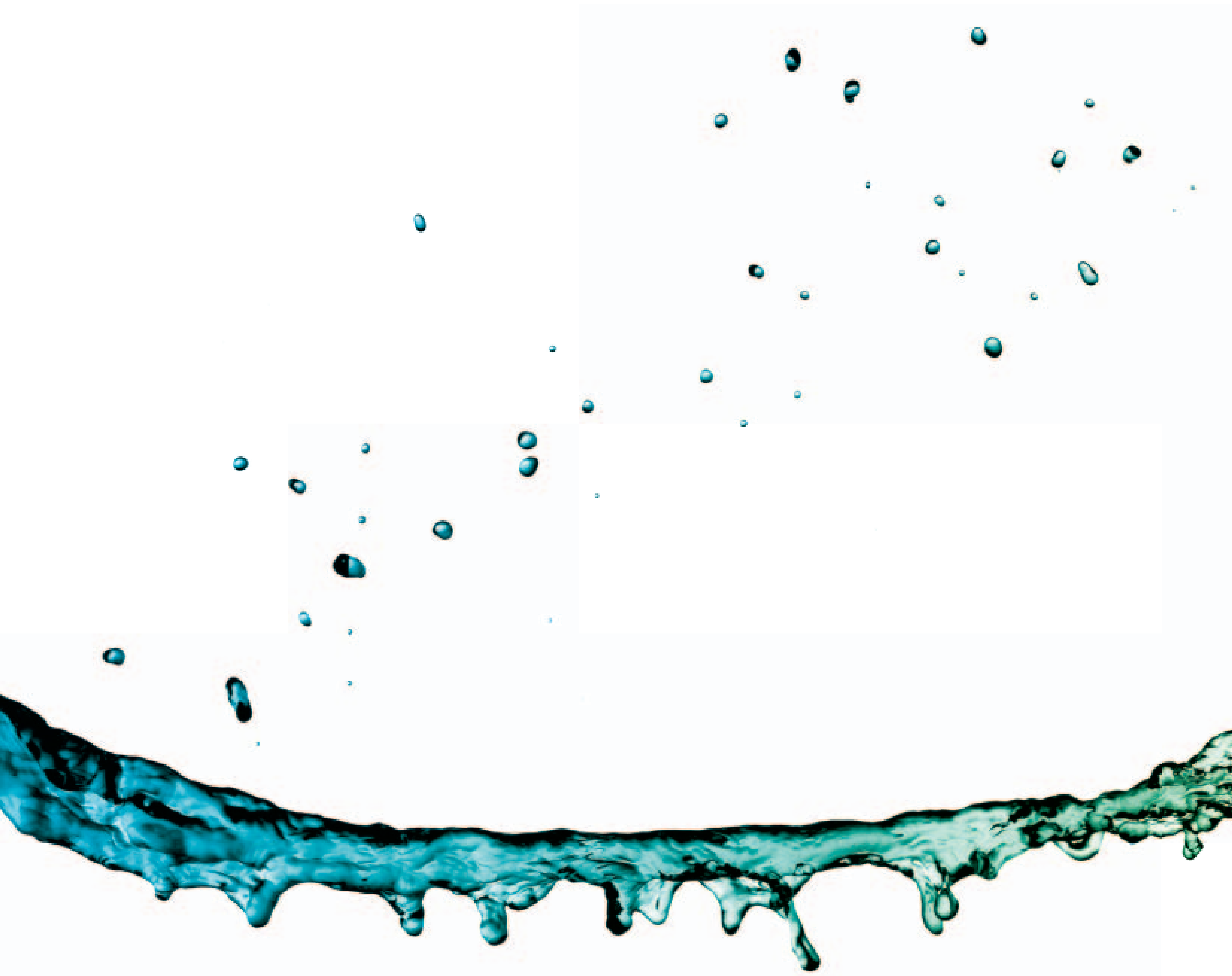
Report for 2008 and the 4th quarter

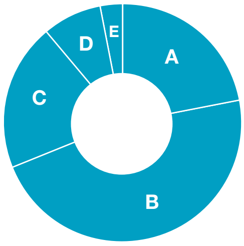
AkzoNobel

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

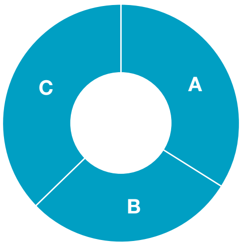


Our results at a glance

- 2008 revenue in constant currencies up 6 percent (reported: 1 percent)
- Excluding National Starch, 2008 EBITDA before incidentals in constant currencies totaled €1,841 million (2007: €1,870 million), in line with guidance
- Slowdown evident in all three business areas in Q4, in all geographies, with EBITDA down 12 percent in constant currencies (reported: 17 percent)
- Q4 revenue decline of 3 percent due to 10 percent lower volume
- Impairment of ICI intangibles of €1.2 billion after tax and incidental charges of €0.6 billion lead to a full year loss of €1.1 billion
- Restructuring and cash protection measures at an advanced stage
- €1 billion bond issue in December
- Dividend of €1.80 maintained

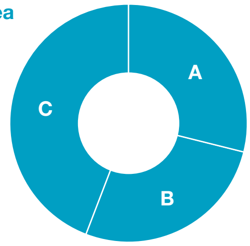
Revenue by business area

		%
A	Decorative Paints	34
B	Performance Coatings	29
C	Specialty Chemicals	37
		100



EBITDA before incidentals by business area

		%
A	Decorative Paints	29
B	Performance Coatings	27
C	Specialty Chemicals	44
		100



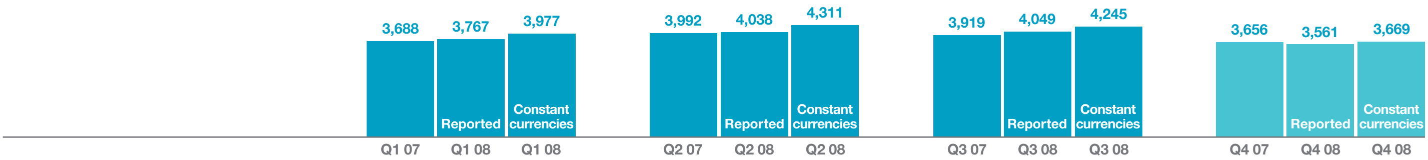
Financial highlights

4TH QUARTER 2008	4TH QUARTER 2007 PF[1]	4TH QUARTER Δ%	IN € MILLIONS	FULL YEAR 2008	FULL YEAR 2007 PF[1]	FULL YEAR Δ%
			Continuing operations before incidentals			
3,669	3,656	–	Revenue in constant currencies	16,202	15,255	6
3,561	3,656	(3)	Revenue	15,415	15,255	1
356	408	(13)	EBITDA in constant currencies (excluding National Starch)	1,841	1,870	(2)
391	444	(12)	EBITDA in constant currencies	1,987	2,011	(1)
368	444	(17)	EBITDA	1,878	2,011	(7)
10.3	12.1		EBITDA margin (in %)	12.2	13.2	
259	317	(18)	EBIT before fair value adjustments	1,416	1,520	(7)
219	276	(21)	EBIT after fair value adjustments	1,266	1,344	(6)
143	225	(36)	Net income from continuing operations before fair value adjustments	842	985	(15)
121	196	(38)	Net income from continuing operations	742	859	(14)
0.52	0.75	(31)	Earnings per share from continuing operations (in €)	3.00	3.11	(4)
			After incidentals			
(1,343)	84		Operating income/(loss)	(626)	979	
(1,486)	56		Net income/(loss) from continuing operations	(1,109)	595	
(36)	–		Net income/(loss) from discontinued operations	23	–	
(1,522)	56		Net income/(loss) total operations	(1,086)	595	
(6.41)	0.21		Earnings per share from continuing operations (in €)	(4.47)	2.16	
(6.57)	0.21		Earnings per share from total operations (in €)	(4.38)	2.16	
178	188		Capital expenditures	534	543	
			Interest coverage	–[2]	11.1	
			Invested capital	13,424	15,480	
			Net cash from operating activities	91	643[3]	
			Net interest-bearing borrowings	2,084	2,910	
			Number of employees	60,040	61,700	

[1] Pro forma
[2] Not meaningful as operating income is a loss
[3] Not a pro forma number

