



AkzoNobel

Investor update Q4 2018 and future capital allocation

February 13, 2019

We've created a major buzz in the coatings industry with the launch of our Paint the Future startup challenge. We want to combine our global scale, know-how and expertise with the ingenious solutions of startups and scale-ups across the planet. It's all about connecting with new disruptive technologies and accelerating innovation in the dynamic world of paints and coatings. www.lets paintthefuture.com

Agenda



Key highlights



Financial review



Future capital allocation



Concluding remarks



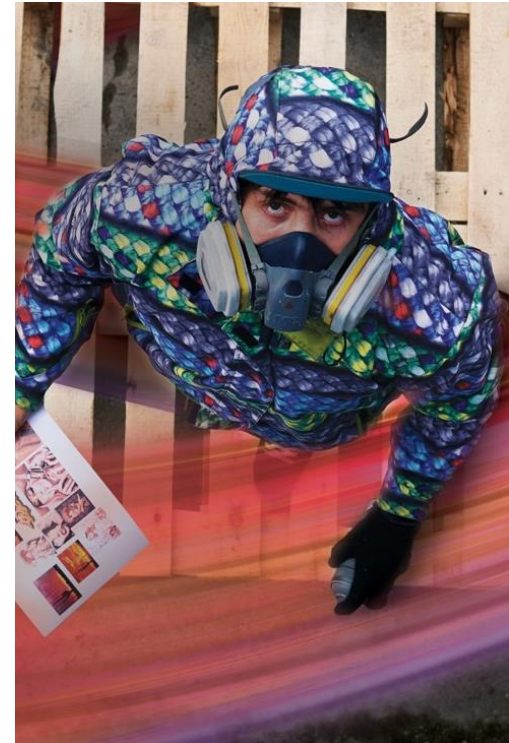
Q&A

Key highlights

2018 was a landmark year

- Completed sale of Specialty Chemicals business on October 1, 2018; returning a total of €6.5 billion to shareholders
- Robust pricing initiatives and cost-saving programs successfully fueled revenue growth in constant currencies and higher profitability in the second half of the year
- Progress towards delivering our Winning together: 15 by 20 strategy, despite continued headwinds from adverse currencies and higher raw material costs
- Phase one of our transformation to create a fit-for-purpose organization delivered on the €110 million planned savings for 2018
- Next step taken in our transformation to deliver the next €200 million cost savings by 2020
- Strong bolt-on acquisitions including Fabryo in Romania; Xylazel in Spain; Colourland Paints in Malaysia
- Acquisition of minority interest share to obtain full ownership of the AkzoNobel Swire Paints joint venture in China at opportune moment, enabling strategic flexibility

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Q4 2018 demonstrates positive impact of pricing initiatives and cost savings programs

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Revenue

Up 4%

In constant currencies

Price/mix

9% higher

(including 6% price)

€2 billion capital repayment and share consolidation

completed in January 2019



Cash top-up payments of main UK plans settled



ROS*

Increased to 9.0%

(Q4 2017: 8.4%)

Final dividend

proposed for 2018

€1.43/ share

(post consolidation)

€1 billion special cash dividend (€4.50/ share)

to be paid in February

€2.5 billion share buyback

to be commenced in February and completed by end 2019



*Excluding unallocated corporate center costs

(continuing operations)

'Winning together: 15 by 20' strategy delivering results and gathering momentum

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Sales force effectiveness
Margin management
Innovation excellence

Price/mix increased 9% in Q4 (6% price)
Launch of Paint the Future startup challenge



Global Business Services
Integrated Business Planning
ERP and systems platform

Monthly IBP cycles for all BUs
Moving forward with ERP integration



ALPS continuous improvement
Fit-for-purpose organization
Procurement excellence

Continuous improvement > fixed cost inflation
Fully delivered on €110m planned savings for 2018
Next step on track to deliver €200m by 2020



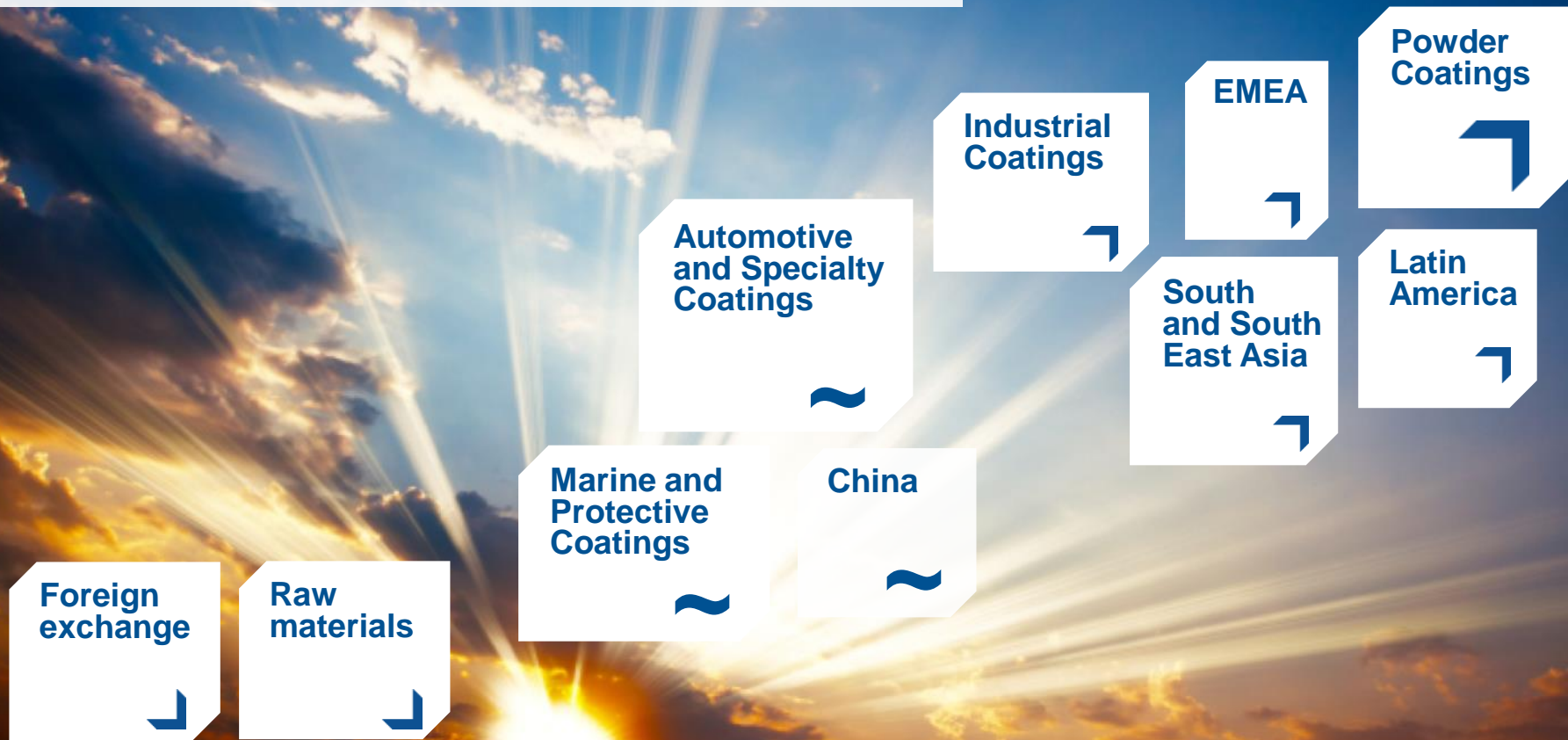
High performance culture
Career and capability development
Core principles

