Report for the first quarter

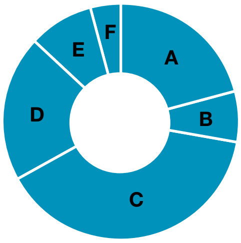
2011

AkzoNobel
Tomorrow's Answers Today

AkzoNobel around the world
Revenue by destination
(39 percent in high growth markets)

	%
A North America	20
B Emerging Europe	6
C Mature Europe	39
D Asia Pacific	21
E Latin America	10
F Other regions	4
	100

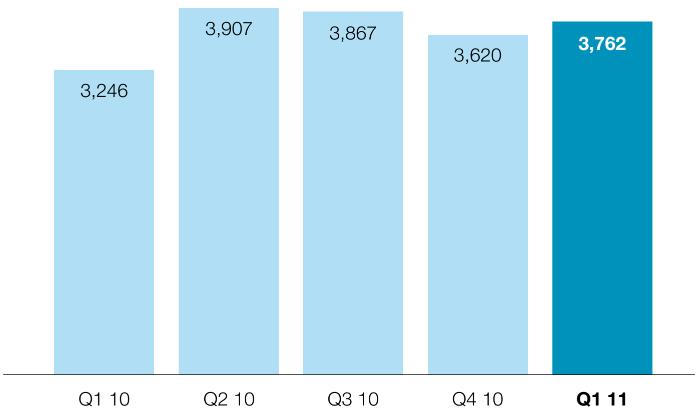
(Based on the full year 2010)



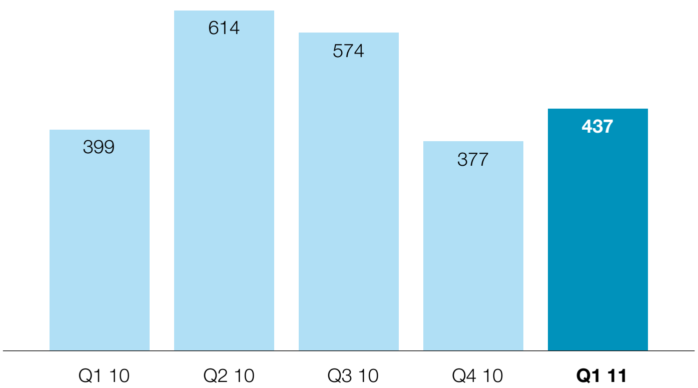
Our results at a glance

- Stronger volumes and pricing drive revenue growth of 16 percent
- EBITDA increased 10 percent to €437 million
- Raw material cost increases being mitigated
- Net income increased to €128 million (2010: €81 million)
- Adjusted EPS (earnings per share) rose 38 percent to €0.72
- Outlook reiterated: aiming for more than 5 percent revenue and EBITDA growth in 2011, in line with strategic ambitions

Revenue
In € millions



EBITDA
In € millions



Financial highlights

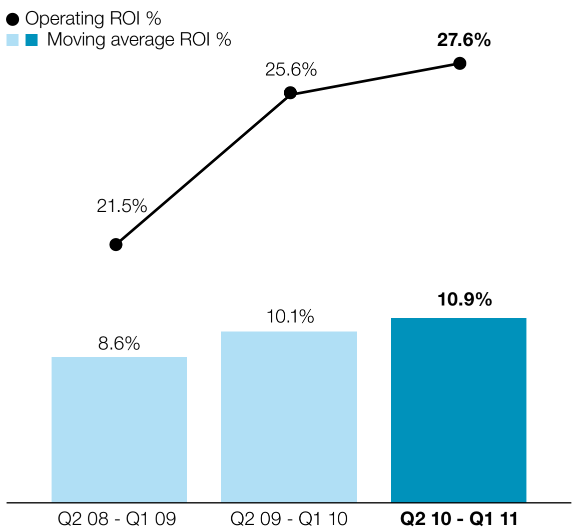
Continuing operations before incidentals

in € millions	1st quarter 2010	2011	Δ%
Revenue	3,246	3,762	16
EBITDA	399	437	10
EBITDA margin (in %)	12.3	11.6	
EBIT	258	289	12
EBIT margin (in %)	7.9	7.7	
Moving average ROI (in %)	10.1	10.9	
Operating ROI (in %)	25.6	27.6	
Adjusted earnings per share (in €)	0.52	0.72	38

After incidentals

in € millions	1st quarter 2010	2011	Δ%
Operating income	224	277	24
Net income from continuing operations	70	132	
Net income from discontinued operations	11	(4)	
Net income total operations	81	128	
Earnings per share from continuing operations (in €)	0.30	0.57	
Earnings per share from total operations (in €)	0.35	0.55	
Capital expenditures	97	130	
Net cash from operating activities	(525)	(519)	
Interest coverage	4.1	5.9	
Invested capital	12,581	13,013	
Net debt	2,313	1,578	
Number of employees	54,480	56,100	

Returns on invested capital



Financial highlights

Revenue up 16 percent, due to volume growth of 7 percent and pricing of 4 percent (before a 1 percent adverse mix effect). Demand increased in all Business Areas, most notably in the high growth markets. EBITDA up 10 percent as actions to mitigate higher raw material costs continue.

Revenue

- The Decorative Paints business got off to a good start in 2011 with revenue up 13 percent (including a favorable currency effect of 3 percent). This increase was across all regions. The impact of increased prices was 4 percent, before the mix effect of growth in the mid tier segment in the high growth markets. Our growth strategy of investing in brands, distribution and people, and expanding into mid-tier markets in high growth regions is progressing well. Demand in most of the mature markets was stable in the first quarter. In the US, approximately 3,500 Walmart retail locations have been reset with AkzoNobel products.

- Performance Coatings had a strong start of 2011 with revenue up 18 percent, supported by volumes (7 percent), acquisitions (6 percent) and currencies (3 percent). The positive price impact was 3 percent, excluding mix effects. Volume increases were seen in all businesses with the exception of Wood Finishes and Adhesives. Revenue was especially strong in high growth markets in Eastern Europe, Latin America and Asia. Selling prices are being increased in response to the continuous rise in raw material prices.

- The positive demand pattern in Specialty Chemicals which materialized in 2010 carried forward into the first quarter of 2011. The recovery of manufacturing and industrial production, particularly in Asia and North America, has resulted in firm demand across most of our business lines. Fueled by the strength in demand and the continued success in our key geographical and innovation growth platforms, volume increased 6 percent relative to the first quarter of 2010. Consequently, revenue increased 17 percent reflecting the improved volume, improved pricing and a favorable currency effect.

