

10 Report for the 3rd quarter of 2010



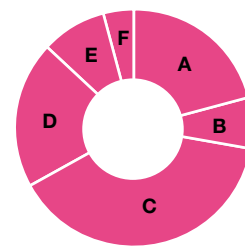
AkzoNobel

Tomorrow's Answers Today



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

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



(Based on the full year 2009)

Our results at a glance

- Revenue €3.9 billion (2009: €3.4 billion), up 13 percent (5 percent in constant currencies)
- EBITDA €574 million (2009: €528 million), up 9 percent (2 percent in constant currencies)
- EBITDA margin 14.8 percent (2009: 15.4 percent)
- Sale of National Starch completed on October 1
- Two bolt-on acquisitions closed in Performance Coatings
- Interim dividend of €0.32 declared, up 7 percent
- New medium-term ambitions announced
- Outlook unchanged: we remain cautiously optimistic

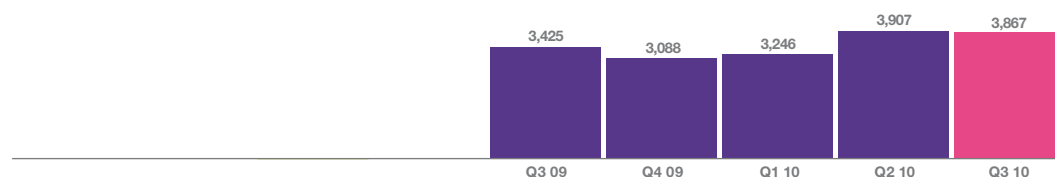
Financial highlights

3RD QUARTER			IN € MILLIONS			JANUARY - SEPTEMBER		
2010	2009 ¹	Δ%				2010	2009 ¹	Δ%
Continuing operations before incidentals								
3,867	3,425	13	Revenue			11,020	9,940	11
574	528	9	EBITDA			1,587	1,323	20
14.8	15.4		EBITDA margin (in %)			14.4	13.3	
428	385	11	EBIT			1,152	901	28
11.1	11.2		EBIT margin (in %)			10.5	9.1	
			Moving average ROI (in %)			11.0	8.9	
After incidentals								
381	346	10	Operating income			1,060	767	38
217	201	8	Net income from continuing operations			534	328	63
21	(4)		Net income from discontinued operations			58	17	
238	197	21	Net income total operations			592	345	72
0.93	0.87		Earnings per share from continuing operations (in €)			2.29	1.42	
1.02	0.85		Earnings per share from total operations (in €)			2.54	1.49	
109	130		Capital expenditures			336	353	
378	817		Net cash from operating activities			244	809	
			Interest coverage			3.9	2.7	
			Invested capital			12,677	12,053	
			Net debt			2,030	1,966	
			Number of employees			55,530	55,470	

¹ Restated for comparative presentation.

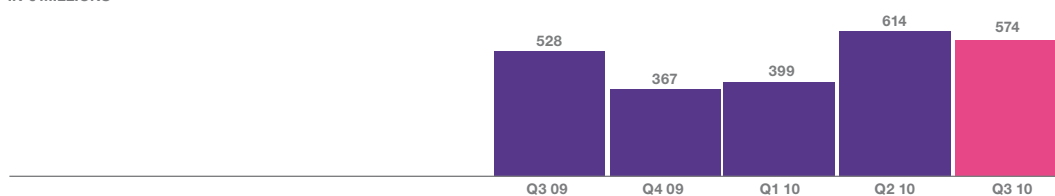
Revenue

IN € MILLIONS



EBITDA

IN € MILLIONS



Financial highlights

Revenue increased by 13 percent, driven by 4 percent higher volumes and 8 percent favorable currencies. EBITDA was 9 percent higher at €574 million (2009: €528 million) and was also positively impacted by 7 percent currency translation. The EBITDA margin was 14.8 percent (2009: 15.4 percent).

Revenue

We continued to see strong revenue gains in high growth markets across all our business areas, while revenue development in the mature markets remained weak.

- Decorative Paints revenue increased by 8 percent in the third quarter, with strong growth in Asia (30 percent) and Latin America (25 percent), offset by lower volumes in Europe. The weak housing and construction markets in the mature economies show no signs of improvement.
- Performance Coatings has seen strong revenue growth of 18 percent, supported by the acquired powder coatings activities (5 percent) and a favorable currency translation effect (8 percent). Volumes increased in all businesses, especially in the high growth markets.
- Demand across the Specialty Chemicals portfolio remained strong. Demand from most end-use markets improved over the previous year, particularly in Asia and the Americas. Revenue increased by 15 percent driven by a 10 percent volume improvement in combination with favorable currency effects and increased pricing.

Acquisitions and divestments

In Performance Coatings, we acquired the Lindgens Metal Decorating business in Q3. On October 1, we acquired Changzhou Prime Automotive Paint Co., Ltd to boost our Car Refinishes business in China, while the \$1.3 billion divestment of National Starch was also completed on October 1. Compared with Q3 2009, revenue was impacted by the following acquisitions and divestments:

- As of June 1, we consolidated the former Dow Chemical Powder Coatings activities into our Performance Coatings business.
- In Q3 2009, 5 percent of Specialty Chemicals revenue was related to PTA Pakistan, which was divested in Q3 2009 and no longer contributed to revenue in 2010.

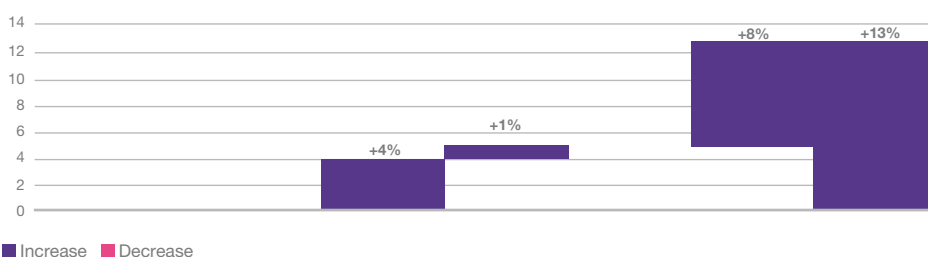
EBITDA

EBITDA amounted to €574 million, 9 percent above 2009, with the EBITDA margin at 14.8 percent (2009: 15.4 percent).