Successfully focused on value over volume
Recognized as Top Employer in China and UK



Dealing with market headwinds

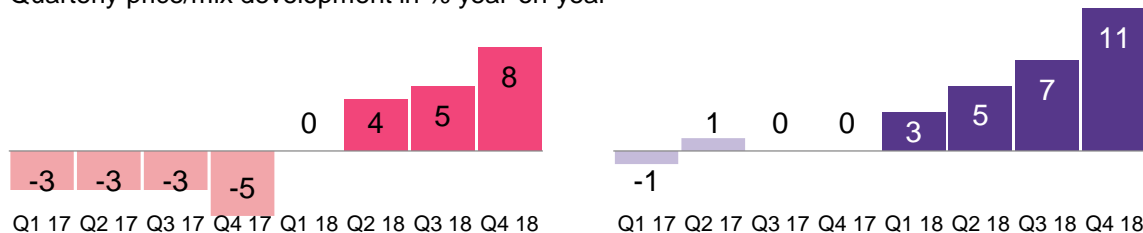
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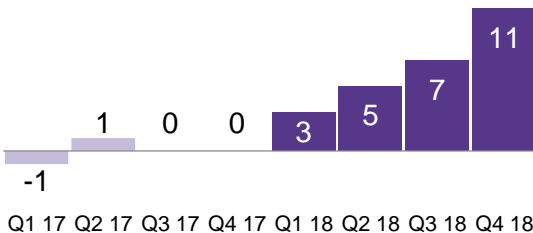
Pricing initiatives and clear strategic mandates focus on value over volume

Decorative Paints

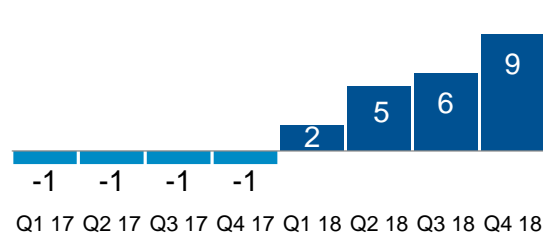
Quarterly price/mix development in % year-on-year



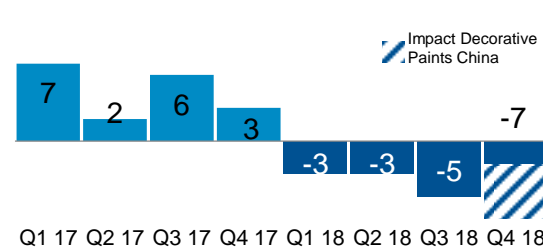
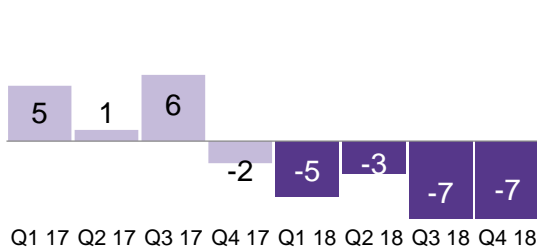
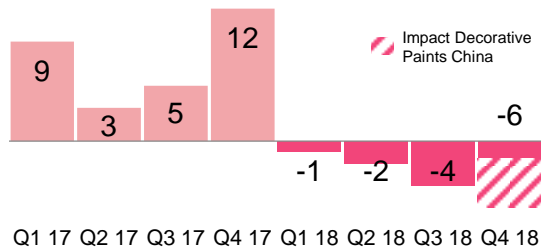
Performance Coatings



