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April 19, 2012

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## Investor update Q1 2012 results



## Highlights

- Revenue up 6 percent, mainly driven by pricing actions
- EBITDA 3 percent lower at €423 million (2011: €437) million as weaker end markets and cost inflation impacted results
- Cash from operating activities was impacted by a one-time pension payment and the seasonal build-up of operating working capital
- Net income from continuing operations €70 million (2011: €132 million), due to higher incidental charges
- Adjusted EPS €0.63 (2011: €0.72)
- Performance improvement program on track
- The economic environment and certain raw materials remain our principal sensitivities in 2012



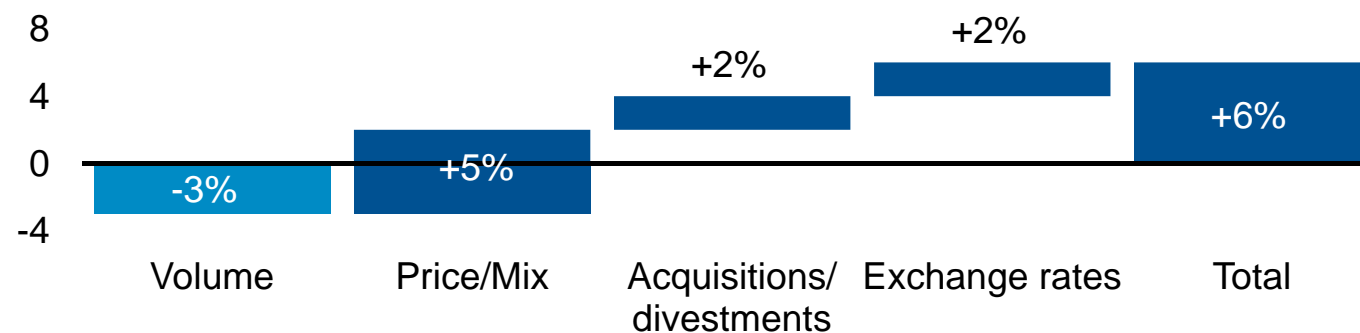
*\* Before incidentals*

## Q1 2012 revenue and EBITDA

€ million	Q1 2012	Δ%
Revenue	3,972	6
EBITDA*	423	(3)

Ratio, %	Q1 2012	Q1 2011
EBITDA* margin	10.6	11.6

### Revenue development Q1 2012 vs. Q1 2011



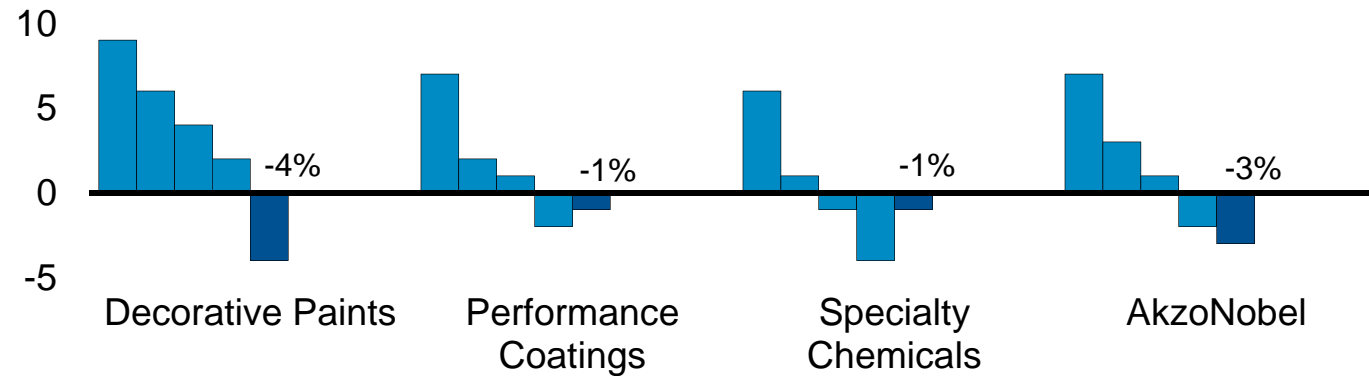
\* Before incidentals

■ Increase ■ Decrease

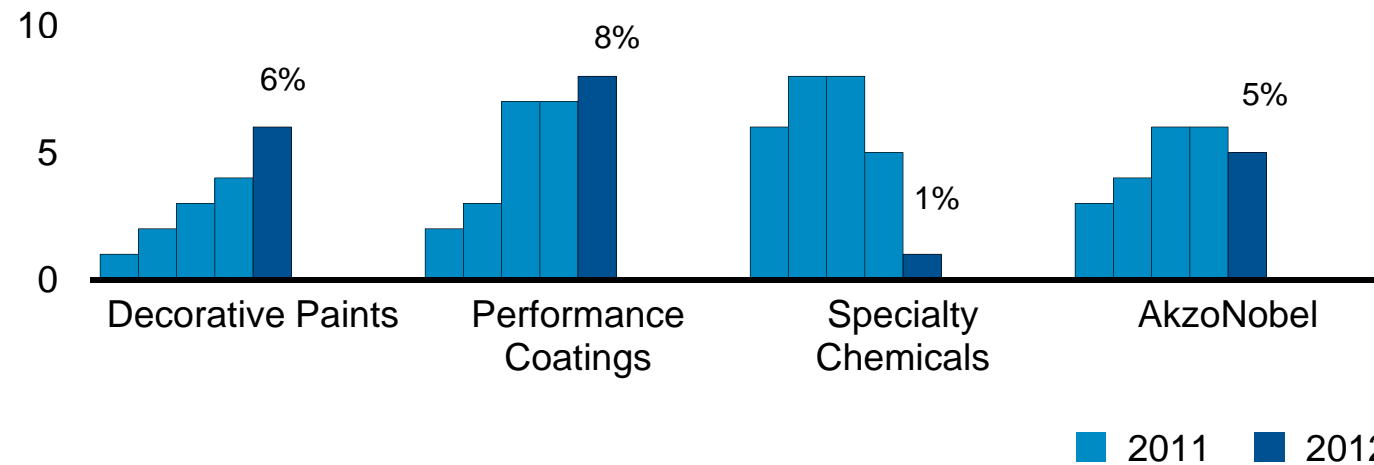


# Price increases coming through, volumes remain soft

Quarterly volume development in % year-on-year



Quarterly price/mix development in % year-on-year



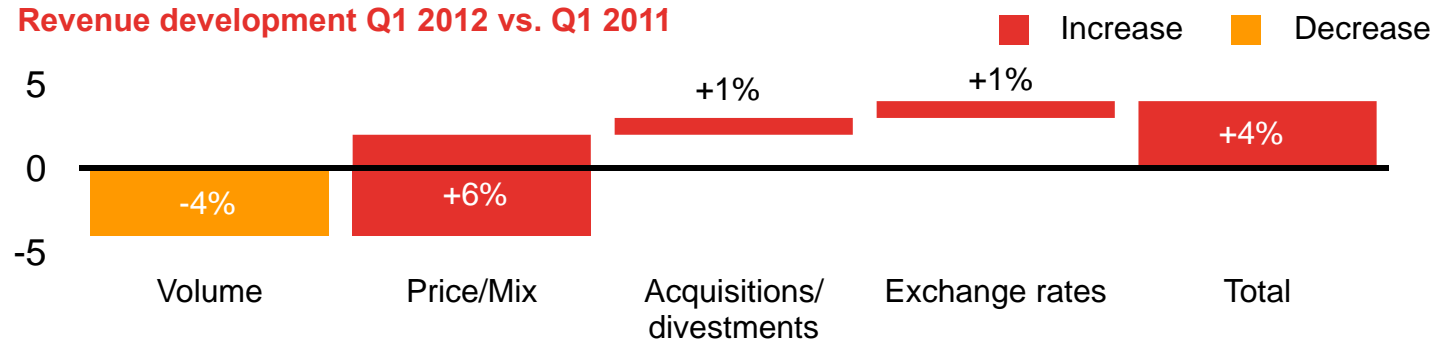
## Decorative Paints Q1 2012 highlights

€ million	Q1 2012	Δ%
Revenue	1,242	4
EBITDA*	76	(16)

Ratio, %	Q1 2012	Q1 2011
EBITDA* margin	6.1	7.5

### Revenue development Q1 2012 vs. Q1 2011



- Revenue up 4 percent versus last year driven by favorable price/mix
- Weaker volume development in most regions
- EBITDA 16 percent behind last year, reflecting lower volumes and higher costs
- Restructuring underway in Europe and North America

