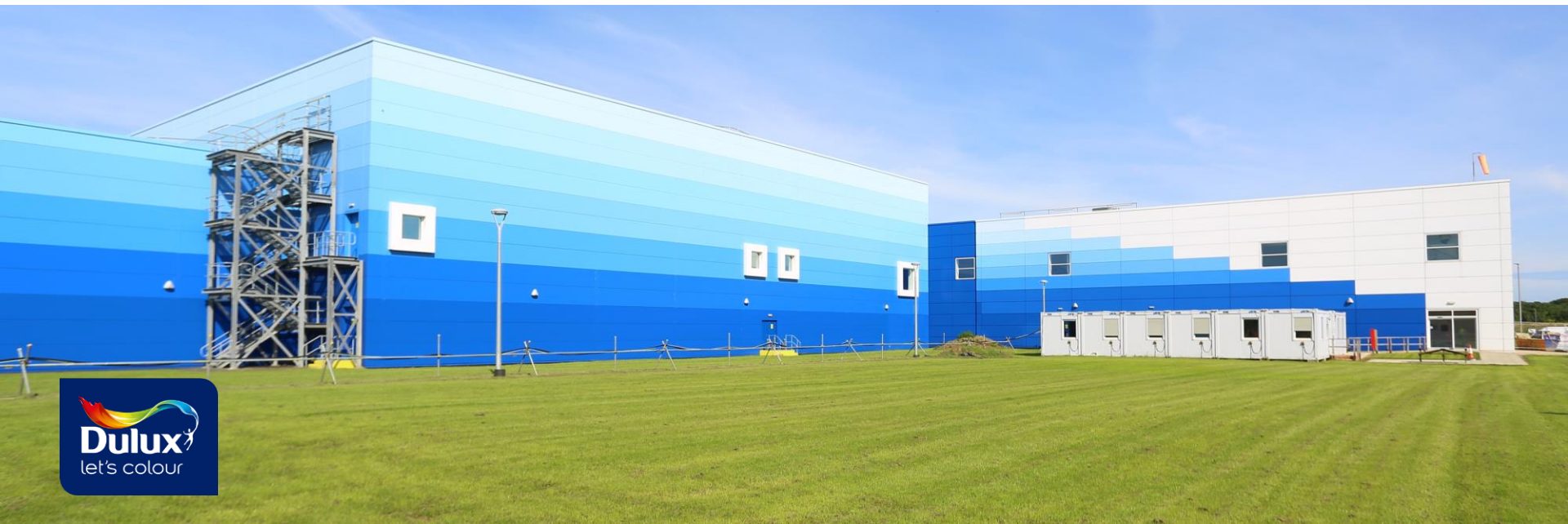


# Investor update Q3 2017

October 18, 2017



**Dulux**  
let's colour

# Agenda



Strategy update



Operational and financial review



Concluding remarks



Questions



# Strategy update

AkzoNobel

**Investing in UK production :** We opened the world's most sustainable paint factory, capable of producing over 200 million liters of paint per year. Ashington will be the production center for Dulux, the world's leading paint brand.

# Growth momentum continues while dealing with industry specific headwinds

- Higher volumes and increased revenue, despite challenging market conditions in selected areas
- Capacity expansions in Sweden and China
- Launched the world's most advanced and sustainable paint factory in Ashington, UK
- Industry specific headwinds continue, including higher raw material prices
- Measures to mitigate current market challenges: increased selling prices and additional cost control

**AkzoNobel**



# Creating two focused high-performing businesses

- Phase one of plan to create a fit for purpose Paints and Coatings organization
- Extraordinary General Meeting (EGM) to be held on November 30, 2017
- Deliver €110 million savings in 2018, towards 2020 guidance
- €1 billion special cash dividend as advance proceeds to be paid on December 7, 2017
- New management structure for Paints and Coatings
- Separation of Specialty Chemicals on track to be completed by April 2018



