



# 1 Report

AkzoNobel



2016



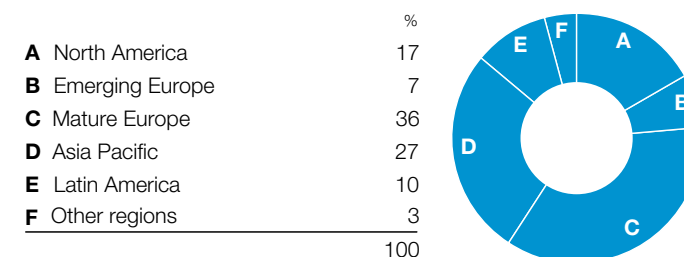
# Our results at a glance

- Volumes up for all Business Areas and up 2 percent overall
- Revenue down 4 percent; higher volumes offset by adverse currency effects, price/mix and divestments
- EBIT (operating income excluding incidental items) up 9 percent at €334 million (2015: €306 million), reflecting continuous improvement initiatives and lower costs, partly offset by adverse currency effects
- Operating income up 17 percent at €357 million (2015: €306 million)
- ROS\* improved to 9.7 percent (2015: 8.5 percent); ROI\* improved to 14.5 percent (2015: 11.5 percent)
- Adjusted EPS up 28 percent at €0.97 (2015: €0.76)
- Net income attributable to shareholders up 50 percent at €240 million (2015: €160 million)
- Net cash outflow from operating activities improved to €336 million (2015: €622 million)
- Intended acquisition of BASF's Industrial Coatings business announced
- Launched €500 million 10 year bond at a coupon of 1.125 percent in April 2016

## Outlook:

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

## AkzoNobel around the world Revenue by destination



(Based on the full-year 2015)

## Summary of financial outcomes

First quarter			
in € millions	2015	2016	Δ%
Revenue	3,591	3,430	(4)
Operating income	306	357	17
EBIT (operating income excluding incidental items)	306	334	9
OPI margin%	8.5	10.4	
ROS% *	8.5	9.7	
Average invested capital	10,137	10,311	
Moving average ROI (in %) *	11.5	14.5	
EBITDA	462	487	5
Capital expenditures	123	124	
Net cash from operating activities	(622)	(336)	
Net debt	2,278	1,703	
Net income from continuing operations	163	241	48
Net income from discontinued operations	(3)	(1)	
Net income attributable to shareholders	160	240	50
Earnings per share from total operations (in €)	0.65	0.96	
Adjusted earnings per share (in €)	0.76	0.97	28
Number of employees	46,400	45,900	

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

# Financial highlights

**Volumes up for all Business Areas and up 2 percent overall. Revenue down 4 percent. Higher volumes were offset by adverse currency effects, price/mix and divestments. EBIT (operating income excluding incidental items) up 9 percent at €334 million (2015: €306 million), reflecting continuous improvement initiatives and lower costs, partly offset by adverse currency effects. Operating income up at €357 million (2015: €306 million). ROS\* improved to 9.7 percent and ROI\* improved to 14.5 percent.**

## Revenue

Volumes were up 2 percent, while adverse currency effects, price/mix and divestments resulted in revenue down 4 percent.

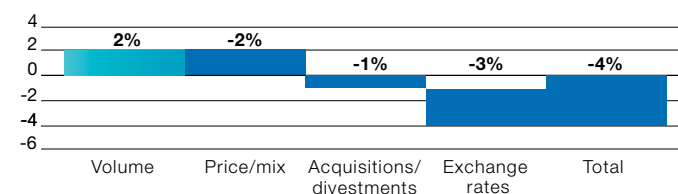
- Revenue in Decorative Paints was down 3 percent. Volumes increased 6 percent, offset by negative currency effects, particularly in Latin America, as well as adverse price/mix. Volumes increased in Asia and Europe, while continued to be down in Latin America
- Revenue in Performance Coatings was down 3 percent, due to higher volumes offset by currencies and unfavorable price/mix. Demand trends differed per region
- Revenue in Specialty Chemicals was down 7 percent due to the divestment of the Paper Chemicals business, price deflation in several segments and adverse currency effects. Volumes were up 1 percent with positive developments in some segments partly offset by lower demand in oil related segments

