

Specialty Chemicals Unleashing an industry leader

March 2018
Early look meetings

Unleashing an industry leader to achieve its full potential

1

Leader in Specialty Chemicals with unique portfolio and positions

2

Accelerating growth as a standalone company in attractive markets

3

Continued operational excellence to support growth and increase profitability

4

Strong financial performance and cash conversion

5

Efficient and investment grade balance sheet

Well placed to create and unlock value for shareholders

World class Specialty Chemicals business

€5.0_{bn} Revenue

€1,015_m EBITDA

€689_m EBIT

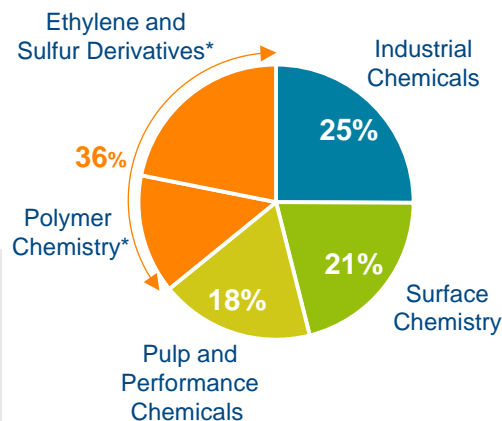
20.4% EBITDA margin

19.1% ROI

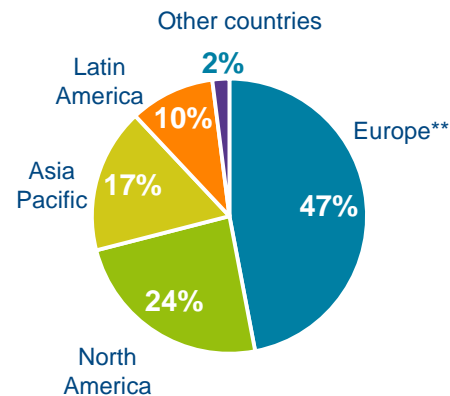
- ◆ Leadership positions in high growth markets
- ◆ Long term sustainable customer relationships
- ◆ Proven resilience of portfolio through cycles
- ◆ High profitability in all businesses

Revenue breakdown

By business unit (2017)



By geography (2016)



All figures are based on year-end 2017 reported figures excluding unallocated corporate center costs, invested capital and other carve out adjustments

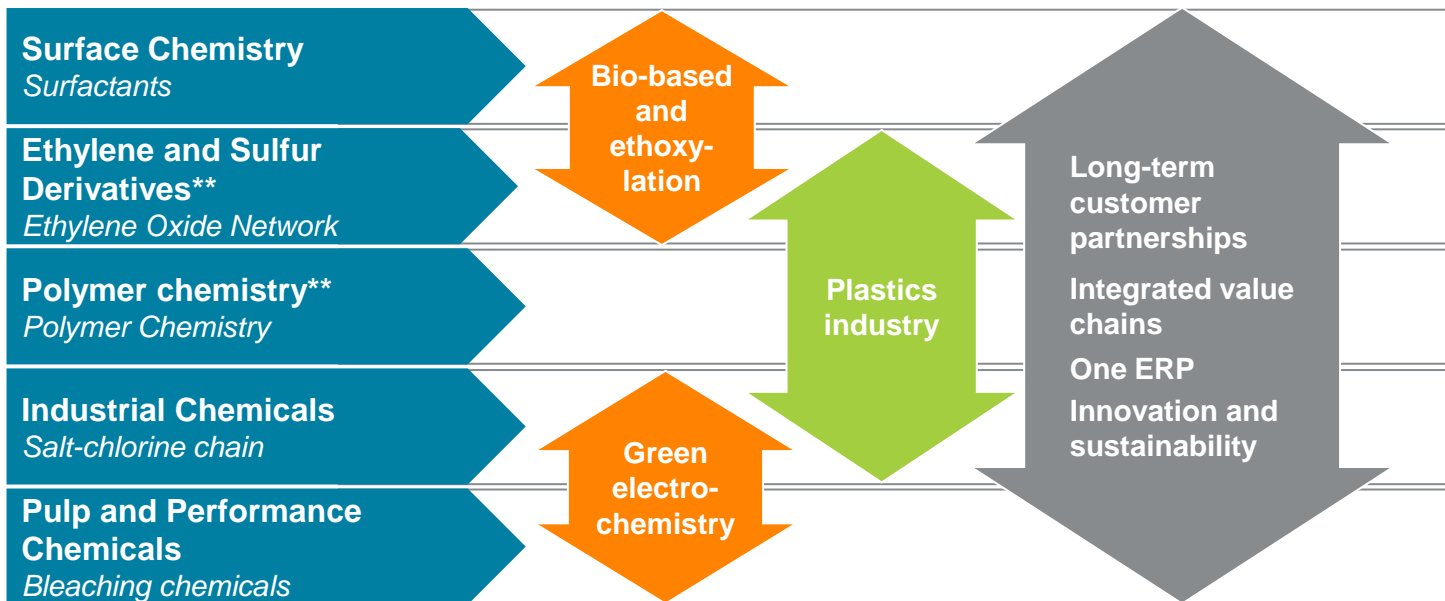
As from December 22, 2017, the Specialty Chemicals business is classified as held for sale and discontinued operations for AkzoNobel. Therefore, Specialty Chemicals is reported as discontinued operations for AkzoNobel