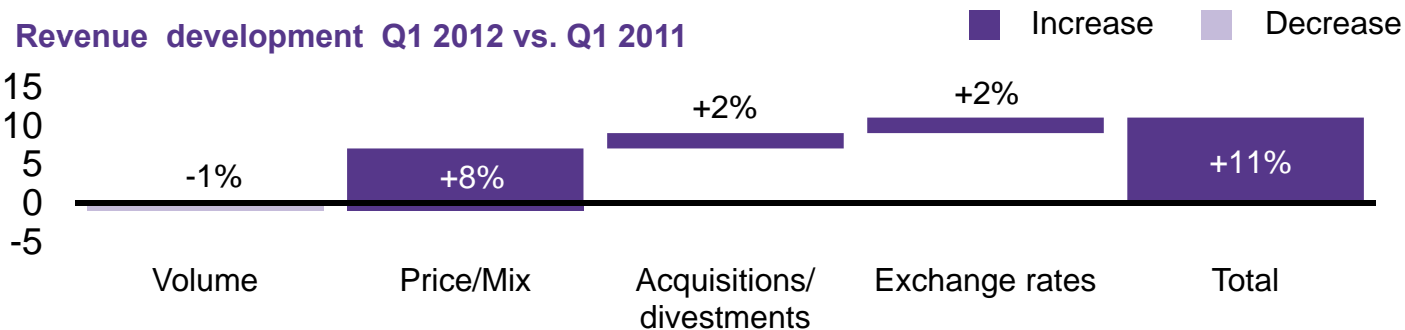


\* Before incidentals

## Performance Coatings Q1 2012 highlights

€ million	Q1 2012	Δ%
Revenue	1,369	11
EBITDA*	164	15

Ratio, %	Q1 2012	Q1 2011
EBITDA* margin	12.0	11.6



- Revenue up 11 percent and EBITDA up 15 percent, supported by margin management, acquisition and currency effects
- EBITDA margin at 12.0 percent (2011: 11.6 percent)
- Integration of acquired activities delivering results
- Continued focus on cost control and operational efficiencies



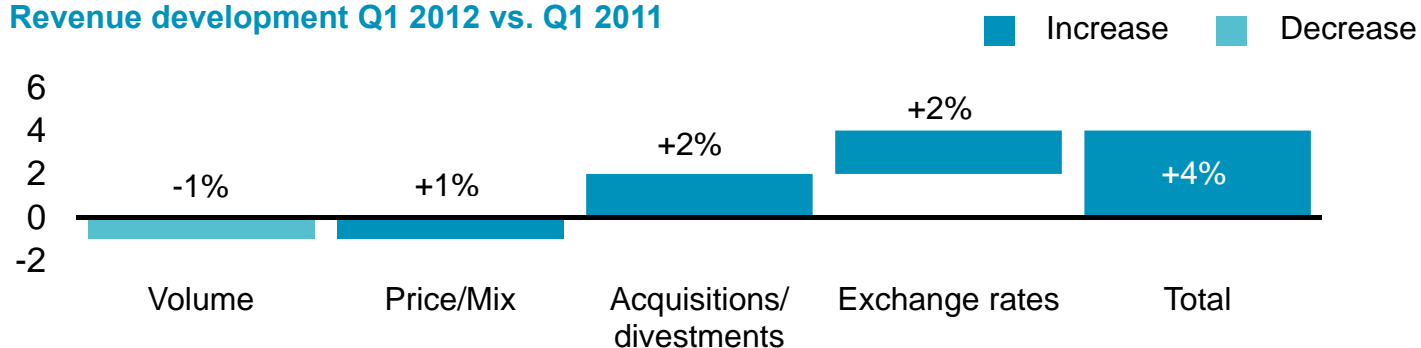
\* Before incidentals

## Specialty Chemicals Q1 2012 highlights

€ million	Q1 2012	Δ%
Revenue	1,399	4
EBITDA*	235	(2)

Ratio, %	Q1 2012	Q1 2011
EBITDA* margin	16.8	17.8

Revenue development Q1 2012 vs. Q1 2011



- Revenue increased by 4 percent, mainly due to the Boxing Oleochemicals acquisition
- EBITDA decreased 2 percent to €235 million against a strong Q1 2011, driven mainly by Functional Chemicals
- EBITDA margin remained strong at 16.8 percent (2011: 17.8 percent)

\* Before incidentals



## Summary – Q1 2012 results

<i>€ million</i>	Q1 2012	Q1 2011
EBITDA*	423	437
Amortization and depreciation	(168)	(148)
Incidentals	(64)	(12)
Net financing expense	(65)	(63)
Minorities and associates	(10)	(9)
Income tax	(46)	(73)
Discontinued operations	1	(4)
<b>Net income total operations</b>	<b>71</b>	<b>128</b>
Net cash from operating activities	(761)	(519)

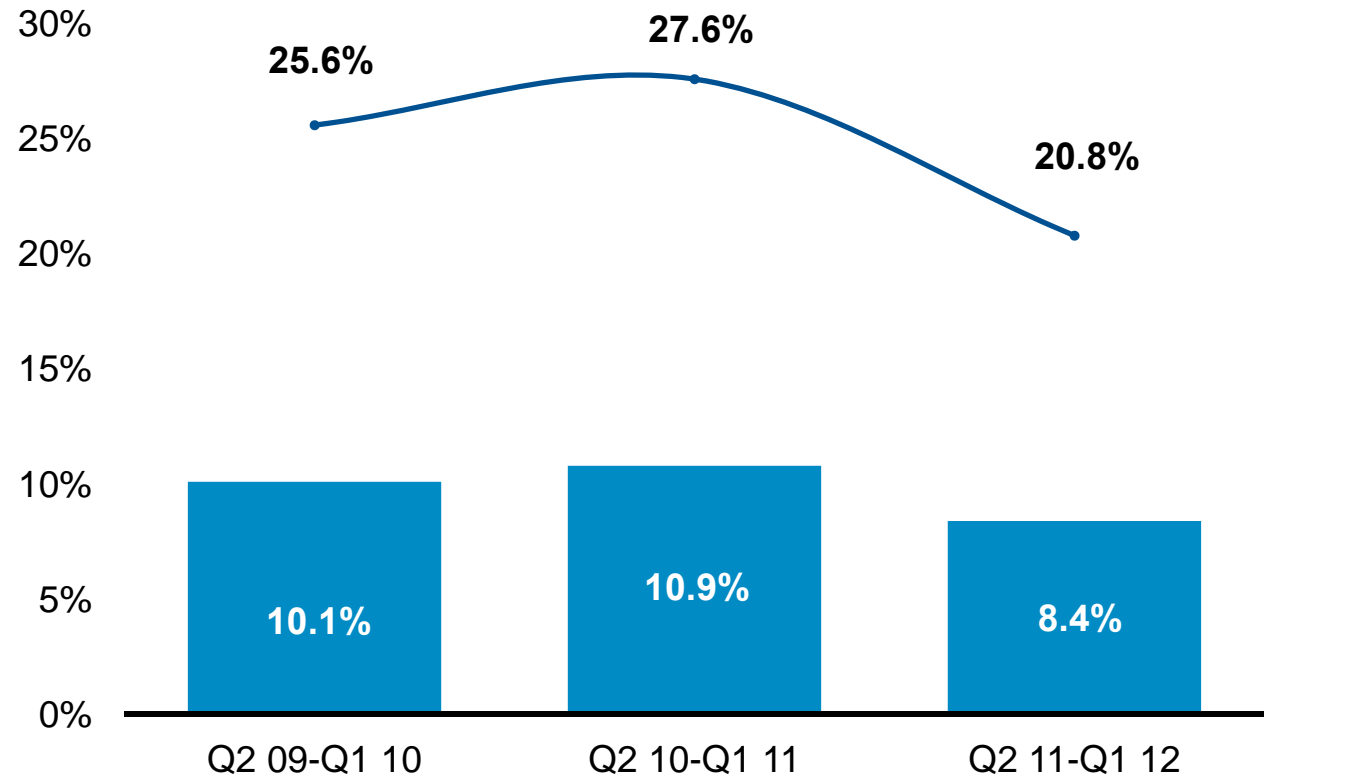
<i>Ratio</i>	Q1 2012	Q1 2011
EBITDA* margin (%)	10.6	11.6
Adjusted earnings per share (in €)	0.63	0.72

\* Before incidentals





# Strong operating returns on invested capital



\* Operating ROI is calculated as EBIT before amortization divided by average invested capital excluding intangible assets

