Year of transformation

Report for the year and 4th quarter of 2007

Contents

AKZO NOBEL

Report for the year 2007

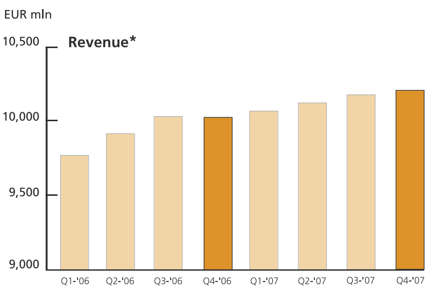
Highlights for 2007

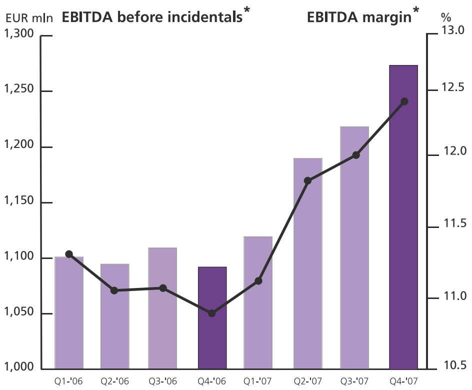
2007 – strong operational focus during transformational year

- 5% autonomous growth
- EBIT[1] up 25%; reaping the benefits from margin management and cost savings
- EBITDA[1] margin further improved to 12.4%
- EUR 8.5 billion profit on the divestment of Organon BioSciences
- ICI acquisition completed as of January 2, 2008
- Pension deficit significantly down from EUR 1.8 billion to EUR 1.1 billion
- EUR 1.6 billion share buyback program completed
- Dividend increased 50% from EUR 1.20 to EUR 1.80 per common share
- Akzo Nobel tops DJSI sustainability ranking

4th quarter			Millions of euros or %	Full year		
2007	2006	Δ%		**2007**	2006	Δ%
			Continuing operations (Coatings and Chemicals) before incidentals:			
2,431	2,374	2	Revenue	**10,217**	10,023	2
264	217	22	EBITDA	**1,271**	1,104	15
10.9	9.1		EBITDA margin	**12.4**	11.0	
174	122	43	EBIT	**916**	733	25
7.2	5.1		EBIT margin	**9.0**	7.3	
125	77	62	Net income from continuing operations	**580**	449	29
0.48	0.27	78	– per share, in EUR	**2.10**	1.57	34
			Moving average ROI	**16.8**	13.3	
			Including incidentals:			
71	153	(54)	EBIT from continuing operations	**747**	859	(13)
16	137	(88)	Net income from continuing operations	**410**	715	(43)
8,517	93		Net income from discontinued operations (Organon BioSciences)	**8,920**	438	
8,533	230	3,610	Net income[1] (attributable to equity holders)	**9,330**	1,153	709
32.53	0.80	3,959	Earnings per share, in EUR	**33.82**	4.02	740
			Invested capital at year-end	**5,197**	8,060	
			Net interest-bearing (cash)/borrowings	**(8,039)**	1,090	

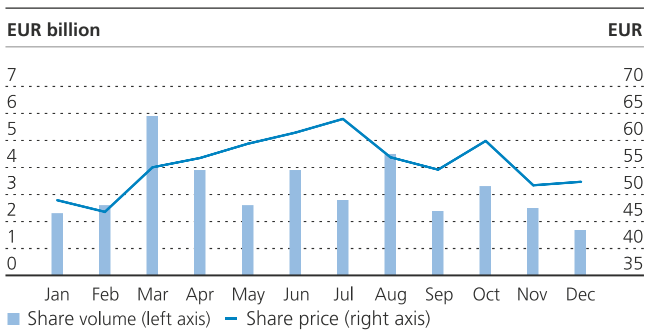
[1] Continuing operations before incidentals.





*** Last 12 months continuing operations**

Share price performance and share volume in 2007



Year of transformation

In the space of 12 months, Akzo Nobel completed a strategic transformation which dramatically changed the focus of our operations. It began with the divestment of the pharmaceutical activities (Organon BioSciences) to Schering-Plough for EUR 11 billion. This was finalized in November 2007, and while it marked the end of an era for the company, it made sound business sense. This was followed by the acquisition of Imperial Chemical Industries plc (ICI), a deal which closed on January 2, 2008, and opened an historic new chapter.

These major transactions transformed Akzo Nobel from a conglomerate into a focused industrial force; a true global leader in coatings and specialty chemicals. The company has brought together two great companies with proud histories of sustained achievement. Together, our combined global presence, technologies, products, brands, and expertise will help our customers, and Akzo Nobel, to become even more successful. Through an on-sale of certain ICI assets to Henkel AG, Akzo Nobel expects the acquisition to be value enhancing within three years. This is fully in line with the strategic goal of medium-term value creation. The deal has also enabled the company to commit to a share buyback program totaling EUR 4.6 billion, with EUR 1.6 billion of that amount having already been repurchased during 2007.

Revenues – 5% autonomous growth

2007 **revenue** amounted to EUR 10.2 billion, up 2% on 2006, mainly realized in the emerging markets. Autonomous growth was 5%, with both Coatings and Chemicals contributing to the 2% volume growth and 3% selling price increase. Currency translation had a negative impact of 2%. Acquisitions added 2%, mainly attributable to Sico and Chemcraft at Coatings. The Chemicals divestment program – which was completed during the year – coupled with the outsourcing of services, led to a 3% decrease. Total revenue of Akzo Nobel in 2007 developed as follows:

In % versus 2006	Total	Volume	Price	Currency translation	Acquisitions/ divestments
Coatings	5	2	2	(2)	3
Chemicals	3	3	4	(2)	(2)
Akzo Nobel	**2**	**2**	**3**	**(2)**	**(1)**[1]

[1] Included is the effect of the divestment of certain activities in Other.

EBIT up 25%; EBITDA improved 15%

Operating income before incidentals rose 25% to EUR 916 million (2006: EUR 733 million). The EBIT margin was 9.0%, compared with 7.3% in 2006. Both Coatings and Chemicals realized strong autonomous growth and reaped the benefits from margin management and cost saving actions. The improvement in EBIT reported as Other was mainly caused by favorable IAS 39 fair value adjustments.

EBITDA before incidentals grew 15% to EUR 1,271 million, with both Coatings and Chemicals contributing to this increase. The EBITDA margin rose to 12.4% (2006: 11.0%). Coatings achieved an EBITDA margin of 11.3% compared with 10.6% in 2006. Chemicals' EBITDA margin increased from 15.8% to 16.8% in 2007.

Including incidentals, **operating income** decreased 13% to EUR 747 million, with an EBIT margin of 7.3% (2006: 8.6%). **Incidentals** in 2007 on balance were a loss of EUR 169 million, compared with a gain of EUR 126 million in 2006. The 2007 losses mainly related to restructuring and impairment charges at several Coatings and Chemicals sites. In addition, a provision of EUR 66 million was recognized for postretirement healthcare costs due to the loss of a court case in the Netherlands, for which the company intends to appeal. The 2006 figures included gains for several divestments from the Chemicals divestment program started in 2005 and special benefits in respect of the U.S. postretirement benefit schemes. Details on incidentals are as follows:

Millions of euros	**2007**	2006
Special charges/benefits	**(55)**	28
Results on divestments	**(23)**	206
Restructuring and impairment charges	**(62)**	(104)
Charges related to major legal, antitrust and environmental cases	**(29)**	(4)
Total incidentals	**(169)**	126

Net **financing charges** included incidental expenditures of EUR 40 million for the financing of the ICI acquisition, which had to be expensed into 2007 in accordance with IFRS. Excluding these expenses, net financing charges decreased from EUR 106 million to EUR 80 million in 2007, mainly due to the EUR 10.7 billion net cash proceeds from the divestment of Organon BioSciences on November 19. Interest coverage was 6.2 (2006: 8.1).

The **share in result of associates and joint ventures** was a loss of EUR 20 million, compared with a profit of EUR 87 million in 2006. The 2007 result included incidental charges of EUR 47 million, related to the completion of the Chemicals divestment program started in 2005. In 2006, incidental gains of EUR 39 million were recognized, mainly related to Acordis. The result of associates and joint ventures decreased after the divestment of Flexsys on May 1, 2007.

The **income tax** charge in 2007 was 27%, compared with 11% in 2006. The 2007 tax charge included an incidental benefit of EUR 37 million (2006: EUR 125 million), attributable to agreements with tax authorities in several countries on transfer pricing issues related to the company's corporate income tax filings covering a period of several years. In addition, 2007 earnings included nontax-deductible incidental charges, while in 2006 tax-free incidental gains were realized. The tax charge on operational earnings, excluding incidentals, amounted to approximately 29% in both years.

Operational net income substantially up – profit on Organon BioSciences divestment of EUR 8.5 billion

Net income from continuing operations **before incidentals** increased 29% to EUR 580 million. On this basis, earnings per share rose 34% to EUR 2.10 (2006: EUR 1.57). The increase in earnings per share was higher than the net income increase because the share buyback program reduced the number of shares outstanding. Including incidentals, net income from continuing operations was down 43% to EUR 410 million. Earnings per share including incidentals decreased 40% to EUR 1.49 (2006: EUR 2.50).

In 2007, the results of Organon BioSciences were included until November 19, the date on which it was divested to Schering-Plough for EUR 11 billion. The profit on the divestment amounted to EUR 8,460 million.

Net income amounted to EUR 9,330 million (2006: EUR 1,153 million), by far the highest ever achieved by the company. Earnings per share were EUR 33.82, compared with EUR 4.02 in 2006.

Net income breaks down as follows:

Millions of euros or %	Net income before incidentals			Net income	
	2007	2006	Δ%	**2007**	2006
Continuing operations	**580**	449	29	**410**	715
Discontinued operations[1]	**458**	423		**8,920**	438
Akzo Nobel	**1,038**	872	19	**9,330**	1,153

[1] In 2007, the Organon BioSciences results were included until November 19, the date on which date it was divested to Schering-Plough.

Dividend – increase from EUR 1.20 to EUR 1.80 per common share proposed

For 2007, a total dividend of EUR 1.80 per common share will be proposed at the Annual General Meeting of Shareholders on April 22, 2008. On October 31, 2007, out of this already an interim dividend of EUR 0.40 was declared and paid. Adoption of this proposal will result in a total dividend payment of EUR 472 million, representing a payout ratio of 45.5% relative to net income before incidentals. This is in line with the earlier announced increased minimum pay-out ratio of 45%. Subject to shareholder approval of this dividend proposal, the Akzo Nobel share will trade ex-dividend from April 24, 2008, and the final dividend will be made payable on May 7, 2008.

