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**March 2009**

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## **Credit investor update**



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# Agenda

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1. AkzoNobel at a glance
  2. Outlook and medium term targets
  3. Financial and credit profile
  4. Appendix
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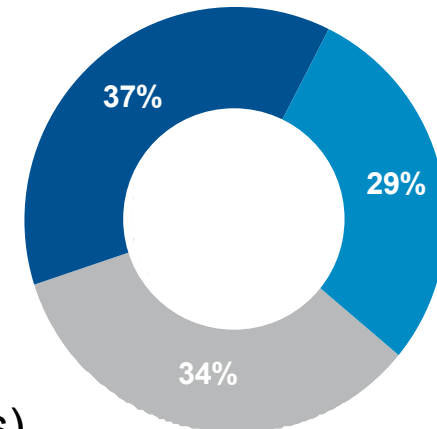
## AkzoNobel Key facts

### 2008

- Revenue €15.4 billion
- Around 60,000 employees
- ICI integration ahead of schedule
- EBITDA: €1.9 billion<sup>1</sup>
- EBIT: €1.4 billion<sup>1</sup>
- Net income: (€1.1) billion<sup>2</sup>
- Ratings: BBB+ (S&P) and Baa1 (Moody's)

### Revenue by segment

- Decorative Paints
- Specialty Chemicals
- Performance Coatings



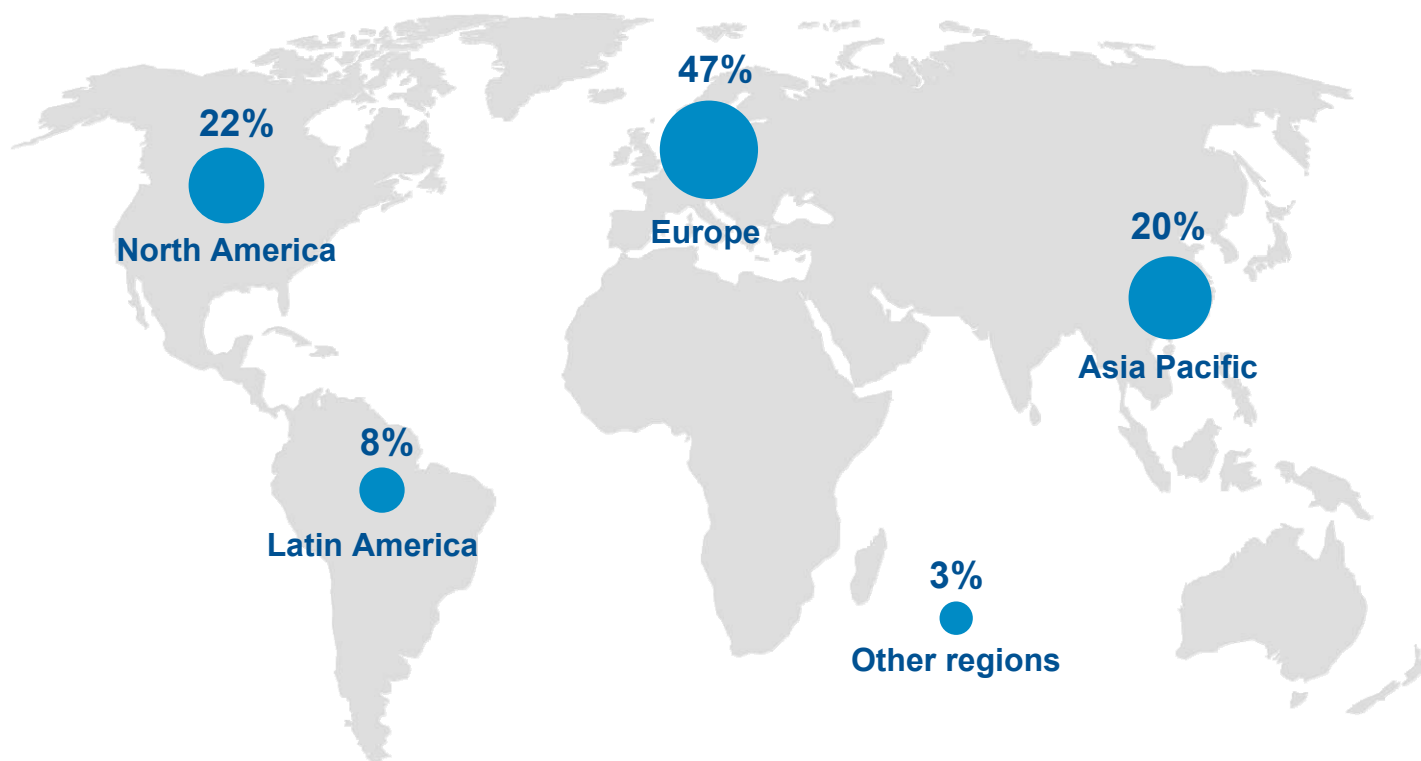
<sup>1</sup>Before incidentals

<sup>2</sup>Including impairment of ICI intangibles of €1.2 billion after tax and incidental charges of €0.6 billion



