

Investor update

Ton Büchner and Maëlys Castella
February 15, 2017



Q4

2016

Agenda



Highlights 2016



Operational review



Financial review



Conclusion



Questions

Progress towards our vision

Strong track record of performance improvement

Record ROS and ROI

Volume Growth

Acquisition of BASF's Industrial Coatings business

ALPS
Continuous improvement
75% sites

€200+
million savings

Progress on a new GBS model

Employee engagement up for 6th year

Safer operations

20%
Eco-premium solutions

Carbon Footprint reduced

300+
Human Cities projects

Building on our strong foundation of operational excellence to drive growth

AkzoNobel

Decorative Paints

Higher volumes and profitability

- Decorative Paints Academy and virtual reality customer center, UK
- Fourth Decorative Paints plant in China (Chengdu)
- Visualizer app upgraded and downloaded 13+ million times
- Dulux Forest Breath – sustainable interior paint - introduced in China

Performance Coatings

Maintained structurally higher profitability

- Acquisition of BASF's Industrial Coatings business
- New Specialty Coatings and Powder Coatings facilities in India
- Launch of Aquasilk, water-based wood coating, in China
- Launched colorvation, digital technology that increases speed and accuracy in color matching

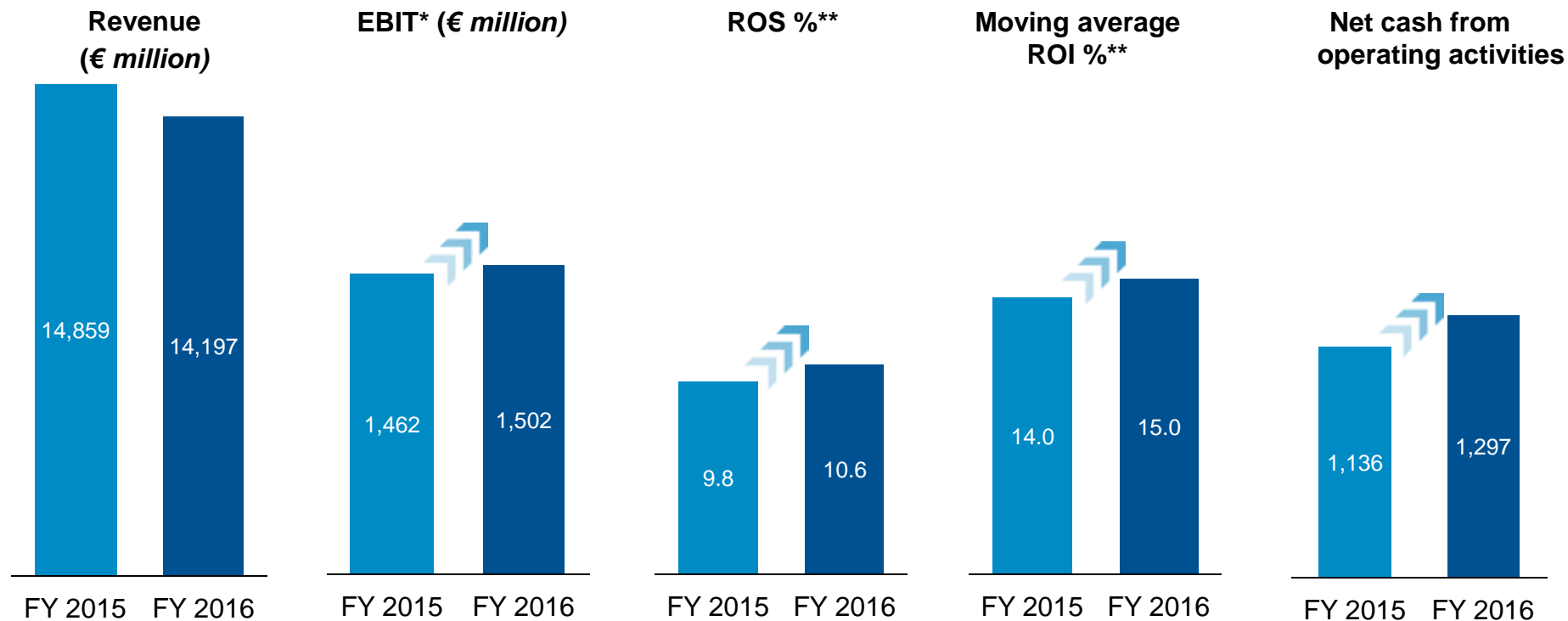
Specialty Chemicals

Volume and profitability improvement

- Largest plant for organic peroxides in cross-linked rubber, China
- Partnership with Atul to produce MCA in India
- Dissolvine M-40 more sustainable chelating agent for detergents
- Launch of Berol DR-B1; surfactant for "Safer Choice" cleaning products



Profitability improved further and EBIT was up despite adverse currencies



*EBIT = Operating income excluding incidentals **ROS% = EBIT/revenue and Moving average ROI (in %) = 12 months EBIT/12 months average invested capital

Record ROS, ROI, adjusted EPS and net cash inflow from operating activities

AkzoNobel

Full-year

- ↗ Volumes 1% higher
- ↗ Revenue down 4%, due to unfavorable currency and price/mix effects
- ↗ EBIT* up 3% at €1,502 million, positively impacted by volume growth, continuous improvement and lower costs
- ↗ ROS** up at 10.6 % and ROI** up at 15.0 %
- ↗ Adjusted EPS up 3% at €4.15
- ↗ Total dividend proposed for 2016 up 6.5% to €1.65
- ↗ Net cash inflow from operating activities up 14%

Q4

- ↗ Volumes up 2%, driven by Decorative Paints and Specialty Chemicals
- ↗ EBIT at €235 million, mainly due to higher restructuring expenses and weakness in the marine and oil and gas industries
- ↗ Adjusted EPS at €0.66
- ↗ Completed acquisition of BASF's Industrial Coatings business
- ↗ Share repurchase program announced; anticipated to be concluded by the end of April 2017

Strong track record of performance improvement

*EBIT = Operating income excluding incidentals **ROS% = EBIT/revenue ROI = 12 months EBIT/12 months average invested capital



In 2016 seized opportunities for growth and adapted to challenging markets

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China



South and SE Asia



Automotive and Specialty Coatings



Powder Coatings



EMEA



Specialty Chemicals



Latin America



Oil and gas industries



Marine industry



Updated expected growth rates for our relevant markets 2017

$\leq 0\%$	0-3%	$> 3\%$
	Mature Europe Latin America	Asia Emerging Europe and Africa
Marine and Protective Coatings	Industrial Coatings Automotive and Specialty Coatings	Powder Coatings
	Bleaching chemicals Salt-chlorine chain Ethylene oxide network Surfactants	Polymer chemistry

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

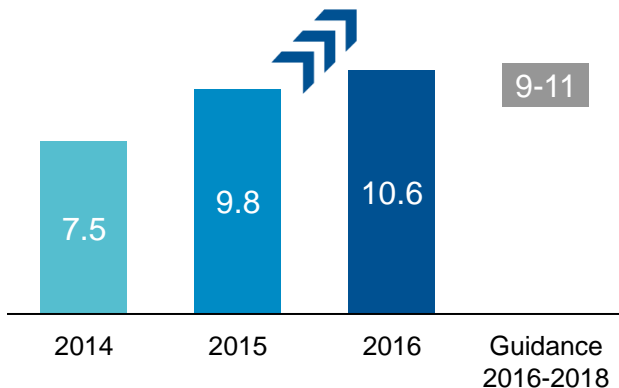
Delivering on our strategy

Strategy focused on delivering continuous improvement and growth

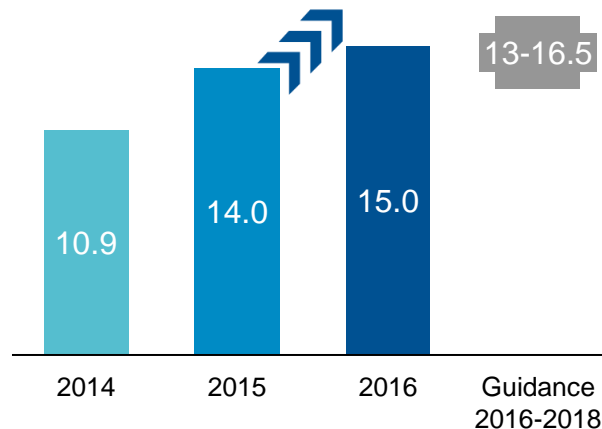


Structurally improved to achieve record levels of financial performance in 2016

Return on sales* %



Return on investment* %



Continuous improvement
Delivering **€200+**
million savings

Total reportable injury rate

1.4
(2015 1.6)

