

Report for the 3rd quarter of 2009

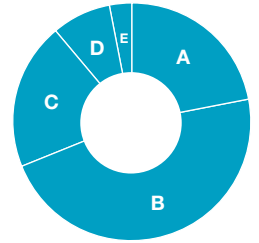


AkzoNobel
Tomorrow's Answers Today



AkzoNobel around the world
Revenue by destination
(37 percent in emerging markets)

	%
A North America	22
B Europe	47
C Asia Pacific	20
D Latin America	8
E Other regions	3
	100



(Based on 2008 outcome)

Our Q3 results at a glance

- Revenue declined 10 percent to €3,639 million
- Margin management continues to deliver value
- Operating cost levels better aligned with lower volumes
- EBITDA before incidentals of €549 million, margin at 15.1 percent (year-to-date unchanged at 13.0 percent)
- Restructuring continues
- Net income: €197 million (2008: €152 million)
- Operating working capital reduced to 14.5 percent of revenue (Q3, 2008: 17.4 percent)
- Interim dividend of €0.30 per share announced
- Recovery remains fragile

Financial highlights

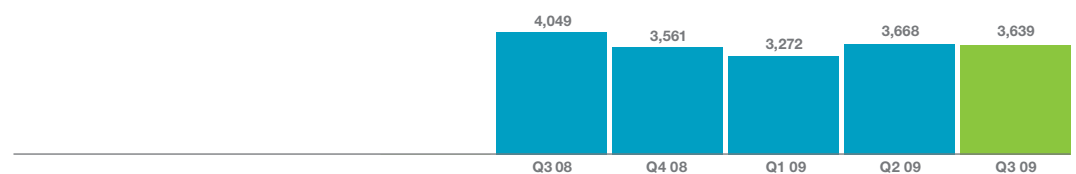
3RD QUARTER			IN € MILLIONS			JANUARY - SEPTEMBER		
2009	2008	Δ%		2009	2008	Δ%		
Continuing operations before incidentals								
3,639	4,049	(10)	Revenue	10,579	11,854	(11)		
549	527	4	EBITDA	1,372	1,546	(11)		
15.1	13.0		EBITDA margin (in %)	13.0	13.0			
391	375	4	EBIT	903	1,083	(17)		
10.7	9.3		EBIT margin (in %)	8.5	9.1			
Moving average ROI (in %)				8.0	- ¹			
After incidentals								
352	296	19	Operating income	769	753	2		
208	145		Net income from continuing operations	334	377			
(11)	7		Net income from discontinued operations	11	59			
197	152	30	Net income total operations	345	436	(21)		
0.90	0.60		Earnings per share from continuing operations (in €)	1.44	1.49			
0.85	0.63		Earnings per share from total operations (in €)	1.49	1.72			
134	122		Capital expenditures	369	356			
828	244		Net cash from operating activities	823	30			
Interest coverage				2.7	5.6			
Invested capital				13,554	13,424 ²			
Net debt				1,966	2,084 ²			
Number of employees				57,720	61,320			

¹ Not available.

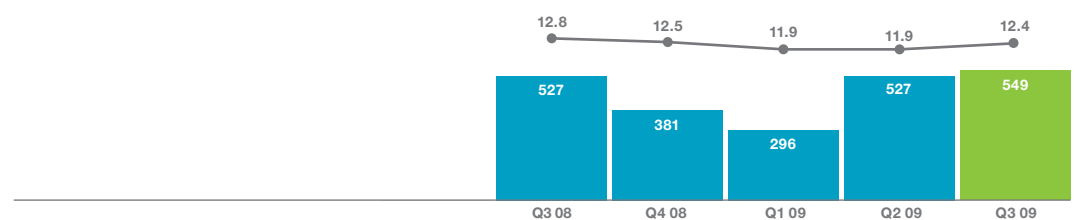
² At year-end.

Revenue

IN € MILLIONS



EBITDA



■ EBITDA (in € millions)

● One year rolling EBITDA margin (in %)

Financial highlights

Volume decline of 8 percent resulted in revenue of €3.6 billion, 10 percent lower than last year (Q2, 2009: 16 percent volume decline). EBITDA was 4 percent higher at €549 million, due to continued margin management and cost reduction programs. The EBITDA margin was 15.1 percent (2008: 13.0 percent). Operating working capital further decreased by €280 million to 14.5 percent of revenue (Q3 2008: 17.4 percent).

Revenue

Volumes were 8 percent lower than last year.

- Demand in Decorative Paints continued to be lower than 2008, resulting in 6 percent lower revenue than the previous year (Q2, 2009: 5 percent lower). Volume was 9 percent lower (Q2, 2009: 10 percent lower) with lower volumes in all regions, except for Latin America.
- Revenue in Performance Coatings was 12 percent lower, as a result of lower demand across all businesses. Volume was 11 percent lower (Q2, 2009: 19 percent lower). With the exception of the late cycle Marine and Protective Coatings business, some recovery in volume is visible, but still below prior year levels.
- Specialty Chemicals experienced lower demand across most businesses. Volume was 6 percent lower (Q2, 2009: 18 percent lower). Market conditions remained challenging as overall demand remained below 2008.

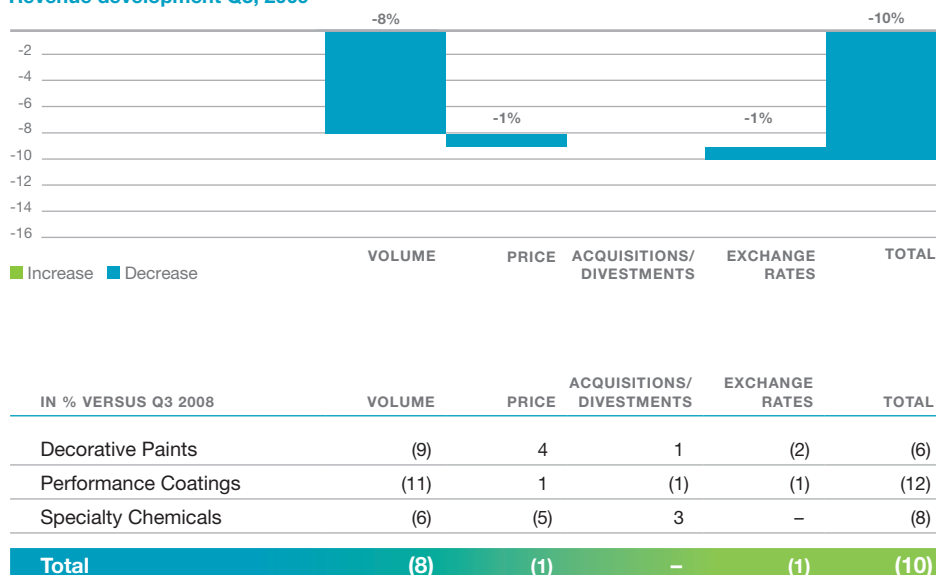
Acquisitions and divestments

Acquisitions and divestments did not impact revenue in Q3 on a consolidated basis. Individual business areas were affected as follows:

