

Investor update Full-year and Q4 2017

March 8, 2018



Sikkens Autoclear UV, a product made by Vehicle Refinishes, needs less drying time thanks to the use of UV light

Agenda



Key highlights



Financial review



Concluding remarks



Q&A

On track to create two focused high performing businesses

**Revenue
up 4%**

excluding currency
impact

**Higher
volumes**

for both Paints
and Coatings, and
Specialty
Chemicals

Separation
of Specialty
Chemicals
on track

Specialty
Chemicals
reported as
discontinued
operations

**Phase
one**

of creating a fit
for purpose
Paints and
Coatings
organization

Record
**EBIT
up 2%**
to €1,525m

**3
bolt-on
acquisitions**

#1
DJSI
Chemicals
industry
group

Top
quartile
safety

141
“Let’s
colour”
Walls of
Connection

(continuing and discontinued operations)

AkzoNobel full-year 2017: Delivering higher revenue and EBIT

Full-year

Revenue

4% higher
excluding currency impact

Adjusted EPS

Up 6% at €4.40
(2016: €4.15)

EBIT

2% higher

Total dividend proposed for 2017

Up 52% at €2.50
(2016: €1.65)

Q4

Revenue

6% higher
excluding currency impact

Adjusted EPS

Up 39% at €0.92
(2016: €0.66)

EBIT

30% higher

Completed acquisition V.Powdertech Co Ltd



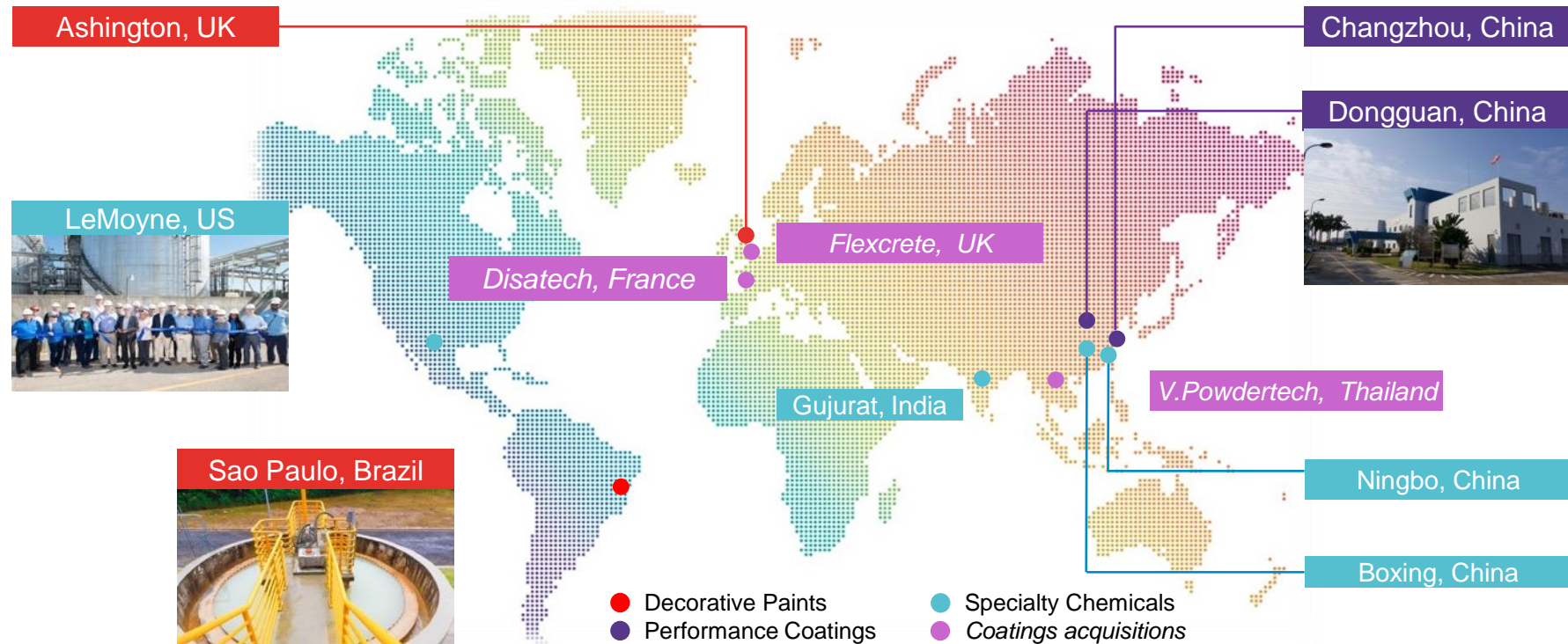
Capitalizing on positive market trends and dealing with specific headwinds

