

Investor Update

Full-year 2015 and Q4 results

Ton Büchner and Maëlys Castella
February 10, 2016



Agenda



2015 highlights



Operational review



Financial review



Summary



Questions

Highlights from a year of significant progress towards our vision

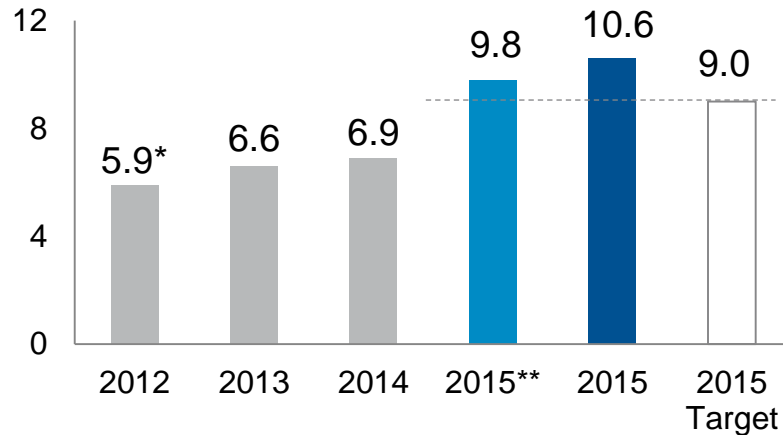
AkzoNobel

- Achieved our 2015 financial targets
- Built a foundation for continuous improvement:
 - New operating models
 - AkzoNobel Leading Performance System (ALPS)
 - Global Business Services
- Other achievements:
 - Recognized as a leader in sustainability for the fourth year running
 - Human Cities initiative evolved
 - Engagement levels increased and safety improved
- Launched next phase of our strategy and announced new financial guidance for 2016-2018

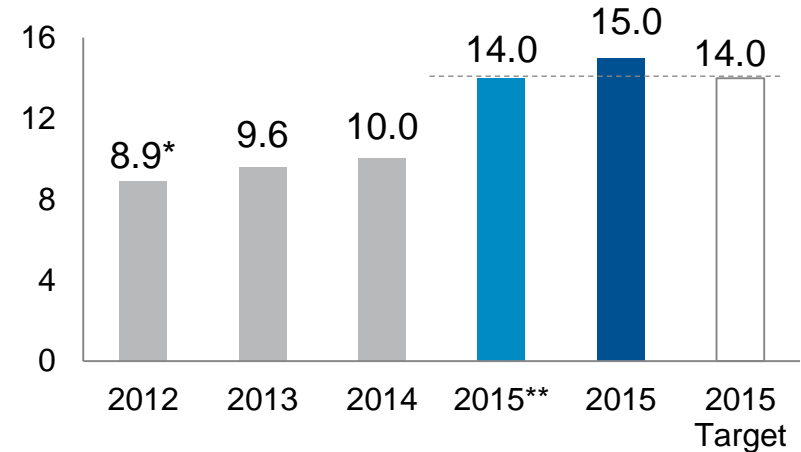


We delivered all 2015 financial targets

Return on sales %
(Operating income/revenue)



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



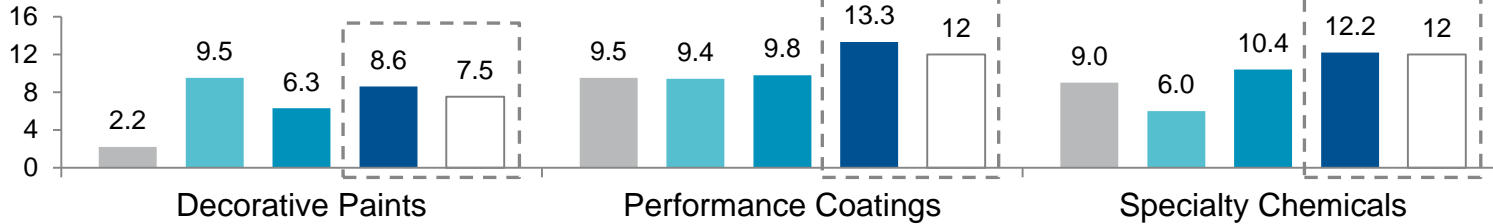
Net debt/EBITDA = 0.6 (target: <2.0)

Exceeded 2015 targets

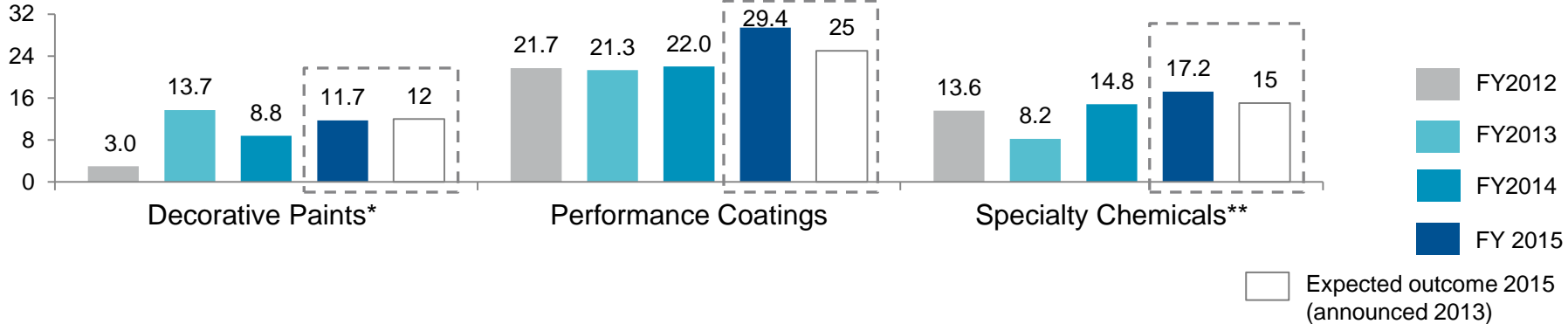
* Excluding impairment (€2.1 billion) and after IAS19
** Excluding incidental items

Performance improved in all businesses

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)

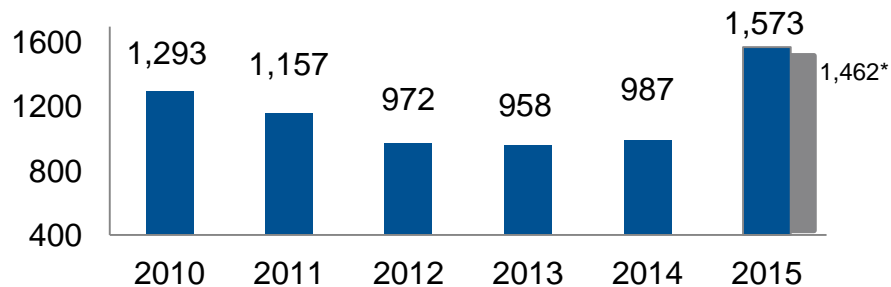
**Includes 2013 impairment charge (€139 million)



