
July 29, 2009

Q2 2009 results – Investor update



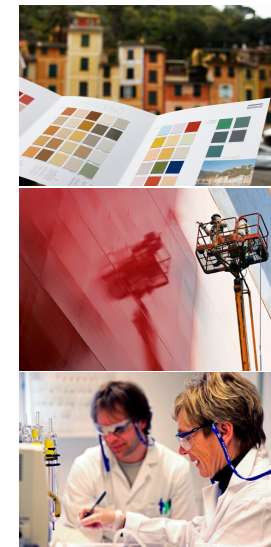
Agenda

1. AkzoNobel at a glance
 2. Strategic ambitions and action plans
 3. Q2 Highlights and operational review
 4. Q2 Financial review
 5. Outlook and medium term targets
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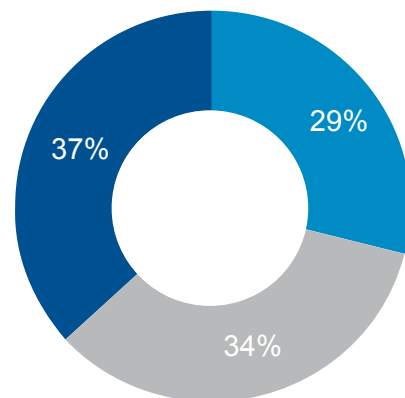
AkzoNobel key facts

2008

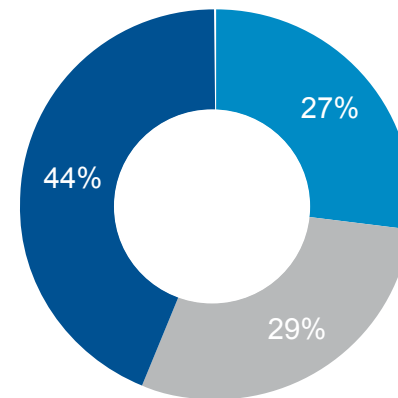
- Revenue €15.4 billion
- 61,300 employees
- EBITDA: €1.9 billion¹
- EBIT: €1.4 billion¹
- Credit ratings: BBB+ (S&P) and Baa1 (Moody's)



Revenue by business area



EBITDA¹ by business area



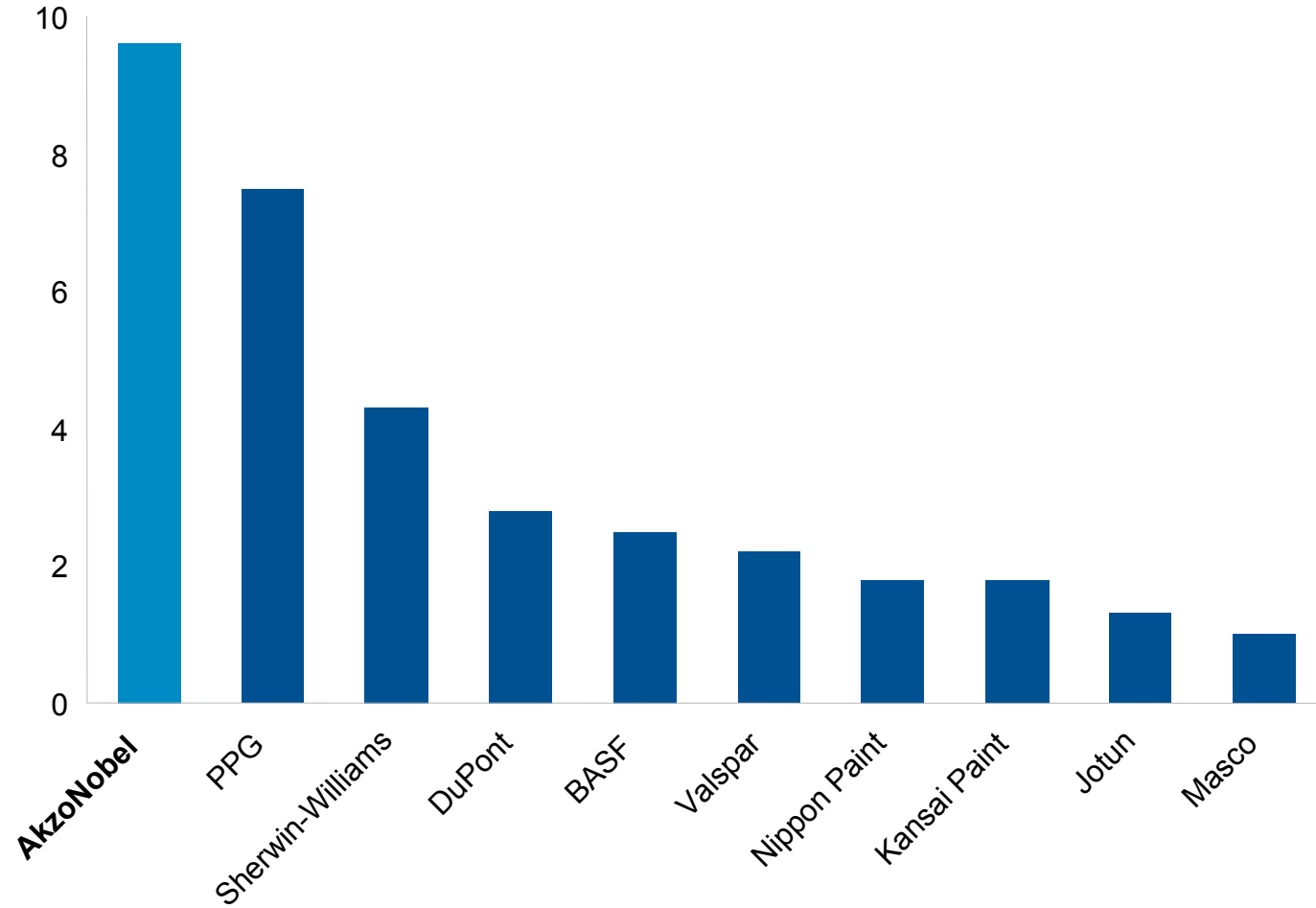
- Performance Coatings
- Decorative Paints
- Specialty Chemicals



