

Investor update Q1 2017

April 19, 2017



Agenda



Q1 2017



Operational review



Financial review



Conclusion



Questions

Record profitability in Q1 2017

Significant progress continues

AkzoNobel

**Revenue
up 7%
overall
and in all
Business
Areas**

**Volumes
Up 4%**

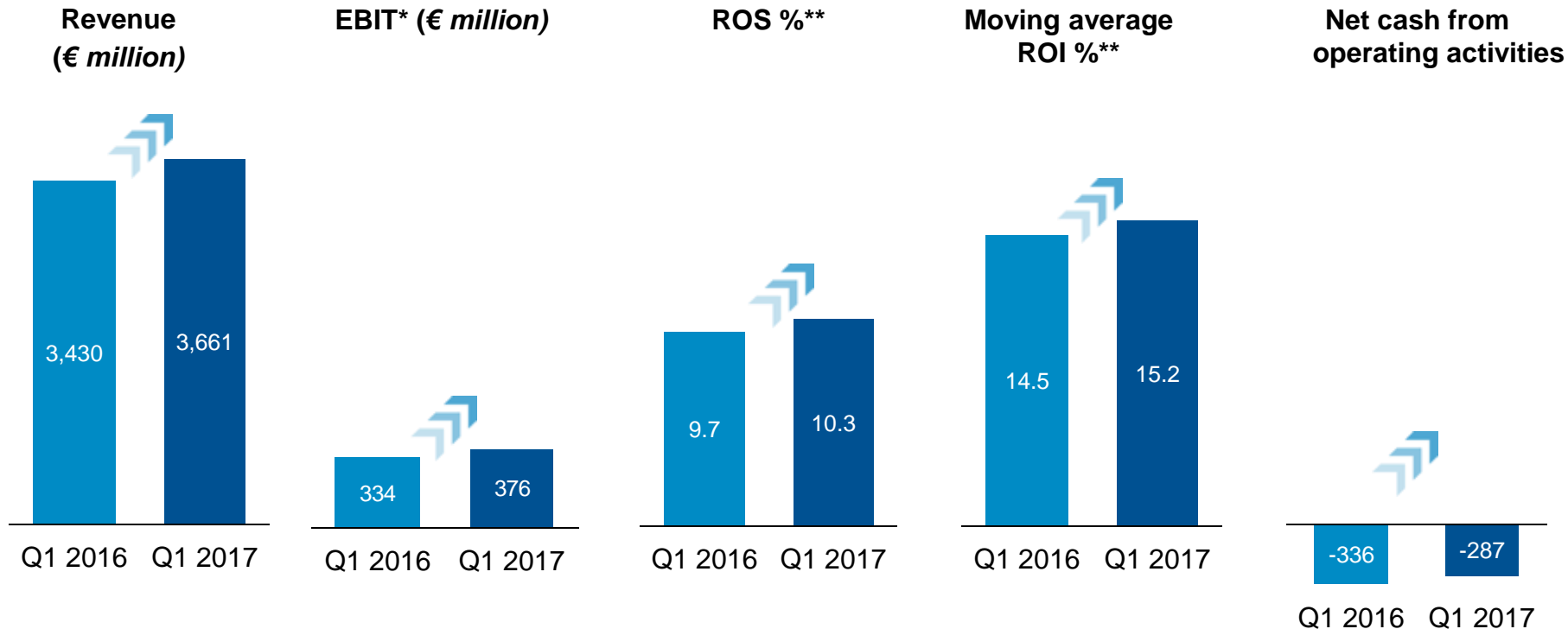
**EBIT up
13% overall
and in all
Business
Areas**

**Record Q1
EBIT, ROS
and ROI**

**2% revenue
development
on
acquisitions**

**Share
repurchase
program in
progress**

Record profitability in Q1 2017



*EBIT = Operating income excluding identified items **ROS% = EBIT/revenue and Moving average ROI (in %) = 12 months EBIT/12 months average invested capital

Revenue and EBIT up in all Business Areas

Revenue up, mainly due to higher volumes

€ million	Q1 2016	Q1 2017	Δ%
Revenue	3,430	3,661	7
EBIT (Operating income excluding identified items)	334	376	13
Operating income	357	376	5
Ratio, %	Q1 2016	Q1 2017	
ROS*	9.7	10.3	
Moving average ROI*	14.5	15.2	

