% higher in constant currencies, with Asia showing recovery from being heavily impacted by COVID-19 in the first half of 2020.



Deal agreed to acquire Colombia-based Grupo Orbis

We're further expanding our position in South and Central America after reaching an agreement to acquire Colombia-based paints and coatings company Grupo Orbis. Present in ten countries in South America, Central America and the Antilles, the deal will establish us as a frontrunner in the Andean region and in Central America, where several countries are high on the global growth rankings for the next decade.

Performance Coatings

Highlights Q2 2021

- Revenue up 31% (compared with Q2 2019: up 4% in constant currencies), driven by strong performance in Powder Coatings and Automotive and Specialty Coatings
- Pricing up 5% compared with Q2 2020
- Adjusted operating income increased to €179 million (ROS at 12.6%), up 74% compared with Q2 2020 and 9% lower than Q2 2019

Q2 2021

- Revenue 31% higher and up 35% in constant currencies (compared with Q2 2019: up 4% in constant currencies), with 30% higher volumes. Positive price impact of 5% offset 1% adverse mix impact
- Operating income up 109% at €186 million (2020: €89 million), mainly as a result of volume growth, margin management and cost discipline

Half-year 2021

- Revenue up 16% and 21% higher in constant currencies, with 20% higher volumes. Positive price impact of 3% offset 2% adverse mix impact
- Operating income increased 40% to €380 million (2020: €271 million), mainly as a result of significantly higher volumes, margin management and cost discipline
- Adjusted operating income up 28% at €375 million (2020: €293 million)

Q2 2021

Revenue was 31% higher and up 35% in constant currencies. Volumes were up 30%, driven by strong performance in Powder Coatings and Automotive and Specialty Coatings, while Marine and Protective showed further signs of recovery. Positive price impact of 5% offset 1% adverse mix impact.

Operating income increased 109% to €186 million (2020: €89 million) and was impacted by €7 million net positive identified items, mainly due to the Brazil ICMS case. In 2020, operating income of €89 million was adversely impacted by €14 million identified items, mainly related to the transformation of the organization.

Adjusted operating income increased 74% to €179 million (2020: €103 million) mainly driven by volume growth, margin management and cost discipline.

Half-year 2021

Revenue was 16% higher and 21% higher in constant currencies. Volumes were up 20%, with positive price impact of 3% offsetting 2% adverse mix impact. Volumes significantly impacted by recovery from COVID-19 on end market demand.

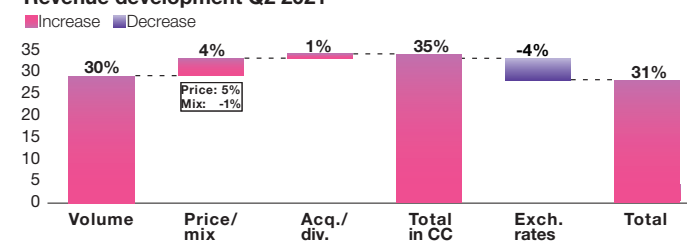
Operating income up 40% at €380 million, impacted by €5 million net positive identified items, mainly related to the Brazil ICMS case, partly offset by transformation initiatives. In 2020, operating income of €271 million was adversely impacted by €22 million identified items, mainly related to transformation initiatives.

Adjusted operating income increased 28% to €375 million (2020: €293 million), mainly as a result of significantly higher volumes.

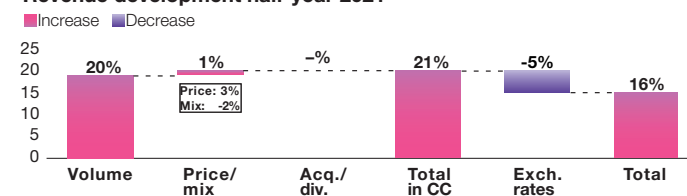
Revenue								
Second quarter					January-June			
2020	2021	Δ%	Δ% CC*	in € millions	2020	2021	Δ%	Δ% CC*
233	345	48%	51%	Powder Coatings	514	663	29%	34%
257	297	16%	19%	Marine and Protec- tive Coatings	547	567	4%	8%
222	309	39%	44%	Automotive and Specialty Coatings	536	612	14%	19%
374	472	26%	31%	Industrial Coatings	784	913	16%	22%
1,086	1,423	31%	35%	Total	2,381	2,755	16%	21%

* Change excluding currency impact.

