

AkzoNobel

PAINT THE FUTURE

Investor Update
July 23, 2024

**Q2
24**

Forward-looking statements

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Q2 2024 Overview

Topline growth continues, margin expansion temporarily muted by OPEX inflation

Q2 2024 YoY

- ⬆️ Organic sales +2%
- ⬆️ Volumes +1%
- ⬆️ Gross margin¹ +160 bps
- ▬ Adj. EBITDA €411m or 14.8% (flat)
€400m post hyperinflation accounting
- ⬇️ Leverage ratio 2.9x

H1 2024 YoY

- ⬆️ Organic sales +2%
- ⬆️ Volumes +1%
- ⬆️ Gross margin¹ +270 bps
- ⬆️ Adj. EBITDA €782m or 14.5% (+115bps)
€763m post hyperinflation accounting
- ⬆️ ROI 13.7% (+370bps)

Q2 adj. EBITDA

Variance vs. expectation driven by softer growth, OPEX build-up and hyperinflation

	Expectation (basis vs. Q2'23)	Actual vs. expectation	
Organic volume growth	2%	100bps lower	<ul style="list-style-type: none">Deco EMEA impacted by weather
Price/mix	Flattish	-	<ul style="list-style-type: none">H2 targeted price increases underway
Raw material benefit	+HSD%	-	<ul style="list-style-type: none">Trend in line with earlier assumptions
OPEX/other	Inflationary	€20m higher	<ul style="list-style-type: none">Wage inflation: +€40m vs Q2'23Inefficiencies: +€10m vs Q2'23
Adj. EBITDA	€420 - 440m	€30m impact	OPEX actions underway

2024 volume projections update

Growth momentum despite flat markets

		H1 2024	FY 2024e
Deco EMEA	Exterior start delayed by Q2 weather; progressive rebound intact	Flat	+1%
Deco LATAM	Continued growth in Brazil; weak demand in Colombia, Argentina	-LSD%	+MSD%
Deco SE Asia	Strong H1 driven by India and Indonesia	+HSD%	
Deco China	Challenging market persists; rebound pushed out	-LSD%	+LSD%
Powder Coatings	Robust performance across all segments despite flat markets	+MSD%	+MSD%
Marine & Protective	Strong growth in Marine technical new build		
Automotive & Specialty	VR flat excl. Turkey; Aerospace MRO offsets OEM delays	Flat	+LSD%
Industrial Coatings	Packaging resilient; Coil plateauing; Wood stabilizing at low level		
AkzoNobel		+1%	+LSD%

