
July 23, 2010

Investor Update Q2 2010 results



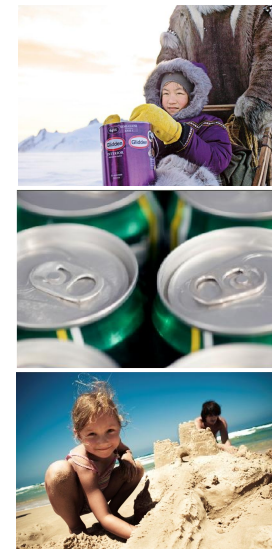
Agenda

- **AkzoNobel at a glance**
 - **Strategic ambitions and action plans**
 - **Q2 2010 highlights and operational review**
 - **Financial review**
 - **Sustainability review**
 - **Outlook**
-

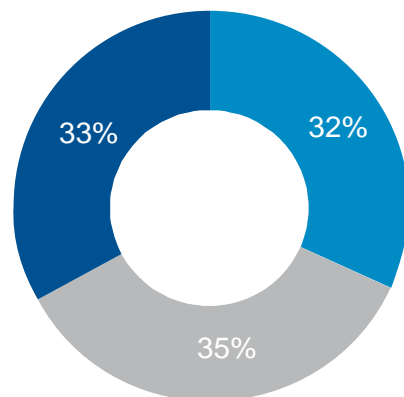
AkzoNobel key facts

2009

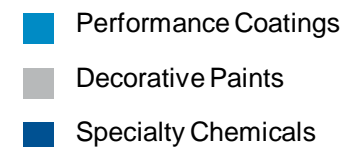
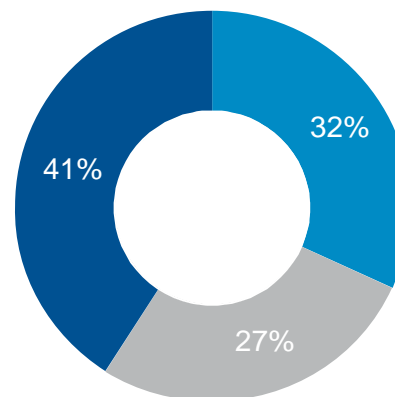
- Revenue €13.0 billion
- 54,738 employees
- EBITDA: €1.7 billion*
- EBIT: €1.1 billion*
- Net income: €285 million
- Credit ratings: BBB+ (S&P) and Baa1 (Moody's)