Revenue development Q2 2021



Revenue development half-year 2021



Key financial figures

Second quarter				January-June		
2020	2021	Δ%	in € millions	2020	2021	Δ%
89	186	109%	Operating income	271	380	40%
(14)	7		Identified items*	(22)	5	
103	179	74%	Adjusted operating income*	293	375	28%
8.2	13.1		OPI margin (%)*	11.4	13.8	
9.5	12.6		ROS (%)*	12.3	13.6	
			Average invested capital*	3,400	3,409	
			ROI (%)*	19.0	22.9	

* Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 16 and 17.

Powder Coatings

Revenue in Q2 was up 48% and 51% higher in constant currencies (compared with Q2 2019: up 15% in constant currencies), mainly driven by volume growth, despite raw material constraints. Growth in Powder Coatings was driven by both demand and market share growth, in particular in the automotive industry.

Half-year revenue was up 29% and 34% higher in constant currencies, mainly due to increased volumes as a result of recovery from the impact of COVID-19 on end market demand in the first half of the previous year.

Marine and Protective Coatings

Revenue in Q2 was up 16% and 19% higher in constant currencies (compared with Q2 2019: 7% lower in constant currencies). Yacht continued its strong growth momentum, while Marine and Protective showed sequential signs of recovery.

Half-year revenue was up 4% and 8% higher in constant currencies, with revenues mainly impacted by recovery from lower volumes due to the impact of COVID-19 in the first half of 2020.

Automotive and Specialty Coatings

Revenue in Q2 was 39% higher and 44% higher in constant currencies (compared with Q2 2019: 6% lower in constant currencies), mainly due to significant volume growth. Vehicle refinishes showed continued signs of recovery while the aerospace business showed further sequential improvements, especially in the maintenance and repair segment.

Half-year revenue was 14% higher and up 19% in constant currencies, showing recovery from COVID-19.

Industrial Coatings

Revenue in Q2 was up 26% and 31% higher in constant currencies (compared with Q2 2019: up 14% in constant currencies), supported by growth in all segments, particularly in packaging.

Half-year revenue was up 16% and 22% higher in constant currencies, driven by strong growth in all segments.



Creating a more sustainable yacht industry

Our Yacht Coatings business has partnered with the Water Revolution Foundation to help create a more sustainable yacht industry and protect the world's oceans. Having already made a long-term commitment to bring positive change to the industry, the business will share its expert knowledge and insight, which has been acquired over many decades of developing pioneering solutions for customers around the world. Established in 2018, the Water Revolution Foundation is a not-for-profit organization working to preserve the world's oceans by helping the yacht industry to drive down its environmental impact.

Principal risks and uncertainties

In our 2020 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 as communicated in our 2020 annual report to be still valid. Although the pandemic risk has stabilized, the global recovery - combined with a disturbed supply channel - provides significant challenges in securing raw materials.

Risks assessed to increase

Risk	Risk description	Mitigating actions
Global economy and the geo-political context	The unpredictable world's geo-political situation, with its impact on supply and demand and the highly competitive markets in which we operate, require ongoing attention to protect our financial performance.	- Continued focus on operational cost and complexity reduction - Deployment of commercial and procurement excellence programs - Geo-political assessment as part of investment decisions and medium-term operational planning
Information technology and cybersecurity	Our longer term IT strategy means we increasingly rely on fewer consolidated critical applications. With the number of digital business transactions on the increase, the non-availability of IT systems – or unauthorized access – could have a direct impact on our business processes, competitive position and reputation.	- Continuation of system (ERP) consolidation to increase robustness of digital landscape - Broaden lifecycle planning for key applications - Embedding a cybersecurity culture (intensified training, awareness creation) - Prepare an extensive response plan to a potential ransomware attack - Expanding the scope of our security operations center

