

Q3 Report

AkzoNobel 

2016



Our results at a glance

Profitability increased in an environment of mixed volume growth

Q3:

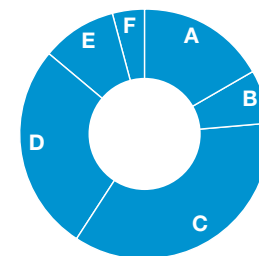
- Volume growth in Decorative Paints and Specialty Chemicals, while volumes were flat overall
 - Revenue down 4 percent, due to adverse currency and price/mix effects
 - EBIT* up 1 percent at €442 million (2015: €436 million), with continuous improvement initiatives and lower costs, partly offset by adverse currency effects
 - Operating income up 4 percent at €454 million (2015: €436 million), positively impacted by incidental items
 - ROS** was up at 12.3 percent (2015: 11.6 percent); ROI** improved to 15.2 percent (2015: 13.0 percent). ROS and ROI improved for all Business Areas
 - Net income attributable to shareholders was €285 million (2015: €285 million)
 - Adjusted EPS was €1.20 (2015: €1.24)
 - Net cash inflow from operating activities up 3 percent at €600 million (2015: €583 million)
 - Interim dividend up 6 percent to €0.37 per share (2015: €0.35)
- Further de-risking of pension liabilities

Outlook:

- Outlook unchanged. The market environment remains uncertain with challenging conditions in several countries and segments. Deflationary pressures and currency headwinds are expected to continue. We maintain our financial guidance 2016-2018

AkzoNobel around the world Revenue by destination

	%
A North America	17
B Emerging Europe	7
C Mature Europe	36
D Asia Pacific	27
E Latin America	10
F Other regions	3
	100



(Based on the full-year 2015)

Summary of financial outcomes

Third quarter			January-September			
2015	2016	Δ%	in € millions	2015	2016	Δ%
3,760	3,600	(4)	Revenue	11,300	10,741	(5)
436	454	4	Operating income	1,228	1,302	6
436	442	1	EBIT	1,194	1,267	6
11.6	12.6		OPI margin%	10.9	12.1	
11.6	12.3		ROS% **	10.6	11.8	
			Average invested capital	10,449	10,084	
			Moving average ROI (in %) **	13.0	15.2	
163	128		Capital expenditures	423	403	
583	600	3	Net cash from operating activities	368	717	95
			Net debt	1,727	1,119	
284	285	-	Net income from continuing operations	779	838	8
1	-		Net income from discontinued operations	(3)	(1)	
285	285	-	Net income attributable to shareholders	776	837	8
1.15	1.13		Earnings per share from total operations (in €)	3.14	3.34	
1.24	1.20	(3)	Adjusted earnings per share (in €)	3.30	3.50	6
			Number of employees	45,800	45,800	

* EBIT = operating income excluding incidental items

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

Financial highlights

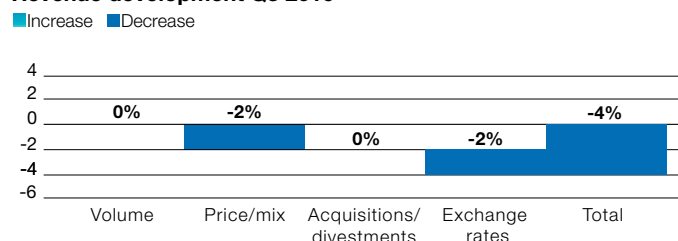
Volume growth in Decorative Paints and Specialty Chemicals, while volumes were flat overall. Revenue was down 4 percent, due to adverse currency and price/mix effects. EBIT was up 1 percent at €442 million (2015: €436 million) with continuous improvement initiatives and lower costs, partly offset by adverse currency effects. ROS was up at 12.3 percent (2015: 11.6 percent) and ROI improved to 15.2 percent (2015: 13.0 percent). ROS and ROI improved for all Business Areas. Net cash inflow from operating activities was up 3 percent at €600 million (2015: €583 million).

Revenue

Volumes were flat, while adverse currency and price/mix effects resulted in a 4 percent decrease in revenue.