Revenue

3RD QUARTER			IN € MILLIONS			JANUARY - SEPTEMBER		
2010	2009	Δ%		2010	2009	Δ%		
1,372	1,271	8	Decorative Paints	3,829	3,551	8		
1,239	1,051	18	Performance Coatings	3,548	3,098	15		
1,272	1,109	15	Specialty Chemicals	3,684	3,304	12		
(16)	(6)		Other activities/eliminations	(41)	(13)			
3,867	3,425	13	Total	11,020	9,940	11		

Revenue development Q3 2010



IN % VERSUS Q3, 2009	VOLUME	PRICE	ACQUISITIONS/ DIVESTMENTS	EXCHANGE RATES	TOTAL
Decorative Paints	-	1	-	7	8
Performance Coatings	5	-	5	8	18
Specialty Chemicals	10	2	(5)	8	15
Total	4	1	-	8	13

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

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

Financial highlights

- In Decorative Paints, EBITDA was flat at €198 million, with a significant contribution from high growth markets being offset by volume declines in Europe, increased investments in advertising and promotion and higher raw material costs. The EBITDA margin was 14.4 percent (2009: 15.6 percent).
- In Performance Coatings, some of our raw materials have had significant cost increases in the quarter. To mitigate these, our margin management programs are ongoing and restructuring efforts continue to support performance. EBITDA was €166 million, with an EBITDA margin of 13.4 percent (2009: 16.1 percent).
- EBITDA in Specialty Chemicals improved, as we were able to offset increasing feedstock costs by successful margin management. In addition, the operational efficiency actions of 2009 have favorably impacted our cost base, thus the overall cost growth was limited. As a result, EBITDA was 29 percent above last year. The EBITDA margin improved to 20.0 percent (2009: 17.8 percent).

Raw materials

Purchase prices continued their upward trend in Q3 in line with expectations, driven mainly by titanium dioxide, monomers, fatty acids and oils.

EBIT in "other"

Corporate costs are lower than last year as a result of cost saving programs. Other costs are higher than the previous year, mainly due to increased project activity in line with our strategy to drive functional excellence.

Incidental items included in operating income

Restructuring activities at Decorative Paints are mainly due to the impairment of a former manufacturing site in the US. In Performance Coatings, restructuring activities are mainly related to closing and downsizing various Powder Coatings sites, and in Specialty Chemicals to closing a chlorine waste incinerator in Rotterdam. Under results on acquisitions and divestments, we recorded an incidental gain as a result of the acquired powder coatings activities.

EBITDA

3RD QUARTER			IN € MILLIONS	JANUARY - SEPTEMBER		
2010	2009	Δ%		2010	2009	Δ%
198	198	–	Decorative Paints	485	417	16
166	169	(2)	Performance Coatings	500	440	14
254	197	29	Specialty Chemicals	718	549	31
(44)	(36)		Other activities/eliminations	(116)	(83)	
574	528	9	Total	1,587	1,323	20

Incidentals included in operating income

3RD QUARTER		IN € MILLIONS	JANUARY - SEPTEMBER	
2010	2009		2010	2009
(53)	(116)	Restructuring costs	(91)	(234)
–	(2)	Results related to major legal, antitrust and environmental cases	(1)	11
15	19	Results on acquisitions and divestments	17	31
(9)	60	Other incidental results	(17)	58
(47)	(39)	Incidentals included in operating income	(92)	(134)

EBIT in "other"

3RD QUARTER		IN € MILLIONS	JANUARY - SEPTEMBER	
2010	2009		2010	2009
(25)	(32)	Corporate costs	(68)	(83)
3	7	Pensions	5	22
2	(4)	Insurances	(2)	–
(28)	(13)	Other	(63)	(37)
(48)	(42)	EBIT in "other"	(128)	(98)

Interest

Net financing charges decreased by €27 million to €70 million, due to:

- Financing expenses on pensions which decreased by €16 million to €26 million (2009: €42 million) mainly due to higher returns on plan assets.
- Lower other interest charges due to foreign currency results on hedged future interest cash flows.

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

Tax

The Q3 tax rate is 25 percent (2009: 13 percent). The tax rate is low because of several adjustments to previous years and a tax-exempt gain related to the acquired powder coatings activities. This is partly offset by the impact of changes in tax rates on the measurement of deferred tax. In 2009, the Q3 tax rate was low due to a tax receipt on a contingent basis as part of an ongoing tax litigation.

Decorative Paints

- Revenue of €1,372 million (2009: €1,271 million), up 8 percent, with favorable currency impact of 7 percent
- EBITDA €198 million (2009: €198 million)
- AkzoNobel to be the primary paint supplier to Walmart in the US
- Strong revenue growth and increased investment in brands and distribution in high growth markets
- Soft demand in the mature markets, particularly in Continental Europe

Revenue increased 8 percent in the third quarter (in constant currencies by 1 percent), with strong growth in Asia (30 percent) and Latin America (25 percent), offset by lower volumes in Europe. The weak housing and construction markets in the mature economies show no sign of improvement. The growth in the emerging markets was a result of increased investment in our people, brands and distribution footprints. Total spend on advertising in the quarter increased by €13 million to 6 percent of revenue (2009: 5 percent). EBITDA was flat, with significant contributions coming from revenue in high growth markets and restructuring programs. This was offset by volume declines in Europe, increased investments in advertising and promotion and higher raw material costs.