Risks assessed to remain fairly stable

Risk	Risk description	Mitigating actions
Pandemic	The risk of a global pandemic materialized in 2020. The company acted to safeguard employee health and well-being and minimize business disruption. Although the pandemic risk has stabilized, the global recovery - combined with a disturbed supply channel - provides significant challenges in securing raw materials.	- Safety guidelines for our staff, contractors and/or third-party suppliers working on our premises, updated in real time based on local regulations/guidance - Well-being support to our staff - Agility of supply chain and distribution channels - Continuous monitoring of impact of pandemic, including updating of forecasts - Continued focus on operational cost and complexity reduction
Strategic moves in our value chain	An accumulation of strategic moves (horizontally and/or vertically) could impact our competitive position and/or increase the vulnerability of operations.	- Maintain industry, market and competitive intelligence analysis of competitors, customers and suppliers, and the ability to respond rapidly - Identify opportunities for M&A, based on strong strategic and financial rationale - Secure freedom to invest through strategic alignment with shareholders and other stakeholders
Organic growth	Market leadership in parts of the world where our markets are growing is a cornerstone of our strategy. A global presence, in combination with locally tailored go-to-market models, is an essential ingredient for success.	- Renewed BU strategic mandates to underpin strategy - Investment in sales capability and deployment of commercial excellence programs - Further leverage digitally driven marketing - Driving demand sensing, product innovation and supply chain agility through Integrated Business Planning

Principal risks and uncertainties

Risk	Risk description	Mitigating actions
Complying with laws and regulatory development	As a global player, we are exposed to increasingly stringent laws and regulations covering a growing range of subjects (such as environmental, human rights, competition law).	- Fostering open and transparent culture, continuous education and training - Continuing implementation of Integrity and Compliance governance model - Operate under state-of-the-art safety and compliance requirements for our manufacturing and R&D sites
Innovation, identification and successful implementation of major transforming technologies	Our leadership positions and future success are underpinned by investment in research, the adoption of major transforming technologies and continuous development of the talents and skills of our people.	- Improve product management lifecycle - Partnering with innovative startups (Paint the Future) - IT resources to support new technology applications
Management of change	We recognize the risks associated with continuous change, as well as the need to invest in building an organization structure which encourages and embraces change, while balancing opportunity and managing risk.	- Global Process Owners continue implementation of standard solutions across the company - Reward system sets desired behavioral changes in motion and keeps momentum - Launch of organizational health initiatives and periodic tracking of progress - Range of programs to attract and retain talent
Analytics and big data	In order to utilize data analytics and "big data" to support even better decision-making, we recognize the need to invest in an appropriate organization structure and governance framework with common standards, methods and tools to deliver insightful information across the company.	- Risk and mitigation ownership with an empowered community of Global Process Owners - Define and align master data definition, quality standards and priorities - Extended set of key controls

Condensed consolidated financial statements

Condensed consolidated statement of income

Condensed consolidated statement of income

Second quarter			January-June	
2020	2021	in € millions	2020	2021
Continuing operations				
1,987	2,511	Revenue	4,045	4,774
(1,110)	(1,477)	Cost of sales	(2,252)	(2,755)
877	1,034	Gross profit	1,793	2,019
(667)	(708)	SG&A costs	(1,396)	(1,391)
(3)	58	Other results	(3)	59
207	384	Operating income	394	687
(25)	(4)	Net financing expenses	(38)	(12)
5	8	Results from associates and joint ventures	12	15
187	388	Profit before tax	368	690
(53)	(123)	Income tax	(107)	(196)
134	265	Profit for the period from continuing operations	261	494
Discontinued operations				
–	7	Profit/(loss) for the period from discontinued operations	(1)	5
134	272	Profit for the period	260	499
Attributable to				
129	261	Shareholders of the company	243	478
5	11	Non-controlling interests	17	21
134	272	Profit for the period	260	499

Condensed consolidated statement of comprehensive income

Condensed consolidated statement of comprehensive income

Second quarter			January-June	
2020	2021	in € millions	2020	2021
134	272	Profit for the period	260	499
Other comprehensive income				
(74)	(13)	Exchange differences arising on translation of foreign operations	(315)	199
(329)	115	Post-retirement benefits	423	68
(14)	(18)	Tax relating to components of other comprehensive income	(74)	(20)
(417)	84	Other comprehensive income for the period (net of tax)	34	247
(283)	356	Comprehensive income for the period	294	746
Comprehensive income for the period attributable to				
(286)	350	Shareholders of the company	287	726
3	6	Non-controlling interests	7	20
(283)	356	Comprehensive income for the period	294	746

