Akzo Nobel N.V.

Antony Burgmans
Chairman Supervisory Board

Ton Büchner
Chief Executive Officer

Strictly Private and Confidential

Mr. Michael H. McGarry
Chairman and Chief Executive Officer
PPG Industries, Inc.
One PPG Place
Pittsburgh, PA 15272
United States of America

8 May 2017

Dear Mr. McGarry,

On behalf of the Board of Management and the Supervisory Board of Akzo Nobel N.V. ("**AkzoNobel**") (together the "**Boards**"), we respond to your letter dated 24 April 2017, outlining your unsolicited and conditional revised proposal to acquire AkzoNobel through a public offer by PPG Industries, Inc. ("**PPG**") for all issued and outstanding ordinary shares of AkzoNobel (the "**Revised Proposal**").

Our meeting on Saturday 6 May 2017 with you and Hugh Grant was helpful for AkzoNobel to further understand your proposal and its impact on shareholders, customers, employees and other stakeholders. We appreciated meeting with you, your explanation of your views, and answers to our questions.

The fundamental responsibility of the Boards is to serve the best interest of AkzoNobel and all its stakeholders, with a view to long-term value creation. Since 2012, AkzoNobel has worked on building a strong foundation of leading market positions and continued operational excellence, and started focusing on accelerating the growth momentum of the company. As you are aware, AkzoNobel has outperformed its key financial guidance resulting in a record subsequent profitability level in 2015 and 2016 and in the first quarter of this year. These financial achievements have not been to the detriment of AkzoNobel's attention to the interests of other stakeholders; on the contrary, employee surveys report higher job satisfaction, and we have maintained a leading position on sustainability recognized by our position in the Dow Jones Sustainability Index and other indices.

Given AkzoNobel's strong operational foundation and current growth momentum, now is the time for the logical next step: the creation of two focused and high-performing Paints and Coatings and Specialty Chemicals businesses. The separation of Specialty Chemicals will allow AkzoNobel to unlock its value. Project teams are already in place to prepare a dual-track process that will ensure competitive tension. Ahead of the separation, shareholders will receive a EUR 1 billion special dividend in November 2017.

The vast majority of the net proceeds from the separation of Specialty Chemicals will be returned to shareholders. In light of the performance by Paints and Coatings and Specialty Chemicals, shareholders will also receive a 50% increased regular dividend payment for 2017 of EUR 2.50 per share. In addition, the strong foundation of leading market positions and continued operational excellence, in combination with the

Christian Neefestraat 2
P.O. Box 75730
1070 AS Amsterdam
The Netherlands

T +31 88 969 7888
E ton.buechner@akzonobel.com
www.akzonobel.com

current growth momentum, have led AkzoNobel to significantly increase the financial guidance for the two separate businesses.

In short, AkzoNobel's standalone growth and value creation strategy will deliver significant value for shareholders in the short, medium and long-term, while also serving the interests of other stakeholders. Our strategy outlines a clear plan for:

- The creation of two focused and high-performing Paints and Coatings and Specialty Chemicals businesses within 12 months
- Significantly increased financial guidance for the two separate businesses
- Return of the vast majority of the net proceeds from the Specialty Chemicals separation to shareholders
- Increased shareholder returns, including 50% higher dividend for 2017 and EUR 1 billion special cash dividend payable in November 2017

Against this standalone strategy, PPG's proposal has been tested on four key areas – value, timing, certainty, and stakeholder considerations. In accordance with their fiduciary duties, the Boards have thoroughly reviewed and evaluated your unsolicited and conditional revised proposal, together with our financial and legal advisors. After exhaustive consideration of this proposal, gauged against both shareholder value and wider stakeholder criteria, the Boards have concluded that this proposal is not in the best interest of the company as a whole and all its stakeholders, and that these interests continue to be best served by the growth and value creation strategy announced by AkzoNobel at its investor update on 19 April 2017.

We have not come to this conclusion lightly and have conducted a thorough review, which included the benefit of a meeting with you on 6 May 2017 in Rotterdam. We appreciated meeting with you, and your explanation of your views. This has not, however, changed the proposal which you have put forward to us and did not provide additional tangible commitments or solutions. On that basis, we have concluded as set out above.

Value

Like your previous proposals, the Revised Proposal still fails to reflect the current and future value of AkzoNobel. The Revised Proposal also fails to provide an appropriate change of control premium which needs to be based on the increased value inherent in AkzoNobel’s strategy including plans to separate Specialty Chemicals.

