Q2 Report

and half-yearly report 2017

AkzoNobel

2017

Our results at a glance

Progressing strategy to accelerate growth and value creation

- Capacity expansions in Brazil, Mexico, Sweden and Thailand
- Two acquisitions announced to strengthen Performance Coatings business
- Decorative Paint product launches including Levis in China and EasyCare in Brazil
- Specialty Chemicals separation process on track for completion by April 2018
- Shareholder engagement plans announced including EGM on September 8, 2017
- New set-up for Executive Committee

Half-year:

- Volumes up 2%, driven by Decorative Paints and Specialty Chemicals
- Revenue up in all Business Areas and 4% overall, mainly due to volume growth and acquisitions
- EBIT up 1% at €837 million (2016: €825 million), mainly due to volume growth and continuous improvement, partly offset by higher raw material costs and continued weak demand in Marine and Protective Coatings
- Operating income at €817 million (2016: €848 million), impacted by identified items
- ROS at 11.2% (2016: 11.6%); ROI at 14.8% (2016: 15.1%)

Q2:

- Volumes increased for Decorative Paints and Specialty Chemicals, and flat overall
- Revenue up 2% driven by Performance Coatings and Specialty Chemicals
- EBIT at €461 million (2016: €491 million), impacted by higher raw material costs, continued weak demand in Marine and Protective Coatings and a planned maintenance turnaround in Industrial Chemicals
- Operating income at €441 million (2016: €491 million), impacted by identified items
- ROS at 12.2% (2016: 13.2%); ROI at 14.8% (2016: 15.1%)
- Net income attributable to shareholders at €301 million (2016: €312 million)
- Adjusted EPS up 2% at €1.35 (2016: €1.32)
- Net cash inflow from operating activities at €312 million (2016: €453 million)

- Share repurchase program completed. A total of 2.38 million common shares repurchased in the period from January 2, 2017 up to and including April 21, 2017 for a total consideration of €160 million

Outlook:
We continue to anticipate positive developments for EMEA (excluding the UK), North America and Asia, improving during the year, while Latin America is expected to stabilize. Market trends will remain challenging for the marine and oil and gas industries.

We have improved our ability to respond to developments in our markets and continue taking appropriate measures, including structure to drive operational excellence and additional cost control, to deal with higher raw material prices in an inflationary environment.

We continue to expect EBIT for 2017 to be around €100 million higher than 2016, as a result of growth momentum and continuous improvement, assuming no further material changes in market and economic dynamics, including foreign currencies.

Financial highlights

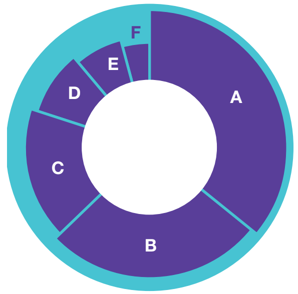
Half-year:
Volumes up 2%, driven by Decorative Paints and Specialty Chemicals. Revenue up in all Business Areas and 4% overall. EBIT up 1% at €837 million (2016: €825 million), mainly due to volume growth and continuous improvement. ROS at 11.2% (2016: 11.6%); ROI at 14.8% (2016: 15.1%).

Q2:
Volumes increased for Decorative Paints and Specialty Chemicals, and flat overall. Revenue up in Performance Coatings and Specialty Chemicals and 2% overall. EBIT at €461 million (2016: €491 million), impacted by higher raw material costs, continued weak demand in Marine and Protective Coatings and a planned maintenance turnaround in Industrial Chemicals. ROS at 12.2% (2016: 13.2%); ROI at 14.8% (2016: 15.1%). Net cash inflow from operating activities at €312 million (2016: €453 million).

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)



New production site opened in Thailand

Customers in the South East Asia region will benefit from a new €31 million multi-site facility in Chonburi, Thailand. The state-of-the-art plant will support growth and improved customer service for several Performance Coatings and Decorative Paints businesses.

Summary of financial outcomes

Second quarter				January-June		
2016	2017	Δ%	in € millions	2016	2017	Δ%
3,711	3,785	2	Revenue	7,141	7,446	4
491	461	(6)	EBIT	825	837	1
491	441	(10)	Operating income	848	817	(4)
13.2	12.2		ROS% *	11.6	11.2	
13.2	11.7		OPI margin%	11.9	11.0	
			Average invested capital	10,155	10,212	
			Moving average ROI (in %) *	15.1	14.8	
151	149		Capital expenditures	275	269	
453	312		Net cash from operating activities	117	25	
			Net debt	1,580	1,910	
312	302	(3)	Net income from continuing operations	553	542	(2)
–	(1)		Net income from discontinued operations	(1)	(1)	
312	301	(4)	Net income attributable to shareholders	552	541	(2)
1.24	1.20		Earnings per share from total operations (in €)	2.21	2.15	
1.32	1.35	2	Adjusted earnings per share (in €)	2.30	2.40	4
			Number of employees	45,700	46,300	

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

Financial highlights

Revenue

Half-year:

Revenue up in all Business Areas and 4% overall. Volumes up 2%, driven by Decorative Paints and Specialty Chemicals.

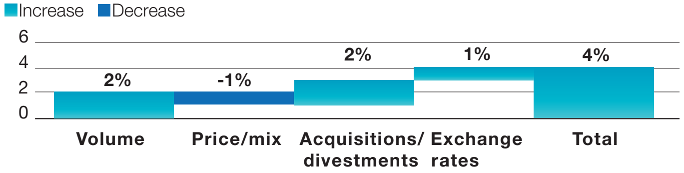
- In Decorative Paints, revenue was up driven by strong volume growth. Positive volume developments were partly offset by adverse price/mix. Volumes were up 6%, mainly driven by volume growth in Asia and Latin America. The favorable currency effect of the Brazilian real was offset by the negative impact of the pound sterling
- In Performance Coatings, revenue was up 4%, driven by the acquired Industrial Coatings business. Positive volume developments for Industrial and Powder Coatings were more than offset by continued weak demand for Marine and Protective Coatings. Excluding Marine and Protective Coatings, volumes were higher
- In Specialty Chemicals, revenue was up 6%, with growth in all business units and regions. Several businesses benefited from improved market conditions in the oil drilling, agrochemicals and building and construction segments. Strong growth in China was driven by our new organic peroxides plant in Ningbo and plant closures at our competitors, driven by an increased focus on the implementation of health, safety and environmental standards by the Chinese government

Q2:

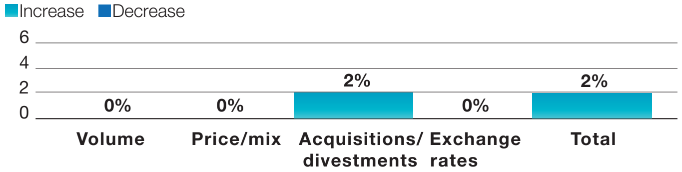
Revenue was up 2%, mainly due to acquisitions. Volumes were flat.