Records achieved include operating income, profitability and cash flow

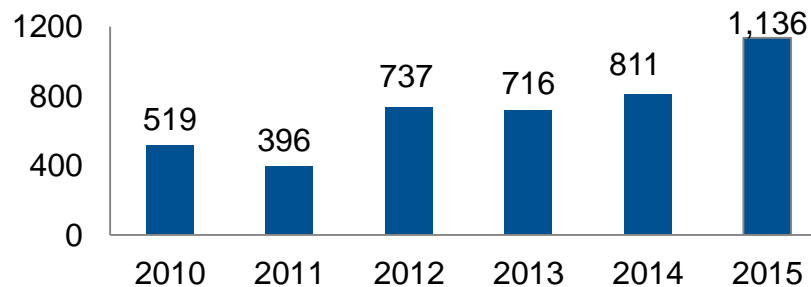
Operating income

€ million

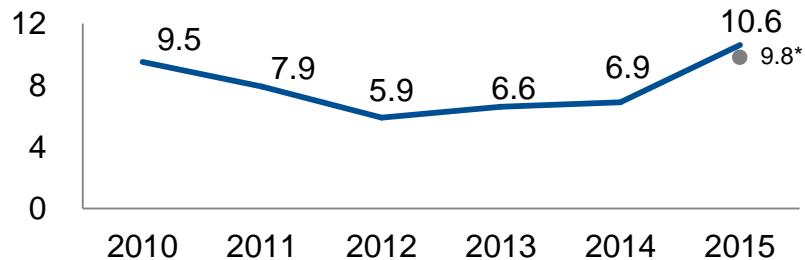


Cash flow from operating activities

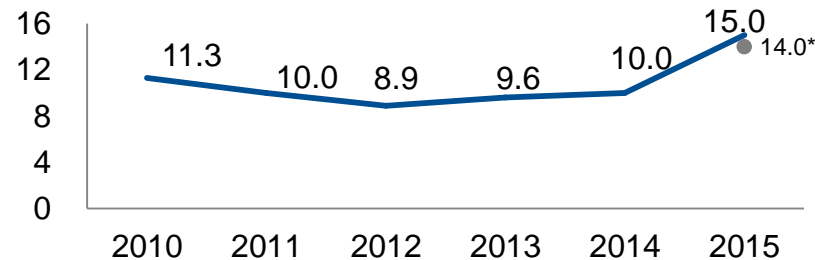
€ million



Return on sales %**



Return on investment %**



* Excluding incidental items

** Adjusted for 2012 impairment charge (€2.1 billion)

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Questions

Building and Infrastructure

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

44%

Transportation

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

17%

Consumer durables
Consumer packaged goods

Consumer Goods

17%

Natural resource and energy industries
Process industries

22%

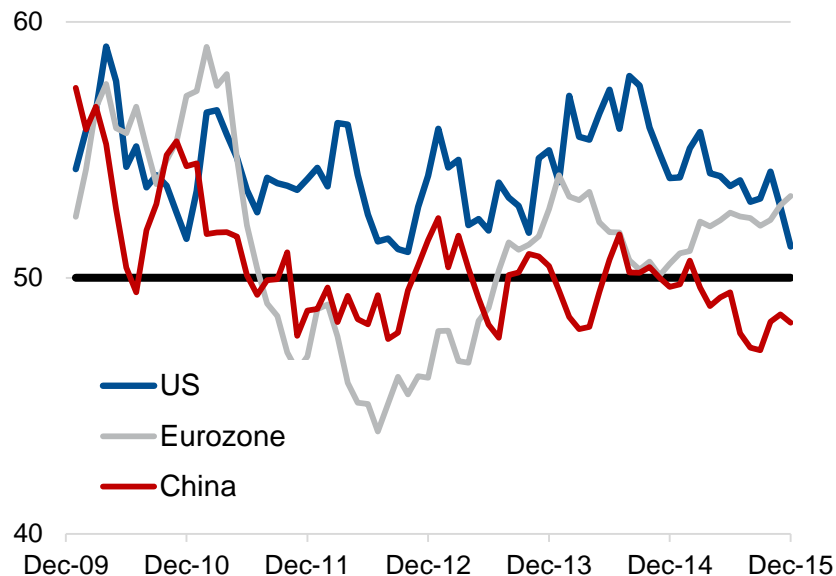
Industrial



Manufacturing in China contracts, while the US weakens and Europe improves

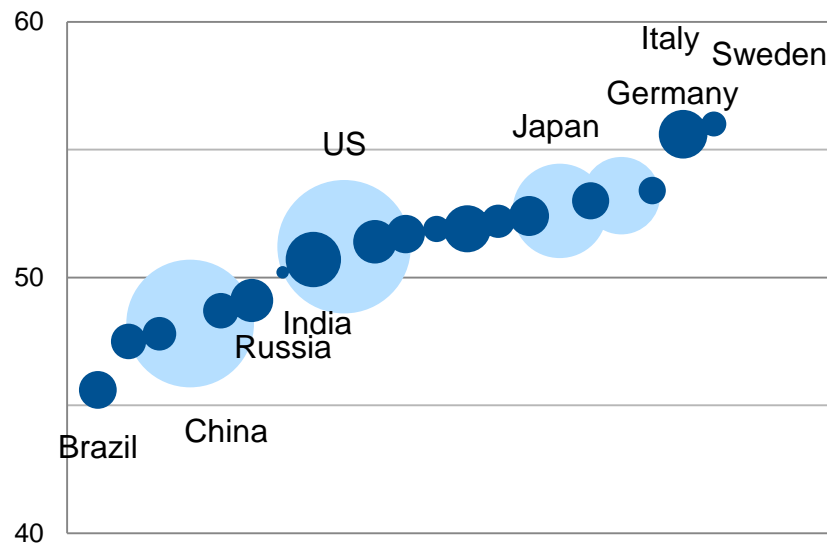
Purchase Managers' Index (PMI)*

Figures below 50 indicate pessimism



Purchase Managers' Index (PMI)*

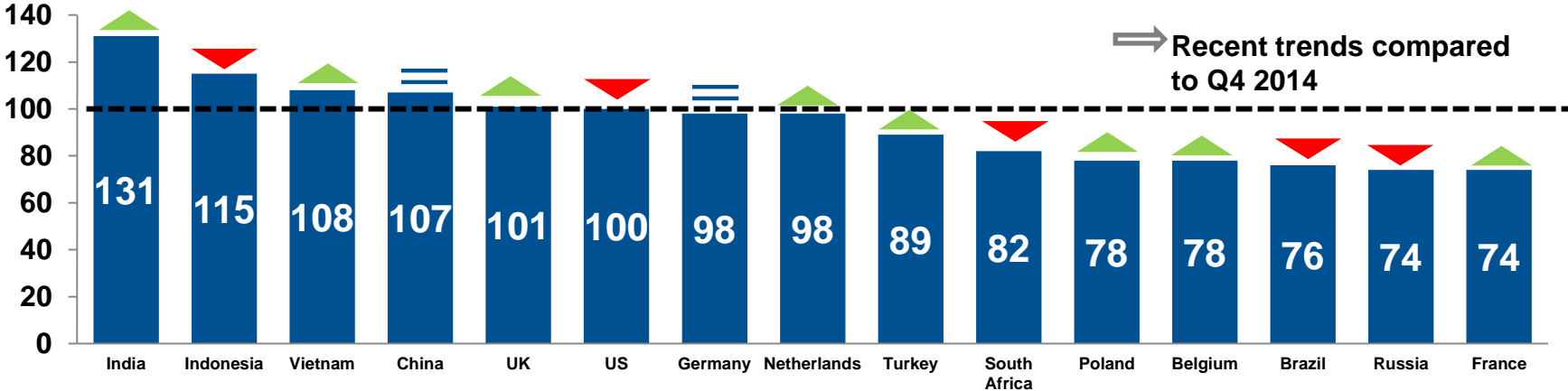
December 2015



Consumer confidence remains low, although trends differ per country

Consumer confidence, Q4 2015

Figures below 100 indicate some degree of pessimism



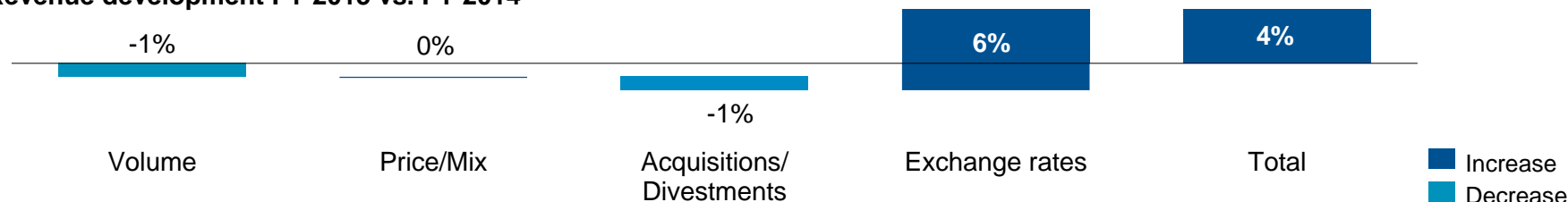
Financial performance full-year 2015 showing continued operational improvement

AkzoNobel

€ million	FY 2014	FY 2015	Δ%
Revenue	14,296	14,859	4
Operating income excluding incidentals	1,072	1,462	36
Operating income	987	1,573	59