Revenue development Q1 2017



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



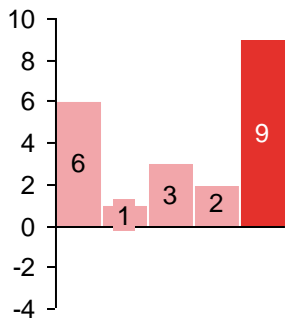
Announced an ambition to use 100% renewable energy and become carbon neutral by 2050



Volume growth overall, driven by Decorative Paints and Specialty Chemicals

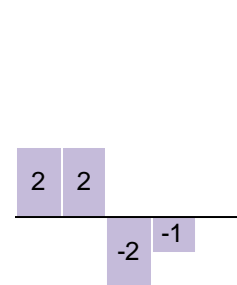
Decorative Paints

Quarterly volume development in % year-on-year



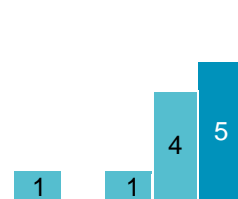
Performance Coatings

Quarterly volume development in % year-on-year



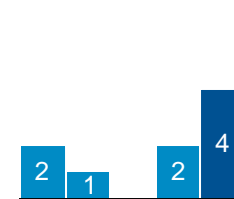
Specialty Chemicals

Quarterly volume development in % year-on-year

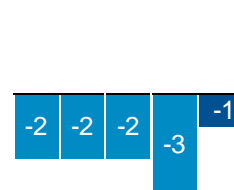
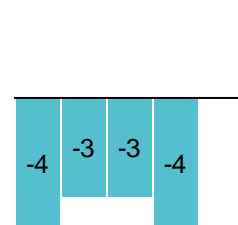
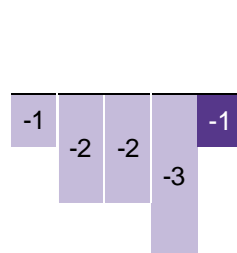
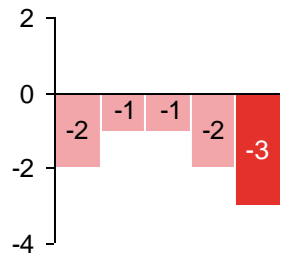


AkzoNobel

2016
2017



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

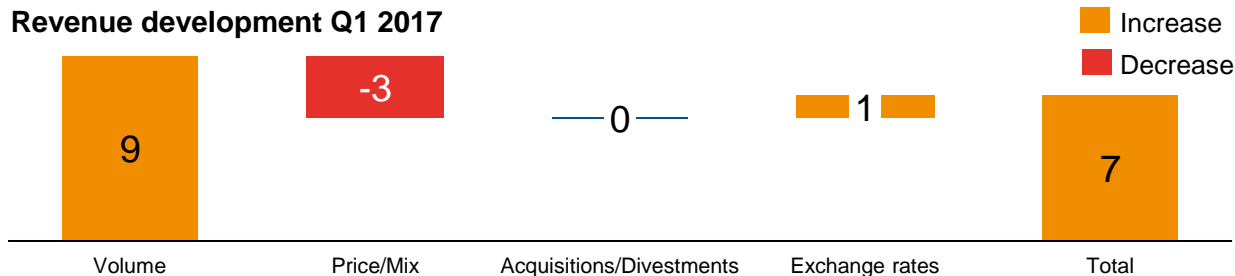


Decorative Paints Q1 2017: Positive volumes in all regions

€ million	Q1 2016	Q1 2017	Δ%
Revenue	861	922	7
EBIT (Operating income excluding identified items)	52	77	48
Operating income	52	77	48