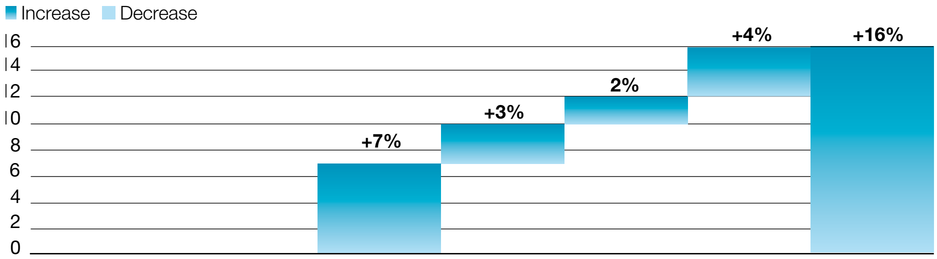
Acquisitions

The acquired activities in Performance Coatings account for the acquisition effect as these activities were consolidated after Q1 2010.

Revenue

in € millions	1st quarter 2010	2011	Δ%
Decorative Paints	1,056	1,196	13
Performance Coatings	1,049	1,237	18
Specialty Chemicals	1,154	1,351	17
Other activities/eliminations	(13)	(22)	
Total	**3,246**	**3,762**	**16**

Revenue development Q1 2011



in % versus Q1 2010	Volume	Price/mix	Acquisitions	Exchange rates	Total
Decorative Paints	9	1	–	3	13
Performance Coatings	7	2	6	3	18
Specialty Chemicals	6	6	–	5	17
Total	**7**	**3**	**2**	**4**	**16**

Volume development per quarter (year-on-year)	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11
Decorative Paints	5	1	–	1	9
Performance Coatings	8	12	5	5	7
Specialty Chemicals	15	15	10	3	6
Total	**10**	**8**	**4**	**3**	**7**

Price/mix development per quarter (year-on-year)	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11
Decorative Paints	(1)	–	1	2	1
Performance Coatings	(3)	(3)	–	3	2
Specialty Chemicals	(6)	(2)	2	8	6
Total	**(4)**	**(2)**	**1**	**4**	**3**

Raw materials

Raw material price inflation has been significant. Pricing and cost reduction actions are ongoing to mitigate the impact of this and we remain confident that we will be able to compensate for these increases.

EBITDA

EBITDA was up 10 percent on the back of a strong revenue development. All businesses were impacted by higher raw material costs, which we have partly offset by pricing. We maintained our focus on costs and margin management.

- In Decorative Paints, we continued to invest in the future of the business. Absolute A&P spending increased by 17 percent and amounted to 5 percent of revenue (in line with the previous year). Our margin management programs enabled us to maintain overall margins despite higher raw material prices. EBITDA was up 10 percent for the quarter, where the positive currency impact was 4 percent. The EBITDA margin in Q1 was in line with the normal seasonal pattern and is stable compared with the previous year.

- In Performance Coatings, raw material price increases have had a negative impact on margins. Margin management programs and restructuring efforts in mature markets are ongoing and continue to support performance. Investments in growth plans continue. EBITDA remained flat compared with the previous year, supported by a positive currency effect of 3 percent, and ended at €143 million, with an EBITDA margin of 11.6 percent (2010: 13.6 percent).

- The focus within Specialty Chemicals remains on market share, margin management and unit margin development across our businesses. Cost containment actions remain in place and thus the conversion of incremental margin to EBITDA in Specialty Chemicals remains strong. As a result, EBITDA was €241 million, 16 percent above last year, including a 4 percent positive currency impact. EBITDA margin remains at a healthy 17.8 percent.

EBIT in "other"

Corporate costs reflect an overall higher activity level as a consequence of the new management structure and specific functional excellence activities. Other costs were lower than last year due to favorable legacy items.

EBITDA

in € millions	1st quarter 2010	2011	Δ%
Decorative Paints	82	90	10
Performance Coatings	143	143	–
Specialty Chemicals	207	241	16
Other activities/eliminations	(33)	(37)	
Total	**399**	**437**	**10**

Incidental included in operating income

in € millions	1st quarter 2010	2011
Restructuring costs	(17)	(9)
Results related to major legal, antitrust and environmental cases	(9)	1
Results on acquisitions and divestments	1	–
Other incidental results	(9)	(4)
Incidentals included in operating income	**(34)**	**(12)**

EBIT in other

in € millions	1st quarter 2010	2011
Corporate costs	(20)	(25)
Pensions	2	(2)
Insurances	2	3
Other	(22)	(15)
EBIT in "other"	**(38)**	**(39)**

Incidental items included in operating income

Incidental items were mainly related to further restructuring in Performance Coatings in connection with the acquired powder coatings activities.

Net debt

Net debt increased from €936 million at year-end 2010 to €1,578 million, mainly due to regular payments of pension top-ups, interest on bonds and the seasonal build-up of our operating working capital. For further details on net debt and operating cash flows, please see page 15.

Net financing expenses

Net financing charges decreased by €25 million to €63 million (2010: €88 million):

- Financing expenses on pensions decreased by €9 million to €16 million mainly due to higher returns on plan assets.
- Net interest on debt decreased by €8 million to €47 million, mainly due to higher cash balances and a one-time adjustment to the interest classification versus last year.
- We incurred other interest benefits of €5 million (2010: € nil) due to foreign currency results on hedged future interest cash flows.
- Interest on provisions decreased by €3 million to €5 million (2010: €8 million) due to lower discount rates.

For further detail on financing charges, please refer to page 17.

Tax

The Q1 tax rate is 33 percent (2010: 37 percent). The high tax rate is mainly due to the impact of changes in tax rates on the measurement of deferred tax. Excluding these and other incidental factors, the tax rate would have been 28 percent. In 2010, the Q1 tax rate was high mainly due to a law change in the US regarding deductibility of healthcare-related costs.

Decorative Paints

- Revenue increased 13 percent and EBITDA increased 10 percent
- Walmart roll-out on track with 3,500 new stores reset
- Continued growth momentum in the high growth markets, while mature markets stabilized
- Selling price increases are on track to compensate for higher raw material costs

The Decorative Paints business got off to a good start in 2011 with revenue up 13 percent (including a favorable currency effect of 3 percent). Revenue increased across all regions. The impact of increased prices was 4 percent, before the mix effect of growth in the mid tier segment in the high growth markets. Our growth strategy of investing in brands, distribution and people, and expanding into mid-tier markets in high growth regions, is progressing well. Demand in most of the mature markets was stable in the first quarter. We continued to invest in the future of our business. Absolute A&P spending increased by 17 percent. In the US, approximately 3,500 Walmart retail locations have been reset.

Our margin management programs enabled us to maintain overall margins despite higher raw material prices. EBITDA was up 10 percent for the quarter, with a positive currency impact of 3 percent. The EBITDA margin in Q1 is in line with the normal seasonal pattern and is stable compared with the previous year.