1. Before incidentals

AkzoNobel is the world's largest Coatings supplier

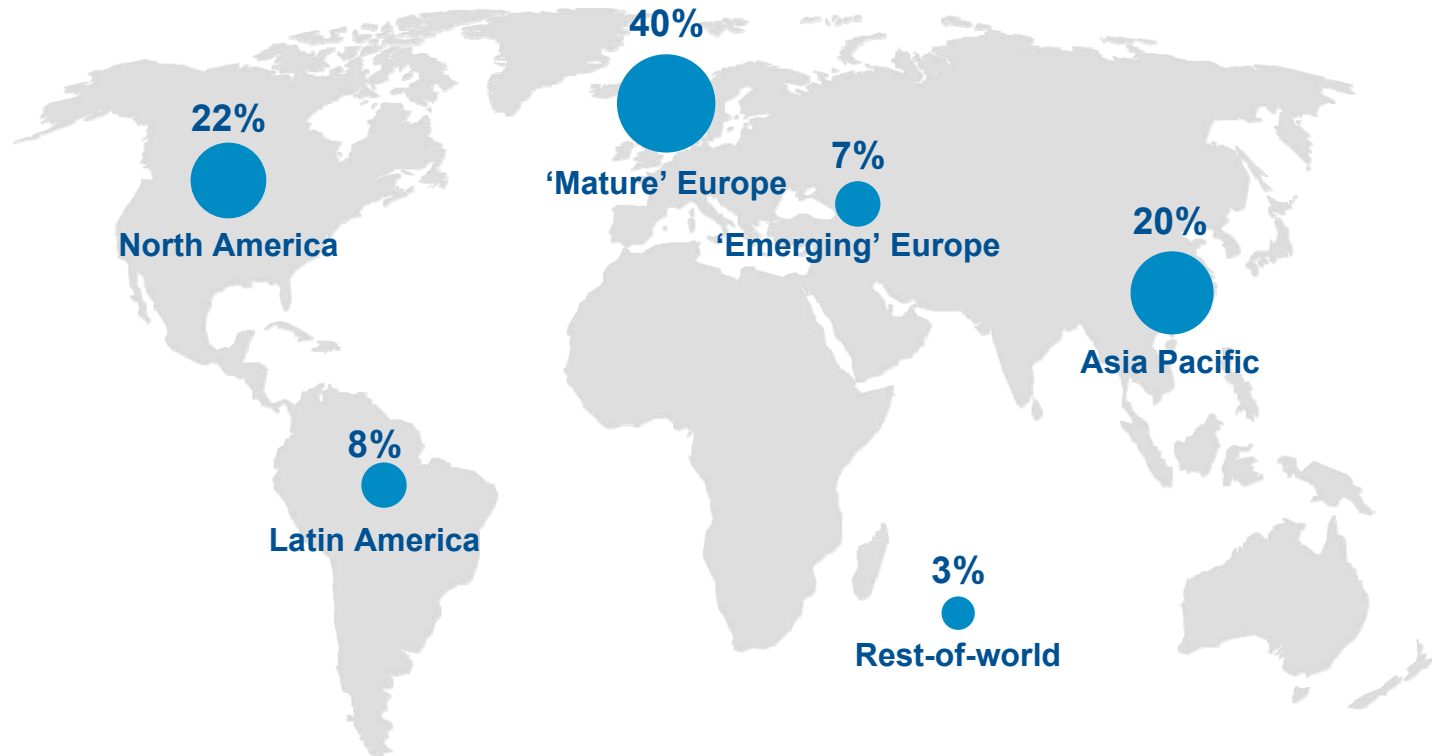
2008 revenue in € billion



Excellent geographic spread of both revenue and profits

Emerging markets are important (36% of revenue)

% of 2008 revenue



Emerging markets profitability is strong (45% of EBIT)



We have strong brands across the full spectrum of our business

Biggest brands, per business area % of 2008 revenue







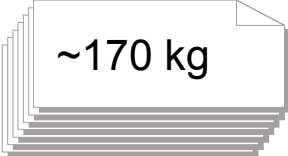
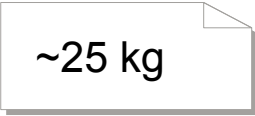
Dulux 25% of Decorative Paints

International 23% of Performance Coatings

eka 18% of Specialty Chemicals



Strong emerging markets growth potential

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



We continue to successfully innovate

Weathershield BackPack Roller System®

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



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.

Aqualure™ 915

- One of our newest packaging coatings, an ultra-pliable lacquer which flexes with the new lightweight beverage cans while maintaining a perfect barrier to protect the liquid inside.



Rediset™ asphalt additive

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

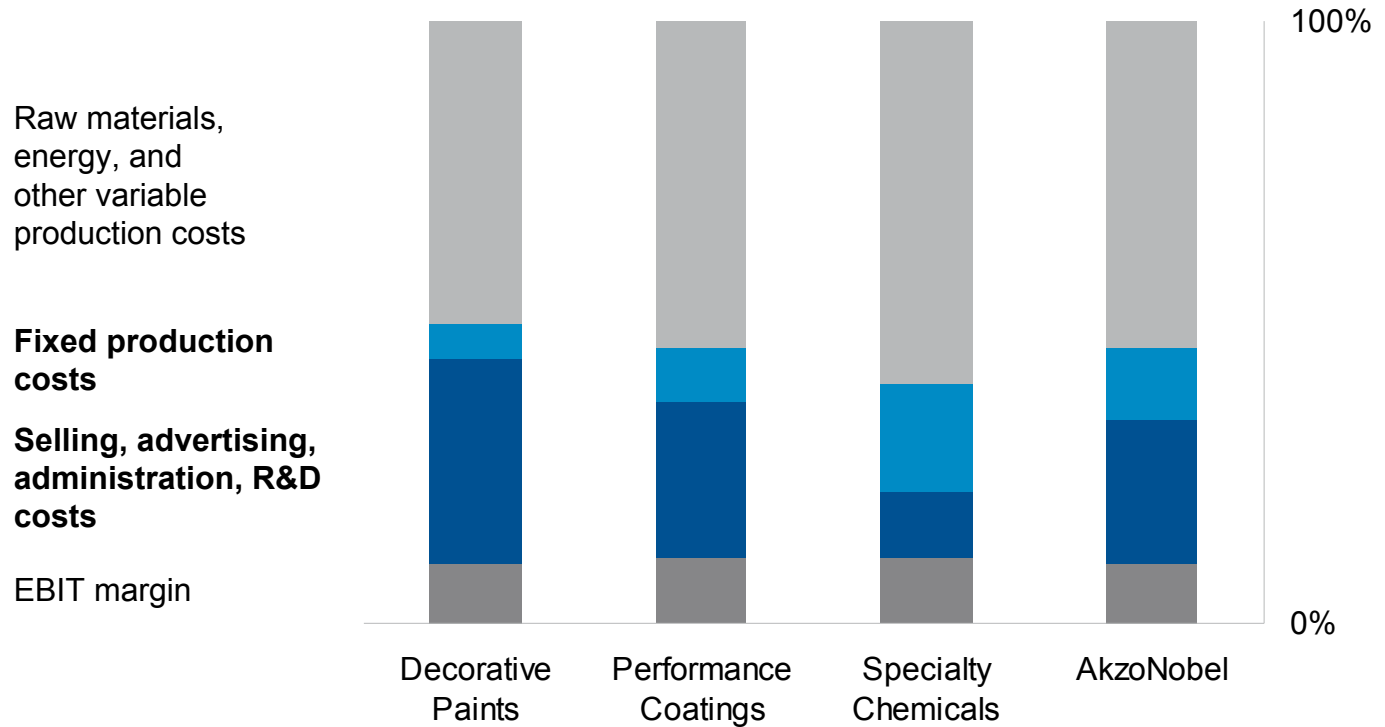
Dissolvine® GL

- Leading the next generation of products in cosmetics and personal care. It's free from genetically modified raw materials, not irritating to skin or eyes and readily biodegradable.



Low fixed costs as a percentage of revenue

% of annual revenue, indicative



Sustainability is integrated in everything we do

We have set ambitious sustainability targets:

- Remain in the top three in the Dow Jones Sustainability Indexes
- Reduce our total recordable injury rate
- Deliver a step change in people development

We focus on long-term performance. By 2015 our ambition is:

- That Eco-premium* products will make up 30 percent of sales
- To reduce our cradle-to-gate carbon footprint with 10 percent
- To achieve sustainable fresh water use on all our sites

We have linked remuneration to these targets and ambitions:

- Our executive bonuses are linked to performance in the leading sustainability index (DJSI)