We remain convinced that the financial terms of your proposal fail to recognise the value of our standalone growth and value creation strategy. The market and analysts have only recently started to recognise the sum-of-parts valuation that AkzoNobel's stock could trade at on the basis of our new plan and intention to separate our Specialty Chemicals business.

The proposed offer price therefore fails, in several respects, to adequately compensate shareholders for AkzoNobel's true value.

In addition, the Revised Proposal's increased share component contains risks to which our shareholders would be exposed and which we have identified in our previous letters: (i) the limited long-term potential of PPG's share price, (ii) the elevated leverage of the combined business, (iii) the risks of the Revised Proposal in light of the required anti-trust clearances and related divestitures, and (iv) the deliverability of your synergy estimates, aggravated as a consequence of likely anti-trust remedies. In short, this creates significant uncertainty for AkzoNobel shareholders and potential leakage of value.

AkzoNobel's analysis concludes that PPG's proposal:

- Undervalues AkzoNobel; it fails to provide appropriate value to AkzoNobel shareholders and does not reflect AkzoNobel's current and future value
- Does not include an appropriate change of control premium, which needs to be based on a valuation reflecting AkzoNobel's strategy, including the recently announced plans to separate Specialty Chemicals and accelerate growth in Paints and Coatings
- Implies a value for AkzoNobel's Paints and Coatings business at a multiple below recent comparable transactions
- Contains risks as a result of its stock component
- Risks loss of value from regulatory remedies
- Risks potential leakage of value through loss of customers, key employees and partners

Timing

AkzoNobel's strategy contains a clear road map to value creation with a commitment to increase shareholder returns for 2017, create two focused businesses, and increased financial guidance for 2020. The separation is scheduled to take place within 12 months and we have already started executing our plans aimed at accelerating sustainable growth and profitability. In fact, our shareholders will already benefit from the scheduled separation of the two focused businesses and our plans to improve our growth and profitability as we will deliver substantial cash returns to shareholders for a total amount of EUR 1.6 billion for 2017.

PPG's proposal contains no such commitments on timing other than generic statements that the combination it proposes will be more beneficial to stakeholders, and that all necessary anti-trust approvals can be obtained in a timely manner. Moreover, it contains no explanation of how it would execute the complicated separation and divestment of individual businesses within the combined business as likely required by anti-trust authorities and does not address any of the inherent risks and uncertainties.

The proposed combination faces complex and lengthy regulatory hurdles, which could take up to 18 months from the moment of filing the relevant requests until completion, and will require significant and value-eroding disposals in order to achieve anti-trust approval. This would result in disruption to business momentum and dislocation as a result of forced separation of integrated manufacturing facilities and supply chains. As such, the process would have a negative impact on our business and create uncertainty for AkzoNobel's stakeholders.

Also in the meeting of last Saturday, 6 May, although we had a thorough discussion, you have not alleviated the anti-trust concerns we have set out repeatedly.

AkzoNobel's analysis concludes that PPG's proposal:

- Would entail significant time to implement while containing inherent risks of completion
- Provides limited visibility in relation to the closing of the transaction and subsequent integration of the two businesses
- Would require substantial and complex structural changes and be vulnerable to regulatory-led delays

Certainty

You provide no clarification on how you would neutralise the anti-trust risks for our stakeholders. Although you mentioned that you have now conducted a "*significant review and analysis of the expected antitrust approval risks and requirements*", the Revised Proposal does not fully address the regulatory risks in a number of overlapping markets, and insufficiently specifies which businesses are proposed to be divested. As explained above, the proposed combination faces a complex and lengthy regulatory approval process, full with uncertainties, which could easily take up to 18 months.

Your Revised Proposal also does not address the various stakeholder concerns that we have expressed and does not provide a clarification on how it would neutralise the anti-trust risks for AkzoNobel stakeholders. Your statement that you would consider agreeing upon a "*significant reverse break-up fee*", gives no indication of the envisaged size of such break-up fee. Regardless, it does not neutralise your proposal's anti-trust risks for our stakeholders, and our position in the market which will be seriously prejudiced. A break-up fee will not alleviate this issue; it may to a limited extent, give some compensation for the harm that will be done to the position of AkzoNobel businesses and all its stakeholders.

It has been clear since PPG submitted its initial proposal that anti-trust clearance would play a major part in the deliverability of its proposal given the significant geographical and segmental overlap that exists between the two companies. PPG's proposal does not address the inherent uncertainties or risks. All of this would expose AkzoNobel to considerable uncertainty and the risk of stagnation.

Furthermore, the acquisition of AkzoNobel's Specialty Chemicals business conflicts with PPG's stated strategy of exiting the Specialty Chemicals market.

