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AKZO NOBEL NV  
Form 6-K  
April 07, 2005

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

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FORM 6-K

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REPORT OF FOREIGN PRIVATE ISSUER

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

April 07, 2005

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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)

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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 ☒

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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.

Name	:	F.H. Hensel	Name	:	J.J.M. Derckx
Title	:	Senior Vice President Finance	Title	:	Director Corporate Control

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Dated : April 07, 2005

IFRS-based reporting for 2004

Presentation of financial information for 2004 in accordance with International Financial Reporting Standards

### Introduction

Up to December 31, 2004, Akzo Nobel published its financial statements under Generally Accepted Accounting Principles in the Netherlands (NL GAAP). From 2005 onwards, the Company will issue its consolidated financial statements in accordance with International Accounting Standards (IAS), International Financial Reporting Standards (IFRS)\*, and Interpretations. This change applies to all financial reporting for accounting periods beginning on or after January 1, 2005. Akzo Nobel's first IFRS results will be those for the first quarter of 2005, and the Company's first Annual Report under IFRS will be that for 2005. As the Company publishes comparative information for one year in its Annual Report, the transition date to IFRS will be January 1, 2004.

The report "IFRS based reporting Q-1 - Q-3 2004" was published on December 14, 2004. Compared to this report, an adjustment was made to the IFRS-based balance sheets, namely an increase in deferred tax assets and shareholders' equity of EUR 17 million. The benefits receivable under the U.S. Medicare Prescription Drug, Improvement and Modernization Act of 2003 are tax free, whereas in the earlier report it was assumed that they would be taxable. This has no impact on the results for the quarters of 2004. The information originally included in the report "IFRS based reporting Q-1 - Q-3 2004" has been adjusted accordingly and is now included in this report, so that it provides full and up-to-date information on the impact of IFRS on all quarters and for the year 2004.

IFRS impact - net income up; shareholders' equity down; funds balance unchanged  
This report gives a detailed overview of the consequences for the Company of accounting under IFRS. In summary, the impact of IFRS on the Company's accounts is an increase in net income for 2004 of EUR 89 million, but a decline in shareholders' equity, at December 31, 2004, of EUR 410 million. This is mainly attributable to the differences in the method of accounting under IFRS for pensions and other postretirement benefits, the recognition of deferred taxes on intercompany profit, the recognition of the payment received from Pfizer for the asenapine cooperation, and the recognition of goodwill. For the most part, the changed accounting is a matter of timing of the recognition of assets, liabilities, and related results. Consequently, volatility of earnings under IFRS could increase in the future. However, there is no impact on the underlying cash flows of the businesses. We currently do not expect that the changed accounting will have a significant impact on our dividend payments.

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

1

IFRS-based reporting for 2004

Presentation of IFRS-based information

The purpose of this report is to provide information on the expected impact of the adoption of IFRS on the Company's reported performance and financial

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position. It consists of the following:

- changes in accounting principles compared to NL GAAP, due to the adoption of IFRS
- reconciliation of shareholders' equity at January 1, 2004
- breakdown of IFRS shareholders' equity at January 1, 2004
- IFRS-based balance sheet and segment reporting at January 1, 2004
- reconciliation of full year 2004 net income
- IFRS-based statements of income for the quarters and year 2004
- IFRS-based segment reporting for the quarters and year 2004
- reconciliation of shareholders' equity at December 31, 2004
- breakdown of IFRS shareholders' equity at December 31, 2004
- IFRS-based balance sheet and segment reporting at December 31, 2004
- IFRS-based statement of changes in shareholders' equity for the full year 2004
- IFRS-based statement of cash flows for the full year 2004

The figures in this report have been prepared on the basis of the standards expected to be applicable to 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 year 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 the adoption of IFRS  
Certain standards included in IFRS had already been 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 which we do not expect to change, we refer to our Annual Report 2004, pages 80 to 83.

### Employee benefits

#### Pensions and other postretirement benefits

Until December 31, 2004, the Company accounted 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 (PBO) 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.

### IFRS-based reporting for 2004

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

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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. At December 31, 2004, this amount was EUR 1,232 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 (January 1, 2004: EUR 824 million; December 31, 2004: EUR 759 million) and recognition of an intangible asset (January 1, 2004: EUR 165 million; December 31, 2004: EUR 137 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.

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 tax-free financial noncurrent asset of EUR 43 million (at December 31, 2004: EUR 48 million).

