



# 1 Report

AkzoNobel 

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# Our results at a glance

- Record Q1 profitability (EBIT, ROS and ROI) for AkzoNobel
  - Revenue up in all Business Areas and 7% overall, mainly due to higher volumes and acquisitions
  - Volumes up 4% driven by Decorative Paints and Specialty Chemicals
  - EBIT up in all Business Areas and 13% overall, at €376 million (2016: €334 million), reflecting the positive effects of volume growth, continuous improvement and cost discipline
  - Operating income up 5% at €376 million (2016: €357 million)
  - Profitability improved, with ROS at 10.3% (2016: 9.7%) and ROI at 15.2% (2016: 14.5%)
  - Adjusted EPS up 8% at €1.05 (2016: €0.97)
  - Net cash outflow from operating activities improved to €287 million (2016: €336 million)
- In Q1 2017, we announced a review of strategic options for the separation of our Specialty Chemicals business
  - Share repurchase program in progress. The total number of shares repurchased up to March 31, 2017 was 2.17 million common shares (€144 million)

## Outlook:

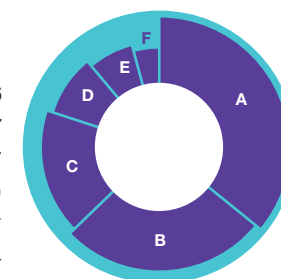
We continue to anticipate positive developments for EMEA, North America and Asia, improving during the year, while Latin America is expected to stabilize. Market trends experienced in the second part of 2016, including for the marine and oil and gas industries, are expected to continue during the first half of 2017.

We have structurally improved our ability to respond to developments in our markets and continue taking appropriate measures to deal with higher raw material prices in an inflationary environment.

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

## AkzoNobel around the world Revenue by destination

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



(Based on the full-year 2016)

## Summary of financial outcomes

First quarter

in € millions	2016	2017	Δ%
Revenue	3,430	3,661	7
EBIT	334	376	13
Operating income	357	376	5
ROS% *	9.7	10.3	
OPI margin%	10.4	10.3	
Average invested capital	10,311	10,163	
Moving average ROI (in %) *	14.5	15.2	
Capital expenditures	124	120	
Net cash from operating activities	(336)	(287)	
Net debt	1,703	1,801	
Net income from continuing operations	241	240	-
Net income from discontinued operations	(1)	-	
Net income attributable to shareholders	240	240	-
Earnings per share from total operations (in €)	0.96	0.96	
Adjusted earnings per share (in €)	0.97	1.05	8
Number of employees	45,900	46,100	

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

# Financial highlights

**Record Q1 profitability (EBIT, ROS and ROI) for AkzoNobel. Revenue up in all Business Areas and 7% overall, mainly due to higher volumes and acquisitions. Volumes up 4% driven by Decorative Paints and Specialty Chemicals. EBIT up in all Business Areas and 13% overall, at €376 million (2016: €334 million), reflecting the positive effects of volume growth, continuous improvement and cost discipline. Operating income up 5% at €376 million (2016: €357 million). Profitability improved, with ROS at 10.3% (2016: 9.7%) and ROI at 15.2% (2016: 14.5%).**

## Revenue

Revenue up in all Business Areas and 7% overall, mainly due to higher volumes and acquisitions.

- Revenue in Decorative Paints was up 7%, with volume growth in all regions and realized consistently throughout the quarter. Volume developments were positive for the sixth consecutive quarter. Positive volume developments and currency effects were partly offset by adverse price/mix
- Revenue in Performance Coatings was up 6%, driven by positive volume development in Industrial and Powder Coatings, as well as Automotive and Specialty Coatings, and the acquisition of BASF's Industrial Coatings business. Adverse conditions persisted in the marine and oil and gas industries
- Revenue in Specialty Chemicals was up 7%, driven by positive volume developments in all business units and regions and favorable currency impact. Volumes were up 5%

Raw material prices were higher compared to the same period in 2016. We are taking appropriate measures to deal with higher raw material prices in an inflationary environment.