- In Decorative Paints, we acquired two distributors in Continental Europe during Q1.
- In Q3, we divested the non-stick business from Performance Coatings.
- In Specialty Chemicals, we acquired LLI Europe and additional interests in joint ventures in Q1. Mid-September, we divested PTA Pakistan.

During 2008, we divested several businesses which still contributed to revenue in Q3, 2008. These businesses were reported in the "other" category.

Revenue development Q3, 2009



EBITDA

EBITDA totaled €549 million, 4 percent higher than in 2008. Continued margin management and cost reduction programs across all businesses delivered an EBITDA margin of 15.1 percent (2008: 13.0 percent).

- In Decorative Paints, EBITDA margins remained strong, particularly in Europe and Asia.
- In Performance Coatings, despite lower revenue, EBITDA improved in all businesses except for Powder Coatings, due to the swift realignment of the cost base. The EBITDA margin increased to 16.1 percent (2008: 12.7 percent).
- The businesses in Specialty Chemicals realized an overall EBITDA margin of 16.7 percent (2008: 16.8 percent).

Restructuring costs

- Major restructuring projects in Decorative Paints were related to further supply chain and integration projects in Central Europe and to closing stores in the US.
- In Performance Coatings, we incurred costs for headcount reduction programs in Industrial Activities and Car Refinishes.
- In Specialty Chemicals, we announced the closure of the Skoghall site in Sweden and recognized €49 million as restructuring costs.
- The process for an intended 20 percent reduction of staff working at our head office and shared service center in the Netherlands is on track.

Financial highlights

Other incidental items

Other incidental items include a gain of €58 million in the US, arising from the freezing of certain defined benefit pension plans and transition to defined contribution plans, as well as from the amendment of post-retirement healthcare plans. In addition, we divested PTA Pakistan, resulting in a gain of €23 million.

Interest

The net financing charges increased by €54 million to €98 million:

- Financing expenses on pensions increased by €33 million to €45 million (2008: €12 million), due to lower expected returns on plan assets
- Financing income decreased by €20 million to €20 million (2008: €40 million) as cash was utilized in the share buyback program in 2008.

Tax

Our year-to-date effective tax rate is 20 percent (2008: 32 percent). In Q3, we received €75 million on a contingent basis as part of ongoing tax litigation. We recorded a net gain of €57 million on the tax line. In addition, we recorded several tax-exempt or low tax gains, such as the PTA divestment. Excluding these incidental tax items and tax-exempt gains, the year-to-date tax rate would have been 30 percent (2008: 30 percent).

The "other" category

The result is better than last year due to our focus on reducing corporate costs (unallocated costs of our head office and shared service center in the Netherlands).

EBITDA

3RD QUARTER			IN € MILLIONS	JANUARY - SEPTEMBER		
2009	2008	Δ%		2009	2008	Δ%
198	207	(4)	Decorative Paints	421	505	(17)
166	148	12	Performance Coatings	434	448	(3)
220	242	(9)	Specialty Chemicals	597	722	(17)
(35)	(70)		Other activities/eliminations	(80)	(129)	
549	527	4	Total	1,372	1,546	(11)

Incidentals included in operating income

3RD QUARTER		IN € MILLIONS	JANUARY - SEPTEMBER	
2009	2008		2009	2008
(116)	(28)	Restructuring costs	(234)	(70)
58	–	Costs of pensions and post-retirement	58	–
(1)	(9)	Transformation costs	(13)	(165)
(2)	(4)	Results related to major legal, antitrust and environmental cases	11	(7)
19	(19)	Results on acquisitions and divestments	31	(15)
3	(19)	Other incidental results	13	(19)
–	–	Fair value adjustments of acquired inventories	–	(54)
(39)	(79)	Incidentals included in operating income	(134)	(330)

Restructuring costs

3RD QUARTER		IN € MILLIONS	JANUARY - SEPTEMBER	
2009	2008		2009	2008
(19)	(19)	Decorative Paints	(64)	(34)
(21)	1	Performance Coatings	(43)	(11)
(67)	(1)	Specialty Chemicals	(95)	(7)
(9)	(9)	Other	(32)	(18)
(116)	(28)	Restructuring costs	(234)	(70)

Decorative Paints

- Revenue down 6 percent (Q2, 2009: 5 percent)
- Volume decline of 9 percent (Q2, 2009: 10 percent)
- EBITDA at €198 million (2008: €207 million)
- Improved EBITDA margin at 15.2 percent (2008: 15.0 percent)
- Trade market remains weak
- Margins positively impacted by continued restructuring, mix improvements and new product launches
- US market still depressed
- Strong performance in Europe on the back of mix and restructuring initiatives

Revenue was 6 percent down due to volumes dropping 9 percent (Q2, 2009: 10 percent). The lower revenue was mitigated by improvements in the product mix and pricing. EBITDA margin was 15.2 percent (2008: 15.0 percent).

