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Michael H. McGarry
Chairman and Chief Executive Officer

20 March 2017

Strictly Private and Confidential

Antony Burgmans
Chairman of the Supervisory Board
Akzo Nobel N.V.
AkzoNobel Center
Christian Neefestraat 2
1077 WW Amsterdam
The Netherlands

Ton Büchner
Chief Executive Officer, Chairman of the
Board of Management and the Executive Committee
Akzo Nobel N.V.
AkzoNobel Center
Christian Neefestraat 2
1077 WW Amsterdam
The Netherlands

Dear Messrs. Burgmans and Büchner,

We received your letter and your press release of 9 March 2017, rejecting our proposal of 2 March 2017, and have read your public statements since then. As you know, we attempted to arrange an in-person meeting to present an improved offer, but you were unwilling to meet with us, so I am sending this letter.

We believe our original proposal offered a compelling strategic opportunity and extraordinary value to all of AkzoNobel's stakeholders, including your shareholders, and we looked forward to engaging in private dialogue to negotiate a transaction. We continue to believe strongly that a combination of our two companies presents a compelling opportunity for us to build on the successful legacies of our respective businesses. We also believe strongly that none of the objections stated in your letter or your press release are obstacles to a transaction.

As I indicated in my call with Mr. Burgmans and my subsequent email, we are prepared to significantly increase the price we are offering to AkzoNobel's shareholders in an effort to encourage your immediate engagement. Our revised proposal is set out below.

PPG Overview and its History in and Commitment to The Netherlands

PPG is a leading global supplier of paints and coatings, aerospace, optical, fiberglass, and specialty materials. PPG has annual revenues of approximately \$15 billion and a current market capitalization of approximately \$27 billion. Over \$4.1 billion of our annual revenues is in Europe, with approximately \$360 million in annual revenues in The Netherlands. As this indicates, PPG has a deep commitment to The Netherlands and a long history in the country, dating back nearly 300 years. Today we employ more than 45,000 employees worldwide, with nearly 1,000 in The Netherlands and another 14,000 across the rest of Europe, the Middle East and Africa. PPG operates over 150 plants globally, including 45 plants across 15 countries in Europe, with facilities in Tiel, Delfzijl, Amsterdam, Uithoorn, and Den Bosch in The Netherlands. Upon consummation of a combination of our two companies, we would expect that the combined company will carry forward our commitment and enhance our ties to The Netherlands, Europe and the other locations in which our two companies operate.

In considering our proposal, we believe it is important to keep in mind the following, including a number of points we made in our 2 March letter:

