

Q3 Report

AkzoNobel



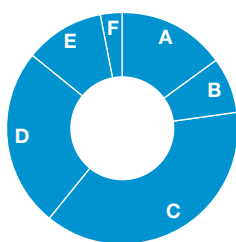
2015

Human Cities – Protecting heritage

Several areas of the famous Sagrada Familia basilica, which dominates the Barcelona skyline, are to be protected with AkzoNobel's Interpon powder coatings.

AkzoNobel around the world**Revenue by destination***(44 percent in high growth markets)*

	%
A North America	15
B Emerging Europe	8
C Mature Europe	37
D Asia Pacific	26
E Latin America	10
F Other regions	4
	100

*(Based on the full year 2014)*

Our quarterly results at a glance

Q3:

- Revenue up 2 percent at €3.8 billion (2014: €3.7 billion), due to 4 percent favorable currency effects, offset by divestments and slightly lower volumes
- Operating income up 30 percent at €436 million (2014: €335 million) reflecting the positive effects of process optimization, lower costs, reduced restructuring expenses and favorable currency developments
- ROS improved to 11.6 percent (2014: 9.1 percent); ROI improved to 12.5 percent (2014: 10.5 percent)
- Net income attributable to shareholders up 39 percent at €285 million (2014: €205 million)
- Adjusted EPS increased 35 percent to €1.24 (2014: €0.92)
- Net cash inflow from operating activities €583 million (2014: €489 million)
- Interim dividend up 6 percent to €0.35 per share (2014: €0.33)

Outlook:

- Market outlook is unchanged: positive trends in North America, no improvement for Europe overall as well as a challenging environment in some countries, including Russia, Brazil and China. Based on current rates, the positive impact of foreign currencies is expected to moderate in the 4th quarter
- On track to deliver 2015 targets

Financial highlights

Summary of financial outcomes

Third quarter				January-September		
2014	2015	Δ%	in € millions	2014	2015	Δ%
3,686	3,760	2	Revenue	10,779	11,300	5
335	436	30	Operating income	904	1,228	36
335	436	30	Operating income excluding incidental items	904	1,194	32
9.1	11.6		ROS%	8.4	10.9	
9.1	11.6		ROS excl. incidental items (in %)	8.4	10.6	
			Average invested capital	9,752	10,449	
			Moving average ROI (in %)	10.5	12.5	
487	590	21	EBITDA	1,360	1,662	22
137	163		Capital expenditures	402	423	
489	583		Net cash from operating activities	330	368	
			Net debt	1,801	1,727	
203	284	40	Net income from continuing operations	535	779	46
2	1		Net income from discontinued operations	4	(3)	
205	285	39	Net income attributable to shareholders	539	776	44
0.84	1.15		Earnings per share from total operations (in €)	2.21	3.14	
0.92	1.24	35	Adjusted earnings per share (in €)	2.48	3.30	33
			Number of employees	48,000	45,800	

Overall targets for the full-year 2015 are 9.0 percent return on sales and 14.0 percent return on investment

Financial highlights

Revenue was up 2 percent, due to 4 percent favorable currency effects, offset by divestments and slightly lower volumes. Operating income was €436 million (2014: €335 million); up 30 percent, reflecting the positive effects of process optimization, lower costs, reduced restructuring expenses and favorable currency developments. ROS improved from 9.1 percent to 11.6 percent and ROI improved to 12.5 percent (2014: 10.5 percent). Net cash inflow from operating activities was €583 million (2014: €489 million).

The market trend in North America continued to be positive in some segments with Europe not improving overall. Conditions remain challenging in many other countries, including Russia, Brazil and China.

Revenue

- Revenue in Decorative Paints was flat. Favorable currency effects were offset by adverse price/mix. Volumes were up in Asia, while volumes were down for Latin America and Europe, which includes amongst others Russia and Turkey
- Revenue in Performance Coatings was up 5 percent, benefiting from favorable currencies and continued strong demand for premium products. Volumes declined in the quarter due to ongoing capital spending declines in the global oil and gas industry and further softening in some markets, most notably Brazil and China
- Revenue in Specialty Chemicals was flat due to favorable currency effects offsetting the impact of the divested Paper Chemicals business and adverse price/mix in several segments. Volumes overall were flat. Growth in some segments compensated for lower demand in oil drilling segments, which mainly impacted Surface Chemistry and Functional Chemicals. North America and Europe continued to show a positive trend in some selected segments, while growth in China and Russia was subdued

Acquisitions and divestments

- The divestment of the Paper Chemicals business was completed in Q2 2015, and accounts for the divestment impact in Specialty Chemicals

