AkzoNobel in Asia

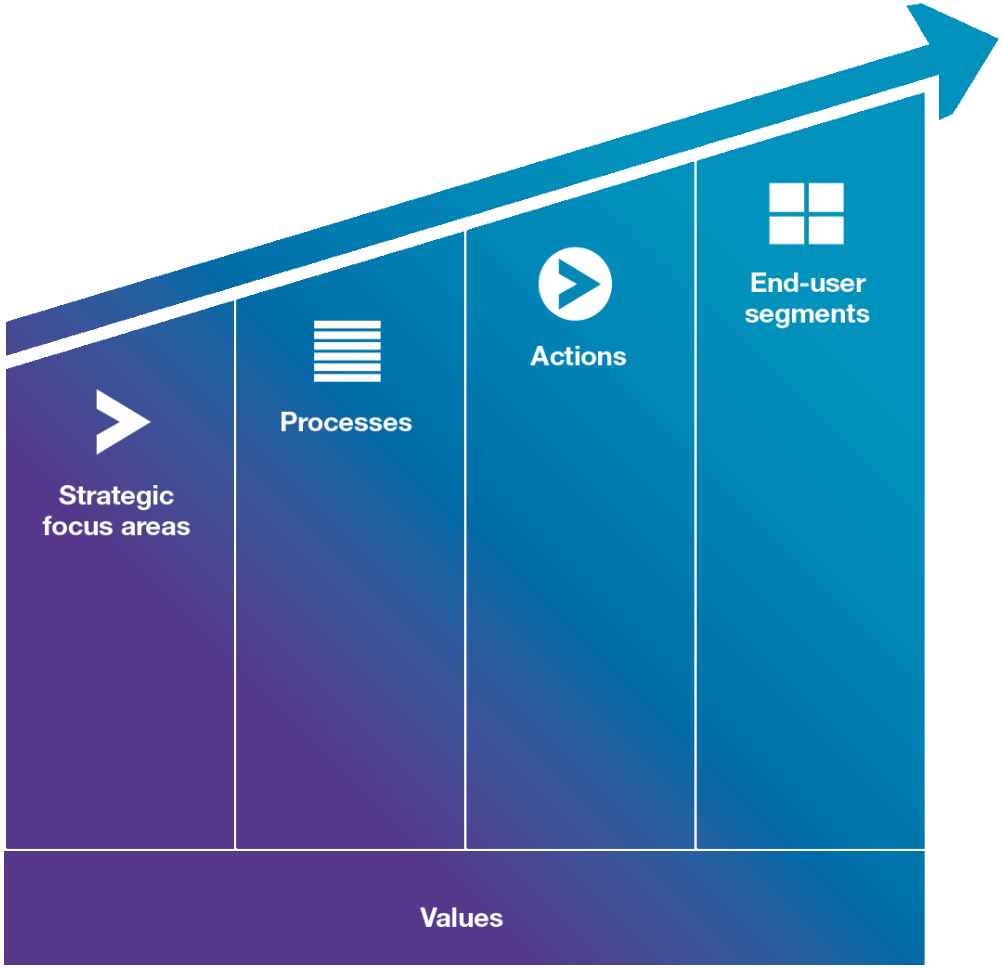
Singapore
June 3, 2015

Agenda

- Introduction, Maëlys Castella
- Decorative Paints, Jeremy Rowe
- Performance Coatings, Thijs Bakker
- Specialty Chemicals, Maëlys Castella
- Summary, Maëlys Castella
- Q&A

Introduction
Maëlys Castella

AkzoNobel strategy introduced in 2013



Vision:

Leading market positions delivering leading performance

- Organic growth
- Operational excellence

Our proposition: Leading market positions delivering leading performance

AkzoNobel has gone through a significant amount of strategic change over the past five years

Today, the company has

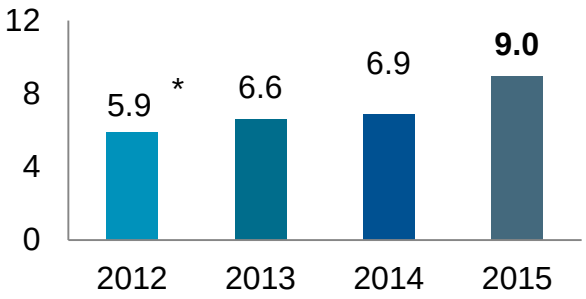
- Excellent portfolio of businesses
- Good long term growth potential on the basis of end-user segment growth
- Strong positions in high growth markets (44% of revenue)
- Leadership positions in many markets
- Clear leader in sustainability
- Track record of delivering sustainable innovations and products
- Strong brands, both in consumer and industrial markets

Clear focus to deliver on our significant potential

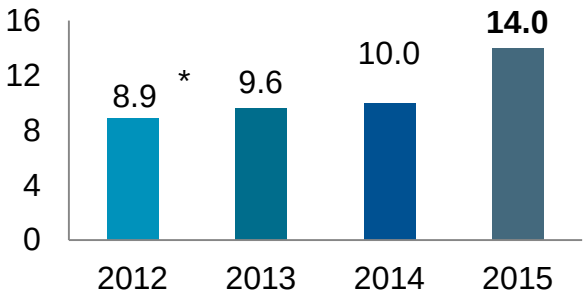
- Improved returns and cash flow
- Leveraging scale
- Simplification and standardization
- Continued innovation

2015 financial targets focused on quality of earnings and value creation

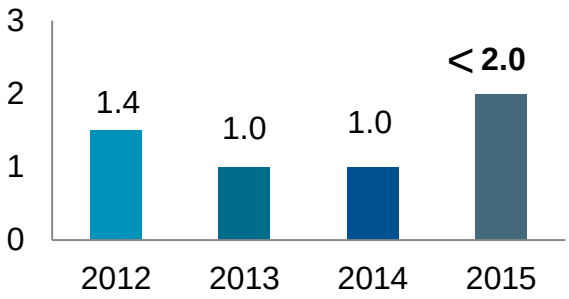
Return on sales
(Operating income/revenue)
%



