

Investor update

Maëlys Castella
October 19, 2016



Agenda



Highlights Q3 2016



Operational review



Financial review



Summary



Questions

Key highlights for Q3 2016

Profitability improved overall and for all business areas

- ↗ Volume growth in Decorative Paints and Specialty Chemicals
- ↗ Revenue down 4 percent, due to adverse currency and price/mix effects
- ↗ EBIT* up 1 percent at €442 million
- ↗ Operating income up 4 percent at €454 million
- ↗ ROS** and ROI** improved
- ↗ Net income attributable to shareholders was €285 million
- ↗ Net cash inflow from operating activities up at €600 million
- ↗ Interim dividend up 6 percent to €0.37 per share

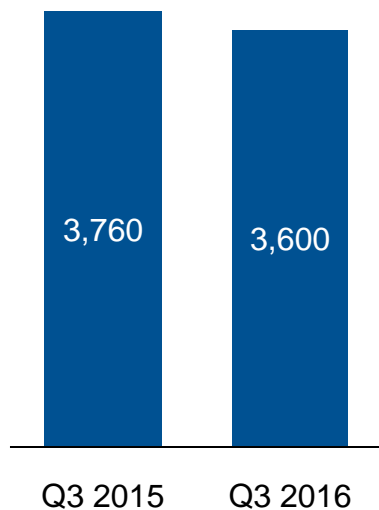
Returns up for all Business Areas



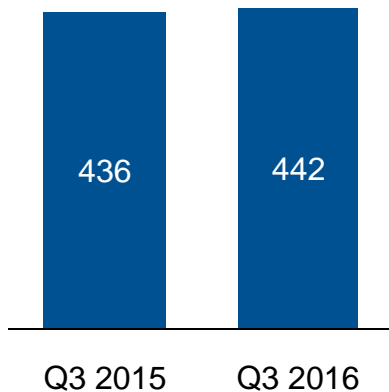
AkzoNobel helps link two Indonesian villages for better quality of life

Profitability improved further despite adverse currency and price/mix effects

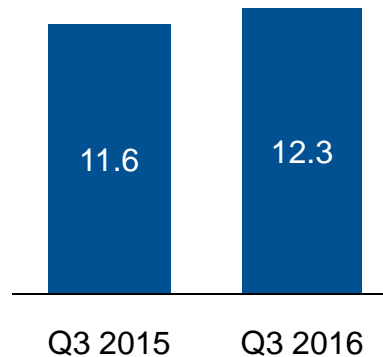
Revenue (€ million)



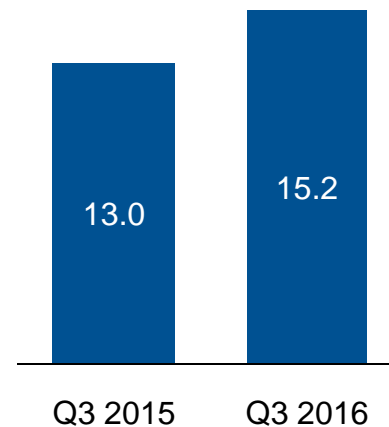
EBIT* (€ million)