- Strong Cultural Fit:* As a peer of AkzoNobel with a global presence, including in The Netherlands, we have great familiarity with and appreciation for AkzoNobel's history and culture. We have long admired and continue to admire the great value that AkzoNobel places in its employees, customers, suppliers and other stakeholders. PPG's values bear remarkable similarity to AkzoNobel's – we hold a deep appreciation for how vital each of these stakeholders is to the success of our company and the communities in which we operate. Like AkzoNobel, we understand the importance of being a responsible corporate citizen, and place great emphasis on doing so throughout our organization. Based on what we know and have seen through the interactions of our two companies, including through our acquisition of AkzoNobel's North American Decorative Coatings business and watching AkzoNobel successfully acquire and integrate ICI Plc in the United Kingdom, we are convinced that a business combination of our two companies would bring together two cultures that emulate one another in important ways, enabling us together to continue and reinforce both companies' longstanding commitment to being good employers and corporate citizens that operate in a sustainable and socially responsible manner.
- Proven Ability to Complete Complex Transactions:* In your 9 March letter, you raise concerns about the complexity, size and risks of the proposed transaction. PPG's management team has a demonstrated ability to structure and complete large complex transactions in a variety of jurisdictions. We have successfully integrated more than 50 acquisitions in the last 10 years, including the acquisitions of SigmaKalon, AkzoNobel's North American Decorative Coatings business and Comex. We, along with our financial and legal advisors, have spent considerable time and effort in preparation of our proposal, to enable us to expeditiously agree on and complete this transaction. Our track record and the care with which we have prepared our proposal should provide you with a high level of comfort regarding the completion of a transaction with PPG.
- Strong Financial Capability:* PPG has a strong balance sheet, ample liquidity and solid investment grade ratings from all three major U.S.-based credit rating agencies. We have reliable and ready access to low-cost capital through cash on hand, and both the public debt and equity capital markets. We are committed to maintaining a solid investment grade credit rating. We plan to engage with all three major U.S.-based credit rating agencies prior to the announcement of a potential transaction to ensure our proposed financing structure maintains a solid investment grade rating for the combined company. As I noted in our discussion, we do not require and our proposal would not be subject to a financing contingency.
- History of Strong Performance:* In your 9 March letter, you expressed concern about the value of PPG shares we are offering as partial consideration for the transaction. Over the past five years ending 31 December 2016, PPG has delivered total shareholder return of 146%, outperforming our industry peer group. PPG has paid uninterrupted annual dividends since 1899, including approximately \$1.9 billion in dividends in the last five years, and 45 consecutive years of annual per share increases. Our businesses generate top tier financial returns and consistently generate strong cash flow. This history of delivering above-market returns to shareholders, together with our strong financial performance, should give you confidence that, following a combination of our two companies, we can continue to deliver the returns that shareholders have come to expect.
- Commitment to Communities:* PPG has a history of dedicating our financial resources, applying our products and using the energy of our passionate employee volunteers to address the needs of our communities. In 2016, we supported hundreds of community organizations across 25 countries, including 15 COLORFUL COMMUNITIES™ projects throughout Europe, with

another 15 projects identified for the region in 2017. This signature program demonstrates our commitment to invest in communities and support projects that transform community spaces, with valued contributions of PPG volunteers and donated PPG products. Since the program's launch, PPG employee volunteers have completed nearly 60 COLORFUL COMMUNITIES™ projects, including the beautification of the Amsta Karaad residential care facility in Amsterdam, positively impacting 1.8 million people. We also have been a significant financial contributor to the NEMO Science Center in Amsterdam. We match employee charitable contributions in The Netherlands and across Europe in addition to our North American operations.

Strategic Rationale and Industrial Logic

The combined company would be an enhanced global player in paints, coatings and specialty materials, combining complementary products, technologies and geographies, and would:

- Create a stronger competitor in a highly competitive global marketplace, offering a broader line of products and technologies cost-effectively to a more diverse customer base;
- Establish an impressive portfolio of flagship technologies and brands, including combining PPG's electrocoat, compact process, waterborne and light-weighting technologies with AkzoNobel's advances in sustainable formulations and practices and its global Dulux, Sikkens and International Paint brands;
- Enhance the speed and breadth of research, development and delivery of new products through an integrated coatings and specialty materials platform with extensive geographic scope and technological reach;
- Create significant cross-selling opportunities along with a diversified combined sales force to drive incremental sales;
- Optimize our combined capabilities and footprint across world-class people and facilities, enabling manufacturing and distribution efficiencies and better access to customers in mature and emerging geographies;
- By adding our Sustainability focus and our COLORFUL COMMUNITIES™ projects together with your Planet Possible and Human Cities initiatives, enhance the benefits to our customers, the environment and the communities in which we live and operate; and
- Create a larger enterprise that will provide more personal growth opportunities for all our combined employees while enhancing our presence and importance in more communities around the world.

Terms of Revised Proposal

We continue to believe that our initial proposal presented a unique and compelling value for AkzoNobel and its shareholders. However, given the public disclosure of our initial proposal and our desire for a recommended transaction, our Board of Directors has unanimously authorized us to make a very significant increase in the consideration offered to AkzoNobel's shareholders in an effort to reach a final agreement promptly. Under our revised proposal, PPG would acquire all of AkzoNobel's outstanding ordinary shares (including ordinary shares represented by American depositary shares) at a value of Eur 90.00, consisting of Eur 57.50 in cash and 0.331 shares of common stock of PPG per outstanding ordinary share (or for each three American depositary shares) (our "Revised Proposal"). The total value

of Eur 90.00 is based on PPG's most recent closing stock price of \$105.57 and the prevailing exchange rate (\$1.074/Euro) on 20 March 2017.

