Winning Together – 15 by 20

Analyst roundtable
March 8, 2018
Strategy: Winning Together
Thierry Vanlancker
A focused Paints and Coatings company

€9.6bn revenue
€1.2bn EBITDA
€0.9bn EBIT
9.4% ROS
13.9% ROI
35,700 people

North America 12%
Mature Europe 33%
Emerging Europe 9%
Asia Pacific 32%
Latin America 9%
Other countries 5%

Key regions by revenue

All figures are based on year-end 2017, including unallocated corporate center costs and invested capital.
Top 3 player with leading positions in large and attractive markets

Global paints and coatings by market sector
~€110 billion, 2017

- Decorative paints
- Powder coatings
- Protective coatings
- Wood finishes
- Vehicle refinish
- Specialty / plastics
- Marine coatings
- Coil coatings
- Packaging coatings
- Automotive OEM (metal)
- General Industrial / Other

North America; 10%

Automotive OEM (metal); 7%

General Industrial and Other; 14%

Source: KNG, Internal estimates
Performance versus peers improved; potential for further improvement remains

Source: Company data, internal estimates; Q3 YTD and assumptions used for companies that have not yet published full-year results
Well positioned to accelerate growth and enhance profitability

Return on sales¹

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2017</th>
<th>2020 guidance²</th>
</tr>
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<tbody>
<tr>
<td>%</td>
<td>8.4</td>
<td>10.6</td>
<td>15</td>
</tr>
<tr>
<td>Unallocated corporate cost</td>
<td></td>
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Return on investment ¹

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2017</th>
<th>2020 guidance²</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>15.0</td>
<td>18.0</td>
<td>&gt;25</td>
</tr>
<tr>
<td>Unallocated corporate cost and invested capital</td>
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</table>

¹) ROS% = EBIT/revenue and moving average ROI (in %) = 12 months EBIT/12 months average invested capital
²) Excluding unallocated corporate center costs and invested capital; assumes no significant market disruption
Winning together – 15 by 20

- Passion for Paint
- Precise processes
- Powerful performance
- Proud people

2020 guidance:
- ROS 15%
- ROI >25%

1) Excluding unallocated corporate center costs and invested capital; assumes no significant market disruption.
Management team in place to deliver

Thierry Vanlancker
CEO

Maarten de Vries
CFO

Ruud Joosten
Chief Operating Officer

David Allen
Chief Supply Chain Officer

Sven Dumoulin
General Counsel

Marten Booisma
Chief Human Resources Officer
New fit for purpose structure to increase customer focus and drive efficiency

From...

Customer
Business
SC
Customer
Business
SC
Customer
Business
SC
Customer
Business
SC

To...

Customers

Integrated business planning

Integrated supply chain
Clear path to deliver on 2020 guidance

- Fixed cost inflation
- Continuous Improvement
- Integrated Supply Chain Transformation
- SG&A and RD&I Transformation

10.6%

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

2017

15%

2020

2020 guidance
ROS 15%
ROI >25%
Commercial: Passion for paint
Ruud Joosten
Price increases implemented and building future capability for pricing acceleration

Current and critical challenge

<table>
<thead>
<tr>
<th>Year</th>
<th>Oil price quarterly average</th>
<th>TiO2 price quarterly average</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>100</td>
<td>80</td>
</tr>
<tr>
<td>2016</td>
<td>90</td>
<td>70</td>
</tr>
<tr>
<td>2017</td>
<td>80</td>
<td>60</td>
</tr>
</tbody>
</table>

World oil price, Brent crude spot, $ per barrel vs. global average TiO2 prices Index (2017 average = 100)

* Including unallocated corporate costs

ROS development*:

- Cost control protected margins in short-term

Pricing acceleration

- Standardized pricing methodology
- Differentiated approach to pricing actions
- Centralized and detailed action tracking
- 'Surgical' analysis and full transparency

