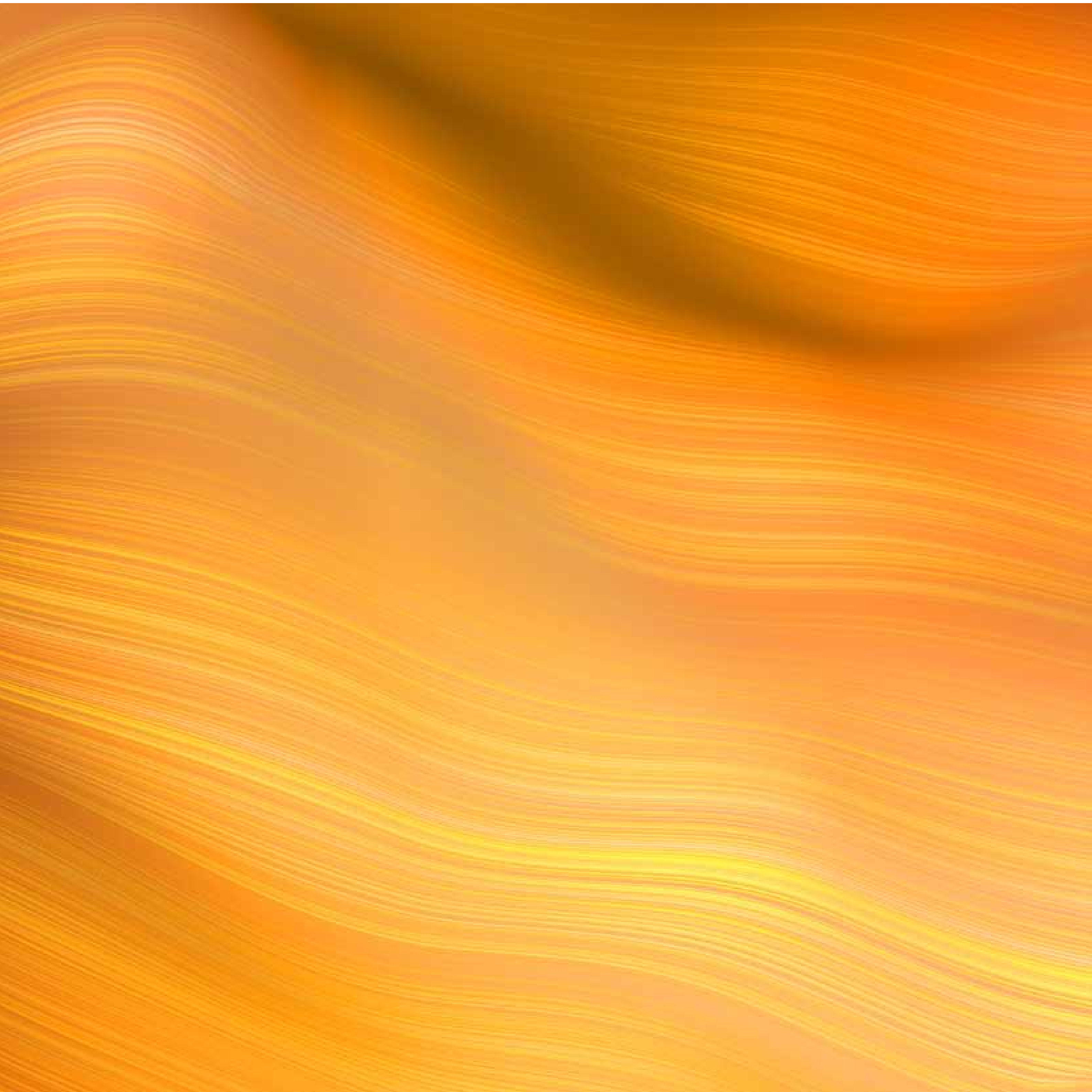
Report for the third quarter

2012

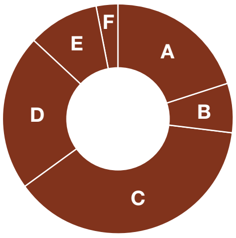
AkzoNobel
Tomorrow's Answers Today



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

	%
A North America	20
B Emerging Europe	7
C Mature Europe	38
D Asia Pacific	22
E Latin America	10
F Other regions	3
	100

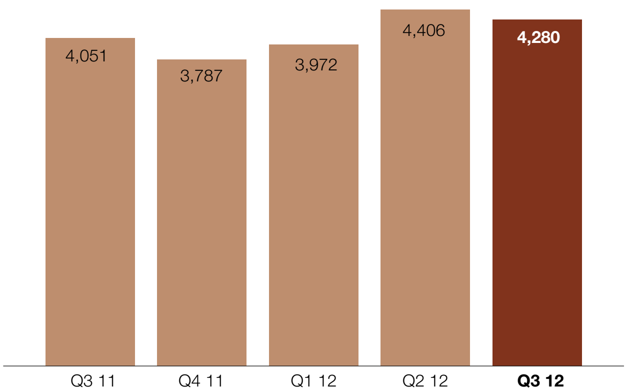
(Based on the full year 2011)



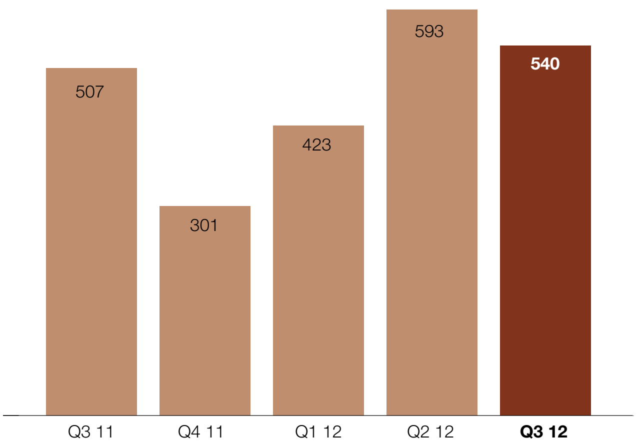
Our results at a glance

- Revenue up 6 percent, mainly driven by currencies and pricing actions
- Volumes declined 3 percent, primarily due to the economic slowdown in Europe
- EBITDA up 7 percent at €540 million (2011: €507 million)
- Impairment of €2.5 billion in Decorative Paints, resulting in a net loss of €2.4 billion
- Adjusted EPS of €1.01 (2011: €0.91)
- Interim dividend of €0.33 per share declared
- AkzoNobel ranked first in the Dow Jones Sustainability Index
- Performance improvement program is on track
- The economic environment remains our principal sensitivity

Revenue
In € millions



EBITDA
In € millions



Financial highlights

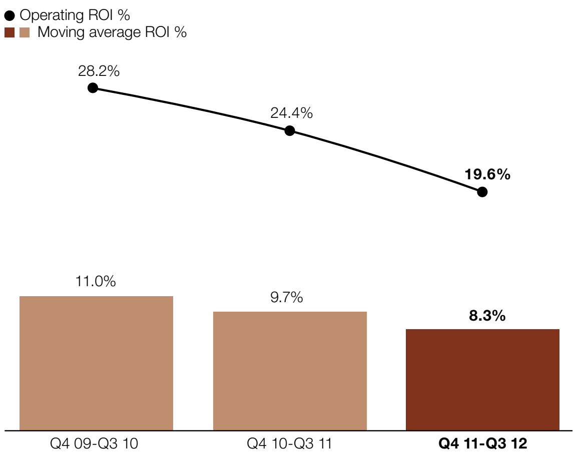
Continuing operations before incidentals

