

April 21, 2011

Investor update Q1 2011 results



Agenda

- **AkzoNobel at a glance**
- **Strategic ambitions**
- **Q1 2011 value highlights**
- **Q1 2011 innovation highlights**
- **Financial review**
- **Outlook 2011**

AkzoNobel key facts

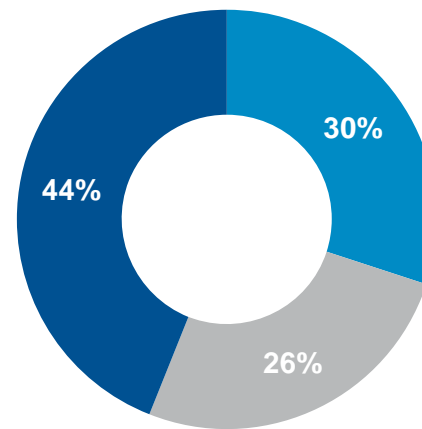
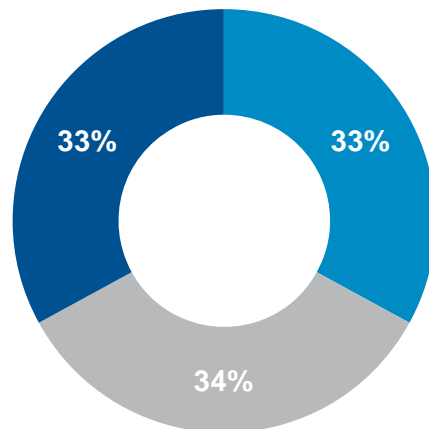
2010

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



Revenue by business area

EBITDA* by business area



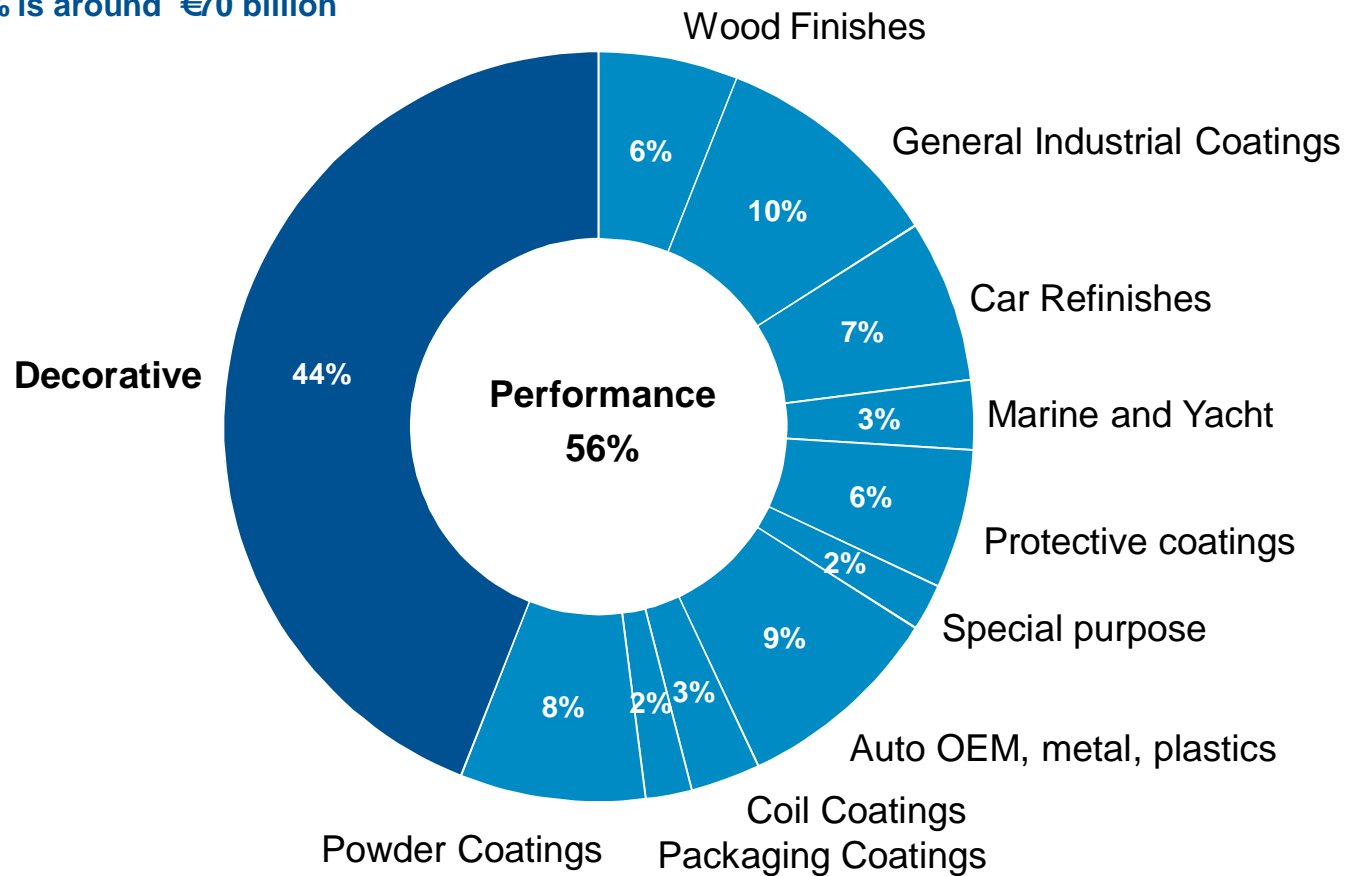
- Performance Coatings
- Decorative Paints
- Specialty Chemicals