** Higher eco-efficiency than main competitive product*

Strategic ambitions and action plans

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

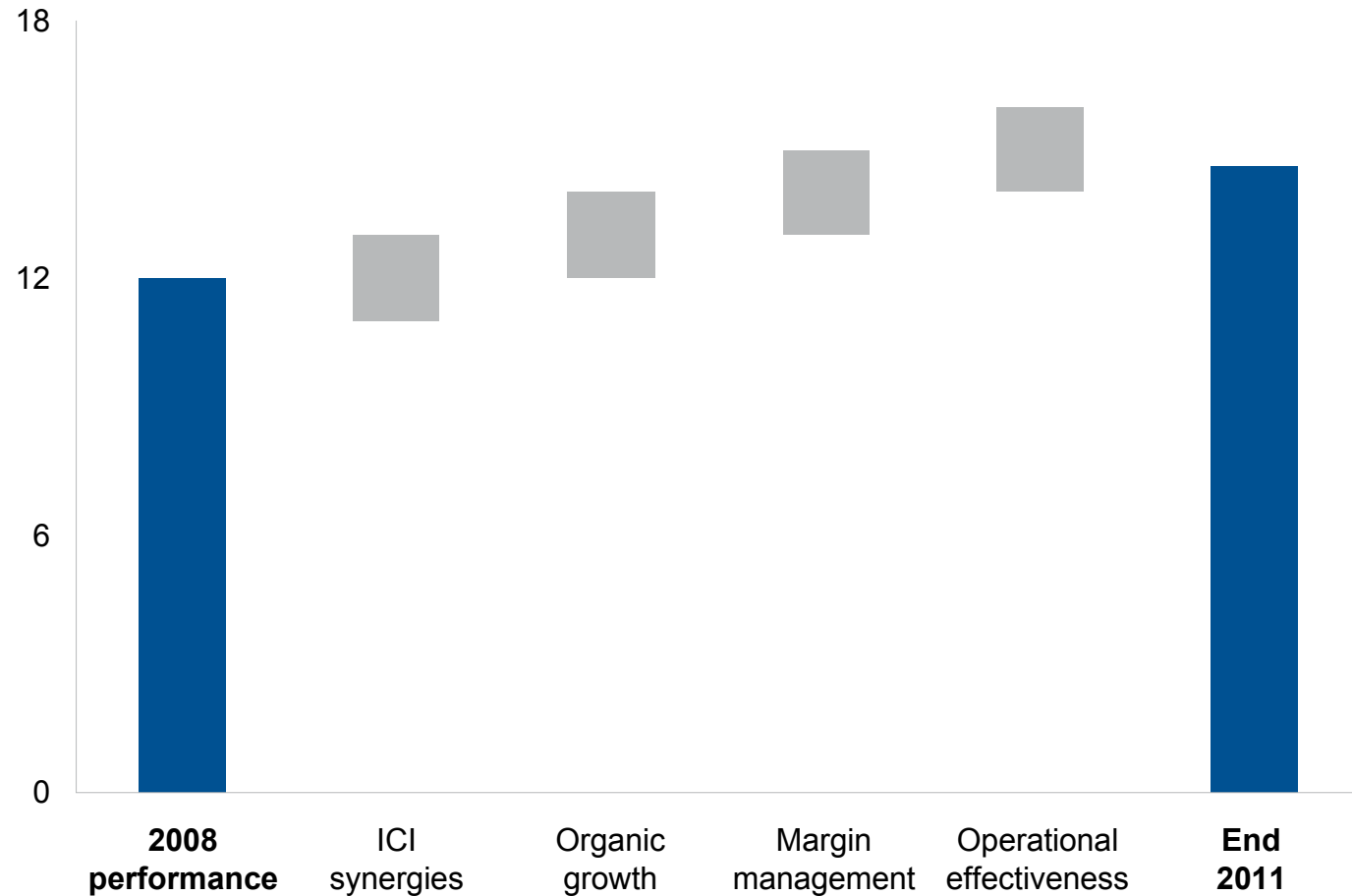
- Top 3 Dow Jones Sustainability index
- Reduction in total recordable injury rate
- Step change in people development

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



Delivering the EBITDA margin ambition

EBITDA margin, indicative



Key components of the strategic action plan

ICI synergies

- €340 million structural cost savings
- Delivered more rapidly than originally planned

Organic growth

- Leveraging our strong emerging markets positions for growth
- Emphasis on focused, bigger, bolder innovation

Margin management

- Centralized procurement
- Systematic approach to managing the value chain

Operational effectiveness

- At least €200 million of additional restructuring beyond the ICI synergies
- Leaner, more efficient organisation at all levels



Q2 Highlights and operational review

Q2 Highlights

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



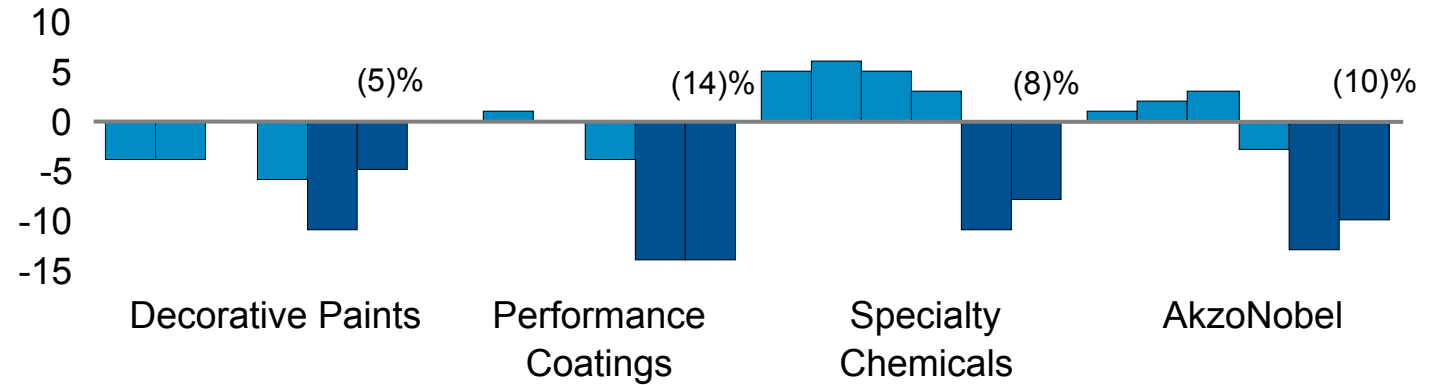
Financial overview Q2 2009

- Revenue declined 10 percent to €3,668 million
- Volumes down 16 percent (Q1 2009: 17 percent)
- ICI integration and additional restructuring well on track
- Innovation, margin management and cost reduction underpinned EBITDA margin
- EBITDA before incidentals of €527 million, margin at 14.4 percent (year-to-date: 11.9 percent)
- Net income of €155 million, down 13% (Q1 2009 €7 million loss)
- Operating working capital reduced to 16.3 percent (Q2 2008: 17.1 percent)
- Forward visibility remains limited due to continuing uncertain economic development

