

# AkzoNobel investor update

## The Premium Review 2016

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December 1, 2016



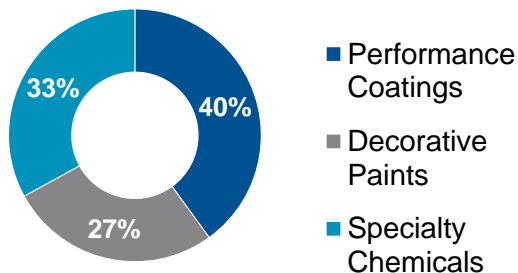
# Global paints, coatings and specialty chemicals company

# AkzoNobel

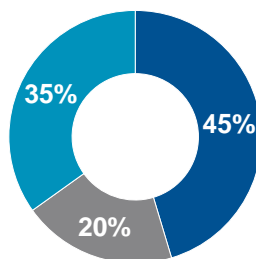
- ↗ €14.9 billion revenue (2015)
- ↗ €2.1 billion EBITDA (2015)
- ↗ 80+ countries
- ↗ 45,600 employees (2015)
- ↗ Leadership positions in many markets



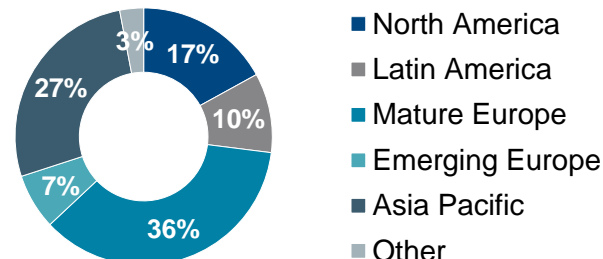
### Revenue by Business Area



### 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

# Strategy delivering results and building foundation for continuous improvement

### 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

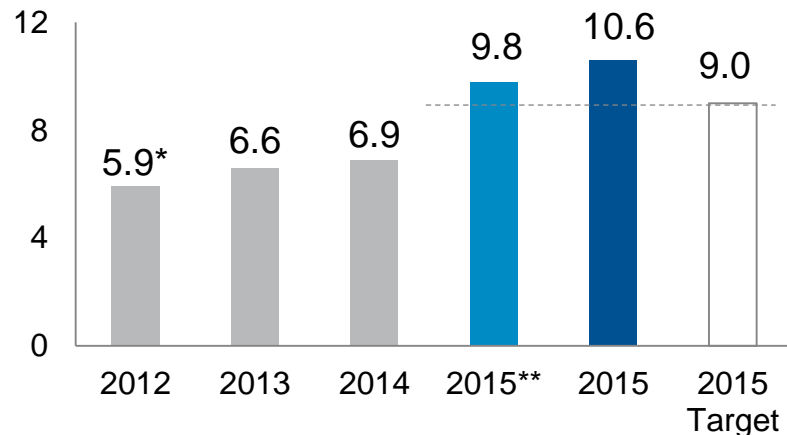
↗ Proactive management of pension liabilities

↗ Continued focus on sustainability

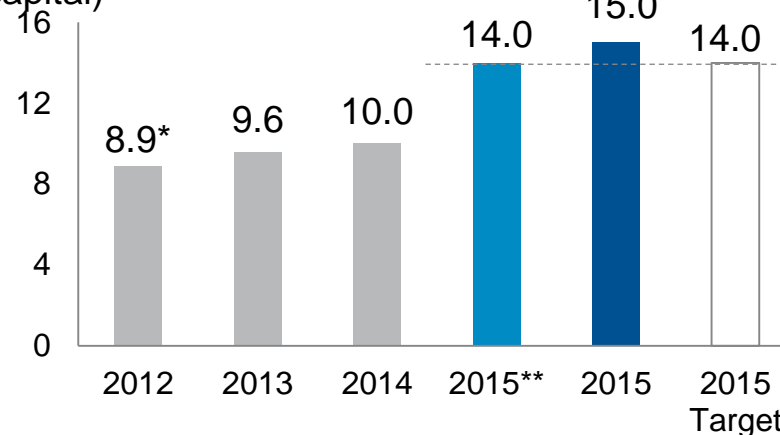
↗ Core principles and values | Human Cities

# We delivered all 2015 financial targets

Return on sales %  
(Operating income/revenue)