* Before incidentals



The global paints and coatings market is around €70 billion

% of market
100% is around €70 billion

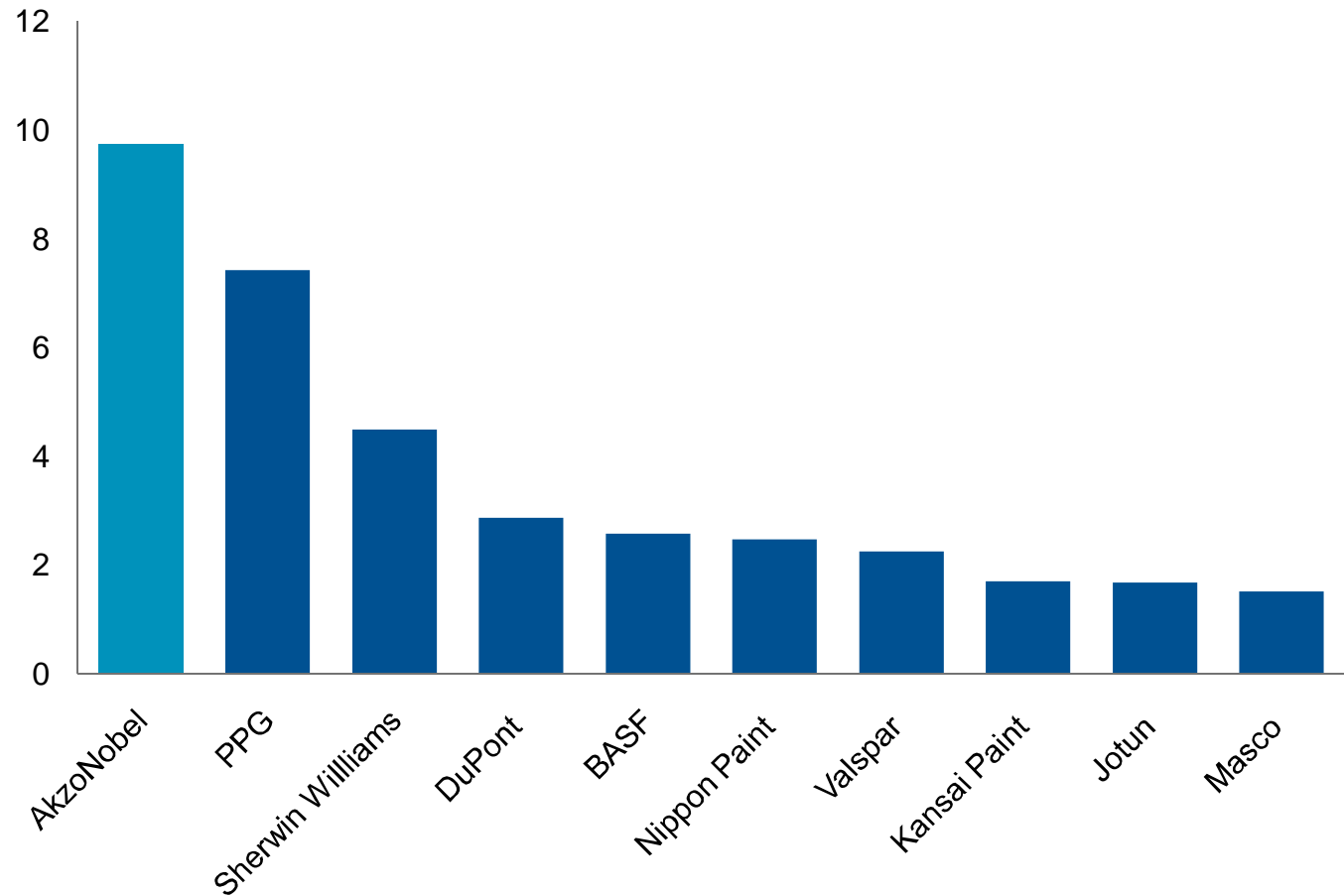


Source: Company Reports



AkzoNobel is the world's largest Coatings supplier

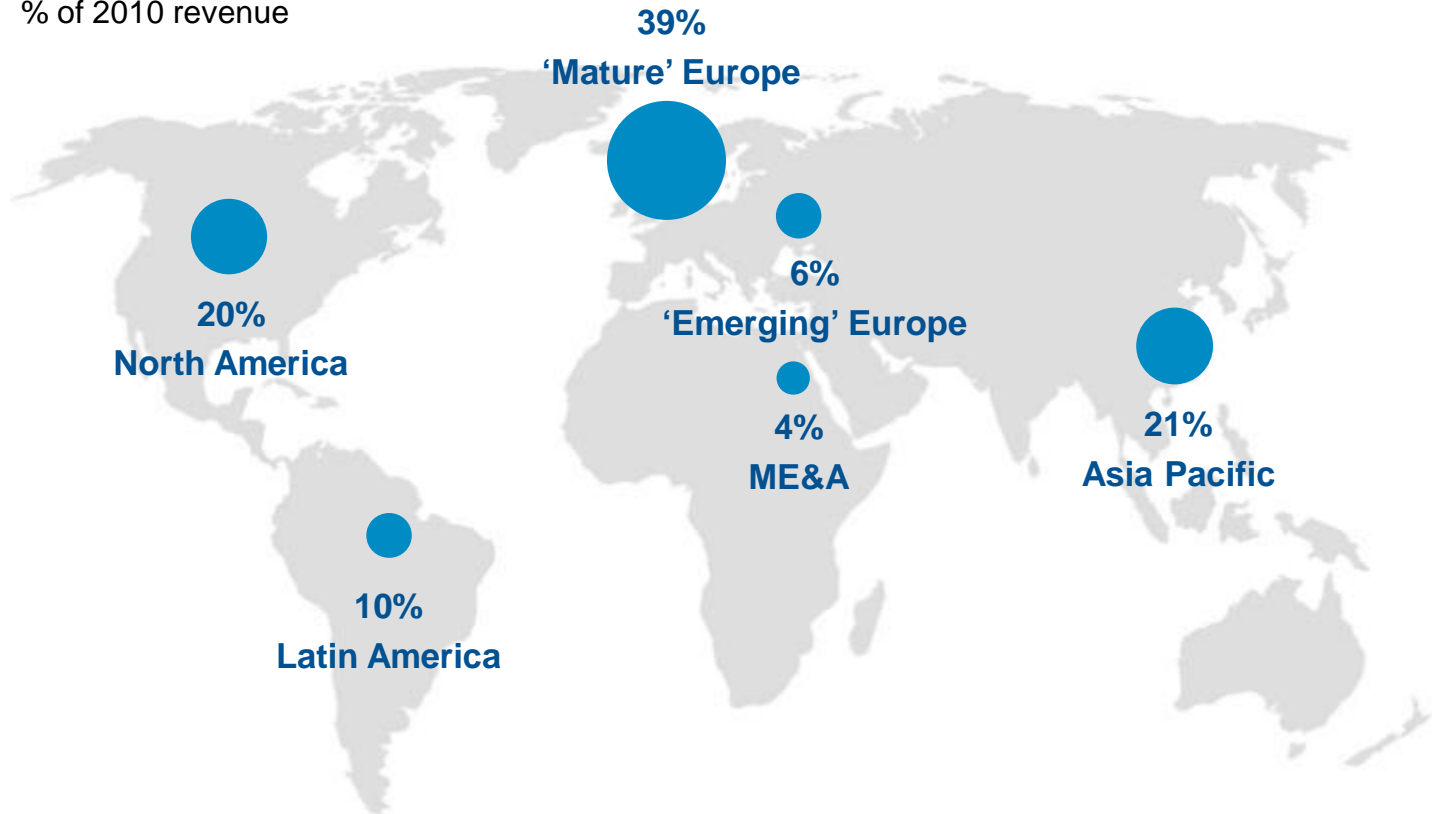
2010 revenue in € billion



Excellent geographic spread of both revenue and profits

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

% of 2010 revenue

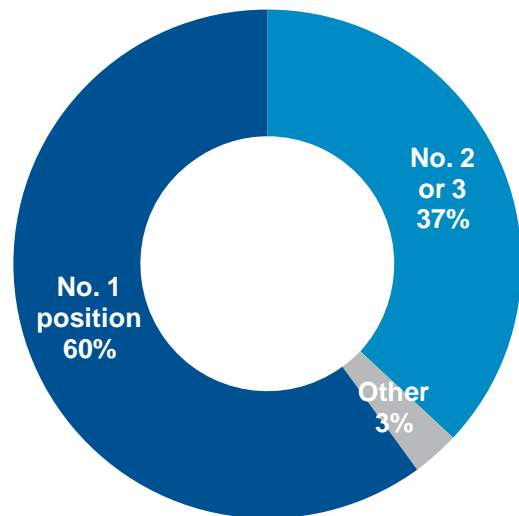


High-growth markets profitability is above average



Leading positions and strong brands

2010 Revenue by market position



Some of our strong brands

Dulux

27% of Decorative Paints

xInternational

23% of Performance Coatings

eka

18% of Specialty Chemicals



Successful customer focus

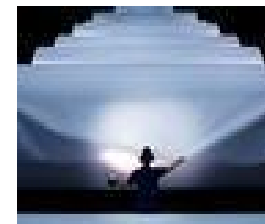
Dulux® Weathershield SunReflect™

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



Compozil® Fx

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



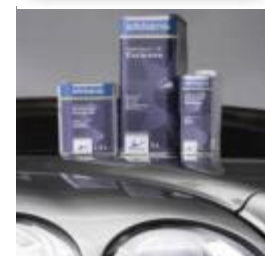
Colour Click®

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



Autoclear® LV Exclusive

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



Strategic ambitions

Our strategic ambition is to be

The world's leading
coatings and specialty chemicals company



Our medium term strategic goals

Value Accelerated growth

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

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

Values Sustainable growth



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

Organic growth

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

Innovation pipeline

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

Acquisitions

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



Aspirations for high-growth markets

Double revenues in China

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

Create significant footprint in India

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

Outgrow the competition in Brazil

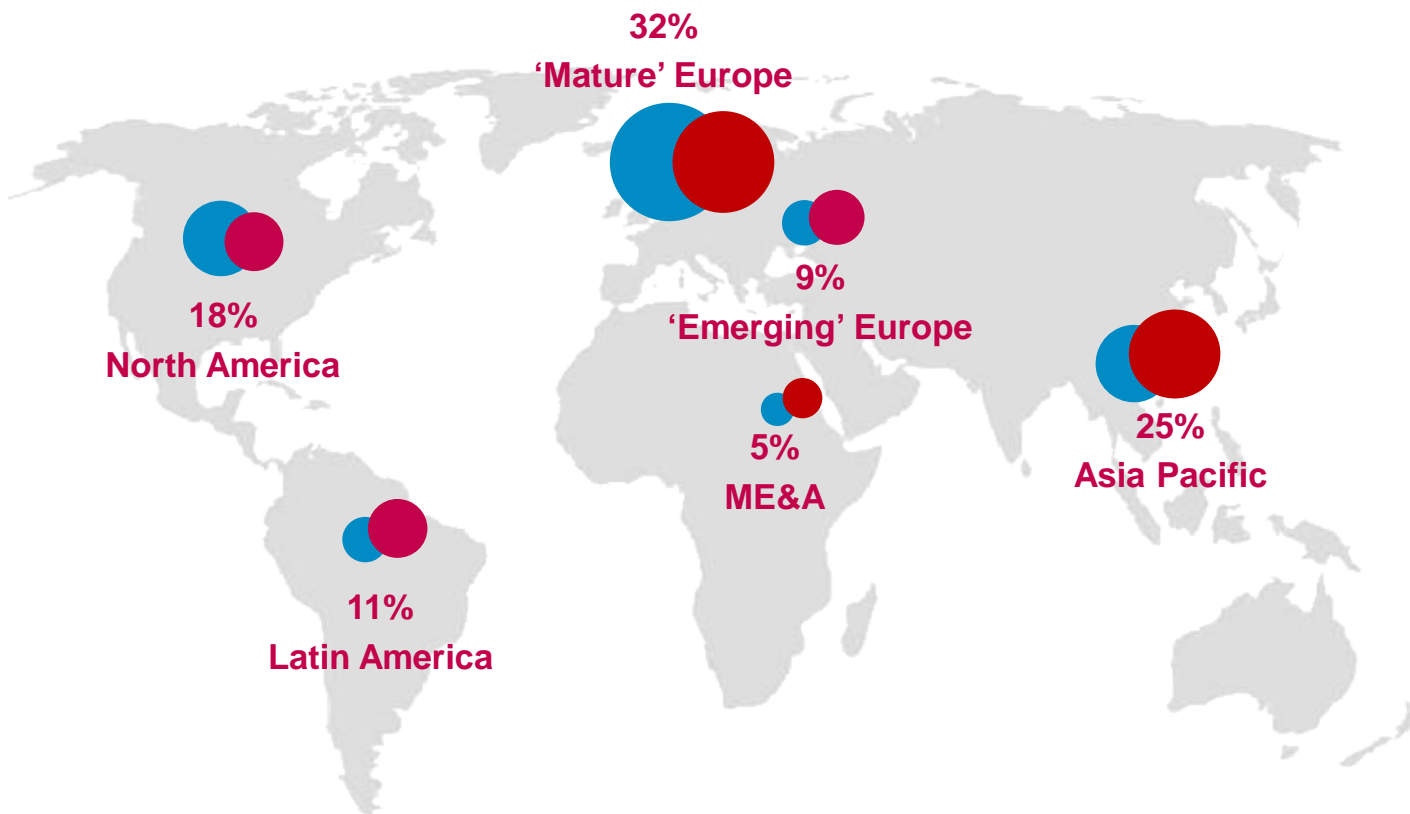
- Grow from €0.75 to €1.5 billion of revenues
- Become clear market leader in all our activities

