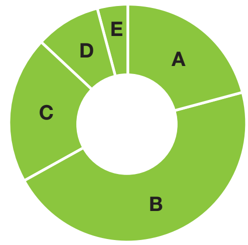
10 Report for the 1st quarter of 2010

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

(Based on 2009 outcome)



Our results at a glance

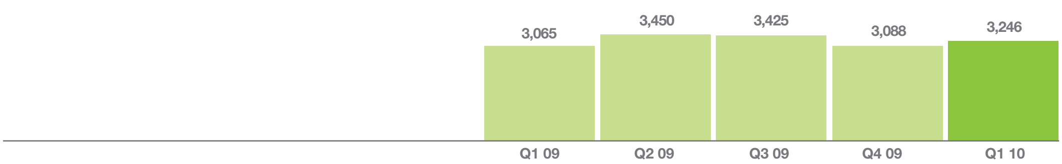
- Improved volumes in March in most businesses underpins revenue growth of 6 percent
- Stronger demand in high growth markets and some of our industrial markets; mature markets stable
- EBITDA was €399 million (2009: €289 million) at 12.3 percent (2009: 9.4 percent)
- Margin management and cost reduction programs supported EBITDA growth of 38 percent
- Net earnings improved to €81 million
- National Starch classified as a discontinued operation
- Outlook – cautiously optimistic

Financial highlights

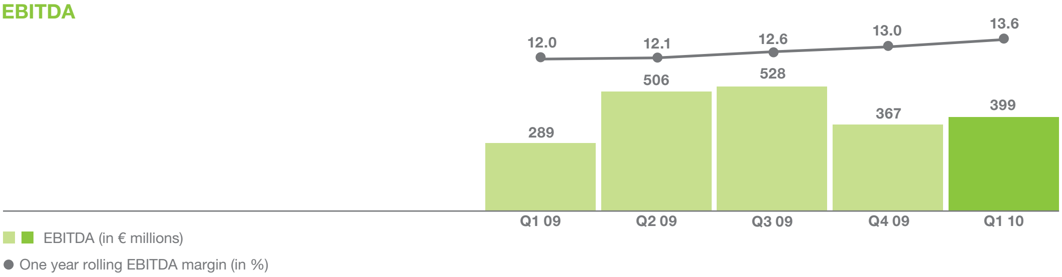
IN € MILLIONS	1ST QUARTER		
	2010	2009 [1]	Δ%
Continuing operations before incidentals			
Revenue	3,246	3,065	6
EBITDA	399	289	38
EBITDA margin (in %)	12.3	9.4	
EBIT	258	150	72
EBIT margin (in %)	7.9	4.9	
Moving average ROI (in %)	10.1	8.6	
After incidentals			
Operating income	224	110	
Net income from continuing operations	70	(14)	
Net income from discontinued operations	11	7	
Net income/(loss) total operations	81	(7)	
Earnings per share from continuing operations (in €)	0.30	(0.06)	
Earnings per share from total operations (in €)	0.35	(0.03)	
Capital expenditures	97	96	
Net cash from operating activities	(525)	(317)	
Interest coverage	2.5	1.0	
Invested capital	12,581	12,539	
Net debt	2,313	2,508	
Number of employees	54,480	57,400	

[1] Restated for comparative presentation.

Revenue
IN € MILLIONS



EBITDA



Financial highlights

Revenue increased by 6 percent to €3,246 million (2009: €3,065 million), mainly due to a volume increase of 10 percent. Demand was stronger in the high growth markets and in some of our industrial markets. As a consequence, EBITDA increased by 38 percent to €399 million (2009: €289 million), benefitting from cost reduction initiatives. The one year rolling EBITDA margin was 13.6 percent. However, we are experiencing upward pricing pressure for raw materials.

Revenue

- The Decorative Paints business got off to a good start in 2010, with revenue up 7 percent due to a 5 percent increase in volume. In higher growth markets, the revenue growth has been strong (revenue in Asia up 30 percent) whereas in the mature markets revenue is stable compared with the previous year.
- It was a strong first quarter for Performance Coatings, with revenue increasing 6 percent. There has been recovery though most businesses are still below pre-recessionary levels. During Q1, volume recovery was evident in all businesses with the exception of the late-cycle Marine and Protective Coatings business.
- In Specialty Chemicals, the increase in demand evident in late 2009 gained momentum in the first quarter of 2010. The combination of restocking, market share gains, and improved fundamental demand led to an increase in volume of 15 percent in the quarter. Average pricing was relatively stable versus Q4 2009, but was 6 percent below first quarter 2009 levels.

Acquisitions and divestments

The impact of acquisitions and divestments on revenue is mainly due to divestments in 2009, such as the non-stick divestment from Powder Coatings in Performance Coatings and the PTA activities from Chemicals Pakistan.

Discontinued operations

Recently, AkzoNobel has received renewed expressions of interest in National Starch. In accordance with the requirements of IFRS 5,"Non-current Assets Held for Sale and Discontinued Operations", we have reclassified National Starch into discontinued operations. As a consequence, the 2009 comparatives in the statements of income and cash flows have been revised. For more details, see page 18.

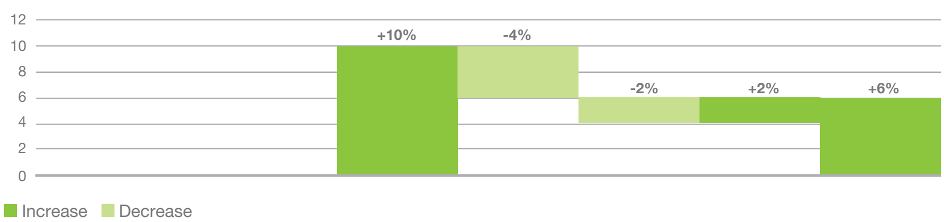
EBITDA

EBITDA totaled €399 million, 38 percent higher than in 2009, with the EBITDA margin at 12.3 percent (2009: 9.4 percent). With operating costs lower, the incremental margin from recovering demand was largely delivered into EBITDA.

