
February 17, 2011

Investor update Q4 and FY 2010 results



Agenda

- **AkzoNobel at a glance**
- **Strategic ambitions**
- **Q4 and FY 2010 value highlights**
- **2010 values highlights**
- **Financial review**
- **Outlook 2011**

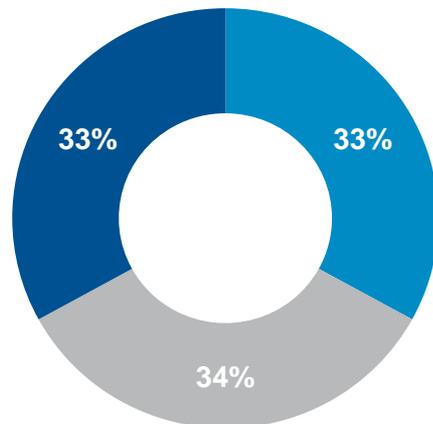
AkzoNobel key facts

2010

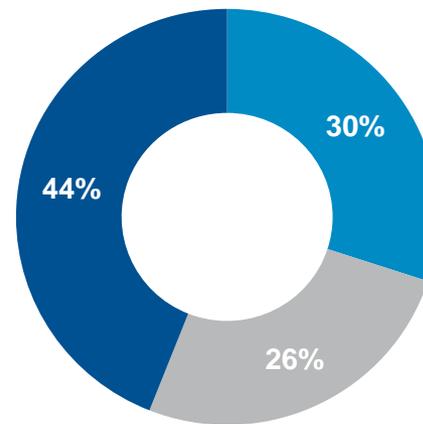
- Revenue €14.6 billion
- 55,590 employees
- EBITDA: €2.0 billion*
- Net income: €0.8 billion
- 39 percent of revenue from high-growth markets
- A leader in sustainability