Expand in Middle East and Sub-Saharan Africa



High-growth markets will become significantly more important

% of revenue, indicative



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

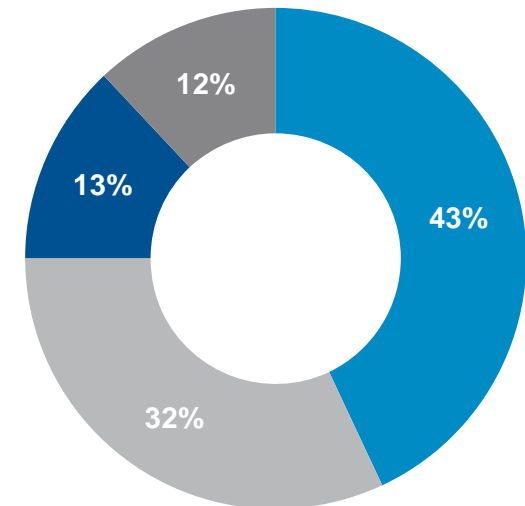


Exciting RD&I pipeline with innovative solutions for key market segments

How innovation will support our growth agenda:

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

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 main competitive product*



Clear sustainability focus

Accelerated sustainability strategy will deliver:

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

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



Q1 2011 value highlights

Q1 2011 highlights

- Stronger volumes (7 percent) and pricing (4 percent excluding a 1 percent adverse mix effect) drive revenue growth of 16 percent
- EBITDA* increased 10 percent to €437 million
- Raw material cost increases being mitigated
- Net income increased to €128 million (2010: €81 million)
- Adjusted EPS (earnings per share) rose 38 percent to €0.72
- Outlook reiterated: aiming for more than 5 percent revenue and EBITDA* growth in 2011, in line with strategic ambitions

* Before incidentals

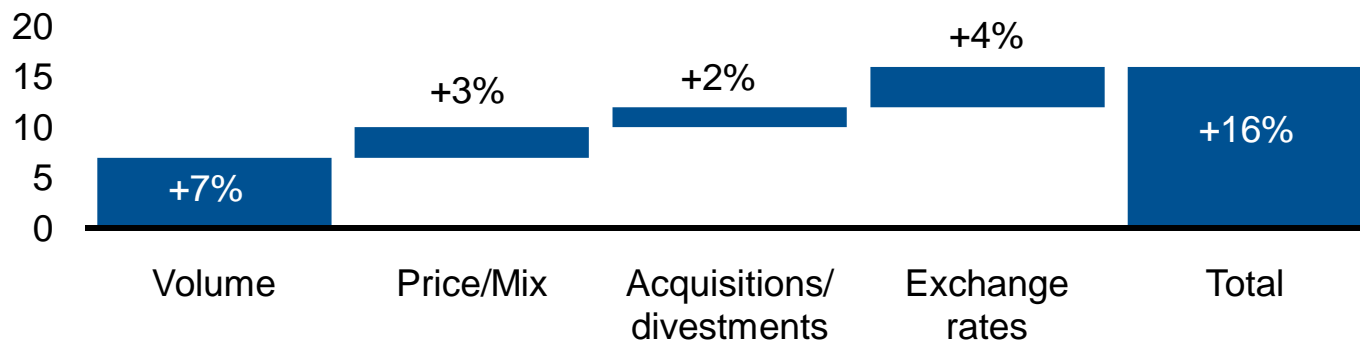


Q1 2011 revenue and EBITDA

€ million	Q1 2011	Δ%
Revenue	3,762	16
EBITDA*	437	10

Ratio, %	Q1 2011	Q1 2010
EBITDA* margin	11.6	12.3

Revenue development Q1 2011 vs. Q1 2010



* Before incidentals

■ Increase ■ Decrease



Summary – Q1 2011 results

<i>€ million</i>	Q1 2011	Q1 2010
EBITDA*	437	399
Amortization and depreciation	(148)	(141)
Incidentals	(12)	(34)
Financial income & expense	(63)	(88)
Minorities and associates	(9)	(13)
Income tax	(73)	(53)
Discontinued operations	(4)	11
Net income total operations	128	81
Net cash from operating activities	(519)	(525)

<i>Ratio</i>	Q1 2011	Q1 2010
EBITDA* margin (%)	11.6	12.3
Adjusted earnings per share (in €)	0.72	0.52

* Before incidentals



Q1 2011 incidentals

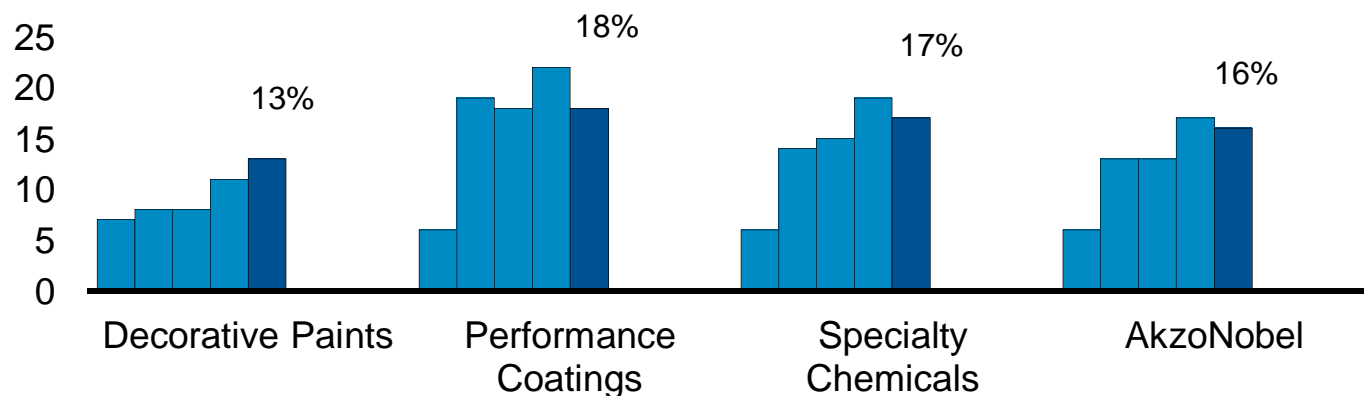
<i>€ million</i>	Q1 2011	Q1 2010
Restructuring costs	(9)	(17)
Results related to major legal, antitrust & environmental cases	1	(9)
Results on acquisitions & divestments	-	1
Other incidental results	(4)	(9)
Total	(12)	(34)

Q1 2011 restructuring costs are mainly related to the acquired powder coatings activities in Performance Coatings