Condensed consolidated balance sheet

Condensed consolidated balance sheet

in € millions	December 31, 2020	June 30, 2021
Assets		
Non-current assets		
Intangible assets	3,554	3,628
Property, plant and equipment	1,621	1,707
Right-of-use assets	324	311
Other non-current assets	2,614	2,765
Total non-current assets	8,113	8,411
Current assets		
Inventories	1,159	1,400
Trade and other receivables	1,994	2,506
Other current assets	55	70
Short-term investments	250	295
Cash and cash equivalents	1,606	1,216
Total current assets	5,064	5,487
Total assets	13,177	13,898
Equity and liabilities		
Group equity		
	5,950	5,925
Non-current liabilities		
Provisions and deferred tax liabilities	1,363	1,362
Long-term borrowings	2,771	2,761
Total non-current liabilities	4,134	4,123
Current liabilities		
Short-term borrowings	119	607
Trade and other payables	2,580	2,872
Other short-term liabilities	394	371
Total current liabilities	3,093	3,850
Total equity and liabilities	13,177	13,898

Shareholders' equity

Shareholders' equity amounted to €5.7 billion at June 30, 2021, around the same level as at year-end 2020. Main movements relate to:

- Profit for the period of €478 million
- Currency effects of €198 million positive (including taxes)
- Post-retirement benefits of €50 million positive (including taxes)

Offset by:

- Share buyback of €489 million (including taxes)
- Final 2020 dividend of €285 million

Dividend

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

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 190.8 million common shares at the end of June 2021. This included 5.2 million shares acquired in the share buyback programs, of which 3.4 million shares were canceled on July 1, 2021. The remainder of the shares acquired in the share buyback programs have not yet been canceled.

The weighted average number of shares in Q2 2021 was 187.0 million shares. The weighted average number of shares for the first half-year of 2021 was 187.9 million. These weighted average numbers of shares exclude shares not yet canceled and were the basis for the calculation of earnings per share.

On April 16, 2021, a €300 million share buyback program was completed.

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 June 30, 2021, a total of 2.1 million shares had been acquired under this program.

Changes in equity

in € millions	Subscribed share capital	Additional paid-in capital	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	–	–	–	243	243	17	260
Other comprehensive income	–	–	(300)	344	44	(10)	34
Comprehensive income for the period	–	–	(300)	587	287	7	294
Dividend	–	–	–	(284)	(284)	(3)	(287)
Share buyback	(3)	–	–	(482)	(485)	–	(485)
Equity-settled transactions	–	–	–	8	8	–	8
Acquisitions and divestments	–	–	–	(29)	(29)	(14)	(43)
Balance at June 30, 2020	97	–	(769)	6,519	5,847	208	6,055
Balance at December 31, 2020	95	–	(873)	6,524	5,746	204	5,950
Profit for the period	–	–	–	478	478	21	499
Other comprehensive income	–	–	198	50	248	(1)	247
Comprehensive income for the period	–	–	198	528	726	20	746
Dividend	–	–	–	(285)	(285)	(7)	(292)
Share buyback	–	–	–	(489)	(489)	–	(489)
Equity-settled transactions	–	–	–	10	10	–	10
Balance at June 30, 2021	95	–	(675)	6,288	5,708	217	5,925

Cash flows and net debt

Net cash from operating activities in Q2 2021 resulted in an inflow of €168 million (2020: inflow of €308 million). This decrease in inflow was mainly driven by an outflow in relation to changes in working capital, partly offset by increased profit for the quarter.

Net cash from investing activities in Q2 2021 resulted in an outflow of €54 million (2020: outflow of €144 million). Net cash from investing activities in Q2 2021 was mainly related to an outflow for capital expenditures (€62 million, including investments in growth).

Net cash from financing activities in Q2 2021 resulted in an outflow of €108 million (2020: inflow of €298 million). Net cash from financing activities mainly related to an outflow for dividends (outflow of €285 million) and outflow for the share buyback (€247 million) offset by changes from borrowings (inflow of €427 million).

At June 30, 2021, net debt was €1,857 million versus €1,034 million at year-end 2020. The increase in net debt was mainly due to share buybacks (€456 million) and dividend paid (€291 million), offset by net cash generated from operating activities (€137 million). The net debt/EBITDA leverage ratio at June 30, 2021, was 1.2 (June 30, 2020: 1.4).

Free cash flows

The cash generation in Q2 2021 was lower compared with Q2 2020, mainly due to an outflow in relation to changes in working capital, partially offset by increased EBITDA for the quarter.