ROS %**



Moving average ROI %**



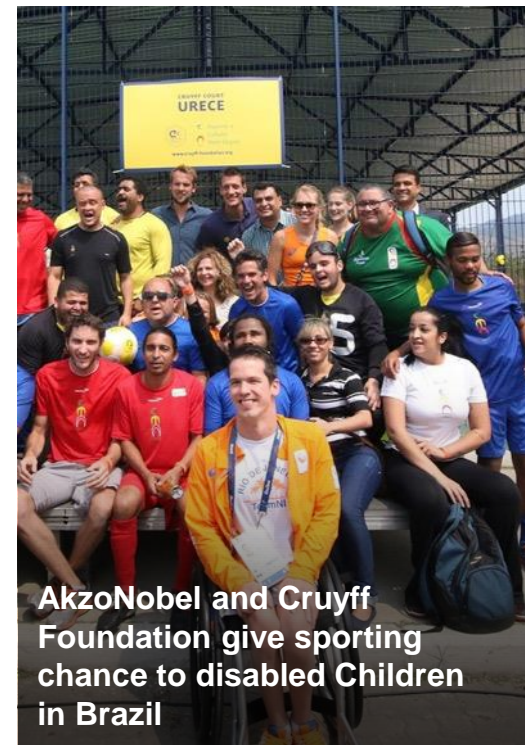
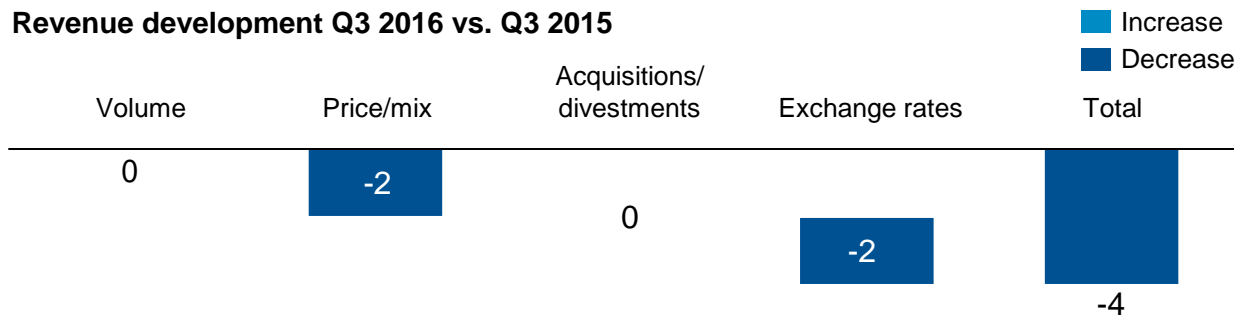
Building on the foundation we have created

Higher EBIT, driven by continuous improvement initiatives and lower costs

€ million	Q3 2015	Q3 2016	Δ%
Revenue	3,760	3,600	(4)
Operating income	436	454	4
EBIT (Operating income excluding incidental items)	436	442	1

Ratio, %	Q3 2015	Q3 2016
ROS*	11.6	12.3
Moving average ROI*	13.0	15.2

Revenue development Q3 2016 vs. Q3 2015



AkzoNobel and Cruyff Foundation give sporting chance to disabled Children in Brazil



Volume growth in Decorative Paints and Specialty Chemicals, although flat overall

