



AkzoNobel

Q1  
23  
REPORT

# Our results at a glance

## Highlights Q1 2023 (compared with Q1 2022)

- Revenue up 5% and up 8% in constant currencies
- Pricing up 7%, more than offsetting increase of raw material and freight costs
- Volumes 3% lower; Europe showing resilience, China rebounding
- Operating income at €182 million (2022: €232 million); adjusted operating income at €218 million (2022: €230 million); ROS at 8.2% (2022: 9.1%)
- Net cash from operating activities negative €50 million (2022: negative €102 million)
- Intended acquisition of Chinese Decorative Paints business from Sherwin-Williams announced in April 2023; completion expected in the second half of 2023

## 2023 Outlook\*

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

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

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

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

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

## Alternative performance measures (APM)

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

## Summary of financial results

First quarter			
in € millions / %	2022	2023	Δ%
Revenue	2,525	2,657	5%
EBITDA*	321	269	(16%)
Adjusted EBITDA*	317	305	(4%)
Operating income	232	182	(22%)
Identified items*	2	(36)	
Adjusted operating income*	230	218	(5%)
OPI margin (%)*	9.2	6.8	
ROS (%)*	9.1	8.2	
Average invested capital*	7,008	8,303	18%
ROI (%)*	14.5	9.4	
Capital expenditures	57	62	
Net debt	2,687	4,265	
Leverage ratio (net debt/EBITDA)*	1.9	4.2	
Number of employees	32,900	34,800	
Net cash from operating activities	(102)	(50)	
Free cash flow*	(159)	(112)	
Net income attributable to shareholders	154	94	
Weighted average number of shares (in millions)	177.7	170.5	
Earnings per share from total operations (in €)	0.87	0.55	
Adjusted earnings per share from continuing operations (in €)*	0.86	0.73	

\* Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 9 (free cash flow), 12 and 13 (all other alternative performance measures).

# Financial highlights

## Q1 2023

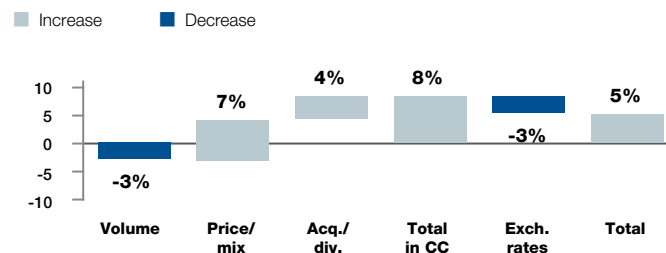
### Revenue

Revenue was 5% higher, and 8% higher in constant currencies, mainly resulting from pricing initiatives with pricing up 7%. Despite volumes being 3% lower compared to Q1 2022, the decrease is lower than in Q4 2022 due to Europe showing resilience and China rebounding. Acquisitions added 4%, mainly related to Grupo Orbis.

### Cost of sales

Raw material and other variable costs (including freight), adjusted for the impact of lower volumes, increased €123 million compared with the first quarter of 2022.

### Revenue development Q1 2023



### Revenue

First quarter

in € millions	2022 <sup>1</sup>	2023	Δ%	Δ% CC <sup>2</sup>
Decorative Paints	998	1,046	5%	9%
Performance Coatings	1,526	1,611	6%	7%
Other activities	1	—		
<b>Total</b>	<b>2,525</b>	<b>2,657</b>	<b>5%</b>	<b>8%</b>

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

More information is available on our website.

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

in % versus Q1 2022	Volume	Price/mix	Acq./div	Exch. rates	Total
Decorative Paints	(1)	5	5	(4)	5
Performance Coatings	(4)	8	3	(1)	6
<b>Total</b>	<b>(3)</b>	<b>7</b>	<b>4</b>	<b>(3)</b>	<b>5</b>

Volume development per quarter (year-on-year) in %	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23
Decorative Paints	(7)	(8)	(6)	(9)	(1)
Performance Coatings	(7)	(9)	(4)	(9)	(4)
<b>Total</b>	<b>(7)</b>	<b>(9)</b>	<b>(5)</b>	<b>(9)</b>	<b>(3)</b>

Price/mix development per quarter (year-on-year) in %	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23
Decorative Paints	12	11	11	11	5
Performance Coatings	19	19	14	14	8
<b>Total</b>	<b>16</b>	<b>16</b>	<b>13</b>	<b>13</b>	<b>7</b>

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

# Financial highlights

## Q1 2023

### Operating income

Operating income at €182 million (2022: €232 million), as a result of lower volumes, cost inflation and restructuring costs. Pricing initiatives more than compensated for raw material and freight costs inflation.

Operating income includes Identified items of €36 million negative, mainly related to restructuring costs (2022: €2 million positive). OPI margin at 6.8% (2022: 9.2%).

Other activities at €42 million negative (2022: €31 million negative). The increase in costs in other activities mainly relates to higher Identified items (restructuring costs and acquisition-related costs).

