

AKZO NOBEL NV  
Form 6-K  
April 24, 2007

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**FORM 6-K**

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**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**April 24, 2007**

**Report of Foreign issuer**

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

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**(Commission file number) 0 - 017444**

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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)**

**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 R.J. Frohn

:

Title : Chief Financial Officer

Name J.J.M. Derckx

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Title : Director Financial Reporting

Dated : April 24, 2007

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Report for the 1st quarter of 2007

## Highlights

## Strong quarter for the new Akzo Nobel

6% autonomous growth for Coatings and Chemicals  
 Operational results increase 18%; EBITDA margin further improved to 12.3%  
 Coatings higher EBITDA margin on 8% revenues growth  
 Chemicals strong EBITDA margin maintained on 4% autonomous growth  
 Good quarter for Organon and Intervet  
 EUR 11 billion cash deal for Organon BioSciences announced  
 EUR 1.6 billion share buyback program commencing on May 3, 2007

| Millions of euros (EUR) or %                                       | 1st quarter |                    |     |
|--------------------------------------------------------------------|-------------|--------------------|-----|
|                                                                    | 2007        | 2006               | Δ%  |
| Continuing operations (Coatings and Chemicals) before incidentals: |             |                    |     |
| Revenues                                                           | 2,501       | 2,472              | 1   |
| EBITDA                                                             | 307         | 279                | 10  |
| EBITDA margin                                                      | 12.3        | 11.3               |     |
| EBIT                                                               | 219         | 185                | 18  |
| Net income from continuing operations                              | 133         | 113                | 18  |
| Net income from discontinued operations (Organon BioSciences)      | 111         | 102                | 9   |
| Net income (attributable to equity holders)                        | 246         | 249                | (1) |
| Earnings per share, in EUR                                         | 0.86        | 0.87               |     |
| Invested capital                                                   | 8,296       | 8,060 <sub>1</sub> |     |
| Moving average ROI                                                 | 13.7        | 13.3               |     |
| Net interest-bearing borrowings                                    | 955         | 1,090 <sub>1</sub> |     |

<sup>1</sup> At December 31.

### Organon BioSciences treated as discontinued operation

On March 12, 2007, the company announced its intention to divest Organon BioSciences (OBS) to Schering-Plough, following their EUR 11 billion binding cash offer. As a consequence, in accordance with IFRS 5, the OBS activities qualify as so-called discontinued operation. As a result, going forward no depreciation or amortization is recognized anymore for the OBS activities, which increased pre-tax results by EUR 5 million.

The continuing operations consist of the Coatings and Chemicals activities.

### Revenues 6% autonomous growth

**Revenues** of EUR 2.5 billion were up 1% on last year. Autonomous growth was 6%. Volumes increased 3%, with Coatings as the main contributor. Average selling prices were 3% higher at both Coatings and Chemicals. Currency translation had a 3% negative effect in the quarter, mainly attributable to the weaker U.S. dollar and the Asian currencies. Acquisitions and divestments on balance had a 2% negative impact. Sico formed the main acquisition at Coatings. Divestments mainly related to the Chemicals divestment program. Total revenues of Akzo Nobel developed as follows:

predominantly the sale of a Coatings plant near Barcelona, Spain. For further details see the table on page 12.

**Net financing charges** decreased from EUR 34 million to EUR 27 million, mainly due to higher cash and cash equivalents and lower short-term borrowings. Interest coverage in the first quarter was 7.9 (2006: 6.8).

The **share in profit of associates** decreased from EUR 20 million to EUR 12 million in 2007. The 2006 number included incidental gains of EUR 6 million related to Acordis. Operational results of Flexsys were somewhat lower in the quarter.

The **income tax** charge in the first quarter of 2007 was 28%, compared with 29% in 2006, due to lower tax rates in certain countries, including the Netherlands.

### Net income virtually unchanged

The combination of improved operational earnings and lower incidentals resulted in 1% lower net income of EUR 246 million, which include both continuing and discontinued operations. Earnings per share were EUR 0.86 (2006: EUR 0.87).

| In %              | Total    | Volume   | Price    | Currency translation | Acquisitions/divestments |
|-------------------|----------|----------|----------|----------------------|--------------------------|
| Coatings          | 8        | 5        | 3        | (4)                  | 4                        |
| Chemicals         | 1        | 1        | 3        | (2)                  | (1)                      |
| <b>Akzo Nobel</b> | <b>1</b> | <b>3</b> | <b>3</b> | <b>(3)</b>           | <b>(2)<sup>1</sup></b>   |

<sup>1</sup> Included is the effect of the divestment of certain activities in Other.

### EBITDA improved 10%

**EBITDA** before incidentals in the first quarter amounted to EUR 307 million, up 10% on the EUR 279 million of 2006. Coatings was the main contributor to this increase. This translated into an EBITDA margin of 12.3% (2006: 11.3%). At Chemicals, the EBITDA margin was maintained at 17.9%.

### Operational earnings boost of 18%

Before incidentals, **operating income** rose 18% from EUR 185 million to EUR 219 million. The EBIT margin was 8.8%, against 7.5% in the first quarter of 2006. Both Coatings and Chemicals realized strong autonomous growth and cost savings. Almost all activities did better than last year. Substantial further growth was achieved in the emerging markets, while most businesses in Europe also improved their performance.

