

Winning Together – 15 by 20

Analyst roundtable
March 8, 2018



Agenda



Strategy: Winning Together – Thierry Vanlancker



Commercial: Passion for paint – Ruud Joosten



Operations: Precise processes – David Allen



Financial: Powerful performance – Maarten de Vries



Conclusions – Thierry Vanlancker

Strategy: Winning Together

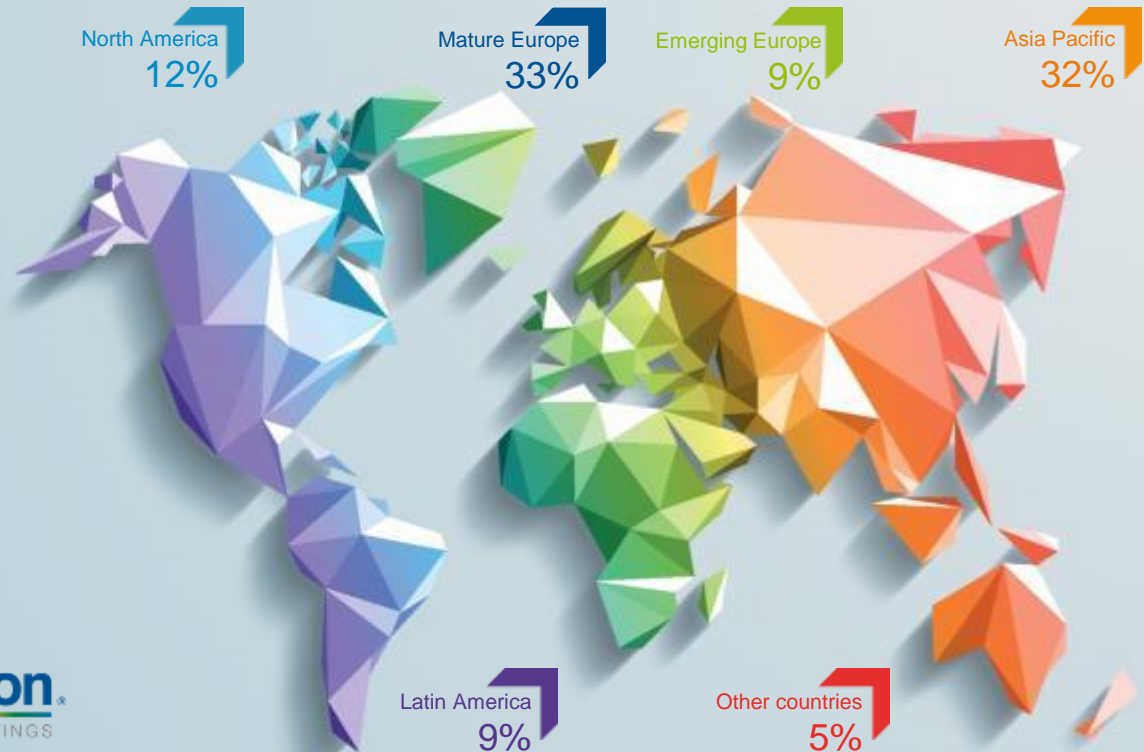
Thierry Vanlancker

A focused Paints and Coatings company

AkzoNobel

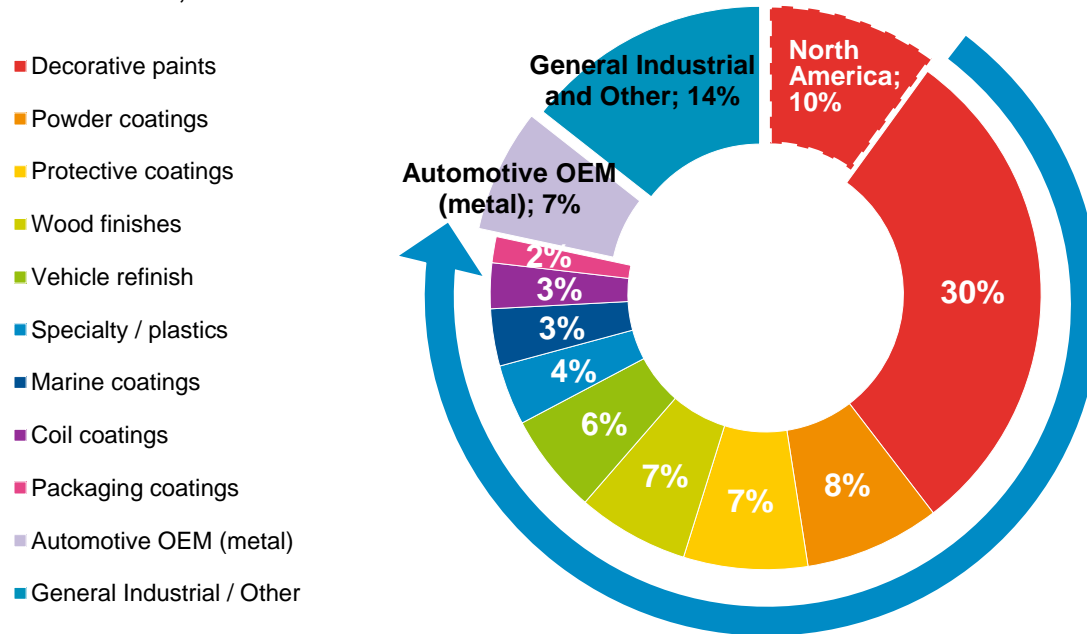
€9.6bn revenue
€1.2bn EBITDA
€0.9bn EBIT
9.4% ROS
13.9% ROI
35,700 people

