

**London, September 29, 2008**  
**Investor and Analyst day**

**Delivering Tomorrow's Answers Today**



## Agenda

1. Delivering Tomorrow's Answers Today - Hans Wijers
2. Financial strategy - Keith Nichols  
Q&A
3. Personal introduction - Tex Gunning
4. Decorative Paints - David Hamill  
Q&A
- Coffee break
5. Performance Coatings - Leif Darner  
Q&A
6. Specialty Chemicals - Rob Frohn  
Q&A
7. Wrap up & closing - Hans Wijers

Lunch

## **AkzoNobel** **Delivering Tomorrow's Answers Today**

- We operate in attractive industries
- We have global, leading positions
- We are focused on significantly improving performance
- We have ambitious targets
- We have the right management team in place



## **Today**

## Where we are today

### We operate in attractive industries

- Good growth potential, particularly in developing markets
- Low cyclicalities of end markets and profits
- Diverse customer segments served, leading to additional stability of sales and profits
- Low fixed costs as a percentage of sales







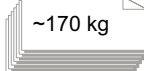
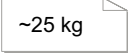
### AkzoNobel is very well positioned



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## Strong emerging markets growth potential

	Mature Per Capita	Emerging Per Capita
<b>Architectural Paint</b>	 8 liters	 < 2 liters
<b>Industrial and Special Purpose Coatings</b>	 13 liters	 < 6 liters
<b>Plastics</b>	 ~100 kg	 ~20 kg
<b>Paper</b>	 ~170 kg	 ~25 kg



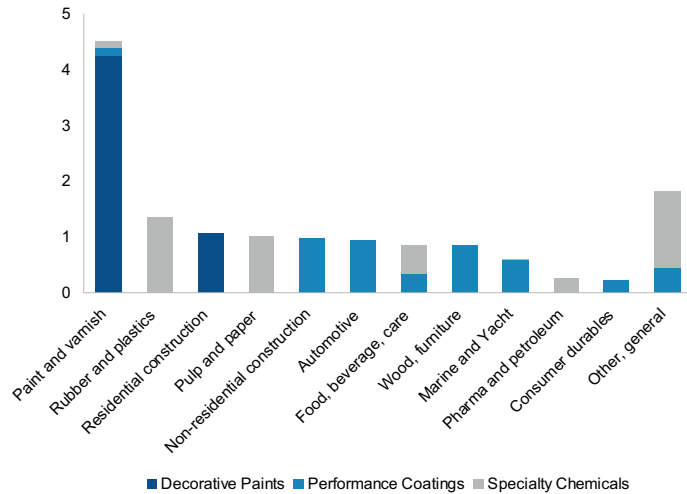
Source: Food & Agriculture Organization of the UN, 2005 data for paper and paperboard; Plastic Europe Market Research Group (PEMRG) 2005 plastics data; Euromonitor 2007 coatings data; WorldBank population data

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## We serve many sectors, creating stability

€ billion, 2007 pro forma



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## Low end market cyclicality

### Very low – Low (74%)

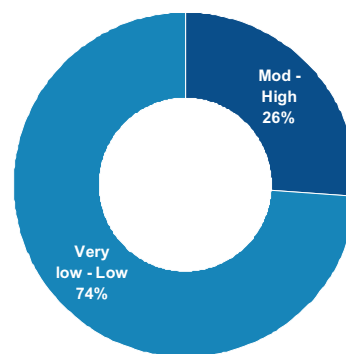
cyclicality end markets, e.g.,

- Food and beverage
- Paper, printing, and publishing
- Automotive aftermarket
- Paints and varnishes
- Rubber and plastics
- Furniture
- Soaps and detergents

### Mod – High (26%)

cyclicality end markets, e.g.,

- Non-residential construction
- Residential construction
- Automotive OEM
- Consumer durables
- Agro-chemicals
- Aerospace
- Shipbuilding

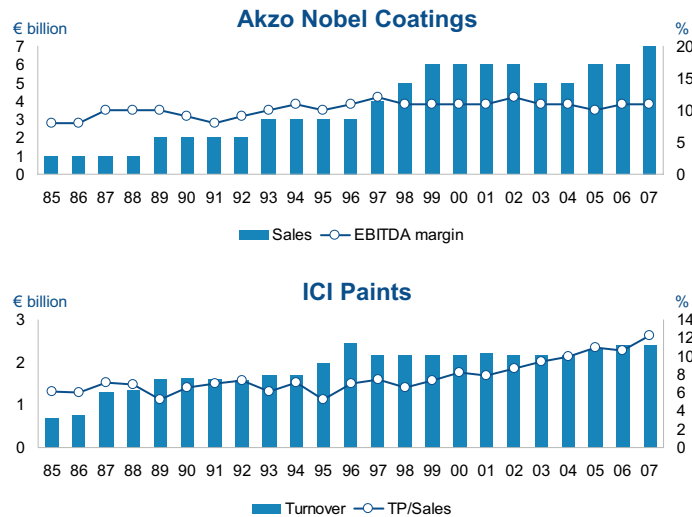


Source: Oxford Economics 1980-2007 cyclicality analysis

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## Resilient Coatings margins



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## Low fixed costs as a percentage of revenue

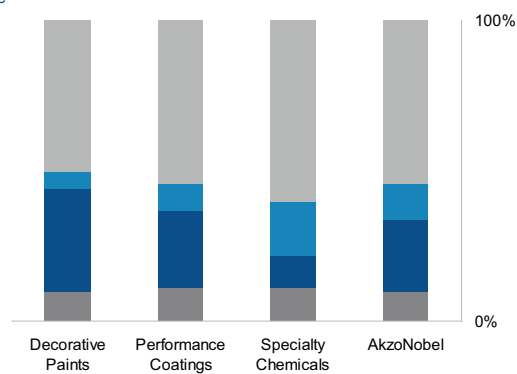
% of revenue, indicative

Raw materials,  
energy, and  
other variable  
production costs

**Fixed production  
costs**

**Selling, advertising,  
administration, R&D  
costs**

EBIT margin



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## Where we are today

### We operate in attractive industries

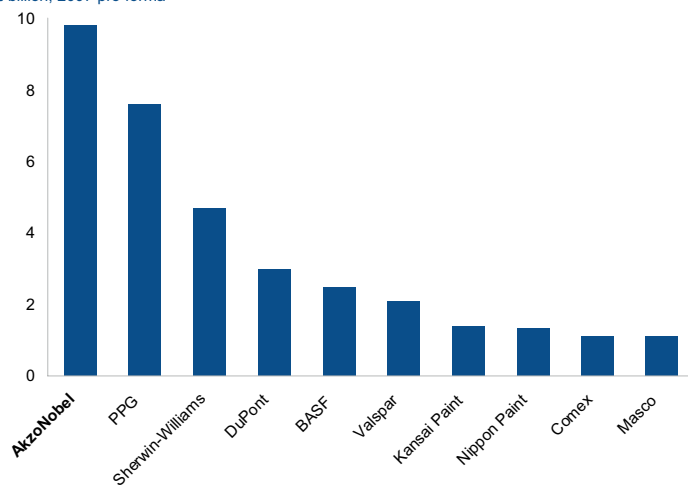
#### AkzoNobel is very well positioned

- Many market leadership positions
- Excellent geographic spread of sales and profitability
- Strong brands
- Ability to outspend the competition in technology and innovation without negatively affecting profitability
- Commitment to sustainability at all levels

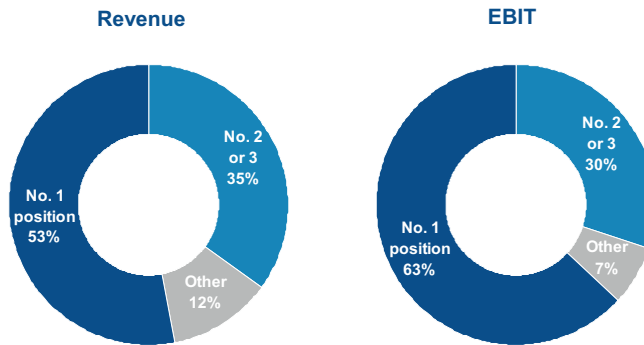


## AkzoNobel is the world's largest Coatings supplier

€ billion, 2007 pro forma



## Leadership positions are more profitable positions



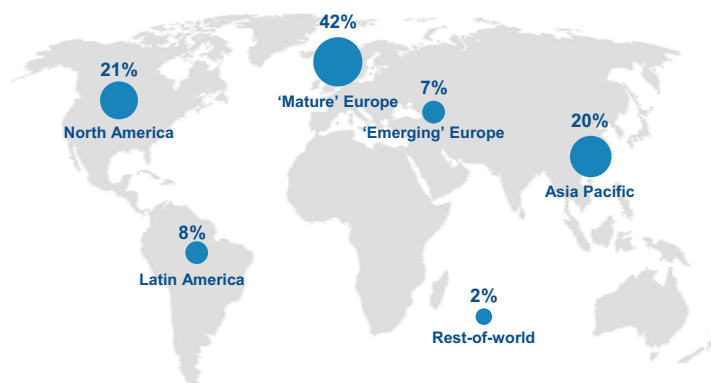
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## Excellent geographic spread of both revenue and profits

**Emerging markets are important (35% of revenue) . . .**

% of revenue, 2007 pro forma



**Emerging markets profitability is strong (39% of EBIT)**



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## We have strong brands across the full spectrum of our business

### Biggest brands, per business area

% of revenue, 2007 pro forma

**eka**

18% of Specialty Chemicals

**International**

23% of Performance Coatings

**Dulux**

25% of Decorative Paints



## The peer group leader in technology and innovation

On a **percentage** basis:  
our R&D spend is consistent  
with our industry norms –  
2.3% of revenues

On an **absolute** basis:  
our larger size means  
we have more to work  
with, without negatively  
impacting profitability

% of revenue, 2007 pro forma

**Decorative  
Paints**

1.5%

Decorative Paints requires less  
R&D spend – allows more for  
Performance Coatings

**Performance  
Coatings**

3.7%

Performance Coatings  
benefits from a higher level  
of R&D activity

**Specialty  
Chemicals**

1.9%

Specialty Chemicals targets  
spend to process R&D and/or  
product R&D as appropriate



## Technology and innovation deliver functionality to our customers

<b>Beautify</b>	Aesthetically pleasing visual experiences in our everyday lives
<b>Protect</b>	Integrity in performance in demanding environments
<b>Stabilize</b>	Physical stability in complex fluids
<b>Transform</b>	Effects and performance through chemical transformation



## We will focus our technology and innovation spend on core functionalities

	Beautify	Protect	Stabilize	Transform
<b>Decorative Paints</b>				
<b>Performance Coatings</b>				
	Powder Coatings	Marine & Protective	Car Refinish	Packaging Coatings
<b>Specialty Chemicals</b>				
	Pulp & Paper Chemicals	Functional Chemicals	Surface Chemistry	Polymer Chemicals



## We see sustainability as a business opportunity

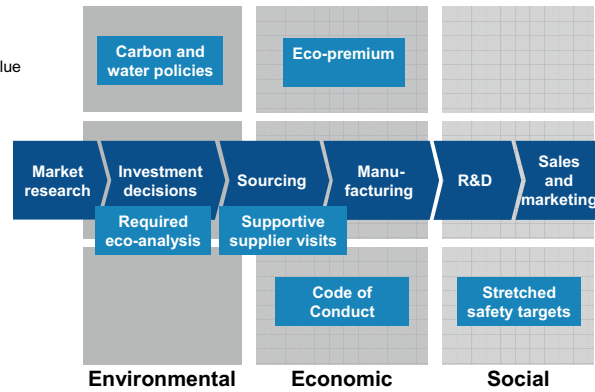
Level of development

**Invent**  
Integrate sustainable value propositions

**Manage**  
Include sustainability in all aspects of the value chain

**Improve**  
Continue to comply and ensure a license to operate

Examples



Aspect of sustainability (linked to DJSI)