3rd quarter				January - September		
2011	**2012**	**Δ%**	**in € millions**	**2011**	**2012**	**Δ%**
4,051	4,280	6	Revenue	11,910	12,658	6
507	540	7	EBITDA	1,495	1,556	4
12.5	12.6		EBITDA margin (in %)	12.6	12.3	
352	368	5	EBIT	1,042	1,046	–
8.7	8.6		EBIT margin (in %)	8.7	8.3	
			Moving average ROI (in %)	9.7	8.3	
			Operating ROI (in %)	24.4	19.6	
0.91	1.01		Adjusted earnings per share (in €)	2.73	2.76	

Continuing operations after incidentals

3rd quarter				January - September		
2011	**2012**	**Δ%**	**in € millions**	**2011**	**2012**	**Δ%**
301	(2,233)		Operating income	1,006	(1,667)	
148	(2,360)		Net income/(loss) from continuing operations	531	(2,093)	
1	(22)		Net income/(loss) from discontinued operations	14	(17)	
149	(2,382)		Net income/(loss) total operations	545	(2,110)	
0.63	(9.91)		Earnings per share from continuing operations (in €)	2.27	(8.84)	
0.63	(10.00)		Earnings per share from total operations (in €)	2.33	(8.91)	
158	198		Capital expenditures	452	514	
409	480		Net cash from operating activities	55	120	
			Invested capital	13,194	12,076	
			Net debt	1,595	2,597	
			Number of employees	56,350	57,050	

Returns on invested capital



Financial highlights

Revenue was up 6 percent, mainly due to favorable currency effects. Volumes were down 3 percent, primarily due to the economic slowdown in Europe. EBITDA was 7 percent up at €540 million (2011: €507 million). While we are reporting a solid set of results in the quarter, we recorded an impairment of €2.5 billion in Decorative Paints, mainly in mature markets. The performance improvement program is on track.

Revenue

- Decorative Paints revenue grew 1 percent mainly due to margin management and favorable currency effects. Volumes continue to be negatively affected by the general economic slowdown in the global markets, with the exception of China where we achieved strong volume growth.
- In Performance Coatings, revenue increased by 13 percent compared with the previous year. The strongest growth came from Industrial Coatings (due to acquisitions) and Marine and Protective Coatings (from strong demand in Protective Coatings). Volumes were flat with continued variability between individual markets.
- Specialty Chemicals faced softer volumes in most product lines, with volumes during the quarter being 2 percent below the previous year.

Acquisitions

In Q1 2012, we closed the acquisition of Boxing Oleochemicals in Specialty Chemicals, the leading supplier of nitrile amines and derivatives in China and throughout Asia. The Schramm/SSCP acquisition accounted for the acquisition effect in Performance Coatings as these activities were consolidated from Q4 2011.

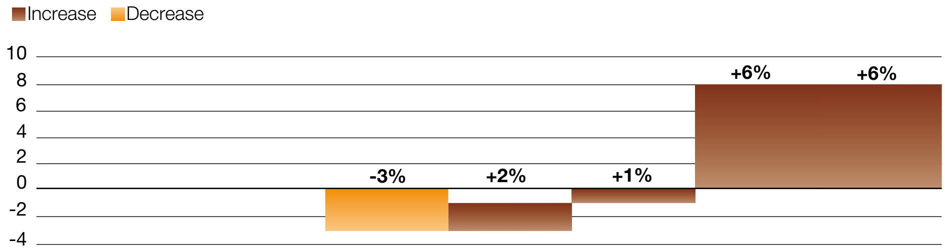
Raw materials

The cost of our raw materials in Q3 was slightly above last year, but has leveled off versus Q2. TiO_2 prices have reduced but are still higher than the previous year and there has been some volatility from oil-related feedstock. We expect average raw material costs for the year slightly up due to the oil price increase in Q2.

Revenue

3rd quarter				January - September		
2011	2012	Δ%	in € millions	2011	2012	Δ%
1,435	1,456	1	Decorative Paints	4,092	4,249	4
1,295	1,467	13	Performance Coatings	3,844	4,308	12
1,349	1,393	3	Specialty Chemicals	4,050	4,223	4
(28)	(36)		Other activities/eliminations	(76)	(122)	
4,051	**4,280**	**6**	**Total**	**11,910**	**12,658**	**6**

Revenue development Q3 2012



in % versus Q3 2011	Volume	Price/mix	Acquisitions	Exchange rates	Total
Decorative Paints	(6)	2	–	5	1
Performance Coatings	–	3	3	7	13
Specialty Chemicals	(2)	(1)	1	5	3
Total	**(3)**	**2**	**1**	**6**	**6**

Volume development per quarter (year-on-year)	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12
Decorative Paints	4	2	(4)	(2)	(6)
Performance Coatings	1	(2)	(1)	(2)	–
Specialty Chemicals	(1)	(4)	(1)	(2)	(2)
Total	**1**	**(2)**	**(3)**	**(2)**	**(3)**

Price/mix development per quarter (year-on-year)	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12
Decorative Paints	3	4	6	5	2
Performance Coatings	7	7	8	6	3
Specialty Chemicals	8	5	1	2	(1)
Total	**6**	**6**	**5**	**4**	**2**

EBITDA

EBITDA was 7 percent higher at €540 million. The EBITDA margin was 12.6 percent (2011: 12.5 percent).

- In Decorative Paints, we have been able to reverse the negative EBITDA trend from 8 percent negative in Q2 to flat in Q3. Additional restructuring efforts are being initiated in Europe.
- In Performance Coatings, overall margins improved due to a combination of margin management activities and ongoing cost control. The major restructuring activities in the quarter are focused on Marine and Protective Coatings, Automotive and Aerospace Coatings Europe and the ongoing integration of the Schramm acquisition.
- In Specialty Chemicals, all businesses performed ahead of the previous year, except for Functional Chemicals, which remained impacted by the supply/demand imbalance in Ethylene Amines, combined with low demand in products for building and construction segments.

Incidental items

We have undertaken a prudent review, excluding restructuring effects, of the balance sheet, taking into account lower expected growth rates. This has resulted in a non-cash impairment charge against our Decorative Paint assets, primarily in Europe. In Europe, we recognized an impairment charge of €1.9 billion, in North America €0.4 billion and in South America €0.2 billion. In addition, we incurred higher restructuring costs across the businesses, mainly in mature markets, as we implement the performance improvement program.

EBIT in "other"

Corporate costs in the quarter were above the previous year due to higher legal and supply chain costs. The result of our captive insurance companies was positive in the quarter due to a low number of claims. Year-to-date the number of claims is still higher than the previous year. Other costs were in line with last year.