Revenue by business area



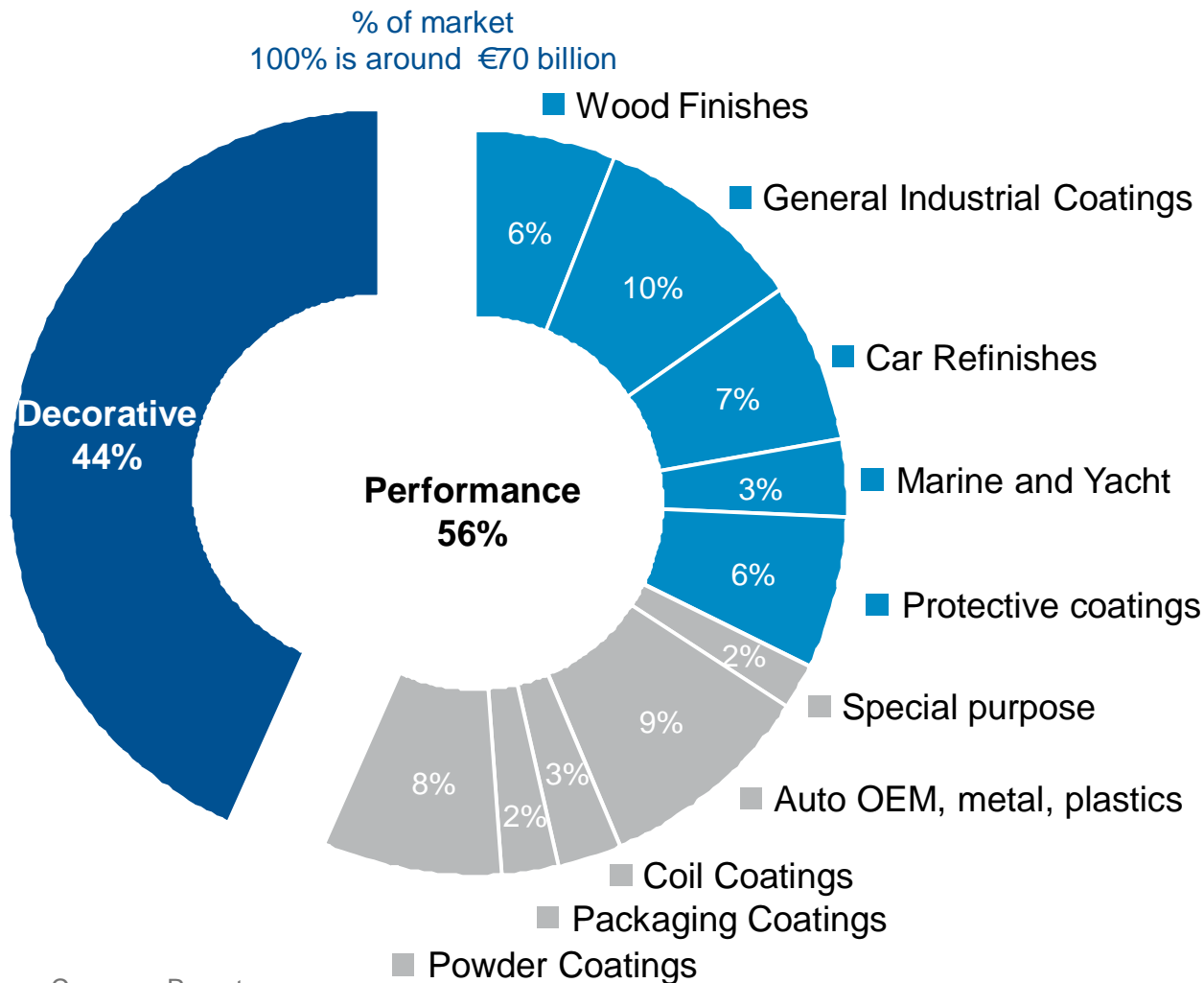
EBITDA* by business area



* Before incidentals. All data after reclassification of National Starch



The global paints and coatings market is around €70 billion

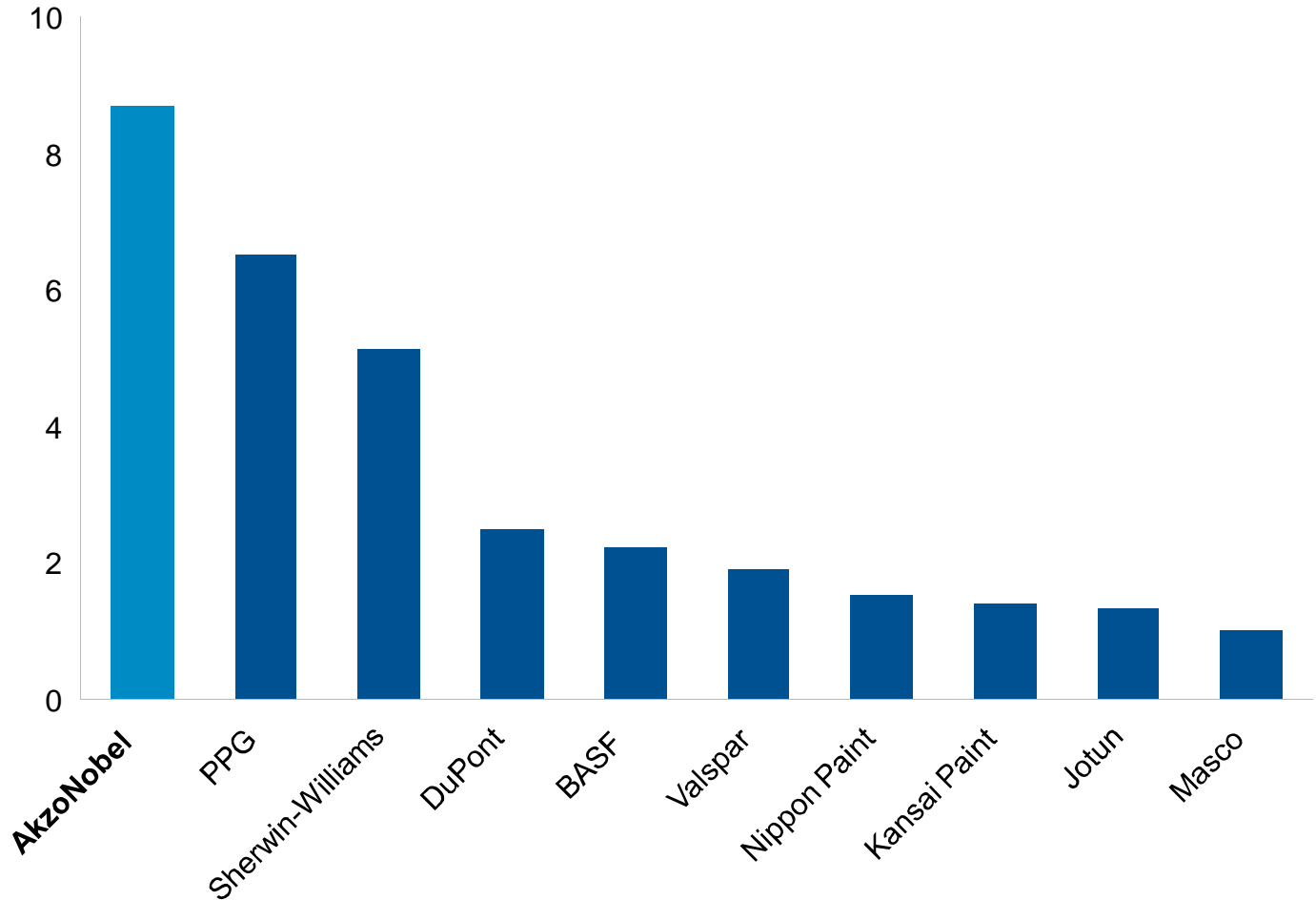


Source: Company Reports



AkzoNobel is the world's largest Coatings supplier

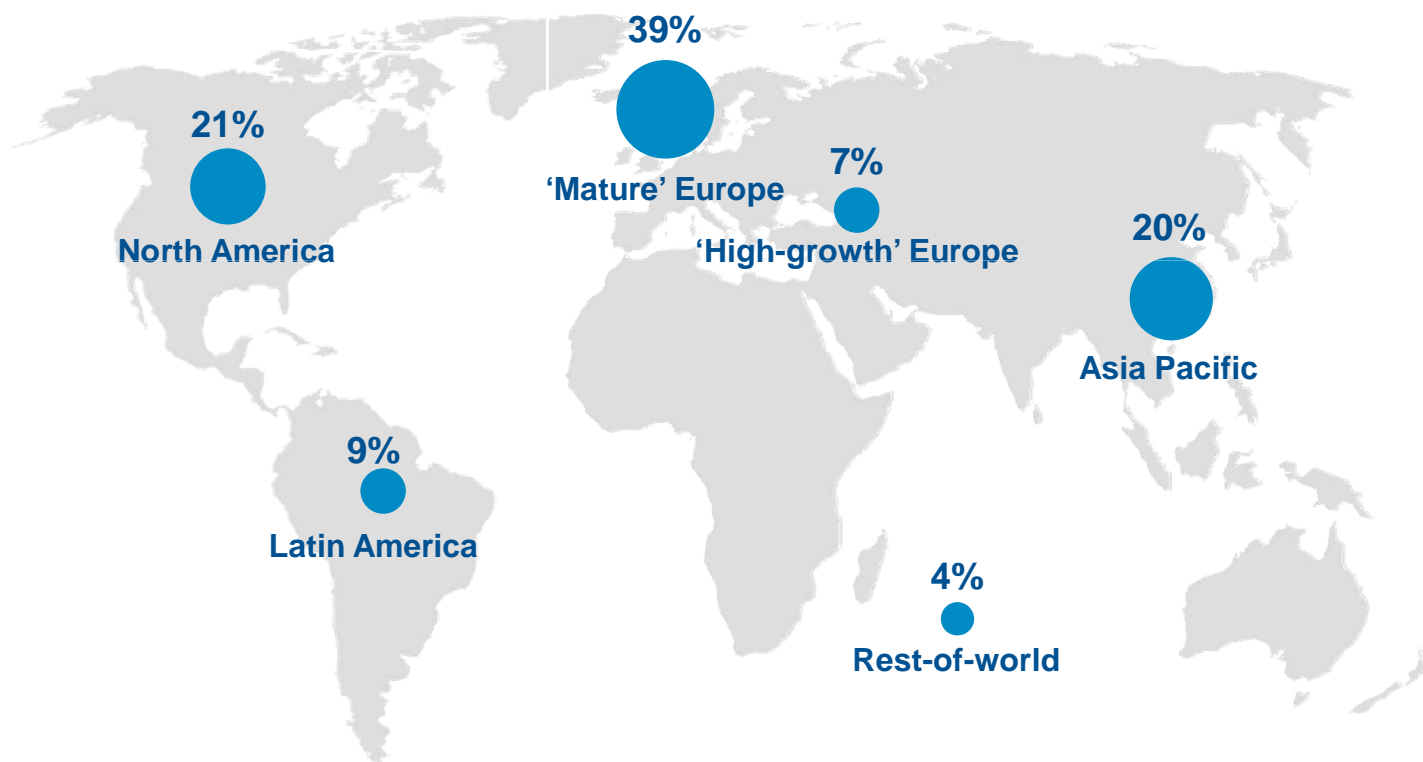
2009 revenue in € billion



Excellent geographic spread of both revenue and profits

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







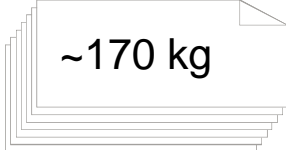
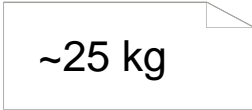
% of 2009 revenue



High-growth markets profitability is above average



Strong high-growth markets potential

	Mature Per Capita	High-growth 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 have strong brands across the full spectrum of our business

Biggest brands, per business area % of 2009 revenue

Dulux 25% of Decorative Paints

International 23% of Performance Coatings

eka 18% of Specialty Chemicals



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* to 2
- 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 by 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)



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

** 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) as % of revenue, p.a.

Leading in sustainability

- Top 3 Dow Jones Sustainability indexes
- Reduction in total recordable injury rate* to 2
- Step change in people development

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



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



Delivering on our strategic ambitions

- ✓ **EBITDA margin target reached**
 - 14% EBITDA margin delivered, 1.5 year ahead of schedule
 - Performance driven by margin management, ICI synergies and additional restructuring measures

- ✓ **ICI fully integrated, synergies achieved**
 - €340 million structural cost savings will be achieved in 2010
 - Footprint rationalized and combined, key people retained
 - Portfolio optimized after divestment of National Starch

- ✓ **Operating Working Capital structurally improves**
 - As % of revenue, OWC lowered to 15.0% (Q2 2009: 16.2%)

- ✓ **Sustainability profile confirmed**
 - Ranked #2 in 2009 Dow Jones Sustainability Index



Q2 2010 highlights and operational review

Q2 2010 highlights

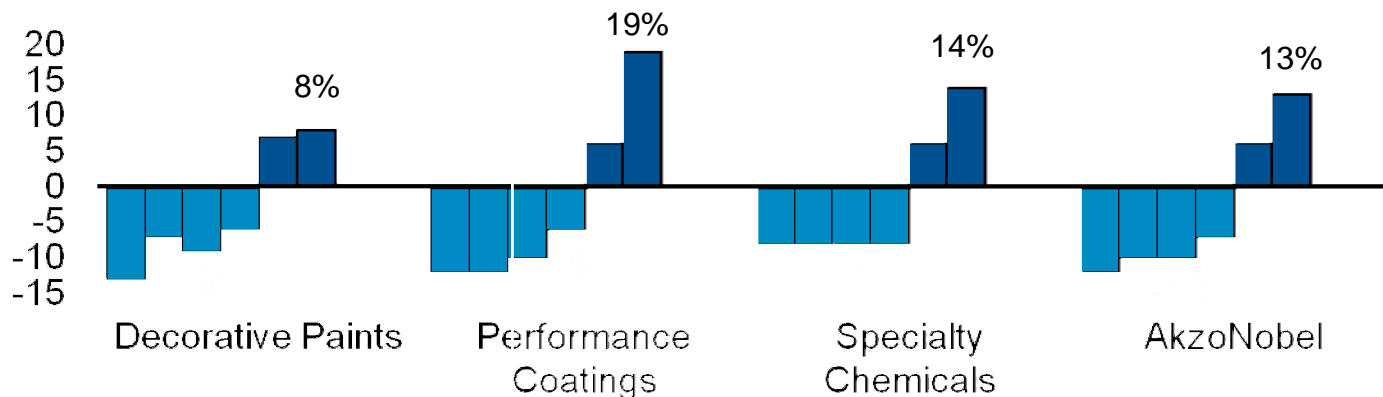
- Revenue €3.9 billion (2009: €3.5 billion), up 13 percent (5 percent in constant currencies)
- EBITDA* €614 million (2009: €506 million), up 21 percent (13 percent in constant currencies)
- EBITDA* margin 15.7 percent (2009: 14.7 percent)
- One year rolling EBITDA* margin: 14 percent
- Net income €273 million (2009: €155 million), up 76 percent
- National Starch divestment agreed