Condensed consolidated statements of cash flows

Second quarter			January-June	
2020	2021	in € millions	2020	2021
719	1,156	Net cash and cash equivalents at beginning of period	1,210	1,581
Adjustments to reconcile earnings to cash generated from operating activities				
134	265	Profit for the period from continuing operations	261	494
90	85	Amortization and depreciation	180	170
–	(1)	Impairment losses	–	(1)
25	4	Financing income and expenses	38	12
(5)	(8)	Results from associates and joint ventures	(12)	(15)
–	–	Pre-tax result on acquisitions and divestments	–	(11)
53	123	Income tax	107	196
70	(170)	Changes in working capital	(283)	(461)
(3)	(26)	Changes in post-retirement benefit provisions	(12)	(37)
(17)	(13)	Changes in other provisions	(46)	(68)
(10)	(21)	Interest paid	(15)	(25)
(27)	(46)	Income tax paid	(61)	(90)
(2)	(24)	Other changes	(9)	(27)
308	168	Net cash generated from/(used for) operating activities	148	137
(46)	(62)	Capital expenditures	(92)	(119)
(52)	1	Acquisitions and divestments net of cash acquired/divested	(51)	(64)
(47)	4	Investment in short-term investments	(47)	(47)
–	2	Repayments of short-term investments	135	2
1	1	Other changes	13	4
(144)	(54)	Net cash generated from/(used for) investing activities	(42)	(224)
662	427	Changes from borrowings	711	399
(284)	(288)	Dividend paid	(285)	(291)
(66)	(247)	Share buyback	(479)	(456)
(14)	–	Buy-out of non-controlling interests	(44)	–
298	(108)	Net cash from/(used for) financing activities	(97)	(348)
462	6	Net cash generated from/(used for) continuing operations	9	(435)
–	–	Cash flows from discontinued operations	(1)	–
462	6	Net change in cash and cash equivalents of continued and discontinued operations	8	(435)
(2)	–	Effect of exchange rate changes on cash and cash equivalents	(39)	16
1,179	1,162	Net cash and cash equivalents at June 30	1,179	1,162

Consolidated statement of free cash flows

Second quarter			January-June	
2020	2021	in € millions	2020	2021
297	469	EBITDA	574	857
–	–	Pre-tax results on acquisitions and divestments	–	(11)
70	(170)	Changes in working capital	(283)	(461)
(1)	(1)	Pension top-up payments	(6)	(9)
(20)	(38)	Other changes in provisions	(52)	(96)
(10)	(21)	Interest paid	(15)	(25)
(27)	(46)	Income tax paid	(61)	(90)
(1)	(25)	Other	(9)	(28)
308	168	Net cash generated from/(used for) operating activities	148	137
(46)	(62)	Capital expenditures	(92)	(119)
262	106	Free cash flow	56	18

Invested capital

Invested capital at June 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 June 30, 2021 (June 30, 2020: €1.4 billion). Operating working capital (trade) as percentage of revenue decreased to 13.2% in Q2 2021, compared with 17.4% in Q2 2020. This decrease in operating working capital (trade) as a percentage of revenue was mainly caused by a return to more normal activity levels, including trade receivables which were higher in Q2 2020 due to extended customer payment terms.

Pension

The net balance sheet position (according to IAS19) of the pension plans at the end of Q2 2021 was a surplus of €1.2 billion (year-end 2020: surplus of €1.0 billion). The development during the first half-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

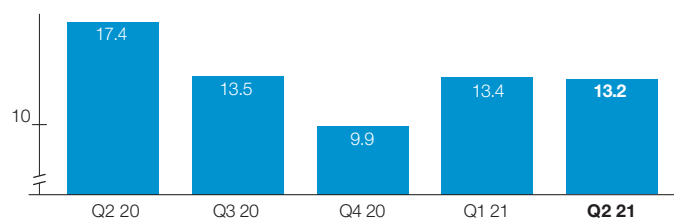
At June 30, 2021, the number of people employed was 32,800 (March 31, 2021: 32,700).

Invested capital

in € millions	June 30, 2020	December 31, 2020	June 30, 2021
Trade receivables	1,913	1,751	2,201
Inventories	1,178	1,159	1,400
Trade payables	(1,711)	(2,032)	(2,277)
Operating working capital (trade)	1,380	878	1,324
Other working capital items	(429)	(412)	(412)
Non-current assets	8,489	8,113	8,411
Less investments in associates and joint ventures	(162)	(166)	(168)
Less pension assets	(1,828)	(1,543)	(1,666)
Deferred tax liabilities	(529)	(467)	(558)
Invested capital	6,921	6,403	6,931

Operating working capital (trade)

In % of revenue



Solar projects powering ahead in China

Two major projects to install around 8,000 solar panels are being finalized in China, helping us to accelerate our ambition of cutting carbon emissions in half by 2030. Being installed at two Decorative Paints plants – more than 5,000 at our Shanghai site and almost 3,000 in Guangzhou – it represents further progress for our greener manufacturing plans. The new solar systems will become the primary source of power at each location.

