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February 18, 2010

# Full year 2009 and Q4 results

# Agenda

- Introduction and 2009 highlights
- Decorative Paints
- Performance Coatings
- Specialty Chemicals
- Q4 Results and financial review
- Outlook and medium-term targets

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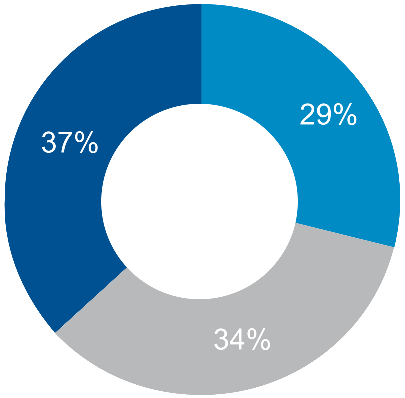
# AkzoNobel key facts

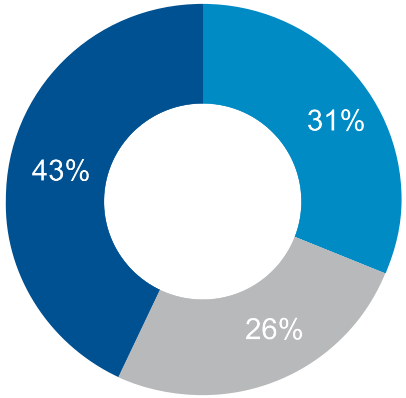

## 2009

- Revenue €13.9 billion
- 57,060 employees
- EBITDA: €1.8 billion*
- EBIT: €1.2 billion*
- Net income: €285 million
- Credit ratings: BBB+ (S&P) and Baa1 (Moody's)

## Revenue by business area




## EBITDA* by business area




Performance Coatings
Decorative Paints
Specialty Chemicals

** Before incidentals*

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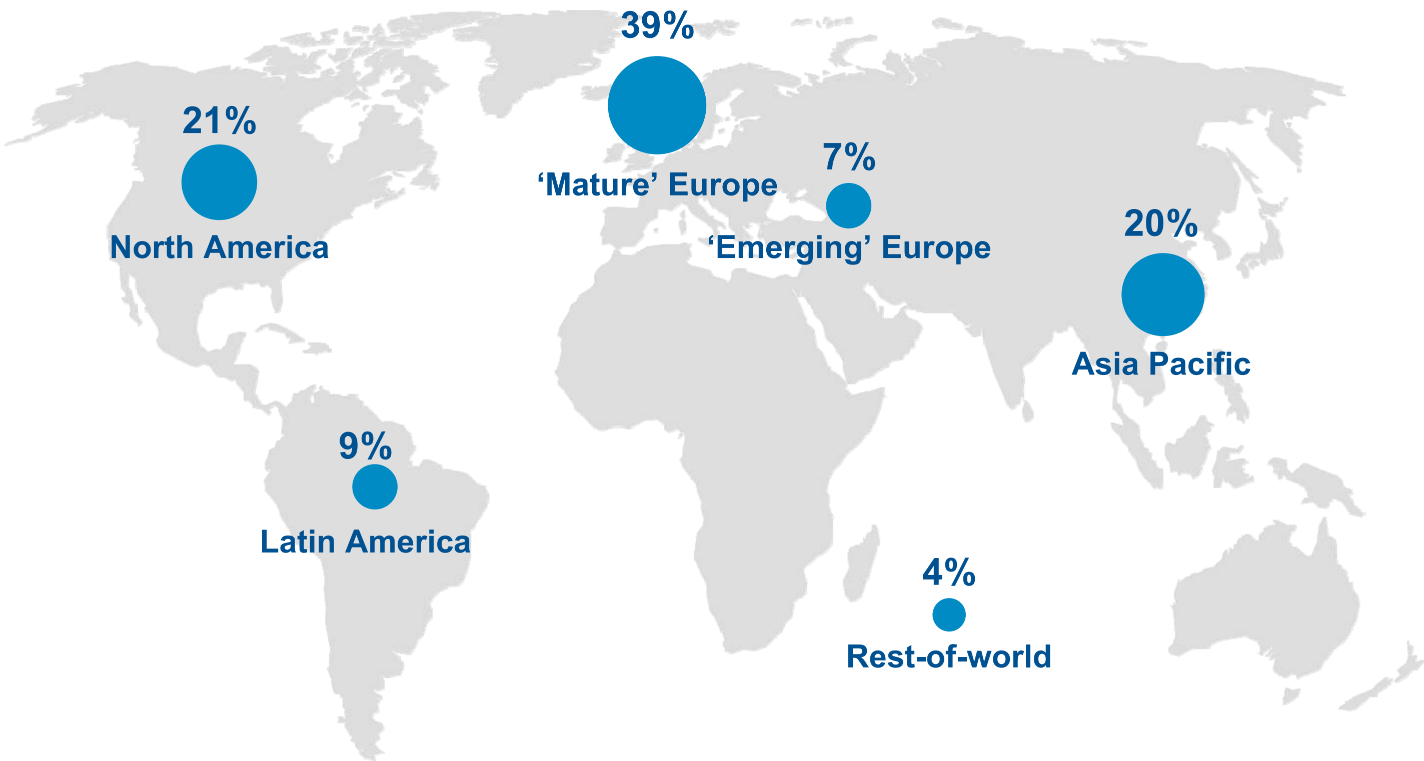
# Excellent geographic spread of both revenue and profits

**High-growth markets are important (37% of revenue)**

% of 2009 revenue




**High-growth markets profitability is above average**

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# 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* to 2
- Step change in people development

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

Dow Jones Sustainability Indexes

** Total recordable injury rate refers to amount of incidents per million hours worked*

# 2009 highlights

# 2009 achievements

- ✓ Continued company-wide focus on customers, costs and cash
- ✓ Restructuring and synergies ahead of schedule
- ✓ Operating working capital reduced
- ✓ Debt maturities lengthened
- ✓ Investments in strategic growth opportunities
- ✓ On-track to achieve 2011 EBITDA margin target

