

2016 Sustainability overview

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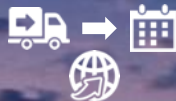


Selected slides from investor overview



The global urbanization challenge:

1 million



move to cities
globally
every week

6.3 billion
people will be
living in cities by
2050

Over 65%
of the World's
population



Just one of the mega
trends that we need to
address

Creating more value from fewer resources

- 1 Our ambition and imagination are unrestricted by limited world resources
- 1 Radical resource efficiency enables us working with customers and suppliers to open up infinite possibilities in a finite world
- 1 We are committed to finding opportunities even where there don't appear to be any



Building and Infrastructure



95% of new building stock using zero net energy
<6% buildings heated with fossil fuels

Transportation



Reductions in carbon emissions
80% reduction light duty vehicles

Customers expect long lasting, efficient products
Recycling is integrated into business models



Consumer Goods

4-10 fold improvement in eco-efficiency of
resources and materials from year 2000



Industrial

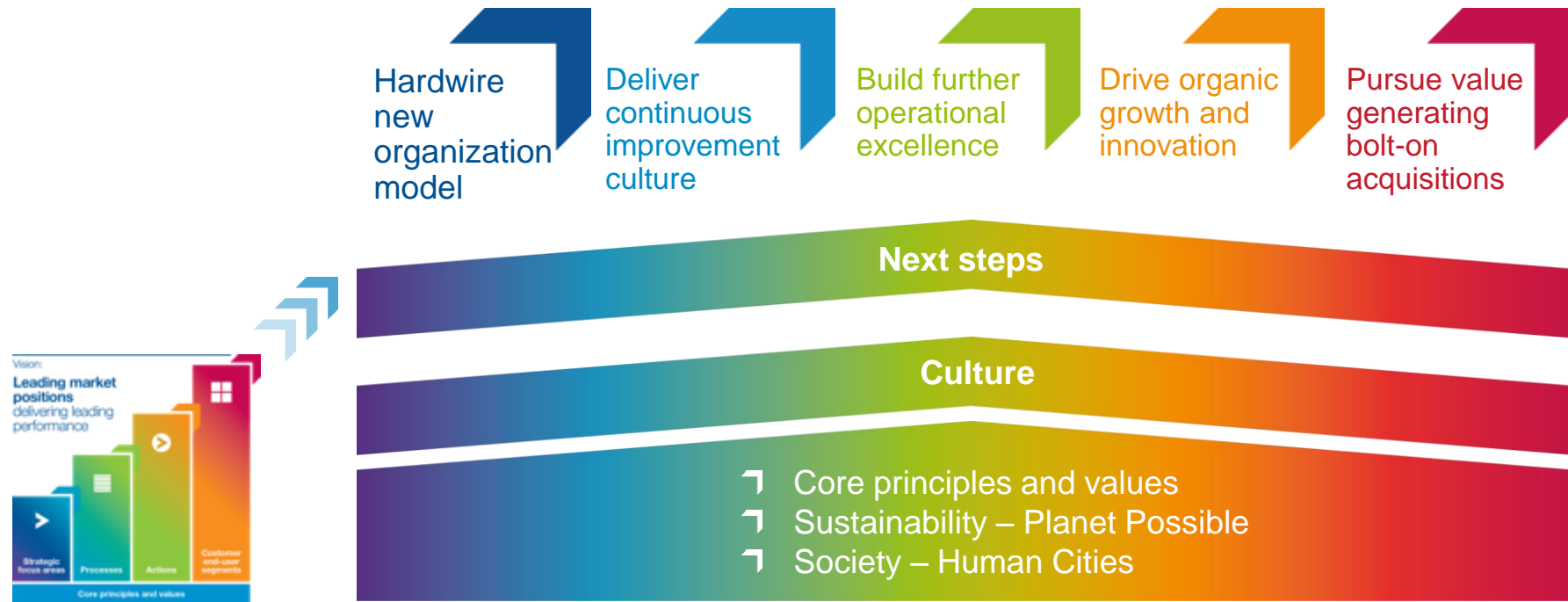


Integrated strategy

AkzoNobel

Focus will shift towards continuous improvement and organic growth

AkzoNobel



Core principles and values in place; Incentives aligned with strategy

Core principles: Safety Integrity Sustainability	Customer Focus	We build successful partnerships with our customers
	Deliver on Commitments	We do what we say we will do
	Passion for Excellence	We strive to be the best in everything we do, every day
	Winning Together	We develop, share and use our personal strengths to win as a team

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

*A new metric, revenue growth, was approved at the AGM 2016. It has been introduced for some executives.

Strategy focuses on key financial and sustainability metrics

Financial Guidance

9-11%

of return on sales
(EBIT/revenue) 2016-2018

13-16.5%

of return on investment
(EBIT/average 12 months
invested capital) 2016-2018



Sustainability Metrics

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)

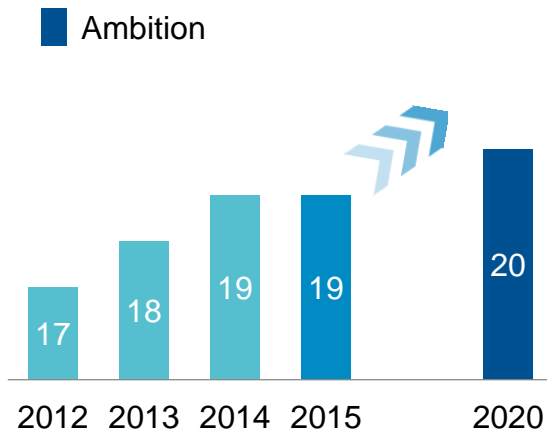
REI (Resource Efficiency Index)