## Acquisitions

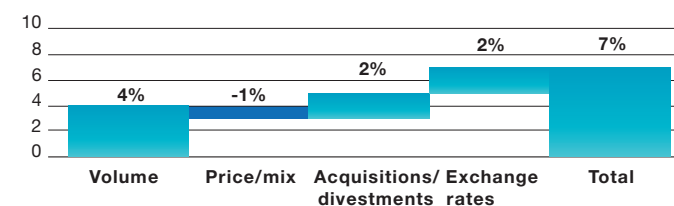
- In Q1 2016, the outstanding shares in Eko Peroxide LLC, a hydrogen peroxide joint venture, were acquired
- In Q4 2016, the acquisition of BASF's Industrial Coatings business was completed
- In Q1 2017, the impact of acquisitions on revenue was 2% for AkzoNobel and 5% for Performance Coatings

## Specialty Chemicals separation

- In Q1 2017, we announced a review of strategic options for the separation of our Specialty Chemicals business. Further details will be given during the investor update on April 19, 2017

## Revenue development Q1 2017

■ Increase ■ Decrease



## Revenue

First quarter

in € millions	2016	2017	Δ%
Decorative Paints	861	922	7
Performance Coatings	1,388	1,471	6
Specialty Chemicals	1,206	1,289	7
Other activities/eliminations	(25)	(21)	
<b>Total</b>	<b>3,430</b>	<b>3,661</b>	<b>7</b>

in % versus Q1 2016	Volume	Price/mix	Acquisitions/divestments	Exchange rates	Total
Decorative Paints	9	(3)	–	1	7
Performance Coatings	–	(1)	5	2	6
Specialty Chemicals	5	–	–	2	7
<b>Total</b>	<b>4</b>	<b>(1)</b>	<b>2</b>	<b>2</b>	<b>7</b>

Volume development per quarter (year-on-year)

	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17
Decorative Paints	6	1	3	2	9
Performance Coatings	2	2	(2)	(1)	–
Specialty Chemicals	1	–	1	4	5
<b>Total</b>	<b>2</b>	<b>1</b>	<b>–</b>	<b>2</b>	<b>4</b>

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

	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17
Decorative Paints	(2)	(1)	(1)	(2)	(3)
Performance Coatings	(1)	(2)	(2)	(3)	(1)
Specialty Chemicals	(4)	(3)	(3)	(4)	–
<b>Total</b>	<b>(2)</b>	<b>(2)</b>	<b>(2)</b>	<b>(3)</b>	<b>(1)</b>

### EBIT and operating income

EBIT up in all Business Areas and 13% overall, at €376 million in Q1, reflecting the positive effects of volume growth, continuous improvement and cost discipline. Operating income was up 5% to €376 million.

- In Decorative Paints, EBIT and operating income increased by 48%, mainly as a result of higher revenue and continued focus on cost measures, while recognizing Q1 is a seasonally smaller quarter
- In Performance Coatings, EBIT and operating income were up 1%, mainly due to positive volume and margin development in several segments and regions, most notably in Automotive and Specialty coatings and North America. These gains were offset by ongoing weakness in the marine and oil and gas industries, as well as costs associated with the integration of the acquired BASF Industrial Coatings business
- In Specialty Chemicals, EBIT and operating income increased 7% as a result of improved volumes and operational efficiencies
- In Other activities and eliminations, EBIT improved. Operating income last year in Q1 2016 was positively impacted by sale of assets of €23 million

### Net financing expenses

Net financing expenses decreased mainly as a result of lower interest expenses following the repayment of a high interest bond and the issuance of a low interest bond in Q2 2016, as well as lower interest on provisions.

### Tax

In Q1 2017, the effective tax rate was 28% (2016: 25%). Previous year's effective tax rate was impacted by non-taxable gains and adjustments to previous years.

### Net income

Net income attributable to shareholders was €240 million (2016: €240 million). Previous year was impacted by sale of assets of €23 million. Adjusted EPS was up 8% at €1.05 (2016: €0.97).