The improvement in EBIT reported as Other was caused by favorable IAS 39 fair value adjustments and better results of the captive insurance companies due to lower damages. Including incidentals, operating income decreased 9% to EUR 212 million, with an EBIT margin of 8.5% (2006: 9.4%). Incidentals in 2007 were a net loss of EUR 7 million, compared with a gain of EUR 47 million in the first quarter of 2006. The 2006 figure was positive due to sizable gains on divestments in that quarter,

Before incidentals, net income rose 13% from EUR 215 million to EUR 244 million. Net income breaks down as follows:

| Millions of euros       | Net income before incidentals |      | Net income |      |
|-------------------------|-------------------------------|------|------------|------|
|                         | 2007                          | 2006 | 2007       | 2006 |
| Continuing operations   | 133                           | 113  | 134        | 150  |
| Discontinued operations | 111                           | 102  | 112        | 99   |
| Akzo Nobel              | 244                           | 215  | 246        | 249  |

### Workforce

Akzo Nobel's workforce at Coatings and Chemicals consisted of 42,880 employees, up compared with the 42,690 employees at year-end 2006. The number of employees at Organon BioSciences was 19,140.

### Trading conditions in 2007

Akzo Nobel is well positioned for profitable growth. Assuming that no significant changes in the major economies of the world occur, Akzo Nobel believes that it is well placed to outgrow its markets and further improve the financial returns in Coatings and Chemicals.

Highlights 1st quarter

**Report for the 1st quarter of 2007**



Report for the 1st quarter of 2007

Akzo Nobel Coatings higher EBITDA margin on 8% revenues growth

Revenues up 8% autonomous growth and acquisitions

Currency headwinds 4% on revenues

Emerging markets drive growth; European businesses improving

EBITDA up 11%

Decorative Coatings promising start to the year; volume growth and margin improvement

Continued raw material pressure particularly at industrial businesses

| Millions of euros or %       | 1st quarter  |                     |          |
|------------------------------|--------------|---------------------|----------|
|                              | 2007         | 2006 <sub>1</sub>   | Δ%       |
| <b>Revenues</b>              |              |                     |          |
| Decorative Coatings          | 549          | 474                 |          |
| Industrial activities        | 495          | 474                 |          |
| Marine & Protective Coatings | 304          | 270                 |          |
| Car Refinishes               | 230          | 234                 |          |
| Intragroup revenues/other    | (24)         | (18)                |          |
| <b>Total</b>                 | <b>1,554</b> | <b>1,434</b>        | <b>8</b> |
| EBITDA before incidentals    | 153          | 138                 | 11       |
| EBITDA margin                | 9.8          | 9.6                 |          |
| EBIT before incidentals      | 117          | 104                 | 13       |
| EBIT margin                  | 7.5          | 7.3                 |          |
| EBIT (operating income)      | 114          | 209                 | (45)     |
| EBIT margin                  | 7.3          | 14.6                |          |
| Capital expenditures         | 31           | 22                  |          |
| Invested capital             | 2,754        | 2,653 <sub>2</sub>  |          |
| Moving average ROI           | 19.9         | 19.9                |          |
| Number of employees          | 31,990       | 31,660 <sub>2</sub> |          |

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<sup>1</sup> 2006 figures have been restated for minor changes in the business unit structure.

<sup>2</sup> At December 31.

### Results

Coatings achieved a strong quarter with revenues growth of 8% on last year. Autonomous growth was 8%, thanks to 5% higher volumes and 3% price increases. Acquisitions added 4%, while the currency impact was 4% negative.

EBITDA before incidentals grew 11% to EUR 153 million, with the EBITDA margin improving from 9.6% to 9.8%.

Before incidentals, operating income grew 13% to EUR 117 million, with an increased EBIT margin of 7.5%. Various restructuring measures implemented in recent years improved our cost competitiveness in mature markets, while price increases across the board are starting to restore margins that were affected by the raw materials price hike that began in 2005.

### Decorative Coatings

Decorative Coatings had a promising start to the year. Double-digit revenues growth was driven by acquisitions and higher volumes. Sales in Europe were strong due to the overall improved economic climate and the mild winter conditions. Sales volumes at Building Adhesives were up 8%, with growth in all regions. There is increased management focus on the turnaround of underperforming activities. Earnings of Sico (acquired in May 2006) are developing favorably.

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### Industrial activities

The industrial activities continued to deliver a healthy performance, although the slowdown in the U.S. housing industry affected parts of the business, including our supply to Asia's export industries. Western European-based businesses all had a good start to 2007, while in Asia and Eastern Europe high growth rates continued, driven by strong demand in commercial construction. The Plastic Coatings activity is growing rapidly due to the further penetration in the electronics markets. Powder Coatings improved top-line and bottom-line results compared to the first quarter of last year on strong demand and cost reduction programs. Business was particularly good in Western Europe, where double-digit growth was realized in the mature markets due to increased industry demand. Sales were also strong in Asia Pacific. New plants in Russia and China were started up to serve local customers.