Engagement

4.17
(2015 4.03)

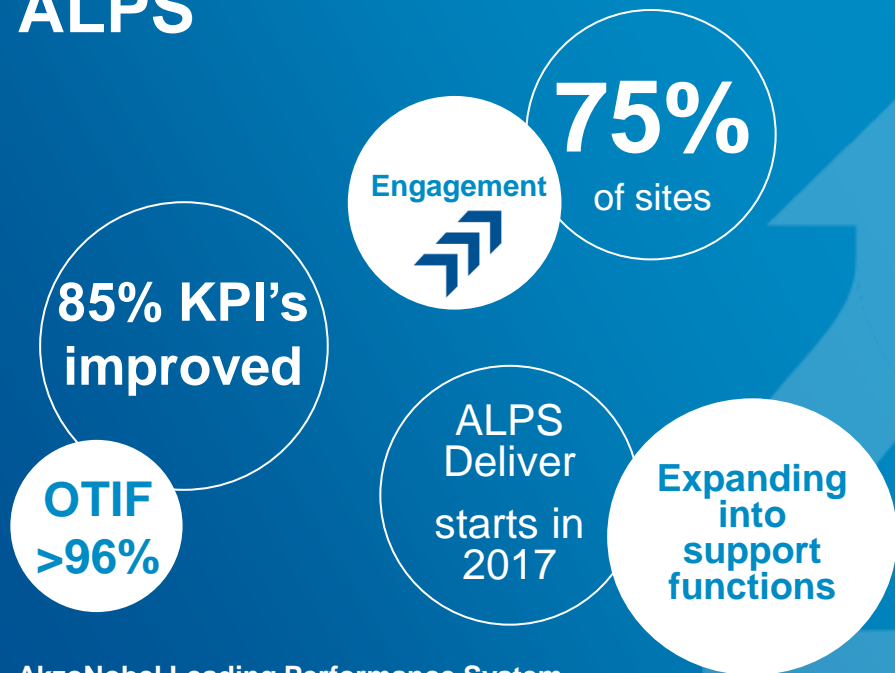
Hardwiring new organization model

ROS% = EBIT/Revenue. Moving average ROI (in %) = 12 months EBIT/12 months average invested capital



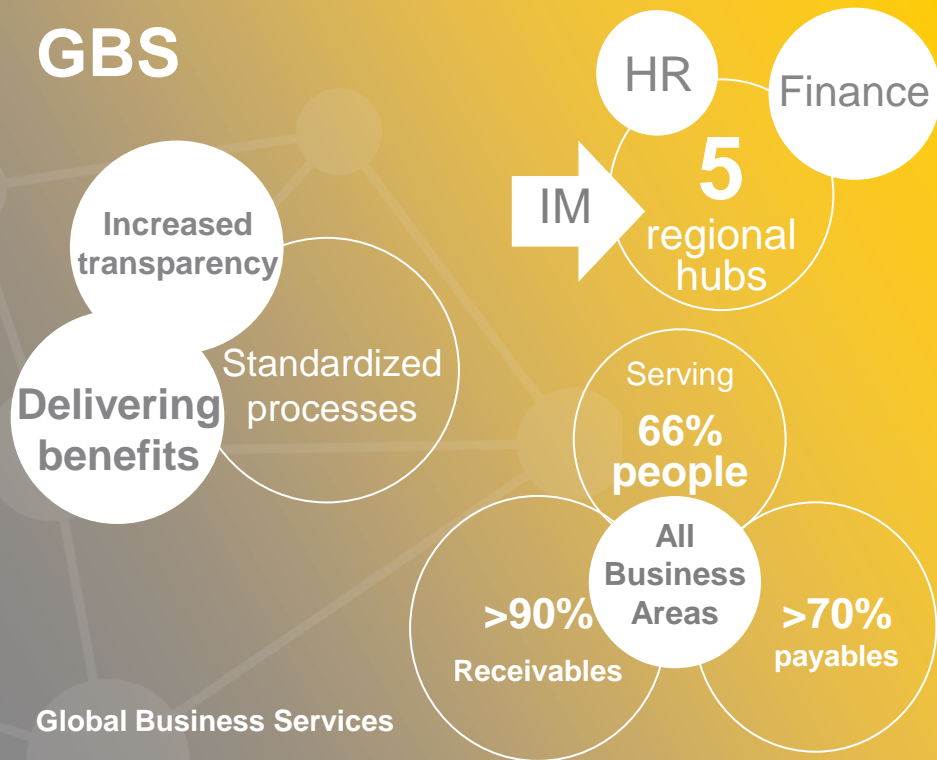
€200+ million savings from continuous improvement and operational excellence

ALPS



AkzoNobel Leading Performance System

GBS



Global Business Services



ALPS delivering continuous improvement and capacity for organic growth

AkzoNobel



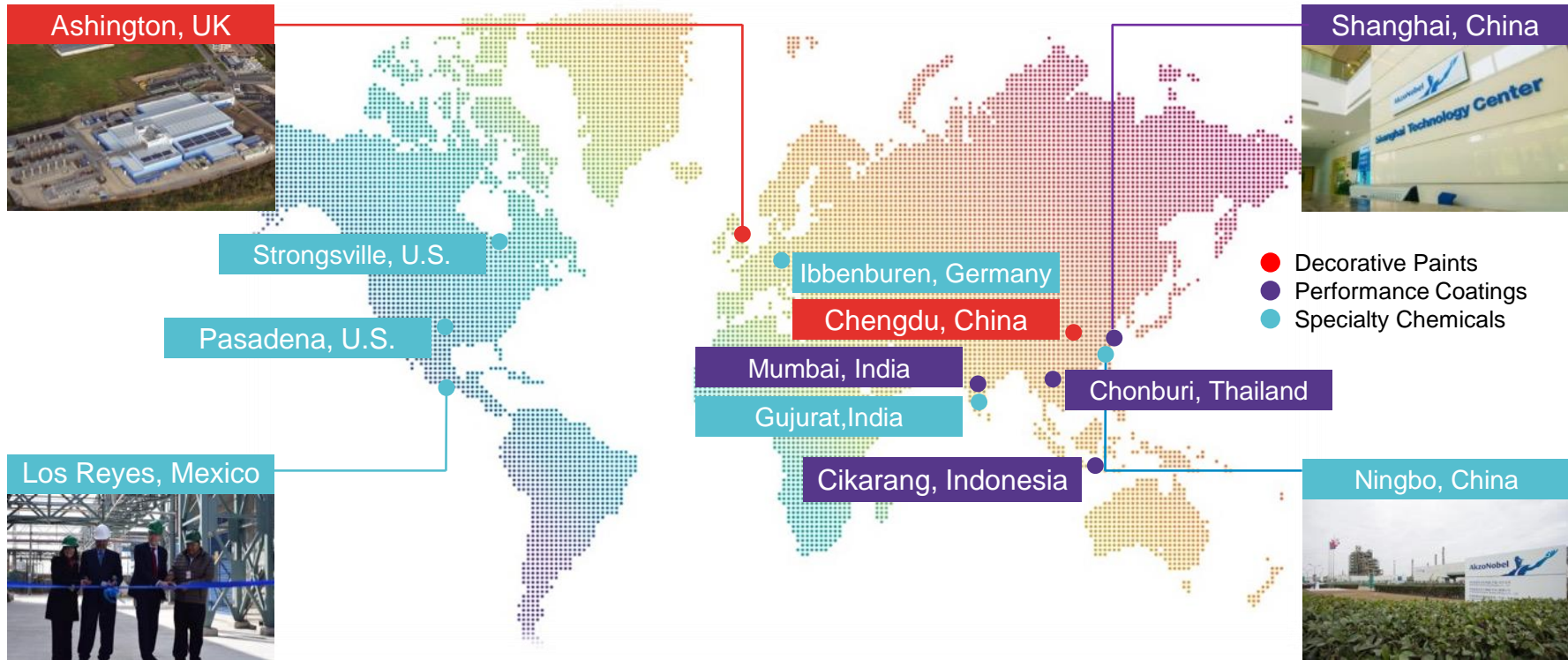
5S Implemented, Latin America



ALPS in action, Asia



€634 million invested in sites to support organic growth and operational excellence



