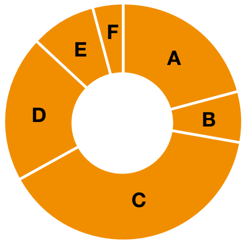
10 Half-yearly report 2010 and report for the 2nd quarter

AkzoNobel
Tomorrow's Answers Today

AkzoNobel around the world
Revenue by destination
(>35 percent in high growth markets)

		%
A	North America	21
B	Emerging Europe	7
C	Mature Europe	39
D	Asia Pacific	20
E	Latin America	9
F	Other regions	4
		100

(Based on the full year 2009)



Our results at a glance

- Revenue €3.9 billion (2009: €3.5 billion), up 13 percent (5 percent in constant currencies)
- EBITDA €614 million (2009: €506 million), up 21 percent (13 percent in constant currencies)
- EBITDA margin 15.7 percent (2009: 14.7 percent)
- One year rolling EBITDA margin: 14 percent
- Sale of National Starch to be completed in the second half of the year
- Cautiously optimistic in spite of continuing economic uncertainty

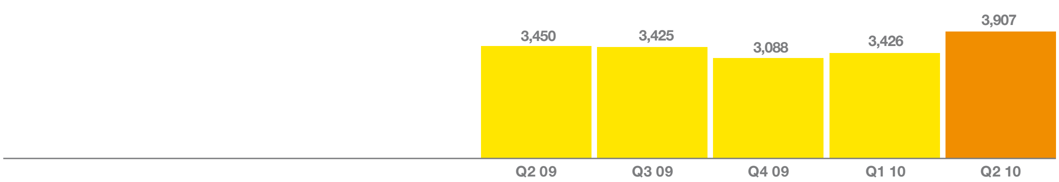
Financial highlights

2ND QUARTER			IN € MILLIONS	JANUARY - JUNE		
2010	2009[1]	Δ%		2010	2009[1]	Δ%
			Continuing operations before incidentals			
3,907	3,450	13	Revenue	7,153	6,515	10
614	506	21	EBITDA	1,013	795	27
15.7	14.7		EBITDA margin (in %)	14.2	12.2	
466	366	27	EBIT	724	516	40
11.9	10.6		EBIT margin (in %)	10.1	7.9	
			Moving average ROI (in %)	10.8	8.5	
			After incidentals			
455	311	46	Operating income	679	421	61
247	141		Net income from continuing operations	317	127	
26	14		Net income from discontinued operations	37	21	
273	155		Net income total operations	354	148	
1.06	0.61		Earnings per share from continuing operations (in €)	1.36	0.55	
1.17	0.67		Earnings per share from total operations (in €)	1.52	0.64	
130	127		Capital expenditures	227	223	
391	309		Net cash from operating activities	(134)	(8)	
			Interest coverage	3.4	2.2	
			Invested capital	13,285	12,641	
			Net debt	2,339	2,584	
			Number of employees	55,480	56,540	

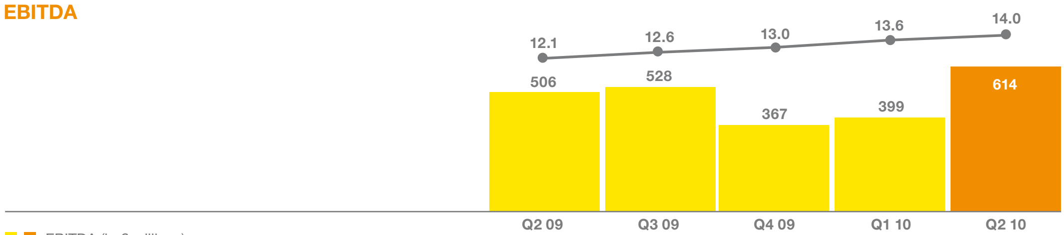
[1] Restated for comparative presentation.

Revenue

IN € MILLIONS



EBITDA



EBITDA (in € millions)

One year rolling EBITDA margin (in %)

Financial highlights

Revenue increased by 13 percent, driven by 8 percent higher volumes and an 8 percent favorable currency impact. EBITDA was 21 percent higher at €614 million (2009: €506 million). We have reached our 14 percent EBITDA margin target, achieving 15.7 percent (2009: 14.7 percent) in the second quarter, 14.2 percent year-to-date (2009: 12.2 percent) and 14.0 percent over the last 12 months.

Revenue

Across all business areas, revenue growth was strongest in the high growth markets.

- Decorative Paints revenue grew by 8 percent (helped by a favorable currency translation effect of 7 percent), although revenue development in the mature markets was weak, particularly in the trade sector.
- Revenue increased 19 percent in Performance Coatings (10 percent in constant currencies), with positive volume development in all businesses, being most evident in Powder, Industrial and Wood Coatings, and the higher growth markets.
- In Specialty Chemicals, stronger demand across all businesses continued through Q2, with volumes up 15 percent. Revenue increased by 14 percent, including a favorable currency translation effect of 7 percent.

Acquisitions and divestments

Revenue was impacted by the following acquisitions and divestments:

- As of June 1, we consolidated the former Dow Chemical Powder Coatings activities into our Performance Coatings business.
- In Q2 2009, 6 percent of Specialty Chemicals revenue was related to PTA Pakistan, which was divested in Q3 2009 and no longer contributes to revenue in 2010.

EBITDA

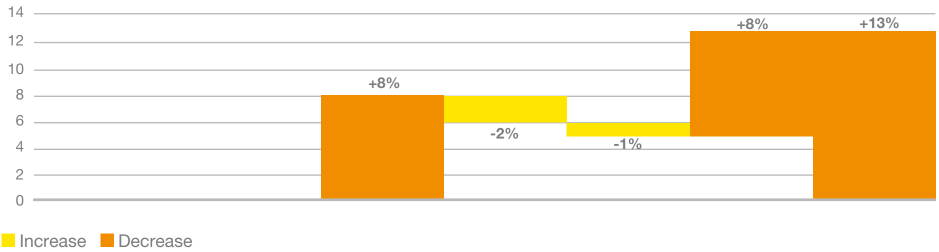
EBITDA amounted to €614 million, 21 percent above 2009, with the EBITDA margin at 15.7 percent (2009: 14.7 percent). The one year rolling EBITDA margin increased to 14.0 percent.

- During the course of the quarter, Decorative Paints experienced raw material shortages mainly in North America, which negatively impacted both our revenue and margins. In high growth markets, we continued to invest in our brands and distribution. Compared with the previous year, EBITDA improved 20 percent to €205 million (in constant currencies: 13 percent). The EBITDA margin was 14.6 percent (2009: 13.2 percent).
- In Performance Coatings, EBITDA of €191 million was 15 percent higher (in constant currencies: 5 percent).