### Marine & Protective Coatings

Marine & Protective Coatings again achieved double-digit revenues growth, as a result of the strong expansion in the Asia Pacific region (in particular China, India, and Singapore). Marine's profits are still suffering from raw material price pressure. Demand for protective coatings was strong, both in the onshore and offshore markets in Asia Pacific. The promising Intersleek® 900 product for protective applications was launched in February. First orders have been placed, and deliveries will start in the course of 2007. At Aerospace Coatings, there was solid demand from the large manufacturers and a move into new territories by other manufacturers.

### Car Refinishes

Car Refinishes improved EBIT margins as a result of the cost saving measures of recent years and positive volume developments. The flat top-line is the result of unfavorable U.S. dollar-related currencies. Strong focus on sales to major customers in Europe resulted in volume gains, while the changeover to waterborne basecoats continued. The North American commercial vehicle business was strong, while volume growth in China and India was above market rates. Our Sign Coatings activity is expanding into Asia.

### Case study

Akzo Nobel's Sikkens coatings brand has introduced Rubbol® XD, an innovative high gloss finish, which offers unprecedented outdoor durability.

Based on a unique and patented binder technology, Rubbol XD is several years ahead of European legislation which will limit the use of solvents from 2010 onward. Rubbol XD stands for eXtremely Durable. Although application and flow characteristics are comparable to Sikkens' current top product Rubbol SB, its aesthetic and durability characteristics are considerably better.

The technical recoatability time of eight to ten years offers major benefits for both the painter and the customer. Buildings need to be recoated less frequently and look exceptional in the meantime.

Report for the 1st quarter of 2007

Akzo Nobel Chemicals strong EBITDA margin maintained on 4% autonomous growth

Autonomous growth of 4%; negative currency impact of 2%  
 Operational result up 6%; margin management programs paying off  
 EBITDA margin of 17.9%  
 Raw materials and energy pressure successfully countered  
 Strong performance across all business areas

| Millions of euros or %    | 1st quarter |                    |    |
|---------------------------|-------------|--------------------|----|
|                           | 2007        | 2006 <sub>1</sub>  | Δ% |
| <b>Revenues</b>           |             |                    |    |
| Pulp & Paper Chemicals    | 245         | 247                |    |
| Base Chemicals            | 225         | 240                |    |
| Functional Chemicals      | 200         | 191                |    |
| Surfactants               | 139         | 138                |    |
| Polymer Chemicals         | 132         | 132                |    |
| Intragroup revenues/other | (24)        | (36)               |    |
| Total                     | 917         | 912                | 1  |
| EBITDA before incidentals | 164         | 163                | 1  |
| EBITDA margin             | 17.9        | 17.9               |    |
| EBIT before incidentals   | 115         | 108                | 6  |
| EBIT margin               | 12.5        | 11.8               |    |
| EBIT (operating income)   | 111         | 80                 | 39 |
| EBIT margin               | 12.1        | 8.8                |    |
| Capital expenditures      | 50          | 40                 |    |
| Invested capital          | 1,959       | 1,960 <sub>2</sub> |    |
| Moving average ROI        | 18.3        | 17.9               |    |
| Number of employees       | 9,180       | 9,300 <sub>2</sub> |    |

<sup>1</sup> 2006 figures have been restated for minor changes in the business unit structure. In addition, the activities (to be) divested have now been included under Other at company level.

<sup>2</sup> At December 31.

## Results

Revenues increased by 1% to EUR 917 million. Volume growth of 1% and 3% price increases were partially offset by a negative currency impact of 2% (primarily the U.S. dollar) and a 1% divestment effect.

EBITDA was virtually unchanged at EUR 164 million and the EBITDA margin was maintained at 17.9%.

Operating income before incidentals amounted to EUR 115 mln, 6% better than in the previous year. The EBIT margin improved to 12.5%, as a result of the focused margin management programs at all units. The moving average ROI improved from 17.9% to 18.3%.

## Pulp & Paper Chemicals

In Pulp & Paper Chemicals, autonomous growth of 1% from higher selling prices was offset by negative currency translation effects and the transfer of the U.S. hydrogen peroxides businesses to the OCI joint venture. Bleaching Chemicals margins are improving as selling price increases are being implemented, in particular in Europe and the Americas. Paper Chemicals achieved good volume growth in Asia. The favorable product mix and cost saving programs were the main contributors to the substantially improved operational performance in the first quarter of 2007.

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### Base Chemicals

Base Chemicals turned in a strong EBIT(DA) increase, mainly driven by Chlor Alkali (strong demand for chlorine and caustic) and Energy. Revenues were negatively affected (6%) by the outsourcing of technical services in Rotterdam and Delfzijl, the Netherlands. High production levels were achieved at both sites, with a record volume for Rotterdam in March. In Delfzijl, the new MCA plant is now fully operational. Road Salt's earnings were lower than in the previous year, due to the very mild winter in Europe.

### Functional Chemicals

Functional Chemicals had a good first quarter of 2007, with revenues growth of 5%. Margins were sustained with a good performance, particularly of Ethylene Amines and Salt Specialties, despite ongoing raw material price pressure. The 2006 production problems at Ethylene Amines were resolved. Chelates, Sulfur Products, and Cellulosic Specialties achieved increased margins on higher volumes and prices.