€363 million invested in driving innovation to support organic growth

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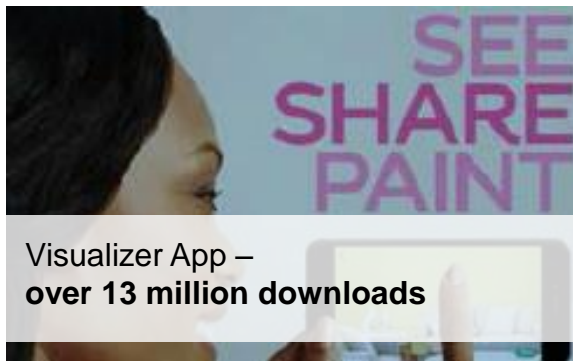
Launched AquaSilk in China,
an innovative waterborne anti-scoff



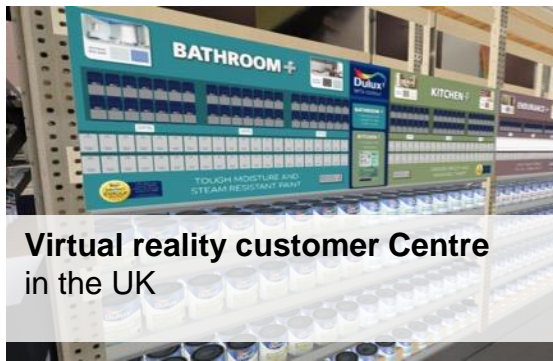
Introduced Dissolvine M-40
for the detergent industry



Launched forest breath in China.
It contains anti-bacterial properties
that improve indoor air quality



Visualizer App –
over 13 million downloads



Virtual reality customer Centre
in the UK



Intertrac Vision,
an award winning digital tool
which predicts hull performance



Value generating acquisitions and joint ventures supporting growth

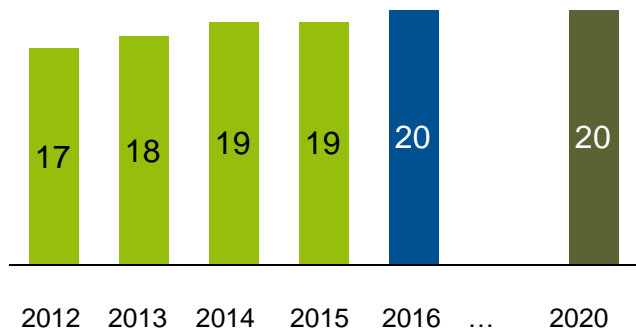


Joint Ventures:

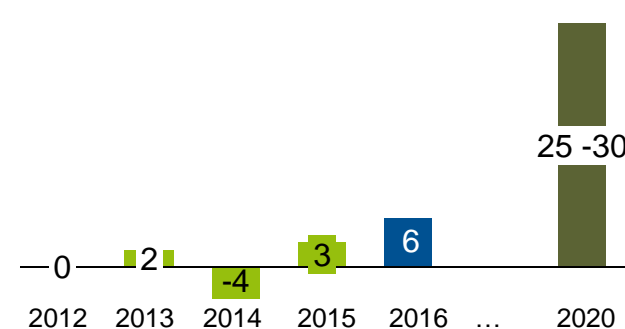
- Acquired outstanding shares in Eko Peroxide
- Cooperation for Salt production in Spain
- Partnership with Atul to produce MCA in India
- Production JV with Evonik for Chlorine in Germany
- Acquired controlling share in Egypt JV for Powder Coatings

Further progress made towards our 2020 sustainability ambitions

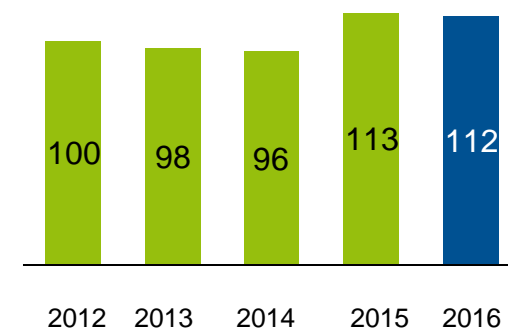
Eco-premium solutions with downstream benefits
(in % of revenue)



Cradle-to-Grave, Carbon Footprint
(% reduction CO₂(e) per ton of sales from 2012)



REI – Resource Efficiency Index
(Gross margin/CO₂(e) indexed)



Progress on our Planet Possible agenda

Shipping industry's largest ever number of carbon credits

Exploring feasibility of waste-to-chemicals

Leading a consortium for purchase of wind power

Sustainable steam project in Delfzijl

**Making people's lives
more liveable and inspiring**

AkzoNobel

Inca
venial color

300+
projects

9+
million
people

175,000
liters of
paint

Strong
financial position
**provides foundation
for growth**

Strong financial performance improvement continued in 2016

Full-year

Volumes

1% higher

EBIT

Up 3%

Up 6% excluding currencies

Record
ROS and ROI

ROS 10.6% (2015 9.8%)

ROI 15.0% (2015 14.0%)

Adjusted EPS

3%

At €4.15

Total dividend
proposed for 2016

Up 6.5% at €1.65

(2015: €1.55)

Net cash inflow
from operating activities

Up 14%

€1,297 million

(2015: €1,136)

Q4

Volumes

Up 2%

Completed acquisition
BASF's Industrial
Coatings business

Announced share buyback to neutralize the dilutive effect of stock dividends paid in 2016

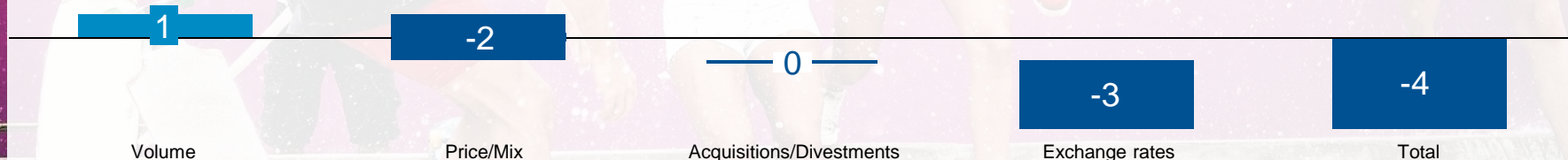


EBIT growth driven by higher volumes and continuous improvement

€ million	FY 2015	FY 2016	Δ%
Revenue	14,859	14,197	(4)
EBIT (Operating income excluding incidental items)	1,462	1,502	3
Operating income	1,573	1,519	(3)

Ratio, %	FY 2015	FY 2016
ROS*	9.8	10.6
Moving average ROI*	14.0	15.0

Revenue development full-year 2016

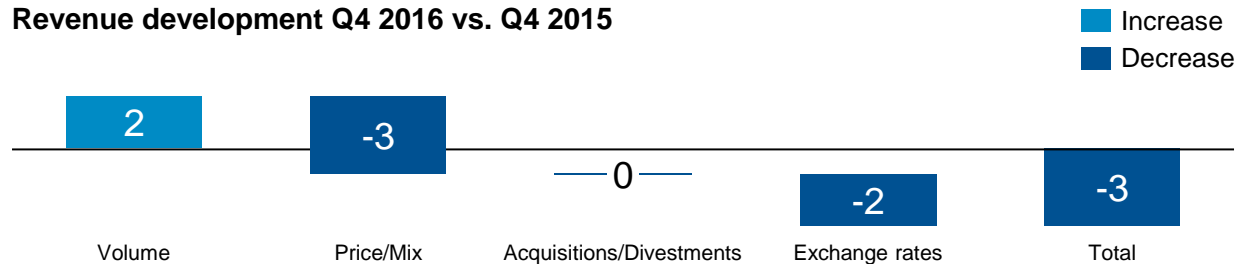


*ROS% = EBIT/revenue. Moving average ROI (in %) = 12 months EBIT/12 months average invested capital

Q4 2016 impacted by restructuring and Marine and oil and gas industries

€ million	Q4 2015	Q4 2016	Δ%
Revenue	3,559	3,456	(3)
EBIT (Operating income excluding incidental items)	268	235	(12)
Operating income	345	217	(37)
Ratio, %	FY 2015	FY 2016	
ROS*	7.5	6.8	
Moving average ROI*	14.0	15.0	