- In Decorative Paints, revenue was down 1%. Positive volume developments were offset by adverse price/mix and currency effects. In China, significant growth in the premium and mass segment was realized
- In Performance Coatings, revenue was up 2%, driven by the acquired Industrial Coatings business as well as higher volumes in Industrial and Powder Coatings. Adverse conditions persisted in the marine and oil and gas industries
- In Specialty Chemicals, revenue was up 4% due to higher volumes in most business units and all regions, as well as positive price/mix effects. Volumes were up 2% with growth in all business units (except for Industrial Chemicals), and all regions, particularly the Americas and Asia. In Europe, volume growth was limited due to a planned maintenance turnaround in Industrial Chemicals. Positive price/mix reflects the successful pass through of raw material price inflation

Revenue development half-year 2017



Revenue development Q2 2017



Acquisitions

- On July 3, 2017, the acquisition of UK-based Flexcrete Technologies Ltd and an agreement to acquire French manufacturer Disa Technology (Disatech) were announced
- For the half-year and Q2 2017, the impact of the below acquisitions on revenue was 2% for AkzoNobel and 5% for Performance Coatings
- In Q4 2016, the acquisition of BASF's Industrial Coatings business was completed
- In Q1 2016, the outstanding shares in Eko Peroxide LLC, a hydrogen peroxide joint venture, were acquired

Specialty Chemicals separation

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. Project teams are in place and are progressing according to schedule.

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 can take several quarters before the necessary mitigating impact is fully realized.

Revenue

Second quarter				January-June		
2016	**2017**	**Δ%**	in € millions	**2016**	**2017**	**Δ%**
1,055	1,046	(1)	Decorative Paints	1,916	1,968	3
1,473	1,504	2	Performance Coatings	2,861	2,975	4
1,206	1,259	4	Specialty Chemicals	2,412	2,548	6
(23)	(24)		Other activities/eliminations	(48)	(45)	
3,711	**3,785**	2	**Total**	7,141	**7,446**	4

in % versus half-year 2016	Volume	Price/mix	Acqui-sitions/ divest-ments	Exchange rates	Total
Decorative Paints	6	(3)	–	–	3
Performance Coatings	(2)	–	5	1	4
Specialty Chemicals	4	1	–	1	6
Total	**2**	**(1)**	**2**	**1**	**4**

in % versus Q2 2016	Volume	Price/mix	Acqui-sitions/ divest-ments	Exchange rates	Total
Decorative Paints	3	(3)	–	(1)	(1)
Performance Coatings	(4)	1	5	–	2
Specialty Chemicals	2	2	–	–	4
Total	**–**	**–**	**2**	**–**	**2**

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

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

EBIT and operating income

Half-year:

- In Decorative Paints, EBIT and operating income increased 8%, mainly as a result of improved volumes and cost control
- In Performance Coatings, EBIT and operating income were down due to ongoing weakness in the marine and oil and gas industries. Excluding Marine and Protective Coatings, EBIT was up
- In Specialty Chemicals, EBIT and operating income increased 3% as a result of higher volumes, which were partly offset by raw material price increases not being fully recaptured yet through increased selling prices, and the impact of a planned maintenance turnaround in Industrial Chemicals
- In other activities, EBIT improved. Operating income was impacted by identified items. In 2016, operating income was positively impacted by an identified item of €23 million with respect to sale of assets. In 2017, operating income was negatively impacted by identified items totaling €20 million, mainly related to the implementation of the new strategy to create two focused high-performing businesses and legal and anti-trust related items

Q2:

- In Decorative Paints, EBIT and operating income were adversely impacted by higher raw material costs and price/mix effects
- In Performance Coatings, EBIT and operating income were impacted by ongoing weakness in the marine and oil and gas industries as well as increased costs of raw materials
- In Specialty Chemicals, EBIT and operating income were flat as strong volume developments in several business units and positive price/mix effects were offset by the impact of a planned maintenance turnaround in Industrial Chemicals, which impacted EBIT and operating income by around €13 million
- EBIT in other activities was in line as lower insurance related costs in Q2 2017 offset favorable one-time adjustments on legacy provisions in Q2 2016. Operating income was negatively impacted by identified items totaling €20 million, mainly related to the implementation of the new strategy to create two focused high-performing businesses and legal and anti-trust related items

Net financing expenses

Net financing expenses decreased slightly.

Tax

The year-to-date effective tax rate was 26% (2016: 27%), impacted by adjustments to previous years.

Net income

Year-to-date net income attributable to shareholders was €541 million (2016: €552 million). Net income attributable to shareholders in Q2 was €301 million (2016: €312 million). Q2 2017 was adversely impacted by identified items totaling €20 million, mainly related to the implementation of the new strategy to create two focused high-performing businesses and legal and anti-trust related items.

EBIT (operating income excluding identified items)

Second quarter				January-June		
2016	2017	Δ%	in € millions	2016	2017	Δ%
131	121	(8)	Decorative Paints	183	198	8
222	202	(9)	Performance Coatings	408	389	(5)
179	179	–	Specialty Chemicals	343	355	3
(41)	(41)		Other activities/eliminations	(109)	(105)	
491	**461**	(6)	**Total**	825	**837**	1

Operating income

Second quarter				January-June		
2016	2017	Δ%	in € millions	2016	2017	Δ%
131	121	(8)	Decorative Paints	183	198	8
222	202	(9)	Performance Coatings	408	389	(5)
179	179	–	Specialty Chemicals	343	355	3
(41)	(61)		Other activities/eliminations	(86)	(125)	
491	**441**	(10)	**Total**	848	**817**	(4)

Operating income to net income

Second quarter			January-June	
2016	2017	in € millions	2016	2017
491	**441**	**Operating income**	848	**817**
(22)	(19)	Net financing expenses	(49)	(41)
8	8	Results from associates and joint ventures	28	16
477	**430**	**Profit before tax**	827	**792**
(138)	(104)	Income tax	(224)	(205)
339	**326**	**Profit from continuing operations**	603	**587**
–	(1)	Profit from discontinued operations	(1)	(1)
339	**325**	**Profit for the period**	602	**586**
(27)	(24)	Non-controlling interests	(50)	(45)
312	**301**	**Net income**	552	**541**

Protecting the world's oceans

AkzoNobel has joined forces with The Ocean Cleanup and will provide advanced coatings technology for the equipment which will be used for the largest clean-up in history. The company has also become an official sustainability partner of the 2017/2018 Volvo Ocean Race, with a specific focus on turning the tide against plastic in our oceans.