- In Decorative Paints, volumes increased 3 percent due to positive developments in Asia and EMEA, while volumes continued to be lower in Latin America. Revenue was down 3 percent, mainly due to unfavorable currency effects
- In Performance Coatings, volumes were down 2 percent affected by adverse conditions in the marine and oil and gas industries, partly offset by positive developments in other segments. Demand trends differed per segment and region. Revenue was down 6 percent, due to unfavorable currencies, lower volumes and adverse price/mix effects
- In Specialty Chemicals, volumes were up 1 percent with positive developments, especially in Industrial Chemicals, partly offset by lower demand in the oil related segments. Revenue was down 3 percent, mainly due to price deflation in several markets

Revenue development Q3 2016



Revenue

Third quarter			January-September			
2015	2016	Δ%	in € millions	2015	2016	Δ%
1,052	1,021	(3)	Decorative Paints	3,076	2,937	(5)
1,493	1,406	(6)	Performance Coatings	4,473	4,267	(5)
1,235	1,202	(3)	Specialty Chemicals	3,821	3,614	(5)
(20)	(29)		Other activities/eliminations	(70)	(77)	
3,760	3,600	(4)	Total	11,300	10,741	(5)

in % versus Q3 2015	Volume	Price/mix	Acquisitions/ Divestments	Exchange rates	Total
Decorative Paints	3	(1)	-	(5)	(3)
Performance Coatings	(2)	(2)	-	(2)	(6)
Specialty Chemicals	1	(3)	-	(1)	(3)
Total	-	(2)	-	(2)	(4)

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

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

EBIT

- In Decorative Paints, EBIT was up 2 percent, mainly due to higher volumes and lower costs, partly offset by unfavorable currencies
- In Performance Coatings, EBIT was down 5 percent with continuous improvement initiatives and lower costs more than offset by adverse currencies and lower volumes
- In Specialty Chemicals, EBIT was up 3 percent due to improved volumes and operational efficiencies
- EBIT in other activities improved due to lower costs, in particular corporate costs and pensions

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

Operating income

Operating income was positively impacted by primarily non-cash incidental items with a net effect of €12 million, including adjustments to provisions, amongst other for post-retirement benefits, and asset impairments. The incidental items impacted operating income of Decorative Paints, Performance Coatings and the operating income in other activities.

Net financing expenses

Net financing expenses increased as reduced external interest expenses were more than offset by higher interest expenses on provisions.

Tax

The year-to-date effective tax rate was 28 percent (2015: 27 percent), impacted by non-taxable gains and adjustments to previous years.

Net income

Year-to-date net income attributable to shareholders was up 8 percent at €837 million (2015: €776 million). Net income attributable to shareholders in Q3 was €285 million (2015: €285 million).

EBIT (operating income excluding incidental items)

Third quarter			January-September			
2015	2016	Δ%	in € millions	2015	2016	Δ%
121	123	2	Decorative Paints	299	306	2
210	199	(5)	Performance Coatings	600	607	1
163	168	3	Specialty Chemicals	488	511	5
(58)	(48)		Other activities/eliminations	(193)	(157)	
436	442	1	Total	1,194	1,267	6

Operating income

Third quarter			January-September			
2015	2016	Δ%	in € millions	2015	2016	Δ%
121	132	9	Decorative Paints	299	315	5
210	192	(9)	Performance Coatings	600	600	–
163	168	3	Specialty Chemicals	518	511	(1)
(58)	(38)		Other activities/eliminations	(189)	(124)	
436	454	4	Total	1,228	1,302	6

Operating income to net income

Third quarter			January-September	
2015	2016	in € millions	2015	2016
436	454	Operating income	1,228	1,302
(28)	(33)	Net financing expenses	(96)	(82)
6	10	Results from associates and joint ventures	12	38
414	431	Profit before tax	1,144	1,258
(114)	(131)	Income tax	(304)	(355)
300	300	Profit from continuing operations	840	903
1	–	Profit from discontinued operations	(3)	(1)
301	300	Profit for the period	837	902
(16)	(15)	Non-controlling interests	(61)	(65)
285	285	Net income	776	837

Decorative Paints

- Volumes increased 3 percent due to positive developments in Asia and EMEA
- Revenue down 3 percent, mainly due to unfavorable currency effects
- EBIT up 2 percent, mainly due to higher volumes and lower costs, partly offset by unfavorable currencies
- ROS was up at 12.0 percent (2015: 11.5 percent); ROI increased to 12.5 percent (2015: 10.6 percent)

Volumes were up in Asia and EMEA, while volumes continued to be lower in Latin America. Revenue decreased 3 percent with positive volumes more than offset by unfavorable currency effects.

