

Capital Markets Day

Progress towards
leading performance



October 27, 2015

Agenda

AkzoNobel

1. Strategic update

Ton Büchner

2. Specialty Chemicals

Werner Fuhrmann

3. Performance Coatings

Conrad Keijzer

4. Decorative Paints

Ruud Joosten

5. People, leadership and culture

Marten Booisma

6. Integrated Supply Chain

David Allen

7. Financial topics

Maëlys Castella

8. Conclusions

Ton Büchner

9. Questions and answers

All

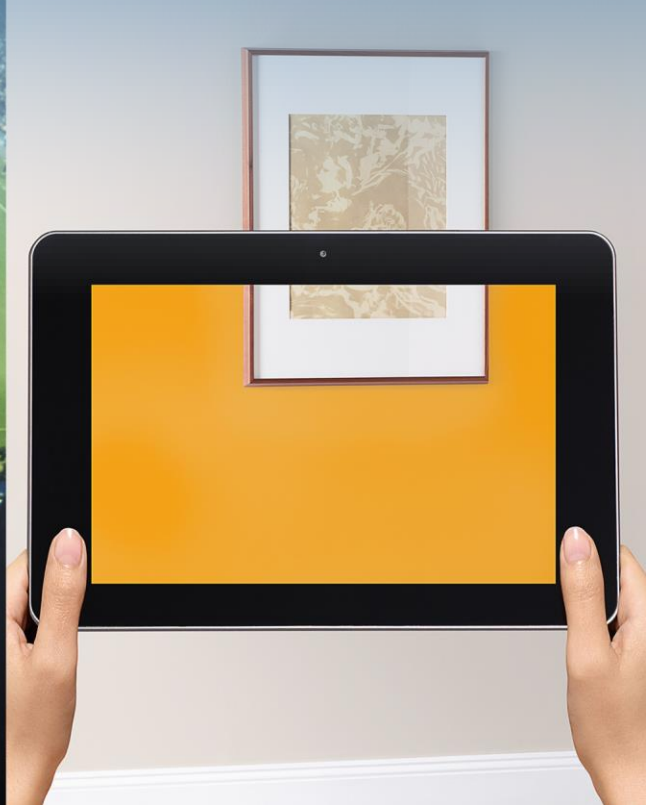
↗ Essential
ingredients



↗ Essential
protection



↗ Essential
color



Ton Büchner



Werner Fuhrmann



Conrad Keijzer



Ruud Joosten



Marten Booisma



David Allen



Maëlys Castella



Sven Dumoulin



Strategic update

Ton Büchner

AkzoNobel



Executive summary



Strategic development so far



Economic outlook



Next phase of the strategy

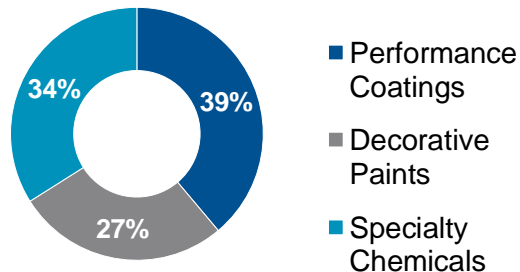
Global paints, coatings and specialty chemicals company

AkzoNobel

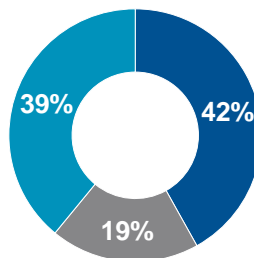
- ↗ €14.3 billion revenue (2014)
- ↗ 80+ countries
- ↗ ~46,000 employees
- ↗ ~200 production sites
- ↗ Leadership positions in many markets



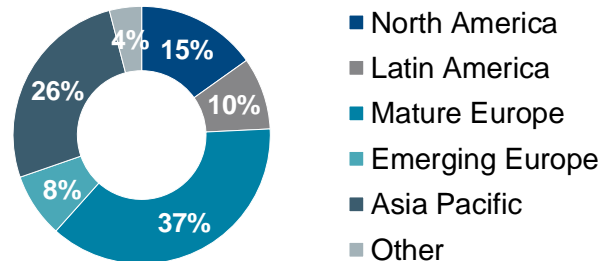
Revenue by Business Area



Operating income by Business Area

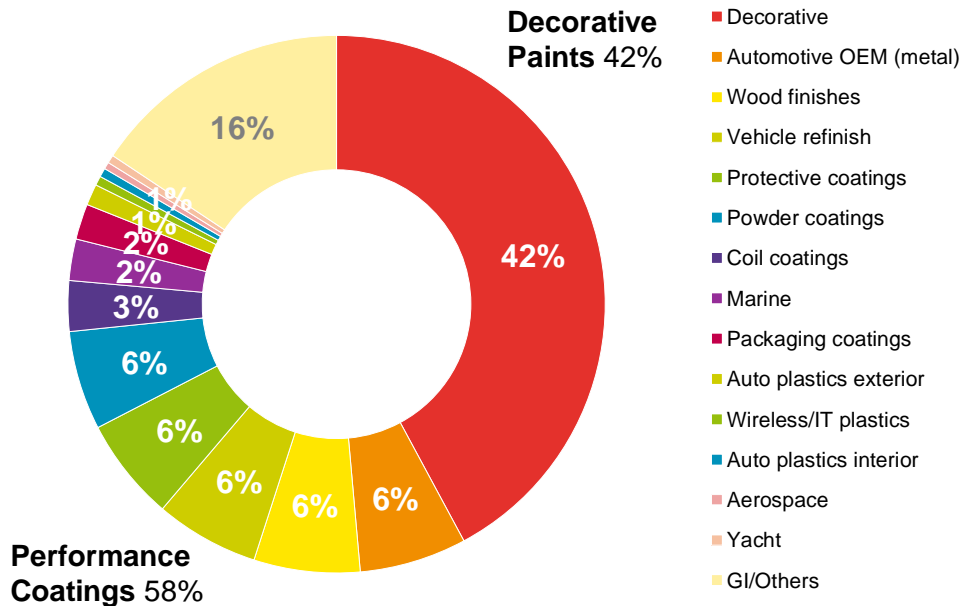


Revenue by geographic region

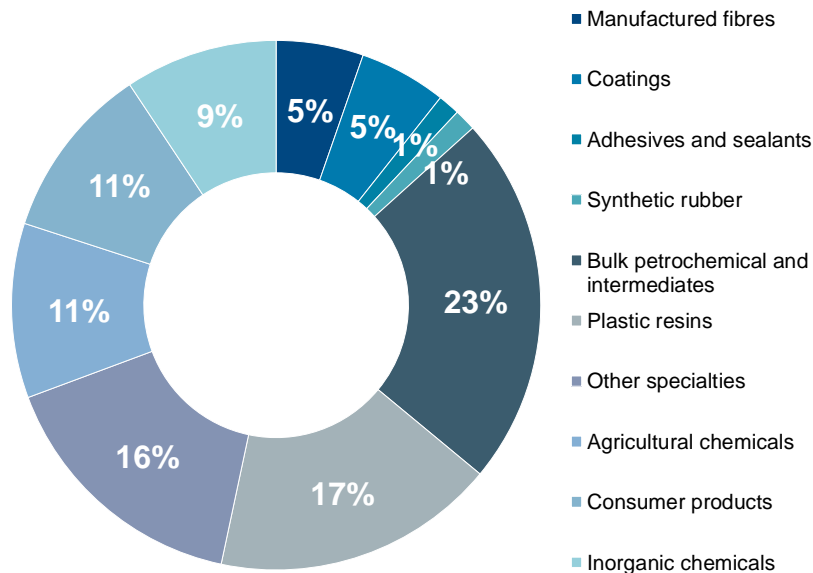


Present in large and attractive markets

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

AkzoNobel



Strategy delivering results and building foundation for continuous improvement

AkzoNobel

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

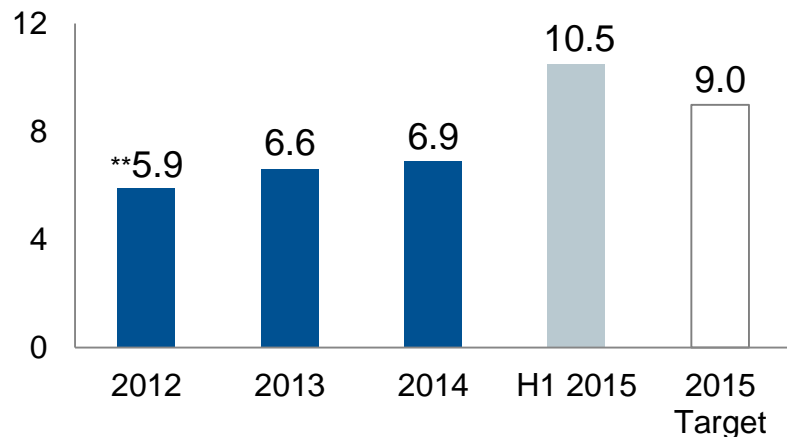
↗ Continued focus on sustainability; #1 in Dow Jones Sustainability Index*

↗ Core principles and values | Human Cities

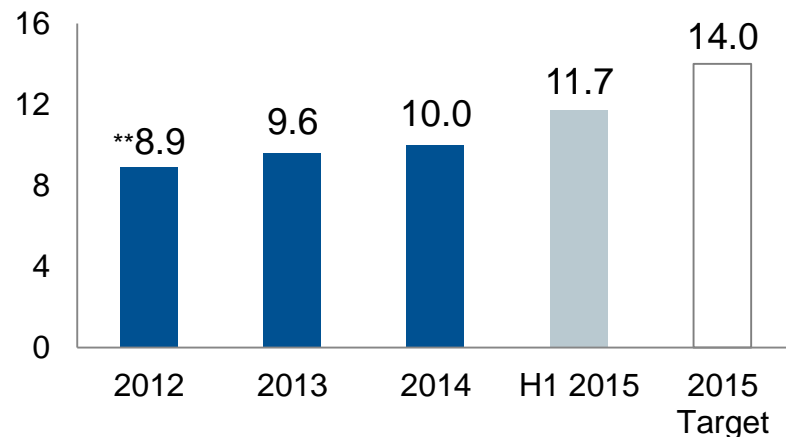
Strong track record of financial performance improvement

AkzoNobel

Return on sales %
(Operating income/revenue)



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

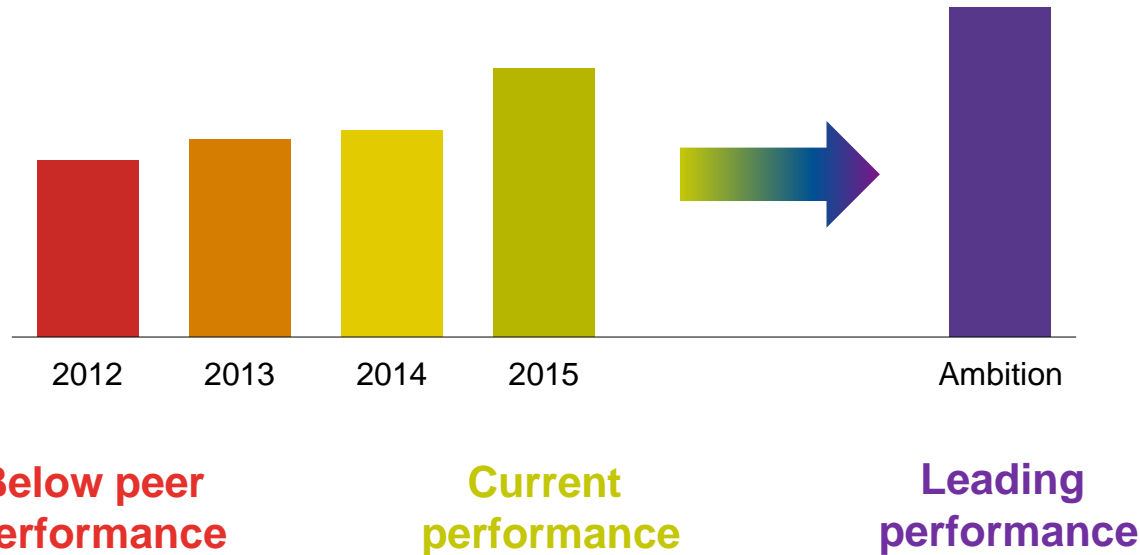


Net debt/EBITDA = 1*

YTD Q3 2015 ROS 10.9% and ROI 12.5% - On track to achieve 2015 targets



Next steps towards leading performance



Performance defined as:

- ↗ Financial results
- ↗ Customer satisfaction
- ↗ Innovation
- ↗ Supply chain excellence
- ↗ Employee engagement
- ↗ Sustainability

Vision confirmed; financial guidance 2016-2018

AkzoNobel



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



Strategic update

Ton Büchner

AkzoNobel



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Next phase of the strategy

Core principles and values in place

Core principles:

Safety
Integrity
Sustainability

Customer Focus

We build successful partnerships with our customers

Deliver on Commitments

We do what we say we will do

Passion for Excellence

We strive to be the best in everything we do, every day

Winning Together

We develop, share and use our personal strengths to win as a team



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



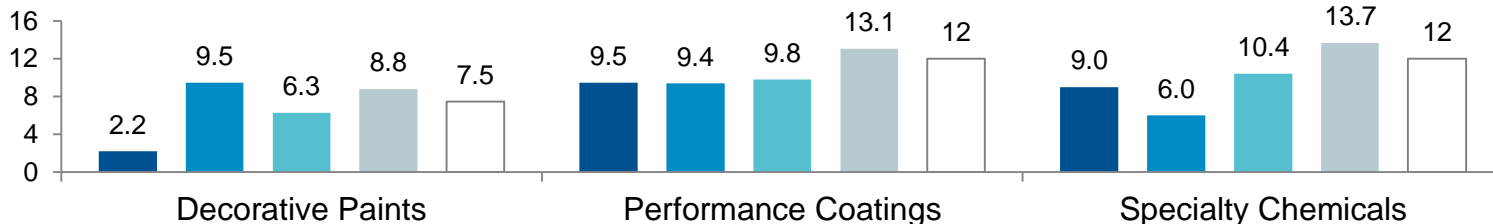
Specialty Chemicals

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

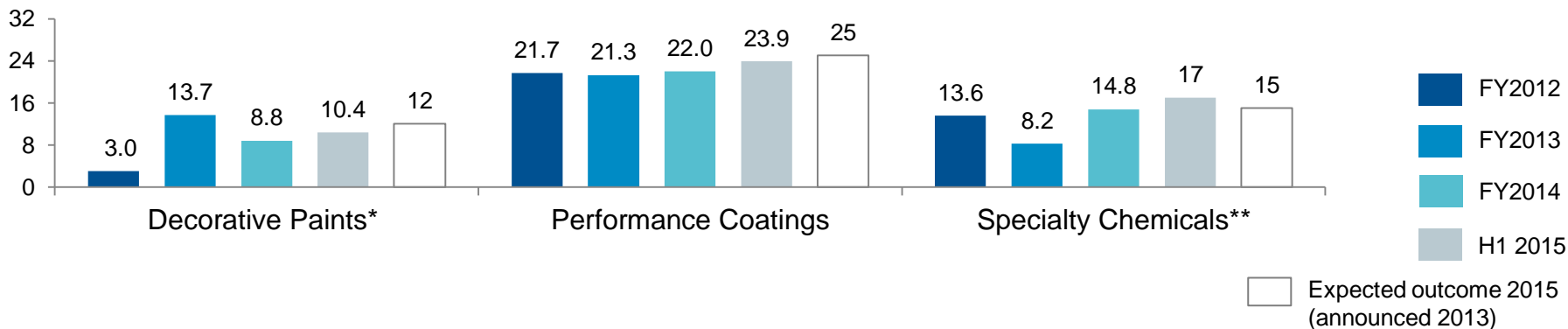
All businesses contributing to the improved performance

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Return on sales % (Operating income/revenue)



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



* Adjusted for 2012 impairment charge (€2.1 billion); includes sale of Building Adhesives in 2013 (€198 million)

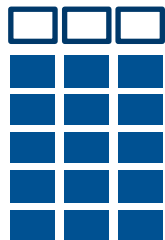
**Includes 2013 impairment charge (€139 million)



Support functions are progressing towards the future operating model

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Decentralized functions



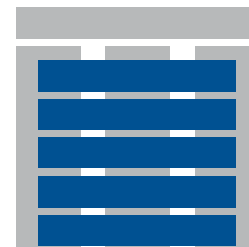
Function reporting and alignment



Shared services/outsourcing



Global Business Services



Human Resources

Information Management

Finance

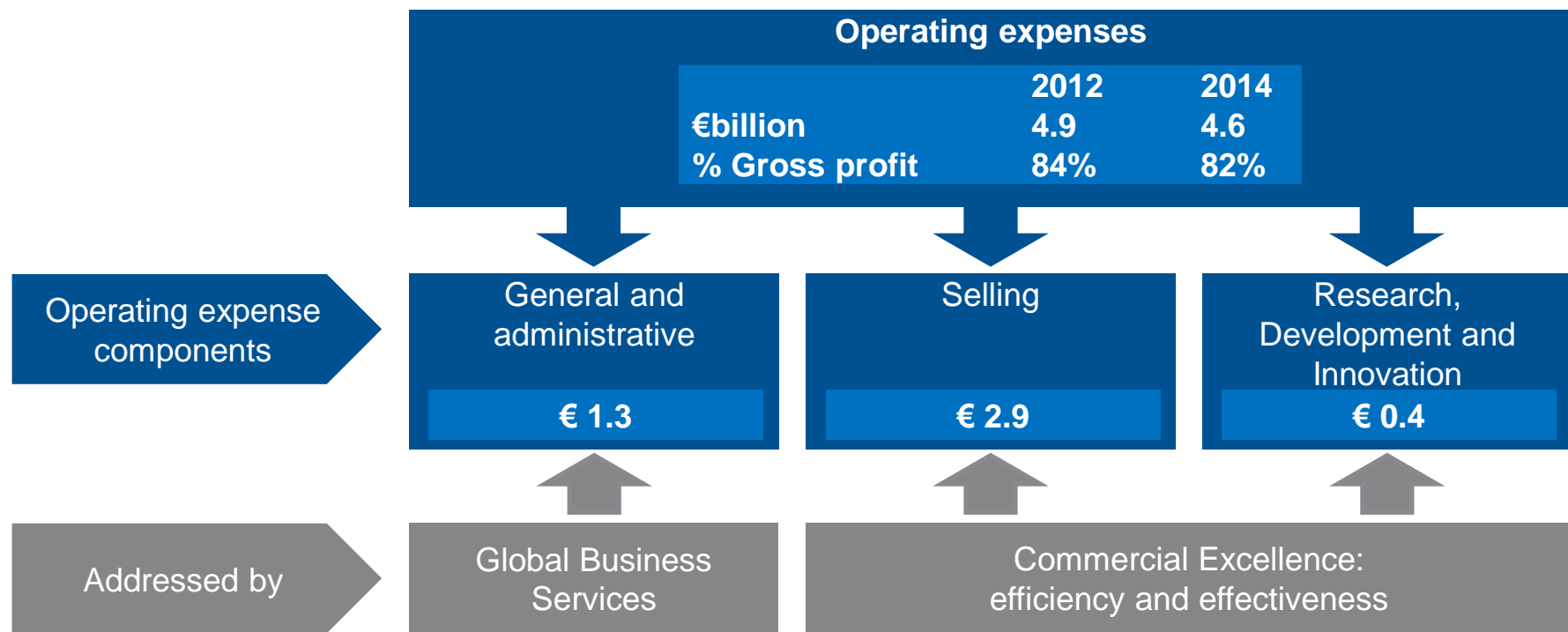
Procurement (non product related)



Strategic development so far

Operating expenses addressed by recent changes and ongoing initiatives

AkzoNobel

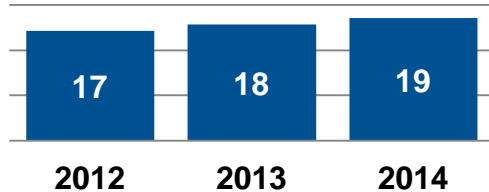


Continued progress on sustainability

Sustainable business

Working together to develop leading solutions

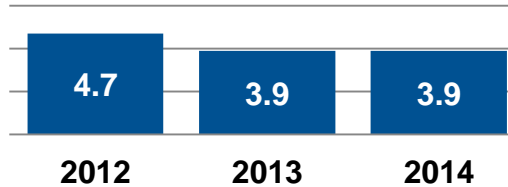
Leading customer solutions
(% revenue)



Resource efficiency

Increasing resource efficiency across the value chain

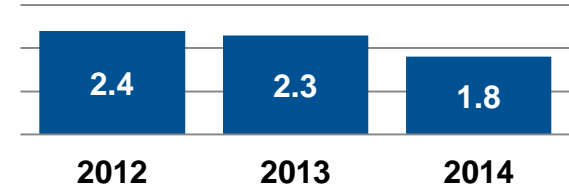
Operations CO₂ footprint
(Kton CO₂)



Capable, engaged people

Developing employees, working with customers/suppliers/partners

Safety incident rate
(TRR)



For 2015, we
are ranked
no.1
again

MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM



Strategic development so far

#1 in the DJSI materials industry group

Capital Markets Day 2015 19

Sustainable steam generation

Signed a multi-year agreement with Eneco to purchase sustainably generated steam for Delfzijl

Carbon credits program for shipping

Created first carbon credit methodology for international shipping industry

Paint that keeps you cool

A long-lasting exterior wall paint which protects against the elements and reflects UV rays to reduce energy use