Revenue by business area



EBITDA* by business area



- Performance Coatings
- Decorative Paints
- Specialty Chemicals

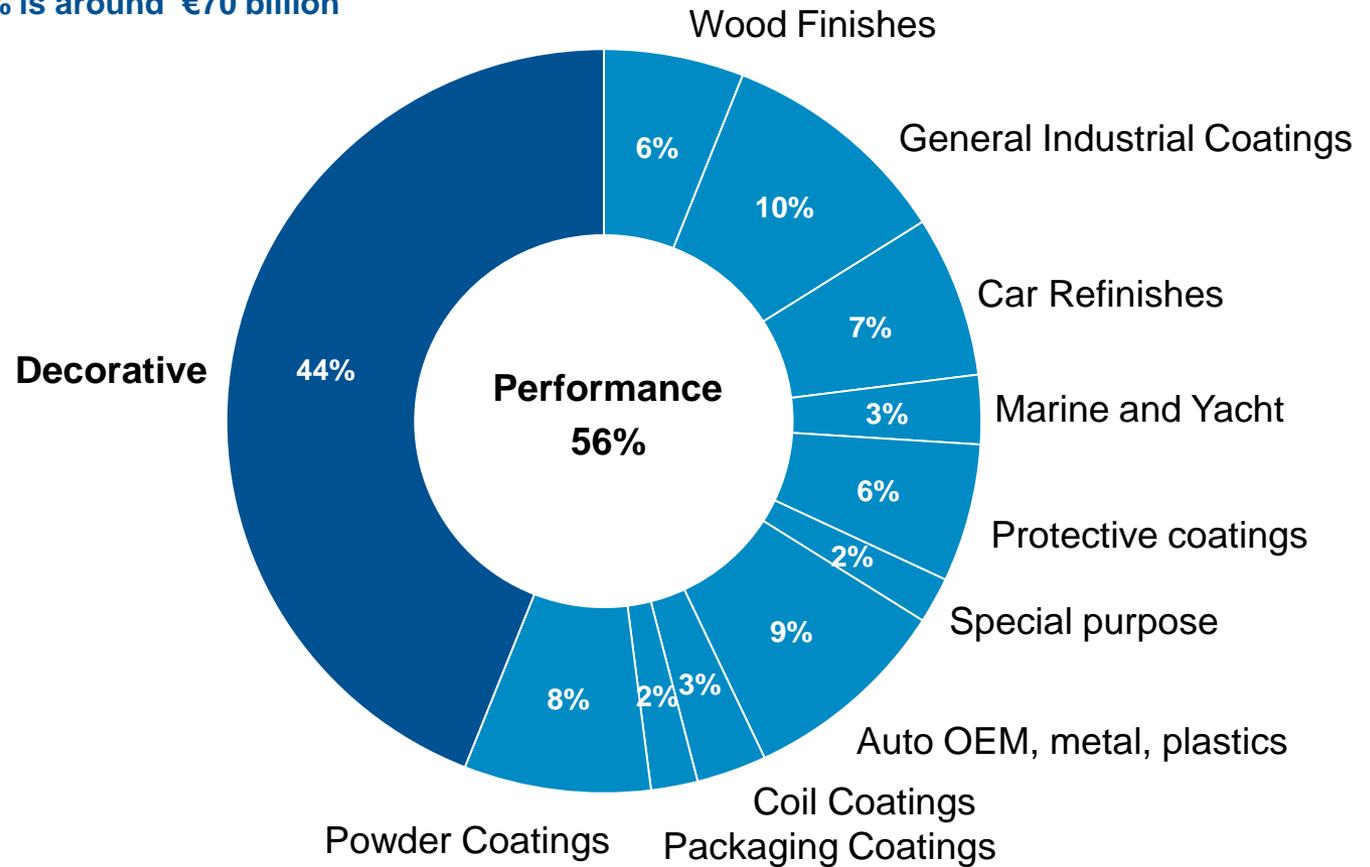
* Before incidentals



The global paints and coatings market is around €70 billion

% of market

100% is around €70 billion

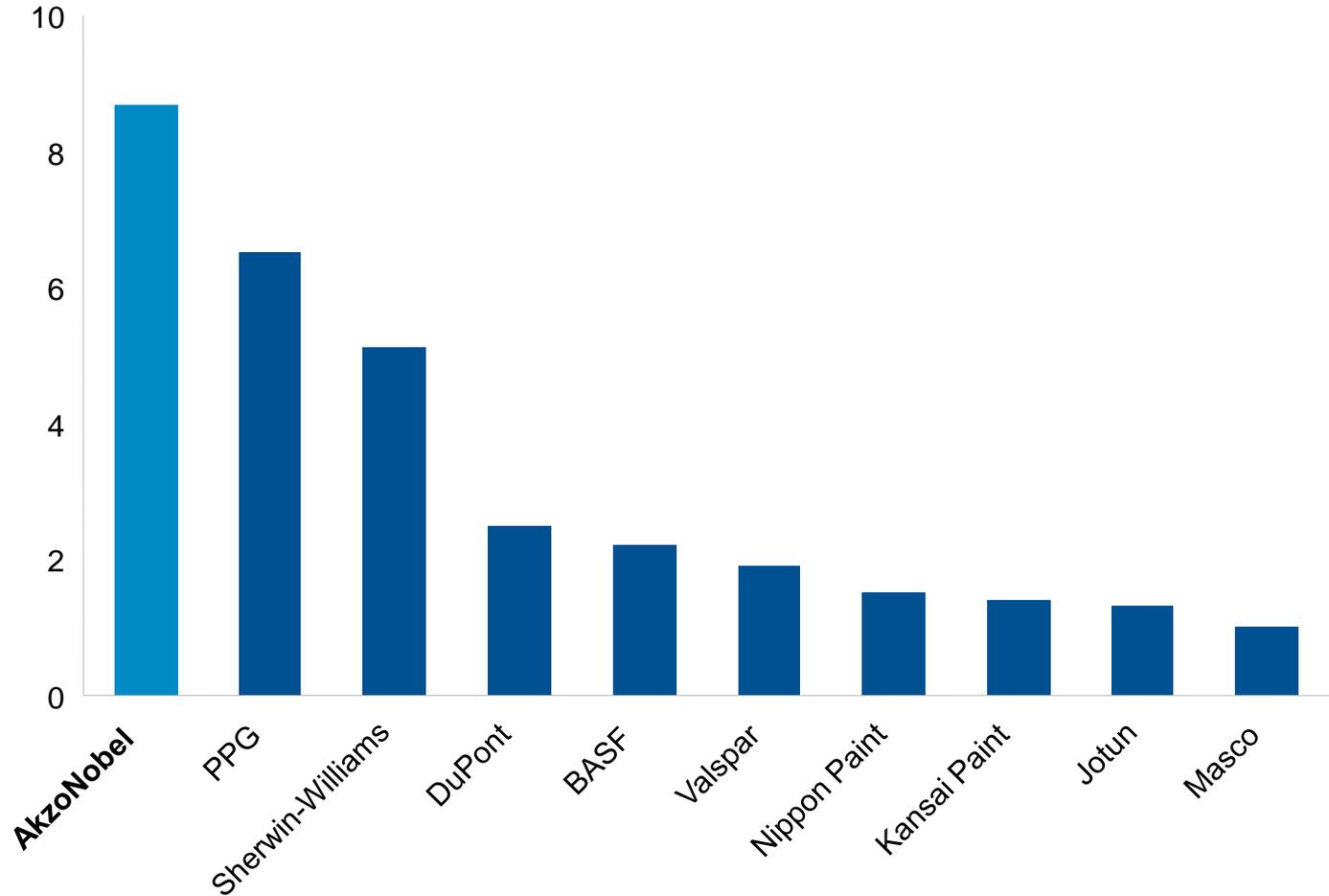


Source: Company Reports



AkzoNobel is the world's largest Coatings supplier

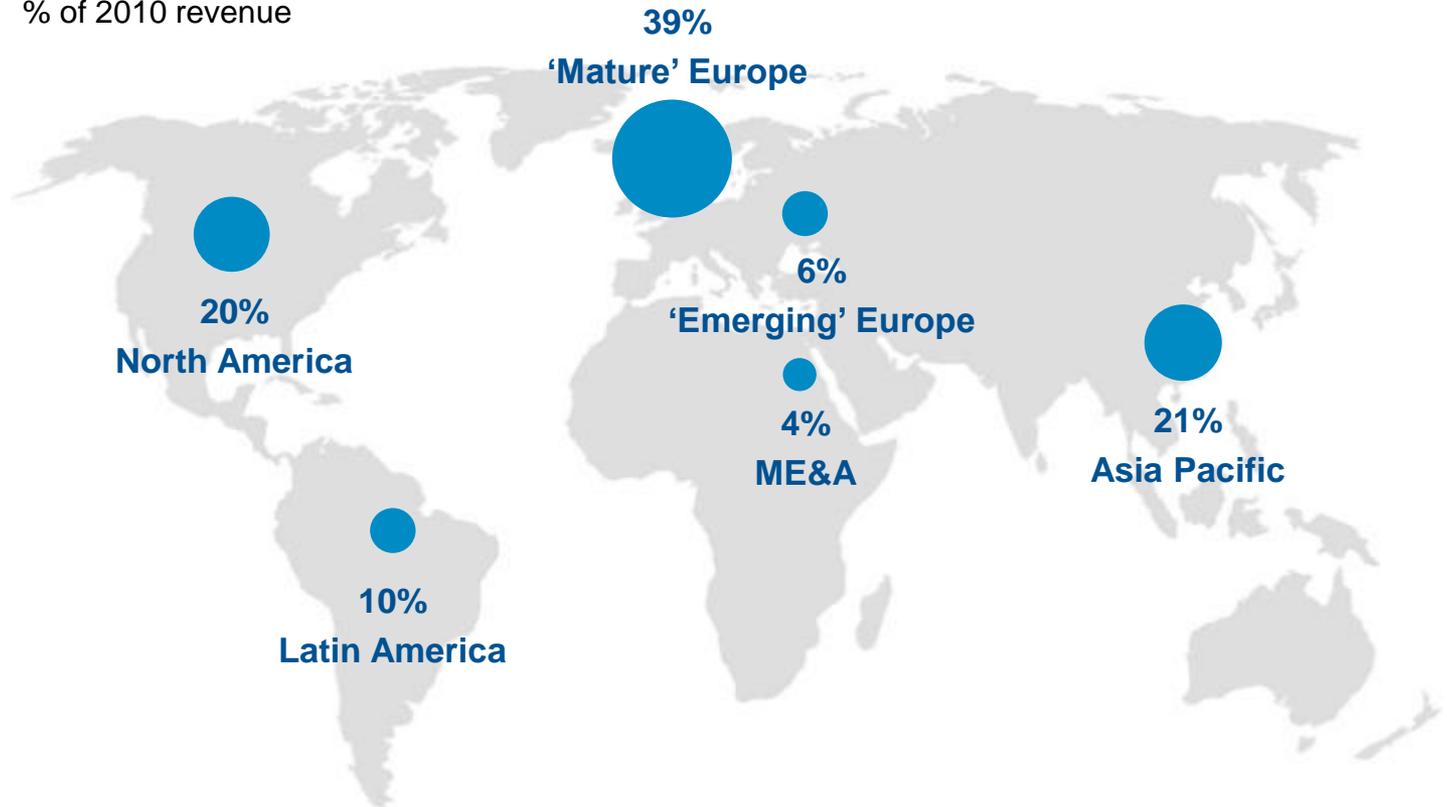
2009 revenue in € billion



Excellent geographic spread of both revenue and profits

High-growth markets are important (39% of revenue)

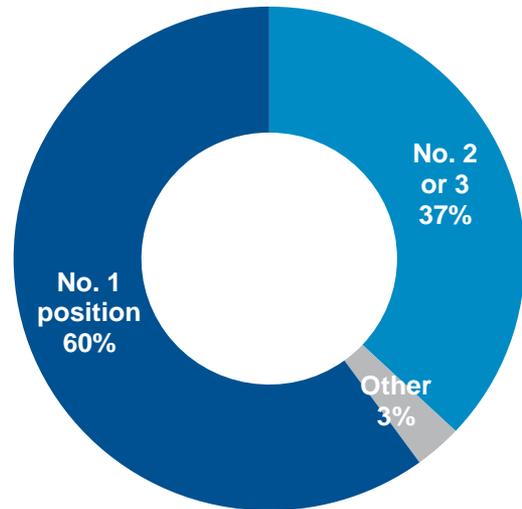
% of 2010 revenue



High-growth markets profitability is above average

Leading positions and strong brands

2010 Revenue by market position



Some of our strong brands

Dulux

27% of Decorative Paints

xInternational

23% of Performance Coatings

eka

18% of Specialty Chemicals



Successful customer focus

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.



Compozil® Fx

A wet end management system for the largest and fastest paper machines. Top quality paper can be produced with higher productivity, better economy and reduced environmental impact.



Colour Click®

A web image tool, based on unique technology to help consumers accurately choose colours to match and coordinate with their home environment.



Autoclear® LV Exclusive

A high-gloss clear-coat paint for car refinishing. Based on proprietary resin technology, it is not only highly resistant to scratches and easy to apply, it features remarkable self-healing properties when exposed to gentle heat.



Strategic ambitions

Our strategic ambition is to be

The world's leading
coatings and specialty chemicals company



Our medium term strategic goals

Value Accelerated growth

- Grow to €20 billion revenues
- Increase EBITDA each year, maintaining 13-15% margin
- Reduce OWC/revenues by 0.5 p.a. towards a 12% level
- Pay a stable to rising dividend

- Top quartile safety performance
- Top position in sustainability
- Top quartile performance in diversity, employee engagement, and talent development
- Top quartile eco-efficiency improvement rate

Values Sustainable growth



How we will grow in both mature and high-growth markets

Organic growth

- Expand focus from high to mid market segments
- Fuelling growth in high-growth markets

Innovation pipeline

- Spend of around 2.5% of revenue makes us the clear peer group leader in absolute spend
- Emphasis on focused, bolder, sustainable innovation

Acquisitions

- Wide range of opportunities
- All Business Areas qualify
- Value creating no later than in year 3



Aspirations for high-growth markets

Double revenues in China

- Grow from \$1.5 to \$3 billion of revenues
- Make a step change in people development

Create significant footprint in India

- Grow from €0.25 to €1 billion of revenues
- Increasing footprint for all business areas

Outgrow the competition in Brazil

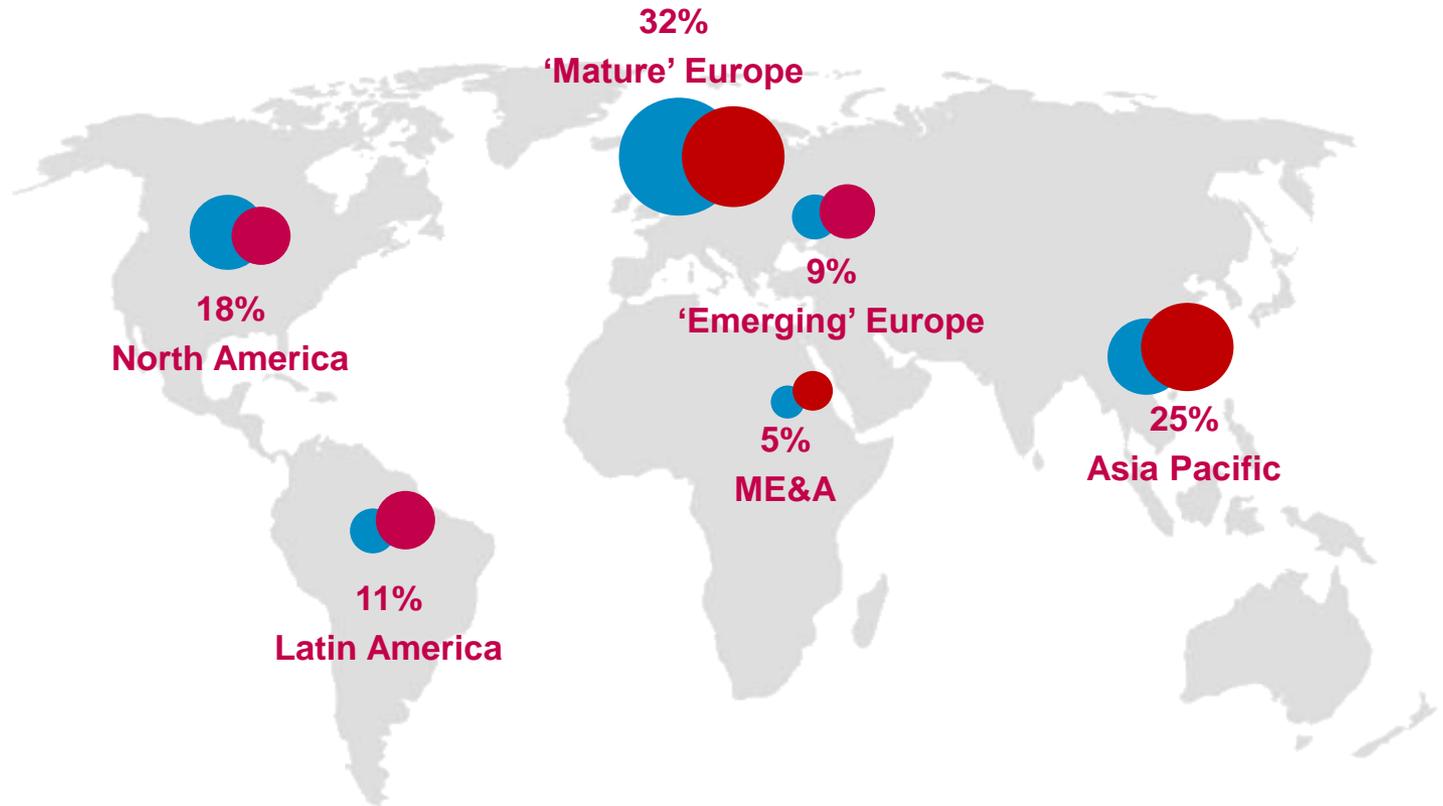
- Grow from €0.75 to €1.5 billion of revenues
- Become clear market leader in all our activities

Expand in Middle East and Sub-Saharan Africa



High-growth markets will become significantly more important

% of revenue, indicative



High-growth markets will be around 50% of revenue in this decade

Exciting RD&I pipeline with innovative solutions for key market segments

Current innovation strategy delivering:

- 9% of revenue from “breakthrough” innovations*
- 20% of revenue from Eco-premium solutions**

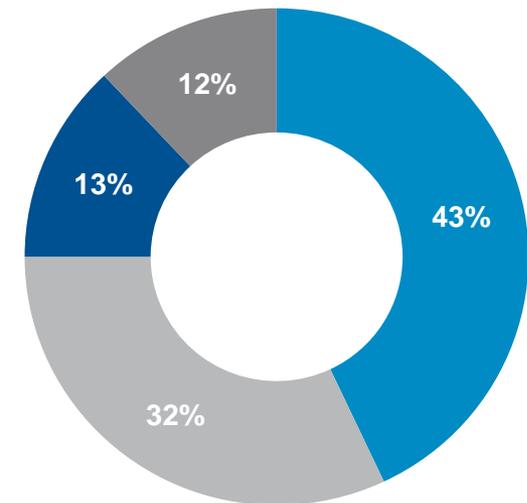
How innovation will support our growth agenda:

- Functional solutions in key market segments
- Increase spend in Big R&D
- >15% of revenue from “breakthrough” innovations*
- >30% of revenue from Eco-premium solutions**

* Major innovations that result in a significant competitive advantage

** Higher eco-efficiency than main competitive product

Revenue by key market segment



- Residential construction
- Consumer goods
- Non-residential construction
- Transport



Clear sustainability focus

Current sustainability strategy delivering:

- Safety at 3.6 injuries/ million hours
- 20% of revenue from Eco-premium solutions
- Energy savings
- Pioneering carbon footprint measurement
- 85% raw materials from suppliers with vendor policy signed