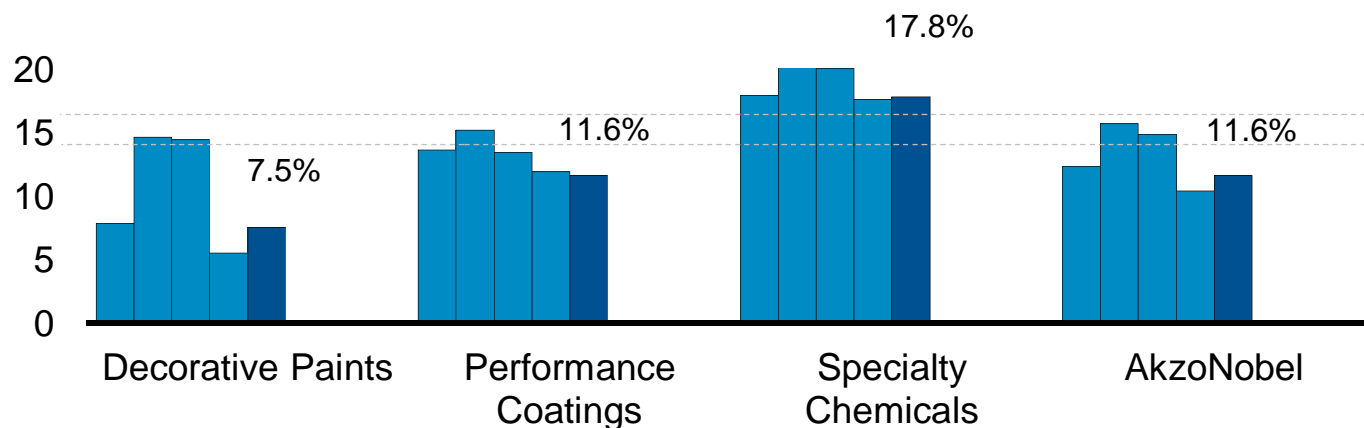


Revenue growth and EBITDA margin in line with strategic ambitions

Reported quarterly revenue in % year-on-year



Quarterly EBITDA* margin in %



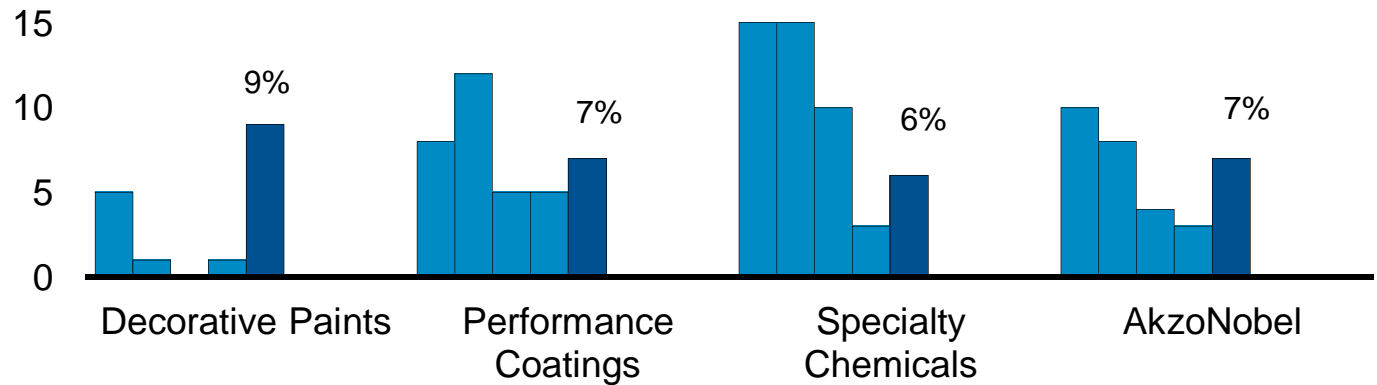
* Before incidentals

■ 2010 ■ 2011

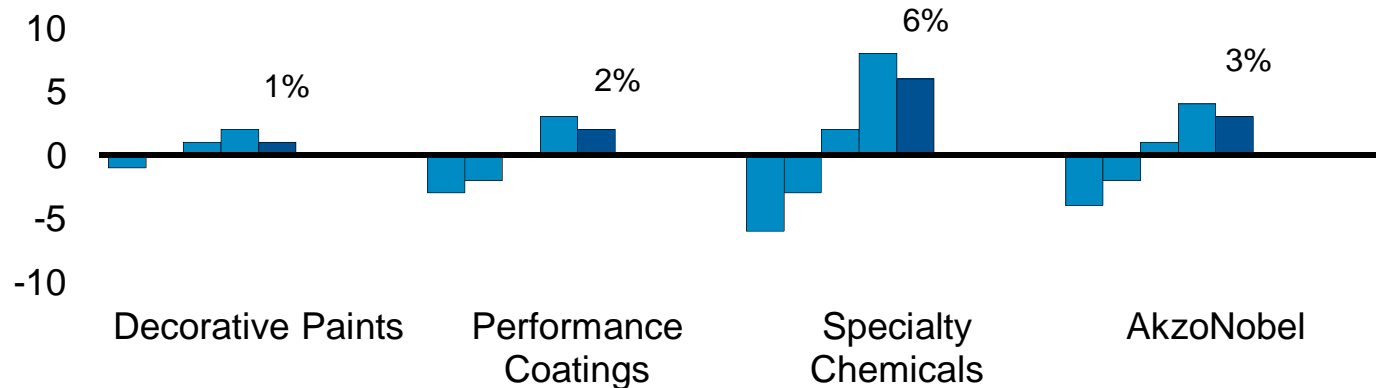


Volume growth continues, price increases coming through

Quarterly volume development in % year-on-year



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

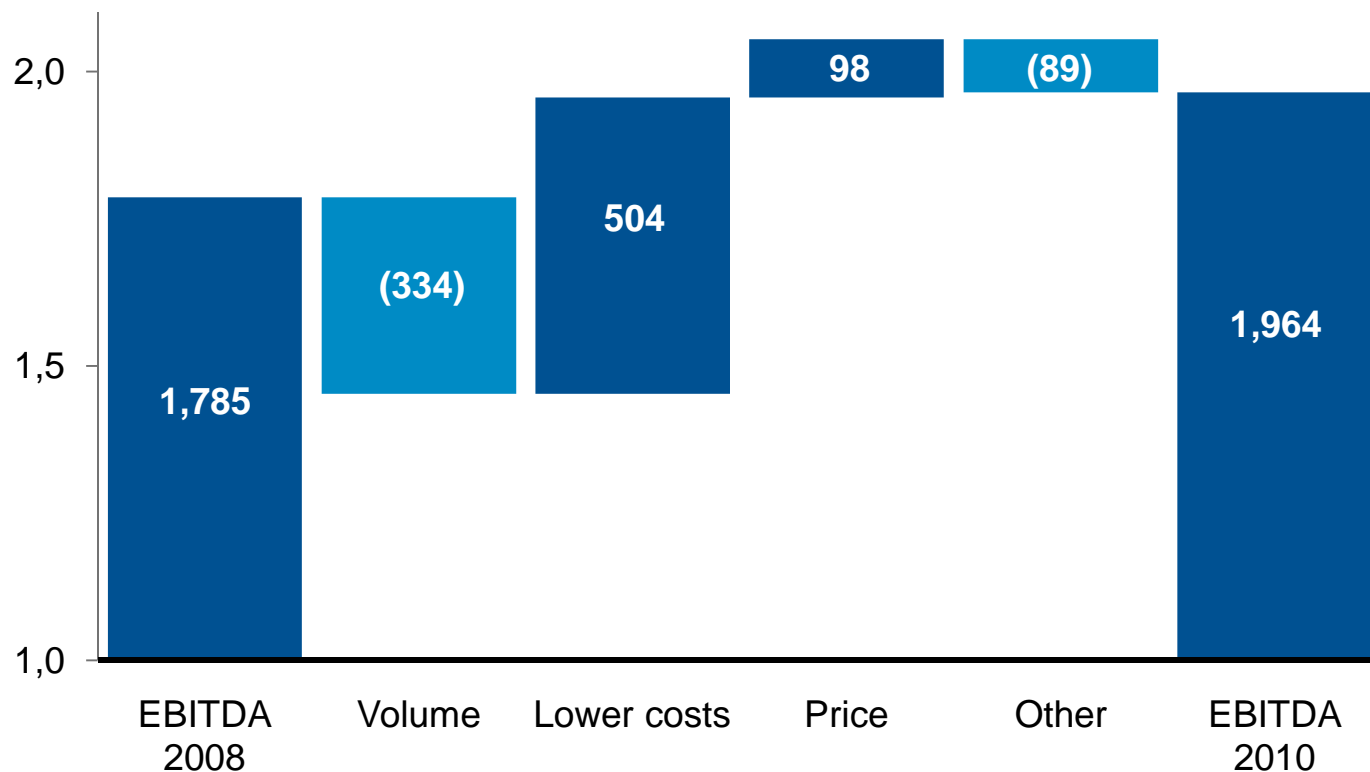


■ 2010 ■ 2011



Further volume recovery underpins earnings potential

EBITDA* bridge 2008-2010
€ billion



* Before incidentals, restated for National Starch

■ Increase ■ Decrease



Decorative Paints key facts

2010

- Revenue €5.0 billion
- 21,950 employees
- EBITDA: €548 million*
- 38 percent of revenue from high-growth markets
- Largest global supplier of decorative paints
- Many leading positions, strong brands



Some of our strong brands

Dulux



SICO

Coral

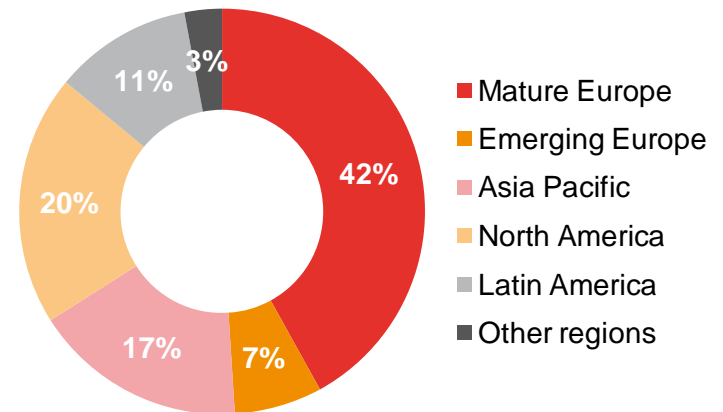
sikkens



SCHÖNOX

FLEXA

Revenue by geography



* Before incidentals

Decorative Paints Q1 2011 highlights

- Revenue increased 13 percent and EBITDA* increased 10 percent
- Walmart roll-out on track with 3.500 new stores reset
- Continued growth momentum in the high growth markets, while mature markets stabilized
- Selling price increases of 4 percent (excluding a 3 percent adverse mix effect) are on track to compensate for higher raw material costs