### Surfactants

Revenues of Surfactants were 1% higher than the previous year, despite a negative currency impact of 4%. A clear volume increase in China, the launch of our Feixiang Chemicals joint venture, and higher sales in agro and industrial applications (asphalt and mining) all contributed to growth. Our plants are running at high capacity utilization levels. Operating income was ahead of the first quarter of 2006 in spite of high raw material prices.

### Polymer Chemicals

Polymer Chemicals revenues were unchanged compared to the same period in the previous year. Autonomous growth of 4% was fully offset by the negative currency impact. Sales volumes improved on last year despite lower demand in the U.S. PVC market, driven by a weakening of the U.S. housing industry. Operating income was ahead of 2006 due to cost savings and margin management.

### Divestment program

The divestment program started in 2005 has been completed after the recent announcements of the sale of the Akcros Chemicals PVC Additives business and of the European-based Methyl Amines and Chlorine Chloride (MACC) activities. The sale of Akzo Nobel's 50%-stake in the Flexsys joint venture is expected to be concluded in the second quarter of 2007.

### Case study

Akzo Nobel has invested nearly EUR 7 million to install a woodchip-fired boiler at its salt facility in Mariager, Denmark. The boiler will be able to supply around half of the facility's demand for steam, which is needed to produce the salt.

The boiler creates flexibility for the company in relation to the choice of fuel, making us less dependent on natural gas, which is sold for very high prices at the moment.

Woodchips are a cheaper and more sustainable fuel. Woodchips are CO<sub>2</sub>-neutral as the emitted CO<sub>2</sub> is balanced with the growth of forests. Moreover the woodchips are produced through the process of forest maintenance; they are not won at the expense of the environment.



Report for the 1st quarter of 2007

## Consolidated statement of income

| Millions of euros                                    | 1st quarter  |         |     |
|------------------------------------------------------|--------------|---------|-----|
|                                                      | 2007         | 2006    | Δ%  |
| <b>Continuing operations</b>                         |              |         |     |
| <b>Revenues</b>                                      | <b>2,501</b> | 2,472   | 1   |
| Cost of sales                                        | (1,532)      | (1,560) |     |
| Gross profit                                         | 969          | 912     |     |
| Selling expenses                                     | (549)        | (562)   |     |
| Research and development expenses                    | (71)         | (73)    |     |
| General and administrative expenses                  | (162)        | (160)   |     |
| Other operating income                               | 25           | 115     |     |
| <b>Operating income (EBIT)</b>                       | <b>212</b>   | 232     | (9) |
| Financing income                                     | 33           | 28      |     |
| Financing expenses                                   | (60)         | (62)    |     |
| Operating income less financing income and expenses  | 185          | 198     |     |
| Share in profit of associates                        | 12           | 20      |     |
| Profit before tax                                    | 197          | 218     |     |
| Income taxes                                         | (55)         | (64)    |     |
| Profit for the period from continuing operations     | 142          | 154     | (8) |
| <b>Discontinued operations (Organon BioSciences)</b> |              |         |     |
| Profit for the period from discontinued operations   | 112          | 99      |     |
| Profit for the period                                | 254          | 253     |     |
| Attributable to:                                     |              |         |     |
| <b>Equity holders of the company (net income)</b>    | <b>246</b>   | 249     | (1) |
| Minority interest                                    | 8            | 4       |     |
| Profit for the period                                | 254          | 253     |     |
| Income per share, in EUR:                            |              |         |     |
| basic                                                | 0.86         | 0.87    |     |
| diluted                                              | 0.85         | 0.87    |     |



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|                   |     |     |
|-------------------|-----|-----|
| Interest coverage | 7.9 | 6.8 |
|-------------------|-----|-----|

## Akzo Nobel

## Condensed consolidated balance sheet

| Millions of euros                    | March 31, 2007 | Dec 31, 2006 pro forma | Dec 31, 2006 |
|--------------------------------------|----------------|------------------------|--------------|
| Property, plant and equipment        | <b>2,228</b>   | 2,249                  | 3,346        |
| Intangible assets                    | <b>529</b>     | 536                    | 682          |
| Financial noncurrent assets          | <b>1,337</b>   | 1,351                  | 1,706        |
| Total noncurrent assets              | <b>4,094</b>   | 4,136                  | 5,734        |
| Inventories                          | <b>1,220</b>   | 1,190                  | 2,042        |
| Receivables                          | <b>2,399</b>   | 2,111                  | 2,919        |
| Cash and cash equivalents            | <b>1,904</b>   | 1,871                  | 1,871        |
| Assets held for sale                 | <b>3,486</b>   | 3,477                  | 219          |
| Total current assets                 | <b>9,009</b>   | 8,649                  | 7,051        |
| Total assets                         | <b>13,103</b>  | 12,785                 | 12,785       |
| Akzo Nobel N.V. shareholders' equity | <b>4,396</b>   | 4,144                  | 4,144        |
| Minority interest                    | <b>117</b>     | 119                    | 119          |
| Total equity                         | <b>4,513</b>   | 4,263                  | 4,263        |
| Provisions                           | <b>1,856</b>   | 1,910                  | 2,132        |
| Deferred income                      |                |                        | 7            |
| Deferred tax liabilities             | <b>153</b>     | 149                    | 174          |
| Long-term borrowings                 | <b>2,532</b>   | 2,505                  | 2,551        |
| Total noncurrent liabilities         | <b>4,541</b>   | 4,564                  | 4,864        |
| Short-term borrowings                | <b>327</b>     | 304                    | 410          |
| Current payables                     | <b>2,609</b>   | 2,486                  | 3,223        |
| Liabilities held for sale            | <b>1,113</b>   | 1,168                  | 25           |
| Total current liabilities            | <b>4,049</b>   | 3,958                  | 3,658        |

