

Q4 Report

Report for the full-year and fourth quarter 2017

AkzoNobel 

20
17

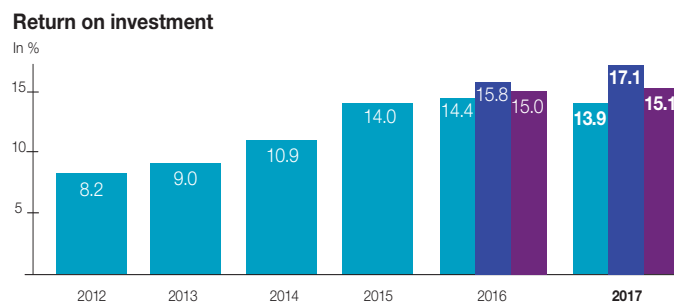
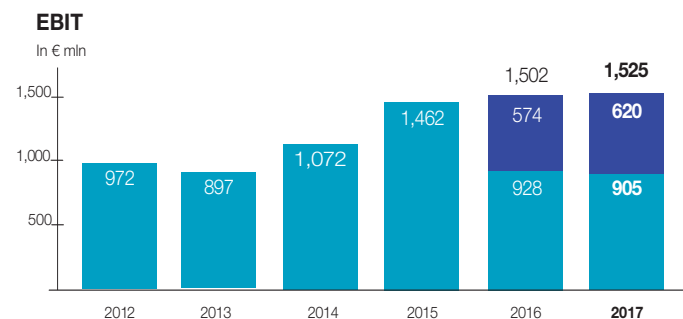
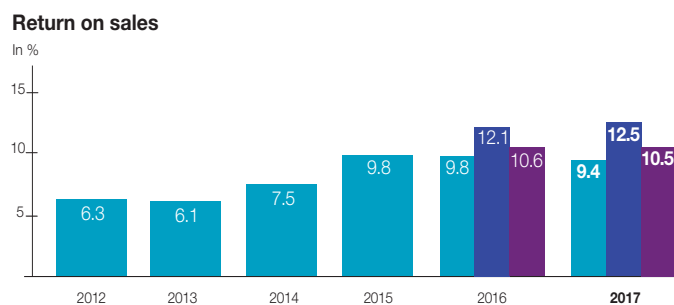
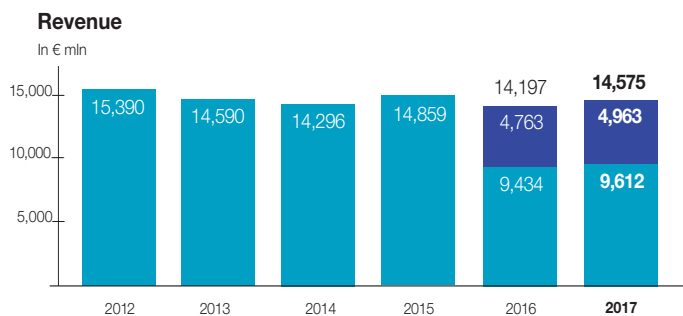
**sikkens**

Sikkens Autoclear UV, a product made by our Vehicle Refinishes business, needs less drying time thanks to the use of UV light

Our results at a glance

Creating two focused, high performing businesses:

- Separation of Specialty Chemicals on track for April 2018; Specialty Chemicals business now reported as discontinued operations
- Revenue, including discontinued operations, up 3% (up 4% excluding currency impact) at €14,575 million
- EBIT, including discontinued operations, up 2% to €1,525 million
- Operating income, including discontinued operations, at €1,396 million includes identified items of €129 million mainly related to the transformation of AkzoNobel, including the separation of Specialty Chemicals
- 2020 financial guidance* reconfirmed: Paints and Coatings ROS 15%, ROI >25%; Specialty Chemicals ROS 16%, ROI >20%



■ Continuing operations for the years concerned
 ■ Discontinued operations
 ■ Total operations

Discontinued operations and held for sale

As from December 22, 2017, the Specialty Chemicals business is classified as held for sale and discontinued operations, therefore the consolidated statement of income for 2017, as well as for 2016, have been represented to show the results of the Specialty Chemicals business as discontinued.

The Specialty Chemicals business consists of the Specialty Chemicals Business Area and certain other assets and liabilities and income and expenses which are directly attributed to the Specialty Chemicals business from the Other activities.