** Before incidentals*

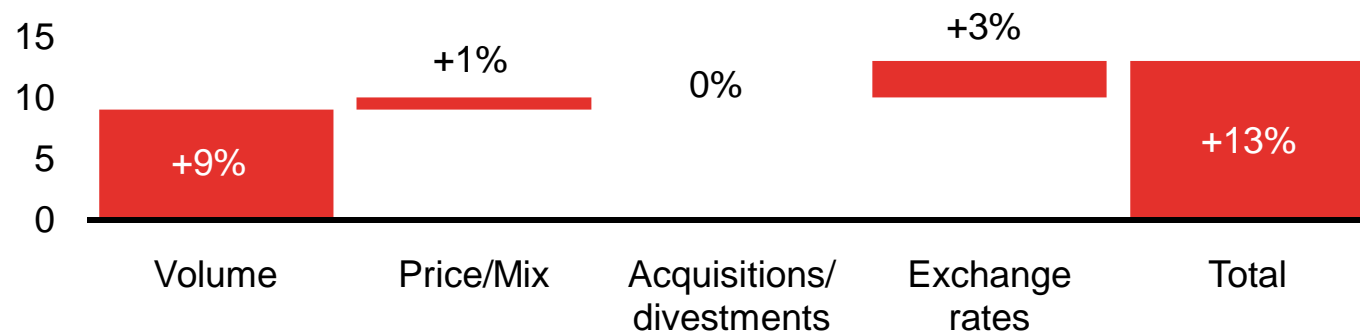


Decorative Paints Q1 2011

€ million	Q1 2011	Δ%
Revenue	1,196	13
EBITDA*	90	10

Ratio, %	Q1 2011	Q1 2010
EBITDA* margin	7.5	7.8

Revenue development Q1 2011 vs. Q1 2010



* Before incidentals

■ Increase ■ Decrease



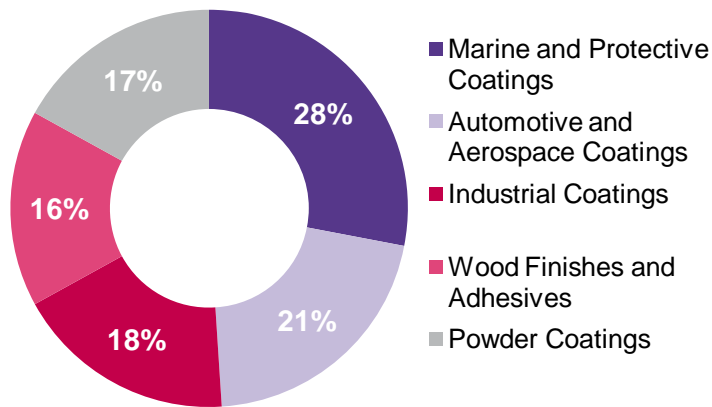
Performance Coatings key facts

2010

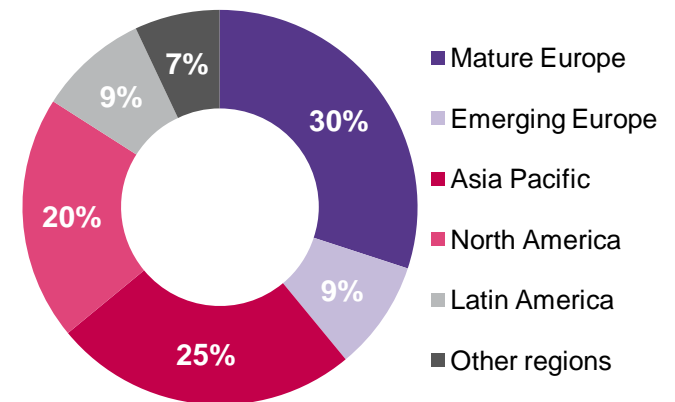
- Revenue €4.8 billion
- 21,020 employees
- EBITDA: €647 million*
- 47 percent of revenue from high growth markets
- Leading positions in performance coatings
- Innovative technologies, strong brands



Revenue by business unit



Revenue by geography



* Before incidentals



Performance Coatings Q1 2011 highlights

- Revenue up 18 percent, with volumes up 7 percent
- Improved revenue in all businesses
- Selling price increases of 3 percent (before a 1 percent adverse mix effect) offset by continued raw material cost increases
- EBITDA result maintained
- Integration of acquired activities delivering results

** Before incidentals*

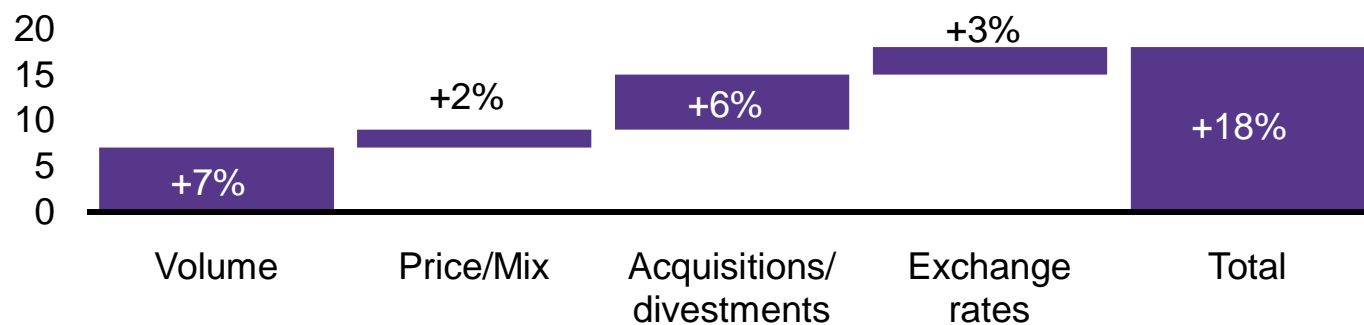


Performance Coatings Q1 2011

€ million	Q1 2011	Δ%
Revenue	1,237	18
EBITDA*	143	-

Ratio, %	Q1 2011	Q1 2010
EBITDA* margin	11.6	13.6

Revenue development Q1 2011 vs. Q1 2010



* Before incidentals

■ Increase ■ Decrease



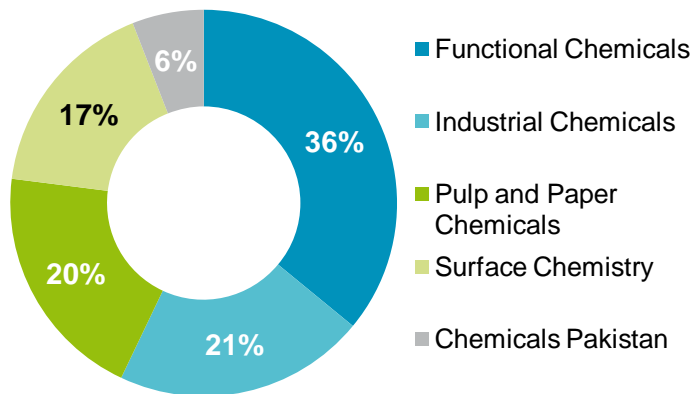
Specialty Chemicals key facts

2010

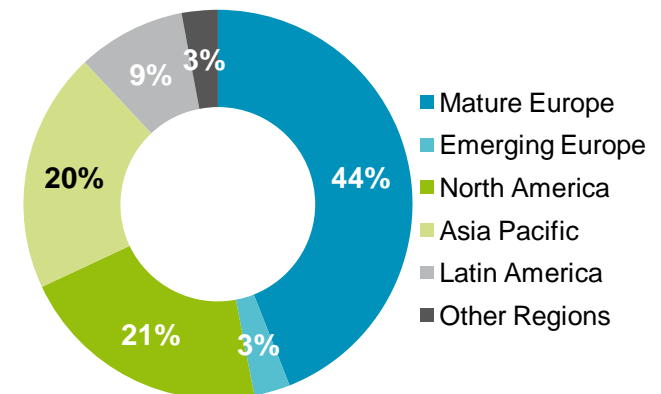
- Revenue €4.9 billion
- 11,080 employees
- EBITDA: €939 million*
- 32 percent of revenue from high-growth markets
- Major producer of specialty chemicals
- Leadership positions in many markets



Revenue by business unit



Revenue by geography



* Before incidentals



Specialty Chemicals Q1 2011 highlights

- Revenue increased 17 percent: volume and prices increases of both 6 percent
- Demand remained firm in both the high growth and mature markets
- EBITDA increased 16 percent to €241 million
- EBITDA margin 17.8 percent (2010: 17.9 percent)
- Significant growth capital committed in the quarter: Pulp and Paper (Brazil), Bermocoll cellulose derivatives (China), Expancel (Sweden)

