

# Capital Markets Day: On track to deliver 2015 targets

March 11, 2014



## Agenda

- 1. Introduction** – Ton Büchner
- 2. Decorative Paints** – Ruud Joosten
- 3. Performance Coatings** – Conrad Keijzer
- Coffee break*
- 4. Specialty Chemicals** – Werner Fuhrmann
- 5. Financial Topics** – Keith Nichols
- 6. Conclusion** – Ton Büchner

**Questions**

**Introduction**  
Ton Büchner

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## Our proposition: Leading market positions delivering leading performance

**AkzoNobel has gone through a significant amount of strategic change over the past five years**

**Today, the company has**

- Excellent portfolio of businesses
- Good long term growth potential on the basis of end-user segment growth
- Strong positions in high growth markets (44% of revenue)
- Leadership positions in many markets
- Clear leader in sustainability
- Track record of delivering sustainable innovations and products
- Strong brands, both in consumer and industrial markets

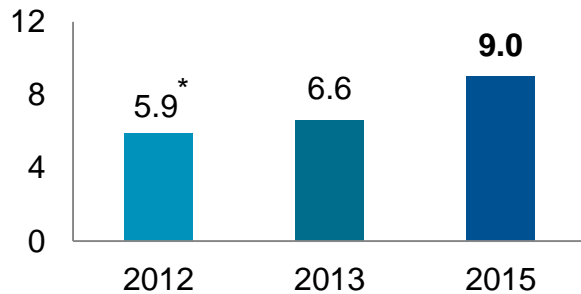
**Clear focus to deliver on our significant potential**

- Improved returns and cash flow
- Leveraging scale
- Simplification and standardization
- Continued innovation

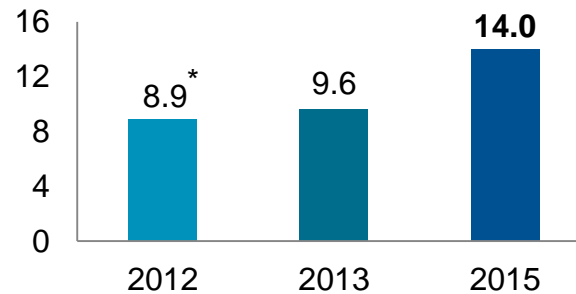


# Realistic 2015 financial targets focused on quality of earnings and value creation

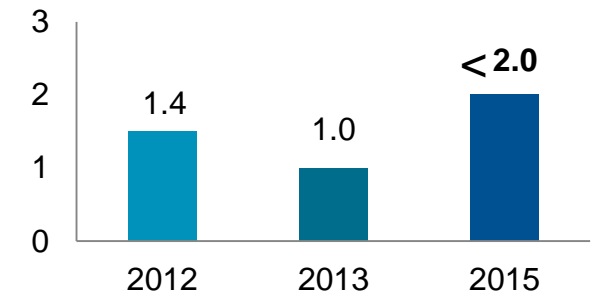
**Return on sales**  
(Operating income/revenue)  
%



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

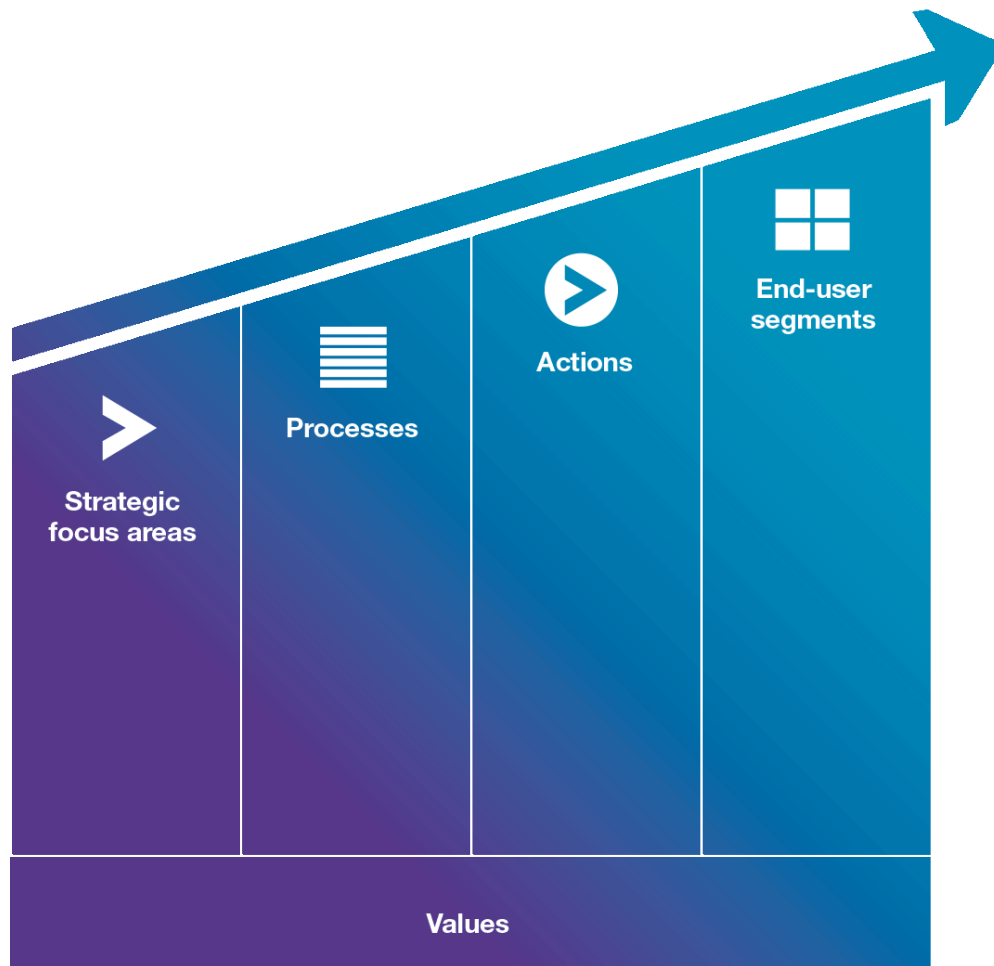


**Net debt/EBITDA**  
x



**On track to achieve 2015 targets**

## AkzoNobel strategy introduced in 2013



Vision:

**Leading  
market positions  
delivering  
leading performance**

- Organic growth
- Operational excellence

## Strategy on a page



### Strategic focus areas

- Care for the customer
- Reduction of product and process complexity
- Cash and return on investment
- Embedded safety and sustainability
- Diverse and inclusive talent development



### Processes

- People, process and product safety
- Operational control cycle
- Continuous improvement
- Innovation
- Procurement
- Talent management



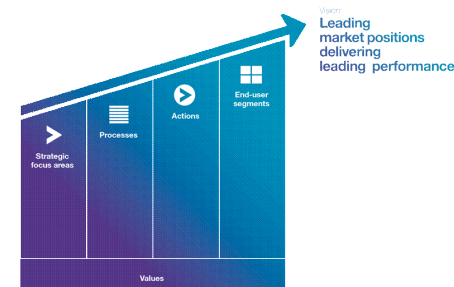
### Actions

- Deliver dependably
- Grow organically
- Innovate
- Simplify
- Standardize
- Continuously improve



### End-user segments

- Buildings and Infrastructure
- Transportation
- Consumer Goods
- Industrial

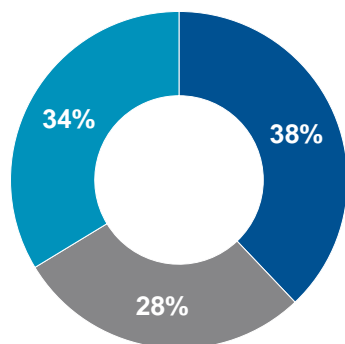


## AkzoNobel today

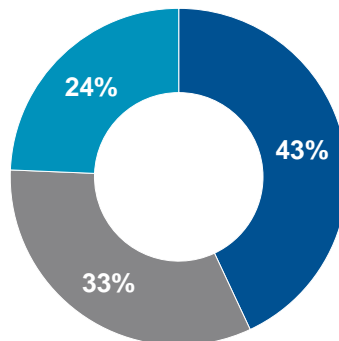
- Revenue €14.6 billion
- 49,560 employees
- 44% of revenue from high growth markets
- Major producer of Paints, Coatings and Specialty Chemicals
- Leadership positions in many markets



### Revenue by Business Area

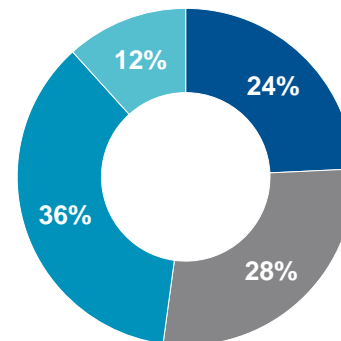


### Operating income by Business Area



**6.6%**  
Return on sales  
(operating income/revenue)

### Invested capital by Business Area



**9.6%**  
Return on investment  
(Operating income/average  
12 months invested capital)

- Performance Coatings
- Decorative Paints
- Specialty Chemicals
- Other



# Buildings and Infrastructure

~44% of revenues

New Build Projects  
Maintenance, Renovation & Repair  
Building Products & Components

# Transportation

~16% of revenues

Automotive OEM, Parts and Assembly  
Automotive Repair  
Marine and Air Transport

~16% of revenues

Consumer Durables  
Consumer Packaged Goods

# Consumer Goods

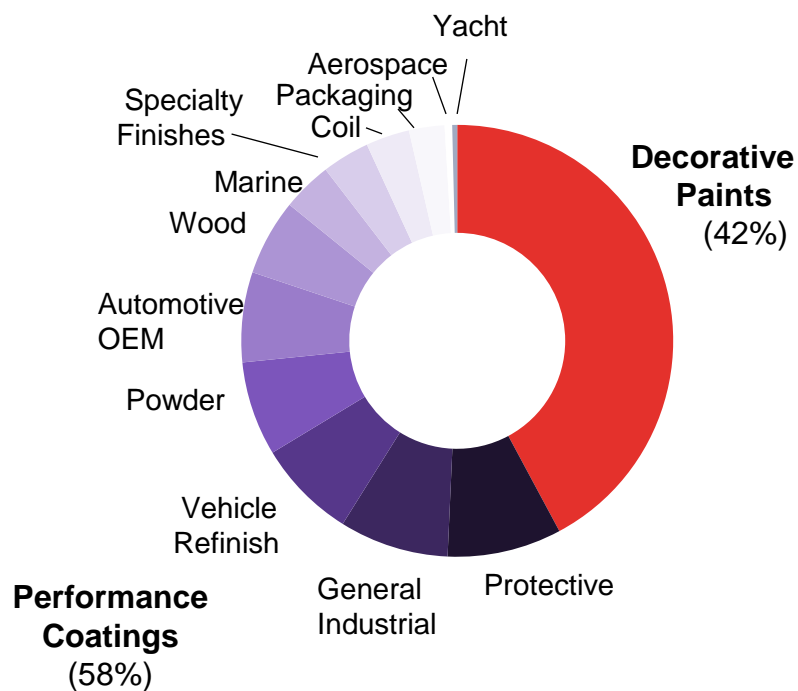
~24% of revenues

Natural Resource and Energy Industries  
Process Industries

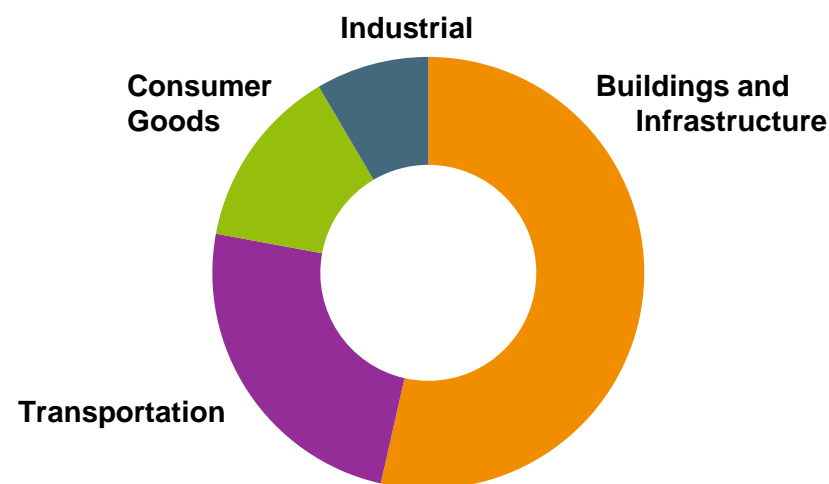
# Industrial

## The global paints and coatings market is around €80 billion

**By market sector**  
2013, 100% = €80 billion



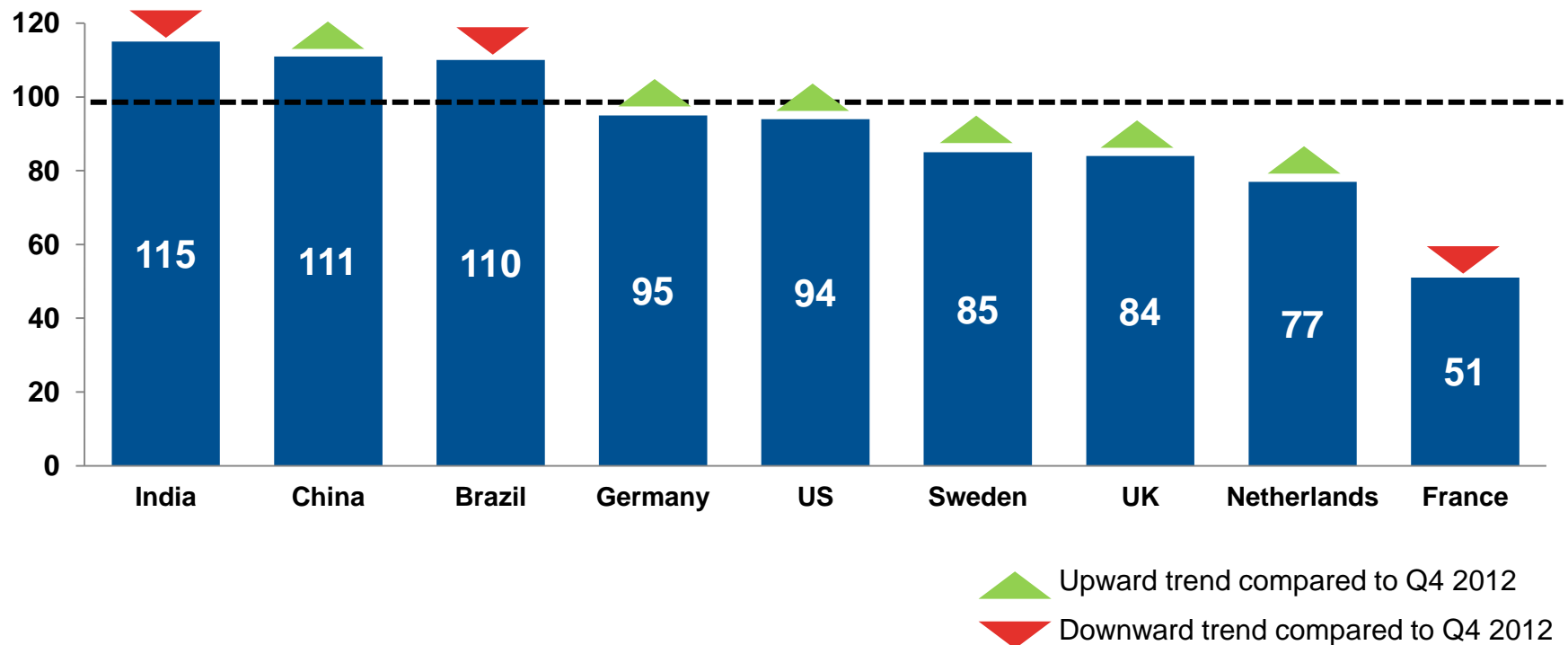
**By end-user segment**  
2013, 100% = €80 billion



