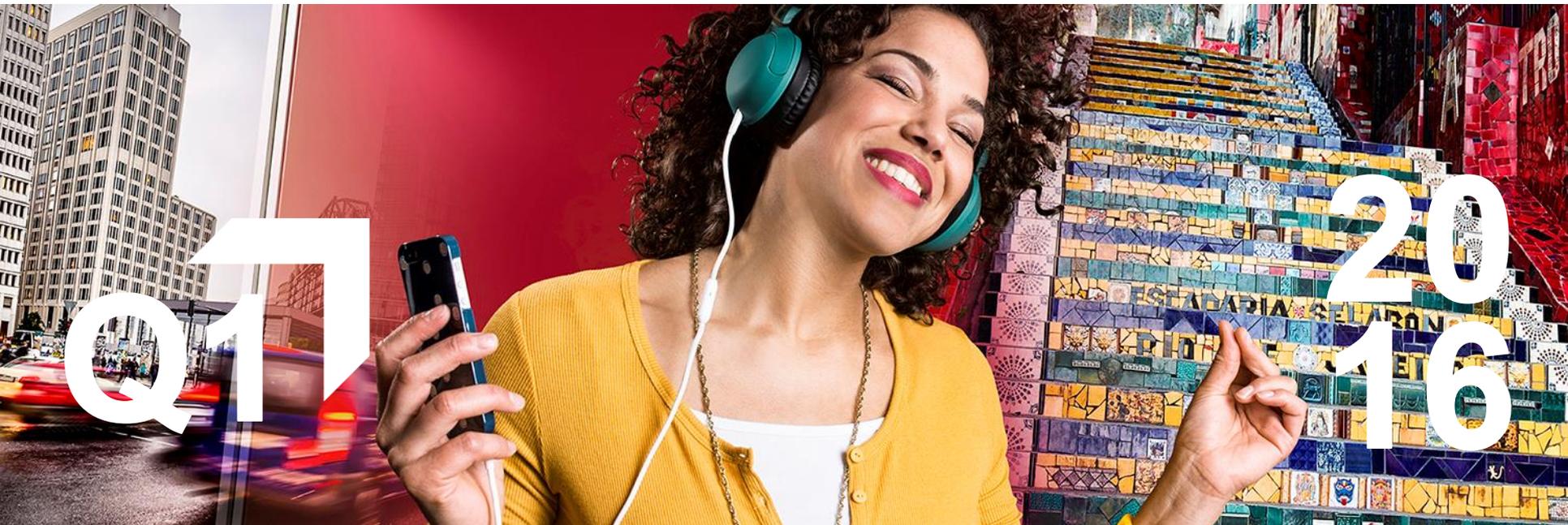


Investor Update Q1 2016 results

Maëlys Castella
April 19, 2016



Agenda



Q1 2016 Highlights



Operational review



Financial review



Summary



Questions

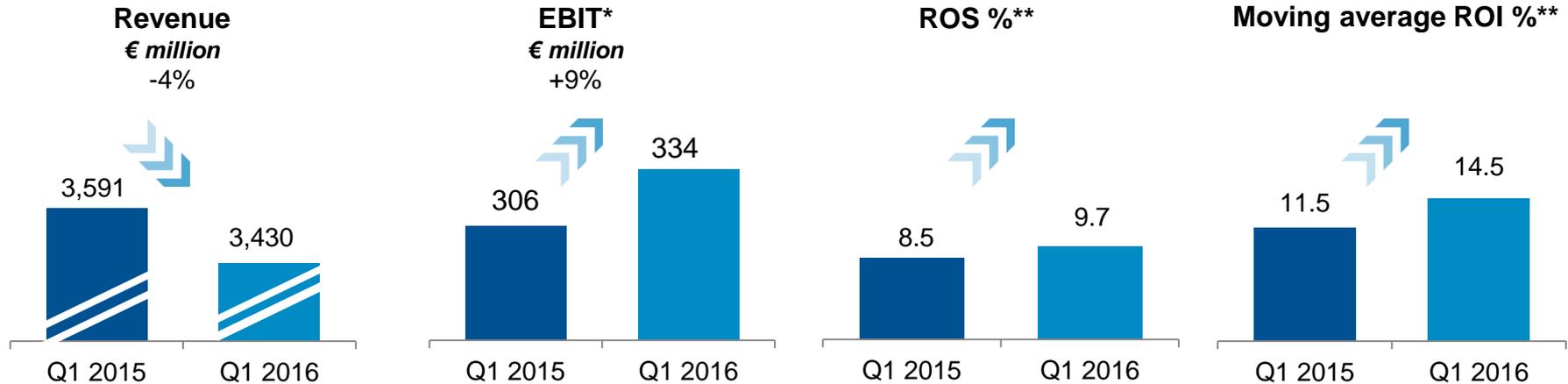
Delivering strategy of continuous improvement and organic growth

AkzoNobel

- ↗ Higher volumes and profitability in all Business Areas despite challenging markets and currency headwinds
- ↗ Operating income up 17 percent and net income attributable to shareholders up 50 percent
- ↗ Net cash outflow reduced significantly
- ↗ Agreed offer to acquire BASF's Industrial Coatings business
- ↗ Issued €500 million bond with ten-year maturity and coupon of 1.125 percent



Higher volumes and profitability



- ↗ Volumes up for all Business Areas and up 2 percent overall
- ↗ Revenue down 4 percent with higher volumes offset by adverse currency effects, price/mix and divestments
- ↗ Net income attributable to shareholders up 50 percent at €240 million (2015: €160 million)
- ↗ Adjusted EPS up 28 percent at €0.97 (2015: €0.76)

Agenda



Q1 2016 highlights



Operational review



Financial review



Summary



Questions

Building and Infrastructure

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

43%

Transportation

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

17%

18%

Consumer durables
Consumer packaged goods

Consumer Goods

22%

Natural resource and energy industries
Process industries

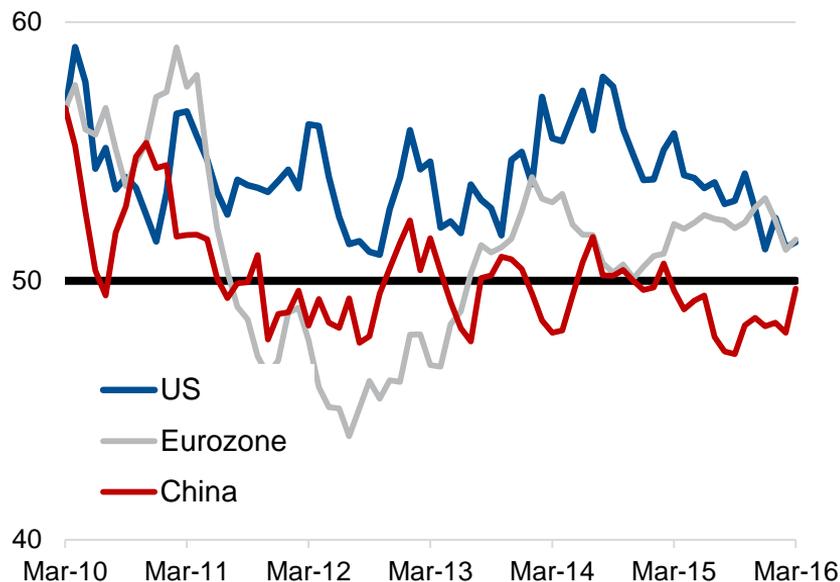
Industrial



Manufacturing trends are mixed depending on country and region

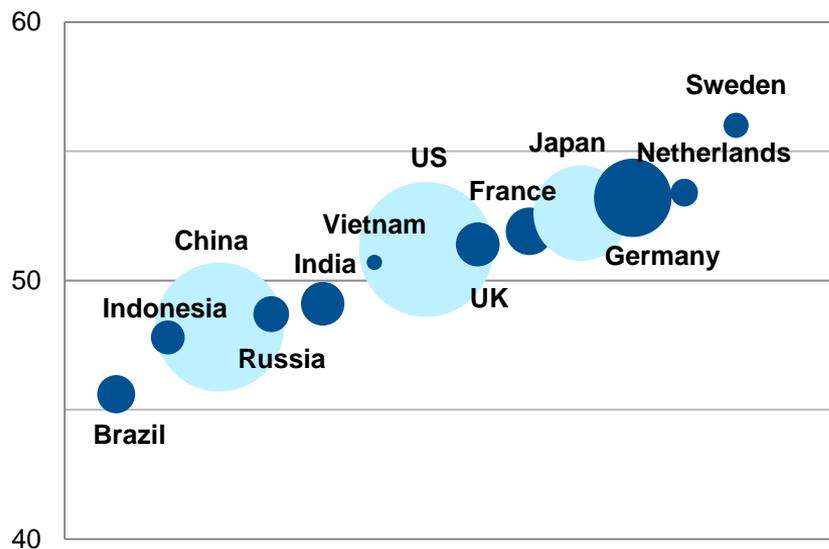
Purchase Managers' Index (PMI)*

Figures below 50 indicate pessimism



Purchase Managers' Index (PMI)*

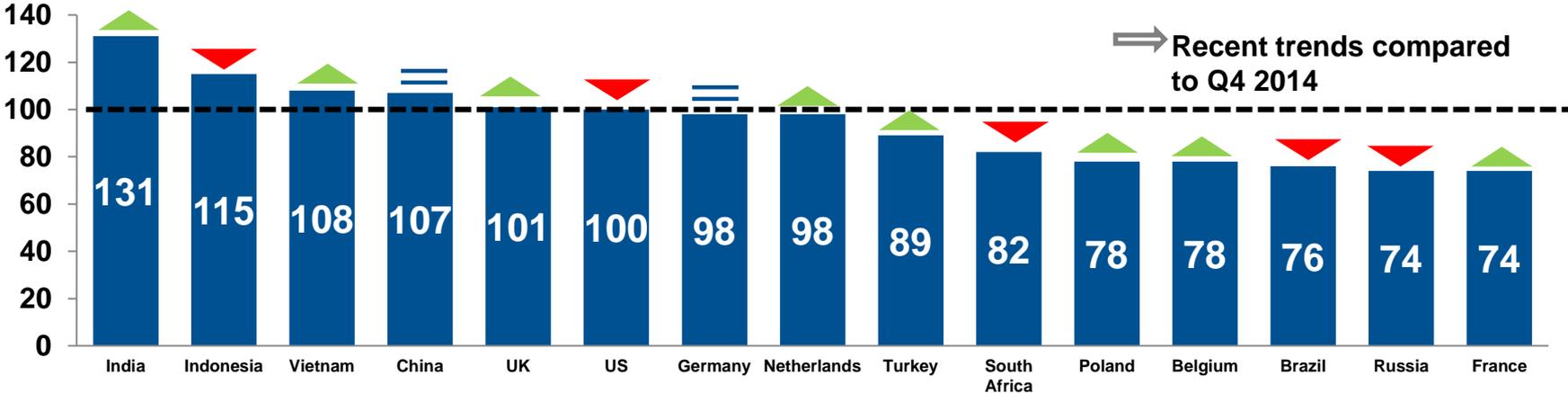
March 2016



Consumer confidence remains low, although trends differ per country

Consumer confidence, Q4 2015

Figures below 100 indicate some degree of pessimism



Agenda



Q1 2016 highlights



Operational review



Financial review



Summary



Questions

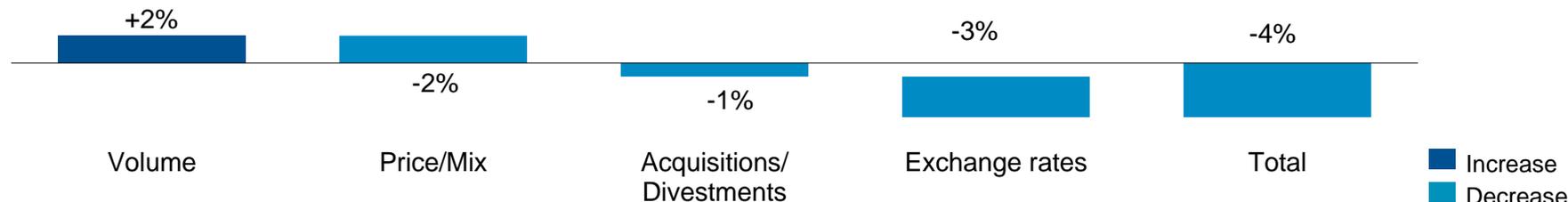
Increased volumes, return on sales and moving average return on investment

AkzoNobel

€ million	Q1 2015	Q1 2016	Δ%
Revenue	3,591	3,430	-4
Operating income	306	357	17
EBIT (Operating income excluding incidental items)	306	334	9

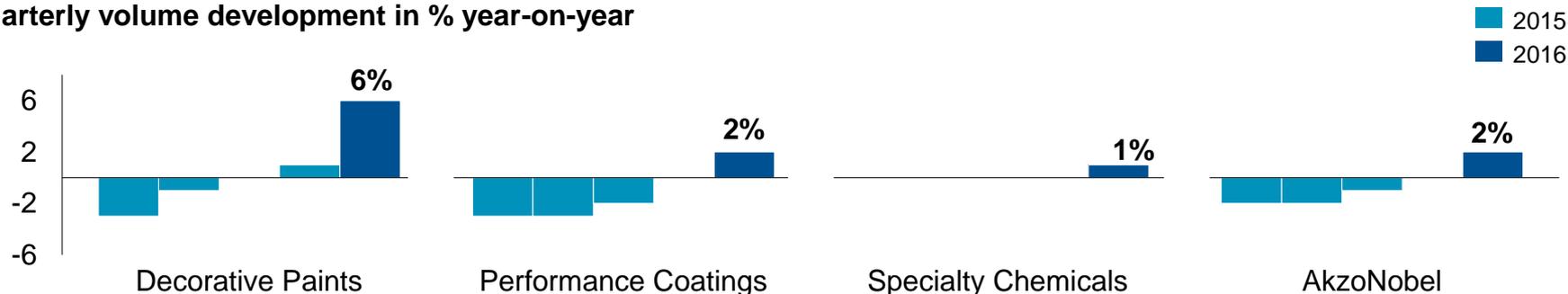
Ratio, %	Q1 2015	Q1 2016
ROS*	8.5	9.7
Moving average ROI*	11.5	14.5

