

Q4 Report and full-year

AkzoNobel

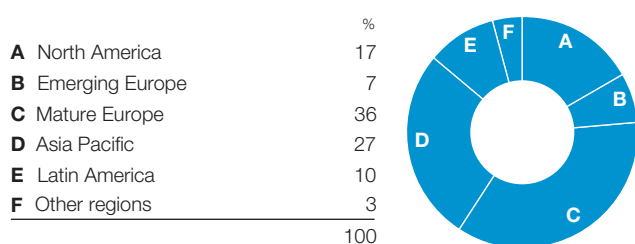


2015

Some of the most distinctive buildings on the London skyline have been supplied with essential ingredients, essential protection and essential color by AkzoNobel, including "The Gherkin" and Tower Bridge

AkzoNobel around the world

Revenue by destination



(Based on the full-year 2015)

We delivered our 2015 targets

Our results at a glance

Full-year:

- We delivered our 2015 targets: ROS 10.6 percent (2014: 6.9 percent); ROI 15.0 percent (2014: 10.0 percent); Net debt/EBITDA 0.6 (2014: 1.0)
- Revenue up 4 percent, due to 6 percent favorable currency effects, partly offset by divestments and lower volumes
- Operating income up 59 percent at €1,573 million, as a result of process optimization, lower costs, reduced restructuring expenses, favorable currency development and incidental items
- Operating income excluding incidental items up 36 percent at €1,462 million (2014: €1,072 million)
- Adjusted EPS up 43 percent at €4.02 (2014: €2.81)
- Net income attributable to shareholders €979 million (2014: €546 million)
- Total dividend proposed for 2015 up 7 percent to €1.55 (2014: €1.45)
- Net cash inflow from operating activities up 40 percent at €1,136 million (2014: €811 million)
- Number one ranking on the Dow Jones Sustainability Index (DJSI), in the Materials industry group, for the fourth consecutive year

For Q4:

- Revenue up 1 percent, with 3 percent favorable currency effects offset by the impact of divestments and adverse price/mix. Volumes were flat
- Operating income at €345 million (2014: €83 million) reflecting the impact of incidental items, process optimization, lower costs and reduced restructuring expenses
- Adjusted EPS €0.72 (2014: €0.33)

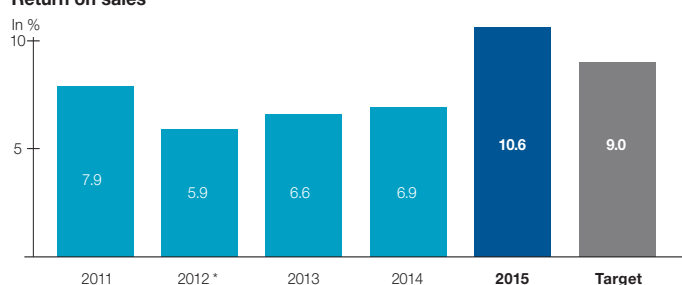
Outlook:

- We expect 2016 to be a challenging year. Difficult market conditions continue in Brazil, China and Russia. No significant improvement is anticipated in Europe, particularly in the Buildings and Infrastructure segment. Deflationary pressures continue and currency tailwinds are moderating

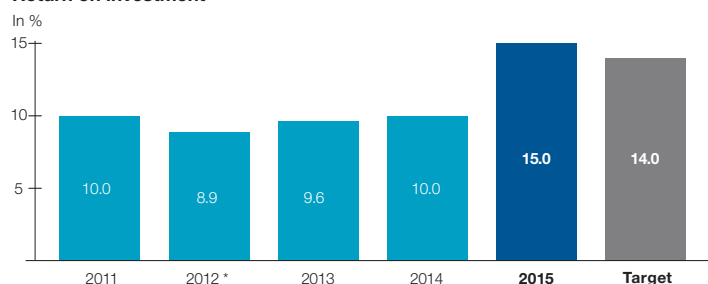
Financial highlights

- Record ROS and ROI for AkzoNobel
- Performance continued to improve, we delivered on our 2015 targets
- Free cash flow positive after dividend

Return on sales



Return on investment



* Return on sales and Return on investment in 2012 were adjusted for goodwill impairment on the Decorative Paints business.

Summary of financial outcomes

Fourth quarter			January-December		
2014	2015	Δ%	2014	2015	Δ%
3,517	3,559	1	14,296	14,859	4
83	345	316	987	1,573	59
168	268	60	1,072	1,462	36
2.4	9.7		6.9	10.6	
4.8	7.5		7.5	9.8	
			9,871	10,475	
			10.0	15.0	
			10.9	14.0	
330	426	29	1,690	2,088	24
186	228		588	651	
481	768		811	1,136	40
			1,606	1,226	
(7)	194		528	973	84
14	9		18	6	
7	203		546	979	79
0.03	0.82		2.23	3.95	
0.33	0.72	27	2.81	4.02	43
			47,200	45,600	

Financial performance against 2015 targets

	Target	2015	2015 (excl. incidental items)
ROS%	9.0%	10.6%	9.8%
ROI%	14.0%	15.0%	14.0%
Net debt/EBITDA	<2.0	0.6	0.6

Financial highlights

We delivered our 2015 targets. 2015 revenue was up 4 percent, due to 6 percent favorable currency effects, partly offset by divestments and lower volumes. Operating income was up 59 percent at €1,573 million, reflecting the positive effects of process optimization, lower costs, reduced restructuring expenses, favorable currency developments and the impact of incidental items. ROS increased to 10.6 percent (2014: 6.9 percent). ROI increased to 15.0 percent (2014: 10.0 percent)