# Consumer confidence levels in parts of Europe are rising while some emerging markets show decline

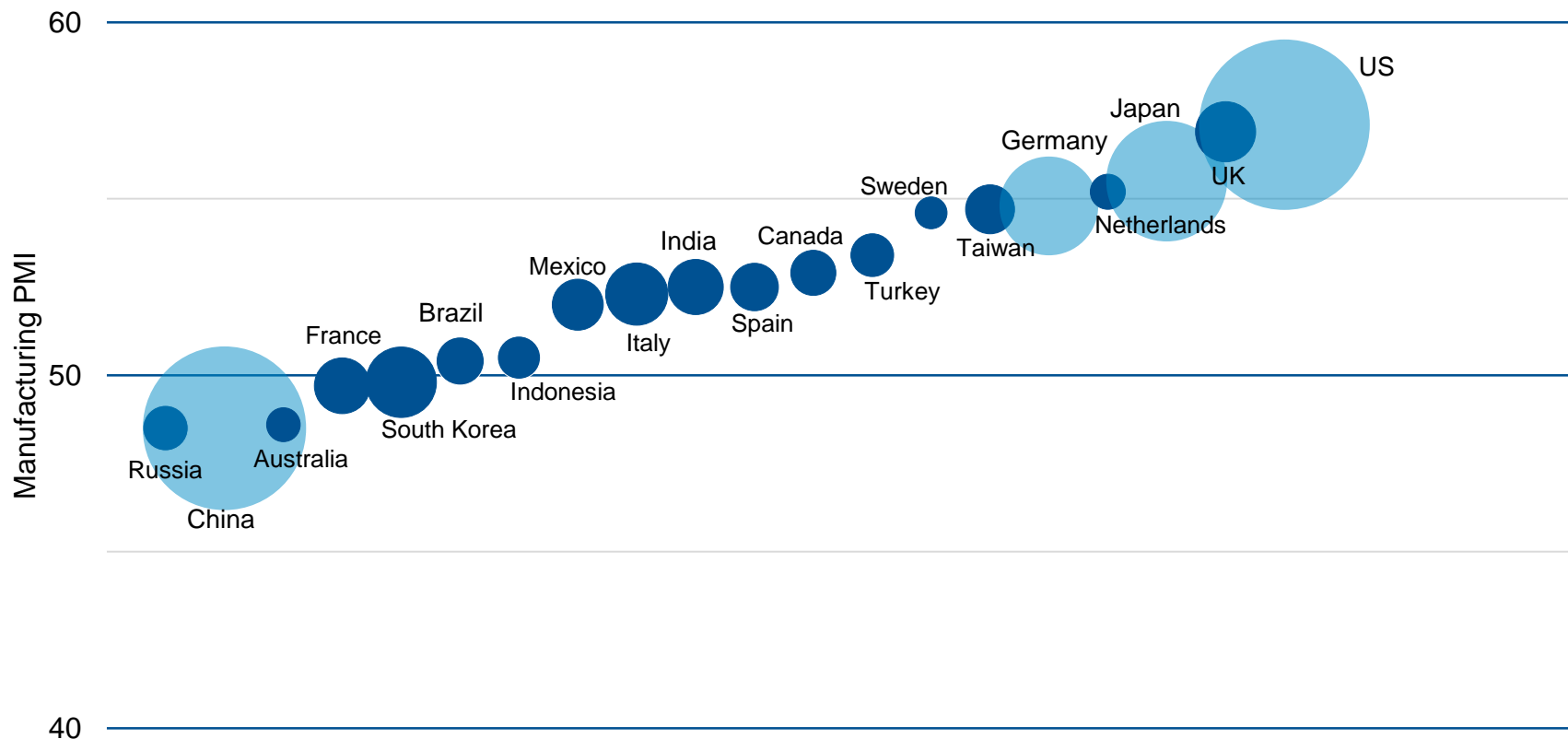
## Consumer confidence, Q4 2013

Figures below 100 indicate some degree of pessimism



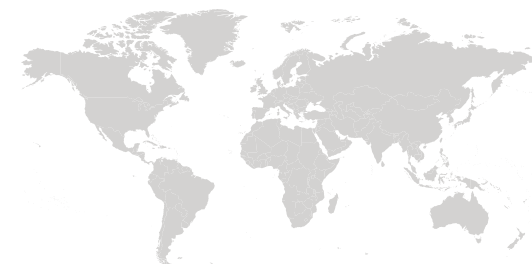
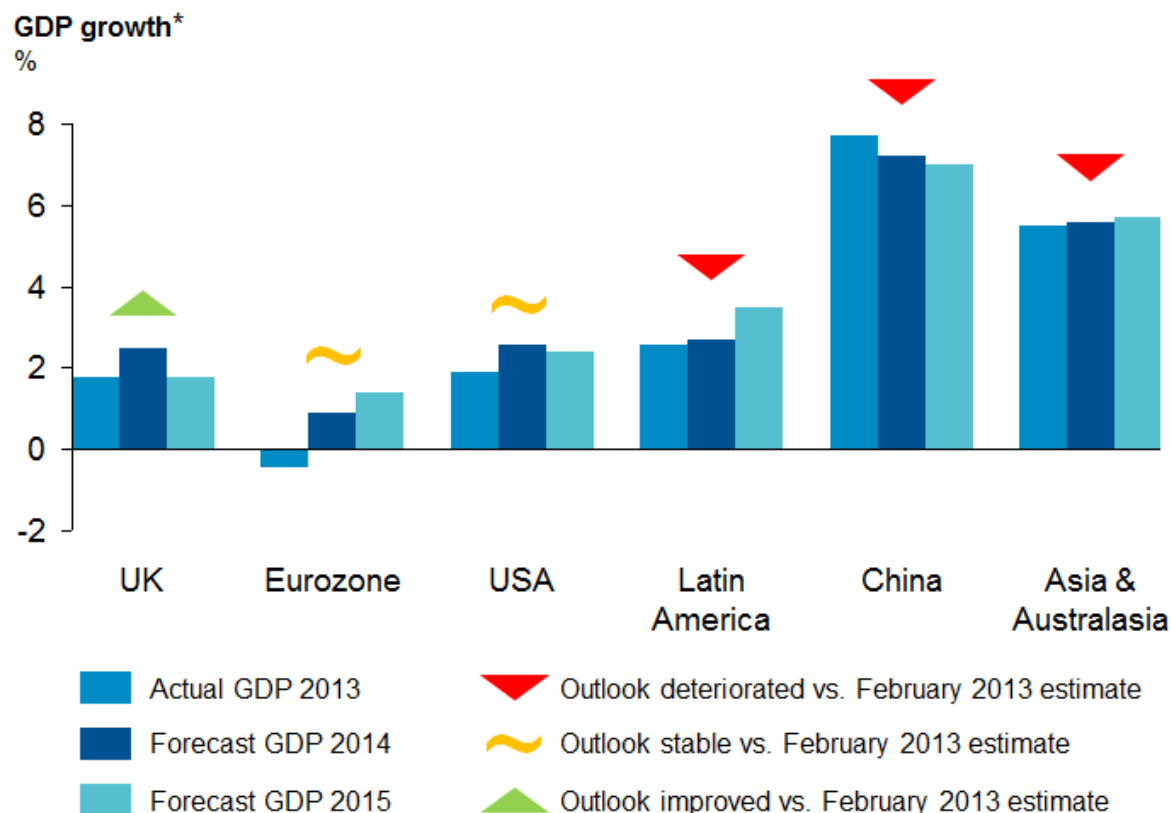
# The majority of global manufacturing output is anticipating expansion

Purchase Managers' Index (PMI)\*  
February 2014



\*Bubble size=manufacturing output, 2014e (US\$bn: 2005 prices)  
Sources: Oxford Economics, HSBC [China], Markit [US]

## Although coming down, growth rates in high growth markets remain attractive

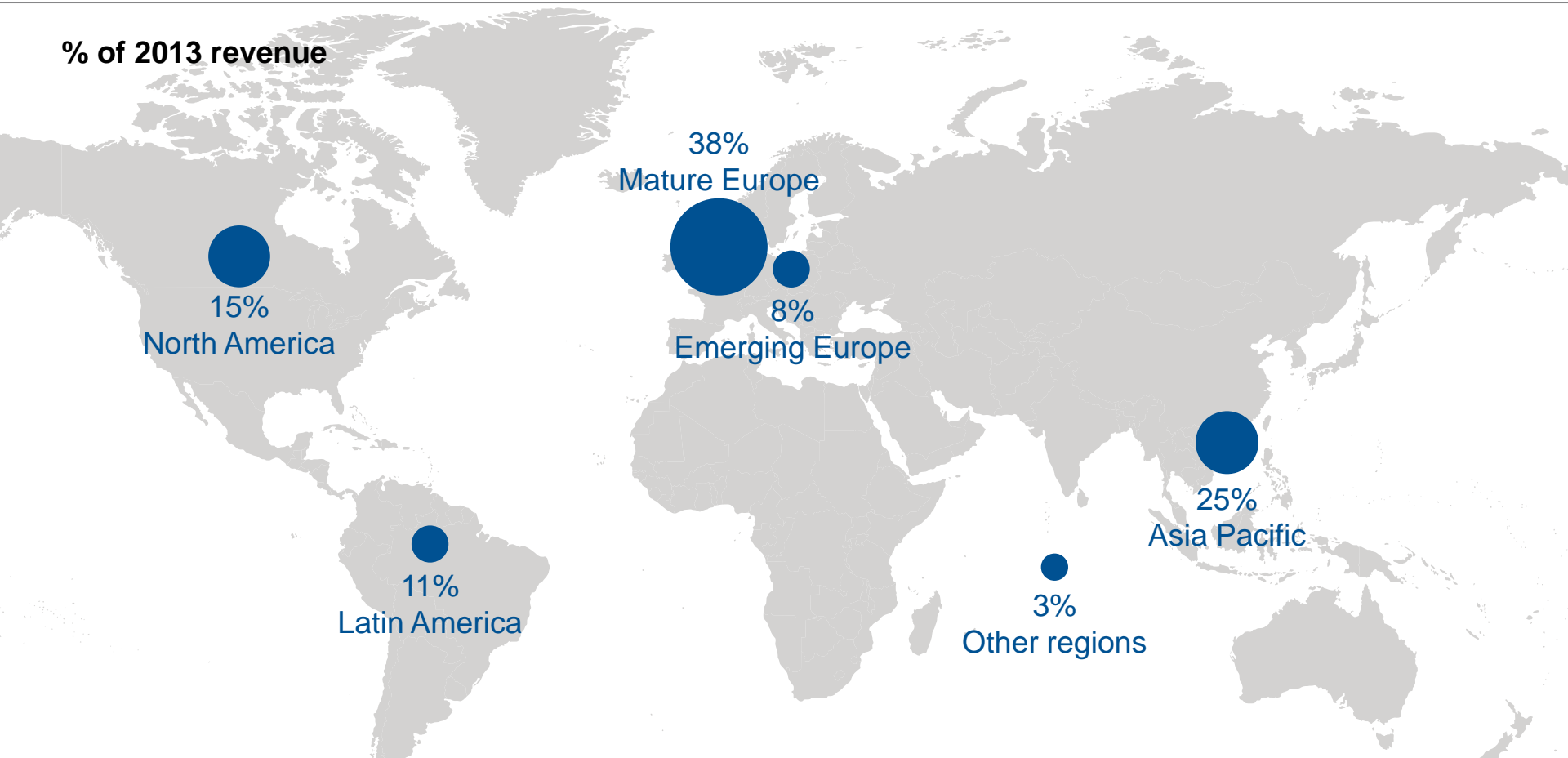


- High growth markets remain relatively high growth and our focus for investment
- In general, growth expectations have fallen since we published the strategy in 2013

Currently 44% of revenues from high growth markets

## High growth markets are 44% of revenue and their importance will increase

% of 2013 revenue



Share of revenues from high growth markets will increase over time

# Economic environment remains fragile, while improvement actions are ongoing

## 2013 showed challenging market conditions in most end-user segments and geographical end markets

### Key developments in 2013:

- Results of Performance Improvement program (€545 millions savings) delivered one year ahead of schedule and exceeded targets
- Divesting non-strategic and weaker market positions
- New strategy, targets, team, remuneration and company values
- All actions done in difficult market conditions with currency headwinds

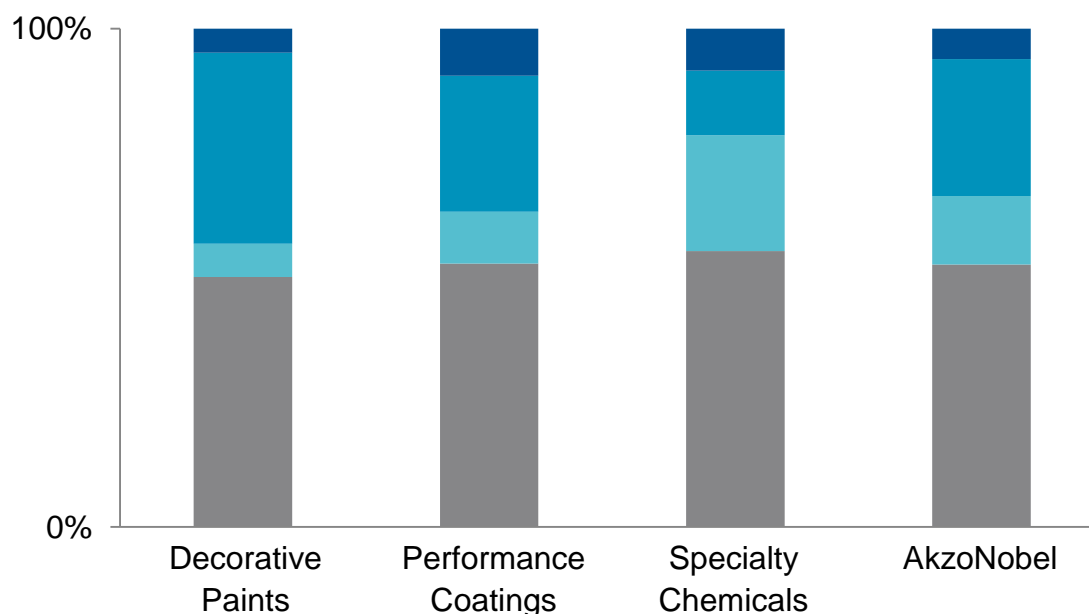
## 2014 market conditions are not expected to improve significantly

- Focus will be on:
  - Organic growth
  - Operating income
  - Return on capital
  - Operating cash flow
- Continue building on our end-user segments and strong high growth market positions
- Continue to address operational improvements and a focus on sustainability
- Drive cultural change by continuing company values roll-out

## In aggregate variable costs represent 53% of revenue

### Profit and loss breakdown\*

% of total

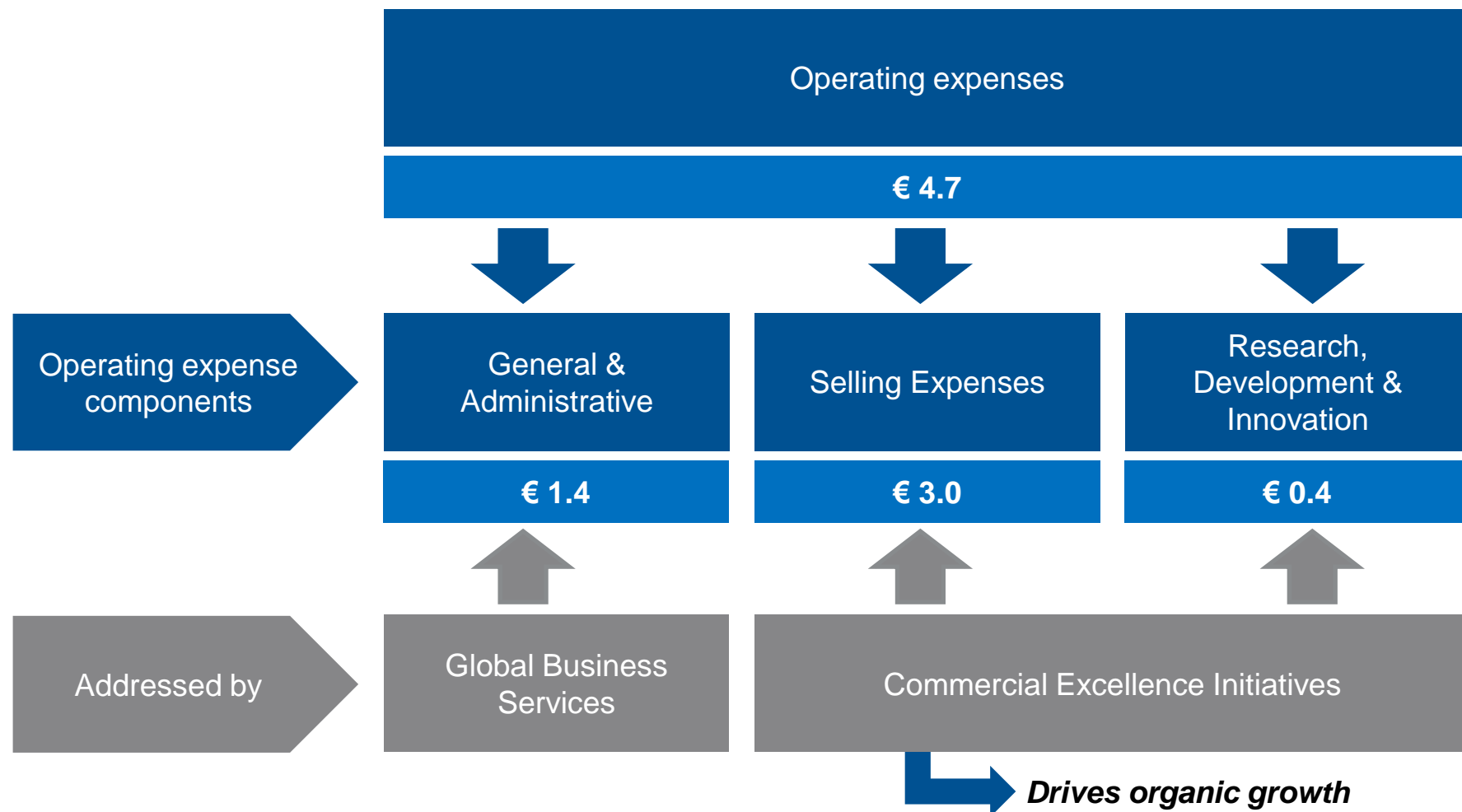


- EBIT margin
- Selling, advertising, administration, R&D costs
- Fixed production costs
- Raw materials, energy and other variable costs

- AkzoNobel is well positioned for economic recovery
- Variable costs represent 53% of revenue, down from 54% in 2012
- Decorative Paints is more driven by personnel costs in the distribution network, while Specialty Chemicals has more production costs



## We are actively addressing all components of operating expenses



# Drive towards continuous improvement and commercial excellence

- Restructuring activities to continue into 2014, moving into continuous improvement which will enable us to achieve the 2015 targets
  - 2014 restructuring charges expected to total at least €250 million and will be more evenly spread over the year and Q1 2014 will be higher than the same quarter last year
  - Thereafter, more normalized levels of restructuring costs, around 1% of revenues

## Ongoing initiatives in 2014:

<b>Commercial Excellence</b>	<ul style="list-style-type: none"> <li>• Delivering quality products and innovations to our customers at a lower cost to serve               <ul style="list-style-type: none"> <li>– Improve customer satisfaction</li> <li>– Drive organic growth</li> <li>– Improve margins</li> <li>– Sales and marketing productivity</li> </ul> </li> </ul>
<b>Global Business Services</b>	<ul style="list-style-type: none"> <li>• Streamlining corporate functions (Finance, HR, IM et cetera) by introducing a new Global Business Services function responsible for implementing standardized core functional processes throughout the organization</li> <li>• Centers of Excellence, Shared Service Centers, Business Partnering</li> </ul>

# Sustainability is business; business is sustainability

**AkzoNobel**

## 20%

of revenue by 2020 from products that are more sustainable for our customers than the products of our competitors

## 25-30%

more efficient resource and energy use across the entire value chain by 2020 (measured by carbon footprint reduction)

## REI

(Resource Efficiency Index)

A new indicator measuring how efficiently we generate value (expressed as cradle-to-grave carbon footprint divided by gross profit)

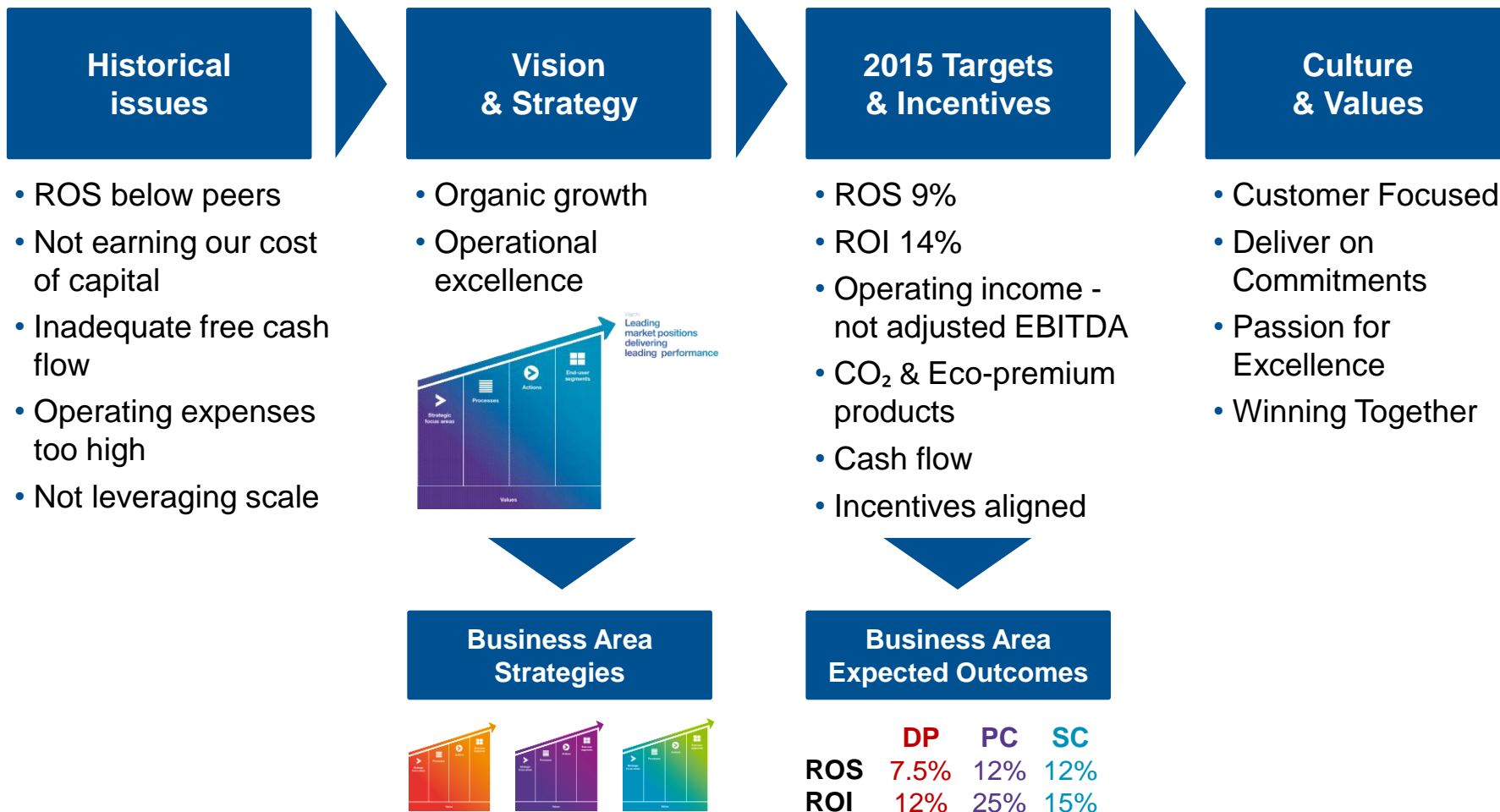


AkzoNobel ranked #1 again in the Dow Jones Sustainability Index for the Materials Industry group

