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October 21, 2010

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**Investor Update Q3 2010 results**



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# Agenda

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- **AkzoNobel at a glance**
- **Strategic ambitions**
- **Q3 2010 highlights and operational review**
- **Financial review**
- **Outlook 2010**

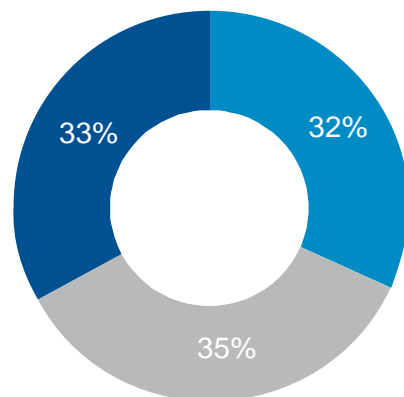
# AkzoNobel key facts

## 2009

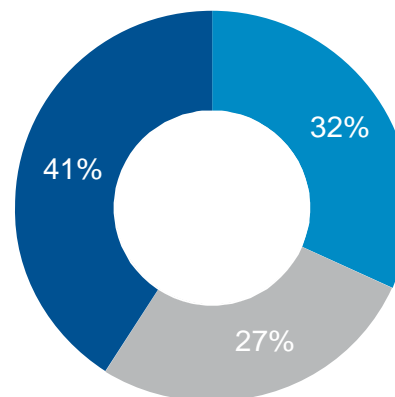
- Revenue €13.0 billion
- 54,738 employees
- EBITDA: €1.7 billion\*
- EBIT: €1.1 billion\*
- Net income: €285 million
- Leader in Dow Jones Sustainability Index