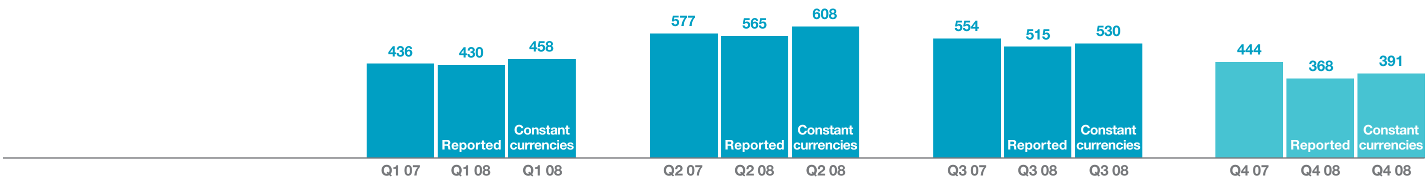
Revenue

IN € MILLIONS



EBITDA before incidentals

IN € MILLIONS



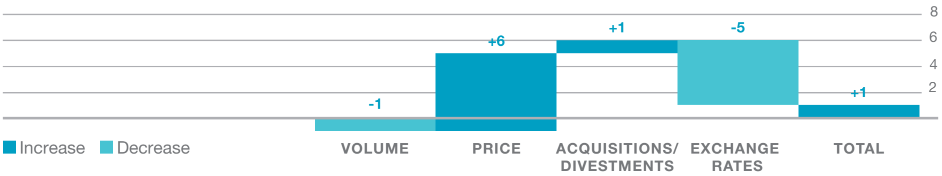
Financial highlights

Full year revenue in constant currencies amounted to €16,2 billion, 6 percent ahead of last year (reported: 1 percent). Although we posted revenue growth for 2008, the severity of the deteriorating economy became apparent towards the end of Q4. We realized an EBITDA of €1,841 million in constant currencies before incidentals and National Starch, compared to €1,870 million in 2007. Due to the integration of ICI and restructuring measures in response to the economic slowdown, we incurred significant additional incidental costs. We also recorded an impairment of intangibles acquired from ICI (mainly goodwill) of €1.2 billion after tax relating to the Decorative Paints and National Starch businesses. This resulted in a loss for 2008 of €1.1 billion.

Revenue growth

In 2008, autonomous growth of 5 percent (volume and price) compensated for foreign currency translation effects. In constant currencies, revenue increased by 6 percent to €16.2 billion. However, the volatile US dollar and the reported fall of the pound sterling limited revenue growth to 1 percent. In Decorative Paints, demand has been weaker across the mature economies of the US and UK in particular, but in the fourth quarter this weakness extended to the emerging markets, notably China. Revenue in Performance Coatings was resilient, as the range of industries served mitigated the effect of individual market fluctuations. Marine & Protective Coatings had a strong year, while Industrial Finishes was affected by soft demand throughout the year. In Specialty Chemicals, revenue from Chemicals Pakistan was adversely impacted by the Pakistan rupee, as well as by tariff changes effective July 1, 2008. In other businesses within Specialty Chemicals, we counterbalanced increased raw material prices with higher sales prices, resulting in reported revenue being 5 percent higher (10 percent in constant currencies).

Total revenue growth 2008



IN % VERSUS 2007 PRO FORMA	VOLUME	PRICE	ACQUISITIONS/ DIVESTMENTS	EXCHANGE RATES	TOTAL
Decorative Paints	(3)	4	1	(5)	(3)
Performance Coatings	(1)	4	1	(5)	(1)
Specialty Chemicals	(1)	10	1	(5)	5
Total	(1)	6	1	(5)	1

Acquisitions and divestments

Revenue increased 1 percent due to acquisitions. In Performance Coatings we acquired Enviroline, a specialist supplier of corrosion-resistant linings, predominantly for the oil and gas industries. We expanded our floor coatings portfolio through an acquisition from Lord Corporation. In Specialty Chemicals we acquired Levasil, a silica sol business. Some acquisitions were effected at the end of 2007, which positively affected 2008 revenue (such as an acquisition in South Africa in Decorative Paints).

Furthermore, in early 2009, we acquired LII Europe, which we will consolidate as from January 2009 in Specialty Chemicals. In 2008, LII's revenue amounted to €150 million. LII Europe is located near Frankfurt and is active in the chlorine and caustic market.

Financial highlights

In Q4, volume declines across all three business areas resulted in an overall volume decline of 10 percent. The lower demand that we experienced towards the end of Q4 was deeper than in preceding months. In our Decorative Paints unit, demand has been softer, across most of our markets, including the emerging markets. Performance Coatings continued to post strong revenue in Marine & Protective Coatings, but revenue in Industrial Finishes further deteriorated. Specialty Chemicals experienced more pronounced weakening demand, mainly due to de-stocking by customers.

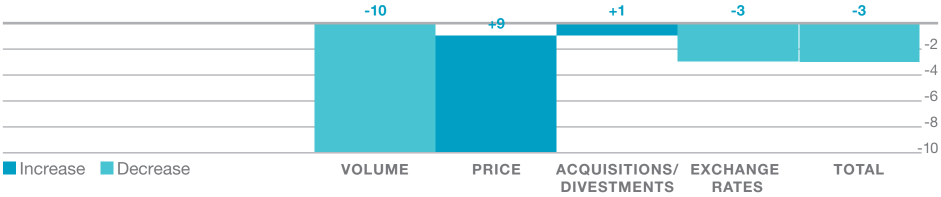
The above-mentioned revenue numbers include the revenue of National Starch (€927 million in constant currencies for 2008; reported €894 million). The intended sale of National Starch did not take place in 2008. In accordance with IFRS, the financial results were re-classified as "continuing operations". The restated outcomes per quarter including National Starch are published on our website.

EBITDA

Including National Starch, EBITDA before incidentals and in constant currencies totaled €1,987 million (reported €1,878 million), representing a decline of 1 percent (reported: 7 percent). Excluding National Starch, EBITDA before incidentals and in constant currencies amounted to €1,841 million (2007: €1,870 million).

The EBITDA margin was also 1 percent lower at 12.2 percent compared with 2007. During Q4, all businesses were affected by the global downturn, resulting in an EBITDA of €391 million in constant currencies (reported: €368 million). Compared with the previous year, this is a decline of 12 percent in EBITDA in constant currencies (reported: 17 percent). The EBITDA margin at 10.3 percent was 1.8 percent lower compared with the same period in 2007.

Total revenue growth Q4 2008



IN % VERSUS Q4, 2007 PRO FORMA	VOLUME	PRICE	ACQUISITIONS/ DIVESTMENTS	EXCHANGE RATES	TOTAL
Decorative Paints	(10)	8	–	(4)	(6)
Performance Coatings	(6)	4	–	(2)	(4)
Specialty Chemicals	(11)	16	1	(3)	3
Total	**(10)**	**9**	**1**	**(3)**	**(3)**

The "other" category

Activities not allocated to a particular business area are reported in the "other" category. The Decorative Paints businesses which were divested according to the commitment packages agreed with European and Canadian authorities were also reported here.

IN € MILLIONS	2008
Corporate costs	(62)
Pension costs	(30)
Technology costs not allocated to the businesses	(29)
Share-based payments	(20)
Energy derivatives	(16)
Insurances	(13)
Other	6
Costs in "Other"	**(164)**

The 2008 results in "other" were in line with expectations. Corporate costs are unallocated costs of the headquarters and shared service center in Amsterdam and Arnhem respectively. Pension cost for retired employees, among others in the UK and Germany, amounted to €30 million. The full year results were impacted by €16 million from fair value changes from energy derivatives, which we use for hedging our energy costs and for which we do not apply hedge accounting. In addition, we incurred a €13 million charge due to the results in our captive insurance companies.

Incidental charges included in operating income

4TH QUARTER 2008	4TH QUARTER 2007 PF[1]	IN € MILLIONS	FULL YEAR 2008	FULL YEAR 2007 PF[1]
(1,275)	–	Impairment of ICI intangibles	(1,275)	–
(205)	(43)	Restructuring costs	(275)	(172)
(25)	–	Transformation costs	(190)	–
–	–	Fair value adjustments	(54)	(60)
(24)	(112)	Special benefits/(charges)	(43)	(91)
(25)	(27)	Charges related to major legal, antitrust and environmental cases	(32)	(29)
(8)	(10)	Results on divestments	(23)	(13)
(1,562)	(192)	**Incidentals included in operating income**	**(1,892)**	(365)

[1] Pro forma

Impairment of ICI intangibles

As a consequence of the current market conditions and the continuing lack of visibility of future global demand, we have assessed the recoverable amount of our assets against lower growth rates which we now expect. This has resulted in a non-cash impairment charge of €1.2 billion after tax in Q4, covering the value of ICI intangibles related to the Decorative Paints and National Starch businesses.

Restructuring costs

Within the full year, incidentals of €275 million related to restructuring charges, of which €205 million were booked in Q4.