Revenue

IN € MILLIONS	1ST QUARTER 2010	2009	Δ%
Decorative Paints	1,056	988	7
Performance Coatings	1,048	986	6
Specialty Chemicals	1,154	1,092	6
Other activities/eliminations	(12)	(1)	
Total	**3,246**	3,065	6

Revenue development Q1 2010



IN % VERSUS Q1, 2009	VOLUME	PRICE	ACQUISITIONS/ DIVESTMENTS	EXCHANGE RATES	TOTAL
Decorative Paints	5	(1)	–	3	7
Performance Coatings	8	(3)	(1)	2	6
Specialty Chemicals	15	(6)	(5)	2	6
Total	**10**	**(4)**	**(2)**	**2**	**6**

VOLUME DEVELOPMENT PER QUARTER	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
Decorative Paints	(16)	(10)	(9)	–	5
Performance Coatings	(20)	(19)	(11)	(2)	8
Specialty Chemicals	(16)	(18)	(6)	4	15
Total	**(17)**	**(16)**	**(8)**	**1**	**10**

PRICE DEVELOPMENT PER QUARTER	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
Decorative Paints	7	4	4	(1)	(1)
Performance Coatings	6	5	5	(3)	(3)
Specialty Chemicals	3	5	(5)	(9)	(6)
Total	**5**	**5**	**(1)**	**(5)**	**(4)**

Financial highlights

- In Decorative Paints, synergies and restructuring benefits have contributed to a better result. EBITDA margin is 7.8 percent, an improvement compared with Q1 2009 (4.9 percent). In line with our strategy, we have increased advertising and promotion spend by 0.5 percent of sales, to accelerate growth in the key high growth markets.
- In Performance Coatings, overall margins improved during the quarter, but declined from the levels in Q4 of 2009. The higher growth markets displayed the most visible signs of recovery.
- In Specialty Chemicals, product mix and sustained margin management efforts led to an improvement in margin for the quarter, though raw material prices have increased following higher oil and feedstock prices. With operating costs well controlled, the incremental contribution margin was largely delivered to the bottom line.

Raw materials

We expect our average raw material costs to increase by around 5 percent in 2010. Since Q4 2009, we have seen raw material prices starting to increase. This is mainly driven by the rising oil and oil derivative prices, the strengthening of the US dollar, increased demand (especially in Asia Pacific), force majeure situations for some basic materials, and unplanned shutdowns at some of our key raw material suppliers. We expect continued raw material price pressure into Q2 and Q3 with an expected stabilization in Q4 2010, albeit at a higher level than compared with Q4 2009. We will continue to focus on margin management.

EBIT in "other"

Corporate costs are lower than last year as a result of cost savings programs. The pension cost in Other are less positive due to a lower correction for interest cost (higher expected return on plan assets). The positive result from our captive insurance companies was lower than the previous year, mainly due to a business interruption claim. Other costs were higher than 2009, due to higher share-based compensation and some company projects.

EBITDA

IN € MILLIONS	1ST QUARTER 2010	2009	Δ%
Decorative Paints	82	48	71
Performance Coatings	143	105	36
Specialty Chemicals	207	151	37
Other activities/eliminations	(33)	(15)	
Total	**399**	**289**	**38**

Incidentals included in operating income

IN € MILLIONS	1ST QUARTER 2010	2009
Restructuring costs	(17)	(47)
Results related to major legal, antitrust and environmental cases	(9)	6
Results on acquisitions and divestments	1	9
Other incidental results	(9)	(8)
Incidentals included in operating income	**(34)**	**(40)**

EBIT in “other”

IN € MILLIONS	1ST QUARTER 2010	2009
Corporate costs	(20)	(27)
Pensions	2	8
Insurances	2	9
Other	(22)	(10)
EBIT in “other”	**(38)**	**(20)**

Incidental items included in operating income

Restructuring activities are ongoing, mainly in Decorative Paints in Europe. Incidental charges included an addition to environmental provisions as new information became available. Other incidental results included a €7 million loss from the devaluation of the Venezuelan bolivar.

Interest

The net financing charges decreased by €17 million to €88 million (2009: €105 million). This change was mainly due to:

- Financing expenses on pensions which decreased by €20 million to €25 million (2009: €45 million), mainly due to higher returns on plan assets.
- Higher interest of €5 million on our refinanced debt.

Tax

The year-to-date tax rate is 38 percent, due to a law change in the US regarding deductibility of healthcare-related costs (€8 million reduction of deferred tax asset) and non-deductible costs related to a devaluation loss in Venezuela. Excluding these incidental items the year-to-date tax rate would have been 29 percent.

Decorative Paints

- Revenue up 7 percent, volumes up 5 percent
- EBITDA at €82 million (2009: €48 million)
- EBITDA margin 7.8 percent (2009: 4.9 percent)
- Ongoing restructuring contributed to better results in the mature economies
- Significant growth in higher growth markets; mature markets stable
- An increase of 0.5 percent of sales in advertising and promotion

The Decorative Paints business got off to a good start in 2010, with revenue up 7 percent (including a favorable currency translation effect of 3 percent), due to a 5 percent increase in volume. In growth markets, revenue growth was strong (Asia increased 30 percent), while revenue remained stable in the mature markets compared with the previous year. Synergies and restructuring benefits contributed to better results in the mature economies. The EBITDA margin was 7.8 percent, an improvement compared with the previous year (2009: 4.9 percent) despite severe winter conditions in the Northern Hemisphere and a weak commercial property market. In line with our strategy, we have increased our spend in advertising and promotion by 0.5 percent of sales, to accelerate growth in the key high growth markets.

Europe

Weak market and cold weather had an adverse effect on volumes, particularly in the first two months of the quarter. The professional market was particularly weak. Margins were stable compared with 2009, although inflationary effects in raw materials and packaging are starting to show. In the UK, the retail market had a solid quarter based on very strong promotional activity by both Homebase and B&Q. Restructuring has been ongoing in Germany and Northern Europe. The closure and integration of multiple sites across Europe is running according to plan.