AkzoNobel



Investment in sites, and acquisitions, to support organic growth

AkzoNobel



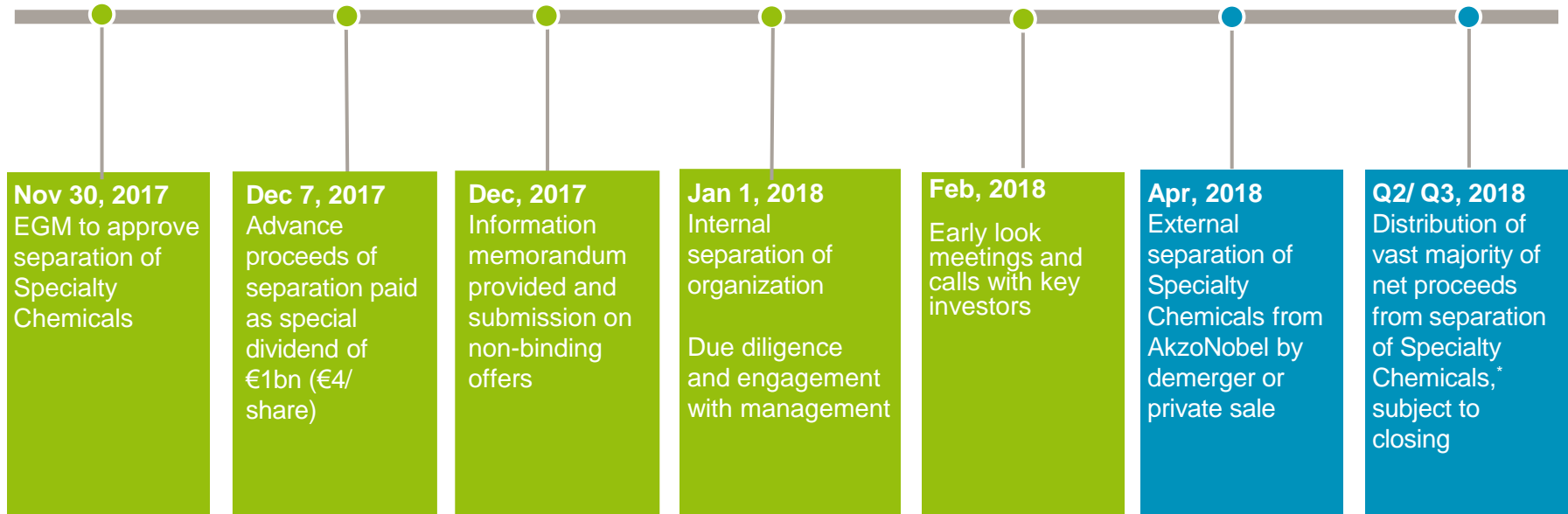
Key highlights

(continuing and discontinued operations)

Investor update

Separation of Specialty Chemicals remains on track for April 2018

AkzoNobel



* In case of a demerger, shareholders effectively receive the proceeds as they would become shareholders of the Specialty Chemicals business as a separate listed company



Financial review

AkzoNobel



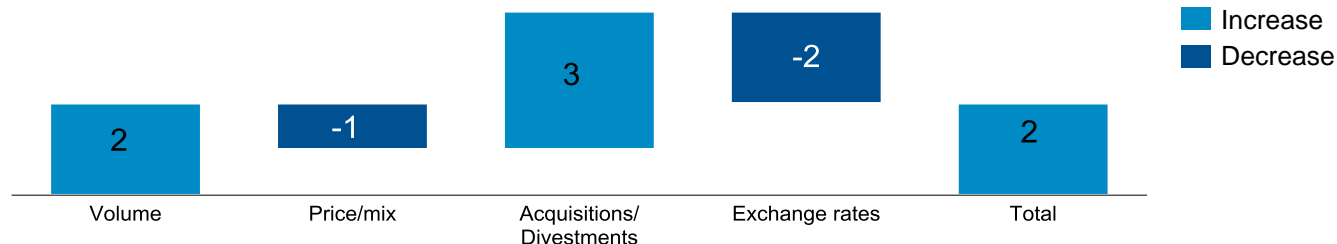
AkzoNobel's color expertise was called upon to create a special gold custom coating for China's latest generation of high-speed trains. We supplied a bold new look for the sleek Fuxing CR400BF, which has been dubbed the Golden Phoenix (fuxing means rejuvenation).

Paints and Coatings full-year 2017: Growth driven by volumes and acquisitions

€ million	FY 2016 ¹	FY 2017	Δ%
Revenue	9,434	9,612	2
EBITDA	1,210	1,181	(2)
EBIT (Operating income excluding identified items)	928	905	(2)
Operating income	923	825	(11)

Ratio, %	FY 2016 ¹	FY 2017
ROS% ²	9.8	9.4
ROI (in %) ²	14.4	13.9

Revenue development FY 2017 (%)



- Revenue up 4% excluding currencies
- Revenue growth for both business areas
- Price/mix impacted by strong growth in emerging markets
- EBIT impacted by higher raw material costs, partly offset by increased selling prices, continuous improvement and cost control
- Operating income includes identified items, mainly related to the transformation

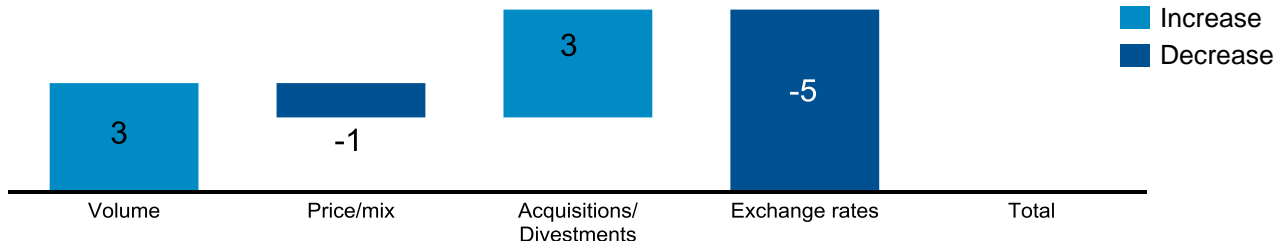
1. Represented to present the Specialty Chemicals business as discontinued operations 2. ROS% = EBIT/revenue. ROI (in %) = 12 months EBIT/12 months average invested capital