### EBIT (operating income excluding identified items)

First quarter			
in € millions	2016	2017	Δ%
Decorative Paints	52	77	48
Performance Coatings	186	187	1
Specialty Chemicals	164	176	7
Other activities/eliminations	(68)	(64)	
<b>Total</b>	<b>334</b>	<b>376</b>	<b>13</b>

### Operating income

First quarter			
in € millions	2016	2017	Δ%
Decorative Paints	52	77	48
Performance Coatings	186	187	1
Specialty Chemicals	164	176	7
Other activities/eliminations	(45)	(64)	
<b>Total</b>	<b>357</b>	<b>376</b>	<b>5</b>

### Operating income to net income

First quarter		
in € millions	2016	2017
<b>Operating income</b>	<b>357</b>	<b>376</b>
Net financing expenses	(27)	(22)
Results from associates and joint ventures	20	8
<b>Profit before tax</b>	<b>350</b>	<b>362</b>
Income tax	(86)	(101)
<b>Profit from continuing operations</b>	<b>264</b>	<b>261</b>
Profit from discontinued operations	(1)	-
<b>Profit for the period</b>	<b>263</b>	<b>261</b>
Non-controlling interests	(23)	(21)
<b>Net income</b>	<b>240</b>	<b>240</b>

AkzoNobel has committed to accelerating its sustainability agenda by announcing an ambition to use 100% renewable energy and become carbon neutral by 2050.



# Decorative Paints

- Revenue increased 7%, mainly driven by strong volume growth
- Volumes up 9%, positive in all regions
- EBIT increased 48% driven by higher revenue and continued focus on cost measures
- ROS increased to 8.4% (2016: 6.0%); ROI increased to 13.8% (2016: 12.0%)

Revenue was up 7%, mainly driven by strong volume growth. Positive volume developments and currency effect was partly offset by adverse price/mix. Volumes were up 9%, with volume growth in all regions and realized consistently throughout the quarter. Volume developments were positive for the sixth consecutive quarter.

EBIT increased by 48%, mainly as a result of higher revenue and continued focus on cost measures, while recognizing Q1 is a seasonally smaller quarter.

## Europe, Middle East and Africa

Volumes were up in continental Europe, with further roll out of easy care and the launch of Sikkens alpha rezisto (an extremely stain repellent wall paint), as well as in emerging countries. Unfavorable currencies, including the pound sterling, and price/mix effects resulted in 1% revenue decrease. Revenue was up 2% excluding currency effects. Positive developments continued in the UK, the Netherlands, Russia and Africa. Productivity programs continued to deliver accelerated savings.

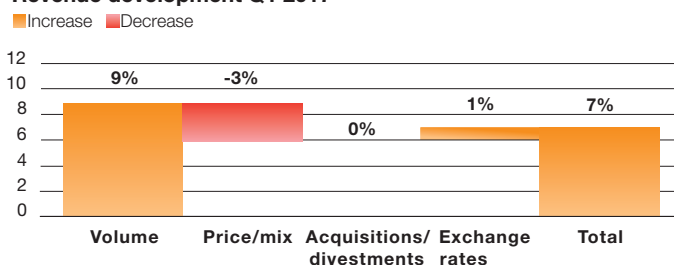
## Latin America

Revenue was up 18% driven by positive currencies (up 2% excluding currency effects) as well as higher volumes. While some markets showed signs of slight recovery, volume and revenue improvements were visible with the roll out of easy care. Cost control remains a focus area in the region.

## Asia

Asian markets continued to show positive demand trends throughout the first quarter. Revenue increased by 19%. Strong volume growth and favorable currency effects more than offset adverse price/mix effects. Volume growth accelerated in China, in particular in the premium and mass segments. Vietnam and India also showed strong growth.

### Revenue development Q1 2017



Communities in more than 40 countries will benefit from a partnership between AkzoNobel and peace movement MasterPeace to color 100 "Walls of Connection".