* Ethylene and Sulfur Derivatives and Polymer Chemistry are reported as Functional Chemicals

** Includes Mature Europe and Emerging Europe

Highly profitable, interlinked and resilient portfolio

Business units and Value chains









All three platforms: 18%-22% EBITDA margin*

Resilient portfolio over cycle

* All figures are based on year-end 2016 reported figures excluding unallocated corporate center costs, invested capital and other carve out adjustments

** Ethylene and Sulfur Derivatives and Polymer Chemistry are reported as Functional Chemicals

Excellent growth underpinned by strong growth drivers in markets

Key end market segments	Market CAGR 2016A-20E	2016A Share of Specialty Chemicals revenue %	Growth drivers
Plastics	3 – 4%	 40%	Light weighting, insulation and emission reduction, construction and consumer packaging
Cardboard packaging and tissues	4 – 5%	 15%	Sustainable packaging, e-commerce
Cleaning, personal care and pharma	5 – 7%	 12%	Replacement of phosphates, expanding middle class, developing countries, haircare
Oil and gas (exploration, downstream, lubes and fuels)	5 – 6%	 10%	Recovery exploration, clean fuels (new markets)
Agriculture and food	3 – 4%	 8%	Population, changing dietary patterns, need for higher output per acre
Construction	3 – 4%	 8%	Developing countries, GDP recovery
Weighted average 2016* (CAGR 2016A – 20E)	~4%		
Weighted average 2014** (CAGR 2015E – 18E)	~2%		

* From Investor Update April 2017 Weighted by Specialty Chemicals exposure to listed end markets

** From Capital Markets Day 2015 Weighted by Specialty Chemicals exposure to listed end markets

Industry-leading chemical platforms with differentiated strategies

Business units	Key products	Key applications	
Surface Chemistry	<ul style="list-style-type: none"> • Natural oil & fat-based surfactants • Ethoxylates • Special polymers 	<ul style="list-style-type: none"> • Agriculture • Oil and gas • Automotive 	<ul style="list-style-type: none"> • Construction • Personal Care • Mining
Ethylene and Sulfur Derivatives****	<ul style="list-style-type: none"> • Ethylene amines • Chelates/micronutrients • Cellulosics 	<ul style="list-style-type: none"> • Agriculture • Cleaning products • Food and beverage 	<ul style="list-style-type: none"> • Construction • Oil and Gas • Pharma
Polymer chemistry****	<ul style="list-style-type: none"> • Organic peroxides • Metal alkyls • Polymer additives 	<ul style="list-style-type: none"> • Plastics and resins • Rubbers • Composites 	<ul style="list-style-type: none"> • Pharma • Electronics
Industrial Chemicals	<ul style="list-style-type: none"> • Energy/Salt • Chlorine/Caustic • Chloromethanes/MCA* 	<ul style="list-style-type: none"> • Plastics • Pharma • Food and feedstuffs 	<ul style="list-style-type: none"> • Transportation • Construction • Cleaning products
Pulp and Performance Chemicals	<ul style="list-style-type: none"> • Sodium chlorate • Hydrogen peroxide • Performance chemicals** 	<ul style="list-style-type: none"> • Pulp • Electronics • Pharma 	<ul style="list-style-type: none"> • Food packaging • Coatings • FCC*** catalyst