Revenue development Q1 2016 vs. Q1 2015

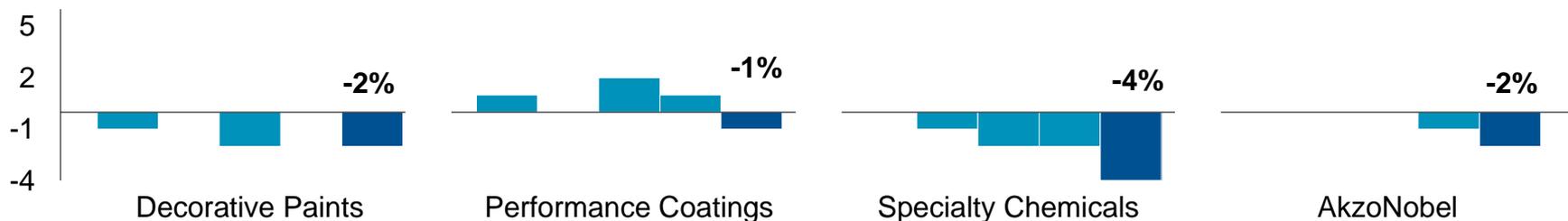


Higher volumes for all Business Areas and notable price/mix development

Quarterly volume development in % year-on-year



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



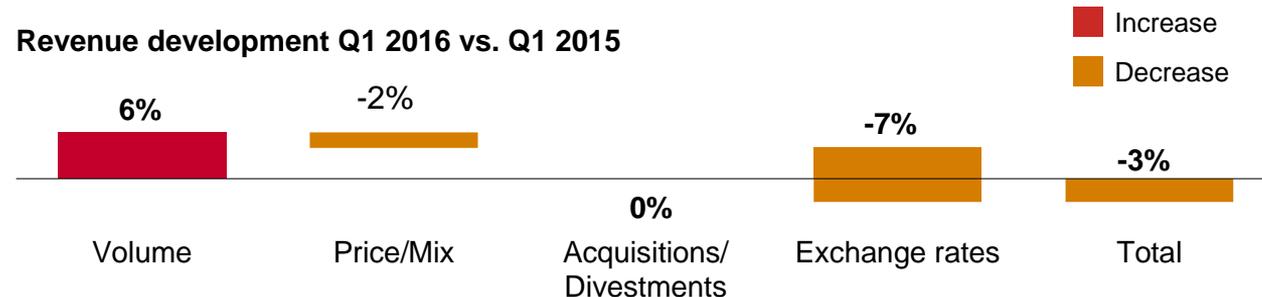
Decorative Paints Q1 2016: Volumes and profitability increased

€ million	Q1 2015	Q1 2016	Δ%
Revenue	890	861	-3
Operating income	50	52	4
EBIT (Operating income excluding incidental items)	50	52	4

Ratio, %	Q1 2015	Q1 2016
ROS*	5.6	6.0
Moving average ROI*	9.8	12.0

- ↑ Volumes increased due to positive developments in Asia and Europe, offset by Latin America
- ↑ Revenue down due to higher volumes offset by unfavorable currency effects and adverse price/mix
- ↑ EBIT and operating income up, mainly due to positive volumes and lower costs, partly offset by unfavorable currencies

Revenue development Q1 2016 vs. Q1 2015



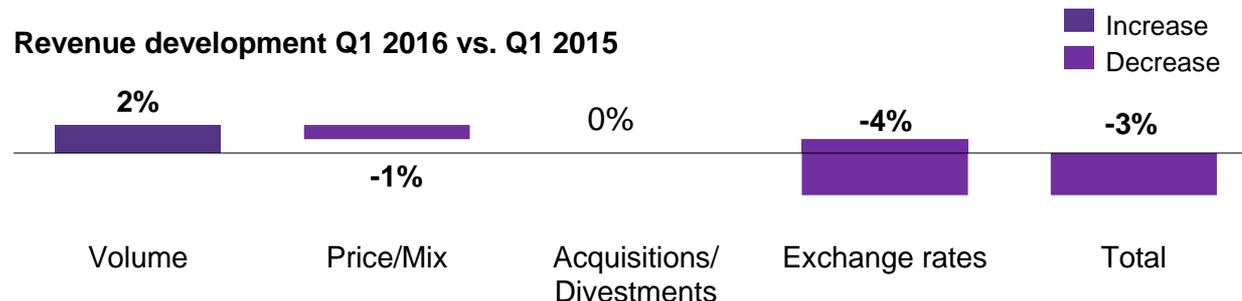
Performance Coatings Q1 2016: Volumes and profitability increased

€ million	Q1 2015	Q1 2016	Δ%
Revenue	1,430	1,388	-3
Operating income	170	186	9
EBIT (Operating income excluding incidental items)	170	186	9

Ratio, %	Q1 2015	Q1 2016
ROS*	11.9	13.4
Moving average return ROI*	22.9	30.4

- ↗ Volumes up, mainly driven by Marine and Protective Coatings
- ↗ Revenue down due to increased volumes offset by adverse currencies and unfavorable price/mix
- ↗ EBIT and operating income up due to higher volumes, management delayering, continuous improvement initiatives and lower costs

Revenue development Q1 2016 vs. Q1 2015



Bolt-on acquisition strengthens market position

- Agreed offer to acquire BASF's Industrial Coatings business for €475 million
- Business generated revenue of about €300 million in 2015
- Will strengthen our position in the Coil Coatings market
- Supplies products for a number of end uses, including coil, furniture foil and panel coatings, wind energy, general industry and commercial transport
- Fits well with our existing business
- Expected to be completed in later part of the second half of 2016



Specialty Chemicals Q1 2016: Volumes and profitability increased

€ million	Q1 2015	Q1 2016	Δ%
Revenue	1,296	1,206	-7
Operating income	163	164	1
EBIT (Operating income excluding incidental items)	163	164	1

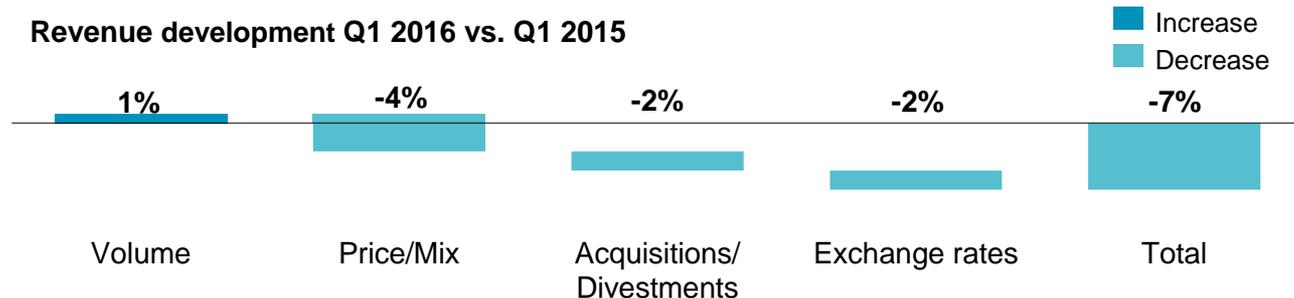
Ratio, %	Q1 2015	Q1 2016
ROS*	12.6	13.6
Moving average ROI*	15.3	16.5

↑ Volumes up with positive developments in some segments partly offset by lower demand in oil related segments

↑ Revenue down due to the divestment of the Paper Chemicals business, price deflation in several segments and adverse currency effects

↑ EBIT and operating income up due to operational efficiencies and lower costs offsetting the effects of price deflation and adverse currencies

Revenue development Q1 2016 vs. Q1 2015



Free cash flow continues to improve and net cash outflow reduced significantly

AkzoNobel

€ million	Q1 2015	Q1 2016
EBITDA	462	487
Interest paid	-48	-4
Tax paid	-44	-37
Changes in working capital, provision* and other	-696	-538
Capital expenditures (including intangible assets)	-135	-125
Free cash flow, excluding pension top-up payments	-461	-217
Pension top-up payments	-296	-245
Free cash flow (from operations)	-757	-462

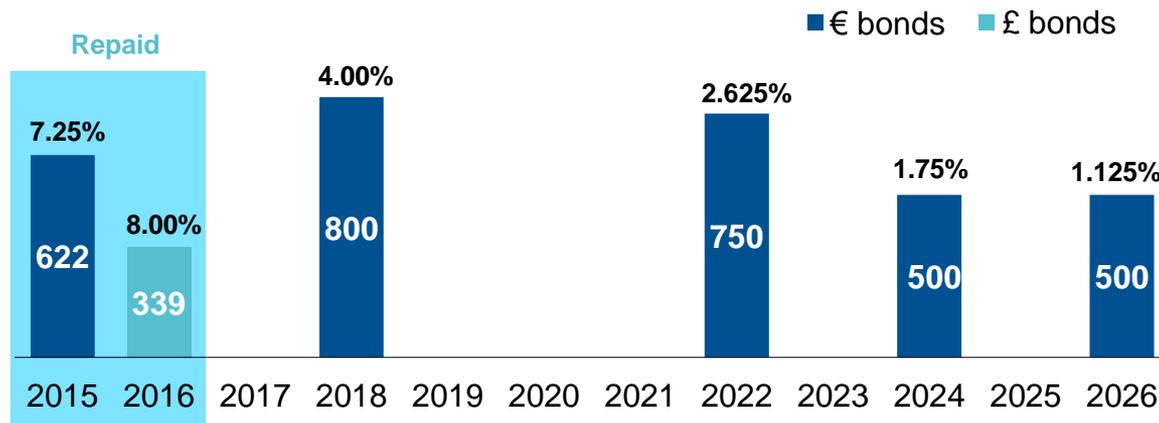
↗ Net cash outflow from operating activities €336 million (2015: €622 million)



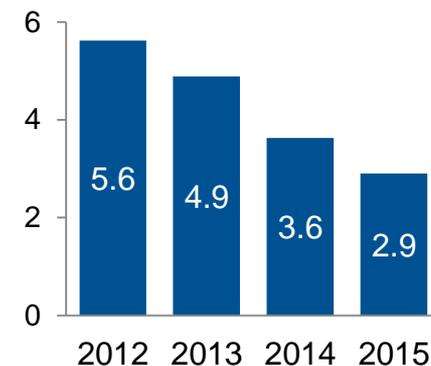
Strong financial position provides foundation for growth

- ↗ Average cost of long-term bonds reduced and maturity increased
- ↗ At March 31, 2016 net debt was €1.7 billion (2015: €2.3 billion)
- ↗ In April 2016, repaid £250 million (coupon rate 8%) and issued €500 million (coupon rate 1.125%)

Debt maturities € million (average debt duration 6 years 2 months)



Average cost of long-term bonds %



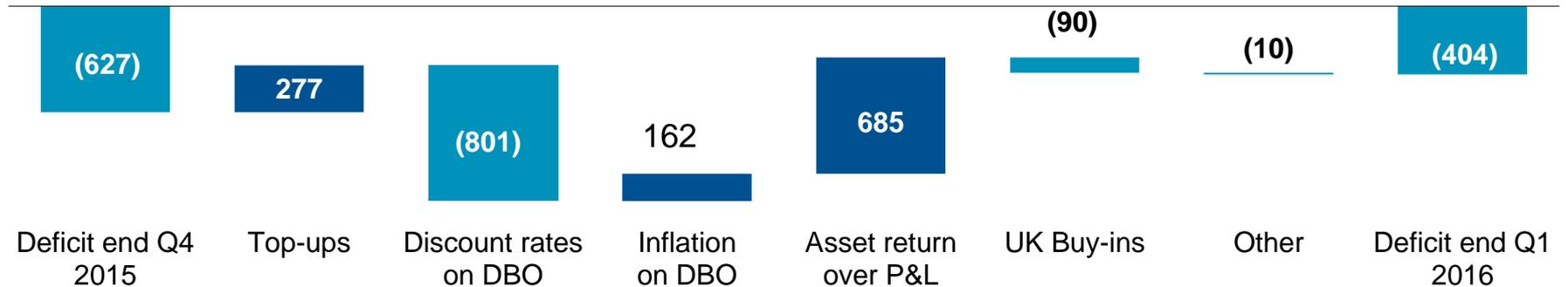
IAS19 pension deficit down to €0.4 billion

Key pension assumptions metrics	Q1 2016	Q4 2015
Discount rate	3.1%	3.5%
Inflation rate	2.7%	2.8%

Pension deficit development during 2016

€ million

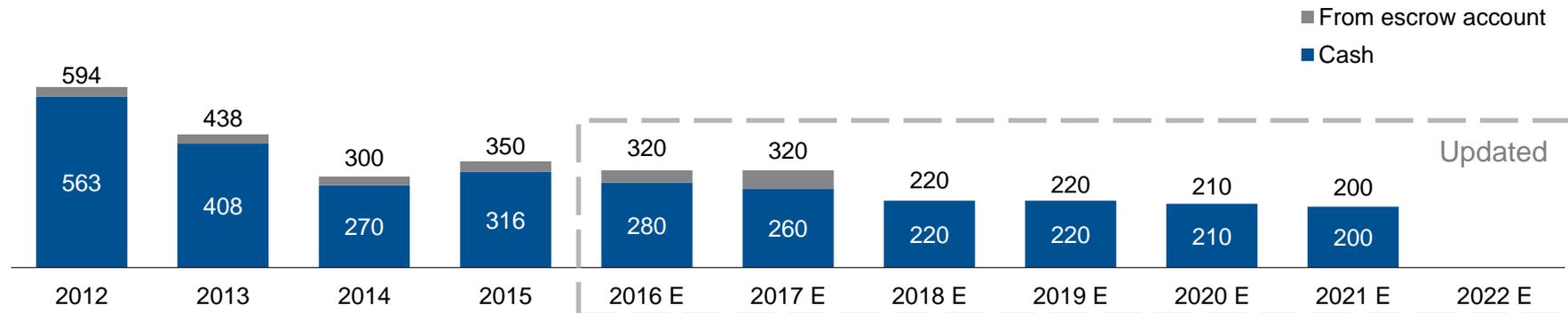
■ Increase
■ Decrease



Triennial of CPS concluded and top-up schedule updated

- Triennial review of the AkzoNobel (CPS) Pension Scheme completed March 2016
- Payment schedule agree with Trustees, resulting in a lower annual top-up contribution
- ICI Pension Fund de-risking through a non-cash buy-in transaction of €419 million

