

Investor update

Ton Büchner and Maëlys Castella
July 19, 2016



Agenda



Highlights Q2 2016



Operational review



Financial review



Summary



Questions

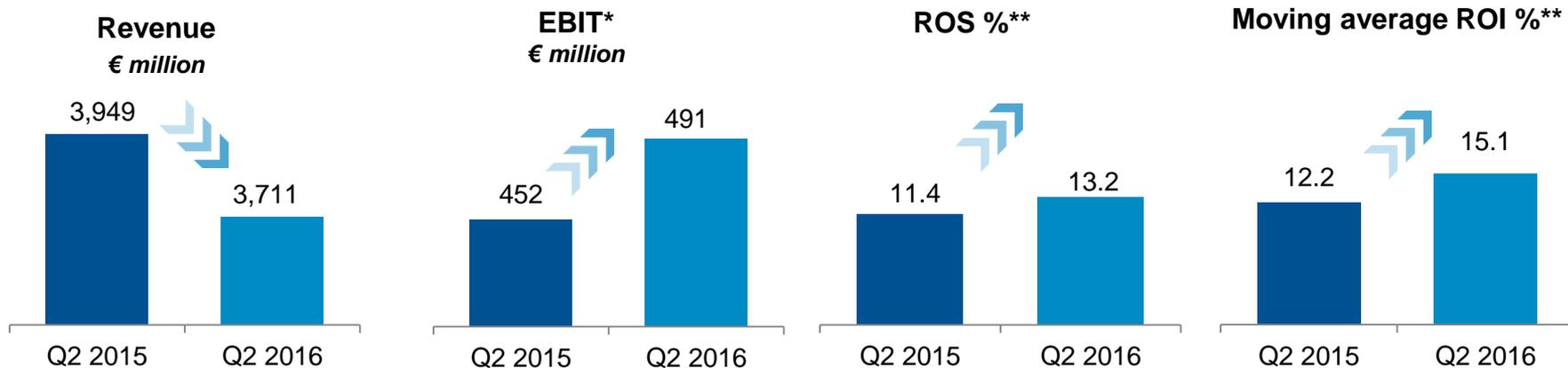
Continued volume growth and further profitability improvement

- ↗ Higher volumes although revenue lower due to adverse currencies
- ↗ EBIT up 9 percent at €491 million, reflecting continuous improvement initiatives and lower costs
- ↗ ROS* and ROI* improved overall and for all Business Areas
- ↗ Net cash inflow from operating activities up at €453 million
- ↗ Further de-risking of pension liabilities



Higher volumes and profitability

- ↗ Volumes up 1 percent, driven by Decorative Paints and Performance Coatings
- ↘ Revenue down 6 percent, mainly due to adverse currencies
- ↗ EBIT* up 9 percent, reflecting continuous improvement initiatives and lower costs
- ↗ ROS** and ROI** improved overall and for all Business Areas
- ↗ Net income attributable to shareholders at €312 million (2015: €331 million)
- ↗ Adjusted EPS up 2 percent at €1.32



Agenda



Highlights Q2 2016



Operational review



Financial review



Summary



Questions

Buildings and infrastructure

New build projects
Maintenance, renovation & repair
Building products and components

43%
of revenue

Transportation

17%
of revenue

Automotive repair
Automotive OEM, parts and assembly
Marine and air transport

Consumer durables
Consumer packaged goods

18%
of revenue

Consumer goods

22%
of revenue

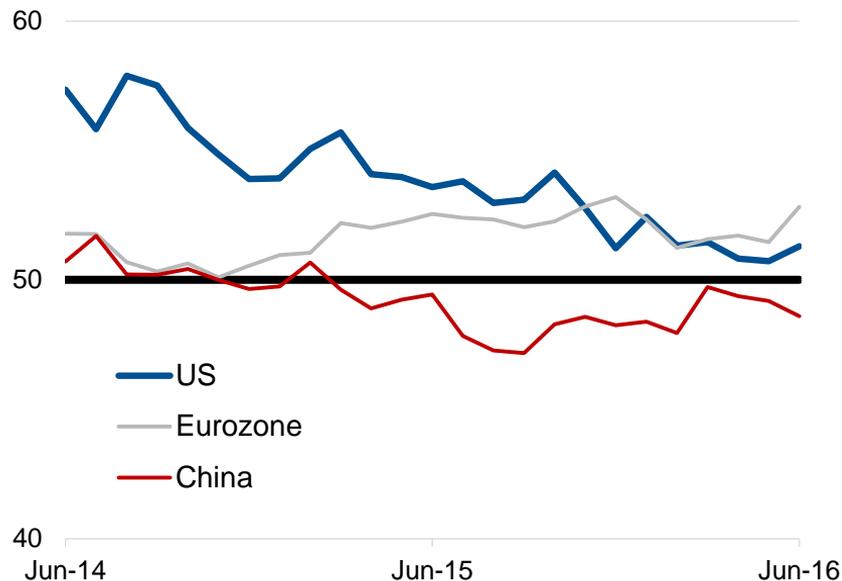
Natural resource and energy industries
Process industries

Industrial

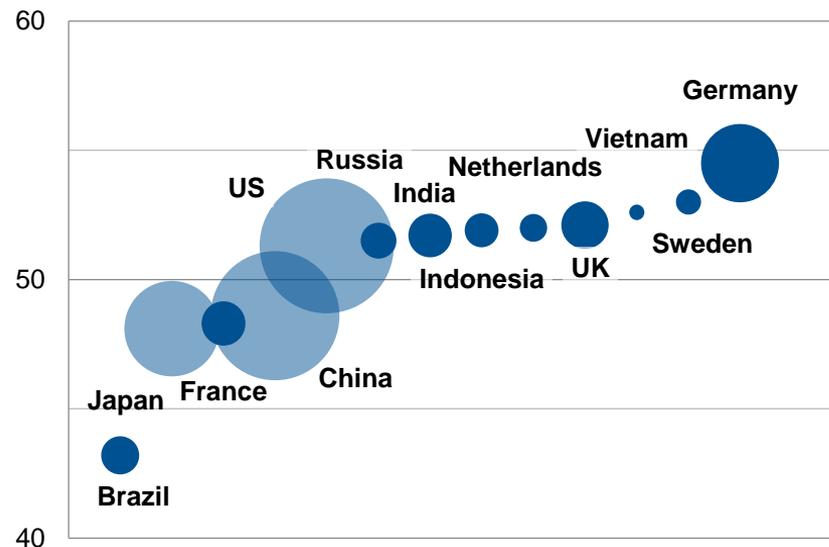
All percentages based on 2015 revenue

Q2 shows some recovery in Europe, but recent events may change this

Purchase Managers' Index (PMI)*
 Figures below 50 indicate pessimism



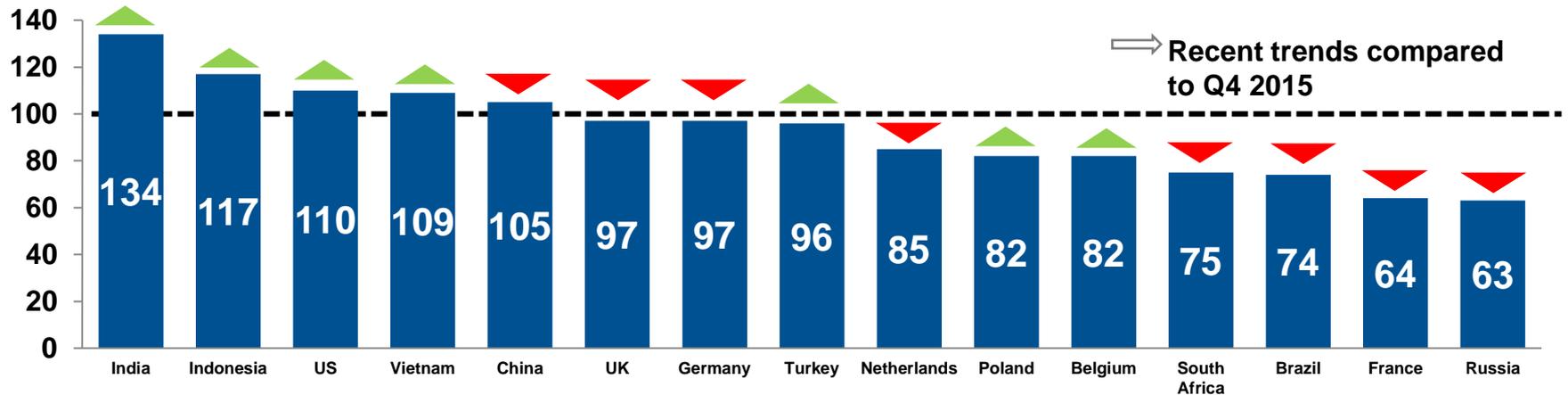
Purchase Managers' Index (PMI)*
 June 2016



Consumer confidence high in Asia and US, AkzoNobel while lower in Europe and Latin America

Consumer confidence, Q1 2016

Figures below 100 indicate some degree of pessimism



Too early to determine future impact as a result of the recent UK referendum

UK presence

Potential impact on Europe

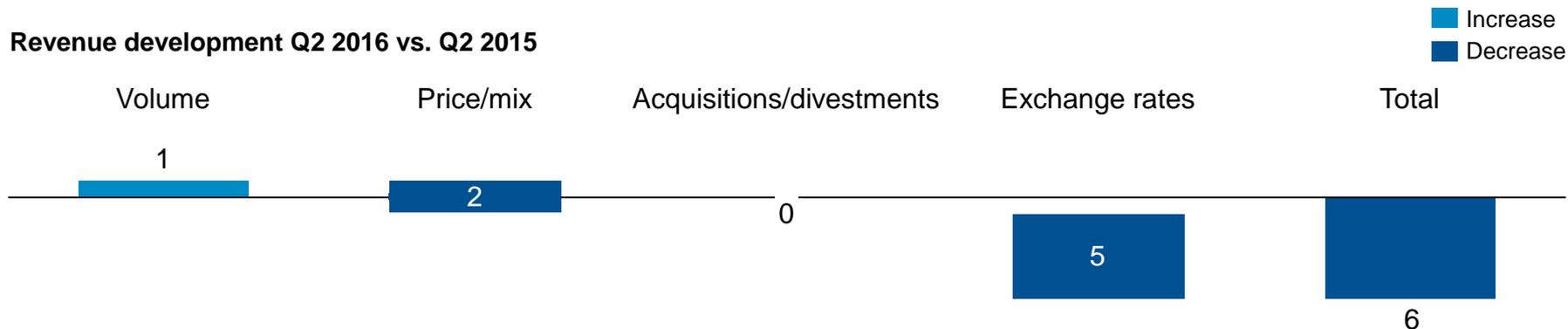
UK pension liabilities

Profitability up, reflecting continuous improvement initiatives and lower costs

€ million	Q2 2015	Q2 2016	Δ%
Revenue	3,949	3,711	(6)
Operating income	486	491	1
EBIT (Operating income excluding incidental items)	452	491	9

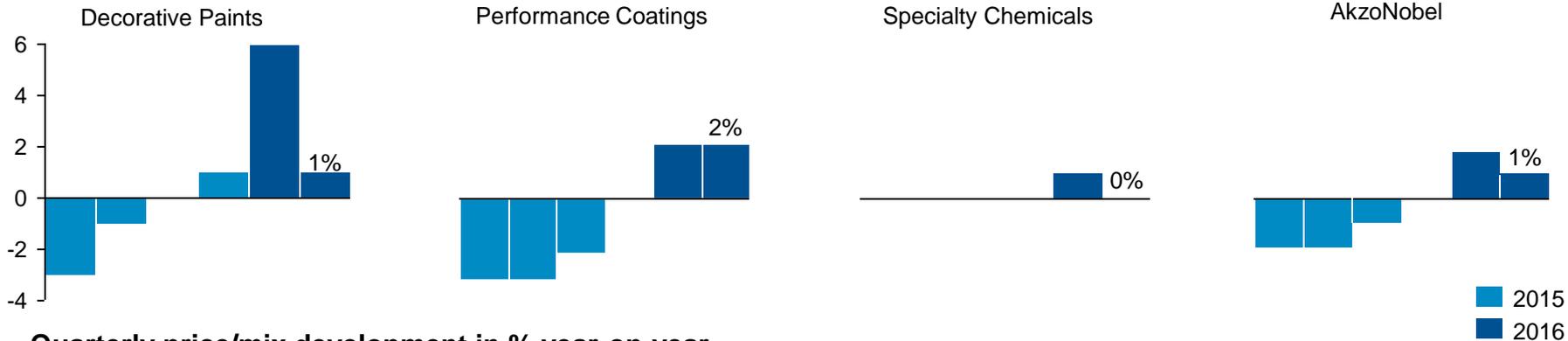
Ratio, %	Q2 2015	Q2 2016
ROS*	11.4	13.2
Moving average ROI*	12.2	15.1

Revenue development Q2 2016 vs. Q2 2015

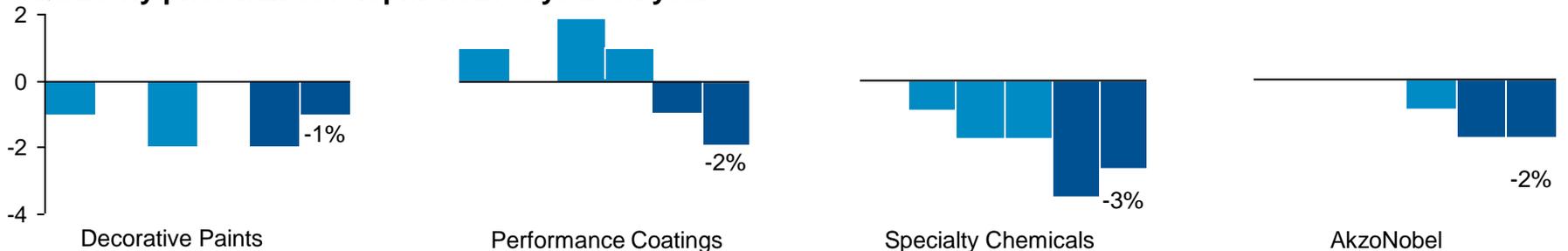


Higher volumes although deflationary pressures continue

Quarterly volume development in % year-on-year



Quarterly price/mix development in % year-on-year

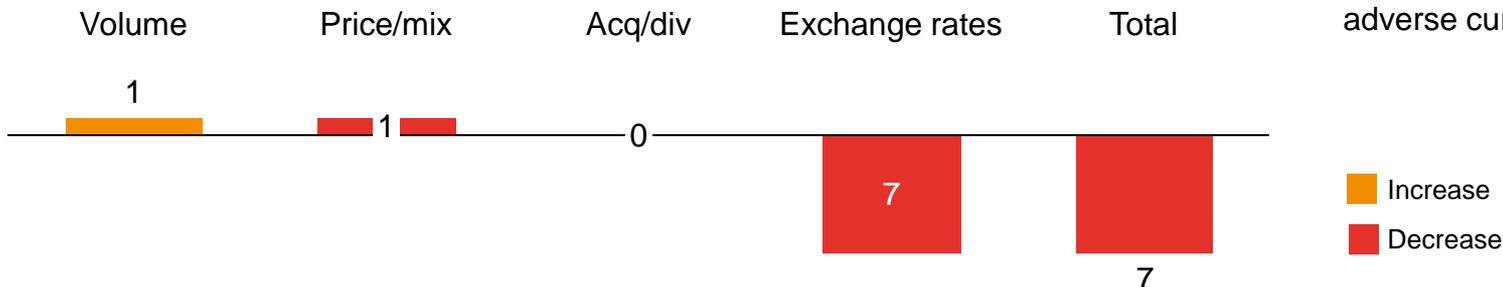


Decorative Paints Q2 2016: Higher volumes and profitability

€ million	Q2 2015	Q2 2016	Δ%
Revenue	1,134	1,055	(7)
Operating income	128	131	2
EBIT (Operating income excluding incidental items)	128	131	2