4-dimensional profit and loss

Partnering to create new insights for decision-making

Human Cities



Strategic update

Ton Büchner

AkzoNobel



Executive summary



Strategic development so far



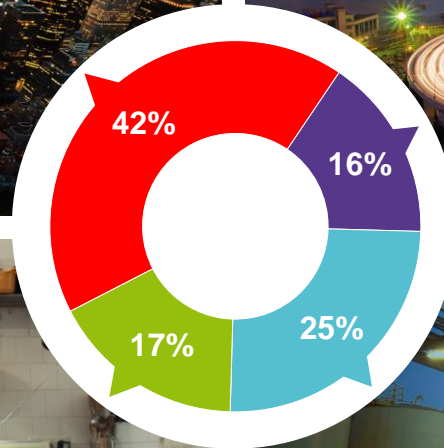
Economic outlook



Next phase of the strategy

Buildings and Infrastructure

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



Transportation

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

Consumer durables
Consumer packaged goods

Consumer Goods

Natural resource and energy industries
Process industries

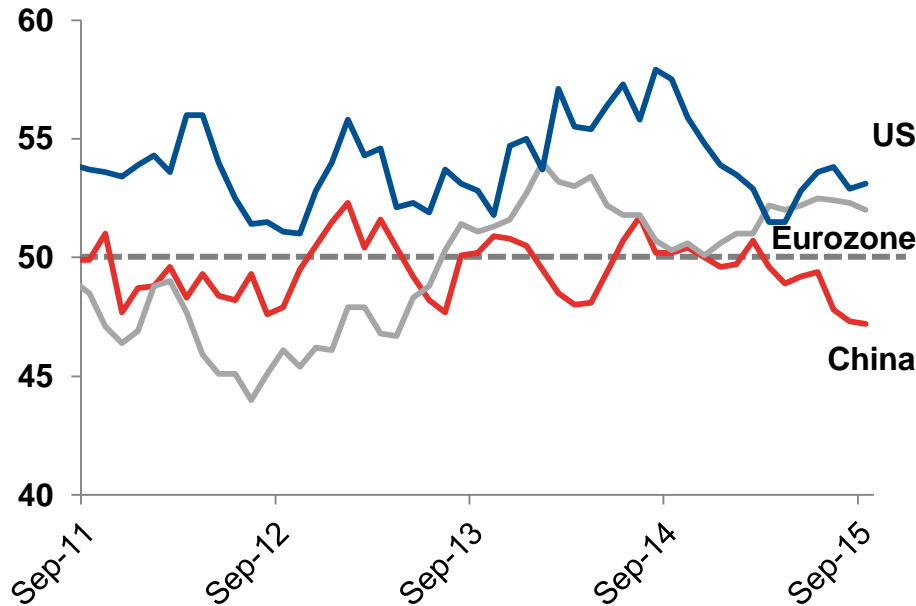
Industrial



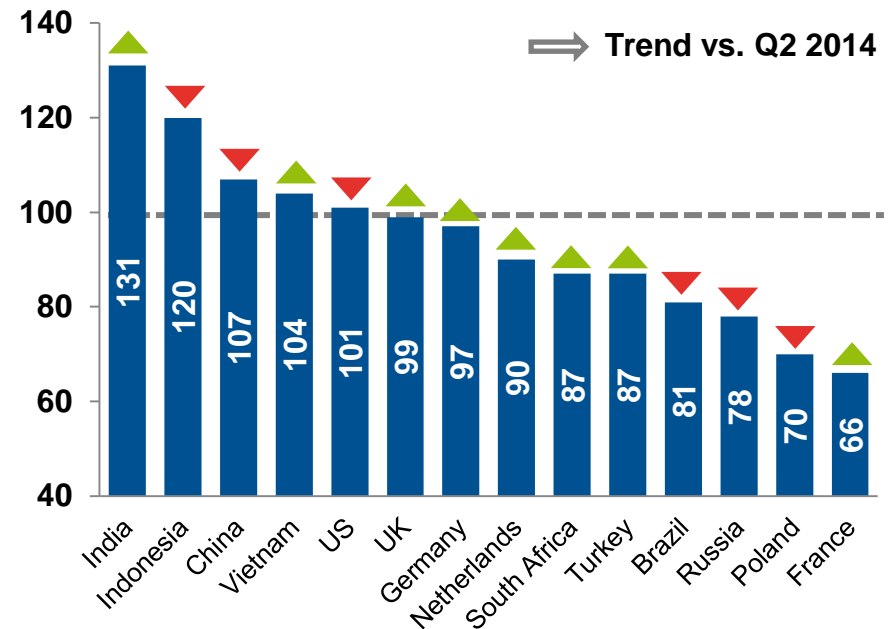
Producer and consumer confidence increase in Europe and decline in China

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Purchasing managers index
Figures below 50 indicate pessimism



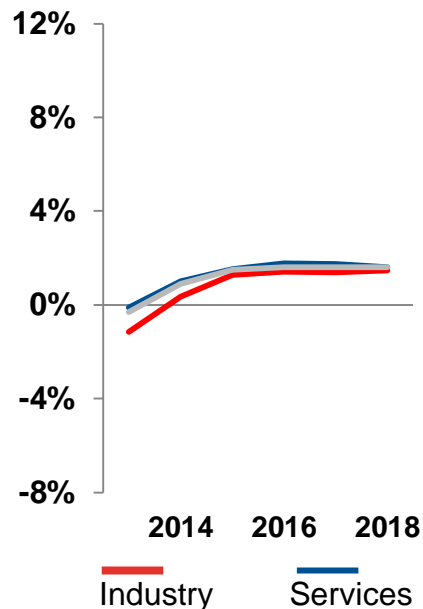
Consumer confidence, Q2 2015
Figures below 100 indicate pessimism



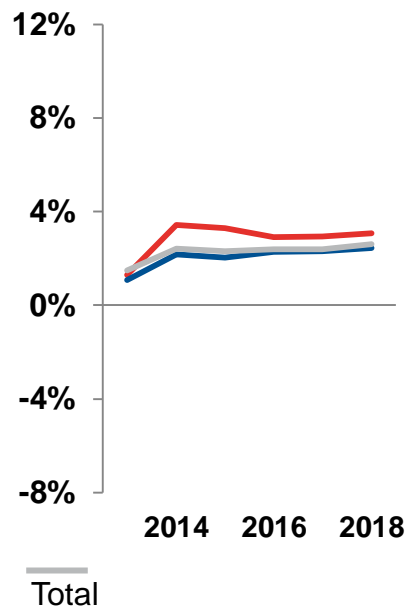
Growth expectations are decreasing in China and industry growth is lagging

AkzoNobel

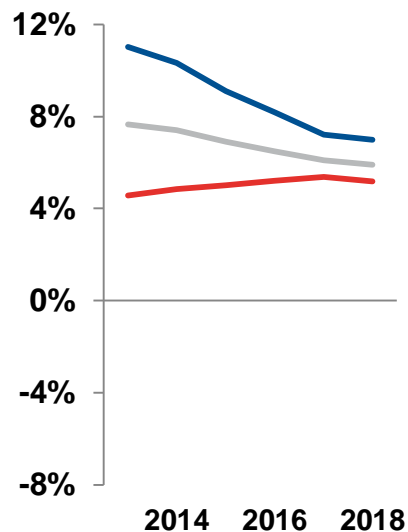
Euro area
Real GDP growth



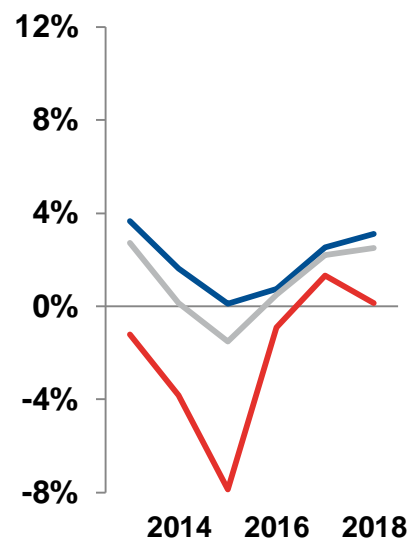
US
Real GDP growth



China
Real GDP growth



Brazil
Real GDP growth



Strategic update

Ton Büchner

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Executive summary



Strategic development so far



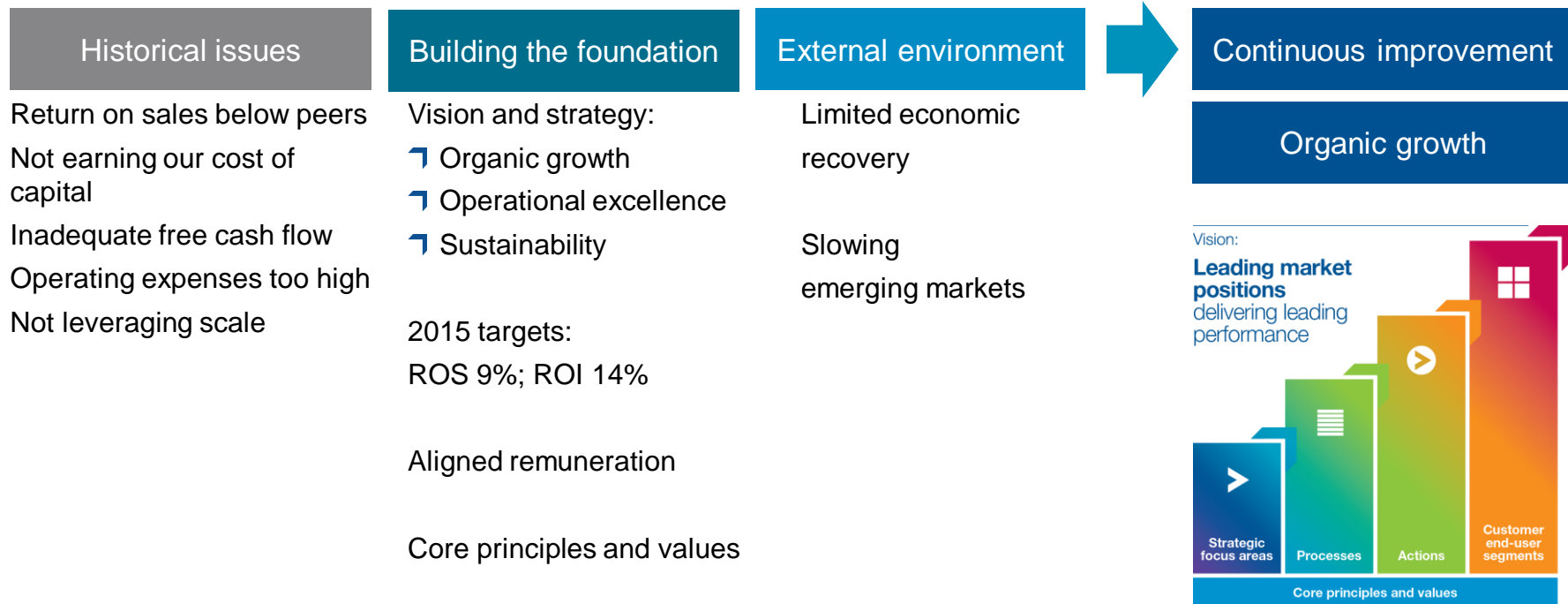
Economic outlook



Next phase of the strategy

Strategy will be maintained and move towards the next phase

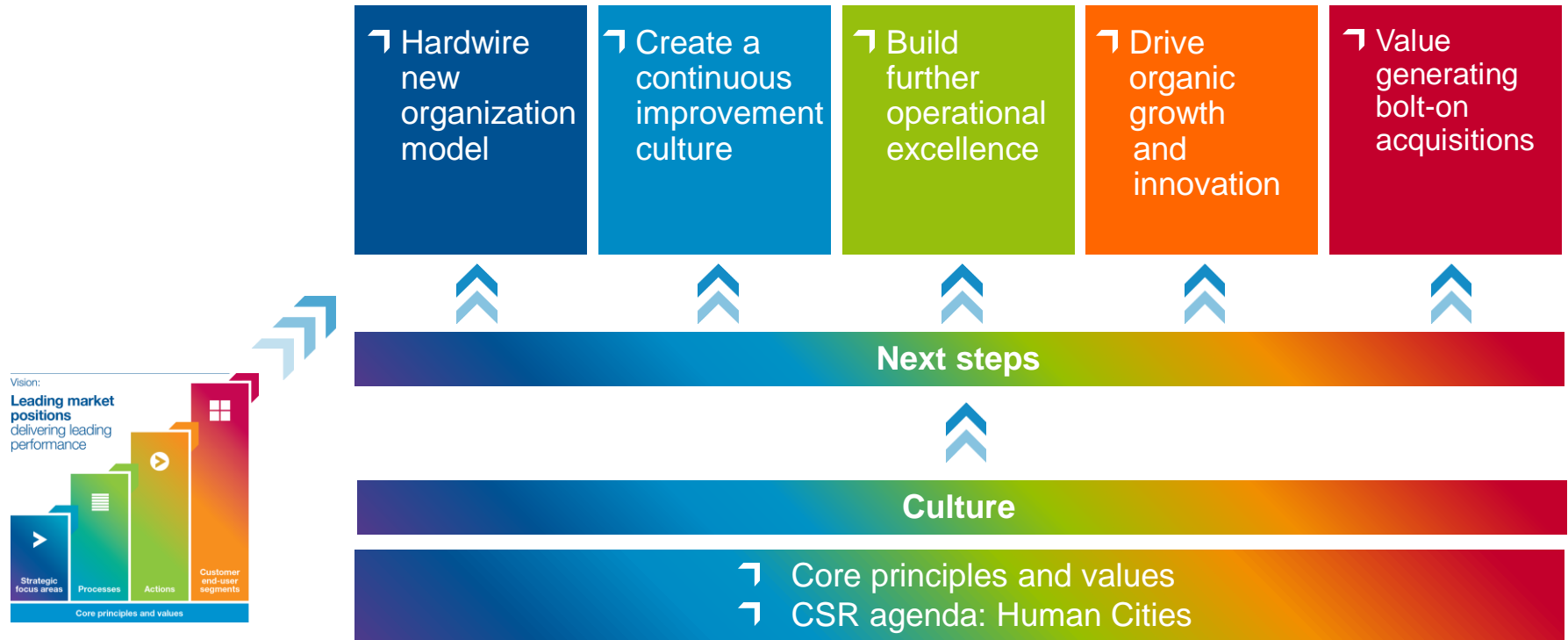
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Next phase of the strategy

Focus will shift towards continuous improvement and organic growth

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Next phase of the strategy

Vision confirmed; financial guidance 2016-2018

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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



Next phase of the strategy

ROS = EBIT/revenue

ROI = EBIT/average 12 months invested capital

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





Specialty Chemicals Werner Fuhrmann




➤ Essential ingredients



...in
sustainable
buildings



...in the
automotive
industry



...in
agriculture

Agenda

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Business at a glance



Specialty Chemicals market and competitive environment



AkzoNobel position and strategy



Growth agenda with focus on innovation and sustainability



Summary and conclusions

A global player with leading market positions

AkzoNobel

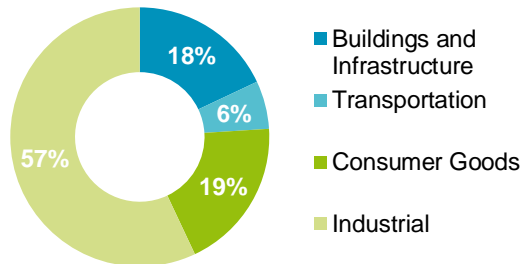
Specialty Chemicals key figures

€ million	2014
Revenue	4,883
EBITDA	815
Operating income	508
Return on sales	10.4%
Return on investment	14.8%
Employees	9,800

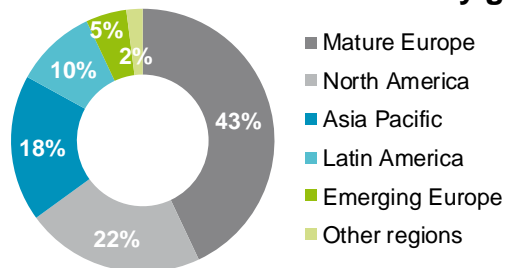
Key capabilities

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

Revenue by end-user segment



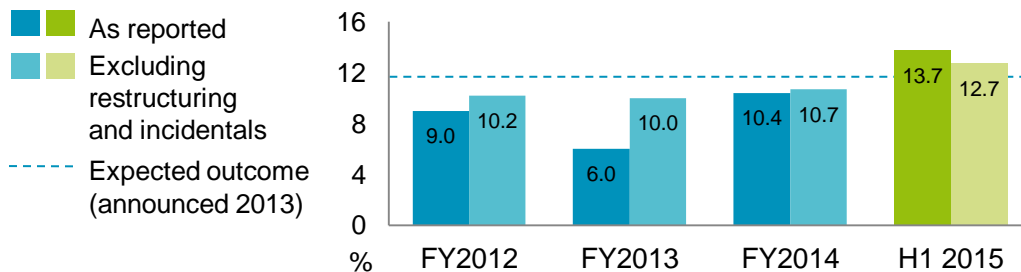
Revenue by geographic spread



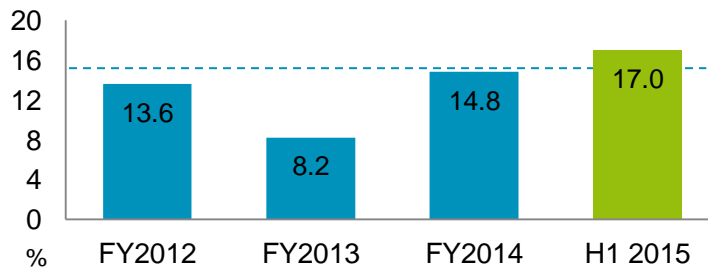
Progress made to date and on track to deliver on our expected outcomes

AkzoNobel

Return on sales %



Return on investment %



Achievements

- Productivity improvement
- Portfolio focus (divestment Paper Chemicals)
- Investments:
 - Bleaching: Two new chemical islands in Brazil operational
 - Salt-chlorine: Frankfurt conversion and extension operational
 - Ethylene oxide chain: New downstream plant in China (Ningbo) operational
 - Surfactants: Boxing site (China) fully integrated
 - Polymer Chemistry: manufacturing optimizing on track



Delivering considerable performance improvement

Metric	From 2012	To H1 2015	Δ
Employees	10,750	9,200	-14%
Manufacturing plants	106	93	-12%
Total reportable injuries*	2.3	2.1	-10%
ERP systems	8	1	
Renewable energy usage	31%**	37%	+19%
Operations integrated with customers	17**	19	+10%

- Anchored continuous improvement
 - Rationalized manufacturing footprint
 - Enhanced labor productivity
 - Consolidated ERP systems
 - Safety records improved
- Enhanced sustainability profile

* Per million hours worked

** From 2013



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AkzoNobel



Business at a glance



Specialty Chemicals market outlook



AkzoNobel position and strategy



Growth agenda with focus on innovation and sustainability



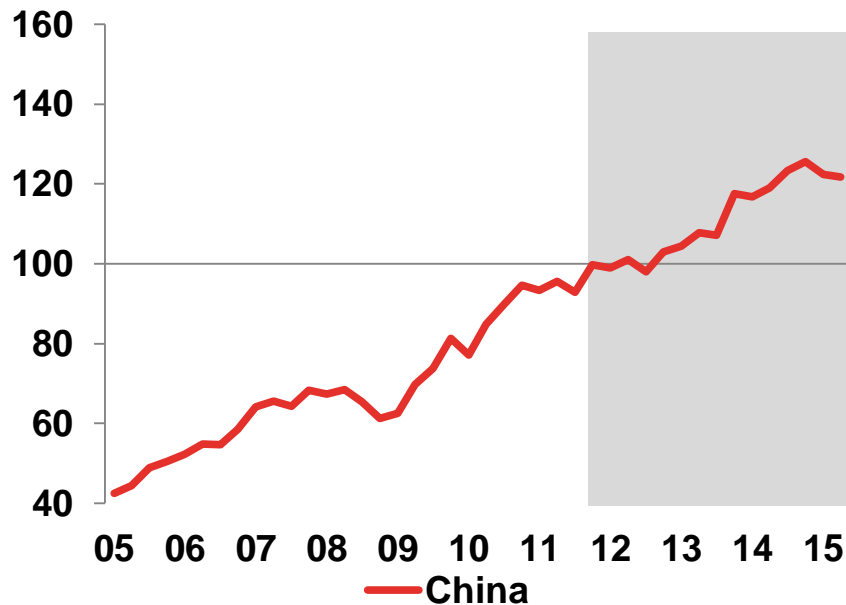
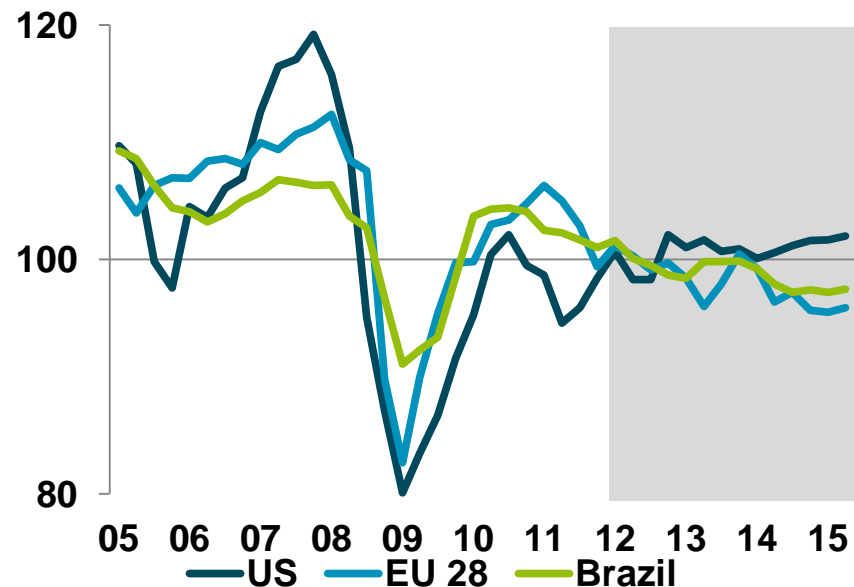
Summary and conclusions

US and China drive chemical industry growth

AkzoNobel

Basic chemicals production indices

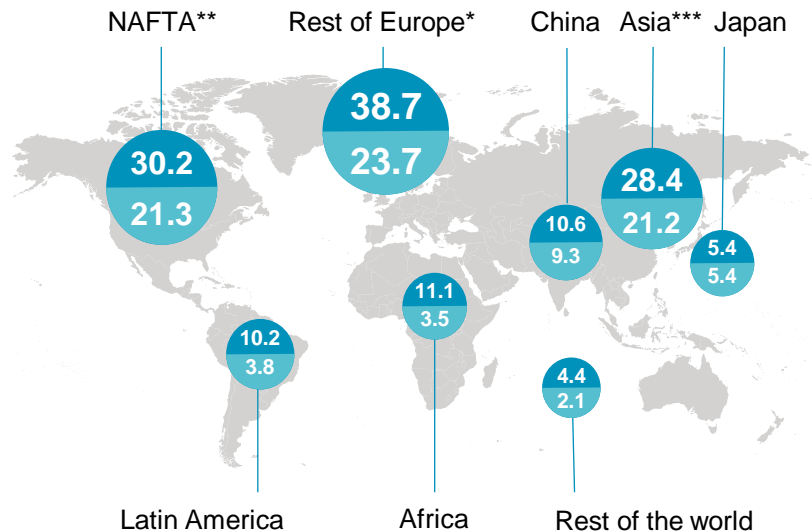
2012 = 100



Europe remains competitive; Operating in a volatile energy and raw material environment

AkzoNobel

EU chemicals sector posted a record trade surplus in 2013

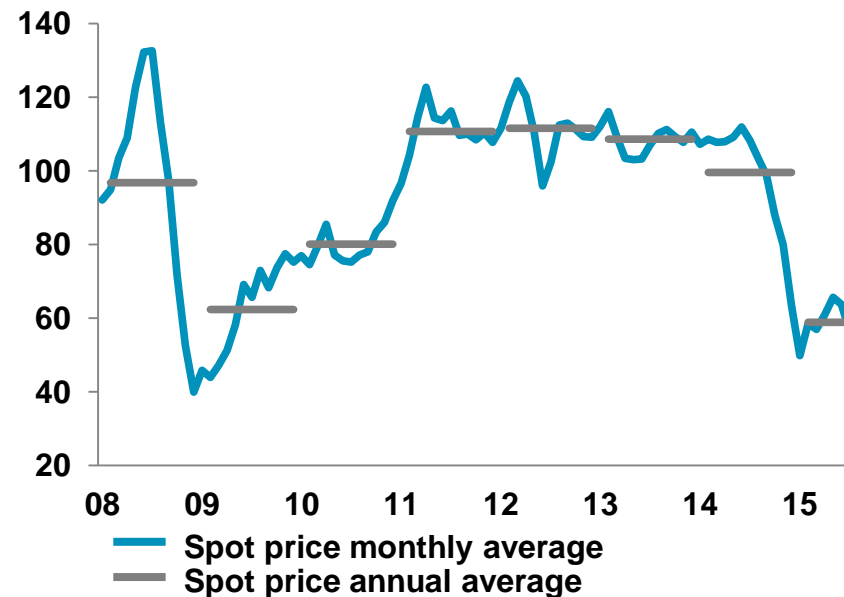


● EU Exports 2013 in % (€ 139 billion)