Going forward, the full recognition of the deficit at January 1, 2004, will result in lower net period pension costs for 2004, as the deferred losses under SFAS 87 and SFAS 106 no longer have to be amortized. As a result of the improved pension funding situation at December 31, 2004, IFRS-based 2005 pension charges are expected to drop by some EUR 50 million, compared to 2004.

Included in the 2004 net income effect of IAS 19 is an after-tax gain of EUR 43 million for the settlements/curtailments as a consequence of the Catalysts divestment.

### 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, which is EUR 8 million after taxes (at December 31, 2004: also EUR 13 million and EUR 8 million, respectively).

### 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.

### IFRS-based reporting for 2004

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

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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 the (expected) development costs over the remaining first part of the development period, currently anticipated to be from 2004 to 2007. At December 31, 2004 an amount was deferred of EUR 56 million (EUR 45 million after taxes).

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.

### 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 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. At December 31, 2004, this amount was EUR 33 million. Going forward, the impact on earnings will be 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.

4

### IFRS-based reporting for 2004

#### 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.

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### 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, which is EUR 11 million after taxes. At December 31, 2004, these amounts were EUR 29 million and EUR 20 million, respectively.

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. 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 quarter. At December 31, 2004, all provisions qualified for recognition under IFRS.

#### 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, which is EUR 8 million after taxes. At December 31, 2004, these amounts were EUR 16 million and EUR 10 million, respectively. 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.

### IFRS-based reporting for 2004

#### 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

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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 does not affect 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.

IFRS does not allow this concept. Therefore, the Company will not report IFRS earnings figures excluding nonrecurring items. However, for a better understanding of 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.

### IFRS-based reporting for 2004

#### 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 414 million. However, as 2004 net income is higher than dividends paid during the year, the balance of "Other reserves" and "Undistributed profit" at December 31, 2004, shows a positive balance of EUR 193 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

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until January 1, 2005.

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, except for certain significant contracts for future commitments and cash flows. For interest derivatives, petroleum options, futures for gas and electricity, and similar contracts the Company will apply hedge accounting.

Information on the impact of IAS 32 and 39 will be published together with the Report for the 1st Quarter of 2005 on April 19, 2005.

### 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, April 7, 2005

The Board of Management

7

IFRS-based reporting for 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   A T J A N U A R Y   1 ,   2 0 0 4

Millions of euros	Capital and reserves	Minimum pension li
<hr/>		
NL GAAP shareholders' equity		
at December 31, 2003	3,326	
Pensions and other postretirement benefits	(1,299)	
Deferred taxes on intercompany profit	76	
Pfizer payment	(70)	
Discounting of provisions	11	
Other long-term employee benefits	(8)	
Share-based payments	(8)	
Restructuring provisions	6	
Other	12	
	<hr/>	<hr/>
IFRS shareholders' equity at January 1, 2004	2,046	
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## SHAREHOLDERS' EQUITY AT JANUARY 1, 2004

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 and undistributed profit	(414)	1,
Capital and reserves	2,046	3,
Minimum pension liability		(
Shareholders' equity	2,046	2,

8

IFRS-based reporting for 2004

## CONDENSED CONSOLIDATED BALANCE SHEET AT JANUARY 1, 2004

Millions of euros	IFRS
Intangible assets	
Property, plant and equipment	
Deferred tax assets	
Deferred tax asset for minimum pension liability	
Other financial noncurrent assets	
Inventories	
Receivables	
Cash and cash equivalents	
Total	
Capital and reserves	
Minimum pension liability	
Akzo Nobel N.V. shareholders' equity	
Minority interest	
Equity	
Provisions	
Provision for minimum pension liability	
Deferred income	
Long-term borrowings	
Short-term borrowings	
Current liabilities	

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Total  
Gearing

9

IFRS-based reporting for 2004

## INVESTED CAPITAL AT JANUARY 1, 2004

Millions of euros	IFRS	NL GAAP
Pharma	2,555	2,506
Coatings	2,041	2,043
Chemicals	2,586	2,604
Other	994	964
Akzo Nobel	8,176	8,117

## RECONCILIATION OF FULL YEAR 2004 NET INCOME

Millions of euros	Net income
NL GAAP net income	856
Pensions and other postretirement benefits	95
Deferred taxes on intercompany profit	(43)
Pfizer payment	25
Termination of goodwill amortization	19
Discounting of provisions	9
Restructuring provisions	(6)
Share-based payments	(3)
Other long-term employee benefits	-
Other	(7)
IFRS net income	945