Europe

In Europe, EBITDA improved on last year despite the weakening of the pound sterling. Volume was down compared with last year but margin management mitigated the revenue decline. Market development varies significantly by country. Central European countries, together with the Benelux, presented revenue growth. Our innovation program has delivered systematic upgrades of our color ranges in France and the Netherlands. In the UK, retail volume was up year on year with a modest

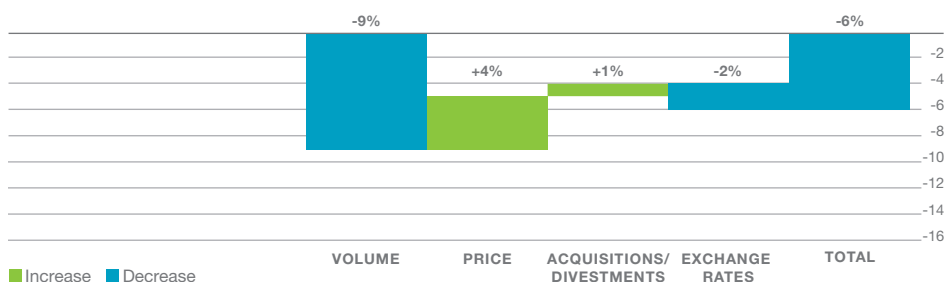
decline in the trade business. In Europe, our complexity reduction initiative is progressing according to plan, leading to substantial stock keeping unit rationalization. The objective is to reduce factories, inventories, brands and to harmonize packaging and formulations. This year we have announced six site closures in Europe and are implementing major restructuring projects across the region. Dulux Trade launched Pyroshield Durable Matt which is a water-based flame retardant upgrade system which can be applied directly to walls and ceilings covered in existing layers of potentially flammable paint. We also launched the Pod Compact which is a compact version of the Paint Pod. Its smaller size is perfect for those with smaller spaces and limited storage.

Americas

In the US, revenue was down compared with last year due to continued low customer demand. US stores had a challenging quarter as the commercial market remained soft. Restructuring activities are underway (48 stores out of 412 have been closed) to realign with the lower sales. The relaunch of Glidden is gaining momentum. In Q4, we will focus our marketing on communicating the step change in quality of our Glidden paint.

In Canada, volume declined by 12 percent. Restructuring activities continued with the announcement to close our plant at Terrebonne, Quebec, the latest step in the consolidation of our production plants.

Revenue development Q3, 2009



Decorative Paints

Dulux

FLEXA

SICO
sikkens
Coral

During Q3, our volumes in Latin America increased by 3 percent. Our market share in Brazil has improved as a result of new product launches and an increase of space in stores of strategic customers. The closure of the Raposo Tavares site and the reallocation of production to the Maua site is on track. The paint markets in Argentina and Uruguay showed signs of recovery. After their introduction earlier this quarter, the new colors of Coral are off to a promising start.

Asia

China experienced growth fueled by advertising and promotion before the national holidays. Simultaneous new product launches increased EBITDA. India was behind the previous year mainly due to pricing pressures. Performance in South East Asia and Pacific continued to be good, driven by growth in Indonesia and Vietnam. Integration activities in the region are on track and delivering synergies. In China, Dulux All Round Guard has been experiencing good performance and the Anti-formaldehyde series is being rolled out nationwide. We have also continued to expand the image store concept in China with point of sale tinting.

3RD QUARTER			IN € MILLIONS			JANUARY - SEPTEMBER		
2009	2008	Δ%		2009	2008	Δ%		
Revenue								
718	759	(5)	Decorative Paints Europe	2,002	2,194	(9)		
399	445	(10)	Decorative Paints Americas	1,153	1,231	(6)		
183	181	1	Decorative Paints Asia	481	482	-		
(1)	(1)		Intragroup revenue	(2)	(2)			
1,299	1,384	(6)	Total	3,634	3,905	(7)		
Before incidentals								
198	207	(4)	EBITDA	421	505	(17)		
15.2	15.0		EBITDA margin (in %)	11.6	12.9			
148	157	(6)	EBIT	277	356	(22)		
11.4	11.3		EBIT margin (in %)	7.6	9.1			
			Moving average ROI (in %)	4.9	- ¹			
After incidentals								
125	135		Operating income	204	286			
27	28		Capital expenditures	73	88			
			Invested capital	6,214	6,187 ²			
			Number of employees	22,790	24,550 ³			

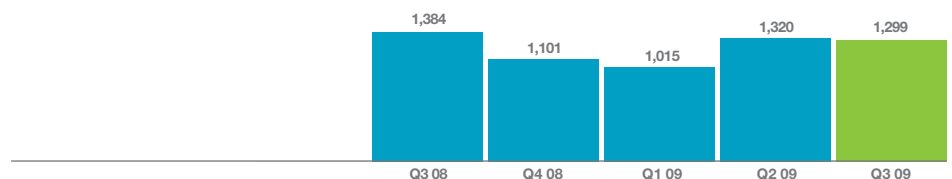
¹ Not available.

² At year-end, restated.

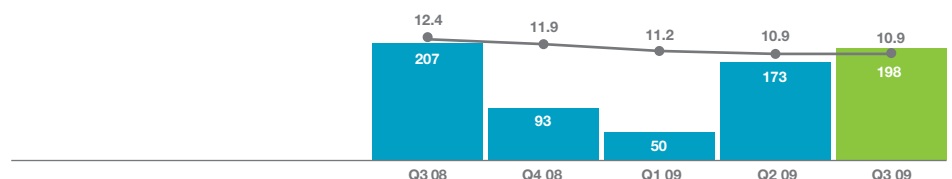
³ Restated to exclude businesses transferred to Performance Coatings early 2009.

Revenue

IN € MILLIONS



EBITDA



■ EBITDA (in € millions)

● One year rolling EBITDA margin (in %)

Performance Coatings

- Revenue decreased by 12 percent
- Volumes down 11 percent (Q2, 2009: 19 percent down)
- EBITDA up 12 percent at €166 million (2008: €148 million); EBITDA margin at 16.1 percent
- Cost levels decreased as restructuring programs continue
- Improving performance in Industrial Activities

Revenue declined by 12 percent, mainly caused by 11 percent lower volumes. With the exception of the late cycle Marine and Protective Coatings business, some recovery in volume is visible. The emerging markets show the most visible signs of recovery. All units clearly benefited from margin management and cost reduction programs, leading to an EBITDA of €166 million, 12 percent higher than in 2008. The EBITDA margin was 16.1 percent, 3.4 percent ahead of the previous year. There is an ongoing focus on capital expenditures and the increased focus on operating working capital is showing results. We incurred costs for headcount reduction programs in Industrial Activities and Car Refinishes.