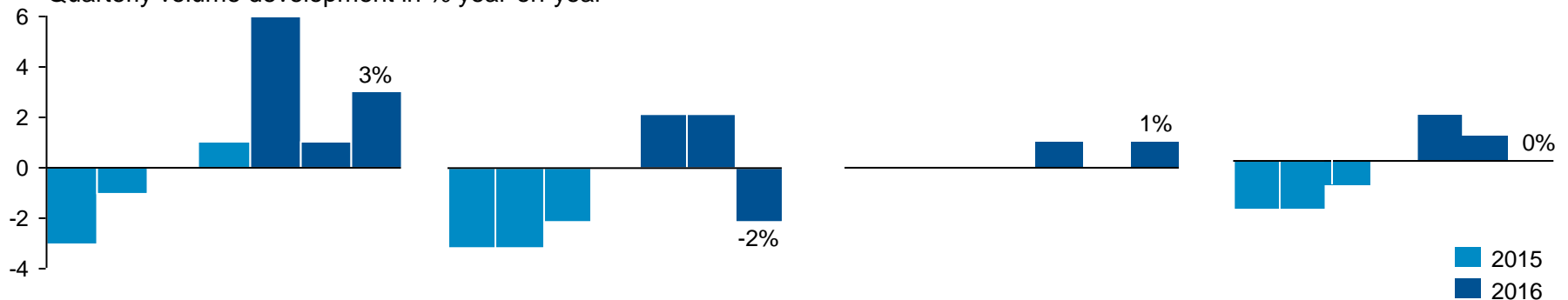
Decorative Paints

Performance Coatings

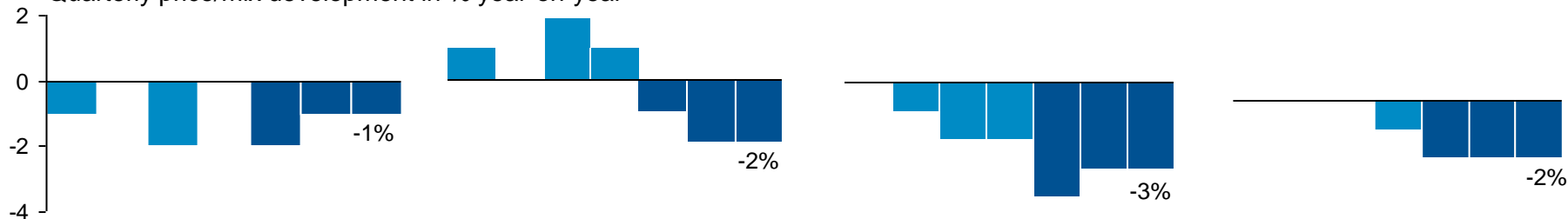
Specialty Chemicals

AkzoNobel

Quarterly volume development in % year-on-year



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

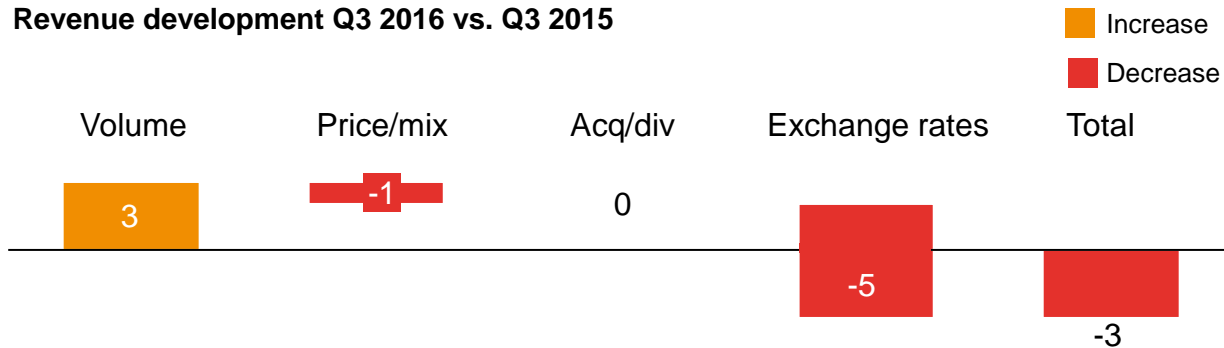


Decorative Paints Q3 2016: Volumes were up in Asia and EMEA

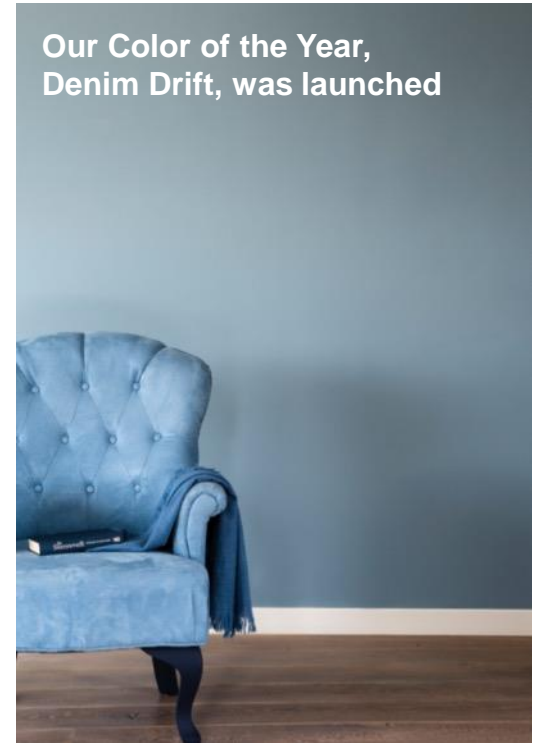
€ million	Q3 2015	Q3 2016	Δ%
Revenue	1,052	1,021	(3)
Operating income	121	132	9
EBIT (Operating income excluding incidental items)	121	123	2

