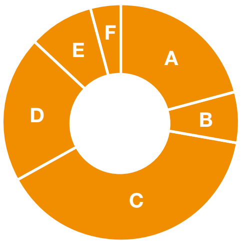
Report for the year 2011 and the fourth quarter

AkzoNobel
Tomorrow's Answers Today

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

		%
A	North America	20
B	Emerging Europe	7
C	Mature Europe	38
D	Asia Pacific	21
E	Latin America	10
F	Other regions	4
		100

(Based on the full year 2011)

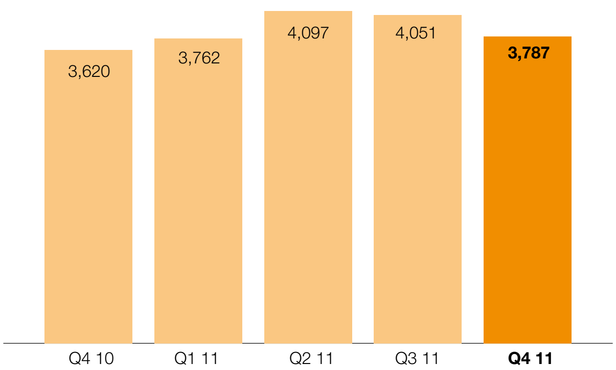


Our results at a glance

- 2011 revenue up 7 percent driven by pricing actions to offset raw material cost inflation
- Weaker end markets and cost inflation impacted results
- 2011 EBITDA 9 percent lower at €1,796 million (2010: €1,964 million)
- Net income from continuing operations €469 million (2010: €664 million)
- Adjusted EPS €2.91 (2010: €3.71)
- Total dividend for 2011 increase to €1.45 proposed (2010: €1.40)
- Performance improvement program on track
- The economic environment and certain raw materials remain our principal sensitivities in 2012

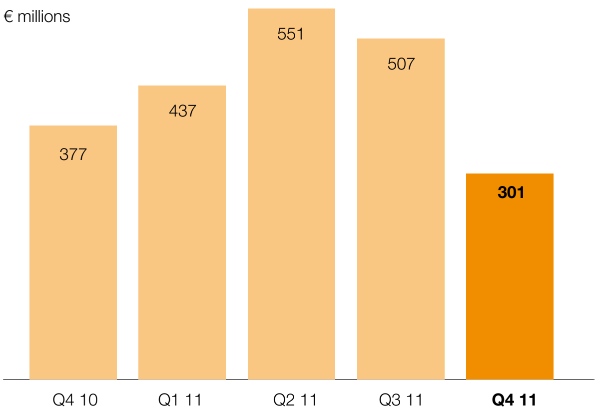
Revenue

In € millions



EBITDA

In € millions



Financial highlights

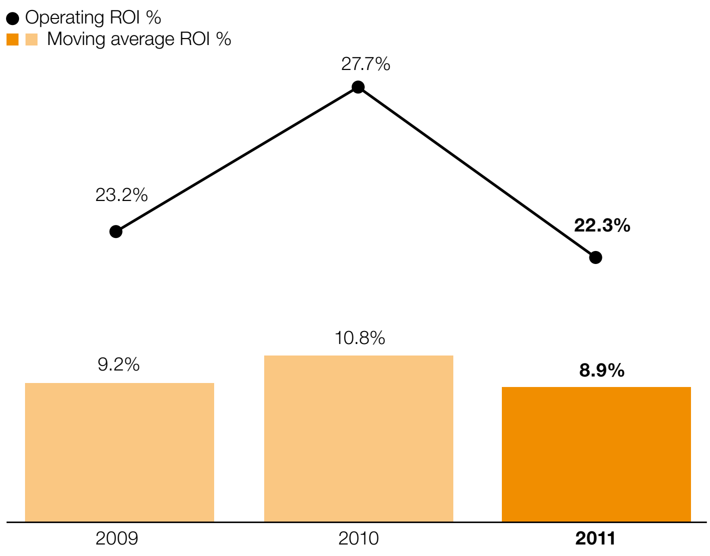
Continuing operations before incidentals

4th quarter 2010	2011	Δ%	in € millions	January - December 2010	2011	Δ%
3,620	3,787	5	Revenue	14,640	15,697	7
377	301	(20)	EBITDA	1,964	1,796	(9)
10.4	7.9		EBITDA margin (in %)	13.4	11.4	
222	133	(40)	EBIT	1,374	1,175	(14)
6.1	3.5		EBIT margin (in %)	9.4	7.5	
			Moving average ROI (in %)	10.8	8.9	
			Operating ROI (in %)	27.7	22.3	
0.82	0.17		Adjusted earnings per share (in €)	3.71	2.91	

After incidentals

4th quarter 2010	2011	Δ%	in € millions	January - December 2010	2011	Δ%
159	36	(77)	Operating income	1,219	1,042	(15)
130	(62)		Net income/(loss) from continuing operations	664	469	(29)
32	(6)		Net income/(loss) from discontinued operations	90	8	
162	(68)		Net income/(loss) total operations	754	477	(37)
0.55	(0.26)		Earnings per share from continuing operations (in €)	2.85	2.01	
0.69	(0.29)		Earnings per share from total operations (in €)	3.23	2.04	
198	256		Capital expenditures	534	708	
275	270		Net cash from operating activities	519	325	
			Interest coverage	6.4	4.3	
			Invested capital	12,718	13,708	
			Net debt	936	1,895	
			Number of employees	55,590	57,240	

Returns on invested capital



Financial highlights

Revenue for the year 2011 was up 7 percent, mainly due to pricing actions to offset raw material cost inflation. However, weaker end markets and cost inflation adversely impacted our results in 2011. The performance improvement program to deliver €500 million EBITDA in 2014 is on track and we are confident that this will bring us in line with our medium-term ambitions.

Performance improvement program

We have launched a performance improvement program to strengthen our competitiveness, enhance our ability to grow, simplify our support structures and reduce our cost base. This simplification and standardization of our support structures implies a significant change in our operating model and business culture. The program, which we announced in October 2011, is a comprehensive three-year plan to improve our performance and deliver €500 million EBITDA by 2014. The program includes business restructuring and is to deliver €200 million EBITDA in 2012. This implies higher restructuring cost for the coming year. The program is on track and the first update on progress and financial impact is due in our 2012 half-yearly report.

Revenue

- In Decorative Paints, full-year revenue growth was 7 percent with volumes up 5 percent; price increases 3 percent and adverse impact of currencies of 1 percent. Revenue in Asia and the Americas showed double-digit growth in 2011, mainly driven by price increases and the new Walmart contract in the US. Demand declined in Europe, whilst growth rates achieved in China and South East Asia outpaced market growth; however, the pace of market growth slowed down in these markets in the second half of the year.

  Q4 revenue development followed a similar regional pattern to the rest of 2011. Revenue increased 6 percent (7 percent in constant currencies), primarily driven by the US, Latin America, China and India, while South East Asia was negatively impacted by the flooding in Thailand and slower market developments in Vietnam and Malaysia.

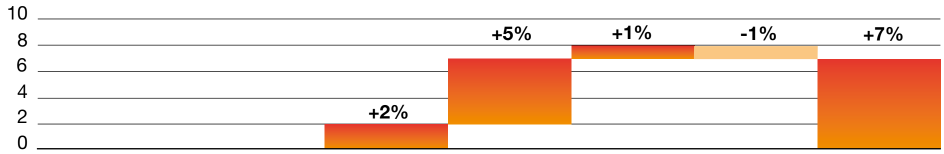
- Performance Coatings 2011 revenue was up 8 percent, supported by volumes (2 percent), acquisitions (2 percent), and price (5 percent), and adversely impacted by currencies (1 percent). Industrial Coatings showed the largest volume increase, driven by good performances in Packaging and Coil Coatings, while Wood Finishes and Adhesives had lower volumes due to weaker demand in the housing market.

Revenue

4th quarter 2010	2011	Δ%	in € millions	January - December 2010	2011	Δ%
1,139	1,204	6	Decorative Paints	4,968	5,296	7
1,238	1,326	7	Performance Coatings	4,786	5,170	8
1,259	1,285	2	Specialty Chemicals	4,943	5,335	8
(16)	(28)		Other activities/eliminations	(57)	(104)	
3,620	**3,787**	**5**		**14,640**	**15,697**	**7**

Revenue development 2011

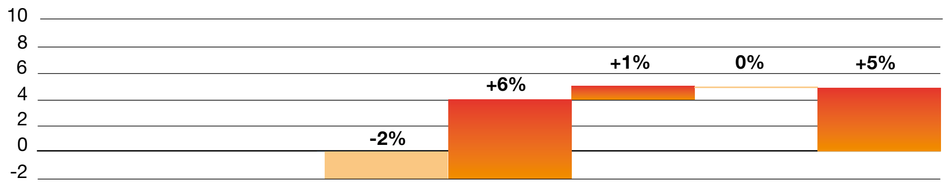
Increase Decrease



in % versus 2010	Volume	Price/mix	Acquisitions	Exchange rates	Total
Decorative Paints	5	3	–	(1)	7
Performance Coatings	2	5	2	(1)	8
Specialty Chemicals	1	7	–	–	8
Total	**2**	**5**	**1**	**(1)**	**7**

Revenue development Q4 2011

Increase Decrease



in % versus Q4 2010	Volume	Price/mix	Acquisitions	Exchange rates	Total
Decorative Paints	2	4	1	(1)	6
Performance Coatings	(2)	7	2	–	7
Specialty Chemicals	(4)	5	–	1	2
Total	**(2)**	**6**	**1**	**–**	**5**

In Q4, revenue ended up 7 percent over last year, supported by price (7 percent) and acquisitions (2 percent); volumes were lower compared to the previous year (2 percent). Signs of a reduction in the rate of raw material price increases were evident in Q4, although margins were still impacted by the increased prices.

