

## Mediabericht

19 juli 2016

### AkzoNobel publiceert resultaten tweede kwartaal 2016

**Aanhoudende volumegroei met verbeterde winstgevendheid in alle bedrijfsonderdelen**  
*Sterke negatieve valuta-effecten*

Akzo Nobel N.V. (AKZA.AS; AKZOY)

- **Volumes** stegen met 1 procent, voornamelijk door Decorative Paints en Performance Coatings
- **EBIT** (bedrijfsresultaat exclusief incidentele posten) steeg met 9 procent tot €491 miljoen (2015: €452 miljoen), als gevolg van initiatieven voor prestatieverbetering en lagere kosten, deels geneutraliseerd door negatieve valuta-effecten
- **Omzet** daalde 6 procent tot €3,7 miljard, sterk negatief beïnvloed door valuta-effecten
- **Rendement op verkopen (ROS)\*** verbeterde tot 13,2 procent (2015: 11,4 procent); **rendement op investeringen (ROI)** verbeterde tot 15,1 procent (2015: 12,2 procent). ROS en ROI verbeterde voor alledrie de bedrijfsonderdelen
- **Aangepaste winst per aandeel (EPS)** steeg 2 procent naar €1,32 (2015: €1,30)
- **Nettoresultaat voor aandeelhouders** steeg naar €312 miljoen (2015: €331 miljoen, waarbij positieve incidentele posten inbegrepen waren)
- **Netto kasinstroom uit operationele activiteiten** steeg naar €453 miljoen (2015: €407 miljoen)
- Uitgifte van een **tienjaars obligatie van €500 miljoen** met een couponrente van 1,125 procent in april 2016
- **Verdere risicovermindering** van pensioenverplichtingen in het Verenigd Koninkrijk
- **Vooruitzichten:** de marktomgeving blijft onzeker met uitdagende omstandigheden in verschillende landen en segmenten. Deflatoire druk en valutategenwind zullen naar verwachting aanhouden

AkzoNobel maakte vandaag een tweede kwartaal bekend met positieve ontwikkelingen in de winstgevendheid van alledrie de bedrijfsonderdelen, ondanks valutadruk en een uitdagende marktomgeving. EBIT steeg met 9 procent tot €491 miljoen. De algehele volumes verbeterden 1 procent, hoewel deze toename niet tot uiting kwam in de omzet van het tweede kwartaal, die 6 procent daalde tot €3,7 miljard, sterk beïnvloed door valuta's. Het rendement op verkopen verbeterde naar 13,2 procent en het rendement op investeringen steeg naar 15,1 procent.

#### CEO Ton Büchner:

"In het afgelopen kwartaal stegen onze volumes en verbeterde de winstgevendheid in alledrie de bedrijfsonderdelen, een bewijs van de onverminderde veerkracht van onze onderneming. De marktomgeving in 2016 blijft onzeker met in veel landen en segmenten uitdagende omstandigheden. Deflatoire druk en valutategenwind zullen naar verwachting aanhouden. We blijven ons focussen op verdere continue verbetering en organische groei onder onze bedrijfsonderdelen.

Met trots openden we ons grootste technologiecentrum in China, dat ondersteuning gaat bieden voor productinnovaties en de ontwikkeling van een volgende generatie verven, coatings en specialty chemicals. Ook staan we nummer één in onze sector in de invloedrijke FTSE4GOOD-index van duurzame ondernemingen, een stimulans om duurzaamheid nog verder te integreren in het hart van onze bedrijfsvoering."

\* ROS% is EBIT gedeeld door omzet

Voortschrijdend gemiddelde ROI% is 12 maanden EBIT gedeeld door 12 maanden gemiddeld geïnvesteerd vermogen

### 2e kwartaal 2016 in € miljoen

	Q2 2015	Q2 2016	Δ %
Omzet	3.949	3.711	(6)
Bedrijfsresultaat	486	491	1
EBIT (bedrijfsresultaat excl. incidentele posten)	452	491	9
Rendement op verkopen %*	11,4	13,2	
Nettoresultaat voor aandeelhouders	331	312	(6)

### Eerste halfjaar 2016 in € miljoen

	H1 2015	H1 2016	Δ %
Omzet	7.540	7.141	(5)
Bedrijfsresultaat	792	848	7
EBIT (bedrijfsresultaat excl. incidentele posten)	758	825	9
Rendement op verkopen (ROS) %*	10,1	11,6	
Nettoresultaat voor aandeelhouders	491	552	12

**Decorative Paints:** Positieve ontwikkelingen in Azië droegen bij aan een toename in volumes en droegen ook bij aan een verbetering in EBIT, welke 2 procent steeg. Deze winsten werden echter meer dan geneutraliseerd door ongunstige valuta-effecten. Volumes bleven dalen in Latijns-Amerika en waren licht lager in Europa, met een algehele omzetsdaling van 7 procent. In Rio de Janeiro in Brazilië introduceerden we ons Unexpected Courts-project. Hierbij wordt verf op een creatieve manier gebruikt om plekken te creëren die kinderen inspireren om verschillende sporten uit te proberen, zoals basketbal, hockey en volleybal.

**Performance Coatings:** Ontwikkelingen in de vraag verschilden per regio, waarbij hogere volumes meer dan geneutraliseerd werden door negatieve valuta's. Dit resulteerde in een omzetsdaling van 5 procent. Hogere volumes, doorlopende initiatieven voor prestatieverbetering en lagere kosten droegen bij aan een hogere EBIT, hoewel beperkt tot 1 procent als gevolg van ongunstige valuta's. We hebben de eerste fase voltooid van de uitbreiding van onze protective coatings productielocatie in Cikarang, Indonesië. De uitbreiding zal de capaciteit van de fabriek verhogen met 40 procent en ons daarmee helpen aan de groeiende binnenlandse vraag te voldoen.

**Specialty Chemicals:** De algehele volumes waren vlak, waarbij positieve ontwikkelingen in sommige segmenten werden gecompenseerd door lagere vraag in oliegerelateerde segmenten. De omzet daalde 7 procent, voornamelijk als gevolg van de desinvestering van Paper Chemicals in 2015, negatieve valuta-effecten en prijsdeflatie in verschillende segmenten. De EBIT steeg met 10 procent als gevolg van operationele efficiëntie en lagere kosten. Onze Expancel Microspheres zijn door de US Food & Drug Administration goedgekeurd als een bestanddeel voor wijnkurken. Het product helpt ervoor te zorgen dat wijn zo perfect mogelijk bewaard blijft en optimaal kan worden genoten.

