

# Report for 2009 and the 4th quarter



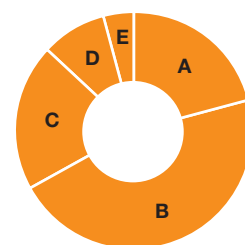
**AkzoNobel**

Tomorrow's Answers Today



**AkzoNobel around the world**  
**Revenue by destination**  
*(>35 percent in high growth markets)*

	%
A North America	21
B Europe	46
C Asia Pacific	20
D Latin America	9
E Other regions	4
	100



# Our results at a glance

- Revenue in 2009 declined 10 percent to € 13,893 million
- 2009 EBITDA before incidentals 8 percent lower at €1,768 million; EBITDA margin at 12.7 percent (2008: 12.5 percent)
- Operating working capital reduced to 13.7 percent of revenue (2008: 16.5 percent)
- Net cash from operating activities €1,240 million (2008: €91 million)
- Restructuring and synergies: ahead of schedule
- Net income: €285 million (2008: €1,086 million loss)
- Weak demand in mature economies; stronger in high growth markets
- Investments in strategic growth opportunities continue
- Final dividend of €1.05 per share proposed making a total dividend of €1.35 (2008: €1.80) being a 57 percent pay-out (2008: 48 percent)

# Financial highlights

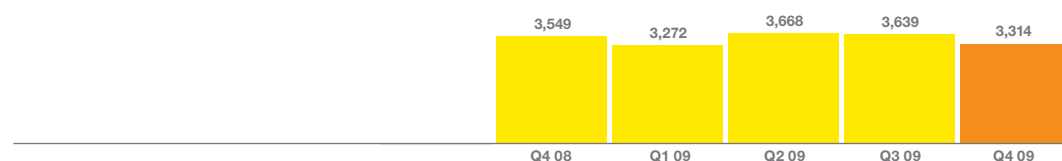
4TH QUARTER			IN € MILLIONS			JANUARY - DECEMBER		
2009	2008	Δ%		2009	2008	Δ%		
<b>Continuing operations before incidentals</b>								
3,314	3,549 <sup>1</sup>	(7)	Revenue	13,893	15,415	(10)		
396	381	4	EBITDA	1,768	1,927	(8)		
11.9	10.7		EBITDA margin (in %)	12.7	12.5			
248	232	7	EBIT	1,151	1,315	(12)		
7.5	6.5		EBIT margin (in %)	8.3	8.5			
Moving average ROI (in %)				8.4	8.6			
<b>After incidentals</b>								
101	(1,330)		Operating income	870	(577)			
(56)	(1,486)		Net income/(loss) from continuing operations	278	(1,109)			
(4)	(36)		Net income/(loss) from discontinued operations	7	23			
(60)	(1,522)		Net income/(loss) total operations	285	(1,086)			
(0.24)	(6.41)		Earnings per share from continuing operations (in €)	1.20	(4.47)			
(0.26)	(6.57)		Earnings per share from total operations (in €)	1.23	(4.38)			
165	178		Capital expenditures	534	534			
417	61		Net cash from operating activities	1,240	91			
Interest coverage				2.1	- <sup>2</sup>			
Invested capital				13,204	13,424			
Net debt				1,744	2,084			
Number of employees				57,060	60,040			

<sup>1</sup> Revenue Decorative Paints Asia restated between quarters.

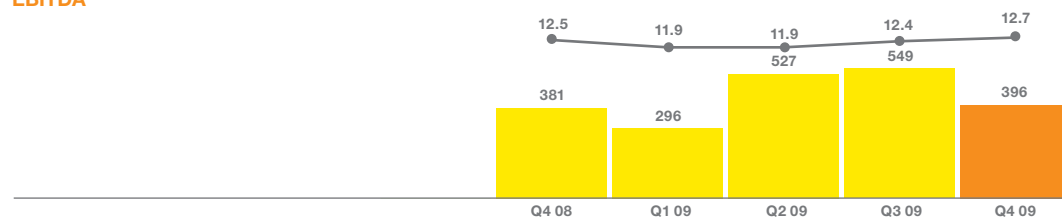
<sup>2</sup> Not meaningful as operating income in 2008 was a loss.

## Revenue

IN € MILLIONS



## EBITDA



■ EBITDA (in € millions)

● One year rolling EBITDA margin (in %)

# Financial highlights

For the year 2009, volumes declined by 10 percent, resulting in revenue of €13.9 billion, 10 percent lower than last year. EBITDA was 8 percent lower at €1,768 million (2008: €1,927 million). The EBITDA margin was 12.7 percent (2008: 12.5 percent). In Q4, volumes were 1 percent higher than 2008, representing the first positive quarterly volume development over last year. EBITDA was €396 million for Q4, an increase of 4 percent (2008: €381 million), with the EBITDA margin at 11.9 percent (2008: 10.7 percent).

## Revenue

Volumes were 10 percent lower than last year. However, some recovery and growth over the final quarter of 2008 is becoming visible in early cycle businesses. Pricing pressure became more evident during the year.

- Lower demand in Decorative Paints for the full year resulted in 9 percent lower volumes than 2008. Volumes in Q4 were at the same level as last year, with North America volume decreases being offset by recovering demand in Asia and strong volume growth in Latin America. Volume development in Europe stabilized in Q4.
- Revenue in Performance Coatings was down 12 percent due to lower demand across all businesses. In Q4, overall demand was 2 percent lower than the previous year with 14 percent lower volumes in the late cycle Marine and Protective Coatings business, partially offset by growing volumes in Industrial Activities.
- For the full year, Specialty Chemicals experienced lower demand across all businesses, resulting in 9 percent lower volumes. In Q4, volumes increased by 4 percent, mainly due to the performance in Polymer Chemicals. A correction in pricing took place in Q4 by -9 percent (Q4 2008 pricing: +16 percent), not leading to lower contribution margins.

## Revenue

4TH QUARTER			IN € MILLIONS			JANUARY - DECEMBER		
2009	2008	Δ%		2009	2008	Δ%		
1,043	1,089 <sup>1</sup>	(4)	Decorative Paints	4,677	5,006	(7)		
999	1,081	(8)	Performance Coatings	4,038	4,575	(12)		
1,279	1,399	(9)	Specialty Chemicals	5,209	5,687	(8)		
(7)	(20)		Other activities/eliminations	(31)	147			
<b>3,314</b>	<b>3,549</b>	<b>(7)</b>	<b>Total</b>	<b>13,893</b>	<b>15,415</b>	<b>(10)</b>		

<sup>1</sup> Revenue Decorative Paints Asia restated between quarters.

## EBITDA

4TH QUARTER			IN € MILLIONS			JANUARY - DECEMBER		
2009	2008	Δ%		2009	2008	Δ%		
71	93	(24)	Decorative Paints	492	598	(18)		
153	118	30	Performance Coatings	587	566	4		
217	187	16	Specialty Chemicals	814	909	(10)		
(45)	(17)		Other activities/eliminations	(125)	(146)			
<b>396</b>	<b>381</b>	<b>4</b>	<b>Total</b>	<b>1,768</b>	<b>1,927</b>	<b>(8)</b>		

## Acquisitions and divestments

Acquisitions and divestments did not impact total revenue for 2009. During the year however, acquisitions and divestments affected revenue in the individual business areas:

- In Decorative Paints, we acquired two distributors in Continental Europe.
- In Performance Coatings, we divested Chemcraft Brazil and the non-stick businesses. We completed the acquisitions of SABA and Kronospan and we announced the acquisition of the Dow Powder Coatings assets. This business has global revenue of several hundred million

dollars and employs around 700 employees. It will further strengthen the Powder business in Europe and North America and will bring key technological know-how and significant synergy potential. The transaction is expected to close during the second quarter of 2010, subject to customary closing conditions, including regulatory approvals.

- In Specialty Chemicals we acquired LII Europe, Penford Australia and additional interests in joint ventures. We divested PTA Pakistan.

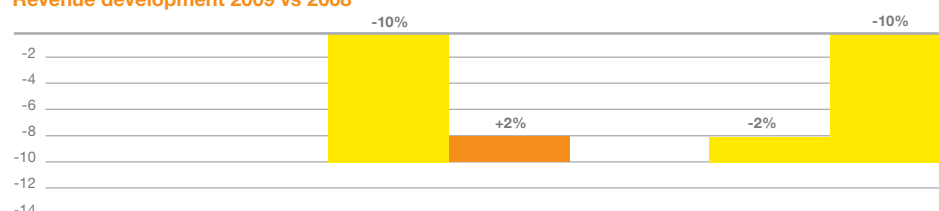
# Financial highlights

## EBITDA

For the full year, EBITDA totaled €1,768 million, 8 percent lower than in 2008, with the EBITDA margin at 12.7 percent (2008: 12.5 percent). In Q4, EBITDA was €396 million, 4 percent higher than in 2008 (€381 million), due to continued margin management and cost reduction programs. In Q4, the EBITDA margin was 11.9 percent (Q4, 2008: 10.7 percent).