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



Net debt/EBITDA
x

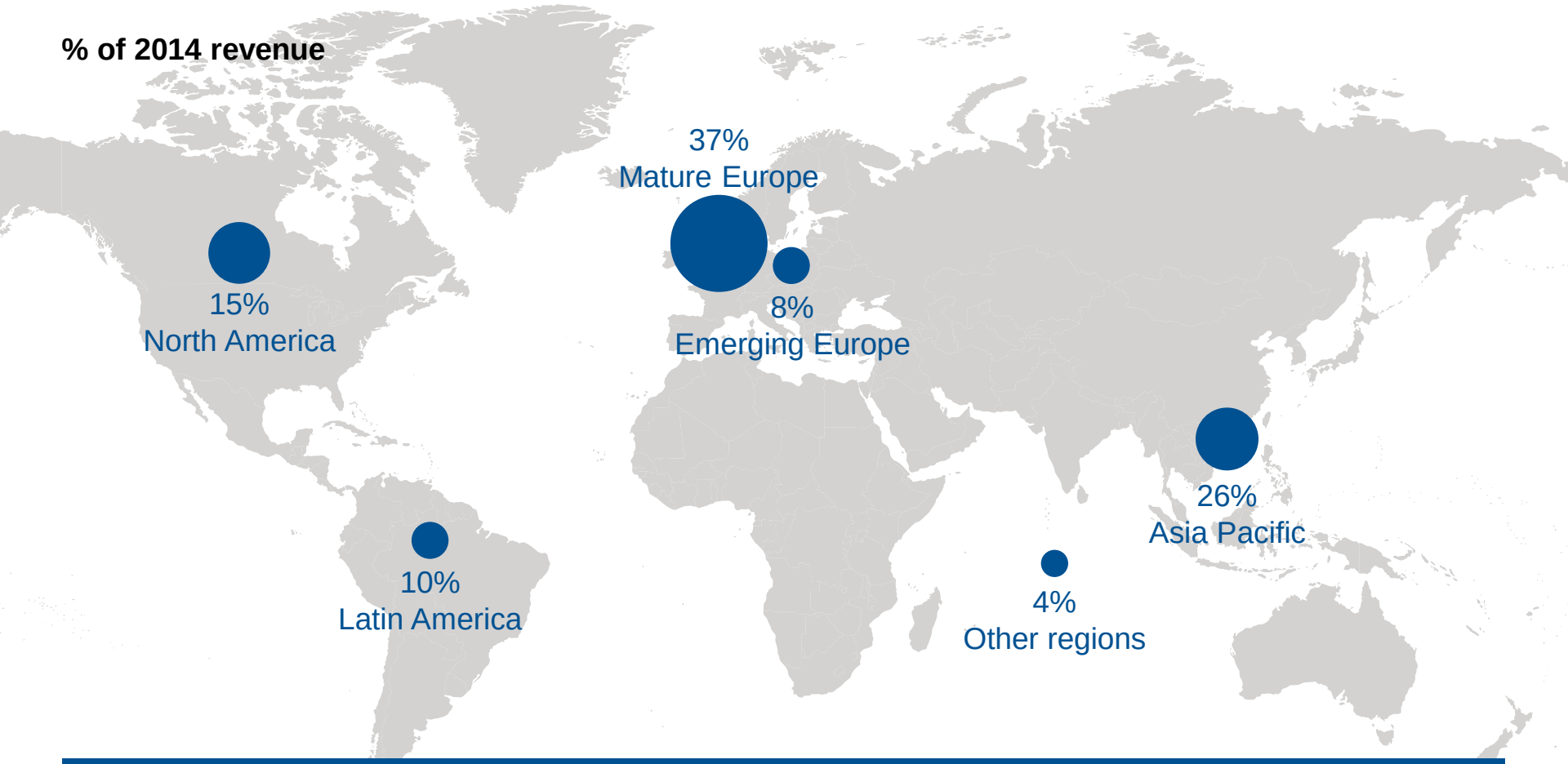


Q1 2015 - ROS 8.5% and ROI 10.6%
On track to achieve 2015 targets

* 2012 excluding impairment (€2.1 billion) and after IAS19

High growth markets are 44% of revenue and their importance will increase

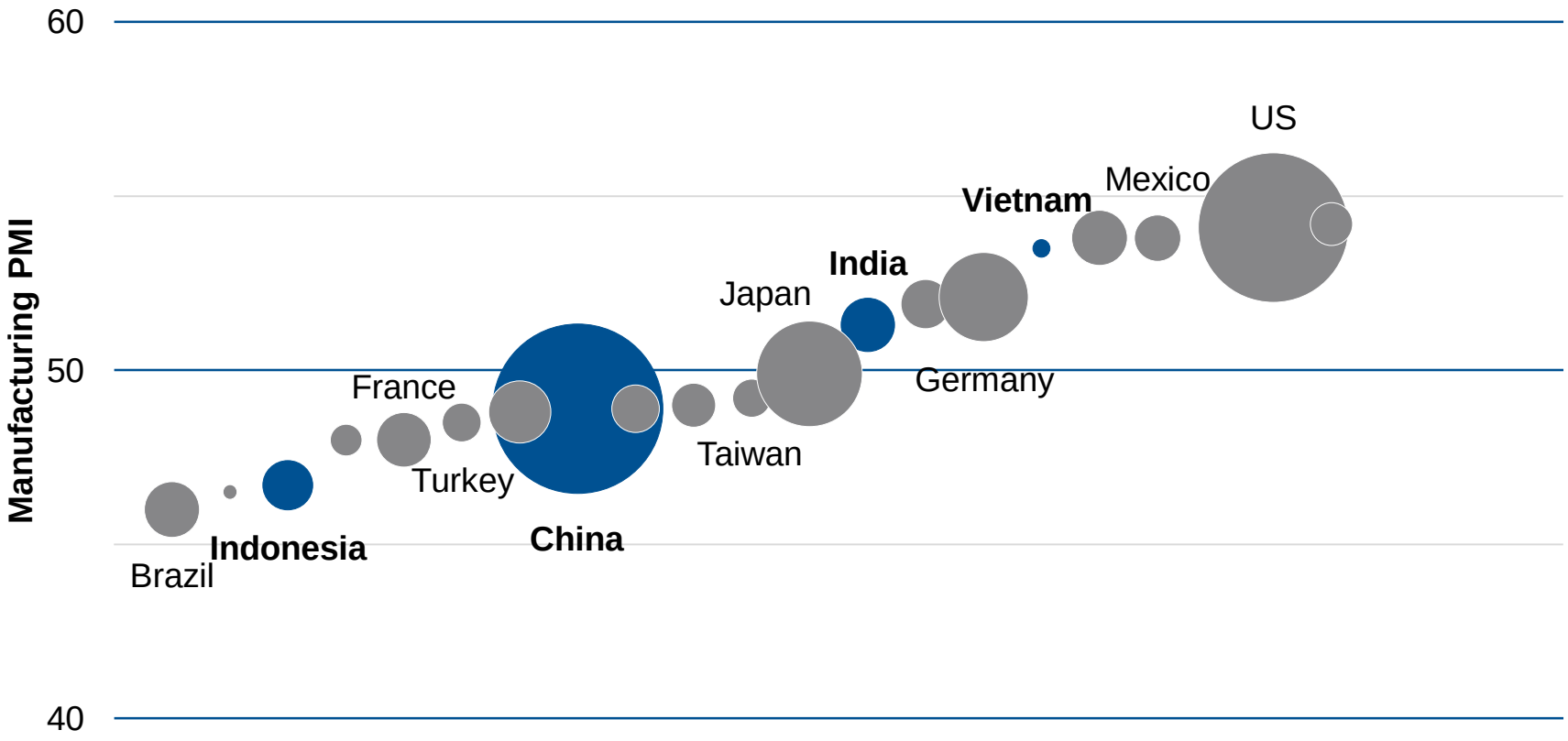
% of 2014 revenue



Share of revenues from high growth markets will increase over time

Overall market conditions remain challenging in many countries

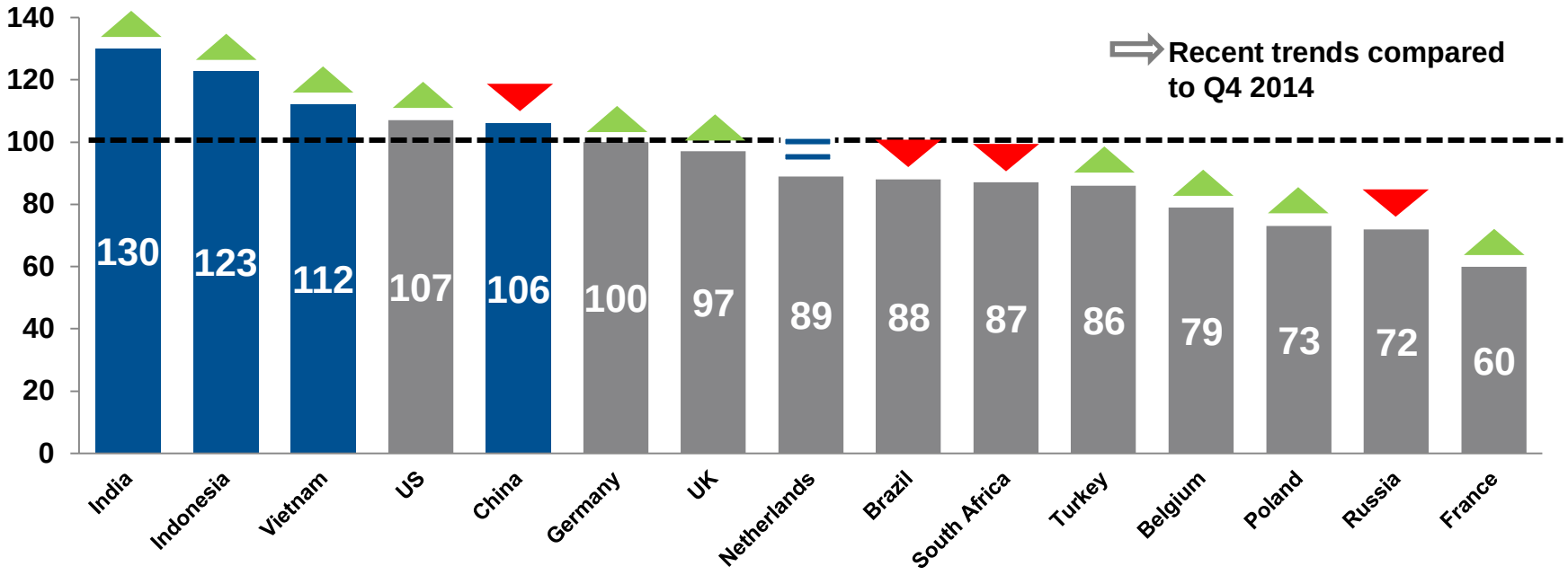
Purchase Managers' Index (PMI)*
April 2015



*Bubble size=manufacturing value-added output, 2015e (US$bn: 2010 prices)
Source: Markit, Oxford Economics

Consumer confidence is high and increasing for most Asian countries

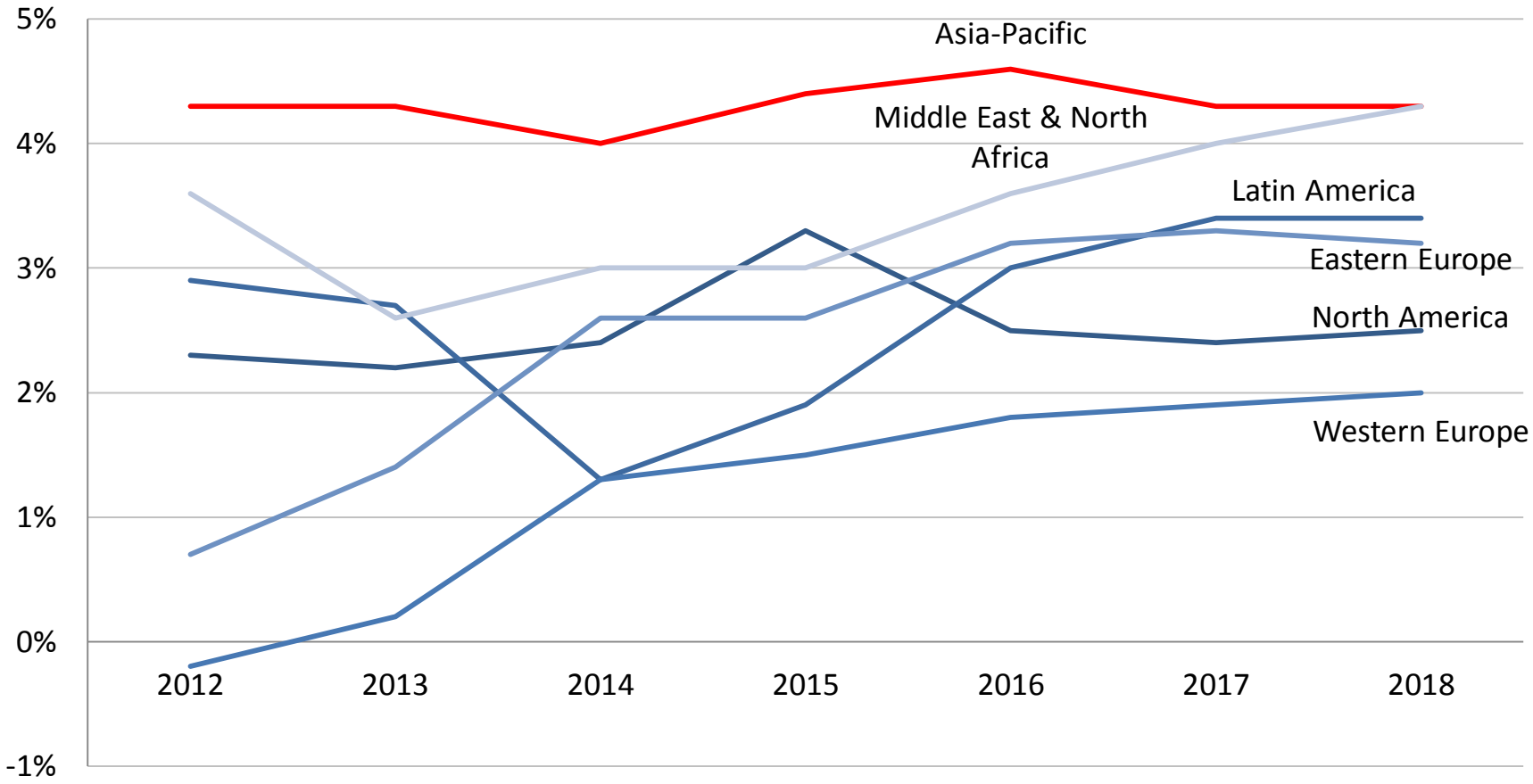
Consumer confidence, Q1 2015
Figures below 100 indicate some degree of pessimism



Source: Nielsen

Economic growth rates in Asia remain above other regions

Regional GDP forecast



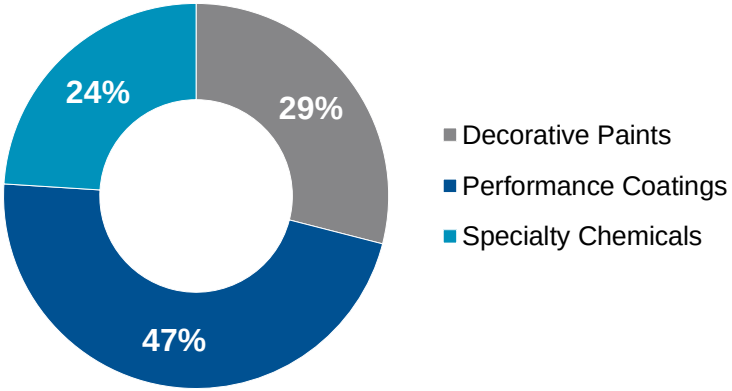
Source: Economist Intelligence Unit

We have a large presence in Asia with all business areas represented

2014

- Revenue €3.7 billion (26% total)
- 14,300 Employees
- CapEx €109 million

Revenue by Business Area %



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Dow Jones
Sustainability Indices
In Collaboration with RobecoSAM

Recent business highlights

Decorative Paints

Up to **10%** annual energy savings

Planet possible

We recently launched Dulux Powerflexx with superior protection for exterior walls and “Keep Cool” feature to reduce temperature of the interior and deliver energy savings.

Performance Coatings

Major project secured

International

Driving innovation

We will protect with over 500,000 liters of coatings a Floating Production Unit fabricated in South Korea and operating in the Jangkrik gas field in Indonesia.

Specialty Chemicals

Ningbo investment passes **€400**million

Organic growth

We broke ground on a new alkoxylation facility at our Ningbo multi-site, strengthening our position as one of the leading surfactant producers in China.