4TH QUARTER 2008	4TH QUARTER 2007 PF[1]	IN € MILLIONS	FULL YEAR 2008	FULL YEAR 2007 PF[1]
(155)	(15)	Decorative Paints	(189)	(96)
(9)	(14)	Performance Coatings	(20)	(27)
(22)	(12)	Specialty Chemicals	(29)	(25)
(19)	(2)	Other	(37)	(24)
(205)	(43)	**Restructuring costs**	**(275)**	(172)

[1] Pro forma

Restructuring costs related to the ICI integration and synergy realization program and profit protection measures in Performance Coatings and Specialty Chemicals. In Decorative Paints, the charges include termination benefits for employees in Europe and impairments for European logistic and manufacturing activities, mainly in Germany. We have assessed strengths and opportunities of all sites in the region in order to increase production efficiency and realize cost savings. Non-integration restructuring projects were implemented in the US, such as a closure of a manufacturing site to reduce capacity given the current market conditions. In addition, our US store business went through a broad based redesign of store locations, resources and associated overhead structure in order to improve the overall profitability. As the slowdown in demand became more apparent, activity to realign the cost base accelerated in Performance Coatings and Specialty Chemicals. The majority of the restructuring is in the mature markets of Western Europe and North America, but there have also been cost reductions in other regions, including China. At year-end, the continuing businesses employed 1,660 employees less than last year.

Other incidental items

Transformation costs include the closure of the London-based ICI headquarters (€59 million) and an impairment loss of €65 million for the Decorative Paints businesses which were sold due to the commitment packages agreed with European and Canadian authorities. In addition, transformation costs include costs of external advisors related to the ICI acquisition and costs to establish our new corporate identity.

Other incidental charges came from the fair value step-up for inventories acquired from ICI (€54 million, non-cash) and additional costs for the settlement of a claim related to post-retirement healthcare benefits for retired employees. Furthermore, we incurred a charge of €29 million due to foreign currency results on a provision in the UK. The mandatory divestment of the Decorative Paints businesses in Canada, the UK, Ireland and Belgium resulted in a loss of €23 million.

Financial highlights

Income tax

Due to the current economic conditions, we have assessed the deferred tax positions. We derecognized an amount of €133 million as we considered it not probable that these deferred tax assets can be utilized against future taxable income.

Many incidentals, such as the goodwill impairment and the transaction loss of the businesses that we divested, are tax-exempt. Excluding incidentals, the tax rate was 27 percent (2007: 27 percent).

Earnings per share and dividend

Net income from continuing operations before incidentals declined by 14 percent to €742 million. The effect on earnings per share was mitigated to a decline of 4 percent due to the share buyback program in 2008 and 2007.

An interim 2008 dividend of €0.40 per common share was paid on November 10, 2008. We propose to pay a final dividend of €1.40, resulting in a total dividend for 2008 of €1.80 (2007: €1.80). This would bring the payout ratio for 2008 to 48 percent (2007: 45 percent).

Discontinued operations

Discontinued operations reflects the results related to the on-sale to Henkel of the former ICI's Adhesives and Electronic Material businesses. We received an amount of €3.6 billion before final settlement adjustments. At year-end 2008, we recognized a receivable of €123 million for the settlement of the transaction. The gain on discontinued operations was mainly due to deferred results from the divestment of Organon BioSciences in November 2007.

During 2008, we classified National Starch as a discontinued operation. However, the intended sale did not take place in 2008 and, in accordance with IFRS, we have re-classified National Starch within continuing operations.

Outlook and medium-term targets

We have strong market positions in a number of highly attractive sectors with a wide geographical spread. We have a robust balance sheet with manageable 2009 refinancing needs. The actions we are taking mean that our 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. We are acutely aware that global market conditions and lack of visibility do not allow for any certainty. The harsh trading conditions experienced towards the end of the fourth quarter have continued into 2009 and, as a result, we expect this year to be very challenging. Nevertheless, we remain focused on achieving our medium-term target of an EBITDA margin of 14 percent by the end of 2011; on continuing to deliver the €340 million ICI synergies; on driving margin management programs across the company; and on rigorous cost management.

This report presents pro forma outcomes to allow for comparison with the hypothetical situation that we acquired ICI on January 1, 2007. Pro forma numbers are used as comparatives in the texts of this report, unless indicated otherwise. The incorporation of National Starch led to restated pro forma outcomes for 2007 and for the quarterly figures published in 2008. The restated outcomes per quarter for 2008 were published on February 12, 2009 and are found on our website www.akzonobel.com.

Composition of net income for the year of 2008

IN € MILLIONS	NET INCOME BEFORE INCIDENTALS			NET INCOME		
	2008	2007 PF[1]	Δ%	2008	2007 PF[1]	Δ%
Continuing operations	742	859	(14)	(1,109)	595	–
Discontinued operations	23	–	–	23	–	–
Total	**765**	859	(11)	**(1,086)**	595	–

[1] Pro forma

Earnings per share for the year of 2008

IN € MILLIONS	EARNINGS PER SHARE BEFORE INCIDENTALS			EARNINGS PER SHARE		
	2008	2007 PF[1]	Δ%	2008	2007 PF[1]	Δ%
Continuing operations	3.00	3.11	(4)	(4.47)	2.16	–
Discontinued operations	0.09	–	–	0.09	–	–
Total operations	**3.09**	3.11	(1)	**(4.38)**	2.16	–

[1] Pro forma

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

Margin management partly compensated for volume decline

- 2008 revenue in constant currencies up 2 percent
- 2008 EBITDA in constant currencies close to last year, however, 20 percent lower in Q4
- Stable revenue in Europe in 2008, in constant currencies
- US revenue declined by 9 percent due to recessionary market conditions
- Asia delivered double-digit revenue growth in constant currencies in 2008; in Q4 volumes declined, compensated by margin management
- Significant cost reduction in Europe and the USA
- A year marked by restructuring, integration and margin management

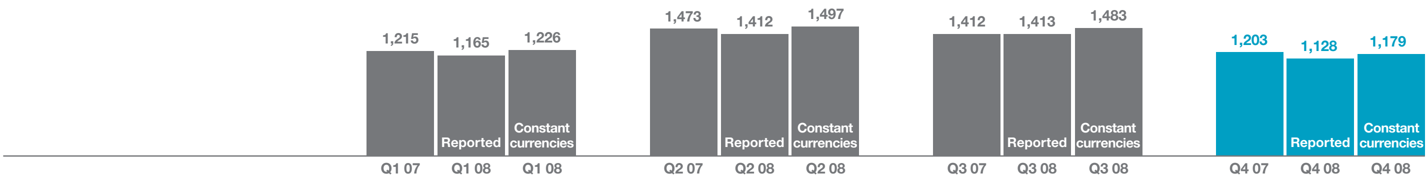
Decorative Paints

4TH QUARTER			IN € MILLIONS	FULL YEAR		
2008	2007 PF[1]	Δ%		2008	2007 PF[1]	Δ%
			Revenue			
535	616	(13)	Decorative Paints Europe	2,789	2,869	(3)
384	397	(3)	Decorative Paints Americas	1,615	1,768	(9)
209	191	9	Decorative Paints Asia	716	669	7
–	(1)		Intragroup revenue	(2)	(3)	
1,128	1,203	(6)	**Total**	**5,118**	5,303	(3)
1,179	1,203	(2)	**Total in constant currencies**	**5,385**	5,303	2
			Before incidentals			
101	126	(20)	EBITDA in constant currencies	628	630	–
89	126	(29)	EBITDA	593	630	(6)
7.9	10.5		EBITDA margin (in %)	11.6	11.9	
62	93	(33)	EBIT before fair value adjustments	477	510	(6)
41	70	(41)	EBIT after fair value adjustments	396	413	(4)
			After incidentals			
(959)	35		Operating income/(loss)	(674)	308	
–[2]	2.9		EBIT margin (in %)	–[2]	5.8	
32	51		Capital expenditures	120	131	
			Invested capital	6,589	7,865	
			Number of employees	24,050	25,615	

[1] Pro forma
[2] Not meaningful as operating income is a loss

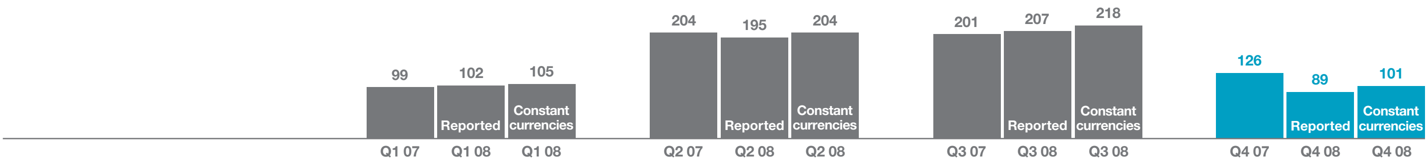
Revenue

IN € MILLIONS



EBITDA before incidentals

IN € MILLIONS



Margin management partly compensated for volume decline

In 2008, Decorative Paints performed well considering the difficult economic environment. Revenue in constant currencies increased by 2 percent (reported: decrease by 3 percent). Pressure on margins was mitigated by margin management across all regions, which compensated for increased raw material costs. Higher than expected synergy benefits offset cost inflation, while double-digit growth was achieved in Asia. The EBITDA margin for 2008 was 11.6 percent, slightly lower than 2007 (11.9 percent).