Accelerated sustainability strategy will deliver:

- Safety at 2.0 injuries/ million hours
- 30% of revenue from Eco-premium solutions
- Sustainable fresh water management
- 10% eco-efficiency improvement
- 10% carbon footprint reduction
- 20% executives from high-growth economies
- Key supplier partnerships delivering footprint reduction



Embed **safety and sustainability** in everything we do

Q4 and FY 2010 value highlights

Full year 2010 highlights

- 2010 revenue growth at 12 percent in line with medium-term ambitions
- 2010 EBITDA* 16 percent higher
- Q4 revenue up 17 percent, Q4 EBITDA up 3 percent
- Operating return on invested capital: 27.7 percent (2009: 23.2 percent)
- Net income: €754 million (2009: €285 million)
- 2010 adjusted earnings per share: €3.71 (2009: €2.06)
- Total dividend proposed for 2010: €1.40 (2009: €1.35)
- Outlook: aiming for more than 5 percent revenue and EBITDA growth in 2011, in line with strategic ambitions

* Before incidentals

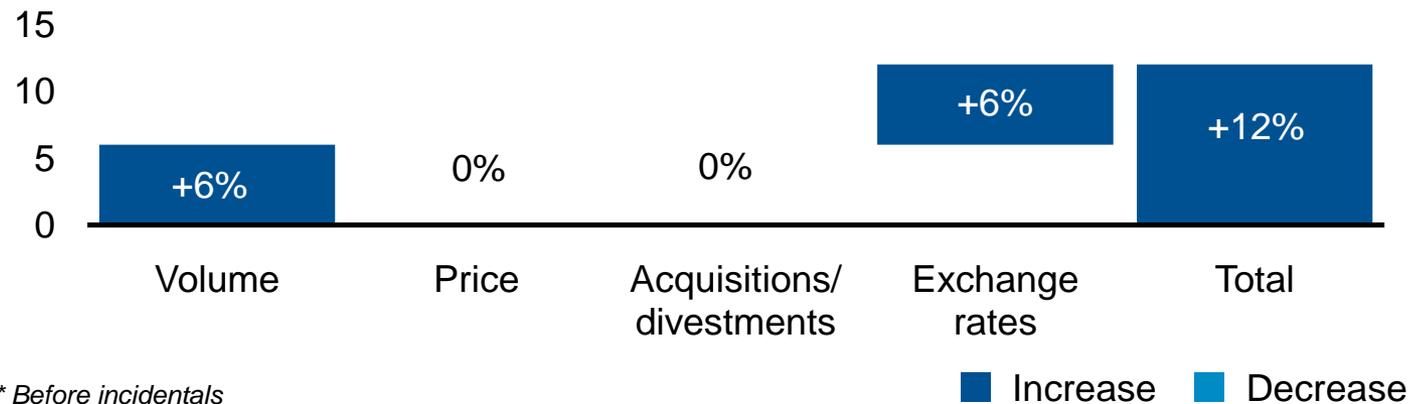


Full year 2010 revenue and EBITDA

€ million	2010	Δ%
Revenue	14,640	12
EBITDA*	1,964	16

Ratio, %	2010	2009
EBITDA* margin	13.4	13.0

Revenue development 2010 vs. 2009



* Before incidentals

Summary – Full year 2010 results

<i>€ million</i>	2010	2009
EBITDA*	1,964	1,690
Amortization and depreciation	(590)	(559)
Incidentals	(155)	(276)
Financial income & expense	(327)	(405)
Minorities and associates	(58)	(56)
Income tax	(170)	(141)
Discontinued operations	90	32
Net income total operations	754	285
Net cash from operating activities	519	1,220

<i>Ratio</i>	2010	2009
EBITDA* margin (%)	13.4	13.0
Adjusted earnings per share (in €)	3.71	2.06

* Before incidentals



Full year 2010 incidentals

<i>€ million</i>	2010	2009
Restructuring costs	(120)	(349)
Results related to major legal, antitrust & environmental cases	(49)	(38)
Results on acquisitions & divestments	33	48
Other incidental results	(19)	63
Total	(155)	(276)

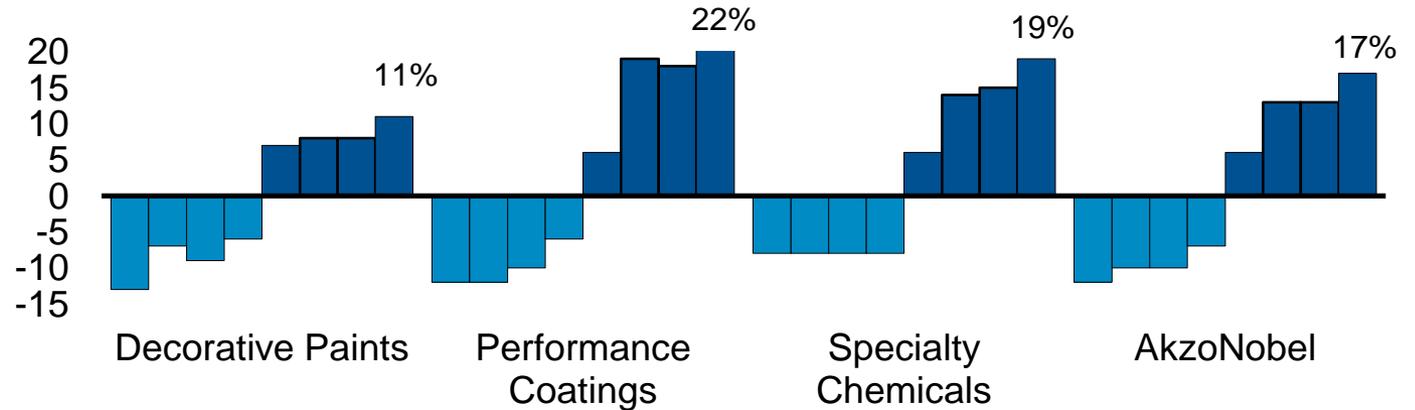
2010 restructuring costs are mainly related to:

- Manufacturing sites in Europe and the US (Decorative Paints)
- Closure/ downsizing various Powder Coating sites (Performance Coatings)
- Closure of the chlorine waste incinerator in Rotterdam (Specialty Chemicals)