\* ROS% is EBIT gedeeld door omzet

Voortschrijdend gemiddelde ROI% is 12 maanden EBIT gedeeld door 12 maanden gemiddeld geïnvesteerd vermogen

## Hoogtepunten per bedrijfssonderdeel in € miljoen

### Decorative Paints

Q2 2015	Q2 2016	Δ%		H1 2015	H1 2016	Δ%
1.134	1.055	(7)	Omzet	2.024	<b>1.916</b>	(5)
128	131	2	Bedrijfsresultaat	178	<b>183</b>	3
128	131	2	EBIT (bedrijfsresultaat excl. incidentele posten)	178	<b>183</b>	3
11,3	12,4		ROS %*	8,8	<b>9,6</b>	

### Performance Coatings

Q2 2015	Q2 2016	Δ%		H1 2015	H1 2016	Δ%
1.550	1.473	(5)	Omzet	2.980	<b>2.861</b>	(4)
220	222	1	Bedrijfsresultaat	390	<b>408</b>	5
220	222	1	EBIT (bedrijfsresultaat excl. incidentele posten)	390	<b>408</b>	5
14,2	15,1		ROS %*	13,1	<b>14,3</b>	

### Specialty Chemicals

Q2 2015	Q2 2016	Δ%		H1 2015	H1 2016	Δ%
1.290	1.206	(7)	Omzet	2.586	<b>2.412</b>	(7)
192	179	(7)	Bedrijfsresultaat	355	<b>343</b>	(3)
162	179	10	EBIT (bedrijfsresultaat excl. incidentele posten)	325	<b>343</b>	6
12,6	14,8		ROS %*	12,6	<b>14,2</b>	

Het rapport van het 2e kwartaal 2016 kan worden gedownload via de AkzoNobel Report iPad app <http://bit.ly/oblirf> of online worden gelezen op [www.akzonobel.com/quarterlyresults](http://www.akzonobel.com/quarterlyresults).

\* ROS% is EBIT gedeeld door omzet

Voortschrijdend gemiddelde ROI% is 12 maanden EBIT gedeeld door 12 maanden gemiddeld geïnvesteerd vermogen

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AkzoNobel maakt essentiële producten die inspireren en het dagelijks leven prettiger maken. Als internationaal vooraanstaande verf- en coatingsonderneming en een belangrijk producent van specialistische chemicaliën leveren we essentiële ingrediënten, essentiële bescherming en essentiële kleuren voor consumenten en industrie wereldwijd. We hebben een rijke geschiedenis en zijn pioniers in duurzame technologie en innovatieve producten, die tegemoet komen aan de groeiende behoeften van onze snel veranderende planeet en tegelijkertijd het leven makkelijker maken. Ons hoofdkantoor staat in Amsterdam en we hebben 45.000 medewerkers in 80 landen. Tot onze merken behoren bekende namen als Flexa, Sikkens en Jozo. We hebben een permanente leiderschapspositie op het gebied van duurzaamheid. Van daaruit zetten we ons in om steden en omgevingen levendiger te maken, te beschermen, en kleur te geven.

#### Niet voor publicatie – voor meer informatie

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#### **Safe Harbor Statement**

This press release contains statements which address key issues such 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 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 comprehensive discussion of the risk factors affecting our business please see our latest annual report, a copy of which can be found on our website [www.akzonobel.com](http://www.akzonobel.com)

# Q2 Report

Half-yearly report & report for the second quarter 2016

AkzoNobel 

2016



# Financial highlights

Volumes were up 1 percent, driven by Decorative Paints and Performance Coatings. Revenue was down 6 percent, mainly due to adverse currencies. EBIT (operating income excluding incidental items) was up 9 percent at €491 million (2015: €452 million), reflecting continuous improvement initiatives and lower costs, partly offset by adverse currency effects. ROS improved to 13.2 percent (2015: 11.4 percent) and ROI improved to 15.1 percent (2015: 12.2 percent). ROS and ROI improved for all Business Areas. Net cash inflow from operating activities was €453 million, up 11 percent (2015: €407 million).

## Revenue

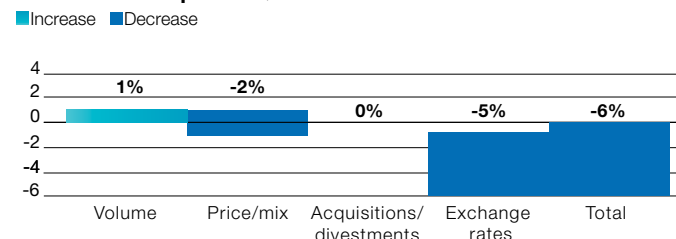
Volumes were up 1 percent, while adverse currency effects and price/mix effects resulted in revenue down 6 percent.

- In Decorative Paints volumes were up in Asia, continued to be down in Latin America and were slightly lower in Europe. Revenue was down 7 percent due to unfavorable currency effects
- In Performance Coatings volumes were up 2 percent with positive developments in all reporting units. Demand trends differed per region. Revenue was down 5 percent due to adverse currencies
- In Specialty Chemicals volumes were flat with positive developments in some segments offset by lower demand in oil related segments. Revenue was down 7 percent mainly due to adverse currency effects, divestments and price deflation in several markets

## Acquisitions and divestments

The divestment of the Paper Chemicals business was completed in Q2 2015.

## Revenue development Q2 2016



## Revenue

Second quarter			January-June			
2015	2016	Δ%	in € millions	2015	2016	Δ%
1,134	1,055	(7)	Decorative Paints	2,024	1,916	(5)
1,550	1,473	(5)	Performance Coatings	2,980	2,861	(4)
1,290	1,206	(7)	Specialty Chemicals	2,586	2,412	(7)
(25)	(23)		Other activities/eliminations	(50)	(48)	
<b>3,949</b>	<b>3,711</b>	<b>(6)</b>	<b>Total</b>	<b>7,540</b>	<b>7,141</b>	<b>(5)</b>

in % versus Q2 2015	Volume	Price/mix	Divestments	Exchange rates	Total
Decorative Paints	1	(1)	-	(7)	(7)
Performance Coatings	2	(2)	-	(5)	(5)
Specialty Chemicals	-	(3)	(1)	(3)	(7)
<b>Total</b>	<b>1</b>	<b>(2)</b>	<b>-</b>	<b>(5)</b>	<b>(6)</b>

Volume development per quarter (year-on-year)	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16
Decorative Paints	(1)	-	1	6	1
Performance Coatings	(3)	(2)	-	2	2
Specialty Chemicals	-	-	-	1	-
<b>Total</b>	<b>(2)</b>	<b>(1)</b>	<b>-</b>	<b>2</b>	<b>1</b>

Price/mix development per quarter (year-on-year)	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16
Decorative Paints	-	(2)	-	(2)	(1)
Performance Coatings	-	2	1	(1)	(2)
Specialty Chemicals	(1)	(2)	(2)	(4)	(3)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>(2)</b>	<b>(2)</b>

### EBIT and operating income

- In Decorative Paints, EBIT and operating income were up 2 percent, mainly due to higher volumes and lower costs, partly offset by adverse currency effects
- In Performance Coatings, EBIT and operating income were up 1 percent due to higher volumes, continuous improvement initiatives and lower costs offset by unfavorable currencies
- In Specialty Chemicals, EBIT was up 10 percent due to operational efficiencies and lower costs, while price deflation and adverse currencies also affected the results. In Q2 2015 the divestment of the Paper Chemicals business was closed and resulted in a book profit net of related costs of €30 million reported in operating income
- EBIT and operating income in other activities were impacted by favorable one-time adjustments on legacy provisions. Corporate and other costs were in line with the previous year

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

### Net financing expenses

Net financing expenses decreased as a result of reduced external interest expenses following the repayment of a high interest bond and the issuance of a low interest bond in Q2 2016.