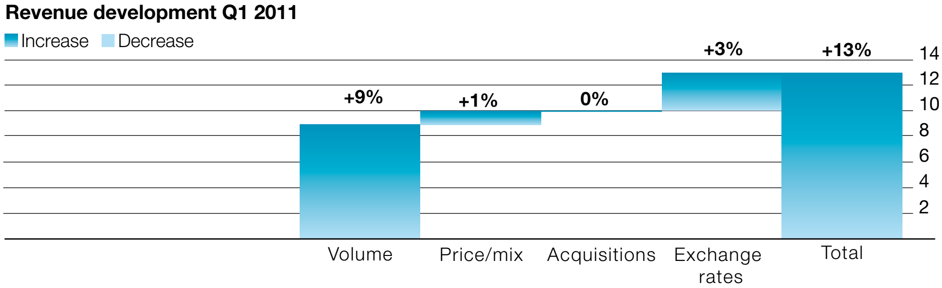
Europe

In Europe, revenue was up 8 percent (in constant currencies: up 6 percent), driven by positive volumes. There was good growth in more developing markets in the region such as Turkey, Russia and South Africa. Progress was also good in the UK on the back of promotional activities. The outlook for the Western European markets remain challenging. However, irrespective of market developments we are determined to grow our business in Europe. We continue to closely monitor the developments in raw material prices and actions are in place to compensate for potential higher raw material costs.

Americas

Revenue in the US was 31 percent up on 2010. The increase was driven by volume. The Walmart new business delivered the majority of the improvement in Q1. Walmart shipments started in the last quarter of 2010 and included the initial shipments of Better Homes and Gardens (BH&G) and Glidden brands. The store resets are going according to plan.
In Canada, Q1 revenue was 2 percent below 2010 (in constant currencies: down 8 percent), driven by lower volumes. The decrease in volumes was partly caused by changes in the Canadian government's home purchase credit and tax incentive implemented in mid-2010.
In Latin America, Q1 revenue was 16 percent above 2010 (in constant currencies: 9 percent), driven by price and volume. All countries contributed to the growth, which was driven by improved market conditions and investments in brands and distribution.

Revenue development Q1 2011



Key brands

Asia

Our business in Asia continued its strong performance. Revenue increased 21 percent from Q1 2010 (in constant currencies 18 percent). All countries in Asia contributed to this growth.

In China, we were able to grow our revenue by 25 percent (constant currencies: 22 percent) by focusing on the so called tier 2 and 3 cities and the mid tier consumer segments where we expect growth to accelerate in the foreseeable future. We opened almost 200 new Dulux customer stores in Q1 in China. Our continued investment in brand building can now be leveraged across China. As a result of measures introduced by the central government to curb rising property prices, we experienced moderate growth rate in the Chinese Eastern Seaboard.

In South East Asia and Pacific, Q1 revenue increased versus 2010 by 14 percent (constant currencies: 11 percent), mainly due to volume growth.

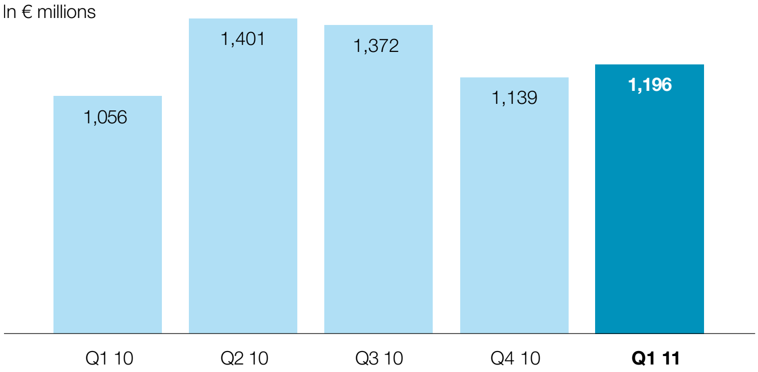
Q1 performance in key markets outperformed expectations, driven by Indonesia, Vietnam and Malaysia. Following Indonesia's successful launch last year, Thailand launched their mid-tier Dulux Inspire in Q1 2011, further strengthening the Dulux reach in the mid-market.

Growth in India continued to be very strong during Q1 (24 percent; in constant currencies: 21 percent), due to volume and price.

in € millions	1st quarter		
Revenue	2010	**2011**	Δ%
Decorative Paints Europe	560	607	8
Decorative Paints Americas	339	399	18
Decorative Paints Asia	159	192	21
Other/intragroup eliminations	(2)	(2)	
Total	**1,056**	**1,196**	**13**
Before incidentals			
EBITDA	82	90	10
EBITDA margin (in %)	7.8	7.5	
EBIT	34	39	15
EBIT margin (in %)	3.2	3.3	
Moving average ROI (in %)	5.2	5.3	
After incidentals			
Operating income	19	37	
Capital expenditures	23	42	
Invested capital	6,520	6,462	
Number of employees	21,590	22,280	

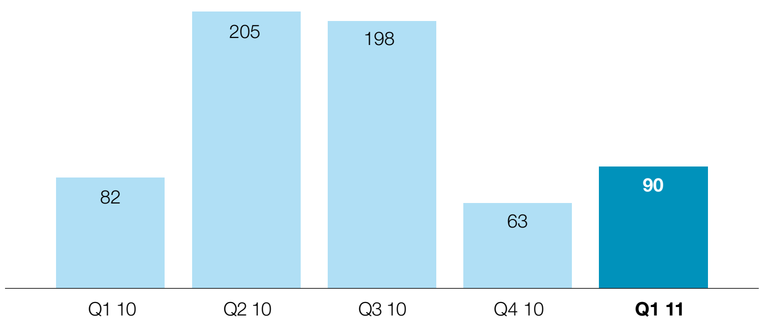
Revenue

In € millions



EBITDA

In € millions



Performance Coatings

- Revenue up 18 percent, with volumes up 7 percent
- Improved revenue in all businesses
- Selling price increases offset by continued raw material cost increases
- EBITDA result maintained
- Integration of acquired activities delivering results

It was a strong start to 2011, with revenue up 18 percent, supported by volumes, acquisitions, currencies and price. Volume increases were seen in all businesses with the exception of Wood Finishes and Adhesives. Revenue was especially strong in high growth markets in Eastern Europe, Latin America and Asia. Selling prices are being increased in response to the continuous rise in raw material prices. During the quarter, raw material price increases had a negative impact on margins. Margin management programs and restructuring efforts in mature markets are ongoing and continue to support performance. Investments in growth plans continue. Q1 EBITDA remained flat compared with the previous year, supported by a positive currency effect of 3 percent, and ended at €143 million, with an EBITDA margin of 11.6 percent (2010: 13.6 percent).