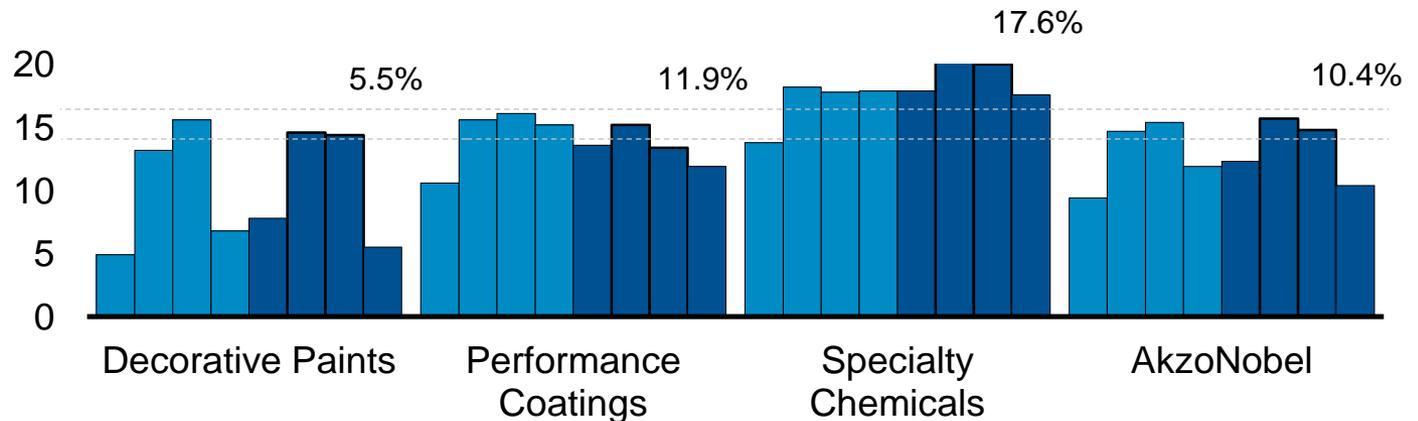


2010 revenue growth and EBITDA margin in line with strategic ambitions

Reported revenue in % year-on-year



EBITDA* margin in %



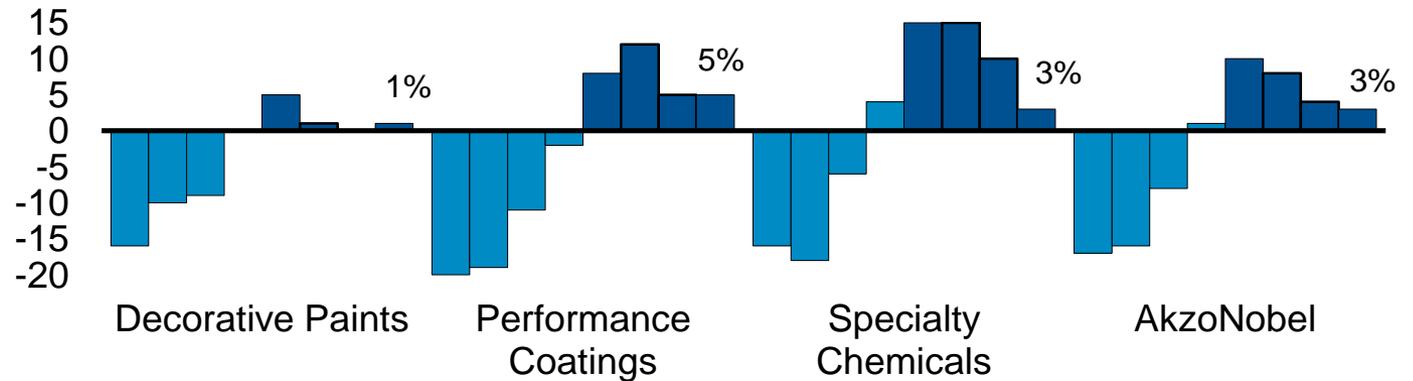
* Before incidentals

■ 2009 ■ 2010

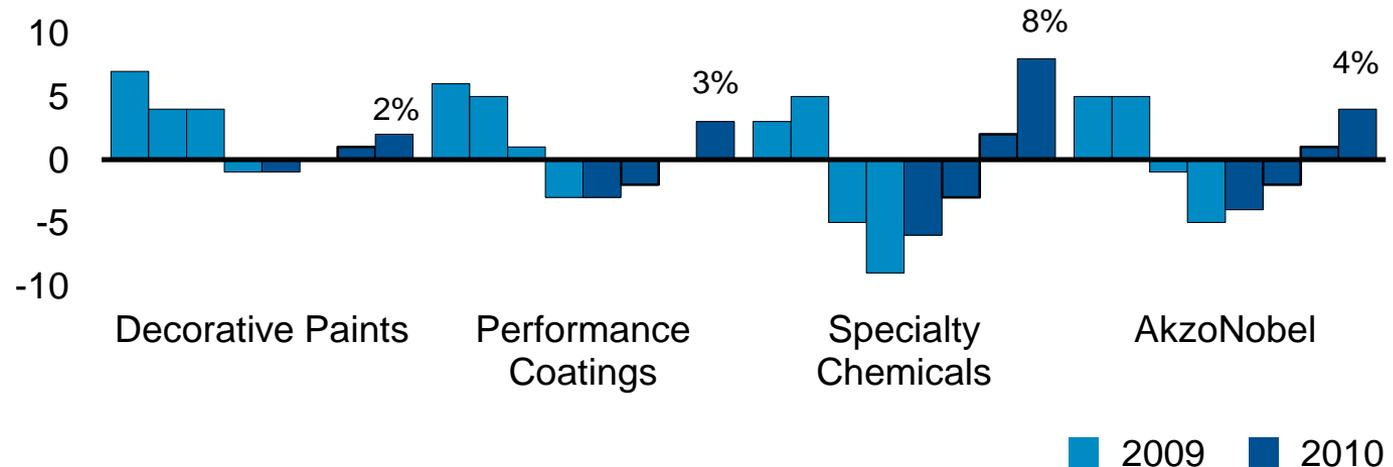


2010 volumes not yet back to 2008 levels, price increases coming through

Volume development in % year-on-year

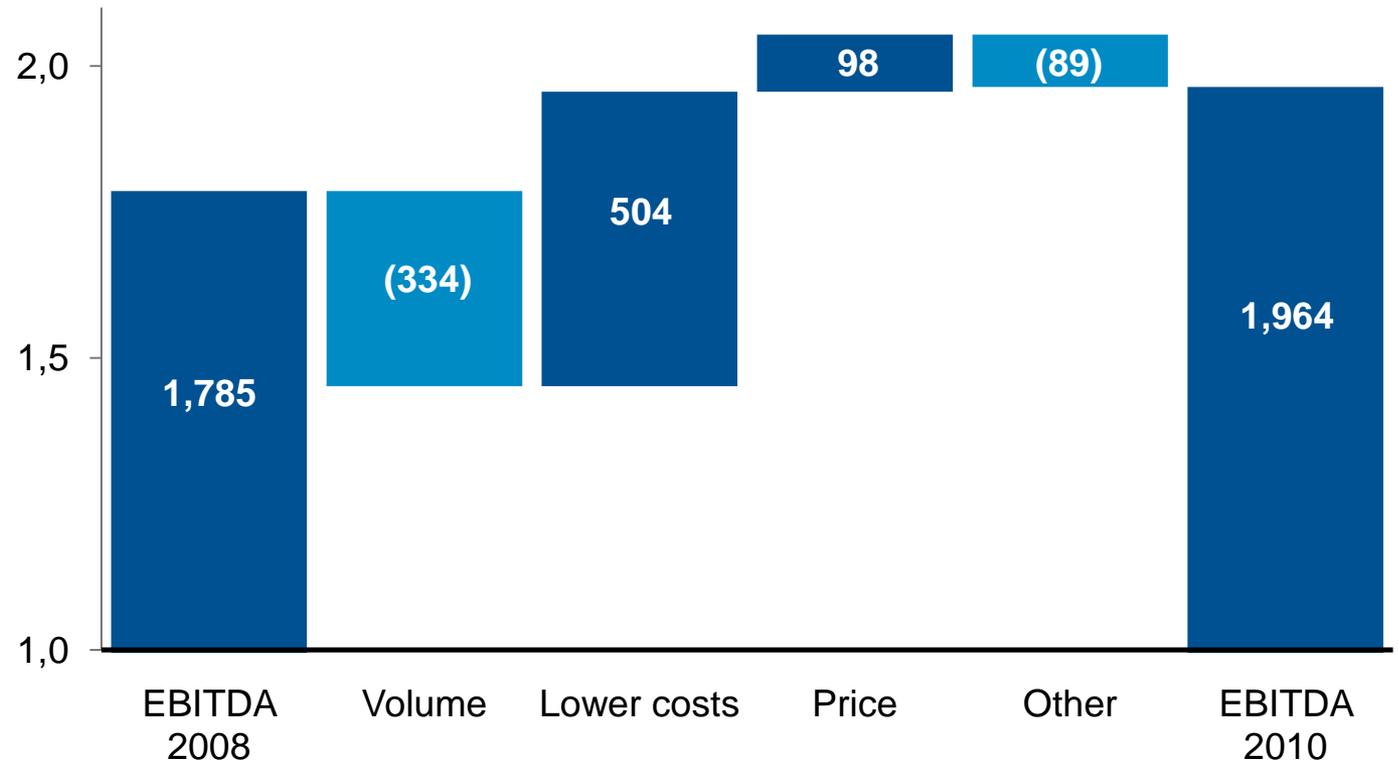


Price development in % year-on-year



Further volume recovery underpins earnings potential

EBITDA* bridge 2008-2010
€ billion



* Before incidentals, restated for National Starch

■ Increase ■ Decrease

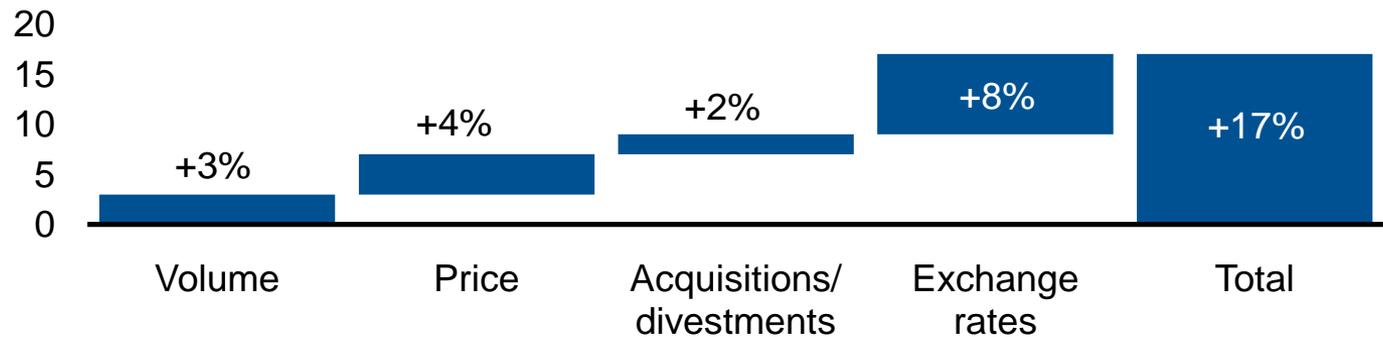


Q4 2010 revenue and EBITDA

€ million	Q4 2010	Δ%
Revenue	3,620	17
EBITDA*	377	3

Ratio, %	Q4 2010	Q4 2009
EBITDA* margin	10.4	11.9

Revenue development Q4 2010 vs. Q4 2009



* Before incidentals

■ Increase ■ Decrease



Summary – Q4 2010 results

<i>€ million</i>	Q4 2010	Q4 2009
EBITDA*	377	367
Amortization and depreciation	(155)	(137)
Incidentals	(63)	(142)
Financial income & expense	(56)	(118)
Minorities and associates	(13)	(12)
Income tax	40	(33)
Discontinued operations	32	15
Net income total operations	162	(60)
Net cash from operating activities	275	411

<i>Ratio</i>	Q4 2010	Q4 2009
EBITDA* margin (%)	10.4	11.9
Adjusted earnings per share (in €)	0.82	0.22

* Before incidentals



Q4 2010 incidentals

<i>€ million</i>	Q4 2010	Q4 2009
Restructuring costs	(29)	(115)
Results related to major legal, antitrust & environmental cases	(48)	(49)
Results on acquisitions & divestments	16	17
Other incidental results	(2)	5
Total	(63)	(142)

- Restructuring in mature markets continues, albeit at a lower pace than 2009
- We took a €32 million provision for environmental cleanup costs for a site in Sweden



Decorative Paints

- Expand distribution in China through **'controlled stores'**
- Continue to build our **Dulux** brand



2009

3,000 stores

2010

4,000 stores



Decorative Paints key facts

2010

- Revenue €5.0 billion
- 21,950 employees
- EBITDA: €548 million*
- 38 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

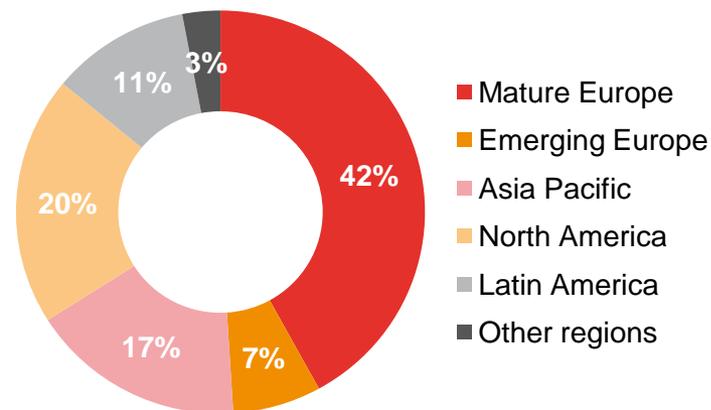
SICO

SCHONOX

Coral

FLEXA

Revenue by geography



* Before incidentals

Decorative Paints 2010 highlights

- Full-year revenue increased 9 percent and EBITDA* increased 13 percent
- All three regions reported higher revenue and profit in 2010
- Strong revenue growth and increased investment in brands and distribution in high growth markets
- Soft demand in most of mature markets, particularly in Continental Europe and Canada
- Walmart supply contract roll-out on track