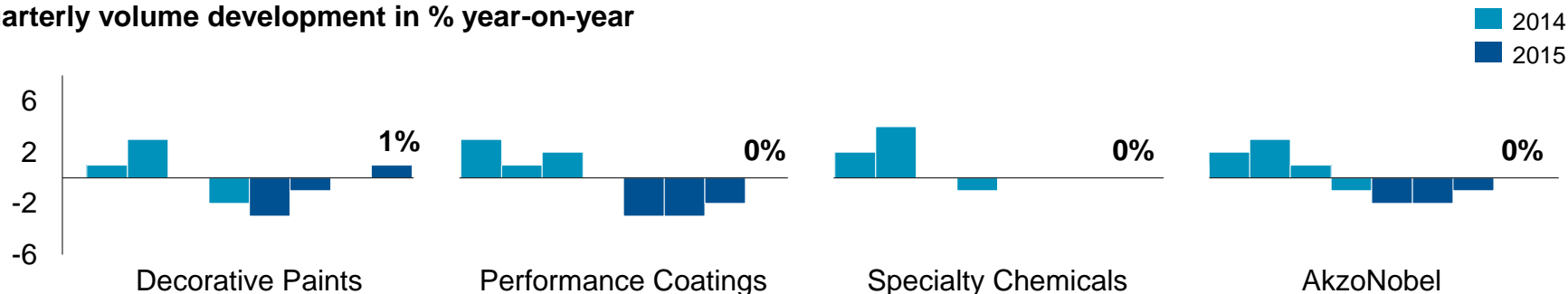
Ratio, %	FY 2014	FY 2015
Return on sales	6.9	10.6
Return on sales (excluding incidentals)	7.5	9.8
Return on sales (excluding incidentals & restructuring costs)	9.3	10.3
Moving average return on investment	10.0	15.0

Revenue development FY 2015 vs. FY 2014

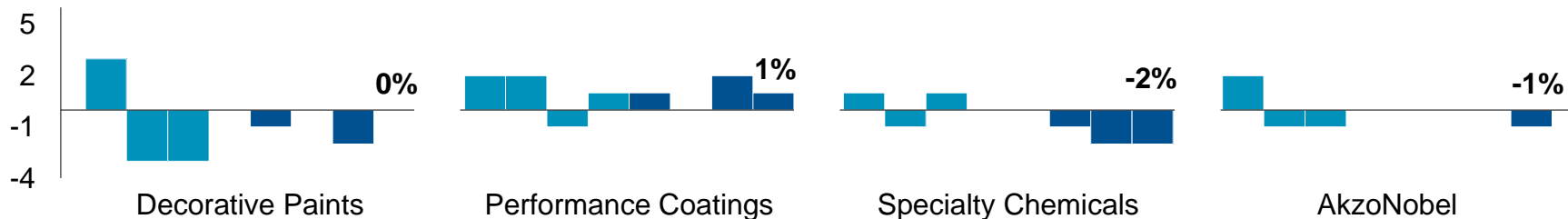


All businesses continue to be impacted by challenging market conditions

Quarterly volume development in % year-on-year



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



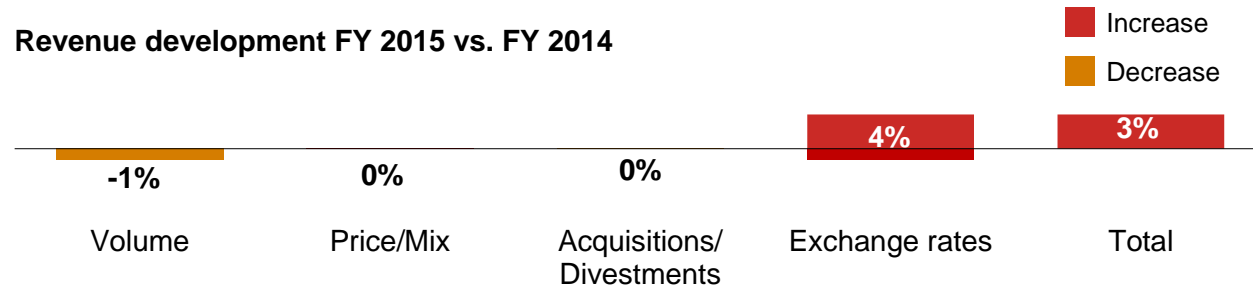
Decorative Paints

Full-year 2015 highlights

€ million	FY 2014	FY 2015	Δ%
Revenue	3,909	4,007	3
Operating income excluding incidentals	248	345	39
Operating income	248	345	39

Ratio, %	FY 2014	FY 2015
Return on sales	6.3	8.6
Return on sales (excl. incidentals)	6.3	8.6
Return on sales (excl. inc. and restr. costs)	8.4	9.3

Revenue development FY 2015 vs. FY 2014



- Revenue up in Asia, flat in Europe and down in Latin America
- Volume development was positive in Asia, offset by Latin America and Europe
- Operating income increased due to the new operating model and lower costs as well as reduced restructuring expenses and currency developments

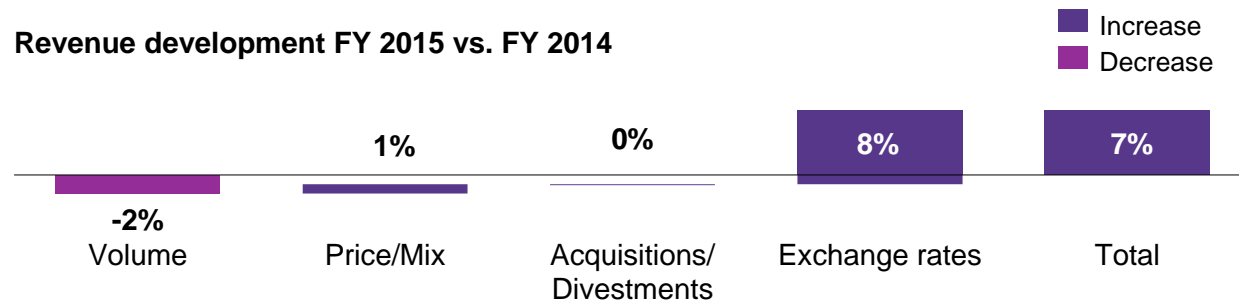


Performance Coatings Full-year 2015 highlights

€ million	FY 2014	FY 2015	Δ%
Revenue	5,589	5,955	7
Operating income excluding incidentals	545	792	45
Operating income	545	792	45

Ratio, %	FY 2014	FY 2015
Return on sales	9.8	13.3
Return on sales (excl. incidentals)	9.8	13.3
Return on sales (excl. inc. and restr. costs)	12.4	14.0

Revenue development FY 2015 vs. FY 2014



- Revenue up due to favorable price/mix and currencies
- Volumes down, impacted by lower demand in Brazil and spending cuts in the oil and gas industry
- Operating income up due to improvement initiatives, management delayering, reduced restructuring expenses and currencies



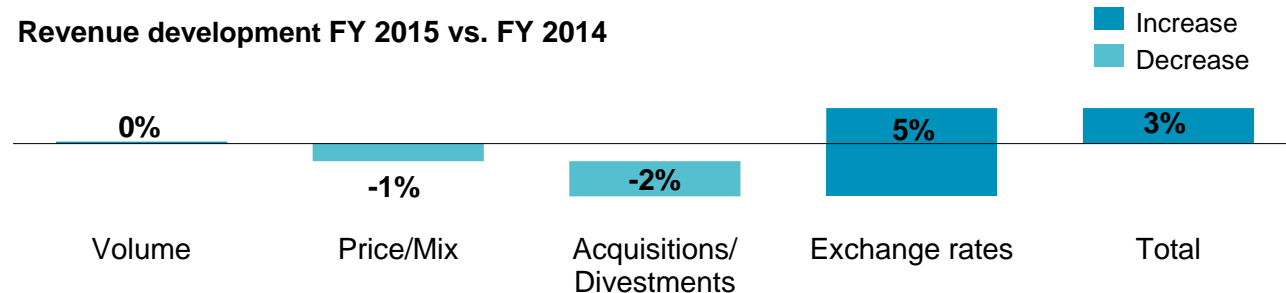
Specialty Chemicals Full-year 2015 highlights

AkzoNobel

€ million	FY 2014	FY 2015	Δ%
Revenue	4,883	4,988	2
Operating income excluding incidentals	508	578	14
Operating income	508	609	20

Ratio, %	FY 2014	FY 2015
Return on sales	10.4	12.2
Return on sales (excl. incidentals)	10.4	11.6
Return on sales (excl. inc. and restr. costs)	10.7	11.7