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## Our sustainability commitment has been recognized externally



<b>2004</b>	No ranking
<b>2005</b>	Top 10%
<b>2006</b>	2nd Place
<b>2007</b>	Super sector leader
<b>2008</b>	Joint 2nd place

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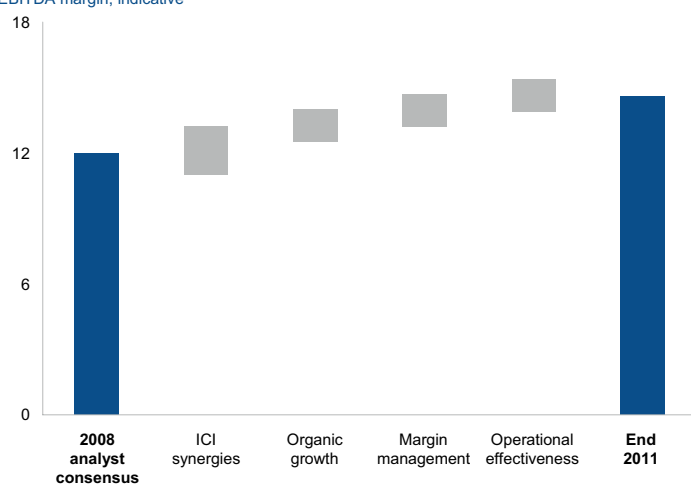
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## Delivering Tomorrow's Answers Today

**AkzoNobel**  
Tomorrow's Answers Today

**We will improve our EBITDA margin to at least 14% in the next 3 years**

EBITDA margin, indicative



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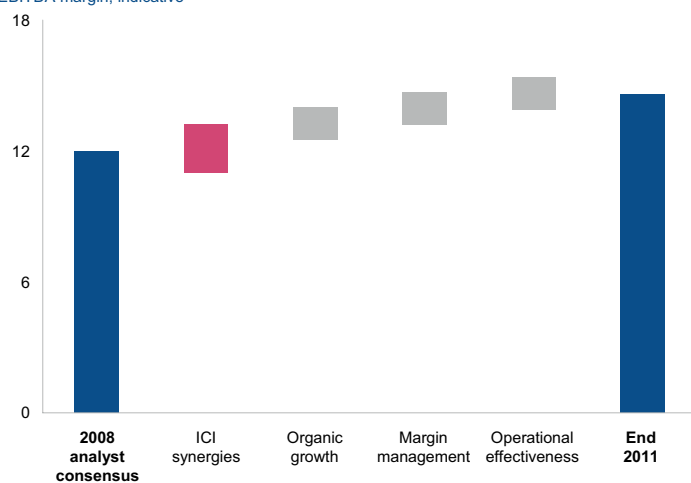
## Aggressive actions to capitalize on the strength of our portfolio

- Ensuring that we deliver ICI synergies, faster
- Growing the business organically and through active participation in industry consolidation
- Managing our margins through improved pricing and procurement
- Reducing costs through increased operational effectiveness
- Disciplined approach to capital, deferred Share Buy Back program



## ICI synergies

EBITDA margin, indicative



## Delivering ICI synergies faster

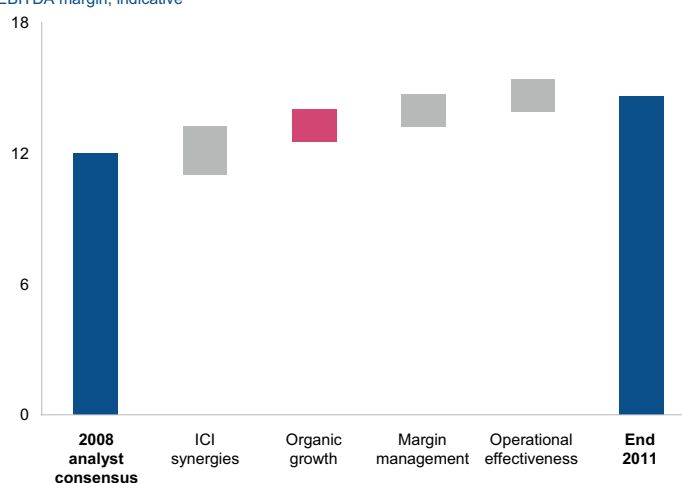
	What we said a year ago	What we said In April	What we are saying today
<b>Savings</b>	280	340	340
- Deco		180	180
- Corporate		85	85
- Proc		75	75
<b>Timeframe</b>			
-2008		15%	>15%
-2009		55%	70%
-2010	85%	85%	100%
			30% of exits in 2008
<b>Integration</b>	Outside in	Detailed plans	- All corporate departments redesigned - All Deco regional and functional teams in place
<b>Cultural fit</b>	Avoid conflicts and dis-synergies	Combining and learning	Building new company 95% of targeted management retained

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## Organic growth

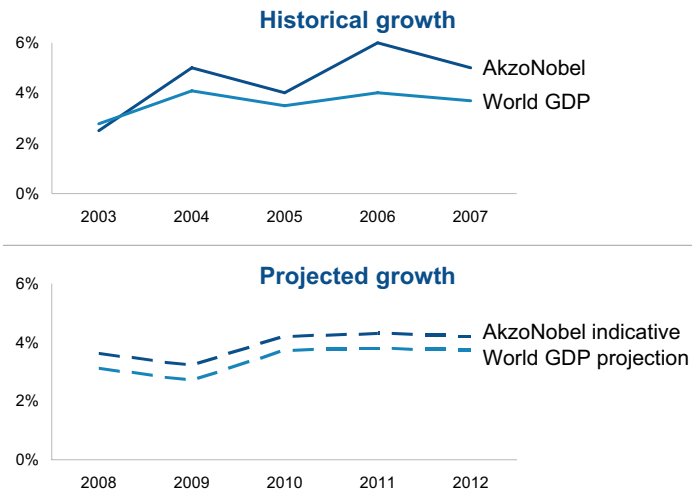
EBITDA margin, indicative



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## The “baseload” of growth will come from industry growth

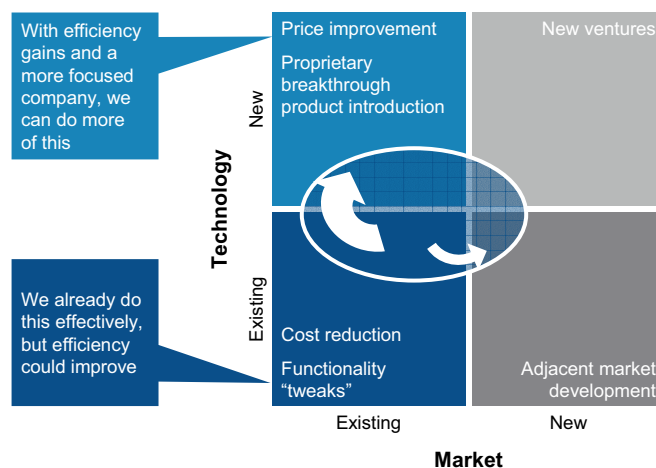


Source: Oxford Economics, August, 2008

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## We will improve our organic growth rate through bolder innovation



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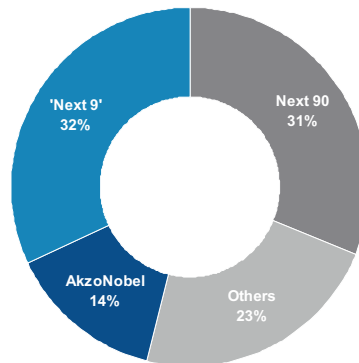
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## Actively participating in industry consolidation provides additional growth

The Coatings market clearly offers consolidation opportunities . . .

### Global coatings industry

100% = €78 billion



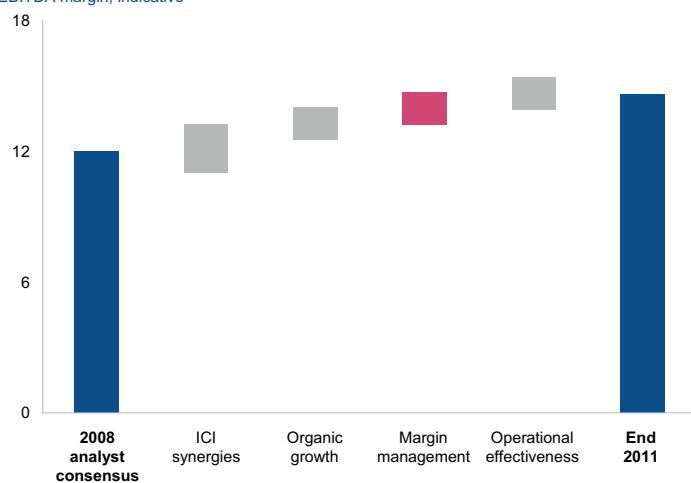
Specialty Chemicals also offers opportunities

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## Margin management

EBITDA margin, indicative



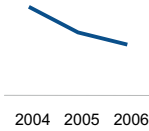
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## Improved pricing capability has already delivered results in Specialty Chemicals

### 1. The situation

- Raw material cost increases outstripping price increases
- Consensus reached that pricing skill upgrade was required



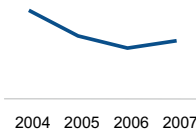
### 2. The action

- Improvement program implemented across Specialty Chemicals



### 3. The result

- All BUs have observed either an increase in contribution margin or a halt in decline



## More is planned with regard to pricing across all of AkzoNobel

### Specialty Chemicals

- Deliver more through better performance management
- Move to next level of levers

### Decorative Paints

- Deliver on projects currently underway
- Expand coverage

### Performance Coatings

- Design program and roll-out

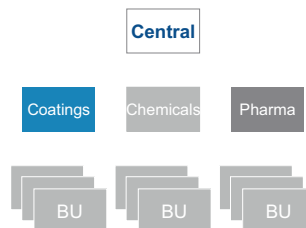
Will be discussed in more detail in the business area presentations



## A different organizational approach to procurement provides more focus

**Old structure,**  
less focused business did not allow us  
to leverage our size and strength

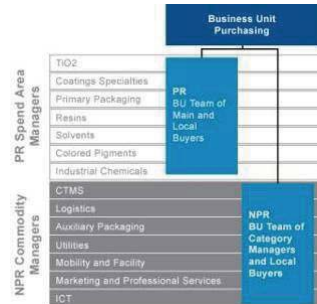
**Centrally coordinated spend**  
**< €0.5 billion**



**Typical BU spend ~ €0.3 billion**  
**Typical spend groups covered > 20**

**New structure,**  
more focused spend has already led to  
substantially better results

**Centrally coordinated spend**  
**~ €6.5 billion**

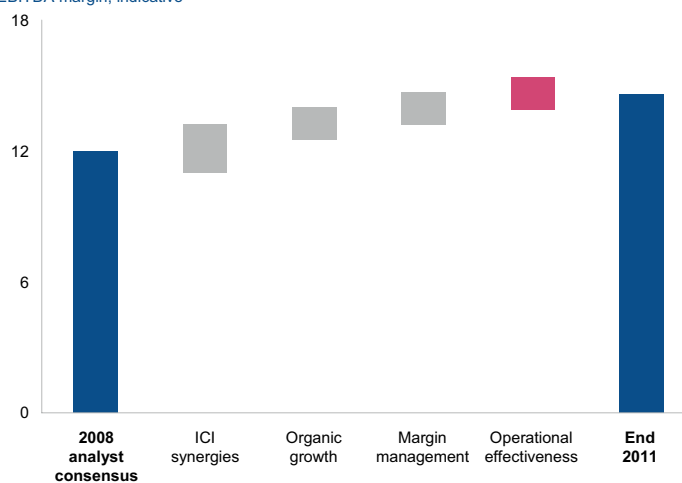


**Typical spend per group ~ €0.5 billion**



## Operational effectiveness

EBITDA margin, indicative



## Operational effectiveness: additional net cost savings of at least €100 million

- Low growth, high cost inflation environment in mature economies requires even stronger focus on operational effectiveness
- We are targeting at least an additional €100 million of annual net cost savings, beyond €340 million ICI synergies
- In total this translates into around 3,500 FTE reductions by 2011
- Savings have been identified across all business areas, shared service organizations and corporate



## We will continue to take a disciplined approach to capital

### Areas of focus

- Operating working capital
- Capital expenditure
- Share Buy Back
- Pensions



**Colleagues will  
provide detail**



## Tomorrow


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## We have ambitious targets for the next 3 years

### For the next 3 years, we will


- Continue to **outgrow** our markets
- Improve our **EBITDA margin** to at least 14%
- Continue to generate year-on-year **EVA growth**
- Remain a leader in **sustainability** (top 3 DJSI)






## We have the right management team, incentivized to deliver


We have the right management team . . .