## AkzoNobel values drive cultural change



## Leading performance; gaining momentum



# Introducing our three new Business Area Executive Committee members

**AkzoNobel**



Ruud Joosten  
**Decorative Paints**



Conrad Keijzer  
**Performance Coatings**



Werner Fuhrmann  
**Specialty Chemicals**

**Decorative Paints**  
Ruud Joosten

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## Agenda

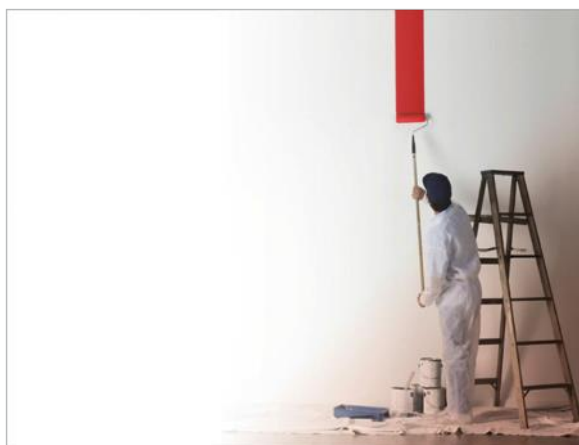
- Business at a glance
- Decorative Paints market
- AkzoNobel in Decorative Paints
- Strategy
- Key actions and continuous improvement
- Financials
- Summary and conclusions



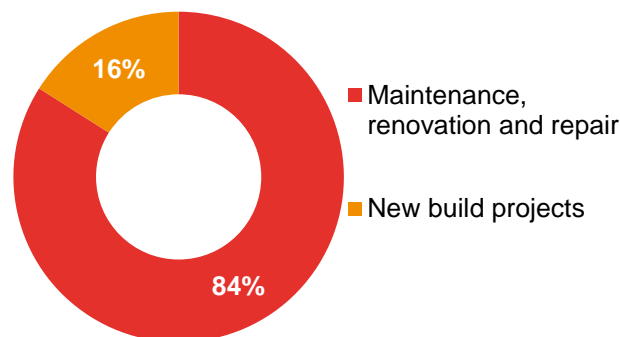
## Business at a glance

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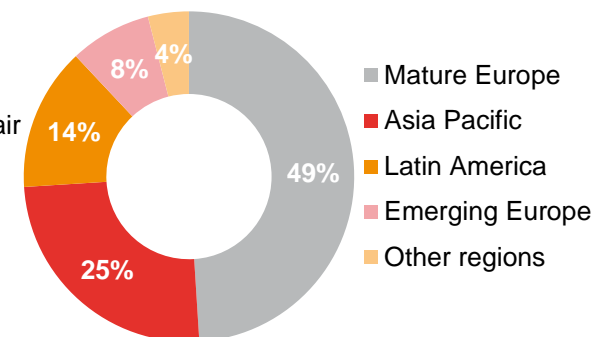
## Decorative Paints business at a glance



Revenue by end-user sub-segment



Revenue by geographic spread



### Decorative Paints key figures

€ million	2013
Revenue	4,174
EBITDA	362
Operating income	200*
Return on sales	4.8%*
Return on investment	6.9%*
Employees	16,240

### Key messages

- We are the global leader in size in the attractive global Decorative Paints market
- We are pursuing a vision of becoming the leading global Decorative Paints company in size and performance
- Strategic priorities:
  - Fix Europe
  - Grow profitably in high-growth markets

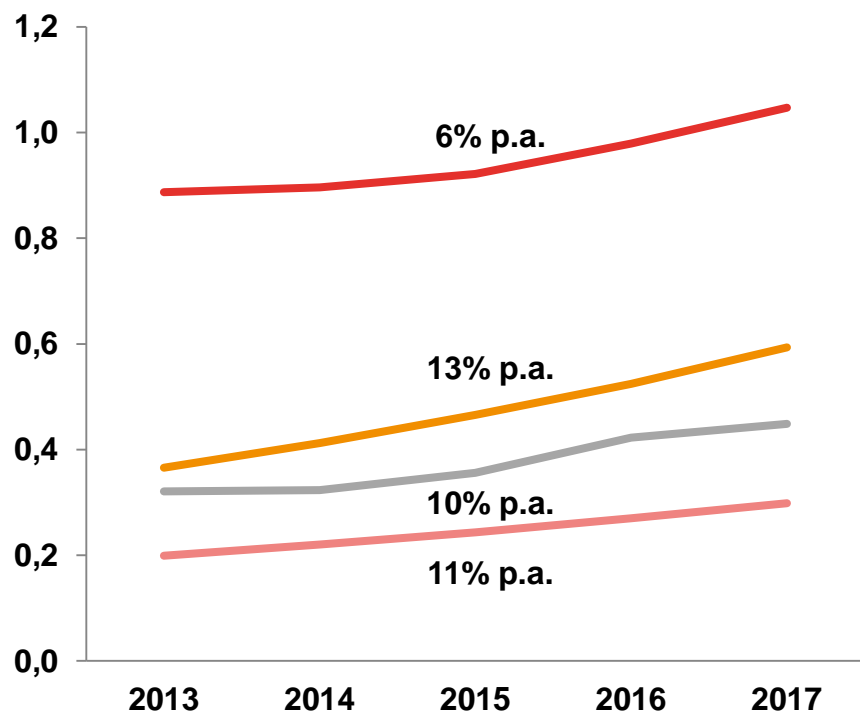
\* Excludes a €198 million gain on the sale of Building Adhesives

## Decorative Paints market

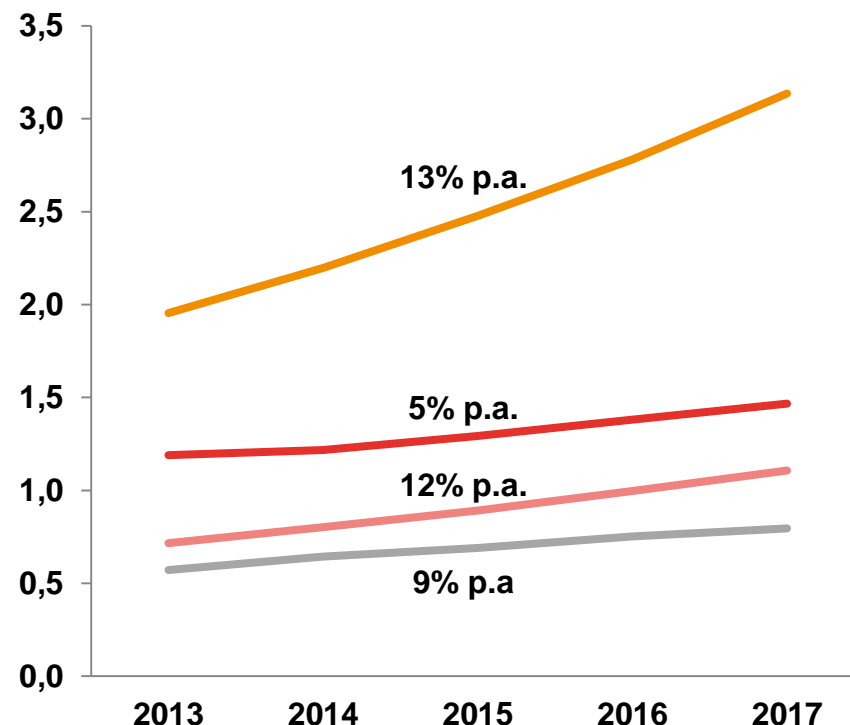
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# The outlook for Buildings and Infrastructure is positive

**Total market maintenance and repair**  
\$ trillion, output



**New build construction**  
\$ trillion, output

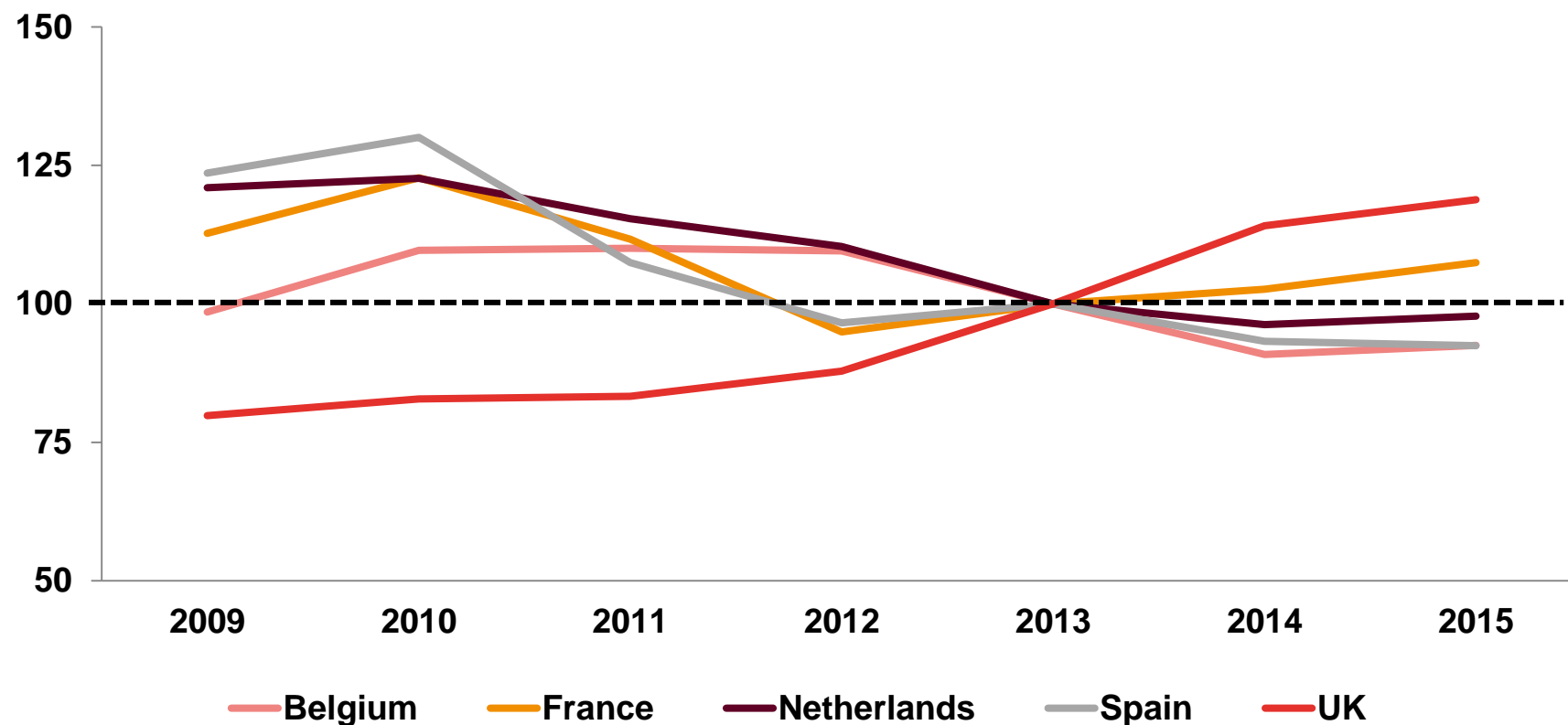


— Europe — China — US — Brazil, Russia, India

## European housing markets show signs of 'bottoming out'

### Housing transactions

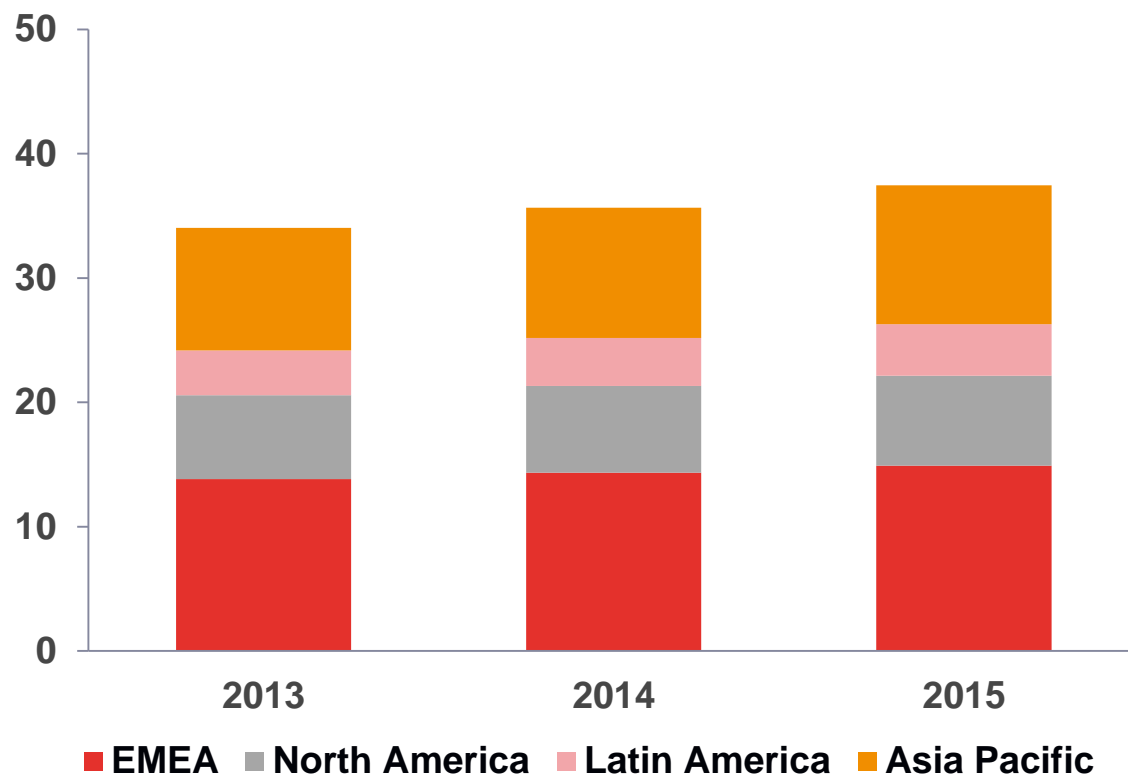
Indexed to 2013



## The global Decorative Paints market is attractive in terms of size and growth

### Decorative Paints sales

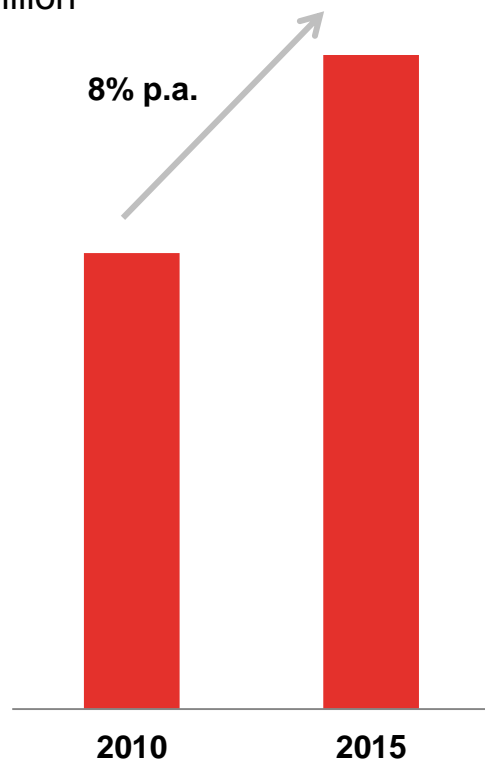
€ billion



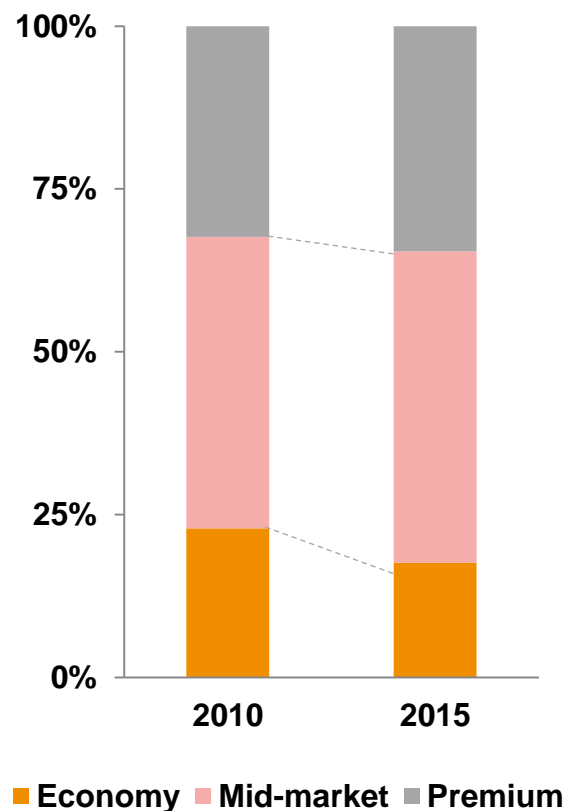
- Used for protection as well as decoration
- Consumption per capita driven primarily by the frequency of repainting
- Demand growth closely correlated with GDP growth, consumer expectations
- In high-growth markets, tends to outstrip GDP growth by up to 1.5x

## High-growth markets are growing well and are increasingly 'trading up'

**Paint market growth\***  
\$ billion



**Paint market composition\***  
% of total, by value



- Paint markets in high-growth markets are still showing significant opportunities for growth
- Spending power of the middle class in high-growth markets is increasing

Source: Orr & Boss, management estimates.