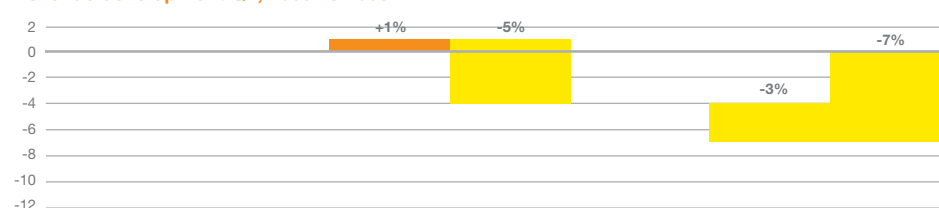
- In Decorative Paints, Europe achieved a mixed performance, while North America continues to be strongly impacted by a further decline in the US paint market and investments in advertising and promotion costs from the Glidden relaunch. Latin America and Asia delivered an increasingly strong performance during the year with Q4 starting to outperform the relatively weak final quarter of 2008. Increased investments in advertising and promotion impacted EBITDA in Q4. For the full year, these costs were in line with last year.
- It was an excellent year for Performance Coatings. Despite lower revenue, EBITDA improved by 4 percent for the year and 30 percent for Q4. Marine and Protective Coatings and Packaging Coatings performed well in 2009, despite lower volumes in Marine, while in Q4, the business climate for Industrial Activities improved, mainly in high growth markets. The EBITDA margin for the year increased to 14.5 percent (2008: 12.4 percent) and for Q4, the EBITDA margin was 15.3 percent (Q4, 2008: 10.9 percent).
- For the full year, EBITDA for Specialty Chemicals decreased by 10 percent, mainly due to the net high input costs for National Starch during the first half of the year. In Q4, margins were restored. Industrial Chemicals' performance was below 2008 levels due to the drop in demand for chlorine and caustic. For the quarter, good results in Energy and Salt compensated the weaker chlor-alkali business. The remaining businesses performed at or above 2008 level in spite of lower volumes and flat pricing versus 2008. The EBITDA margin for the full year was 15.6 percent (2008: 16.0 percent) and for Q4 17.0 percent (Q4, 2008: 13.4 percent).

## Revenue development 2009 vs 2008



IN % VERSUS 2008	VOLUME	PRICE	ACQUISITIONS/ DIVESTMENTS	EXCHANGE RATES	TOTAL
Decorative Paints	(9)	3	1	(2)	(7)
Performance Coatings	(13)	2	-	(1)	(12)
Specialty Chemicals	(9)	-	2	(1)	(8)
<b>Total</b>	<b>(10)</b>	<b>2</b>	<b>-</b>	<b>(2)</b>	<b>(10)</b>

## Revenue development Q4, 2009 vs 2008



IN % VERSUS Q4, 2008	VOLUME	PRICE	ACQUISITIONS/ DIVESTMENTS	EXCHANGE RATES	TOTAL
Decorative Paints	-	(1)	1	(4)	(4)
Performance Coatings	(2)	(3)	-	(3)	(8)
Specialty Chemicals	4	(9)	(1)	(3)	(9)
<b>Total</b>	<b>1</b>	<b>(5)</b>	<b>-</b>	<b>(3)</b>	<b>(7)</b>

## Volume development per quarter

	Q1	Q2	Q3	Q4	2009
Decorative Paints	(16)	(10)	(9)	-	(9)
Performance Coatings	(20)	(19)	(11)	(2)	(13)
Specialty Chemicals	(16)	(18)	(6)	4	(9)
<b>Total</b>	<b>(17)</b>	<b>(16)</b>	<b>(8)</b>	<b>1</b>	<b>(10)</b>

### Incidental items included in operating income

Apart from restructuring costs, incidental charges included a fine imposed by the European Commission. Incidental gains were realized from changing conditions in certain pension plans (€58 million) and the divestment of PTA Pakistan (€23 million), both in Q3, 2009.

### Restructuring costs

- Major restructuring projects in Decorative Paints during 2009 were related to supply chain and integration projects in Europe, Canada and Latin America and to closing stores in the US.
- In Performance Coatings, we incurred costs for headcount reduction programs in all businesses, the most significant being in Industrial Activities and Car Refinishes.
- In Specialty Chemicals, we announced the closure of four sites including the Skoghall site in Sweden and the Mo I Rana site in Norway.
- Corporate cost savings are on track.

### Interest

The net financing charges increased by €177 million to €409 million.

- Financing income decreased by €92 million to €62 million (2008: €154 million) due to significantly lower market interest rates and cash utilized for the share buyback program in 2008.
- Financing expenses on pensions increased by €125 million to €174 million (2008: €49 million) due to lower expected returns on plan assets.
- Other financing expenses decreased by €40 million to €297 million (2008: €337 million). Higher interest expense for our refinanced debt during 2009 was offset by lower costs for fair value changes of financial instruments.

### Incidentals included in operating income

4TH QUARTER		IN € MILLIONS	JANUARY - DECEMBER	
2009	2008		2009	2008
(119)	(205)	Restructuring costs	(353)	(275)
–	–	Costs of pensions and post-retirement	58	(38)
(1)	(25)	Transformation costs	(14)	(190)
(49)	(25)	Results related to major legal, antitrust and environmental cases	(38)	(32)
17	(8)	Results on acquisitions and divestments	48	(23)
5	(24)	Other incidental results	18	(5)
–	(1,275)	Impairment of ICI intangibles	–	(1,275)
–	–	Fair value adjustments of acquired inventories	–	(54)
<b>(147)</b>	<b>(1,562)</b>	<b>Incidentals included in operating income</b>	<b>(281)</b>	<b>(1,892)</b>

### Restructuring costs

4TH QUARTER		IN € MILLIONS	JANUARY - DECEMBER	
2009	2008		2009	2008
(94)	(155)	Decorative Paints	(158)	(189)
(12)	(9)	Performance Coatings	(55)	(20)
(8)	(22)	Specialty Chemicals	(103)	(29)
(5)	(19)	Other	(37)	(37)
<b>(119)</b>	<b>(205)</b>	<b>Restructuring costs</b>	<b>(353)</b>	<b>(275)</b>

### EBIT in "other"

4TH QUARTER		IN € MILLIONS	JANUARY - DECEMBER	
2009	2008		2009	2008
(16)	(20)	Corporate costs	(99)	(128)
8	2	Pensions	31	20
(9)	(6)	Insurances	(9)	(13)
(32)	7	Other	(69)	(37)
<b>(49)</b>	<b>(17)</b>	<b>EBIT in "other"</b>	<b>(146)</b>	<b>(158)</b>

# Financial highlights

## Tax

Our year-to-date effective tax rate was 26 percent (2008: 31 percent excluding the impact of the impairment of goodwill/intangibles and derecognition of deferred tax assets). In Q3, we received €75 million on a contingent basis as part of ongoing tax litigation. We recorded a net gain of €57 million on the tax line. Several other adjustments have been made with regard to tax liabilities from prior years. In addition, we recorded several tax-exempt income items, such as the PTA Pakistan divestment, as well as some incidental non-deductible expenses, mainly related to antitrust costs. Excluding the incidental items and prior years adjustments, the year-to-date tax rate would have been 29 percent (2008: 27 percent).

## The "other" category

In the category "other" we report activities which are not allocated to a particular business. The 2008 figures have been restated and are lower due to a number of special items related to the ICI Integration and a new corporate cost allocation method. Corporate costs are the unallocated costs of the AkzoNobel head office and shared services center in the Netherlands.

The corporate costs result shows a considerable improvement on last year due to restructuring and cost savings programs. In Q4, our captive insurance companies generated a negative result of €9 million, due mainly to general product and liability claims. The overall result is better than the previous year, which also included a number of similar claims. Other costs included, among others, share-based compensation, the result from two small businesses and some holding companies, treasury results and legacy operations.

## Business overview and events in 2009

### Decorative Paints:

- Integration and restructuring continued to streamline portfolio
- Closed 29 sites since the start of the integration (13 in Europe)
- Acquired distributors in Germany and France
- 30 percent reduction of packaging types in Europe
- Relaunch of Glidden
- Partnership with Martha Stewart and The Home Depot
- Continuing innovations and new product launches
- Net FTE reductions since ICI-integration 3,405 (2009:1,340 employees).

### Performance Coatings:

- In Industrial Activities, six sites were closed during the year and downsizing has taken place at a number of other sites
- The acquisitions of Kronospan and SABA were completed during the year, while the acquisition of the Dow Powder Coatings assets Company's powder coatings operation was agreed
- New product launches continued, including StickerFix and Aqualure 915
- Investments in new and improved technical facilities were made in China, Singapore and the UK
- Net FTE reductions of 1,480 employees.

### Specialty Chemicals:

- Site closures announced: Emmerich (Polymer Chemicals), Mo I Rana (Pulp and Paper Chemicals), Skoghall (Industrial Chemicals), Island Falls (National Starch)
- Start of chelate production in Ningbo, China. Trial run successful in 2009, real commercialization in 2010
- Acquired LII Europe and Penford Australia
- Sold stake in Pakistan PTA
- Announced merger of Functional Chemicals and Polymer Chemicals
- Eco-premium solutions such as Dissolvine GL, Rediset WMX and Compozil Fx continued to gain momentum
- Net FTE reductions of 30 employees.