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|                                           |               |        |        |
|-------------------------------------------|---------------|--------|--------|
| Total equity and liabilities              | <b>13,103</b> | 12,785 | 12,785 |
| Shareholders' equity per share, in EUR    | <b>15.28</b>  |        | 14.44  |
| Number of shares outstanding, in millions | <b>287.7</b>  |        | 287.0  |
| Gearing                                   | <b>0.21</b>   |        | 0.26   |
| Invested capital                          | <b>8,296</b>  |        | 8,060  |

In the December 31, 2006 pro forma column, Organon BioSciences has been treated as if it would qualify as discontinued operation as of that date.

Consolidated statement of income

Condensed consolidated balance sheet

**Report for the 1st quarter of 2007**

Report for the 1st quarter of 2007

## Condensed consolidated statement of cash flows

| Millions of euros                                                              | 1st<br>quarter |                   |
|--------------------------------------------------------------------------------|----------------|-------------------|
|                                                                                | 2007           | 2006 <sup>1</sup> |
| Profit for the period                                                          | 254            | 253               |
| Income discontinued operations                                                 | (112)          | (99)              |
| Adjustments to reconcile earnings to cash generated from operating activities: |                |                   |
| Depreciation and amortization                                                  | 88             | 94                |
| Impairment losses                                                              |                | 5                 |
| Financing income and expenses                                                  | 27             | 34                |
| Share in profit of associates                                                  | (12)           | (14)              |
| Income taxes                                                                   | 55             | 64                |
| Operating profit before changes in working capital and provisions              | 300            | 337               |
| Changes in working capital                                                     | (204)          | (241)             |
| Changes in provisions                                                          | (71)           | 50                |
| Other                                                                          | (2)            | 5                 |
|                                                                                | (277)          | (186)             |
| <b>Cash generated from operating activities</b>                                | <b>23</b>      | <b>151</b>        |
| Interest paid                                                                  | (12)           | (11)              |
| Income taxes paid                                                              | (68)           | (32)              |
| Pre-tax gain on divestments                                                    | 8              | (128)             |
|                                                                                | (72)           | (171)             |
| <b>Net cash from operating activities</b>                                      | <b>(49)</b>    | <b>(20)</b>       |
| Capital expenditures                                                           | (83)           | (66)              |
| Interest received                                                              | 9              | 10                |
| Repayments from associates                                                     | 18             | 7                 |
| Dividends from associates                                                      | 3              | 2                 |
| Acquisition of consolidated companies <sup>2</sup>                             |                | (33)              |
| Proceeds from sale of interests <sup>2</sup>                                   | 29             | 95                |
| Other changes in noncurrent assets                                             | 9              | 22                |
| <b>Net cash from investing activities</b>                                      | <b>(15)</b>    | <b>37</b>         |
| Changes in borrowings                                                          | 22             | 28                |
| Issue of shares                                                                | 35             | 5                 |
| Dividends                                                                      | (8)            | (2)               |

|                                                                                  |              |              |
|----------------------------------------------------------------------------------|--------------|--------------|
| <b>Net cash from financing activities</b>                                        | <b>49</b>    | <b>31</b>    |
| Net cash provided by/(used for) continuing operations                            | (15)         | 48           |
| <b>Cash flows from discontinued operations</b>                                   |              |              |
| Net cash from operating activities                                               | 92           | 92           |
| Net cash from investing activities                                               | (48)         | (24)         |
| Net cash from financing activities                                               | 4            | (12)         |
|                                                                                  | <b>48</b>    | <b>56</b>    |
| Net change in cash and cash equivalents of continued and discontinued operations | <b>33</b>    | <b>104</b>   |
| Cash and cash equivalents at January 1                                           | <b>1,871</b> | <b>1,486</b> |
| Effect of exchange rate changes on cash and cash equivalents                     |              | (6)          |
| <b>Cash and cash equivalents at March 31</b>                                     | <b>1,904</b> | <b>1,584</b> |

<sup>1</sup> Reclassified for comparative purposes.

<sup>2</sup> Net of cash acquired or disposed of.

