AKZO NOBEL

REPORT for the year 2004 and for the 4th quarter

Key Figures

Millions of euros (EUR)	Full year		
	2004	2003[1]	Δ%
Net income excl. nonrecurring items	**770**	811	*(5)/4*[3]
– per share, *in EUR*	**2.69**	2.84	
Net income	**856**	602	*42*
– per share, *in EUR*	**3.00**	2.11	
Sales			
Pharma	**3,246**	3,550	*(9)*
Coatings	**5,249**	5,160	*2*
Chemicals	**4,305**	4,470	*(4)/1*[4]
Other	**(112)**	(129)	
Total	**12,688**	13,051	*(3)*
Operating income[2] *(EBIT)*			
Pharma	**522**	692	*(25)/(14)*[3]
Coatings	**421**	414	*2*
Chemicals	**354**	341	*4/21*[4]
Other	**(87)**	(100)	
Total	**1,210**	1,347	*(10)*
Return on sales[2], *in %*	**9.5**	10.3	
Interest coverage	**9.8**	8.1	
Number of employees[5]	**61,450**	64,580	

- ***Net income up 42%***
- ***Net income excluding nonrecurring items 5% lower***
- ***Autonomous growth 2%***
- ***Restructurings paying off***
- ***Divestments completed – EUR 1 billion proceeds; EUR 0.5 billion pretax book profit***
- ***Significant nonrecurring charges – restructuring, antitrust and Remeron® cases***
- ***Pharma – margin protection program mitigating effect top-line decline***
- ***Coatings – shift to growth mode; raw materials impact increasing in the fourth quarter***
- ***Chemicals – strong performance improvement; new strategic focus***
- ***Dividend maintained – EUR 1.20***
- ***Outlook – aspiring to achieve net income[2] within the range of 2004***

[1] *2003 figures have been adjusted for a minor regrouping of activities between Coatings and Chemicals.*
[2] *Excluding nonrecurring items.*
[3] *Excluding the initial Pfizer payment for the asenapine cooperation of EUR 88 million received in 2003 (EUR 70 million after taxes).*
[4] *Continued operations.*
[5] *At December 31.*

This report is based on Netherlands GAAP, as applied by Akzo Nobel. As of 2005, Akzo Nobel will report its financial statements in accordance with IFRS. For the impact of IFRS on the Company's statement of income and balance sheet in the first three quarters of 2004 reference is made to "IFRS-based reporting Q-1-Q-3 2004" published on the Company's website (www.akzonobel.com). The IFRS-based reporting for the full year 2004 will be published on April 7, 2005.

The 2004 Annual Report will be published on February 17, 2005, in print and as PDF file on the Akzo Nobel website.

The Report for the 1st Quarter of 2005 will be published on April 19, 2005.

Note

The 2003 comparative figures for Coatings and Chemicals have been adjusted for a minor regrouping of activities between these two groups.

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

Operational performance is defined as the change in operating income excluding effects from currency translation, divestments, and change in pension charges.

Nonrecurring items 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 restructuring and impairment charges, significant gains and losses on the disposal of businesses, and costs related to major law suits and antitrust cases, not meeting the requirements for extraordinary items. Operating income before nonrecurring items 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.

Unless indicated otherwise, discussions in this report, such as earnings developments, exclude nonrecurring items.

Invested capital, as also used in the calculation of ratios, excludes amounts related to the minimum pension liability.

EVA is calculated by deducting from net operating profit after taxes (NOPAT) a capital charge representing the cost of capital calculated on the basis of an average return investors expect. The elements of the EVA calculation cannot be derived directly from the data given in the financial statements, as it takes into account certain adjustments such as addition of nonrecurring items to capital, inclusion of service costs for pensions only, and special treatment of strategic investments and acquisitions.

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, including but not limited to the "Outlook for 2005," 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, 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 complete 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 website www.akzonobel.com.

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

CONDENSED CONSOLIDATED STATEMENT OF INCOME

4th quarter 2004	2003	Δ%	*Millions of euros*	Full year 2004	2003	Δ%
3,040	3,111	*(2)*	Sales	**12,688**	13,051	*(3)*
(2,786)	(2,670)		Operating costs	**(11,478)**	(11,704)	
254	441	*(42)*	Operating income[1] (EBIT)	**1,210**	1,347	*(10)*
(28)	(38)		Financing charges	**(123)**	(166)	
226	403		Operating income[1] less financing charges	**1,087**	1,181	
(72)	(130)		Taxes	**(323)**	(366)	
154	273	*(44)*	Earnings[1] of consolidated companies, after taxes	**764**	815	*(6)*
18	6		Earnings[1] from nonconsolidated companies	**41**	36	
172	279		Earnings[1] before minority interest	**805**	851	
(7)	(11)		Minority interest	**(35)**	(40)	
165	268	*(38)*	Net income excluding nonrecurring items	**770**	811	*(5)*
(75)	(163)		Nonrecurring items, after taxes and minority interest	**86**	(209)	
90	105	*(14)*	Net income	**856**	602	*42*
8.4	14.2		Return on sales[1], *in %*	**9.5**	10.3	
9.1	11.6		Interest coverage	**9.8**	8.1	
			Net income excluding nonrecurring items per share, *in EUR*			
0.58	0.94		– basic	**2.69**	2.84	
0.58	0.93		– diluted	**2.69**	2.83	
			Net income per share, *in EUR*			
0.31	0.37		– basic	**3.00**	2.11	
0.31	0.37		– diluted	**2.99**	2.10	
			Dividend, *in EUR*	**1.20**	1.20	
			EVA	**430**	520	
389	607	*(36)*	EBITDA	**1,803**	1,999	*(10)*
172	201		Capital expenditures	**551**	581	
121	148		Depreciation	**540**	599	