* Excluding unallocated corporate center costs and invested capital; assumes no significant market disruption

Full year: AkzoNobel

- Net income attributable to shareholders at €832 million (2016: €970 million)
- Total dividend proposed for 2017 up 52% to €2.50 per share (2016: €1.65)
- Special cash dividend of €4.00 per share paid in December 2017 as advance proceeds related to the separation of Specialty Chemicals
- Net cash inflow from operating activities at €969 million (2016: €1,291 million)

Our results at a glance: A focused Paints and Coatings company

Full-year Paints and Coatings:

- Revenue up 2% (up 4% excluding currency impact) and in both Business Areas, mainly due to volume growth and acquisitions, partly offset by unfavorable currencies and price/mix
- Volumes 2% higher; up 7% for Decorative Paints with growth in all regions, while down 1% for Performance Coatings due to adverse conditions in the marine, and oil and gas industries
- EBIT at €905 million (2016: €928 million), resulting from higher raw material costs, partly offset by increased selling prices, continuous improvement and cost control
- Operating income at €825 million (2016: €923 million), includes the adverse impact of identified items of €80 million, mainly related to the transformation of the Paints and Coatings organization and legal items
- ROS at 9.4% (2016: 9.8%); ROI at 13.9% (2016: 14.4%)
- Adjusted EPS from continuing operations at €2.56 (2016: €2.38)

Q4 Paints and Coatings:

- Revenue flat (up 5% excluding currency impact), mainly due to volume growth and acquisitions, offset by unfavorable currencies and price/mix
- Volumes up 3%, driven by Decorative Paints, with growth in all regions
- EBIT at €178 million (2016: €149 million) with increased selling prices, continuous improvement and cost control, partly offset by higher raw material costs
- Operating income at €139 million (2016: €132 million), includes the adverse impact of identified items of €39 million
- Adjusted EPS from continuing operations at €0.57 (2016: €0.48)



Investing in UK production

We opened the world's most sustainable paint factory in Ashington, UK. It will be the production center for Dulux, the world's leading paint brand.

**2020
guidance***

**ROS 15%
ROI >25%**

* Excluding unallocated corporate center costs and invested capital; assumes no significant market disruption

Outlook:

Headwinds experienced during 2017, including higher raw material costs and adverse effects from foreign currencies, are projected to continue in 2018, especially during the start of the year.

We anticipate ongoing positive developments for Decorative Paints in all regions, particularly Asia. Trends for Performance Coatings are expected to be positive for most segments and regions, while still challenging for Marine and Protective Coatings.

We continue to implement various measures to mitigate current market challenges, including increased selling prices and cost discipline. Our "Winning together – 15 by 20" strategy will create a focused Paints and Coatings company and deliver our 2020 guidance.

Financial highlights (Paints and Coatings)

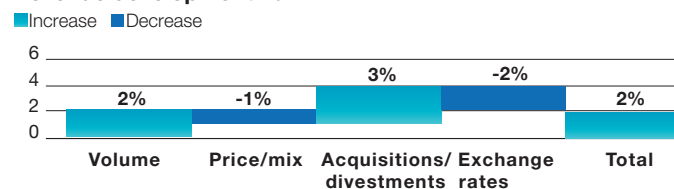
Summary of financial outcomes

Fourth quarter			January-December			
2016 ¹	2017	Δ%	in € millions	2016 ¹	2017	Δ%
2,291	2,283	-	Revenue	9,434	9,612	2
149	178	19	EBIT	928	905	(2)
132	139	5	Operating income	923	825	(11)
6.5	7.8		ROS% ²	9.8	9.4	
5.8	6.1		OPI margin%	9.8	8.6	
			Average invested capital	6,422	6,494	
			ROI (in %) ²	14.4	13.9	
104	84		Capital expenditures	278	250	
			Net debt	1,252	1,951	
			Number of employees	36,300	35,700	
82	29	(65)	Net income from continuing operations	538	443	(18)
51	46		Net income from discontinued operations	432	389	
133	75	(44)	Net income attributable to shareholders	970	832	(14)
0.53	0.29		Earnings per share from total operations (in €)	3.87	3.31	
0.48	0.57		Adjusted earnings per share from continuing operations (in €)	2.38	2.56	
0.66	0.92		Adjusted earnings per share from total operations (in €)	4.15	4.40	
578	529		Net cash from operating activities	1,291	969	