** Before incidentals*

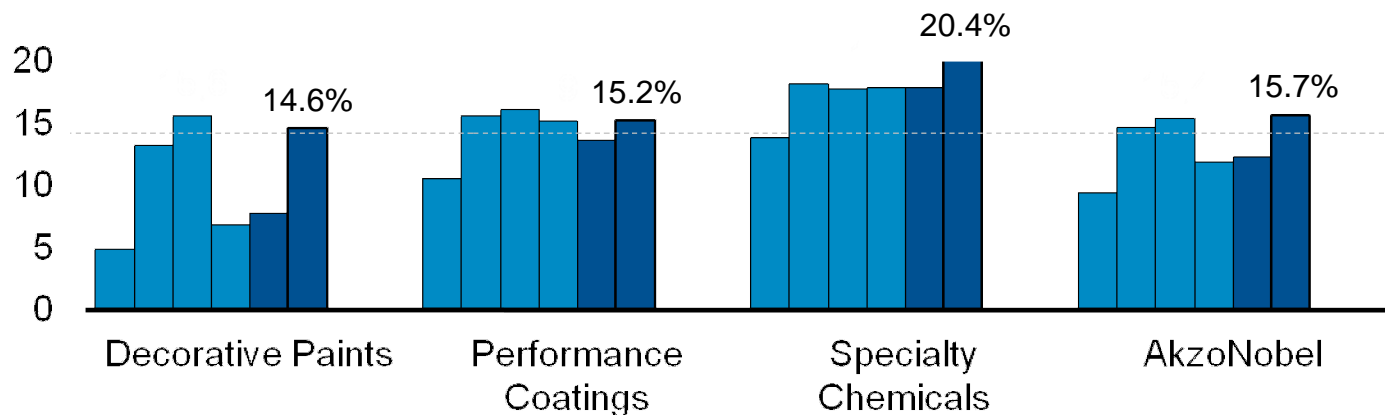


Revenue growth and margin development per quarter to Q2 2010

Reported revenue in % year-on-year



EBITDA* margin in %



* Before incidentals

■ 2009 ■ 2010



Volume and price development per quarter to Q2 2010

<i>Volume development</i>	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10
Decorative Paints	(10)	(9)	-	5	1
Performance Coatings	(19)	(11)	(2)	8	12
Specialty Chemicals	(18)	(6)	4	15	15
AkzoNobel	(16)	(8)	1	10	8

<i>Price development</i>	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10
Decorative Paints	4	4	(1)	(1)	-
Performance Coatings	5	5	(3)	(3)	(3)
Specialty Chemicals	5	(5)	(9)	(6)	(2)
AkzoNobel	5	(1)	(5)	(4)	(2)

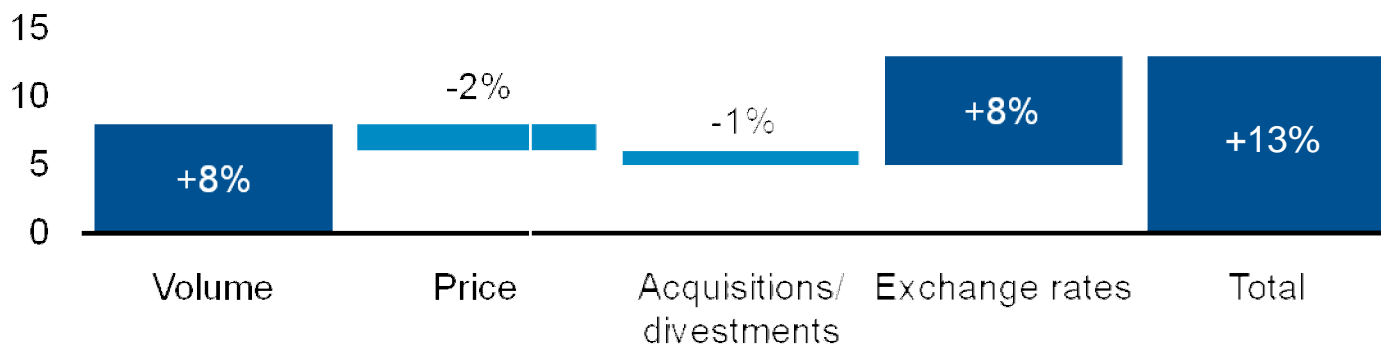


Q2 2010 revenue and EBITDA

€ million	Q2 2010	Δ%
Revenue	3,907	13
EBITDA*	614	21

Ratio, %	Q2 2010	Q2 2009
EBITDA* margin	15.7	14.7

Revenue development Q2 2010 vs. Q2 2009



* Before incidentals

■ Increase ■ Decrease



Summary – Q2 2010 results

<i>€ million</i>	Q2 2010	Q2 2009
EBITDA*	614	506
Amortization and depreciation	(148)	(140)
Incidentals	(11)	(55)
Financial income & expense	(113)	(85)
Minorities and associates	(19)	(14)
Income tax	(76)	(71)
Discontinued operations	26	14
Net income total operations	273	155
Net cash from operating activities	391	309
<i>Ratio</i>	Q2 2010	Q2 2009
EBITDA* margin (%)	15.7	14.7
Earnings per share (in €)	1.17	0.67
<i>* Before incidentals</i>		



Q2 2010 incidentals

€ million	Q2 2010	Q2 2009
Restructuring costs	(21)	(71)
Results related to major legal, antitrust & environmental cases	8	7
Results on acquisitions & divestments	1	3
Other incidental results	1	6
Total	(11)	(55)

- Restructuring activities are ongoing, mainly in Decorative Paints in Europe and Powder Coatings



Decorative Paints



We've been working with The Home Depot in North America since 1979. We continued to invest in the Glidden brand resulting in a healthy sales increase and share expansion of the Glidden brand in the retail segment. The Glidden Gets You Going campaign won a top US marketing award in Q2 2010.



Decorative Paints key facts

2009

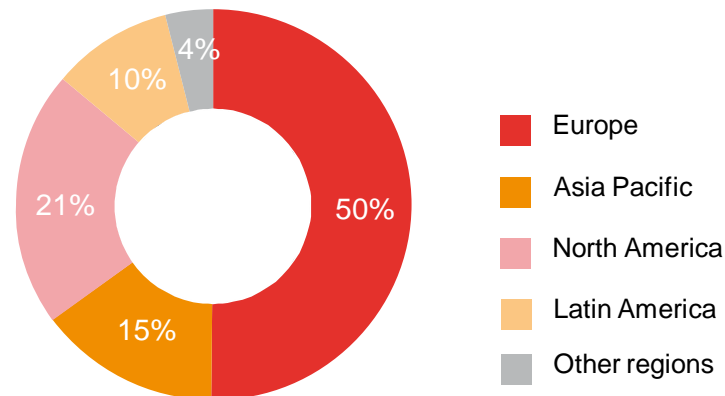
- Revenue €4.6 billion
- 21,940 employees
- EBITDA: €487 million*
- 36 percent of revenue from high-growth markets
- Largest global supplier of decorative paints
- Many leading positions, strong brands



Some of our strong brands



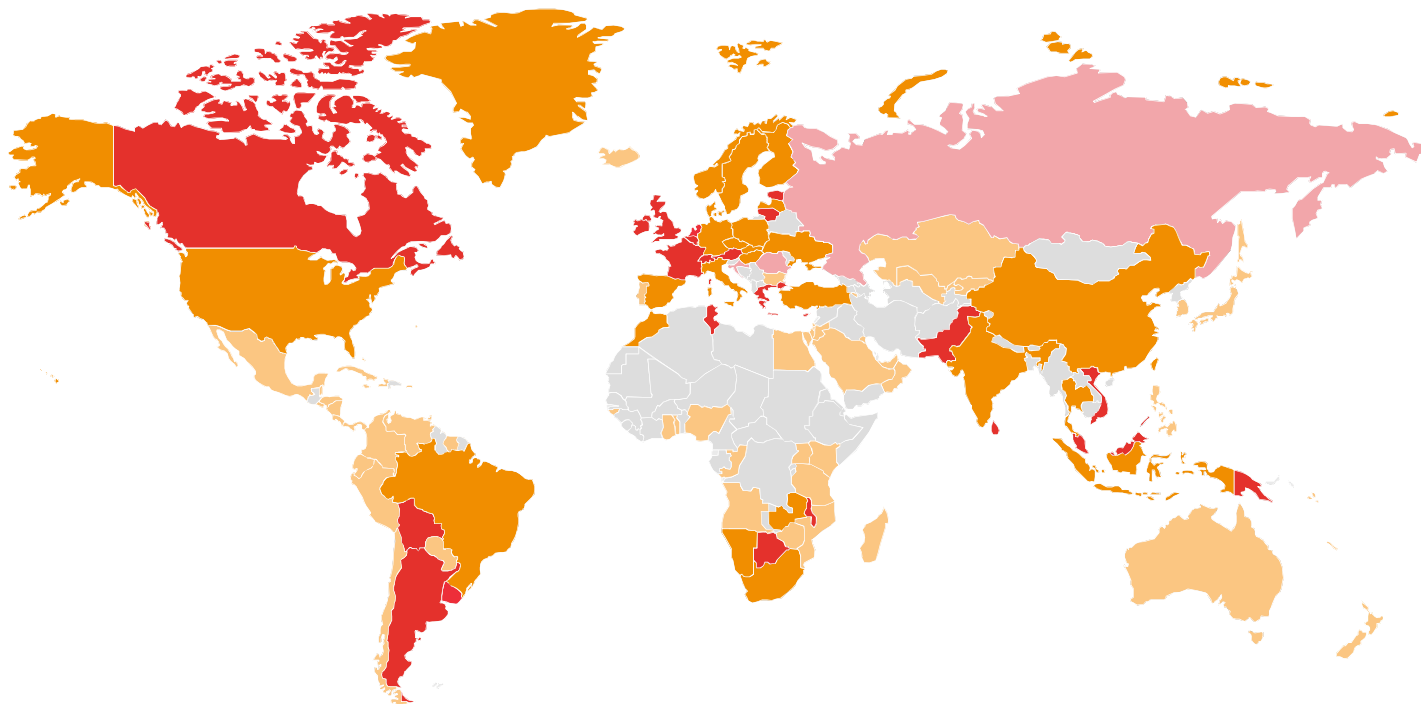
Revenue by geography



* Before incidentals

Leading Deco positions in all regions with strong brands

AkzoNobel market positions by value



■ 1 ■ 2/3 ■ >3 ■ Export countries

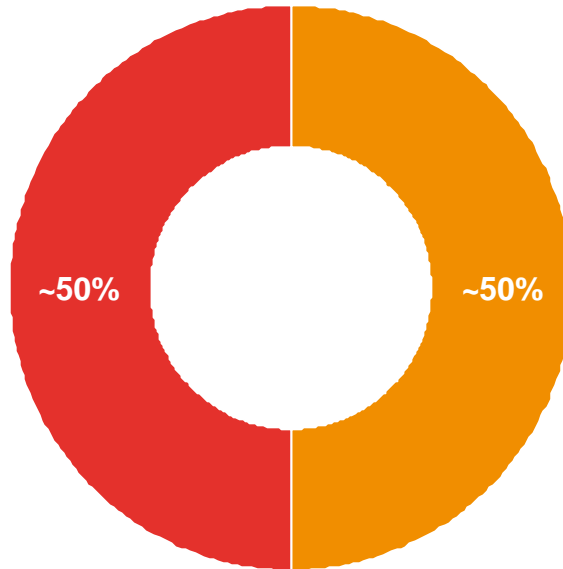
Source: Euromonitor basis; AkzoNobel analysis 2009