Revenue

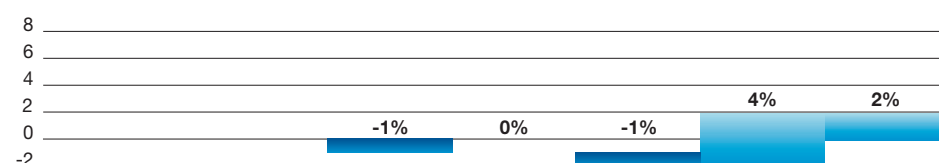
Third quarter

January-September

2014	2015	Δ%	in € millions	2014	2015	Δ%
1,050	1,052	–	Decorative Paints	2,989	3,076	3
1,420	1,493	5	Performance Coatings	4,173	4,473	7
1,239	1,235	–	Specialty Chemicals	3,689	3,821	4
(23)	(20)		Other activities/eliminations	(72)	(70)	
3,686	3,760	2	Total	10,779	11,300	5

Revenue development Q3 2015

■ Increase ■ Decrease



in % versus 2014	Volume	Price/mix	Divestments	Exchange rates	Total
Decorative Paints	–	(2)	–	2	–
Performance Coatings	(2)	2	–	5	5
Specialty Chemicals	–	(2)	(3)	5	–
Total	(1)	–	(1)	4	2

Volume development per quarter (year-on-year)

	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15
Decorative Paints	–	(2)	(3)	(1)	–
Performance Coatings	2	–	(3)	(3)	(2)
Specialty Chemicals	–	(1)	–	–	–
Total	1	(1)	(2)	(2)	(1)

Price/mix development per quarter (year-on-year)

	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15
Decorative Paints	(3)	–	(1)	–	(2)
Performance Coatings	(1)	1	1	–	2
Specialty Chemicals	1	–	–	(1)	(2)
Total	(1)	–	–	–	–

Operating income

- In Decorative Paints, operating income was up 7 percent mainly due to the new operating model, lower costs and favorable currency developments
- In Performance Coatings, operating income was up 56 percent driven by cost reductions from performance improvement initiatives, lower costs, favorable product mix, lower restructuring charges and favorable currency developments
- In Specialty Chemicals, operating income was up 4 percent supported by the benefits from further increased production at the new Frankfurt plant, lower costs and operational efficiencies throughout the business

Total restructuring charges in the third quarter amounted to €15 million (2014: €55 million).

Raw material prices were lower, although in certain regions foreign currency effects adversely impacted raw material costs in local currencies.

Operating income in other activities

Operating income in other activities was higher than the previous year, mainly due to lower corporate costs and insurance claims. Other operating income was impacted by lower restructuring charges.

Net financing expenses

Net financing expenses decreased due to lower external interest expenses following the repayment of a high interest bond in Q1 2015.

Tax

The year-to-date effective tax rate was 27 percent (2014: 27 percent). The tax rate was positively impacted by favorable one-time adjustments and the tax effect of the divestment of the Paper Chemicals business. Excluding one-off items, the effective tax rate was 28 percent (2014: 28 percent).

Operating income

Third quarter			January-September		
2014	2015	Δ%	2014	2015	Δ%
113	121	7	232	299	29
135	210	56	439	600	37
156	163	4	415	518	25
(69)	(58)		(182)	(189)	
335	436	30	904	1,228	36

Operating income in other activities

Third quarter			January-September	
2014	2015	in € millions	2014	2015
(53)	(50)	Corporate costs	(138)	(142)
(3)	(7)	Pensions	(12)	(20)
4	7	Insurances	12	5
(17)	(8)	Other	(44)	(32)
(69)	(58)	Operating income in other activities	(182)	(189)

Operating income to net income

Third quarter			January-September	
2014	2015	in € millions	2014	2015
335	436	Operating income	904	1,228
(38)	(28)	Net financing expenses	(115)	(96)
6	6	Results from associates and joint ventures	18	12
303	414	Profit before tax	807	1,144
(84)	(114)	Income tax	(216)	(304)
219	300	Profit from continuing operations	591	840
2	1	Profit from discontinued operations	4	(3)
221	301	Profit for the period	595	837
(16)	(16)	Non-controlling interests	(56)	(61)
205	285	Net income	539	776

Decorative Paints

- Revenue flat in Q3 due to favorable currency effects offset by adverse price/mix
- Operating income up 7 percent, due to the new operating model, lower costs and currencies
- ROS increased to 11.5 percent (2014: 10.8 percent); ROI increased to 10.6 percent (2014: 6.5 percent on a comparable basis)

Revenue was flat due to favorable currency effects offset by adverse price/mix. Volumes were up in Asia, while volumes were down for Europe and Latin America.

Operating income improved by 7 percent due to the new operating model, lower costs and currency developments.

Europe, Middle East and Africa

Revenue was down 1 percent due to lower volumes and price/mix, partially offset by currencies. There were positive developments in some countries, notably the UK and the Netherlands. The economic environment remained challenging, in particular in Russia and Turkey. Operational efficiency programs contributed to a lower cost base.

Latin America

Revenue was down 9 percent due to adverse currency effects and lower volumes, partially offset by positive price/mix. Volumes were lower due to challenging economic environments, especially in Brazil. Adverse currency developments increased costs for imported raw materials in local currencies and posed challenges to the business. Improvement actions and cost control remain the focus of the region.

