

Half-yearly report 2009 and report for the 2nd quarter



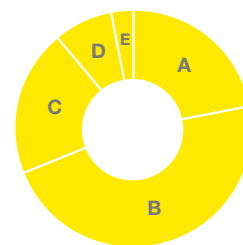
AkzoNobel
Tomorrow's Answers Today



AkzoNobel around the world
Revenue by destination
(37 percent in emerging markets)

	%
A North America	22
B Europe	47
C Asia Pacific	20
D Latin America	8
E Other regions	3
	100

(Based on 2008 outcome)



Our Q2 results at a glance

- Revenue declined 10 percent to €3,668 million
- Volumes down 16 percent (Q1 2009: 17 percent)
- ICI integration and additional restructuring well on track
- Innovation, margin management and cost reduction underpinned EBITDA margin
- EBITDA before incidentals of €527 million, margin at 14.4 percent (year-to-date: 11.9 percent)
- Net income of €155 million down 13 percent (Q1 2009: €7 million loss)
- Operating working capital reduced to 16.3 percent (Q2 2008: 17.1 percent)
- Forward visibility remains limited, due to continuing uncertain economic development

Financial highlights

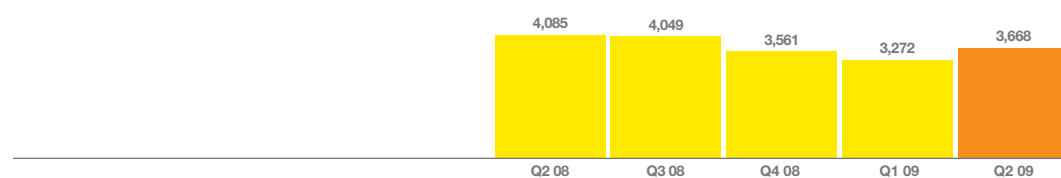
2ND QUARTER			IN € MILLIONS	JANUARY - JUNE		
2009	2008	Δ%		2009	2008	Δ%
Continuing operations before incidentals						
3,668	4,085	(10)	Revenue	6,940	7,805	(11)
527	577	(9)	EBITDA	823	1,019	(19)
14.4	14.1		EBITDA margin (in %)	11.9	13.1	
370	422	(12)	EBIT	512	708	(28)
10.1	10.3		EBIT margin (in %)	7.4	9.1	
			Moving average ROI (in %)	7.6	- ¹	
After incidentals						
315	335		Operating income	417	457	
142	188		Net income from continuing operations	126	232	
13	(9)		Net income from discontinued operations	22	52	
155	179		Net income total operations	148	284	
0.61	0.73		Earnings per share from continuing operations (in €)	0.54	0.89	
0.67	0.70		Earnings per share from total operations (in €)	0.64	1.09	
134	128		Capital expenditures	235	234	
			Interest coverage	2.2	2.3	
			Net cash from operating activities	(5)	(214)	
			Invested capital	14,266	13,424 ²	
			Net interest-bearing borrowings	2,584	2,084 ²	
			Number of employees	58,810	62,300	

¹ Not available.

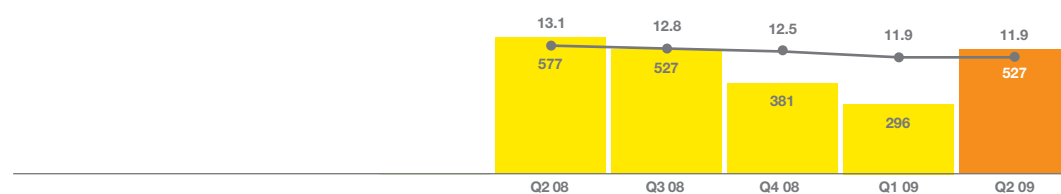
² At year-end.

Revenue

IN € MILLIONS



EBITDA



■ EBITDA before incidentals in € millions

● One year rolling EBITDA margin (in %)

Financial highlights

Continuing weak global demand contributed to a 16 percent volume decline with revenue at €3.7 billion, 10 percent lower than last year. EBITDA was 9 percent lower at €527 million, supported by lower raw material costs and cost reduction programs. The EBITDA margin was 14.4 percent (2008: 14.1 percent). Operating working capital decreased to 16.3 percent (Q2 2008: 17.1 percent).

Revenue

Volumes were 16 percent lower than last year, mitigated by 5 percent price increases which were secured in the second half of 2008. Demand in Decorative Paints picked up after a slow start to the year, resulting in 5 percent lower revenue than the previous year. The first quarter of 2009 was 11 percent lower than 2008. Revenue in Performance Coatings was 14 percent lower, mainly as a result of lower demand in Industrial Activities and Car Refinishes. Specialty Chemicals experienced lower demand across all businesses.

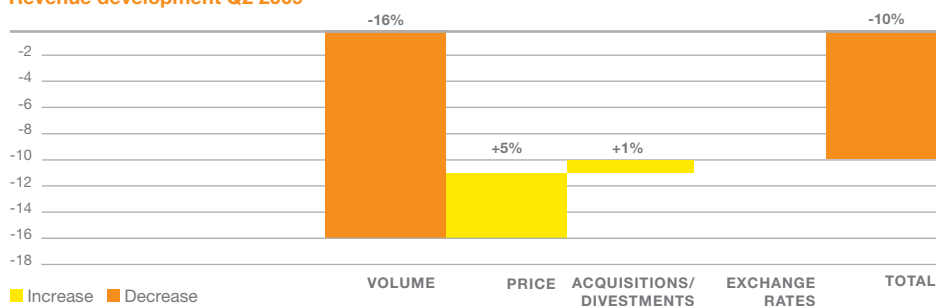
Acquisitions and divestments

Revenue increased by 1 percent due to acquisitions and divestments, mainly in previous periods. In Decorative Paints, we acquired a German and a French distributor in Q1, 2009. In Performance Coatings, the effect of acquisitions is due to the acquisitions of Enviroline and Soliant in Q4, 2008. In Specialty Chemicals, we acquired LII Europe and additional interests in joint ventures in Q1, 2009. During 2008, we divested several businesses which still contributed to revenue in Q2, 2008. These businesses were reported in the "other" category.