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

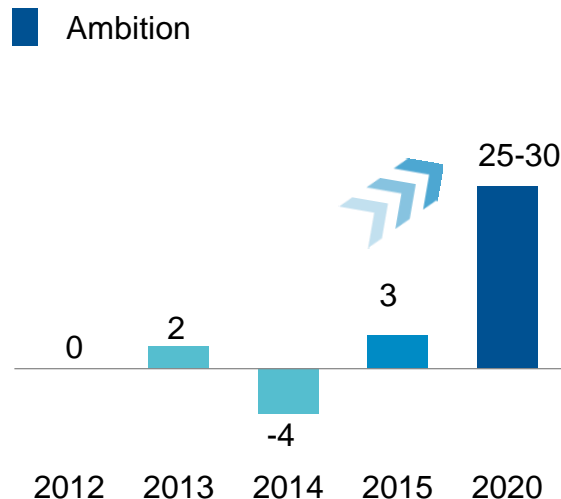


Progress made towards the 2020 sustainability ambitions

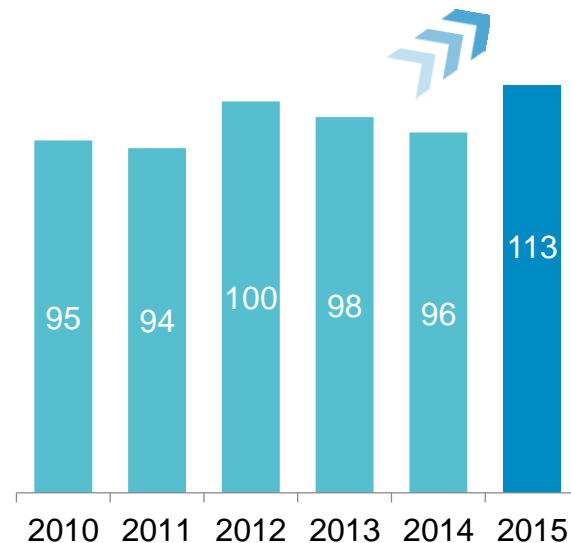
Eco-premium solutions with downstream benefits in % of revenue



Cradle-to-Grave Carbon Footprint
% reduction CO₂(e) per ton of sales from 2012

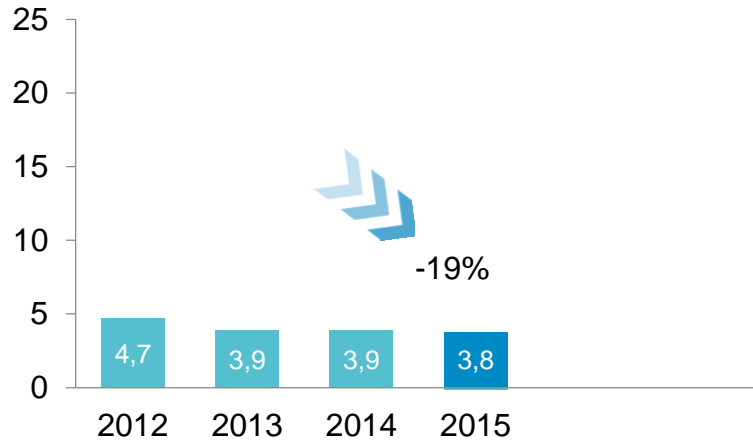


REI
Resource Efficiency Index
Gross margin/CO₂(e) indexed

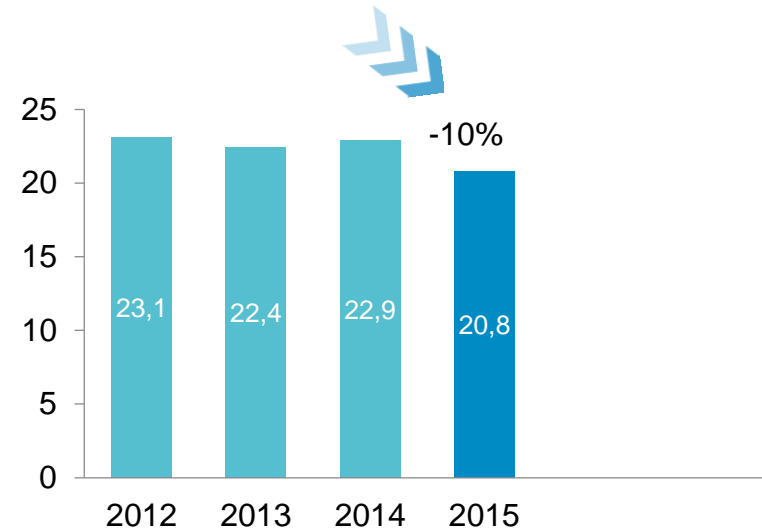


Closing the carbon gap

Own operations Carbon Footprint



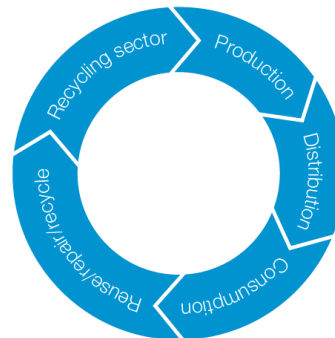
Up- and downstream Carbon Footprint Including VOC emissions



What does it mean to move to circular ?



- Product shipped to pulp customers
- Packaging crushed/ sent to landfill
- Left over paint stored in cans then landfilled
- Excess steam released into atmosphere
- Domestic/chemical waste sent to landfill



- Chemical Island Concept
- Recycled metal/ plastic material in packaging
- Left over paint reused
- Excess steam used at neighbour's plant
- Domestic waste incinerated to produce steam

Doing more with less

↗ Material effectiveness

- ↗ Partnerships to develop renewable raw materials
- ↗ Partnerships to turn waste into energy/raw materials
- ↗ Renewable energy reducing fossil material use

↗ Material efficiency

- ↗ Thinner coatings with same properties/ protection
- ↗ Dulux ReColour – customer left over paint re-used

↗ Energy efficiency

- ↗ Rediset – low temperature asphalt paving reduces energy input
- ↗ HPMO – essential ingredient for energy efficient LED lighting
- ↗ Zero-gap technology – improves electrolysis efficiency



We are leading in processes as well as “circular” partnerships

- Taken steps to increase share of renewables in our energy supplies and decrease our carbon footprint
 - Joined forces to invest in sustainable steam generation in Delfzijl, the Netherlands
 - Production records set in all three of the Nordic VindIn wind power parks
- Worked with new and existing partnerships on bio-based raw materials
 - Partnership with Photanol named Bio-Based Chemical Collaboration of the year at the 2015 World Bio Markets Bio Business Awards
 - Work with Solazyme targeting annual supply of up to 10,000 tons of renewable algal oils



Eco-premium solutions - Definition

A product qualifying for the list of AkzoNobel Eco-premium solutions must meet the following criteria when assessed against the competing mainstream products/solutions:

1. It provides the same or better functionality for the customer application.
 2. When assessed along the full value chain against the following criteria:
 - Energy efficiency (consumption)
 - Use of natural resources/raw materials
 - Emissions and waste
 - Toxicity
 - Risks (for accidents during production, transportation etc.)
 - Land use
 - Health/wellbeing
- a. It is significantly better in at least one aspect (mind set 10% difference across the value chain).
 - b. There are no significant measurable or perceived adverse effects in any other of the criteria.