Organic volumes YoY

Industrial efficiency - measures and KPIs

Our transformation is delivering results – and accelerating



Deco EMEA

3 sites

Closures announced, more under review

+6%opts

Increase in OTIF, driven by UK business



Wood

+30%

Labor productivity gains in main US sites

+20%

Increase in batch productivity in EMEA



Aerospace

+20%opts

OTIF increase in US; Labour attrition -20%

+50%opts

Capacity to be unlocked in main European sites



Vehicle Refinishes

+5%opts

OTIF improvement in Europe

+10%

Capacity release via quality & reformulation efforts



Powder N. America

+25%

Capacity in premium from asset upgrades

+20%opts

Improvement in US supplier OTIF



Marine & Protective

+7%opts

OTIF improvement in US

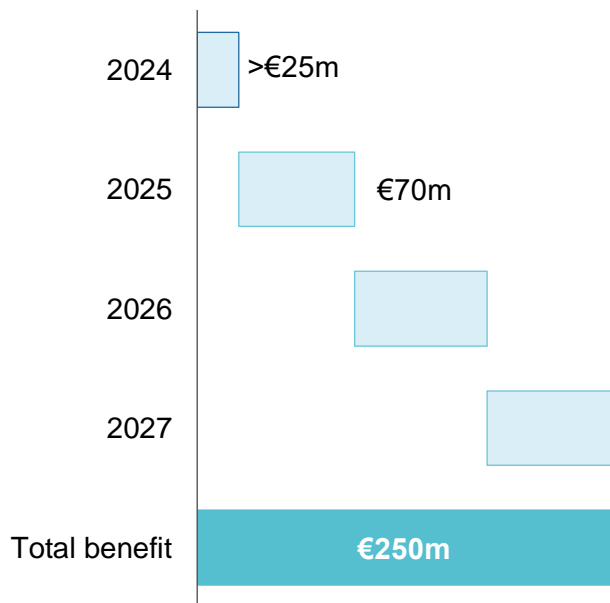
~10%

Volume growth in Europe enabled by debottlenecking

Industrial efficiency – benefit projections

Progressing well, acceleration and amplification underway

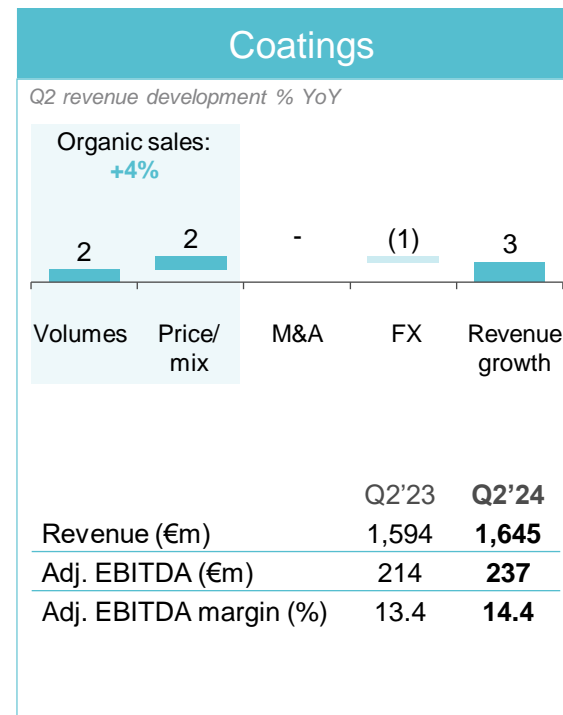
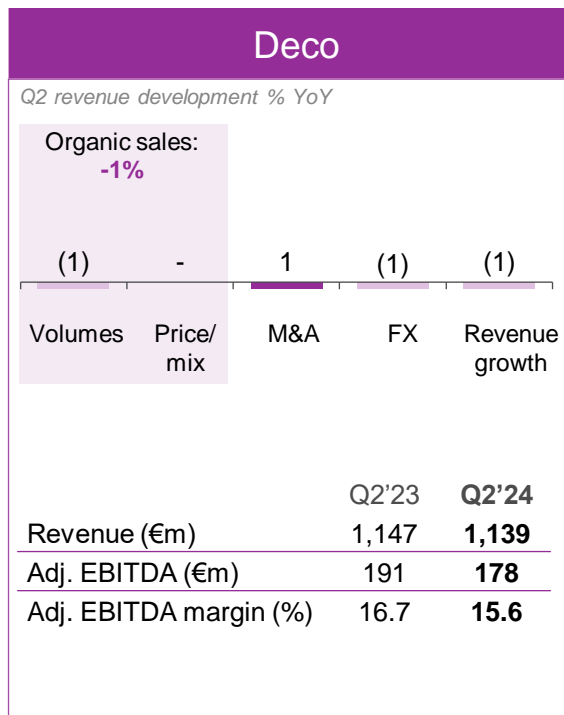
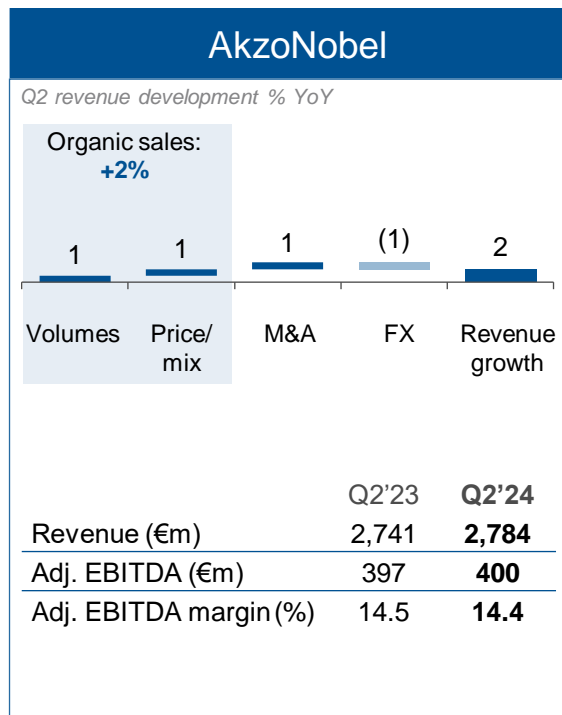
Expected benefit by year