Combination of channel and application mix creates a relatively stable market

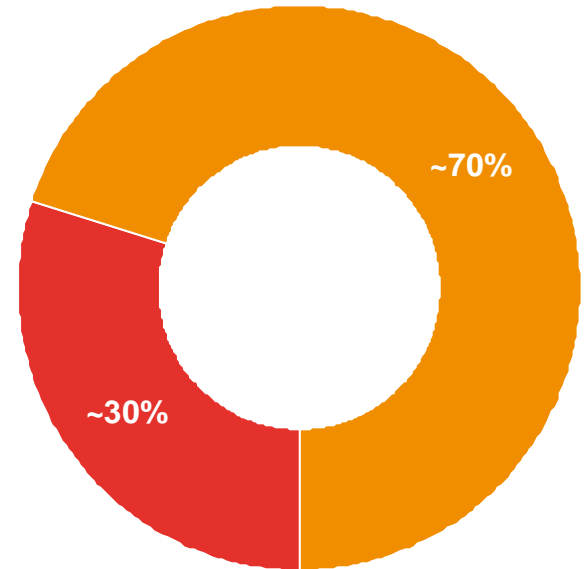
% of total Decorative market 2009

Market breakdown by channel



■ Retail ■ Trade

Market breakdown by application



■ New build ■ Maintenance

Source: Euromonitor basis; AkzoNobel analysis

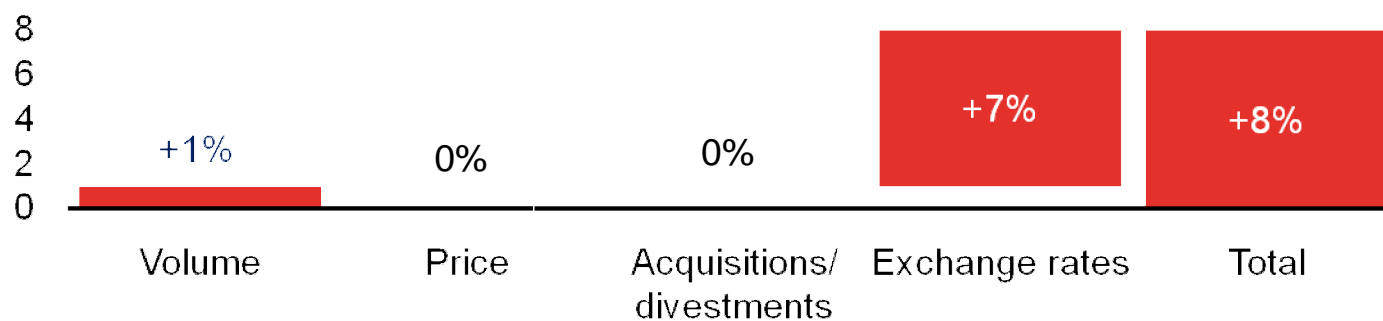


Decorative Paints Q2 2010

€ million	Q2 2010	Δ%
Revenue	1,401	8
EBITDA*	205	20

Ratio, %	Q2 2010	Q2 2009
EBITDA* margin	14.6	13.2

Revenue development Q2 2010 vs. Q2 2009



* Before incidentals

■ Increase ■ Decrease



Decorative Paints Q2 2010 highlights

- Revenue up 8 percent, with volumes up 1 percent
- EBITDA* at €205 million, up 20 percent
- EBITDA* margin 14.6 percent (2009: 13.2 percent)
- Strong revenue growth and increased investment in brands and distribution in high growth markets
- Soft demand in the mature markets, particularly in trade
- Mature markets: improved results due to restructuring

** Before incidentals*



Performance Coatings



AkzoNobel Industrial Coatings signed an agreement to acquire Lindgens Metal Decorating Coatings & Inks- a proof point of our selective growth acquisition strategy. It will enhance our market position and complements our own packaging coatings business with products and expertise. This deal adds market positions in Russia, Turkey, Northern Africa and Australia.



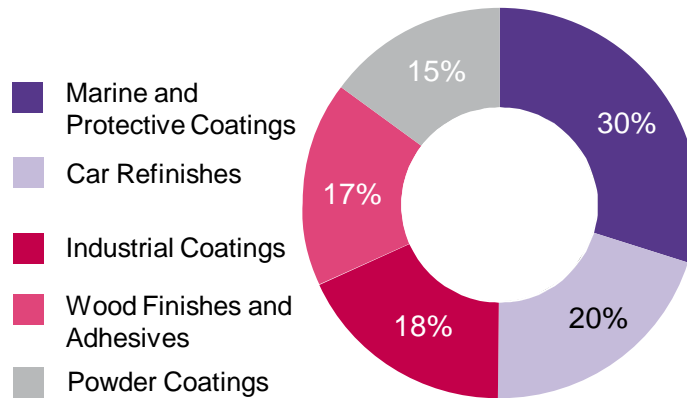
Performance Coatings key facts

2009

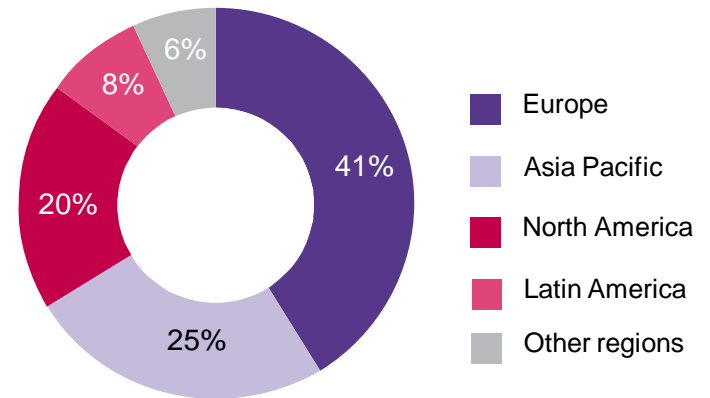
- Revenue €4.1 billion
- 19,940 employees
- EBITDA: €594 million*
- 45 percent of revenue from high growth markets
- Leading positions in performance coatings
- Innovative technologies, strong brands



Revenue by business unit



Revenue by geography

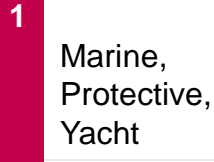


* Before incidentals



Many market leadership positions

Marine and Protective



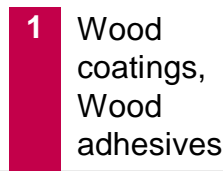
Car Refinishes



Industrial Coatings



Wood Finishes and Adhesives



Powder Coatings

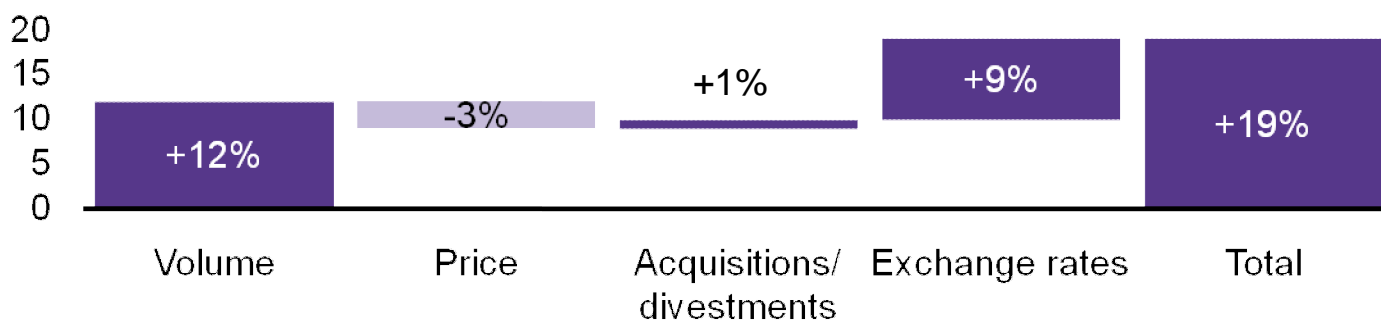


Performance Coatings Q2 2010

€ million	Q2 2010	Δ%
Revenue	1,260	19
EBITDA*	191	15

Ratio, %	Q2 2010	Q2 2009
EBITDA* margin	15.2	15.6

Revenue development Q2 2010 vs. Q2 2009



* Before incidentals

■ Increase ■ Decrease



Performance Coatings Q2 2010 highlights

- Revenue up 19 percent, with volumes up 12 percent
- EBITDA* at €191 million, up 15 percent
- EBITDA* margin at 15.2 percent (2009: 15.6 percent)
- Broad demand improvement in all industrial businesses
- Powder Coatings started integration of acquired activities

** Before incidentals*





More protection and convenient product application - an innovation within the Personal Care business of Surface Chemistry provides manufacturers of sunscreen products with polymer technology and customized formulation expertise, together with specialized sensory/consumer testing. Our products make continuous spray sunscreen product possible, delivering long lasting protection, higher SPF, all in a easy to apply package.



