Stable performance in a testing economic environment

Report for the 1st quarter of 2008

AkzoNobel
Tomorrow's Answers Today

Contact details

AkzoNobel
Strawinskylaan 2555
P.O. Box 75730
1070 AS Amsterdam, the Netherlands
Tel: +31 20 502 7555
Fax: +31 20 502 7666
Internet: www.akzonobel.com

For more information:
The explanatory sheets used by the CFO during the press conference can be viewed on AkzoNobel's corporate website www.akzonobel.com

AkzoNobel Corporate Communications
Tel: +31 20 502 7833
Fax: +31 20 502 7604
E-mail: info@akzonobel.com

AkzoNobel Investor Relations
Tel: +31 20 502 7854
Fax: +31 20 502 7605
E-mail: investor.relations@akzonobel.com

Financial calendar

Payment of 2007 final dividend *May 7, 2008*
Report for the 2nd quarter 2008 *July 29, 2008*
Report for the 3rd quarter 2008 *October 29, 2008*
Quotation ex 2008 interim dividend *October 30, 2008*
Payment of 2008 interim dividend *November 10, 2008*

What's inside

Our first quarter results at a glance

- Ongoing trend of underlying growth across all three business areas in local currencies
- Autonomous growth: 6 percent; currency headwind of 6 percent
- Stable results in testing economic environment
- Earnings per share continuing operations up 6 percent
- Total net income of €118 million, up €40 million
- On-sale to Henkel completed for €4 billion early April
- €1 billion of €3 billion share buyback started
- New company, new brand, ICI integration underway.

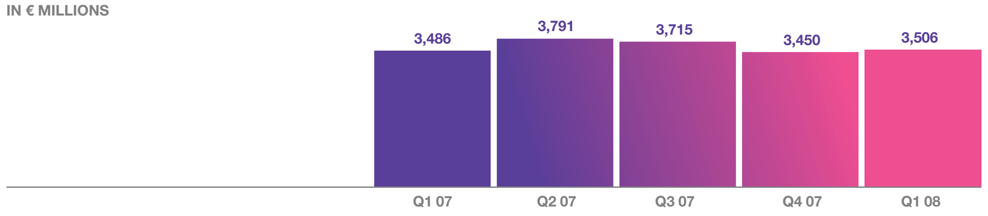
Financial highlights

IN € MILLIONS

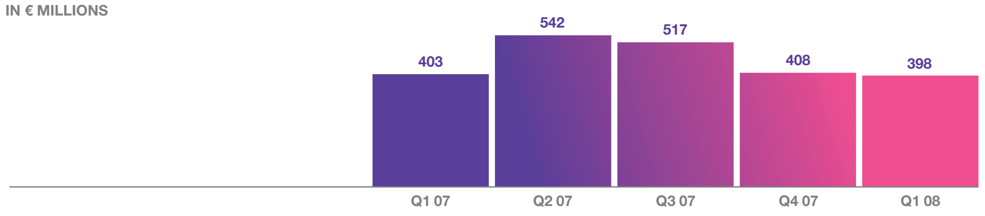
	2008	2007[1]	Δ%
Continuing operations before incidentals			
Revenue	3,506	3,486	1
EBITDA	398	403	(1)
EBITDA margin (in %)	11.4	11.6	
EBIT before fair value adjustments	285	291	(2)
EBIT margin before fair value adjustments (in %)	8.1	8.3	
EBIT after fair value adjustments	257	254	1
EBIT margin after fair value adjustments (in %)	7.3	7.3	
Net income from continuing operations	136	142	(4)
Earnings per share from continuing operations (in €)	0.52	0.49	6
After incidentals			
EBIT (operating income)	106	164	
Net income from continuing operations	36	78	
Results from discontinued operations	82	–	
Net income total operations	118	78	
Earnings per share after incidentals			
From continuing operations (in €)	0.14	0.27	
Total operations (in €)	0.45	0.27	
Invested capital	14,426	14,400[2]	
Capital expenditures	115	113	
Net cash from operating activities	(400)	(426)	
Net interest-bearing borrowings	3,483	2,832[2]	
Number of employees (continuing operations)	59,620	59,475[2]	

[1] Pro forma
[2] At year-end

Revenue
IN € MILLIONS



EBITDA before incidentals
IN € MILLIONS



Financial highlights

The acquisition of ICI on January 2, 2008, transformed the company completely. The gross acquisition price was €11.5 billion, of which €5 billion related to assets and liabilities held for sale. The Adhesives and Electronic Material businesses were sold for €4 billion to Henkel on April 3, 2008, and the Specialty Starches business is intended for sale.

Impact of the acquisition

Goodwill and other intangibles – determined on a provisional basis – increased by €7.8 billion on the acquisition date. The major intangibles recognized are acquired brands, the most significant being Dulux®. Many brands are expected to have an indefinite life. As a result, they will not be amortized but tested for impairment.

Measuring ICI's assets and liabilities at fair value increased amortization and depreciation for the assets with a definite useful life. Using 2007 foreign currency rates, an amount of €37 million was included in the pro formas for the first quarter of 2007. Mainly due to the decline of the pound sterling, the amount for the first quarter of 2008 was €28 million. For the years 2008-2010, a charge of €125-130 million per annum is expected. The acquisition also resulted in an incidental charge related to ICI's inventories that were measured at fair value at acquisition date. This incidental charge amounted to €42 million for the first quarter of 2008 (2007: €48 million, using 2007 foreign currency rates). Furthermore, AkzoNobel incurred significant additional cost in this quarter, mainly due to the decision to close ICI's headquarters in London. The incidentals are explained below. The preliminary opening balance per class of assets and liabilities is presented in the 2007 financial statements (note 29).

New business structure

ICI's paint activities, together with AkzoNobel's Decorative Coatings, form the new Decorative Paints businesses. The other Coatings businesses, combined with ICI Packaging Coatings, are now renamed Performance Coatings businesses. Along with AkzoNobel's Chemicals businesses, Specialty Chemicals also includes ICI's Specialty Polymers and Regional & Industrial activities. The latter was renamed Chemicals Pakistan. In the second quarter of 2008, Specialty Polymers was integrated into Functional Chemicals and Surfactants and the pro formas for 2007 were adjusted accordingly.

Comparative figures for 2007 have been adjusted to reflect these changes in the structure. Furthermore, this report presents pro forma outcomes to allow for comparison with the hypothetical situation that AkzoNobel acquired ICI on January 1, 2007. Pro forma numbers are used as comparatives in the texts of this report, unless indicated otherwise. Pro forma outcomes for 2007 per quarter and per business area are found on our website, www.akzonobel.com.