Pension funding status improved by EUR 0.7 billion

The funded status of the company's pension obligations at December 31, 2007, was an underfunding position of EUR 1,126 million, compared with EUR 1,818 million at year-end 2006. The improvement was caused by additional payments made especially into the U.K. pension fund, higher discount rates, divestments, and currency translation.

Workforce

Akzo Nobel's workforce totaled 42,600 employees, slightly down from the 42,690 employees at year-end 2006 for Coatings and Chemicals. Growth of our business in emerging markets resulted in a workforce expansion of 990, while restructuring programs in the mature markets resulted in a decrease of 520. Acquisitions added 580 employees, while divestments resulted in an outflow of 1,140.

Akzo Nobel tops DJSI sustainability ranking

In September 2007, Akzo Nobel was ranked as the chemicals industry leader on the prestigious Dow Jones Sustainability World Indexes (DJSI), recognizing the company's ongoing commitment to improving its corporate social responsibility performance. Rated on the index for the third successive year, Akzo Nobel again improved its average score on the individual indicators and achieved a best-ever overall mark, thus becoming the global sector leader for the chemicals industry.
As a company we are well positioned to deliver sustainable solutions for our customers, while at the same time creating top-line growth.

Building momentum

There are various signals which indicate that the macro economic conditions in 2008 will become more challenging. The ongoing pressure created by raw material prices, volatility in major currencies and a slowdown in overall growth in North America and Europe will make for a testing environment. However, we are confident that our strategic transformation has maneuvered the company into a position of strength. In the years to come we will deliver on our promise of outgrowing our markets and further improving the bottom line. Much of our energy during 2008 will be devoted to successfully integrating ICI's businesses and achieving the first round of synergies.
We have dedicated teams in place working hard to ensure a fast and effective integration process, which is expected to realize full annual cost synergies of around EUR 280 million by 2010. Our efforts are being channeled into building on the momentum we have already created and making sure that the enlarged Akzo Nobel delivers on the full potential that this combination offers.

Information on discontinued operations – Organon BioSciences

2007 income from discontinued operations

Millions of euros	January-December	
	2007	2006
Revenue	**3,285**	3,714
Expenses	**(2,656)**	(3,114)
Profit before tax	**629**	600
Income taxes	**(169)**	(162)
Gain on divestment, after tax	**8,460**	–
Income from discontinued operations	**8,920**	438

On March 12, 2007, the company announced its intention to divest Organon BioSciences (OBS) to Schering-Plough, following their binding cash offer of EUR 11 billion. As a consequence, in accordance with IFRS 5, the OBS activities qualify as so-called discontinued operations. As a result, going forward depreciation or amortization were no longer recognized for the OBS activities, as a result of which pre-tax results increased by EUR 64 million, of which EUR 11 million was recognized in the fourth quarter of 2007.

On November 19, 2007, the OBS activities were transferred to Schering Plough for a cash consideration of EUR 11 billion. As from that date the results of OBS are no longer consolidated into Akzo Nobel's statement of income.

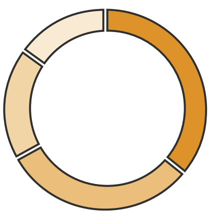
Coatings – benefiting from autonomous growth and cost savings

- Autonomous revenue growth 4% – both volumes and prices 2% higher
- Operational results up 15% – benefiting from margin management and cost saving programs
- EBITDA margin of 11.3%
- Decorative Coatings – substantial earnings improvement
- Industrial activities – solid performance despite slow demand; acquisition of Chemcraft completed
- Marine and Protective Coatings – another record year
- Car Refinishes – improved performance

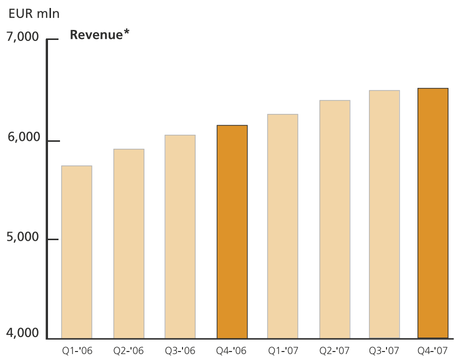
Millions of euros or %	**2007**	2006[1]	Δ%
Revenue			
Decorative Coatings	**2,407**	2,259	
Industrial activities[2]	**2,052**	1,986	
Marine & Protective Coatings	**1,251**	1,130	
Car Refinishes	**910**	922	
Intragroup revenue/other	**(83)**	(88)	
Total	**6,537**	6,209	5
EBITDA before incidentals	**737**	658	12
EBITDA margin	**11.3**	10.6	
EBIT before incidentals	**594**	518	15
EBIT margin	**9.1**	8.3	
Moving average ROI	**21.1**	20.2	
EBIT (operating income)	**557**	604	(8)
EBIT margin	**8.5**	9.7	
Capital expenditures	**158**	135	
Invested capital at year-end	**2,756**	2,653	
Capital turnover	**2.42**	2.53	
Number of employees at year-end	**32,540**	31,660	

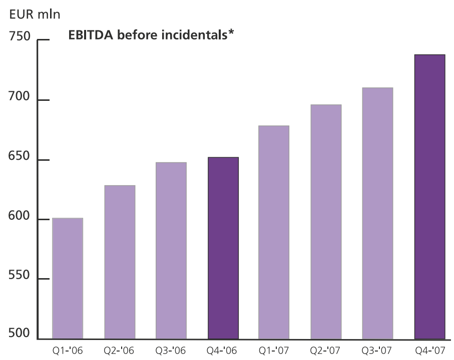
[1] The 2006 figures have been restated for minor changes in the business unit structure.
[2] The industrial activities comprise the business units Industrial Finishes and Powder Coatings.

2007 revenue split



EUR 6.5 billion	%
Decorative Coatings	36
Industrial activities	31
Marine & Protective Coatings	19
Car Refinishes	14





*** Last 12 months continuing operations**

Overview
Coatings reported an excellent performance over 2007, despite difficult market conditions in the industrial coatings markets. Revenue growth was 5%, driven by autonomous growth of 4%. Both volumes and prices were up 2%. Acquisitions and divestments, on balance, contributed 3% to the top line. Currencies had a 2% negative impact.

Operational results were up 15% to EUR 594 million, due to autonomous growth and the benefits from margin management and restructuring programs. The EBIT margin rose from 8.3% to 9.1% in 2007. Before incidentals, EBITDA grew 12% to EUR 737 million, with the EBITDA margin improving to 11.3% (2006: 10.6%).

Including incidentals, EBIT amounted to EUR 557 million, down 8% from 2006. Incidental losses of EUR 37 million in 2007 mainly related to restructuring and impairment charges. In 2006, a net incidental gain of EUR 86 million was posted, which included the profit on the divestment of a site near Barcelona, Spain.

With the recent acquisition of ICI, the Coatings businesses are well positioned in terms of geographical spread, portfolio, brands, and technology to continue to deliver further profitable growth.

Decorative Coatings
Decorative Coatings reported healthy revenue growth, driven by the acquisition of Sico and autonomous growth. Growth was mainly realized in the emerging markets of Asia and Eastern Europe. Margin management programs have contributed to the improvement of margins, while cost saving initiatives delivered operating cost benefits. As a result, performance clearly improved compared with the previous year. Programs on complexity reduction and brand clustering are being implemented worldwide, resulting in brand synergies, improved sharing of best practices, stronger market impact and further efficiency improvements. The business is now merging with the ICI units with the promise of further sustainable improvement of profitability.

Industrial activities
The unfavorable economic conditions in the North American housing market have prevented Industrial Finishes from repeating the exceptionally strong performance of 2006. This was partly due to the fact that the effects of the downturn also impacted the Asian-based export-driven business. However, the Chemcraft acquisition has strategically strengthened the position in North America and the underlying financial figures remain healthy. In addition, significant growth continued in Vietnam, India, Russia, and Eastern Europe. Powder Coatings achieved healthy autonomous growth, performing well in Europe and Asia, despite currency headwinds. Margins were under pressure from increased raw material prices.

Marine & Protective Coatings
Marine & Protective Coatings turned in another record year with all activities contributing to the double-digit growth, despite serious negative currency influences. The Marine business grew significantly during 2007, due to strong volume growth, in particular in Asia, and the continuing success of the Intersleek® product offerings. The Protective business demonstrated equally impressive growth related to strong wet paint sales in all regions and solid performance of Chartek®. In addition, the successful integration of Ceilcote also contributed to the excellent performance. 2007 was a strong year for the Yacht business overall, due to buoyant market conditions in the professional market, particularly in Eastern Europe. Aerospace activities had a record year with strong sales in all regions, particularly Asia Pacific.

Car Refinishes
Car Refinishes improved its profitability despite slightly lower revenue. The latter was due to the divestment of the business' share in the automotive passenger car coatings activities of Kemipol in Turkey and weaker key currencies. The business successfully compensated somewhat lower volumes with price increases, thus realizing positive autonomous growth.
On the Car Refinishes side, the business beat the markets in both Asia and the EMEA (Europe, Middle East, and Africa) region. Good growth was also achieved in South America, while business was very strong in India. Within Automotive Plastic Coatings (APC), Europe turned in a record year and the Americas region outperformed the market in its largest activity, bodyshop collision repair. Initiatives to further improve the cost structure were implemented throughout the year, further boosting the overall performance. Many new contracts were also secured, including an agreement with the Royal Bank of Scotland – the largest car insurer in the United Kingdom – which involved Car Refinishes becoming the exclusive paint supplier for their U.K. repair network.