\* includes China, India, other emerging Asia-Pacific, Brazil, Argentina, other emerging Latin America, Middle East and Africa

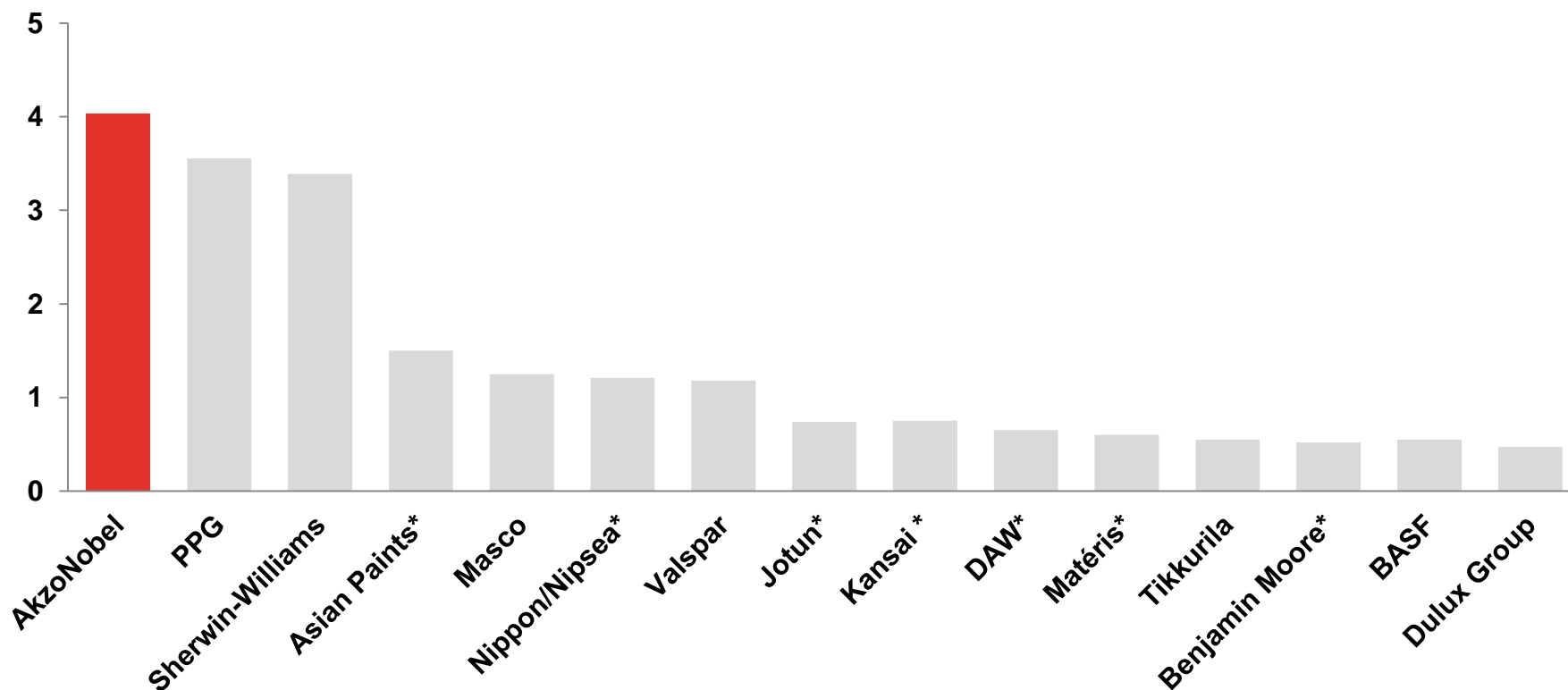
## AkzoNobel in Decorative Paints

- Business at a glance
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## We are the largest player globally in Decorative Paints

**Decorative Paints revenue**  
 € billion, 2013 unless noted



\* 2012 data  
 Source: Annual Reports; AkzoNobel analysis

## In Decorative Paints we hold strong market positions across all regions

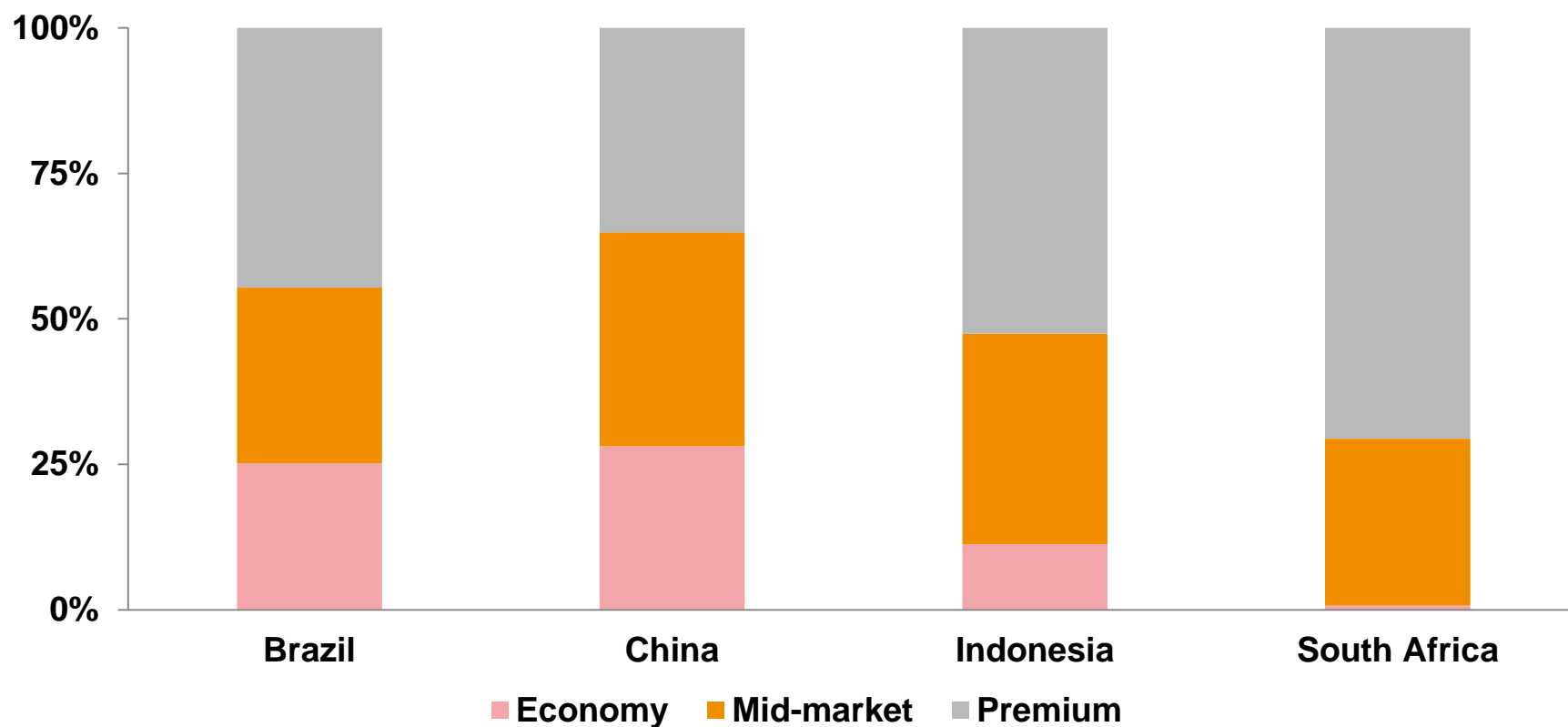
Geographic area	Geographic size (€ billion)	AkzoNobel position
Europe*	12.2	1
South East Asia and Pacific	1.7	1
China and North Asia	6.4	2
Latin America	2.5	2
India and South Asia	2.8	3

\* Europe includes Africa and Middle East

## We are strong in the premium segment, but also compete successfully elsewhere

### AkzoNobel Decorative Paints revenue by segment

% of revenue



## We have very strong brands linked by a global approach to branding

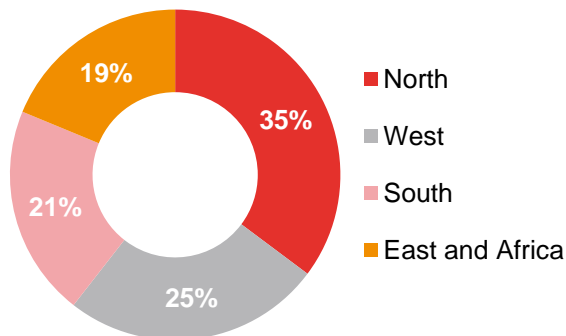
- Our well-known brands are one of our key competitive advantages
- We have a number of powerful, relevant brands occupying a number of positions across different markets (consumer, professional, and other such as woodcare)
- Where possible, we have leveraged our scale and created a single global identity
- We have rationalized our brand portfolio – concentrating our investment behind fewer, bigger, better brands



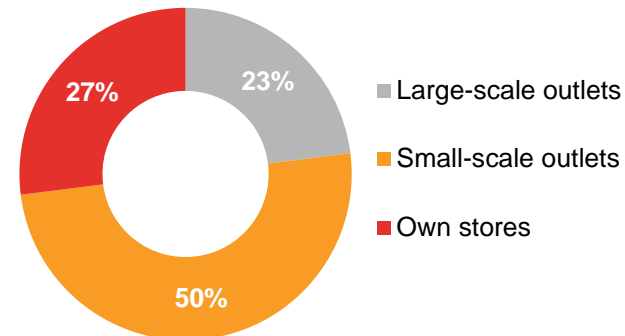
## In Europe, we are the clear regional market share leader



### Revenue by region



### Revenue by channel



### Europe, Middle East, Africa (EMEA)

€ billion	2013
Market size where AkzoNobel is represented	12.2
AkzoNobel revenue*	2.4
Employees	~9,300
Owned stores	~510

### Key messages

- Clear regional market share leader
- Strong brand portfolio
- Strong multi-national relationships with key large scale outlets
- Restructuring activities a major focus
- Timing of return to growth in mature Europe still uncertain

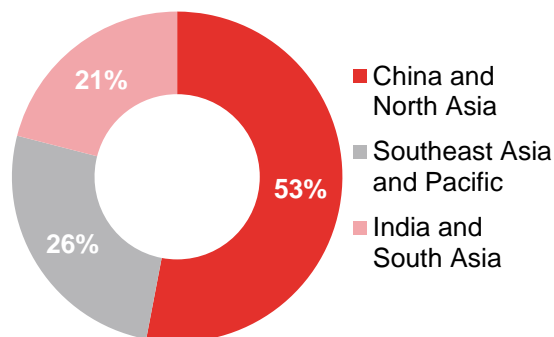


\* Excludes Building Adhesives

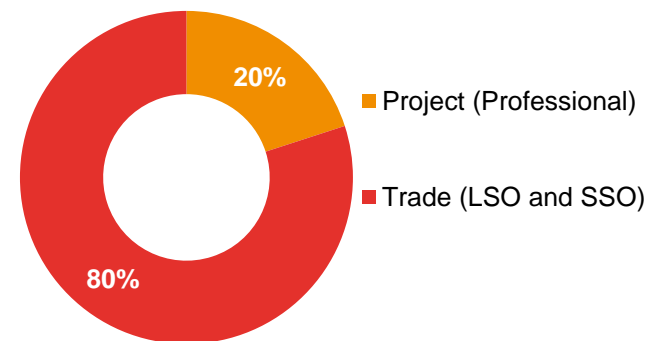
## In Asia, we have strong positions in the main high-growth markets



### Revenue by region



### Revenue by channel



### Asia

€ billion	2013
Market size where AkzoNobel is represented	7.7
AkzoNobel revenue	1.1
Employees	~4,700
Controlled, franchised or owned stores	~4,000

### Key messages

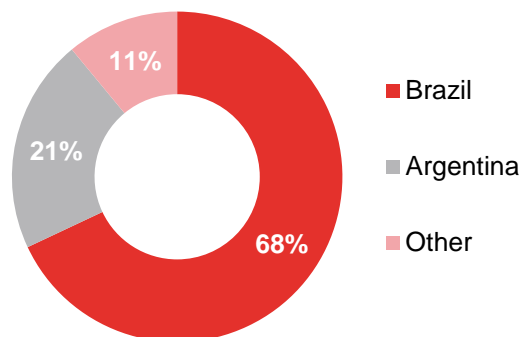
- Strong positions in China, Indonesia, Vietnam
- Strong position in premium in India
- Strong recent organic growth trajectory, based in large part on significant distribution expansion
- Strong financial performance
- Strong brand presence



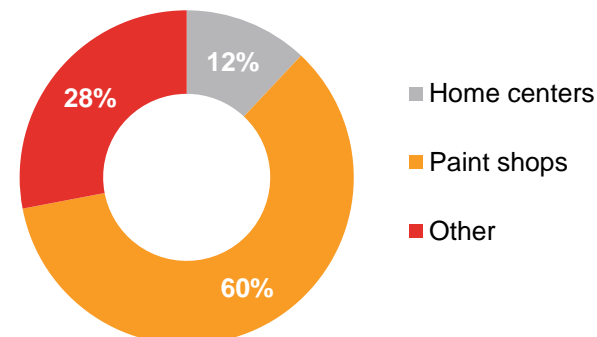
## In Latin America, we have strong positions where we compete



### Revenue by region



### Revenue by channel



### Latin America

€ billion	2013
Market size where AkzoNobel is represented	1.6
AkzoNobel revenue	0.6
Employees	~1,800

### Key messages

- Strong positions in Brazil, Argentina, Uruguay
- Successful viral marketing campaign 'Tudo de Cor'
- Strong mid-tier position in Brazil
- Strong innovation record



# Our manufacturing footprint is changing to address our market environment





# Capital expenditure supporting growth and manufacturing footprint optimization

- Rationalization of manufacturing footprint started as part of Performance Improvement Program and this will continue into 2014 and 2015
- Focus on megaplants to produce large volume products for a particular region, supported by local sites that produce more complex portfolios
  - Enable growth, enhanced delivery and stock reduction
  - Automation to drive cost effectiveness
- Cementing our footprint in high-growth markets
  - Gwalior (India) and Guangzhou (China) opened in 2013
- 2013 capital expenditure was €171 million, or 4.1% of revenues (2012: €206 million, 6.6% of revenues)
- Investment projects for 2014/2015 include:
  - Ashington (UK)
  - Chengdu (China)



## Accomplishments to date

Area	Beginning 2008	End 2013
<b>Cost reductions*</b>	n/a	> 200 million
<b>Number of FTEs</b>	25,800	16,240
<b>Brands</b>	100	59
<b>SKUs</b>	>90,000	69,000
<b>Factories</b>	80	45
<b>Warehouses</b>	160	135
<b>ERP systems</b>	>40	1

# We are benefiting from a stabilizing raw material environment and local sourcing

## Titanium dioxide (TiO<sub>2</sub>) pricing

€ thousand/metric ton

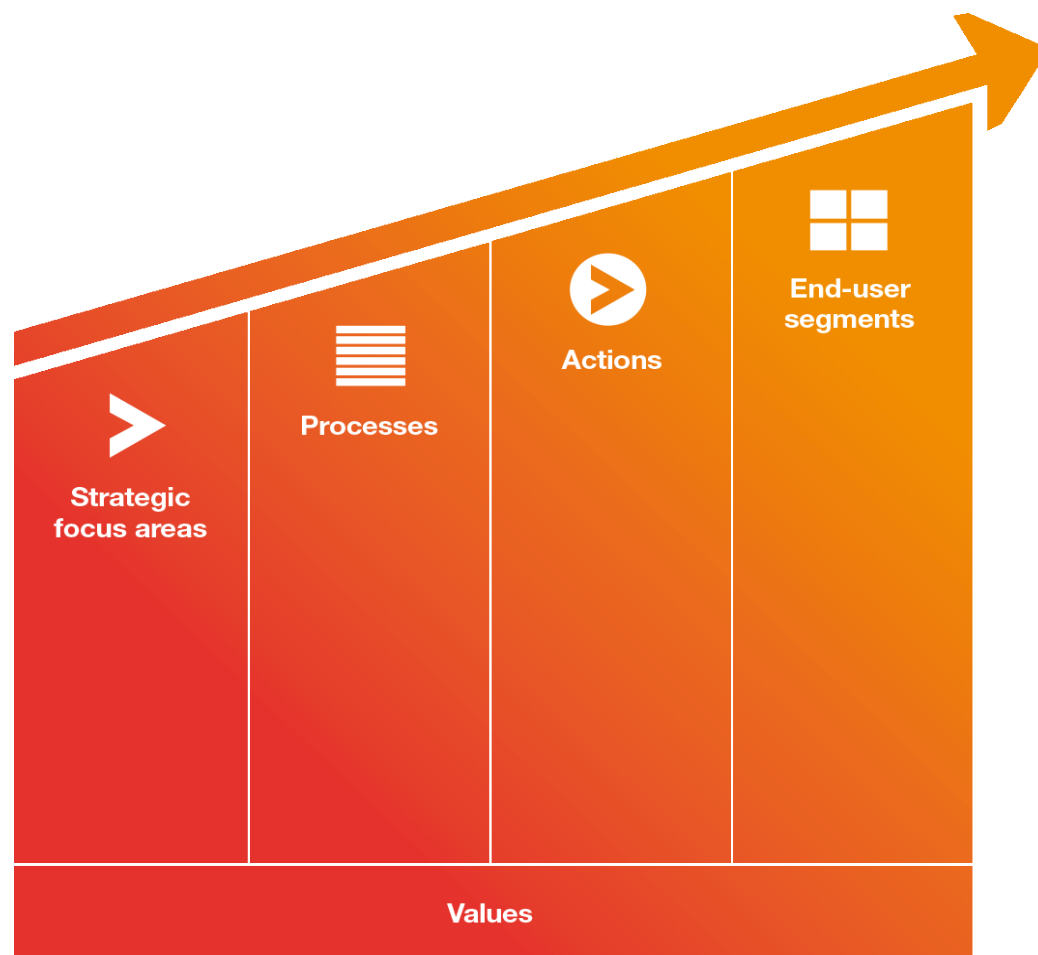


- Titanium dioxide (TiO<sub>2</sub>) accounts for roughly 20% of total Decorative Paints raw material spend
- Pricing of TiO<sub>2</sub> has been volatile in recent years, but stabilized during 2013
- We are able to source TiO<sub>2</sub> from suppliers across the globe including China

## Strategy

- Business at a glance
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- **Strategy**
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## Decorative Paints vision and targets



Decorative Paints vision

**The leading global  
Decorative Paints  
company in size  
and performance**

Expected outcomes (2015):

- Return on sales: 7.5%
- Return on investment: 12%

## Decorative Paints strategy on a page



### Strategic focus areas

Per the company agenda



### Processes

Per the company agenda

#### Business area capabilities

- Branding
- Distributor, wholesaler, retail management
- Understanding and serving professional painters
- Consumer inspiration
- Quality management



### Actions

Per the company agenda

#### Business area actions

- Fix Europe
- Grow profitably in high-growth markets
- Leverage investments in marketing, sales, innovation
- Improve supply chain performance
- Generate more value with fewer resources



### End-user segments

- Buildings and Infrastructure
- Transportation
- Consumer Goods
- Industrial

## Key actions and continuous improvement

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## Fix Europe

### Objectives:

- Improve performance by driving operational excellence and changing the operating model in Europe
- Ensure that we are positioned for organic growth in mature European markets when the market recovers (e.g. UK)
- Pursue organic growth in select countries where there are attractive opportunities today (e.g. Turkey, Poland)





## Fix Europe

### Actions:

- Implement a central operating model and simplify our organizational structure
- Consolidate our manufacturing and distribution footprint
- Develop and implement standardized and efficient marketing and sales platforms
- Redesign back office processes to support back office consolidation and restructuring
- Maintain a strong focus on customers and markets through the transition period