[1] *Excluding nonrecurring items.*

Year 2004 – net income[1] 5% lower; net borrowings down EUR 1.3 billion

Net income excluding nonrecurring items was down 5% to EUR 770 million, which is EUR 2.69 per share (2003: EUR 2.84). Earnings of Coatings and Chemicals increased, mainly attributable to growth and cost savings, partially offset by increasing raw material and energy prices. As expected Pharma's results were down due to the loss of Remeron® sales, while 2003 earnings benefited from the initial payment of EUR 88 million from Pfizer for the asenapine cooperation.

Including a net nonrecurring gain of EUR 86 million, *net income* was EUR 856 million, up 42% on 2003 net income of EUR 602 million.

EVA decreased by EUR 90 million to EUR 430 million, largely due to the decline at Pharma, as 2003 included the asenapine payment (EUR 70 million after taxes). Coatings and Chemicals achieved EVA improvements.

Autonomous sales growth of 2%

Sales in 2004 were EUR 12.7 billion, down 3% on the previous year. Autonomous growth was 2%, which did not fully compensate the negative effect of currency translation (3%) and of divestments and acquisitions (on balance 2%). Sales developed as follows:

In %	Total	Volume	Price	Currency translation	Divestments/ acquisitions
Pharma	(9)	(7)	1	(3)	–
Coatings	2	4	1	(2)	(1)
Chemicals	(4)	4	1	(3)	(6)
Akzo Nobel	**(3)**	**1**	**1**	**(3)**	**(2)**

The negative currency translation impact predominantly related to the weakening of the U.S. dollar and various Asian currencies.

Acquisitions principally concerned Timpe & Mock (deco wholesaler in Germany) and AON Motor Accident Management (United Kingdom), while divestments mainly related to Impregnated Papers sold in 2003 and Catalysts and Phosphorus Chemicals sold in 2004.

[1] *Excluding nonrecurring items.*

Operating income – down 10%

Operating income was EUR 1,210 million, on balance 10% below 2003. Return on sales was 9.5%, compared with 10.3% in 2003. Operating income developed as follows:

Millions of euros	Operating income[1] for 2004	Change from 2003: Total	Operational performance	Divestments	Currency translation	Lower pension charges
Pharma	522	(170)	(153)[2]	–	(30)	13
Coatings	421	7	15	(5)	(16)	13
Chemicals	354	13	35	(27)	(7)	12
Other[3]	(87)	13	1		–	12
Akzo Nobel	**1,210**	**(137)**	**(102)**	**(32)**	**(53)**	**50**

1 *Excluding nonrecurring items.*

2 *Includes the effect of the initial Pfizer payment of EUR 88 million for the asenapine cooperation, received in 2003.*

3 *"Other" mainly comprises pension costs related to former employees of divested operations and results of the (intermediate) holding companies and the captive insurance companies.*

All groups felt the impact of weaker key currencies, but benefited from lower pension costs.

Pharma's earnings were down on the previous year, when the initial Pfizer payment of EUR 88 million for the asenapine cooperation was included. The income decline due to the loss of the Remeron® market exclusivity in the United States continued but bottomed out in the latter part of the year. In the rest of the world, Remeron® held up in the first part of the year, but toward the end sales started to erode. Sales of Puregon® and Livial® were also lower, but picked up again in the fourth quarter of 2004. The impact of these sales declines was partially offset by cost savings. Diosynth's result was significantly down to break-even level.

Coatings and Chemicals clearly benefited from 5% autonomous growth for each group and their major cost-saving programs but both were also impacted by significantly increasing raw material and energy prices.

R&D expenses were EUR 823 million, which is 6.5% of sales. For 2003, this was EUR 887 million and 6.8%, respectively. Pharma's R&D expenses were maintained at 16% of sales, reflecting its continuous commitment to research and development. In 2004, Organon again spent 19% of its sales on research. For Coatings and Chemicals this ratio remained unchanged at some 3%.

Financing charges decreased from EUR 166 million in 2003 to EUR 123 million in 2004, reflecting the substantial reduction of net borrowings as a result of proceeds from divestments. In addition, due to the weaker U.S. dollar, interest denominated in this currency translated into lower financing charges. Interest coverage improved from 8.1 to 9.8. EBITDA coverage was 14.7 (2003: 12.0).