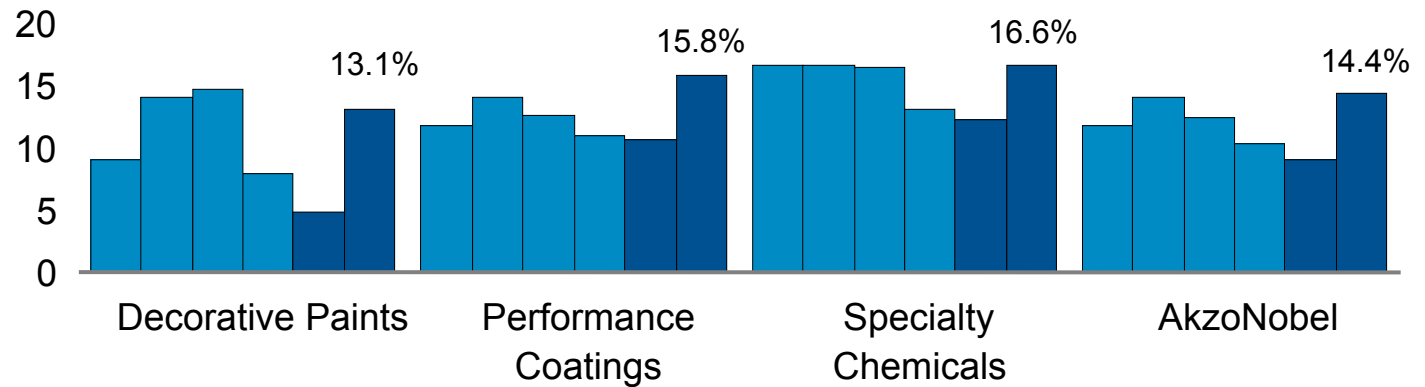


Revenue growth and margin development per quarter to Q2 2009

Reported revenue in % year-on-year



EBITDA margin in %



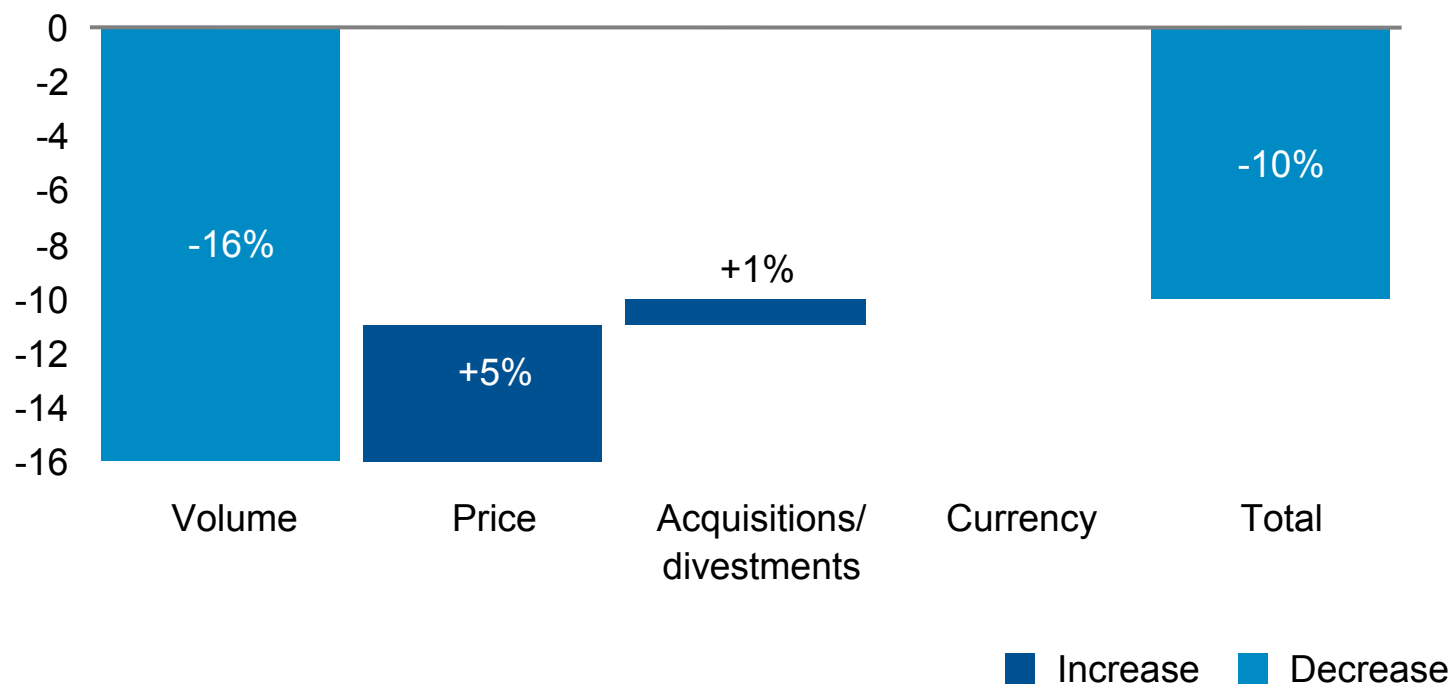
■ 2008 ■ 2009



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



Summary - Q2 2009

<i>€ million</i>	Q2 2009	Δ%
Revenue	3,668	(10)
EBITDA*	527	(9)
Amortization and depreciation	(157)	
Incidentals	(55)	
Financial income & expense	(89)	
Minorities and associates	(14)	
Income tax	(70)	
Net income continuing operations	142	(24)
Discontinued operations	13	
Net income	155	(13)

<i>€ million</i>	Q2 2009	Q2 2008
Net cash from operating activities	311	78

* Before incidentals



Incidentals

<i>€ million</i>	Q2 2009	Q2 2008
Restructuring costs	(71)	(12)
Transformation costs	(4)	(72)
Charges related to major legal, antitrust & environmental cases	7	(2)
Results on acquisitions & divestments	3	(1)
Other incidental results	10	-
Total	(55)	(87)

- Significant amount of restructuring costs
- Transformation costs in relation to ICI integration significantly down
- Legal and other cases – mainly currency gain on provision



EBITDA – Cash bridge

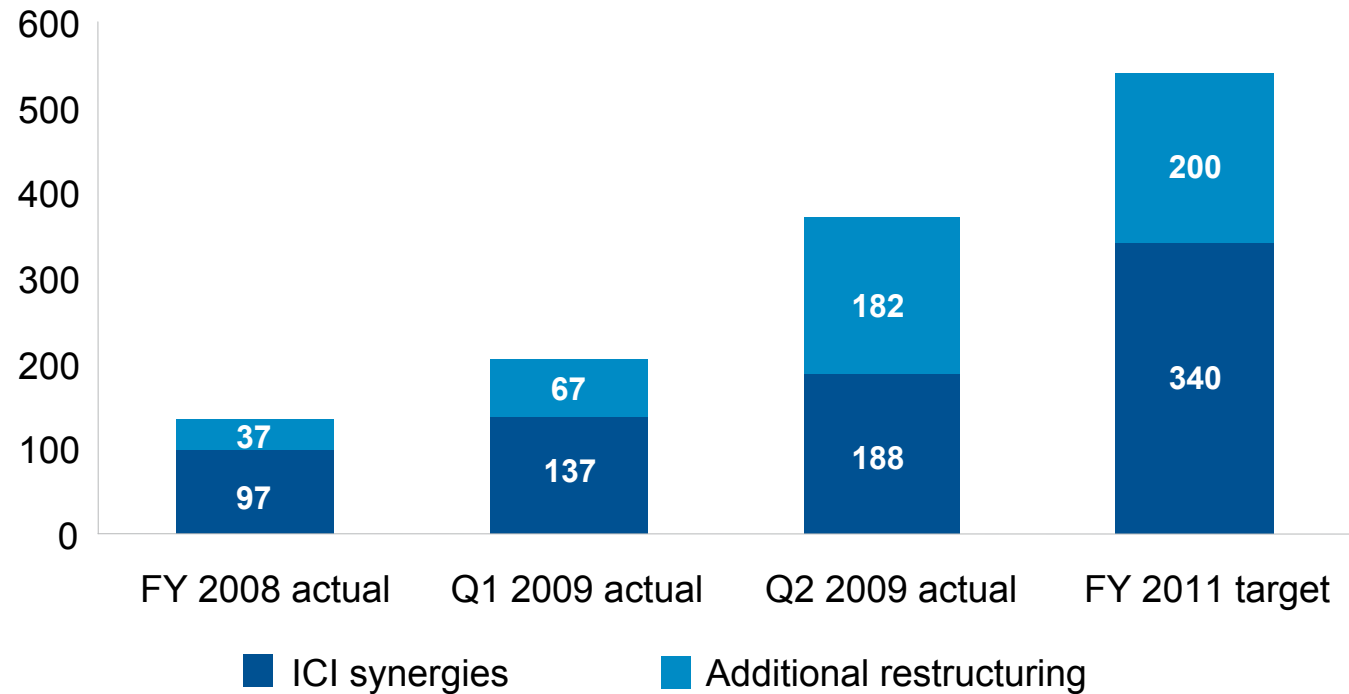
<i>€ mln</i>	<i>Q2 2009</i>	<i>Q2 2008</i>
EBITDA before incidentals	527	577
Incidentals (cash)	(54)	(37)
Change working capital	77	(143)
Change provisions	(28)	(148)
Interest paid	(112)	(107)
Income tax paid	(99)	(64)
Net cash from operating activities	311	78

- Working capital improvements underpin operating cash generation



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 million¹
- 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