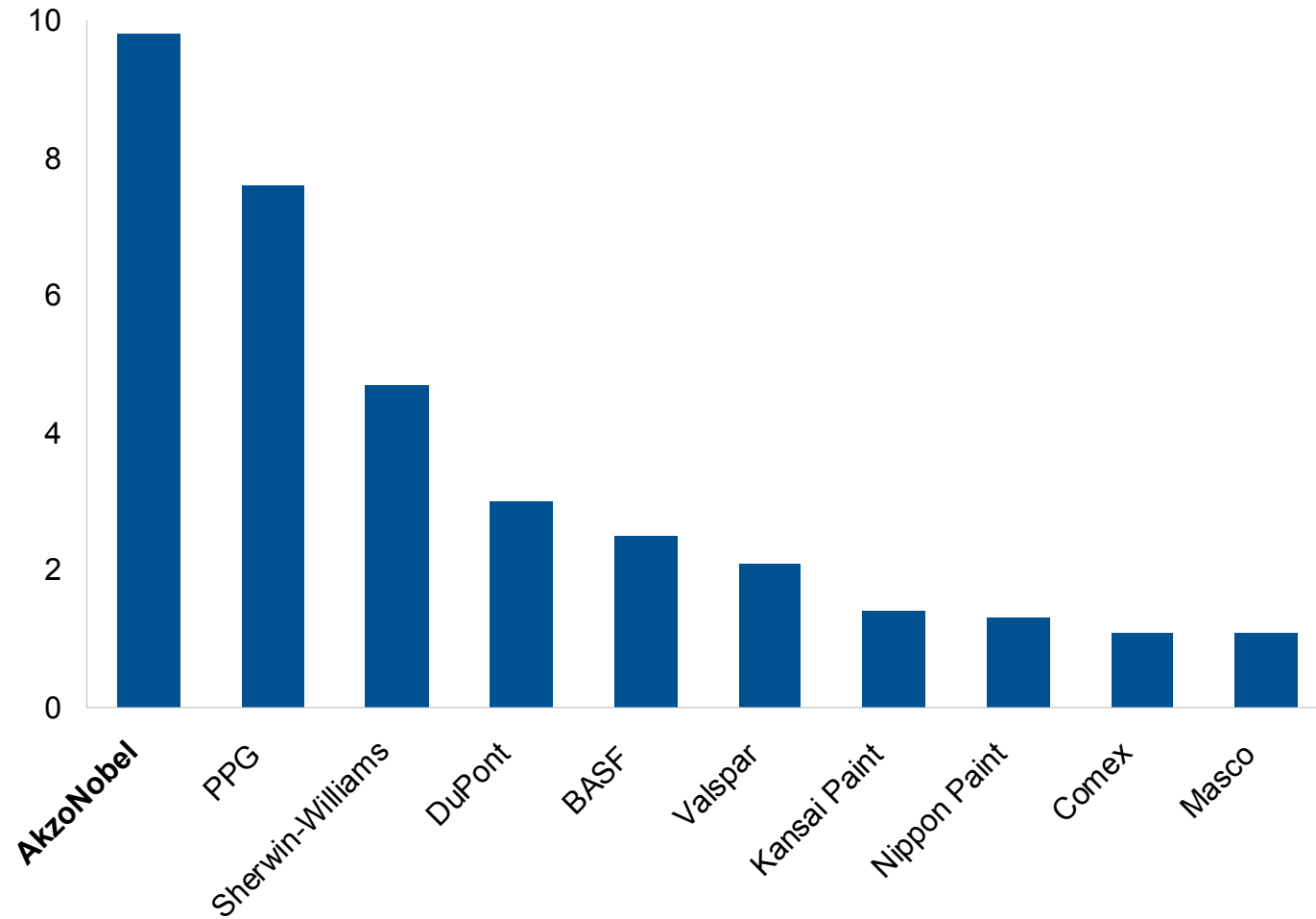
## Excellent regional diversification

% of 2008 revenue



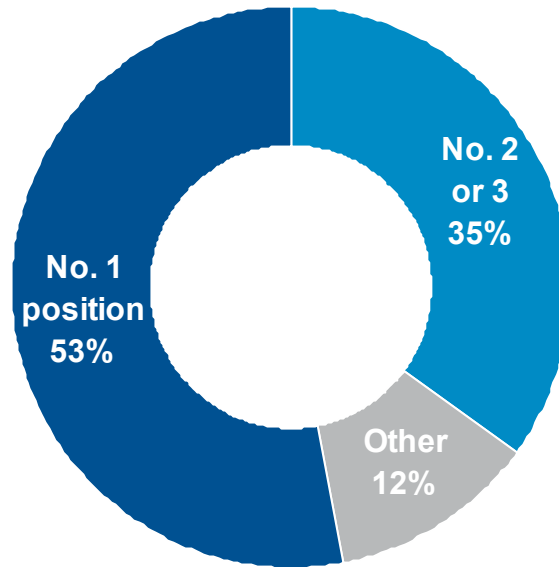
# AkzoNobel is the world's largest Coatings supplier

€ billion, 2007 pro forma

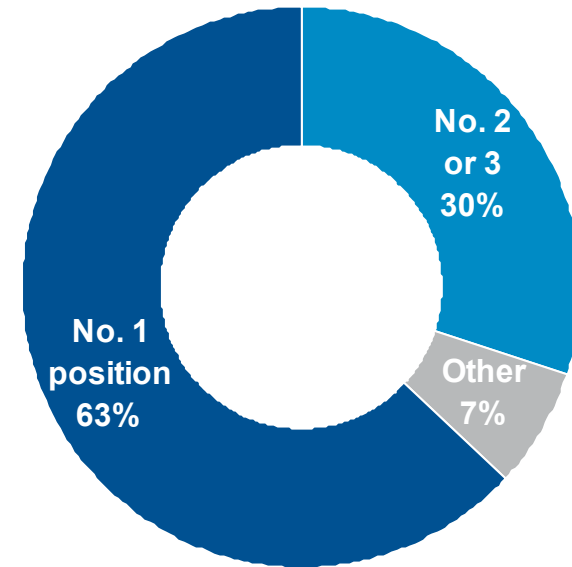


# Leadership positions are more profitable positions

Revenue



EBIT



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

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### Biggest brands, per business area

% of revenue, 2007 pro forma

**eka**

18% of Specialty Chemicals

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**International**

23% of Performance Coatings

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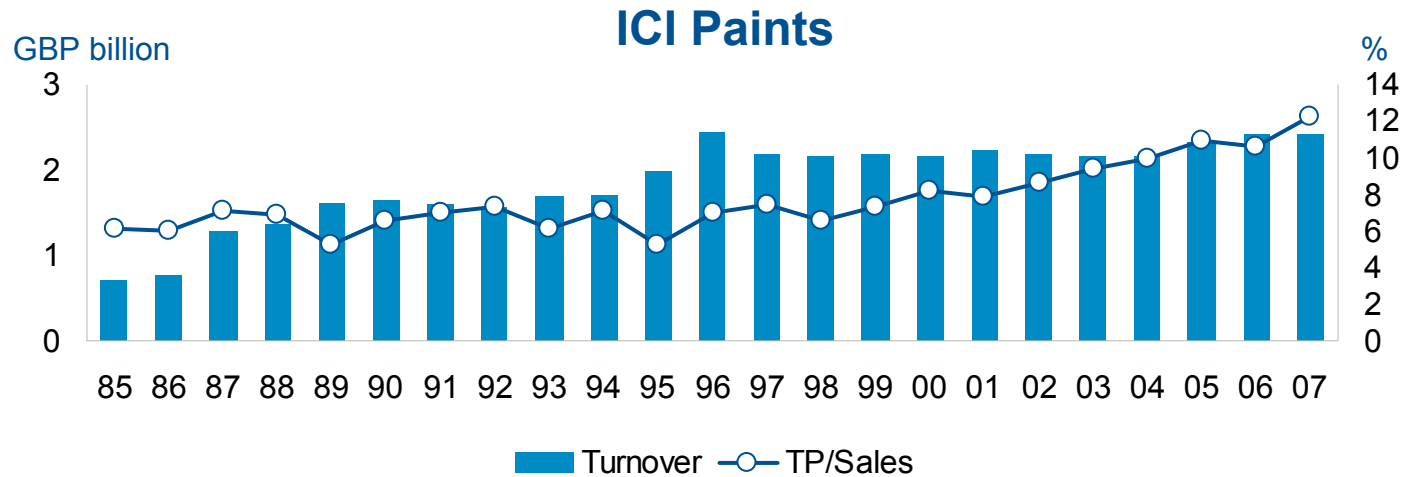
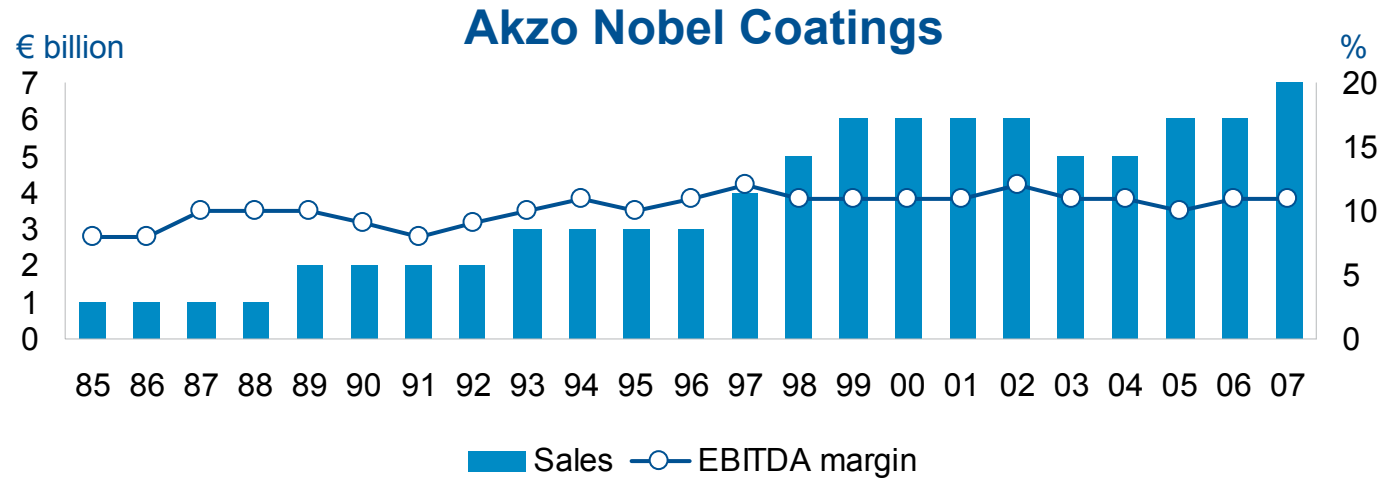
**Dulux**