■ Moving average ROI %  
— Operating ROI %\*



## Cash flows Q1 2012

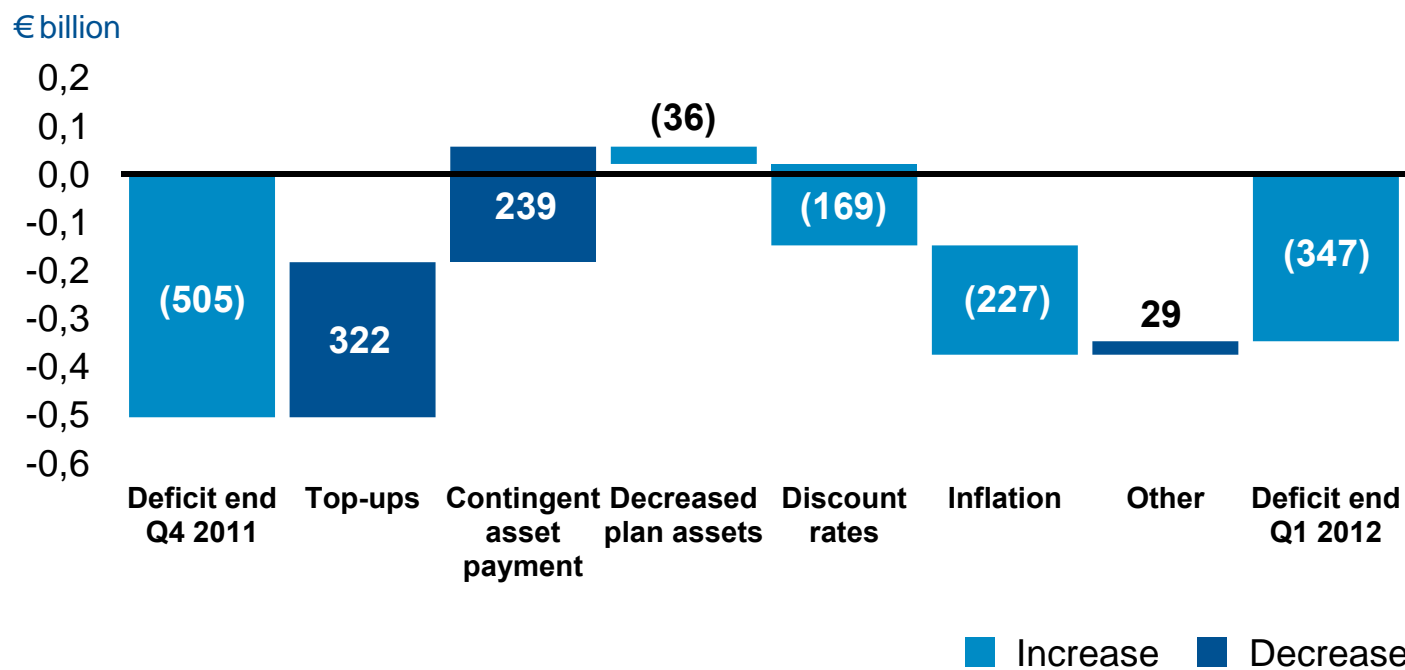
<i>€ million</i>	Q1 2012	Q1 2011
Profit for the period	84	148
Amortization and depreciation	173	150
Change working capital	(418)	(390)
- Pension provisions	(553)	(334)
- Restructuring	(4)	(2)
- Other provisions	11	(22)
Change provisions	(546)	(358)
Other operating cash flows	(54)	(69)
<b>Operating cash flows</b>	<b>(761)</b>	<b>(519)</b>
Capex	(143)	(130)
Changes from borrowings	490	(12)
Dividends	(3)	(1)
Discontinued operations	(6)	-
Other changes	2	15
<b>Total cash flows</b>	<b>(421)</b>	<b>(647)</b>



## Pension deficit decreases to €0.3 billion

<i>Key pension metrics</i>	Q1 2012	Q4 2011
Discount rate	4.5%	4.6%
Inflation assumptions	2.7%	2.5%

### Pension deficit development during Q1 2012



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## Medium-term strategic ambitions unchanged

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- We are delivering on price increases
- Performance Improvement Program on track
  - next update with half year results
- The economic environment remains uncertain:
  - volumes remain soft
  - raw material costs remain a risk
- Our solid fundamentals, strong brands and excellent geographic spread, give us every reason to be confident about the medium-term



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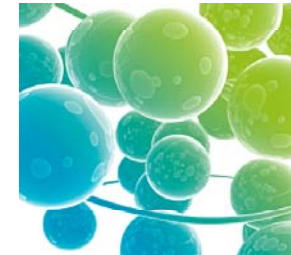
# Appendix

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# AkzoNobel key facts

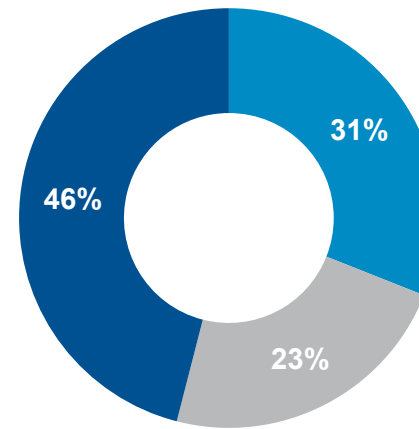
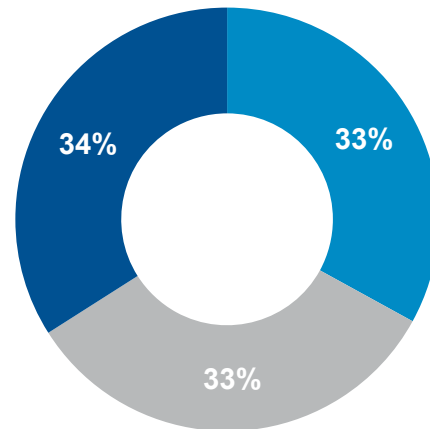
## 2011

- Revenue €15.7 billion
- 57,240 employees
- EBITDA: €1.8 billion\*
- Net income: €0.5 billion
- 40 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



# Decorative Paints key facts

## 2011

- Revenue €5.3 billion
- 22,340 employees
- EBITDA: €440 million\*
- 40 percent of revenue from high growth markets
- Largest global supplier of decorative paints
- Many leading positions, strong brands

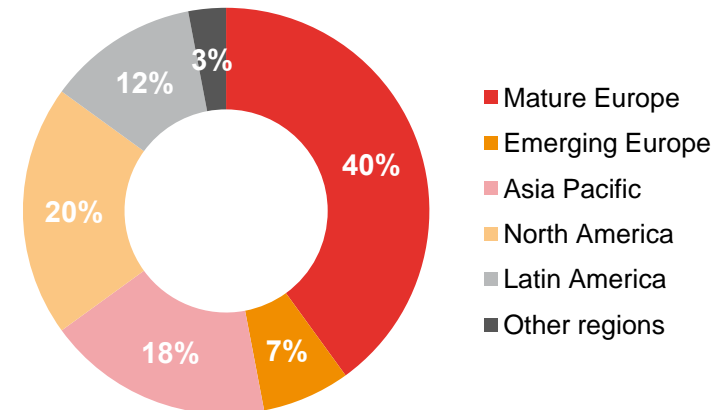


## Some of our strong brands



\* Before incidentals

## Revenue by geography



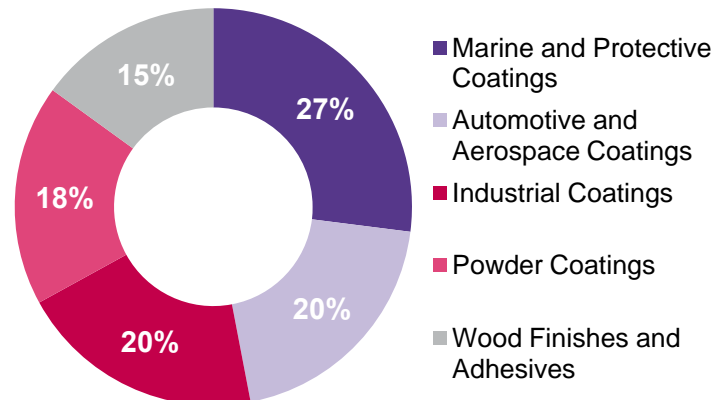
# Performance Coatings key facts

## 2011

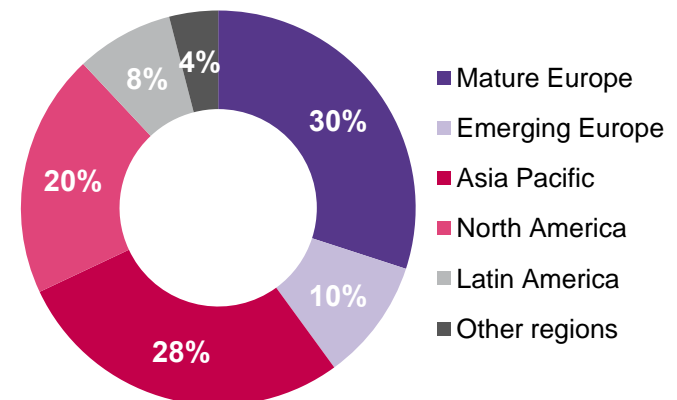
- Revenue €5.2 billion
- 21,960 employees
- EBITDA: €611 million\*
- 47 percent of revenue from high growth markets
- Leading positions in performance coatings industry
- Innovative technologies, strong brands