Opportunities for growth and increased profitability from Eco-premium solutions

AkzoNobel

- Deliver advantages to our direct customers or consumers
- Leading the market
- Assessment is always a comparison with other solutions – stretching us to go further than the competition
- 2/3rd of innovation spend is sustainability related



Dulux Charm waterborne woodcare

Key features

- ↗ Indoor woodcare paint
- ↗ Improved flexibility
- ↗ Balanced performance in chemical resistance and hardness
- ↗ Polyurethane Modified Acrylate (PUMA) latex

Customer benefits

- ↗ Improved wellbeing: low odor
- ↗ Lower price
- ↗ Better in-can appearance
- ↗ Longer lasting

Financial benefits

- ↗ Affordable for mass market
- ↗ Higher market share



New generation waterborne product is delivered with in-house PUMA latex at lower price

Aquacote PP coil coating

Key features

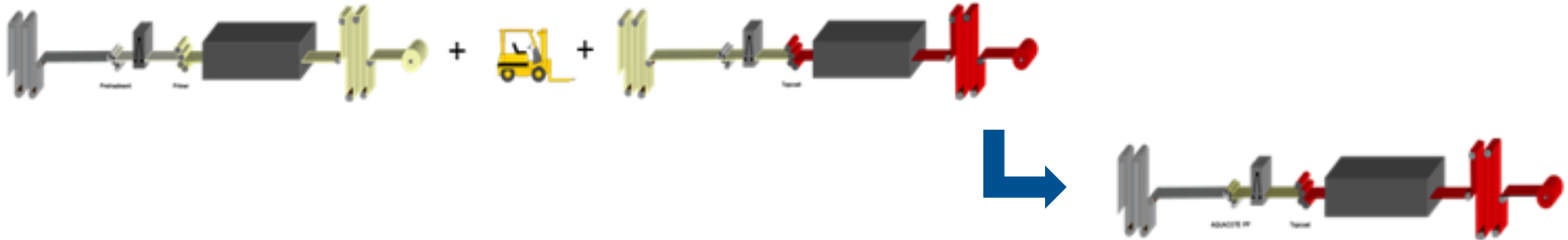
- Water-based primer
- Eliminates need for pre-treatment stage
- Cured at 80°C

Customer benefits

- Two-coats paint system in a single pass
- Doubles line capacity
- Reduced materials handling
- Less energy consumption

Financial benefits

- Reduced conversion costs
- More cost competitive



Primer technology with no pre-treatment significantly reduces conversion costs

Berol® DR-B1 degreasing ingredient approved for direct release applications

Key features

- ↗ High performance degreasing ingredient with low environmental impact
- ↗ Specifically developed for application where the cleaning agent is approved by the EPA for “direct release”

Customer benefits

- ↗ High performing cleaner
- ↗ Approved for “direct release”
- ↗ “Safer Choice” approval

Financial benefits

- ↗ Price premium



High performing degreasing surfactant blend with excellent environmental profile









Integrated management cycle

AkzoNobel



Dashboards drive sustainable performance in businesses

- We measure our progress on sustainability KPI's using standardized dashboards
- Used in Operational Review Meetings (ORM's) to drive performance
- Regular review by Executive Committee
- Basis for external reporting

KPI	Unit	Baseline 2012	Results 2014	Results 2015	Milestone 2015	Target 2020	Status against 2020
Sustainable business							
KPI No. 1	GM/Kton	100	96	108	t.b.d	t.b.d.	
KPI No. 2	%	22	27	28	24	25	
Resource efficiency							
KPI No. 1	% reduction	1.94	0	4	3	12	
KPI No. 2	% reduction	5.84*	42.5	40.6	30	40	
KPI No. 3	% organic RM	10.8	9.2	8.5	N/A	TBC	
KPI No. 4	% reduction g/ltr	70	+5 (increase)	N/A	+3 (increase)	11	
Engagement & Capability							
KPI No. 1	% of employees	19	22	21	20	25	
KPI No. 2	Std definition	N/A	91	93	93	XX	



Sustainability also integrated in all functional processes

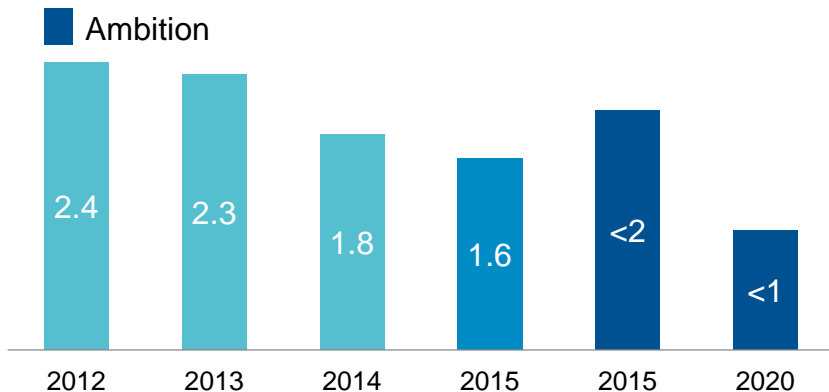
Finance	»»»	Capital Expenditure, materiality assessment
RD&I	»»»	Funnel process
Procurement	»»»	Vendor policies, supplier visits
Commercial Excellence	»»»	Market segmentation
HR	»»»	Recruitment, training, remuneration
Legal	»»»	Code of conduct



Progress on all key elements to safety

People

- A common approach to behavior-based safety implemented at all sites
- Reached the 2015 target (<2) in total reportable injury rate a year early
- Continued focus to achieve the ambition of <1 by 2020



Product

- Identify, review and score hazardous substances
- Higher score substances designated as priority
- Risk managed 100% priority substances
- 56 phased out and 148 restricted in use

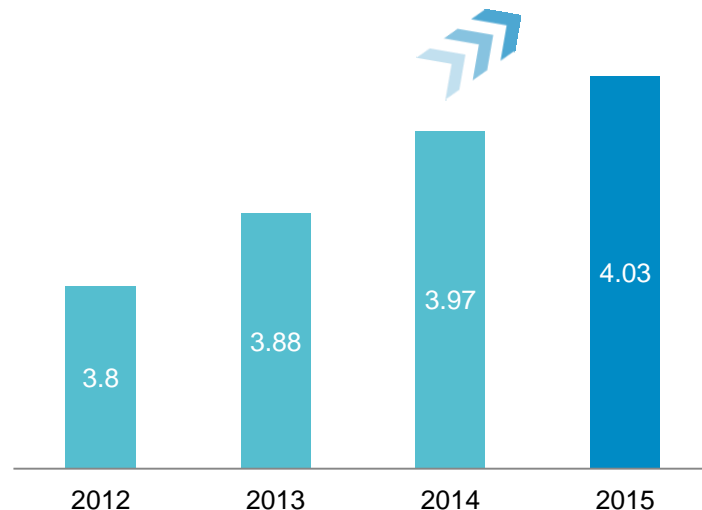
Process

- Process safety management (PSM) integral part of overall safety strategy
- PSM framework sets out minimum standards at all sites
- Implementation of framework is phased