Key regions by revenue



Top 3 player with leading positions in large and attractive markets

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

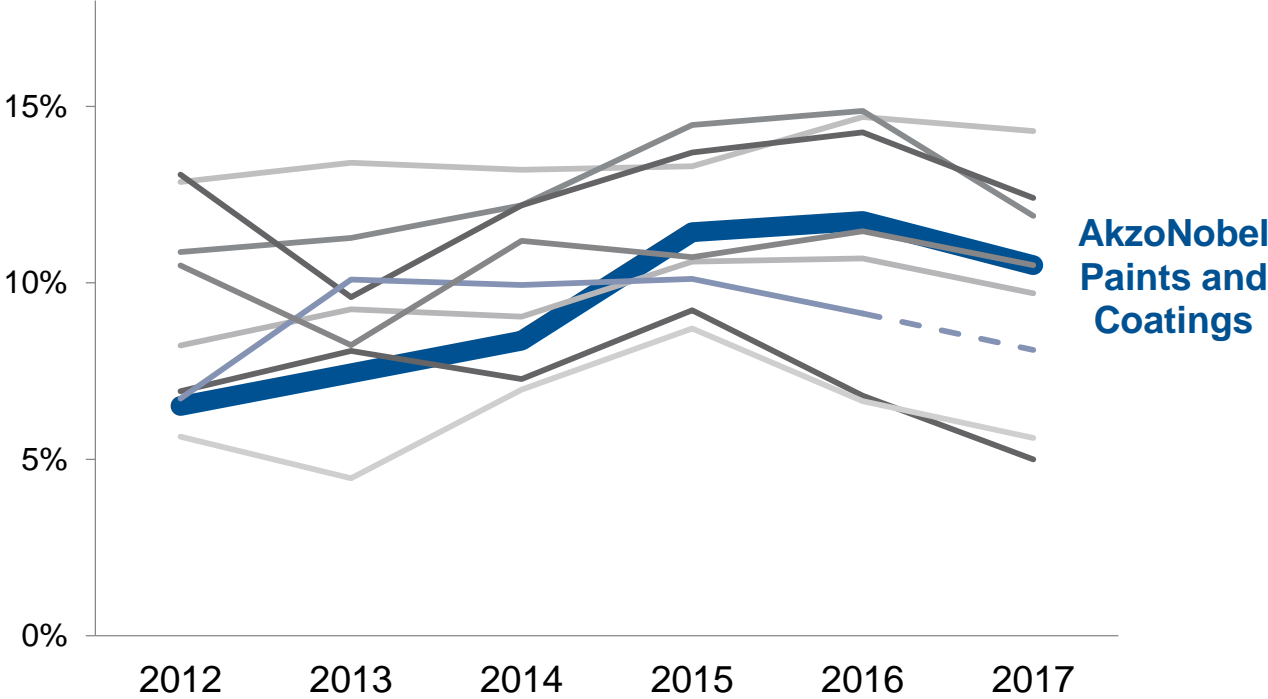


Source: KNG, Internal estimates



Top 3 players ~30% total market
Top 20 players ~60% total market

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

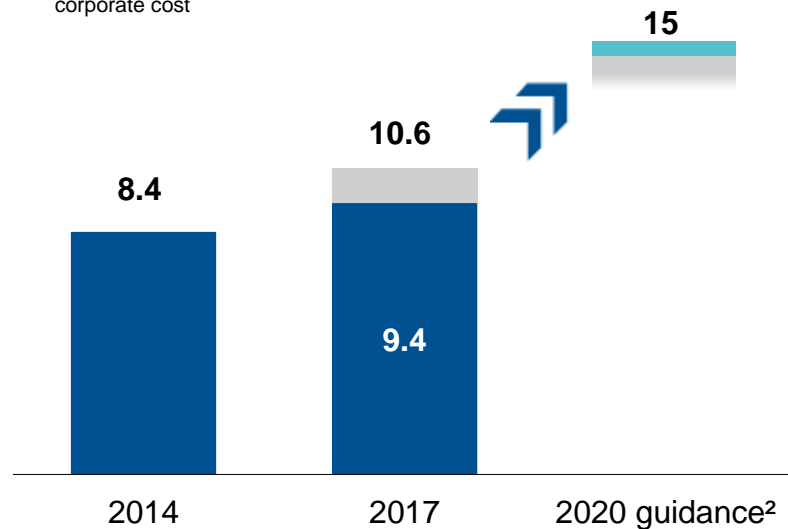


Well positioned to accelerate growth and enhance profitability

Return on sales¹

%

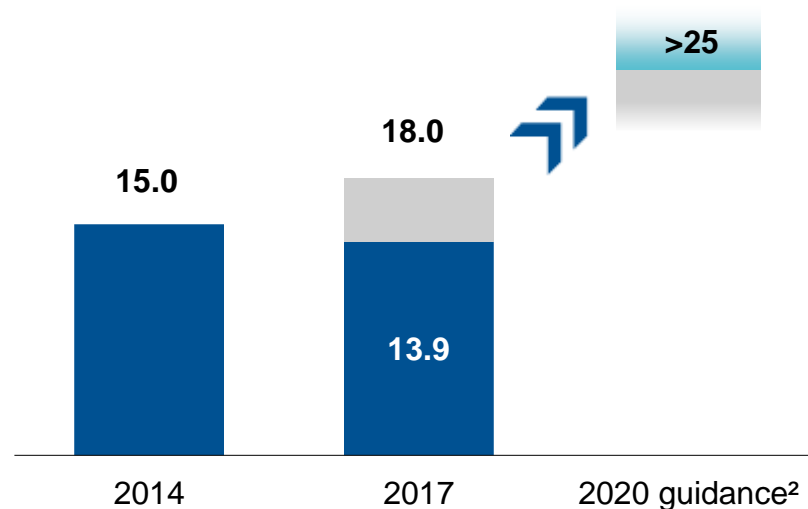
■ Unallocated corporate cost



Return on investment¹

%