## Changing our operating model in Europe

Action	2012	2013	2014	2015
Integrate relevant European activities and management				
Rationalize product portfolio and raw materials				
Rationalize manufacturing footprint				
Fully implement sales excellence				
Outsource certain finance businesses				
Implement central operating model				
Leverage repeatable models globally				

## Grow profitably in high-growth markets

### Objectives:

- Outgrow the market
- Ensure that we leverage our (global) scale to ensure that we improve relative profitability while we grow

### Actions:

- Develop profitable mid-market business model(s)
- Build and implement a robust distribution strategy framework
- Leverage global marketing and innovation scale to win locally
- Leverage our strong brands
- Create and implement a digital marketing strategy



## We are pursuing country-specific plans for profitable organic growth (1 of 3)

### China

#### AkzoNobel position

Extensive geographic coverage across all regions

#### Actions

- Drive further expansion outside the eastern region with investments in manufacturing footprint:
  - New plant opened in Guangzhou (2013)
  - Plant under construction in Chengdu (West)
- Drive growth in project channel
- Continue to develop emerging channels such as e-commerce and Easy Paint Services channels
- Continuously optimize our product range
  - Launch of Dulux Ambiance in premium segment



## We are pursuing country-specific plans for profitable organic growth (2 of 3)

### Brazil

#### AkzoNobel position

- Strong market positions in Brazil through the Coral brand
- Strongest player in the mid-market segment and therefore well-positioned to profit from mid-tier growth

#### Actions

- Grow aggressively in the premium segment
- Continue to add points of sale through exclusive distributors
- Continue our 'Tudo de Cor' viral marketing program



## We are pursuing country-specific plans for profitable organic growth (3 of 3)

### Indonesia

#### AkzoNobel position

The leading paints company in the Indonesian market with a strong market share

#### Actions

- Continue to build our premium portfolio through strong brands including Dulux Weathershield and Dulux EasyClean
- Extend the reach of our Dulux brand and bring it to the mid-market segment through the launch of Dulux Catylac
- Leverage new forms of communication and activation such as Let's Color TV Show and YouTube as well as digital activation



## Financials

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## Key financials

### Underlying\*

€ million	2011	2012	2013
Incidentals	2	14	(198)
Operating income excl. incidentals	237	108	200
<b>Return on sales excl. incidentals</b>	<b>5.6%</b>	<b>2.5%</b>	<b>4.8%</b>
PIP costs	-	140	105
Operating income excl. PIP costs & incidentals	237	248	305
<b>Return on sales excl. PIP costs &amp; incidentals</b>	<b>5.6%</b>	<b>5.8%</b>	<b>7.3%</b>

### Underlying performance

- Underlying return on sales, adjusted for incidentals and PIP costs has improved from 5.6% in 2011 to 7.3% in 2013
- Additional restructuring initiatives will take place in 2014

### As reported\*

€ million	2011	2012	2013
Revenue	4,201	4,297	4,174
EBITDA	389	284	362
Operating income	235	94	398
<b>Return on sales</b>	<b>5.6%</b>	<b>2.2%</b>	<b>9.5%</b>
<b>Return on investment</b>	<b>4.7%</b>	<b>3.0%</b>	<b>13.7%</b>
Employees	17,120	17,020	16,240

### Expected 2015 financial outcomes

- Return on sales: 7.5%
- Return on investment: 12%



## Summary and conclusions

- Business at a glance
- Decorative Paints market
- AkzoNobel in Decorative Paints
- Strategy
- Key actions and continuous improvement
- Financials
- **Summary and conclusions**

## We will deliver our 2015 expected outcomes

---

- We are the global leader in Decorative Paints size-wise
- We can and will improve considerably in terms of performance in all regions
- We can expect good growth in high-growth countries but the recovery is still uncertain in Europe
  
- **Vision: the leading global Decorative Paints company in size and performance**
  
- **Strategic priorities:**
  - Fix Europe
  - Grow profitably in high-growth countries
  
- **All of this will lead to our expected 2015 financial outcomes:**
  - Return on sales: 7.5%
  - Return on investment: 12%

**Performance Coatings**  
Conrad Keijzer

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## Agenda

- Business at a glance
- Performance Coatings market
- AkzoNobel in Performance Coatings
- Strategy
- Key actions and continuous improvement
- Financials
- Summary and conclusions

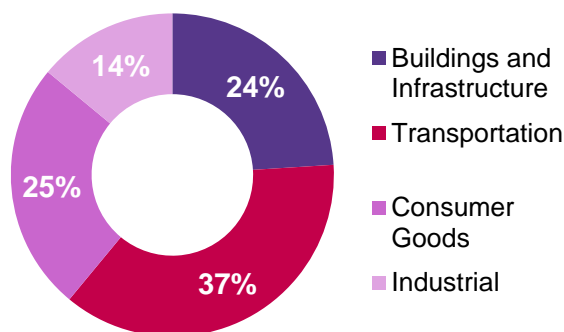
## Business at a glance

- Business at a glance
- Performance Coatings market
- AkzoNobel in Performance Coatings
- Strategy
- Key actions and continuous improvement
- Financials
- Summary and conclusions

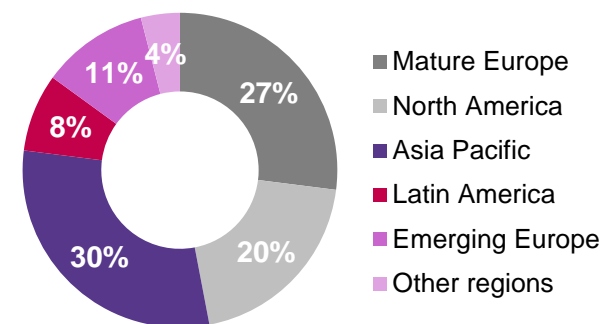
## Performance Coatings business at a glance



### Revenue by end-user segment



### Revenue by geographic spread



### Performance Coatings key figures

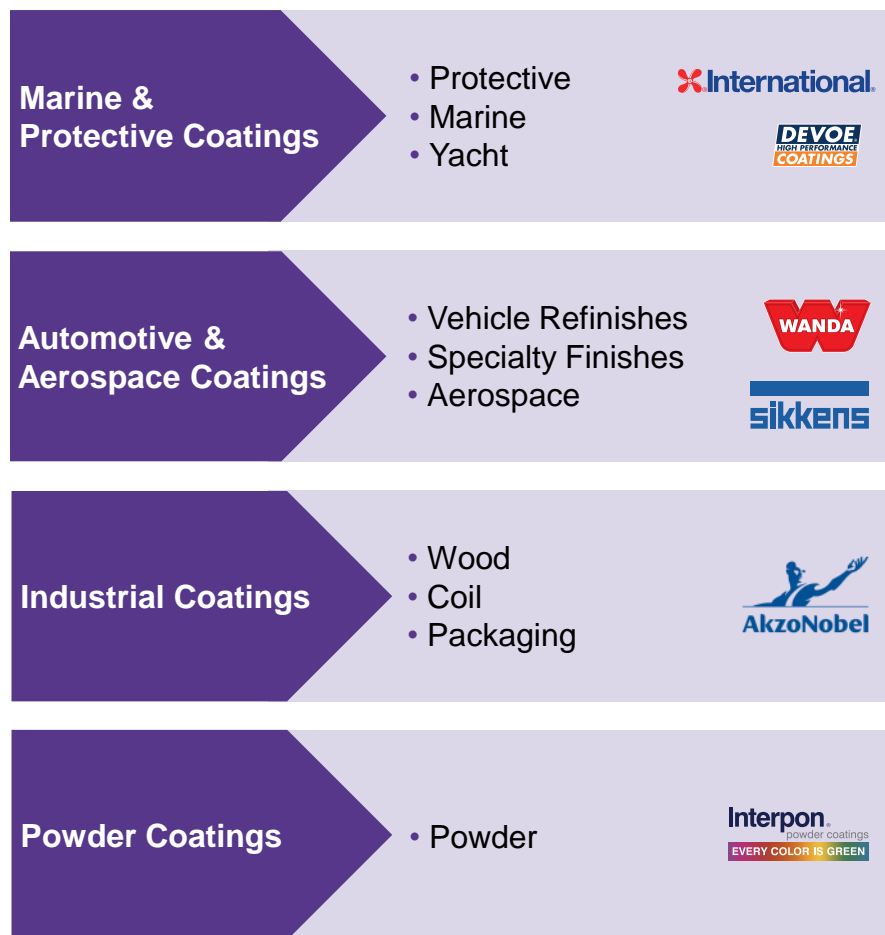
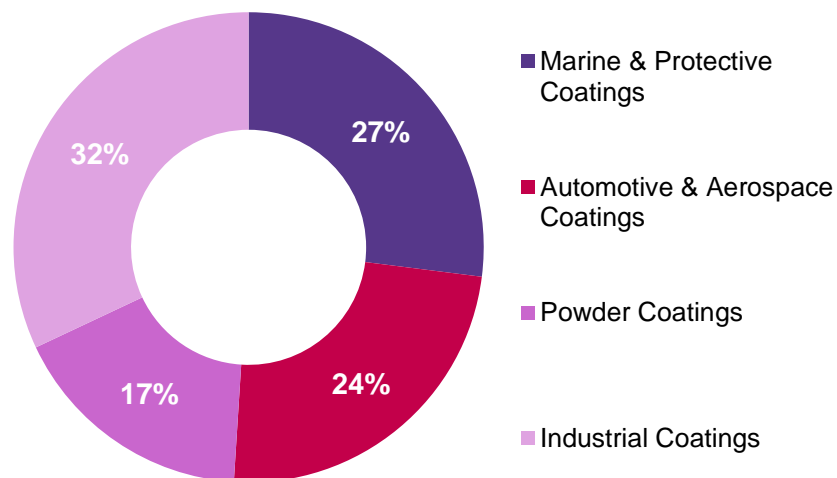
€ million	2013
Revenue	5,571
EBITDA	663
Operating income	525
Return on sales	9.4%
Return on investment	21.3%
Employees	21,360

### Key messages

- We have leading market positions
- Strategic priorities include:
  - Performance improvement initiatives
  - Differentiated growth strategies

## We are organized in four Business Units

2013 revenue by Business Unit



## Performance Coatings market

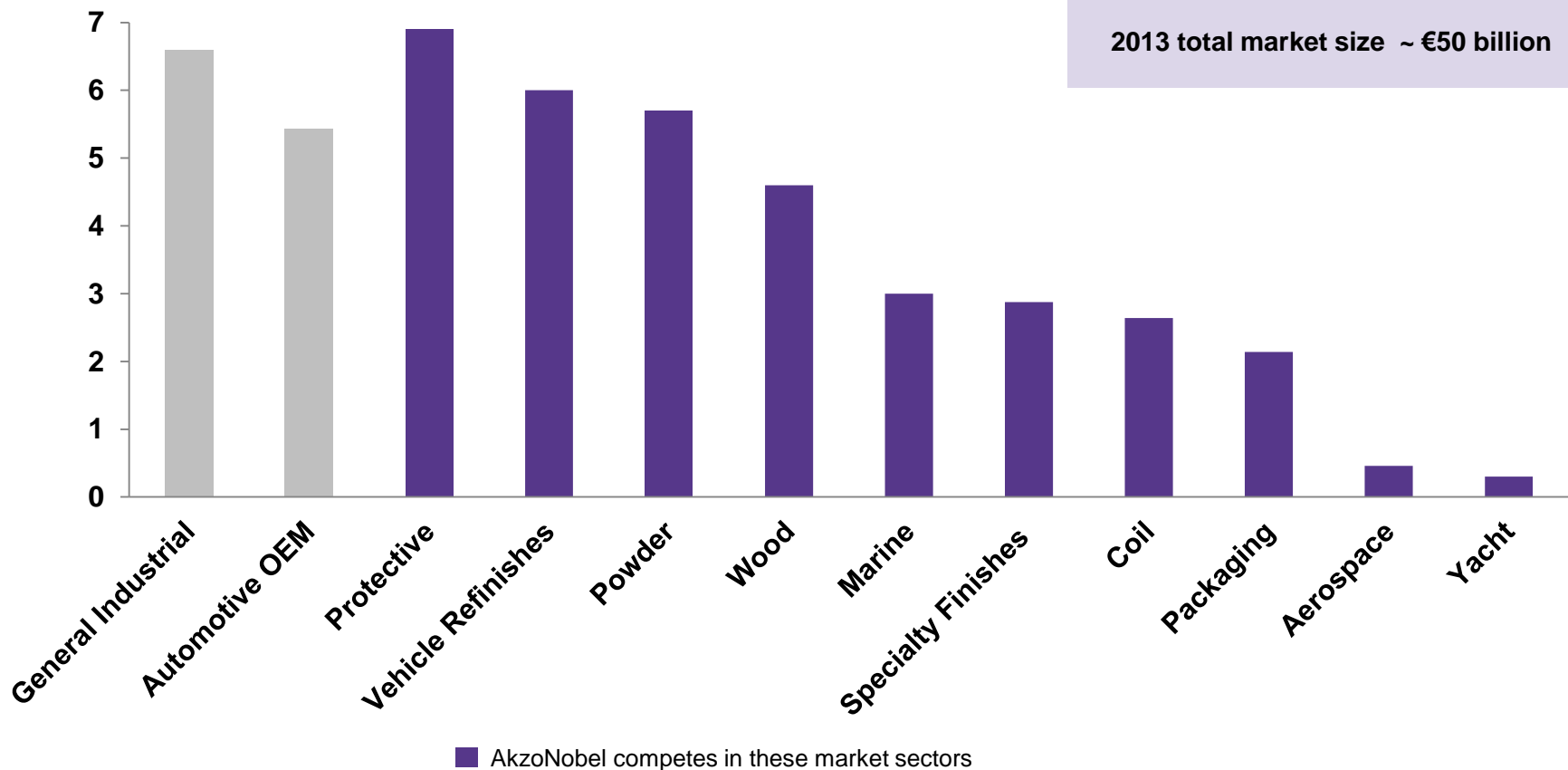
- Business at a glance
- Performance Coatings market
- AkzoNobel in Performance Coatings
- Strategy
- Key actions and continuous improvement
- Financials
- Summary and conclusions



# The Performance Coatings market is based on twelve sectors

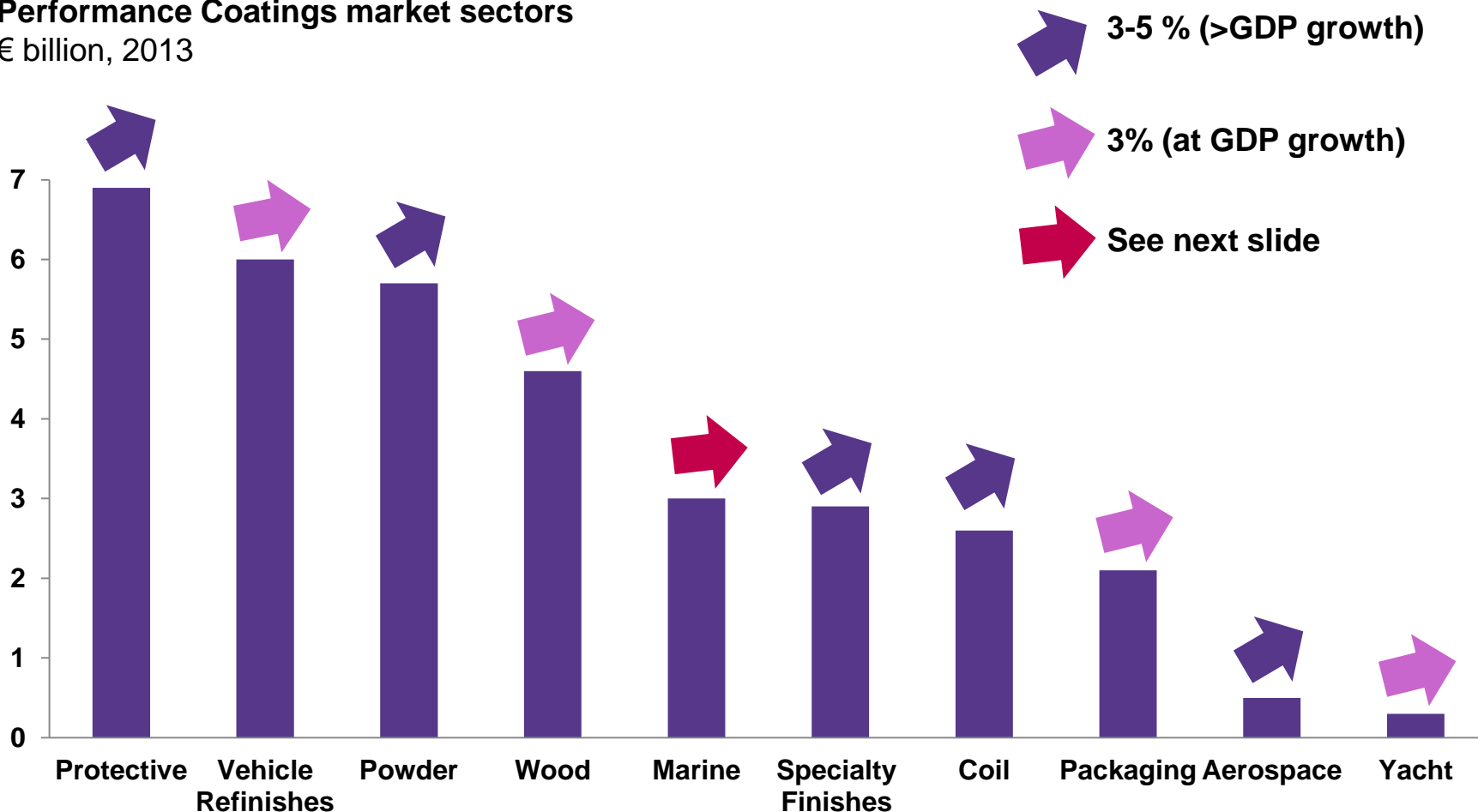
## Performance Coatings market sectors

€ billion, 2013



## The five year outlook for most sectors is positive

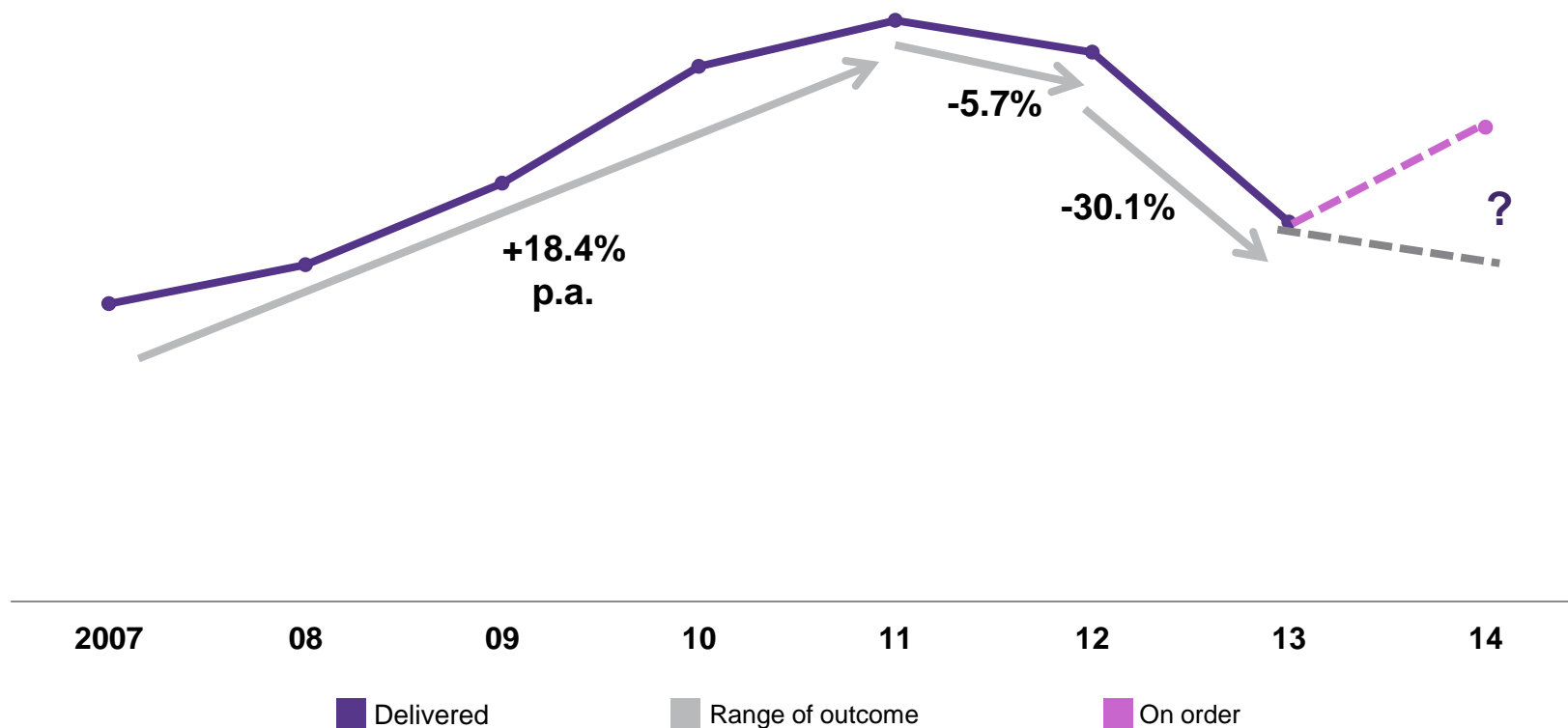
Performance Coatings market sectors  
€ billion, 2013