Earnings from nonconsolidated companies at EUR 41 million were substantially up on 2003. Flexsys did significantly better than in 2003, which more than offset the loss of earnings from the divested Catalysts joint ventures. The Company's remaining 20%-stake in its former Fibers activities and the Turkish printing inks joint venture Dyo Sadolin also did better.

On balance, a significant net nonrecurring gain

The Company recorded substantial nonrecurring gains and losses during 2004, on balance amounting to a net gain of EUR 86 million.

Millions of euros	Impairments	Restructuring charges	Total
Pharma	(31)	(20)	(51)
Coatings	(16)	(38)	(54)
Chemicals	(27)	(63)	(90)
Other		(4)	(4)
Total restructuring and impairment charges	(74)	(125)	(199)
Gain on divestments[1]			509
Remeron® court cases[2]			(89)
Addition to provision for antitrust cases[2]			(110)
Other			(21)
Gross nonrecurring items			90
Taxes			25[3]
Nonrecurring items consolidated companies			115
Nonrecurring items nonconsolidated companies			(29)
Net nonrecurring items			**86**

[1] *It should be noted that no final settlement has been reached yet for some of these divestments, so that the amounts recognized at this moment are best estimates and could change at a later stage, once the final settlement has been reached.*

[2] *Reference is made to the disclosures on pages 98 and 99 in the Akzo Nobel Annual Report 2003, which will be updated in the 2004 Annual Report.*

[3] *Taxes on the net nonrecurring gain are positive, as a major part of the gains on divestments is tax exempt, while there is a tax credit on the restructuring charges and most other charges.*

The gains on divestments mainly related to Catalysts, Phosphorus Chemicals, and Coating Resins.

Pharma's nonrecurring restructuring losses mainly concern impairment and closure costs of the Organon production site in West Orange, New Jersey, and other worldwide cost reduction programs. Settlement of most of the Remeron® cases resulted in a charge of EUR 89 million.

Coatings restructuring charges predominantly concern the rationalization programs at Car Refinishes.

Restructurings and impairments at Chemicals relate to the closure of a Surface Chemistry site in the United Kingdom, the chlorine production in Bohus, Sweden, and staff cuts at Polymer Chemicals in Germany.

Mainly due to the recently imposed fines by the European Commission for breaching competition laws in the markets for monochloroacetic acid and choline chloride, the Company included a EUR 60 million charge in the fourth quarter, on top of the EUR 50 million recognized in the second quarter of 2004. The Company is still considering to appeal the fines imposed.

Nonrecurring losses for nonconsolidated companies consist of antitrust charges recognized at Flexsys and nonrecurring charges for Acordis.

Focus on costs continued – workforce reduction of 2,650
The number of employees developed as follows:

	December 31, 2004	Restructurings	Divestments/ acquisitions	Other changes	December 31, 2003
Pharma	19,390	(1,410)	(80)	200	20,680
Coatings	29,070	(660)	580	810	28,340
Chemicals	11,890	(530)	(2,110)	120	14,410
Other	1,100	(50)			1,150
Akzo Nobel	**61,450**	**(2,650)**	**(1,610)**	**1,130**	**64,580**

The Company was well prepared to face the multitude of challenges of the year. Ongoing restructuring programs were vigorously pursued, and various new programs were started to address pressure on our earnings. As a result, our workforce was reduced by 2,650 people. Since the start of our major program in 2001, our restructuring actions have resulted in a headcount reduction by almost 9,000.

Our strong focus on restructuring, costs, and cash did not prevent us from investing in new growth opportunities in high growth regions. We are actively participating in attractive growth in Asia, particularly China, and in Eastern Europe.

2003 divestment program at Chemicals completed – balance sheet substantially strengthened; creating room to maneuver

During 2004, the Company divested Catalysts, Phosphorus Chemicals, and Coating Resins from its Chemicals portfolio to strengthen the balance sheet and create more room to maneuver. These divestments generated EUR 1.0 billion, resulting in a pretax book profit of EUR 0.5 billion. In addition, capital expenditures and working capital were kept under tight control. As a result, in 2004 the Company reduced net borrowings by EUR 1.3 billion.
The Company has a sound balance sheet with a gearing of 0.36, which positions it well for future growth.

In 2005, we will continue to manage our funds in a highly disciplined manner and expect capital expenditures in the order of magnitude of EUR 650 million, up from 2004 due to our projects in the Netherlands and Brazil.

Pension funding status – improved in 2004

Pension charges
Under SFAS 87 pension charges trail developments in the pension funding situation by one year. During 2003, stock markets recovered somewhat from the drop in 2002. As a result, pension charges for 2004 decreased by some EUR 50 million compared to 2003. In 2004, financial markets recovered further, as a result of which 2005 pension charges are expected to drop by an additional EUR 70 million.

Minimum pension liability
As a result of the improved funding situation in 2004, the after-tax minimum pension liability charged against shareholders' equity decreased from EUR 816 million to EUR 749 million at December 31, 2004, increasing shareholders' equity by EUR 67 million.

Pension premiums paid
Pension premiums to be paid by the Company are based on local regulations and arrangements with Akzo Nobel's pension funds. In the first quarter of 2004, the Company paid an additional EUR 50 million into the pension fund in the Netherlands on top of normal pension premiums.