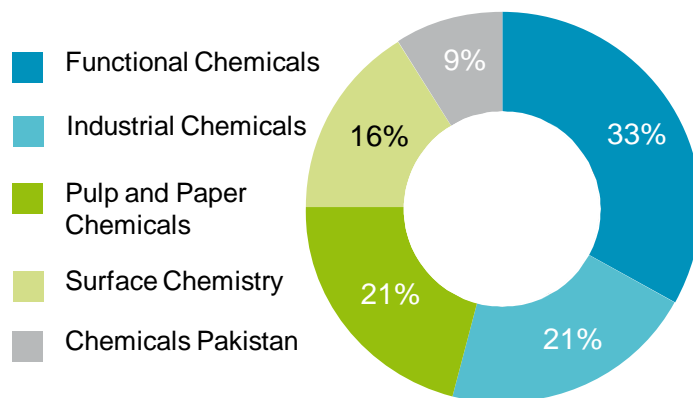
Specialty Chemicals key facts

2009

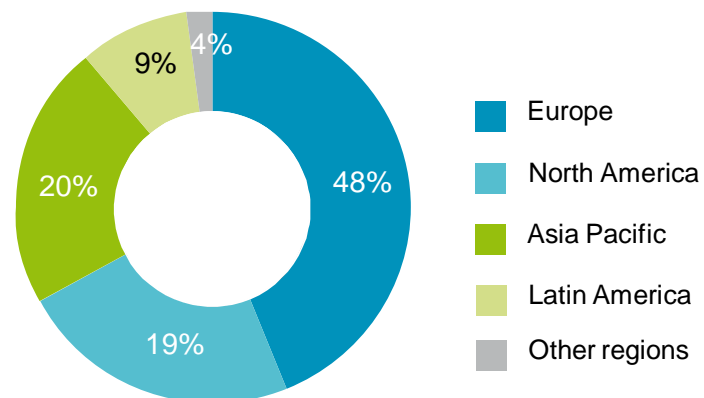
- Revenue €4.4 billion
- 11,140 employees
- EBITDA: €738 million*
- 32 percent of revenue from high-growth markets
- Major producer of specialty chemicals
- Leadership positions in many markets



Revenue by business unit



Revenue by geography



* Before incidentals

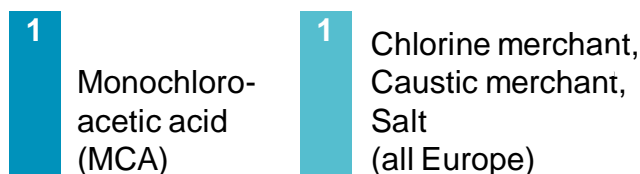


Many market leadership positions

Functional Chemicals



Industrial Chemicals



Pulp and Paper



Surface Chemistry



Chemicals Pakistan holds strong positions in various markets in Pakistan

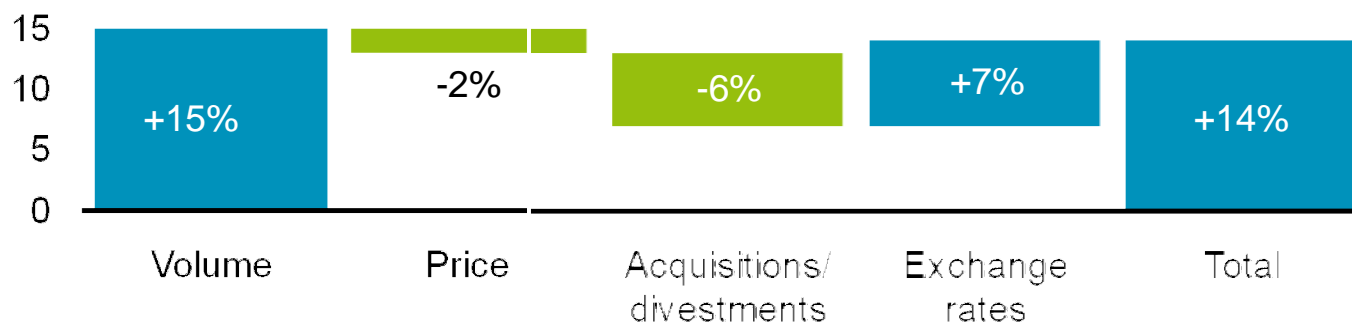


Specialty Chemicals Q2 2010

€ million	Q2 2010	Δ%
Revenue	1,258	14
EBITDA*	257	28

Ratio, %	Q2 2010	Q2 2009
EBITDA* margin	20.4	18.2

Revenue development Q2 2010 vs. Q2 2009



* Before incidentals

■ Increase ■ Decrease



- Revenue increased 14 percent, with volumes up 15 percent
- Broad demand improvement and favorable currency effects (7 percent) drive top line
- EBITDA* at €257 million, up 28 percent
- EBITDA* margin 20.4 percent (2009: 18.2 percent)
- All units contribute to strong results, particularly Functional Chemicals and Surface Chemistry
- Closing National Starch divestment expected this year

** Before incidentals*



Financial review

Cash management discipline

Focus on cash

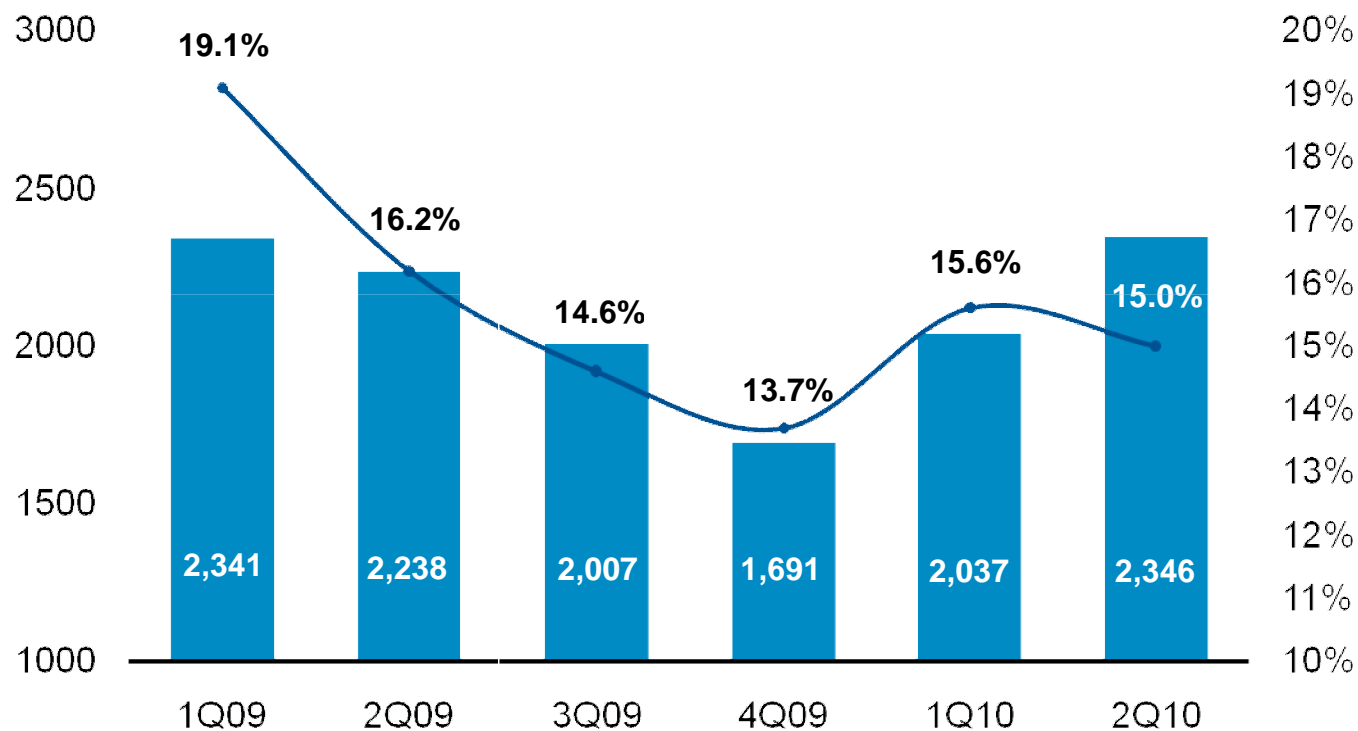
- OWC reduction
- Capex prioritization
- Selective acquisitions
- Dividend policy unchanged

- Operating Working Capital reduced to 15.0% of revenue (Q2 2009: 16.2%)
- Careful prioritization of capital expenditures
- We continue to look for attractive acquisitions
- Dividend policy: at least 45 percent of net income before incidentals and fair value adjustments related to the ICI acquisition



