

Akzo Nobel reports substantially higher Q1 revenues and operational earnings, led by Coatings

Highlights

- Revenues up 12%, operating income excluding incidentals up 21%
- Organon – continued strong growth, increasing pipeline and marketing expenditures
- Intervet – record quarterly sales, steady profitable growth
- Coatings – excellent growth, sharp EBIT margin increase
- Chemicals – strong start to the year, progress on divestments
- Strong financial position

Arnhem, the Netherlands, April 20, 2006 – Akzo Nobel (Euronext Amsterdam: AKZ; Nasdaq: AKZOY) today reported substantially higher revenues and operational earnings for the first quarter of 2006, driven by a strong start to the year in all businesses, particularly Coatings.

Net income was down 13% to EUR 249 million compared with the same period last year due to incidentals. Excluding incidentals, net income rose 39% from EUR 155 million to EUR 215 million.

Commenting on the company's performance, CFO Rob Frohn said: "Our first quarter performance was very strong as we continued to deliver on growth. All units contributed to the 12% increase in revenues, with continued top line growth at Organon, record sales at Intervet, excellent Coatings volumes and a strong start to the year at Chemicals."

He added that operational earnings excluding incidentals grew 21%, driven by strong margin recovery at Coatings and a robust profit performance at Intervet and Chemicals. Organon's operating income, excluding incidentals, was slightly lower due to significantly increased pipeline and marketing expenditures to support future growth.

"Coatings performed particularly well during the quarter with the industrial activities achieving substantial earnings growth and considerably improved margins," continued Frohn. "In April we announced an offer for Sico Inc, Canada's leading coatings company, to further strengthen our global leadership in Coatings.

"Chemicals earnings improved in spite of increasing energy prices. Coupled with Intervet's record quarterly performance and continued strong growth at Organon, it's been a great start to the year. Assuming current economic conditions continue, I expect this positive trend will be maintained."

First quarter revenues for 2006 increased 12% to EUR 3.4 billion, on autonomous growth of 8% and 4% favorable currency effects. Operating income excluding incidentals increased

21% to EUR 332 million, representing a 9.8% margin compared with 9.0% in the same period last year. Both operating income (EUR 375 million, down 11%) and net income (EUR 249 million, down 13%) including incidentals were below the first quarter last year, as net incidentals gains were lower. These incidentals – restructuring and impairment charges (EUR 42 million), costs relating to environmental and antitrust cases (EUR 43 million), and divestment gains (EUR 128 million) – resulted in a net gain of EUR 43 million in this quarter. This figure compares with a EUR 145 million net gain in Q1 2005, resulting mainly from the special benefit for the termination of the Risperdal[®] co-promotion. Earnings per share were EUR 0.87 compared with EUR 1.00 in the prior period.

Organon – continued strong growth

Healthy growth at Organon resulted in a 12% year on year revenues increase to EUR 644 million. NuvaRing[®], the once-a-month vaginal contraceptive ring, delivered revenues growth of 66% to EUR 43 million, driven in part by accelerating U.S. sales. During the quarter, NuvaRing[®] also topped the one million user mark, highlighting the product's rapidly increasing acceptance and high satisfaction rates. Infertility products also made a strong contribution with Puregon[®]/Follistim[®] up 14% to nearly EUR 100 million per quarter. The anesthesia products continued their positive growth trends, led by Esmeron[®]/Zemuron[®] and Anzemet[®].

Operating income excluding incidentals was down 4% to EUR 85 million, reflecting Organon's increasing investments in future growth. EBIT margin at Organon was 13.2% compared with 15.5% last year. As expected, R&D expenses increased by 32%, in line with late stage development pipeline projects, while marketing and distribution costs rose 12%.

Intervet – record quarterly sales, steady profitable growth

Intervet's revenues grew 8% to an all-time quarterly high of EUR 282 million. Operating income grew 9% to EUR 58 million, representing an attractive EBIT margin of 20.6%. This performance was driven by accelerating growth outside Europe. Revenues from North America grew 23% on successful product marketing, while Latin America was up 18% due to economic growth; currency gains also boosted growth in these regions. Rest of the world revenues rose 31% boosted by Asia's recovery from the effects of avian influenza. Revenues in Europe rose slightly thanks to successful product launches, although avian influenza affected our poultry vaccine business. Institutional demand for Intervet's avian flu vaccine from European authorities has so far been limited.