■ Unallocated corporate cost and invested capital



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
guidance¹
ROS 15%
ROI >25%



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

Management team in place to deliver

AkzoNobel



Thierry Vanlancker
CEO



Maarten de Vries
CFO



Ruud Joosten
Chief Operating Officer



David Allen
Chief Supply Chain Officer



Sven Dumoulin
General Counsel

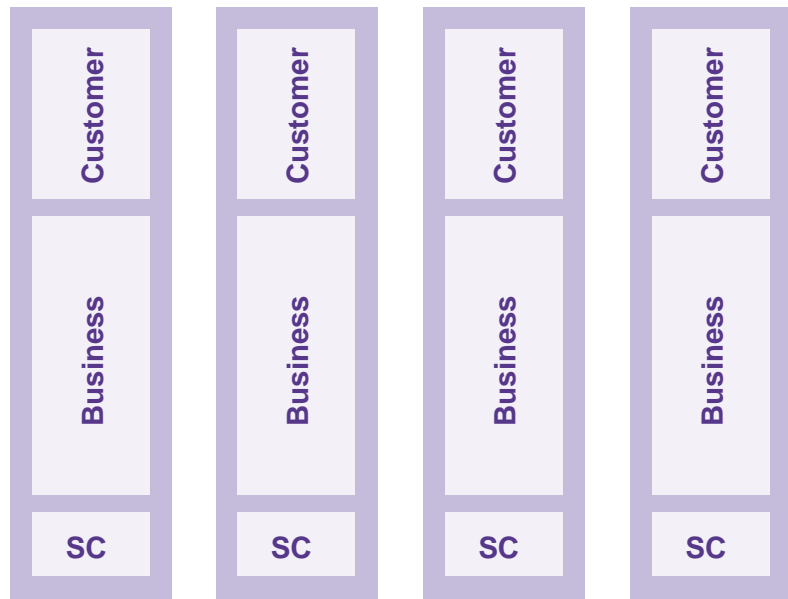


Marten Booisma
Chief Human
Resources Officer

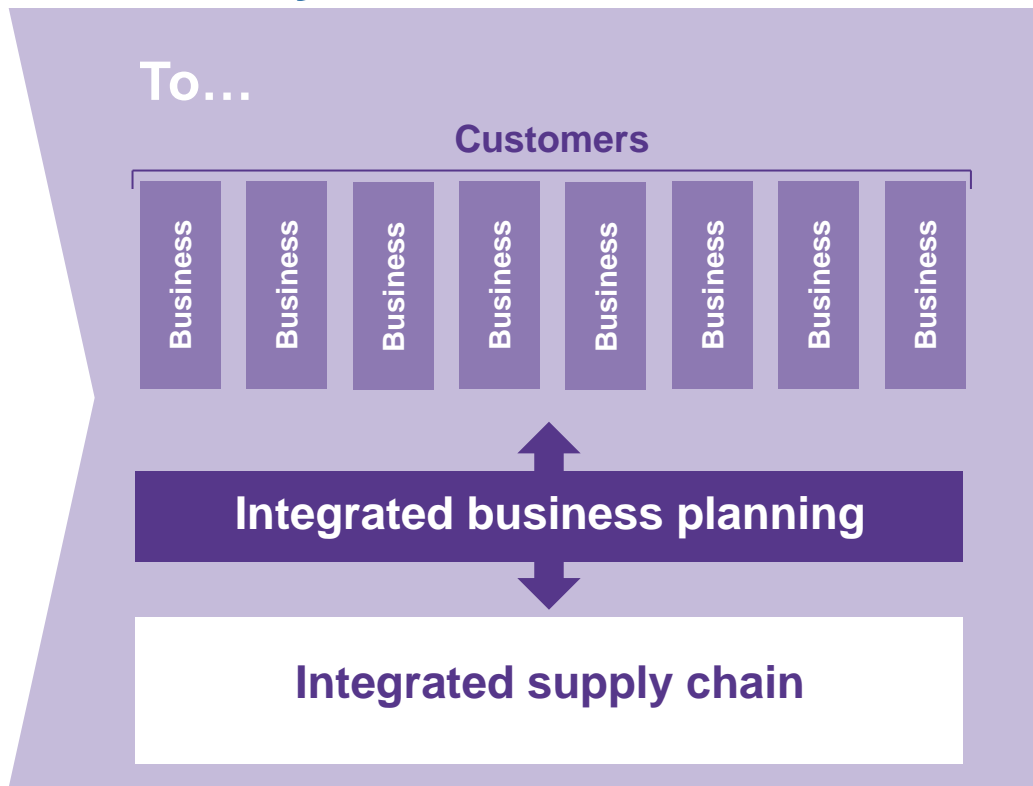
New fit for purpose structure to increase customer focus and drive efficiency