25% of Decorative Paints

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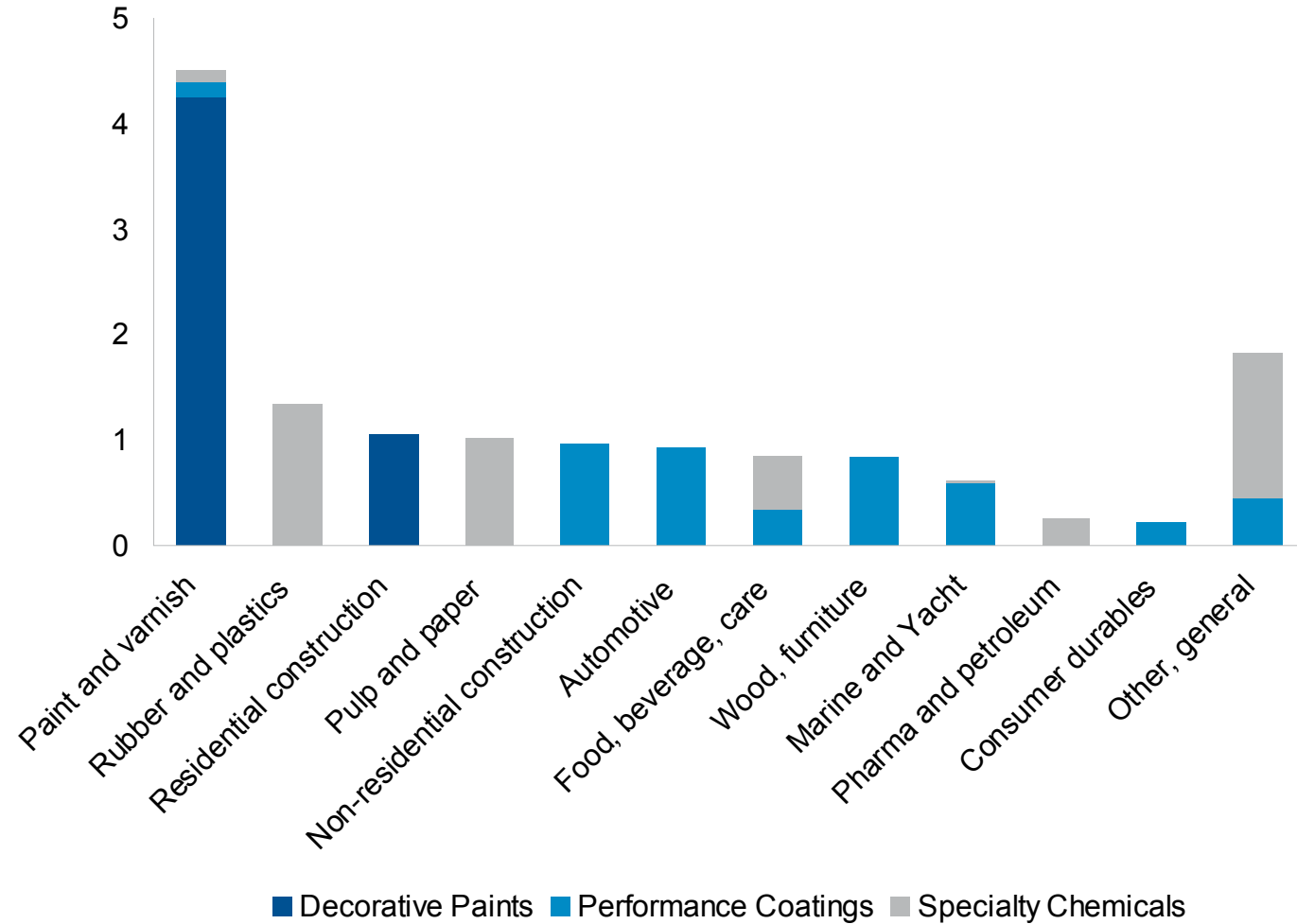