Decorative Paints

Half-year:

- Volumes up 6%, driven by Asia and Latin America
- Revenue was impacted by adverse price/mix effects. Favorable impact from Brazilian real was offset by the weakening of pound sterling
- EBIT and operating income improved 8%, driven by volumes and cost control, adversely impacted by unfavorable price/mix effects and higher than anticipated raw material costs
- ROS increased to 10.1% (2016: 9.6%); ROI increased to 13.5% (2016: 12.3%)

Q2:

- Volumes up 3%, driven by Asia and Latin America
- Revenue was impacted by adverse price/mix and currency effects
- EBIT and operating income were adversely impacted by unfavorable price/mix effects and higher than anticipated raw material costs, partly offset by cost measures

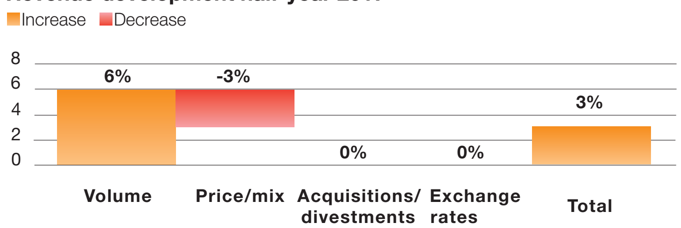
Half-year:
Revenue was up driven by strong volume growth. Positive volume developments were partly offset by adverse price/mix. Volumes were up 6% with volume growth in Asia and Latin America. The favorable impact from the Brazilian real was offset by the weakening of the pound sterling.

EBIT increased 8%, mainly as a result of improved volumes and cost control.

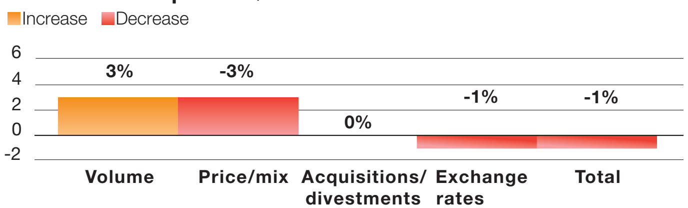
Q2:
In Q2, revenue was down 1%. Positive volume developments were offset by adverse price/mix and currency effects. In China, significant growth in the premium and mass segment was realized.

EBIT decreased 8%, mainly as a result of higher raw material costs and price/mix effects. Appropriate measures are being taken to address the higher raw material prices.

Revenue development half-year 2017



Revenue development Q2 2017



Revenue

Second quarter				January-June		
2016	2017	Δ%	in € millions	2016	2017	Δ%
627	584	(7)	Decorative Paints Europe, Middle East and Africa	1,139	1,091	(4)
104	118	13	Decorative Paints Latin America	205	237	16
324	346	7	Decorative Paints Asia	573	643	12
–	(2)		Other/intragroup eliminations	(1)	(3)	
1,055	1,046	(1)	Total	1,916	1,968	3
131	121	(8)	EBIT	183	198	8
131	121	(8)	Operating income	183	198	8
12.4	11.6		ROS% *	9.6	10.1	
			Average invested capital	2,856	2,757	
			Moving average ROI (in %) *	12.3	13.5	
26	27		Capital expenditures	52	45	
			Number of employees	14,700	14,700	

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

Europe, Middle East and Africa

Revenue was down due to adverse currency effects and lower volumes with a flat price/mix. Volume was down 1% with trends that varied across the region. Volumes increased for continental Europe.

In Q2, revenue was down due to adverse currency effects, notably the pound sterling, price/mix and lower volumes. Following successful product campaigns, positive developments were visible, including in the Netherlands, Belgium and Africa, while the UK was affected by lower consumer confidence. Growth is also visible in our Russian business following portfolio optimization and a nationwide Dulux campaign.

Latin America

Revenue was up 16% driven by positive currencies (up 4% excluding currency effect) and higher volumes. Overall volume growth was consistent across the region.

In Q2, revenue was up 13% driven by positive currencies (up 7% excluding currency effect) as well as higher volumes. While some markets showed signs of slight recovery, volume and revenue improvements were mainly driven by growth in distribution channel and new product launches, for example the renewed local propositions for Weathershield for Walls and Roofs, as well as EasyCare in Brazil.

Asia

Asian markets continued to show positive demand trends and revenue was up 12%, driven by a strong performance in China. Strong volume growth was partly offset by price/mix as significant growth was realized in the premium and mass market segments. Vietnam and Indonesia also showed strong revenue growth.

In Q2, revenue increased by 7%. Strong volume growth more than offset adverse price/mix effects. Volume growth remained strong in China, particularly in the premium and mass market segments. In China, our Levis premium products in the professional market segment were successfully launched. Vietnam and Indonesia also showed strong revenue growth. In South Asia, we accelerated the expansion of our distributor network. Growth in India was temporarily impacted by the national implementation of the new goods and services tax per July 1, 2017.

Levis premium paint brand launched in China

AkzoNobel has launched its Levis premium paint brand in the professional market segment in China. The move will provide more options for Chinese consumers, and reflects the growing demand in the country for premium coatings solutions.