**Keith Nichols**  
Chief Financial Officer




**David Hamill**  
Managing Director  
Decorative Paints



**Rob Frohn**  
Board Member responsible  
for Specialty Chemicals




**Tex Gunning**  
Managing Director  
Decorative Paints,  
nominated to join Board of  
Management in April 2009




**Leif Darner**  
Board Member responsible  
for Performance Coatings

Incentives are meaningful and are tied to our targets




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## AkzoNobel Delivering Tomorrow's Answers Today

- We operate in attractive industries
- We have global, leading positions
- We are focused on significantly improving performance
- We have ambitious targets
- We have the right management team in place



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## Financial Strategy

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Keith Nichols

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### AkzoNobel's financial proposition

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- Our financial performance is resilient
- We have a strong balance sheet
- We are maintaining a prudent financing strategy
- We are focused on further improving our capital efficiency
- Attractive capital returns to shareholders



## Today

## AkzoNobel is financially strong

- Resilient H1 2008 operational performance
- Strong balance sheet position
- Pro-active pension risk management
- Well diversified revenue by currency
- Leveraging raw material purchasing power
- Attractive capital returns to shareholders



## Resilient H1 2008 operational performance

€ million	2008	Δ%
Revenue reported	7,376	1
Revenue constant currencies	7,839	8
EBITDA reported	924	(2)
EBITDA constant currencies	993	5
Net income before fair value adjustments*	414	(7)
	2008	2007
EBITDA margin reported (%)	12.5	13.0
EBITDA margin constant currencies (%)	12.7	13.0
Earnings per share (€)	1.42	1.36

\* Continuing operations before incidentals; 2007 pro forma

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## Strong balance sheet position

€ million	June 30, 2008	Dec 31, 2007
Equity	10,895	12,155
Net debt	1,056	2,832
Net pension deficit	1,355	1,475
	2008	2007
H1 2008 (€ million)		
Net cash from operating activities	(362)	(320)

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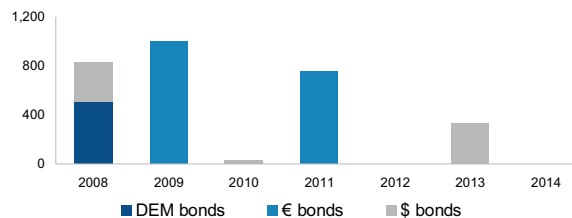
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## Prudent financing policy in challenging capital markets

**€1.8 billion debt maturing in the coming 18 months...**

Debt maturity, € million



**Objective is to refinance and lengthen the maturity profile**

- Capital markets are currently closed
- €1.8 billion of debt maturing in the next 8 months
- Remainder of the €3 billion (€1.6 billion) Share Buy Back program deferred until refinancing is completed



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## Pro-active pension risk management

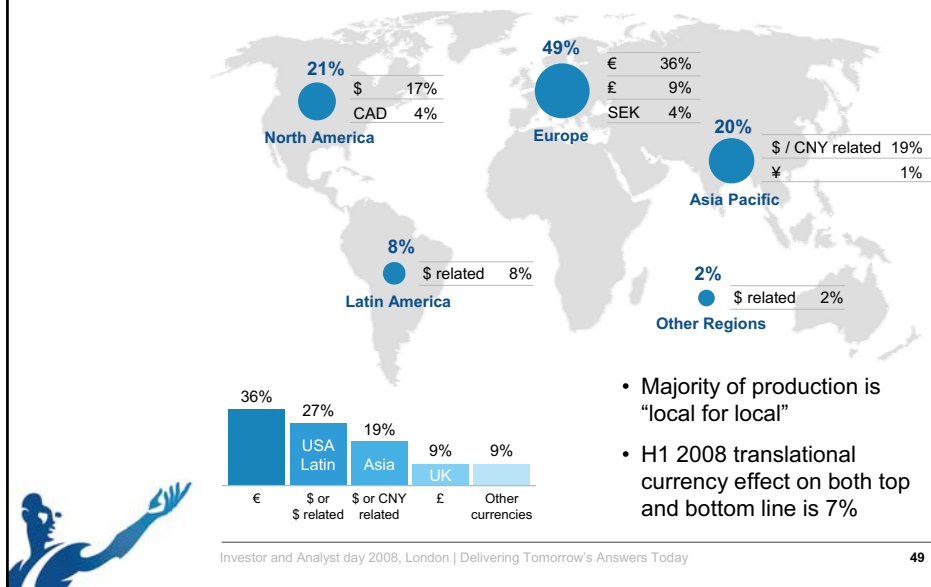
- 2004 pro forma (including ICI) pension under funding was around €4 billion
- 2007 pro forma pension under funding €1,475 million
- Mid-2008 pension under funding estimated at €1,355 million
- Committed to fund deficits and further de-risk over time
- Defined Benefits closed to new entrants, major plans closed in 2001 (ICI) and 2004 (Akzo Nobel)
- Ring fenced other post-retirement obligations



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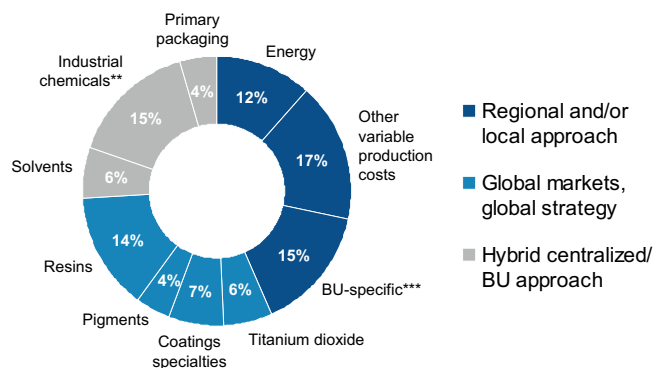
## Well diversified revenue by currency



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## Leveraging raw material purchasing power

Raw materials, energy, and other variable costs represent slightly more than half of revenue\*



\* H1 2008

\*\* Industrial chemicals contains raw materials such as: paraxylene, ethylene derivatives, fatty acids & oils

\*\*\* BU-specific contains raw materials such as cellulose, ammonia, phenols, etc.

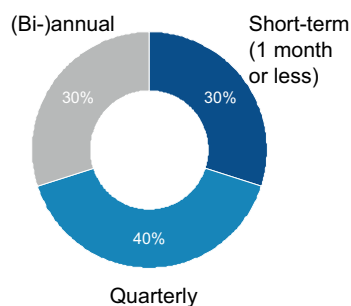
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## Diversified contract length and supplier base

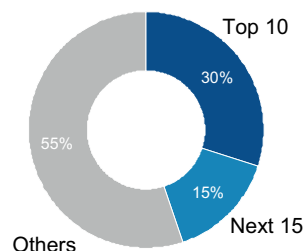
### Contract length breakdown

% of raw material spend, indicative



### Supplier consolidation

% of raw material spend, indicative



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## Attractive capital returns to shareholders

### Dividend policy

- 2007 dividend up 50% to €1.80 per share - sets a new floor
- Pay-out ratio of minimum of 45% of net income before incidentals and fair value adjustments related to ICI deal

### Share Buy Back - total program €4.6 billion

- 2007: €1.6 billion completed; 9.75% of outstanding capital cancelled
- 2008/2009: €3 billion program:
  - €1.4 billion completed end September 2008, 12.1% of outstanding capital repurchased
  - Outstanding number of common shares end September 2008: 232 million



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## Delivering Tomorrow's Answers Today

## Delivering Tomorrow's Answers Today

### Strong financial position to be maintained or further improved

- Maintain solid capital structure
- Managing tax, financial charges and net debt
- Prudent financing policy in challenging capital markets
- Delivering operating working capital improvement
- Maintain focus on disciplined capital allocation
- Managing corporate and "other" costs



## Maintain solid capital structure

### Maintain strong investment grade rating (single A- / A3 through the cycle)

#### Key ratio's are

- FFO/adjusted net debt >35%
- RCF/ adjusted net debt >30%
- EBITDA/interest >10 times
- Adjusted net debt / EBITDA <2.5 times

#### Drivers

- Flexibility for growth strategy
- Avoid over-exposure to volatility of financial markets
- Continue to deal proactively with pension deficits



## Managing Corporate and financial costs

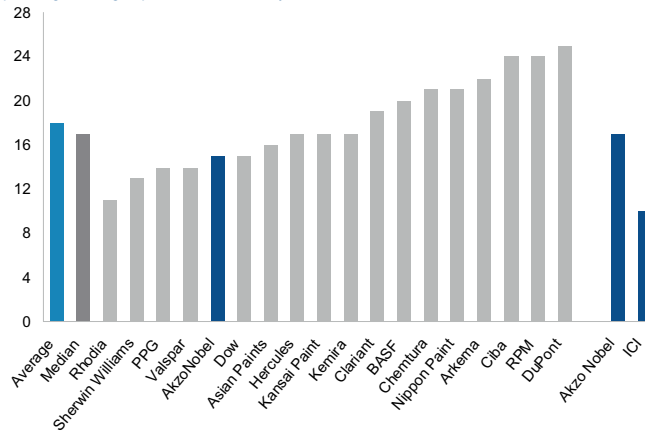
- **Tax rate** expected to be around 27 - 28% through 2011
- **Financial charges** of €130 - 150 million through 2011
- **Adjusted net debt** expected around €2 billion through 2011
- Allocation of **Corporate costs** is being reviewed
- Besides corporate costs, the "**other**" line includes pensions, IAS adjustments and captive insurance costs
  - We will improve transparency/guidance of the "other" line
  - Update at the Q4 2008 results conference call

**Operational effectiveness also includes Corporate costs savings program concluded by the end of 2011**



## Operating working capital better than most peers, but considerable upside potential

Operating working capital % of revenue, year-end 2007

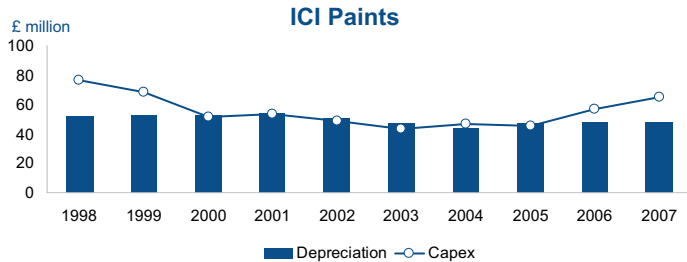
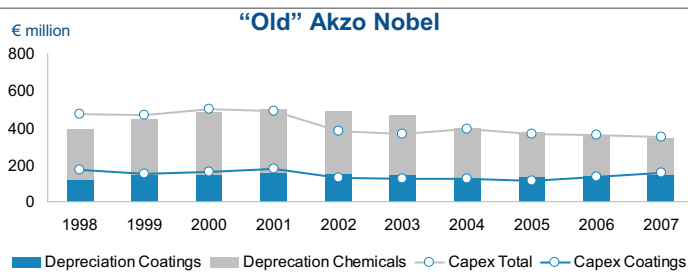