Europe

In Europe, revenue was 1 percent higher than the previous year (in constant currencies: 2 percent lower). The trend was mixed with continued strong growth in Turkey, while the rest of Europe was stable or declined. In the UK, our positioning in the trade channel is strengthening. Most of the other countries in Europe showed lower revenue as a result of weak demand (particularly in Trade) due to the ongoing uncertain economic environment. Total Europe volumes were down 3 percent.

In the Netherlands, we successfully launched the Sikkens healthcare concept for hospitals. In France, we entered into an agreement to acquire the distributor SOFIP.

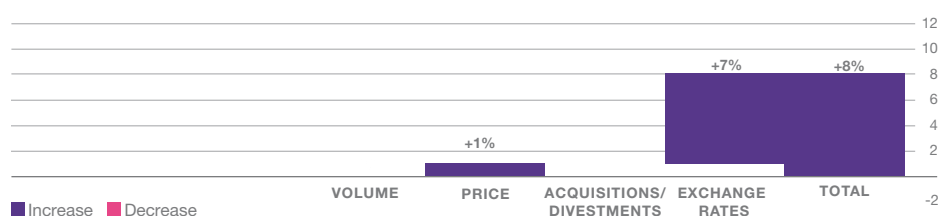
Americas

Revenue in the US was 9 percent higher primarily due to favorable currencies. Retail revenue improved, but trade revenue was lower due to reduced building and construction activities. The third quarter showed solid growth in Glidden. We continued to invest in the Glidden brand, resulting in a healthy sales increase and share expansion of the Glidden brand in the retail segment. As of the third quarter, more than 90 percent of the company-owned stores have been updated with new exterior signage to support the re-launch of the Glidden Professional Paint Centers. We announced that we will be the primary paint supplier to more than 3,500 Walmart stores in the US. We will develop and manufacture a portfolio of interior and exterior paints under the Glidden and Walmart Colorplace brands.

Revenue in Canada benefited from favorable currency translation, although demand in the third quarter was soft, with volumes down 4 percent. We continued to open new stores in Canada (seven so far this year) in order to further strengthen our stores network.

Latin America experienced strong revenue growth across all countries. During Q3, we accelerated the Tudo de Cor Minha Casa (I want colors for my house) program, reaching in excess of 500 projects. This program stimulates consumers to enter into a neighborhood-based contest to have the outside of their house painted for free.

Revenue development Q3 2010



Decorative Paints



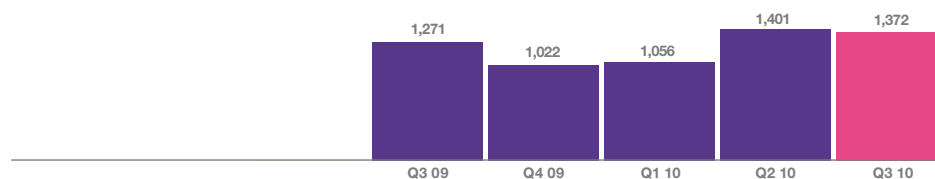
Asia

Growth in Asia remained strong. Revenue increased 30 percent (18 percent excluding a favorable currency impact of 12 percent). All countries contributed to this growth. We continued to invest in our brands and distribution in our key markets. The performance in China was strong, due to effective promotion and aggressive expansion of our stores network in Q3. We rolled out the new format for our Dulux stores network in September. Towards the end of the quarter, we started to experience the effect of the cooling down of the real estate market in China. In South East Asia, we are continuing to experience double-digit growth in key markets, driven by strong brand promotion and distribution expansion. In Thailand, Dulux eco-primer was successfully launched.

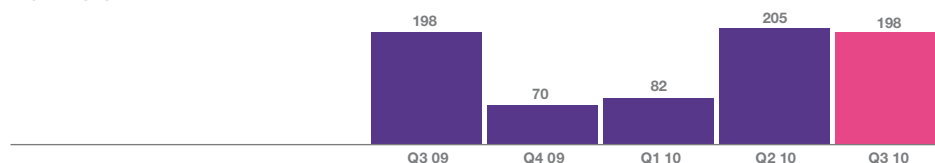
3RD QUARTER			IN € MILLIONS			JANUARY - SEPTEMBER		
2010	2009 ¹	Δ%		2010	2009 ¹	Δ%		
Revenue								
720	716	1	Decorative Paints Europe	2,042	1,999	2		
423	378	12	Decorative Paints Americas	1,181	1,094	8		
231	178	30	Decorative Paints Asia	610	460	33		
(2)	(1)		Other/intragroup eliminations	(4)	(2)			
1,372	1,271	8	Total	3,829	3,551	8		
Before incidentals								
198	198	-	EBITDA	485	417	16		
14.4	15.6		EBITDA margin (in %)	12.7	11.7			
148	148	-	EBIT	335	273	23		
10.8	11.6		EBIT margin (in %)	8.7	7.7			
			Moving average ROI (in %)	5.6	4.8			
After incidentals								
136	125		Operating income	301	200			
28	26		Capital expenditures	91	72			
			Invested capital	6,392	6,250			
			Number of employees	21,840	22,520			

¹ Restated.

Revenue
IN € MILLIONS



EBITDA
IN € MILLIONS



Performance Coatings

- Revenue €1,239 million, up 18 percent (2009: €1,051 million)
- Demand improved in all businesses, with volumes up 5 percent
- EBITDA €166 million (2009: €169 million)
- EBITDA margin of 13.4 percent (2009: 16.1 percent), impacted by raw material prices
- Integration of acquired activities progressing well

Performance Coatings saw strong revenue growth of 18 percent supported by the acquired powder coatings activities (5 percent) and a favorable currency translation impact (8 percent). Volumes increased in all businesses, especially in the high growth markets. The strongest increase was evident in Powder Coatings, and the lowest in the late-cycle Marine, deep sea maintenance, and Protective, oil and gas segment. In the quarter, some of our raw materials have had significant cost increases. To mitigate these, our margin management programs are ongoing and restructuring efforts continue to support performance. EBITDA was €166 million, with an EBITDA margin of 13.4 percent (2009: 16.1 percent). In Q3, Industrial Coatings acquired the Lindgens Metal Decorating business and Car Refinishes acquired the Changzhou Prime Automotive Paint Co., Ltd business in China on October 1.