# Phase one of creating a fit for purpose Paints and Coatings organization

**AkzoNobel**

1 Supply chain re-organization

2 Consolidation of infrastructure

3 Leveraging support functions (SG&A and R&D)

New management structure

**€120m**

one-off costs 2017/ 2018

**€110m**

annual cost savings from

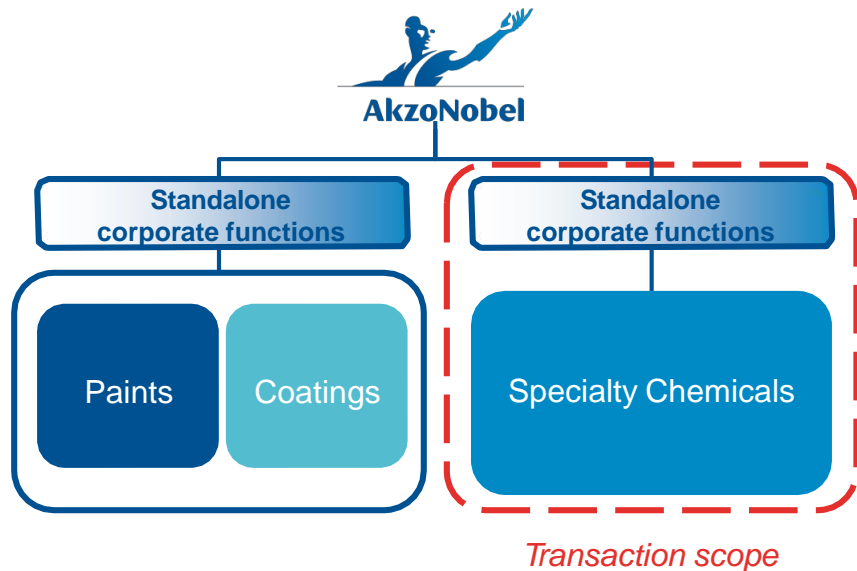
**2018**



# Separation of Specialty Chemicals on track to be completed by April 2018

**AkzoNobel**

Internal separation



External separation

Dual-track process



Scope of requested  
shareholder approval

~€175m

one-off costs 2017/ 2018

# Operational and financial review

AkzoNobel

**Leading the way in sustainability :** We are at the top of the influential Dow Jones Sustainability index within the Chemicals Industry Group, underlining our commitment to making a positive impact on the whole value chain.



# Mixed market environment

AkzoNobel

Raw material cost inflation

Marine and Protective Coatings

Disruption in the supply chain

Adverse currency effects

Specialty Chemicals

China

Powder Coatings

South and SE Asia

EMEA (ex. UK)

Automotive and Specialty Coatings

# Volumes and revenue up despite strong headwinds

Volumes

2% higher

Revenue

up 1%

Novel technology platform for producing a wide range of ethylene amines

EBIT

€383 million

Interim dividend

up 51%  
to €0.56

Product launches include Ultralavable (EasyCare) in Argentina and Forest Breath BioCare in China

# Volume growth for Paints and Coatings and higher positive price/mix in Chemicals

**AkzoNobel**

## Decorative Paints

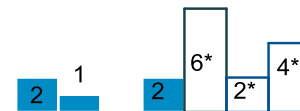
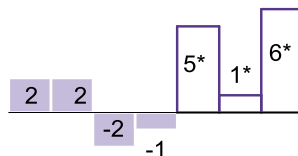
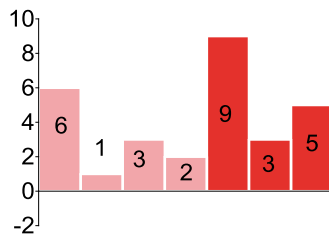
## Performance Coatings