## Revenue

First quarter

in € millions	2016	2017	Δ%
Decorative Paints Europe, Middle East and Africa	512	507	(1)
Decorative Paints Latin America	101	119	18
Decorative Paints Asia	249	297	19
Other/intragroup eliminations	(1)	(1)	
<b>Total</b>	<b>861</b>	<b>922</b>	<b>7</b>
EBIT	52	77	48
Operating income	52	77	48
ROS% *	6.0	8.4	
Average invested capital	2,899	2,775	
Moving average ROI (in %) *	12.0	13.8	
Capital expenditures	26	18	
Number of employees	14,900	14,700	

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

# Performance Coatings

- Revenue up 6%, mainly due to positive volume development across a number of segments and the acquisition of BASF's Industrial Coatings business
- Volume grew in Industrial and Powder Coatings and Automotive and Specialty Coatings, offsetting continued weak demand in Marine and Protective Coatings
- EBIT up 1%, mainly due to positive volume and margin development in several segments and regions, offset by ongoing weakness in marine and oil and gas industries and integration costs
- ROS at 12.7% (2016: 13.4%) and ROI at 28.6% (2016: 30.4%), affected by Marine and Protective Coatings

Revenue was up 6%, driven by positive volume development in Industrial and Powder Coatings, as well as Automotive and Specialty Coatings, and the acquired BASF Industrial Coatings business. Adverse conditions persisted in the marine and oil and gas industries, which resulted in lower volumes for our Marine and Protective businesses.

EBIT was up 1%, mainly due to positive volume and margin development in several segments and regions, most notably in Automotive and Specialty Coatings and North America. These gains were offset by ongoing weakness in the marine and oil and gas industries, as well as costs associated with the integration of the acquired BASF Industrial Coatings business.

## Marine and Protective Coatings

Volumes in Marine Coatings continued to be impacted by the slowdown of new build activity. Dry docking activities showed early signs of recovery in North Europe and Asia. Protective Coatings volumes decreased, mainly due to the conclusion of existing oil and gas projects. Overall, revenue was down 6%.

## Automotive and Specialty Coatings

Volumes were up due to improved demand in Automotive and Consumer Electronics in Asia. Automotive won significant new business in China. Demand increased for Aerospace in North America and for Automotive in EMEA. Revenue was up 7%.

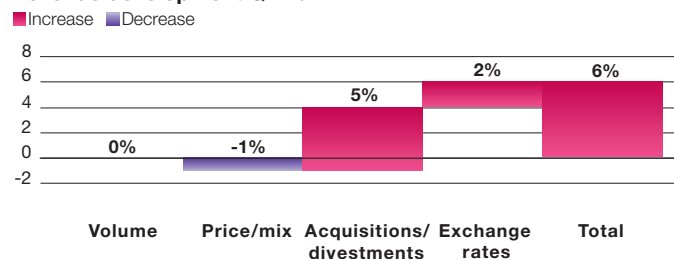
## Industrial and Powder Coatings

Volumes were up, mainly due to growth in Europe and market share gains in Asia, in particular China. Powder Coatings continued to show strong growth momentum. Revenue was up 12%, including the acquisition of BASF's Industrial Coatings business, and up 4% excluding this acquisition.

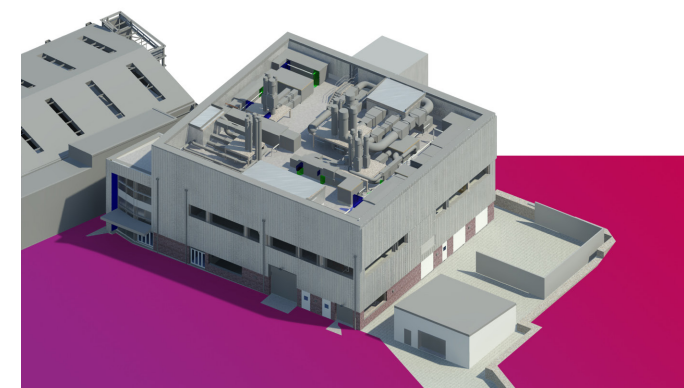
## Integration of the acquired BASF Industrial Coatings business

We are integrating the respective parts of the acquired BASF 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.

