

Investor update Q2 and half-year 2018

July 18, 2018

Fastest coating in the world

Team AkzoNobel put in a powerful performance during the 2017-18 Volvo Ocean Race and made history by setting a new 24-hour distance record. All seven boats in the fleet were coated with AkzoNobel's Awlgrip and International products.



Continued progress on transformation into a focused paints and coatings company

AkzoNobel

- Implemented phase one of transformation to create a fit-for-purpose organization delivering €25m in Q2
- Decorative Paints ROS up at 12.2% (2017: 11.6%) driven by 5% higher selling prices
- Improving trend for Performance Coatings with ROS at 11.8% (2017: 13.4%): pricing initiatives gaining traction and closing the gap
- Investing in attractive markets: acquisition of Fabryo in Romania and new powder coatings plant in China



Delivering towards our “Winning together: 15 by 20” strategy

AkzoNobel



Sales force effectiveness
Margin management
Innovation excellence

Selling prices up 4% in Q2
Paints ROS up and Coatings closing the gap



Global Business Services
Integrated Business Planning
ERP and systems platform

All Performance Coatings businesses trained
on Integrated Business Planning methodology



ALPS continuous improvement
Fit-for-purpose organization
Procurement excellence

€30m continuous improvement savings in Q2
Phase 1 of fit-for-purpose organization
now fully implemented; €25m savings in Q2



High performance culture
Career and capability development
Core principles

Management incentives aligned to “15 by 20”
Cost discipline continues

Revenue growth for most businesses; Dealing with temporary headwinds...

AkzoNobel

Marine and
Protective
Coatings



Foreign
exchange



Raw
materials



China



Latin
America



South
and South
East Asia



Powder
Coatings



Automotive
and Specialty
Coatings

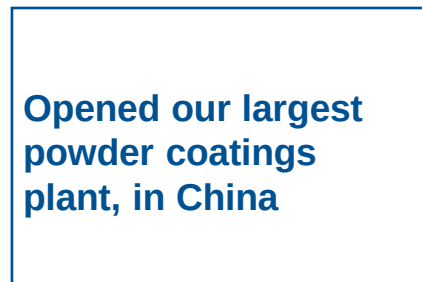
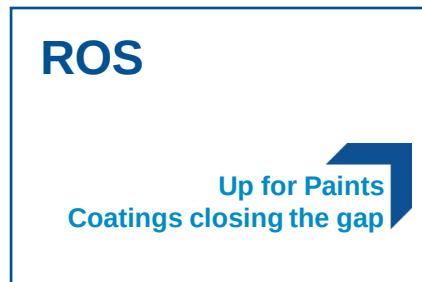


EMEA

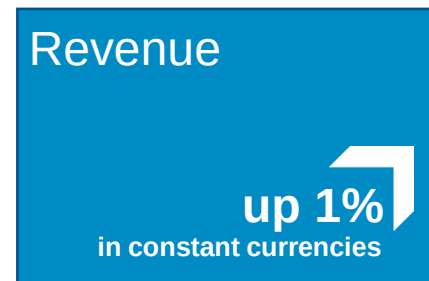


Revenue up in constant currencies; Robust pricing initiatives continue

Q2 2018



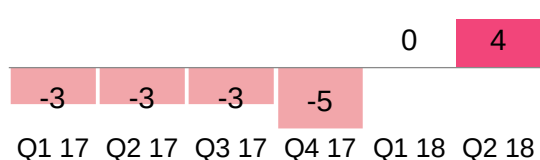
Half-year 2018



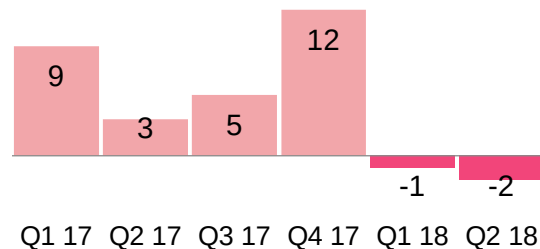
Higher selling prices, partly offset by lower volumes

Decorative Paints

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

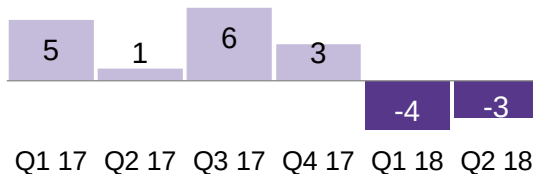
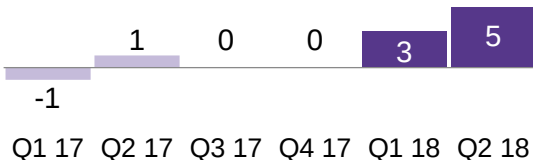


