Akzo Nobel N.V.
Global Communications

Mediabericht

18 oktober 2017

Stijging omzet en volumes ondanks sterke tegenwind;
Transformatieplan bespaart nog eens €110 miljoen voor 2018

AkzoNobel publiceert resultaten 3e kwartaal 2017

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

3e kwartaal:
- **Volumes stegen 2%, gedreven** door Decorative Paints en Performance Coatings
- **Omzet steeg 1%,** voornamelijk door volumegroei en overnames, deels geneutraliseerd door ongunstige valuta's
- **EBIT[1] is €383 miljoen** (2016: €442 miljoen), beïnvloed door ongunstige valuta's, tijdelijke onderbreking van productie en supply chain, aanhoudende tegenwind voor Marine & Protective Coatings en margedruk door inflatie van grondstofprijzen
- **Directe impact van ongeveer €25 miljoen op EBIT** gerelateerd aan orkaan Harvey en andere gebeurtenissen
- **Aangepaste EPS** is €1,07 (2016: €1,20)
- **Fase één van start van het transformatieplan om een gerichte Paints en Coatings organisatie te creëren om** €110 miljoen besparingen te realiseren in 2018, om zo bij te dragen aan de financiële doelstellingen voor 2020
- **Buitengewone Algemene Vergadering van Aandeelhouders (BAVA)** op 30 november 2017

Vorming van twee doelgerichte hoogpresterende ondernemingen:
- Afsplitsing van Specialty Chemicals ligt **op koers** voor afronding in **april 2018**
- **Uitkering van speciaal dividend van €1 miljard** op 7 december 2017 na goedkeuring van aandeelhouders van de separatie

- **Capaciteitsuitbreidingen** in het Verenigd Koninkrijk (Decorative Paints), China (Performance Coatings) en Zweden (Specialty Chemicals)
- **Nummer één** in de Chemicals Industry Group van de Dow Jones Sustainability Index, voor de vijfde keer in zes jaar

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CEO Thierry Vanlancker:

“We hebben onze onderneming verder laten groeien met hogere volumes en hogere omzetten ondanks uitdagende marktomstandigheden bij bepaalde onderdelen, in het bijzonder bij Marine en Protective Coatings.

“We zijn ook gestart met fase één van ons transformatieplan voor de opzet van een geschikte organisatie voor Paints & Coatings die zal resulteren in €110 miljoen jaarlijkse besparingen in 2018 als bijdrage aan de financiële doelstellingen voor 2020.

“De EBIT voor 2017 is nu naar verwachting in lijn met 2016, als gevolg van negatieve valuta’s, aanhoudende industrie-specifieke tegenwind en verstoringen van de supply chain, met inbegrip van de negatieve invloed van orkaan Harvey in de Verenigde Staten.

“Er is nog steeds aanzienlijke belangstelling voor ons onderdeel Specialty Chemicals en we kijken uit naar de officiële start van het afsplitsingsproces in de komende weken. We hebben diverse capaciteitsuitbreidingen aangekondigd om de groei van de onderneming te versnellen, waaronder een investering van €20 miljoen voor productievergroting van onze Expancel microspheres

Christian Neefestraat 2
1077 WW Amsterdam
P.O. Box 75730
1070 AS Amsterdam
Netherlands

T +31 (088 969 7833
E media.relations@akzonobel.com
www.akzonobel.com

(uitzetbare bolvormige deeltjes) in het Zweedse Sundsvall."

Vooruitzichten:

Wij verwachten positieve ontwikkelingen voor EMEA (m.u.v. het Verenigd Koninkrijk), Noord-Amerika en Azië, terwijl Latijns Amerika naar verwachting zal stabiliseren.

Industrie-specifieke tegenwind blijft aanwezig, met inbegrip van hogere grondstofprijzen en uitdagingen voor Marine & Protective Coatings.

We nemen diverse maatregelen om de huidige uitdagingen in de markt te verzachten, waaronder hogere verkoopprijzen en aanvullende kostenbeheersing.

De EBIT voor 2017 is nu naar verwachting in lijn met 2016, als gevolg van aanhoudende industrie-specifieke tegenwind en verstoringen van de supply chain.

3e kwartaal 2017 in € miljoen

	Q3 2016	Q3 2017	Δ %
Omzet	3.600	**3.624**	1
EBIT[1]	442	**383**	(13)
Rendement op verkopen (ROS)[2] %	12,3	**10,6**	
Nettoresultaat voor aandeelhouders	285	**216**	(24)

januari – september 2017 cumulatief in € miljoen

	cumulatief 2016	cumulatief 2017	Δ %
Omzet	10.741	**11.070**	3
EBIT[1]	1.267	**1.220**	(4)
Rendement op verkopen (ROS)[2] %	11,8	**11,0**	
Rendement op investeringen (ROI)[3] %	15,2	**14,2**	
Nettoresultaat voor aandeelhouders	837	**757**	(10)

Decorative Paints

Volumes in het derde kwartaal stegen met 5% dankzij positieve ontwikkelingen in Azië. De omzet daalde met 1%, waarbij positieve volumeontwikkelingen meer dan geneutraliseerd werden door negatieve valuta- en prijs/mix-effecten. De EBIT werd negatief beïnvloed door doorlopend hogere grondstofprijzen voor de verf- en coatingsindustrie die nog niet volledig gecompenseerd zijn en door geografische/productmixeffecten. We nemen diverse maatregelen om de huidige uitdagingen in de markt te verzachten, onder meer door hogere verkoopprijzen en aanvullende kostenbeheersing.

Onze focus om trends en behoeften van klanten voor te blijven, blijkt uit doorlopend deskundig onderzoek naar trends, inzichten en consumentengedrag, uitmondend in de presentatie van Heart Wood als AkzoNobels Kleur van het Jaar voor 2018".

Performance Coatings

De volumes stegen met 1% in het derde kwartaal, met groei voor Industrial & Powder Coatings, deels geneutraliseerd door negatieve omstandigheden in de scheepvaart en olie- en gasindustrie. De omzet steeg 2% door volumegroei en het overgenomen onderdeel Industrial Coatings, deels geneutraliseerd door valuta-effecten. De EBIT werd negatief beïnvloed door de aanhoudend zwakke scheepvaart en olie- en gasindustrie, alsmede gestegen grondstoffenprijzen voor de verf- en coatingsindustrie en negatieve valuta-effecten. We nemen diverse maatregelen om de huidige uitdagingen in de markt te verzachten, onder meer door hogere verkoopprijzen en aanvullende kostenbeheersing.

De onderneming opende een fabriek in het Chinese Dongguan, gericht op de productie van vliegtuiglakken voor de Noord- en Zuid-Aziatische luchtvaartmarkt. Deze nieuwe faciliteit biedt zowel bestaande als nieuwe klanten in deze snelgroeiende markt een betere en snellere service.