Revenue – autonomous growth of 6 percent

AkzoNobel realized underlying growth in local currencies in all three businesses areas, with double-digit growth in emerging markets. Autonomous growth of 6 percent was eroded by a similar 6 percent adverse currency impact – mainly from pound sterling and US dollar. In total, the top-line grew by 1 percent. Specialty Chemicals realized strong autonomous growth of 11 percent and Performance Coatings 4 percent. The currency impact offset volume growth in Performance Coatings, where Marine & Protective Coatings realized another strong quarter. In Decorative Paints, revenue was significantly up in the emerging markets, thus mitigating the currency impact to a 4 percent decline in revenue. Traditionally, the first quarter is not strong in Decorative Paints and the poor weather conditions, an early Easter holiday and weaker economic environments in North America and Europe intensified this seasonality.

Total revenue developed as follows:

IN % VERSUS Q1, 2007 PRO FORMA	TOTAL	VOLUME	PRICE	CURRENCY	ACQUISITIONS/ DIVESTMENTS
Decorative Paints	(4)	(2)	3	(6)	1
Performance Coatings	–	2	2	(6)	2
Specialty Chemicals	5	4	7	(6)	–
AkzoNobel	**1**	**2**	**4**	**(6)**	**1**

EBIT up 1 percent; EBITDA 1 percent lower

EBIT and EBITDA before incidentals presented a 1 percent improvement and a 1 percent decrease respectively. Increased raw material and energy prices were compensated by cost-saving measures. The EBITDA margin decreased slightly to 11.4 percent. Decorative Paints and Specialty Chemicals contributed to growth in EBIT and EBITDA before incidentals. These contributions were partly offset by weaker Performance Coatings results.

Operating income declined due to incidentals

Incidental charges caused operating income to decline from €164 million to €106 million. The €84 million ICI integration cost mainly related to closing ICI's headquarters in London and to an impairment of the AkzoNobel Decorative Paints businesses that will be sold due to the commitment package agreed with European and Canadian authorities. Such costs were not taken into account in calculating pro forma operating income.

For the first quarter of 2008, operating income was affected by an incidental charge of €42 million related to ICI inventories, which were recognized at fair value on January 2, 2008. This charge was taken into account in the pro forma comparatives for €48 million, using 2007 foreign currency rates. The restructuring and impairment charges of €29 million related to several smaller restructurings throughout the company.

Specification of the incidental charges included in operating income:

IN € MILLIONS	1ST QUARTER 2008	1ST QUARTER 2007*
ICI integration cost	(84)	–
Fair value adjustments of ICI inventories	(42)	(48)
Restructuring and impairment charges	(29)	(36)
Results on divestments	5	(3)
Charges related to major legal, antitrust and environmental cases	(1)	–
Special benefits/(charges)	–	(3)
Incidentals included in operating income	**(151)**	**(90)**

* Pro forma

Discontinued operations

At the end of the first quarter of 2008, the Adhesives, Electronic Materials, and Specialty Starches businesses were classified as discontinued operations. On April 3, 2008, the company completed the on-sale of Adhesives and Electronic Materials to Henkel for €4 billion. The assets and liabilities held for this on-sale were measured on a discounted basis on January 2, 2008. Expiration of the on-sale period resulted in an unwind of interest of €41 million, recognized as an interest benefit. The operational results from the on-sale operations were reflected in the measurement at acquisition date. Release of a provision related to Organon BioSciences resulted in a gain of €20 million.

Result from discontinued operations amounted to a gain of €82 million:

IN € MILLIONS	2008
Interest unwind related to the on-sale to Henkel	41
Income from Specialty Starches	21
Organon BioSciences	20
Total	**82**

Earnings per share up 6 percent

Although net income from continuing operations before incidentals declined by 4 percent, earnings per share from continuing operations before incidentals rose by 6 percent, due to the 9.5 percent share buyback program during 2007.

Composition of net income:

IN € MILLIONS	NET INCOME BEFORE INCIDENTALS			NET INCOME		
	2008	2007*	Δ%	2008	2007*	Δ%
Continuing operations	136	142	(4)	36	78	(54)
Discontinued operations	82	–		82	–	
Total	**218**	**142**	**54**	**118**	**78**	**51**

* Pro forma

Net income from continuing operations after incidentals decreased from €78 million to €36 million, due to the higher level of incidental charges in the first quarter of 2008. The incidental charges related for a significant amount (€84 million) to ICI related costs that were not taken into account in the pro formas for 2007.

Workforce

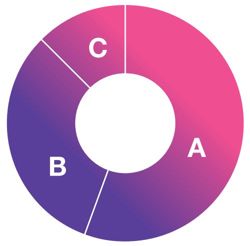
AkzoNobel's workforce at March 31, 2008 for continuing operations totaled 59,620, virtually unchanged compared with year-end 2007. 9,380 employees worked for businesses to be divested.

Decorative Paints

- Internal & external wall paints and lacquers
- A full range of interior and exterior decoration and protection products for professional and DIY markets
- Woodcare & specialty products
- Lacquers and varnishes for wood protection and decoration
- Specialty paints for metal, concrete and other critical building materials
- Adhesives for the building and renovation industry
- Tile and floor adhesives and floor leveling compounds used in building and renovation industry
- Offers services such as mixing machines, color concepts and expertise
- Customers range from trade distributors to large scale outlets.

Q1 2008 revenue split

	€ million	%
A Decorative Paints Europe	649	56
B Decorative Paints Americas	372	32
C Decorative Paints Asia	144	12
	1,165	100



Passionate about bringing color to the world

- Strong top-line growth in Asia and Latin America
- Autonomous growth 1 percent, impacted by currency effects (-6 percent)
- US business continues to suffer from weak market conditions; margins improved due to changes in product mix and cost-control programs
- EBITDA margin increased to 8.8 percent, ahead of 2007
- ICI integration underway.

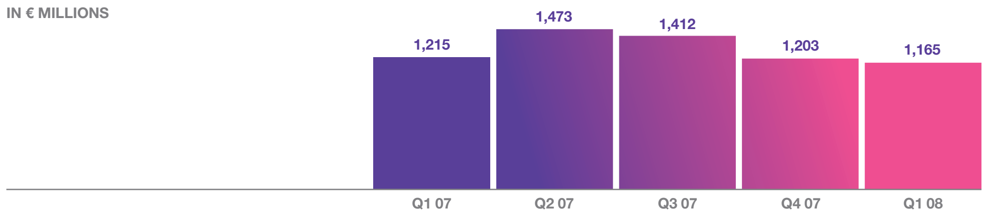
Decorative Paints

IN € MILLIONS

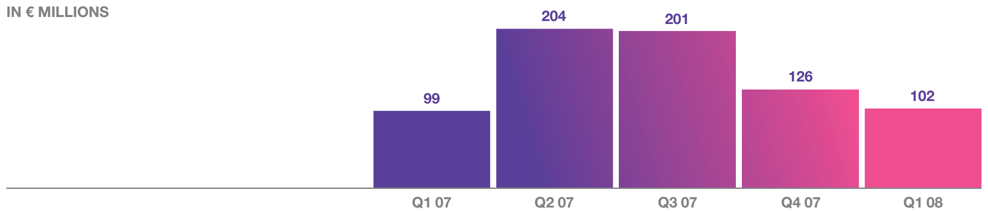
	2008	2007[1]	Δ%
Revenue			
Decorative Paints Europe	649	663	
Decorative Paints Americas	372	415	
Decorative Paints Asia	144	137	
Total	**1,165**	**1,215**	**(4)**
Before incidentals			
EBITDA	102	99	3
EBITDA margin (in %)	8.8	8.1	
EBIT before fair value adjustments	72	70	3
EBIT margin before fair value adjustments (in %)	6.2	5.8	
EBIT after fair value adjustments	52	45	16
EBIT margin after fair value adjustments (in %)	4.5	3.7	
After incidentals			
EBIT (operating income)	13	12	8
EBIT margin (in %)	1.1	1.0	
Capital expenditures	33	25	
Invested capital	7,802	7,865[2]	
Number of employees	25,620	25,615[2]	