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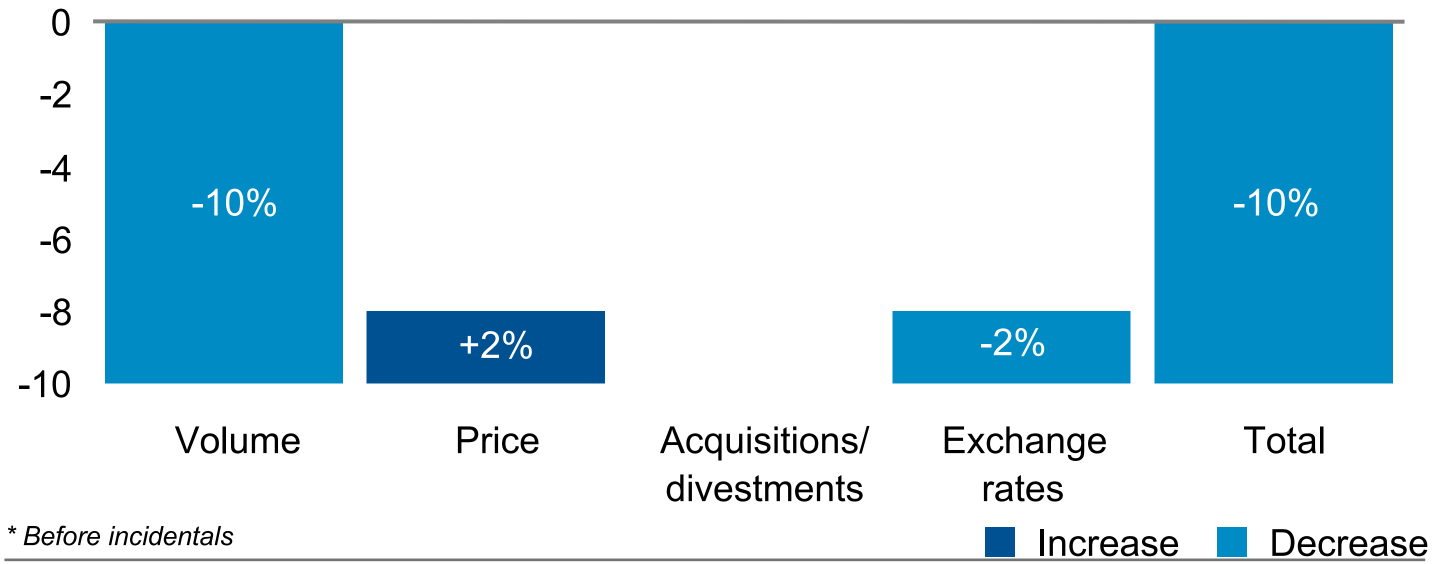
# Full year 2009 revenue and EBITDA

| *€ million* | 2009 | Δ% |
|---|---|---|
| Revenue | 13,893 | (10) |
| EBITDA* | 1,768 | (8) |

| *Ratio, %* | 2009 | 2008 |
|---|---|---|
| EBITDA* margin | 12.7 | 12.5 |

**Revenue development 2009 vs. 2008**




* *Before incidentals*

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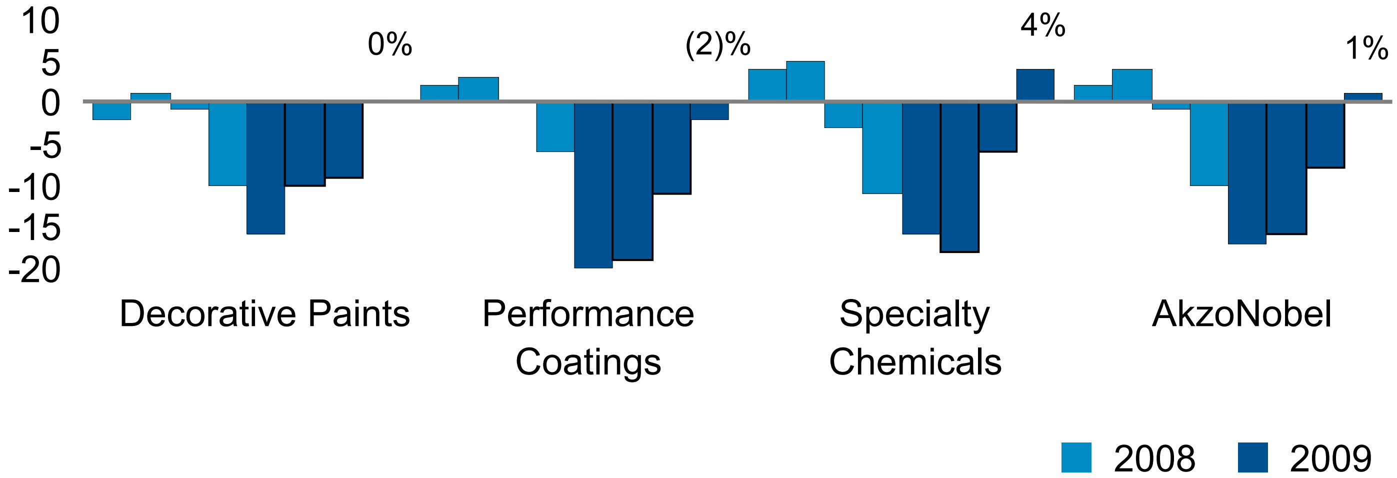
# Volume development per quarter 2008 and 2009