Revenue development FY 2015 vs. FY 2014



- Revenue up due to currencies offset by divestments and price/mix
- Growth in some segments compensated for lower demand in oil drilling as well as manufacturing and supply chain interruptions
- Operating income driven by savings from improvement programs and incidental items



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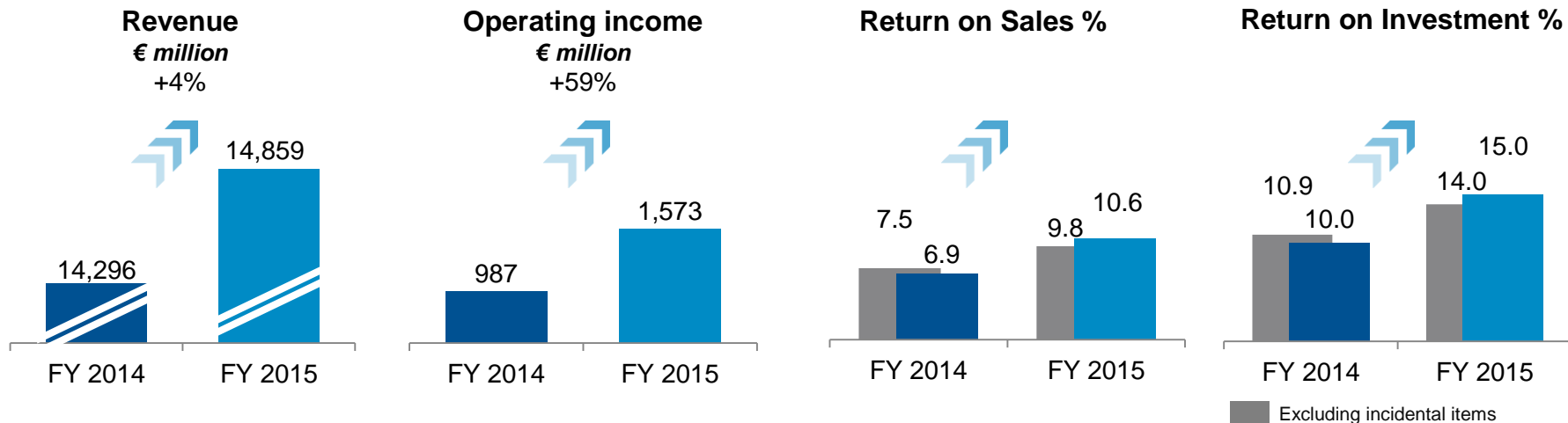
Good financial performance in Q4

- Revenue up 1 percent, driven by favorable currency effects offset by divestments and adverse price/mix; volumes flat
- Operating income higher at €345 million (2014: €83 million) reflecting incidental items, process optimization, lower costs and reduced restructuring expenses
- Another quarter of year-on-year profitability improvement
- Adjusted EPS more than doubled to €0.72 (2014: €0.33)
- Record low operating working capital of 9.7 percent of revenue
- Net debt reduced to €1,226 million (2014: €1,606 million)



Full-year 2015 represents another year of improved financial performance

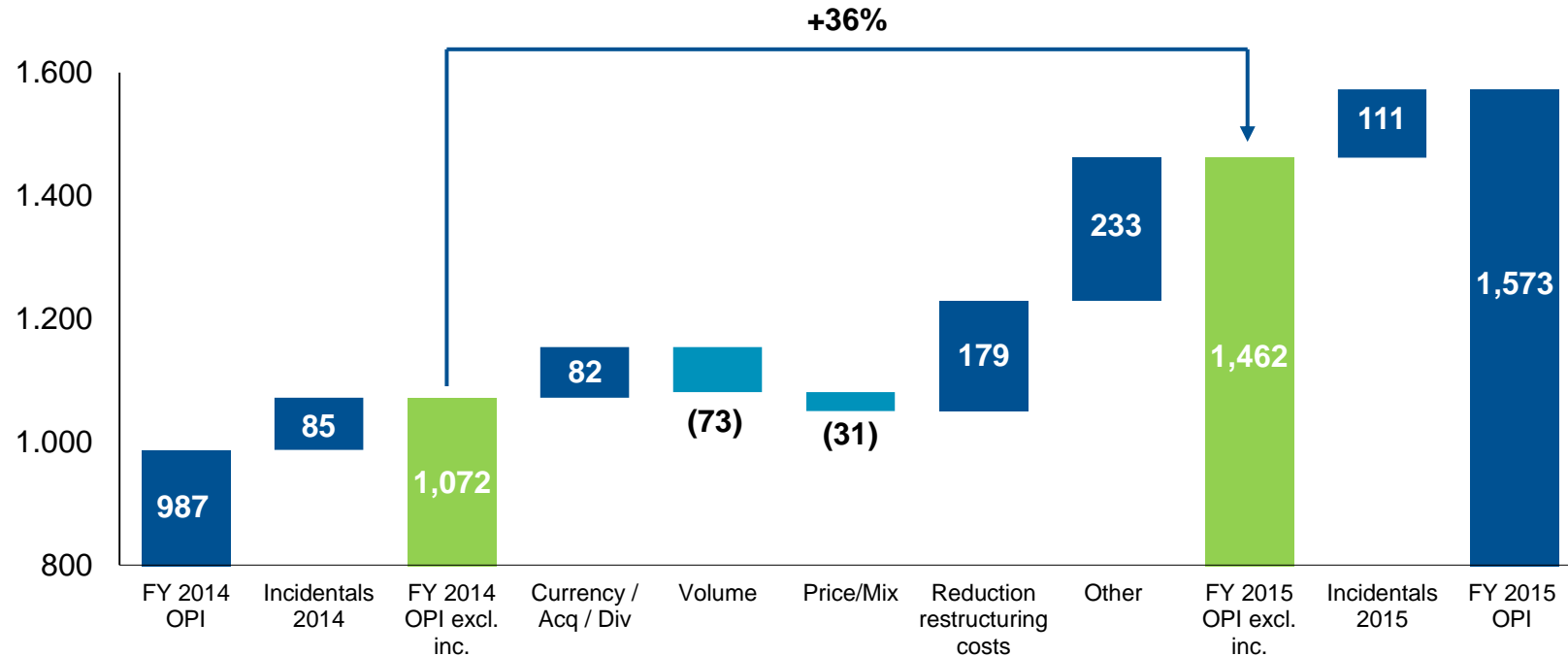
AkzoNobel



- Net income attributable to shareholders up 79 percent at €979 million (2014: €546 million)
- Adjusted EPS up 43 percent at €4.02 (2014: €2.81)
- Net cash inflow from operating activities up 40 percent to €1,136 million (2014: €811 million)

Full-year 2015 operating income bridge

Operating Income bridge FY2014 – FY2015 € million



Incidental and other items relevant for Q4 and full-year results

2014

Incidentals – Negative P&L impact €85 million

Fraud incident at our Chicago offices

Provisions for legacy items and project costs related to a divestment

Other exceptional items

Mainly related to a settlement of a case following the divestment of Organon BioSciences in 2007 (€ 88 million cash outflow)

2015

Incidentals – Positive P&L impact €111 million

Recovery related to 2014 fraud incident

Profit from sale of Paper Chemicals business

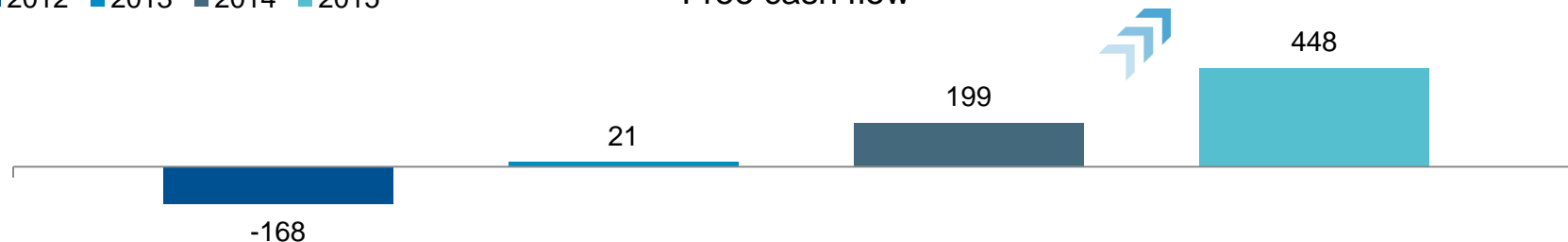
Legacy items and post-retirement benefits

