

Investor Update Full-Year 2012 & Q4 results

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Agenda

1. **2012 highlights**
2. **Operational review**
3. **Financial review**
4. **Conclusion**
5. **Questions**

2012 highlights

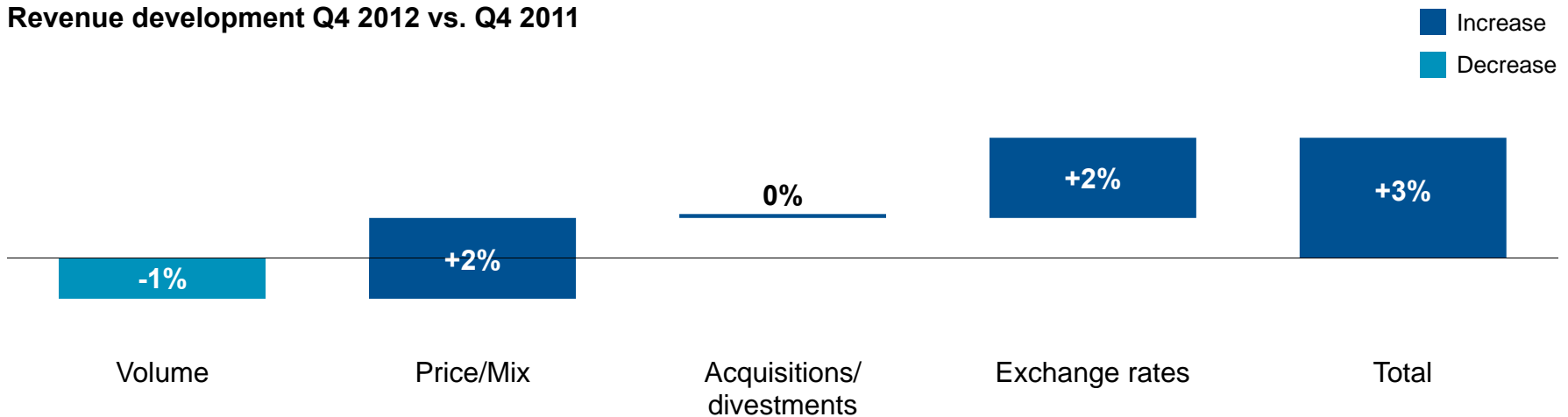
- 2012 revenue up 5 percent driven by favorable currencies and pricing, offset by lower volumes
- 2012 EBITDA* 4 percent higher at €1,901 million (2011: €1,834 million)
- Performance improvement program 2012 target have been exceeded
- Net loss from continuing operations €1,733 million (2011: €536 million income), due to the Q3 impairment charge of €2,106 million
- Net cash from operating activities up 86 percent to €737 million
- Adjusted EPS €3.26 (2011: €3.10)
- Total dividend for 2012 proposed at €1.45 (2011: €1.45)
- Decorative Paints North America reported in discontinued operations; Chemicals Pakistan divestment completed in 2012
- The economic environment remains challenging, especially in Europe