EBIT was up 2 percent, mainly due to higher volumes and lower costs, partly offset by unfavorable currencies. Operating income was positively impacted by incidental items.

Europe, Middle East and Africa (EMEA)

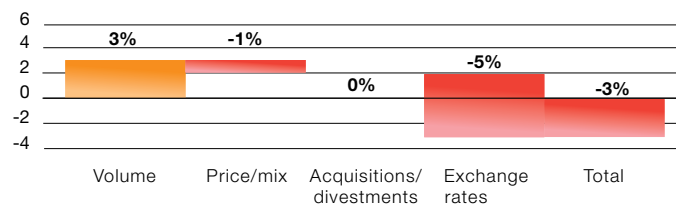
Volumes were up, while revenue reduced 4 percent due to unfavorable currencies and price/mix effects. Demand trends differed per country in the region and uncertainty continued in some markets. Currency volatility remained, including for the pound sterling.

Latin America

Revenue decreased 6 percent mainly due to adverse currency effects. Market conditions in the region remained challenging due to economic instability and currency devaluation. Improvement actions and cost control remained the focus in the region.

Revenue development Q3 2016

■ Increase ■ Decrease



Asia

Positive demand trends in many Asian markets continued and revenue increased 2 percent. Volumes increased, including in China, despite continued challenging conditions in the Chinese construction market.

Research shows that many consumers struggle with color choices and seek ideas for home decoration. Global marketing tools and initiatives such as our 2017 Color of the Year – Denim Drift – help inspire customers to make confident color choices and drive growth for our business.



Revenue

Third quarter

January-September

2015	2016	Δ%	in € millions	2015	2016	Δ%
610	583	(4)	Deco Europe, Middle East and Africa	1,787	1,722	(4)
143	134	(6)	Decorative Paints Latin America	414	339	(18)
300	307	2	Decorative Paints Asia	876	880	–
		(3)	Other/intragroup eliminations		(4)	
1,052	1,021	(3)	Total	3,076	2,937	(5)
121	132	9	Operating income	299	315	5
121	123	2	EBIT	299	306	2
11.5	12.0		ROS% *	9.7	10.4	
			Average invested capital	2,978	2,820	
			Moving average ROI (in %) *	10.6	12.5	
37	9		Capital expenditures	113	61	
			Number of employees	15,100	14,800	

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

Performance Coatings

- **Volumes down 2 percent affected by adverse conditions in the marine and oil and gas industries, partly offset by positive developments in other segments**
- **Revenue down 6 percent, due to adverse currencies, lower volumes and adverse price/mix effects**
- **EBIT was down 5 percent with continuous improvement initiatives and lower costs more than offset by adverse currencies and lower volumes**
- **Profitability continued to improve. ROS was up at 14.2 percent (2015: 14.1 percent); ROI increased to 30.9 percent (2015: 26.5 percent)**

Volumes were down 2 percent affected by adverse conditions in the marine and oil and gas industries. Demand trends differed per segment and region. Revenue was down 6 percent due to unfavorable currencies, lower volumes and adverse price/mix effects.

EBIT was down 5 percent with continuous improvement initiatives and lower costs more than offset by adverse currencies and lower volumes. Operating income was negatively impacted by incidental items.

Marine and Protective Coatings

Volumes in Marine Coatings were impacted by the slowdown of new build activity in Asia, as well as maintenance and dry docking. Protective Coatings volumes remained robust despite some headwinds in the oil and gas industry. Revenue was down 9 percent.

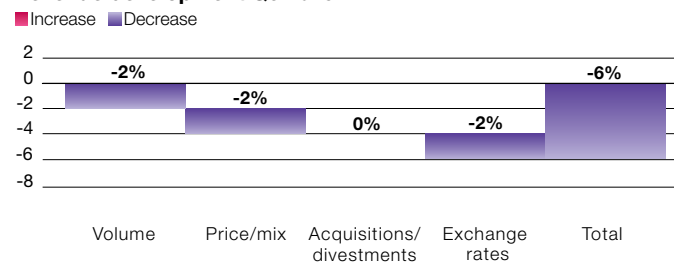
Automotive and Specialty Coatings

Volumes were up due to strong Automotive and Consumer Electronics demand in Asia offsetting weaker demand in Automotive in North America. Revenue was down 2 percent despite higher volumes.

Industrial and Powder Coatings

Volume developments were mixed per region for both Wood and Metal Coatings. Volumes were up for Powder Coatings. Revenue was down 6 percent overall.