EBITDA

3rd quarter				January - September		
2011	**2012**	Δ%	in € millions	2011	**2012**	Δ%
148	147	(1)	Decorative Paints	429	398	(7)
157	202	29	Performance Coatings	470	579	23
238	227	(5)	Specialty Chemicals	699	717	3
(36)	(36)		Other activities/eliminations	(103)	(138)	
507	**540**	7	**Total**	1,495	**1,556**	4

Incidentals included in operating income

3rd quarter			January - September	
2011	**2012**	in € millions	2011	**2012**
(47)	(101)	Restructuring costs	(76)	(191)
–	(2,478)	Impairment	–	(2,478)
2	(5)	Results related to major legal and environmental cases	24	(24)
(5)	(6)	Results on acquisitions and divestments	21	(6)
(1)	(11)	Other incidental results	(5)	(14)
(51)	**(2,601)**	**Incidentals included in operating income**	(36)	**(2,713)**

EBIT in other

3rd quarter			January - September	
2011	**2012**	in € millions	2011	**2012**
(19)	(26)	Corporate costs	(69)	(82)
(4)	(2)	Pensions	(11)	(3)
2	5	Insurances	10	(5)
(20)	(17)	Other	(43)	(58)
(41)	**(40)**	**EBIT in "other"**	(113)	**(148)**

Net financing expenses

Net financing charges for Q3 2012 decreased by €4 million to €66 million driven by:

- Net interest on debt which decreased by €1 million due to higher reported financing income being partly offset by higher reported financing expenses as a result of the newly issued bond in July.
- Interest on provisions which decreased by €4 million to €9 million due to higher discount rates.

Tax

Excluding the impairment, the tax rate would have been 34 percent (2011: 31 percent) which is higher than normal due to several adjustments to previous years. The year-to-date tax rate is 30 percent (2011: 30 percent).

Decorative Paints

- Revenue up 1 percent, mainly driven by favorable price/mix and currency impact
- Continued weak demand across most of our markets negatively affected Q3 volumes
- As a consequence, EBITDA down 1 percent at €147 million
- Active cost containment in all our businesses to mitigate the adverse economic conditions
- Additional restructuring actions being initiated in Europe

Revenue grew 1 percent, mainly due to price/mix and positive currency effects. Volumes continued to be negatively affected by the general economic slowdown in global markets, with the exception of China where we achieved strong volume growth. Despite the volume decline, we have been able to maintain or increase our relative market share in most of our markets. We were able to reverse the negative EBITDA trend from 8 percent negative in Q2 to flat in Q3. Additional restructuring actions are being initiated in Europe.

Europe
Revenue was down across all regions, reflecting severe weakness of demand. We are speeding up our restructuring and cost reduction actions across Europe in response to the difficult market circumstances we are facing.

Americas
North America continued to show revenue growth compared with 2011, driven by price gains and favorable mix. The retail channels reported higher results during the quarter, with price gains and currency effects offsetting the volume decline. Stores in Canada posted another strong quarter, with revenue up 6 percent. Revenue at our US stores was higher due to pricing actions and customer segmentation strategies, despite the negative impact of lower volumes. Our US operations were profitable at the EBITDA level in Q3. The business is continuing to benefit from restructuring efforts and production optimization.

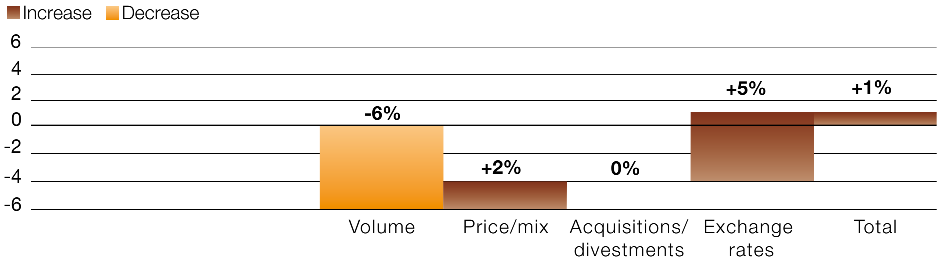
Latin America's revenue was lower than last year due to the pressure of declining volumes and negative currency effects, which offset the positive price impact. The general economic slowdown in the region continues to negatively affect our volumes.

Asia
China's revenue increased, with strong volume growth especially in project and professional channels. The campaign "A million colorful starts" continued its successful run. The business also launched Dulux Guardian, a premium, low-VOC, low-odor emulsion for interior walls.

Our South East Asia Pacific markets continued to suffer from volume and revenue decline, reflecting the weak market conditions in the region. Strong cost control partially compensated for the negative volume trends.

Revenue in India and South Asia grew, mainly driven by margin management offset by lower volumes. The business successfully launched the Dulux Rainbow & Guardian range.

Revenue development Q3 2012



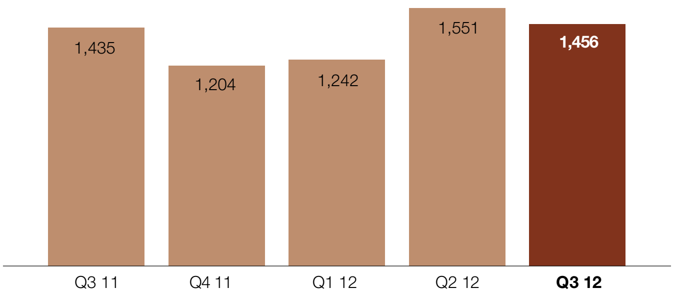
Key brands

Revenue

3rd quarter				January - September		
2011	2012	Δ%	in € millions	2011	2012	Δ%
739	698	(6)	Decorative Paints Europe	2,123	2,096	(1)
447	479	7	Decorative Paints Americas	1,269	1,384	9
248	271	9	Decorative Paints Asia	702	769	10
1	8		Other/intragroup eliminations	(2)	–	
1,435	**1,456**	1	**Total**	4,092	**4,249**	4
Before incidentals						
148	147	(1)	EBITDA	429	398	(7)
10.3	10.1		EBITDA margin (in %)	10.5	9.4	
95	87	(8)	EBIT	275	223	(19)
6.6	6.0		EBIT margin (in %)	6.7	5.2	
			Moving average ROI (in %)	4.3	2.6	
After incidentals						
57	(2,429)		Operating income	231	(2,334)	
44	37		Capital expenditures	128	132	
			Invested capital	6,605	4,454	
			Number of employees	22,520	21,960	

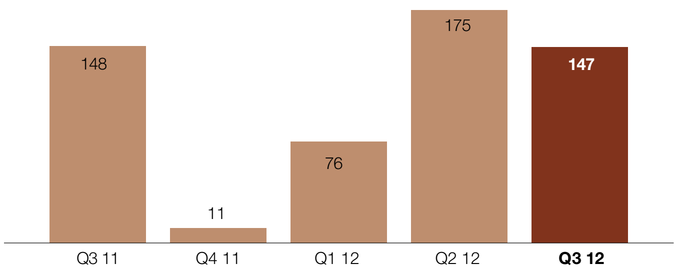
Revenue

In € millions



EBITDA

In € millions



Performance Coatings

- Revenue up 13 percent supported by margin management, acquisitions and currency effects
- Volumes were flat with continued variability between individual markets
- EBITDA margin at 13.8 percent (2011: 12.1 percent) driven by margin management and operational efficiency
- Integration of acquired activities supporting results
- Marine and Protective Coatings and Industrial Coatings continued their strong performance

Revenue increased by 13 percent compared with the previous year. The strongest growth came from Industrial Coatings (due to acquisitions) and Marine and Protective Coatings (from strong demand in Protective Coatings). Volumes were flat with continued variability between individual markets. Overall margins improved due to a combination of margin management activities and ongoing cost control. The major restructuring activities in the quarter focused on Marine and Protective Coatings, Automotive and Aerospace Coatings Europe and the ongoing integration of the Schramm acquisition.