10

IFRS-based reporting for 2004

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## CONDENSED CONSOLIDATED STATEMENT OF INCOME

Millions of euros

January-December

	IFRS	N
Revenues	12,893	
Operating costs	(11,558)	
Restructuring and impairment charges	(196)	
Results on divestments	579	
Charges related to legal and antitrust cases	(191)	
Operating income	1,527	
Financing charges	(144)	
Operating income less financing charges	1,383	
Taxes	(412)	
Earnings of consolidated companies, after taxes	971	
Earnings from nonconsolidated companies (incl. nonrecurring items)	10	
Earnings before minority interest	981	
Minority interest	(36)	
Net income	945	
Return on sales, in %	11.8	
Interest coverage	10.6	
Net income per share, in EUR		
- basic	3.31	
- diluted	3.30	
EBITDA	2,097	
Depreciation	542	
Amortization	28	

11

IFRS-based reporting for 2004

## RECONCILIATION OF SHAREHOLDERS' EQUITY AT DECEMBER 31, 2004

Millions of euros	Capital and reserves	Minimum pension liability
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NL GAAP shareholders' equity		
at December 31, 2004	3,795	(75)
Pensions and other postretirement benefits	(1,184)	75
Deferred taxes on intercompany profit	33	
Termination of goodwill amortization	19	
Pfizer payment	(45)	
Discounting of provisions	20	
Other long-term employee benefits	(8)	
Share-based payments	(10)	
Restructuring provisions	-	
Other	6	
	-----	-----
IFRS shareholders' equity		
at December 31, 2004	2,626	
	=====	=====

## S H A R E H O L D E R S ' E Q U I T Y A T D E C E M B E R 3 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	(20)	(1,
Other reserves	(759)	1,
Undistributed profits	945	
	-----	-----
Capital and reserves	2,626	3,
Minimum pension liability		(
	-----	-----
Shareholders' equity	2,626	3,
	=====	=====

12

IFRS-based reporting for 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 D E C E M B E R 3 1 , 2 0 0 4

Millions of euros	IFRS	NL
	-----	-----
Intangible assets		448
Property, plant and equipment		3,535
Deferred tax assets		784
Deferred tax asset for minimum pension liability		
Other financial noncurrent assets		624
Inventories		1,978

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	Receivables	2,761	
	Cash and cash equivalents	1,811	
		-----	-----
	Total	11,941	
		=====	=====
	Capital and reserves	2,626	
	Minimum pension liability		
		-----	-----
	Akzo Nobel N.V. shareholders' equity	2,626	
	Minority interest	140	
		-----	-----
	Equity	2,766	
	Provisions	3,608	
	Provision for minimum pension liability		
	Deferred income	56	
	Long-term borrowings	2,694	
	Short-term borrowings	258	
	Current liabilities	2,559	
		-----	-----
	Total	11,941	
		=====	=====
	Gearing	0.41	

13

IFRS-based reporting for 2004

## I N V E S T E D C A P I T A L A T D E C E M B E R 3 1 , 2 0 0 4

Millions of euros	IFRS	NL GAAP
	-----	-----
Pharma	2,430	2,387
Coatings	2,067	2,057
Chemicals	2,047	2,043
Other	710	740
	-----	-----
Akzo Nobel	7,254	7,227
	=====	=====

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

Millions of euros	IFRS	NL GAAP
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Shareholders' equity at January 1, 2004	2,046	2,502
Net income	945	856
Dividend	(343)	(343)
Changes related to minimum pension liability		65
Share-based payments	(2)	(2)
Delivery of purchased shares	-	-
Changes in exchange rates in respect of affiliated companies	(20)	(42)
Shareholders' equity at December 31, 2004	2,626	3,036

14

IFRS-based reporting 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 - December	
	IFRS	NL GA
Total earnings before minority interest	981	
Depreciation and amortization	570	
Cash flow	1,551	1,
Pretax gain on divestments	(579)	(
Changes in working capital	164	
Impairments	74	
Changes in provisions and deferred tax assets and accrued prepaid pension costs	(42)	
Retained income of nonconsolidated companies	71	
Other changes	(2)	
Net cash provided by operations		1,237
Capital expenditures	(551)	(
Expenditures for intangible assets	(28)	
Acquisitions	(80)	
Proceeds from divestments	1,036	1,
Investments nonconsolidated companies	11	
Other changes	2	
Net cash generated by investing activities		390
Dividends paid		(366)
Funds balance		1,261

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Net cash used for financing activities	(169)
Effect of exchange rate changes on cash and cash equivalents	(8)
	-----
Change in cash and cash equivalents	1,084
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15

IFRS-based reporting 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	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	

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\* The impact of IAS 19 for pensions and other postretirement benefits on the results of divestments of Catalysts and Phosphorus Chemicals was determined in the fourth quarter of 2004.