### Adjusted operating income

Adjusted operating income at €218 million (2022: €230 million). ROS at 8.2% (2022: 9.1%).

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

As from our Q2 2022 reporting, we have retrospectively applied IAS 29 hyperinflation accounting for Türkiye as from January 1, 2022. For Argentina, hyperinflation accounting was applied since January 1, 2018. In addition, and in line with IAS 21, foreign currency rates at the end of the reporting period are used to translate both the balance sheet and the statement of income into euros.

The impact from hyperinflation accounting is included in normal results; no Identified item treatment is applied.

The net impact from hyperinflation accounting and the use of end of period rates on key financials for Q1 2023 is €4 million negative on revenues, €9 million negative on operating income and €19 million negative on net income.

### Financing income and expenses

Financing income and expenses amounted to €38 million negative (2022: €12 million negative). The higher net expenses largely result from:

- An increase of interest on net debt of €15 million, mainly as a result of the interest on the bonds issued in March 2022 and increased short-term debt
- Interest expense on provisions of €1 million negative (2022: income of €6 million), mainly as a result of the impact from changes in discount rates on discounted provision balances

### Income tax

The effective tax rate was 29.8% (2022: 27.2%).

The relatively high effective tax rate in 2023 is mainly related to non-deductible charges resulting from hyperinflation accounting and the impact from true-ups for previous years.

### Net income

Net income attributable to shareholders was €94 million (2022: €154 million). Earnings per share from total operations were €0.55 (2022: €0.87).

### Operating income

First quarter in € millions	2022*	2023	Δ%
Decorative Paints	111	94	(15%)
Performance Coatings	152	130	(14%)
Other activities	(31)	(42)	
<b>Total</b>	<b>232</b>	<b>182</b>	<b>(22%)</b>

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

### Adjusted operating income

First quarter in € millions	2022*	2023	Δ%
Decorative Paints	103	102	(1%)
Performance Coatings	151	145	(4%)
Other activities	(24)	(29)	
<b>Total</b>	<b>230</b>	<b>218</b>	<b>(5%)</b>

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

### Operating income to net income

First quarter in € millions	2022	2023
<b>Operating income</b>	<b>232</b>	<b>182</b>
Financing income and expenses	(12)	(38)
Results from associates and joint ventures	8	7
<b>Profit before tax</b>	<b>228</b>	<b>151</b>
Income tax	(62)	(45)
<b>Profit from continuing operations</b>	<b>166</b>	<b>106</b>
Profit from discontinued operations	—	(1)
<b>Profit for the period</b>	<b>166</b>	<b>105</b>
Non-controlling interests	(12)	(11)
<b>Net income</b>	<b>154</b>	<b>94</b>

# Decorative Paints

## Highlights Q1 2023

- Revenue up 5% and up 9% in constant currencies, mainly resulting from pricing initiatives, with pricing up 7%
- ROS at 9.8% (2022: 10.3%), as pricing initiatives were more than offset by lower volumes and cost inflation

## Q1 2023

Revenue was up 5% and 9% higher in constant currencies mainly as a result of pricing initiatives. Lower volumes in Europe were partly offset by higher volumes due to China rebounding. Pricing was up 7% and mix was 2% lower. Acquisitions added 5%, mainly related to Grupo Orbis.

Operating income of €94 million (2022: €111 million), as pricing initiatives were more than offset by the combined impact from lower volumes and continued raw material and freight costs inflation. Operating income included €8 million negative Identified items, mainly related to restructuring costs (2022: €8 million positive).

Adjusted operating income at €102 million (2022: €103 million). ROS at 9.8% (2022: 10.3%).

## Europe, Middle East and Africa

Revenue in Q1 was flat and 3% higher in constant currencies. Pricing initiatives were offset by lower volumes in both the DIY and professional segments; in addition geographic mix was negative due to stronger performance in South East Europe. Q1 volumes improved sequentially versus prior quarter.

## Latin America

Revenue in Q1 was 59% higher and up 79% in constant currencies, driven by the acquisition of Grupo Orbis (effective April 21, 2022) and pricing initiatives. Excluding Grupo Orbis, revenue in Latin America was 7% higher compared with Q1 2022 (20% in constant currencies). Revenue growth was mainly driven by pricing initiatives in Brazil and Argentina, as well as volume growth.

## Asia

Revenue in Q1 was 6% lower and 1% lower in constant currencies. Higher volumes in China due to market rebounding were offset by lower pricing and mix. In South Asia, pricing initiatives and higher volumes in India and Indonesia were offset by lower volumes in Vietnam.



## Colorful project lights up Rotterdam's Euromast

The Euromast in Rotterdam, the Netherlands, was recently at the center of a special art installation – with help from AkzoNobel. The structure, which already features our Sikkens and International products, became a towering backdrop for Jacco Olivier's animation Perpetuum – part of the AkzoNobel Art Foundation collection. The projection was staged during Rotterdam Art Week 2023.