Free cash flow continues to improve

€ million	FY2012	FY2013	FY2014	FY2015
EBITDA	1,597	1,513	1,690	2,088
Interest paid	-231	-228	-206	-151
Tax paid	-209	-230	-258	-261
Changes in working capital, provision* and other	143	69	-145	-224
Capital expenditures (including intangible assets)	-905	-695	-612	-688
Free cash flow, excluding pension top-up payments	395	429	469	764
Pension top-up payments	-563	-408	-270	-316
Free cash flow (from operations)	-168	21	199	448

■ 2012 ■ 2013 ■ 2014 ■ 2015

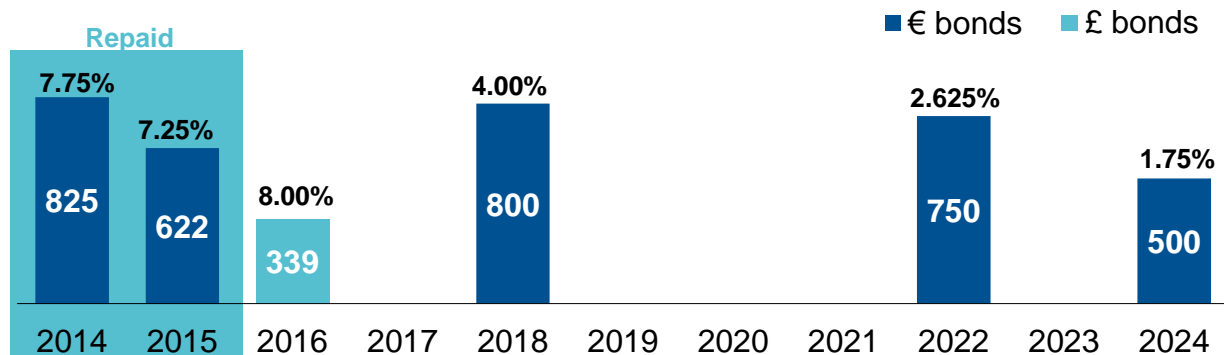
Free cash flow



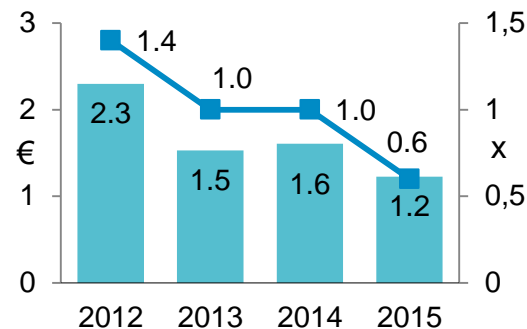
Repayment of high interest debt resulted in lower interest charges

- ↗ Maintain investment grade rating of BBB+
- ↗ Net debt reduced to 0.6 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

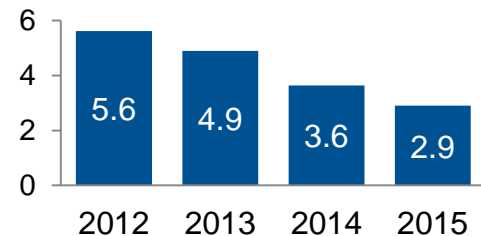
Debt maturities € million (average debt duration 4 years 10 months)



Net debt (€ billion)/EBITDA



Average cost of long-term bonds %

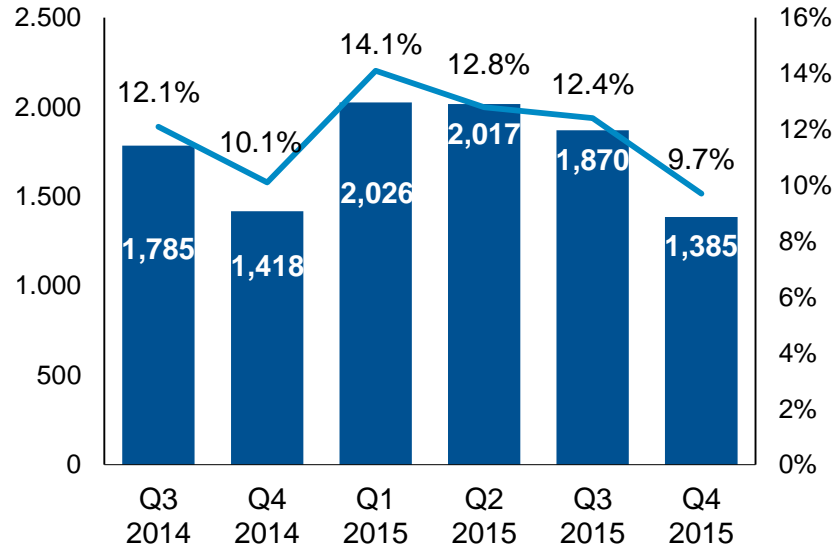


Cash management discipline continues

Operating Working Capital

€ million

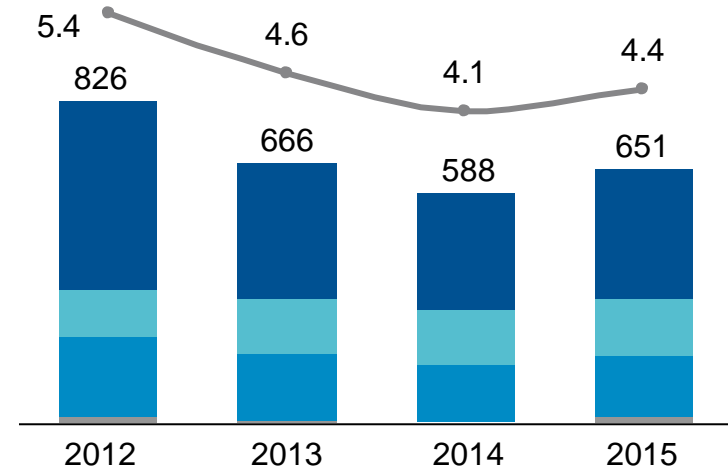
- Operating Working Capital
- OWC as % of LQ revenue * 4



Capital Expenditures

€ million

- Specialty Chemicals
- Performance Coatings
- Decorative Paints
- Other
- Capex as % of revenue

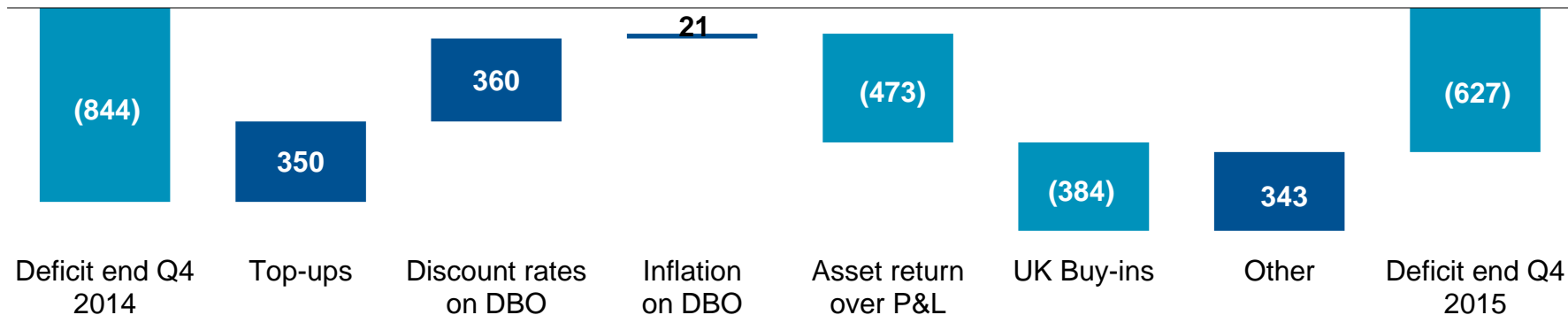


IAS19 pension deficit down to €0.6 billion at year-end 2015

Key pension assumptions metrics	Q4 2014	Q4 2015
Discount rate	3.4%	3.5%
Inflation rate	2.9%	2.8%