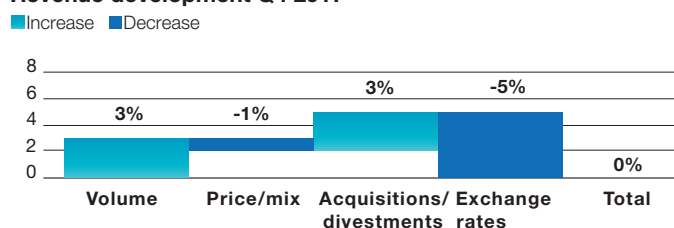
¹ Represented to present the Specialty Chemicals business as discontinued operations

² ROS% = EBIT/Revenue. ROI (in %) = 12 months EBIT/12 months average invested capital

Revenue development 2017



Revenue development Q4 2017



Revenue

Full-year:

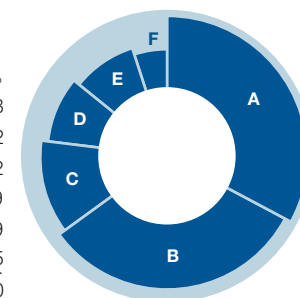
- Decorative Paints revenue was up 2% (up 4% excluding currency impact), driven by strong volume growth, partly offset by adverse currencies and price/mix effects. Volumes were up 7% overall, with growth in all regions
- Performance Coatings revenue was up 2% (up 4% excluding currency impact), mainly due to the acquired Industrial Coatings business, partly offset by adverse currencies. Volume growth for most segments and regions was more than offset by lower volumes in the marine, and oil and gas industries

Q4:

- Decorative Paints revenue increased 3% (up 7% excluding currency impact). Strong volume growth was partly offset by currency and price/mix effects. Positive developments continued, especially in China, while growth improved in Latin America
- Performance Coatings revenue was 2% lower (up 3% excluding currencies). Volumes increased for Industrial and Powder Coatings, as well as Automotive and Specialty Coatings, while adverse conditions persisted in the marine, and oil and gas industries

AkzoNobel around the world Revenue by destination

Destination	%
A Mature Europe	33
B Asia Pacific	32
C North America	12
D Latin America	9
E Emerging Europe	9
F Other regions	5
Total	100



(Based on the full-year 2017)

Revenue

Fourth quarter			January-December			
2016 ¹	2017	Δ%	in € millions	2016 ¹	2017	Δ%
898	923	3	Decorative Paints	3,835	3,898	2
1,398	1,372	(2)	Performance Coatings	5,665	5,775	2
(5)	(12)		Other activities/eliminations	(66)	(61)	
2,291	2,283	-	Total	9,434	9,612	2

in % versus 2016	Volume	Price/mix	Acquisitions/divestments	Exchange rates	Total
Decorative Paints	7	(3)	-	(2)	2
Performance Coatings	(1)	-	5	(2)	2
Total	2	(1)	3	(2)	2

in % versus Q4 2016	Volume	Price/mix	Acquisitions/divestments	Exchange rates	Total
Decorative Paints	12	(5)	-	(4)	3
Performance Coatings	(2)	-	5	(5)	(2)
Total	3	(1)	3	(5)	-

Volume development per quarter (year-on-year)

	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17
Decorative Paints	2	9	3	5	12
Performance Coatings	(1)	-	(4)	1	(2)
Total	1	4	(1)	3	3

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

	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17
Decorative Paints	(2)	(3)	(3)	(3)	(5)
Performance Coatings	(3)	(1)	1	-	-
Total	(3)	(1)	(1)	(1)	(1)

Financial highlights (Paints and Coatings)

Raw material price development

Raw material prices in 2017 were higher compared with the previous year, including during the fourth quarter. We are taking appropriate measures to deal with higher raw material prices in an inflationary environment. These measures are expected to take several quarters before the necessary mitigating impact is fully realized.

Acquisitions

For the full-year and Q4, the impact of acquisitions on revenue was 3% for AkzoNobel and 5% for Performance Coatings.

- In Q4 2017, we completed the acquisition of the business of V.Powdertech Co., Ltd., the leading Thai manufacturer of powder coatings, supplying a range of products for domestic appliances, furniture and general industrial applications
- In Q3 2017, the acquisitions of Flexcrete Technologies Ltd and Disa Technology (Disatech) were completed
- In Q4 2016, the acquisition of BASF's Industrial Coatings business was completed

EBIT

Full-year EBIT at €905 million (2016: €928 million), was impacted by higher raw material costs, partly compensated by increased selling prices, continuous improvement and cost control.