Engagement increased during ongoing change

- ▮ Our people are the key to our success
- ▮ We aim for a high performance culture of engagement, feedback and trust
- ▮ Clear evidence that higher engagement drives business performance

**ViewPoint score employee engagement
(1 to 5 scale)**



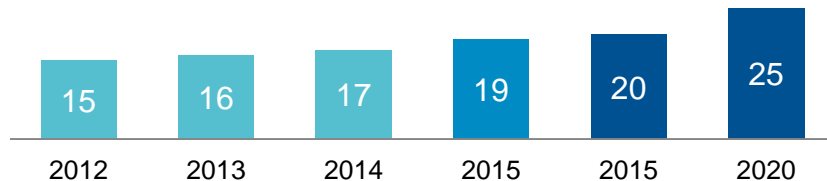
Leadership changes providing clear direction and driving culture change

Diversity is an important factor

- ↗ Reflects the societies where we do business
- ↗ Better insights into our customer and employee base
- ↗ Objective is to create a high performing culture where employees can contribute to the best of their ability

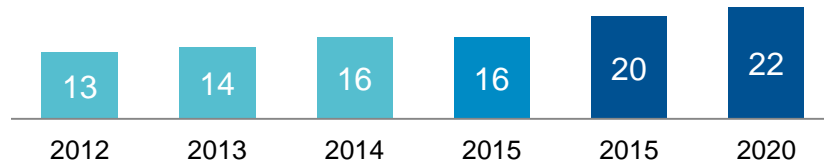
Female executives in %

Ambition



High growth market executives in %

Ambition

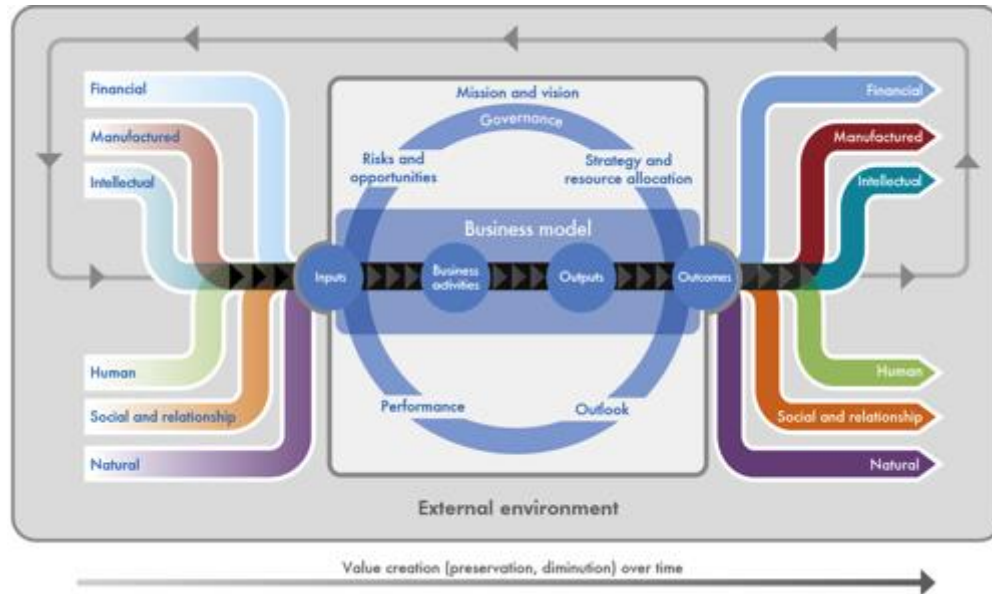


Integrated reporting

AkzoNobel

Our integrated reporting journey

The International Integrated Reporting Council (IIRC) framework:



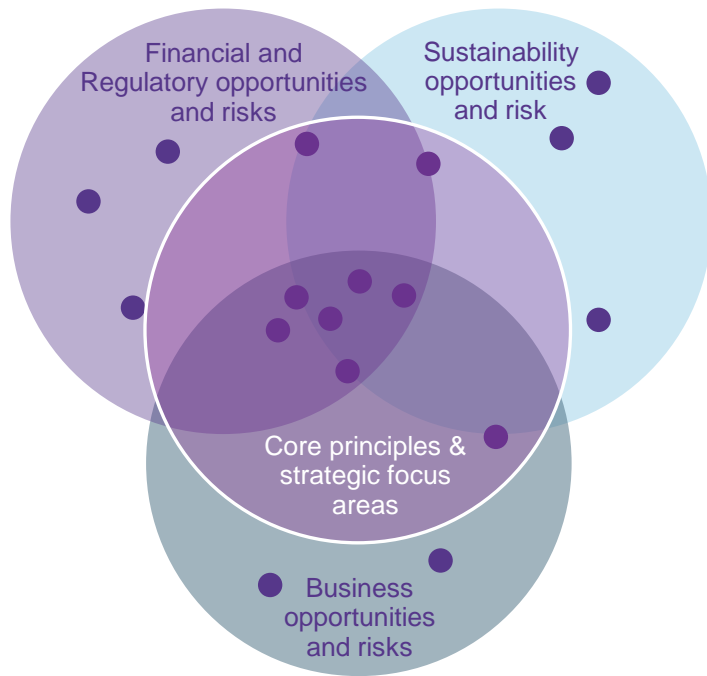
- Non-financial topics increasingly determine firm's value creation potential
- Integrated reporting requires “integrated thinking” an “integrated strategy” and an “integrated management cycle
- Implemented integrated reporting in 2008
- Front runner (IIRC pilot group) as of 2012
- Continuously work on Improvements

Sustainability opportunities and risks evaluated and measured

- ↗ Updated materiality to assess current and important topics
- ↗ Prioritized and plotted in a matrix
- ↗ Most important topics
 - ↗ energy
 - ↗ resource use
 - ↗ carbon emissions throughout the value chain
 - ↗ people and process safety
 - ↗ Eco-premium solutions
- ↗ Most material issues are included in our company strategy and/ or sustainability KPIs.