Ratio, %	Q3 2015	Q3 2016
ROS*	11.5	12.0
Moving average ROI*	10.6	12.5

Revenue development Q3 2016 vs. Q3 2015



Our Color of the Year, Denim Drift, was launched

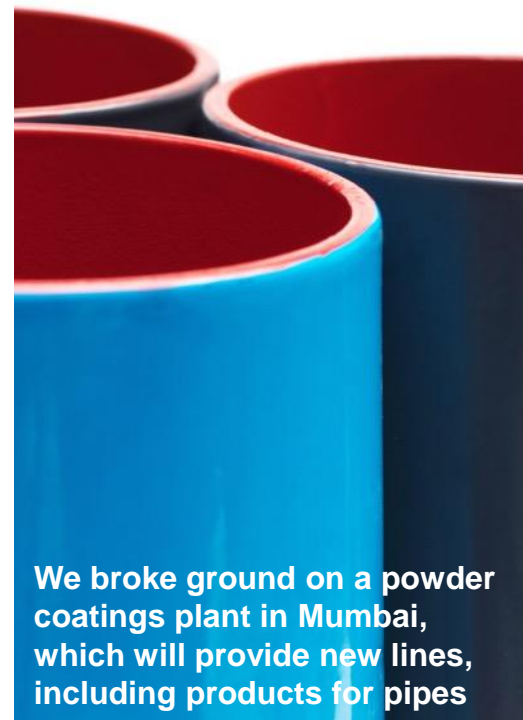
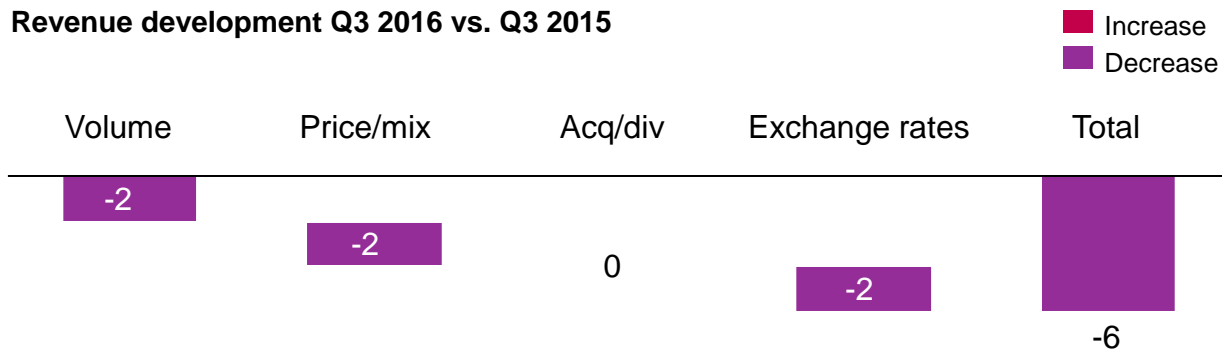


Performance Coatings Q3 2016: Returns increased despite lower volumes

€ million	Q3 2015	Q3 2016	Δ%
Revenue	1,493	1,406	(6)
Operating income	210	192	(9)
EBIT (Operating income excluding incidental items)	210	199	(5)

Ratio, %	Q3 2015	Q3 2016
ROS*	14.1	14.2
Moving average return ROI*	26.5	30.9

Revenue development Q3 2016 vs. Q3 2015



We broke ground on a powder coatings plant in Mumbai, which will provide new lines, including products for pipes