Our Human Cities initiative

- By 2050, more than 75 percent of the world's population will live in cities. 60 percent of our products are in the Buildings & Infrastructure and Transportation

- In 2014, we launched our Human Cities initiative, which is designed to engage with the challenges and opportunities of the 21st century city via color, heritage, transport, education, sport & leisure, and sustainability

- We made a commitment to the Clinton Global Initiative by establishing a partnership with The Rockefeller Foundation through its 100 Resilient Cities program

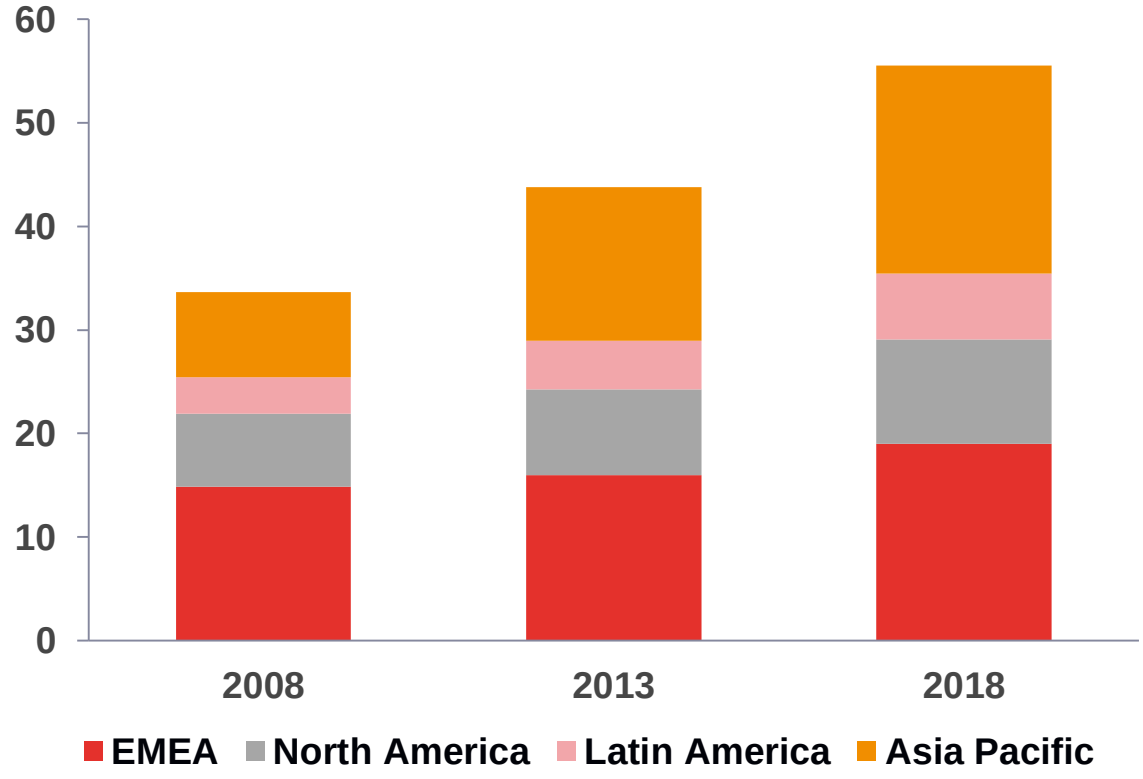
Decorative Paints – plans for profitable growth in Asia

Jeremy Rowe

AkzoNobel

The Decorative Paints market is attractive in terms of size and growth

Decorative Paints sales*
€ billion

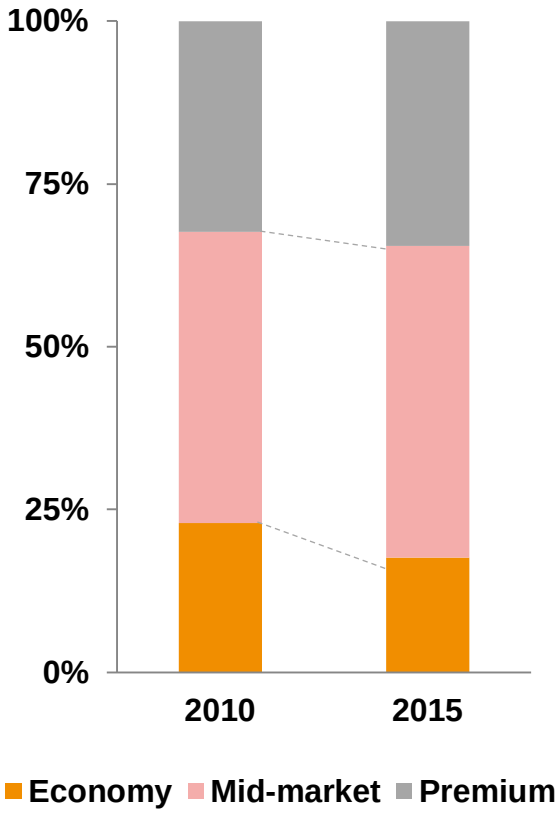


- Used for protection as well as decoration
- Consumption per capita driven primarily by the frequency of repainting
- Demand growth closely correlated with GDP growth, consumer expectations
- In high-growth markets, tends to outstrip GDP growth by up to 1.5x
- Urbanisation, housing development and infrastructure development all contribute to growth

Source: Orr & Boss
* At YTD December 2013 constant currency exchange rate, EUR 1 = USD 1.32779

High growth markets are increasingly 'trading up'

Paint market composition
% of total, by value

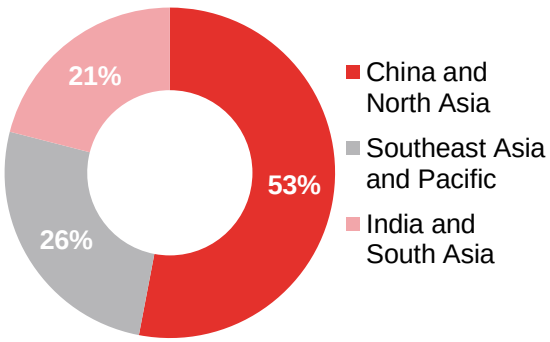


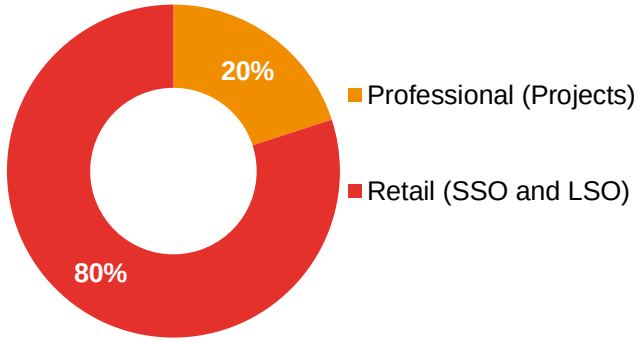
- Paint markets in high-growth markets are still showing significant opportunities for growth
- Spending power of the middle class in high-growth markets is increasing
- Premium market will still grow, but the mid-market is expected to grow fastest
- Trading up from the economy tier means that this is likely to shrink, along with the unorganised sector

Source: Orr & Boss, AkzoNobel estimates

We have strong positions in the main Decorative Paints markets

Revenue by region





Asia

€ billion	2014
Market size where AkzoNobel is represented	**12.8**
AkzoNobel revenue	**1.1**
Employees	**4,700**
Controlled, franchised or owned stores	**~4,000**

Key messages

- Strong positions in China, Indonesia, Vietnam and a number of smaller countries. Strong position in premium in India
- Strong recent organic growth trajectory, based on brand investment, painter connect and distribution expansion
- Strong financial performance
- Strong brand presence, image and reputation

Source: Orr & Boss, AkzoNobel estimates
* At YTD December 2014 exchange rate, EUR 1 = USD 1.32779

Our strategy to grow profitably in Asia

Objectives:

- Outgrow the market
- Ensure that we leverage our (global) scale to ensure that we improve relative profitability while we grow

Actions:

- Develop profitable mid-market business model(s)
- Build and implement a robust distribution strategy framework
- Leverage global marketing and innovation scale to win locally
- Leverage our strong brands
- Create and implement a digital marketing strategy

China

AkzoNobel position

Extensive geographic coverage across all regions

Key actions

- Drive further expansion outside the eastern region with investments in manufacturing footprint:
  - New plant opened in Guangzhou (2013)
  - Plant under construction in Chengdu (West)
- Drive growth in project channel
- Continue to develop emerging channels such as e-commerce and Easy Paint Services channels
- Continuously optimize our product range
  - Launch of Dulux Ambiance in premium segment

Indonesia

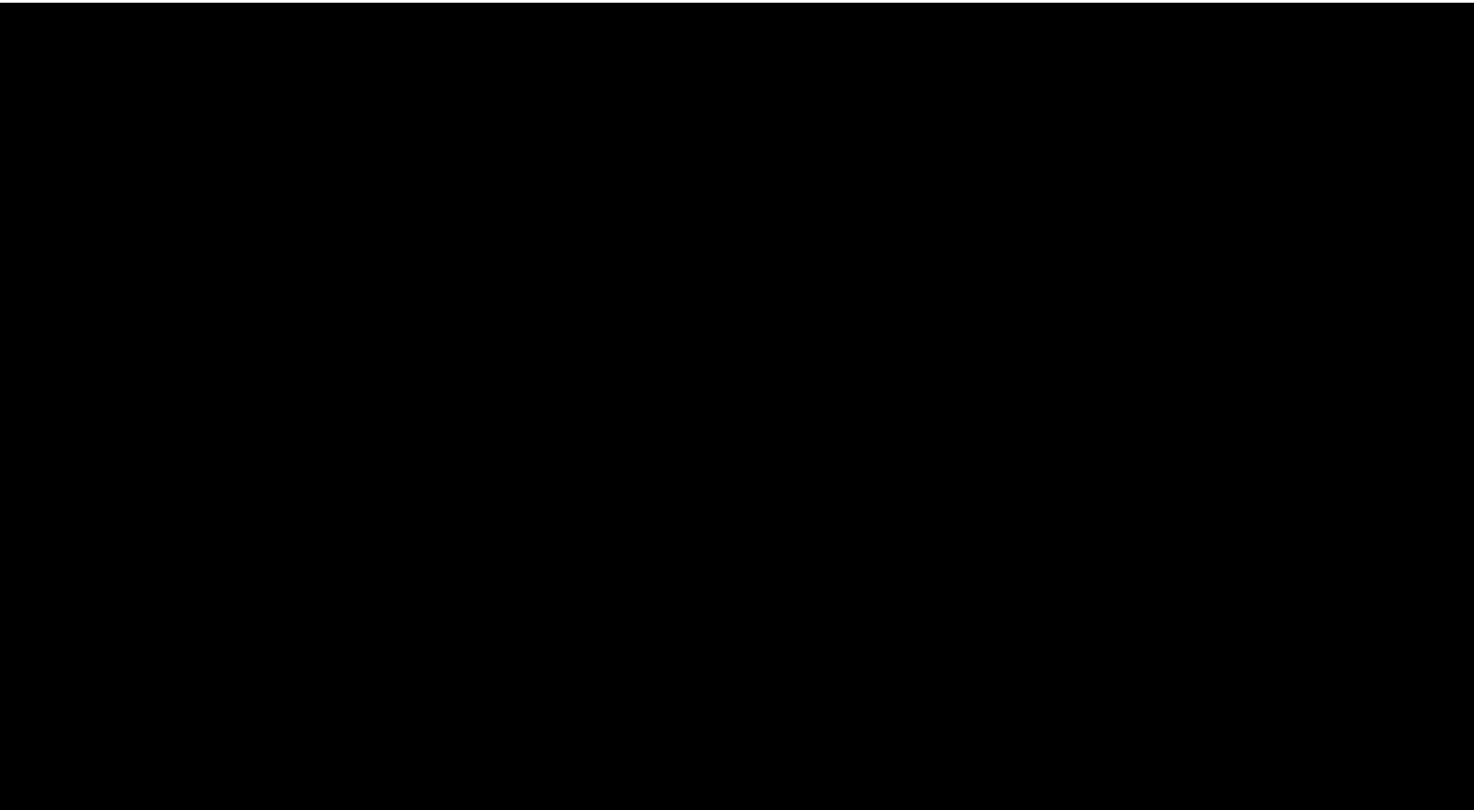
AkzoNobel position

The leading paints company in the Indonesian market with a strong market share

Key actions

- Continue to build our premium portfolio through strong brands including Dulux Weathershield and Dulux EasyClean
- Extend the reach of our Dulux brand and bring it to the mid-market segment through the launch of Dulux Catylac
- Leverage new forms of communication and activation such as Let's Color TV Show and YouTube as well as digital activation
- Leverage our new, nationwide distribution model
- Win a higher share in Professional (Projects) segment with a focused and differentiated model
- Major manufacturing plant upgrade completed in 2011

Dulux EasyClean



Vietnam – recent Projects win

- One of Vietnam's largest urban development projects
- Mixed-use project spread over 128 ha, to be completed in 3 phases over 8 years
- Ho Chi Minh City's new financial district plus apartment blocks, shopping malls, villas, retail blocks and an education campus
- **Won bid for the first phase**
- Dulux Weathershield Powerflexx for exteriors and Dulux Inspire for interiors

India

AkzoNobel position

- Strong position in premium segment

Key actions

- Continue to build our premium portfolio through strong brands including Dulux Weathershield and Dulux Velvet Touch
- Grow the mid-market segment
- Build on strength of equity among larger painters and create a digital platform to engage with them
- Further develop Professional (Projects) segment with a focused and differentiated model
- New manufacturing plant in Gwalior completed in 2014