Asia

Revenue increased by 8 percent due to higher volumes and favorable currency effects. Demand in several Asian countries was encouraging, while the Chinese construction market remained challenging.

Revenue

Third quarter

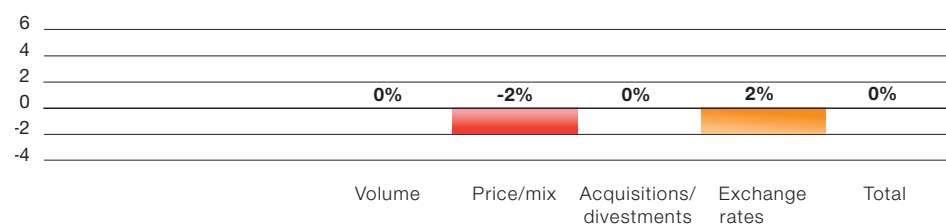
January-September

2014	2015	Δ%	in € millions	2014	2015	Δ%
616	610	(1)	Deco Europe, Middle East and Africa	1,810	1,787	(1)
157	143	(9)	Decorative Paints Latin America	397	414	4
278	300	8	Decorative Paints Asia	783	876	12
(1)	(1)		Other/intragroup eliminations	(1)	(1)	
1,050	1,052	–	Total	2,989	3,076	3
113	121	7	Operating income	232	299	29
10.8	11.5		ROS%	7.8	9.7	
			Average invested capital	2,779	2,978	
			Moving average ROI (in %) *	13.6	10.6	
150	159	6	EBITDA	347	412	19
41	37		Capital expenditures	107	113	
			Number of employees	15,500	15,100	

* On a comparable basis: 2014 (excluding incidental items): 6.5 percent.

Revenue development Q3 2015

■ Increase ■ Decrease



Performance Coatings

- Revenue up 5 percent in Q3 due to favorable price/mix and currencies more than offsetting lower volumes
- Operating income up 56 percent driven by cost reductions from performance improvement initiatives, lower costs, manufacturing productivity, lower restructuring expenses and currencies
- ROS increased to 14.1 percent (2014: 9.5 percent) and ROI increased to 26.5 percent (2014: 20.9 percent)

Revenue was up 5 percent, benefiting from favorable currencies and continued strong demand for premium products. Volumes declined in the quarter due to ongoing capital spending declines in the global oil and gas industry and further weakening in some markets, most notably Brazil and China.

Operating income increased 56 percent driven by cost reductions from performance improvement initiatives, lower costs, favorable product mix, lower restructuring charges and favorable currency developments.

Marine and Protective Coatings

Revenue increased 11 percent, due to favorable currencies and positive volume development within Marine, partially offset by weaker demand in Protective Coatings due to lower capital spending and delayed projects in the global oil and gas industries. Marine volumes benefited from new construction projects, while maintenance and repair volumes were impacted by owner delays due to low freight rates.

Automotive and Specialty Coatings

Revenue improved 6 percent, due to favorable currencies, strength in existing consumer electronics platforms and new business in automotive and aerospace. Demand from the commercial vehicle industry was strong across northern Europe. In China and Brazil, passenger car production softened in the quarter.

Industrial and Powder Coatings

Revenue was up 1 percent, due to favorable currencies and price/mix, partially offset by weaker markets, most notably in China. There was higher demand for Coil Coatings from a stronger construction industry in North America. In Europe, Packaging Coatings development was positive. Volumes continued to be impacted by the expiry of resin supply agreements

Revenue *

Third quarter

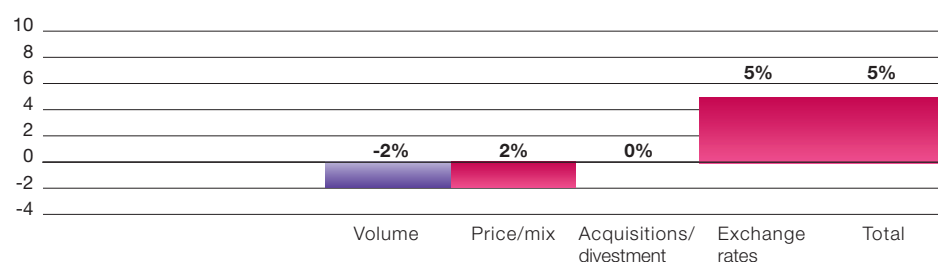
January-September

2014	2015	Δ%	in € millions	2014	2015	Δ%
360	399	11	Marine and Protective Coatings	1,045	1,170	12
357	378	6	Automotive and Specialty Coatings	1,065	1,155	8
714	724	1	Industrial and Powder Coatings	2,089	2,169	4
(11)	(8)		Other/intragroup eliminations	(26)	(21)	
1,420	1,493	5	Total	4,173	4,473	7
135	210	56	Operating income	439	600	37
9.5	14.1		ROS%	10.5	13.4	
			Average invested capital	2,452	2,672	
			Moving average ROI (in %)	20.9	26.5	
170	246	45	EBITDA	545	709	30
31	36		Capital expenditures	94	100	
			Number of employees	20,900	19,500	

* Segment reporting following change in business structure.
For more details, please see the Investor update presentation on www.akzonobel.com

Revenue development Q3 2015

■ Increase ■ Decrease



related to the 2013 divestment of AkzoNobel's Decorative Paints business in North America. Powder Coatings announced plans to double its production capacity in Vietnam.