Marine and Protective Coatings

Q3 showed a modest increase in activity. Revenue was flat in constant currencies. In Marine, volumes grew over last year. The new construction markets, especially China and

Korea, and the coastal and navy segment, were robust, while the deep sea maintenance business continues to run behind last year's levels. Comparing Q3 2010 with the previous year, the Protective volumes, mainly in Asia, showed a reduction due to a slowdown in the build schedule for floating production storage and offloading vessels in the downstream oil and gas segments. In our European yacht business, the retail market is steady and the industry order book for superyachts remains strong. The North American yacht retail and general professional markets have improved over the previous year. A weaker sales mix and increasing raw material prices impacted margins compared with 2009.

Wood Finishes and Adhesives

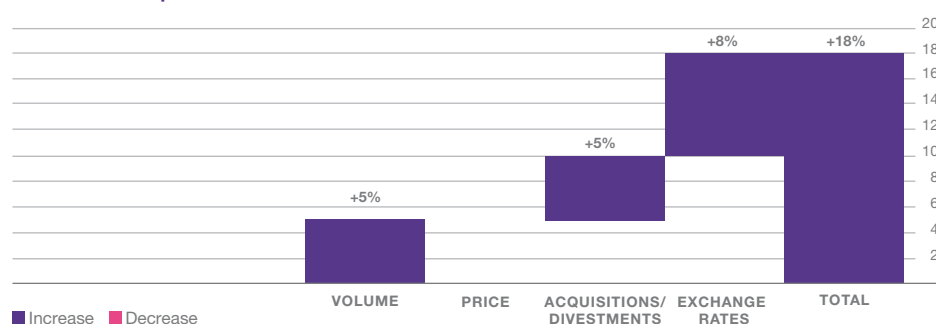
Demand continued to improve in the third quarter across the majority of market segments and regions, with volumes up on last year. Revenue increased 13 percent over 2009, partly due to favorable currencies. The high growth markets in Asia and solid performance of the Adhesives business across all regions also contributed to the revenue growth. The wood volumes in Asia – which still rely heavily

on exported furniture to the US – grew modestly over the previous year, with some assistance from further penetration of the Chinese domestic furniture market. Turkey experienced double-digit volume growth in the quarter over 2009, while most parts of Central and Eastern Europe also grew. The wood business in the Americas continued to suffer from the weak US housing market. In Vietnam, the construction of a new manufacturing facility is underway to further support our growth in the region.

Car Refinishes

Revenue was up 15 percent due to favorable currencies and 7 percent higher volumes. In the high growth markets, particularly in Asia, the vehicle repair premium and trade segments were strong. The commercial vehicle activities continued their upward trend, mainly as a result of increased demand in the US. Recovery in the automotive market improved the performance of our Automotive Plastic Coatings activities, while our Aerospace volumes improved due to higher sales in the commercial airline market. Margin management programs mitigated the negative impact of sales mix and increased raw material prices. With the recently announced acquisition of Changzhou Prime Automotive Paint Co., Ltd, we increased our market share in the trade activities in China. We have also created a new high-chrome finish which has halved the time taken to paint and cure new bodywork for the Vodafone McLaren Mercedes MP4-25 Formula 1 car, and reduced the paintshop's carbon footprint by 80 percent.

Revenue development Q3 2010



Performance Coatings








Powder Coatings

Activity levels were strong during the third quarter, with volume levels up in all businesses. Revenue was up 50 percent, mainly due the acquired powder coatings activities (32 percent) and favorable currencies. Business in the Asian and East European regions showed a strong performance and activity increased in the automotive business in the Americas. The integration of the acquired powder coatings activities is proceeding according to plan and we have announced the closure and downsizing of a number of manufacturing sites in Europe and China. In addition, we have announced a new, dedicated customer and technical service center in Thailand to support our local business.

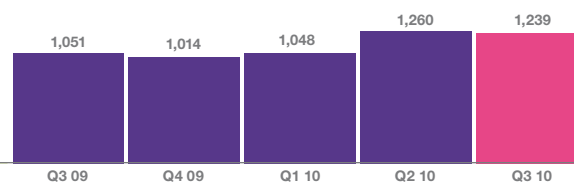
Industrial Coatings

Revenue improved 15 percent due to increased volumes (6 percent) and favorable currencies. The Packaging business showed strong volume improvements in Europe and Latin America, whereas the Coil business' volume increase was driven by growth in Europe and Asia. Our Specialty Plastics business has seen a volume and revenue decrease in Asia in its main business segments of wireless and IT, while the automotive and cosmetics businesses have increased in volume and revenue. Our Coil business is mainly construction related and as a result was impacted by the economic slowdown and by rising raw material costs. Packaging Coatings' more stable beverage and food related business experienced an increase in volume and revenue. We acquired the Lindgens Metal Decorating Coatings and Inks business to strengthen our position in metal packaging decoration and to enhance our presence in important markets such as Russia and Turkey.

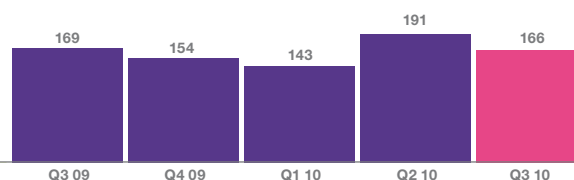
3RD QUARTER			IN € MILLIONS			JANUARY - SEPTEMBER		
2010	2009 ¹	Δ%		2010	2009 ¹	Δ%		
Revenue								
334	305	10	Marine and Protective Coatings	996	960	4		
201	178	13	Wood Finishes and Adhesives	591	512	15		
251	218	15	Car Refinishes	738	653	13		
222	148	50	Powder Coatings	574	423	36		
235	205	15	Industrial Coatings	660	549	20		
(4)	(3)		Other/intragroup eliminations	(11)	1			
1,239	1,051	18	Total	3,548	3,098	15		
Before incidentals								
166	169	(2)	EBITDA	500	440	14		
13.4	16.1		EBITDA margin (in %)	14.1	14.2			
140	144	(3)	EBIT	421	364	16		
11.3	13.7		EBIT margin (in %)	11.9	11.7			
				Moving average ROI	28.1	23.0		
After incidentals								
129	122		Operating income	383	316			
21	15		Capital expenditures	51	40			
				Invested capital	2,024	1,856		
				Number of employees	21,030	19,940		

¹ Restated.