AkzoNobel

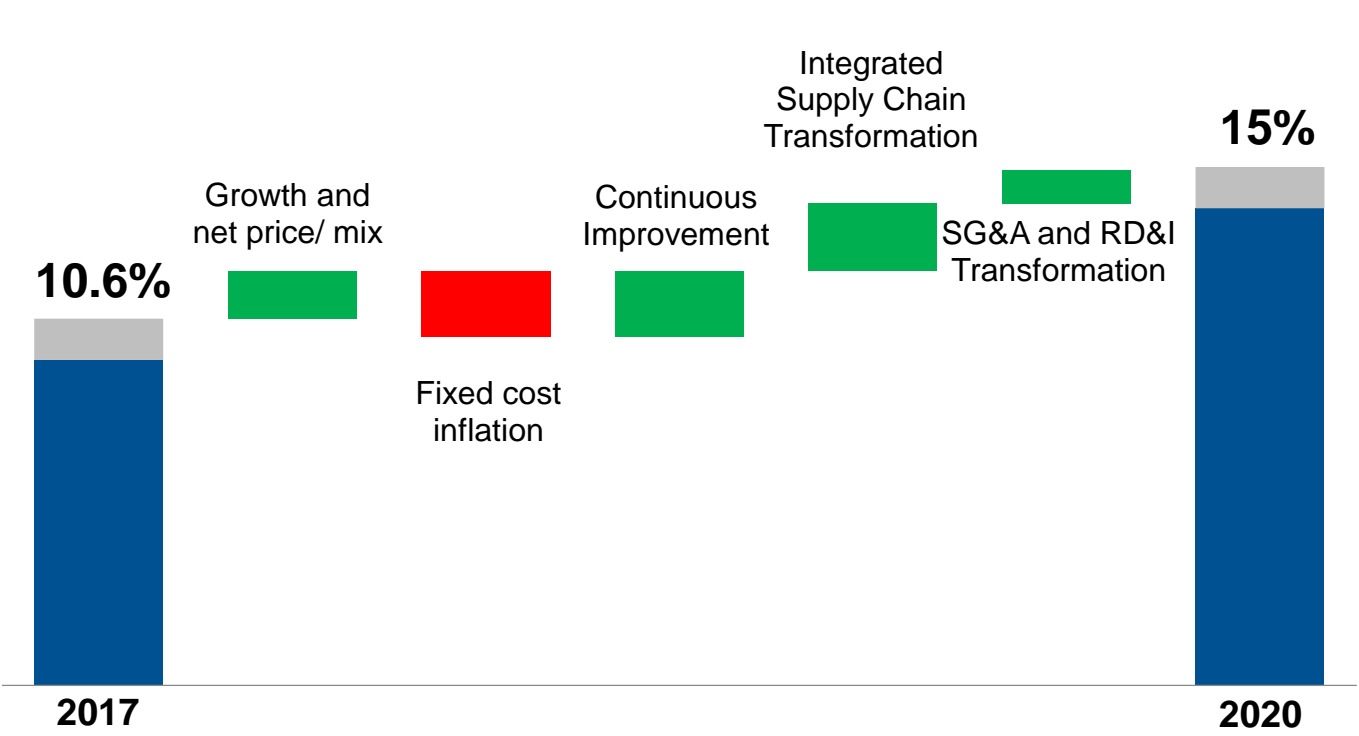
From...



To...



Clear path to deliver on 2020 guidance



2020 guidance¹
ROS 15%
ROI >25%

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

Unallocated corporate cost

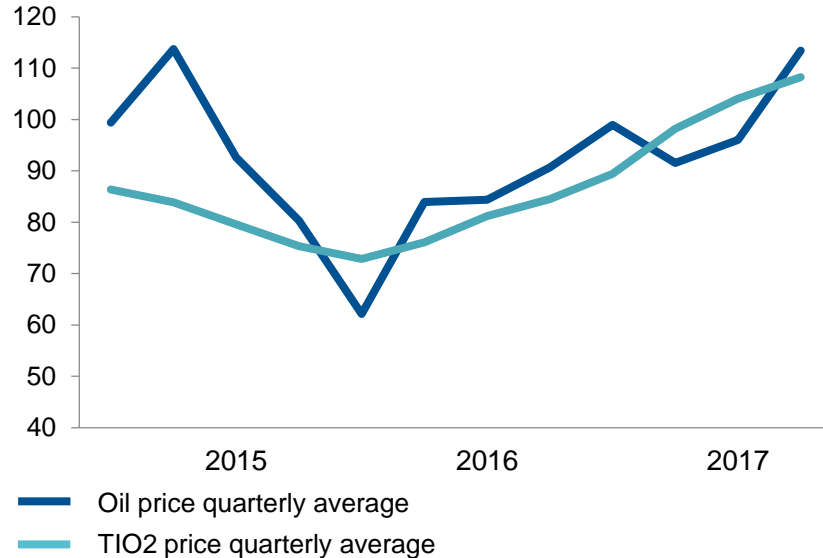
Commercial: Passion for paint

Ruud Joosten

Price increases implemented and building future capability for pricing acceleration

AkzoNobel

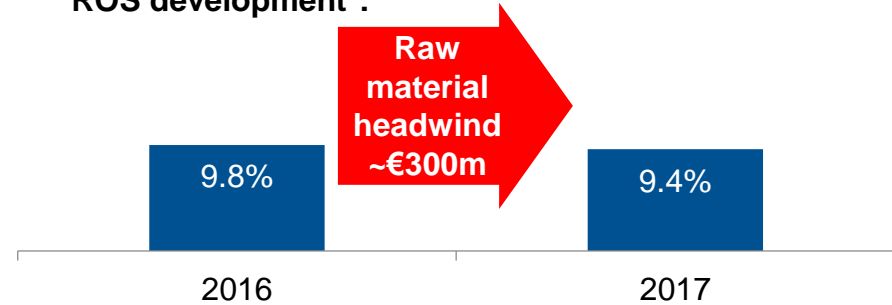
Current and critical challenge



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

Strong portfolio of businesses with leading positions in all segments

Segment	Market size ~€bn, 2017 ¹	Market growth 2-3% ² , 2017-20	Position by revenue	Strengths and opportunities
Decorative Paints	30		1	<ul style="list-style-type: none"> #1/#2 market positions where we play Strong brands and product portfolio Leverage global to win local!
Marine and Protective Coatings	12		1	<ul style="list-style-type: none"> Marine: consolidated market Protective: few global players Global technology leadership
Powder Coatings	8		1	<ul style="list-style-type: none"> Interpon #1 global brand Sustainable coatings conversions Strong product/ technology capabilities
Industrial Coatings	12		1/2	<ul style="list-style-type: none"> Extensive product offering Strong position with top tier customers Urbanization and construction growth
Automotive and Specialty Coatings	11		2/3	<ul style="list-style-type: none"> Growth of emerging market consumers Leader in digital color