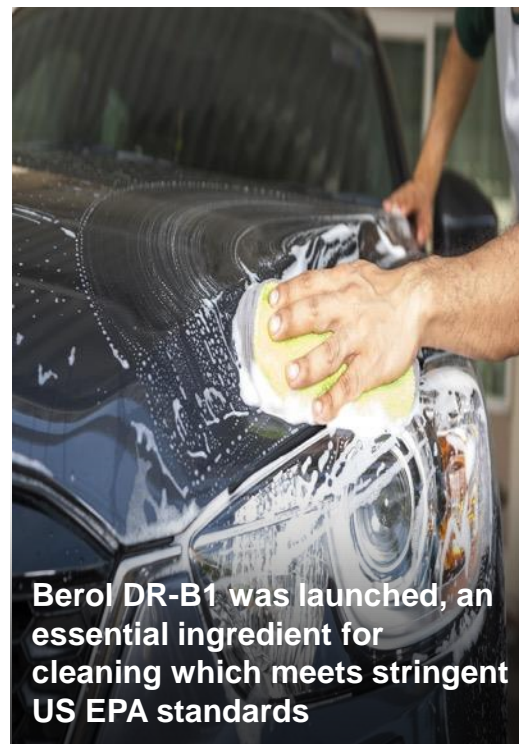
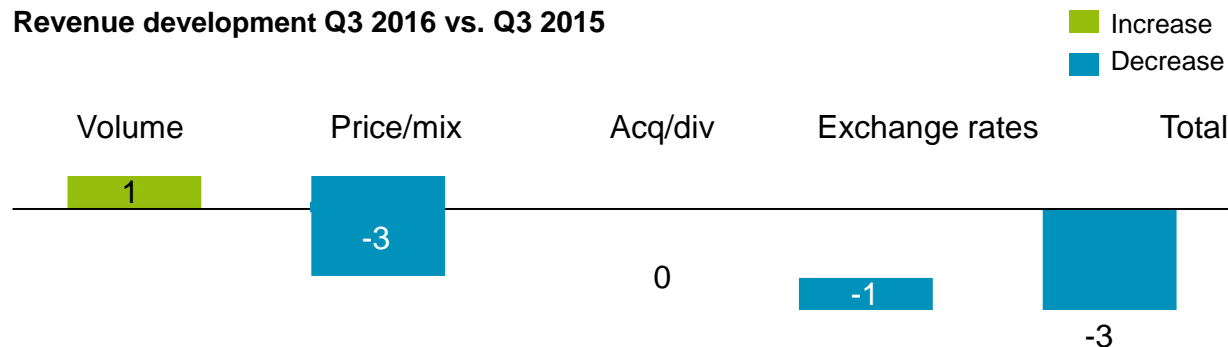


Specialty Chemicals Q3 2016: Volumes up and profitability improved

€ million	Q3 2015	Q3 2016	Δ%
Revenue	1,235	1,202	(3)
Operating income	163	168	3
EBIT (Operating income excluding incidental items)	163	168	3

Ratio, %	Q3 2015	Q3 2016
ROS*	13.2	14.0
Moving average ROI*	16.4	17.2

Revenue development Q3 2016 vs. Q3 2015



Strong financial position provides foundation for growth

Improved financial performance for another consecutive quarter

- ↗ EBIT* up 1 percent at €442 million
- ↗ Operating income up 4 percent at €454 million
- ↗ ROS** was up at 12.3 percent; ROI** improved to 15.2 percent
- ↗ Net income attributable to shareholders €285 million
- ↗ Adjusted EPS at €1.20
- ↗ Net cash inflow from operating activities up at €600 million
- ↗ Interim dividend up 6 percent to €0.37 per share

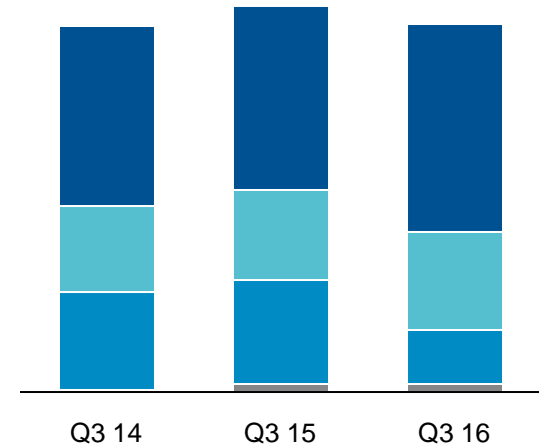
We are delivering on our improvement programs and are maintaining a strong cash discipline



Free cash flow continued to improve

€ million	Q3 2015	Q3 2016	Δ %
EBITDA	590	593	1
Interest paid	-25	-23	
Tax paid	-84	-101	
Changes in working capital, provision* and other	112	141	
Capital expenditures (including intangible assets)	-161	-131	
Free cash flow, excluding pension top-up payments	432	479	11
Pension top-up payments	-10	-10	
Free cash flow (from operations)	422	469	11