Visualizer App – global innovation delivered locally

Key Features

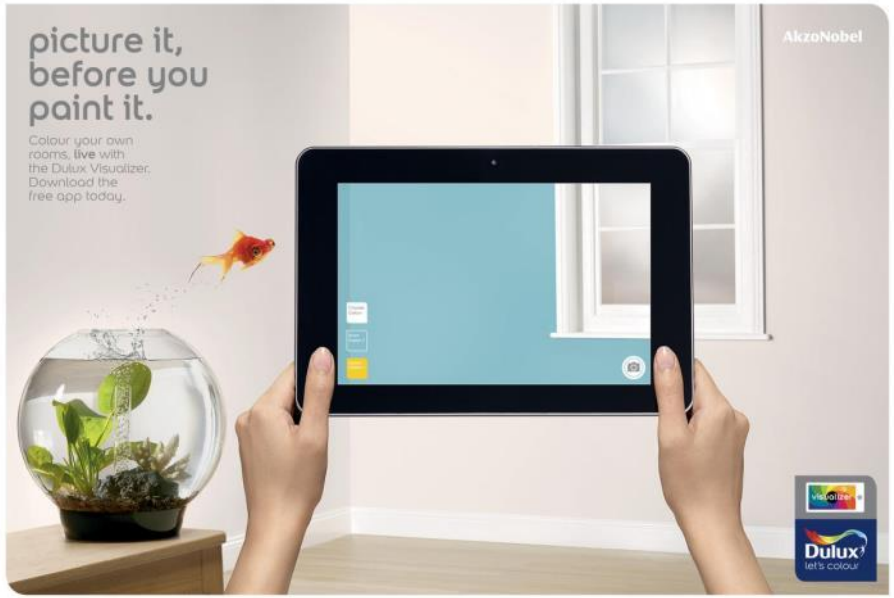
- A world first consumer application of augmented reality technology for visualizing decorated backgrounds
- Developed in collaboration with String, Tessella and Webcredible
- Winner of 2014 UK Innovative Mobile App of the Year Award
- Compatible with iOS and Android devices

Customer Benefits

- Enables users to see in real-time what a room would look like in a wide range of colors – without the use of paint
- Easy to use and visualizations can be saved

Growth Potential

- Downloaded more than 2.7 million times in 125+ countries since its launch Q2 2014
- Launched globally, including all major markets in Asia, outpacing all competition



Summary

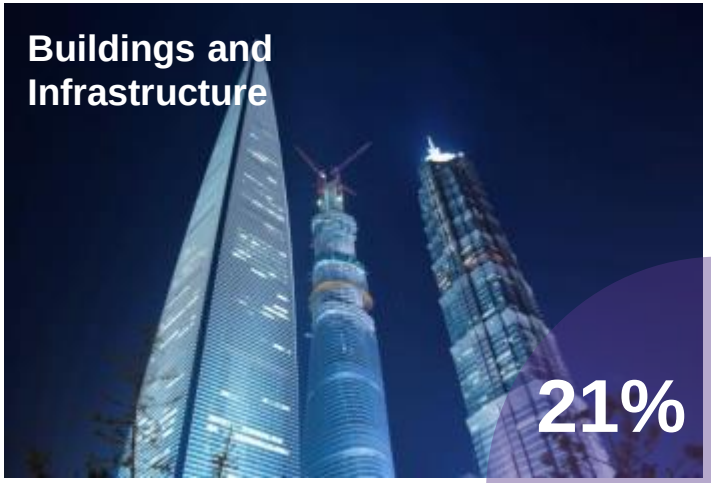
- Decorative Paints market in Asia is attractive in terms of size and growth
- Asia will continue to grow well and is ‘trading up’
- Strong positions in the main, growing, Decorative Paints markets of Asia
- Capability to invest globally and deliver locally, with regional offices in Singapore and Shanghai to leverage campaigns, know-how and best practices across the countries
- Country specific plans for profitable organic growth
- Significant investment to support growth, in particular manufacturing footprint expansion and optimization

Performance Coatings – leading through sustainable innovation

Thijs Bakker

AkzoNobel

Our performance coatings business is balanced across four end-user segments



Differentiated growth strategies exist for each market segment

Outgrow the market organically
- Marine
- Protective
- Powder
- Specialty Finishes

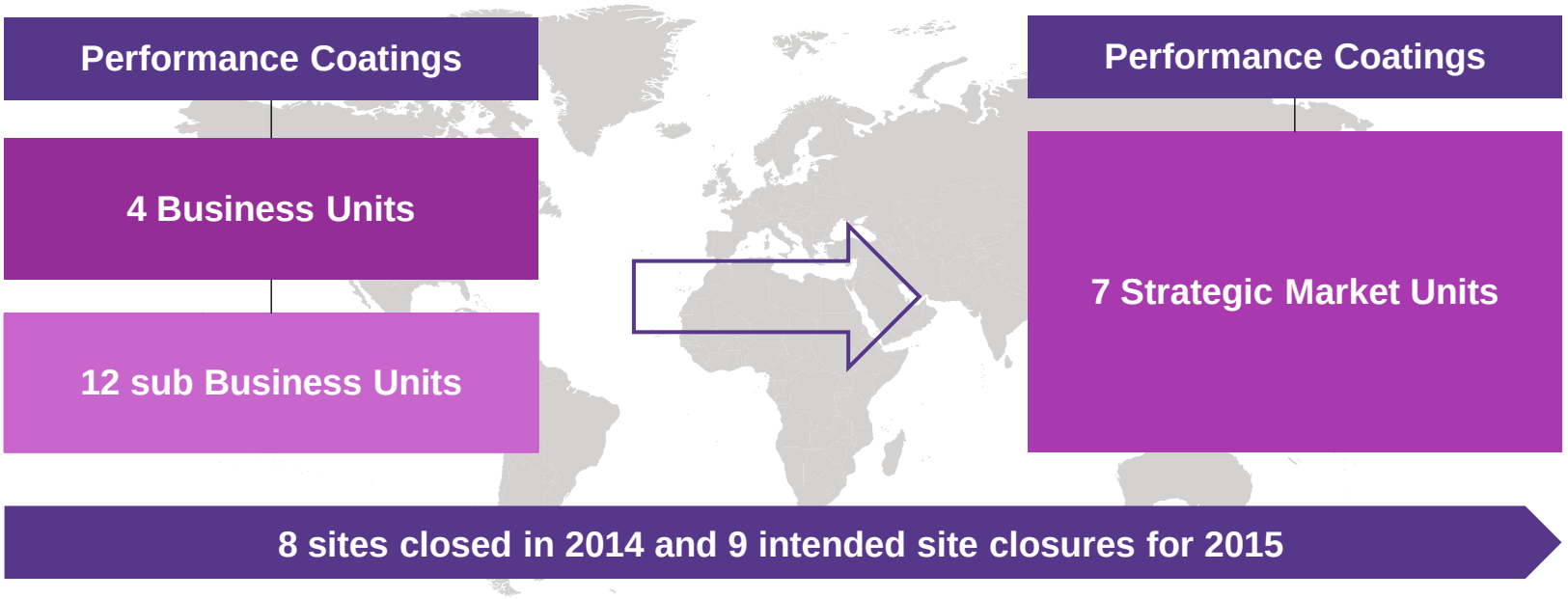
Expected outcomes
- Improved market share
- Costs don't grow as fast as revenue
- Improved return on sales in percentage terms

Improve performance by driving operational excellence
- Industrial (Wood, Coil, Packaging)
- Vehicle Refinishes
- Yacht
- Aerospace

Expected outcomes
- Growth with the market
- Reduced absolute operating expenditure
- Improved return on sales based on cost reduction

Recent transformation makes us fit for growth

- New organization structure with fewer management layers and clearer accountability
- Strategic Market Units more customer focused, agile and lean
- Lowering Selling, General & Administrative costs
- Manufacturing footprint optimization continues worldwide



We have a significant local footprint and continue to invest in Asia

Marine Headquarters and Technology Center

- Based in Singapore since 2012

New polymer plant in Songjiang

- Investment of €14 million in epoxy and polyester resins

New R,D&I Centre in Songjiang

- Base to more than 200 scientists and second largest research lab for Performance Coatings globally

New coatings production in Changzhou

- €75 million unit adds capacity for vehicle refinishes

New manufacturing facility in Chonburi, Thailand

- €30 million unit to produce Metal Coatings, Protective Coatings, Specialty Coatings, Marine Coatings and selected Decorative Paints

Intersleek helps marine customers to save fuel and reduce emissions

Key features:

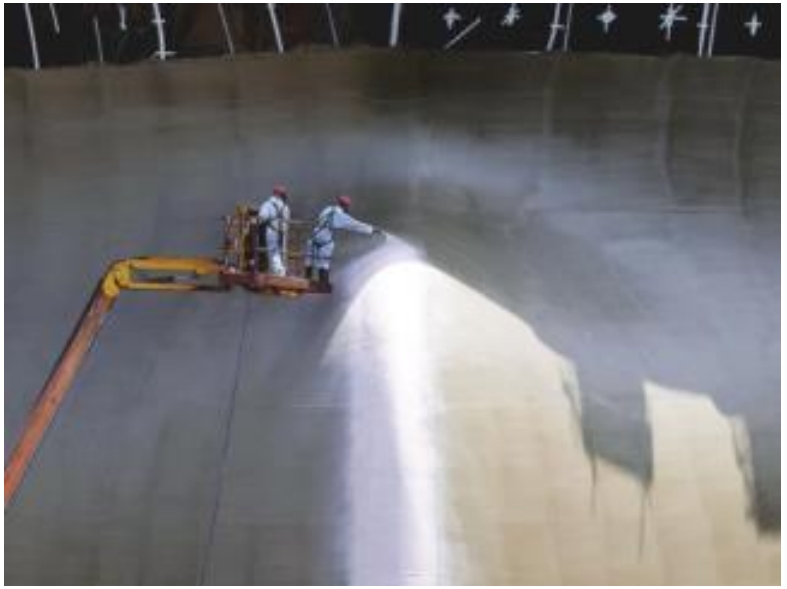
- Intersleek foul release marine coatings reduce fuel consumption and emissions by an average of 9%
- Shipping industry's first methodology for generating carbon credits

Customer benefits:

- Lower fuel consumption generates fuel saving
- Customers switching from biocidal to Intersleek technology can generate carbon credits
- Customers incentivized to use premium hull coatings; win/ win scenario

Award-winning technology:

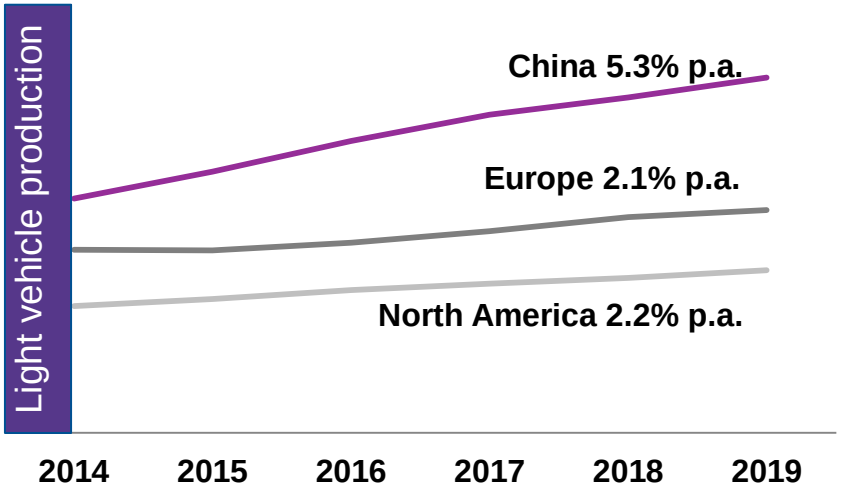
- Queen's Award for Enterprise; Innovation 2007 (Intersleek 700)
- 2013 RINA QinetiQ Maritime Innovation Award (Intersleek 1100SR)
- 2014 Seatrade Clean Shipping Award (Intersleek 1100SR)

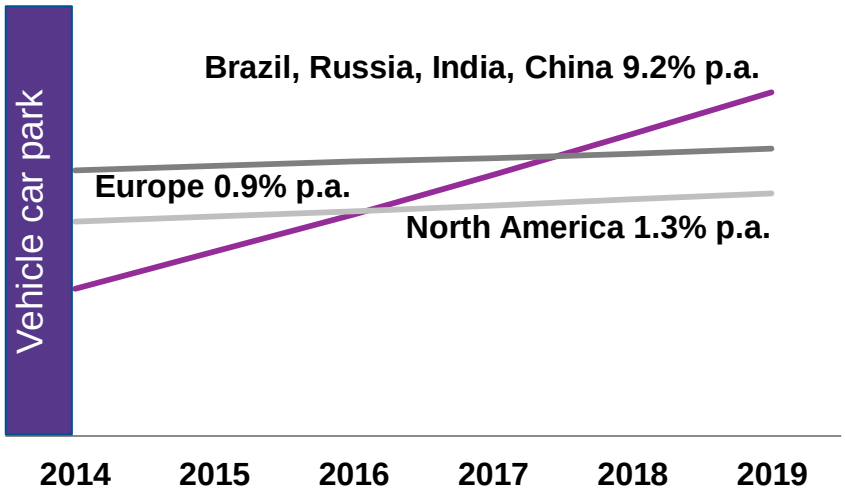


The Gold Standard
Premium quality carbon credits

We are a key player in both premium and mid-market Vehicle Refinishes for Asia

Passenger cars and light vehicles (units)