* Monochloroacetic acid

** Expandable Microspheres, Colloidal Silica, Separation Products

*** Fluid catalytic cracking

**** Ethylene and Sulfur Derivatives and Polymer Chemistry are reported as Functional Chemicals

Capturing profitable growth through strong customer relationships and leading technologies

Leading growth drivers

Leading process technologies in demanding chemistries

Strong operational leverage

Long-term customers relationships

Over 80% of revenue in market leading positions

Results and proof points

- Leading process & product technologies
 - >5,000 active patents
 - Invited as technology leader for MCA* joint operation in India
 - Invited by lubes and fuels customer for new surfactants
- Strong operational leverage
 - Debottlenecking in Fibria chlorate
 - Several NASH extensions for customer demand
- Long-term customer relationships
 - Most relationships > 10 years
 - 98% retention of top 250 customers

* Monochloroacetic acid

Strategy to deliver on commitments and achieve full potential with additional growth



* Based on reported figures, excluding unallocated corporate center costs, invested capital and other carve out adjustments which are expected to lead to downward adjustments of ROS and ROI. Exchange rates from April 2017

Accelerating growth through innovation and investments

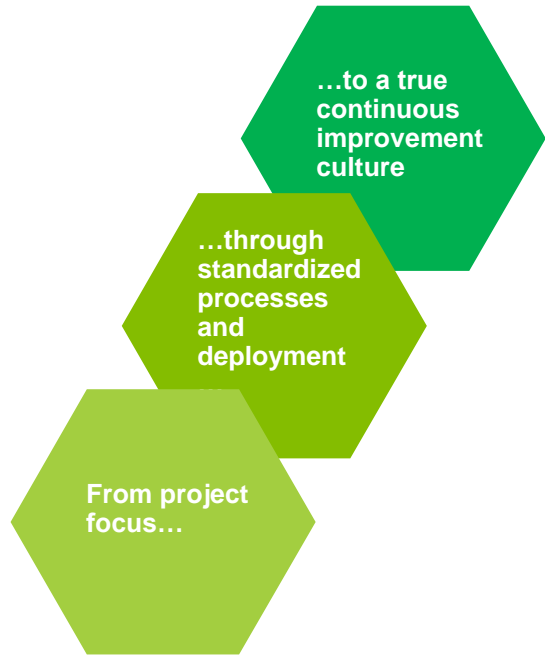
Accelerating growth

- ◆ Growing with existing customers
- ◆ Debottlenecking to create volume leverage
- ◆ Commercialize existing New Product Introduction pipeline
- ◆ Value driven margin management

Concrete results and examples

- ◆ **Surface Chemistry:**
Completed expansion project in Boxing, China
- ◆ **Ethylene and Sulfur Derivatives:**
Broke ground for Micronutrients expansion in Kvarntorp, Sweden
- ◆ **Polymer Chemistry:**
Organic Peroxide capacity expansions in Ningbo, China and Los Reyes, Mexico
- ◆ **Industrial Chemicals:**
Entered design phase Chloromethanes capacity expansion in Frankfurt, Germany
- ◆ **Pulp and Performance Chemicals:**
Completion Fibria Chemical Island expansion in Brazil

Continued operational excellence to ensure profitability



- Operations productivity
- Maintenance reliability
- Manufacturing network optimization
- Non-product related procurement reduction
- Fit for purpose support functions
- Integrated business planning

Continued drive on operational excellence

- Cost discipline with fixed cost savings offsetting inflation by 2020, as well as variable cost savings
- Operational leverage
- Ambition to release €100m-150m in working capital through integrated business planning by 2020

Additional opportunity for step change in growth post-separation

Step change growth opportunities post-separation

- **Attractive pipeline of projects:**
 - Capacity expansion projects across all 5 Business units
 - Growth with on-site customers
 - Targeted expansion in high growth segments and emerging markets
 - Commercialization of innovations
- **Potential incremental growth investments**
~€100m annually 2018-2022

Incremental impact by 2022



*Statements on this slide do not indicate total revenue and/or EBITDA for any period, but only provide an indication of potential additional revenue/EBITDA on top of any revenue/EBITDA realized at the time, which potential additional revenue/EBITDA may only be realized in case of potential additional investments of approx. €100 million annually in the period 2018-2022.