* Before incidentals

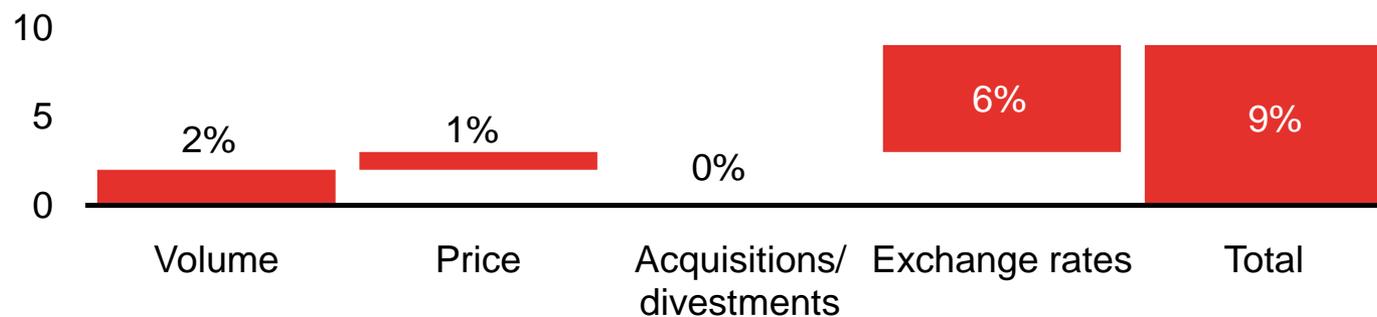


Decorative Paints full year 2010

€ million	2010	Δ%
Revenue	4,968	9
EBITDA*	548	13

Ratio, %	2010	2009
EBITDA* margin	11.0	10.6

Revenue development 2010 vs. 2009



* Before incidentals

■ Increase ■ Decrease

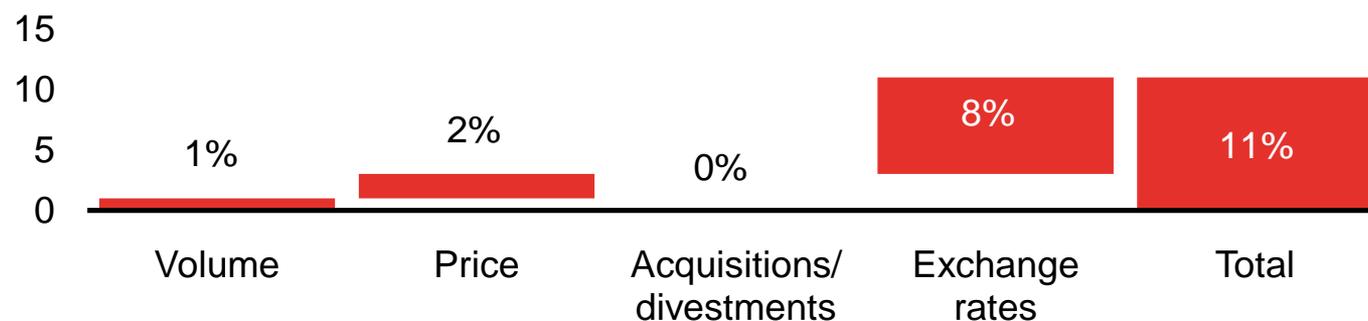


Decorative Paints Q4 2010

€ million	Q4 2010	Δ%
Revenue	1,139	11
EBITDA*	63	(10)

Ratio, %	Q4 2010	Q4 2009
EBITDA* margin	5.5	6.8

Revenue development Q4 2010 vs. Q4 2009



* Before incidentals

■ Increase ■ Decrease



Performance Coatings

- New tactile packaging developed by AkzoNobel
- Appearing in stores across Europe
- Texture gives impression of condensation and contents appear to be ice cold



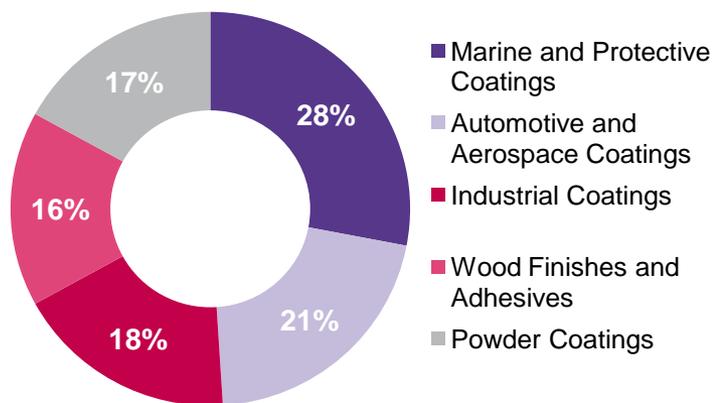
Performance Coatings key facts

2010

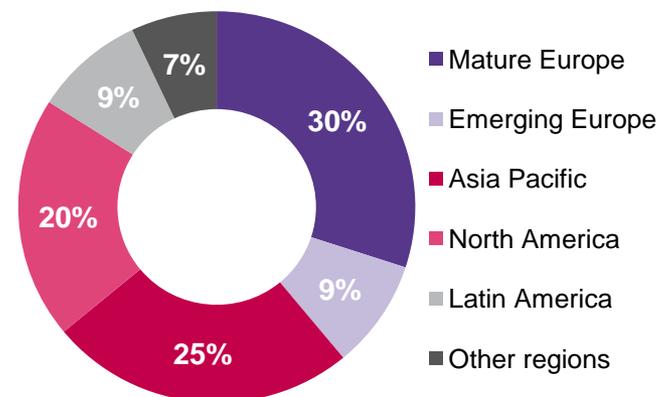
- Revenue €4.8 billion
- 21,020 employees
- EBITDA: €647 million*
- 47 percent of revenue from high growth markets
- Leading positions in performance coatings
- Innovative technologies, strong brands



Revenue by business unit



Revenue by geography



* Before incidentals

Performance Coatings 2010 highlights

- Full-year revenue up 16 percent, with volumes up 7 percent
- EBITDA 9 percent up for the year
- Margin management mitigating higher raw material costs
- Better trading conditions in 2010, especially in Industrial Coatings, Car Refinishes and Powder Coatings
- Integration of acquired activities delivering results

* *Before incidentals*

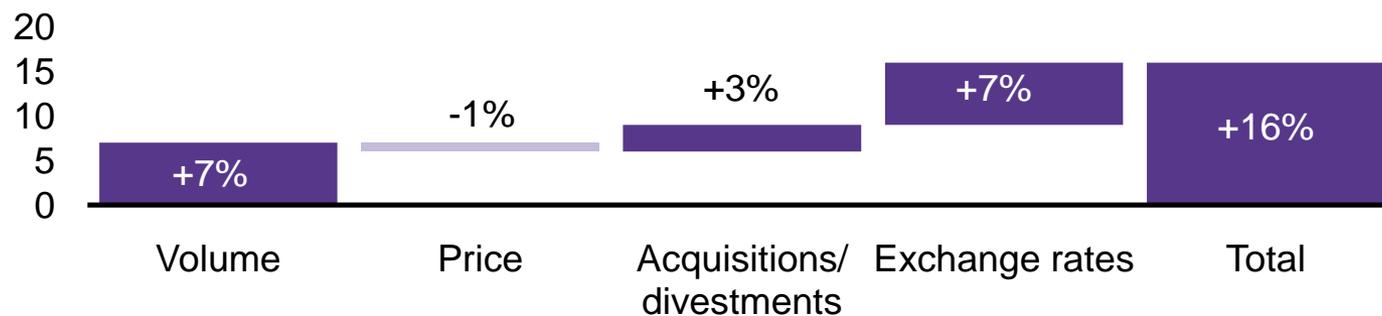


Performance Coatings full year 2010

€ million	2010	Δ%
Revenue	4,786	16
EBITDA*	647	9

Ratio, %	2010	2009
EBITDA* margin	13.5	14.4

Revenue development 2010 vs. 2009



* Before incidentals

■ Increase ■ Decrease

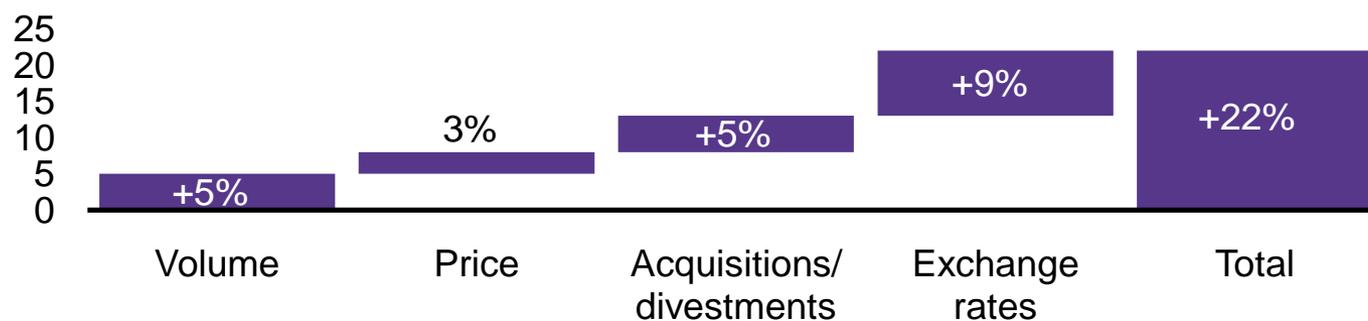


Performance Coatings Q4 2010

€ million	Q4 2010	Δ%
Revenue	1,238	22
EBITDA*	147	(5)

Ratio, %	Q4 2010	Q4 2009
EBITDA* margin	11.9	15.2

Revenue development Q4 2010 vs. Q4 2009



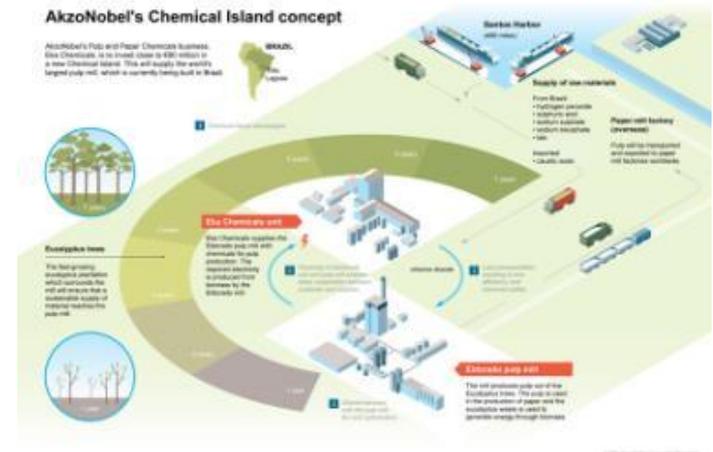
* Before incidentals

■ Increase ■ Decrease



Specialty Chemicals

- Sustainable Chemical Island concept in Brazil
- To supply the world's largest pulp mill
- All latest technologies applied
- Investment of close to €90 million



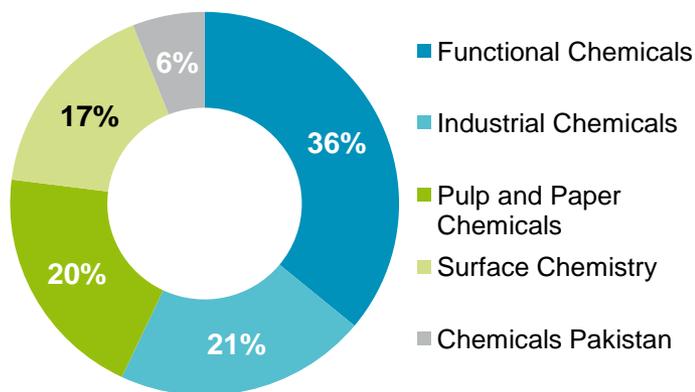
Specialty Chemicals key facts

2010

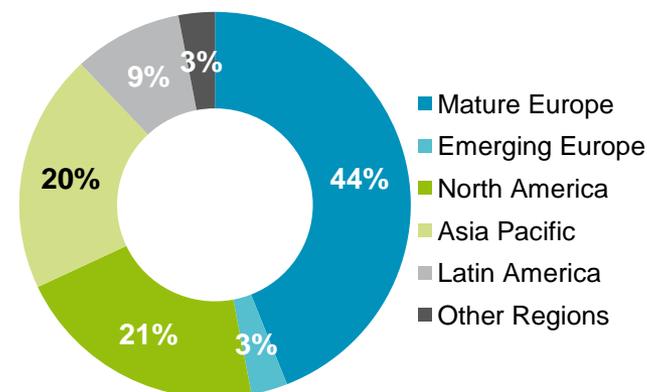
- Revenue €4.9 billion
- 11,080 employees
- EBITDA: €939 million*
- 32 percent of revenue from high-growth markets
- Major producer of specialty chemicals
- Leadership positions in many markets