### Tax

The year-to-date effective tax rate was 27 percent (2015: 26 percent), impacted by non-taxable gains and adjustments to previous years.

### Net income

Year-to-date net income attributable to shareholders was up 12 percent at €552 million (2015: €491 million). Net income attributable to shareholders in Q2 was at €312 million (2015: €331 million). Q2 2015 was positively impacted by an incidental item related to the divestment of the Paper Chemicals business and tax adjustments.

### EBIT (operating income excluding incidental items)

Second quarter			January-June			
2015	2016	Δ%	in € millions	2015	2016	Δ%
128	131	2	Decorative Paints	178	183	3
220	222	1	Performance Coatings	390	408	5
162	179	10	Specialty Chemicals	325	343	6
(58)	(41)		Other activities/eliminations	(135)	(109)	
<b>452</b>	<b>491</b>	<b>9</b>	<b>Total</b>	<b>758</b>	<b>825</b>	<b>9</b>

### Operating income

Second quarter			January-June			
2015	2016	Δ%	in € millions	2015	2016	Δ%
128	131	2	Decorative Paints	178	183	3
220	222	1	Performance Coatings	390	408	5
192	179	(7)	Specialty Chemicals	355	343	(3)
(54)	(41)		Other activities/eliminations	(131)	(86)	
<b>486</b>	<b>491</b>	<b>1</b>	<b>Total</b>	<b>792</b>	<b>848</b>	<b>7</b>

### Operating income to net income

Second quarter			January-June	
2015	2016	in € millions	2015	2016
<b>486</b>	<b>491</b>	<b>Operating income</b>	<b>792</b>	<b>848</b>
(27)	(22)	Net financing expenses	(68)	(49)
8	8	Results from associates and joint ventures	6	28
<b>467</b>	<b>477</b>	<b>Profit before tax</b>	<b>730</b>	<b>827</b>
(108)	(138)	Income tax	(190)	(224)
<b>359</b>	<b>339</b>	<b>Profit from continuing operations</b>	<b>540</b>	<b>603</b>
(1)	-	Profit from discontinued operations	(4)	(1)
<b>358</b>	<b>339</b>	<b>Profit for the period</b>	<b>536</b>	<b>602</b>
(27)	(27)	Non-controlling interests	(45)	(50)
<b>331</b>	<b>312</b>	<b>Net income</b>	<b>491</b>	<b>552</b>

# Decorative Paints

- Volumes increased 1 percent mainly due to positive developments in Asia
- Revenue down 7 percent, due to unfavorable currency effects
- EBIT and operating income up 2 percent, mainly due to higher volumes and lower costs, partly offset by adverse currency effects
- ROS increased to 12.4 percent (2015: 11.3 percent); ROI increased to 12.3 percent (2015: 10.4 percent)

Volumes were up in Asia, continued to be down in Latin America and were slightly lower in Europe. Revenue was down 7 percent due to unfavorable currency effects.

EBIT and operating income were up 2 percent, mainly due to higher volumes and lower costs, partly offset by adverse currency effects. In all regions foreign currency effects adversely impacted raw material costs in local currencies.

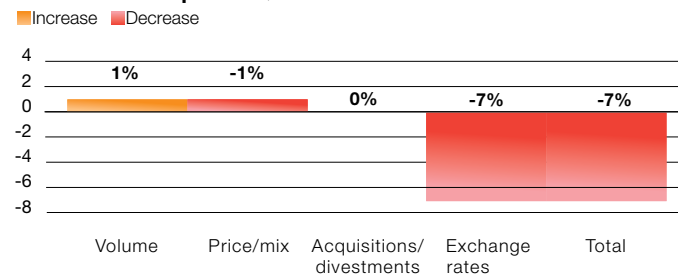
## Europe, Middle East and Africa

Recent developments have increased uncertainty in some countries, for example as a result of the UK referendum. Currency volatility has also increased, including for the pound Sterling. Volumes were slightly down in the region. Revenue was down 6 percent mostly due to unfavorable currencies and price/mix.

## Latin America

Market conditions remained challenging due to economic instability and currency devaluation. Revenue decreased 22 percent mainly due to adverse currency effects, while positive price/mix offset lower volumes. Improvement actions and cost control remained the focus in the region.

## Revenue development Q2 2016



## Asia

Demand was positive in many Asian markets. In China, volumes were positive despite continued challenging conditions in the construction market. Revenue reduced 4 percent due to higher volumes more than offset by unfavorable currencies and adverse price/mix.

Children in Brazil can now test their all-round sporting skills, thanks to the inspiring and imaginative use of paint. Launched in Rio, our Unexpected Courts project uses paint to create courts and spaces in surprising places, where children can play alternative sports such as basketball, volleyball, hockey and table tennis.



## Revenue

Second quarter				January-June		
2015	2016	Δ%	in € millions	2015	2016	Δ%
665	627	(6)	Deco Europe, Middle East and Africa	1,177	1,139	(3)
133	104	(22)	Decorative Paints Latin America	271	205	(24)
336	324	(4)	Decorative Paints Asia	576	573	(1)
-	-	-	Other/intragroup eliminations	-	(1)	
<b>1,134</b>	<b>1,055</b>	<b>(7)</b>	<b>Total</b>	<b>2,024</b>	<b>1,916</b>	<b>(5)</b>
128	131	2	Operating income	178	183	3
128	131	2	EBIT	178	183	3
11.3	12.4		ROS% *	8.8	9.6	
			Average invested capital	2,953	2,856	
			Moving average ROI (in %) *	10.4	12.3	
39	26		Capital expenditures	76	52	
			Number of employees	15,200	14,700	

\* ROS% = EBIT/Revenue. Moving average ROI (in %) = 12 months EBIT/12 months average invested capital

# Performance Coatings

- Volumes up 2 percent with positive developments in all reporting units
- Revenue down 5 percent, due to adverse currencies
- EBIT and operating income up 1 percent, due to higher volumes, continuous improvement initiatives and lower costs offset by unfavorable currencies
- ROS increased to 15.1 percent (2015: 14.2 percent); ROI increased to 31.0 percent (2015: 23.9 percent)

Volumes were up 2 percent with positive developments in all reporting units. Demand trends differed per region. Revenue was down 5 percent due to adverse currencies.