Revenue by business area



EBITDA\* by business area

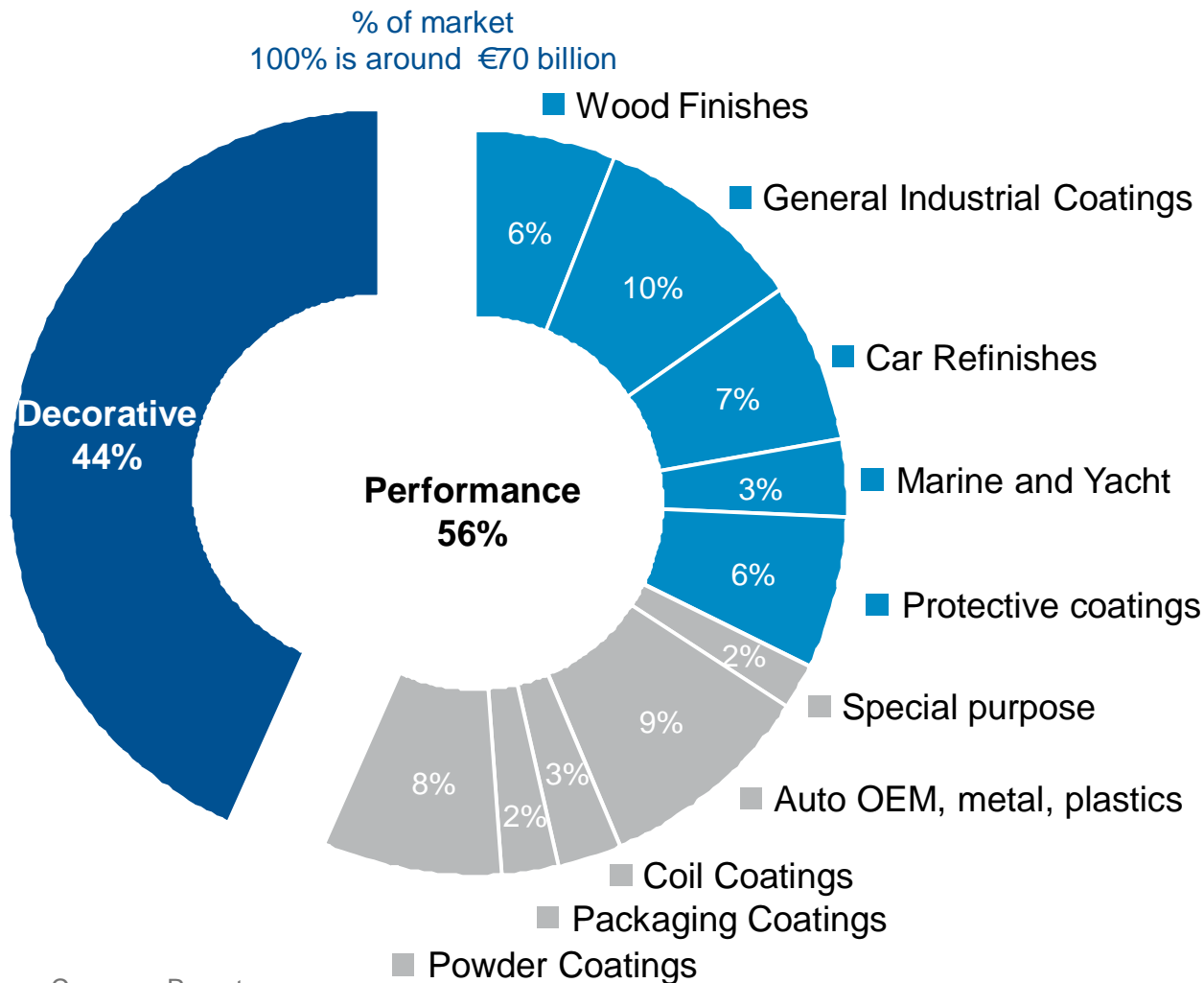


- Performance Coatings
- Decorative Paints
- Specialty Chemicals

\* Before incidentals. All data after reclassification of National Starch



# The global paints and coatings market is around €70 billion

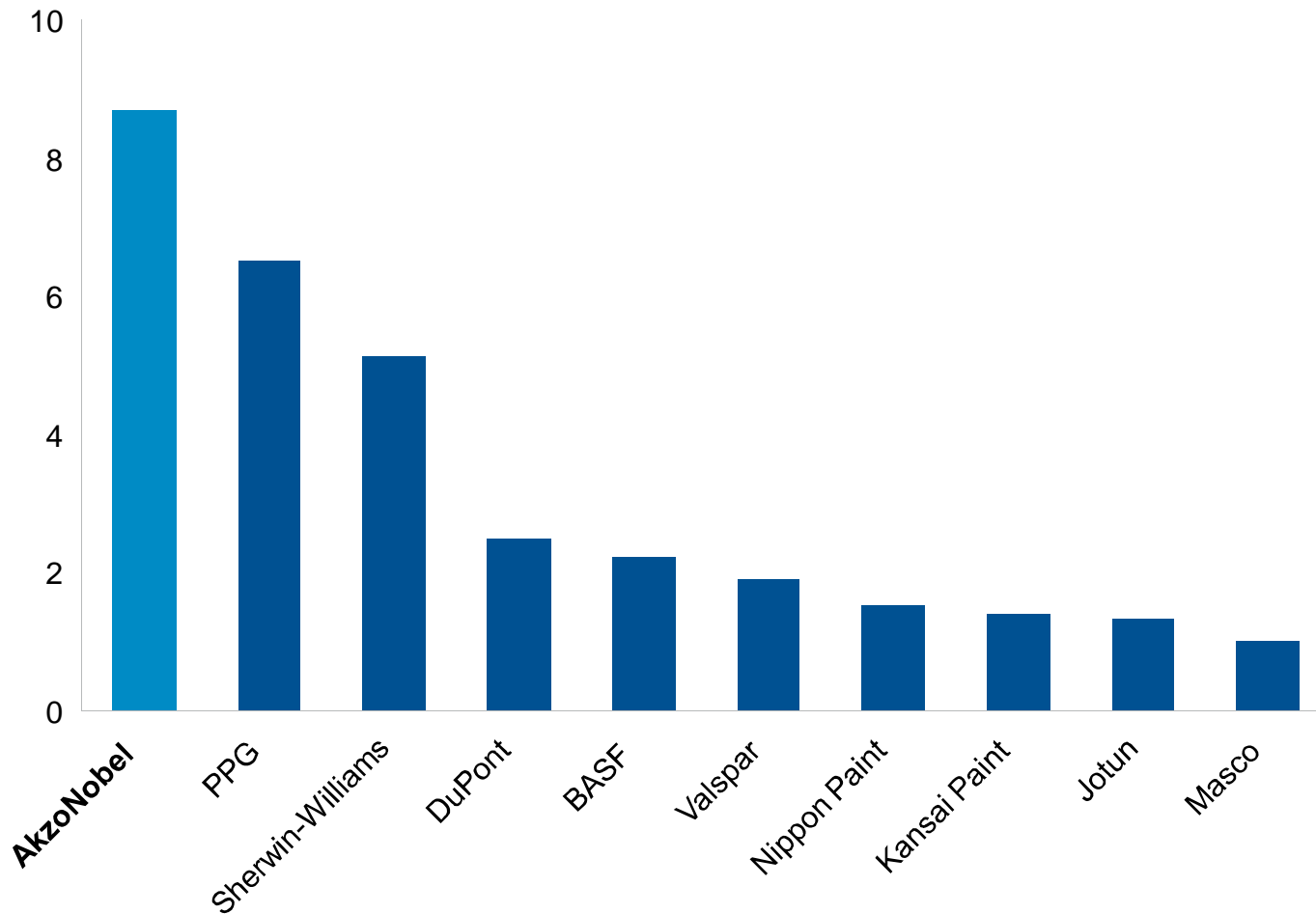


Source: Company Reports



# AkzoNobel is the world's largest Coatings supplier

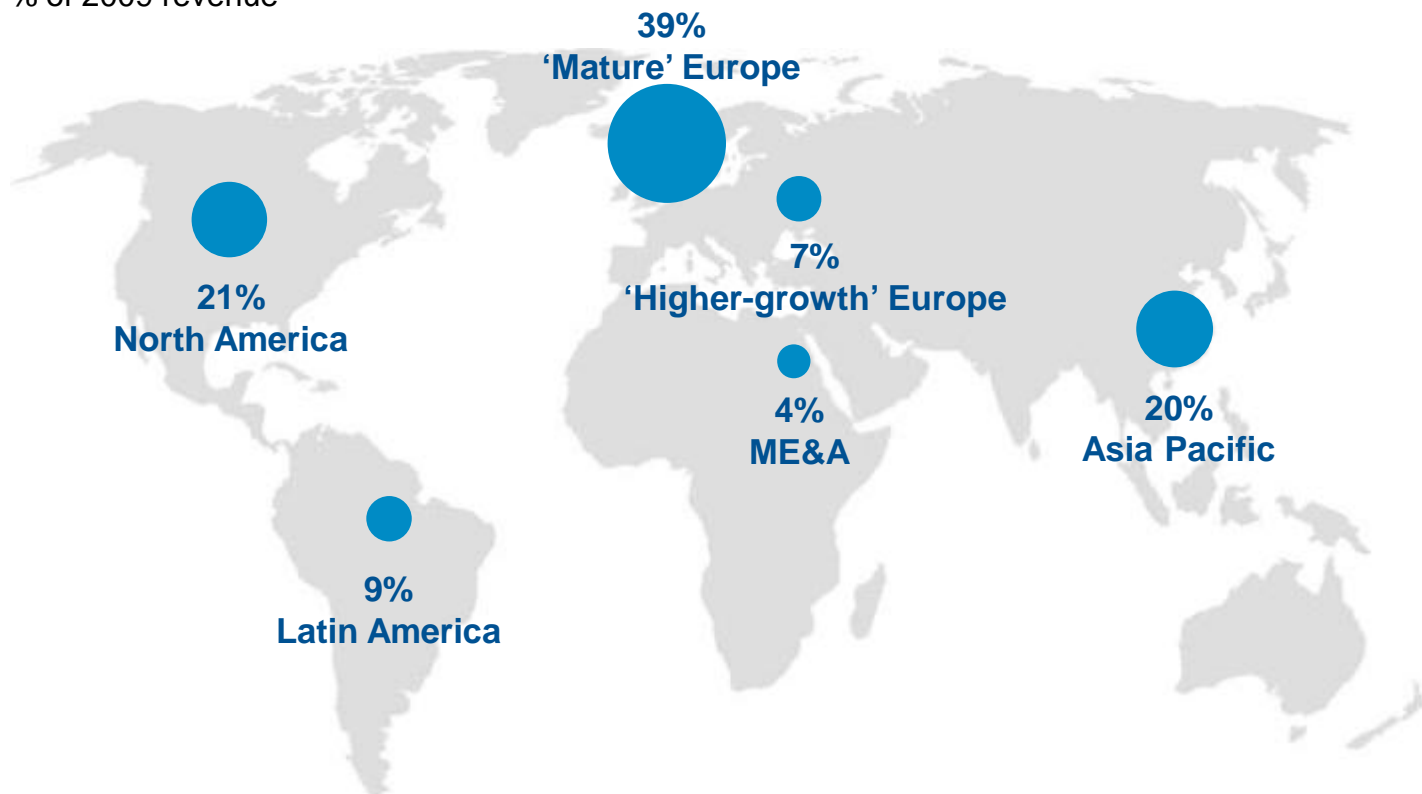
2009 revenue in € billion



# Excellent geographic spread of both revenue and profits

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

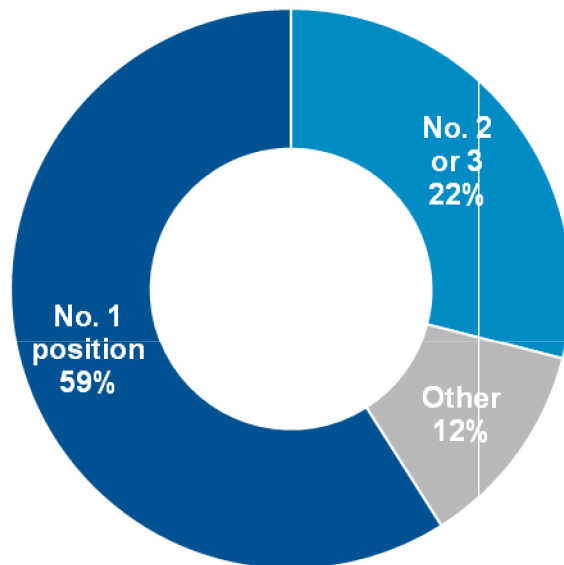
% of 2009 revenue



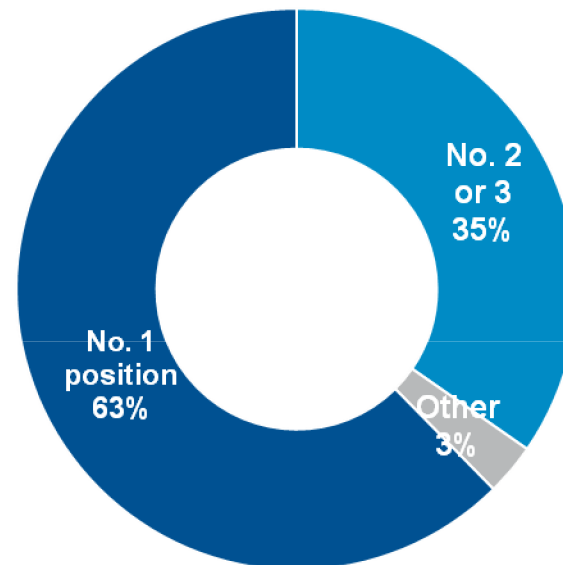
High-growth markets profitability is above average