Revenue

2ND QUARTER			IN € MILLIONS	JANUARY - JUNE		
2010	2009	Δ%		2010	2009	Δ%
1,401	1,292	8	Decorative Paints	2,457	2,280	8
1,260	1,061	19	Performance Coatings	2,309	2,047	13
1,258	1,103	14	Specialty Chemicals	2,412	2,195	10
(12)	(6)		Other activities/eliminations	(25)	(7)	
3,907	3,450	13	**Total**	**7,153**	6,515	10

Revenue development Q2 2010



IN % VERSUS Q2, 2009	VOLUME	PRICE	ACQUISITIONS/ DIVESTMENTS	EXCHANGE RATES	TOTAL
Decorative Paints	1	–	–	7	8
Performance Coatings	12	(3)	1	9	19
Specialty Chemicals	15	(2)	(6)	7	14
Total	**8**	**(2)**	**(1)**	**8**	**13**

VOLUME DEVELOPMENT PER QUARTER	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10
Decorative Paints	(10)	(9)	–	5	1
Performance Coatings	(19)	(11)	(2)	8	12
Specialty Chemicals	(18)	(6)	4	15	15
Total	**(16)**	**(8)**	**1**	**10**	**8**

PRICE DEVELOPMENT PER QUARTER	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10
Decorative Paints	4	4	(1)	(1)	–
Performance Coatings	5	5	(3)	(3)	(3)
Specialty Chemicals	5	(5)	(9)	(6)	(2)
Total	**5**	**(1)**	**(5)**	**(4)**	**(2)**

Financial highlights

The EBITDA margin was 15.2 percent (2009: 15.6 percent), due to the impact of higher raw material prices. Last year's restructuring efforts continue to support performance.

- The margins in Specialty Chemicals held firm under increasing pressure in the market, with operating costs well under control. EBITDA was €257 million, 28 percent above last year (in constant currencies: 20 percent). The EBITDA margin improved to 20.4 percent (2009: 18.2 percent).

Raw materials

In the quarter, we experienced shortages and price increases of raw materials and packaging materials in several of our businesses. In some areas this has negatively impacted revenues and margins. Shortages were particularly evident in the North American market. We have effective margin management programs in place and make use of key supplier agreements and our relative size.

EBIT in "other"

Corporate costs on a year-to-date basis are 10 percent below the previous year.

The result from our captive insurance companies was negative in the quarter, mainly due to product liability and business interruption claims. Other costs on a year-to-date basis were higher due to higher share-based compensation and some company projects.

Incidental items included in operating income

Restructuring activities at Decorative Paints are ongoing in Europe. In Performance Coatings, we have taken a first charge for closing a Powder Coatings site in Germany.

EBITDA

2nd quarter			in € millions	January - June		
2010	2009	Δ%		2010	2009	Δ%
205	171	20	Decorative Paints	287	219	31
191	166	15	Performance Coatings	334	271	23
257	201	28	Specialty Chemicals	464	352	32
(39)	(32)		Other activities/eliminations	(72)	(47)	
614	506	21	**Total**	**1,013**	795	27

Incidentals included in operating income

2nd quarter		in € millions	January - June	
2010	2009		2010	2009
(21)	(71)	Restructuring costs	(38)	(118)
8	7	Results related to major legal, antitrust and environmental cases	(1)	13
1	3	Results on acquisitions and divestments	2	12
1	6	Other incidental results	(8)	(2)
(11)	(55)	**Incidentals included in operating income**	**(45)**	(95)

EBIT in "other"

2nd quarter		in € millions	January - June	
2010	2009		2010	2009
(23)	(24)	Corporate costs	(43)	(51)
–	7	Pensions	2	15
(6)	(5)	Insurances	(4)	4
(13)	(14)	Other	(35)	(24)
(42)	(36)	**EBIT in "other"**	**(80)**	**(56)**

Interest

Net financing charges increased by €28 million to €113 million, due to:

- Financing expenses on pensions which decreased by €19 million to €26 million (2009: €45 million) mainly due to higher returns on plan assets
- Higher interest charges of €22 million on long-term debt
- Higher interest charges on provisions of €20 million to €29 million (2009: €9 million), due to lower discount rates.

For further detail on financing charges, please refer to page 12.

Tax

The year-to-date tax rate is 26 percent (2009: 32 percent). The tax rate is lower because of several adjustments in previous years, partly related to settlements with several tax authorities. These decreasing factors were partly offset by the impact of a law change in the US regarding deductibility of healthcare-related costs and non-deductible costs related to a devaluation loss in Venezuela. Excluding these and other incidental items, the year-to-date tax rate would have been 28 percent.

Decorative Paints

- Revenue up 8 percent, with volumes up 1 percent
- EBITDA at €205 million, up 20 percent
- EBITDA margin 14.6 percent (2009: 13.2 percent)
- Strong revenue growth and increased investment in brands and distribution in high growth markets
- Soft demand in the mature markets, particularly in trade
- Mature markets: improved results due to restructuring

The strong performance in the first quarter for Decorative Paints continued in the second quarter. EBITDA improved 20 percent to €205 million (in constant currencies: 13 percent). The strong EBITDA improvement is the result of revenue growth in the emerging markets, the realization of the ICI integration synergies, the implementation of additional restructuring projects and a global focus on margin management. Revenue development was in line with expectation and in line with investment priorities. Revenue grew by 8 percent (in constant currencies by 1 percent) with strong growth in Asia (38 percent) and negative growth in the US and large parts of Continental Europe.

The growth in the emerging market is a result of increased investment in our people, brands and distribution footprints. Total spend on advertising increased to 7 percent of revenue (2009: 5 percent).

Raw material shortages are experienced particular in North America during the quarter, which negatively impacted revenue and margins. While the global raw and packaging materials situation continues to be tight, we believe that our global scale and presence will be a competitive advantage in securing supply.

Europe

In Europe, revenue excluding currency effects was flat. The trend was mixed with Russia and Turkey experiencing strong growth, while there was moderate growth in the UK and other countries were stable to declining on weak demand. In the UK, sales improved both in Retail and Trade due to share gains and better distribution channels. With weak demand expected to continue, restructuring programs are ongoing with the the lower costs offsetting the soft demand. In France, production has stopped at our Grand Quevilly site and we are now focusing on one site at Montataire. In Spain, a new factory became operational. We also announced the closure of our Swiss production site in Wallisellen, planned for Q1 2011. These changes represent a further streamlining of production capacity in Europe which should lead to savings in the supply chain area.