## Revenue development Q1 2017



More than 100 of the coatings industry's leading scientists will be brought together in a new €12.6 million research and innovation hub for AkzoNobel in Felling, UK.



## Revenue

First quarter

in € millions	2016	2017	Δ%
Marine and Protective Coatings	360	340	(6)
Automotive and Specialty Coatings	373	398	7
Industrial and Powder Coatings	665	742	12
Other/intragroup eliminations	(10)	(9)	
<b>Total</b>	<b>1,388</b>	<b>1,471</b>	<b>6</b>

EBIT	186	187	1
Operating income	186	187	1
ROS% *	13.4	12.7	
Average invested capital	2,659	2,659	
Moving average ROI (in %) *	30.4	28.6	
Capital expenditures	31	25	
Number of employees	19,300	19,800	

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

# Specialty Chemicals

- Revenue up 7% with positive volume developments and favorable currency impact
- Volumes up 5% with growth in all business units and regions
- EBIT up 7% at €176 million, mostly due to improved volumes and operational efficiencies
- ROS increased to 13.7% (2016: 13.6%); ROI increased to 18.1% (2016: 16.5%)

Revenue was up 7% due to positive volume developments in all business units and regions and favorable currency effects. Volumes were up 5%. Several of our businesses benefited from improved market conditions in the oil drilling, mining, agrochemicals and building and construction segments. China delivered significant growth, driven by the start-up of our new organic peroxides facility in Ningbo and plant closures at competitors, driven by an increased government focus on implementation of health, safety and environmental standards.

EBIT increased by 7%, mainly due to improved volumes and operational efficiencies, partly offset by raw material price increases which were not yet fully recaptured through increased selling prices.

## Functional Chemicals

Positive volume development, especially in Asia and Europe, contributed most to the revenue increase of 8%. In China, the new organic peroxides plant in Ningbo enabled strong volume growth. In addition, the building and construction and agrochemicals segments experienced strong growth.

## Industrial Chemicals

Revenue was up 6%, mainly due to strong volumes and improved pricing. For caustic and chloromethanes in particular, the market supply and demand is more balanced, driven by, among others, competitors phasing out their mercury-based production due to the new regulations coming into effect by the end of the year.

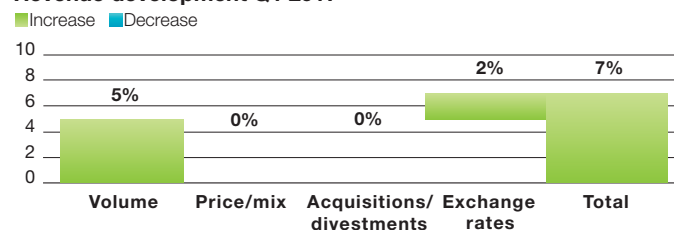
## Surface Chemistry

Revenue was up 10%, mainly due to positive volume developments and favorable currencies. Demand in oil drilling showed a significant recovery, driven by positive developments in North America. The agrochemicals segment experienced significant improvement, driven by Latin America.

## Pulp and Performance Chemicals

Revenue was up 3%, driven by stronger bleaching chemicals volumes in Latin America and strong growth in our Expancel and colloidal silica product lines.

## Revenue development Q1 2017



AkzoNobel's Imagine Chemistry initiative generated 200 innovative ideas to help solve real-life chemistry challenges and find sustainable commercial opportunities.