## Acquisitions and divestments

- The divestment of the Paper Chemicals business was completed in Q2 2015, and accounts for the divestment impact
- In Q1 2016, the outstanding shares in Eko Peroxide LLC, a hydrogen peroxide joint venture, were acquired. Hydrogen peroxide is a key component of AkzoNobel's bleaching chemicals product portfolio
- In Q1 2016, the intended acquisition of BASF's Industrial Coatings business was announced. The planned transaction is expected to be completed in the second half of 2016

## Revenue development Q1 2016

■ Increase ■ Decrease



## Revenue

First quarter

in € millions	2015	2016	Δ%
Decorative Paints	890	861	(3)
Performance Coatings	1,430	1,388	(3)
Specialty Chemicals	1,296	1,206	(7)
Other activities/eliminations	(25)	(25)	
<b>Total</b>	<b>3,591</b>	<b>3,430</b>	<b>(4)</b>

in % versus Q1 2015	Volume	Price/mix	Divestments	Exchange rates	Total
Decorative Paints	6	(2)	-	(7)	(3)
Performance Coatings	2	(1)	-	(4)	(3)
Specialty Chemicals	1	(4)	(2)	(2)	(7)
<b>Total</b>	<b>2</b>	<b>(2)</b>	<b>(1)</b>	<b>(3)</b>	<b>(4)</b>

Volume development per quarter (year-on-year)

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

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

	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16
Decorative Paints	(1)	-	(2)	-	(2)
Performance Coatings	1	-	2	1	(1)
Specialty Chemicals	-	(1)	(2)	(2)	(4)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>(2)</b>

### EBIT and Operating income

EBIT increased 9 percent to €334 million in Q1, reflecting continuous improvement initiatives and lower costs, partly offset by adverse currency effects. Operating income increased 17 percent to €357 million.

- In Decorative Paints, EBIT and operating income increased 4 percent due to positive volumes and lower costs, partly offset by unfavorable currency developments
- In Performance Coatings, EBIT and operating income increased 9 percent, due to higher volumes, management delayering, continuous improvement initiatives and lower costs
- In Specialty Chemicals, EBIT and operating income increased 1 percent due to operational efficiencies and lower costs offsetting the effects of price deflation and adverse currencies
- In Other activities and eliminations, EBIT improved due to lower costs, in particular insurance related costs, and operating income was positively impacted by an incidental gain on sale of assets of €23 million

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

### Net financing expenses

Net financing expenses decreased mainly as a result of reduced external interest expenses following the repayment of a high interest bond in Q1 2015.

### Tax

In Q1 2016, the effective tax rate was 25 percent (2015: 31 percent). The tax rate was positively impacted by non-taxable gains and an adjustment to previous years.

### Net income

Net income attributable to shareholders was up 50 percent at €240 million (2015: €160 million).

### EBIT (operating income excluding incidental items)

First quarter			
in € millions	2015	2016	Δ%
Decorative Paints	50	52	4
Performance Coatings	170	186	9
Specialty Chemicals	163	164	1
Other activities/eliminations	(77)	(68)	
<b>Total</b>	<b>306</b>	<b>334</b>	<b>9</b>

### Operating income

First quarter			
in € millions	2015	2016	Δ%
Decorative Paints	50	52	4
Performance Coatings	170	186	9
Specialty Chemicals	163	164	1
Other activities/eliminations	(77)	(45)	
<b>Total</b>	<b>306</b>	<b>357</b>	<b>17</b>

### Operating income to net income

First quarter		
in € millions	2015	2016
<b>Operating income</b>	<b>306</b>	<b>357</b>
Net financing expenses	(41)	(27)
Results from associates and joint ventures	(2)	20
<b>Profit before tax</b>	<b>263</b>	<b>350</b>
Income tax	(82)	(86)
<b>Profit from continuing operations</b>	<b>181</b>	<b>264</b>
Profit from discontinued operations	(3)	(1)
<b>Profit for the period</b>	<b>178</b>	<b>263</b>
Non-controlling interests	(18)	(23)
<b>Net income</b>	<b>160</b>	<b>240</b>

# Decorative Paints

- **Volumes increased 6 percent due to positive developments in Asia and Europe, offset by Latin America**
- **Revenue down 3 percent due to higher volumes offset by unfavorable currency effects and adverse price/mix**
- **EBIT and operating income up 4 percent, mainly due to higher volumes and lower costs, partly offset by unfavorable currencies**
- **ROS\* increased to 6.0 percent (2015: 5.6 percent); ROI\* increased to 12.0 percent (2015: 9.8 percent)**

Revenue was down 3 percent. Volumes increased 6 percent, offset by negative currency effects, particularly in Latin America, as well as adverse price/mix. Volumes were up in Asia and Europe, while continued to be down in Latin America.

