



Press release

AkzoNobel
Tomorrow's Answers Today

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Resilient performance demonstrates strong fundamentals

- Revenue and EBITDA in constant currencies ahead 9 and 5 percent
- Strong EBITDA margin of 13.6 percent
- Benefiting from geographical spread – 35 percent of business in emerging markets
- Earnings per share from continuing operations before incidentals up 5 percent
- Almost €1 billion of €3 billion share buyback completed
- ICI integration ahead of schedule
- Outlook 2008 – EBITDA before incidentals, in constant currencies, close to 2007 pro forma of €1,870 million

AkzoNobel's results for the second quarter indicate underlying growth, in constant currencies, in all three business areas, with the company reporting underlying growth of 8 percent. Specialty Chemicals and Performance Coatings led the way, realizing underlying growth of 13 and 7 percent respectively. The company was therefore more than able to offset the 7 percent adverse currency impact. Net income from continuing operations before incidentals and fair value adjustments was down 6 percent, with earnings per share from continuing operations before incidentals up by 5 percent.

"AkzoNobel showed a resilient performance to the changing world economy in the first half of the year," commented CFO Keith Nichols. "Our strong fundamentals are a proof point of our major transformation, while we have benefited from our geographic spread. Various management initiatives designed to achieve growth in revenue and profits and careful control of our cost base have protected our margins."

Financial highlights

€ million	Q2 2008	Q2 2007**	% change
Revenue reported	3,870	3,791	2
- in constant currencies	4,136	3,791	9
EBITDA* reported	526	542	(3)
- in constant currencies	568	542	5
EBITDA* margin, in %	13.6	14.3	
- in constant currencies	13.7	14.3	
EBIT* (before fair value adjustments)	418	429	(3)
EBIT* margin, in % (before fair value adjustments)	10.8	11.3	
Earnings per share, in €	0.91	0.87	5
Net income* (before fair value adjustments)	258	274	(6)
Total net income	184	225	

* Continuing operations before incidentals

** Pro forma

Leading brands, market positions and a good performance in the emerging markets maintained margins in Decorative Paints. In Performance Coatings, AkzoNobel realized a good sales and volume mix, notably in Marine & Protective Coatings. Specialty Chemicals' growth was mainly driven by Surface Chemistry and Chemicals Pakistan.

Total revenue developed as follows:

In % versus Q2 2007 pro forma	TOTAL	VOLUME	PRICE	CURRENCY	ACQUISITIONS /DIVESTMENTS
Decorative Paints	(4)	1	-	(6)	1
Performance Coatings	1	3	4	(7)	1
Specialty Chemicals	6	5	8	(7)	-
AkzoNobel	2	4	4	(7)	1

Decorative Paints – geographical spread allows for stable margins

Decorative Paints achieved continued double-digit growth in Asia and Latin America, contributing to a revenue increase of 2 percent in constant currencies. The business faced an adverse currency impact of 6 percent, but thanks to our market-leading brands, the EBITDA margin remained consistent with Q2 2007 at 13.8 percent. Sales in European local currencies remained ahead of last year, with the exception of the UK, which was 3% lower. The US business diminished 7 percent in local currencies. The recently implemented US Decorative Paints strategy emphasizes the importance of maintaining volume market share, growth by focusing on selected end-user segments, implementing further cost reductions and improving margins.

Performance Coatings – EBITDA margin up at 13.7 percent

Overall, Performance Coatings achieved strong underlying growth of 7 percent, although this was counterbalanced by the impact of currencies (7 percent). Volumes were up 3 percent and we realized a price increase of 4 percent. Marine & Protective Coatings was the outstanding performer, putting in an excellent quarter. EBITDA was up 7 percent due to improved margins and cost control, and the EBITDA margin rose to 13.7 percent.

Specialty Chemicals – securing top-line growth

It was a stable second quarter for Specialty Chemicals compared with the same period last year. Underlying growth was 13 percent, with price increases contributing 8 percent and volume growth 5 percent. Negative currency impact was 7 percent. Higher raw materials and energy prices led to a lower EBITDA margin of 16 percent. EBITDA, in constant currencies, was up 10 percent with an improved operating result, compared to 2007, in Surface Chemistry and Chemicals Pakistan. Pulp & Paper Chemicals experienced weaker demand and higher energy prices in the second quarter.

Incidentals

Incidental charges of €86 million caused EBIT after incidentals in the second quarter to decline to €299 million. The transformation costs of €72 million included €55m related to impairments of the Decorative Paints businesses being sold under the commitment packages agreed with the European and Canadian authorities. The Canadian business was sold on June 30, 2008. These impairments affected gross profit on an incidental basis and were not taken into account in the pro forma 2007 numbers.

Cash position

During the second quarter of 2008, cash and cash equivalents improved significantly as the on-sale to Henkel was finalized on April 3. This resulted in cash receipts of €3.6 billion before final settlement adjustments. The incoming proceeds were used to redeem our outstanding bridge facility of €0.6 billion, and to reduce the commercial paper program in April and May by €1.2 billion. The remaining proceeds will be used for our share buyback program, which started during the first quarter of 2008. Total cash spent on the program at the end of July was €1 billion. Shareholders received €0.4 billion as dividend.

ICI integration process ahead of schedule

The integration of ICI is ahead of schedule and we are making good progress in capturing the €340 million of synergies which we communicated earlier. The actions for realizing these synergies have been identified across all of our businesses and monitoring systems are now in place to ensure that we remain on target. The former ICI headquarters in London have been closed. We have integrated our sales and export organizations, while contracts for purchasing and distribution are currently being re-negotiated. Projects to track and improve plant performance have started, combined standardized IT systems are being implemented and, in finance, one reporting and consolidation system has been established.

AkzoNobel will be hosting an Investor and Analyst Day in London on September 29, 2008, when the company will provide a detailed update on the integration process and the company's strategy.

Outlook

"For the remainder of the year, we anticipate weaker economic conditions in some of our mature markets and raw material and energy price increases show no signs of easing," added CFO Keith Nichols. "We are focused on the management of our margins and we are accelerating the realization of synergies from the acquisition of ICI. Based on our latest forecast, we do not expect our reported 2008 EBITDA before incidentals to match the 2007 pro forma level of €1,870 million, although we expect to be close in constant currencies."

AkzoNobel is building a business with solid medium and long-term fundamentals, and the focus will continue to be on:

- 1) Making further significant progress with the integration of the retained former ICI businesses
- 2) Outgrowing our markets
- 3) Improving our EBITDA margin to the upper half of our peer group.

The second quarter results are unaudited. The Report for the second quarter is attached and can be read on the company's corporate website 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 - pro forma 2007 revenue totaled €14.4 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 60,000 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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