EBITDA

EBITDA totaled €527 million, 9 percent lower than 2008. Margin management and the results from ongoing cost reduction programs delivered an EBITDA margin of 14.4 percent (2008: 14.1 percent). In Decorative Paints, EBITDA in the US was impacted by the investment in the relaunch of the Glidden brand in nearly 2,000 customer stores. With demand down in the mature markets, margin manage-

Revenue development Q2 2009



IN % VERSUS Q2 2008	VOLUME	PRICE	ACQUISITIONS/DIVESTMENTS	EXCHANGE RATES	TOTAL
Decorative Paints	(10)	4	1	-	(5)
Performance Coatings	(19)	5	-	-	(14)
Specialty Chemicals	(18)	5	4	1	(8)
Total	(16)	5	1	-	(10)

ment, cost reduction and operational efficiency remain priorities. EBITDA margins remained strong, particularly in Latin America and Asia. In Performance Coatings, both the Marine and Protective Coatings and the Packaging Coatings businesses delivered EBITDA growth, while EBITDA in Car Refinishes and Industrial Activities remained under pressure. Performance Coatings' EBITDA margin increased to 15.8 percent (2008: 14.0 percent), reflecting significant progress in reducing costs. The businesses in Specialty Chemicals kept the overall EBITDA margin at 16.6 percent.

Restructuring costs

Major restructuring projects in Decorative Paints were related to supply chain and other ICI integration projects in the production and logistics area. In Performance Coatings we incurred costs for headcount reduction programs in Industrial Activities and Car Refinishes, in mature markets. In June 2009, we announced an intended 20 percent reduction of staff working at the headquarters, recognizing a provision of €11 million on our balance sheet. In addition, we are relocating and consolidating our R&D facilities in the UK and the Netherlands.

Financial highlights

Other incidental items

Other incidental items include €17 million currency translation gains (non-cash), reported on the lines results from major legal, antitrust and environmental cases and other income/ (expenses).

In Specialty Chemicals, we sold redundant land. The gain of €4 million is reflected in results on acquisitions and divestments.

Interest

The net financing charges increased from €38 million to €89 million:

- Financing income decreased to €13 million (2008: €53 million) as cash has been utilized in the share buyback program in 2008.
- Financing expenses on pensions increased to €45 million (2008: €12 million), due to lower expected returns on plan assets.
- Other financing expenses were €57 million (2008: €79 million). In 2009, favorable non-cash currency translation effects and fair value changes of derivatives (€19 million) more than offset higher interest payable on refinanced bonds. Furthermore, an incidental interest charge related to ICI (€7 million) was booked in 2008.

Tax

The year-to-date tax rate is 30 percent (2008: 29 percent), due to a net increase in tax contingencies and specific geographic items. The cash tax out is higher than the profit and loss charge due to payments related to tax break-up costs, withholding tax and liabilities in respect of prior years.

The "other" category

In the "other" category, we report activities which are not allocated to a particular business. Corporate costs (the unallocated costs of our head office and shared services center in the Netherlands) continue to decline compared with the previous year due to cost savings programs.

Other costs include, among others, share-based payments and the results from some small businesses and holding companies.

Restructuring costs

2ND QUARTER		IN € MILLIONS	JANUARY - JUNE	
2009	2008		2009	2008
(33)	(8)	Decorative Paints	(45)	(15)
(17)	–	Performance Coatings	(22)	(12)
(4)	(2)	Specialty Chemicals	(28)	(6)
(17)	(2)	Other	(23)	(9)
(71)	(12)	Restructuring costs	(118)	(42)

Incidentals included in operating income

2ND QUARTER		IN € MILLIONS	JANUARY - JUNE	
2009	2008		2009	2008
(71)	(12)	Restructuring costs	(118)	(42)
(4)	(72)	Transformation costs	(12)	(156)
7	(2)	Results related to major legal, antitrust and environmental cases	13	(3)
3	(1)	Results on acquisitions and divestments	12	4
10	–	Other incidental results	10	–
–	–	Fair value adjustments of acquired inventories	–	(54)
(55)	(87)	Incidentals included in operating income	(95)	(251)

EBIT in "other"

2ND QUARTER		IN € MILLIONS	JANUARY - JUNE	
2009	2008		2009	2008
(24)	(38)	Corporate costs	(51)	(69)
7	7	Pensions	15	10
(5)	6	Insurances	4	9
(13)	(3)	Other	(24)	(18)
(35)	(28)	EBIT in "other"	(56)	(68)

Decorative Paints

- Revenue was down 5 percent (Q1 2009: 11 percent)
- Synergy programs and restructuring ahead of plan, net workforce reduced by more than 2,100 employees (8 percent) compared with 2008
- EBITDA margin at 13.1 percent (2008: 14.1 percent) remained strong due to margin management and stable raw material costs
- Marketing initiatives focusing on innovation and sustainability

Revenue was 5 percent down due to volumes being down 10 percent (Q1 2009: 16 percent down). Projects focusing on the simplification of the supply chain and harmonization and optimization of our product offerings had highest priority. Synergies and restructuring benefits continued to deliver ahead of plan. The EBITDA margin was 13.1 percent (2008: 14.1 percent). Working capital improvement actions are ongoing.

Europe

The professional segment continued to be weak in Europe due to low construction activity, while the retail business, in general, was more resilient. Market development varied significantly by country from low growth in Poland to double-digit declines in Greece, Turkey, the Baltic countries and Russia. The Benelux remained the strongest market and in the UK, the retail market dynamics continued to be driven by third party promotional activity, limiting the market decline. On average for Europe, half of the volume drop in the quarter was offset by positive price development. We gained market share in the higher-value segments of the market in particular. We have

not seen evidence of a move to private label paints. Two integrated stores have been acquired in the Paris area while a part of the store business in Germany has been divested.

Major restructuring of the supply chain resulted in site closures being announced in Germany and France and implemented in Eastern Europe. Volumes have been transferred to other sites to optimize the utilization of the current and future capacity.

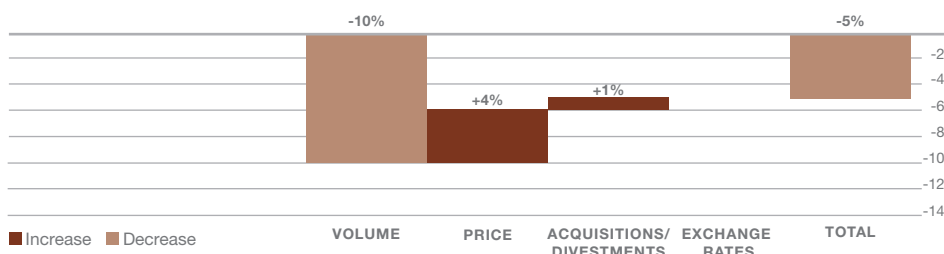
Marketing initiatives in the second quarter focused on consumer innovations designed to make painting easier. The self-cleaning facility of the Dulux Paint Pod saves up to 10 times the volume of water used to clean traditional rollers. We launched the Weathershield BackPack roller system which makes exterior decoration easier, faster and safer. In May, we launched the Cuprinol PowerPad for Decking – a battery-powered applicator which saves time and makes painting decking easier without compromising on a great finish.