Industrial Activities

The results for Industrial Activities in the third quarter exceeded prior year. The improved results were driven primarily by solid margins and lower costs. The Wood Coatings business experienced a slight improvement in demand in

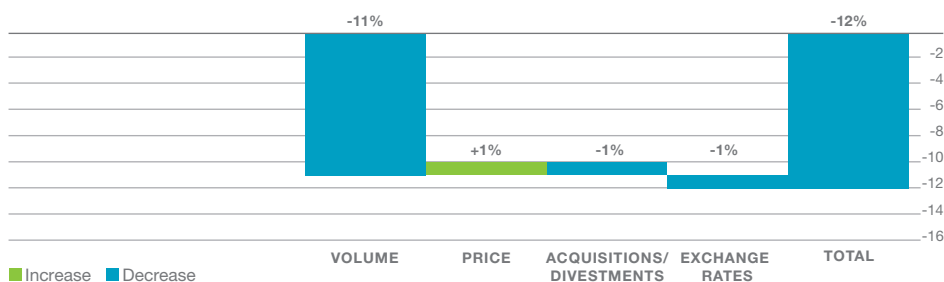
the third quarter, but the volume development remained well below prior year. Coil Coatings experienced a stronger pick-up in demand in the third quarter in all regions caused by low inventories in the supply chain. Revenue for Adhesives was below last year, but margin management initiatives improved performance. Specialty Plastics' consumer electronics business remained below last year due to continued soft customer demand, however, the trend line is positive. Operating costs continued a downward trend in response to day-to-day cost containment efforts, as well as the implementation of various plant rationalization and workforce reduction initiatives. Two plant closures in North America and one plant closure in Western Europe were completed in Q3. In Powder Coatings, although demand was below last year, there was stabilization in the mature markets, while the emerging markets in Russia, Turkey and China showed signs of recovery. In the mature markets, cost levels are adjusting to the lower activity levels, although

these did not fully offset the volume decline in the quarter.

Marine and Protective Coatings

The third quarter was again strong, although volume showed an 11 percent decline compared with last year. Results for the Marine business were good due to strong margin management and positive exchange rate effects; despite lower volumes in both new construction and maintenance. A new range of Uniprimers is being launched into the marine new construction market for 2010. In the protective coatings segment, demand also slowed in most regions, but this was offset by a good market for new construction in Korea and strong demand in China and the Middle East. The European superyacht market continued to be strong, but demand from both the small professional yards and retail sectors was well below last year as distributors and end users exercised caution in this period of economic uncertainty. Prevailing economic

Revenue development Q3, 2009



Performance Coatings

sikkens

Interpon
powder coatings
EVERY COLOR IS GREEN

International

AkzoNobel

LESONAL

CHARTEK
FIREPROOFING

conditions have had a significant impact on the worldwide airline industry, reducing demand for paint in all regions and in particular in the general aviation sector.

Car Refinishes

Despite difficult trading conditions, the European and North American markets showed signs of stabilization. In Asia, there were signs of recovery with volumes growing. Overall demand in the vehicle refinishes business remained constant compared with the previous year, while the commercial vehicle business was still under pressure due to the continuing downturn in the automotive sector. Our automotive plastic coatings (APC) business stabilized this quarter as a result of the car scrapping programs in Europe and the US. Total revenue was down by 12 percent due to lower volumes and weakening currencies, but the business managed to offset this by strong margin management and an improved product mix. The cost reduction programs in Car Refinishes continued to deliver value and resulted in significant cost savings. In the meantime, Car Refinishes secured a partnership with one of China's largest car manufacturers and increased its preferred paint partner position at a number of new accounts.

Packaging Coatings

The third quarter was a good quarter for Packaging Coatings despite lower volumes compared with the previous year. In Europe, we continued to see a softening in the market, while demand in North and South America has remained at similar levels to the prior year. In Asia, sales volume was significantly higher than previous year, partly because of a general market recovery, but also because we have gained some additional volume in the food business in China and beverage business in Vietnam. Margin management initiatives have protected us from some of the volume declines, while cost saving programs are in place to align the cost structure with current lower demand levels.

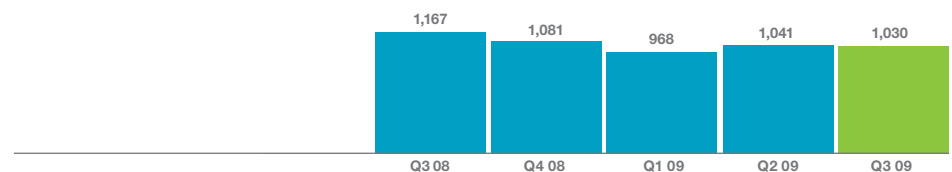
3RD QUARTER			IN € MILLIONS			JANUARY - SEPTEMBER		
2009	2008	Δ%		2009	2008	Δ%		
Revenue								
443	519	(15)	Industrial Activities	1,238	1,557	(20)		
306	336	(9)	Marine and Protective Coatings	971	998	(3)		
202	230	(12)	Car Refinishes	603	702	(14)		
86	91	(5)	Packaging Coatings	249	265	(6)		
(7)	(9)		Intragroup revenue	(22)	(28)			
1,030	1,167	(12)	Total	3,039	3,494	(13)		
Before incidentals								
166	148	12	EBITDA	434	448	(3)		
16.1	12.7		EBITDA margin (in %)	14.3	12.8			
141	123	15	EBIT	359	375	(4)		
13.7	10.5		EBIT margin (in %)	11.8	10.7			
			Moving average ROI	22.8	- ¹			
After incidentals								
119	122		Operating income	311	361			
15	20		Capital expenditures	40	58			
			Invested capital	1,659	2,004 ²			
			Number of employees	19,870	21,670 ³			

¹ Not available.

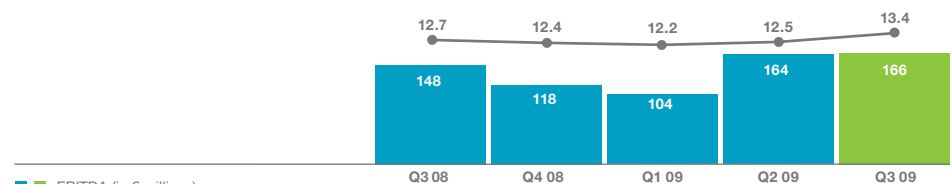
² At year-end, restated.

³ Restated to include businesses transferred from Decorative Paints early 2009.