## Revenue by business unit



## Revenue by geography



\* Before incidentals

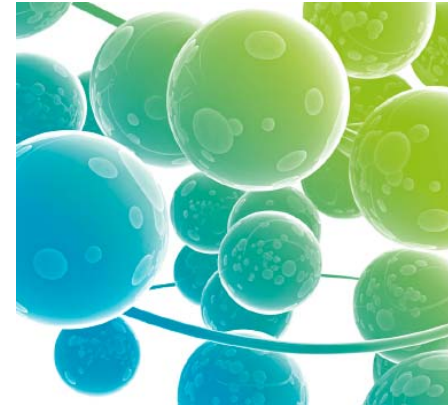




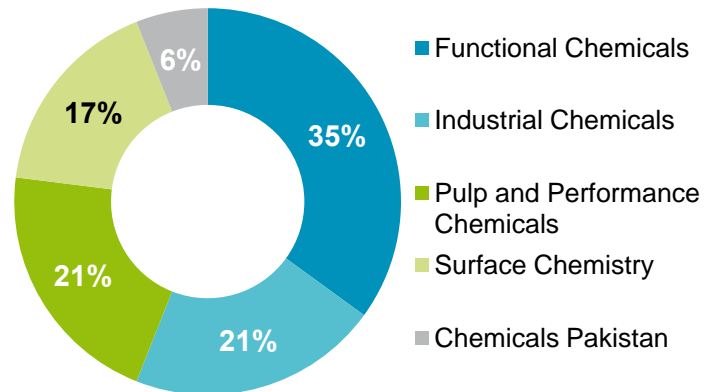
# Specialty Chemicals key facts

## 2011

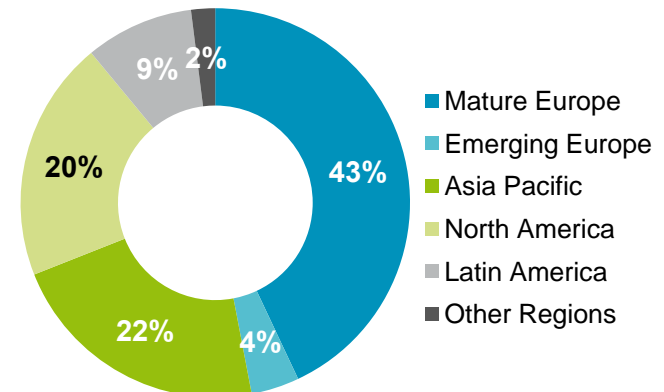
- Revenue €5.3 billion
- 11,510 employees
- EBITDA: €906 million\*
- 33 percent of revenue from high growth markets
- Major producer of specialty chemicals
- Leadership positions in many markets