# Decorative Paints

- 2009 revenue at €4,677 million (7 percent down)
- Full-year EBITDA €492 million (18 percent down; 2008: €598 million)
- 2009 EBITDA margin 10.5 percent (2008: 11.9 percent)
- Operating working capital reduced by 19 percent
- Sustained investment to deliver growth and margin management
- Q4: volume stabilization in Europe, up in high growth markets
- US volumes still under pressure
- Retail markets more robust than trade markets

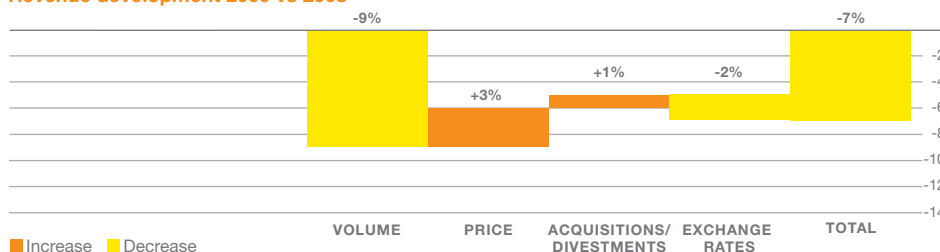
It proved to be a challenging year. While merging the former ICI with our own Decorative Paints business and building the fundamentals of the integrated organization, we were faced with a sharp decline in demand due to the economic crisis. For the full year, volumes were down 9 percent while revenue dropped 7 percent. Volumes stabilized in Europe during Q4, whereas the high growth markets started

to outperform the relatively weak final quarter of 2008. Commercial markets continue to be weak, particularly in the mature markets. A multi-year restructuring program to develop Decorative Paints business from a multi-local into a cohesive global business is underway. The program is geared towards leveraging regional scale through increased standardization and investment in our people and brands. An

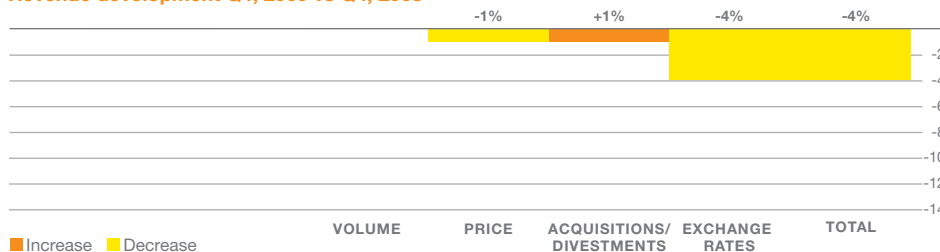
example of this developmental program has been the significant investment in the restructuring of our US business and in the relaunch of our Glidden brand in the US. We also secured a partnership with the Home Depot to develop and produce a range of paints for the Martha Stewart Living Brand.

Since the start of the integration, we have closed 29 sites (13 of them were in Europe) and we have decreased the number of packaging types in Europe by 30 percent. While we remain focused on delivering the ICI synergies, we are also committed to delivering on the promise of growth in high growth markets and will invest accordingly. The objective is to deliver globally under fewer, but bigger, brands and innovations, harmonize packaging and raw materials, optimize and regionalize production facilities and develop and grow our people faster than we were able to do using our historic multi-local approach. Regionally this translates into the goals to maintain our European position, structurally fix our US business and accelerate building our leadership positions in the high growth markets. EBITDA was €492 million (in constant currencies: €508 million; 2008: €598 million). A strong focus on the management of operating working capital resulted in a 19 percent reduction.

Revenue development 2009 vs 2008



Revenue development Q4, 2009 vs Q4, 2008





# Decorative Paints

**Dulux**

**FLEXA**

**SICO**
**sikkens**
**Coral**

## Europe

2009 revenue was down 7 percent compared with the previous year. We are focusing on simplification of our business in terms of brand and stock-keeping unit rationalization, as well as raw material, packaging and recipe harmonization. In Western Europe, the professional sector was more severely impacted than the retail sector. Consumer confidence, albeit at a low level, is improving. Despite difficult market circumstances, we gained market share overall. Southern Europe suffered more than the north, with Spain and Greece particularly affected. The economic downturn had the most significant full-year revenue impact on our Northern and Eastern European business. However, margins improved compared with 2008 due to active margin management, partly offsetting the effects of revenue decline. The key areas for integration are Western and Central Europe. Integration synergies were above expectations without any loss in market position. Key milestones in the integration were the closure of the sites in Kirovograd (Ukraine) and Opava (Czech Republic) with the closure of the Cologne site (Germany) in its final stage. We announced the closure of the Grand Quevilly site in France and the Wloclawek site in conjunction with the extension of the Pilawa site (both in Poland). In the UK, the retail market showed slightly better market conditions, driven by high promotional activity. We managed to gain market share, particularly in the higher end of the market and through product development. The trade market was down by double digits, but we managed to gain market share in Dulux.

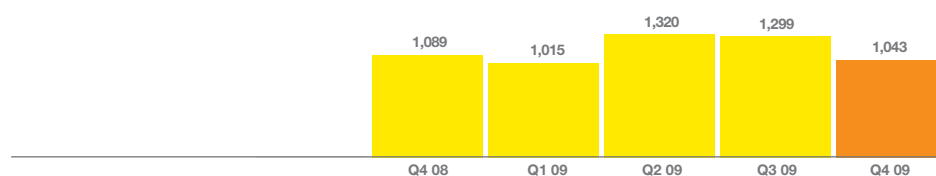
In Q4, revenue was 3 percent higher than the previous year. The UK trade and retail businesses were both ahead of last year on the back of increased market share, customer-driven promotions and slightly improved market conditions. The trade market is still down on the previous year. The recovery in the UK remained fragile. Demand in Western Europe continued to improve. Demand in Northern and Eastern Europe continued to improve slowly and revenue was in line with Q4 last year.

4TH QUARTER			IN € MILLIONS			JANUARY - DECEMBER		
2009	2008	Δ%		2009	2008	Δ%		
<b>Revenue</b>								
531	517	3	Decorative Paints Europe	2,533	2,711	(7)		
334	384	(13)	Decorative Paints Americas	1,487	1,615	(8)		
178	188 <sup>1</sup>	(5)	Decorative Paints Asia	659	682	(3)		
-	-		Intragroup revenue	(2)	(2)			
<b>1,043</b>	<b>1,089</b>	<b>(4)</b>	<b>Total</b>	<b>4,677</b>	<b>5,006</b>	<b>(7)</b>		
<b>Before incidentals</b>								
71	93	(24)	EBITDA	492	598	(18)		
6.8	8.5		EBITDA margin (in %)	10.5	11.9			
25	45	(44)	EBIT	302	401	(25)		
2.4	4.1		EBIT margin (in %)	6.5	8.0			
			Moving average ROI (in %)	4.7	5.4			
<b>After incidentals</b>								
(67)	(955)		Operating income	137	(669)			
40	32		Capital expenditures	113	120			
			Invested capital	6,382	6,187 <sup>2</sup>			
			Number of employees	22,210	23,550 <sup>2</sup>			

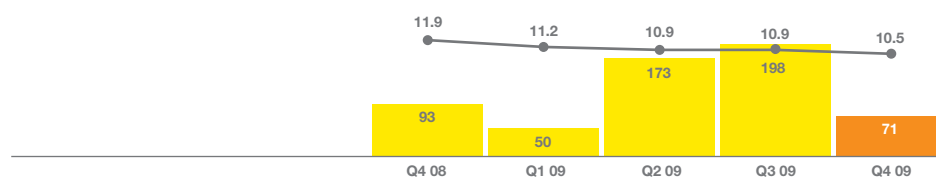
<sup>1</sup> Revenue restated between quarters.

<sup>2</sup> Restated.

## Revenue IN € MILLIONS



## EBITDA



■ EBITDA (in € millions)

● One year rolling EBITDA margin (in %)

### Americas

The US paint market has shown a year-on-year decline since 2006. In 2009, the paint market showed a further estimated contraction of 15 percent, impacting our volumes. The lower volumes were partly compensated by margin improvements. In 2009, we reduced the number of our stores by 77 (19 percent) to concentrate our distribution channels. We also focused on growth by investing in the relaunch of Glidden. The relaunch was designed to focus on recovery of market share and greater brand recognition. First results show that Glidden Premium has had positive retail sales gains over the previous year, up 5 percent since the relaunch. In Q4, revenue in the US remained below 2008 impacted by the struggling economy. We launched the Glidden professional sustainability program called Think Impact. In December, The Home Depot announced its strategic partnership with the Martha Stewart Living brand and AkzoNobel.

In Canada, 2009 revenue was 6 percent below 2008, due primarily to a drop in the number of industrial maintenance projects and a divestment in 2008. The stronger Canadian dollar had a positive impact on the US-imported raw materials. The lower fixed cost position compared with the previous year is the result of

the ongoing integration of the former Sico, Betonel and ICI businesses. In Q4, volume was somewhat weaker than the previous year. The introduction of new products per January 2010 at our retail customers had a dampening effect on revenue in the last quarter. During the last quarter, we completed several restructuring projects, including the closure of the Terbonne plant near Montreal.