Revenue
IN € MILLIONS



EBITDA



■ EBITDA (in € millions)

● One year rolling EBITDA margin (in %)

Specialty Chemicals

- Revenue decreased by 8 percent
- Volumes down 6 percent (Q2, 2009: 18 percent down)
- Cost and cash savings initiatives gathered momentum, with programs in all businesses
- EBITDA at €220 million (2008: €242 million) with margin at 16.7 percent (2008: 16.8 percent)
- Functional, Surface and Pulp and Paper: resilient performance
- Industrial Chemicals results under pressure

Market conditions in Specialty Chemicals remained challenging as overall demand remained below 2008 and the pressure on margins has intensified accordingly. However, demand strengthened in Q3, largely in the markets that were severely impacted early in the cycle. As a result, volumes in the quarter were 6 percent below last year. The prolonged volume shortfall has resulted in pressure on prices (5 percent), this was partially offset by acquisitions (3 percent), resulting in a revenue decline of 8 percent. The focus on cost and cash favorably impacted our cost base and partially compensated the volume shortfall. EBITDA margin was just below 17 percent, in spite of the challenges created by weak demand and uncertain markets. EBITDA amounted to €220 million, 9 percent below 2008.

Functional Chemicals

Functional Chemicals volumes have shown the normal seasonal pattern (mostly visible in Cellulosic Specialties, Elotex and Sulfur Products), but a general market recovery is not visible yet. Overall volume remained 22 percent below last year, as consequence of the impact

of reduced demand in the construction industry, mining and oil related activities and micronutrients. Including some divestments and currency effects, revenue was 21 percent below the previous year. The lower sales volumes have been compensated by margin management initiatives and fixed cost reductions. Restructurings, such as those in Argentina, Elotex, Polysulfides and Cellulosic Specialties, are gathering momentum. As a consequence, operational performance in Q3 was above 2008. During Q3, the merger of the Functional and Polymer Chemicals units was announced, effective as of January 2010. Our growth initiatives in China and the construction activities in Ningbo are progressing according to plan.

Industrial Chemicals

Our Industrial Chemicals business performed below the 2008 level, largely as a result of the decline in caustic soda prices. The contribution of the LII Europe and Salinco acquisitions (14 percent), offset some of the effect, but overall revenue was still down 8 percent compared with 2008. The integration of LII Europe is progressing well and cost savings are being implemented. The closure of the Skoghall site

in Sweden and the sale of our Nordic ferric chloride business to Kemira are recent examples of a series of profit and cash protection measures.

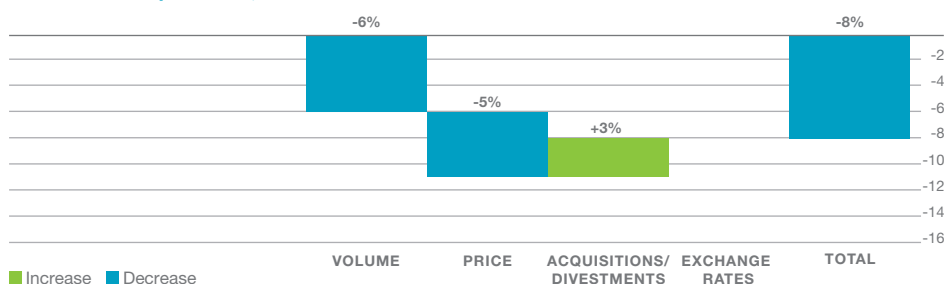
Pulp and Paper Chemicals

Pulp and Paper Chemicals delivered improved performance, driven by cost reduction efforts. Overall volume for the quarter was down 8 percent, with some encouraging signs in the Americas and Asia. Europe continued to struggle with customer curtailments and reduced production rates. Overall revenue decreased 7 percent in line with volume. Various reorganization and cost efficiency projects, among others the closure of the Mo-I-Rana site and the optimization of the R&D function, were important drivers of the overall result in the quarter. Successful launches of new products for retention and sizing were also starting to contribute.

National Starch

National Starch recorded a revenue decline of 5 percent in the quarter as demand remained weak, particularly in the industrial sectors. In general, the food segment was less affected by the economic downturn than the industrial segment (mainly paper mills). High net input costs have suppressed the performance of the business for most of the year. However, we have worked our way through the 2008 commitments and we expect margins to normalize. Effective cost reduction actions favorably impacted the results in Q3. The results in the quarter were below 2008 but trending upwards.

Revenue development Q3, 2009



Specialty Chemicals

EXPANCEL[®]
MICROSPHERES

eka

BERMOCOLL
Ferrazone[®]
This Iron Works.


Dissolvine[®]
MASTER THE ELEMENTS


JOZO
SALT


AkzoNobel

Surface Chemistry

The consumer-related markets (personal care, fabric and cleaning) of our Surface Chemistry business have held up well in the cycle, and the industrial sectors – such as agro and asphalt – while still weak, are showing signs of recovery. As a result, volumes showed a substantial improvement compared with the first two quarters, though still down 15 percent on the previous year. Some minor mix and currency effects resulted in overall revenue ending 14 percent below last year. Our control measures and continued focus on cash has offset the lower business volumes. Cost levels have come down significantly and results improved compared with the previous year, supported by good performance in the Americas and in the personal care activities.

Polymer Chemicals

As Polymer Chemicals was hit by the downturn early in the cycle, the improvement of results compared with the same quarter last year was substantial, as the markets in Americas and Europe stabilized, and robust growth was recorded in China. The acquisition effect of KAC (8 percent) and some currency effects were offset by price pressure and unfavorable mix effects. Overall revenue was up 6 percent versus the same quarter in 2008. The closure of the Emmerich facility in Germany and the merger with Functional Chemicals were announced during the quarter. Both initiatives are part of a series of improvement programs to lower cost in the short term and redesign the business model.

Chemicals Pakistan

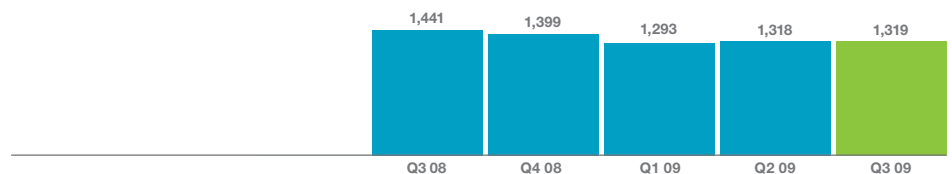
Our activities in Pakistan delivered a strong quarter compared with last year despite some currency headwind and price pressure. The polyester, soda ash and chemicals businesses were all under pressure due to lower prices and lower off take. The life sciences business showed some excellent growth, but was not able to compensate for the decline in the other segments. However, favorable raw material pricing and manufacturing efficiencies resulted in improved operational performance. The divestment of our 75 percent share in the Pure Terephthalic Acid (PTA) activities to the Korean company KP Chemical Corporation (KPC) was closed in the quarter and resulted in an incidental pre-tax gain of €23 million.