Revenue by business unit



Revenue by geography



* Before incidentals



Specialty Chemicals 2010 highlights

- Full-year revenue increased 13 percent
- Broad demand improvement in both mature and high growth markets
- Performance improvement in all business units
- Full-year EBITDA increase of 27 percent
- National Starch divestment completed
- Ningbo China site commissioned

* *Before incidentals*

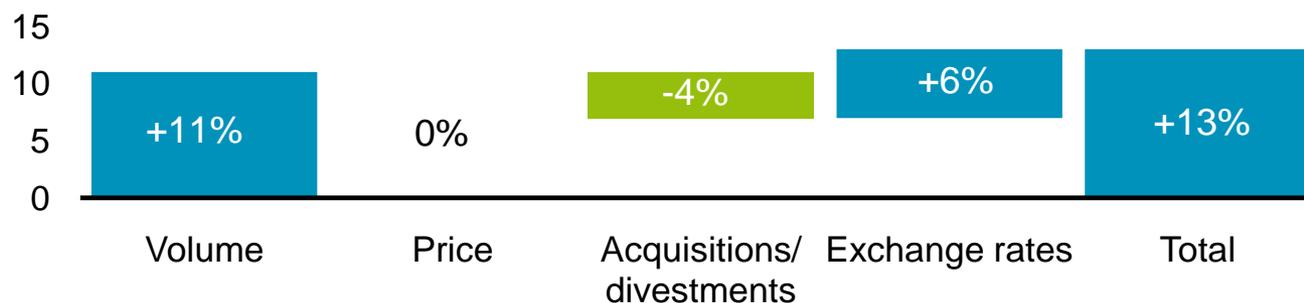


Specialty Chemicals full year 2010

€ million	2010	Δ%
Revenue	4,943	13
EBITDA*	939	27

Ratio, %	2010	2009
EBITDA* margin	19.0	16.9

Revenue development 2010 vs. 2009



* Before incidentals

■ Increase ■ Decrease

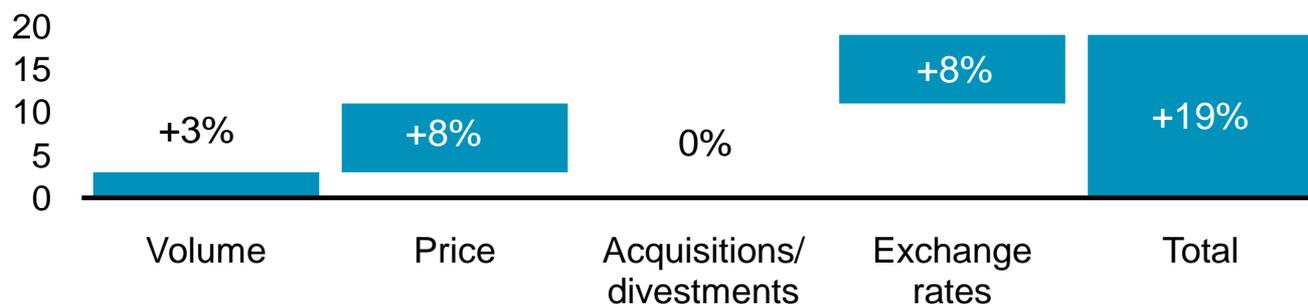


Specialty Chemicals Q4 2010

€ million	Q4 2010	Δ%
Revenue	1,259	19
EBITDA*	221	17

Ratio, %	Q4 2010	Q4 2009
EBITDA* margin	17.6	17.9

Revenue development Q4 2010 vs. Q4 2009



* Before incidentals

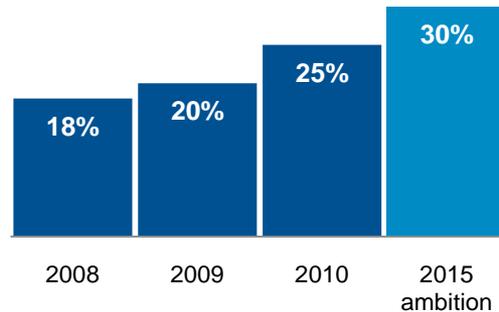
■ Increase ■ Decrease



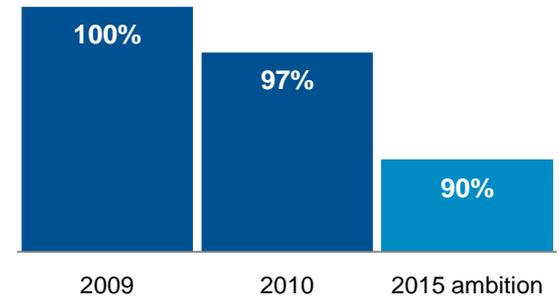
2010 values highlights

2010 values results – working towards our medium-term ambitions

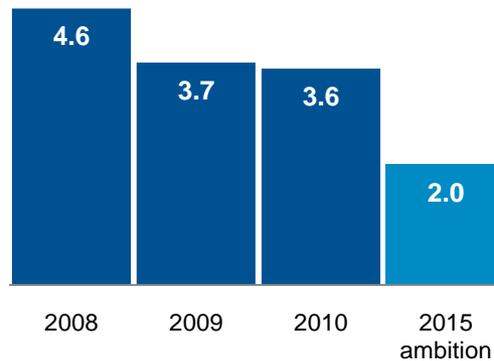
Eco-premium solutions
in % of revenue



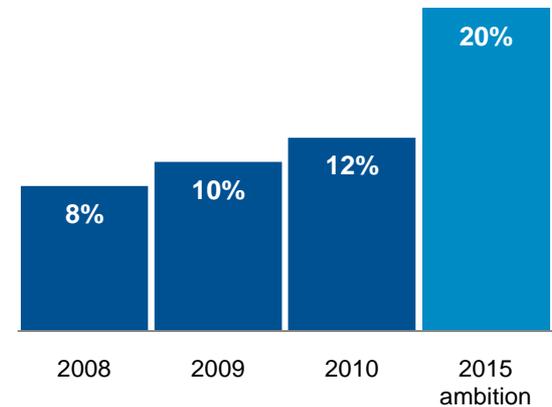
Carbon emission
equivalent per ton product



Total recordable injury rate
per mln hrs worked



Female executives



Pipeline 2011

Decorative Paints - Dulux Weathershield (SunReflect™ & Keep Cool™)

Solar reflectance feature

- Ordinary paints absorb heat—new pigment technology reflects more of the solar, without affecting the color.
- Increased reflectance reduces internal temperatures by up to 5°C.

Customer benefits

- Savings of up to 15% on the energy used for air conditioning
- Available across 60% of the color range

Growth potential

- SunReflect™ launched in India and Keep Cool™ in SEAP.
- Roll-outs planned in similar climates.



Dulux Weathershield



Pipeline 2011

Performance Coatings - Sikkens Autosurfacers UV

Key application features

- 50% less energy consumption
- 2 coats instead of 3
- Extremely short drying times
- Reduced process time

Benefits for body-shop owners

- Less paint consumption
- Increased throughput
- Reduced labor and energy costs

Strengthens market position by

- Completing our UV-cure system offering



Pipeline 2011

Specialty Chemicals – High Filler Concept

Replaces tree fiber with non-wood filler

- de-watering/retention system using novel on-line treatment of fillers
- Cost of filler up to 10x lower than fiber

Helping customers save costs

- ~10% less tree fiber to purchase
- up to 50% lower energy for drying

Growth potential

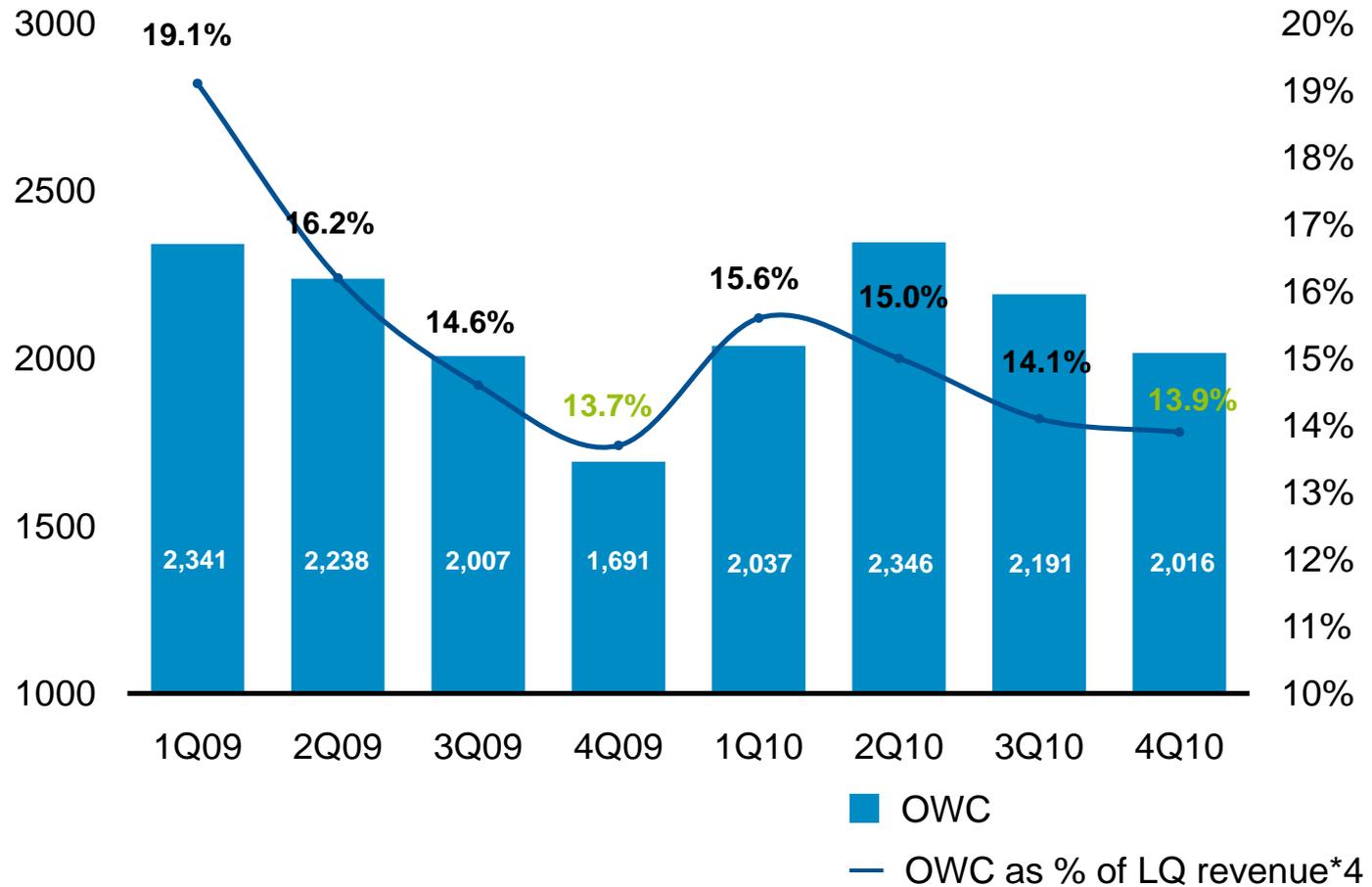
- Sales to customer higher than standard papermaking additives
- Growth potential in both high-growth and mature markets
- Of interest to all fine paper producers