In Latin America, full-year revenue was 2 percent lower than in 2008 (in constant currencies 5 percent ahead of 2008). Volume growth was strong in Brazil, outpacing market growth and delivering an increase in market share. Improved margins and lower operating costs, combined with improved revenue, resulted in a good performance for Latin America in 2009. Operational cost savings were realized by combining management teams and closing of the Raposo Tavares site and transferring production to the site in Maua, Brazil. During 2009, we launched a number of new products including the successful launch of Sparlack New Brand Architecture (premium varnishes). We relaunched our economic product range (Coralair), including a new livery artwork and new colors. In Q4, performance in Latin America showed recovery in all countries, resulting in significant profit improvement.

Volume was positively impacted by the contribution to revenue from new product launches.

### Asia

In 2009, revenue for Asia ended 3 percent below 2008 (in constant currencies: 2 percent). Margin management and realized synergies compensated for the reduced revenue. South East Asia and Pacific delivered 2009 results ahead of 2008 by keeping up margins. The region experienced challenging market conditions, although improvements were seen in the second half of 2009. Demand in China had a slow start of the year and also recovered throughout the year. Lower revenue was compensated by improved margins. In India, revenue was below last year, although a better product mix improved the margins. Across Asia, efforts are being focused on establishing the eco-premium range to meet the emerging "Green Label" standards ahead of competition, consistent with our leadership position. Major new products were launched, including All Round Guard, Dulux 2G 5-in-1 Odorless and Dulux Guardian Odorless Damp-proof Matt. Volumes in Asia were up 7 percent in Q4 compared with the previous year. We increased the investment in our brands to start capturing a larger part of the market growth.

# Performance Coatings

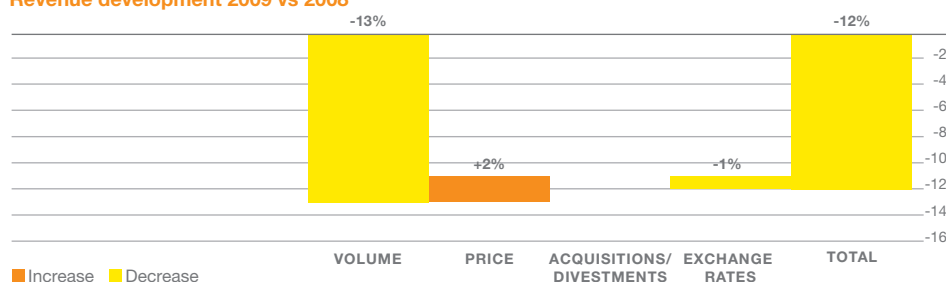
- Full-year revenue for the year decreased by 12 percent
- EBITDA for the year up 4 percent at €587 million (2008: €566 million)
- 2009 EBITDA margin at 14.5 percent (2008: 12.4 percent)
- Strong fourth quarter for Industrial Activities
- Marine and Protective Coatings and Packaging Coatings had good year
- Margins showed a solid improvement over last year
- Cost levels decreased as restructuring programs delivered savings
- Strong 25 percent reduction of operating working capital

It was an excellent year for Performance Coatings with an EBITDA of €587 million, 4 percent up compared with the previous year. After a difficult first quarter with reduced volumes for most of our businesses, there was some recovery in the second half of the year.

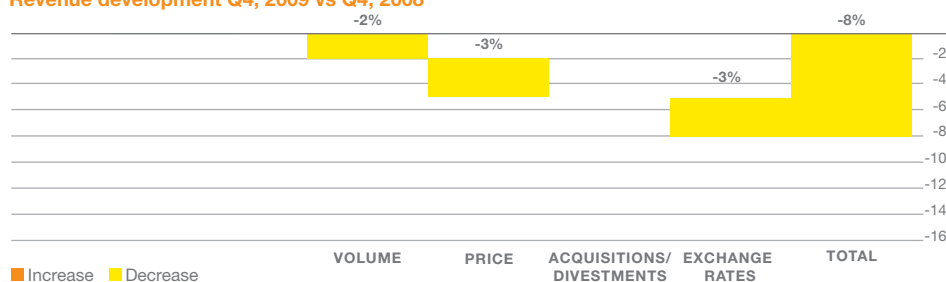
However, activity remained below pre-recession levels. Revenue declined by 12 percent, mainly due to a 13 percent volume decline, but partly offset by higher prices. During the year, recovery in volume was visible in all businesses, except our late-cycle Marine and Protective

Coatings business, which continued to show signs of slowdown in volume. The high growth markets display the most visible signs of recovery. The broad geographic spread of the different businesses and industries served gave us some protection against the fluctuations of the different markets. The cost reduction programs in 2009 led to significant headcount reductions. Despite the drop in revenue, all businesses benefited from margin management and cost reduction programs. The EBITDA margin was 14.5 percent, 2.1 basis points ahead of the previous year. The increased focus on operating working capital has paid off with every business showing substantial improvement over the previous year, both in absolute and percentage terms.

Revenue development 2009 vs 2008



Revenue development Q4, 2009 vs Q4, 2008



## Industrial Activities

The business climate for Industrial Activities has improved for three consecutive quarters, mainly in high growth markets, but is still below 2008. Total volume in 2009 was down 14 percent compared with last year. Demand in Q4 surpassed prior year levels, but still remained below pre-recession figures. The coil demand is still running well below pre-recession levels, but activity in the second half of the year was encouraging. The wood business, on the other hand, has been in a recession since the decline of the US housing market began in 2007. This not only affected the Americas business, but also the wood business in Asia,

# Performance Coatings

**sikkens**

**Interpon**  
powder coatings  
EVERY COLOR IS GREEN

**International**

**AkzoNobel**

**LESONAL**

**CHARTEK**  
FIREPROOFING

which relies heavily on indirect furniture exports to the US. The wood volume has stabilized, but is not expected to recover until the US housing market improves. The adhesives business is suffering from lower demand levels similar to the wood business. The specialty plastics business, which has run consistently below prior year levels, saw a pick-up in business in Q4, primarily due to increased demand in the consumer electronics market (mobile phones and computers). While much effort during the year was put into rationalizing our cost structure, we continued to invest in eco-efficient technology and high growth markets.

In Powder Coatings, total demand for 2009 was down 14 percent on 2008, although the high growth markets have shown significant growth over Q4 2008. Several cost reduction programs have been implemented in the mature markets to align the cost structure with the market circumstances. In Q4, Powder Coatings announced the acquisition of the powder coatings assets of the Dow Chemical Company. This acquisition will further strengthen our Powder Coatings activities in Europe and North America and will bring key technological know-how and significant synergy potential to the business. Development activities continue to focus on Eastern Europe and Asia. Powder Coatings won main preferred supplier status with a leading worldwide extruder of aluminum profiles, with plants across Europe and the US.

## Marine and Protective Coatings

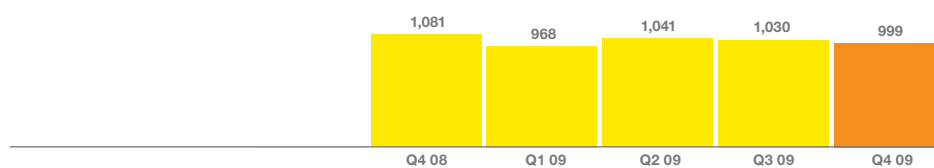
Marine and Protective Coatings delivered another strong set of financial results in 2009, with the focus on margin and cost management offsetting the weaker market demand over 2008. Total volume in 2009 was down 10 percent compared with last year. The Marine business experienced volatility in the market for all customer groups, with rapidly swinging freight rates and increases in vessel lay-ups as global trade contracted. While supplies for new construction have declined, the maintenance demand has declined further due to the increased lay-ups of vessels. In the Protective business, it was a difficult year for the high value infrastructure market, with the reduced availability of credit and project funding dampening market opportunities. Our oil and gas upstream activities saw activity in subsea

4TH QUARTER			IN € MILLIONS			JANUARY - DECEMBER		
2009	2008	Δ%		2009	2008	Δ%		
<b>Revenue</b>								
423	436	(3)	Industrial Activities	1,661	1,993	(17)		
303	357	(15)	Marine and Protective Coatings	1,274	1,355	(6)		
206	217	(5)	Car Refinishes	809	919	(12)		
73	79	(8)	Packaging Coatings	322	344	(6)		
(6)	(8)		Intragroup revenue	(28)	(36)			
<b>999</b>	<b>1,081</b>	<b>(8)</b>	<b>Total</b>	<b>4,038</b>	<b>4,575</b>	<b>(12)</b>		
<b>Before incidentals</b>								
153	118	30	EBITDA	587	566	4		
15.3	10.9		EBITDA margin (in %)	14.5	12.4			
127	92	38	EBIT	486	467	4		
12.7	8.5		EBIT margin (in %)	12.0	10.2			
			Moving average ROI	24.8	22.9			
<b>After incidentals</b>								
116	83		Operating income	427	444			
21	31		Capital expenditures	61	89			
			Invested capital	1,958	2,004 <sup>1</sup>			
			Number of employees	19,880	21,360 <sup>1</sup>			

<sup>1</sup> Restated.