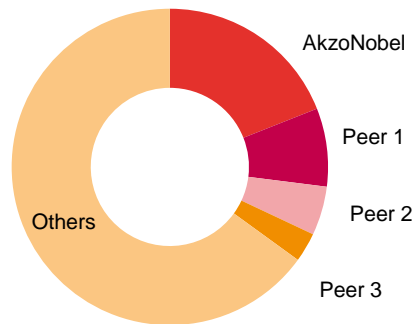
50%
revenue from
emerging
markets

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

Source: KNG, internal estimate

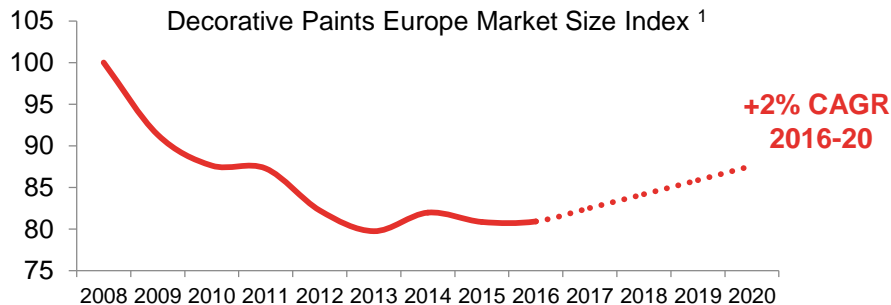
Decorative Europe: Winning model to capture benefits in recovering market

Largest player in fragmented market



50% #1 positions
30% #2 positions

Market expected to continue recovery



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

Leverage global to win local!



Smart packaging design
Global guidelines
Local brand assets



¹ Source: KNG 2017, internal estimate

Decorative Asia: continued expansion in highly profitable and fast growing markets

AkzoNobel

€10bn market

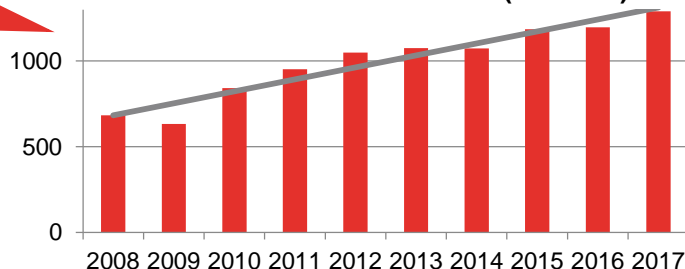
Strong growth drivers

#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

Doubled
in 10 years

Revenue Decorative Paints Asia (€ million)



China

Growing demand for eco-premium products...



South East Asia

Developing a successful exterior proposition...

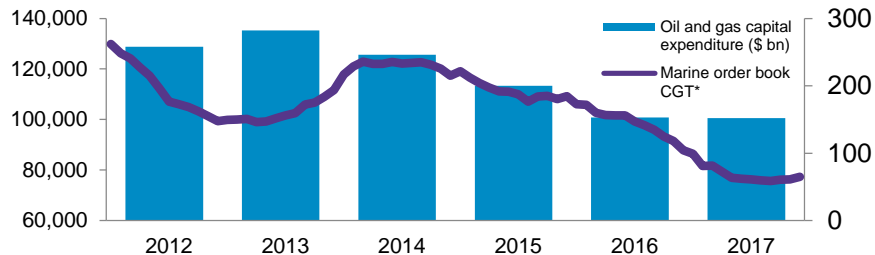


... and leveraging best practice from Europe

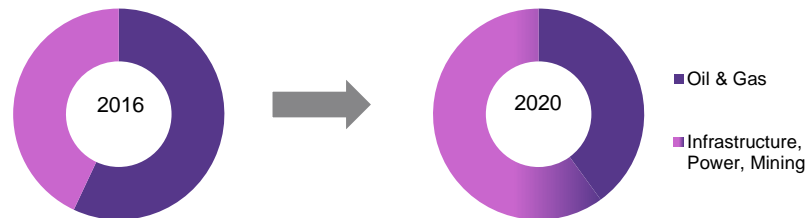
Marine and Protective Coatings: ongoing restructuring and portfolio rebalancing

AkzoNobel

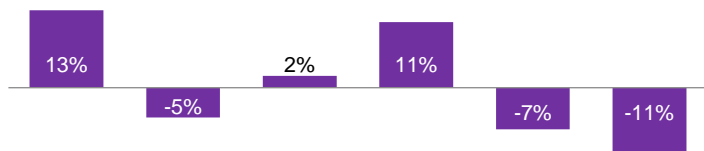
Industry headwinds in marine and oil and gas industries



Rebalancing portfolio for Protective Coatings



Revenue development Marine and Protective coatings demonstrates lag effect



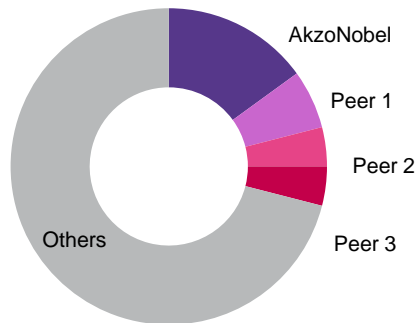
- ↗ Global market leader, defending strong positions
- ↗ Focus on value pricing; restructuring ongoing
- ↗ Maintain technology leadership, e.g. Intersleek UV-LED