- Specialty Chemicals had a solid performance during 2011. Revenue grew over last year on price increases, with limited overall volume growth due to the economic slowdown and growth being hampered in some business units due to capacity constraints. Volume growth was evident in market sectors for Surface

Chemistry and Pulp and Paper Chemicals, where the demand remained strong.

Despite lower volumes in Q4 in some of the businesses, revenue increased by 2 percent on the back of price increases, although they were offset by a reduction in Ethylene Amines sales prices during the quarter. Sales volumes dipped below previous year as the economy slowed down and customers postponed orders to reduce inventory levels towards the end of the year.

Acquisitions and investments

In 2011, we made several acquisitions and significant investments:

- In Decorative Paints we have entered into a partnership in China with Quangxi CAVA Titanium Industry Co. Ltd. to help ensure supply of titanium dioxide (TiO_2). In addition, we are investing €110 million in a replacement manufacturing facility in the North East of England.
- In Performance Coatings, the acquisition of coatings manufacturer Schramm Holding AG closed early October, 2011. This acquisition will enable us to strengthen our global leadership position in specialty plastic coatings. We are also investing €60 million to increase the production capacity of our Automotive and Aerospace Coatings business in China to meet rising demand.
- In Specialty Chemicals, we have acquired Boxing Oleochemicals in January 2012. Boxing is the leading supplier of nitrile amines and derivatives in China and throughout Asia. We are investing €170 million in two new facilities being built in Brazil to supply pulp mills, one of them being the world's largest.
We are also investing €45 million in Ningbo, China and €140 million to convert our chlorine plant in Frankfurt, Germany, to membrane electrolysis technology.

Raw materials

Raw material price increases were a significant concern during 2011. Overall, the weighted average increase in our raw material prices for the year was 16 percent. The increase year-on-year for Q4 was just over 10 percent, which is at a lower level than in Q3, primarily due to a stabilization in all raw material groups except TiO_2, where we continue to see significant price increases. The absolute impact of increased raw material prices for the year is approximately €1 billion (including 2 percent volume increase), accounting for almost the entire increase in cost of sales.

Volume development per quarter (year-on-year)

	Q4 10	Q1 11	Q2 11	Q3 11	**Q4 11**
Decorative Paints	1	9	6	4	2
Performance Coatings	5	7	2	1	(2)
Specialty Chemicals	3	6	1	(1)	(4)
Total	3	7	3	1	**(2)**

Price/mix development per quarter (year-on-year)

	Q4 10	Q1 11	Q2 11	Q3 11	**Q4 11**
Decorative Paints	2	1	2	3	4
Performance Coatings	3	2	3	7	7
Specialty Chemicals	8	6	8	8	5
Total	4	3	4	6	**6**

EBITDA

4th quarter 2010	2011	Δ%	in € millions	January - December 2010	2011	Δ%
63	11	(83)	Decorative Paints	548	440	(20)
147	141	(4)	Performance Coatings	647	611	(6)
221	207	(6)	Specialty Chemicals	939	906	(4)
(54)	(58)		Other activities/eliminations	(170)	(161)	
377	**301**	(20)	**Total**	1,964	**1,796**	**(9)**

EBITDA

- In Decorative Paints, EBITDA was 20 percent behind last year (19 percent in constant currencies), mainly driven by the increases in raw material prices (specifically TiO_2) and unfavorable product mix effects including down trading. EBITDA margin ended at 8.3 percent in 2011 (2010: 11.0 percent). We started to restructure operations in Europe and announced restructuring activities in the US in 2012.

  Margins in Q4 were negatively impacted by the increased costs of raw materials and stock write-offs (€17 million) in the US resulting in an EBITDA of 0.9 percent (2010: 5.5 percent).
- In Performance Coatings, raw material price increases had a negative impact on the full-year results in all businesses. Margin management programs – including selling price increases and restructuring efforts in mature markets – are ongoing and continue to support performance. Full-year EBITDA ended at €611 million (2010: 647 million), with an EBITDA margin of 11.8 percent (2010: 13.5 percent).

  Signs of a reduction in the rate of raw material price increases were evident in Q4, although margins were still impacted by the increased prices. As a result, EBITDA in the quarter was €141 million (€147 million in 2010).
- While most businesses in Specialty Chemicals recorded their best-ever profitability, Functional Chemicals saw its earnings decrease after a very strong 2010 performance, due primarily to the Ethylene Amines product line. With effective margin management and cost control, unit margins remained at the 2010 level offsetting significant raw material price increases and

adverse currency impacts. The energy market in the Netherlands remained unattractive for energy producers as "spark spreads" (the difference between gas input costs versus electricity sales prices) adversely impacted our results. The overall portfolio shows strong profitability in these difficult economic circumstances, with EBITDA at €906 million (2010: €939 million) and EBITDA margin at 17.0 percent (2010: 19.0 percent).

Q4 showed lower volumes in most segments, due to lower demand and customer stock control. EBITDA was €207 million (2010: €221 million) and EBITDA margin at 16.1 percent (2010: 17.6 percent).

Incidental items

Restructuring is mainly related to European businesses in Decorative Paints and Performance Coatings.

EBIT in "other"

Corporate costs ended in line with previous year. Additional costs for functional excellence activities were offset by cost savings. The result of our captive insurance companies was in line with the previous year, although we had a higher number of claims in the fourth quarter. Other costs were lower due to cost savings and favorable non-recurring items.

Incidentals included in operating income

4th quarter 2010	4th quarter 2011	in € millions	January - December 2010	January - December 2011
(29)	(55)	Restructuring costs	(120)	(131)
(48)	(33)	Results related to major legal, antitrust and environmental cases	(49)	(9)
16	(11)	Results on acquisitions and divestments	33	10
(2)	2	Other incidental results	(19)	(3)
(63)	**(97)**	**Incidentals included in operating income**	(155)	**(133)**

EBIT in other

4th quarter 2010	4th quarter 2011	in € millions	January - December 2010	January - December 2011
(29)	(29)	Corporate costs	(96)	(98)
(12)	(3)	Pensions	(7)	(14)
4	(9)	Insurances	2	1
(23)	(21)	Other	(87)	(64)
(60)	**(62)**	**EBIT in "other"**	(188)	**(175)**

Net financing expenses

Net financing charges for the year increased by €11 million from €327 million to €338 million. Significant items included:

- Net interest on debt which increased by €56 million to €245 million (2010: €189 million) due to the loss (€67 million) on the buy back of company bonds in December partly offset by higher financing income.
- Financing expenses on pensions which decreased by €41 million to €59 million (2010: €100 million) mainly due to lower discount rates.
- A decrease in costs of €16 million on foreign currency results of hedged future interest cash flows.

In Q4, we incurred a gain of €8 million as a result of hedged future interest cash flows. Other main changes were related to lower financing expenses on pensions (€8 million) and lower discount rates for provisions (€20 million). Mid-December, we bought back a total nominal amount of €528 million of our 2014 and 2015 bonds and replaced them with bonds with lower interest rates. This transaction resulted in a loss of €67 million in the fourth quarter, which will be set off in later years by significantly lower interest costs. The transaction has improved our maturity profile.

Tax

The year-to-date tax rate is 27 percent (2010: 19 percent). The tax rate benefits from several adjustments to previous years and tax-exempt gains, the main one being a release of an anti-trust provision. The tax rate in 2010 was low because of several adjustments to previous years, partly related to settlements with tax authorities.

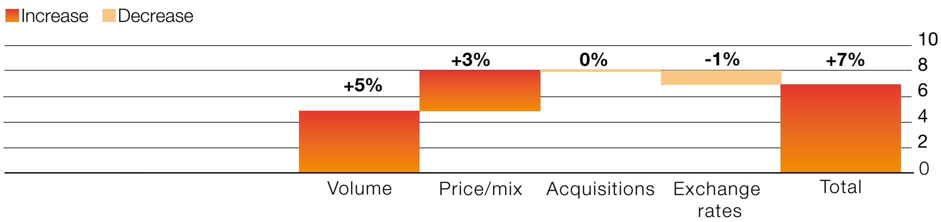
The Q4 tax is impacted positively by the influence of changes in tax rates on the measurement of deferred tax and by several adjustments to previous years.