Ratio, %	Q2 2015	Q2 2016
ROS*	11.3	12.4
Moving average ROI*	10.4	12.3

Revenue development Q2 2016 vs. Q2 2015



- ↑ Volumes were up in Asia, continued to be down in Latin America and were slightly lower in Europe
- ↑ Revenue down due to unfavorable currency effects
- ↑ EBIT and operating income up, mainly due to higher volumes and lower costs, partly offset by adverse currency effects



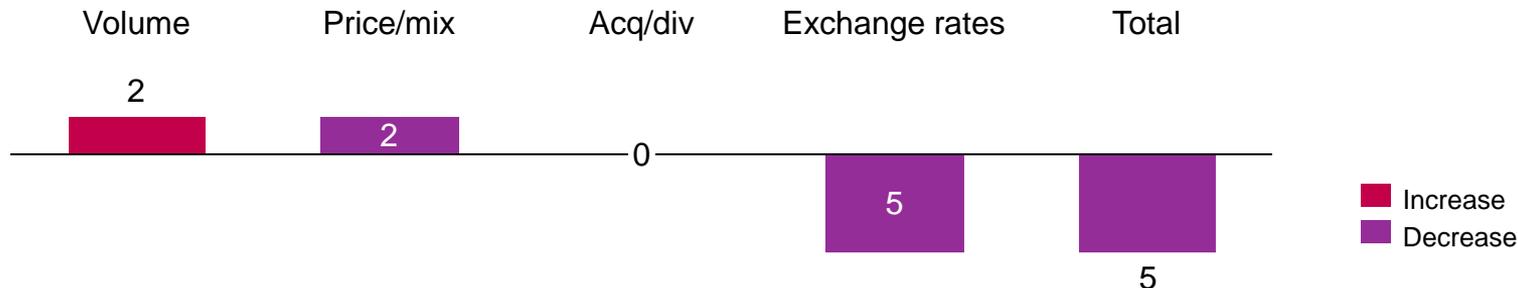
Performance Coatings Q2 2016: Volumes increased in all reporting units

€ million	Q2 2015	Q2 2016	Δ%
Revenue	1,550	1,473	(5)
Operating income	220	222	1
EBIT (Operating income excluding incidental items)	220	222	1

Ratio, %	Q2 2015	Q2 2016
ROS*	14.2	15.1
Moving average return ROI*	23.9	31.0

- ↗ Volumes were up with positive developments in all reporting units
- ↗ Revenue down due to adverse currencies
- ↗ EBIT and operating income up due to higher volumes, continuous improvement initiatives and lower costs

Revenue development Q2 2016 vs. Q2 2015

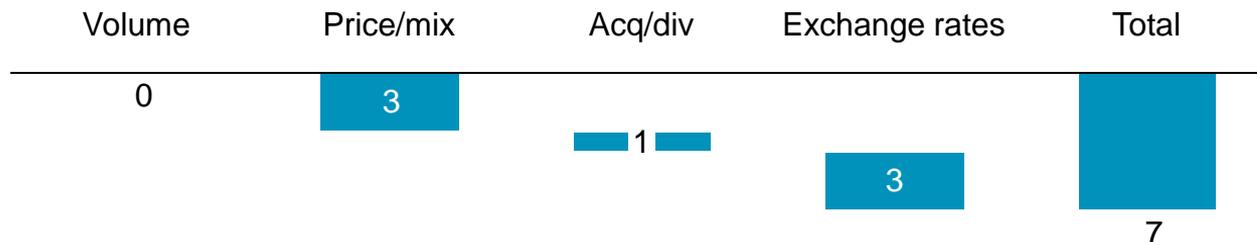


Specialty Chemicals Q2 2016: EBIT up 10 percent while volumes flat

€ million	Q2 2015	Q2 2016	Δ%
Revenue	1,290	1,206	(7)
Operating income	192	179	(7)
EBIT (Operating income excluding incidental items)	162	179	10

Ratio, %	Q2 2015	Q2 2016
ROS*	12.6	14.8
Moving average ROI*	16.1	17.1

Revenue development Q2 2016 vs. Q2 2015



- Volumes were flat with positive developments in some segments offset by lower demand in oil related segments
- Revenue down mainly due to adverse currency effects, divestments and price deflation in several segments
- EBIT up due to operational efficiencies. The divestment of Paper Chemicals resulted in €30 million profit in operating income (Q2 2015)

■ Increase
■ Decrease



Agenda



Highlights Q2 2016



Operational review



Financial review



Summary



Questions

Operational improvement

- ↗ EBIT up 9%
- ↗ Operating income up 1%
- ↗ ROS* improved to 13.2%
- ↗ ROI* improved to 15.1%

Cash discipline

- ↗ Net cash inflow from operating activities higher at €453 million
- ↗ CAPEX at €151 million (4.1% revenue)
- ↗ OWC lower at 12.6% revenue
- ↗ Net financing expenses decreased €5 million

Shareholder returns

- ↗ Adjusted EPS up 2 percent at €1.32
- ↗ Net income attributable to shareholders €312 million (2015: €331 million, which included positive incidental items)

Profitability improved for the half-year

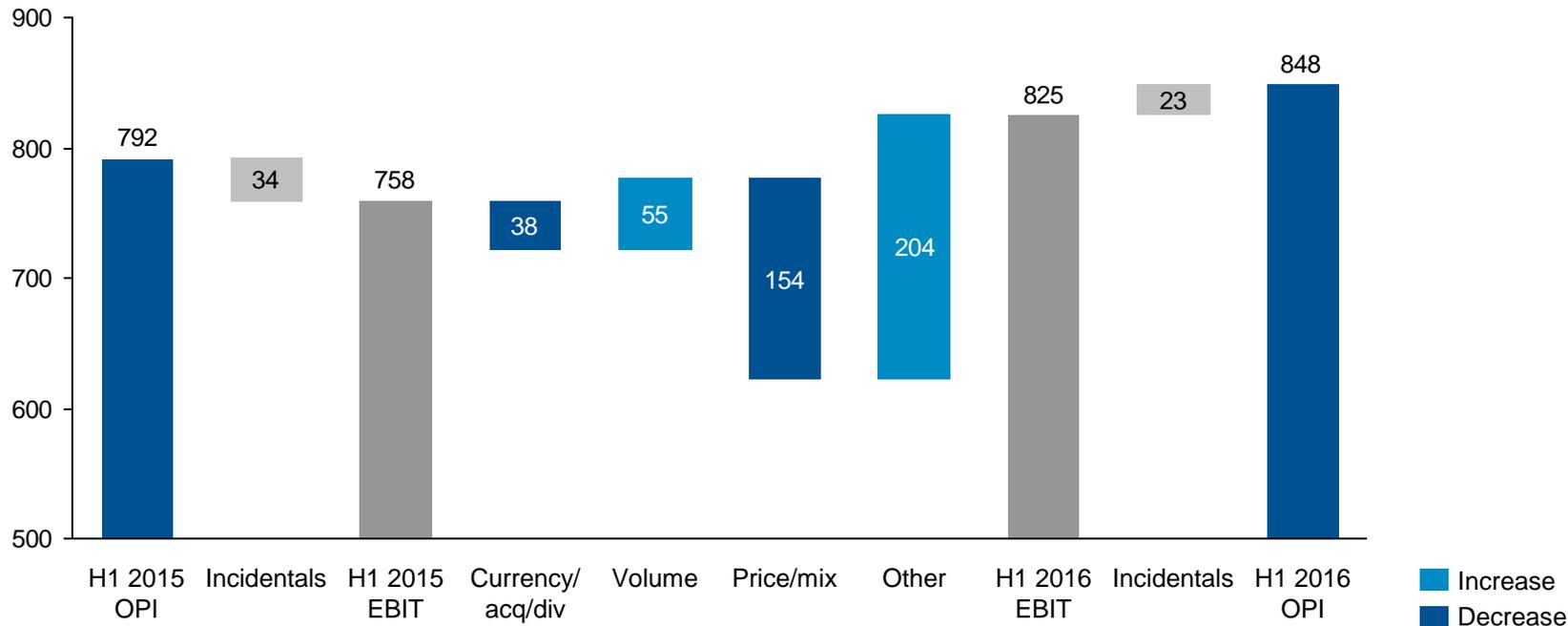
<i>€ million</i>	H1 2015	H1 2016	$\Delta\%$
Revenue	7,540	7,141	(5)
Operating income	792	848	7
EBIT (Operating income excluding incidental items)	758	825	9

<i>Ratio, %</i>	H1 2015	H1 2016
ROS*	10.1	11.6
Moving average ROI*	12.2	15.1

EBIT was up 9 percent for the half-year

Operating income bridge half-year 2015 – half-year 2016

€ million



Free cash flow up 20 percent due to higher EBITDA and continued cash discipline

AkzoNobel

€ million	Q2 2015	Q2 2016	Δ%
EBITDA	610	642	5
Interest paid	-18	-16	
Tax paid	-63	-74	
Changes in working capital, provision* and other	-112	-92	(18)
Capital expenditures (including intangible assets)	-156	-153	
Free cash flow, excluding pension top-up payments	261	307	18
Pension top-up payments	-10	-6	
Free cash flow (from operations)	251	301	20



IAS19 pension deficit remains at €0.4 billion

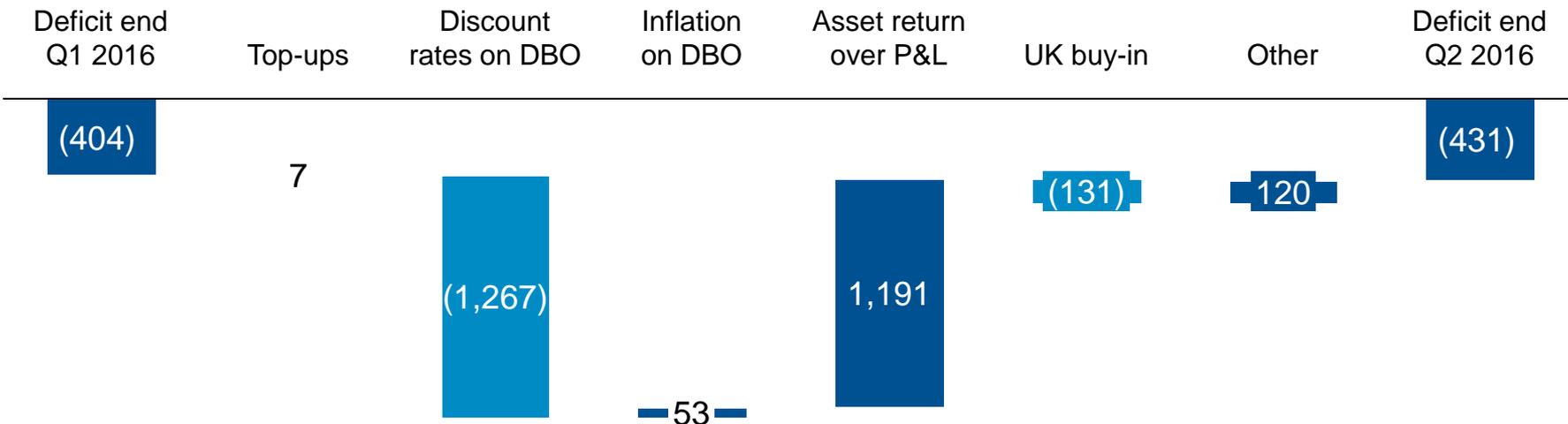
Key pension financial assumptions

	Q2 2016	Q1 2016
Discount rate	2.6%	3.1%
Inflation rate	2.6%	2.7%

Pension deficit development during Q2 2016

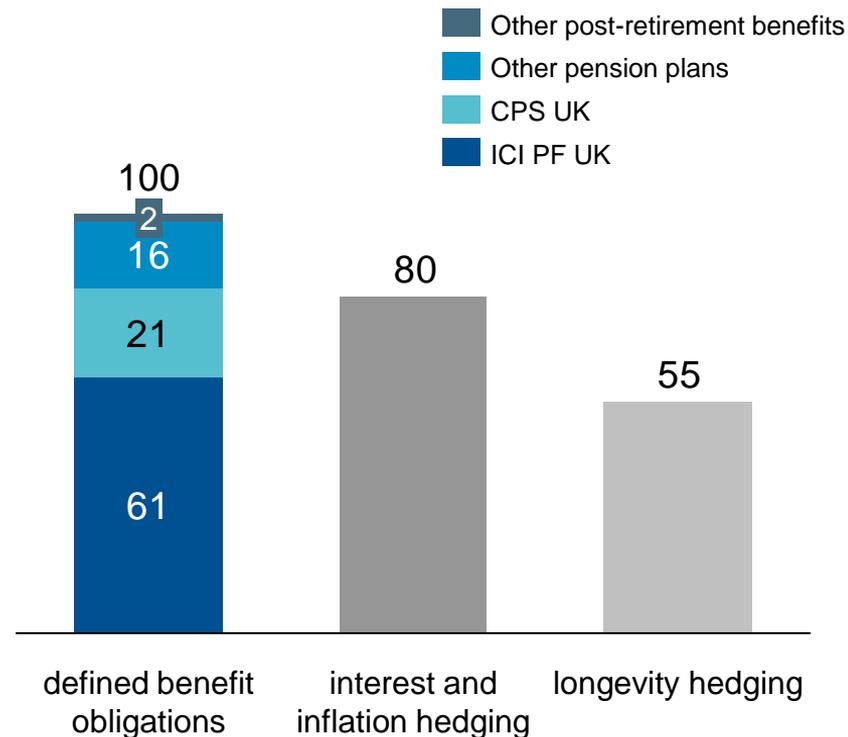
€ million

■ Increase
■ Decrease



Further de-risking of pension liabilities including £1.7 billion non-cash buy-ins*