Estimated cash top-ups € million



Relate mainly to the two UK plans: ICI Pension Fund and the Courtaulds Pension Scheme

Assumes €1: £0.71/\$1.1 from 2016

Note: schedule includes non-cash transactions related to the CPS escrow account; 2012 and 2013 include one-off de-risking transactions

Agenda



Q1 2016 highlights



Operational review



Financial review



Summary



Questions

Delivering strategy of continuous improvement and organic growth

AkzoNobel

- ↗ Higher volumes and profitability in all Business Areas despite challenging markets and currency headwinds
- ↗ Operating income up 17 percent and net income attributable to shareholders up 50 percent
- ↗ Net cash outflow reduced significantly
- ↗ Agreed offer to acquire BASF's Industrial Coatings business
- ↗ Issued €500 million bond with ten-year maturity and coupon of 1.125 percent

Outlook

- ↗ The market environment remains uncertain with challenging conditions in several countries and segments. Deflationary pressures and currency headwinds are expected to continue



Upcoming events

Annual General Meeting	April 20, 2016
Sustainability Update	May 19, 2016
Q2 2016 Results	July 19, 2016



Agenda



Q1 2016 highlights



Operational review



Financial review



Summary



Questions

WE CREATE EVERYDAY
ESSENTIALS TO MAKE
PEOPLE'S LIVES MORE
LIVEABLE AND INSPIRING

Essential
ingredients

Essential
protection

Essential
color

AkzoNobel 

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 Q1 2016

AkzoNobel

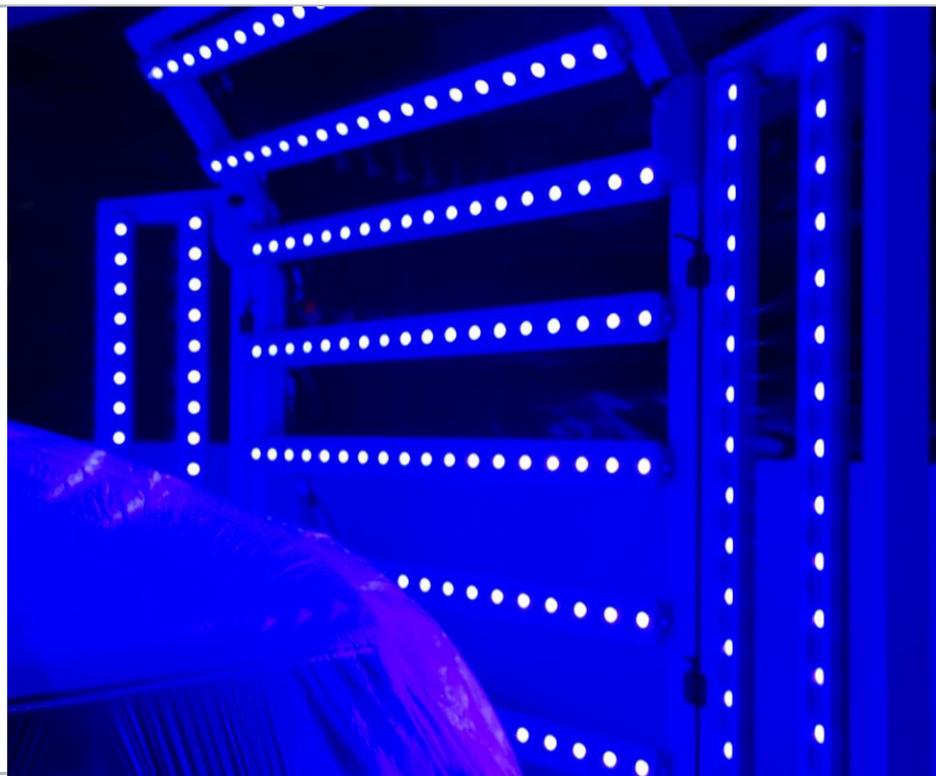
Decorative Paints – Innovative wet tester

Inspired by customer insight, our Decorative Paints business has developed an innovative wet tester to help consumers make more informed color choices when decorating their homes. The new user-friendly roller testers were designed following rigorous research and offer maximum convenience. Already launched with great success in France and the Netherlands, the new-look testers will soon be introduced in the UK and Ireland, with other regions to follow



Performance Coatings – UV technology

New ultraviolet clear coat technology developed by our Performance Coatings business now enables vehicle bodyshops to cut their energy costs by up to 80 percent. The technology (available in both Sikkens and Lesonal brands) cuts drying time to just 12 minutes without baking. This provides a significant increase in productivity – in addition to the potential energy savings – when compared with traditional baking processes



Specialty Chemicals - Joint venture

Together with Evonik Industries, AkzoNobel broke ground on a production joint venture for chlorine and potassium hydroxide solution at the existing AkzoNobel location in Ibbenbüren, Germany. A new membrane electrolysis plant is being built which will improve the ecological footprint of every ton of chlorine we produce in Ibbenbüren by 25 to 30 percent. This will result in less energy use and fewer CO2 emissions



Appendix

AkzoNobel

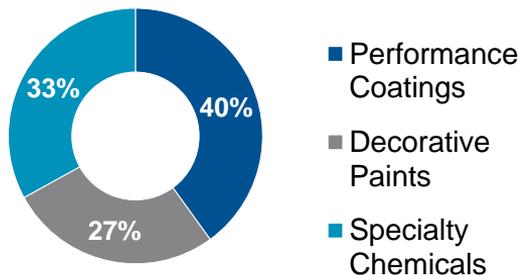
Global paints, coatings and specialty chemicals company

AkzoNobel

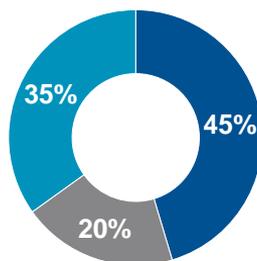
- ↗ €14.9 billion revenue (2015)
- ↗ €2.1 billion EBITDA (2015)
- ↗ 80+ countries
- ↗ 45,600 employees (2015)
- ↗ Leadership positions in many markets



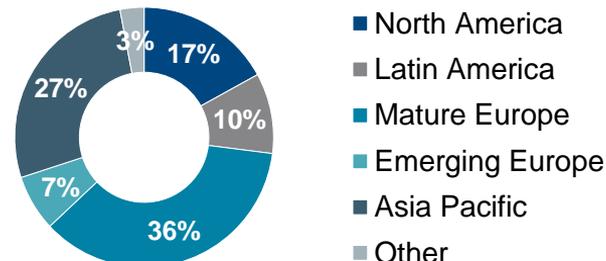
Revenue by Business Area



Operating income by Business Area

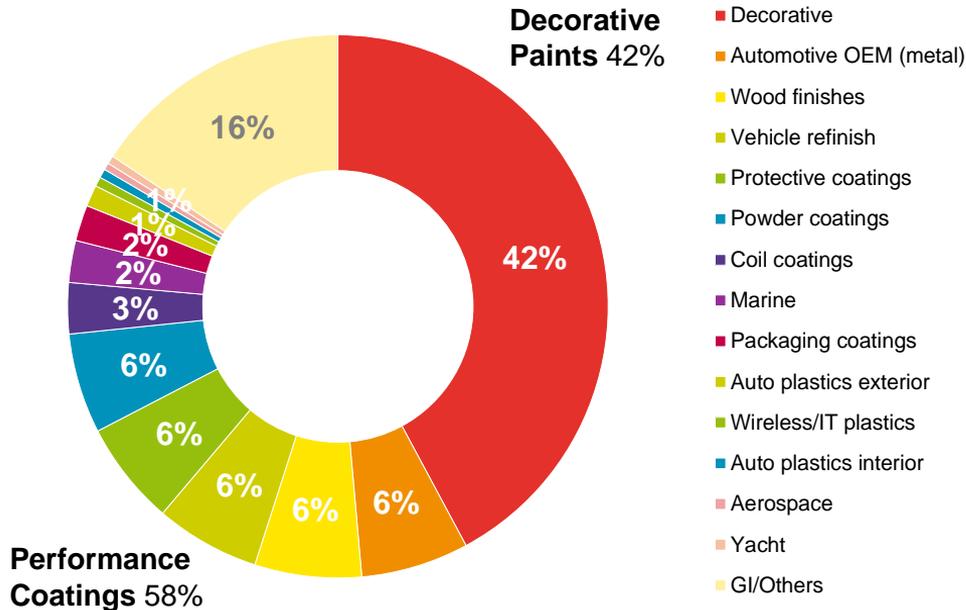


Revenue by geographic region

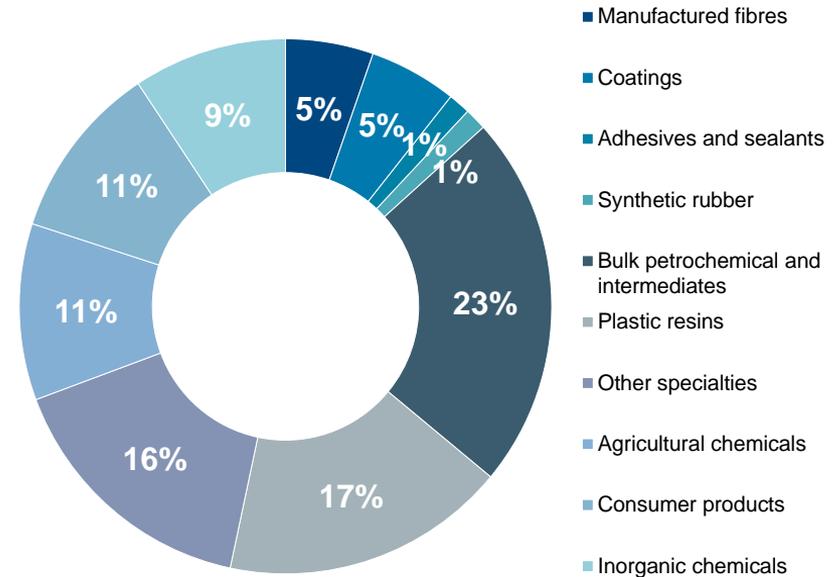


Present in large and attractive markets

Global paints and coatings by market sector
~€100 billion, 2012 – 2015



Chemicals industry
~€3,500 billion, 2012 – 2015



Strategy delivering results and building foundation for continuous improvement

AkzoNobel

Achievements



↗ Transformation | New operating models for all Business Areas

↗ Realignment of the functions

↗ Operational optimization; reduction in:
– Factory footprint
– Enterprise Resource Planning systems
– SKUs

↗ Portfolio optimization with selected divestments

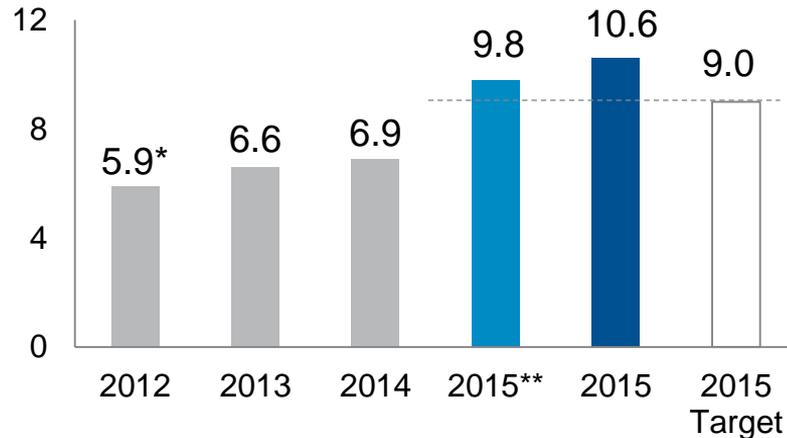
↗ Proactive management of pension liabilities

↗ Continued focus on sustainability; #1 in Dow Jones Sustainability Index*

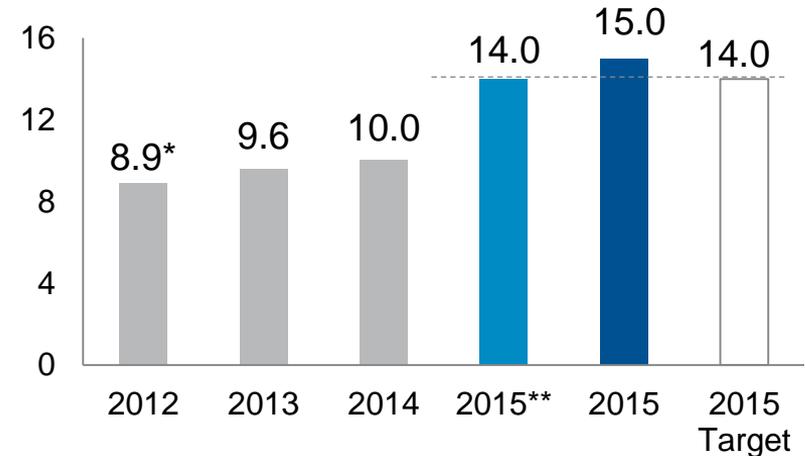
↗ Core principles and values | Human Cities

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

Core principles and values in place; Incentives aligned with strategy



STI Element	Metric
20%	Return on investment
20%	Operating income
30%	Operating cash flow
30%	Personal targets – partly related to strategic targets

LTI Element	Metric
35%	Return on investment
35%	Total Shareholder Return
30%	Sustainability / RobecoSAM - DJSI

Transformation in all Business Areas



Decorative Paints

- New operating model in Europe
- Leverage scale of back office functions



Performance Coatings

- Footprint optimization resulted in closure of 17 sites
- New organization structure; customer-centric Strategic Market Units and clearer accountability