Americas

Revenue and volumes were down compared with 2008 due to the ongoing impact of the recession. The US paint market continued to experience soft demand, but the contraction in the second quarter was less severe than during the first quarter of 2009. There is some improvement in the do-it-yourself (DIY) market as the rate of contraction is slowing and key retailers are seeing a shift from trade to DIY. Trade continued to contract as weakness spread to commercial segments. The impact of lower volumes was compensated by the translation effect from the US dollar into euros. Integration savings and strong cost management initiatives have helped to mitigate the volume shortfall. EBITDA was impacted by costs from the national “Glidden Gets You Going” media campaign which began in June resulting in strong media exposure. Integration and restructuring plans, involving a site closure in Hudson, closure of a number of non-profitable stores and various distribution projects were completed as planned.

In May 2009, our Ralph Lauren Paints ranked highest in the Interior Paint Satisfaction Study™.

Revenue development Q2 2009



Decorative Paints

Dulux
levis
FLEXA
SCHONOX
Glidden
SICO
sikkens
Coral

The pace of the contraction of the Canadian economy appears to be diminishing. In constant currency, revenue in the quarter was up on last year, with lower volumes being offset by higher prices. The weakness of the Canadian dollar compared with the US dollar made imported raw materials more expensive. This was mitigated by cost reduction measures. The new Montreal distribution centre was officially opened on June 11.

In Latin America, revenue in constant currencies was at the same level as in 2008 (adverse currency translation effect was 5 percent). In both Brazil and Argentina, we gained market share. Our primary focus is on increasing volumes of higher margin products, like Sparlack, Coralmur and Decora and strengthening our distributor relationships. In Brazil, the Raposo Tavares site will be closed and production will be transferred to Maua. Decreased operating cost helped EBITDA improve.

Asia

Markets across the Asia region were mixed. Revenue, in constant currencies, was below 2008 (overall favorable currency translation effect was 7 percent). China further stabilized in the quarter. Performance in India was positive, despite pressure on revenue and margins. The situation in South East Asia varied by country, with tougher conditions in Singapore and Malaysia and positive signs in Vietnam and Indonesia. Margins remained strong on the back of price increases implemented in 2008. We experienced lower raw material prices within the region, especially in China. Cost saving measures and synergies have resulted in an improved EBITDA. Given the economic climate, we have focused on prioritizing investment to maintain customer relationships and sustaining demand generating activities. Two of our key focus areas have been enhanced point of sale tinting stores in China and bringing sustainable products to our customers in South East Asia, ahead of competition.

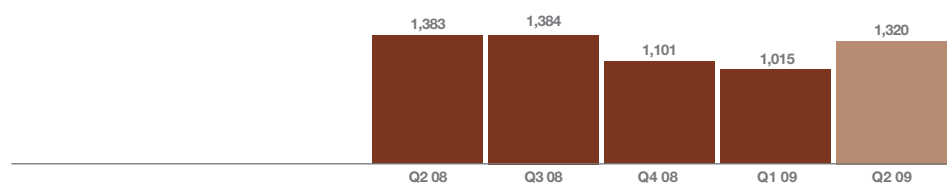
2ND QUARTER			IN € MILLIONS			JANUARY - JUNE		
2009	2008	Δ%		2009	2008	Δ%		
Revenue								
740	805	(8)	Decorative Paints Europe	1,284	1,435	(11)		
414	414	–	Decorative Paints Americas	754	786	(4)		
167	165	1	Decorative Paints Asia	298	301	(1)		
(1)	(1)		Intragroup revenue	(1)	(1)			
1,320	1,383	(5)	Total	2,335	2,521	(7)		
Before incidentals								
173	195	(11)	EBITDA	223	298	(25)		
13.1	14.1		EBITDA margin (in %)	9.6	11.8			
126	146	(14)	EBIT	129	199	(35)		
9.5	10.6		EBIT margin (in %)	5.5	7.9			
			Moving average ROI (in %)	4.8	– ¹			
After incidentals								
93	137	(32)	Operating income	79	151	(48)		
28	34		Capital expenditures	46	60			
			Invested capital	6,684	6,187 ²			
			Number of employees	23,360	25,470 ³			

¹ Not available.

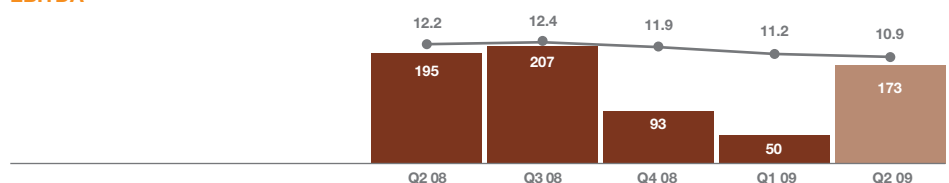
² At year-end, restated.

³ Restated to exclude businesses transferred to Performance Coatings early 2009.

Revenue
IN € MILLIONS



EBITDA



■ EBITDA before incidentals in € millions

● One year rolling EBITDA margin (in %)

Performance Coatings

- Revenue decreased by 14 percent; a similar trend to previous quarter
- EBITDA margin improved to 15.8 percent (2008: 14.0 percent)
- Margin management initiatives delivered value
- Cost levels decreased as restructuring programs gathered pace
- Strong performance in Marine and Protective Coatings and Packaging Coatings

Revenue declined by 14 percent, with price increases of 5 percent partly offsetting a 19 percent volume decline. Compared with last year, the decline in volume is stabilizing for all businesses, with the exception of Marine and Protective Coatings where the slowdown is more visible than before. All units clearly benefited from margin management and cost reduction programs, leading to an EBITDA of €164 million, 2 percent lower than in 2008. The EBITDA margin was 15.8 percent, 1.8 percent ahead of the previous year. There is an ongoing focus on managing working capital and capital expenditures.

Industrial Activities

In our Industrial Activities businesses, revenue has improved steadily, due mainly to customer re-stocking in our coil activities in the Americas and in Specialty Plastics' consumer electronics business in Asia Pacific. Wood coatings continue to experience lower demand across all regions, driven by lower construction activity. We have lowered our cost base due to restructuring

and cost reduction initiatives. Continued benefits are expected for the remainder of the year. Since the beginning of 2008, we have closed or restructured 8 production sites in mature markets. We will continue to align our cost structure with lower trading levels. In Powder Coatings, recovery in demand has been limited, although activity levels have stabilized. Development activities continue to focus on Eastern Europe and Asia, for example further investment in Turkey and the opening of a new technology center in Ningbo, China, while in Western Europe and the US, we continue to adjust to the lower level of activity.