## Volume development in % year-on-year




**Volumes have stabilized during 2009**

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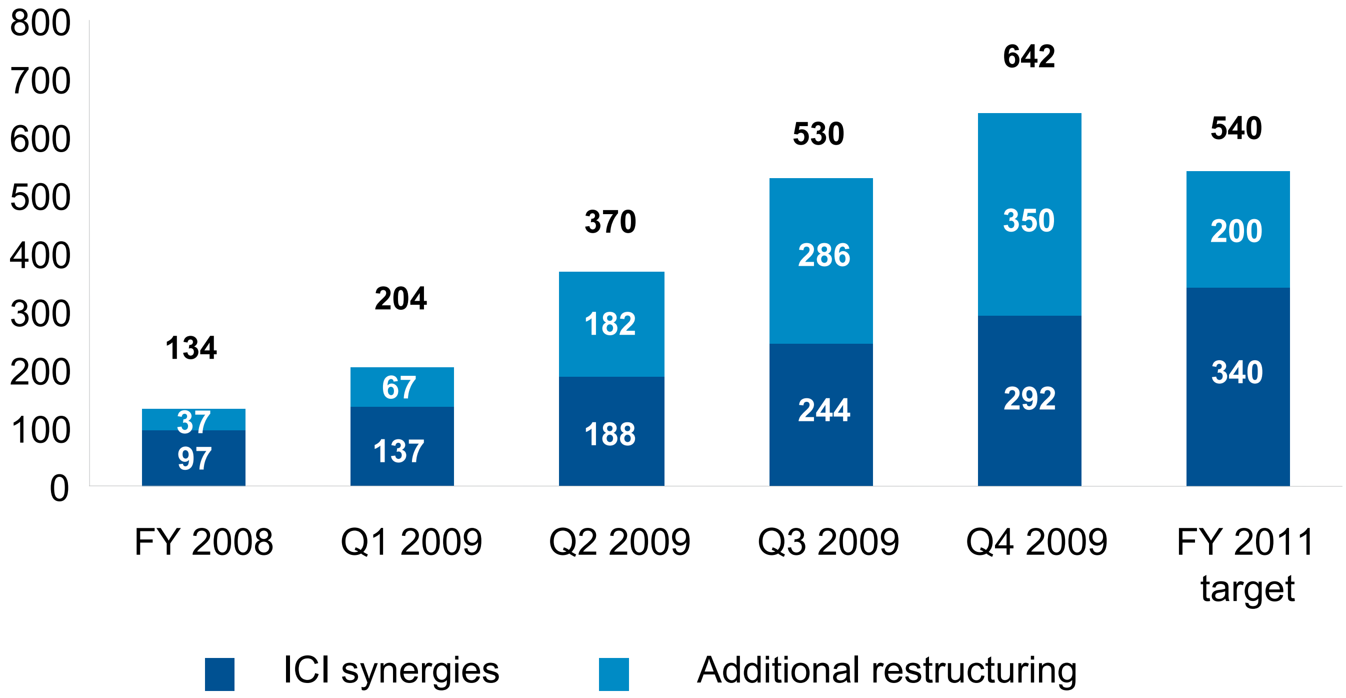
# We are delivering on synergies and cost reduction

Cumulative annualized savings
€ million




**Combined synergy & cost saving target achieved**

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# ICI synergies and additional restructuring delivered

| *2008 and 2009* | ICI synergies | Additional restructuring | Total |
|---|---|---|---|
| Net FTE reductions* | 2,017 | 2,625 | 4,642 |
| Cash costs (€ million) | 174 | 195 | 369 |
| Annualized savings (€ million) | 292 | 350 | 642 |

**Cost reduction continues as day to day business**

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

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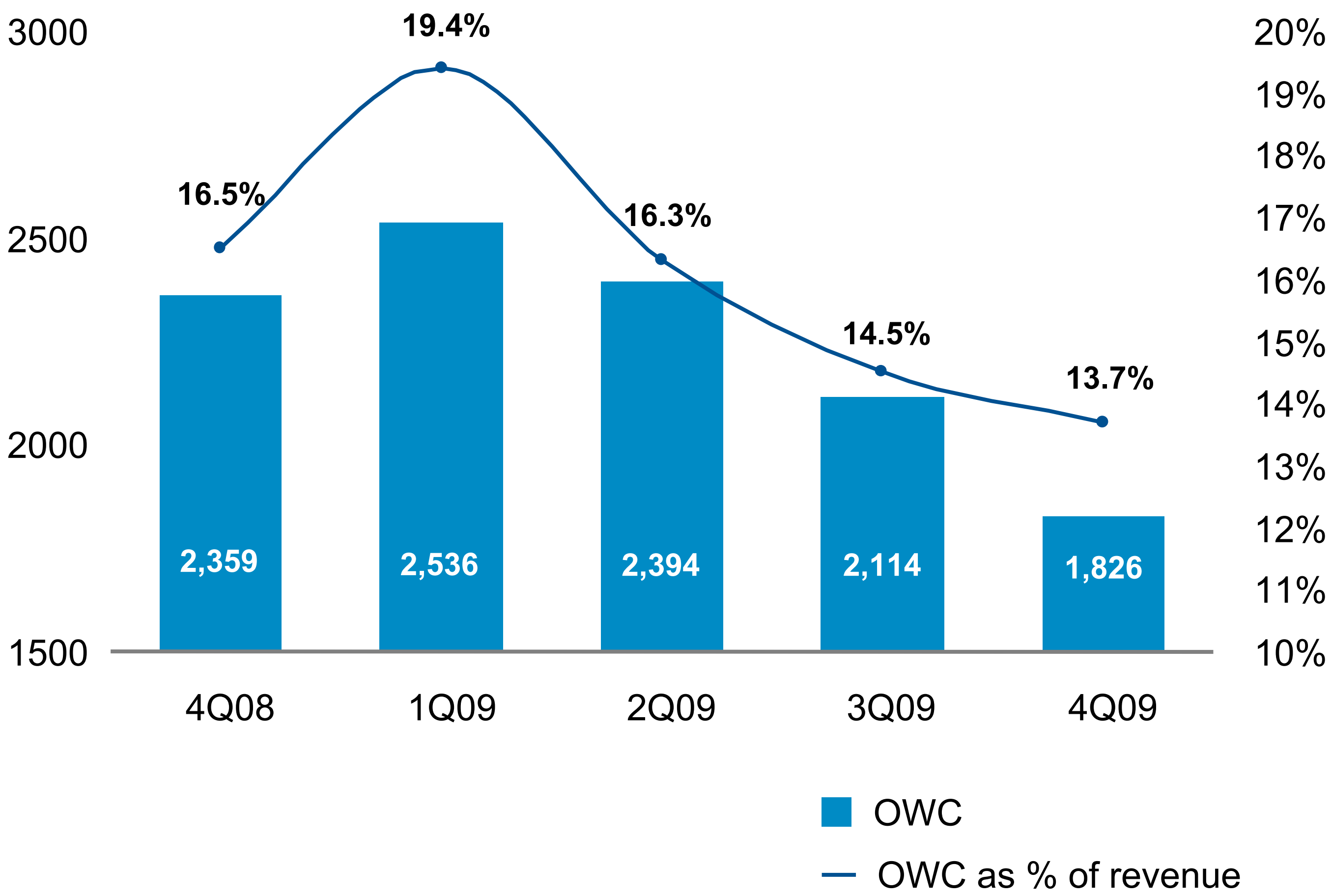
# Continued focus on Operating Working Capital is delivering results

**OWC**
€ million



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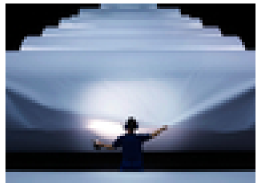
# Successful customer focus

## Sikkens Autoclear® LV Exclusive – Self-healing clearcoat

A high gloss clearcoat that is not only highly resistant to scratches and easy to apply, but also features self-healing properties when exposed to heat.