# Strong portfolio with leading positions

2009 Revenue



2009 EBITDA\*



**Leading market position results in superior level of profitability**

\* Before incidentals

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# Strategic ambitions

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# We want to be the world's leading Coatings and Specialty Chemicals company



## Our medium-term strategic ambitions are:

### Value – accelerated growth

- Grow to €20 billion revenues
- Increase EBITDA\* each year, maintaining a 13-15% margin level
- Reduce OWC percent of revenues\*\* year-on-year by 0.5 towards a 12% level
- Pay a stable to rising dividend

### Values – sustainable growth

- Top quartile safety performance
- Top 3 in DJSI\*\*\*
- Top quartile performance in diversity, employee engagement and talent development
- Top quartile eco-efficiency improvement rates

\* Absolute earnings before interest, tax, depreciation and amortization, before incidentals

\*\* Operating Working Capital at year end as a percentage of quarter\*4 revenue

\*\*\* Dow Jones Sustainability Index

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# Q3 2010 highlights and operational review

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## Q3 2010 highlights

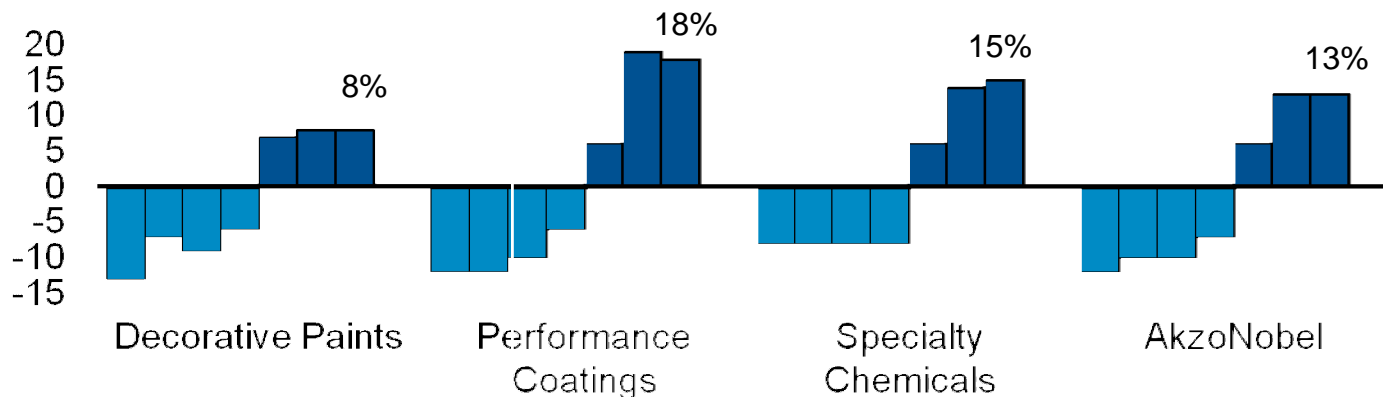
- Revenue €3.9 billion (2009: €3.4 billion), up 13 percent (5 percent in constant currencies)
- EBITDA\* €574 million (2009: €528 million), up 9 percent (2 percent in constant currencies)
- EBITDA\* margin 14.8 percent (2009: 15.4 percent)
- Sale of National Starch completed on October 1
- Two bolt-on acquisitions closed in Performance Coatings
- Interim dividend of €0.32 declared, up 7 percent
- New medium-term ambitions announced
- Outlook unchanged: we remain cautiously optimistic