AkzoNobel's analysis concludes that PPG's proposal:

- Faces complex and lengthy regulatory hurdles that could take up to 18 months to complete
- Requires significant and value-eroding disposals in order to achieve anti-trust approval
- Would result in disruption to business momentum and dislocation as a result of forced divestitures of highly-integrated manufacturing facilities and supply chains
- Conflicts with PPG's stated strategy of exiting the Specialty Chemicals market

Stakeholder considerations

While you recognise that a wide range of interests must be taken into account by the Boards when evaluating such a proposal, your statements on the wide range of relevant stakeholders interests outlined in the Revised Proposal does not adequately address the uncertainties and risks for all our stakeholders. PPG's proposals in relation to stakeholder concerns affecting employees, pensions, location of headquarters, R&D and sustainability are limited in nature, or are obligations to honour "current" contractual arrangements. PPG has not adjusted the projected synergy benefits of “at least” USD 750 million downwards in light of the purported "significant and highly specific" commitments to stakeholders. It would seem to us that achieving the synergy benefits of USD 750 million and securing the position of stakeholders, especially employees, do not sit well together.

The various stakeholder considerations are set out in further detail below. We note that in our meeting last Saturday, you did not provide any tangible commitments or solutions addressing our concerns specified in this letter.

Employees and pensions

Our employees are essential for the success of AkzoNobel and have been instrumental in the performance of AkzoNobel over the last years. AkzoNobel always carefully considers the interests of its employees, and also fully subscribes to the standards set by the Dutch Corporate Governance Code in that respect. Your Revised Proposal brings significant uncertainties for thousands of jobs worldwide. PPG provides no commitments or evidence to support its assertion that employees of AkzoNobel will have any benefit under its ownership, nor does it give any indication how long various existing employee arrangements would remain unaffected and in place. The few statements made to that effect are strongly qualified. This creates anxiety and uncertainty for AkzoNobel’s 46,000-strong workforce.

The only tangible, but limited, statement included in your Revised Proposal in respect of employees is that "*no AkzoNobel employee currently working in a Netherlands specialty chemicals plant will lose their job* as a direct result *of this acquisition*" (emphasis added). Not only does this statement cover only a fraction of AkzoNobel's facilities, the statement that job losses will not occur "*as a direct result of*" the transaction has no substantial meaning; it is never the transaction as such which leads to job losses but the plans realised afterwards. On these future potential restructuring plans, the letter does not contain commitments. In this respect, we note that you have publicly and explicitly declined to extend the statement to employees in our Paints and Coatings businesses.[1] Your Revised Proposal hence fails to address the concerns and uncertainties in respect of all other AkzoNobel's plants. These concerns and uncertainties have furthermore been aggravated by the detailed news reports about earlier treatment of employees in facilities in the Netherlands.

All other statements included in your Revised Proposal in respect of employees are in fact obvious and fundamental obligations to honour the existing rights of employees (generally qualified by the term "current"), leaving the door open for any subsequent steps that would actually terminate contracts and existing rights. The Revised Proposal gives no indication how long various existing arrangements would remain unaffected and in place. The very substantial concerns in this respect are not alleviated by your statement that "*any displaced*" AkzoNobel employee "*will be eligible to apply for any current vacancy in the new combined, enlarged company*". On the contrary, leaving aside the fact that we fail to see why such employees would not be eligible to apply for a vacancy, your statement fuels the concern that there will be a substantial number of "*displaced*" AkzoNobel employees.

[1] Michael Pooler and Arash Massoudi, "*PPG launches withering attack on Akzo Nobel leadership*", Financial Times, 24 April 2017.

What has been noted above in respect of your statements vis-à-vis employees equally extends to your statements with regard to pensions, and rules on co-determination by employees. With regard to pensions, your statements do not amount to anything else than honouring existing commitments. With regard to the co-determination rules, we note that the fact that you state that the mitigated structure regime at the level of AkzoNobel Nederland will be maintained, is also a statutory requirement which cannot be set aside unilaterally. As to the composition of the board, if a transaction were to occur, your letter states that you "*know*" that the members of the Supervisory Board of AkzoNobel "*have insights valuable to the future of the combined business*". At the same time you note that only one of the eight members of the Supervisory Board of AkzoNobel may be admitted as a member of the (ten member) PPG board "*to provide*", as you describe it, "*critical input and perspectives*". This does not in any way reflect an intention to safeguard the AkzoNobel stakeholder interests, nor the substantial pro-forma proportion that AkzoNobel stakeholders would represent in a combination. Moreover, it fails to reflect the standard in Dutch public takeovers where it relates to securing non-financial covenants, if and when these commitments would have been made.