Revenue
IN € MILLIONS



EBITDA
IN € MILLIONS



Specialty Chemicals

- Revenue increased 15 percent to €1,272 million (2009: €1,109 million); volume increased 10 percent
- EBITDA was up 29 percent to €254 million (2009: €197 million)
- EBITDA margin 20.0 percent (2009: 17.8 percent)
- Performance improvement in all businesses
- Sale of National Starch completed on October 1

Demand across the Specialty Chemicals portfolio remained strong through the third quarter. Demand from most end-use markets comparatively improved over the prior year, particularly in Asia and the Americas. In addition, several of the key growth platforms in our businesses, such as geographic expansion (China) and green technologies (GLDA), gained further commercial momentum. Revenue increased by 15 percent driven by a 10 percent volume improvement in combination with favorable currency effects and increased pricing. Our EBITDA improved, as we were able to offset increasing feedstock costs by successful margin management. The operational efficiency actions of 2009 have also favorably impacted our cost base, thus the overall cost growth was limited. As a result, EBITDA was €254 million, 29 percent above last year. The EBITDA margin improved to 20.0 percent, up 2.2 percentage points from the previous year (2009: 17.8 percent).

Functional Chemicals

The performance of Functional Chemicals remained strong. With the exception of the residential construction related industries, real growth has returned in most of our end-use markets. Additionally, supply disruption has led to market tightness in certain segments. The broad improvement in fundamental demand, combined with the further commercialization of our key growth platforms (Chelates and High Polymers), resulted in a 10 percent increase in volume in the quarter. Revenue increased a corresponding 21 percent, driven by the volume increase, improved pricing and an 8 percent favorable currency effect. The synergies from the merger of the former Polymer Chemicals activities are materializing as planned. Growth, firm margins and cost savings all contributed to a significantly improved bottom line performance during the quarter. The construction and start-up of the expansion project in Ningbo, China, is in the final completion phase.

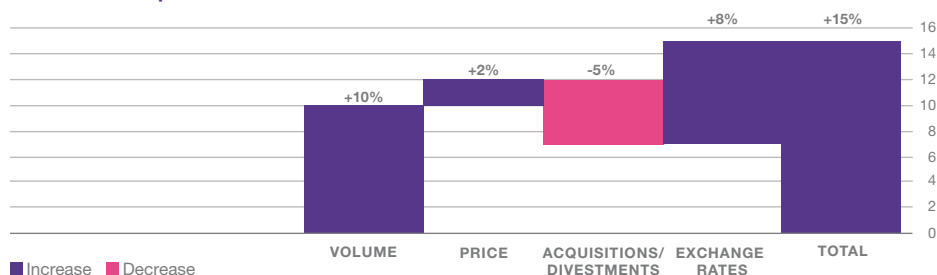
Industrial Chemicals

The performance of Industrial Chemicals was significantly higher in Q3 relative to 2009. Volume increased 8 percent as demand for caustic, energy and salt strongly recovered. Improved pricing across all the businesses and revenue recognized from the secondary use of salt caverns were also key drivers of the 19 percent top line growth. The cost control actions completed this year additionally contributed to the much improved performance in the quarter.

Surface Chemistry

Our Surface Chemistry business continues to perform well in 2010. The demand in the personal care, agro, mining and other performance application segments remains very healthy. Compared with a relatively strong quarter in 2009, volume increased 12 percent, with positive developments in all regions. Revenue increased 22 percent, driven primarily by the volume increase and a favorable currency impact of 12 percent. Improved demand, cost containment actions and the continued emphasis on margin management led to an improvement in results during the quarter.

Revenue development Q3 2010



Specialty Chemicals

EXPANCEL[®]
 MICROSFERES

eka

Ferrazone[®]
 This Iron Works





Pulp and Paper Chemicals

Revenue in Pulp and Paper Chemicals improved 15 percent. The market continues to show recovery, especially in the bleaching chemicals segment. The market in Europe tightened in the quarter and demand in the US and South America remained strong. Regionally, our performance has improved in Asia and the Americas while we are experiencing a slower recovery in Europe. Collectively, the performance of the business unit improved in the quarter primarily as a result of the increase in volume.

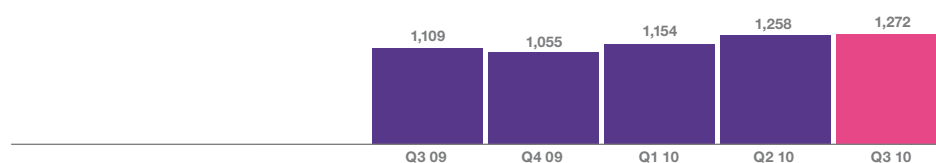
Chemicals Pakistan

Despite difficult business conditions and a devastating natural disaster, the performance of our Chemicals Pakistan business improved during the quarter. Adjusting for the PTA divestment, revenue increased 17 percent. Most businesses showed growth over last year, both in volume and revenue. The Soda Ash and Polyester businesses were very strong performers. In addition, margin improvements and cost containment actions further supported the improved bottom line results.