Continued focus on Operating Working Capital is delivering results

OWC
€ million



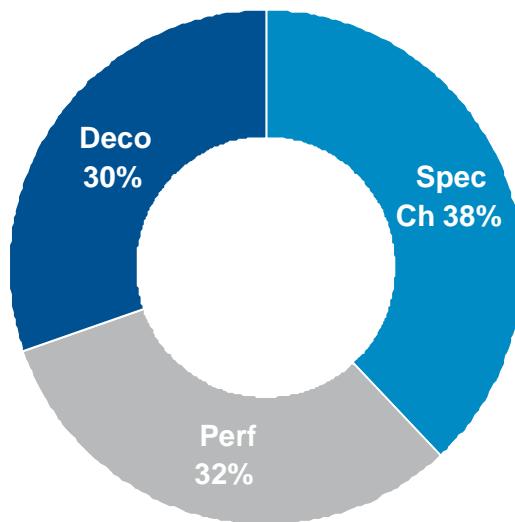
■ OWC
— OWC as % of revenue



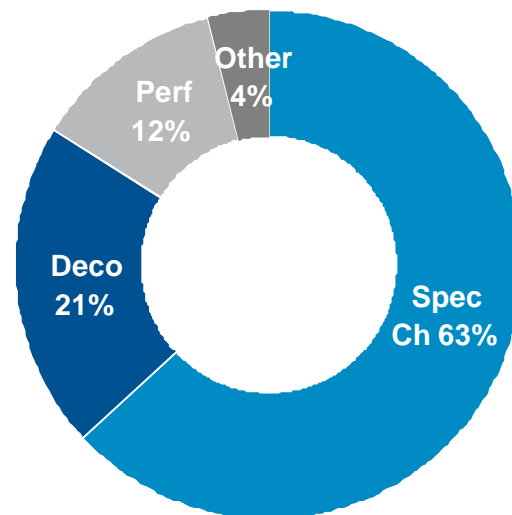
Capital expenditures remain disciplined

- Capex 2009 actual spend was €534 million, unchanged from 2008
- Capex 2010 expected to approach €600 million (incl. Ningbo €100 million)

OWC split at year-end 2009



2009 Capex split

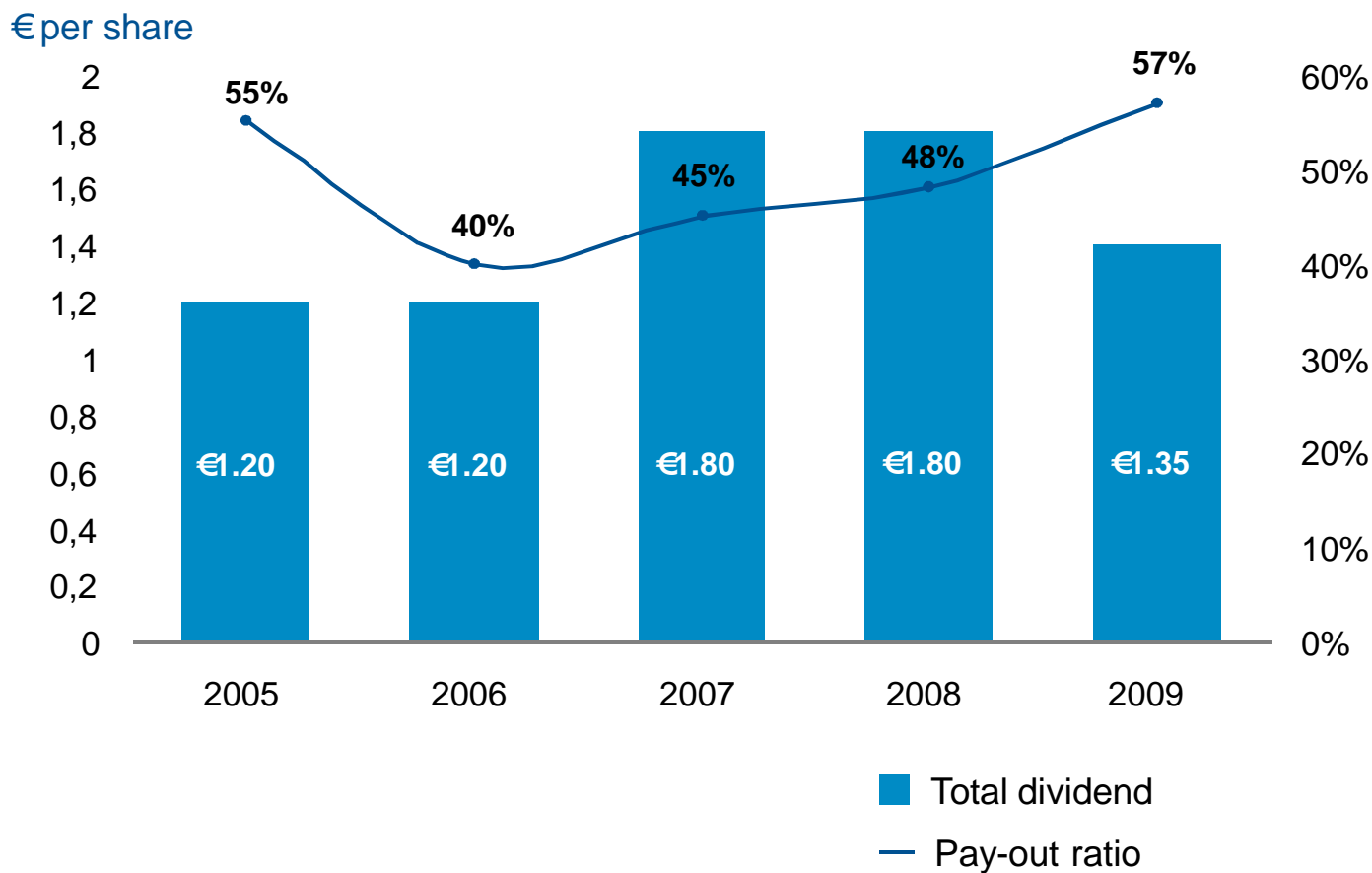


Data includes National Starch



Dividend policy

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



EBITDA – Cash bridge

<i>€ million</i>	Q2 2010	Q2 2009
EBITDA before incidentals	614	506
Incidentals (cash)	(4)	(54)
Change working capital	2	62
Change provisions	(137)	(25)
Interest paid	(45)	(111)
Income tax paid	(39)	(69)
Net cash from operating activities	391	309

- Higher net cash driven by higher operating results
- Change in provisions mainly impacted by higher cash-out from provisions for pensions and restructuring
- Interest paid impacted by different interest payment terms during 2009



Ambition to maintain strong balance sheet & credit rating unchanged

<i>€ million</i>	Jun 30, 2010	Dec 31, 2009
Total Equity	9,444	8,245
Net debt	2,339	1,744

<i>€ million</i>	Q2 2010	Q2 2009
Net cash from operating activities	391	309

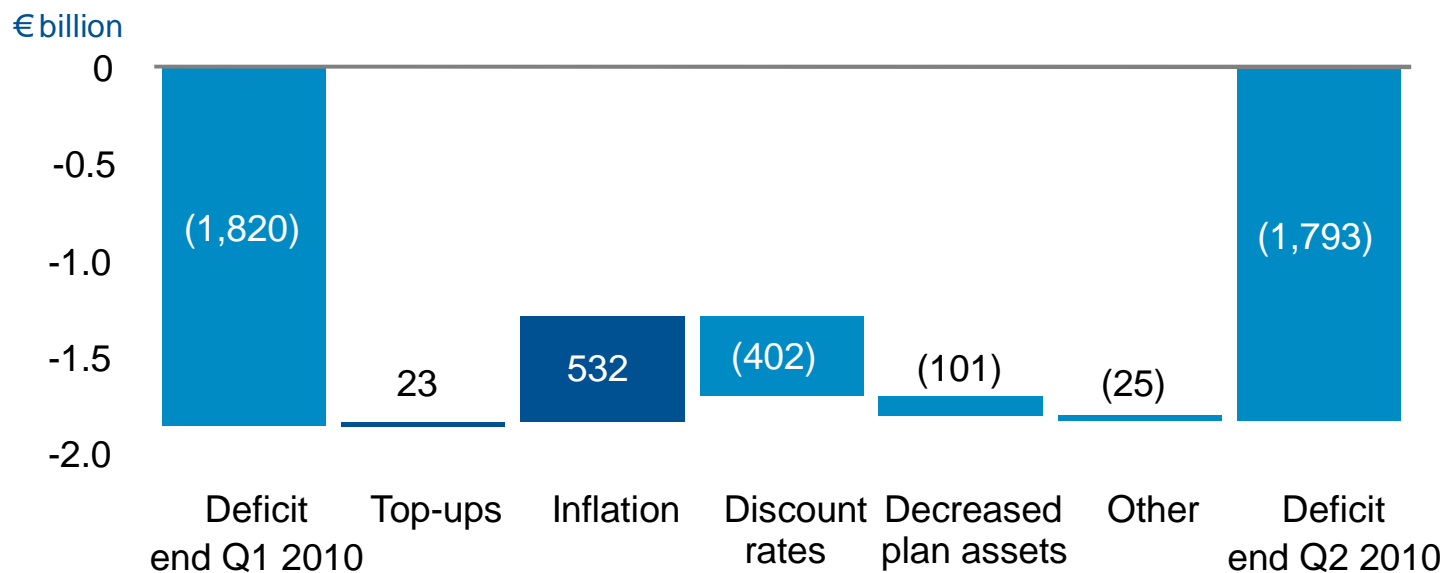
- Equity impacted by currency translation (€1,035 million), net income (€354 million) and dividend (€244 million)
- Net debt increased mainly due to top-up payments (€314 million) and increased working capital (€349 million)
- Pension deficit estimated at €1.8 billion (year-end 2009: €1.9 billion)