Target is to further improve

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## Disciplined capital expenditure



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## Maintain focus on disciplined capital allocation

- 2008 expect €550 - 600 million (Ningbo €95 million)
- 2009 expect €700 million (Ningbo €150 million)
- 2010 expect €600 million (Ningbo €50 million)
- 2011 expect around depreciation level (€500 million)
- Focus: maintain in mature markets, expand in emerging markets
- Additionally, continue to look for bolt-on acquisitions that create value



## AkzoNobel's financial proposition

- Our financial performance is resilient
- We have a strong balance sheet
- We are maintaining a prudent financing strategy
- We are focused on further improving our capital efficiency
- Attractive capital returns to shareholders



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**Questions?**

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## Decorative Paints

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Tex Gunning

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Tomorrow's Answers Today



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## Tex Gunning

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### 2008 AkzoNobel

Managing Director of Decorative Paints

- Nominated to join the AkzoNobel Board of Management in April 2009

### 2007-2008 Vedior NV (staffing services)

CEO and Chairman of the Board

- Merger with Randstad as result of strategic review

### 2000-2007 Unilever Asia (home & personal care; food & beverages)

Regional President

- Build Unilever Foods Asia
- Merger of Unilever with Bestfood
- Extensive restructuring & transformation program

### 1995-2000 Unilever Foods The Netherlands (food & beverages)

Chairman

- Transformation of loss making units driven by innovation program and restructuring



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## Decorative Paints

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David Hamill

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## Where we are today

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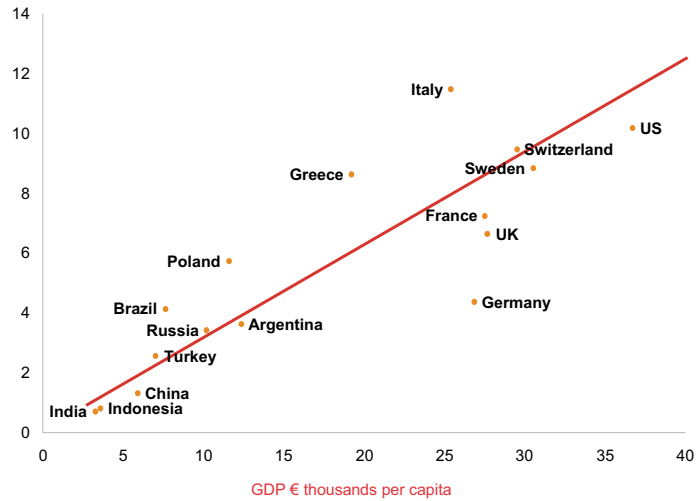
**AkzoNobel is the leader and only truly global player in the attractive Decorative Paints market**

- Significant growth potential, particularly in emerging markets
- Cyclical and customer concentration is reasonably low
- Excellent geographic spread with many leadership positions and strong brands
- High focus on innovation
- Low fixed costs and capital expenditure yield strong cash flow



## GDP growth drives paint consumption

Liters paint per capita

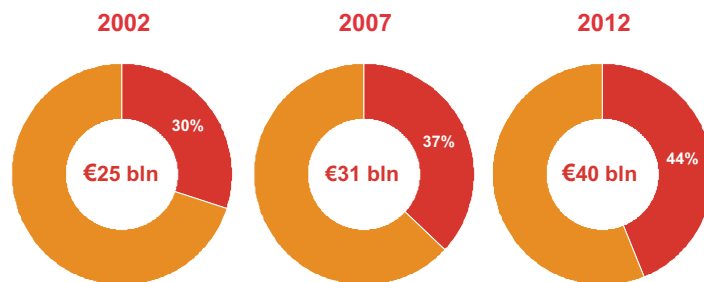


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## Share of emerging markets is steadily growing

% of total Decorative market



■ Emerging markets  
(Eastern Europe, Russia, Turkey, Latin America, Asia Pacific)

Source: Euromonitor basis; AkzoNobel analysis; \*estimate

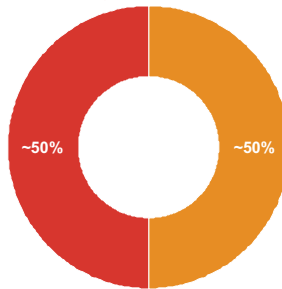
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## Combination of channel and application mix creates a stable market

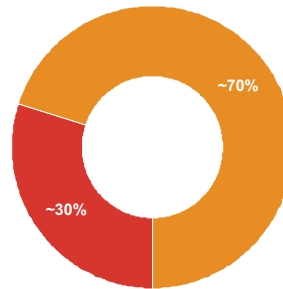
% of total Decorative market

Market breakdown by channel



■ Retail ■ Trade

Market breakdown by application



■ New build ■ Maintenance

Source: Euromonitor basis; AkzoNobel analysis

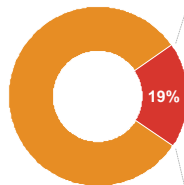
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## Customer concentration is reasonably low

Decorative Paints Top 5 customers

% of revenue, 2007 pro forma  
100% = €5.3 billion



The Home Depot



Kingfisher



castorama



Arena



Adeo



Homebase

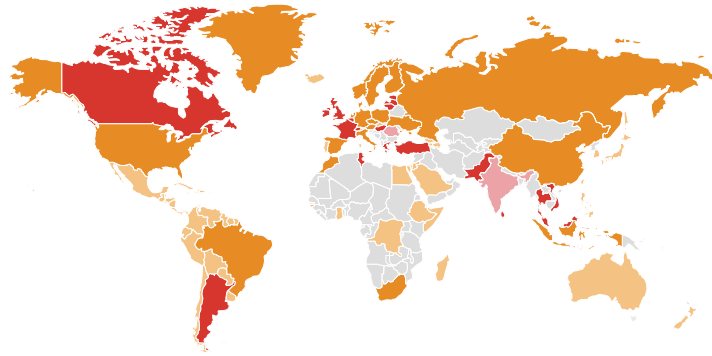


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## Leading Deco positions in all regions with strong brands

### AkzoNobel market positions



■ 1 ■ 2/3 ■ >3 ■ Export countries

Source: Euromonitor basis; AkzoNobel analysis

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## Strong brands

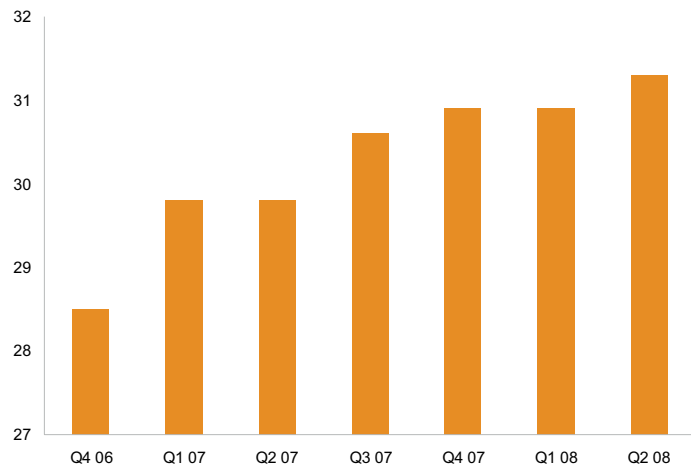


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## Our rate of innovation is increasing

New products % of revenues



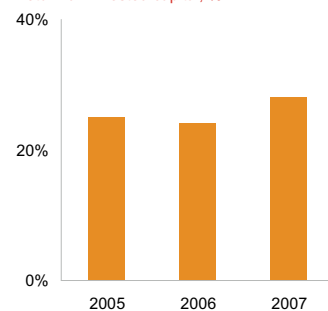
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## Low capital intensity leads to high return on capital

- Capital turnover close to 3
- Capital expenditure €120 million
- Expenditure 25% below depreciation in mature markets
- Attractive ROI

Return on invested capital, %\*



\*2007 pro forma, before incidentals

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## Delivering Tomorrow's Answers Today

### Aggressive actions to capitalize on the strength of our portfolio

- Ensuring that we deliver on ICI synergies
- Growing the business organically
  - Emerging markets
  - Innovation
- Focusing and strengthening our brand portfolio
- Improving our contribution margins through improved procurement and pricing
- Reducing costs through increased operational effectiveness
- Managing capital in a disciplined manner

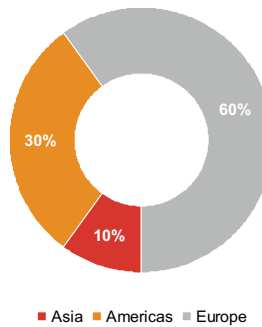


## Decorative Paints synergies are coming from all regions and are ahead of schedule

	2008	2009	2010
Announced in April	10%	40%	50%
New schedule	20%	50%	30%

### Origin of synergies

Savings by region, indicative

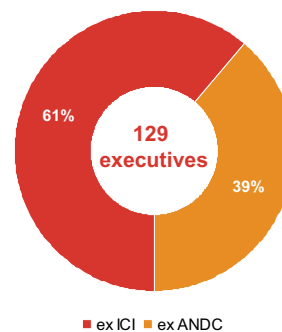


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## Integration in Decorative Paints has created a "best of both" team

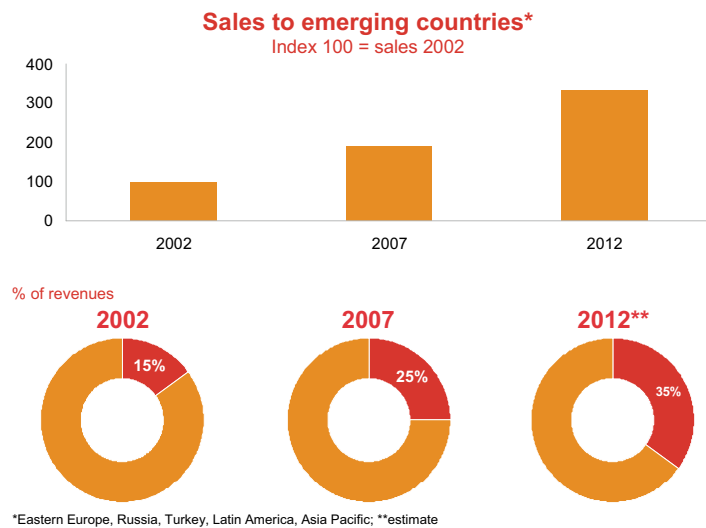
- All Business Unit management positions and country management in place
- Retention of people in key leadership positions is >95%



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## Dynamic growth in emerging economies



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## Technology and innovation are driven globally against clear platforms

### Global approach established to drive innovation

- Establish global innovation platforms
- Manage the global innovation portfolio
- Prioritize resource allocation
- Draw on corporate-wide expertise

### Strong track record of delivery against key innovation platforms

- Great Looks
- Surfaces That Do More
- Making Decoration Easy
- Eco-Premium

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## We already have a strong track record in our innovation platforms

### Great Looks

#### Dulux Light & Space

- Makes rooms look more spacious
- Launched in Europe and Asia



### Surfaces That Do More

#### Dulux Anti Formaldehyde Paint

- Protecting against formaldehyde
- Launched in China in October 2007
- Already representing 3% of sales



### Eco-Premium

#### The Freshaire Choice

- Zero VOC paint & colorant system
- Launched in USA in 2008
- Available in 2,000 The Home Depot stores
- GREENGUARD certified



### Making Decoration Easy

#### Dulux paintpod

- Revolutionary powered roller paint system
- 100,000 units sold in the UK in just 4 months



#### Cuprinol Sprayable

- New convenient fence and deck treatment
- Has grown the sector by 45% in two years in a static UK market