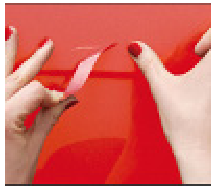

## Ecosense – better for *your world* and *the world*

To be launched in March, the Ecosense paint line offers no added solvents making it virtually odor free. It also has an improved ecological footprint reducing waste, water and $CO_2$ with up to 50%.



## Compozil® Fx – Better performance. Exceptional results

A wet end management system for the largest and fastest paper machines helping to deliver top quality paper faster with higher productivity, better economy and reduced environmental impact.



## Stickerfix™ Easier than easy!

You can repair and protect your car using a unique easy to apply and remove vinyl technology. It's coated with professional car maker approved repair systems of **Sikkens, Lesonal** and **Dynacoat.**


## Dulux® Ecosure™ Matt Light & Space™

Uses revolutionary LumiTec technology to reflect up to twice as much light around the room making even the smallest of rooms look and feel more spacious compared to our conventional emulsion paints.

# Business Area Performance

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# Decorative Paints


**Our employees working for our Coral brand in Brazil, volunteered their time and donated products to help revitalize a neighborhood in São Paulo. It proved so successful that another three neighborhoods have also been lined up for a colorful facelift.**

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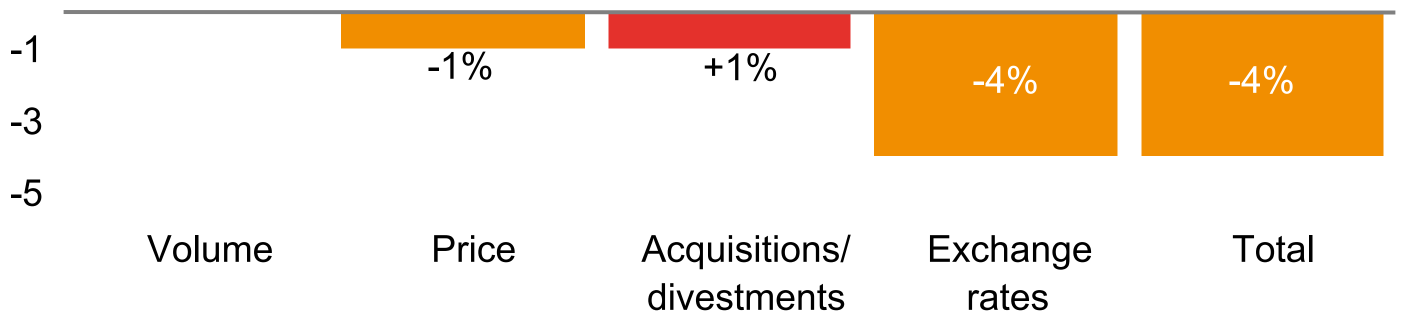
# Decorative Paints Q4 2009

| *€ million* | Q4 2009 | Δ% |
|---|---|---|
| Revenue | 1,043 | (4) |
| EBITDA* | 71 | (24) |

| *Ratio, %* | Q4 2009 | Q4 2008 |
|---|---|---|
| EBITDA* margin | 6.8 | 8.5 |

## Revenue development Q4 2009 vs. Q4 2008




Increase Decrease

** Before incidentals*

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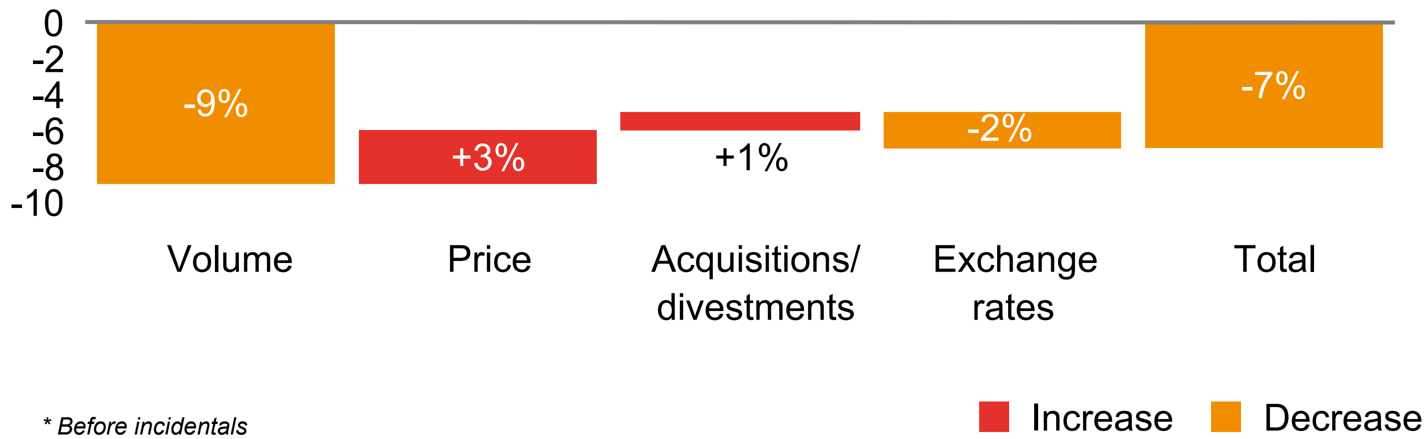
# Decorative Paints full year 2009

| *€ million* | 2009 | Δ% |
|---|---|---|
| Revenue | 4,677 | (7) |
| EBITDA* | 492 | (18) |

| *Ratio, %* | 2009 | 2008 |
|---|---|---|
| EBITDA* margin | 10.5 | 11.9 |

**Revenue development 2009 vs. 2008**




** Before incidentals*

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# Multi-year restructuring program on track