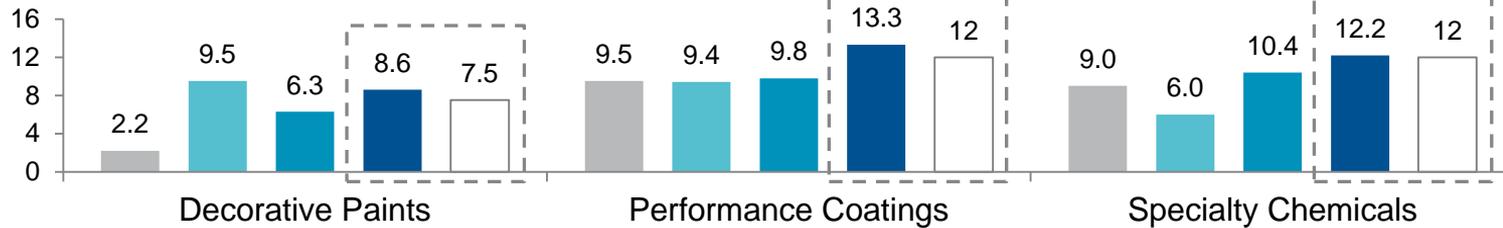


Specialty Chemicals

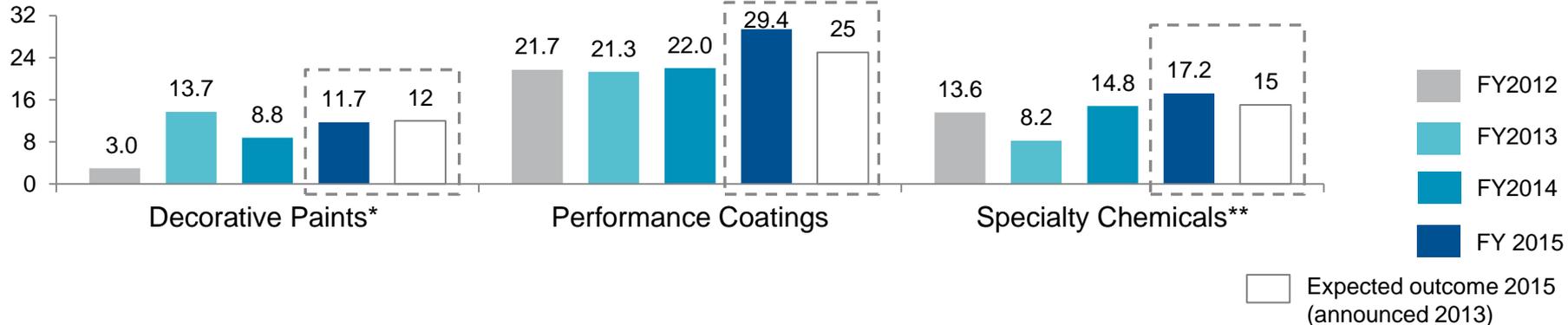
- Organization aligned with strategy focused on five main chemical platforms
- Portfolio pruning, including divestment of Paper Chemicals

Performance improved in all businesses

Return on sales % (Operating income/revenue)



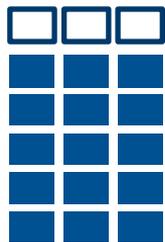
Return on investment % (Operating income/average 12 months invested capital)



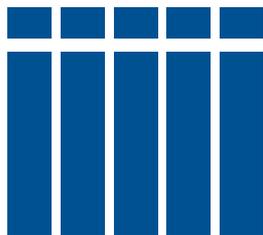
Support functions are progressing towards the future operating model

AkzoNobel

Decentralized functions



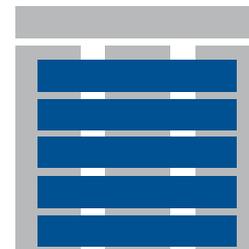
Function reporting and alignment



Shared services/ outsourcing



Global Business Services



Human Resources

Information Management

Finance

Procurement (non product related)

Sustainability is business; business is sustainability

AkzoNobel

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)

REI

(Resource Efficiency Index)

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



#1 ranking on the Dow Jones Sustainability Index, in the Materials Industry group, for the fourth consecutive year

Strategy will be maintained and move towards the next phase

AkzoNobel



Focus will shift towards continuous improvement and organic growth

AkzoNobel



Vision confirmed; financial guidance 2016-2018

AkzoNobel



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

Visions confirmed; performance ranges 2016-2018

AkzoNobel

Specialty Chemicals

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

Performance range 2016-2018:

- Return on sales: 11.5-13%
- Return on investment: >16%

Performance Coatings

Vision:
Leading market positions delivering leading performance

Performance range 2016-2018:

- Return on sales: 12-14%
- Return on investment >25%

Decorative Paints

Vision:
The leading global Decorative Paints company in size and performance

Performance range 2016-2018:

- Return on sales: 8-10%
- Return on investment: >11.5%

- 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
ROS = EBIT/revenue;
ROI = EBIT/average 12 months invested capital

A strong case for investment

- Portfolio of businesses with leadership positions in many markets
- Strong global brands in both consumer and industrial markets
- Long-term growth potential from end-user segments
- Balanced exposure across geographic regions
- Track record of improving returns and cash flow
- History of successfully commercializing innovation
- Clear leader in sustainability
- Commitment to Human Cities



A global player with leading market positions

AkzoNobel

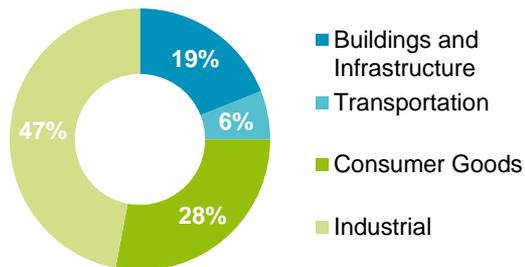
Specialty Chemicals key figures

€ million	2015
Revenue	4,988
EBITDA	898
Operating income	609
Return on sales	12.2%
Return on investment	17.2%
Employees	9,100

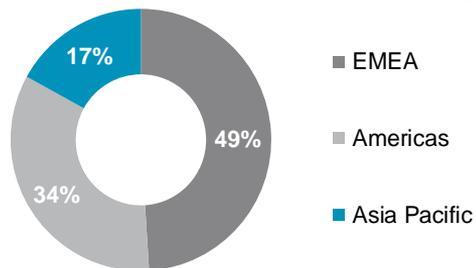
Key capabilities

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

Revenue by end-user segment



Revenue by geographic spread



Resilient portfolio organized in five strong chemical platforms

AkzoNobel

Our main chemical platforms

Our products

Our business units

Bleaching chemicals

- Sodium chlorate
- Hydrogen peroxide

Pulp and Performance Chemicals

Salt-chlorine chain

- Energy/Salt
- Caustic/Chlorine
- Monochloroacetic acid
- Chloromethanes

Industrial Chemicals

Polymer chemistry

- Organic peroxides
- Metal alkyls
- Polymer additives

Polymer Chemistry

Ethylene oxide network

- Ethylene oxide
- Ethylene amines
- Cellulosics
- Chelates/Micronutrients

Ethylene and Sulfur Derivatives

Surfactants

- Ethoxylates
- Natural oil and fat-based nitrogen surfactants

Surface Chemistry

We continue with pursuing differentiated strategies

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Outgrow the market organically
~50% of portfolio

Actions

- ↯ Capitalize on investments
- ↯ Successfully commercialize products for attractive applications
- ↯ Invest when attractive growth opportunities arise

**Growth range
2012-2015**
0 to 15% per year
Average +3%

Improve performance by driving operational excellence
~50% of portfolio

Actions

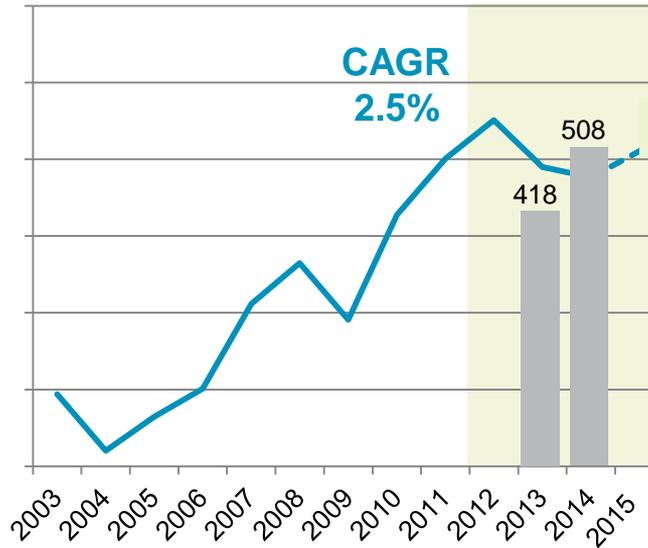
- ↯ Reduce costs and further improve productivity in operations
- ↯ Improve raw material (cost) position
- ↯ Leverage existing production capacity

**Growth range
2012-2015**
-10 to +5%
Average -3%

Quality of business improved

Revenue
2003-2015

Operating income
€ million, 2013-2014



Strategic focus

Improve performance platforms

Outgrow the market platforms

Geo-spread

Europe

Rest of world

Product portfolio

Current products

New product introductions

Customer portfolio

Other accounts

Strategic customers

Continued market growth expected over the next few years

Platform

Market size*
€ billion, 2014

Market growth**
% p.a., 2015-2018

Leading positions
Revenue breakdown by position
% of revenue, 2014

Bleaching chemicals



<1.5%

Salt-chlorine chain



<1.5%

Polymer chemistry



>3%

Ethylene oxide network

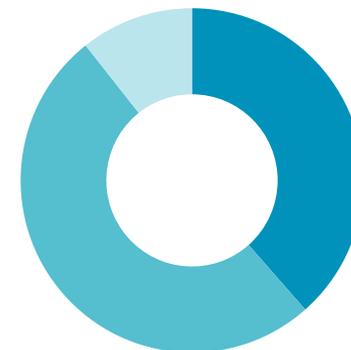


1.5-3%

Surfactants



1.5-3%



- Global leadership
- Regional or segment leadership
- Other

We have the right strategy in place

AkzoNobel



Business Area Actions

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

Process and product innovation enables growth across all businesses

AkzoNobel

- 7 Dedicated RD&I resources in world class laboratories around the globe
 - >500 highly qualified FTE's
 - ~€100m per annum; ~2% of sales
- 7 More than 5,000 patents
- 7 Overarching technology programs
 - Bio-based chemicals, Process technology, Shared applications
- 7 Co-operations with customers, suppliers, and academia
- 7 High sustainability content, in line with our Planet Possible strategy

End-user requirements/trends



Resource preservation



Increasing end-use demands

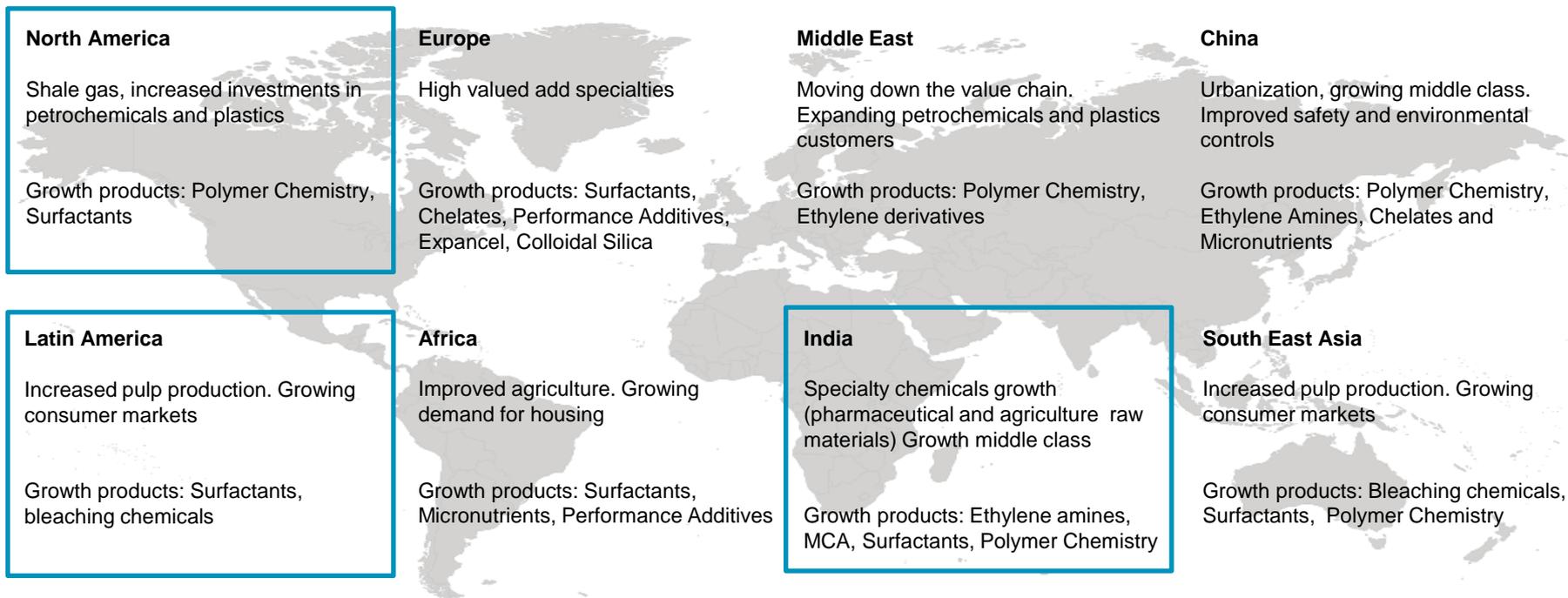


Accelerated technology development



Changing demographics and spending patterns

Regional opportunities enable additional growth



Performance Coatings at a glance

AkzoNobel

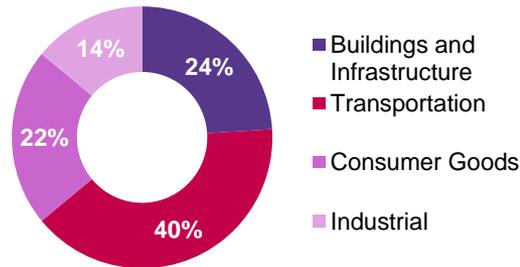
Performance Coatings key figures

€ million	2015
Revenue	5,955
EBITDA	938
Operating income	792
Return on sales	13.3%
Return on investment	29.4%
Employees	19,300