Paints and Coatings

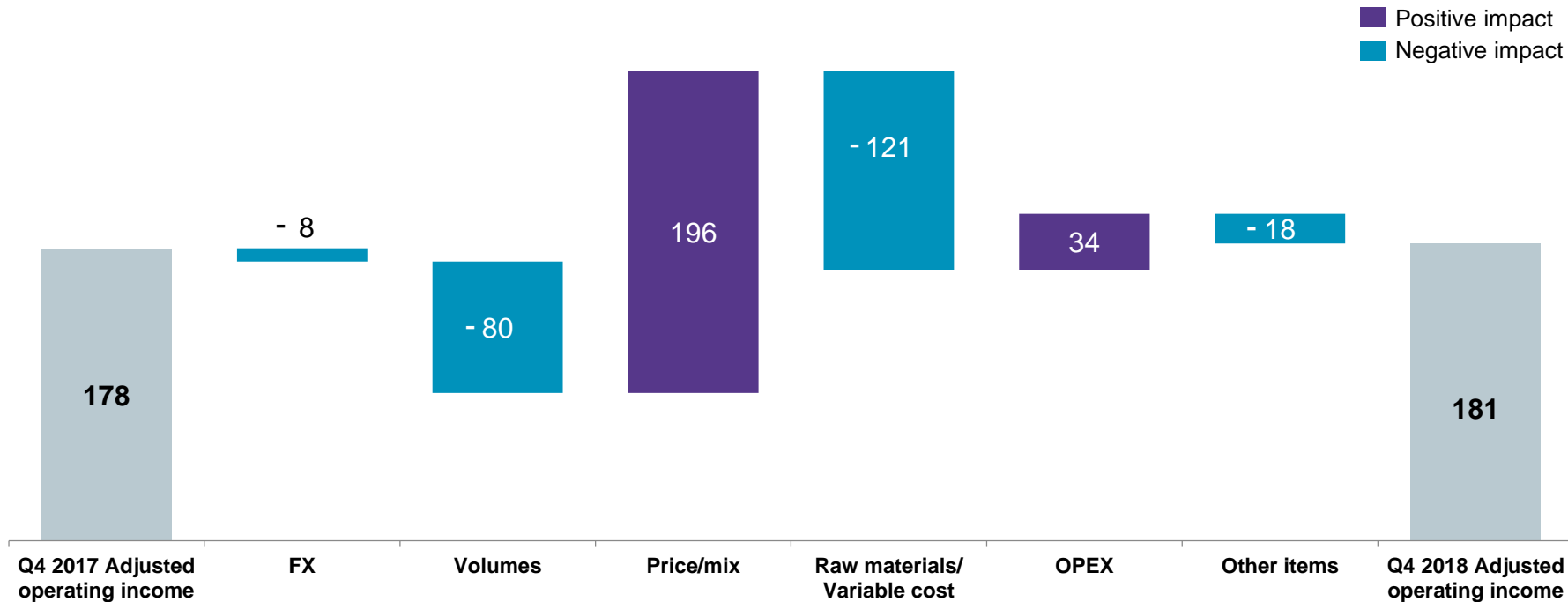


Quarterly volume development in % year-on-year



Positive price/ mix and cost savings offsetting higher raw materials

Adjusted operating income bridge: Q4 2017 to Q4 2018



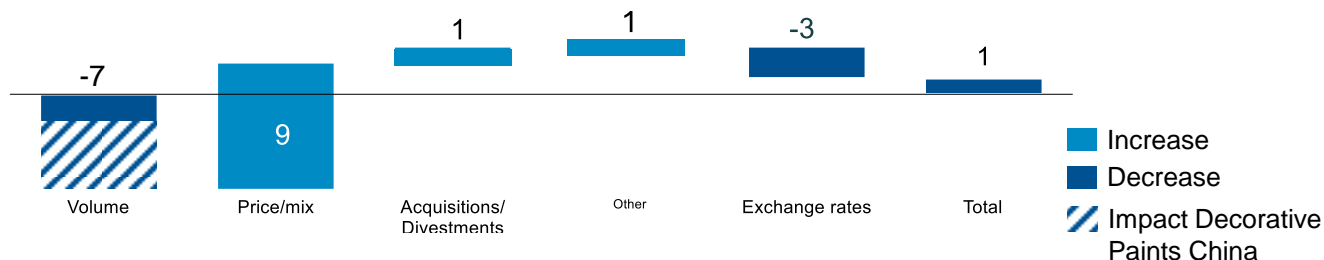
(continuing operations)

Financial review

Revenue up 4% in constant currencies and adjusted operating income higher

€ million	Q4 2017	Q4 2018	Δ%	Δ%CC
Revenue	2,283	2,308	1%	4%
Adjusted EBITDA	240	240	-	
Adjusted operating income	178	181	2%	
Operating income	139	68	(51%)	
ROS% excluding unallocated costs	8.4%	9.0%		
ROS%¹	7.8%	7.8%		
ROI%¹	13.9%	12.6%		

Revenue development Q4 2018 (%)



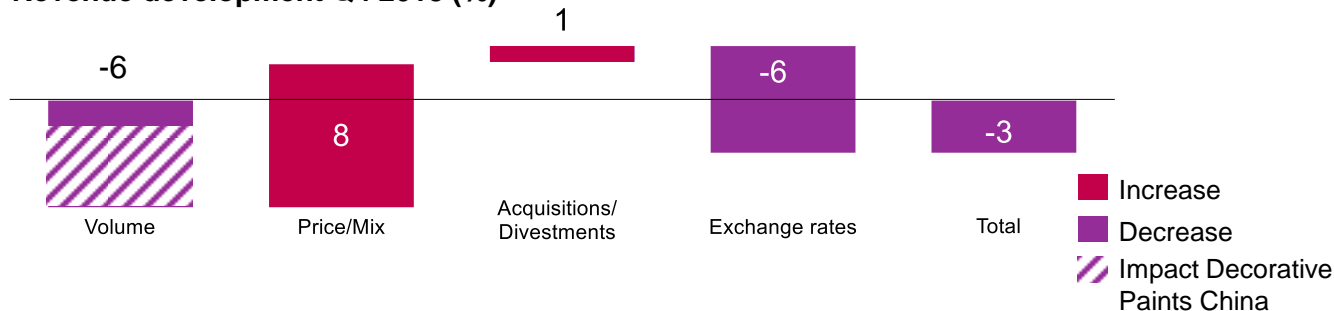
- Revenue up 4% in constant currencies, with positive price/mix offset by lower volumes
- Volumes in China have normalized to 2016 levels
- Overall volumes were 7% lower (2% lower, excluding China)
- Adjusted operating income higher, driven by pricing initiatives and cost saving programs despite €8m adverse impact from foreign currencies
- Operating income includes €113m adverse impact from identified items, mainly related to one-off non-cash pension costs based on a UK legal precedent set in October 2018.

1. ROS% = Adjusted operating income/Revenue. ROI% = 12 months adjusted operating income/12 months average invested capital.