[1] Pro forma
[2] At year-end

Revenue
IN € MILLIONS



EBITDA before incidentals
IN € MILLIONS



Strong growth in emerging markets

Decorative Paints began the year well, but adverse weather conditions in Europe and eastern Canada near the end of the quarter resulted in a delay in market demand. Performance was strong in the emerging markets, with double-digit growth in Asia and Latin America. Growth was also healthy in most countries in Central and Eastern Europe. In the US, the trading environment was soft, underpinned by weak economic conditions. Despite the significant currency impact on the top-line, EBIT and EBITDA were better than the first quarter of 2007, indicating that prices are remaining ahead of raw material cost increases, while operating costs are under control.

Europe

Central and Eastern Europe achieved healthy autonomous growth, especially in Poland and Russia. The Nordic market has started the year slowly due to the cold weather, with business expected to shift forward to the second quarter. Although Decorative Paints in the UK also reported weakened retail sales towards the end of the first quarter – on the back of a sluggish market – modest positive autonomous growth was posted in local currency. In the retail markets in Continental Europe, the French, and in particular the German, markets were experiencing a slow start. Overall, the European trade business performed well.

Americas

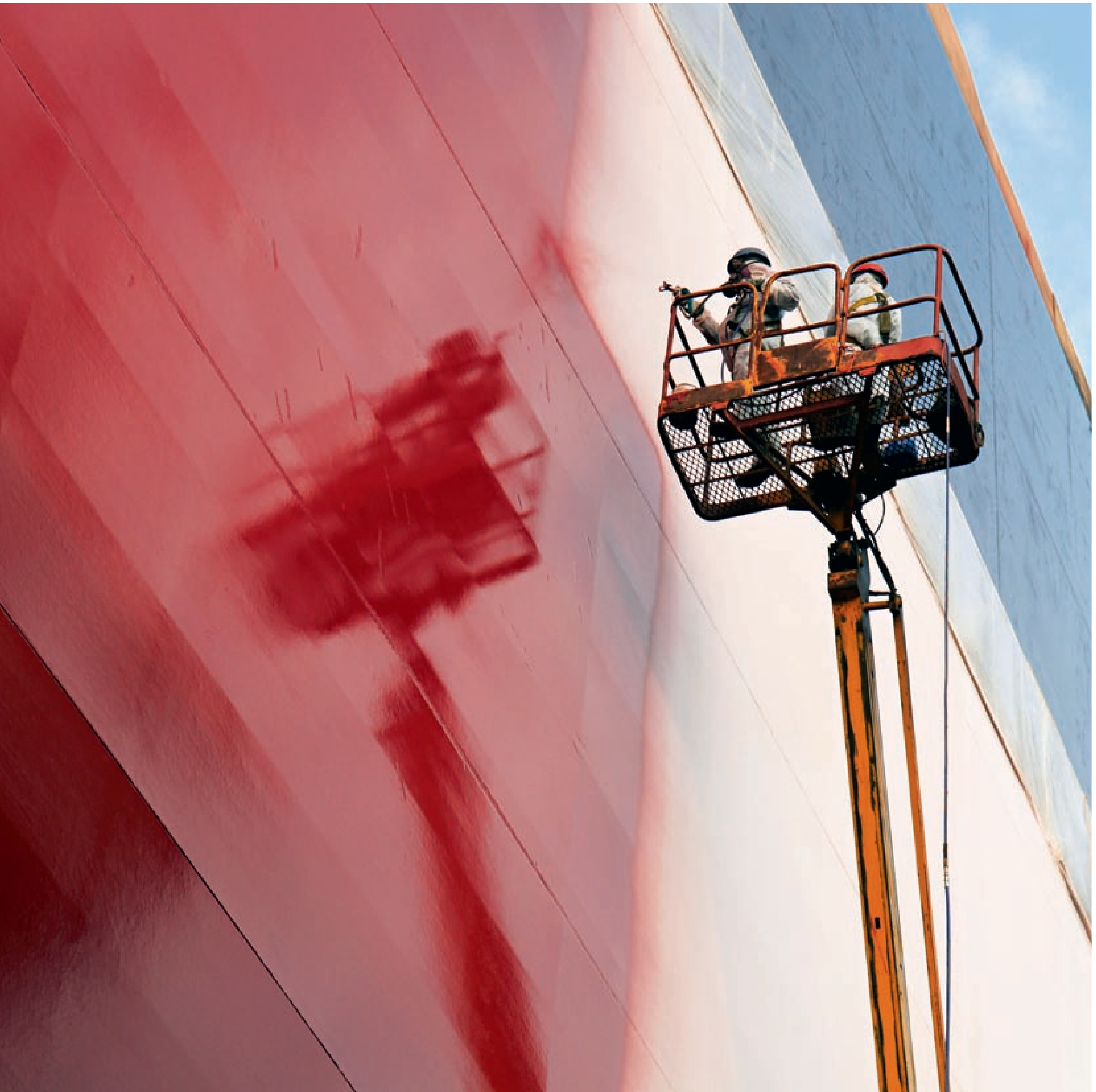
The top-line in the Americas was significantly behind last year, being severely impacted by unfavorable currency translation. Prices in the Americas region were well ahead of raw material costs across all countries. Due to cost protection programs and mix effects, the business was able to improve margins. Latin America achieved strong volume growth in the first quarter, with Argentina and Uruguay in particular contributing to this positive development. As expected, volumes were clearly in decline in the US due to the economic slowdown. Margins improved due to changes in product mix and cost reduction programs. In eastern Canada, volumes were below the previous year due to a combination of the harsh winter conditions and economic uncertainty. This created a slow market for decorative paints. Western Canada showed good economic activity, which also reflected positively on the business' performance in the quarter.

Asia

In local currencies, autonomous growth in Asia during the first quarter reached strong double-digit percentages. This growth was mostly volume-related, but was also positively influenced by price increases. China, Vietnam and Thailand were the main contributors to the excellent growth figures. China in particular put in a strong performance towards the end of the quarter in the traditional trade business, while the development of our market position in Thailand is very encouraging. Operating margins in Asia – in local currencies – were well ahead of the previous year.