## Revenue

First quarter

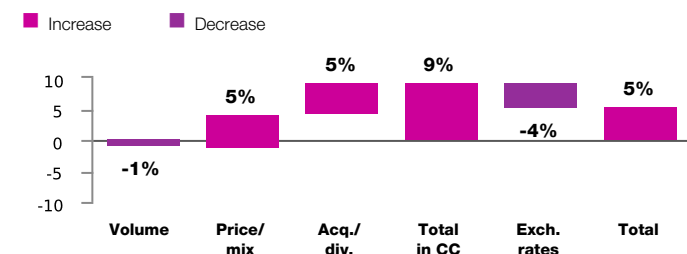
in € millions	2022 <sup>1</sup>	2023	Δ%	Δ% CC <sup>2</sup>
Decorative Paints EMEA	600	598	–%	3%
Decorative Paints Latin America	111	177	59%	79%
Decorative Paints Asia	287	271	(6%)	(1%)
<b>Total</b>	<b>998</b>	<b>1,046</b>	<b>5%</b>	<b>9%</b>

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

More information is available on our website.

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

## Revenue development Q1 2023



## Key financial figures

First quarter

in € millions / %	2022	2023	Δ%
Operating income <sup>1</sup>	111	94	(15%)
Identified items <sup>2</sup>	8	(8)	
Adjusted operating income <sup>1,2</sup>	103	102	(1%)
OPI margin (%) <sup>1,2</sup>	11.1	9.0	
ROS (%) <sup>1,2</sup>	10.3	9.8	
Average invested capital <sup>2</sup>	2,990	3,863	29%
ROI (%) <sup>1,2</sup>	18.0	10.1	

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

<sup>2</sup> Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 12 and 13.

# Performance Coatings

## Highlights Q1 2023

- Revenue up 6% and up 7% in constant currencies, mainly resulting from pricing initiatives, with pricing up 7%
- ROS at 9.0% (2022: 9.9%), as pricing was more than offset by lower volumes and cost inflation

## Q1 2023

Revenue was 6% higher and up 7% in constant currencies, driven by pricing initiatives in all segments with pricing up 7%. Excluding Grupo Orbis, revenues were 3% higher and up 4% in constant currencies.

Volumes were lower, mainly in Industrial Coatings as a result of continued softer demand, offsetting volume growth in Marine and Protective. Furthermore, the suspension of activities in Russia negatively impacted revenues by 1%.

Operating income of €130 million (2022: €152 million), as pricing initiatives were more than offset by lower volumes and continued impact from raw material and freight costs inflation, as well as higher operating expenses. Operating income included €15 million negative Identified items, mainly related to restructuring costs (2022: €1 million positive Identified items).

Adjusted operating income at €145 million (2022: €151 million). ROS at 9.0% (2022: 9.9%).

## Powder Coatings

Revenue in Q1 was flat and up 1% in constant currencies. Excluding Grupo Orbis, revenue was 1% lower and flat in constant currencies. Pricing initiatives were offset by lower volumes, mainly in the Industrial and Consumer segment, as well as Architectural. Volumes did however improve as the quarter progressed.

## Marine and Protective Coatings

Revenue in Q1 was up 22% and 23% higher in constant currencies. Excluding Grupo Orbis, revenue was up 20% and 21% higher in constant currencies. The increase was driven by pricing initiatives and volume growth in both the Marine and Protective segments, especially in Asia and North America.

## Automotive and Specialty Coatings

Revenue in Q1 was up 7% and 8% higher in constant currencies. Excluding Grupo Orbis, revenue was up 5% and 6% higher in constant currencies. The increase in revenue was mainly due to pricing initiatives. Aerospace and Vehicle Refinishes continued to show strong revenue growth, while Consumer Electronics remains weak.

## Industrial Coatings

Revenue in Q1 was 1% lower and 1% higher in constant currencies. Excluding Grupo Orbis, revenue was 6% lower and 4% lower in constant currencies. Lower volumes, especially in Wood, were partially offset by pricing initiatives. Revenue in the Coil segment was relatively better from strong demand in Asia.



### Taking aircraft maintenance to new heights of efficiency

Airlines and operators now have the opportunity to optimize the paint maintenance schedules for their entire fleets thanks to the Aerosfleet Coatings Management system developed by our Aerospace Coatings business. The data-driven service helps to ensure that aircraft are only repainted when needed, resulting in cost savings for airlines and less waste.