EBIT and operating income were up 1 percent due to higher volumes, continuous improvement initiatives and lower costs.

## Marine and Protective Coatings

Protective Coatings volumes were up due to strong demand in Asia. Volumes in Marine Coatings were impacted by the slowdown of new build activity in Asia, as well as maintenance and dry docking. Revenue was down 6 percent with improved volumes more than offset by adverse price/mix and currencies.

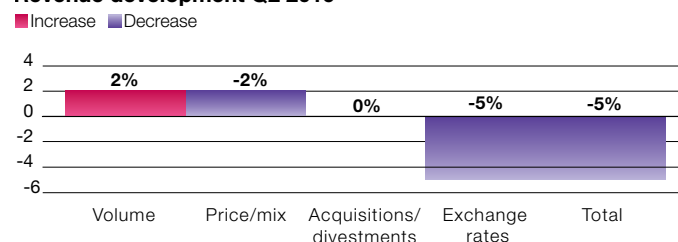
## Automotive and Specialty Coatings

Volumes in Automotive Coatings were up, particularly in Europe. New business in Asia helped to offset a general slowdown in Specialty Coatings. Revenue was down 1 percent with increased volumes and favorable price/mix more than offset by adverse currencies.

## Industrial and Powder Coatings

Volumes for Powder Coatings were positive, especially in Europe, while demand was subdued for Wood Coatings. Coil and Packaging Coatings grew in Asia. Revenue was down 6 percent due to higher volumes more than offset by adverse currencies and price/mix.

## Revenue development Q2 2016



## Intended acquisition of BASF's Industrial Coatings business

In Q1 2016, the intended acquisition of BASF's Industrial Coatings business was announced. The business generated revenue of about €300 million in 2015 and supplies products for a number of end uses, including coil, furniture foil and panel coatings, wind energy and general industry, and commercial transport. The planned transaction is expected to be completed in the later part of the second half of 2016.

We inaugurated a new €6.5 million technology center in Songjiang, Shanghai. The company's largest research facility in China, it will support customers in all our end-use sectors. Equipped with a full array of state-of-the-art material analysis and performance testing facilities, the center currently employs 150 scientists, which is expected to rise to 200 by 2020. The majority of the products supported by the new facility will be waterborne and powder-based, in line with our ambitions to develop more eco-premium solutions.



## Revenue

Second quarter

January-June

2015	2016	Δ%	in € millions	2015	2016	Δ%
418	392	(6)	Marine and Protective Coatings	771	752	(2)
389	385	(1)	Automotive and Specialty Coatings	777	758	(2)
750	705	(6)	Industrial and Powder Coatings	1,445	1,370	(5)
(7)	(9)		Other/intragroup eliminations	(13)	(19)	
<b>1,550</b>	<b>1,473</b>	<b>(5)</b>	<b>Total</b>	<b>2,980</b>	<b>2,861</b>	<b>(4)</b>
220	222	1	Operating income	390	408	5
220	222	1	EBIT	390	408	5
14.2	15.1		ROS% *	13.1	14.3	
			Average invested capital	2,643	2,612	
			Moving average ROI (in %) *	23.9	31.0	
35	40		Capital expenditures	64	71	
			Number of employees	19,700	19,300	

\* ROS% = EBIT/Revenue. Moving average ROI (in %) = 12 months EBIT/12 months average invested capital

# Specialty Chemicals

- Volumes flat with positive developments in some segments offset by lower demand in oil related segments
- Revenue down 7 percent, due to adverse currency effects, divestments and price deflation in several segments
- EBIT up 10 percent mostly due to operational efficiencies and lower costs
- ROS increased to 14.8 percent (2015: 12.6 percent); ROI increased to 17.1 percent (2015: 16.1 percent)

Volumes were flat with positive developments in some segments offset by lower demand in oil related segments. Revenue was down 7 percent mainly due to adverse currency effects, divestments and price deflation in several markets.

EBIT was up 10 percent due to operational efficiencies and lower costs, while price deflation and adverse currencies also affected the results. In Q2 2015 the divestment of the Paper Chemicals business was closed and resulted in a book profit net of related costs of €30 million reported in operating income.

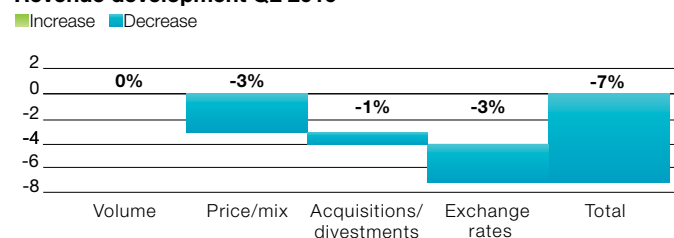
## Functional Chemicals

Volumes were down 3 percent compared with a strong previous year. Revenue was down 10 percent, mainly due to price deflation, lower volumes and adverse currency effects.

## Industrial Chemicals

Volumes were higher mainly due to increased manufacturing availability in Frankfurt and Rotterdam. Revenue was up 3 percent with higher volumes partly offset by adverse price/mix effects.

## Revenue development Q2 2016



## Surface Chemistry

Volume development was positive in Europe and Asia. Revenue was down 6 percent due to adverse currencies and price deflation in the oil related segments, especially in the Americas.

## Pulp and Performance Chemicals

Volumes in Europe remained positive, while demand in the Americas was subdued partly due to de-stocking of customers. Revenue, excluding the impact of the divested Paper Chemicals business, was down 6 percent mainly due to adverse currency effects.

Winemakers are increasingly turning to corks made with our Expancel Microspheres, which help to ensure that wines are kept as perfect as possible and can be enjoyed as intended. The innovative and versatile product has now been approved by the US Food and Drug Administration as a constituent in wine corks. It has been rapidly growing in popularity with micro-agglomerated wine cork manufacturers, as it helps to overcome some of the weaknesses of traditional cork.