## Specialty Chemicals

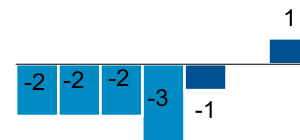
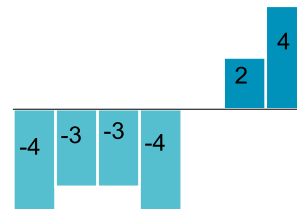
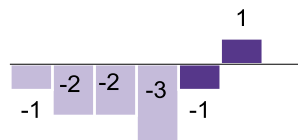
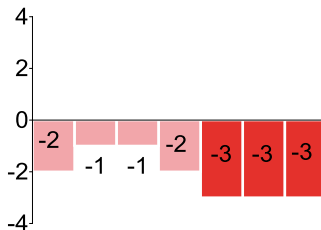
## AkzoNobel

2016  
2017

Quarterly volume development in % year-on-year



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



\* Includes acquisitions



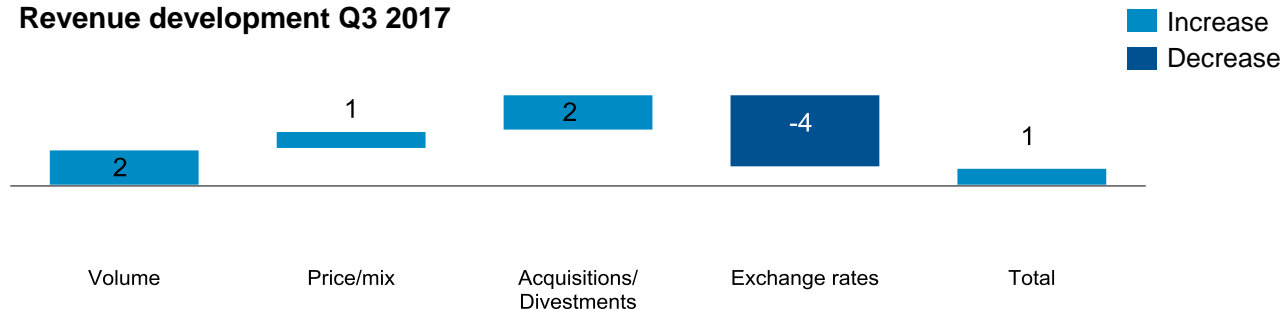


# AkzoNobel Q3 2017: Higher revenue driven by increased volumes and acquisitions

**AkzoNobel**

€ million	Q3 2016	Q3 2017	Δ%
Revenue	3,600	3,624	1
EBIT (Operating income excluding identified items)	442	383	(13)
Operating income	454	338	(26)
Ratio, %	Q3 2016	Q3 2017	
ROS*	12.3	10.6	
Moving average ROI*	15.2	14.2	

## Revenue development Q3 2017



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



We opened a new plant in Ashington, UK for the production of Dulux, the world's leading paint brand.

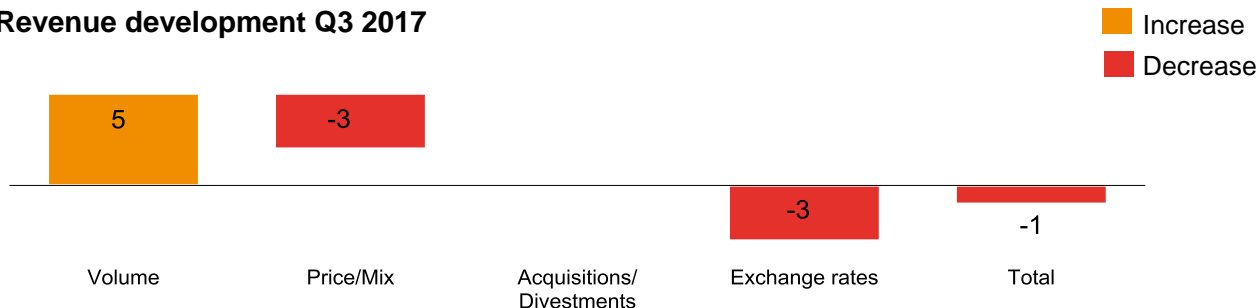
# Decorative Paints Q3 2017: Continued positive volume developments

€ million	Q3 2016	Q3 2017	Δ%
Revenue	1,021	1,007	(1)
EBIT (Operating income excluding identified items)	123	95	(23)
Operating income	132	95	(28)