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

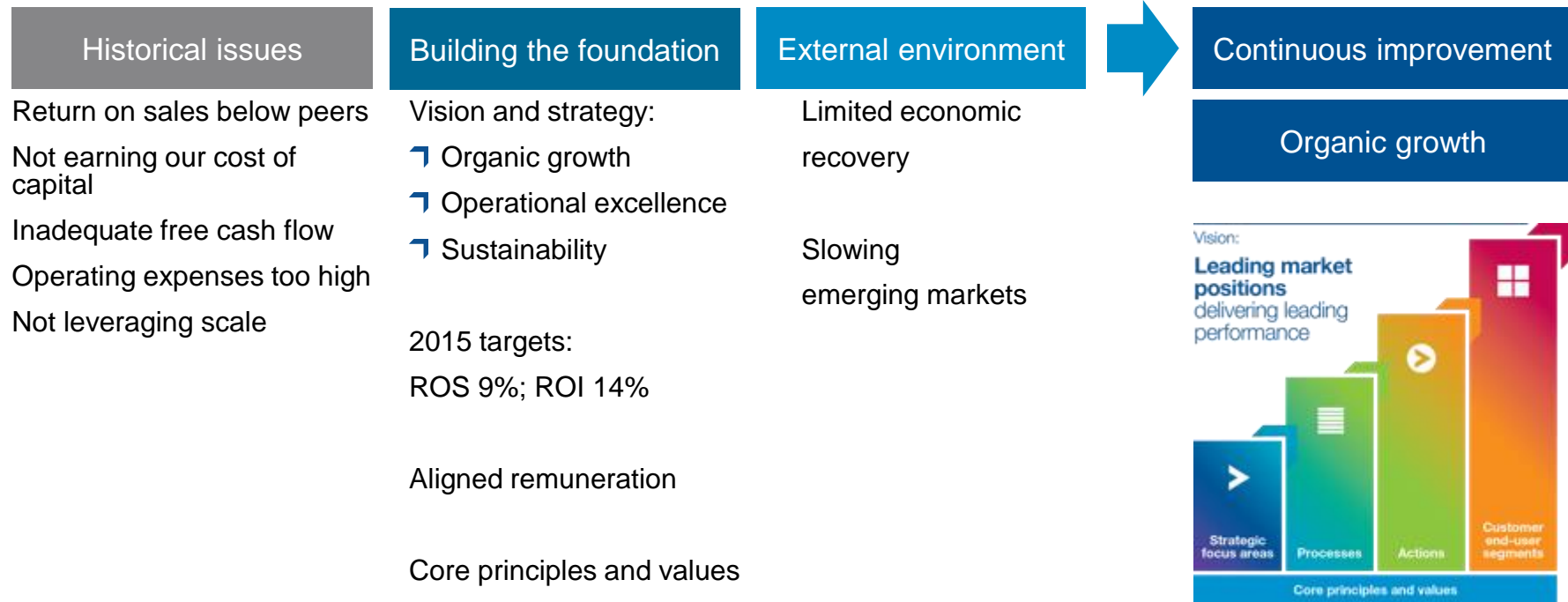


**Net debt/EBITDA = 0.6 (target: <2.0)**

**Exceeded 2015 targets**

\* Excluding impairment (€2.1 billion) and after IAS19 \*\* Excluding incidental items