Pension deficit development during 2015

€ million



Positive net cash generation after paying dividends

€ million	FY2012	FY2013	FY2014	FY2015
Free cash flow	-168	21	199	448
Dividend paid	-256	-286	-280	-281
Other	65	66	57	29
Net cash generation (from continued operations) excl. acquisitions and divestments	-359	-199	-24	196
Acquisitions	-145	-34	-13	-9
Divestments	216	347	51	160
Net cash generation (from continued operations)	-288	114	14	347
Cash flow from discontinued operations	-53	675	-88	-6
Net cash generation	-341	789	-74	341

■ 2012 ■ 2013 ■ 2014 ■ 2015



196

-24

-199

-359

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

Agenda



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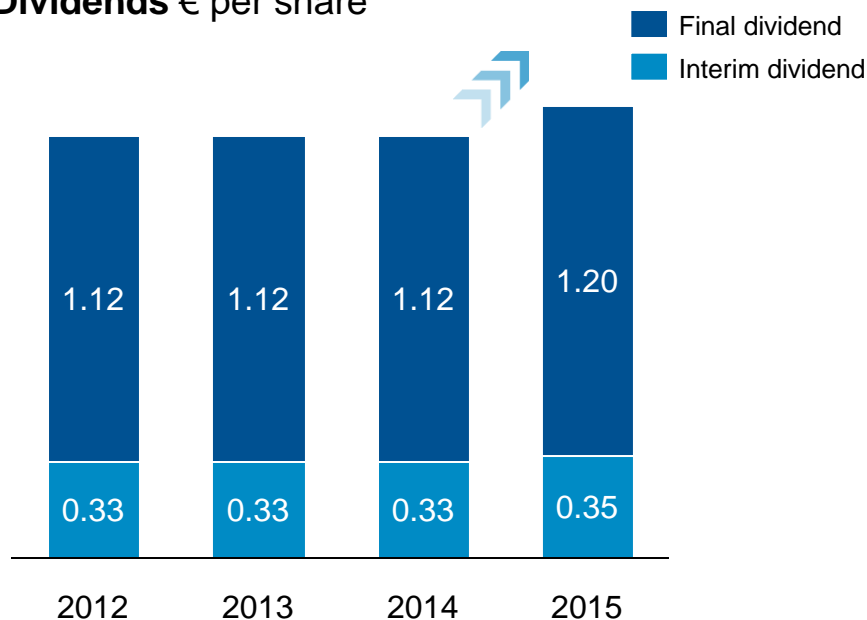


Questions

Increase in dividends a clear sign we are more confident about cash flow generation

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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 percent)
- Interim dividend up 6 percent
- Proposed final dividend €1.20 per share (paid May 19, 2016)
- Total dividend up 7 percent to €1.55 per share**

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

Achieved 2015 financial targets; Expect 2016 to be a challenging year

AkzoNobel

Conclusion

- All financial targets for 2015 achieved and positive net cash generation after paying dividends
- Final dividend for 2015 proposed up 7 percent to €1.20; making the total dividend €1.55 per share
- Clear aim to build on the foundations we have created

Outlook

- We expect 2016 to be a challenging year. Difficult market conditions continue in Brazil, China and Russia. No significant improvement is anticipated in Europe, particularly in the Buildings and Infrastructure segment. Deflationary pressures continue and currency tailwinds are moderating

Upcoming events:

Annual Report, February 23, 2016

Q1 2016 Results, April 19, 2016

Annual General Meeting of shareholders, April 20, 2016

Vision:

**Leading
market positions
delivering
leading performance**



Questions



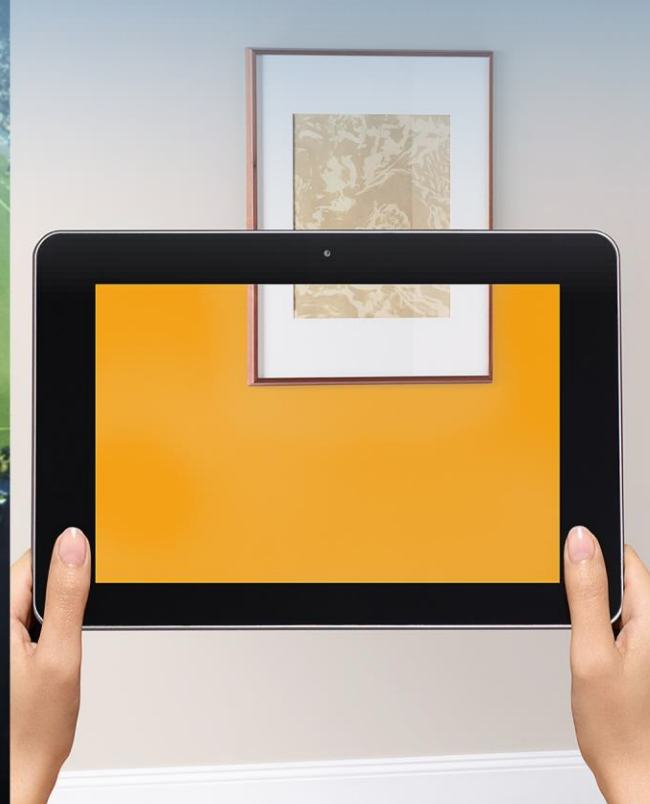
↪ Essential ingredients



↪ 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.

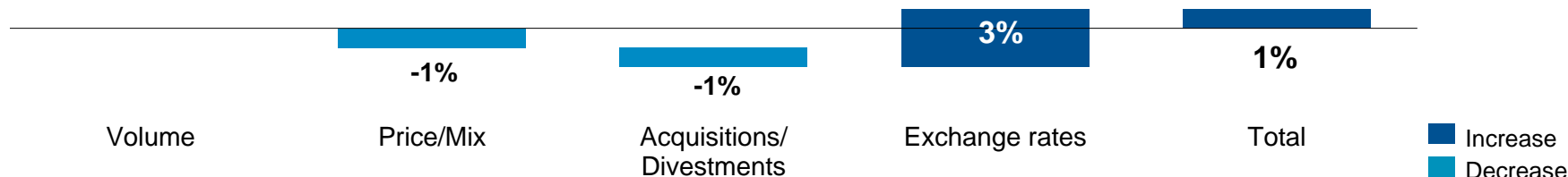
Financial performance improved again during Q4 2015

€ million	Q4 2014	Q4 2015	Δ%
Revenue	3,517	3,559	1
Operating income excluding incidentals	168	268	60
Operating income	83	345	316

Ratio, %	Q4 2014	Q4 2015
Return on sales	2.4	9.6
Return on sales (excluding incidentals)	4.8	7.5
Return on sales (excluding incidentals & restructuring costs)	7.9	8.2
Moving average return on investment	10.0	15.0

Revenue development Q4 2015 vs. Q4 2014

0%

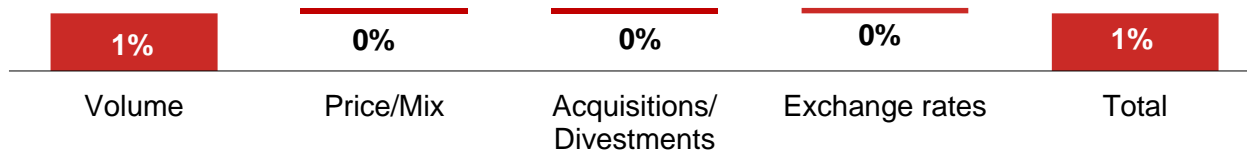


Decorative Paints Q4 2015 highlights

€ million	Q4 2014	Q4 2015	Δ%
Revenue	920	931	1
Operating income excluding incidentals	16	46	188
Operating income	16	46	188

Ratio, %	Q4 2014	Q4 2015
Return on sales	1.7	4.9
Return on sales (excl. incidentals)	1.7	4.9
Return on sales (excl. inc. & restr. costs)	5.4	5.5