Financial review

Year-on-year Operating Working Capital % of revenue reducing towards 12%

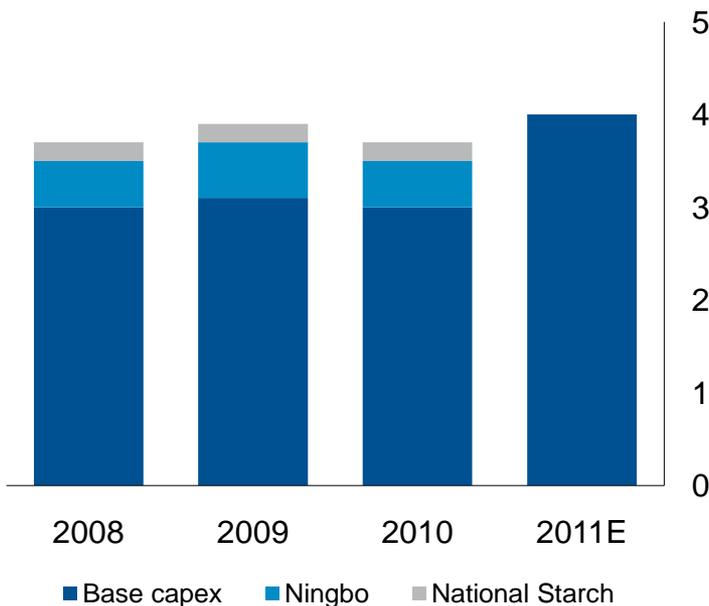
OWC
€ million



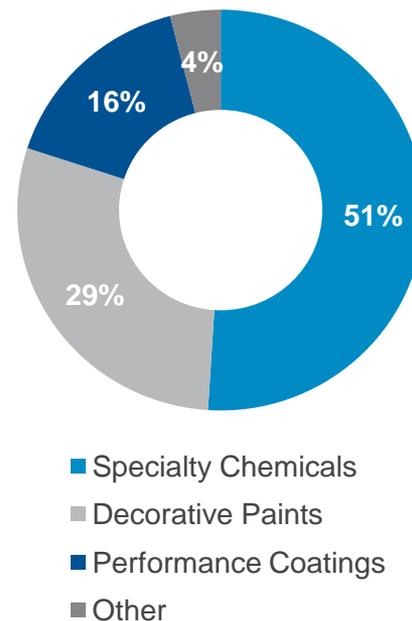
Capital expenditure prioritization for growth

- Capex 2010 was €534 million (including Ningbo €100 million and €40 million National Starch)
- Medium term: Capex level to be around 4% of revenues

Capex as a % of revenue



2010 Capex split



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 total dividend €1.40 per share – up 4% from 2009*

- Interim dividend of €0.32 was an €0.02 increase per share compared to 2009
- The final 2010 dividend of € 1.08* will be paid on May 10, 2011

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



EBITDA – Cash bridge

<i>€ million</i>	2010	2009
EBITDA before incidentals	1,964	1,690
Incidentals (cash)	(157)	(261)
Change working capital	(95)	650
Change provisions	(651)	(493)
Interest paid	(265)	(170)
Income tax paid	(277)	(196)
Net cash from operating activities	519	1,220

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



EBITDA – Cash bridge

<i>€ million</i>	Q4 2010	Q4 2009
EBITDA before incidentals	377	367
Incidentals (cash)	(72)	(144)
Change working capital	87	380
Change provisions	(20)	(110)
Interest paid	(36)	(34)
Income tax paid	(61)	(48)
Net cash from operating activities	275	411

- Incidentals mainly related to continued restructuring activities
- Working capital inflow less pronounced than last year



Unchanged ambition to maintain strong balance sheet

<i>€ million</i>	Dec 31, 2010	Dec 31, 2009
Total Equity	9,509	8,245
Net debt*	936	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

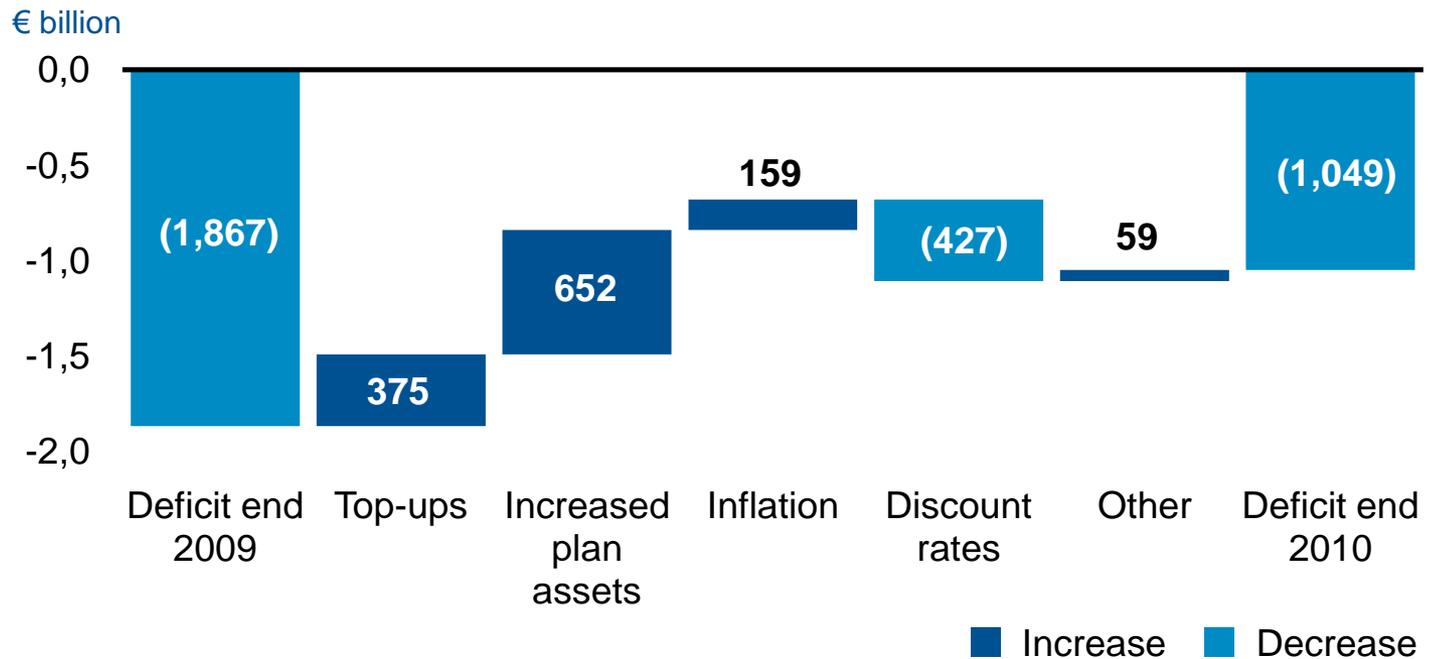
* Before net pension deficit of €1.0 billion December 31, 2010 (December 31, 2009 €1.9 billion)



Pension deficit improves to €1.0 billion

<i>Key pension metrics</i>	Q4 2010	Q4 2009
Discount rate	5.4%	5.6%
Inflation assumptions	3.0%	3.2%

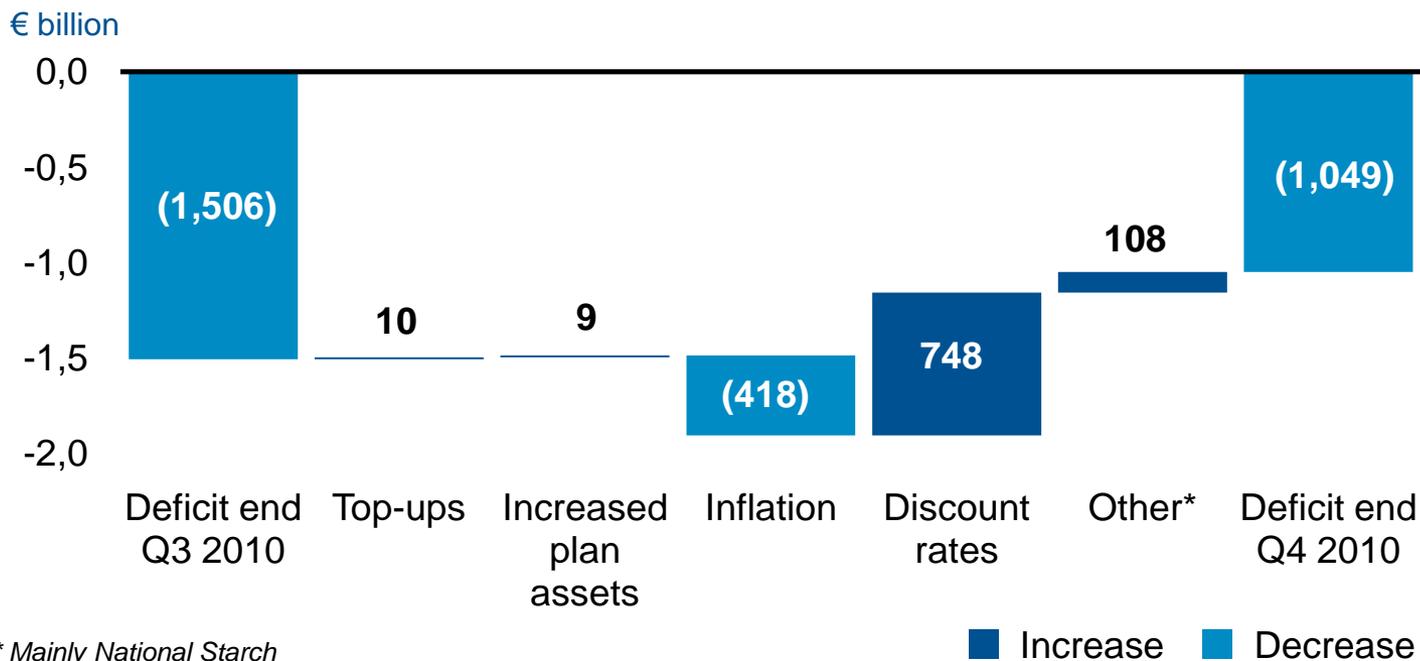
Pension deficit development during 2010



Pension deficit improves to €1.0 billion

<i>Key pension metrics</i>	Q4 2010	Q3 2010
Discount rate	5.4%	5.0%
Inflation assumptions	3.0%	2.7%