Decorative Paints

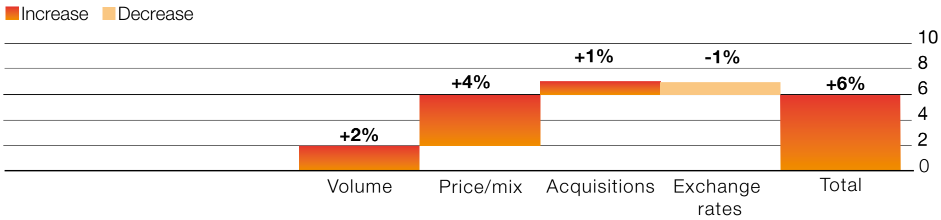
- Full-year revenue increased 7 percent with 5 percent volume increase and 3 percent price increase
- EBITDA 20 percent behind the previous year
- Strongest revenue growth in China, India and Latin America
- Challenging year in Europe and the US with continued restructuring
- Margins negatively impacted by higher raw material costs and mix effect
- Active margin management continues

Full-year revenue growth was 7 percent with volumes up 5 percent, price increases 3 percent and adverse impact of currencies of 1 percent. Revenue in Asia and the Americas showed double-digit growth in 2011 in constant currencies, mainly driven by price increases, volume growth in Asia and the new Walmart contract in the US. Growth rates achieved in China and South East Asia outpaced market growth; however, the pace of market growth slowed down in the second half of the year. Volumes in Europe were positive for the year, however demand declined in the second half of the year. Continuous investment in brands, distribution and people, as well as expansion into mid-tier segments in high growth markets, is progressing. A change in the management structure in Europe and North America will allow for better leveraging of economies of scale and will lead to further cost reductions. EBITDA was 20 percent behind last year (19 percent in constant currencies), mainly driven by increases in raw material prices (specifically TiO_2) and unfavorable product mix effects including down trading. The EBITDA margin was 8.3 percent in 2011.

Revenue development 2011



Revenue development Q4 2011



Q4 revenue development followed a similar regional pattern to the rest of 2011. Revenue increased 6 percent (7 percent in constant currencies), primarily driven by the US, Latin America, China and India, while South East Asia was negatively impacted by the flooding in Thailand and slower market developments in Vietnam and Malaysia. Margins were negatively impacted by the increased costs of raw materials and stock write-offs in the US (€17 million), resulting in an EBITDA margin in Q4 of 0.9 percent.

Europe

In Europe, revenue was up 3 percent (4 percent in constant currencies). It was a mixed performance across the region with a solid start to the year but a significant slow-down in the second half of 2011 in those countries most impacted by the euro crisis. Revenue in the more mature markets showed modest growth, mainly on the back of price increases under weak market conditions, while Turkey, Ploand and Russia delivered stronger revenue growth. There were share gains in some of our key markets and a strong performance from our Building Adhesives business. All regions reported revenue growth, with the exception of the Southern region. Margins in the year were under pressure due to raw material price increases and – in the non-euro markets – currency effects. To mitigate these effects, the business implemented active margin management. Costs for the year were slightly

Key brands

up on the back of some store related acquisitions, specific IT ERP-related costs and brand investments supporting share growth in some key growth markets.

In Q4, revenue was in line with 2010. Revenue was impacted by the worsening of the euro crisis. Margins continued to be under pressure due to raw material costs increases, but were partly offset by margin management.

Americas

Revenue in the US was 12 percent above 2010 (in constant currencies: up 17 percent), which was primarily driven by the new business with Walmart. In 2011, the US paint market was essentially flat versus the prior year, primarily driven by weakness in the trade market. In 2011, we continued our investment in the Glidden brand and introduced Glidden Duo and Glidden Trim and Door products at The Home Depot. Profit performance in the US declined due to raw material cost increases outpacing pricing actions, a weaker product mix, stock write-offs and investments in Walmart.
In Canada, 2011 revenue was 5 percent below 2010 (in constant currencies: down 4 percent), mainly driven by volume. Demand for paint in 2011 was not as strong as it was in 2010, when a strong real estate market and home renovation tax credits acted as key contributors to economic growth. In addition, Canada's growth was impacted by slow recovery in the US and rising inflation, all of which undermined the confidence of consumers.
In Latin America, full-year revenue was 15 percent above 2010 (in constant currencies: 17 percent). All countries contributed to the accelerated growth in the region by building brand equity through the activation of our mission: Adding Colour to People's Lives. This brand equity was converted into market share and profit through point-of-sale locations and the innovative execution of the Tudo de Cor Minha Casa (I want colors for my house) program in Brazil.

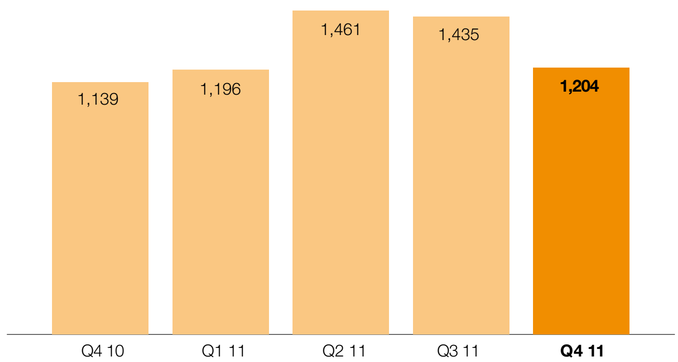
Q4 revenue in the Americas increased by 16 percent (in constant currencies: 17 percent), mainly driven by Latin America and the US. Volume development in the US increased significantly due to the Walmart contract.

Revenue

4th quarter				January - December		
2010	2011	Δ%	in € millions	2010	2011	Δ%
543	535	(1)	Decorative Paints Europe	2,585	2,658	3
366	421	15	Decorative Paints Americas	1,547	1,690	9
231	250	8	Decorative Paints Asia	841	952	13
(1)	(2)		Other/intragroup eliminations	(5)	(4)	
1,139	**1,204**	**6**	**Total**	**4,968**	**5,296**	**7**
Before incidentals						
63	11	(83)	EBITDA	548	440	(20)
5.5	0.9		EBITDA margin (in %)	11.0	8.3	
8	(45)	–	EBIT	343	230	(33)
0.7	(3.7)		EBIT margin (in %)	6.9	4.3	
			Moving average ROI (in %)	5.2	3.5	
After incidentals						
(26)	(94)		Operating income	275	137	
63	76		Capital expenditures	154	204	
			Invested capital	6,404	6,749	
			Number of employees	21,950	22,340	

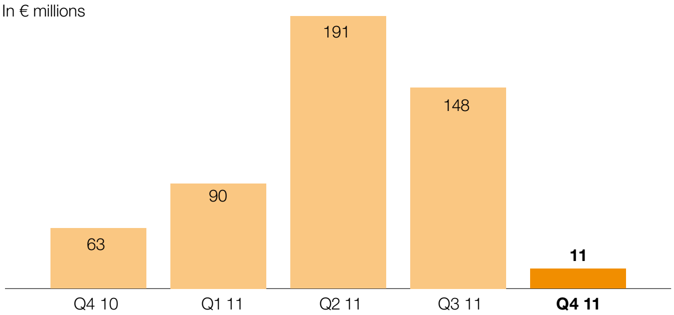
Revenue

In € millions



EBITDA

In € millions



Asia
In 2011, our growth in Asia was strong, but slowed down somewhat during the year. Revenue increased 13 percent from 2010 (in constant currencies: 16 percent), with all Asian countries contributing to this growth.

Our full-year revenue growth (16 percent) in China significantly outpaced market growth in 2011 (2 percent). Investment in brand building has started to come to fruition, with increased brand awareness across China. We successfully launched the Let's Colour campaign to build brand image and inspire customers to redecorate their houses. We opened or upgraded over 900 third party Dulux customer stores in 2011 to accelerate the expansion of our "controlled" distribution footprint. Major new product launches like Forest Breath and VOC-free series generated significant revenue. We continued to invest in people, while at the same time built organizational and system capabilities for future growth. The sales organization was restructured to aggressively grow the project business: we welcomed more than 300 new colleagues to our organization, with the majority being deployed in field sales. We continued to build capability in our Dulux Easy Paint service in order to build a leading position in the redecoration market. The market outlook for next year is still uncertain. We will, however, continue to accelerate our brand building and channel development to fully capture the growth potential in the medium- to long-term.

The South East Asia business grew faster than the market and we improved our competitive position, cementing our overall number one position in the region. This was achieved through continued investment in the Dulux brand across the region: particularly the launch of the Dulux Let's Colour brand identity, as well as key product and innovation launches such as Dulux Weathershield 2nd Generation and our new Dulux Inspire offering in Vietnam and Thailand (designed for the mid-market). The markets have also been impacted by the economic slowdown, particularly Indonesia and Malaysia, and our Thailand business has been affected by the recent flooding. We continued to invest in our business partners – painters, architects, interior designers – and our channels and customers, along with continued expansion of our tinting machine footprint. In order to stay ahead of our growth, we made a major transition in our distribution system in Indonesia and continued to build up our supply chain footprint and capabilities accordingly.

Growth in India was strong in 2011 and ahead of the market. We revised our product portfolio and re-established Dulux as a quality leader. Velvet Touch Trends launch doubled our "special effects" sales in launch markets. Dulux Guardian and Dulux WeatherShield Max were launched in the retail channel in December in three regions (North, South and East India) with encouraging feedback from the market. Contractor engagement continued to rise, peaking in December, supporting a 40 percent volume growth in the trade business. The steep increase in raw material prices was almost completely mitigated with pricing actions and the adverse effect of the high currency and price inflation was mitigated by a tight cost control program.