Marine and Protective Coatings

Revenue for Marine and Protective Coatings was up, supported by volume and currencies. Marine showed increased revenue and volumes, mainly in the new construction markets in Korea and China – where yard output remains high – while there was some recovery in deep sea activity. In Protective Coatings we saw increased volumes in all regions, especially in the heavy industry and oil and gas segments. In the Asia Pacific region, the high value infrastructure sector also continued to grow, partly driven by stimulus packages. Yacht experienced a slower quarter compared with the previous year, with volumes down as a result of higher activity levels in Q4 2010, delayed projects in Western Europe and lower activity levels in North America. In Marine we launched a new product – Intergard 9001. This offers a step change in performance for chemical/product tanker owners and is our first move into this product technology area.

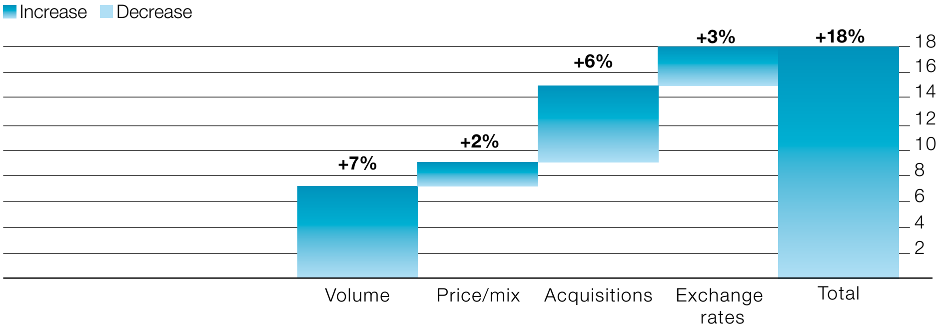
Wood Finishes and Adhesives

Revenue for Wood Finishes and Adhesives increased by 6 percent over last year, positively supported by currencies which compensated for the slightly lower volumes. The softening of market demand as of Q3 2010, most evident in the Americas and in the Asian export business, continued during Q1 this year. The main demand drivers for the industrial wood and adhesives markets include residential construction and remodeling activity. In Europe, the wood finishes markets performed better than last year, especially in the Northern and Eastern European region. In the mature markets, we continued to balance our activities while at the same time continuing to invest in growth markets. For example, new manufacturing capacity in Vietnam is on schedule to be commissioned in Q4, while we will also begin construction of a new board resin facility in Peru later this year.

Automotive and Aerospace Coatings

Automotive and Aerospace Coatings had a good start to the year, with revenue increasing 14 percent over 2010, supported by currencies and acquisitions, but mainly due to higher volumes. Volumes in our vehicle refinishes segment in Asia showed a strong increase supported by the acquisition of Changzhou Prime Automotive Paint Co., Ltd. In North America, vehicle refinish volumes increased as a result of newly won contracts, while in Western Europe vehicle refinish volumes remained flat. Our commercial vehicle OEM business continued its strong performance, with improved volumes mainly being driven by high demand in the US and Brazil. Our Automotive Plastic Coatings business benefited as car production rates increased. Aerospace Coatings also reported a strong first quarter, with the rise in volumes being mainly attributable to increased demand from Airbus and Boeing. Operating costs have increased, partly as a result of acquisitions and partly due to investments made in high growth markets. Toyota Motor Europe (TME) became the first global automotive manufacturer to offer stickerfix, our innovative DIY repair solution for minor paint damage to road cars.

Revenue development Q1 2011



Key brands

Powder Coatings

Q1 was a strong quarter for Powder Coatings with revenue up 48 percent, of which 31 percent related to acquisitions. The strong autonomous volume growth was driven by our position in high growth markets. The acquisition of the former Rohm & Haas powder coatings activities has strengthened our position in North America and Western Europe. We experienced growth across segments in North America in particular and continued to integrate the new powder activities there, as well as in Europe. The restructuring of our European and North American operations is also on track. Meanwhile, we continued to strengthen our footprint in high growth markets, highlighted by the announcement of expansion plans in the Asia Pacific region. As well as finalizing proposals to build a new Asian technical and technical support laboratory in Vietnam, we also plan to open a new service center in Thailand in May and upgrade one of our sites in Malaysia.

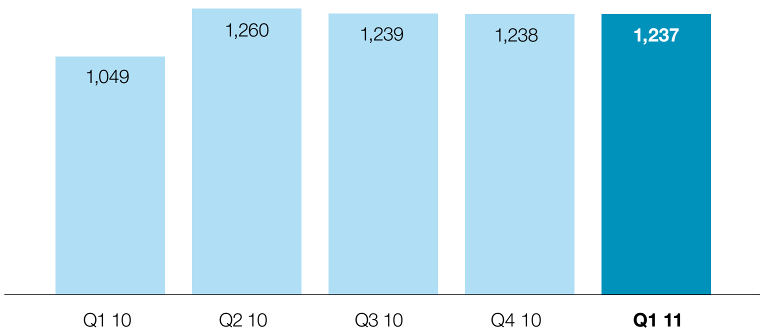
Industrial Coatings

Industrial Coatings had a good Q1, with revenue increasing 26 percent, mainly due to higher volumes and prices, the impact of the Lindgens Metal Decorating Coatings and Inks acquisition (4 percent) and currencies. The main drivers for the top line growth were strong markets in Packaging Coatings, Coil Coatings and increases in volume in Packaging Coatings, while Specialty Plastics had slightly lower volumes. Coil Coatings' construction-related business had strong volumes in the first quarter in all markets compared with last year. Specialty Plastics saw volumes drop on 2010 in Asia in its wireless and IT business segments, while the automotive, cosmetics and lifestyle business segments increased volumes. Packaging Coatings' beverage and food-related business showed a very strong increase in volumes compared with last year, with demand mainly coming from Europe and Asia Pacific.

in € millions	1st quarter		
	2010	**2011**	Δ%
Revenue			
Marine and Protective Coatings	298	324	9
Wood Finishes and Adhesives	178	188	6
Automotive and Aerospace Coatings	227	259	14
Powder Coatings	156	231	48
Industrial Coatings	193	243	26
Other/intragroup eliminations	(3)	(8)	
Total	**1,049**	**1,237**	**18**
Before incidentals			
EBITDA	143	143	–
EBITDA margin (in %)	13.6	11.6	
EBIT	118	115	(3)
EBIT margin (in %)	11.3	9.3	
Moving average ROI (in %)	27.8	25.6	
After incidentals			
Operating income	101	106	
Capital expenditures	13	16	
Invested capital	1,971	2,150	
Number of employees	20,150	21,230	