## Revenue

IN € MILLIONS



## EBITDA



■ EBITDA (in € millions)

● One year rolling EBITDA margin (in %)

and deepwater drilling remain robust. In protective coatings, we completed the integration of the Ceilcote business into our North American sales operation. During the year, conditions within the yacht market were variable, depending upon the geographic region and market sub-segment. Europe held up reasonably well, but market conditions in the US remained difficult. The Yacht business ended up with a strong final quarter aided by phasing of the winter buying program in Europe. After a reasonably strong start to the year, the Aerospace Coatings saw a decline in levels of business, in particular during the last quarter of 2009. While the large aircraft builders have more or less maintained their build rate, other smaller customers have made significant reductions. Airlines have suffered from significantly reduced traffic during the downturn and maintenance activity has been kept to a minimum.

#### Car Refinishes

Total revenue in 2009 was down by 12 percent due to lower volumes, but partly compensated by strong margin management and favorable mix effects. Volumes in the last quarter of 2009 improved. In the vehicle repair business, the mature markets saw a significant reduction in miles driven and a corresponding reduction in repair claims, causing continued overcapacity

in the repair market. In Europe, the commercial vehicle segment experienced a recovery in Q4, with volumes above the previous year. Our Commercial Vehicle and Automotive Plastics Coatings businesses suffered from temporary shutdowns at many plants during the year. In Q4, demand in the vehicle repair segment in Western Europe and North America remained stable compared with earlier quarters, while in the high growth markets, signs of recovery were visible. In Asia, demand mainly grew due to higher volumes in the Chinese vehicle repair and commercial vehicle activities. In Q4, the Automotive Plastics Coatings gained various new customer contracts in all regions. In 2009, we launched our new do-it-yourself repair product StickerFix, which proved to be a success. Readers of a magazine in Poland also voted the StickerFix adhesive repair system Product of the Year 2009 in the Automotive Chemicals category.

#### Packaging Coatings

Packaging Coatings ended 2009 with a strong financial performance through a combination of margin and cost management, more than offsetting challenging market conditions. Volumes in the first half of 2009 were behind last year but partially recovered in the second half, especially in the high growth markets of Asia and South America. Revenue in 2009

decreased by 6 percent, mainly due to lower volumes, but the effect was limited due to margin management programs. It was a good fourth quarter with volumes continuing to recover.

- In Europe, sales volumes declined, mainly driven by the weaker beverage can market, particularly in the Middle East and parts of Eastern Europe. The non-beverage activities also had a weaker 2009 performance.
- In North America, sales volumes were behind 2008 levels, mainly as a result of weaker markets for beverage and non-beverage cans.
- Growth in Asia accelerated significantly during the second half of the year and sales volumes were ahead of 2008. The non-beverage sales volumes were higher than the previous year and were driven by higher demand in China, Thailand, Malaysia and Vietnam.
- Volumes in South America were higher than last year and were driven by higher demand in the beer and beverage activities, where we have supplied new plants.

One of the new products we introduced was Aqualure 915, an ultra-pliable lacquer which flexes with the new lightweight steel cans while maintaining a perfect barrier to protect the liquid inside.

# Specialty Chemicals

- Revenue declined 8 percent for the year; volume down 9 percent
- Demand pattern improved during Q4; volume increased 4 percent over 2008
- Lower average prices and unfavorable currency effects more than offset the positive Q4 volume development
- Improved cost position significantly contributed to the 16 percent year-on-year increase in EBITDA in Q4
- Full-year EBITDA margin was 15.6 percent; Q4: 17.0 percent
- Operating working capital reduced 23 percent in 2009

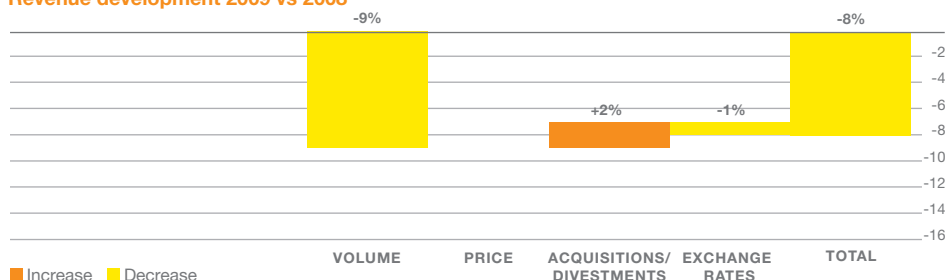
Revenue was down 8 percent for the full-year, driven by the weak demand across all businesses (volume decrease of 9 percent). EBITDA ended at €814 million at 15.6 percent (2008: 16.0 percent), reflecting improved margins and a strong contribution from the reduction in the cost base. In addition, the focus on cash resulted in significant

performance improvement in operating working capital, both at an absolute and a relative level.

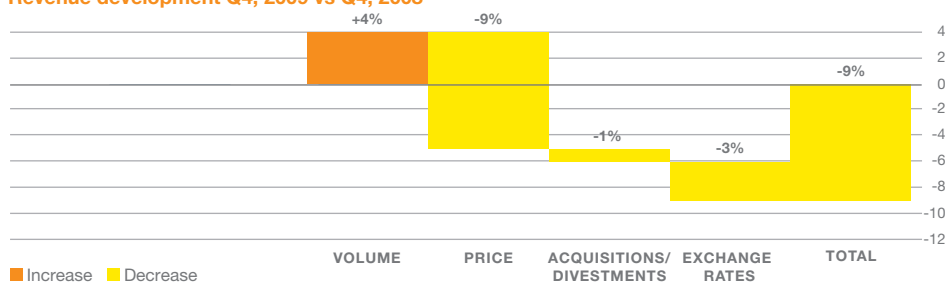
Demand in the specialty chemicals markets remained below the 2008 level for the first three quarters of the year. However, as the year progressed, demand strengthened, particularly

in those markets that were unfavorably impacted early in the cycle. As a result, volumes in the fourth quarter were up 4 percent compared with 2008, largely due to stronger demand from Asia and a modest recovery in the Americas. Prices decreased by 9 percent without impacting the operating performance. The contribution from acquisitions was offset by the divestment of the PTA business in Pakistan and an unfavorable currency effect, resulting in a revenue decline of 9 percent compared with 2008. The operational efficiency actions during the year included the closure of four sites and the merger of two business units. The workforce was stable during the year, netting the increase from acquisitions and the start-up of Ningbo by restructuring measures. The cost and cash focus favorably impacted our cost base and, as a result, EBITDA was €217 million in the quarter, 16 percent above the previous year.

Revenue development 2009 vs 2008



Revenue development Q4, 2009 vs Q4, 2008



## Functional Chemicals

During the year, volumes showed a normal seasonal pattern, but the reduced demand in the construction, mining and oil-related and micronutrients industries drove volume levels down by 15 percent for 2009. Including divestments and the unfavorable currency effects, revenue was 16 percent below the previous year. The impact of the lower revenue was more than offset by effective margin management and successful cost-cutting.

# Specialty Chemicals

**EXPANCEL<sup>®</sup>**  
MICROSPHERES

**eka**

**Ferrazone<sup>®</sup>**  
This Iron Works


**JOZO<sup>®</sup>**  
SALT



Demand across the Functional Chemicals portfolio remained weak throughout the year, although the relative volume gap narrowed considerably in the fourth quarter. Nevertheless, overall revenue was 19 percent below last year for the quarter. However, lower revenue has been fully compensated by margin management initiatives and fixed cost reductions. Some segments, such as the eco-premium “green” chelates, ethylene amines, salt specialties and the Chinese-based businesses in general, performed particularly well.

During the quarter, we made significant progress regarding two important projects. In Ningbo, we successfully ran product trials (chelates) and made preparations for full start-up in 2010. The merger of Functional Chemicals and Polymer Chemicals, which we announced in Q3, is progressing according to plan. The resulting organizational changes have been implemented.

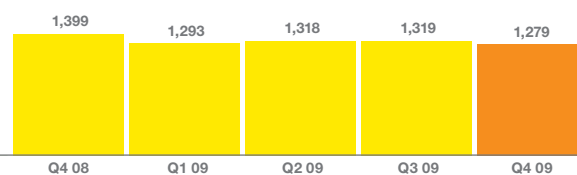
### Industrial Chemicals

For the full-year, revenue for Industrial Chemicals was 2 percent below 2008 as the topline contribution of the LII Europe and Salinco acquisitions almost completely offset the impact of lower prices and demand. However, EBITDA performance was significantly below the previous year due to market developments in the MCA and Chlor-Alkali businesses during 2009.

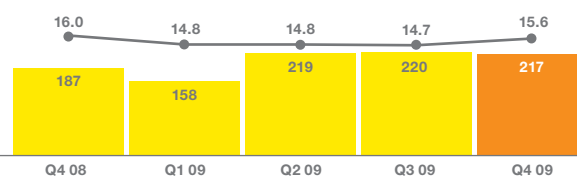
Industrial Chemicals nevertheless had an excellent quarter driven by the improved performance in energy and strong demand in the salt business. Our MCA activities continue to suffer from weak demand and the Chlor-Alkali business remains under pressure due to demand and price weakness in the value chain. The focus on cost control and the contribution of secondary salt cavern use (to store gas), contributed to increased performance over Q4, 2008. In addition, during the quarter, several new long-term contracts were signed and an expanded MCA production facility in Taixing, China, was successfully started. The integration of LII Europe is ongoing and has delivered substantial synergies and strengthened our market position in Europe.