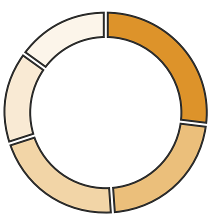
Chemicals – record year

- 7% autonomous growth – negative impact from currency (2%) and divestments (2%)
- Operational result up 20%
- EBITDA margin of 16.8%
- Active margin management offsetting impact of steep raw material and energy price rises
- Moving average ROI at all-time high of 21.7%
- All business units turned in solid earnings increases

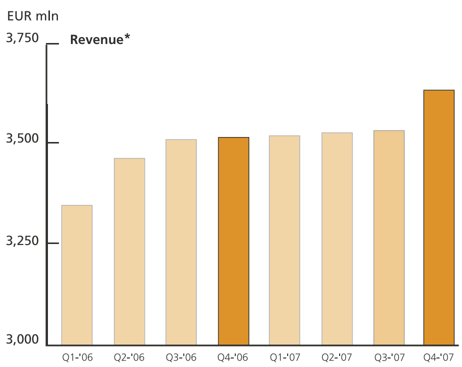
Millions of euros or %	**2007**	2006[1]	Δ%
Revenue			
Pulp & Paper Chemicals	**993**	966	
Base Chemicals	**877**	891	
Functional Chemicals	**794**	732	
Surfactants	**556**	523	
Polymer Chemicals	**524**	516	
Intragroup revenue/other	**(105)**	(106)	
Total	**3,639**	3,522	3
EBITDA before incidentals	**610**	558	9
EBITDA margin	**16.8**	15.8	
EBIT before incidentals	**408**	339	20
EBIT margin	**11.2**	9.6	
Moving average ROI	**21.7**	17.8	
EBIT (operating income)	**382**	321	19
EBIT margin	**10.5**	9.1	
Capital expenditures	**191**	223	
Invested capital at year-end	**1,870**	1,960	
Capital turnover	**1.90**	1.79	
Number of employees at year-end	**8,900**	9,300	

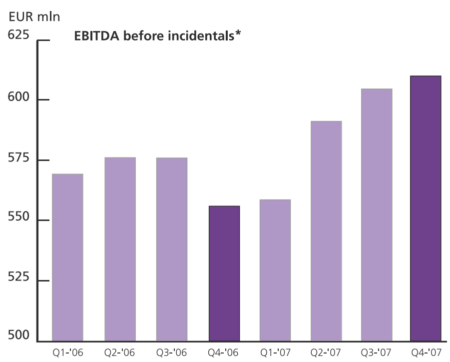
[1] The 2006 figures have been restated for minor changes in the business unit structure. In addition, the activities (to be) divested have now been included under Other at company level. This includes the results on divestments for these activities.

2007 revenue split



EUR 3.6 billion	%
Pulp & Paper Chemicals	27
Base Chemicals	23
Functional Chemicals	21
Surfactants	15
Polymer Chemicals	14





*** Last 12 months continuing operations**

Overview

Chemicals reported a record performance in 2007, reflecting its improved overall portfolio after the restructuring of activities implemented during 2006. Autonomous growth was 7%, with prices up 4% and a volume increase of 3%. Currencies had a negative impact of 2%, primarily attributable to the U.S. dollar.

The continuous rise of raw material and energy prices was more than offset by autonomous growth, margin management, and cost savings. Before incidentals, EBITDA increased 9% to EUR 610 million with an EBITDA margin of close to 17%, a full percentage point above 2006. EBIT surged 20% to EUR 408 million. The EBIT margin was up from 9.6% to 11.2%. Base Chemicals' results were up on the previous year, with a substantially improved result in Energy. Functional Chemicals achieved far better results from its Ethylene Amines operations, which have overcome the production problems at their Stenungsund site during the latter part of 2006.

Including incidentals, operating income increased 19% to EUR 382 million.

Pulp & Paper Chemicals

Pulp & Paper Chemicals realized a strong improvement in all its activities and markets, even though the business had to cope with heavy raw material price increases, primarily for electricity. The business managed its costs well and there was strong demand for its products, notably sodium chlorate – particularly in the Americas and Asia. The business was also able to compensate for raw material price rises in most areas. Overall, it was a very good year. Results in Europe improved especially, due to a combination of restructuring efforts and margin management. In the Americas, volumes developed favorably, notably in Latin America. In North America, results were impacted by the weaker U.S. dollar and increased energy prices. Asia Pacific turned in a level of growth consistent with previous years. A new application for the Purate® water treatment process was successfully introduced to replace biocides for slime control in paper production.

Base Chemicals

Base Chemicals achieved a record financial performance. Although the Salt and Energy activities felt the pressure of the energy price hikes, various measures were initiated at the Salt business to offset these effects. This included introducing projects to reduce dependency on the primary fuel source, gas. The Energy activities benefited from temporary favorable market conditions. The Chlor-Alkali business continued to perform at a high level, benefiting from improved market conditions and cost savings, which more than offset the impact from higher energy prices. MCA (monochloroacetic acid) improved considerably on the previous year in an increasingly competitive environment. The new MCA plant in Delfzijl in the Netherlands is now running smoothly after a challenging start-up in 2006.

Functional Chemicals

Functional Chemicals delivered a clear improvement over the previous year. The unit reported strong revenue growth of 8%, which was driven by volumes and prices. This autonomous growth, coupled with good cost management, more than offset the raw material cost increases and the negative currency impact during 2007. The increase in operational results was driven by the Ethylene Amines business, which performed significantly better than in 2006, when in the latter part of that year, production slowed down due to major maintenance and capacity expansion stops. Cellulosic Specialties made further progress in improving its CMC (carboxy-methyl cellulose) business. Salt Specialties successfully managed margins in combination with on-plan delivery of restructuring activities. Sulfur Derivatives, on the whole, was slightly below the previous year. A strong result in Sulfur Products could not completely offset the lower performance of Polysulfides, which in 2007 faced margin pressure and start-up expenses relating to the new Taixing plant in China. Chelates experienced a difficult year in 2007, due to the rise in raw material costs and production issues at its North American operations.

Surfactants

The Surfactants business realized 6% higher revenue, due to strong volume growth from, among others, the Feixiang alliance export sales. There was strong demand throughout the surfactant industry during the year. High grain prices and good weather drove the agro chemical market, while biofuel demand led to more pesticide production globally. The mining and asphalt activities were stimulated by infrastructure investments in the emerging markets, especially China. Oil and gas prices stimulated demand in the oilfield and fuel additive sectors. Raw material costs increased substantially due to higher fat and oil feedstock prices, but the business managed margins through selling price increases, although there was some delay in passing these on during the year. This was essentially due to the speed of raw material price escalation. Production costs were well under control. The McCook plant closure was carried out according to plan mid-2007. Overall, this helped the business to achieve a substantial increase in its operating income for the 2007.

Polymer Chemicals

Revenue was 2% higher than in 2006. Selling prices were increased by 4%, while volumes grew 2%. There was a negative currency impact of 4%. Overall, the business turned in a clearly improved operational performance. The biggest contributing factor was further improvement in production and operational efficiency. High Polymer Specialties was slightly above 2006, despite the weakness of the residential housing market in the United States. Organometallic Specialties improved considerably compared with the previous year, mainly due to price increases in its metal alkyls business. The Thermoset and Cross-linking Peroxides activities and the Polymer Additives activities benefited from strong market demand, especially in Asia Pacific and Europe.

Condensed consolidated statement of cash flows

Millions of euros	January-December			
		2007		2006[1]
Profit for the period	**9,361**		1,182	
Income of discontinued operations	**(8,920)**		(438)	
Adjustments to reconcile earnings to cash generated from operating activities:				
Depreciation and amortization	**355**		371	
Impairment losses	**11**		29	
Financing income and expenses	**120**		106	
Share in profit of associates	**(25)**		(77)	
Income tax	**166**		96	
Operating profit before changes in working capital and provisions		**1,068**		1,269
Changes in working capital	**73**		185	
Changes in provisions	**(256)**		(202)	
Other	**11**		18	
		(172)		1
Cash generated from operating activities		**896**		1,270
Interest paid	**(212)**		(205)	
Income tax paid	**(111)**		(285)	
Pre-tax loss/(gain) on divestments	**70**		(206)	
		(253)		(696)
Net cash from operating activities		**643**		574
Capital expenditures	**(359)**		(371)	
Interest received	**119**		109	
Repayments and dividends from associates	**26**		36	
Acquisition of consolidated companies[2]	**(159)**		(318)	
Currency swap for investing purposes	**(349)**			
Proceeds from sale of interests[2]	**171**		360	
Other changes in noncurrent assets	**(292)**		43	
Net cash from investing activities		**(843)**		(141)
Changes in borrowings	**422**		(17)	
Termination of currency swap	**68**		21	
Issue of shares for stock option plan	**73**		40	
Buyback of shares	**(1,600)**			
Dividends	**(398)**		(369)	
Net cash from financing activities		**(1,435)**		(325)
Net cash from continuing operations		**(1,635)**		108
Cash flows from discontinued operations				
Net cash from operating activities	**437**		533	
Net cash from investing activities	**10,678**		(167)	
Net cash from financing activities	**(32)**		(10)	
		11,083		356
Net change in cash and cash equivalents[3] of continued and discontinued operations		**9,448**		464
Cash and cash equivalents[3] at January 1		**1,631**		1,188
Effect of exchange rate changes on cash and cash equivalents[3]		**(12)**		(21)
Cash and cash equivalents[3] at December 31		**11,067**		1,631

[1] Reclassified for comparative reasons. [2] Net of cash acquired or disposed of. [3] Less debt to credit institutions.

EUR 9.4 billion increase of net cash position – due to proceeds from Organon BioSciences divestment

Cash and cash equivalents less debts to credit institutions increased EUR 9.4 billion during 2007, compared with an increase of EUR 464 million in 2006. The difference was mainly attributable to the net proceeds (less cash disposed of) from the divestment of Organon BioSciences of EUR 10.7 billion, partially offset by the EUR 1.6 billion share buyback program.

Net cash from operational activities increased 12% from EUR 574 million in 2006 to EUR 643 million in 2007. The decrease of working capital was somewhat lower than in 2006, due to the strong 6% autonomous revenue growth of the company in the fourth quarter of 2007. Changes in provisions include pension top-up payments made in the United Kingdom. Tax payments decreased significantly from 2006, when tax assessments for several years were settled in certain tax jurisdictions.

Capital expenditures amounted to EUR 359 million, slightly below the 2006 level. Capital expenditures were 108% of depreciation (2006: 106%). Expenditures were up at Coatings, but down at Chemicals.

2007 **acquisition expenditures** predominantly related to Chemcraft. Last year's expenditures mainly concerned Sico. The **currency swap for investing purposes** concerned the payments on the forward exchange contracts to hedge the currency risk on the ICI acquisition.

Proceeds from the sale of interests both in 2007 and 2006, proceeds include installment payments for the divestment of a Coatings plant near Barcelona, Spain (divested in 2006), and to the sale of several Chemicals activities under the divestment program initiated in 2005, including Flexsys in 2007. Included in net cash from financing activities of the discontinued operations is the EUR 10.7 billion net proceeds (less cash disposed of) from the divestment of Organon BioSciences.

Included in "Other changes in noncurrent assets" is a payment of EUR 286 million into an escrow account of the Akzo Nobel pension fund in the United Kingdom.