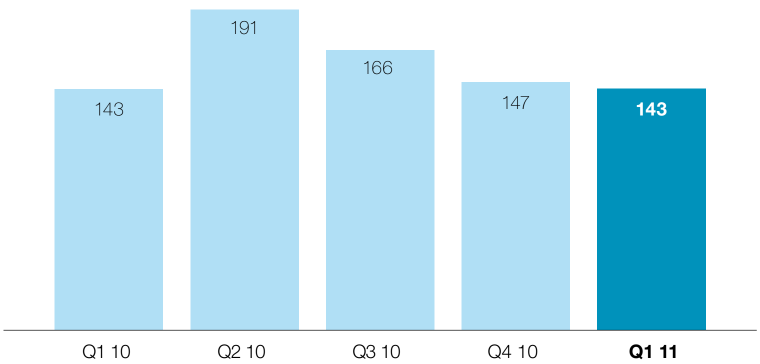
Revenue

In € millions



EBITDA

In € millions

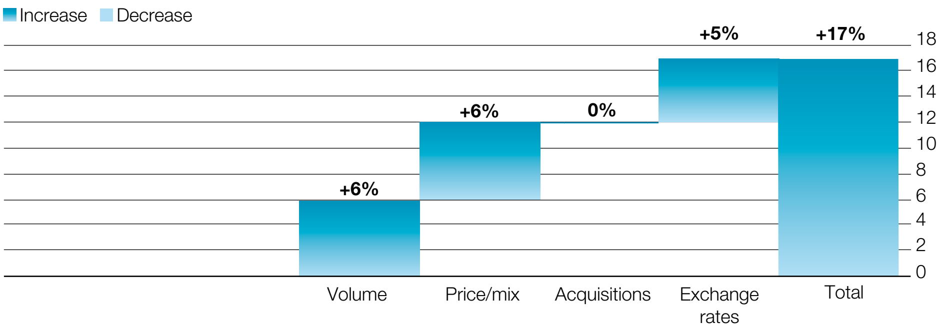


Specialty Chemicals

- Revenue increased 17 percent: volume and price increases of 6 percent
- Demand remained firm in both the high growth and mature markets
- EBITDA increased 16 percent to €241 million
- EBITDA margin 17.8 percent (2010: 17.9 percent)
- Significant growth capital committed: Pulp and Paper (Brazil), Bermocoll cellulose derivatives (China), Expancel (Sweden)

The positive demand pattern that materialized in 2010 carried forward into the first quarter of 2011. The recovery of manufacturing and industrial production, particularly in Asia and North America, has resulted in firm demand across most of our business lines. Fueled by the strength in demand and the continued success in our key geographical and innovation growth platforms, volume increased 6 percent relative to the first quarter of 2010. Consequently, revenue increased 17 percent reflecting the improved volume, improved pricing and a favorable currency effect. The further escalation of input and raw material costs has emerged as a performance challenge to maintain our operating margins. Our focus remains on market share, margin management and unit margin development across our businesses. Nonetheless, cost containment actions remain in place, therefore the conversion of incremental margin to EBITDA in Specialty Chemicals remains strong. As a result, EBITDA was €241 million, 16 percent above last year, including a 4 percent positive currency impact. EBITDA margin remains at a healthy 17.8 percent.

Revenue development Q1 2011



Functional Chemicals
Our Functional Chemicals business continued to perform at a high level. Driven by a solid start in our more seasonal businesses, traction in our geographic expansion initiatives (Ningbo, China) and the continued commercial success with our key growth platforms, volume increased 7 percent over the first quarter of 2010. Overall, demand across our Functional Chemicals portfolio continues to be strong and our asset utilization remains high. Revenue increased 16 percent during the quarter as a result of the volume growth and increased prices. However, rising feedstock costs increased the pressure on margins and heightened the focus on our margin management discipline. Nevertheless, the broad volume growth underpinned a solid improvement in performance in the quarter. At the end of March, we announced a €60 million investment in Bermocoll cellulose derivatives (paint and building material thickeners) to construct a new facility at our Ningbo multi-site in China and to debottleneck an existing manufacturing site in Örnsköldsvik, Sweden. The two projects will increase capacity to close to 40,000 tons per annum and elevate AkzoNobel to a global leadership position.

Industrial Chemicals
Our Industrial Chemicals business got off to an excellent start in 2011. Demand for chemical transformation salt, caustic and chlorine derivatives remains strong. As a result, volume increased 5 percent in the first quarter relative to 2010. Notably, the volume in our MCA business, driven by healthy demand in Europe and China, surpassed all previous levels. Improved pricing in the chlor-alkali chain, combined with the volume growth across the portfolio, led to a 16 percent increase in revenue in the quarter. However, margins were under pressure, largely due to unfavorable market dynamics in the Energy business. Nonetheless, improved volume, improved pricing and effective cost control resulted in an impressive improvement in performance in Q1.

Surface Chemistry
Our Surface Chemistry business continued to perform well. Demand for agro, oilfield and other industrial applications remained healthy. Compared with a relatively strong quarter in 2010, volume increased 4 percent, with positive developments in all regions. Revenue increased 17 percent driven by the volume

Key brands

growth and improved pricing. The raw material cost trend continued on an unfavorable path, particularly in key fat and oil feedstock. Currently, several of our raw materials have returned to pre-recessionary price levels. However, strong demand and margin management actions more than offset the downward pressure on margins. As a result, the Surface Chemistry business was able to improve on last year's first quarter performance.

Pulp and Paper Chemicals

The performance of the Pulp and Paper Chemicals business improved in the first quarter. Volume increased 6 percent, led by the market penetration of our businesses in the Americas and Asia, with particularly positive developments in Brazil. Revenue increased 14 percent, based on the increase in volume and improved pricing during the quarter. Pressure on margins increased as input costs escalated relative to 2010. However, the performance improved primarily as a result of the increase in volume. Our Expancel business announced a capacity increase for its expandable microspheres in order to meet growing global demand. In addition, we announced an investment of €90 million in a new facility being built in Brazil. The plant will supply the world's largest pulp mill.