Coatings – excellent growth, sharply higher EBIT

Akzo Nobel Coatings delivered revenues growth of 16% to EUR 1,434 million. Volumes rose by a robust 7% led by solid growth in Asia. Price increases of 2% were achieved. Last year's acquisitions, predominantly Swiss Lack and Zweihorn, added 2% to revenues. Operating income excluding incidentals rose 68% to EUR 104 million, with EBIT margin improving sharply to 7.3% compared with 5.0% in Q1 2005. Marine & Protective Coatings continued its good performance in almost every region and market sector. Other industrial segments, notably Coil and Wood Coatings, also achieved substantial earnings growth in virtually all regions. Car Refinishes is clearly turning the corner as the new strategy, including cost reduction, is driving improved margins. The business conditions for the decorative coatings activities in Western Europe continued to be challenging and restructuring measures to adjust the cost base in this region are being actively pursued. During the quarter, plans were announced to build a new Decorative Coatings facility in the greater Barcelona area.

Chemicals – strong start to the year, new growth strategy paying off

Akzo Nobel Chemicals also had a strong start to the year. Revenues rose 8% to EUR 1,037 million on 3% volume growth and 4% higher selling prices. Chemicals' focus on five core growth platforms is clearly paying off, with most Chemicals activities benefiting from strong autonomous growth and cost control. Operating income excluding incidentals grew 15% and EBIT margin improved to 11.0% compared with 10.3% in Q1 2005. Pulp and Paper Chemicals and Surfactants showed positive developments, while Polymer Chemicals achieved a strong improvement due to both volume and higher sales prices. Functional Chemicals achieved solid volume growth, with chelates and ethylene amines achieving notable improvement compared with 2005. Market conditions for Base Chemicals' chlor-alkali business were slightly less favorable compared with last year; therefore the excellent first quarter of 2005 could not be matched.

The Chemicals divestment program is on track, with agreements for the remaining businesses expected by the middle of 2006.

Strong financial position

Invested capital at March 31, 2006, amounted to EUR 8.2 billion, EUR 0.2 billion higher than at December 31, 2005, mainly due to the seasonal increase of working capital and currency translation effects. Equity rose EUR 0.2 billion, mainly as a result of first quarter income. Net interest-bearing borrowings decreased EUR 0.1 billion to EUR 1.5 billion, principally due to the positive cash flow.

As a result, gearing improved to 0.39 (December 31, 2005: 0.44).

During the first quarter of 2006, the rating agencies confirmed the company's credit ratings.

Trading conditions 2006

In the current environment, the company expects to be well positioned for significant further growth of revenues across its portfolio.

With respect to earnings, the company expects to achieve increases in its ongoing activities in Chemicals, robust improvements in our Coatings business, and a continuation of the positive trends at Intervet. At Organon, the company plans to find the right balance between the required expenditures in R&D and marketing and sales for new products, with the ambition to protect our margin.

The Report for the 1st quarter is attached and can be read on

<http://www.akzonobel/news/reports>.

Note for the editor

Akzo Nobel is a Global Fortune 500 company and is listed on both the Euronext Amsterdam and NASDAQ stock exchanges. It is also included on the Dow Jones Sustainability Indexes and FTSE4Good Index. Based in the Netherlands, we are a multicultural organization serving customers throughout the world with human and animal healthcare products, coatings, and chemicals. We employ around 61,500 people and conduct our activities in four segments – human and animal health, coatings and chemicals – subdivided into 13 business units, with operating subsidiaries in more than 80 countries. Consolidated revenues for 2005 totaled EUR 13.0 billion. The financial results for the second quarter will be published on July 20, 2006.

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Not for publication – for more information

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* Pursuant to the U.S. Private Securities Litigation Reform Act 1995.