Source: IHS

Summary

- World-leading position in performance coatings technology and innovation
- Global reputation for quality and reliability
- Supply market-leading brands to many of the world's leading companies
- Flatter organization makes us more customer focused, agile and lean
- Investing around the world to enhance our supply and innovation capabilities
- In-depth knowledge and wide-ranging expertise
- Leading through sustainable innovation

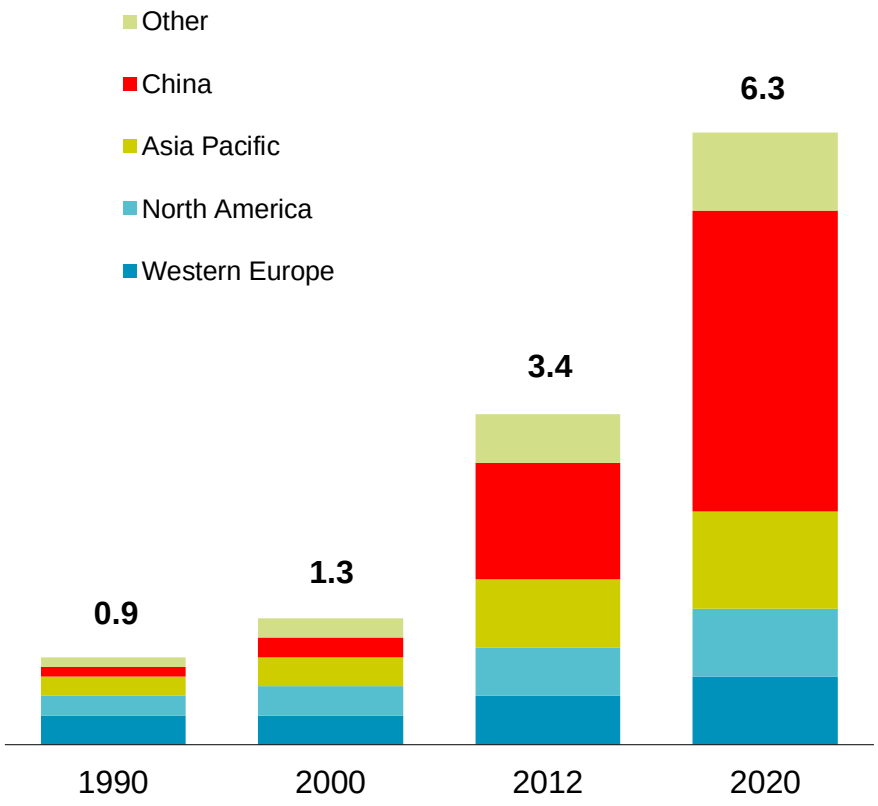
McLaren AUTOMOTIVE | AkzoNobel
TECHNOLOGY PARTNER

AkzoNobel

Specialty Chemicals
Maëlys Castella

The chemical industry is large and growing, especially in Asia

Chemicals industry over time, by geography
$ trillion



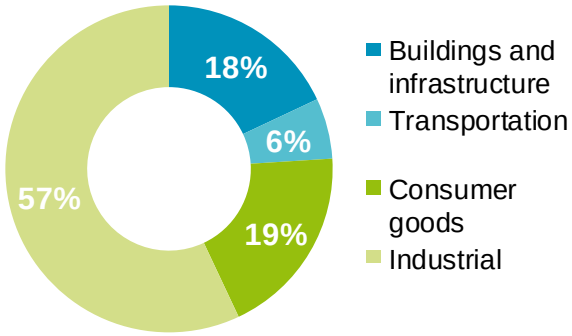
	2000	2012	2020
CAGR (nominal)	**6.6%**	**7.4%**	**6.8%**

- $3.5 trillion market
- Solution provider for society
  - manufacturing
  - food production
  - climate change
- Continuous growth
- Strong growth in Asia

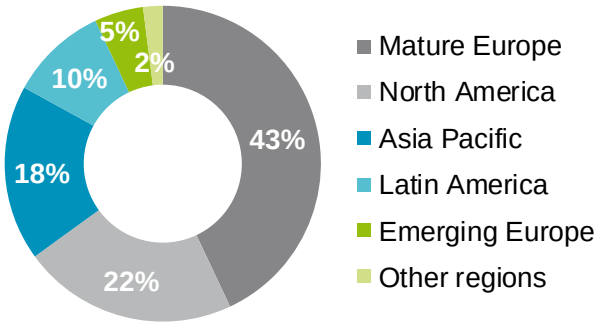
Source: McKinsey

Specialty Chemicals is well positioned to capitalize on our current position

Revenue by end user segment



Revenue by geographic spread



Key messages

- Serve international and local customers
- Leading positions in five main platforms
- 18% of revenues generated in Asia
- Significant expansion investments in China now operational
- Local presence in Asia, including manufacturing footprint in China, India, Japan, and Singapore and Ethylene and Sulfur Derivatives head office in Shanghai
- Driving functional excellence and operational leverage

Recent investments provide a foundation for future growth

Increased footprint

- Ningbo was our largest ever one-site investment, inaugurated in November 2010
- Operational infrastructure in place and ready to supply additional demand
- Ethylene and Sulfur Derivatives head office now located in Shanghai
- We continue to invest and leverage scale

Opportunities exist for operational leverage

- Organic growth from strong customer base
- Process innovation
- Easy debottlenecking
- Better yields (lower waste and variable costs)

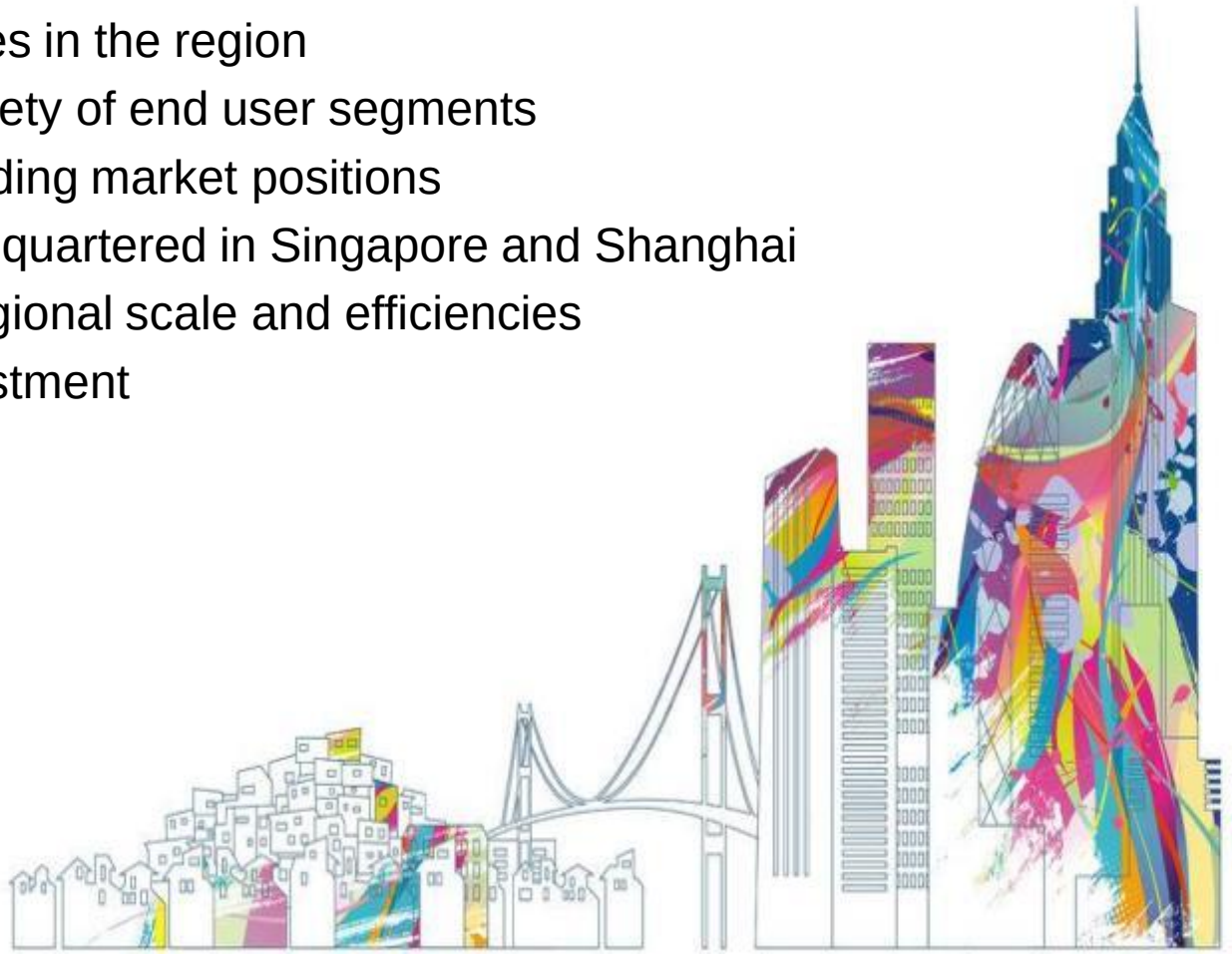
Major projects and timing of spend

Investment project	2010	11	12	13	14	15
Ningbo Infrastructure						
Ningbo Ethylene Amines						
Ningbo Chelates						
Ningbo Cellulosics						
Ningbo Organic Peroxides1						
Boxing Surfactants Acq'n						
Boxing & Ningbo Surfactants						
Ningbo Organic Peroxides2						
Taixing MCA						
Guangzhou Colloidal Silica						

Summary
Maëlys Castella

AkzoNobel is well positioned for continued growth in Asia

- Established and profitable business
- Broad range of activities in the region
- Addressing a wide variety of end user segments
- Strong brands and leading market positions
- Several business headquartered in Singapore and Shanghai
- Benefit from global/ regional scale and efficiencies
- Significant recent investment
- Continued innovation



Questions

Safe Harbor Statement

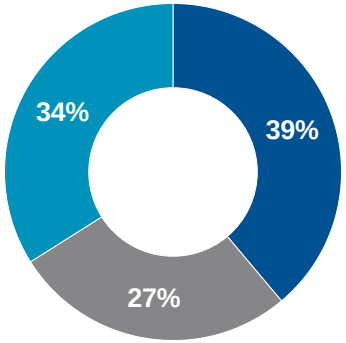
This presentation contains statements which address such key issues as AkzoNobel's growth strategy, future financial results, market positions, product development, products in the pipeline, and product approvals. Such statements should be carefully considered, and it should be understood that many factors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

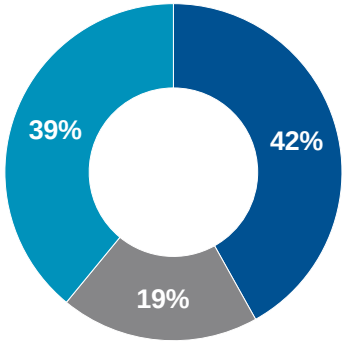
AkzoNobel today

- Revenue €14.3 billion
- 47,200 employees
- 44% of revenue from high growth markets
- Major producer of Paints, Coatings and Specialty Chemicals
- Leadership positions in many markets

Revenue by Business Area

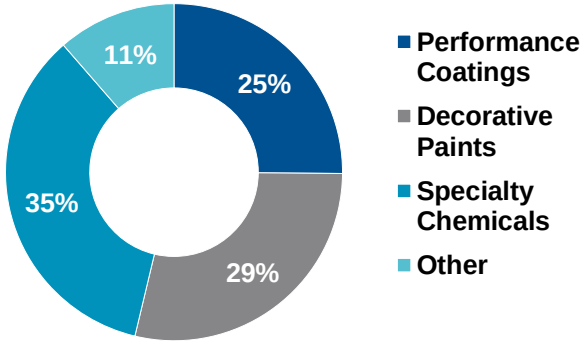


Operating income by Business Area



6.9%
Return on sales
(operating income/revenue)