## Revenue

First quarter

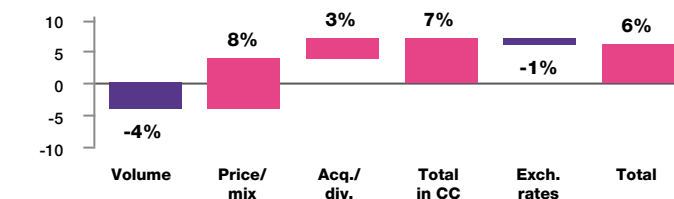
in € millions	2022 <sup>1</sup>	2023	Δ%	Δ% CC <sup>2</sup>
Powder Coatings	344	344	—%	1%
Marine and Protective Coatings	301	366	22%	23%
Automotive and Specialty Coatings	340	363	7%	8%
Industrial Coatings	541	538	(1%)	1%
<b>Total</b>	<b>1,526</b>	<b>1,611</b>	<b>6%</b>	<b>7%</b>

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

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

## Revenue development Q1 2023

■ Increase ■ Decrease



## Key financial figures

First quarter

in € millions / %	2022	2023	Δ%
Operating income <sup>1</sup>	152	130	(14%)
Identified items <sup>2</sup>	1	(15)	
Adjusted operating income <sup>1,2</sup>	151	145	(4%)
OPI margin (%) <sup>1,2</sup>	10.0	8.1	
ROS (%) <sup>1,2</sup>	9.9	9.0	
Average invested capital <sup>2</sup>	3,600	3,918	9%
ROI (%) <sup>1,2</sup>	16.0	12.5	

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

<sup>2</sup> Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 12 and 13.

# Condensed consolidated financial statements

## Condensed consolidated statement of income

First quarter in € millions	2022	2023
<b>Continuing operations</b>		
Revenue	2,525	2,657
Cost of sales	(1,544)	(1,675)
<b>Gross profit</b>	<b>981</b>	<b>982</b>
SG&A costs	(749)	(796)
Other results	—	(4)
<b>Operating income</b>	<b>232</b>	<b>182</b>
Financing income and expenses	(12)	(38)
Results from associates and joint ventures	8	7
<b>Profit before tax</b>	<b>228</b>	<b>151</b>
Income tax	(62)	(45)
<b>Profit for the period from continuing operations</b>	<b>166</b>	<b>106</b>
<b>Discontinued operations</b>		
Profit/(loss) for the period from discontinued operations	—	(1)
<b>Profit for the period</b>	<b>166</b>	<b>105</b>
<b>Attributable to</b>		
Shareholders of the company	154	94
Non-controlling interests	12	11
<b>Profit for the period</b>	<b>166</b>	<b>105</b>

## Consolidated statement of comprehensive income

First quarter in € millions	2022	2023
Profit for the period	166	105
<b>Other comprehensive income</b>		
Exchange differences arising on translation of foreign operations	27	(31)
Cash flow hedges	34	(8)
Post-retirement benefits	40	39
Tax relating to components of other comprehensive income	(12)	(10)
<b>Other comprehensive income for the period (net of tax)</b>	<b>89</b>	<b>(10)</b>
<b>Comprehensive income for the period</b>	<b>255</b>	<b>95</b>
<b>Comprehensive income for the period attributable to</b>		
Shareholders of the company	246	82
Non-controlling interests	9	13
<b>Comprehensive income for the period</b>	<b>255</b>	<b>95</b>

## Condensed consolidated balance sheet

in € millions	December 31, 2022	March 31, 2023
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	4,072	4,046
Property, plant and equipment	1,968	1,957
Right-of-use assets	291	280
Other non-current assets	2,166	2,236
<b>Total non-current assets</b>	<b>8,497</b>	<b>8,519</b>
<b>Current assets</b>		
Inventories	1,843	1,839
Trade and other receivables	2,447	2,628
Current tax assets	168	151
Short-term investments	336	321
Cash and cash equivalents	1,450	1,208
<b>Total current assets</b>	<b>6,244</b>	<b>6,147</b>
<b>Total assets</b>	<b>14,741</b>	<b>14,666</b>
<b>Equity and liabilities</b>		
<b>Group equity</b>	<b>4,548</b>	<b>4,643</b>
<b>Non-current liabilities</b>		
Provisions and deferred tax liabilities	1,115	1,125
Long-term borrowings	3,332	3,324
<b>Total non-current liabilities</b>	<b>4,447</b>	<b>4,449</b>
<b>Current liabilities</b>		
Short-term borrowings	2,543	2,470
Trade and other payables	2,801	2,702
Other short-term liabilities	402	402
<b>Total current liabilities</b>	<b>5,746</b>	<b>5,574</b>
<b>Total equity and liabilities</b>	<b>14,741</b>	<b>14,666</b>

### Shareholders' equity

Shareholders' equity amounted to €4.4 billion at March 31, 2023, compared with €4.3 billion at year-end 2022. Main movements relate to:

- Profit for the period of €94 million
- Actuarial gains of €29 million (including taxes)

Offset by:

- Currency effects of €33 million negative (including taxes)

### Dividend

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

A final 2022 dividend of €1.54 (2021: €1.54) per common share was approved at the AGM on April 21, 2023, which results in a total 2022 dividend of €1.98 per share (2022: €1.98).

### Outstanding share capital

The outstanding share capital was 170.6 million common shares at the end of March 2023.