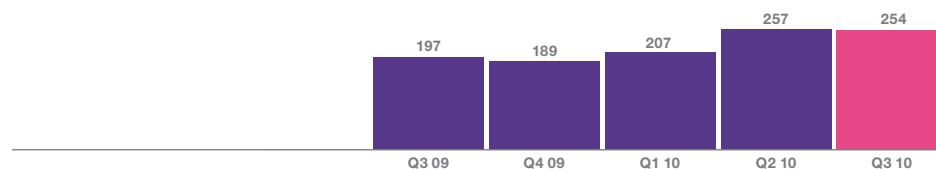
3RD QUARTER			IN € MILLIONS			JANUARY - SEPTEMBER		
2010	2009 ¹	Δ%		2010	2009 ¹	Δ%		
Revenue								
464	382	21	Functional Chemicals	1,352	1,116	21		
276	232	19	Industrial Chemicals	788	706	12		
219	180	22	Surface Chemistry	647	522	24		
272	237	15	Pulp and Paper Chemicals	774	693	12		
73	107	(32)	Chemicals Pakistan	223	350	(36)		
(32)	(29)		Other/intragroup eliminations	(100)	(83)			
1,272	1,109	15	Total	3,684	3,304	12		
Before incidentals								
254	197	29	EBITDA	718	549	31		
20.0	17.8		EBITDA margin (in %)	19.5	16.6			
188	135	39	EBIT	524	362	45		
14.8	12.2		EBIT margin (in %)	14.2	11.0			
			Moving average ROI (in %)	19.6	14.4			
After incidentals								
164	99		Operating income	485	306			
54	83		Capital expenditures	182	223			
			Invested capital	3,364	3,105			
			Number of employees	11,100	11,230			

¹ Restated.

Revenue
IN € MILLIONS



EBITDA
IN € MILLIONS



Condensed financial statements

Consolidated statement of income

3RD QUARTER		IN € MILLIONS	JANUARY - SEPTEMBER	
2010	2009 ¹		2010	2009 ¹
Continuing operations				
3,867	3,425	Revenue	11,020	9,940
(2,277)	(2,060)	Cost of sales	(6,442)	(5,962)
1,590	1,365	Gross profit	4,578	3,978
(853)	(786)	Selling expenses	(2,484)	(2,308)
(275)	(236)	General and administrative expenses	(789)	(766)
(89)	(81)	Research and development expenses	(251)	(244)
8	84	Other operating income/(expenses)	6	107
381	346	Operating income	1,060	767
(70)	(97)	Net financing expenses	(271)	(287)
9	6	Results from associates and joint ventures	21	16
320	255	Profit before tax	810	496
(81)	(32)	Income tax	(210)	(108)
239	223	Profit for the period from continuing operations	600	388
Discontinued operations				
21	(4)	Profit for the period from discontinued operations	58	17
260	219	Profit for the period	658	405
Attributable to:				
238	197	- Shareholders of the company	592	345
22	22	- Minority interests	66	60
260	219	Profit for the period	658	405
Earnings per share from continuing operations (in €):				
0.93	0.87	- Basic	2.29	1.42
0.92	0.86	- Diluted	2.27	1.41
Earnings per share from discontinued operations (in €):				
0.09	(0.02)	- Basic	0.25	0.07
0.09	(0.02)	- Diluted	0.25	0.07
Earnings per share from total operations (in €):				
1.02	0.85	- Basic	2.54	1.49
1.01	0.84	- Diluted	2.52	1.48

¹ Restated for comparative presentation.

Reconciliation net financing expense

3RD QUARTER		IN € MILLIONS	JANUARY - SEPTEMBER	
2010	2009		2010	2009
16	19	Financing income	40	44
(72)	(70)	Financing expenses	(211)	(181)
(56)	(51)	Net interest on net debt	(171)	(137)
Other interest movements:				
(26)	(42)	- Financing expenses related to pensions	(77)	(132)
(6)	(8)	- Interest on provisions	(43)	(26)
18	4	- Other items	20	8
(14)	(46)	Net other financing charges	(100)	(150)
(70)	(97)	Net financing expenses	(271)	(287)

Information on segments and incidentals

3RD QUARTER			IN € MILLIONS	JANUARY - SEPTEMBER		
2010	2009	Δ%		2010	2009	Δ%
Revenue						
1,372	1,271	8	Decorative Paints	3,829	3,551	8
1,239	1,051	18	Performance Coatings	3,548	3,098	15
1,272	1,109	15	Specialty Chemicals	3,684	3,304	12
(16)	(6)		Other activities/eliminations	(41)	(13)	
3,867	3,425	13	Total	11,020	9,940	11
EBITDA						
198	198	-	Decorative Paints	485	417	16
166	169	(2)	Performance Coatings	500	440	14
254	197	29	Specialty Chemicals	718	549	31
(44)	(36)		Other activities/eliminations	(116)	(83)	
574	528	9	Total	1,587	1,323	20
14.8	15.4		EBITDA margin (in %)	14.4	13.3	
EBIT						
148	148	-	Decorative Paints	335	273	23
140	144	(3)	Performance Coatings	421	364	16
188	135	39	Specialty Chemicals	524	362	45
(48)	(42)		Other activities/eliminations	(128)	(98)	
428	385	11	Total	1,152	901	28
11.1	11.2		EBIT margin (in %)	10.5	9.1	
Operating income						
136	125	9	Decorative Paints	301	200	51
129	122	6	Performance Coatings	383	316	21
164	99	66	Specialty Chemicals	485	306	58
(48)	-		Other activities/eliminations	(109)	(55)	
381	346	10	Total	1,060	767	38
Incidentals included in operating income						
(53)	(116)		Restructuring costs	(91)	(234)	
-	(2)		Results related to major legal, antitrust and environmental cases	(1)	11	
15	19		Results on acquisitions and divestments	17	31	
(9)	60		Other incidental results	(17)	58	
(47)	(39)		Total	(92)	(134)	
Incidentals per line item						
(37)	(85)		Cost of sales	(73)	(120)	
(7)	(23)		Selling expenses	(15)	(50)	
(3)	(10)		General and administrative expenses	(9)	(47)	
(2)	(3)		Research and development expenses	(2)	(14)	
2	82		Other operating income/(expenses)	7	97	
(47)	(39)		Total	(92)	(134)	