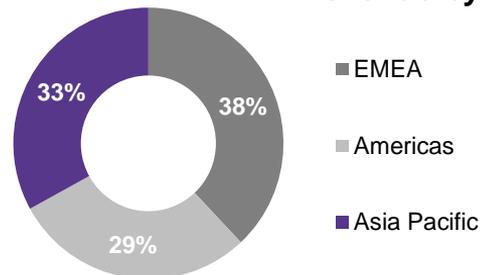
Key capabilities

- ↗ Industrial key account management
- ↗ Technical support and service
- ↗ Design, color and color matching
- ↗ Continuous innovation in functionality and ease-of-use
- ↗ Sustainable, safe solutions

Revenue by end-user segment

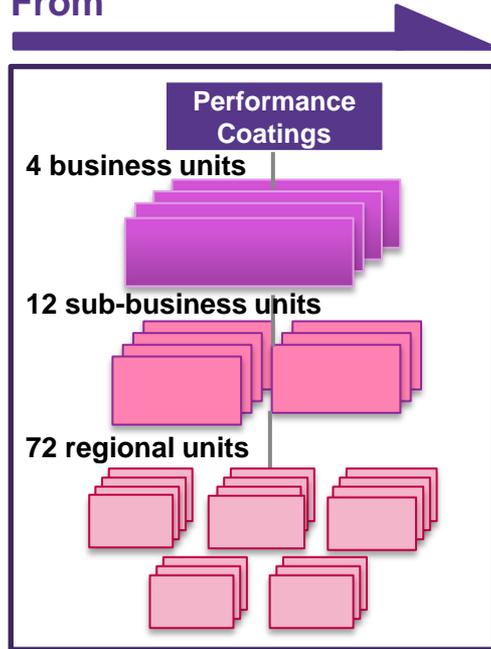


Revenue by geographic spread

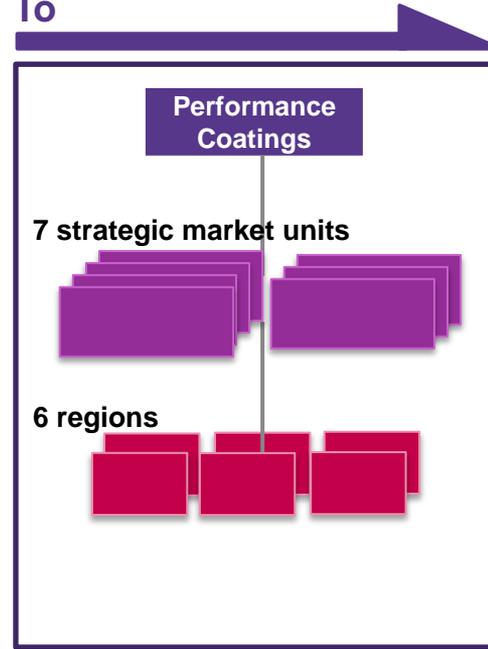


New simplified organization drives operational excellence and organic growth

From



To



Customer proximity

Speed of decision-making

Accountability and collaboration

Challenging market conditions in emerging economies and oil and gas

AkzoNobel

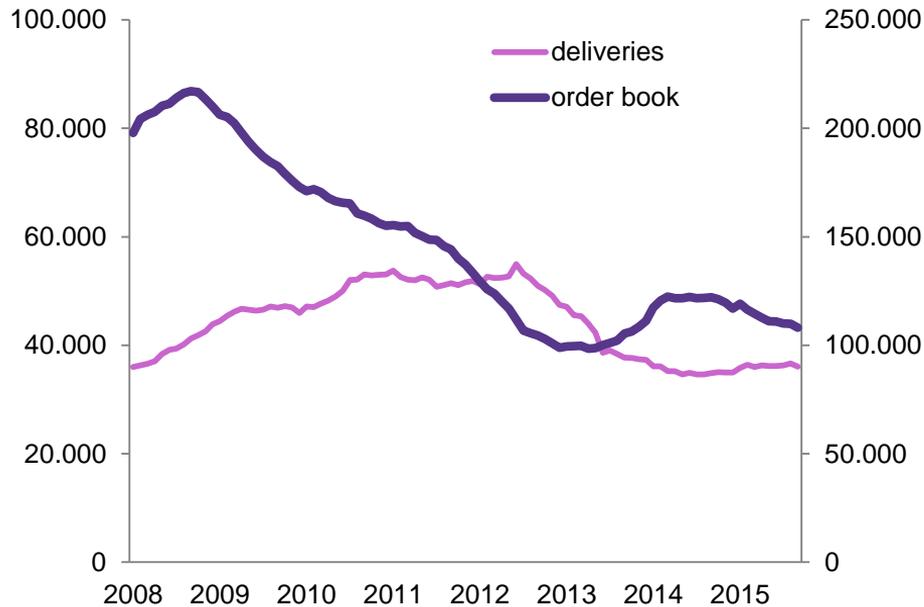
- ↘ Weakening trend of global manufacturing continues
- ↘ Limited evidence of upturn in European construction
- ↘ China growth moderating; residential and commercial construction activity down
- ↘ Oil and gas industry capital spending decline
- ↘ Marine new build order book contracting



Marine order book has not recovered

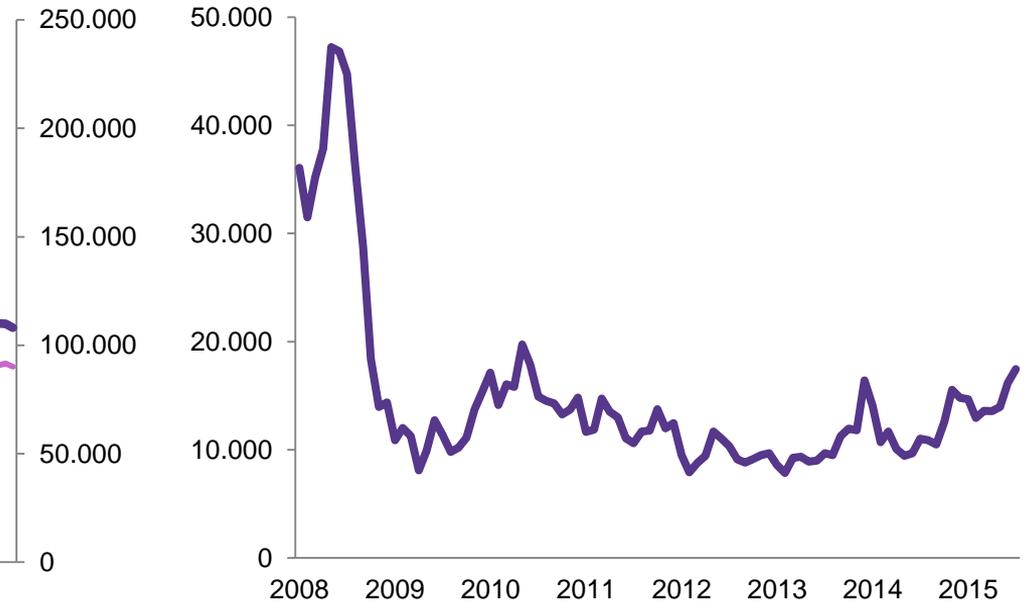
Order book and deliveries

Million CGT*

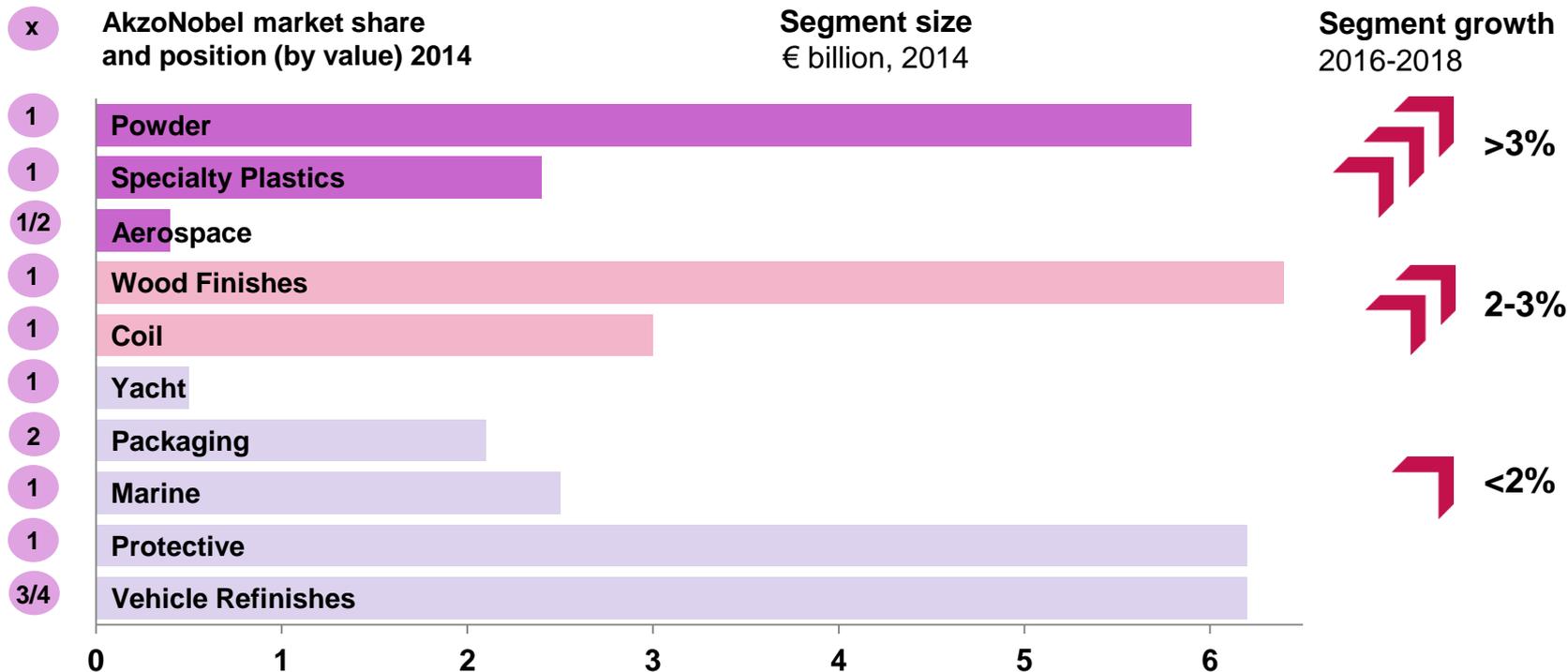


Freight rate

\$/day

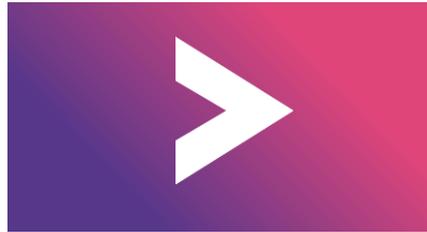


We have leading positions in the markets we serve



We have the right strategy in place

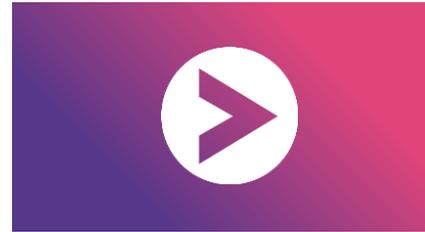
AkzoNobel



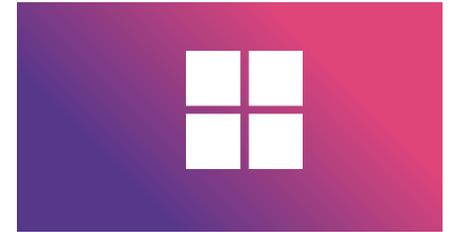
Strategic focus areas



Processes



Action



End-user segments

Business Area actions

- ↯ Pursue differentiated growth strategies
- ↯ Drive overarching performance improvement initiatives
 - Reduce external spend
 - Improve our operations
 - Commercial excellence

We are outgrowing our markets in targeted areas

Sector	Action examples
Powder Coatings	<ul style="list-style-type: none">• Full wheel offering including powder primer, liquid color and powder clearcoat
Protective Coatings	<ul style="list-style-type: none">• Focus on downstream oil and gas and growth outside of oil and gas (Power)
Marine Coatings	<ul style="list-style-type: none">• Continue to invest in fouling control, sustainability innovation and enhanced services



We are driving overarching performance improvement initiatives

AkzoNobel

Ambition

Achievements

Focus areas

Reduce external spend

Standardize product range
Double/triple source raw materials

Local sourcing of raw materials
Focus on indirect material spend

Improve our operations

Manufacturing footprint optimization:
Closed 17 factories

Operational excellence program focused on customer satisfaction, reducing costs and increasing yields

Drive commercial excellence

Sales force efficiency
Margin management

Sales force effectiveness
Common processes and tools
Sales force incentives

Growth through product, process and service innovation across all businesses

- └ Dedicated RD&I resources
- └ >2,000 highly qualified scientists and technicians
- └ ~3% of revenues
- └ Strategic research groups:
 - Sassenheim (NL)
 - Felling (UK)
 - Strongsville (US)
 - Songjiang (China)
 - Bangalore (India)

Strategic drivers



Customer efficiency



Customer benefits



Global future trends



Internal efficiency

Decorative Paints at a glance

AkzoNobel

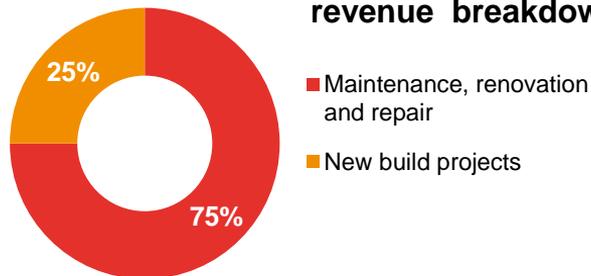
Decorative Paints key figures

€ million	2015
Revenue	4,007
EBITDA	495
Operating income	345
Return on sales	8.6%
Return on investment	11.7%
Employees	14,900