EBIT and operating income increased 4 percent due to positive volumes and lower costs, partly offset by unfavorable currency developments.

## Europe, Middle East and Africa

Revenue was flat due to higher volumes offset by unfavorable currencies, including the pound sterling, and adverse price/mix. Positive developments continued in the UK and the Netherlands. Volumes improved in several other countries.

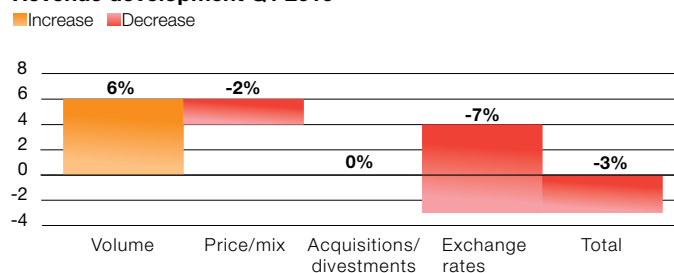
## Latin America

Revenue was down 27 percent with positive price/mix more than offset by adverse currency effects and lower volumes. Market conditions remained challenging as economic instability continued and currency devaluation led to raw material inflation. Improvement actions and cost control remained the focus in the region.

## Asia

Revenue increased 4 percent due to higher volumes more than offsetting unfavorable currencies and adverse price/mix. Demand was positive in many Asian markets, particularly in South and South East Asia. In China, volumes were positive despite continued challenging conditions in the Chinese construction market.

## Revenue development Q1 2016



Inspired by customer insight, our Decorative Paints business has developed an innovative wet tester to help consumers make more informed color choices when decorating their homes. The new user-friendly roller testers were designed following rigorous research and offer maximum convenience. Already launched with great success in France and the Netherlands, the new-look testers will soon be introduced in the UK and Ireland, with other regions to follow.



## Revenue

First quarter

in € millions	2015	2016	Δ%
Deco Europe, Middle East and Africa	512	512	–
Decorative Paints Latin America	138	101	(27)
Decorative Paints Asia	240	249	4
Other/intragroup eliminations	–	(1)	
<b>Total</b>	<b>890</b>	<b>861</b>	<b>(3)</b>
Operating income	50	52	4
EBIT (operating income excluding incidental items)	50	52	4
ROS% *	5.6	6.0	
Average invested capital	2,888	2,899	
Moving average ROI (in %) *	9.8	12.0	
EBITDA	88	86	(2)
Capital expenditures	37	26	
Number of employees	15,200	14,900	

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

# Performance Coatings

- Volumes up 2 percent mainly driven by Marine and Protective Coatings
- Revenue down 3 percent due to increased volumes offset by adverse currencies and unfavorable price/mix
- EBIT and operating income up 9 percent due to higher volumes, management delayering, continuous improvement initiatives and lower costs
- ROS\* increased to 13.4 percent (2015: 11.9 percent) and ROI\* increased to 30.4 percent (2015: 22.9 percent)
- Intended acquisition of BASF's Industrial Coatings business will strengthen our position

Revenue was down 3 percent due to higher volumes offset by adverse currencies and unfavorable price/mix. Demand trends differed per region. Volumes were up, mainly driven by Marine and Protective Coatings.

EBIT and operating income was up 9 percent due to higher volumes, management delayering, continuous improvement initiatives and lower costs.

## Marine and Protective Coatings

Revenue was up 2 percent with volume growth partly offset by unfavorable price/mix and currencies. In Protective Coatings, higher volumes were driven by project backlog, which continued from Q4, although demand was impacted by lower capital spending in the global oil and gas industries. In Marine Coatings, volumes improved due to New Build projects in Korea, partly offset by weak Maintenance and Repair activities particularly in Europe.

## Automotive and Specialty Coatings

Revenue was down 4 percent with positive price/mix offset by adverse currencies and lower volumes. New business in Asia for Consumer Electronics helped to offset a general slow down in Specialty Coatings. Automotive Coatings grew, particularly in North America and Europe.