Specialty Chemicals

De volumes in het derde kwartaal waren vlak, ondanks grote verstoringen van de wereldwijde supply chain, voornamelijk door orkaan Harvey in het gebied rond Houston in de Verenigde Staten. De omzet steeg met 1% als gevolg van positieve prijs/mix-effecten, grotendeels geneutraliseerd door negatieve valuta-effecten. De EBIT steeg met 1% door gunstige prijs/mix-ontwikkelingen en kostenbesparingen, deels geneutraliseerd door ongunstige valuta's en verstoringen van de wereldwijde supply chain. De positieve prijs/mix bewijst de succesvolle doorberekening van de inflatie van grondstoffenprijzen.

Tijdens het derde kwartaal kondigde AkzoNobel een nieuw technologieplatform aan voor de productie van een brede reeks ethyleenamines en hun derivaten uit ethyleenoxide. Het proces gebruikt minder grondstoffen en heeft lagere kosten en een grotere duurzaamheid in vergelijking met bestaande processen. De bouw van een demonstratie-unit begint volgend jaar.

Hoogtepunten per bedrijfsonderdeel in € miljoen

Decorative Paints

Q3 2016	Q3 2017	Δ%		YTD 2016	YTD 2017	Δ%
1.021	**1.007**	(1)	Omzet	2.937	**2.975**	1
123	**95**	(23)	EBIT[1]	306	**293**	(4)
12,0	**9,4**		ROS[2] %	10,4	**9,8**	

Performance Coatings

Q3 2016	Q3 2017	Δ%		YTD 2016	YTD 2017	Δ%
1.406	**1.428**	2	Omzet	4.267	**4.403**	3
199	**147**	(26)	EBIT[1]	607	**536**	(12)
14,2	**10,3**		ROS[2] %	14,2	**12,2**	

Specialty Chemicals

Q3 2016	Q3 2017	Δ%		YTD 2016	YTD 2017	Δ%
1.202	**1.209**	1	Omzet	3.614	**3.757**	4
168	**169**	1	EBIT[1]	511	**524**	3
14,0	**14,0**		ROS[2] %	14,1	**13,9**	

1. *Bedrijfsresultaat exclusief geïdentificeerde posten.*
2. *ROS% is EBIT gedeeld door omzet.*
3. *Voortschrijdend gemiddelde ROI% is 12 maanden EBIT gedeeld door 12 maanden gemiddeld geïnvesteerd vermogen.*

Het rapport van het 3e kwartaal kan worden gelezen en gedownload op
www.akzonobel.com/quarterlyresults

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Over AkzoNobel

AkzoNobel maakt essentiële producten die inspireren en het leven aangenamer maken. Als internationaal vooraanstaande verf- en coatingsonderneming en een belangrijk producent van specialistische chemicaliën leveren we essentiële ingrediënten, essentiële bescherming en essentiële kleur 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 46.000 medewerkers in 80 landen. 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. AkzoNobels jarenlange inzet wordt erkend door toonaangevende duurzaamheidsindices en rating agencies zoals de Dow Jones Sustainability Index en het Carbon Disclosure Project.

Tot onze merken behoren bekende namen als JOZO, Sikkens en Flexa. Meer informatie over AkzoNobel vindt u online: corporate website, Facebook, YouTube, LinkedIn, Instagram en Twitter.

Niet voor publicatie – voor meer informatie

AkzoNobel Media Relations
T +31 (0)88 – 969 7833
Contact: Diana Abrahams

Corporate Investor Relations
T +31 (0)88 – 969 7856
Contact: Lloyd Midwinter

Safe Harbor Statement

This press release contains statements which address such 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

Q3 Report

AkzoNobel



Dulux let's colour

AkzoNobel opened a new plant in Ashington, UK for the production of Dulux, the world leading paint brand.

2017

Our results at a glance

Q3:

- Volumes 2% higher overall, driven by Decorative Paints and Performance Coatings while flat for Specialty Chemicals despite significant global supply chain disruptions
- Revenue up 1%, mainly due to volume growth and acquisitions, partly offset by adverse currency effects
- EBIT at €383 million (2016: €442 million), impacted by unfavorable currencies, temporary disruption to the manufacturing and supply chain, continued headwinds for Marine and Protective Coatings and margin pressure from raw material cost inflation
- Operating income at €338 million (2016: €454 million), adversely impacted by identified items, mainly related to the separation of Specialty Chemicals
- ROS at 10.6% (2016: 12.3%); ROI at 14.2% (2016: 15.2%)
- Net income attributable to shareholders at €216 million (2016: €285 million)
- Adjusted EPS at €1.07 (2016: €1.20)
- Net cash inflow from operating activities at €416 million (2016: €600 million)
- Interim dividend up 51% to €0.56 per share (2016: €0.37)

Creating two focused high-performing businesses:

- Initiating phase one of transformation plan to create a fit for purpose Paints and Coatings organization to deliver €110 million savings in 2018, contributing towards the 2020 financial guidance
- New management structure for Paints and Coatings
- Extraordinary General Meeting (EGM) to be held on November 30, 2017
- €1 billion special cash dividend as advance proceeds to be paid on December 7, 2017, following shareholder approval for the separation
- Separation of Specialty Chemicals on track to be completed by April 2018

- AkzoNobel #1 in the Chemicals Industry Group on the Dow Jones Sustainability Index, for the fifth time in six years

Outlook:

We anticipate positive developments for EMEA (excluding the UK), North America and Asia, while Latin America is expected to stabilize.

Industry specific headwinds continue, including higher raw material prices and challenges for marine and protective coatings.

We are implementing various measures to mitigate current market challenges, including increased selling prices and additional cost control.

EBIT for 2017 is now expected to be in line with 2016, due to ongoing industry specific headwinds and supply chain disruptions.

Financial highlights

Volumes were 2% higher overall, driven by Decorative Paints and Performance Coatings while flat for Specialty Chemicals despite significant global supply chain disruptions. Revenue was up 1%, mainly due to volume growth and acquisitions, partly offset by adverse currency effects. EBIT at €383 million (2016: €442 million) was impacted by unfavorable currencies, temporary disruption to the manufacturing and supply chain, continued headwinds for Marine and Protective Coatings and margin pressure from raw material cost inflation. ROS at 10.6% (2016: 12.3%) and ROI at 14.2% (2016: 15.2%). Net cash inflow from operating activities at €416 million (2016: €600 million).

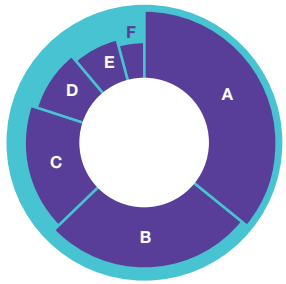


Investing in UK production
We opened the world's most sustainable paint factory, capable of producing over 200 million liters of paint per year. Ashington will be the production centre for Dulux, the world's leading paint brand.