3RD QUARTER			IN € MILLIONS			JANUARY - SEPTEMBER		
2009	2008	Δ%		2009	2008	Δ%		
Revenue								
243	306	(21)	Functional Chemicals	732	868	(16)		
231	252	(8)	Industrial Chemicals	705	719	(2)		
237	256	(7)	Pulp and Paper Chemicals	693	751	(8)		
217	229	(5)	National Starch	649	658	(1)		
180	210	(14)	Surface Chemistry	522	622	(16)		
140	132	6	Polymer Chemicals	385	403	(4)		
101	90	12	Chemicals Pakistan	328	368	(11)		
(30)	(34)		Intragroup revenue	(84)	(101)			
1,319	1,441	(8)	Total	3,930	4,288	(8)		
Before incidentals								
220	242	(9)	EBITDA	597	722	(17)		
16.7	16.8		EBITDA margin (in %)	15.2	16.8			
143	168	(15)	EBIT	364	493	(26)		
10.8	11.7		EBIT margin (in %)	9.3	11.5			
			Moving average ROI (in %)	11.2	– ¹			
After incidentals								
108	165		Operating income	309	470			
86	70		Capital expenditures	238	197			
			Invested capital	4,046	4,055 ²			
			Number of employees	13,270	13,300			

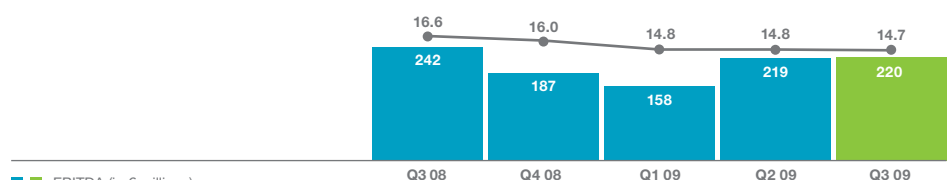
¹ Not available.

² At year-end.

Revenue
IN € MILLIONS



EBITDA



■ EBITDA (in € millions)

● One year rolling EBITDA margin (in %)

Condensed financial statements

Consolidated statement of income

3RD QUARTER		IN € MILLIONS	JANUARY - SEPTEMBER	
2009	2008		2009	2008
Continuing operations				
3,639	4,049	Revenue	10,579	11,854
(2,220)	(2,555)	Cost of sales	(6,451)	(7,500)
1,419	1,494	Gross profit	4,128	4,354
(818)	(823)	Selling expenses	(2,404)	(2,468)
(84)	(85)	Research and development expenses	(253)	(252)
(251)	(251)	General and administrative expenses	(810)	(836)
86	(39)	Other operating income/(expenses)	108	(45)
352	296	Operating income	769	753
20	40	Financing income	47	123
(45)	(12)	Financing expenses related to pensions	(135)	(36)
(73)	(72)	Other financing expenses	(202)	(222)
6	4	Results from associates and joint ventures	16	13
260	256	Profit before tax	495	631
(30)	(94)	Income tax	(101)	(201)
230	162	Profit for the period from continuing operations	394	430
Discontinued operations				
(11)	7	Profit for the period from discontinued operations	11	59
219	169	Profit for the period	405	489
Attributable to:				
197	152	- Shareholders of the company	345	436
22	17	- Minority interests	60	53
219	169	Profit for the period	405	489
Earnings per share from continuing operations (in €):				
0.90	0.60	- Basic	1.44	1.49
0.89	0.60	- Diluted	1.43	1.48
Earnings per share from discontinued operations (in €):				
(0.05)	0.03	- Basic	0.05	0.23
(0.05)	0.03	- Diluted	0.05	0.23
Earnings per share from total operations (in €):				
0.85	0.63	- Basic	1.49	1.72
0.84	0.63	- Diluted	1.48	1.71

Information on segments and incidentals

3RD QUARTER			IN € MILLIONS	JANUARY - SEPTEMBER		
2009	2008	Δ%		2009	2008	Δ%
Revenue						
1,299	1,384	(6)	Decorative Paints	3,634	3,905	(7)
1,030	1,167	(12)	Performance Coatings	3,039	3,494	(13)
1,319	1,441	(8)	Specialty Chemicals	3,930	4,288	(8)
(9)	57		Other activities/eliminations	(24)	167	
3,639	4,049	(10)	Total	10,579	11,854	(11)
EBITDA						
198	207	(4)	Decorative Paints	421	505	(17)
166	148	12	Performance Coatings	434	448	(3)
220	242	(9)	Specialty Chemicals	597	722	(17)
(35)	(70)		Other activities/eliminations	(80)	(129)	
549	527	4	Total	1,372	1,546	(11)
15.1	13.0		EBITDA margin (in %)	13.0	13.0	
EBIT						
148	157	(6)	Decorative Paints	277	356	(22)
141	123	15	Performance Coatings	359	375	(4)
143	168	(15)	Specialty Chemicals	364	493	(26)
(41)	(73)		Other activities/eliminations	(97)	(141)	
391	375	4	Total	903	1,083	(17)
10.7	9.3		EBIT margin (in %)	8.5	9.1	
Operating income						
125	135	(7)	Decorative Paints	204	286	(29)
119	122	(2)	Performance Coatings	311	361	(14)
108	165	(35)	Specialty Chemicals	309	470	(34)
-	(126)		Other activities/eliminations	(55)	(364)	
352	296	19	Total	769	753	2
Incidentals included in operating income						
(116)	(28)		Restructuring costs	(234)	(70)	
58	-		Costs of pensions and post-retirement	58	-	
(1)	(9)		Transformation costs	(13)	(165)	
(2)	(4)		Results related to major legal, antitrust and environmental cases	11	(7)	
19	(19)		Results on acquisitions and divestments	31	(15)	
3	(19)		Other incidental results	13	(19)	
-	-		Fair value adjustment of acquired inventories	-	(54)	
(39)	(79)		Total	(134)	(330)	
Incidentals per line item						
(85)	(33)		Cost of sales	(120)	(199)	
(22)	(8)		Selling expenses	(50)	(15)	
(3)	(2)		Research and development expenses	(14)	(4)	
(10)	(2)		General and administrative expenses	(47)	(62)	
81	(34)		Other operating income/(expenses)	97	(50)	
(39)	(79)		Total	(134)	(330)	