## Revenue

Second quarter				January-June		
2015	2016	Δ%	in € millions	2015	2016	Δ%
497	445	(10)	Functional Chemicals	961	881	(8)
284	293	3	Industrial Chemicals	592	592	-
282	266	(6)	Surface Chemistry	559	524	(6)
252	223	(12)	Pulp and Performance Chemicals	525	457	(13)
(25)	(21)	(4)	Other/intragroup eliminations	(51)	(42)	(9)
<b>1,290</b>	<b>1,206</b>	<b>(7)</b>	<b>Total</b>	<b>2,586</b>	<b>2,412</b>	<b>(7)</b>
192	179	(7)	Operating income	355	343	(3)
162	179	10	EBIT	325	343	6
12.6	14.8	18	ROS% *	12.6	14.2	12
			Average invested capital	3,557	3,477	(2)
			Moving average ROI (in %) *	16.1	17.1	6
59	84	41	Capital expenditures	115	147	28
			Number of employees	9,200	9,000	(2)

\* ROS% = EBIT/Revenue. Moving average ROI (in %) = 12 months EBIT/12 months average invested capital

# Condensed financial statements

## Consolidated statement of income

Second quarter		January-June	
2015	2016	2015	2016
in € millions			
<b>Continuing operations</b>			
3,949	3,711	7,540	7,141
(2,313)	(2,094)	(4,459)	(4,075)
<b>1,636</b>	<b>1,617</b>	<b>3,081</b>	<b>3,066</b>
(1,184)	(1,126)	(2,323)	(2,241)
34	–	34	23
<b>486</b>	<b>491</b>	<b>792</b>	<b>848</b>
(27)	(22)	(68)	(49)
8	8	6	28
<b>467</b>	<b>477</b>	<b>730</b>	<b>827</b>
(108)	(138)	(190)	(224)
<b>359</b>	<b>339</b>	<b>540</b>	<b>603</b>
<b>Discontinued operations</b>			
(1)	–	(4)	(1)
<b>358</b>	<b>339</b>	<b>536</b>	<b>602</b>
<b>Attributable to</b>			
331	312	491	552
27	27	45	50
<b>358</b>	<b>339</b>	<b>536</b>	<b>602</b>

## Consolidated statement of comprehensive income

Second quarter		January-June	
2015	2016	2015	2016
in € millions			
358	339	536	602
<b>Other comprehensive income</b>			
(176)	10	414	(176)
(4)	33	(5)	17
(338)	(31)	(638)	(70)
(6)	152	–	155
<b>(524)</b>	<b>164</b>	<b>(229)</b>	<b>(74)</b>
<b>(166)</b>	<b>503</b>	<b>307</b>	<b>528</b>
<b>Comprehensive income for the period attributable to</b>			
(169)	475	231	487
3	28	76	41
<b>(166)</b>	<b>503</b>	<b>307</b>	<b>528</b>

## Condensed consolidated balance sheet

in € millions	December 31, 2015	June 30, 2016
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	4,156	4,064
Property, plant and equipment	4,003	4,033
Other financial non-current assets	2,125	2,442
<b>Total non-current assets</b>	<b>10,284</b>	<b>10,539</b>
<b>Current assets</b>		
Inventories	1,504	1,585
Trade and other receivables	2,741	3,109
Cash and cash equivalents	1,365	1,331
Other current assets	69	60
<b>Total current assets</b>	<b>5,679</b>	<b>6,085</b>
<b>Total assets</b>	<b>15,963</b>	<b>16,624</b>
<b>Equity and liabilities</b>		
<b>Total equity</b>	<b>6,980</b>	<b>7,314</b>
<b>Non-current liabilities</b>		
Provisions and deferred tax liabilities	2,225	2,313
Long-term borrowings	2,161	2,655
<b>Total non-current liabilities</b>	<b>4,386</b>	<b>4,968</b>
<b>Current liabilities</b>		
Short-term borrowings	430	255
Trade and other payables	3,473	3,338
Other short-term liabilities	694	749
<b>Total current liabilities</b>	<b>4,597</b>	<b>4,342</b>
<b>Total equity and liabilities</b>	<b>15,963</b>	<b>16,624</b>

## 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
<b>Balance at January 1, 2015</b>	492	463	(19)	(43)	4,897	5,790	477	6,267
Profit for the period	–	–	–	–	491	491	45	536
Other comprehensive income	–	–	(4)	396	(652)	(260)	31	(229)
<b>Comprehensive income for the period</b>	–	–	(4)	396	(161)	231	76	307
Dividend paid	3	103	–	–	(276)	(170)	(37)	(207)
Equity-settled transactions	–	–	–	–	14	14	–	14
Issue of common shares	2	(2)	–	–	–	–	2	2
Acquisitions and divestments	–	–	–	–	(3)	(3)	1	(2)
<b>Balance at June 30, 2015</b>	497	564	(23)	353	4,471	5,862	519	6,381
<b>Balance at January 1, 2016</b>	498	598	(42)	81	5,349	6,484	496	6,980
Profit for the period	–	–	–	–	552	552	50	602
Other comprehensive income	–	–	13	(187)	109	(65)	(9)	(74)
<b>Comprehensive income for the period</b>	–	–	13	(187)	661	487	41	528
Dividend paid	4	115	–	–	(299)	(180)	(32)	(212)
Equity-settled transactions	–	–	–	–	18	18	–	18
Issue of common shares	1	(1)	–	–	–	–	–	–
Acquisitions and divestments	–	–	–	–	(1)	(1)	1	–
<b>Balance at June 30, 2016</b>	503	712	(29)	(106)	5,728	6,808	506	7,314

### Shareholders' equity

Shareholders' equity increased from €6.5 billion at year-end 2015 to €6.8 billion at the end of June 2016, mainly due to the net effect of:

- Profit for the period of €552 million
- A net positive effect of €109 million for actuarial gains and losses which includes the adverse impact of the de-risking of pension liabilities and the positive impact of re-recognition of (pension related) deferred tax assets
- Negative currency effects €187 million (and related taxes)
- Dividend payments of €180 million

### Invested capital

Invested capital at the end of Q2 2016 totaled €10.3 billion (Q2 2015: €10.7 billion), down €0.4 billion. Operating working capital was €142 million lower than June 30, 2015 and improved to 12.6 percent of revenue (Q2 2015: 12.8 percent).

### Pensions

The net balance sheet position (IAS19) of the pension plans at the end of Q2 2016 was a deficit of €0.4 billion (year-end 2015: €0.6 billion). The development during the first half of 2016 was the net effect of:

- Top-up payments of €284 million, predominantly into the UK pension plans
- Higher asset returns and lower inflation

Offset by:

- Lower discount rates in the key countries
- De-risking of pension liabilities through non-cash buy-in transactions totaling €1.2 billion (£0.6 billion in Q2 and £0.3 billion in Q1), related to the ICI Pension Fund, which led to an adverse €221 million impact in Other comprehensive income

An additional non-cash buy-in transaction of £0.8 billion was completed in July 2016 related to the ICI Pension Fund.

### Workforce

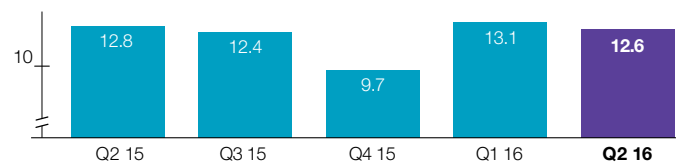
At June 30, 2016, we employed 45,700 people (June 30, 2015: 46,000). With the introduction of Global Business Services (GBS) organization as of January 1, 2016 some employees are now reported at corporate level instead of within the Business Areas.