AkzoNobel around the world
Revenue by destination

	%
A Mature Europe	36
B Asia Pacific	27
C North America	17
D Latin America	9
E Emerging Europe	7
F Other regions	4
	100

(Based on the full-year 2016)



Summary of financial outcomes

Third quarter				January-September		
2016	2017	Δ%	in € millions	2016	2017	Δ%
3,600	3,624	1	Revenue	10,741	11,070	3
442	383	(13)	EBIT	1,267	1,220	(4)
454	338	(26)	Operating income	1,302	1,155	(11)
12.3	10.6		ROS% *	11.8	11.0	
12.6	9.3		OPI margin%	12.1	10.4	
			Average invested capital	10,084	10,227	
			Moving average ROI (in %) *	15.2	14.2	
128	137		Capital expenditures	403	406	
600	416		Net cash from operating activities	717	441	
			Net debt	1,119	1,691	
285	215	(25)	Net income from continuing operations	838	757	(10)
–	1		Net income from discontinued operations	(1)	–	
285	216	(24)	Net income attributable to shareholders	837	757	(10)
1.13	0.86		Earnings per share from total operations (in €)	3.34	3.01	
1.20	1.07	(11)	Adjusted earnings per share (in €)	3.50	3.48	(1)
			Number of employees	45,800	46,100	

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

Financial highlights

Revenue

Volumes were 2% higher, driven by Decorative Paints and Performance Coatings. Revenue increased 1%, mainly due to volume growth and acquisitions, partly offset by adverse currency effects.

- In Decorative Paints, volumes were up 5% due to positive development in Asia. Revenue was down 1%, with positive volume development more than offset by adverse currency and price/mix effects, mostly due to strong growth in Asia
- In Performance Coatings, volumes were up 1%. Revenue was up 2%, driven by the acquired Industrial Coatings business, as well as positive volume development in Industrial and Powder Coatings, partly offset by adverse currency effects. Adverse conditions persisted in the marine and oil and gas industries
- In Specialty Chemicals, volumes were flat despite significant global supply chain disruptions, including Hurricane Harvey. Revenue was up 1%, due to positive price/mix effects, partly offset by adverse currencies. Positive price/mix reflects the successful pass through of raw material price inflation

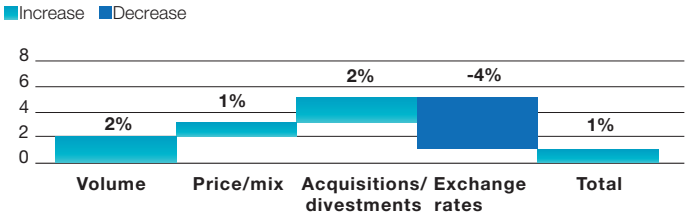
Raw material price development

Raw material prices were higher compared with the same period in 2016. We are taking appropriate measures to deal with higher raw material prices in an inflationary environment. These measures were already effective for Specialty Chemicals, while for Decorative Paints and Performance Coatings it is expected to take several quarters before the necessary mitigating impact is fully realized.

Acquisitions

- For Q3 2017, the impact of acquisitions on revenue was 2% for AkzoNobel and 5% for Performance Coatings
- In Q3 2017, the acquisitions of Flexcrete Technologies Ltd and Disa Technology (Disatech) were completed
- In Q4 2016, the acquisition of BASF's Industrial Coatings business was completed

Revenue development Q3 2017



Creating two focused high-performing businesses

On April 19, 2017, we unveiled a new strategy to create two focused, high-performing businesses with sustainable growth plans within 12 months. Having two separate businesses will enable us to deliver growth and value, with enhanced cash returns to shareholders. The separation of Specialty Chemicals remains on track for April 2018.

Revenue

Third quarter				January-September		
2016	2017	Δ%	in € millions	2016	2017	Δ%
1,021	1,007	(1)	Decorative Paints	2,937	2,975	1
1,406	1,428	2	Performance Coatings	4,267	4,403	3
1,202	1,209	1	Specialty Chemicals	3,614	3,757	4
(29)	(20)		Other activities/eliminations	(77)	(65)	
3,600	**3,624**	**1**	**Total**	**10,741**	**11,070**	**3**

in % versus Q3 2016	Volume	Price/mix	Acquisitions/ divestments	Exchange rates	Total
Decorative Paints	5	(3)	–	(3)	(1)
Performance Coatings	1	–	5	(4)	2
Specialty Chemicals	–	4	–	(3)	1
Total	**2**	**1**	**2**	**(4)**	**1**

Volume development per quarter (year-on-year)	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17
Decorative Paints	3	2	9	3	5
Performance Coatings	(2)	(1)	–	(4)	1
Specialty Chemicals	1	4	5	2	–
Total	**–**	**2**	**4**	**–**	**2**

Price/mix development per quarter (year-on-year)	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17
Decorative Paints	(1)	(2)	(3)	(3)	(3)
Performance Coatings	(2)	(3)	(1)	1	–
Specialty Chemicals	(3)	(4)	–	2	4
Total	**(2)**	**(3)**	**(1)**	**–**	**1**

EBIT

- In Decorative Paints, EBIT was adversely impacted by higher raw material costs, not yet fully compensated, and geographical/ product mix effects
- In Performance Coatings, EBIT was adversely impacted by ongoing weakness in the marine and oil and gas industries, as well as increased costs of raw materials and adverse currency effects
- In Specialty Chemicals, EBIT was up 1% with favorable price/mix developments and cost savings, partly offset by adverse currencies and global supply chain disruptions
- EBIT in other activities improved, due to lower corporate costs including one-off items, as well as lower pension and insurance related costs

The direct impact of disruptions to the manufacturing and supply chain was around €25 million on EBIT in Q3 2017, related to Hurricane Harvey and other events, with the majority of the impact in Specialty Chemicals.

Operating income

Operating income was negatively impacted by identified items totaling €45 million, mainly related to the implementation of the new strategy to create two focused high-performing businesses. The identified items impacted operating income in other activities.

In Q3, 2016, operating income was positively impacted by identified items with a net effect of €12 million, including adjustments to provisions, among others for post-retirement benefits, and asset impairments. The identified items impacted operating income of Decorative Paints, Performance Coatings and the operating income in Other activities.

Net financing expenses

Net financing expenses increased, mainly as a result of lower interest income.

Tax

The year-to-date effective tax rate was 26% (2016: 28%), impacted by adjustments to previous year and geographical mix.

EBIT (operating income excluding identified items)

Third quarter				January-September		
2016	2017	Δ%	in € millions	2016	2017	Δ%
123	95	(23)	Decorative Paints	306	293	(4)
199	147	(26)	Performance Coatings	607	536	(12)
168	169	1	Specialty Chemicals	511	524	3
(48)	(28)		Other activities/eliminations	(157)	(133)	
442	**383**	**(13)**	**Total**	**1.267**	**1.220**	**(4)**

Operating income

Third quarter				January-September		
2016	2017	Δ%	in € millions	2016	2017	Δ%
132	95	(28)	Decorative Paints	315	293	(7)
192	147	(23)	Performance Coatings	600	536	(11)
168	169	1	Specialty Chemicals	511	524	3
(38)	(73)		Other activities/eliminations	(124)	(198)	
454	**338**	**(26)**	**Total**	**1,302**	**1,155**	**(11)**

Net income

Year-to-date net income attributable to shareholders was €757 million (2016: €837 million). Net income attributable to shareholders in Q3 2017 was €216 million (Q3 2016: €285 million). Q3 2017 was adversely impacted by identified items totalling €34 million, mainly related to the implementation of the new strategy to create two focused high-performing businesses.