Revenue development Q4 2015 vs. Q4 2014



Revenue up due to positive volume, while price/mix and currencies were flat

Volume development was positive in Europe and Asia, down in Latin America

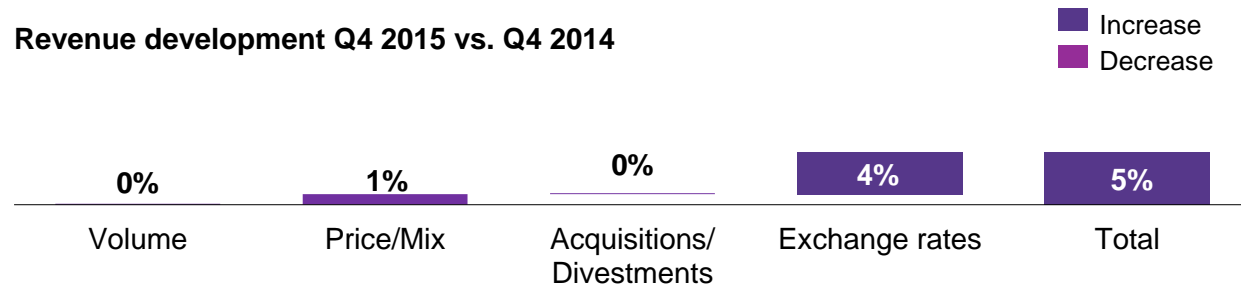
Operating income improved due to the new operating model, lower costs and currency developments

Performance Coatings Q4 2015 highlights

€ million	Q4 2014	Q4 2015	Δ%
Revenue	1,416	1,482	5
Operating income excluding incidentals	106	192	81
Operating income	106	192	81

Ratio, %	Q4 2014	Q4 2015
Return on sales	7.5	13.0
Return on sales (excl. incidentals)	7.5	13.0
Return on sales (excl. inc. & restr. costs)	12.8	15.7

Revenue development Q4 2015 vs. Q4 2014



Revenue up, benefiting from favorable price/mix and positive currencies

Volumes were flat, with project strength in Marine and Protective Coatings offset by lower demand in other segments

Operating income up driven by lower restructuring costs, favorable product mix, cost control measures and currencies

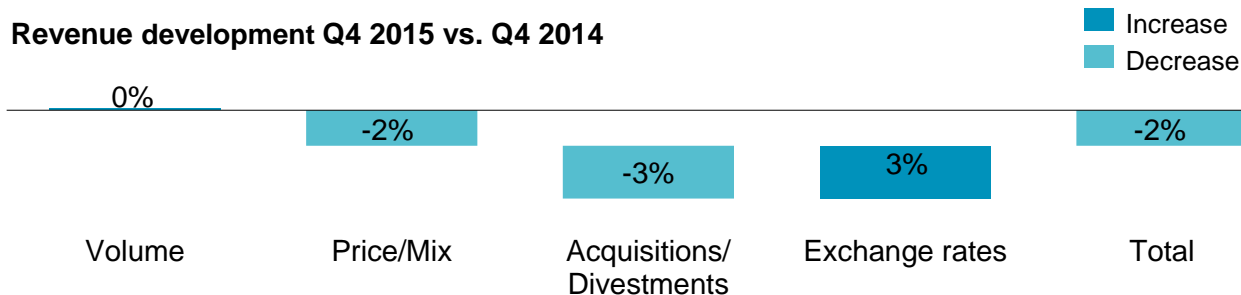
Specialty Chemicals Q4 2015 highlights

AkzoNobel

€ million	Q4 2014	Q4 2015	Δ%
Revenue	1,195	1,167	-2
Operating income excluding incidentals	93	90	-3
Operating income	93	91	-2

Ratio, %	Q4 2014	Q4 2015
Return on sales	7.8	7.8
Return on sales (excl. incidentals)	7.8	7.7
Return on sales (excl. inc. & restr. costs)	7.9	7.8

Revenue development Q4 2015 vs. Q4 2014



Revenue down due to favorable currency offset by adverse price/mix and divestments

Volumes flat, affected by interruptions in the manufacturing and supply chain in Rotterdam and Tianjin

Operating income down mainly as a result of the interruptions in the manufacturing and supply chain in Tianjin

Restructuring charges by quarter

€ million	Q1 2014	Q2 2014	Q3 2014	Q4 2014	FY 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY2015
Decorative Paints	22	23	1	34	80	5	11	5	5	26
Performance Coatings	15	17	41	75	148	6	10	7	17	40
Specialty Chemicals	7	2	6	2	17	0	3	1	1	5
Other	0	3	7	-2	8	0	0	2	1	3
Total	44	45	55	109	253	11	24	15	24	74

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

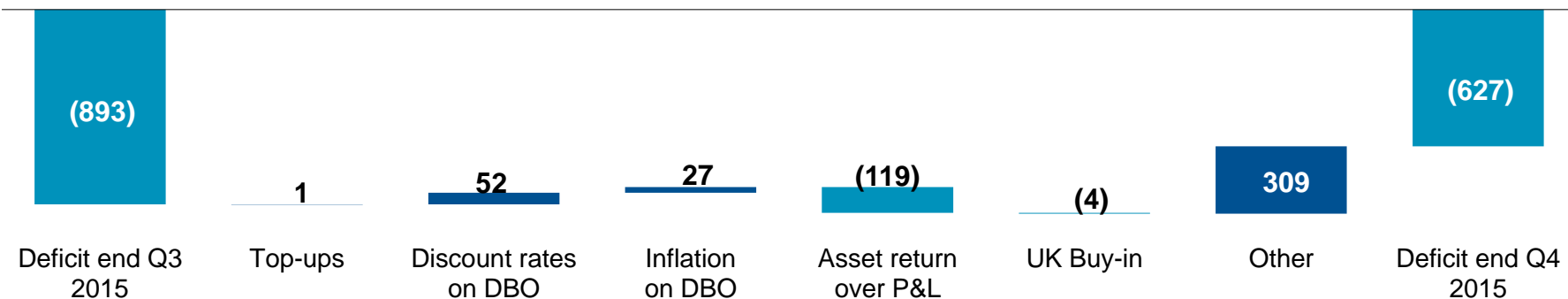
IAS19 pension deficit down to €0.6 billion at Q4 2015

Key pension assumptions metrics	Q3 2015	Q4 2015
Discount rate	3.5%	3.5%
Inflation rate	2.9%	2.8%

Pension deficit development during Q4 2015

€ million

■ Increase
■ Decrease



Innovation Pipeline Q4 2015

Deco Paints Specialties – Nordsjö Diamond Floor

AkzoNobel

Key features

- Suitable for all concrete, laminate and wooden surfaces in the house
- Excellent protection against scratches and wear
- Very good stain and chemical resistance



Customer benefits

- All floors can be treated with one product
- Available in any desired color
- Waterbased
- Environmentally friendly
- Due to its very good durability and stain resistance, painted floors will last longer

Growth potential

- This technology will be used in other products as well



A long lasting floor coating for all concrete, laminate and wooden surfaces in your house

Innovation Pipeline Q4 2015

Powder Coating – Interpon A5000 for Auto Truck

Key features

- The first powder coating application line in China for Auto Truck industry
- Interpon A5000 provides an effective solution to replace liquid coating on load bed
- High flow and gloss (based on proprietary resin) equivalent to existing liquid aesthetics
- Improved abrasion resistance compared to existing liquid whilst meeting all other performance attributes

Customer benefits

- Zero VOC
- Reduced waste water
- Improved application efficiency resulting in less overspray waste
- Smaller physical footprint

Financial benefits

- Avoidance of China VOC Tax
- Reduced cost of the treatment of waste
- Reduced capital investment to set up the new application line



Powder coating with super flow and high-durability on Auto Truck

Innovation Pipeline Q4 2015

Performance Additives – Bermocoll for Stone Paint

AkzoNobel

Key features

- New cost effective surface treatment for paint and building and construction customers
- Colored sand or stone chips dispersed in binder (hybrid between a paint and mortar based plaster)



Customer benefits

- Unique performance in Stone Paint: reduces water whitening of binder (blushing)