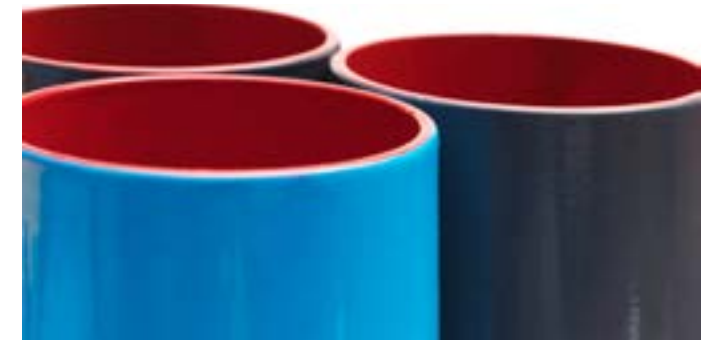
Revenue development Q3 2016



Intended acquisition of BASF's Industrial Coatings business

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

We recently broke ground on a €9 million powder coatings plant in Mumbai that will bring us closer to our customers in the north and west of India and will also provide several innovative lines new to the Indian market, including bonded metallic products for the pipe and rebar markets.



Revenue

Third quarter				January-September		
2015	2016	Δ%	in € millions	2015	2016	Δ%
399	364	(9)	Marine and Protective Coatings	1,170	1,116	(5)
378	369	(2)	Automotive and Specialty Coatings	1,155	1,127	(2)
724	683	(6)	Industrial and Powder Coatings	2,169	2,053	(5)
(8)	(10)		Other/intragroup eliminations	(21)	(29)	
1,493	1,406	(6)	Total	4,473	4,267	(5)
210	192	(9)	Operating income	600	600	-
210	199	(5)	EBIT	600	607	1
14.1	14.2		ROS% *	13.4	14.2	
			Average invested capital	2,672	2,586	
			Moving average ROI (in %) *	26.5	30.9	
36	35		Capital expenditures	100	106	
			Number of employees	19,500	19,400	

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

Specialty Chemicals

- Volumes up 1 percent with positive developments, especially in Industrial Chemicals, partly offset by lower demand in the oil related segments
- Revenue down 3 percent, mainly due to price deflation in several markets
- EBIT up 3 percent due to improved volumes and operational efficiencies
- ROS was up at 14.0 percent (2015: 13.2 percent); ROI increased to 17.2 percent (2015: 16.4 percent)

Volumes were up 1 percent with positive developments, especially in Industrial Chemicals, partly offset by lower demand in the oil related segments. Revenue was down 3 percent, mainly due to price deflation in several markets.

EBIT and operating income were up 3 percent due to improved volumes and operational efficiencies.

In Q2 2015, the divestment of the Paper Chemicals business was closed and resulted in a year-to-date book profit net of related costs of €30 million in operating income.

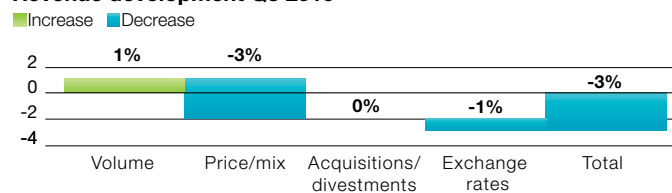
Functional Chemicals

Volumes improved with positive developments in the Americas and Asia. The previous year was impacted by severe logistical constraints caused by the incident at the port in Tianjin. Revenue was down 6 percent, due to price deflation and adverse currency effects.

Industrial Chemicals

Volumes were up due to increased demand and higher supply chain availability in Frankfurt and Rotterdam. Revenue was up 3 percent.

Revenue development Q3 2016



Surface Chemistry

Volume development was positive in Europe and Asia. Revenue was down 1 percent due to price deflation in the oil related segments.

Pulp and Performance Chemicals

Volumes were up in Asia, while demand in other regions was subdued. Revenue was down 3 percent due to lower volumes and price deflation.

Our customers are looking for more sustainable solutions. We recently launched an essential ingredient for outdoor cleaning products that successfully meets stringent US Environmental Protection Agency (EPA) environmental standards for direct release without compromising on performance.