- ↗ Various activities to reduce liabilities
- ↗ £7.3 billion insurance buy-ins for UK schemes (2014-16). \$0.7 billion buy-out relate to a US scheme (2013)
- ↗ Active management of interest rate and inflation exposure, with around 80% of overall defined benefit obligation risks hedged
- ↗ Approximately 55% of longevity risk is covered by insurance contracts and hedging



Agenda



Highlights Q2 2016



Operational review



Financial review



Summary



Questions

Key Business Developments

AkzoNobel



Continued volume growth and further profitability improvement

- ↗ Volumes up 1 percent, driven by Decorative Paints and Performance Coatings
- ↗ Revenue down 6 percent, mostly due to adverse currencies
- ↗ EBIT up 9 percent, reflecting continuous improvement initiatives and lower costs
- ↗ ROS* and ROI* improved and for all Business Areas
- ↗ Adjusted EPS up 2 percent at €1.32
- ↗ Net cash inflow from operating activities up at €453 million

- ↗ Further de-risking of pension liabilities

Outlook

- ↗ The market environment remains uncertain with challenging conditions in several countries and segments. Deflationary pressures and currency headwinds are expected to continue



Upcoming events

Q3 2016 Results	October 19, 2016
Full-year and Q4 2016 Results	February 15, 2017
Q1 2017 Results	April 24, 2017
Annual General Meeting	April 25, 2017
Q2 2017 Results	July 25, 2017
Q3 2017 Results	October 17, 2017



Agenda



Highlights Q2 2016



Operational review



Financial review



Summary



Questions



AkzoNobel

WE CREATE
EVERYDAY
ESSENTIALS TO
MAKE PEOPLE'S
LIVES MORE
LIVEABLE AND
INSPIRING



Safe Harbor Statement

This presentation 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 forecasted 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. 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, a copy of which can be found on the company's corporate website www.akzonobel.com.

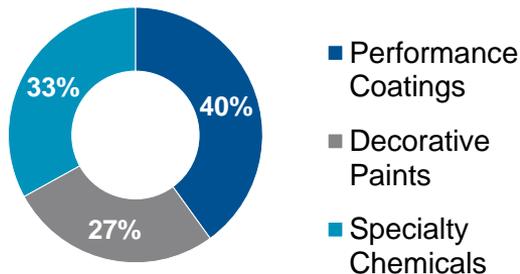
Global paints, coatings and specialty chemicals company

AkzoNobel

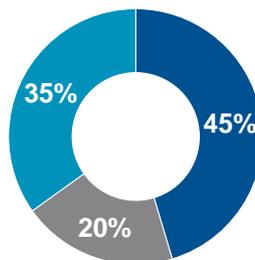
- ↗ €14.9 billion revenue (2015)
- ↗ €2.1 billion EBITDA (2015)
- ↗ 80+ countries
- ↗ 45,600 employees (2015)
- ↗ Leadership positions in many markets



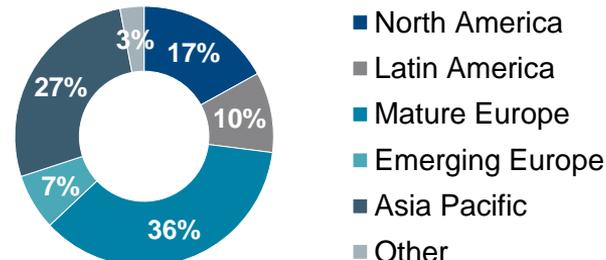
Revenue by Business Area



Operating income by Business Area



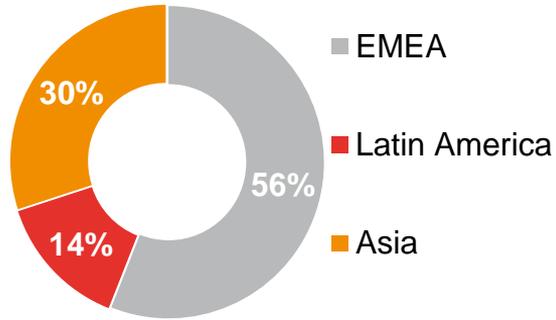
Revenue by geographic region



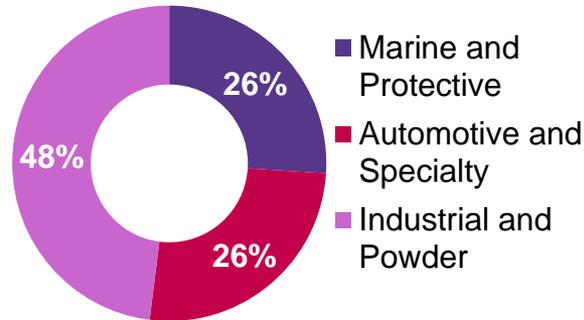
Revenue split per Business Unit

AkzoNobel

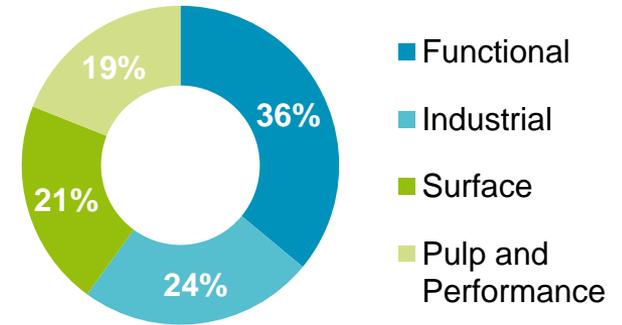
Decorative Paints



Performance Coatings

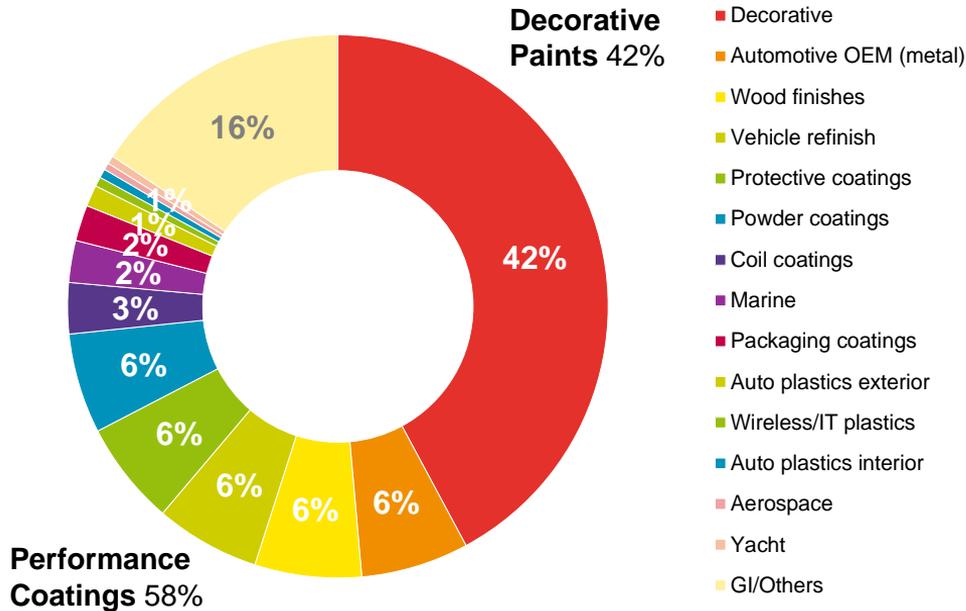


Specialty Chemicals

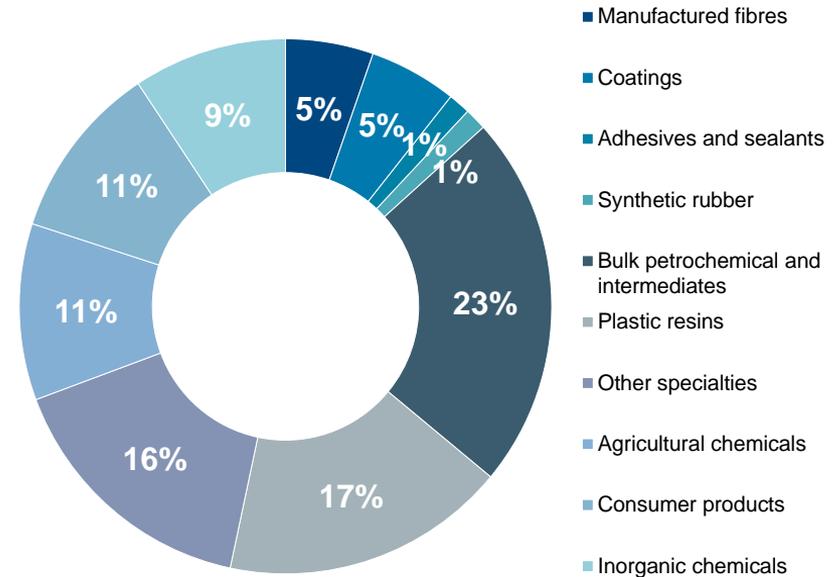


Present in large and attractive markets

Global paints and coatings by market sector
~€100 billion, 2012 – 2015



Chemicals industry
~€3,500 billion, 2012 – 2015



Strategy delivering results and building foundation for continuous improvement

Achievements



↗ Transformation | New operating models for all Business Areas

↗ Realignment of the functions

↗ Operational optimization; reduction in:
– Factory footprint
– Enterprise Resource Planning systems
– SKUs

↗ Portfolio optimization with selected divestments

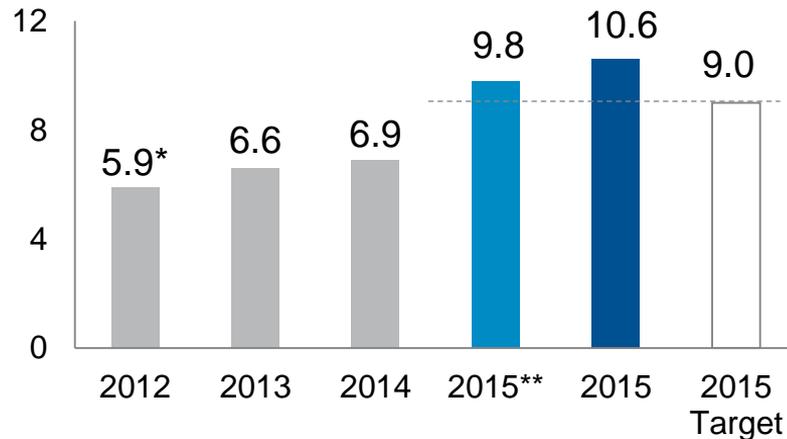
↗ Proactive management of pension liabilities

↗ Continued focus on sustainability; #1 in Dow Jones Sustainability Index*

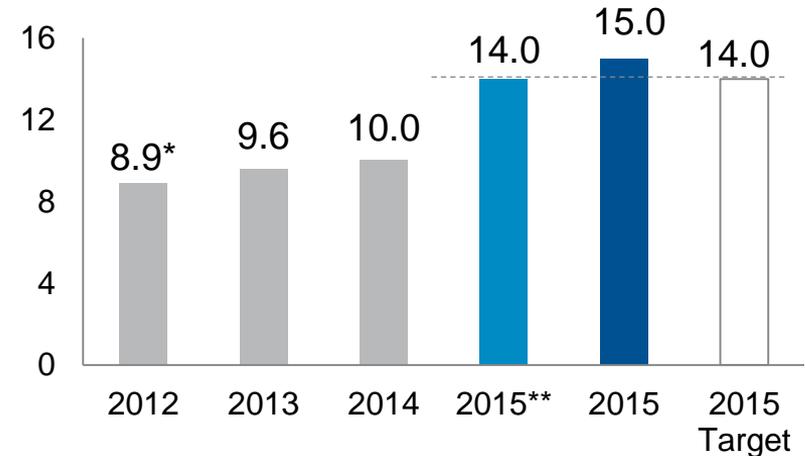
↗ Core principles and values | Human Cities

We delivered all 2015 financial targets

Return on sales %
(Operating income/revenue)



Return on investment %
(Operating income/average 12 months invested capital)



Net debt/EBITDA = 0.6 (target: <2.0)

Exceeded 2015 targets

Core principles and values in place; Incentives aligned with strategy



STI Element	Metric
20%	Return on investment
20%	Operating income
30%	Operating cash flow
30%	Personal targets – partly related to strategic targets

LTI Element	Metric
35%	Return on investment
35%	Total Shareholder Return
30%	Sustainability / RobecoSAM - DJSI

Transformation in all Business Areas



Decorative Paints

- New operating model in Europe
- Leverage scale of back office functions



Performance Coatings

- Footprint optimization resulted in closure of 17 sites
- New organization structure; customer-centric Strategic Market Units and clearer accountability