## Industrial and Powder Coatings

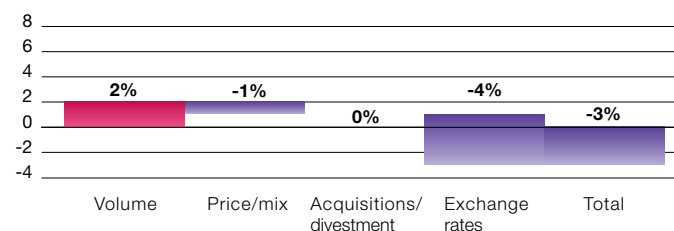
Revenue was down 4 percent mainly due to adverse currencies and lower volumes for some segments. Demand for Coil Coatings was strong in Asia and North America, supported by favorable weather conditions, while positive developments for Packaging Coatings in Europe and Asia did not offset lower demand in Americas. Volumes for Powder Coatings were healthy, while demand was subdued for Wood Coatings.

## Intended acquisition of BASF's Industrial Coatings business

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

## Revenue development Q1 2016

■ Increase ■ Decrease



New ultraviolet clear coat technology developed by our Performance Coatings business now enables vehicle bodyshops to cut their energy costs by up to 80 percent. The technology (available in both Sikkens and Lesonal brands) cuts drying time to just 12 minutes without baking. This provides a significant increase in productivity – in addition to the potential energy savings – when compared with traditional baking processes.



## Revenue

First quarter

in € millions	2015	2016	Δ%
Marine and Protective Coatings	353	360	2
Automotive and Specialty Coatings	388	373	(4)
Industrial and Powder Coatings	695	665	(4)
Other/intragroup eliminations	(6)	(10)	
<b>Total</b>	<b>1,430</b>	<b>1,388</b>	<b>(3)</b>
Operating income	170	186	9
EBIT (operating income excluding incidental items)	170	186	9
ROS% *	11.9	13.4	
Average invested capital	2,569	2,659	
Moving average ROI (in %) *	22.9	30.4	
EBITDA	206	222	8
Capital expenditures	29	31	
Number of employees	19,800	19,300	

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

# Specialty Chemicals

- Volumes up 1 percent with positive developments in Industrial Chemicals partly offset by lower demand in oil related segments
- Revenues down 7 percent due to the divestment of the Paper Chemicals business, price deflation and adverse currency effects
- EBIT and operating income up 1 percent, due to operational efficiencies and lower costs offsetting the effects of price deflation and adverse currencies
- ROS\* increased to 13.6 percent (2015: 12.6 percent); ROI\* increased to 16.5 percent (2015: 15.3 percent)

Revenue was down 7 percent due to the divestment of the Paper Chemicals business, price deflation in several segments and adverse currency effects. Volumes were up 1 percent with positive developments in some segments partly offset by lower demand in oil related segments.

EBIT and operating income was up 1 percent, due to operational efficiencies and lower costs offsetting the effects of price deflation and adverse currencies.

## Functional Chemicals

Revenue was down 6 percent, mainly due to formula based price deflation and adverse currency effects. Volumes remained flat. Production output was still impacted by the interruptions in the manufacturing and supply chain in Tianjin, affecting comparison versus Q1 2015. Availability improved compared with Q4 2015.

## Industrial Chemicals

Revenue was down 3 percent with positive volume development offset by adverse price/mix effects. Volumes were higher mainly due to increased manufacturing availability in Frankfurt and Rotterdam.

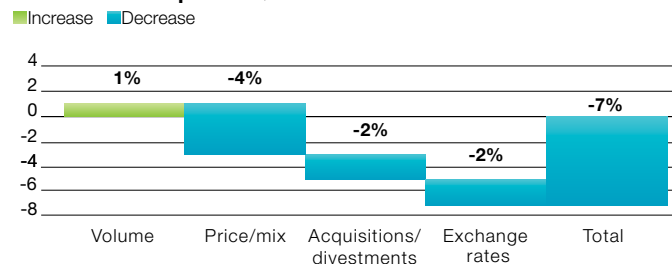
## Surface Chemistry

Revenue was down 7 percent reflecting lower demand and price deflation in oil related segments, especially in the Americas. Demand trends differed per region and were positive for Asia.