# Strategy will be maintained and move towards the next phase



# Focus will shift towards continuous improvement and growth



# 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



# Mixed volume development for 2016 and deflationary pressures continue

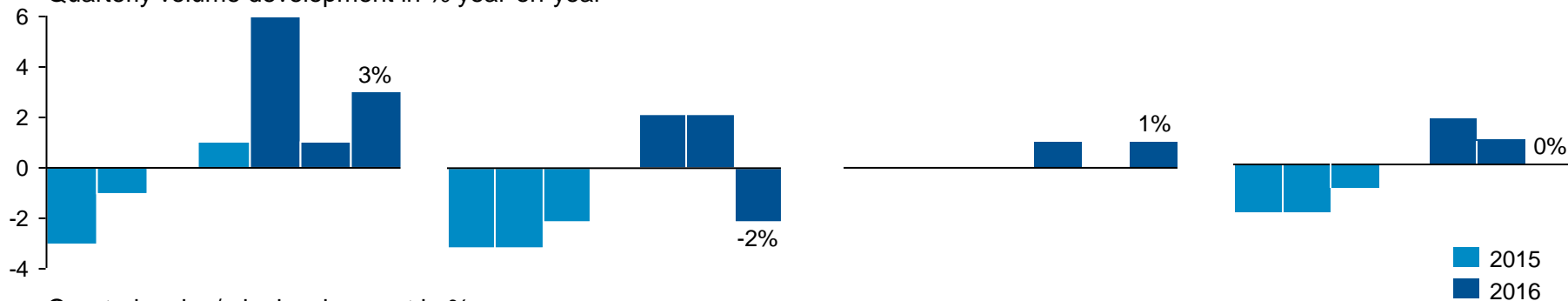
## Decorative Paints

## Performance Coatings

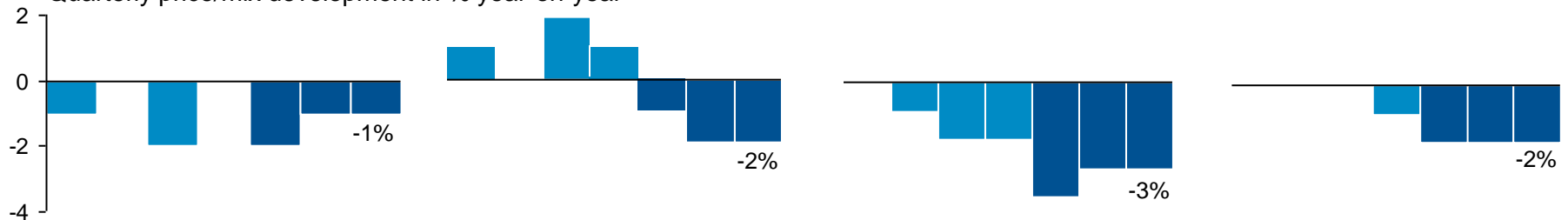
## Specialty Chemicals

## AkzoNobel

Quarterly volume development in % year-on-year



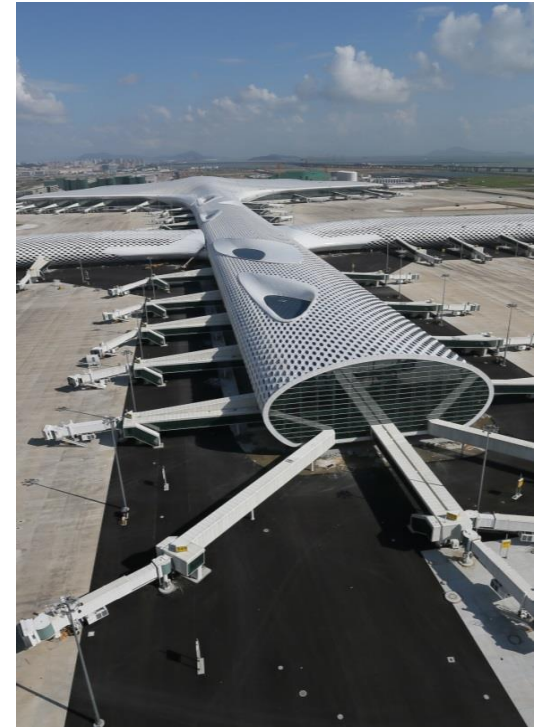
Quarterly price/mix development in % year-on-year