Revenue

- Full-year revenue in Decorative Paints was up 3 percent. Revenue was up in Asia, flat in Europe and down in Latin America. Volumes were down 1 percent overall for the full-year, with positive developments in Asia. In Q4, revenue was up 1 percent, due to positive volume developments in Europe and Asia
- Full-year revenue in Performance Coatings was up 7 percent, driven by favorable price/mix and currencies. Volumes were down 2 percent across the segments, impacted by market developments in Brazil and ongoing spending declines in the global oil and gas industry. In Q4, revenue was up 5 percent, benefiting from favorable price/mix and positive currencies. Volumes were flat, with project strength in Marine and Protective Coatings businesses offset by lower demand in other segments
- Full-year revenue in Specialty Chemicals was up 2 percent due to favorable currency effects, partly offset by divestments and adverse price effects. Overall volumes were flat. Growth in some segments compensated for lower demand in oil drilling segments, impacting Surface Chemistry and Functional Chemicals. In Q4, revenue was down 2 percent. Volumes were affected by interruptions in the manufacturing and supply chain. Favorable currency effects were offset by divestments and increased price pressure

Acquisitions and divestments

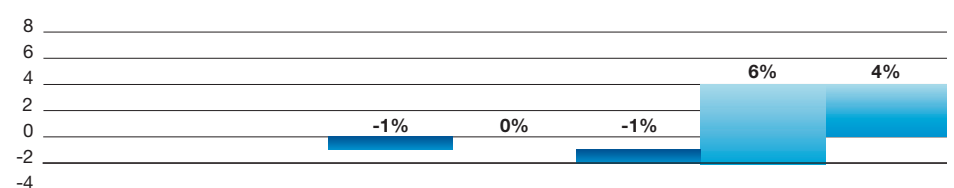
- The divestment of the Paper Chemicals business was completed in Q2 2015, and accounts for the divestment impact in Specialty Chemicals

Revenue

Fourth quarter			January-December			
2014	2015	Δ%	in € millions	2014	2015	Δ%
920	931	1	Decorative Paints	3,909	4,007	3
1,416	1,482	5	Performance Coatings	5,589	5,955	7
1,194	1,167	(2)	Specialty Chemicals	4,883	4,988	2
(13)	(21)		Other activities/eliminations	(85)	(91)	
3,517	3,559	1	Total	14,296	14,859	4

Revenue development full-year 2015

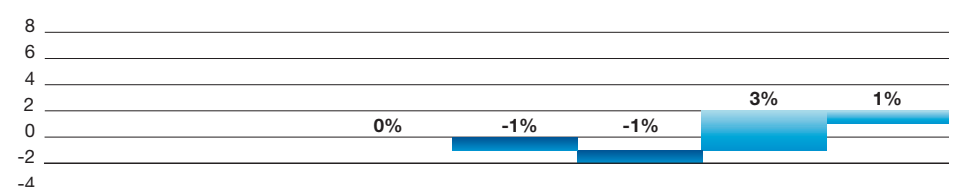
■ Increase ■ Decrease



in % versus 2014	Volume	Price/mix	Divestments	Exchange rates	Total
Decorative Paints	(1)	-	-	4	3
Performance Coatings	(2)	1	-	8	7
Specialty Chemicals	-	(1)	(2)	5	2
Total	(1)	-	(1)	6	4

Revenue development Q4 2015

■ Increase ■ Decrease



in % versus Q4 2014	Volume	Price/mix	Divestments	Exchange rates	Total
Decorative Paints	1	-	-	-	1
Performance Coatings	-	1	-	4	5
Specialty Chemicals	-	(2)	(3)	3	(2)
Total	-	(1)	(1)	3	1

Operating income

Operating income increased 59 percent to €1,573 million, reflecting the positive effects of process optimization, lower costs, favorable currency developments and the impact of incidental items.

- In Decorative Paints, operating income increased 39 percent as a result of the new operating model and lower costs
- In Performance Coatings, operating income increased 45 percent due to performance improvement initiatives, including management delayering and currencies
- In Specialty Chemicals, operating income increased 20 percent, with significant savings from continuous improvement programs and incidental items

Total restructuring charges in 2015 amounted to €74 million (2014: €253 million). Restructuring expenses were lower for all businesses.

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

Operating income in other activities

For the full-year, apart from incidental items, operating income was adversely impacted by insurance costs and higher pension costs, due to changes in discount rates and de-risking of pension liabilities. Corporate costs were higher due to planned functional transformation projects and favorable items in 2014 related to the sale of assets.

Incidental items

For the full-year operating income was positively impacted by incidental items. The divestment of the Paper Chemicals business in Q2 resulted in a book profit net of related costs of €31 million, reported in Specialty Chemicals.

In Q4, operating income in other activities was impacted by incidental items, including a recovery related to the 2014 fraud case and several adjustments to provisions, mainly for legacy items and post-retirement benefits.

Net financing expenses

Net financing expenses decreased for both the full-year and Q4, mainly due to lower interest expenses on net debt as a result of repayment of high interest bonds and lower interest on provisions.

Tax

The full-year effective tax rate was 28 percent (2014: 30 percent). The tax rate was lower as a result of non-taxable income such as the gain on the divestment of the Paper Chemicals business and prior year adjustments.

Volume development per quarter (year-on-year)

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

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

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

Operating income

Fourth quarter			January-December			
2014	2015	Δ%	in € millions	2014	2015	Δ%
16	46	188	Decorative Paints	248	345	39
106	192	81	Performance Coatings	545	792	45
93	91	(2)	Specialty Chemicals	508	609	20
(132)	16		Other activities/eliminations	(314)	(173)	
83	345	316	Total	987	1,573	59

Operating income in other activities

Fourth quarter			January-December		
2014	2015	in € millions	2014	2015	
(44)	(53)	Corporate costs	(182)	(195)	
(1)	(4)	Pensions	(13)	(24)	
(2)	(6)	Insurances	10	(1)	
(85)	79	Other	(129)	47	
(132)	16	Operating income in other activities	(314)	(173)	