In Q4, we experienced a slowdown in many previously fast-growing emerging markets. Revenue in constant currencies for the quarter was slightly below last year (reported: 6 percent), with price increases and a stronger product mix not able to offset fully the volume drop. EBITDA margin at 7.9 percent declined compared with 10.5 percent last year. As a consequence of the current market conditions and the continuing lack of visibility of future global demand, we have assessed the fair value of our assets against lower growth rates. In Decorative Paints, we have recorded a non-cash impairment charge on goodwill and intangibles acquired from ICI.

Europe

In Continental Europe, the market softened in 2008, driving revenue slightly below the 2007 level. The retail market stabilized towards the end of the year, but the trade sector declined. Our Q4 revenue was behind last year's level, with Germany and Spain being weak markets. Margins were maintained by cost reductions and raw material prices benefited from synergies.

For the Northern and Eastern Europe business, revenue was in line with the previous year despite very weak market demand towards the end of the year. Our business in Northern and Eastern Europe was confronted with an accelerated drop in paint demand, particularly in the Nordic and Baltic States and the Ukraine. Margins held compared with last year's level. Operating costs increased less than inflation due to synergies from the ICI integration. The key area for integration is Central Europe, where we recorded major revenue growth and margin improvement.

Integration is proceeding according to, or ahead of, plan and recorded synergy effects were higher than initially estimated. The process has been successful and has not led to any loss of market share.

In the UK, the retail market dropped significantly during the year and revenue was further impacted by de-stocking of our customers. In the fourth quarter the speed of market decline stabilized but was still below 2007 in a paint market which was down 7 percent. The revenue decline was partly offset by a successful introduction of the Dulux® PaintPod®, an innovative, powered paint roller system which includes a self-cleaning facility. The trade business had a good start to 2008, but experienced a downturn in the second half of the year. In Ireland, a double-digit decline was widely experienced across the market due to a slowdown in commercial and private repair, maintenance and investment, with only government spending holding up. We made an important launch of Ecosure into the UK Trade Paint market, with demonstrably lower environmental impact together with high product performance. It formed part of our "Step Towards Greener" program resulting in 25 percent lower embodied carbon and 49 percent lower VOCs. The product has been developed in partnership with Forum for the Future – leading independent sustainability experts. The profit for our UK business was down compared with last year, although cost management mitigated the impact on margins.

Decorative Paints

Americas

In the US, all business lines struggled to achieve prior year revenue as results were forced down by the recessionary economic conditions. Lower revenue volume and a shift to lower priced products reflected the challenging market. Volumes in Q4 were significantly down on last year in both DIY and the trade sector. The business went through major restructuring, including plant and store closures, resulting in a significant reduction in the workforce. We launched The Freshaire Choice™, a product which focuses on indoor air quality and reducing VOC emissions. This innovation also takes sustainability to the next level by utilizing recycled or recyclable materials in its labels, packaging, color collateral and all marketing materials used for promotion. Lower operating costs, driven by strong cost control and restructuring measures, helped reduce the margin shortfall. EBITDA was close to last year's level.

In Canada, volumes were on par with 2007. Towards the end of the year, the impact of the global economic slowdown became visible and demand declined, notably in the retail business. In the trade sector, business was remarkably resilient, particularly the industrial maintenance sector, which developed positively. Price increases were implemented in order to cover the increased raw material costs resulting from the Canadian dollar's weakness compared with the US dollar and the euro. During the last quarter we completed several integration projects. In addition, restructuring was visible in both revenue and the supply chain, while we closed five plants and warehouses. We also opened one new warehouse and started integrating stores and the distribution force across the country.

In Latin America, full year revenue was ahead of 2007, however, Argentina and Uruguay developed negatively in Q4. During the last quarter, revenue dropped below the previous year, due to lower volumes in all countries. In Brazil, a new commercial structure was formed and we also realized synergies in the area of marketing and administration.

Our new brand architecture continued to be well accepted by our customers. A marketing campaign was launched based on the theme "Change your walls, change your world", which proved to be very successful.

Asia

We demonstrated impressive revenue growth in Asia during the first half of the year. Volumes during the quarter were slightly down on last year and the slowdown affected all Asian countries. The Indian market was additionally affected by political tensions, while Malaysia, Indonesia and Thailand were impacted by the overall decline of the economy. Revenue growth for the year still remained at double-digit levels in constant currencies. Substantial price increases were implemented to offset the rising raw material costs. Most countries reported significant profit improvements. The introduction of the Dulux® Anti-Formaldehyde interior emulsion – which absorbs and decomposes harmful formaldehyde from the air to create safer home environments – was a significant success in China. The product accounted for 5 percent of total revenue in 2008. The introduction of Anti-Formaldehyde was supported by a multi-media promotional and awareness campaign, which helped to accelerate the adoption of the product.

We also launched a number of low VOC, low odor and odorless Dulux® products throughout the region, including the introduction of the Breatheasy range in Singapore. Following successful launches in late 2007, we rolled out Light & Space and the World of Weathershield across the region to give us a strong, innovative presence in the premium paints market. Upgrading of leading independent paint stores to deliver improved consumer service and an enhanced shopping experience continued via Dulux Decoration Centers in China, India and most recently Pakistan. We continued to drive our distribution beyond the major urban centers, particularly into tier three cities in China and tier two cities in Vietnam. Our high promotional activity in the market focused on supporting product launches and the Dulux® brand to drive awareness and sales during the peak painting season prior to local annual festivities.

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

Stable performance in 2008, significant weakening in Q4

- Revenue in constant currencies for 2008 up 4 percent (reported down 1 percent)
- 2008 EBITDA in constant currencies equaled 2007, but EBITDA margin in Q4 dropped to 10.9 percent
- Full year and Q4: continued strong performance at Marine & Protective Coatings
- Global economic downturn had greater impact on trading levels in Industrial Activities as the year developed
- Multiple cost saving projects are aligning our cost structure to the changed market environment

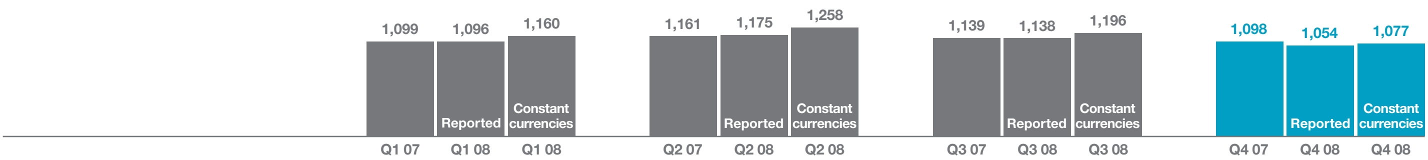
Performance Coatings

4th quarter 2008	4th quarter 2007 PF[1]	Δ%	In € millions	Full year 2008	Full year 2007 PF[1]	Δ%
			Revenue			
418	500	(16)	Industrial Activities	1,915	2,032	(6)
357	311	15	Marine & Protective Coatings	1,355	1,251	8
208	217	(4)	Car Refinishes	885	910	(3)
79	78	1	Packaging Coatings	344	340	1
(8)	(8)		Intragroup revenue	(36)	(36)	
1,054	1,098	(4)	**Total**	**4,463**	4,497	(1)
1,077	1,098	(2)	**Total in constant currencies**	**4,691**	4,497	4
			Before incidentals			
116	137	(15)	EBITDA in constant currencies	566	566	–
115	137	(16)	EBITDA	546	566	(4)
10.9	12.5		EBITDA margin (in %)	12.2	12.6	
92	113	(19)	EBIT before fair value adjustments	462	481	(4)
89	110	(19)	EBIT after fair value adjustments	447	464	(4)
			After incidentals			
80	95	(16)	Operating income/(loss)	424	429	(1)
7.6	8.7		EBIT margin (in %)	9.5	9.5	
31	41		Capital expenditures	89	113	
			Invested capital	2,207	2,131	
			Number of employees	20,860	20,905	

[1] Pro forma

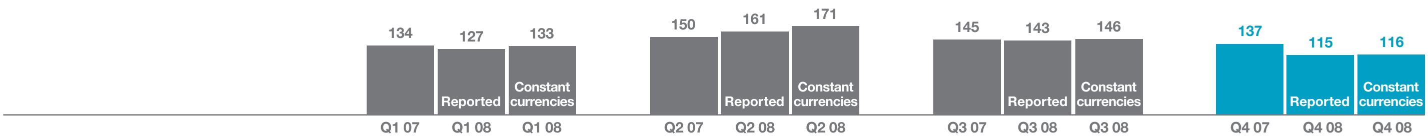
Revenue

IN € MILLIONS



EBITDA before incidentals

IN € MILLIONS



Stable performance in 2008, significant weakening in Q4

It proved to be a mixed year for our Performance Coatings business, which had to contend with volatile raw material pricing and currencies. Our Marine & Protective Coatings business had a very good year, whilst the impact of the global economic downturn took full effect on our Industrial Activities in the fourth quarter. Volumes in 2008 were stable, but revenue was 1 percent lower than 2007. Margin management offset the increase in raw material costs, but currencies had a downward effect of 5 percent. Acquisitions and divestments contributed to a 1 percent growth. The EBITDA margin for 2008 was 12.2 percent (2007: 12.6 percent), a satisfactory performance given the economic circumstances.