## Pulp and Performance Chemicals

Revenue, excluding the impact of the divested Paper Chemicals business, was down 3 percent mainly due to adverse currency effects. Volume developments in Brazil and several segments in Europe remained positive.

## Revenue development Q1 2016



Together with Evonik Industries, AkzoNobel broke ground on a production joint venture for chlorine and potassium hydroxide solution at the existing AkzoNobel location in Ibbenbüren, Germany. A new membrane electrolysis plant is being built which will improve the ecological footprint of every ton of chlorine we produce in Ibbenbüren by 25 to 30 percent. This will result in less energy use and fewer CO2 emissions.



## Revenue

First quarter

in € millions	2015	2016	Δ%
Functional Chemicals	464	436	(6)
Industrial Chemicals	308	299	(3)
Surface Chemistry	277	258	(7)
Pulp and Performance Chemicals	273	234	(14)
Other/intragroup eliminations	(26)	(21)	
<b>Total</b>	<b>1,296</b>	<b>1,206</b>	<b>(7)</b>
Operating income	163	164	1
EBIT (operating income excluding incidental items)	163	164	1
ROS% *	12.6	13.6	
Average invested capital	3,509	3,500	
Moving average ROI (in %) *	15.3	16.5	
EBITDA	242	245	1
Capital expenditures	56	63	
Number of employees	9,600	9,100	

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

# Condensed financial statements

## Consolidated statement of income

First quarter		
in € millions	2015	2016
<b>Continuing operations</b>		
Revenue	3,591	3,430
Cost of sales	(2,146)	(1,981)
<b>Gross profit</b>	<b>1,445</b>	<b>1,449</b>
SG&A costs	(1,139)	(1,115)
Incidentals	–	23
<b>Operating income</b>	<b>306</b>	<b>357</b>
Net financing expenses	(41)	(27)
Results from associates and joint ventures	(2)	20
<b>Profit before tax</b>	<b>263</b>	<b>350</b>
Income tax	(82)	(86)
<b>Profit for the period from continuing operations</b>	<b>181</b>	<b>264</b>
<b>Discontinued operations</b>		
Profit for the period from discontinued operations	(3)	(1)
<b>Profit for the period</b>	<b>178</b>	<b>263</b>
<b>Attributable to</b>		
Shareholders of the company	160	240
Non-controlling interests	18	23
<b>Profit for the period</b>	<b>178</b>	<b>263</b>

## Consolidated statement of comprehensive income

First quarter		
in € millions	2015	2016
<b>Profit for the period</b>	<b>178</b>	<b>263</b>
<b>Other comprehensive income</b>		
Exchange differences arising on translation of foreign operations	590	(186)
Cash flow hedges	(1)	(16)
Post-retirement benefits	(300)	(39)
Tax relating to components of other comprehensive income	6	3
<b>Other comprehensive income for the period (net of tax)</b>	<b>295</b>	<b>(238)</b>
<b>Comprehensive income for the period</b>	<b>473</b>	<b>25</b>
<b>Comprehensive income for the period attributable to</b>		
Shareholders of the company	400	12
Non-controlling interests	73	13
<b>Comprehensive income for the period</b>	<b>473</b>	<b>25</b>

## Condensed consolidated balance sheet

in € millions	December 31, 2015	March 31, 2016
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	4,156	4,074
Property, plant and equipment	4,003	3,991
Other financial non-current assets	2,125	2,365
<b>Total non-current assets</b>	<b>10,284</b>	<b>10,430</b>
<b>Current assets</b>		
Inventories	1,504	1,572
Trade and other receivables	2,741	2,999
Cash and cash equivalents	1,365	1,156
Other current assets	69	71
<b>Total current assets</b>	<b>5,679</b>	<b>5,798</b>
<b>Total assets</b>	<b>15,963</b>	<b>16,228</b>
<b>Equity and liabilities</b>		
<b>Total equity</b>	<b>6,980</b>	<b>6,996</b>
<b>Non-current liabilities</b>		
Provisions and deferred tax liabilities	2,225	2,291
Long-term borrowings	2,161	2,164
<b>Total non-current liabilities</b>	<b>4,386</b>	<b>4,455</b>
<b>Current liabilities</b>		
Short-term borrowings	430	695
Trade and other payables	3,473	3,351
Other short-term liabilities	694	731
<b>Total current liabilities</b>	<b>4,597</b>	<b>4,777</b>
<b>Total equity and liabilities</b>	<b>15,963</b>	<b>16,228</b>