Paints and Coatings Q4 2017: Higher volumes and increased profit

€ million	Q4 2016 ¹	Q4 2017	Δ%
Revenue	2,291	2,283	-
EBITDA	220	240	9
EBIT (Operating income excluding identified items)	149	178	19
Operating income	132	139	5

Ratio, %	Q4 2016 ¹	Q4 2017
ROS% ²	6.5	7.8
ROI (in %) ²	14.4	13.9

Revenue development Q4 2017 (%)



- Revenue up 5% excluding currencies
- Higher volumes driven by Decorative Paints with growth in all regions
- Price/mix impacted by strong growth in emerging markets
- EBIT increased with selling prices, continuous improvement and cost control, partly offset by higher raw material costs
- Operating income includes identified items, mainly related to the transformation

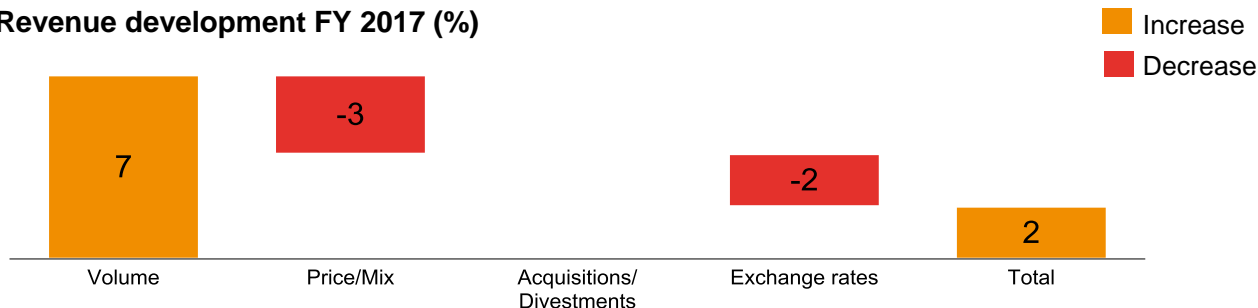
1. Represented to present the Specialty Chemicals business as discontinued operations. 2. ROS% = EBIT/revenue. ROI (in %) = 12 months EBIT/12 months average invested capital

Decorative Paints full-year 2017: Volumes up 7%, with growth in all regions

€ million	FY 2016	FY 2017	Δ%
Revenue	3,835	3,898	2
EBIT (Operating income excluding identified items)	357	351	(2)
Operating income	366	334	(9)

Ratio, %	FY 2016	FY 2017
ROS%*	9.3	9.0
ROI (in %)*	12.8	12.5

Revenue development FY 2017 (%)



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



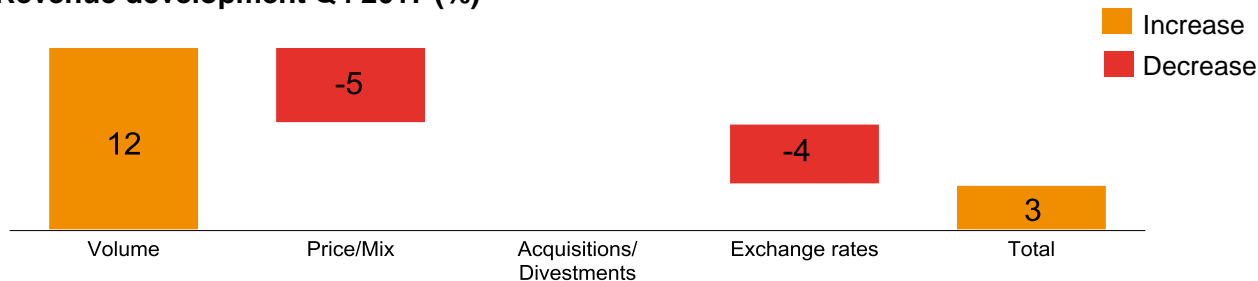
Decorative Paints Q4 2017: Strong volume growth continues

AkzoNobel

€ million	Q4 2016	Q4 2017	Δ%
Revenue	898	923	3
EBIT (Operating income excluding identified items)	51	58	14
Operating income	51	41	(20)

Ratio, %	Q4 2016	Q4 2017
ROS%*	5.7	6.3
ROI (in %)*	12.8	12.5

Revenue development Q4 2017 (%)



New product launches including Dulux Wood Charm will help boost the sustainable development of China's residential repainting market

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



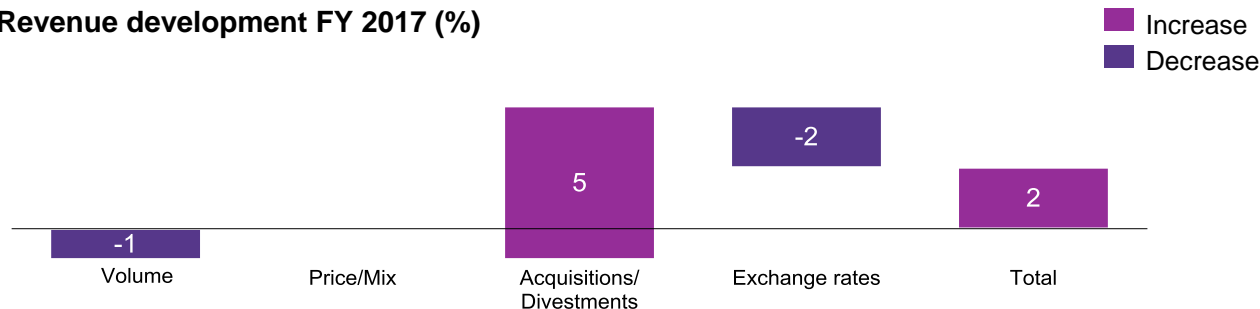
Performance Coatings full-year 2017:

Profit lower due to marine and oil and gas

€ million	FY 2016	FY 2017	Δ%
Revenue	5,665	5,775	2
EBIT (Operating income excluding identified items)	759	669	(12)
Operating income	735	668	(9)

Ratio, %	FY 2016	FY 2017
ROS%*	13.4	11.6
ROI (in %)*	29.4	23.4

Revenue development FY 2017 (%)



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



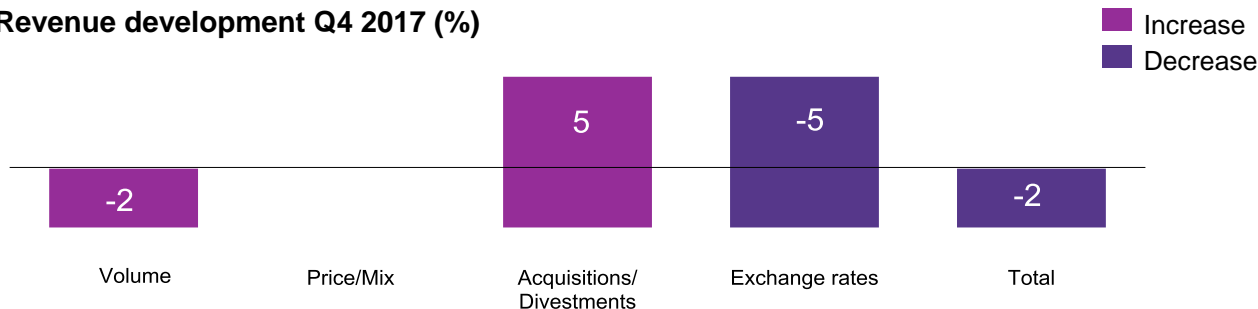
Performance Coatings Q4 2017:

Marine and oil and gas headwinds persist

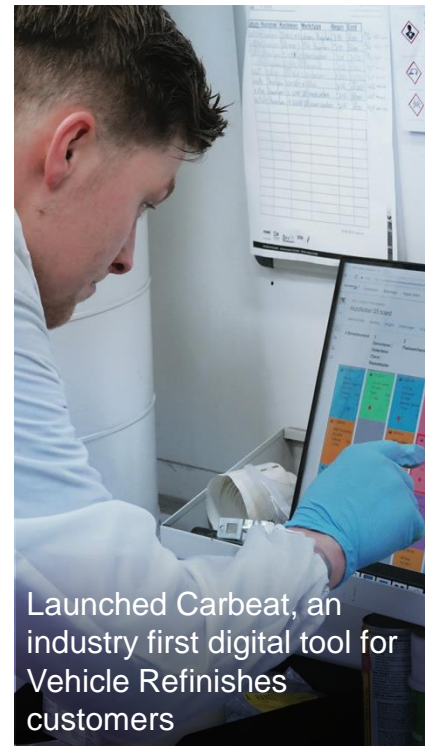
€ million	Q4 2016	Q4 2017	Δ%
Revenue	1,398	1,372	(2)
EBIT (Operating income excluding identified items)	152	133	(13)
Operating income	135	132	(2)

Ratio, %	Q4 2016	Q4 2017
ROS%*	10.9	9.7
ROI (in %)*	29.4	23.4

Revenue development Q4 2017 (%)



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

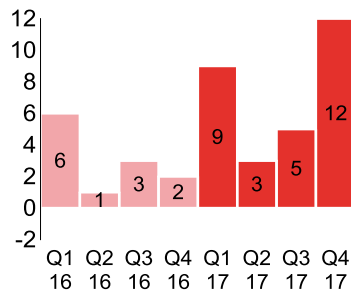


Launched Carbeat, an industry first digital tool for Vehicle Refinishes customers

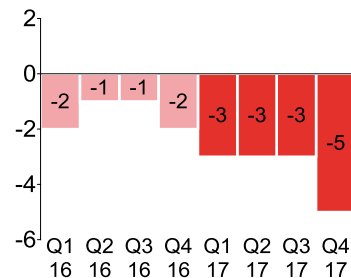
Strong volume growth for Paints and acquisitions for Coatings

Decorative Paints

Quarterly volume development in % year-on-year

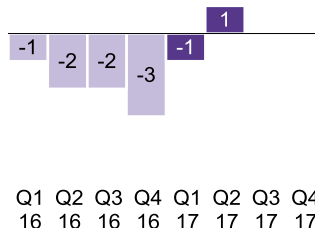
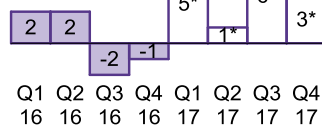


Quarterly price/mix development in % year-on-year

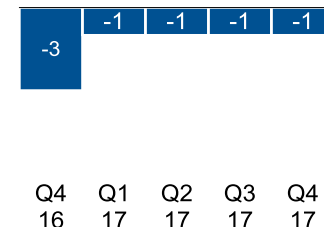
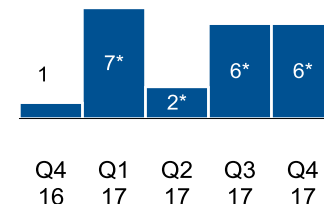