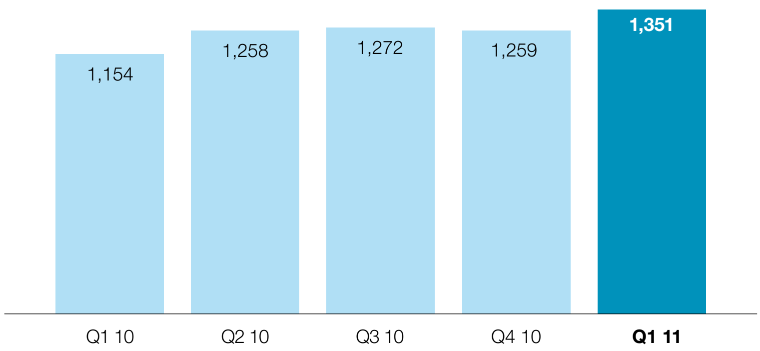
Chemicals Pakistan

Our Chemicals Pakistan business performed well in the first quarter. Volume increased 6 percent as demand for our polyester, life sciences and general chemicals was strong. The volume development in these businesses more than offset the negative developments in the Soda Ash business, where volume was hindered by reduced gas availability. Based on the collective volume increase and higher selling prices, revenue increased 32 percent over the first quarter of 2010. Raw material cost escalation and disruptions in energy supply created downward pressure on margins. However, the volume growth and margin improvements resulted in an increase in profitability.

in € millions	1st quarter		
	2010	**2011**	Δ%
Revenue			
Functional Chemicals	419	486	16
Industrial Chemicals	256	298	16
Surface Chemistry	202	237	17
Pulp and Paper Chemicals	241	274	14
Chemicals Pakistan	68	90	32
Other/intragroup eliminations	(32)	(34)	
Total	**1,154**	**1,351**	**17**
Before incidentals			
EBITDA	207	241	16
EBITDA margin (in %)	17.9	17.8	
EBIT	144	174	21
EBIT margin (in %)	12.5	12.9	
Moving average ROI (in %)	17.1	20.6	
After incidentals			
Operating income	126	173	
Capital expenditures	57	67	
Invested capital	3,440	3,450	
Number of employees	11,100	11,230	

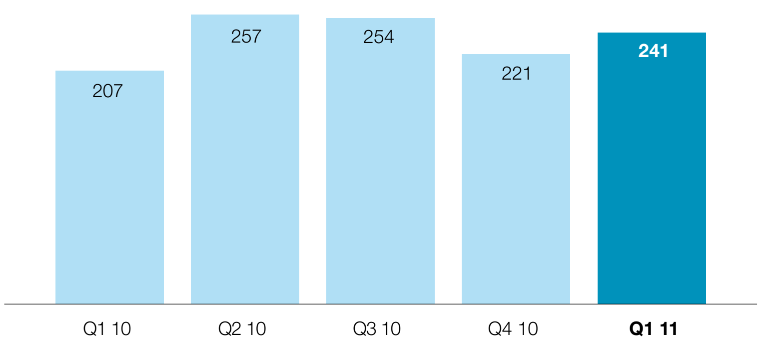
Revenue

In € millions



EBITDA

In € millions



Condensed financial statements

Consolidated statement of income

in € millions	1st quarter 2010	2011
Continuing operations		
Revenue	3,246	3,762
Cost of sales	(1,911)	(2,269)
Gross profit	**1,335**	**1,493**
Selling expenses	(772)	(821)
General and administrative expenses	(255)	(300)
Research and development expenses	(77)	(85)
Other operating income/(expenses)	(7)	(10)
Operating income	**224**	**277**
Net financing expenses	(88)	(63)
Results from associates and joint ventures	5	7
Profit before tax	**141**	**221**
Income tax	(53)	(73)
Profit for the period from continuing operations	**88**	**148**
Discontinued operations		
Profit for the period from discontinued operations	11	(4)
Profit for the period	**99**	**144**
Attributable to		
Shareholders of the company	81	128
Non-controlling interests	18	16
Profit for the period	**99**	**144**

Consolidated statement of comprehensive income

in € millions	1st quarter 2010	2011
Profit for the period	**99**	**144**
Other comprehensive income		
Exchange differences arising on translation of foreign operations	436	(297)
Cash flow hedges	(9)	(22)
Tax relating to components of other comprehensive income	2	12
Other comprehensive income for the period (net of tax)	**429**	**(307)**
Comprehensive income for the period	**528**	**(163)**
Comprehensive income attributable to		
Shareholders of the company	489	(151)
Non-controlling interests	39	(12)
Comprehensive income for the period	**528**	**(163)**

Condensed consolidated balance sheet

in € millions	December 31, 2010	**March 31, 2011**
Assets		
Non-current assets		
Intangible assets	7,308	7,074
Property, plant and equipment	3,384	3,297
Other financial non-current assets	1,977	2,132
Total non-current assets	**12,669**	**12,503**
Current assets		
Inventories	1,678	1,781
Trade and other receivables	2,788	3,106
Cash and cash equivalents	2,851	2,213
Other current assets	108	104
Total current assets	**7,425**	**7,204**
Total assets	**20,094**	**19,707**
Equity and liabilities		
Total equity	**9,509**	**9,358**
Non-current liabilities		
Provisions and deferred tax liabilities	2,444	2,324
Long-term borrowings	2,880	2,843
Total non-current liabilities	**5,324**	**5,167**
Current liabilities		
Short-term borrowings	907	948
Trade and other payables	3,305	3,283
Other short-term liabilities	1,049	951
Total current liabilities	**5,261**	**5,182**
Total equity and liabilities	**20,094**	**19,707**

Shareholders' equity

Shareholders' equity as at March 31, 2011 decreased to €8.8 billion, due to the net effect of:

- Net income of €128 million.
- Decreased cumulative translation reserves by €263 million due to the strengthening euro.

Changes in equity

in € millions	Subscribed share capital	Additional paid-in capital	Cashflow hedge reserve	Revaluation reserves	Cumulative translation reserves	Other reserves	Shareholders' equity	Non-controlling interests	Total equity
Balance at January 1, 2010	465	2	(6)	7	(777)	8,084	7,775	470	8,245
Profit 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**
Balance at January 1, 2011	**467**	**9**	**29**	**7**	**(43)**	**8,515**	**8,984**	**525**	**9,509**
Profit for the period	–	–	–	–	–	128	128	16	144
Other comprehensive income	–	–	(16)	–	(263)	–	(279)	(28)	(307)
Comprehensive income for the period	**–**	**–**	**(16)**	**–**	**(263)**	**128**	**(151)**	**(12)**	**(163)**
Dividend paid	–	–	–	–	–	–	–	(1)	(1)
Equity-settled transactions	–	–	–	–	–	8	8	–	8
Issue of common shares	–	5	–	–	–	–	5	–	5
Acquisitions and divestments	–	–	–	–	–	–	–	–	–
Balance at March 31, 2011	**467**	**14**	**13**	**7**	**(306)**	**8,651**	**8,846**	**512**	**9,358**

Invested capital

in € millions	March 31, 2010	December 31, 2010	**March 31, 2011**
Trade receivables	2,095	2,101	2,359
Inventories	1,458	1,678	1,781
Trade payables	(1,516)	(1,763)	(1,823)
Operating working capital in Business Areas	**2,037**	**2,016**	**2,317**
Other working capital items	(1,008)	(1,203)	(1,072)
Non-current assets	12,349	12,669	12,503
Less investments in associates and joint ventures	(182)	(175)	(177)
Deferred tax liabilities	(615)	(589)	(558)
Invested capital	**12,581**	**12,718**	**13,013**

Invested capital

Invested capital at March 31, 2011 totaled €13.0 billion, €0.3 billion higher than at year-end 2010. Invested capital was impacted by the following items:

- Foreign currency effects on intangibles and property, plant and equipment, due to the strenghtening euro. In total, equity decreased by €0.3 billion due to the currency translation impact.
- An increase of €215 million of long-term receivables related to pension funds in an asset position.
- An increase of operating working capital due to increased business activities. Expressed as a percentage of revenue, operating working capital was 15.3 percent (Q1 2010: 15.6 percent; year-end 2010: 13.9 percent).
- Payments of accrued interest of €148 million.