Revenue development Q4 2016 vs. Q4 2015



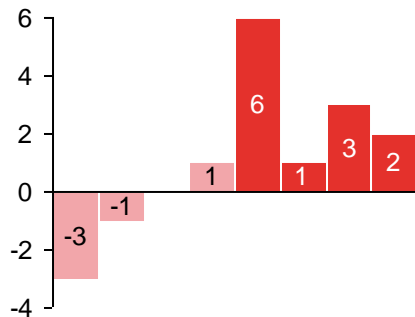
*ROS% = EBIT/revenue. Moving average ROI (in %) = 12 months EBIT/12 months average invested capital



Volume growth overall, driven by Decorative Paints and Specialty Chemicals

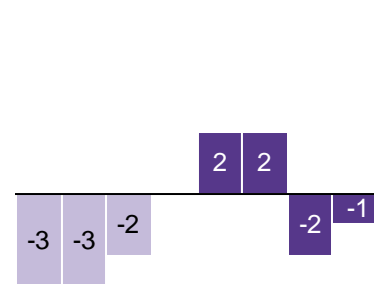
Decorative Paints

Quarterly volume development in % year-on-year



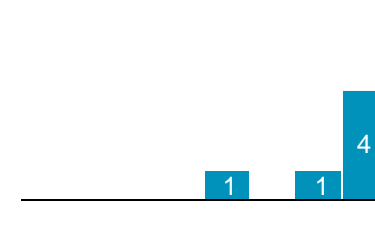
Performance Coatings

Quarterly volume development in % year-on-year



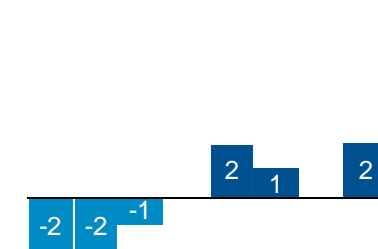
Specialty Chemicals

Quarterly volume development in % year-on-year

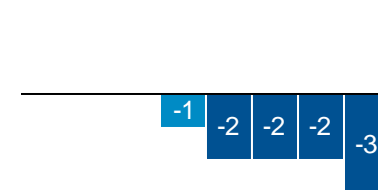
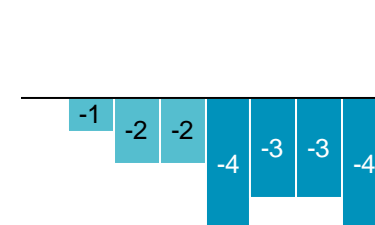
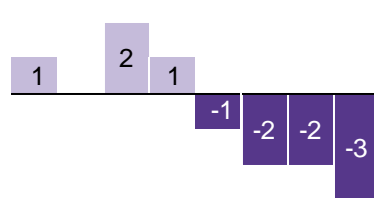
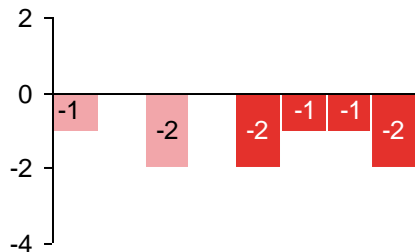


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2015
2016



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

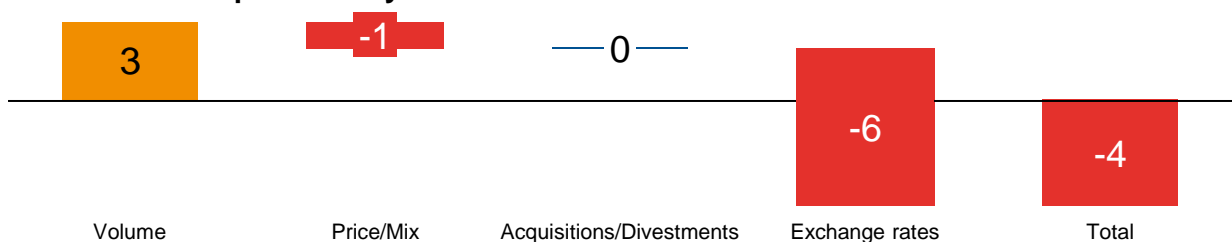


Decorative Paints full-year 2016: Higher volumes and profitability

€ million	FY 2015	FY 2016	Δ%
Revenue	4,007	3,835	(4)
EBIT (Operating income excluding incidental items)	345	357	3
Operating income	345	366	6

Ratio, %	FY 2015	FY 2016
ROS*	8.6	9.3
Moving average ROI*	11.7	12.8

Revenue development full-year 2016



*ROS% = EBIT/revenue. Moving average ROI (in %) = 12 months EBIT/12 months average invested capital

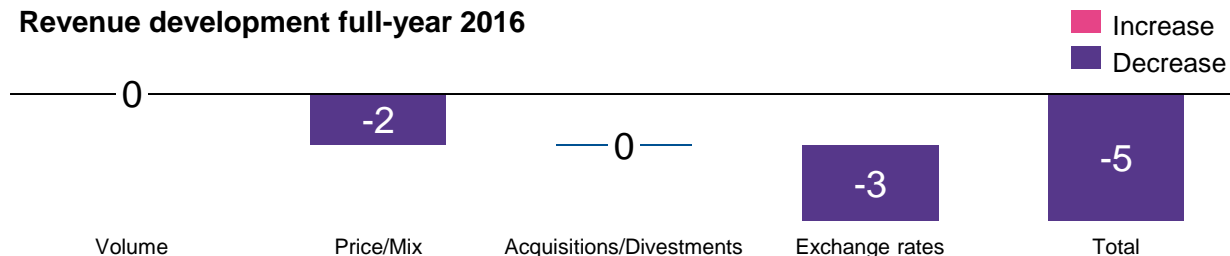
Flexa Color Tester - winner of the Dutch Best Product of the Year 2016-2017



Performance Coatings full-year 2016: Maintained structurally higher profitability

€ million	FY 2015	FY 2016	Δ%
Revenue	5,955	5,665	(5)
EBIT (Operating income excluding incidental items)	792	759	(4)
Operating income	792	735	(7)
Ratio, %	FY 2015	FY 2016	
ROS*	13.3	13.4	
Moving average ROI*	29.4	29.4	

Revenue development full-year 2016



Colorvation digital technology - increases speed and accuracy in color matching.

*ROS% = EBIT/revenue. Moving average ROI (in %) = 12 months EBIT/12 months average invested capital

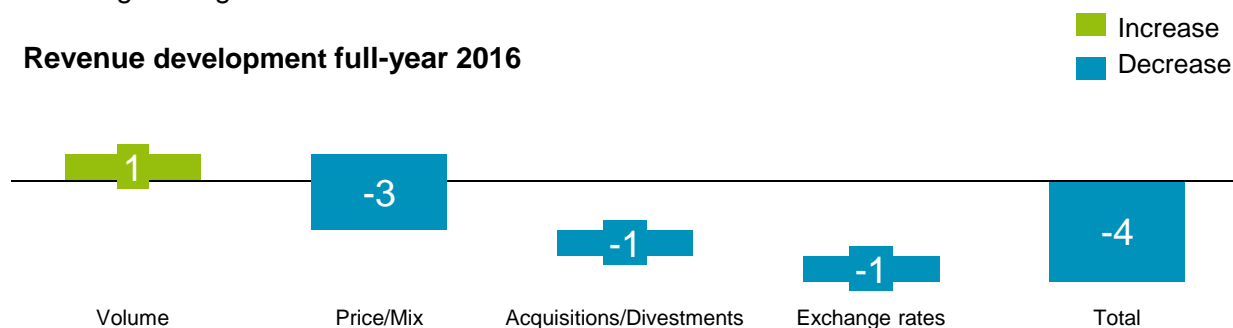


Specialty Chemicals full-year 2016: Volume and profitability improvement

€ million	FY 2015	FY 2016	Δ%
Revenue	4,988	4,783	(4)
EBIT (Operating income excluding incidental items)	578	629	9
Operating income	609	629	3