Dividend maintained – EUR 1.20

A dividend of EUR 1.20 per common share will be proposed at the General Meeting of Shareholders of April 21, 2005. In November 2004, an interim dividend of EUR 0.30 was declared and paid. Adoption of this proposal will result in a dividend payment of EUR 343 million, a payout ratio of 45% relative to net income[1], which is above our normal range of 35-40%.

Starting April 25, 2005, Akzo Nobel shares will trade ex-dividend. The final dividend will be made payable on May 2, 2005.

[1] *Excluding nonrecurring items.*

New strategic focus for Chemicals

We will streamline the Chemicals portfolio in order to competitively realign the business for growth, profitability, and leadership positions in selected markets. These efforts will result in a smaller portfolio that is stronger, creates more value, and is better structured to meet our financial expectations. The Chemicals activities will be concentrated in five business units: Pulp & Paper Chemicals, Polymer Chemicals, Surfactants, Functional Chemicals, and Base Chemicals (the latter will comprise the Chlor-Alkali, Electrolysis Salt, and Energy businesses). We are committed to ensure that leading positions–which are key to our new strategy–will be established or consolidated. Expansion in growth markets such as China will also be prioritized.

As a consequence of this new focus, the Company intends to divest several businesses that do not fit this new strategy, including Ink and Adhesive Resins, Oleochemicals, Salt Specialties, PVC Additives, Solar Salt Australia, and Methyl Amines/Choline Chloride. All the activities earmarked for divestment represent a total of around EUR 750 million in 2004 sales, and any bids will be expected to reflect the value of the businesses concerned.

Outlook for 2005 – aspiring to achieve net income[1] within the range of 2004

We look to the future with cautious optimism and expect that we will be able to grow the top line of the Company in 2005 across the portfolio. Our bottom line will benefit from this growth but will also be impacted by raw material prices–which are still increasing–and the further weakening of currencies against the euro. In human healthcare especially, we will have to rise to the challenge during 2005 of finding the right balance between investing in R&D and premarketing, while actively defending margins. In spite of the very challenging and unpredictable economic conditions (currencies and raw material prices), we aspire to achieve a net income[1] within the range of 2004.

[1] *Excluding nonrecurring items.*

Pharma – margin protection program mitigating effect top-line decline

4th quarter			*Millions of euros*	Full year		
2004	2003	Δ%		**2004**	2003	Δ%
			Sales			
509	582		Organon	**2,010**	2,273	
261	256		Intervet	**1,024**	1,010	
83	134		Diosynth	**366**	479	
(37)	(71)		Intragroup sales/other	**(154)**	(212)	
816	901	*(9)*	Total	**3,246**	3,550	*(9)*
119	285	*(58)/(40)*[2]	Operating income[1] (EBIT)	**522**	692	*(25)/(14)*[2]
14.6	31.6[3]		Return on sales[1], *in %*	**16.1**	19.5[3]	
30.4	30.5		S&D expenses as % of sales	**31.5**	31.6	
18.2	14.8		R&D expenses as % of sales	**16.0**	15.9	
			EVA	**189**	331	
158	332	*(52)*	EBITDA	**690**	868	*(21)*
47	65		Capital expenditures	**158**	210	
			Invested capital[4]	**2,387**	2,506	
			Return on invested capital, *in %*	**21.3**	27.8	
			Capital turnover	**1.33**	1.43	
			Number of employees[4]	**19,390**	20,680	

1 *Excluding nonrecurring items.*
2 *Excluding the initial Pfizer payment for the asenapine cooperation of EUR 88 mln.*
3 *Excluding the initial Pfizer payment for the asenapine cooperation, return on sales for the fourth-quarter and the full-year was 21.9% and 17.0%, respectively.*
4 *At December 31.*

- ***Sales down – due to lower volumes at Organon and Diosynth and currencies***
- ***Organon***
  - ***cost saving programs – successful***
  - ***Remeron® – major decline due to generic competition in United States; starting to erode in rest of world during the fourth quarter***
  - ***HT products – sales pressure bottomed out***
  - ***contraceptives – NuvaRing® strong growth***
- ***Diosynth – severely suffering from overcapacity; restructurings completed***
- ***Integration of Organon and Diosynth***
- ***Intervet – improved performance***

Pharma continued to work hard to reduce the complexity within its business units and improve operational efficiencies. U.S. dollar weakness and increasingly stiff competition made these steps all the more important. Despite Pharma's best efforts, sales and operating income were down substantially, continuing the downward trend triggered in December 2002 by the loss of exclusivity of Remeron®, which until then had been our leading antidepressant. In 2003, Pharma also benefited from the payment of EUR 88 million for the asenapine cooperation by Pfizer.

Addressing the Remeron® lifecycle management issues was the biggest challenge for Organon in 2004. Organon entered into several agreements with generic companies to help market the product while managing Remeron®SolTab®, which remains exclusive in some markets. Also, most of the key lawsuits concerning Remeron® in the United States were settled.