Growth potential

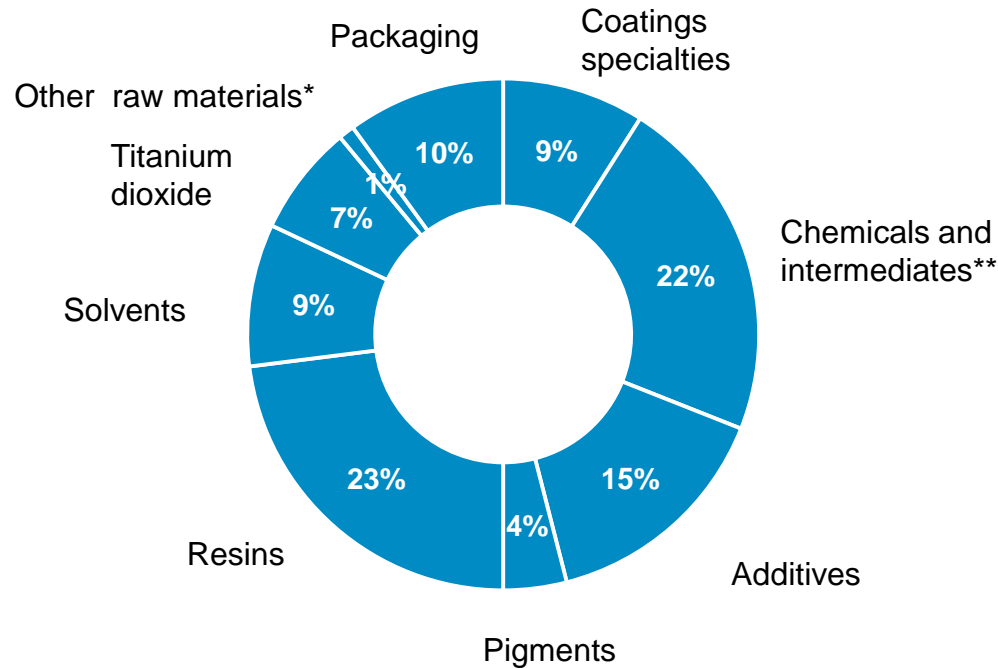
- Bermocoll approved by all strategic customers and is already the preferred stone-paint thickener in the Chinese market
- Explore opportunities outside China (e.g. promotion at Paintindia)

ELOTEX  **Bermocoll**

High viscosity cellulose ether rheology modifier

Breakdown of total raw material spend

2015

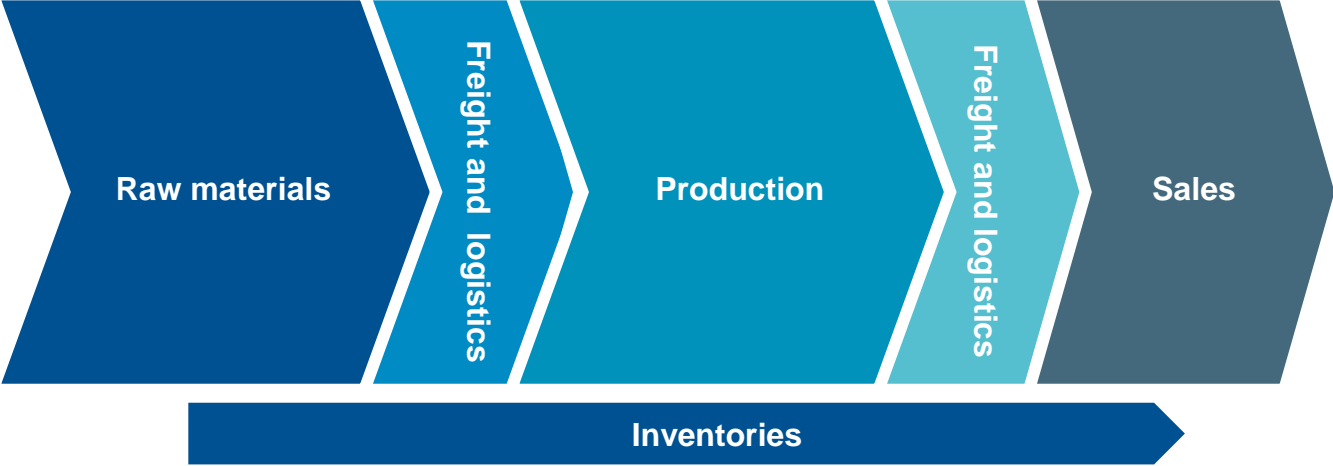


* Other raw materials include cardolite, hylar etc.

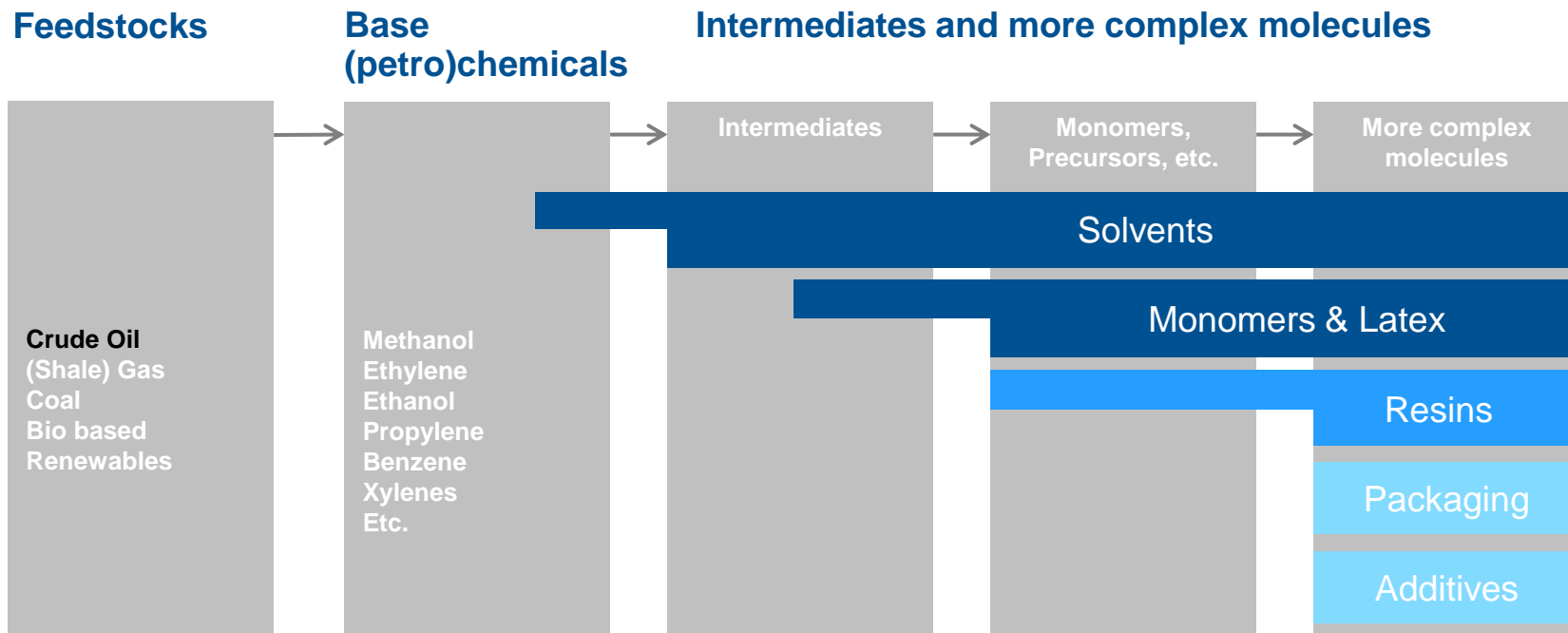
** Chemicals and intermediates include caustic soda, acetic acid, tallow, ethylene, ethylene oxide, sulfur, amines etc.

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

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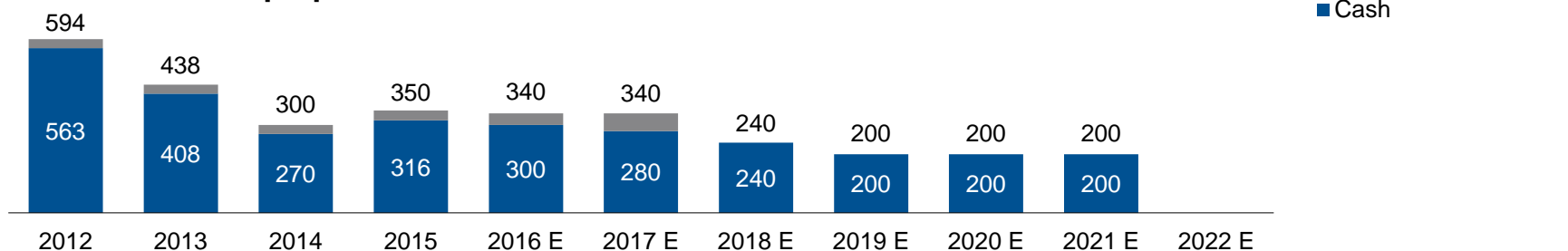


Downstream oil related products have clearly different dynamics



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