# The Marine new build market *may* have now reached the bottom of the cycle...

## New build ship deliveries

Million deadweight tons, 2007 = 95

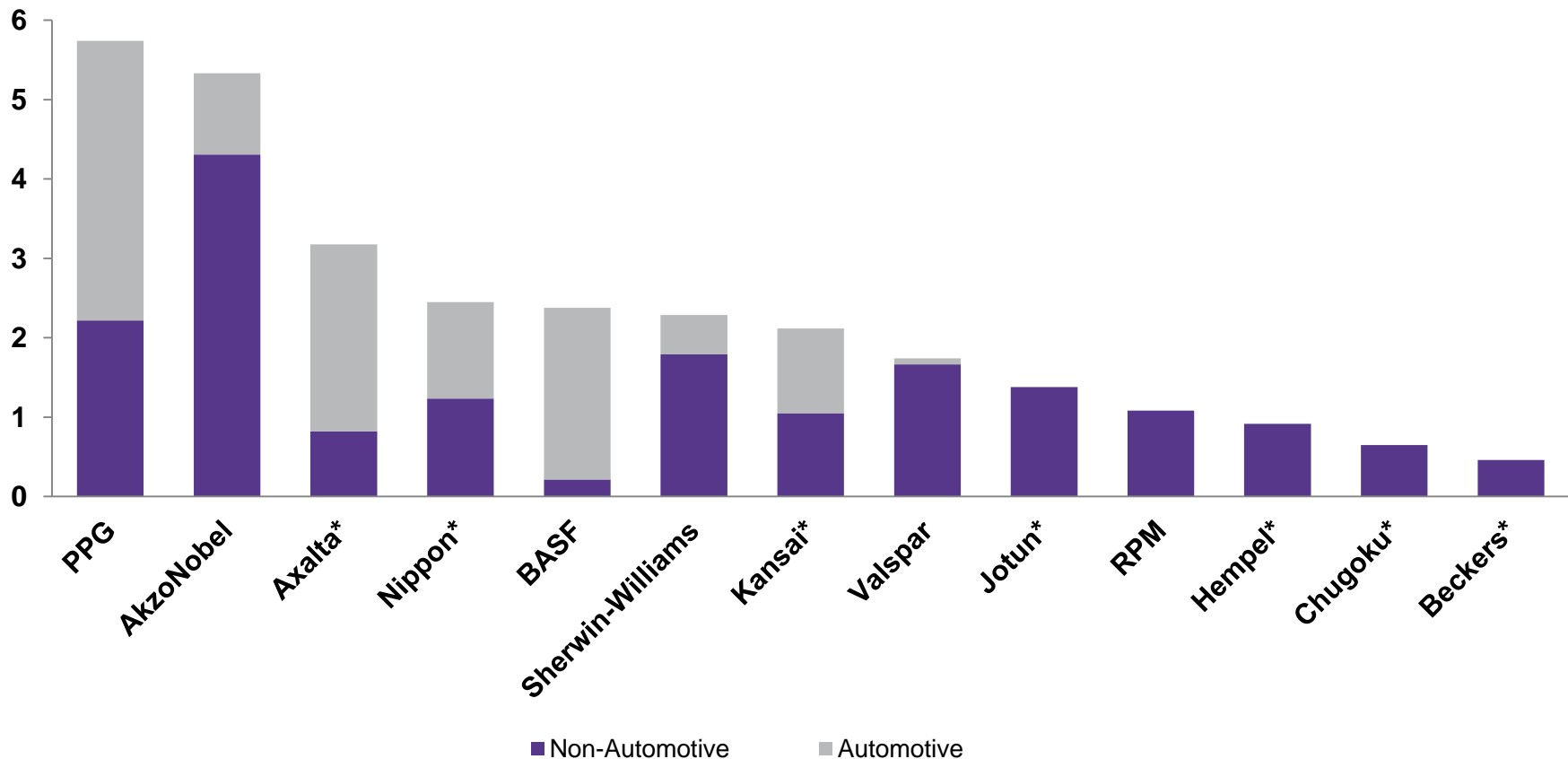


## AkzoNobel in Performance Coatings

- Business at a glance
- Performance Coatings market
- AkzoNobel in Performance Coatings
- Strategy
- Key actions and continuous improvement
- Financials
- Summary and conclusions

# AkzoNobel is the global market leader in Performance Coatings, excluding Automotive

**Performance Coatings revenue**  
 € billion, 2013 unless noted

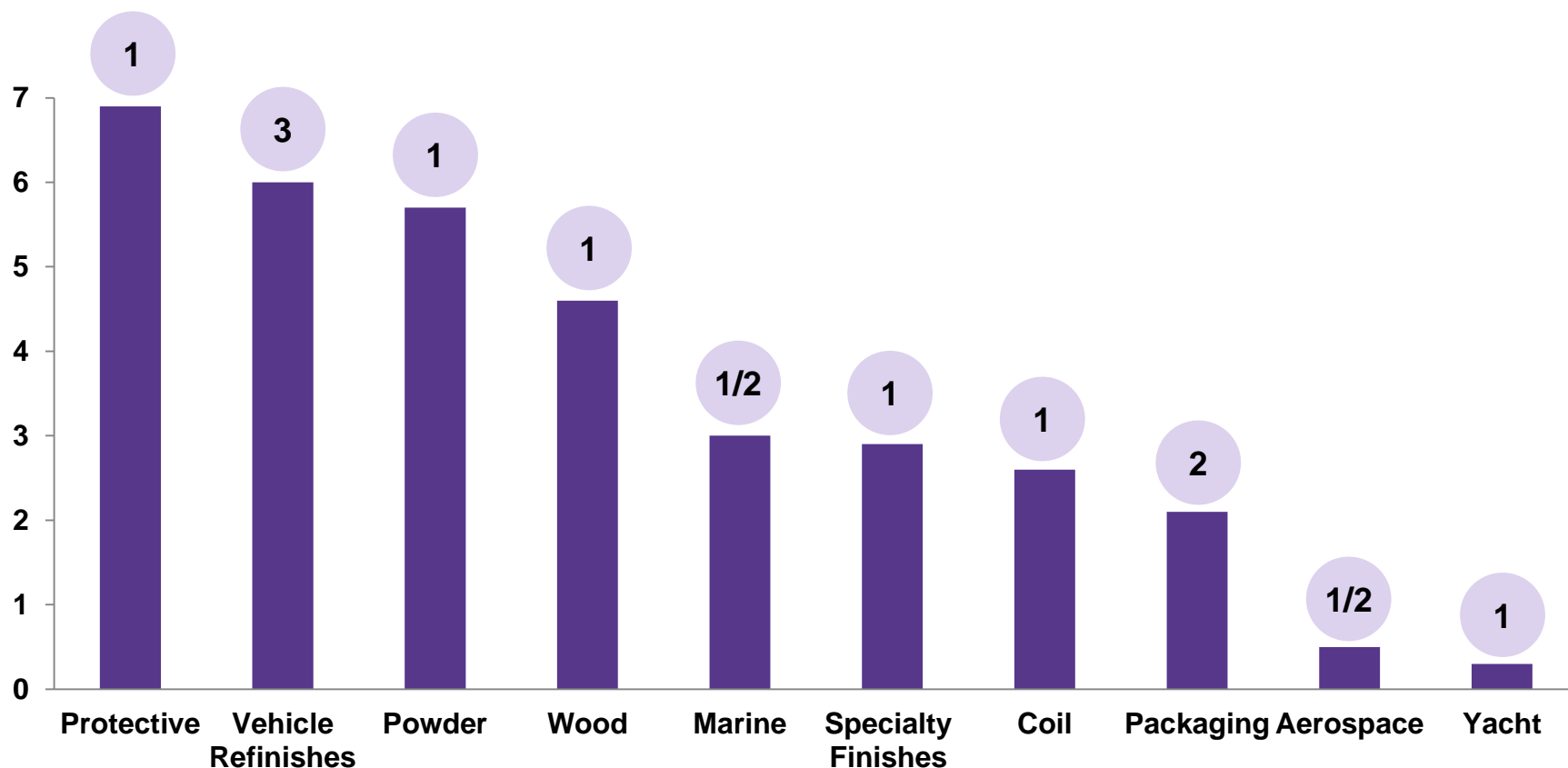


\* 2012 data  
 Source: Annual Reports; AkzoNobel analysis

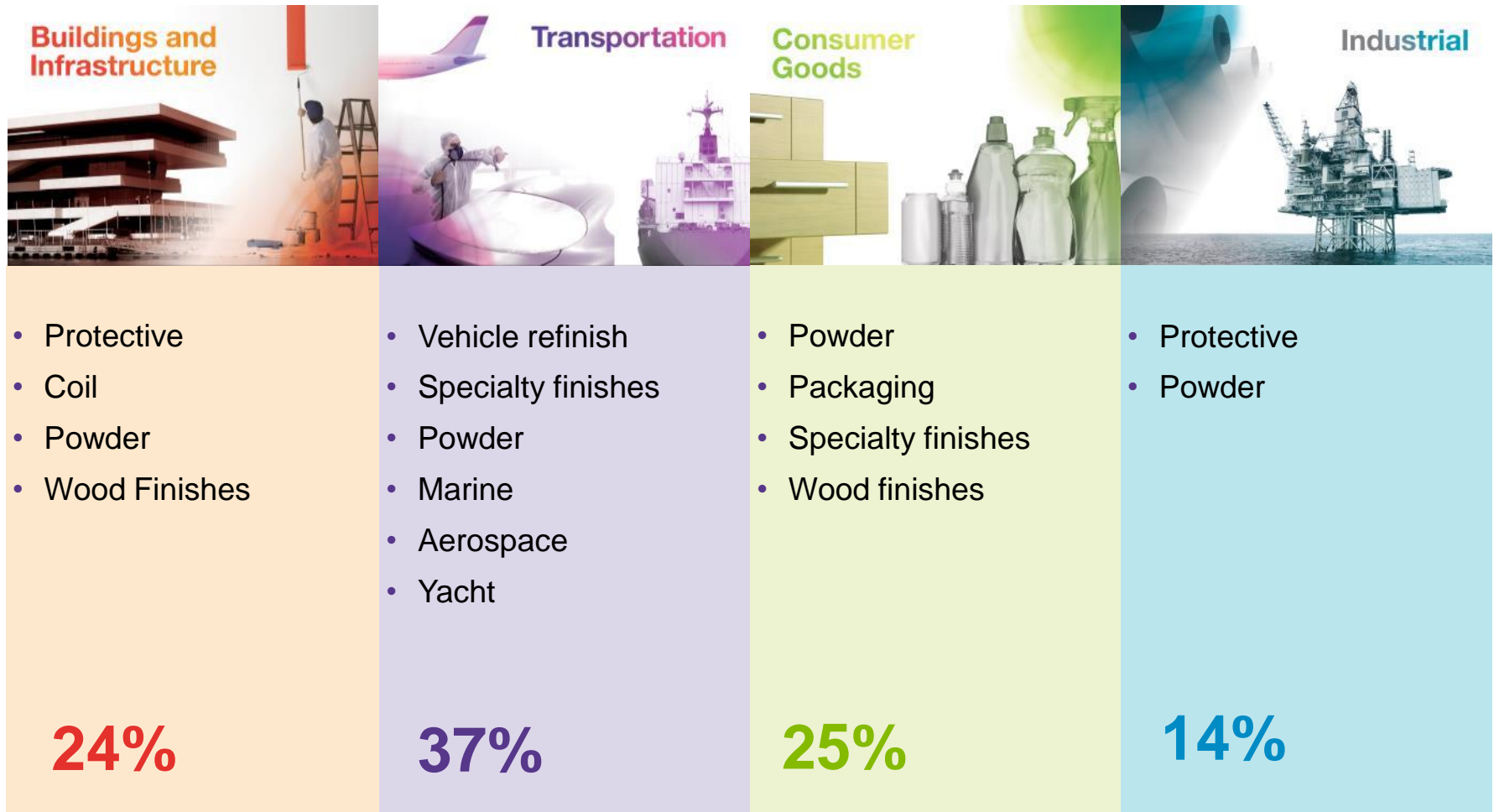
## AkzoNobel has many leading market sector positions in Performance Coatings

**Performance Coatings market sectors**  
€ billion, 2013

x AkzoNobel market share position (by value) 2013



# The Performance Coatings portfolio is balanced across the four end-user segments



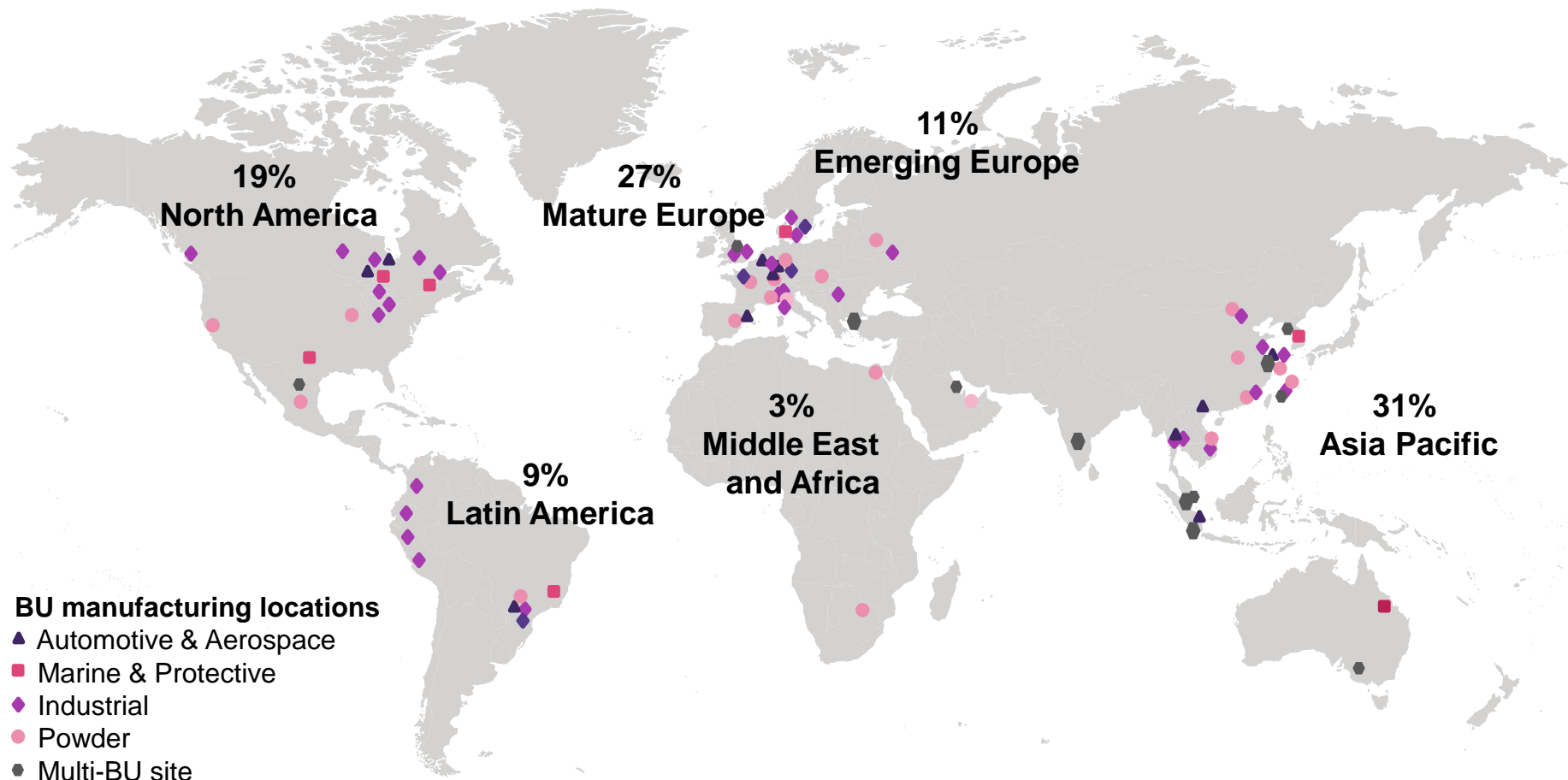
Our paints and coatings can be found almost everywhere





## We are well positioned globally in terms of revenue and manufacturing locations

% of 2013 revenue



# Manufacturing closures and room for further footprint consolidation

**2011** Number of sites: 107      **2012** Number of sites: 102      **2013** Number of sites: 100      **2014-2015** Number of sites: 91

**Closures:**

- Brecksville (Powder)

**Closures:**

- Huizhou, Tianjin (Specialty Finishes)
- Schramm Spain (Specialty Finishes)
- Cologne (Wood)
- Nacka (Wood)

**Closures:**

- Birmingham, USA (Coil)
- Isernhagen (Specialty Finishes)
- Shanghai (Specialty Finishes)

**New sites:**

- Chilca Peru (Wood)

**Intended closures:**

- Elbeuf (Packaging)
- Romano (Powder)
- Nuremberg (Coil)
- Gamleby (Coil)
- Guarulhos (Coil, Wood)
- Suzhou (Powder)
- Ningbo (Powder)
- Singapore (Wood)
- Brisbane (MPC)