Volumes in the last quarter were down by 6 percent on the previous year, but were partly counterbalanced by product mix and margin management. In addition, we incurred a negative currency translation impact of 2 percent. Multiple cost saving initiatives have been put in place in order to align our cost structure to the changed market environment and limit the impact on margins. The broad geographic spread and the range of industries served gave us some protection against the effects of individual market fluctuations.

Industrial Activities

The downturn in the North American residential construction industry and volatile petrochemical costs impacted our businesses throughout 2008. Volume was down by 8 percent compared with the same period last year, partly offset by margin management. We expanded our floor coatings portfolio in Europe, the Americas and Asia by an acquisition from Lord Corporation. The acquisition of the 25 percent minority shareholding from Nippon Paint also improved our strategic position in coil coatings in the greater European region. We will continue to focus on cost reduction and comprehensive margin management actions, while staying close to our customers. For Powder Coatings, slow sales in mature markets in the first part of the year were more than offset by growth in emerging markets. Overall, Powder Coatings revenue declined – the positive effect of margin management was offset by the negative impact of volume and currencies.

In the fourth quarter, the global economic downturn adversely impacted all the Industrial Activities resulting in significantly lower revenue, compared with last year. We experienced weak demand in mature markets and slower growth in emerging markets, particularly in our Powder Coatings business. Specialty Plastics performed well during the year, however, we experienced a decline in volume and downward pressure on margins towards the end of the year. Wood Adhesives had a good fourth quarter with volumes remaining constant and higher revenue than in 2007.

Some of the pressure was relieved during Q4 as raw material costs began to fall in response to the drop in crude oil prices. However, the raw material markets remain volatile. On an encouraging note, the adhesives business performed strongly in the fourth quarter of the year.

Our ultra-high durability architectural coating, Interpon® D, will be used to coat the main exhibition hall at the Shanghai Expo 2010.

Performance Coatings

Marine & Protective Coatings
It was a very good year for Marine & Protective Coatings, including the last quarter. Volumes increased by 11 percent year-on-year and, combined with price effects, resulted in autonomous growth of 16 percent. The Marine business made good progress during the year with volume growth of 10 percent and improved margins. Fourth quarter growth in Marine came from China and India, where new yards opened up and existing yards managed to sustain an increased throughput. The volume growth for Intersleek® during Q4 was strong compared with last year, reaching double-digit levels. Protective Coatings had a strong year with double-digit percent volume growth driven by China, India and Brazil and supported by growth in the more established markets. Chartek® made a positive contribution in all regions and Ceilcote® made a strong start in the Americas. Our Protective Coatings factory in Suzhou, China, began production.

Activity in Yacht has been mixed. During 2008, trading remained steady in Asia, while the Americas experienced tough trading conditions and cautious winter buying due to the economic slowdown. Sales of Awlgrip® in Europe, Africa and the Middle East remained strong. Volume in Asia slowed in Q4 due to reduced boat production for export in response to weaker demand from North America. For Aerospace Coatings, 2008 was a steady year with revenue, margins and results in line with 2007 despite worsening economic conditions.

Car Refinishes
Total volumes for the year almost equaled the 2007 level, but activity in the second half of the year was lower. Although oil prices went down, kilometers driven (which are correlated to the accident rate) did not pick up. Despite a difficult fourth quarter in the Americas, we managed year-on-year volume and revenue growth (in local currencies) of 6 percent and 8 percent respectively (mainly due to rapid growth in South America). In Asia, volumes grew 16 percent, while revenue grew less (11 percent) due to growth in the trade segment, which generally operates with lower prices. Volumes in China grew rapidly in the first nine months compared with 2007, but this came to a halt in the fourth quarter. Low demand in most Western European countries, Canada, the US, China and Australia caused volumes in the fourth quarter to come in almost 13 percent below the previous year. Europe, the Middle East and Africa and Automotive Plastic Coatings (APC) achieved full year revenue comparable with 2007, although APC's total revenue benefited (3 percent) from the recent acquisition of Soliant. In the fourth quarter, the APC business faced strong downward pressure due to softening market conditions in North America. Overall, margins were slightly down compared with 2007, partly due to currency effects.

On a positive note, volumes sold in South America still continued to grow compared with last year, albeit at a slower pace. During Q4, we received approval for the Mc-Donald's redesign and from BMW for use of our waterborne technology.

Packaging Coatings
Packaging Coatings had a good 2008, despite the difficult fourth quarter, which remained flat compared with last year. Revenue ended up slightly higher than last year's level, despite the unfavorable exchange rate impact. Margin management compensated for the increasing raw material costs at the beginning of the year and covered slightly higher operational costs. Strong performance in Europe was mainly on the back of Beer & Beverage volumes, but Food, Caps & General line (FCG) sales also developed well. Revenue was up compared with last year, leading to better results than in 2007 despite negative exchange impacts. Revenue in North and South America remained slightly below last year, mainly as a result of exchange rate impacts and lower volumes. The year was disappointing for the Asia Pacific region and the total performance was behind 2007 due to the economic slowdown and negative market trends in general.

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

Solid performance but demand declined

- Revenue growth of 5 percent, but volume down 11 percent in Q4
- EBITDA margin for the full year of 15.7 percent; in constant currencies, EBITDA was up on 2007
- EBITDA declined by 14 percent in Q4, mainly due to demand weakness in Polymer Chemicals and a significant decline in results of the Pakistan PTA business
- Functional Chemicals finished behind 2007 as demand softened in Q4 and sulfur prices declined sharply
- Industrial Chemicals and National Starch repeated their strong performance of 2007
- Diverse markets and effective margin management led to improved performance at Surface Chemistry

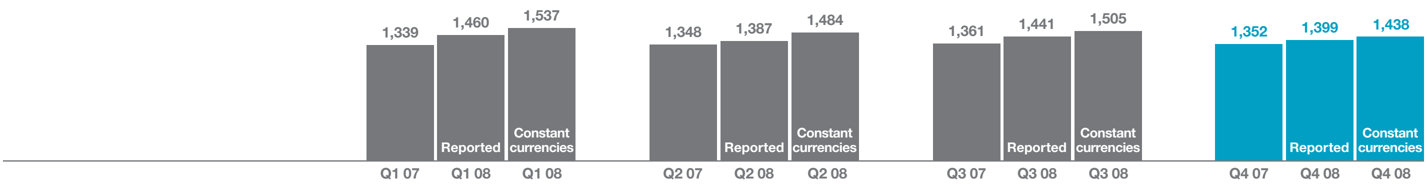
Specialty Chemicals

4th quarter			In € millions	Full year		
2008	2007 PF[1]	Δ%		2008	2007 PF[1]	Δ%
			Revenue			
279	257	9	Functional Chemicals	1,147	1,057	9
257	258	–	Pulp & Paper Chemicals	1,008	993	2
247	219	13	Industrial Chemicals	966	877	10
236	206	15	National Starch	894	813	10
199	187	6	Surface Chemistry	821	770	7
118	126	(6)	Polymer Chemicals	521	524	(1)
102	137	(26)	Chemicals Pakistan	470	504	(7)
(39)	(38)		Intragroup revenue	(140)	(138)	
1,399	1,352	3	**Total**	**5,687**	5,400	5
1,438	1,352	6	**Total in constant currencies**	**5,964**	5,400	**10**
			Before incidentals			
195	214	(9)	EBITDA in constant currencies	951	927	3
183	214	(14)	EBITDA	891	927	(4)
13.1	15.8		EBITDA margin (in %)	15.7	17.2	
125	150	(17)	EBIT before fair value adjustments	651	665	(2)
108	135	(20)	EBIT after fair value adjustments	587	603	(3)
			After incidentals			
(344)	120		Operating income/(loss)	112	557	
(24.6)	8.9		EBIT margin (in %)	2.0	10.3	
108	78		Capital expenditures	305	245	
			Invested capital	4,055	4,750	
			Number of employees	13,280	13,200	