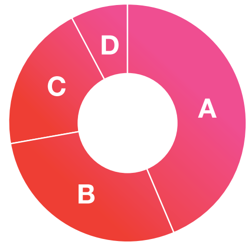
Performance Coatings

- The leading player in the performance coatings sector
- Strong growth platforms in emerging markets
- Supplies a wide range of industries and sectors including automotive, consumer electronics, aviation, shipping and leisure craft, sport equipment, construction, furniture, and food and beverage.



Q1 2008 revenue split

	€ million	%
A Industrial Activities	483	44
B Marine & Protective Coatings	316	28
C Car Refinishes	222	20
D Packaging Coatings	85	8
Intragroup revenue/other	(10)	
	1,096	100



Creating special paints for high performance

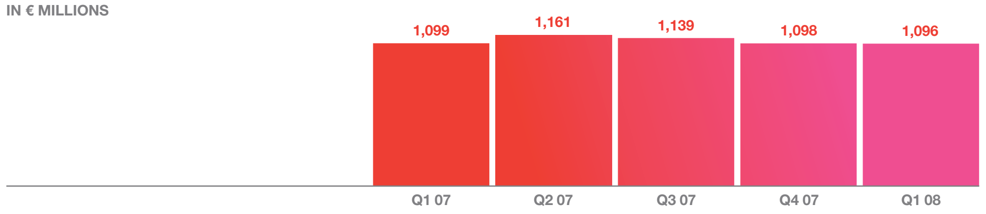
- Autonomous revenue growth of 4 percent offset by 6 percent currency impact
- Slightly lower EBITDA margin of 11.6 percent
- Marine & Protective Coatings: another strong quarter
- Industrial Activities affected by the weak US market conditions.

Performance Coatings

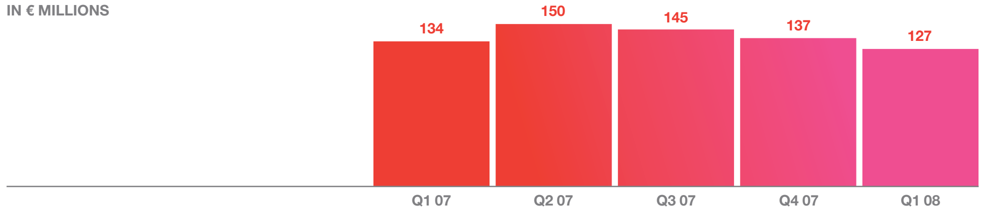
IN € MILLIONS	2008	2007[1]	Δ%
Revenue			
Industrial Activities	483	490	
Marine & Protective Coatings	316	304	
Car Refinishes	222	230	
Packaging Coatings	85	86	
Intragroup revenue/other	(10)	(11)	
Total	**1,096**	**1,099**	**–**
Before incidentals			
EBITDA	127	134	(5)
EBITDA margin (in %)	11.6	12.2	
EBIT before fair value adjustments	107	113	(5)
EBIT margin before fair value adjustments (in %)	9.8	10.3	
EBIT after fair value adjustments	103	109	(6)
EBIT margin after fair value adjustments (in %)	9.4	9.9	
After incidentals			
EBIT (operating income)	80	101	(21)
EBIT margin (in %)	7.3	9.2	
Capital expenditures	20	21	
Invested capital	2,063	2,131[2]	
Number of employees	21,050	20,905[2]	

[1] Pro forma
[2] At year-end

Revenue
IN € MILLIONS



EBITDA before incidentals
IN € MILLIONS



Autonomous growth offset by currency headwind

Autonomous growth of 4 percent was encouraging, but was offset by currency headwind (6 percent) which was felt by all businesses. Negative currency effects and higher raw material prices resulted in a 6 and 5 percent decline in EBIT and EBITDA respectively (both before incidentals). Overall, autonomous growth was driven by volume growth (2 percent) and by price effects (2 percent).

Industrial Activities

The recent acquisition of Chemcraft contributed to revenue. Results for Industrial Finishes were down on 2007 with the top line being impacted by currency pressure. Demand from the residential construction industry in North America is continuing to decline. The Asian operations are largely dollar-denominated and heavily reliant on North America, while Europe was up on 2007. In our Powder Coatings business, the Europe West activities continued their solid performance during the first quarter, while the Asia Pacific operation is benefiting from its strong margin focus. Despite the US slowdown, we are confident that it will be another good year in terms of bottom-line performance.

Marine & Protective Coatings

This business delivered another excellent quarter with double-digit autonomous growth. All markets (marine, protective coatings, yacht and aerospace) continue to see strong growth in the Asia Pacific region. The main growth driver is the Protective Coatings business, which has seen double-digit volume growth compared with the same quarter in 2007. Volume growth was driven by India, China, Thailand and the Middle East. Margin improvement was primarily due to changes in the product mix, aided by Chartek® and Ceilcote® (acquired last year). The Marine business' Intersleek® product achieved a very strong quarter with substantially higher volumes than the first quarter of 2007. Newbuilding also had a strong start to 2008 – volume was up on the corresponding period last year. Deep sea maintenance volume showed healthy growth over last year while maintaining margins at 2007 levels. The Yacht business reported strong sales of the Awlgrip® brand in Europe, together with a strong first quarter in Asia Pacific. The Aerospace activities also had a strong first quarter, with Asia Pacific in particular exceeding expectations.

Car Refinishes

Revenue was lower than the previous year due to the divestment of Kemipol in 2007 and to the tough market conditions in the North American commercial vehicles activities. However, strong volume growth was achieved in Asia with almost all countries contributing. Higher costs for raw materials were largely compensated by increased prices.

Packaging Coatings

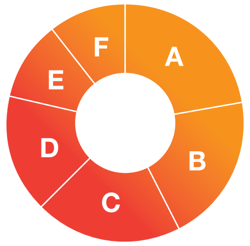
Excluding the exchange rate impact, the topline was 4 percent ahead of last year. The former ICI business has performed well in recent years and is confident of continuing that trend in 2008. Selling price increases have been implemented to recover the increased raw material costs which appeared at the beginning of the year. Despite a flat can market in most developed economies, Packaging Coatings is continuing to target growth in Asia, the Middle East, Eastern Europe and some parts of South America. Professional key account management innovation and cost control are additional strategies which will help to continuously increase shareholder value.