# Acquisition of BASF Industrial Coatings will strengthen market leading positions

**AkzoNobel**

- 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 before end 2016



# Profitability continues to improve, despite adverse currency and price/mix effects

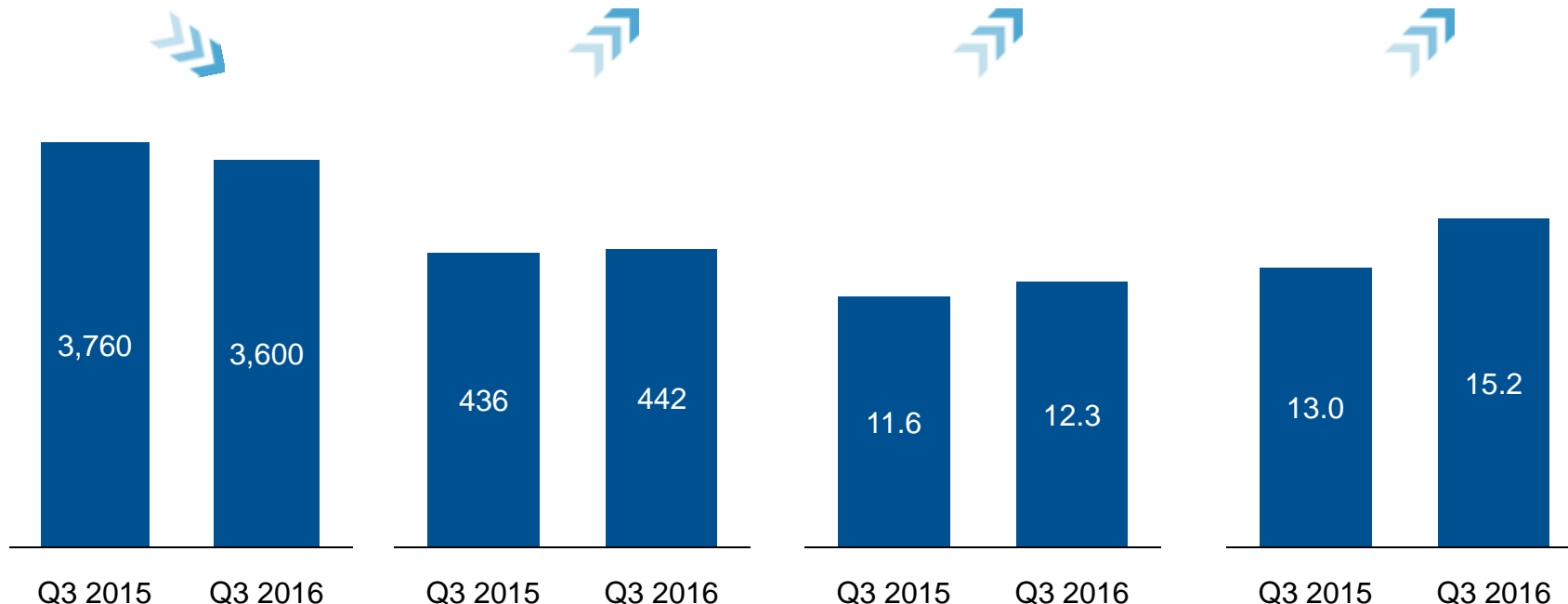
# AkzoNobel

Revenue (€ million)

EBIT\* (€ million)

ROS %\*\*

Moving average ROI %\*\*



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



## Q3 profitability improved overall and for all Business Areas

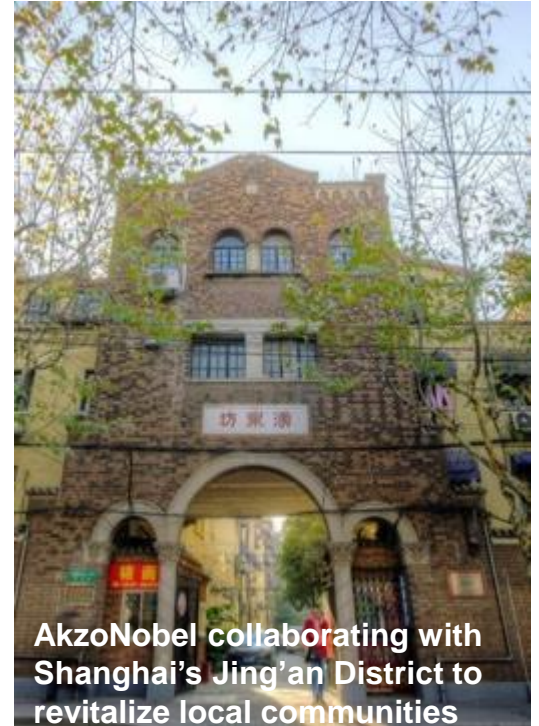
- ↗ Volume growth in Decorative Paints and Specialty Chemicals
- ↗ Revenue down, due to adverse currency and price/mix effects
- ↗ EBIT and operating income higher
- ↗ ROS\* and ROI\* improved
- ↗ Net income attributable to shareholders was €285 million
- ↗ Net cash inflow from operating activities up 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.

