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July 29, 2009  
Q2 2009 results press conference

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**Hans Wijers, CEO**

**Keith Nichols, CFO**



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# Agenda

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1. Q2 Highlights
  2. Q2 Financial review
  3. Strategic ambitions and medium-term targets
  4. Q&A
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**01**

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## **Q2 Highlights**

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## Q2 Highlights

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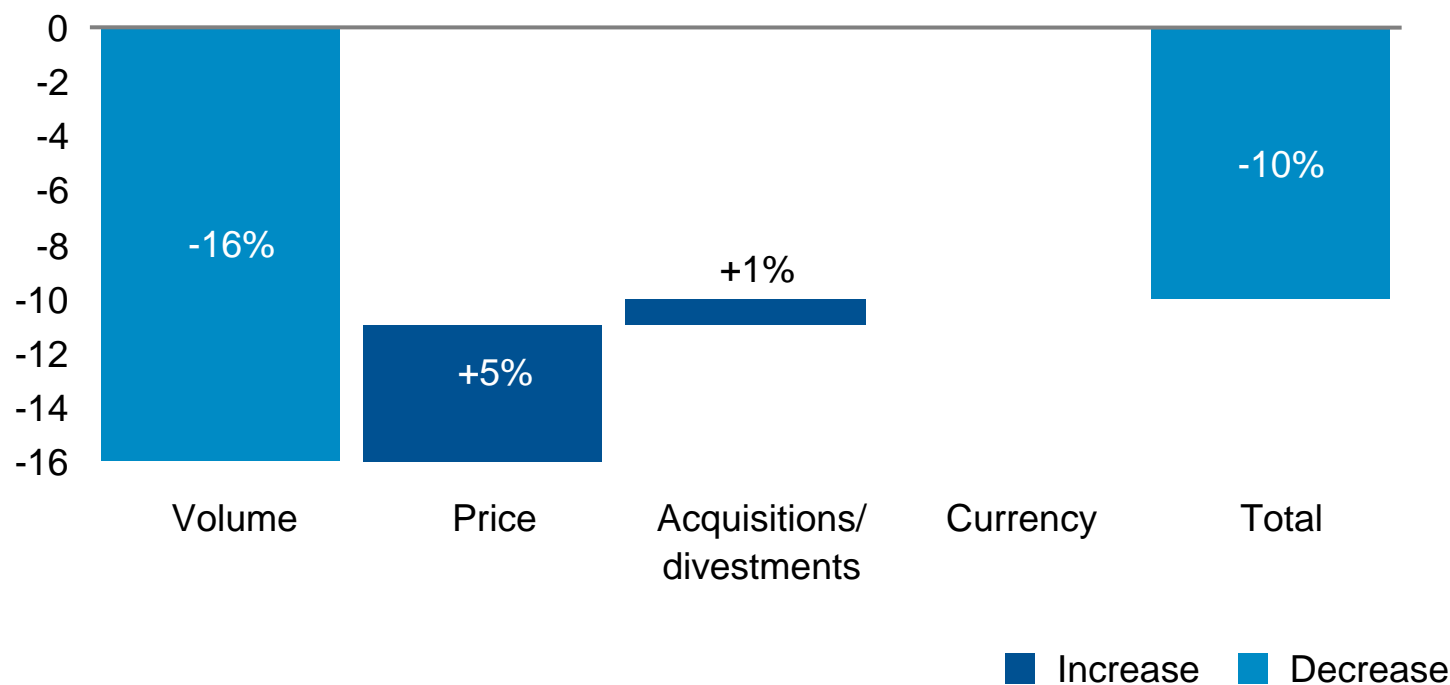
- Ongoing significant volume pressure
- Strong company-wide focus on customers, cost and cash
- Margin management and cost restructuring bearing fruit
- Operating working capital reduced
- Forward visibility remains limited



## Q2 2009 revenue

€ million	Q2 2009	Δ%
Revenue constant currencies	3,655	(10)
Revenue reported	3,668	(10)

### Revenue development Q2 2009 vs. Q2 2008



## Q2 2009 results

<b>€ million</b>	<b>Q2 2009</b>	<b>Δ%</b>
EBITDA* constant currencies	519	(10)
EBITDA* reported	527	(9)
Net income total operations	155	(13)