Operating income to net income

Third quarter			January-September	
2016	2017	in € millions	2016	2017
454	**338**	**Operating income**	**1,302**	**1,155**
(33)	(36)	Net financing expenses	(82)	(77)
10	5	Results from associates and joint ventures	38	21
431	**307**	**Profit before tax**	**1,258**	**1,099**
(131)	(82)	Income tax	(355)	(287)
300	**225**	**Profit from continuing operations**	**903**	**812**
–	1	Profit from discontinued operations	(1)	–
300	**226**	**Profit for the period**	**902**	**812**
(15)	(10)	Non-controlling interests	(65)	(55)
285	**216**	**Net income**	**837**	**757**

Leading the way in sustainability
We are at the top of the influential Dow Jones Sustainability Index within the Chemicals Industry Group, underlining our commitment to making a positive impact on the whole value chain.



Decorative Paints

- **Volumes increased 5% due to positive developments in Asia**
- **Revenue down 1%, with volume growth more than offset by currency effects and price/mix effects**
- **EBIT was adversely impacted by continued higher raw material costs in the Paints and Coatings industry, not yet fully compensated, and geographical/product mix effects**
- **ROS at 9.4% (2016: 12.0%); ROI at 12.4% (2016: 12.5%)**
- **Measures being implemented to mitigate current market challenges**

Volumes were up 5% due to positive developments in Asia. Revenue was down 1%, with positive volume development more than offset by adverse currency and price/mix effects, mostly due to strong growth in Asia.

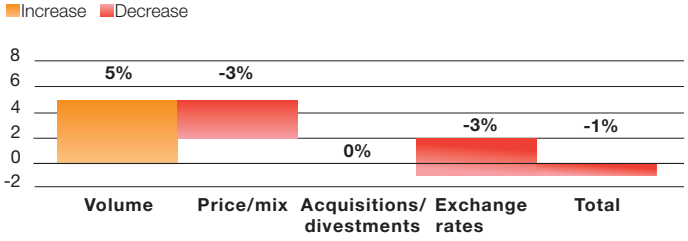
EBIT was adversely impacted by continued higher raw material costs in the Paints and Coatings industry, not yet fully compensated, and geographical/product mix effects. Appropriate measures are being taken to address higher raw material costs, including increased selling prices and additional cost control.

Operating income in the previous year was positively impacted by identified items.

Europe, Middle East and Africa (EMEA)

Revenue reduced 4%, mainly due to unfavorable currencies, most notably the pound sterling, and price/mix effects. Demand trends differed per country in the region and uncertainty continued in some markets. Growth was visible across much of EMEA, while the UK was affected by lower consumer confidence. In Q3, we opened a highly efficient plant at Ashington that will be the production center for Dulux.

Revenue development Q3 2017



Latin America

Revenue decreased 4%, mainly due to adverse currency effects and lower volumes, partly offset by improved price/mix. While some markets showed signs of slight recovery, overall volume and revenue was down. Growth continued for distribution and new product launches, including a premium product line in Brazil and Ultralavable (EasyCare) in Argentina.

Asia

Revenue increased 4%, despite adverse currency effects. Strong volume growth was partly offset by price/mix. Significant growth was realized in the premium and mass market segments. India recovered from the new goods and services tax implementation, while China growth was impacted by environment control in the entire supply chain. In Q3, there were new product launches for Dulux, including Forest Breath BioCare in China.

Our 2018 Color of the Year

Heart Wood was unveiled as our latest Color of the Year, following continuous expert research into trends, insights and consumer behavior.



Revenue

Third quarter				January-September		
2016	2017	Δ%	in € millions	2016	2017	Δ%
583	561	(4)	Decorative Paints Europe, Middle East and Africa	1,722	1,652	(4)
134	129	(4)	Decorative Paints Latin America	339	366	8
307	318	4	Decorative Paints Asia	880	961	9
(3)	(1)		Other/intragroup eliminations	(4)	(4)	
1,021	**1,007**	**(1)**	**Total**	**2,937**	**2,975**	**1**
123	95	(23)	EBIT	306	293	(4)
132	95	(28)	Operating income	315	293	(7)
12.0	9.4		ROS% *	10.4	9.8	
			Average invested capital	2,820	2,771	
			Moving average ROI (in %) *	12.5	12.4	
9	26		Capital expenditures	61	71	
			Number of employees	14,800	14,700	

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

Performance Coatings

- **Volumes up 1% with growth for Industrial and Powder Coatings, partly offset by adverse conditions in the marine and oil and gas industries**
- **Revenue up 2%, due to volume growth and the acquired Industrial Coatings business, partly offset by currency effects**
- **EBIT and operating income were adversely impacted by ongoing weakness in the marine and oil and gas industries, as well as increased costs of raw materials in the Paints and Coatings industry and adverse currency effects**
- **ROS at 10.3% (2016: 14.2%); ROI at 24.8% (2016: 30.9%)**
- **Measures being implemented to mitigate current market challenges**

Volumes were up 1%. Revenue was up 2%, driven by the acquired Industrial Coatings business, as well as positive volume development in Industrial and Powder Coatings, partly offset by adverse currency effects. Adverse conditions persisted in the marine and oil and gas industries.

EBIT was adversely impacted by ongoing weakness in the marine and oil and gas industries, as well as increased costs of raw materials in the Paints and Coatings industry and adverse currency effects. Measures being implemented to mitigate current industry specific headwinds include increased selling prices and additional cost control.

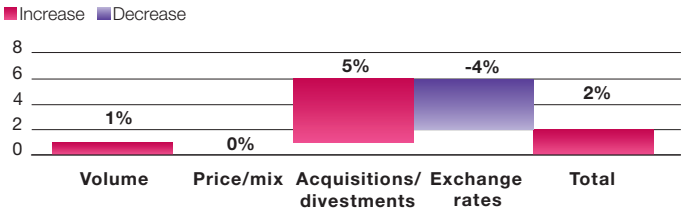
Marine and Protective Coatings

Revenue was down 10% due to weak demand from the marine and oil and gas industries, as well as adverse currency effects. Volumes in Marine Coatings continued to be impacted by the slowdown of new build activity and an increasingly competitive pricing environment. Volumes in Protective Coatings were lower, mainly due to the conclusion of existing oil and gas projects. Volumes for Marine and Protective Coatings were also affected by Hurricane Harvey. Improvement actions and cost measures remain a focus of this segment.

Automotive and Specialty Coatings

Revenue was up 1%, mainly due to favorable price/mix effects, partly offset by adverse currencies. Growth was visible in most regions for Vehicle Refinishes and Specialty Coatings.

Revenue development Q3 2017



Industrial and Powder Coatings

Revenue was up 8%, driven by volume growth, the acquired Industrial Coatings business and positive price/mix effects more than offsetting adverse currencies. Volumes for Powder Coatings maintained growth momentum and volumes for Industrial Coatings grew across all regions.