Return on invested capital

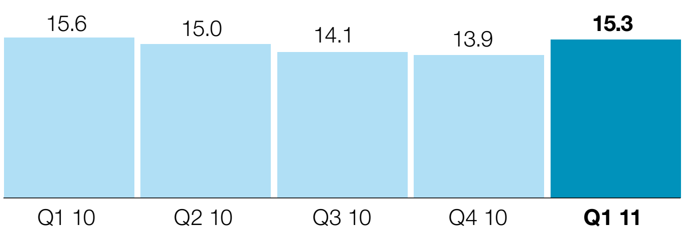
We monitor our return on investments (ROI) by two measures:

- By moving average ROI, being EBIT divided by average invested capital.
- By moving average operating ROI, being EBIT before amortization of intangibles divided by average invested capital excluding intangibles.

Both measures developed positively, see the graph on page 3.

Operating working capital

In % of revenue



Operating working capital

in € millions, % of revenue	March 31, 2010		December 31, 2010		**March 31, 2011**	
Decorative Paints	690	16.3	651	14.3	803	16.8
Performance Coatings	698	16.6	714	14.4	805	16.3
Specialty Chemicals	649	14.1	651	12.9	709	13.1
Total	**2,037**	**15.6**	**2,016**	**13.9**	**2,317**	**15.3**

Pensions

The funded status of the pension plans at the end of Q1 2011 was estimated to be a deficit of €0.7 billion (year-end 2010: €1.0 billion).

The movement is due to:
- Higher discount rates decreasing the pension obligation
- Top-up payments of €341 million into certain defined benefit pension plans

Offset by:
- Higher inflation expectations and
- Lower asset returns.

Workforce

At March 2011, we employed 56,100 staff (year-end 2010: 55,590 employees). The net increase was due to:

- A decrease of 240 employees due to ongoing restructuring.
- An increase of 750 employees due to new hires and seasonal activity.

Condensed consolidated statement of cash flows

in € millions	2010	2011
Cash and cash equivalents at January 1	**1,919**	2,683
Adjustments to reconcile earnings to cash generated from operating activities		
Profit for the period from continuing operations	88	148
Amortization, depreciation and impairments	141	150
Changes in working capital	(289)	(390)
Changes in provisions	(366)	(358)
Other changes	(99)	(69)
Net cash from operating activities	**(525)**	**(519)**
Capital expenditures	(97)	(130)
Acquisitions and divestments net of cash acquired	8	8
Other changes	3	2
Net cash from investing activities	**(86)**	**(120)**
Changes from borrowings	(25)	(12)
Dividends	(8)	(1)
Other changes	1	5
Net cash from financing activities	**(32)**	**(8)**
Net cash used for continuing operations	**(643)**	**(647)**
Cash flows from discontinued operations	–	–
Net change in cash and cash equivalents of total operations	**(643)**	**(647)**
Effect of exchange rate changes on cash and cash equivalents	72	(50)
Cash and cash equivalents at March 31	**1,348**	**1,986**

Cash flows

Operating activities in Q1 2011 resulted in a cash outflow of €519 million (2010: €525 million). The change is a net effect of:

- Higher profit and
- Changes in working capital items, not being operating working capital.

Net debt

Net debt increased from €936 million at year-end 2010 to €1,578 million at the end of Q1, mainly due to:

- Operating cash outflows of €519 million and
- Capital expenditures of €130 million.

A bond totaling €539 million will mature in June 2011 and is recorded under short-term borrowings.

Medium-term ambitions

We have the aspiration to be the world's leading Coatings and Specialty Chemicals company. Our medium-term ambitions are to grow to €20 billion revenue, increase EBITDA each year while maintaining a 13 to 15 percent margin, reduce OWC percent of revenue year-on-year by 0.5 percent towards a 12 percent level, and pay a stable to rising dividend.

The sustainability ambitions are to remain a top three leader in our industry, to be top quartile in our peer group in terms of safety performance, diversity, employee engagement and development, and eco-efficiency improvement rates.

Outlook

We are aiming for more than 5 percent revenue and EBITDA growth in 2011, in line with our strategic ambitions.

Amsterdam, April 21, 2011
Board of Management

Quarterly statistics

2010 Q1	Q2	Q3	Q4	year	in € millions	2011 Q1
Revenue						
1,056	1,401	1,372	1,139	4,968	Decorative Paints	1,196
1,049	1,260	1,239	1,238	4,786	Performance Coatings	1,237
1,154	1,258	1,272	1,259	4,943	Specialty Chemicals	1,351
(13)	(12)	(16)	(16)	(57)	Other activities/eliminations	(22)
3,246	**3,907**	**3,867**	**3,620**	**14,640**	**Total**	**3,762**
EBITDA						
82	205	198	63	548	Decorative Paints	90
143	191	166	147	647	Performance Coatings	143
207	257	254	221	939	Specialty Chemicals	241
(33)	(39)	(44)	(54)	(170)	Other activities/eliminations	(37)
399	**614**	**574**	**377**	**1,964**	**Total**	**437**
12.3	**15.7**	**14.8**	**10.4**	**13.4**	**EBITDA margin (in %)**	**11.6**
Depreciation						
(29)	(32)	(31)	(32)	(124)	Decorative Paints	(30)
(19)	(21)	(20)	(21)	(81)	Performance Coatings	(21)
(52)	(53)	(54)	(55)	(214)	Specialty Chemicals	(55)
(5)	(4)	(2)	(5)	(16)	Other activities/eliminations	(2)
(105)	**(110)**	**(107)**	**(113)**	**(435)**	**Total**	**(108)**
Amortization						
(19)	(20)	(19)	(23)	(81)	Decorative Paints	(21)
(6)	(7)	(6)	(7)	(26)	Performance Coatings	(7)
(11)	(12)	(12)	(11)	(46)	Specialty Chemicals	(12)
–	1	(2)	(1)	(2)	Other activities/eliminations	–
(36)	**(38)**	**(39)**	**(42)**	**(155)**	**Total**	**(40)**
EBIT						
34	153	148	8	343	Decorative Paints	39
118	163	140	119	540	Performance Coatings	115
144	192	188	155	679	Specialty Chemicals	174
(38)	(42)	(48)	(60)	(188)	Other activities/eliminations	(39)
258	**466**	**428**	**222**	**1,374**	**Total**	**289**
7.9	**11.9**	**11.1**	**6.1**	**9.4**	**EBIT margin (in %)**	**7.7**
Operating income						
19	146	136	(26)	275	Decorative Paints	37
101	153	129	104	487	Performance Coatings	106
126	195	164	119	604	Specialty Chemicals	173
(22)	(39)	(48)	(38)	(147)	Other activities/eliminations	(39)
224	**455**	**381**	**159**	**1,219**	**Total**	**277**