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 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2". 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 2021

in € millions	Decorative Paints	Performance Coatings	Other	Total
Primary geographical markets				
The Netherlands	129	50	3	182
Other EMEA countries	1,187	1,128	–	2,315
North Asia	258	575	–	833
South Asia Pacific	244	305	–	549
North America	–	577	–	577
South America	198	120	–	318
Total	2,016	2,755	3	4,774
Timing of revenue recognition				
Goods transferred at a point in time	1,991	2,661	1	4,653
Services transferred over time	25	94	2	121
Total	2,016	2,755	3	4,774

* 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

Second quarter			January-June		
2020	2021	Δ% in € millions	2020	2021	Δ%
169	238	41%	227	385	70%
89	186	109%	271	380	40%
(51)	(40)		(104)	(78)	
207	384	86%	394	687	74%

Identified items

Second quarter			January-June		
2020	2021	in € millions	2020	2021	
(6)	47	Decorative Paints	(12)	46	
(14)	7	Performance Coatings	(22)	5	
(11)	(5)	Other activities	(24)	(6)	
(31)	49	Total	(58)	45	

Adjusted operating income

Second quarter			January-June		
2020	2021	Δ% in € millions	2020	2021	Δ%
175	191	9%	239	339	42%
103	179	74%	293	375	28%
(40)	(35)		(80)	(72)	
238	335	41%	452	642	42%

EBITDA

Second quarter			January-June		
2020	2021	Δ% in € millions	2020	2021	Δ%
207	384	86%	394	687	74%
90	85	(6%)	180	170	(6%)
297	469	58%	574	857	49%

Adjusted EBITDA

Second quarter			January-June		
2020	2021	Δ% in € millions	2020	2021	Δ%
238	335	41%	452	642	42%
83	84	1%	171	168	(2%)
321	419	31%	623	810	30%

OPI margin

Second quarter			January-June		
2020	2021	in %	2020	2021	
18.8	21.9	Decorative Paints	13.7	19.1	
8.2	13.1	Performance Coatings	11.4	13.8	
10.4	15.3	Total	9.7	14.4	

ROS¹

Second quarter			January-June		
2020	2021	in %	2020	2021	
19.5	17.6	Decorative Paints	14.5	16.8	
9.5	12.6	Performance Coatings	12.3	13.6	
12.0	13.3	Total	11.2	13.4	

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

Second quarter			January-June		
2020	2021	in € millions	2020	2021	
187	388	Profit before tax from continuing operations	368	690	
31	(49)	Identified items reported in operating income	58	(45)	
—	(20)	Identified items reported in interest	—	(20)	
(60)	(83)	Adjusted income tax	(119)	(157)	
(5)	(11)	Non-controlling interests	(17)	(21)	
153	225	Adjusted net income from continuing operations	290	447	
190.7	187.0	Weighted average number of shares (in millions)	192.3	187.9	
0.80	1.20	Adjusted earnings per share from continuing operations	1.51	2.38	

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

Average invested capital

July 2019 - June 2020/July 2020 - June 2021

in € millions	2020	2021	Δ%
Decorative Paints	2,959	2,734	(8%)
Performance Coatings	3,400	3,409	-%
Other activities/eliminations	701	530	(24%)
Total	7,060	6,673	(5%)

ROI

July 2019 - June 2020/July 2020 - June 2021

in %	2020	2021
Decorative Paints	15.5	24.6
Performance Coatings	19.0	22.9
Other activities*		
Total	13.8	19.3

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



Paint the Future a big hit with pioneering startups

Our innovative Paint the Future startup challenge is continuing to attract interest from around the world. We received more than 200 submissions for our second global edition – which was launched in May – with a follow-up boot camp event scheduled for November. Meanwhile, this year's regional startup event in China attracted 210 submissions (the boot camp is in August). The next regional edition will be launched in India in February next year, with a focus on digital customer solutions.