 **International**

Source: Clarkson Research. *Compensated gross tonnage

Powder Coatings: Clear global #1 in fastest growing and highly profitable market

AkzoNobel



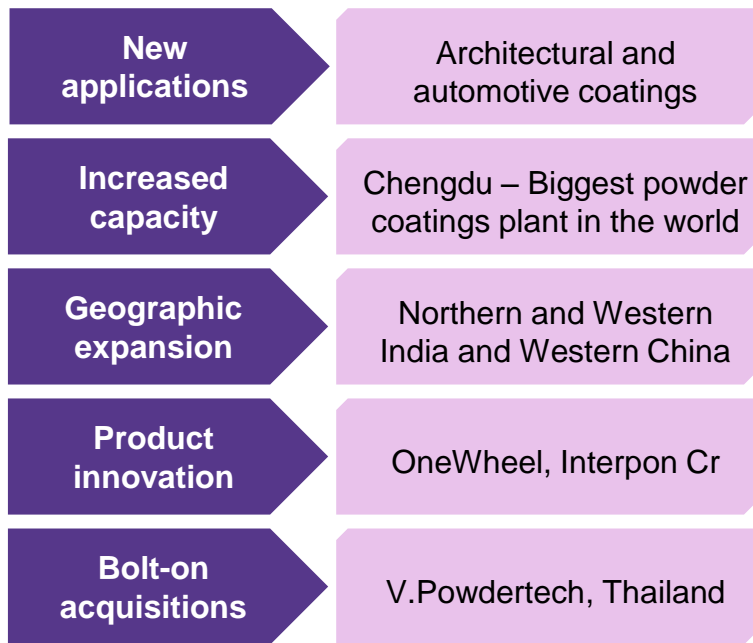
~€8bn market

Growth 2X industrial GDP

#1 with 2x relative market share

Interpon[®]
POWDER COATINGS

Multiple sources of growth (examples):



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:



ALPS

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

AkzoNobel



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



① ALPS continuous improvement

AkzoNobel

Implementation status (%)



- ↗ 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)



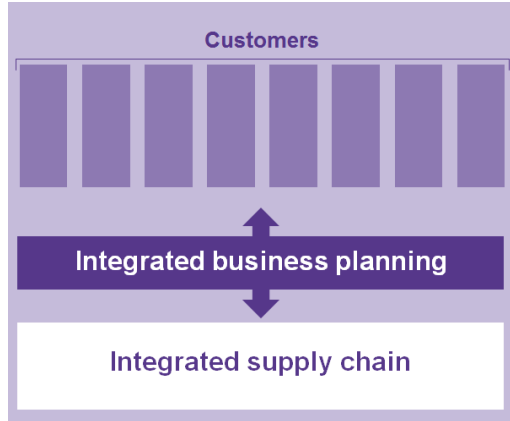
Service
>95.5% OTIF
(Top quartile)

