


**AkzoNobel**

Tomorrow's Answers Today

**21 July 2011**

- Revenue up 8 percent driven by volume (+3%) and pricing (+5% before a 1% adverse mix effect), before currency headwind of 3 percent
- EBITDA before incidentals reduced by 10 percent to €551 million
- Raw material inflation, challenging trading conditions and one-off factors impacted contribution margins across segments
- Profit before tax rose 7 percent (year-on-year) largely due to a reduction in net finance charges
- Total net income reduced by 2 percent to €268 million compared to €273 million in Q2 2010, partly driven by movement in incidental charges
- Adjusted EPS at €1.09 per share (€1.18 Q2 2010)
- Additional performance improvement measures underway to underpin performance
- Full-year 2011 EBITDA to be at least in line with the prior year, assuming no further deterioration in economic conditions

**Figure 1: key Q2 metrics**

€ million unless stated otherwise	2010			2011	
	Q2	Q3	Q4	Q1	Q2
Decorative Paints	1,401	1,372	1,139	1,196	1,461
Performance Coatings	1,260	1,239	1,238	1,237	1,312
Specialty Chemicals	1,258	1,272	1,259	1,351	1,350
Other	(12)	(16)	(16)	(22)	(26)
<b>Group Revenue</b>	<b>3,907</b>	<b>3,867</b>	<b>3,620</b>	<b>3,762</b>	<b>4,097</b>
Decorative Paints	205	198	63	90	191
Performance Coatings	191	166	147	143	170
Specialty Chemicals	257	254	221	241	220
Other	(39)	(44)	(54)	(37)	(30)
<b>EBITDA</b>	<b>614</b>	<b>574</b>	<b>377</b>	<b>437</b>	<b>551</b>
D&A	(148)	(146)	(155)	(148)	(150)
Incidentals	(11)	(47)	(63)	(12)	27
<b>Operating Income</b>	<b>455</b>	<b>381</b>	<b>159</b>	<b>277</b>	<b>428</b>
Finance Income/expenses	(113)	(70)	(56)	(63)	(64)
Associates	7	9	4	7	8
<b>PBT</b>	<b>349</b>	<b>320</b>	<b>107</b>	<b>221</b>	<b>372</b>
Tax Charge	(76)	(81)	40	(73)	(99)
Non-controlling interests	(26)	(22)	(17)	(16)	(22)
<b>Net Income (continuing operations)</b>	<b>247</b>	<b>217</b>	<b>130</b>	<b>132</b>	<b>251</b>
<i>Tax Rate</i>	<i>21.8%</i>	<i>25.3%</i>	<i>37.0%</i>	<i>33.0%</i>	<i>26.6%</i>

### Operational detail

- Revenue growth was achieved in all three Business Areas, driven by a combination of volume and price gains but offset by adverse exchange rate movements
- Raw material price inflation has continued to impact contribution margins and is now on average 20% higher than the equivalent period in 2010
- Continued management action to mitigate the impact of raw material inflation with product price gains is continuing
- In Decorative Paints, contribution margins are consistent with the seasonal pattern albeit slightly lower than trend due to weaker European markets
- Performance Coatings reported an 11% fall in EBITDA against a strong comparison as raw material inflation and weaker markets in mainly Marine and Wood Finishes segments impacted margins.
- Specialty Chemicals' EBITDA fell 14% through a combination of raw material inflation, exchange rate movements and maintenance costs.

**Figure 2: volume & price/mix in % (quarterly basis)**

	Volume		Price/mix		Acquisitions/ Divestments		Exchange rates		Total	
	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2
Decorative Paints	9%	6%	1%	2%	-	-	3%	-4%	13%	4%
Performance Coatings	7%	2%	2%	3%	6%	3%	3%	-4%	18%	4%
Specialty Chemicals	6%	1%	6%	8%	-	-	5%	-2%	17%	8%
<b>Average development</b>	<b>7%</b>	<b>3%</b>	<b>3%</b>	<b>4%</b>	<b>2%</b>	<b>1%</b>	<b>4%</b>	<b>-3%</b>	<b>16%</b>	<b>5%</b>

- AkzoNobel is implementing additional performance improvement measures and functional/ operational excellence initiatives to underpin performance.
- Designed to ensure that medium-term growth ambitions are delivered at or above mid-point of medium term 13-15 percent EBITDA margin guidance.
- Further details announced in second half.

### Balance sheet detail

- Pension deficit improved to €432 million
- A bond totalling €539 million matured in June and was repaid out of existing cash
- Net cash and cash equivalents €1.2 billion at end Q2 2011

### Outlook and guidance

- Outlook: full-year 2011 EBITDA to be at least in line with the prior year, assuming no further deterioration in economic conditions.
- CAPEX 2011 to be around 4% of revenues.
- Our guidance for full year effective tax rate remains 28 percent.

**Figure 3: H1 Analysis**

<b>Group</b>			
	H1 2011	H1 2010	Δ%
<b>Revenue</b>	<b>7,859</b>	7,153	10
<b>EBITDA</b>	<b>988</b>	1,013	(2)
<b>EBITDA margin (in %)</b>	<b>12.6</b>	14.2	
<b>Net income</b>	<b>396</b>	354	12
<b>Decorative Paints</b>			
	H1 2011	H1 2010	Δ%
<b>Revenue</b>	<b>2,657</b>	2,457	8
<b>EBITDA</b>	<b>281</b>	287	(2)
<b>EBITDA margin (in %)</b>	<b>10.6</b>	11.7	
<b>Performance Coatings</b>			
	H1 2011	H1 2010	Δ%
<b>Revenue</b>	<b>2,549</b>	2,309	10
<b>EBITDA</b>	<b>313</b>	334	(6)
<b>EBITDA margin (in %)</b>	<b>12.3</b>	14.5	
<b>Specialty Chemicals</b>			
	H1 2011	H1 2010	Δ%
<b>Revenue</b>	<b>2,701</b>	2,412	12
<b>EBITDA</b>	<b>461</b>	464	(1)
<b>EBITDA margin (in %)</b>	<b>17.1</b>	19.2	