Quarterly volume development in % year-on-year

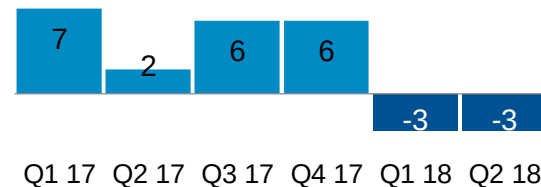
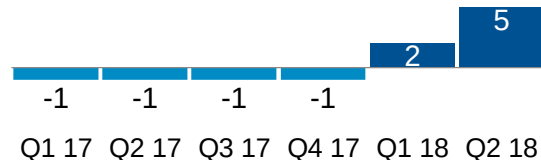


* Includes impact from acquisitions

Performance Coatings*



Paints and Coatings*



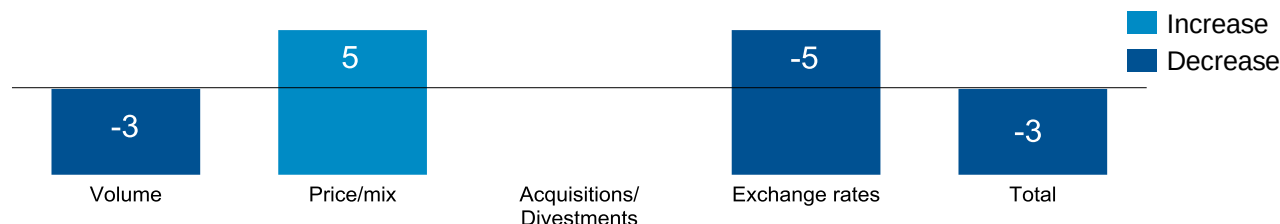
(continuing operations)

Prices up 4%, demonstrating traction to compensate for higher raw materials

€ million	Q2 2017 ¹	Q2 2018	Δ%
Revenue	2,533	2,446	(3)
Adjusted EBITDA	366	285	(22)
Adjusted operating income	294	225	(23)
Operating income	263	192	(27)
ROS% excluding unallocated corporate center costs	12.8	12.1	
ROS%²	11.6	9.2	
ROI%²	14.4	12.2	

- Revenue up 2% in constant currencies
- Volumes lower, mainly due to Marine and Protective Coatings
- Adjusted operating income at €225 million (2017: €294 million) mainly impacted by €21 million adverse foreign currencies and €20 million non-recurring items
- Operating income includes impact of identified items of €33 million, mainly related to the transformation

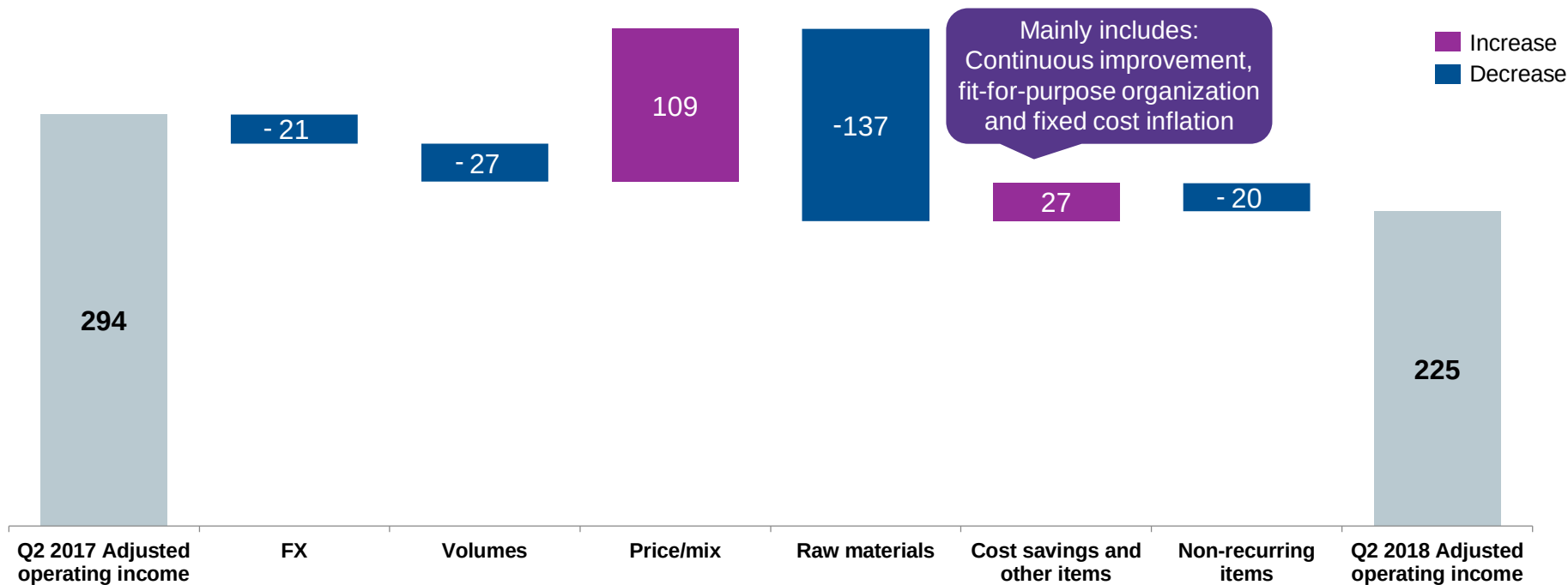
Revenue development Q2 2018 (%)