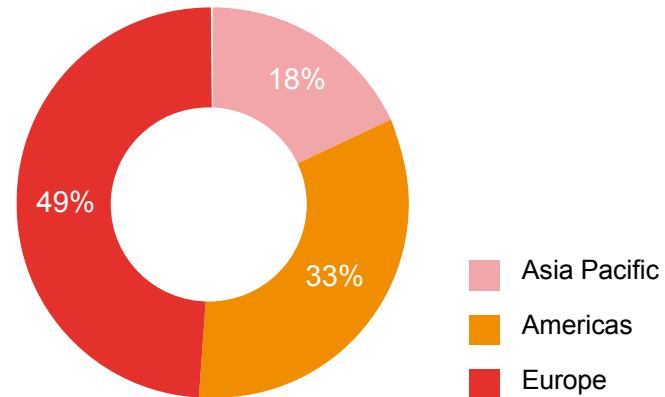
sikkens



SCHÖNOX

FLEXA

Revenue by geography

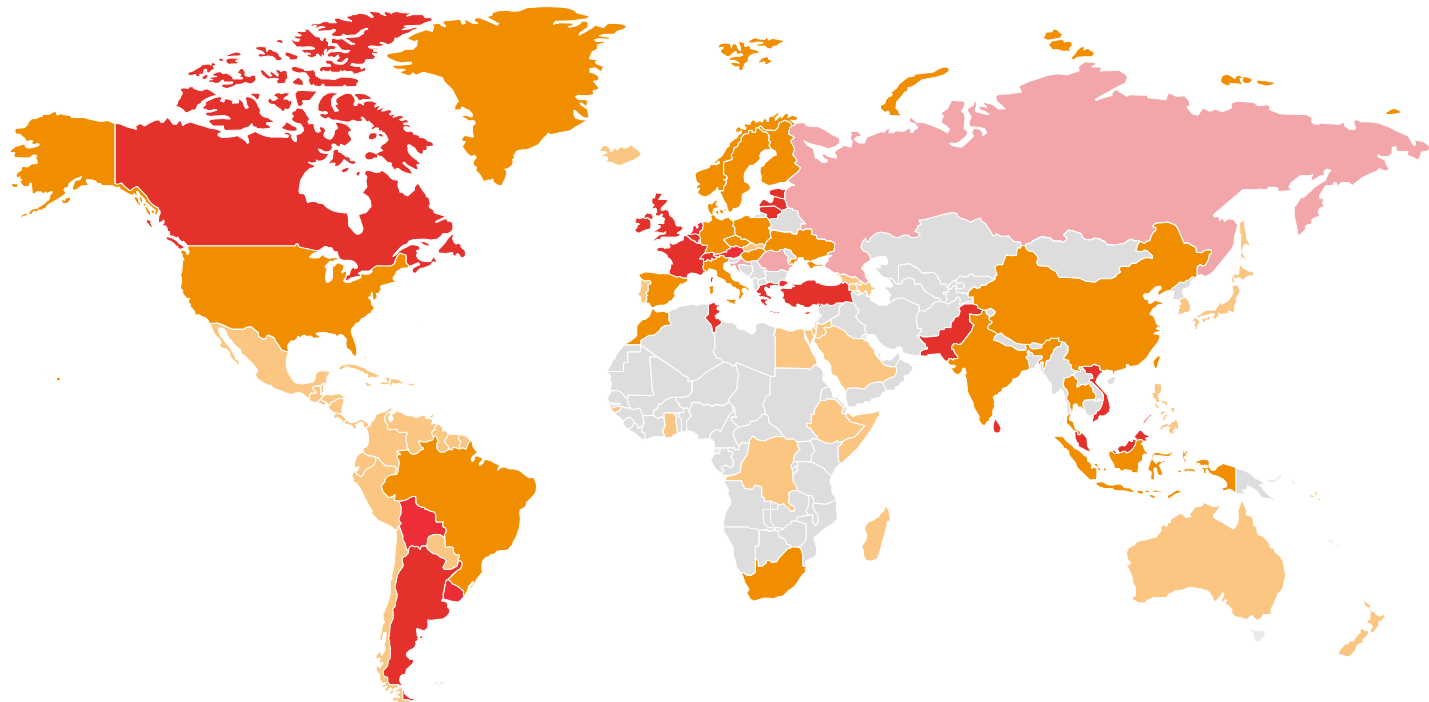


¹. Before incidentals



Leading Deco positions in all regions with strong brands

AkzoNobel market positions



■ 1 ■ 2/3 ■ >3 ■ Export countries

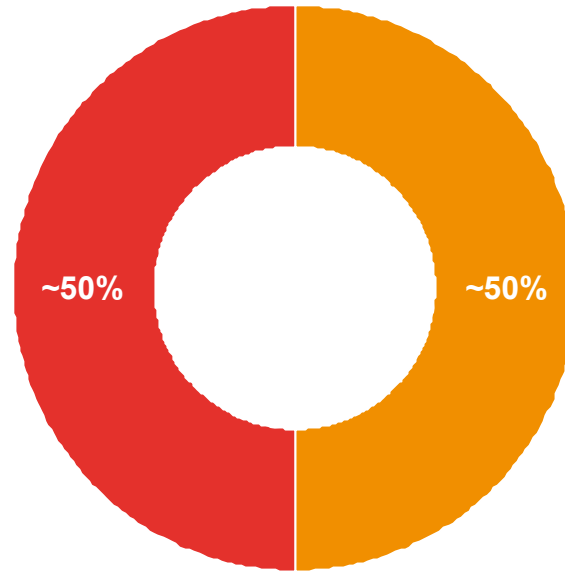
Source: Euromonitor basis; AkzoNobel analysis 2008



Combination of channel and application mix creates a relatively stable market

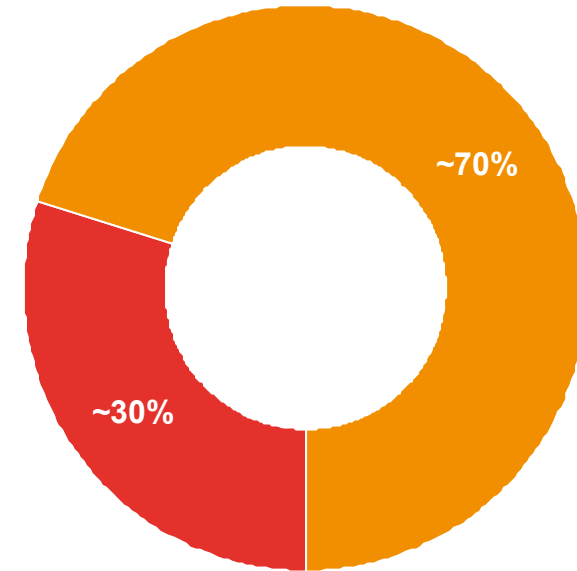
% of total Decorative market 2008

**Market breakdown
by channel**



■ Retail ■ Trade

**Market breakdown
by application**



■ New build ■ Maintenance

Source: Euromonitor basis; AkzoNobel analysis



Decorative Paints highlights Q2 2009

- 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
- Marketing initiatives focusing on innovation and sustainability

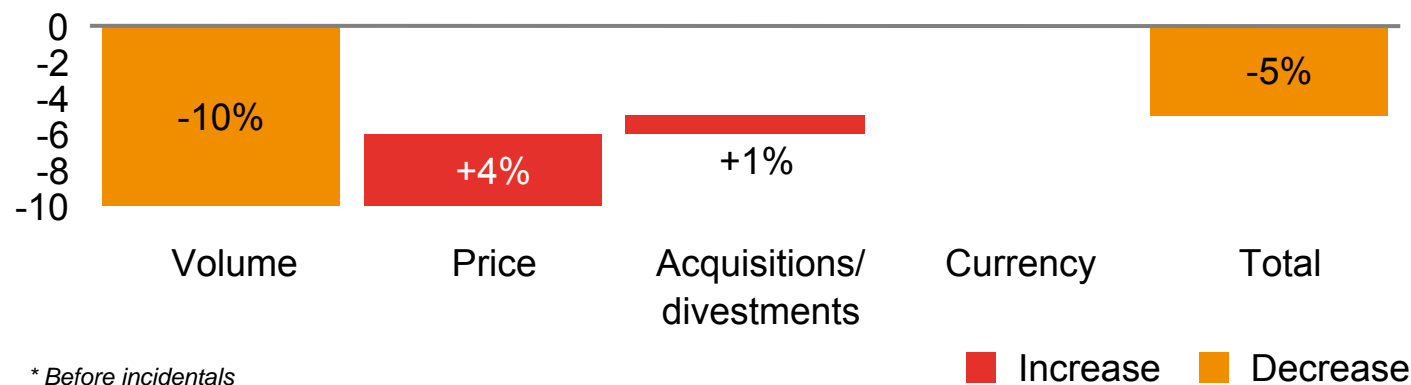


Decorative Paints Q2 2009

€ million	Q2 2009	Δ%
Revenue constant currencies	1,325	(4)
Revenue reported	1,320	(5)
EBITDA* constant currencies	177	(9)
EBITDA* reported	173	(11)

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

Revenue development Q2 2009 vs. Q2 2008





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.