* Includes acquisitions

Performance Coatings

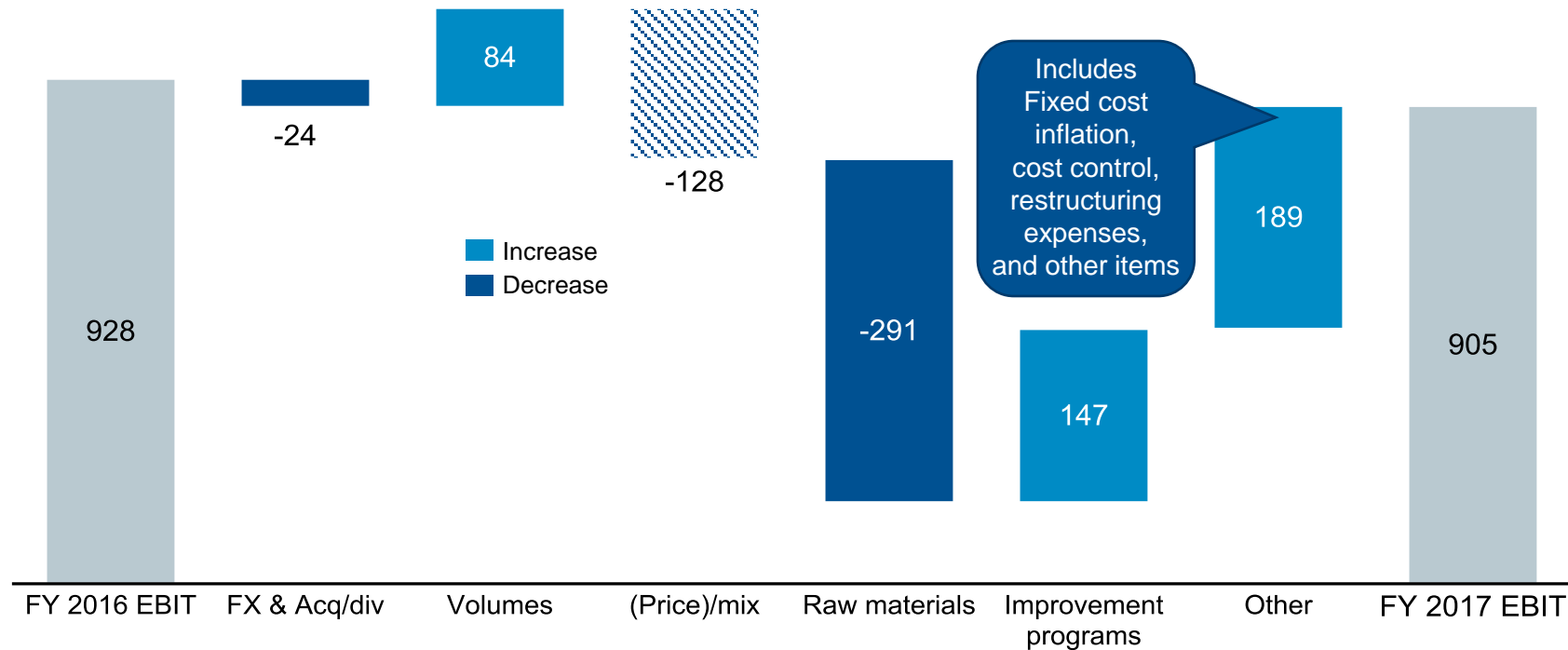


Paints and Coatings



Paints and Coatings full-year 2017:

Higher raw material costs, partly offset by continuous improvement and cost control



Specialty Chemicals full-year 2017: Higher revenue, volumes and profit

€ million	FY 2016	FY 2017	Δ%
Revenue	4,783	4,985	4
EBITDA	953	1,015	7
EBIT (Operating income excluding identified items)	629	689	10
Operating income	629	689	10

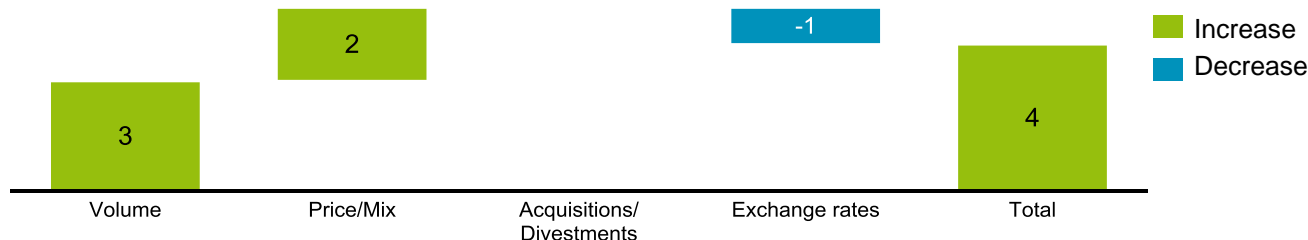
Revenue up 5% excluding currencies

Volume growth for all business units and all regions

Ratio, %	FY 2016	FY 2017
ROS%*	13.2	13.8
ROI (in %)*	17.9	19.1

EBIT up due to higher volumes and cost control more than compensating adverse currencies and raw material price inflation

Revenue development FY 2017 (%)



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

Specialty Chemicals Q4 2017:

Increased volumes and positive price/ mix

€ million	Q4 2016	Q4 2017	Δ%
Revenue	1,169	1,228	5
EBITDA	199	238	20
EBIT (Operating income excluding identified items)	118	165	40
Operating income	118	165	40

Ratio, %	Q4 2016	Q4 2017
ROS%*	10.1	13.4
ROI (in %)*	17.9	19.1

Revenue development Q4 2017 (%)



- Revenue up 9% excluding currencies
- Volumes up with strong development in all regions and business units
- Positive price/mix reflects the successful pass through of raw material inflation
- EBIT up due to increased volumes, price/mix developments and cost control

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

AkzoNobel full-year 2017:

Free cash flow impacted by changes in working capital, provisions and other items