Decorative Paints revenue up in constant currencies, driven by pricing initiatives

€ million	Q4 2017	Q4 2018	Δ%	Δ%CC
Revenue	923	896	(3%)	3%
Adjusted EBITDA	87	76	(13%)	
Adjusted operating income	58	52	(10%)	
Operating income	41	37	(10%)	
ROS%*	6.3%	5.8%		
ROI%*	12.5%	12.4%		

Revenue development Q4 2018 (%)



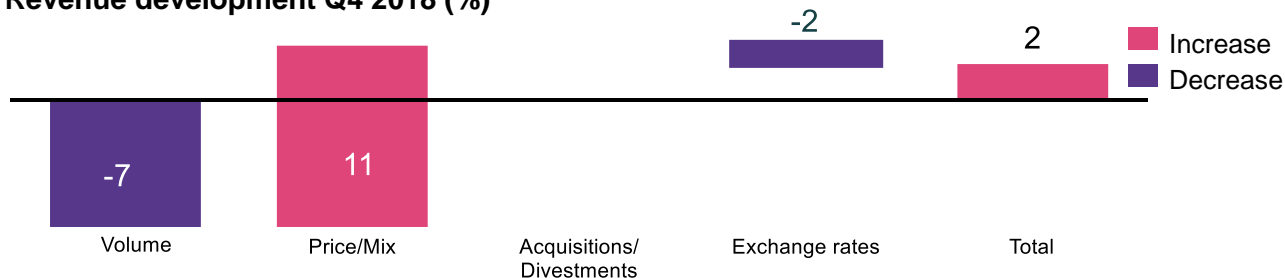
Asian acquisitions underline commitment to key markets. We acquired Colourland Paints in Malaysia, which will boost our growth ambitions in the country itself and throughout South-East Asia.

*ROS% = Adjusted operating income/revenue. ROI% = 12 months adjusted operating income/12 months average invested capital.

Performance Coatings ROS higher, driven by pricing initiatives and cost savings

€ million	Q4 2017	Q4 2018	Δ%	Δ%CC
Revenue	1,372	1,403	2%	4%
Adjusted EBITDA	165	187	13%	
Adjusted operating income	133	153	15%	
Operating income	132	130	(2%)	
ROS%*	9.7%	10.9%		
ROI%*	23.4%	20.5%		

Revenue development Q4 2018 (%)



*ROS% = Adjusted operating income/revenue. ROI% = 12 months adjusted operating income/12 months average invested capital.



Yacht owners can now benefit from advanced coatings technology – Awlgrip HDT – which passed the ultimate test during the latest edition of the Volvo Ocean Race.

Net income Q4 and full-year 2018 impacted by one-off non-cash items

Q4 2017	Q4 2018	€ million	FY 2017	FY 2018
139	68	Operating income	825	605
(15)	(23)	Net financing expenses	(78)	(52)
2	6	Results from associates and joint ventures	17	20
126	51	Profit before tax	764	573
(81)	(6)	Income tax	(253)	(118)
45	45	Profit from continuing operations	511	455
47	5,814	Profit from discontinued operations	393	6,274
92	5,859	Profit for the period	904	6,729
(17)	(10)	Non-controlling interests	(72)	(55)
75	5,849	Net income from total operations	832	6,674

Q4 2017	Q4 2018	Earnings per share (in €)	FY 2017	FY 2018
0.29	22.83	Total operations	3.31	26.19

Q4 2017	Q4 2018	Adjusted earnings per share (in €)	FY 2017	FY 2018
0.86	0.41	Total operations	4.06	3.78
0.54	0.43	Continuing operations	2.35	1.91

(continuing and discontinued operations)



Q4 resulted in higher net cash from operating activities and free cash flow

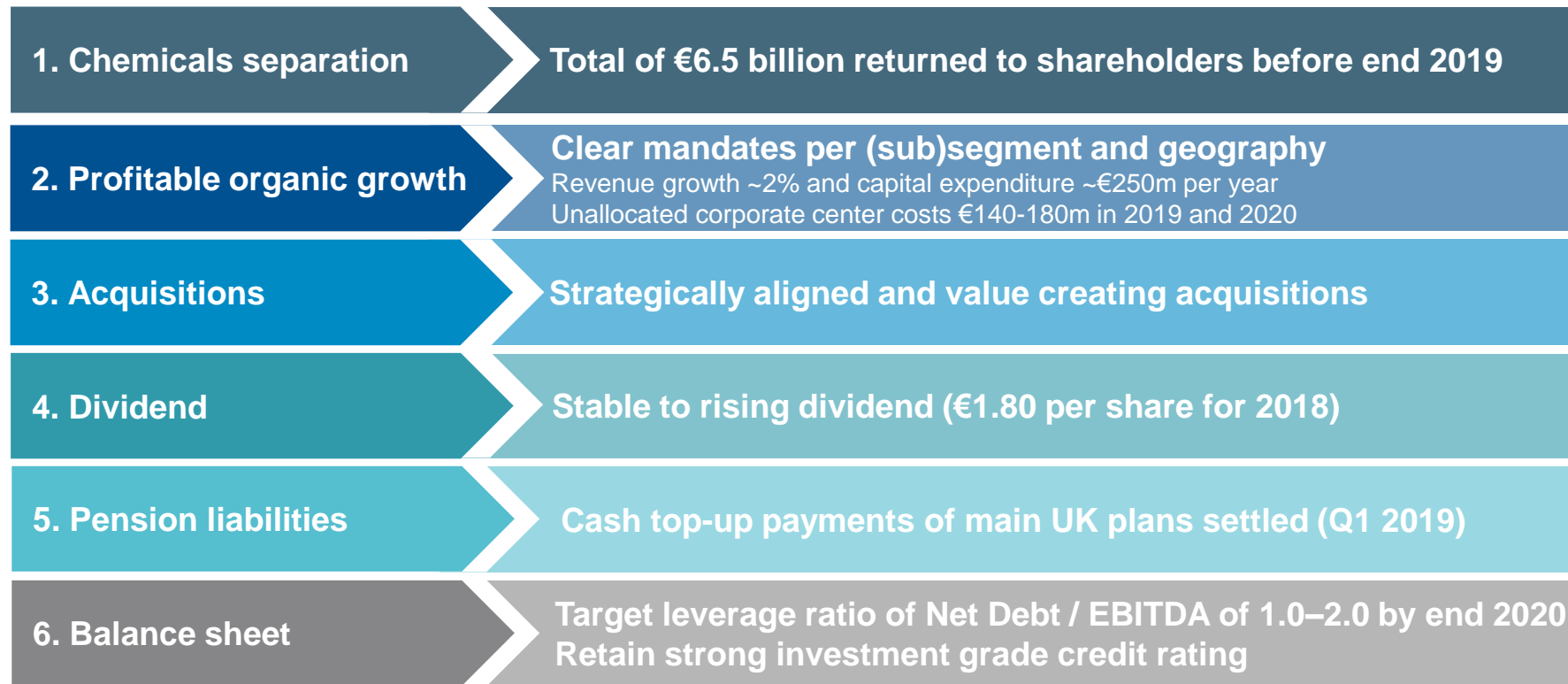
Q4 2017	Q4 2018	in € millions	FY 2017	FY 2018
45	45	Profit for the period	511	455
62	59	Amortization and depreciation	276	239
239	250	Changes in working capital	(105)	(177)
(9)	45	Changes in provisions	(338)	(203)
(2)	(1)	<i>Of which pension top-up payments</i>	(221)	(187)
(44)	(48)	Interest paid	(81)	(89)
(62)	(53)	Income tax paid	(266)	(164)
71	21	Other changes	281	101
302	319	Net cash from operating activities	278	162
(85)	(54)	Capital expenditures	(250)	(160)
217	265	Free cash flow (from operations)	28	2
219	266	Free cash flow, excluding pension top-up payments	249	189
Net Debt			1,951	(5,861)