Marine and Protective Coatings

Revenue was up 18 percent over the previous year, positively supported by price/mix and currencies. Overall volumes increased marginally, with Marine volumes impacted due to the slowdown in the new construction market. Protective Coatings achieved increased volumes in all regions, especially in the oil and gas segments. In Korea, an order was secured for Shell's Prelude, the world largest floating LNG platform. In Yacht, overall activity remained in line with 2011 across all segments.

Wood Finishes and Adhesives

Revenue increased by 7 percent compared with 2011, mainly due to currencies and price/mix. Demand levels in North America were flat, with modest recovery being witnessed in the US housing market. While Asia experienced slightly improved demand over the previous year, we experienced a stronger decline in demand across most of the European region in both finishes and adhesives. Cost control mitigated the impact of reduced volumes.

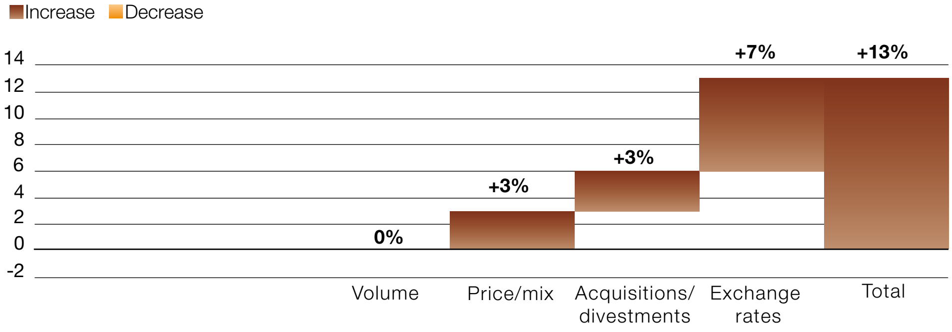
Automotive and Aerospace Coatings

Revenue increased 6 percent supported by currencies and price/mix. Performance was impacted by continuing weak demand in Vehicle Refinish in the US and Europe. Strong margin management, together with cost control and growth in other regions, offset the impact of lower sales volumes. During the quarter, Nissan approved a Sikkens system in India and construction started on a new Chinese manufacturing site in Changzhou.

Powder Coatings

Revenue was up 7 percent, supported by price/mix and currencies. Lower European demand was offset by growth in other regions. The domestic appliance and furniture activities continued to suffer from the weaker economic situation, but architectural activities continued to be strong in our growth markets. Automotive remained solid in all regions, with good growth. During Q3, AkzoNobel Powder Coatings was chosen as an approved and preferred supplier by Volvo in South America for parts coated in Brazil. Meanwhile, our powder coatings operations in South Africa are now fully owned by AkzoNobel following the buy-out of the minority interest in that country.

Revenue development Q3 2012



Key brands

Industrial Coatings

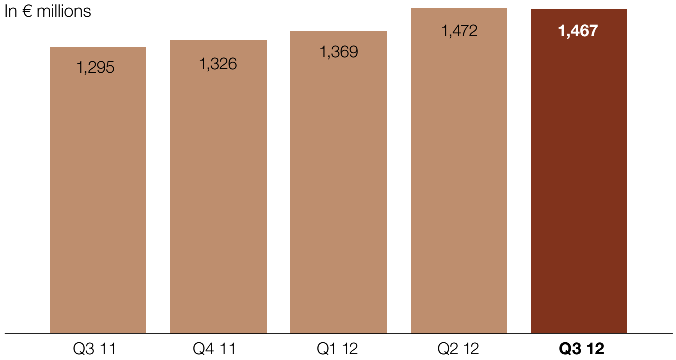
Revenue was up 25 percent mainly due to acquisitions, further supported by higher volumes, price/mix and currencies. The Coil Coatings construction-related business showed similar revenue levels as 2011, while Packaging Coatings' beverage and food-related business continued to increase its revenue, with Asia being the main driver for growth. Specialty Finishes achieved growth in its main automotive and consumer electronics markets. Delivery of synergies from the Schramm/SSCP acquisition is on track and the integration is progressing well. Q3 was also notable for the start of a supply agreement for our coatings to be used on the Samsung Galaxy series of mobile devices.

Revenue

3rd quarter				January - September		
2011	2012	Δ%	in € millions	2011	2012	Δ%
344	405	18	Marine and Protective Coatings	1,025	1,185	16
197	211	7	Wood Finishes and Adhesives	586	628	7
248	263	6	Automotive and Aerospace Coatings	772	786	2
236	253	7	Powder Coatings	705	752	7
275	343	25	Industrial Coatings	776	978	26
(5)	(8)		Other/intragroup eliminations	(20)	(21)	
1,295	**1,467**	13	**Total**	3,844	**4,308**	12
Before incidentals						
157	202	29	EBITDA	470	579	23
12.1	13.8		EBITDA margin (in %)	12.2	13.4	
129	169	31	EBIT	386	481	25
10.0	11.5		EBIT margin (in %)	10.0	11.2	
			Moving average ROI (in %)	23.0	23.9	
After incidentals						
114	130		Operating income	375	428	
27	23		Capital expenditures	73	66	
			Invested capital	2,327	2,543	
			Number of employees	21,000	21,650	

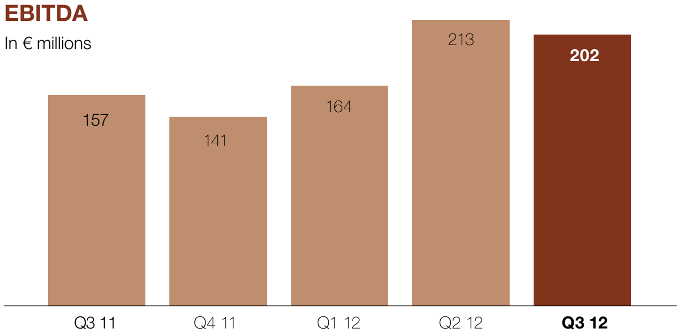
Revenue

In € millions



EBITDA

In € millions



Specialty Chemicals

- Revenue increased by 3 percent, due to margin management and favorable currency effects
- Volumes slowed down during the quarter and customer ordering patterns remain cautious
- EBITDA margin in Q3 was at 16.3 percent (2011: 17.6 percent) due to weaker markets in Functional Chemicals
- Integration of the Boxing Oleochemicals acquisition on track
- Divestment Chemicals Pakistan expected to be completed towards the end of the year

Specialty Chemicals is facing softer volumes in most product lines, with volumes during the quarter being 2 percent below the previous year. The continued focus on cost control, restructuring and margin management, plus the weaker euro, mitigated the margin impact. All businesses performed ahead of 2011, except for Functional Chemicals, which remained impacted by the supply/demand imbalance in Ethylene Amines, combined with low demand in products for building and construction segments. Chemicals Pakistan also posted a lower result for the quarter.

