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AKZO NOBEL NV
Form 6-K
December 22, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

Pursuant to Rule 13a-16 or 15d-16 of
The Securities Exchange Act of 1934

December 22, 2004

AKZO NOBEL N.V.
(Translation of registrant's name into English)

76, Velperweg, 6824 BM Arnhem, the Netherlands
(Address of principal executive offices)

0 - 017444
(Commission file number)

Indicate by check mark whether the registrant files or will file annual reports
under cover of Form 20-F or Form 40-F:

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information
contained in this form is also thereby furnishing the information to the
Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

The following exhibit
is filed with this report
Akzo Nobel IFRS based reporting Q-1 - Q-3 2004

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of
1934 the registrant has duly caused this report to be signed on its behalf of
the undersigned, thereto duly authorized.

Akzo Nobel N.V.

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*References to IFRS in this document relate to International Accounting Standards and International Financial Reporting Standards.

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IFRS based reporting Q-1 - Q-3 2004

The figures in this report have been prepared on the basis of the standards expected to be applicable for the Annual Report on 2005. However, IFRS is subject to ongoing review and endorsement by the EU or possible amendment by interpretative guidance from the IASB. IFRS could therefore be subject to change. As a consequence, these figures and the discussion in this report should be treated with appropriate caution as they may need to be revised in light of such changes. This report is indicative of the Company's future results and, for the reasons noted above, may not be representative of the impact of IFRS on the Company's results of operations or financial condition for fiscal years 2004, 2005, or any future period. We will update this information for any changes in standards or interpretation as and when these changes are made. The figures in this report are unaudited.

Changes in accounting principles due to adoption of IFRS
Certain standards included in IFRS were already incorporated in NL GAAP. This concerns, inter alia, accounting for intangible assets other than goodwill, which also includes accounting for development costs. As there are no differences, this has not resulted in any changes in accounting principles.

For those standards not included in NL GAAP, we have adjusted our accounting principles as described below. For accounting principles for which we do not expect that these will change, we refer to our Annual Report 2003, pages 78 to 81.

Employee benefits

Pensions and other postretirement benefits

Presently, the Company accounts for pensions and other postretirement benefits in accordance with SFAS 87 and SFAS 106.

For the implementation of IAS 19 Employee Benefits in respect of pensions and other postretirement benefits, the Company has to recognize the funded status, at January 1, 2004, of the projected benefit obligation in so far as this is not covered by provisions or prepaid pension assets in the NL GAAP balance sheet. Any unvested portion of past service cost at that date is to be excluded.

On January 1, 2004, the Company had a significant deficit for its pension and other postretirement benefit plans. The deficit in excess of provisions and prepaid pension assets in the NL GAAP balance sheet has been charged against shareholders' equity in the IFRS opening balance sheet at January 1, 2004. This concerns an amount of EUR 1,342 million after taxes.

In the NL GAAP balance sheet, the Company has also recognized a so-called minimum pension liability for the deficit determined on the accumulated benefit obligation (ABO) level, as required under SFAS 87. This consists of an after-tax charge against shareholders' equity (EUR 824 million) and recognition of an intangible asset (EUR 165 million). As these are not allowed under IAS 19, the minimum pension liability related entries have been reversed, partly offsetting the aforementioned recognition of the deficits on a PBO basis.

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The consequences of the U.S. Medicare Prescription Drug, Improvement and Modernization Act of 2003 have also been taken into account in the IFRS opening balance sheet. This has resulted in the recognition of a financial noncurrent asset of EUR 43 million (EUR 26 million after taxes).

Going forward, the full recognition of the deficit at January 1, 2004, results in lower net period pension cost for the first three quarters of 2004, as the deferred losses under SFAS 87 and SFAS 106 no longer have to be amortized.

Other employee benefits

IAS 19 requires provisioning of long-term employee benefits, such as payments on the occasion of a service jubilee of an employee. This is not specifically required under NL GAAP, where costs for such benefits often are recognized on a pay-as-you-go basis. The required provision for other long-term benefits in accordance with IAS 19 amounts to EUR 13 million (EUR 8 million after taxes).