16

IFRS-based reporting 2004

## CONDENSED CONSOLIDATED STATEMENT OF INCOME

Millions of euros	4th quarter		January-June		J
	IFRS	NL GAAP	IFRS	NL GAAP	I
Revenues	3,139	3,040	6,532	6,463	
Operating costs	(2,865)	(2,807)	(5,836)	(5,836)	
Restructuring and impairment charges	(25)	(32)	(103)	(125)	
Results on divestments	117*	47	4	4	
Charges related to legal and antitrust cases	(83)	(91)	(50)	(50)	
Operating income	283	157	547	456	
Financing charges	(33)	(28)	(78)	(68)	
Operating income less financing charges	250	129	469	388	
Taxes	(98)	(44)	(170)	(125)	
Earnings of consolidated companies, after taxes	152	85	299	263	
Earnings from nonconsolidated companies (incl. nonrecurring items)	9	12	2	1	
Earnings before minority interest	161	97	301	264	
Minority interest	(8)	(7)	(19)	(19)	
Net income	153	90	282	245	
Return on sales, in %	9.0	5.2	8.4	7.1	
Interest coverage	8.6	5.6	7.0	6.7	
Net income per share, in EUR					
- basic	0.54	0.31	0.99	0.86	
- diluted	0.53	0.31	0.98	0.85	
EBITDA	413	292	846	768	
Depreciation	121	121	288	287	
Amortization	9	14	11	25	



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\* Includes the impact of IAS 19 for pensions and other postretirement benefits on the results of divestments of Catalysts and Phosphorus Chemicals.

17

## 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	820	798	894	863	
Akzo Nobel	8,422	8,320	8,478	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	

18

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IFRS-based reporting 2004

## SEGMENT REPORTING

Millions of euros		4th quarter		January-June	
		IFRS	NL GAAP	IFRS	NL
	Revenues				
	Pharma	909	816	1,666	
	Coatings	1,247	1,240	2,643	
	Chemicals	1,007	1,007	2,273	
	Other	(24)	(23)	(50)	
	Akzo Nobel	3,139	3,040	6,532	
	Operating income				
	Pharma	146	130	225	
	Coatings	56	41	222	
	Chemicals	174	94	185	
	Other	(93)	(108)	(85)	
	Akzo Nobel	283	157	547	
	Depreciation and amortization				
	Pharma	39	39	84	
	Coatings	30	33	63	
	Chemicals	57	59	148	
	Other	4	4	4	
	Akzo Nobel	130	135	299	

19

IFRS-based reporting 2004

## SEGMENT REPORTING

Millions of euros		January-September		January-December	
		IFRS	NL GAAP	IFRS	NL
	Revenues				
	Pharma	2,492	2,430	3,401	
	Coatings	4,031	4,009	5,278	
	Chemicals	3,310	3,298	4,317	
	Other	(79)	(89)	(103)	
	Akzo Nobel	9,754	9,648	12,893	

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Operating income				
Pharma	309	268	455	
Coatings	340	319	396	
Chemicals	695	668	869	
Other	(100)	(112)	(193)	
	-----	-----	-----	---
Akzo Nobel	1,244	1,143	1,527	
	=====	=====	=====	==
Depreciation and amortization				
Pharma	126	129	165	
Coatings	93	102	123	
Chemicals	215	221	272	
Other	6	6	10	
	-----	-----	-----	---
Akzo Nobel	440	458	570	
	=====	=====	=====	==

20

IFRS-based reporting 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	934	419	906	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	
	-----	-----	-----	-----	---
Total	11,650	12,086	11,639	12,065	
	=====	=====	=====	=====	==
Capital and reserves	2,258	3,549	2,142	3,392	
Minimum pension liability		(853)		(851)	
	-----	-----	-----	-----	---
Akzo Nobel N.V. shareholders' equity	2,258	2,696	2,142	2,541	
Minority interest	145	145	139	139	
	-----	-----	-----	-----	---
Equity	2,403	2,841	2,281	2,680	
Provisions	3,750	2,446	3,792	2,513	

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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	11,650	12,086	11,639	12,065
	=====	=====	=====	=====
Gearing	1.08	0.91	1.17	0.99

21

IFRS-based reporting 2004

### 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 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 the figures presented could differ from 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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