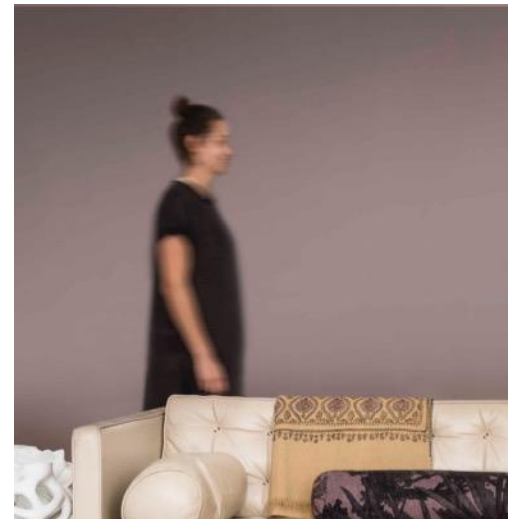
  

Ratio, %	Q3 2016	Q3 2017
ROS*	12.0	9.4
Moving average ROI*	12.5	12.4

## Revenue development Q3 2017



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



Heart Wood was unveiled as our latest Color of the Year, following continuous expert research into trends, insights and consumer behavior.

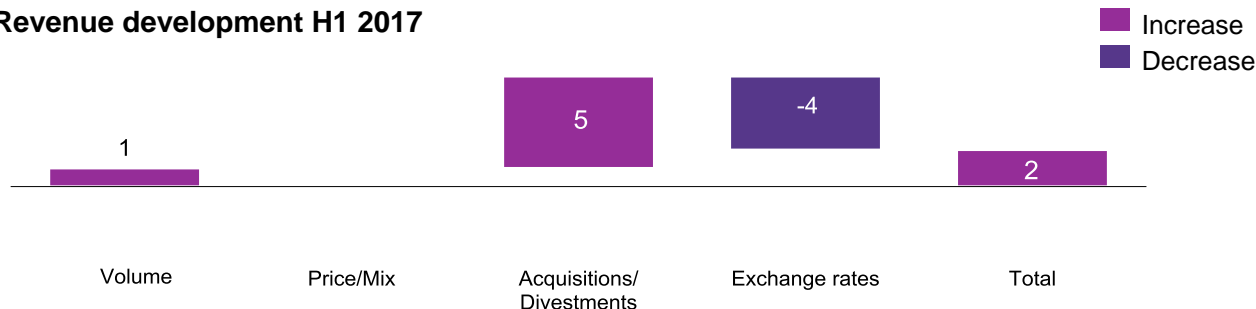
# Performance Coatings Q3 2017: Volumes and revenue higher

€ million	Q3 2016	Q3 2017	Δ%
Revenue	1,406	1,428	2
EBIT (Operating income excluding identified items)	199	147	(26)
Operating income	192	147	(23)

Ratio, %	Q3 2016	Q3 2017
ROS*	14.2	10.3
Moving average ROI*	30.9	24.8

## Revenue development H1 2017



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

Our new aerospace coatings facility in Dongguan will offer faster service to customers in the region and significantly reduce delivery times.





# Specialty Chemicals Q3 2017: Improved further despite supply chain disruptions

**AkzoNobel**

€ million	Q3 2016	Q3 2017	Δ%
Revenue	1,202	1,209	1
EBIT (Operating income excluding identified items)	168	169	1
Operating income	168	169	1

Ratio, %	Q3 2016	Q3 2017
<b>ROS*</b>	<b>14.0</b>	<b>14.0</b>
Moving average ROI*	17.2	17.9

■ Increase  
■ Decrease

## Revenue development Q3 2017



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



We are investing €20 million to boost production of Expancel, which can improve the properties of many everyday items, from running shoes to wine corks.