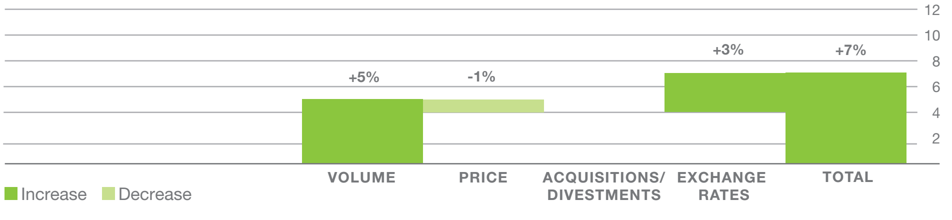
Americas

In the US, revenue was 5 percent below the previous year (in constant currencies), driven by the lower sales volumes in the stores business. The US stores business experienced another challenging quarter, with margin pressure being felt by competitors in most major markets. DIY had a strong quarter compared with the previous year due to higher volumes of Glidden Premium and successful sales promotions on Martin Luther King Day and President's Day. The rollout of the Martha Stewart Living paint is nearly completed. Advertising and promotion spend is underway in the form of television, mass print and other channels.

Canada achieved a strong volume increase, especially in the retail business. Trade volumes were somewhat slow – especially in the high performance segment. Our sealant and adhesives plant in St Hubert, will be closed towards the end of the year.

During Q1, Latin America reported an increase in revenue driven by volume increases in all countries. We also continued our "Tudo de cor para você" (Everything in color) community program. The initiative involves restoring and repainting the façades of houses situated in traditional neighborhoods of various Brazilian cities.

Revenue development Q1 2010



Decorative Paints

Asia

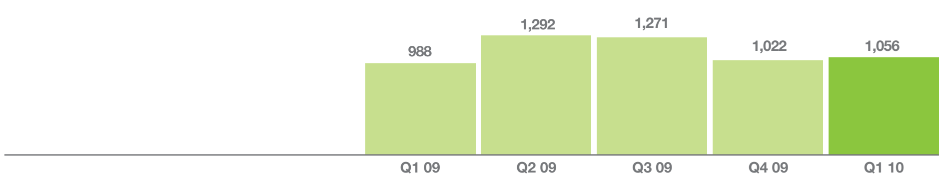
Revenue growth in Asia was significant compared with 2009 (up 30 percent), with all countries contributing. The improvement was helped by a substantial increase in brand investments across all key markets. In China, volumes increased by 40 percent and we continued to extend our distribution and invest to further accelerate growth of market share. We started a campaign for our Dulux product Safe & Beautiful Home Odorless through CCTV, a major national television channel. We rolled out a customized marketing program for individual cities to develop our Dulux store network in some 15 cities.

We launched new products in China, Malaysia and Thailand. In India, we invested in a media campaign to help further build the Dulux brand. A key focus of the Asian region is on our eco-premium range of products. In Indonesia, the Singapore Green Label certification has been obtained.

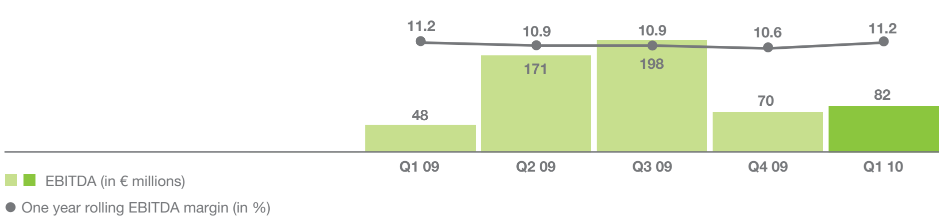
IN € MILLIONS	1ST QUARTER		
	2010	2009[1]	Δ%
Revenue			
Decorative Paints Europe	560	544	3
Decorative Paints Americas	339	323	5
Decorative Paints Asia	159	122	30
Other/intragroup eliminations	(2)	(1)	
Total	**1,056**	**988**	**7**
Before incidentals			
EBITDA	82	48	71
EBITDA margin (in %)	7.8	4.9	
EBIT	34	1	
EBIT margin (in %)	3.2	0.1	
Moving average ROI (in %)	5.2	4.9	
After incidentals			
Operating income	19	(15)	
Capital expenditures	23	18	
Invested capital	6,520	6,377	
Number of employees	21,590	23,690	

[1] Restated.

Revenue
IN € MILLIONS



EBITDA



Performance Coatings

- Revenue increased by 6 percent, volumes up 8 percent
- EBITDA up 36 percent at €143 million (2009: €105 million)
- EBITDA margin at 13.6 percent (2009: 10.6 percent)
- Strong volume recovery continues
- Lower Marine maintenance activity
- Restructuring programs continued to deliver savings

It was a strong Q1 for Performance Coatings, with revenue increasing 6 percent, including a favorable currency translation effect of 2 percent. After a difficult Q1 last year – with reduced volumes for most of our businesses – there has been recovery throughout the year, although most businesses are still below pre-recessionary levels. During Q1, volume recovery was evident in all businesses, with the exception of the late-cycle Marine and Protective Coatings business. Overall margins improved during the quarter, but declined from the levels of Q4 2009. The higher growth markets displayed the most visible signs of recovery. All businesses benefited from margin management and cost reduction programs, resulting in an EBITDA of €143 million, 36 percent higher than in Q1 2009. The EBITDA margin was 13.6 percent (Q1 2009: 10.6 percent).

Marine and Protective Coatings

It was a slower Q1, with activity levels down compared with 2009. Revenue declined 6 percent, but we maintained a strong financial performance on lower volume. Reduced demand in Marine was driven by lower activities in "deep sea" maintenance. In Protective Coatings, the increase in heavy industry was offset by a slowdown in oil and gas activities, resulting in slightly lower activity overall. With lower revenue and increasing raw material prices, an increasing focus is being given to controlling cost levels. Yacht had a strong start to the year, with volumes ahead of Q1 2009, driven by sales into the European superyacht market and distributor restocking in the US. During January, we closed the acquisition of Camcoat Micron – a marine and protective distributor in the Canadian market.