# Resilient Coatings margins



# We serve many sectors, creating stability

€ billion, 2007 pro forma



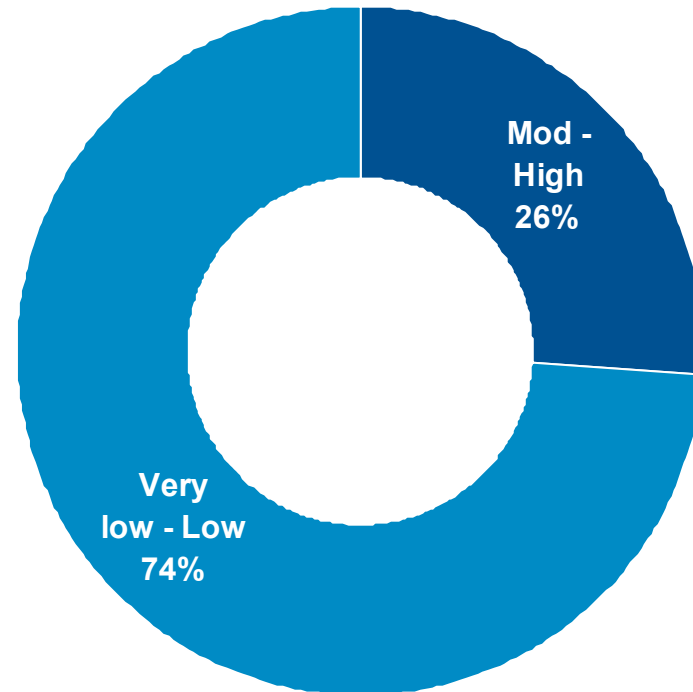
## Relative low end market cyclicality

### 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

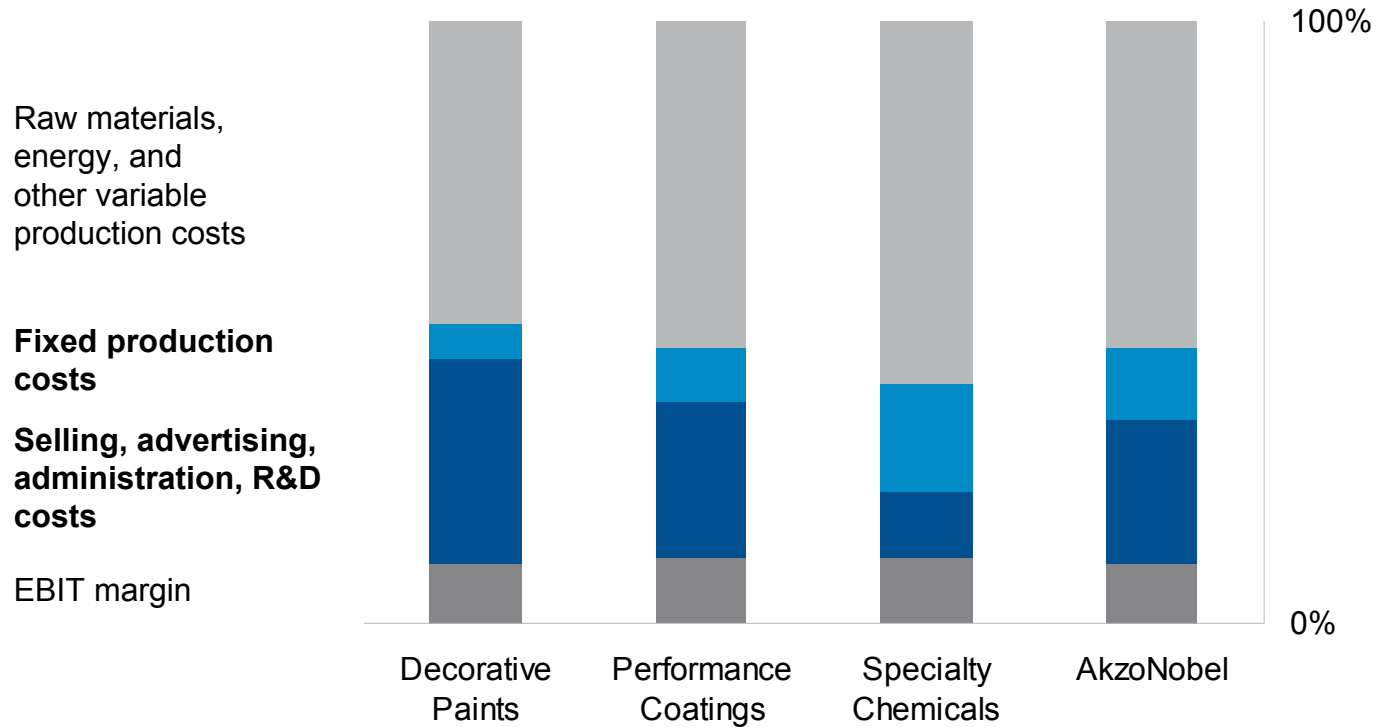


Source: Oxford Economics 1980-2007 cyclicality analysis



# Low fixed costs as a percentage of revenue

% of revenue, indicative



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# Outlook and medium-term targets

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## Outlook and medium term targets

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- Global market conditions and lack of visibility do not allow certainty. We expect **2009** to be very challenging.

Nevertheless, we remain focused on:

- working towards our medium-term target of an **EBITDA margin of 14 percent** by the end of 2011
- delivering the €340 million **ICI synergies** faster
- driving **margin management** programs across the company
- rigorous **cost** management
- remaining a leader in **sustainability** (top 3 DJ Sustainability Index)
- safeguarding our strong **investment grade** profile



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# Financial and credit profile

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## Strong balance sheet maintained after share buy back and impairment

€ million	<b>Dec 31, 2008</b>	<b>Dec 31, 2007<sup>1</sup></b>
Equity	7,913	12,091
Net debt	2,084	2,910
Pension deficit	988	1,510

€ million	<b>2008</b>	<b>2007</b>
Net cash from operating activities	91	643

- Equity impacted by share buyback, impairments and currency translation
- Net debt and pension deficit reduced
- Net cash impacted by pension top-ups and expenditures for working capital



<sup>1</sup> Pro forma

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## Pro-active pension risk management

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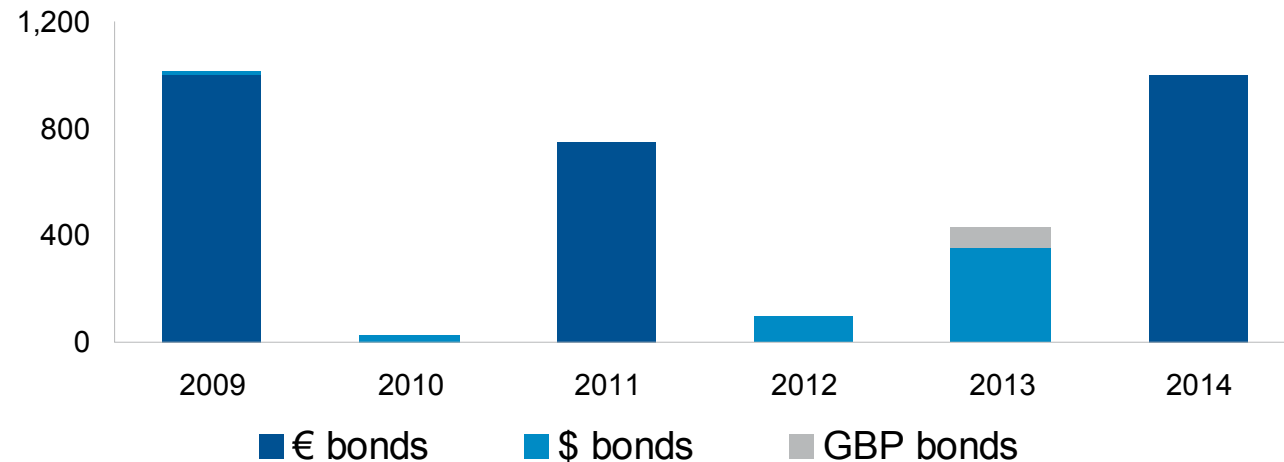
- 2004 pro forma (including ICI) pension under funding was around €4 billion
- End-2008 pension under funding €988 million
- Committed to further de-risk over time
- Defined Benefits closed to new entrants, major plans closed in 2001 (ICI) and 2004 (Akzo Nobel)
- ICI top-ups expected to continue at current level
- €115 million higher non-cash P&L charge in 2009 - due to decrease in plan assets value