Revenue

Third quarter			January-September			
2015	2016	Δ%	in € millions	2015	2016	Δ%
453	424	(6)	Functional Chemicals	1,414	1,305	(8)
304	314	3	Industrial Chemicals	896	906	1
265	262	(1)	Surface Chemistry	824	786	(5)
233	226	(3)	Pulp and Performance Chemicals	758	683	(10)
(20)	(24)		Other/intragroup eliminations	(71)	(66)	
1,235	1,202	(3)	Total	3,821	3,614	(5)
163	168	3	Operating income	518	511	(1)
163	168	3	EBIT	488	511	5
13.2	14.0		ROS% *	12.8	14.1	
			Average invested capital	3,553	3,493	
			Moving average ROI (in %) *	16.4	17.2	
86	81		Capital expenditures	201	228	
			Number of employees	9,100	9,000	

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

Condensed financial statements

Consolidated statement of income

Third quarter		in € millions	January-September	
2015	2016		2015	2016
Continuing operations				
3,760	3,600	Revenue	11,300	10,741
(2,194)	(2,062)	Cost of sales	(6,653)	(6,137)
1,566	1,538	Gross profit	4,647	4,604
(1,130)	(1,096)	SG&A costs	(3,453)	(3,337)
–	12	Incidentals	34	35
436	454	Operating income	1,228	1,302
(28)	(33)	Net financing expenses	(96)	(82)
6	10	Results from associates and joint ventures	12	38
414	431	Profit before tax	1,144	1,258
(114)	(131)	Income tax	(304)	(355)
300	300	Profit for the period from continuing operations	840	903
Discontinued operations				
1	–	Profit for the period from discontinued operations	(3)	(1)
301	300	Profit for the period	837	902
Attributable to				
285	285	Shareholders of the company	776	837
16	15	Non-controlling interests	61	65
301	300	Profit for the period	837	902

Consolidated statement of comprehensive income

Third quarter		in € millions	January-September	
2015	2016		2015	2016
301	300	Profit for the period	837	902
Other comprehensive income				
(382)	(112)	Exchange differences arising on translation of foreign operations	32	(288)
(12)	17	Cash flow hedges	(17)	34
205	(646)	Post-retirement benefits	(433)	(716)
7	(14)	Tax relating to components of other comprehensive income	7	141
(182)	(755)	Other comprehensive income for the period (net of tax)	(411)	(829)
119	(455)	Comprehensive income for the period	426	73
Comprehensive income for the period attributable to				
126	(487)	Shareholders of the company	357	19
(7)	32	Non-controlling interests	69	54
119	(455)	Comprehensive income for the period	426	73

Condensed consolidated balance sheet

in € millions	December 31, 2015	September 30, 2016
Assets		
Non-current assets		
Intangible assets	4,156	3,969
Property, plant and equipment	4,003	3,990
Other financial non-current assets	2,125	1,836
Total non-current assets	10,284	9,795
Current assets		
Inventories	1,504	1,568
Trade and other receivables	2,741	2,946
Cash and cash equivalents	1,365	1,682
Other current assets	69	54
Total current assets	5,679	6,250
Total assets	15,963	16,045
Equity and liabilities		
Total equity		
	6,980	6,840
Non-current liabilities		
Provisions and deferred tax liabilities	2,225	2,326
Long-term borrowings	2,161	2,638
Total non-current liabilities	4,386	4,964
Current liabilities		
Short-term borrowings	430	163
Trade and other payables	3,473	3,375
Other short-term liabilities	694	703
Total current liabilities	4,597	4,241
Total equity and liabilities	15,963	16,045

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, 2015	492	463	(19)	(43)	4,897	5,790	477	6,267
Profit for the period	-	-	-	-	776	776	61	837
Other comprehensive income	-	-	(13)	36	(442)	(419)	8	(411)
Comprehensive income for the period	-	-	(13)	36	334	357	69	426
Dividend paid	3	103	-	-	(276)	(170)	(46)	(216)
Equity-settled transactions	-	-	-	-	24	24	-	24
Issue of common shares	2	(2)	-	-	-	-	2	2
Acquisitions and divestments	-	-	-	-	(3)	(3)	1	(2)
Balance at September 30, 2015	497	564	(32)	(7)	4,976	5,998	503	6,501
Balance at January 1, 2016	498	598	(42)	81	5,349	6,484	496	6,980
Profit for the period	-	-	-	-	837	837	65	902
Other comprehensive income	-	-	26	(307)	(537)	(818)	(11)	(829)
Comprehensive income for the period	-	-	26	(307)	300	19	54	73
Dividend paid	4	115	-	-	(299)	(180)	(50)	(230)
Equity-settled transactions	-	-	-	-	18	18	-	18
Issue of common shares	1	(1)	-	-	-	-	-	-
Acquisitions and divestments	-	-	-	-	(2)	(2)	1	(1)
Balance at September 30, 2016	503	712	(16)	(226)	5,366	6,339	501	6,840