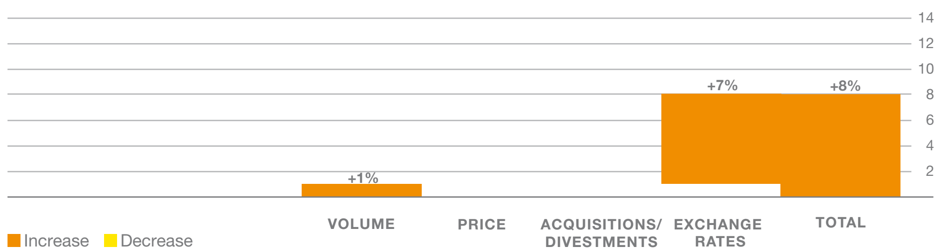
Americas

In the US, revenues were lower. The trade segment, linked to reduced building and construction activity, remained weak. Retail sales were down modestly due to continuing soft consumer spending and a slow housing market. As part of our overall strategy to protect and build the value of the business, we continued to invest in the Glidden brand resulting in a healthy sales increase and share expansion of the Glidden brand in the retail segment. The Glidden Gets You Going campaign won a top US marketing award in Q2.

Revenue in Canada benefited from favorable currency translation and a recovering economy. Raw material costs were lower due to the stronger Canadian dollar against the US dollar. We continued to open new stores in Canada (six so far this year) in order to further strengthen our stores network from the Atlantic to the Pacific.

Latin America experienced strong revenue growth across all countries. During Q2, we accelerated the program “Tudo de Cor Minha Casa” (I want colors for my house) reaching in excess of 300 projects. The program stimulates consumers to enter into a neighborhood-based contest to win a free painting of the front of their house.

Revenue development Q2 2010



Decorative Paints

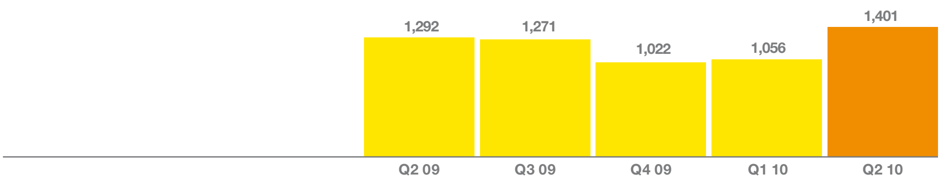
Asia

Growth in Asia remained significant, where revenue increased 38 percent compared with Q2 2009, with all countries contributing. We continued to invest in our brands and distribution in all key markets. In China, we continued to expand our Dulux stores network with point of sale tinting and launched Dulux Guardian Odorless Washability. In South East Asia, we further invested in advertising and promotion to accelerate growth and win market share. In Indonesia, we launched an initiative aimed at preserving the splendor of iconic buildings. The first structure to be painted under this scheme was the Balai Permuda in Surabaya. Growth in India also accelerated during the quarter, where Dulux Super Smooth and improved Velvet touch were successfully launched.

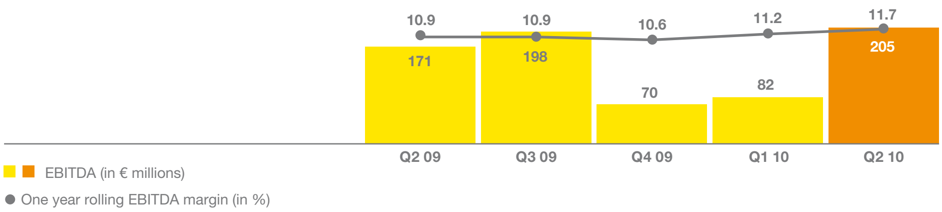
2nd quarter			In € millions	January - June		
2010	2009[1]	Δ%		2010	2009[1]	Δ%
			Revenue			
762	739	3	Decorative Paints Europe	1,322	1,283	3
419	393	7	Decorative Paints Americas	758	716	6
220	160	38	Decorative Paints Asia	379	282	34
–	–		Other/intragroup eliminations	(2)	(1)	
1,401	1,292	8	**Total**	**2,457**	2,280	8
			Before incidentals			
205	171	20	EBITDA	287	219	31
14.6	13.2		EBITDA margin (in %)	11.7	9.6	
153	124	23	EBIT	187	125	50
10.9	9.6		EBIT margin (in %)	7.6	5.5	
			Moving average ROI (in %)	5.6	5.0	
			After incidentals			
146	90		Operating income	165	75	
40	28		Capital expenditures	63	46	
			Invested capital	6,821	6,499	
			Number of employees	21,840	23,360	

[1] Restated.

Revenue
IN € MILLIONS



EBITDA



Performance Coatings

- Revenue up 19 percent, with volumes up 12 percent
- EBITDA at €191 million, up 15 percent
- EBITDA margin at 15.2 percent (2009: 15.6 percent)
- Broad demand improvement in all industrial businesses
- Powder Coatings started integration of acquired activities

Performance Coatings had another strong quarter, with revenue up 19 percent (10 percent in constant currencies). The negative price effect of 3 percent is mainly caused by a change in the mix of products sold. After a strong Q1, stronger demand continued throughout Q2, with increased volumes most evident in the Powder, Industrial and Wood Finishes segments and in the high growth markets. Marine and Protective Coatings revenue was down 2 percent in constant currencies, due to continued weakness in the late-cycle marine maintenance market and the construction-related protective coatings markets. The restructuring efforts of last year continued to support performance. On June 30, production ceased at the Fombio site in Italy, where multiple businesses were located. EBITDA of €191 million was 15 percent higher than in 2009 (in constant currencies: 5 percent), while the EBITDA margin was 15.2 percent. In all businesses, increased raw material prices affected margins. Margin management programs are in place to mitigate the effects. The improvement in operating working capital performance also continued.

Marine and Protective Coatings

Activity levels were stronger during the second quarter, with volume levels up compared with 2009. Revenue increased 8 percent, including a 10 percent favorable currency translation impact. The new construction market in Marine in particular exceeded the expected volume levels – China proved especially strong – while the deep sea maintenance business continued to be slow. Activities also remained sluggish in the primarily construction-related protective coatings markets, excluding oil and gas. Yacht had a good second quarter, with volumes significantly ahead of the previous year, partly driven by strong activity in the European superyacht sector. The US market conditions improved over the very poor Q2 of 2009. The successful European launch by the Awlgrip business of Awlcraft SE, a high performance, metallic finish system, is now being followed up by a launch into the North American yacht market.