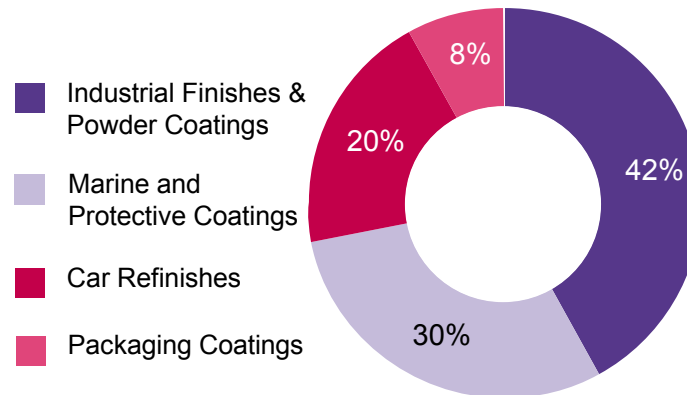
Performance Coatings key facts

2008

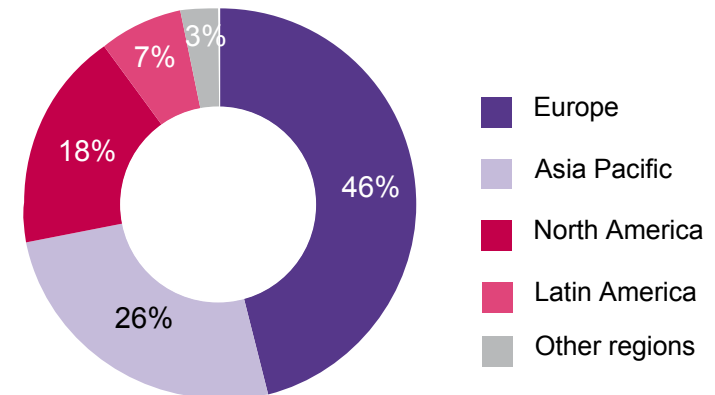
- Revenue €4.5 billion
- 21,000 employees
- EBITDA: €546 million¹
- 42 percent of revenue from emerging markets
- Leading positions in performance coatings
- Innovative technologies, strong brands



Revenue by business unit



Revenue by geography



1. Before incidentals



Many market leadership positions

Industrial Finishes

1 Wood
Coil
Adhesives
Specialty Plastics

Powder Coatings

1 Powder

Marine and Protective

1 Marine Protective Yacht
2 Aerospace

Car Refinishes

3 Refinish OEM commercial
5 Automotive plastic coatings

Packaging Coatings

1 Beer & beverage
2 Food cans other



Performance Coatings highlights Q2 2009

- Cost levels decreased as restructuring programs gathered pace
- Strong performance in Marine and Protective Coatings & 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

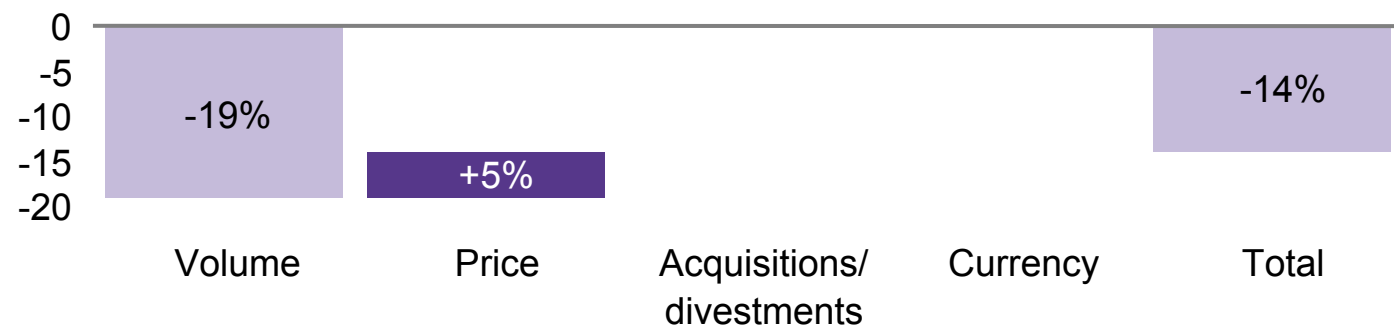


Performance Coatings Q2 2009

€ million	Q2 2009	Δ%
Revenue constant currencies	1,035	(14)
Revenue reported	1,041	(14)
EBITDA* constant currencies	162	(4)
EBITDA* reported	164	(2)

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

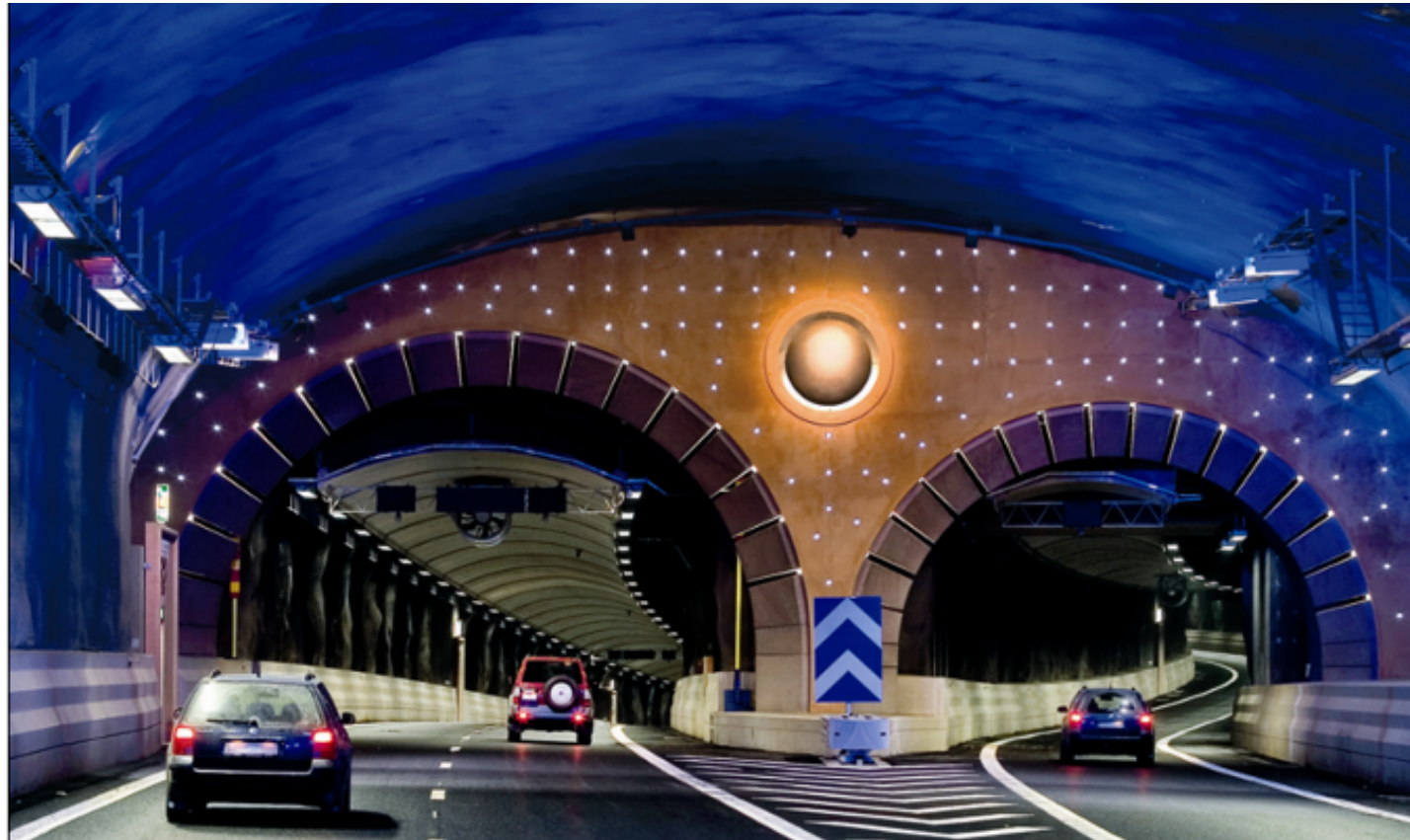
Revenue development Q2 2009 vs. Q2 2008



* Before incidentals

■ Increase ■ Decrease





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.