Shareholders' equity

Shareholders' equity decreased from €6.5 billion at year-end 2015 to €6.3 billion at the end of September 2016, mainly due to the net effect of:

- Profit for the period of €837 million
- A net negative effect of €537 million for actuarial gains and losses which includes the adverse impact of the de-risking of pension liabilities and the positive impact of re-recognition of (pension related) deferred tax assets
- Negative currency effects of €307 million (and related taxes)
- Dividend payments of €180 million

Interim dividend

An interim dividend of €0.37 per share (2015: €0.35) will be paid out, with the option to elect stock dividend. Please refer to the last page of this report for dividend payment dates.

Invested capital

Invested capital at the end of Q3 2016 totaled €9.9 billion (Q3 2015: €10.2 billion), down €0.3 billion. Operating working capital was €70 million lower than September 30, 2015.

Pensions

The net balance sheet position (IAS19) of the pension plans at the end of Q3 2016 was a deficit of €1.0 billion (year-end 2015: €0.6 billion). This was the result of the net effect of:

- Lower discount rates in the key countries
- De-risking of pension liabilities through non-cash buy-in transactions totaling €3.2 billion (£1.7 billion in Q3 and £0.9 billion in the first half of 2016), related to the ICI Pension Fund, which led to an adverse €0.6 billion impact in Other comprehensive income

Offset by:

- Top-up payments of €293 million, predominantly into the UK pension plans
- Higher asset returns

Workforce

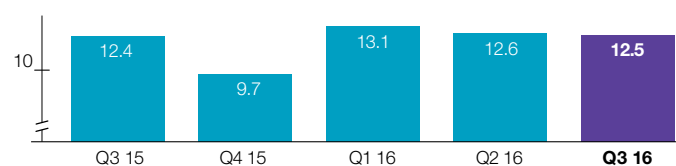
At September 30, 2016, we employed 45,800 people (September 30, 2015: 45,800). With the introduction of our Global Business Services (GBS) organization as of January 1, 2016, some employees are now reported at corporate level instead of within the Business Areas.

Invested capital

in € millions	September 30, 2015	December 31, 2015	September 30, 2016
Trade receivables	2,580	2,267	2,484
Inventories	1,581	1,504	1,568
Trade payables	(2,291)	(2,386)	(2,252)
Operating working capital	1,870	1,385	1,800
Other working capital items	(833)	(787)	(910)
Non-current assets	10,031	10,284	9,795
Less investments in associates and joint ventures	(167)	(165)	(162)
Less pension assets	(317)	(528)	(310)
Deferred tax liabilities	(400)	(360)	(333)
Invested capital	10,184	9,829	9,880

Operating working capital

In % of revenue



Cash flows and net debt

Operating activities in Q3 2016 resulted in a cash inflow of €600 million, up 3 percent (2015: €583 million).

At September 30, 2016 net debt was €1,119 million, down 35 percent on September 30, 2015 (€1,727 million).

Outlook

Outlook unchanged. The market environment remains uncertain with challenging conditions in several countries and segments. Deflationary pressures and currency headwinds are expected to continue. We maintain our financial guidance 2016-2018.

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

Amsterdam, October 19, 2016 The Board of Management

Condensed consolidated statement of cash flows

Third quarter			January-September	
2015	2016	in € millions	2015	2016
922	1,254	Cash and cash equivalents at beginning of period	1,649	1,317
Adjustments to reconcile earnings to cash generated from operating activities				
300	300	Profit for the period from continuing operations	840	903
154	152	Amortization and depreciation	468	456
166	202	Changes in working capital	(450)	(364)
(74)	(137)	Changes in provisions	(569)	(475)
37	83	Other changes	79	197
583	600	Net cash from operating activities	368	717
(163)	(128)	Capital expenditures	(423)	(403)
10	8	Acquisitions and divestments net of cash acquired	122	31
10	6	Other changes	(10)	28
(143)	(114)	Net cash from investing activities	(311)	(344)
(267)	(78)	Changes from borrowings	(456)	220
(10)	(22)	Dividends	(215)	(255)
–	(6)	Other changes	(2)	(7)
(277)	(106)	Net cash from financing activities	(673)	(42)
163	380	Net cash used for continuing operations	(616)	331
–	–	Cash flows from discontinued operations	(2)	(4)
163	380	Net change in cash and cash equivalents of total operations	(618)	327
(44)	(2)	Effect of exchange rate changes on cash and cash equivalents	10	(12)
1,041	1,632	Net Cash and cash equivalents at September 30	1,041	1,632