Pension deficit development during Q4 2010



* Mainly National Starch

No additional 2011 cash-out for pensions expected

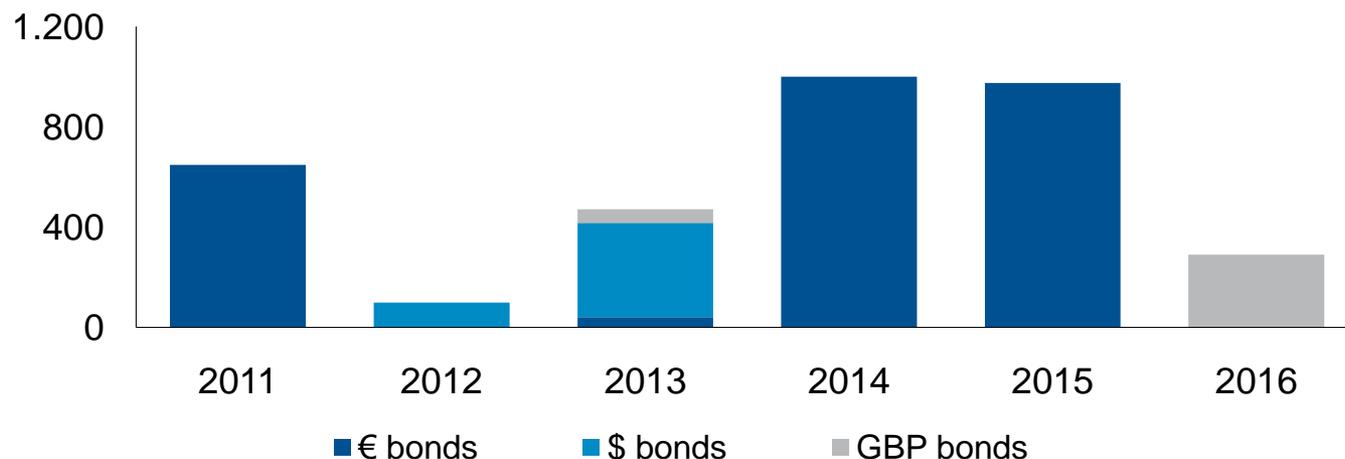
- 2004 pro forma (including ICI) pension under funding was around €4 billion
- Defined Benefits closed to new entrants, major plans closed in 2001 (ICI) and 2004 (AkzoNobel)
- Total defined benefit pension plans cash contribution expected to reach €525 million in 2011 (2010: €524 million), which includes around €390 million of “top-up” payments (2010 €375 million)
- The non-cash IAS19 corridor method of pension accounting impact in 2010 was €138 million, of which €100m is on the interest line, €36 million in EBITDA in Other and €2 million in discontinued operations
- The non-cash IAS19 corridor method of pension accounting impact in 2011 is expected to be €98 million, of which €64 million on the interest line and €34 million in EBITDA in Other



Debt duration of 3 years and no refinancing needs in 2011

Debt maturities*

€ million (nominal amounts)



Strong liquidity position to support growth

- Undrawn revolving credit facility of €1.5 billion (2013) or €1.5 & \$1 billion commercial paper programs available*
- Net cash and cash equivalents €2.7 billion*

* At the end of Q4 2010



Low fixed costs as a percentage of revenue

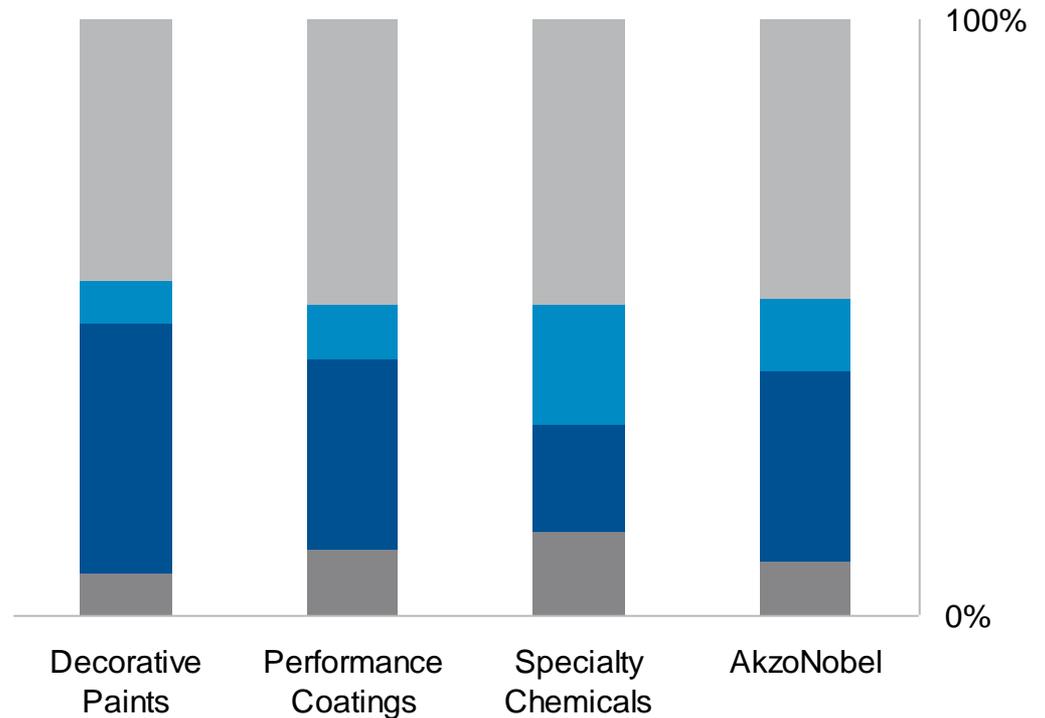
% of 2010 annual revenue*

Raw materials, energy, and other variable production costs

Fixed production costs

Selling, advertising, administration, R&D costs

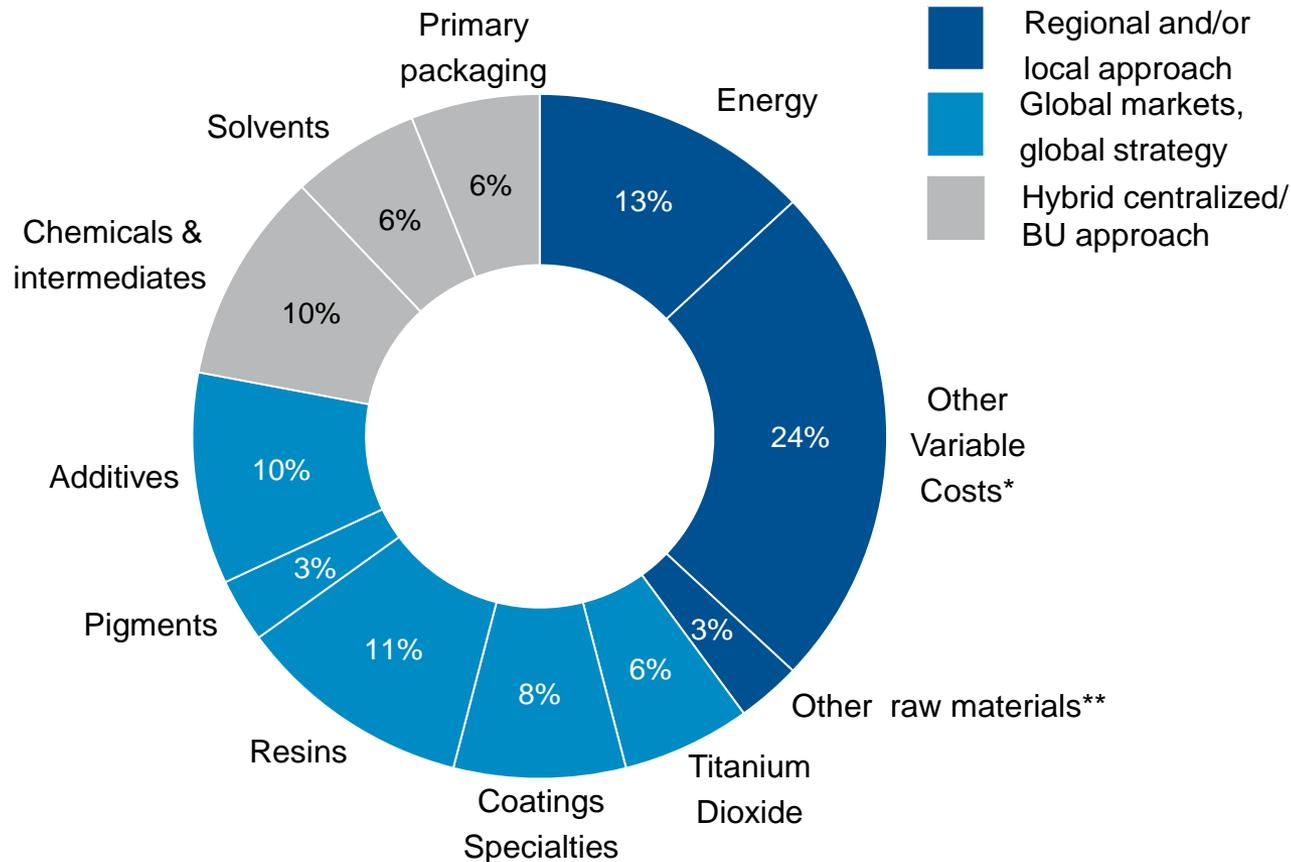
EBIT margin



* 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.



Raw material price inflation to be compensated during 2011

- Raw material prices increased in 2010, particularly in the second half of the year
- The average increase over the full basket in 2010 was mid-single digit percentage
- We expect that 2011 prices will increase by at least the same amount, driven by basic feed-stocks such as metals, TiO₂ and other oil related raw materials
- This impact will be particularly visible in Q1 in Performance Coatings and Decorative Paints
- Pricing and cost reduction actions are on-going and we are confident that we will be able to compensate for these increases during 2011



Outlook 2011

Outlook: we expect to make progress on our medium-term strategic ambitions

Value Accelerated growth

- Grow to €20 billion revenues
- Increase EBITDA each year, maintaining 13-15% margin
- Reduce OWC/revenues by 0.5 p.a. towards a 12% level
- Pay a stable to rising dividend

- Top quartile safety performance
- Top position in sustainability
- Top quartile performance in diversity, employee engagement, and talent development
- Top quartile eco-efficiency improvement rate

Values Sustainable growth

And are aiming for more than 5 percent revenue and EBITDA growth in 2011

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.