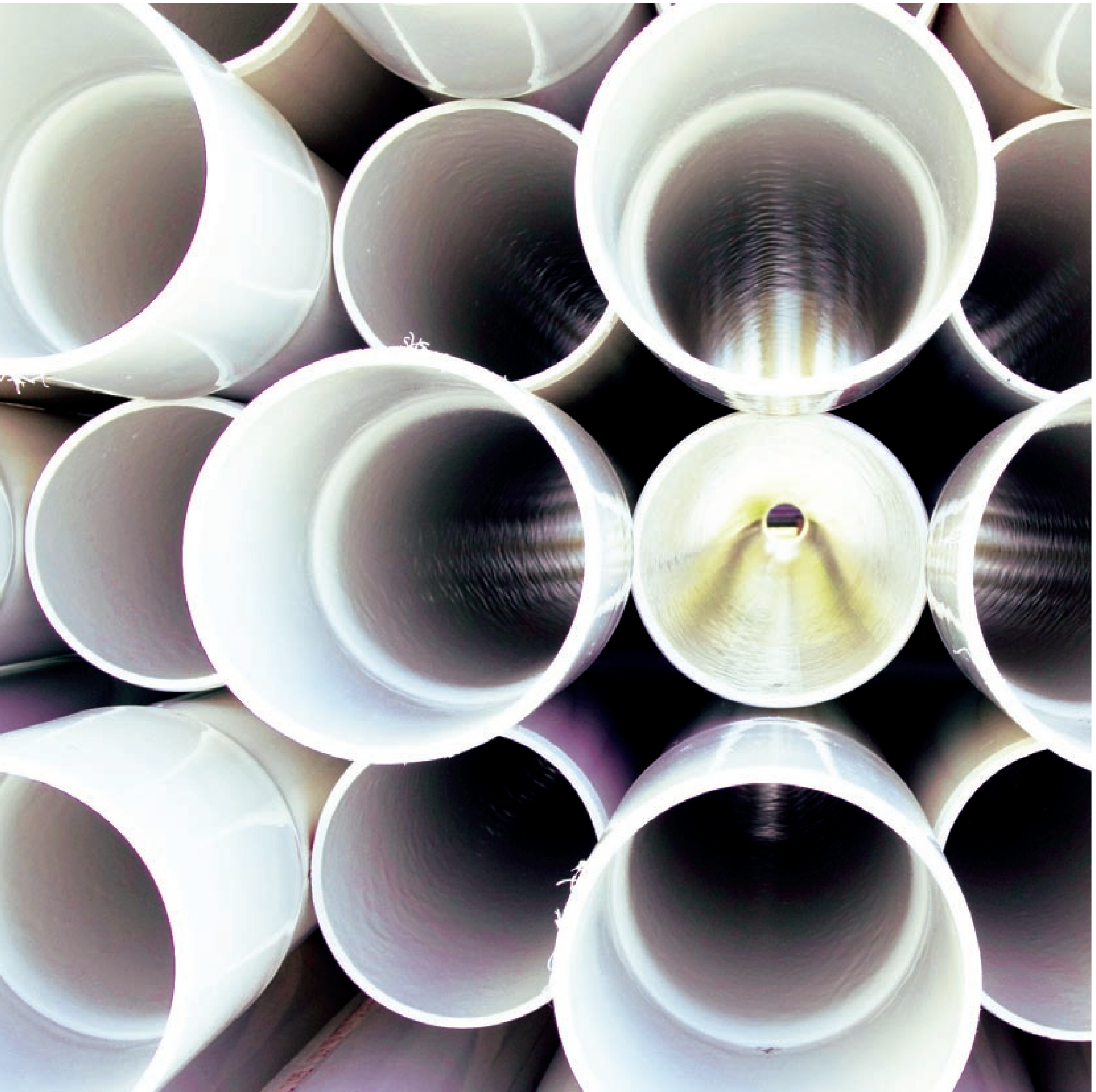
Specialty Chemicals

- A focused player in the chemicals industry with leading positions in selected market segments
- Operational performance among the best in class
- Our chemicals can be found in a wide variety of everyday products such as ice cream, soups, disinfectants, plastics, soaps, detergents, cosmetics, paper and asphalt.

Q1 2008 revenue split

		€ million	%
A	Functional Chemicals	277	23
B	Pulp & Paper Chemicals	248	20
C	Base Chemicals	247	20
D	Surfactants	201	16
E	Polymer Chemicals	134	11
F	Chemicals Pakistan	128	10
	Intragroup revenue/other	(36)	
		1,199	100





Quality ingredients for life’s essentials

- Strong autonomous growth of 11 percent; negative currency impact of 6 percent
- Pressure on margins from raw materials and energy compensated by price increases of 7 percent
- Slightly lower EBITDA margin of 17.1 percent
- Surfactants, Polymer Chemicals and Chemicals Pakistan businesses leading improvement.

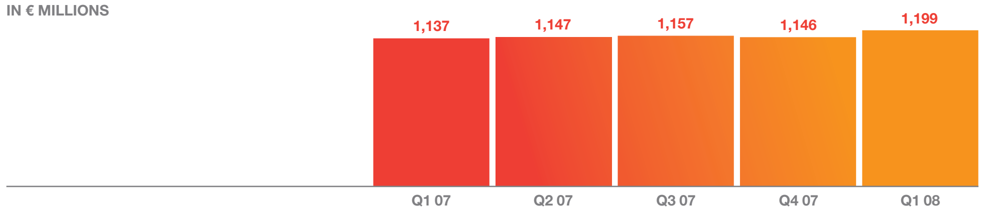
Specialty Chemicals

IN € MILLIONS

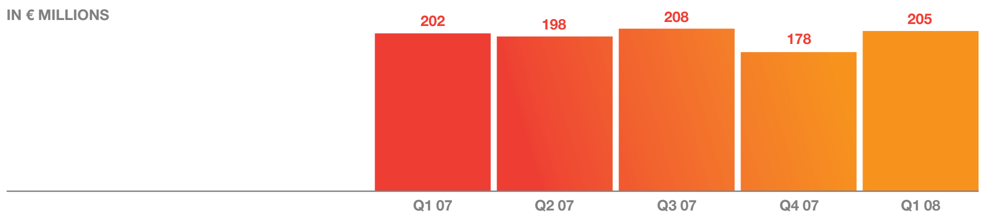
	2008	2007[1]	Δ%
Revenue			
Pulp & Paper Chemicals	248	245	
Base Chemicals	247	225	
Functional Chemicals	277	266	
Surfactants	201	192	
Polymer Chemicals	134	132	
Chemicals Pakistan	128	112	
Intragroup revenue/other	(36)	(35)	
Total	**1,199**	**1,137**	**5**
Before incidentals			
EBITDA	205	202	1
EBITDA margin (in %)	17.1	17.8	
EBIT before fair value adjustments	149	145	3
EBIT margin before fair value adjustments (in %)	12.4	12.8	
EBIT after fair value adjustments	143	137	4
EBIT margin after fair value adjustments (in %)	11.9	12.0	
After incidentals			
EBIT (operating income)	138	132	5
EBIT margin (in %)	11.5	11.6	
Capital expenditures	49	57	
Invested capital	3,345	3,380[2]	
Number of employees	10,960	10,965[2]	

[1] Pro forma
[2] At year-end

Revenue
IN € MILLIONS



EBITDA before incidentals
IN € MILLIONS



Strong top-line growth

Specialty Chemicals had a good first quarter, with strong autonomous growth of 11 percent. The negative currency impact of 6 percent was mainly attributable to the US dollar. Revenue was up 5 percent on the previous year.