Specialty Chemicals

- Revenue flat in Q3, due to favorable currency effects, offset by the divestment of the Paper Chemicals business and adverse price/mix
- Operating income up 4 percent due to benefits from further increased production at the new Frankfurt plant, lower costs and operational efficiencies throughout the business
- ROS increased to 13.2 percent (2014: 12.6 percent). ROI increased to 17.2 percent (2014: 11.1 percent)

Revenue was flat due to favorable currency effects offsetting the impact of the divested Paper Chemicals business and adverse price/mix in several segments, mostly due to lower oil prices. Volumes overall were flat. Growth in some segments compensated for lower demand in oil drilling segments, which mainly impacted Surface Chemistry and Functional Chemicals. North America and Europe continued to show a positive trend in some selected segments, while growth in China and Russia was subdued.

Although the recent incident at the port in Tianjin, China, did not affect us directly, it did result in severe logistical constraints.

Operating income was up 4 percent supported by the benefits from further increased production at the new Frankfurt plant, lower costs and operational efficiencies throughout the business.

Functional Chemicals

Revenue was up 2 percent. Favorable currency effects were mostly offset by lower demand and price pressure in the ethylene business, as well as severe logistical constraints due to the incident at the port in Tianjin.

Industrial Chemicals

Revenue was down 1 percent. The new chlorine plant in Frankfurt is now fully on-stream and resulted in operational efficiencies and higher product availability. This was offset by lower revenues in some segments.

Surface Chemistry

Revenue was up 3 percent due to positive currency effects. Volumes were down in oil drilling segments; partly compensated by higher volumes in other segments, mainly in Europe.

Revenue

Third quarter

January-September

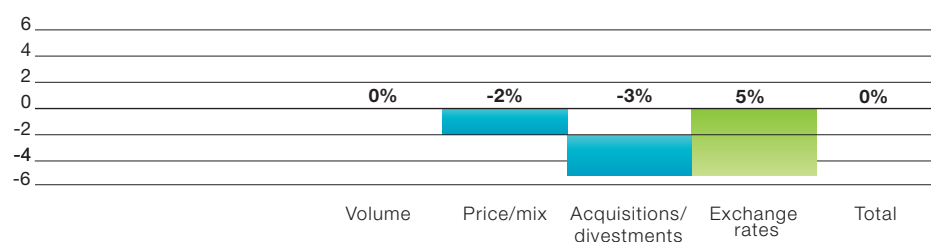
2014	2015	Δ%	in € millions	2014	2015	Δ%
446	453	2	Functional Chemicals *	1,333	1,414	6
308	304	(1)	Industrial Chemicals *	935	896	(4)
257	265	3	Surface Chemistry	763	824	8
258	233	(10)	Pulp and Performance Chemicals	751	758	1
(30)	(20)		Other/intragroup eliminations	(93)	(71)	
1,239	1,235	-	Total	3,689	3,821	4
156	163	4	Operating income	415	518	25
156	163	4	Operating income excl. incidental items	415	488	18
12.6	13.2		ROS%	11.2	13.6	
12.6	13.2		ROS excl. incidental items (in %)	11.2	12.8	
			Average invested capital	3,451	3,553	
			Moving average ROI (in %) **	11.1	17.2	
232	242	4	EBITDA	640	727	14
65	86		Capital expenditures	198	201	
			Number of employees	9,900	9,100	

* Adjusted to the new business structure

** On a comparable basis: 2015: 16.4 percent; 2014: 15.1 percent

Revenue development Q3 2015

■ Increase ■ Decrease



Pulp and Performance Chemicals

Revenue, excluding the impact of the divested Paper Chemicals business, was up 4 percent, mainly due to higher volumes for both the pulp segment in Brazil and other growth products.

Condensed financial statements

Consolidated statement of income

Third quarter			January-September	
2014	2015	in € millions	2014	2015
Continuing operations				
3,686	3,760	Revenue	10,779	11,300
(2,212)	(2,194)	Cost of sales	(6,516)	(6,653)
1,474	1,566	Gross profit	4,263	4,647
(1,139)	(1,130)	SG&A costs	(3,359)	(3,419)
335	436	Operating income	904	1,228
(38)	(28)	Net financing expenses	(115)	(96)
6	6	Results from associates and joint ventures	18	12
303	414	Profit before tax	807	1,144
(84)	(114)	Income tax	(216)	(304)
219	300	Profit for the period from continuing operations	591	840
Discontinued operations				
2	1	Profit for the period from discontinued operations	4	(3)
221	301	Profit for the period	595	837
Attributable to				
205	285	Shareholders of the company	539	776
16	16	Non-controlling interests	56	61
221	301	Profit for the period	595	837