## Strong liquidity headroom

**€1.0 billion debt maturing in May 2009**

Debt maturity, € million



**Objective is to lengthen the duration of the debt book**

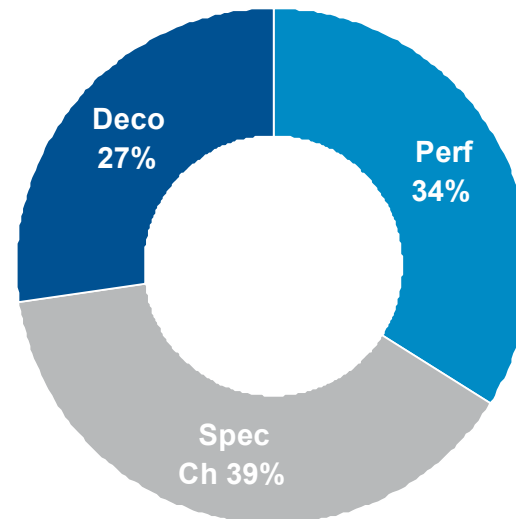
- Cash and cash equivalents at year-end 2008: €1.6 billion
- Undrawn revolving credit facility of €1.5 billion available (2013)
- Commercial paper program of \$1 billion and €1.5 billion



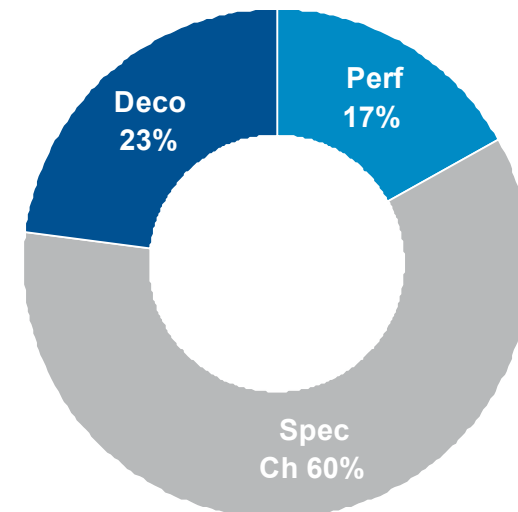
## Increased focus on capital efficiency

- Capex 2008 was expected to be €550 - 600 million (incl. Ningbo €95 million), actual spend €534 million
- 2008 equally split between “growth” and “maintenance” Capex
- Capex 2009 expected to be around €475 million (incl. Ningbo €125 million)
- Working capital improvement targets and incentives in place

**OWC split at year-end 2008**



**2008 Capex split**



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## Dividend maintained, share buy back not completed

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### Dividend 2008

- Proposed dividend 2008 is €1.80 per share – payout ratio of 48%
- Interim dividend of €0.40 and final dividend of €1.40

### Dividend policy

- Pay-out ratio remains minimum of 45% of net income from total operations before incidentals and fair value adjustments related to the ICI acquisition

### Share Buy Back

- 2008 €1.4 billion or 12% of outstanding shares cancelled
- Share buy back not completed - prudent liquidity management
- Outstanding number of common shares per year- end 2008: 231.7 million



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## Ratings

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**AkzoNobel** is committed to maintaining a strong investment grade rating

**Standard & Poor's** BBB+ (negative outlook):

*Rating affirmed on February 25, 2009*

- Downgrade reflects uncertain future economic conditions
- AkzoNobel continues to benefit from its business position

**Moody's** Baa1 (negative outlook):

*Rating affirmed on March 16, 2009*

- Downgrade reflects changed growth assumptions
- The rating continues to reflect the company's global reach and leadership positions

*Please note that the Fitch rating is unsolicited*



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## Summary credit profile

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- World largest Coatings Company
- Well diversified by regions and end markets
- Relatively low end market cyclicality
- Strong brand names
- Strong cash flow
- ICI integration ahead of schedule
- Low fixed costs as a percentage of revenue
- Conservative financial policy with significant liquidity headroom
- Working capital management enhanced
- No over-exposure to volatility of financial markets
- Continue to deal proactively with pension deficits
- Committed to maintaining strong investment grade profile



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# Appendix

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## Full year 2008 and Q4 highlights

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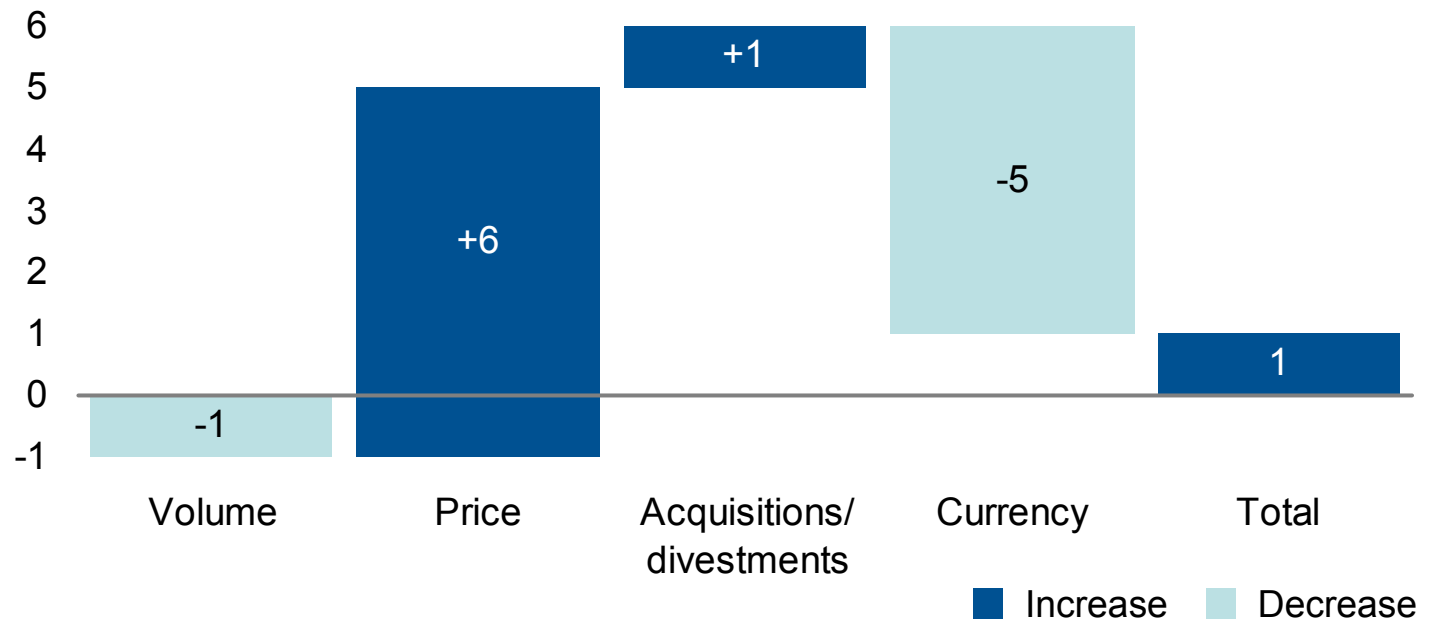
- Full year revenues above last year
- Full year EBITDA before incidentals and National Starch, in constant currencies, in-line with guidance
- Significant slowdown in most markets towards year-end
- Effective margin management offset raw material price increases
- ICI integration remains ahead of schedule
- Market conditions caused impairment charge
- Additional restructuring in progress
- Dividend maintained
- Share Buy Back program not completed