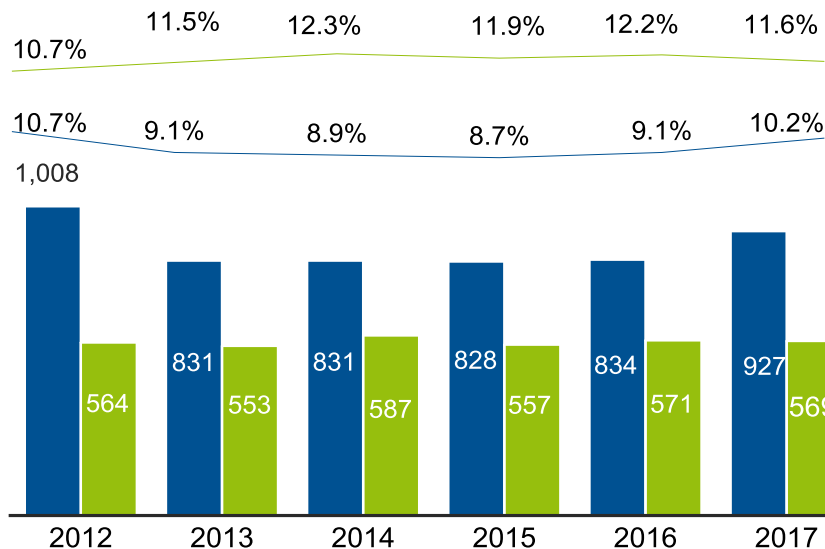
€ million	FY2016	FY2017
EBITDA	2,108	2,132
Interest paid	-87	-84
Tax paid	-285	-338
Changes in working capital, provisions ¹ and other	-181	-520
Capital expenditures (including intangible assets)	-651	-635
Free cash flow, excluding pension top-up payments	904	555
Pension top-up payments	-264	-221
Free cash flow (from operations)²	640	334

1. Provisions include recurring pension contributions 2. Free cash flow (from operations) = Net cash from operating activities minus Capital expenditures and Investment in intangibles

AkzoNobel full-year 2017: Cash management discipline continues

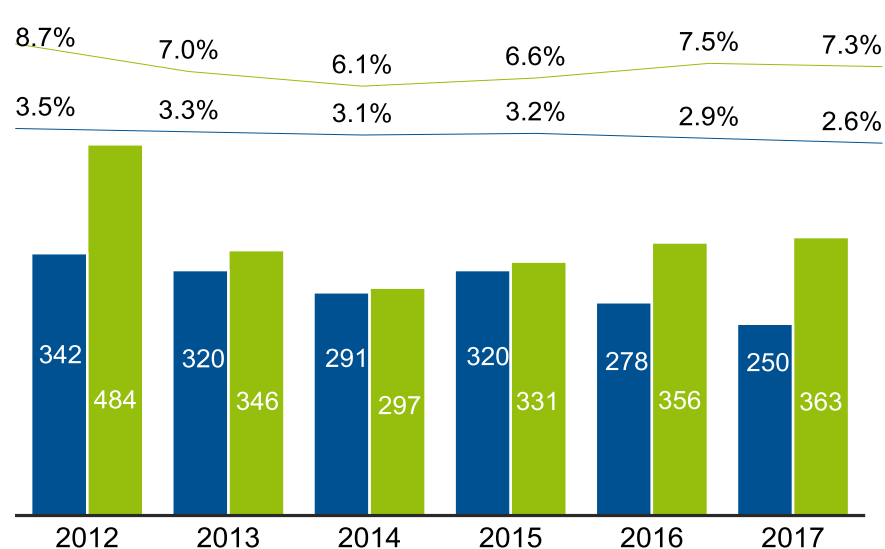
Operating Working Capital €million

— OWC as % of LQ revenue x 4



Capital expenditures €million

— % of revenue



AkzoNobel Full-Year 2017:

€1bn special cash dividend paid in 2017

<i>€ million</i>	FY2016	FY2017
Free cash flow	640	334
Dividend paid	-336	-1,187
Other*	29	-136
Net cash generation	333	-989
excl. acquisitions and divestments		
Acquisitions	-416	-80
Divestments	53	52
Net cash generation	-30	-1,017
Net Debt	1,252	1,951

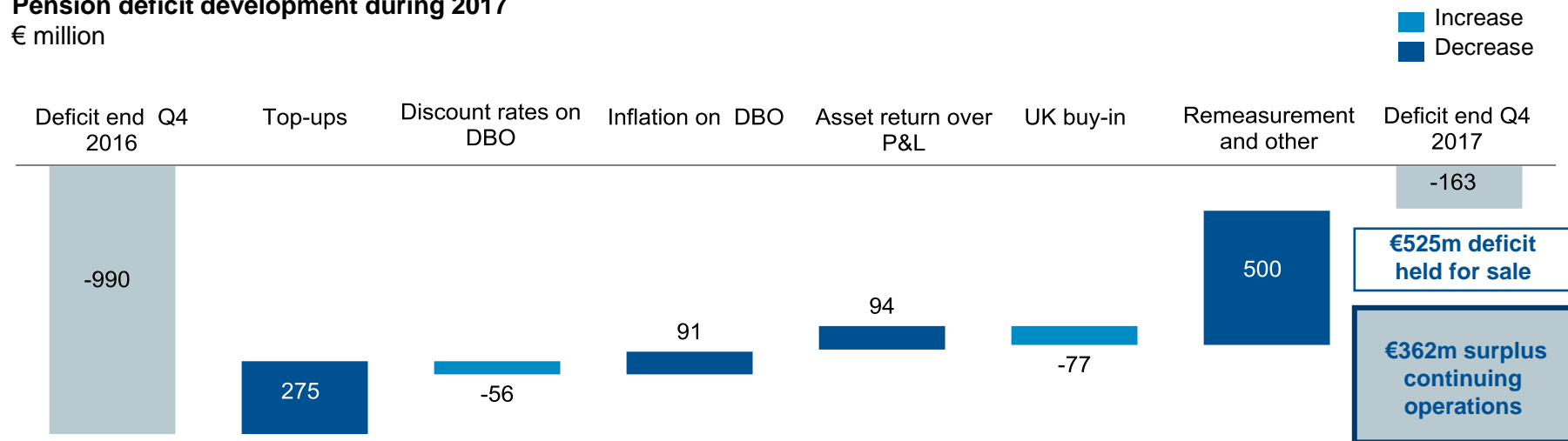
*includes: Dividend from associates and joint ventures interest received and issue of shares for stock option plan and other changes