Winning Together | March 2018
**Strong portfolio of businesses with leading positions in all segments**

|--------------------------------|--------------------------|-----------------------------|---------------------|-----------------------------------------------------------------------------------------------|
| Decorative Paints              | 30                       |                             | 1                   | • #1/#2 market positions where we play  
• Strong brands and product portfolio  
• Leverage global to win local!        |
| Marine and Protective Coatings | 12                       |                             | 1                   | • Marine: consolidated market  
• Protective: few global players  
• Global technology leadership |
| Powder Coatings                | 8                        |                             | 1                   | • Interpon #1 global brand  
• Sustainable coatings conversions  
• Strong product/technology capabilities |
| Industrial Coatings            | 12                       |                             | 1/2                 | • Extensive product offering  
• Strong position with top tier customers  
• Urbanization and construction growth |
| Automotive and Specialty Coatings | 11                   |                             | 2/3                 | • Growth of emerging market consumers  
• Leader in digital color |

1) Excluding ~€40 billion in regions/segments where we are not present  
2) Total market growth (revenue weighted)

Source: KNG, internal estimate

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50% revenue from emerging markets
Decorative Europe: Winning model to capture benefits in recovering market

Largest player in fragmented market

- AkzoNobel
- Peer 1
- Peer 2
- Peer 3
- Others

50% #1 positions
30% #2 positions

Grow market share and improve profitability:
- Build winning brands and leading positions
- Reduce complexity
- Leverage scale
- Optimize portfolio and route to market
- Opportunities for consolidation

Market expected to continue recovery

Decorative Paints Europe Market Size Index

+2% CAGR 2016-20

Leverage global to win local!

Smart packaging design
Global guidelines
Local brand assets

Source: KNG 2017, internal estimate
Decorative Asia: continued expansion in highly profitable and fast growing markets

€10bn market

Strong growth drivers

#1 or #2 positions in many countries

- Highly profitable and cash generative (despite lower ASP)
- Leveraging global brands and innovation
- Local expertise and strong customer understanding
- Profitable growth in mass market and project business
- Leader in sustainability

Revenue Decorative Paints Asia (€ million)

- Doubled in 10 years

China

Growing demand for eco-premium products…

Dulux

South East Asia

Developing a successful exterior proposition…

Dulux

... and leveraging best practice from Europe
Marine and Protective Coatings: ongoing restructuring and portfolio rebalancing

**Industry headwinds in marine and oil and gas industries**

- Oil and gas capital expenditure ($ bn)
- Marine order book CGT*

**Revenue development Marine and Protective coatings Demonstrates lag effect**

- 13% (2012)
- -5% (2013)
- 2% (2014)
- 11% (2015)
- -7% (2016)
- -11% (2017)

**Rebalancing portfolio for Protective Coatings**

Global market leader, defending strong positions
Focus on value pricing; restructuring ongoing
Maintain technology leadership, e.g. Intersleek UV-LED

Source: Clarkson Research. *Compensated gross tonnage
Powder Coatings: Clear global #1 in fastest growing and highly profitable market

Multiple sources of growth (examples):

- **New applications**
  - Architectural and automotive coatings

- **Increased capacity**
  - Chengdu – Biggest powder coatings plant in the world

- **Geographic expansion**
  - Northern and Western India and Western China

- **Product innovation**
  - OneWheel, Interpon Cr

- **Bolt-on acquisitions**
  - V.Powdertech, Thailand

~€8bn market

Growth 2x industrial GDP

#1 with 2x relative market share

Sustainability advantages of powder coatings over liquid coatings:

- Zero Volatile Organic Compounds (VOCs)
- Less waste during application (>95% usage efficiency)
Operations: Precise processes
David Allen
One organization with a common way of working and aligned set of targets

15,000 people
123 sites
448 warehouses
€250m CAPEX/yr

AkzoNobel Leading Performance System:

Customer excellence
Operational excellence
Leading edge technology

2020 targets:

- **Safety**
  - TRR <1.0 (Top quartile)

- **Service**
  - 98.5% Perfect Order Index (OTIF)

- **Cost**
  - 4% annual cost productivity

- **Capital**
  - Inventories 25% lower

- **People**
  - Top quartile engagement

Note: Total reportable rate (TRR) 1.0 is equivalent to 0.2, in line with OSHA guidelines
Journey to build a world-class integrated supply chain

**2014 - 2017**
- **Functional**
  - ALPS continuous improvement processes and standardized ways of working
  - Global functional strategy
  - Common safety platform
  - ALPS Plan, Source, Make, Deliver

**Today**
- **Integrated**
  - ALPS Integrated Business Planning process for all business units to improve financial performance
  - Organization transformation
  - ALPS Integrated Business Planning
  - Purchase to pay (procurement)

**2020**
- **End to end**
  - ALPS customer and supplier focused processes to support delivery of 15% ROS by 2020
  - Total quality and service excellence
  - Supplier collaboration
  - ALPS Digitization

+€200m annual cost savings by 2020

€120m cost savings annually
ALPS continuous improvement

Implementation status (%)

Plan
35%
planning entities

Source
60%
orGANIZATION

Make
75%
sites

Deliver
20%
warehouses

48 ALPS processes designed and deployed
3800 employees trained and certified
~700 ALPS improvement projects per year
67 site and warehouse closures 2014-17

Safety
TRR 1.0
(Top quartile)

Service
>95.5% OTIF
(Top quartile)

€120m
annual cost savings
run rate

2014-17
Organization transformation: One operating model

Integrated Business Planning: One end-to-end business process

- +75% Forecast accuracy
- 95.5% → 98.5% Service (OTIF)
- 25% Inventory reduction
- Top Quartile Performance
3 End to end processes

Cost of sales

~€5.4bn
in 2017

One operating model
and Integrated Business Planning

- Total quality and service excellence
- Supplier collaboration
- ALPS Digitization
- Asset network optimization
- Resource productivity

Further
€200m
annual cost savings
by 2020

in addition to ALPS
continuous improvement
Financial: Powerful performance
Maarten de Vries
## Winning together strategy leverages greater focus to accelerate improvements

<table>
<thead>
<tr>
<th>Passion for Paint</th>
<th>From…</th>
<th>To…</th>
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<tbody>
<tr>
<td>Decentralized businesses…</td>
<td>Centrally driven sales excellence and margin management…</td>
<td></td>
</tr>
<tr>
<td>Differing levels of maturity…</td>
<td>Consistent across all businesses…</td>
<td></td>
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<table>
<thead>
<tr>
<th>Precise processes</th>
<th>From…</th>
<th>To…</th>
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<tbody>
<tr>
<td>Fragmented process and system landscape…</td>
<td>Simplified ERP and system platform…</td>
<td></td>
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<tr>
<td>Integrated end-to-end processes…</td>
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<table>
<thead>
<tr>
<th>Powerful performance</th>
<th>From…</th>
<th>To…</th>
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<tbody>
<tr>
<td>Independent businesses with dedicated supply chain…</td>
<td>Lean fit-for-purpose organization…</td>
<td></td>
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<tr>
<td>Many KPIs…</td>
<td>Laser sharp focus on 15% ROS!</td>
<td></td>
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<table>
<thead>
<tr>
<th>Proud people</th>
<th>From…</th>
<th>To…</th>
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<tbody>
<tr>
<td>Diverse cultures…</td>
<td>One single global team…</td>
<td></td>
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<tr>
<td>Fragmented incentive schemes…</td>
<td>Aligned incentives…</td>
<td></td>
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<tr>
<td>High-performance culture</td>
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</table>
Transformation plans in place with most projects already being initiated