### Invested capital

in € millions	June 30, 2015	December 31, 2015	June 30, 2016
Trade receivables	2,806	2,267	2,579
Inventories	1,644	1,504	1,585
Trade payables	(2,433)	(2,386)	(2,289)
<b>Operating working capital</b>	<b>2,017</b>	<b>1,385</b>	<b>1,875</b>
Other working capital items	(721)	(787)	(778)
Non-current assets	10,184	10,284	10,539
Less investments in associates and joint ventures	(163)	(165)	(156)
Less pension assets	(146)	(528)	(845)
Deferred tax liabilities	(434)	(360)	(348)
<b>Invested capital</b>	<b>10,737</b>	<b>9,829</b>	<b>10,287</b>

### Operating working capital

In % of revenue



### Cash flows and net debt

Operating activities in Q2 2016 resulted in a cash inflow of €453 million, up 11 percent (2015: €407 million).

In April 2016, a €500 million bond was launched at attractive terms, with a ten-year maturity, at a coupon of 1.125 percent. A £250 million bond with 8 percent coupon was repaid from existing sources in April 2016.

At June 30, 2016 net debt was €1,580 million down 26 percent on June 30, 2015 (€ 2,138 million).

### Outlook

The market environment remains uncertain with challenging conditions in several countries and segments. Deflationary pressures and currency headwinds are expected to continue.

Please refer to our website for more information on our ambitions and the strategic focus areas.

### Condensed consolidated statement of cash flows

Second quarter			January-June	
2015	2016	in € millions	2015	2016
947	1,097	<b>Cash and cash equivalents at beginning of period</b>	1,649	1,317
<b>Adjustments to reconcile earnings to cash generated from operating activities</b>				
359	339	Profit for the period from continuing operations	540	603
158	151	Amortization and depreciation	314	304
(40)	(74)	Changes in working capital	(616)	(566)
(85)	(38)	Changes in provisions	(495)	(338)
15	75	Other changes	42	114
<b>407</b>	<b>453</b>	<b>Net cash from operating activities</b>	<b>(215)</b>	<b>117</b>
(137)	(151)	Capital expenditures	(260)	(275)
114	25	Acquisitions and divestments net of cash acquired	112	23
(14)	16	Other changes	(20)	22
<b>(37)</b>	<b>(110)</b>	<b>Net cash from investing activities</b>	<b>(168)</b>	<b>(230)</b>
(175)	33	Changes from borrowings	(189)	298
(184)	(226)	Dividends	(205)	(233)
(2)	1	Other changes	(2)	(1)
<b>(361)</b>	<b>(192)</b>	<b>Net cash from financing activities</b>	<b>(396)</b>	<b>64</b>
<b>9</b>	<b>151</b>	<b>Net cash used for continuing operations</b>	<b>(779)</b>	<b>(49)</b>
(1)	(1)	Cash flows from discontinued operations	(2)	(4)
<b>8</b>	<b>150</b>	<b>Net change in cash and cash equivalents of total operations</b>	<b>(781)</b>	<b>(53)</b>
(33)	7	Effect of exchange rate changes on cash and cash equivalents	54	(10)
<b>922</b>	<b>1,254</b>	<b>Net cash and cash equivalents at June 30</b>	<b>922</b>	<b>1,254</b>

## Quarterly statistics

					2015				2016
Q1	Q2	Q3	Q4	year	in € millions	Q1	Q2	year-to-date	
<b>Revenue</b>									
890	1,134	1,052	931	4,007	Decorative Paints	861	1,055	1,916	
1,430	1,550	1,493	1,482	5,955	Performance Coatings	1,388	1,473	2,861	
1,296	1,290	1,235	1,167	4,988	Specialty Chemicals	1,206	1,206	2,412	
(25)	(25)	(20)	(21)	(91)	Other activities/eliminations	(25)	(23)	(48)	
<b>3,591</b>	<b>3,949</b>	<b>3,760</b>	<b>3,559</b>	<b>14,859</b>	<b>Total</b>	<b>3,430</b>	<b>3,711</b>	<b>7,141</b>	
<b>EBITDA</b>									
88	165	159	83	495	Decorative Paints	86	165	251	
206	257	246	229	938	Performance Coatings	222	257	479	
242	243	242	171	898	Specialty Chemicals	245	259	504	
(74)	(55)	(57)	(57)	(243)	Other activities/eliminations	(66)	(39)	(105)	
<b>462</b>	<b>610</b>	<b>590</b>	<b>426</b>	<b>2,088</b>	<b>Total</b>	<b>487</b>	<b>642</b>	<b>1,129</b>	
<b>12.9</b>	<b>15.4</b>	<b>15.7</b>	<b>12.0</b>	<b>14.1</b>	<b>EBITDA margin (in %)</b>	<b>14.2</b>	<b>17.3</b>	<b>15.8</b>	
<b>Depreciation</b>									
(26)	(26)	(27)	(26)	(105)	Decorative Paints	(23)	(25)	(48)	
(25)	(26)	(26)	(27)	(104)	Performance Coatings	(26)	(25)	(51)	
(66)	(68)	(66)	(69)	(269)	Specialty Chemicals	(69)	(68)	(137)	
(3)	(3)	(1)	(2)	(9)	Other activities/eliminations	(2)	(2)	(4)	
<b>(120)</b>	<b>(123)</b>	<b>(120)</b>	<b>(124)</b>	<b>(487)</b>	<b>Total</b>	<b>(120)</b>	<b>(120)</b>	<b>(240)</b>	
<b>Amortization</b>									
(12)	(11)	(11)	(11)	(45)	Decorative Paints	(11)	(9)	(20)	
(11)	(11)	(10)	(10)	(42)	Performance Coatings	(10)	(10)	(20)	
(13)	(13)	(13)	(12)	(51)	Specialty Chemicals	(12)	(12)	(24)	
-	-	-	(1)	(1)	Other activities/eliminations	-	-	-	
<b>(36)</b>	<b>(35)</b>	<b>(34)</b>	<b>(34)</b>	<b>(139)</b>	<b>Total</b>	<b>(33)</b>	<b>(31)</b>	<b>(64)</b>	
<b>EBIT (operating income excluding incidental items)</b>									
50	128	121	46	345	Decorative Paints	52	131	183	
170	220	210	192	792	Performance Coatings	186	222	408	
163	162	163	90	578	Specialty Chemicals	164	179	343	
(77)	(58)	(58)	(60)	(253)	Other activities/eliminations	(68)	(41)	(109)	
<b>306</b>	<b>452</b>	<b>436</b>	<b>268</b>	<b>1,462</b>	<b>Total</b>	<b>334</b>	<b>491</b>	<b>825</b>	
<b>8.5</b>	<b>11.4</b>	<b>11.6</b>	<b>7.5</b>	<b>9.8</b>	<b>ROS (in %)</b>	<b>9.7</b>	<b>13.2</b>	<b>11.6</b>	