Sales of Organon's key products developed as follows:

4th quarter 2004	Autonomous growth relative to, %				
	Q-4 2003	Q-3 2004	*Millions of euros or %*	**Full year 2004**	Autonomous growth relative to 2003, %
9	(70)	3	Remeron® in U.S.	**47**	(75)
72	(19)	(6)	Remeron® in rest of world	**316**	–
132	(2)	2	Contraceptives	**522**	4
24	76	7	– of which NuvaRing®	**81**	115
78	(8)	15	Puregon®/Follistim®	**285**	(11)
41	(14)	4	Livial®	**160**	(17)

R&D achievements help move Organon forward and the progress made in 2004 give us confidence. Follistim®-AQ™ cartridge was approved in the United States, which should add to sales of this key fertility product. The asenapine program with Pfizer has made good progress. Phase III is well under way; FDA and European EMEA submissions are planned for early 2007. The approvable letter for the Implanon® birth control implant will also positively affect the second half of 2005 in the United States. There was, however, some negative R&D news, most notably the FDA rejection of our application for the antidepressant gepirone ER.

Diosynth had a very difficult year with sales down 24%, reflecting the overall situation of the contract manufacturing industry. In the biotechnology segment, several new manufacturing contracts were awarded, some of which may prove significant in the future.

In August, we announced the integration of Diosynth and Organon, which will combine Pharma's know-how, especially in the biotechnology area, and simplify supply chain management. Third-party customers of Diosynth will continue to be served under the Diosynth name.

The major news in the animal health sector was the recurrence of avian flu. Intervet provided support to various governments in addressing this serious threat. It also took steps to improve operational efficiency, the first results of which are clearly reflected in earnings.

Coatings – shift to growth mode; raw materials impact increasing

4th quarter			*Millions of euros*	**Full year**		
2004	2003[1]	Δ%		**2004**	2003[1]	Δ%
			Sales			
401	374		Decorative Coatings	**1,911**	1,842	
391	375		Industrial activities	**1,592**	1,489	
249	211		Car Refinishes/Nobilas	**927**	880	
213	205		Marine & Protective Coatings	**875**	832	
(14)	(1)		Intragroup sales/other	**(56)**	(12)	
1,240	1,164	*7*	Total continued operations	**5,249**	5,031	*4*
			Impregnated papers		129	
1,240	1,164	*7*	Total	**5,249**	5,160	*2*
56	82	*(32)*	Operating income[2] (EBIT)	**421**	414	*2*
4.5	7.0		Return on sales[2], *in %*	**8.0**	8.0	
			EVA	**156**	153	
89	119	*(25)*	EBITDA	**556**	561	*(1)*
39	51		Capital expenditures	**122**	124	
			Invested capital[3]	**2,057**	2,043	
			Return on invested capital, *in %*	**20.5**	19.4	
			Capital turnover	**2.56**	2.42	
			Number of employees[3]	**29,070**	28,340	

[1] 2003 figures have been adjusted for a minor regrouping of activities between Coatings and Chemicals.
[2] Excluding nonrecurring items.
[3] At December 31.

- ***Autonomous growth 5% – mainly Asia Pacific and United States***
- ***32% of sales realized in emerging markets***
- ***Steep increase of raw material prices – increasing pressure on margins in the fourth quarter***
- ***Decorative Coatings – improved performance from cost savings***
- ***Marine & Protective and industrial activities – further improved***
- ***Car Refinishes – major worldwide restructuring set in motion***

Coatings recorded a ROI of 20.5%–a leap forward compared to the previous year–underscoring the road map to our medium-term ROI target of 25%. This was achieved through high volume growth and tight cost control, despite steeply increasing raw material costs and difficult economic circumstances in Europe. All business units achieved performance gains, except for Car Refinishes, where a major restructuring program is being implemented to address this situation. In the fourth quarter of 2004, margins were under pressure from increased raw material prices, in particular in the industrial activities.

In 2004, sales grew autonomously by 5%, mainly in emerging markets, which now represent 32% of worldwide sales. We opened two new multipurpose Industrial Finishes sites in China and a new Non-Stick Coatings facility in Brazil. Marine & Protective Coatings established International Paint Japan to serve Japanese and worldwide marine coatings customers also directly in this important market. We also completed investments in two new Powder Coatings sites in China and a new Decorative Coatings facility in Vietnam.

During the year, we established Nobilas Claims & Fleet Solutions as a separate business unit to fully exploit the potential to become the leading provider in all areas of accident management services.

We continued to improve our business mix by divesting eight small noncore businesses and making selective acquisitions, such as Rhenacoat coil coatings in France and BASF's joinery business.

Decorative Coatings Europe remained focused on extending its distribution channels by acquiring ten wholesalers. In Germany–the biggest coatings market in Europe–we stepped up efforts to improve our position by acquiring Timpe & Mock and taking a 30% shareholding in Peters.

To realign the business with changing market conditions, Car Refinishes announced a major restructuring program, involving 10% of its global workforce.

Our main challenge continues to be a balancing act between our unwavering commitment to reducing our cost base in mature markets and at the same time capturing growth opportunities in emerging markets through a combination of selective acquisitions and organic growth.