[1] Pro forma

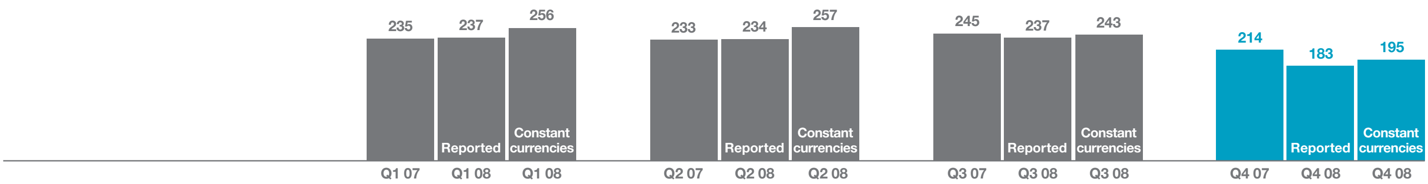
Revenue

IN € MILLIONS



EBITDA before incidentals

IN € MILLIONS



Solid performance but demand declined

Specialty Chemicals delivered a solid 2008 performance and a respectable fourth quarter, despite the challenges created by weakening demand, volatile feedstock costs and an increasingly nervous economic climate. Revenue was up 5 percent compared with 2007, while autonomous growth was 9 percent. Before incidentals, EBITDA for 2008 amounted to €891 million. Market weakness intensified as we approached year-end, which fueled customer de-stocking momentum and resulted in an 11 percent decline in volume in our business in the fourth quarter. However, the volume decline was more than offset by effective margin management, producing revenue growth of 3 percent. Before incidentals, EBITDA for the quarter amounted to €183 million, 13.1 percent of revenue.

Functional Chemicals
It was a mixed picture across the various businesses, but overall Functional Chemicals finished 2008 below the 2007 performance level. The recession in the construction industry led to a considerable drop in performance of our Elotex business from the previous year. Ethylene Amines finished well ahead of 2007 due to strong volume growth and price increases, and despite signs of weakening demand in some applications in Q4. Sulfur Derivatives reported improvement for the year, especially in the polysulfides business. However, sharply declining sulfur prices led to a significant negative inventory result at the end of the fourth quarter. Chelates performed well in a tight supply-demand balance due to supply shortages in cyanide. Our "green chelate" – Dissolvine® GL – is receiving wide market acceptance.

Pulp & Paper Chemicals
We surpassed the €1 billion level for our top line in 2008. Revenue growth was 2 percent, which included the acquisition effect of Levasil (silica sol business from H.C. Starck). Margin management helped to compensate for the impact of lower volumes, increased raw material costs and unfavorable exchange rates. Collectively, Pulp & Paper Chemicals performed well in the fourth quarter, led by the strength of our businesses in North and South America. The market in Europe was clearly softer, while Asia was also signaling a slowdown as the year ended. Our specialty products units reported a steady performance in 2008. The hydrogen peroxide business was hit especially hard by very high natural gas costs during the year, but the introduction of Purate progressed well.

Specialty Chemicals

Industrial Chemicals
The Industrial Chemicals business delivered a solid performance in 2008 and Q4, despite lower demand. The decline in volume accelerated in the fourth quarter due to the prolonged economic downturn and a maintenance stop in Rotterdam. MCA continued its positive result development over 2007. The strong performance of Chlor Alkali and the Salt business helped to compensate for the reduced margins in Energy, where results were impacted by increased gas prices. The recently announced acquisition of LII Europe's activities will strengthen the position of our Industrial Chemicals business, especially in the European caustic market, as well as extending our regional scope.

National Starch
Although 2007 results were equaled, we have booked a non-cash impairment loss on goodwill allocated to this business, mainly due to the changed economic outlook and a reclassification to continuing operations. Margin management and volume growth, due to sustained strength in food sales, offset the sharply higher cost for corn and synthetic chemicals. In this business, profitability depends on the corn price. During 2008, we hedged the corn price into 2009. At year-end 2008, the corn price had fallen to a level lower than the hedged price, which will have an adverse impact in the first half of 2009.

Surface Chemistry
The business reported strong results for 2008 and the fourth quarter due to an improved product portfolio and effective margin management. The pull from underlying markets in Surfactants held up remarkably well throughout the economic slowdown in 2008. In Q4, demand in South America continued to be strong, although Europe and Asia demonstrated signs of weakness. The focus during the year was on integrating the former ICI's Alco and Personal Care businesses to form the new Surface Chemistry business.

Polymer Chemicals
Polymer Chemicals experienced an unprecedented decline in volume in the last quarter due to an increased weakness in key markets such as construction, automotive and durable goods. As a result, the business was unable to equal the previous year's performance level. Revenue declined for the full year, despite a 2 percent acquisition effect from the Qiangsheng transaction earlier in the year. Contributors to volume decline were the consequences of the transportation restrictions during the Beijing Olympics and the impact of two hurricanes on the US Gulf Coast. As of 2009, Polymer Chemicals is the majority owner of its Japanese organic peroxides business (previously a 50:50 JV with Nippon Kayaku).

Chemicals Pakistan
The global economic slowdown fueled a decrease in Pakistan's GDP growth, as well as a contraction in demand. A severe energy crisis and rising interest rates had a further negative effect on the volume growth of our businesses. PTA operations incurred an extended plant overhaul shutdown due to the market conditions. The reduced PTA tariff and the depreciation of the Pakistani rupee also resulted in a significantly lower profit level in the fourth quarter for this business when compared with 2007. In spite of the turmoil, the Pakistan business reported an increase in operating profits in local currency over 2007.

Condensed financial statements

Consolidated statement of income

4TH QUARTER 2008	2007 PF[1]	2007	IN € MILLIONS	FULL YEAR 2008	2007 PF[1]	2007
			Continuing operations			
3,561	3,656	2,431	Revenue	15,415	15,255	10,217
(2,454)	(2,294)	(1,493)	Cost of sales	(9,972)	(9,570)	(6,252)
1,107	**1,362**	**938**	**Gross profit**	**5,443**	**5,685**	**3,965**
(814)	(802)	(559)	Selling expenses	(3,294)	(3,177)	(2,230)
(1,275)	–	–	Impairment of ICI intangibles	(1,275)	–	–
(98)	(86)	(72)	Research and development expenses	(353)	(359)	(282)
(235)	(267)	(155)	General and administrative expenses	(1,074)	(1,126)	(654)
(28)	(123)	(81)	Other operating income/(expenses)	(73)	(44)	(52)
(1,343)	**84**	**71**	**Operating income/(loss)**	**(626)**	**979**	**747**
31	96	70	Financing income	154	282	157
(115)	(84)	(99)	Financing expenses	(337)	(370)	(277)
12	7	4	Results from associates and joint ventures	25	37	(20)
(1,415)	**103**	**46**	**Profit/(loss) before tax**	**(784)**	**928**	**607**
(59)	(29)	(25)	Income tax	(260)	(264)	(166)
(1,474)	**74**	**21**	**Profit/(loss) for the period from continuing operations**	**(1,044)**	**664**	**441**
			Discontinued operations			
(36)	–	8,517	Profit/(loss) for the period from discontinued operations	23	–	8,920
(1,510)	**74**	**8,538**	**Profit/(loss) for the period**	**(1,021)**	**664**	**9,361**
			Attributable to:			
(1,522)	56	8,533	- Shareholders of the company	(1,086)	595	9,330
12	18	5	- Minority interests	65	69	31
(1,510)	**74**	**8,538**	**Profit/(loss) for the period**	**(1,021)**	**664**	**9,361**
			Earnings per share from continuing operations before incidentals (in €):			
0.52	0.75	0.48	- Basic	3.00	3.11	2.10
0.52	0.74	0.47	- Diluted	2.98	3.09	2.09
			Earnings per share from continuing operations after incidentals (in €):			
(6.41)	0.21	0.06	- Basic	(4.47)	2.16	1.49
(6.38)	0.21	0.06	- Diluted	(4.45)	2.14	1.47
			Earnings per share from discontinued operations (in €):			
(0.16)	–	32.47	- Basic	0.09	–	32.33
(0.16)	–	32.24	- Diluted	0.09	–	32.08
			Earnings per share from total operations (in €):			
(6.57)	0.21	32.53	- Basic	(4.38)	2.16	33.82
(6.54)	0.21	32.30	- Diluted	(4.36)	2.14	33.55