## Quarterly statistics

					2015				2016
Q1	Q2	Q3	Q4	year	in € millions	Q1	Q2	year-to-date	
<b>Operating income</b>									
50	128	121	46	345	Decorative Paints	52	131	183	
170	220	210	192	792	Performance Coatings	186	222	408	
163	192	163	91	609	Specialty Chemicals	164	179	343	
(77)	(54)	(58)	16	(173)	Other activities/eliminations	(45)	(41)	(86)	
<b>306</b>	<b>486</b>	<b>436</b>	<b>345</b>	<b>1,573</b>	<b>Total</b>	<b>357</b>	<b>491</b>	<b>848</b>	
<b>Incidentals per Business Area</b>									
-	-	-	-	-	Decorative Paints	-	-	-	
-	-	-	-	-	Performance Coatings	-	-	-	
-	30	-	1	31	Specialty Chemicals	-	-	-	
-	4	-	76	80	Other activities/eliminations	23	-	23	
<b>-</b>	<b>34</b>	<b>-</b>	<b>77</b>	<b>111</b>	<b>Total</b>	<b>23</b>	<b>-</b>	<b>23</b>	
<b>Reconciliation net financing expense</b>									
10	4	7	7	28	Financing income	5	11	16	
(38)	(31)	(29)	(27)	(125)	Financing expenses	(27)	(23)	(50)	
<b>(28)</b>	<b>(27)</b>	<b>(22)</b>	<b>(20)</b>	<b>(97)</b>	<b>Net interest on net debt</b>	<b>(22)</b>	<b>(12)</b>	<b>(34)</b>	
<b>Other interest movements</b>									
(4)	(3)	(4)	(2)	(13)	Financing expenses related to pensions	(2)	(2)	(4)	
(9)	(1)	(7)	-	(17)	Interest on provisions	(11)	(8)	(19)	
-	4	5	4	13	Other items	8	-	8	
<b>(13)</b>	<b>-</b>	<b>(6)</b>	<b>2</b>	<b>(17)</b>	<b>Net other financing charges</b>	<b>(5)</b>	<b>(10)</b>	<b>(15)</b>	
<b>(41)</b>	<b>(27)</b>	<b>(28)</b>	<b>(18)</b>	<b>(114)</b>	<b>Net financing expenses</b>	<b>(27)</b>	<b>(22)</b>	<b>(49)</b>	
<b>Quarterly net income analysis</b>									
(2)	8	6	5	17	Results from associates and joint ventures	20	8	28	
(18)	(27)	(16)	(26)	(87)	Profit attributable to non-controlling interests	(23)	(27)	(50)	
263	467	414	332	1,476	Profit before tax	350	477	827	
(82)	(108)	(114)	(112)	(416)	Income tax	(86)	(138)	(224)	
181	359	300	220	1,060	Profit for the period from continuing operations	264	339	603	
31	23	28	34	28	Effective tax rate (in %)	25	29	27	

## Quarterly statistics

				2015			2016	
Q1	Q2	Q3	Q4	year		Q1	Q2	year-to-date
<b>Earnings per share from continuing operations (in €)</b>								
0.66	1.35	1.15	0.78	3.93	Basic	0.96	1.24	2.21
0.66	1.34	1.14	0.77	3.90	Diluted	0.96	1.24	2.20
<b>Earnings per share from discontinued operations (in €)</b>								
(0.01)	(0.01)	–	0.04	0.02	Basic	–	–	–
(0.01)	(0.01)	–	0.04	0.02	Diluted	–	–	–
<b>Earnings per share from total operations (in €)</b>								
0.65	1.34	1.15	0.82	3.95	Basic	0.96	1.24	2.21
0.65	1.33	1.14	0.81	3.92	Diluted	0.96	1.24	2.20
<b>Number of shares (in millions)</b>								
246.4	247.7	248.4	248.7	247.8	Weighted average number of shares	249.5	250.6	250.1
246.9	248.4	248.4	249.0	249.0	Number of shares at end of quarter	249.6	251.6	251.6
<b>Adjusted earnings (in € millions)</b>								
263	467	414	332	1,476	Profit before tax from continuing operations	350	477	827
–	(34)	–	(77)	(111)	Incidentals reported in operating income	(23)	–	(23)
36	35	34	34	139	Amortization of intangible assets	33	31	64
(93)	(118)	(125)	(85)	(421)	Adjusted income tax	(95)	(149)	(244)
(18)	(27)	(16)	(26)	(87)	Non-controlling interests	(23)	(27)	(50)
188	323	307	178	996	Adjusted net income for continuing operations	242	332	574
<b>0.76</b>	<b>1.30</b>	<b>1.24</b>	<b>0.72</b>	<b>4.02</b>	<b>Adjusted earnings per share (in €)</b>	<b>0.97</b>	<b>1.32</b>	<b>2.30</b>

## Principal risks and uncertainties

In our 2015 Report we have extensively described our risk management framework and our major risk factors which may prevent full achievement of our objectives within the forthcoming three to five years as well as beyond the five year time horizon. We consider the medium-term and long-term risks as communicated in the Annual Report of 2015, including the five medium-term risks assessed to increase, to be still valid. This also applies to increased uncertainty due to the result of the UK referendum. Please refer to our website for our Annual Report of 2015.