Our Revised Proposal represents:

- A value for the total outstanding equity of AkzoNobel of approximately Eur 22.7 billion;
- A premium of 40% over the unaffected closing price of AkzoNobel of Eur 64.42 on 8 March 2017;
- A premium of 39% over the 52-week high unaffected closing price of AkzoNobel of Eur 64.81 on 2 March 2017;
- A premium of 45% over the volume weighted average price per AkzoNobel share of Eur 62.07 over the last three months ending 8 March 2017;
- A premium of 32% over the unaffected 12-month median broker target price per AkzoNobel share of Eur 68.00; and
- An attractive implied EV/EBITDA multiple of 11.6x for 2016 (based on 2016 reported financials).

Our Revised Proposal reflects run rate annual synergies of at least \$750 million, which we estimate, based on publicly available information, could be achieved from a combination of our companies. Our Revised Proposal provides a premium valuation for all of AkzoNobel as presently constituted, including the coatings businesses and the specialty chemicals business. We continue to believe that all stakeholders will benefit from the combined, stronger and more competitive company.

Our Revised Proposal is further based on a number of assumptions, including (i) the absence of a material adverse change to AkzoNobel's business, structure, operations and financial condition since the end of the year; (ii) that AkzoNobel's business has been and will be run in the ordinary course consistent with past practice, including retaining the specialty chemicals business; (iii) that the proposed offer price will be reduced by any dividends declared or paid after the date of this letter and during the pendency of the proposed transaction; (iv) that approximately 254.0 million fully diluted AkzoNobel ordinary shares are issued at the closing of the proposed transaction (including shares underlying outstanding options and conditional shares), of which 1.73 million shares are held in treasury by AkzoNobel, and that no cumulative preference shares are issued; (v) that we reach an amicable agreement with AkzoNobel's pension trustee in the United Kingdom with respect to the proposed transaction; and (vi) that the proposed transaction will be supported and recommended by the Board of Management and the Supervisory Board of AkzoNobel.

Compelling Opportunity

Our Revised Proposal improves on a highly attractive opportunity for AkzoNobel's shareholders to realize extraordinary value, by any measure, for their shares in AkzoNobel. It provides them with a premium valuation and the opportunity to receive substantial and immediate cash consideration and participate in the success of the enterprise through ownership of shares in the combined company. Furthermore, a combination of PPG and AkzoNobel would create significant synergies and result in

enhanced earnings growth prospects for the combined company in the coming years, which will also accrue to the benefit of all stakeholders of the combined business.

Financing

The proposed transaction would be funded through a combination of existing cash on PPG's balance sheet and existing and new third party financing. Our financial advisor, Goldman Sachs, has devoted substantial time and resources to prepare a full financing package to facilitate the proposed transaction. Goldman Sachs has advised our Board of Directors that it is highly confident it can arrange the financing for the proposed transaction. We would provide AkzoNobel with fully underwritten commitment letters in connection with the execution of a merger protocol that would enable us to comply with the certain funds requirements under Dutch law.

Non-Financial Terms and Covenants

We believe that, if given the opportunity to engage in discussions with you, we can address all of the concerns that AkzoNobel has raised with respect to a business combination with PPG. We have great respect for your employees and communities, a respect evidenced in PPG's own commitment to its employees, communities and other stakeholders.

- *Commitment to Research and Development.* Like AkzoNobel, PPG is embedded in the communities in which we operate and committed to investing to discover and develop new products and technologies. Far from weakening AkzoNobel's long term commitment to research and development initiatives at major European universities and research centers, we have every intention of continuing that commitment. PPG is an innovation leader in technology advanced coatings, and has invested over \$2.3 billion in the past five years in research and development, averaging more than 3% of our net sales. We have more than 3,500 technical employees at more than 100 global locations. PPG anticipates continued substantial investment in research and development for Akzo's businesses.
- *Commitment to Employees.* With your cooperation, we are confident we can substantially alleviate any uncertainties that employees may feel with respect to a business combination with PPG. At PPG, we understand the importance of employees to the long-term success of our company, and the importance of investing in our employees. PPG will respect the existing employment terms of the employees of AkzoNobel, including any existing social plans, pension plans and covenants, as well as the terms of the existing individual employment agreements between AkzoNobel and its employees, in accordance with their terms.