● EU Imports 2013 in % (€ 90.3 billion)

Brent crude price (freight-on-board North Sea)

\$ per barrel



Source: Eurostat and Cefic Chemdata International (2014)

Unless specified, chemical industry excludes pharmaceuticals. EU refers to EU 28

*Rest of Europe includes CH,NU,TR,RU,UA. ** North America Free Trade Agreement

*** Asia excluding China and Japan

Agenda



Business at a glance



Specialty Chemicals market outlook



AkzoNobel position and strategy



Growth agenda with focus on innovation and sustainability



Summary and conclusions

Resilient portfolio organized in five strong chemical platforms

AkzoNobel

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

AkzoNobel

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

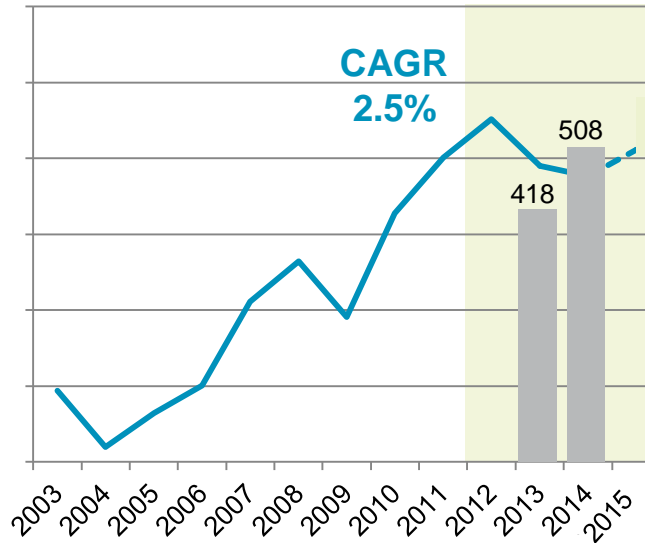
**Growth range
2012-2015**
-10 to +5%
Average -3%



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



Specialty Chemicals vision confirmed; performance range 2016-2018

AkzoNobel



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

Key assumptions:

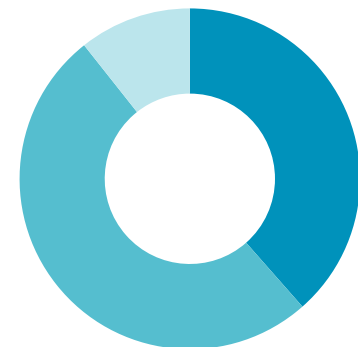
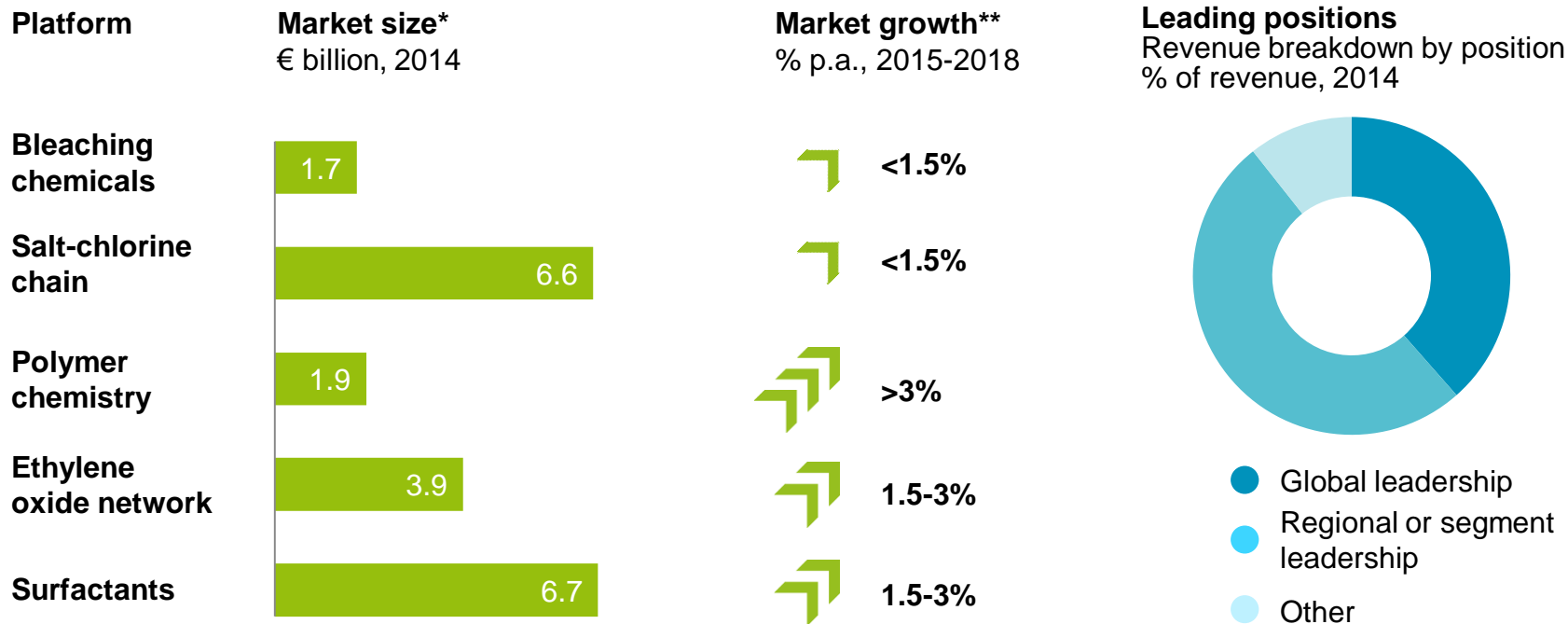
Currencies versus €: \$1.1, £0.71, ¥7.1

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



Continued market growth expected over the next few years

AkzoNobel



- Global leadership
- Regional or segment leadership
- Other

* Sum of sectors relevant to AkzoNobel

**Related to AkzoNobel portfolio

Source: AkzoNobel internal analysis

We have the right strategy in place

AkzoNobel



Strategic focus areas



Processes



Action



End-user segments

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



Agenda



Business at a glance



Specialty Chemicals market outlook



AkzoNobel position and strategy



Growth agenda with focus on innovation and sustainability



Summary and conclusions

Process and product innovation enables growth across all businesses

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- 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



Innovation success resulting in savings for our customers

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Improved agricultural adjuvant (Surfactant)

- Used to enhance effectiveness of crop protection
- Delivers customer value by reducing amounts needed
- Improved eco-profile resulted in rapid sales growth



Enhanced anti-caking agent for salt

- Used as anti-caking agent for transforming salt into chlorine and caustic for many chemical processes and products
- Reduces corrosion and precipitates in usage
- Reduces energy for our customers up to 5%



Innovation success resulting in process improvement

Significant debottlenecking at MCA Taixing

- Used in variety of applications: thickening agents (e.g. food), pharmaceuticals, cosmetics
- Capacity expansion from 60 ktpa to 100 ktpa realized through proprietary catalytic hydrogenation technology
- Better product quality and reduced energy consumption



Unique, patented technology for PVC customers

- Continuous initiator Dosing™ offers continuous dosing equipment to our PVC customers
- Enhances productivity by up to 30 percent, safety improvements, energy and cost reductions and better PVC quality



Innovation success resulting in new products and applications

AkzoNobel

Biodegradable chelate from bio based raw materials

- Used in various applications: detergents, personal care and cosmetics, automatic dishwashing
- Dissolvine-GL, biodegradable alternative for phosphates
- Most green and highly effective chelate in our range - prepared from bio-based raw materials



Stronger micronutrient for new applications

- Bolikel®XP resulted from a new proprietary route
- Resulted in cost-efficient, biodegradable, improved uptake by plants, less dosing, performs in most demanding soil types
- Chelated micronutrients avoid mineral deficiency in plants



Commercial excellence drives growth with our customers

AkzoNobel



Regional opportunities enable additional growth

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North America

Shale gas, increased investments in petrochemicals and plastics

Growth products: Polymer Chemistry, Surfactants

Europe

High valued add specialties

Growth products: Surfactants, Chelates, Performance Additives, Expancel, Colloidal Silica

Middle East

Moving down the value chain. Expanding petrochemicals and plastics customers

Growth products: Polymer Chemistry, Ethylene derivatives

China

Urbanization, growing middle class. Improved safety and environmental controls

Growth products: Polymer Chemistry, Ethylene Amines, Chelates and Micronutrients

Latin America

Increased pulp production. Growing consumer markets

Growth products: Surfactants, bleaching chemicals

Africa

Improved agriculture. Growing demand for housing

Growth products: Surfactants, Micronutrients, Performance Additives

India

Specialty chemicals growth (pharmaceutical and agriculture raw materials) Growth middle class

Growth products: Ethylene amines, MCA, Surfactants, Polymer Chemistry

South East Asia

Increased pulp production. Growing consumer markets

Growth products: Bleaching chemicals, Surfactants, Polymer Chemistry



Agenda



Business at a glance



Specialty Chemicals market outlook



AkzoNobel position and strategy



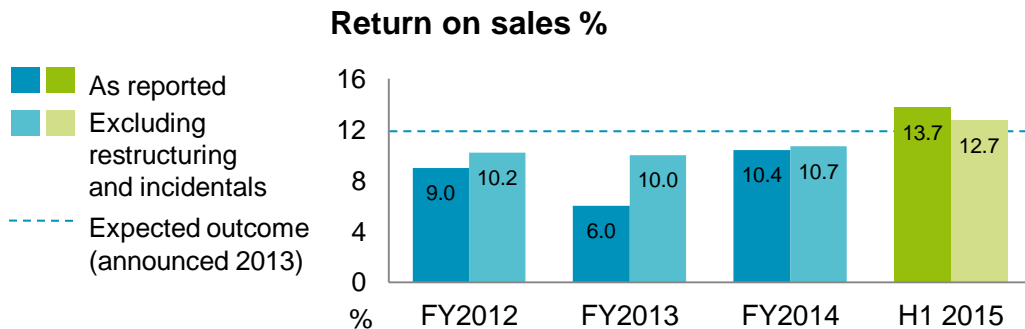
Growth agenda with focus on innovation and sustainability



Summary and conclusions

Delivering leading performance with strategic actions driving improved returns

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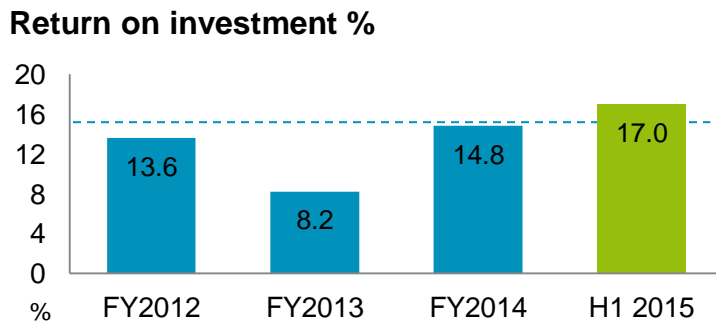
Expected outcomes 2015 (announced 2013)

- Return on sales: 12%
- Return on investment: 15%

Performance range 2016-2018:

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

Key assumptions:
Currencies versus €: \$1.1, £0.71, ¥7.1
Oil price ~\$60/bbl; no significant market disruption



Expected outcomes – as reported
Performance range:
ROS = EBIT/revenue
ROI = EBIT/average 12 months invested capital

We continue to improve towards leading performance while growing our business

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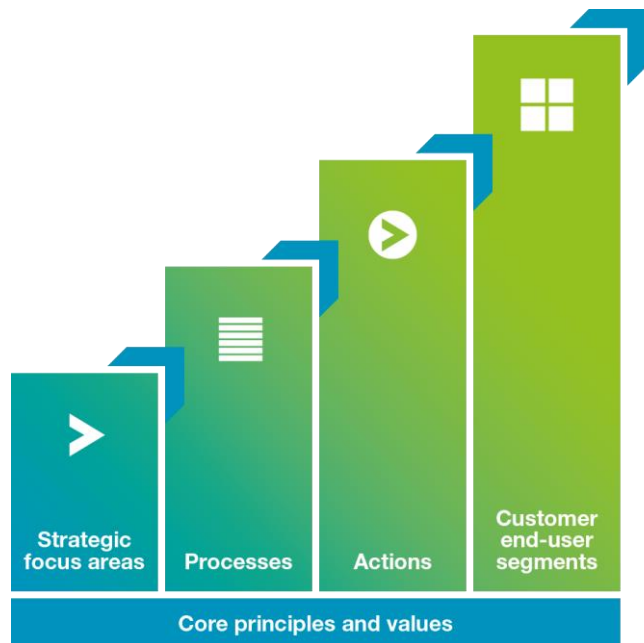


- A global player with a resilient portfolio and leading market positions – serving attractive markets
- Achieved considerable performance improvement and enhanced the quality of the business through operational excellence and anchored continuous improvement
- Continue pursuing differentiated strategies
- Going forward: create additional value through profitable growth at or above market rates



Specialty Chemicals vision confirmed; Strategic priorities updated

AkzoNobel



Vision:

**Delivering leading performance
based on sustainable chemical platforms
driving profitable growth in selected markets**

Strategic priorities

- Year-on-year productivity gains delivered through robust Continuous Improvement processes
- Innovation and functional excellence positioned as key drivers for growth

Sustainability is business and business is sustainability





Performance Coatings Conrad Keijzer



↗ Essential protection



...on
structural
steel



...on airplane
exteriors



...on ships,
boats and
yachts

Agenda

AkzoNobel



Business at a glance



Performance Coatings market outlook



AkzoNobel position and strategy



Growth agenda with focus on innovation and sustainability



Summary and conclusions

Performance Coatings at a glance

AkzoNobel

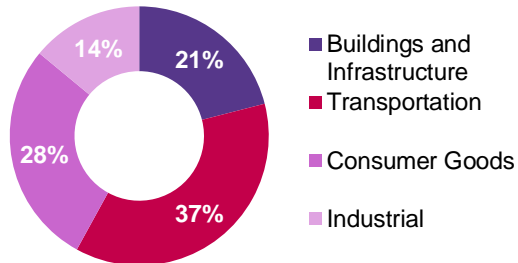
Performance Coatings key figures

€ million	2014
Revenue	5,589
EBITDA	687
Operating income	545
Return on sales	9.8%
Return on investment	22.0%
Employees	20,500

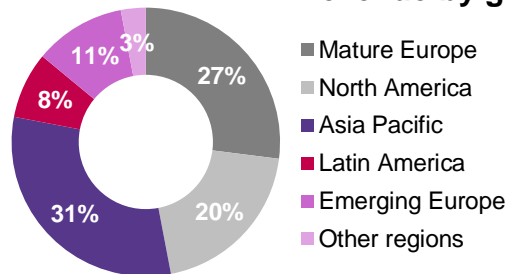
Key capabilities

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

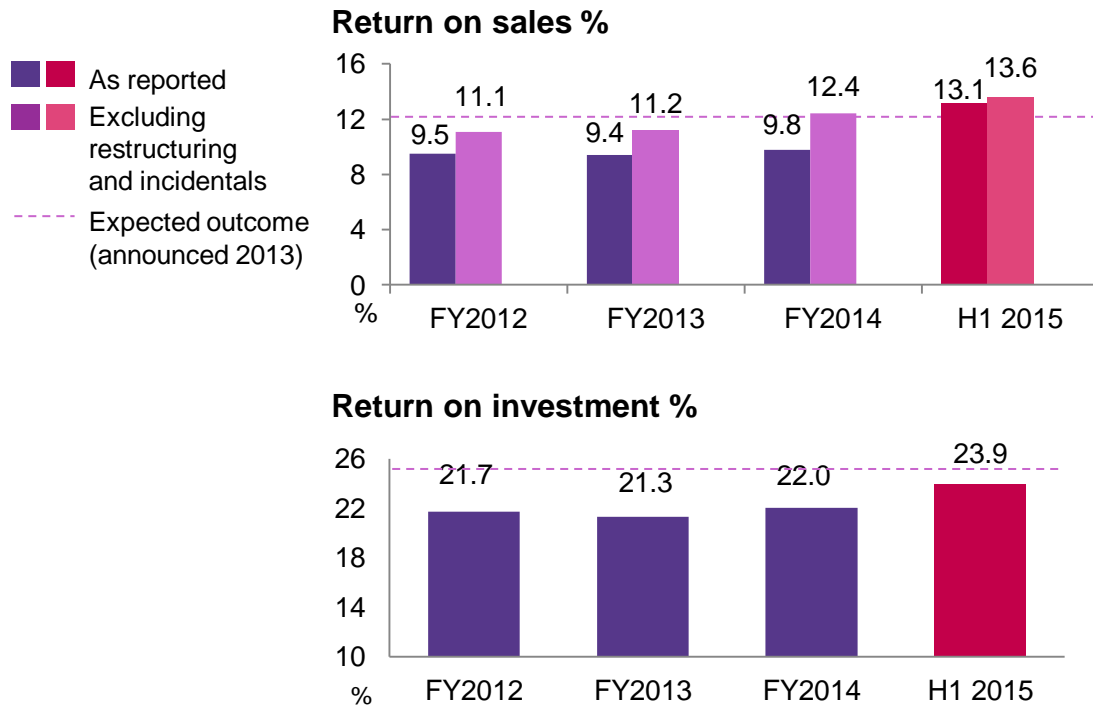
Revenue by end-user segment



Revenue by geographic spread



Significant profitability improvement



Achievements

- Clarity on market strategies with focus on operational initiatives
- Streamlined organization with fewer layers and stronger customer focus
- Rationalized global footprint
- New ways of working

Performance improvement through complexity reduction and operational excellence

Metric	From 2012	To H1 2015	Δ
Employees	21,300	19,700	-1,600
Management layers	9 (average)	6	-3
Manufacturing plants	102	87	-15
ERP systems	67	13	-54
Total reportable injuries*	2.6	1.9	-26%
Revenue per employee** €'000	268	303	+13%
Revenue per site** € million	56	69	+23%

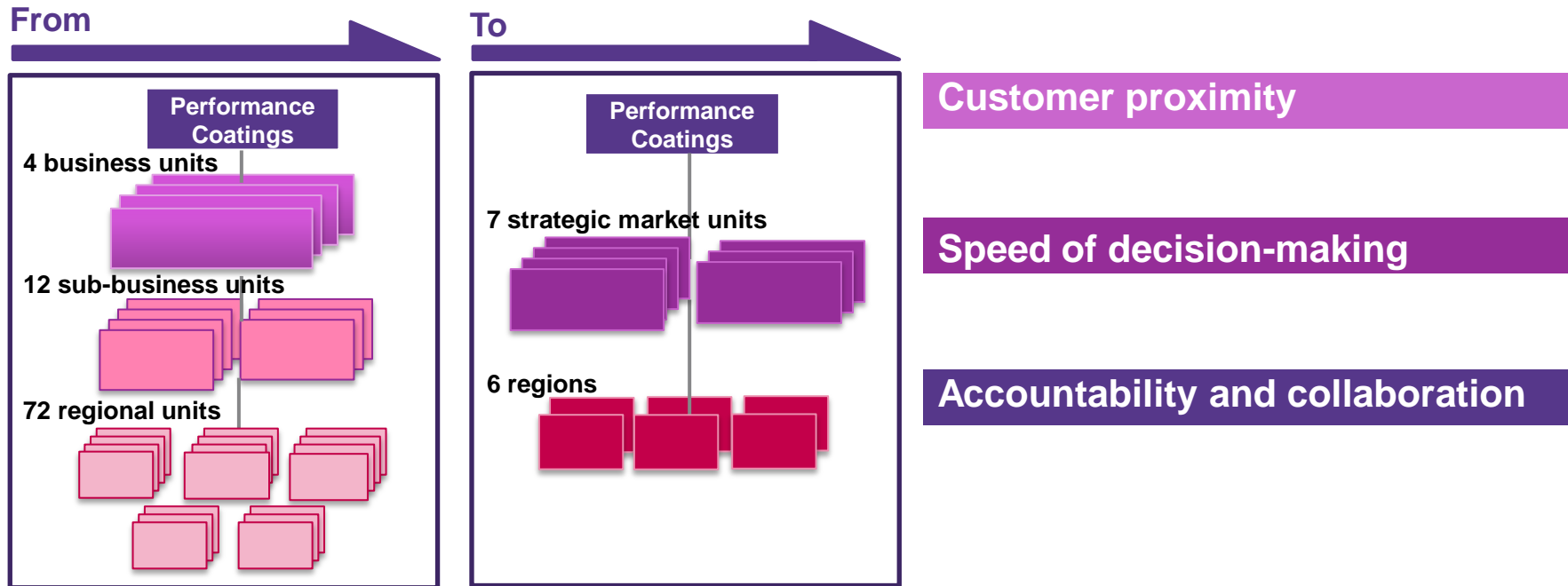
Highlights

- ↙ Safety improvement
- ↙ Flatter organization
- ↙ Rationalized global footprint
- ↙ Consolidated ERP landscape
- ↙ Increased productivity



New simplified organization drives operational excellence and organic growth

AkzoNobel



Agenda



Business at a glance



Performance Coatings market outlook



AkzoNobel position and strategy



Growth agenda with focus on innovation and sustainability



Summary and conclusions

Challenging market conditions in emerging economies and oil and gas

AkzoNobel

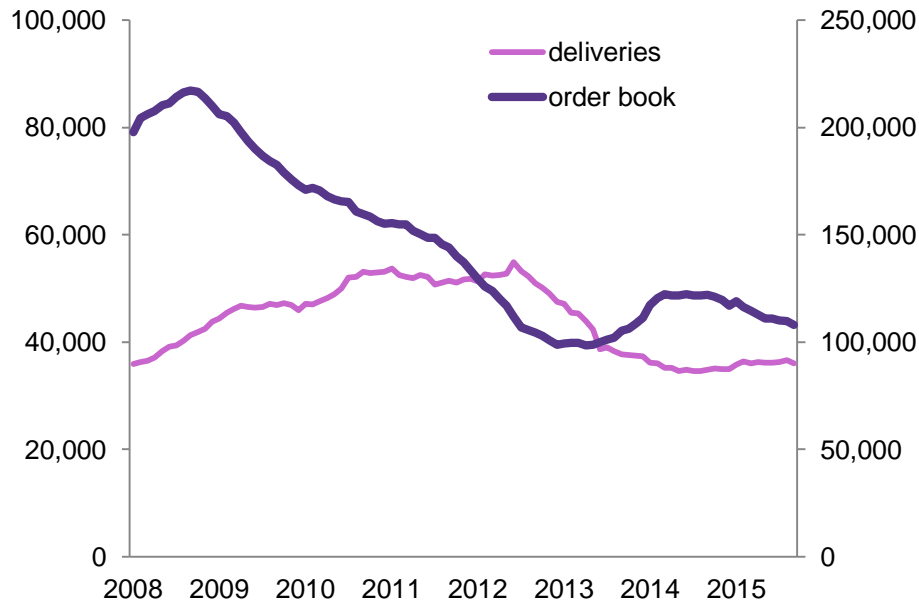
- Weakening trend of global manufacturing continues
- Limited evidence of upturn in European construction
- China growth moderating; residential and commercial construction activity down
- Oil and gas industry capital spending decline
- Marine new build order book contracting