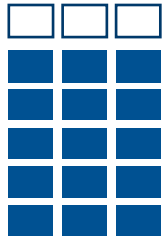
**We maintain our financial guidance 2016-2018**

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



# Support functions are progressing towards the future operating model

Decentralized functions



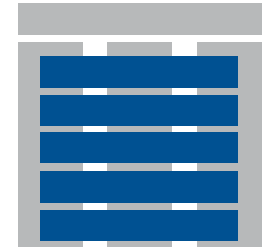
Function reporting and alignment



Shared services/ outsourcing



Global Business Services



Human Resources

Information Management

Finance

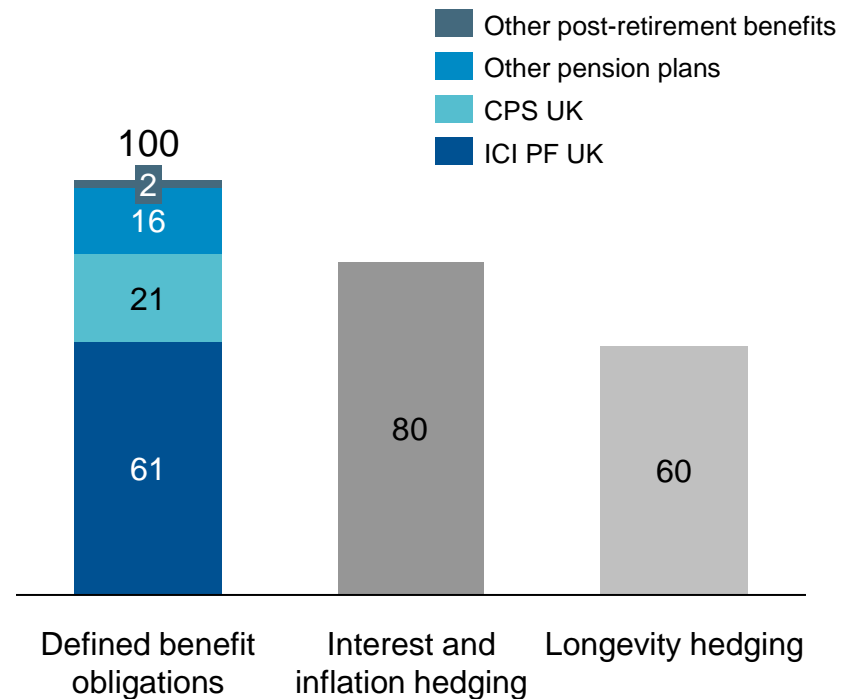
Procurement (non product related)





# 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

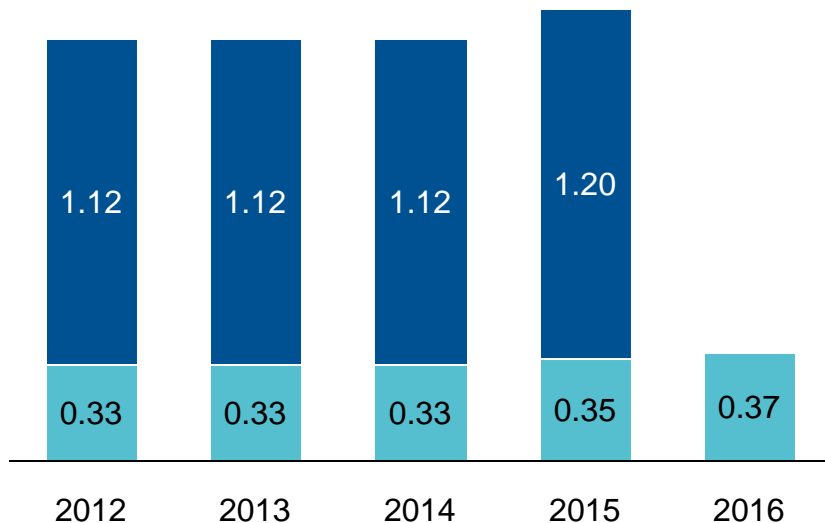


\*Total year to date September 2016



# Interim dividend up 6 percent and policy of “stable to rising”

Dividends € per share



- Dividend policy is to pay a “stable to rising” dividend each year
- Dividend paid in cash, unless shareholders elect to receive a stock dividend (normal uptake 35-40 percent)
- 2015 dividend up 7 percent to €1.55 per share
- Interim dividend 2016 up 6 percent to €0.37 per share (2015: €0.35)

Final dividend  
Interim dividend

# Recent highlights from our Human Cities, innovation and sustainability activities

**AkzoNobel**



# A strong case for investment

**AkzoNobel**

- 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



# Appendix



# 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

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



# 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