Consulted key stakeholder groups to develop integrated materiality matrix



- Key opportunities, issues and risks material to stakeholders grouped using bullets
- Items at centre are opportunities, issues and risks material to AkzoNobel's strategy
- Addressed by core principles and/or strategic focus areas

Continued development of four-dimensional profit and loss

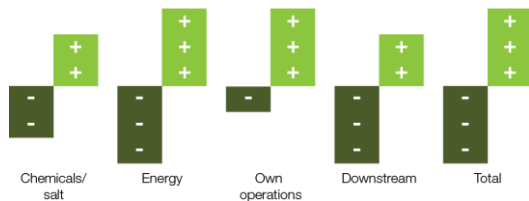
- 7 Methodology represents value creation in multiple dimensions: financial, natural, human and social capital
- 7 2014: piloted at Pulp and Performance Chemicals business in Brazil
- 7 Actions implemented during 2015 to reduce negative aspects and build on positive factors
- 7 Widened scope to include Pulp and Performance Chemicals sites producing pulp bleaching chemicals in the US and Sweden



Evaluation of results

Financial and natural capital

■ Financial capital (positive) ■ Natural capital (negative)



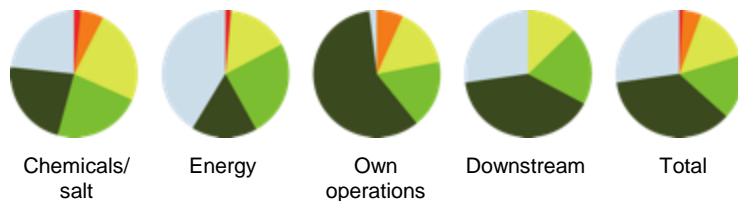
Human capital

■ Human capital (positive)



Social capital (risk in each part of the life cycle)

■ Very high ■ High ■ Medium ■ Low ■ Very low ■ No data



- Financial capital is positive: profits, salaries, taxes
- Human capital is mainly positive: people development
- Social capital has positive/negative risk aspects: health and safety/community investment/labor practices in the value chain
- There are some regional differences due to energy Sources, and in human and social aspects

Selected slides from investor overview

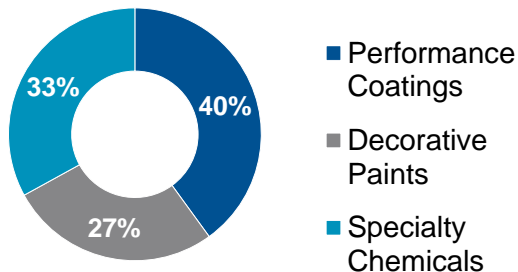
Global paints, coatings and specialty chemicals company

AkzoNobel

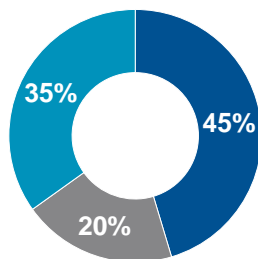
- €14.9 billion revenue (2015)
- €2.1 billion EBITDA (2015)
- 80+ countries
- 45,600 employees (2015)
- Leadership positions in many markets



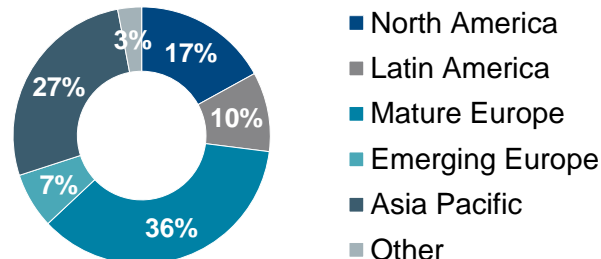
Revenue by Business Area



Operating income by Business Area



Revenue by geographic region



Buildings and infrastructure

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

43%
of revenue

Transportation

17%
of revenue

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

Consumer durables
Consumer packaged goods

18%
of revenue

Consumer goods

22%
of revenue

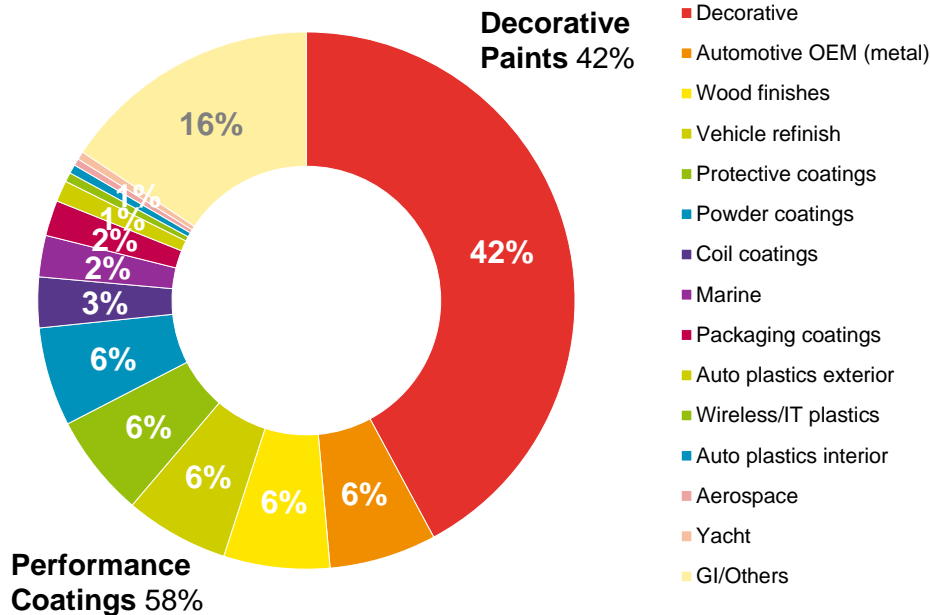
Natural resource and energy industries
Process industries