- 2024 benefit on track >€25m
- 2025 benefit projected at €70m
 - ~2/3 cost savings
 - ~1/3 efficiency gains
- New measures identified; total opportunity >€250m
- OPEX inflation mitigation measures above and beyond
 - Corporate overhead reduction
 - Delete extra measures as service levels fixed
 - Efficiency measures to mitigate wage inflation

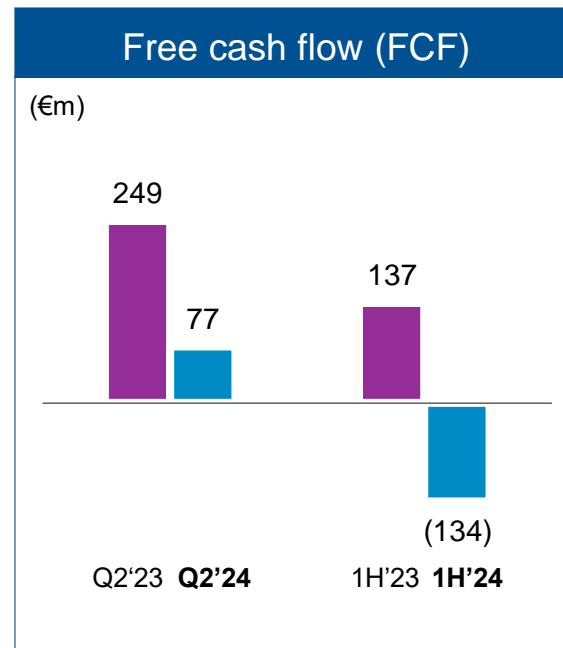
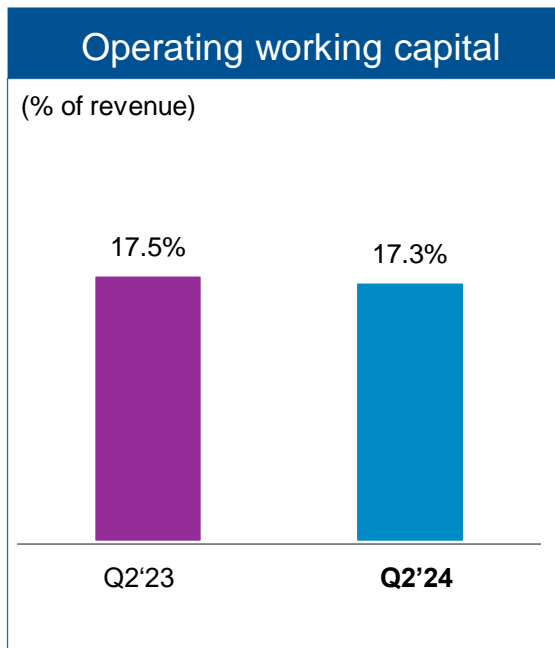
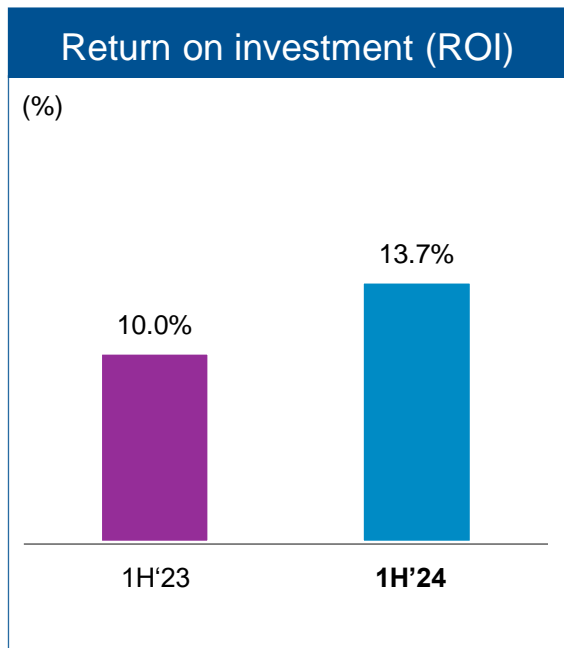
Q2 business performance