Pension deficit unchanged at €1.8 billion

<i>Key pension metrics</i>	Q2 2010	Q1 2010
Discount rate	5.2%	5.4%
Inflation assumptions	2.9%	3.3%

Pension deficit development during Q2 2010



Data includes National Starch

■ Decrease ■ Increase



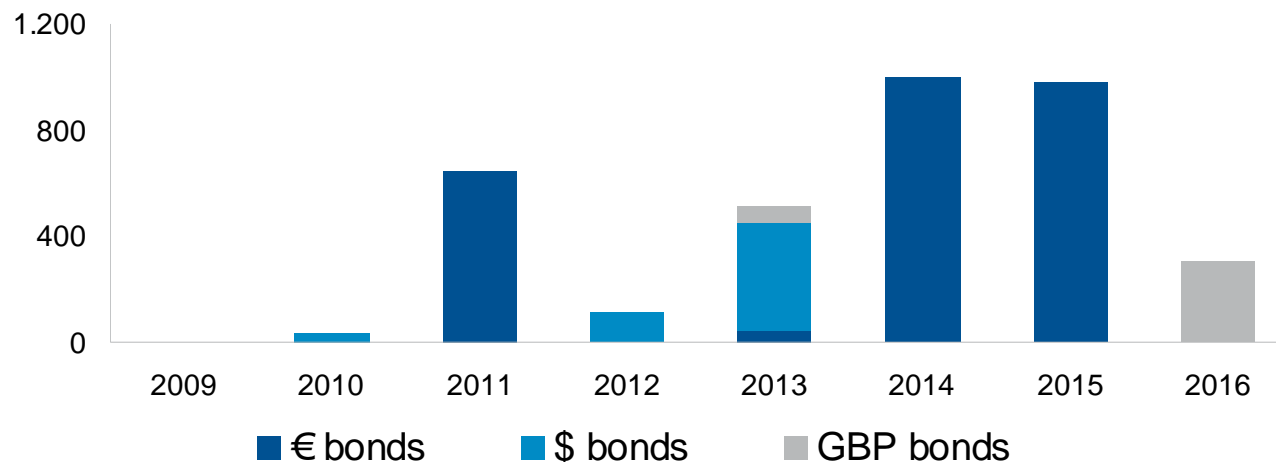
Pro-active pension risk management

- 2004 pro forma (including ICI) pension under funding was around €4 billion
- Defined Benefits closed to new entrants, major plans closed in 2001 (ICI) and 2004 (Akzo Nobel)
- Committed to further de-risk over time
- Total defined benefit pension plans cash contribution expected to reach €490 million in 2010 (2009: €414 million), which includes an increase of €125 million in additional “top-up” payments (2010 €355 million; 2009 €240 million)
- Non-cash IAS19 financing expenses related to pensions and other post-retirement benefits expected to be €105 million in 2010 (2009: €174 million)



No 2010 refinancing needs

Debt maturity, € million (nominal amounts)



Significant liquidity headroom

- Undrawn revolving credit facility of €1.5 billion available (2013)*
- €1.5 & \$1 billion commercial paper programs in place
- Net cash and cash equivalents €1.5 billion*

* At the end of Q2 2010



Credit ratings

AkzoNobel is committed to maintaining a strong investment grade rating

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

- Rating affirmed on August 25, 2009, unchanged since February 25, 2009
- AkzoNobel continues to benefit from its business position

Moody's: Baa1 (negative outlook)

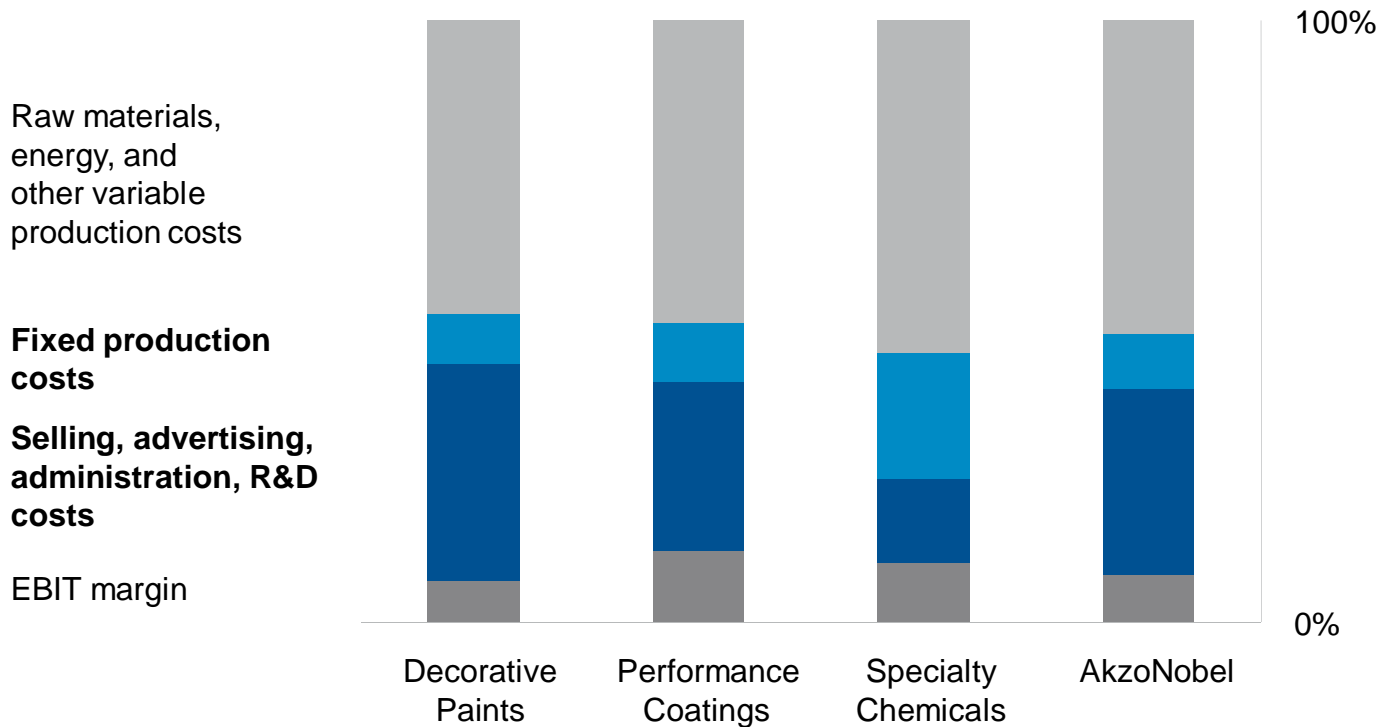
- Rating affirmed on March 16, 2009
- Downgrade reflects changed growth assumptions
- The rating continues to reflect the company's global reach and leadership positions