Ratio, %	FY 2015	FY 2016
ROS*	11.6	13.2
Moving average ROI*	16.3	17.9

Revenue development full-year 2016

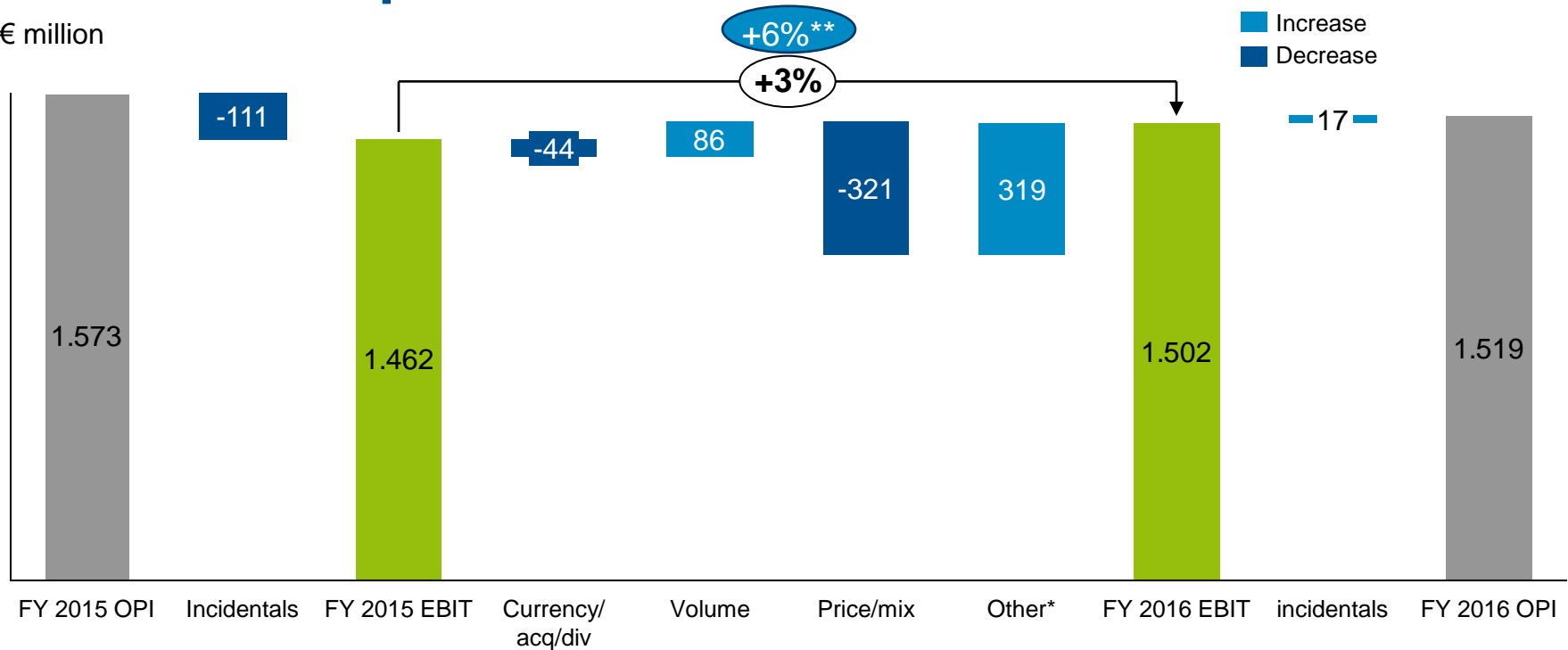


*ROS% = EBIT/revenue. Moving average ROI (in %) = 12 months EBIT/12 months average invested capital



EBIT increased due to higher volumes, continuous improvement and lower costs

€ million

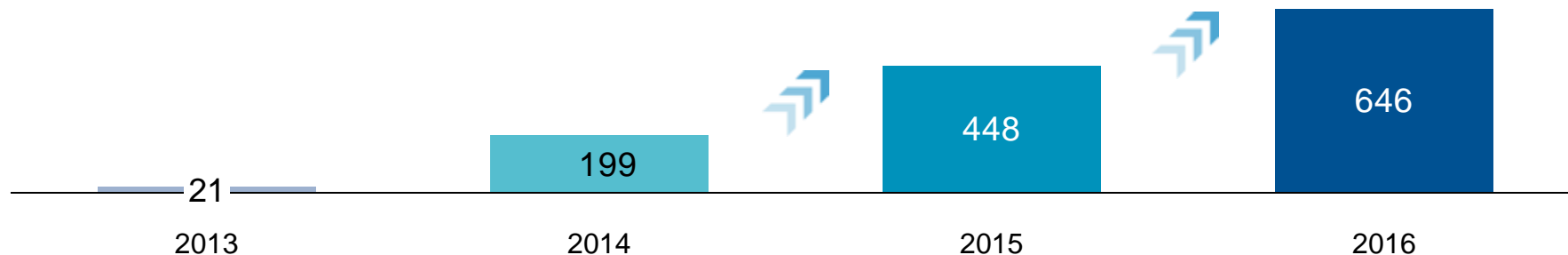


* Other costs includes raw materials, restructuring benefits, wage inflation, depreciation and amortization ** Excluding currencies



Free cash flow continues to improve

€ million	FY2013	FY2014	FY2015	FY2016
EBITDA	1,513	1,690	2,088	2,108
Interest paid	-228	-206	-151	-87
Tax paid	-230	-258	-261	-285
Changes in working capital, provision* and other	69	-145	-224	-175
Capital expenditures (including intangible assets)	-695	-612	-688	-651
Free cash flow, excluding pension top-up payments	429	469	764	910
Pension top-up payments	-408	-270	-316	-264
Free cash flow (from operations)	21	199	448	646



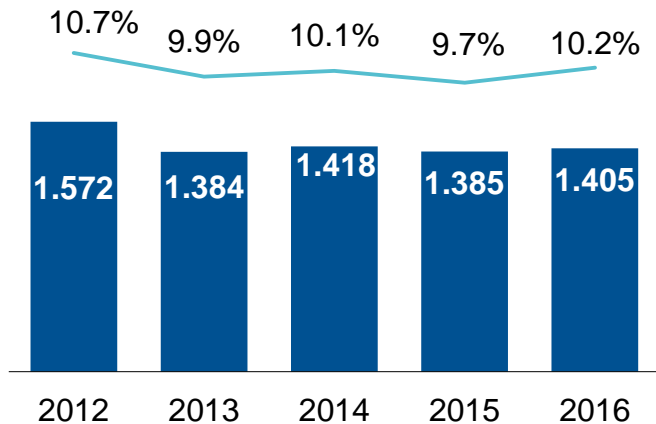
*Provisions include recurring pension contributions Free cash flow (from operations) = Net cash from operating activities minus Capital expenditures and Investment in intangibles



Cash management discipline continues; Leading performance for working capital

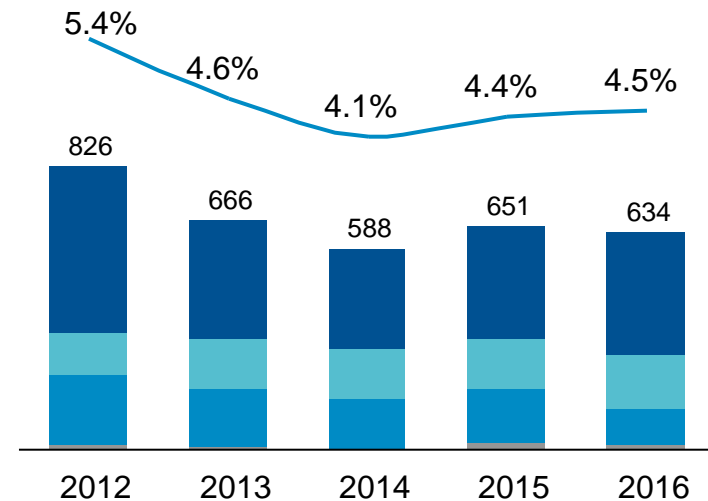
Operating Working Capital € million

- Operating Working Capital
- OWC as % of LQ revenue * 4



Capital expenditures € million

- Specialty Chemicals
- Performance Coatings
- CAPEX as % revenue
- Decorative Paints
- Other