Operating income to net income

Fourth quarter			January-December		
2014	2015	in € millions	2014	2015	
83	345	Operating income	987	1,573	
(41)	(18)	Net financing expenses	(156)	(114)	
3	5	Results from associates and joint ventures	21	17	
45	332	Profit before tax	852	1,476	
(36)	(112)	Income tax	(252)	(416)	
9	220	Profit from continuing operations	600	1,060	
14	9	Profit from discontinued operations	18	6	
23	229	Profit for the period	618	1,066	
(16)	(26)	Non-controlling interests	(72)	(87)	
7	203	Net income	546	979	

Decorative Paints

Full-year:

- Revenue up 3 percent due to favorable currencies offsetting adverse price/mix and volumes
- Volume developments were positive in Asia for the full-year and in both Europe and Asia for Q4
- Operating income increased 39 percent, due to the new operating model, lower costs, reduced restructuring expenses and currencies
- ROS increased to 8.6 percent (2014: 6.3 percent); ROI increased to 11.7 percent (2014: 8.8 percent)

Full-year revenue was up in Asia, flat in Europe and down in Latin America. Volumes were down 1 percent overall for the full-year, with positive developments in Asia offset by Latin America and Europe.

Operating income increased by 39 percent as a result of the new operating model, lower costs, reduced restructuring expenses and currency developments.

In Q4, revenue was up 1 percent, due to positive volume developments in Europe and Asia, while price/mix and currencies were flat.

Europe, Middle East and Africa

Full-year revenue in Europe was flat, with favorable currencies being offset by negative volumes and price/mix. There were positive developments in some countries, most notably the UK and the Netherlands. The economic environment was challenging, especially in some markets in continental and Eastern Europe, including Russia and Turkey. The sale of the German stores in 2014 had an adverse impact on price/mix during the first quarter of the year. Various operational efficiency improvement programs, including the new operating model in Europe, led to a lower cost base.

In Q4, revenue in Europe was up 4 percent. Positive volumes and currencies were partially offset by negative price/mix. Positive developments in the UK and the Netherlands continued.

Revenue

Fourth quarter			January-December			
2014	2015	Δ%	in € millions	2014	2015	Δ%
459	476	4	Deco Europe, Middle East and Africa	2,269	2,263	-
171	147	(14)	Decorative Paints Latin America	568	561	(1)
291	309	6	Decorative Paints Asia	1,074	1,185	10
			Other/intragroup eliminations	(2)	(2)	
920	931	1	Total	3,909	4,007	3
16	46	188	Operating income	248	345	39
1.7	4.9		ROS%	6.3	8.6	
			Average invested capital	2,824	2,959	
			Moving average ROI (in %)	8.8	11.7	
58	83	43	EBITDA	405	495	22
36	45		Capital expenditures	143	158	
			Number of employees	15,200	14,900	



Our Decorative Paints business has developed exterior wall paints that reflect more infrared light, helping to reduce both heat absorption and energy consumption. In some countries, temperatures above 40° Celsius during the summer are common, which means even thick-walled buildings heat up quickly. Thanks to the technology in Dulux Weathershield SunReflect paint, interiors remain considerably cooler, which contributes to significant power savings on air conditioning.

Latin America

Full-year revenue was down 1 percent in Latin America due to adverse currency effects and lower volumes, partially compensated by positive price/mix. The economic environment was challenging during the year, especially in Brazil. Increased costs for imported raw materials in local currencies posed significant challenges to the business. Improvement actions and cost control in the region contributed to the results.

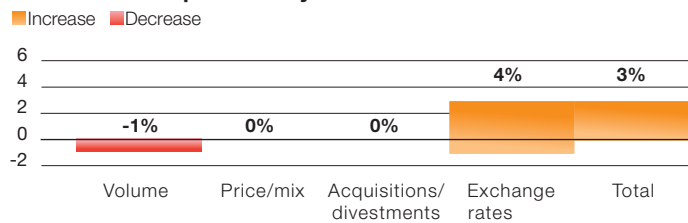
In Q4, revenue was down 14 percent due to adverse currency effects and lower volumes, partially offset by positive price/mix. Market conditions remained unfavorable and economic instability continued in the region, with some countries experiencing strong currency devaluation. The adverse currency developments again increased costs for imported raw materials in local currencies.

Asia

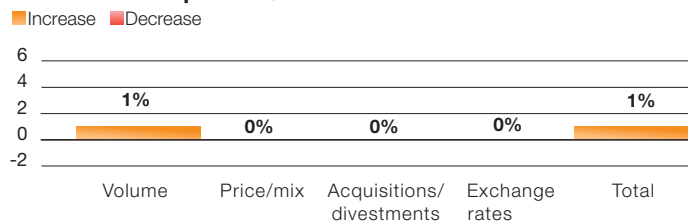
Full-year revenue was up 10 percent in Asia due to positive volumes and currencies, partially offset by adverse price/mix effects. Demand in several Asian countries was encouraging. The Chinese construction market remained challenging, while for the full-year, volumes in China grew.

In Q4, revenue was up 6 percent, with positive currencies and volumes more than offsetting adverse price/mix. Positive developments were visible, especially in South and South East Asia.

Revenue development full-year 2015



Revenue development Q4 2015



Performance Coatings

Full-year:

- Revenue up 7 percent due to favorable price/mix and currencies offsetting lower volumes
- Volumes down 2 percent, impacted by market developments in Brazil and China and ongoing spending declines in the global oil and gas industry
- Operating income up 45 percent to €792 million (2014: €545 million) due to performance improvement initiatives, management delayering, lower costs, reduced restructuring expenses and currencies
- ROS increased to 13.3 percent (2014: 9.8 percent); ROI increased to 29.4 percent (2014: 22.0 percent)

Full-year revenue was up 7 percent, driven by favorable price/mix and currencies offsetting lower volumes. Volumes were down 2 percent across the segments impacted by lower demand in Brazil and ongoing spending declines in the global oil and gas industry. Market developments in China weakened but differed per segment and therefore had a varied impact on the business segments.