## Revenue by business unit



## Revenue by geography

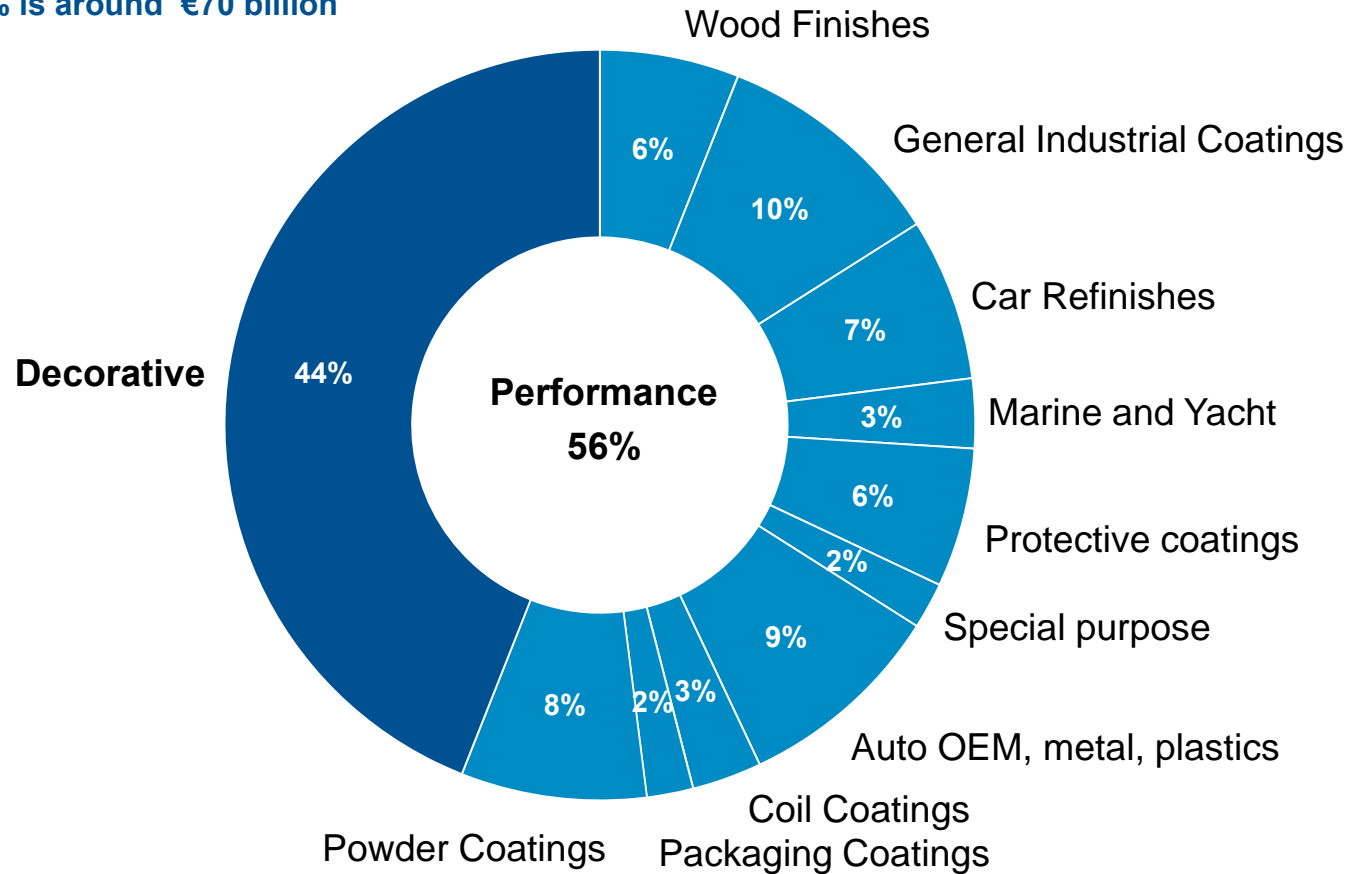


\* Before incidentals



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

% of market  
100% is around €70 billion

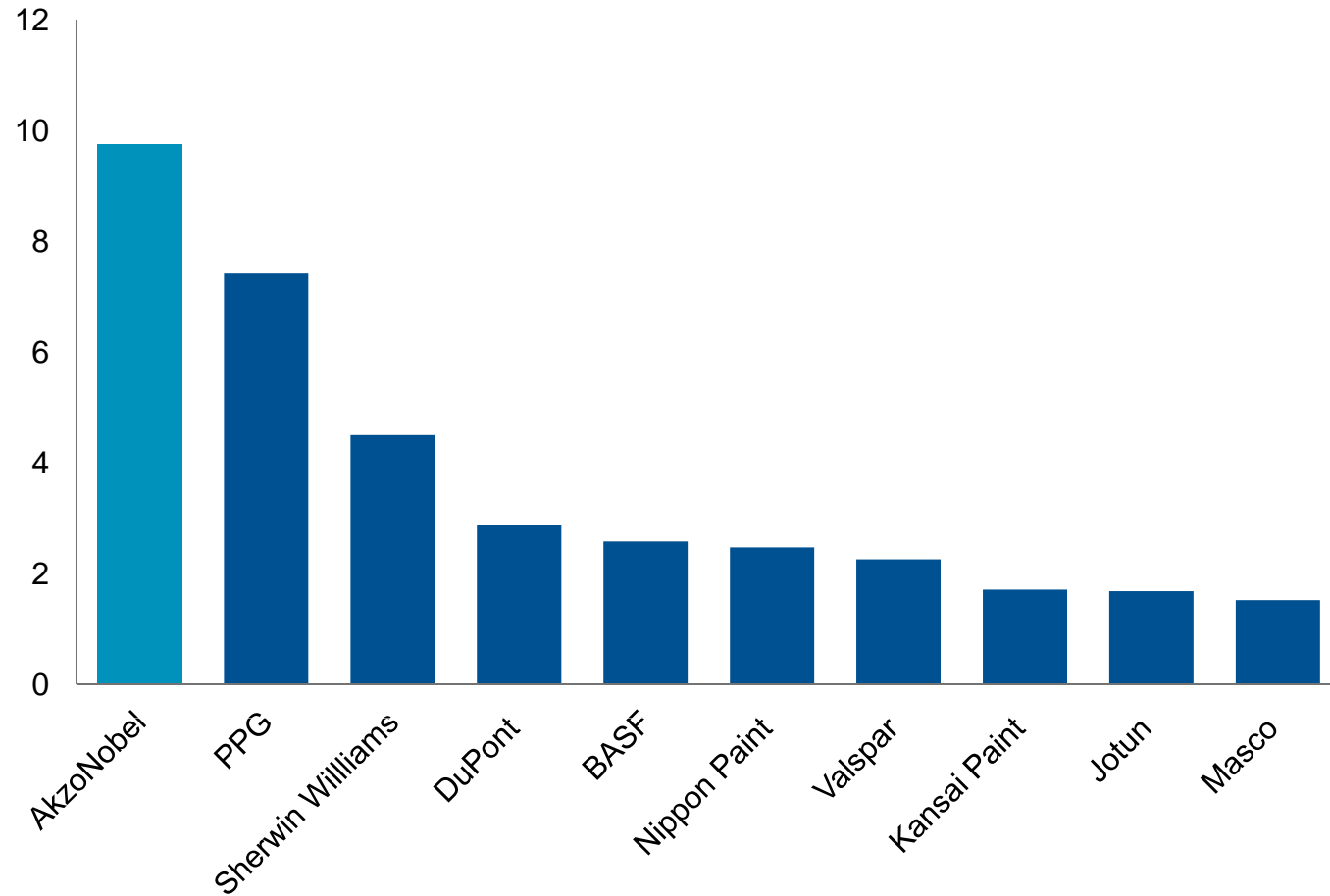


Source: Company Reports



# AkzoNobel is the world's largest coatings supplier

2010 revenue in € billion



## Excellent geographic spread of both revenue and profits

High growth markets are important (40% of revenue)

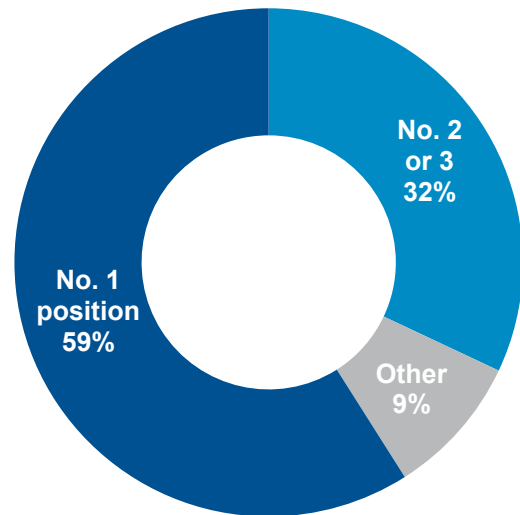


High growth markets' profitability is above average



# Leading positions and strong brands

## 2011 Revenue by market position



## Some of our strong brands



Decorative Paints



Performance Coatings



Specialty Chemicals



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# Our strategic ambition

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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 percent margin
- Reduce OWC/revenues by 0.5 p.a. towards a 12 percent level
- Pay a stable to rising dividend

- Top quartile safety performance
- Top 3 position in sustainability
- Top quartile performance in diversity, employee engagement, and talent development
- Top quartile eco-efficiency improvement rate

### Values Sustainable growth



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## How we will expand in both mature and high growth markets

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### Organic growth

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

### Innovation pipeline

- Spend of around 2.5 percent of revenue makes us the clear leader of our peers in absolute spend
- Emphasis on bolder, focused, sustainable innovation

### Acquisitions

- Wide range of opportunities
- All business areas qualify
- Value created in less than three years





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## **Aspirations for high growth markets (currently around 40 percent of our revenue)**

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### **Double revenues in China**

- Grow from \$1.5 to \$3 billion of revenues
- Already the biggest paint, coatings and specialty chemicals company in China

### **Create significant footprint in India**

- Grow from €0.25 to €1 billion in revenue
- Increasing footprint for all business areas

### **Outgrow the competition in Brazil**

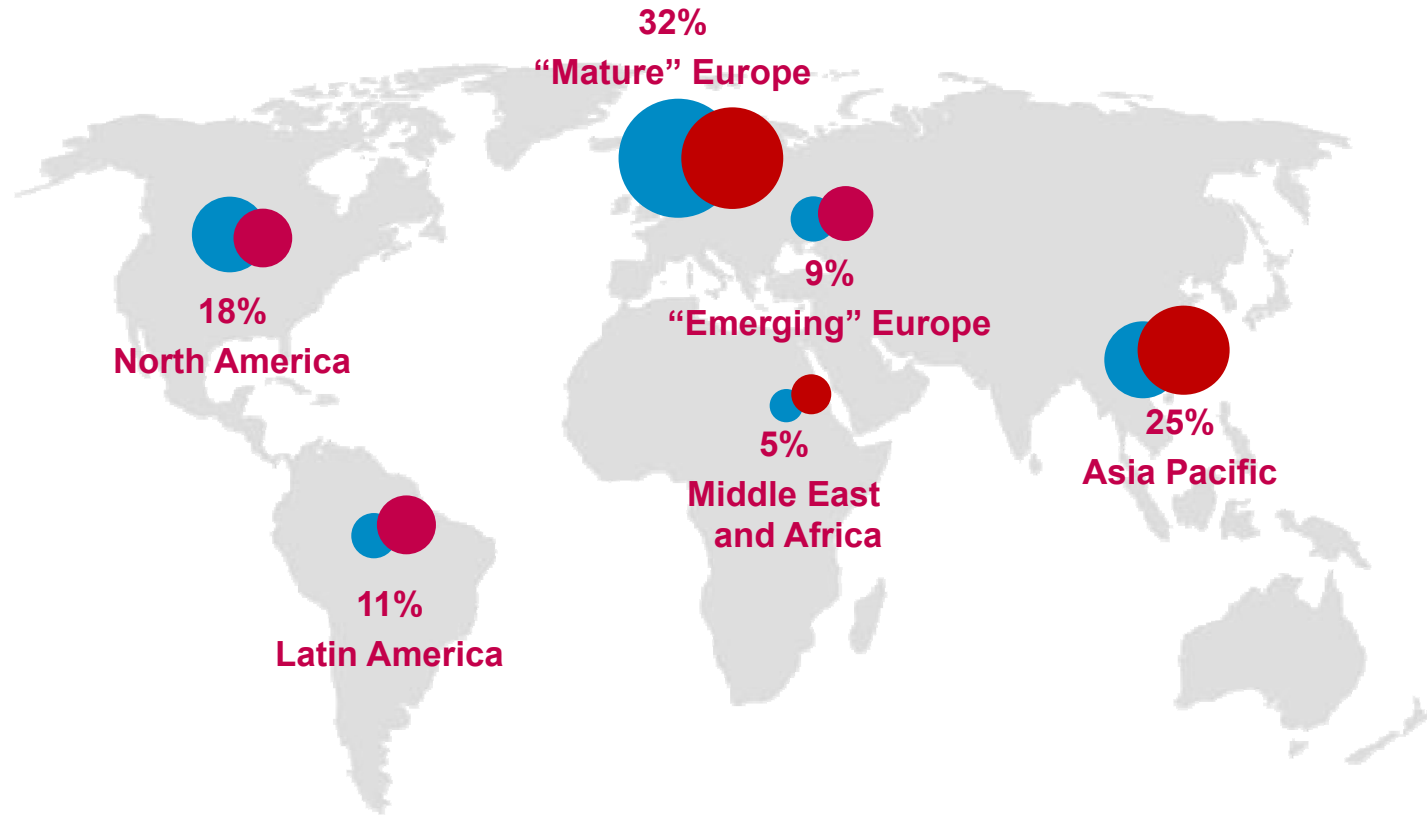
- Grow from €0.75 to €1.5 billion in revenue
- Become clear market leader in all our activities