Ratio, %	Q1 2016	Q1 2017
ROS*	6.0	8.4
Moving average ROI*	12.0	13.8

Revenue development Q1 2017



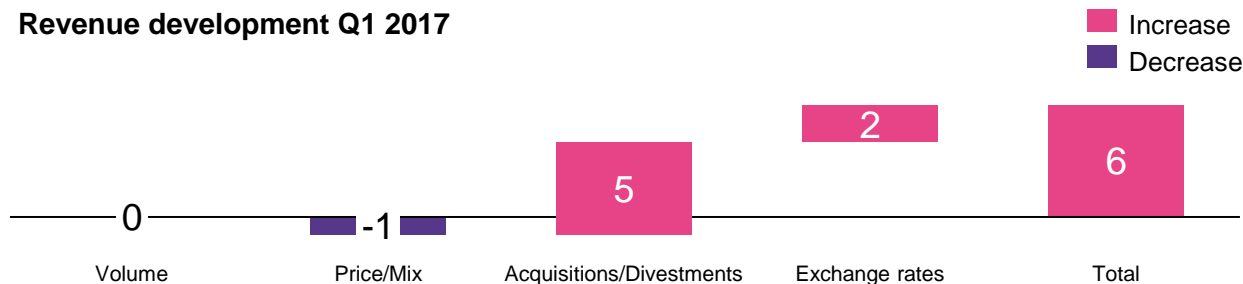
*ROS% = EBIT/revenue. Moving average ROI (in %) = 12 months EBIT/12 months average invested capital



Performance Coatings Q1 2017: Growth across a number of segments

€ million	Q1 2016	Q1 2017	Δ%
Revenue	1,388	1,471	6
EBIT (Operating income excluding identified items)	186	187	1
Operating income	186	187	1
Ratio, %	Q1 2016	Q1 2017	
ROS*	13.4	12.7	
Moving average ROI*	30.4	28.6	

Revenue development Q1 2017



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



Specialty Chemicals Q1 2017: Volumes up in all business units and regions

€ million	Q1 2016	Q1 2017	Δ%
Revenue	1,206	1,289	7
EBIT (Operating income excluding identified items)	164	176	7
Operating income	164	176	7

Ratio, %	Q1 2016	Q1 2017
ROS*	13.6	13.7
Moving average ROI*	16.5	18.1

Revenue development Q1 2017



Imagine Chemistry initiative
generated 200 innovative ideas

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



**Strong financial
foundation
for growth and value
creation**

Free cash flow continues to improve

<i>€ million</i>	Q1 2016	Q1 2017
EBITDA	487	534
Interest paid	-4	-4
Tax paid	-37	-88
Changes in working capital, provision* and other	-538	-517
Capital expenditures (including intangible assets)	-125	-128
Free cash flow, excluding pension top-up payments	-217	-203
Pension top-up payments	-245	-212
Free cash flow (from operations)	-462	-415