<b>Ratio</b>	<b>Q2 2009</b>	<b>Q2 2008</b>
EBITDA* margin reported (%)	14.4	14.1
Earnings per share (in €)	0.67	0.70

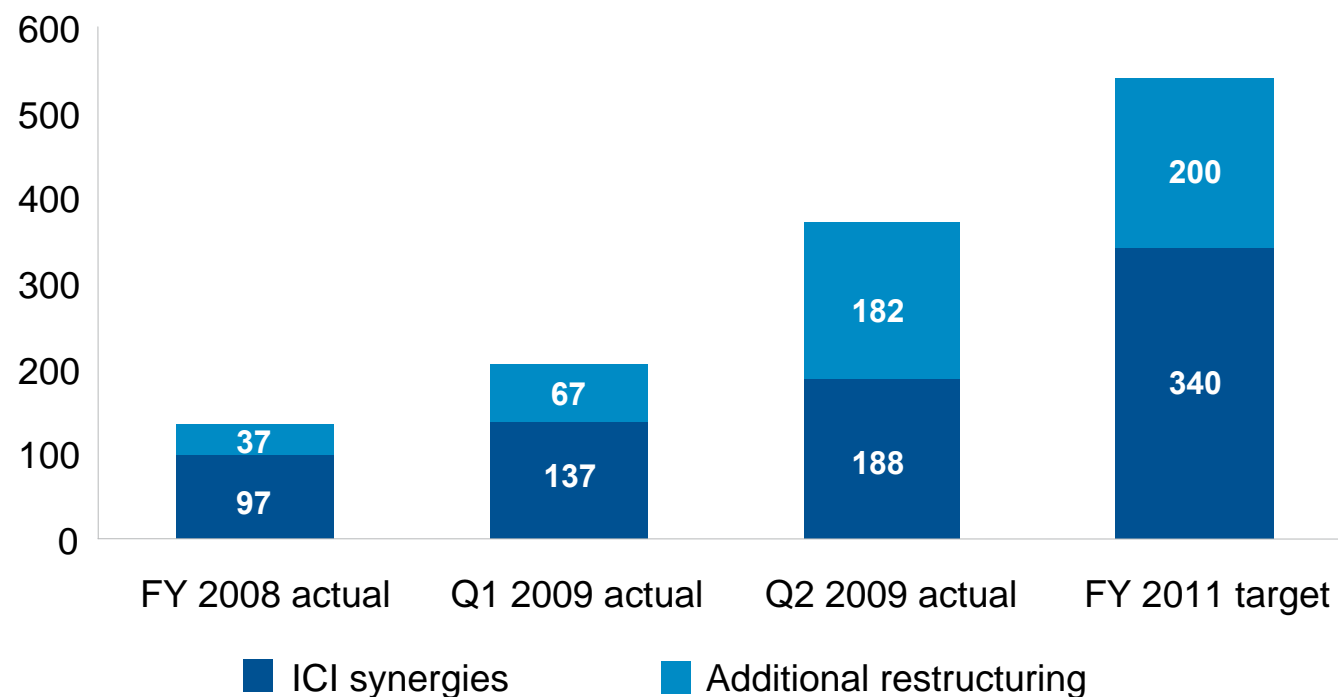
\* Before incidentals

\*\* Net income from continuing operations before incidentals and fair value adjustments is the basis for the dividend pay-out



## We are delivering on synergies and cost reduction

Cumulative annualized savings  
€ million



**Total cost savings targeted of at least €540 million by 2011**



## ICI synergies and additional restructuring on track

2008 – Q2 2009	ICI synergies	Additional restructuring	Total
Net FTE reductions*	1,325	1,560	2,885
Cash costs (€ million)	115	128	243
Annualized savings (€ million)	188	182	370

### We will continue to pursue efficiency improvements:

- Alignment of manufacturing and distribution footprint to meet lower demand
- Intended 20 percent FTE reduction at HQ
- Further reduction of overhead cost and third party spend
- 2009 salary freeze for more than 500 executives, including Board of Management, and where possible for most other employees.

*\* The gross number was offset by new hires, acquisitions and seasonal staff*





## Operational review Decorative Paints



### **Weathershield BackPack Roller System®**

Complete painting system, combines the power of a pump to dispense and control paint from specially designed packs.