Operating income increased 45 percent due to performance improvement initiatives, management delayering, lower costs, reduced restructuring expenses and currencies.

Performance Coatings implemented a simplified, delayered organization in 2015 to drive organic growth and improve operational efficiency. The program delivered significant improvements, including reduced organizational complexity and manufacturing footprint, as well as increasing the speed of decision making and customer proximity.

In Q4, revenue was up 5 percent, benefiting from favorable price/mix and positive currencies. Volumes were flat, with project strength in our Marine and Protective Coatings businesses offset by lower demand in other segments. Operating income increased 81 percent, driven by lower restructuring costs, favorable price/mix, cost control measures and currencies.

Revenue *

Fourth quarter				January-December		
2014	2015	Δ%	in € millions	2014	2015	Δ%
369	402	9	Marine and Protective Coatings	1,414	1,572	11
375	390	4	Automotive and Specialty Coatings	1,440	1,545	7
680	698	3	Industrial and Powder Coatings	2,769	2,867	4
(8)	(8)		Other/intragroup eliminations	(34)	(29)	
1,416	1,482	5	Total	5,589	5,955	7
106	192	81	Operating income	545	792	45
7.5	13.0		ROS%	9.8	13.3	
			Average invested capital	2,480	2,692	
			Moving average ROI (in %)	22.0	29.4	
142	229	61	EBITDA	687	938	37
49	47		Capital expenditures	143	147	
			Number of employees	20,500	19,300	

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



Our Performance Coatings business has launched an ultra-reflective powder coating which can increase the effective output of commercial lighting fixtures by up to 30 percent. Interpon ReFlex delivers outstanding levels of light reflectance, making it highly cost-effective. The product is solvent-free, like all powder coatings, and has a lower environmental impact than competing materials used in the lighting market.

Marine and Protective Coatings

Full-year revenue was up 11 percent, mainly due to favorable price/mix, currencies and increased volume for Marine Coatings. Demand in Protective Coatings was impacted by lower capital spending and delayed projects in the global oil and gas industries.

In Q4, revenue was up 9 percent, driven by volume growth, favorable price/mix and currencies. Marine new construction activity improved due to projects in Korea, as well as increased dry docking activity. Protective volumes to the offshore oil and gas market improved due to timing of specific projects.

Automotive and Specialty Coatings

Full-year revenue improved 7 percent, with favorable price/mix and currencies offsetting lower volumes. Lower demand in Brazil and Russia was offset by strong volume development in the aerospace, automotive interior and consumer electronics segments.

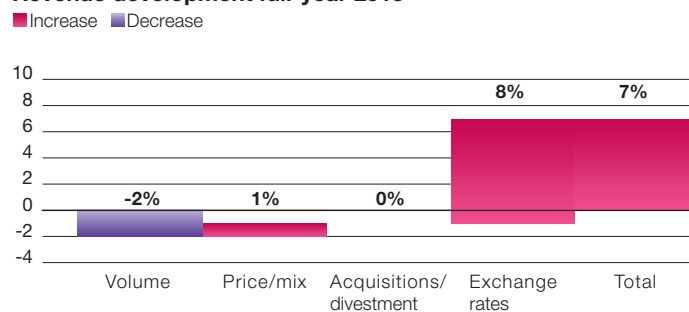
In Q4, revenue was up 4 percent due to favorable price/mix and currencies, partially offset by lower volumes. Demand for vehicle refinishes in North Asia and South Europe increased while demand in commercial vehicle and consumer electronics was lower.

Industrial and Powder Coatings

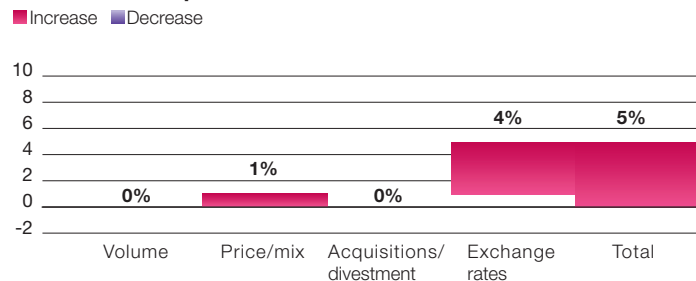
Full-year revenue increased 4 percent due to favorable currencies and price/mix offsetting adverse volumes. Demand was impacted by construction industry weakness in China and Brazil. North America continued to grow, benefiting from strength in both the US construction and automotive industries.

In Q4, revenue was up 3 percent due to favorable currencies and price/mix offset by lower volumes in some segments in China and Brazil. In Europe, Packaging Coatings development was positive. North Asian volumes were strong across a number of segments, including automotive, coil, and general industrial. Volumes in North America continued to benefit from strength in the US economy.

Revenue development full-year 2015



Revenue development Q4 2015



Specialty Chemicals

Full-year:

- Revenue up 2 percent due to favorable currency effects, partly offset by the divestment of the Paper Chemicals business and adverse price/mix. Overall volumes were flat
- Volumes were affected by interruptions in the manufacturing and supply chain in Rotterdam and Tianjin
- Operating income up 20 percent at €609 million due to continuous improvement programs, favorable currency effects, lower costs and incidental items
- ROS increased to 12.2 percent (2014: 10.4 percent); ROI increased to 17.2 percent (2014: 14.8 percent)

Full-year revenue was up 2 percent due to favorable currency effects, partly offset by the divestment of the Paper Chemicals business and adverse price/mix. Overall volumes were flat. Growth in some segments compensated for lower demand in oil drilling segments which mainly impacted Surface Chemistry and some segments within Functional Chemicals. Growth in China was subdued and demand remained stable in Europe.

Operating income increased by 20 percent in 2015, with significant savings from continuous improvement programs, favorable currency effects, lower costs and the positive divestment result. The divestment of Paper Chemicals was closed in Q2, with a book profit net of related costs of €31 million reported in operating income (as an incidental item).