### **Expand in the Middle East**



# High growth markets will become significantly more important

% of revenue, indicative



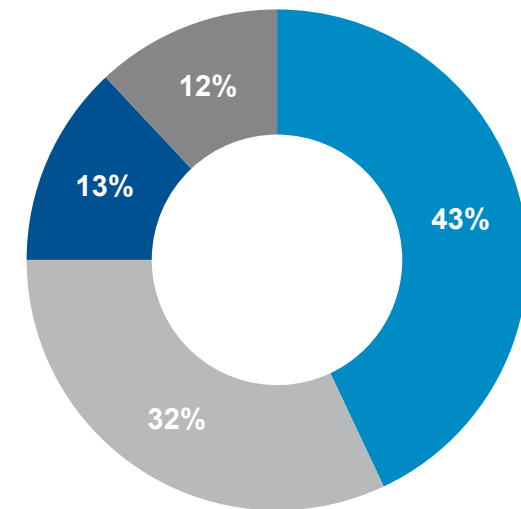
High growth markets will be around 50% of revenue in this decade

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

### How innovation will support our growth agenda:

- Functional solutions in key market segments
- Increase spend in big R&D
- >15 percent of revenue from “breakthrough” innovations\*
- >30 percent of revenue from eco-premium solutions\*\*

### Revenue by key market segment



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

\* Major innovations that result in a significant competitive advantage

\*\* Higher eco-efficiency than competing comparable product



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## Clear sustainability focus

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### Accelerated sustainability strategy will deliver:

- Safety at 2.0 injuries per million hours
- 30 percent of revenue from eco-premium solutions
- Sustainable fresh water management
- 30 percent eco-efficiency improvement
- 10 percent carbon footprint reduction (20-25 percent by 2020)
- 20 percent of executives will come from high growth economies
- Key supplier partnerships will deliver footprint reduction

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



# Innovation in Decorative Paints

## Coral Rende Muito

Value for money paint, without compromising quality of finish

### Key Features

- A concentrated paint emulsion
- Paint can be diluted by up to 80%
- More coverage per liter paint with same quality finish

### Customer Benefits

- Higher value for money for our customers
- Best-in-class spreading rate
- Lower transport costs for better sustainability performance



### Growth potential

- Six-fold increase in product line sales since it was launched
- High expectations for global mid-tier markets



# Innovation in Performance Coatings

## Marine Coatings - Interline® 9001

Next generation low absorption, easy-to-clean lining for chemical cargo tanks

### Key features

- New coating for chemical cargo tanks
- Low chemical absorption enables reduction in cleaning time and materials

### Customers benefits

- Greater efficiency and flexibility in operation of chemical tankers
- Increased vessel earning potential due to extended coating lifetime
- Reduced risk of contamination between (high purity) cargoes

### Growth potential

- Launched globally in 2011 with high expectations
- Potential penetration into high purity chemical tanker trade
- Potential extension into other protective coatings markets where chemical resistance is required



# Innovation in Specialty Chemicals

## Pulp and Performance Chemicals – Bindzil CC

### Improving the quality of waterborne coatings

#### Key Features

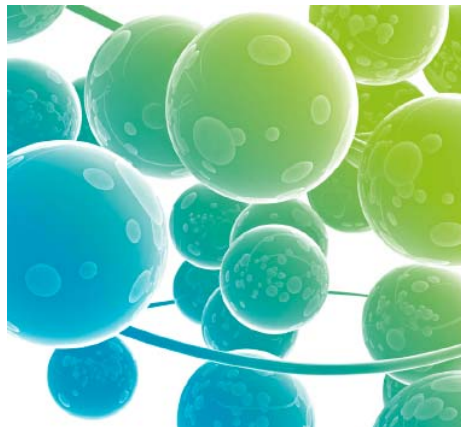
- Solves stability and compatibility issues in waterborne coatings
- Reduces dirt pick-up in waterborne deco paints
- Improves weather resistance in silicate paints
- Complies with eco-labeling regulations

#### Customer Benefits

- Enables paint and lacquer producers to up-grade their products in a cost-effective and more sustainable way
- Better ease of application for users
- Approved in Europe for direct food contact applications

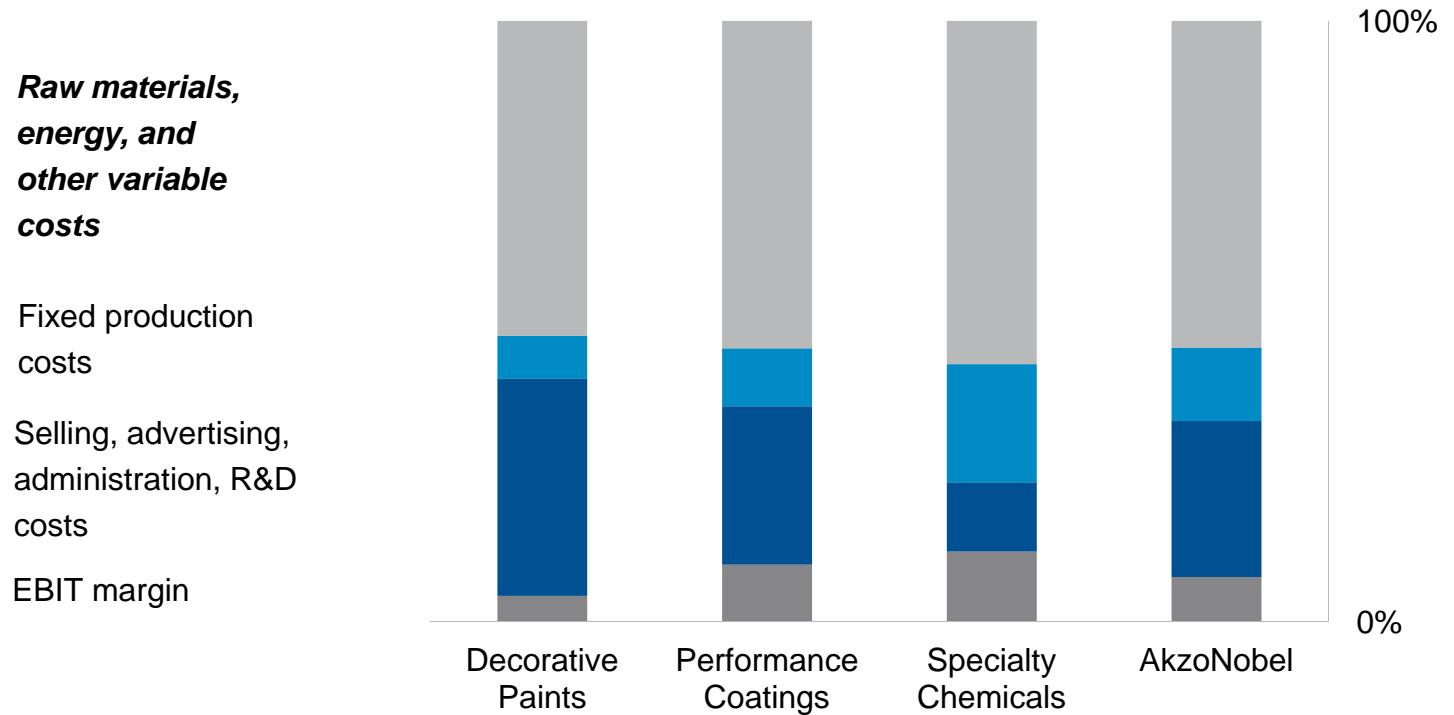
#### Growth potential

- Market expected to exceed 1000 tons in 2012
- New applications in concrete floor polishing and non-stick coatings for cookware under development
- Longer term potential for application in laminate floorings and kitchen work-tops