- ✓ Leveraging global scale through increased standardization
- ✓ Reduced supply chain complexity already resulted in closure of 29 sites (13 in Europe)
- ✓ Number of US stores reduced by 77
- ✓ FTE reduction since start integration: 3,405 employees
- ✓ Number of European packaging types decreased with 30 percent, raw material types with 10 percent
- ✓ Investing in advertisement and promotion to further strengthen market positions
- ✓ Fewer and bigger brands

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# Performance Coatings


**AkzoNobel provided powder coatings for the 1,223-kilometer long Nord Stream gas pipeline. Due to be operational in 2012, the pipes have been coated with a Resicoat primer for a three-layer system. In total, 1,500 tons of coatings were delivered for the project.**

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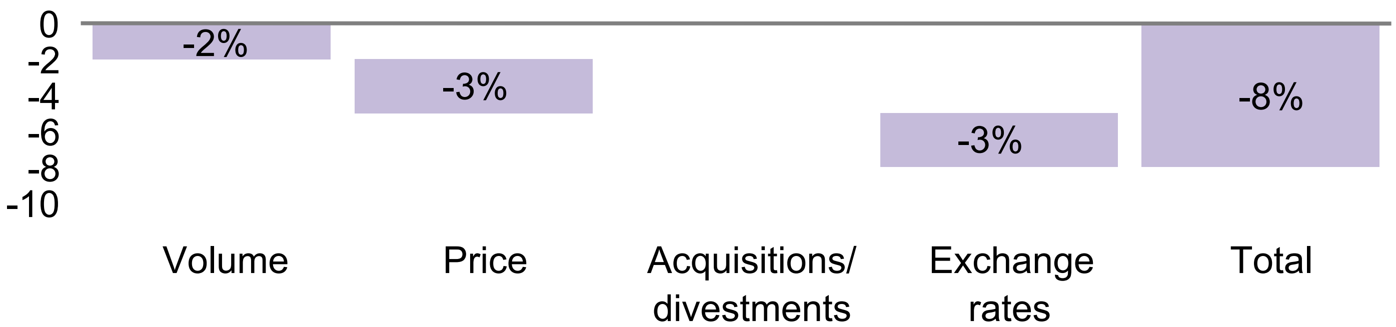
# Performance Coatings Q4 2009

| *€ million* | Q4 2009 | Δ% |
|---|---|---|
| Revenue | 999 | (8) |
| EBITDA* | 153 | 30 |

| *Ratio, %* | Q4 2009 | Q4 2008 |
|---|---|---|
| EBITDA* margin | 15.3 | 10.9 |

**Revenue development Q4 2009 vs. Q4 2008**




** Before incidentals*

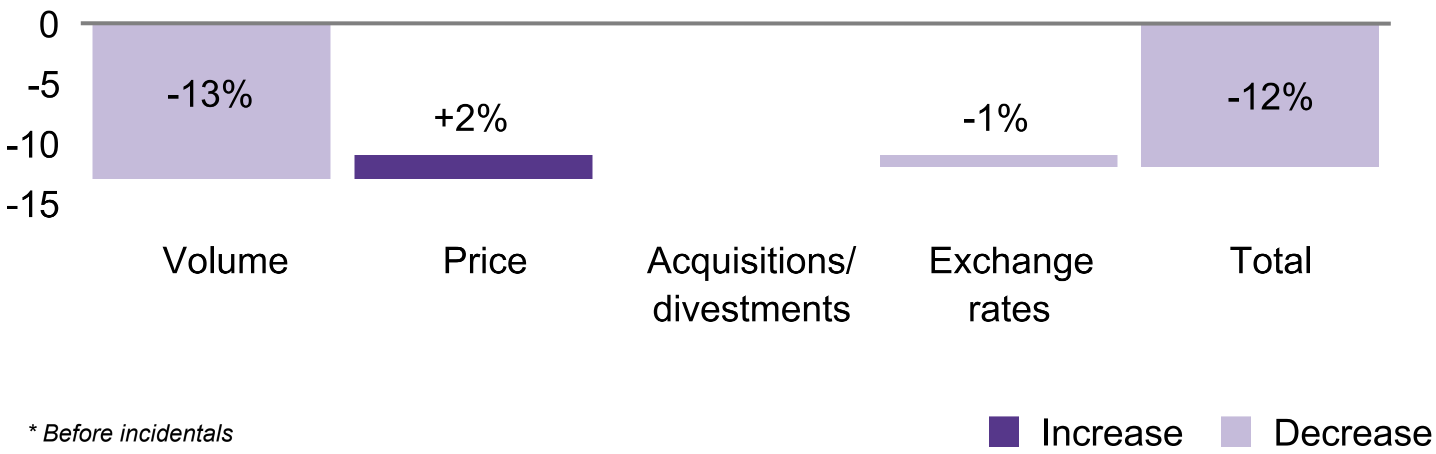
Increase Decrease

# Performance Coatings full year 2009

| € million | 2009 | Δ% |
|---|---|---|
| Revenue | 4,038 | (12) |
| EBITDA* | 587 | 4 |

| Ratio, % | 2009 | 2008 |
|---|---|---|
| EBITDA* margin | 14.5 | 12.4 |

**Revenue development 2009 vs. 2008**




* *Before incidentals*

# 2009 operational achievements

- ✓ Industrial Activities closed six sites
- ✓ Powder Coatings to acquire The Dow Chemical Company's powder coatings operation
- ✓ Realigned Business Units as of January 1, 2010
- ✓ New product launches continued
- ✓ FTE reductions of 1,480 employees
- ✓ Operating working capital ratio further improved

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# Specialty Chemicals

**Berol ENV226, supplied by our Surface Chemistry business, is our new generation of readily biodegradable materials used as the key cleaning component in powerful, water-based degreasers/cleaners, commonly used in products including vehicle cleaners.**