Consolidated statement of comprehensive income

Third quarter			January-September	
2014	2015	in € millions	2014	2015
221	301	Profit for the period	595	837
Other comprehensive income				
294	(382)	Exchange differences arising on translation of foreign operations	377	32
20	(12)	Cash flow hedges	12	(17)
(29)	205	Post-retirement benefits	(880)	(433)
11	7	Tax relating to components of other comprehensive income	39	7
296	(182)	Other comprehensive income for the period (net of tax)	(452)	(411)
517	119	Comprehensive income for the period	143	426
Comprehensive income for the period attributable to				
472	126	Shareholders of the company	54	357
45	(7)	Non-controlling interests	89	69
517	119	Comprehensive income for the period	143	426

Condensed consolidated balance sheet

in € millions	December 31, 2014	September 30, 2015
Assets		
Non-current assets		
Intangible assets	4,142	4,140
Property, plant and equipment	3,835	3,891
Other financial non-current assets	2,148	2,000
Total non-current assets	10,125	10,031
Current assets		
Inventories	1,545	1,581
Trade and other receivables	2,743	3,047
Cash and cash equivalents	1,732	1,097
Other current assets	88	81
Assets held for sale	66	–
Total current assets	6,174	5,806
Total assets	16,299	15,837
Equity and liabilities		
Total equity	6,267	6,501
Non-current liabilities		
Provisions and deferred tax liabilities	2,555	2,480
Long-term borrowings	2,527	2,161
Total non-current liabilities	5,082	4,641
Current liabilities		
Short-term borrowings	811	663
Trade and other payables	3,407	3,405
Other short-term liabilities	721	627
Liabilities held for sale	11	–
Total current liabilities	4,950	4,695
Total equity and liabilities	16,299	15,837

Shareholders' equity

Shareholders' equity increased from €5.8 billion at year-end 2014 to €6.0 billion at the end of September 2015, mainly due to the net effect of:

- Net income of €776 million

Offset by:

- Actuarial impact of €442 million reported in Other comprehensive income, including €380 million for de-risking of pension liabilities
- Dividend payments of €170 million

Interim dividend

An interim dividend of €0.35 per share (2014: €0.33) will be paid out, with the option to elect stock dividend. Please refer to the last page of this report for dividend payment dates.

Changes in equity

in € millions	Subscribed share capital	Additional paid-in capital	Cashflow hedge reserve	Cumulative translation reserves	Other reserves	Shareholders' equity	Non-controlling interests	Group equity
Balance at January 1, 2014	485	319	(19)	(417)	5,226	5,594	427	6,021
Profit for the period	–	–	–	–	539	539	56	595
Other comprehensive income	–	–	9	334	(828)	(485)	33	(452)
Comprehensive income for the period	–	–	9	334	(289)	54	89	143
Dividend paid	4	106	–	–	(273)	(163)	(36)	(199)
Equity-settled transactions	–	–	–	–	27	27	–	27
Issue of common shares	2	7	–	–	–	9	3	12
Balance at September 30, 2014	491	432	(10)	(83)	4,691	5,521	483	6,004
Balance at January 1, 2015	492	463	(19)	(43)	4,897	5,790	477	6,267
Profit for the period	–	–	–	–	776	776	61	837
Other comprehensive income	–	–	(13)	36	(442)	(419)	8	(411)
Comprehensive income for the period	–	–	(13)	36	334	357	69	426
Dividend paid	3	103	–	–	(276)	(170)	(46)	(216)
Equity-settled transactions	–	–	–	–	24	24	–	24
Issue of common shares	2	(2)	–	–	–	–	2	2
Acquisitions and divestments	–	–	–	–	(3)	(3)	1	(2)
Balance at September 30, 2015	497	564	(32)	(7)	4,976	5,998	503	6,501

Invested capital

Invested capital at the end of Q3 2015 totaled €10.2 billion, up €0.3 billion on year-end 2014. Invested capital was primarily impacted by currency variation and seasonal increase of operating working capital.

Pensions

The net balance sheet position (IAS19) of the pension plans at the end of Q3 2015 was a deficit of €0.9 billion (year-end 2014: €0.8 billion). This was the result of the net effect of:

- Lower asset returns
- In Q3 2015, one buy-in transaction was concluded in relation to the ICI Specialty Chemicals Pension Fund with a €59 million impact on Other comprehensive income. Total year-to-date de-risking of pension liabilities through non-cash buy-in transactions of £1.7 billion (€2.4 billion), has led to an impact of €380 million on Other comprehensive income

Offset by:

- Top-up payments of €349 million year-to-date predominantly into certain UK pension plans
- Higher discount rates in the key countries

The triennial review of the ICI Pension Fund was completed in July 2015, a new valuation and payment schedule was agreed with the Trustees.