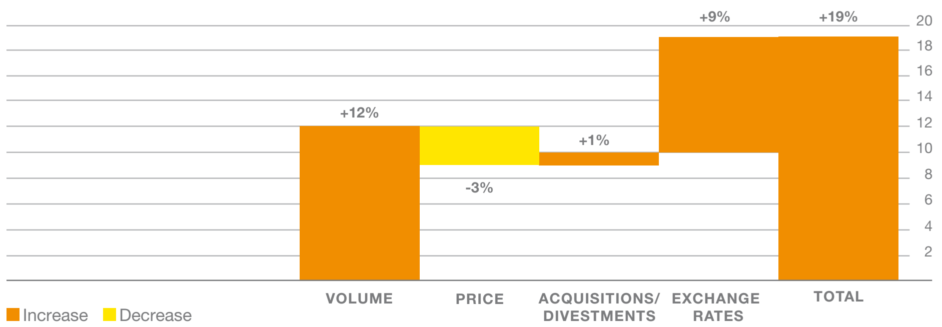
Wood Finishes and Adhesives

Revenue increased 24 percent over the previous year. This was mainly due to a positive currency effect coupled with increased demand across all market segments. Asia reflected the strongest volume growth in the quarter driven largely from the US furniture markets and growth of the China domestic business. While the rebound of our markets is underway we remain below pre-recessionary volume levels. The recovery of the housing markets in most regions is still lagging. In Europe the recovery is mixed within markets and varies by country, with Turkey rebounding the quickest. The Americas show slow steady improvement in volumes. The Adhesives and Board Resins business was less impacted from the economic recession as volume has continued to run ahead of previous year. The restructuring and cost reduction initiatives implemented in previous years have resulted in a lower structural cost base for our business. In Vietnam the construction of a new manufacturing facility is underway to further support our growth in the region.

Car Refinishes

There was clear improvement over 2009, with revenue increasing 16 percent, mainly due to higher volumes in Commercial Vehicles and Automotive Plastics Coatings. The Vehicle Refinish activities in China, India and South America showed strong growth over the previous year, while market conditions remained stable in Western Europe and North America. Aerospace saw increased activities across its regions. A continued focus on cost reduction is paying off. During the quarter, Car Refinishes received global approval from Geely Motors in China as a refinishing supplier and partner for its repair activities around the world.

Revenue development Q2 2010



Performance Coatings

Powder Coatings

Total revenue was up 38 percent, including an 8 percent favorable currency translation impact and a 12 percent impact from the acquired Powder Coatings activities as of June 1, 2010. High growth markets, both in Eastern Europe and Asia, continued to show an impressive growth rate. The mature markets showed growth over the previous year, although at a lower rate. All Powder segments showed improvement over Q2 in 2009, especially Functional, with strong market demand in China. In June, as part of the powder business integration process, we announced the closure of our manufacturing site in Bensheim, Germany. Fully powder coated small commercial vehicles are now available in India from Tata Motors.

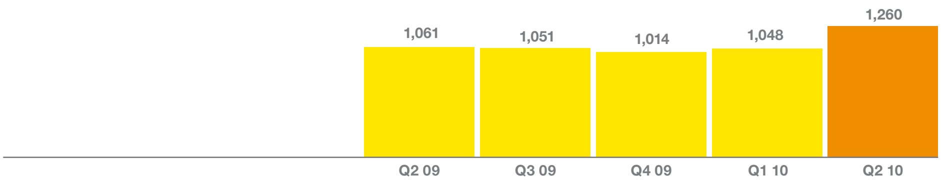
Industrial Coatings

Revenue increased by 26 percent due to a volume increase and favorable currencies (9 percent). The Coil business has shown the largest increase in its business activities, mainly stemming from Asia and Europe and the Russian Petrokom acquisition. The less cyclical Packaging Coatings business showed a more modest increase in its volume and revenue, with a stable beverage and food-related business, although Latin America showed higher demand. Specialty Plastics continued to see decreasing volumes and revenue in its business segments in Asia, more than offset by increases in the automotive segment in Europe and the Americas.

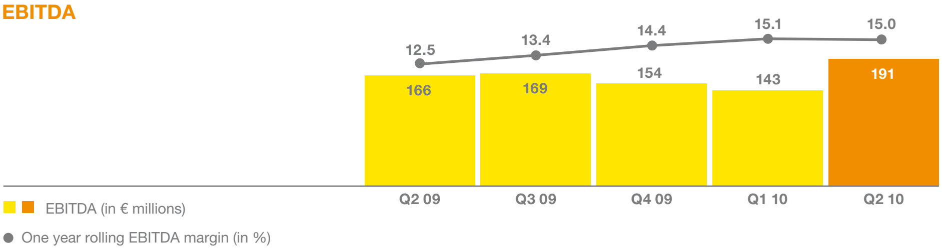
2ND QUARTER			IN € MILLIONS	JANUARY - JUNE		
2010	2009[1]	Δ%		2010	2009[1]	Δ%
			Revenue			
364	338	8	Marine and Protective Coatings	662	655	1
212	171	24	Wood Finishes and Adhesives	390	334	17
260	225	16	Car Refinishes	487	435	12
196	142	38	Powder Coatings	352	275	28
232	184	26	Industrial Coatings	425	344	24
(4)	1		Other/intragroup eliminations	(7)	4	
1,260	1,061	19	**Total**	**2,309**	2,047	13
			Before incidentals			
191	166	15	EBITDA	334	271	23
15.2	15.6		EBITDA margin (in %)	14.5	13.2	
163	140	16	EBIT	281	220	28
12.9	13.2		EBIT margin (in %)	12.2	10.7	
			Moving average ROI	28.8	21.7	
			After incidentals			
153	119		Operating income	254	194	
17	14		Capital expenditures	30	25	
			Invested capital	2,077	1,934	
			Number of employees	20,850	20,030	

[1] Restated.

Revenue
IN € MILLIONS



EBITDA



Specialty Chemicals

- Revenue increased 14 percent, with volumes up 15 percent
- Broad demand improvement and favorable currency effects (7 percent) drive top line
- EBITDA at €257 million, up 28 percent
- EBITDA margin 20.4 percent (2009: 18.2 percent)
- All units contribute to strong results, particularly Functional Chemicals and Surface Chemistry
- Sale of National Starch to be completed in the second half of the year

The improvement in fundamental demand which emerged in late 2009 has continued through the second quarter. Revenue increased 14 percent including a positive currency effect of 7 percent and a negative divestment effect of 6 percent (PTA Pakistan). The favorable business development was visible in all businesses as demand recovery continued in the mature markets and strong growth returned in the higher growth economies. Our contribution margin was slightly below the 2009 level reflecting increased price and raw material cost pressure in the market. However, the volume driven incremental contribution margin was largely delivered to the bottom line as operating costs are under control. As a result, EBITDA was €257 million, 28 percent above last year. The EBITDA margin improved to 20.4 percent, up 2.2 percentage points from the previous year (2009: 18.2 percent).