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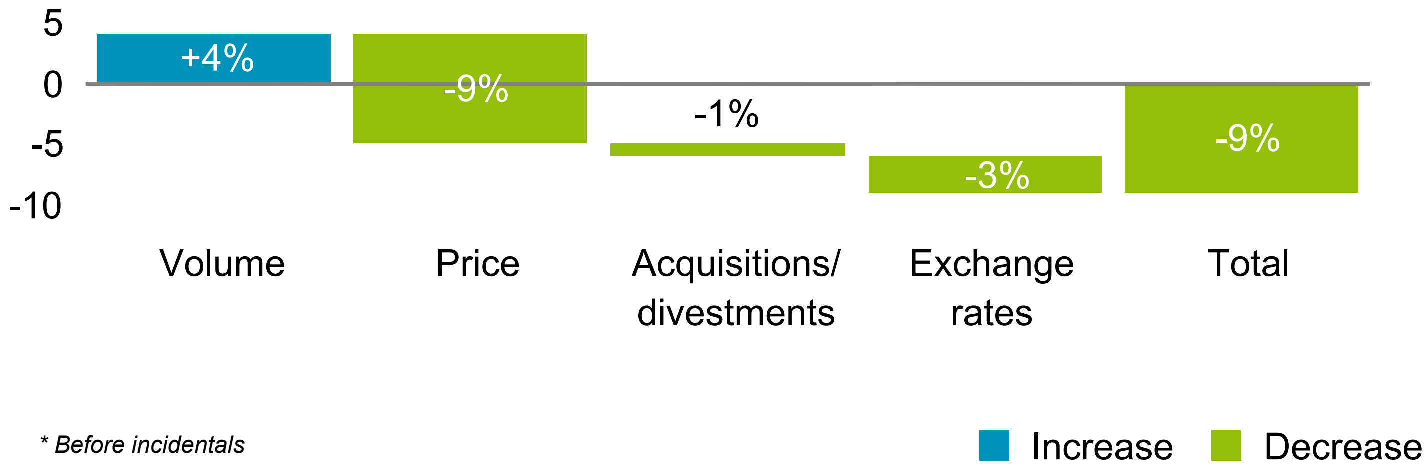
# Specialty Chemicals Q4 2009

| *€ million* | Q4 2009 | Δ% |
|---|---|---|
| Revenue | 1,279 | (9) |
| EBITDA* | 217 | 16 |

| *Ratio, %* | Q4 2009 | Q4 2008 |
|---|---|---|
| EBITDA* margin | 17.0 | 13.4 |

**Revenue development Q4 2009 vs. Q4 2008**



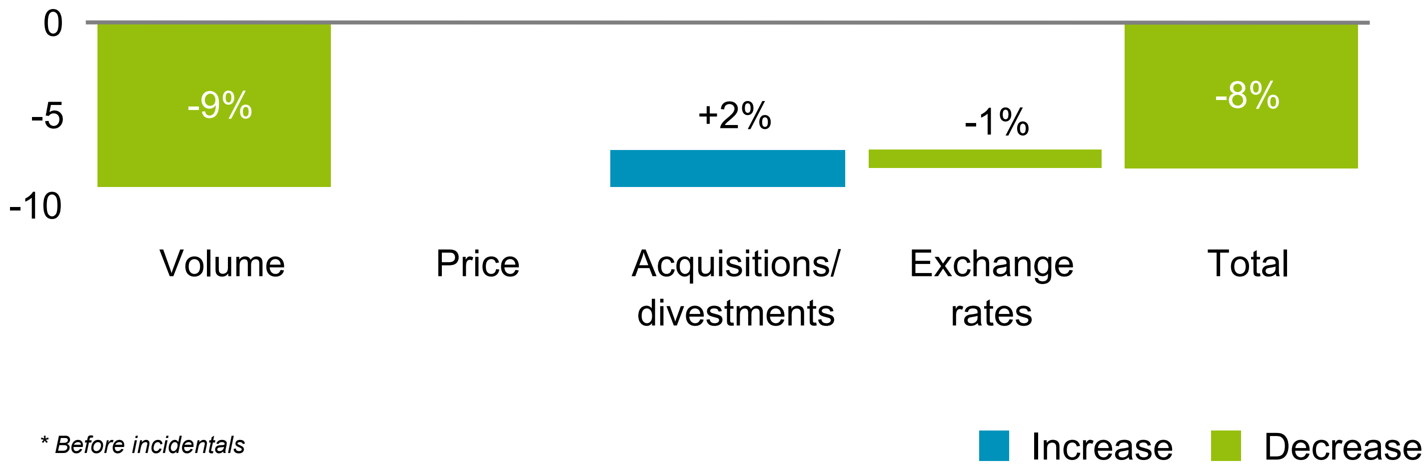

** Before incidentals*

# Specialty Chemicals full year 2009

| *€ million* | 2009 | Δ% |
|---|---|---|
| Revenue | 5,209 | (8) |
| EBITDA* | 814 | (10) |

| *Ratio, %* | 2009 | 2008 |
|---|---|---|
| EBITDA* margin | 15.6 | 16.0 |

**Revenue development 2009 vs. 2008**

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# 2009 operational achievements

- ✓ Restructuring resulted in closure of 4 factories
- ✓ Capacity optimization continues
- ✓ Start of chelates production in Ningbo, China
- ✓ Sold stake in PTA Pakistan
- ✓ Acquired LII Europe

# Q4 Results and financial review

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# Q4 2009 results

| *€ million* | Q4 2009 | Q4 2008 |
|---|---|---|
| EBITDA | 396 | 381 |
| Amortization and depreciation | (148) | (149) |
| Incidentals | (147) | (1,562) |
| Financial income & expense | (119) | (97) |
| Minorities and associates | (11) | - |
| Income tax | (27) | (59) |
| Discontinued operations | (4) | (36) |
| **Net income total operations** | **(60)** | **(1,522)** |
| Net cash from operating activities | 417 | 61 |

| *Ratio* | Q4 2009 | Q4 2008 |
|---|---|---|
| EBITDA margin (%) | 11.9 | 10.7 |
| Earnings per share (in €) | (0.26) | (6.57) |