4TH QUARTER			IN € MILLIONS			JANUARY - DECEMBER		
2009	2008	Δ%		2009	2008	Δ%		
<b>Revenue</b>								
227	279	(19)	Functional Chemicals	959	1,147	(16)		
244	247	(1)	Industrial Chemicals	949	966	(2)		
242	257	(6)	Pulp and Paper Chemicals	935	1,008	(7)		
229	236	(3)	National Starch	878	894	(2)		
179	199	(10)	Surface Chemistry	701	821	(15)		
136	118	15	Polymer Chemicals	521	521	–		
49	102	(52)	Chemicals Pakistan	377	470	(20)		
(27)	(39)		Intragroup revenue	(111)	(140)			
<b>1,279</b>	<b>1,399</b>	<b>(9)</b>	<b>Total</b>	<b>5,209</b>	<b>5,687</b>	<b>(8)</b>		
<b>Before incidentals</b>								
217	187	16	EBITDA	814	909	(10)		
17.0	13.4		EBITDA margin (in %)	15.6	16.0			
145	112	29	EBIT	509	605	(16)		
11.3	8.0		EBIT margin (in %)	9.8	10.6			
			Moving average ROI (in %)	12.5	13.0			
<b>After incidentals</b>								
127	(340)		Operating income	436	130			
100	108		Capital expenditures	338	305			
			Invested capital	3,968	4,055			
			Number of employees	13,250	13,280			

**Revenue**  
IN € MILLIONS



**EBITDA**



■ EBITDA (in € millions)

● One year rolling EBITDA margin (in %)

### Pulp and Paper Chemicals

For the full year, the performance was driven by the encouraging results in the Americas, Asia, and the specialty businesses. Europe on the other hand struggled with customer curtailments and reduced production rates. Overall revenue decreased 7 percent, with volumes down 11 percent. However, numerous cost efficiency projects, the closure of the Mo I Rana site and the curtailment of plants in France and the US led to a lower cost base. In addition, the business has successfully launched new products for retention and sizing which are starting to contribute to the bottom line.

Volumes recovered modestly in Q4, driven by strong performance in Asia and Latin America. As a result, volumes improved (1 percent) compared with last year. However, the business faced competitive pressure in the mature markets resulting in an overall revenue decrease of 6 percent. The cost saving initiatives initiated earlier in the year offset this revenue shortfall.

### National Starch

The business achieved mixed results in 2009, with the North and South American business experiencing a demand shortfall, particularly in the industrial segments. This was offset by encouraging volume developments in Europe and Asia following the dip in Q1. In general, the food segment is showing resilience and is less affected by the downturn than the industrial segment (mainly paper mills). Overall, year-on-year volume dropped 3 percent, although favorable currency and mix effects resulted in stable revenue compared with the previous year. The high net input costs suppressed the performance of the business for most of the year. However, we have worked our way through the unusually high 2008 commitments and margins normalized in Q4.

A recovery was evident in Q4, volumes up 5 percent compared with 2008, driven by encouraging developments in high growth markets and modest recovery of the industrial segments. Unfavorable currency headwinds and mix effect resulted in revenue being below Q4 in 2008. In combination with the tight cost control and restructuring initiatives, the operational performance is trending favorably.

### Surface Chemistry

For the full-year, volumes were 17 percent below 2008. Compared with pre-recession levels, the consumer-related markets held up remarkably well, while the industrial sectors – such as agro and asphalt – showed a substantial decline in the first two quarters of 2009. Taking into account the volume decline, mix and currency effects, overall revenue declined 15 percent compared with 2008. However, with the continued focus on cost and the good performance in the Americas and in the Personal Care business, we essentially matched the profitability level of last year.

Volumes in Q4 were 4 percent above last year. Demand in consumer applications (such as personal care, fabric care and household cleaning) held up during the quarter, while the agriculture and industrial markets also improved as customers refilled the pipeline for the upcoming season.

### Polymer Chemicals

After a difficult start, demand in key markets (construction, housing, automotive and durable goods) improved as markets in the Americas and Europe stabilized and robust growth returned in China. Due to the strong second half, overall volume for the year ended only 5 percent below the 2008 level. Including the acquisition of KAC, revenue was at the same level as the previous year. The closure of the Emmerich facility in Germany and the merger with Functional Chemicals were announced

during the year. Both initiatives are part of a series of business improvement programs to lower cost and redesign the business model. Accordingly, as result of the lower cost structure and improved demand, operating performance was above 2008.

Demand strengthened throughout the year, driven by a broad recovery in Asia and stronger demand from the automotive and durable goods industries. Improved demand and increased sales to co-producers lifted volumes 21 percent compared with 2008. Revenue grew by 16 percent, including the KAC acquisition effect (9 percent), offset by adverse currency and mix effects. The implementation of restructuring plans, designed to optimize the business structure and service model, also generated substantial savings opportunities.

### Chemicals Pakistan

Year-on-year, the business has outperformed 2008 in local currency, despite the divestment of our 75 percent stake in the Pure Terephthalic Acid (PTA) activities to the Korean company KP Chemical Corporation (KPC) in Q3. Autonomous growth in the remaining businesses (comprising Polyester, Soda Ash, Life Sciences and General Chemicals segments) was healthy, but was dampened by the depreciation of the rupee throughout the year. Market penetration, increased exports and cost saving initiatives resulted in higher profitability.

Our remaining activities in Pakistan delivered a strong quarter compared with last year, despite the economic, energy, and security issues in the region. The improvement in performance was largely evident in the Polyester business as an enhanced market position led to an increase in volume. The impact of the PTA divestment is the main reason for the large (>50 percent) revenue decrease compared with the previous year.



# Condensed financial statements

## Consolidated statement of income

4TH QUARTER		IN € MILLIONS	JANUARY - DECEMBER	
2009	2008 <sup>1</sup>		2009	2008 <sup>1</sup>
<b>Continuing operations</b>				
3,314	3,549	Revenue	13,893	15,415
(1,980)	(2,383)	Cost of sales	(8,431)	(9,796)
<b>1,334</b>	<b>1,166</b>	<b>Gross profit</b>	<b>5,462</b>	<b>5,619</b>
(807)	(836)	Selling expenses	(3,211)	(3,387)
-	(1,275)	Impairment of ICI intangibles	-	(1,275)
(281)	(260)	General and administrative expenses	(1,091)	(1,108)
(85)	(97)	Research and development expenses	(338)	(353)
(60)	(28)	Other operating income/(expenses)	48	(73)
<b>101</b>	<b>(1,330)</b>	<b>Operating income/(loss)</b>	<b>870</b>	<b>(577)</b>
15	31	Financing income	62	154
(39)	(13)	Financing expenses related to pensions	(174)	(49)
(95)	(115)	Other financing expenses	(297)	(337)
6	12	Results from associates and joint ventures	22	25
<b>(12)</b>	<b>(1,415)</b>	<b>Profit/(loss) before tax</b>	<b>483</b>	<b>(784)</b>
(27)	(59)	Income tax	(128)	(260)
<b>(39)</b>	<b>(1,474)</b>	<b>Profit/(loss) for the period from continuing operations</b>	<b>355</b>	<b>(1,044)</b>
<b>Discontinued operations</b>				
(4)	(36)	Profit/(loss) for the period from discontinued operations	7	23
<b>(43)</b>	<b>(1,510)</b>	<b>Profit/(loss) for the period</b>	<b>362</b>	<b>(1,021)</b>
<b>Attributable to:</b>				
(60)	(1,522)	- Shareholders of the company	285	(1,086)
17	12	- Minority interests	77	65
<b>(43)</b>	<b>(1,510)</b>	<b>Profit/(loss) for the period</b>	<b>362</b>	<b>(1,021)</b>
<b>Earnings per share from continuing operations (in €):</b>				
(0.24)	(6.41)	- Basic	1.20	(4.47)
(0.24)	(6.38)	- Diluted	1.18	(4.45)
<b>Earnings per share from discontinued operations (in €):</b>				
(0.02)	(0.16)	- Basic	0.03	0.09
(0.02)	(0.16)	- Diluted	0.03	0.09
<b>Earnings per share from total operations (in €):</b>				
(0.26)	(6.57)	- Basic	1.23	(4.38)
(0.26)	(6.54)	- Diluted	1.21	(4.36)