## Decorative Paints key facts

### 2008

- Revenue €5.1 billion
- 24,000 employees
- EBITDA: €593 million<sup>1</sup>
- 32 percent of revenue from emerging markets
- Largest global supplier of decorative paints
- Many leading positions, strong brands



### Some of our strong brands

**Dulux**



**SICO**

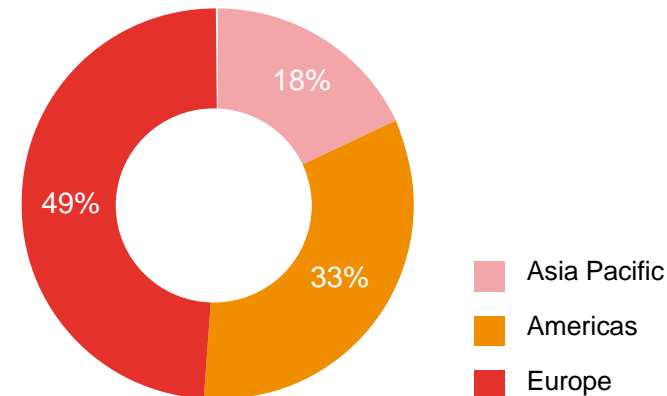
**Coral**

**sikkens**



**FLEXA**

### Revenue by geography



<sup>1</sup>. Before incidentals

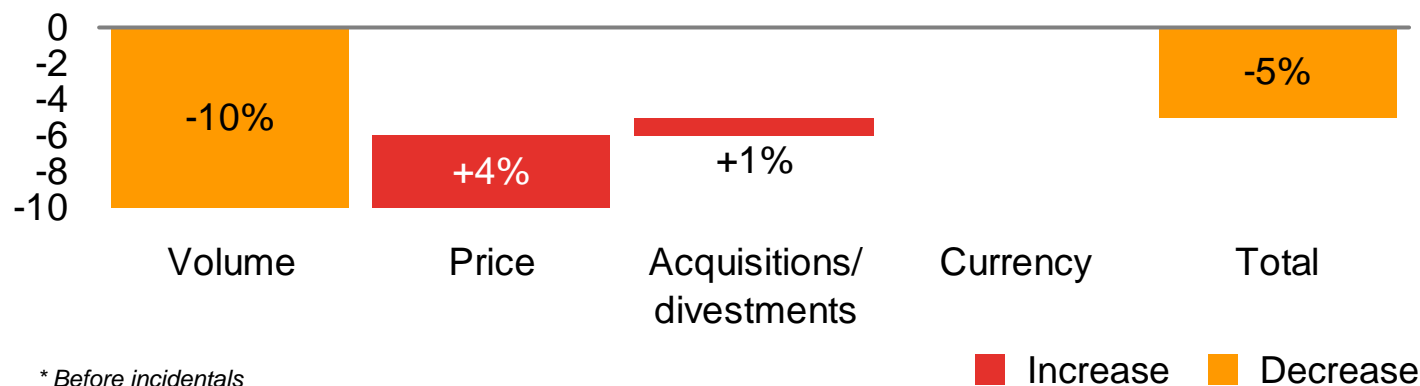


## Decorative Paints Q2 2009

€ million	Q2 2009	Δ%
Revenue reported	1,320	(5)
EBITDA* reported	173	(11)

Ratio, %	Q2 2009	Q2 2008
EBITDA* margin reported	13.1	14.1

### Revenue development Q2 2009 vs. Q2 2008



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## Decorative Paints highlights Q2 2009

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- Synergy programs and restructuring ahead of plan, net workforce reduced by more than 2,100 employees (8 percent) compared with 2008
- Europe – trade segment continued weakness, retail business more resilient
- Americas - US paint market soft demand continued, contraction less severe than Q1
- Asia – mixed picture, China further stabilized in the quarter. performance in India positive
- Marketing initiatives focusing on innovation and sustainability



## Implementing our strategic action plan

### Customers

- Bolt-on acquisitions in France and Germany
- Glidden 'Gets You Going' media campaign launched
- Further distribution roll-out in Asia

### Costs

- Synergy and restructuring ahead of plan
- Rightsizing of European manufacturing and distribution footprint
- US trade store rationalization underway

### Cash

- OWC improvement despite seasonal inflow
- Disciplined capital expenditures control



## Operational review Performance Coatings



### UV LED spray gun for Autoclear® UV

Automotive spray gun introduced in May which paints and cures at the same time. No warm up time, up to 25 percent less energy used during total repair.