AkzoNobel full-year 2017: IAS19 pension deficit reduced due to top-ups and remeasurement

Key pension financial assumptions	Q4 2016	Q4 2017
Discount rate	2.4%	2.4%
Inflation rate	3.1%	3.0%

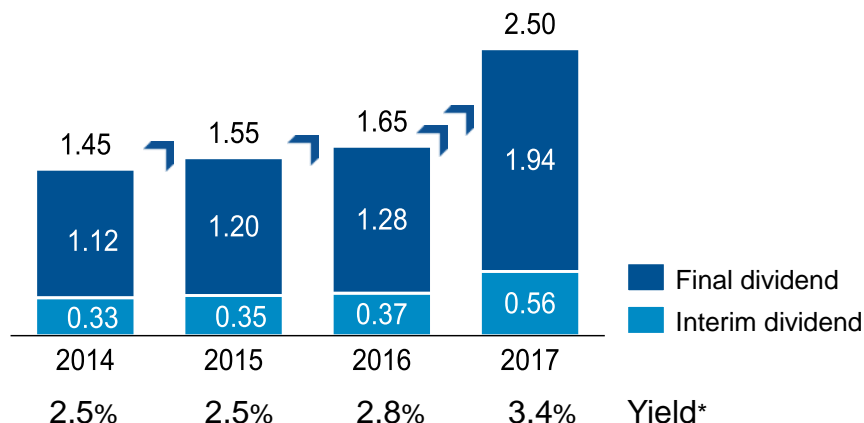
Pension deficit development during 2017

€ million



AkzoNobel full-year 2017: Dividend up 52% to €2.50 per share

Dividend € 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 (40% maximum)
- Shares cancelled from the €160 million repurchase program in 2017

Additional €4 per share special cash dividend paid in December 2017

* Based on year-end share price

Concluding remarks

AkzoNobel

A white AkzoNobel dump truck is driving on a paved road that curves through a landscape of rolling green hills. The hills are covered in lush green grass and some small purple flowers. In the background, there are more hills and a clear blue sky with a few wispy clouds. The truck is a large, white cab model with a dark-colored dump body. It is moving towards the right side of the frame. The overall scene is bright and sunny, suggesting a clear day.

Specialty Chemicals is expanding capacity of colloidal silica in Sweden. The expansion will help meet growing customer demand and strengthen the market leadership position. From delicate applications like filtrating beverages and polishing the chip inside your smartphone, to industrial things like hardening concrete, colloidal silica is a versatile product

On track to create two focused high performing businesses

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Outlook

Headwinds experienced during 2017, including higher raw material costs and adverse effects from foreign currency, are projected to continue in 2018, especially during the start of the year.

We anticipate ongoing positive developments for Decorative Paints in all regions, particularly Asia. Trends for Performance Coatings are expected to be positive for most segments and regions, while still challenging for Marine and Protective Coatings.

AkzoNobel

2020 guidance*

ROS 15%

ROI >25%

We continue to implement various measures to mitigate current market challenges, including increased selling prices and cost discipline. Our “Winning Together – 15 by 20” strategy will create a focused Paints and Coatings Company and deliver our 2020 guidance.

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

Upcoming events

AkzoNobel

Analyst roundtable: Winning Together – 15 by 20	March 8, 2018
Annual report 2017	March 15, 2018
Report for the first quarter 2018	April 24, 2018
Annual General Meeting	April 26, 2018
Ex-dividend date of 2017 final dividend	April 30, 2018
Payment date of cash dividend and delivery of new shares	May 25, 2018
Report for the second quarter 2018	July 18, 2018

