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AKZO NOBEL NV  
Form 6-K  
April 20, 2004

Form 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13 a - 16 or 15 d - 16 of

The Securities Exchange Act of 1934

Commission file number 0 - 017444

Akzo Nobel N.V.

(Translation of registrant's name into English)

76, Velperweg, 6824 BM Arnhem, the Netherlands

(Address of principal executive offices)

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The following exhibit  
is filed with this report  
Akzo Nobel Report for the first quarter of 2004

SIGNATURES

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

Akzo Nobel N.V.

Name : F.H. Hensel  
Title : Senior Vice President  
Finance

Name : J.J.M. Derckx  
Title : Director Corporate Control

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Dated : April 20, 2004

REPORT FOR THE 1ST QUARTER OF 2004

KEY FIGURES

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Millions of euros (EUR)	1ST QUARTER		
	2004	2003*	ch. %
-----	-----	-----	-----
Net income excl. nonrecurring items	176	164	7
- per share, in EUR	0.62	0.57	
Net income	133	139	(4)
- per share, in EUR	0.47	0.49	
Sales			
Pharma	821	884	(7)
Coatings	1,231	1,262	(2)
Chemicals	1,118	1,175	(5)
Other	(32)	(34)	
-----	-----	-----	
Total	3,138	3,287	(5)
=====	=====	=====	
Operating income** (EBIT)			
Pharma	155	141	10
Coatings	82	70	17
Chemicals	93	97	(4)
Other	(38)	(34)	
-----	-----	-----	
Total	292	274	7
=====	=====	=====	
Return on sales**, in %	9.3	8.3	
Interest coverage	9.1	7.2	
Gearing	0.91	0.92*** 1.33****	
Number of employees	64,320	64,580*** 67,550****	

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NET INCOME\*\* - UP 7%

- Pharma - result up in a tough quarter
- Coatings - clearly up due to strong growth and cost savings
- Chemicals - solid performance under difficult business conditions
- Chemicals divestment program on schedule
- Strong financial position
- Outlook unchanged - net income, excluding nonrecurring items and special benefits, below 2003

\* 2003 figures have been adjusted for a minor regrouping of activities between Coatings and Chemicals.

\*\* Excluding nonrecurring items.

\*\*\* At December 31, 2003.

\*\*\*\* At March 31, 2003.

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REPORT FOR THE 1ST QUARTER OF 2004

(R) or (TM) indicates trademarks in one or more countries.

The report for the 2nd quarter of 2004 will be published on July 19, 2004.

### NOTE

The data in this report are unaudited.

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

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

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 restructurings and impairment charges, and significant gains and losses on the disposal of businesses, not meeting the requirements for extraordinary items. Operating income before nonrecurring items is one of the key figures management uses to assess the performance of the Company, as these figures better reflect the underlying trends in the results of the activities.

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

### SAFE HARBOR STATEMENT\*

This report contains statements which address such key issues as Akzo Nobel's

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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", 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 refer to our Annual Report on Form 20-F filed with the United States Securities and Exchange Commission.

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

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REPORT FOR THE 1ST QUARTER OF 2004

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

Millions of euros

	1ST QUARTER		
	2004	2003	ch. %
Sales	3,138	3,287	(5)
Operating costs	(2,846)	(3,013)	
Operating income* (EBIT)	292	274	7
Financing charges	(32)	(38)	
Operating income* less financing charges	260	236	
Taxes	(82)	(68)	
Earnings* of consolidated companies, after taxes	178	168	6
Earnings from nonconsolidated companies	6	6	
Earnings* before minority interest	184	174	
Minority interest	(8)	(10)	
Net income excluding nonrecurring items	176	164	7
Nonrecurring items, after taxes and minority interest	(43)	(25)	
Net income	133	139	(4)
Return on sales*, in %	9.3	8.3	
Interest coverage	9.1	7.2	
Net income excluding nonrecurring items per share, in EUR			
- basic	0.62	0.57	
- diluted	0.61	0.57	

Net income per share, in EUR

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- basic	0.47	0.49
- diluted	0.46	0.49
EBITDA	449	437
Capital expenditures	107	113
Depreciation	144	152

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\* Excluding nonrecurring items.