Consolidated statement of comprehensive income

3RD QUARTER		IN € MILLIONS	JANUARY - SEPTEMBER	
2009	2008		2009	2008
219	169	Profit for the period	405	489
Other comprehensive income				
(145)	178	Exchange differences arising on translation of foreign operations	207	(365)
12	(22)	Cash flow hedges	47	529
10	–	Revaluation related to step acquisitions	10	–
(6)	(1)	Income tax relating to components of other comprehensive income	(19)	(3)
(129)	155	Other comprehensive income for the period (net of tax)	245	161
90	324	Comprehensive income for the period	650	650
Comprehensive income attributable to:				
75	276	Shareholders of the company	599	614
15	48	Minority interests	51	36
90	324	Comprehensive income for the period	650	650

Changes in equity

IN € MILLIONS	SUBSCRIBED SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	CHANGE IN FAIR VALUE OF DERIVATIVES	REVALUATION RESERVES	CUMULATIVE TRANSLATION RESERVES	OTHER (STATUTORY) RESERVES AND UNDIS-TRIBUTED PROFIT	SHARE-HOLDERS' EQUITY	MINORITY INTERESTS	TOTAL EQUITY
Balance at January 1, 2008	525	363	(510)	–	(51)	10,705	11,032	97	11,129
Profit/(loss) for the period	–	–	–	–	–	436	436	53	489
Other comprehensive income	–	–	526	–	(348)	–	178	(17)	161
Comprehensive income for the period	–	–	526	–	(348)	436	614	36	650
Dividend paid	–	–	–	–	–	(365)	(365)	(29)	(394)
Equity-settled transactions	–	–	–	–	–	31	31	–	31
Issue of common shares	2	9	–	–	–	–	11	–	11
Buyback of shares	–	–	–	–	–	(1,437)	(1,437)	–	(1,437)
Acquisition of ICI	–	–	–	–	–	–	–	421	421
Changes in minority interest in subsidiaries	–	–	–	–	–	–	–	10	10
Balance at September 30, 2008	527	372	16	–	(399)	9,370	9,886	535	10,421
Balance at January 1, 2009	463	–	(49)	–	(1,130)	8,179	7,463	450	7,913
Profit/(loss) for the period	–	–	–	–	–	345	345	60	405
Other comprehensive income	–	–	28	10	216	–	254	(9)	245
Comprehensive income for the period	–	–	28	10	216	345	599	51	650
Dividend paid	–	–	–	–	–	(325)	(325)	(40)	(365)
Equity-settled transactions	–	–	–	–	–	18	18	–	18
Issue of common shares	1	–	–	–	–	(1)	–	–	–
Acquisition and divestments	–	–	–	–	–	–	–	14	14
Changes in minority interest in subsidiaries	–	–	–	–	–	–	–	(7)	(7)
Balance at September 30, 2009	464	–	(21)	10	(914)	8,216	7,755	468	8,223

Condensed consolidated balance sheet

IN € MILLIONS	SEPTEMBER 30	DECEMBER 31
	2009	2008
Intangible assets	7,297	7,172
Property, plant and equipment	3,390	3,357
Other financial non-current assets	1,892	1,848
Total non-current assets	12,579	12,377
Inventories	1,493	1,781
Trade and other receivables	2,807	2,924
Cash and cash equivalents	1,882	1,595
Other current assets	104	57
Total current assets	6,286	6,357
Total assets	18,865	18,734
Shareholders' equity	7,755	7,463
Minority interest	468	450
Total equity	8,223	7,913
Provisions and deferred tax liabilities	2,722	2,787
Long-term borrowings	3,580 ¹	2,341
Total non-current liabilities	6,302	5,128
Short-term borrowings	268 ¹	1,338
Trade and other payables	2,772	2,985
Other short-term liabilities	1,300	1,370
Total current liabilities	4,340	5,693
Total equity and liabilities	18,865	18,734
Shareholders' equity per share (in €)	33.40	32.21
Number of shares outstanding (in millions)	232.2	231.7
Invested capital	13,554	13,424

¹ A €1 billion bond was repaid in May 2009; we refinanced through a €750 million bond in March, a £250 million bond in April and €150 million private debt in June.

Basis for dividend pay-out

IN € MILLIONS	JANUARY - SEPTEMBER	
	2009	2008
Net income attributable to shareholders	345	436
Add back: impact of incidentals and discontinued operations net of tax	15	221
Add back: impact of amortization and depreciation of ICI assets net of tax	83	77
Basis for dividend pay-out	443	734

Shareholders' equity

Shareholders' equity as at September 30, 2009, increased to an amount of €7.8 billion, due to:

- Net income of €345 million
- Dividend payments of €325 million
- Cumulative translation reserves of €216 million, mainly due to the weaker US dollar and the stronger pound sterling.

Interim dividend

We will pay an interim dividend of €0.30 per share. Our dividend policy is based on an annual pay-out ratio of at least 45 percent of net income before incidentals and fair value adjustments for the ICI acquisition. The final dividend will be proposed to the Annual General Meeting on April 28, 2010.

Invested capital

IN € MILLIONS	SEPTEMBER 30	DECEMBER 31	SEPTEMBER 30
	2009	2008	2008
Trade receivables	2,056	2,069	2,575
Inventories	1,493	1,781	1,907
Trade payables	(1,435)	(1,491)	(1,699)
Operating working capital in business areas	2,114	2,359	2,783
Other working capital items	(969)	(1,111)	(1,254)
Non-current assets	12,579	12,377	14,482
Less investments in associates and joint ventures	(170)	(201)	(194)
Invested capital	13,554	13,424	15,817

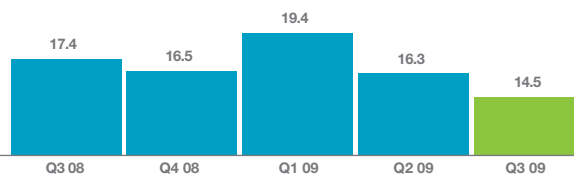
Invested capital

Invested capital at September 30, 2009, totaled €13.6 billion, which was €130 million higher than year-end 2008. This was mainly driven by:

- Foreign currency effects on intangibles and property, plant and equipment, from a weakening US dollar and a strengthening pound sterling.
- Additional payments of €206 million to pension funds in the UK, recorded in long-term receivables.
- An increase of €125 million due to acquisitions and divestments.
- Decrease of operating working capital of €245 million due to working capital management. Expressed as a percentage of revenue, operating working capital was 14.5 percent (Q2 2009: 16.3 percent; Q3 2008: 17.4 percent).