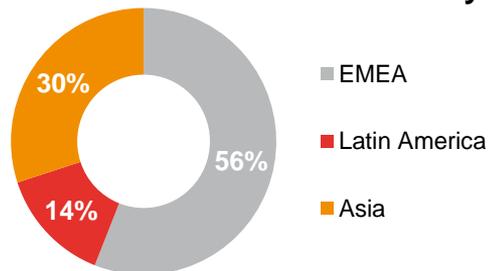
Key capabilities

- 🚀 Branding
- 🚀 Digital
- 🚀 Distributor, wholesale, retail management
- 🚀 Understanding and serving professional painters
- 🚀 Consumer inspiration
- 🚀 Quality management, including portfolio management

Buildings and Infrastructure revenue breakdown



Revenue by geographic spread

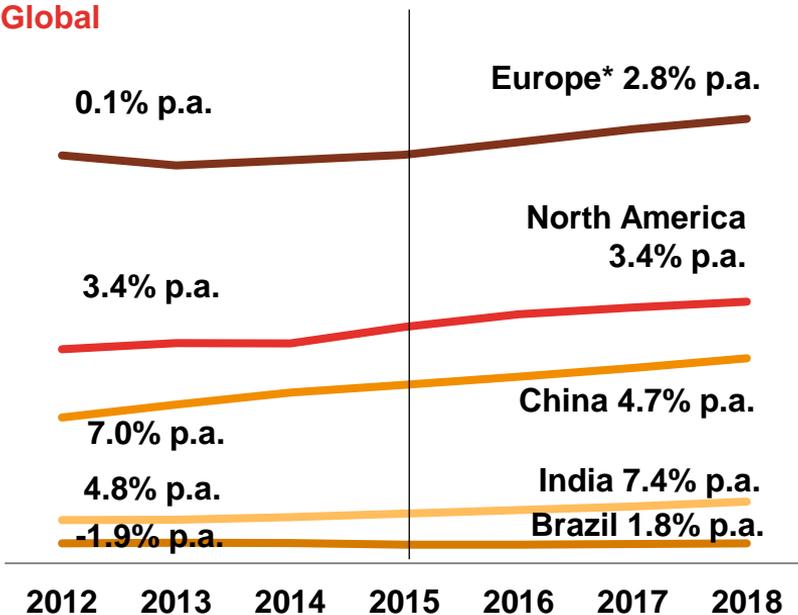


Changing growth expectations in maintenance, renovation and repair

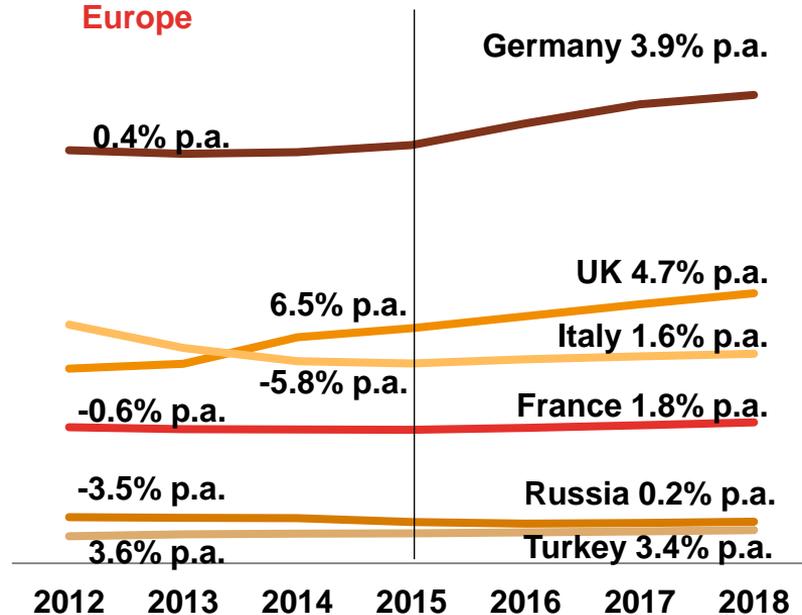
Maintenance and repair, excluding infrastructure and industrial construction

\$ billion, output

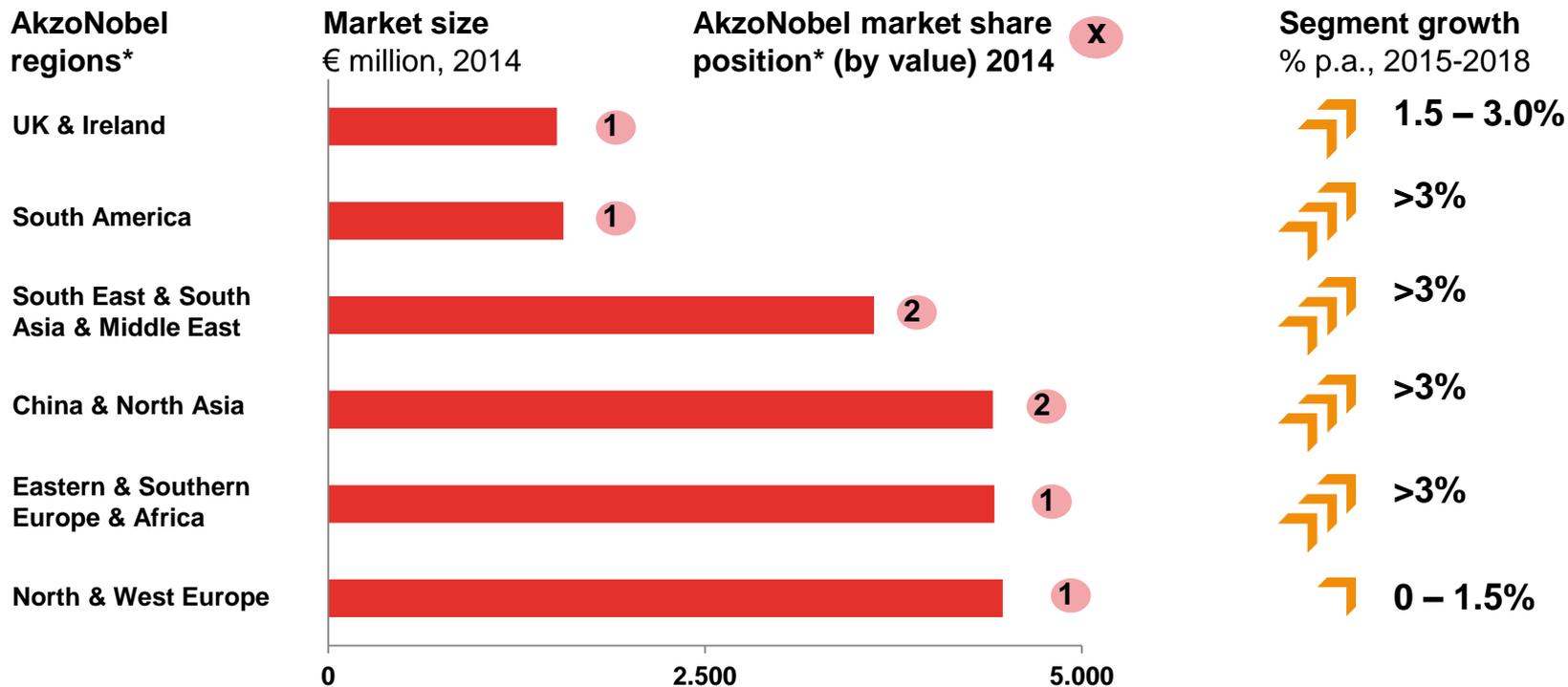
Global



Europe



AkzoNobel has a strong 1 or 2 market position in all regions where present



Unique competitive positioning demonstrating resilient business model

AkzoNobel

Diversified, exposure outside mature geographies	Tikkurila Jotun Nippon Valspar	AkzoNobel
Diversified, mostly mature geography	Cromology	PPG
Focused, exposure outside mature geographies	Asian Paints	
Focused, mature geography	Masco (Behr)	Sherwin-Williams
2014 revenues € millions		

We have updated our strategic actions to reflect our new priorities

AkzoNobel



Strategic focus areas



Processes



Actions



End-user segments

Business Area actions

- ↗ Win locally
- ↗ Leverage our scale:
 - Innovation
 - Commercial excellence
 - Digital
 - Painters
 - Color
 - Supply chain
 - Brands
 - Sustainability

Winning locally by leveraging our scale

Innovation	↯ Products and services	Color	↯ Multi-functional approach ↯ Recognized as passionate color expert
Commercial excellence	↯ Menu to facilitate winning locally	Supply chain	↯ Continued emphasis on procurement (including localization) ↯ Continuous improvement
Digital	↯ Building on our award-winning Visualizer global launch	Brands	↯ Consumer and Professional ↯ Link to other AkzoNobel brands and programs
Painters	↯ Global needs-based research ↯ Next steps as appropriate, including digital	Sustainability	↯ Leverage our credentials through Planet Possible and lead market to water-based

Decorative Paints innovation agenda

End-user segment requirements/trends

**Mass market growth
(emerging markets)**

Well-being

**Regulatory
compliance**

**Differentiation in
large scale outlets
(LSOs)**

**Energy-efficient
solutions**

**Beyond
commoditization of
color (aesthetics)**



Innovation agenda implication

**Lower cost
solutions**

**Waterborne trim
and other wood
solutions**

**Zero volatile
organic compounds
(VOC) and zero
emissions**

**Customization at
point of order or
purchase**

**Coatings that help
manage energy use**

**Highly differentiated
color**

Significant focus on sustainability

↪ Transforming Integrated Supply Chain to deliver leading performance



Our supply chain is fundamental to our success

AkzoNobel

- Largest function in the company, with close to 22,000 colleagues across our three Business Areas
- Backbone of company, responsible for processes to design, deploy and deliver our products
- We deliver to our customers from over 200 manufacturing sites
- Each Business Area has different supply chain characteristics and customer service model
- We contribute to our long-term sustainability goals by improving energy/material efficiency across the value chain



The Supply Chain vision and targets support delivering leading performance

AkzoNobel

Strategic imperatives

- ↗ World class safety, operational and customer service performance
- ↗ Cost position creates competitive advantage in our industry
- ↗ Leveraging size and infrastructure to serve most effectively
- ↗ Create sustainable value through standard, best-in-class, work processes
- ↗ Building a global performance-based continuous improvement culture
- ↗ Taking pride and ownership in delivering leading performance

World class metrics

Safety

TRR
Zero process safety incidents

Service

OTIF
Lean six sigma quality

Cost

Cost productivity
Supply Chain cost – % of revenue
Procurement effectiveness

Capital

Days Inventory

People

Top quartile in engagement

Leading performance is gaining momentum

AkzoNobel

1 – 3 years

3 – 6 years

7+ years

Internal best performance

Industry best performance

World class performance

Objective:

Today

- Functional excellence and capability transformation to operate at peak performance

Initiatives (launched 2014):

- New organization model
- ALPS deployment - Plan, Source, Make and Deliver

Objective:

- Delivering leading and sustainable performance in functional and operational excellence

Initiatives (launch 2016 onwards):

- Advanced manufacturing excellence
- ALPS continuous improvement
- Commitment-based safety culture

Objective:

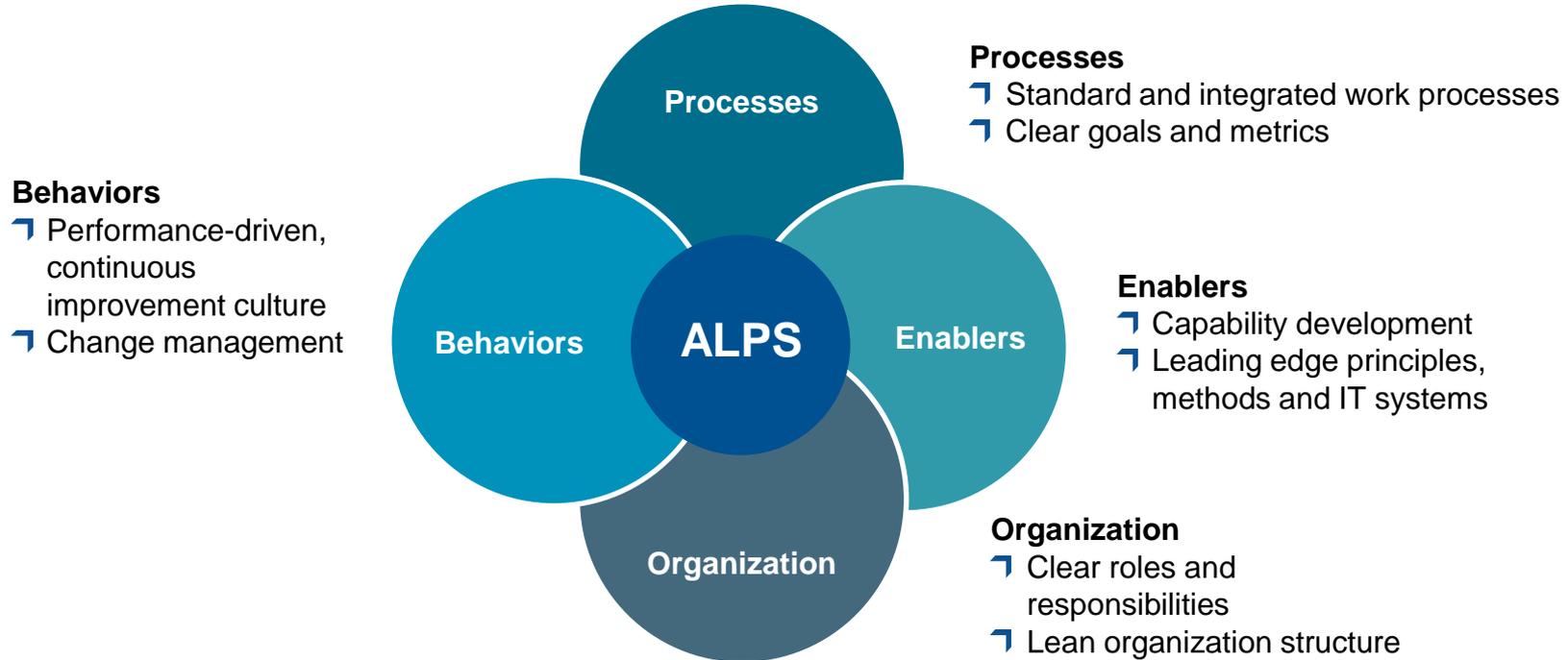
- Delivering world class functional and operational excellence