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REPORT FOR THE 1ST QUARTER OF 2004

NET INCOME\* - UP 7%

Net income excluding nonrecurring items rose 7% to EUR 176 million. Earnings\* per share were EUR 0.62 (2003: EUR 0.57).

Including net nonrecurring losses of EUR 43 million, first-quarter net income was EUR 133 million (2003: EUR 139 million). Net income per share was EUR 0.47 (2003: EUR 0.49).

SALES - DOWN 5%

Sales of EUR 3.1 billion were down 5% on last year. Autonomous growth was 2%, while currency translation and divestments had a negative effect of 5% and 2%, respectively. Sales developed as follows:

In %	Total	Volume	Price	Currency translation	Divestments
Pharma	(7)	(4)	1	(4)	
Coatings	(2)	6	1	(4)	(5)
Chemicals	(5)	1	(1)	(5)	-
AKZO NOBEL	(5)	2	-	(5)	(2)

OPERATING INCOME - UP 7%

Operating income rose 7% to EUR 292 million. Return on sales was 9.3%, against 8.3% in the first quarter of 2003. Restructuring programs are clearly paying off at all three groups. Pharma also benefited from its product portfolio management actions. In addition, Coatings achieved strong sales growth. Chemicals held up well due to cost savings, but felt pressure on margins from increasing raw material and power prices. Earnings developed as follows:

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Millions of euros	Operating income for 1st quarter of 2004	Change from 1st quarter of 2003			
		Total	Operational performance	Currency translation	Lower pension charges
Pharma	155	14	27	(16)	3
Coatings	82	12	15	(6)	3
Chemicals	93	(4)	(4)	(3)	3
Other**	(38)	(4)	(7)	-	3
AKZO NOBEL	292	18	31	(25)	12

Currency translation effects were mainly caused by the weaker U.S. dollar and various Asian currencies.

\* Excluding nonrecurring items.

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

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REPORT FOR THE 1ST QUARTER OF 2004

Financing charges decreased substantially, as a result of reduced net borrowings and lower foreign currency exchange rates. Interest coverage in the first quarter improved to 9.1 (2003: 7.2).

The income tax charge increased to 31.5% (2003: 29%), reflecting changes in the geographic distribution of the Company's results.

NONRECURRING ITEMS

In the first quarter, the Company registered nonrecurring losses of EUR 61 million, which is EUR 43 million after taxes. These losses mainly concern impairment and restructuring costs of the Organon production site in West Orange, New Jersey, and the settlement in the Remeron(R) court case with generic drug manufacturers. The cases with the direct and indirect purchasers and the State Attorneys General are still ongoing.

WORKFORCE - DOWN 650 FROM RESTRUCTURINGS

At the end of the first quarter of 2004, the Company had 64,320 employees, compared with 64,580 at year-end 2003 and 67,550 at March 31, 2003. Cost saving measures at all three groups caused a decrease of 650 in the first quarter of 2004, while growth of certain businesses and seasonal influences expanded the workforce by 390. Developments were as follows:

March 31,

Other December 31,

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	2004	Restructurings	changes	2003
Pharma	20,480	(320)	120	20,680
Coatings	28,570	(180)	410	28,340
Chemicals	14,130	(140)	(140)	14,410
Other	1,140	(10)	1,150	
AKZO NOBEL	64,320	(650)	390	64,580

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### OUTLOOK UNCHANGED - NET INCOME, EXCLUDING NONRECURRING ITEMS AND SPECIAL BENEFITS, BELOW 2003

We confirm our earlier expressed expectation that full-year net income, excluding nonrecurring items, will be below 2003. This outlook is based on our present portfolio of activities and on 2003 earnings excluding the special benefit from the asenapine cooperation of EUR 70 million, after taxes.

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### REPORT FOR THE 1ST QUARTER OF 2004

#### PHARMA - RESULT UP IN A TOUGH QUARTER

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Millions of euros	1ST QUARTER		
	2004	2003	ch. %
Sales			
Organon	507	564	
Intervet	257	253	
Diosynth	102	105	
Intragroup sales/other	(45)	(38)	
Total	821	884	(7)
Operating income* (EBIT)	155	141	10
Return on sales*, in %	18.9	16.0	
S&D expenses as % of sales	32.2	32.5	
R&D expenses as % of sales	16.2	16.3	
EBITDA	200	184	9
Capital expenditures	41	51	



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Invested capital	2,633	2,506**
Number of employees	20,480	20,680**

\* Excluding nonrecurring items.