## Brand strategy - the starting point...



## Driving towards fewer, stronger brands

### Before Integration

- More than 80 brands, diverse brand positioning, managed locally
- Complex product portfolio, country level innovation and communication plans

### After Integration

- Focus on few, powerful brand clusters to drive growth
- Harmonized
  - Product portfolios to reduce complexity
  - Innovation plans to drive speed to market and cross market leverage
  - Communication ideas (tailored executions)



## End point - focusing on fewer brand clusters with clear positioning

Brand positioning	% sales*
<b>Performance &amp; Color</b> 	<b>43%</b> Dulux=25%
<b>Keep up standards</b> 	<b>18%</b> Glidden=12%
<b>Professional exclusive</b> 	<b>9%</b> Sikkens=6%
<b>Woodcare Specialist</b> 	<b>4%</b>
<b>Predeco</b> 	<b>4%</b>
<b>Specialist paint</b> 	<b>1%</b>

\* Sales excluding sales accessories/sundries through stores



## Strong brands

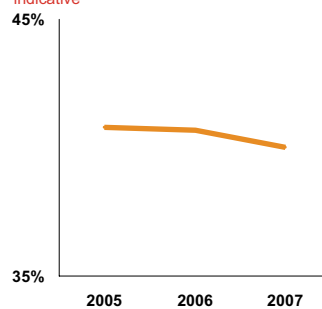


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## We continue our good track record in reducing our costs

### Operating costs indicative



### Cost break-down indicative

Raw materials,  
energy, and  
other variable  
production costs

Fixed production

Selling, advertising,  
administration, R&D

EBIT margin

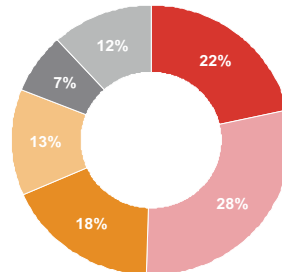


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## We have a strong position in procurement

- Total raw material spend 2007 was €1.8 billion
- 50% of raw material spend with top 20 suppliers
- We are in the top 3 coatings customers for all of these suppliers



■ Resins & Binders  
 ■ Packaging Materials  
 ■ Titanium Dioxide  
 ■ Additives  
 ■ Solvents & Diluents  
 ■ Other



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## We will continue to benefit from our scale in procurement

**Further opportunities to leverage our buying power beyond synergy effects**

- Effects of brand harmonization and complexity reduction
- Synergies with Performance Coatings
- Captive use of Specialty Chemicals products (resins)

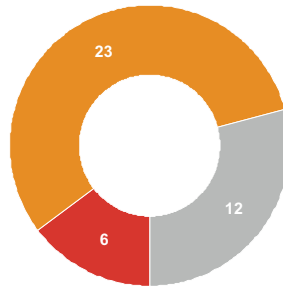


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## We have been successfully raising prices in all markets

### Successful price increases



■ 3 times ■ 2 times ■ 1 time

### Ongoing actions

- Further price increases being implemented
- Continuous review of raw material impacts on margins
- Detailed pricing capability improvement programs built on successful programs in ICI Paints and AkzoNobel Specialty Chemicals
- Country-by-country roll out

**Price increases will recover all raw material inflation in 2008**

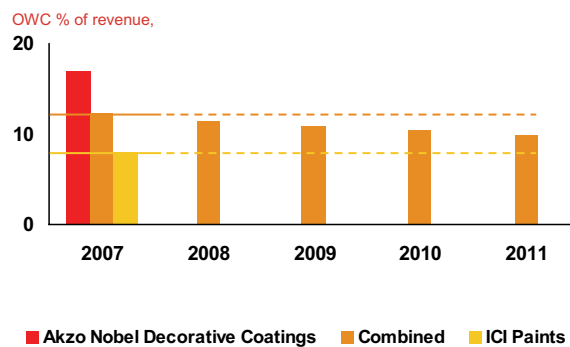
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## Operating working capital improvement

### Operating working capital improvement of €100 million until 2011

- Best practice in OWC used as internal benchmark



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## Capable management team in place - Regional Leadership Team

### Americas



**Erik Bouts\***  
United States

### Europe



**Antoine Fady\***  
Continental  
Europe

### Asia



**Tony Britt\*\***  
Asia



**Pierre Dufresne\*\***  
Canada



**Ruud Joosten\*\***  
Northern &  
Eastern  
Europe



**Marcos Saavedra\***  
Latin America



**Richard Stuckes\***  
UK, Ireland &  
South Africa,  
Building  
Adhesives



\* ex ICI Paints  
\*\* ex Akzo Nobel Decorative Coatings

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## Summary

**AkzoNobel is the leader and only truly global player in the attractive Decorative Paints market**

- Significant growth potential, particularly in emerging markets
- Cyclical and customer concentration is reasonably low
- Excellent geographic spread with many leadership positions and strong brands
- High focus on innovation
- Low fixed costs and capital expenditure yield strong cash flow



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**Questions?**

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## Performance Coatings

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Leif Darner

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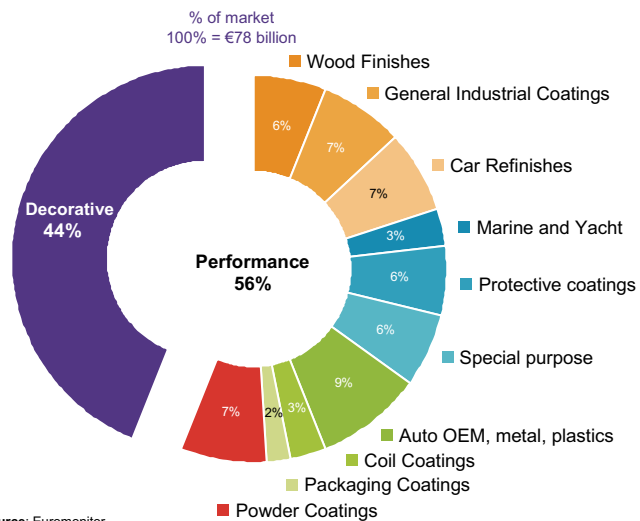
## Performance Coatings

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- Attractive industry with high growth potential
- AkzoNobel has strong positions in a broad range of customer segments
- Exciting growth opportunities in emerging markets and through acquisitions
- Sharp focus on operational effectiveness



## Performance Coatings addresses more than 50% of the Coatings market



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## Clear and specific market characteristics

- B2B business, with close contacts at owner, specifier, and applicator level
- Some truly global customers, with a heavy Asian influence
- Differentiated by technology and by service

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## Today

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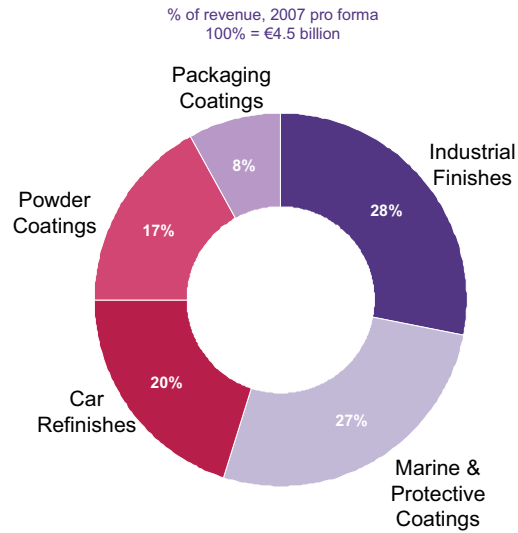
## AkzoNobel is well positioned in Performance Coatings

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- Most Business Units have leading positions
- Many industries served and low customer concentration provide stability in earnings
- Excellent geographic spread
- Low capital intensity leads to high return on investment



## Performance Coatings Business Units



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## Industrial Finishes is a strong leader in its markets

	Global market position	Example customers
Wood coatings	1	Masco, Ikea, Velux
Coil Coatings	1	Tata/Corus, Bao Steel, BlueScope Steel
Wood Adhesives	1	Masonite, Stora Enso
Specialty Plastics	1	Nokia, Samsung, BMW



Our core brand



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## Marine & Protective Coatings has leading positions in strongly globalized markets

	Global market position	Example customers
<b>Marine</b>	1	Hyundai, Hapag Lloyd
<b>Protective</b>	1	Shell, BP, Siemens
<b>Aerospace</b>	2	Airbus, Boeing
<b>Yacht</b>	1	Lurssen, West Marine



Strong brands from our portfolio

**CHARTEK**  
FIREPROOFING

**AWLGRIP**

**International**



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## Car Refinishes is differentiated by service and new technologies

	Global market position	Example customers
<b>Vehicle Refinishes</b>	3	Bodyshop groups, Insurance companies
<b>Commercial Vehicles OEM</b>	3	International Truck, Volvo, Oshkosh
<b>Automotive Plastic Coatings</b>	5	Plastic Omnium, Plascar



Strong brands from our portfolio

**sikkens**

**LESONAL**

**WANDA**



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## Powder Coatings has the market leading position

	Global market position	Example customers
<b>Powder coatings</b>	1	Whirlpool, Bosch, Caterpillar, Chrysler, Daewoo



Strong brands from our portfolio

**Interpon.**  
**RESICOAT<sup>®</sup>**



## Packaging Coatings is a leader in water-based technology

	Global market position	Example customers
<b>Beer and Beverage</b>	1	Ball, Crown, Rexam
<b>Food cans</b>	2	
<b>Caps, Closures &amp; General Line</b>	2	

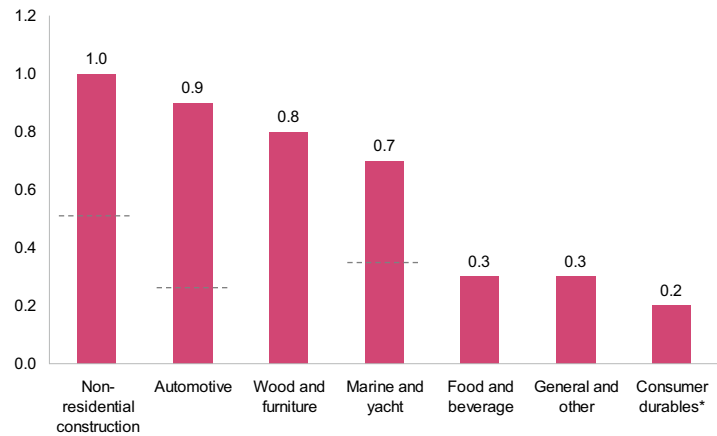


Our core brand



## We serve all Performance Coatings sectors

Revenue € billion, 2007 pro forma



----- Split between new build (below) and maintenance (above), indicative

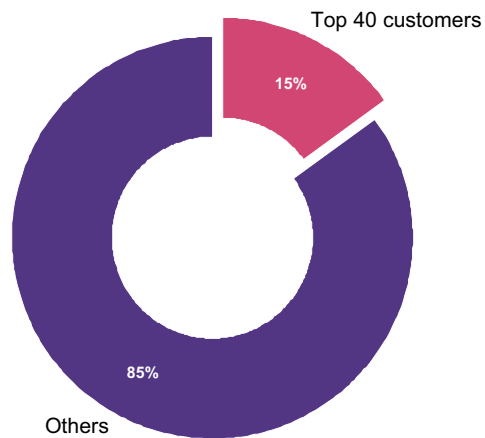
\* Includes computers, telecom, and domestic appliances

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## Customer concentration is low