[1] Pro forma

Information on segments and incidentals

4th quarter 2008	4th quarter 2007 PF[1]	Δ%	In € millions	Full year 2008	Full year 2007 PF[1]	Δ%
			Revenue			
1,128	1,203	(6)	Decorative Paints	5,118	5,303	(3)
1,054	1,098	(4)	Performance Coatings	4,463	4,497	(1)
1,399	1,352	3	Specialty Chemicals	5,687	5,400	5
(20)	3		Other activities/eliminations	147	55	
3,561	3,656	(3)	**Total**	**15,415**	15,255	1
			EBITDA before incidentals			
89	126	(29)	Decorative Paints	593	630	(6)
115	137	(16)	Performance Coatings	546	566	(4)
183	214	(14)	Specialty Chemicals	891	927	(4)
(19)	(33)		Other activities/eliminations	(152)	(112)	
368	444	(17)	**Total**	**1,878**	2,011	(7)
10.3	12.1		**EBITDA margin (in %)**	**12.2**	13.2	
			EBIT before incidentals and amortization/depreciation of fair value adjustments related to the ICI acquisition			
62	93	(33)	Decorative Paints	477	510	(6)
92	113	(19)	Performance Coatings	462	481	(4)
125	150	(17)	Specialty Chemicals	651	665	(2)
(20)	(39)		Other activities/eliminations	(174)	(136)	
259	317	(18)	**Total**	**1,416**	1,520	(7)
7.3	8.7		**EBIT margin (in %)**	**9.2**	10.0	
			EBIT before incidentals and after amortization/depreciation of fair value adjustments related to the ICI acquisition			
41	70	(41)	Decorative Paints	396	413	(4)
89	110	(19)	Performance Coatings	447	464	(4)
108	135	(20)	Specialty Chemicals	587	603	(3)
(19)	(39)		Other activities/eliminations	(164)	(136)	
219	276	(21)	**Total**	**1,266**	1,344	(6)
6.1	7.5		**EBIT margin (in %)**	**8.2**	8.8	
			Operating income/(loss)			
(959)	35		Decorative Paints	(674)	308	
80	95		Performance Coatings	424	429	
(344)	120		Specialty Chemicals	112	557	
(120)	(166)		Other activities/eliminations	(488)	(315)	
(1,343)	84		**Total**	**(626)**	979	
–[2]	2.3		**EBIT margin (in %)**	**–**[2]	6.4	
			Incidentals included in operating income/(loss)			
(1,275)	–		Impairment of ICI intangibles	(1,275)	–	
(205)	(43)		Restructuring costs	(275)	(172)	
(25)	–		Transformation costs	(190)	–	
–	–		Fair value adjustment of inventories	(54)	(60)	
(24)	(112)		Special benefits/(charges)	(43)	(91)	
(8)	(10)		Results on divestments	(23)	(13)	
(25)	(27)		Charges related to major legal, antitrust and environmental cases	(32)	(29)	
(1,562)	(192)		**Total**	**(1,892)**	(365)	

[1] Pro forma
[2] Not meaningful as operating income is a loss

Condensed consolidated balance sheet

IN € MILLIONS		DECEMBER 31	
	2008	2007 PF[1]	2007
Intangible assets	7,172	8,897	669
Property, plant and equipment	3,357	3,585	2,203
Deferred tax assets	890	943	630
Investments in associates and joint ventures	201	224	142
Other financial non-current assets	757	748	630
Total non-current assets	**12,377**	**14,397**	**4,274**
Inventories	1,781	1,799	1,177
Current tax assets	53	35	25
Trade and other receivables	2,924	3,108	2,139
Cash and cash equivalents	1,595	1,454	11,628
Assets held for sale	4	4,413	–
Total current assets	**6,357**	**10,809**	**14,969**
Total assets	**18,734**	25,206	19,243
Shareholders' equity	7,463	11,559	11,032
Minority interest	450	532	97
Total equity	**7,913**	**12,091**	**11,129**
Provisions	2,072	2,732	1,598
Deferred tax liabilities	715	1,017	133
Long-term borrowings	2,341	2,326	1,954
Total non-current liabilities	**5,128**	**6,075**	**3,685**
Short-term borrowings	1,338	2,038	1,635
Current tax liabilities	525	503	278
Trade and other payables	2,985	3,132	1,998
Current portion of provisions	845	786	518
Liabilities held for sale	–	581	–
Total current liabilities	**5,693**	**7,040**	**4,429**
Total equity and liabilities	**18,734**	25,206	19,243
Shareholders' equity per share (in €)	32.21	44.07	42.06
Number of shares outstanding (in millions)	231.7	262.3	262.3
Invested capital	13,424	15,480	5,197

[1] Pro forma

Highlights

- Invested capital at year-end included €7.2 billion goodwill and other intangibles, mainly from the ICI acquisition
- Bonds totaling €0.9 billion matured in Q4; we issued a €1 billion bond in December 2008, and a further €1 billion bond will mature in Q2, 2009.

Condensed consolidated statement of cash flows

IN € MILLIONS	FULL YEAR	
	2008	2007[1]
Profit for the period	(1,021)	9,361
Income from discontinued operations	(23)	(8,920)
Amortization and depreciation	462	355
Amortization/depreciation fair value adjustments	150	–
Inventory step-up	54	–
Impairment losses	1,430	11
Financing income and expenses	(35)	(92)
Results from associates and joint ventures	(25)	(30)
Pre-tax result on divestments	23	70
Income tax	(57)	60
Changes in working capital	(356)	84
Changes in provisions	(511)	(256)
Net cash from operating activities	**91**	**643**
Capital expenditures	(534)	(359)
Interest received	103	119
Associates and joint ventures	43	26
Acquisition of consolidated companies[2]	(10,187)	(159)
Currency swap for investing purposes	–	(349)
Proceeds from sale of interests[3]	3,586	171
Other changes	(40)	(292)
Net cash from investing activities	**(7,029)**	**(843)**
Changes from borrowings	(433)	422
Issue of shares	7	73
Buyback of shares	(1,437)	(1,600)
Termination of currency swap	–	68
Settlement of former ICI net investment hedges	(49)	–
Dividends[4]	(581)	(398)
Net cash from financing activities	**(2,493)**	**(1,435)**
Net cash used for continuing operations	**(9,431)**	(1,635)
Cash flows from discontinued operations	7	11,083
Net change in cash and cash equivalents of continued and discontinued operations	**(9,424)**	9,448
Cash and cash equivalents at January 1	11,067	1,631
Effect of exchange rate changes on cash and cash equivalents	(194)	(12)
Cash and cash equivalents at December 31, 2008	**1,449**	11,067

[1] Reclassified for comparative presentation
[2] Net of € 1.1 billion cash
[3] Net of cash
[4] Including dividends to ICI shareholders

Highlights

- Operating cash inflow of €91 million
- Changes in provisions of €115 million due to a pension settlement in Sweden and to additional payments to the pension funds in the UK of €245 million
- Proceeds from on-sale to Henkel were €3.6 billion after a pension settlement and before final settlement adjustments
- Cash and cash equivalents at December 31, 2008, include €1.6 billion assets and €0.2 billion overdrafts, classified as liabilities.

Changes in equity

IN € MILLIONS	SUBSCRIBED SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	CHANGE IN FAIR VALUE OF DERIVATIVES	CUMULATIVE TRANSLATION RESERVES	OTHER (STATUTORY) RESERVES AND UNDIS-TRIBUTED PROFIT	SHARE-HOLDERS' EQUITY	MINORITY INTERESTS	TOTAL EQUITY
Balance at January 1, 2007	574	1,841	(2)	30	1,701	4,144	119	4,263
Changes in fair value of derivatives	–	–	(508)	–	–	(508)	–	(508)
Changes in exchange rates in respect of foreign operations	–	–	–	(81)	–	(81)	(2)	(83)
Income/(expenses) directly recognized in equity	–	–	**(508)**	**(81)**	–	**(589)**	**(2)**	**(591)**
Profit for the period	–	–	–	–	9,330	9,330	31	9,361
Total income/(expenses)	–	–	**(508)**	**(81)**	**9,330**	**8,741**	**29**	**8,770**
Dividend paid	–	–	–	–	(364)	(364)	(34)	(398)
Equity-settled transactions	–	–	–	–	38	38	–	38
Issue of common shares	4	69	–	–	–	73	–	73
Buyback of shares	(53)	(1,547)	–	–	–	(1,600)	–	(1,600)
Changes in minority interest in subsidiaries	–	–	–	–	–	–	(17)	(17)
Balance at December 31, 2007	525	363	(510)	(51)	10,705	11,032	97	11,129
Changes in fair value of derivatives	–	–	(90)	–	–	(90)	–	(90)
Transfer to goodwill	–	–	551	–	–	551	–	551
Changes in exchange rates in respect of foreign operations	–	–	–	(1,079)	–	(1,079)	(85)	(1,164)
Income/(expenses) directly recognized in equity	–	–	**461**	**(1,079)**	–	**(618)**	**(85)**	**(703)**
Profit/(loss) for the period	–	–	–	–	(1,086)	(1,086)	65	(1,021)
Total income/(expenses)	–	–	**461**	**(1,079)**	**(1,086)**	**(1,704)**	**(20)**	**(1,724)**
Dividend paid	–	–	–	–	(458)	(458)	(44)	(502)
Equity-settled transactions	–	–	–	–	23	23	–	23
Issue of common shares	2	5	–	–	–	7	–	7
Buyback of shares	(64)	(368)	–	–	(1,005)	(1,437)	–	(1,437)
Acquisition and divestments	–	–	–	–	–	–	419	419
Changes in minority interest in subsidiaries	–	–	–	–	–	–	(2)	(2)
Balance at December 31, 2008	**463**	**–**	**(49)**	**(1,130)**	**8,179**	**7,463**	**450**	**7,913**