2010 Q1	Q2	Q3	Q4	year	in € millions	2011 Q1
Incidentals per Business Area						
(15)	(7)	(12)	(34)	(68)	Decorative Paints	(2)
(17)	(10)	(11)	(15)	(53)	Performance Coatings	(9)
(18)	3	(24)	(36)	(75)	Specialty Chemicals	(1)
16	3	–	22	41	Other activities/eliminations	–
(34)	**(11)**	**(47)**	**(63)**	**(155)**	**Total**	**(12)**
Incidentals included in operating income						
(17)	(21)	(53)	(29)	(120)	Restructuring costs	(9)
(9)	8	–	(48)	(49)	Results related to major legal, antitrust and environmental cases	1
1	1	15	16	33	Results on acquisitions and divestments	–
(9)	1	(9)	(2)	(19)	Other incidental results	(4)
(34)	**(11)**	**(47)**	**(63)**	**(155)**	**Total**	**(12)**
Incidentals per line item						
(16)	(20)	(37)	(53)	(126)	Cost of sales	(4)
(5)	(3)	(7)	(28)	(43)	Selling expenses	(3)
(7)	1	(3)	(4)	(13)	General and administrative expenses	(1)
–	–	(2)	1	(1)	Research and development expenses	–
(6)	11	2	21	28	Other operating income/(expenses)	(4)
(34)	**(11)**	**(47)**	**(63)**	**(155)**	**Total**	**(12)**
Reconciliation net financing expense						
12	12	16	11	51	Financing income	14
(67)	(72)	(53)	(48)	(240)	Financing expenses	(61)
(55)	**(60)**	**(37)**	**(37)**	**(189)**	**Net interest on net debt**	**(47)**
					Other interest movements	
(25)	(26)	(26)	(23)	(100)	Financing expenses related to pensions	(16)
(8)	(29)	(6)	4	(39)	Interest on provisions	(5)
–	2	(1)	–	1	Other items	5
(33)	**(53)**	**(33)**	**(19)**	**(138)**	**Net other financing charges**	**(16)**
(88)	**(113)**	**(70)**	**(56)**	**(327)**	**Net financing expenses**	**(63)**
Quarterly net income analysis						
5	7	9	4	25	Results from associates and joint ventures	7
(18)	(26)	(22)	(17)	(83)	Profit attributable to non-controlling interests	(16)
141	349	320	107	917	Profit before tax	221
(53)	(76)	(81)	40	(170)	Income tax	(73)
88	273	239	147	747	Profit for the period from continuing operations	148
38	22	25	(37)	19	Effective tax rate (in %)	33

2010 Q1	2010 Q2	2010 Q3	2010 Q4	2010 year		2011 Q1
Earnings per share from continuing operations (in €)						
0.30	1.06	0.93	0.55	2.85	Basic	0.57
0.30	1.05	0.92	0.55	2.83	Diluted	0.56
Earnings per share from discontinued operations (in €)						
0.05	0.11	0.09	0.14	0.38	Basic	(0.02)
0.05	0.11	0.09	0.14	0.38	Diluted	(0.02)
Earnings per share from total operations (in €)						
0.35	1.17	1.02	0.69	3.23	Basic	0.55
0.35	1.16	1.01	0.69	3.21	Diluted	0.54
Number of shares (in millions)						
232.7	233.3	233.4	233.5	233.2	Weighted average number of shares	233.6
233.2	233.4	233.5	233.5	233.5	Number of shares at end of quarter	233.7
Adjusted earnings (in € millions)						
141	349	320	107	917	Profit before tax from continuing operations	221
34	11	47	63	155	Incidentals reported in operating income	12
36	38	39	42	155	Amortization of intangible assets	40
(71)	(97)	(107)	(4)	(279)	Adjusted income tax	(88)
(18)	(26)	(22)	(17)	(83)	Non-controlling interests	(16)
122	**275**	**277**	**191**	**865**	**Adjusted net income for continuing operations**	**169**
0.52	**1.18**	**1.19**	**0.82**	**3.71**	**Adjusted earnings per share (in €)**	**0.72**

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.

The accounting principles are as applied in the 2010 financial statements.

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. Pensions reflects pension costs after the elimination of interest cost (reported as financing expenses). Insurances are the results from our captive insurance companies. Other includes the cost of share-based compensation and company projects, the results of treasury and legacy operations as well as the unallocated cost of some country organizations.

Glossary
Adjusted earnings per share are the basic earnings per share from continuing operations excluding incidentals in operating income, amortization of intangible assets and tax on these adjustments.

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.

EBITDA margin is EBITDA as percentage of revenue.

Emerging Europe: Czech Republic, Estonia, Hungary, Poland, Romania, Russian Federation, Slovenia, Turkey and Ukraine.

Incidentals are 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 net interest on net debt. In 2010, we used the definition operating income divided by net financing expenses and included non-cash items such as interest on pensions and provisions. We have changed the definition starting 2011. The 2010 figure has been adjusted to align with the 2011 definition.

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.

Mature markets comprise of Western Europe, the US, Canada, Japan and Oceania.

Moving average ROI is calculated as EBIT of the last twelve months divided by average invested capital.

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 ROI is calculated as EBIT before amortization of the last twelve months divided by average invested capital excluding intangible assets.

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 27, 2011
Ex-dividend date of 2010 final dividend	April 29, 2011
Record date of 2010 final dividend	May 3, 2011
Payment date of 2010 final dividend	May 10, 2011
Report for the 2nd quarter 2011	July 21, 2011
Report for the 3rd quarter 2011	October 20, 2011
Report for 2011 and the 4th quarter	February 16, 2012

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AkzoNobel is the largest global paints and coatings company and a major producer of specialty chemicals. We supply industries and consumers worldwide with innovative products and are passionate about developing sustainable answers for our customers. Our portfolio includes well known brands such as Dulux, Sikkens, International and Eka. Headquartered in Amsterdam, the Netherlands, we are a Global Fortune 500 company and are consistently ranked as one of the leaders in the area of sustainability. With operations in more than 80 countries, our 55,000 people around the world are committed to excellence and delivering Tomorrow's Answers Today™.

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