<sup>1</sup> Restated for comparative presentation

## Information on segments and incidentals

4TH QUARTER			IN € MILLIONS	JANUARY - DECEMBER		
2009	2008	Δ%		2009	2008	Δ%
<b>Revenue</b>						
1,043	1,089	(4)	Decorative Paints	4,677	5,006	(7)
999	1,081	(8)	Performance Coatings	4,038	4,575	(12)
1,279	1,399	(9)	Specialty Chemicals	5,209	5,687	(8)
(7)	(20)		Other activities/eliminations	(31)	147	
<b>3,314</b>	<b>3,549</b>	<b>(7)</b>	<b>Total</b>	<b>13,893</b>	<b>15,415</b>	<b>(10)</b>
<b>EBITDA</b>						
71	93	(24)	Decorative Paints	492	598	(18)
153	118	30	Performance Coatings	587	566	4
217	187	16	Specialty Chemicals	814	909	(10)
(45)	(17)		Other activities/eliminations	(125)	(146)	
<b>396</b>	<b>381</b>	<b>4</b>	<b>Total</b>	<b>1,768</b>	<b>1,927</b>	<b>(8)</b>
<b>11.9</b>	<b>10.7</b>		<b>EBITDA margin (in %)</b>	<b>12.7</b>	<b>12.5</b>	
<b>EBIT</b>						
25	45	(44)	Decorative Paints	302	401	(25)
127	92	38	Performance Coatings	486	467	4
145	112	29	Specialty Chemicals	509	605	(16)
(49)	(17)		Other activities/eliminations	(146)	(158)	
<b>248</b>	<b>232</b>	<b>7</b>	<b>Total</b>	<b>1,151</b>	<b>1,315</b>	<b>(12)</b>
<b>7.5</b>	<b>6.5</b>		<b>EBIT margin (in %)</b>	<b>8.3</b>	<b>8.5</b>	
<b>Operating income/(loss)</b>						
(67)	(955)		Decorative Paints	137	(669)	
116	83		Performance Coatings	427	444	
127	(340)		Specialty Chemicals	436	130	
(75)	(118)		Other activities/eliminations	(130)	(482)	
<b>101</b>	<b>(1,330)</b>		<b>Total</b>	<b>870</b>	<b>(577)</b>	
<b>Incidentals included in operating income</b>						
(119)	(205)		Restructuring costs	(353)	(275)	
-	-		Costs of pensions and post-retirement	58	(38)	
(1)	(25)		Transformation costs	(14)	(190)	
(49)	(25)		Results related to major legal, antitrust and environmental cases	(38)	(32)	
17	(8)		Results on acquisitions and divestments	48	(23)	
5	(24)		Other incidental results	18	(5)	
-	(1,275)		Impairment of ICI intangibles	-	(1,275)	
-	-		Fair value adjustment of acquired inventories	-	(54)	
<b>(147)</b>	<b>(1,562)</b>		<b>Total</b>	<b>(281)</b>	<b>(1,892)</b>	
<b>Incidentals per line item</b>						
(26)	(177)		Cost of sales	(146)	(376)	
(44)	(38)		Selling expenses	(94)	(53)	
-	(1,275)		Impairment of ICI intangibles	-	(1,275)	
(5)	(11)		Research and development expenses	(19)	(15)	
(17)	(6)		General and administrative expenses	(64)	(68)	
(55)	(55)		Other operating income/(expenses)	42	(105)	
<b>(147)</b>	<b>(1,562)</b>		<b>Total</b>	<b>(281)</b>	<b>(1,892)</b>	

## Consolidated statement of comprehensive income

4TH QUARTER		IN € MILLIONS	JANUARY - DECEMBER	
2009	2008		2009	2008
<b>(43)</b>	<b>(1,510)</b>	<b>Profit/(loss) for the period</b>	<b>362</b>	<b>(1,021)</b>
<b>Other comprehensive income</b>				
143	(799)	Exchange differences arising on translation of foreign operations	383	(1,281)
1	(65)	Cash flow hedges	48	444
(3)	–	Revaluation related to step acquisitions	7	–
14	–	Income tax relating to components of other comprehensive income	(38)	(134)
<b>155</b>	<b>(864)</b>	<b>Other comprehensive income for the period (net of tax)</b>	<b>400</b>	<b>(703)</b>
<b>112</b>	<b>(2,374)</b>	<b>Comprehensive income for the period</b>	<b>762</b>	<b>(1,724)</b>
<b>Comprehensive income attributable to:</b>				
89	(2,318)	Shareholders of the company	688	(1,704)
23	(56)	Minority interests	74	(20)
<b>112</b>	<b>(2,374)</b>	<b>Comprehensive income for the period</b>	<b>762</b>	<b>(1,724)</b>

## Changes in equity

IN € MILLIONS	SUBSCRIBED SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	CASHFLOW HEDGE RESERVE	REVALUATION RESERVES	CUMULATIVE TRANSLATION RESERVES	OTHER (STATUTORY) RESERVES AND UNDIS-TRIBUTED PROFIT	SHARE-HOLDERS' EQUITY	MINORITY INTERESTS	TOTAL EQUITY
<b>Balance at January 1, 2008</b>	525	363	(510)	–	(51)	10,705	11,032	97	11,129
Profit/(loss) for the period	–	–	–	–	–	(1,086)	(1,086)	65	(1,021)
Other comprehensive income	–	–	461	–	(1,079)	–	(618)	(85)	(703)
<b>Comprehensive income for the period</b>	–	–	461	–	(1,079)	(1,086)	(1,704)	(20)	(1,724)
Dividend paid	–	–	–	–	–	(458)	(458)	(44)	(502)
Equity-settled transactions	–	–	–	–	–	23	23	–	23
Issue of common shares	2	5	–	–	–	–	7	–	7
Buyback of shares	(64)	(368)	–	–	–	(1,005)	(1,437)	–	(1,437)
Acquisition and divestments	–	–	–	–	–	–	–	417	417
<b>Balance at December 31, 2008</b>	463	–	(49)	–	(1,130)	8,179	7,463	450	7,913
Profit/(loss) for the period	–	–	–	–	–	285	285	77	362
Other comprehensive income	–	–	43	7	353	–	403	(3)	400
<b>Comprehensive income for the period</b>	–	–	43	7	353	285	688	74	762
Dividend paid	–	–	–	–	–	(395)	(395)	(59)	(454)
Equity-settled transactions	–	–	–	–	–	15	15	–	15
Issue of common shares	2	2	–	–	–	–	4	–	4
Acquisition and divestments	–	–	–	–	–	–	–	5	5
<b>Balance at December 31, 2009</b>	465	2	(6)	7	(777)	8,084	7,775	470	8,245

## Condensed consolidated balance sheet

IN € MILLIONS	DECEMBER 31	DECEMBER 31
	2009	2008
Intangible assets	7,388	7,172
Property, plant and equipment	3,474	3,357
Other financial non-current assets	1,783	1,848
<b>Total non-current assets</b>	<b>12,645</b>	<b>12,377</b>
Inventories	1,441	1,781
Trade and other receivables	2,564	2,924
Cash and cash equivalents	2,128	1,595
Other current assets	102	57
<b>Total current assets</b>	<b>6,235</b>	<b>6,357</b>
<b>Total assets</b>	<b>18,880</b>	<b>18,734</b>
Shareholders' equity	7,775	7,463
Minority interest	470	450
<b>Total equity</b>	<b>8,245</b>	<b>7,913</b>
Provisions and deferred tax liabilities	2,593	2,787
Long-term borrowings	3,488	2,341
<b>Total non-current liabilities</b>	<b>6,081</b>	<b>5,128</b>
Short-term borrowings	384	1,338
Trade and other payables	2,866	2,985
Other short-term liabilities	1,304	1,370
<b>Total current liabilities</b>	<b>4,554</b>	<b>5,693</b>
<b>Total equity and liabilities</b>	<b>18,880</b>	<b>18,734</b>
Shareholders' equity per share (in €)	33.48	32.21
Number of shares outstanding (in millions)	232.3	231.7
Invested capital	13,204	13,424

## Basis for dividend pay-out

IN € MILLIONS	JANUARY - DECEMBER	
	2009	2008
Net income attributable to shareholders	285	(1,086)
Add back: impact of incidentals and discontinued operations net of tax	154	1,851
Add back: impact of amortization and depreciation of ICI assets net of tax	108	100
<b>Basis for dividend pay-out</b>	<b>547</b>	<b>865</b>

### Shareholders' equity

Shareholders' equity as at December 31, 2009 increased to €7.8 billion, due to:

- Net income of €285 million
- Cumulative translation reserves of €353 million, mainly due to the stronger pound sterling
- Dividend payments of €395 million.

### Dividend proposal

We will propose to pay a total dividend for 2009 of €1.35 per share to the Annual General Meeting on April 28, 2010. An interim dividend of €0.30 per share was paid in November. Our dividend policy is based on an annual pay-out ratio of at least 45 percent of net income before incidentals and fair value adjustments for the ICI acquisition. This proposed full-year dividend of €1.35 per share represents a 57 percent payment under our policy (2008: 48 percent).

## Invested capital

IN € MILLIONS	DECEMBER 31	DECEMBER 31
	2009	2008
Trade receivables	1,864	2,069
Inventories	1,441	1,781
Trade payables	(1,479)	(1,491)
<b>Operating working capital in business areas</b>	<b>1,826</b>	<b>2,359</b>
Other working capital items	(1,091)	(1,111)
Non-current assets	12,645	12,377
Less investments in associates and joint ventures	(176)	(201)
<b>Invested capital</b>	<b>13,204</b>	<b>13,424</b>

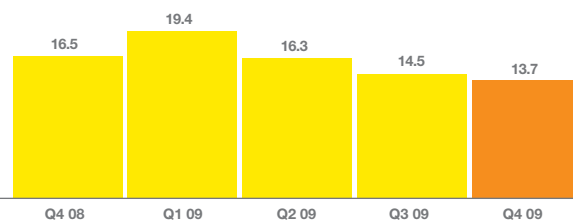
### Invested capital

Invested capital at December 31, 2009, totaled €13.2 billion, €0.2 billion lower than year-end 2008. Invested capital was impacted by the following items:

- Foreign currency effects on intangibles and property, plant and equipment, mainly from a strengthening pound sterling
- Increase of €77 million of long-term receivables related to pension funds in an asset position
- An increase of €206 million due to acquisitions and divestments
- An increase of accrued interest of €82 million on a bond issued in December 2008
- The decrease of operating working capital of €533 million due to working capital management. Expressed as a percentage of revenue, operating working capital was 13.7 percent (year-end 2008: 16.5 percent).