As we have said, we envision that the heritage of AkzoNobel's culture and best practices will be reflected in the composition of the leadership, management and employees of the combined company, and in the locations where the businesses operate in the future. We are confident that there will continue to be attractive and enhanced career opportunities for employees of AkzoNobel at the combined company. We look forward to discussing this transaction with AkzoNobel's works councils and unions in more detail, allowing us to share our views on the importance of employees and employment conditions and to address any questions they may have.

- *Commitment to The Netherlands.* While the overall combined company will be headquartered in Pittsburgh, we expect AkzoNobel's current locations in The Netherlands and throughout Europe to continue to play an important and meaningful continuing role in the future operations of the combined company.

- *Pensions.* We appreciate the importance to your pensioners, regulators, and government, of ensuring that any proposed transaction does not negatively impact AkzoNobel's pensions. We believe that, after discussion with your pension trustees, we will be able to provide them with the assurance that they seek with respect to a business combination with PPG, as you did when you acquired ICI Plc. We have every intention of ensuring that AkzoNobel's pensions receive sufficient commitments from the larger, financially stronger combined company such that the pensions would be protected in the context of the business combination.
- *Governance and Management.* We anticipate that the stewardship provided by AkzoNobel's leadership would continue at the combined company. In addition to adding an AkzoNobel director to PPG's current Board of Directors to help guide the future direction and strategy of the enlarged, global company, we would anticipate significant opportunities for AkzoNobel's management team to contribute to the long-term success of the combined company. PPG has a history of providing opportunities for leadership and growth to employees of acquired businesses, including the management teams. As a point of reference, approximately twenty-five (25) of our current one hundred (100) leaders, including two (2) of our seven (7) executive officers, joined PPG via an acquisition of their company and play critical roles in our businesses today. We hope to discuss with you the best way to combine the PPG and AkzoNobel management teams to successfully lead the combined company.
- *Brands.* The combined company will continue the legacies of both companies, including the use of flagship brands and technologies and investment in research, development and innovation.
- *Corporate Social Responsibility.* The combined company will also continue to maintain a commitment to operate in a sustainable and socially-responsible manner. PPG has demonstrated a strong commitment to sustainability, with more than 30% of our net sales from sustainable products, and significant reductions in energy intensity and greenhouse gas emissions. We will soon be reporting in our 2016 Sustainability Report that since 2012, we have reduced our waste disposal intensity by 11% and reduced our greenhouse gas intensity by 29%, to mention just a few of our accomplishments. Our efforts and activities have been recognized worldwide, including in 2015, when Fiat Chrysler Automobiles Group named PPG its "Sustainability Supplier of the Year" for the Europe, Middle East and Africa region. To aid us in addressing the concerns of employees and other stakeholders, we would expect to form an integration committee with representatives from both companies to help manage a successful integration of our two companies and preserve the strengths and cultures of each.

Conditions

Assuming completion of customary due diligence satisfactory to PPG and its advisors, the commencement of the proposed transaction would be subject to customary conditions, including:

- Compliance with co-determination proceedings and notification proceedings required in connection with the proposed transaction; and
- Approval of the offer documents by the Dutch Financial Markets Authority.