Consolidated statement of comprehensive income

3RD QUARTER		IN € MILLIONS	JANUARY - SEPTEMBER	
2010	2009		2010	2009
260	219	Profit for the period	658	405
Other comprehensive income				
(449)	(145)	Exchange differences arising on translation of foreign operations	629	207
65	12	Cash flow hedges	66	47
-	10	Revaluation related to step acquisitions	-	10
(18)	(6)	Income tax relating to components of other comprehensive income	(19)	(19)
(402)	(129)	Other comprehensive income for the period (net of tax)	676	245
(142)	90	Comprehensive income for the period	1,334	650
Comprehensive income attributable to:				
(145)	75	Shareholders of the company	1,244	599
3	15	Minority interests	90	51
(142)	90	Comprehensive income for the period	1,334	650

Changes in equity

IN € MILLIONS	SUBSCRIBED SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	CASHFLOW HEDGE RESERVE	REVALUATION RESERVES	CUMULATIVE TRANSLATION RESERVES	OTHER (STATUTORY) RESERVES AND UNDIS-TRIBUTED PROFIT	SHARE-HOLDERS' EQUITY	MINORITY INTERESTS	TOTAL EQUITY
Balance at January 1, 2009	463	-	(49)	-	(1,130)	8,179	7,463	450	7,913
Profit for the period	-	-	-	-	-	345	345	60	405
Other comprehensive income	-	-	28	10	216	-	254	(9)	245
Comprehensive income for the period	-	-	28	10	216	345	599	51	650
Dividend paid	-	-	-	-	-	(325)	(325)	(40)	(365)
Equity-settled transactions	-	-	-	-	-	18	18	-	18
Issue of common shares	1	-	-	-	-	(1)	-	-	-
Acquisitions and divestments	-	-	-	-	-	-	-	7	7
Balance at September 30, 2009	464	-	(21)	10	(914)	8,216	7,755	468	8,223
Balance at January 1, 2010	465	2	(6)	7	(777)	8,084	7,775	470	8,245
Profit for the period	-	-	-	-	-	592	592	66	658
Other comprehensive income	-	-	47	-	605	-	652	24	676
Comprehensive income for the period	-	-	47	-	605	592	1,244	90	1,334
Dividend paid	-	-	-	-	-	(245)	(245)	(61)	(306)
Equity-settled transactions	-	-	-	-	-	23	23	-	23
Issue of common shares	2	4	-	-	-	-	6	-	6
Acquisitions and divestments	-	-	-	-	-	(7)	(7)	(4)	(11)
Balance at September 30, 2010	467	6	41	7	(172)	8,447	8,796	495	9,291

Condensed consolidated balance sheet

IN € MILLIONS	SEPTEMBER 30 2010	DECEMBER 31 2009
Intangible assets	7,147	7,388
Property, plant and equipment	3,232	3,474
Other financial non-current assets	1,948	1,783
Total non-current assets	12,327	12,645
Inventories	1,621	1,441
Trade and other receivables	3,070	2,564
Cash and cash equivalents	1,768	2,128
Other current assets	163	102
Assets held for sale	1,269	-
Total current assets	7,891	6,235
Total assets	20,218	18,880
Shareholders' equity	8,796	7,775
Minority interest	495	470
Total equity	9,291	8,245
Provisions and deferred tax liabilities	2,390	2,593
Long-term borrowings	2,978	3,488
Total non-current liabilities	5,368	6,081
Short-term borrowings	820	384
Trade and other payables	3,200	2,866
Other short-term liabilities	1,173	1,304
Liabilities held for sale	366	-
Total current liabilities	5,559	4,554
Total equity and liabilities	20,218	18,880
Shareholders' equity per share (in €)	37.67	33.48
Number of shares outstanding (in millions)	233.5	232.3
Invested capital	12,677	11,732 ¹

¹ Restated for comparative presentation.

Shareholders' equity

Shareholders' equity as at September 30, 2010 increased to €8.8 billion, due to:

- Net income of €592 million.
- Increased cumulative translation reserves by €605 million due to the weakening euro.
- Payment of the final 2009 dividend of €245 million.

Dividend policy

We have announced a simplified dividend policy and intend to pay a stable to rising dividend, whereby a cash interim and final dividend will be paid. The 2010 interim dividend will be increased by 7 percent to €0.32 per share. Our intention is to grow the 2010 total dividend by around €0.05 per share, aiming towards a total 2010 dividend of €1.40.

Net debt

Net debt increased from €1.7 billion at year-end 2009 to €2.0 billion, mainly due to:

- Operating cash inflows of €244 million, offset by:
- Dividend payments of €306 million (€245 million to shareholders and €61 million to shareholders of minority interest) and
- Capital expenditures of €336 million.

A bond totaling €539 million will mature in June 2011 and is recorded under short-term borrowings.

In August, our credit ratings were confirmed at BBB+/Baa1 with outlook improved to stable. The proceeds from the disposal of National Starch will fund growth and will potentially partly be used to strengthen the company's capital structure by, for example, re-paying 2011 debt maturity or de-risking pensions where possible.

Pensions

The funded status of the pension plans at September 30, 2010, was estimated to be a deficit of €1.5 billion (year-end 2009: €1.9 billion). The movement is due to lower discount rates increasing the pension obligation, compensated by:

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

Workforce

At the end of Q3, 2010, we employed 55,530 staff for ongoing activities (year-end 2009: 54,740 employees). The net increase was due to:

- A net increase of 740 due to acquisitions and divestments.
- A seasonal increase of 260.
- A decrease of 1,400 due to ongoing restructuring.
- An increase of 1,190 due to new hires and other changes.