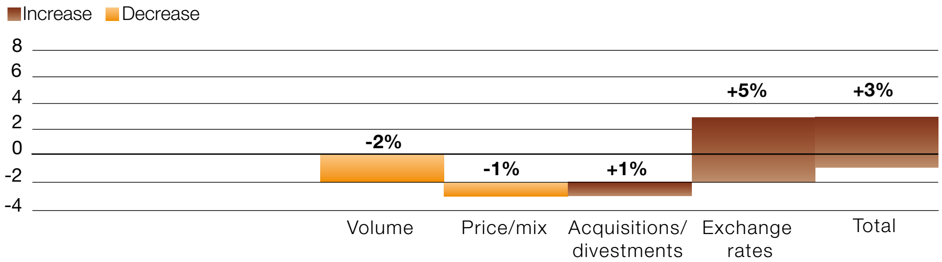
Functional Chemicals
Revenue was up 2 percent, but overall volumes were down, mainly in Performance Additives and Organic Peroxides. The business is facing a weak European market, with North America showing more stable performance. However, there is growth in Latin America and in some segments in Asia Pacific. The Ethylene Amines market continues to be impacted by sales price erosion due to overcapacity in the market.

Industrial Chemicals
Industrial Chemicals delivered a solid performance driven by stable market demand, with revenue showing a 2 percent increase, based on positive volume and price/mix effects. Overall volumes were up, mainly in Chlor Alkali, as well as the Monochloroacetic business. Market conditions remained challenging for the gas-fired cogeneration units at our Energy business.

Surface Chemistry
The business achieved another good quarter, with revenue up 15 percent due to favorable currency effects and the Boxing Oleochemicals acquisition in China. Margin management remained the key driver behind performance during the quarter.

Pulp and Performance Chemicals
Pulp and Performance Chemicals delivered a strong performance during Q3, although demand has slowed down and impacted revenue, which was down 1 percent on 2011. However, revenue was positively supported by effective margin management and the strengthening of the US dollar versus the euro.

Revenue development Q3 2012



Key brands

AkzoNobel eka BERMOCOLL Ferrazone® This Iron Works. JOZO SALT Dissolvine® master the elements

Chemicals Pakistan

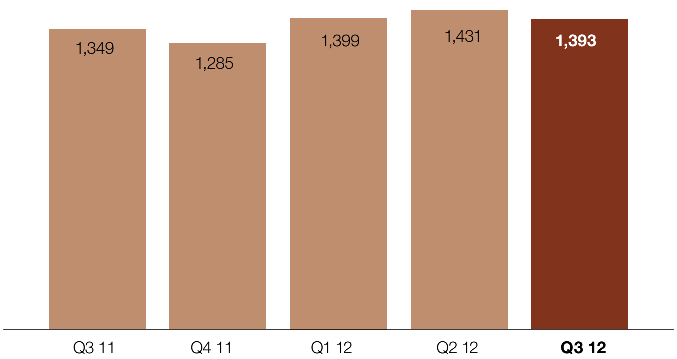
The energy crisis continues to impact the downstream industry for the Soda Ash and Polyester activities. In addition, market conditions in the Polyester business remain slow as a result of economics favoring cotton. The Chemicals Pakistan divestment process took place during the quarter, with the business being acquired by Yunus Brothers Group. The transaction is expected to be completed towards the end of the year.

Revenue

3rd quarter				January - September		
2011	**2012**	Δ%	in € millions	2011	**2012**	Δ%
481	489	2	Functional Chemicals	1,460	1,506	3
291	298	2	Industrial Chemicals	880	892	1
243	279	15	Surface Chemistry	725	856	18
290	287	(1)	Pulp and Performance Chemicals	840	858	2
81	74	(9)	Chemicals Pakistan	249	215	(14)
(37)	(34)		Other/intragroup eliminations	(104)	(104)	
1,349	**1,393**	3	**Total**	4,050	**4,223**	4
Before incidentals						
238	227	(5)	EBITDA	699	717	3
17.6	16.3		EBITDA margin (in %)	17.3	17.0	
169	152	(10)	EBIT	494	490	(1)
12.5	10.9		EBIT margin (in %)	12.2	11.6	
			Moving average ROI (in %)	18.6	16.8	
After incidentals						
169	133		Operating income	489	427	
79	125		Capital expenditures	233	307	
			Invested capital	3,594	3,765	
			Number of employees	11,430	11,950	

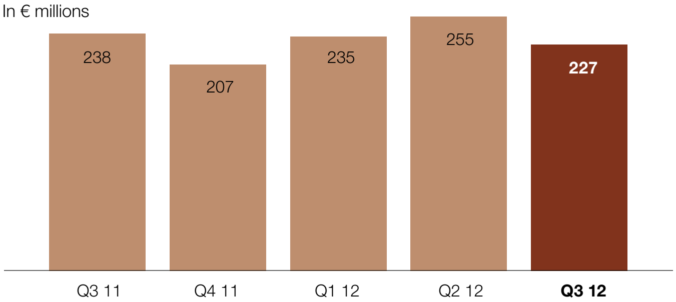
Revenue

In € millions



EBITDA

In € millions



Condensed financial statements

Consolidated statement of income

3rd quarter 2011	3rd quarter 2012	in € millions	January - September 2011	January - September 2012
Continuing operations				
4,051	4,280	Revenue	11,910	12,658
(2,511)	(2,624)	Cost of sales	(7,247)	(7,764)
1,540	**1,656**	**Gross profit**	**4,663**	**4,894**
–	(2,478)	Impairment	–	(2,478)
(857)	(943)	Selling expenses	(2,539)	(2,735)
(293)	(336)	General and administrative expenses	(887)	(1,011)
(87)	(100)	Research and development expenses	(258)	(293)
(2)	(32)	Other operating income/(expenses)	27	(44)
301	**(2,233)**	**Operating income/(loss)**	**1,006**	**(1,667)**
(70)	(66)	Net financing expenses	(197)	(213)
9	5	Results from associates and joint ventures	24	14
240	**(2,294)**	**Profit/(loss) before tax**	**833**	**(1,866)**
(74)	(56)	Income tax	(246)	(182)
166	**(2,350)**	**Profit/(loss) for the period from continuing operations**	**587**	**(2,048)**
Discontinued operations				
1	(22)	Profit/(loss) for the period from discontinued operations	14	(17)
167	**(2,372)**	**Profit/(loss) for the period**	**601**	**(2,065)**
Attributable to				
149	(2,382)	Shareholders of the company	545	(2,110)
18	10	Non-controlling interests	56	45
167	**(2,372)**	**Profit/(loss) for the period**	**601**	**(2,065)**