Functional Chemicals

Performance in our Functional Chemicals business remains strong. As a result of successful growth platforms (Chelates and High Polymers), improved demand in our seasonal businesses (Elotex, Micronutrients, and Cellulosic Specialties) and a broad overall improvement in demand, volume increased 17 percent in the quarter. Revenue increased 23 percent fueled by volume, favorable currency effects and stable average pricing across the businesses. Effective margin management and cost savings have also contributed to the improved bottom line performance. The synergies from the merger of the former Polymer Chemical activities are materializing. In addition, the construction and start-up of the Ningbo expansion project in China is in the completion phase.

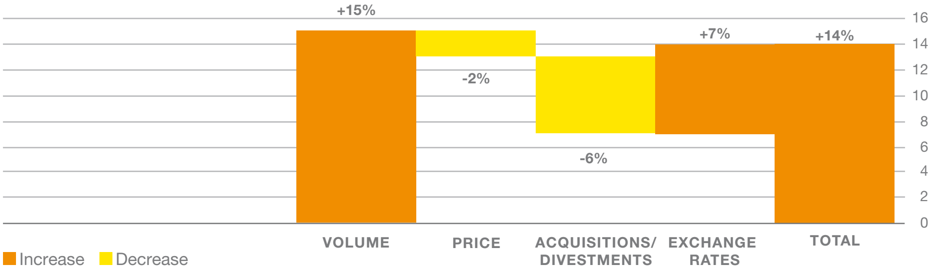
Industrial Chemicals

Our Industrial Chemicals business delivered solid performance in the quarter, slightly ahead of the previous year. Volume improved 10 percent as chlorine, caustic, chlorine derivatives, and salt all showed a healthy increase in demand. Overall average pricing and margins were on a level comparable with 2009. In addition, continued attention to cost control contributed to the performance improvement.

Surface Chemistry

The results in our Surface Chemistry business were well above the 2009 level. Volume increased 22 percent with improvement experienced in all regions and all market segments. The increase in demand was the strongest in the Americas and Personal Care although Asia and Europe also recorded double-digit volume gains. Accordingly revenue increased 36 percent as a result of the volume improvement, a 13 percent favorable currency impact, and stable pricing.

Revenue development Q2 2010



Specialty Chemicals

Pulp and Paper Chemicals

The Pulp and Paper Chemicals business delivered improved performance in the quarter as a result of stronger demand and favorable currency effects. Volume rose 19 percent as demand in South America, Asia, and North America significantly improved relative to 2009. The bleaching chemicals and specialty product segments were particularly strong globally. The paper chemicals business also experienced improved volume during the quarter led by the strong demand in Asia. Volume improvement, favorable currency impact, and cost reductions, more than offset the effect of the decline in average prices.

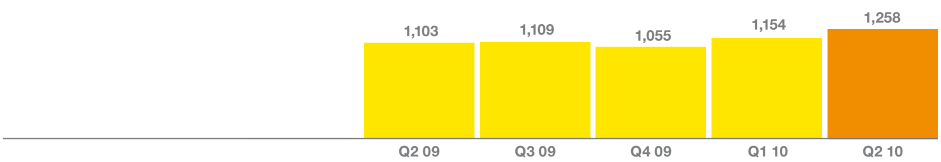
Chemicals Pakistan

Adjusting for the PTA divestment, our Chemicals Pakistan business delivered improved performance as well. While business conditions remain difficult, all businesses showed growth over last year with strong volumes in our Soda Ash and Polyester businesses. Margin improvements and cost containment actions partially offset persistent inflationary pressure and supported the improved bottom-line results.

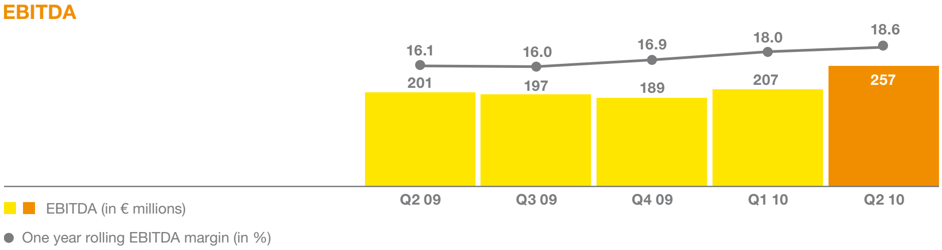
2nd quarter			In € millions	January - June		
2010	2009[1]	Δ%		2010	2009[1]	Δ%
			Revenue			
469	380	23	Functional Chemicals	888	734	21
256	230	11	Industrial Chemicals	512	474	8
226	166	36	Surface Chemistry	428	342	25
261	228	14	Pulp and Paper Chemicals	502	456	10
82	126	(35)	Chemicals Pakistan	150	243	(38)
(36)	(27)		Other/intragroup eliminations	(68)	(54)	
1,258	1,103	14	**Total**	**2,412**	2,195	10
			Before incidentals			
257	201	28	EBITDA	464	352	32
20.4	18.2		EBITDA margin (in %)	19.2	16.0	
192	138	39	EBIT	336	227	48
15.3	12.5		EBIT margin (in %)	13.9	10.3	
			Moving average ROI (in %)	18.4	14.7	
			After incidentals			
195	136		Operating income	321	207	
71	78		Capital expenditures	128	140	
			Invested capital	3,547	3,162	
			Number of employees	11,200	11,290	

[1] Restated.