% of revenue, indicative

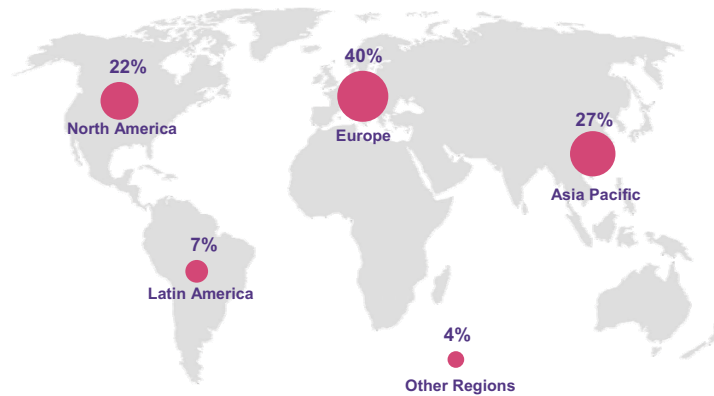


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## Performance Coatings has an excellent global spread

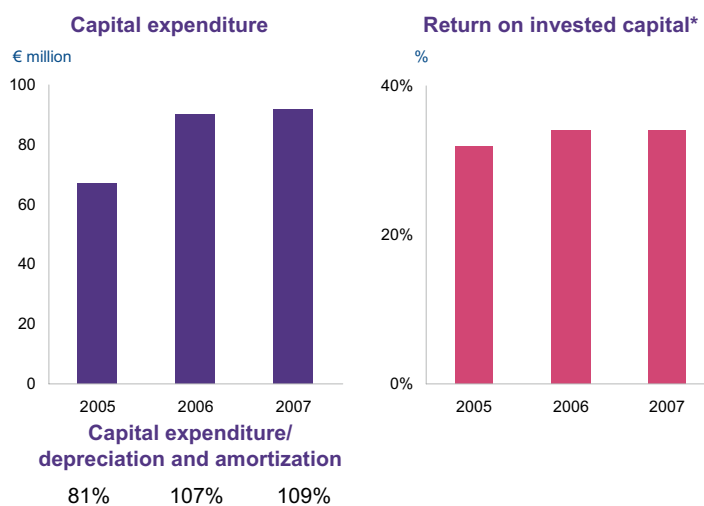
% of revenue, 2007 pro forma



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## Low capital intensity leads to high return on capital



\*EBIT before incidentals and PPA adjustments

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## Delivering Tomorrow's Answers Today

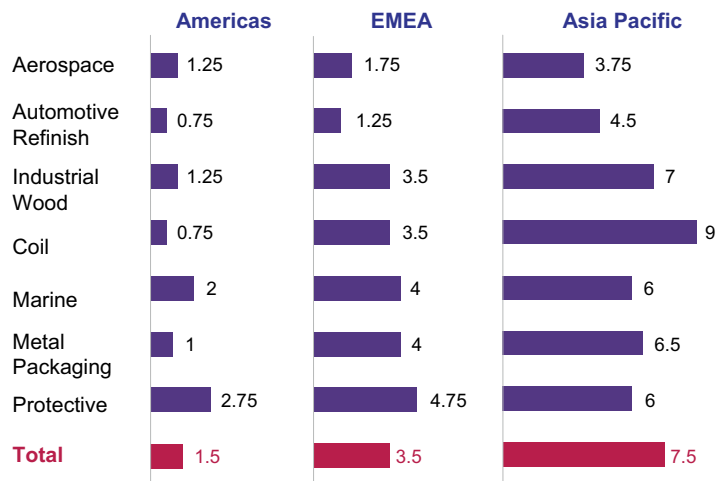


### Rigorous actions to capitalize on improvement opportunities

- Organic growth in emerging markets and through innovative technology
- Active participation in industry consolidation
- Reducing costs through increased operational effectiveness
- More disciplined operating working capital management



## Projected industry growth is strong, particularly in Asia Pacific



Source: Irfab Global Industrial Coatings Report, 2006-2020. Average of range.

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## Organic growth through technology and innovation – two examples

### Sikkens Autowave – Car Refinishes

- Waterborne basecoat
- Easy to use and high color accuracy
- Low solvent emissions and reduced toxicity



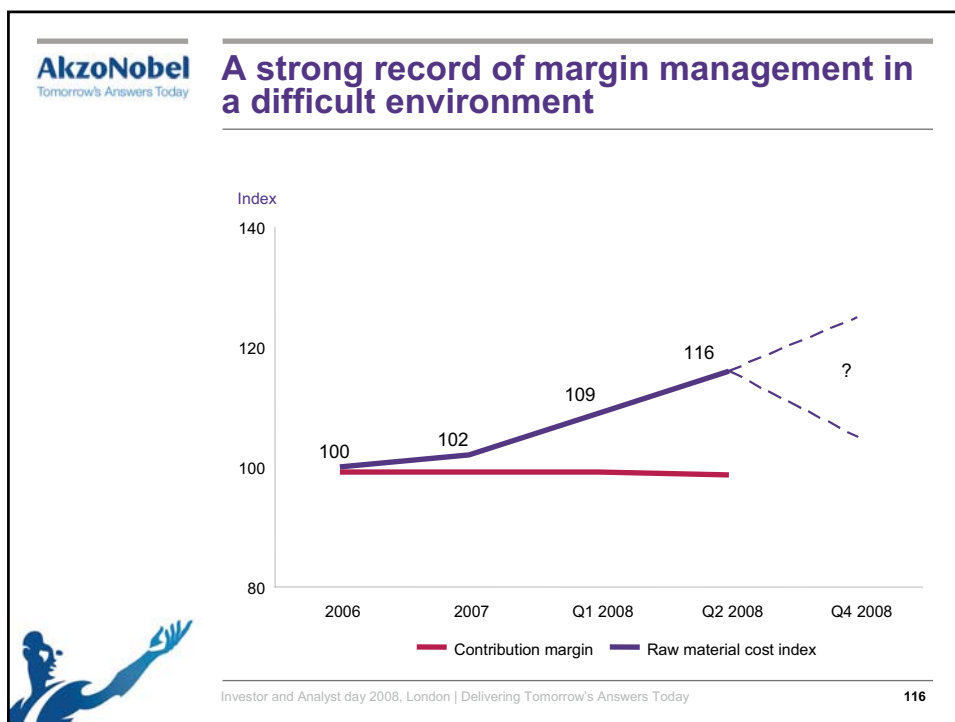
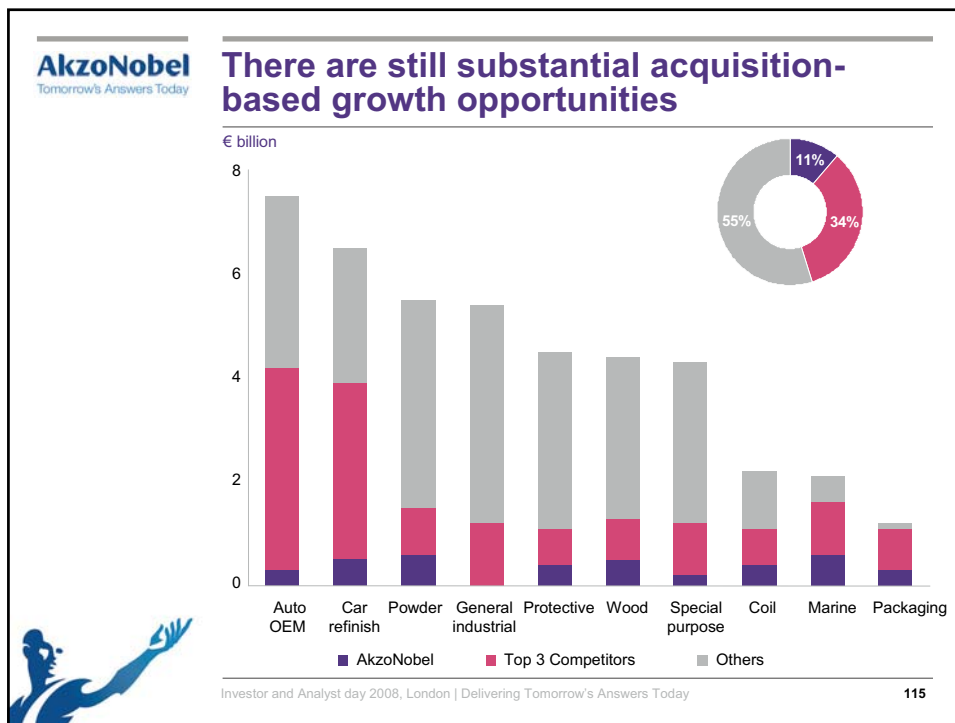
### Intersleek 900 – Marine & Protective Coatings

- Non-biocidal foul release coating
- Low hull roughness reduces energy use
- Lowers carbon dioxide emissions



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## Leveraging the power of scale in procurement

### Spend area management

- Five global spend area managers
- Tighter BU Procurement network

### Key supplier management

- Concentrating on key suppliers above €50 million p.a. spend
- In process of establishing global, long-term, mutually beneficial key supplier contracts

Area	Company spend
Resins	>€1 billion
Coatings specialties	€0.5 - 1 billion
Solvents	€0.25 - 0.5 billion
Titanium dioxide	€0.25 - 0.5 billion
Pigments	<€0.25 billion



## A structured margin management approach to deliver better results

### Diagnostic

- Database to establish detailed customer/product profitability
- Analysis to quantify improvement opportunity

### Standardized tools

- Transactional pricing
- Customer/product portfolio mgt
- Key account management
- Customer segmentation

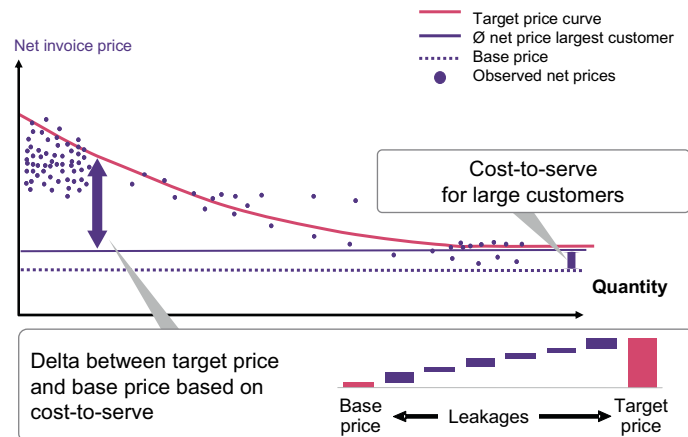
### Roll out

- Build sales force capability through training and target setting



## Tactical, yet focused pricing activity the first step in margin management

BY PRODUCT



Source: McKinsey

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## Operational effectiveness track record is strong; more is planned

	Savings (€ million)	Headcount	Costs (€ million)
<b>Completed, 2007-8</b>			
Industrial Finishes	13.6	308	27.2
Marine & Protective	7.0	12	1.9
Car Refinish	19.1	180	14.4
Powder Coatings	4.7	72	9.1
Packaging Coatings	7.6	68	5.4
<b>Total</b>	<b>52.0</b>	<b>640</b>	<b>58.0</b>

### Planned, 2008-9

We will continue to pursue efficiency improvements:

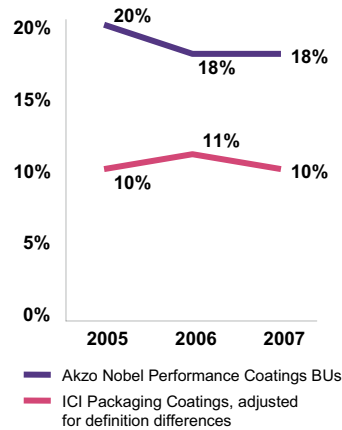
- In-plant productivity improvement
- Site rationalization
- Overhead cost reduction

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## Additional focus on operating working capital

### Operating working capital % of revenues



### Actions

- Standard metrics and measurements
- Target to reduce level by 0.5% p.a.
- Incentives to support



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## Experienced Management team committed to deliver



**Bob Taylor**  
Industrial Finishes



**Bill McPherson**  
Marine & Protective Coatings



**Jim Rees**  
Car Refinishes



**Rob Molenaar**  
Powder Coatings



**Conrad Keijzer**  
Packaging Coatings



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## Performance Coatings - Summary

- Attractive industry with high growth potential
- AkzoNobel has strong positions in a broad range of customer segments
- Exciting growth opportunities in emerging markets and through acquisitions
- Sharp focus on operational effectiveness



## Questions?

## Specialty Chemicals

Rob Frohn

**AkzoNobel**  
Tomorrow's Answers Today

## A solid contributor to AkzoNobel

Now...