Coatings margin expansion offset by Deco performance



Operating results for Q2 and H1 2024

Continued ROI rebound and normalizing FCF levels impacted by seasonality



Outlook

Q3 similar to Q2; FY EBITDA towards lower end of guidance range, as per consensus

Reminder - FY2024 Outlook

- Adj. EBITDA: **€1.50-1.65bn**
- Volumes: **+LSD%**
- Industrial efficiency benefit: **>€25m**
- CAPEX: **€350m**
- Net Debt/EBITDA: **around 2.3x**
- Stable dividend

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

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Upcoming events 2024

Q3 results

October 23

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Alternative performance measures (APM)

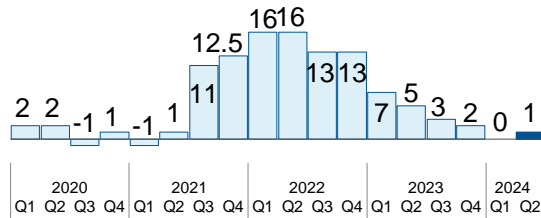
AkzoNobel uses APM adjustments to the IFRS measures to provide supplementary information on the reporting of the underlying developments of the business. A reconciliation of the alternative performance measures to the most directly comparable IFRS measures can be found in the appendix to this presentation. This Investor Update covers the highlights for the quarter. We recommend to read the Investor Update in combination with the AkzoNobel Q4 2023 Report. The Q4 2023 Report provides additional information, including the IAS34 condensed consolidated financial statements.

All figures in this presentation and in the AkzoNobel Q4 2023 Report are unaudited. The interim condensed consolidated financial statements were discussed and approved by the Board of Management and the Supervisory Board.

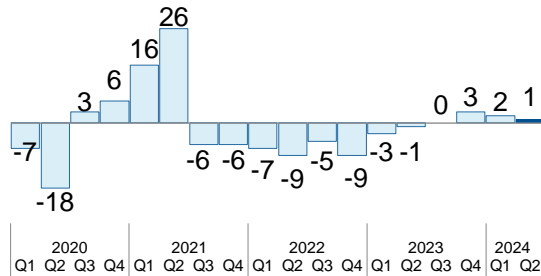
Price/mix and volumes

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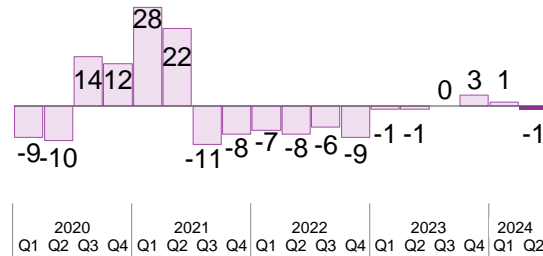
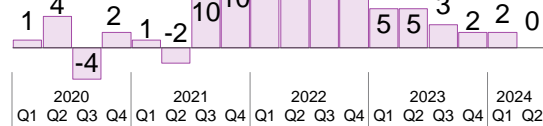
price/mix (% YoY)