IAS19 pension deficit €1.0 billion

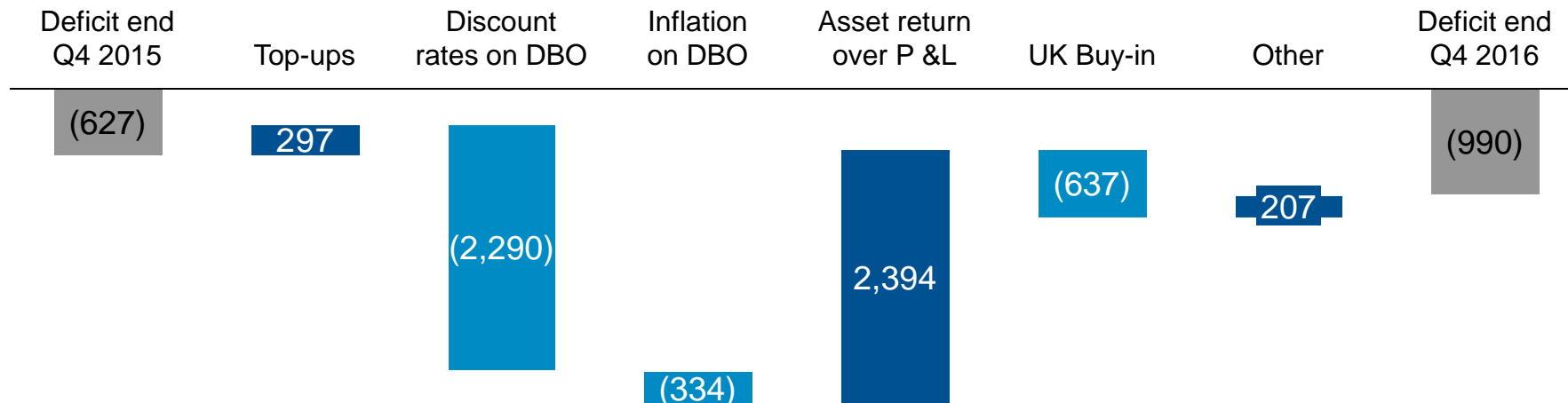
Key pension financial assumptions

	Q4 2015	Q4 2016
Discount rate	3.5%	2.4%
Inflation rate	2.8%	3.1%

Pension deficit development in 2016

€ million

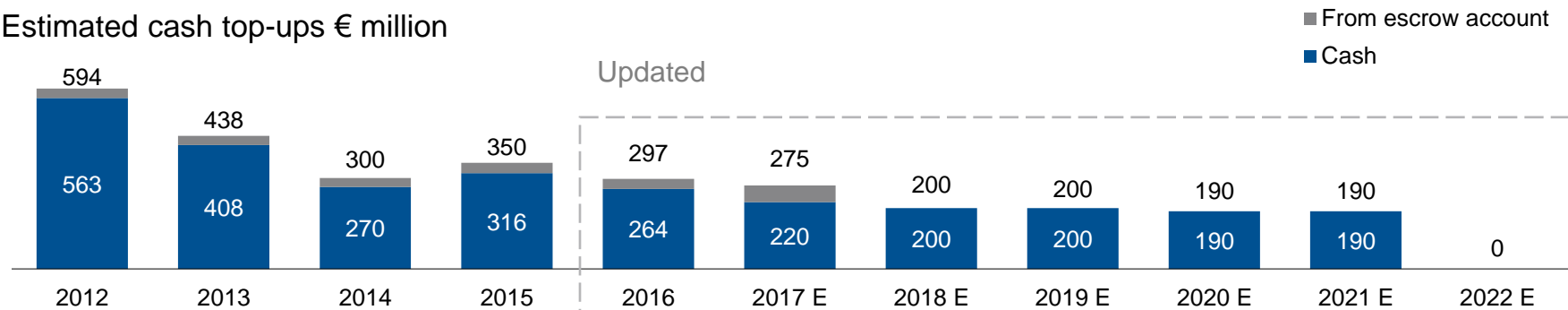
■ Increase
■ Decrease



Actively managing pension liabilities; lower top-ups due to foreign exchange

- Further de-risking through non-cash buy-in transactions totaling €3.3 billion in 2016
- Around 60 percent longevity risk and around 80 percent interest rate and inflation risk is hedged
- Top-up schedule updated for actual payments 2016 and current exchange rates (2017 onwards)

Estimated cash top-ups € million



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

Assumes €1: £0.86/\$1.05 from 2017 Note: schedule includes non-cash transactions related to the CPS escrow account;



Positive net cash after dividends for second consecutive year

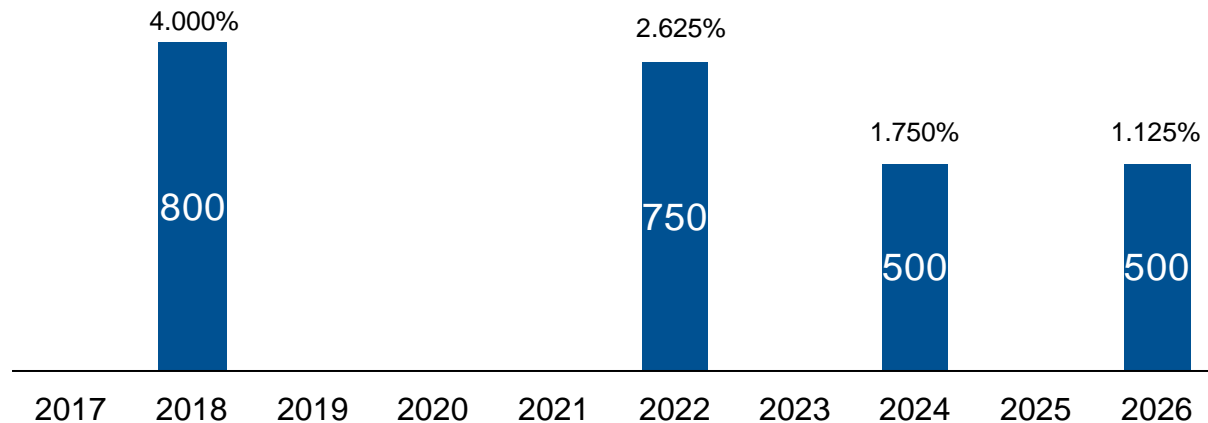
<i>€ million</i>	FY2013	FY2014	FY2015	FY2016
Free cash flow	21	199	448	646
Dividend paid	-286	-280	-281	-336
Other	66	57	29	29
Net cash generation (from continued operations) excl. acquisitions and divestments	-199	-24	196	339
Acquisitions	-34	-13	-9	-416
Divestments	347	51	160	53
Net cash generation (from continued operations)	114	14	347	-24
Cash flow from discontinued operations	675	-88	-6	-6
Net cash generation	789	-74	341	-30
Net Debt	1,529	1,606	1,226	1,252

Other includes: Dividend from associates and joint ventures interest received and issue of shares for stock option plan and other changes

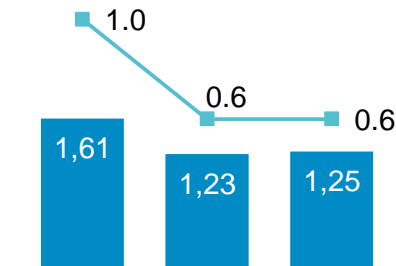
Strong financial position provides foundation for growth

- Seek to maintain investment grade rating of BBB+ (currently A-)
- Net debt at €1.25 billion (0.6 x EBITDA)
- Average interest rate reduced with repayment of high interest debt
- Renewal of €1.8 billion undrawn credit facility

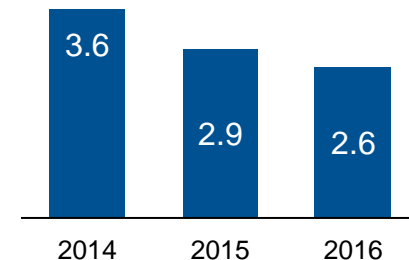
Debt maturities € million (average debt duration 5 years 6 months)