The weighted average number of shares in Q1 2023 was 170.5 million shares. The weighted average number of shares excludes shares bought back and not yet cancelled and is the basis for the calculation of earnings per share. At the end of Q1 2023, all shares repurchased in the share buyback programs had been cancelled.

### Changes in equity

in € millions	Subscribed share capital	Cash flow hedge reserve	Cumulative translation reserves	Other (legal) reserves and undistributed profit	Shareholders' equity	Non-controlling interests	Group equity
<b>Balance at December 31, 2021</b>	91	(19)	(493)	5,846	5,425	211	5,636
Impact IAS 29 Hyperinflation Türkiye*	—	—	—	16	16	2	18
January 1, 2022	91	(19)	(493)	5,862	5,441	213	5,654
Profit for the period	—	—	—	154	154	12	166
Other comprehensive income	—	34	29	29	92	(3)	89
<b>Comprehensive income for the period</b>	—	34	29	183	246	9	255
Dividend	—	—	—	—	—	(6)	(6)
Share buyback	—	—	—	(227)	(227)	—	(227)
Equity-settled transactions	—	—	—	4	4	—	4
<b>Balance at March 31, 2022</b>	91	15	(464)	5,822	5,464	216	5,680
<b>Balance at December 31, 2022</b>	87	(34)	(656)	4,936	4,333	215	4,548
Profit for the period	—	—	—	94	94	11	105
Other comprehensive income	—	(8)	(33)	29	(12)	2	(10)
<b>Comprehensive income for the period</b>	—	(8)	(33)	123	82	13	95
Dividend	—	—	—	—	—	(4)	(4)
Share buyback	(2)	—	—	2	—	—	—
Equity-settled transactions	—	—	—	4	4	—	4
<b>Balance at March 31, 2023</b>	85	(42)	(689)	5,065	4,419	224	4,643

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



### Cash flows and net debt

Net cash from operating activities in Q1 resulted in an outflow of €50 million (2022: outflow of €102 million). The decrease in outflow was mainly driven by lower increase in working capital requirements, partly offset by lower profit for the quarter.

Net cash from investing activities in Q1 resulted in an outflow of €69 million (2022: outflow of €1,061 million); the decrease in outflow mainly related to prior year outflow for short-term investments. Cash settlements related to cash flow hedges for the intended acquisition of Kansai Paint Africa resulted in an outflow of €43 million.

Net cash from financing activities in Q1 resulted in an outflow of €118 million (2022: inflow of €1,406 million); the change is mainly related to the impact from changes from borrowings, partly offset with lower outflows related to share buyback.

At March 31, 2023, net debt was €4,265 million versus €4,089 million at year-end 2022, mainly due to (seasonal) changes in working capital, causing an increase in net debt of €261 million. The net debt/EBITDA leverage ratio at March 31, 2023, was 4.2 (December 31, 2022: 3.8).

### Free cash flows

The free cash flow in Q1 2023 was higher compared with Q1 2022, mainly due to the lower increase in working capital requirements, partly offset by lower profit for the period and higher interest paid.

### Consolidated statements of cash flows

First quarter in € millions	2022	2023
<b>Net cash and cash equivalents at beginning of period</b>	<b>1,112</b>	<b>1,398</b>
Profit for the period from continuing operations	166	106
Amortization and depreciation	89	87
Impairment losses	3	—
Financing income and expenses	12	38
Results from associates and joint ventures	(8)	(7)
Pre-tax result on acquisitions and divestments	(13)	3
Income tax	62	45
Changes in working capital	(404)	(261)
Pension pre-funding	48	—
Changes in post-retirement benefit provisions	(1)	(7)
Changes in other provisions	(13)	9
Interest paid	(4)	(41)
Income tax paid	(39)	(38)
Other changes	—	16
<b>Net cash generated from/(used for) operating activities</b>	<b>(102)</b>	<b>(50)</b>
Capital expenditures	(57)	(62)
Acquisitions and divestments net of cash acquired/divested	6	(40)
Investments in short-term investments	(1,045)	(12)
Repayments of short-term investments	24	29
Other changes	11	16
<b>Net cash generated from/(used for) investing activities</b>	<b>(1,061)</b>	<b>(69)</b>
Changes from borrowings	1,609	(114)
Share buyback	(196)	—
Dividend paid	(7)	(4)
<b>Net cash from/(used for) financing activities</b>	<b>1,406</b>	<b>(118)</b>
<b>Net cash generated from/(used for) continuing operations</b>	<b>243</b>	<b>(237)</b>
Cash flows from discontinued operations	—	(1)
<b>Net change in cash and cash equivalents of continuing and discontinued operations</b>	<b>243</b>	<b>(238)</b>
Effect of exchange rate changes on cash and cash equivalents	9	(15)
<b>Net cash and cash equivalents at March 31</b>	<b>1,364</b>	<b>1,145</b>