## Full year 2008 revenue: Effective margin management offset currency impact

€ mln	2008	Δ%
Revenue constant currencies	16,202	6
Revenue reported	15,415	1

Total revenue growth 2008 vs. 2007 pro forma



## Full year 2008 results: resilient performance

<b>€ mln</b>	<b>2008</b>	<b>Δ%</b>
EBITDA constant currencies (excl National Starch)*	1,841	(2)
EBITDA constant currencies*	1,987	(1)
EBITDA reported*	1,878	(7)
Net income from continuing operations*	742	(14)
Net income/(loss) from total operations after incidentals	(1,086)	

<b>Ratio</b>	<b>2008</b>	<b>2007</b>
EBITDA margin reported (%)*	12.2	13.2
Earnings per share (in €)*	3.00	3.11

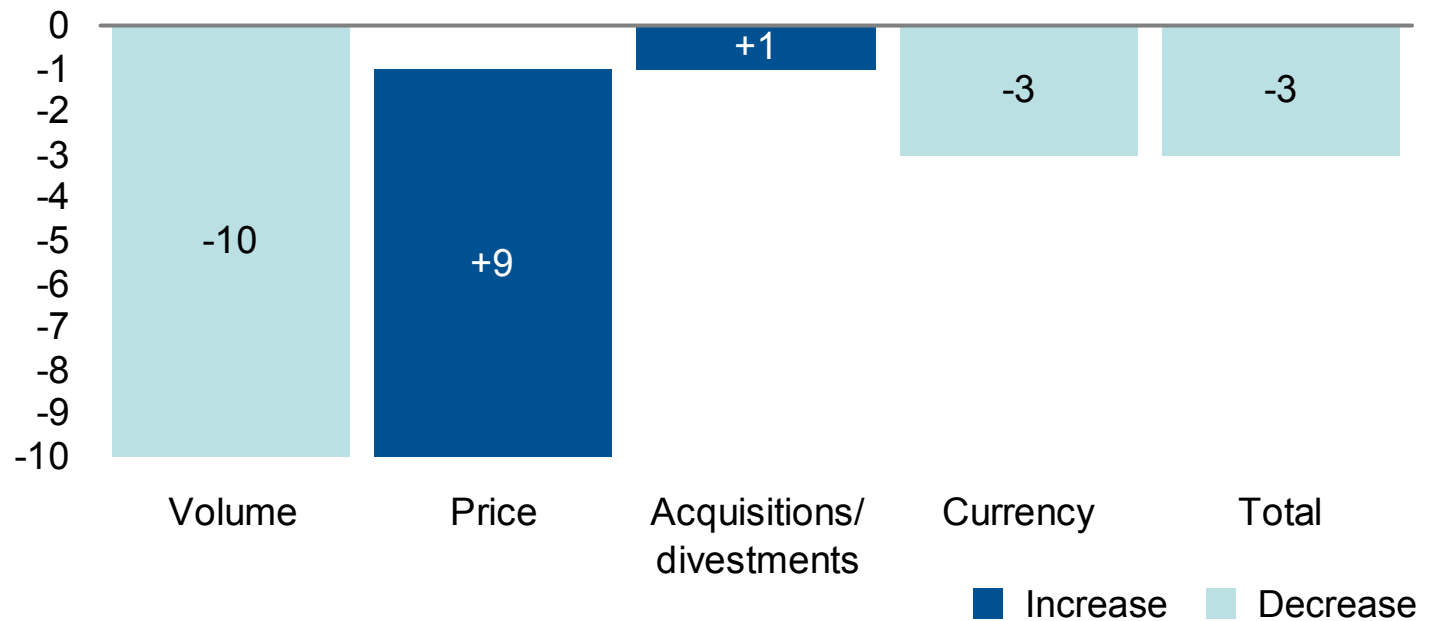
\*Continuing operations before incidentals; 2007 pro forma



## Q4 revenue: Effective margin management offset by volume decline

€ mln	2008	Δ%
Revenue constant currencies	3,669	-
Revenue reported	3,561	(3)

Total revenue growth Q4 2008 vs. Q4 2007 pro forma



## Q4 results: slowdown evident

<b>€ mln</b>	<b>2008</b>	<b>Δ%</b>
EBITDA constant currencies (excl National Starch)*	356	(13)
EBITDA constant currencies*	391	(12)
EBITDA reported*	368	(17)
Net income from continuing operations*	121	(38)
Net income/(loss) from total operations after incidentals	(1,486)	

<b>Ratio</b>	<b>2008</b>	<b>2007</b>
EBITDA margin reported (%)*	10.3	12.1
Earnings per share (in €)*	0.52	0.75

\*Continuing operations before incidentals; 2007 pro forma



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## Q4 other costs and incidental charges

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**Other costs** in EBITDA of €19 million (2007: €33 million),  
mainly corporate and technology costs

**Incidental charges** of €1,562 million ( 2007: €192 million)  
include:

- €1,275 million impairment charges
- €205 million restructuring costs
- €25 million transformation costs related to the ICI integration



## Restructuring and ICI integration at an advanced stage

<i>Full year 2008</i>	ICI integration	Additional restructuring	Total
Net FTE reductions*	566	1,094	1,660
Cash Costs (€ million)	77	79	156
Annualized savings (€ million)	97	37	134

### We will continue to pursue efficiency improvements:

- Site rationalization and in-plant productivity improvement
- Further reduction of overhead cost and third party spend
- 2009 salary freeze for the Board of Management, more than 500 executives, and where possible for most other employees.