*\* Before incidentals*

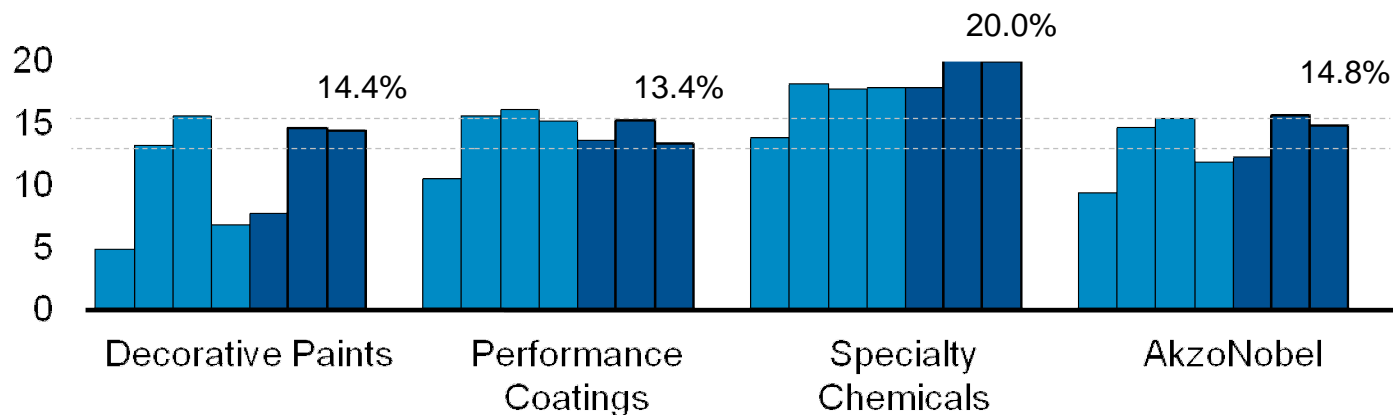


# Revenue growth and margin development per quarter to Q3 2010

## Reported revenue in % year-on-year



## EBITDA\* margin in %



\* Before incidentals

■ 2009 ■ 2010



# Volume and price development per quarter to Q3 2010

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

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

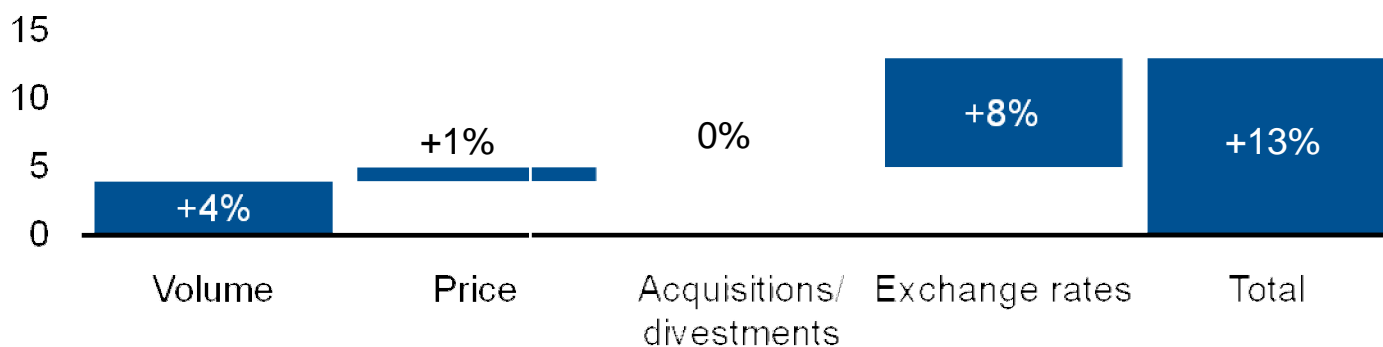


# Q3 2010 revenue and EBITDA

€ million	Q3 2010	Δ%
Revenue	3,867	13
EBITDA*	574	9

Ratio, %	Q3 2010	Q3 2009
EBITDA* margin	14.8	15.4

## Revenue development Q3 2010 vs. Q3 2009



\* Before incidentals

■ Increase ■ Decrease



## Summary – Q3 2010 results

<i>€ million</i>	Q3 2010	Q3 2009
EBITDA*	574	528
Amortization and depreciation	(146)	(143)
Incidentals	(47)	(39)
Financial income & expense	(70)	(97)
Minorities and associates	(13)	(16)
Income tax	(81)	(32)
Discontinued operations	21	(4)
<b>Net income total operations</b>	<b>238</b>	<b>197</b>
Net cash from operating activities	378	817

<i>Ratio</i>	Q3 2010	Q3 2009
EBITDA* margin (%)	14.8	15.4
Earnings per share (in €)	1.02	0.85

\* Before incidentals



## Q3 2010 incidentals

<i>€ million</i>	Q3 2010	Q3 2009
Restructuring costs	(53)	(116)
Results related to major legal, antitrust & environmental cases	-	(2)
Results on acquisitions & divestments	15	19
Other incidental results	(9)	60
<b>Total</b>	<b>(47)</b>	<b>(39)</b>

Restructuring costs are mainly related to:

- Impairment of a former manufacturing site in US (Decorative Paints)
- Closure/ downsizing various Powder Coating sites (Performance Coatings)
- Closure of the chlorine waste incinerator in Rotterdam (Specialty Chemicals)





## Decorative Paints



**In Q3, Sikkens successfully launched Alpha SanoProtex, a waterborne wall paint especially designed to prevent bacteria from multiplying. It proves to be a great solution for hospitals, clinics and social service buildings and other locations where hygiene is crucial and where the infection risk needs to be controlled at all times.**



# 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

**Dulux**

**sikkens**

**Glidden**

**levis**

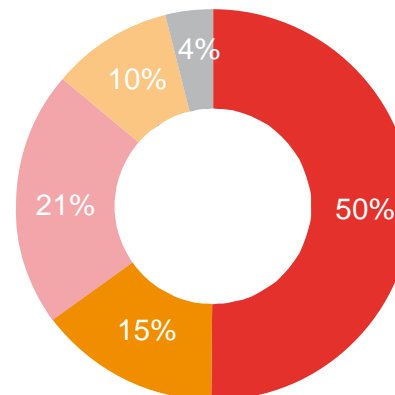
**SICO**

**SCHÖNOX**

**Coral**

**FLEXA**

## Revenue by geography



\* Before incidentals

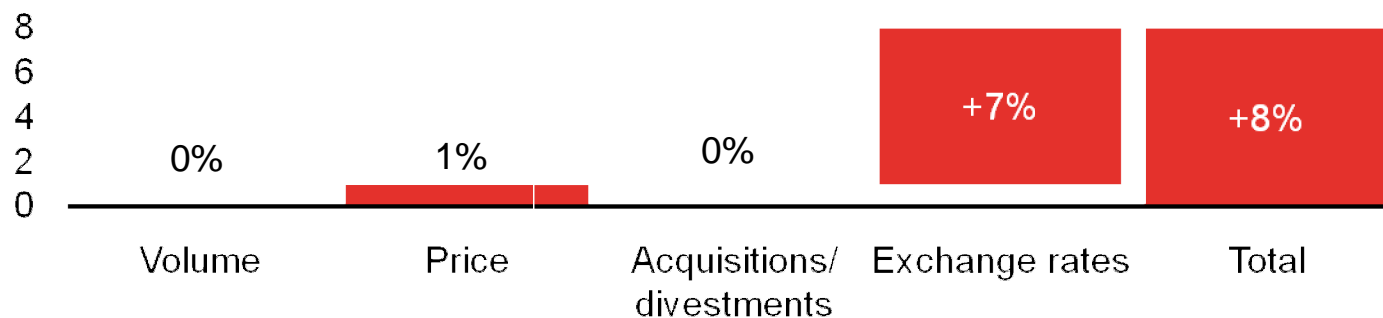


# Decorative Paints Q3 2010

€ million	Q3 2010	Δ%
Revenue	1,372	8
EBITDA*	198	-

Ratio, %	Q3 2010	Q3 2009
EBITDA* margin	14.4	15.6

## Revenue development Q3 2010 vs. Q3 2009



\* Before incidentals

■ Increase ■ Decrease



## Decorative Paints Q3 2010 highlights

- Revenue of €1,372 million (2009: €1,271 million), up 8 percent, with favorable currency impact of 7 percent
- EBITDA\* €198 million (2009: €198 million)
- AkzoNobel to be primary paint supplier to Wal-Mart
- Strong revenue growth and increased investment in brands and distribution in high growth markets
- Soft demand in the mature markets, particularly in Continental Europe

*\* Before incidentals*





The acquisition of Changzhou Prime Automotive Paint Co. Ltd. will significantly boost AkzoNobel's presence in the Chinese automotive market. Prime is one of China's largest vehicle refinish suppliers and a leader in the fast-growing mid-market segment. This sector is estimated to double in size within the next five years.



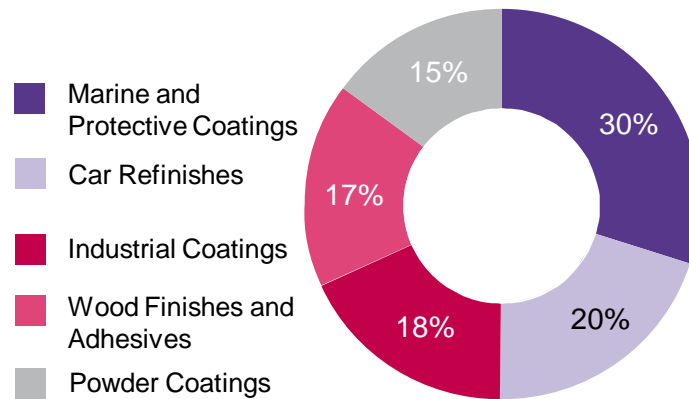
# Performance Coatings key facts

## 2009

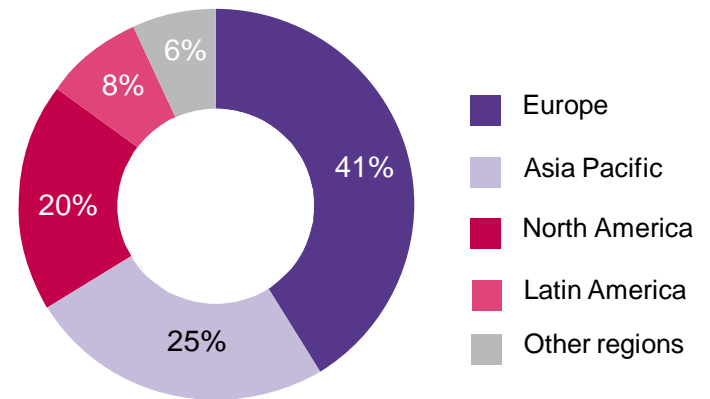
- Revenue €4.1 billion
- 19,940 employees
- EBITDA: €594 million\*
- 45 percent of revenue from high growth markets
- Leading positions in performance coatings
- Innovative technologies, strong brands