€120m

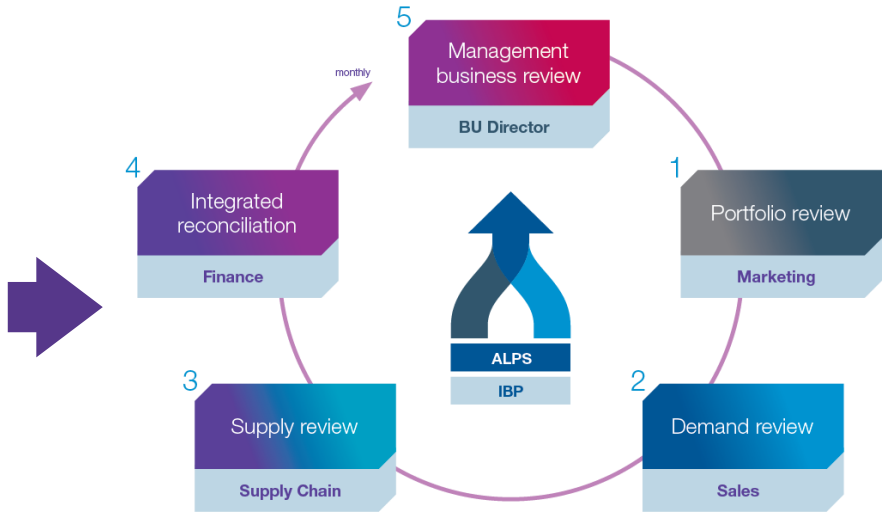
annual cost savings
run rate

2014-17

2 ALPS Integrated Business Planning



Organization transformation:
One operating model



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

+75%
Forecast accuracy

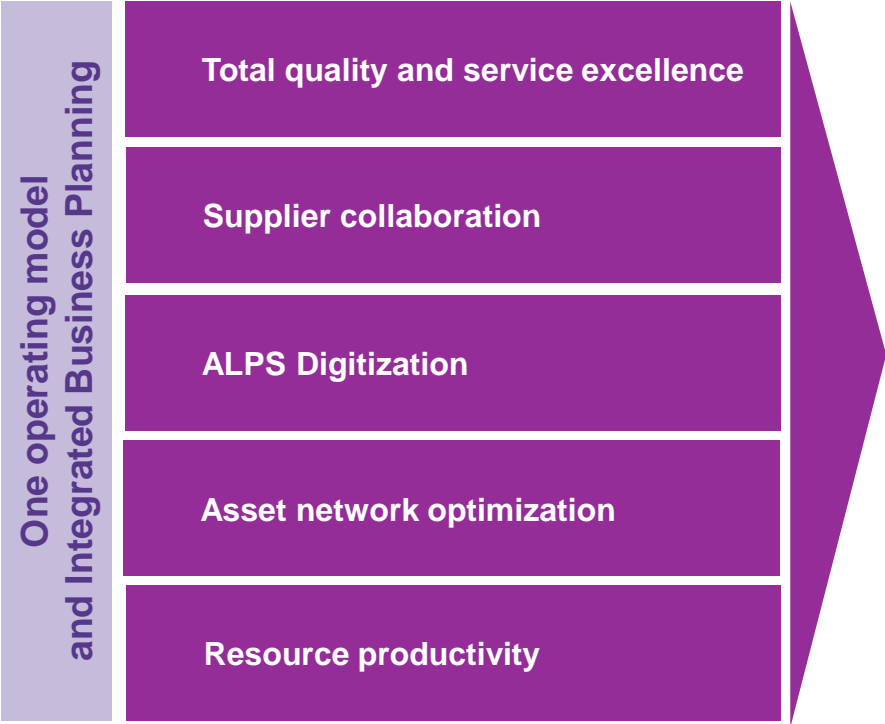
95.5% →
98.5%
Service (OTIF)

25%
Inventory reduction

Top Quartile
Performance

3 End to end processes

Cost of sales
~€5.4bn
in 2017







Further
€200m
annual cost savings
by **2020**
in addition to ALPS
continuous improvement

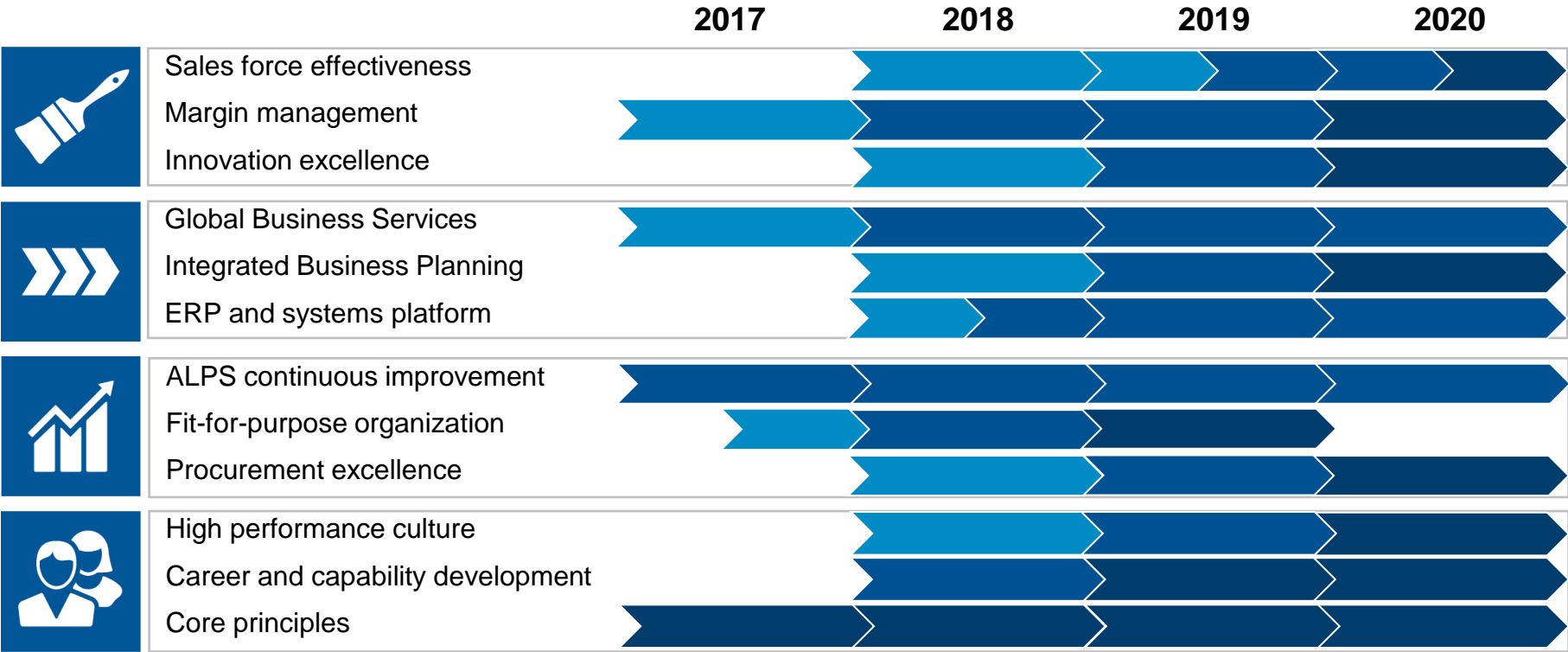
Financial: Powerful performance

Maarten de Vries

Winning together strategy leverages greater focus to accelerate improvements

	From...	To...
 Passion for Paint	Decentralized businesses... Differing levels of maturity...	Centrally driven sales excellence and margin management... Consistent across all businesses...
 Precise processes	Fragmented process and system landscape...	Simplified ERP and system platform... Integrated end-to-end processes...
 Powerful performance	Independent businesses with dedicated supply chain... Many KPIs...	Lean fit-for-purpose organization... Laser sharp focus on 15% ROS!
 Proud people	Diverse cultures... Fragmented incentive schemes...	One single global team... Aligned incentives... High-performance culture