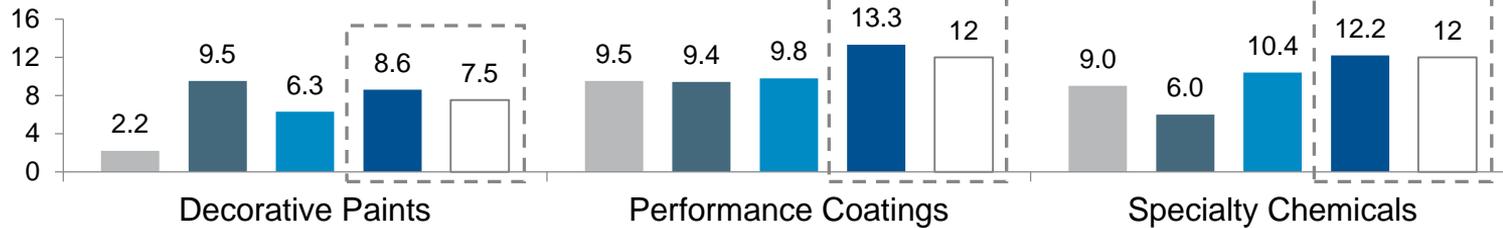


Specialty Chemicals

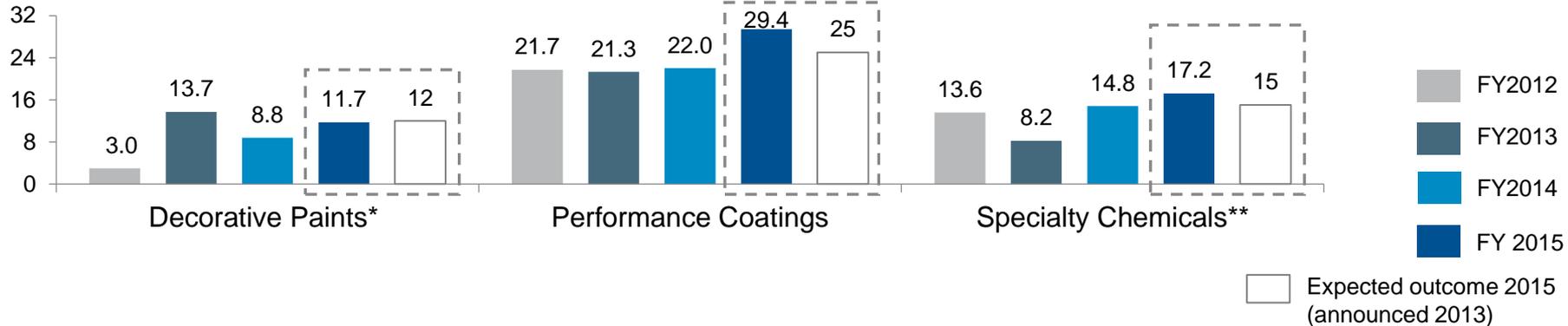
- Organization aligned with strategy focused on five main chemical platforms
- Portfolio pruning, including divestment of Paper Chemicals

Performance improved in all businesses

Return on sales % (Operating income/revenue)



Return on investment % (Operating income/average 12 months invested capital)

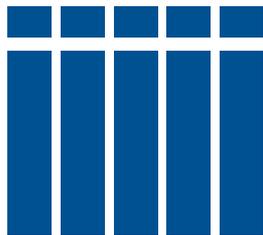


Support functions are progressing towards the future operating model

Decentralized functions



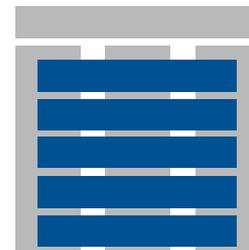
Function reporting and alignment



Shared services/outsourcing



Global Business Services



Human Resources

Information Management

Finance

Procurement (non product related)

Sustainability is business; business is sustainability

AkzoNobel

20%

of revenue by 2020 from products that are more sustainable for our customers than the products of our competitors

25-30%

more efficient resource and energy use across the entire value chain by 2020 (measured by carbon footprint reduction)

REI

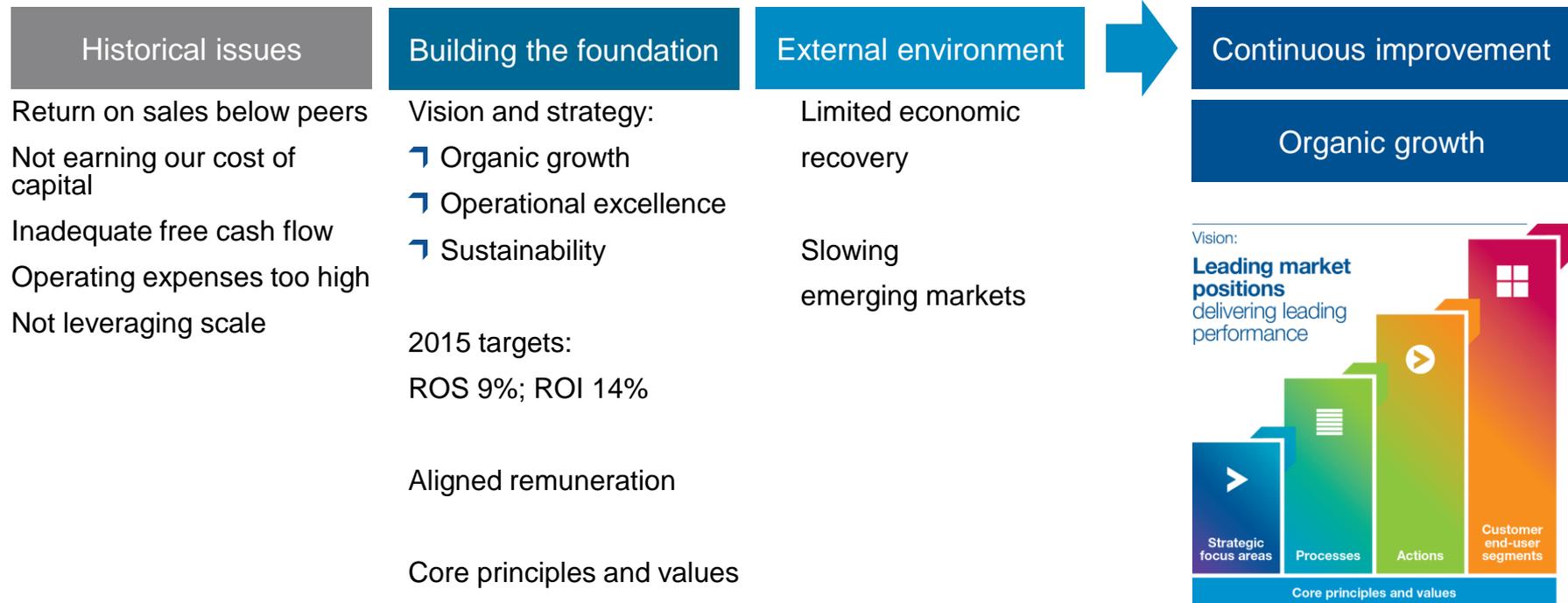
(Resource Efficiency Index)

A new indicator measuring how efficiently we generate value (expressed as gross margin divided by cradle-to-grave carbon footprint)



#1 ranking on the Dow Jones Sustainability Index, in the Materials Industry group, for the fourth consecutive year

Strategy will be maintained and move towards the next phase



Focus will shift towards continuous improvement and organic growth



Vision confirmed; financial guidance 2016-2018



Vision:
**Leading market positions
delivering leading performance**

Guidance 2016-2018:

- ↗ Return on sales: 9-11%
- ↗ Return on investment: 13-16.5%
- ↗ Clear aim to build on the foundation we have created and grow in line or faster than our relevant market segments

Key assumptions:

Currencies versus €: \$1.1, £0.71, ¥7.1

Oil price ~\$60/bbl; no significant market disruption

Visions confirmed; performance ranges 2016-2018

Specialty Chemicals

Vision:

Delivering leading performance based on sustainable chemical platforms

driving profitable growth in selected markets

Performance range 2016-2018:

- Return on sales: 11.5-13%
- Return on investment: >16%

Clear aim to build on the foundation we have created and grow in line or faster than our relevant market segments

Performance Coatings

Vision:

Leading market positions delivering leading performance

Performance range 2016-2018:

- Return on sales: 12-14%
- Return on investment >25%

Decorative Paints

Vision:

The leading global Decorative Paints company in size and performance

Performance range 2016-2018:

- Return on sales: 8-10%
- Return on investment: >11.5%

A strong case for investment

- ↗ Portfolio of businesses with leadership positions in many markets
- ↗ Strong global brands in both consumer and industrial markets
- ↗ Long-term growth potential from end-user segments
- ↗ Balanced exposure across geographic regions
- ↗ Track record of improving returns and cash flow
- ↗ History of successfully commercializing innovation
- ↗ Clear leader in sustainability
- ↗ Commitment to Human Cities



A global player with leading market positions

AkzoNobel

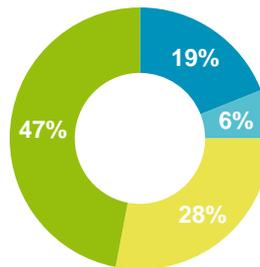
Specialty Chemicals key figures

€ million	2015
Revenue	4,988
EBITDA	898
Operating income	609
Return on sales	12.2%
Return on investment	17.2%
Employees	9,100

Key capabilities

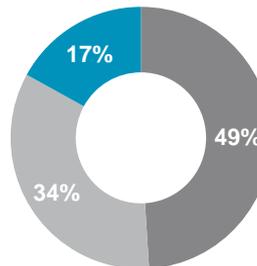
- ↳ Understanding customer needs
- ↳ Management of integrated value chains
- ↳ Continuous technological advancement
- ↳ Engineering and project management

Revenue by end-user segment



- Buildings and Infrastructure
- Transportation
- Consumer Goods
- Industrial

Revenue by geographic spread



- EMEA
- Americas
- Asia Pacific

Resilient portfolio organized in five strong chemical platforms

Our main chemical platforms

Our products

Our business units

Bleaching chemicals

- Sodium chlorate
- Hydrogen peroxide

Pulp and Performance Chemicals

Salt-chlorine chain

- Energy/Salt
- Caustic/Chlorine
- Monochloroacetic acid
- Chloromethanes

Industrial Chemicals

Polymer chemistry

- Organic peroxides
- Metal alkyls
- Polymer additives

Polymer Chemistry

Ethylene oxide network

- Ethylene oxide
- Ethylene amines
- Cellulosics
- Chelates/Micronutrients

Ethylene and Sulfur Derivatives

Surfactants

- Ethoxylates
- Natural oil and fat-based nitrogen surfactants

Surface Chemistry

We continue with pursuing differentiated strategies

Outgrow the market organically
~50% of portfolio

Actions

- ↳ Capitalize on investments
- ↳ Successfully commercialize products for attractive applications
- ↳ Invest when attractive growth opportunities arise

Growth range
2012-2015
0 to 15% per year
Average +3%

Improve performance by driving operational excellence
~50% of portfolio

Actions

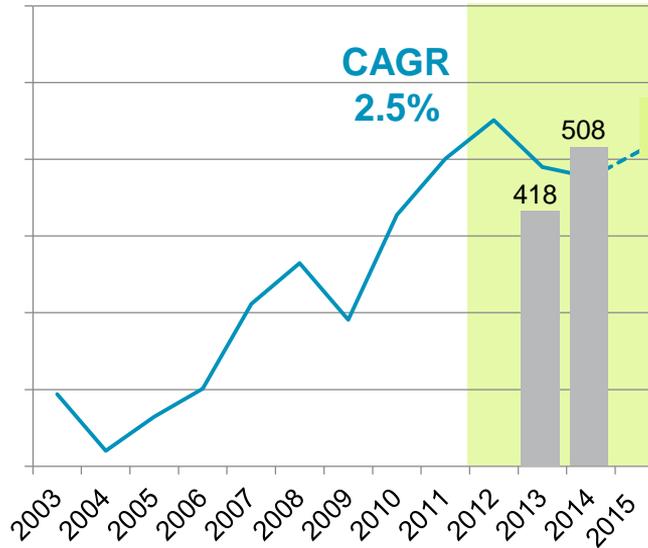
- ↳ Reduce costs and further improve productivity in operations
- ↳ Improve raw material (cost) position
- ↳ Leverage existing production capacity

Growth range
2012-2015
-10 to +5%
Average -3%

Quality of business improved

Revenue
2003-2015

Operating income
€ million, 2013-2014



Strategic focus

Improve performance platforms

Outgrow the market platforms

Geo-spread

Europe

Rest of world

Product portfolio

Current products

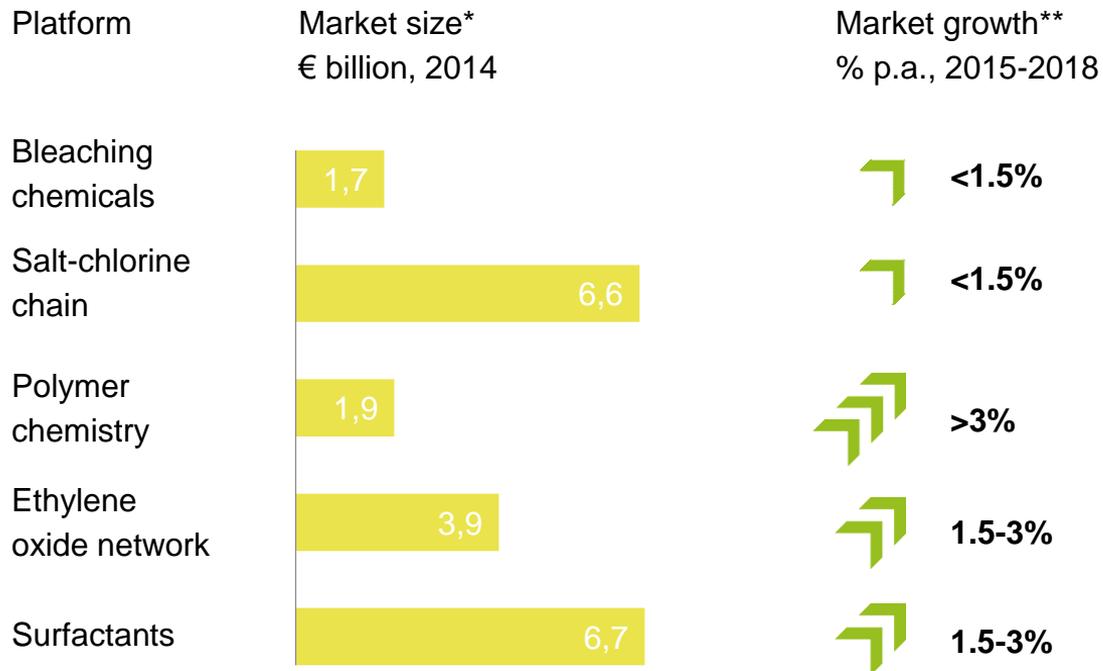
New product introductions

Customer portfolio

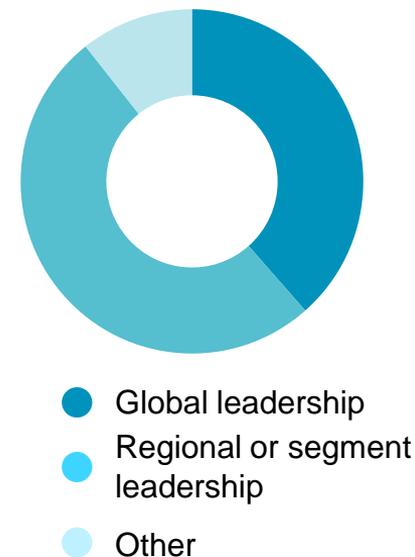
Other accounts

Strategic customers

Continued market growth expected over the next few years



Leading positions
Revenue breakdown by position
% of revenue, 2014



* Sum of sectors relevant to AkzoNobel

**Related to AkzoNobel portfolio

Source: AkzoNobel internal analysis

We have the right strategy in place

AkzoNobel



Business Area Actions

- ↗ Drive functional excellence
 - Supply chain and operations
 - **Commercial excellence**
 - Talent management
- ↗ Reduce organizational complexity
- ↗ **Strengthen product and process innovation**
- ↗ Capitalize on industry changes
- ↗ Build on our strong chemical platforms to deliver profitable growth in selected markets