Revenues

General

Revenue under IFRS is defined as the revenue from the sale and delivery of goods and services and royalty income, net of rebates, discounts, and similar allowances, and net of sales tax. Revenue is recognized when the significant risks and rewards have been transferred to a third party.

The Company used to report royalty income under Other Results in the statement of income. Under IFRS, royalty income is reclassified to Revenues. Also proceeds for certain services rendered by the Company, which used to be deducted from cost lines in the statement of income, have now been reclassified to Revenues.

Pfizer payment

In December 2003, the Company received an initial payment of EUR 88 million (EUR 70 million after taxes) from Pfizer for the codevelopment and comarketing agreement for asenapine. In accordance with the contract and the spirit thereof, this payment is a nonrefundable reimbursement of the expenses incurred by Akzo Nobel in prior years for the development of asenapine-related know-how so far. In accordance with NL GAAP, such payment was recognized as income immediately.

In accordance with IFRS revenue recognition rules, nonrefundable upfront fees are initially reported as deferred income and will be recognized as revenue based on expected development costs over the remaining first part of the development period, currently anticipated to be from 2004 to 2007.

This has the consequence that this payment which had already been recognized in 2003 NL GAAP income, is again recognized in IFRS revenues but now over the years 2004-2007.

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Income taxes

As allowed under NL GAAP, the tax effect on the elimination of intercompany profit in inventories is based on the tax rate of the country of the company sending the goods, thus fully eliminating the intercompany sale in the statement of income. IFRS, however, prescribes that tax on such elimination is to be based

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on the tax rate of the country of the company receiving the goods.

As a consequence, the deferred tax asset related to intercompany profit has increased by EUR 76 million at January 1, 2004. Going forward, the impact on earnings is determined by the changes in levels of intercompany inventory in the various countries.

Furthermore, IFRS specifically prescribes that current and deferred tax assets and liabilities in countries which have separate tax rates for distributed and undistributed profits are measured at the tax rate applicable to undistributed profits. The income tax consequences of dividends are recognized when a liability to pay the dividend is recognized.

For NL GAAP in certain circumstances such current and deferred tax assets and liabilities can be measured at the tax rate applicable to distributed profits. The impact of this difference on the Company's accounts is limited.

Business combinations

Under NL GAAP, purchased goodwill is capitalized and amortized. IFRS 3 prescribes that purchased goodwill must be capitalized and not amortized, but tested for impairment annually.

Akzo Nobel has elected the transition option in IFRS 1 to apply IFRS 3 prospectively from the transition date. This option was chosen, rather than to restate all previous business combinations. The impact of IFRS 3 and associated transitional arrangements on Akzo Nobel is as follows:

- all prior business combination accounting is frozen at the transition date; and
- the value of goodwill is frozen at January 1, 2004, and amortization previously reported under NL GAAP for 2004 is removed for financial statements prepared under IFRS.

Provisions

Discounting

IFRS, in principle, prescribes discounting of all provisions, which is not always the case in NL GAAP. The impact of discounting of provisions thus far undiscounted at January 1, 2004, is a decrease in provisions of EUR 16 million (EUR 11 million after taxes).

Going forward, the interest accrued on discounted provisions will be recognized under financing charges. Under NL GAAP, such charges were included in operating income.

Restructuring provisions

In accordance with NL GAAP, restructuring provisions are recognized if the restructuring had been announced to the employees involved before the date of the financial statements. Under IFRS, a restructuring can only be recognized if this is announced before the balance sheet date.

Restructurings for which provisions amounted to EUR 9 million (EUR 6 million after taxes) were announced in January 2004 and therefore these provisions do not qualify for recognition under IFRS in the balance sheet at January 1, 2004, but are recognized under IFRS in the first quarter of 2004. In the quarters of 2004, certain restructuring provisions reported under NL GAAP also do not meet the IFRS recognition criteria and are deferred for recognition in the next

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quarter.

Share-based payments

In accordance with NL GAAP, the Company recognized expenses related to stock options as a direct charge to shareholders' equity when the related payments were incurred.