Performance Coatings

Half-year:

- **Volumes down 2% due to weak demand in Marine and Protective Coatings. Volumes up excluding Marine and Protective Coatings**
- **Revenue up 4%, mainly due to the acquired Industrial Coatings business**
- **EBIT and operating income adversely impacted by ongoing weakness in the marine and oil and gas industries**
- **ROS at 13.1% (2016: 14.3%) and ROI at 27.2% (2016: 31.0%), affected by Marine and Protective Coatings and the integration of the acquired Industrial Coatings business**

Q2:

- **Volumes up for Industrial and Powder Coatings, more than offset by lower volumes in Marine and Protective Coatings**
- **Revenue up 2%, mainly due to the acquired Industrial Coatings business**
- **EBIT and operating income adversely impacted by ongoing weakness in the marine and oil and gas industries, as well as increased costs of raw materials**

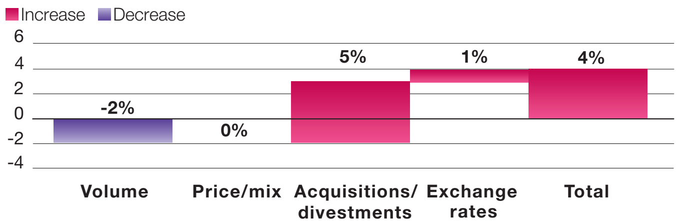
Half-year:
Revenue was up 4%, driven by the acquired Industrial Coatings business. Positive volume developments for Industrial and Powder Coatings were more than offset by continued weak demand in Marine and Protective Coatings. Excluding Marine and Protective Coatings, volumes were higher.

EBIT was down due to ongoing weakness in the marine and oil and gas industries. Excluding Marine and Protective Coatings, EBIT was up. ROS and ROI were affected by Marine and Protective Coatings and the acquired Industrial Coatings business.

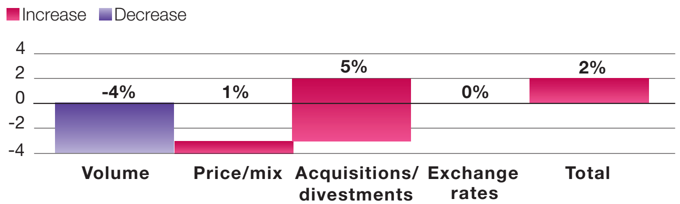
Q2:
Revenue was up 2%, driven by the acquired Industrial Coatings business, as well as positive volume development in Industrial and Powder Coatings. Adverse conditions persisted in the marine and oil and gas industries, which resulted in lower volumes for our marine and protective coatings.

EBIT was down 9%. Positive revenue developments across a number of segments were more than offset by ongoing weakness in the marine and oil and gas industries, as well as increased costs of raw materials. Appropriate measures are being taken to address the higher raw material prices.

Revenue development half-year 2017



Revenue development Q2 2017



Revenue

Second quarter / January-June

2016	2017	Δ%	in € millions	2016	2017	Δ%
392	347	(11)	Marine and Protective Coatings	752	687	(9)
385	391	2	Automotive and Specialty Coatings	758	789	4
705	777	10	Industrial and Powder Coatings	1,370	1,519	11
(9)	(11)		Other/intragroup eliminations	(19)	(20)	
1,473	1,504	2	Total	2,861	2,975	4
222	202	(9)	EBIT	408	389	(5)
222	202	(9)	Operating income	408	389	(5)
15.1	13.4		ROS% *	14.3	13.1	
			Average invested capital	2,612	2,725	
			Moving average ROI (in %) *	31.0	27.2	
40	30		Capital expenditures	71	55	
			Number of employees	19,300	19,900	

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

Marine and Protective Coatings

Revenue was down 9% due to ongoing weakness in the marine and oil and gas industries.

In Q2, volumes in Marine Coatings continued to be impacted by the slowdown of new build activity and downstream oil and gas projects. Protective Coatings volumes decreased, mainly due to the conclusion of existing oil and gas projects. Volumes grew in a number of other segments, including maintenance and repair. Overall, revenue was down 11%.

Automotive and Specialty Coatings

Revenue was up 4%, due to growth in both Automotive and Specialty Coatings, particularly in North America and continental Europe. Demand trends differed per segment and region.

In Q2, revenue was up 2%, mainly due to positive price/mix effects. Volume grew for Automotive Exterior across all regions. Demand for Aerospace remained robust.

Industrial and Powder Coatings

Revenue was up 11%, driven by higher volumes for all segments and the acquired Industrial Coatings business. Excluding the acquisition, revenue was up 3%. Demand trends were positive for Asia, while differed per segment in other regions.

In Q2, volumes were up, mainly due to growth in Asia and Latin America. Powder Coatings continued to show strong growth momentum. Revenue was up 10% including the acquired Industrial Coatings business, and up 3% excluding this acquisition.

Integration of the acquired Industrial Coatings business

We are integrating the respective parts of the acquired Industrial Coatings business into our Performance Coatings business units. The acquired revenues impacted multiple reporting segments, the largest impact is visible in Industrial and Powder Coatings.

Performance Coatings expands US research and development facilities in Houston, Texas

AkzoNobel completed an expansion of its US research and development facilities in Houston, Texas. Carried out in phases over a period of three years, the investment in the site - which employs around 40 scientists - will support several of the company's Performance Coatings businesses.

Specialty Chemicals

Half-year:
- **Volumes up 4% with growth in most business units and all regions**
- **Revenue up 6% due to higher volumes and positive currency and price/mix effects**
- **EBIT and operating income up 3% mainly due to the higher volumes**
- **ROS at 13.9% (2016: 14.2%); ROI at 18.0% (2016: 17.1%)**

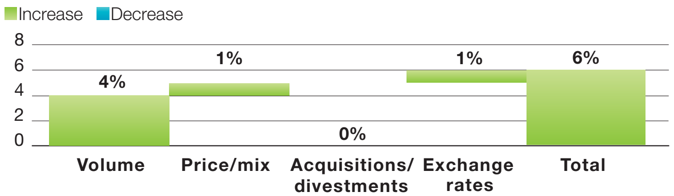
Q2:
- **Volumes up 2% with growth in all business units, except for Industrial Chemicals, and all regions**
- **Revenue up 4% due to higher volumes and positive price/mix effects**
- **EBIT and operating income flat as favorable volume and price/mix developments were offset by the impact of a planned maintenance turnaround in Industrial Chemicals**

Half year:
Revenue was up 6%, with growth in all business units and regions. Several of our businesses benefited from improved market conditions in the oil drilling, agrochemicals and building and construction segments. Strong growth in China was driven by the new organic peroxides plant in Ningbo and plant closures at competitors driven by an increased focus on implementation of health, safety and environmental standards.