Although the incident at the port of Tianjin, China, did not affect us directly, it did result in significant interruptions in the manufacturing and supply chain.

In Q4, revenue was down 2 percent. Volumes were flat, affected by interruptions in the manufacturing and supply chain in Rotterdam and Tianjin. Favorable currency effects were more than offset by divestments and increased price pressure. Operating income was down 2 percent.

Revenue

Fourth quarter			January-December			
2014	2015	Δ%	in € millions	2014	2015	Δ%
423	408	(4)	Functional Chemicals *	1,756	1,822	4
295	308	4	Industrial Chemicals *	1,230	1,204	(2)
247	236	(4)	Surface Chemistry	1,010	1,060	5
258	231	(10)	Pulp and Performance Chemicals	1,009	989	(2)
(29)	(16)		Other/intragroup eliminations	(122)	(87)	
1,194	1,167	(2)	Total	4,883	4,988	2
93	91	(2)	Operating income	508	609	20
7.8	7.8		ROS%	10.4	12.2	
			Average invested capital	3,442	3,540	
			Moving average ROI (in %)	14.8	17.2	
175	171	(2)	EBITDA	815	898	10
99	130		Capital expenditures	297	331	
			Number of employees	9,800	9,100	

* Adjusted to the new business structure



Our Specialty Chemicals business has developed a stronger micronutrient for new agro applications. Not only is Bolikel XP cost-efficient and biodegradable, it also improves the uptake by plants. Because it's a stronger product, less dosing is necessary, while it also performs in even the most demanding soil types.

Functional Chemicals

Full-year revenue was up 4 percent. Favorable currency effects were partly offset by lower demand and price pressure in the ethylene based business, as well as lower volumes in Asia. Volumes in Europe and North America were flat.

In Q4, revenue was down 4 percent, mainly due to lower volumes in Asia as a result of the interruptions in the manufacturing and supply chain.

Industrial Chemicals

Full-year revenue was down 2 percent, mainly due to price pressure. In the second half of the year there was higher product availability with the new chlorine plant in Frankfurt fully on-stream.

In Q4, revenue was up 4 percent, mainly due to higher volumes, despite some interruptions in the manufacturing and supply chain in Rotterdam.

Surface Chemistry

Full-year revenue was up 5 percent due to positive currency effects, partly offset by lower volumes and price pressure. Volumes were down in the oil drilling segments, mostly in the Americas, partly compensated by other segments and higher demand in Europe. Volumes in Asia were flat compared with the previous year.

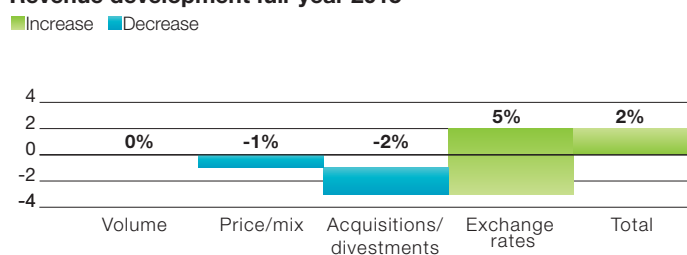
In Q4, revenue was down 4 percent. Favorable currency effects were more than offset by lower volumes. Market conditions in the oil drilling segment deteriorated further as a result of the continued decline in the oil price.

Pulp and Performance Chemicals

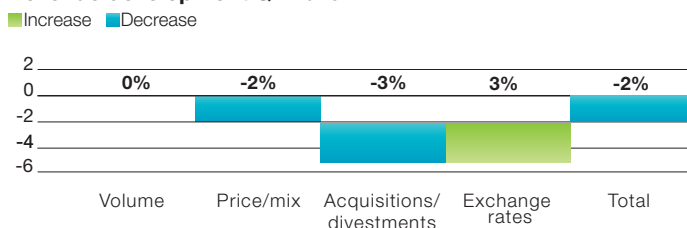
Full-year revenue was up 8 percent excluding the impact of the divested Paper Chemicals business. Positive price/mix, favorable currency effects and volume growth all contributed.

Revenue for Q4, excluding the divested Paper Chemicals business, was up 7 percent compared with the previous year, supported by positive currency developments and improved price/mix.

Revenue development full-year 2015



Revenue development Q4 2015



Condensed financial statements

Consolidated statement of income

Fourth quarter				January-December	
2014	2015 in € millions		2014	2015	
Continuing operations					
3,517	3,559	Revenue	14,296	14,859	
(2,160)	(2,131)	Cost of sales	(8,676)	(8,784)	
1,357	1,428	Gross profit	5,620	6,075	
(1,189)	(1,160)	SG&A costs	(4,548)	(4,613)	
(85)	77	Incidentals	(85)	111	
83	345	Operating income	987	1,573	
(41)	(18)	Net financing expenses	(156)	(114)	
3	5	Results from associates and joint ventures	21	17	
45	332	Profit before tax	852	1,476	
(36)	(112)	Income tax	(252)	(416)	
9	220	Profit for the period from continuing operations	600	1,060	
Discontinued operations					
14	9	Profit for the period from discontinued operations	18	6	
23	229	Profit for the period	618	1,066	
Attributable to					
7	203	Shareholders of the company	546	979	
16	26	Non-controlling interests	72	87	
23	229	Profit for the period	618	1,066	

Consolidated statement of comprehensive income

Fourth quarter				January-December	
2014	2015 in € millions		2014	2015	
23	229	Profit for the period	618	1,066	
Other comprehensive income					
56	105	Exchange differences arising on translation of foreign operations	433	137	
(12)	(13)	Cash flow hedges	–	(30)	
291	242	Post-retirement benefits	(589)	(191)	
(21)	–	Tax relating to components of other comprehensive income	18	7	
314	334	Other comprehensive income for the period (net of tax)	(138)	(77)	
337	563	Comprehensive income for the period	480	989	
Comprehensive income for the period attributable to					
311	530	Shareholders of the company	365	887	
26	33	Non-controlling interests	115	102	
337	563	Comprehensive income for the period	480	989	