## Revenue

First quarter

in € millions	2016	2017	Δ%
Functional Chemicals	436	473	8
Industrial Chemicals	299	317	6
Surface Chemistry	258	284	10
Pulp and Performance Chemicals	234	240	3
Other/intragroup eliminations	(21)	(25)	
<b>Total</b>	<b>1,206</b>	<b>1,289</b>	<b>7</b>
EBIT	164	176	7
Operating income	164	176	7
ROS% *	13.6	13.7	
Average invested capital	3,500	3,546	
Moving average ROI (in %) *	16.5	18.1	
Capital expenditures	63	75	
Number of employees	9,100	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	2016	2017
<b>Continuing operations</b>		
Revenue	3,430	3,661
Cost of sales	(1,981)	(2,154)
<b>Gross profit</b>	<b>1,449</b>	<b>1,507</b>
SG&A costs	(1,115)	(1,131)
Other results	23	-
<b>Operating income</b>	<b>357</b>	<b>376</b>
Net financing expenses	(27)	(22)
Results from associates and joint ventures	20	8
<b>Profit before tax</b>	<b>350</b>	<b>362</b>
Income tax	(86)	(101)
<b>Profit for the period from continuing operations</b>	<b>264</b>	<b>261</b>
<b>Discontinued operations</b>		
Profit for the period from discontinued operations	(1)	-
<b>Profit for the period</b>	<b>263</b>	<b>261</b>
<b>Attributable to</b>		
Shareholders of the company	240	240
Non-controlling interests	23	21
<b>Profit for the period</b>	<b>263</b>	<b>261</b>

## Consolidated statement of comprehensive income

First quarter		
in € millions	2016	2017
<b>Profit for the period</b>	<b>263</b>	<b>261</b>
<b>Other comprehensive income</b>		
Exchange differences arising on translation of foreign operations	(186)	11
Cash flow hedges	(16)	(14)
Post-retirement benefits	(39)	16
Tax relating to components of other comprehensive income	3	(13)
<b>Other comprehensive income for the period (net of tax)</b>	<b>(238)</b>	<b>-</b>
<b>Comprehensive income for the period</b>	<b>25</b>	<b>261</b>
<b>Comprehensive income for the period attributable to</b>		
Shareholders of the company	12	240
Non-controlling interests	13	21
<b>Comprehensive income for the period</b>	<b>25</b>	<b>261</b>

## Condensed consolidated balance sheet

in € millions	December 31, 2016	March 31, 2017
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	4,413	4,384
Property, plant and equipment	4,190	4,198
Other financial non-current assets	1,736	1,951
<b>Total non-current assets</b>	<b>10,339</b>	<b>10,533</b>
<b>Current assets</b>		
Inventories	1,532	1,639
Trade and other receivables	2,787	3,166
Cash and cash equivalents	1,479	1,268
Other current assets	59	66
<b>Total current assets</b>	<b>5,857</b>	<b>6,139</b>
<b>Total assets</b>	<b>16,196</b>	<b>16,672</b>
<b>Equity and liabilities</b>		
<b>Group equity</b>	<b>7,034</b>	<b>7,150</b>
<b>Non-current liabilities</b>		
Provisions and deferred tax liabilities	2,305	2,229
Long-term borrowings	2,644	2,647
<b>Total non-current liabilities</b>	<b>4,949</b>	<b>4,876</b>
<b>Current liabilities</b>		
Short-term borrowings	87	422
Trade and other payables	3,475	3,591
Other short-term liabilities	651	633
<b>Total current liabilities</b>	<b>4,213</b>	<b>4,646</b>
<b>Total equity and liabilities</b>	<b>16,196</b>	<b>16,672</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, 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	–	–	–	–	–	–	(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
<b>Balance at January 1, 2017</b>	504	745	3	(47)	5,348	6,553	481	7,034
Profit for the period	–	–	–	–	240	240	21	261
Other comprehensive income	–	–	(11)	9	2	–	–	–
<b>Comprehensive income for the period</b>	–	–	(11)	9	242	240	21	261
Dividend	–	–	–	–	–	–	(8)	(8)
Equity-settled transactions	–	–	–	–	7	7	–	7
Issue of common shares	1	(1)	–	–	–	–	–	–
Share repurchase	–	–	–	–	(144)	(144)	–	(144)
<b>Balance at March 31, 2017</b>	505	744	(8)	(38)	5,453	6,656	494	7,150

**Shareholders' equity**

Shareholders' equity increased to €6.7 billion at the end of March 2017, mainly due to the net effect of:

- Profit for the period of €240 million
- The share repurchase program, for which up to March 31, 2017 a total number of 2.17 million ordinary shares were repurchased decreasing shareholders' equity by €144 million

**Dividend**

Our dividend policy is to pay a stable to rising dividend. A final dividend for 2016 of €1.28 per share is proposed for approval at the AGM, which would make a total 2016 dividend of €1.65 (2015: €1.55) per share, up 6.5 percent. The final dividend will be paid either in cash (default)

or in stock. A maximum of 40% of the total dividend amount will be available for stock dividend. Please refer to the last page of this Report for dividend payment dates.