Process and product innovation enables growth across all businesses

- 7 Dedicated RD&I resources in world class laboratories around the globe
 - >500 highly qualified FTE's
 - ~€100m per annum; ~2% of sales
- 7 More than 5,000 patents
- 7 Overarching technology programs
 - Bio-based chemicals, Process technology, Shared applications
- 7 Co-operations with customers, suppliers, and academia
- 7 High sustainability content, in line with our Planet Possible strategy

End-user requirements/trends



Resource preservation



Increasing end-use demands

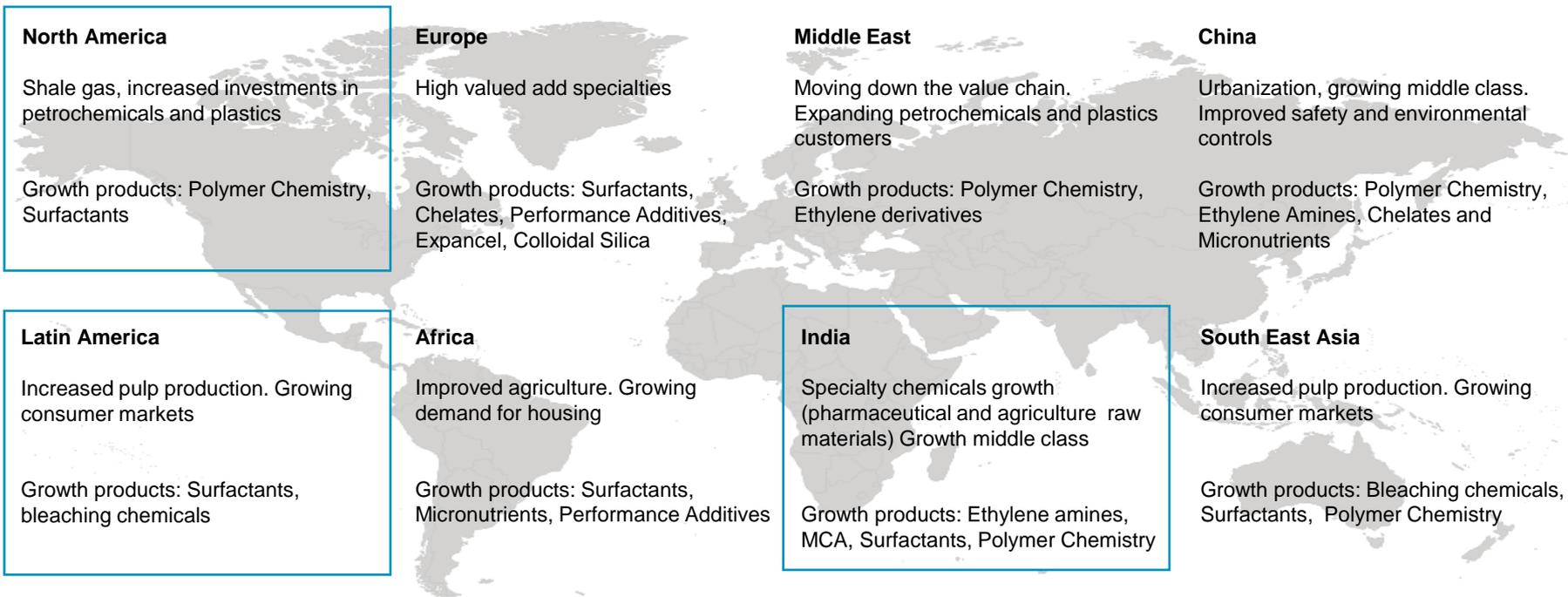


Accelerated technology development



Changing demographics and spending patterns

Regional opportunities enable additional growth



Performance Coatings at a glance

AkzoNobel

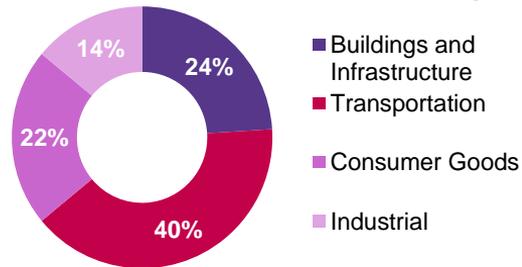
Performance Coatings key figures

€ million	2015
Revenue	5,955
EBITDA	938
Operating income	792
Return on sales	13.3%
Return on investment	29.4%
Employees	19,300

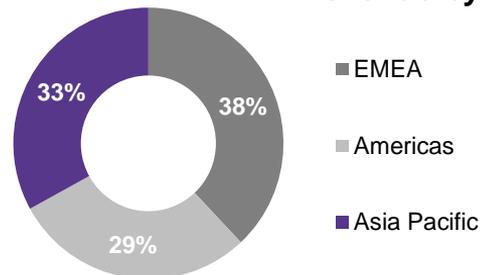
Key capabilities

- ↗ Industrial key account management
- ↗ Technical support and service
- ↗ Design, color and color matching
- ↗ Continuous innovation in functionality and ease-of-use
- ↗ Sustainable, safe solutions

Revenue by end-user segment

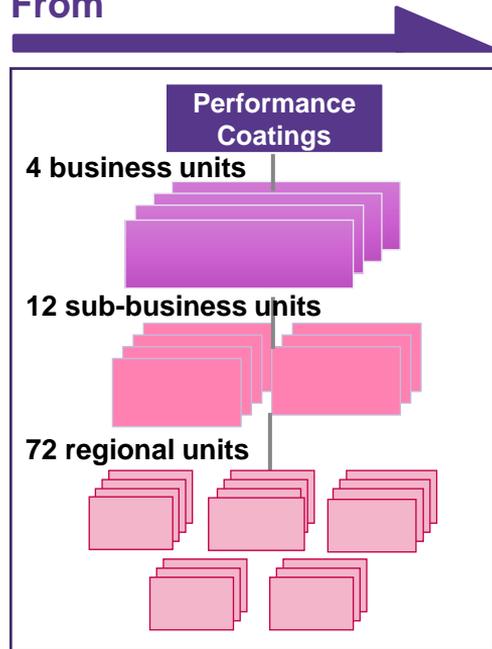


Revenue by geographic spread

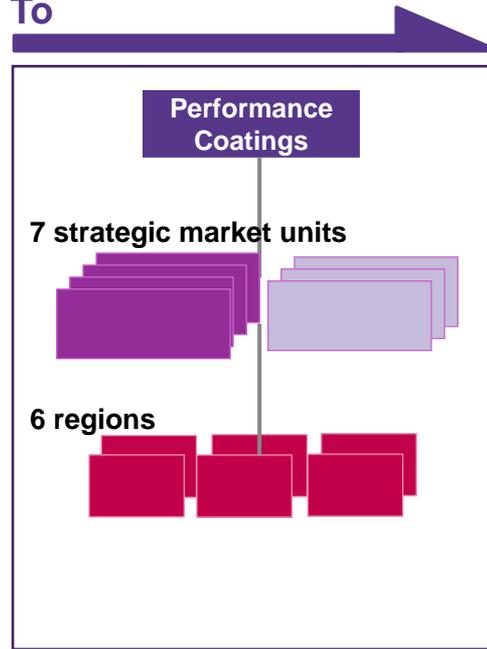


New simplified organization drives operational excellence and organic growth

From



To



Customer proximity

Speed of decision-making

Accountability and collaboration

Challenging market conditions in emerging economies and oil and gas

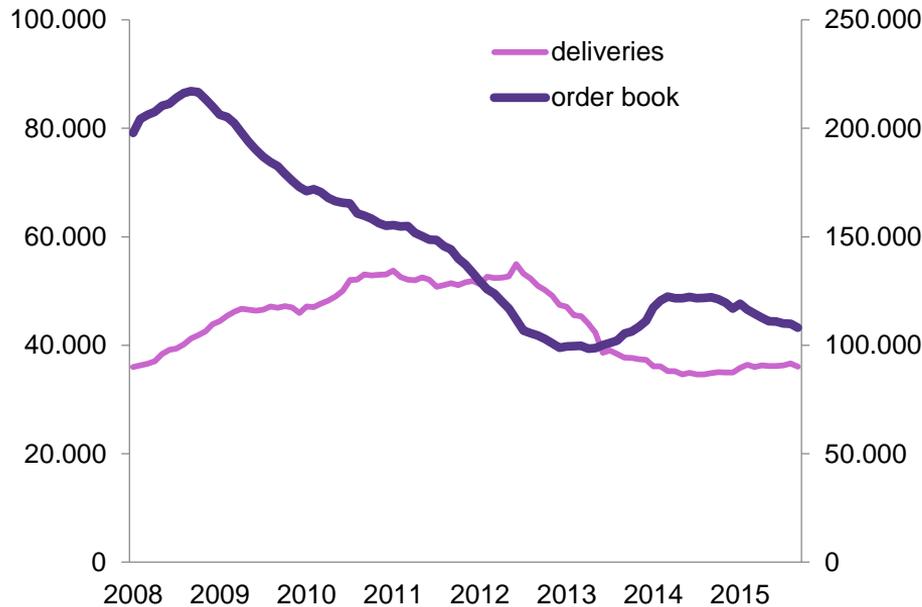
- ↪ Weakening trend of global manufacturing continues
- ↪ Limited evidence of upturn in European construction
- ↪ China growth moderating; residential and commercial construction activity down
- ↪ Oil and gas industry capital spending decline
- ↪ Marine new build order book contracting



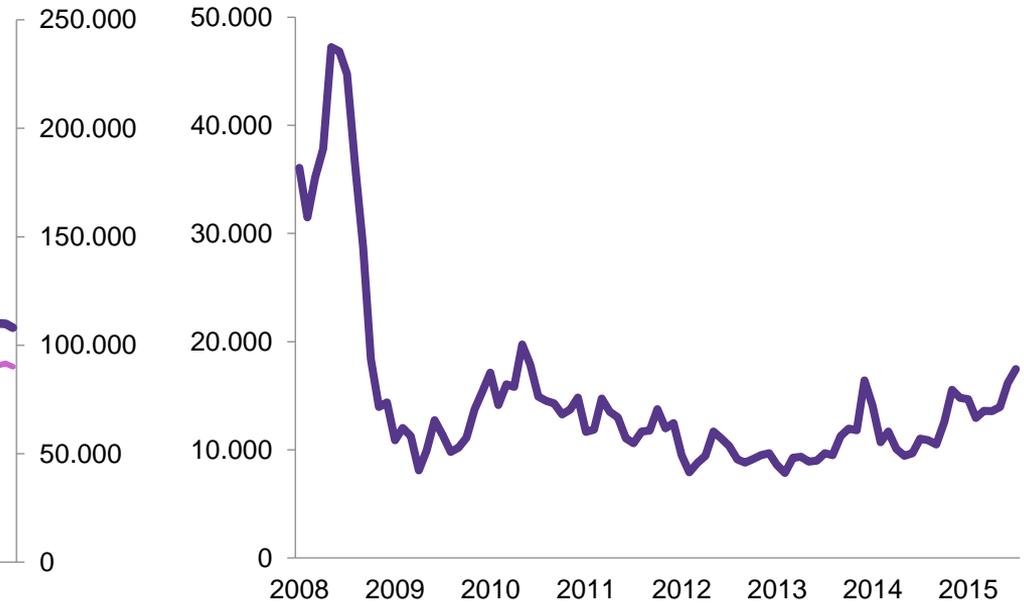
Marine order book has not recovered

Order book and deliveries

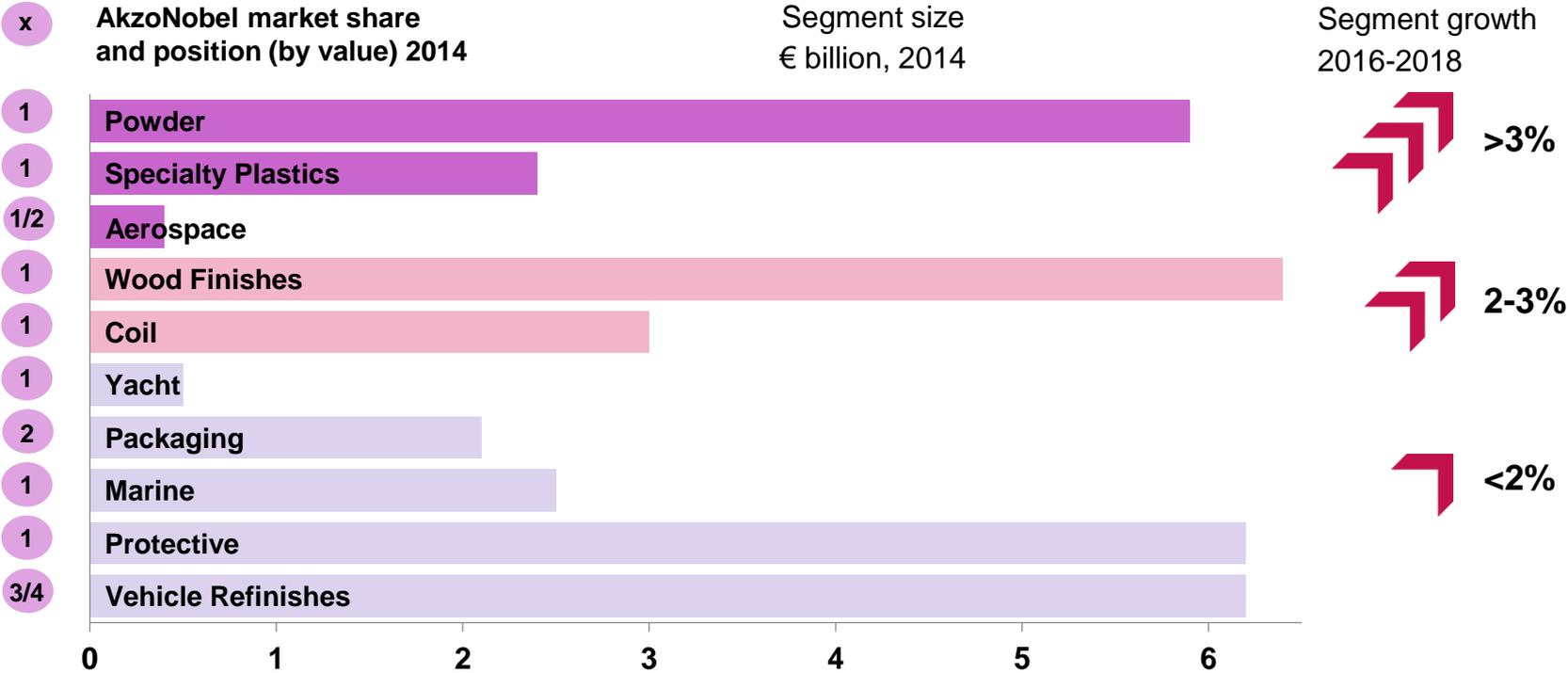
Million CGT*



Freight rate
\$/day



We have leading positions in the markets we serve



We have the right strategy in place

AkzoNobel



Strategic focus areas



Processes



Action



End-user segments

Business Area actions

- ↯ Pursue differentiated growth strategies
- ↯ Drive overarching performance improvement initiatives
 - Reduce external spend
 - Improve our operations
 - Commercial excellence