Invested capital

IN € MILLIONS	SEPTEMBER 30	DECEMBER 31	SEPTEMBER 30
	2010	2009	2009
Trade receivables	2,269	1,762	2,008
Inventories	1,621	1,314	1,355
Trade payables	(1,699)	(1,385)	(1,356)
Operating working capital in business areas	2,191	1,691	2,007
Other working capital items	(1,055)	(956)	(862)
Non-current assets	12,327	12,645	12,579
Deferred tax liabilities	(596)	(574)	(581)
Less investments in associates and joint ventures	(190)	(176)	(170)
Discontinued operations	–	(898)	(920)
Invested capital	12,677	11,732	12,053

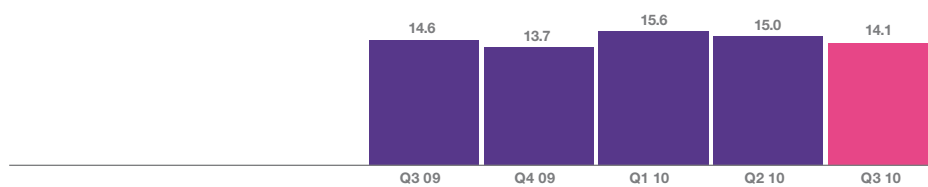
Invested capital

Invested capital at September 30, 2010 totaled €12.7 billion, €1 billion higher than at year-end 2009. Invested capital was impacted by the following items:

- Foreign currency effects on intangibles and property, plant and equipment, due to the weakening euro.
- An increase of €257 million of long-term receivables related to pension funds in an asset position.
- An increase of operating working capital of €500 million due the seasonality of some of our activities. Expressed as a percentage of revenue, operating working capital was 14.1 percent (year-end 2009: 13.7 percent; Q3 2009: 14.6 percent).
- Payments of accrued interest of €159 million, being the first payment under bonds refinanced in late 2008 and the first half of 2009. The normalized cash outflow for these bonds is €148 million.

Operating working capital

IN % OF REVENUE



Operating working capital

IN € MILLIONS	SEPTEMBER 30	DECEMBER 31	SEPTEMBER 30
	2010	2009	2009
Decorative Paints	710	532	719
Performance Coatings	787	594	667
Specialty Chemicals	694	565	621
Total	2,191	1,691	2,007

Condensed consolidated statement of cash flows

3RD QUARTER		IN € MILLIONS	JANUARY - SEPTEMBER	
2010	2009 ¹		2010	2009 ¹
1,472	1,140	Cash and cash equivalents opening balance	1,919	1,449
239	223	Profit for the period from continuing operations	600	388
176	180	Amortization, depreciation and impairments	474	470
105	402	Changes in working capital	(182)	270
(128)	(58)	Changes in provisions	(631)	(383)
(14)	70	Other changes	(17)	64
378	817	Net cash from operating activities	244	809
(109)	(130)	Capital expenditures	(336)	(353)
23	14	Acquisitions and divestments ²	(4)	(35)
50	10	Other changes	54	42
(36)	(106)	Net cash from investing activities	(286)	(346)
(80)	(15)	Changes from borrowings	(29)	167
(24)	(12)	Dividends	(306)	(365)
3	1	Other changes	6	2
(101)	(26)	Net cash from financing activities	(329)	(196)
241	685	Net cash used for continuing operations	(371)	267
(1)	(42)	Cash flows from discontinued operations	-	20
240	643	Net change in cash and cash equivalents of total operations	(371)	287
(82)	(33)	Effect of exchange rate changes on cash and cash equivalents	82	14
1,630	1,750	Cash and cash equivalents at September 30	1,630	1,750

¹ Reclassified for comparative presentation.

² Net of cash.

Cash flows

Operating activities in Q3 resulted in a cash inflow of €378 million (2009: €817 million). The change compared with 2009 is mainly due to the following changes in working capital and changes in provisions:

- In Q3 2009, we added €116 million to the restructuring provision and we received €75 million from tax authorities on a contingent basis for ongoing tax litigation.
- In Q3 2010 we paid an additional amount to tax authorities and settled a former ICI claim for €32 million.

Medium-term ambitions

We have the aspiration to be the world's leading Coatings and Specialty Chemicals company. On September 28, we announced our medium-term ambitions to grow to €20 billion revenue, increase EBITDA each year while maintaining a 13 to 15 percent margin, reduce OWC percent of revenue year-on-year by 0.5 percent towards a 12 percent level, and pay a stable to rising dividend.

The sustainability ambitions are to remain in the top three on the Dow Jones Sustainability Index, to be top quartile in our peer group in terms of safety performance, diversity, employee engagement and development, and eco-efficiency improvement rates.

2010 outlook

Construction and housing markets, particularly in our mature markets, remain soft. However, our leading positions, scale and presence in diversified markets, together with a strong balance sheet and evidence of sustained industrial demand beyond re-stocking, give reason for cautious optimism.

Amsterdam, October 21, 2010 Board of Management

Notes to the condensed financial statements

Accounting policies

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

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

Reclassification comparative figures

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

Seasonality

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

The "other" category

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

Glossary

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

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

EBIT is operating income before incidentals.

EBIT margin is EBIT as percentage of revenue.

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

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

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

Invested capital is total assets (excluding cash and cash equivalents, investments in

associates, assets held for sale) less current income tax payable, deferred tax liabilities and trade and other payables.

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

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

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

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

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

Safe Harbor Statement

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

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Financial calendar

Ex-dividend date of 2010 interim dividend	October 25, 2010
Record date of 2010 interim dividend	October 27, 2010
Payment date of 2010 interim dividend	November 3, 2010
Report for the 4th quarter and the year 2010	February 17, 2011
Report for the 1st quarter 2011	April 21, 2011
Annual General Meeting	April 27, 2011
Report for the 2nd quarter 2011	July 21, 2011
Report for the 3rd quarter 2011	October 20, 2011
Report for the 4th quarter and the year 2011	February 16, 2012



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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 on the Dow Jones Sustainability Indexes. 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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