Condensed consolidated balance sheet

Millions of euros	**December 31, 2007**	December 31, 2006 pro forma	December 31, 2006
Property, plant and equipment	**2,203**	2,249	3,346
Intangible assets	**669**	536	682
Financial noncurrent assets	**1,402**	1,351	1,706
Total noncurrent assets	**4,274**	4,136	5,734
Inventories	**1,177**	1,190	2,042
Receivables	**2,164**	2,111	2,919
Cash and cash equivalents	**11,628**	1,871	1,871
Assets held for sale		3,477	219
Total current assets	**14,969**	8,649	7,051
Total assets	**19,243**	12,785	12,785
Akzo Nobel N.V. shareholders' equity	**11,032**	4,144	4,144
Minority interest	**97**	119	119
Total equity	**11,129**	4,263	4,263
Provisions	**1,598**	1,910	2,132
Deferred income			7
Deferred tax liabilities	**133**	149	174
Long-term borrowings	**1,954**	2,505	2,551
Total noncurrent liabilities	**3,685**	4,564	4,864
Short-term borrowings	**1,635**	304	410
Current payables	**2,794**	2,486	3,223
Liabilities held for sale		1,168	25
Total current liabilities	**4,429**	3,958	3,658
Total equity and liabilities	**19,243**	12,785	12,785
Shareholders' equity per share, in EUR	**42.06**		14.44
Number of shares outstanding, in millions	**262.3**		287.0
Invested capital	**5,197**		8,060

In the December 31, 2006 pro forma column, Organon BioSciences has been treated as if it would qualify as discontinued operation as of that date.

Strong balance sheet - temporary high cash position in anticipation of ICI acquisition

Invested capital at December 31, 2007 amounted to EUR 5.2 billion, down EUR 2.9 billion on December 31, 2006. EUR 2.6 billion of the decrease related to the divestment of Organon BioSciences. Currency translation caused a reduction of EUR 0.2 billion.

During 2007, **equity** increased EUR 6.9 billion. Retained income amounted to EUR 9.0 billion, while the share buyback program resulted in a EUR 1.6 billion decrease. Losses on forward exchange contracts deferred in equity during 2007 amounted to EUR 0.5 billion.

The company started a share buyback program for EUR 1.6 billion on May 3, 2007, which was completed on August 27, 2007. The total number of shares repurchased and cancelled under this program was 26,736,674 common shares. These shares were repurchased at an average price of EUR 59.84. The total number of common shares outstanding at December 31, 2007 amounted to 262,322,775.

Akzo Nobel intends to return an additional EUR 3 billion to its shareholders, commencing in 2008, subject to shareholder approval, completion of the sale of Organon BioSciences, and completion of the on-sale of certain ICI activities to Henkel.

In the context of the intended acquisition of ICI, the company has concluded forward exchange contracts and currency swaps to hedge the currency risk on the transaction. Per December 31, 2007, contracts had been concluded for GBP 5.3 billion net. These contracts are accounted for as cash flow hedge.

The **net interest-bearing cash** position at December 31, 2007 was EUR 8.0 billion, compared with a net borrowings position of EUR 1.1 billion at year-end 2006. This was the result of the EUR 10.7 billion net proceeds from the OBS divestment, partially offset by the EUR 1.6 billion share buyback concluded in 2007. This cash position is temporary and will be used for the acquisition of ICI on January 2, 2008.

It is Akzo Nobel's policy to maintain a solid investment grade in the single A– to BBB+ range.

ICI acquisition completed

On January 2, 2008, Akzo Nobel acquired 100% of the share capital of Imperial Chemical Industries PLC (ICI). The total cost of the acquisition, paid in cash, was GBP 8.1 billion (EUR 11.5 billion). ICI is one of the world's leading coatings, adhesives, starch, and synthetic polymer businesses with products and ingredients developed for a wide range of markets. It has operations in over 50 countries around the world and its customers are spread across a diverse range of product sectors. For more information on ICI, see ICI's Report for the 4th quarter and for the year 2007, on a standalone basis.

In connection with the acquisition of ICI, Akzo Nobel has entered into an agreement with Henkel to sell all assets and liabilities comprising the business divisions known within the ICI Group as the "Adhesives Division" and the "Electronic Materials Division", both of which form part of the "National Starch" business of ICI, for GBP 2.7 billion (EUR 4.0 billion) in cash. This transaction will take effect in 2008. In addition, Akzo Nobel intends to sell ICI's "Specialty Starches Division".

In granting clearance, the EU and Canadian authorities have accepted a commitment package from Akzo Nobel involving the divestiture of a number of Akzo Nobel Decorative Coatings businesses in the U.K., Ireland, Belgium, and Canada, which together contributed approximately EUR 300 million to 2007 revenue.

Amsterdam, March 5, 2008

The Board of Management

Consolidated statement of income

4th quarter			Millions of euros or %	January-December		
2007	2006	Δ%		**2007**	2006	Δ%
			Continuing operations			
2,431	2,374	2	**Revenue**	**10,217**	10,023	2
(1,493)	(1,435)		Cost of sales	**(6,252)**	(6,224)	
938	939		Gross profit	**3,965**	3,799	
(559)	(548)		Selling expenses	**(2,230)**	(2,203)	
(72)	(68)		Research and development expenses	**(282)**	(280)	
(155)	(172)		General and administrative expenses	**(654)**	(636)	
(81)	2		Other operating income	**(52)**	179	
71	153	(54)	**Operating income (EBIT)**	**747**	859	(13)
70	36		Financing income	**157**	123	
(99)	(48)		Financing expenses	**(277)**	(229)	
42	141		Operating income less financing income and expenses	**627**	753	
4	45		Share in result of associates and joint ventures	**(20)**	87	
46	186		Profit before tax	**607**	840	
(25)	(45)		Income taxes	**(166)**	(96)	
21	141	(85)	Profit for the period from continuing operations	**441**	744	(41)
			Discontinued operations (Organon BioSciences)			
8,517	93		Profit for the period from discontinued operations	**8,920**	438	
8,538	234		Profit for the period	**9,361**	1,182	
			Attributable to:			
8,533	230		**Equity holders of the company (net income)**	**9,330**	1,153	
5	4		Minority interest	**31**	29	
8,538	234		Profit for the period	**9,361**	1,182	
			Interest coverage	**6.2**	8.1	
			Earnings per share, in EUR			
			Net income before incidentals from continuing operations			
0.48	0.27	78	– basic	**2.10**	1.57	34
0.47	0.27		– diluted	**2.09**	1.56	
			Net income from continuing operations			
0.06	0.48		– basic	**1.49**	2.49	
0.06	0.47		– diluted	**1.47**	2.48	
			Net income from discontinued operations			
32.47	0.32		– basic	**32.33**	1.53	
32.24	0.32		– diluted	**32.08**	1.52	
			Net income			
32.53	0.80		– basic	**33.82**	4.02	
32.30	0.80		– diluted	**33.55**	4.00	

In accordance with IFRS, incidentals are reported on the applicable income and expense lines in the statement of income.

Information on segments

4th quarter			Millions of euros or %	January-December		
2007	2006[1]	Δ%		**2007**	2006[1]	Δ%
			Revenue			
1,522	1,494	2	Coatings	**6,537**	6,209	5
907	847	7	Chemicals	**3,639**	3,522	3
2	33		Other/eliminations	**41**	292	
2,431	2,374	2	Total	**10,217**	10,023	2
			EBITDA before incidentals			
143	114	25	Coatings	**737**	658	12
137	131	5	Chemicals	**610**	558	9
(16)	(28)		Other	**(76)**	(112)	
264	217	22	Total	**1,271**	1,104	15
10.9	9.1		EBITDA margin	**12.4**	11.0	
			EBIT (operating income) before incidentals			
104	78	33	Coatings	**594**	518	15
87	75	16	Chemicals	**408**	339	20
(17)	(31)		Other	**(86)**	(124)	
174	122	43	Total	**916**	733	25
7.2	5.1		EBIT margin	**9.0**	7.3	
			EBIT (operating income)			
91	78	17	Coatings	**557**	604	(8)
86	110	(22)	Chemicals	**382**	321	19
(106)	(35)		Other	**(192)**	(66)	
71	153	(54)	Total	**747**	859	(13)
2.9	6.4		EBIT margin	**7.3**	8.6	

[1] The figures for 2006 have been restated because the Chemicals' "activities (to be) divested" have now been included under Other at company level. This includes the results on divestments for these activities.

Changes in equity

Millions of euros	Subscribed share capital	Additional paid-in capital	Change in fair value of derivatives	Cumulative translation reserves	Other (statutory) reserves and undistributed profits	Shareholders' equity	Minority interest	Total equity
Balance at December 31, 2005	572	1,803	22	142	876	3,415	161	3,576
Changes in fair value of derivatives			(24)	(2)		(26)		(26)
Changes in exchange rates in respect of subsidiaries, associates, and joint ventures				(110)		(110)	(10)	(120)
Income/(expense) directly recognized in equity			(24)	(112)		(136)	(10)	(146)
Profit for the period					1,153	1,153	29	1,182
Total income/(expenses)			(24)	(112)	1,153	1,017	19	1,036
Dividend paid					(344)	(344)	(25)	(369)
Equity-settled transactions					16	16		16
Issue of common shares	2	38				40		40
Changes in minority interest in subsidiaries							(36)	(36)
Balance at December 31, 2006	574	1,841	(2)	30	1,701	4,144	119	4,263
Balance at December 31, 2006	574	1,841	(2)	30	1,701	4,144	119	4,263
Changes in fair value of derivatives			(508)			(508)		(508)
Changes in exchange rates in respect of subsidiaries, associates, and joint ventures				(81)		(81)	(2)	(83)
Income/(expenses) directly recognized in equity			(508)	(81)		(589)	(2)	(591)
Profit for the period					9,330	9,330	31	9,361
Total income/(expenses)			(508)	(81)	9,330	8,741	29	8,770
Dividend paid					(364)	(364)	(34)	(398)
Equity-settled transactions					38	38		38
Issue of common shares	4	69				73		73
Buyback of shares	(53)	(1,547)				(1,600)		(1,600)
Changes in minority interests in subsidiaries							(17)	(17)
Balance at December 31, 2007	**525**	**363**	**(510)**	**(51)**	**10,705**	**11,032**	**97**	**11,129**

Q4 2007 – growth momentum continued

- 6% autonomous growth
- EBITDA[1] up 22%; EBITDA[1] margin further improved to 10.9%
- 62% higher operational net income[1]
- Decorative Coatings – significant increase in results
- Chemicals – strong improvement across the board
- Incidental charges of EUR 103 million for postretirement and other provisions

[1] Continuing operations before incidentals.

Revenue – 6% autonomous growth

Fourth-quarter **revenue** amounted to EUR 2.4 billion, up 2% on 2007. Autonomous growth was 6%, while currency translation had a negative impact of 3%. Autonomous growth was especially strong at Chemicals (12%), while Coatings achieved solid 3% volume growth. Effects of acquisitions and divestments at Coatings and Chemicals were limited in this quarter. Total revenue of Akzo Nobel in the fourth quarter developed as follows:

In % versus Q4 2006	Total	Volume	Price	Currency translation	Acquisitions/ divestments
Coatings	2	3	–	(2)	1
Chemicals	7	6	6	(4)	(1)
Akzo Nobel	**2**	**4**	**2**	**(3)**	**(1)[1]**

[1] Included is the effect of the divestment of certain activities in Other.