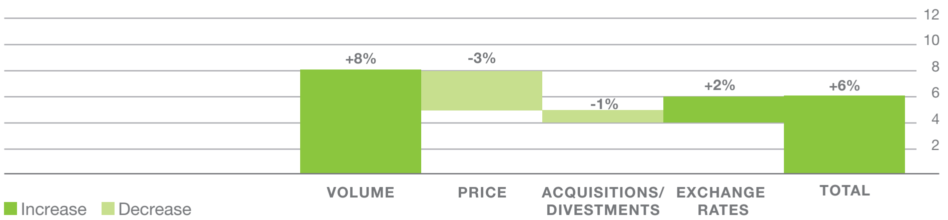
Wood Finishes and Adhesives

Revenue increased 9 percent over the previous year. This was mainly due to a positive currency effect, the SABA and Kronospan acquisitions and increased demand. Recovery in demand varied by region, with high growth markets leading the way, especially Asia where the Wood business improved significantly. The Asian furniture export market has seen a substantial increase in demand over 2009. The domestic furniture business in China is also contributing to top line growth. The mature markets remain weak, particularly North America, where the housing recovery showed no signs of improvement affecting our Wood business. Our Adhesives business in Europe saw signs of improvement over 2009, while margin management initiatives in the various businesses compensated for increased raw material pricing in all segments.

Car Refinishes

Total revenue was up 8 percent, mainly due to higher volumes in Commercial Vehicles and Automotive Plastics Coatings. Mix effects in the portfolio were mitigated by margin management efforts. In Vehicle Refinish, revenue was above the previous year, mainly due to continued growth in Asia, while market conditions remained soft in Western Europe and North America. Margin management initiatives offset the change in the product mix versus 2009. The Commercial Vehicle segment showed a strong recovery compared with the previous year, especially in the Americas and Asia. Approval was received from Daimler Benz for use of our primerless waterborne basecoat system in China on plastic bumpers and rocker panels. The business also received approval from Toyota Motors for global use of Sikkens Autoclear LV Exclusive, our scratch resistant, self-healing clear coat.

Revenue development Q1 2010



Performance Coatings

Powder Coatings

There was clear volume and revenue improvement compared with 2009, but we are still below pre-recessionary levels. Revenue increased 10 percent over the previous year. High growth markets in Europe and Asia continued to show higher growth, both in volume and revenue, while some growth was visible in mature markets following the low levels of Q1 2009. The Functional activities were hit by the recession at a later stage and were below Q1 2009, however they improved over Q4 2009. Margin management initiatives partly mitigated some of the raw material increases. Our Powder Coatings business has become the first coating supplier selected to work with IKEA in developing its 2013 color/finish range, together with our Wood Finishes and Adhesives business. During Q4 2009, Powder Coatings announced the acquisition of the powder coatings assets of the Dow Chemical Company, which will further strengthen our activities in Europe and North America.

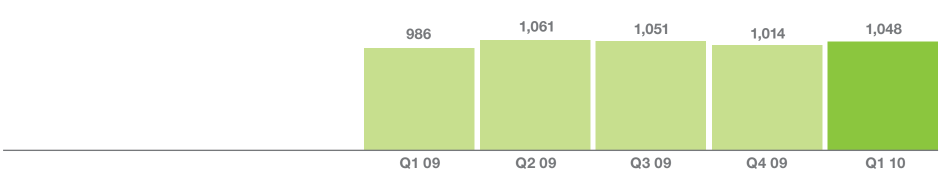
Industrial Coatings

We achieved a strong quarter, with volume up 17 percent compared with 2009. This was mainly due to a significant volume increase in Coil Coatings in Asia and the US. Specialty Plastics Coatings experienced a volume increase, with a volume loss in Asia being offset by growth in the Americas and Europe. In Packaging, Q1 volume was ahead of last year, mainly driven by an exceptional performance in Asia Pacific and Latin America. The Packaging business in Europe was more stable and achieved an increase in volumes. Packaging Coatings in Latin America recently launched Vitalure 740, a new product line consisting of an interior coating and side seam stripe for paint cans. The can liner protects the steel can against corrosion from the paint and extends the "best by" time limit for the paint from two to three years, an increase of 50 percent.

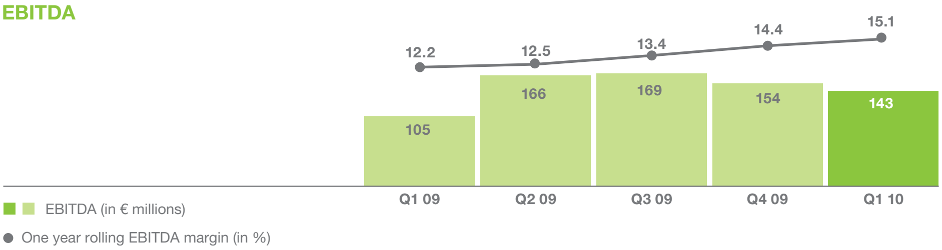
IN € MILLIONS	1ST QUARTER		
	2010	2009 [1]	Δ%
Revenue			
Marine & Protective Coatings	298	317	(6)
Wood Finishes and Adhesives	178	163	9
Car Refinishes	227	210	8
Powder Coatings	156	142	10
Industrial Coatings	193	160	21
Other/intragroup eliminations	(4)	(6)	
Total	**1,048**	986	6
Before incidentals			
EBITDA	143	105	36
EBITDA margin (in %)	13.6	10.6	
EBIT	118	80	48
EBIT margin (in %)	11.3	8.1	
Moving average ROI (in %)	27.8	22.0	
After incidentals			
Operating income	101	75	
Capital expenditures	13	11	
Invested capital	1,971	2,061	
Number of employees	20,150	20,540	

[1] Restated.