In Q4 2012 both revenue and EBITDA increased

<i>€ million</i>	Q4 2012	Δ%
Revenue	3,673	3
EBITDA*	363	3

<i>Ratio, %</i>	Q4 2012	Q4 2011
EBITDA* margin	9.9	9.9

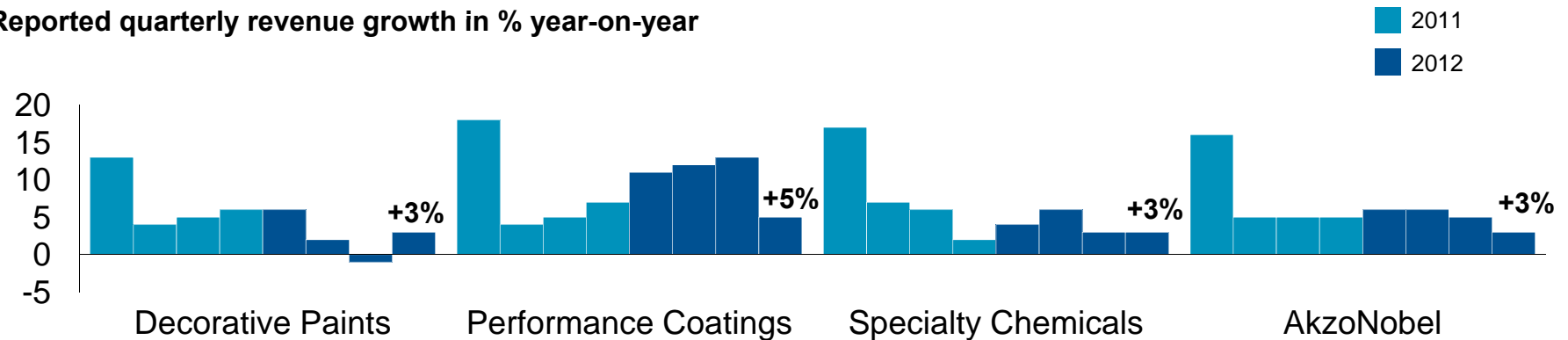
Revenue development Q4 2012 vs. Q4 2011



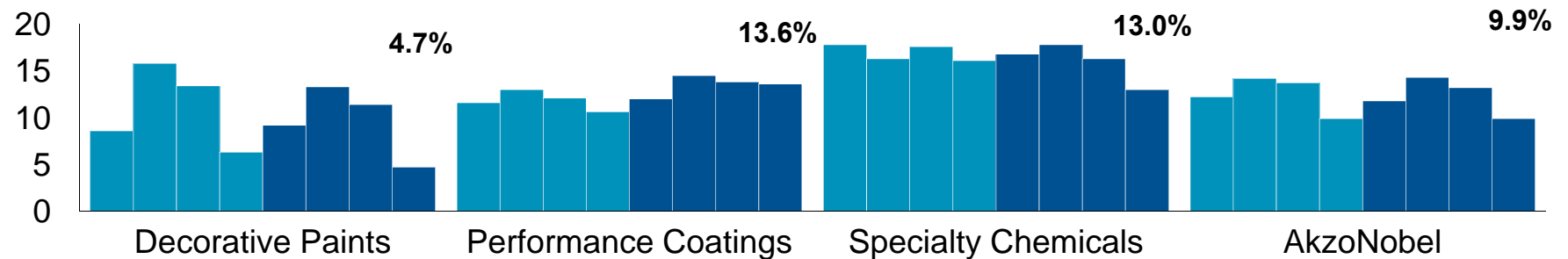
* Before incidentals

Revenue growth & EBITDA margin

Reported quarterly revenue growth in % year-on-year



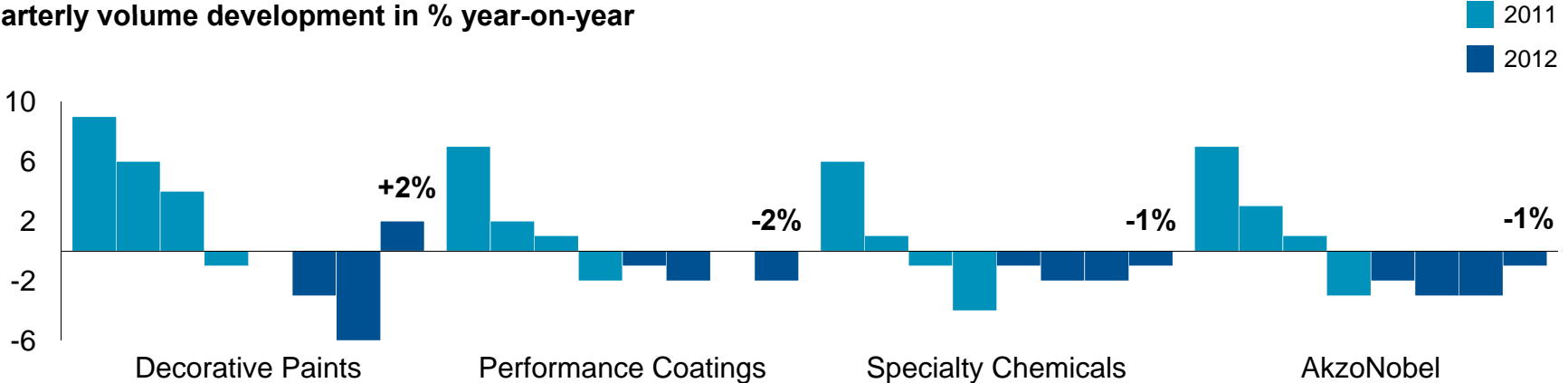
Quarterly EBITDA* margin in %



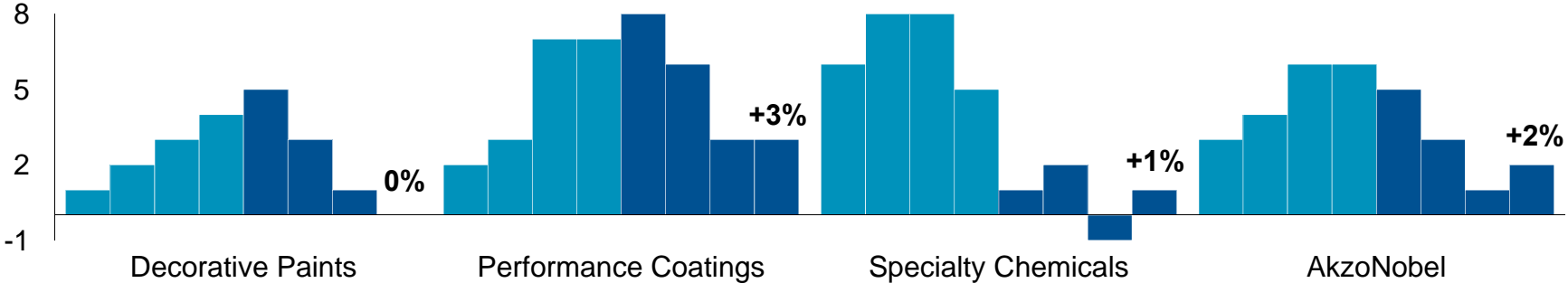
* Before incidentals

Prices being maintained in soft markets

Quarterly volume development in % year-on-year



Quarterly price/mix development in % year-on-year

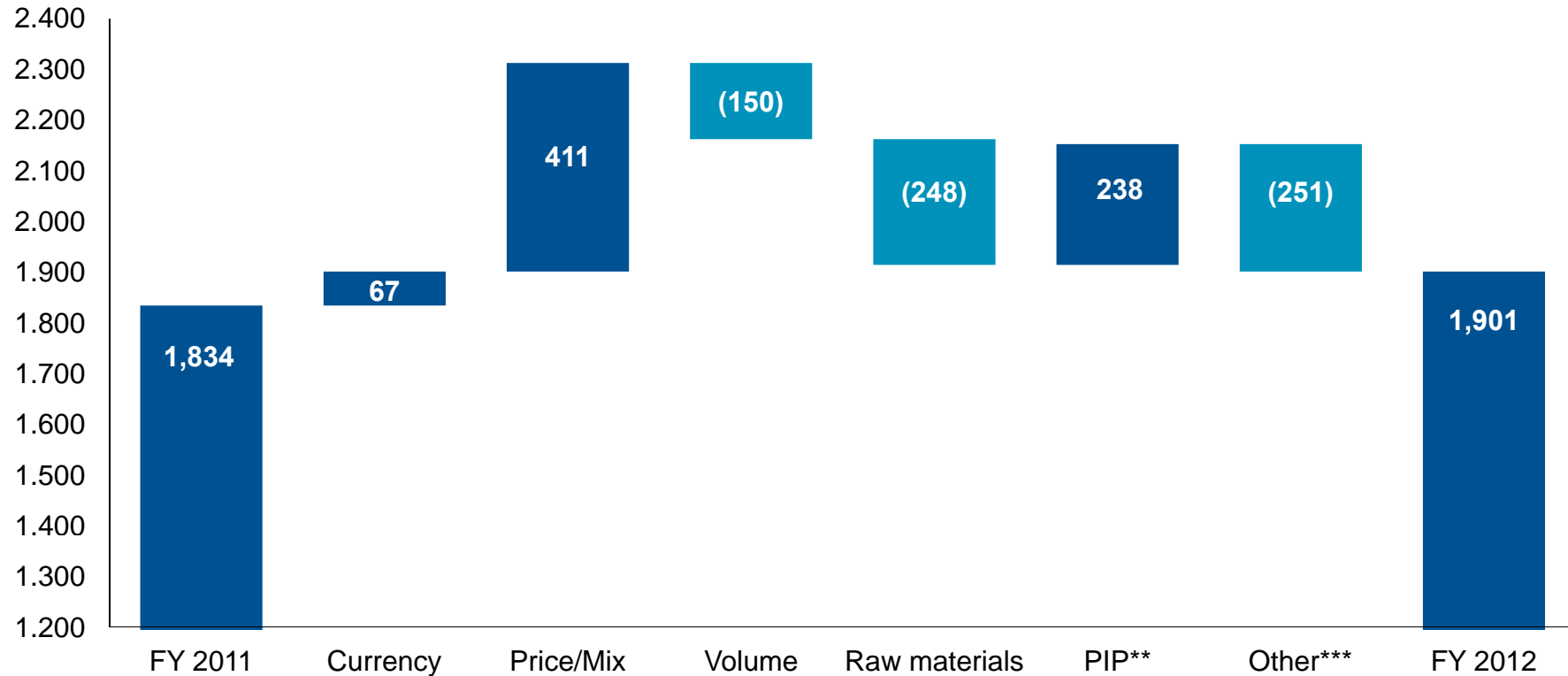