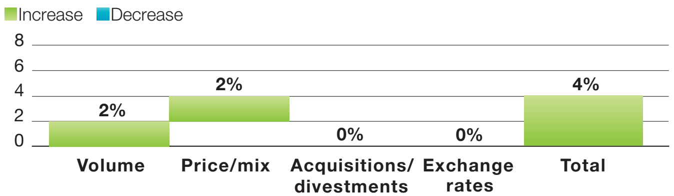
EBIT increased by 3% as a result of higher volumes, which were partly offset by raw material price increases not being fully recaptured yet through increased selling prices, and the impact of a planned maintenance turnaround in Industrial Chemicals. ROS would have been higher than 2016 excluding the impact of a planned maintenance turnaround in Industrial Chemicals.

Q2:
Revenue was up 4%, due to higher volumes in most business units and all regions, as well as positive price/mix effects. Volumes were up 2% with growth in all business units (except for Industrial Chemicals), and all regions, particularly the Americas and Asia. In Europe, volume growth was limited due to a planned maintenance turnaround in Industrial Chemicals. Positive price/mix reflects the successful pass through of raw material price inflation.

Revenue development half-year 2017



Revenue development Q2 2017



Revenue

Second quarter				January-June		
2016	2017	Δ%	in € millions	2016	2017	Δ%
445	469	5	Functional Chemicals	881	942	7
293	302	3	Industrial Chemicals	592	619	5
266	282	6	Surface Chemistry	524	566	8
223	230	3	Pulp and Performance Chemicals	457	470	3
(21)	(24)		Other/intragroup eliminations	(42)	(49)	
1,206	1,259	4	**Total**	2,412	2,548	6
179	179	–	EBIT	343	355	3
179	179	–	Operating income	343	355	3
14.8	14.2		ROS% *	14.2	13.9	
			Average invested capital	3,477	3,572	
			Moving average ROI (in %) *	17.1	18.0	
84	89		Capital expenditures	147	164	
			Number of employees	9,000	9,200	

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

EBIT was flat as strong volume developments in several business units and positive price/mix effects were offset by the impact of a planned maintenance turnaround in Industrial Chemicals, which impacted EBIT by around €13 million.

Functional Chemicals

Revenue was up 7%. Positive volume developments in Asia contributed most with volumes at our Ningbo site significantly higher, driven by the start-up of the new DCP facility and strong volume growth for the other production units at the site.

In Q2, revenue was up 5% driven by higher volumes. Revenue increased in all regions, especially in Asia.

Industrial Chemicals

Revenue was up 5% due to positive price/mix. Demand and supply for caustic and chlorine is now more balanced, driven by competitors phasing out mercury-based production due to the new regulations coming into effect by the end of the year.

In Q2, revenue was up 3%. Positive price/mix was partly offset by lower volumes due to a planned maintenance turnaround.

Surface Chemistry

Revenue was up 8% driven by strong volume development and favorable currency effect.

In Q2, revenue was up 6%, mainly due to positive volume developments. The oil drilling segment delivered strong growth, driven by the oil price development and positive developments at shale producers in North America. The agrochemicals segment continued to show significant improvement.

Pulp and Performance Chemicals

Revenue for the half-year and Q2 was up 3% driven by strong volume growth in the Expancel and Levasil product lines and a gradual improvement of bleaching chemicals throughout the first half of the year.

Imagine Chemistry challenge winners announced

Ten start-ups will see their innovative ideas for more sustainable chemistry move a step closer to reality after being named winners of AkzoNobel's global Imagine Chemistry challenge.

Condensed financial statements

Consolidated statement of income

Second quarter 2016	Second quarter 2017	in € millions	January-June 2016	January-June 2017
		Continuing operations		
3,711	3,785	Revenue	7,141	7,446
(2,094)	(2,220)	Cost of sales	(4,075)	(4,374)
1,617	**1,565**	**Gross profit**	**3,066**	**3,072**
(1,126)	(1,109)	SG&A costs	(2,241)	(2,240)
–	(15)	Other results	23	(15)
491	**441**	**Operating income**	**848**	**817**
(22)	(19)	Net financing expenses	(49)	(41)
8	8	Results from associates and joint ventures	28	16
477	**430**	**Profit before tax**	**827**	**792**
(138)	(104)	Income tax	(224)	(205)
339	**326**	**Profit for the period from continuing operations**	**603**	**587**
		Discontinued operations		
–	(1)	Profit for the period from discontinued operations	(1)	(1)
339	**325**	**Profit for the period**	**602**	**586**
		Attributable to		
312	301	Shareholders of the company	552	541
27	24	Non-controlling interests	50	45
339	**325**	**Profit for the period**	**602**	**586**

Consolidated statement of comprehensive income

Second quarter 2016	Second quarter 2017	in € millions	January-June 2016	January-June 2017
339	**325**	Profit for the period	602	**586**
		Other comprehensive income		
10	(355)	Exhange differences arising on translation of foreign operations	(176)	(344)
33	7	Cash flow hedges	17	(7)
(31)	(138)	Other financial non-current assets	(70)	(122)
152	(7)	Tax relating to components of other comprehensive income	155	(20)
164	**(493)**	**Profit for the period from continuing operations**	**(74)**	**(493)**
503	**(168)**	**Comprehensive income for the period**	**528**	**93**
		Comprehensive income for the period attributable to		
475	(166)	Shareholders of the company	487	74
28	(2)	**Non-controlling interests**	41	19
503	**(168)**	**Comprehensive income for the period**	**528**	**93**

Condensed consolidated balance sheet

in € millions	December 31, 2016	June 30, 2017
Assets		
Non-current assets		
Intangible assets	4,413	4,231
Property, plant and equipment	4,190	4,063
Other financial non-current assets	1,736	1,740
Total non-current assets	**10,339**	**10,034**
Current assets		
Inventories	1,532	1,629
Trade and other receivables	2,787	3,186
Cash and cash equivalents	1,479	1,042
Other current assets	59	55
Total current assets	**5,857**	**5,912**
Total assets	**16,196**	**15,946**
Equity and liabilities		
Group equity	**7,034**	**6,771**
Non-current liabilities		
Provisions and deferred tax liabilities	2,305	2,116
Long-term borrowings	2,644	2,645
Total non-current liabilities	**4,949**	**4,761**
Current liabilities		
Short-term borrowings	87	307
Trade and other payables	3,475	3,520
Other short-term liabilities	651	587
Total current liabilities	**4,213**	**4,414**
Total equity and liabilities	**16,196**	**15,946**

