

Q&A

Regarding the proposal to approve the separation of the Specialty Chemicals business from Akzo Nobel N.V. through a private sale or a legal demerger to be voted on at the EGM on November 30, 2017

Important notice:

This Q&A aims to provide high-level information about the proposed approval for the separation of the Specialty Chemicals business from Akzo Nobel N.V. Information in this document is summarized and simplified to improve readability and may therefore deviate from the terms and conditions set forth in the formal legal documents relating to the proposed separation. This document is only provided for information purposes and cannot be relied upon.

Shareholders are advised to carefully read the EGM Agenda with explanatory notes, the Shareholder Circular, the Demerger Proposal, and the other related documents. These documents are published on our website (www.akzonobel.com).



APPROVAL OF THE SEPARATION OF THE SPECIALTY CHEMICALS BUSINESS

What is the separation of the Specialty Chemicals business?

The separation entails that the Specialty Chemicals business will be separated from AkzoNobel. AkzoNobel will thus become a company focused on Paints and Coatings as a result of the separation.

The proposed separation follows the announcement of AkzoNobel's revised strategy, on April 19, 2017. An integral part of this strategy is the creation of two focussed, standalone businesses: Paints & Coatings and Specialty Chemicals.

In order to complete the intended separation, the Specialty Chemicals business will be sold to a third party or established as a separate listed company.

What does the approval for the separation entail?

If shareholders approve the proposed separation, AkzoNobel can implement the separation by means of either a private sale or a legal demerger. Both a private sale and a legal demerger are established transaction structures commonly used to separate businesses from listed companies.

The requested approval includes the formal legal demerger proposal (the "Demerger Proposal"), which sets forth the terms and conditions of a legal demerger of the Specialty Chemicals business. The Demerger Proposal will only be implemented if AkzoNobel chooses to separate the Specialty Chemicals business by means of a legal demerger.

The requested approval, if obtained, would allow for the appropriate flexibility necessary in order to obtain an optimal result for the AkzoNobel shareholders and other stakeholders. In addition, it will enable agile decision-making in respect of the separation, without the need for further shareholder approvals.

What is the proposed private sale?

In the private sale, if pursued, the Specialty Chemicals business would be sold to a third party.

AkzoNobel has initiated (the preparations for) a private sale of the Specialty Chemicals business via a controlled auction. In this process, potential interested parties will be requested to submit offers for the Specialty Chemicals business.

If AkzoNobel pursues the separation by means of a private sale, it would then negotiate with one or more selected interested parties who provide the most attractive offer(s) taking into consideration the

	<p>interests of all stakeholders, in order to reach agreement on the private sale of the Specialty Chemicals business.</p>
<p>What is the proposed legal demerger?</p>	<p>In the legal demerger, if pursued, AkzoNobel would 'spin off' the Specialty Chemicals business and establish it as a separate listed company.</p> <p>In case of the legal demerger, each shareholder of AkzoNobel will receive one share in Akzo Nobel Chemicals N.V. for each share that it holds in Akzo Nobel N.V. at the time of the demerger and will remain shareholder in Akzo Nobel N.V.</p> <p>Therefore, as a result of the demerger, each shareholder will become a shareholder in two separate listed companies: Akzo Nobel N.V. (containing the Paints & Coatings business) and Akzo Nobel Chemicals N.V. (containing the Specialty Chemicals business).</p>
<p>Why are shareholders asked for the approval for a private sale, as well as a legal demerger?</p>	<p>Shareholder approval for both a private sale and a legal demerger enables AkzoNobel to follow a dual-track process. This means that AkzoNobel can prepare for, and pursue, both a private sale and a legal demerger in parallel and have the flexibility to ultimately implement one of these separation methods without the requirement for further shareholder approval.</p> <p>A dual-track process is an established means of separating businesses from a listed company in a way that maximises value and protects the interests of other stakeholders. A clear advantage of a dual-track process is that it creates competitive tension among interested parties who participate in the private track process as the legal demerger creates a viable alternative ready at hand in addition to the (existing) competition among the buyers in a private track process.</p> <p>A dual-track process will also enable us to execute the demerger if and when it becomes clear, in the view of AkzoNobel, that the demerger provides the best option for unlocking the full value of the Specialty Chemicals business. The approval for a dual-track process thus allows for agile decision-making regarding the separation, to the benefit of our shareholders and all other stakeholders.</p>
<p>Why are you not asking for approval for an IPO?</p>	<p>In our considerations on the proposed approval for the separation of the Specialty Chemicals business, we have reflected on the current views of our shareholders.</p>