Net debt (€ billion)/EBITDA



Average cost of long-term bonds %



Cash generation restored to invest in growth and improve shareholder returns

1. Profitable organic growth

Innovation and capital expenditure

2. Dividend

Pay a stable to rising dividend

3. Acquisitions

Strategically aligned and value generating

4. Balance sheet

Retain strong investment grade credit rating

5. Manage pension liabilities

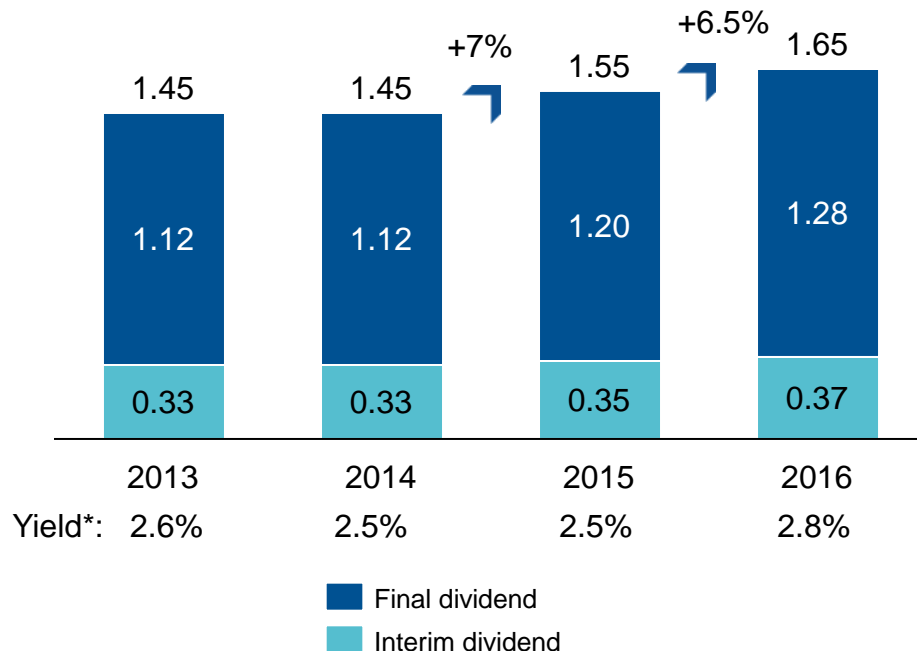
Limit risk and reduce uncertainty



Concluding remarks

Further increase in dividend shows we are confident in our cash flow generation

Dividends € per share



- Dividend policy is to pay a “stable to rising” dividend each year
- Final dividend paid in cash, unless shareholders elect to receive a stock dividend
- Share repurchase program to neutralize the dilutive effect of stock dividends paid in 2016

Proposed final dividend €1.28 resulting in total dividend for 2016 up 6.5% to €1.65

* Based on year-end share price

**We are stronger, more agile,
better able to adapt and grow**

**Record
ROS
and ROI**

**Volume
Growth**

**Acquisition
of BASF's
Industrial
Coatings
business**

**ALPS
Continuous
improvement
75% sites**

**€200+
million
savings**

**Progress
on a new GBS
model**

**Employee
engagement
up for 6th
year**

**Safer
operations**

**20%
Eco-premium
solutions**

**Carbon
Footprint
reduced**

**300+
Human Cities
projects**

We are stronger, more agile, better able to adapt and grow

We anticipate positive developments for EMEA, North America and Asia, improving during the year, while Latin America is expected to stabilize.

Some economic and political uncertainty is expected to remain.

Market trends experienced in the second part of 2016, including for marine and oil and gas industries, are expected to continue during the first half of 2017.

We have structurally improved our ability to respond to developments in our markets.

We are taking appropriate measures to deal with higher raw material prices in an inflationary environment.

Our stronger operational and financial foundation means we are more agile and better able to seize growth opportunities, including acquisitions.

We maintain our financial guidance for 2016-2018

Upcoming events

AkzoNobel

Annual report 2016

March 1, 2017

Report for the first quarter 2017

April 24, 2017

Annual General Meeting, Amsterdam

April 25, 2017

Report for the second quarter 2017

July 25, 2017

Capital Markets Day, Amsterdam

September 26, 2017

Report for the third quarter 2017

October 18, 2017

Report for the full-year and fourth quarter 2017

February 8, 2018

And now for questions

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



Safe Harbor Statement

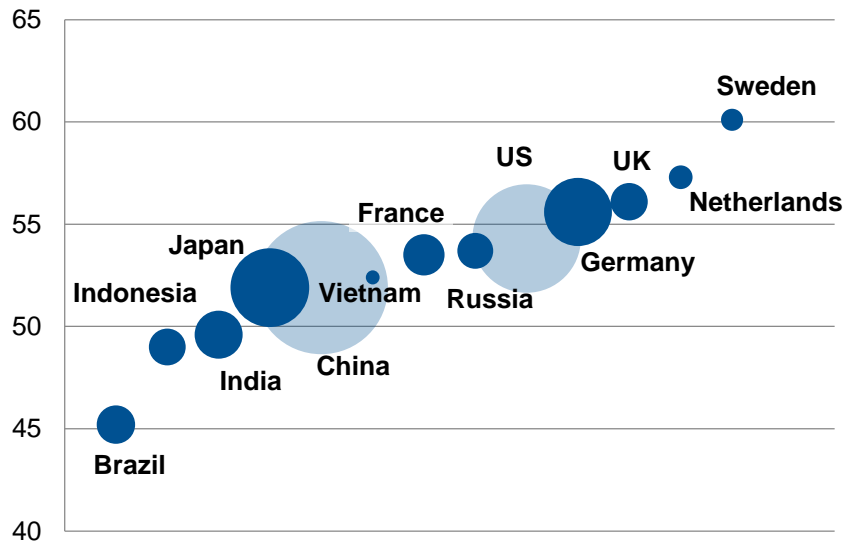
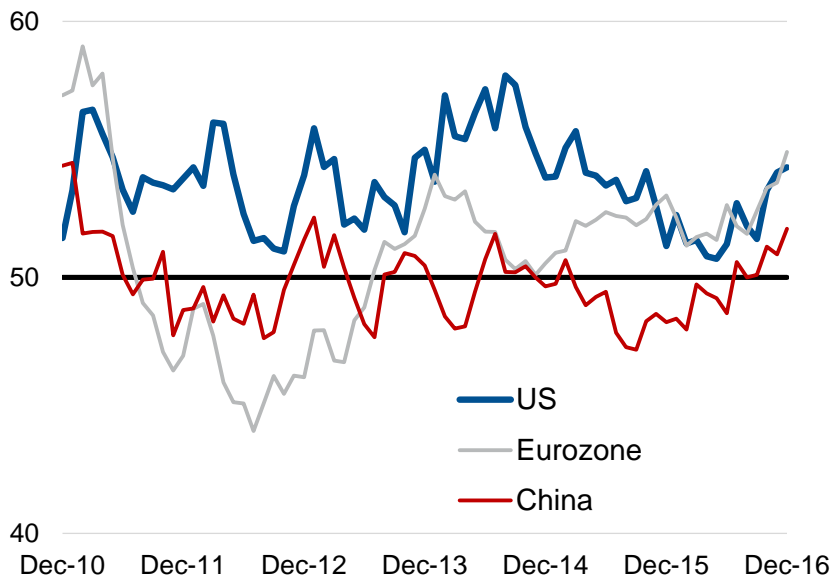
This presentation contains statements which address such key issues as AkzoNobel's growth strategy, future financial results, market positions, product development, products in the pipeline, and product approvals. Such statements should be carefully considered, and it should be understood that many factors 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.

Appendix

Manufacturing indices up in all regions and countries

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

Purchase Managers' Index (PMI)*
 December 2016



*Bubble size=manufacturing output, 2016e (US\$bn: 2010 prices) Sources: Oxford Economics, Markit (incl. US)

Foreign exchange a headwind in 2016

Decorative Paints

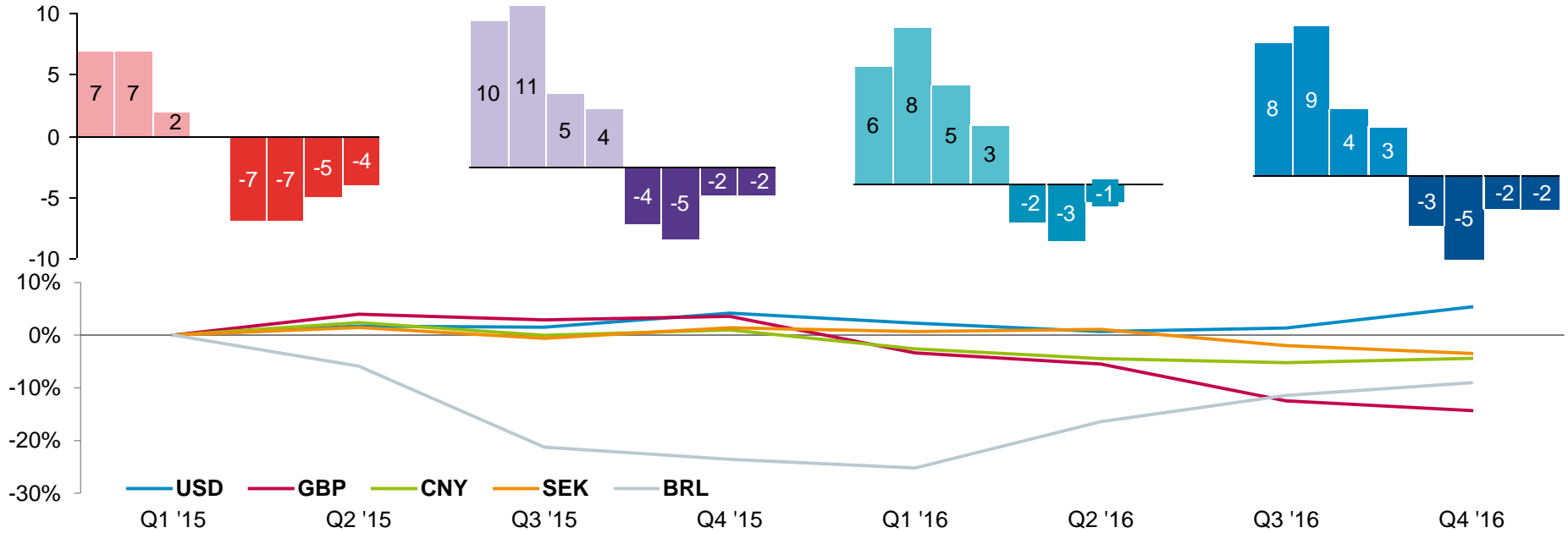
Quarterly foreign exchange rate development in % year-on-year