Marine order book has not recovered

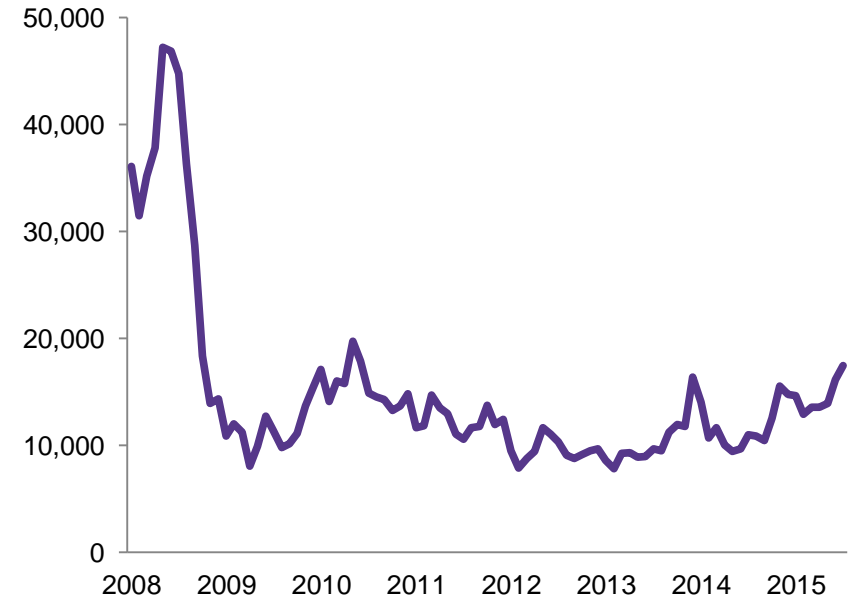
Order book and deliveries

Million CGT*



Freight rate

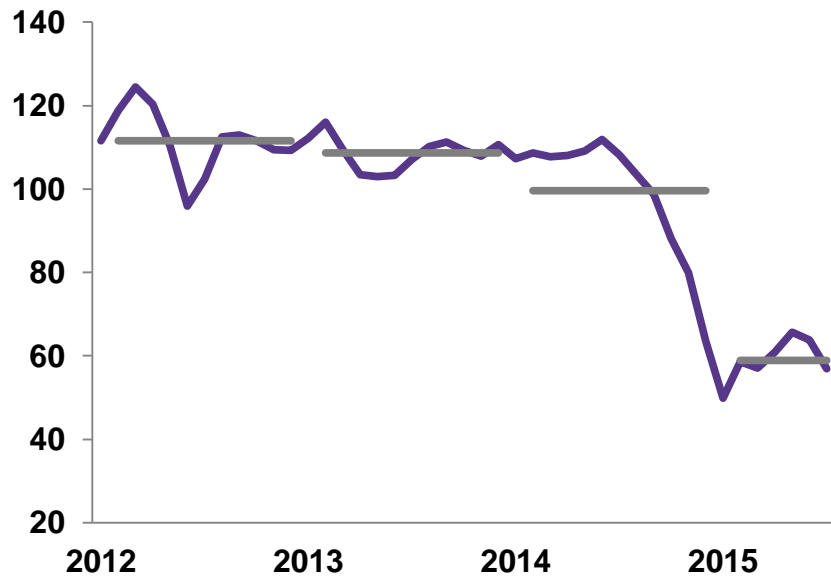
\$/day



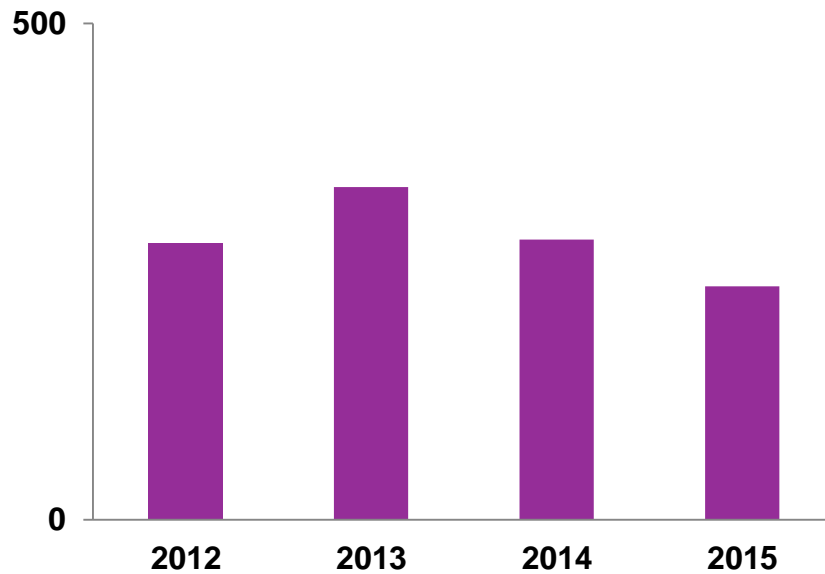
Lower oil price significantly impacts oil and gas capital expenditure

AkzoNobel

Brent crude price (freight-on-board North Sea)
\$ per barrel



Oil and gas capital expenditure
\$ billion



Leading positions and “fit for purpose” organization

AkzoNobel

- ↵ Internationally recognized brands and market leadership in most segments
- ↵ Strong competitive position through differentiated technologies
- ↵ Reference customers in each segment with long-lasting relationships
- ↵ New structure brings cost optimization and stronger customer focus
- ↵ Culture shift towards action and accountability; enhancing responsiveness
- ↵ We selected the right people to drive leading performance



Agenda



Business at a glance



Performance Coatings market outlook



AkzoNobel position and strategy



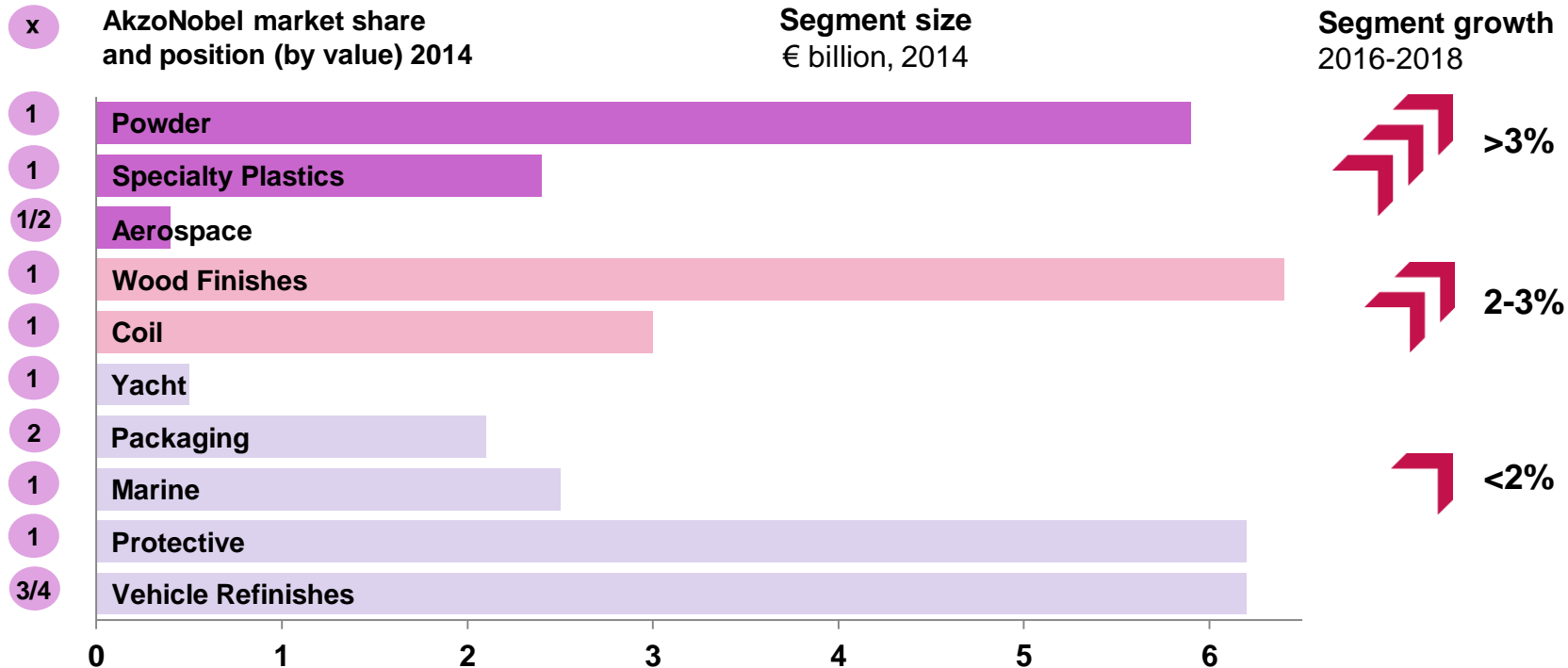
Growth agenda with focus on innovation and sustainability



Summary and conclusions

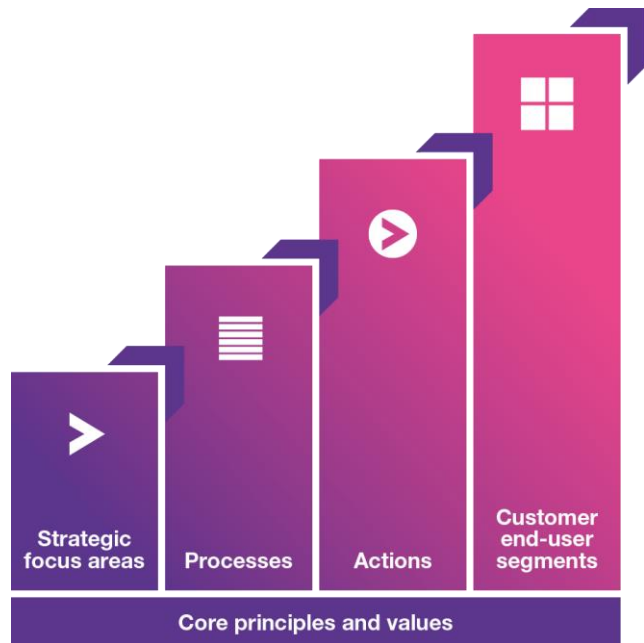
We have leading positions in the markets we serve

AkzoNobel



Performance Coatings vision confirmed; performance range 2016-2018

AkzoNobel



Vision:

**Leading market positions
delivering leading performance**

Performance range 2016-2018:

↗ Return on sales: 12-14%

↗ Return on investment: >25%

↗ 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



We have the right strategy in place

AkzoNobel



Strategic focus areas



Processes



Action

Business Area actions

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

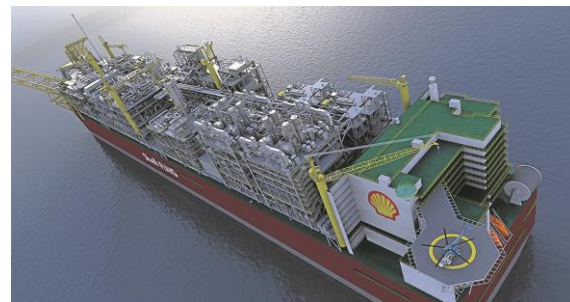


End-user segments



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

AkzoNobel

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



Agenda



Business at a glance



Performance Coatings market outlook



AkzoNobel position and strategy



Growth agenda with focus on innovation and sustainability



Summary and conclusions

Growth through product, process and service innovation across all businesses

AkzoNobel

- ↯ 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



Innovation success resulting in cost savings for our customers

AkzoNobel

Product features:

- Basecoat/Clearcoat system requires just one coat per color and one layer of clearcoat
- 100% chrome-free high-solid primer system
- Reduced drying time
- Protection against weathering and fading

Customer benefits:

- Quicker throughput and increased productivity
- Factory-new look throughout the maintenance cycle
- Strong durability reduces maintenance costs
- Mica colors enable special effects and superior look



Innovation success resulting in sustainability benefits for our customers

AkzoNobel

Product features:

- Intersleek foul release marine coatings reduce fuel consumption and emissions by an average of 9%
- Shipping industry's first methodology for generating carbon credits
- Over 550 vessels coated to date

Customer benefits:

- Customers switching to Intersleek technology can generate carbon credits
- Customers incentivized to use premium hull coatings; win/win scenario



Innovation success covering global future trends such as digitization

AkzoNobel

Intertrac Mobile

- “Big Data” tool accurately predicts the potential fuel and CO₂ savings offered by fouling control
- Provides a full cost-benefit analysis before a coating is applied

Automatchic Vision

- Lightweight device, the smallest of its kind, to accurately select the best-matching car repair color
- Fast and reliable color match - saves time and paint consumption

Interplan

- Mobile-enabled maintenance and repair service delivers detailed corrosion survey information directly to customers
- Helps avoid costly coating repairs later in the lifecycle of an asset



Innovation success resulting in both complexity and cost reduction

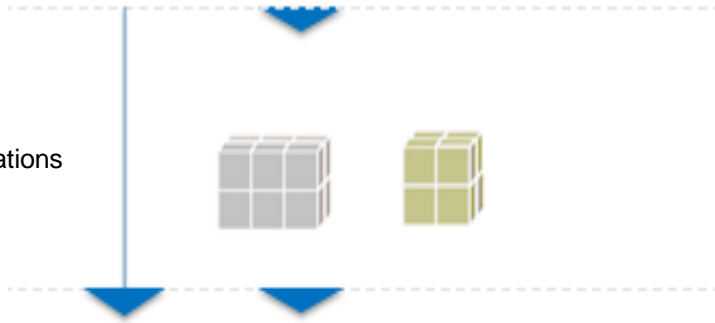
Raw materials

Eliminate proliferation



Building blocks

Apply in multiple formulations

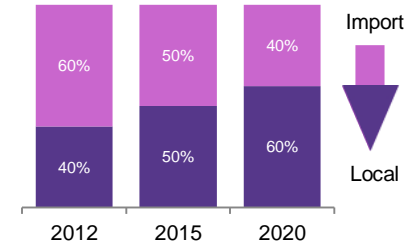


Formulations

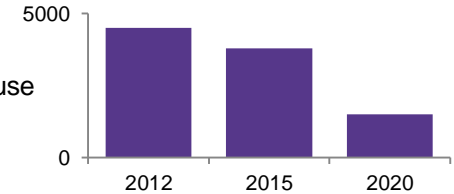
Global architectures with local tweaks



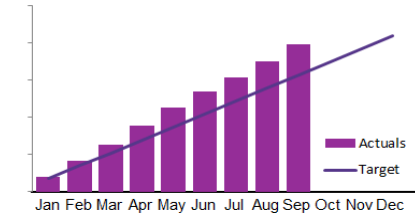
% localization of raw materials



of colorants in use



Tracking of value engineering



Agenda



Business at a glance



Performance Coatings market outlook



AkzoNobel position and strategy

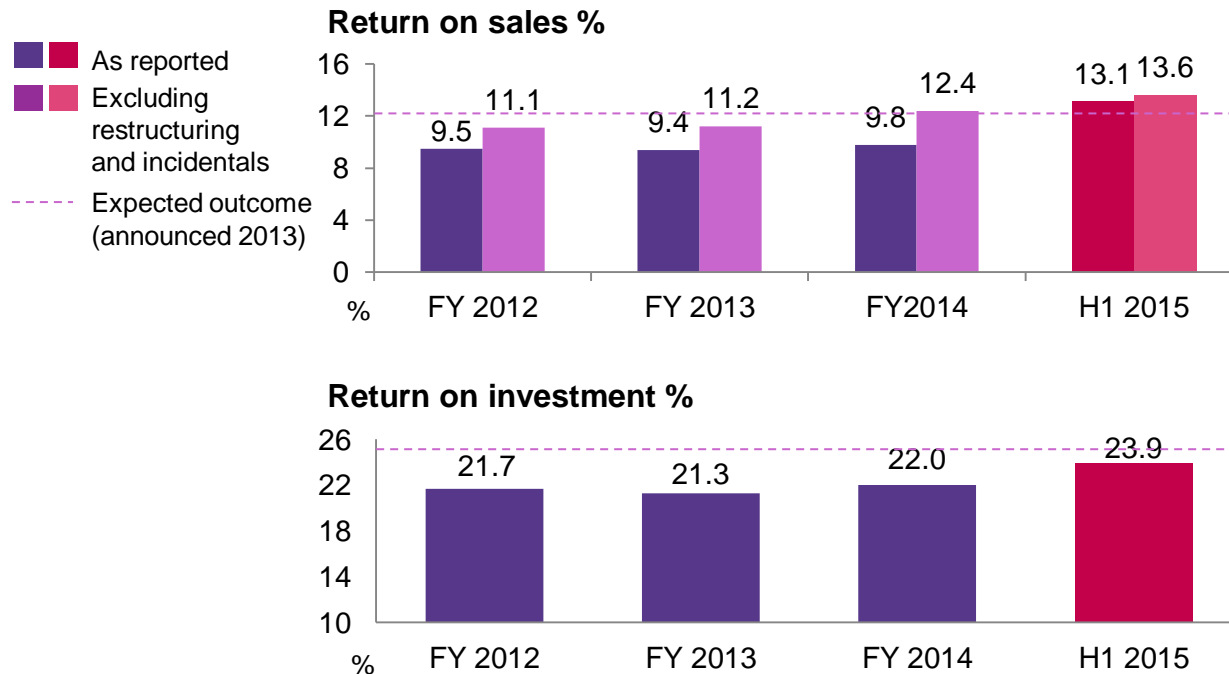


Growth agenda with focus on innovation and sustainability



Summary and conclusions

Progress going forward: 2016-2018



Expected outcomes 2015 (announced 2013)

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

Performance range 2016-2018

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

Key assumptions:

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

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

Expected outcomes – as reported

Performance range:

ROS = EBIT/revenue

ROI = EBIT/average 12 months invested capital

We are well positioned to drive organic growth and deliver leading performance

AkzoNobel



We are delivering on our actions

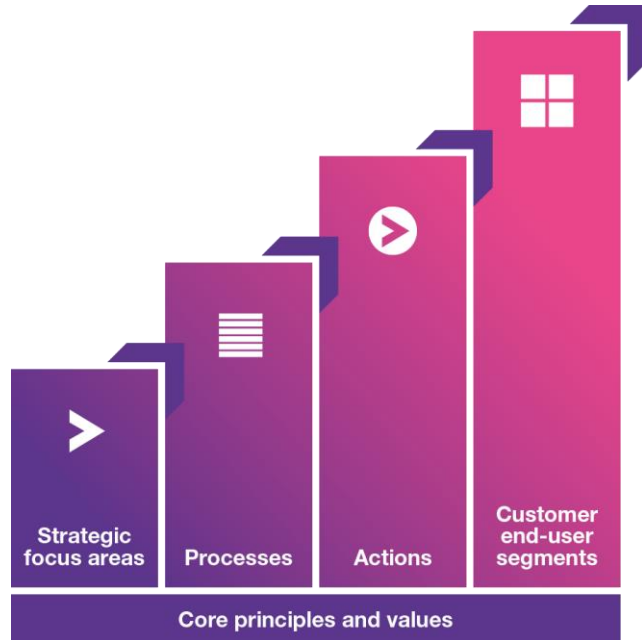
- ↗ Leading market positions with strong brands
- ↗ Strong competitive position through leading technologies
- ↗ Reference customers in each segment with long-lasting relationships
- ↗ Fit for purpose organization

Our focus going forward

- ↗ Continued performance improvement initiatives
- ↗ Profitable organic growth based on commercial excellence and targeted innovation



Performance Coatings vision confirmed



Vision:

**Leading market positions
delivering leading performance**

Our focus going forward

- ↳ Continued performance improvement initiatives
- ↳ Profitable organic growth based on commercial excellence and targeted innovation





Decorative Paints Ruud Joosten



↗ Essential color



...on exteriors
and preserving
city heritage



...on interior
walls and
ceilings



...on wooden
floors, furniture
and fencing

Agenda

AkzoNobel



Business at a glance



Decorative Paints market and competitive environment



AkzoNobel position and strategy



Growth agenda with focus on innovation and sustainability



Summary and conclusions

Decorative Paints at a glance

AkzoNobel

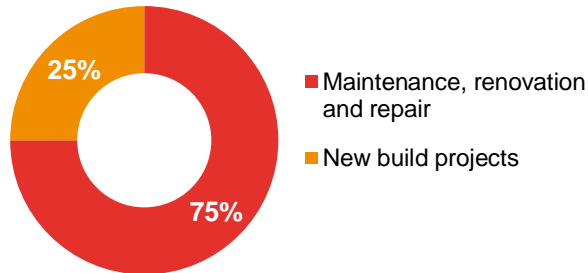
Decorative Paints key figures

€ million	2014
Revenue	3,909
EBITDA	405
Operating income	248
Return on sales	6.3%
Return on investment	8.8%
Employees	15,200

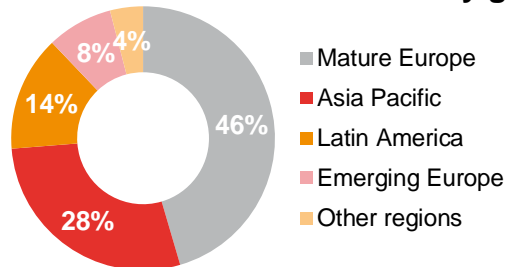
Key capabilities

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

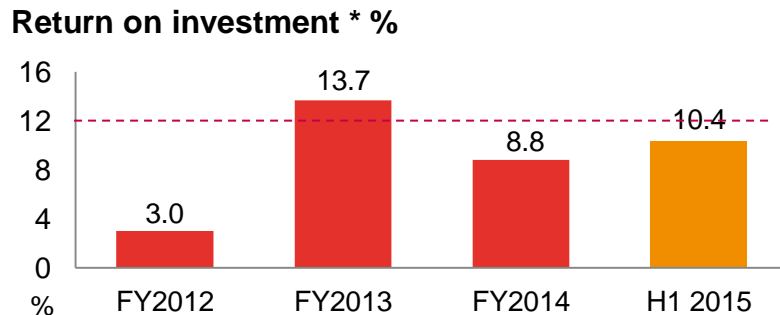
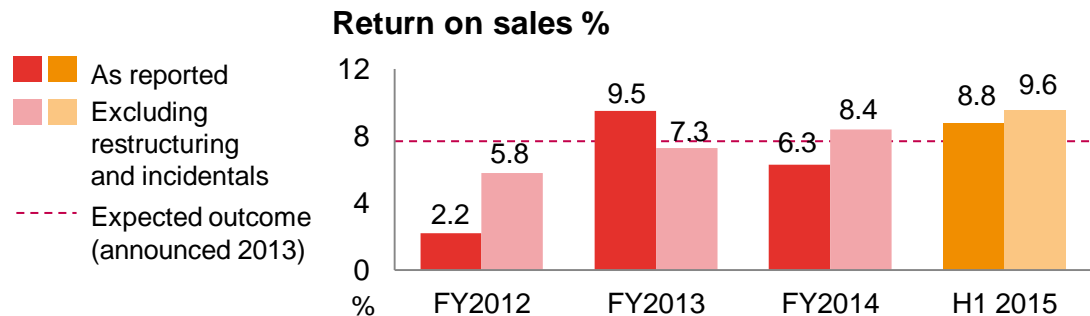
Revenue by end-user segment