Chemicals – strong performance improvement; new strategic focus

4th quarter 2004	4th quarter 2003[1]	Δ%	*Millions of euros*	Full year 2004	Full year 2003[1]	Δ%
			Sales			
259	247		Pulp & Paper Chemicals	**980**	1,008	
203	193		Surface Chemistry	**863**	858	
150	143		Functional Chemicals	**613**	604	
154	133		Base Chemicals	**575**	544	
128	121		Polymer Chemicals	**494**	492	
75	67		Salt	**274**	267	
44	44		Energy	**175**	171	
(76)	(65)		Intragroup sales/other	**(286)**	(290)	
937	883	*6*	Total continued operations	**3,688**	3,654	*1*
70	192		Divested operations	**617**	816	
1,007	1,075	*(6)*	Total	**4,305**	4,470	*(4)*
89	72	*24*	Operating income[2] continued operations	**315**	261	*21*
(1)	17		Divested operations	**39**	80	
88	89	*(1)*	Total operating income[2] (EBIT)	**354**	341	*4*
9.5	8.2		Return on sales[2] continued operations, *in %*	**8.5**	7.1	
8.7	8.3		Return on sales[2], *in %*	**8.2**	7.6	
			EVA	**101**	64	
147	167	*(12)/4*[3]	EBITDA	**634**	659	*(4)/6*[3]
88	88		Capital expenditures	**269**	241	
			Invested capital[4]	**2,043**	2,604	
			Return on invested capital, *in %*	**15.2**	12.4	
			Capital turnover	**1.85**	1.63	
			Number of employees[4]	**11,890**	14,410	

[1] *2003 figures have been adjusted for a minor regrouping of activities between Coatings and Chemicals.*
[2] *Excluding nonrecurring items.*
[3] *Continued operations.*
[4] *At December 31.*

- ***Continued operations – autonomous growth 5%; operating income up 21%***
- ***Most units benefiting from improved business climate***
- ***Cost saving programs paying off***
- ***Steeply rising raw material and energy prices – increasing pressure on margins***
- ***2003 divestment program – completed***
- ***New strategic focus***

Chemicals experienced healthy profit growth triggered by increased global demand. Results were further boosted by cost savings and manufacturing efficiency improvements, partially offset by the impact of increased raw material and energy prices.

Sales and operating income excluding the divested businesses increased on 2003 by 1% and 21%, respectively. Improvements were achieved in particular by Polymer Chemicals, Functional Chemicals, Pulp & Paper Chemicals, and Base Chemicals. Earnings of Salt were under pressure.

During the year the divestments of Catalysts, Phosphorus Chemicals, and Coating Resins were successfully carried out. The divestment program generated proceeds of close to EUR 1 billion, which is above the annual sales of these businesses and reflects their solid value.

Key investment projects in 2004 included the EUR 50 million Pulp & Paper chemical factory island within the Veracel paper mill complex at Eunapolis in Brazil and the start of the EUR 160 million relocation of Chlorine and MCAA plants from Hengelo to Delfzijl, the Netherlands. This project is supported by the Dutch government in order to end chlorine transports by rail in the Netherlands.

Our investment in China now comprises seven factories covering the Polymer, Paper, and Functional Chemicals market segments. Our combined chemicals sales in China in 2004 aggregated some EUR 130 million and are growing rapidly.

2004 was a year of streamlining, restructuring, and consolidation of the R&D activities in and across Chemicals' business units to improve the effectiveness of operations. Despite these organizational changes, exciting breakthrough technologies and products were developed.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Millions of euros	**2004**		2003	
Total earnings before minority interest	**891**		651	
Depreciation and amortization	**593**		652	
Cash flow	**1,484**		1,303	
Pretax gain on divestments	**(509)**		(30)	
Changes in working capital	**156**		(119)	
Impairments	**74**		138	
Changes in provisions, deferred tax assets, and accrued prepaid pension costs	**(1)**		116	
Retained income of nonconsolidated companies	**71**		3	
Other changes	**(2)**		(14)	
Net cash provided by operations		**1,273**		1,397
Capital expenditures	**(551)**		(581)	
Expenditures for intangible assets	**(28)**		(27)	
Acquisitions	**(80)**		(101)	
Proceeds from divestments	**1,036**		203	
(Investments)/repayments nonconsolidated companies	**(29)**		78	
Other changes	**6**		(23)	
Net cash generated by/(used for) investing activities		**354**		(451)
Dividends paid		**(366)**		(370)
Funds balance		**1,261**		576
Net cash used for financing activities		**(169)**		(342)
Effect of exchange rate changes on cash and cash equivalents		**(8)**		(27)
Changes in cash and cash equivalents		**1,084**		207

Strong funds balance of EUR 1.3 billion

The funds balance increased from EUR 0.6 billion to EUR 1.3 billion, mainly from divestments and the reduction of working capital. Cash flow from operations decreased somewhat to EUR 1.3 billion.

Capital expenditures were below the 2003 level–mainly attributable to Pharma–and almost at depreciation level. Investments are targeted at priority businesses and regions, particularly China and Central and Eastern Europe. In these areas, growth continued at high rates, and we opened several new factories to participate in this development. Chemicals' investments also include projects in the Netherlands and Brazil.