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	–	–	–	–	552	552	50	602
Other comprehensive income	–	–	13	(187)	109	(65)	(9)	(74)
Comprehensive income for the period	–	–	13	(187)	661	487	41	528
Dividend	4	115	–	–	(299)	(180)	(32)	(212)
Equity-settled transactions	–	–	–	–	18	18	–	18
Issue of common shares	1	(1)	–	–	–	–	–	–
Acquisitions and divestments	–	–	–	–	(1)	(1)	1	–
Balance at June 30, 2016	503	712	(29)	(106)	5,728	6,808	506	7,314
Balance at January 1, 2017	504	745	3	(47)	5,348	6,553	481	7,034
Profit for the period	–	–	–	–	541	541	45	586
Other comprehensive income	–	–	(5)	(321)	(141)	(467)	(26)	(493)
Comprehensive income for the period	–	–	(5)	(321)	400	74	19	93
Dividend	3	125	–	–	(320)	(192)	(20)	(212)
Equity-settled transactions	–	–	–	–	16	16	–	16
Issue of common shares	(2)	2	–	–	–	–	–	–
Share repurchase	–	–	–	–	(160)	(160)	–	(160)
Balance at June 30, 2017	505	872	(2)	(368)	5,284	6,291	480	6,771

Shareholders' equity

Shareholders' equity decreased from €6.6 billion at year-end 2016 to €6.3 billion at the end of June 2017, mainly due to the net effect of:

- Profit for the period of €541 million
- Adverse currency effects of €321 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, decreasing shareholders' equity by €160 million
- An adverse actuarial impact of €141 million (including tax) reported in Other comprehensive income, including €49 million for de-risking of pension liabilities

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.

Invested capital

Invested capital at the end of Q2 2017 totaled €10.3 billion (Q2 2016: €10.3 billion). Operating working capital was €31 million lower than June 30, 2016, and improved to 12.2 percent of revenue (Q2 2016: 12.6 percent).

Pensions

The net balance sheet position (IAS19) of the pension plans at the end of Q2 2017 was a deficit of €0.8 billion (year-end 2016: €1.0 billion). The development during the first half of 2017 was the net effect of:

- Top-up payments of €268 million, predominantly into certain UK pension plans
- Higher asset returns and lower inflation

Offset by:

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

Workforce

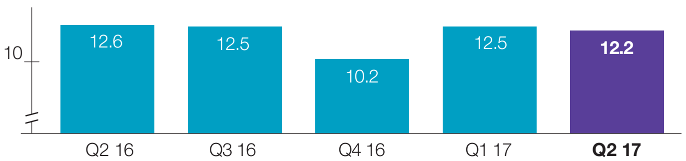
At June 30, 2017, the number of people employed was 46,300. The increase compared with the 46,000 people employed at the end of December 2016, was mainly due to the hiring of temporary seasonal employees.

Invested capital

in € millions	June 30, 2016	December 31, 2016	June 30, 2017
Trade receivables	2,579	2,272	2,692
Inventories	1,585	1,532	1,629
Trade payables	(2,289)	(2,399)	(2,477)
Operating working capital	**1,875**	**1,405**	**1,844**
Other working capital items	(778)	(730)	(722)
Non-current assets	10,539	10,339	10,034
Less investments in associates and joint ventures	(156)	(161)	(172)
Less pension assets	(845)	(220)	(292)
Deferred tax liabilities	(348)	(367)	(358)
Invested capital	**10,287**	**10,266**	**10,334**

Operating working capital

In % of revenue



Cash flows and net debt

Operating activities in Q2 2017 resulted in a cash inflow of €312 million (2016: €453 million). At June 30, 2017, net debt was €1.9 billion (2016: €1.6 billion) versus €1.3 billion at year-end. The increase is mainly due to pension top-ups which were paid in Q1 and the share repurchase program.

Outlook

We continue to anticipate positive developments for EMEA (excluding the UK), North America and Asia, improving during the year, while Latin America is expected to stabilize. Market trends will remain challenging for the marine and oil and gas industries.

We have improved our ability to respond to developments in our markets and continue taking appropriate measures, including structure to drive operational excellence and additional cost control, to deal with higher raw material prices in an inflationary environment.

We continue to expect EBIT for 2017 to be around €100 million higher than 2016, as a result of growth momentum and continuous improvement, assuming no further material changes in market and economic dynamics, including foreign currencies.

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

Condensed consolidated statements of cash flows

Second quarter			January-June	
2016	2017	in € millions	2016	2017
1,097	**1,050**	**Cash and cash equivalents at beginning of period**	1,317	**1,441**
		Adjustments to reconcile earnings to cash generated from operating activities		
339	326	Profit for the period from continuing operations	603	587
151	159	Amortization and depreciation	304	317
(74)	(113)	Changes in working capital	(566)	(576)
(38)	(84)	Changes in provisions	(338)	(350)
75	24	Other changes	114	47
453	**312**	**Net cash from operating activities**	117	**25**
(151)	(149)	Capital expenditures	(275)	(269)
25	1	Acquisitions and divestments net of cash acquired	23	8
16	1	Other changes	22	(2)
(110)	**(147)**	**Net cash from investing activities**	(230)	**(263)**
33	(64)	Changes from borrowings	298	87
(226)	(210)	Dividend paid	(233)	(212)
–	(18)	Share repurchase	–	(160)
1	–	Other changes	(1)	–
(192)	**(292)**	**Net cash from financing activities**	64	**(285)**
151	**(127)**	**Net cash used for continuing operations**	(49)	**(523)**
(1)	–	Cash flows from discontinued operations	(4)	(1)
150	**(127)**	**Net change in cash and cash equivalents of total operations**	(53)	**(524)**
7	(46)	Effect of exchange rate changes on cash and cash equivalents	(10)	(40)
1,254	**877**	**Net Cash and cash equivalents at June 30**	1,254	**877**