Revenue
IN € MILLIONS



EBITDA



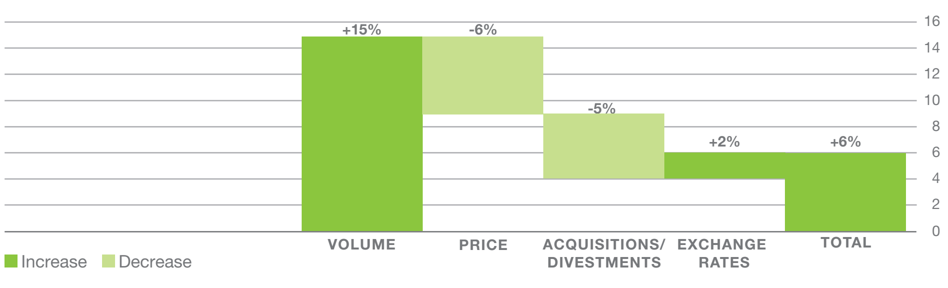
Specialty Chemicals

- Revenue increase of 6 percent, volumes up 15 percent
- Broad demand improvement in both mature and high growth markets
- EBITDA increased 37 percent to €207 million (2009: €151 million)
- EBITDA margin 17.9 percent (2009: 13.8 percent)
- Strong results in all units, most notably Functional Chemicals and Surface Chemistry
- Divestment of PTA Pakistan had a decreasing effect on revenue of 5 percent
- National Starch activities reclassified into discontinued operations

The increase in demand evident in late 2009 gained momentum during the first quarter of 2010. Nearly all businesses experienced a recovery in demand in the mature markets, while strong growth also returned to higher growth markets. Accordingly, the combination of restocking, market share gains and improved fundamental demand led to a volume increase of 15 percent in the quarter. Average pricing was relatively stable versus Q4 2009, but was 6 percent below Q1 2009 levels. The divestment effect of 5 percent reflects the sale of our stake in PTA Pakistan. Overall, revenue increased 6 percent compared with Q1 2009, including a favorable currency translation effect of 2 percent.

Product mix and sustained margin management efforts led to margin improvement for the quarter, although raw material costs increased due to higher oil and feedstock prices. In addition, cost containment and cost reduction initiatives favorably impacted our cost base. With operating costs well controlled, the incremental contribution margin was largely delivered to the bottom line. As a result, EBITDA was €207 million, 37 percent above Q1 last year. As percentage of revenue, the EBITDA margin was 17.9 percent (2009:13.8 percent).

Revenue development Q1 2010



Functional Chemicals

Impressive results were delivered during the quarter, driven by more favorable conditions. Volumes experienced a 20 percent rebound versus Q1 2009 and were even above pre-recession levels in some segments. The season (typically tied to construction and agriculture related segments) picked up after the Chinese New Year and was further supported by shipments related to production outages or delayed start-ups at our competitors. Despite some pressure on prices – which was offset by favorable currency developments – overall revenue jumped 18 percent versus last year.

Although prices increased for most raw materials, margin management and close scrutiny of fixed costs impacted the bottom line performance. Last year's cost reduction initiatives continued to deliver and the synergies from the merger of the former Polymer Chemical activities are materializing.

Industrial Chemicals

The wintry conditions and encouraging demand for chemical transformation salt resulted in excellent salt volumes during the first quarter. The high production levels subsequently stimulated energy sales. Chlorine and caustic lye volumes lagged behind due to soft demand and interruptions at our Rotterdam cluster. Total volume was up 16 percent. However, as a result of price developments, revenue was 5 percent above the previous year.

Despite the negative price effect, margins held up well, driven by favorable results for energy and positive mix effects. In addition, continued attention on cost control contributed to the good performance. The integration of LII has been successfully completed. The construction and start-up of the expansion projects in China are progressing well, with the official opening of our Taixing MCA plant extension in early April.

Surface Chemistry

Demand recovered to near pre-recessionary levels. The agriculture, mining and industrial applications experienced strong demand, while the consumer-related segments (such as personal care, fabric softening and cleaning) grew to a lesser extent (as they were less impacted by the recession). All regions recorded growth and the improved market demand appears to be more sustainable than inventory restocking. Overall revenue increased by 15 percent, driven by double-digit volume growth (of 21 percent), but was offset by a decline in price. Favorable currency development supported the overall revenue increase.

Specialty Chemicals

Raw material costs are trending upward, driven by higher oil prices and tight supply on certain key materials, but have had limited effect due to margin management. The business strictly controlled fixed costs, thus the incremental margin was passed on to the bottom line performance.

Pulp and Paper Chemicals

Volumes recovered during Q1, showing encouraging signs in all regions, with developments being particularly strong in the specialty products range. Driven by higher capacity utilization at pulp and paper mills, volumes rose 10 percent compared with the same quarter last year. The business did experience some price pressure in mature markets, which was partly offset by favorable currency exchange effects. Revenue increased 6 percent compared with Q1 2009. Increased variable costs, such as energy and key raw materials, were compensated by favorable mix effects. Various reorganization and cost efficiency projects are still being implemented and are contributing to the overall result. The business also achieved another milestone in the roll-out of an integrated global ERP solution.

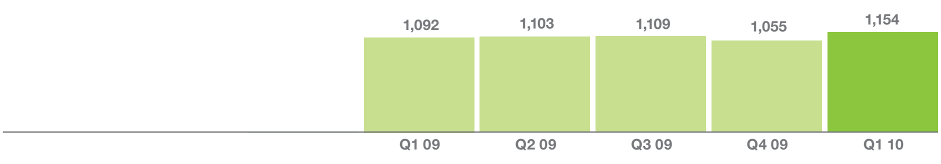
Chemicals Pakistan

Revenue was 42 lower than last year, however, excluding the divestment of our PTA activities in Pakistan during Q3 last year, it would have been 4 percent up. The remaining businesses in Pakistan cover a wide array of activities including soda ash, polyester staple fibers, life sciences and general chemicals. These activities showed a respectable performance during Q1, despite depreciation of the rupee and persistent gas and electricity outages.