Operating working capital

IN % OF REVENUE



EBIT in "other"

3RD QUARTER		IN € MILLIONS	JANUARY - SEPTEMBER	
2009	2008		2009	2008
(32)	(39)	Corporate costs	(83)	(108)
8	8	Pensions	23	18
(4)	(16)	Insurances	-	(7)
(13)	(26)	Other	(37)	(44)
(41)	(73)	EBIT in "other"	(97)	(141)

Condensed consolidated statement of cash flows

3RD QUARTER		IN € MILLIONS	JANUARY - SEPTEMBER	
2009	2008 ¹		2009	2008 ¹
1,140	2,310	Cash and cash equivalents opening balance	1,449	11,067
230	162	Profit for the period from continuing operations	394	430
195	154	Amortization, depreciation and impairments	517	585
414	56	Changes in working capital	285	(430)
(77)	(214)	Changes in provisions	(397)	(549)
66	86	Other changes	24	(6)
828	244	Net cash from operating activities	823	30
(134)	(122)	Capital expenditures	(369)	(356)
14	(34)	Acquisitions and divestments ²	(35)	(10,091)
10	51	Other changes	42	112
(110)	(105)	Net cash from investing activities	(362)	(10,335)
(17)	14	Changes from borrowings	165	(544)
(12)	(10)	Dividends ³	(365)	(475)
–	(712)	Buyback of shares	–	(1,418)
1	1	Other changes	2	(38)
(28)	(707)	Net cash from financing activities	(198)	(2,475)
690	(568)	Net cash used for continuing operations	263	(12,780)
(47)	7	Cash flows from discontinued operations	24	3,519
643	(561)	Net change in cash and cash equivalents of total operations	287	(9,261)
(33)	(24)	Effect of exchange rate changes on cash and cash equivalents	14	(81)
1,750	1,725	Cash and cash equivalents at September 30	1,750	1,725

¹ Reclassified for comparative presentation.

² Net of cash.

³ In 2008 including dividends to ICI shareholders.

Cash management

Operating activities in Q3 resulted in a cash inflow of €828 million (2008: €244 million). The change compared with 2008 is mainly due to:

- Higher cash inflows as a result of operating working capital management.
- Lower cash outflows from provisions. In Q3 2008, the changes in provisions related to the ICI acquisition, such as cash outflows due to the restructuring of the former ICI headquarters.

Pensions

The funded status of the pension plans at September 30, 2009, was estimated to be a deficit of €1.6 billion compared with Q2 2009: €1.5 billion (year-end 2008: €1.0 billion). The movement since Q2 2009 is due to:

- Lower discount rates, increasing the pension obligation, offset by
- Lower inflation expectations
- Increased asset values, and
- A freeze of pension plans and a transition to defined contribution plans, reducing the pension obligation.

Workforce

At year-end 2008, our workforce amounted to 60,040 employees (September 30, 2008: 61,320 employees). At September 30, 2009, our workforce had decreased to 57,720 employees:

- Acquisitions resulted in an increase of 890 employees.
- 3,210 employees left, during 2009 (Q3: 1,090 employees) mainly due to continued restructuring and realized synergies.

Outlook and medium-term targets

Focus continues to be given to customers, cost reduction and cash generating actions so that the company is well positioned to meet the current challenges and, as a result, will be in good shape to take advantage of the recovery when it comes. However, the economic recovery remains fragile and it continues to be difficult to predict customer demand.

The company remains committed to improving operational efficiency through further restructuring and cost control and to achieving its medium-term target of an EBITDA margin of 14 percent by the end of 2011.

Amsterdam, October 27, 2009 The Board of Management

Notes to the condensed financial statements

Accounting policies

This interim financial report is in compliance with IAS 34 "Interim Financial Reporting". This report is unaudited.

Compared with the accounting principles as applied in the 2008 financial statements, we have adopted IFRS 8 "Operating Segments", IFRIC 13 "Customer Loyalty Programmes" and the amendment to IAS 1 "Presentation of Financial Statements". The adoption of these accounting policies has not materially affected the computation of our results. The accounting principles as applied in 2008 can be found in note 1 of the financial statements.

Restatements

We have changed the presentation of interest related to pensions and made some other reclassifications, as explained in our Report for the 1st quarter of 2009, available on our website.

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.

Glossary

Comprehensive income is the change in equity during a period resulting from transactions and other events other than those changes resulting from transactions with shareholders in their capacity as shareholders.

Constant currencies information excludes foreign currency translation effects assuming foreign currency exchange rates have not changed between the prior year period and the current period.

EBIT is operating income before incidentals.

EBIT margin is EBIT as percentage of revenue.

EBITDA is EBIT before depreciation and amortization and refers to EBITDA before incidentals.

Incidentals are transformation costs, special charges and benefits, results on acquisitions and divestments, restructuring and impairment charges, and charges related to major legal, antitrust, and environmental cases. EBITDA and EBIT before incidentals are key figures we use to assess our performance, as these figures better reflect the underlying trends in the results of the activities.

Interest coverage is operating income divided by the sum of financing income and expenses.

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

Moving average ROI is calculated as EBIT of the last four quarters divided by the average invested capital of these quarters.

Net debt is defined as long-term borrowings plus short-term borrowings less cash and cash equivalents.

Operating income is defined in accordance with IFRS and includes the relevant incidental results.

Operating working capital is defined as the sum of inventories, trade receivables and trade payables in the business areas. When expressed as a ratio, operating working capital is measured against four times last quarter revenue.

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

Transformation costs are acquisition-related costs related to ICI, cost related to sell businesses as agreed with the European and Canadian authorities, and costs for the new corporate identity.

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

Report for the 3rd quarter 2009	October 27, 2009
Ex-dividend date of 2009 interim dividend	October 28, 2009
Record date of 2009 interim dividend	October 30, 2009
Payment date of 2009 interim dividend	November 6, 2009
Report for the 4th quarter and the year 2009	February 18, 2010
Report for the 1st quarter 2010	April 26, 2010
Annual General Meeting	April 28, 2010
Report for the 2nd quarter 2010	July, 26, 2010
Report for the 3rd quarter 2010	October 21, 2010



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