EBIT up 43%; EBITDA improved 22%

Operating income before incidentals surged 43% from EUR 122 million to EUR 174 million. The EBIT margin was 7.2%, against 5.1% in the fourth quarter of 2006. Both Coatings and Chemicals benefited from strong autonomous growth and realized further cost savings. The improvement in EBIT reported as Other was mainly caused by favorable IAS 39 fair value adjustments.

EBITDA before incidentals rose 22% to EUR 264 million, with Coatings as the main contributor. The EBITDA margin increased to 10.9% (2006: 9.1%).

Including incidentals, **operating income** decreased from EUR 153 million to EUR 71 million, with an EBIT margin of 2.9 (2006: 6.4%). **Incidentals** in 2007 on balance amounted to a loss of EUR 103 million, compared with a gain of EUR 31 million in the fourth quarter of 2006. The 2007 losses mainly related to the recognition of a provision for postretirement healthcare costs due to the loss of a court case in the Netherlands (EUR 66 million), for which the company intends to appeal. In 2006, incidentals included a gain on the divestment of property in the United Kingdom. Details on incidentals are as follows:

Millions of euros	**2007**	2006
Special charges/benefits	**(55)**	(10)
Results on divestments	**(11)**	37
Restructuring and impairment charges	**(10)**	(38)
Charges related to major legal, antitrust and environmental cases	**(27)**	42
Total incidentals	**(103)**	31

Net financing charges on balance amounted to EUR 29 million in 2007 compared with a EUR 12 million in 2006. 2007 charges include incidental expenditures of EUR 40 million for the financing of the ICI acquisition, which had to be expensed in 2007 in accordance with IFRS. On the other hand financing charges include the interest income on the EUR 11 billion cash proceeds from the divestment of Organon BioSciences on November 19, 2007.

The **share in result of associates and joint ventures** was EUR 4 million, compared with EUR 45 million in 2006. The 2006 result included incidental benefits of EUR 32 million, mainly stemming from Acordis. In addition, the result decreased after the divestment of Flexsys on May 1, 2007.

The **income tax** charge in the fourth quarter of 2007 was 54%, compared with 27% in 2006. 2007 earnings included nontax-deductible incidental charges, while in 2006 tax-free incidental gains were realized.

Operational net income substantially up – EUR 8.5 billion profit on Organon BioSciences divestment

Net income from continuing operations **before incidentals** jumped 62% to EUR 125 million. Per share this was an increase of 78% to EUR 0.48 (2006: EUR 0.27). The increase in earnings per share was higher than the net income before incidentals increase, because the share buyback program reduced the number of shares outstanding.

In 2007, the Organon BioSciences operational results – amounting to EUR 56 million – were included until November 19, the date on which it was divested to Schering-Plough. The profit on this divestment amounted to EUR 8,460 million.

Including incidentals, total **net income** for the company amounted to EUR 8,533 million, by far the highest ever achieved by the company. Earnings per share were EUR 32.53 (2006: EUR 0.80).

Net income breaks down as follows:

Millions of euros or %	Net income before incidentals			Net income	
	2007	2006	Δ%	**2007**	2006
Continuing operations	**125**	77	62	**16**	137
Discontinued operations[1]	**56**	95		**8,517**	93
Akzo Nobel	**181**	172	5	**8,533**	230

[1] In 2007, the Organon BioSciences results were included until November 19, the date on which date it was divested to Schering-Plough.

Coatings – reaping benefits from growth and cost savings

- 3% autonomous growth; 2% negative currency impact
- Excellent improvement in operational performance
- Margin management and cost savings clearly contributing
- Strong quarter for Decorative and Marine & Protective Coatings

Millions of euros or %	2007	2006[1]	Δ%
Revenue			
Decorative Coatings	**509**	506	
Industrial activities[2]	**506**	494	
Marine & Protective Coatings	**311**	290	
Car Refinishes	**217**	225	
Intragroup revenue/other	**(21)**	(21)	
Total	**1,522**	1,494	2
EBITDA before incidentals	**143**	114	25
EBITDA margin	**9.4**	7.6	
EBIT before incidentals	**104**	78	33
EBIT margin	**6.8**	5.2	
EBIT (operating income)	**91**	78	17
EBIT margin	**6.0**	5.2	
Capital expenditures	**56**	58	

[1] The 2006 figures have been restated for minor changes in the business unit structure.
[2] The industrial activities comprise the business units Industrial Finishes and Powder Coatings.

Akzo Nobel Decorative Coatings

Cleaner living

Dirt attraction is one of the biggest problems in façade maintenance. It not only causes an aesthetic problem, but the build up of a dirt layer also forms an ideal breeding ground for micro-organisms such as bacteria, mold, and algae – which attack and destroy the protective paint. In close cooperation with a key partner, Akzo Nobel's Decorative Coatings business has developed Herbol® Symbiotec®, a second generation dirt-repellant exterior wall paint.

Based on innovative nanobinder technology, the coating attracts water rather than mimicking the Lotus effect (which repels it). This means that raindrops wet the substrate evenly, leaving no dry spots on which dirt can settle. Because Herbol® Symbiotec® also exhibits extremely low thermoplasticity (it does not become softer upon heating, by sunlight for example) it is virtually impossible for dirt to stick. Façades coated with the product therefore stay cleaner for longer and remain more aesthetically attractive. Since the inorganic nanoparticles are incorporated homogeneously into the binder, a high degree of color retention is achieved which lasts for an extended period, while chalking (separation of pigments) is also prevented. An additional technical advantage is that the three-dimensional network of organic and inorganic compounds in the coating results in excellent moisture management, helping to maintain the insulating properties of wall and insulation systems. The effectiveness of this pioneering product could have an important impact on the global deco market, which is worth around USD 40 billion.

Overview

Coatings' fourth-quarter revenue increased 2%, despite currency headwinds of 2%. Autonomous growth was 3%, driven by Marine & Protective and Powder Coatings. Price increases in most regions were offset by pressure in the U.S. markets. The currency impact was felt mostly by the industrial activities and Marine & Protective Coatings. Acquisitions added 2% (mainly attributable to Industrial Finishes' Chemcraft deal), while divestments (predominantly Kemipol at Car Refinishes) resulted in a 1% decrease.

Before incidentals, EBITDA rose 25% to EUR 143 million, with an EBITDA margin of 9.4% (2006: 7.6%). EBIT before incidentals surged 33% to EUR 104 million, which resulted in an increase of the EBIT margin from 5.2% to 6.8%. Earnings improved due to autonomous growth and the benefits of margin management and further cost savings. Including incidentals, EBIT was up 17% to EUR 91 million. 2007 earnings included incidental charges of EUR 13 million, mainly for restructurings and impairments.

In December 2007, Akzo Nobel was selected to globally supply a full range of coatings products for application to Shell's worldwide retail network of service stations and business signage.
The redesign involves approximately 45,000 service stations and several thousand business sites including offices and manufacturing plants, with Akzo Nobel having been chosen as one of only two approved suppliers for the five-year project. Meeting Shell's extensive requirements emphasizes the company's wide-ranging know-how and global capability in all aspects of coating technology, involving all coatings business units.

Decorative Coatings

Revenue grew slightly as autonomous growth was offset by negative currency effects. The operational performance of Decorative Coatings improved substantially, however, due to further margin management and cost saving initiatives.
The business successfully implemented restructuring programs in mature markets, which supported the result improvement.
In emerging markets, such as Asia and Eastern Europe, the focus remained on continued rapid growth. Programs on complexity reduction and brand clustering are being implemented worldwide, resulting in brand synergies, improved sharing of best practices, stronger market impact, and further efficiency improvements.

Industrial activities

The acquisition of Chemcraft in the United States clearly contributed to revenue growth. The prolonged correction in the North American residential construction industry led to weak demand in the North American-based businesses and Asian export-driven businesses for Industrial Finishes. In addition, the weakness of the U.S. dollar put pressure on margins. Nevertheless, all key financial measures remained sound, albeit weaker when compared with the exceptionally strong performance in 2006.
The major economies in Western Europe remained healthy and offered modest growth opportunities in 2007. The autonomous growth in China, India, Vietnam, and Russia remains encouraging.

Powder Coatings performed well in Europe and in Asia, although the United States is somewhat stagnant.

A noticeable event was the evolution in vehicle manufacture that has been taking place in India. Tata is producing inexpensive cars which millions of people can now afford, coated with durable products supplied by Akzo Nobel's Powder Coatings business. The system supplied by the company is not only cost-effective, but it also needs only a third of the investment which Tata had been required to make if it had used a conventional coatings system.

Marine & Protective Coatings

Marine & Protective Coatings achieved an impressive revenue increase, driven by 12% autonomous growth, partially offset by the negative currency impact. Marine newbuilding had a strong last quarter with higher volumes and margins. This was attributable to increased supplies of Intersleek® and the securing of cruise and barge contracts. Coastal and Navy Maintenance also finished the year well. Protective Coatings had an excellent quarter with double-digit growth, driven by India, China, Eastern and Central Europe, and the Middle East. Both the newly acquired Ceilcote® business, and International Paint's Chartek® products, contributed to this performance. Yacht Paints realized strong sales for its Awlgrip® range and the winter buy program got off to a good start in Europe. The Aerospace activities continued apace, with good volume from OEM and growth in Asia Pacific.

Car Refinishes

Revenues for Car Refinishes were below the previous year, mainly due to the divestment of Kemipol. Autonomous growth was offset by the effect of weaker currencies. Several new contracts were secured during the quarter. Earnings improved considerably, due to continued focus on the cost structure. Margin management also delivered earnings improvements, boosting results in Europe and America in particular. Although the activities in North America faced softer economic conditions, performance in Latin America – most notably in Brazil – improved.
Asia achieved excellent double-digit growth, whereas Automotive Plastic Components had a relatively slow quarter.

Chemicals – strong performance improvement across the board

- 12% autonomous growth – volumes and prices up 6% each
- 4% currency headwinds
- Active margin management offsetting impact of steep rises in raw material and energy prices
- Strong performance in Pulp & Paper Chemicals, Functional Chemicals, and Surfactants

Millions of euros or %	2007	2006[1]	Δ%
Revenue			
Pulp & Paper Chemicals	**258**	236	
Base Chemicals	**219**	214	
Functional Chemicals	**198**	169	
Surfactants	**137**	119	
Polymer Chemicals	**126**	125	
Intragroup revenue/other	**(31)**	(16)	
Total	**907**	847	7
EBITDA before incidentals	**137**	131	5
EBITDA margin	**15.1**	15.5	
EBIT before incidentals	**87**	75	16
EBIT margin	**9.6**	8.9	
EBIT (operating income)	**86**	110	(22)
EBIT margin	**9.5**	13.0	
Capital expenditures	**62**	74	

[1] The 2006 figures have been restated for minor changes in the business unit structure. In addition, the activities (to be) divested have now been included under Other at company level. This includes the results on divestments for these activities.