Revenue
IN € MILLIONS



EBITDA



Condensed financial statements

Consolidated statement of income

2nd quarter 2010	2nd quarter 2009[1]	In € millions	January - June 2010	January - June 2009[1]
		Continuing operations		
3,907	3,450	Revenue	7,153	6,515
(2,254)	(2,027)	Cost of sales	(4,165)	(3,902)
1,653	**1,423**	**Gross profit**	**2,988**	**2,613**
(859)	(789)	Selling expenses	(1,631)	(1,522)
(259)	(261)	General and administrative expenses	(514)	(530)
(85)	(86)	Research and development expenses	(162)	(163)
5	24	Other operating income/(expenses)	(2)	23
455	**311**	**Operating income**	**679**	**421**
(113)	(85)	Net financing expenses	(201)	(190)
7	6	Results from associates and joint ventures	12	10
349	**232**	**Profit before tax**	**490**	**241**
(76)	(71)	Income tax	(129)	(76)
273	**161**	**Profit for the period from continuing operations**	**361**	**165**
		Discontinued operations		
26	14	Profit for the period from discontinued operations	37	21
299	175	**Profit for the period**	**398**	186
		Attributable to:		
273	155	- Shareholders of the company	354	148
26	20	- Minority interests	44	38
299	175	**Profit for the period**	**398**	186
		Earnings per share from continuing operations (in €):		
1.06	0.61	- Basic	1.36	0.55
1.05	0.60	- Diluted	1.35	0.54
		Earnings per share from discontinued operations (in €):		
0.11	0.06	- Basic	0.16	0.09
0.11	0.06	- Diluted	0.16	0.09
		Earnings per share from total operations (in €):		
1.17	0.67	- Basic	1.52	0.64
1.16	0.66	- Diluted	1.51	0.63

[1] Restated for comparative presentation.

Reconciliation net financing expense

2nd quarter 2010	2nd quarter 2009	In € millions	January - June 2010	January - June 2009
12	15	Financing income	24	25
(72)	(50)	Financing expenses	(139)	(111)
(60)	**(35)**	**Net interest on net debt**	**(115)**	**(86)**
		Other interest movements:		
(26)	(45)	- Financing expenses related to pensions	(51)	(90)
(29)	(9)	- Interest on provisions	(37)	(18)
2	4	- Other items	2	4
(53)	**(50)**	**Net other financing charges**	**(86)**	**(104)**
(113)	(85)	**Net financing expenses**	**(201)**	(190)

Information on segments and incidentals

2nd quarter 2010	2nd quarter 2009	Δ%	In € millions	January - June 2010	January - June 2009	Δ%
			Revenue			
1,401	1,292	8	Decorative Paints	2,457	2,280	8
1,260	1,061	19	Performance Coatings	2,309	2,047	13
1,258	1,103	14	Specialty Chemicals	2,412	2,195	10
(12)	(6)		Other activities/eliminations	(25)	(7)	
3,907	**3,450**	13	**Total**	**7,153**	6,515	10
			EBITDA			
205	171	20	Decorative Paints	287	219	31
191	166	15	Performance Coatings	334	271	23
257	201	28	Specialty Chemicals	464	352	32
(39)	(32)		Other activities/eliminations	(72)	(47)	
614	506	21	**Total**	**1,013**	795	27
15.7	14.7		**EBITDA margin (in %)**	**14.2**	12.2	
			EBIT			
153	124	23	Decorative Paints	187	125	50
163	140	16	Performance Coatings	281	220	28
192	138	39	Specialty Chemicals	336	227	48
(42)	(36)		Other activities/eliminations	(80)	(56)	
466	366	27	**Total**	**724**	516	40
11.9	10.6		**EBIT margin (in %)**	**10.1**	7.9	
			Operating income			
146	90	62	Decorative Paints	165	75	120
153	119	29	Performance Coatings	254	194	31
195	136	43	Specialty Chemicals	321	207	55
(39)	(34)		Other activities/eliminations	(61)	(55)	
455	311	46	**Total**	**679**	421	61
			Incidentals included in operating income			
(21)	(71)		Restructuring costs	(38)	(118)	
8	7		Results related to major legal, antitrust and environmental cases	(1)	13	
1	3		Results on acquisitions and divestments	2	12	
1	6		Other incidental results	(8)	(2)	
(11)	(55)		**Total**	**(45)**	(95)	
			Incidentals per line item			
(20)	(20)		Cost of sales	(36)	(35)	
(3)	(21)		Selling expenses	(8)	(27)	
1	(24)		General and administrative expenses	(6)	(37)	
11	10		Other operating income/(expenses)	5	4	
(11)	(55)		**Total**	**(45)**	(95)	

Consolidated statement of comprehensive income

2nd quarter 2010	2nd quarter 2009	In € millions	January - June 2010	January - June 2009
299	175	**Profit for the period**	**398**	186
		Other comprehensive income		
642	84	Exchange differences arising on translation of foreign operations	1,078	352
10	26	Cash flow hedges	1	35
(3)	(10)	Income tax relating to components of other comprehensive income	(1)	(13)
649	**100**	**Other comprehensive income for the period (net of tax)**	**1,078**	**374**
948	275	**Comprehensive income for the period**	**1,476**	560
		Comprehensive income attributable to:		
900	261	Shareholders of the company	1,389	524
48	14	Minority interests	87	36
948	275	**Comprehensive income for the period**	**1,476**	560

Changes in equity

In € millions	Subscribed share capital	Additional paid-in capital	Cashflow hedge reserve	Revaluation reserves	Cumulative translation reserves	Other (statutory) reserves and undistributed profit	Shareholders' equity	Minority interests	Total equity
Balance at January 1, 2009	463	–	(49)	–	(1,130)	8,179	7,463	450	7,913
Profit for the period	–	–	–	–	–	148	148	38	186
Other comprehensive income	–	–	22	–	354	–	376	(2)	374
Comprehensive income for the period	–	–	22	–	354	148	524	36	560
Dividend paid	–	–	–	–	–	(325)	(325)	(28)	(353)
Equity-settled transactions	–	–	–	–	–	11	11	–	11
Issue of common shares	1	–	–	–	–	(1)	–	–	–
Acquisitions and divestments	–	–	–	–	–	–	–	8	8
Balance at June 30, 2009	464	–	(27)	–	(776)	8,012	7,673	466	8,139
Balance at January 1, 2010	**465**	**2**	**(6)**	**7**	**(777)**	**8,084**	**7,775**	**470**	**8,245**
Profit for the period	–	–	–	–	–	354	354	44	398
Other comprehensive income	–	–	–	–	1,035	–	1,035	43	1,078
Comprehensive income for the period	**–**	**–**	**–**	**–**	**1,035**	**354**	**1,389**	**87**	**1,476**
Dividend paid	–	–	–	–	–	(244)	(244)	(38)	(282)
Equity-settled transactions	–	–	–	–	–	13	13	–	13
Issue of common shares	2	1	–	–	–	–	3	–	3
Acquisitions and divestments	–	–	–	–	–	(7)	(7)	(4)	(11)
Balance at June 30, 2010	**467**	**3**	**(6)**	**7**	**258**	**8,200**	**8,929**	**515**	**9,444**