Condensed consolidated balance sheet

in € millions	December 31, 2014	December 31, 2015
Assets		
Non-current assets		
Intangible assets	4,142	4,156
Property, plant and equipment	3,835	4,003
Other financial non-current assets	2,148	2,125
Total non-current assets	10,125	10,284
Current assets		
Inventories	1,545	1,504
Trade and other receivables	2,743	2,741
Cash and cash equivalents	1,732	1,365
Other current assets	88	69
Assets held for sale	66	-
Total current assets	6,174	5,679
Total assets	16,299	15,963
Equity and liabilities		
Total equity		
	6,267	6,980
Non-current liabilities		
Provisions and deferred tax liabilities	2,555	2,225
Long-term borrowings	2,527	2,161
Total non-current liabilities	5,082	4,386
Current liabilities		
Short-term borrowings	811	430
Trade and other payables	3,407	3,473
Other short-term liabilities	721	694
Liabilities held for sale	11	-
Total current liabilities	4,950	4,597
Total equity and liabilities	16,299	15,963

Shareholders' equity

Shareholders' equity increased from €5.8 billion at year-end 2014 to €6.5 billion at year-end 2015, mainly due to the net effect of:

- Net income of €979 million
- Positive currency effect of €124 million
- Actuarial impact of post-retirement benefits of €193 million, including €384 million for de-risking of pension liabilities as well as assumption and triennial valuation remeasurements
- Dividend payments of €222 million

Dividend

Our dividend policy is to pay a stable to rising dividend. We will propose a 2015 final dividend of €1.20 per share, which would make a total 2015 dividend of €1.55 (2014: €1.45) per share, up 7 percent. There will be a stock dividend option with cash dividend as default. Please refer to the last page of this report for dividend payment dates.

Changes in equity

in € millions	Subscribed share capital	Additional paid-in capital	Cashflow hedge reserve	Cumulative translation reserves	Other reserves	Shareholders' equity	Non-controlling interests	Group equity
Balance at January 1, 2014	485	319	(19)	(417)	5,226	5,594	427	6,021
Profit for the period	-	-	-	-	546	546	72	618
Other comprehensive income	-	-	-	374	(555)	(181)	43	(138)
Comprehensive income for the period	-	-	-	374	(9)	365	115	480
Dividend paid	5	137	-	-	(354)	(212)	(68)	(280)
Equity-settled transactions	-	-	-	-	34	34	-	34
Issue of common shares	2	7	-	-	-	9	3	12
Balance at December 31, 2014	492	463	(19)	(43)	4,897	5,790	477	6,267
Balance at January 1, 2015	492	463	(19)	(43)	4,897	5,790	477	6,267
Profit for the period	-	-	-	-	979	979	87	1,066
Other comprehensive income	-	-	(23)	124	(193)	(92)	15	(77)
Comprehensive income for the period	-	-	(23)	124	786	887	102	989
Dividend paid	4	137	-	-	(363)	(222)	(86)	(308)
Equity-settled transactions	-	-	-	-	32	32	-	32
Issue of common shares	2	(2)	-	-	-	-	2	2
Acquisitions and divestments	-	-	-	-	(3)	(3)	1	(2)
Balance at December 31, 2015	498	598	(42)	81	5,349	6,484	496	6,980

Invested capital

Invested capital at year-end 2015 totaled €9.8 billion; slightly down on year-end 2014, mainly as a result of lower operating working capital, driven by improvements in inventories. In 2015, we invested €651 million in property, plant and equipment.

Pensions

The net balance sheet position (IAS19) of the pension plans at year-end 2015 was a deficit of €0.6 billion (year-end 2014: €0.8 billion). This was the result of the net effect of:

- Lower asset returns
- De-risking of pension liabilities through non-cash buy-in transactions of £1.7 billion (€2.4 billion) in 2015, which led to an impact of €384 million in Other comprehensive income

Offset by:

- Top-up payments of €350 million, predominantly into certain UK pension plans
- Higher discount rates in the key countries
- Experience gains in plan liabilities following triennial valuation remeasurements

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

Workforce

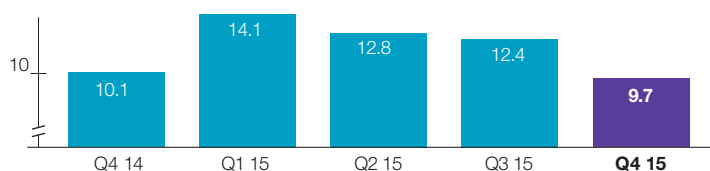
At year-end 2015, the workforce was 3 percent lower at 45,600 employees (year-end 2014: 47,200 employees) due to ongoing restructuring and divestments.

Invested capital

in € millions	December 31, 2014	December 31, 2015
Trade receivables	2,246	2,267
Inventories	1,545	1,504
Trade payables	(2,373)	(2,386)
Operating working capital	1,418	1,385
Other working capital items	(676)	(787)
Non-current assets	10,125	10,284
Less investments in associates and joint ventures	(183)	(165)
Less pension assets	(409)	(528)
Deferred tax liabilities	(412)	(360)
Invested capital	9,863	9,829

Operating working capital

In % of revenue



Operating working capital

in € millions, % of revenue	December 31, 2014		December 31, 2015	
Decorative Paints	202	5.5	162	4.4
Performance Coatings	733	12.9	734	12.4
Specialty Chemicals	587	12.3	557	11.9
Other activities	(104)		(68)	
Total	1,418	10.1	1,385	9.7