# Free cash flow impacted by changes in working capital and provisions

€ million	Q3 2016	Q3 2017
<b>EBITDA</b>	<b>593</b>	<b>535</b>
Interest paid	-23	-26
Tax paid	-101	-104
Changes in working capital, provisions* and other	141	16
Capital expenditures (including intangible assets)	-131	-141
<b>Free cash flow, excluding pension top-up payments</b>	<b>479</b>	<b>280</b>
Pension top-up payments	-10	-5
<b>Free cash flow (from operations)</b>	<b>469</b>	<b>275</b>

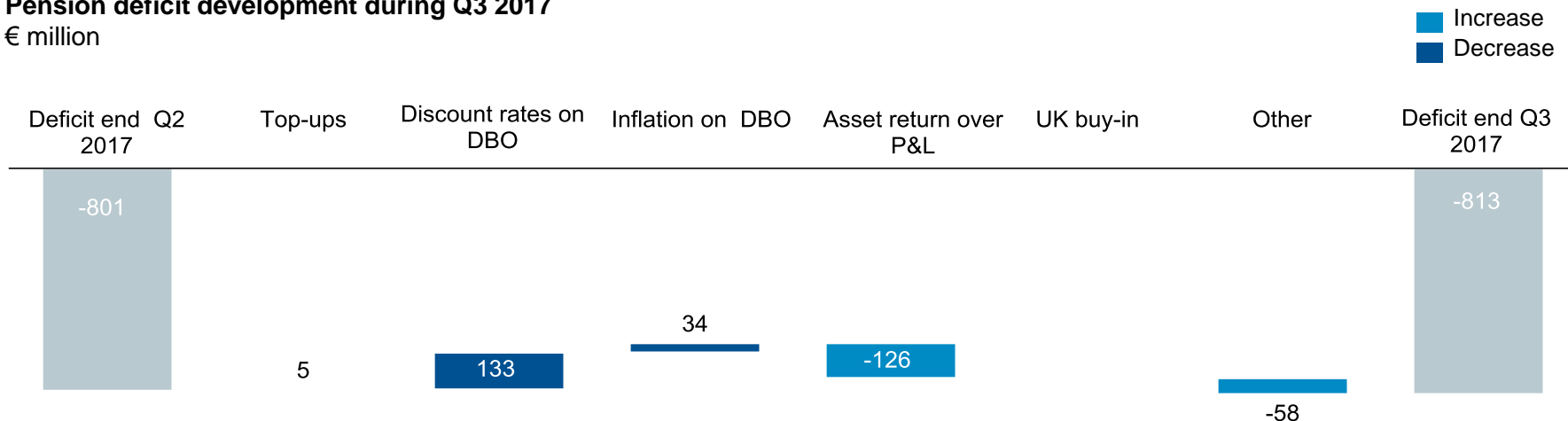
\*Provisions include recurring pension contributions Free cash flow (from operations) = Net cash from operating activities minus Capital expenditures and Investment in intangibles

# IAS19 pension deficit remains at €0.8 billion in Q3 2017

Key pension financial assumptions	Q2 2017	Q3 2017
Discount rate	2.4%	2.5%
Inflation rate	3.0%	3.0%