Marine and Protective Coatings

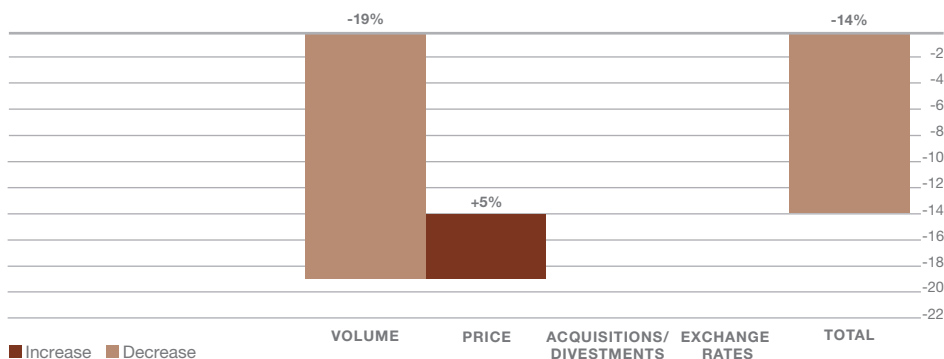
It was a strong second quarter, although slowdown in volume was more visible (8 percent decline). Revenue and margins remained strong and the cost control plans delivered value. Marine had a good quarter, despite lower new construction and maintenance demand. In Protective Coatings, revenue for the quarter improved compared with 2008. We have

completed the integration of the Ceilcote business into the North American sales operation. Yacht also improved over last year, with cost savings being a significant contributor. The European superyacht market remains strong, while demand in the European distribution business and for new pleasure craft in the Americas is down. In Aerospace, a slowdown in off-take from both the original equipment manufacturer and maintenance sectors was visible. However, demand for livery changes has been strong.

Car Refinishes

Although market conditions remain tough, all regions experienced improved demand compared with the first quarter of 2009. Increased demand was especially noticeable in Western Europe and North America's Vehicle Refinishes Business. Total revenue was down 14 percent on the previous year. Our Automotive Plastic Coatings (APC) business has been hit hardest by the unfavorable economic climate but is slowly improving.

Revenue development Q2 2009



Performance Coatings

sikkens

Interpon
powder coatings
EVERY COLOR IS GREEN

International

AkzoNobel

LESONAL

CHARTEK
FIREPROOFING

Margin management and a favorable product mix have mitigated the impact of the lower volumes and weakening currencies. Further compensation was achieved via the restructuring and cost avoidance programs that are being implemented as of the end of last year and have already resulted in considerable cost savings versus 2008 on a comparable basis (eliminating currency and acquisition impact).

On the innovation side, Car Refinishes introduced a new do-it-yourself (DIY) scratch repair and protection solution, called StickerFix, which makes life easier for car owners. The business has also launched an automotive spray gun which can paint and cure simultaneously, saving energy and time.

Packaging Coatings

Packaging Coatings had a good quarter, driven by margin management, cost control and some of the business towards the end of the second quarter. Compared with the previous year, we experienced volume declines in all geographical regions, notably Europe and North America. Shortfalls in the beverage can segment have reduced in the second quarter, while other segments continued to suffer. We have offset recovery to lower volumes through a stronger focus on margin management and cost control. After the slowdown at the beginning of 2009, demand in Asia picked up in May and June for all segments. One of our new products is Aqualure 915, an ultra pliable lacquer which flexes with the new lightweight steel cans while maintaining a perfect barrier to protect the liquid inside.

2ND QUARTER			IN € MILLIONS			JANUARY - JUNE		
2009	2008	Δ%		2009	2008	Δ%		
Revenue								
415	536	(23)	Industrial Activities	795	1,038	(23)		
340	346	(2)	Marine and Protective Coatings	665	662	-		
208	242	(14)	Car Refinishes	401	472	(15)		
85	89	(4)	Packaging Coatings	163	174	(6)		
(7)	(9)		Intragroup revenue	(15)	(19)			
1,041	1,204	(14)	Total	2,009	2,327	(14)		
Before incidentals								
164	168	(2)	EBITDA	268	300	(11)		
15.8	14.0		EBITDA margin (in %)	13.3	12.9			
139	144	(3)	EBIT	218	252	(13)		
13.4	12.0		EBIT margin (in %)	10.9	10.8			
			Moving average ROI	21.3	- ¹			
After incidentals								
117	154	(24)	Operating income	192	239	(20)		
14	18		Capital expenditures	25	38			
			Invested capital	2,064	2,004 ²			
			Number of employees	20,030	21,660 ³			

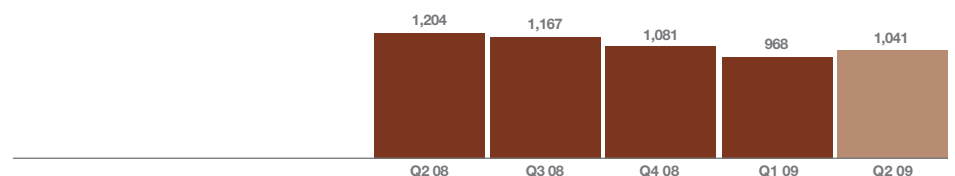
¹ Not available.

² At year-end, restated.

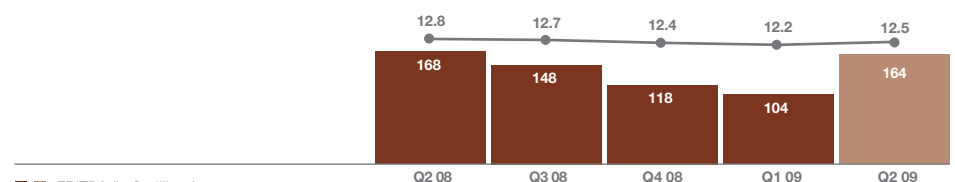
³ Restated to include businesses transferred from Decorative Paints early 2009.

Revenue

IN € MILLIONS



EBITDA



■ EBITDA (in € millions)

● One year rolling EBITDA margin (in %)

Specialty Chemicals

- Revenue declined by 8 percent
- Cost and cash savings initiatives contributed in all businesses
- EBITDA margin maintained at 16.6 percent
- Surface Chemistry and Polymer Chemicals markets remain under pressure
- Strong performance in Pulp and Paper and Functional Chemicals

Market conditions in Specialty Chemicals businesses remained weak, particularly in the European region. Volumes during the quarter were 18 percent below last year (Q1 2009: 16 percent). However, the volume shortfall was partially compensated by favorable prices (5 percent), currencies (1 percent) and acquisitions (4 percent). As a result, revenue was 8 percent below the second quarter of 2008.

The focus on customers, cost and cash is paying off as many initiatives favorably impacted our cost base in the quarter. Consequentially, EBITDA amounted to €219 million, 8 percent below 2008. The EBITDA margin was unchanged at 16.6 percent, despite the continued challenges created by weak demand, uncertain feedstock costs and heightened competitive pressure in the market. Working capital improvement actions are underway.

Functional Chemicals

Functional Chemicals volumes remained under pressure, although there was some seasonal uplift in Elotex and Bermocoll. However, the overall volume remained 19 percent below last year as consequence

of the impact of reduced demand in the construction, mining and oil and micronutrients industries.