Workforce

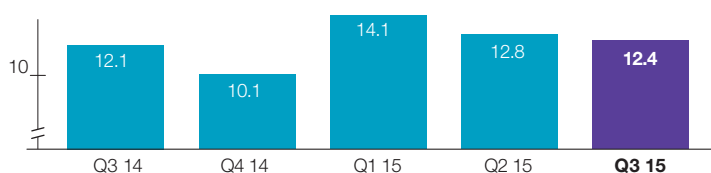
At September 30, 2015, we employed 45,800 people (year-end 2014: 47,200 employees).

Invested capital

in € millions	September 30, 2014	December 31, 2014	September 30, 2015
Trade receivables	2,500	2,246	2,580
Inventories	1,579	1,545	1,581
Trade payables	(2,294)	(2,373)	(2,291)
Operating working capital	1,785	1,418	1,870
Other working capital items	(717)	(676)	(833)
Non-current assets	9,686	10,125	10,031
Less investments in associates and joint ventures	(185)	(183)	(167)
Less pension assets	(76)	(409)	(317)
Deferred tax liabilities	(405)	(412)	(400)
Invested capital	10,088	9,863	10,184

Operating working capital

In % of revenue



Operating working capital

in € millions, % of revenue	September 30, 2014		December 31, 2014		September 30, 2015	
Decorative Paints	341	8.1	202	5.5	378	9.0
Performance Coatings	842	14.8	733	12.9	887	14.9
Specialty Chemicals	669	13.5	587	12.3	665	13.5
Other activities	(67)		(104)		(60)	
Total	1,785	12.1	1,418	10.1	1,870	12.4

Condensed consolidated statement of cash flows

Third quarter			January-September	
2014	2015	in € millions	2014	2015
926	922	Cash and cash equivalents at beginning of period	2,020	1,649
		Adjustments to reconcile earnings to cash generated from operating activities		
219	300	Profit for the period from continuing operations	591	840
152	154	Amortization and depreciation	456	468
137	166	Changes in working capital	(336)	(450)
(48)	(74)	Changes in provisions	(402)	(569)
29	37	Other changes	21	79
489	583	Net cash from operating activities	330	368
(137)	(163)	Capital expenditures	(402)	(423)
6	10	Acquisitions and divestments net of cash acquired	6	122
2	10	Other changes	23	(10)
(129)	(143)	Net cash from investing activities	(373)	(311)
(277)	(267)	Changes from borrowings	(791)	(456)
(19)	(10)	Dividends	(196)	(215)
–	–	Other changes	9	(2)
(296)	(277)	Net cash from financing activities	(978)	(673)
64	163	Net cash used for continuing operations	(1,021)	(616)
(11)	–	Cash flows from discontinued operations	(25)	(2)
53	163	Net change in cash and cash equivalents of total operations	(1,046)	(618)
49	(44)	Effect of exchange rate changes on cash and cash equivalents	54	10
1,028	1,041	Cash and cash equivalents at September 30	1,028	1,041

Cash flows and net debt

Operating activities in Q3 resulted in a cash inflow of €583 million (2014: €489 million). The change is mainly due to:

- Higher profit for the period
- Higher cash inflows from working capital

Net cash from continuing operations for the quarter was positive €163 million. Net debt in Q3 decreased to €1,727 million (Q2 2015: €2,138 million), mainly due to net cash from operating activities.

Outlook and 2015 targets

Market outlook is unchanged: positive trends in North America, no improvement for Europe overall as well as a challenging environment in some countries, including Russia, Brazil and China. Based on current rates, the positive impact of foreign currencies is expected to moderate in the 4th quarter. The significant actions taken in recent years form a sound basis for further improved performance. We are on track to deliver our targets for 2015. Please refer to our website for more information on our ambitions and the strategic focus areas.