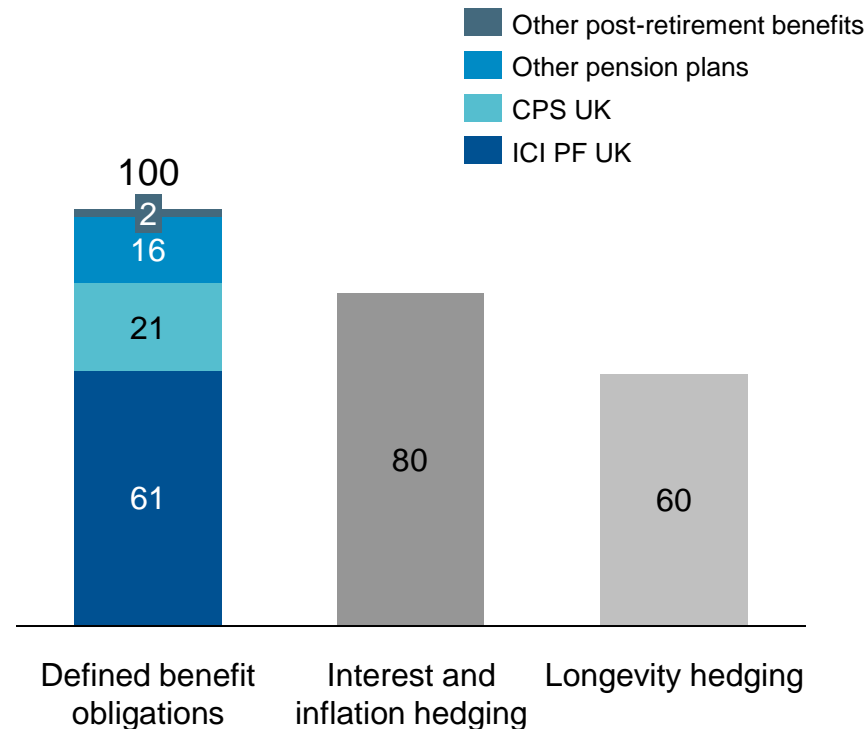
Capital expenditures € million



- Specialty Chemicals
- Performance Coatings
- Decorative Paints
- Other

Further de-risking of pension liabilities including £2.6 billion non-cash buy-ins*

- ↗ Various activities to reduce liabilities
- ↗ £8.2 billion insurance buy-ins for UK schemes (2014-16). \$0.7 billion buy-out relate to a US scheme (2013)
- ↗ Active management of interest rate and inflation exposure, with around 80 percent of overall defined benefit obligation risks hedged
- ↗ Almost 60 percent of longevity risk is covered by insurance contracts and hedging



IAS19 pension deficit up to nearly €1.0 billion in Q3 2016

Key pension financial assumptions

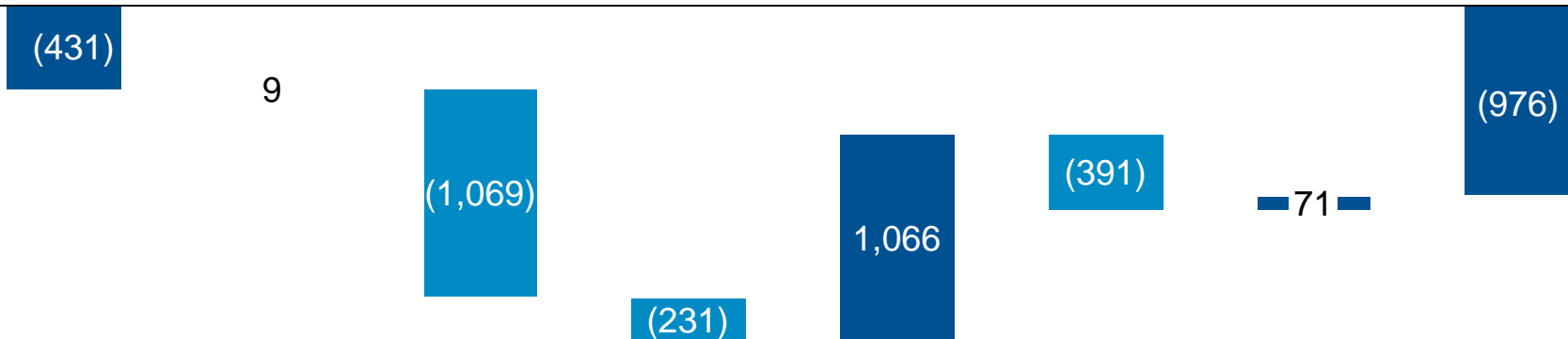
	Q3 2016	Q2 2016
Discount rate	2.1%	2.6%
Inflation rate	2.8%	2.6%