- Market and technology leadership positions
- Geared for growth, well positioned in emerging markets
- Focused on operational effectiveness
- The right management team in place



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## 1/3 of AkzoNobel's revenues...

% of revenues, 2007 pro forma  
100% = €14.4 billion



■ Specialty Chemicals  
■ Decorative Paints  
■ Performance Coatings

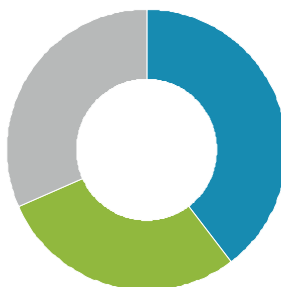
### Specialty Chemicals

- Refocused and restructured portfolio
- Autonomous growth
  - 2007 7%
  - 2008 H1 13%



## ... and 40 percent of 2007 EBITDA

% of EBITDA, 2007 pro forma  
100% = €1.87 billion



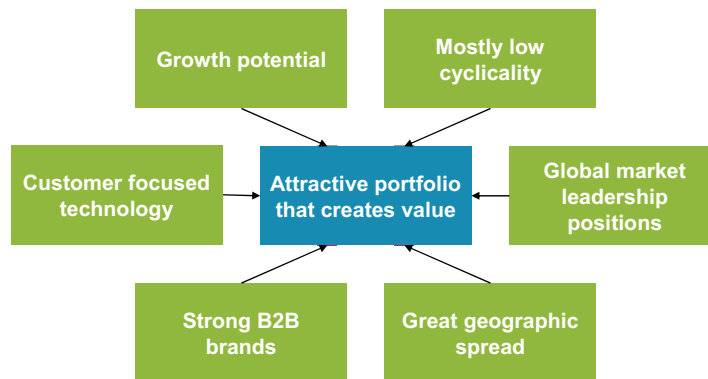
■ Specialty Chemicals  
■ Decorative Paints  
■ Performance Coatings

### Specialty Chemicals

- Record year 2007
  - EBITDA margin ~17%
  - ROI >21%
- Solid H1 2008









## ... form an attractive portfolio that creates value









## Today

## 6 growth platforms...

Functional Chemicals	Pulp & Paper Chemicals	Base Chemicals	Surface Chemistry	Polymer Chemicals	Chemicals Pakistan
					
Revenue €1.06 billion	Revenue €0.99 billion	Revenue €0.88 billion	Revenue €0.77 billion	Revenue €0.52 billion	Revenue €0.50 billion



## 6 growth platforms...

Functional Chemicals	Pulp & Paper Chemicals	Base Chemicals	Surface Chemistry	Polymer Chemicals	Chemicals Pakistan
					
Revenue €1.06 billion	Revenue €0.99 billion	Revenue €0.88 billion	Revenue €0.77 billion	Revenue €0.52 billion	Revenue €0.50 billion
Cellulosic Specialities	Pulp and Paper Chemicals	Chlor-Alkali Ecosystems	Agricultural Chemicals	High Polymer Specialities	Chemicals and Life Sciences
Chelates	Specialty Products	Energy	Household & Institutional Cleaning	OrganoMetallic Specialities	Polyester Staple Fiber
Ethylene amines		Salt	Personal care	X-Linking, Thermosets and Polymer Additives	PTA
Micronutrients		MCA	Petroleum and Water Treatment		Soda Ash
Salt Specialities			Various Industrial Applications		
Sulfur Derivatives					



## Many global market leadership positions

<b>Pulp &amp; Paper</b>	<div>1</div> <div>Bleaching chemicals</div>	<div>2</div> <div>Retention and sizing chemicals (globally)</div>		
<b>Base Chemicals</b>	<div>1</div> <div>Monochloroacetic acid (MCA)</div>	<div>1</div> <div>Chlorine Merchant &amp; salt* (Europe)</div>	<div>2</div> <div>Caustic merchant (Europe)</div>	
<b>Functional Chemicals</b>	<div>1</div> <div>Chelates &amp; micronutrients, sulfur products &amp; polysulfides</div>	<div>2</div> <div>Ethylene amines</div>	<div>3</div> <div>Salt specialties (Europe)</div>	<div>5</div> <div>Cellulosic specialties</div>
<b>Surface Chemistry</b>	<div>1</div> <div>Industrial</div>	<div>2</div> <div>Agricultural</div>	<div>3</div> <div>Household &amp; institutional cleaning</div>	<div>4</div> <div>Petroleum</div>
<b>Polymer Chemicals</b>	<div>1</div> <div>High Polymer Specialties</div>	<div>1</div> <div>X-Linking, Thermosets and Polymer Additives</div>	<div>2</div> <div>OrganoMetallic Specialties</div>	

\* for chemical transformation

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## Specialty Chemicals has strong B2B (and even consumer) brands

Our top 10 product brands account for approximately 35% of the Business Area sales



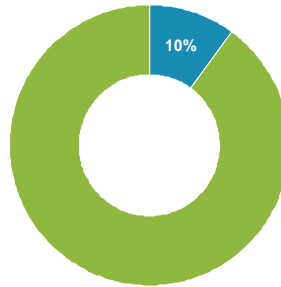
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## Customer concentration is low

### Our top ten customers...

% of revenues, 2007 pro forma  
100% = €4.6 billion

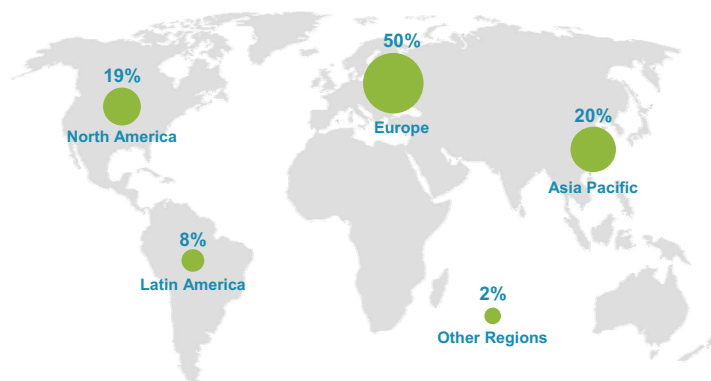


...only account for 10% of total sales



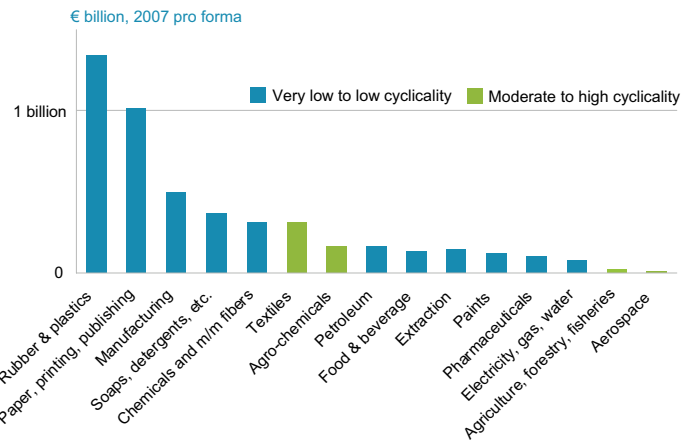
## Excellent geographic position

% of revenue, 2007 pro forma



## Majority of market demand has low cyclicality

Revenue by market

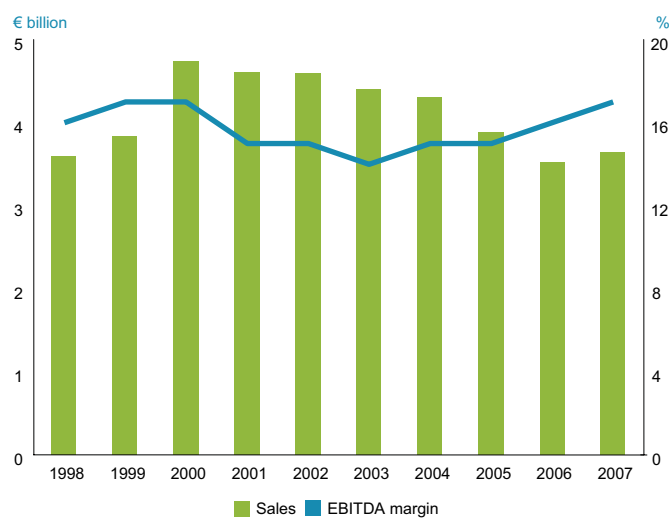


Source: Oxford Economics

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## Attractive operating margins over the cycle

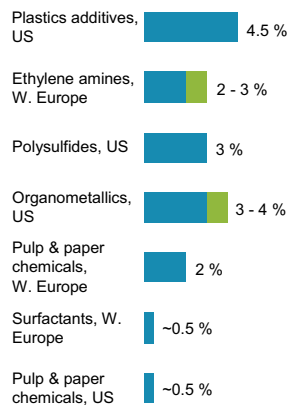


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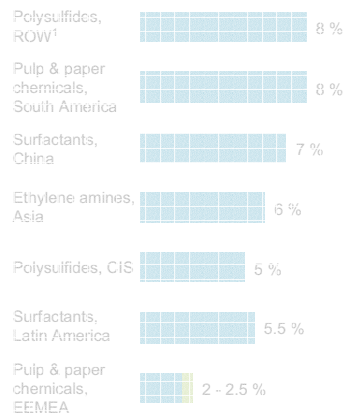
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## Good growth projected in mature markets...

### Mature market growth rates



### Emerging market growth rates



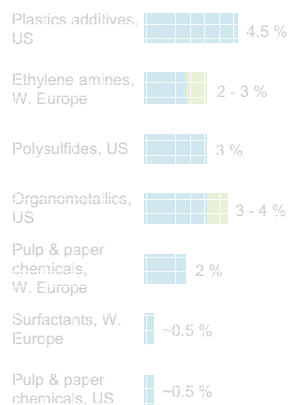
Source: SRI Consulting and CEH estimates  
<sup>1</sup> Rest of World (mainly China and other Asian countries or regions excluding Japan)

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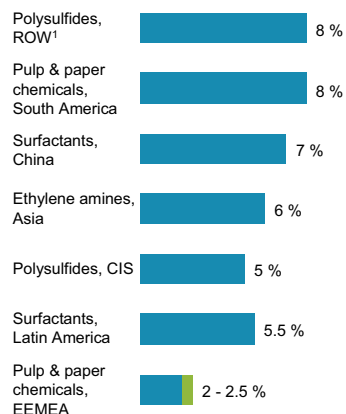
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## ...and strong growth projected in emerging markets

### Mature market growth rates



### Emerging market growth rates



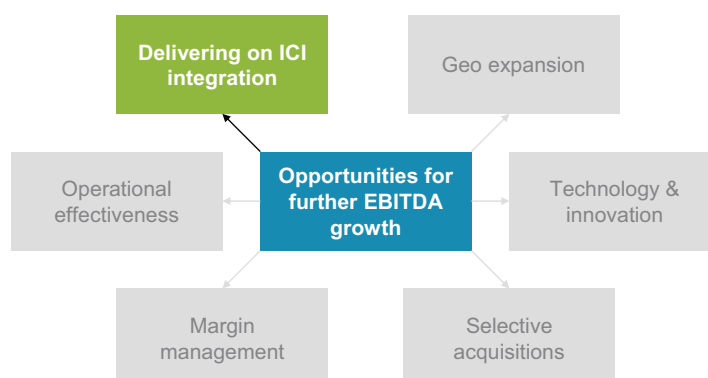
Source: SRI Consulting and CEH estimates  
<sup>1</sup> Rest of World (mainly China and other Asian countries or regions excluding Japan)

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## Delivering Tomorrow's Answers Today

## Delivering Tomorrow's Answers Today



## Delivering on ICI integration

### Integration

- ICI Argentina sulfur products and Elotex (construction chemicals) integrated into Functional Chemicals
- Personal Care and Alco (water treatment chemicals) businesses integrated into Surface Chemistry
- ICI Pakistan as stand-alone, tapping into AkzoNobel network

### Short-term synergies

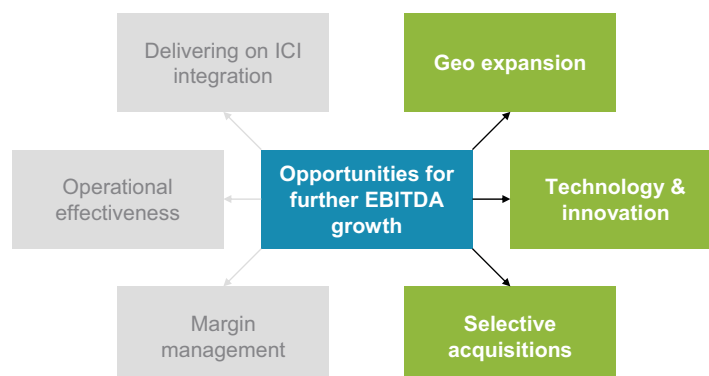
- General & administrative cost savings
- Lower insurance costs

### Mid-term synergies

- Revenue from added technology
- Sales & distribution optimization



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## We are continuing to strengthen our local presence in China...