Acquisition expenditures concerned Timpe & Mock and several other acquisitions at Coatings.

Proceeds from divestments principally related to the sale of Catalysts, Phosphorus Chemicals, and Coating Resins.

CONDENSED CONSOLIDATED BALANCE SHEET

Millions of euros	**December 31, 2004**	December 31, 2003
Intangible assets[1]	**561**	590
Property, plant and equipment	**3,535**	3,967
Deferred tax assets	**351**	429
Deferred tax asset for minimum pension liability	**354**	361
Other financial noncurrent assets	**1,048**	1,076
Inventories	**1,978**	2,133
Receivables	**2,767**	2,671
Cash and cash equivalents	**1,811**	727
Total	**12,405**	11,954
Capital and reserves	**3,795**	3,326
Minimum pension liability[2]	**(759)**	(824)
Akzo Nobel N.V. shareholders' equity	**3,036**	2,502
Minority interest	**140**	140
Equity	**3,176**	2,642
Provisions	**2,479**	2,581
Provision for minimum pension liability	**1,240**	1,342
Long-term borrowings	**2,694**	2,717
Short-term borrowings	**258**	441
Current liabilities	**2,558**	2,231
Total	**12,405**	11,954
Gearing	**0.36**	0.92
Invested capital	**7,227**	8,117
Return on investment, *in %*	**15.8**	16.0
Capital turnover	**1.65**	1.55
Shareholders' equity per share, *in EUR*	**10.62**	8.76
Number of shares outstanding, *in millions*	**285.8**	285.7

[1] *Intangible assets include capitalized prior service costs related to the minimum pension liability of EUR 137 million at December 31, 2004, and of EUR 165 million at December 31, 2003.*
[2] *Includes minimum pension liabilities for nonconsolidated companies of EUR 10 million at December 31, 2004 (December 31, 2003: EUR 8 million).*

CHANGES IN EQUITY

Millions of euros	Capital and reserves	Minimum pension liability[1]	Shareholders' equity	Minority interest	Equity
Balance at December 31, 2003	3,326	(824)	**2,502**	140	**2,642**
Income	856		**856**	35	**891**
Dividends	(343)		**(343)**	(23)	**(366)**
Changes in exchange rates	(42)		**(42)**	(4)	**(46)**
Employee and Board share plan	(2)		**(2)**		**(2)**
Change in minimum pension liability		65	**65**		**65**
Changes in minority interest in subsidiaries				(8)	**(8)**
Balance at December 31, 2004	**3,795**	**(759)**	**3,036**	**140**	**3,176**

[1] *Includes minimum pension liabilities for nonconsolidated companies of EUR 10 million at December 31, 2004 (December 31, 2003: EUR 8 million).*

Net borrowings down EUR 1.3 billion – balance sheet significantly further strengthened

Invested capital at December 31, 2004, amounted to EUR 7.2 billion, down EUR 0.9 billion on year-end 2003, mainly due to divestments, lower working capital needs, and negative currency translation effects.

Net interest-bearing borrowings were down EUR 1.3 billion to EUR 1.1 billion, which was mainly attributable to the proceeds from divestments. Equity increased EUR 0.5 billion as a result of retained 2004 income. As a consequence, year-end gearing improved to 0.36 (December 31, 2003: 0.92).

Arnhem, February 3, 2005

The Board of Management

Auditors' Report

We have audited the full-year condensed consolidated statement of income, the condensed consolidated statement of cash flows, the condensed consolidated balance sheet as well as the statement of changes in equity, included on pages 3, 16, 18, and 19, respectively, which have been derived from the 2004 financial statements of Akzo Nobel N.V. as audited by us. We issued an unqualified auditors' report on these financial statements on February 3, 2005.

The statements and balance sheet referred to before are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements and balance sheet based on our audit.

In our opinion, these statements and balance sheet are consistent in all material respects with the financial statements from which they have been derived.

For a better understanding of the financial position and results of the Company and the scope of our audit, these statements and balance sheet should be read in conjunction with the complete financial statements from which they have been derived and the auditors' report we issued thereon.

Arnhem, February 3, 2005

KPMG Accountants N.V.

Key Figures

Millions of euros	4th quarter		
	2004	2003[1]	Δ%
Net income excl. nonrecurring items	**165**	268	*(38)/(17)*[3]
– per share, *in EUR*	**0.58**	0.94	
Net income	**90**	105	*(14)*
– per share, *in EUR*	**0.31**	0.37	
Sales			
Pharma	**816**	901	*(9)*
Coatings	**1,240**	1,164	*7*
Chemicals	**1,007**	1,075	*(6)/6*[4]
Other	**(23)**	(29)	
Total	**3,040**	3,111	*(2)*
Operating income[2] *(EBIT)*			
Pharma	**119**	285	*(58)/(40)*[3]
Coatings	**56**	82	*(32)*
Chemicals	**88**	89	*(1)/24*[4]
Other	**(9)**	(15)	
Total	**254**	441	*(42)*
Return on sales[2], *in %*	**8.4**	14.2	
Interest coverage	**9.1**	11.6	

[1] 2003 figures have been adjusted for a minor regrouping of activities between Coatings and Chemicals.
[2] Excluding nonrecurring items.
[3] Excluding the initial Pfizer payment for the asenapine cooperation of EUR 88 million received in 2003 (EUR 70 million after taxes).
[4] Continued operations.