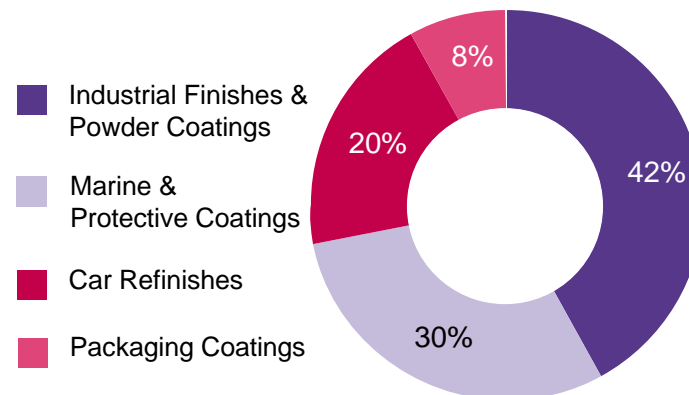
# Performance Coatings key facts

## 2008

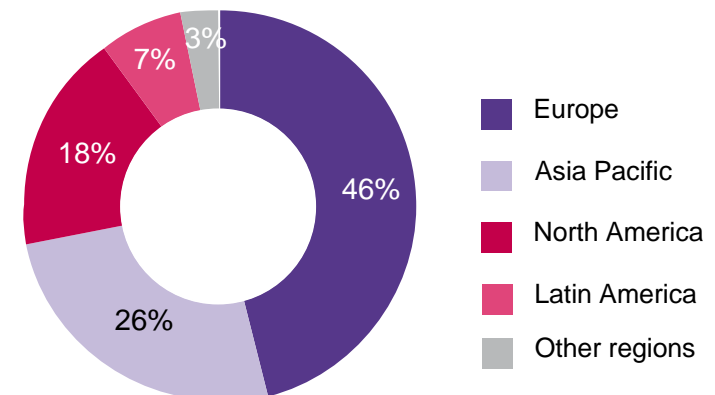
- Revenue €4.5 billion
- 21,000 employees
- EBITDA: €546 million<sup>1</sup>
- 42 percent of revenue from emerging markets
- Leading positions in performance coatings
- Innovative technologies, strong brands



### Revenue by business unit



### Revenue by geography



1. Before incidentals



## Performance Coatings Q2 2009

€ million	Q2 2009	Δ%
Revenue reported	1,041	(14)
EBITDA* reported	164	(2)

Ratio, %	Q2 2009	Q2 2008
EBITDA* margin reported	15.8	14.0

### Revenue development Q2 2009 vs. Q2 2008



\* Before incidentals

■ Increase ■ Decrease





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## Performance Coatings highlights Q2 2009

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- Cost levels decreased as restructuring programs gathered pace
- Strong performance in Marine & Protective Coatings and Packaging Coatings
- Industrial Activities completed the closing or restructuring of 8 production sites in mature markets, continues to align cost structure with lower trading levels
- Car Refinishes experienced improved demand in tough market conditions, compared with Q1 2009



## Implementing our strategic action plan

### Customers

- Packaging Coatings introduced Aqualure 915
- Car Refinishes launched StickerFix
- Opening new technology center in Ningbo