**Changes in equity**

in € millions	Subscribed share capital	Additional paid-in capital	Cashflow hedge reserve	Cumulative translation reserves	Other reserves	Shareholders' equity	Non-controlling interests	Group equity
<b>Balance at January 1, 2015</b>	492	463	(19)	(43)	4,897	5,790	477	6,267
Profit for the period	-	-	-	-	160	160	18	178
Other comprehensive income	-	-	(1)	535	(294)	240	55	295
<b>Comprehensive income for the period</b>	-	-	(1)	535	(134)	400	73	473
Dividend paid	-	-	-	-	-	-	(23)	(23)
Equity-settled transactions	-	-	-	-	8	8	-	8
Issue of common shares	-	-	-	-	-	-	2	2
<b>Balance at March 31, 2015</b>	492	463	(20)	492	4,771	6,198	529	6,727
<b>Balance at January 1, 2016</b>	498	598	(42)	81	5,349	6,484	496	6,980
Profit for the period	-	-	-	-	240	240	23	263
Other comprehensive income	-	-	(12)	(191)	(25)	(228)	(10)	(238)
<b>Comprehensive income for the period</b>	-	-	(12)	(191)	215	12	13	25
Dividend paid	-	-	-	-	-	-	(17)	(17)
Equity-settled transactions	-	-	-	-	8	8	-	8
Issue of common shares	1	(1)	-	-	-	-	-	-
Acquisitions and divestments	-	-	-	-	(1)	(1)	1	-
<b>Balance at March 31, 2016</b>	499	597	(54)	(110)	5,571	6,503	493	6,996

**Shareholders' equity**

Shareholders' equity remained flat at €6.5 billion at the end of March 2016, mainly due to the net effect of:

- Net income of €240 million
- Negative currency effects of €191 million (including tax)
- An adverse actuarial impact of €25 million (including tax) reported in Other comprehensive income, including €90 million for de-risking of pension liabilities

**Dividend**

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

### Invested capital

Invested capital at the end of Q1 2016 totaled €10.1 billion (Q1 2015: €10.9 billion), up €0.2 billion on year-end 2015 mainly due to seasonality of operating working capital. Operating working capital reduced €0.2 billion compared with March 31, 2015.

### Pensions

The net balance sheet position (IAS19) of the pension plans at the end of Q1 2016 was a deficit of €0.4 billion (year-end 2015: €0.6 billion). This was the result of the net effect of:

- Top-up payments of €277 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 a non-cash buy-in transaction of €419 million, related to the ICI Pension Fund, which led to a €90 million impact in Other comprehensive income

The triennial review of the AkzoNobel (CPS) Pension Scheme was completed in March 2016 and a new valuation and payment schedule was agreed with the Trustees, which resulted in a lower annual top-up contribution.

### Workforce

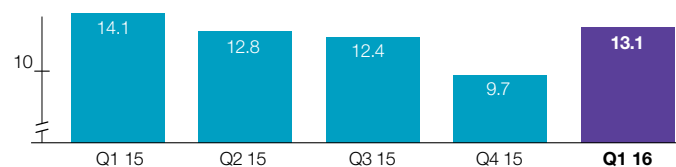
At March 31, 2016, we employed 45,900 staff (year-end 2015: 45,600 employees), in comparison with 46,400 employees at March 31, 2015. With the introduction of Global Business Services (GBS) organization as of January 1, 2016 some employees are now reported at corporate level instead of within the Business Areas.

### Invested capital

in € millions	March 31, 2015	December 31, 2015	March 31, 2016
Trade receivables	2,683	2,267	2,438
Inventories	1,703	1,504	1,572
Trade payables	(2,360)	(2,386)	(2,207)
<b>Operating working capital</b>	<b>2,026</b>	<b>1,385</b>	<b>1,803</b>
Other working capital items	(706)	(787)	(815)
Non-current assets	10,815	10,284	10,430
Less investments in associates and joint ventures	(159)	(165)	(162)
Less pension assets	(593)	(528)	(835)
Deferred tax liabilities	(442)	(360)	(363)
<b>Invested capital</b>	<b>10,941</b>	<b>9,829</b>	<b>10,058</b>

### Operating working capital

In % of revenue



### Cash flows and net debt

Operating activities in Q1 resulted in a cash outflow of €336 million (2015: €622 million). The lower cash outflow in Q1 versus last year was due to lower working capital in all Business Areas, lower pension top-ups, as well as changes in provisions mostly due to less restructuring payments, and lower interest payments.