Quarterly statistics

				2016				2017
Q1	Q2	Q3	Q4	year	in € millions	Q1	Q2	year-to-date
					Revenue			
861	1,055	1,021	898	3,835	Decorative Paints	922	1,046	1,968
1,388	1,473	1,406	1,398	5,665	Performance Coatings	1,471	1,504	2,975
1,206	1,206	1,202	1,169	4,783	Specialty Chemicals	1,289	1,259	2,548
(25)	(23)	(29)	(9)	(86)	Other activities/eliminations	(21)	(24)	(45)
3,430	3,711	3,600	3,456	14,197	**Total**	**3,661**	**3,785**	**7,446**
					EBITDA			
86	165	156	84	491	Decorative Paints	109	152	261
222	257	233	187	899	Performance Coatings	225	242	467
245	259	250	199	953	Specialty Chemicals	261	265	526
(66)	(39)	(45)	(85)	(235)	Other activities/eliminations	(61)	(39)	(100)
487	642	594	385	2,108	**Total**	**534**	**620**	**1,154**
14.2	17.3	16.5	11.1	14.8	**EBITDA margin (in %)**	**14.6**	**16.4**	**15.5**
					Depreciation			
(23)	(25)	(23)	(24)	(95)	Decorative Paints	(23)	(23)	(46)
(26)	(25)	(25)	(27)	(103)	Performance Coatings	(25)	(27)	(52)
(69)	(68)	(70)	(69)	(276)	Specialty Chemicals	(73)	(73)	(146)
(2)	(2)	(3)	(1)	(8)	Other activities/eliminations	(3)	(2)	(5)
(120)	(120)	(121)	(121)	(482)	**Total**	**(124)**	**(125)**	**(249)**
					Amortization			
(11)	(9)	(10)	(9)	(39)	Decorative Paints	(9)	(8)	(17)
(10)	(10)	(9)	(8)	(37)	Performance Coatings	(13)	(13)	(26)
(12)	(12)	(12)	(12)	(48)	Specialty Chemicals	(12)	(13)	(25)
–	–	–	–	–	Other activities/eliminations	–	–	–
(33)	(31)	(31)	(29)	(124)	**Total**	**(34)**	**(34)**	**(68)**
					EBIT (operating income excluding identified items)			
52	131	123	51	357	Decorative Paints	77	121	198
186	222	199	152	759	Performance Coatings	187	202	389
164	179	168	118	629	Specialty Chemicals	176	179	355
(68)	(41)	(48)	(86)	(243)	Other activities/eliminations	(64)	(41)	(105)
334	491	442	235	1,502	**Total**	**376**	**461**	**837**
9.7	13.2	12.3	6.8	10.6	**ROS (in %)**	**10.3**	**12.2**	**11.2**

Quarterly statistics

				2016				2017
Q1	Q2	Q3	Q4	year	in € millions	Q1	Q2	year-to-date
Operating income								
52	131	132	51	366	Decorative Paints	77	121	198
186	222	192	135	735	Performance Coatings	187	202	389
164	179	168	118	629	Specialty Chemicals	176	179	355
(45)	(41)	(38)	(87)	(211)	Other activities/eliminations	(64)	(61)	(125)
357	**491**	**454**	**217**	**1,519**	**Total**	**376**	**441**	**817**
Identified items per Business Area								
–	–	9	–	9	Decorative Paints	–	–	–
–	–	(7)	(17)	(24)	Performance Coatings	–	–	–
–	–	–	–	–	Specialty Chemicals	–	–	–
23	–	10	(1)	32	Other activities/eliminations	–	(20)	(20)
23	**–**	**12**	**(18)**	**17**	**Total**	**–**	**(20)**	**(20)**
Reconciliation net financing expense								
5	11	8	4	28	Financing income	6	6	12
(27)	(23)	(25)	(23)	(98)	Financing expenses	(24)	(24)	(48)
(22)	**(12)**	**(17)**	**(19)**	**(70)**	**Net interest on net debt**	**(18)**	**(18)**	**(36)**
Other interest movements								
(2)	(2)	(2)	(4)	(10)	Financing expenses related to pensions	(5)	(5)	(10)
(11)	(8)	(14)	(7)	(40)	Interest on provisions	(3)	(3)	(6)
8	–	–	(2)	6	Other items	4	7	11
(5)	**(10)**	**(16)**	**(13)**	**(44)**	**Net other financing charges**	**(4)**	**(1)**	**(5)**
(27)	**(22)**	**(33)**	**(32)**	**(114)**	**Net financing expenses**	**(22)**	**(19)**	**(41)**
Quarterly net income analysis								
20	8	10	5	43	Results from associates and joint ventures	8	8	16
(23)	(27)	(15)	(17)	(82)	Profit attributable to non-controlling interests	(21)	(24)	(45)
350	477	431	190	1,448	Profit before tax	362	430	792
(86)	(138)	(131)	(39)	(394)	Income tax	(101)	(104)	(205)
264	339	300	151	1,054	Profit for the period from continuing operations	261	326	587
25	29	30	21	27	Effective tax rate (in %)	28	24	26

Quarterly statistics

				2016				2017
Q1	Q2	Q3	Q4	year	In € millions	Q1	Q2	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	2.16
0.96	1.24	1.13	0.53	3.86	Diluted	0.95	1.20	2.15
Earnings per share from discontinued operations (in €)								
–	–	–	–	(0.01)	Basic	–	–	(0.01)
–	–	–	–	(0.01)	Diluted	–	(0.01)	(0.01)
Earnings per share from total operations (in €)								
0.96	1.24	1.13	0.53	3.87	Basic	0.96	1.20	2.15
0.96	1.24	1.13	0.53	3.85	Diluted	0.95	1.19	2.14
Number of shares (in millions)								
249.5	250.6	251.6	251.9	250.9	Weighted average number of shares	251.3	251.1	251.2
249.6	251.6	251.6	252.2	252.2	Number of shares at end of quarter	252.6	254.3	254.3
Adjusted earnings (in € millions)								
350	477	431	190	1,448	Profit before tax from continuing operations	362	430	792
(23)	–	(12)	18	(17)	Identified items reported in operating income	–	20	20
33	31	31	29	124	Amortization of intangible assets	34	34	68
(95)	(149)	(132)	(55)	(431)	Adjusted income tax	(111)	(120)	(231)
(23)	(27)	(15)	(17)	(82)	Non-controlling interests	(21)	(24)	(45)
242	332	303	165	1,042	Adjusted profit from continuing operations	264	340	604
0.97	**1.32**	**1.20**	**0.66**	**4.15**	**Adjusted earnings per share (in €)**	**1.05**	**1.35**	**2.40**

Principal risks and uncertainties

In our Report 2016 we have extensively described our risk management framework and our major risk factors which may prevent full achievement of our objectives within the forthcoming three to five years, as well as beyond the five-year time horizon. We consider the medium-term and long-term risks as communicated in the annual report of 2016, including the six medium-term risks assessed to increase, to be still valid. Please refer to our website for our Report 2016.