Amsterdam, October 22, 2015
The Board of Management

Quarterly statistics

	2014						2015			
	Q1	Q2	Q3	Q4	year	in € millions	Q1	Q2	Q3	year-to-date
Revenue										
	865	1,074	1,050	920	3,909	Decorative Paints	890	1,134	1,052	3,076
	1,319	1,434	1,420	1,416	5,589	Performance Coatings	1,430	1,550	1,493	4,473
	1,222	1,228	1,239	1,194	4,883	Specialty Chemicals	1,296	1,290	1,235	3,821
	(23)	(26)	(23)	(13)	(85)	Other activities/eliminations	(25)	(25)	(20)	(70)
	3,383	3,710	3,686	3,517	14,296	Total	3,591	3,949	3,760	11,300
EBITDA										
	56	141	150	58	405	Decorative Paints	88	165	159	412
	163	212	170	142	687	Performance Coatings	206	257	246	709
	204	204	232	175	815	Specialty Chemicals	242	243	242	727
	(59)	(48)	(65)	(45)	(217)	Other activities/eliminations	(74)	(55)	(57)	(186)
	364	509	487	330	1,690	Total	462	610	590	1,662
	10.8	13.7	13.2	9.4	11.8	EBITDA margin (in %)	12.9	15.4	15.7	14.7
Depreciation										
	(27)	(26)	(27)	(29)	(109)	Decorative Paints	(26)	(26)	(27)	(79)
	(27)	(24)	(25)	(25)	(101)	Performance Coatings	(25)	(26)	(26)	(77)
	(60)	(64)	(64)	(68)	(256)	Specialty Chemicals	(66)	(68)	(66)	(200)
	(3)	(3)	(3)	(2)	(11)	Other activities/eliminations	(3)	(3)	(1)	(7)
	(117)	(117)	(119)	(124)	(477)	Total	(120)	(123)	(120)	(363)
Amortization										
	(12)	(13)	(10)	(13)	(48)	Decorative Paints	(12)	(11)	(11)	(34)
	(10)	(10)	(10)	(11)	(41)	Performance Coatings	(11)	(11)	(10)	(32)
	(9)	(16)	(12)	(14)	(51)	Specialty Chemicals	(13)	(13)	(13)	(39)
	–	–	(1)	–	(1)	Other activities/eliminations	–	–	–	–
	(31)	(39)	(33)	(38)	(141)	Total	(36)	(35)	(34)	(105)
Operating income excluding incidentals										
	17	102	113	16	248	Decorative Paints	50	128	121	299
	126	178	135	106	545	Performance Coatings	170	220	210	600
	135	124	156	93	508	Specialty Chemicals	163	162	163	488
	(62)	(51)	(69)	(47)	(229)	Other activities/eliminations	(77)	(58)	(58)	(193)
	216	353	335	168	1,072	Total	306	452	436	1,194
Operating income										
	17	102	113	16	248	Decorative Paints	50	128	121	299
	126	178	135	106	545	Performance Coatings	170	220	210	600
	135	124	156	93	508	Specialty Chemicals	163	192	163	518
	(62)	(51)	(69)	(132)	(314)	Other activities/eliminations	(77)	(54)	(58)	(189)
	216	353	335	83	987	Total	306	486	436	1,228
	6.4	9.5	9.1	2.4	6.9	ROS (in %)	8.5	12.3	11.6	10.9

Quarterly statistics

					2014					2015
Q1	Q2	Q3	Q4	year	in € millions	Q1	Q2	Q3	year-to-date	
Incidentals per Business Area										
-	-	-	-	-	Decorative Paints	-	-	-	-	-
-	-	-	-	-	Performance Coatings	-	-	-	-	-
-	-	-	-	-	Specialty Chemicals	-	30	-	30	-
-	-	-	(85)	(85)	Other activities/eliminations	-	4	-	4	-
-	-	-	(85)	(85)	Total	-	34	-	34	-
Reconciliation net financing expense										
12	9	9	12	42	Financing income	10	4	7	21	
(44)	(37)	(36)	(40)	(157)	Financing expenses	(38)	(31)	(29)	(98)	
(32)	(28)	(27)	(28)	(115)	Net interest on net debt	(28)	(27)	(22)	(77)	
Other interest movements										
(5)	(4)	(4)	(5)	(18)	Financing expenses related to pensions	(4)	(3)	(4)	(11)	
(4)	(11)	(8)	(9)	(32)	Interest on provisions	(9)	(1)	(7)	(17)	
4	3	1	1	9	Other items	-	4	5	9	
(5)	(12)	(11)	(13)	(41)	Net other financing charges	(13)	-	(6)	(19)	
(37)	(40)	(38)	(41)	(156)	Net financing expenses	(41)	(27)	(28)	(96)	
Quarterly net income analysis										
6	6	6	3	21	Results from associates and joint ventures	(2)	8	6	12	
(16)	(24)	(16)	(16)	(72)	Profit attributable to non-controlling interests	(18)	(27)	(16)	(61)	
185	319	303	45	852	Profit before tax	263	467	414	1,144	
(43)	(89)	(84)	(36)	(252)	Income tax	(82)	(108)	(114)	(304)	
142	230	219	9	600	Profit for the period from continuing operations	181	359	300	840	
23	28	28	80	30	Effective tax rate (in %)	31	23	28	27	

Quarterly statistics

	Q1	Q2	Q3	Q4	2014 year		Q1	Q2	Q3	2015 year-to-date		
Earnings per share from continuing operations (in €)												
	0.52	0.84	0.83	(0.03)	2.16	Basic	0.66	1.35	1.15	3.15		
	0.52	0.83	0.82	(0.03)	2.15	Diluted	0.66	1.34	1.14	3.13		
Earnings per share from discontinued operations (in €)												
	0.01	–	0.01	0.06	0.07	Basic	(0.01)	(0.01)	–	(0.01)		
	0.01	–	0.01	0.06	0.07	Diluted	(0.01)	(0.01)	–	(0.01)		
Earnings per share from total operations (in €)												
	0.53	0.84	0.84	0.03	2.23	Basic	0.65	1.34	1.15	3.14		
	0.53	0.83	0.83	0.03	2.22	Diluted	0.65	1.33	1.14	3.12		
Number of shares (in millions)												
	243.0	244.4	245.4	245.7	244.7	Weighted average number of shares	246.4	247.7	248.4	247.5		
	243.4	245.4	245.4	246.0	246.0	Number of shares at end of quarter	246.9	248.4	248.4	248.4		
Adjusted earnings (in € millions)												
	185	319	303	45	852	Profit before tax from continuing operations	263	467	414	1,144		
	–	–	–	85	85	Incidentals reported in operating income	–	(34)	–	(34)		
	31	39	33	38	141	Amortization of intangible assets	36	35	34	105		
	(52)	(101)	(94)	(72)	(319)	Adjusted income tax	(93)	(118)	(125)	(336)		
	(16)	(24)	(16)	(16)	(72)	Non-controlling interests	(18)	(27)	(16)	(61)		
	148	233	226	80	687	Adjusted net income for continuing operations	188	323	307	818		
	0.61	0.95	0.92	0.33	2.81	Adjusted earnings per share (in €)	0.76	1.30	1.24	3.30		