Pressure from higher raw material and energy prices was offset by price increases. Before incidentals, EBITDA increased to €205 million (up 1 percent). Our Surfactants, Polymer Chemicals and Chemicals Pakistan businesses in particular are operating at a clearly improved level. Specialty Polymers was integrated into Functional Chemicals and Surfactants and the pro formas for 2007 were adjusted accordingly.

Pulp & Paper Chemicals

Our global chlorate production remained close to full capacity and the performance of the paper chemicals operations was boosted by cost reduction efforts. However, the hydrogen peroxide activities suffered from new capacities and higher natural gas prices. Performance improved due to cost-reduction measures, although the paper chemicals markets remained competitive. Strong results from our Brazilian operations contributed to an improvement in the Americas. Specialty Products was down on 2007's first quarter due to the loss of a major customer and the impact of weaker currencies and lower volumes on the Expancel® business.

Base Chemicals

Revenue grew but results were behind the previous year, mainly due to increased gas prices. Chlor Alkali recovered well after technical problems affected production in Rotterdam at the beginning of 2008. Another mild winter caused a repeat of a weak road salt business season. MCA turned in a solid improvement on 2007.

Functional Chemicals

A combination of higher prices and volumes resulted in a clearly improved top-line. Sulfur Products and Polysulfides were ahead of the previous year, due to the favorable impact of higher prices and, in the case of Polysulfides, higher volumes at its Taixing plant (which became operational after the first quarter of 2007). Although Ethylene Amines had stronger volumes in 2008 compared with the first quarter of 2007, the business could not fully match the previous year's results, when one-off benefits were recorded. A scheduled production stop meant that results at Cellulosic Specialties were lower than in 2007, while Salt Specialties also realized a weaker performance due to increased operating costs. The operating profit of Performance Chemicals in Argentina increased due to higher volume of Sulfuric Acid and improved margins. Elotex® sales were lower than 2007 due to colder weather than normal in Eastern Europe and Asia, and the slow housing and construction market in the US.

Surfactants

Demand was strong in all regions, resulting in a very good start to 2008, with improved volumes and margins. Despite continuing increases in raw material costs, we succeeded in achieving improved margins due to the successful implementation of significant price increases. The agrochemicals, mining and cleaning activities in particular enjoyed healthy volume demand in Europe and Asia. Operating costs are well below the previous year due to the mid-2007 closure of the McCook production plant in the United States. The Personal Care business suffered from a slow quarter in the hairstyling sector, especially in North America. Alco® sales improved, driven mainly by strong sales in Latin America.

Polymer Chemicals

Revenue was well ahead of the previous year. This was due to favorable market demand development in organic peroxides and high-purity metal organics, which more than compensated for somewhat lower volumes in other activities. Results at our Organometallic Specialties business in particular were significantly improved over 2007 due to successful price increases.

Chemicals Pakistan

Overall, revenue was up on the previous year, attributable to the Pakistan PTA business (higher PTA prices and sales volumes). The regional business in Pakistan was also ahead of 2007, with stronger performances from Polyester (improved unit margins and efficiencies) and Life Sciences (seeds activities in the sunflower sowing season).

Condensed financial statements

Consolidated statement of income

IN € MILLIONS	1ST QUARTER 2008	1ST QUARTER PRO FORMA 2007	1ST QUARTER 2007
Continuing operations			
Revenue	3,506	3,486	2,501
Cost of sales	(2,261)	(2,240)	(1,532)
Gross profit	**1,245**	**1,246**	**969**
Selling expenses	(733)	(724)	(549)
Research and development expenses	(83)	(89)	(71)
General and administrative expenses	(324)	(299)	(162)
Other operating income	1	30	25
Operating income (EBIT)	**106**	**164**	**212**
Financing income	28	54	33
Financing expenses	(69)	(97)	(60)
Operating income less financing income and expenses	**65**	**121**	**185**
Results from associates and joint ventures	4	13	12
Profit before tax	**69**	**134**	**197**
Income tax	(19)	(38)	(55)
Profit for the period from continuing operations	**50**	**96**	**142**
Discontinued operations			
Profit for the period from discontinued operations	82	–	112
Profit for the period	**132**	**96**	**254**
Attributable to:			
- Equity holders of the company (net income)	118	78	246
- Minority interests	14	18	8
Profit for the period	**132**	**96**	**254**
Income per share from continuing operations before incidentals (in €):			
- Basic	0.52	0.49	0.46
- Diluted	0.51	0.49	0.46
Income per share from continuing operations after incidentals (in €):			
- Basic	0.14	0.27	0.47
- Diluted	0.14	0.27	0.46
Income per share from discontinued operations (in €):			
- Basic	0.31	–	0.39
- Diluted	0.31	–	0.39
Income per share from total operations (in €):			
- Basic	0.45	0.27	0.86
- Diluted	0.45	0.27	0.85
Interest coverage	2.6	3.8	7.9

- General and administrative expenses include €59 million for closing ICI's headquarters

Information on segments and incidentals

IN € MILLIONS	1ST QUARTER 2008	1ST QUARTER PRO FORMA 2007	Δ%
Revenue			
Decorative Paints	1,165	1,215	(4)
Performance Coatings	1,096	1,099	0
Specialty Chemicals	1,199	1,137	5
Other activities/eliminations	46	35	
Total	**3,506**	**3,486**	**1**
EBITDA before incidentals			
Decorative Paints	102	99	3
Performance Coatings	127	134	(5)
Specialty Chemicals	205	202	1
Other activities/eliminations	(36)	(32)	
Total	**398**	**403**	**(1)**
EBIT margin (in %)	**11.4**	**11.6**	
EBIT before incidentals and amortization/depreciation of fair value adjustments related to the ICI acquisition			
Decorative Paints	72	70	3
Performance Coatings	107	113	(5)
Specialty Chemicals	149	145	3
Other activities/eliminations	(43)	(37)	
Total	**285**	**291**	**(2)**
EBIT margin (in %)	**8.1**	**8.3**	
EBIT before incidentals and after amortization/depreciation of fair value adjustments related to the ICI acquisition			
Decorative Paints	52	45	16
Performance Coatings	103	109	(6)
Specialty Chemicals	143	137	4
Other activities/eliminations	(41)	(37)	
Total	**257**	**254**	**1**
EBIT margin (in %)	**7.3**	**7.3**	
EBIT (operating income)			
Decorative Paints	13	12	8
Performance Coatings	80	101	(21)
Specialty Chemicals	138	132	5
Other activities/eliminations	(125)	(81)	
Total	**106**	**164**	**(35)**
EBIT margin (in %)	**3.0**	**4.7**	
Incidentals included in EBIT			
ICI integration cost	(84)		
Fair value adjustment of inventories	(42)	(48)	
Restructuring and impairment charges	(29)	(36)	
Results on divestments	5	(3)	
Charges related to major legal, antitrust and environmental cases	(1)	–	
Special charges/benefits	–	(3)	
Total	**(151)**	**(90)**	