## Akzo Nobel

## Changes in equity

| Millions of euros                                                                   | Subscribed share capital | Additional paid-in capital | Change in fair value of derivatives | Cumulative translation reserves | Other (statutory) reserves and undistributed profits | Shareholders equity | Minority interest | Total equity |
|-------------------------------------------------------------------------------------|--------------------------|----------------------------|-------------------------------------|---------------------------------|------------------------------------------------------|---------------------|-------------------|--------------|
| Balance at December 31, 2005                                                        | 572                      | 1,803                      | 22                                  | 142                             | 876                                                  | 3,415               | 161               | 3,576        |
| Changes in fair value of derivatives                                                |                          |                            | 16                                  |                                 |                                                      | 16                  |                   | 16           |
| Changes in exchange rates in respect of subsidiaries, associates and joint ventures |                          |                            |                                     | (15)                            |                                                      | (15)                | (1)               | (16)         |
| Income/(expense) directly recognized in equity                                      |                          |                            | 16                                  | (15)                            |                                                      | 1                   | (1)               |              |
| Profit for the period                                                               |                          |                            |                                     |                                 | 249                                                  | 249                 | 4                 | 253          |
| Total income/(expenses)                                                             |                          |                            | 16                                  | (15)                            | 249                                                  | 250                 | 3                 | 253          |
| Dividend paid                                                                       |                          |                            |                                     |                                 |                                                      |                     | (2)               | (2)          |
| Equity-settled transactions                                                         |                          |                            |                                     |                                 | 4                                                    | 4                   |                   | 4            |
| Issue of common shares                                                              |                          | 5                          |                                     |                                 |                                                      | 5                   |                   | 5            |
| Changes in minority interest in subsidiaries                                        |                          |                            |                                     |                                 |                                                      |                     | (10)              | (10)         |
| Balance at March 31, 2006                                                           | 572                      | 1,808                      | 38                                  | 127                             | 1,129                                                | 3,674               | 152               | 3,826        |
| Balance at December 31, 2006                                                        | 574                      | 1,841                      | (2)                                 | 30                              | 1,701                                                | 4,144               | 119               | 4,263        |
| Changes in fair value of derivatives                                                |                          |                            | (5)                                 |                                 |                                                      | (5)                 |                   | (5)          |
| Changes in exchange rates in respect of subsidiaries, associates and joint ventures |                          |                            |                                     | (29)                            |                                                      | (29)                | (1)               | (30)         |
| Income/(expenses) directly recognized in equity                                     |                          |                            | (5)                                 | (29)                            |                                                      | (34)                | (1)               | (35)         |
| Profit for the period                                                               |                          |                            |                                     |                                 | 246                                                  | 246                 | 8                 | 254          |
| Total income/(expenses)                                                             |                          |                            | (5)                                 | (29)                            | 246                                                  | 212                 | 7                 | 219          |
| Dividend paid                                                                       |                          |                            |                                     |                                 |                                                      |                     | (8)               | (8)          |
| Equity-settled transactions                                                         |                          |                            |                                     |                                 | 5                                                    | 5                   |                   | 5            |
|                                                                                     | 1                        | 34                         |                                     |                                 |                                                      | 35                  |                   | 35           |

|                                               |            |              |            |          |              |              |            |              |
|-----------------------------------------------|------------|--------------|------------|----------|--------------|--------------|------------|--------------|
| Issue of common shares                        |            |              |            |          |              |              |            |              |
| Changes in minority interests in subsidiaries |            |              |            |          |              |              | (1)        | (1)          |
| <b>Balance at March 31, 2007</b>              | <b>575</b> | <b>1,875</b> | <b>(7)</b> | <b>1</b> | <b>1,952</b> | <b>4,396</b> | <b>117</b> | <b>4,513</b> |

**Cash position virtually unchanged**

Cash and cash equivalents increased EUR 33 million in the first quarter of 2007, compared with EUR 104 million in 2006. The difference was mainly attributable to lower proceeds from divestments. The seasonal increase of working capital was lower than in the first quarter of 2006, even taking into account revenues growth.

Capital expenditures amounted to EUR 83 million, up EUR 17 million on the 2006 first quarter level. Capital expenditures were 101% of depreciation (2006: 75%). Expenditures were up both at Coatings at Chemicals.

Proceeds from the sale of interests both in 2007 and 2006 related to installment payments for the divestment of a Coatings plant near Barcelona, Spain (divested in 2006) and to the sale of several Chemicals activities under the divestment program initiated in 2005.

**Strong financial position**

Invested capital at March 31, 2007 amounted to EUR 8.3 billion, EUR 0.2 billion higher than at December 31, 2006, mainly due to the seasonal increase of working capital, in particular at Coatings.

Equity rose EUR 250 million, mainly as a result of first quarter income. During the first quarter of 2007, 647,649 stock options were exercised. These options were fulfilled by 407,739 new common shares being issued and 239,910 common shares already held by the company.

The company will start a share buyback program for EUR 1.6 billion on May 3, 2007. Subject to shareholder approval at the Annual General Meeting of Shareholders on April 25, 2007, these shares will be cancelled.

The company's strong financial position further improved with net interest-bearing borrowings dropping EUR 0.1 billion to EUR 1.0 billion. As a consequence, gearing improved to 0.21 (December 31, 2006: 0.26).