- Decorative Paints EBIT was 2% lower, due to adverse currency effects. Steep increases in raw material costs were offset by continuous improvement and cost control
- Performance Coatings EBIT was 12% lower, impacted by higher raw material costs and lower volumes, mainly due to adverse conditions in the marine, and oil and gas industries, partly compensated by continuous improvement and cost control
- EBIT in Other activities improved due to lower corporate costs, including one-off items, as well as lower pension and insurance related costs

In Q4, EBIT was up 19% at €178 million (2016: €149 million), with increased selling prices, continuous improvement and cost control, partly offset by higher raw material costs. EBIT in Other activities in 2016 was impacted by restructuring expenses related to several functions. EBIT in Other activities in 2017 was impacted by one-off items related to sale of assets and lower costs.

Operating income

Full-year operating income was negatively impacted by identified items totaling €80 million, mainly related to the transformation of the Paints and Coatings organization and legal items. The identified items impacted operating income in Other activities, as well as Decorative Paints and Performance Coatings. An amount of €39 million was recognized as identified items in Q4.

In 2016, operating income was negatively impacted by identified items totaling €5 million, including acquisition and integration costs related to the Industrial Coatings business, asset impairments and adjustments to post-retirement provisions.

Net financing expenses

For the full-year, net financing expenses decreased, mainly due to lower interest on provisions.

Tax

The full-year effective tax rate for continued operations was 33% (2016: 28%), impacted by the US tax reform, several adjustments to prior years and de-recognition of deferred tax assets as a consequence of the separation of the Specialty Chemicals business. Effective tax rate going forward is expected to be around 27%.

Net income

Full-year net income attributable to shareholders was €832 million (2016: €970 million).

Profit from discontinued operations

Profit from discontinued operations of €393 million (2016: €436 million) is almost completely related to the Specialty Chemicals business. Profit in 2017 was negatively impacted by identified items related to the separation of Specialty Chemicals.

Specialty Chemicals volumes were up 3% with positive developments in all business units and regions. Revenue in Specialty Chemicals was up 4% (up 5% excluding currency impact) mainly due to positive volume and price/mix effects. EBIT of discontinued operations was up 8%, with higher volumes and cost control more than compensating for adverse currencies and raw material price inflation.

EBIT (operating income excluding identified items)

Fourth quarter				January-December		
2016 *	2017	Δ%	in € millions	2016 *	2017	Δ%
51	58	14	Decorative Paints	357	351	(2)
152	133	(13)	Performance Coatings	759	669	(12)
(54)	(13)		Other activities/eliminations	(188)	(115)	
149	178	19	Total	928	905	(2)

Operating income

Fourth quarter				January-December		
2016 *	2017	Δ%	in € millions	2016 *	2017	Δ%
51	41	(20)	Decorative Paints	366	334	(9)
135	132	(2)	Performance Coatings	735	668	(9)
(54)	(34)		Other activities/eliminations	(178)	(177)	
132	139	5	Total	923	825	(11)

Operating income to net income

Fourth quarter			January-December	
2016 *	2017	in € millions	2016 *	2017
132	139	Operating income	923	825
(19)	(15)	Net financing expenses	(91)	(78)
3	2	Results from associates and joint ventures	18	17
116	126	Profit before tax	850	764
(18)	(81)	Income tax	(234)	(253)
98	45	Profit from continuing operations	616	511
52	47	Profit from discontinued operations	436	393
150	92	Profit for the period	1,052	904
(17)	(17)	Non-controlling interests	(82)	(72)
133	75	Net income	970	832

* Represented to present the Specialty Chemicals business as discontinued operations

Decorative Paints

Full-year:

- Revenue up 2% (up 4% excluding currency impact), driven by strong volume growth, partly offset by adverse currencies and price/mix
- Volumes up 7% overall, with growth in all regions
- EBIT 2% lower, due to adverse currency effects and steep increases in raw material costs, partly offset by continuous improvement and cost control
- ROS at 9.0% (2016: 9.3%); ROI at 12.5% (2016: 12.8%)

Q4:

- Revenue up 3% (up 7% excluding currency impact). Strong volume growth was partly offset by currency and price/mix effects
- Volumes increased 12% due to positive developments in all regions
- EBIT up 14%, driven by volume growth, increased selling prices, continuous improvement and cost discipline, partly offset by adverse currencies and higher raw material costs
- ROS increased to 6.3% (2016: 5.7%)

Full-year:

Revenue was up 2% (up 4% excluding currency impact), driven by strong volume growth, partly offset by adverse currencies and price/mix. Volumes were up 7% overall, with growth in all regions.

EBIT was 2% lower, due to adverse currency effects and steep increases in raw material costs, partly offset by continuous improvement and cost control. Operating income was negatively impacted by identified items.