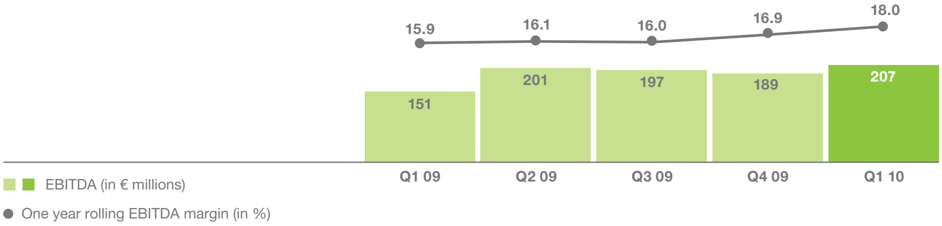
IN € MILLIONS	1ST QUARTER		
	2010	2009 [1]	Δ%
Revenue			
Functional Chemicals	419	354	18
Industrial Chemicals	256	244	5
Surface Chemistry	202	176	15
Pulp and Paper Chemicals	241	228	6
Chemicals Pakistan	68	117	(42)
Other/intragroup eliminations	(32)	(27)	
Total	**1,154**	1,092	6
Before incidentals			
EBITDA	207	151	37
EBITDA margin (in %)	17.9	13.8	
EBIT	144	89	62
EBIT margin (in %)	12.5	8.2	
Moving average ROI (in %)	17.1	14.2	
After incidentals			
Operating income	126	71	
Capital expenditures	57	62	
Invested capital	3,440	3,167	
Number of employees	11,100	11,260	

[1] Restated for comparative presentation.

Revenue
IN € MILLIONS



EBITDA



Condensed financial statements

Consolidated statement of income

IN € MILLIONS	1ST QUARTER 2010	2009[1]
Continuing operations		
Revenue	3,246	3,065
Cost of sales	(1,911)	(1,875)
Gross profit	**1,335**	**1,190**
Selling expenses	(772)	(733)
General and administrative expenses	(255)	(269)
Research and development expenses	(77)	(77)
Other operating income/(expenses)	(7)	(1)
Operating income	**224**	**110**
Financing income	12	10
Financing expenses related to pensions	(25)	(45)
Other financing expenses	(75)	(70)
Results from associates and joint ventures	5	4
Profit before tax	**141**	**9**
Income tax	(53)	(5)
Profit for the period from continuing operations	**88**	**4**
Discontinued operations		
Profit for the period from discontinued operations	11	7
Profit for the period	**99**	**11**
Attributable to:		
- Shareholders of the company	81	(7)
- Minority interests	18	18
Profit for the period	**99**	**11**
Earnings per share from continuing operations (in €):		
- Basic	0.30	(0.06)
- Diluted	0.30	(0.06)
Earnings per share from discontinued operations (in €):		
- Basic	0.05	0.03
- Diluted	0.05	0.03
Earnings per share from total operations (in €):		
- Basic	0.35	(0.03)
- Diluted	0.35	(0.03)

[1] Restated for comparative presentation.

Information on segments and incidentals

IN € MILLIONS	1ST QUARTER 2010	2009 [1]	Δ%
Revenue			
Decorative Paints	1,056	988	7
Performance Coatings	1,048	986	6
Specialty Chemicals	1,154	1,092	6
Other activities/eliminations	(12)	(1)	
Total	**3,246**	**3,065**	6
EBITDA			
Decorative Paints	82	48	71
Performance Coatings	143	105	36
Specialty Chemicals	207	151	37
Other activities/eliminations	(33)	(15)	
Total	**399**	289	38
EBITDA margin (in %)	**12.3**	9.4	
EBIT			
Decorative Paints	34	1	
Performance Coatings	118	80	48
Specialty Chemicals	144	89	62
Other activities/eliminations	(38)	(20)	
Total	**258**	150	72
EBIT margin (in %)	**7.9**	4.9	
Operating income/(loss)			
Decorative Paints	19	(15)	
Performance Coatings	101	75	35
Specialty Chemicals	126	71	77
Other activities/eliminations	(22)	(21)	
Total	**224**	110	104
Incidentals included in operating income			
Restructuring costs	(17)	(47)	
Results related to major legal, antitrust and environmental cases	(9)	6	
Results on acquisitions and divestments	1	9	
Other incidental results	(9)	(8)	
Total	**(34)**	(40)	
Incidentals per line item			
Cost of sales	(16)	(15)	
Selling expenses	(5)	(6)	
General and administrative expenses	(7)	(13)	
Other operating income/(expenses)	(6)	(6)	
Total	**(34)**	(40)	

[1] Restated for comparative presentation.

Consolidated statement of comprehensive income

IN € MILLIONS	1ST QUARTER 2010	2009
Profit/(loss) for the period	99	11
Other comprehensive income		
Exchange differences arising on translation of foreign operations	436	268
Cash flow hedges	(9)	9
Income tax relating to components of other comprehensive income	2	(3)
Other comprehensive income for the period (net of tax)	**429**	**274**
Comprehensive income for the period	**528**	285
Comprehensive income attributable to:		
Shareholders of the company	489	263
Minority interests	39	22
Comprehensive income for the period	**528**	285