Condensed consolidated statement of cash flows

Changes in equity

**Report for the 1st quarter of 2007**

Report for the 1st quarter of 2007

## Information on segments and incidentals

| Millions of euros or %                                             | 1st<br>quarter |                   |      |
|--------------------------------------------------------------------|----------------|-------------------|------|
|                                                                    | <b>2007</b>    | 2006 <sub>1</sub> | Δ%   |
| <b>Revenues</b>                                                    |                |                   |      |
| Coatings                                                           | <b>1,554</b>   | 1,434             | 8    |
| Chemicals                                                          | <b>917</b>     | 912               | 1    |
| Other/eliminations                                                 | <b>30</b>      | 126               |      |
| Total                                                              | <b>2,501</b>   | 2,472             | 1    |
| <b>EBITDA before incidentals</b>                                   |                |                   |      |
| Coatings                                                           | <b>153</b>     | 138               | 11   |
| Chemicals                                                          | <b>164</b>     | 163               | 1    |
| Other                                                              | <b>(10)</b>    | (22)              |      |
| Total                                                              | <b>307</b>     | 279               | 10   |
| EBITDA margin                                                      | <b>12.3</b>    | 11.3              |      |
| <b>EBIT (operating income) before incidentals</b>                  |                |                   |      |
| Coatings                                                           | <b>117</b>     | 104               | 13   |
| Chemicals                                                          | <b>115</b>     | 108               | 6    |
| Other                                                              | <b>(13)</b>    | (27)              |      |
| Total                                                              | <b>219</b>     | 185               | 18   |
| EBIT margin                                                        | <b>8.8</b>     | 7.5               |      |
| <b>EBIT (operating income)</b>                                     |                |                   |      |
| Coatings                                                           | <b>114</b>     | 209               | (45) |
| Chemicals                                                          | <b>111</b>     | 80                | 39   |
| Other                                                              | <b>(13)</b>    | (57)              |      |
| Total                                                              | <b>212</b>     | 232               | (9)  |
| EBIT margin                                                        | <b>8.5</b>     | 9.4               |      |
| <b>Incidentals</b>                                                 |                |                   |      |
| Results on divestments                                             | <b>(3)</b>     | 128               |      |
| Restructuring and impairment charges                               | <b>(4)</b>     | (38)              |      |
| Charges related to major legal, antitrust, and environmental cases |                | (43)              |      |



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|                   |     |    |
|-------------------|-----|----|
| Total incidentals | (7) | 47 |
|-------------------|-----|----|

<sup>1</sup> The figures for 2006 have been restated because Chemicals activities (to be) divested have now been included under Other at company level.

Information on discontinued operations  
Organon BioSciences

| Millions of euros or %        | Organon       |                     |     | Intervet     |                    |    | Organon BioSciences |                     |    |
|-------------------------------|---------------|---------------------|-----|--------------|--------------------|----|---------------------|---------------------|----|
|                               | 2007          | 2006                | Δ%  | 2007         | 2006               | Δ% | 2007                | 2006                | Δ% |
| Revenues                      | <b>626</b>    | 644                 | (3) | <b>300</b>   | 282                | 6  | <b>920</b>          | 920                 |    |
| EBIT before incidentals       | <b>84</b>     | 84                  |     | <b>65</b>    | 58                 | 12 | <b>147</b>          | 142                 | 4  |
| EBIT margin                   | <b>13.4</b>   | 13.0                |     | <b>21.7</b>  | 20.6               |    | <b>16.0</b>         | 15.4                |    |
| EBIT (Operating income)       | <b>87</b>     | 80                  | 9   | <b>64</b>    | 58                 | 10 | <b>149</b>          | 138                 | 8  |
| EBIT margin                   | <b>13.9</b>   | 12.6                |     | <b>21.3</b>  | 20.6               |    | <b>16.2</b>         | 15.0                |    |
| S&D expenses as % of revenues | <b>32.4</b>   | 31.9                |     | <b>22.9</b>  | 24.1               |    | <b>29.6</b>         | 29.7                |    |
| R&D expenses as % of revenues | <b>18.2</b>   | 19.2                |     | <b>9.3</b>   | 9.6                |    | <b>15.4</b>         | 16.5                |    |
| Capital expenditures          | <b>26</b>     | 16                  |     | <b>11</b>    | 8                  |    | <b>37</b>           | 24                  |    |
| Invested capital              | <b>1,576</b>  | 1,579 <sub>1</sub>  |     | <b>967</b>   | 949 <sub>1</sub>   |    | <b>2,599</b>        | 2,556 <sub>1</sub>  |    |
| Number of employees           | <b>13,650</b> | 13,760 <sub>1</sub> |     | <b>5,420</b> | 5,370 <sub>1</sub> |    | <b>19,140</b>       | 19,190 <sub>1</sub> |    |

The minor differences between the Organon BioSciences figures and the sum of the Organon and Intervet amounts relate to other activities and eliminations. The numbers of Organon include the Nobilon activity.

<sup>1</sup> At December 31.

On March 12, 2007, the company announced its intention to divest Organon BioSciences (OBS) to Schering-Plough, following their binding cash offer of EUR 11 billion. As a consequence, in accordance with IFRS 5, the OBS activities qualify as so-called discontinued operation. As a result, going forward no depreciation or amortization is recognized anymore for the OBS activities, which increased pre-tax results by EUR 5 million.