- ***Net income down 14%***
- ***Net income excluding nonrecurring items down 38%***
- ***Pharma – earnings in line with expectations***
- ***Coatings – impacted by raw material prices***
- ***Chemicals – strong performance***

Net income down 14%

Net income excluding nonrecurring items in the fourth quarter was down 38% to EUR 165 million, which is EUR 0.58 per share (2003: EUR 0.94). 2003 earnings benefited from the EUR 70 million after-tax initial payment from Pfizer for the asenapine cooperation. Contributions from growth, cost savings, and lower pension costs did not offset the impact of higher raw material prices, divestments, and weaker key currencies.

Including a net nonrecurring loss of EUR 75 million, fourth-quarter *net income* was down 14% to EUR 90 million (2003: EUR 105 million). This loss mainly concerned an addition to the antitrust provision of EUR 60 million.

Autonomous growth of 4%

Fourth-quarter *sales* of EUR 3.0 billion were down 2% on the previous year. Autonomous growth was 4%, with 3% stemming from higher volumes and 1% from increased selling prices. This growth did not offset the net negative effect of currency translation and of divestments and acquisitions, which each had an impact of 3%. Sales developed as follows:

In %	Total	Volume	Price	Currency translation	Divestments/ acquisitions
Pharma	(9)	(8)	2	(3)	–
Coatings	7	3	2	(2)	4
Chemicals	(6)	8	1	(3)	(12)
Akzo Nobel	**(2)**	**3**	**1**	**(3)**	**(3)**

The negative currency translation impact predominantly related to the weakening of the U.S. dollar and various Asian currencies.

Acquisitions principally concerned Timpe & Mock (deco wholesaler in Germany) and AON Motor Accident Management (U.K.), while divestments mainly related to Catalysts and Phosphorus Chemicals.

Operating income down 42%

Operating income for the fourth quarter declined 42% to EUR 254 million. It developed as follows:

Millions of euros	Operating income[1] for 4th quarter of 2004	Change from 4th quarter of 2003				
		Total	Operational performance	Divestments	Currency translation	Lower pension charges
Pharma	119	(166)	(164)[2]	–	(6)	4
Coatings	56	(26)	(28)	–	(2)	4
Chemicals	88	(1)	14	(15)	(3)	3
Other[3]	(9)	6	3		–	3
Akzo Nobel	**254**	**(187)**	**(175)**	**(15)**	**(11)**	**14**

1 Excluding nonrecurring items.

2 Includes the effect of the initial Pfizer payment of EUR 88 million for the asenapine cooperation, received in 2003.

3 "Other" mainly comprises pension costs related to former employees of divested operations and results of the (intermediate) holding companies and the captive insurance companies.

As expected, Pharma's operating income substantially declined as the group in 2003 benefited from the receipt of the initial payment from Pfizer of EUR 88 million for the asenapine cooperation. In addition, Organon earnings were impacted by the loss of Remeron® revenues due to generic competition in the United States and also increasingly in the rest of the world. Sales of Puregon® and Livial® were also under pressure, although they were growing again compared to the third quarter of 2004. The impact of lost sales was partially offset by forceful cost saving measures. Intervet turned in a healthy performance with solid earnings growth. Diosynth's operating income declined to break-even level under the pressure from difficult market conditions. To address this situation Diosynth also implemented cost saving programs. All in all, Pharma's operating income in the fourth quarter was in line with earnings in the previous quarters of 2004.

Coatings performance benefited from 5% autonomous growth, cost control, and lower pension cost. However, this did not offset the impact of steeply increasing raw material prices and weaker currencies. On balance, fourth-quarter operating income dropped 32% to EUR 56 million.

Excluding divestments, the Chemicals operations achieved a distinctly higher operating income, reaping the benefits from growth and restructuring programs, although the businesses were also impacted by increasing raw material and energy prices.

Operating income disclosed as "Other" was positively influenced by decreased pension costs and lower additions to corporate provisions.

Earnings from nonconsolidated companies jumped to EUR 18 million (2003: EUR 6 million), mainly attributable to higher results for Flexsys, Eka Polymer Latex, Methanor, and the Company's remaining 20%-stake in its former Fibers activities. The Turkish printing inks joint venture Dyo Sadolin also did better.

Successful focus on cost – workforce down due to divestments and restructurings

During the fourth quarter the Company continued its implementation of cost saving programs, which resulted in a workforce decrease of 740 people during this quarter. Divestments, predominantly Coating Resins, led to a decrease of 920.

Arnhem, February 3, 2005

The Board of Management

Additional Information

The explanatory sheets used by the CEO during the press conference can be viewed on Akzo Nobel's Internet site at:
www.akzonobel.com/news/presentations.asp

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