Consolidated statement of comprehensive income

3rd quarter 2011	3rd quarter 2012	in € millions	January - September 2011	January - September 2012
167	**(2,372)**	**Profit/(loss) for the period**	**601**	**(2,065)**
Other comprehensive income				
108	(1)	Exchange differences arising on translation of foreign operations	(261)	130
6	7	Cash flow hedges	(33)	(6)
(4)	3	Tax relating to components of other comprehensive income	16	1
110	**9**	**Other comprehensive income for the period (net of tax)**	**(278)**	**125**
277	**(2,363)**	**Comprehensive income for the period**	**323**	**(1,940)**
Comprehensive income attributable to				
239	(2,368)	Shareholders of the company	284	(1,983)
38	5	Non-controlling interests	39	43
277	**(2,363)**	**Comprehensive income for the period**	**323**	**(1,940)**

Condensed consolidated balance sheet

in € millions	December 31, 2011	September 30, 2012
Assets		
Non-current assets		
Intangible assets	7,392	4,897
Property, plant and equipment	3,705	3,792
Other financial non-current assets	2,198	2,753
Total non-current assets	**13,295**	**11,442**
Current assets		
Inventories	1,924	1,912
Trade and other receivables	2,917	3,224
Cash and cash equivalents	1,635	1,543
Other current assets	98	116
Assets held for sale	–	144
Total current assets	**6,574**	**6,939**
Total assets	**19,869**	**18,381**
Equity and liabilities		
Total equity	**9,743**	**7,590**
Non-current liabilities		
Provisions and deferred tax liabilities	2,284	2,298
Long-term borrowings	3,035	3,793
Total non-current liabilities	**5,319**	**6,091**
Current liabilities		
Short-term borrowings	494	347
Trade and other payables	3,349	3,471
Other short-term liabilities	964	882
Total current liabilities	**4,807**	**4,700**
Total equity and liabilities	**19,869**	**18,381**

Shareholders' equity

Shareholders' equity as at the end of Q3 2012 decreased to €7.1 billion, mainly due to the net effect of:

- Net loss of €2,110 million.
- Increased cumulative translation reserves by €133 million due to the weakening euro.
- Dividend payments of €168 million.

Dividend

An interim dividend of €0.33 per share (2011: €0.33) will be paid out, please refer to the last page of this report for dividend payment dates. In light of the current trading conditions, you will be updated on the final dividend proposal in February next year.

Changes in equity

in € millions	Subscribed share capital	Additional paid-in capital	Cashflow hedge reserve	Cumulative translation reserves	Other reserves	Shareholders' equity	Non-controlling interests	Total equity
Balance at January 1, 2011	467	9	29	(43)	8,522	8,984	525	9,509
Profit for the period	–	–	–	–	545	545	56	601
Other comprehensive income	–	–	(22)	(239)	–	(261)	(17)	(278)
Comprehensive income for the period	–	–	(22)	(239)	545	284	39	323
Dividend paid	–	–	–	–	(253)	(253)	(29)	(282)
Equity-settled transactions	–	–	–	–	26	26	–	26
Issue of common shares	1	14	–	–	–	15	–	15
Acquisitions and divestments	–	–	–	–	–	–	(2)	(2)
Balance at September 30, 2011	468	23	7	(282)	8,840	9,056	533	9,589
Balance at January 1, 2012	**469**	**47**	**(9)**	**4**	**8,701**	**9,212**	**531**	**9,743**
Profit/(loss) for the period	–	–	–	–	(2,110)	(2,110)	45	(2,065)
Other comprehensive income	–	–	(6)	133	–	127	(2)	125
Comprehensive income for the period	**–**	**–**	**(6)**	**133**	**(2,110)**	**(1,983)**	**43**	**(1,940)**
Dividend paid	5	90	–	–	(263)	(168)	(28)	(196)
Equity-settled transactions	–	–	–	–	30	30	–	30
Issue of common shares	2	4	–	–	–	6	–	6
Acquisitions and divestments	–	–	–	–	(14)	(14)	(39)	(53)
Balance at September 30, 2012	**476**	**141**	**(15)**	**137**	**6,344**	**7,083**	**507**	**7,590**

Invested capital

Invested capital at the end of Q3 2012 totaled €12.1 billion, €1.6 billion lower than at year-end 2011. Invested capital was impacted by the net effect of:

- A decrease of €2.5 billion due to a non-cash impairment charge for Decorative Paints assets
- An increase of €0.6 billion of long-term receivables related to increases in pension funds in an asset position
- An increase of operating working capital of €0.3 billion mainly due to seasonality. Expressed as a percentage of revenue, operating working capital was 13.9 percent (Q3 2011: 14.3 percent; year-end 2011: 13.6 percent)
- A decrease of €0.2 billion due to the reclassification of Chemicals Pakistan to assets held for sale
- An increase of €0.1 billion from the Boxing Oleochemicals acquisition
- Payments of accrued interest of €0.2 billion
- An increase due to foreign currency effects on intangibles and property, plant and equipment of €0.1 billion, due to the weakening euro.

Pensions

The funded status of the pension plans at the end of Q3 2012 was estimated to be a deficit of €0.9 billion (year-end 2011: €0.5 billion; Q2 2012: €0.6 billion).

The movement compared with year-end 2011 is primarily due to:

- Top-up payments of €345 million into certain UK and US defined benefit pension plans
- A payment from a contingent asset structure of €239 million into the UK ICI Pension Fund
- Lower inflation in the UK decreasing the pension obligation

Offset by:

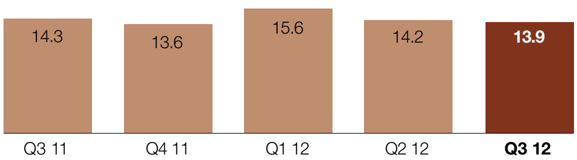
- Lower discount rates significantly increasing the pension obligation.

Invested capital

in € millions	September 30, 2011	December 31, 2011	September 30, 2012
Trade receivables	2,558	2,368	2,637
Inventories	1,889	1,924	1,912
Trade payables	(2,106)	(2,213)	(2,158)
Operating working capital in Business Areas	**2,341**	**2,079**	**2,391**
Other working capital items	(1,036)	(901)	(1,017)
Non-current assets	12,647	13,295	11,442
Less investments in associates and joint ventures	(197)	(198)	(192)
Deferred tax liabilities	(561)	(567)	(548)
Invested capital	**13,194**	**13,708**	**12,076**

Operating working capital

In % of revenue



Operating working capital

in € millions, % of revenue	September 30, 2011		December 31, 2011		September 30, 2012	
Decorative Paints	789	13.7	622	12.9	800	13.7
Performance Coatings	836	16.1	772	14.6	857	14.6
Specialty Chemicals	716	13.3	685	13.3	734	13.2
Total	**2,341**	**14.3**	**2,079**	**13.6**	**2,391**	**13.9**

Workforce

At September 30, 2012, we employed 57,050 staff (year-end 2011: 57,240 employees). The net decrease was due to:

- A decrease of 1,280 employees due to ongoing restructuring
- An increase from acquisitions of 590 employees
- An increase of 500 employees due to new hires and seasonal activity. New hires were mainly in high growth markets.

Cash flows and net debt

Operating activities in Q3 2012 resulted in a cash inflow of €480 million (2011: €409 million). The change is mainly due to a net effect of:

- Higher cash inflow from operating working capital and
- Higher payments related to provisions. Following the judgement in the Metacrylates case by the General Court in June 2012 we paid €113 million in Q3.