### Organon

During the first quarter, Organon's key products continued their strong performance shown throughout 2006, resulting in 4% autonomous growth. Our major products such as NuvaRing®, Puregon®, and Esmeron® contributed to this growth. However, with EUR 626 million, revenues were 3% lower than in 2006. This was mainly due to 4% negative currency translation effects and the loss of Avinza® revenues that accounted for a 3% decline.

The North American activities turned in healthy autonomous growth, in spite of severe weather conditions in the Midwest. However, revenues in that region were affected by the weaker U.S. dollar and divestments. Sales in the other regions of the world were also affected by weaker currencies. In total, currencies had a 4% negative impact and divestments caused a 2% revenues reduction.

Mainly as a result of the revenues growth achieved, operating income before incidentals increased by 12% to EUR 65 million. This translates into a healthy EBIT margin of 21.7%.

Arnhem, April 24, 2007

The Board of Management

Operating income before incidentals was unchanged at EUR 84 million. The effect of lower revenues and increased marketing expenditures in the United States were offset by lower R&D expenses and depreciation and amortization charges. As a percentage of revenues, R&D expenses decreased from 19.2% to 18.2% in the first quarter of 2007.

For further details on the development of sales of Organon's key products, see the Akzo Nobel website at [www.akzonobel.com/investorrelations/financialfaq](http://www.akzonobel.com/investorrelations/financialfaq).

### Intervet

First quarter revenues of Intervet grew 6% to a record EUR 300 million. Autonomous growth was 12%. Key driver was the business in Europe, where performance last year was hampered by the avian influenza. The companion animal business also achieved a very strong performance, in particular through continued growth for Scalibor® (canine protector band).

Information on segments and incidentals  
Information on the discontinued operations  
Organon BioSciences

**Report for the 1st quarter of 2007**

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**Discontinued operations statement of income**

| Millions of euros                   | 1st quarter |       |    |
|-------------------------------------|-------------|-------|----|
|                                     | 2007        | 2006  | Δ% |
| Revenues                            | 920         | 920   |    |
| Expenses                            | (774)       | (780) |    |
| Profit before tax                   | 146         | 140   |    |
| Income taxes                        | (34)        | (41)  |    |
| Income from discontinued operations | 112         | 99    | 13 |

**Assets and liabilities held for sale of Organon BioSciences**

| Millions of euros             | March 31, 2007 |
|-------------------------------|----------------|
| Property, plant and equipment | 1,093          |
| Intangible assets             | 153            |
| Financial noncurrent assets   | 361            |
| Inventories                   | 851            |
| Receivables                   | 814            |
| Assets held for sale          | 3,272          |
| Noncurrent liabilities        | 302            |
| Short-term borrowings         | 106            |
| Current payables              | 682            |
| Liabilities held for sale     | 1,090          |

Note: Cash and cash equivalents reported for Organon BioSciences are not included in assets held for sale as these will be settled with the purchase price at the closing of the deal.

The report for the 2nd quarter of 2007 will be published on July 24, 2007.

**Notes**

The data in this report are unaudited.

This interim financial report is in compliance with IAS 34 Interim Financial Reporting. The same accounting policies and methods of computation have been applied as in the 2006 financial statements, a copy of which can be found on the company's website [www.akzonobel.com](http://www.akzonobel.com).

*Revenues* consist of sales of goods and services, and royalty income.

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*Autonomous growth* is defined as the change in revenues attributable to changed volumes and selling prices. It excludes currency, acquisition, and divestment effects.

*Incidentals* are special benefits, results on divestments, restructuring and impairment charges, and charges related to major legal, antitrust, and environmental cases. Operating income excluding incidentals is one of the key figures management uses to assess the company's performance, as this figure better reflects the underlying trends in the results of the activities.

*EBIT margin* is operating income (EBIT) as percentage of revenues.

*EBITDA* is EBIT before depreciation and amortization.

*Invested capital* is total assets less cash and cash equivalents, less current liabilities.

*Moving average ROI* is EBIT before incidentals of the last four quarters divided by the average invested capital of those four quarters.

### **Safe Harbor Statement\***

This report contains statements which address such key issues as Akzo Nobel's growth strategy, future financial results, market positions, product development, pharmaceutical products in the pipeline, and product approvals. Such statements 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, price fluctuations, currency fluctuations, progress of drug development, clinical testing and regulatory approval, 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 Annual Report on Form 20-F filed with the United States Securities and Exchange Commission, a copy of which can be found on the company's corporate website [www.akzonobel.com](http://www.akzonobel.com). The 2006 Annual Report on Form 20-F will be available at the end of the second quarter of 2007.

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

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### For more information:

The explanatory sheets used by the CFO during the press conference can be viewed on Akzo Nobel's corporate website [www.akzonobel.com](http://www.akzonobel.com).

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## Financial calendar

Annual Meeting of Shareholders  
April 25, 2007

Quotation ex 2006 final dividend  
April 27, 2007

Start of the share buyback program  
May 3, 2007

Payment of 2006 final dividend  
May 7, 2007

Report for the 2nd quarter 2007  
July 24, 2007

Report for the 3rd quarter 2007  
October 23, 2007

Quotation ex 2007 interim dividend  
October 24, 2007

Payment of 2007 interim dividend  
October 31, 2007

Contact details and financial calendar

**Report for the 1st quarter of 2007**

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Key brands Akzo Nobel

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