R&D

AkzoNobel's strategic ambition is to deliver a world-leading innovation and product portfolio. That strategy is focused on delivering a combination of innovations that provide differentiated performance and value-driven benefits for our customers. We are a global R&D organisation and are committed to investing in innovation. AkzoNobel employs 4,000 scientists worldwide and operates 130 laboratories globally. AkzoNobel's vision is to invest more in innovation in the future. For example, AkzoNobel has committed to invest EUR 1 billion in the Paints and Coatings company between now and 2020.

By contrast, you state only that you do not intend to reduce the "*current*" R&D spending in the Netherlands and the UK "*for the foreseeable future*" and that you will not reduce the "*current*" R&D capital related spending commitments related to the Felling UK facility. These statements do not come close to the ambition and policies AkzoNobel has developed over the past years, aiming to further invest in innovation.

Sustainability

Sustainability is at the heart of everything we do at AkzoNobel. We believe that it is vital for the future success of our company, our society and our planet. AkzoNobel has been a clear global industry leader for more than a decade, as evidenced by our leading position in the Dow Jones Sustainability index. Increasingly, customers identify sustainability as one of the key determinants of market success and acceptability. AkzoNobel therefore regards its global leadership in this area as an integral part of its business success.

As an example, AkzoNobel recently committed to accelerating its sustainability agenda by announcing a new ambition to use 100 percent renewable energy and become carbon neutral by 2050. Our commitment to lead the way in sustainability is also illustrated by our product portfolio; 90% of the products we introduce are more sustainable than the products they replace in our portfolio, 50% of our products provide sustainability benefits, and 20% are eco-premium solutions providing additional benefits over the most common alternative in the marketplace.

Over the past 10 years, AkzoNobel was continuously rated as a sustainability leader by the most respected rating agencies; Dow Jones Sustainability World Index, Carbon Disclosure Project, Sustainalytics, Bloomberg ESG, Global Reporting Initiative, FTSE4Good and the Transparency Benchmark have rated AkzoNobel as a true sustainability leader year-on-year.

In 2016 alone, AkzoNobel's Human Cities initiative involved 300 projects impacting over 9 million people. This compares with PPG's Colorful Communities program which, in the total period since its launch, has impacted 1.8 million people across 60 projects.

The comparative performance on sustainability between our two companies does not provide confidence that our journey towards greater sustainability and corporate social responsibility would be continued.

Headquarters, locations and ties with communities across the world

AkzoNobel has a long history in the societies in which it operates, going back over four centuries. Particularly in the Netherlands, the United Kingdom, and Sweden, AkzoNobel has strong ties with numerous communities, including universities and other scientific bodies. AkzoNobel is one of the leading companies in the Netherlands, and therefore of high importance to the Dutch economy.

In contrast, the statements in your Revised Proposal relating to headquarters provide no substantiation and duration commitments. PPG's commitment that it will not relocate any of AkzoNobel's production facilities from Europe to the US is essentially meaningless given that many AkzoNobel products, by their very nature, are generally manufactured and distributed close to the markets they serve. There is no commitment as to the future of these locations and whether they will be kept open. This falls short of any commitments that AkzoNobel has in this respect. The vague commitments in the Revised Proposal aimed at appeasing Dutch stakeholders fail to recognise that AkzoNobel is a global enterprise with ties to communities across the world.

Culture

We believe that there are notable cultural differences between the two companies. These cultural differences will hamper a successful combination of the businesses and impede on the future success of a combination. PPG does not recognise or substantiate any commitments or bridge the significant cultural differences between both companies.

With respect to stakeholder considerations, AkzoNobel’s analysis concludes that PPG's proposal:

- Creates significant risks and uncertainties for thousands of jobs worldwide
- Does not recognize or substantiate any commitments to bridge the significant cultural differences between both companies
- Fails to sufficiently address significant stakeholder concerns, uncertainties and risks
- Lacks meaningful commitments or solutions customary in major transactions

Conclusion

Taking all of the above factors into account and based on the exchange of views during our meeting, which did not provide additional tangible commitments, the Boards of AkzoNobel have concluded that PPG's Revised Proposal is not in the best interest of the company and all its stakeholders.

As we wish to provide the market with an update on the current situation and are obliged to do so by law, we will issue a press release that will summarise the reasons, as set out in this letter, why the Boards cannot accept your proposal. That press release is an enclosure to this letter.

Very truly yours,

Antony Burgmans
Chairman Supervisory Board

Ton Büchner
Chief Executive Officer