## We successfully expanded our portfolio and global presence

- Performance Coatings has made four bolt-on acquisitions over the last few years that brought many benefits, including:
  - Expanding our global reach
  - Broadening our technology offering
  - Taking leadership positions
  - Extracting significant synergies, particularly in procurement

Acquisition	Business Unit	Year
Dow/Rohm & Haas	Powder	2010
Lindgens Metal Decorating Coatings and Inks	Industrial Coatings	2010
Changzhou Prime Automotive Paint Co., Ltd	Vehicle Refinish	2010
Schramm & SCCP	Automotive & Aerospace	2011

# We have a strong business but there is room for improvement going forward

## What we have done over the last three years

## Room for improvement over the next three years

Grown the business in a difficult market environment

- Bolt-on acquisitions
- Margin management actions

Grow volume organically

Reduced costs through the performance improvement program

Improve return on sales

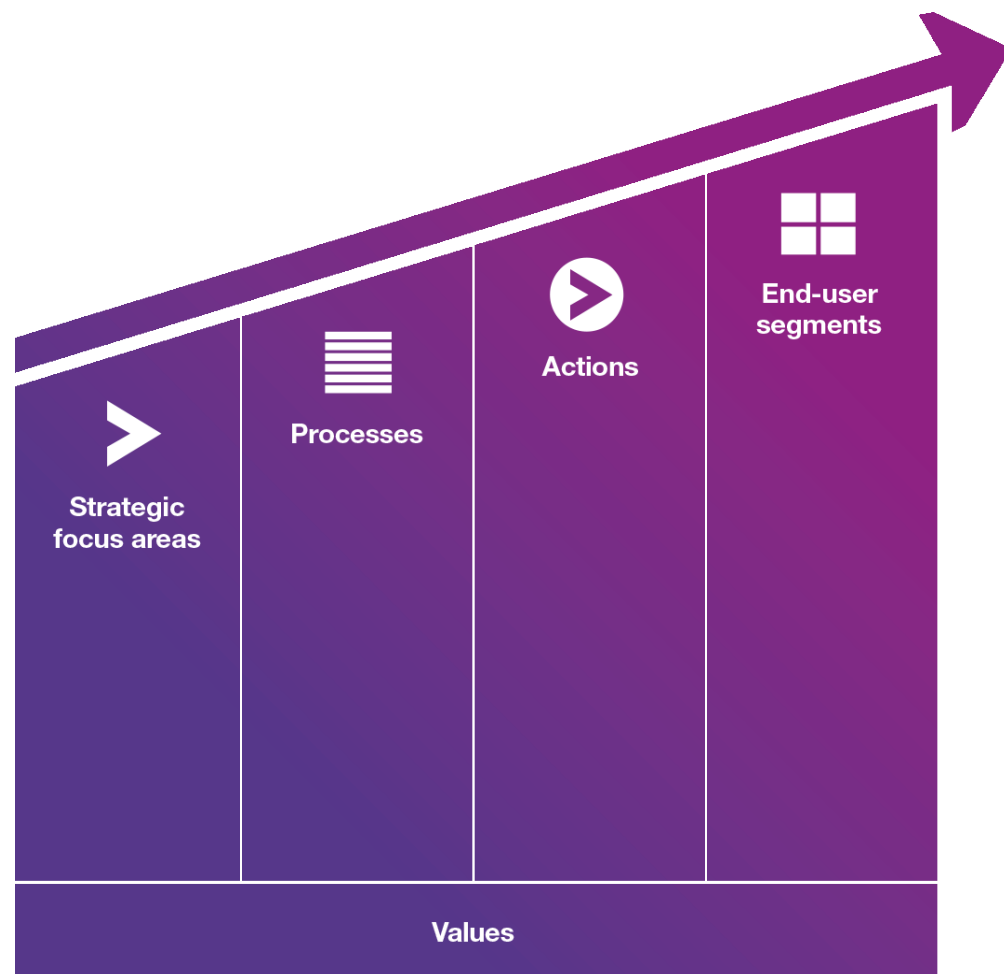
Delivered strong return on investment on tight working capital management and prudent capital expenditure

Continue to deliver strong and stable return on investment

## Strategy

- Business at a glance
- Performance Coatings market
- AkzoNobel in Performance Coatings
- **Strategy**
- Key actions and continuous improvement
- Financials
- Summary and conclusions

## Performance Coatings vision and targets



Performance Coatings vision:

**The leading coatings company from a performance perspective**

Expected outcomes 2015:

- Return on sales: 12%
- Return on investment: 25%

# Performance Coatings strategy on a page



## Strategic focus areas

Per the company agenda



## Processes

Per the company agenda

### Business area capabilities

- Key account management
- Coatings technology and product innovation
- Footprint in growth markets



## Actions

Per the company agenda

### Business area actions

- Drive overarching performance improvement initiatives
- Pursue differentiated growth strategies
  - Outgrow the market organically
  - Improve performance by driving operational excellence



## End-user segments

- Buildings and Infrastructure
- Transportation
- Consumer Goods
- Industrial

## Key actions and continuous improvement

- Business at a glance
- Performance Coatings market
- AkzoNobel in Performance Coatings
- Strategy
- **Key actions and continuous improvement**
- Financials
- Summary and conclusions



# Drive performance improvement initiatives

## Initiative

## Actions

Drive commercial excellence to increase sales effectiveness

Roll out a common set of commercial processes to deliver both organic growth and commercial efficiency

Deliver further complexity reduction and continuously reduce external spend

Use a cross-business, cross-functional approach to deliver complexity reduction and year-on-year savings in external spend

Continuously improve operational productivity

Embed standard processes and continuous improvement capabilities to achieve year-on-year savings exceeding inflation impact

# Drive commercial excellence to increase sales growth and commercial efficiency

**Commercial excellence is a key value driver in Performance Coatings**

## Actions



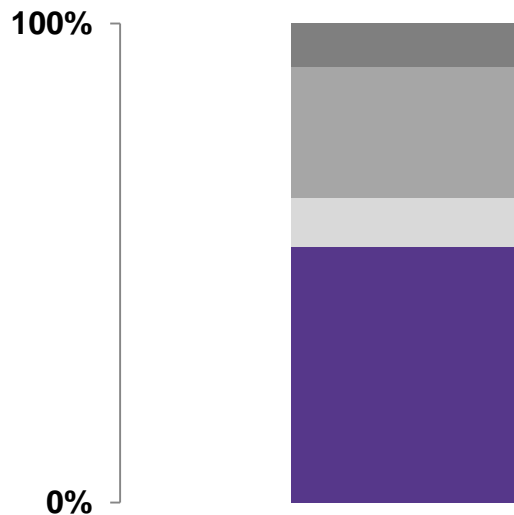
## Complexity reduction and continuously reduce external spend

### Performance Coatings

2013

#### Profit and loss breakdown\*

% of total



- EBIT margin
- Selling, advertising, administration, R&D costs
- Fixed production costs
- Raw materials, energy and other variable costs

### Actions

#### Drive further complexity reduction:

- Harmonize recipes
- SKU reductions

#### Use a cross-functional approach to deliver year-on-year savings in external spend

- Aggregate commodity spend
- Develop and utilize alternate supply sources
- Utilize value engineering
- Develop local suppliers and localize raw materials spend

## Continuously improve operational productivity

**Supply Chain performance is a key element for success in Performance Coatings**

- Supply Chain cost  
(Manufacturing, logistics and warehousing)
- Inventory value



### Actions

**Embed standard processes and continuous improvement capabilities to achieve year-on-year savings exceeding inflation impact**

- Continue footprint optimization
- Embed continuous improvement at all sites
- Standardize and optimize sales and operations planning
- Reduce logistics and warehousing costs by leveraging synergy across AkzoNobel

## Pursue differentiated growth strategies

### **Outgrow the market organically**

- Marine
- Protective
- Powder
- Specialty Finishes



### **Expected outcomes**

- Improved market share
- Costs don't grow as fast as revenue
- Improved return on sales in percentage terms

### **Improve performance by driving operational excellence**

- Industrial (Wood, Coil, Packaging)
- Vehicle Refinishes
- Yacht
- Aerospace



### **Expected outcomes**

- Growth with the market
- Reduced absolute operating expenditure
- Improved return on sales based on cost reduction

## ‘Outgrow the market organically’ in Protective Coatings

### Market outlook

- Strong growth potential based on strong end-user segment growth outlook

### AkzoNobel position

- Global number 1 position
- Technology leadership
- High reputation brands
- Specification selling

### Key actions

- Extend specification selling
- Further develop presence in growth regions
- Continued product innovation



## 'Drive operational excellence' in Coil Coatings

### Market outlook

- Reasonable growth globally
- Pressure on margins, particularly in Europe and Asia

### AkzoNobel position

- Global number 1 position, with a strong position in Asia/China
- Strong reputation in high-performance architectural applications
- Leading innovator: Chrome-free technologies; Cool Chemistry™ (Heat reflective coatings)

### Key actions

- Footprint optimization in Europe
- Complexity reduction in formulas and in low cost resin development
- Focus on margin management and cost to serve



## Financials

- Business at a glance
- Performance Coatings market
- AkzoNobel in Performance Coatings
- Strategy
- Key actions and continuous improvement
- **Financials**
- Summary and conclusions



## Key financials

### Underlying

€ million	2011	2012	2013
Incidentals	2	0	0
Operating income excl. incidentals	456	542	525
<b>Return on sales excl. incidentals</b>	<b>8.8%</b>	<b>9.5%</b>	<b>9.4%</b>
PIP costs	0	90	102
Operating income excl. PIP costs & incidentals	456	632	627
<b>Return on sales excl. PIP costs &amp; incidentals</b>	<b>8.8%</b>	<b>11.1%</b>	<b>11.2%</b>

### Underlying performance

- Sustained performance
- Underlying return on sales\* has improved from 8.8% in 2011 to 11.2% in 2013
- Additional restructuring initiatives in 2014

### As reported

€ million	2011	2012	2013
Revenue	5,170	5,702	5,571
EBITDA	572	673	663
Operating income	458	542	525
<b>Return on sales</b>	<b>8.9%</b>	<b>9.5%</b>	<b>9.4%</b>
<b>Return on investment</b>	<b>20.2%</b>	<b>21.7%</b>	<b>21.3%</b>
Employees	21,960	21,310	21,360

### Expected 2015 financial outcomes

- Return on sales: 12%
- Return on investment: 25%

## Summary and conclusions

- Business at a glance
- Performance Coatings market
- AkzoNobel in Performance Coatings
- Strategy
- Key actions and continuous improvement
- Financials
- Summary and conclusions

## We will deliver our 2015 expected outcomes

### A world leading performance coatings company

- Leading market positions
- Reference customers in all segments
- Balanced portfolio in terms of end-user segments
- Over 50% of revenue from high growth markets
- Strong brands built on strong product technologies

### New strategy based on

- Overarching performance improvement initiatives
- Differentiated growth strategies

### This will deliver our expected 2015 outcomes

- Return on sales: 12%
- Return on investment: 25%



**Specialty Chemicals**  
Werner Fuhrmann

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## Agenda

- Business at a glance
- Specialty Chemicals market
- AkzoNobel in Specialty Chemicals
- Strategy
- Key actions and continuous improvement
- Financials
- Summary and conclusions

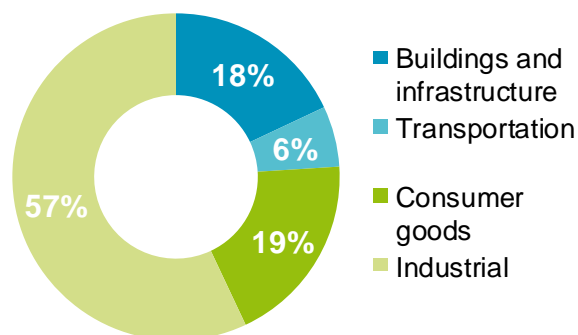
## Business at a glance

- Business at a glance
- Specialty Chemicals market
- AkzoNobel in Specialty Chemicals
- Strategy
- Key actions and continuous improvement
- Financials
- Summary and conclusions

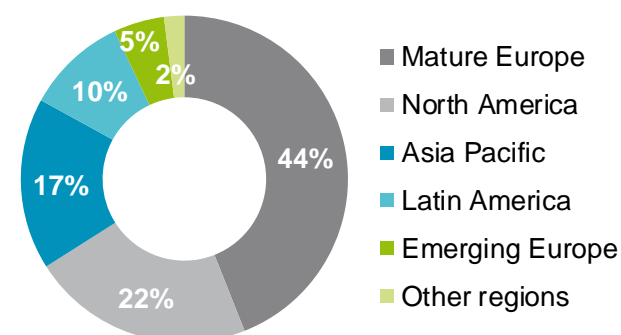
## Business at a glance



### Revenue by end user segment



### Revenue by geographic spread



### Specialty Chemicals key figures

€ million	2013
Revenue	4,949
EBITDA	726
Operating income*	418
<b>Return on sales*</b>	<b>8.5%</b>
<b>Return on investment*</b>	<b>11.6%</b>
Employees	10,430

### Key messages

- Serving attractive markets, growing over the cycle
- Leading positions in five main platforms
- 56% of revenues generated outside of mature Europe
- Significant expansion investments now operational
- Driving functional excellence

\* Excludes incidentals

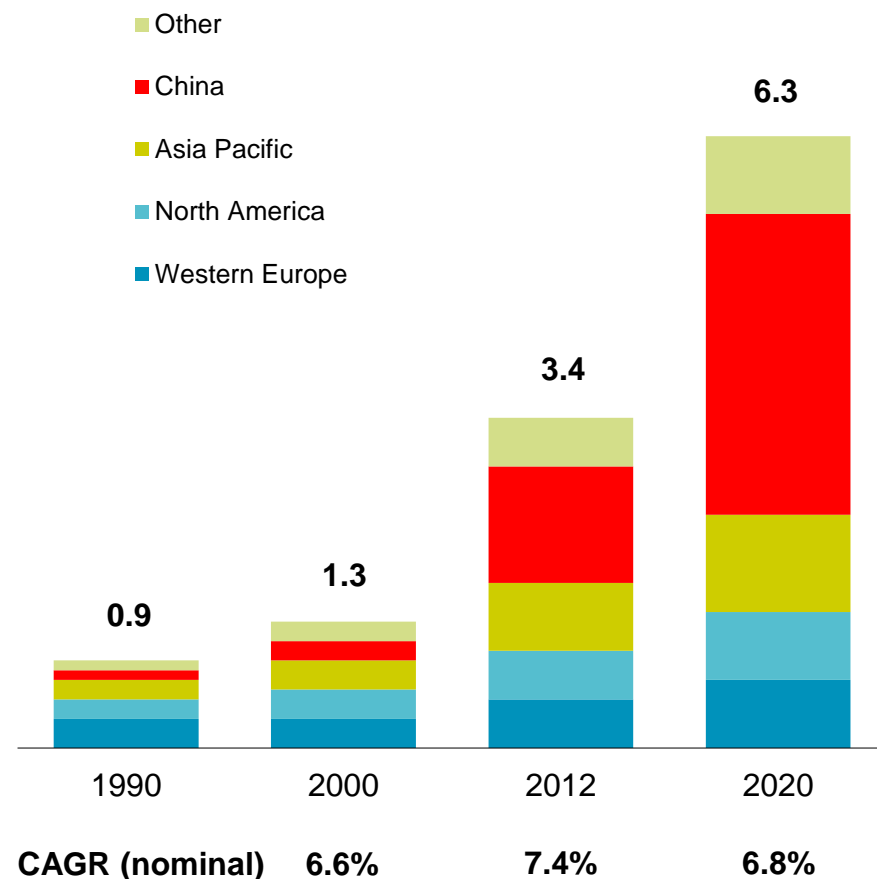
## Specialty Chemicals market

- Business at a glance
- Specialty Chemicals market
- AkzoNobel in Specialty Chemicals
- Strategy
- Key actions and continuous improvement
- Financials
- Summary and conclusions



## The chemical industry is large and growing

**Chemicals industry over time, by geography**  
\$ trillion

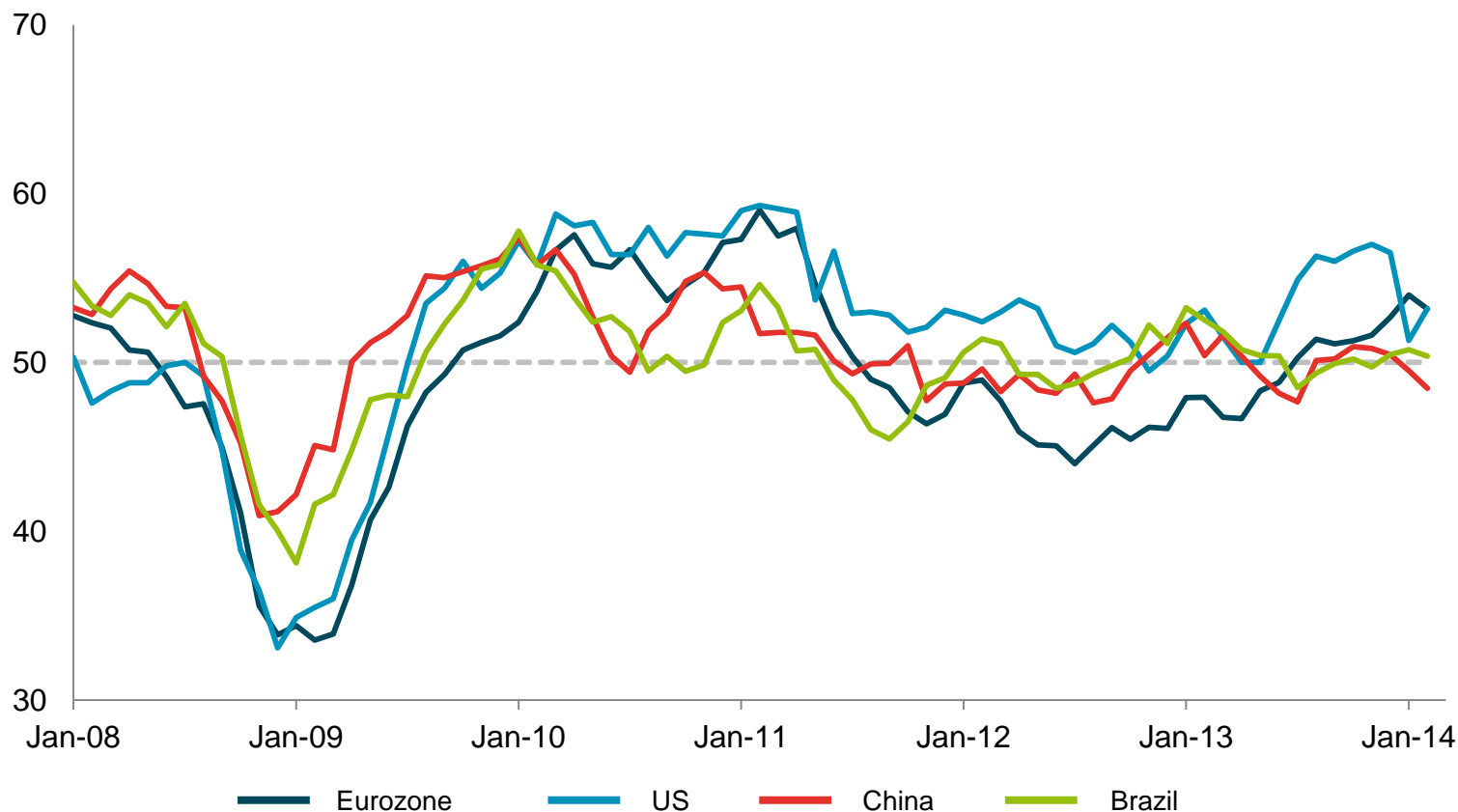


- \$3.5 trillion market
- Solution provider for society
  - manufacturing
  - food production
  - climate change
- Continuous growth
- Strong growth in China