We continued to compensate the lower sales volume with margin management initiatives, procurement efforts and fixed cost reductions. Restructurings have been started in several units, such as Argentina, Elotex, Polysulphides and Cellulosic Specialites. As a consequence, operational performance in Q2 was well above the previous year. The growth initiatives in China and the construction activities in Ningbo are progressing well.

Industrial Chemicals

Market conditions remain difficult in our Industrial Chemicals businesses due to weak demand and increased market pressure on pricing. However, the contribution of the LII Europe and Salinco acquisitions almost completely offset the 22 percent decline in volume in the quarter. EBITDA was buoyed by significant cost savings and new sources of income, such as the secondary use of the salt caverns. The integration of LII Europe is progressing well.

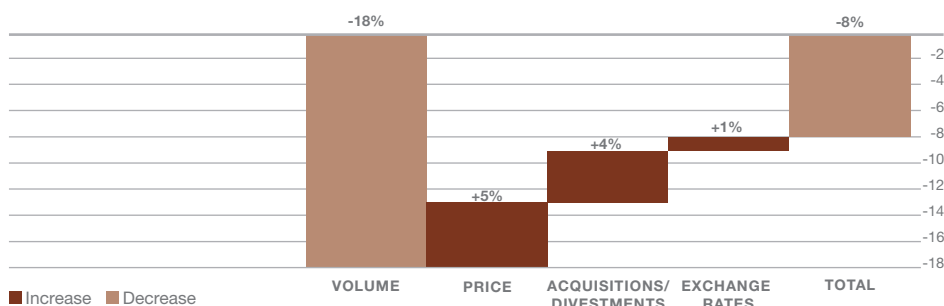
Pulp and Paper Chemicals

The performance of our Pulp and Paper Chemicals business held up despite a 20 percent drop in volume in the quarter. The volume decline was mostly offset by margin management actions, favorable currency developments and cost reduction efforts. Our business in Europe continues to struggle as customers have curtailed production, while the volume development in Asia and South America showed some positive signs. Early in the second quarter, new production capacity was opened in Brazil at Jundiai and Tres Lagoas.

National Starch

National Starch volumes were down 8 percent, driven by weak industrial and food demand in North America and Asia Pacific. The volume decline was more pronounced in the industrial segment as demand in paper making in North America remains depressed. Despite the pressure on volumes, revenue was stable as a result of favorable currency, mix and price effects. Margins remain under pressure from high net corn costs, though some improvement is apparent versus the first quarter of the year. In addition, we are implementing comprehensive cash and cost protecting measures across all regions.

Revenue development Q2 2009



Specialty Chemicals

EXPANCEL[®]
MICROSPHERES

eka

BERMOCOLL
Ferrazone[®]
This Iron Works


Dissolvine[®]
MASTER THE ELEMENTS


JOZO
SALT


AkzoNobel

Surface Chemistry

The Surface Chemistry business was impacted by the pronounced weakness in the industrial markets, particularly mining and fertilizer. Demand in the consumer sectors (personal care and fabric and cleaning) has stabilized, although it remains somewhat below pre-recession levels. Revenue declined by 21 percent for the business unit as a whole as price, mix and currency effects were insufficient to counter the 27 percent contraction in volume. However, sourcing actions, effective margin management and aggressive cost control measures resulted in an EBITDA result that was equal to last year.

Polymer Chemicals

Polymer Chemicals activities continued to be impacted by the unfavorable macro economic conditions in key markets such as housing, automotive and durable goods. From a regional perspective, the Americas showed signs that decline is levelling off, European markets remained challenging, while Asia Pacific realized positive growth. Overall volumes fell 16 percent but were largely compensated by the acquisition of KAC and a favorable currency effect.

We are undertaking a series of business improvement programs to lower cost in the short term and redesign the business model. This is expected to deliver a more efficient cost structure and allow us to better serve our customers' needs.

Chemicals Pakistan

Our activities in Pakistan performed well in the quarter as the operational result was only slightly below the very good level of the previous year. Life sciences activities experienced excellent growth in all segments. However, this was offset by weak downstream demand and consequently, lower revenue, in the Soda Ash and Polyester chemicals businesses.

During Q2, we agreed to divest our 75 percent stake in the Pure Terephthalic Acid (PTA) activities to the Korean company KP Chemical Corporation (KPC).

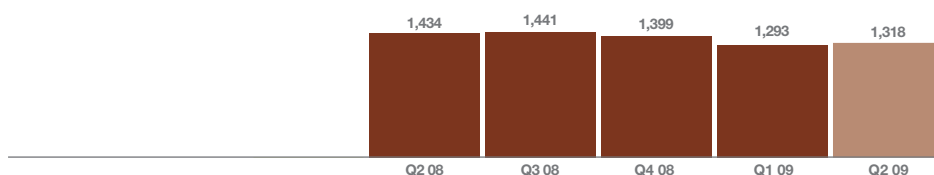
2ND QUARTER			IN € MILLIONS			JANUARY - JUNE		
2009	2008	Δ%		2009	2008	Δ%		
Revenue								
251	285	(12)	Functional Chemicals	489	562	(13)		
230	220	5	Industrial Chemicals	474	467	1		
228	247	(8)	Pulp and Paper Chemicals	456	495	(8)		
222	223	–	National Starch	432	429	1		
166	211	(21)	Surface Chemistry	342	412	(17)		
129	137	(6)	Polymer Chemicals	245	271	(10)		
119	150	(21)	Chemicals Pakistan	227	278	(18)		
(27)	(39)		Intragroup revenue	(54)	(67)			
1,318	1,434	(8)	Total	2,611	2,847	(8)		
Before incidentals								
219	238	(8)	EBITDA	377	480	(21)		
16.6	16.6		EBITDA margin (in %)	14.4	16.9			
140	160	(13)	EBIT	221	325	(32)		
10.6	11.2		EBIT margin (in %)	8.5	11.4			
			Moving average ROI (in %)	11.3	– ¹			
After incidentals								
138	158	(13)	Operating income	201	305	(34)		
85	71		Capital expenditures	152	127			
			Invested capital	4,152	4,055 ²			
			Number of employees	13,560	13,280			

¹ Not available.

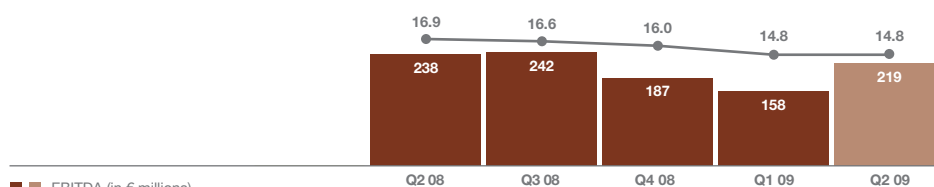
² At year-end.