1. Represented to present the Specialty Chemicals business as discontinued operations.

2. ROS% = Adjusted operating income/Revenue. ROI% = 12 months adjusted operating income/12 months average invested capital.

Price increases and cost savings compensating for higher raw materials

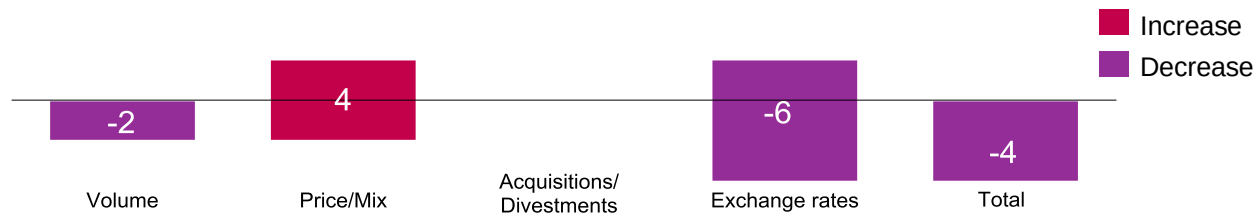


(continuing operations)

Decorative Paints ROS% up driven by 5% higher selling prices

€ million	Q2 2017	Q2 2018	Δ%
Revenue	1,046	1,006	(4)
Adjusted EBITDA	152	145	(5)
Adjusted operating income	121	123	2
Operating income	121	111	(8)
ROS%*	11.6	12.2	
ROI%*	13.5	11.8	

Revenue development Q2 2018 (%)



*ROS% = Adjusted operating income/revenue. ROI% = 12 months adjusted operating income/12 months average invested capital.

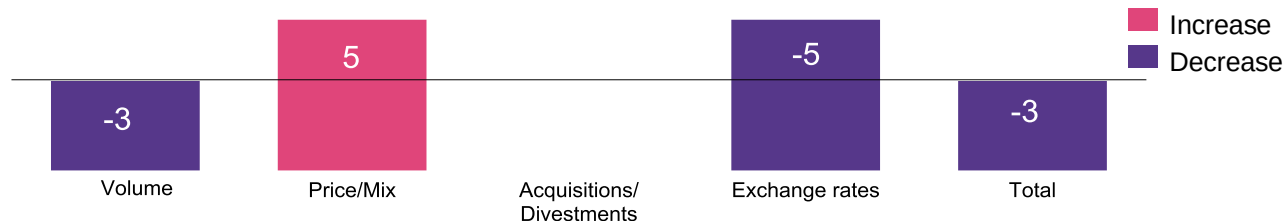


AkzoNobel has entered into an agreement to acquire 100% of the shares of Fabryo, becoming the leader in the Romanian decorative paints market.

Performance Coatings pricing initiatives gaining traction and closing the gap

€ million	Q2 2017	Q2 2018	Δ%
Revenue	1,504	1,454	(3)
Adjusted EBITDA	242	207	(14)
Adjusted operating income	202	172	(15)
Operating income	202	162	(20)
ROS%*	13.4	11.8	
ROI%*	27.2	19.9	

Revenue development Q2 2018 (%)



*ROS% = Adjusted operating income/revenue. ROI% = 12 months adjusted operating income/12 months average invested capital.