\*\* At December 31.

- Sales clearly down - due to currencies and lower volumes
- Cost savings and product portfolio actions more than offset impact of lower sales
- Organon - facing tough times
  - Remeron(R) - rapid decline in U.S.
  - early entrance fee received for Remeron(R) in Germany
  - changed reimbursement policies affecting infertility products
  - Arixtra(R) - transfer to Sanofi-Synthelabo for revenue agreement
  - Avinza(R) co-promotion - gathering momentum closure of U.S. production site announced
- Intervet - autonomous growth of 5%
- Diosynth - suffering from overcapacity; restructurings announced

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### REPORT FOR THE 1ST QUARTER OF 2004

Pharma is facing tough times. Sales in the first quarter decreased 7% to EUR 0.8 billion, due to weaker key currencies, generic competition in the United States for Remeron(R), and lower sales for infertility and HT products.

Operating income rose 10% to EUR 155 million. Return on sales was 18.9% (2003: 16.0%). Cost savings at Organon are clearly paying off. This unit received more than EUR 30 million from product portfolio management, comprising the receipt of the payment for the Arixtra(R) transfer and the early entrance fee for a marketing license for Remeron(R) in Germany. These actions more than offset the negative impact from lower Organon sales and the earnings decline at Diosynth. At the same time, Pharma's R&D expenditures were kept at well over 16% of sales.

The main products in human healthcare developed as follows:

Millions of euros	SALES		
	1ST QUARTER 2004	AUTONOMOUS GROWTH, %	
		on Q-1 2003	on Q-4 2003
Remeron(R) in U.S.	14	(79)	(56)
Remeron(R) in rest of world	87	24	-
Contraceptives	126	11	(7)
Puregon(R)/Follistim(R)	66	(19)	(23)

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Livial(R) 39 (14) (16)

The antidepressant Remeron(R) encounters severe generic competition in the United States, which now also affects Remeron(R) SolTab(R). In the rest of the world, Remeron's autonomous sales growth was 24% compared to the first quarter of 2003, and flat compared to the fourth quarter. NuvaRing(R) (contraceptive ring) turned in first quarter 2004 sales of EUR 15 million (Q-1 2003: EUR 5 million; Q-4 2003: EUR 14 million). Sales of Puregon(R)/Follistim(R) were down, mainly due to changed reimbursement policies in several countries and a production interruption in the United States. In March 2004, approval from the FDA was received for Follistim(R)-AQ(TM) cartridge in the United States. In the meantime, this product has been launched. Livial(R) sales were impacted by the ongoing discussions around the results of studies on hormone therapies. The co-promotion with Ligand for their Avinza(R)-a once-daily opioid for chronic, moderate to severe pain-is showing robust growth. In April 2004, the closure of Organon's production site in West Orange, New Jersey, was announced, which involves 165 jobs.

The animal healthcare activities Intervet achieved a healthy 5% autonomous growth and turned in a satisfactory performance.

Diosynth is severely suffering from overcapacity in its industry and lower captive demand. To address this situation restructurings have been announced earlier in Scotland, Mexico, and the Netherlands, affecting 350 jobs.

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REPORT FOR THE 1ST QUARTER OF 2004

COATINGS - CLEARLY UP DUE TO STRONG GROWTH AND COST SAVINGS

Millions of euros	1ST QUARTER		
	2004	20031	ch. %
Sales			
Decorative Coatings	428	418	
Industrial activities	373	362	
Car Refinishes/Nobilas	221	218	
Marine & Protective Coatings	219	204	
Intragroup sales/other	(10)	(5)	
Total continued operations	1,231	1,197	3
Impregnated Papers		65	
Total	1,231	1,262	(2)
Operating income** (EBIT)	82	70	17
Return on sales**, in %	6.7	5.5	

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EBITDA	116	109	6
Capital expenditures	21	22	
Invested capital	2,260	2,043***	
Number of employees	28,570	28,340***	

\* 2003 figures have been adjusted for a minor regrouping of activities between Coatings and Chemicals.

\*\* Excluding nonrecurring items.

\*\*\* At December 31.