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



IAS19 pension deficit €0.7 billion

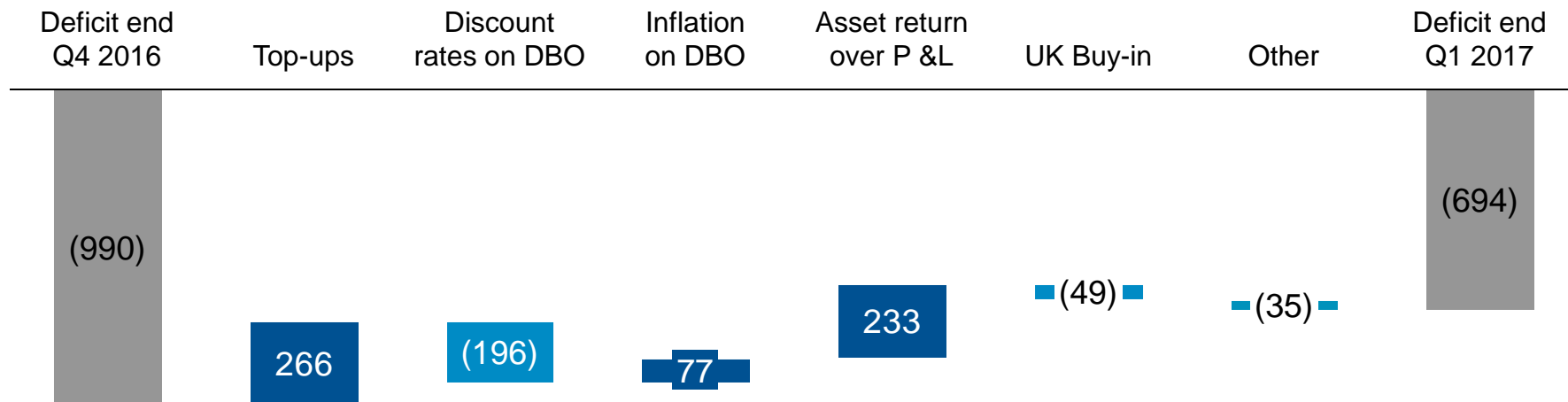
Key pension financial assumptions

	Q1 2016	Q1 2017
Discount rate	2.4%	2.4%
Inflation rate	3.0%	3.1%

Pension deficit development in Q1 2017

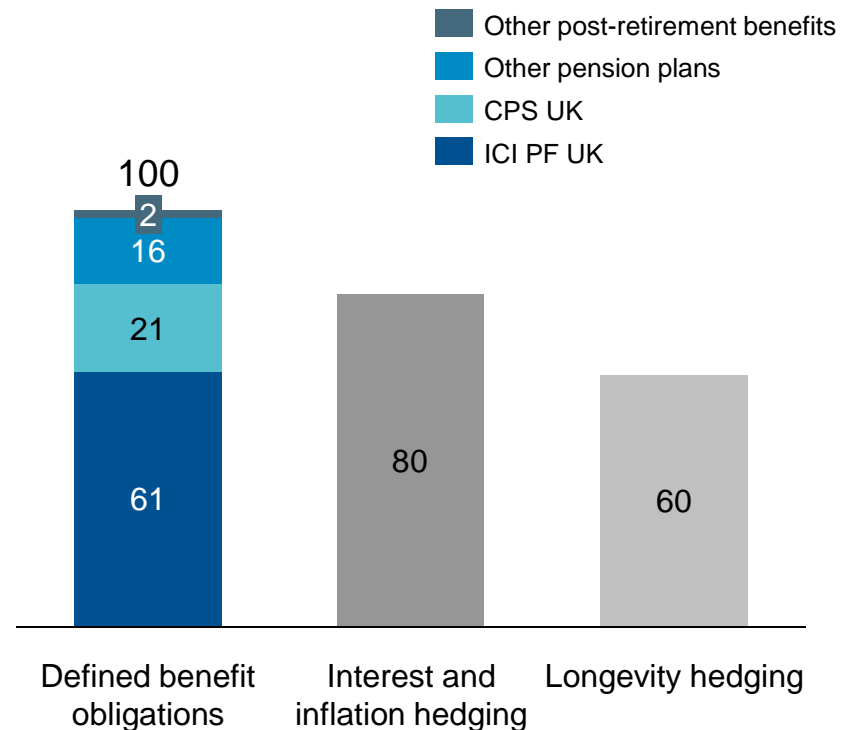
€ million

■ Increase
■ Decrease



Further de-risking of pension liabilities including £0.3 billion non-cash buy-ins*

- ↗ Various activities to reduce liabilities
- ↗ £8.7 billion insurance buy-ins for UK schemes (2014-17). \$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



*Total year to date March 2017



Concluding remarks

AkzoNobel and leading global container shipping company Maersk Line signed a strategic sustainability partnership to reduce carbon emissions per container shipped by 10%



AkzoNobel

More than 200 children in Egypt's 6th of October City benefited from a major renovation of their school's facilities, organized as part of our Human Cities initiative



Safety in the marine industry to be improved after AkzoNobel, oil and gas tanker operator Barrier Group and DroneOps joined forces to develop a drone capable of remotely inspecting enclosed spaces and ballast water tanks

Significant progress continues

AkzoNobel

Revenue
up 7%
overall
and in all
Business
Areas

Volumes
up 4%

EBIT up
13% overall
and in all
Business
Areas

Record Q1
EBIT, ROS
and ROI

Improvement
program on
track (deliver
€100 - 200
million
savings)

2% revenue
development
on
acquisitions

Share
repurchase
program
executed

Outlook

AkzoNobel

We continue to anticipate positive developments for EMEA, North America and Asia, improving during the year, while Latin America is expected to stabilize. Market trends experienced in the second part of 2016, including for the marine and oil and gas industries, are expected to continue during the first half of 2017.

We have structurally improved our ability to respond to developments in our markets and continue taking appropriate measures to deal with higher raw material prices in an inflationary environment.

We expect EBIT for 2017 to be around €100 million higher than 2016, as a result of growth momentum and continuous improvement, assuming no material change in market and economic dynamics.

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.