



Press release

July 29, 2009

AkzoNobel publishes Q2 2009 Results

Brief overview:

- Revenue declined 10 percent to €3,668 million
- Volumes down 16 percent (Q1 2009: 17 percent)
- ICI integration and additional restructuring well on track
- Cost reduction, margin management and innovation underpinned EBITDA margin
- EBITDA before incidentals of €527 million, margin at 14.4 percent (year-to-date: 11.9 percent)
- Net income of €155 million down 13 percent (Q1 2009 €7 million loss)
- Operating working capital reduced to 16.3 percent (Q2 2008: 17.1 percent)
- Forward visibility limited due to continuing uncertain economic development

Financial highlights

€ million	Q2 2009	Q2 2008	%
Revenue	3,668	4,085	(10)
EBITDA*	527	577	(9)
EBITDA margin (in %)*	14.4	14.1	
EBIT*	370	422	(12)
EBIT margin (in %)*	10.1	10.3	
Net income total operations	155	179	(13)

* Continuing operations before incidentals

Akzo Nobel N.V (AkzoNobel) today announced its results for the second quarter of 2009. Trading remained tough throughout all of the businesses and, as a result, the company reported a revenue decline of 10 percent to €3,668 million, while EBITDA was €527 million, 9 percent lower.

AkzoNobel's CEO Hans Wijers commented; "In March, we saw early indications that markets may be stabilizing and we have seen that trend continue into the second quarter. However, this gradual stabilization is at significantly lower levels than 2008. With the exception of some emerging markets, we see little significant recovery of growth. Due to the continuing economic uncertainty, forward visibility still remains limited. Therefore, management actions continue to focus on customers, costs and cash. Our Q2 results show that these actions are beginning to bear fruit."

Revenue growth for Q2 2009 developed as follows:

Q2 2009 in % vs Q2 2008	Volume	Prices	Acquisitions/ divestments	Exchange Rates	Total
Decorative Paints	(10)	4	1	-	(5)
Performance Coatings	(19)	5	-	-	(14)
Specialty Chemicals	(18)	5	4	1	(8)
Total	(16)	5	1	-	(10)

Decorative Paints

- Revenue was down 5 percent (Q1 2009: 11 percent)
- Synergy programs and restructuring ahead of plan, net workforce reduced by more than 2,100 employees (8 percent) compared with 2008
- EBITDA margin at 13.1 percent (2008: 14.1 percent) remained strong due to margin management and stable raw material costs
- Marketing initiatives focusing on innovation and sustainability

In Europe, the professional segment continued to be weak due to low construction activity, while the retail business was more resilient. The US paint market continued to experience soft demand, but the contraction in the second quarter was less severe than during the first quarter of 2009. Integration savings and strong cost management initiatives have helped to mitigate the volume shortfall. AkzoNobel gained market share in Latin America, while markets across the Asia region were mixed. China further stabilized in the quarter. Performance in India was positive, despite pressure on revenue and margins. Overall, margins were positively impacted by price increases implemented in 2008.

Performance Coatings

- Revenue decreased by 14 percent
- EBITDA margin improved to 15.8 percent (2008: 14.0 percent)
- Margin management initiatives delivered value
- Cost levels decreased as restructuring programs gathered pace
- Strong performance in Marine and Protective Coatings and Packaging Coatings

Performance Coatings benefited from margin management and cost improvement programs. In our Industrial Activities businesses, the company has closed or restructured 8 production sites in mature markets and will continue to align the cost structure with lower trading levels. Marine Coatings again had a good quarter, despite lower new construction and maintenance demand. Car Refinishes experienced improved demand in tough market conditions, compared with the first quarter of 2009.

Specialty Chemicals

- Revenue declined by 8 percent
- Cost and cash savings initiatives contributed in all businesses
- EBITDA margin maintained at 16.6 percent
- Surface Chemistry and Polymer Chemicals markets remain under pressure
- Strong performance in Pulp and Paper and Functional Chemicals

Market conditions remained weak, with a volume decline of 18 percent that was partly compensated by favorable prices (5 percent), currencies (1 percent) and acquisitions (4 percent). Despite the continued challenges, uncertain feedstock costs and heightened competitive pressure in the market, an unchanged EBITDA margin of 16.6 percent was realized. Industrial Chemicals acquisitions to a large part offset the volume decline, where sourcing actions, aggressive cost control and effective margin management resulted in a Surface Chemistry EBITDA on a par with 2008, despite a 27 percent volume decline.

Improved cash management

AkzoNobel has already outlined its initiatives to conserve cash and improve working capital utilization. Compared with Q1 2009 operating working capital decreased by €142 million due to lower sales and focused working capital management.

Debt maturities lengthened

Following the recent completion of refinancing activity, the weighted average maturity of AkzoNobel's debt has been extended from below 2 years at June 2008 to in excess of 4 years at June 2009. In May 2009, a €1 billion bond matured. In March 2009, the company refinanced through a 7.25 percent €750 million bond, maturing in 2015. Early April 2009, AkzoNobel also issued a 8 percent £250 million bond, maturing in 2016. At the end of June 2009, the company issued €150 million new private debt.

ICI synergies and restructuring

The company remains on track to meet 2011 savings targets of at least €540 million, made up of ICI synergies (€340 million) combined with further significant additional restructuring (€200 million). Major restructuring and integration projects are ongoing in Decorative Paints particularly in relation to the supply chain and standardization. In Performance Coatings, significant headcount reduction programs have been implemented in Industrial Activities and Car Refinishes, particularly in mature markets. In June 2009, AkzoNobel announced the intention to reduce headquarters staff by 20 percent by 2010.

Outlook and medium-term targets reiterated

AkzoNobel has strong market positions in a number of highly attractive sectors with a wide geographical spread. Continuous focus is being given to margin management, cost reduction, and cash generating actions so that the company is well positioned to meet the current challenges and, as a result, will be in good shape to take advantage of the recovery when it comes. The economic outlook remains uncertain which makes it difficult to make predictions with any certainty.

AkzoNobel remains committed to achieve its medium-term target of an EBITDA margin of 14 percent by the end of 2011, deliver the combined €540 million synergies and restructuring initiatives, drive margin management programs and rigorous cost and cash control across the company.

The Half-yearly report for 2009 and the report for the 2nd quarter can be read on www.akzonobel.com/quarterlyresults.

Note to editors – not for publication

AkzoNobel is proud to be one of the world's leading industrial companies. Based in Amsterdam, the Netherlands, we make and supply a wide range of paints, coatings and specialty chemicals - 2008 revenue totaled €15.4 billion. In fact, we are the largest global paints and coatings company. As a major producer of specialty chemicals we supply industries worldwide with quality ingredients for life's essentials. We think about the future, but act in the present. We're passionate about introducing new ideas and developing sustainable answers for our customers. That's why our 59,000 employees - who are based in more than 80 countries - are committed to excellence and delivering Tomorrow's Answers Today™.

Not for publication – for more information

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