Notes to condensed financial statements

Invested capital

Invested capital at December 31, 2008, totaled €13.4 billion, €2.3 billion below previous year (on a pro forma basis). The impairment of ICI intangibles and weakened foreign currencies – mainly the pound sterling – caused this decrease. As at December 31, 2008, invested capital included the following amounts of goodwill and other intangibles per segment:

IN € MILLIONS	GOODWILL	OTHER INTANGIBLES
Decorative Paints	2,368	2,461
Performance Coatings	541	249
Specialty Chemicals	655	898
AkzoNobel	**3,564**	**3,608**

Impact of the ICI acquisition

The allocation of the purchase price of ICI to assets and liabilities was extended to include National Starch and was completed at year-end 2008. In total, we recognized an amount of €4.4 billion of goodwill at acquisition date, of which €1.2 billion has been impaired. The major intangibles recognized are acquired brands, the most significant being Dulux®. Several brands are expected to have an indefinite life. As a result, they will not be amortized but tested for impairment. Measuring ICI's assets and liabilities at fair value increased amortization and depreciation for the assets with definite useful lives by €150 million in 2008 (in 2007: €176 million on a pro forma basis).

Shareholders' equity

Shareholders' equity at year-end 2008 amounted to €7.5 billion. Foreign currencies affected equity by €1,079 million, mainly due to the loss of the pound sterling by 24 percent. A deferred loss of €551 million from hedging activities related to the ICI acquisition was transferred to goodwill. During 2008, shareholders received an amount of €1,895 million, consisting of a €1,437 million share buyback and €458 million dividend.

Share buyback program

In 2007, we embarked on share buyback programs totaling €4.6 billion. By the end of 2008, €3.0 billion had been completed, of which €1.4 billion during 2008. Given the unprecedented volatility in the credit markets and the wider global economic slowdown, we will not complete this share buyback program.

Pension funding status improved

The funded status of the pension plans at year-end 2008 was a deficit of €988 million, compared with €1,510 million (pro forma) at year-end 2007. The impact of lower returns on plan assets and the acquisition of ICI was more than offset by additional contributions (mainly in the UK) and the effect of increased discount rates. However, a non-cash increase in pension costs of approximately €115 million is to be expected in 2009, as we have to take into account lower returns on plan assets due to their decrease in value in 2008.

Cash and debt management

Cash from operating activities totaled €91 million (2007: €643 million). Cash from operating activities was mainly impacted by higher payments from provisions and increased working capital. Working capital expenditures mainly concerned the payment of other current liabilities included in the ICI acquisition balance sheet. The changes in provisions were caused by a pension settlement of €115 million in Sweden and €245 million in additional payments to the UK pension funds.

We used our 2007 cash balance (€11.6 billion) to acquire ICI. In 2008, we received an amount of €3.6 billion for the on-sale of certain former ICI businesses to Henkel and paid back €1.9 billion to shareholders. In Q4, 2008, bonds totaling €0.9 billion matured. We refinanced by means of a bond issue of €1 billion. This bond was placed in the market in December, maturing in five years, with an interest rate of 7.75 percent. Our balance sheet is strong, as the acquisition of ICI was financed by the proceeds from the Organon BioSciences divestment in 2007. In May 2009, bonds of an amount of €1 billion will mature. We expect to pay off with available cash, and if necessary with our revolving credit facilities or further refinancing in the capital markets. We are confident that we will complete our 2009 refining needs and remain committed to defending our A-minus credit rating.

To reduce our counterparty risk, our policy is that cash can only be placed at counterparties with a defensive long-term credit rating. Secondly, all new placed deposits have a duration appropriate to the present market circumstances.

Workforce

Our workforce at December 31, 2008 for continuing operations decreased to 60,040 employees (2007: 61,700), mainly due to restructurings and realized synergies from the ICI acquisition.

Amsterdam, February 23, 2009
The Board of Management

Additional information

Notes

The full year 2008 financial figures of AkzoNobel included in the primary statements in this report are derived from the financial statements 2008. These financial statements have been authorized for issue. The financial statements have not yet been published by law and still have to be adopted by the general meeting of shareholders. In accordance with section 2: 393 BW, KPMG Accountants N.V. has issued an unqualified auditors' opinion on these financial statements, which will be published on March 11, 2009. All quarterly and pro forma figures are unaudited.

Pro forma information

In addition to the figures as issued by AkzoNobel in 2007, this report presents pro forma comparatives for 2007. These reflect the AkzoNobel outcomes as if it acquired ICI at January 1, 2007, and include the effects of the purchase price allocation. The main impact of the purchase price allocation on the statement of income is higher amortization of intangibles, higher depreciation of property, plant and equipment, and higher cost of sales. The latter is due to the fair value of inventories recognized on acquisition date which results in higher cost of sales as inventories are sold, mainly in the first quarter. The pro forma information for the full year 2007, per quarter, and per business area was published on April 18, 2008 and can be found on our website www.akzonobel.com. The published pro forma outcomes were adjusted to reflect the integration of Specialty Polymers into Surface Chemistry and Functional Chemicals, and to present operating income on a comparative basis.

Restate of prior quarters

Former ICI's National Starch was intended for sale and presented as a discontinued operation during 2008. However, the intended sale did not take place in 2008 and, in accordance with IFRS, we have re-classified National Starch within continuing operations. As a consequence, the financial outcomes for Q1 – Q3, 2008 were restated and published on our website on February 12, 2009.

Glossary

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

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 operating income or EBIT as percentage of revenue and can refer to margins both before and after incidentals.

EBITDA is EBIT before depreciation and amortization and refers in this report to EBITDA before incidentals.

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

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.

Net interest-bearing borrowings are 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 charges.

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

Transformation costs are acquisition-related costs, 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 forecasted 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, a copy of which can be found on the company's corporate website www.akzonobel.com.

Dissolvine lights up the big screen

Moviegoers around the world are enjoying an enhanced cinematic experience thanks to AkzoNobel's Dissolvine® MP chelate, which was developed specifically for the motion picture industry.

Supplied by the company's Functional Chemicals business, Dissolvine® MP – which has just been endorsed by the influential Eastman Kodak Company – is an environmentally-friendly liquid chelate which improves efficiency, film texture and picture quality.

Essential for processing the prints which spool through cinema projectors, the product has already been used to process a number of blockbusters, including all prints of James Bond adventure Quantum of Solace released in Indian cinemas last November. Dissolvine® MP was also used to process all worldwide prints of multi-Oscar winning movie Slumdog Millionaire.

"Our Dissolvine® PDZ product is already widely used in film labs around the world – having been pioneered in India – but Dissolvine MP advances the technology even further and offers additional benefits for motion picture film bleaching," explained Rob Frohn, the AkzoNobel Board member responsible for Specialty Chemicals. "It's becoming increasingly popular because it contains no harmful by-products and the technology is far more environmentally-friendly than the conventional ferricyanide bleaching process."

He added that the recent endorsement by Kodak is a significant stamp of approval because it sends a clear signal to film labs around the world that they can have full confidence in switching to AkzoNobel's bleaching technology. Success in Hollywood, therefore, could just be a matter of time.

Dissolvine® is AkzoNobel's brand name for chelates, chemicals that control the concentration or effects of metal ions. Dissolvine® chelates and chelating agents are used in a wide range of applications, including household cleaning, water treatment, pulp and paper, photography, agriculture, oilfields and food fortification.

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

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

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

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

Financial calendar

Report 2008	March 11, 2009
Report for the 1st quarter 2009	April 23, 2009
Annual General Meeting 2009	April 27, 2009
Ex-dividend date of 2008 final dividend	April 29, 2009
Record date of 2008 final dividend	May 4, 2009
Payment date of 2008 final dividend	May 7, 2009
Report for the 2nd quarter 2009	July 29, 2009
Report for the 3rd quarter 2009	October 28, 2009
Report for the 4th quarter and the year 2009	February 18, 2010

AkzoNobel
Tomorrow's Answers Today

www.akzonobel.com

We're the largest global paints and coatings company and a major producer of specialty chemicals. We supply industries worldwide with quality ingredients for life's essentials. We think about the future, but act in the present. We're passionate about developing sustainable answers for our customers. Based in Amsterdam, the Netherlands, we have 60,000 employees working in more than 80 countries – all committed to excellence and delivering Tomorrow's Answers Today™.

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