Revenue by business unit



Revenue by geography



\* Before incidentals

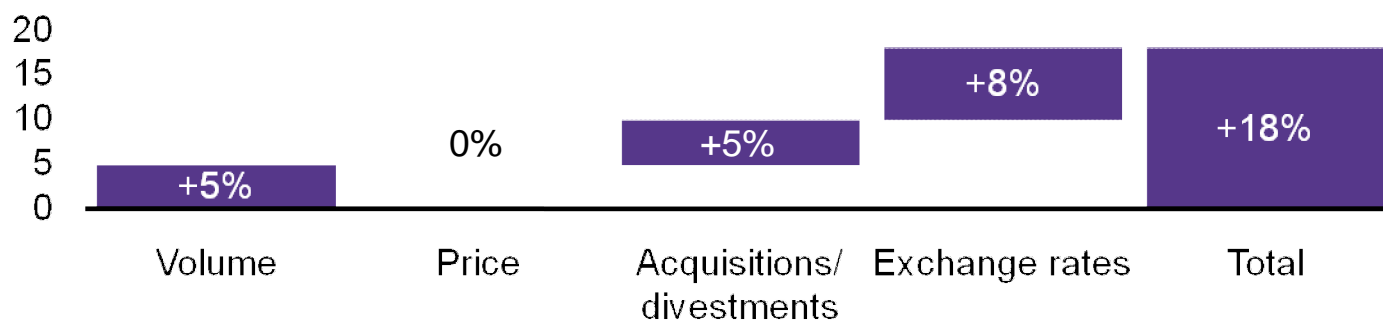


# Performance Coatings Q3 2010

€ million	Q3 2010	Δ%
Revenue	1,239	18
EBITDA*	166	(2)

Ratio, %	Q3 2010	Q3 2009
EBITDA* margin	13.4	16.1

Revenue development Q3 2010 vs. Q3 2009



\* Before incidentals

■ Increase ■ Decrease



# Performance Coatings Q3 2010 highlights

- Revenue €1,239 million, up 18 percent (2009: €1,051 million)
- Demand improved in all businesses, with volumes up 5 percent
- EBITDA\* €166 million (2009: €169 million)
- EBITDA\* margin of 13.4 percent (2009: 16.1 percent), impacted by raw material prices
- Integration of acquired activities progressing well

*\* Before incidentals*







**Our Pulp & Paper Chemicals business concept, Compozil Fx, reduces energy consumption, fiber need and water usage for the customer. Used on 7 of the 8 largest paper machines in the world, it is the preferred sustainable choice on the growing Chinese paper market.**



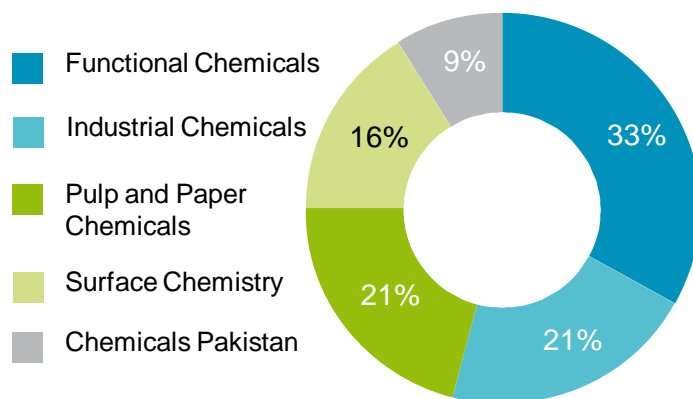
# Specialty Chemicals key facts

## 2009

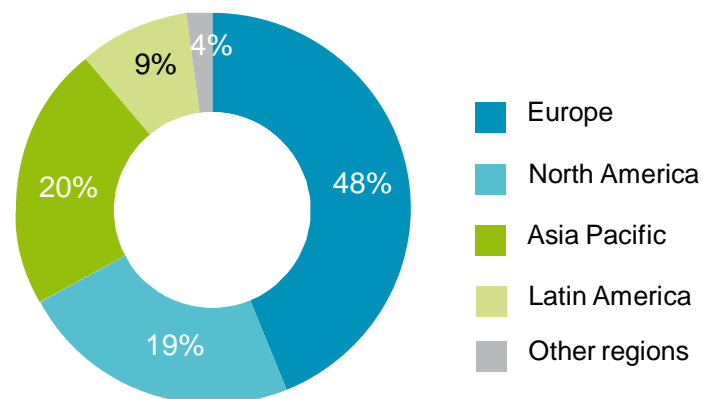
- Revenue €4.4 billion
- 11,140 employees
- EBITDA: €738 million\*
- 32 percent of revenue from high-growth markets
- Major producer of specialty chemicals
- Leadership positions in many markets



### Revenue by business unit



### Revenue by geography



\* Before incidentals

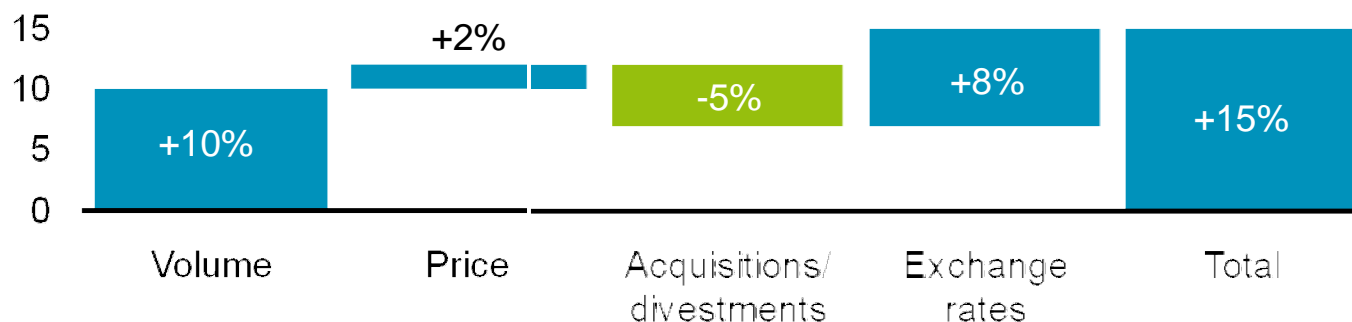


# Specialty Chemicals Q3 2010

€ million	Q3 2010	Δ%
Revenue	1,272	15
EBITDA*	254	29

Ratio, %	Q3 2010	Q3 2009
EBITDA* margin	20.0	17.8

## Revenue development Q3 2010 vs. Q3 2009



\* Before incidentals

■ Increase ■ Decrease



# Specialty Chemicals Q3 2010 highlights

- Revenue increased 15 percent to €1,272 million (2009: €1,109 million); volume increased 10 percent
- EBITDA\* was up 29 percent to €254 million (2009: €197 million)
- EBITDA\* margin 20.0 percent (2009:17.8 percent)
- Performance improvement in all businesses
- Sale of National Starch completed on October 1