## Pension deficit development during Q3 2017

€ million





## Concluding remarks

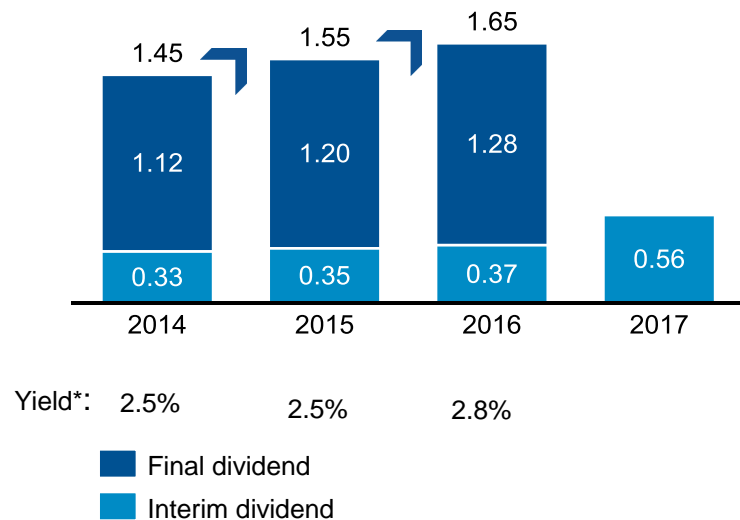
AkzoNobel



Paint recycling sat squarely at the center of AkzoNobel's involvement in this year's global Benches Collective event in Amsterdam. Billed as the world's largest open air café, the annual initiative invites people to "open" a bench outside their home and interact with neighbors in the community. Organizing activities is also part of the event, with AkzoNobel employees collecting tins of leftover paint. This will be recycled and made available via thrift stores and societal organizations, building on the Give Paint a New Life project launched by AkzoNobel and partners in March. Since then, almost 3,000 kilos of paint has been reused in Amsterdam.

# Interim dividend up 51% to €0.56 per share

## Dividends € per share



- Dividend policy is to pay a “stable to rising” dividend each year
- Interim dividend paid in cash, unless shareholders elect to receive a stock dividend (40% maximum)
- Shares cancelled from the €160 million repurchase program in 2017
- €1 billion special cash dividend as advance proceeds for the separation of Specialty Chemicals

\* Based on year-end share price

# Extraordinary shareholder meeting to take place on November 30, 2017

**AkzoNobel**

- Appointment of members of the Supervisory Board
- Appointment of Maarten de Vries as member of the Board of Management
- Approval of the separation of Specialty Chemicals business





## Outlook

A woman with dark hair is looking out a window with condensation on the glass. She is holding a blue mug with both hands. The background outside the window is blurred, showing greenery and a building.

Positive developments for EMEA (excluding the UK), North America and Asia, while Latin America is expected to stabilize

Industry specific headwinds continue, including higher raw material prices and challenges for marine and protective coatings

Various measures to mitigate current market challenges, including increased selling prices and additional cost control

**AkzoNobel**

**EBIT for 2017  
now expected to  
be in line with  
2016, due to  
ongoing industry  
specific  
headwinds and  
supply chain  
disruptions**

# Growth momentum continues while dealing with industry specific headwinds

- Higher volumes and increased revenue, despite challenging market conditions in selected areas
- Capacity expansions in Sweden and China
- Launched the world's most advanced and sustainable paint factory in Ashington, UK
- Industry specific headwinds continue, including higher raw material prices
- Measures to mitigate current market challenges: increased selling prices and additional cost control

**AkzoNobel**



# Upcoming events

↴	Ex-dividend date of 2017 interim dividend	October 20, 2017
↴	Record date of 2017 interim dividend	October 23, 2017
↴	Election period cash or stock interim dividend	October 24, 2017 – November 15, 2017
↴	Determination of exchange ratio	November 16, 2017
↴	Payment of cash dividend and delivery of new shares	November 22, 2017
↴	Extraordinary General Meeting (EGM)	November 30, 2017
↴	Ex-dividend date of special cash dividend	December 4, 2017
↴	Record date of special cash dividend	December 5, 2017
↴	Payment of special cash dividend	December 7, 2017
↴	Report for the full-year and the fourth quarter 2017*	March 8, 2018

\*Publication date of Report for the full-year and the fourth quarter 2017 has been changed to March 8, 2018 as a result of the process to separate Specialty Chemicals



# Questions

AkzoNobel

AkzoNobel's partnership with the Instituto Tomie Ohtake (ITO) in Brazil has been strengthened by a new project to renovate five of the artist's public artworks.