We are outgrowing our markets in targeted areas

Sector	Action examples
Powder Coatings	<ul style="list-style-type: none">• Full wheel offering including powder primer, liquid color and powder clearcoat
Protective Coatings	<ul style="list-style-type: none">• Focus on downstream oil and gas and growth outside of oil and gas (Power)
Marine Coatings	<ul style="list-style-type: none">• Continue to invest in fouling control, sustainability innovation and enhanced services



We are driving overarching performance improvement initiatives

Ambition

Achievements

Focus areas

Reduce external spend

Standardize product range
Double/triple source raw materials

Local sourcing of raw materials
Focus on indirect material spend

Improve our operations

Manufacturing footprint optimization:
Closed 17 factories

Operational excellence program focused on customer satisfaction, reducing costs and increasing yields

Drive commercial excellence

Sales force efficiency
Margin management

Sales force effectiveness
Common processes and tools
Sales force incentives

Growth through product, process and service innovation across all businesses

- Dedicated RD&I resources
- >2,000 highly qualified scientists and technicians
- ~3% of revenues
- Strategic research groups:
 - Sassenheim (NL)
 - Felling (UK)
 - Strongsville (US)
 - Songjiang (China)
 - Bangalore (India)

Strategic drivers



Customer efficiency



Customer benefits



Global future trends



Internal efficiency

Decorative Paints at a glance

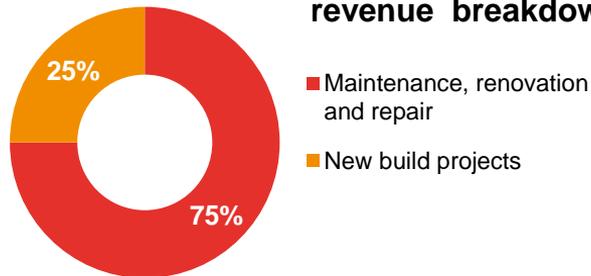
Decorative Paints key figures

€ million	2015
Revenue	4,007
EBITDA	495
Operating income	345
Return on sales	8.6%
Return on investment	11.7%
Employees	14,900

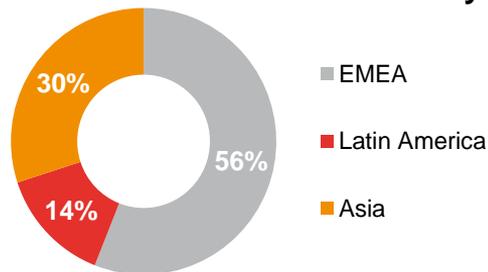
Key capabilities

- 7 Branding
- 7 Digital
- 7 Distributor, wholesale, retail management
- 7 Understanding and serving professional painters
- 7 Consumer inspiration
- 7 Quality management, including portfolio management

Buildings and Infrastructure revenue breakdown

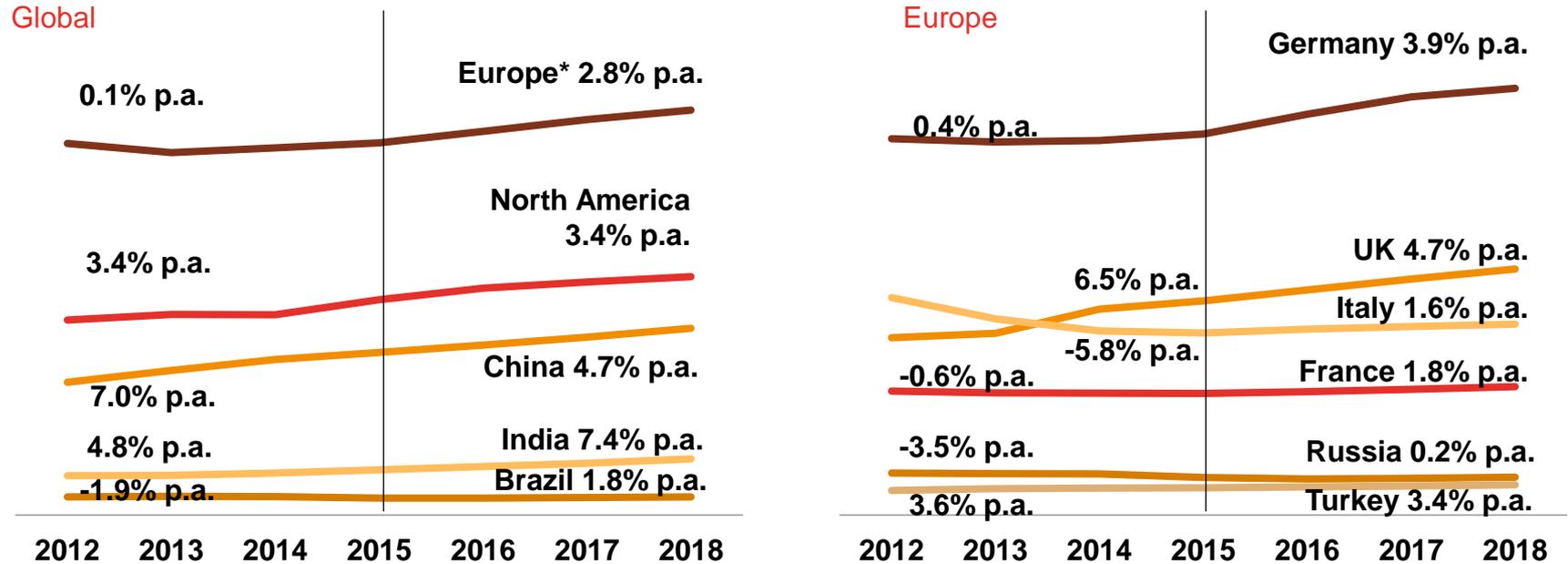


Revenue by geographic spread

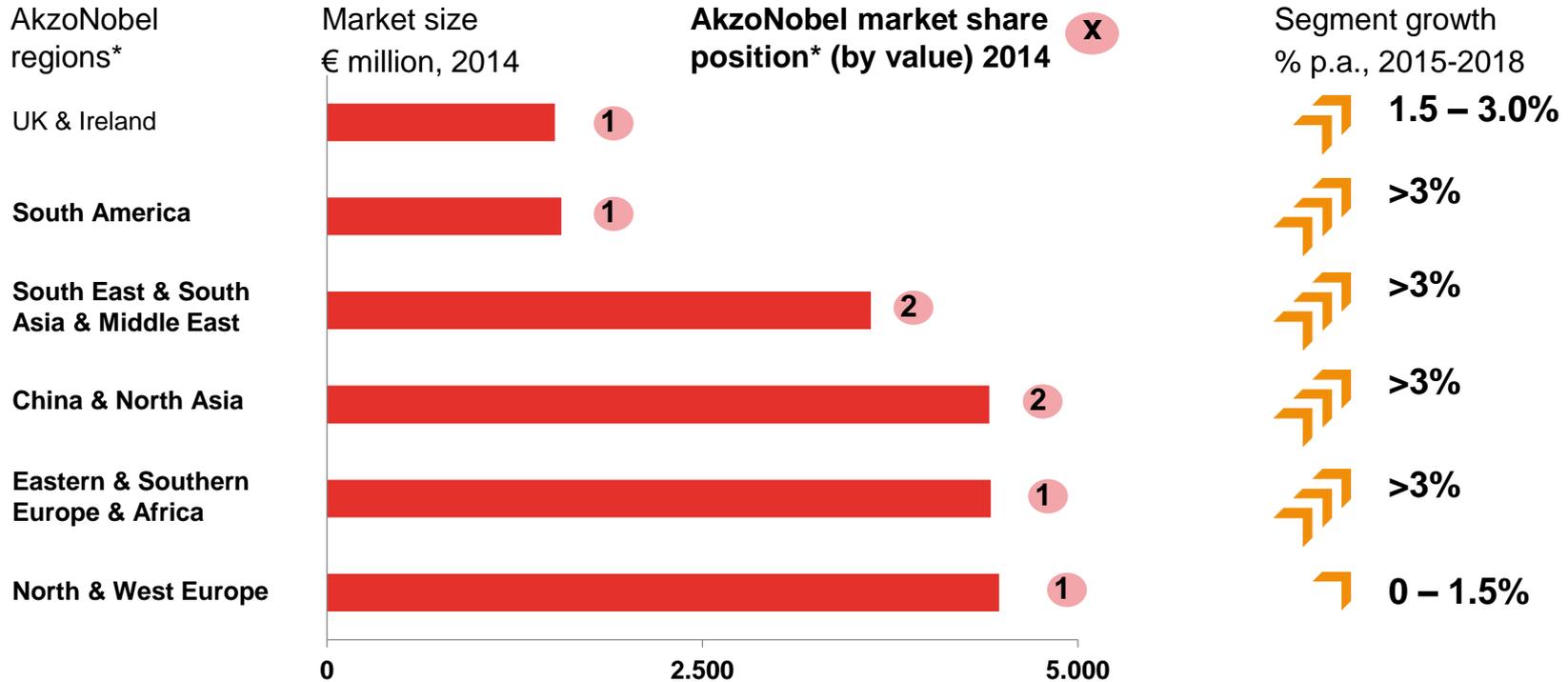


Changing growth expectations in maintenance, renovation and repair

Maintenance and repair, excluding infrastructure and industrial construction
\$ billion, output



AkzoNobel has a strong 1 or 2 market position in all regions where present



Unique competitive positioning demonstrating resilient business model

Diversified, exposure outside mature geographies	Tikkurila Jotun Nippon Valspar	AkzoNobel
Diversified, mostly mature geography	Cromology	PPG
Focused, exposure outside mature geographies	Asian Paints	
Focused, mature geography	Masco (Behr)	Sherwin-Williams

2014 revenues
€ millions

--	--	--	--	--

We have updated our strategic actions to reflect our new priorities



Strategic focus areas



Processes



Actions



End-user segments

Business Area actions

- ↗ Win locally
- ↗ Leverage our scale:
 - Innovation
 - Commercial excellence
 - Digital
 - Painters
 - Color
 - Supply chain
 - Brands
 - Sustainability

Winning locally by leveraging our scale

<p>Innovation</p> <ul style="list-style-type: none"> Products and services 	<p>Color</p> <ul style="list-style-type: none"> Multi-functional approach Recognized as passionate color expert
<p>Commercial excellence</p> <ul style="list-style-type: none"> Menu to facilitate winning locally 	<p>Supply chain</p> <ul style="list-style-type: none"> Continued emphasis on procurement (including localization) Continuous improvement
<p>Digital</p> <ul style="list-style-type: none"> Building on our award-winning Visualizer global launch 	<p>Brands</p> <ul style="list-style-type: none"> Consumer and Professional Link to other AkzoNobel brands and programs
<p>Painters</p> <ul style="list-style-type: none"> Global needs-based research Next steps as appropriate, including digital 	<p>Sustainability</p> <ul style="list-style-type: none"> Leverage our credentials through Planet Possible and lead market to water-based

Decorative Paints innovation agenda

End-user segment requirements/trends

Mass market growth
(emerging markets)

Well-being

**Regulatory
compliance**

**Differentiation in
large scale outlets
(LSOs)**

**Energy-efficient
solutions**

**Beyond
commoditization of
color (aesthetics)**



Innovation agenda implication

Lower cost solutions

**Waterborne trim
and other wood
solutions**

**Zero volatile
organic compounds
(VOC) and zero
emissions**

**Customization at
point of order or
purchase**

**Coatings that help
manage energy use**

**Highly differentiated
color**

Significant focus on sustainability

↪ Transforming Integrated Supply Chain to deliver leading performance



Our supply chain is fundamental to our success

- Largest function in the company, with close to 22,000 colleagues across our three Business Areas
- Backbone of company, responsible for processes to design, deploy and deliver our products
- We deliver to our customers from over 200 manufacturing sites
- Each Business Area has different supply chain characteristics and customer service model
- We contribute to our long-term sustainability goals by improving energy/material efficiency across the value chain



The Supply Chain vision and targets support delivering leading performance

Strategic imperatives

- World class safety, operational and customer service performance
- Cost position creates competitive advantage in our industry
- Leveraging size and infrastructure to serve most effectively
- Create sustainable value through standard, best-in-class, work processes
- Building a global performance-based continuous improvement culture
- Taking pride and ownership in delivering leading performance