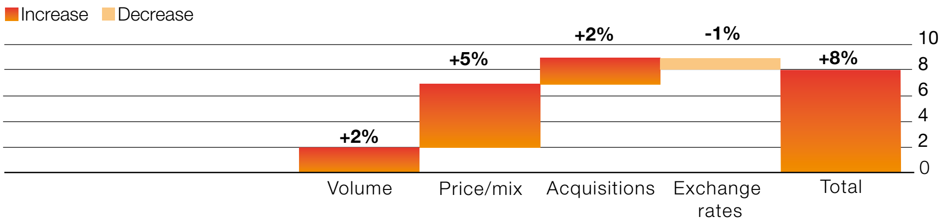
The overall growth momentum in Asia continued in Q4. However, in China measures introduced by the central government to curb rising property prices have led to some softening of demand in Q4. Asia revenue increased by 8 percent in Q4 (in constant currencies 9 percent) while maintaining healthy profit levels. Continued strong revenue growth in China and India was offset by a slowdown in South East Asia as a result of the flooding in Thailand and weaker demand in Indonesia and Malaysia.

Performance Coatings

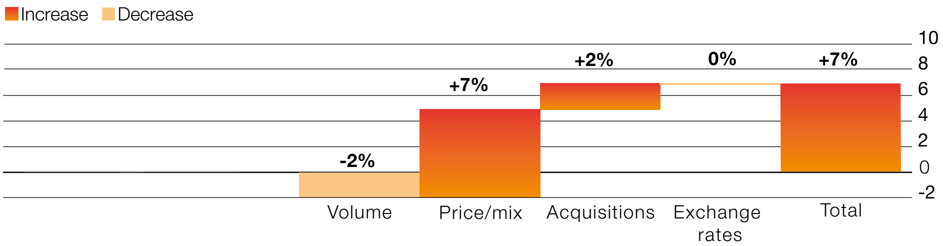
- Full-year revenue up 8 percent, with volumes up 2 percent
- EBITDA 6 percent behind prior year
- Margins impacted by higher raw material cost
- Performance improvement program initiated
- Strong growth in Industrial Coatings but weakness in Wood Finishes and Adhesives
- Integration of acquired activities delivering results

Performance Coatings 2011 revenue was up 8 percent, supported by volumes (2 percent), acquisitions (2 percent), and price (5 percent), and adversely impacted by currencies (1 percent). Industrial Coatings showed the largest volume increase, driven by good performances in Packaging and Coil Coatings, while Wood Finishes and Adhesives had lower volumes due to weaker demand in the housing market. Powder Coatings volumes, excluding acquisitions, were impacted in the second half of the year by the weak economic environment. Raw material price increases had a negative impact on the full-year results in all businesses; the rate of increase began to soften in Q4 2011. Margin management programs – including selling price increases and restructuring efforts in mature markets – are ongoing and continue to support performance.

Revenue development 2011



Revenue development Q4 2011



Full-year EBITDA ended at €611 million, with an EBITDA margin of 11.8 percent (2010: 13.5 percent).

In Q4, revenue ended up 7 percent over last year, supported by price (7 percent) and acquisitions (2 percent); volumes were lower compared to the previous year same quarter (2 percent). Signs of a reduction in the rate of raw material price increases were evident in Q4, although margins were still impacted by the increased prices. As a result, EBITDA in the quarter was €141 million (€147 million in 2010).

Marine and Protective Coatings

Revenue for Marine and Protective Coatings was up 4 percent. In Marine, volume fell short of last year. After record activity levels in new construction in China and Korea last year, demand softened in the second half of 2011. Maintenance and repair markets have been mixed, with some slow recovery over the course of the year in deep sea maintenance. In Protective Coatings, the year has seen strong revenue growth, with positive development in both heavy industry as well as oil and gas markets, with increasing infrastructure requirements in China, India, South East Asia, South America and the Middle East regions. In Yacht, it has been a tough year with weak demand across all regions. Volume off-take was low with our key distributors given their low retail activity in core European and US markets; likewise the number and scale of super-yacht projects was lower than had been anticipated. Raw material increases put pressure on margins in all sectors. At the end of the first quarter, we launched Interline 9001, our next-generation chemical tank coating technology. The coating offers fewer cargo restrictions, reduced cleaning time and zero absorption for many cargos. The product was well-received in the market, with positive feedback from major operators. A new €7 million, state-of-the-art fire protection laboratory was opened at the Felling site in the UK, creating a global center of excellence for fire protection development which will significantly improve our ability to develop and bring new products to the market.

The final quarter ended with slow activity levels, causing volumes to end lower than Q4 2010. Marine Deep Sea and Protective Coatings generated volumes above the level seen during the last quarter of previous year and new construction continued to be lower than the same period last year.

Key brands

Wood Finishes and Adhesives

2011 revenue was 1 percent above the prior year, adversely impacted by lower volumes. Demand remained sluggish in the mature markets of North America and Europe for most of the year. We continue to strengthen our position in the high growth markets with a focus on the Asian domestic markets, Latin America and Eastern Europe. In 2011, we commissioned a new wood finishes manufacturing facility in Vietnam, and began construction of a new board resin facility in Peru. In 2011, we introduced VOC-compliant coatings into our European and North American distribution lines and we commercialized a new generation of superior scratch-resistant coatings for pre-finished hardwood flooring.

Revenue for the quarter was 5 percent above prior year, driven by pricing actions to offset higher raw material costs with volumes almost flat. The demand drivers were relatively stable in the fourth quarter. The US housing market was slightly improved during the quarter, but the macroeconomic environment in Europe became more volatile. The strongest regional growth was realized in Latin America.

Automotive and Aerospace Coatings

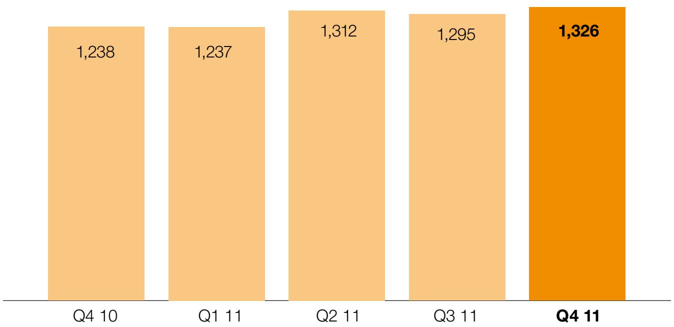
Revenue in 2011 ended 4 percent higher than the previous year. Revenue growth was driven by a volume increase of 4 percent mainly due to strong growth in Asia, recovery of demand in North and South America, and robust demand in the Aerospace Coatings market. In 2011 we also successfully introduced the Wanda waterborne base coat in North America and Asia. Adverse currency translation impacted revenue. Increases in raw material prices were mitigated by selling price increases. We experienced slowdown in demand mainly coming from countries most impacted by the eurozone crisis. The expansion of our US automotive repair distribution network through the divestment of company owned stores to LKQ was partially compensated by the Prime acquisition. We announced an investment of €60 million to increase production capacity of our businesses in China which builds on last year's acquisition of Prime Automotive.

Revenue

4th quarter				January - December		
2010	**2011**	Δ%	in € millions	2010	**2011**	Δ%
349	373	7	Marine and Protective Coatings	1,345	1,398	4
185	195	5	Wood Finishes and Adhesives	776	781	1
256	258	1	Automotive and Aerospace Coatings	994	1,030	4
230	235	2	Powder Coatings	804	940	17
222	273	23	Industrial Coatings	882	1,049	19
(4)	(8)		Other/intragroup eliminations	(15)	(28)	
1,238	**1,326**	7	**Total**	4,786	**5,170**	8
Before incidentals						
147	141	(4)	EBITDA	647	611	(6)
11.9	10.6		EBITDA margin (in %)	13.5	11.8	
119	109	(8)	EBIT	540	495	(8)
9.6	8.2		EBIT margin (in %)	11.3	9.6	
			Moving average ROI (in %)	26.5	22.0	
After incidentals						
104	83		Operating income	487	458	
36	43		Capital expenditures	87	116	
			Invested capital	2,122	2,351	
			Number of employees	21,020	21,960	

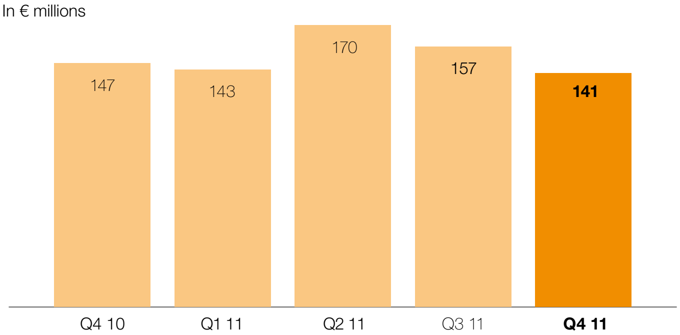
Revenue

In € millions



EBITDA

In € millions



In Q4, revenues increased 1 percent. The growth rate in Asia slowed down, but was covered by increased volumes in Americas and Aerospace coatings. Total volumes ended similar to Q4 2010.