*\* Before incidentals*

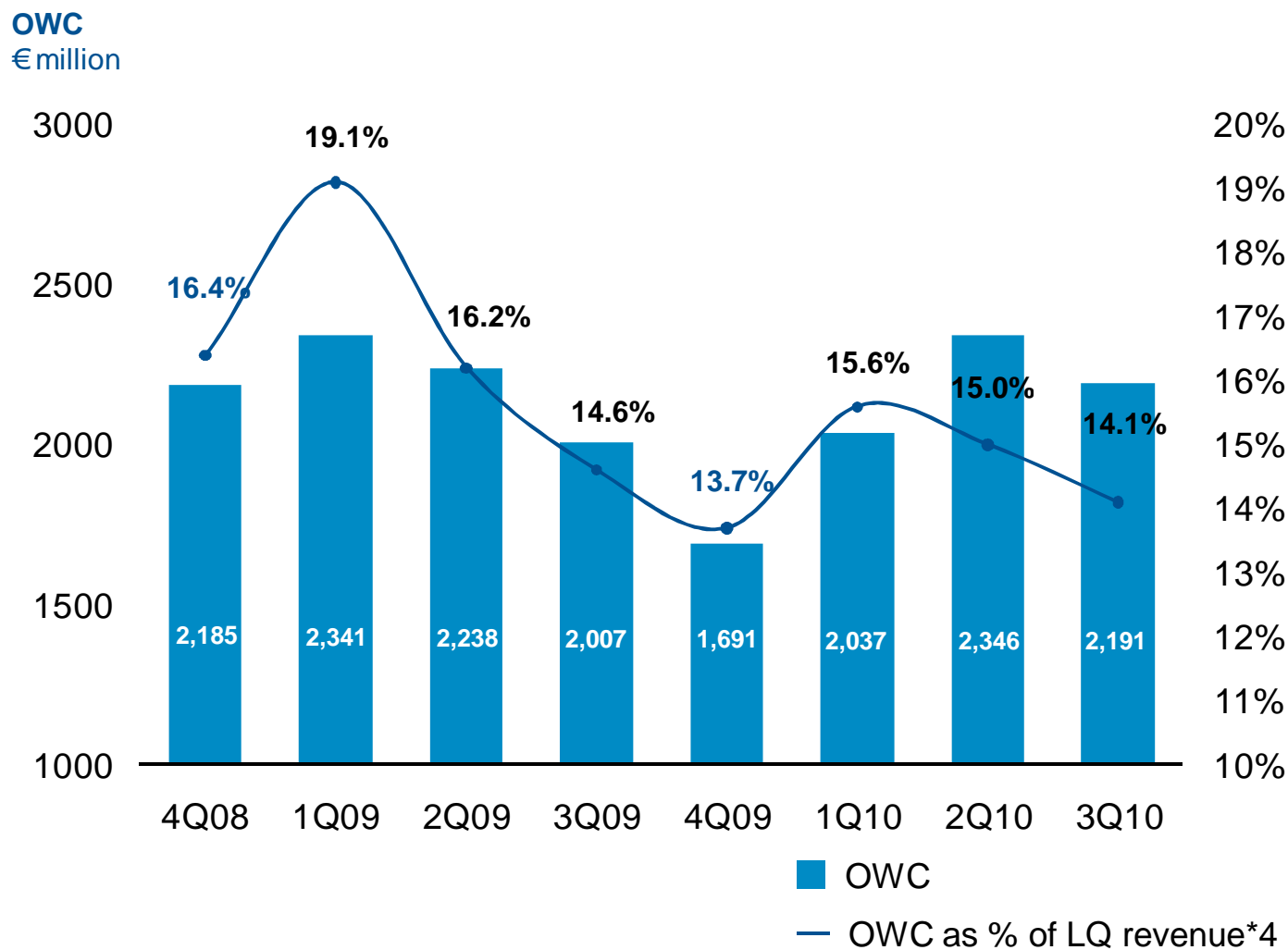


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# Financial review

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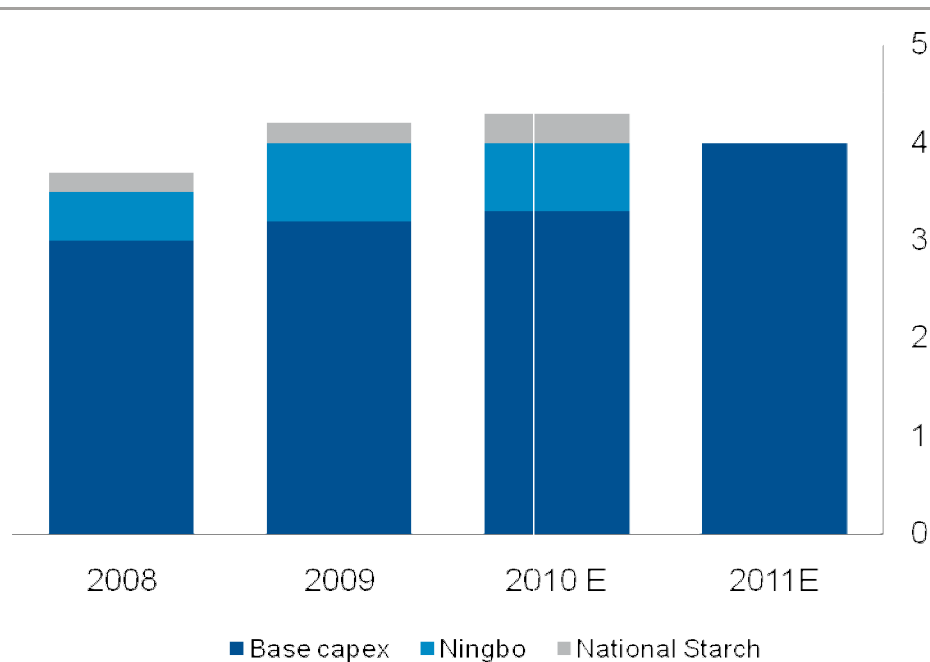
# Year-on-year Operating Working Capital % of revenue to reduce towards 12%



# Capital expenditure prioritization for growth

- Capex 2010 expected to be around 3% of revenue (excluding Ningbo €100 million and €40 million National Starch)
- Medium term: Capex level to be around 4% of revenues

## Capex as a % of revenue



# A stable to rising dividend

## Our dividend policy\*

### We intend to pay a stable to rising dividend:

- a cash interim and a final dividend will be paid

## 2010 interim dividend €0.32 per share – up 7% from 2009\*

- Interim dividend to be paid on 3 November, 2010
- We intend to grow the 2010 total dividend by around €0,05 per share\*
- Therefore we are guiding towards a total 2010 dividend of €1.40\*

\*The new dividend policy and dividend pay-out will be discussed at the 2011 Annual General Meeting