### Costs

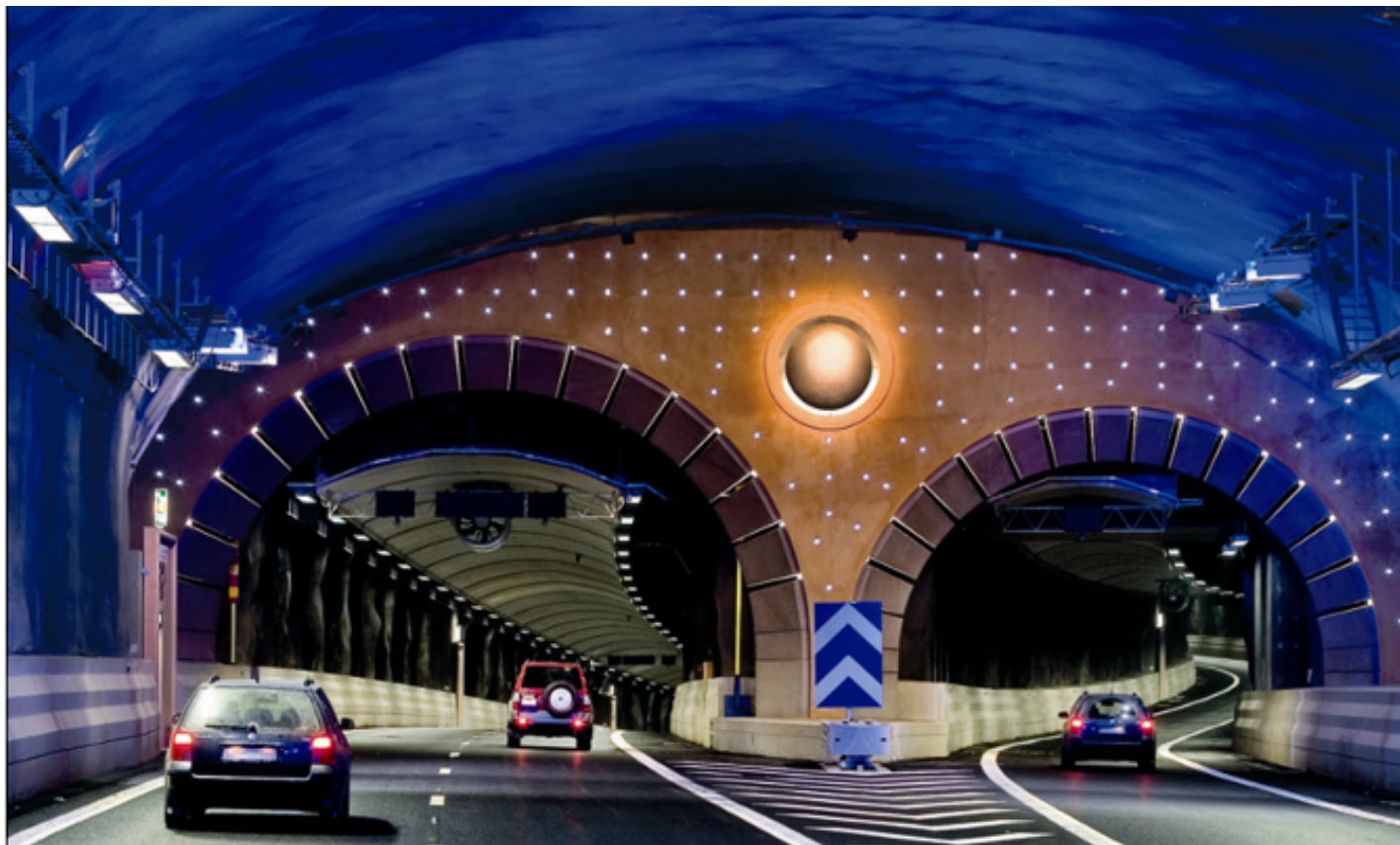
- Alignment of manufacturing footprint with lower trading levels
- Restructuring programs deliver savings
- Integration of Ceilcote completed

### Cash

- OWC improvement
- Disciplined capital expenditures control



## Operational review Specialty Chemicals



### **Rediset™ asphalt additive**

Significantly reduces the mixing and paving temperatures, creating fuel savings and reducing operational costs. Also results in lower asphalt fumes, providing better working conditions for the paving crew.