**Share repurchase program**

In Q4 2016, we announced the repurchase of up to 2.5 million common shares to neutralize the dilutive effect of stock dividends paid in 2016. Subject to shareholder approval, it is intended the shares will be cancelled during the course of 2017. This share repurchase program started on January 2, 2017, and is anticipated to be concluded by the end of April 2017. Up to March 31, 2017, the total number of common shares repurchased was 2.17 million.

### Invested capital

Invested capital at the end of Q1 2017 totaled €10.6 billion, up €0.3 billion on year-end 2016 mainly due to seasonality of operating working capital. Operating working capital as % of revenue improved to 12.5% in Q1 2017 compared with 13.1% in Q1 2016.

### Pensions

The net balance sheet position (IAS19) of the pension plans at the end of Q1 2017 was a deficit of €0.7 billion (year-end 2016: €1.0 billion). This was the result of the net effect of:

- Top-up payments of €266 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 £262 million, related to the ICI Pension Fund, which led to a €49 million impact in Other comprehensive income

### Workforce

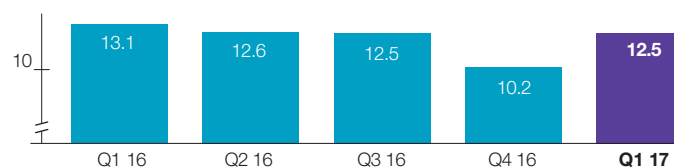
At March 31, 2017, the number of people employed was 46,100. The increase compared to the 45,900 people employed at end of March 31, 2016, was mainly due to the 340 people joining AkzoNobel following the acquisition of BASF's Industrial Coatings business., partly offset by reductions in other areas.

### Invested capital

in € millions	March 31, 2016	December 31, 2016	March 31, 2017
Trade receivables	2,438	2,272	2,647
Inventories	1,572	1,532	1,639
Trade payables	(2,207)	(2,399)	(2,461)
<b>Operating working capital</b>	<b>1,803</b>	<b>1,405</b>	<b>1,825</b>
Other working capital items	(815)	(730)	(776)
Non-current assets	10,430	10,339	10,533
Less investments in associates and joint ventures	(162)	(161)	(168)
Less pension assets	(835)	(220)	(456)
Deferred tax liabilities	(363)	(367)	(369)
<b>Invested capital</b>	<b>10,058</b>	<b>10,266</b>	<b>10,589</b>

### Operating working capital

In % of revenue



### Cash flows and net debt

Operating activities in Q1 resulted in a cash outflow of €287 million (2016: €336 million). The lower cash outflow in Q1 versus last year was mainly due to improved working capital management in all Business Areas and lower pension top-up payments.

At March 31, 2017 net debt was €1.8 billion (2016: €1.7 billion) versus €1.3 billion at year-end 2016. The increase is mainly due to pension top-ups which are paid in Q1 and the share repurchase program.

### Outlook

We continue to anticipate positive developments for EMEA, North America and Asia, improving during the year, while Latin America is expected to stabilize. Market trends experienced in the second part of 2016, including for the marine and oil and gas industries, are expected to continue during the first half of 2017.

We have structurally improved our ability to respond to developments in our markets and continue taking appropriate measures to deal with higher raw material prices in an inflationary environment.