Performance improvement program is on track and supporting results

EBITDA* bridge FY 2011 – FY 2012

€ million

■ Increase
■ Decrease



* Before incidentals

** Performance Improvement Program excludes €26 million for Decorative Paints North America and €12 million that was achieved in 2011

*** Other includes wage inflation, acquisition impact and higher insurance claims

Performance improvement program delivers €238 million in 2012

€ million	FY 2012 Reported EBITDA	FY 2012 Amount due to PIP	2012 target
Decorative Paints	425	85*	
Performance Coatings	769	100	
Specialty Chemicals	889	53	
Other	(182)	-	
Total	1,901	238*	200

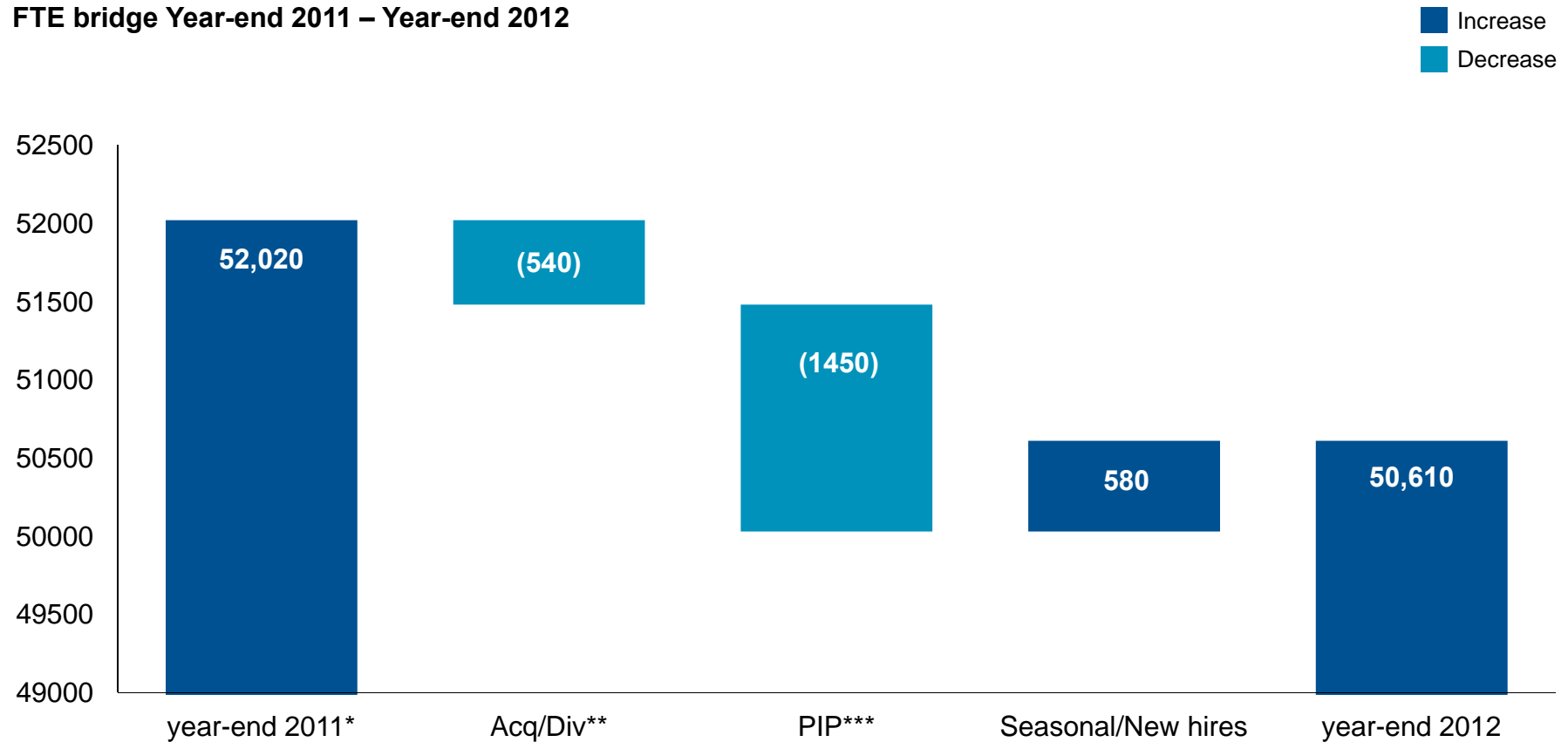
€ million	H1 2012	FY 2012	2012 target
PIP costs	90	292**	200