Revenue

IN € MILLIONS



EBITDA



■ EBITDA (in € millions)

● One year rolling EBITDA margin (in %)

Condensed financial statements

Consolidated statement of income

2ND QUARTER		IN € MILLIONS	JANUARY - JUNE	
2009	2008		2009	2008
Continuing operations				
3,668	4,085	Revenue	6,940	7,805
(2,193)	(2,564)	Cost of sales	(4,231)	(4,945)
1,475	1,521	Gross profit	2,709	2,860
(820)	(828)	Selling expenses	(1,586)	(1,645)
(89)	(83)	Research and development expenses	(169)	(167)
(274)	(268)	General and administrative expenses	(559)	(585)
23	(7)	Other operating income/(expenses)	22	(6)
315	335	Operating income	417	457
13	53	Financing income	27	83
(45)	(12)	Financing expenses related to pensions	(90)	(24)
(57)	(79)	Other financing expenses	(129)	(150)
6	5	Results from associates and joint ventures	10	9
232	302	Profit before tax	235	375
(70)	(92)	Income tax	(71)	(107)
162	210	Profit for the period from continuing operations	164	268
Discontinued operations				
13	(9)	Profit for the period from discontinued operations	22	52
175	201	Profit for the period	186	320
Attributable to:				
155	179	- Shareholders of the company	148	284
20	22	- Minority interests	38	36
175	201	Profit for the period	186	320
Earnings per share from continuing operations (in €):				
0.61	0.73	- Basic	0.54	0.89
0.61	0.72	- Diluted	0.54	0.89
Earnings per share from discontinued operations (in €):				
0.06	(0.03)	- Basic	0.10	0.20
0.06	(0.03)	- Diluted	0.09	0.20
Earnings per share from total operations (in €):				
0.67	0.70	- Basic	0.64	1.09
0.67	0.69	- Diluted	0.63	1.09

Information on segments and incidentals

2ND QUARTER			IN € MILLIONS	JANUARY - JUNE		
2009	2008	Δ%		2009	2008	Δ%
Revenue						
1,320	1,383	(5)	Decorative Paints	2,335	2,521	(7)
1,041	1,204	(14)	Performance Coatings	2,009	2,327	(14)
1,318	1,434	(8)	Specialty Chemicals	2,611	2,847	(8)
(11)	64		Other activities/eliminations	(15)	110	
3,668	4,085	(10)	Total	6,940	7,805	(11)
EBITDA						
173	195	(11)	Decorative Paints	223	298	(25)
164	168	(2)	Performance Coatings	268	300	(11)
219	238	(8)	Specialty Chemicals	377	480	(21)
(29)	(24)		Other activities/eliminations	(45)	(59)	
527	577	(9)	Total	823	1,019	(19)
14.4	14.1		EBITDA margin (in %)	11.9	13.1	
EBIT						
126	146	(14)	Decorative Paints	129	199	(35)
139	144	(3)	Performance Coatings	218	252	(13)
140	160	(13)	Specialty Chemicals	221	325	(32)
(35)	(28)		Other activities/eliminations	(56)	(68)	
370	422	(12)	Total	512	708	(28)
10.1	10.3		EBIT margin (in %)	7.4	9.1	
Operating income						
93	137	(32)	Decorative Paints	79	151	(48)
117	154	(24)	Performance Coatings	192	239	(20)
138	158	(13)	Specialty Chemicals	201	305	(34)
(33)	(114)		Other activities/eliminations	(55)	(238)	
315	335	(6)	Total	417	457	(9)
Incidentals included in operating income						
(71)	(12)		Restructuring costs	(118)	(42)	
(4)	(72)		Transformation costs	(12)	(156)	
7	(2)		Results related to major legal, antitrust and environmental cases	13	(3)	
3	(1)		Results on acquisitions and divestments	12	4	
10	-		Other incidental results	10	-	
-	-		Fair value adjustment of acquired inventories	-	(54)	
(55)	(87)		Total	(95)	(251)	

Consolidated statement of comprehensive income

2ND QUARTER		IN € MILLIONS	JANUARY - JUNE	
2009	2008		2009	2008
175	201	Profit for the period	186	320
Other comprehensive income				
84	284	Exchange differences arising on translation of foreign operations	352	(543)
26	(249)	Cash flow hedges	35	561
(10)	(33)	Income tax relating to components of other comprehensive income	(13)	(12)
100	2	Other comprehensive income for the period (net of tax)	374	6
275	203	Comprehensive income for the period	560	326
Comprehensive income attributable to:				
261	192	Shareholders of the company	524	338
14	11	Minority interests	36	(12)
275	203	Comprehensive income for the period	560	326

Changes in equity

IN € MILLIONS	SUBSCRIBED SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	CHANGE IN FAIR VALUE OF DERIVATIVES	CUMULATIVE TRANSLATION RESERVES	OTHER (STATUTORY) RESERVES AND UNDIS-TRIBUTED PROFIT	SHARE-HOLDERS' EQUITY	MINORITY INTERESTS	TOTAL EQUITY
Balance at January 1, 2008	525	363	(510)	(51)	10,705	11,032	97	11,129
Profit/(loss) for the period	-	-	-	-	284	284	36	320
Other comprehensive income	-	-	549	(495)	-	54	(48)	6
Comprehensive income for the period	-	-	549	(495)	284	338	(12)	326
Dividend paid	-	-	-	-	(365)	(365)	(19)	(384)
Equity-settled transactions	-	-	-	-	32	32	-	32
Issue of common shares	2	8	-	-	-	10	-	10
Buyback of shares	-	-	-	-	(733)	(733)	-	(733)
Acquisition of ICI	-	-	-	-	-	-	487	487
Changes in minority interest in subsidiaries	-	-	-	-	-	-	10	10
Balance at June 30, 2008	527	371	39	(546)	9,923	10,314	563	10,877
Balance at January 1, 2009	463	-	(49)	(1,130)	8,179	7,463	450	7,913
Profit/(loss) for the period	-	-	-	-	148	148	38	186
Other comprehensive income	-	-	22	354	-	376	(2)	374
Comprehensive income for the period	-	-	22	354	148	524	36	560
Dividend paid	-	-	-	-	(325)	(325)	(28)	(353)
Equity-settled transactions	-	-	-	-	11	11	-	11
Issue of common shares	1	-	-	-	(1)	-	-	-
Acquisition and divestments	-	-	-	-	-	-	9	9
Changes in minority interest in subsidiaries	-	-	-	-	-	-	(1)	(1)
Balance at June 30, 2009	464	-	(27)	(776)	8,012	7,673	466	8,139