### Operating working capital

IN % OF REVENUE



### Operating working capital

IN € MILLIONS	JANUARY - DECEMBER	
	2009	2008
Decorative Paints	552	682
Performance Coatings	579	777
Specialty Chemicals	695	900
<b>Total</b>	<b>1,826</b>	<b>2,359</b>

## Condensed consolidated statement of cash flows

4TH QUARTER		IN € MILLIONS	JANUARY - DECEMBER	
2009	2008 <sup>1</sup>		2009	2008 <sup>1</sup>
<b>1,750</b>	<b>1,725</b>	<b>Cash and cash equivalents opening balance</b>	<b>1,449</b>	<b>11,067</b>
(39)	(1,474)	Profit/(loss) for the period from continuing operations	355	(1,044)
162	1,511	Amortization, depreciation and impairments	680	2,042
354	74	Changes in working capital	639	(356)
(100)	(11)	Changes in provisions	(497)	(560)
40	(39)	Other changes	63	9
<b>417</b>	<b>61</b>	<b>Net cash from operating activities</b>	<b>1,240</b>	<b>91</b>
(165)	(178)	Capital expenditures	(534)	(534)
(20)	(22)	Acquisitions and divestments <sup>2</sup>	(55)	(10,113)
(2)	(6)	Other changes	40	106
<b>(187)</b>	<b>(206)</b>	<b>Net cash from investing activities</b>	<b>(549)</b>	<b>(10,541)</b>
10	111	Changes from borrowings	175	(433)
(89)	(106)	Dividends <sup>3</sup>	(454)	(581)
–	(19)	Buyback of shares	–	(1,437)
2	(4)	Other changes	4	(42)
<b>(77)</b>	<b>(18)</b>	<b>Net cash from financing activities</b>	<b>(275)</b>	<b>(2,493)</b>
<b>153</b>	<b>(163)</b>	<b>Net cash used for continuing operations</b>	<b>416</b>	<b>(12,943)</b>
(5)	–	Cash flows from discontinued operations	19	3,519
<b>148</b>	<b>(163)</b>	<b>Net change in cash and cash equivalents of total operations</b>	<b>435</b>	<b>(9,424)</b>
21	(113)	Effect of exchange rate changes on cash and cash equivalents	35	(194)
<b>1,919</b>	<b>1,449</b>	<b>Cash and cash equivalents at December 31</b>	<b>1,919</b>	<b>1,449</b>

<sup>1</sup> Reclassified for comparative presentation.

<sup>2</sup> Net of cash.

<sup>3</sup> 2008: including €79 million dividends to ICI shareholders.

### Cash and debt management

Operating activities in Q4 resulted in a cash inflow of €417 million (2008: €61 million). The change compared with 2008 is mainly due to:

- Higher operating results
- Higher cash inflows as a result of operating working capital management
- Higher cash outflows from provisions, as two antitrust claims were settled in Q4, 2009.

For the full year, operating cash resulted in a cash inflow of €1,240 million (2008: €91 million). The main change comes from operating working capital management, which released €533 million cash, while we maintained capital expenditure levels during 2008.

During 2009, we refinanced our debt portfolio and extended payment terms:

- In March 2009 a bond was issued of €750 million, maturing in six years, with an interest rate of 7.25 percent
- In April 2009, a bond was issued of £250 million, maturing in seven years, with an interest rate of 8.0 percent

- In May 2009, bonds totaling €1.0 billion matured
- In June 2009, new private debt was issued for €150 million
- In December 2009, we redeemed €215 million of debt due in 2011 and issued new debt of €225 million, maturing in five years by means of extending our 7.25 percent bond issued in March 2009.

### Pensions

The funded status of the pension plans at December 31, 2009, was estimated to be a deficit of €1.9 billion (year-end 2008: €1.0 billion). The movement is due to:

- Lower discount rates and higher inflation expectations, both increasing the pension obligation, partly offset by
- Increased asset values, and
- Top-up payments into certain UK defined benefit pension plans.

### Workforce

At year-end 2009, our workforce had decreased to 57,060 employees (year-end 2008, 60,040 employees). The net decrease was due to:

- Acquisitions adding 980 employees
- 3,960 employees leaving, during 2009 mainly due to continued restructuring and realized synergies.

### Outlook and medium-term targets

The economic recovery remains uncertain, particularly in mature markets. However, AkzoNobel remains on-track to achieve its medium-term target of an EBITDA margin of 14 percent by the end of 2011. The results of the actions that the company has taken, and that it will continue to take, underpin its confidence in achieving this target.

The focus on customers, cost reduction and cash generation will continue, but investments to capture growth will remain a priority, particularly in high growth markets.

**Amsterdam, February 16, 2010**  
**The Board of Management**

## Notes to the condensed financial statements

### Accounting policies

The full year 2009 financial figures of AkzoNobel included in the primary statements in this report are derived from the financial statements 2009. These financial statements have been authorized for issue. The financial statements have not yet been published by law and still have to be adopted by the general meeting of shareholders. In accordance with section 2: 393 BW, KPMG Accountants N.V. has issued an unqualified auditors' opinion on these financial statements, which will be published on February 25, 2010. All quarterly figures are unaudited.

Compared with the accounting principles as applied in the 2008 financial statements, we have adopted IFRS 8 "Operating Segments", IFRIC 13 "Customer Loyalty Programmes" and the amendment to IAS 1 "Presentation of Financial Statements". The adoption of these accounting policies has not impacted our results.

### Restatements

We have changed the presentation of interest related to pensions and have restated our 2008 figures accordingly. As from 2009, we report interest on pensions on a separate interest line in the statement of income, as this more clearly reflects the composition of interest. Furthermore, we made some other reclassifications in the 2008 figures to align to our 2009 structure and presentation. This resulted in reclassifications between the business areas Decorative Paints to Performance Coatings in the segment information and between the cost lines.

### Seasonality

Revenue and results in Decorative Paints are impacted by seasonal influences. Revenue and profitability tend to be higher in the second and third quarter of the year as weather conditions determine whether paints and coatings can be applied. In Performance Coatings, revenue and profitability vary with building patterns from original equipment manufacturers. In Specialty Chemicals, the Functional Chemicals and the Surface Chemistry businesses experience seasonal

influences. Revenue and profitability are affected by developments in the agricultural season and tend to be higher in the first half of the year.

### Glossary

**Comprehensive income** is the change in equity during a period resulting from transactions and other events other than those changes resulting from transactions with shareholders in their capacity as shareholders.

**Constant currencies** information excludes foreign currency translation effects assuming foreign currency exchange rates have not changed between the prior year period and the current period.

**EBIT** is operating income before incidentals.

**EBIT margin** is EBIT as percentage of revenue.

**EBITDA** is EBIT before depreciation and amortization and refers to EBITDA before incidentals.

**Incidentals** are transformation costs, special charges and benefits, results on acquisitions and divestments, restructuring and impairment charges, and charges related to major legal, antitrust, and environmental cases. EBITDA and EBIT before incidentals are key figures we use to assess our performance, as these figures better reflect the underlying trends in the results of the activities.

**Interest coverage** is operating income divided by the sum of financing income and expenses.

**Invested capital** is total assets (excluding cash and cash equivalents, investments in associates, assets held for sale) less current income tax payable and less trade and other payables.

**Moving average ROI** is calculated as EBIT of the last four quarters divided by the average invested capital of these quarters.

**Net debt** is defined as long-term borrowings plus short-term borrowings less cash and cash equivalents.

**Operating income** is defined in accordance with IFRS and includes the relevant incidental results.

**Operating working capital** is defined as the sum of inventories, trade receivables and trade payables in the business areas. When expressed as a ratio, operating working capital is measured against four times last quarter revenue.

**Revenue** consists of sales of goods, services, and royalty income.

**Transformation costs** are acquisition-related costs related to ICI, cost related to sell businesses as agreed with the European and Canadian authorities, and costs for the new corporate identity.

### Safe Harbor Statement

This report 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 forecast 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.

### Brands and trademarks

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**Financial calendar**

Report for the 1st quarter 2010	April 26, 2010
Annual General Meeting	April 28, 2010
Ex-dividend date of 2009 final dividend	May 3, 2010
Record date of 2009 final dividend	May 6, 2010
Payment date of 2009 final dividend	May 11, 2010
Report for the 2nd quarter 2010	July, 26, 2010
Report for the 3rd quarter 2010	October 21, 2010
Report for the 4th quarter and the year 2010	February 17, 2011

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