* Excludes €26 million for Decorative Paints North America and €12 million that was achieved in 2011

** Excludes €17 million for Decorative Paints North America includes additional restructuring costs for Decorative Paints Europe

Significant FTE reductions as a result of the performance improvement program

FTE bridge Year-end 2011 – Year-end 2012



* Restated for the 5,220 employees of Decorative Paints North America at year-end 2011

** The net decrease of 540 employees mainly results from the Boxing acquisition (620 employees) and the divestment of Chemicals Pakistan (1,100 employees)

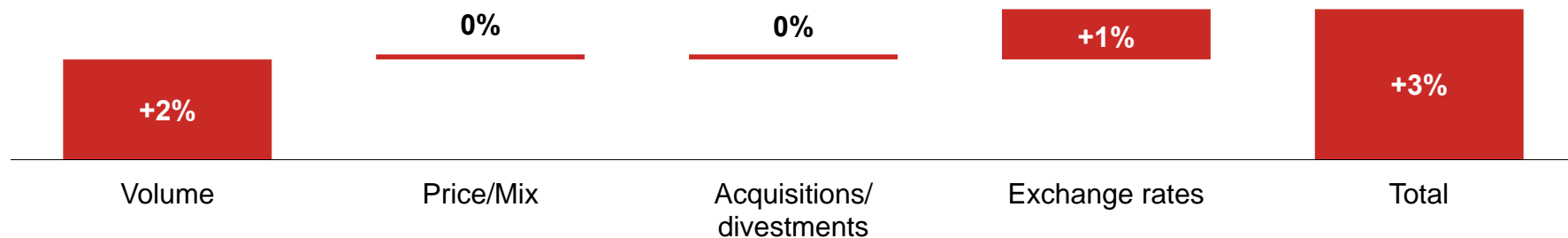
*** Excludes 360 employees for Decorative Paints North America

Decorative Paints Q4 2012 highlights

€ million	Q4 2012	Δ%
Revenue	995	3
EBITDA*	47	(23)

Ratio, %	Q4 2012	Q4 2011
EBITDA* margin	4.7	6.3

Revenue development Q4 2012 vs. Q4 2011



- Q4 revenue up 3 percent, mainly driven by favorable volume and currency impact
- Q4 2012 EBITDA 23 percent below the previous year
- Restructuring activities in Europe continue

■ Increase
■ Decrease

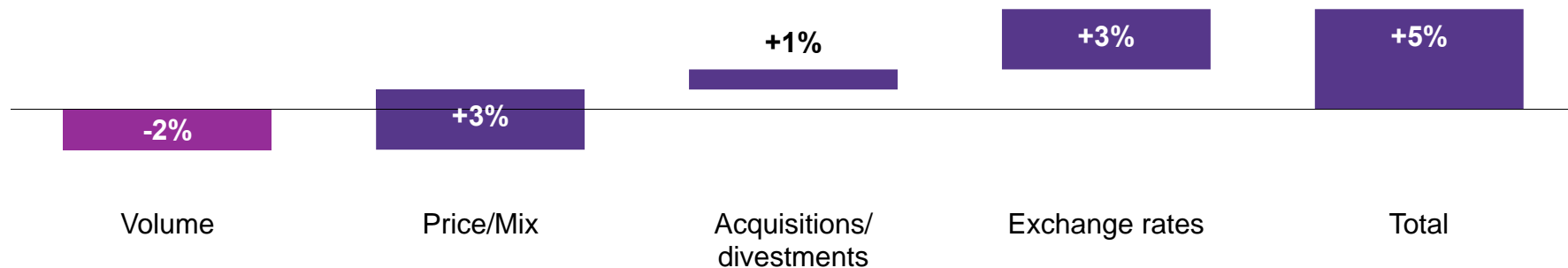
* Before incidentals

Performance Coatings Q4 2012 highlights

€ million	Q4 2012	Δ%
Revenue	1,394	5
EBITDA*	190	35

Ratio, %	Q4 2012	Q4 2011
EBITDA* margin	13.6	10.6

Revenue development Q4 2012 vs. Q4 2011



- Q4 Revenue up 5 percent supported by margin management, acquisitions and favorable currencies; volume declined by 2 percent
- Q4 EBITDA* margin at 13.6 percent (2011: 10.6 percent) driven by margin management and operational efficiency
- Performance improvement program contributing in all businesses

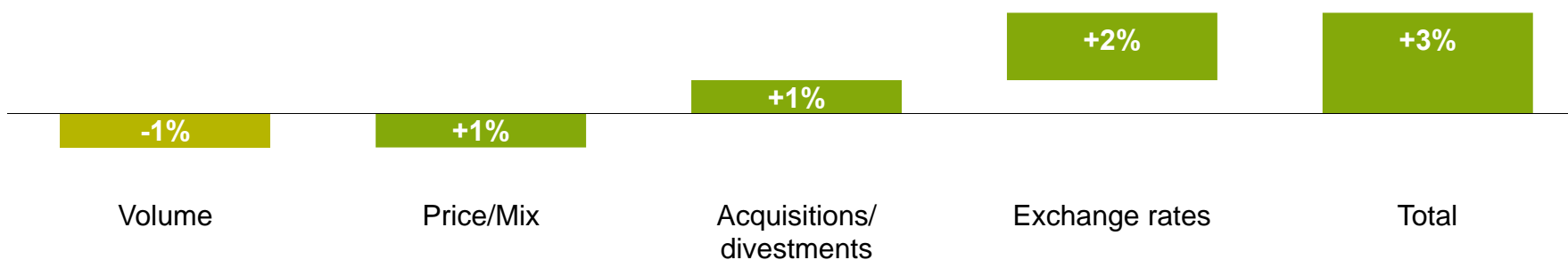
* Before incidentals

Specialty Chemicals Q4 2012 highlights

€ million	Q4 2012	Δ%
Revenue	1,320	3
EBITDA*	172	(17)