In accordance with IFRS 2, the Company's stock option plans qualify as so-called cash-settled plans. As a consequence, the Company has to charge the fair value of the stock options against income (first spread over the vesting period and later over the remaining life of the options) and recognize a related liability in the balance sheet. This liability at January 1, 2004, amounted to EUR 11 million (EUR 8 million after taxes). The fair value has been calculated using the binomial options valuation model. The charge to income over the relevant option vesting periods is adjusted to reflect actual and expected levels of vesting.

Nonconsolidated companies

Valuation of the Company's interest in nonconsolidated companies is based as much as possible on IFRS, as adopted by Akzo Nobel. The impact of the difference between NL GAAP and IFRS for nonconsolidated companies on the Company's accounts is limited.

Jointly controlled companies

For interests in jointly controlled legally incorporated companies IFRS prescribes that they must be either proportionally consolidated or equity accounted as a nonconsolidated company. The chosen method has to be applied to all such interests. Under NL GAAP, the Company equity accounts most of the jointly controlled interests. However, the joint venture with Sanofi-Synthelabo (for the antithrombotic Arixtra (R)) has been proportionally consolidated.

Under IFRS, the Company has elected to equity account all jointly controlled interests. The impact of the deconsolidation in the January 1, 2004 balance sheet of the joint venture with Sanofi-Synthelabo is not significant and it has no impact on shareholders' equity or net income. Due to the change in setup in the first quarter of 2004, this joint venture ceased to exist and was replaced by a revenue arrangement, based on future sales from jointly developed antithrombotic products.

It should be noted that the cooperation with Pfizer for asenapine is not legally incorporated. As a consequence, this cooperation is proportionally consolidated for both NL GAAP and IFRS.

Nonrecurring items

In its NL GAAP statements, the Company separately reported so-called nonrecurring items. These relate to income and expenses resulting from normal business operations, which, because of their size or nature, are disclosed separately to give a better understanding of the underlying result for the period. These include items such as restructurings and impairment charges, significant gains and losses on the disposal of businesses, and costs related to major lawsuits and antitrust cases, not meeting the requirements for extraordinary items.

NL GAAP operating income before nonrecurring items is one of the key figures management uses to assess the performance of the Company, as these figures better reflect the underlying trends in the results of the activities.

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IFRS does not allow this concept. Therefore, the Company will not report IFRS earnings figures excluding nonrecurring items. However, for better insight into the Company's earnings development, the most important elements of nonrecurring items will now be reported on a separate line within operating income in the statement of income.

Cumulative translation differences

The Company chose the option in IFRS 1 whereby cumulative translation differences in shareholders' equity are deemed to be zero at the date of transition. The negative NL GAAP balance of EUR 1,045 million at January 1, 2004, is deducted from Other Reserves, which therefore starts with a negative balance of EUR 431 million. However due to retained income of the first nine months of 2004, Other Reserves at September 30, 2004 shows a positive balance of EUR 104 million. It should be noted that if the Company would ever have negative Other Reserves, in principle, it will still be able to pay dividends but then from Additional Paid-in Capital.

IFRS standards with a prospective impact

Financial instruments

IAS 39 and IAS 32 address recognition and measurement, and disclosure and presentation for financial instruments. The Company has opted to apply the transition provision of IFRS 1 to postpone the application of these standards until January 1, 2005. It should be noted that IAS 32 and 39 have not yet been endorsed by the EU.

Implementation of these standards will result in most financial assets being recognized at fair value and financial liabilities at amortized cost. Accounting for the movements in fair value is dependent on the designation of the relevant financial instrument; in principle such movements are to be recognized in the statement of income, unless hedge accounting can be applied.

The Company in principle will not apply hedge accounting for forward foreign currency contracts. For interest derivatives, petroleum options, futures for gas and electricity, and similar contracts the Company intends to apply hedge accounting.

Emission rights

Starting in 2005, governments will grant CO2 emission allowances to certain companies.

IASB and IFRIC recently issued guidance on accounting for such allowances, which will have to be applied from 2006 onwards. The Company still has to decide whether it will adopt this standard earlier for the 2005 financial statements.