After commencement of the proposed transaction, closing (*i.e.*, declaring the public offer unconditional) would be subject to customary conditions, including:

- Receipt of required regulatory approvals. We appreciate AkzoNobel's desire to confirm that a combination of our two companies could be completed on a timely basis and without value

leakage that would undermine the strategic rationale of the transaction. As I emphasized in our previous discussion, we and our advisors have invested significant time and effort, based on publicly available information regarding AkzoNobel, to assess the regulatory approvals that would be required in connection with the proposed transaction. Based on the work we have done thus far, we are confident that our two companies will be able to address any competition issues that might arise without impairing the value that a combination would achieve for our respective stakeholders. We strongly suggest that you instruct your outside antitrust counsel to begin discussions with ours to enable us to jointly confirm our view and approach to obtaining all regulatory approvals on a timely basis.

- Approval of the issuance of PPG common stock by PPG's shareholders in connection with the proposed transaction. Given the value represented by the combination of our two companies and the other compelling benefits of the proposed transaction, as well as the reaction thus far to the public disclosure of a possible transaction, we are confident that our shareholders will welcome the combination of our two companies. We would hold a meeting of PPG shareholders as promptly as possible to obtain this approval well before the anticipated closing of the transaction.
- The minimum acceptance level of 95% being achieved, subject to PPG's right to waive this condition either in whole or in part. PPG may be willing to agree in advance that it will waive the minimum acceptance condition in part, if, among other things, the following conditions have been satisfied at the end of the acceptance period: (i) AkzoNobel's extraordinary general meeting of shareholders has voted in favor of one or more post-closing restructuring measures and such resolution is in full force and effect and (ii) at least 80% of AkzoNobel's issued and outstanding shares on a fully diluted basis have been tendered under the public offer.
- The foundation Stichting AkzoNobel not having exercised its voting rights in respect of any priority shares in a manner which may have an adverse effect on the proposed transaction or PPG and, subject only to PPG's announcement that the offer is declared unconditional, the foundation Stichting AkzoNobel selling and transferring its priority shares in AkzoNobel to PPG for the nominal value of such shares.
- No material adverse change having occurred after the date of the merger protocol.
- The absence of a material breach of the agreed-upon merger protocol by either party.

Due Diligence and Merger Protocol

Our Revised Proposal is based on public information regarding AkzoNobel. In order to confirm our assumptions, we will need access to additional information about AkzoNobel. We and our financial, tax and legal advisors are prepared to move quickly to complete our due diligence review and proceed expeditiously toward the execution of the merger protocol. We would look to minimize the resources and time required of AkzoNobel's businesses by providing you with specific data requests and a number of targeted meetings with key management to complete our evaluation of customary financial, accounting, pension, tax and legal matters.

We believe that this process can be undertaken with minimal disruption to AkzoNobel and can be completed on an expedited basis. As you know, we have engaged Goldman Sachs as our financial advisor, and Wachtell, Lipton, Rosen & Katz and Allen & Overy as legal counsel, to advise us in the proposed transaction. They stand ready to work with us to commence and complete the due diligence review quickly, and to discuss and agree on the terms of the merger protocol.

Conclusion

This letter is non-binding, does not constitute a formal offer to purchase or a public bid, and is subject to, among other things, the satisfactory completion of our due diligence review, the negotiation and execution of mutually satisfactory definitive documentation approved by our Board of Directors. This letter does not create or constitute any legally binding obligation, liability or commitment by PPG or any of its affiliates regarding the proposed transaction, and there will be no legally binding agreement between us regarding the proposed transaction unless and until a definitive merger protocol is executed by PPG and AkzoNobel.

We expect that this letter will remain confidential and that its existence and content will not be disclosed to any person other than AkzoNobel's Management Board and Supervisory Board and their advisors who need to know such information solely for purposes of evaluating the proposed transaction. This letter and the Revised Proposal will be exclusively governed by and must be construed in accordance with Dutch law.

We believe that the potential transaction outlined in this letter remains a highly compelling opportunity for both AkzoNobel and PPG, our respective shareholders and other stakeholders, including customers and employees. The larger, combined business would provide employees increased opportunities and better serve customers with significant research and development capabilities. We urge you to engage in discussions with us immediately so that we can quickly proceed toward the consummation of a business combination of our two companies and deliver the benefits inherent in such a combination to our respective stakeholders.

Sincerely,



Michael H. McGarry
Chairman and Chief Executive Officer