Ratio, %	Q4 2012	Q4 2011
EBITDA* margin	13.0	16.1

Revenue development Q4 2012 vs. Q4 2011



- Q4 Revenue up 3 percent supported by margin management, acquisitions and currency effects
- Q4 EBITDA* down 17 percent, mainly due to unfavorable market conditions in Functional Chemicals
- Divestment of Chemicals Pakistan completed in Q4

■ Increase
■ Decrease

* Before incidentals

Financial review
Keith Nichols

Impact of moving Decorative Paints North America to discontinued operations

<i>€ million</i>	FY 2012 reported	FY 2012 Deco NA
Revenue	15,390	1,190
EBITDA*	1,901	19
Depreciation & Amortization*	(625)	(57)
EBIT*	1,276	(38)
Incidentals	(414)	(17)
Impairment charge	(2,106)	(372)
EBIT after incidentals	(1,244)	(427)
Discontinued operations	(436)	(412)
Performance improvement program savings	238	26
Workforce at year end	50,610	4,670

* Before incidentals

Summary – Q4 2012 results

<i>€ million</i>	Q4 2012	Q4 2011
EBITDA*	363	352
Amortization and depreciation	(161)	(154)
Incidentals	(195)	(91)
Net financing expenses	(54)	(141)
Minorities and associates	(19)	(7)
Income tax	29	25
Discontinued operations	(22)	(52)
Net income total operations	(59)	(68)
Net cash from operating activities	630	256

<i>Ratio</i>	Q4 2012	Q4 2011
EBITDA* margin (%)	9.9	9.9
Adjusted earnings per share (in €)	0.50	0.34

* Before incidentals

Q4 2012 incidentals

<i>€ million</i>	Q4 2012	Q4 2011
Restructuring costs	(148)	(54)
Results related to major legal, anti-trust and environmental cases	(12)	(33)
Results of acquisitions and divestments	(34)	(11)
Other incidental results	(1)	7
Total	(195)	(91)

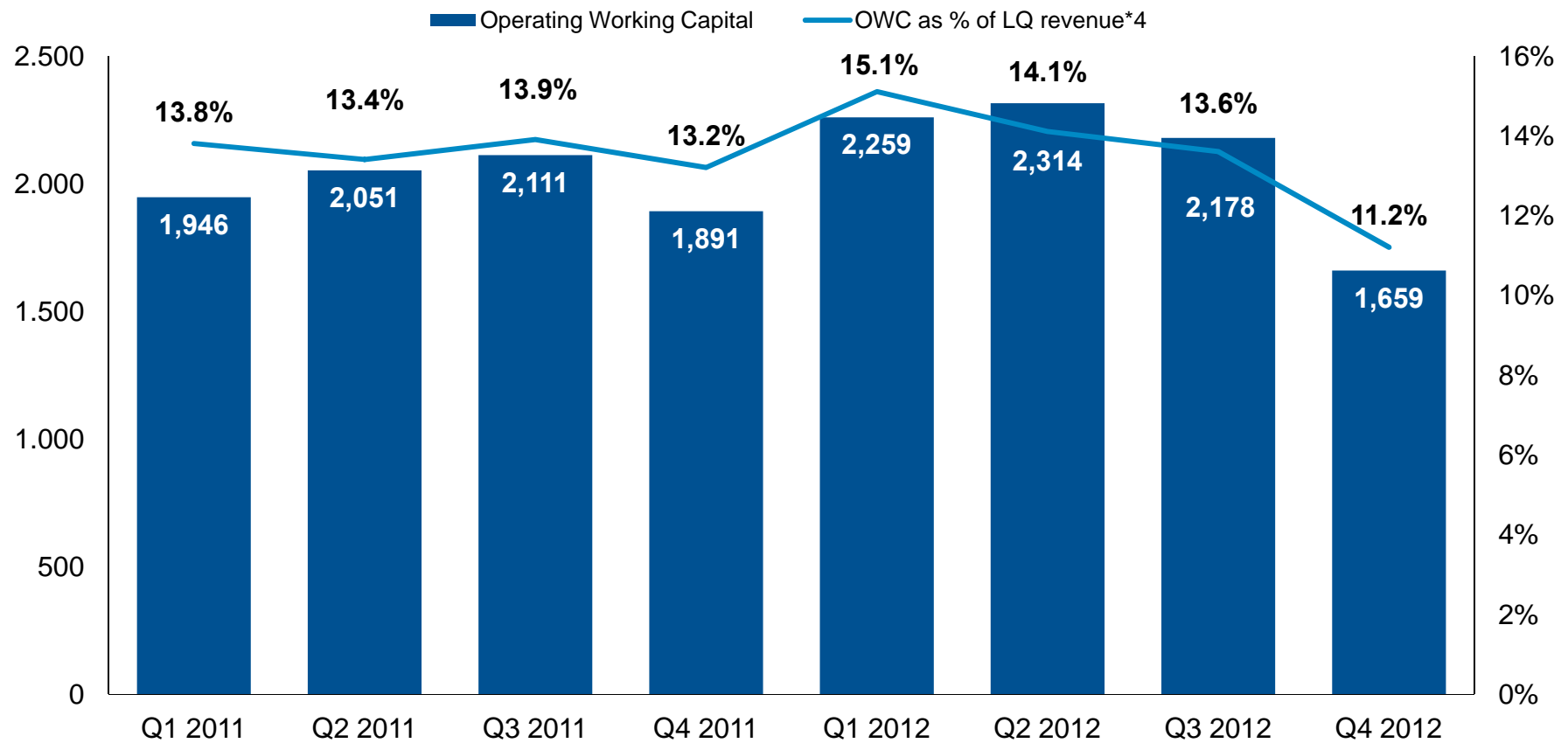
- Higher restructuring costs are the result of the implementation of our Performance Improvement Program, particularly higher restructuring costs in Decorative Paints Europe
- Results of acquisitions & divestments negatively impacted by Chemicals Pakistan divestment