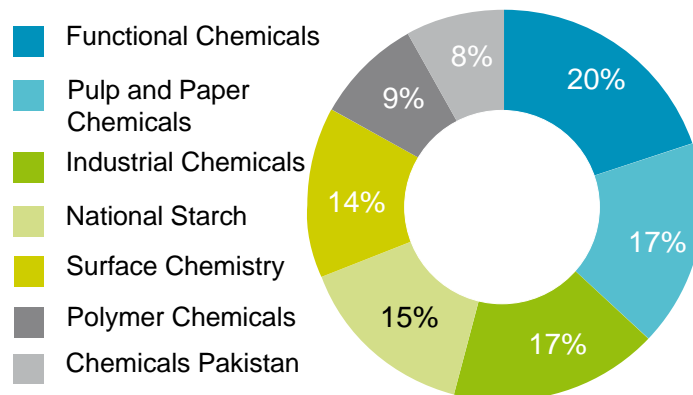
# Specialty Chemicals key facts

## 2008

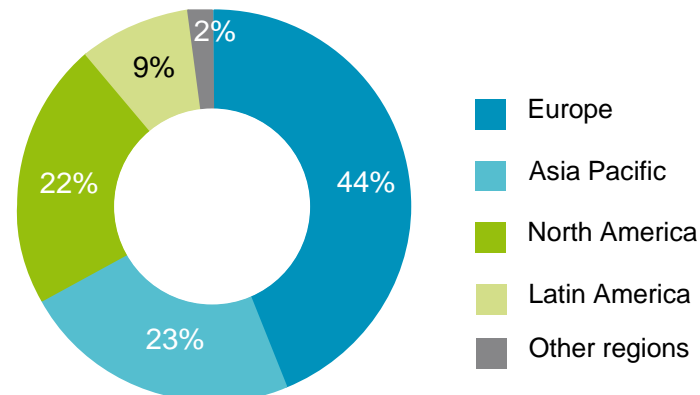
- Revenue €5.7 billion
- 13,300 employees
- EBITDA: €891 million<sup>1</sup>
- 35 percent of revenue from emerging markets
- Major producer of specialty chemicals
- Leadership positions in many markets



### Revenue by business unit



### Revenue by geography



1. Before incidentals

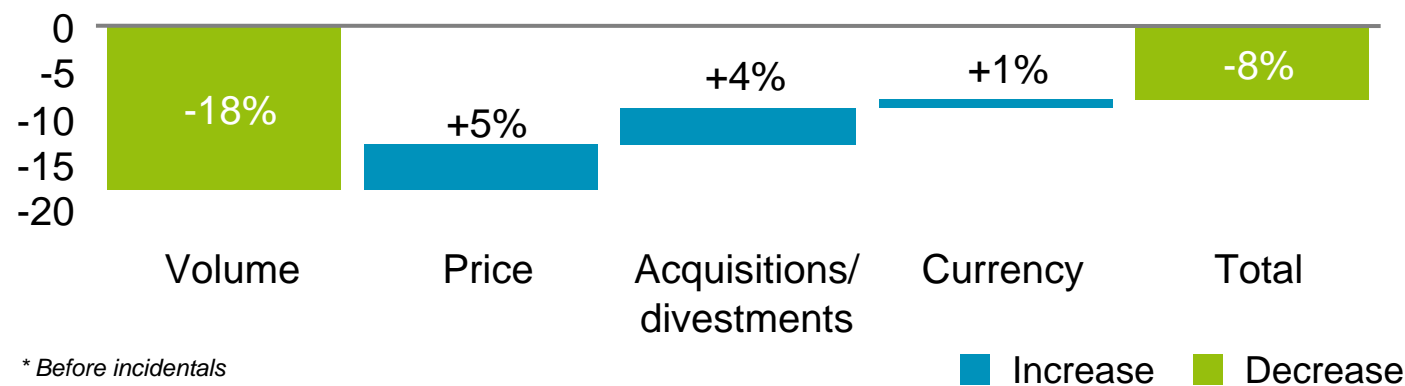


## Specialty Chemicals Q2 2009

€ million	Q2 2009	Δ%
Revenue reported	1,318	(8)
EBITDA* reported	219	(8)

Ratio, %	Q2 2009	Q2 2008
EBITDA* margin reported	16.6	16.6

### Revenue development Q2 2009 vs. Q2 2008



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## Specialty Chemicals highlights Q2 2009

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- Cost and cash savings initiatives contributed in all businesses
- Surface Chemistry and Polymer Chemicals results remain under pressure
- Strong performance in Pulp & Paper and Functional Chemicals
- Industrial Chemicals acquisitions to a large part offset the volume decline



## Implementing our strategic action plan

### Customers

- Ningbo site construction on schedule
- Dissolvine® GL Leading the next generation of products in cosmetics and personal care.

### Costs

- LII Europe & KAC acquisitions being integrated
- Capacity being optimized to meet lower demand
- Cost savings apparent at all business levels
- Several restructurings underway

### Cash

- OWC improvement
- Stringent capital expenditures control
- Agreement to divest stake in PTA activities in Pakistan



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**02**

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## **Financial review**

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## Cash management discipline

### Focus on cash

- OWC reduction
- Capex reduction
- R&D stable
- Only bolt-on acquisitions
- Dividend policy unchanged

- OWC reduced to 16.3% of revenue (Q2 2008: 17.1%)
- Careful priorities of Capex
- We continue to look for attractive bolt-on acquisitions
- Dividend policy remains at least 45 percent of net income before incidentals and fair value adjustments related to the ICI acquisition