Invested capital by Business Area



10.0%
Return on investment
(Operating income/average 12 months invested capital)

Buildings and Infrastructure
~42% of revenues
New Build Projects
Maintenance, Renovation & Repair
Building Products & Components

Transportation
~16% of revenues
Automotive OEM, Parts and Assembly
Automotive Repair
Marine and Air Transport

~17% of revenues
Consumer Durables
Consumer Packaged Goods
Consumer Goods

~25% of revenues
Natural Resource and Energy Industries
Process Industries
Industrial

Strategy on a page

Strategic focus areas

- Care for the customer
- Reduction of product and process complexity
- Cash and return on investment
- Embedded safety and sustainability
- Diverse and inclusive talent development

Processes

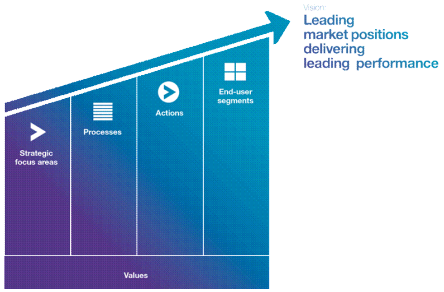
- People, process and product safety
- Operational control cycle
- Continuous improvement
- Innovation
- Procurement
- Talent management

Actions

- Deliver dependably
- Grow organically
- Innovate
- Simplify
- Standardize
- Continuously improve

End-user segments

- Buildings and Infrastructure
- Transportation
- Consumer Goods
- Industrial



AkzoNobel values drive cultural change

Sustainability is business; business is sustainability

20%

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

25-30%

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

Planet Possible™

REI

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

AkzoNobel ranked #1 again in the Dow Jones Sustainability Index for the Materials Industry group

Human Cities in action

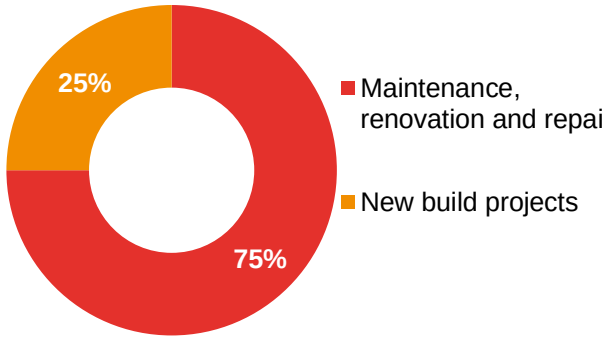
A new report developed by the Economist Intelligence Unit and AkzoNobel is now available which explores **how cities create optimal environments for citizens**.

Called **Tomorrow's cities**, we worked together to collect opinions from leading city experts and executives, who share their views on a number or important themes and topics**.**

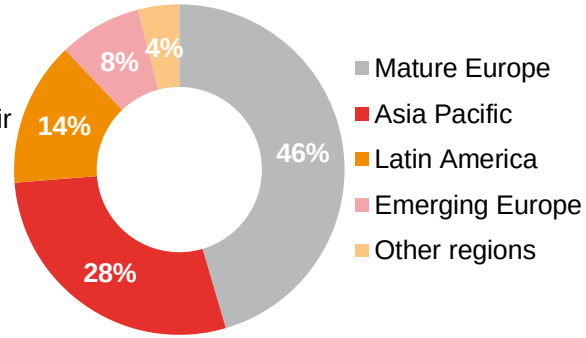
To download the report visit:
www.akzonobel.com/humancities

Decorative Paints at a glance

Revenue by end-user sub-segment



Revenue by geographic spread



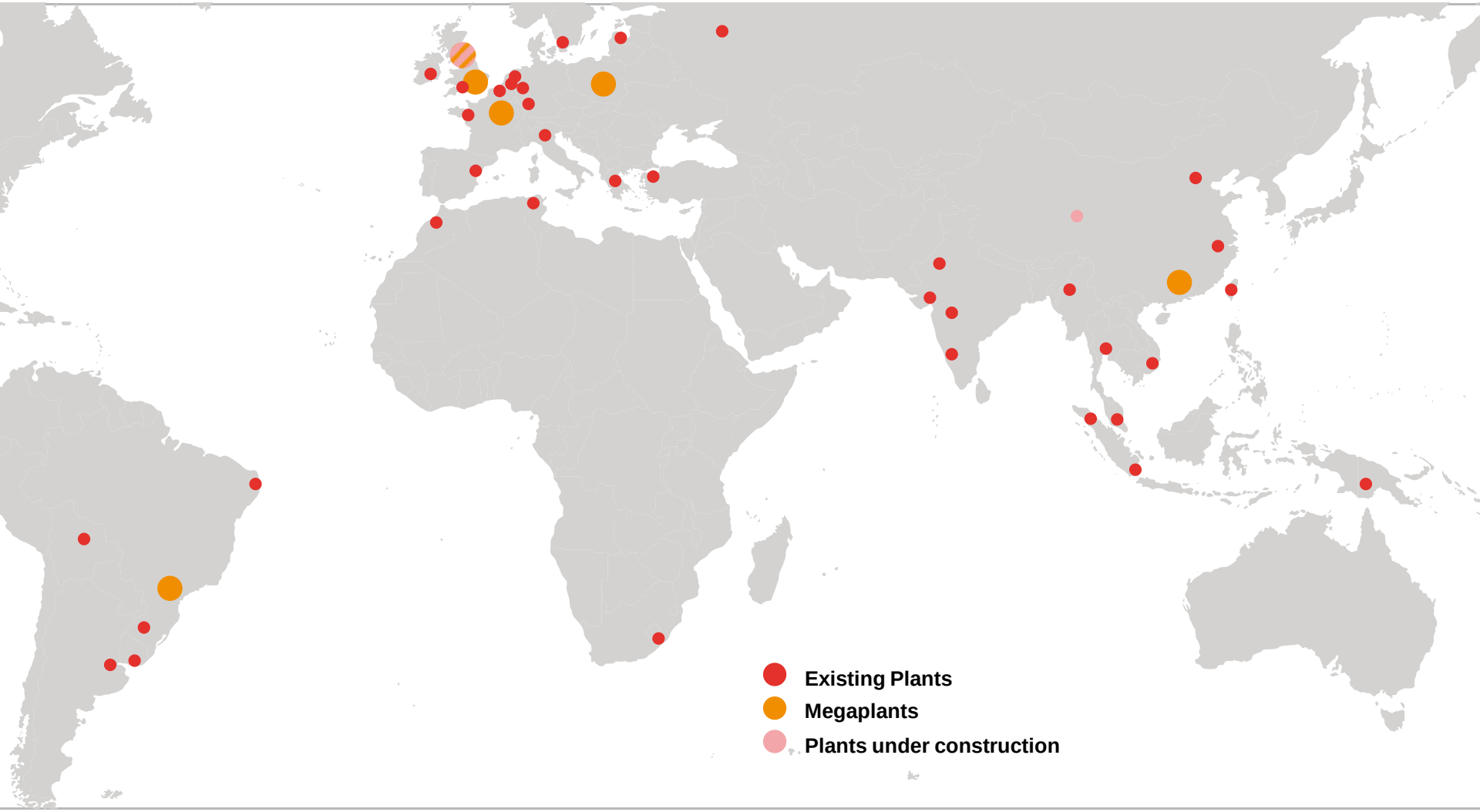
Decorative Paints key figures

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

Key messages

- We are the global leader in size in the attractive global Decorative Paints market
- We are pursuing a vision of becoming the leading global Decorative Paints company in size and performance
- Strategic priorities:
  - Fix Europe
  - Grow profitably in high-growth markets

Our manufacturing footprint is changing to address our market environment



Capital expenditure supports growth and manufacturing footprint optimization

New greenfield Paints Manufacturing Plant in China west region – Chengdu City

Total investment €44 million from 2014

Focus on water-based paints with 2 construction phases:

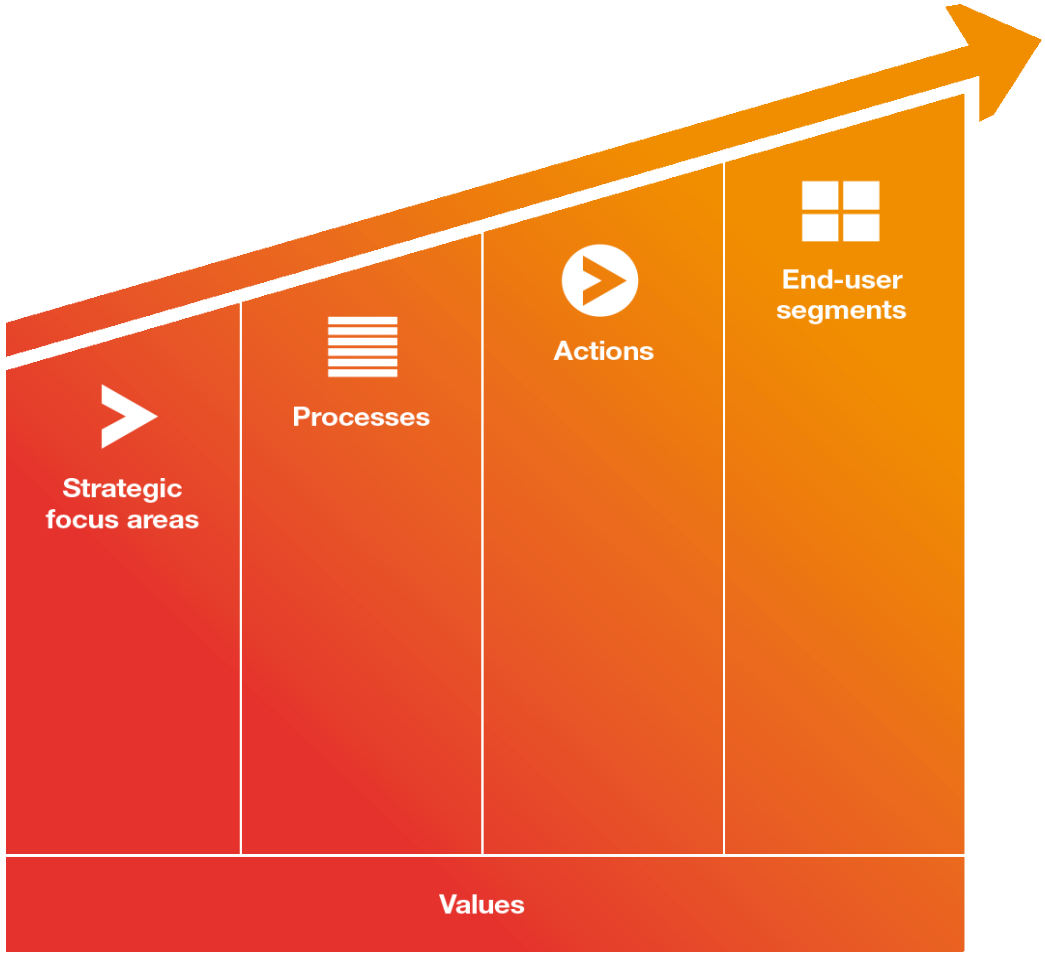
Phase 1.1 - 50ML capacity by 2016

Phase 1.2 - total 100ML capacity in 2019

Proven paint making technology including Advanced Manufacturing System and high speed filling

Project permits and engineering design completed, construction on schedule

Decorative Paints vision and targets



Decorative Paints vision

The leading global Decorative Paints company in size and performance

Expected outcomes (2015):

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

Decorative Paints strategy on a page

Strategic focus areas
Per the company agenda

Processes
Per the company agenda

Business area capabilities
- Branding
- Distributor, wholesaler, retail management
- Understanding and serving professional painters
- Consumer inspiration
- Quality management