Solid financial performance delivering on targets

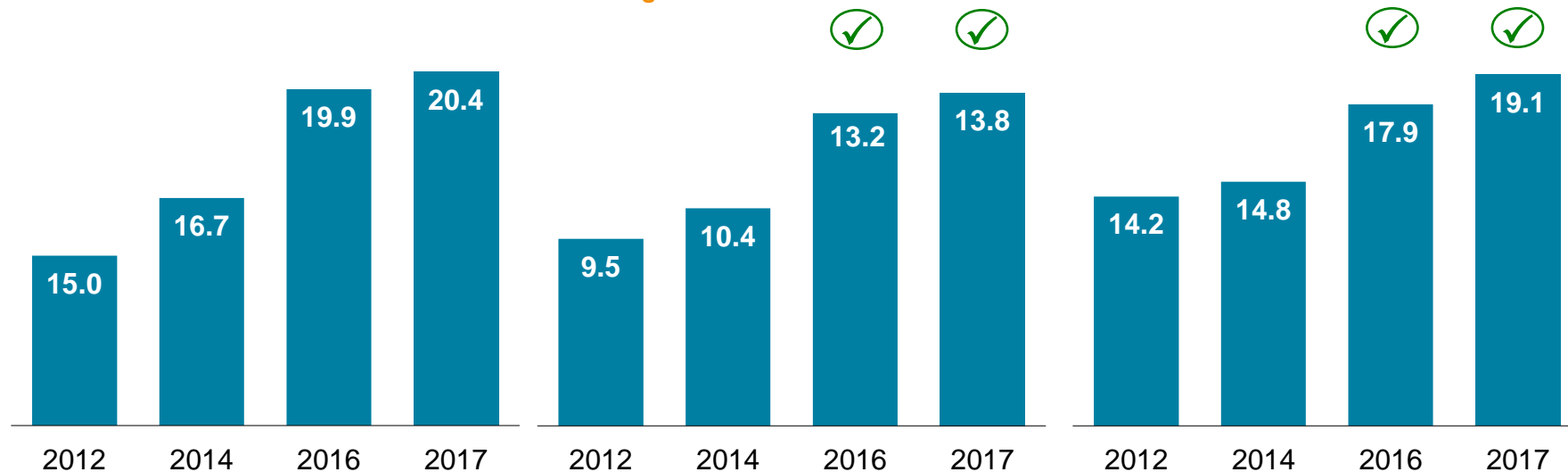
EBITDA margin
%

Return on sales*
%

Return on investment*
%

ROS guidance 2016-2018: 11.5-13.0%

ROI guidance 2016-2018: >16%



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

All figures are based on reported figures excluding unallocated corporate center costs, invested capital and other carve out adjustments. Carve out adjustments are expected to lead to downward adjustments of ROS, ROI, EBITDA.

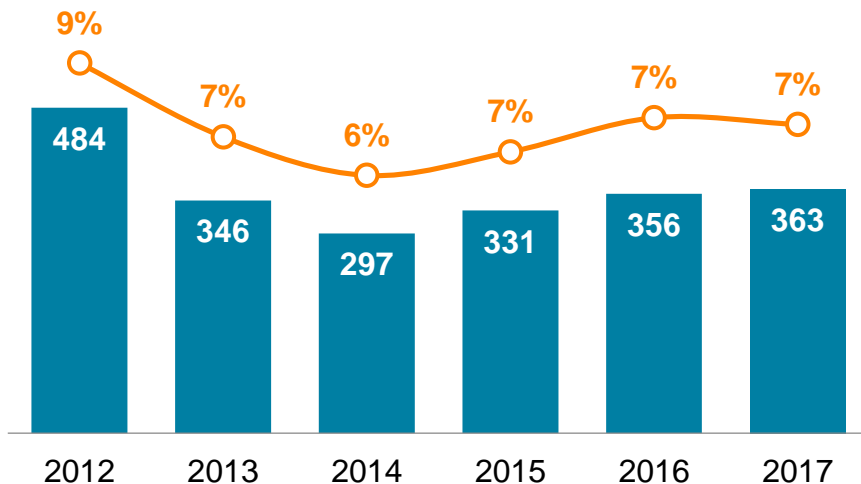
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Strong culture of cash focus and consistent delivery