# Variable costs represent 54.3% of revenue

% of 2011 annual revenue\*

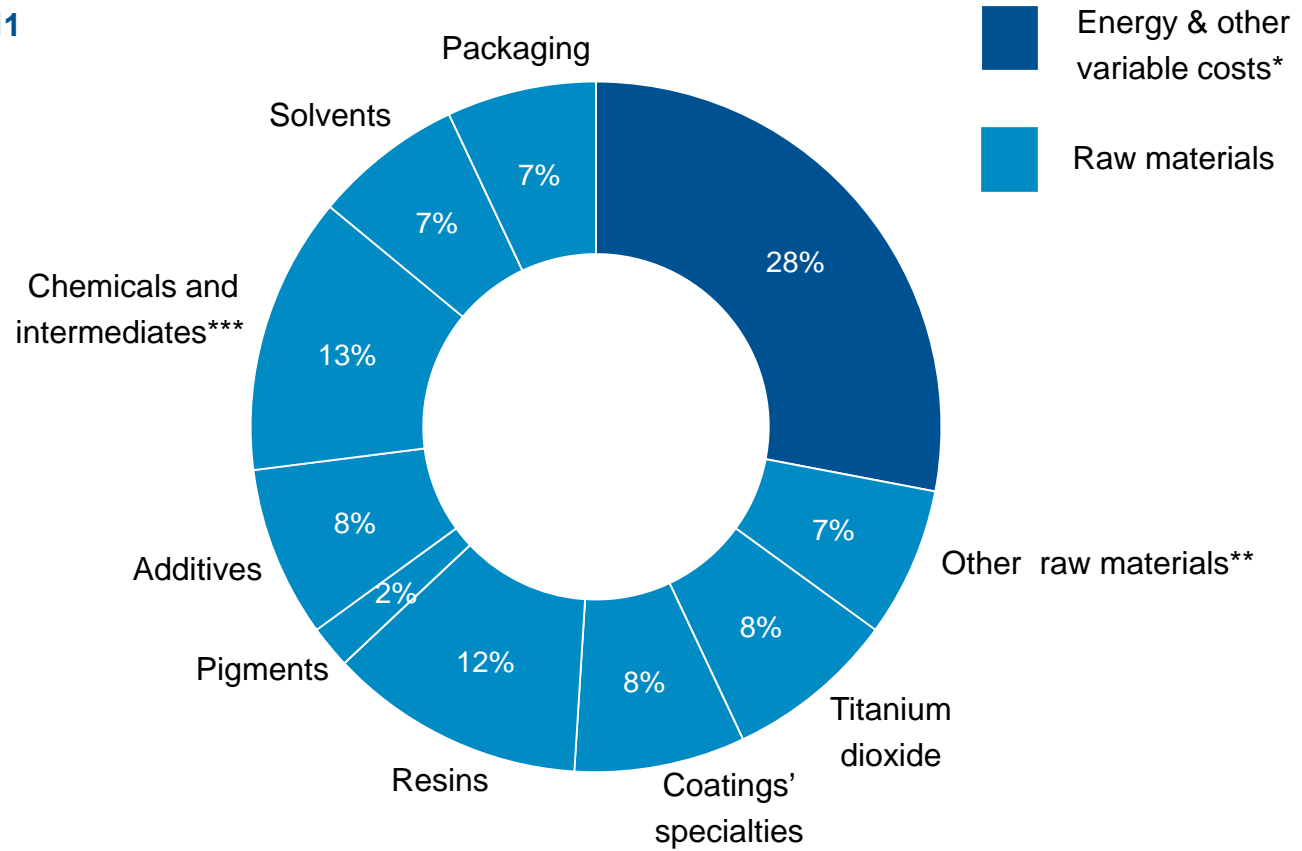


\* Rounded percentages, all data excluding incidentals



# Variable costs analysis

2011



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

\*\* Other raw materials include cardolite, hylar etc.

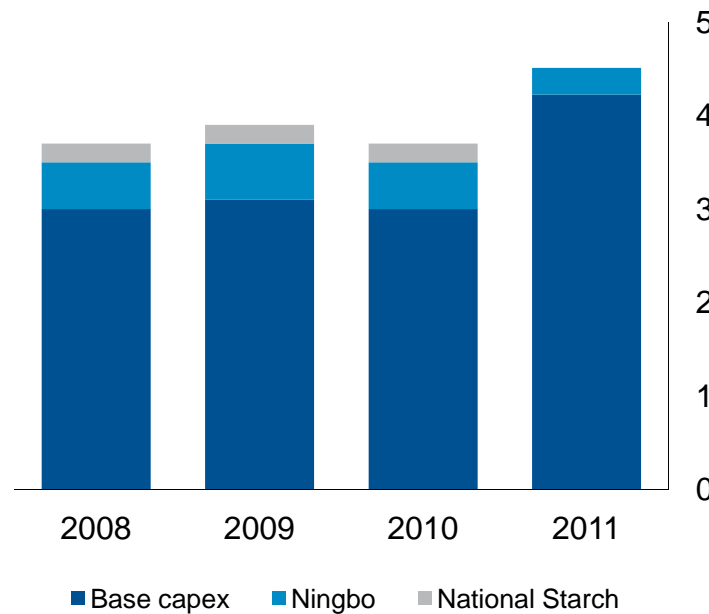
\*\*\* Chemicals and intermediates include caustic soda, acetic acid, tallow, ethylene, ethylene oxide, sulfur, amines etc.



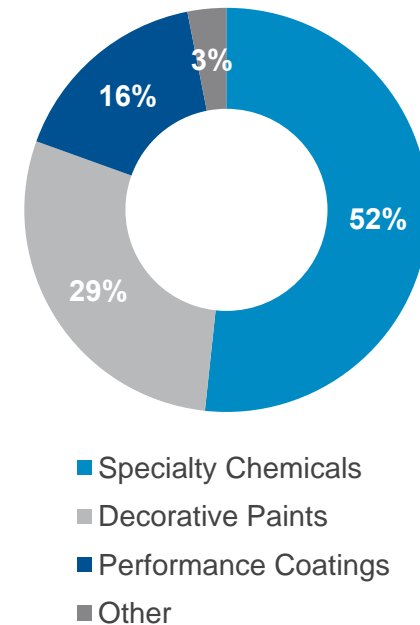
## Capital expenditure prioritization for growth

- Capex 2011 was €708 million (including Ningbo €45)
- Guidance for the medium term: Capex level to be at least 4 percent of revenues