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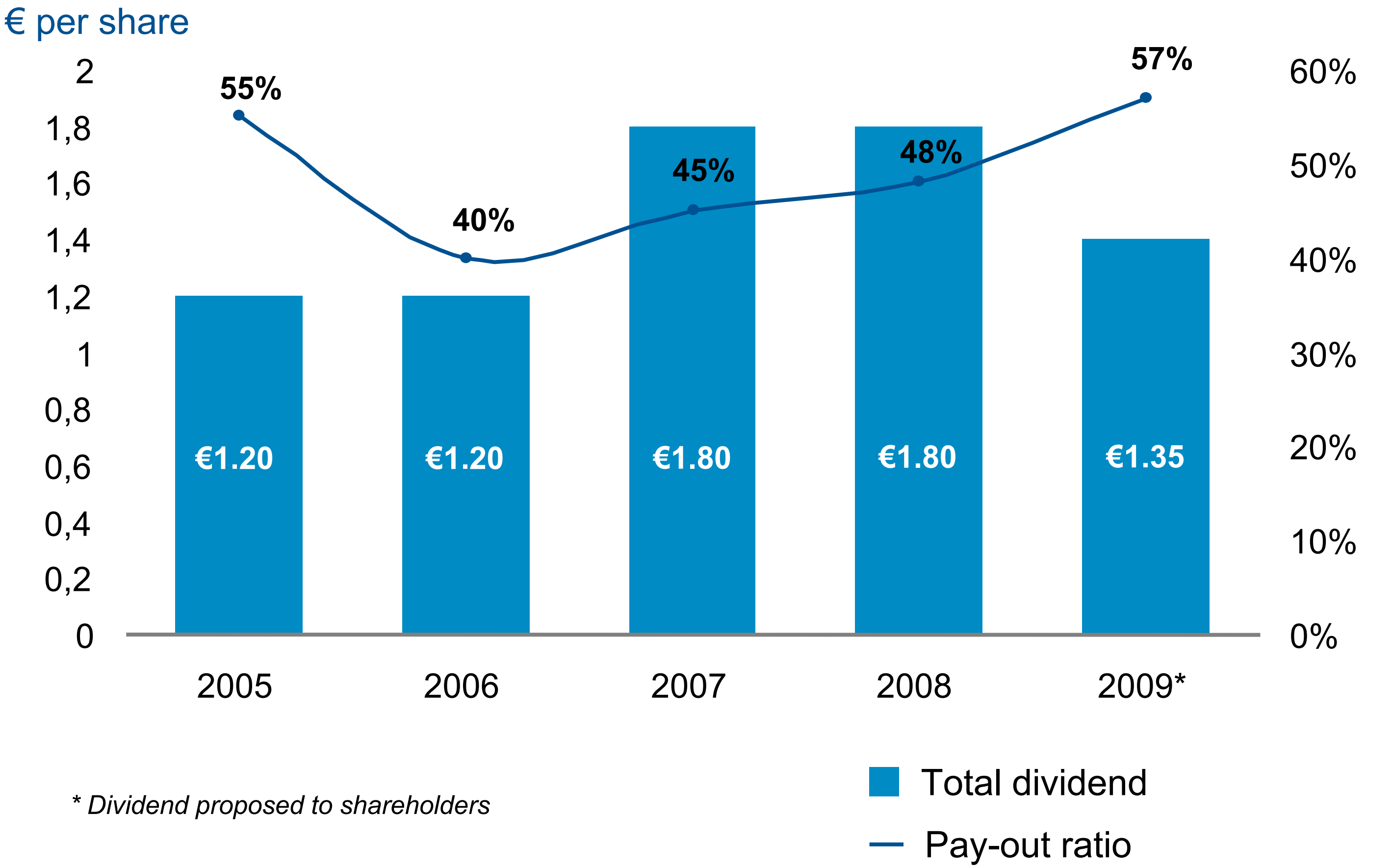
# Q4 2009 incidentals

| *€ million* | Q4 2009 | Q4 2008 |
|---|---|---|
| Restructuring costs | (119) | (205) |
| Transformation costs | (1) | (25) |
| Charges related to major legal, antitrust & environmental cases | (49) | (25) |
| Results on acquisitions & divestments | 17 | (8) |
| Impairment of ICI Intangibles | - | (1,275) |
| Other incidental results | 5 | (24) |
| **Total** | **(147)** | **(1,562)** |

- Significant amount of restructuring costs
- Transformation costs in relation to ICI integration significantly down
- Antitrust: mainly Heat Stabilizers case
- Divestments: release provisions re previous divestments by ICI and divestment Pakistan PTA Limited

# Dividend policy unchanged – €1.05 final dividend proposed (2008: €1.40)

**Dividend policy remains at least 45 percent of net income before incidentals and fair value adjustments related to the ICI acquisition**




** Dividend proposed to shareholders*

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# Ambition to maintain strong credit rating unchanged

| *€ million* | Dec 31, 2009 | Dec 31, 2008 |
|---|---|---|
| Equity | 8,245 | 7,913 |
| Net debt | 1,744 | 2,084 |

| *€ million* | 2009 | 2008 |
|---|---|---|
| Net cash from operating activities | 1,240 | 91 |

- Equity positively impacted by currency translation and net profit
- Net debt decreased due to results and operating working capital management
- Pension deficit estimated at €1.9 billion (year-end 2008: €1.0 billion; Q3 2009: €1.6 billion)

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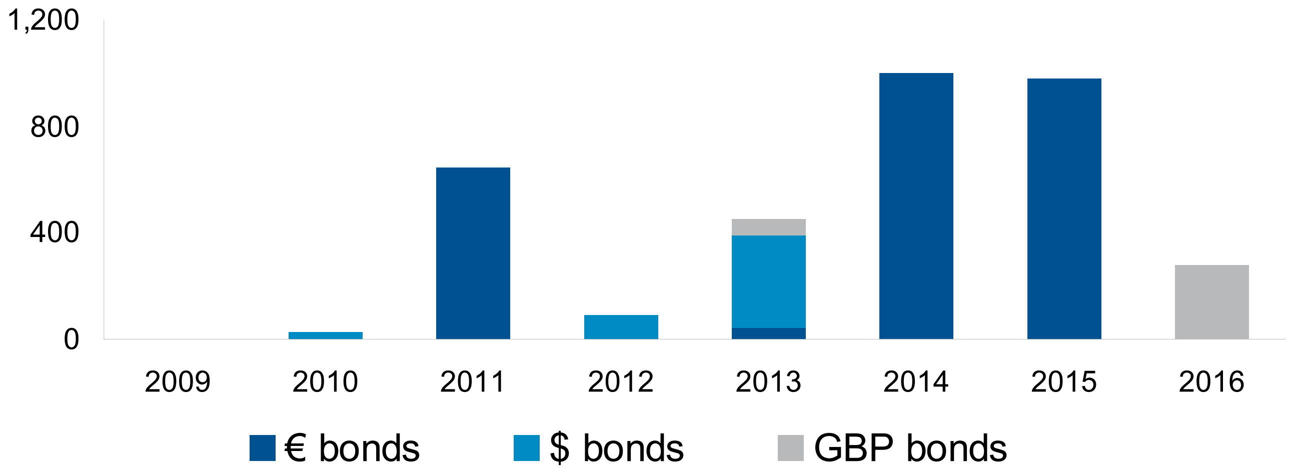
# Debt maturities lengthened