Condensed consolidated balance sheet

IN € MILLIONS	MARCH 31	DECEMBER 31 PRO FORMA	DECEMBER 31
	2008	2007	2007
Property, plant and equipment	3,039	3,179	2,203
Goodwill	4,656	4,880	463
Other intangible assets	3,412	3,600	206
Deferred tax assets	778	750	630
Investments in associates and joint ventures	190	205	142
Other financial non-current assets	728	774	630
Total non-current assets	**12,803**	**13,388**	**4,274**
Inventories	1,656	1,672	1,177
Current tax assets	43	34	25
Trade and other receivables	3,278	2,995	2,139
Cash and cash equivalents	2,032	1,530	11,628
Assets held for sale	5,441	5,633	–
Total current assets	**12,450**	**11,864**	**14,969**
Total assets	**25,253**	**25,252**	**19,243**
Shareholders' equity	11,170	11,559	11,032
Minority interest	565	596	97
Total equity	**11,735**	**12,155**	**11,129**
Provisions	2,319	2,708	1,598
Deferred tax liabilities	931	1,029	133
Long-term borrowings	2,315	2,321	1,954
Total non-current liabilities	**5,565**	**6,058**	**3,685**
Short-term borrowings	3,200	2,041	1,635
Current tax liabilities	480	490	278
Trade and other payables	2,684	2,994	1,998
Current portion of provisions	824	771	518
Liabilities held for sale	765	743	–
Total current liabilities	**7,953**	**7,039**	**4,429**
Total equity and liabilities	**25,253**	**25,252**	**19,243**
Shareholders' equity per share (in €)	42.56	44.07	42.06
Number of shares outstanding (in millions)	262.4	262.3	262.3
Invested capital	14,426	14,400	5,197

- Strong financial position
- Cash and short-term borrowings are temporarily high at the end of Q1, 2008 due to the preparation for the on-sale to Henkel
- Invested capital includes €8.1 billion goodwill and other intangibles, mainly from the ICI acquisition
- Assets held for sale include businesses from ICI for on-sale as well as from AkzoNobel as agreed with the European and Canadian authorities.

Condensed consolidated statement of cash flows

IN € MILLIONS	1ST QUARTER	PRO FORMA 1ST QUARTER	1ST QUARTER
	2008	2007	2007[1]
Profit for the period	132	96	254
Income discontinued operations	(82)	–	(112)
Amortization and depreciation	113	112	88
Amortization/depreciation fair value adjustments	28	37	–
Inventory step-up	42	48	–
Impairment losses	17	–	–
Financing income and expenses	22	(42)	15
Results from associates and joint ventures	(4)	(13)	(12)
Pre-tax result on divestments	(5)	3	8
Income tax	(66)	(22)	(13)
Changes in working capital	(404)	(366)	(206)
Changes in provisions	(193)	(279)	(71)
Net cash from operating activities	**(400)**	**(426)**	**(49)**
Capital expenditures	(115)	(113)	(83)
Interest received	27	19	9
Associates and joint ventures	17	21	21
Acquisition of consolidated companies[2]	(10,434)	–	–
Proceeds from sale of interests[2]	32	29	29
Other changes	(41)	(42)	9
Net cash from investing activities	**(10,514)**	**(86)**	**(15)**
Proceeds from borrowings	1,023		4
Issue of shares	2		35
Buyback of shares	(26)		–
Dividends	(6)		(8)
Net cash from financing activities	**993**		**31**
Net cash used for continuing operations	**(9,921)**		**(33)**
Cash flows from discontinued operations	(40)		47
Net change in cash and cash equivalents of continued and discontinued operations	**(9,961)**		**14**
Cash and cash equivalents at January 1	11,067		1,631
Effect of exchange rate changes on cash and cash equivalents	(43)		3
Cash and cash equivalents at March 31	**1,063**		**1,648**

[1] Reclassified for comparative purposes
[2] Net of cash

- Net cash ouflow from operating activities of €400 million, slightly better than in 2007
- Capital expenditures at the same level
- Cash outflow for the acquisition of ICI is net of €1.1 billion cash
- Proceeds from borrowings are temporarily high due to the preparation for the on-sale to Henkel.

Changes in equity

IN € MILLIONS	SUBSCRIBED SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	CHANGE IN FAIR VALUE OF DERIVATIVES	CUMULATIVE TRANSLATION RESERVES	OTHER (STATUTORY) RESERVES AND UNDIS-TRIBUTED PROFIT	SHARE-HOLDERS' EQUITY	MINORITY INTERESTS	TOTAL EQUITY
Balance at January 1, 2007	574	1,841	(2)	30	1,701	4,144	119	4,263
Changes in fair value of derivatives	–	–	(5)	–	–	(5)	–	(5)
Changes in exchange rates in respect of foreign operations	–	–	–	(29)	–	(29)	(1)	(30)
Income/(expenses) directly recognized in equity	–	–	(5)	(29)	–	(34)	(1)	(35)
Profit for the period	–	–	–	–	246	246	8	254
Total income/(expenses)	–	–	(5)	(29)	246	212	7	219
Dividend paid	–	–	–	–	–	–	(8)	(8)
Equity-settled transactions	–	–	–	–	5	5	–	5
Issue of common shares	1	34	–	–	–	35	–	35
Changes in minority interest in subsidiaries	–	–	–	–	–	–	(1)	(1)
Balance at March 31, 2007	**575**	**1,875**	**(7)**	**1**	**1,952**	**4,396**	**117**	**4,513**
Balance at January 1, 2008	525	363	(510)	(51)	10,705	11,032	97	11,129
Changes in fair value of derivatives	–	–	831	–	–	831	–	831
Changes in exchange rates in respect of foreign operations	–	–	–	(790)	–	(790)	(37)	(827)
Income/(expenses) directly recognized in equity	–	–	831	(790)	–	41	(37)	4
Profit for the period	–	–	–	–	118	118	14	132
Total income/(expenses)	–	–	831	(790)	118	159	(23)	136
Dividend paid	–	–	–	–	–	–	(6)	(6)
Equity-settled transactions	–	–	–	–	18	18	–	18
Issue of common shares	–	2	–	–	–	2	–	2
Buyback of shares	–	–	–	–	(41)	(41)	–	(41)
Acquisition of ICI	–	–	–	–	–	–	499	499
Changes in minority interest in subsidiaries	–	–	–	–	–	–	(2)	(2)
Balance at March 31, 2008	**525**	**365**	**321**	**(841)**	**10,800**	**11,170**	**565**	**11,735**

Invested capital

At March 31, 2008, invested capital totaled €14.4 billion, coming from €5.2 billion at year-end 2007. The increase is mainly related to recognizing intangibles from the ICI acquisition.