Revenue by geographic spread



Grown profitably in key markets and fixed mature Europe



Achievements

- Grown profitability in China, Brazil, Indonesia, Turkey and South Africa and other markets
- In mature Europe:
 - Grown profitably despite challenging economic climate
 - Increased customer focus
 - Implemented new operating model significantly reducing costs and complexity
- Divested non-core Building Adhesives business as well as strategically challenged German stores



Agenda



Business at a glance



Decorative Paints market outlook



AkzoNobel position and strategy



Growth agenda with focus on innovation and sustainability



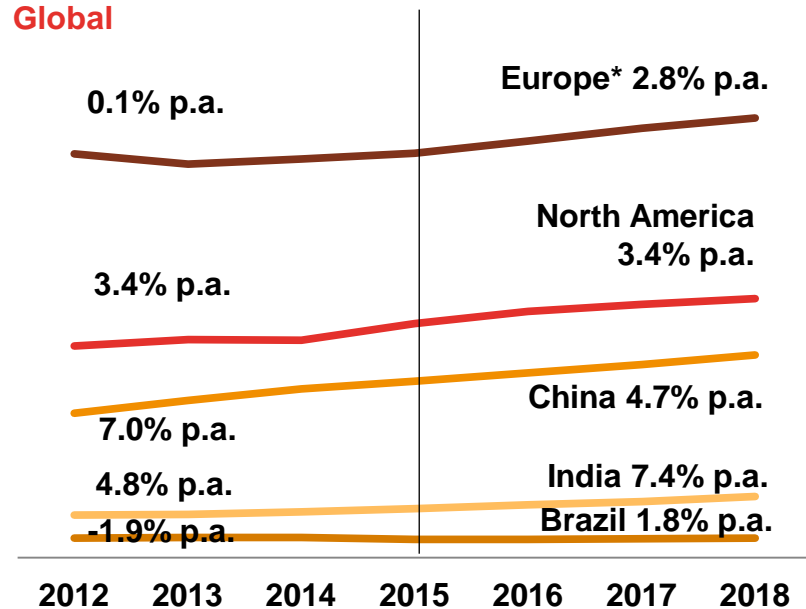
Summary and conclusions

Changing growth expectations in maintenance, renovation and repair

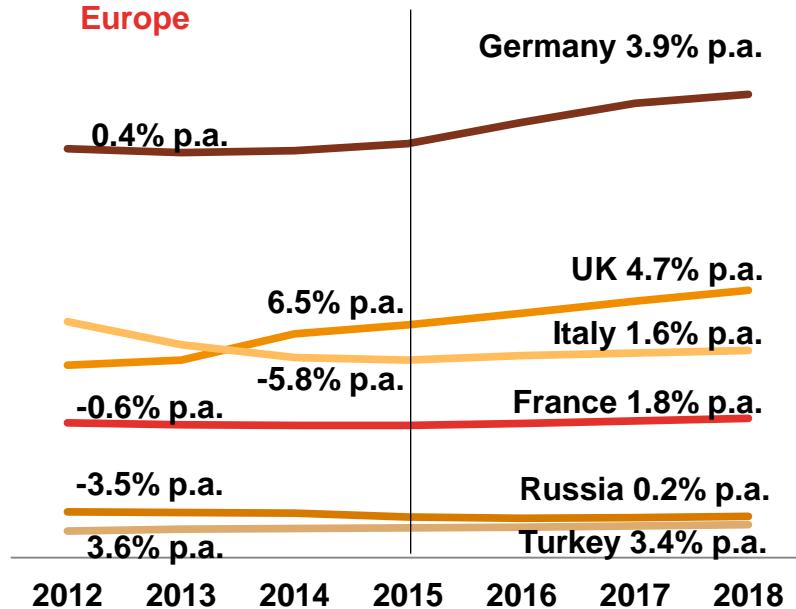
Maintenance and repair, excluding infrastructure and industrial construction

\$ billion, output

Global



Europe



*Europe includes Russia and Turkey
Source: IHS/Construction IC

Agenda



Business at a glance



Decorative Paints market outlook



AkzoNobel position and strategy



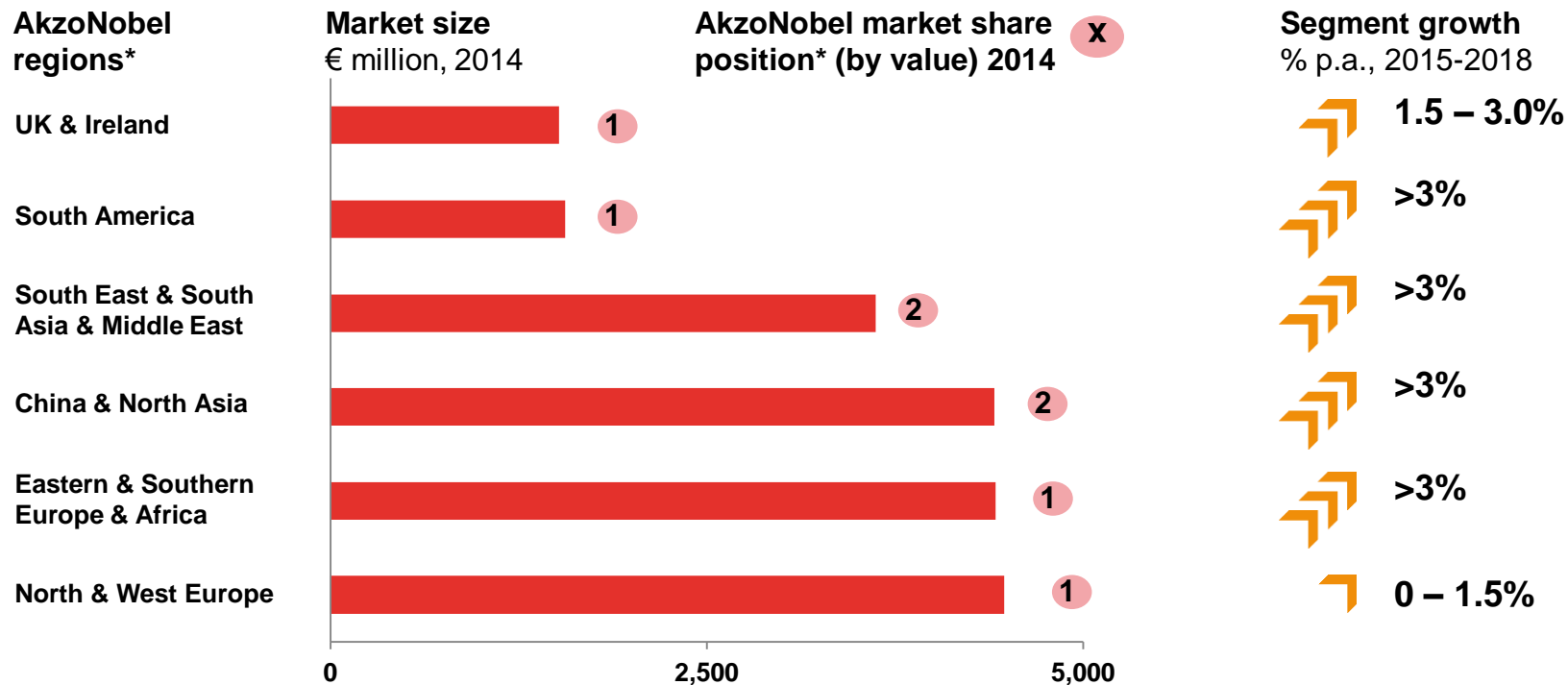
Growth agenda with focus on innovation and sustainability



Summary and conclusions

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

AkzoNobel



* Arranged by market size.
Containing the countries where AkzoNobel is present

Unique competitive positioning demonstrating resilient business model

AkzoNobel

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		



Significant performance improvement

Metric	From 2013	To H1 2015	Δ
Employees	16,200	15,200	-7%
Total reportable injuries*	2.7	1.3	-52%
ERP systems	1	1	-
Warehouses**	60	37	-38%
Working capital as % of revenue	9.5%***	8.5%	-100 bps
SKUs	~70,000	~50,000	-29%
% of revenue from new innovation	17%	30%	+130 bps

Achievements

- ↗ Solid and improved profitability driven by:
 - Strong brands and market positions
 - Focused cost containment
 - New European operating model
- ↗ Volumes increased
- ↗ Lower working capital as a percentage of revenue
- ↗ Significant contribution from new innovations
- ↗ Enhanced sustainability profile through Planet Possible

* Per million hours worked

** in EMEA

*** Q2 2013 for comparative purposes due to seasonality

Decorative Paints vision confirmed; performance range 2016-2018

AkzoNobel



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%

- 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



We have updated our strategic actions to reflect our new priorities

AkzoNobel



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



Agenda



Business at a glance



Decorative Paints market outlook



AkzoNobel position and strategy



Growth agenda with focus on innovation and sustainability



Summary and conclusions

Winning locally in the UK

Market size, 2014: €1.4 billion

AkzoNobel position: 1

Actions to win locally

- Introduce a new customer experience through the launch of the Dulux Amazing Paint service
- Continue our strong focus on innovation and introduce new products that have clear customer benefits in terms of energy savings and well-being
- Strengthen our footprint through the rebranding of Dulux Trade



Winning locally in Indonesia

Market size, 2014: €0.4 billion

AkzoNobel position: 1

Actions to win locally

- Continue to build our premium portfolio through strong brands including Dulux Weathershield and Dulux EasyClean
- Extend the reach of our Dulux brand with the launch of Pentalite Ceiling
- Continue to build and grow controlled route-to-market and distribution throughout the archipelago to SSOs, the emerging LSOs, and Projects



Winning locally by leveraging our scale

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



Brands

Global scale enables central brand expertize

AkzoNobel

Re-launch global propositions



Asset alignment

- Align global branding across brands, businesses and initiatives such as Human Cities and Planet Possible



Advertising productivity

- Improve efficiency and effectiveness of advertising by leveraging best-in-class global processes



Painters

Strong relationships with painters – Brazil

AkzoNobel

Hero products

- Strong attributes relevant to painters



Training and support

- Acrílico – Total roadshow attendance**
 - 2013 = 7,000
 - 2014 = 12,000
 - 2015 (plan) = 17,000
- Conversion after training more than 80%**



Loyalty programs

- 45,000 active painters in 2015
- Largest program in Brazil



Pride and purpose

- Tudo de Cor** creates pride and purpose for painters
- Painter is a key figure in all **TV ads** in Brazil, regardless of content
- We connect emotionally via our **shared love of color**



Sustainability supports winning locally – China

External situation

Chinese government increasing regulation linked to VOCs

- ↗ In 2015, 4% consumption tax for VOC greater than 420 grams/liter)
- ↗ Continuation of long-term trend

Demand for sustainability and well-being very high among Chinese consumers



AkzoNobel's sustainability record in China is unparalleled

2007: Anti-formaldehyde

2009: All Round Guard (purifies indoor air)

2011: Non-additive

2012: Non-additive line extension

2014: Anti-stain Non-additive

2015: E-Joy series Launch



Today

Dulux non-additive products

2014 Dulux revenue



- Non-additive hero products
- Other interior wall paints

“Dulux non-additive products ranked by Chinese consumers as the most preferred paint products”
-2013 survey by PCHouse (No. 1 vertical website in China)

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



Our award-winning Visualizer



- **Visualizer 1.0 launched June 2014**
- **More than 6 million downloads worldwide in over 120 countries under 13 different brands**
- **Visualizer 2.0 launched October - November 2015, additional features include:**
 - Ability to use on exterior walls
 - Photo visualization, allowing users to share ideas on social media
 - Scrapbook registration and newsletter
 - Improved color visualization



Easycare has been leveraged across regions to win in local markets

AkzoNobel

- Easycare concept (already successful in Ireland and South East, South Asia and Middle East region) is superior in terms of scratch, knock resistance and washability
- Identified very strong marketing and communication concept (tested and on TVs in the South East, South Asia and Middle East region)
- Launched in Poland in March 2015
- Within three months:
 - Available in 1,156 stores
 - Sold more than the full-year target in liters of paint
- Eco-premium solution offering



Solvent-free flooring paints solution selected for Xi'an Vanke Daming Palace

AkzoNobel

- Launched in China in 2015
- Solvent-free floor paint with excellent wear-resistant, impact-resistant and chemical-resistant properties
- Chosen for Xi'an Vanke Daming Palace project, receiving recognition for its highly efficient and environmentally-friendly properties in May 2015
- Introducing solvent-free flooring paint solutions to a traditional solvent-based market, boosting construction of green buildings and promoting new development pattern of domestic flooring industry



Agenda



Business at a glance



Decorative Paints market outlook



AkzoNobel position and strategy



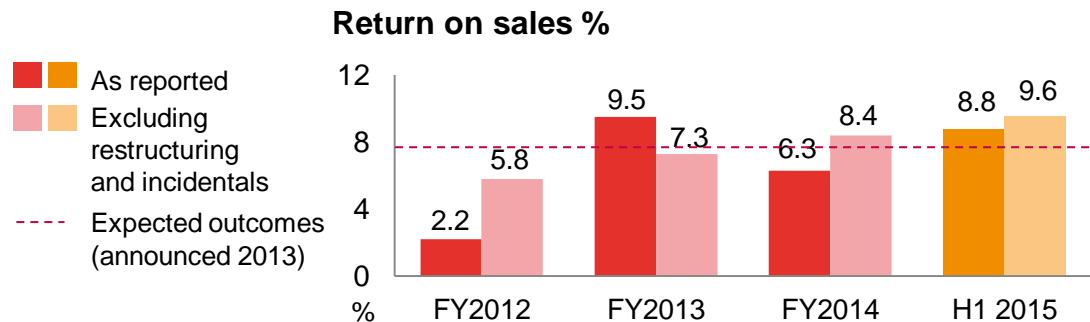
Growth agenda with focus on innovation and sustainability



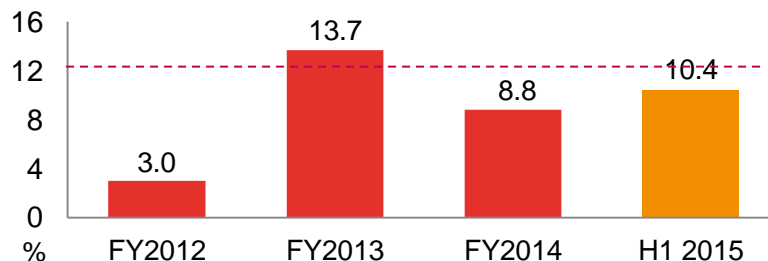
Summary and conclusions

Further progress towards delivering leading performance with strategic actions driving improved returns

AkzoNobel



Return on investment * %



Expected outcomes 2015 (announced 2013)

- Return on sales: 7.5%
- Return on investment: 12%

Performance range 2016-2018

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

Key assumptions:

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

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

Expected outcomes – as reported; *Adjusted for 2012 impairment charge (€2.1 billion)

Performance range:

ROS = EBIT/revenue

ROI = EBIT/average 12 months invested capital

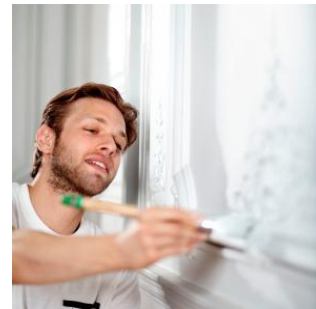
We will continue to improve towards leading performance



- Global leader with strong positions
- Unique position in terms of size, diversification and geographic exposure to markets outside mature geographies
- Expectations for moderate growth, despite market uncertainty
- Considerable improvement in terms of performance
- Continue to exploit our sustainability leadership with Planet Possible
- Significant progress on our 2015 expected outcomes and continue to improve towards leading performance

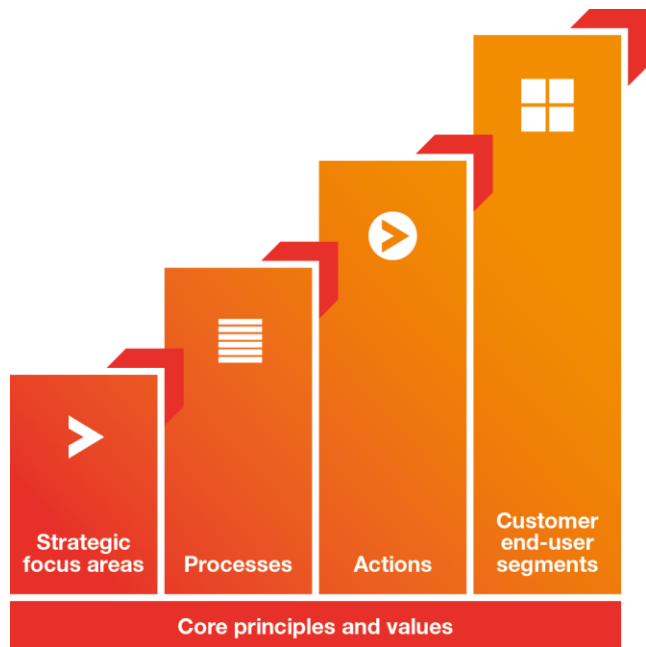
Vision: the leading global Decorative Paints company in size and performance

- **Strategic priorities:**
 - Win locally
 - Leverage our scale



Decorative Paints continued improvement towards leading performance

AkzoNobel



Vision:

The leading global Decorative Paints company in size and performance

New operating model significantly reduced costs and complexity

Strategic priorities:

- Win locally
- Pursue appropriate Business Area initiatives to leverage our scale

Continued focus on innovation and sustainability

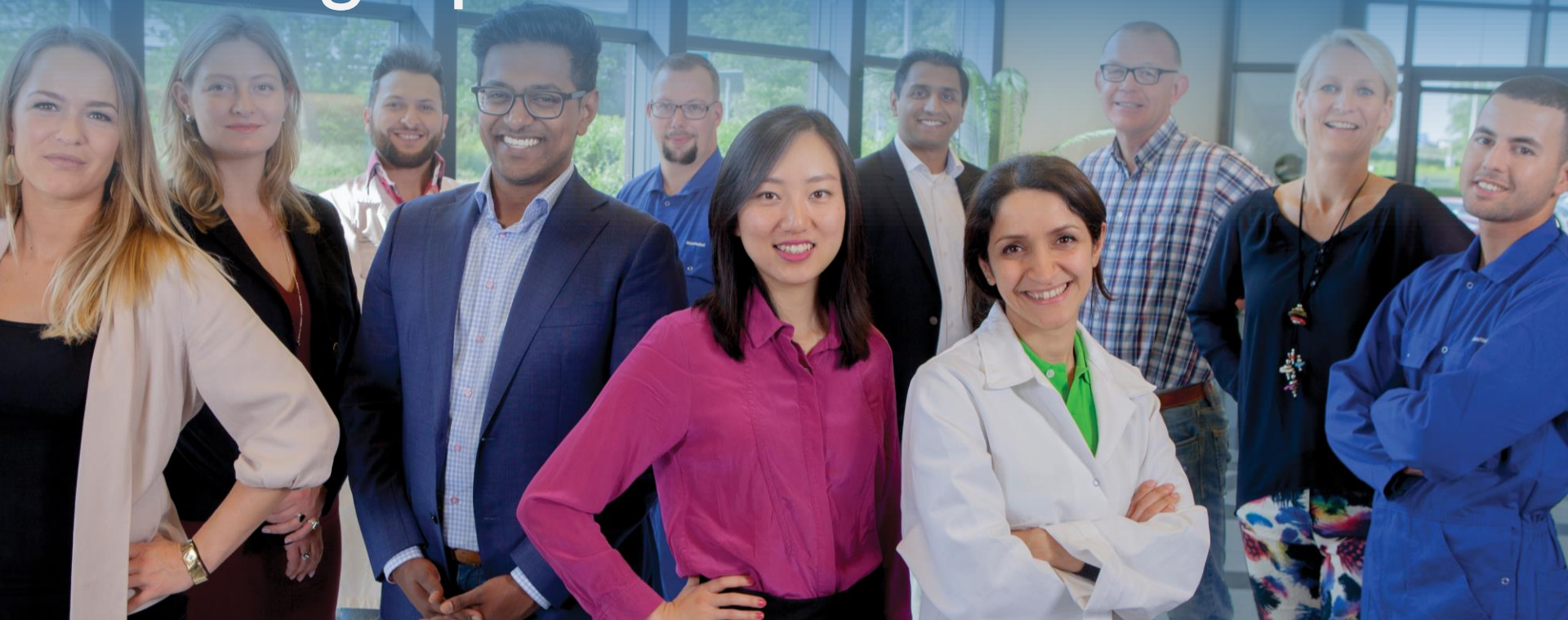




People, leadership
and culture
Marten Booisma



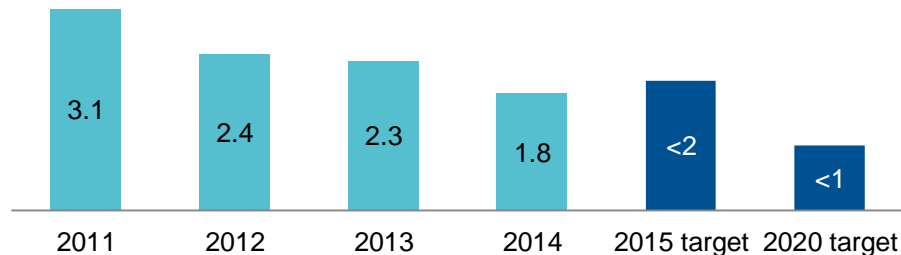
Transformation towards a high performance culture



Significant changes during recent years

- Safer place to work
- Leaner organization structure
- Productivity increased
- Supporting our people to serve our customers
- Continuous improvement focus
- Ability to change becoming a core capability

Employee and supervised contractors total reportable injury rate



Leadership changes providing clear direction and driving culture change

AkzoNobel

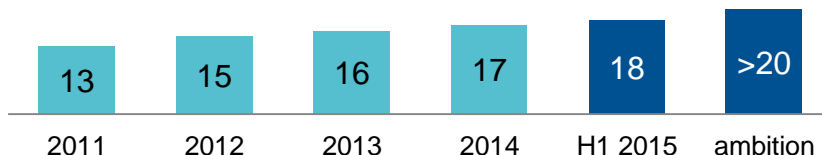
Significant changes at the top

- Majority of Executive Committee in last few years
- 50% of senior executives in 2014
- ~ 80:20 of internal promotion and external hires