Condensed consolidated statement of cash flows

3rd quarter			January - September	
2011	2012	in € millions	2011	2012
1,194	**993**	**Cash and cash equivalents at beginning of period**	2,683	**1,335**
		Adjustments to reconcile earnings to cash generated from operating activities		
166	(2,350)	Profit/(loss) for the period from continuing operations	587	(2,048)
157	2,672	Amortization, depreciation and impairments	460	3,031
41	256	Changes in working capital	(553)	(200)
(27)	(139)	Changes in provisions	(455)	(715)
72	41	Other changes	16	52
409	**480**	**Net cash from operating activities**	55	**120**
(158)	(198)	Capital expenditures	(452)	(514)
5	3	Acquisitions and divestments net of cash acquired	29	(9)
3	5	Other changes	6	18
(150)	**(190)**	**Net cash from investing activities**	(417)	**(505)**
–	70	Changes from borrowings	(550)	582
(10)	(8)	Dividends	(282)	(189)
(3)	(38)	Other changes	7	(47)
(13)	**24**	**Net cash from financing activities**	(825)	**346**
246	**314**	**Net cash used for continuing operations**	(1,187)	**(39)**
(7)	(4)	Cash flows from discontinued operations	4	(10)
239	**310**	**Net change in cash and cash equivalents of total operations**	(1,183)	**(49)**
20	4	Effect of exchange rate changes on cash and cash equivalents	(47)	21
1,453	**1,307**	**Cash and cash equivalents at balance sheet date**	1,453	**1,307**

Net debt decreased in the quarter to €2,597 million (Q2 2012: €2,844 million) due to the net balance of the cash inflow from operating activities and capital expenditures in Q3.

In Q3 we issued a 10-year bond of €750 million at a coupon of 2.625 percent.

Outlook

During this year, the economic slowdown, particularly in Europe, is having an adverse impact on our volumes. Additional restructuring activities are being initiated to further reduce costs in the businesses that are most affected. Furthermore, our performance improvement program and the turnaround of our US paints business are on track.

AkzoNobel has a strong portfolio of complementary businesses with many leading market positions and exposure to growth markets. Whilst we are therefore confident with regard to the long-term growth of our business, we remain cautious with respect to the shorter term development of our markets.

Amsterdam, October 18, 2012
Board of Management

Quarterly statistics

Q1 2011	Q2 2011	Q3 2011	Q4 2011	2011 year	in € millions	Q1 2012	Q2 2012	Q3 2012	2012 year-to-date
					Revenue				
1,196	1,461	1,435	1,204	5,296	Decorative Paints	1,242	1,551	1,456	4,249
1,237	1,312	1,295	1,326	5,170	Performance Coatings	1,369	1,472	1,467	4,308
1,351	1,350	1,349	1,285	5,335	Specialty Chemicals	1,399	1,431	1,393	4,223
(22)	(26)	(28)	(28)	(104)	Other activities/eliminations	(38)	(48)	(36)	(122)
3,762	4,097	4,051	3,787	15,697	**Total**	**3,972**	**4,406**	**4,280**	**12,658**
					EBITDA				
90	191	148	11	440	Decorative Paints	76	175	147	398
143	170	157	141	611	Performance Coatings	164	213	202	579
241	220	238	207	906	Specialty Chemicals	235	255	227	717
(37)	(30)	(36)	(58)	(161)	Other activities/eliminations	(52)	(50)	(36)	(138)
437	551	507	301	1,796	**Total**	**423**	**593**	**540**	**1,556**
11.6	13.4	12.5	7.9	11.4	**EBITDA margin (in %)**	**10.6**	**13.5**	**12.6**	**12.3**
					Depreciation				
(30)	(30)	(33)	(33)	(126)	Decorative Paints	(33)	(34)	(35)	(102)
(21)	(21)	(21)	(24)	(87)	Performance Coatings	(23)	(25)	(23)	(71)
(55)	(56)	(56)	(60)	(227)	Specialty Chemicals	(61)	(63)	(62)	(186)
(2)	(3)	(4)	(2)	(11)	Other activities/eliminations	(5)	(1)	(3)	(9)
(108)	(110)	(114)	(119)	(451)	**Total**	**(122)**	**(123)**	**(123)**	**(368)**
					Amortization				
(21)	(20)	(20)	(23)	(84)	Decorative Paints	(24)	(24)	(25)	(73)
(7)	(7)	(7)	(8)	(29)	Performance Coatings	(9)	(8)	(10)	(27)
(12)	(13)	(13)	(16)	(54)	Specialty Chemicals	(13)	(15)	(13)	(41)
–	–	(1)	(2)	(3)	Other activities/eliminations	–	–	(1)	(1)
(40)	(40)	(41)	(49)	(170)	**Total**	**(46)**	**(47)**	**(49)**	**(142)**
					EBIT				
39	141	95	(45)	230	Decorative Paints	19	117	87	223
115	142	129	109	495	Performance Coatings	132	180	169	481
174	151	169	131	625	Specialty Chemicals	161	177	152	490
(39)	(33)	(41)	(62)	(175)	Other activities/eliminations	(57)	(51)	(40)	(148)
289	401	352	133	1,175	**Total**	**255**	**423**	**368**	**1,046**
7.7	9.8	8.7	3.5	7.5	**EBIT margin (in %)**	**6.4**	**9.6**	**8.6**	**8.3**
					Operating income/(loss)				
37	137	57	(94)	137	Decorative Paints	(15)	110	(2,429)	(2,334)
106	155	114	83	458	Performance Coatings	127	171	130	428
173	147	169	133	622	Specialty Chemicals	140	154	133	427
(39)	(11)	(39)	(86)	(175)	Other activities/eliminations	(61)	(60)	(67)	(188)
277	428	301	36	1,042	**Total**	**191**	**375**	**(2,233)**	**(1,667)**