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

At March 31, 2016 net debt was €1.7 billion (2015: €2.3 billion) versus €1.2 billion at year-end 2015.

### Outlook

The market environment remains uncertain with challenging conditions in several countries and segments. Deflationary pressures and currency headwinds are expected to continue. Please refer to our website for more information on our ambitions and the strategic focus areas.

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

### Condensed consolidated statement of cash flows

First quarter in € millions	2015	2016
<b>Net cash and cash equivalents at beginning of period</b>	<b>1,649</b>	<b>1,317</b>
<b>Adjustments to reconcile earnings to cash generated from operating activities</b>		
Profit for the period from continuing operations	181	264
Amortization and depreciation	156	153
Changes in working capital	(576)	(492)
Changes in provisions	(410)	(300)
Other changes	27	39
<b>Net cash from operating activities</b>	<b>(622)</b>	<b>(336)</b>
Capital expenditures	(123)	(124)
Acquisitions and divestments net of cash acquired	(2)	(2)
Other changes	(6)	6
<b>Net cash from investing activities</b>	<b>(131)</b>	<b>(120)</b>
Changes from borrowings	(14)	265
Dividends	(21)	(7)
Other changes	–	(2)
<b>Net cash from financing activities</b>	<b>(35)</b>	<b>256</b>
<b>Net cash used for continuing operations</b>	<b>(788)</b>	<b>(200)</b>
Cash flows from discontinued operations	(1)	(3)
<b>Net change in cash and cash equivalents of total operations</b>	<b>(789)</b>	<b>(203)</b>
Effect of exchange rate changes on cash and cash equivalents	87	(17)
<b>Net cash and cash equivalents at March 31</b>	<b>947</b>	<b>1,097</b>

## Quarterly statistics

	Q1	Q2	Q3	Q4	2015		2016
					year	in € millions	Q1
<b>Revenue</b>							
	890	1,134	1,052	931	4,007	Decorative Paints	861
	1,430	1,550	1,493	1,482	5,955	Performance Coatings	1,388
	1,296	1,290	1,235	1,167	4,988	Specialty Chemicals	1,206
	(25)	(25)	(20)	(21)	(91)	Other activities/eliminations	(25)
	<b>3,591</b>	<b>3,949</b>	<b>3,760</b>	<b>3,559</b>	<b>14,859</b>	<b>Total</b>	<b>3,430</b>
<b>EBITDA</b>							
	88	165	159	83	495	Decorative Paints	86
	206	257	246	229	938	Performance Coatings	222
	242	243	242	171	898	Specialty Chemicals	245
	(74)	(55)	(57)	(57)	(243)	Other activities/eliminations	(66)
	<b>462</b>	<b>610</b>	<b>590</b>	<b>426</b>	<b>2,088</b>	<b>Total</b>	<b>487</b>
	<b>12.9</b>	<b>15.4</b>	<b>15.7</b>	<b>12.0</b>	<b>14.1</b>	<b>EBITDA margin (in %)</b>	<b>14.2</b>
<b>Depreciation</b>							
	(26)	(26)	(27)	(26)	(105)	Decorative Paints	(23)
	(25)	(26)	(26)	(27)	(104)	Performance Coatings	(26)
	(66)	(68)	(66)	(69)	(269)	Specialty Chemicals	(69)
	(3)	(3)	(1)	(2)	(9)	Other activities/eliminations	(2)
	<b>(120)</b>	<b>(123)</b>	<b>(120)</b>	<b>(124)</b>	<b>(487)</b>	<b>Total</b>	<b>(120)</b>
<b>Amortization</b>							
	(12)	(11)	(11)	(11)	(45)	Decorative Paints	(11)
	(11)	(11)	(10)	(10)	(42)	Performance Coatings	(10)
	(13)	(13)	(13)	(12)	(51)	Specialty Chemicals	(12)
	-	-	-	(1)	(1)	Other activities/eliminations	-
	<b>(36)</b>	<b>(35)</b>	<b>(34)</b>	<b>(34)</b>	<b>(139)</b>	<b>Total</b>	<b>(33)</b>
<b>EBIT (operating income excluding incidental items)</b>							
	50	128	121	46	345	Decorative Paints	52
	170	220	210	192	792	Performance Coatings	186
	163	162	163	90	578	Specialty Chemicals	164
	(77)	(58)	(58)	(60)	(253)	Other activities/eliminations	(68)
	<b>306</b>	<b>452</b>	<b>436</b>	<b>268</b>	<b>1,462</b>	<b>Total</b>	<b>334</b>
	<b>8.5</b>	<b>11.4</b>	<b>11.6</b>	<b>7.5</b>	<b>9.8</b>	<b>ROS (in %)</b>	<b>9.7</b>
<b>Operating income</b>							
	50	128	121	46	345	Decorative Paints	52
	170	220	210	192	792	Performance Coatings	186
	163	192	163	91	609	Specialty Chemicals	164
	(77)	(54)	(58)	16	(173)	Other activities/eliminations	(45)
	<b>306</b>	<b>486</b>	<b>436</b>	<b>345</b>	<b>1,573</b>	<b>Total</b>	<b>357</b>