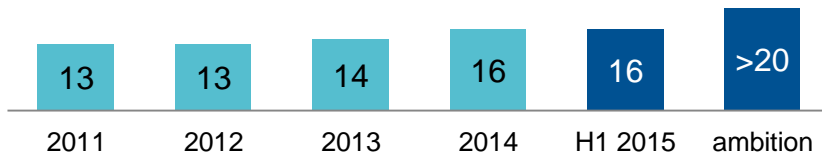
Diversity is an important factor

- Reflects the societies where we do business
- Better insights into our customer and employee base
- Leads to higher performance

% of female executives



% of executives from Asia Pacific, Latin America and emerging Europe*



Core principles and values define the culture and behaviors

AkzoNobel

Core principles:

Safety
Integrity
Sustainability

Customer Focus

We build successful partnerships with our customers

Deliver on Commitments

We do what we say we will do

Passion for Excellence

We strive to be the best in everything we do, every day

Winning Together

We develop, share and use our personal strengths to win as a team



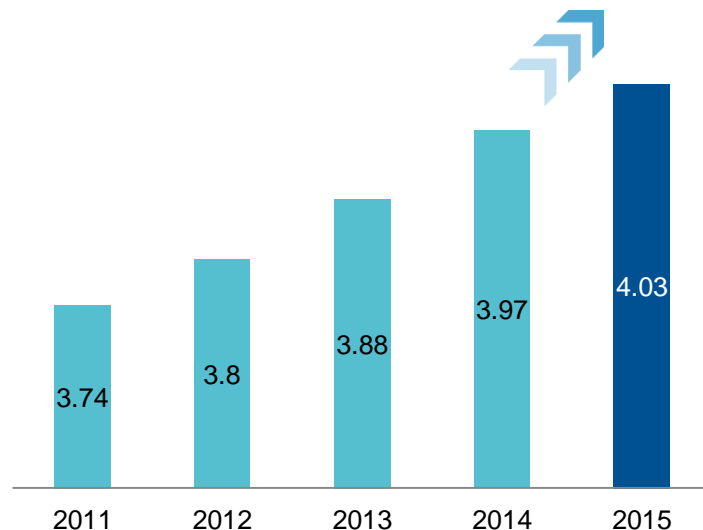
People, leadership and culture

Capital Markets Day 2015 118

Engagement increased during ongoing change

- Our people are the key to our success
- We aim for a high performance culture of engagement, feedback and trust
- Employee engagement is measured through our ViewPoint engagement survey

**ViewPoint score employee engagement
(1 to 5 scale)**



Proof points of organizational culture change

AkzoNobel

Customer Focused	Deliver on Commitments
<ul style="list-style-type: none">↗ Openly engage with customers for feedback↗ Resources for selling roles increased	<ul style="list-style-type: none">↗ Companywide workshops on feedback↗ Employee awareness of the values
Passion for Excellence	Winning Together
<ul style="list-style-type: none">↗ Human capital development ratings increased*↗ Program participation AkzoNobel Academy	<ul style="list-style-type: none">↗ Cross-Business Area moves doubled↗ Cross-Business Area projects



Focus areas for the future

Developing a high performance culture through:

Organization

- Implementation of Global Business Services
- Active talent management

Capability

- Leadership and people management capability
- Commercial and operational excellence

Clear direction

- Engagement
- Diverse and inclusive teams





Integrated Supply Chain

David Allen



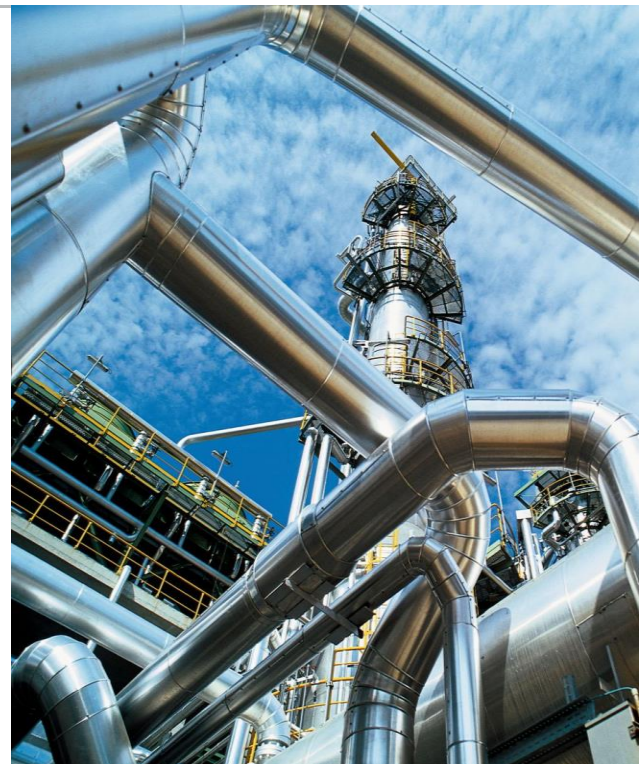
➤ Transforming Integrated Supply Chain to deliver leading performance



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

AkzoNobel



The Supply Chain vision and targets support delivering leading performance

AkzoNobel

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



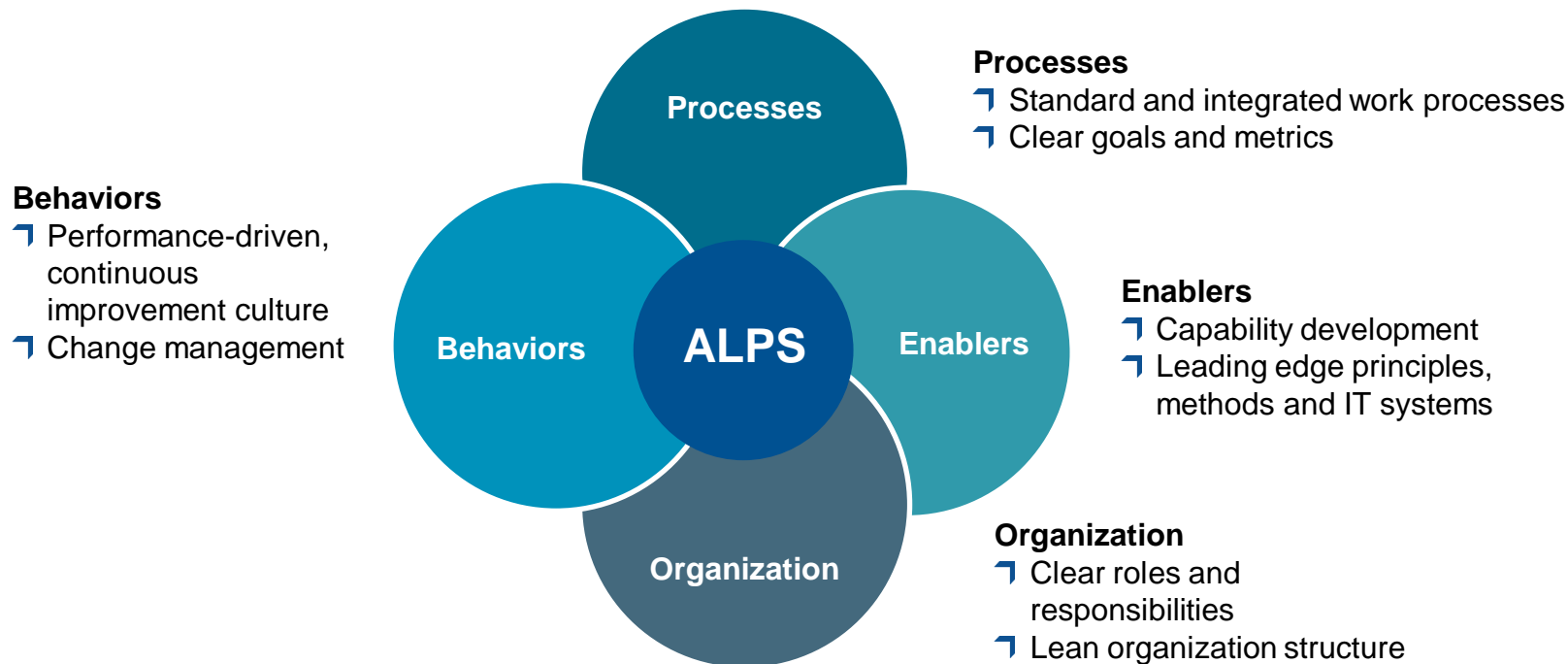
Leading performance is gaining momentum

AkzoNobel



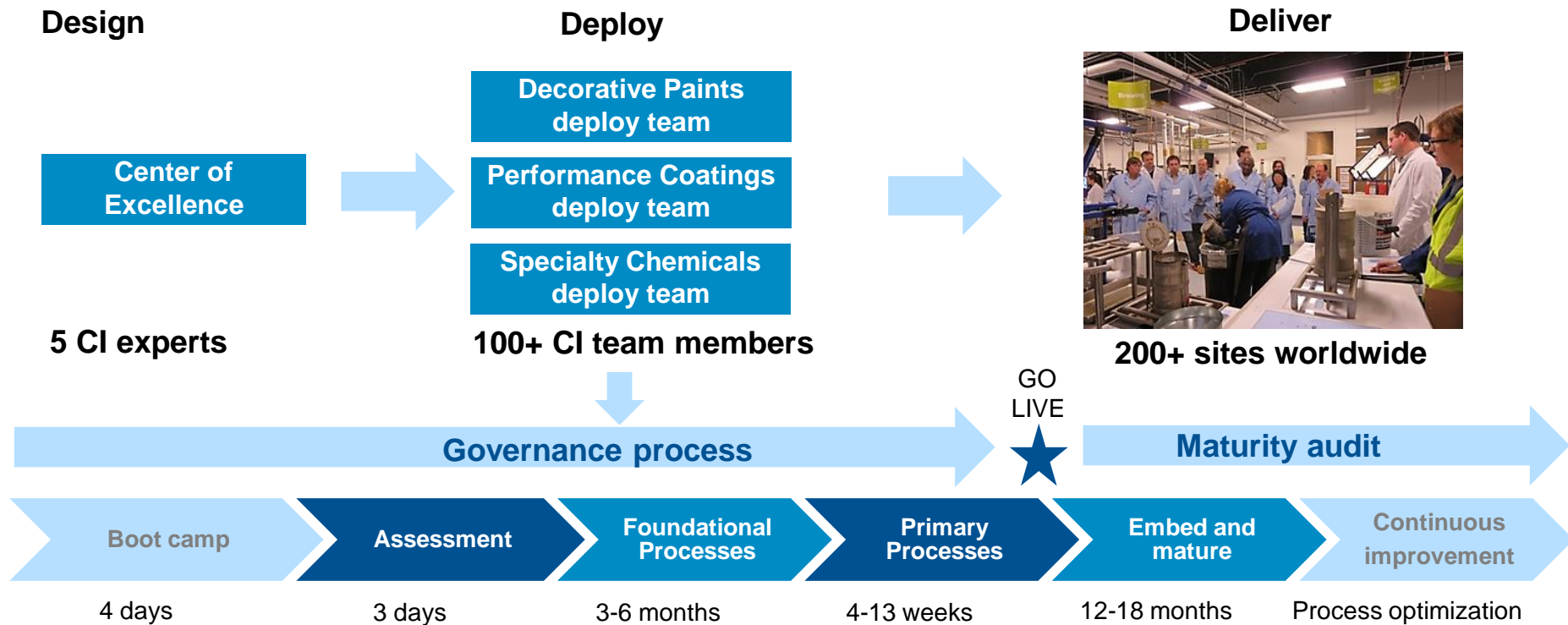
We are implementing the AkzoNobel Leading Performance System (ALPS)

AkzoNobel



Robust organization utilizing rigorous process

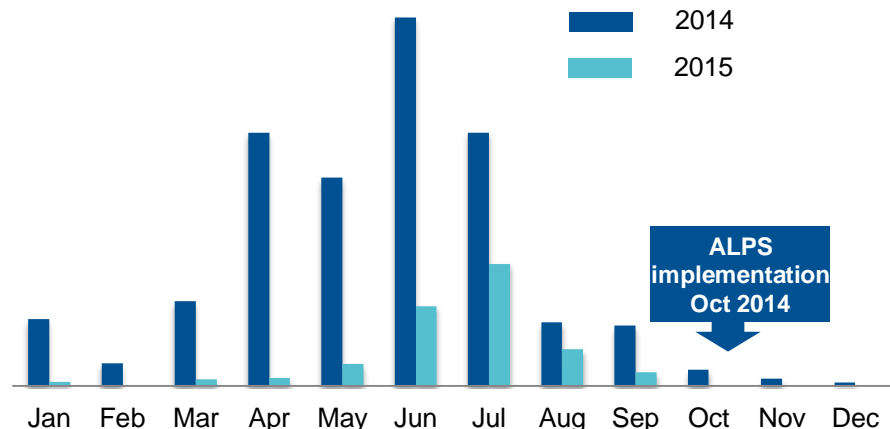
AkzoNobel



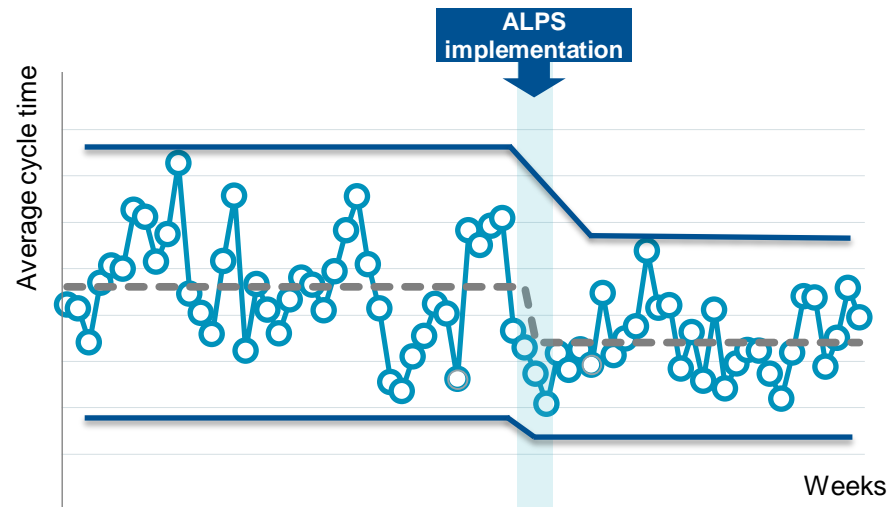
Decorative Paints: ALPS improvement in productivity

AkzoNobel

Filling line down-time dropped 79% after ALPS implementation



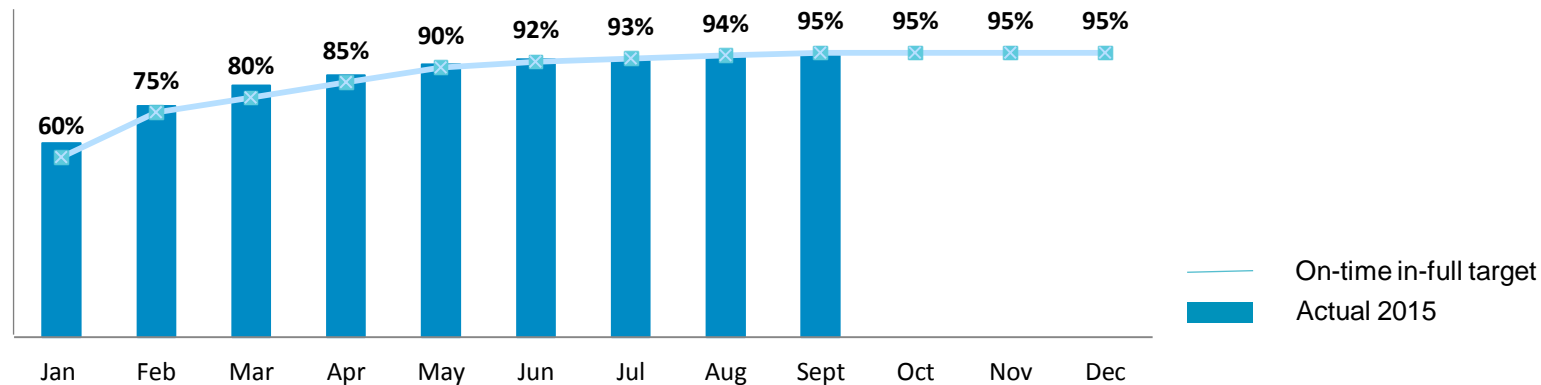
Batch production time reduced by 11% + less variation



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

AkzoNobel

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



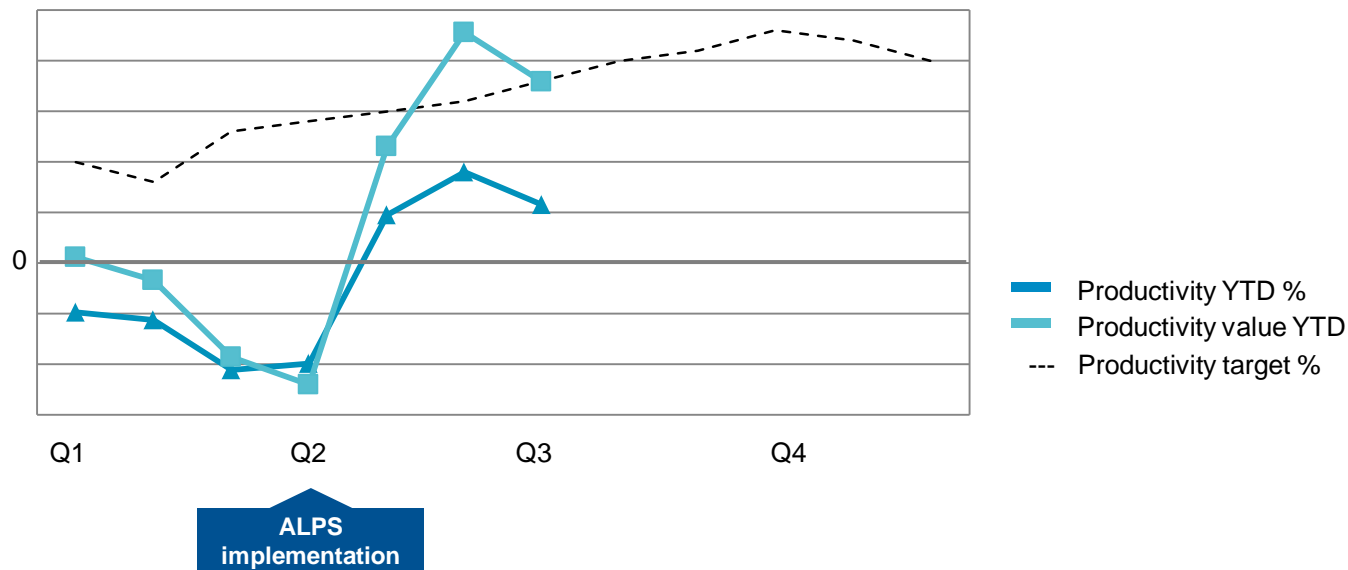
ALPS
implementation



Specialty Chemicals: ALPS improvement in productivity

AkzoNobel

Productivity offsets inflation after ALPS implementation

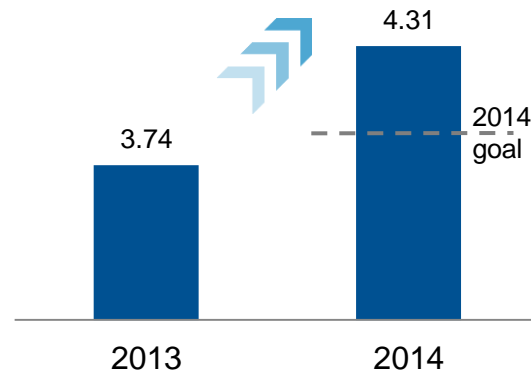


ALPS drives employee engagement through culture change

AkzoNobel



- Significant improvement of 15% at one of our European sites, one year after ALPS implementation.



Strong fundamentals in place, with still more to do

AkzoNobel

Change

- Strategy, operating model, leadership team
- ALPS processes
- Clear metrics

Clear signs of progress

- Balanced scorecards achieving visible improvement
- Initial benefits of ALPS Make and Plan deployments achieved

Clear deliverables and next steps

- Continuous improvement capability framework
- ALPS Source and Deliver deployment





Financial topics
Maëlys Castella



➤ Building a strong financial foundation
to deliver leading performance



Financial overview

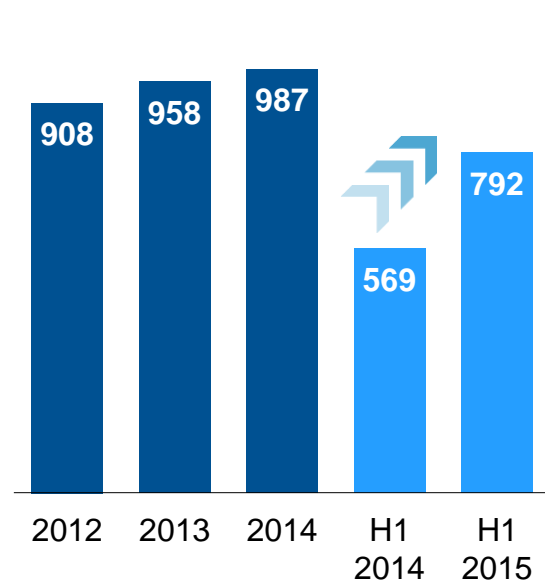
- Focus remains performance improvement; clearly visible in the results
- Continued attention on costs, internal control and generating cash
- Solid balance sheet restored
- Capital allocation principles aimed at business growth and return to shareholders



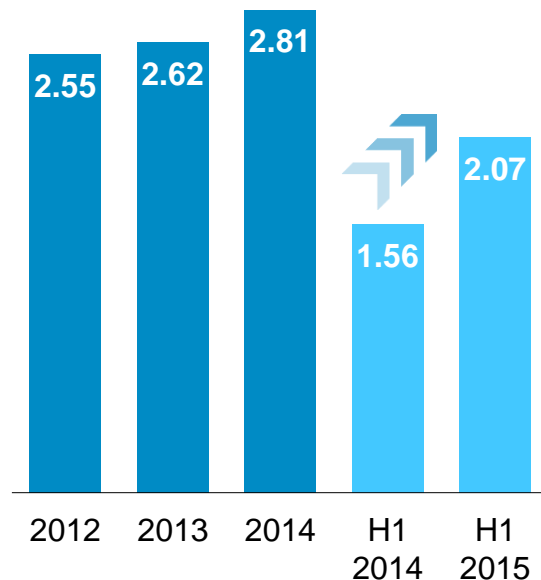
Improved operating performance clearly visible in the financial results

AkzoNobel

Operating income
€ million



Adjusted EPS
€



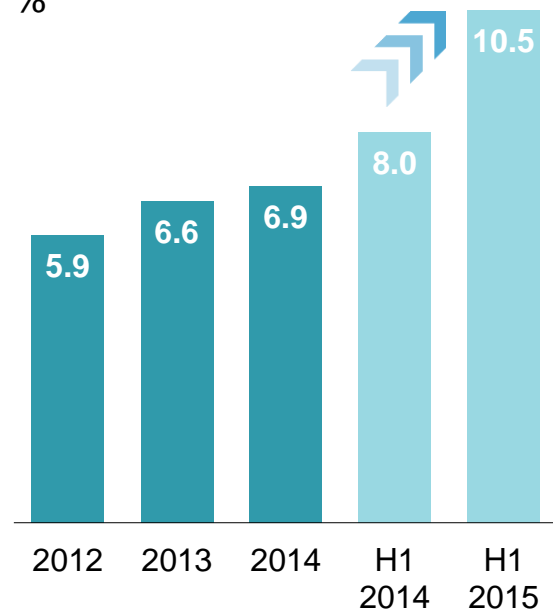
Key levers for the improvement:

- ↗ Improvement programs in all Business Areas and functions
- ↗ Portfolio optimization
- ↗ Lower operating costs
- ↗ Reduced restructuring expenses

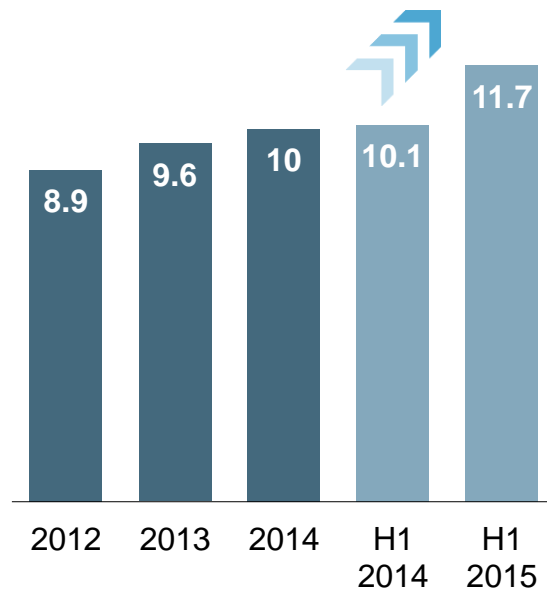
Profitability improvement on track towards 2015 targets

AkzoNobel

Return on sales
%



Return on investment
%



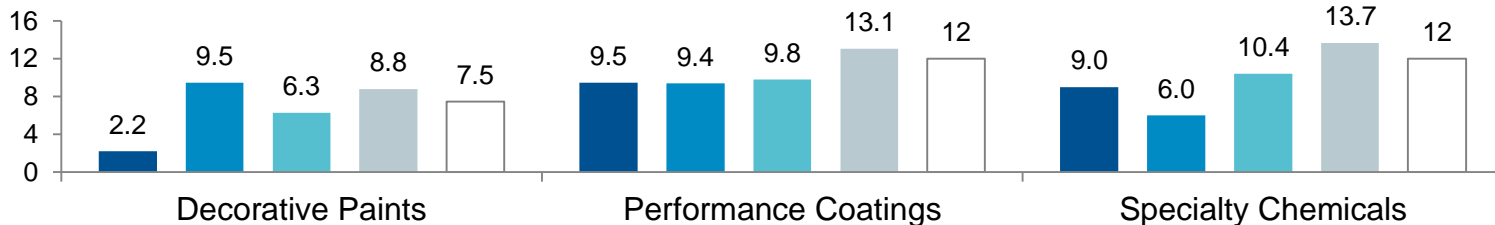
2015 targets:

Return on sales 9%
Return on investment 14%

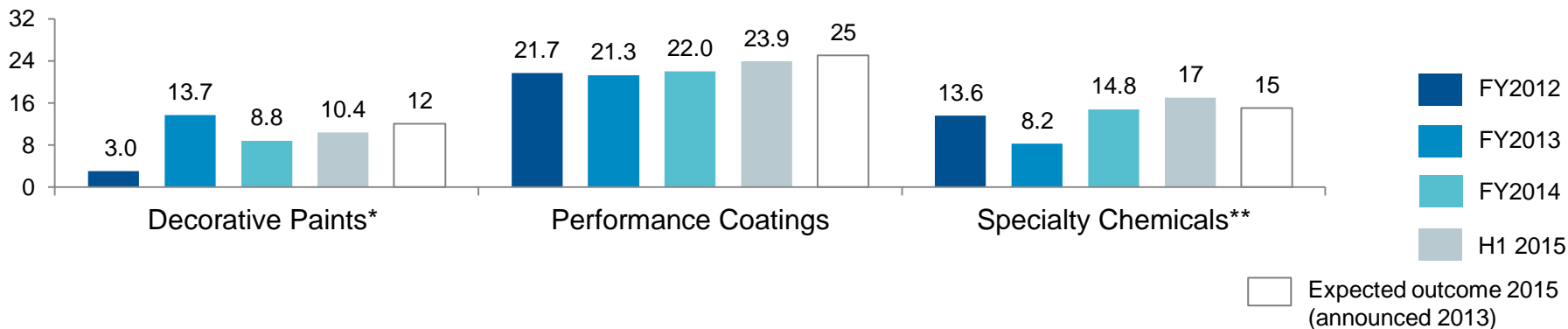
All businesses contributing to the improved performance

AkzoNobel

Return on sales % (Operating income/revenue)



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



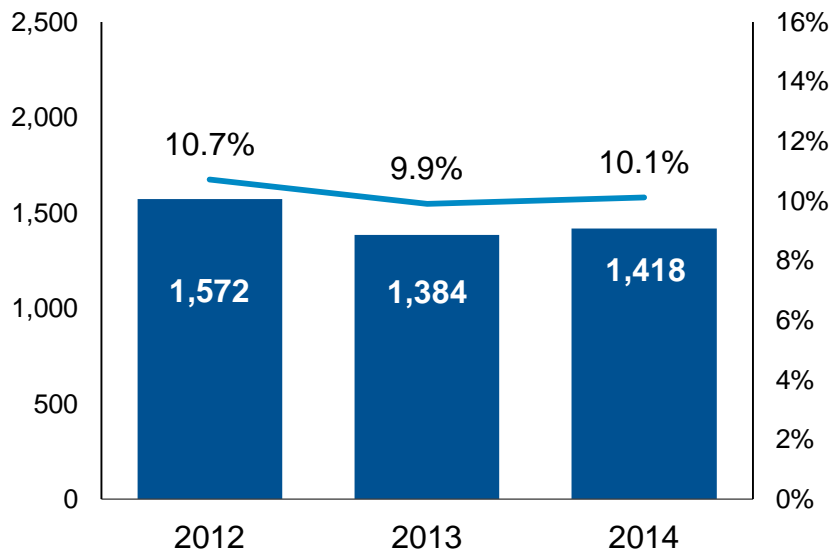
* Adjusted for 2012 impairment charge (€2.1 billion); includes sale of Building Adhesives in 2013 (€198 million)

**Includes 2013 impairment charge (€139 million)

Sustained leading performance in working capital management

Operating Working Capital € million

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

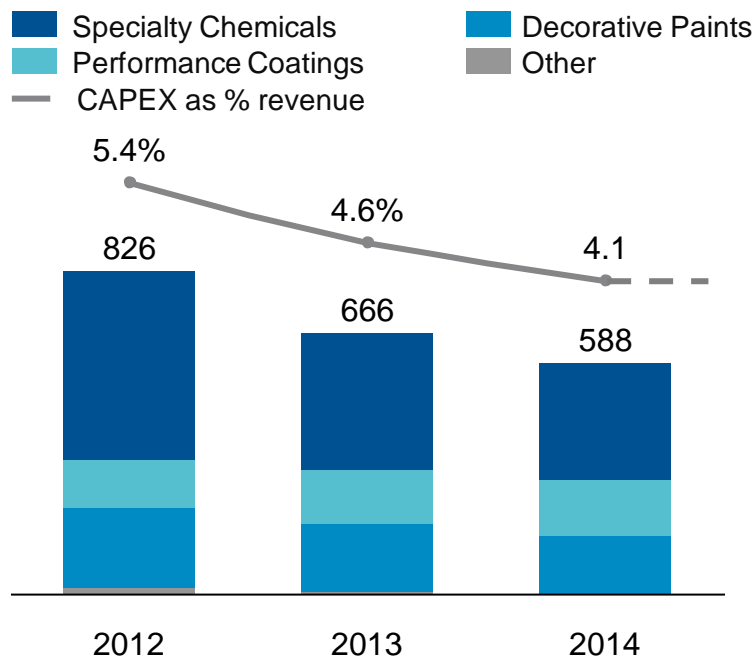


- Strong record of operating working capital management
- Discipline will be maintained and effectiveness improved
- Temporary planned increase to serve customers during footprint optimization
- Seasonal pattern throughout the year to meet peak in customer demand

Disciplined capital expenditure based on ROI and investment in growth

AkzoNobel

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

AkzoNobel



Ashington, UK

Frankfurt, Germany

Dubai, UAE

Chengdu, China

Changzhou, China

Gwalior, India

Ningbo, China

Chonburi, Thailand

Suzano, Brazil

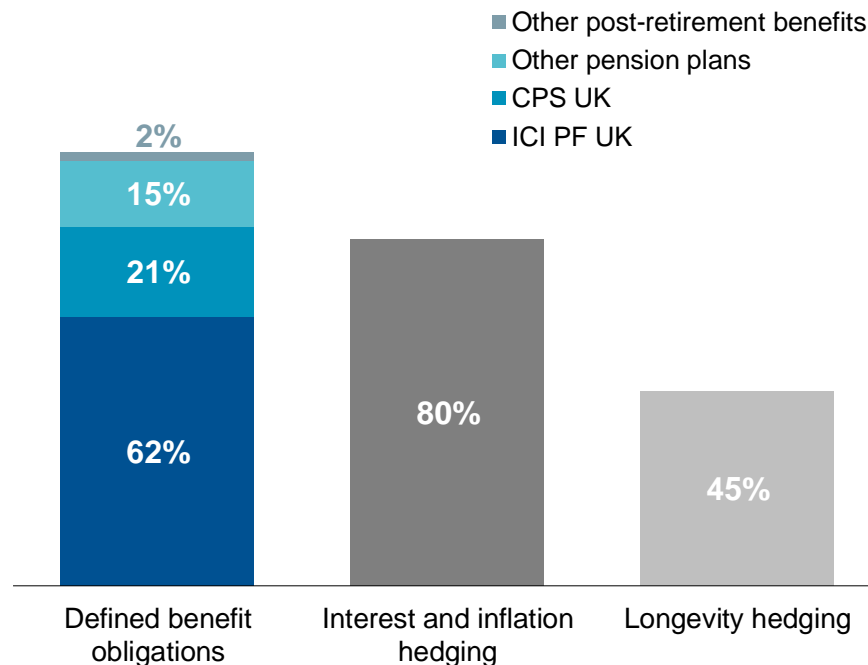
- Decorative Paints
- Performance Coatings
- Specialty Chemicals



Proactively managing pension liabilities

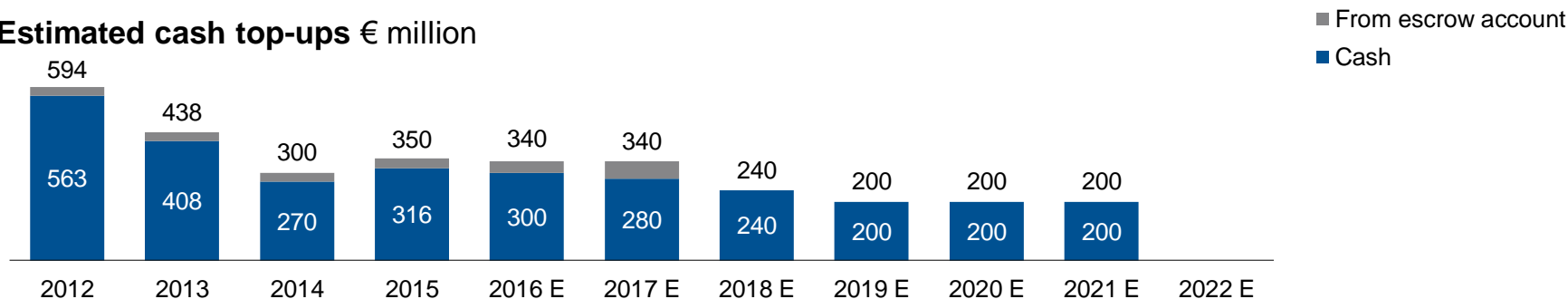
De-risking progress:

- Various activities to reduce liabilities, including insurance buy-in, insurance buy-out, hedging and benefit design
- £5.6 billion insurance buy-ins for UK schemes (2014-15) and \$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 45% of longevity risk is covered by insurance contracts and hedging
- Strong governance of pension risk through the Executive Committee Pensions



Pension top-up payments projected to reduce in future years

Estimated cash top-ups € million



- Relate mainly to the two UK plans: ICI Pension Fund and the Courtaulds Pension Scheme (actuarial deficit £1.1/ €1.5 billion)
- Regular defined benefit contributions €125 million per year
- Prudent actuarial valuation of liabilities and low risk investment strategies
- Extensive de-risking of liabilities
- Lower payments in the medium term and recovery plan extended until 2021
- Reduced volatility and more certainty regarding future cash flows

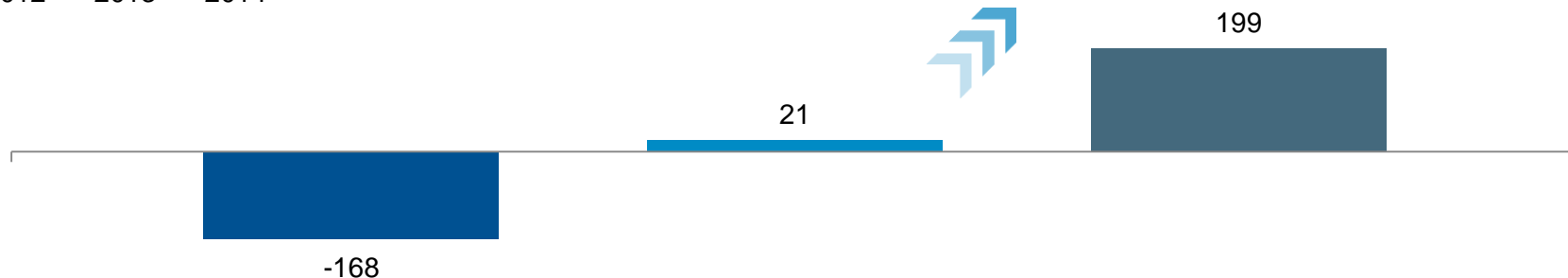
Assumes €1: £0.71/\$1.1

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

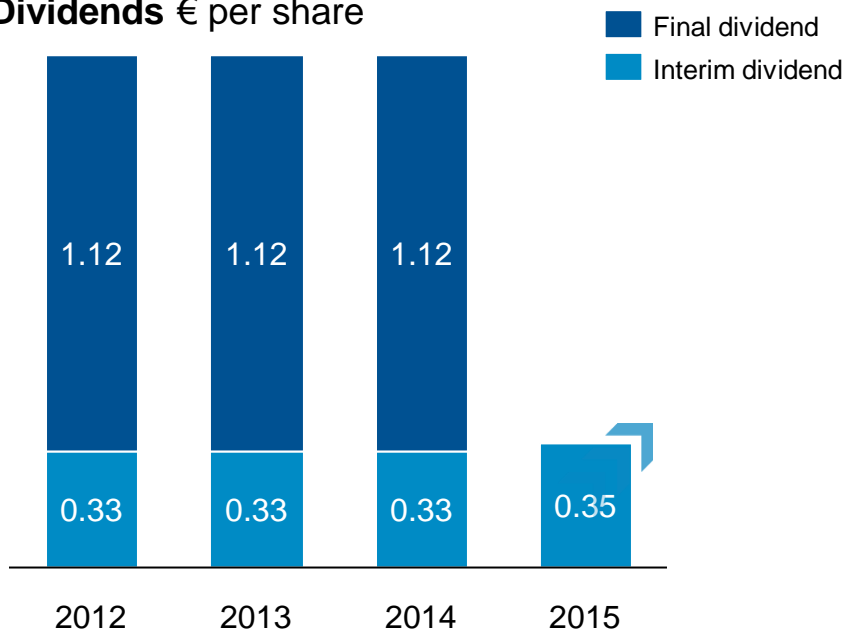
€ million	FY2012	FY2013	FY2014
EBITDA	1,597	1,513	1,690
Interest paid	-231	-228	-206
Tax paid	-209	-230	-258
Changes in working capital, provision* and other	143	69	-145
Capital expenditures (including intangible assets)	-905	-695	-612
Free cash flow, excluding pension top-up payments	395	429	469
Pension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

■ 2012 ■ 2013 ■ 2014



Dividend policy “stable to rising”

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%)
- Interim dividend up 6% to €0.35 per share (paid November 26, 2015)

Portfolio optimization has focused the business on leading market positions

AkzoNobel

Actively managing our portfolio

Increased focus on market leading and profitable positions

Major divestments 2012-2015:

- Specialty Chemicals, ICI Pakistan
- Decorative Paints North America
- Building Adhesives
- Paper Chemicals



Consider strategically aligned and value generating bolt-on acquisitions

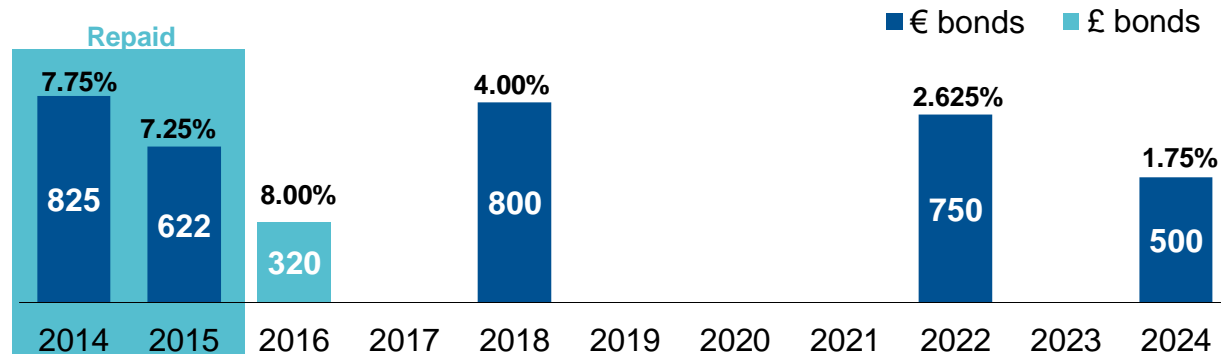


Strong financial position provides foundation for growth

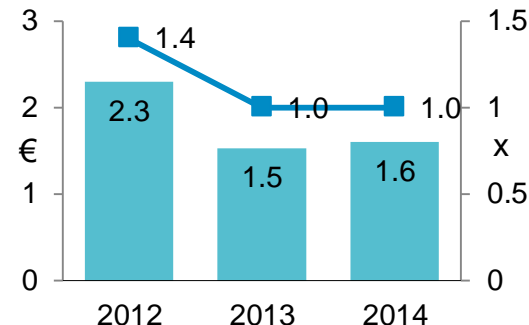
AkzoNobel

- Maintain investment grade rating of BBB+
- Net debt reduced to 1 x EBITDA
- Undrawn revolving credit facility and commercial paper programs
- Average interest rate reduced further with repayment of high interest debt
- Renewal of €1.8 billion undrawn credit facility

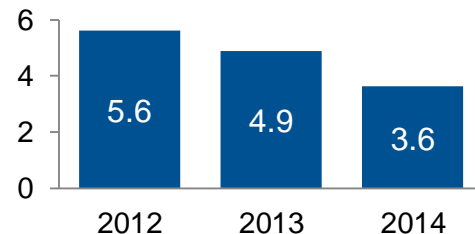
Debt maturities € million (average debt duration 4.8 years)



Net debt (€ billion)/EBITDA



Average cost of debt %



On track for positive net cash generation after paying dividends in 2015

AkzoNobel

€ million	FY2012	FY2013	FY2014
Free cash flow	-168	21	199
Dividend paid	-256	-286	-280
Acquisitions	-145	-34	-13
Divestments	216	347	51
Other	65	66	57
Net cash generation (from continued operations)	-288	114	14
Cash flow from discontinued operations	-53	675	-88
Net cash generation	-341	789	-74
Net debt closing balance	2,298	1,529	1,606

■ 2012 ■ 2013 ■ 2014

**Net cash generation (from continued operations),
excluding acquisitions and divestments**



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

Cash generation restored to invest in growth and improve shareholder returns

AkzoNobel

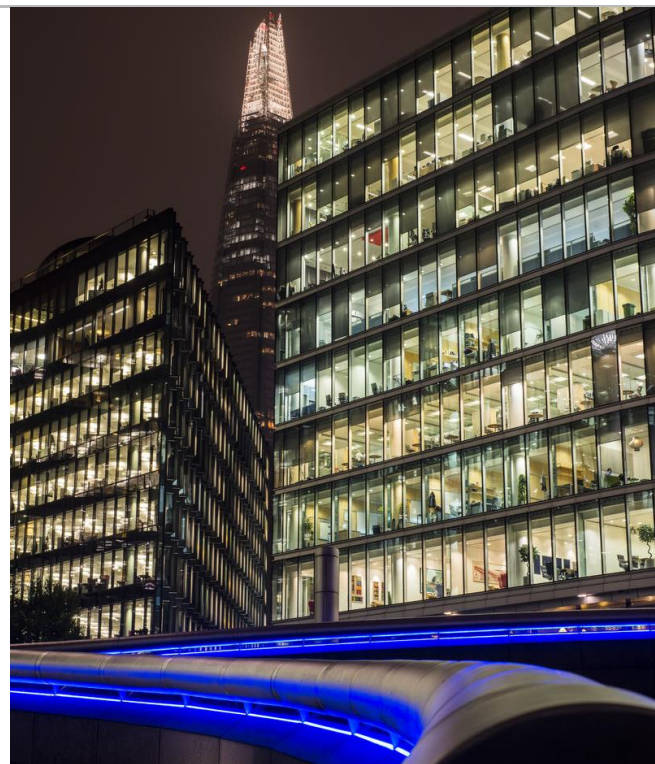
Capital allocation principles:

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

Strong foundation to generate profitable growth and leading performance

AkzoNobel

- On track to deliver 2015 target
- Building a culture of performance and discipline
- Cash generation restored
- Pensions significantly de-risked
- Solid balance sheet to invest in growth
- New guidance 2016-2018