* Before incidentals

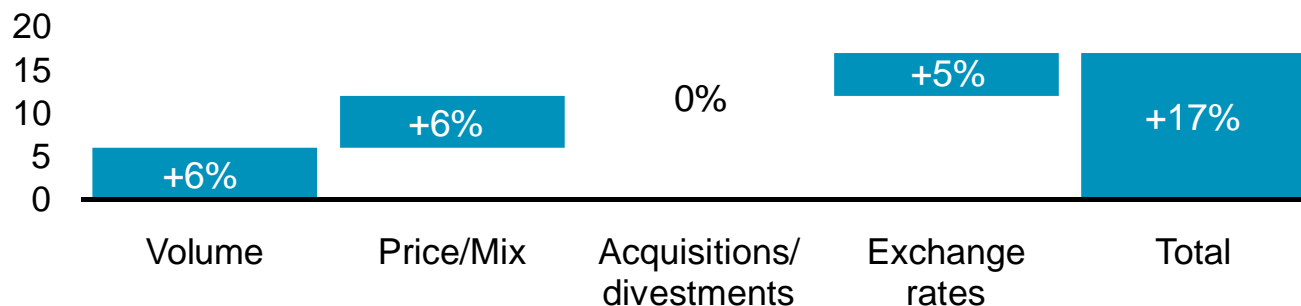


Specialty Chemicals Q1 2011

€ million	Q1 2011	Δ%
Revenue	1,351	17
EBITDA*	241	16

Ratio, %	Q1 2011	Q1 2010
EBITDA* margin	17.8	17.9

Revenue development Q1 2011 vs. Q1 2010



* Before incidentals

■ Increase ■ Decrease



Q1 2011 innovation highlights

Pipeline 2011

Surface Chemistry – Hybrid polymers

Used in cleaning and personal care applications

Key features

- Advantages include: reliability of supply, sustainability and cost
- Biodegradable and environmentally friendly

Growth potential

- Major players in consumer cleaning markets showing interest
- Biggest opportunity is in laundry and the second in automatic dishwasher detergents

Customers benefits

- Cut back on CO₂ emissions
- Improving their green credential



Pipeline 2011

Protective Coatings – Interchar® 1120 Intumescent Coating

A water based Intumescent coating for onsite application

Key Features

- Reacts in the presence of intense heat to form an insulating layer
- Extend structural integrity for up to 4 hours
- Applied easily on-site during construction

Growth potential

- Sustainable, “green” building becoming increasingly important in high growth areas such as China and India
- Launched in the UK, Europe and China, soon in the United-States

Customer Benefits

- Ensures building is sustainable, during construction and occupation
- Compliant with VOC regulations



Pipeline 2011

Decorative Paints – Dulux Color Click™

Helping consumers choose designer color schemes online



Key Features

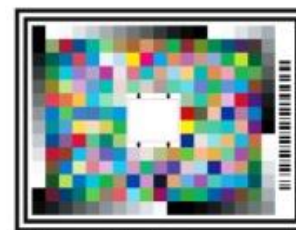
- When used with a digital camera the unique **Color Frame™** card ensures match with home furnishings, or any other objects you choose
- Easy access to a wide range of features on our websites to help with color choices

Customer benefits

- Expert advice on colors that go
- Accurate and consistent match to any target color you choose to capture with your digital camera

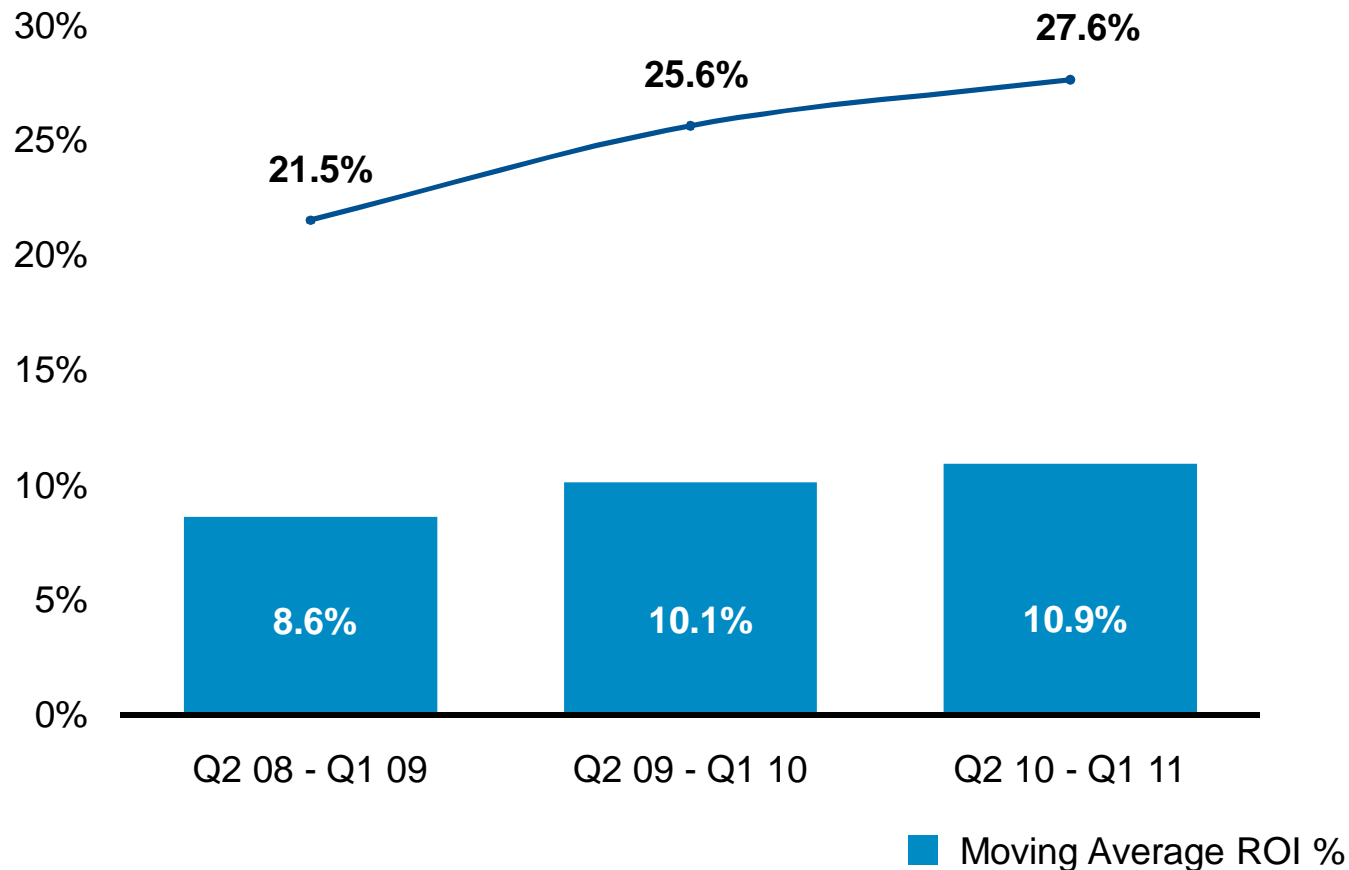
Growth potential

- Successfully launched with Dulux in the UK and Ireland
- Global roll-out planned for this year with our leading brands



Financial review

Superior operating returns on investment

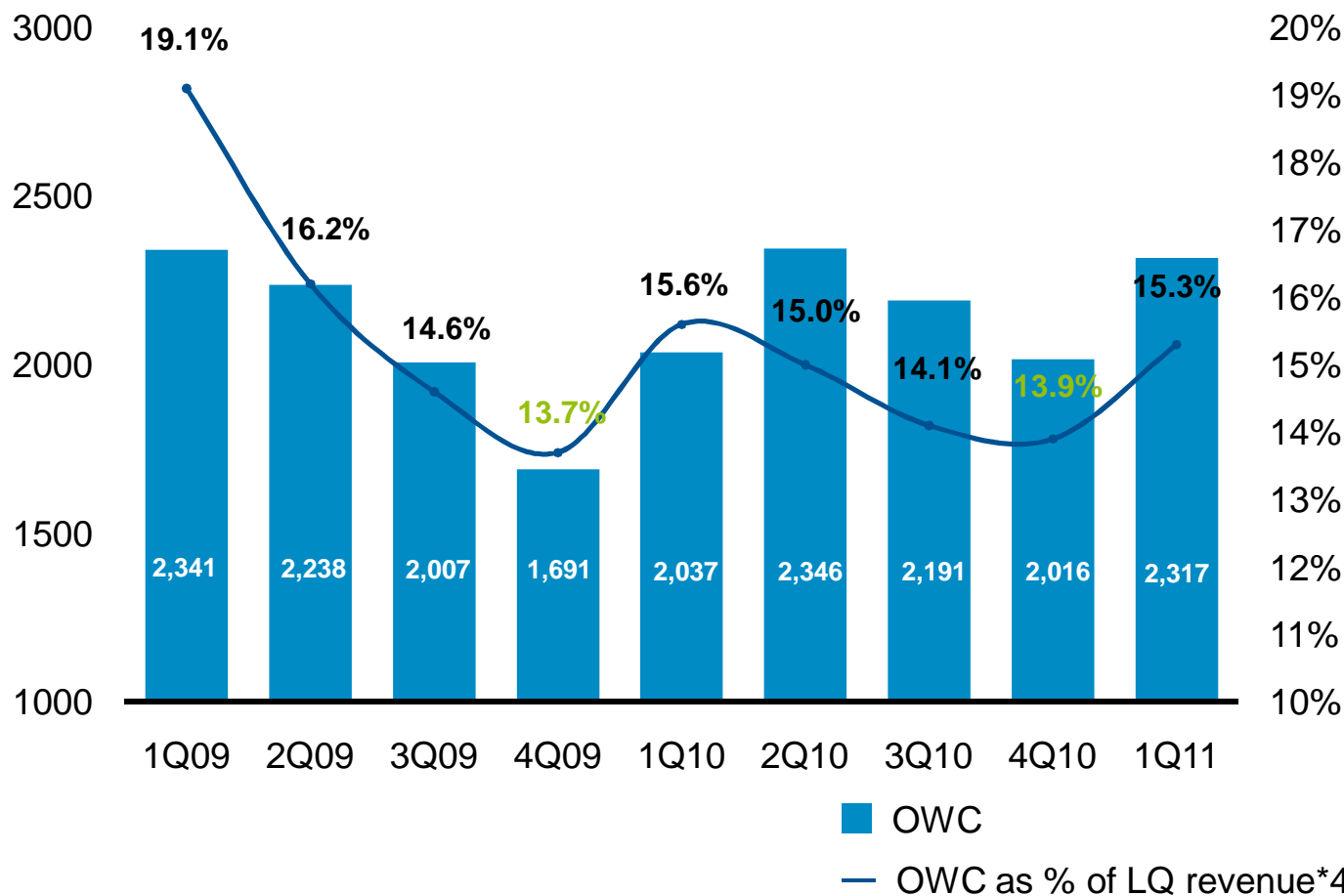


* Operating ROI is calculated as EBIT before amortization divided by average invested capital excluding intangible assets