Quarterly statistics

					2015						2016
Q1	Q2	Q3	Q4	year	in € millions	Q1	Q2	Q3	year-to-date		
Revenue											
890	1,134	1,052	931	4,007	Decorative Paints	861	1,055	1,021	2,937		
1,430	1,550	1,493	1,482	5,955	Performance Coatings	1,388	1,473	1,406	4,267		
1,296	1,290	1,235	1,167	4,988	Specialty Chemicals	1,206	1,206	1,202	3,614		
(25)	(25)	(20)	(21)	(91)	Other activities/eliminations	(25)	(23)	(29)	(77)		
3,591	3,949	3,760	3,559	14,859	Total	3,430	3,711	3,600	10,741		
EBITDA											
88	165	159	83	495	Decorative Paints	86	165	156	407		
206	257	246	229	938	Performance Coatings	222	257	233	712		
242	243	242	171	898	Specialty Chemicals	245	259	250	754		
(74)	(55)	(57)	(57)	(243)	Other activities/eliminations	(66)	(39)	(45)	(150)		
462	610	590	426	2,088	Total	487	642	594	1,723		
12.9	15.4	15.7	12.0	14.1	EBITDA margin (in %)	14.2	17.3	16.5	16.0		
Depreciation											
(26)	(26)	(27)	(26)	(105)	Decorative Paints	(23)	(25)	(23)	(71)		
(25)	(26)	(26)	(27)	(104)	Performance Coatings	(26)	(25)	(25)	(76)		
(66)	(68)	(66)	(69)	(269)	Specialty Chemicals	(69)	(68)	(70)	(207)		
(3)	(3)	(1)	(2)	(9)	Other activities/eliminations	(2)	(2)	(3)	(7)		
(120)	(123)	(120)	(124)	(487)	Total	(120)	(120)	(121)	(361)		
Amortization											
(12)	(11)	(11)	(11)	(45)	Decorative Paints	(11)	(9)	(10)	(30)		
(11)	(11)	(10)	(10)	(42)	Performance Coatings	(10)	(10)	(9)	(29)		
(13)	(13)	(13)	(12)	(51)	Specialty Chemicals	(12)	(12)	(12)	(36)		
-	-	-	(1)	(1)	Other activities/eliminations	-	-	-	-		
(36)	(35)	(34)	(34)	(139)	Total	(33)	(31)	(31)	(95)		
EBIT (operating income excluding incidental items)											
50	128	121	46	345	Decorative Paints	52	131	123	306		
170	220	210	192	792	Performance Coatings	186	222	199	607		
163	162	163	90	578	Specialty Chemicals	164	179	168	511		
(77)	(58)	(58)	(60)	(253)	Other activities/eliminations	(68)	(41)	(48)	(157)		
306	452	436	268	1,462	Total	334	491	442	1,267		
8.5	11.4	11.6	7.5	9.8	ROS (in %)	9.7	13.2	12.3	11.8		