Powder Coatings

Revenue in 2011 ended 17 percent higher than the previous year, with acquisitions contributing 10 percent of this growth. Excluding acquisitions, volumes in the second half of the year were adversely impacted by the weakening of the economic environment. Continued raw material price increases impacted margins adversely, though were partially offset by sales price increases. The Americas and Europe contributed to strong volume growth. The Rohm and Haas integration process was completed as planned. A leading global agricultural and construction customer selected Interpon ACE High Temp Black as the only high temperature powder coating approved for their use. Ambitious plans for the high growth markets were also highlighted by opening extended new facilities at the manufacturing plant in Izmir, Turkey.

Revenue in Q4 was ahead of the previous year by 2 percent supported by good performance in the Automotive and Agricultural construction equipment activities. However, volumes before acquisitions were impacted by the weak economic environment. The Architecture, Furniture and Domestic Appliances activities showed further weaknesses, mainly in Southern Europe and parts of Asia.

Industrial Coatings

Industrial Coatings had a good year with revenue increasing 19 percent, mainly due to higher volumes, price realization, the successful integration of the Lindgens Packaging business (acquired in 2010) and the Schramm acquisition (Q4 2011). The drivers for growth in 2011 came from Packaging Coatings' beverage and food-related businesses and Coil Coatings' construction and agriculture-related businesses. Packaging continued to grow in Europe and Asia, while Coil grew in the Americas. Specialty Plastics had lower revenue in 2011 due to reduced demand in the wireless and IT segments in Asia. We saw a slight slowing down of activities during Q4 in Europe, while North America continued to be strong. We opened a new Coil factory in Bangalore, India, in the beginning of 2011, to support our growing demand for coil products and we are adding capacity in Songjiang, China, to support the continued growing demand for packaging coatings in China.

Overall, Industrial Coatings showed strong revenue growth of 23 percent in the fourth quarter, supported by the Schramm and SSCP.

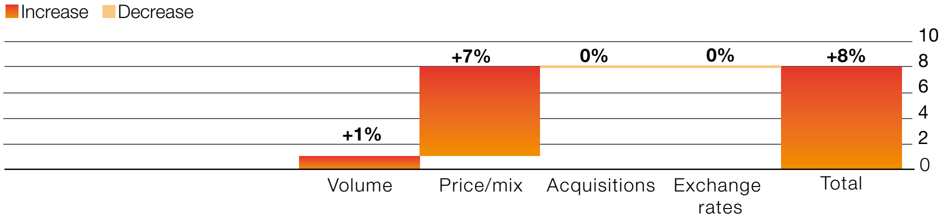
Specialty Chemicals

- Full-year revenue increased 8 percent, mainly driven by price increases
- Weakening demand in some segments visible during the year
- Performance improvement program initiated
- Full-year EBITDA decreased 4 percent to €906 million against a strong 2010
- EBITDA margin remained solid at 17.0 percent (2010: 19.0 percent)

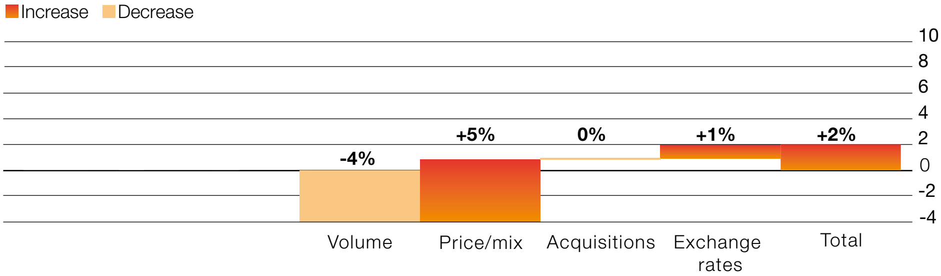
After a strong 2010, the Specialty Chemicals portfolio delivered a solid performance during 2011. Most businesses, such as Industrial Chemicals, Surface Chemistry, and Pulp and Paper Chemicals recorded good growth and their best-ever profitability. Functional Chemicals saw its earnings decrease after a strong 2010 performance, especially in the Ethylene Amines product line. Revenue grew over last year, mainly on price increases with overall volumes showing limited growth due to the economic slowdown, which became more visible in some segments during the year, as well as growth being hampered in some business units due to capacity constraints, for which solutions are underway. Some specific product lines captured substantial growth, especially in market sectors for Surface Chemistry and Pulp and Paper Chemicals, where the demand remained strong. Chemicals Pakistan continued to be plagued by difficult business conditions, among them a persistent natural gas shortage in the country, leading to higher costs for using alternative energy sources as well as 6 percent lower off-take from our customers. Raw material prices increased significantly during the year, despite starting to level off and stabilize by the end of 2011. More headwind came from adverse transactional currency developments impacting margins and also from the energy market in the Netherlands, where spark spreads (the difference between gas input costs versus electricity sales prices) are unattractive for energy producers. With effective margin management these effects are compensated in our pricing, and overall for our portfolio our unit margins remained close to the same level. The overall strong portfolio showed a decent profitability in these difficult economic circumstances.

Q4 showed lower volumes in most segments, due to lower demand and customer stock control. Despite these factors, revenue increased by 2 percent on the back of price increases.

Revenue development 2011



Revenue development Q4 2011



Functional Chemicals

Following a strong year in 2010 and a good start in Q1 2011, the performance of the Functional Chemicals' business was impacted by the economic downturn. For most businesses, sales volumes ended below last year. The new Ethylene Amines' and Chelates' plants in Ningbo – which started up during the year – kept the portfolio's overall sales volumes in line with 2010.
However, as a result of effective margin management – on the back of price increases – revenue increased by 6 percent, seen at some business segments in Q4. Performance in the year was also impacted by year-on-year increases in raw material costs and unfavorable transactional currency impacts.

Key brands

In Q4, earnings declined compared to the previous quarter. Sales volumes dipped below previous year as the economy slowed down and customers postponed orders to reduce inventory levels towards the end of the year. For many product lines this resulted in volumes being below normal levels, however, market shares were maintained in general. The reduction in performance over the last quarter was most visible in Functional Chemicals, which experienced sales price pressure in some segments towards the end of the year, driven by lower demand and improved product availability in the market. Raw material price increases continued to have an impact, though stabilized towards the end of the year. The main driver for the increases was higher oil prices, resulting in higher prices for oil derivatives.

Industrial Chemicals

Industrial Chemicals performed strongly during the year. Chlor-Alkali and Monochloroacetic Acid (MCA) benefited from higher caustic lye prices than last year, with the MCA business realizing high volumes in high-margin markets, especially in China. The Chlor-Alkali performance was also characterized by a strong chloro-methanes business, as well as favorable results of electricity hedging and changed electricity regulations in Germany. The energy market in the Netherlands remained unattractive for energy producers as "spark spreads" (the difference between gas input costs versus electricity sales prices) adversely impacted our results. Salt also performed well, increasing its market share with its highest recorded chemical transformation (CT) salt volume. On the back of these strong performances, revenue increased by 9 percent; however total sales volume stayed flat except for MCA, Dimethyl ether (DME) and chloro-methanes. There was also a major maintenance stop earlier in the year for Electrolysis Rotterdam, which is done once every four years.

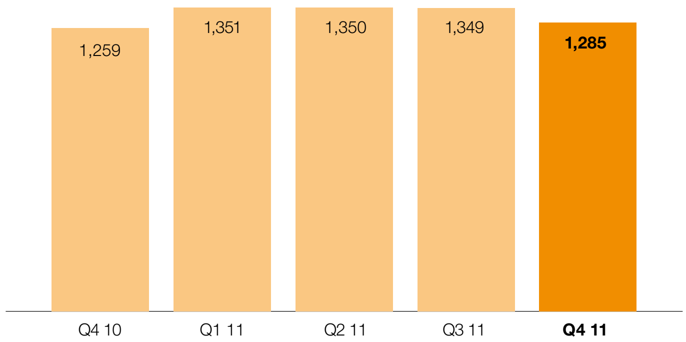
The fourth quarter saw revenue increase by 1 percent, but volumes declined by 6 percent – dominated by lower customer demand – except for MCA. Overall, salt volumes were strong, except for the road salt business, which was impacted by mild winter conditions.