Industrial

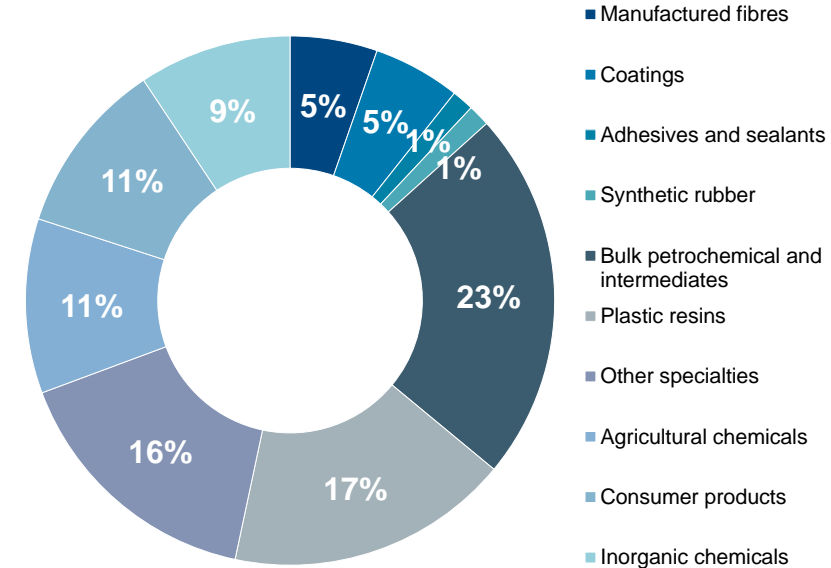
All percentages based on 2015 revenue

Present in large and attractive markets

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



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



Source: Global paints and coatings by market, Orr & Boss; Global chemical shipments by segment 2014, excluding pharmaceuticals, American Chemistry Council

Vision confirmed; financial guidance 2016-2018



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
ROS% = EBIT/revenue. Moving average ROI (in %) = 12 months EBIT/12 months average invested capital



Visions confirmed; performance ranges 2016-2018

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. Moving average ROI (in %) = 12 months EBIT/12 months average 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

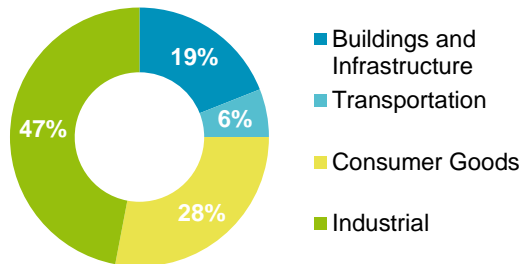
Specialty Chemicals key figures

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

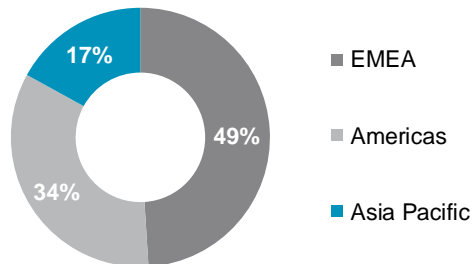
Key capabilities

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

Revenue by end-user segment



Revenue by geographic spread



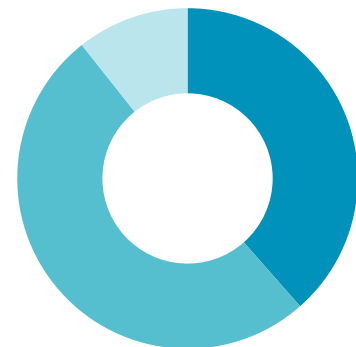
Continued market growth expected over the next few years

Platform	Market size* € billion, 2014	Market growth** % p.a., 2015-2018
Bleaching chemicals	1,7	<1.5%
Salt-chlorine chain	6,6	<1.5%
Polymer chemistry	1,9	>3%
Ethylene oxide network	3,9	1.5-3%
Surfactants	6,7	1.5-3%

Leading positions

Revenue breakdown by position

% of revenue, 2014



- Global leadership
- Regional or segment leadership
- Other

* Sum of sectors relevant to AkzoNobel **Related to AkzoNobel portfolio Source: AkzoNobel internal analysis