Condensed consolidated statement of cash flows

Fourth quarter		in € millions		January - December	
2014	2015		2014	2015	
1,028	1,041	Cash and cash equivalents at beginning of period	2,020	1,649	
Adjustments to reconcile earnings to cash generated from operating activities					
9	220	Profit for the period from continuing operations	600	1,060	
162	158	Amortization and depreciation	618	626	
364	496	Changes in working capital	28	46	
(4)	(88)	Changes in provisions	(406)	(658)	
(50)	(18)	Other changes	(29)	62	
481	768	Net cash from operating activities	811	1,136	
(186)	(228)	Capital expenditures	(588)	(651)	
32	29	Acquisitions and divestments net of cash acquired	38	151	
(2)	2	Other changes	21	(8)	
(156)	(197)	Net cash from investing activities	(529)	(508)	
424	(233)	Changes from borrowings	(367)	(689)	
(84)	(66)	Dividends	(280)	(281)	
3	-	Other changes	12	(2)	
343	(299)	Net cash from financing activities	(635)	(972)	
668	272	Net cash used for continuing operations	(353)	(344)	
(63)	(4)	Cash flows from discontinued operations	(88)	(6)	
605	268	Net change in cash and cash equivalents of total operations	(441)	(350)	
16	8	Effect of exchange rate changes on cash and cash equivalents	70	18	
1,649	1,317	Cash and cash equivalents at December 31, 2015	1,649	1,317	

Cash flows and net debt

Operating activities in 2015 resulted in cash inflows of €1,136 million (2014: €811 million). The change was mainly due to higher profit for the period and improved working capital, partly offset by higher cash outflow from restructuring programs.

In Q1, a €621 million bond was repaid from existing resources.

Net debt at year-end 2015 was lower at €1,226 million compared with year-end 2014 (€1,606 million). During Q4 2015, net debt decreased to €1,226 million (Q3 2015: €1,727 million), mainly due to higher profit for the period and reduction of working capital.

Outlook and 2016 guidance

We expect 2016 to be a challenging year. Difficult market conditions continue in Brazil, China and Russia. No significant improvement is anticipated in Europe, particularly in the Buildings and Infrastructure segment. Deflationary pressures continue and currency tailwinds are moderating.

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

Amsterdam, February 10, 2016
The Board of Management

Quarterly statistics

					2014						2015
Q1	Q2	Q3	Q4	year	in € millions	Q1	Q2	Q3	Q4	year	
Revenue											
865	1,074	1,050	920	3,909	Decorative Paints	890	1,134	1,052	931	4,007	
1,319	1,434	1,420	1,416	5,589	Performance Coatings	1,430	1,550	1,493	1,482	5,955	
1,222	1,228	1,239	1,194	4,883	Specialty Chemicals	1,296	1,290	1,235	1,167	4,988	
(23)	(26)	(23)	(13)	(85)	Other activities/eliminations	(25)	(25)	(20)	(21)	(91)	
3,383	3,710	3,686	3,517	14,296	Total	3,591	3,949	3,760	3,559	14,859	
EBITDA											
56	141	150	58	405	Decorative Paints	88	165	159	83	495	
163	212	170	142	687	Performance Coatings	206	257	246	229	938	
204	204	232	175	815	Specialty Chemicals	242	243	242	171	898	
(59)	(48)	(65)	(45)	(217)	Other activities/eliminations	(74)	(55)	(57)	(57)	(243)	
364	509	487	330	1,690	Total	462	610	590	426	2,088	
10.8	13.7	13.2	9.4	11.8	EBITDA margin (in %)	12.9	15.4	15.7	12.0	14.1	
Depreciation											
(27)	(26)	(27)	(29)	(109)	Decorative Paints	(26)	(26)	(27)	(26)	(105)	
(27)	(24)	(25)	(25)	(101)	Performance Coatings	(25)	(26)	(26)	(27)	(104)	
(60)	(64)	(64)	(68)	(256)	Specialty Chemicals	(66)	(68)	(66)	(69)	(269)	
(3)	(3)	(3)	(2)	(11)	Other activities/eliminations	(3)	(3)	(1)	(2)	(9)	
(117)	(117)	(119)	(124)	(477)	Total	(120)	(123)	(120)	(124)	(487)	
Amortization											
(12)	(13)	(10)	(13)	(48)	Decorative Paints	(12)	(11)	(11)	(11)	(45)	
(10)	(10)	(10)	(11)	(41)	Performance Coatings	(11)	(11)	(10)	(10)	(42)	
(9)	(16)	(12)	(14)	(51)	Specialty Chemicals	(13)	(13)	(13)	(12)	(51)	
-	-	(1)	-	(1)	Other activities/eliminations	-	-	-	(1)	(1)	
(31)	(39)	(33)	(38)	(141)	Total	(36)	(35)	(34)	(34)	(139)	
Operating income excluding incidentals											
17	102	113	16	248	Decorative Paints	50	128	121	46	345	
126	178	135	106	545	Performance Coatings	170	220	210	192	792	
135	124	156	93	508	Specialty Chemicals	163	162	163	90	578	
(62)	(51)	(69)	(47)	(229)	Other activities/eliminations	(77)	(58)	(58)	(60)	(253)	
216	353	335	168	1,072	Total	306	452	436	268	1,462	
Operating income											
17	102	113	16	248	Decorative Paints	50	128	121	46	345	
126	178	135	106	545	Performance Coatings	170	220	210	192	792	
135	124	156	93	508	Specialty Chemicals	163	192	163	91	609	
(62)	(51)	(69)	(132)	(314)	Other activities/eliminations	(77)	(54)	(58)	16	(173)	
216	353	335	83	987	Total	306	486	436	345	1,573	
6.4	9.5	9.1	2.4	6.9	ROS (in %)	8.5	12.3	11.6	9.7	10.6	