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

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

**Amsterdam, April 19, 2017**  
**The Board of Management**

### Condensed consolidated statement of cash flows

First quarter in € millions	2016	2017
<b>Net cash and cash equivalents at beginning of period</b>	<b>1,317</b>	<b>1,441</b>
<b>Adjustments to reconcile earnings to cash generated from operating activities</b>		
Profit for the period from continuing operations	264	261
Amortization and depreciation	153	158
Changes in working capital	(492)	(463)
Changes in provisions	(300)	(266)
Other changes	39	23
<b>Net cash from operating activities</b>	<b>(336)</b>	<b>(287)</b>
Capital expenditures	(124)	(120)
Acquisitions and divestments net of cash acquired	(2)	7
Other changes	6	(3)
<b>Net cash from investing activities</b>	<b>(120)</b>	<b>(116)</b>
Changes from borrowings	265	151
Dividend paid	(7)	(2)
Share repurchase	–	(142)
Other changes	(2)	–
<b>Net cash from financing activities</b>	<b>256</b>	<b>7</b>
<b>Net cash used for continuing operations</b>	<b>(200)</b>	<b>(396)</b>
Cash flows from discontinued operations	(3)	(1)
<b>Net change in cash and cash equivalents of total operations</b>	<b>(203)</b>	<b>(397)</b>
Effect of exchange rate changes on cash and cash equivalents	(17)	6
<b>Net cash and cash equivalents at March 31</b>	<b>1,097</b>	<b>1,050</b>

## Quarterly statistics

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

## Quarterly statistics

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

## Quarterly statistics

Q1	Q2	Q3	Q4	2016		2017
				year	In € millions	Q1
<b>Earnings per share from continuing operations (in €)</b>						
0.96	1.24	1.13	0.53	3.88	Basic	0.96
0.96	1.24	1.13	0.53	3.86	Diluted	0.95
<b>Earnings per share from discontinued operations (in €)</b>						
–	–	–	–	(0.01)	Basic	–
–	–	–	–	(0.01)	Diluted	–
<b>Earnings per share from total operations (in €)</b>						
0.96	1.24	1.13	0.53	3.87	Basic	0.96
0.96	1.24	1.13	0.53	3.85	Diluted	0.95
<b>Number of shares (in millions)</b>						
249.5	250.6	251.6	251.9	250.9	Weighted average number of shares	251.3
249.6	251.6	251.6	252.2	252.2	Number of shares at end of quarter	252.6
<b>Adjusted earnings (in € millions)</b>						
350	477	431	190	1,448	Profit before tax from continuing operations	362
(23)	–	(12)	18	(17)	Identified items reported in operating income	–
33	31	31	29	124	Amortization of intangible assets	34
(95)	(149)	(132)	(55)	(431)	Adjusted income tax	(111)
(23)	(27)	(15)	(17)	(82)	Non-controlling interests	(21)
242	332	303	165	1,042	Adjusted profit from continuing operations	264
<b>0.97</b>	<b>1.32</b>	<b>1.20</b>	<b>0.66</b>	<b>4.15</b>	<b>Adjusted earnings per share (in €)</b>	<b>1.05</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, 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.

## 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 identified items in operating income, amortization of intangible assets and tax on these adjustments.

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

**EBIT** is operating income excluding identified items.

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

**EBITDA margin** is EBITDA as percentage of revenue.

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

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

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

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

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

**Operating income** is defined in accordance with IFRS and includes the identified items.

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

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

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

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

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

## Safe Harbor Statement

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

## Brand and trademarks

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

**Akzo Nobel N.V.**

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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)

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**Financial calendar**

Annual General Meeting of shareholders	April 25, 2017
Ex-dividend date of 2016 final dividend	April 27, 2017
Record date of 2016 final dividend	April 28, 2017
Election period cash or stock dividend	May 2, 2017 – May 17, 2017 May 19, 2017
Determination of exchange ratio	
Payment date of cash dividend and delivery of new shares	May 24, 2017
Report for the second quarter 2017	July 25, 2017
Report for the third quarter 2017	October 18, 2017
Report for the full-year and the fourth quarter 2017	February 8, 2018



[www.akzonobel.com](http://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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