### Consolidated statement of free cash flows

First quarter in € millions	2022	2023
<b>EBITDA</b>	<b>321</b>	<b>269</b>
Impairment losses	3	—
Pre-tax results on acquisitions and divestments	(13)	3
Changes in working capital	(404)	(261)
Pension pre-funding	48	—
Pension top-up payments	(1)	(1)
Other changes in provisions	(13)	3
Interest paid	(4)	(41)
Income tax paid	(39)	(38)
Other	—	16
<b>Net cash generated from/(used for) operating activities</b>	<b>(102)</b>	<b>(50)</b>
Capital expenditures	(57)	(62)
<b>Free cash flow</b>	<b>(159)</b>	<b>(112)</b>

### Invested capital

Invested capital at March 31, 2023, totaled €8.3 billion, up €0.2 billion from year-end 2022. This increase was mainly caused by (seasonably) higher trade receivables.

### Operating working capital (trade)

Operating working capital (trade) was €2.0 billion at March 31, 2023 (March 31, 2022: €1.7 billion).

Operating working capital (trade) as a percentage of revenue was 18.6% in Q1 2023, compared with 16.5% in Q1 2022. This increase in operating working capital (trade) as a percentage of revenue was mainly due to a decrease of payables. Inventories as a percentage of revenue decreased.

### Pension

The net balance sheet position (according to IAS19) of the pension plans at the end of Q1 was a surplus of €0.8 billion (year-end 2022: surplus of €0.7 billion). The development during 2023 was mainly the result of the net effect in key countries of higher plan asset returns, offset by lower discount rates.

### Workforce

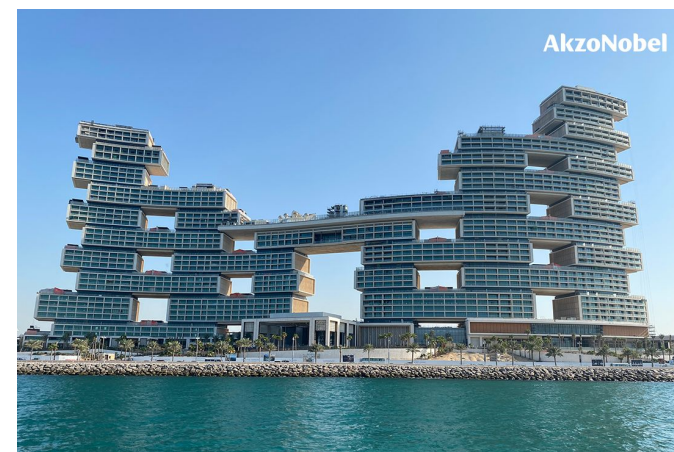
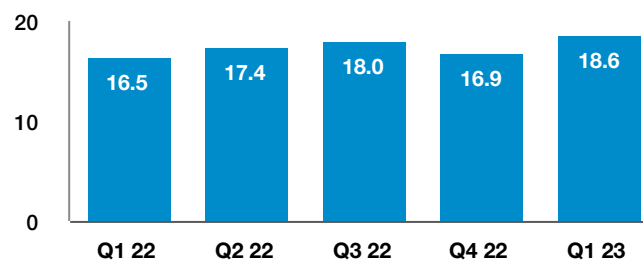
At March 31, 2023, the number of people employed was 34,800 (December 31, 2022: 35,200).

### Invested capital

in € millions	March 31, 2022	December 31, 2022	March 31, 2023
Trade receivables	2,289	2,123	2,303
Inventories	1,852	1,843	1,839
Trade payables	(2,473)	(2,206)	(2,169)
<b>Operating working capital (trade)</b>	<b>1,668</b>	<b>1,760</b>	<b>1,973</b>
Other working capital items	(390)	(339)	(277)
Non-current assets	8,560	8,497	8,519
Less investments in associates and joint ventures	(187)	(193)	(201)
Less pension assets	(1,622)	(1,029)	(1,098)
Deferred tax liabilities	(579)	(561)	(567)
<b>Invested capital</b>	<b>7,450</b>	<b>8,135</b>	<b>8,349</b>

### Operating working capital (trade)

In % of revenue



### Atlantis the Royal hotel opened in Dubai

Dubai's newest luxury resort hotel – Atlantis the Royal – opened its doors recently after being coated with products supplied by our Powder Coatings business. The impressive hotel features our Interpon D2525 range, which gives a stunning natural glow to the aluminum girders, without the weight, cost and installation difficulties that come from using traditional core materials, such as natural stone and glass reinforced concrete.

# Notes to the condensed consolidated financial statements

## General information

Akzo Nobel N.V. is a public limited liability company headquartered in Amsterdam, the Netherlands. The interim condensed consolidated financial statements include the condensed financial statements of Akzo Nobel N.V. and its consolidated subsidiaries (in this document referred to as "AkzoNobel", "the Group" or "the company"). The company was incorporated under the laws of the Netherlands and is listed on Euronext Amsterdam.