Changes in equity

IN € MILLIONS	SUBSCRIBED SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	CASHFLOW HEDGE RESERVE	REVALUATION RESERVES	CUMULATIVE TRANSLATION RESERVES	OTHER (STATUTORY) RESERVES AND UNDISTRIBUTED PROFIT	SHAREHOLDERS' EQUITY	MINORITY INTERESTS	TOTAL EQUITY
Balance at January 1, 2009	463	–	(49)	–	(1,130)	8,179	7,463	450	7,913
Profit/(loss) for the period	–	–	–	–	–	(7)	(7)	18	11
Other comprehensive income	–	–	6	–	264	–	270	4	274
Comprehensive income for the period	–	–	6	–	264	(7)	263	22	285
Dividend paid	–	–	–	–	–	–	–	(2)	(2)
Equity-settled transactions	–	–	–	–	–	6	6	–	6
Issue of common shares	1	–	–	–	–	(1)	–	–	–
Acquisition and divestments	–	–	–	–	–	–	–	13	13
Balance at March 31, 2009	464	–	(43)	–	(866)	8,177	7,732	483	8,215
Balance at January 1, 2010	**465**	**2**	**(6)**	**7**	**(777)**	**8,084**	**7,775**	**470**	**8,245**
Profit/(loss) for the period	–	–	–	–	–	81	81	18	99
Other comprehensive income	–	–	(7)	–	415	–	408	21	429
Comprehensive income for the period	**–**	**–**	**(7)**	**–**	**415**	**81**	**489**	**39**	**528**
Dividend paid	–	–	–	–	–	–	–	(8)	(8)
Equity-settled transactions	–	–	–	–	–	8	8	–	8
Issue of common shares	2	1	–	–	–	(2)	1	–	1
Balance at March 31, 2010	**467**	**3**	**(13)**	**7**	**(362)**	**8,171**	**8,273**	**501**	**8,774**

Condensed consolidated balance sheet

IN € MILLIONS	MARCH 31 2010	DECEMBER 31 2009
Intangible assets	7,114	7,388
Property, plant and equipment	3,222	3,474
Other financial non-current assets	2,013	1,783
Total non-current assets	**12,349**	**12,645**
Inventories	1,458	1,441
Trade and other receivables	2,853	2,564
Cash and cash equivalents	1,553	2,128
Other current assets	169	102
Assets held for sale	1,232	–
Total current assets	**7,265**	**6,235**
Total assets	**19,614**	**18,880**
Shareholders' equity	8,273	7,775
Minority interest	501	470
Total equity	**8,774**	**8,245**
Provisions and deferred tax liabilities	2,415	2,593
Long-term borrowings	3,519	3,488
Total non-current liabilities	**5,934**	**6,081**
Short-term borrowings	347	384
Trade and other payables	2,934	2,866
Other short-term liabilities	1,274	1,304
Liabilities held for sale	351	–
Total current liabilities	**4,906**	**4,554**
Total equity and liabilities	**19,614**	**18,880**
Shareholders' equity per share (in €)	35.48	33.48
Number of shares outstanding (in millions)	233.2	232.3
Invested capital	12,581	11,732 [1]

[1] Restated for comparative presentation.

Basis for dividend pay-out

IN € MILLIONS	1ST QUARTER 2010	2009
Net income attributable to shareholders	81	(7)
Add back: impact of incidentals and discontinued operations net of tax	35	7
Add back: impact of amortization and depreciation of ICI assets net of tax	27	28
Basis for dividend pay-out	**143**	**28**

Shareholders' equity

Shareholders' equity as at March 31, 2010 increased to €8.3 billion, due to:

- Net income of €81 million
- Changes in the cumulative translation reserves of €415 million, due to stronger currencies, among others the US dollar.

Pensions

The funded status of the pension plans at March 31, 2010, was estimated to be a deficit of €1.8 billion (year-end 2009: €1.9 billion). The movement is due to:

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

Workforce

At the end of Q1, 2010, our workforce for ongoing activities had decreased to 54,480 employees (year-end 2009, 54,740 employees). The number of employees at year-end 2009 was restated to reflect the reclassification of National Starch into discontinued operations.

Invested capital

IN € MILLIONS	MARCH 31 2010	DECEMBER 31 2009	MARCH 31 2009
Trade receivables	2,095	1,762	2,029
Inventories	1,458	1,314	1,584
Trade payables	(1,516)	(1,385)	(1,272)
Operating working capital in business areas	**2,037**	**1,691**	**2,341**
Other working capital items	(1,008)	(956)	(910)
Non-current assets	12,349	12,645	12,942
Deferred tax liabilities	(615)	(574)	(677)
Less investments in associates and joint ventures	(182)	(176)	(179)
Discontinued operations	–	(898)	(978)
Invested capital ongoing activities	**12,581**	11,732	12,539

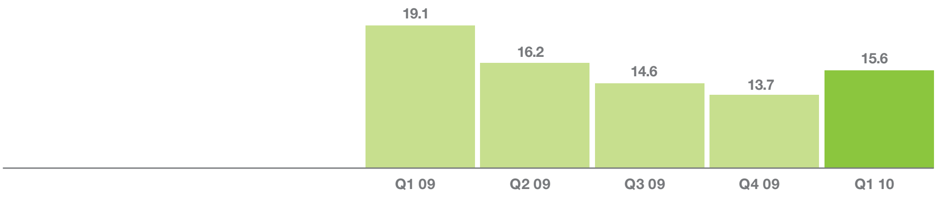
Invested capital

Invested capital of ongoing operations at March 31, 2010, totaled €12.6 billion (year-end 2009: €11.7 billion). The increase of €0.9 billion was due to:

- Foreign currency effects on intangibles and property, plant and equipment
- An increase of €208 million of long-term receivables related to pension funds in an asset position
- Payments of accrued interest of €159 million, being the first payment under bonds refinanced in late 2008 and early 2009. The normalized annual cash outflow for these bonds is €148 million
- An increase of operating working capital of €346 million. Expressed as a percentage of revenue, operating working capital was 15.6 percent (Q1 2009: 19.1 percent).

We have redefined invested capital to include deferred tax liabilities. Invested capital as previously reported (excluding deferred tax liabilities and including discontinued operations) totaled €13.2 billion and €14.2 billion at the end of Q4 and Q1 2009 respectively.