Pension deficit development during Q3 2016

€ million

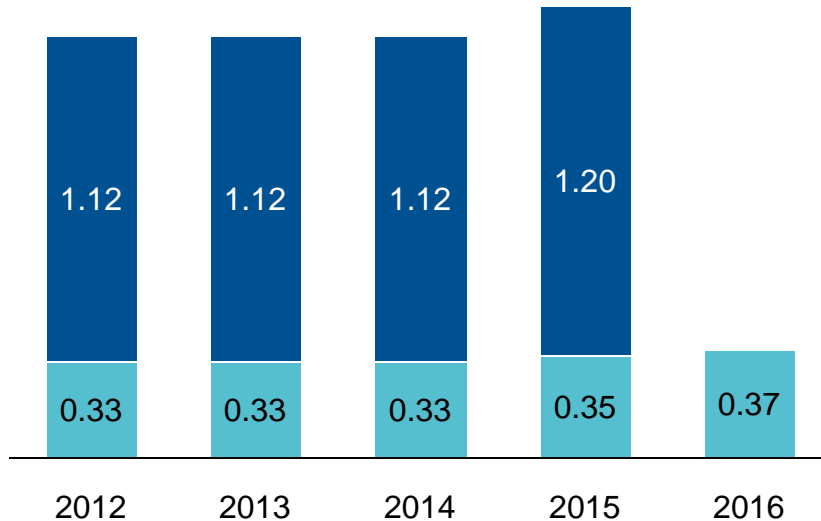
■ Increase
■ Decrease

Deficit end Q2 2016	Top-ups	Discount rates on DBO	Inflation on DBO	Asset return over P & L	UK Buy-in	Other	Deficit end Q3 2016
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Interim dividend up 6 percent

Dividends € per share



- ↗ Dividend policy is to pay a “stable to rising” dividend each year
- ↗ Interim dividend paid in cash, unless shareholders elect to receive a stock dividend (normal uptake 35-40 percent)
- ↗ **Interim dividend up 6 percent to €0.37 per share (2015: €0.35)**

■ Final dividend
■ Interim dividend

Concluding remarks

Recent highlights from our Human Cities, innovation and sustainability activities

AkzoNobel



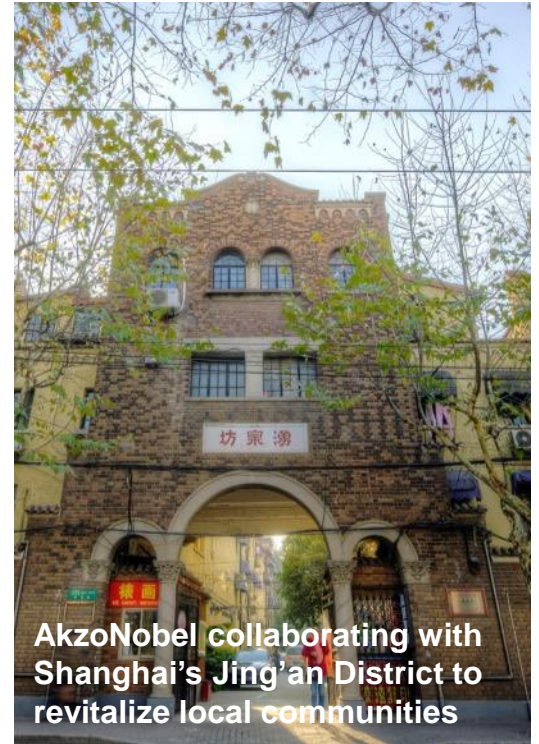
Profitability improved overall and for all Business Areas

- ↗ Volume growth in Decorative Paints and Specialty Chemicals
- ↗ Revenue down, due to adverse currency and price/mix effects
- ↗ EBIT and operating income higher
- ↗ ROS* and ROI* improved
- ↗ Net income attributable to shareholders was €285 million
- ↗ Net cash inflow from operating activities up at €600 million
- ↗ Interim dividend up 6 percent to €0.37 per share

Outlook

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

We maintain our financial guidance 2016-2018



Upcoming events

Ex-dividend of 2016 interim dividend
Record date of 2016 interim dividend
Election period cash or
Stock interim dividend

Payment of cash dividend and
delivery of new shares
Full-year and Q4 2016 Results

October 21, 2016

October 24, 2016

October 25, 2016 –
November 16, 2016

November 23, 2016

February 15, 2017



And now for questions

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



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.