Condensed consolidated balance sheet

IN € MILLIONS	JUNE 30 2009	DECEMBER 31 2008
Intangible assets	7,410	7,172
Property, plant and equipment	3,433	3,357
Other financial non-current assets	2,064	1,848
Total non-current assets	12,907	12,377
Inventories	1,578	1,781
Trade and other receivables	3,162	2,924
Cash and cash equivalents	1,315	1,595
Other current assets	150	57
Total current assets	6,205	6,357
Total assets	19,112	18,734
Shareholders' equity	7,673	7,463
Minority interest	466	450
Total equity	8,139	7,913
Provisions and deferred tax liabilities	2,863	2,787
Long-term borrowings	3,564 ¹	2,341
Total non-current liabilities	6,427	5,128
Short-term borrowings	335 ¹	1,338
Trade and other payables	2,882	2,985
Other short-term liabilities	1,329	1,370
Total current liabilities	4,546	5,693
Total equity and liabilities	19,112	18,734
Shareholders' equity per share (in €)	33.05	32.21
Number of shares outstanding (in millions)	232.2	231.7
Invested capital	14,266	13,424

¹ A €1 billion bond was repaid in May 2009; we refinanced through a €750 million bond in March, a £250 million bond in April, and €150 million private debt in June.

Basis for dividend pay-out

IN € MILLIONS	JANUARY - JUNE	
	2009	2008
Net income attributable to shareholders	148	284
Impact of incidentals and discontinued operations net of tax	32	141
Impact of amortization and depreciation of ICI assets net of tax	55	54
Basis for dividend pay-out	235	479

Shareholders' equity

Shareholders' equity as at June 30, 2009, increased to an amount of €7.7 billion, mainly due to net income of €148 million. The dividend payments of €325 million offset the change of cumulative translation reserves, which increased mainly due to the stronger pound sterling.

Dividend policy

Our dividend policy is based on an annual pay-out ratio of at least 45 percent of net income before incidentals and fair value adjustments for the ICI acquisition. The final dividend will be proposed to the Annual General Meeting on April 28, 2010.

Invested capital

IN € MILLIONS	JUNE 30 2009	DECEMBER 31 2008	JUNE 30 2008
Trade receivables	2,251	2,069	2,605
Inventories	1,578	1,781	1,741
Trade payables	(1,435)	(1,491)	(1,629)
Operating working capital in business areas	2,394	2,359	2,717
Other working capital items	(863)	(1,111)	(1,022)
Non-current assets	12,907	12,377	14,005
Less investments in associates and joint ventures	(172)	(201)	(176)
Invested capital	14,266	13,424	15,524

Invested capital

Invested capital at June 30, 2009, totaled €14.3 billion, which was €0.8 billion higher than year-end 2008. This is mainly caused by foreign currency effects on intangibles and property, plant and equipment, as the pound sterling strengthened.

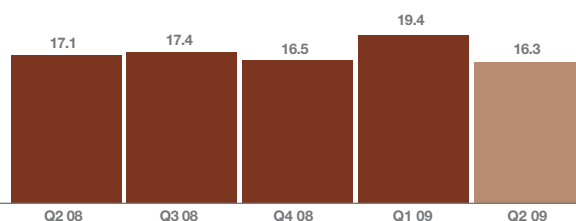
Furthermore, our long-term receivables increased due to additional payments of €0.2 billion to pension funds in the UK. Acquisitions resulted in a €0.1 billion increase of invested capital.

Despite seasonal influences in Decorative Paints, operating working capital remained at the same level as at the beginning of the year. Compared with Q1 2009 operating working capital decreased by €142 million due to working capital management. Expressed as a percentage of revenue, operating working capital was 16.3 percent (Q1 2009: 19.4 percent; Q2 2008: 17.1 percent).

Working capital items outside the businesses increased by €0.3 billion as a consequence of higher values for hedging instruments and higher prepaid expenses.

Operating working capital

IN % OF REVENUE



Condensed consolidated statement of cash flows

2ND QUARTER		IN € MILLIONS	JANUARY - JUNE	
2009	2008 ¹		2009	2008 ¹
1,871	1,091	Cash and cash equivalents at begin of period	1,449	11,067
162	210	Profit for the period from continuing operations	164	268
161	204	Amortization, depreciation and impairments	322	431
77	(143)	Changes in working capital	(129)	(486)
(28)	(148)	Changes in provisions	(320)	(335)
(61)	(45)	Other changes	(42)	(92)
311	78	Net cash from operating activities	(5)	(214)
(134)	(128)	Capital expenditures	(235)	(234)
(12)	(21)	Acquisitions and divestments ²	(49)	(10,057)
21	56	Other changes	32	61
(125)	(93)	Net cash from investing activities	(252)	(10,230)
(590)	(1,215)	Changes from borrowings	182	(558)
(351)	(378)	Dividends ³	(353)	(465)
-	(680)	Buyback of shares	-	(706)
-	8	Other changes	1	(39)
(941)	(2,265)	Net cash from financing activities	(170)	(1,768)
(755)	(2,280)	Net cash used for continuing operations	(427)	(12,212)
9	3,512	Cash flows from discontinued operations	71	3,512
(746)	1,232	Net change in cash and cash equivalents of continued and discontinued operations	(356)	(8,700)
15	(13)	Effect of exchange rate changes on cash and cash equivalents	47	(57)
1,140	2,310	Cash and cash equivalents at June 30	1,140	2,310

¹ Reclassified for comparative presentation.² Net of cash.³ In 2008 including dividends to ICI shareholders.**Cash and debt management**

Operating activities in the first half year resulted in a cash outflow of €5 million (2008: €214 million cash outflow). The change compared with 2008 is mainly due to lower operating working capital in the first half year. Year-to-date changes in provisions mainly related to additional payments for pensions in the first quarter of both 2008 and 2009.

In May 2009, a €1 billion bond matured. We refinanced through a 7.25 percent €750 million bond in March 2009, maturing in 2015. Early April 2009, we also issued a 8 percent £250 million bond, maturing in 2016. At the end of June 2009, we issued €150 million new private debt.

During the first half year our credit rating was downgraded. Current ratings are Standard & Poor's BBB+ (negative outlook) and Moody's Baa1 (negative outlook). We continue to aim to maintain a strong investment grade credit profile.

Pensions

The funded status of the pension plans at June 30, 2009, was estimated to be a deficit of €1.5 billion compared with Q1 2009:

€1.4 billion (year-end 2008: €1.0 billion). The movement since Q1 2009 is due to lower discount rates and higher inflation expectations, partially offset by increased asset values.

Workforce

At year-end 2008, our workforce amounted to 60,040 employees (June 30, 2008: 62,300 employees). At June 30, 2009, our workforce had decreased to 58,810 employees. Acquisitions resulted in an increase of 890 employees, while 2,120 employees left, mainly due to continued restructuring and realized synergies.