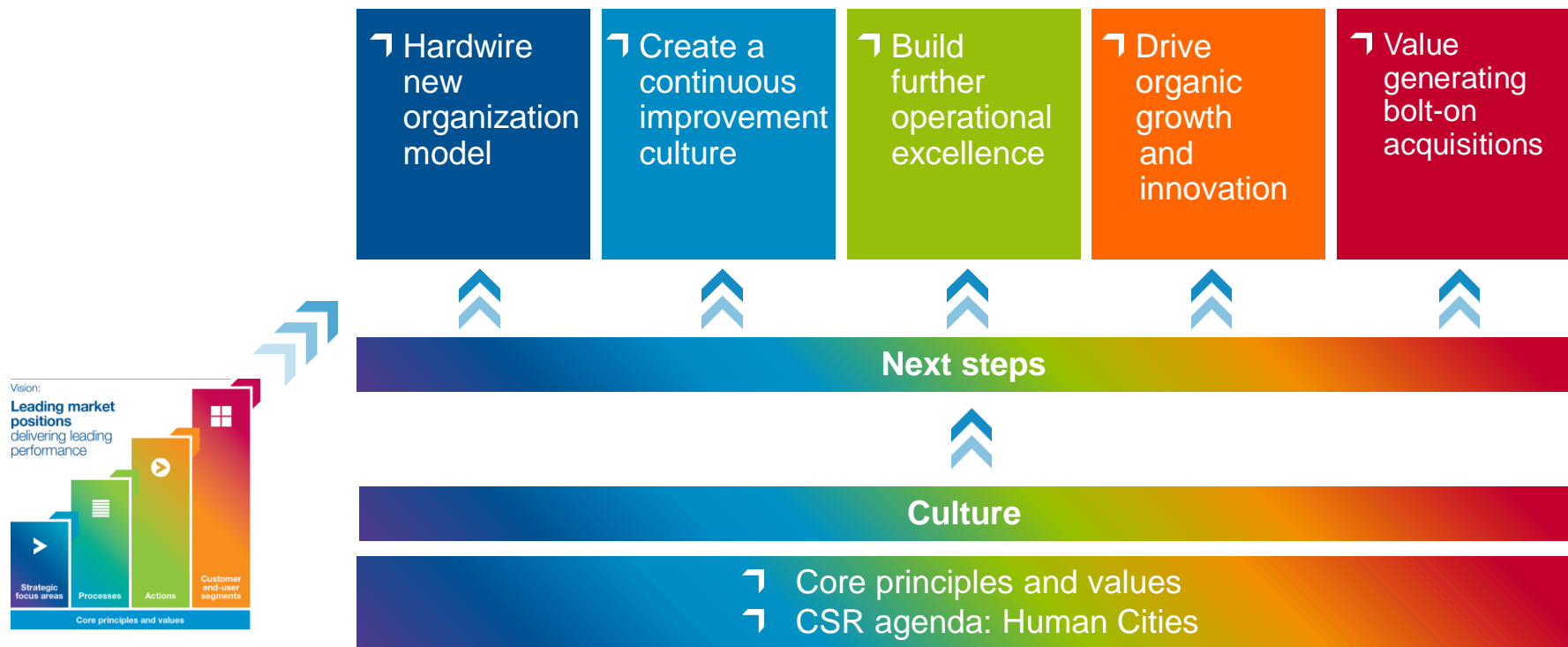


Conclusion Ton Büchner



Focus will shift towards continuous improvement and organic growth

AkzoNobel



Vision confirmed; financial guidance 2016-2018

AkzoNobel



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

 **Conclusion**

ROS = EBIT/revenue
ROI = EBIT/average 12 months invested capital

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Visions confirmed; performance ranges 2016-2018

AkzoNobel

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%

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%

- 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
ROS = EBIT/revenue; ROI = EBIT/average 12 months invested capital

 **Conclusion**

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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



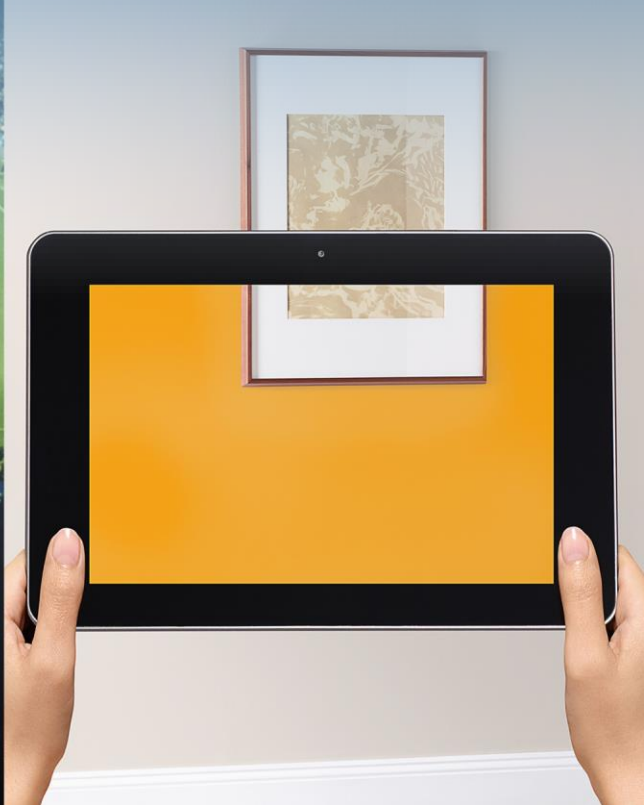
↗ Essential ingredients



↗ Essential protection



↗ Essential color



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

AkzoNobel

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”

Glossary

ALPS – AkzoNobel Leading Performance System

BA – Business Area

CAPEX – Capital Expenditure

CoE – Center of Expertise

CPS – Courtaulds Pension Scheme

CSR – Corporate Social Responsibility

CRM – Customer Relationship Management (system)

DBO – Defined Benefit Obligation

DJSI – Dow Jones Sustainability Indices

EPS – Earnings per share

EPS – Eco-premium solution

ERP – Enterprise Resource Planning (system)

GBS – Global Business Services

HSE – Health, safety and environment

LQ revenue – Last quarter revenue

LSO – Large scale outlet

OTIF – On-time in-full

OWC – Operating working capital

P&E – Projects and engineering

RD&I – Research, development and innovation

ROI – Return on investment

ROS – Return on sales

SKU – Stock holding unit

SSC – Shared Service Center

SSO – Small scale outlet

TRR – Total reportable injury rate

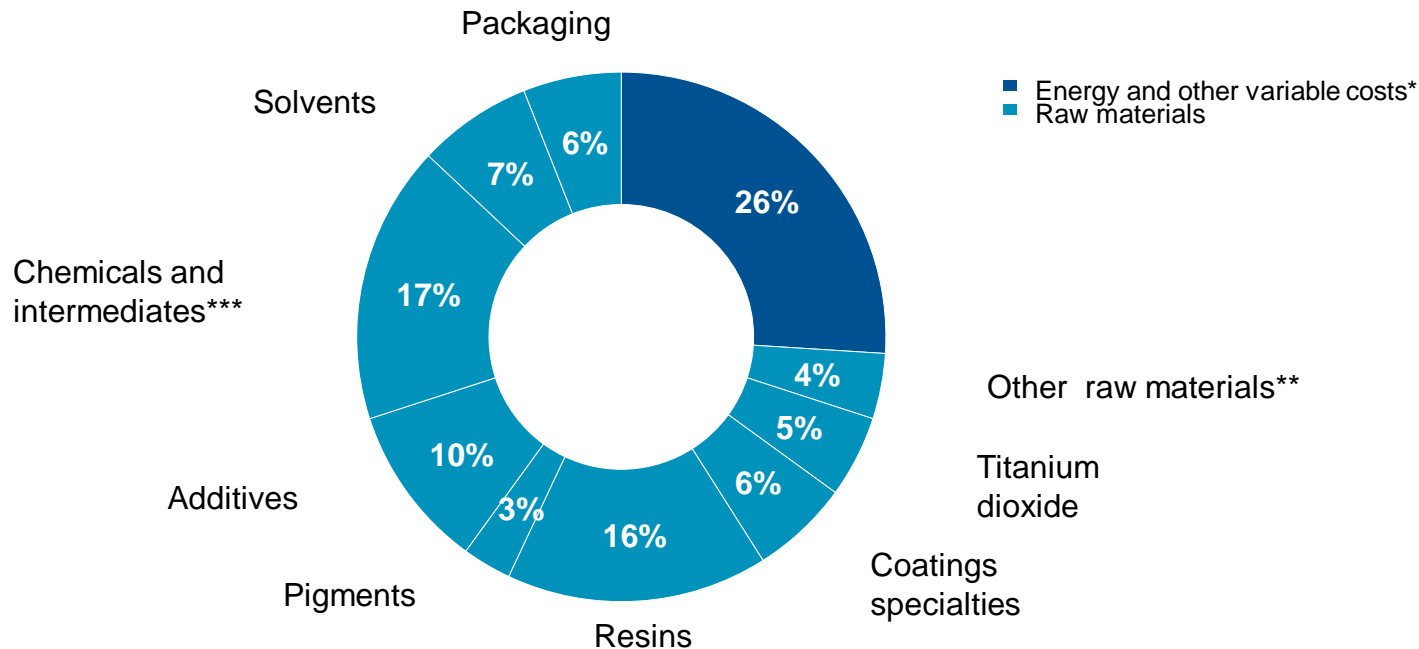
Strategy on a page

AkzoNobel

			
Strategic focus areas	Processes	Actions	End-user segments
<ul style="list-style-type: none">↯ Care for the customer↯ Reduction of product and process complexity↯ Cash and return on investment↯ Embedded safety and sustainability↯ Diverse and inclusive talent development	<ul style="list-style-type: none">↯ People, process and product safety↯ Operational control cycle↯ Continuous improvement↯ Innovation↯ Procurement↯ Talent management	<ul style="list-style-type: none">↯ Deliver dependably↯ Grow organically↯ Innovate↯ Simplify↯ Standardize↯ Continuously improve	<ul style="list-style-type: none">↯ Buildings and Infrastructure↯ Transportation↯ Consumer Goods↯ Industrial

Variable costs analysis

2014



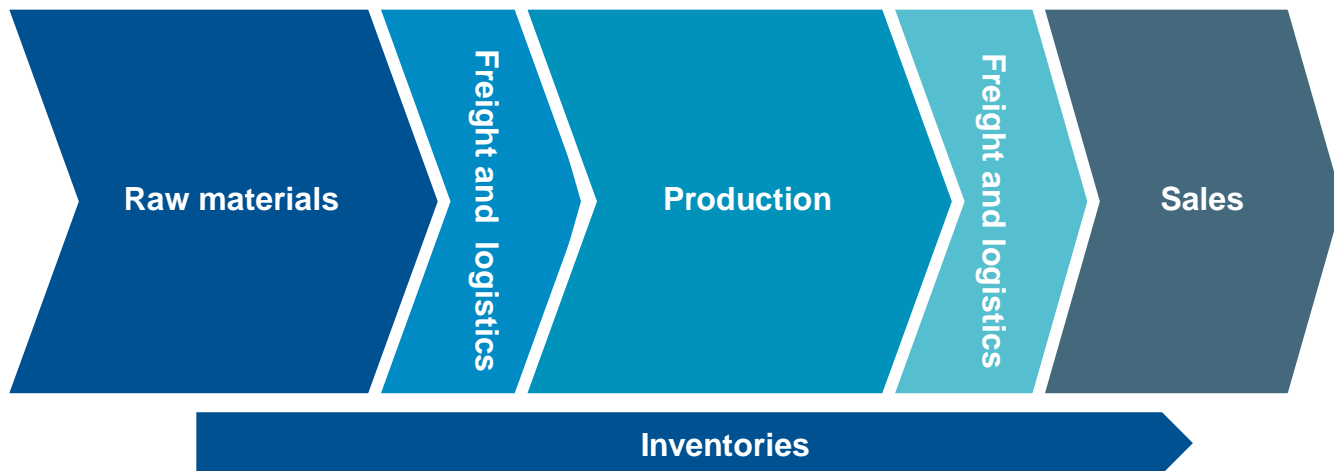
* Other variable costs include variable selling costs (e.g. freight) and products for resale

** Other raw materials include cardolite, hylar etc.

*** Chemicals and intermediates include caustic soda, acetic acid, tallow, ethylene, ethylene oxide, sulfur, amines etc.

The net impact of a sustained lower oil price can have a positive impact in 2015

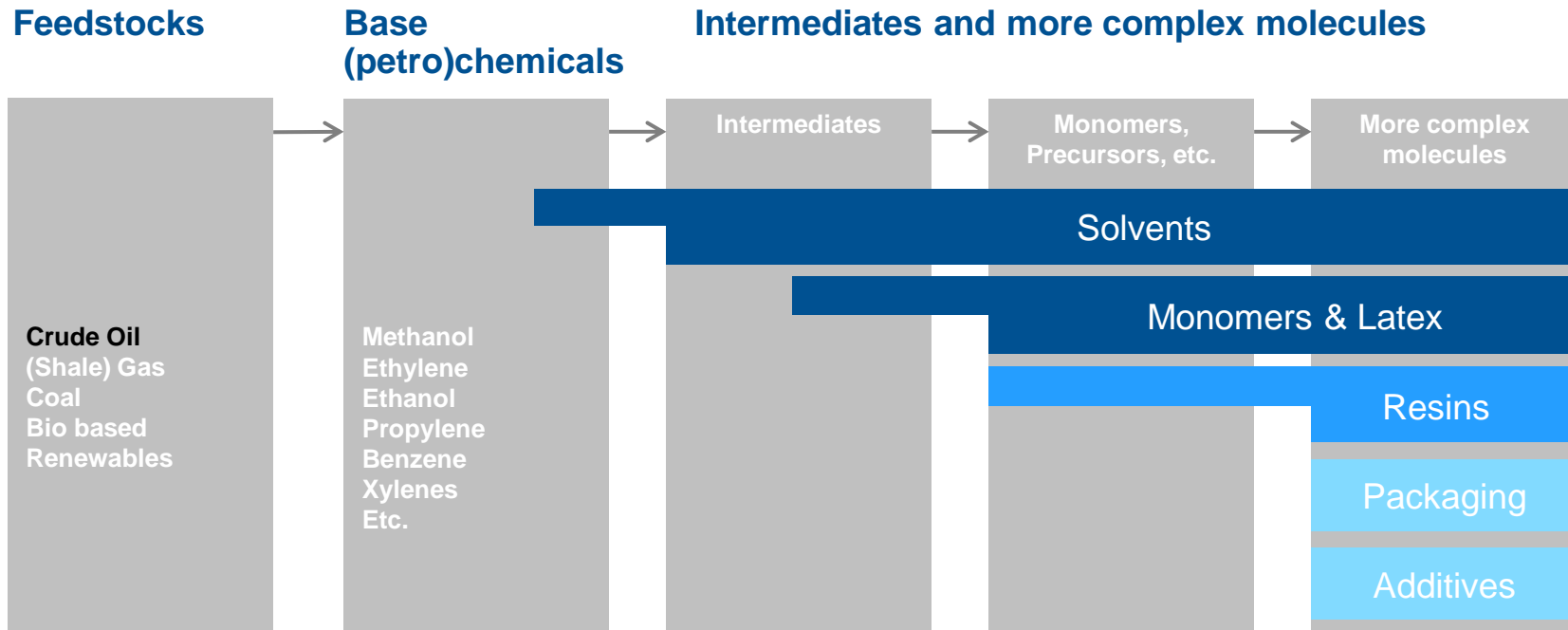
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GDP

Downstream oil related products have clearly different dynamics

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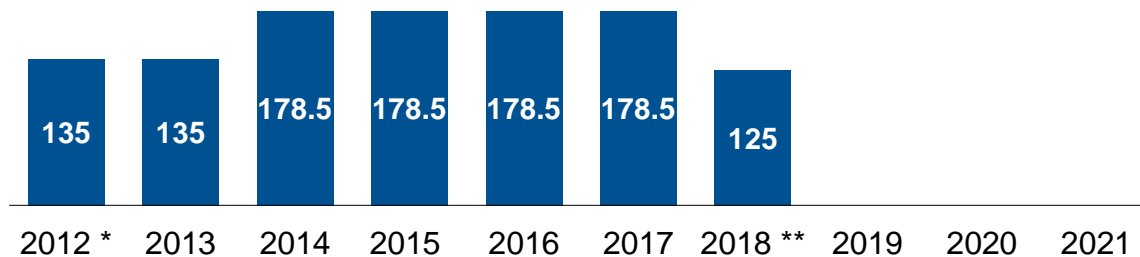


ICI Pension Fund deficit reduced and new top-up schedule agreed

AkzoNobel

Deficit 2011
£1.0 billion

Previous top-up schedule, £ million



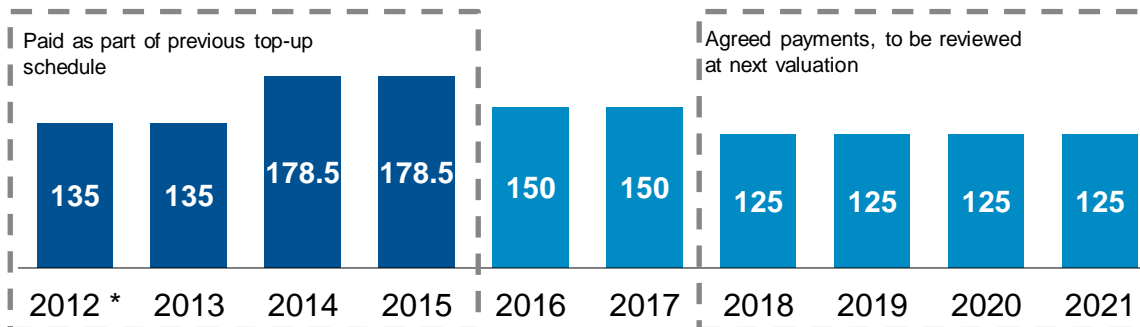
Actuarial deficit of ICI Pension Fund reduced from £1.0 to 0.85 billion

Extensive de-risking through buy-ins (£5.4 billion); cash impact reflected in new valuation

Low interest rate environment and significant decrease of discount rate

New deficit
£850 million

New top-up schedule £ million



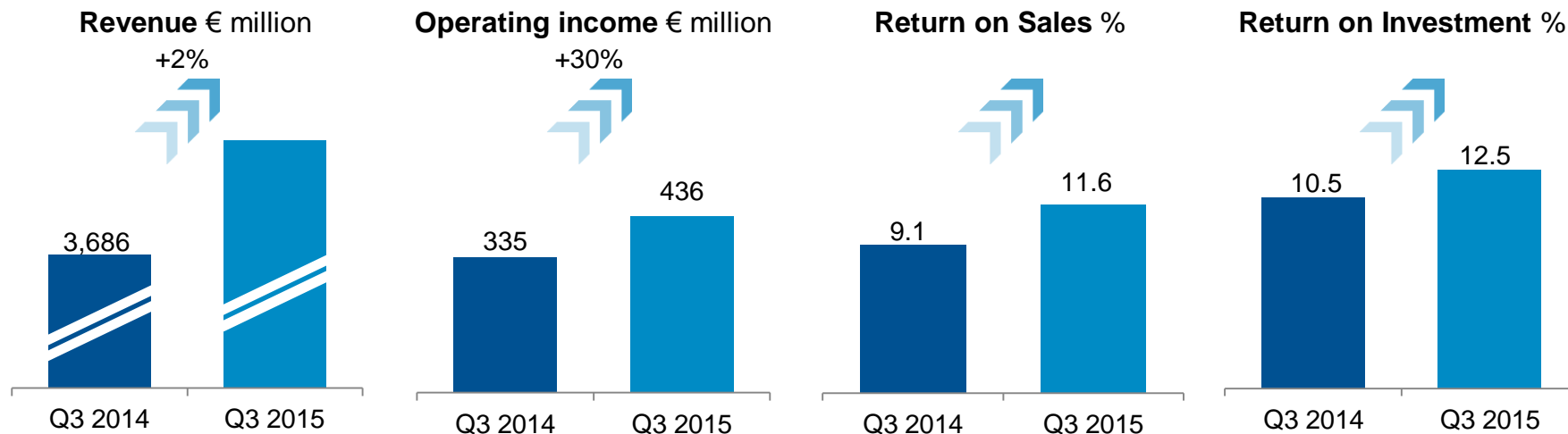
Annual top-ups reduced by £28.5 million to £150 million 2016-2017

Recovery plan extended by £125 million per year 2018- 2021, due to de-risking and interest rates

* Excludes £200 million one-off transfer related to termination of a contingent asset structure

* Expected additional one-off payment as a result of the 2014 buy-in transactions; best estimate, not part of 2011 valuation

Performance improvement in Q3 2015



- Net income attributable to shareholders up 39 percent (€285 million); adjusted EPS up 35 percent (€1.24)
- Net cash inflow from operating activities €583 million (2014: €489 million)
- Interim dividend up 6 percent to €0.35 per share (2014: €0.33)

Restructuring charges by quarter

€ million	Q1 2014	Q2 2014	Q3 2014	Q4 2014	FY 2014	Q1 2015	Q2 2015	Q3 2015
Decorative Paints	22	23	1	34	80	5	11	5
Performance Coatings	15	17	41	75	148	6	10	7
Specialty Chemicals	7	2	6	2	17	0	3	1
Other	0	3	7	-2	8	0	0	2
Total	44	45	55	109	253	11	24	15

Total restructuring charges in the second quarter 2015 amounted to €24 million (2014: €45 million), excluding restructuring charges of €24 million linked to the divestment of the Paper Chemicals business included in incidental items

Key financials Specialty Chemicals

Underlying

€ million	2012	2013	2014	H1 2015
Incidentals	24	122	-	30
Operating income excl. incidentals	508	419	508	325
Return on sales excl. incidentals	9.7%	8.5%	10.4%	12.6%
Restructuring costs	53	72	17	3
Operating income excl. restructuring costs and incidentals	561	491	525	328
Return on sales excl. restructuring costs and incidentals	10.7%	9.9%	10.8%	12.7%

As reported

€ million	2012	2013	2014	H1 2015
Revenue	5256	4,949	4883	2,586
EBITDA	807	726	815	485
Operating income	484	297	508	355
Return on sales	9.2%	6.0%	10.4%	13.7%
Return on investment	13.5%	8.2%	14.7%	17.0%
Employees	10,750	10,400	9,800	9,200

Expected outcomes 2015 (as reported)

- Return on sales: 12.5%
- Return on investment: 17%

Key financials Performance Coatings

Underlying

€ million	2012	2013	2014	H1 2015
Incidentals	0	0	0	0
Operating income excl. incidentals	542	525	545	390
Return on sales excl. incidentals	9.5%	9.4%	9.8%	13.1%
Restructuring costs	90	102	148	16
Operating income excl. restructuring costs and incidentals	632	627	693	406
Return on sales excl. restructuring costs and incidentals	11.1%	11.2%	12.4%	13.6%

As reported

€ million	2012	2013	2014	H1 2015
Revenue	5,702	5,571	5,589	2,980
EBITDA	673	663	687	463
Operating income	542	525	545	390
Return on sales	9.5%	9.4%	9.8%	13.1%
Return on investment	21.7%	21.3%	22.0%	23.9%
Employees	21,310	21,360	20,500	19,700

Expected outcomes 2015 (as reported)

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

Key financials Decorative Paints

Underlying*

€ million	2012	2013	2014	H1 2015
Incidentals	14	(198)	-	-
Operating income excl. incidentals	108	200	248	178
Return on sales excl. incidentals	2.5%	4.8%	6.3%	8.8%
Restructuring costs	140	105	80	16
Operating income excl. restructuring costs and incidentals	248	305	328	194
Return on sales excl. restructuring costs and incidentals	5.8%	7.3%	8.4%	9.6%

As reported*

€ million	2012	2013	2014	H1 2015
Revenue	4,297	4,174	3,909	2,024
EBITDA	284	362	405	253
Operating income	94	398	248	178
Return on sales	2.2%	9.5%	6.3%	8.8%
Return on investment	3.0%	13.7%	8.8%	10.4%
Employees	17,020	16,240	15,200	15,200

Expected outcomes 2015 (as reported)

- Return on sales: 7.5%
- Return on investment: 12%

* Excluding Decorative Paints North America