Arnhem, December 14, 2004

The Board of Management

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IFRS based reporting Q-1 - Q-3 2004

R E C O N C I L I A T I O N O F S H A R E H O L D E R S ' E Q U I T Y

Millions of euros	Capital and reserves	Minimum pension liability
NL GAAP shareholders' equity at December 31, 2003	3,326	(82)
Pensions and other postretirement benefits	(1,316)	82
Deferred taxes on intercompany profit	76	

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Pfizer payment	(70)
Discounting of provisions	11
Other long-term employee benefits	(8)
Share-based payments	(8)
Restructuring provisions	6
Other	12
<hr/>	
IFRS shareholders' equity at January 1, 2004	2,029
<hr/>	

S H A R E H O L D E R S ' E Q U I T Y A T J A N U A R Y 1 , 2 0 0 4

Millions of euros	IFRS	NL GAAP
Subscribed share capital	572	
Additional paid-in capital	1,803	1,
Statutory reserves	85	
Cumulative translation differences		(1,
Other reserves	(431)	1,
<hr/>		
Capital and reserves	2,029	3,
Minimum pension liability		(
<hr/>		
Shareholders' equity	2,029	2,
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IFRS based reporting Q-1 - Q-3 2004

C O N D E N S E D C O N S O L I D A T E D B A L A N C E S H E E T
A T J A N U A R Y 1 , 2 0 0 4

Millions of euros	IFRS	NL
Intangible assets	424	
Property, plant and equipment	3,967	
Deferred tax assets	906	
Deferred tax asset for minimum pension liability		
Other financial noncurrent assets	681	
Inventories	2,119	
Receivables	2,679	
Cash and cash equivalents	727	
<hr/>		
Total	11,503	
<hr/>		
Capital and reserves	2,029	
Minimum pension liability		
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Akzo Nobel N.V. shareholders' equity	2,029
Minority interest	140

Equity	2,169
Provisions	3,863
Provision for minimum pension liability	
Deferred income	88
Long-term borrowings	2,717
Short-term borrowings	441
Current liabilities	2,225

Total	11,503

Gearing	1.12

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IFRS based reporting Q-1 - Q-3 2004

I N V E S T E D C A P I T A L A T J A N U A R Y 1 , 2 0 0 4

Millions of euros	IFRS	NL GAAP
Pharma	2,555	2,506
Coatings	2,041	2,043
Chemicals	2,586	2,604
Other	977	964
	-----	-----
Akzo Nobel	8,159	8,117
	-----	-----

R E C O N C I L I A T I O N O F J A N U A R Y - S E P T E M B E R 2 0 0 4 N E T I N C O M E

Millions of euros	Net income
NL GAAP net income	766
Pensions and other postretirement benefits	40
Deferred taxes on intercompany profit	(39)
Pfizer payment	18
Cease of goodwill amortization	15
Discounting of provisions	(6)
Restructuring provisions	(2)
Share-based payments	(1)
Other long-term employee benefits	-
Other	1

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IFRS net income 792

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IFRS based reporting Q-1 - Q-3 2004

CONDENSED CONSOLIDATED STATEMENT OF INCOME

Millions of euros	1st quarter		2nd quarter		3rd
	IFRS	NL GAAP	IFRS	NL GAAP	IFRS
Revenues	3,169	3,138	3,363	3,325	
Operating costs	(2,844)	(2,846)	(2,992)	(2,990)	
Restructuring and impairment charges	(69)	(61)	(34)	(64)	
Results on divestments			4	4	
Charges related to legal and antitrust cases			(50)	(50)	
Operating income	256	231	291	225	
Financing charges	(38)	(32)	(40)	(36)	
Operating income less financing charges	218	199	251	189	
Taxes	(83)	(64)	(87)	(61)	
Earnings of consolidated companies, after taxes	135	135	164	128	
Earnings from nonconsolidated companies (incl. nonrecurring items)	6	6	(4)	(5)	
Earnings before minority interest	141	141	160	123	
Minority interest	(8)	(8)	(11)	(11)	
Net income	133	133	149	112	
Return on sales, in %	8.1	7.4	8.7	6.8	
Interest coverage	6.7	7.2	7.3	6.3	
Net income per share, in EUR					
- basic	0.47	0.47	0.52	0.39	
- diluted	0.46	0.46	0.52	0.39	
EBITDA	406	388	440	380	
Depreciation	144	144	144	143	
Amortization	6	13	5	12	

* The impact of IAS 19 for pensions and other post-retirement benefits on the results of divestment Phosphorus Chemicals will be determined in the fourth quarter of 2004.