## Basis of preparation

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

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

## Accounting policies

The significant accounting policies applied in the interim condensed consolidated financial statements are consistent with those applied in AkzoNobel's consolidated financial statements for the year ended December 31, 2022, except for IFRS standards and interpretations becoming effective on January 1, 2023. This includes, among others, amendments to IFRS 17 "Insurance contracts", amendments to IAS 8 "Definition of accounting estimates", amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies" and amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction". 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-March 2023

in € millions

	Decorative Paints	Performance Coatings	Other	Total
<b>Primary geographical markets</b>				
The Netherlands	51	27	—	78
Other EMEA countries	547	650	—	1,197
North Asia	123	261	—	384
South Asia Pacific	148	179	—	327
North America	—	361	—	361
Latin America	177	133	—	310
<b>Total</b>	<b>1,046</b>	<b>1,611</b>	<b>—</b>	<b>2,657</b>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	1,025	1,557	—	2,582
Services transferred over time	21	54	—	75
<b>Total</b>	<b>1,046</b>	<b>1,611</b>	<b>—</b>	<b>2,657</b>

### Alternative performance measures

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

A reconciliation of the alternative performance measures to the most directly comparable IFRS measures can be found in the tables on this page and the next page.

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

OPI margin is operating income as percentage of revenue. The calculations are based on the revenue as disclosed in the revenue table on page 3.

### Updates in financial reporting structure

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

#### Operating income

First quarter			
in € millions	2022	2023	Δ%
Decorative Paints	111	94	(15%)
Performance Coatings	152	130	(14%)
Other activities	(31)	(42)	
<b>Total</b>	<b>232</b>	<b>182</b>	<b>(22%)</b>

#### Identified items

First quarter			
in € millions	2022	2023	Δ%
Decorative Paints	8	(8)	
Performance Coatings	1	(15)	
Other activities	(7)	(13)	
<b>Total</b>	<b>2</b>	<b>(36)</b>	

#### Adjusted operating income

First quarter			
in € millions	2022	2023	Δ%
Decorative Paints	103	102	(1%)
Performance Coatings	151	145	(4%)
Other activities	(24)	(29)	
<b>Total</b>	<b>230</b>	<b>218</b>	<b>(5%)</b>

#### EBITDA

First quarter			
in € millions	2022	2023	Δ%
Operating income	232	182	(22%)
Depreciation and amortization	89	87	
<b>EBITDA</b>	<b>321</b>	<b>269</b>	<b>(16%)</b>

#### Adjusted EBITDA

First quarter			
in € millions	2022	2023	Δ%
Adjusted operating income	230	218	(5%)
Depreciation and amortization (excluding Identified items)	87	87	
<b>Adjusted EBITDA</b>	<b>317</b>	<b>305</b>	<b>(4%)</b>

#### OPI margin

First quarter			
in %	2022	2023	Δ%
Decorative Paints	11.1	9.0	
Performance Coatings	10.0	8.1	
Other activities*			
<b>Total</b>	<b>9.2</b>	<b>6.8</b>	

#### ROS

First quarter			
in %	2022	2023	Δ%
Decorative Paints	10.3	9.8	
Performance Coatings	9.9	9.0	
Other activities*			
<b>Total</b>	<b>9.1</b>	<b>8.2</b>	

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

#### Adjusted earnings per share from continuing operations

First quarter			
in € millions	2022	2023	Δ%
Profit before tax from continuing operations	228	151	
Identified items reported in operating income	(2)	36	
Adjusted income tax	(61)	(52)	
Non-controlling interests	(12)	(11)	
<b>Adjusted net income from continuing operations</b>	<b>153</b>	<b>124</b>	
<hr/>			
Weighted average number of shares (in millions)	177.7	170.5	
<hr/>			
<b>Adjusted earnings per share from continuing operations</b>	<b>0.86</b>	<b>0.73</b>	

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

#### Average invested capital

April 2021 - March 2022/April 2022 - March 2023

in € millions	2022	2023	Δ%
Decorative Paints	2,990	3,863	29%
Performance Coatings	3,600	3,918	9%
Other activities	418	522	
<b>Total</b>	<b>7,008</b>	<b>8,303</b>	<b>18%</b>

#### ROI%

April 2021 - March 2022/April 2022 - March 2023

in %	2022	2023
Decorative Paints	18.0	10.1
Performance Coatings	16.0	12.5
Other activities*		
<b>Total</b>	<b>14.5</b>	<b>9.4</b>

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

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

#### EBITDA

April 2021 - March 2022/April 2022 - March 2023

in € millions	2022	2023
Operating income	1,047	658
Depreciation and amortization	355	366
<b>EBITDA</b>	<b>1,402</b>	<b>1,024</b>

#### Net debt

in € millions	March 31, 2022	March 31, 2023
Short-term investments	(1,081)	(321)
Cash and cash equivalents	(1,418)	(1,208)
Long-term borrowings	3,178	3,324
Short-term borrowings	2,008	2,470
<b>Total</b>	<b>2,687</b>	<b>4,265</b>