Condensed consolidated balance sheet

IN € MILLIONS	JUNE 30 2010	DECEMBER 31 2009
Intangible assets	7,498	7,388
Property, plant and equipment	3,423	3,474
Other financial non-current assets	2,106	1,783
Total non-current assets	**13,027**	**12,645**
Inventories	1,639	1,441
Trade and other receivables	3,180	2,564
Cash and cash equivalents	1,686	2,128
Other current assets	162	102
Assets held for sale	1,347	–
Total current assets	**8,014**	**6,235**
Total assets	**21,041**	18,880
Shareholders' equity	8,929	7,775
Minority interest	515	470
Total equity	**9,444**	**8,245**
Provisions and deferred tax liabilities	2,477	2,593
Long-term borrowings	3,577	3,488
Total non-current liabilities	**6,054**	**6,081**
Short-term borrowings	448	384
Trade and other payables	3,332	2,866
Other short-term liabilities	1,373	1,304
Liabilities held for sale	390	–
Total current liabilities	**5,543**	**4,554**
Total equity and liabilities	**21,041**	18,880
Shareholders' equity per share (in €)	38.26	33.48
Number of shares outstanding (in millions)	233.4	232.3
Invested capital	13,285	11,732[1]

[1] Restated for comparative presentation.

Basis for dividend pay-out

IN € MILLIONS	JANUARY - JUNE 2010	2009
Net income attributable to shareholders	354	148
Add back: impact of incidentals and discontinued operations net of tax	21	32
Add back: impact of amortization and depreciation of ICI assets net of tax	50	55
Basis for dividend pay-out	**425**	235

Shareholders' equity

Shareholders' equity as at June 30, 2010 increased to €8.9 billion, due to:

- Net income of €354 million.
- Increased cumulative translation reserves by €1,035 million due to the weakening euro.
- Payment of the final 2009 dividend of €244 million.

Pensions

The funded status of the pension plans at June 30, 2010, was estimated to be a deficit of €1.8 billion (year-end 2009: €1.9 billion). The movement is due to lower discount rates increasing the pension obligation, compensated by:

- Increased asset values.
- Lower inflation expectations.
- Top-up payments into certain defined benefit pension plans.

Workforce

At the end of Q2, 2010, we employed 55,480 staff for ongoing activities (year-end 2009: 54,740 employees). The net increase was due to:

- A net increase of 660 due to acquisitions and divestments.
- A seasonal increase of 430.
- A decrease of 900 due to ongoing restructuring.
- An increase of 550 due to new hires and other changes.

Invested capital

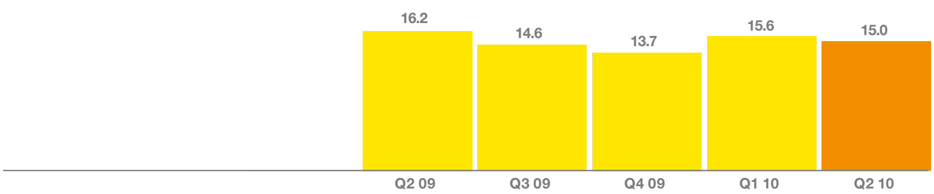
IN € MILLIONS	JUNE 30 2010	DECEMBER 31 2009	JUNE 30 2009
Trade receivables	2,477	1,762	2,164
Inventories	1,639	1,314	1,444
Trade payables	(1,770)	(1,385)	(1,370)
Operating working capital in business areas	**2,346**	1,691	**2,238**
Other working capital items	(1,262)	(956)	(707)
Non-current assets	13,027	12,645	12,907
Deferred tax liabilities	(644)	(574)	(631)
Less investments in associates and joint ventures	(182)	(176)	(172)
Discontinued operations	–	(898)	(994)
Invested capital	**13,285**	11,732	12,641

Invested capital

Invested capital at June 30, 2010, totaled €13.3 billion, €1.6 billion higher than year-end 2009. Invested capital was impacted by the following items:

- Foreign currency effects on intangibles and property, plant and equipment, due to the weakening euro.
- An increase of €251 million of long-term receivables related to pension funds in an asset position.
- An increase of operating working capital of €655 million due the seasonality of some of our activities. Expressed as a percentage of revenue, operating working capital was 15.0 percent (year-end 2009: 13.7 percent; Q2, 2009: 16.2 percent).
- Payments of accrued interest of €159 million, being the first payment under bonds refinanced in late 2008 and the first half of 2009. The normalized cash outflow for these bonds is €148 million.

Operating working capital
IN % OF REVENUE



Operating working capital

IN € MILLIONS	JUNE 30 2010	DECEMBER 31 2009	JUNE 30 2009
Decorative Paints	796	532	852
Performance Coatings	838	594	727
Specialty Chemicals	712	565	659
Total	**2,346**	1,691	2,238

Condensed consolidated statement of cash flows

2nd quarter 2010	2nd quarter 2009[1]	In € millions	January - June 2010	January - June 2009[1]
1,348	1,871	**Cash and cash equivalents opening balance**	**1,919**	1,449
273	161	Profit for the period from continuing operations	361	165
157	144	Amortization, depreciation and impairments	298	290
2	62	Changes in working capital	(287)	(132)
(137)	(25)	Changes in provisions	(503)	(325)
96	(33)	Other changes	(3)	(6)
391	309	**Net cash from operating activities**	**(134)**	(8)
(130)	(127)	Capital expenditures	(227)	(223)
(35)	(12)	Acquisitions and divestments[2]	(27)	(49)
1	21	Other changes	4	32
(164)	(118)	**Net cash from investing activities**	**(250)**	(240)
76	(591)	Changes from borrowings	51	182
(274)	(351)	Dividends	(282)	(353)
2	–	Other changes	3	1
(196)	(942)	**Net cash from financing activities**	**(228)**	(170)
31	(751)	**Net cash used for continuing operations**	**(612)**	(418)
1	5	Cash flows from discontinued operations	1	62
32	(746)	**Net change in cash and cash equivalents of total operations**	**(611)**	(356)
92	15	Effect of exchange rate changes on cash and cash equivalents	164	47
1,472	1,140	**Cash and cash equivalents at June 30**	**1,472**	1,140

[1] Reclassified for comparative presentation.
[2] Net of cash.

Cash and debt management

Operating activities in Q2 resulted in a cash inflow of €391 million (2009: €309 million). The change compared with 2009 is mainly due to higher operating results, offset by higher cash out from provisions for pensions and restructuring.