Integration of the acquired Industrial Coatings business

We are integrating the respective parts of the acquired Industrial Coatings business into our Performance Coatings businesses. The acquired revenues impacted multiple reporting segments, the largest impact is visible in Industrial and Powder Coatings. During 2017 and 2018, a portion of the production volume will be transferred to existing nearby AkzoNobel manufacturing facilities. The full profitability of the acquisition will be realized by the end of 2018.

China aerospace unit takes off

Our new aerospace coatings facility in Dongguan will offer faster service to customers in the region and significantly reduce delivery times.



Revenue

Third quarter				January-September		
2016	**2017**	**Δ%**	in € millions	**2016**	**2017**	**Δ%**
364	327	(10)	Marine and Protective Coatings	1,116	1,014	(9)
369	372	1	Automotive and Specialty Coatings	1,127	1,161	3
683	741	8	Industrial and Powder Coatings	2,053	2,260	10
(10)	(12)		Other/intragroup eliminations	(29)	(32)	
1,406	**1,428**	**2**	**Total**	**4,267**	**4,403**	**3**
199	147	(26)	EBIT	607	536	(12)
192	147	(23)	Operating income	600	536	(11)
14.2	10.3		ROS% *	14.2	12.2	
			Average invested capital	2,586	2,781	
			Moving average ROI (in %) *	30.9	24.8	
35	32		Capital expenditures	106	87	
			Number of employees	19,400	19,900	

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

Specialty Chemicals

- **Volumes flat, despite significant global supply chain disruptions, including Hurricane Harvey**
- **Revenue up 1% due to positive price/mix effects, mostly offset by adverse currencies**
- **EBIT up 1% with favorable price/mix developments and cost savings, partly offset by adverse currencies and global supply chain disruptions**
- **ROS at 14.0% (2016: 14.0%); ROI at 17.9% (2016: 17.2%)**

Volumes were flat despite significant global supply chain disruptions, including Hurricane Harvey. Excluding the impact of supply chain disruptions, volume growth would have been around 3%. China and Brazil continued to grow. Revenue was up 1%, due to positive price/mix effects, partly offset by adverse currencies. Positive price/mix reflects the successful pass through of raw material price inflation.

EBIT was up 1%, with favorable price/mix developments and cost savings mostly offset by adverse currencies and global supply chain disruptions. The EBIT impact from the supply chain disruptions was around €20 million.

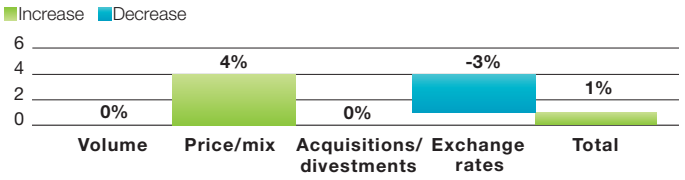
Functional Chemicals

Revenue was up 3% mainly due to improved price/mix, partly offset by adverse currency effects. Volumes were up 1% despite supply chain disruptions, including Hurricane Harvey. Volumes in Asia were also impacted by the industry-wide inspections in China driven by enforcement of environmental regulations. Underlying demand continued to be strong, mainly driven by the ethylene value chain and the contribution of our new organic peroxides facility in China.

Industrial Chemicals

Revenue was up 2% due to positive price/mix effects, partly offset by lower volumes caused by continued supply chain disruptions in the Rotterdam cluster. The global supply and demand balance for caustic continued to tighten, leading to strengthening caustic prices.

Revenue development Q3 2017



Surface Chemistry

Revenue was down 4%, driven by lower volumes, due to industry-wide supply chain disruptions as a result of Hurricane Harvey, and adverse currencies. The underlying demand was strong, with a continued recovery of the oil related segments.

Pulp and Performance Chemicals

Revenue for the quarter was flat. Positive volume developments, driven by strong demand for bleaching chemicals in Brazil and performance products, were offset by adverse currency effects and the planned ending of manufacturing agreements related to the divestment of the Paper Chemicals business in 2015.

Expanding in Expancel

We are investing €20 million to boost production of Expancel, which can improve the properties of many everyday items, from running shoes to wine corks.



Revenue

Third quarter				January-September		
2016	2017	Δ%	in € millions	2016	2017	Δ%
424	437	3	Functional Chemicals	1,305	1,379	6
314	319	2	Industrial Chemicals	906	938	4
262	252	(4)	Surface Chemistry	786	818	4
226	226	–	Pulp and Performance Chemicals	683	696	2
(24)	(25)		Other/intragroup eliminations	(66)	(74)	
1,202	**1,209**	**1**	**Total**	**3,614**	**3,757**	**4**
168	169	1	EBIT	511	524	3
168	169	1	Operating income	511	524	3
14.0	14.0		ROS% *	14.1	13.9	
			Average invested capital	3,493	3,585	
			Moving average ROI (in %) *	17.2	17.9	
81	77		Capital expenditures	228	241	
			Number of employees	9,000	9,200	

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

Condensed financial statements

Consolidated statement of income

Third quarter 2016	Third quarter 2017	in € millions	January-September 2016	January-September 2017
Continuing operations				
3,600	3,624	Revenue	10,741	11,070
(2,062)	(2,167)	Cost of sales	(6,137)	(6,541)
1,538	**1,457**	**Gross profit**	**4,604**	**4,529**
(1,096)	(1,085)	SG&A costs	(3,337)	(3,325)
12	(34)	Other results	35	(49)
454	**338**	**Operating income**	**1,302**	**1,155**
(33)	(36)	Net financing expenses	(82)	(77)
10	5	Results from associates and joint ventures	38	21
431	**307**	**Profit before tax**	**1,258**	**1,099**
(131)	(82)	Income tax	(355)	(287)
300	**225**	**Profit for the period from continuing operations**	**903**	**812**
Discontinued operations				
–	1	Profit for the period from discontinued operations	(1)	–
300	**226**	**Profit for the period**	**902**	**812**
Attributable to				
285	216	Shareholders of the company	837	757
15	10	Non-controlling interests	65	55
300	**226**	**Profit for the period**	**902**	**812**

Consolidated statement of comprehensive income

Third quarter 2016	Third quarter 2017	in € millions	January-September 2016	January-September 2017
300	**226**	**Profit for the period**	**902**	**812**
Other comprehensive income				
(112)	(112)	Exchange differences arising on translation of foreign operations	(288)	(456)
17	16	Cash flow hedges	34	9
(646)	(33)	Post-retirement benefits	(716)	(155)
(14)	(2)	Tax relating to components of other comprehensive income	141	(22)
(755)	**(131)**	**Other comprehensive income for the period (net of tax)**	**(829)**	**(624)**
(455)	**95**	**Comprehensive income for the period**	**73**	**188**
Comprehensive income for the period attributable to				
(487)	97	Shareholders of the company	19	171
32	(2)	Non-controlling interests	54	17
(455)	**95**	**Comprehensive income for the period**	**73**	**188**