Transformation plans in place with most projects already being initiated

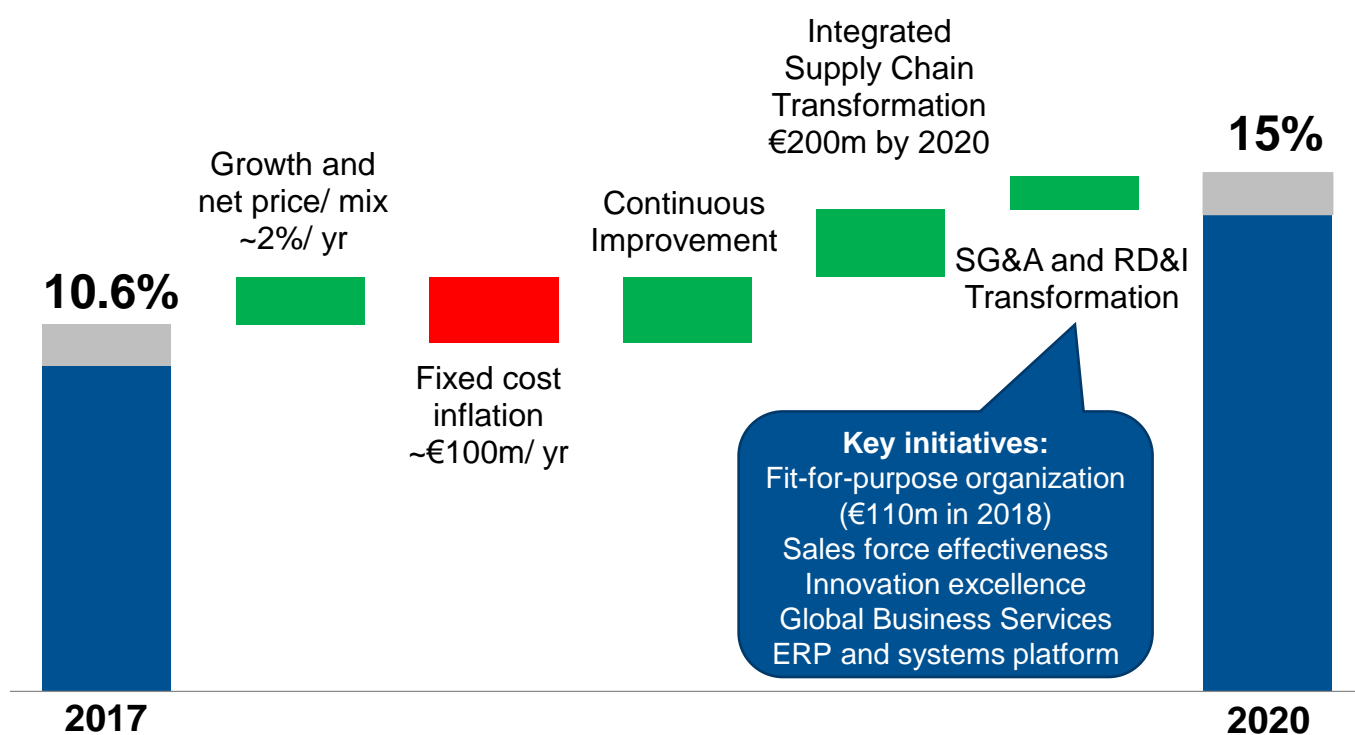


Initiate

Implement

Complete

Clear path to deliver on 2020 guidance

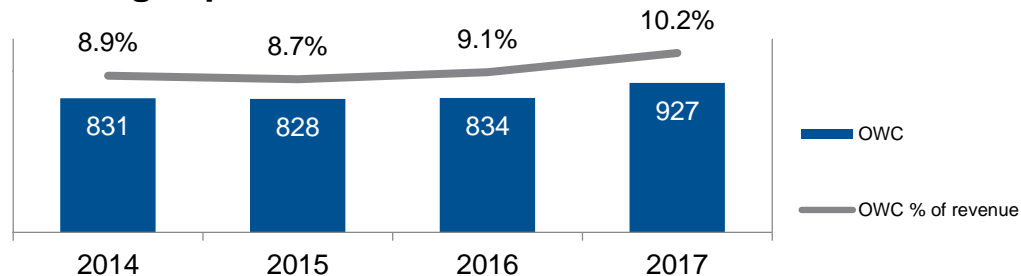


1) Excluding unallocated corporate center costs and invested capital; assumes no significant market disruption



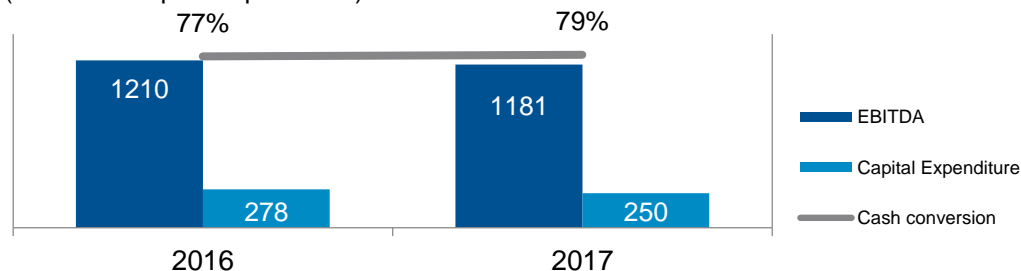
Continued focus on cash flow and increased shareholder returns

Working capital



Cash conversion

(EBITDA - capital expenditure)/EBITDA



Significant returns to shareholders:

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

* 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



Acquisition criteria:

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

Note: Timeline shows date of acquisition announcement

Capital allocation priorities for long-term value creation

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Concluding remarks

Thierry Vanlancker

Winning together – 15 by 20



Passion for Paint



Precise processes



Powerful performance



Proud people

2020 guidance¹
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

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
guidance¹

ROS 15%
ROI >25%



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

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