Performance Coatings

Specialty Chemicals

AkzoNobel

2015
2016

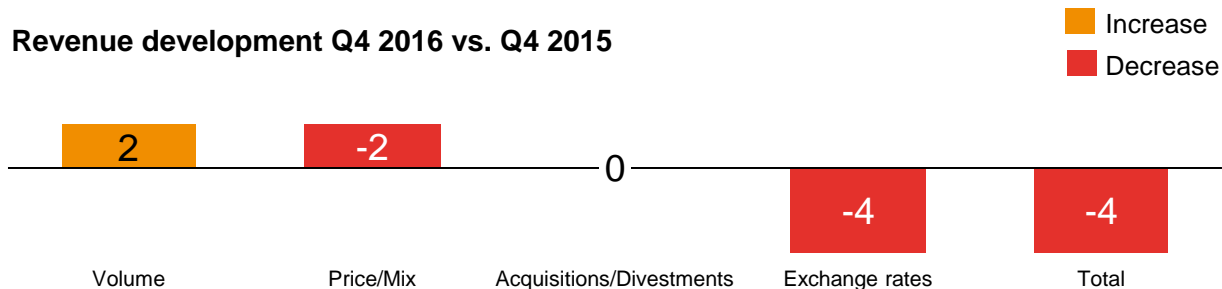


Decorative Paints Q4 2016: Another quarter of volume growth

€ million	Q4 2015	Q4 2016	Δ%
Revenue	931	898	(4)
EBIT (Operating income excluding incidental items)	46	51	11
Operating income	46	51	11

Ratio, %	Q4 2015	Q4 2016
ROS*	4.9	5.7
Moving average ROI*	11.7	12.8

Revenue development Q4 2016 vs. Q4 2015



Recently launched our Dulux Forest Breath Eco-sense range of indoor decorative paints.

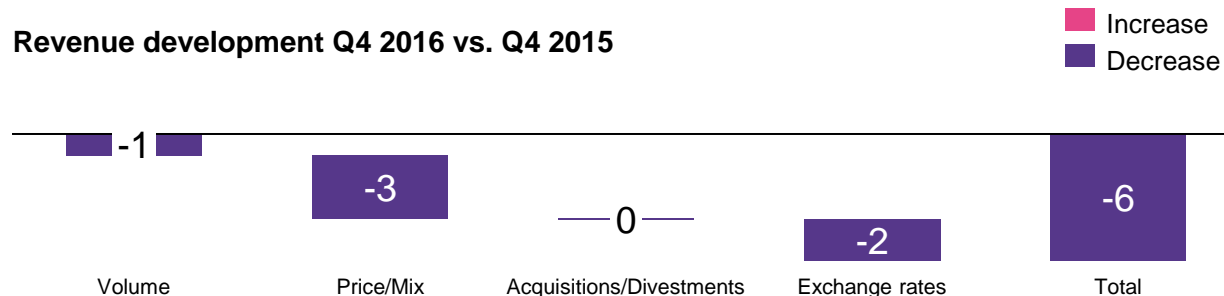
*ROS% = EBIT/revenue. Moving average ROI (in %) = 12 months EBIT/12 months average invested capital

Performance Coatings Q4 2016: Weakness in marine and oil and gas

€ million	Q4 2015	Q4 2016	Δ%
Revenue	1,482	1,398	(6)
EBIT (Operating income excluding incidental items)	192	152	(21)
Operating income	192	135	(30)

Ratio, %	Q4 2015	Q4 2016
ROS*	13.0	10.9
Moving average ROI*	29.4	29.4

Revenue development Q4 2016 vs. Q4 2015



*ROS% = EBIT/revenue. Moving average ROI (in %) = 12 months EBIT/12 months average invested capital



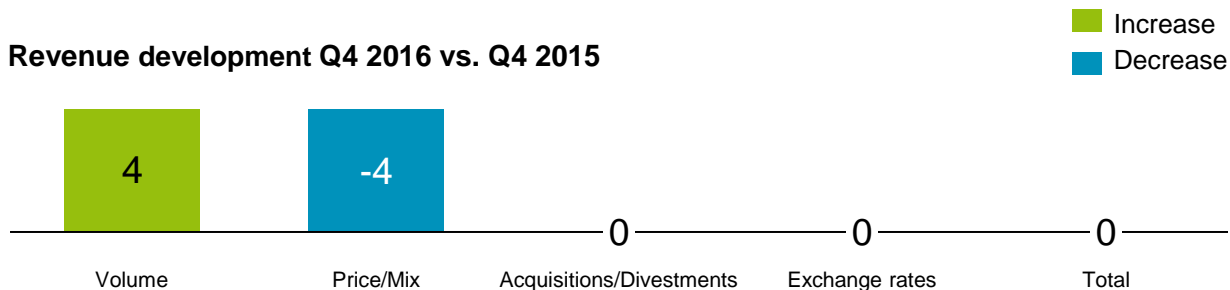
Akzo Nobel inaugurates a first of its kind specialty coatings facility in India

Specialty Chemicals Q4 2016: Volumes up 4% driven by Asia and Europe

€ million	Q4 2015	Q4 2016	Δ%
Revenue	1,167	1,169	-
EBIT (Operating income excluding incidental items)	90	118	31
Operating income	91	118	30

Ratio, %	Q4 2015	Q4 2016
ROS*	7.7	10.1
Moving average ROI*	16.3	17.9

Revenue development Q4 2016 vs. Q4 2015



*ROS% = EBIT/revenue. Moving average ROI (in %) = 12 months EBIT/12 months average invested capital



Investments in multi-site in Ningbo and Tianjin, China

2017 Financial assumptions

Category	Comments / assumption	FY Revenue	FY EBIT
Acquisition	BASF's Industrial Coatings business. The full profitability of the acquisition will be realized by the end of 2018, in line with the stated financial guidance for the Performance Coatings business	~€280 mln	Transition during 2017/2018
Currencies	Assuming December 2016 exchange rates (€: \$1.05, £0.86, RMB 7.3)	= / +	= / +
Continuous improvement	Seek year-on-year productivity gains from continuous improvement (e.g. ALPS and GBS) to at least offset inflation	N/A	€100 - €200 mln (positive effect)
Inflation	Inflation on fixed cost base 2.5- 3%		
Restructuring	Medium term guidance 0.5 - 1% of revenue; 2017 in line with 2016	N/A	~€70 mln
Market growth	2-3% (volume and price/mix), based on relevant geographic and market presence. Market trends in marine and oil & gas experienced in the second part of 2016 are expected to continue during the first half of 2017		
Raw materials	We are likely to see higher year-over-year input costs in 2017 due to the inflationary environment, while there are various supply and demand dynamics related to our raw materials basket. We are taking appropriate measures to deal with higher raw material prices in an inflationary environment		
Tax rate	ETR 28-29%		
Cash deployment	Capital expenditures at 4- 4.5% of revenue and RD&I at ~2.5% of revenue		
Other	WACC ~7%, interest rate ~3.3%, OWC 10-12% of revenue		