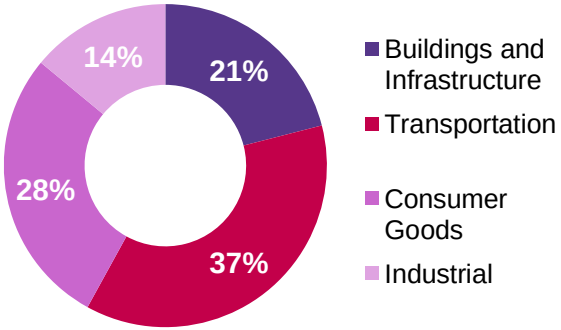
Actions
Per the company agenda

Business area actions
- Fix Europe
- Grow profitably in high-growth markets
- Leverage investments in marketing, sales, innovation
- Improve supply chain performance
- Generate more value with fewer resources

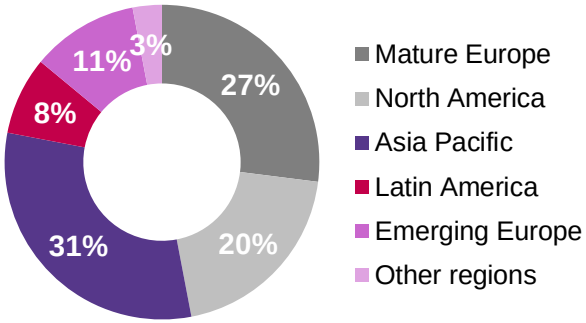
End-user segments
- Buildings and Infrastructure
- Transportation
- Consumer Goods
- Industrial

Performance Coatings at a glance

Revenue by end-user segment



Revenue by geographic spread



Performance Coatings key figures

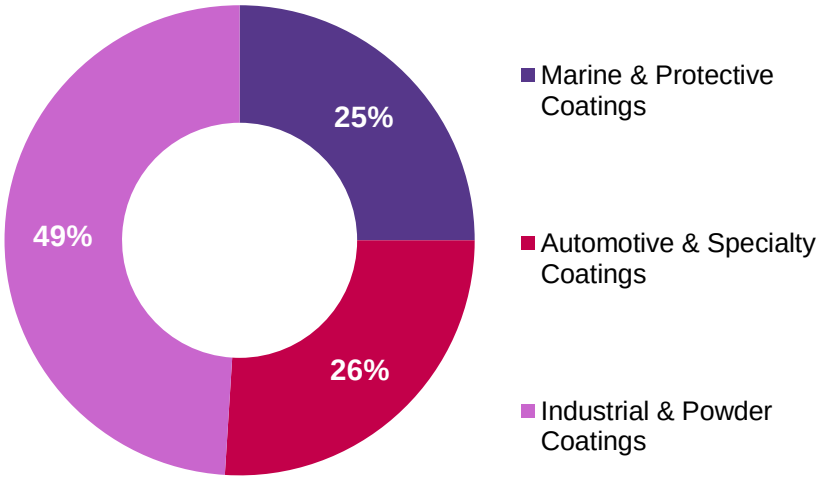
€ million	2014
Revenue	**5,589**
EBITDA	**687**
Operating income	**545**
Return on sales	**9.8%**
Return on investment	**22.0%**
Employees	**20,500**

Key messages

- We have leading market positions
- Strategic priorities include:
  - Performance improvement initiatives
  - Differentiated growth strategies

We cover a uniquely broad set of markets with leading global brands

2014 revenue by Reporting Unit



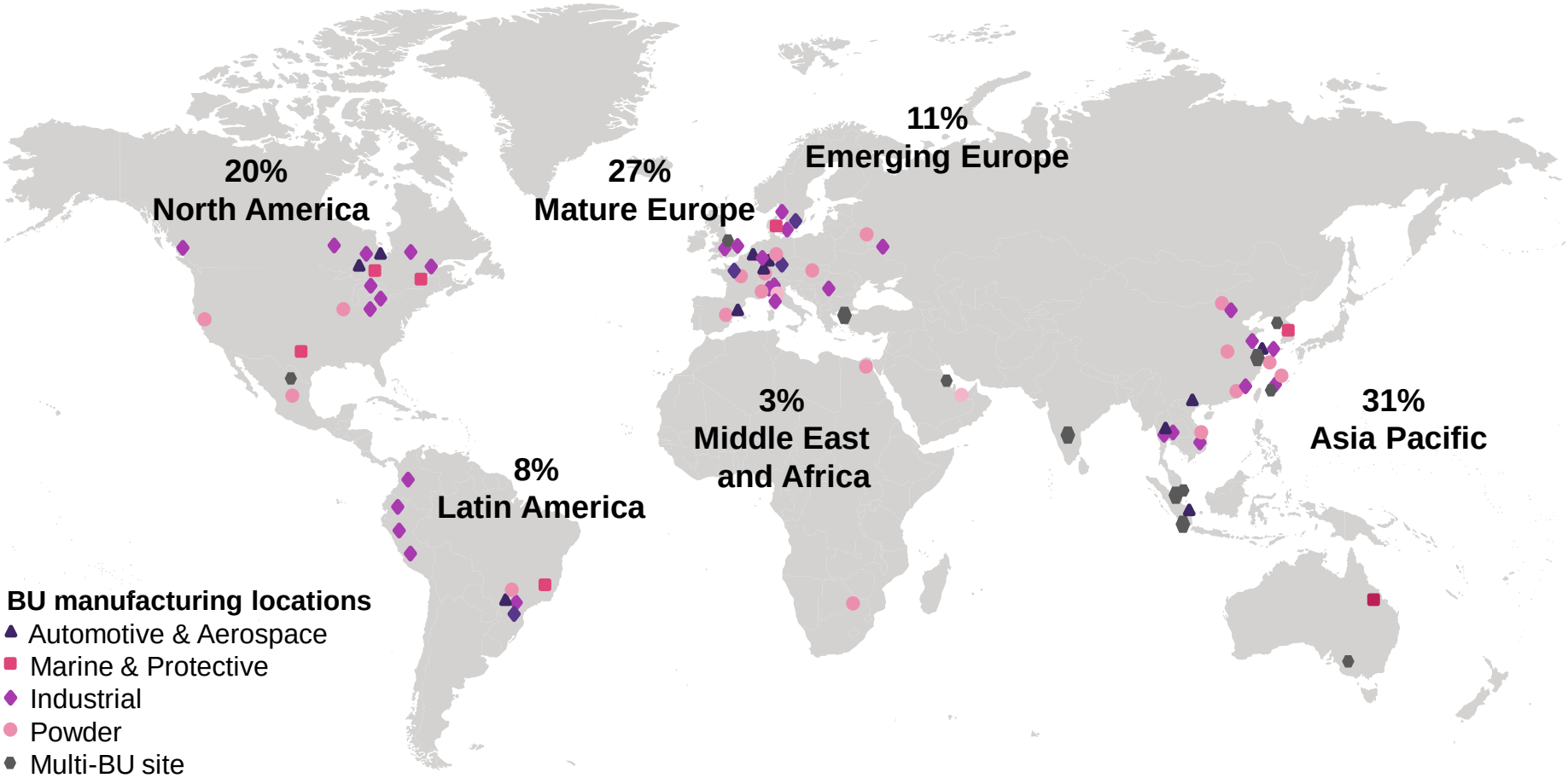
Marine & Protective Coatings
- Protective
- Marine

Automotive & Specialty Coatings
- Vehicle Refinishes
- Specialty Finishes
- Aerospace
- Yacht

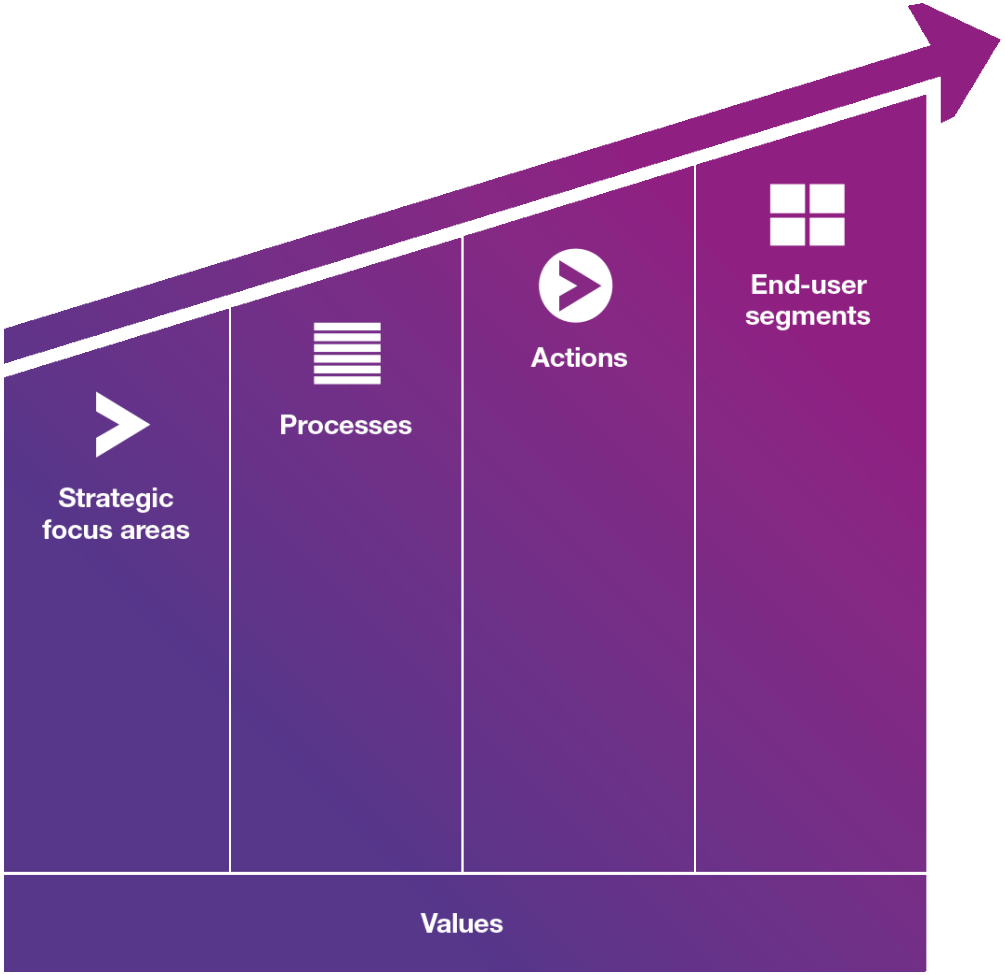
Industrial & Powder Coatings
- Wood
- Coil
- Packaging
- Powder

We are well positioned globally in terms of revenue and manufacturing locations

% of 2014 revenue



Performance Coatings vision and targets



Performance Coatings vision:

The leading coatings company from a performance perspective

Expected outcomes 2015:

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

Performance Coatings strategy on a page

Strategic focus areas
Per the company agenda

Processes
Per the company agenda

Business area capabilities
- Key account management
- Coatings technology and product innovation
- Footprint in growth markets

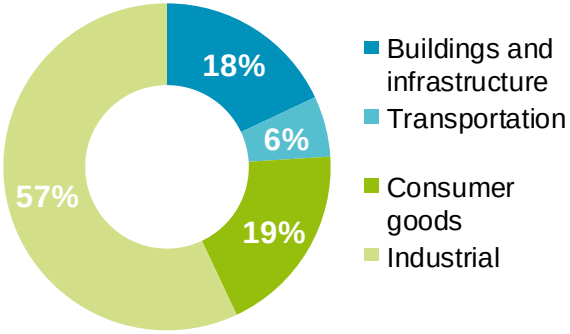
Actions
Per the company agenda

Business area actions
- Drive overarching performance improvement initiatives
- Pursue differentiated growth strategies
  - Outgrow the market organically
  - Improve performance by driving operational excellence

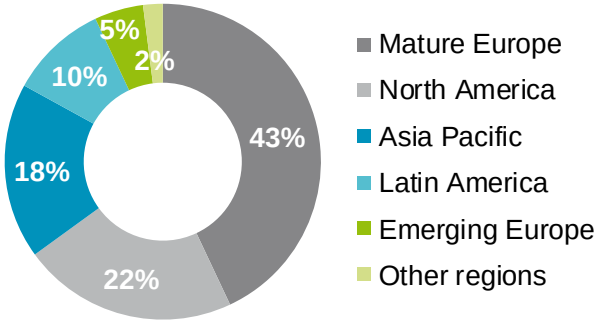
End-user segments
- Buildings and Infrastructure
- Transportation
- Consumer Goods
- Industrial