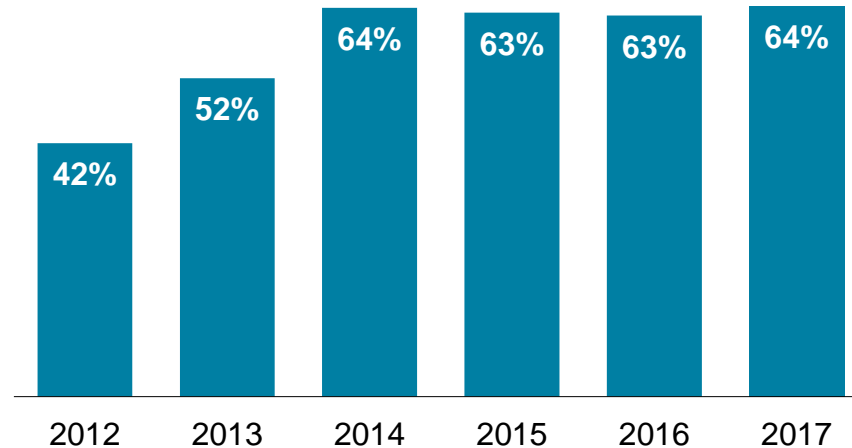
Capex and Capex as % of revenue

€m



Cash conversion*

%



* Defined as (EBITDA – capital expenditures) / EBITDA

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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

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

- Revenue up 5% excluding currencies
- Volume growth for all business units and all regions
- 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

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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 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

Revenue development Q4 2017 (%)



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

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Efficient and balanced capital allocation to drive value creation

1. Balance sheet

Investment grade credit rating

2. Capital expenditure

Disciplined investments with attractive returns

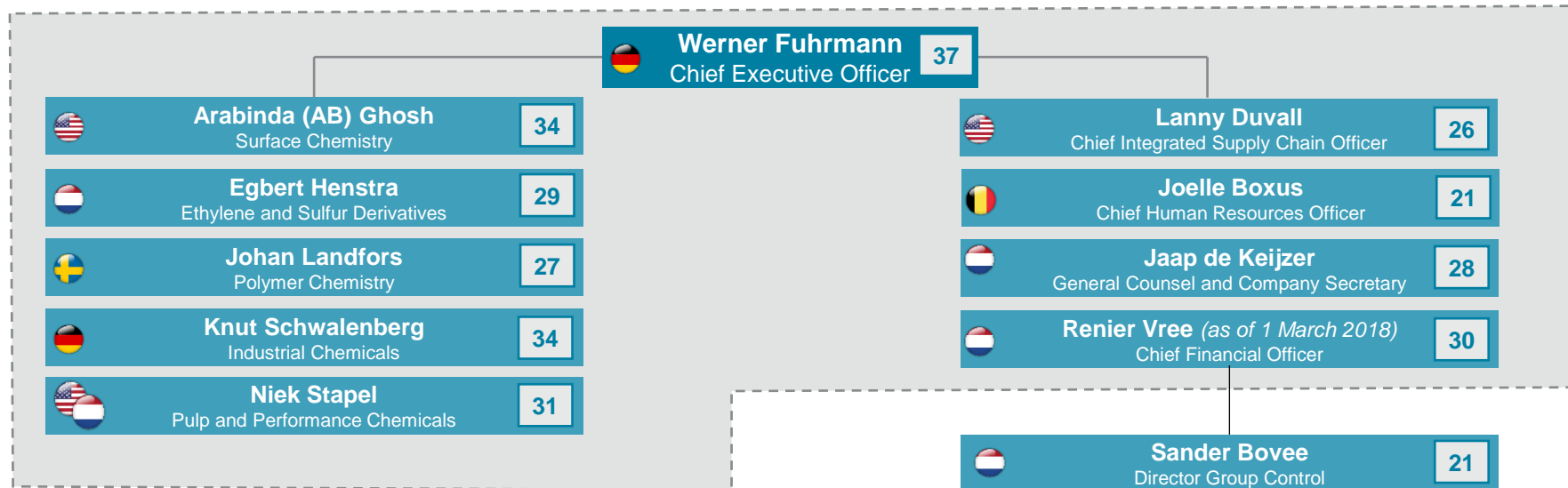
3. Dividend


Stable to rising dividend

4. Acquisitions

Value accretive bolt-on acquisitions

Experienced management team committed to deliver targets



 Specialty Chemicals Executive Committee members

 # of years in the industry

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