Please note that the Fitch rating is unsolicited



Low fixed costs as a percentage of revenue

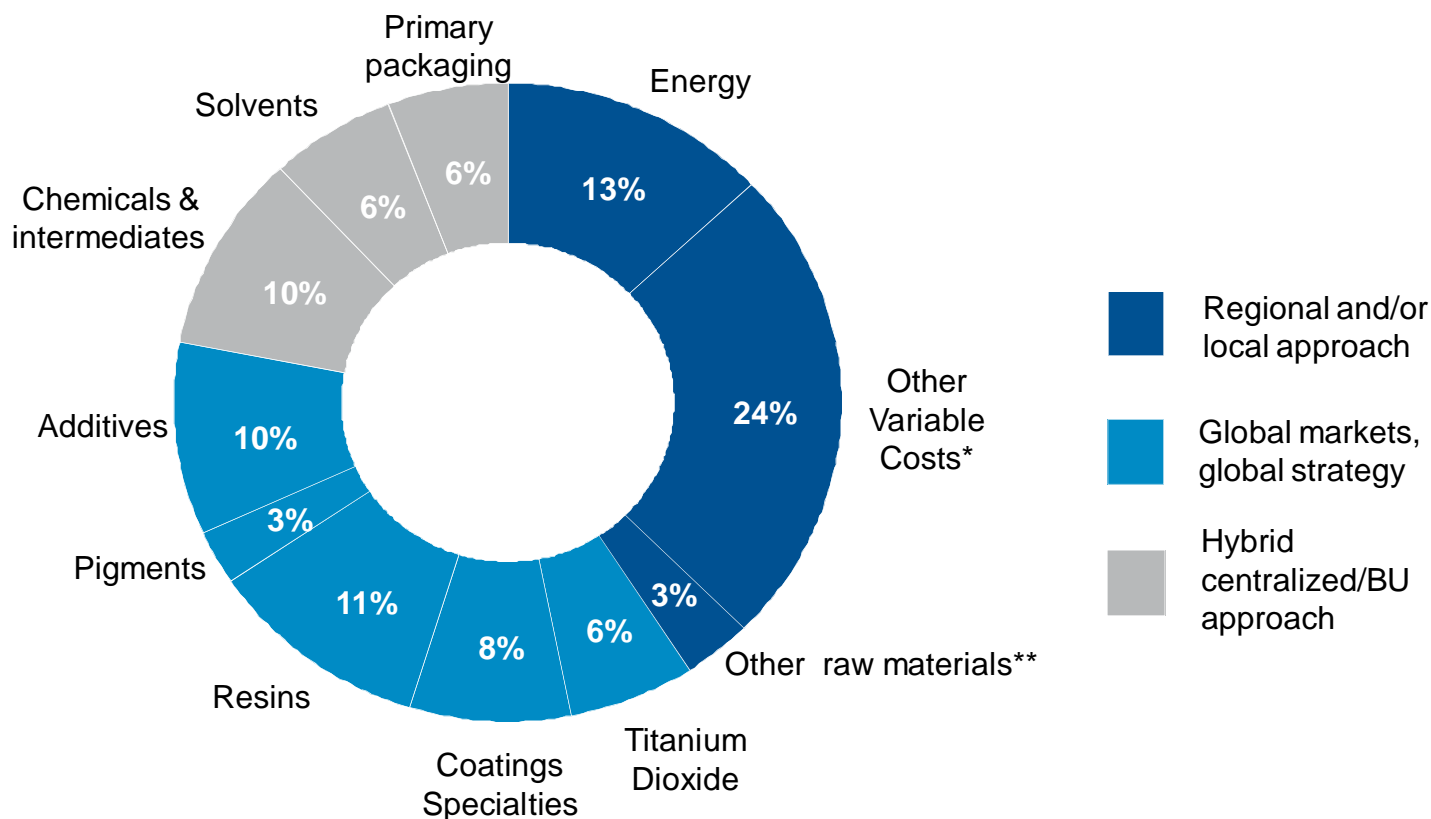
% of 2009 annual revenue*



* Rounded percentages, all data excluding incidentals



Raw materials, energy and other variable costs represent around half of revenue



Around 2/3 of total spend is managed centrally to maximize scale advantages

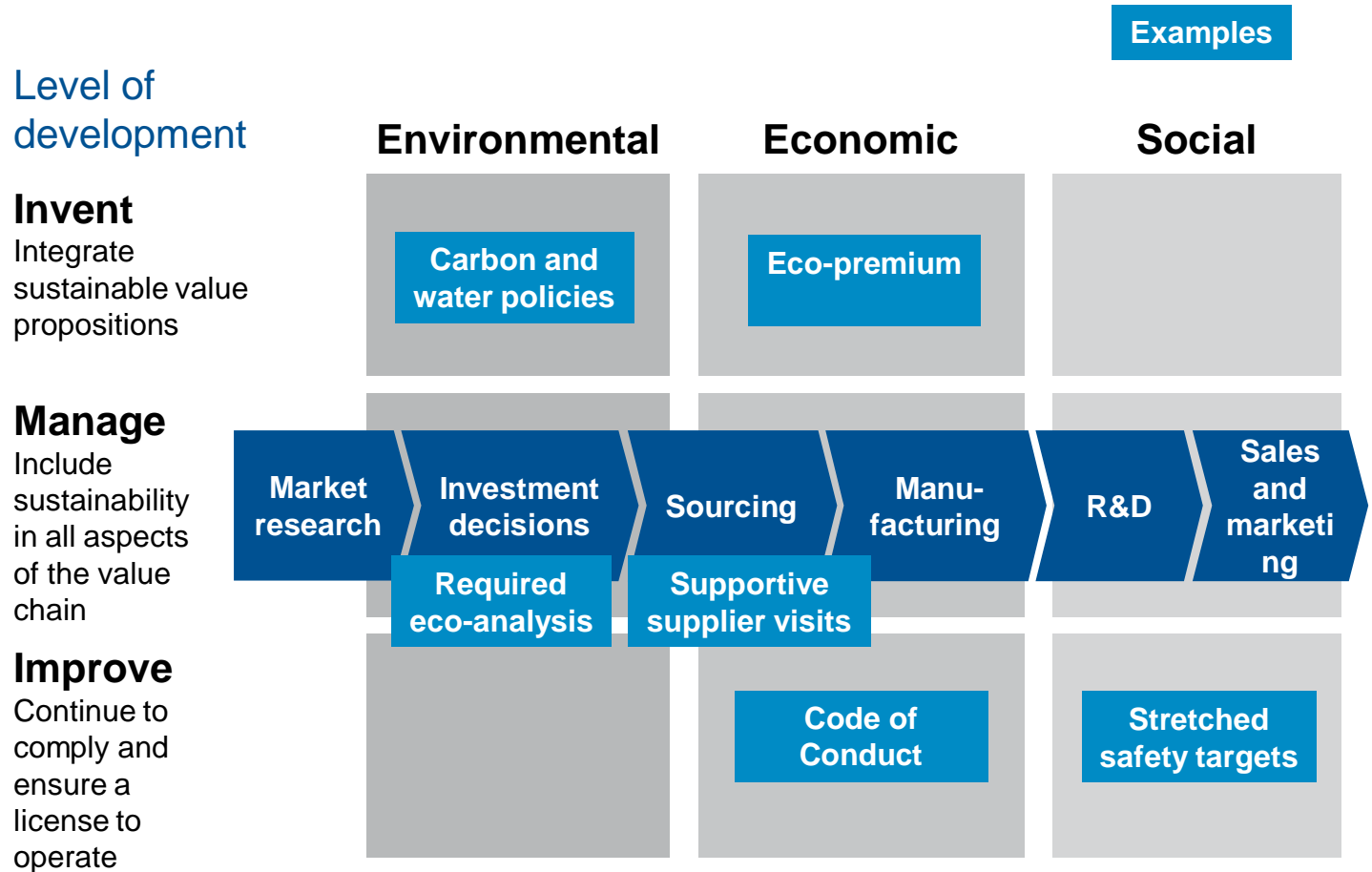
* Other variable costs include a/o variable selling costs costs (e.g. freight) and products for resale

** Other raw materials include cardolite, hylar etc.



Sustainability review

We see sustainability as a business opportunity



Aspect of sustainability (linked to DJSI)



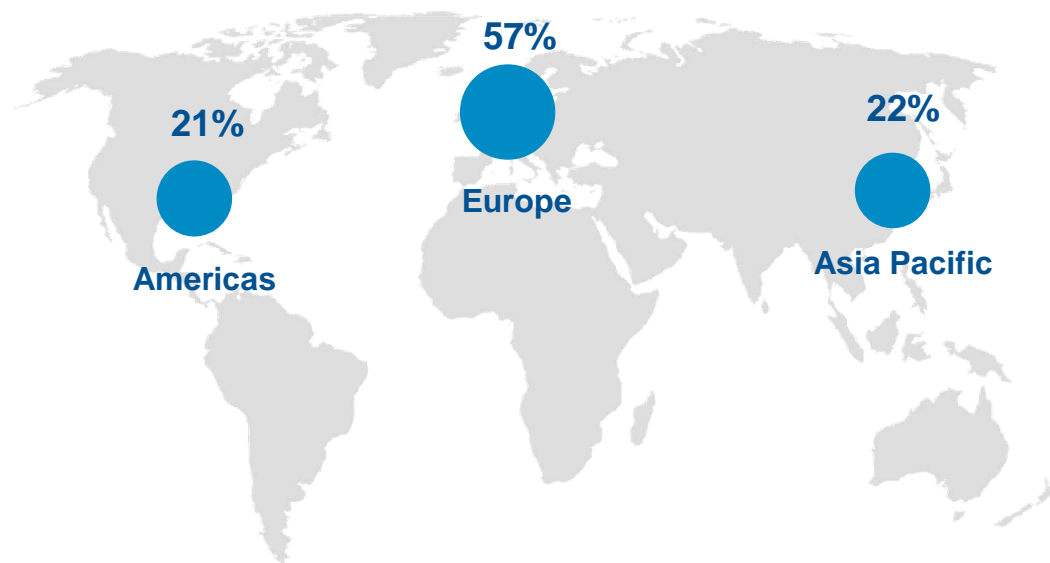
Our Research Development & Innovation has a significant sustainability focus

4,000 people employed globally

Over 60 percent of projects sustainability driven

2009: 2.4 percent of revenue spent (> €300 million) on RD&I

Geographic spread of RD&I



Sustainability focus paying off



Dulux® Weathershield SunReflect™

Lowers the temperature of external walls by up to 5° C and reduces the need for air conditioning by reflecting up to 90 percent more infrared radiation than comparable exterior paints .

Intergard® 10220 Waterborne Peelable Coatings

The right balance between elasticity and strength has resulted in a peelable coating that can be easily removed without the use of cleaning chemicals – a more sustainable solution for the temporary coating of vehicles.



mTA-Salt

An Industrial Salt with an eco-efficient anti-caking agent that could save up to 5% of a chlorine production plant's total energy consumption. Other features are less waste, increased production and enhanced product quality of our customers.



Our sustainability commitment has been recognized externally



2004	No ranking
2005	Top 10%
2006	2nd Place
2007	Super sector leader
2008	Joint 2nd place
2009	2nd place



Outlook

Well positioned for growth

Sound fundamentals

- Strong market positions and brands
- Diverse geographic spread in highly attractive sectors
- Low cyclicalilty 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



Outlook

- We are emerging from the global economic crisis in better shape underlined by the early achievement of our 2011 EBITDA margin target of 14 percent
- The developed markets remain challenging, but we are cautiously optimistic despite the economic uncertainty
- We remain focused on accelerating our growth agenda and our presence in key markets
- Our emphasis on customers, cost reduction and cash generation continues
- We will provide an update on our medium-term ambitions during our capital markets day on September 28 in London



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.