Performance Coatings at a glance

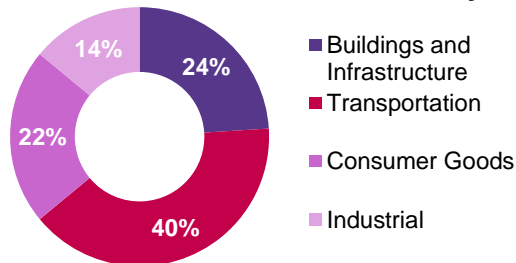
Performance Coatings key figures

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

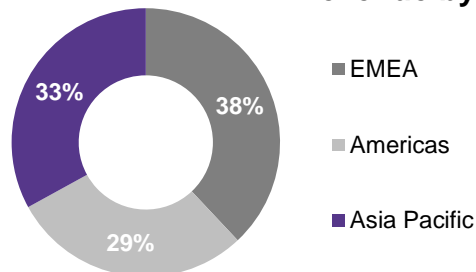
Key capabilities

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

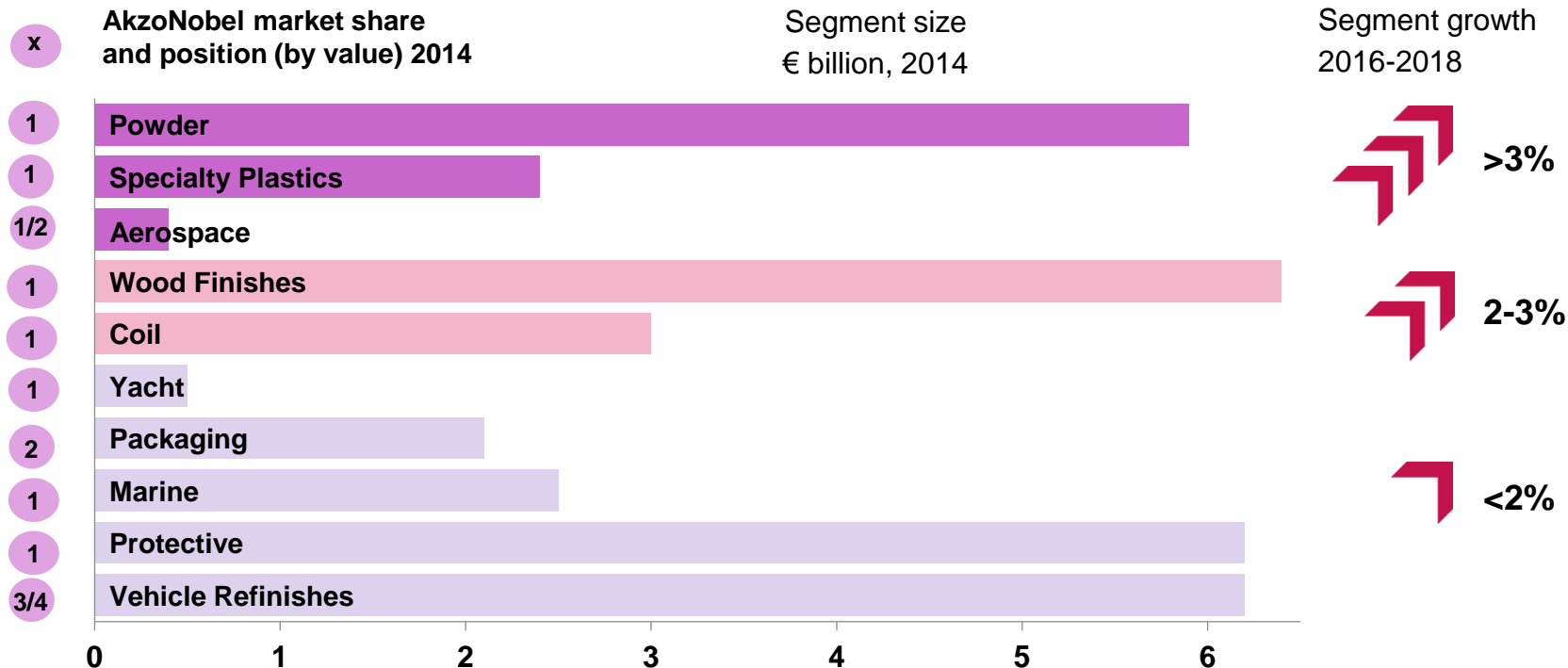
Revenue by end-user segment



Revenue by geographic spread



We have leading positions in the markets we serve



Source: Orr & Boss base data for segment sizes, AkzoNobel internal analysis



Decorative Paints at a glance

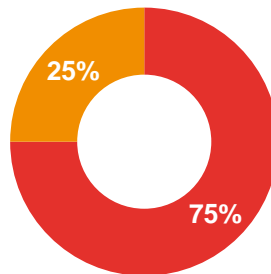
Decorative Paints key figures

€ 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

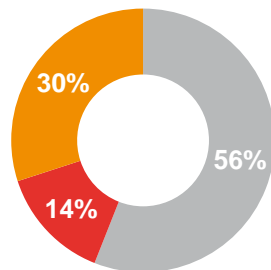
- 🔧 Branding
- 🔧 Digital
- 🔧 Distributor, wholesale, retail management
- 🔧 Understanding and serving professional painters
- 🔧 Consumer inspiration
- 🔧 Quality management, including portfolio management

Buildings and Infrastructure revenue breakdown



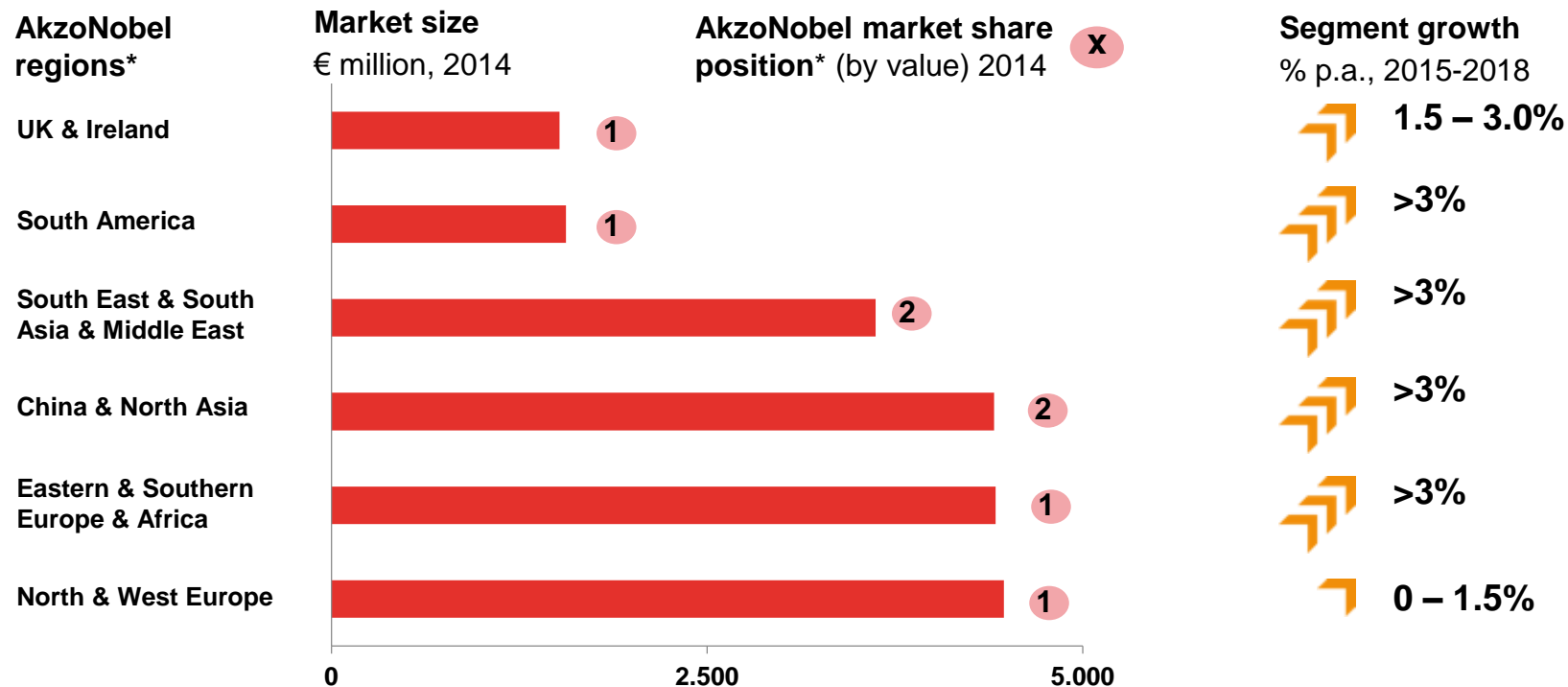
- Maintenance, renovation and repair
- New build projects