<table>
<thead>
<tr>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
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</thead>
<tbody>
<tr>
<td>Sales force effectiveness</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
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<tr>
<td>Margin management</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
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<tr>
<td>Innovation excellence</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
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<tr>
<td>Global Business Services</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
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<tr>
<td>Integrated Business Planning</td>
<td>✔️</td>
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<tr>
<td>ALPS continuous improvement</td>
<td>✔️</td>
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<td>✔️</td>
</tr>
<tr>
<td>Fit-for-purpose organization</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
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<tr>
<td>Procurement excellence</td>
<td>✔️</td>
<td>✔️</td>
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<td>High performance culture</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
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<tr>
<td>Career and capability development</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
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<tr>
<td>Core principles</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
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Clear path to deliver on 2020 guidance

- **10.6%**
  - Growth and net price/ mix ~2%/ yr
  - Fixed cost inflation ~€100m/ yr

- **Continuous Improvement**

- **Integrated Supply Chain Transformation** €200m by 2020

- **SG&A and RD&I Transformation**

- **15%**

**Key initiatives:**
- Fit-for-purpose organization (€110m in 2018)
- Sales force effectiveness
- Innovation excellence
- Global Business Services
- ERP and systems platform

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1) Excluding unallocated corporate center costs and invested capital; assumes no significant market disruption.
Continued focus on cash flow and increased shareholder returns

**Working capital**

<table>
<thead>
<tr>
<th>Year</th>
<th>OWC</th>
<th>OWC % of revenue</th>
</tr>
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<tbody>
<tr>
<td>2014</td>
<td>831</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>828</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>834</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>927</td>
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</table>

**Cash conversion**

(EBITDA - capital expenditure)/EBITDA

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>1210</td>
<td>1181</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>278</td>
<td>250</td>
</tr>
<tr>
<td>Cash conversion</td>
<td>77%</td>
<td>79%</td>
</tr>
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**Significant returns to shareholders:**

- 50% higher dividend for 2017
- €1bn special cash dividend (paid)
- Vast majority of net proceeds returned*

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* Specialty Chemicals separation
Capital allocation priorities for long-term value creation

1. Chemicals separation
   - Vast majority of net proceeds returned to shareholders

2. Profitable organic growth
   - Enhanced profitability while investing in growth

3. Acquisitions
   - Strategically aligned and value generating acquisitions

4. Dividend
   - Stable to rising dividend (€1.65 per share for 2018)

5. Manage pension liabilities
   - Limit risk and reduce uncertainty

6. Balance sheet
   - Retain strong investment grade credit rating
Strong bolt-on acquisitions completed during 2016 and 2017

**BASF Industrial Coatings**
Expands our (technology) portfolio and strengthens our market positions, particularly in coil, protective and wood coatings sectors

Feb 2016: BASF Industrial Coatings

**V.Powdertech**
Strengthens our leading global market position in powder coatings

November 2017: V.Powdertech

**Flexcrete**
Expands our offering in key industrial markets of downstream oil and gas, chemical processing, commercial infrastructure, power and water

July 2017: Flexcrete

**Disatech**
Brings new technologies and services that complement existing portfolio of coatings and films for the aerospace and transport sectors

July 2017: Disatech

**Acquisition criteria:**

- Strategically aligned and value generating
- Adding segment, geography and/or technology to the portfolio
- Disciplined approach

Note: Timeline shows date of acquisition announcement
Capital allocation priorities for long-term value creation

1. Chemicals separation  
   Vast majority of net proceeds returned to shareholders

2. Profitable organic growth  
   Enhanced profitability while investing in growth

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Concluding remarks
Thierry Vanlancker
Winning together – 15 by 20

Passion for Paint

Precise processes

Powerful performance

Proud people

2020 guidance

ROS 15%
ROI >25%

1) Excluding unallocated corporate center costs and invested capital; assumes no significant market disruption.
A focused, high performing Paints and Coatings company

- 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

1) Excluding unallocated corporate center costs and invested capital; assumes no significant market disruption
Thank you!
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