Revenue

4th quarter				January - December		
2010	**2011**	Δ%	in € millions	2010	**2011**	Δ%
461	457	(1)	Functional Chemicals	1,813	1,917	6
282	285	1	Industrial Chemicals	1,070	1,165	9
200	220	10	Surface Chemistry	847	945	12
270	276	2	Pulp and Paper Chemicals	1,044	1,116	7
82	81	(1)	Chemicals Pakistan	305	330	8
(36)	(34)		Other/intragroup eliminations	(136)	(138)	
1,259	**1,285**	**2**	**Total**	**4,943**	**5,335**	**8**
Before incidentals						
221	207	(6)	EBITDA	939	906	(4)
17.6	16.1		EBITDA margin (in %)	19.0	17.0	
155	131	(15)	EBIT	679	625	(8)
12.3	10.2		EBIT margin (in %)	13.7	11.7	
			Moving average ROI (in %)	19.9	17.8	
After incidentals						
119	133		Operating income	604	622	
91	133		Capital expenditures	273	366	
			Invested capital	3,457	3,620	
			Number of employees	11,080	11,510	

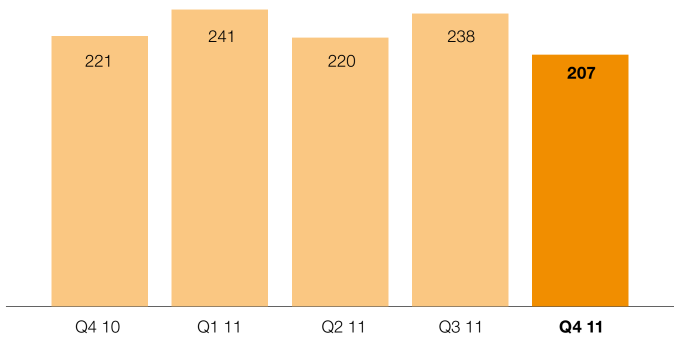
Revenue

In € millions



EBITDA

In € millions



Transportation of chloro-methanes volumes was hampered by low water levels on the Rhine River.

Surface Chemistry

Surface Chemistry performed well compared to 2010 with revenue growing by 12 percent due to higher sales prices, mainly driven by raw material price increases. All geographic regions contributed to the improvement, which occurred in most market sectors. Plant utilization was high and ran at full capacity, resulting in the products being sold out for the majority of the year. Our industrial markets performed strongly, especially in agrochemicals and mining, while high oil prices contributed to stronger demand for oilfield chemicals. The consumer-related markets, however, experienced some softening this year. Margins were squeezed as raw material prices escalated during the year and exhibited significant volatility during Q3, however, they stabilized during the last quarter of the year. Currency impacts were significant due to a weaker US dollar, impacting our margins and the stronger Swedish krona, impacting our cost base in those countries. The Boxing Oleochemicals acquisition in China recently received government approval, which will contribute to strengthening the company's position in specialty surfactants within the region and provide a manufacturing base in China. Margin management and effective cost control delivered a strong performance for the year.

Revenue in Q4 increased by 10 percent compared to last year, mainly driven by price increases in all regions. However, volume was slightly below last year. Traditionally the business is seasonal and it experienced the normal trend for this time of year, with some of the larger Personal Care customers reducing stocks during the quarter.

Pulp and Paper Chemicals

The performance of Pulp and Paper Chemicals ended the year strongly with revenue increasing by 7 percent despite adverse transactional currency effects. Demand strength was driven by Bleaching Chemicals and the Specialty Products portfolio, while volumes softened in the Paper Chemicals business. The increase was supported by most businesses and regions, especially Americas and Asia Pacific. The overall performance was significantly affected by transactional currency impacts as well as raw material price increases. However, margin management initiatives remained strong with price increases to counter these impacts, as well as a favorable regional/product mix, contributing to an overall strengthening in margins across all businesses. Prices on raw materials rose considerably during the first half of the year, impacting Paper Chemicals more than the Bleaching products. However, the last quarter saw prices leveling out and even decreasing in certain regions. Cost control measures remained strong, despite the unfavorable currency impacts due to cost base in Sweden.

Volumes in Q4 increased by 2 percent over last year. Project activities in Brazil and our most recent investment in China supported the development, contributing to a robust conclusion of the year. Currency impact was also less adverse than in previous quarters, with favorable prices and decreasing raw material costs leading to a strong final quarter.

Chemicals Pakistan

Business conditions remained difficult throughout 2011 for Chemicals Pakistan, resulting in a lower outcome compared to last year. Domestic downstream market conditions remained subdued during the year as the energy shortages persisted along with the ongoing economic crisis creating uncertainty and suppressing overall demand. Throughout the year, the polyester market continued to experience difficult market conditions due to the volatility in feedstock and cotton markets. The continued shortage of gas and resultant usage of expensive furnace oil in the Soda Ash business continued to impact margins. However, despite the overall volume decreasing in 2011, prices increased on the back of higher raw material prices, resulting in revenue increasing by 8 percent.

In Q4, revenue decreased by 1 percent, on the back of lower volumes in all businesses. Polyester and Soda Ash remained particularly effected due to the lower downstream demand driven by the severe energy shortage, resulting from the persisting gap between supply and demand of natural gas.

Condensed financial statements

Consolidated statement of income

4th quarter 2010	4th quarter 2011	in € millions	January - December 2010	January - December 2011
		Continuing operations		
3,620	3,787	Revenue	14,640	15,697
(2,230)	(2,423)	Cost of sales	(8,672)	(9,670)
1,390	**1,364**	**Gross profit**	**5,968**	**6,027**
(857)	(868)	Selling expenses	(3,341)	(3,407)
(314)	(342)	General and administrative expenses	(1,103)	(1,229)
(83)	(98)	Research and development expenses	(334)	(356)
23	(20)	Other operating income/(expenses)	29	7
159	**36**	**Operating income**	**1,219**	**1,042**
(56)	(141)	Net financing expenses	(327)	(338)
4	(1)	Results from associates and joint ventures	25	23
107	**(106)**	**Profit/(loss) before tax**	**917**	**727**
40	52	Income tax	(170)	(194)
147	**(54)**	**Profit/(loss) for the period from continuing operations**	**747**	**533**
		Discontinued operations		
32	(6)	Profit/(loss) for the period from discontinued operations	90	8
179	**(60)**	**Profit/(loss) for the period**	**837**	**541**
		Attributable to		
162	(68)	Shareholders of the company	754	477
17	8	Non-controlling interests	83	64
179	**(60)**	**Profit/(loss) for the period**	**837**	**541**

Consolidated statement of comprehensive income

4th quarter 2010	4th quarter 2011	in € millions	January - December 2010	January - December 2011
179	**(60)**	**Profit/(loss) for the period**	**837**	**541**
		Other comprehensive income		
198	316	Exchange differences arising on translation of foreign operations	827	55
(16)	(22)	Cash flow hedges	50	(55)
(16)	(7)	Income tax relating to other comprehensive income	(35)	9
166	**287**	**Other comprehensive income for the period (net of tax)**	**842**	**9**
345	**227**	**Comprehensive income for the period**	**1,679**	**550**
		Comprehensive income attributable to		
279	202	Shareholders of the company	1,523	486
66	25	Non-controlling interests	156	64
345	**227**	**Comprehensive income for the period**	**1,679**	**550**

Condensed consolidated balance sheet

in € millions	December 31, 2010	December 31, 2011
Assets		
Non-current assets		
Intangible assets	7,308	7,392
Property, plant and equipment	3,384	3,705
Other financial non-current assets	1,977	2,198
Total non-current assets	**12,669**	**13,295**
Current assets		
Inventories	1,678	1,924
Trade and other receivables	2,788	2,917
Cash and cash equivalents	2,851	1,635
Other current assets	108	98
Total current assets	**7,425**	**6,574**
Total assets	**20,094**	**19,869**
Equity and liabilities		
Total equity	**9,509**	**9,743**
Non-current liabilities		
Provisions and deferred tax liabilities	2,444	2,284
Long-term borrowings	2,880	3,035
Total non-current liabilities	**5,324**	**5,319**
Current liabilities		
Short-term borrowings	907	494
Trade and other payables	3,305	3,349
Other short-term liabilities	1,049	964
Total current liabilities	**5,261**	**4,807**
Total equity and liabilities	**20,094**	**19,869**

Shareholders' equity

Shareholders' equity at year-end of 2011 increased to €9.2 billion, mainly due to the net effect of:

- Net income of €477 million.
- Dividend payments of €304 million.

Dividend policy and final dividend

We are aiming to pay a stable to rising dividend. We have introduced a stock dividend option with cash dividend as default. Given our strong fundamentals and as a signal of confidence in our ability to deliver the performance improvement program in challenging markets, we will propose a 2011 final dividend of €1.12 per share, which would make a total 2011 dividend of €1.45 (2010: €1.40) per share.

Changes in equity

in € millions	Subscribed share capital	Additional paid-in capital	Cashflow hedge reserve	Cumulative translation reserves	Other reserves	Shareholders' equity	Non-controlling interests	Total equity
Balance at January 1, 2010	**465**	**2**	**(6)**	**(777)**	**8,091**	**7,775**	**470**	**8,245**
Profit for the period	–	–	–	–	754	754	83	837
Other comprehensive income	–	–	35	734	–	769	73	842
Comprehensive income for the period	**–**	**–**	**35**	**734**	**754**	**1,523**	**156**	**1,679**
Dividend paid	–	–	–	–	(320)	(320)	(83)	(403)
Equity-settled transactions	–	–	–	–	27	27	–	27
Issue of common shares	2	7	–	–	–	9	–	9
Acquisitions and divestments	–	–	–	–	(30)	(30)	(18)	(48)
Balance at December 31, 2010	**467**	**9**	**29**	**(43)**	**8,522**	**8,984**	**525**	**9,509**
Profit for the period	–	–	–	–	477	477	64	541
Other comprehensive income	–	–	(38)	47	–	9	–	9
Comprehensive income for the period	**–**	**–**	**(38)**	**47**	**477**	**486**	**64**	**550**
Dividend paid	1	24	–	–	(329)	(304)	(58)	(362)
Equity-settled transactions	–	–	–	–	32	32	–	32
Issue of common shares	1	14	–	–	–	15	–	15
Acquisitions and divestments	–	–	–	–	(1)	(1)	–	(1)
Balance at December 31, 2011	**469**	**47**	**(9)**	**4**	**8,701**	**9,212**	**531**	**9,743**

Invested capital

Invested capital at year-end 2011 totaled €13.7 billion, €1.0 billion higher than at year-end 2010. Invested capital was impacted by the net effect of:

- An increase of €0.2 billion by the acquisition of coatings manufacturer Schramm Holding AG early October, 2011
- An increase of €0.3 billion of long-term receivables related to pension funds in asset position
- An increase of operating working capital of €0.2 billion due to more expensive raw materials and actions to ensure supply of titanium dioxide. Expressed as a percentage of revenue, operating working capital was 14.4 percent (year-end 2010: 13.9 percent)
- Payments of accrued interest of €0.2 billion, including €31 million accrued interest on bonds which were paid back in December 2011, with regular coupon dates in the first quarter.