Quarterly statistics

					2014						2015
Q1	Q2	Q3	Q4	year	in € millions	Q1	Q2	Q3	Q4	year	
Incidentals per Business Area											
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	30	-	1	31	
-	-	-	(85)	(85)	(85)	-	4	-	76	80	
-	-	-	(85)	(85)	Total	-	34	-	77	111	
Reconciliation net financing expense											
12	9	9	12	42	Financing income	10	4	7	7	28	
(44)	(37)	(36)	(40)	(157)	Financing expenses	(38)	(31)	(29)	(27)	(125)	
(32)	(28)	(27)	(28)	(115)	Net interest on net debt	(28)	(27)	(22)	(20)	(97)	
Other interest movements											
(5)	(4)	(4)	(5)	(18)	Financing expenses related to pensions	(4)	(3)	(4)	(2)	(13)	
(4)	(11)	(8)	(9)	(32)	Interest on provisions	(9)	(1)	(7)	-	(17)	
4	3	1	1	9	Other items	-	4	5	4	13	
(5)	(12)	(11)	(13)	(41)	Net other financing charges	(13)	-	(6)	2	(17)	
(37)	(40)	(38)	(41)	(156)	Net financing expenses	(41)	(27)	(28)	(18)	(114)	
Quarterly net income analysis											
6	6	6	3	21	Results from associates and joint ventures	(2)	8	6	5	17	
(16)	(24)	(16)	(16)	(72)	Profit attributable to non-controlling interests	(18)	(27)	(16)	(26)	(87)	
185	319	303	45	852	Profit before tax	263	467	414	332	1,476	
(43)	(89)	(84)	(36)	(252)	Income tax	(82)	(108)	(114)	(112)	(416)	
142	230	219	9	600	Profit for the period from continuing operations	181	359	300	220	1,060	
23	28	28	80	30	Effective tax rate (in %)	31	23	28	34	28	

Quarterly statistics

					2014						2015
Q1	Q2	Q3	Q4	year		Q1	Q2	Q3	Q4	year	
Earnings per share from continuing operations (in €)											
0.52	0.84	0.83	(0.03)	2.16	Basic	0.66	1.35	1.15	0.78	3.93	
0.52	0.83	0.82	(0.03)	2.15	Diluted	0.66	1.34	1.14	0.77	3.90	
Earnings per share from discontinued operations (in €)											
0.01	–	0.01	0.06	0.07	Basic	(0.01)	(0.01)	–	0.04	0.02	
0.01	–	0.01	0.06	0.07	Diluted	(0.01)	(0.01)	–	0.04	0.02	
Earnings per share from total operations (in €)											
0.53	0.84	0.84	0.03	2.23	Basic	0.65	1.34	1.15	0.82	3.95	
0.53	0.83	0.83	0.03	2.22	Diluted	0.65	1.33	1.14	0.81	3.92	
Number of shares (in millions)											
243.0	244.4	245.4	245.7	244.7	Weighted average number of shares	246.4	247.7	248.4	248.7	247.8	
243.4	245.4	245.4	246.0	246.0	Number of shares at end of quarter	246.9	248.4	248.4	249.0	249.0	
Adjusted earnings (in € millions)											
185	319	303	45	852	Profit before tax from continuing operations	263	467	414	332	1,476	
–	–	–	85	85	Incidentals reported in operating income	–	(34)	–	(77)	(111)	
31	39	33	38	141	Amortization of intangible assets	36	35	34	34	139	
(52)	(101)	(94)	(72)	(319)	Adjusted income tax	(93)	(118)	(125)	(85)	(421)	
(16)	(24)	(16)	(16)	(72)	Non-controlling interests	(18)	(27)	(16)	(26)	(87)	
148	233	226	80	687	Adjusted net income for continuing operations	188	323	307	178	996	
0.61	0.95	0.92	0.33	2.81	Adjusted earnings per share (in €)	0.76	1.30	1.24	0.72	4.02	

Notes to the condensed financial statements

Accounting policies and restatements

The full-year 2015 numbers included in the primary statements are derived from the financial statements 2015. These financial statements have been authorized for issue. The financial statements have not yet been published by law and still have to be adopted by the general meeting of shareholders. In accordance with section 393 of Book 2 of the Netherlands Civil Code, KPMG Accountants N.V. has issued an unqualified auditor's opinion on these financial statements, which will be published on February 23, 2016. All quarterly figures are unaudited. In 2015 some new IFRS have been implemented, however, these have not had any impact on our Consolidated financial statements. Otherwise the accounting principles are as applied in the 2014 financial statements.

Seasonality

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

Other activities

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

Glossary

Adjusted earnings per share are the basic earnings per share from continuing operations

excluding incidentals in operating income, amortization of intangible assets and tax on these adjustments.

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

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

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

EBITDA margin is EBITDA as percentage of revenue.

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

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

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

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

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

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

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

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

ROS is operating income as percentage of revenue.

Safe Harbor Statement

This report contains statements which address such key issues as AkzoNobel's growth strategy, future financial results, market positions, product development, products in the pipeline and product approvals. Such statements should be carefully considered, and it should be understood that many factors could cause forecast and actual results to differ from these statements. These factors include, but are not limited to, price fluctuations, currency fluctuations, developments in raw material and personnel costs, pensions, physical and environmental risks, legal issues, and legislative, fiscal, and other regulatory measures. Stated competitive positions are based on management estimates supported by information provided by specialized external agencies. For a more comprehensive discussion of the risk factors affecting our business, please see our latest Annual Report.

Brand and trademarks

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Financial calendar

Annual report 2015	February 23, 2016
Report for Q1 2016	April 19, 2016
Annual General Meeting of shareholders	April 20, 2016
Ex-dividend date of 2015 final dividend	April 22, 2016
Record date of 2015 final dividend	April 25, 2016
Election period cash or stock dividend	April 26, 2016 - May 11, 2016
	May 13, 2016
Determination of exchange ratio	
Payment date of cash dividend and delivery of new shares	May 19, 2016
Report for Q2 2016	July 19, 2016
Report for Q3 2016	October 19, 2016
Report for the full-year 2016 and the fourth quarter	February 15, 2017



www.akzonobel.com

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