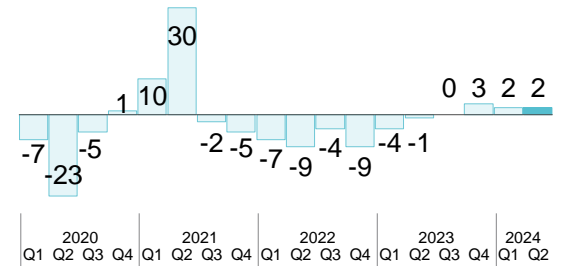
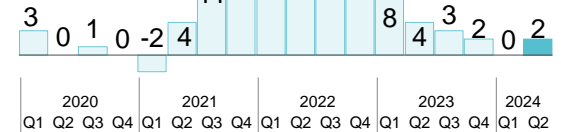
organic volumes (% YoY)



Paints



Coatings



Mid-term ambitions

Expanding profitability underpinned by growth and industrial excellence

Strategic priorities

Sustainability-driven innovation

Growth in focus segments and markets

Industrial excellence

Targets

Adj. EBITDA margin

>16%

➤ Adj. EBITDA growth
CAGR: >6%

➤ Volume growth
CAGR: +LSD%

ROI

16-19%

➤ Industrial efficiency benefit
€250m by 2027

➤ Leverage
~2x, strong investment grade

Outlook is based on organic volumes and constant currencies, assumes no significant market disruptions. CAGR on 2023 baseline.

Planning assumptions

	2024	Mid-term
Adj. EBITDA	Towards the lower end of: €1.50-1.65bn	CAGR '23-'27: >6% Margin: >16%
Organic volumes	+LSD%	+LSD%
Industrial efficiency benefit	>€25m	€250m
Identified items	€100-150m	
	Industrial efficiency: €130-150m ('24-'26)	
CAPEX	€350m pa, incl. €50m pa from industrial efficiency ('24-'26)	
Working capital	<14% revenue	~13% revenue
Effective tax rate	~28%	~28%
Leverage	~2.3x	~2x

Assuming no significant market disruptions.

Performance measures

Definitions of alternative performance measures

- **Adjusted earnings per share** are the basic earnings per share from continuing 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 (OPI)** is operating income excluding identified items
- **Capital expenditures** is the total of investments in property, plant and equipment and investments in intangible assets
- **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, pension assets, assets held for sale) less current tax liabilities, deferred tax liabilities and trade and other payables. Average invested capital is the average of the quarter end invested capital balances for the last 4 quarters
- **Leverage ratio** is calculated as net debt divided by EBITDA, which is calculated as the total of the last 12 months
- **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
- **Organic sales** excludes the impact of changes in consolidation, the impact of changes in foreign exchange rates and the impact of hyperinflation accounting. Refer to constant currencies for details on the calculation of the foreign exchange rate impact
- **Return on investment (ROI)** is adjusted operating income of the last 12 months as percentage of average invested capital

Additional financial information

Consolidated statement of free cash flows

Q2'23	Q2'24	€ million	YTD'23	YTD'24
367	362	EBITDA	636	712
2	—	Impairment losses	2	—
—	(1)	Pre-tax results on acquisitions and divestments	3	—
48	(70)	Changes in working capital	(213)	(488)
—	—	Pension top-up payments	(1)	—
(10)	1	Other changes in provisions	(7)	(15)
(49)	(65)	Interest paid	(90)	(113)
(56)	(81)	Income tax paid	(94)	(129)
3	5	Other	19	14
305	151	Net cash generated from/(used for) operating activities	255	(19)
(56)	(74)	Capital expenditures	(118)	(115)
249	77	Free cash flow	137	(134)

Operating income to net income

Q2'23	Q2'24	€ million	YTD'23	YTD'24
279	270	Operating income	461	531
(45)	(31)	Financing income and expenses	(83)	(47)
5	5	Results from associates and joint ventures	12	12
239	244	Profit before tax	390	496
(106)	(53)	Income tax	(151)	(110)
133	191	Profit from continuing operations	239	386
—	1	Profit from discontinued operations	(1)	—
133	192	Profit for the period	238	386
(15)	(15)	Non-controlling interests	(26)	(28)
118	177	Net income	212	358
		Earnings per share (in €)		
0.69	1.04	Total operations	1.24	2.10
		Adjusted earnings per share (in €)		
0.93	1.07	Continuing operations	1.65	2.19