(continuing operations)

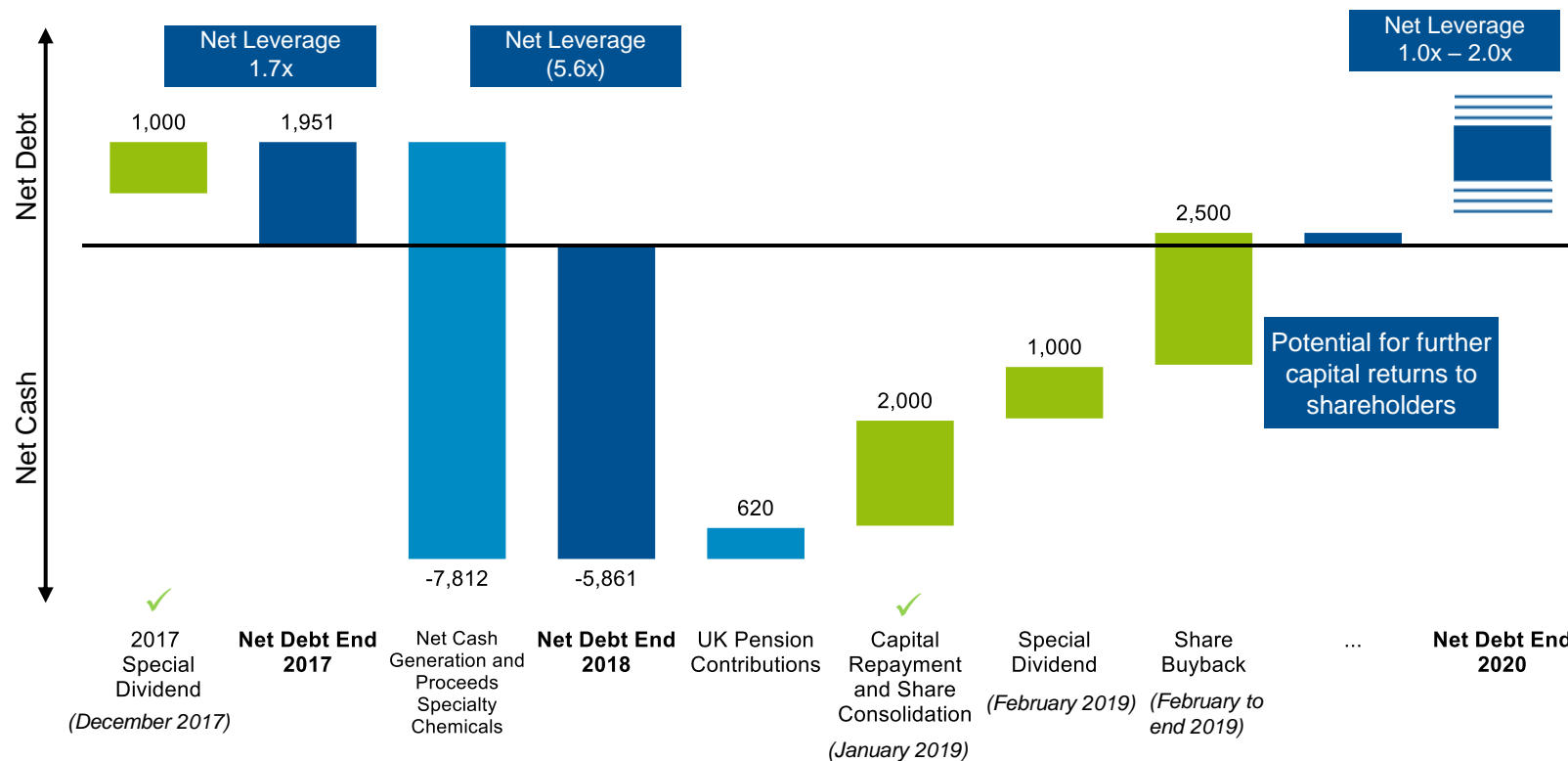


Future capital allocation

Updated capital allocation priorities



Net debt evolution towards 2020



Potential for further capital returns to shareholders



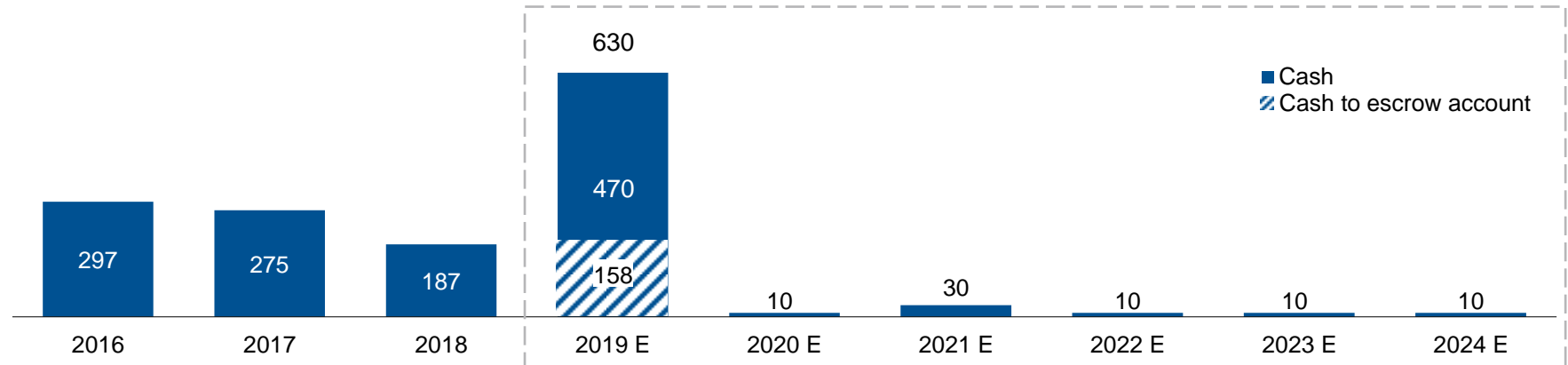
Return of proceeds from Specialty Chemicals

Cash top-up payments of main UK plans settled (Q1 2019)

- IAS19 pension surplus of €0.4 billion, following sale of Specialty Chemicals
- Negotiations on triennial review of UK defined benefit pension schemes concluded (February 2019)
- Cash top-ups updated for actual payments 2018 and future payment schedule

Estimated cash top-ups € million

Updated



Relate mainly to two UK plans: ICI Pension Fund and the Akzo Nobel (CPS) Pension Scheme

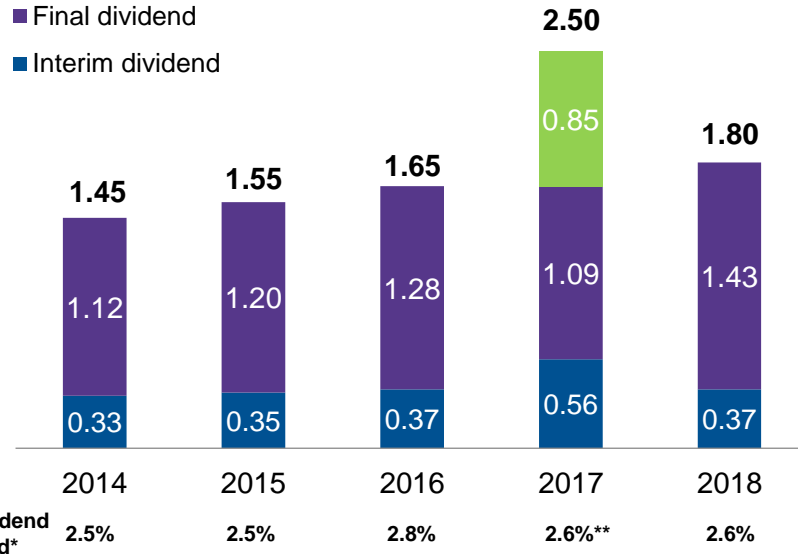
Proposed final dividend of €1.43 per share AkzoNobel

Dividend € per share

■ Related to the Speciality Chemicals business

■ Final dividend

■ Interim dividend



- Total 2018 dividend of €1.80 per share
- Dividend policy remains to pay a “stable to rising” dividend
- Dividend paid in cash (scrip option suspended)

*Based on year-end share price
**Based on rebased dividend

Concluding remarks

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2020
guidance*

ROS 15%
ROI >25%

We are delivering towards our 'Winning together: 15 by 20' strategy and continue creating a fit-for-purpose organization for a focused paints and coatings company, contributing to the achievement of our 2020 guidance.