Cash flows Q4 2012 clearly improved on last year

€ million	Q4 2012	Q4 2011
Profit for the period from continuing operations	(19)	(9)
Amortization, depreciation and impairments	177	160
Change working capital	469	144
• Pension provisions	(10)	(37)
• Restructuring	36	9
• Other provisions	(2)	(21)
Change provisions	24	(49)
Other changes	(21)	10
Net cash from operating activities	630	256
Capital expenditures	(330)	(242)
Acquisitions and divestments net of cash acquired	132	(169)
Changes from borrowings	(12)	80
Dividends	(67)	(81)
Other changes	(36)	(9)
Cash flows from discontinued operations	(38)	9
Total cash flows	279	(156)

Operating Working Capital % of revenue reduced towards 12%

OWC
€ million



Pension deficit increases to €1.1 billion

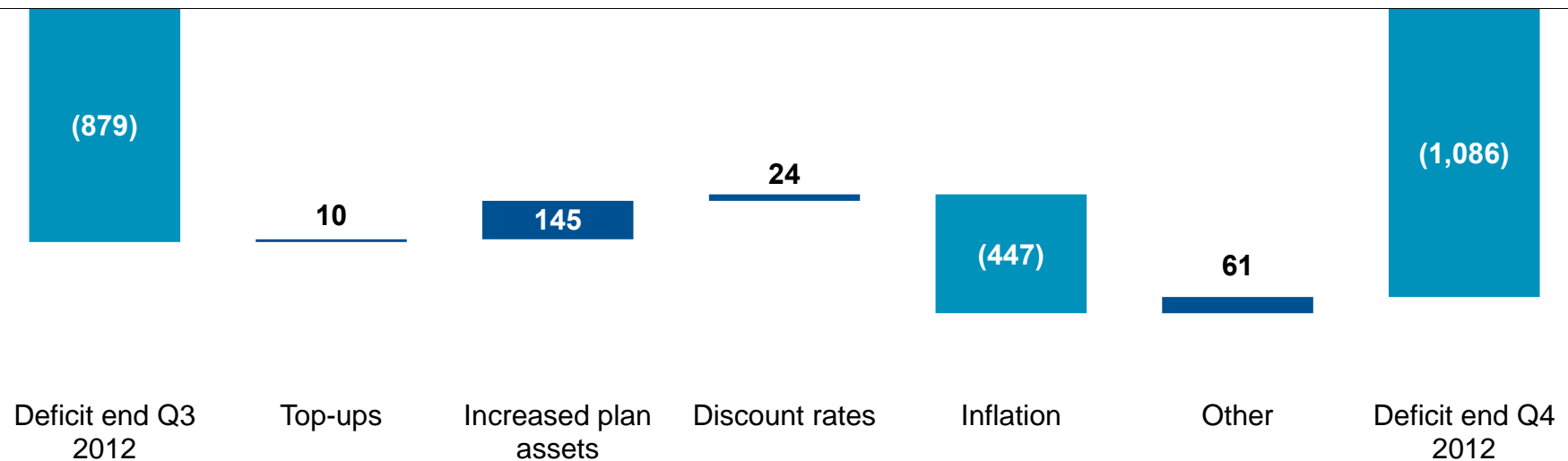
<i>Key pension metrics</i>	Q4 2012	Q3 2012
Discount rate	3.9%	3.9%
Inflation assumptions	2.4%	2.1%

Pension deficit development during Q4 2012

€ million

■ Decrease

■ Increase



Conclusion
Ton Büchner

Conclusion

- Solid fourth quarter, despite economic slowdown
- Performance improvement program targets exceeded
- Focus remains on return on capital and cash generation
- The economic environment remains challenging, especially in Europe