- Autonomous growth 7% - mainly Asia Pacific and U.S.
- Negative currency effect - 4%
- Restructurings paying off - operating income up 17%
- Decorative Coatings - improved performance; Europe still under pressure
- Marine & Protective Coatings - star performer
- Industrial activities - solid growth
- Car Refinishes - pressure on margins

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### REPORT FOR THE 1ST QUARTER OF 2004

Coatings sales were down 2% to EUR 1.2 billion. Autonomous sales growth was 7%, primarily attributable to increased volumes as a result of our strong positions in Asia Pacific and the United States. The negative currency impact was 4%, while divestments, mainly Impregnated Papers, resulted in a 5% decrease.

Operating income jumped 17% to EUR 82 million. Return on sales was 6.7% (2003: 5.5%). Coatings is clearly reaping the benefits from the restructuring programs and growth of its activities. Raw material prices show an upward tendency.

The performance of Decorative Coatings improved, although business conditions in Europe remain weak. Marine & Protective Coatings again turned in an excellent performance, while the industrial activities continued their growth pattern. Car Refinishes suffers from pressure on margins.

The restructuring programs are progressing well, resulting in a workforce reduction of 180 in the first quarter of 2004. In growth areas, such as Eastern Europe and Asia, and due to seasonal influences the workforce increased by 410.

Capital expenditures were reduced slightly to EUR 21 million, which is 69% of depreciation.

In March 2004, Akzo Nobel opened its new non-stick coatings facility in Sao Paulo, Brazil. As well as supplying non-stick coatings for the Brazilian cookware industry, the factory also produces coatings for a range of specialized industrial applications, such as automotive pistons and copier rolls.

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Early in April 2004, the Company divested its industrial polyurethane (PUR) adhesives and system business to the Sika Group. This unit's 2003 sales amounted to EUR 17 million.

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REPORT FOR THE 1ST QUARTER OF 2004

CHEMICALS - SOLID PERFORMANCE UNDER DIFFICULT BUSINESS CONDITIONS

Millions of euros	1ST QUARTER		
	2004	2003*	ch. %
Sales			
Pulp & Paper Chemicals	237	276	
Surface Chemistry	216	224	
Functional Chemicals	200	208	
Base Chemicals	135	134	
Polymer Chemicals	120	130	
Catalysts	91	91	
Resins	73	73	
Salt	73	77	
Energy	43	43	
Intragroup sales/other	(70)	(81)	
Total	1,118	1,175	(5)
Operating income** (EBIT)	93	97	(4)
Return on sales**, in %	8.3	8.3	
EBITDA	168	176	(5)
Capital expenditures	44	36	
Invested capital	2,629	2,604***	
Number of employees	14,130	14,410***	

- \* 2003 figures have been adjusted for a minor regrouping of activities between Coatings and Chemicals.
- \*\* Excluding nonrecurring items.
- \*\*\* At December 31.

- Sales volumes and prices - almost flat
- Negative currency effect of 5%
- Raw material and power prices - increasing
- Cost saving programs paying off - almost offsetting pressure on margins
- Surface Chemistry, Functional Chemicals, and Catalysts - benefiting from stronger volumes
- Pulp & Paper Chemicals - volumes under pressure
- Divestment programs - on schedule

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REPORT FOR THE 1ST QUARTER OF 2004

Chemicals' first-quarter sales of EUR 1.1 billion were 5% below last year, entirely attributable to weaker currencies. Autonomous growth was flat, a satisfactory performance in difficult economic conditions. In general, the business climate in the United States is picking up again, while conditions in Europe remained weak.

Operating income was down 4% to EUR 93 million, while return on sales was unchanged at 8.3%. Contributions from actively pursued cost saving programs did not offset the negative effects of weaker key currencies and higher raw material and power prices.

Surface Chemistry, Functional Chemicals, and Catalysts benefited from increased sales volumes, while Pulp & Paper Chemicals was under pressure from reduced demand. Base Chemicals is affected by weak caustic prices and felt the temporary impact from stops at one of its own sites and at a major customer's site.

The restructuring programs are progressing well, resulting in a workforce reduction in the first quarter of 140.

The divestment processes for Catalysts, Phosphorus Chemicals, and Coating Resins are on schedule.

Capital expenditures were slightly higher at EUR 44 million, which is 63% of depreciation.