Pensions

The funded status of the pension plans at year-end 2011 was estimated to be a deficit of €0.5 billion (year-end 2010: €1.0 billion; Q3 2011: €0.7 billion). The movement compared to year-end 2010 is due to:

- Top-up payments of €354 million into certain defined benefit pension plans
- Lower discount rates increasing the pension obligation
- Lower inflation in UK decreasing the pension obligation
- Higher asset returns.

In January 2012, we concluded the triennial actuarial funding review of the ICI Pension Fund. We expect to have top-up payments over the remaining six years of the recovery plan that are £198 million lower in total than the sum of the current schedule:

- In 2012 and 2013, they will be £62 million per annum lower
- In 2014, 2015 and 2016, they will be £19 million per annum lower.
- In 2017, they will be £16 million lower.

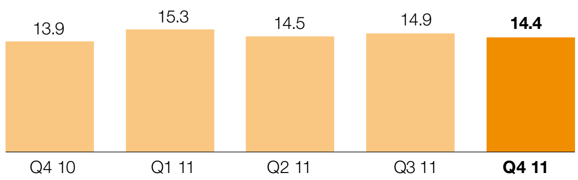
In addition, we have agreed to terminate a contingent asset on our balance sheet in order to fund further de-risking activities and thereby reduce future demands on our cash flows.

Invested capital

in € millions	December 31, 2010	**December 31, 2011**
Trade receivables	2,101	2,250
Inventories	1,678	1,924
Trade payables	(1,763)	(1,978)
Operating working capital in Business Areas	**2,016**	**2,196**
Other working capital items	(1,203)	(1,018)
Non-current assets	12,669	13,295
Less investments in associates and joint ventures	(175)	(198)
Deferred tax liabilities	(589)	(567)
Invested capital	**12,718**	**13,708**

Operating working capital

In % of revenue



Operating working capital

in € millions, % of revenue	December 31, 2010		**December 31, 2011**	
Decorative Paints	651	14.3	709	14.7
Performance Coatings	714	14.4	792	14.9
Specialty Chemicals	651	12.9	695	13.5
Total	**2,016**	**13.9**	**2,196**	**14.4**

Workforce

At year-end 2011, we employed 57,240 staff (year-end 2010: 55,590 employees). The net increase was due to:

- An increase of 900 due to acquisitions and divestments, mainly from the Schramm acquisition (790 employees)
- A decrease of 1,050 employees due to ongoing restructuring
- An increase of 1,800 employees due to new hires in high growth markets.

Cash flows

Operating activities in 2011 resulted in a cash inflow of €325 million (2010: €519 million). The change is mainly due to a net effect of:

- Lower profit from continuing operations
- Higher operating working capital
- Fair value changes and cash settlements for foreign currency hedging activities
- Lower payments related to provisions
- Lower payments for tax and interest.

Net debt

Net debt increased from €936 million at year-end 2010 to €1,895 million at year-end 2011, mainly due to:

- Operating cash inflow of €325 million
- Capital expenditures of €708 million
- Net cash outflow for acquisitions and divestments of €138 million
- Payments of dividends of €362 million.

Mid-December, we bought back high interest bonds for a total nominal amount of €528 million and a total consideration of €633 million. This transaction resulted in a loss

Condensed consolidated statement of cash flows

4th quarter			January - December	
2010	**2011**	in € millions	2010	**2011**
1,630	**1,453**	**Cash and cash equivalents at beginning of period**	**1,919**	**2,683**
		Adjustments to reconcile earnings to cash generated from operating activities		
147	(54)	Profit/(loss) for the period from continuing operations	747	533
166	173	Amortization, depreciation and impairments	640	633
58	209	Changes in working capital	(124)	(344)
(20)	(43)	Changes in provisions	(651)	(498)
(76)	(15)	Other changes	(93)	1
275	**270**	**Net cash from operating activities**	**519**	**325**
(198)	(256)	Capital expenditures	(534)	(708)
6	(167)	Acquisitions and divestments net of cash acquired	2	(138)
(1)	(8)	Other changes	53	(2)
(193)	**(431)**	**Net cash from investing activities**	**(479)**	**(848)**
(4)	80	Changes from borrowings	(33)	(470)
(97)	(80)	Dividends	(403)	(362)
(51)	–	Other changes	(45)	7
(152)	**–**	**Net cash from financing activities**	**(481)**	**(825)**
(70)	**(161)**	**Net cash used for continuing operations**	**(441)**	**(1,348)**
1,095	7	Cash flows from discontinued operations	1,095	11
1,025	**(154)**	**Net change in cash and cash equivalents of total operations**	**654**	**(1,337)**
28	36	Effect of exchange rate changes on cash and cash equivalents	110	(11)
2,683	**1,335**	**Cash and cash equivalents at December 31**	**2,683**	**1,335**

of €67 million. However, going forward this loss will be off-set by the significantly reduced coupon on a new €800 million seven year bond launched in the same month. As a result, our maturity profile has improved.

Medium-term ambitions and outlook

We have the aspiration to be the world's leading Coatings and Specialty Chemicals company. Our medium-term ambitions are 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 a top three leader in our industry, to be top quartile in our peer group in terms of safety performance, diversity, employee engagement and development, and eco-efficiency improvement rates.

For the year ahead we expect to see the full year benefit of the price rises that we have been able to achieve, and which now have offset most of the raw material price increases. Currently we are experiencing greater price stability in most raw materials, with the exception of TiO_2, which we anticipate will continue to rise in price, and for which we have plans in place to pass through further price rises in the future. In addition, we are moving ahead with the implementation of our Performance Improvement Program which should bring significant benefits in 2012 and beyond, underpinning our margins.

The major uncertainty remains the economic environment. Our concerns are focused on the risk of recession in Europe, delayed recovery of the US property market and the potential for a slowdown in China. Each of these can have a significant impact on our customers in these regions, that would in turn impact our sales volumes. These, together with certain raw materials, remain our principal sensitivities in 2012.

AkzoNobel has a strong portfolio of complementary businesses, with many leading market positions and exposure to growth markets. This, combined with our ongoing management actions, means that we are confident that we can deliver medium-term growth in line with our strategic ambitions.

Amsterdam, February 15, 2012
The Board of management

Quarterly statistics

2010 Q1	Q2	Q3	Q4	year	in € millions	2011 Q1	Q2	Q3	**Q4**	**year**
Revenue										
1,056	1,401	1,372	1,139	4,968	Decorative Paints	1,196	1,461	1,435	1,204	5,296
1,049	1,260	1,239	1,238	4,786	Performance Coatings	1,237	1,312	1,295	1,326	5,170
1,154	1,258	1,272	1,259	4,943	Specialty Chemicals	1,351	1,350	1,349	1,285	5,335
(13)	(12)	(16)	(16)	(57)	Other activities/eliminations	(22)	(26)	(28)	(28)	(104)
3,246	3,907	3,867	3,620	14,640	**Total**	**3,762**	**4,097**	**4,051**	**3,787**	**15,697**
EBITDA										
82	205	198	63	548	Decorative Paints	90	191	148	11	440
143	191	166	147	647	Performance Coatings	143	170	157	141	611
207	257	254	221	939	Specialty Chemicals	241	220	238	207	906
(33)	(39)	(44)	(54)	(170)	Other activities/eliminations	(37)	(30)	(36)	(58)	(161)
399	614	574	377	1,964	**Total**	**437**	**551**	**507**	**301**	**1,796**
12.3	15.7	14.8	10.4	13.4	**EBITDA margin (in %)**	**11.6**	**13.4**	**12.5**	**7.9**	**11.4**
Depreciation										
(29)	(32)	(31)	(32)	(124)	Decorative Paints	(30)	(30)	(33)	(33)	(126)
(19)	(21)	(20)	(21)	(81)	Performance Coatings	(21)	(21)	(21)	(24)	(87)
(52)	(53)	(54)	(55)	(214)	Specialty Chemicals	(55)	(56)	(56)	(60)	(227)
(5)	(4)	(2)	(5)	(16)	Other activities/eliminations	(2)	(3)	(4)	(2)	(11)
(105)	(110)	(107)	(113)	(435)	**Total**	**(108)**	**(110)**	**(114)**	**(119)**	**(451)**
Amortization										
(19)	(20)	(19)	(23)	(81)	Decorative Paints	(21)	(20)	(20)	(23)	(84)
(6)	(7)	(6)	(7)	(26)	Performance Coatings	(7)	(7)	(7)	(8)	(29)
(11)	(12)	(12)	(11)	(46)	Specialty Chemicals	(12)	(13)	(13)	(16)	(54)
–	1	(2)	(1)	(2)	Other activities/eliminations	–	–	(1)	(2)	(3)
(36)	(38)	(39)	(42)	(155)	**Total**	**(40)**	**(40)**	**(41)**	**(49)**	**(170)**
EBIT										
34	153	148	8	343	Decorative Paints	39	141	95	(45)	230
118	163	140	119	540	Performance Coatings	115	142	129	109	495
144	192	188	155	679	Specialty Chemicals	174	151	169	131	625
(38)	(42)	(48)	(60)	(188)	Other activities/eliminations	(39)	(33)	(41)	(62)	(175)
258	466	428	222	1,374	**Total**	**289**	**401**	**352**	**133**	**1,175**
7.9	11.9	11.1	6.1	9.4	**EBIT margin (in %)**	**7.7**	**9.8**	**8.7**	**3.5**	**7.5**
Operating income										
19	146	136	(26)	275	Decorative Paints	37	137	57	(94)	137
101	153	129	104	487	Performance Coatings	106	155	114	83	458
126	195	164	119	604	Specialty Chemicals	173	147	169	133	622
(22)	(39)	(48)	(38)	(147)	Other activities/eliminations	(39)	(11)	(39)	(86)	(175)
224	455	381	159	1,219	**Total**	**277**	**428**	**301**	**36**	**1,042**