# Appendix

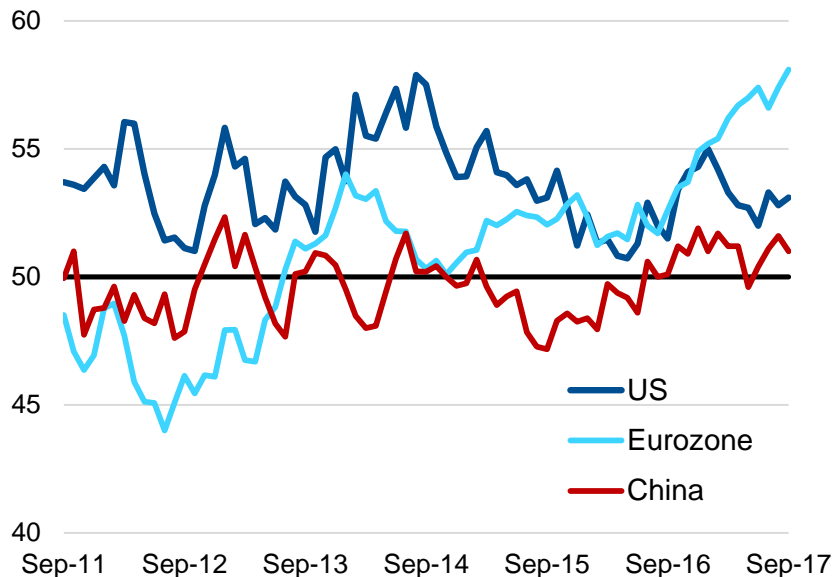


# Manufacturing indices up significantly in the Eurozone

AkzoNobel

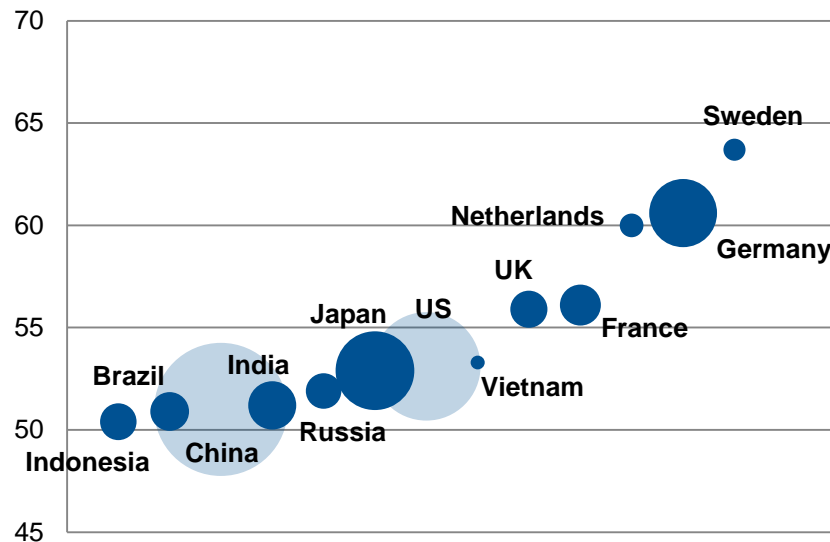
## Purchase Managers' Index (PMI)\*

Figures below 50 indicate pessimism



## Purchase Managers' Index (PMI)\*

September 2017



\*Bubble size=manufacturing output, 2016e (US\$bn: 2010 prices)

Sources: Oxford Economics, Caixin (China), Markit (incl. US)

# Currency effects become adverse again as of Q3 2017

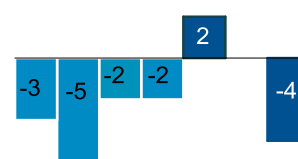
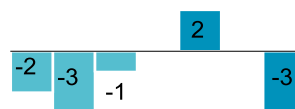
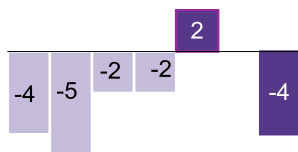
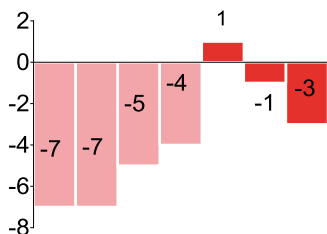
### Decorative Paints

### Performance Coatings

### Specialty Chemicals

### AkzoNobel

Exchange rate development in % year-on-year



2016  
2017

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