Production has started at AkzoNobel's largest powder coatings plant in Changzhou, China.

The facility will help to further strengthen the company's undisputed global leadership position in the powder coatings market.

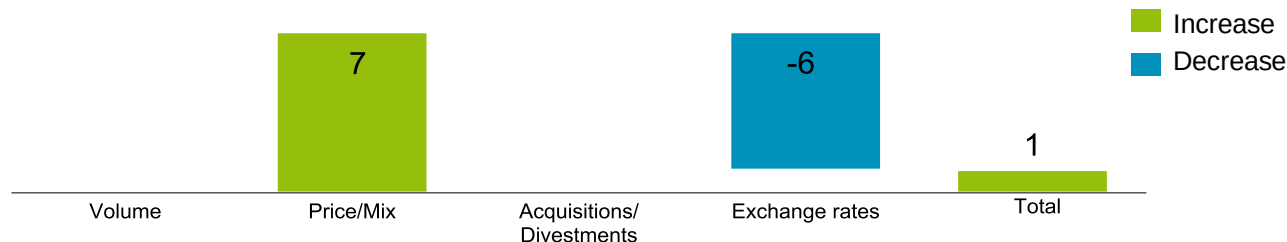
Specialty Chemicals revenue and ROS up driven by higher selling prices

AkzoNobel

€ million	Q2 2017	Q2 2018	Δ%
Revenue	1,259	1,270	1
Adjusted EBITDA	252	258	2
Adjusted operating income	166	175	5
Operating income	184	175	(5)
ROS%*	13.2	13.8	
ROI%*	15.3	16.8	

- Revenue up 7% in constant currencies with price increases in all business units
- Adjusted operating income up 5%, due to strong pricing and productivity improvements, partly offset by adverse currencies and one-off environmental and restructuring costs

Revenue development Q2 2018 (%)



*ROS% = Adjusted operating income/revenue. ROI% = 12 months adjusted operating income/12 months average invested capital.

(reported as discontinued operations)

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Half-year net income 3% lower, including discontinued operations

€ million	Q2 2017*	Q2 2018	H1 2017*	H1 2018
Operating income	263	192	471	300
Net financing expenses	(15)	(28)	(32)	(9)
Results from associates and joint ventures	6	6	12	10
Profit before tax	254	170	451	301
Income tax	(63)	(47)	(115)	(46)
Profit from continuing operations	191	123	336	255
Profit from discontinued operations	134	165	250	307
Profit for the period	325	288	586	562
Non-controlling interests	(24)	(17)	(45)	(38)
Net income from total operations	301	271	541	524

Earnings per share (in €)	Q2 2017*	Q2 2018	H1 2017*	H1 2018
Total operations	1.20	1.06	2.16	2.07
Continuing operations	0.67	0.42	1.17	0.89
Adjusted earnings per share (in €)	Q2 2017*	Q2 2018	H1 2017*	H1 2018
Total operations	1.26	1.19	2.22	2.13
Continuing operations	0.78	0.52	1.28	0.87

* Represented to present the Specialty Chemicals business at discontinued operations.

Free cash flow impacted by lower EBITDA, AkzoNobel while CAPEX and pension top-ups reduced

€ million	H1 2017	H1 2018
Adjusted EBITDA	1,154	954
Interest paid	-13	-19
Tax paid	-158	-70
Changes in working capital, provisions ¹ and other	-744	-871
Capital expenditures (including intangible assets)	-281	-251
Free cash flow, excluding pension top-up payments	-42	-257
Pension top-up payments	-214	-186
Free cash flow (from operations)²	-256	-443

Net Debt (total operations)	1,910	3,191
Net Debt (discontinued operations)	N/A	304

1. Provisions include recurring pension contributions. 2. Free cash flow (from operations) = Net cash from operating activities minus Capital expenditures and Investment in intangibles.