## EBITDA – Cash bridge

<i>€ million</i>	Q3 2010	Q3 2009
<b>EBITDA before incidentals</b>	<b>574</b>	<b>528</b>
Incidentals (cash)	(43)	(21)
Change working capital	105	402
Change provisions	(128)	(58)
Interest paid	(18)	(15)
Income tax paid	(112)	(19)
<b>Net cash from operating activities</b>	<b>378</b>	<b>817</b>

- Incidentals mainly related to continued restructuring activities
- Working capital inflow less pronounced than last year
- Change in provisions mainly impacted by higher cash-out from provisions for pensions



## Unchanged ambition to maintain strong balance sheet

<i>€ million</i>	Sept 30, 2010	Dec 31, 2009
Total Equity	9,291	8,245
Net debt*	2,030	1,744

- Credit ratings confirmed in August at BBB+/Baa1, outlook improved to stable
- National Starch proceeds will fund growth and potentially partly be used to further optimize capital structure, for example by repaying 2011 debt maturity and/or de-risking pensions where possible

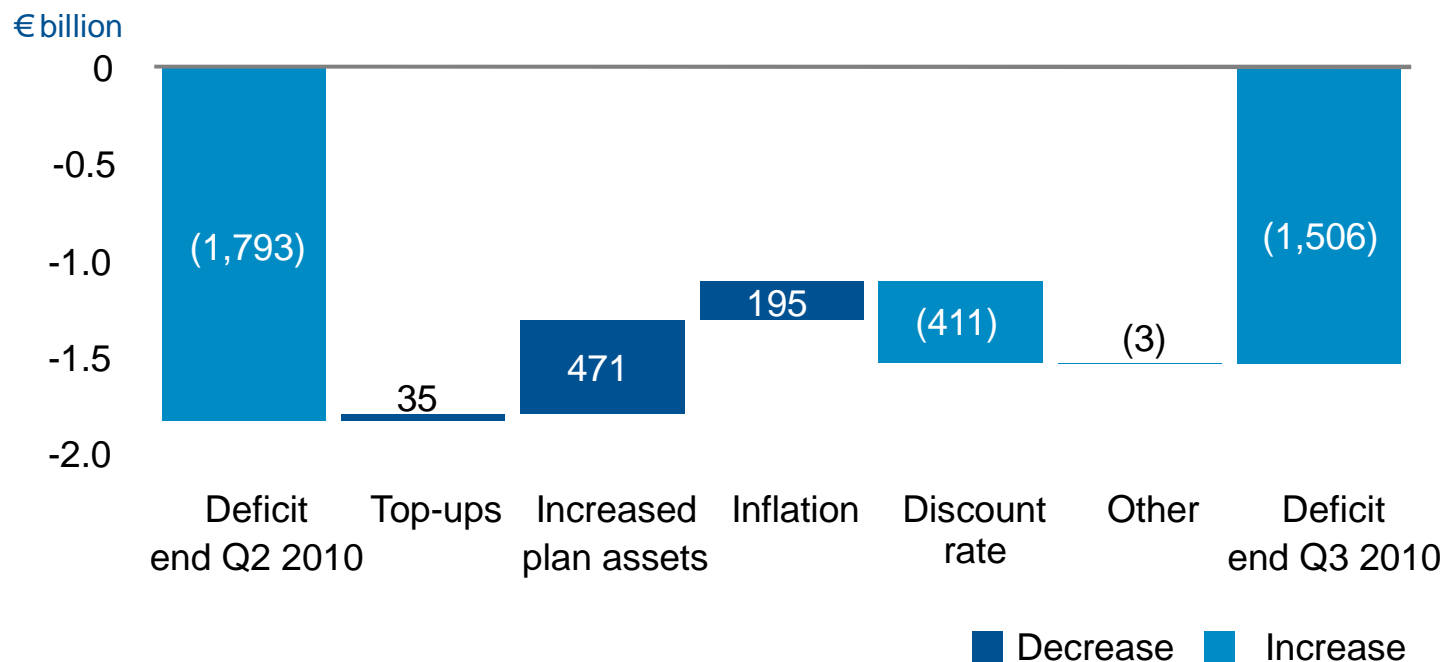
\* Before net pension deficit of €1.5 billion September 30, 2010 (December 31, 2009 €1.9 billion)



# Pension deficit improves to €1.5 billion

<i>Key pension metrics</i>	Q3 2010	Q2 2010
Discount rate	5.0%	5.2%
Inflation assumptions	2.7%	2.9%

## Pension deficit development during Q3 2010



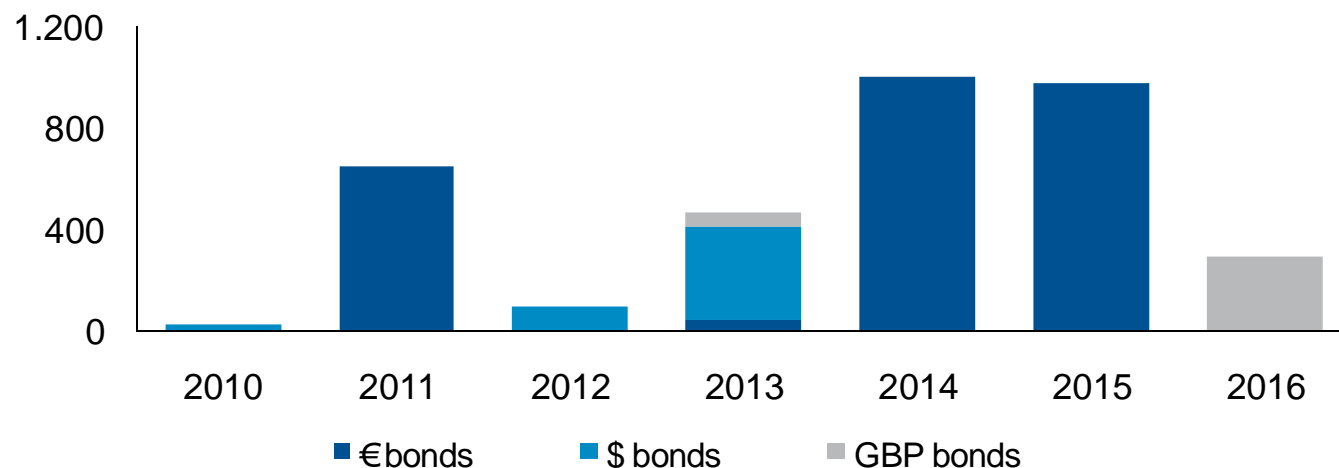
## Pro-active pension risk management

- 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 around €350 million of “top-up” payments (2009 €240 million)
- Cash pension top-ups around €350 million expected to continue in 2011
- Non-cash IAS19 financing expenses related to pensions and other post-retirement benefits expected to be €105 million in 2010 (2009: €174 million)



# Successful extension of debt duration will be further optimized over time

Debt maturity\*  
€ million (nominal amounts)