	<p>Compared to an IPO, the requested approval for a private sale and a legal demerger fits better with our intention to separate the Specialty Chemicals business in one transaction and subsequently distribute the vast majority of the net proceeds to our shareholders. If we were to pursue the separation by way of an IPO, we will return to shareholders and request approval at a subsequent general meeting of shareholders.</p> <p>In case of a demerger, our shareholders would effectively receive the proceeds of the separation as they would directly become the shareholders of the Specialty Chemicals business as a separate listed company.</p>
<p>Why have you published many documents regarding the demerger and not so many regarding private sale?</p>	<p>A legal demerger requires that shareholders approve a formal demerger proposal from the Boards of the relevant companies. This formal demerger proposal has been published by AkzoNobel, together with other required or relevant documents. These documents contain the terms and conditions of the demerger, as well as other legally required information.</p> <p>For a private sale these formal requirements do not apply. The terms and conditions of a private sale will depend on the negotiations with the eventual purchaser.</p>
<p>How does the Supervisory Board and the Board of Management recommend I vote?</p>	<p>The Supervisory Board and the Board of Management unanimously recommend that shareholders vote in favour of the proposal to separate the Specialty Chemicals business from AkzoNobel through either a private sale or a legal demerger.</p>
<p>FOLLOWING THE NOVEMBER 30 EGM</p>	
<p>What happens after shareholders have approved the proposed separation?</p>	<p>After approval of the proposed separation, we intend to continue the dual-track process for the separation of the Specialty Chemicals business.</p> <p>In the period after the November 30 EGM, the Board of Management, with approval of the Supervisory Board, will decide on the separation, which includes a decision on the final parameters of the proposed separation.</p> <p>We are confident that the separation process is on track to take place within 12 months from our April 19, 2017 announcement. Therefore, we expect either a signed agreement for the private sale, or the implementation of the demerger, by April 2018.</p>

<p>How will you decide whether to choose the private sale or the demerger?</p>	<p>AkzoNobel will continue to carefully review and consider the preferred method for separating the Specialty Chemicals business. This decision will take into account what is in the best interest of our shareholders, our other stakeholders and our other long-term objectives.</p> <p>The choice regarding which of the potential methods of separation will ultimately be followed, will be based on an assessment that includes which separation method creates the most value. In accordance with our fiduciary duties, we will also consider other parameters encompassing the decision criteria as announced on April 19, 2017, including but not limited to strategy, timing, tax, pensions, stakeholders, legal, liabilities and risks.</p>
<p>When will the EUR 1 bn special cash dividend be paid?</p>	<p>Following shareholder approval for the separation, we intend to make an advance distribution of the separation proceeds at an amount of EUR 1 billion by means of a special cash dividend. This special dividend will be paid on December 7, 2017.</p>
<p>What happens with the proceeds of a private sale?</p>	<p>In line with our announcement on April 19, 2017, we intend to return the vast majority of the net proceeds from the separation of the Specialty Chemicals business to our shareholders following the separation.</p> <p>Some of the gross proceeds may be reserved for AkzoNobel (Paints & Coatings) business purposes, including the funding of specific pension arrangements currently in place within AkzoNobel as well as costs as a result of the separation and creation of two focused businesses.</p>
<p>What do shareholders receive if you choose to proceed with the demerger?</p>	<p>In case of the demerger, shareholders would effectively receive the proceeds of the separation in the form of shares in the newly listed (standalone) Specialty Chemicals business: Akzo Nobel Chemicals N.V.</p> <p>If the demerger is implemented, shareholders will receive one share in Akzo Nobel Chemicals N.V. for each share they hold in Akzo Nobel N.V. at that point in time.</p>
<p>SPECIFIC QUESTIONS ON THE DEMERGER</p>	
<p>What will the Specialty Chemicals business</p>	<p>The Specialty Chemicals business will be held by a standalone company, focused on Specialty Chemicals: Akzo Nobel Chemicals N.V.</p>