After the preliminary purchase price allocation of the ICI acquisition, invested capital included the following amounts of goodwill and other intangibles per segment:

	GOODWILL	OTHER INTANGIBLES
Decorative Paints	3,449	2,733
Performance Coatings	456	210
Specialty Chemicals	751	469
AkzoNobel	**4,656**	**3,412**

Currency translation had a negative effect of €0.8 billion. Working capital increased €0.4 billion, mainly due to the seasonal pattern at Decorative Paints and the autonomous growth of our businesses.

Equity

Shareholders' equity at the end of the first quarter of 2008 amounted to €11.2 billion. The change in equity between the end of the first quarter of 2007 and the beginning of 2008 – apart from operational profit – resulted mainly from the gain on the Organon BioSciences' divestment, the 2007 share buyback program and a deferred loss from hedging activities related to the ICI acquisition.

In the first quarter of 2008, profit was added to equity. In relation to the ICI acquisition, the deferred loss on the hedge was transfered to goodwill. A gain was deferred in equity related to the on-sale to Henkel. Other changes related mainly to foreign currency translation. Mid March, AkzoNobel started a new €1 billion share buyback program that represents approximately 7.5 percent of the outstanding shares. An amount of 0.8 million shares was re-purchased for an average price of €51.06.

Cash position

Early 2008, cash and cash equivalents fell as expected due to net cash outflow of €10.4 billion for the acquisition of ICI. On April 3, 2008, the on-sale to Henkel was completed, which brought in €4 billion cash. During the first quarter of 2008, an amount of €0.6 billion was drawn on a bridge facility pending receipt of the proceeds from the on-sale. In connection with the on-sale to Henkel, a legal restructuring towards the end of the first quarter was necessary. To this effect, the commercial paper program was used for an amount of €0.8 billion. After receiving the proceeds from the on-sale, the amounts used under both the bridge facility and the commercial paper program, were paid off. The company also expects to redeem, in the second quarter of 2008, its remaining commercial paper borrowings of €0.5 billion.

Subsequent events

The second quarter started with completing the on-sale to Henkel. The Annual General Meeting approved the dividend of €1.80 per share for 2007, 50 percent higher than in prior years.

With the ICI integration process well underway, a new company logo has been launched. The AkzoNobel name is well respected and trusted among key stakeholders and will continue with the new, larger company.

Management agenda

For 2008, the focus will remain on making significant progress on the integration with ICI, capturing the first round of synergies, outgrowing our markets and improving the EBITDA margin to the upper half of our peer group.

Amsterdam, May 7, 2008
The Board of Management

Additional information

Notes

The report for the 2nd quarter of 2008 will be published on July 29, 2008.

The data in this report are unaudited.

This interim financial report is in compliance with IAS 34 – Interim Financial Reporting. The same accounting policies and methods of computation have been applied as in the 2007 financial statements, a copy of which can be found on the company's website www.akzonobel.com.

Pro forma information: in addition to the quarterly figures as issued by AkzoNobel in 2007, this report presents pro forma comparatives for 2007. These reflect the AkzoNobel out-comes as if it acquired ICI at January 1, 2007 and include the effects of the preliminary purchase price allocation. The main impact of the purchase price allocation on the statement of income is higher amortization of intangibles, higher depreciation of property, plant and equipment, and higher cost of sales. The latter is due to the fair value of inventories recognized on acquisition date which results in higher cost of sales as inventories are sold, mainly in the first quarter. Due to the fact that the purchase price allocation is determined on a provisional basis, the pro forma outcomes are subject to change. The pro forma information for the full year 2007, per quarter, and per business area was published on April 18, 2008, and can be found on the company's website www.akzonobel.com.

Revenue consists of sales of goods, services, and royalty income.

Autonomous growth is defined as the change in revenue attributable to changed volumes and selling prices. It excludes effects from currency and acquisition and divestment.

Incidentals are acquisition-related cost, special charges and benefits, results on divestments, restructuring and impairment charges, and charges related to major legal, antitrust, and environmental cases. EBIT and EBITDA before incidentals and EBIT before incidentals and amortization and depreciation of fair value adjustments are key figures management uses to assess the company's performance, as these figures better reflect the underlying trends in the results of the activities.

EBIT margin is operating income (EBIT) as percentage of revenue.

EBITDA is EBIT before depreciation and amortization.

Invested capital is total assets (excluding cash and cash equivalents, investments in associates, assets held for sale) less current income tax payable and less trade and other payables.

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 forecasted and actual results to differ from these statements. These factors include, but are not limited to, price fluctuations, currency fluctuations, changes in the final purchase price allocation for ICI, 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.

Our new brand

AkzoNobel has launched its new corporate brand. Symbolizing the company's fundamental transformation and determination to lead change, it embodies AkzoNobel's clear ambitions for the future and a passionate commitment to deliver Tomorrow's Answers Today. As well as a subtle name change and a revitalized, powerful logo, a new brand architecture has also been introduced, along with updated company values and a new brand philosophy. Together it creates one, distinctive global brand and supports AkzoNobel's highly focused strategic vision.

The launch of our new global brand strategy

AkzoNobel
Tomorrow's Answers Today

The introduction of Tomorrow's Answers Today is central to our new brand. It drives our creativity, our product development and lies at the core of all our activities. It will focus our efforts on further strengthening our position as being the world's largest paints and coatings producer and one of the leading global suppliers of specialty chemicals.

The concept means we believe that what is good for our customers today is not necessarily good enough for them tomorrow. So that constant search for answers is what drives us. It focuses the whole company and inspires us to achieve great things for all our stakeholders, and for ourselves.

"The new brand is about creating brand equity, not destroying it," explains Wijers. "Our studies confirmed that there is considerable value in the name of AkzoNobel. It is well respected throughout our industries and is synonymous with trust and quality, so there was no reason to change it. Our strategy now is to combine the strong AkzoNobel business-to-business reputation with the former ICI's excellent consumer brands reputation. This will create a powerful brand with significant global reach and incredible potential for growth.

"The logo, however, has changed. It was already a very strong and distinctive asset, but it has been made more relevant for the 21st century and now has a greater sense of power and energy. It is an embodiment of our Tomorrow's Answers Today positioning." The chairman adds that the logo will now be used to endorse all the company's brands. The ICI logo, meanwhile, will continue to appear on relevant products during the forthcoming migration period.

AkzoNobel
Tomorrow's Answers Today

www.akzonobel.com

We're the largest global paints and coatings company and 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 developing sustainable answers for our customers. Based in Amsterdam, the Netherlands, we have 60,000 employees working in more than 80 countries – all committed to excellence and delivering Tomorrow's Answers Today.

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