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

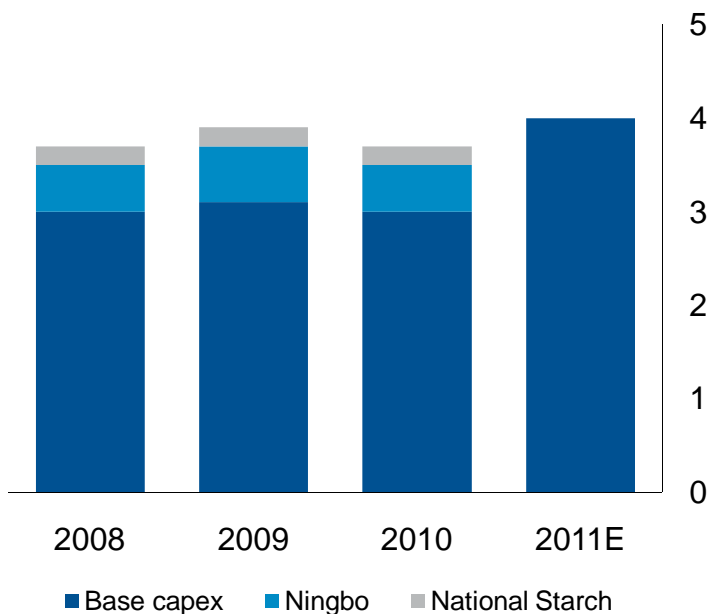
OWC
€ million



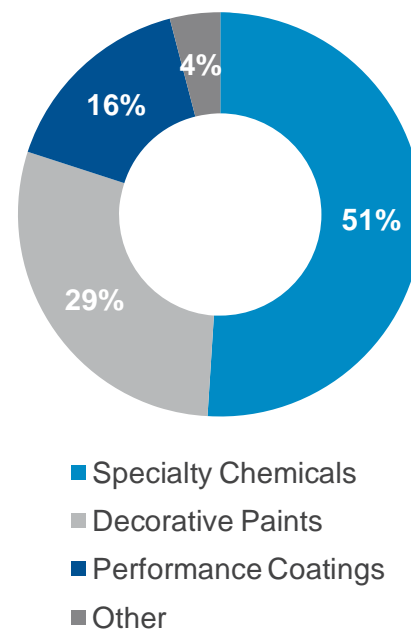
Capital expenditure prioritization for growth

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

Capex as a % of revenue



2010 Capex split



A stable to rising dividend

Our dividend policy*

We intend to pay a stable to rising dividend:

- A cash interim and a final dividend will be paid

2010 total dividend €1.40 per share – up 4% from 2009*

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

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



EBITDA – Cash bridge

<i>€ million</i>	Q1 2011	Q1 2010
EBITDA before incidentals	437	399
Incidentals (cash)	(5)	(38)
Change working capital	(390)	(289)
Change provisions	(358)	(366)
Interest paid	(153)	(166)
Income tax paid	(50)	(65)
Net cash from operating activities	(519)	(525)

- Working capital change reflects seasonality and higher volumes
- Change in provisions reflects pension top-ups
- Interest paid reflects annual interest payment due on bonds



Unchanged ambition to maintain strong balance sheet

<i>€ million</i>	Mar 31, 2010	Dec 31, 2010
Total Equity	9,358	9,509
Net debt*	1,578	936

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

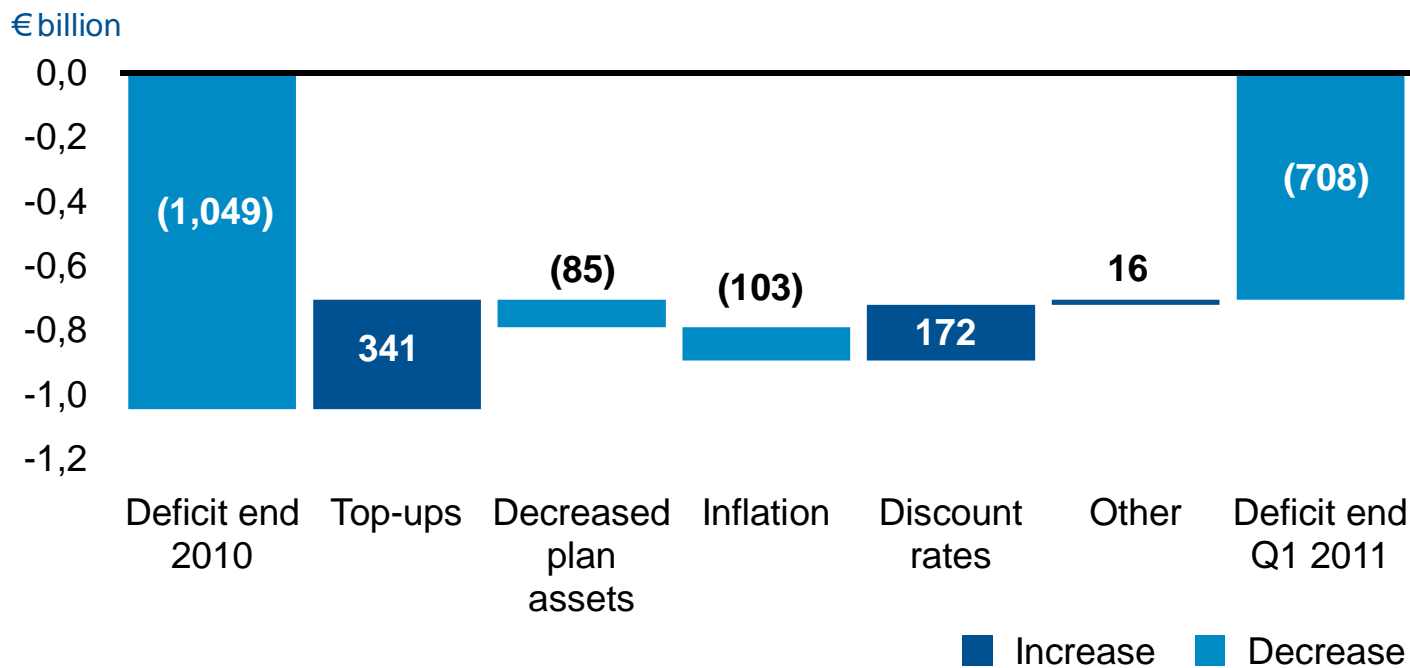
* Before net pension deficit of €0.7 billion March 31, 2010 (December 31, 2010 €1.0 billion)



Pension deficit improves to €0.7 billion

<i>Key pension metrics</i>	Q1 2011	Q4 2010
Discount rate	5.5%	5.4%
Inflation assumptions	3.1%	3.0%