In March 2004, Surface Chemistry opened its new facility for the production of surfactants on Jurong Island, Singapore. The plant will support growing demand for Surface Chemistry's product line of quaternary ammonium compounds and specialty surfactants.

REPORT FOR THE 1ST QUARTER OF 2004

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 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Millions of euros	1ST QUARTER	
-----	2004	2003
-----	-----	-----
Total earnings before minority interest	141	158
Depreciation and amortization	157	163
	-----	-----
Cash flow	298	321
Changes in working capital	(214)	(138)
Impairments	24	
Changes in provisions, deferred tax assets, and accrued prepaid pension costs	(124)	23
Other changes	9	(2)
	-----	-----
Net cash (used for)/provided by operations	(7)	204
Capital expenditures	(107)	(113)
Acquisitions	(16)	(84)
Proceeds from divestments		20
Other changes	5	18
	-----	-----
Net cash used for investing activities	(118)	(159)
Dividends paid	(2)	(4)
	-----	-----
Funds balance	(127)	41
Net cash used for financing activities	(100)	(173)
Effect of exchange rate changes on cash and cash equivalents	8	(8)
	-----	-----
Change in cash and cash equivalents	(219)	(140)
	=====	=====

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REPORT FOR THE 1ST QUARTER OF 2004

Operational cash flow lower due to growth of working capital  
The first-quarter funds balance was EUR 127 million negative (2003: EUR 41 million positive).

Cash flow from operations in 2004 was slightly negative, compared with an inflow of EUR 204 million in 2003. The seasonal increase of working capital exceeded last year's figure due to higher sales in March. In addition, payments from provisions rose, including an additional payment of EUR 50 million to the pension fund in the Netherlands.

Capital expenditures were reduced to EUR 107 million (2003: EUR 113 million), which is 74% of depreciation.

Net cash used by financing activities predominantly concerned the redemption of short-term borrowings.

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REPORT FOR THE 1ST QUARTER OF 2004

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## C O N D E N S E D   C O N S O L I D A T E D   B A L A N C E   S H E E T

Millions of euros	MARCH 31, 2004	December 31, 2003
Intangible assets*	598	590
Property, plant and equipment	3,889	3,967

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Deferred tax assets	419	429
Deferred tax asset for minimum pension liability	371	361
Other financial noncurrent assets	1,130	1,076
Inventories	2,181	2,133
Receivables	2,990	2,671
Cash and cash equivalents	508	727
Total	12,086	11,954
Capital and reserves	3,549	3,326
Minimum pension liability	(853)	(824)
Akzo Nobel N.V. shareholders' equity	2,696	2,502
Minority interest	145	140
Equity	2,841	2,642
Provisions	2,446	2,581
Provision for minimum pension liability	1,382	1,342
Long-term borrowings	2,741	2,717
Short-term borrowings	356	441
Current liabilities	2,320	2,231
Total	12,086	11,954
Gearing	0.91	0.92
Shareholders' equity per share, in EUR	9.44	8.76
Number of shares outstanding, in millions	285.7	285.7

\* Intangible assets include capitalized prior service costs related to the minimum pension liability of EUR 166 million at March 31, 2004 and of EUR 165 million at December 31, 2003.

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REPORT FOR THE 1ST QUARTER OF 2004

C H A N G E S   I N   E Q U I T Y

Millions of euros	Capital and reserves	Minimum pension liability	Shareholders' equity	Minority interest	Equity
Balance at December 31, 2003	3,326	(824)	2,502	140	2,642
Income	133		133	8	141
Dividends				(2)	(2)
Changes in exchange rates	90	(29)	61	4	65
Changes in minority interest					



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in subsidiaries				(5)	(5)
Balance at March 31, 2004	3,549	(853)	2,696	145	2,841

STRONG FINANCIAL POSITION

Invested capital at March 31, 2004, amounted to EUR 8.3 billion, EUR 0.2 billion higher than at December 31, 2003, mainly due to the seasonal increase of working capital and currency translation effects.

Equity increased EUR 0.2 billion, mainly as a result of first-quarter income and currency translation effects, while net interest-bearing borrowings also increased by EUR 0.2 billion. Gearing improved slightly to 0.91 (December 31, 2003: 0.92; March 31, 2003: 1.33).

Arnhem, April 20, 2004

The Board of Management

ADDITIONAL INFORMATION

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

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