#### Leverage ratio

April 2021 - March 2022/April 2022 - March 2023

in € millions	2022	2023
Net debt	2,687	4,265
EBITDA	1,402	1,024
<b>Leverage ratio</b>	<b>1.9</b>	<b>4.2</b>

#### 2023 Outlook\*

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

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

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

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

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

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

Greg Poux-Guillaume  
Maarten de Vries

# Paints and Coatings

## Quarterly statistics

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

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

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

# Paints and Coatings

## Quarterly statistics

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

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

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

# AkzoNobel

## Quarterly statistics

	Q1	Q2	Q3	Q4	2022 Full-year	2023 Q1
<b>Quarterly net income analysis (in € millions)</b>						
	8	5	6	(1)	18	7
	228	182	141	51	602	151
	(62)	(67)	(51)	(34)	(214)	(45)
	166	115	90	17	388	106
	27	37	36	67	36	30
<b>Earnings per share from continuing operations (in €)</b>						
	0.87	0.64	0.51	0.05	2.07	0.56
	0.86	0.63	0.50	0.05	2.06	0.56
<b>Earnings per share from discontinued operations (in €)</b>						
	—	(0.03)	(0.02)	—	(0.06)	(0.01)
	—	(0.03)	(0.02)	—	(0.06)	(0.01)
<b>Earnings per share from total operations (in €)</b>						
	0.87	0.60	0.48	0.05	2.01	0.55
	0.86	0.60	0.48	0.05	2.01	0.55
<b>Number of shares (in millions)</b>						
	177.7	175.9	174.0	171.5	174.7	170.5
	176.9	174.5	172.7	170.4	170.4	170.6
<b>Adjusted earnings from continuing operations (in € millions)<sup>2</sup></b>						
	228	182	141	51	602	151
	(2)	44	16	23	81	36
	—	(10)	—	—	(10)	—
	(61)	(65)	(55)	(38)	(219)	(52)
	(12)	(3)	(2)	(9)	(26)	(11)
	153	148	100	27	428	124
	0.86	0.84	0.57	0.16	2.45	0.73

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

<sup>2</sup> Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 12 and 13.



# Glossary

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

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

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

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

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

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

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

**EBITDA** is operating income excluding depreciation and amortization.

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

**EMEA** is Europe, Middle East and Africa.

**Free cash flow** is net cash generated from/(used for) operating activities minus capital expenditures.

**Identified items** are special charges and benefits, results on acquisitions and divestments, major restructuring and impairment charges, and charges and benefits related to major legal, environmental and tax cases.

**Invested capital** is total assets (excluding cash and cash equivalents, short-term investments, investments in associates, the receivable from pension funds in an asset position, assets held for sale) less current income tax payable, deferred tax liabilities and trade and other payables.

**Latin America** excludes Mexico.

**Leverage ratio** is calculated as net debt divided by EBITDA, which is calculated as the total of the last 12 months.

**Net debt** is defined as long-term borrowings plus short-term borrowings less cash and cash equivalents and short-term investments.

**North America** includes Mexico.

**North Asia** includes, among others, China, Japan and South Korea.

**Operating income** is defined as income excluding net financing expenses, results from associates and joint ventures, income tax and profit/loss from discontinued operations. Operating income includes the share of non-controlling interests. Operating income includes Identified items to the extent these relate to lines included in operating income.

**Operating working capital (trade)** is defined as the sum of inventories, trade receivables and trade payables. When expressed as a ratio, operating working capital is measured against four times last quarter revenue.

**OPI margin** is operating income as percentage of revenue.

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

**ROS** is adjusted operating income as percentage of revenue.

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

**South Asia Pacific** includes South East Asia and Asia Pacific.

## Safe harbor statement

This report contains statements which address such key issues as AkzoNobel's growth strategy, future financial results, market positions, product development, products in the pipeline and product approvals. Such statements should be carefully considered, and it should be understood that many factors could cause forecast and actual results to differ from these statements. These factors include, but are not limited to, price fluctuations, currency fluctuations, developments in raw material and personnel costs, pensions, physical and environmental risks, legal issues, and legislative, fiscal, and other regulatory measures, as well as significant market disruptions such as the impact of pandemics. Stated competitive positions are based on management estimates supported by information provided by specialized external agencies. For a more comprehensive discussion of the risk factors affecting our business, please see our latest annual report.

## Brand and trademarks

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

**Akzo Nobel N.V.**

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The explanatory sheets used during the press conference can be viewed on AkzoNobel's corporate website: [www.akzonobel.com](http://www.akzonobel.com)

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**Financial calendar**

Ex-dividend date of 2022 final dividend	April 25, 2023
Record date of 2022 final dividend	April 26, 2023
Payment of 2022 final dividend	May 5, 2023
Report for the second quarter 2023	July 25, 2023

# AkzoNobel

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

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

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