Continued progress on transformation into a focused paints and coatings company

AkzoNobel

- Implemented phase one of transformation to create a fit-for-purpose organization delivering €25m in Q2
- Decorative Paints ROS up at 12.2% (2017: 11.6%) driven by 5% higher selling prices
- Improving trend for Performance Coatings with ROS at 11.8% (2017: 13.4%): pricing initiatives gaining traction and closing the gap
- Investing in attractive markets: acquisition of Fabryo in Romania and new powder coatings plant in China



Outlook

AkzoNobel

2020
guidance*

ROS 15%
ROI >25%

We are delivering towards our "Winning together: 15 by 20" strategy by creating a fit-for-purpose organization for a focused Paints and Coatings company, contributing to the achievement of our 2020 guidance.

For the remainder of 2018, we expect positive developments for Decorative Paints and Performance Coatings, excluding Marine and Protective Coatings where market conditions are still challenging. Demand trends differ per region and segment.

Raw material inflation is projected to continue for the remainder of 2018, although at a slower rate than during the start of the year. Robust pricing initiatives and cost saving programs are in place to mitigate the current challenges.

* Excluding unallocated corporate center costs and invested capital; assumes no significant market disruption

Upcoming events

AkzoNobel



Report for the third quarter 2018

October 17, 2018

Report for the full-year and fourth quarter 2018

February 13, 2019

Report for the first quarter 2019

April 24, 2019

Annual General Meeting of shareholders

April 25, 2019

A focused, high performing paints and coatings company

AkzoNobel

- Strong global brands
- Leading positions in large and attractive markets
- Balanced geographic exposure: 50% revenue from emerging markets
- Well positioned to accelerate growth and enhance profitability
- Transformation plans in place and clear path to deliver
- Significant returns to shareholders

**2020
guidance***

**ROS 15%
ROI >25%**



* Excluding unallocated corporate center costs and invested capital; assumes no significant market disruption

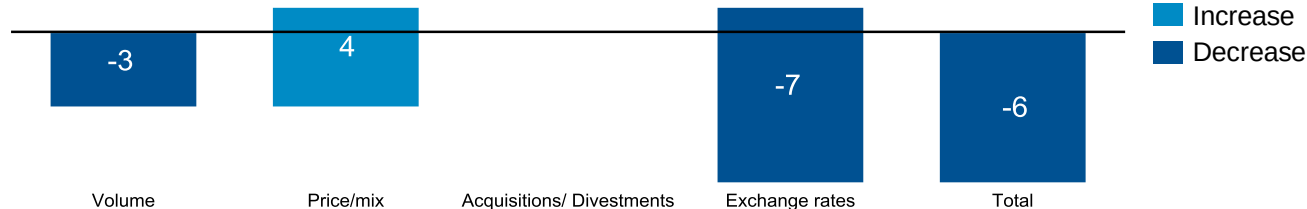
Appendix

Price increases and cost savings not yet fully compensating for higher raw materials

€ million	H1 2017 ¹	H1 2018	Δ%
Revenue	4,910	4,622	(6)
Adjusted EBITDA	647	494	(24)
Adjusted operating income	502	374	(25)
Operating income	471	300	(36)
ROS% excluding unallocated corporate center costs	12.0	10.5	
ROS%²	10.2	8.1	
ROI%²	14.4	12.2	

- Selling prices up 3% overall and for all businesses
- Revenue up 1% in constant currencies
- Volumes lower, mainly due to Marine and Protective Coatings
- Adjusted operating income impacted by adverse currencies, higher raw material costs and lower volumes, partly compensated by pricing initiatives and cost savings
- Operating income includes identified items, mainly related to the transformation

Revenue development H1 2018 (%)



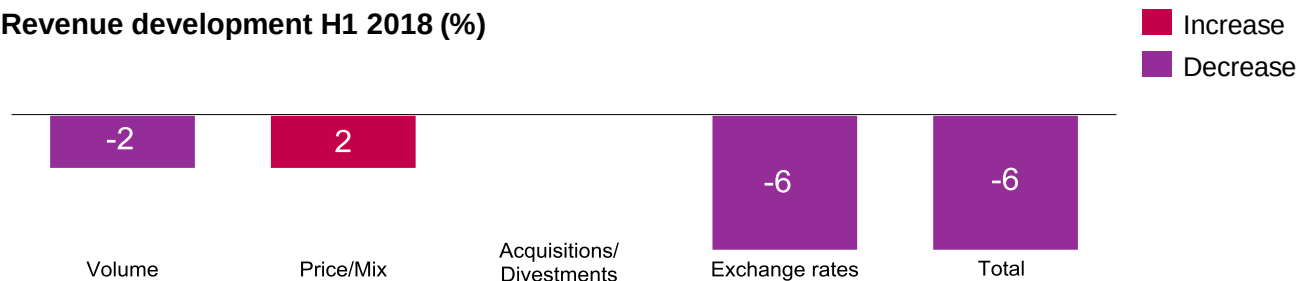
1. Represented to present the Specialty Chemicals business as discontinued operations.