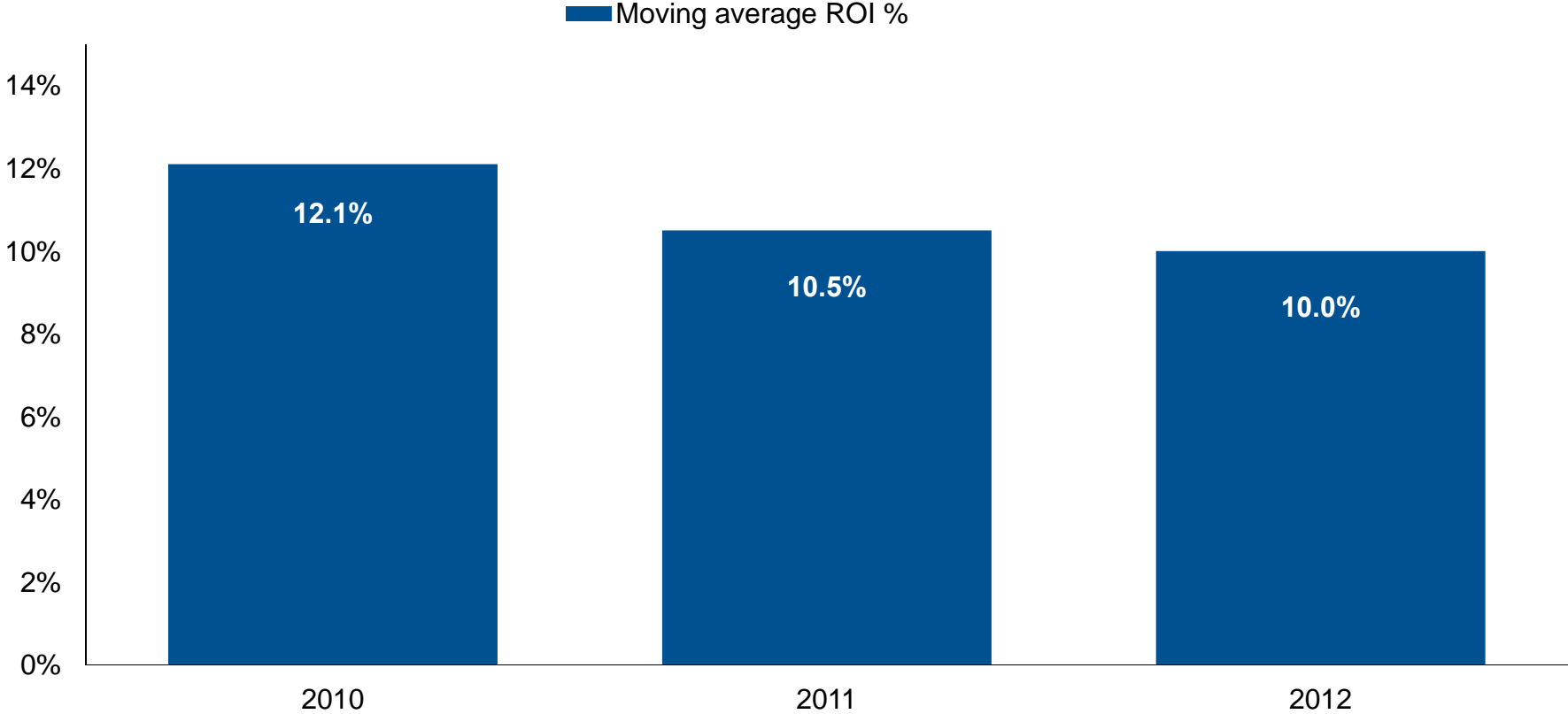
Questions

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.

Appendices

Returns on invested capital



Q4 2012 EBITDA – Cash bridge

<i>€ million</i>	Q4 2012	Q4 2011
EBITDA before incidentals	363	352
Incidentals (cash)	(134)	(65)
Change working capital	469	144
Change provisions	24	(49)
Interest paid	(62)	(65)
Income tax paid	(30)	(61)
Net cash from operating activities	630	256

- Higher cash from operating activities mainly from positive change in working capital, partially offset by higher incidentals

AkzoNobel Group restatement for Decorative Paints North America divestment

	As Reported					Restatements for NA Deco					As Reported (excluding NA Deco)						
	FY2010	FY2011	Q1-12	Q2-12	Q3-12	FY2010	FY2011	Q1-12	Q2-12	Q3-12	FY2010	FY2011	Q1-12	Q2-12	Q3-12	Q4-12	FY2012
Revenues	14.640	15.697	3.972	4.406	4.280	-1.035	-1.093	-265	-362	-314	13.605	14.604	3.707	4.044	3.966	3.673	15.390
EBITDA	1.964	1.796	423	593	540	45	38	15	-16	-17	2.009	1.834	438	577	523	363	1.901
Depreciation	-435	-451	-122	-123	-123	-	32	8	8	8	-435	-419	-114	-115	-115	-119	-463
Amortisation	-155	-170	-46	-47	-49	-	26	7	7	8	-155	-144	-39	-40	-41	-42	-162
EBIT	1.374	1.175	255	423	368	45	96	30	-1	-1	1.419	1.271	285	422	367	202	1.276
Incidentals	-155	-133	-64	-48	-2.601	16	7	12	4	372	-139	-126	-52	-44	-2.229	-195	-2.520
Operating Income	1.219	1.042	191	375	-2.233	61	103	42	3	371	1.280	1.145	233	378	-1.862	7	-1.244
Operating Income excl. impaired goodwill	1.219	1.042	191	375	245						1.280	1.145	233	378	244	7	862
Total Finance Charges	-327	-338	-65	-82	-66	-	2	-	-	-	-327	-336	-65	-82	-66	-54	-267
Associates	25	23	4	5	5	-	1	-	-	-	25	24	4	5	5	-1	13
Finance Charges & Associates	-302	-315	-61	-77	-61	-	-3	-	-	-	-302	-312	-61	-77	-61	-55	-254
Profit Before Tax	917	727	130	298	-2.294	61	106	42	3	371	978	833	172	301	-1.923	-48	-1.498
Tax	-170	-194	-46	-80	-56	-4	-39	-15	-2	-2	-174	-233	-61	-82	-58	29	-172
Minorities	-83	-64	-14	-21	-10	-	-	-	-1	1	-83	-64	-14	-22	-9	-18	-63
Discontinued Income	90	8	1	4	-22	-57	-67	-27	0	-370	33	-59	-26	4	-392	-22	-436
Net Income	754	477	71	201	-2.382	-	-	-	-	-	754	477	71	201	-2.382	-59	-2.169
Adjusted Net Income	865	680	148	266	240	47	110	14	-7	-6	912	790	162	259	234	119	774
EPS	3,23	2,04	0,30	0,85	-10,00	-	-	-	-	-	3,23	2,04	0,30	0,85	-10,00	-0,25	-9,14
Adjusted EPS	3,71	2,91	0,63	1,12	1,01	0,20	0,19	0,06	-0,03	-0,03	3,91	3,10	0,69	1,09	0,98	0,50	3,26
<i>EBITDA Margin%</i>	13,4%	11,4%	10,6%	13,5%	12,6%						14,8%	12,6%	11,8%	14,3%	13,2%	9,9%	12,4%
<i>EBIT Margin %</i>	9,4%	7,5%	6,4%	9,6%	8,6%						10,4%	8,7%	7,7%	10,4%	9,3%	5,5%	8,3%
<i>Return on Sales %</i>	8,3%	6,6%	4,8%	8,5%	-52,2%						9,4%	7,8%	6,3%	9,3%	-46,9%	0,2%	-8,1%
<i>Return on Sales % (excl. impaired goodwill)</i>	8,3%	6,6%	4,8%	8,5%	5,7%						9,4%	7,8%	6,3%	9,3%	6,2%	0,2%	5,6%
<i>Moving Average ROI%</i>	10,8%	8,9%	8,4%	8,3%	8,3%						12,1%	10,5%	10,2%	9,9%	9,7%	10,0%	10,0%
<i>Moving Average ROI% (excl. impaired goodwill)</i>																	
Capex	534	708	143	173	198	-42	-50	-8	-7	-3	492	658	135	166	195	330	826
Invested Capital average (12M)	12.837	13.164	13.530	13.976	14.170	-1.116	-1.076	-1.083	-1.094	-1.063	11.721	12.088	12.447	12.882	13.107	12.781	12.781
Invested Capital average (12M) (excl. impaired goodwill)																	
OWC	2.016	2.079	2.502	2.537	2.391	-177	-188	-243	-223	-213	1.839	1.891	2.259	2.314	2.178	1.659	1.659
OWC%	13,9%	14,4%	15,6%	14,2%	13,9%						13,5%	13,2%	15,1%	14,1%	13,6%	11,2%	11,2%