Demand trends differ per region and segment in an uncertain macroeconomic environment. Raw material inflation is expected to continue during the first half of 2019, although at a lower rate than 2018. Robust pricing initiatives and cost saving programs are in place to address the current challenges.

We continue executing our transformation to deliver the next €200 million cost savings by 2020, incurring one-off costs in 2019 and 2020.

We target a leverage ratio of between 1.0-2.0 times net debt/ EBITDA by the end of 2020 and commit to retain a strong investment grade credit rating.

* Excluding unallocated corporate center costs and invested capital; assumes no significant market disruption

Upcoming events



Ex-dividend date of special cash dividend	February 20, 2019
Record date of special cash dividend	February 21, 2019
Payment of special cash dividend	February 25, 2019
Publication annual report	March 7, 2019
Report for the first quarter 2019	April 24, 2019
Annual General Meeting of shareholders	April 25, 2019
Ex-dividend date of 2018 final dividend	April 29, 2019
Record date of 2018 final dividend	April 30, 2019
Payment of 2018 final dividend	May 6, 2019

A focused, high performing, paints and coatings company

AkzoNobel

- ↗ Strong global brands
- ↗ Leading positions in large and attractive markets
- ↗ Balanced geographic exposure: 50% revenue from emerging markets
- ↗ Well positioned to accelerate growth and enhance profitability
- ↗ Transformation plans in place and clear path to deliver
- ↗ Significant returns to shareholders

**2020
guidance***

**ROS 15%
ROI >25%**



* Excluding unallocated corporate center costs and invested capital; assumes no significant market disruption