Specialty Chemicals at a glance

Revenue by end user segment



Revenue by geographic spread



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

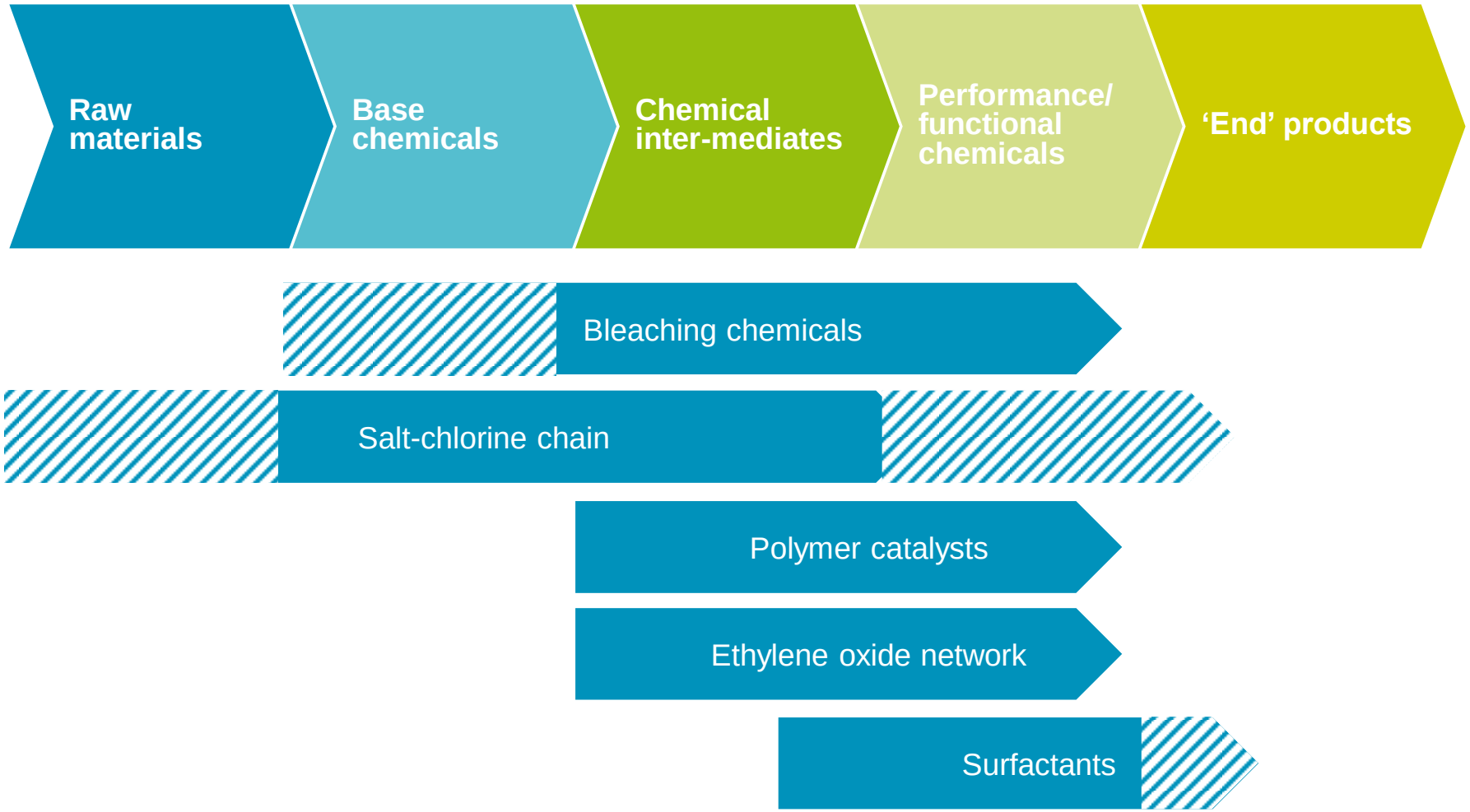
Key messages

- Serving attractive markets, growing over the cycle
- Leading positions in five main platforms
- 57% of revenues generated outside of mature Europe
- Significant expansion investments now operational
- Driving functional excellence

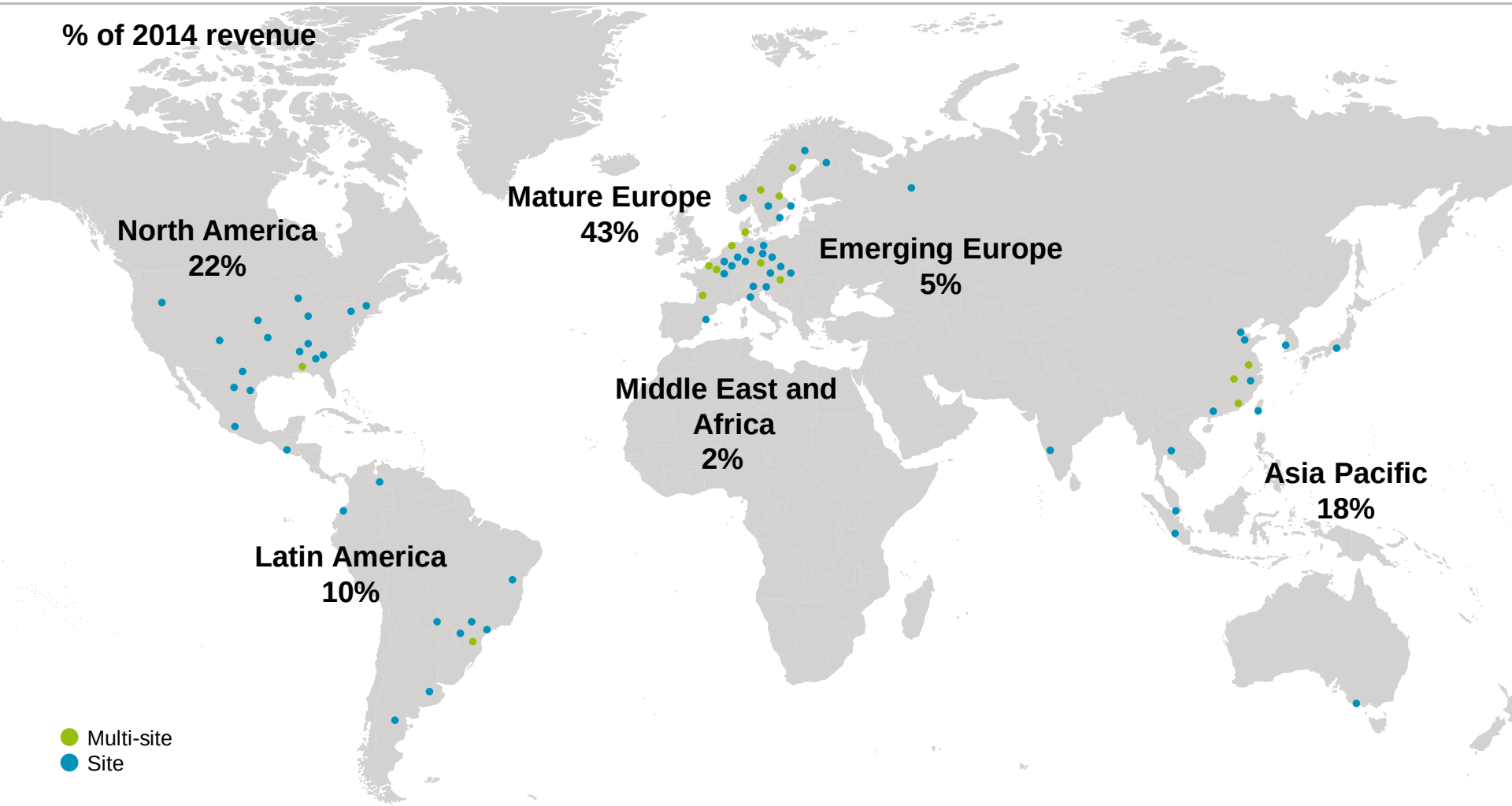
Five well positioned platforms in their industries

Our Business Units	Our Platforms
Pulp & Performance chemicals	Bleaching Chemicals 60% of Pulp & Performance chemicals
Industrial Chemicals	Salt-chlorine chain 100% of Industrial Chemicals
Functional Chemicals	Polymer catalysts 40% of Functional Chemicals
	Ethylene Oxide Network 40% of Functional Chemicals
Surface Chemistry	Surfactants 85% of Surface Chemistry

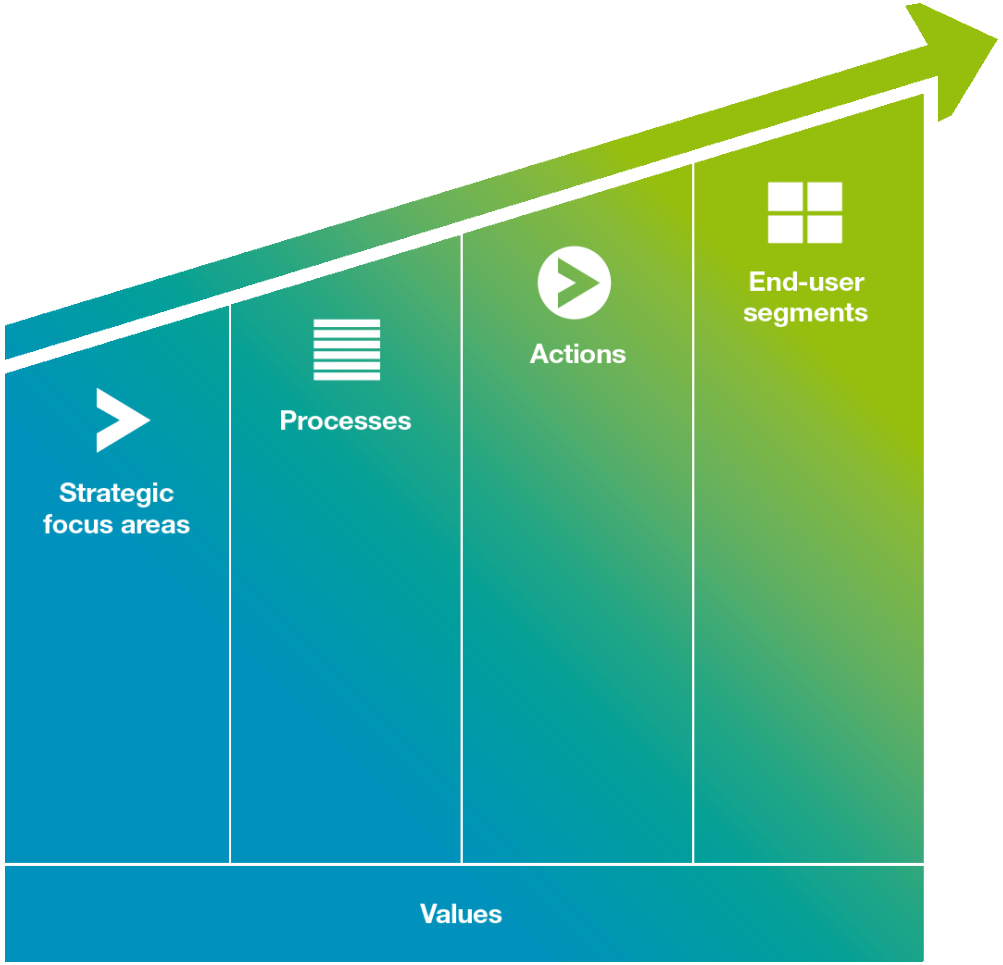
Our platforms build on value chains



Global manufacturing network serves both regional and global customers



Specialty Chemicals vision and targets



Specialty Chemicals vision:

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

Expected outcomes (2015):

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

Specialty Chemicals strategy on a page

Strategic focus areas
Per the company agenda

Processes
Per the company agenda

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

Actions
Per the company agenda

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

End-user segments
- Buildings and Infrastructure
- Transportation
- Consumer Goods
- Industrial

Differentiated strategies per platform

Outgrow the market organically
~ 50% of portfolio

Main platforms
- Bleaching chemicals
- Surfactants

Actions
- Capitalize on investments
- Grow by successfully commercializing products for attractive applications

Improve performance by driving operational excellence
~50% of portfolio

Main platforms
- Salt-chlorine chain
- Polymer catalysts
- Ethylene oxide network

Actions
- Reduce costs and further improve productivity in operations
- Improve raw material (cost) position

AkzoNobel