Akzo Nobel Functional Chemicals

Hungry for success

Akzo Nobel's commitment to expanding its global specialty chemicals business is perfectly encapsulated by the company's substantial grassroots investment in Ningbo, China.
Two facilities – for the manufacture of ethylene amines and chelating agents – are being constructed on a new EUR 250 million multi-site.

The predominant user will be the company's Functional Chemicals business, which will not only produce its own key raw materials, but is also developing a third production option for its cellulosic specialties activities. There is also room and site infra-structure to accommodate other Akzo Nobel businesses.
Work on the site is already underway, with the chelating agents plant (which will produce the company's Ferrazone® iron fortificant among other produts) expected to start up in 2009, followed by the ethylene amines factory in early 2010. Both facilities – which will create several hundred new jobs – will utilize state-of-the-art technology and meet high, worldwide Akzo Nobel HSE standards.
The combination of existing road and seaway infrastructure makes it an ideal location with respect to the Chinese market, reinforcing the company's position and enabling Akzo Nobel to better supply the growing needs of its customers in the entire Asia Pacific region.
Located within the Ningbo Chemical Industry Zone, the new plants are being constructed on what will be one of the biggest sites for the company's activities in the world.

Overview

Chemicals reported a strong fourth quarter with revenue growth of 7%. Autonomous growth was 12%, with volumes and prices both rising 6%. The negative currency impact of 4% was primarily attributable to the U.S. dollar. In addition, there was a 1% negative effect from outsourcing of services.

Before incidentals, EBITDA increased 5% to EUR 137 million, with an EBITDA margin of 15.1% (2006: 15.5%). EBIT was up 16% to EUR 87 million. Pulp & Paper Chemicals, Functional Chemicals, and Surfactants in particular are operating at a significantly improved level compared with the same quarter in 2006. This is due to autonomous growth, as well as further margin management and cost saving actions.

Including incidentals, operating income was down 22% to EUR 86 million. In 2006, earnings included net incidental gains of EUR 35 million, predominantly stemming from profits on the formation of a Hydrogen Peroxides joint venture in the United States and on the divestment of property in the United Kingdom.

Pulp & Paper Chemicals

Pulp & Paper Chemicals' results clearly improved, benefiting from selling price increases. This more than offset the margin pressure caused by higher winter energy prices and the negative impact from currencies. On a global level, the business' chlorate production was close to full capacity. In Europe, Bleaching Chemicals and especially the Retention activities in Paper Chemicals performed well. Latin America benefited from good sales volumes and the completion of engineering contracts. North America faced increased energy costs, whereas Asia Pacific continued to grow in all businesses.

Base Chemicals

Base Chemicals reported quarterly results close to those of the previous year. Caustic prices remained at a good level, which partly offset the negative impact from lower chlorine volumes in Rotterdam. Energy had a strong performance due to high capacity utilization. Downstream operations did not fully meet expectations, although MCA (monochloroacetic acid) in particular did significantly better than last year, when it had to manage the difficult start-up of the new Delfzijl plant.

Functional Chemicals

Functional Chemicals turned in clearly improved results. Despite significant raw material cost pressure and currency headwinds, the unit was able to increase its performance substantially. This was due to 21% autonomous growth, the largest contributing factor being volume-related. The Ethylene Amines business was noticeably up on 2006 when, during the latter part of the year, production slowed down due to major maintenance and capacity expansion stops. Salt Specialties further improved its performance with higher selling prices supporting margins. Polysulfides significantly increased its earnings, aided by the Taixing capacity. Chelates, Sulfur Products, and Cellulosic Specialties were faced with substantially higher raw material costs which negatively impacted margins, as selling price increases could not fully compensate for this. The investment projects in China are progressing on schedule.

Surfactants

Demand for Surfactants was very good in the fourth quarter with seasonally strong sales volumes in most markets and regions. Autonomous growth was 21%, largely volume driven. Although selling prices were up, they could not fully offset the raw material price increases. Despite this margin pressure and the negative currency impact, Surfactants managed to significantly improve its operational results. This was attributable to the strong level of shipments, especially to the agrochemical, cleaning and mining markets. Cost savings from the McCook plant closure in mid-2007 also contributed.

Polymer Chemicals

Polymer Chemicals' earnings were slightly above the fourth quarter of 2006. Market developments were favorable for the Cross-linking and Thermoset Peroxides activities, as well as for Polymer Additives. Volumes were lower for High Polymer Specialties and Organometallic Specialties. The business continues to implement price increases in all regions to offset the rise in raw material costs. The results of Polymer Chemicals were also negatively impacted by the weakening of the U.S. dollar.

Group results 4th quarter and full year 2007

4th quarter		Millions of GBP	Full year	
2007	2006		**2007**	2006
		Sales		
1,236	1,159	Continuing operations	**4,899**	4,845
		Trading profit		
139	109	Continuing operations	**560**	502
–	15	Discontinued operations	**12**	77
1	–	Income from associates (net of interest and tax)	**4**	2
1	(19)	Net finance expense for the Group (before special items)	**(3)**	(99)
(2)	*(15)*	*- Net interest cost*	***(8)***	*(79)*
3	*(4)*	*- Net postretirement benefit finance cost*	***5***	*(20)*
141	105	**Total Group adjusted profit before tax**	**573**	482
(18)	(5)	Taxation (before special items)	**(92)**	(83)
(29)	(29)	Special items after tax	**787**[1]	(70)
94	71	**Net profit** after special items	**1,268**	329
(9)	(4)	Attributable to minorities	**(38)**	(34)
85	67	**Net profit** after special items (attributable to ICI equity holders)	**1,230**	295
114	96	**Adjusted net profit** (attributable to ICI equity holders)	**451**	375
9.5 p	8.1p	**Adjusted earnings per GBP 1 Ordinary Share** (undiluted basis)	**37.9p**	31.6p
7.1p	5.6p	**Earnings per GBP 1 Ordinary Share** (undiluted basis)	**103.5p**	24.9p
		Key performance measures		
		Continuing operations		
6%	6%	Comparable sales growth	**5%**	6%
27%	1%	Comparable trading profit growth	**16%**	5%
11.2%	9.4%	Trading margin	**11.4%**	10.4%
		Group		
		Adjusted tax rate	**16%**	17%

[1] Includes gain on sale of Quest.

Introduction

The acquisition of ICI by Akzo Nobel was completed on January 2, 2008. The financial information presented has been prepared without reflecting changes which will occur as a result of the takeover in connection with the acquisition of ICI by Akzo Nobel. Akzo Nobel entered into an agreement with Henkel KGaA to sell the assets and liabilities of the business divisions known within ICI as the "Adhesives Division" and the "Electronic Materials Division", for GBP 2.7 billion (EUR 4.0 billion). In addition, Akzo Nobel intends to sell the "Specialty Starches Division". All these businesses to be divested are included within continuing operations during 2007. Furthermore, it should be noted that the accounting principles applied by ICI are consistent with prior years. No harmonization with Akzo Nobel accounting principles has been taken into account when preparing the ICI financial information over 2007.

Measures of performance on a "comparable" basis relating to the ICI are in respect of continuing operations only and thus exclude the results of Quest and Uniqema. "Comparable" and "continuing" are defined below. Comparable performance percentages exclude the effect of currency translation differences and the impact of acquisitions and divestments. Unless otherwise stated, the commentary in this financial review refers to performance measured on a "comparable" basis. Reconciliations to "as reported" percentages and definitions can be found in Appendices VII and XI of the ICI Group Press Statement published on the Akzo Nobel corporate website www.akzonobel.com.

The following main definitions are applicable:
- Comparable – Results excluding the effects of currency translation differences and the impact of acquisitions and divestments. At a Group level, this refers to continuing operations only. Comparable profits and losses are quoted before accounting for special items.
- Continuing – ICI's continuing operations comprise the Paints, Adhesives, Specialty Starches, Specialty Polymers, Electronic Materials, and Regional and Industrial Businesses, Corporate and other.

4th quarter 2007

The Group delivered continued strong sales growth in the fourth quarter, with sales for continuing operations 6% ahead on a comparable basis. Including the impact of foreign currency, acquisitions, and divestments, the Group's reported sales at GBP 1,236 million were 7% ahead of last year. Trading profit for continuing operations of GBP 139 million was 27% ahead on a comparable basis. Net finance expense before special items was a credit GBP 1 million compared with a charge of GBP 19 million last year. Adjusted profit before tax was GBP 141 million, 34% ahead of 2006 (2006 GBP 105 million) and adjusted earnings per share increased by 17%. Profit attributable to Minorities increased from GBP 4 million to GBP 9 million due to increased profit in Paints Asia and Pakistan PTA. Tax before special items increased from GBP 5 million to GBP 18 million reflecting an abnormally low effective tax rate in the fourth quarter of 2006.

Paints sales were 3% ahead of 2006. There was strong growth for the Decorative businesses in Asia and Latin America, of 24% and 14% respectively, particularly in key developing markets of China, India, Indonesia, and Brazil. This sales growth was partly offset by sales 6% lower in Decorative North America, due to lower volumes in U.S. Retail and U.S. Trade which were depressed by continuing weakness in the U.S. housing market.

Sales for Decorative U.K. and Ireland were broadly in line with last year as weak U.K. Retail market conditions continued to offset growth in the U.K. Trade and Ireland businesses. Decorative Continental Europe sales were 7% lower, mainly in France and Germany. Sales for Packaging Coatings improved by 4% on 2006. With the continued benefit of restructuring program cost savings and good cost control particularly in North America, trading profit for Paints of GBP 71 million was 51% ahead of 2006.

Adhesives sales were 4% ahead of 2006 with growth in all regions. With good control of manufacturing and supply chain costs, trading profit was 27% ahead of 2006.

Specialty Starch sales were 19% above 2006 with growth in all regions and particularly for Food starches. Despite higher costs below gross margin, the strong sales performance resulted in trading profit 35% ahead of 2006.

Specialty Polymers sales were in line with last year. Alco and Personal Care delivered sales growth, however Elotex sales were lower due to poor weather conditions in Europe. Trading profit was in line with last year.

Electronic Materials sales growth of 2% was affected by the continuing trend of weak demand in the consumer electronics industry. With lower gross margin percentages, trading profit was 8% below last year.