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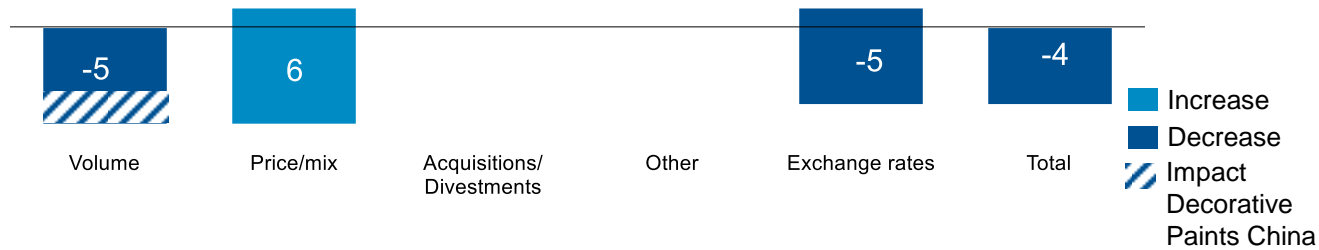


Appendix

Pricing initiatives and cost savings compensating for higher raw material costs

€ million	FY 2017	FY 2018	Δ%	Δ%CC
Revenue	9,612	9,256	(4%)	1%
Adjusted EBITDA	1,181	1,037	(12%)	
Adjusted operating income	905	798	(12%)	
Operating income	825	605	(27%)	
ROS% excluding unallocated costs	10.6	10.6		
ROS%¹	9.4	8.6		
ROI%¹	13.9	12.6		

Revenue development full-year 2018 (%)



1. ROS% = Adjusted operating income/Revenue. ROI% = 12 months adjusted operating income/12 months average invested capital.

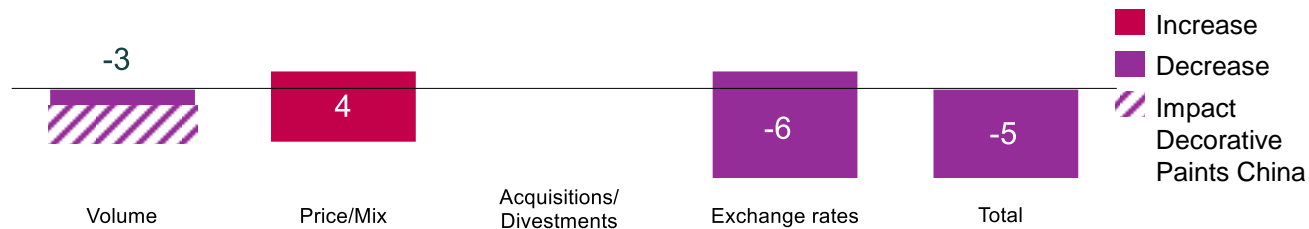
- Revenue was 4% lower, although up 1% in constant currencies. Volumes were 5% lower versus an exceptionally strong last year in China, and driven by our value over volume strategy
- Adjusted operating income at €798 million (2017: €905 million), was impacted by adverse currencies, higher raw material costs and lower volumes, partly compensated by pricing initiatives
- Savings from continuous improvement more than offset fixed cost inflation. Creating a fit-for-purpose organization fully delivered on the €110 million planned savings for 2018

Full-year 2018: Decorative Paints

€ million	FY 2017	FY 2018	Δ%	Δ%CC
Revenue	3,898	3,699	(5%)	1%
Adjusted EBITDA	472	438	(7%)	
Adjusted operating income	351	346	(1%)	
Operating income	334	308	(8%)	
ROS%*	9.0	9.4		
ROI%*	12.5	12.4		

- Revenue was 5% lower, although up 1% in constant currencies
- Price/mix effects were up 4% overall. Volumes were 3% lower, driven by our value over volume strategy and versus an exceptionally strong last year
- Adjusted operating income was €5 million lower, and up in constant currencies. Higher selling prices and cost savings offset higher raw material costs
- Operating income was impacted by €38 million identified items relating to the transformation of the organization

Revenue development full-year 2018 (%)



*ROS% = Adjusted operating income/revenue. ROI% = 12 months adjusted operating income/12 months average invested capital.

Full-year 2018: Performance Coatings

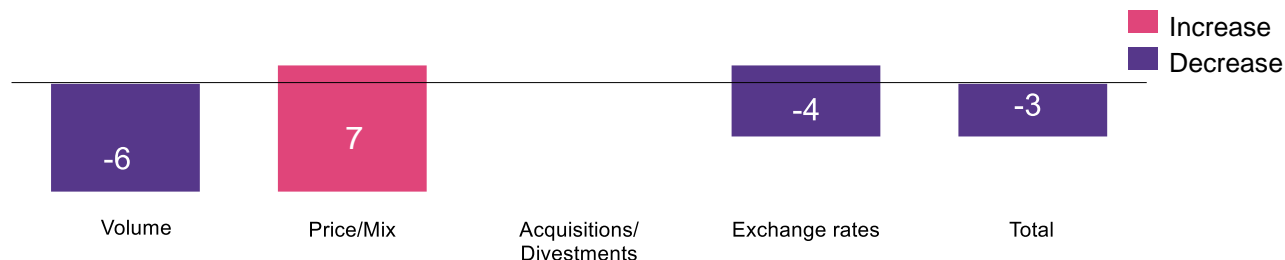
€ million	FY 2017	FY 2018	Δ%	Δ%CC
Revenue	5,775	5,587	(3%)	1%
Adjusted EBITDA	817	767	(6%)	
Adjusted operating income	669	629	(6%)	
Operating income	668	577	(14%)	
ROS%*	11.6	11.3		
ROI%*	23.4	20.5		

Revenue was 3% lower and up 1% in constant currencies. Pricing initiatives continued to gain traction, with further increases planned. Volumes were lower

Adjusted operating income decreased. The impact of pricing initiatives, asset network optimization and cost control did not yet fully offset adverse currencies, higher raw material costs and lower volumes

Operating income was adversely impacted by €52 million identified items relating to the transformation of the organization