Initiatives (launch 2016 onwards):

- World scale integrated production
- World class Supply Chain

We are implementing the AkzoNobel Leading Performance System (ALPS)

AkzoNobel



Robust organization utilizing rigorous process

AkzoNobel

Design

**Center of
Excellence**

5 CI experts

Deploy

**Decorative Paints
deploy team**

**Performance Coatings
deploy team**

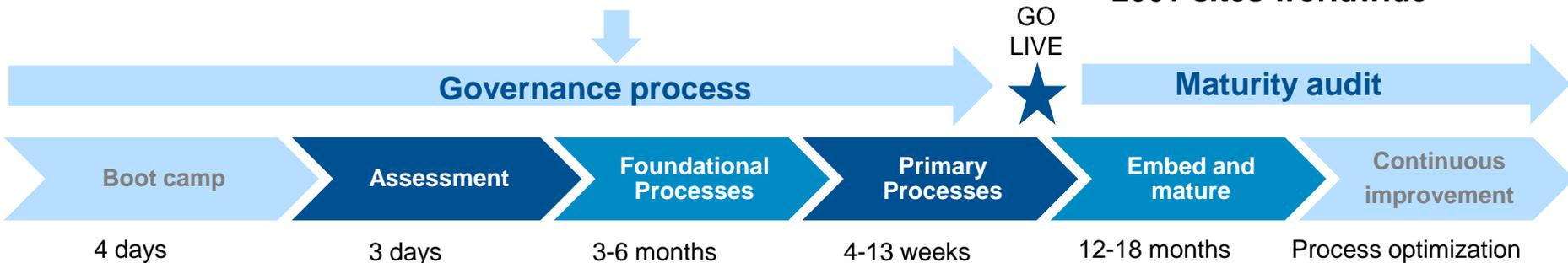
**Specialty Chemicals
deploy team**

100+ CI team members

Deliver



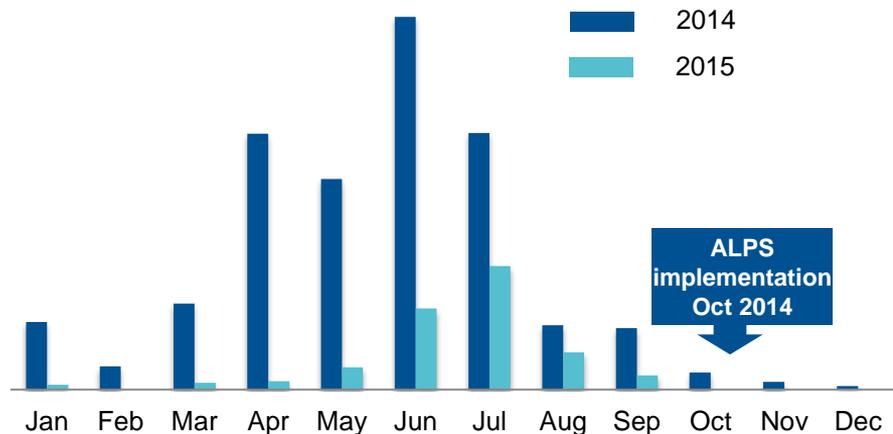
200+ sites worldwide



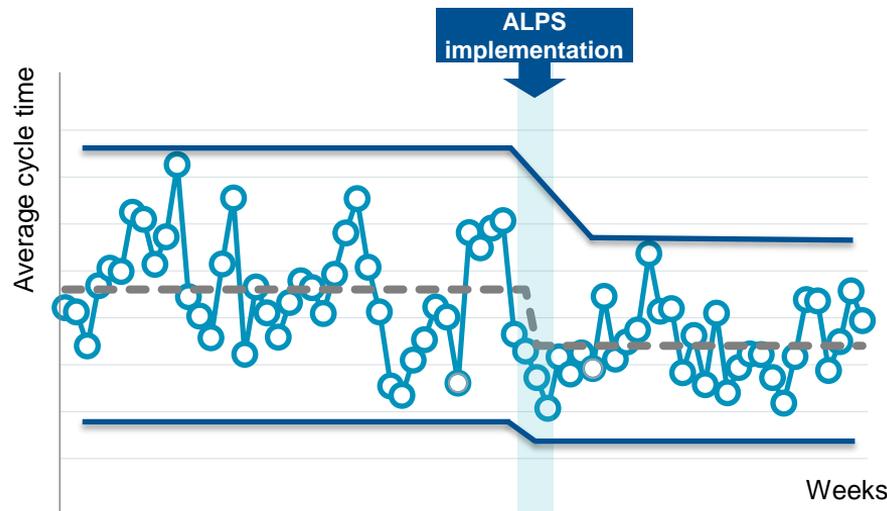
Decorative Paints: ALPS improvement in productivity

AkzoNobel

Filling line down-time dropped 79% after ALPS implementation

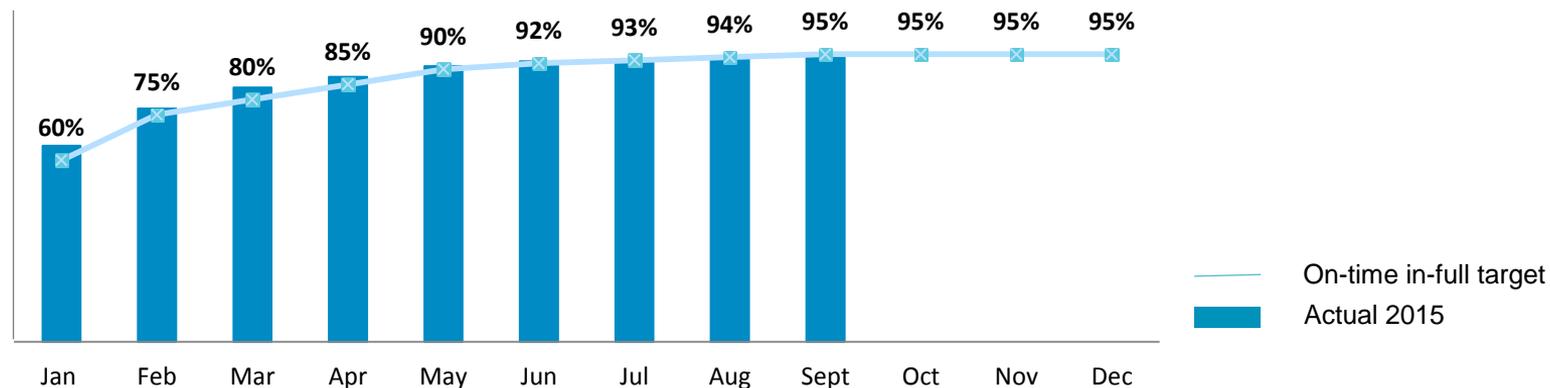


Batch production time reduced by 11% + less variation



Performance Coatings: ALPS improvement in on-time in-full

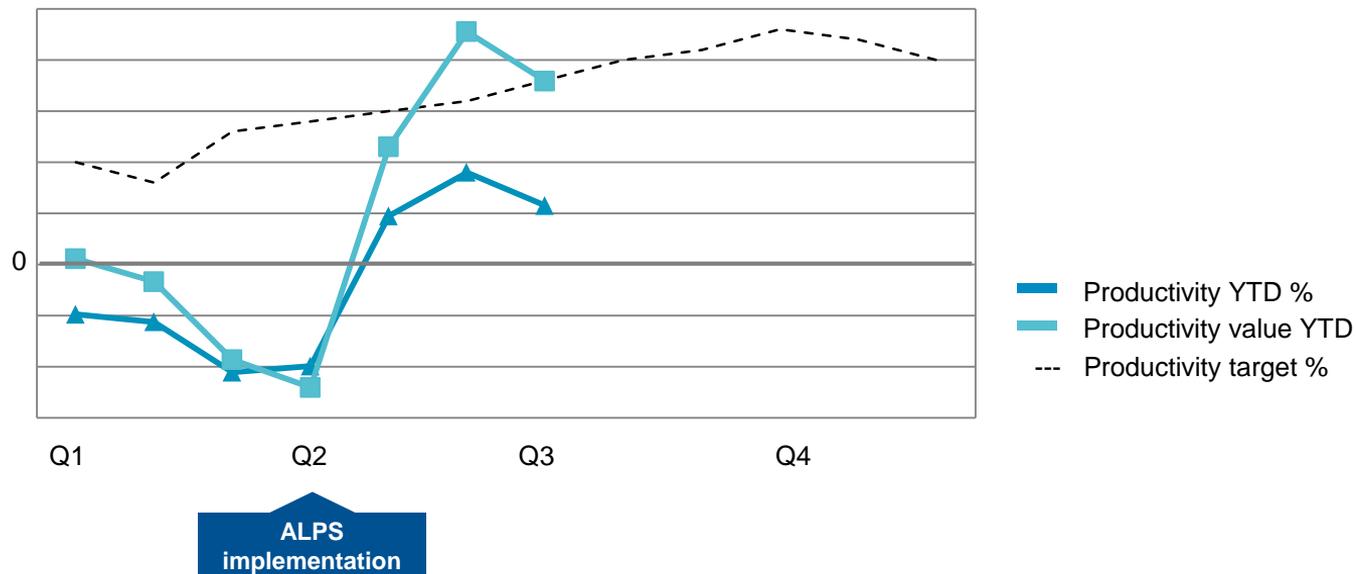
On-time in-full improved 58% after ALPS implementation



ALPS
implementation

Specialty Chemicals: ALPS improvement in productivity

Productivity offsets inflation after ALPS implementation



↪ Building a strong financial foundation
to deliver leading performance



Sustained leading performance in working capital management

Operating Working Capital € million

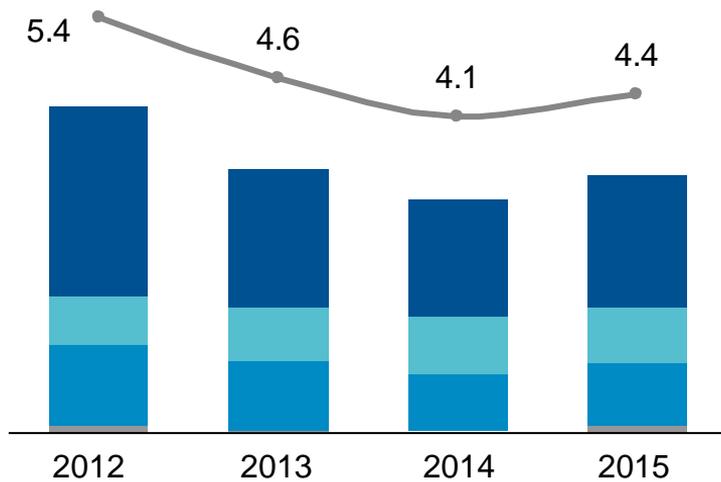
- Operating Working Capital
- OWC as % of LQ revenue * 4



- Strong record of operating working capital management
- Discipline will be maintained and effectiveness improved
- Temporary planned increase to serve customers during footprint optimization
- Seasonal pattern throughout the year to meet peak in customer demand

Disciplined capital expenditure based on ROI and investment in growth

Capital expenditures € million



- ↗ Build on significant investments made during recent years
- ↗ Strong discipline
- ↗ Prioritization based on cash generation and return on investment
- ↗ 40-50% growth projects

Recent investments support organic growth and operational excellence

AkzoNobel



Ashington, UK

Frankfurt, Germany

Chengdu, China

Changzhou, China

Dubai, UAE

Gwalior, India

Ningbo, China

Chonburi, Thailand

Suzano, Brazil

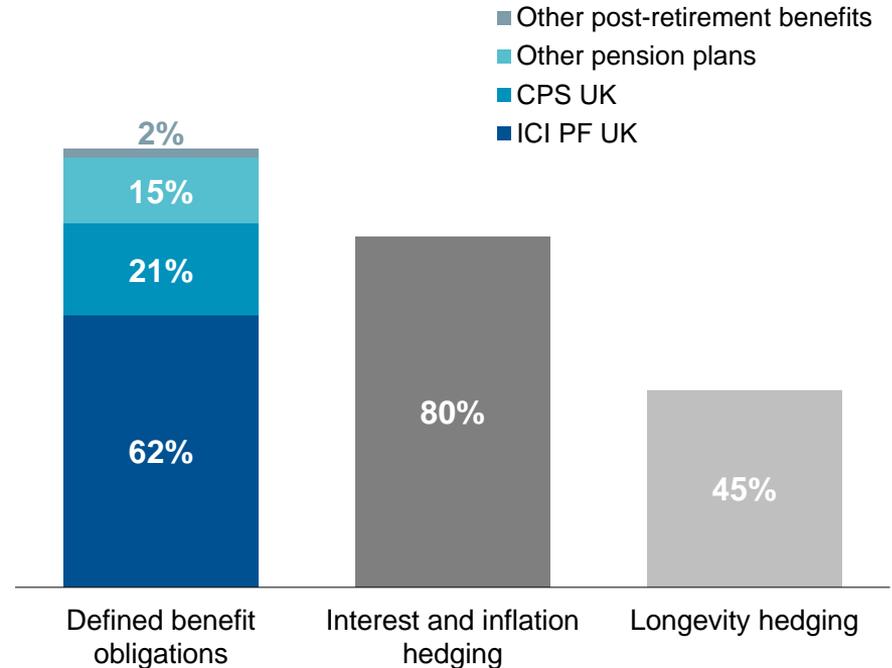
- Decorative Paints
- Performance Coatings
- Specialty Chemicals



Proactively managing pension liabilities

De-risking progress:

- ↗ Various activities to reduce liabilities, including insurance buy-in, insurance buy-out, hedging and benefit design
- ↗ £5.6 billion insurance buy-ins for UK schemes (2014-15) and \$0.7 billion buy-out relate to a US scheme (2013)
- ↗ Active management of interest rate and inflation exposure, with around 80% of overall defined benefit obligation risks hedged
- ↗ Approximately 45% of longevity risk is covered by insurance contracts and hedging
- ↗ Strong governance of pension risk through the Executive Committee Pensions

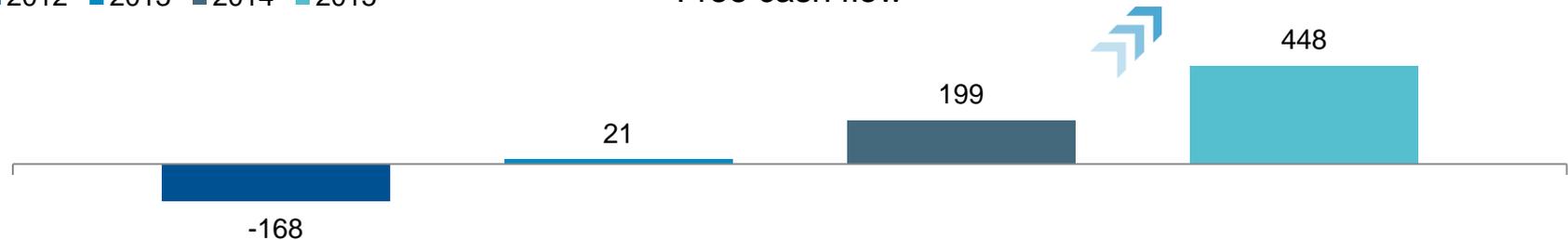


Free cash flow continues to improve

€ 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

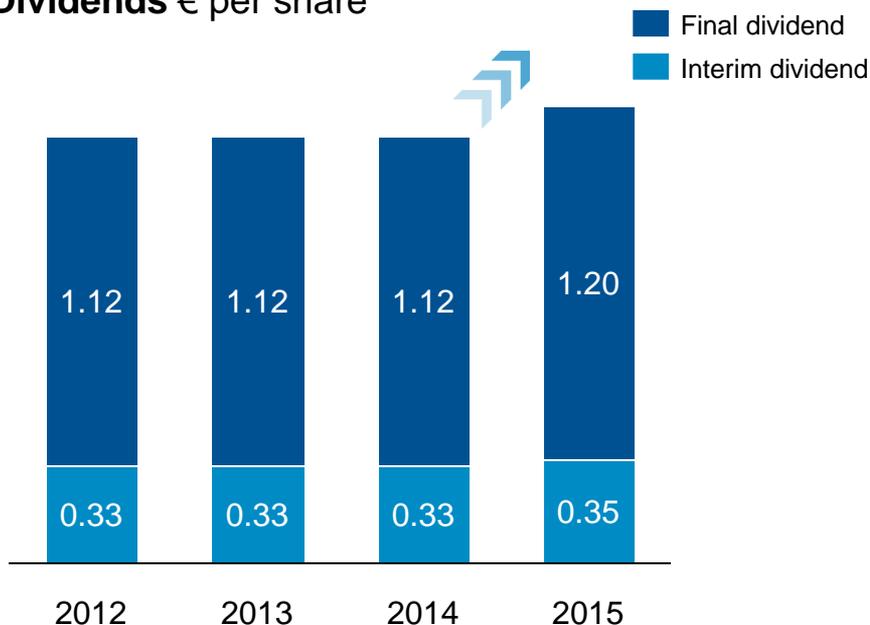
Free cash flow



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

AkzoNobel

Dividends € per share

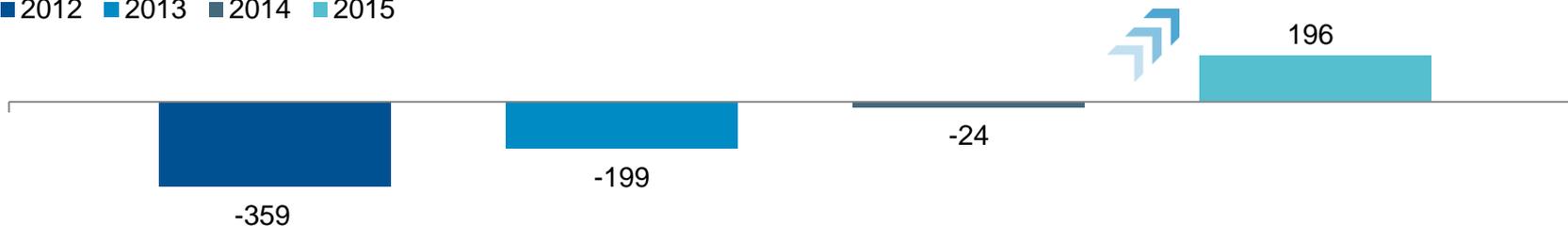


- Dividend policy is to pay a “stable to rising” dividend each year
- Interim and final dividend paid in cash, unless shareholders elect to receive a stock dividend (normal uptake 35-40 percent)
- Interim dividend up 6 percent
- Proposed final dividend €1.20 per share (paid May 19, 2016)
- Total dividend up 7 percent to €1.55 per share**

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



Cash generation restored to invest in growth and improve shareholder returns

AkzoNobel

Capital allocation principles:

1. Support profitable organic growth through innovation and capital expenditures
2. Continue to manage balance sheet and retain BBB+ investment grade credit rating
3. Proactively manage pension liabilities to limit risk and reduce uncertainty
4. Pay a stable to rising dividend
5. Consider strategically aligned and value generating bolt-on acquisitions

Planning assumptions

Market growth 2-3% (based on relevant geographic and market sector presence)

Currencies versus €: \$1.1, £0.71, RMB 7.1

Oil ~\$60/bbl; no significant market disruption

Research, development and innovation ~2.5% revenue

Tax (ETR/CTR) ~29/24% EBIT

OWC 10-12% revenue

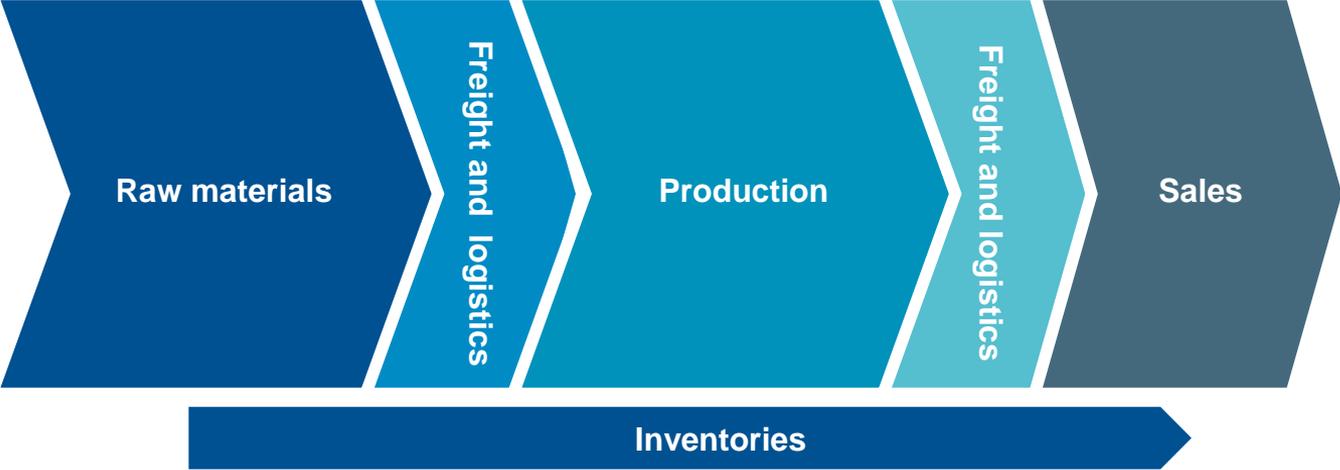
Capital Expenditures ~4% revenue

WACC 7.5%

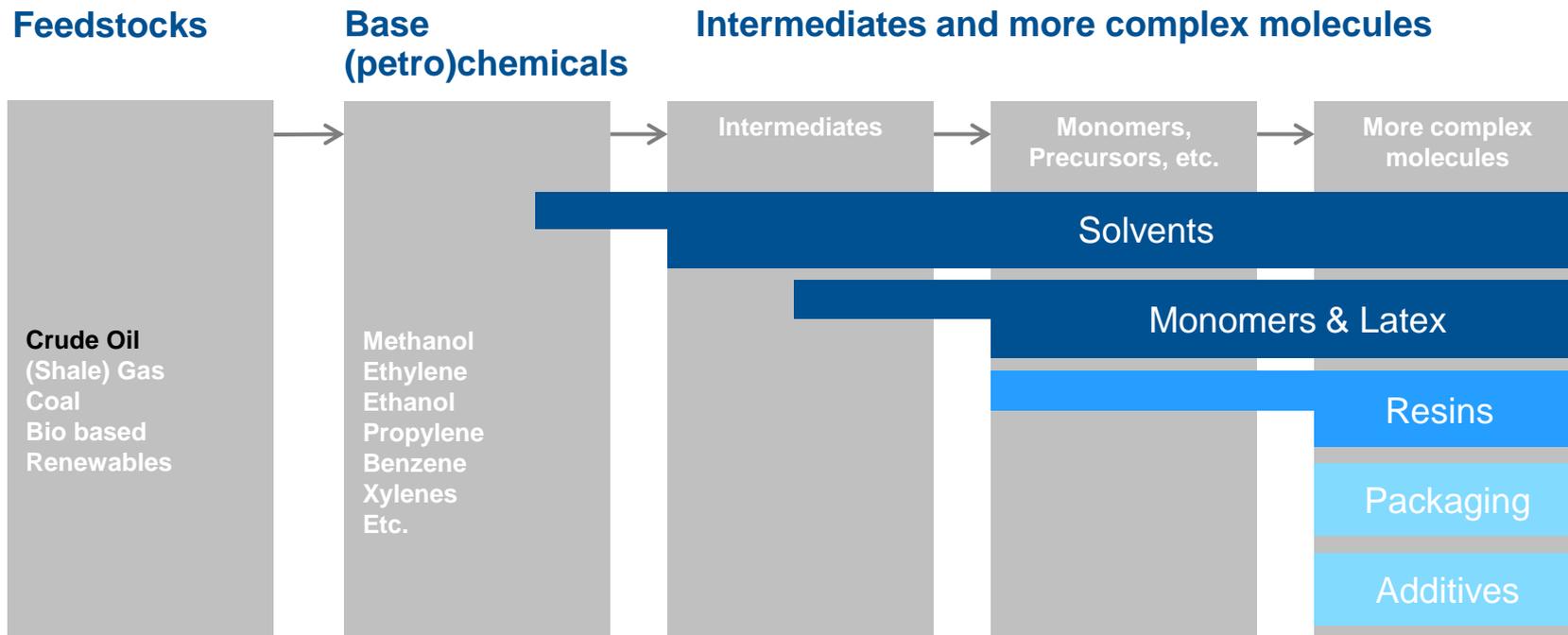
Dividend policy “stable to rising”

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

AkzoNobel

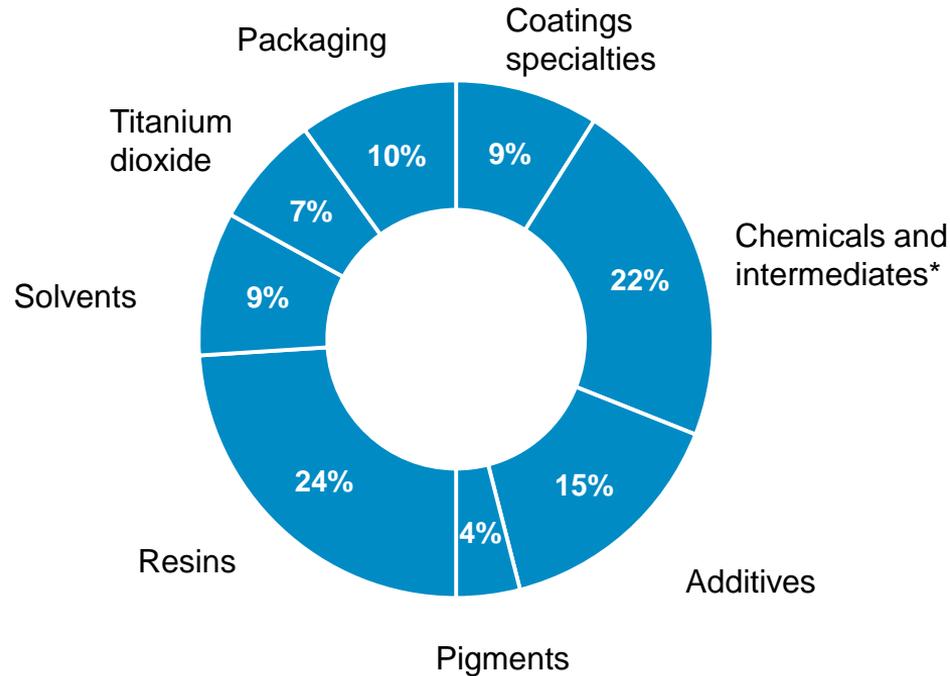


Downstream oil related products have clearly different dynamics



Breakdown of total raw material spend

2015



Glossary

ALPS – AkzoNobel Leading Performance System

BA – Business Area

CAPEX – Capital Expenditure

CoE – Center of Expertise

CPS – Courtaulds Pension Scheme

CSR – Corporate Social Responsibility

CRM – Customer Relationship Management (system)

DBO – Defined Benefit Obligation

DJSI – Dow Jones Sustainability Indices

EPS – Earnings per share

EPS – Eco-premium solution

ERP – Enterprise Resource Planning (system)

GBS – Global Business Services

HSE – Health, safety and environment

LQ revenue – Last quarter revenue

LSO – Large scale outlet

OTIF – On-time in-full

OWC – Operating working capital

P&E – Projects and engineering

RD&I – Research, development and innovation

ROI – Return on investment

ROS – Return on sales

SKU – Stock holding unit

SSC – Shared Service Center

SSO – Small scale outlet

TRR – Total reportable injury rate