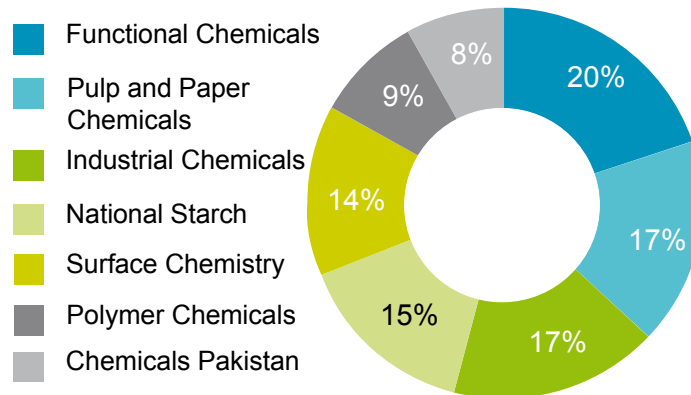
Specialty Chemicals key facts

2008

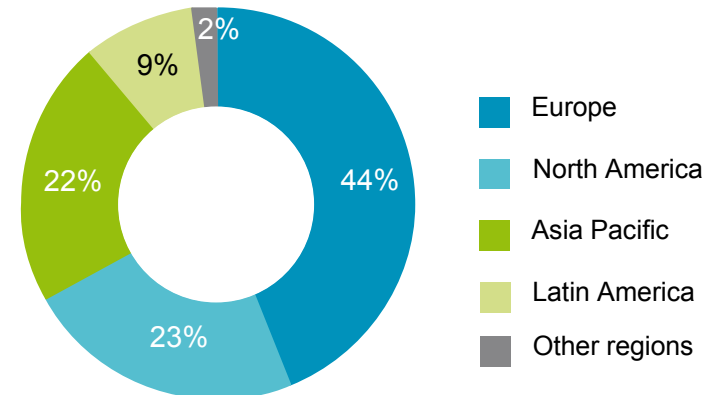
- Revenue €5.7 billion
- 13,300 employees
- EBITDA: €891 million¹
- 35 percent of revenue from emerging markets
- Major producer of specialty chemicals
- Leadership positions in many markets



Revenue by business unit



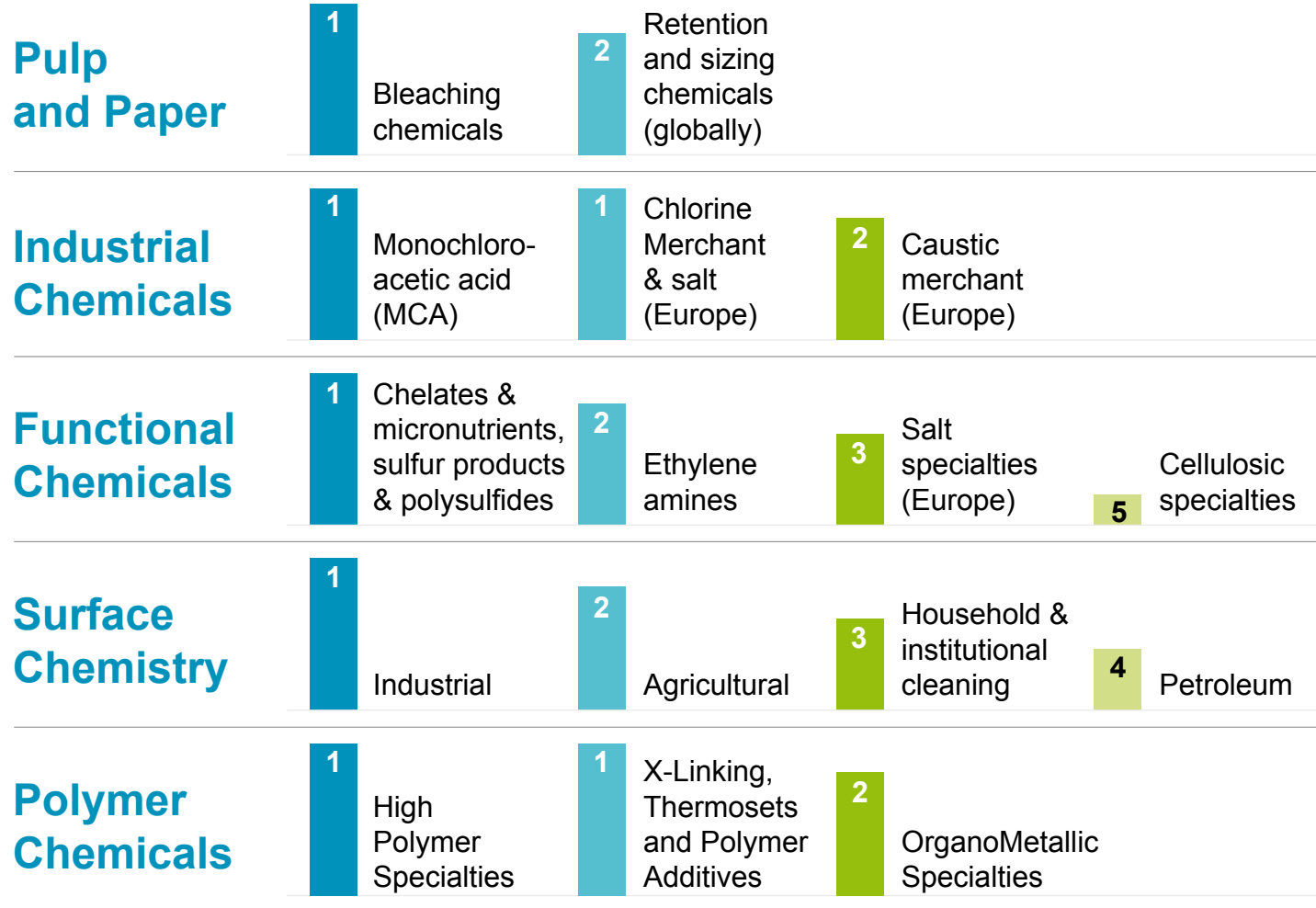
Revenue by geography



1. Before incidentals



Many market leadership positions



Specialty Chemicals highlights Q2 2009

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

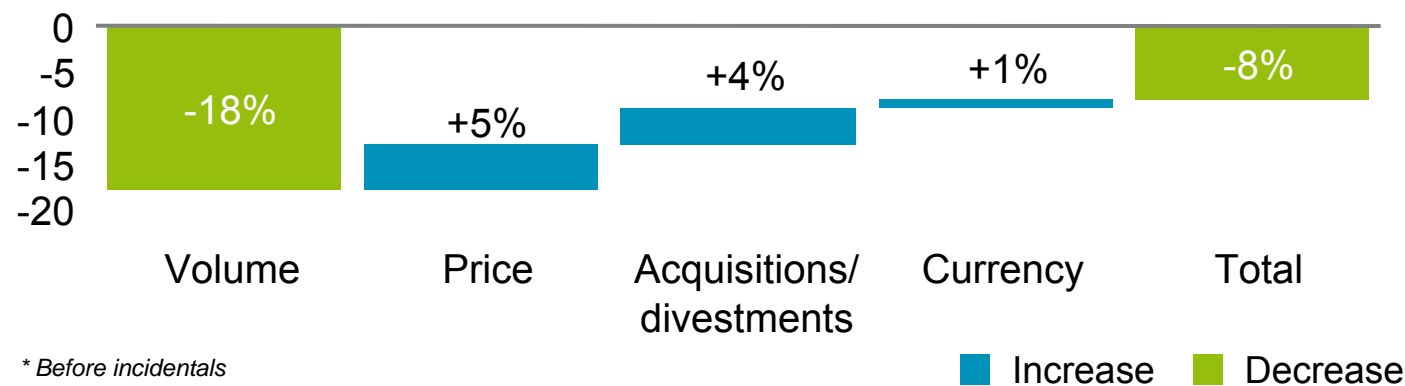


Specialty Chemicals Q2 2009

€ million	Q2 2009	Δ%
Revenue constant currencies	1,306	(9)
Revenue reported	1,318	(8)
EBITDA* constant currencies	209	(12)
EBITDA* reported	219	(8)