\* The gross number of 2657 was offset by new hires of 997, mainly in emerging markets



## Operational review Decorative Paints



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## Decorative Paints: Margin management compensated for volume decline

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- Revenue in Europe in 2008, in constant currencies, stable
- Significant cost reduction in Europe
- UK market share holding up
- US revenue declined by 9 percent due to recessionary market conditions
- Asia delivered double-digit constant currency revenue growth in 2008; in Q4 volumes declined, compensated by margin management
- A year marked with restructuring, integration and margin management

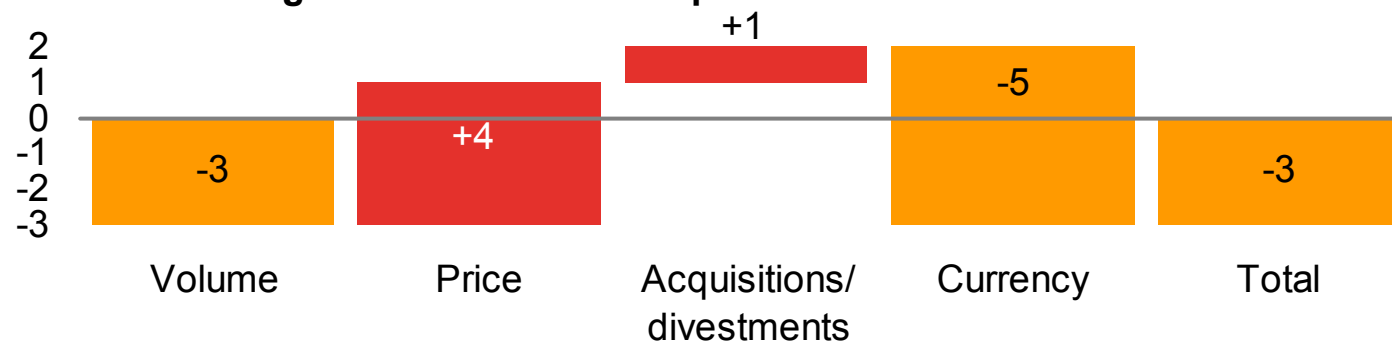


## Decorative Paints full year 2008: resilient performance

€ mln	2008	Δ%
Revenue constant currencies	5,385	2
Revenue reported	5,118	(3)
EBITDA constant currencies	628	–
EBITDA reported	593	(6)

Ratio, %	2008	2007
EBITDA margin reported	11.6	11.9

Total revenue growth 2008 vs. 2007 pro forma



Before incidentals; 2007 pro forma

■ Increase ■ Decrease

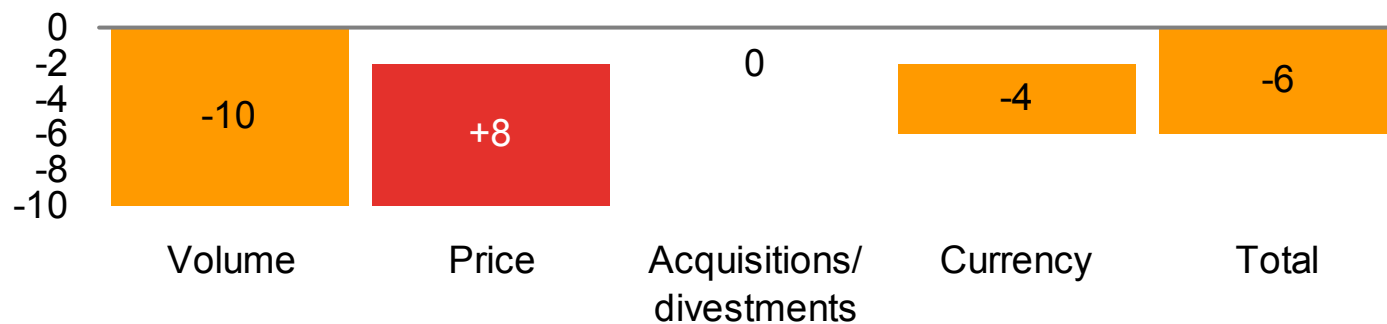


## Decorative Paints Q4: lower volumes impact profitability

€ mln	Q4 2008	Δ%
Revenue constant currencies	1,179	(2)
Revenue reported	1,128	(6)
EBITDA constant currencies	101	(20)
EBITDA reported	89	(29)

Ratio, %	Q4 2008	Q4 2007
EBITDA margin reported	7.9	10.5

### Total revenue growth Q4 2008 vs. Q4 2007 pro forma



Before incidentals; 2007 pro forma

■ Increase ■ Decrease





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## Performance Coatings: a mixed year

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- Full year and Q4: continued strong performance at Marine & Protective Coatings
- Global economic downturn had greater impact on trading levels in Industrial Activities as the year developed
- Volumes at Car Refinishes close to 2007
- Stable year for Packaging Coatings
- Multiple cost saving projects are aligning our cost structure to the changed market environment

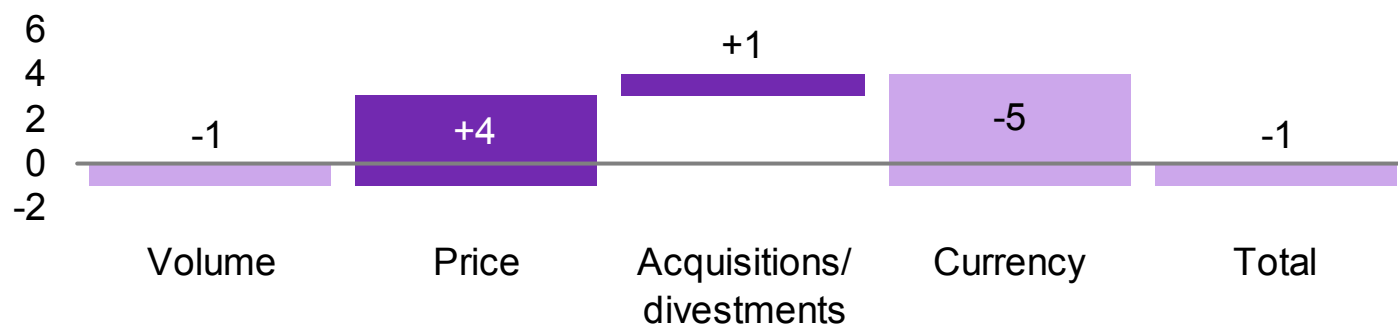


## Performance Coatings full year 2008: stable results

€ mln	2008	Δ%
Revenue constant currencies	4,691	4
Revenue reported	4,463	(1)
EBITDA constant currencies	566	–
EBITDA reported	546	(4)