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IFRS based reporting Q-1 - Q-3 2004

C O N D E N S E D C O N S O L I D A T E D S T A T E M E N T O F I N C O M E

Millions of euros	January-June		January-September
	IFRS	NL GAAP	IFRS
Revenues	6,532	6,463	9,754
Operating costs	(5,836)	(5,836)	(8,693)
Restructuring and impairment charges	(103)	(125)	(171)
Results on divestments	4	4	462
Charges related to legal and antitrust cases	(50)	(50)	(108)
Operating income	547	456	1,244
Financing charges	(78)	(68)	(111)
Operating income less financing charges	469	388	1,133
Taxes	(170)	(125)	(314)
Earnings of consolidated companies, after taxes	299	263	819
Earnings from nonconsolidated companies (incl. nonrecurring items)	2	1	1
Earnings before minority interest	301	264	820
Minority interest	(19)	(19)	(28)
Net income	282	245	792
Return on sales, in %	8.4	7.1	12.8
Interest coverage	7.0	6.7	11.2
Net income per share, in EUR			
- basic	0.99	0.86	2.77
- diluted	0.98	0.85	2.76
EBITDA	846	768	1,684
Depreciation	288	287	421
Amortization	11	25	19

IFRS based reporting Q-1 - Q-3 2004

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SEGMENT REPORTING

Millions of euros	1st quarter		2nd quarter		3rd
	IFRS	NL GAAP	IFRS	NL GAAP	IFRS
Revenues					
Pharma	841	821	825	808	
Coatings	1,238	1,231	1,405	1,397	
Chemicals	1,121	1,118	1,152	1,147	
Other	(31)	(32)	(19)	(27)	
Akzo Nobel	3,169	3,138	3,363	3,325	
Operating income					
Pharma	154	150	71	49	
Coatings	91	82	131	101	
Chemicals	101	93	84	76	
Other	(90)	(94)	5	(1)	
Akzo Nobel	256	231	291	225	
Invested capital, at end of quarter					
Pharma	2,708	2,633	2,707	2,638	
Coatings	2,264	2,260	2,215	2,208	
Chemicals	2,630	2,629	2,662	2,657	
Other	803	798	877	863	
Akzo Nobel	8,405	8,320	8,461	8,366	
Depreciation and amortization					
Pharma	44	45	40	41	
Coatings	31	34	32	35	
Chemicals	72	75	76	78	
Other	3	3	1	1	
Akzo Nobel	150	157	149	155	

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IFRS based reporting Q-1 - Q-3 2004

SEGMENT REPORTING

Millions of euros January-June January-September

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	IFRS	NL GAAP	IFRS	NL GAAP
Revenues				
Pharma	1,666	1,629	2,492	
Coatings	2,643	2,628	4,031	
Chemicals	2,273	2,265	3,310	
Other	(50)	(59)	(79)	
Akzo Nobel	6,532	6,463	9,754	
Operating income				
Pharma	225	199	309	
Coatings	222	183	340	
Chemicals	185	169	695	
Other	(85)	(95)	(100)	
Akzo Nobel	547	456	1,244	
Depreciation and amortization				
Pharma	84	86	126	
Coatings	63	69	93	
Chemicals	148	153	215	
Other	4	4	6	
Akzo Nobel	299	312	440	

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IFRS based reporting Q-1 - Q-3 2004