Sales for the Regional and Industrial businesses were 18% ahead of 2006 due to higher sales in ICI Pakistan's polyester business. Trading profit was up 60% compared with a weak fourth quarter in 2006 for the Pakistan PTA business.

Net cash from operating activities for the quarter was an inflow of GBP 232 million compared with GBP 191 million last year. The increased cash inflow was due to higher trading profit, an increase in working capital inflows, and lower interest costs. With higher cash outflow on investing activities, the overall cash inflow before financing for the quarter of GBP 94 million compared with an inflow of GBP 71 million in the prior year.

Full Year 2007

Group sales for continuing operations were 5% ahead on a comparable basis, with strong market conditions in Asia and Latin America, whilst North America was challenging particularly for Paints. Including the impact of foreign currency, acquisitions, and divestments, the Group's reported sales at GBP 4,899 million were 1% ahead of last year. Trading profit for continuing operations of GBP 560 million was 16% ahead on a comparable basis. Net finance expense before special items was GBP 3 million compared with GBP 97 million last year, due primarily to the lower levels of debt resulting from the Quest and Uniqema divestments. Adjusted profit before tax for the total Group was GBP 573 million, 19% ahead of 2006 (2006 GBP 482 million). Adjusted earnings per share of 37.9p were up 20%.

Paints sales were 3% ahead of 2006, with particularly strong growth for the Decorative businesses in Asia (up 21%) and Latin America (up 13%). The Decorative businesses in U.K. & Ireland (up 2%) and Continental Europe (up 4%) both achieved growth against 2006, however due to the weakness in the U.S. housing market over the course of the year, sales for Decorative North America were 6% lower. With the benefit of restructuring program cost savings and good cost control across the businesses, trading profit of GBP 296 million was 17% ahead, and the trading margin of 12.1% was well above 2006 (10.6%).

Adhesives sales were 5% ahead of 2006 with good growth in Europe, Asia, and Latin America. Trading profit was 15% ahead of 2006.

Specialty Starch sales were 15% above 2006 with double digit increases in all regions. Food starches achieved significant growth, due to increased volume and a favorable product mix. Despite higher corn and tapioca costs, trading profit increased 29% over 2006.

Specialty Polymers sales were 10% ahead of last year with strong growth in Europe and Asia. Elotex and Personal Care delivered strong sales growth, with Elotex benefiting from the expanding thermal insulation market in Asia and Personal Care growth driven by increased demand in North America and Europe. Trading profit was 22% ahead of 2006.

Electronic Materials sales growth of 3% was affected by the continuing trend of weak demand in the consumer electronics industry. Both Ablestik and Emerson & Cuming sales were ahead of last year. With higher raw material costs, particularly for silver, trading profit was 3% lower than last year.

Sales for the Regional and Industrial businesses were 6% ahead of 2006 with double digit growth for ICI Pakistan. Lower gross margin percentages for the PTA business in Pakistan were offset by higher margins across the other Regional and Industrial businesses. Trading profit was up 8%.

Net cash from operating activities for the year was an inflow of GBP 114 million compared with GBP 191 million last year. The reduced cash inflow was due primarily to an increase in working capital outflows, higher postretirement benefit payments, together with higher cash outflows on restructuring. Net cash from investing activities was an inflow of GBP 569 million compared with an inflow of GBP 110 million last year: net proceeds from disposal of businesses were GBP 1,167 million primarily from the divestment of Quest, compared with net proceeds from divestments of GBP 324 million in 2006, mainly from the sale of Uniqema. Net cash at the year end was GBP 304 million, compared to net debt of GBP 329 million at the beginning of the year.

The pension deficit improved substantially from GBP 1,159 million at December 31, 2006, to GBP 260 million at year-end 2007, due to additional fundings during 2007 and actuarial gains.

Group income statement 4th quarter

Millions of GBP	4th quarter 2007			4th quarter 2006		
	Before special items	Special items	Total	Before special items	Special items	Total
Continuing operations						
Revenue	**1,236**		**1,236**	1,159		1,159
Net operating costs	**(1,097)**	**(27)**	**(1,124)**	(1,050)	(36)	(1,086)
(including restructuring costs)		*(27)*	*(27)*		*(36)*	*(36)*
Operating profit (loss)	**139**	**(27)**	**112**	109	(36)	73
(Losses) profits on sale of continuing operations		**(2)**	**(2)**		1	1
Share of profits less losses of associates	**1**		**1**	–	–	–
Takeover related costs		**(31)**	**(31)**			
Interest expense	**(18)**		**(18)**	(28)	–	(28)
Interest income	**16**		**16**	14	–	14
Postretirement benefits:						
- interest cost	**(112)**		**(112)**	(105)	–	(105)
- expected return on assets	**115**		**115**	100	–	100
Foreign exchange (losses) gains on ineffective portion of net investment hedges		**(23)**	**(23)**		8	8
Net finance expense	**1**	**(23)**	**(22)**	(19)	8	(11)
Profit (loss) before taxation	**141**	**(83)**	**58**	90	(27)	63
Income tax (expense) credit	**(25)**	**23**	**(2)**	(4)	7	3
Net profit (loss) for the period from continuing operations	**116**	**(60)**	**56**	86	(20)	66
Discontinued operations						
Profit (loss) for the period for discontinued operations	**7**	**(4)**	**3**	14	(1)	13
(including special items of:						
- restructuring costs		**–**	**–**		*(1)*	*(1)*
- fines)		*(4)*	*(4)*		–	–
Profits less (losses) on disposal of discontinued operations		**35**	**35**		(8)	(8)
Net profit (loss) for discontinued operations	**7**	**31**	**38**	14	(9)	5
Net profit (loss) for the period	**123**	**(29)**	**94**	100	(29)	71
Attributable to minority interest	**(9)**	**-**	**(9)**	(4)	-	(4)
Attributable to equity holders of the parent	**114**	**(29)**	**85**	96	(29)	67
Earnings per GBP 1 ordinary share						
Basic			**7.1p**			5.6p
Weighted average number of Ordinary shares in issue during the period			**1,193m**			1,189m
of which:						
Continuing			**4.0p**			5.3p
Discontinued			**3.1p**			0.3p

Group income statement full year

Millions of GBP	Full year 2007			Full year 2006		
	Before special items	Special items	Total	Before special items	Special items	Total
Continuing operations						
Revenue	**4,899**		**4,899**	4,845		4,845
Net operating costs	**(4,339)**	**(96)**	**(4,435)**	(4,343)	(80)	(4,423)
(including restructuring costs)		*(96)*	*(96)*		*(80)*	*(80)*
Profits less losses on disposal of fixed assets	**–**	**–**			9	9
Operating profit (loss)	**560**	**(96)**	**464**	502	(71)	431
Profits less losses on sale of operations		**3**	**3**		4	4
Share of profits less losses of associates	**4**		**4**	2	–	2
Takeover related costs		**(67)**	**(67)**			
Interest expense	**(86)**		**(86)**	(123)	–	(123)
Interest income	**78**		**78**	44	–	44
Postretirement benefits:						
- interest cost	**(451)**		**(451)**	(422)	–	(422)
- expected return on assets	**456**		**456**	404	–	404
Foreign exchange (losses) gains on ineffective portion of net investment hedges		**(37)**	**(37)**		15	15
Net finance expense	**(3)**	**(37)**	**(40)**	(97)	15	(82)
Profit (loss) before taxation	**561**	**(197)**	**364**	407	(52)	355
Income tax (expense) credit	**(97)**	**39**	**(58)**	(70)	14	(56)
Net profit (loss) from continuing operations	**464**	**(158)**	**306**	337	(38)	299
Discontinued operations						
Profit (loss) for the period for discontinued operations	**17**	**(7)**	**10**	62	(69)	(7)
(including special items of:						
- restructuring costs		*(1)*	*(1)*		*(7)*	*(7)*
- fines)		*(6)*	*(6)*		*(62)*	*(62)*
Profits less (losses) on disposal of discontinued operations		**952**	**952**		37	37
Net profit (loss) for discontinued operations	**17**	**945**	**962**	62	(32)	30
Net profit (loss) for the period	**481**	**787**	**1,268**	399	(70)	329
Attributable to minority interest	**(30)**	**(8)**	**(38)**	(24)	(10)	(34)
Attributable to equity holders of the parent	**451**	**779**	**1,230**	375	(80)	295
Earnings per GBP 1 ordinary share						
Basic			**103.5p**			24.9p
Weighted average number of Ordinary shares in issue during the period			**1,188m**			1,189m
of which:						
Continuing			**23.2p**			23.3p
Discontinued			**80.3p**			1.6p

Group balance sheet

Millions of GBP	December 31, 2007	December 31, 2006
Assets		
Noncurrent assets		
Intangible assets	**592**	523
Property, plant and equipment	**1,109**	1,069
Investments in associates	**39**	21
Financial assets	**29**	28
Deferred tax assets	**275**	229
Other receivables	**26**	35
Postretirement benefit asset	**53**	12
	2,123	1,917
Current assets		
Inventories	**533**	486
Trade and other receivables	**855**	791
Current tax debtor	**15**	17
Financial assets	**96**	110
Cash and cash equivalents	**804**	596
Assets classified as held for sale	**–**	372
	2,303	2,372
Total assets	**4,426**	4,289
Liabilities		
Current liabilities		
Trade and other payables	**(1,329)**	(1,272)
Financial liabilities	**(318)**	(487)
Current tax liabilities	**(147)**	(217)
Provisions	**(200)**	(193)
Liabilities classified as held for sale	**–**	(201)
	(1,994)	(2,370)
Noncurrent liabilities		
Financial liabilities	**(280)**	(548)
Other creditors	**(23)**	(28)
Provisions	**(239)**	(277)
Deferred tax liabilities	**(30)**	(18)
Postretirement benefit liabilities	**(489)**	(1,237)
	(1,061)	(2,108)
Total liabilities	**(3,055)**	(4,478)
Net assets	**1,371**	(189)
Equity		
Called-up share capital	**1,208**	1,193
Share premium account	**939**	936
Retained earnings and other reserves	**(896)**	(2,442)
Attributable to equity holders of the parent	**1,251**	(313)
Attributable to minority interests	**120**	124
Total equity	**1,371**	(189)