2. ROS% = Adjusted operating income/Revenue. ROI % = 12 months adjusted operating income/12 months average invested capital.

Decorative Paints price realization gaining momentum; up 4% overall in H1

€ million	H1 2017	H1 2018	Δ%
Revenue	1,968	1,852	(6)
Adjusted EBITDA	261	224	(14)
Adjusted operating income	198	179	(10)
Operating income	198	159	(20)
ROS%*	10.1	9.7	
ROI%*	13.5	11.8	

Revenue development H1 2018 (%)

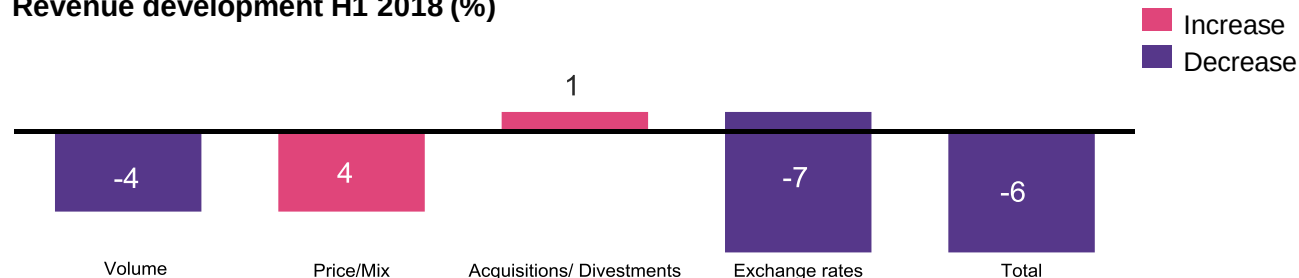


*ROS% = Adjusted operating income/revenue. ROI% = 12 months adjusted operating income/12 months average invested capital.

Performance Coatings revenue growth¹ excluding Marine and Protective Coatings

€ million	H1 2017	H1 2018	Δ%
Revenue	2,975	2,796	(6)
Adjusted EBITDA	467	376	(19)
Adjusted operating income	389	306	(21)
Operating income	389	283	(27)
ROS%²	13.1	10.9	
ROI% ²	27.2	19.9	

Revenue development H1 2018 (%)



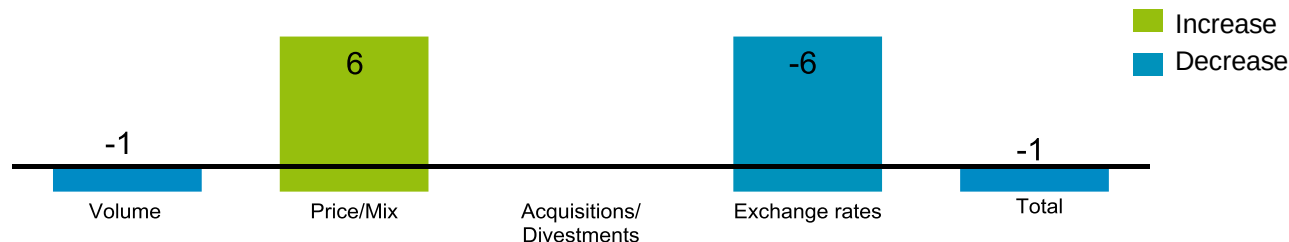
1) In constant currencies.

2) ROS% = Adjusted operating income/revenue. ROI% = 12 months adjusted operating income/12 months average invested capital.

Specialty Chemicals revenue¹ increased driven by higher selling prices

€ million	H1 2017	H1 2018	Δ%
Revenue	2,548	2,522	(1)
Adjusted EBITDA	503	491	(2)
Adjusted operating income	332	325	(2)
Operating income	350	325	(7)
ROS%²	13.0	12.9	
ROI% ²	15.3	16.8	

Revenue development H1 2018 (%)



1) In constant currencies.

2) ROS% = Adjusted operating income/revenue. ROI% = 12 months adjusted operating income/12 months average invested capital.

(reported as discontinued operations)

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This presentation also 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, as well as the separation of Specialty Chemicals. 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