Condensed consolidated balance sheet

in € millions	December 31, 2016	September 30, 2017
Assets		
Non-current assets		
Intangible assets	4,413	4,192
Property, plant and equipment	4,190	4,033
Other financial non-current assets	1,736	1,676
Total non-current assets	**10,339**	**9,901**
Current assets		
Inventories	1,532	1,628
Trade and other receivables	2,787	3,093
Cash and cash equivalents	1,479	1,086
Other current assets	59	67
Total current assets	**5,857**	**5,874**
Total assets	**16,196**	**15,775**
Equity and liabilities		
Group equity	**7,034**	**6,859**
Non-current liabilities		
Provisions and deferred tax liabilities	2,305	2,077
Long-term borrowings	2,644	2,642
Total non-current liabilities	**4,949**	**4,719**
Current liabilities		
Short-term borrowings	87	135
Trade and other payables	3,475	3,554
Other short-term liabilities	651	508
Total current liabilities	**4,213**	**4,197**
Total equity and liabilities	**16,196**	**15,775**

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, 2016	**498**	**598**	**(42)**	**81**	**5,349**	**6,484**	**496**	**6,980**
Profit for the period	–	–	–	–	837	837	65	902
Other comprehensive income	–	–	26	(307)	(537)	(818)	(11)	(829)
Comprehensive income for the period	**–**	**–**	**26**	**(307)**	**300**	**19**	**54**	**73**
Dividend	4	115	–	–	(299)	(180)	(50)	(230)
Equity-settled transactions	–	–	–	–	18	18	–	18
Issue of common shares	1	(1)	–	–	–	–	–	–
Acquisitions and divestments	–	–	–	–	(2)	(2)	1	(1)
Balance at September 30, 2016	**503**	**712**	**(16)**	**(226)**	**5,366**	**6,339**	**501**	**6,840**
Balance at January 1, 2017	**504**	**745**	**3**	**(47)**	**5,348**	**6,553**	**481**	**7,034**
Profit for the period	–	–	–	–	757	757	55	812
Other comprehensive income	–	–	7	(421)	(172)	(586)	(38)	(624)
Comprehensive income for the period	**–**	**–**	**7**	**(421)**	**585**	**171**	**17**	**188**
Dividend	3	125	–	–	(320)	(192)	(39)	(231)
Equity-settled transactions	–	–	–	–	28	28	–	28
Issue of common shares	2	(2)	–	–	–	–	–	–
Share repurchase	(5)	(155)	–	–	–	(160)	–	(160)
Balance at September 30, 2017	**504**	**713**	**10**	**(468)**	**5,641**	**6,400**	**459**	**6,859**

Shareholders' equity

Shareholders' equity decreased from €6.6 billion at year-end 2016 to €6.4 billion at the end of September 2017, mainly due to the net effect of:

- Profit for the period of €757 million
- Adverse currency effects of €421 million (and related taxes)
- Dividend payments of €192 million
- The completed share repurchase program, for which a total number of 2.38 million common shares were repurchased and canceled, decreasing shareholders' equity by €160 million
- An adverse actuarial impact of €172 million (including tax) reported in Other comprehensive income, including €49 million for de-risking of pension liabilities

Dividends

An interim dividend of €0.56 per share (2016: €0.37) will be paid out, with the option to elect stock dividend.

A €1 billion special cash dividend as advance proceeds will be paid on December 7, 2017, pending shareholder approval for the separation. Please refer to the last page of this report for dividend payment dates.

Share repurchase program

In Q4 2016, we announced the repurchase of up to 2.5 million common shares to neutralize the dilutive effect of stock dividends paid in 2016. The share repurchase program was completed in April 2017. A total number of 2.38 million common shares were repurchased in the period from January 2, 2017, up to and including April 21, 2017, for a total consideration of €160 million. These shares have subsequently been canceled.

Invested capital

Invested capital at the end of Q3 2017 totaled €10.1 billion (Q3 2016: €9.9 billion), up €0.2 billion. Operating working capital was flat compared with September 30, 2016.

Pensions

The net balance sheet position (IAS19) of the pension plans at the end of Q3 2017 was a deficit of €0.8 billion (year-end 2016: €1.0 billion). The development during 2017 was the net effect of:

- Top-up payments of €273 million, predominantly into certain UK pension plans
- Lower inflation
- Increased discount rates in the key countries

Offset by:

- Lower asset returns
- De-risking of pension liabilities through non-cash buy-in transactions of £262 million in Q1, related to the ICI Pension Fund, which led to a €49 million impact in Other comprehensive income

Workforce

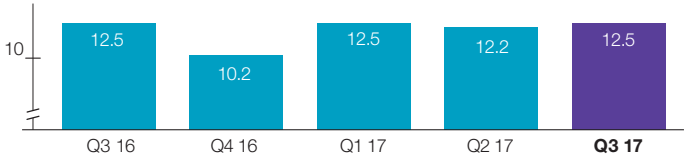
At September 30, 2017, the number of people employed was 46,100 people, in line with the end of December 2016.

Invested capital

in € millions	September 30, 2016	December 31, 2016	**September 30, 2017**
Trade receivables	2,484	2,272	2,624
Inventories	1,568	1,532	1,628
Trade payables	(2,252)	(2,399)	(2,439)
Operating working capital	**1,800**	**1,405**	**1,813**
Other working capital items	(910)	(730)	(768)
Non-current assets	9,795	10,339	9,901
Less investments in associates and joint ventures	(162)	(161)	(175)
Less pension assets	(310)	(220)	(276)
Deferred tax liabilities	(333)	(367)	(349)
Invested capital	**9,880**	**10,266**	**10,146**

Operating working capital

In % of revenue



Cash flows and net debt

Operating activities in Q3 2017 resulted in a cash inflow of €416 million (2016: €600 million). At September 30, 2017 net debt was €1.7 billion versus €1.3 billion at year-end. The increase is mainly due to pension top-ups which were paid in Q1, the share repurchase program and currency effects.

Outlook

We anticipate positive developments for EMEA (excluding the UK), North America and Asia, while Latin America is expected to stabilize.

Industry specific headwinds continue, including higher raw material prices and challenges for marine and protective coatings.

We are implementing various measures to mitigate current market challenges, including increased selling prices and additional cost control.

EBIT for 2017 is now expected to be in line with 2016, due to ongoing industry specific headwinds and supply chain disruptions.