Revenue by geographic spread



- EMEA
- Latin America
- Asia

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

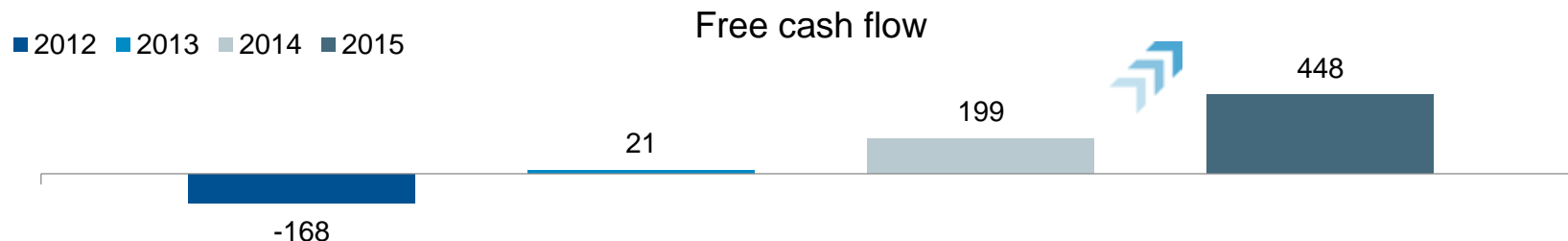


*Arranged by market size. Containing the countries where AkzoNobel is present



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



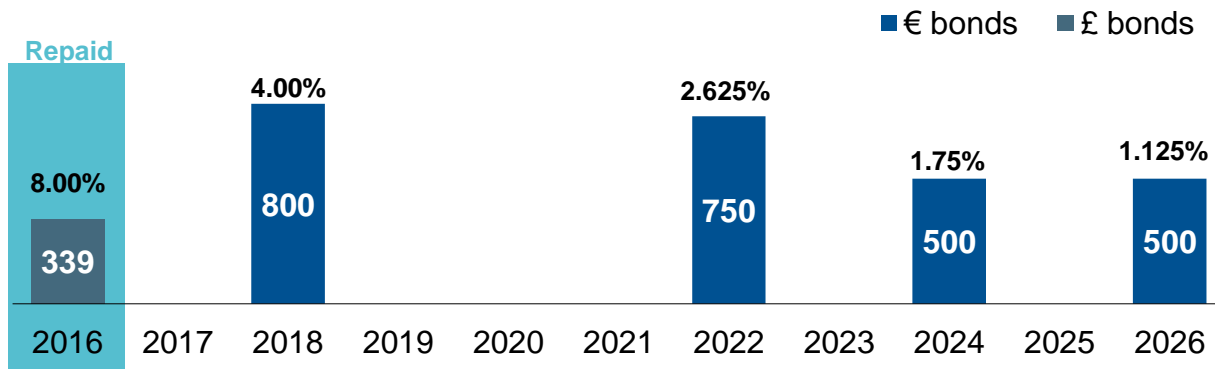
*Provisions include recurring pension contributions Free cash flow (from operations) = Net cash from operating activities minus Capital expenditures and Investment in intangibles



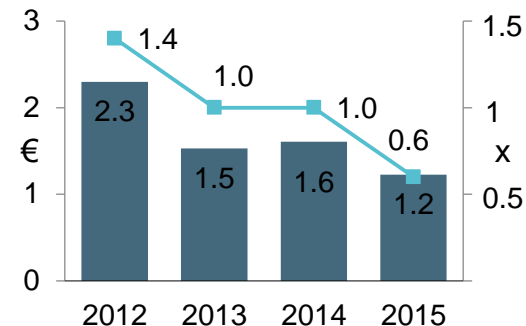
Strong financial position provides foundation for growth

- 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

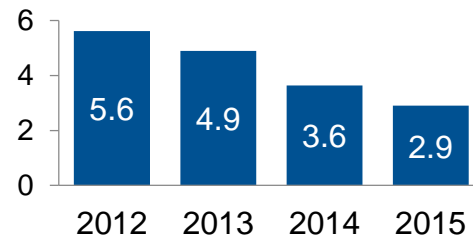
Debt maturities € million (average debt duration 6 years 2 months)



Net debt (€ billion)/EBITDA



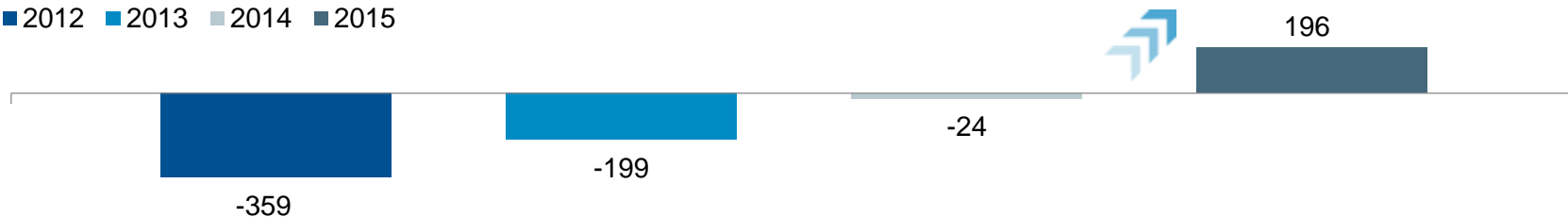
Average cost of long-term bonds %



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

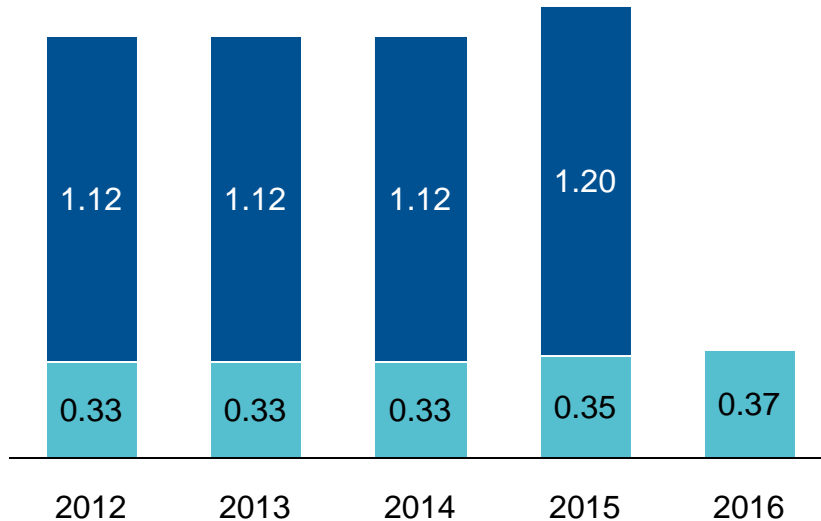


Other includes: Dividend from associates and joint ventures , interest received and issue of shares for stock option plan and other changes



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

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.