Quarterly statistics

Q1 2011	Q2 2011	Q3 2011	Q4 2011	2011 year	in € millions	Q1 2012	Q2 2012	Q3 2012	2012 year-to-date
Incidentals per Business Area									
(2)	(4)	(38)	(49)	(93)	Decorative Paints	(34)	(7)	(2,516)	(2,557)
(9)	13	(15)	(26)	(37)	Performance Coatings	(5)	(9)	(39)	(53)
(1)	(4)	–	2	(3)	Specialty Chemicals	(21)	(23)	(19)	(63)
–	22	2	(24)	–	Other activities/eliminations	(4)	(9)	(27)	(40)
(12)	**27**	**(51)**	**(97)**	**(133)**	**Total**	**(64)**	**(48)**	**(2,601)**	**(2,713)**
Incidentals included in operating income/(loss)									
(9)	(20)	(47)	(55)	(131)	Restructuring costs	(46)	(44)	(101)	(191)
–	–	–	–	–	Impairment	–	–	(2,478)	(2,478)
1	21	2	(33)	(9)	Results related to major legal and environmental cases	(22)	3	(5)	(24)
–	26	(5)	(11)	10	Results on acquisitions and divestments	–	–	(6)	(6)
(4)	–	(1)	2	(3)	Other incidental results	4	(7)	(11)	(14)
(12)	**27**	**(51)**	**(97)**	**(133)**	**Total**	**(64)**	**(48)**	**(2,601)**	**(2,713)**
Incidentals per line item									
(4)	(5)	(25)	(18)	(52)	Cost of sales	(35)	(10)	(21)	(66)
–	–	–	–	–	Impairment	–	–	(2,478)	(2,478)
(3)	(9)	(20)	(34)	(66)	Selling expenses	(9)	(21)	(51)	(81)
(1)	(4)	(1)	(18)	(24)	General and administrative expenses	(20)	(10)	(20)	(50)
–	–	(1)	(8)	(9)	Research and development expenses	(1)	(2)	(5)	(8)
(4)	45	(4)	(19)	18	Other operating income/(expenses)	1	(5)	(26)	(30)
(12)	**27**	**(51)**	**(97)**	**(133)**	**Total**	**(64)**	**(48)**	**(2,601)**	**(2,713)**
Reconciliation net financing expense									
14	17	14	12	57	Financing income	15	17	16	48
(61)	(59)	(57)	(125)	(302)	Financing expenses	(57)	(65)	(58)	(180)
(47)	**(42)**	**(43)**	**(113)**	**(245)**	**Net interest on net debt**	**(42)**	**(48)**	**(42)**	**(132)**
Other interest movements									
(16)	(13)	(15)	(15)	(59)	Financing expenses related to pensions	(16)	(16)	(16)	(48)
(5)	(12)	(13)	(16)	(46)	Interest on provisions	(3)	(18)	(9)	(30)
5	3	1	3	12	Other items	(4)	–	1	(3)
(16)	**(22)**	**(27)**	**(28)**	**(93)**	**Net other financing charges**	**(23)**	**(34)**	**(24)**	**(81)**
(63)	**(64)**	**(70)**	**(141)**	**(338)**	**Net financing expenses**	**(65)**	**(82)**	**(66)**	**(213)**
Quarterly net income analysis									
7	8	9	(1)	23	Results from associates and joint ventures	4	5	5	14
(16)	(22)	(18)	(8)	(64)	Profit attributable to non-controlling interests	(14)	(21)	(10)	(45)
221	372	240	(106)	727	Profit/(loss) before tax	130	298	(2,294)	(1,866)
(73)	(99)	(74)	52	(194)	Income tax	(46)	(80)	(56)	(182)
148	273	166	(54)	533	Profit/(loss) for the period from continuing operations	84	218	(2,350)	(2,048)
33	27	31	49	27	Effective tax rate (in %)	35	27	(2)	(10)

Quarterly statistics

Q1	Q2	Q3	Q4	2011 year		Q1	Q2	Q3	2012 year-to-date
Earnings per share from continuing operations (in €)									
0.57	1.07	0.63	(0.26)	2.01	Basic	0.30	0.83	(9.91)	(8.84)
0.56	1.07	0.63	(0.26)	1.99	Diluted	0.30	0.82	(9.91)	(8.84)
Earnings per share from discontinued operations (in €)									
(0.02)	0.07	–	(0.03)	0.03	Basic	–	0.02	(0.09)	(0.07)
(0.02)	0.07	–	(0.03)	0.03	Diluted	–	0.02	(0.09)	(0.07)
Earnings per share from total operations (in €)									
0.55	1.14	0.63	(0.29)	2.04	Basic	0.30	0.85	(10.00)	(8.91)
0.54	1.14	0.63	(0.29)	2.02	Diluted	0.30	0.84	(10.00)	(8.91)
Number of shares (in millions)									
233.6	233.9	234.0	234.3	233.9	Weighted average number of shares	235.1	236.9	238.2	236.8
233.7	234.0	234.0	234.7	234.7	Number of shares at end of quarter	235.6	238.2	238.2	238.2
Adjusted earnings (in € millions)									
221	372	240	(106)	727	Profit/(loss) before tax from continuing operations	130	298	(2,294)	(1,866)
12	(27)	51	97	133	Incidentals reported in operating income/(loss)	64	48	2,601	2,713
40	40	41	49	170	Amortization of intangible assets	46	47	49	142
(88)	(107)	(100)	9	(286)	Adjusted income tax	(78)	(106)	(106)	(290)
(16)	(22)	(18)	(8)	(64)	Non-controlling interests	(14)	(21)	(10)	(45)
169	**256**	**214**	**41**	**680**	**Adjusted net income for continuing operations**	**148**	**266**	**240**	**654**
0.72	**1.09**	**0.91**	**0.17**	**2.91**	**Adjusted earnings per share (in €)**	**0.63**	**1.12**	**1.01**	**2.76**

Notes to the condensed financial statements

Accounting policies
This interim financial report is in compliance with IAS 34 "Interim Financial Reporting". This report is unaudited. The accounting principles are as applied in the 2011 financial statements.

Operating working capital is defined as the sum of inventories, trade receivables and trade payables in the Business Areas. We have adjusted the definitions of trade receivables as well as trade payables to include supplier related receivables and customer related payables. The 2011 figures have been adjusted accordingly.

As from 2013, the amended IAS 19 on pensions will become effective and the impact will be disclosed in our 2012 financial statements. Implementation of this amendment will result amongst others in including the non-cash movements in the pension deficit, as disclosed on page 14, in other comprehensive income in shareholders' equity. In addition, we expect a limited positive effect on EBITDA and financing expenses.

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

The "other" category
In the category "other" we report activities which are not allocated to a particular business area. Corporate costs are the unallocated costs of our head office and shared services center in the Netherlands. Pensions reflects pension costs after the elimination of interest cost (reported as financing expenses). Insurances are the results from our captive insurance companies. Other includes the cost of share-based compensation and company projects, the results of treasury and legacy operations as well as the unallocated cost of some country organizations.

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

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

EBIT is operating income before incidentals.

EBIT margin is EBIT as percentage of revenue.

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

EBITDA margin is EBITDA as percentage of revenue.

Emerging Europe: Central and Eastern Europe (excluding Austria), Baltic States and Turkey.

Incidentals are special charges and benefits, results on acquisitions and divestments, restructuring and impairment charges, and charges related to major legal, anti-trust, 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.

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

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

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

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

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

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

Operating working capital is defined as the sum of inventories, trade receivables and trade payables in the Business Areas. Starting 2012 we have changed the definitions of trade receivables as well as trade payables. Trade receivables now include supplier related receivables while in trade payables customer related payables have been included. The 2011 figures have been adjusted to align with the 2012 definitions. When expressed as a ratio, operating working capital is measured against four times last quarter revenue.

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

Ex-dividend date of 2012 interim dividend	October 22, 2012
Record date of 2012 interim dividend	October 24, 2012
Election period cash or stock interim dividend	October 25, 2012 - November 16, 2012
Payment date of cash dividend and delivery of new shares	November 23, 2012
Report for 2012 and the 4th quarter	February 20, 2013
Report for the 1st quarter 2013	April 18, 2013
Annual General Meeting	April 26, 2013
Report for the 2nd quarter 2013	July 18, 2013
Report for the 3rd quarter 2013	October 21, 2013

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

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