Notes to the condensed financial statements

Accounting policies and restatements

This interim financial report is in compliance with IAS 34 "Interim Financial Reporting". This report is unaudited. The IFRS changes applicable as from January 1, 2015 do not have any or only an immaterial effect on our Consolidated financial statements. Otherwise the accounting principles are as applied in the 2014 financial statements.

Seasonality

Revenue and results in Decorative Paints are impacted by seasonal influences. Revenue and profitability tend to be higher in the second and third quarter of the year as weather conditions determine whether paints and coatings can be applied. In Performance Coatings, revenue and profitability vary with building patterns from original equipment manufacturers. In Specialty Chemicals, the Functional Chemicals and the Surface Chemistry businesses experience seasonal influences. Revenue and profitability are affected by developments in the agricultural season and tend to be higher in the first half of the year.

Other activities

In other activities, we report activities which are not allocated to a particular Business Area. Corporate costs are the unallocated costs of our head office and shared services center in the Netherlands and also include country holdings. Pensions reflects pension costs after the elimination of interest cost (reported as financing expenses). Insurances are the results from our captive insurance companies. Other costs include the cost of share-based compensation, the results of treasury and legacy operations.

Glossary

Adjusted earnings per share are the basic earnings per share from continuing operations excluding incidentals in operating income, amortization of intangible assets and tax on these adjustments.

Comprehensive income is the change in equity during a period resulting from transactions and other events other than those changes resulting from transactions with shareholders in their capacity as shareholders.

EBITDA is operating income excluding depreciation, amortization and incidental results.

EBITDA margin is EBITDA as percentage of revenue.

Emerging Europe: Central and Eastern Europe (excluding Austria), Baltic States and Turkey.

Incidental results are special charges and benefits, results on acquisitions and divestments, major impairment charges, and charges related to major legal, anti-trust, and environmental cases.

Invested capital is total assets (excluding cash and cash equivalents, investments in associates, the receivable from pension funds in an asset position, assets held for sale) less current income tax payable, deferred tax liabilities and trade and other payables.

Mature markets comprise of Western Europe, the US, Canada, Japan and Oceania.

Net debt is defined as long-term borrowings plus short-term borrowings less cash and cash equivalents.

Operating income is defined in accordance with IFRS and includes the relevant incidental results.

Operating working capital is defined as the sum of inventories, trade receivables and trade payables of the total company. When expressed as a ratio, operating working capital is measured against four times last quarter revenue.

ROI is calculated as operating income of the last twelve months as percentage of average invested capital.

ROS is operating income as percentage of revenue.

Safe Harbor Statement

This report contains statements which address such key issues as AkzoNobel's growth strategy, future financial results, market positions, product development, products in the pipeline and product approvals. Such statements should be carefully considered, and it should be understood that many factors could cause forecast 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 comprehensive discussion of the risk factors affecting our business, please see our latest Annual Report.

Brand and trademarks

In this report, reference is made to brands and trademarks owned by, or licensed to, AkzoNobel. Unauthorized use of these is strictly prohibited.

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Financial calendar

Ex-dividend of 2015 interim dividend	October 26, 2015
Record date of 2015 interim dividend	October 27, 2015
Election period cash or stock interim dividend	October 28, 2015 – November 19, 2015
Payment date of cash dividend and delivery of new shares	November 26, 2015
Report for the year 2015 and the 4 th quarter	February 10, 2016
Report for the 1 st quarter 2016	April 19, 2016
Annual General Meeting of shareholders	April 20, 2016
Report for the 2 nd quarter 2016	July 19, 2016
Report for the 3 rd quarter 2016	October 19, 2016



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AkzoNobel is a leading global paints and coatings company and a major producer of specialty chemicals. Calling on centuries of expertise, we supply industries and consumers worldwide with innovative products and sustainable technologies designed to meet the growing demands of our fast-changing planet. Headquartered in Amsterdam, the Netherlands, we have approximately 46,000 people in around 80 countries, while our portfolio includes well-known brands such as Dulux, Sikkens, International, Interpon and Eka. Consistently ranked as one of the leaders in the area of sustainability, we are committed to making life more liveable and our cities more human.