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

EBITDA

July 2019 - June 2020/July 2020 - June 2021

in € millions	2020	2021
Operating income	814	1,256
Depreciation and amortization	366	351
EBITDA	1,180	1,607

Net debt

in € millions	June 30, 2020	June 30, 2021
Short-term investments	(50)	(295)
Cash and cash equivalents	(1,230)	(1,216)
Long-term borrowings	2,779	2,761
Short-term borrowings	184	607
Net debt	1,683	1,857

Leverage ratio

July 2019 - June 2020/July 2020 - June 2021

in € millions	2020	2021
Net debt	1,683	1,857
EBITDA	1,180	1,607
Leverage ratio	1.4	1.2

Outlook 2021

AkzoNobel targets to grow at least in line with its relevant markets. Trends differ per region and segment with significant raw material inflation expected to continue in the second half of 2021. 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 targets a leverage ratio of 1-2 times net debt/EBITDA and commits to retain a strong investment grade credit rating.

Board of Management's statement on the condensed consolidated half-year 2021 financial statements and interim management report

We have prepared the half-year financial report 2021 of AkzoNobel, and the undertakings included in the consolidation taken as a whole, in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Dutch disclosure requirements for half-yearly financial reports.

To the best of our knowledge:

1. The condensed consolidated financial statements in this half-year financial report 2021 give a true and fair view of our assets and liabilities, financial position at June 30, 2021, and of the result of our consolidated operations for the first half-year of 2021
2. The interim management report in this half-year financial report 2021 includes a fair view of the information required pursuant to section 5:25d, subsections 8 and 9 of the Dutch Act on Financial Supervision

Amsterdam, July 20, 2021 The Board of Management

Thierry Vanlancker
Maarten de Vries

Paints and Coatings

Quarterly statistics

	Q1	Q2	Q3	Q4	2020 year	in € millions	Q1	Q2	2021 year-to-date
Revenue									
	754	899	1,004	901	3,558	Decorative Paints	930	1,086	2,016
	1,295	1,086	1,270	1,306	4,957	Performance Coatings	1,332	1,423	2,755
	9	2	2	2	15	Other activities	1	2	3
	2,058	1,987	2,276	2,209	8,530	Total	2,263	2,511	4,774
EBITDA*									
	95	210	240	159	704	Decorative Paints	183	275	458
	223	127	218	256	824	Performance Coatings	232	225	457
	(41)	(40)	(41)	(82)	(204)	Other activities	(27)	(31)	(58)
	277	297	417	333	1,324	Total	388	469	857
	13.5	14.9	18.3	15.1	15.5	EBITDA margin (in %)	17.1	18.7	18.0
Adjusted EBITDA (excluding identified items)*									
	100	211	243	160	714	Decorative Paints	183	226	409
	230	139	232	253	854	Performance Coatings	234	218	452
	(28)	(29)	(36)	(33)	(126)	Other activities	(26)	(25)	(51)
	302	321	439	380	1,442	Total	391	419	810
	14.7	16.2	19.3	17.2	16.9	Adjusted EBITDA margin (in %)	17.3	16.7	17.0
Depreciation/Depreciation excluding identified items									
	(32) / (31)	(36) / (31)	(33) / (30)	(33) / (30)	(134) / (122)	Decorative Paints	(31) / (30)	(32) / (30)	(63) / (60)
	(32) / (31)	(29) / (27)	(31) / (29)	(32) / (32)	(124) / (119)	Performance Coatings	(29) / (29)	(31) / (31)	(60) / (60)
	(10) / (10)	(9) / (9)	(11) / (11)	(9) / (8)	(39) / (38)	Other activities	(8) / (8)	(5) / (6)	(13) / (14)
	(74) / (72)	(74) / (67)	(75) / (70)	(74) / (70)	(297) / (279)	Total	(68) / (67)	(68) / (67)	(136) / (134)
Amortization/Amortization excluding identified items									
	(5) / (5)	(5) / (5)	(5) / (5)	(4) / (4)	(19) / (19)	Decorative Paints	(5) / (5)	(5) / (5)	(10) / (10)
	(9) / (9)	(9) / (9)	(8) / (8)	(9) / (9)	(35) / (35)	Performance Coatings	(9) / (9)	(8) / (8)	(17) / (17)
	(2) / (2)	(2) / (2)	(3) / (3)	(3) / (3)	(10) / (10)	Other activities	(3) / (3)	(4) / (4)	(7) / (7)
	(16) / (16)	(16) / (16)	(16) / (16)	(16) / (16)	(64) / (64)	Total	(17) / (17)	(17) / (17)	(34) / (34)

*Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 16 and 17.