Group cash flow statement

Millions of GBP	2007	2006
Cash flows from operating activities		
Net profit	**1,268**	329
Adjusted for:		
Net finance expense	**3**	99
Depreciation and amortisation	**119**	150
Postretirement benefit charges	**39**	46
Special items after taxation	**(787)**	70
Taxation (including taxation on associates)	**94**	84
Movement in working capital	**(34)**	(5)
Outflows relating to operating special items[1]	**(91)**	(68)
Postretirement benefit payments[2]	**(260)**	(238)
Net interest received (paid)	**(34)**	(76)
Tax paid (excluding tax on disposal of businesses)	**(76)**	(84)
Dividends paid to equity holders of the parent	**(115)**	(96)
Dividends paid to minority interests	**(21)**	(21)
Other items	**9**	1
Net cash inflow from operating activities	**114**	191
including net cash inflow from discontinued operating activities	*2*	*29*
Cash flow from investing activities		
Purchase of property, plant and equipment	**(162)**	(150)
Proceeds from sale of property, plant and equipment	**4**	26
Purchase of businesses, net of cash acquired	**(104)**	(31)
Net proceeds from disposal of businesses	**1,167**	324
Postretirement benefit payments – top up relating to disposals	**(226)**	–
Legacy payments	**(32)**	(41)
Tax on disposal of businesses	**(13)**	(1)
Takeover related costs	**(9)**	–
Movement in current asset investments	**(56)**	(17)
Net cash inflow from investing activities	**569**	110
including net cash inflow from discontinued investing activities	*1,112*	*243*
Cash outflow from financing activities		
Increase in long-term loans	**7**	4
Repayment of long-term loans	**(441)**	(146)
Net increase in short-term borrowings	**12**	7
Movement in non-operating derivatives	**13**	(70)
Capital repayment of finance leases	**(2)**	(13)
ESOP share purchase / receipts from options exercised	**(74)**	6
Net cash inflow from investing activities	**(485)**	(212)
including net cash inflow (outflow) from discontinued financing activities	**–**	–
Cash and cash equivalents at beginning of the year	**589**	516
Net cash inflow from all activities	**198**	89
Movement arising on foreign currency translation and other movements	**15**	(16)
Cash and cash equivalents at end of the year	**802**	589
Per the balance sheet:		
Cash and cash equivalents	**804**	596
Overdrafts	**(2)**	(7)

[1] Includes payments against restructuring provisions.
[2] Defined benefit payments only.

Statement of recognized income and expense – full year

Millions of GBP	2007	2006
Net profit	**1,268**	329
Exchange differences on translating foreign operations	**28**	(88)
Recycling of cumulative exchange differences	**9**	6
Changes in fair value of cash flow hedges	**–**	1
Actuarial gains and losses on postretirement benefits	**344**	58
Tax on items taken directly to equity	**62**	101
Total recognised income and expense for the period	**1,711**	407
Attributable to equity holders of the parent	**1,669**	385
Attributable to minority interests	**42**	22

Reconciliation of changes in equity by component of equity

Millions of GBP	Share capital	Share premium account	Translation reserves	Retained earnings and other reserves	Equity holders of the parent	Minority interests	Total equity
As at January 1, 2006	1,192	934	44	(2,786)	**(616)**	126	**(490)**
Total recognized income and expense	–	–	(70)	455	**385**	22	**407**
Dividends	–	–	–	(96)	**(96)**	(19)	**(115)**
Share-based payments	–	–	–	6	**6**	–	**6**
Shares issued/movement in respect of own shares	1	2	–	6	**9**	–	**9**
Acquisition of additional minority interests	–	–	–	–	**–**	(6)	**(6)**
Other movements	–	–	–	(1)	**(1)**	1	**–**
As at December 31, 2006	1,193	936	(26)	(2,416)	**(313)**	124	**(189)**
As at January 1, 2007	1,193	936	(26)	(2,416)	**(313)**	124	**(189)**
Total recognized income and expense	–	–	33	1,636	**1,669**	42	**1,711**
Dividends	–	–	–	(175)	**(175)**	(24)	**(199)**
Share-based payments	–	–	–	–	**–**	–	**–**
Shares issued/movement in respect of own shares	15	3	–	50	**68**	–	**68**
Acquisition of additional minority interests	–	–	–	–	**–**	(20)	**(20)**
Other movements	–	–	–	2	**2**	(2)	**–**
As at December 31, 2007	1,208	939	7	(903)	**1,251**	120	**1,371**

Segment information

4th quarter 2007	4th quarter 2006	Millions of GBP	Full year 2007	Full year 2006
		Sales		
		Continuing operations		
595	558	Paints	**2,421**	2,414
267	258	Adhesives	**1,058**	1,052
148	126	Specialty Starches	**550**	502
64	65	Specialty Polymers	**277**	266
50	51	Electronic Materials	**195**	203
529	*500*	*Total National Starch*	***2,080***	*2,023*
118	107	Regional and Industrial	**419**	431
1,242	1,165	Total continuing reporting segments	**4,920**	4,868
–	1	Corporate and other	**2**	3
(6)	(7)	Inter-segment revenue	**(23)**	(26)
1,236	1,159	Total continuing operations	**4,899**	4,845
		Discontinued operations		
–	–	Uniqema	**–**	435
–	143	Quest[1]	**98**	588
		EBITDA before special items		
		Continuing operations		
84	57	Paints	**345**	304
29	24	Adhesives	**109**	101
26	21	Specialty Starches	**95**	82
14	15	Specialty Polymers	**63**	55
13	14	Electronic Materials	**52**	57
82	*74*	*Total National Starch*	***319***	*295*
16	12	Regional and Industrial	**52**	55
182	143	Total continuing reporting segments	**716**	654
(12)	(4)	Corporate and other	**(37)**	(29)
1	–	Income from associates (net of interest and tax)	**4**	2
171	139	Total continuing operations	**683**	627
		Discontinued operations		
–	–	Uniqema	**–**	28
–	17	Quest[1]	**12**	76

[1] Sales, EBITDA and trading profit for Quest in discontinued operations reflect two months of ownership in 2007 and twelve months of ownership in 2006.

Segment information

4th quarter 2007	2006	Millions of GBP	Full year 2007	2006
		Trading profit before special items		
		Continuing operations		
71	46	Paints	**296**	257
25	20	Adhesives	**92**	83
21	16	Specialty Starches	**74**	60
13	12	Specialty Polymers	**57**	48
11	13	Electronic Materials	**46**	51
70	*61*	*Total National Starch*	***269***	*242*
12	8	Regional and Industrial	**36**	37
153	115	Total continuing reporting segments	**601**	536
(14)	(6)	Corporate and other	**(41)**	(34)
139	109	Total continuing operations	**560**	502
		Discontinued operations		
–	–	Uniqema	**–**	16
–	15	Quest[1]	**12**	61

[1] Sales, EBITDA and trading profit for Quest in discontinued operations reflect two months of ownership in 2007 and twelve months of ownership in 2006.

Special items

4th quarter 2007	2006	Millions of GBP	Full year 2007	2006
		Special items – continuing and discontinued operations		
		Continuing operations		
(27)	(36)	Losses on special items in continuing operating profit	**(96)**	(71)
(2)	1	Profit on sale of continuing operations	**3**	4
(23)	8	Foreign exchange gain on debt previously hedging goodwill written off to reserves	**(37)**	15
(31)	–	Takeover related costs	**(67)**	–
(83)	(27)	Losses on special items before tax and minority interests	**(197)**	(52)
23	7	Taxation	**39**	14
1	–	Minority interests	**–**	–
(59)	(20)	**Losses on special items after tax and minority interests**	**(158)**	(38)
		Discontinued operations		
(4)	(4)	Losses on special items in discontinued operating profit	**(7)**	(72)
15	(11)	Profit (loss) on sale of continuing operations	**945**	32
11	(15)	Gains (losses) on special items before tax and minority interests	**938**	(40)
20	6	Taxation	**7**	8
(1)	–	Minority interests	**(8)**	(10)
30	(9)	**Gains (losses) on special items after tax and minority interests**	**937**	(42)

Notes

The full year 2007 financial figures of Akzo Nobel included in the primary statements in this report are derived from the financial statements 2007. These financial statements have been authorized for issue. The financial statements have not yet been published by law and still have to be adopted by the general meeting of shareholders. In accordance with section 2: 393 BW, KPMG Accountants N.V. has issued an unqualified auditors' opinion on these financial statements, which will be published on March 19, 2007. All quarterly and proforma figures are unaudited.

The financial information set out in the ICI section of this report does not constitute ICI's statutory accounts for the years ended December 31, 2007 or 2006, but is derived from those accounts. Statutory accounts for 2006 have been delivered to the registrar of companies, and those for 2007 will be delivered in due course. KPMG Audit Plc. have reported on those 2006 and 2007 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 237 (2) or (3) of the Companies Act 1985. The 2007 accounts will be published on the Akzo Nobel website on March 19, 2007. All quarterly and proforma figures are unaudited.

As a consequence of the intention to divest Organon BioSciences (OBS) to Schering-Plough, in accordance with IFRS 5, the OBS activities qualify as *discontinued operations*. As a result, going forward no depreciation or amortization is recognized anymore for the OBS activities. Consequently, pretax results increased by EUR 64 million. Of this amount, EUR 11 million was recognized in the fourth quarter of 2007.

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

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

Incidentals are special charges and benefits, results on divestments, restructuring and impairment charges, and charges related to major legal, antitrust, and environmental cases. Operating income excluding incidentals is one of the key figures management uses to assess the company's performance, as this figure better reflects the underlying trends in the results of the activities.

EBIT margin is operating income (EBIT) as a percentage of revenue.

EBITDA is EBIT before depreciation and amortization.

Invested capital is total assets less cash and cash equivalents, less current liabilities.

Moving average ROI is EBIT before incidentals of the last four quarters divided by the average invested capital of those four quarters.

Safe Harbor Statement

This report contains statements which address such key issues as Akzo Nobel's growth strategy, future financial results, market positions, product development, products in the pipeline, and product approvals. Such statements should be carefully considered, and it should be understood that many factors could cause forecasted and actual results to differ from these statements. These factors include, but are not limited to, price fluctuations, currency fluctuations, developments in raw material and personnel costs, pensions, physical and environmental risks, legal issues, and legislative, fiscal, and other regulatory measures. Stated competitive positions are based on management estimates supported by information provided by specialized external agencies. For a more comprehensive discussion of the risk factors affecting our business, please see our latest Annual Report, a copy of which can be found on the company's corporate website *www.akzonobel.com.*

For more information:

The explanatory sheets used by the CEO during the press conference can be viewed on Akzo Nobel's corporate website *www.akzonobel.com.*

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Financial calendar

The 2007 Annual Report of Akzo Nobel will be published in print and on Akzo Nobel's corporate website on March 19, 2008.

The Annual Report of ICI will be published on Akzo Nobel's corporate website on March 19, 2008.

The Report for the first quarter of 2008 will be published on May 7, 2008.

Pro forma figures over 2007 for Akzo Nobel including ICI will be published early in April 2008.