Changes from acquisitions and divestment include acquisitions for €112 million, mainly the acquired Powder Coatings activities and a decrease mainly due to receipt of €67 million related to the sale of the San Adria site in 2007.

Outlook and medium-term targets

We are emerging from the global economic crisis in better shape underlined by the early achievement of our 2011 EBITDA margin target of 14 percent.

The developed markets remain challenging. Raw material price pressure and shortages are expected to continue into the third quarter. We will keep a careful eye on the trading environment and costs will continue to be managed aggressively. Our balance sheet remains strong and we have no immediate refinancing requirements. We will provide an update regarding the company's future ambitions at a capital markets day scheduled to take place in London on September 28.

Principal risks and uncertainties

Our 2009 Report contains an overview and description of the major risks that we face for the forthcoming 5 years. As a result of market conditions, the risk related to sourcing of raw materials has increased during the first half of 2010. Given a cash outlook adequate to deal with maturing debt, AkzoNobel no longer assesses the risk related to access to funding as a top 5 risk. An overview of our principal (top 5) risks for the second half of 2010 and our risk corrective actions is provided in the table on the next page.

Risk	Risk description	Risk corrective actions
Adapt to economic conditions	Failure to adapt adequately and in time to economic conditions can have a harmful impact on our business and results of operations.	One of the principal uncertainties facing our company is the development of the global economy. Economic recovery remains fragile and it continues to be difficult to predict customer demand. For planning and budgeting we apply various scenarios to be best prepared for further changes in economic conditions. Focus continues to be placed on customers, cost reduction and cash generation actions so that we are well positioned to meet the current challenges.
International operations	Because AkzoNobel conducts international operations, we are exposed to a variety of risks, many of them beyond our control, which could adversely affect our business.	We spread our activities geographically and serve many sectors to benefit from opportunities and reduce the risk of instability. Unfavorable political, social or economic developments and developments in laws, regulations and standards could adversely affect our businesses and results of operations. Political, economic and legislative conditions are carefully monitored. The Board of Management decides on the countries and industry segments in which AkzoNobel conducts its business.
Energy pricing	Differences in energy prices pose a risk to the competitiveness of several of our chemical businesses.	We operate some energy intensive businesses. A non-level playing field for energy and emission trading rights can affect the competitive position of these businesses. We are pro-actively managing energy usage and costs. We operate several cogeneration units which enable us to make efficient use of combined heat and power. We are implementing our carbon policy, working on energy efficiency programs and investing in energy from waste and biomass. We have policies for energy contracts and have long-term purchase contracts in place.
Contributions to pension funds	Various external developments may affect assets and liabilities of pension funds, causing higher post-retirement charges and pension premiums payable.	We practice pro-active pension risk management. Our pension policy is to offer defined contribution schemes to new employees and, where appropriate, to existing employees. Our biggest defined benefit schemes have been closed to new entrants since 2001 for ICI, and 2004 for AkzoNobel. We measure and monitor our pension risks frequently and adopt investment strategies designed to reduce financial risks. We are committed to further de-risking over time. Pension activities are overseen by the Board Committee Pensions.
Sourcing of raw materials	Inability to access sufficient raw materials, growth in cost and expenses for raw materials, energy and changes in product mix may adversely influence the future results and growth of our company.	We may be impacted by business interruption or product discontinuation at some of our key suppliers. We aim to use our purchasing power and long-term relationships with suppliers to acquire raw materials and safeguard their constant delivery in a sustainable manner. We have inventoried single and sole sourced raw materials and are actively pursuing plans to improve this situation. We have diversified contract length and supplier base. Our strengthened global sourcing strategy enables us to bundle the purchasing power both in product related and non-product related requirements. We continuously monitor the markets in which we operate for developments and opportunities and adapt our purchasing strategy accordingly.

Board of Management's statement on the condensed half-yearly financial statements and the interim management report

We have prepared the half-yearly financial report 2010 of AkzoNobel and the undertakings included in the consolidation taken as a whole in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Dutch disclosure requirements for half-yearly financial reports.

To the best of our knowledge:

1. The condensed financial statements in this half-yearly financial report 2010 give a true and fair view of our assets and liabilities, financial position at June 30, 2010, and of the result of our consolidated operations for the first half year of 2010.
2. The interim management report in this half-yearly financial report includes a fair review of the information required pursuant to section 5:25d, subsections 8 and 9 of the Dutch Act on Financial Supervision.

Amsterdam, July 23, 2010
The Board of Management

Hans Wijers, Chief Executive Officer
Keith Nichols, Chief Financial Officer
Leif Darner, Board member,
responsible for Performance Coatings
Rob Frohn, Board member,
responsible for Specialty Chemicals
Tex Gunning, Board member,
responsible for Decorative Paints

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 2009 financial statements, the main change was the adoption of the revised IFRS 3 “Business Combinations". This has not materially affected the computation of our results. The accounting principles as applied in 2009 can be found in note 1 of the financial statements.

Reclassification comparative figures
- We have adjusted the 2009 comparative figures to align with our business structure as from 2010 (see press release of April 7, 2010).
- We have redefined invested capital to also include deferred tax liabilities. Our former definition only included deferred tax assets, which we considered to be inconsistent.
- In accordance with the requirements in IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations", we have reclassified National Starch into discontinued operations, as we have agreed to divest our National Starch business. As a consequence, the statements of income and cash flows have been restated. More details are on page 18 of our Q1 report for 2010.

Seasonality
Revenue and results in Decorative Paints are impacted by seasonal influences. Revenue and profitability tend to be higher in the second and third quarter of the year as weather conditions determine whether paints and coatings can be applied. In Performance Coatings, revenue and profitability vary with building patterns from original equipment manufacturers. In Specialty Chemicals, the Functional Chemicals and the Surface Chemistry businesses experience seasonal influences. Revenue and profitability are affected by developments in the agricultural season and tend to be higher in the first half of the year.

The "other" category
In the category "other" we report activities which are not allocated to a particular business area. Corporate costs are the unallocated costs of our head office and shared services center in the Netherlands (including our Central Research and Technology & Engineering activities). Also reported in the "other" category are the results from our captive insurance companies, pension costs after the elimination of interest cost (reported as financing expenses), the cost of share-based compensation, the results of a small business and of treasury and legacy operations.

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, deferred tax liabilities and 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.

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 2010	October 21, 2010
Report for the 4th quarter and the year 2010	February 17, 2011
Report for the 1st quarter 2011	April 21, 2011
Report for the 2nd quarter 2011	July 21, 2011
Report for the 3rd quarter 2011	October 20, 2011
Report for the 4th quarter and the year 2011	February 16, 2012

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