# Purchasing Managers' Index is good indicator for Chemical industry dynamics

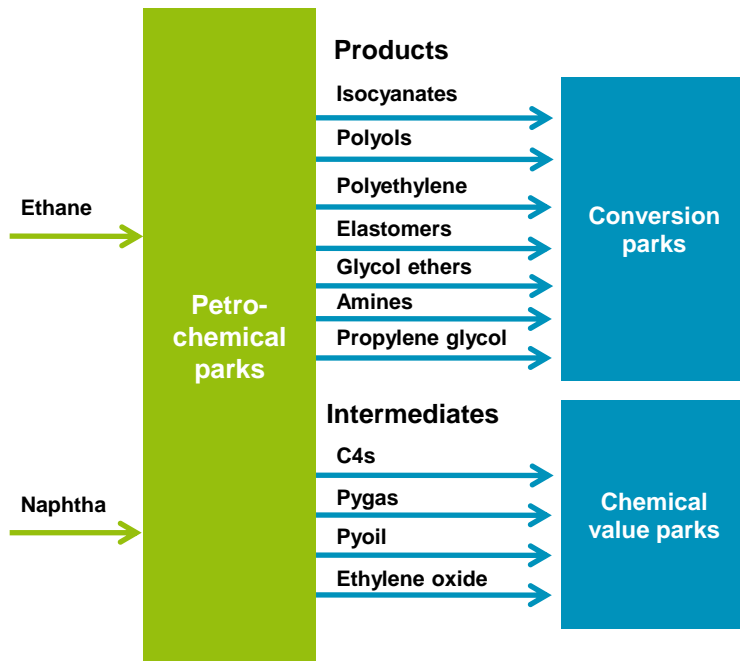
## Purchasing Managers' Index (Manufacturing)

Figures above 50 represent some optimism; figures below 50 represent some pessimism



# Middle East and US build on raw material strengths

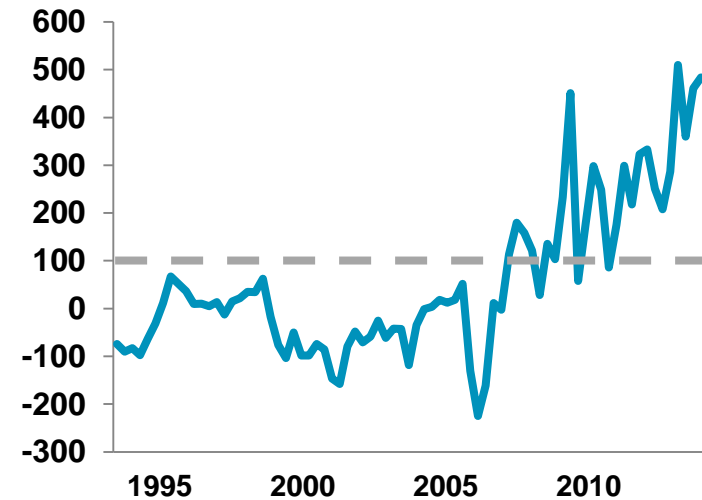
**Middle East:**  
Moving downstream based on low cost petrochemicals



**US:**  
Shale gas impacting ethylene prices

Europe vs. US ethylene price differential

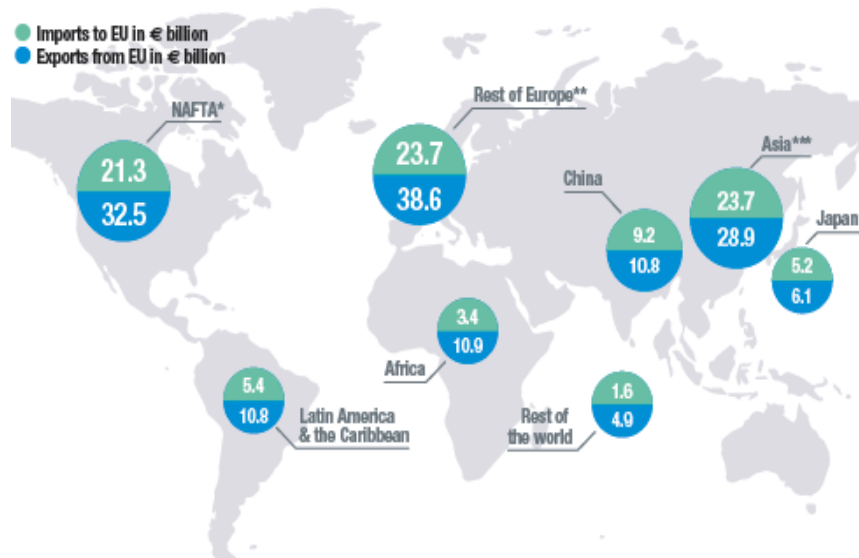
€/ton



## Europe is largest trader in Chemicals... and value enhancer

### EU chemicals sector posted a record trade surplus in 2012

EU trade surplus of €49.1 billion

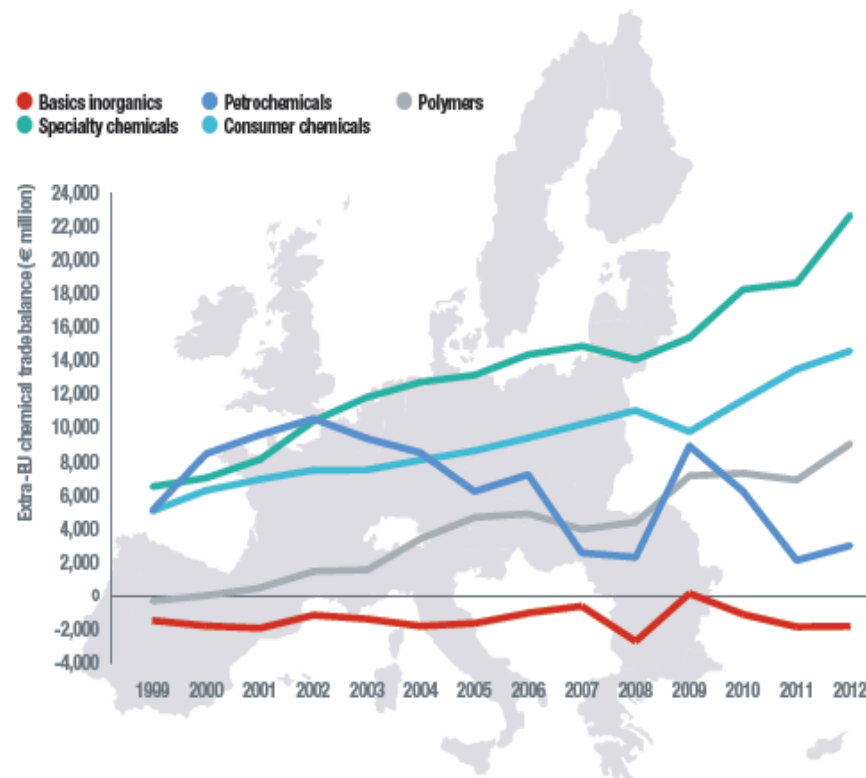


\* North American Free Trade Agreement

\*\* Rest of Europe includes Switzerland, Norway, Turkey, Russia and Ukraine

\*\*\* Asia excluding China and Japan

### Specialty and consumer chemicals extra-EU chemicals trade surplus continue to grow



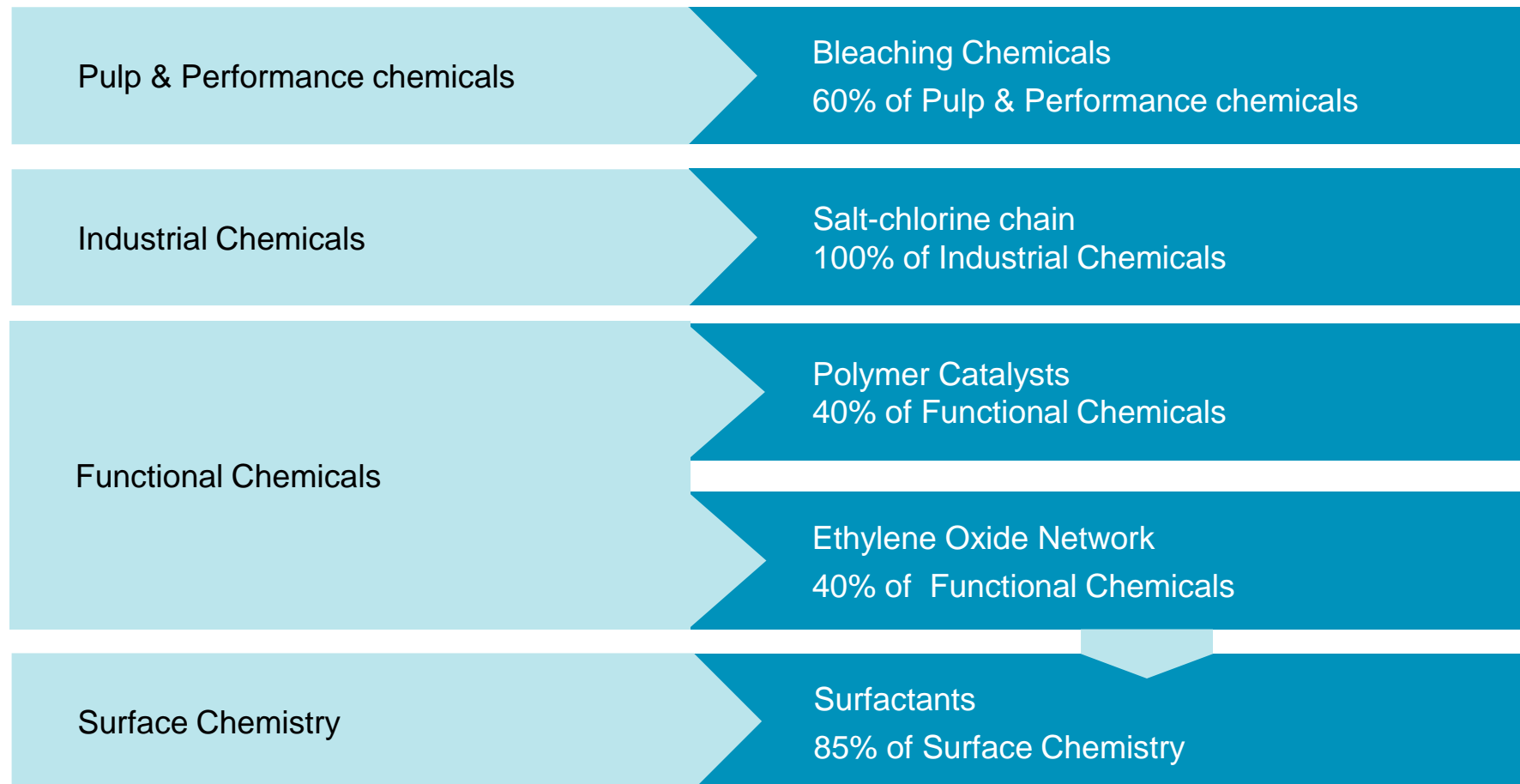
## AkzoNobel in Specialty Chemicals

- Business at a glance
- Specialty Chemicals market
- AkzoNobel in Specialty Chemicals
- Strategy
- Key actions and continuous improvement
- Financials
- Summary and conclusions

# Five well positioned platforms in their industries

## Our Business Units

## Our Platforms



# Platforms operate world scale plants based on advanced technologies

## Our main chemical platforms

## Key products

Bleaching chemicals

- Sodium chlorate
- Hydrogen peroxide



Salt-chlorine chain

- Energy/Salt
- Chlorine
- Monochloroacetic acid
- Chloromethanes



Polymer catalysts

- Organic peroxides
- Metal alkyls



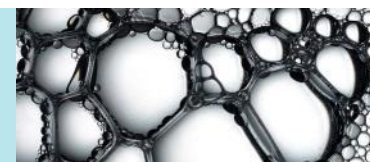
Ethylene oxide network

- Ethylene oxide
- Ethylene amines
- Cellulosics
- Chelates
- Micronutrients



Surfactants

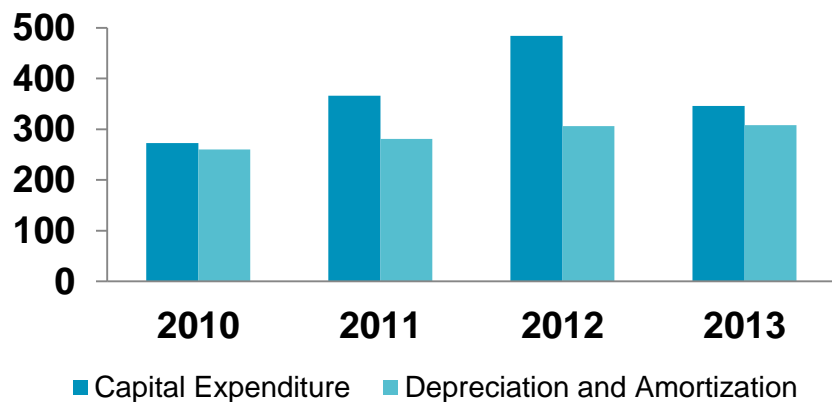
- Ethoxylates
- Natural oil and fat based nitrogen surfactants



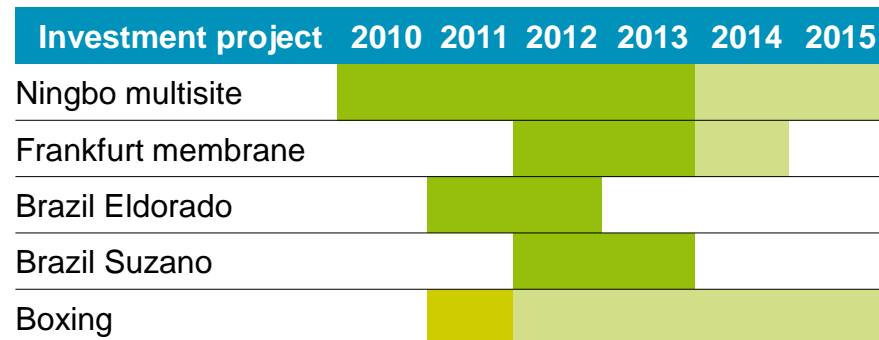
## We have invested in the recent past and are well-prepared for future growth

### BA Specialty Chemicals capital expenditure

€ million



### Major projects and timing of spend

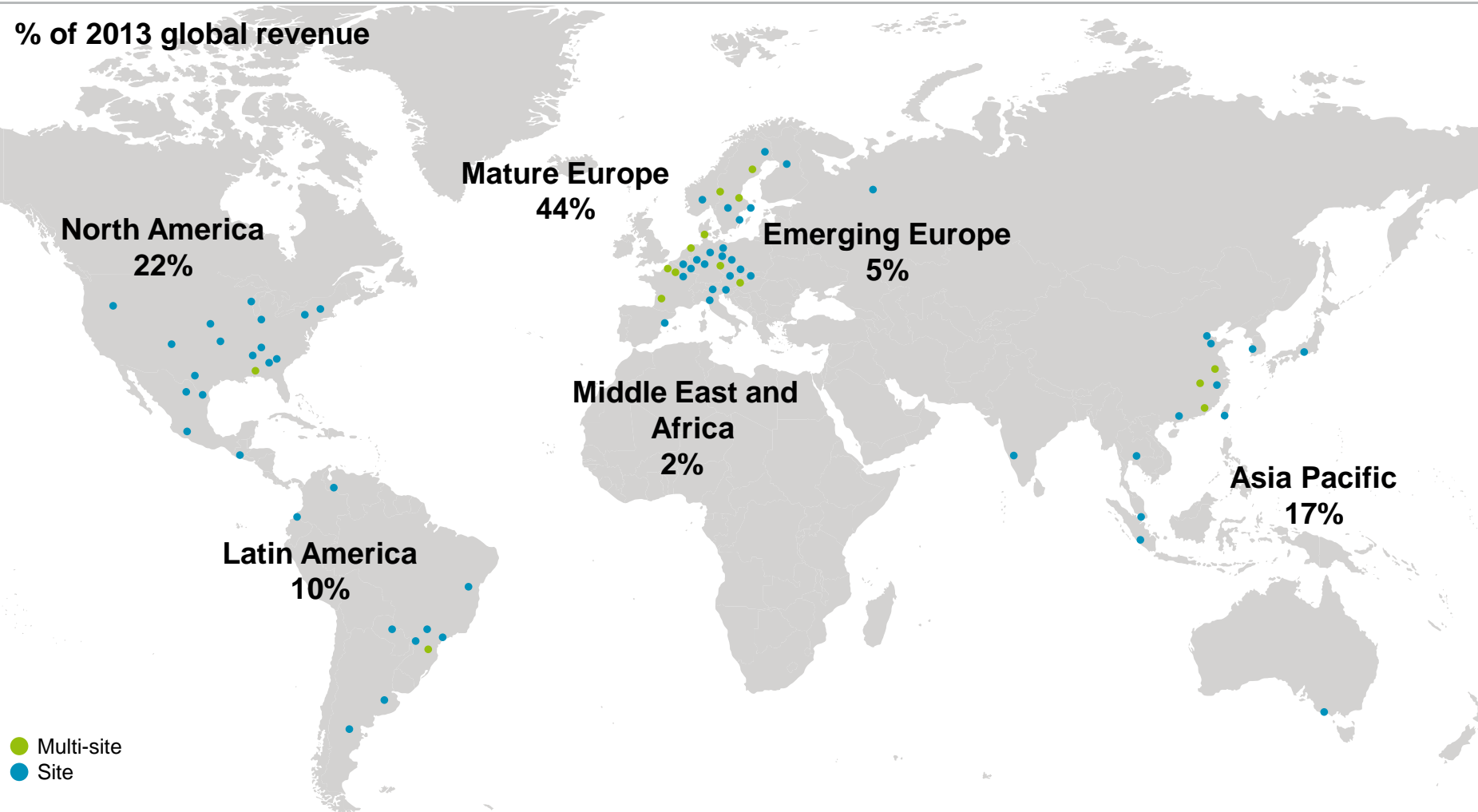


- Capital expenditure peaked at 8.7% of revenue in 2012
- Infrastructure is now in place and ready to take on additional demand



## Global manufacturing network serves both regional and global customers

% of 2013 global revenue



## Accomplishments to date

Area	2010	2013	Delta
Number of operations integrated with customers	15	17	+13%
Sales per FTE (k€)	445	467	+5%
Capacity expansions (>10%)		12 units	
Number of manufacturing sites	109	102	-7%
Sales/site (€ million)	42.6	48.5	+14%
Renewable energy usage	n/a	31%	
Waste (ton/€ million sales)	15.8	12.0	-24%
Number of ERP systems	9	3	-67%
Cost reductions (€ million)*	n/a	142	
Number of FTEs	11,100	10,430	-6%