World class metrics

Safety

TRR
Zero process safety incidents

Service

OTIF
Lean six sigma quality

Cost

Cost productivity
Supply Chain cost – % of revenue
Procurement effectiveness

Capital

Days Inventory

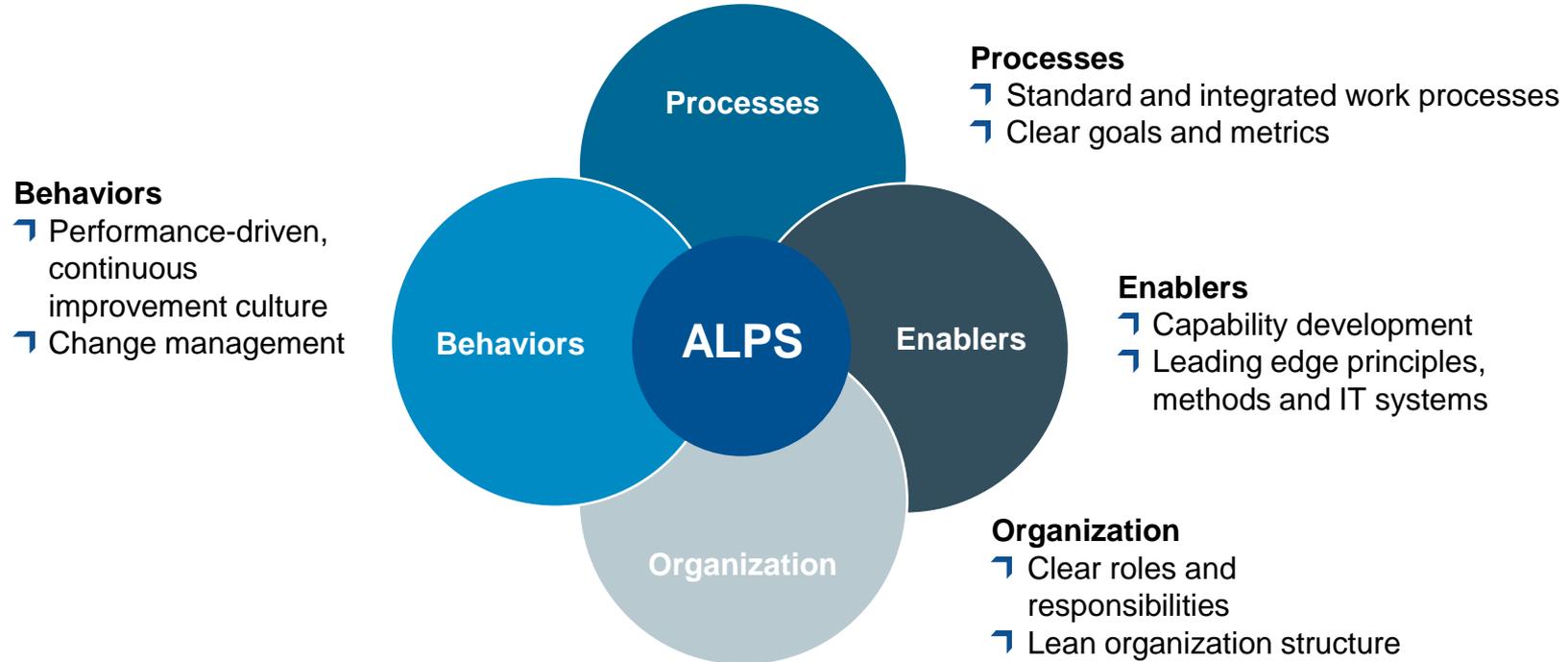
People

Top quartile in engagement

Leading performance is gaining momentum



We are implementing the AkzoNobel Leading Performance System (ALPS)



Robust organization utilizing rigorous process

Design

Center of Excellence

5 CI experts

Deploy

Decorative Paints
deploy team

Performance Coatings
deploy team

Specialty Chemicals
deploy team

100+ CI team members

Deliver



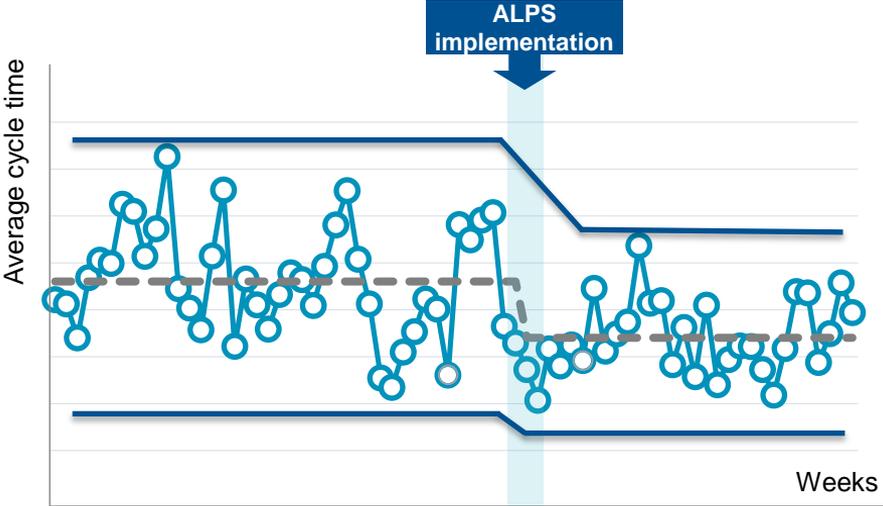
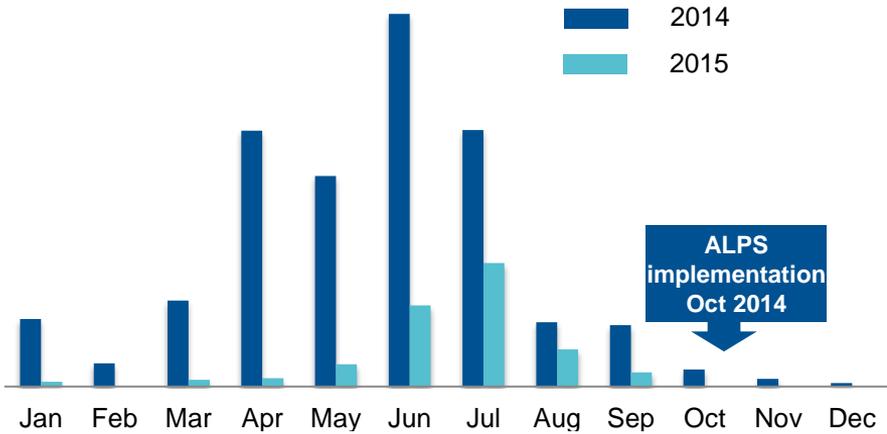
200+ sites worldwide



Decorative Paints: ALPS improvement in productivity

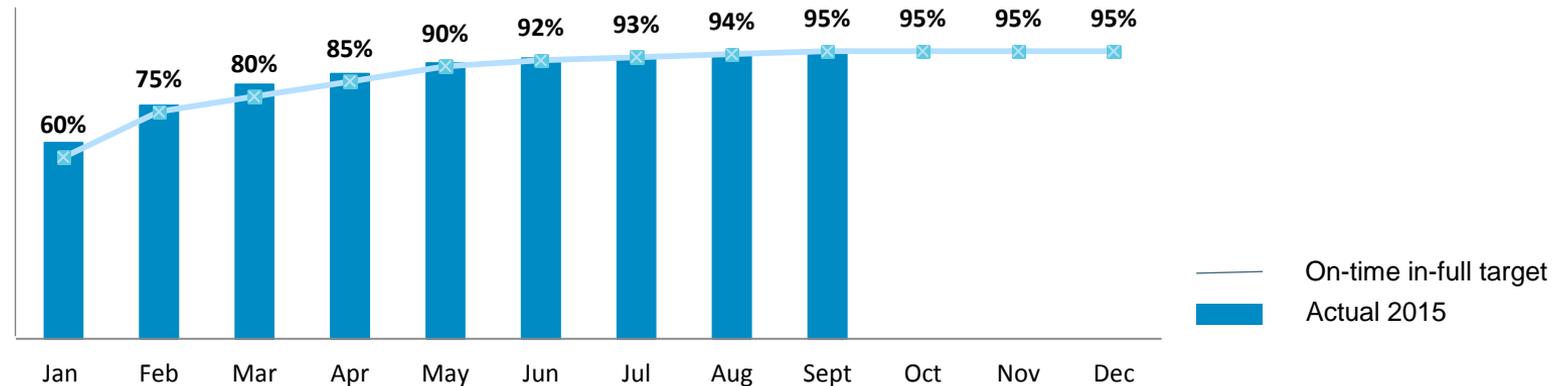
Filling line down-time dropped 79% after ALPS implementation

Batch production time reduced by 11% + less variation



Performance Coatings: ALPS improvement in on-time in-full

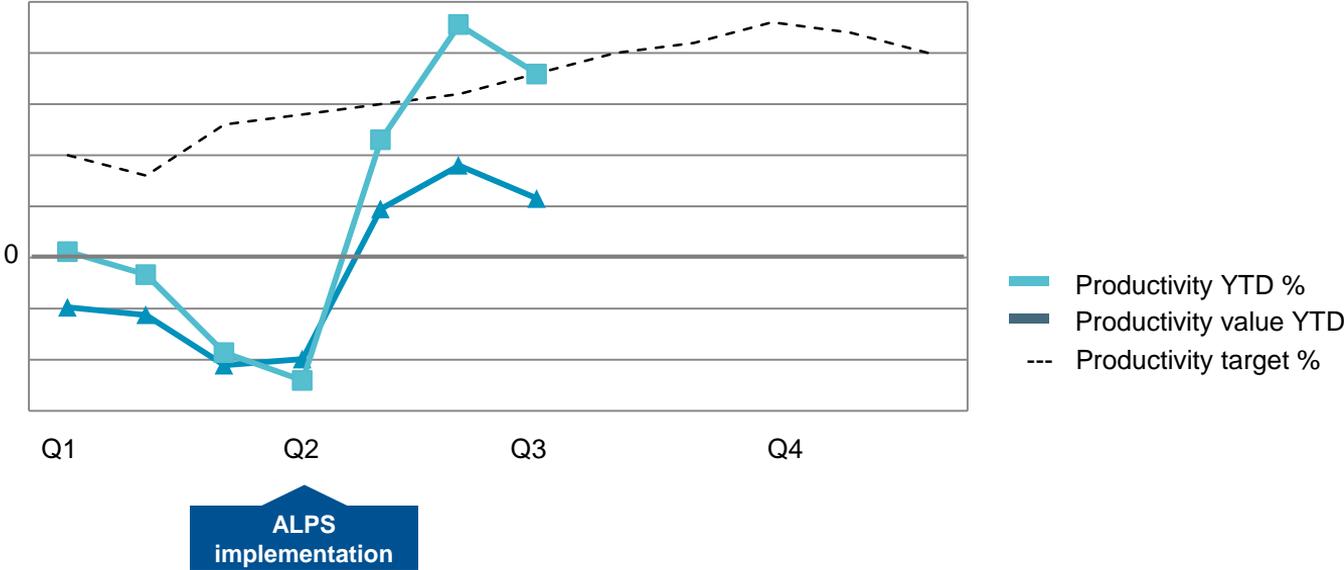
On-time in-full improved 58% after ALPS implementation



ALPS
implementation

Specialty Chemicals: ALPS improvement in productivity

Productivity offsets inflation after ALPS implementation



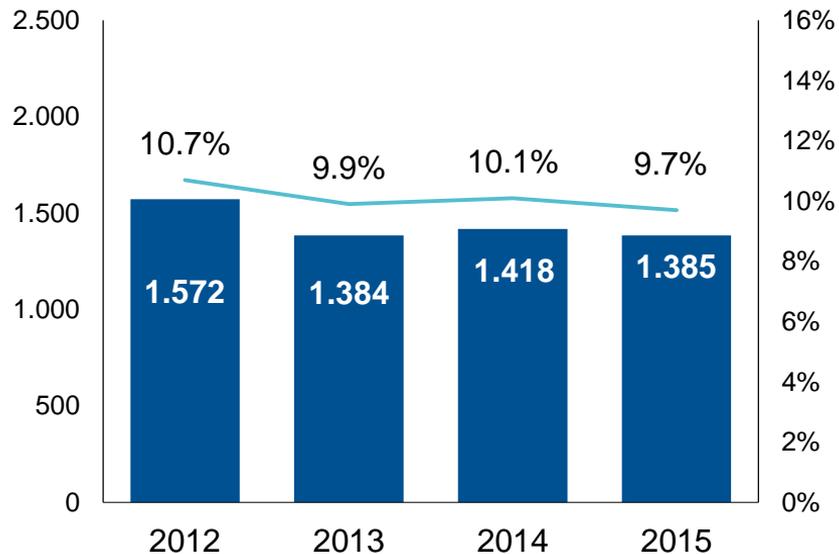
↪ Building a strong financial foundation
to deliver leading performance



Sustained leading performance in working capital management

Operating Working Capital € million

■ Operating Working Capital
— OWC as % of LQ revenue * 4



- Strong record of operating working capital management
- Discipline will be maintained and effectiveness improved
- Temporary planned increase to serve customers during footprint optimization
- Seasonal pattern throughout the year to meet peak in customer demand

Disciplined capital expenditure based on ROI and investment in growth

Capital expenditures € million



- Build on significant investments made during recent years
- Strong discipline
- Prioritization based on cash generation and return on investment
- 40-50% growth projects

Recent investments support organic growth and operational excellence



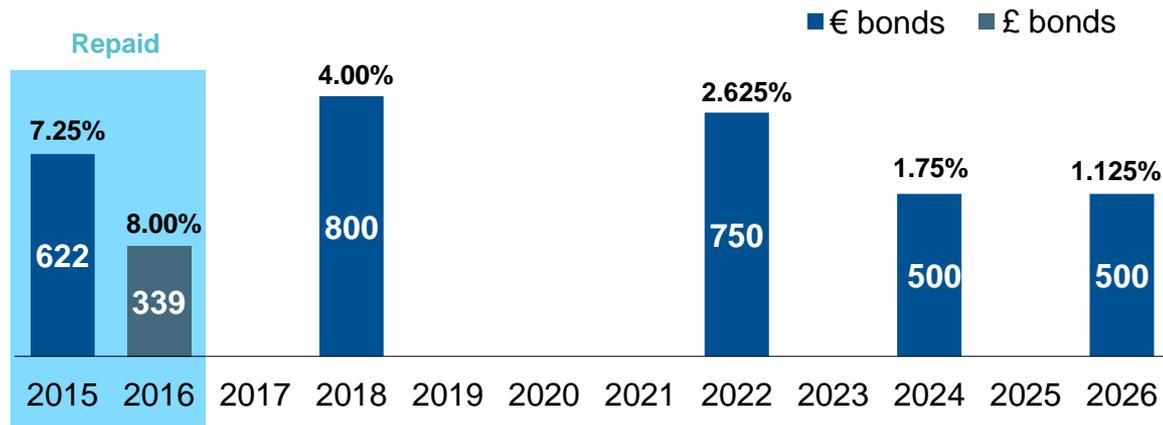
- Decorative Paints
- Performance Coatings
- Specialty Chemicals