Pension deficit development during Q1 2011



Lower 2011 cash-out for pensions expected

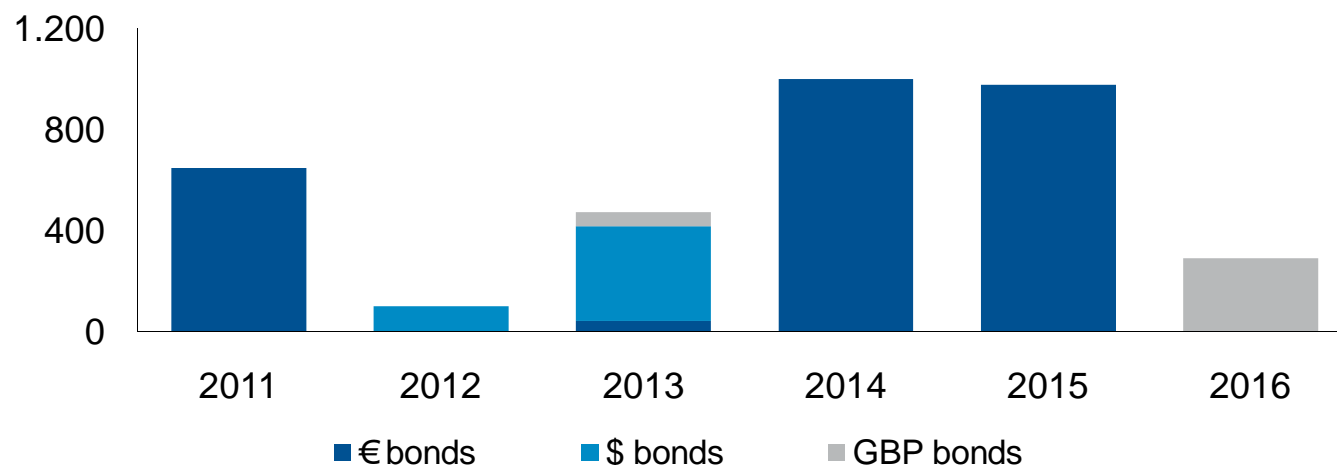
- 2004 pro forma (including ICI) pension under funding was around €4 billion
- Defined Benefits (DB) closed to new entrants, major plans closed in 2001 (ICI) and 2004 (AkzoNobel)
- Total DB pension plans cash contribution expected to be €500 million (2010: €524 million), which includes around €365 million of “top-up” payments (2010 €375 million)
- The non-cash IAS 19 corridor method of pension accounting impact in 2011 is expected to be €98 million, of which €64 million on the interest line and €34 million in EBITDA in Other



Debt duration of 3 years and no refinancing needs in 2011

Debt maturities*

€ million (nominal amounts)



Strong liquidity position to support growth

- Undrawn revolving credit facility of €1.5 billion (2013) or €1.5 & \$1 billion commercial paper programs available*
- Net cash and cash equivalents €2.0 billion*

* At the end of Q1 2011



Low fixed costs as a percentage of revenue

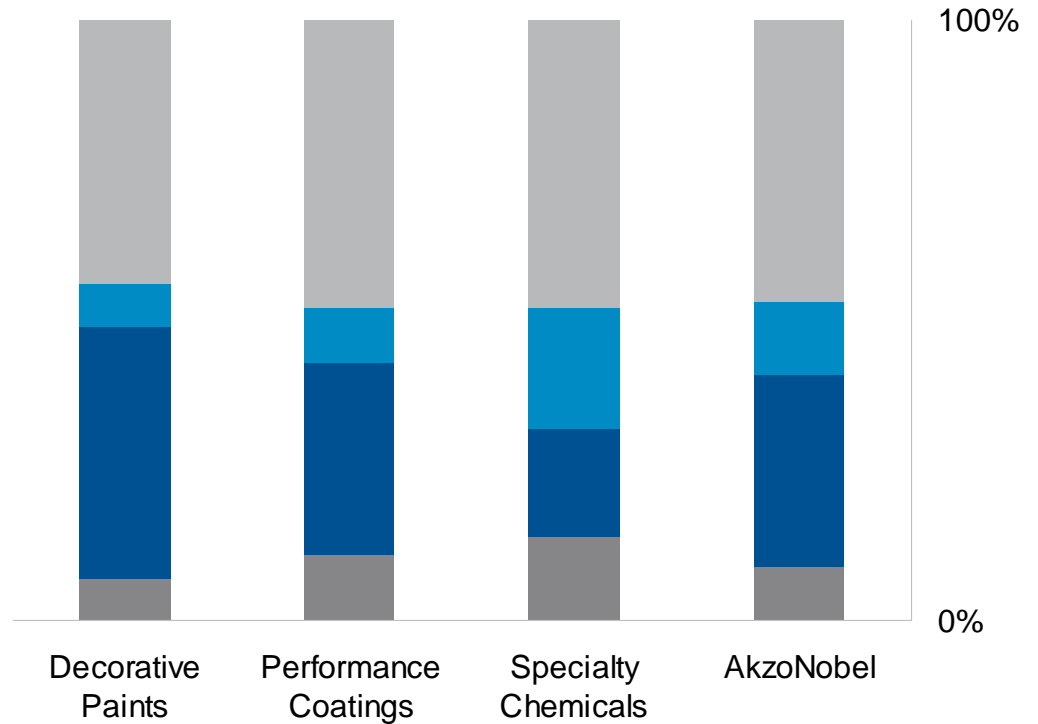
% of 2010 annual revenue*

Raw materials,
energy, and
other variable
production costs

**Fixed production
costs**

Selling, advertising,
administration, R&D
costs

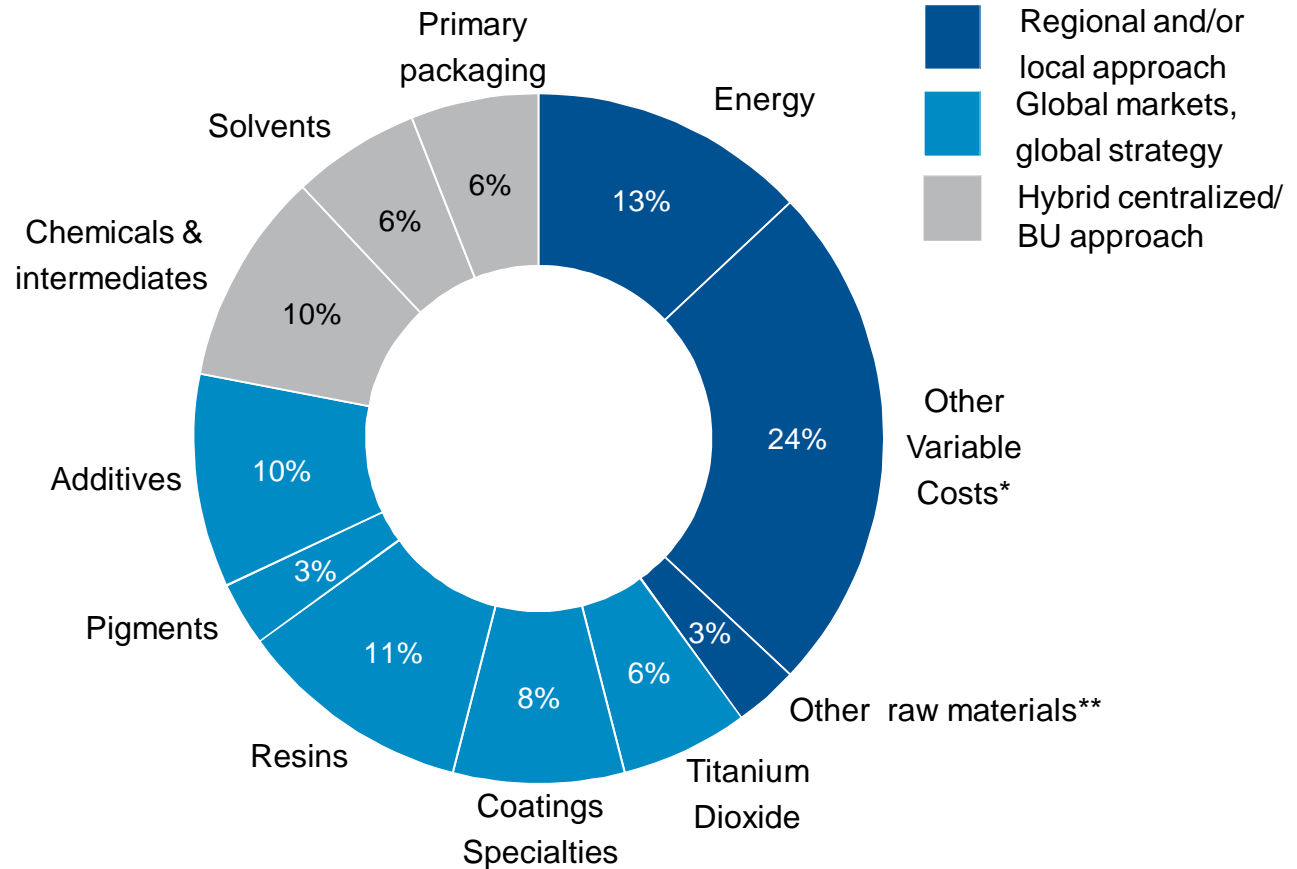
EBIT margin



* Rounded percentages, all data excluding incidentals



Raw material costs represent around a third of revenue



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

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

** Other raw materials include cardolite, hylar etc.



Raw material price inflation to be compensated for during 2011

- Raw material prices have continued to rise and are now close to 15 percent higher than a year ago, driven by basic feed-stocks such as metals, TiO₂ and oil related raw materials.
- Pricing and cost reduction actions are on-going and we remain confident that we will be able to compensate for these increases.



Outlook 2011

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

Value Accelerated growth

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

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

Values Sustainable growth

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

Safe Harbor Statement

This presentation contains statements which address such key issues as AkzoNobel's growth strategy, future financial results, market positions, product development, products in the pipeline, and product approvals. Such statements should be carefully considered, and it should be understood that many factors could cause forecasted and actual results to differ from these statements. These factors include, but are not limited to, price fluctuations, currency fluctuations, developments in raw material and personnel costs, pensions, physical and environmental risks, legal issues, and legislative, fiscal, and other regulatory measures. Stated competitive positions are based on management estimates supported by information provided by specialized external agencies. For a more comprehensive discussion of the risk factors affecting our business please see our latest Annual Report, a copy of which can be found on the company's corporate website www.akzonobel.com.