Next to this we are in the process of completing the assessment of the risks associated with the execution of the recently announced strategy to create two separate business; Specialty Chemicals and Paints and Coatings. Our risk assessment covers both the separation process itself and the strategy going forward for both businesses. Our current view is reflected in the text below.

Risk associated with the recently announced strategy

Risk	Risk description	Risk corrective actions
Process of creating two separate businesses	It is our intention to transform AkzoNobel into two separate businesses. This process will have an impact on all our stakeholders, assets, systems and the legal framework of the company. We need to address issues associated with the separation of the businesses – under different scenarios, as well as the strategies of the businesses going forward.	• Within an umbrella project, we have created work streams to execute the operational separation of Specialty Chemicals from Paints and Coatings and to embark on a dual track M&A process • We have teams of experts addressing all key areas of attention and identifying the major risks of the separation. It is their assignment to allocate talent and resources to both businesses in a transparent and equitable way. Simultaneously, a dedicated team is in charge of managing the M&A trajectory of Specialty Chemicals • Paints and Coatings continue to work on their standalone strategy • A communication plan is in place to inform our external and internal stakeholders about the progress of our work

Risks assessed to increase in the Report 2016

Risk	Risk description	Risk corrective actions
Worsening of economic conditions	The global economy remains fragile and it continues to be difficult to predict customer demand and raw material costs. AkzoNobel is susceptible to decreased growth rates in its major markets, as well as in several specific end-user segments. The effects could lead to a decline in demand, deteriorating financial results, impairments and book losses, which in turn could result in the company not realizing its financial guidance.	• Continue our strategy to bring down our operational cost base and reduce complexity • Leverage our Global Business Services organization to further standardize core functional processes in all regions • Further deploy our commercial excellence programs and more sustainable product solutions to capture organic growth and offset the effects of decreased economic growth rates • Have contingency plans prepared for a select number of scenarios, dealing with geographical or segment slowdowns • Expand our innovation capabilities to develop and deliver faster differentiated customer value propositions
International operations	We are a global business with operations in more than 80 countries. We are therefore exposed to a variety of risks, many of them beyond our control. Unfavorable geo-political, social or economic developments and developments in laws, trade policies, regulations and standards could adversely affect our business, the value of our assets and results of our operations. Our ambition to grow the business in a balanced way across the globe will further expose us to these risks.	• Strategically spread our activities geographically and serve many sectors to benefit from opportunities and reduce the risk of instability • Carefully monitor the political, economic and legislative conditions across the company • Decide all significant investments, and the countries and industry segments in which AkzoNobel conducts its business, via the Executive Committee • Benefit from our combination of country organizations and service centers in order to address country-specific and local business risks • Combine the implementation of international compliance standards with local transparency and accountability
Strategic moves in our value chain	The accumulation of strategic moves in relevant value chains (horizontally and/or vertically) may impact our competitive position and/or increase the vulnerability of operations. Further consolidation can negatively impact the landscape for strategic acquisitions in terms of their availability. This will result in higher multiples for acquisitions and make deals economically unattractive or synergy targets more difficult to achieve.	• Continue our regular competitive intelligence analysis of strategic moves of (new) competitors, customers and suppliers • Further strengthen our merger and acquisition and integration capabilities • Enhance the pipeline of viable market and technology opportunities for mergers and acquisitions, focusing on strategic rationale with respect to the value chain • Finalize and implement our digital strategy to anticipate future changes and drive for new sources of value

Risk	Risk description	Risk corrective actions
Fluctuations in exchange rates	Exchange rate fluctuations can have a positive and negative impact on our financial results. We have operations in more than 80 countries and report in euros. We are particularly sensitive to movements in the US dollar, pound sterling, Swedish krona and Latin American and Asian currencies.	• A centralized treasury function and hedging policy is in place for certain currency exchange rate risks • At a more operational level, risks are reduced by the prevalence of local-for-local production • Reduce as much as possible the impact of transactional exposure on the results of our businesses by striving for natural hedges in our main currencies • Further extend our hedging strategy based on risk analysis and market developments
Complying with laws and regulations	Our international footprint exposes us to (continuously expanding) laws and regulations. We may be held responsible for any liabilities arising out of non-compliance with these laws and regulations.	• Implementation of our Business Partner Compliance Framework • Monitor and adapt to significant changes in the legal systems, regulatory controls, customs and practices in the countries in which we operate • Remain dedicated to minimizing AkzoNobel's compliance risk by fostering an open and transparent culture, continuously educating our employees worldwide and increasing awareness • Monitor overall compliance through our comprehensive annual Non-Financial Letter of Representation process, as well as our annual Competition Law Compliance Declaration • Continue to embed company-wide standard setting and compliance awareness through activities and training programs, including training on the Code of Conduct
Innovation, identification and successful implementation of major transforming technologies	Our success depends on the sustainable growth of our business through research, development and innovation. If we are not able to identify and adopt major transforming technologies in a timely manner, this may lead to loss of our leadership positions, and adversely affect our business.	• Advance our technology roadmaps and innovation strategies with appropriate research and development spend. In 2016, this amounted to 2.6 percent (€363 million) of total revenue • Bring to market suitable new technologies using our innovation core process to assess market needs and relevant know-how • Enhance our global open innovation capability to identify, assess and acquire the most recent promising technologies • When applicable and appropriate, invest in venture funds • Explore acquisitions of/partnerships with innovative startup companies

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

We have prepared the half-yearly financial report 2017 of AkzoNobel and the undertakings included in the consolidation taken as a whole in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Dutch disclosure requirements for half-yearly financial reports.

To the best of our knowledge:

1. The condensed financial statements in this half-yearly financial report 2017 give a true and fair view of our assets and liabilities, financial position at June 30, 2017, and of the result of our consolidated operations for the first half year of 2017.
2. The interim management report in this half-yearly financial report includes a fair view of the information required pursuant to section 5:25d, subsections 8 and 9 of the Dutch Act on Financial Supervision.

Amsterdam, July 25, 2017
The Board of Management

Maëlys Castella

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.

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Financial calendar

Report for the third quarter 2017	October 18, 2017
Report for the full-year and the fourth quarter 2017	February 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

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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