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

Amsterdam, October 18, 2017
The Board of Management

Condensed consolidated statements of cash flows

Third quarter			January-September	
2016	2017	in € millions	2016	2017
1,254	**877**	**Net cash and cash equivalents at beginning of period**	**1,317**	**1,441**
		Adjustments to reconcile earnings to cash generated from operating activities		
300	225	Profit for the period from continuing operations	903	812
152	152	Amortization and depreciation	456	469
202	146	Changes in working capital	(364)	(430)
(137)	(100)	Changes in provisions	(475)	(450)
83	(7)	Other changes	197	40
600	**416**	**Net cash from operating activities**	**717**	**441**
(128)	(137)	Capital expenditures	(403)	(406)
8	(25)	Acquisitions and divestments net of cash acquired	31	(17)
6	–	Other changes	28	(2)
(114)	**(162)**	**Net cash from investing activities**	**(344)**	**(425)**
(78)	(67)	Changes from borrowings	220	20
(22)	(15)	Dividend paid	(255)	(227)
–	–	Share repurchase	–	(160)
(6)	–	Other changes	(7)	–
(106)	**(82)**	**Net cash from financing activities**	(42)	**(367)**
380	**172**	**Net cash used for continuing operations**	**331**	**(351)**
–	–	Cash flows from discontinued operations	(4)	(1)
380	**172**	**Net change in cash and cash equivalents of total operations**	**327**	**(352)**
(2)	(17)	Effect of exchange rate changes on cash and cash equivalents	(12)	(57)
1,632	**1,032**	**Net Cash and cash equivalents at September 30**	**1,632**	**1,032**

Quarterly statistics

2016						2017			
Q1	Q2	Q3	Q4	year	in € millions	Q1	Q2	Q3	year-to-date
Revenue									
861	1,055	1,021	898	3,835	Decorative Paints	922	1,046	1,007	2,975
1,388	1,473	1,406	1,398	5,665	Performance Coatings	1,471	1,504	1,428	4,403
1,206	1,206	1,202	1,169	4,783	Specialty Chemicals	1,289	1,259	1,209	3,757
(25)	(23)	(29)	(9)	(86)	Other activities/eliminations	(21)	(24)	(20)	(65)
3,430	**3,711**	**3,600**	**3,456**	**14,197**	**Total**	**3,661**	**3,785**	**3,624**	**11,070**
EBITDA									
86	165	156	84	491	Decorative Paints	109	152	124	385
222	257	233	187	899	Performance Coatings	225	242	185	652
245	259	250	199	953	Specialty Chemicals	261	265	251	777
(66)	(39)	(45)	(85)	(235)	Other activities/eliminations	(61)	(39)	(25)	(125)
487	**642**	**594**	**385**	**2,108**	**Total**	**534**	**620**	**535**	**1,689**
14.2	**17.3**	**16.5**	**11.1**	**14.8**	**EBITDA margin (in %)**	**14.6**	**16.4**	**14.8**	**15.3**
Depreciation									
(23)	(25)	(23)	(24)	(95)	Decorative Paints	(23)	(23)	(23)	(69)
(26)	(25)	(25)	(27)	(103)	Performance Coatings	(25)	(27)	(26)	(78)
(69)	(68)	(70)	(69)	(276)	Specialty Chemicals	(73)	(73)	(71)	(217)
(2)	(2)	(3)	(1)	(8)	Other activities/eliminations	(3)	(2)	(2)	(7)
(120)	**(120)**	**(121)**	**(121)**	**(482)**	**Total**	**(124)**	**(125)**	**(122)**	**(371)**
Amortization									
(11)	(9)	(10)	(9)	(39)	Decorative Paints	(9)	(8)	(6)	(23)
(10)	(10)	(9)	(8)	(37)	Performance Coatings	(13)	(13)	(12)	(38)
(12)	(12)	(12)	(12)	(48)	Specialty Chemicals	(12)	(13)	(11)	(36)
–	–	–	–	–	Other activities/eliminations	–	–	(1)	(1)
(33)	**(31)**	**(31)**	**(29)**	**(124)**	**Total**	**(34)**	**(34)**	**(30)**	**(98)**
EBIT (operating income excluding identified items)									
52	131	123	51	357	Decorative Paints	77	121	95	293
186	222	199	152	759	Performance Coatings	187	202	147	536
164	179	168	118	629	Specialty Chemicals	176	179	169	524
(68)	(41)	(48)	(86)	(243)	Other activities/eliminations	(64)	(41)	(28)	(133)
334	**491**	**442**	**235**	**1,502**	**Total**	**376**	**461**	**383**	**1,220**
9.7	**13.2**	**12.3**	**6.8**	**10.6**	**ROS (in %)**	**10.3**	**12.2**	**10.6**	**11.0**

Quarterly statistics

Q1	Q2	Q3	Q4	2016 year	in € millions	Q1	Q2	Q3	2017 year-to-date
Operating income									
52	131	132	51	366	Decorative Paints	77	121	95	293
186	222	192	135	735	Performance Coatings	187	202	147	536
164	179	168	118	629	Specialty Chemicals	176	179	169	524
(45)	(41)	(38)	(87)	(211)	Other activities/eliminations	(64)	(61)	(73)	(198)
357	**491**	**454**	**217**	**1,519**	**Total**	**376**	**441**	**338**	**1,155**
Identified items per Business Area									
–	–	9	–	9	Decorative Paints	–	–	–	–
–	–	(7)	(17)	(24)	Performance Coatings	–	–	–	–
–	–	–	–	–	Specialty Chemicals	–	–	–	–
23	–	10	(1)	32	Other activities/eliminations	–	(20)	(45)	(65)
23	**–**	**12**	**(18)**	**17**	**Total**	**–**	**(20)**	**(45)**	**(65)**
Reconciliation net financing expenses									
5	11	8	4	28	Financing income	6	6	5	17
(27)	(23)	(25)	(23)	(98)	Financing expenses	(24)	(24)	(23)	(71)
(22)	**(12)**	**(17)**	**(19)**	**(70)**	**Net interest on net debt**	**(18)**	**(18)**	**(18)**	**(54)**
Other interest movements									
(2)	(2)	(2)	(4)	(10)	Financing expenses related to pensions	(5)	(5)	(4)	(14)
(11)	(8)	(14)	(7)	(40)	Interest on provisions	(3)	(3)	(16)	(22)
8	–	–	(2)	6	Other items	4	7	2	13
(5)	**(10)**	**(16)**	**(13)**	**(44)**	**Net other financing charges**	**(4)**	**(1)**	**(18)**	**(23)**
(27)	**(22)**	**(33)**	**(32)**	**(114)**	**Net financing expenses**	**(22)**	**(19)**	**(36)**	**(77)**
Quarterly net income analysis									
20	8	10	5	43	Results from associates and joint ventures	8	8	5	21
(23)	(27)	(15)	(17)	(82)	Profit attributable to non-controlling interests	(21)	(24)	(10)	(55)
350	477	431	190	1,448	Profit before tax	362	430	307	1,099
(86)	(138)	(131)	(39)	(394)	Income tax	(101)	(104)	(82)	(287)
264	339	300	151	1,054	Profit for the period from continuing operations	261	326	225	812
25	29	30	21	27	Effective tax rate (in %)	28	24	27	26