## No major bonds maturing before 2011

Debt maturity, € million




## Significant liquidity headroom

- Undrawn revolving credit facility of €1.5 billion available (2013)*
- €1.5 & $1 billion commercial paper programs undrawn*
- Cash and cash equivalents €2.1 billion*

** At the end of 2009*

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# Disciplined cash management

**Focus on cash**

- OWC reduction
- Capex prioritization
- Bolt-on acquisitions
- Dividend policy unchanged

- OWC reduced to 13.7% of revenue (year-end 2008: 16.5%), releasing €533 million
- Careful prioritization of Capex and strategic investments
- Dividend policy remains at least 45 percent of net income before incidentals and fair value adjustments related to the ICI acquisition

# Outlook and medium-term targets

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# Well positioned to meet current challenges

## Sound fundamentals

- Strong market positions and brands
- Diverse geographic spread in highly attractive sectors
- Low cyclicality due to resilient portfolio
- Sustainability is integrated in everything we do

## Strong track record

- Operational excellence
- Strong operating cash flow
- Strong balance sheet
- Ability to adapt quickly to changing markets

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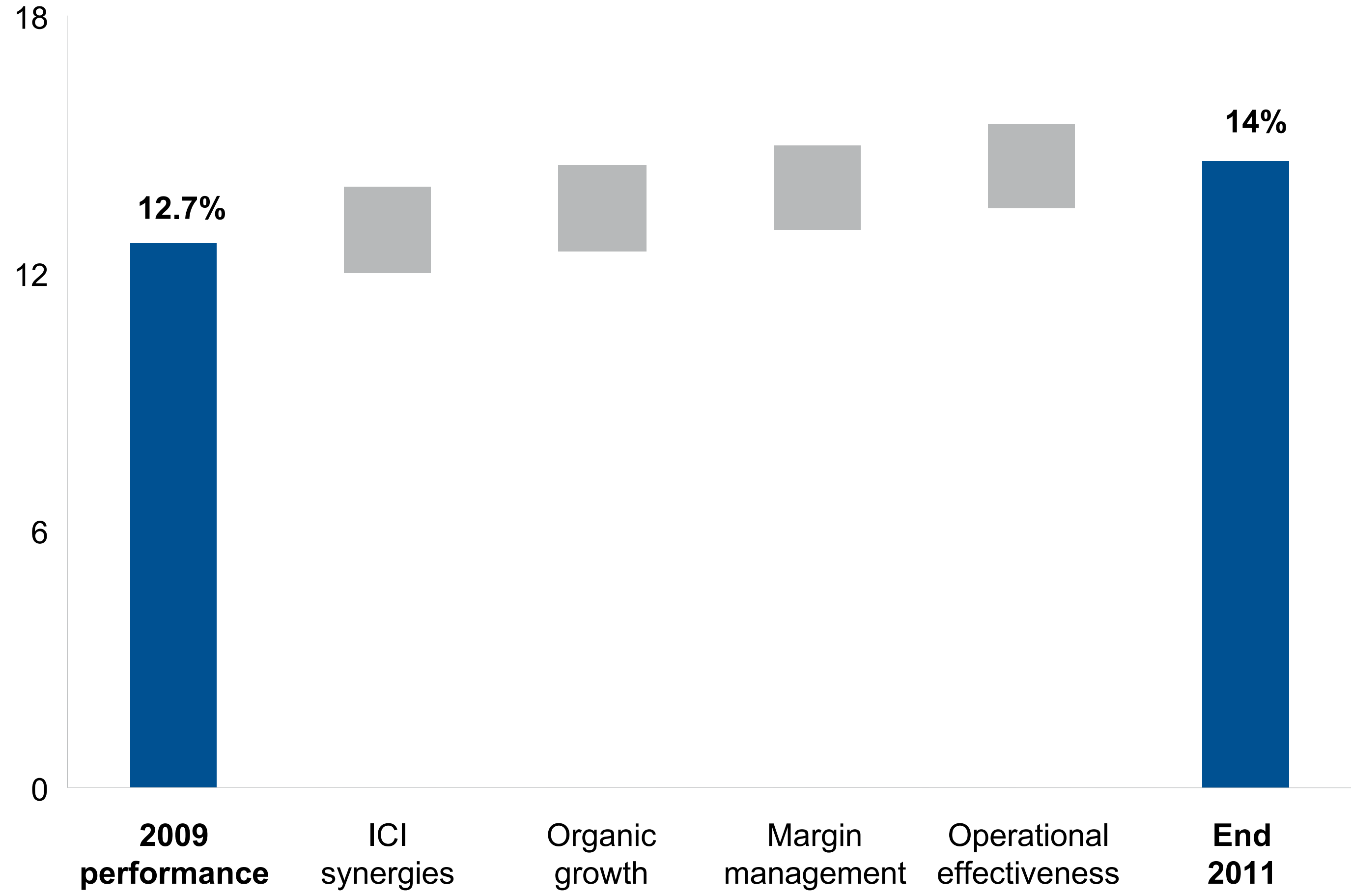
# Delivering the EBITDA margin ambition

EBITDA* margin, indicative




** Before incidentals*

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# Outlook and medium-term targets

- Economic recovery remains uncertain, particularly in mature markets
- Investments to capture growth will remain a priority, particularly in high growth markets
- Focus on customers, cost reduction and cash generation continues
- On-track to achieving our strategic ambitions, including an EBITDA margin of 14 percent by the end of 2011

# Questions & Answers

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# Safe Harbor Statement

*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.*