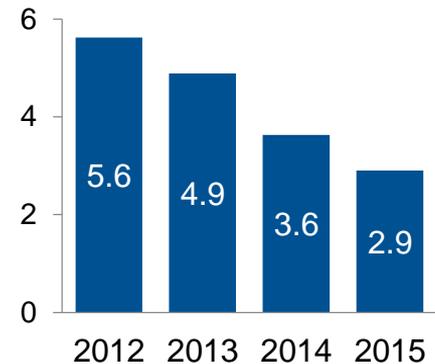
Strong financial position provides foundation for growth

- Average cost of long-term bonds reduced and maturity increased
- At March 31, 2016 net debt was €1.7 billion (2015: €2.3 billion)
- In April 2016, repaid £250 million (coupon rate 8%) and issued €500 million (coupon rate 1.125%)

Debt maturities € million (average debt duration 6 years 2 months)



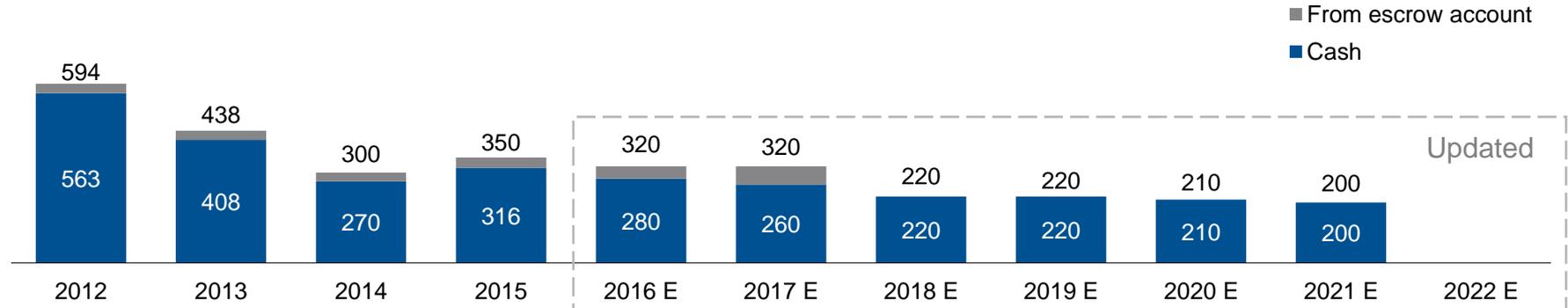
Average cost of long-term bonds %



Triennial of CPS concluded and top-up schedule updated

- Triennial review of the AkzoNobel (CPS) Pension Scheme completed March 2016
- Payment schedule agree with Trustees, resulting in a lower annual top-up contribution
- ICI Pension Fund de-risking through a non-cash buy-in transaction of €419 million

Estimated cash top-ups € million



Relate mainly to the two UK plans: ICI Pension Fund and the Courtaulds Pension Scheme

Assumes €1: £0.71/\$1.1 from 2016

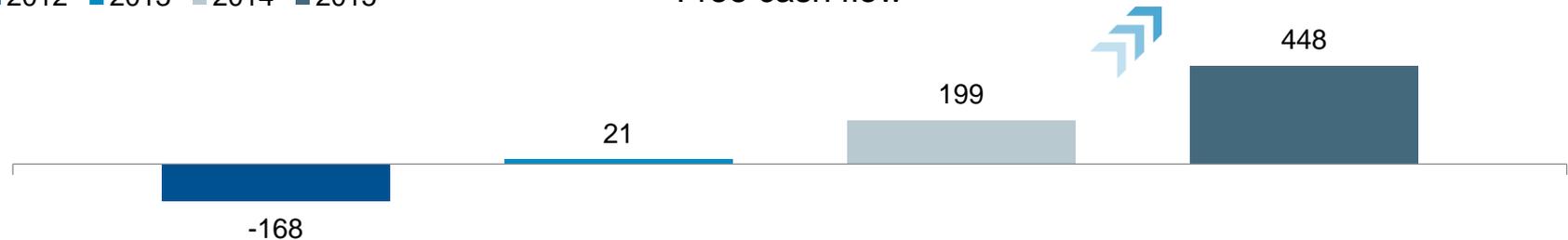
Note: schedule includes non-cash transactions related to the CPS escrow account; 2012 and 2013 include one-off de-risking transactions

Free cash flow continues to improve

€ million	FY2012	FY2013	FY2014	FY2015
EBITDA	1,597	1,513	1,690	2,088
Interest paid	-231	-228	-206	-151
Tax paid	-209	-230	-258	-261
Changes in working capital, provision* and other	143	69	-145	-224
Capital expenditures (including intangible assets)	-905	-695	-612	-688
Free cash flow, excluding pension top-up payments	395	429	469	764
Pension top-up payments	-563	-408	-270	-316
Free cash flow (from operations)	-168	21	199	448

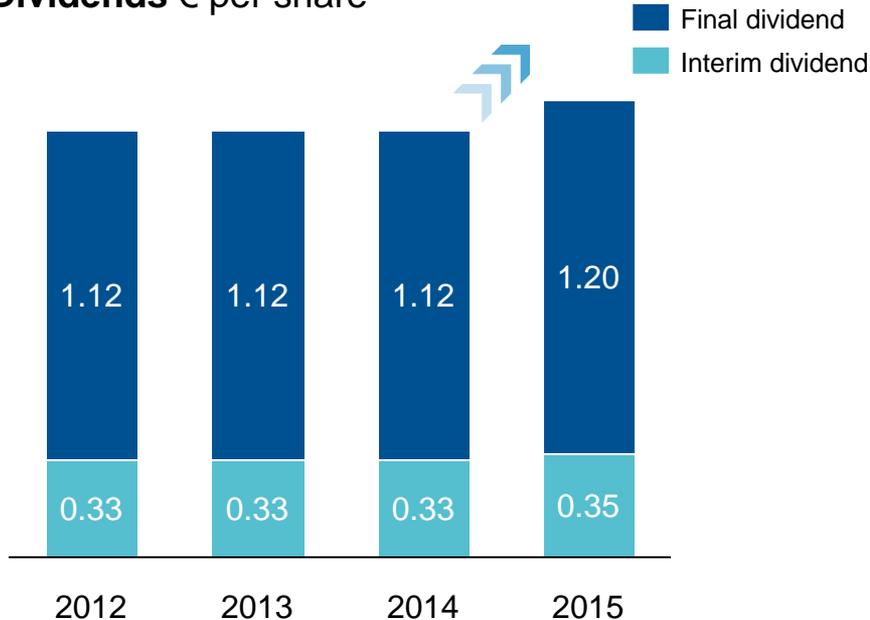
■ 2012 ■ 2013 ■ 2014 ■ 2015

Free cash flow



Increase in dividends a clear sign we are more confident about cash flow generation

Dividends € per share

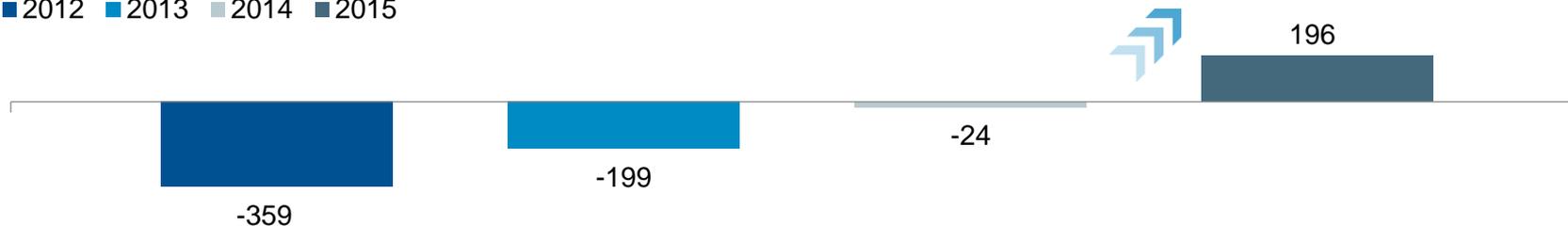


- ↗ Dividend policy is to pay a “stable to rising” dividend each year
- ↗ Interim and final dividend paid in cash, unless shareholders elect to receive a stock dividend (normal uptake 35-40 percent)
- ↗ Interim dividend up 6 percent
- ↗ Proposed final dividend €1.20 per share (paid May 19, 2016)
- ↗ Total dividend up 7 percent to €1.55 per share

Positive net cash generation after paying dividends

€ million	FY2012	FY2013	FY2014	FY2015
Free cash flow	-168	21	199	448
Dividend paid	-256	-286	-280	-281
Other	65	66	57	29
Net cash generation (from continued operations) excl. acquisitions and divestments	-359	-199	-24	196
Acquisitions	-145	-34	-13	-9
Divestments	216	347	51	160
Net cash generation (from continued operations)	-288	114	14	347
Cash flow from discontinued operations	-53	675	-88	-6
Net cash generation	-341	789	-74	341

■ 2012 ■ 2013 ■ 2014 ■ 2015



Cash generation restored to invest in growth and improve shareholder returns

Capital allocation principles:

1. Support profitable organic growth through innovation and capital expenditures
2. Continue to manage balance sheet and retain BBB+ investment grade credit rating
3. Proactively manage pension liabilities to limit risk and reduce uncertainty
4. Pay a stable to rising dividend
5. Consider strategically aligned and value generating bolt-on acquisitions

Planning assumptions

Market growth 2-3% (based on relevant geographic and market sector presence)

Currencies versus €: \$1.1, £0.71, RMB 7.1

Oil ~\$60/bbl; no significant market disruption

Research, development and innovation ~2.5% revenue

Tax (ETR/CTR) ~29/24% EBIT

OWC 10-12% revenue

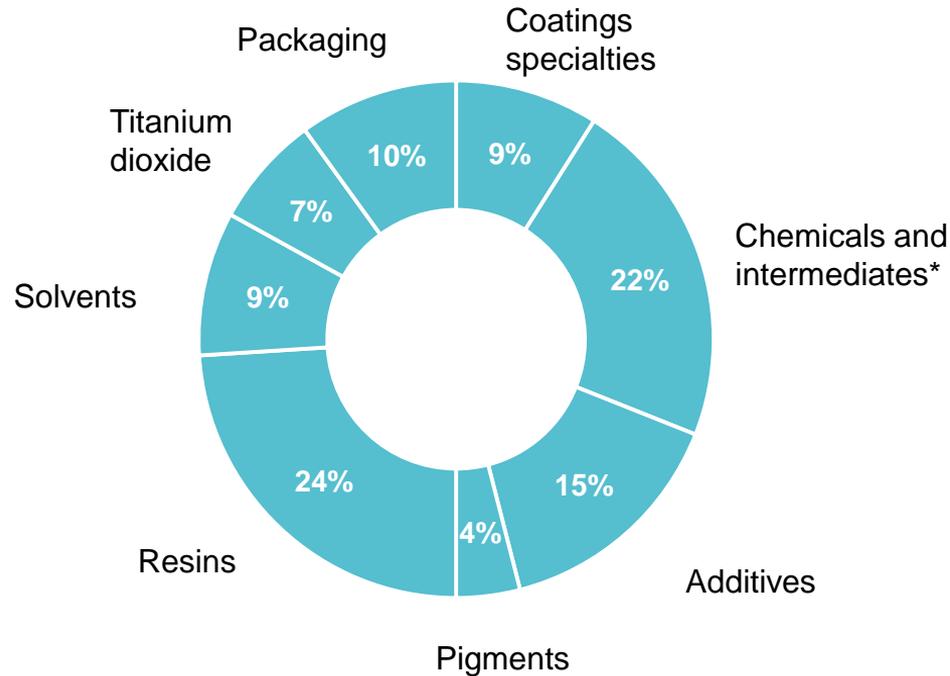
Capital Expenditures ~4% revenue

WACC 7.5%

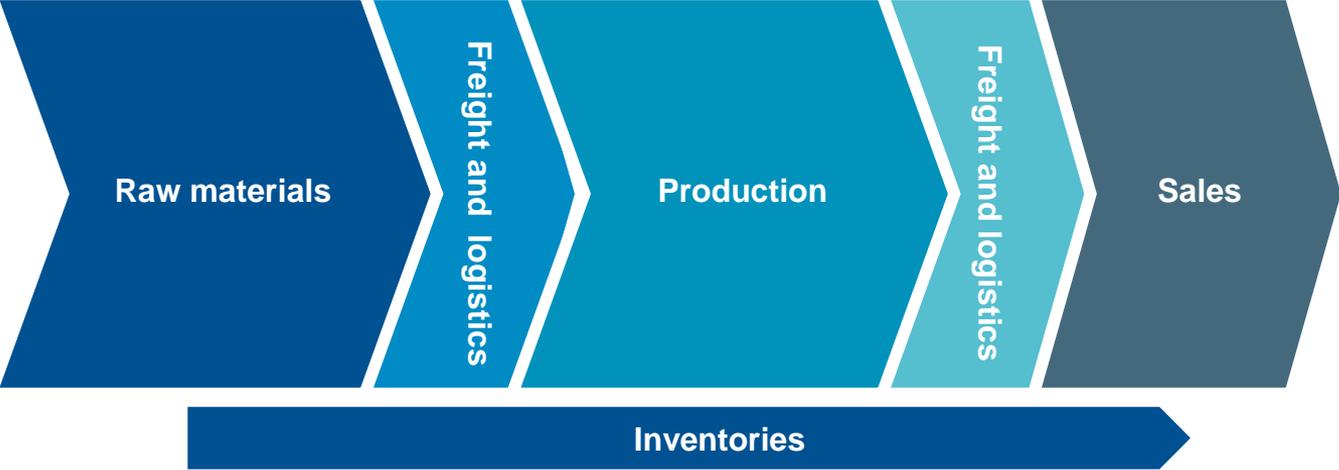
Dividend policy “stable to rising”

Breakdown of total raw material spend

2015



The net impact of a sustained lower oil price can have a positive impact



Downstream oil related products have clearly different dynamics