## Quarterly statistics

	Q1	Q2	Q3	Q4	2015		2016
					year	in € millions	Q1
<b>Incidentals per Business Area</b>							
	-	-	-	-	-	Decorative Paints	-
	-	-	-	-	-	Performance Coatings	-
	-	30	-	1	31	Specialty Chemicals	-
	-	4	-	76	80	Other activities/eliminations	23
	<b>-</b>	<b>34</b>	<b>-</b>	<b>77</b>	<b>111</b>	<b>Total</b>	<b>23</b>
<b>Reconciliation net financing expense</b>							
	10	4	7	7	28	Financing income	5
	(38)	(31)	(29)	(27)	(125)	Financing expenses	(27)
	<b>(28)</b>	<b>(27)</b>	<b>(22)</b>	<b>(20)</b>	<b>(97)</b>	<b>Net interest on net debt</b>	<b>(22)</b>
<b>Other interest movements</b>							
	(4)	(3)	(4)	(2)	(13)	Financing expenses related to pensions	(2)
	(9)	(1)	(7)	-	(17)	Interest on provisions	(11)
	-	4	5	4	13	Other items	8
	<b>(13)</b>	<b>-</b>	<b>(6)</b>	<b>2</b>	<b>(17)</b>	<b>Net other financing charges</b>	<b>(5)</b>
	<b>(41)</b>	<b>(27)</b>	<b>(28)</b>	<b>(18)</b>	<b>(114)</b>	<b>Net financing expenses</b>	<b>(27)</b>
<b>Quarterly net income analysis</b>							
	(2)	8	6	5	17	Results from associates and joint ventures	20
	(18)	(27)	(16)	(26)	(87)	Profit attributable to non-controlling interests	(23)
	263	467	414	332	1,476	Profit before tax	350
	(82)	(108)	(114)	(112)	(416)	Income tax	(86)
	181	359	300	220	1,060	Profit for the period from continuing operations	264
	31	23	28	34	28	Effective tax rate (in %)	25

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**Quarterly statistics**

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

# Notes to the condensed financial statements

## Accounting policies and restatements

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

## Seasonality

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

## Other activities

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

## Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Safe Harbor Statement

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

## Brand and trademarks

In this report, reference is made to brands and trademarks owned by, or licensed to, AkzoNobel. Unauthorized use of these is strictly prohibited.

**Akzo Nobel N.V.**

Christiaan Neefestraat 2  
P.O. Box 75730  
1070 AS Amsterdam, the Netherlands  
T +31 88 969 7555  
Internet: [www.akzonobel.com](http://www.akzonobel.com)

For more information:

The explanatory sheets used during the press conference can be viewed on AkzoNobel's corporate website [www.akzonobel.com/quarterlyresults](http://www.akzonobel.com/quarterlyresults)

AkzoNobel Global Communications  
T +31 88 969 7833  
E [info@akzonobel.com](mailto:info@akzonobel.com)

AkzoNobel Investor Relations  
T +31 88 969 7854  
E [investor.relations@akzonobel.com](mailto:investor.relations@akzonobel.com)

**Financial calendar**

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



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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.

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