## Ambition to maintain strong credit rating unchanged

<i>€ million</i>	<b>Jun 30, 2009</b>	<b>Dec 31, 2008</b>
Equity	8,139	7,913
Net debt	2,584	2,084

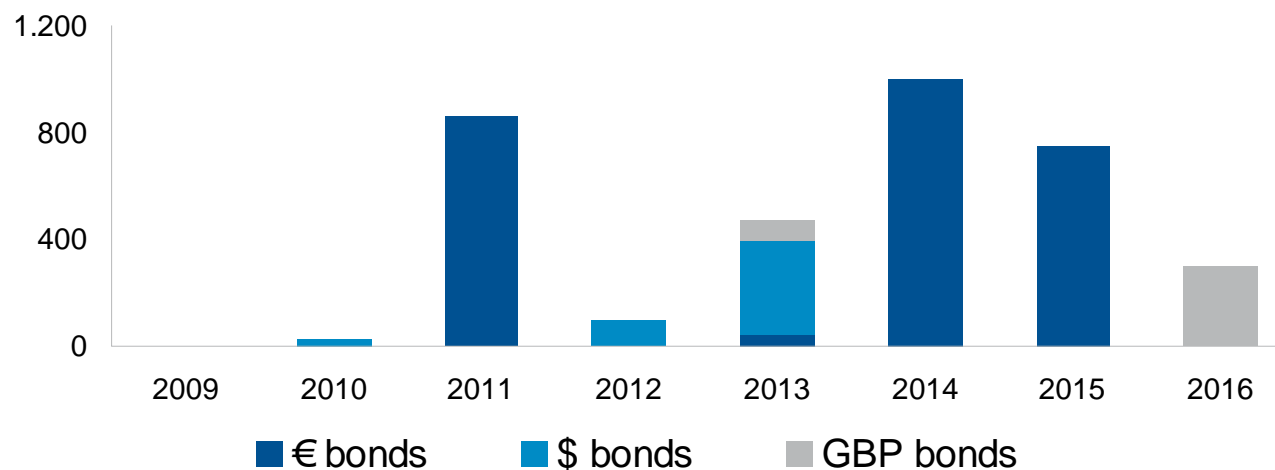
- Equity influenced by currency translation from the £ (+€352 million), net profit (+€186 million) and dividend payment (-€353 million)
- Net debt increased due to capital expenditures and dividend payment
- Pension deficit estimated at €1.5 billion (Q1, 2009: €1.4 billion)



## Debt maturities lengthened

### No major bonds maturing before 2011

Debt maturity, € million



### Strong liquidity headroom

- Undrawn revolving credit facility of €1.5 billion available (2013)\*
- €40 million drawn under commercial paper program\*
- Cash and cash equivalents €1.3 billion\* (and €0.2 billion bank overdrafts)
- Private placement issued in Q2 of €150 million maturing in 2011 & 2013

\* At the end of Q2 2009



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**03**

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## **Strategic ambitions and medium-term targets**

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## Well positioned to meet current challenges

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### Sound fundamentals

- Strong positions in diverse, highly attractive sectors
- Attractive geographic spread
- Strong operating cash flow

### Actions

- Continued focus on customers
- Rigorous cost restructuring
- Cash protecting measures
- Prudent capital allocation without jeopardizing growth



## AkzoNobel strategic ambitions

### Leading in value creation

- Outgrow our markets
- EBITDA margin > 14 percent by end 2011
- 0.5 percent improvement in operating working capital (OWC) level, p.a.

### Leading in sustainability

- Top 3 Dow Jones Sustainability index
- Reduction in total recordable injury rate
- Step change in people development

**Tied to incentives,  
both for value  
creation and  
sustainability**



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## Outlook and medium term targets

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- Forward visibility remains limited, due to continuing uncertain economic development. We continue to expect that 2009 will be a challenging year

Nevertheless, we remain focused on:

- working towards our medium-term target of an **EBITDA margin of 14 percent** by the end of 2011
- delivering at least €540 million of **ICI synergies and cost restructuring**
- driving **margin management** programs across the company
- remaining a leader in **sustainability** (top 3 DJSI)



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04

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Q&A

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## Safe Harbor Statement

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*This presentation contains statements which address such key issues as AkzoNobel'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).*