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

Revenue development Q2 2009 vs. Q2 2008



Financial review

Cash management discipline

Focus on cash

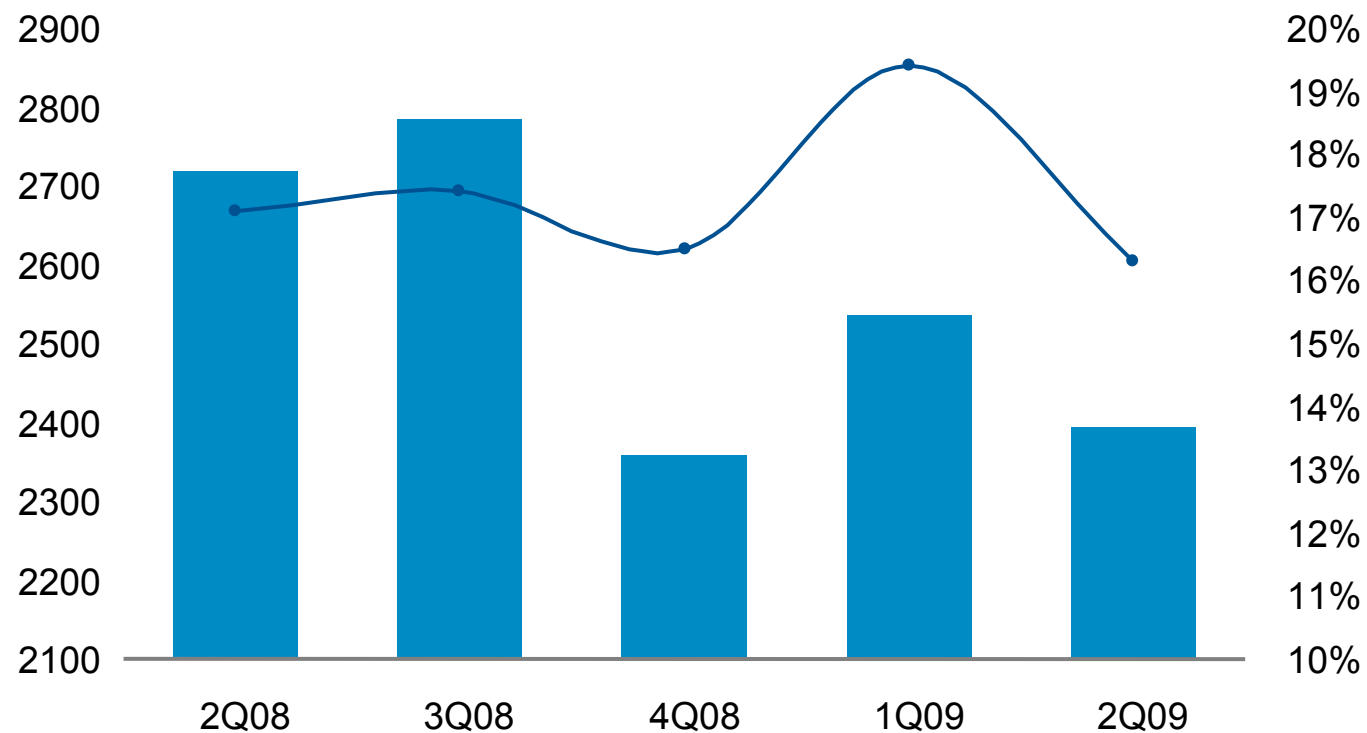
- OWC reduction
- Capex prioritization
- R&D stable
- Only bolt-on acquisitions
- Dividend policy unchanged

- OWC reduced to 16.3% of revenue (Q2 2008: 17.1%)
- Careful prioritization 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



Continued focus on Operating Working Capital

OWC
€ million



■ OWC
— OWC as % of revenue



Ambition to maintain strong credit rating unchanged

<i>€ million</i>	Jun 30, 2009	Dec 31, 2008
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)



Pension deficit development

<i>First half year of 2009</i>	<i>€ mln</i>
Pension funding deficit year-end 2008	(988)
Top-ups into UK funds	250
Pension costs net of regular contributions	(47)
Net Balance sheet provision end Q2 2009	(785)
Plan asset returns below expected	(125)
Increased DBO due to higher inflation	(325)
Increased DBO due to lower discount rates	(225)
Other	(65)
Pension funding deficit end Q2 2009	(1,525)

- Pension deficit volatile due to changes in asset value, discount rates and inflation assumptions



2009 pension costs update

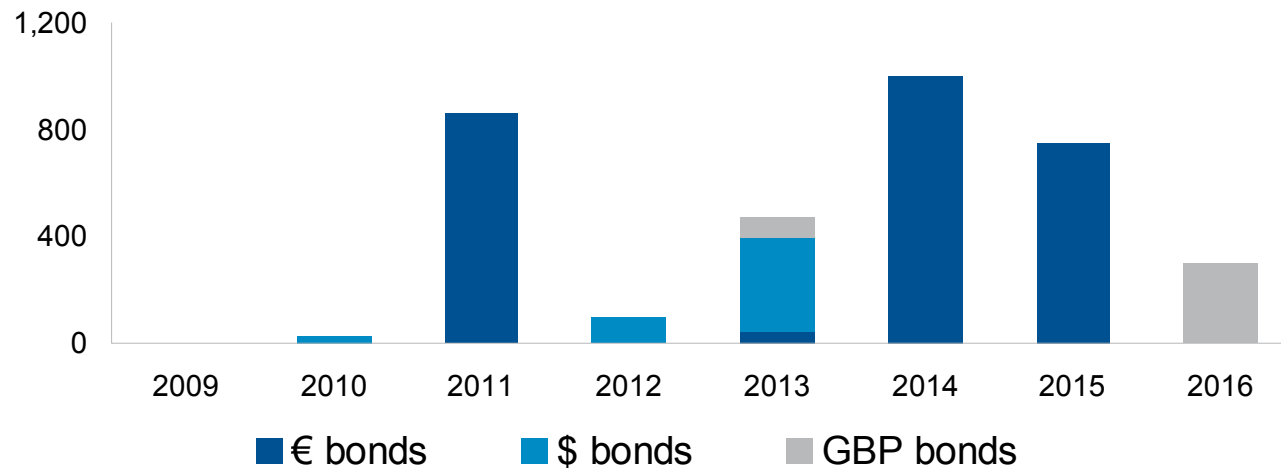
- UK top-ups in 2009 expected at around €250 million (£215 million, 2008 Report guidance £197 million), following funding valuations for the ICI plans.
- Total 2009 cash pension contributions (including UK top-ups) of €370 million (2008 Report guidance €304 million) expected for defined benefit (DB) plans.
- Accounting change under IAS 19: €180 million (2008: €49 million) financing component of pension deficit.
Non-cash P&L charge in 2009, reclassified to financing expense line



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



Medium-term targets

Well positioned to meet current challenges

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



Outlook and medium term targets

- 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)



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.



Appendix

Q2 2009 results

<i>€ million</i>	Q2 2009	Δ%	H1 2009
EBITDA* constant currencies	519	(10)	823
EBITDA* reported	527	(9)	823
Net income before FVA **	207	(31)	235
Net income total operations	155	(13)	148

<i>Ratio</i>	Q2 2009	Q2 2008	H1 2009
EBITDA* margin reported (%)	14.4	14.1	11.9
Earnings per share (in €)	0.67	0.70	0.64

* Before incidentals

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