Operating working capital
IN % OF REVENUE



Operating working capital

IN € MILLIONS	MARCH 31 2010	DECEMBER 31 2009	MARCH 31 2009
Decorative Paints	690	532	815
Performance Coatings	698	594	804
Specialty Chemicals	649	565	722
Total	**2,037**	1,691	2,341

Condensed consolidated statement of cash flows

IN € MILLIONS	1ST QUARTER	
	2010	2009 [1]
Cash and cash equivalents opening balance	**1,919**	**1,449**
Profit for the period from continuing operations	88	4
Amortization, depreciation and impairments	141	146
Changes in working capital	(289)	(194)
Changes in provisions	(366)	(300)
Other changes	(99)	27
Net cash from operating activities	**(525)**	**(317)**
Capital expenditures	(97)	(96)
Acquisitions and divestments [2]	8	(37)
Other changes	3	11
Net cash from investing activities	**(86)**	**(122)**
Changes from borrowings	(25)	773
Dividends	(8)	(2)
Other changes	1	1
Net cash from financing activities	**(32)**	**772**
Net cash used for continuing operations	**(643)**	333
Cash flows from discontinued operations	–	57
Net change in cash and cash equivalents of total operations	**(643)**	390
Effect of exchange rate changes on cash and cash equivalents	72	32
Cash and cash equivalents at March 31	**1,348**	1,871

[1] Reclassified for comparative presentation.
[2] Net of cash.

Cash and debt management

Operating activities in Q1 resulted in a cash outflow of €525 million (2009: €317 million outflow). The change compared with 2009 is mainly due to:

- Higher operating results, offset by
- Payments of €159 million accrued interest, being the first payment under bonds refinanced in late 2008 and early 2009. The normalized annual cash outflow for these bonds is €148 million
- Seasonal operating working capital outflow
- Higher top-up payments for pensions of €67 million.

Outlook and medium-term targets

AkzoNobel remains on track to achieve its medium-term target of an EBITDA margin of 14 percent by the end of 2011. The focus on customers, cost reduction and cash generation continues, while investments to capture growth remain a priority, particularly in higher growth markets. Although volumes remain below pre-recessionary levels in most businesses, increases in volume, first evident in Q2 2009, have continued more broadly and are a reason for cautious optimism.

Amsterdam, April 23, 2010
The Board of Management

Reclassifications of 2009

Revenue

IN € MILLIONS	Q1	Q2	Q3	Q4	2009
Decorative Paints – as published	1,015	1,320	1,299	1,043	4,677
Transfer of businesses	(27)	(28)	(28)	(21)	(104)
New comparative	**988**	**1,292**	**1,271**	**1,022**	**4,573**
Performance Coatings – as published	968	1,041	1,030	999	4,038
Transfer of businesses	18	20	21	15	74
New comparative	**986**	**1,061**	**1,051**	**1,014**	**4,112**
Specialty Chemicals – as published	1,293	1,318	1,319	1,279	5,209
Transfer of businesses	9	7	6	5	27
National Starch to discontinued operations	(210)	(222)	(216)	(229)	(877)
New comparative	**1,092**	**1,103**	**1,109**	**1,055**	**4,359**
Other – as published	(4)	(11)	(9)	(7)	(31)
Transfer of businesses	–	1	1	1	3
National Starch to discontinued operations	3	4	2	3	12
New comparative	**(1)**	**(6)**	**(6)**	**(3)**	**(16)**
AkzoNobel – as published	3,272	3,668	3,639	3,314	13,893
National Starch to discontinued operations	(207)	(218)	(214)	(226)	(865)
New comparative	3,065	3,450	3,425	3,088	13,028

EBITDA

	Q1	Q2	Q3	Q4	2009
Decorative Paints – as published	50	173	198	71	492
Transfer of businesses	(2)	(2)	–	(1)	(5)
New comparative	**48**	**171**	**198**	**70**	**487**
Performance Coatings – as published	104	164	166	153	587
Transfer of businesses	1	2	3	1	7
New comparative	**105**	**166**	**169**	**154**	**594**
Specialty Chemicals – as published	158	219	220	217	814
Transfer of businesses	1	–	(2)	–	(1)
National Starch to discontinued operations	(8)	(18)	(21)	(28)	(75)
New comparative	**151**	**201**	**197**	**189**	**738**
Other – as published	(16)	(29)	(35)	(45)	(125)
Transfer of businesses	–	–	(1)	–	(1)
National Starch to discontinued operations	1	(3)	–	(1)	(3)
New comparative	**(15)**	**(32)**	**(36)**	**(46)**	**(129)**
AkzoNobel – as published	296	527	549	396	1,768
National Starch to discontinued operations	(7)	(21)	(21)	(29)	(78)
New comparative	289	506	528	367	1,690

Notes to the condensed financial statements

Accounting policies
This interim financial report is in compliance with IAS 34 “Interim Financial Reporting”. This report is unaudited.

Compared with the accounting principles as applied in the 2009 financial statements, the main change was the adoption of the revised IFRS 3 “Business Combinations". This has not materially affected the computation of our results. The accounting principles as applied in 2009 can be found in note 1 of the financial statements.

Reclassification comparative figures
- We have adjusted the 2009 comparative figures to align with our business structure as from 2010 (see press release of April 7, 2010)
- We have redefined invested capital to also include deferred tax liabilities. Our former definition only included deferred tax assets, which we considered to be inconsistent.
- In accordance with the requirements in IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations", we have reclassified National Starch into discontinued operations, as several parties have presented their interest in acquiring the business. As a consequence, the statements of income and cash flows have been restated. More details are on page 18.

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.

The "other" category
In the category "other" we report activities which are not allocated to a particular business area. Corporate costs are the unallocated costs of our head office and shared services center in the Netherlands (including our Central Research and Technology & Engineering activities). Also reported in the "other" category are the results from our captive insurance companies, pension costs after the elimination of interest cost (reported as financing expenses), the cost of share-based compensation, the results of a small business and of treasury and legacy operations.

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, deferred tax liabilities and 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.

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

Annual General Meeting	April 28, 2010
Ex-dividend date of 2009 final dividend	April 30, 2010
Record date of 2009 final dividend	May 4, 2010
Payment date of 2009 final dividend	May 11, 2010
Report for the 2nd quarter 2010	July, 23, 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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