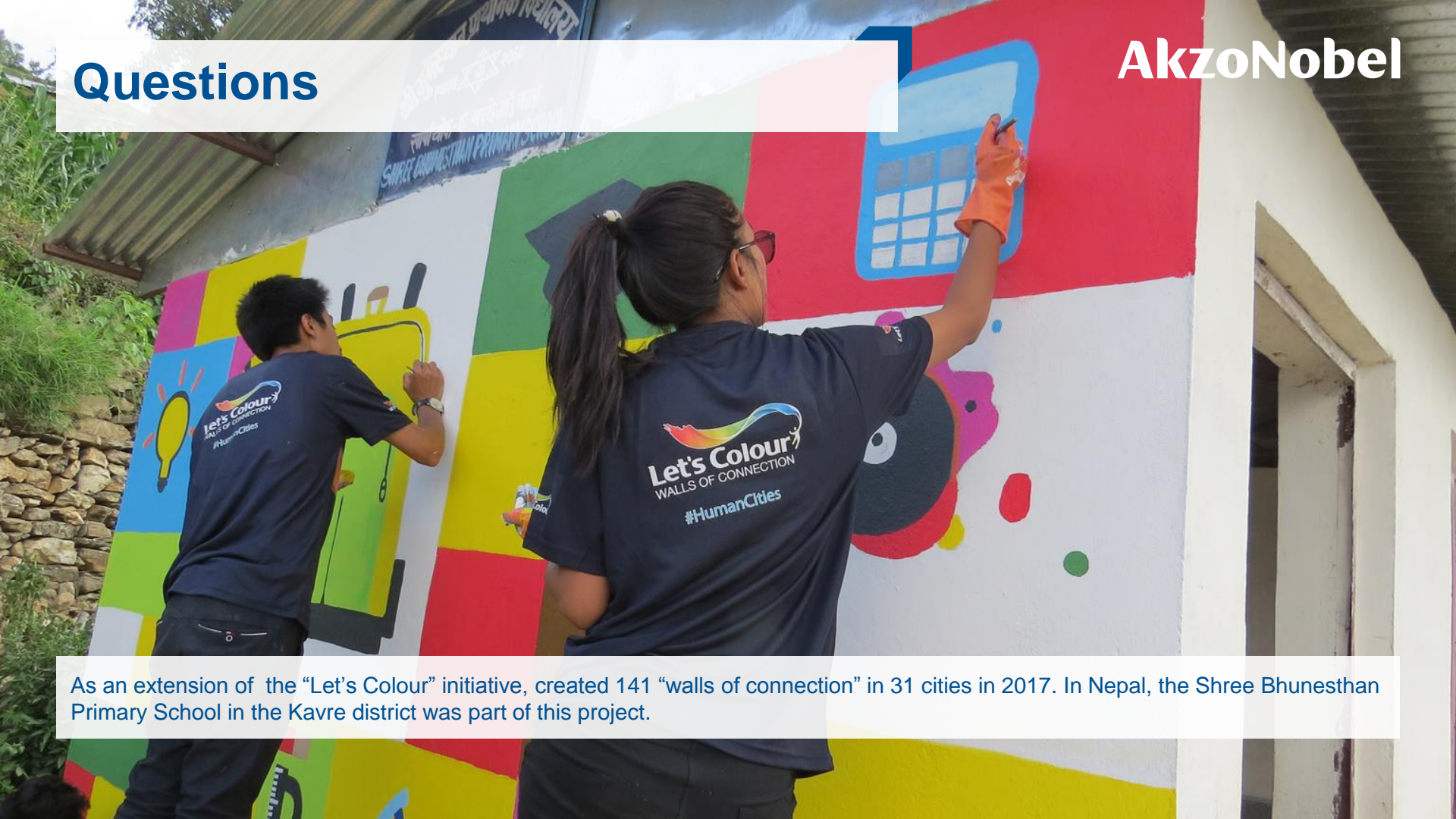
In May, our high-end Levis paint brand was officially launched onto the market in China at a special event staged in Shanghai. The introduction is designed to further strengthen the company's competitiveness in the Chinese decorative paint market.



欧风精品 与意生活
来意已融在左

Questions

AkzoNobel



As an extension of the “Let’s Colour” initiative, created 141 “walls of connection” in 31 cities in 2017. In Nepal, the Shree Bhunesthan Primary School in the Kavre district was part of this project.

Appendix

AkzoNobel Full-Year 2017 : Delivering higher revenue and EBIT

€ million	FY 2016	FY 2017	Δ%
Revenue	14,197	14,575	3
EBIT (Operating income excluding incidental items)	1,502	1,525	2
Operating income	1,519	1,396	(8)

Ratio, %	FY 2016	FY 2017
ROS%*	10.6	10.5
ROI (in %)*	15.0	15.1

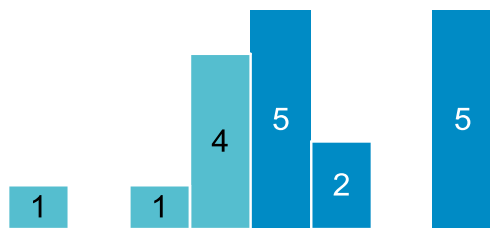
*ROS% = EBIT/revenue. ROI (in %) = 12 months EBIT/12 months average invested capital.

AkzoNobel's Collection Futura reveals new powder coating trends and colors

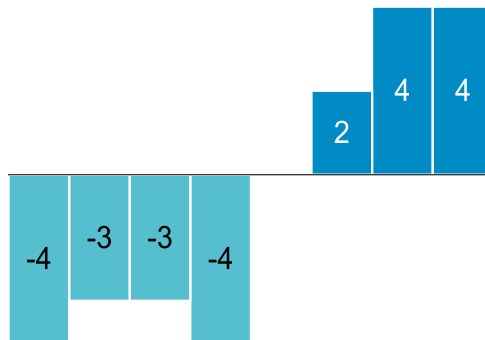
(continuing and discontinued operations)

Specialty Chemicals revenue development AkzoNobel

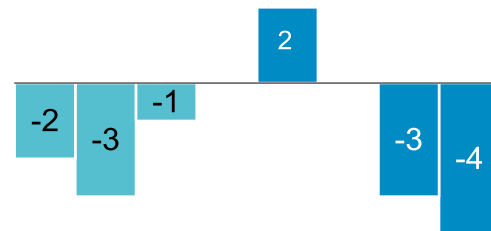
Quarterly volume development in % year-on-year



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



Exchange rate development in % year-on-year



■ 2016
■ 2017

Disclaimer/ forward-looking statements

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This presentation also 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