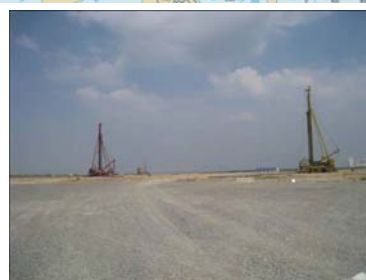
### Ningbo, phase I (approved, €275 million investment)

- Infrastructure (2009)
- Chelates (2009)
- Ethylene oxide (2010)
- Ethylene amines (2010)
- Organic peroxides (2010)



### Ningbo, phase II

- Cellulosic specialties
- Ethylene amines, phase II
- Metal alkyls
- Coatings



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## ... and in Brazil

### Bahia

- Bleaching chemicals for Veracel – 900,000 tons pulp per year
- All chemicals managed on site
- €50 million investment – started up in 2005



### Tres Lagoas

- Bleaching chemicals for VCP – 1.25 million tons pulp per year
- Chemicals managed on site
- Chlorate production in Jundiai
- €50 million investment – start-up in 2009



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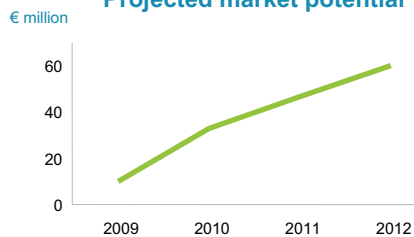
## Technology that improves our customers' products

### Dissolvine® GL – phosphate free detergents

- A biodegradable low-tox chelating agent
- Wide range of applications including domestic and industrial dishwashing.
- Dissolvine® GL has a small ecological footprint being 86% based on natural, replaceable and sustainable raw materials



### Projected market potential



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## ...and improves our customers' processes

### Purate®

- Purate® technology for disinfection (water treatment) and biocide (paper mills)
- Small scale  $\text{ClO}_2$  bleaching
- Used in more than 150 facilities worldwide today
- Expected to grow rapidly in the coming years – possible market potential of €100 million



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## Technology that improves performance...

### Rediset™ WMX - performance and environment, hand in hand

- Rediset™ WMX allows for lower temperatures saving energy during asphalt paving
- The warm mix technology reduces emissions of volatile organic compounds during the road paving process
- Rediset™ WMX increases adhesion improving road durability and lifetime



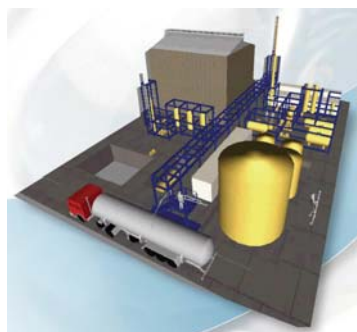
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## ...and increases safety

### New business opportunity within chlorine production

- Cutting-edge remotely-controlled chlorine production units
- Environmental benefits - no dependence on chlorine transport
- Production capacity of 15,000 tons per year



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## There is potential for acquisition-based growth

### Recent Acquisitions

- SPG (ICI, including Elotex, Alco, Personal Care and ICI Pakistan) Functional Chemicals and Surface Chemistry, January, 2008
- Two product lines from Chinese Organic Peroxide producer Jiangsu Qiangsheng Polymer Chemicals, May 2008
- H.C. Stark (Silica sol) Pulp and Paper Chemicals, July, 2008
- Future opportunities explored



## Delivering Tomorrow's Answers Today



## Margin management paying off, efforts to continue

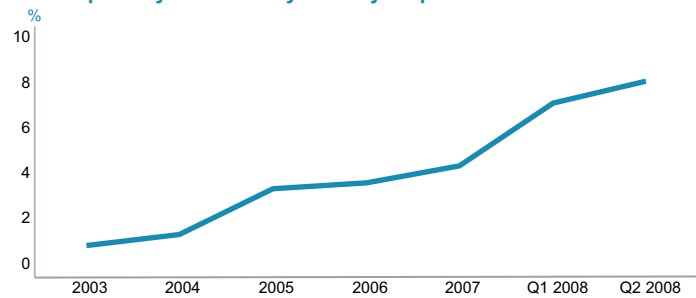
### Past focus

- Tactical pricing improvement
- Short-term supporting system solutions
- Sales force training

### Going forward

- Margin management in procurement
- Value pricing
- Energy efficiency

### Specialty Chemicals year-on-year price increase



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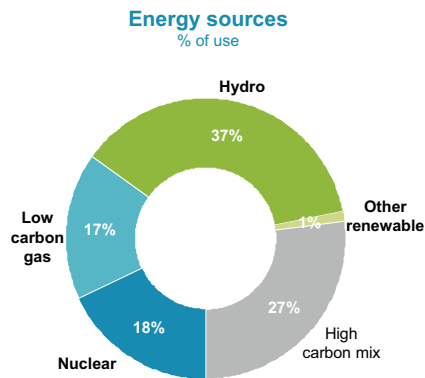
## Procurement essential to margin management

- Bundle purchasing power within organization
- Non product related (NPR) spend execution
- Develop key relationships with suppliers

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## Proactively managing energy costs



Nearly ¾ low carbon energy use

### Specialty Chemicals

- Approximately €600 million (around 2/3 of total AkzoNobel energy spend)
- Mainly electrolysis and salt production

### Actions

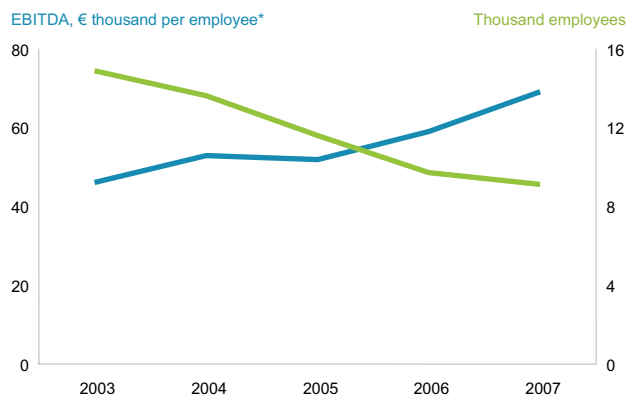
- Cogeneration optimization
- Energy from waste, biomass
- Energy efficiency programs
- Implement carbon policy

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## Operational effectiveness has increased

Our disciplined cost reduction program is paying off...



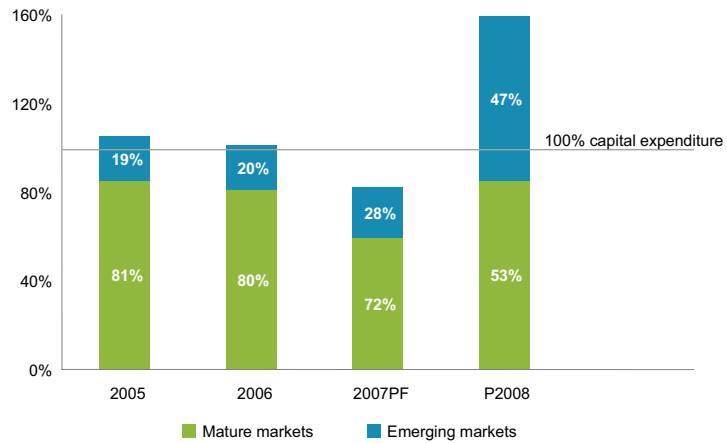
More to come, particularly in mature markets

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## Disciplined capital expenditure, more focus on emerging markets

Capital expenditure % of depreciation

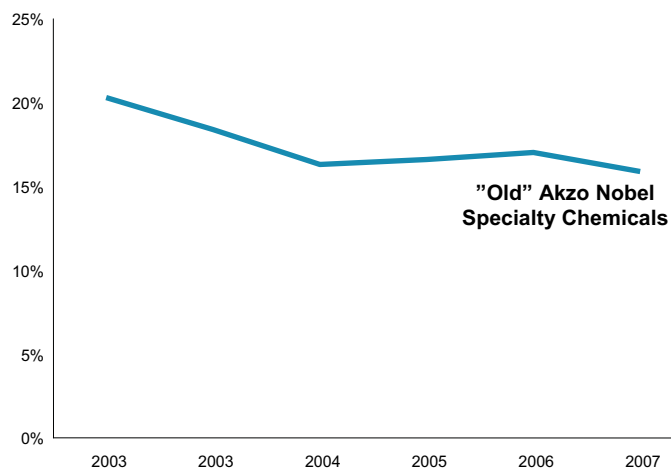


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## Further operating working capital improvement potential

Operating working capital % of revenue



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## The right management team in place

Committed to deliver, each 25+ years of business experience



**Bob Margevich**  
Functional Chemicals



**Jan Svård**  
Pulp & Paper Chemicals



**Werner Fuhrmann**  
Base Chemicals



**Frank Sherman**  
Surface Chemistry



**Alan Kwek**  
Polymer Chemicals



**Waqar Malik**  
Chemicals Pakistan



## To sum things up...

### Specialty Chemicals

- 40% of total EBITDA
- Geared for growth, well positioned in emerging markets
- Creating value and competitive advantage through technology leadership
- Focused on operational effectiveness, especially in mature markets
- The right management team in place



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**Questions?**

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## Wrap up & closing

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Hans Wijers

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**AkzoNobel**  
Tomorrow's Answers Today

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## AkzoNobel Delivering Tomorrow's Answers Today

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- We operate in attractive industries
- We have global, leading positions
- We are focused on significantly improving performance
- We have ambitious targets
- We have the right management team in place



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**Thank you**

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## Safe Harbor Statement

*This presentation contains statements which address such key issues as Akzo Nobel's growth strategy, future financial results, market positions, product development, products in the pipeline, and product approvals. Such statements should be carefully considered, and it should be understood that many factors could cause forecasted and actual results to differ from these statements. These factors include, but are not limited to, price fluctuations, currency fluctuations, developments in raw material and personnel costs, pensions, physical and environmental risks, legal issues, and legislative, fiscal, and other regulatory measures. Stated competitive positions are based on management estimates supported by information provided by specialized external agencies. For a more comprehensive discussion of the risk factors affecting our business please see our latest Annual Report, a copy of which can be found on the company's corporate website [www.akzonobel.com](http://www.akzonobel.com).*