Quarterly statistics

Q1	Q2	Q3	Q4	2016 year		Q1	Q2	Q3	2017 year-to-date
Earnings per share from continuing operations (in €)									
0.96	1.24	1.13	0.53	3.88	Basic	0.96	1.20	0.86	3.01
0.96	1.24	1.13	0.53	3.86	Diluted	0.95	1.20	0.85	2.99
Earnings per share from discontinued operations (in €)									
–	–	–	–	(0.01)	Basic	–	–	–	–
–	–	–	–	(0.01)	Diluted	–	(0.01)	–	–
Earnings per share from total operations (in €)									
0.96	1.24	1.13	0.53	3.87	Basic	0.96	1.20	0.86	3.01
0.96	1.24	1.13	0.53	3.85	Diluted	0.95	1.19	0.85	2.99
Number of shares (in millions)									
249.5	250.6	251.6	251.9	250.9	Weighted average number of shares	251.3	251.1	251.9	251.4
249.6	251.6	251.6	252.2	252.2	Number of shares at end of quarter	252.6	254.3	251.9	251.9
Adjusted earnings (in € millions)									
350	477	431	190	1,448	Profit before tax from continuing operations	362	430	307	1,099
(23)	–	(12)	18	(17)	Identified items reported in operating income	–	20	45	65
33	31	31	29	124	Amortization of intangible assets	34	34	30	98
(95)	(149)	(132)	(55)	(431)	Adjusted income tax	(111)	(120)	(102)	(333)
(23)	(27)	(15)	(17)	(82)	Non-controlling interests	(21)	(24)	(10)	(55)
242	332	303	165	1,042	Adjusted net income from continuing operations	264	340	270	874
0.97	**1.32**	**1.20**	**0.66**	**4.15**	**Adjusted earnings per share (in €)**	**1.05**	**1.35**	**1.07**	**3.48**

Notes to the condensed financial statements

Accounting policies

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, 2017 do not have any or only an immaterial effect on our Consolidated financial statements. Otherwise the accounting principles are as applied in the 2016 financial statements.

Our expectations regarding the potential impact of IFRS standards and interpretations thereof not yet in force, as mentioned in the 2016 financial statements are unchanged. For IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” we do not expect, based on the assessment performed so far, these new standards to have a significant impact on our Consolidated financial statements. Based on the results of our assessment so far with respect to IFRS 16 “Leases”, we expect total assets to increase between 5% and 10%. It should be noted that the actual impact will depend on the number, size and remaining duration of lease contracts and any expected renewals at the moment of implementation. We do not expect the impact on operating income to be significant.

Related parties

We purchased and sold goods and services to various related parties in which we hold a 50% or less equity interest (associates and joint ventures). Such transactions were conducted at arm’s length with terms comparable with transactions with third parties.

We considered the members of the Executive Committee and the Supervisory Board to be the key management personnel as defined in IAS 24 “Related parties”. In the ordinary course of business, we have transactions with various organizations with which certain of the members of the Supervisory Board and Executive Committee are associated.

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 certain 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 identified items 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 identified items.

EBITDA is operating income excluding depreciation, amortization and identified items.

EBITDA margin is EBITDA as percentage of revenue.

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

Identified items 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 identified items.

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.

OPI margin% is operating income as percentage of revenue.

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

ROS is EBIT 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.

Akzo Nobel N.V.
Christiaan Neefestraat 2
P.O. Box 75730
1070 AS Amsterdam, the Netherlands
T +31 88 969 7555
Internet: www.akzonobel.com

For more information:
The explanatory sheets used during the press conference can be viewed on AkzoNobel's corporate website www.akzonobel.com/quarterlyresults

AkzoNobel Global Communications
T +31 88 969 7833
E info@akzonobel.com

AkzoNobel Investor Relations
T +31 88 969 7856
E investor.relations@akzonobel.com

Financial calendar

Ex-dividend date of 2017 interim dividend	October 20, 2017
Record date of 2017 interim dividend	October 23, 2017
Election period cash or stock interim dividend	October 24,2017 – November 15, 2017
Determination of exchange ratio	November 16, 2017
Payment of cash dividend and delivery of new shares	November 22, 2017
Extraordinary General Meeting (EGM)	November 30, 2017
Ex-dividend date of special cash dividend	December 4, 2017
Record date of special cash dividend	December 5, 2017
Payment of special cash dividend	December 7, 2017
Report for the full-year and the fourth quarter 2017 *	March 8, 2018
Report for the first quarter 2018	April 24, 2018
Annual General Meeting of shareholders	April 26, 2018
Report for the second quarter 2018	July 18, 2018
Report for the third quarter 2018	October 17, 2018

* Publication date of Report for the full-year and the fourth quarter 2017 has been changed to March 8, 2018 as a result of the process to separate Specialty Chemicals

AkzoNobel

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 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 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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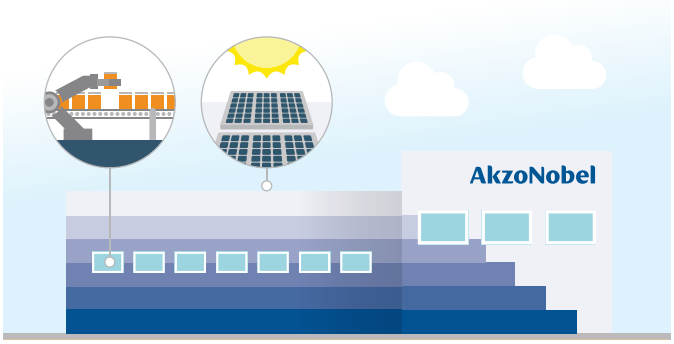
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Focused on **customers, growth and performance**

We continued to make good progress with our strategic ambitions during Q3. Here are just a few highlights from the quarter.

LANDMARK UK PLANT OPENED

We recently opened the world's most sustainable paint factory in Ashington, UK. It will be the production center for Dulux, the world's leading paint brand.



2018 COLOR OF THE YEAR ANNOUNCED

Heart Wood was unveiled as Color of the Year for 2018. Chosen after extensive research, the grown-up pink embodies comfort and ease and is inspired by the warm tones of leather and wood.



EXPANDING OUR EXPANCEL CAPACITY

Specialty Chemicals is investing €20 million to boost production of Expancel microspheres, which can improve the properties of many everyday items, from running shoes to wine corks.



LEADING THE WAY IN SUSTAINABILITY

AkzoNobel is at the top of the Chemicals Industry Group on the influential Dow Jones Sustainability Index– our fifth number one ranking in six years.



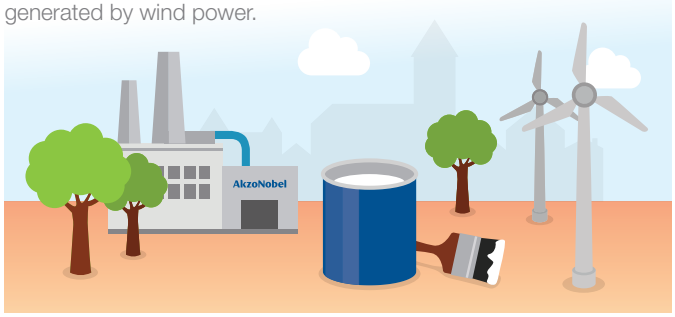
AEROSPACE BUSINESS EXPANDS IN ASIA

We opened a new aerospace color center in Dongguan, China. It supplies the aviation market in north and south Asia and will offer improved service to new and existing customers.



A STEP CLOSER TO BECOMING CARBON NEUTRAL

All our paint and coatings production in the Netherlands is now powered by green energy. An agreement with energy company Eneco means that four Dutch sites are entirely using electricity generated by wind power.



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