2010 Q1	2010 Q2	2010 Q3	2010 Q4	2010 year	in € millions	2011 Q1	2011 Q2	2011 Q3	2011 **Q4**	2011 **year**
					Incidentals per Business Area					
(15)	(7)	(12)	(34)	(68)	Decorative Paints	(2)	(4)	(38)	(49)	(93)
(17)	(10)	(11)	(15)	(53)	Performance Coatings	(9)	13	(15)	(26)	(37)
(18)	3	(24)	(36)	(75)	Specialty Chemicals	(1)	(4)	–	2	(3)
16	3	–	22	41	Other activities/eliminations	–	22	2	(24)	–
(34)	**(11)**	**(47)**	**(63)**	**(155)**	**Total**	**(12)**	**27**	**(51)**	**(97)**	**(133)**
					Incidentals included in operating income					
(17)	(21)	(53)	(29)	(120)	Restructuring costs	(9)	(20)	(47)	(55)	(131)
(9)	8	–	(48)	(49)	Results related to major legal, antitrust and environmental cases	1	21	2	(33)	(9)
1	1	15	16	33	Results on acquisitions and divestments	–	26	(5)	(11)	10
(9)	1	(9)	(2)	(19)	Other incidental results	(4)	–	(1)	2	(3)
(34)	**(11)**	**(47)**	**(63)**	**(155)**	**Total**	**(12)**	**27**	**(51)**	**(97)**	**(133)**
					Incidentals per cost category					
(16)	(20)	(37)	(53)	(126)	Cost of sales	(4)	(5)	(25)	(18)	(52)
(5)	(3)	(7)	(28)	(43)	Selling expenses	(3)	(9)	(20)	(34)	(66)
(7)	1	(3)	(4)	(13)	General and administrative expenses	(1)	(4)	(1)	(18)	(24)
–	–	(2)	1	(1)	Research and development expenses	–	–	(1)	(8)	(9)
(6)	11	2	21	28	Other operating income/(expenses)	(4)	45	(4)	(19)	18
(34)	**(11)**	**(47)**	**(63)**	**(155)**	**Total**	**(12)**	**27**	**(51)**	**(97)**	**(133)**
					Reconciliation net financing expense					
12	12	16	11	51	Financing income	14	17	14	12	57
(67)	(72)	(53)	(48)	(240)	Financing expenses	(61)	(63)	(49)	(129)	(302)
(55)	**(60)**	**(37)**	**(37)**	**(189)**	**Net interest on net debt**	**(47)**	**(46)**	**(35)**	**(117)**	**(245)**
					Other interest movements					
(25)	(26)	(26)	(23)	(100)	Financing expenses related to pensions	(16)	(13)	(15)	(15)	(59)
(8)	(29)	(6)	4	(39)	Interest on provisions	(5)	(12)	(13)	(16)	(46)
–	2	(1)	-	1	Other items	5	7	(7)	7	12
(33)	**(53)**	**(33)**	**(19)**	**(138)**	**Net other financing charges**	**(16)**	**(18)**	**(35)**	**(24)**	**(93)**
(88)	**(113)**	**(70)**	**(56)**	**(327)**	**Net financing expenses**	**(63)**	**(64)**	**(70)**	**(141)**	**(338)**
					Quarterly net income analysis					
5	7	9	4	25	Results from associates and joint ventures	7	8	9	(1)	23
(18)	(26)	(22)	(17)	(83)	Profit attributable to non-controlling interests	(16)	(22)	(18)	(8)	(64)
141	349	320	107	917	Profit/(loss) before tax	221	372	240	(106)	727
(53)	(76)	(81)	40	(170)	Income tax	(73)	(99)	(74)	52	(194)
88	273	239	147	747	Profit/(loss) for the period from continuing operations	148	273	166	(54)	533
38	22	25	(37)	19	Effective tax rate (in %)	33	27	31	49	27

2010 Q1	Q2	Q3	Q4	year		2011 Q1	Q2	Q3	**Q4**	**year**
Earnings per share from continuing operations (in €)										
0.30	1.06	0.93	0.55	2.85	Basic	0.57	1.07	0.63	(0.26)	2.01
0.30	1.05	0.92	0.55	2.83	Diluted	0.56	1.07	0.63	(0.26)	1.99
Earnings per share from discontinued operations (in €)										
0.05	0.11	0.09	0.14	0.38	Basic	(0.02)	0.07	–	(0.03)	0.03
0.05	0.11	0.09	0.14	0.38	Diluted	(0.02)	0.07	–	(0.03)	0.03
Earnings per share from total operations (in €)										
0.35	1.17	1.02	0.69	3.23	Basic	0.55	1.14	0.63	(0.29)	2.04
0.35	1.16	1.01	0.69	3.21	Diluted	0.54	1.14	0.63	(0.29)	2.02
Number of shares (in millions)										
232.7	233.3	233.4	233.5	233.2	Weighted average number of shares	233.6	233.9	234.0	234.3	233.9
233.2	233.4	233.5	233.5	233.5	Number of shares at end of quarter	233.7	234.0	234.0	234.7	234.7
Adjusted earnings (in € millions)										
141	349	320	107	917	Profit/(loss) before tax from continuing operations	221	372	240	(106)	727
34	11	47	63	155	Incidentals reported in operating income	12	(27)	51	97	133
36	38	39	42	155	Amortization of intangible assets	40	40	41	49	170
(71)	(97)	(107)	(4)	(279)	Adjusted income tax	(88)	(107)	(100)	9	(286)
(18)	(26)	(22)	(17)	(83)	Non-controlling interests	(16)	(22)	(18)	(8)	(64)
122	**275**	**277**	**191**	**865**	**Adjusted net income for continuing operations**	**169**	**256**	**214**	**41**	**680**
0.52	**1.18**	**1.19**	**0.82**	**3.71**	**Adjusted earnings per share (in €)**	**0.72**	**1.09**	**0.91**	**0.17**	**2.91**

Notes to the condensed financial statements

Accounting policies

The full year 2011 financial figures of AkzoNobel included in the primary statements in this report are derived from the financial statements 2011. 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 auditor's opinion on these financial statements, which will be published on February 23, 2012. All quarterly figures are unaudited.
Compared to the 2010 financial statements the major accounting principles are unchanged.

Seasonality

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

The "other" category

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

Glossary

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

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

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.

EBITDA margin is EBITDA as percentage of revenue.

Emerging Europe: Czech Republic, Estonia, Hungary, Poland, Romania, Russian Federation, Slovenia, Turkey and Ukraine.

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

Interest coverage is operating income divided by net interest on net debt. In 2010, we used the definition operating income divided by net financing expenses and included non-cash items such as interest on pensions and provisions. We have changed the definition starting 2011. The 2010 figure has been adjusted to align with the 2011 definition.

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

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

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

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

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

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

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

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

Safe Harbor Statement

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

Brands and trademarks

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

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

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

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

Financial calendar

Report for the 1st quarter 2012	April 19, 2012
Annual General Meeting	April 23, 2012
Ex-dividend date of 2011 final dividend	April 25, 2012
Record date of 2011 final dividend	April 27, 2012
Election period cash or stock final dividend	April 30, 2012 – May 18, 2012
Payment date of cash dividend and delivery of new shares	May 24, 2012
Report for the 2nd quarter 2012	July 19, 2012
Report for the 3rd quarter 2012	October 18, 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 in the area of sustainability. With operations in more than 80 countries, our 57,000 people around the world are committed to excellence and delivering Tomorrow's Answers Today™.

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