<p>look like after the demerger?</p>	<p>It is intended that the shares in Akzo Nobel Chemicals N.V. will be admitted for trading and listed on Euronext Amsterdam.</p> <p>It is expected that the statutory name of Akzo Nobel Chemicals N.V. will be amended prior to the Listing.</p>
<p>Which shareholders can participate in the demerger?</p>	<p>Each shareholder that holds common shares in Akzo Nobel N.V. will be allotted shares in Akzo Nobel Chemicals N.V. on a one-for-one basis in the event the demerger is implemented.</p>
<p>Can ADR holders participate in the demerger?</p>	<p>Shares in Akzo Nobel Chemicals N.V. allotted in the demerger to the sponsor of the ADR Program (Deutsche Bank Trust Company Americas) will be dealt with in accordance with the deposit agreement as lastly supplemented and amended on 3 January 2012.</p>
<p>Can I choose not to participate in the demerger?</p>	<p>All AkzoNobel shareholders at the effective time of the demerger will participate in the demerger and receive shares in Akzo Nobel Chemicals N.V.</p> <p>However, shareholders will be able to sell their shares in Akzo Nobel Chemicals N.V. following the demerger.</p>
<p>What will be the share price of the Specialty Chemicals business?</p>	<p>The trading price of the shares in Akzo Nobel Chemicals N.V. will ultimately depend on market trading following the demerger and the listing. The initial trading price of these shares will be set based on internal valuation analysis and interaction with shareholders as part of the (pre-)marketing process.</p>
<p>Will AkzoNobel be a shareholder of the Specialty Chemicals business after the demerger?</p>	<p>AkzoNobel currently holds 4,500,000 shares in Akzo Nobel Chemicals N.V. However, AkzoNobel and Akzo Nobel Chemicals N.V. have agreed that upon the demerger becoming effective, AkzoNobel will transfer these shares to Akzo Nobel Chemicals N.V. for no consideration (meaning that Akzo Nobel Chemicals will not pay for these shares).</p> <p>Therefore, after the demerger, AkzoNobel will not be a shareholder in Akzo Nobel Chemicals N.V.</p>
<p>Why does the Demerger Proposal state that no liabilities will transfer to AkzoNobel Chemicals N.V. as a result of the demerger?</p>	<p>In the demerger, technically, only the shares AkzoNobel holds in Akzo Nobel Chemicals Holding B.V. will be transferred to Akzo Nobel Chemicals N.V.</p> <p>However, Akzo Nobel Chemicals Holding B.V. will hold the Specialty Chemicals business (including the relevant assets and liabilities), as a result of the so-called 'internal separation'.</p>

	Therefore, the assets and liabilities of the Specialty Chemicals business will effectively be transferred to Akzo Nobel Chemicals N.V. as a result of the demerger.
Will Akzo Nobel Chemicals N.V. have a protective foundation?	No, Akzo Nobel Chemicals N.V. will not have a protective foundation that holds a call option on preference shares in the capital of Akzo Nobel Chemicals N.V. or priority shares.
Who will be on the board of the Specialty Chemicals company following the demerger?	<p>Akzo Nobel Chemicals N.V. will have a two-tier board, consisting of a Board of Management of at least one member and a Supervisory Board of at least three members, however it is intended that the company will have a Board of Management of two members and at least six Supervisory Board members prior to the Listing.</p> <p>As per the effective time of the Demerger, it is intended that the Board of Management will consist of two members, with Mr. Werner Fuhrmann being the CEO of Akzo Nobel Chemicals N.V. An executive search process is currently ongoing for the position of the CFO of Akzo Nobel Chemicals N.V.</p> <p>The intended composition of the Supervisory Board of Akzo Nobel Chemicals N.V. as per the effective time of the Demerger, is as follows:</p> <p style="padding-left: 40px;">Thierry Vanlancker;</p> <p style="padding-left: 40px;">Louis Hughes; and</p> <p style="padding-left: 40px;">Peggy Bruzelius.</p> <p>It is the intention that three additional members of the Supervisory Board of Akzo Nobel Chemicals N.V. will be appointed prior to the implementation of the Demerger, with effect as per, or shortly after, the Demerger being implemented.</p>
OTHER	
Who do I contact in case of any other questions?	<p>Questions can be addressed to:</p> <p>AkzoNobel Media Relations Contact: Diana Abrahams T: +31 (0)88 969 7833</p> <p>AkzoNobel Investor Relations Contact: Lloyd Midwinter T: +31 (0)88 969 7590</p>

Disclaimers

Forward-looking statements

This Shareholders Circular contains certain forward-looking statements with respect to the financial condition, results of operations and business of AkzoNobel and certain of the plans and objectives of AkzoNobel with respect to these items and in particular with respect to the creation of the separate Specialty Chemicals business. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by forward-looking statements.

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Presentation of information

The information included in this Shareholders Circular reflects the situation as at the date of this Shareholders Circular, unless specified otherwise. The publication of this Shareholders Circular shall under no circumstances imply that the information contained herein is accurate and complete as of any time after the date of this Shareholders Circular or that there has been no change in the intentions or expectations of (the Board of Management and/or the Supervisory Board of) AkzoNobel in relation to the strategic decision to pursue two independent strategic directions focused on the Paints and Coatings Group and the Specialty Chemicals business (including the method and timing thereof) since the date of this Shareholders Circular. The foregoing does not affect the obligation of AkzoNobel to make a public announcement pursuant to applicable laws.