Paints and Coatings

Quarterly statistics

					2020				2021
Q1	Q2	Q3	Q4	year	in € millions	Q1	Q2	year-to-date	
Operating income									
58	169	202	122	551	Decorative Paints	147	238	385	
182	89	179	215	665	Performance Coatings	194	186	380	
(53)	(51)	(55)	(94)	(253)	Other activities	(38)	(40)	(78)	
187	207	326	243	963	Total	303	384	687	
9.1	10.4	14.3	11.0	11.3	OPI margin (in %)	13.4	15.3	14.4	
Identified items									
(6)	(6)	(6)	(4)	(22)	Decorative Paints	(1)	47	46	
(8)	(14)	(16)	3	(35)	Performance Coatings	(2)	7	5	
(13)	(11)	(5)	(50)	(79)	Other activities	(1)	(5)	(6)	
(27)	(31)	(27)	(51)	(136)	Total	(4)	49	45	
Adjusted operating income (excluding identified items)¹									
64	175	208	126	573	Decorative Paints	148	191	339	
190	103	195	212	700	Performance Coatings	196	179	375	
(40)	(40)	(50)	(44)	(174)	Other activities	(37)	(35)	(72)	
214	238	353	294	1,099	Total	307	335	642	
10.4	12.0	15.5	13.3	12.9	ROS²	13.6	13.3	13.4	
Reconciliation net financing income/(expenses)									
4	3	3	4	14	Financing income	3	4	7	
(15)	(17)	(17)	(17)	(66)	Financing expenses	(17)	(18)	(35)	
(11)	(14)	(14)	(13)	(52)	Net interest on net debt	(14)	(14)	(28)	
Other interest movements									
4	3	4	3	14	Financing expenses related to post-retirement benefits	3	3	6	
(2)	(5)	–	(3)	(10)	Interest on provisions	5	(2)	3	
(4)	(9)	(5)	(3)	(21)	Other items	(2)	9	7	
(2)	(11)	(1)	(3)	(17)	Net other financing charges	6	10	16	
(13)	(25)	(15)	(16)	(69)	Net financing expenses	(8)	(4)	(12)	

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

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

	Q1	Q2	Q3	Q4	2020 year		Q1	Q2	2021 year-to-date
Quarterly net income analysis (in € millions)									
	7	5	6	7	25	Results from associates and joint ventures	7	8	15
	181	187	317	234	919	Profit before tax	302	388	690
	(54)	(53)	(82)	(52)	(241)	Income tax	(73)	(123)	(196)
	127	134	235	182	678	Profit for the period from continuing operations	229	265	494
	30	28	26	22	26	Effective tax rate (in %)	24	32	28
Earnings per share from continuing operations (in €)									
	0.59	0.68	1.18	0.88	3.33	Basic	1.16	1.36	2.51
	0.59	0.67	1.18	0.88	3.32	Diluted	1.16	1.35	2.51
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	2.54
	0.59	0.67	1.15	0.87	3.28	Diluted	1.15	1.39	2.54
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	187.9
	191.4	190.6	190.6	189.9	189.9	Number of shares at end of quarter ¹	187.8	185.6	185.6
Adjusted earnings from continuing operations (in € millions)²									
	181	187	317	234	919	Profit before tax from continuing operations	302	388	690
	27	31	27	51	136	Identified items reported in operating income	4	(49)	(45)
	–	–	–	(3)	(3)	Identified items reported in interest	–	(20)	(20)
	(59)	(60)	(87)	(63)	(269)	Adjusted income tax	(74)	(83)	(157)
	(12)	(5)	(10)	(14)	(41)	Non-controlling interests	(10)	(11)	(21)
	137	153	247	205	742	Adjusted net income from continuing operations	222	225	447
	0.71	0.80	1.30	1.08	3.88	Adjusted earnings per share from continuing operations (in €)	1.18	1.20	2.38

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, Mongolia 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.

Brand and trademarks

In this report, reference is made to brands and trademarks owned by, or licensed to, AkzoNobel. Unauthorized use of these is strictly prohibited.

Akzo Nobel N.V.

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

For more information:

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

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

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

Financial calendar

Report for the third quarter

October 20, 2021

AkzoNobel

We've been pioneering a world of possibilities to bring surfaces to life for well over 200 years. As experts in making coatings, there's a good chance you're only ever a few meters away from one of our products. 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 the most sustainable paints company, which has been inventing the future for more than two centuries.

For more information please visit
www.akzonobel.com.

© 2021 Akzo Nobel N.V. All rights reserved.