Decorative Paints restatement for Decorative Paints North America divestment

	As Reported					Restatements for NA Deco					As Reported (excluding NA Deco)						
	FY2010	FY2011	Q1-12	Q2-12	Q3-12	FY2010	FY2011	Q1-12	Q2-12	Q3-12	FY2010	FY2011	Q1-12	Q2-12	Q3-12	Q4-12	FY2012
Revenues	4.968	5.296	1.242	1.551	1.456	-1.035	-1.095	-268	-364	-315	3.933	4.201	974	1.187	1.141	995	4.297
EBITDA	548	440	76	175	147	45	39	14	-17	-17	593	479	90	158	130	47	425
Depreciation	-124	-126	-33	-34	-35	-	35	6	8	9	-124	-91	-27	-26	-26	-27	-106
Amortisation	-81	-84	-24	-24	-25	-	23	8	7	7	-81	-61	-16	-17	-18	-19	-70
EBIT	343	230	19	117	87	45	97	28	-2	-1	388	327	47	115	86	1	249
Incidentals	-68	-93	-34	-7	-2.516	16	1	12	4	372	-52	-92	-22	-3	-2.144	-92	-2.261
Operating Income	275	137	-15	110	-2.429	61	98	40	2	371	336	235	25	112	-2.058	-91	-2.012
Operating Income excl. impaired goodwill	275	137	-15	110	49						336	235	25	112	48	-91	94
<i>EBITDA Margin %</i>	11,0%	8,3%	6,1%	11,3%	10,1%						15,1%	11,4%	9,2%	13,3%	11,4%	4,7%	9,9%
<i>EBIT Margin %</i>	6,9%	4,3%	1,5%	7,5%	6,0%						9,9%	7,8%	4,8%	9,7%	7,5%	0,1%	5,8%
<i>Return on Sales %</i>	5,5%	2,6%	-1,2%	7,1%	-166,8%						8,5%	5,6%	2,6%	9,4%	-180,4%	-9,1%	-46,8%
<i>Return on Sales % (excl. impaired goodwill)</i>	5,5%	2,6%	-1,2%	7,1%	3,4%						8,5%	5,6%	2,6%	9,4%	4,2%	-9,1%	2,2%
<i>Moving average ROI %</i>	5,2%	3,5%	3,1%	2,7%	2,6%						7,2%	5,9%	5,9%	5,2%	4,7%	4,8%	4,8%
<i>Moving Average ROI% (excl. impaired goodwill)</i>																	
Capex	154	204	37	48	37	-27	-49	-8	-7	7	127	155	29	41	44	92	206
Invested Capital average (12M)	6.523	6.606	6.727	6.861	6.751	-1.116	-1.106	-1.113	-1.123	-1.093	5.407	5.500	5.614	5.738	5.658	5.151	5.151
Invested Capital average (12M) (excl. impaired goodwill)																	
OWC	651	622	896	883	800	-177	-188	-242	-223	-213	474	434	654	661	587	353	353
OWC %	14,3%	14,7%	18,0%	14,2%	13,7%						12,7%	11,2%	16,8%	13,9%	12,9%	8,9%	8,9%
Number of Employees	21.950	22.340	22.090	22.200	21.960	-5.085	-5.220	-4.770	-4.770	-4.740	16.865	17.120	17.320	17.430	17.220	17.020	17.020

Other Activities restatement for Decorative Paints North America divestment

	As Reported					Restatements for NA Deco					As Reported (excluding NA Deco)						
	FY2010	FY2011	Q1-12	Q2-12	Q3-12	FY2010	FY2011	Q1-12	Q2-12	Q3-12	FY2010	FY2011	Q1-12	Q2-12	Q3-12	Q4-12	FY2012
Revenues	-57	-104	-38	-48	-36	-	2	3	2	1	-57	-102	-35	-46	-35	-36	-152
EBITDA	-170	-161	-52	-50	-36	-	-1	1	1	-	-170	-162	-51	-49	-36	-46	-182
Depreciation	-16	-11	-5	-1	-3	-	-3	2	-	-1	-16	-14	-3	-1	-4	-3	-11
Amortisation	-2	-3	-	-	-1	-	3	-1	-	1	-2	-	-1	-	-	-	-1
EBIT	-188	-175	-57	-51	-40	-	-1	2	1	-	-188	-176	-55	-50	-40	-49	-194
Incidentals	41	-	-4	-9	-27	-	6	-	-	-	41	6	-4	-9	-27	-40	-80
Operating Income	-147	-175	-61	-60	-67	-	5	2	1	-	-147	-170	-59	-59	-67	-89	-274
Capex	20	23	1	5	13	-15	-1	0	-	-10	5	22	1	5	3	4	13