Risk	Risk description	Risk corrective actions
<b>Worsening of economic conditions</b>	The global economy remains fragile and it continues to be difficult to predict customer demand and raw material costs. AkzoNobel is susceptible to decreased growth rates within high growth markets and/or continued economic and market downturn in mature markets. The effects could lead to a decline in demand and deteriorating financial results, which in turn could result in the company not realizing its financial targets.	Continue our strategy to bring down our operational cost base and reduce complexity. Leverage our Global Business Services to further standardize core functional processes in all regions across the organization. Further deploy the commercial excellence programs and more sustainable product solutions to capture organic growth and offset the effects of decreased economic growth rates. Have contingency plans prepared for a selected number of scenarios, dealing with geographical or segment slowdowns.
<b>Information Technology</b>	One effect of the company's longer term Information Technology strategy is increased reliance on fewer, consolidated, critical applications, including our industrial process control systems. The amount of digital exchanges of business transactions with customers, suppliers and other stakeholders is increasing. Non-availability of our critical IT systems, or unauthorized access through cybercrime or other events, can have a direct impact on our production processes, our competitive position and the reputation of our company.	Continuously test and update the systems used for information security. Further implement measures such as redundant design, back-up processes, virus protection, anti-spoofing and forensic scans. Centrally monitor access control processes to our key IT systems. Launch training on IT security via e-learning. Roll-out of the new IM security standard for industrial control systems to our manufacturing locations.
<b>Fluctuations in exchange rates</b>	Exchange rate fluctuations can have a positive and negative impact on our financial results. We have operations in more than 80 countries and report in euros. We are particularly sensitive to movements in the US dollar, pound sterling, Swedish krona and Latin American and Asian currencies.	A centralized treasury function and hedging policy is in place for certain currency exchange rate risks (see Note 22 of the Consolidated financial statements). At a more operational level, risks are reduced by the prevalence of local-for-local production. Reduce as much as possible the impact of transactional exposure on the results of our businesses by striving for natural hedges in our main currencies.
<b>Complying with laws and regulations</b>	Our international footprint exposes us to continuously expanding laws and regulations. We may be held responsible for any liabilities arising out of non-compliance with these laws and regulations.	Monitor and adapt to significant changes in the legal systems, regulatory controls, customs and practices in the countries in which we operate. Remain dedicated to minimizing AkzoNobel's compliance risk by fostering an open and transparent culture, continuously educating our employees worldwide and increasing awareness. Monitor overall compliance through our comprehensive annual non-financial letter of representation process, as well as our annual competition law compliance declaration. Embed company-wide standard setting and compliance awareness through activities and training programs, including training on the new Code of Conduct.
<b>Attraction and retention of talent</b>	We face the challenge of ensuring continued alignment between a rapidly evolving business environment and qualifications, capabilities and talent of our workforce. This is an increasingly complex process as the labor market poses different challenges across disciplines and regions. Having the right people, with the right capabilities, experience and background will, to a large extent, determine the success of our organization and requires the development of an increasingly longer term view on future talent needs.	Strengthen AkzoNobel Employee Value Proposition based on revised company purpose and stronger company brand strategy. Further improve talent and succession action planning and follow up. Roll-out new leadership behaviors with impactful leadership assessment and development curriculum and integration into our Performance and Development Dialog. Further build and develop the AkzoNobel Academy with strong functional competency frameworks and well-defined development curriculum and career planning. Embed company-wide standard setting and compliance awareness through activities and training programs, including training on the new Code of Conduct

## Board of Management's statement on the condensed half-yearly financial statements and the interim management report.

We have prepared the half-yearly financial report 2016 of AkzoNobel and the undertakings included in the consolidation taken as a whole in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Dutch disclosure requirements for half-yearly financial reports.

To the best of our knowledge:

1. The condensed financial statements in this half-yearly financial report 2016 give a true and fair view of our assets and liabilities, financial position at June 30, 2016, and of the result of our consolidated operations for the first half year of 2016.
2. The interim management report in this half-yearly financial report includes a fair review of the information required pursuant to section 5:25d, subsections 8 and 9 of the Dutch Act on Financial Supervision.

**Amsterdam, July 19, 2016**  
**The Board of Management**

Ton Büchner, Chief Executive Officer  
Maëlys Castella, Chief Financial Officer

# 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, 2016 do not have any or only an immaterial effect on our Consolidated financial statements. Otherwise the accounting principles are as applied in the 2015 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.

**EBIT** is operating income excluding incidental results.

**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 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 EBIT of the last twelve months as percentage of average invested capital.

**ROS** is EBIT as percentage of revenue.

**OPI margin%** is operating income as percentage of revenue.

**SG&A costs** includes selling and distribution expenses, general and administrative expenses and research, development and innovation expenses.

## 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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corporate website [www.akzonobel.com/quarterlyresults](http://www.akzonobel.com/quarterlyresults)

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**Financial calendar**

Report for Q3 2016	October 19, 2016
Report for the full-year 2016 and the fourth quarter	February 15, 2017
Report for the first quarter 2017	April 24, 2017
Annual General Meeting of shareholders	April 25, 2017
Report for the 2nd quarter 2017	July 25, 2017
Report for the 3rd quarter 2017	October 17, 2017



[www.akzonobel.com](http://www.akzonobel.com)

AkzoNobel creates everyday essentials to make people's lives more liveable and inspiring. As a leading global paints and coatings company and a major producer of specialty chemicals, we supply essential ingredients, essential protection and essential color to industries and consumers worldwide. Backed by a pioneering heritage, our innovative products and sustainable technologies are designed to meet the growing demands of our fast-changing planet, while making life easier. Headquartered in Amsterdam, the Netherlands, we have approximately 45,000 people in around 80 countries, while our portfolio includes well-known brands such as Dulux, Sikkens, International, Interpon and Eka. Consistently ranked as a leader in sustainability, we are dedicated to energizing cities and communities while creating a protected, colorful world where life is improved by what we do.

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Our return on sales and return on investment continued to improve

ROS | ROI  
13.2% | 15.1%

“We increased volumes while improving profitability across all Business Areas. The market outlook remains uncertain.”

Ton Büchner, CEO

WE CREATE EVERYDAY ESSENTIALS TO MAKE PEOPLE’S LIVES MORE LIVEABLE AND INSPIRING

Essential ingredients  
Essential protection  
Essential color

Q2 2016

JUNE 16

Children in Brazil can now test their all-round sports skills, thanks to the inspiring and imaginative use of paint. Launched in Rio, our Unexpected Courts project uses paint to create sporting areas in surprising urban spaces.



JUNE 8

The US FDA approved Expancel Microspheres, from our Specialty Chemicals business as a constituent in wine corks. The innovative and versatile product helps to ensure wines are kept as perfect as possible and can be enjoyed as intended.



MAY 26

We inaugurated a €6.5 million technology center in Songjiang, Shanghai, the company’s largest research facility in China. It will support product innovation and the development of next generation coatings and specialty chemicals.



MAY 10

Decorating your home became even easier following the launch of our latest Visualizer app. It now includes enhanced video capability, intuitive color picker technology and the ability to share designs on social media.



APRIL 29

We increased the focus on our customers China, after starting production at our fourth – and largest – plant for decorative paints in Chengdu. All products produced at the site will be waterborne and solvent-free, in line with our Planet Possible approach to sustainability.



JUNE 10

Young people in Virginia are learning about sustainability at EBase USA, an off-grid classroom set up by our employees which highlights the community focus of our Human Cities initiative.



JUNE 3

The world’s only Flying Eye Hospital was given a new livery, with AkzoNobel supplying all the coatings, helping to make a difference to the daily lives of the patients who receive treatment.



MAY 17

Phase one of the €2.5 million expansion of our performance coatings plant in Cikarang, Indonesia, has been completed. The investment will increase capacity at the facility by 40 percent.



MAY 4

We formed a partnership with agro-industrial cooperative Royal Cosun, designed to develop new products from cellulose side streams resulting from sugar beet processing.



Q1 2016