## Significant liquidity headroom\*

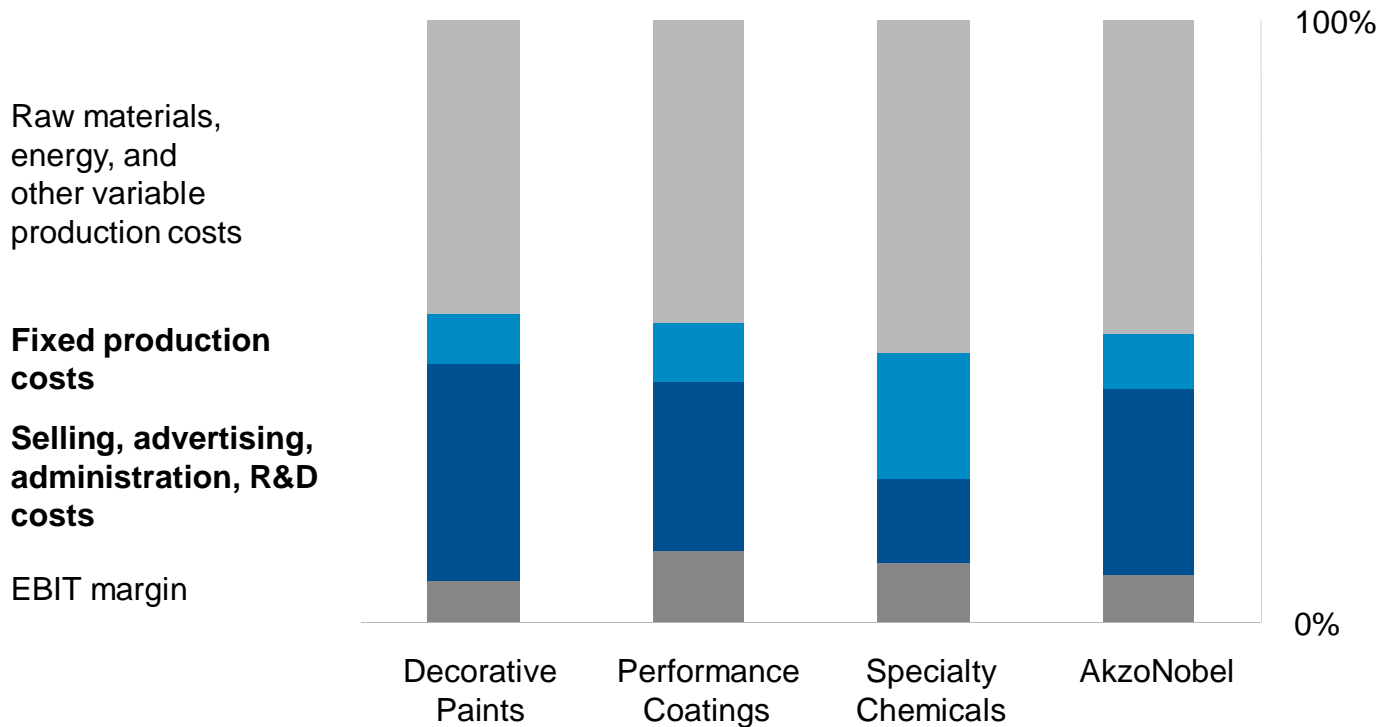
- Undrawn revolving credit facility of €1.5 billion available (2013)
- €1.5 & \$1 billion commercial paper programs in place
- Net cash and cash equivalents €1.8 billion

\* At the end of Q3 2010



# Low fixed costs as a percentage of revenue

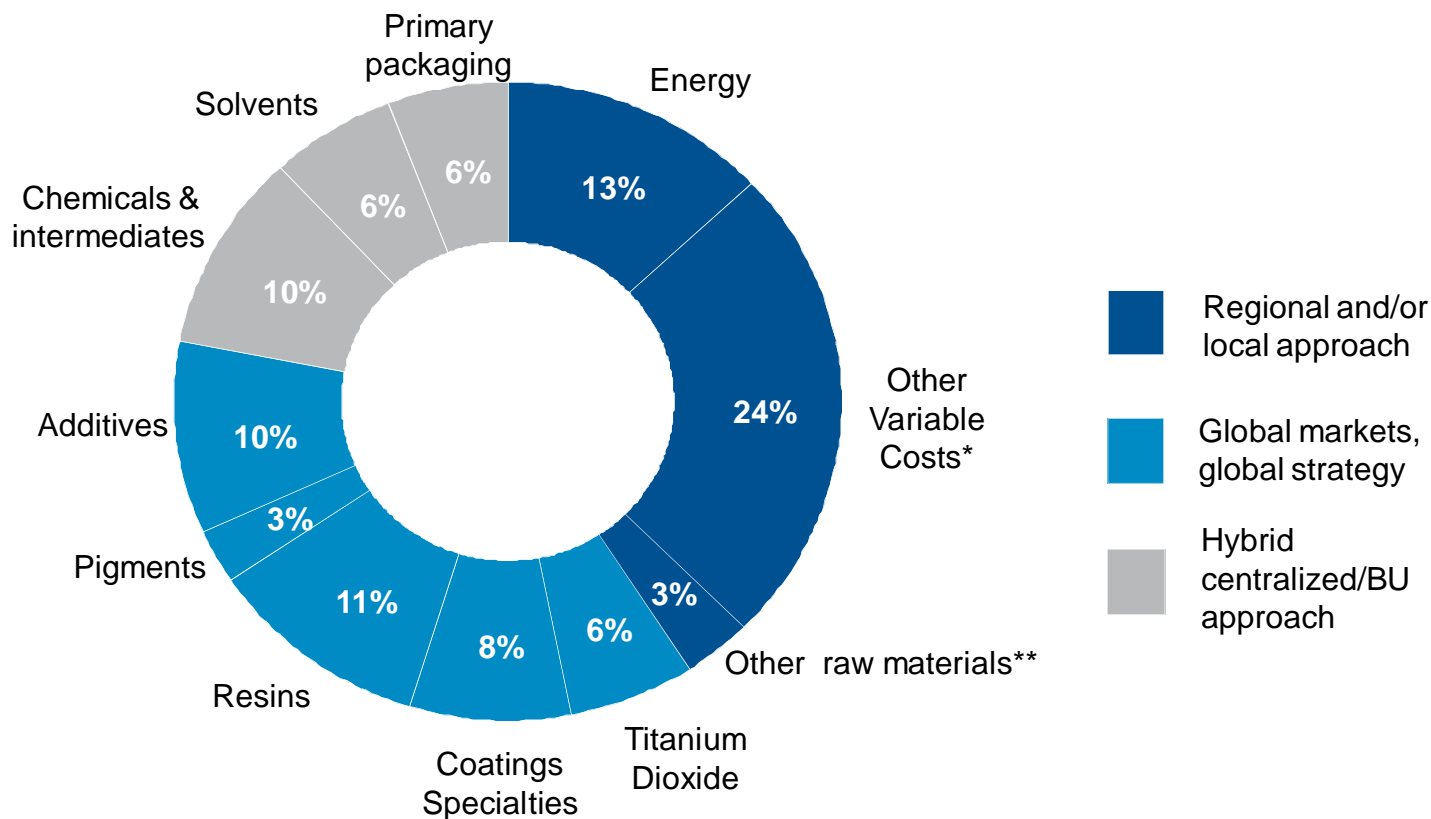
% of 2009 annual revenue\*



\* 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.



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# Outlook 2010

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## “Cautiously optimistic”

### Reasons for caution

- Global economic outlook
- Construction and housing markets remain soft in mature markets
- Potential bubbles in high growth markets

### Reasons for optimism

- Leading positions, scale and diversified markets
- Strong balance sheet to fund growth
- Evidence of sustained industrial demand beyond re-stocking
- Delivery beyond ICI synergies



# Safe Harbor Statement

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*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](http://www.akzonobel.com).*