### Capex as a % of revenue

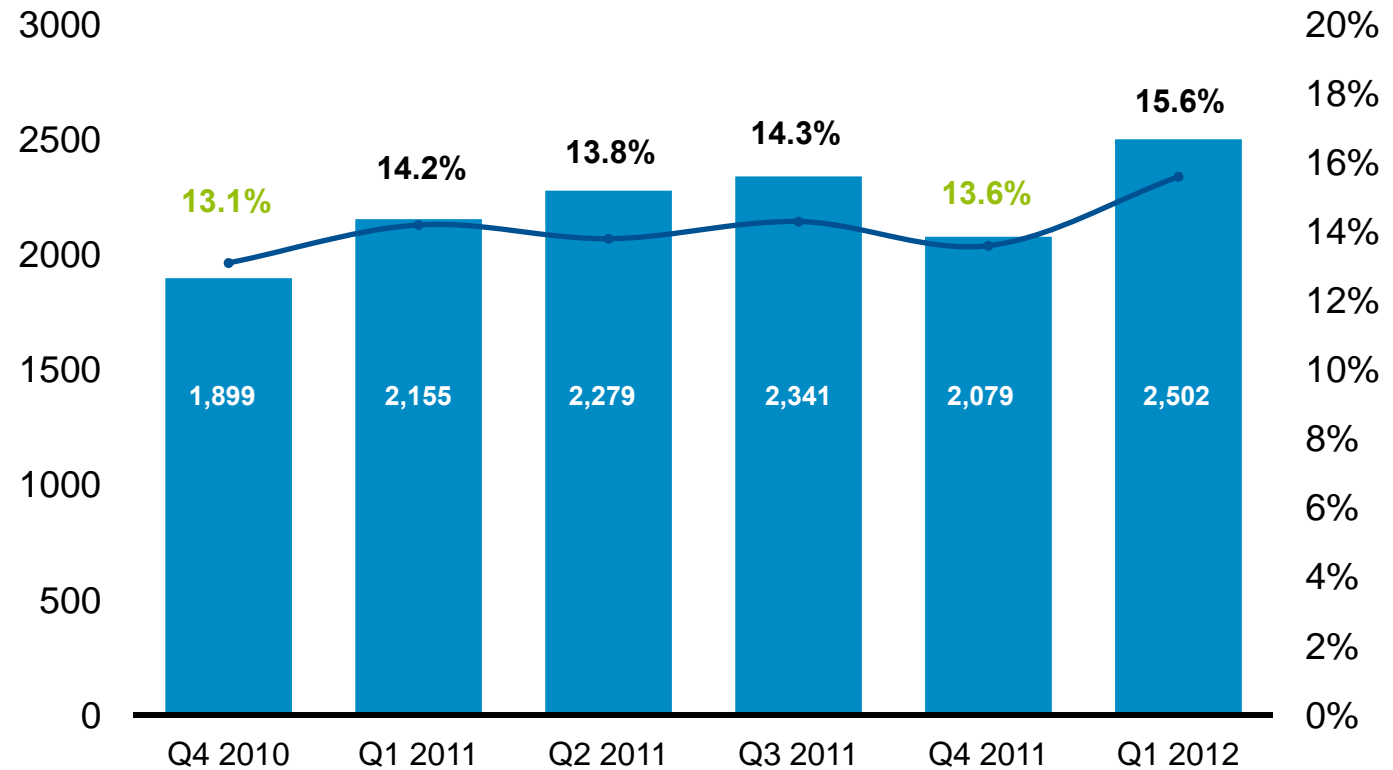


### 2011 Capex split



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

OWC  
€ million



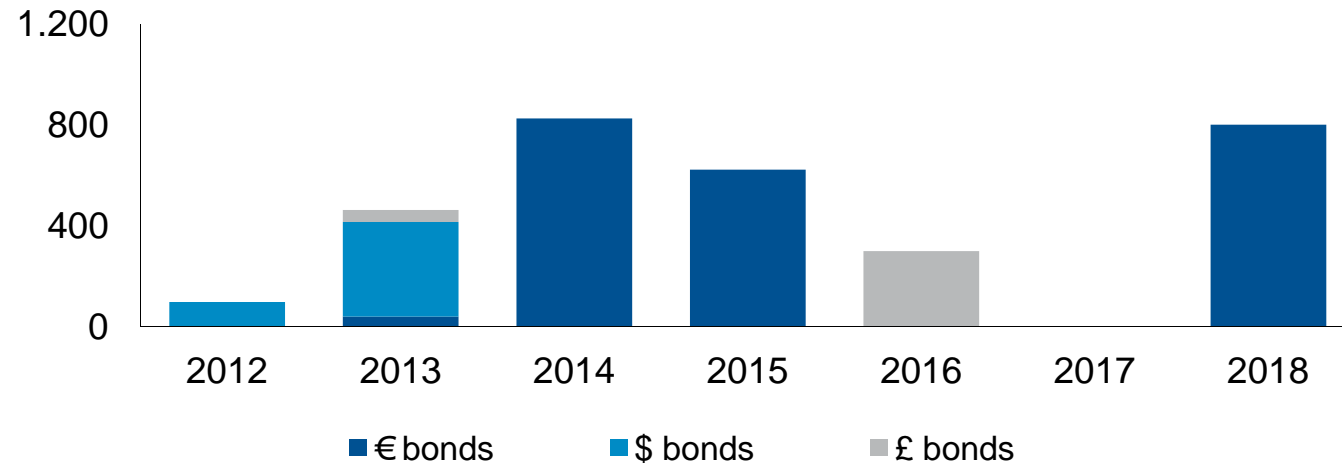
■ OWC — OWC as % of LQ revenue\*4



## Debt duration 3.4 years and no refinancing needed in 2012

### Debt maturities\*

€ million (nominal amounts)



### Strong liquidity position to support growth

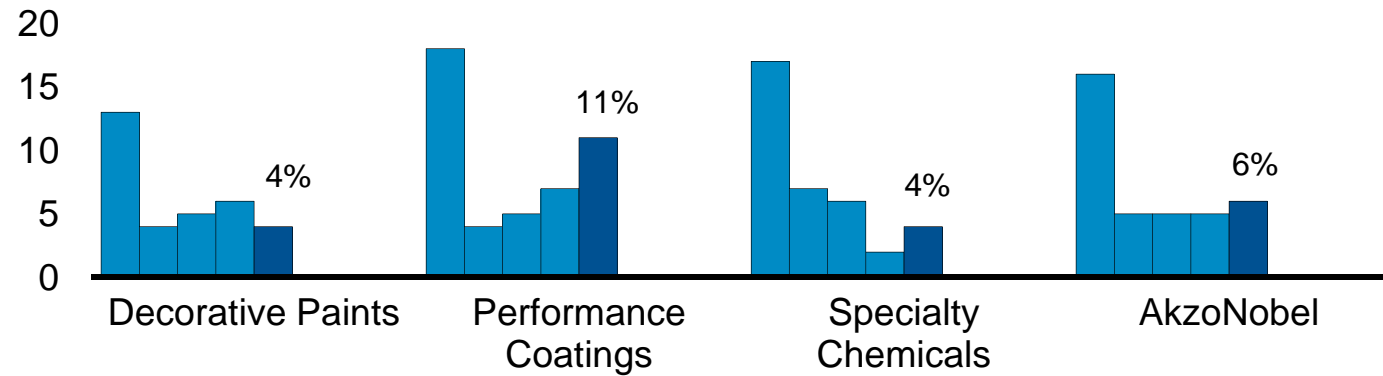
- Undrawn revolving credit facility of €1.8 billion (2016) or €1.5 and \$3 billion commercial paper programs
- Net cash and cash equivalents €0.9 billion\*

\* At the end of Q1 2012

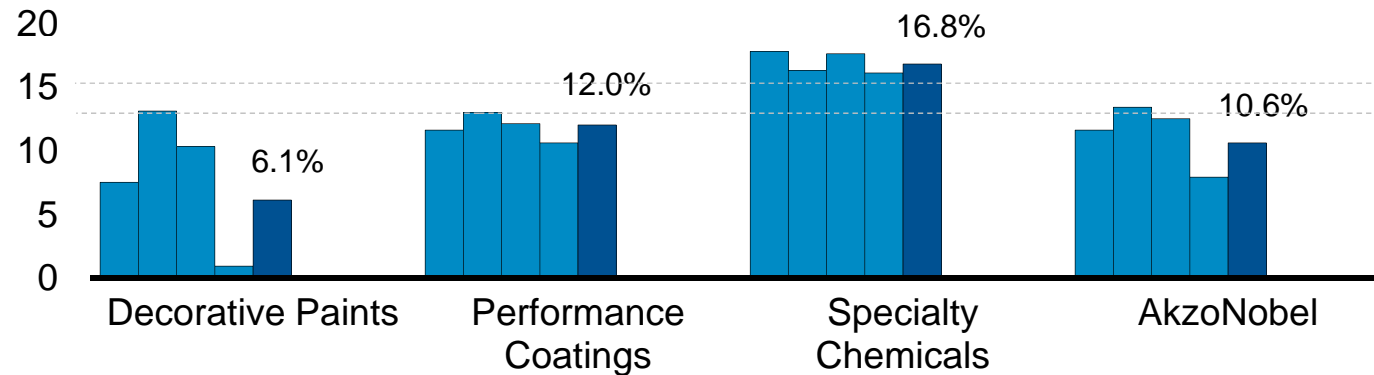


# Revenue growth and EBITDA margin performance per quarter

## Reported quarterly revenue growth in % year-on-year



## Quarterly EBITDA\* margin in %



\* Before incidentals

■ 2011 ■ 2012 ..... Target range



## Unchanged ambition to maintain strong balance sheet

<i>€ million</i>	Mar 31, 2012	Mar 31, 2011
Total equity	9,742	9,358
Net debt*	2,860	1,578

- Credit ratings unchanged at BBB+/Baa1, outlook stable
- Net debt increased mainly due to the additional one-time payment of €239 million as well as higher operating working capital.
- In September 2011, we renewed our five year multi-currency syndicated revolving credit facility for €1.8 billion (previously €1.5 billion)



\* Before net pension deficit of €0.3 billion March 31, 2012 (March 31, 2011 €0.7 billion)

## Q1 2012 incidentals

<i>€ million</i>	Q1 2012	Q1 2011
Restructuring costs	(46)	(9)
Results related to major legal, anti-trust and environmental cases	(22)	1
Results of acquisitions and divestments	-	-
Other incidental results	4	(4)
<b>Total</b>	<b>(64)</b>	<b>(12)</b>

- Increase in restructuring costs due to provisions in relation to the performance improvement program
- Restructuring costs mainly related to Decorative Paints in North America and Europe
- Increase of provision for environmental case in Sweden



## Q1 2012 EBITDA – Cash bridge

<i>€ million</i>	Q1 2012	Q1 2011
<b>EBITDA before incidentals</b>	<b>423</b>	<b>437</b>
Incidentals (cash)	(55)	(5)
Change working capital	(418)	(390)
Change provisions	(546)	(358)
Interest paid	(117)	(153)
Income tax paid	(48)	(50)
<b>Net cash from operating activities</b>	<b>(761)</b>	<b>(519)</b>

- Higher cash outflows from working capital mainly due to a higher autonomous increase in operating working capital
- Higher payments related to pension provisions primarily due to the additional one-time payment of €239 million into the UK ICI Pension Fund





## Performance improvement program: stepping up operational and functional excellence

### Underpin our growth and margin objectives

- Enhance our ability to grow
- Expected to bring us at or above the mid-point of our 13-15 percent EBITDA margin guidance.

### Deliver structural competitive advantage

- Leveraging scale, simplify support structures, reduce cost base
- Transfer best practices, standardize key processes
- Restructuring of underperforming parts of the portfolio

### Full EBITDA impact of €500 million in 2014

- Expected total incidental costs €425 million
- 2012: €200 million EBITDA, incidental costs of €200 million
- Reporting on program deliverables every six months



# A comprehensive program

- **Comprehensive – all functions, all businesses**
  - Margin management, R&D and restructuring (~50%)
  - Supply Chain and Sourcing projects (~40%)
  
- **Improvements implemented over three years (2012 to 2014)**
  
- **All business areas contribute to delivering the €500 million**
  - >40 percent Decorative Paints
  - >30 percent Performance Coatings
  - Close to 25 percent Specialty Chemicals

	Decorative Paints	Perf. Coatings	Specialty Chemicals
Finance			
Information Management			
Research, Dev't & Innov.			
Human Resources			
Integrated Supply Chain			
Margin Management			
Academy			



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## 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).*