Alternative performance measures

Q2 2023	Q2 2024	Δ%	Operating income (€m)	YTD 2023	YTD 2024	Δ%
151	121	(20)%	Decorative Paints	245	237	(3)%
168	182	8%	Performance Coatings	298	358	56%
(40)	(33)		Other activities	(82)	(64)	
279	270	(3)%	Total	461	531	15%

Q2 2023	Q2 2024	Identified items (€m)	YTD 2023	YTD 2024
(6)	(20)	Decorative Paints	(14)	(24)
(5)	(11)	Performance Coatings	(20)	(12)
(21)	(8)	Other activities	(34)	(16)
(32)	(39)	Total	(68)	(52)

Q2 2023	Q2 2024	Δ%	Adjusted operating income (€m)	YTD 2023	YTD 2024	Δ%
157	141	(10)%	Decorative Paints	259	261	1%
173	193	12%	Performance Coatings	318	370	16%
(19)	(25)		Other activities	(48)	(48)	
311	309	(1)%	Total	529	583	10%

Q2 2023	Q2 2024	Δ%	EBITDA (€m)	YTD 2023	YTD 2024	Δ%
279	270	(3)%	Operating income	461	531	15%
88	92		Depreciation and amortization	175	181	
367	362	(1)%	EBITDA	636	712	12%

Q2 2023	Q2 2024	Δ%	Adjusted EBITDA (€m)	YTD 2023	YTD 2024	Δ%
311	309	(1)%	Adjusted operating income	529	583	10%
86	91		Depreciation and amortization (excluding Identified items)	173	180	
397	400	1%	Adjusted EBITDA	702	763	9%

Q2 2023	Q2 2024	Adjusted EBITDA margin (%)	YTD 2023	YTD 2024
16.7	15.6	Decorative Paints	15.0	15.2
13.4	14.4	Performance Coatings	12.5	14.2
14.5	14.4	Total	13.0	14.1

Q2 2023	Q2 2024	Adjusted earnings per share from continuing operations (€m)	YTD 2023	YTD 2024
133	191	Profit from continuing operations	239	386
32	39	Identified items reported in operating income	68	52
1	(14)	Identified items reported in interest	1	(15)
7	(18)	Identified items reported in income tax	—	(21)
(15)	(15)	Non-controlling interests	(26)	(28)
158	183	Adjusted net income from continuing operations	282	374

Q2 2023	Q2 2024	Weighted average number of shares (in millions)	YTD 2023	YTD 2024
170.6	170.7	Weighted average number of shares (in millions)	170.6	170.7

Q2 2023	Q2 2024	Adjusted earnings per share from continuing operations	YTD 2023	YTD 2024
0.93	1.07	Adjusted earnings per share from continuing operations	1.65	2.19

Average invested capital (€m)			Q2 2023	Q2 2024	Δ%
July 2022 - June 2023/July 2023 - June 2024					
Decorative Paints			3,857	3,813	(1)%
Performance Coatings			3,896	3,742	(4)%
Other activities			605	684	
Total			8,358	8,239	(1)%

ROI (%)			Q2 2023	Q2 2024
July 2022 - June 2023/July 2023 - June 2024				
Decorative Paints			10.8	13.2
Performance Coatings			13.4	19.7
Other activities ¹				
Total			10.0	13.7

EBITDA (€m)			Q2 2023	Q2 2024
July 2022 - June 2023/July 2023 - June 2024				
Operating income			732	1,099
Depreciation and amortization			367	363
EBITDA			1,099	1,462

Net Debt (€m)			Q2 2023	Q2 2024
Jun 30				
Short-term investments			(235)	(3)
Cash and cash equivalents			(1,498)	(1,166)
Long-term borrowings			3,682	3,182
Short-term borrowings			2,404	2,240
Total			4,353	4,253

Leverage ratio			Q2 2023	Q2 2024
July 2022 - June 2023/July 2023 - June 2024				
Net debt (€m)			4,353	4,253
EBITDA (€m)			1,099	1,462
Leverage ratio			4.0	2.9