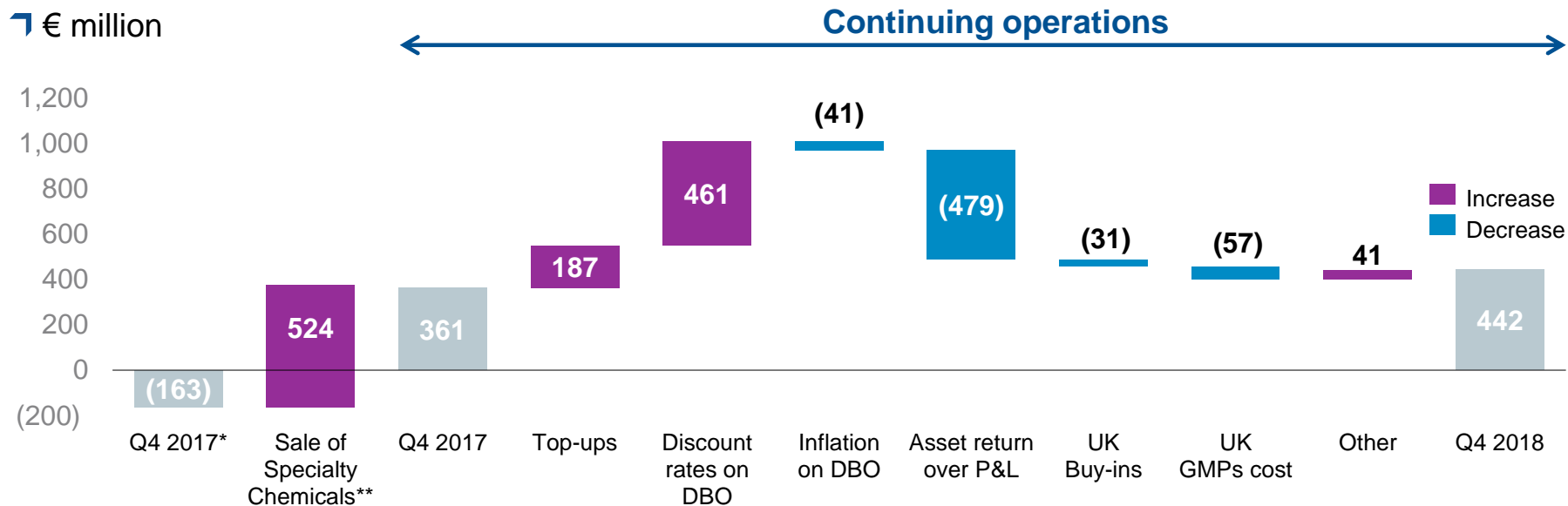
Revenue development full-year 2018 (%)



*ROS% = Adjusted operating income/revenue. ROI% = 12 months adjusted operating income/12 months average invested capital.

IAS19 pension surplus following sale of Specialty Chemicals

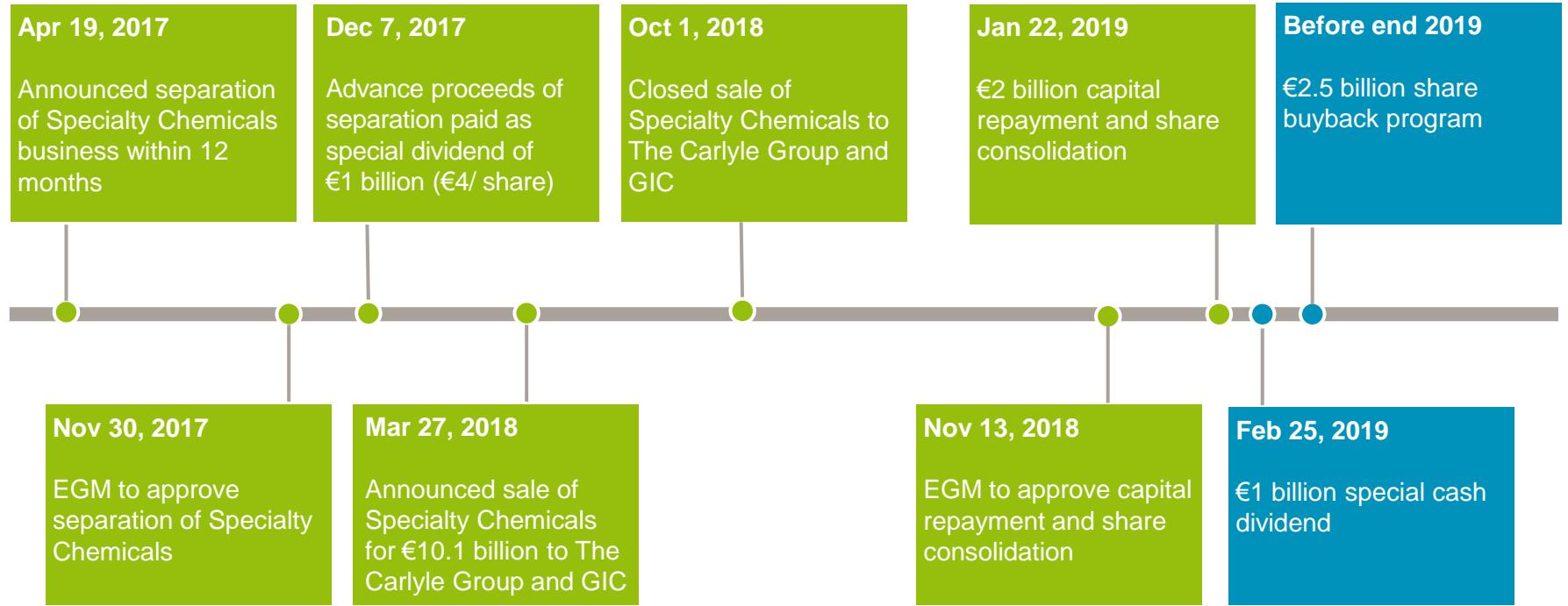
Key pension financial assumptions	Q4 2017	Q4 2018
Discount rate	2.4%	2.7%
Inflation rate	3.0%	3.1%



*Includes discontinued operations

**Does not include movements from Q4 2017 to end Q3 2018

€6.5 billion return to shareholders to be completed before end 2019



Breakdown of total raw material spend

2018 (%)