Related party transactions

Reference is made to note 23 of our Financial Statements for 2008. In the first half of 2009, a significant related party transaction was a €115 million gas supply by the company to Delesto, a 50 percent joint venture of AkzoNobel and Essent. Delesto transforms gas into steam and electricity. The steam and part of the electricity is used in our production processes. The excess electricity is sold to the national grid.

Contingent liabilities

Reference is made to note 22 of our Financial Statements for 2008.

Subsequent events

A payment of approximately €75 million will be received during Q3 on a contingent basis as part of ongoing tax litigation. The relevant items will be accounted for in our 3rd quarter report.

Outlook and medium-term targets

AkzoNobel has strong market positions in a number of highly attractive sectors with a wide geographical spread. Continuous focus is being given to margin management, cost reduction, and cash generating actions so that the company is well positioned to meet the current challenges and, as a result, will be in good shape to take advantage of the recovery when it comes. The economic outlook remains uncertain which makes it difficult to predict with any confidence. The company remains committed to achieve its medium-term target of an EBITDA margin of 14 percent by the end of 2011, deliver the combined €540 million synergies and restructuring initiatives, drive margin management programs and rigorous cost and cash control across the company.

Principle risks and uncertainties

Our 2008 Annual Report contains an overview and description of the major risks that we face. An overview of the principal (top five) risks as described in the 2008 Report, is provided in the table below. In respect of the principal risks for the second half of 2009 we consider that the description of these top five risks is still valid:

Customer	Loss of major customers could adversely affect our businesses and results of operations.	Focusing on our customers' future first is a core value in our company. We keep in close touch with our customers and markets and focus efforts on constant delivery of high quality, cost effective, sustainable and innovative solutions. In our Performance Coatings and Specialty Chemicals businesses, customer concentration is low and it is reasonably low in our Decorative Paints businesses. We have strict credit management and are watching critical customer accounts closely.
Raw material sourcing	Inability to access raw materials, growth in cost and expenses for raw materials, energy and changes in product mix may adversely influence the future results of our company.	We are sensitive to price movements that may lead to erosion of margins and allow product substitution. Our company may also be impacted by business interruption at one of our key suppliers. We aim to use our purchasing power and long-term relationships with suppliers to acquire raw materials and safeguard their constant delivery at the best conditions. We have inventoried single and sole sourced raw materials. We have diversified contract length and supplier base. Our strengthened global sourcing strategy enables us to bundle the purchasing power both in product related and non-product related requirements. Our businesses continuously monitor the markets in which we operate for developments and opportunities.
Energy price difference	Differences in energy prices pose a risk to the competitiveness of several of our company's chemical businesses.	We operate some energy intensive businesses. A non-level playing field for energy and emission trading rights can affect the competitive position of these businesses. We are pro-actively managing energy costs. We operate several cogeneration units which enable us to make efficient use of combined heat and power. We are implementing our carbon policy, working on energy efficiency programs and investing in energy from waste and biomass. We have hedging policies for energy contracts and have long-term purchase contracts in place.
Pensions	Various external developments may affect assets and liabilities of pension schemes, causing higher pension charges and pension premiums payable.	We practice pro-active pension risk management. Our pension policy is to offer a defined contribution scheme where appropriate. We are committed to further de-risk over time. Our defined benefit schemes are closed to new entrants, major plans closed in 2001 (ICI) and 2004 (AkzoNobel). We are ring fencing other post-retirement obligations.
Impairment	Impairments and book losses could adversely affect our financial results.	In view of the current financial market conditions, asset value decline offers both opportunities and threats to our company. We are actively participating in industry consolidation. As such we may perform selective acquisitions and may hold assets for sale. Acquisition and divestment opportunities and the management of assets held for sale are continuously monitored by the Board of Management. We perform impairment tests for intangibles with indefinite lives (goodwill, some brands) every year and whenever an impairment trigger exists. For tangibles and other fixed assets, we do impairment tests whenever an impairment trigger exists.

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

We have prepared the half-yearly financial report 2009 of AkzoNobel and the undertakings included in the consolidation taken as a whole in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Dutch disclosure requirements for half-yearly financial reports.

To the best of our knowledge:

1. The condensed financial statements in this half-yearly financial report 2009 give a true and fair view of our assets and liabilities, financial position at June 30, 2009, and of

the result of our consolidated operations for the first half year of 2009.

2. The interim management report in this half-yearly financial report includes a fair review:
 - I. of the development and performance of the businesses and the position of AkzoNobel and the undertakings included in the consolidation taken as a whole for the first half year,
 - II. as well as of the expected course of business,

where, as far as not prohibited by important interests, attention is paid in particular to investment expenditures and the circumstances on which the development of revenues and profitability is depending.

Amsterdam, July 29, 2009 The Board of Management

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

Notes to the condensed financial statements

Accounting policies

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

Compared with the accounting principles as applied in the 2008 financial statements, we have adopted IFRS 8 "Operating Segments", IFRIC 13 "Customer Loyalty Programmes" and the amendment to IAS 1 "Presentation of Financial Statements". The adoption of these accounting policies has not materially affected the computation of our results. The accounting principles as applied in 2008 can be found in note 1 of the financial statements.

Restatements

We have changed the presentation of interest related to pensions and made some other reclassifications, as explained in our Report for the 1st quarter of 2009, available on our website. In addition, incorporation of National Starches in our books resulted in a transfer of National Starch' and Specialty Chemicals' revenue from Q1, 2008 to Q2, 2008 of €47 million.

More information and analyses on the first quarter of 2009 can be found in our Report for the 1st quarter of 2009.

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 business experiences 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.

Glossary

Autonomous growth is defined as the change in revenue attributable to changed volumes and selling prices. It excludes effects from currencies and acquisitions and divestments.

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 and less 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 interest-bearing borrowings are 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.

Transformation costs are acquisition-related costs related to ICI, cost related to sell businesses as agreed with the European and Canadian authorities, and costs for the new corporate identity.

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

In this report, reference is made to brands and trademarks owned by, or licensed to, AkzoNobel. Unauthorized use of these is strictly prohibited.

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Financial calendar

Report for the 3rd quarter 2009	October 27, 2009
Ex-dividend date of 2009 interim dividend	October 28, 2009
Record date of 2009 interim dividend	October 30, 2009
Payment date of 2009 interim dividend	November 6, 2009
Report for the 4th quarter and the year 2009	February 18, 2010
Report for the 1st quarter 2010	April 27, 2010
Annual General Meeting	April 28, 2010



AkzoNobel

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We are the largest global paints and coatings company and a major producer of specialty chemicals. We supply industries worldwide with quality ingredients for life's essentials. We think about the future, but act in the present. We are passionate about developing sustainable answers for our customers. Based in Amsterdam, the Netherlands, we have 59,000 employees working in more than 80 countries – all committed to excellence and delivering Tomorrow's Answers Today™.

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