Ratio, %	2008	2007
EBITDA margin reported	12.2	12.6

### Total revenue growth 2008 vs. 2007 pro forma



Before incidentals; 2007 pro forma

■ Increase ■ Decrease

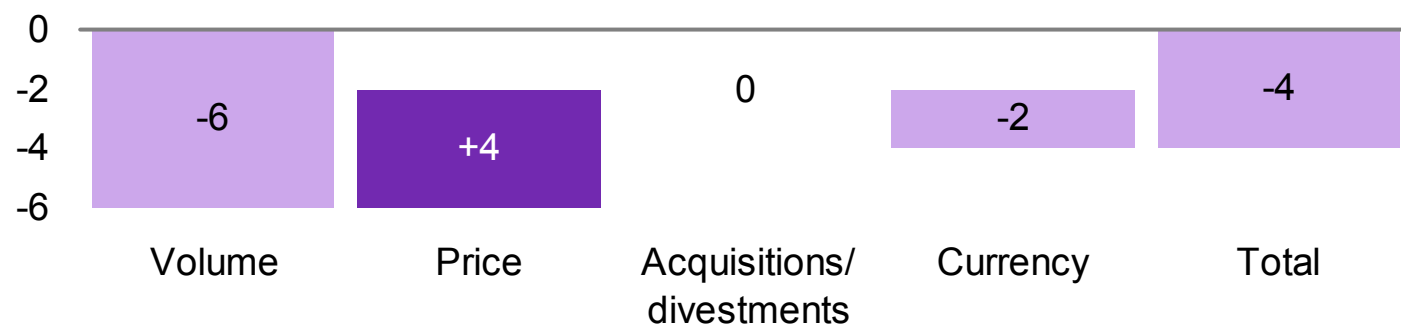


## Performance Coatings Q4: weaker

€ mln	Q4 2008	Δ%
Revenue constant currencies	1,077	(2)
Revenue reported	1,054	(4)
EBITDA constant currencies	116	(15)
EBITDA reported	115	(16)

Ratio, %	Q4 2008	Q4 2007
EBITDA margin reported	10.9	12.5

### Total revenue growth Q4 2008 vs. Q4 2007 pro forma



Before incidentals; 2007 pro forma

■ Increase ■ Decrease





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## Specialty Chemicals: solid performance, but volume declined in Q4

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- Solid performance for 2008, volume declined in Q4
- Demand weakness in Polymer Chemicals and a significant decline in results for the Pakistan PTA business
- Functional Chemicals finished behind 2007 as demand softened in Q4 and sulfur prices declined sharply
- Industrial Chemicals and National Starch repeated their strong performance of 2007
- Diverse markets and effective margin management led to improved performance at Surface Chemistry

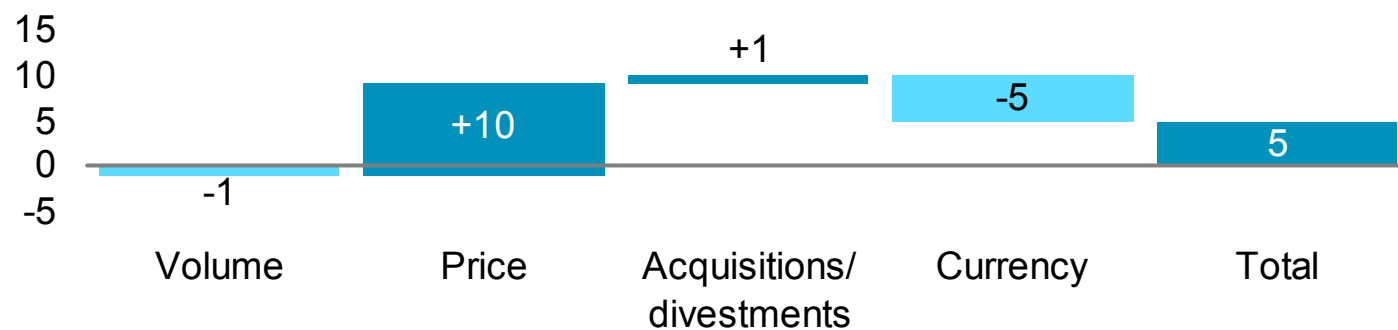


## Specialty Chemicals full year 2008: solid performance but volume declined

€ mln	2008	Δ%
Revenue constant currencies	5,964	10
Revenue reported	5,687	5
EBITDA constant currencies	951	3
EBITDA reported	891	(4)

Ratio, %	2008	2007
EBITDA margin reported	15.7	17.2

Total revenue growth 2008 vs. 2007 pro forma



Before incidentals; 2007 pro forma

■ Increase ■ Decrease

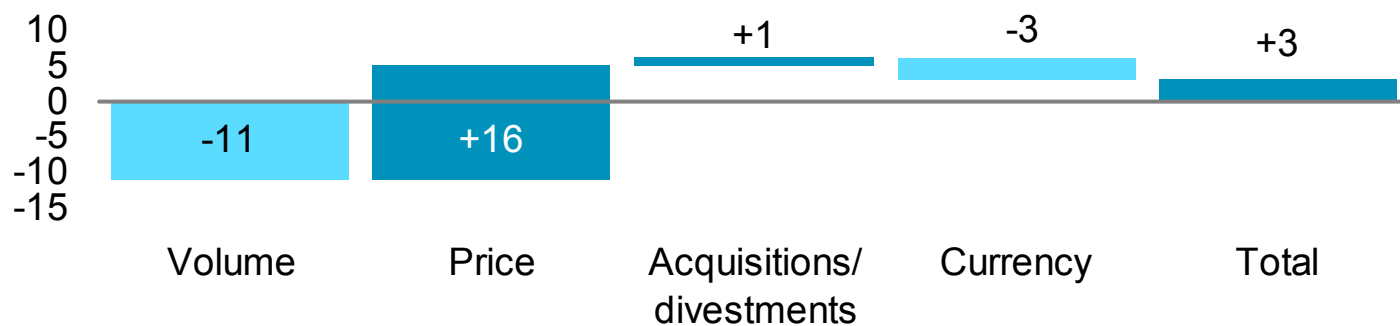


## Specialty Chemicals Q4: volume down

€ mln	Q4 2008	Δ%
Revenue constant currencies	1,438	6
Revenue reported	1,399	3
EBITDA constant currencies	195	(9)
EBITDA reported	183	(14)

Ratio, %	Q4 2008	Q4 2007
EBITDA margin reported	13.1	15.8

### Total revenue growth Q4 2008 vs. Q4 2007 pro forma



Before incidentals; 2007 pro forma

■ Increase ■ Decrease



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## Managing Corporate and financial costs

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- **Tax rate** expected to be around 27 - 28% through 2011
- Besides corporate costs, the “**other**” line includes pensions, IAS 39 fair value adjustments, captive insurance costs, corporate technology and costs of country offices.
- 2009 reporting will **improve transparency** on the “other” line
- **Corporate cost** reduction targets in place



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## Safe Harbor Statement

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*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).*