Quarterly statistics

					2015					2016
Q1	Q2	Q3	Q4	year	in € millions	Q1	Q2	Q3	year-to-date	
Operating income										
50	128	121	46	345	Decorative Paints	52	131	132	315	
170	220	210	192	792	Performance Coatings	186	222	192	600	
163	192	163	91	609	Specialty Chemicals	164	179	168	511	
(77)	(54)	(58)	16	(173)	Other activities/eliminations	(45)	(41)	(38)	(124)	
306	486	436	345	1,573	Total	357	491	454	1,302	
Incidentals per Business Area										
-	-	-	-	-	Decorative Paints	-	-	9	9	
-	-	-	-	-	Performance Coatings	-	-	(7)	(7)	
-	30	-	1	31	Specialty Chemicals	-	-	-	-	
-	4	-	76	80	Other activities/eliminations	23	-	10	33	
-	34	-	77	111	Total	23	-	12	35	
Reconciliation net financing expense										
10	4	7	7	28	Financing income	5	11	8	24	
(38)	(31)	(29)	(27)	(125)	Financing expenses	(27)	(23)	(25)	(75)	
(28)	(27)	(22)	(20)	(97)	Net interest on net debt	(22)	(12)	(17)	(51)	
Other interest movements										
(4)	(3)	(4)	(2)	(13)	Financing expenses related to pensions	(2)	(2)	(2)	(6)	
(9)	(1)	(7)	-	(17)	Interest on provisions	(11)	(8)	(14)	(33)	
-	4	5	4	13	Other items	8	-	-	8	
(13)	-	(6)	2	(17)	Net other financing charges	(5)	(10)	(16)	(31)	
(41)	(27)	(28)	(18)	(114)	Net financing expenses	(27)	(22)	(33)	(82)	
Quarterly net income analysis										
(2)	8	6	5	17	Results from associates and joint ventures	20	8	10	38	
(18)	(27)	(16)	(26)	(87)	Profit attributable to non-controlling interests	(23)	(27)	(15)	(65)	
263	467	414	332	1,476	Profit before tax	350	477	431	1,258	
(82)	(108)	(114)	(112)	(416)	Income tax	(86)	(138)	(131)	(355)	
181	359	300	220	1,060	Profit for the period from continuing operations	264	339	300	903	
31	23	28	34	28	Effective tax rate (in %)	25	29	30	28	

Quarterly statistics

				2015					2016
Q1	Q2	Q3	Q4	year		Q1	Q2	Q3	year-to-date
Earnings per share from continuing operations (in €)									
0.66	1.35	1.15	0.78	3.93	Basic	0.96	1.24	1.13	3.34
0.66	1.34	1.14	0.77	3.90	Diluted	0.96	1.24	1.13	3.32
Earnings per share from discontinued operations (in €)									
(0.01)	(0.01)	–	0.04	0.02	Basic	–	–	–	–
(0.01)	(0.01)	–	0.04	0.02	Diluted	–	–	–	–
Earnings per share from total operations (in €)									
0.65	1.34	1.15	0.82	3.95	Basic	0.96	1.24	1.13	3.34
0.65	1.33	1.14	0.81	3.92	Diluted	0.96	1.24	1.13	3.32
Number of shares (in millions)									
246.4	247.7	248.4	248.7	247.8	Weighted average number of shares	249.5	250.6	251.6	250.6
246.9	248.4	248.4	249.0	249.0	Number of shares at end of quarter	249.6	251.6	251.6	251.6
Adjusted earnings (in € millions)									
263	467	414	332	1,476	Profit before tax from continuing operations	350	477	431	1,258
–	(34)	–	(77)	(111)	Incidentals reported in operating income	(23)	–	(12)	(35)
36	35	34	34	139	Amortization of intangible assets	33	31	31	95
(93)	(118)	(125)	(85)	(421)	Adjusted income tax	(95)	(149)	(132)	(376)
(18)	(27)	(16)	(26)	(87)	Non-controlling interests	(23)	(27)	(15)	(65)
188	323	307	178	996	Adjusted net income for continuing operations	242	332	303	877
0.76	1.30	1.24	0.72	4.02	Adjusted earnings per share (in €)	0.97	1.32	1.20	3.50

Notes to the condensed financial statements

Accounting policies and restatements

This interim financial report is in compliance with IAS 34 "Interim Financial Reporting". This report is unaudited. The IFRS changes applicable as from January 1, 2016 do not have any or only an immaterial effect on our Consolidated financial statements. Otherwise the accounting principles are as applied in the 2015 financial statements.

Seasonality

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

Other activities

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

Glossary

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

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

EBIT is operating income excluding incidental items.

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

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

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

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

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

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

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

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

ROS is EBIT as percentage of revenue.

OPI margin% is operating income as percentage of revenue.

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

Safe Harbor Statement

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

Brand and trademarks

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press conference can be viewed on AkzoNobel's
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Financial calendar

Ex-dividend of 2016 interim dividend	October 21, 2016
Record date of 2016 interim dividend	October 24, 2016
Election period cash or stock interim dividend	October 25, 2016 – November 16, 2016
Payment of cash dividend and delivery of new shares	November 23, 2016
Report for the full-year 2016 and the fourth quarter	February 15, 2017
Report for the first quarter 2017	April 24, 2017
Annual General Meeting of shareholders	April 25, 2017
Report for the 2nd quarter 2017	July 25, 2017
Report for the 3rd quarter 2017	October 17, 2017



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