CONDENSED CONSOLIDATED BALANCE SHEET

Millions of euros; at end of quarter	1st quarter		2nd quarter		3rd
	IFRS	NL GAAP	IFRS	NL GAAP	IFRS
Intangible assets	439	598	443	595	
Property, plant and equipment	3,889	3,889	3,881	3,884	
Deferred tax assets	917	419	889	401	
Deferred tax asset for minimum pension liability		371		371	
Other financial noncurrent assets	704	1,130	633	1,044	
Inventories	2,181	2,181	2,186	2,186	
Receivables	2,995	2,990	3,197	3,191	
Cash and cash equivalents	508	508	393	393	

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Total	11,633	12,086	11,622	12,065
Capital and reserves	2,241	3,549	2,125	3,392
Minimum pension liability		(853)		(851)
Akzo Nobel N.V. shareholders' equity	2,241	2,696	2,125	2,541
Minority interest	145	145	139	139
Equity	2,386	2,841	2,264	2,680
Provisions	3,750	2,446	3,792	2,513
Provision for minimum pension liability		1,382		1,379
Deferred income	80		73	
Long-term borrowings	2,741	2,741	2,747	2,747
Short-term borrowings	356	356	306	306
Current liabilities	2,320	2,320	2,440	2,440
Total	11,633	12,086	11,622	12,065
Gearing	1.09	0.91	1.17	0.99

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IFRS based reporting Q-1 - Q-3 2004

C O N D E N S E D C O N S O L I D A T E D S T A T E M E N T O F C A S H F L O W S

Millions of euros

January - September

	IFRS	NL G
Total earnings before minority interest	820	
Depreciation and amortization	440	
Cash flow	1,260	
Pre-tax gain on divestments	(458)	
Changes in working capital	(33)	
Impairments	39	
Changes in provisions and deferred tax assets and accrued prepaid pension costs	(74)	
Retained income of nonconsolidated companies	(10)	
Other changes	(5)	
Net cash (used for)/provided by operations		719
Capital expenditures	(379)	

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	Acquisitions	(57)	
	Proceeds from divestments	870	
	Repayments nonconsolidated companies	122	
	Other changes	(12)	

	Net cash generated by investing activities		544
	Dividends paid		(273)

	Funds balance		990
	Net cash used for financing activities		(164)
	Effect of exchange rate changes on cash and cash equivalents		6

	Change in cash and cash equivalents		832

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IFRS based reporting Q-1 - Q-3 2004

S H A R E H O L D E R S ' E Q U I T Y A T S E P T E M B E R 3 0 , 2 0 0 4

Millions of euros	IFRS	NL GAAP
Subscribed share capital	572	
Additional paid-in capital	1,803	
Statutory reserves	85	
Cumulative translation differences	45	
Other reserves	104	

Capital and reserves	2,609	
Minimum pension liability		

Shareholders' equity	2,609	

Safe Harbor Statement*

This unaudited report contains certain forward-looking statements which address such key issues as Akzo Nobel's future financial results following the transition from NL GAAP to IFRS, including, in particular, the expected impacts of such change on employee benefit and pension accounting, revenue recognition, the method of accounting for income taxes and business combinations, provisions, share-based payments, investments in nonconsolidated companies, nonrecurring items, translation differences and certain other prospective changes related to the transition from reporting in NL GAAP to reporting under IFRS. Such statements are subject to change and should be carefully considered, and it should be understood that many factors could cause forecasted and actual results to differ from these statements. These factors include, but are not limited to, changes in regulations or interpretations related to the implementation and reporting under IFRS, decisions to apply a different option of presentation permitted by IFRS, and various other factors related to the implementation of IFRS. For a more complete discussion of the risk factors affecting our business please refer to our Annual Report on Form 20-F filed with the United States Securities and Exchange Commission.

The financial information presented contains details of the transitional

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adjustments required to present certain historical financial results of the Company under IFRS. Future presentation of this historical financial information may be in a different format or may be present different results than those in this report. The transitional adjustments presented have been calculated on the basis of the specific facts of the transaction and should not be used as indicators of future adjustments between NL GAAP and IFRS that will be required, due to the risk and uncertainty surrounding events in the future. This report should not be used as a projection of future results or financial condition.

* Pursuant to the U.S. Private Securities Litigation Reform Act 1995.

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