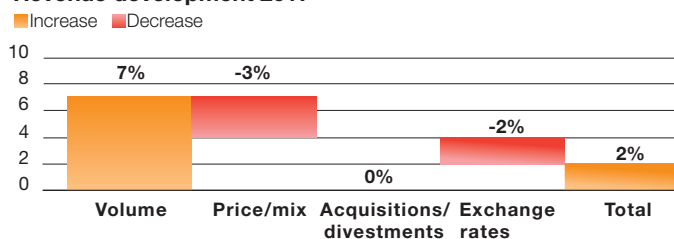
Q4:

Revenue was up 3% (up 7% excluding currency impact). Strong volume growth was partly offset by currency and price/mix effects. Positive developments continued, especially in China, and growth improved in Latin America as well as other regions.

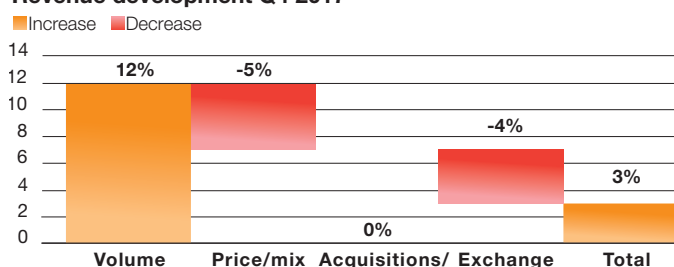
EBIT was up 14%, driven by volume growth, increased selling prices, continuous improvement and cost discipline, partly offset by adverse currencies and higher raw material costs.

Operating income was negatively impacted by identified items, related to creating a focused high-performing Paints and Coatings organization.

Revenue development 2017



Revenue development Q4 2017



Revenue

Fourth quarter			January-December			
2016	2017	Δ%	in € millions	2016	2017	Δ%
438	443	1	Decorative Paints Europe, Middle East and Africa	2,160	2,095	(3)
145	154	6	Decorative Paints Latin America	484	520	7
316	328	4	Decorative Paints Asia	1,196	1,289	8
(1)	(2)		Other/intragroup eliminations	(5)	(6)	
898	923	3	Total	3,835	3,898	2
51	58	14	EBIT	357	351	(2)
51	41	(20)	Operating income	366	334	(9)
5.7	6.3		ROS% *	9.3	9.0	
			Average invested capital	2,783	2,803	
			ROI (in %) *	12.8	12.5	
46	41		Capital expenditures	107	112	
			Number of employees	14,700	14,400	

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

Decorative Paints

Europe, Middle East and Africa

Full-year volumes were up, while revenue was 3% lower (1% lower excluding currency impact), mainly due to unfavorable currencies and price/mix. There were positive developments in most parts of continental Europe and Africa, while the UK was affected by lower consumer confidence. Adverse currency effects were mostly related to the pound sterling.

In Q4, revenue was up 1% (up 3% excluding currency impact), mainly due to higher volumes, partly offset by adverse price/mix and currency effects. Demand trends differed per country in the region and uncertainty continued in some markets, including the UK. Growth was visible in most European countries. New product launches, as well as our revolutionary color testers, helped sales growth in continental Europe.

Latin America

Revenue was up 7%, mainly due to higher volumes across the region. Cost control measures and productivity improvement programs were also implemented during the year.

In Q4, revenue was up 6% (up 14% excluding currency impact), driven by higher volumes and partly offset by adverse currencies. Growth continued due to more extensive distribution, while new product launches resulted in higher volumes.

Asia

Positive demand trends continued in Asia and revenue was up 8%, driven by strong growth in China. Volume growth was partly offset by adverse currencies and price/mix effects. Significant growth was realized in both the premium and mass market segments. Vietnam and Indonesia continued to deliver good revenue growth.

In Q4, revenue increased 4% (up 9% excluding currency impact). Strong volume growth was partly offset by adverse price/mix and currencies. Price/mix effect was impacted by significant growth in the mass market, in addition to the premium segment. Adverse currency effects were visible for most Asian currencies, with the majority coming from the Chinese yuan.



Dulux voted healthiest brand in the UK

Our Dulux brand was voted the healthiest brand in the UK. According to the BrandZ Top 50 UK report, there are five areas that make a brand stronger. If a brand is thought to be making people's lives better, it has purpose. If that purpose is then underlined by innovation strategy, which supports why the brand is making people's lives better, it is in a much stronger position. Communications, brand experience and love also enable a brand to sustain itself until the next innovation comes along.

Performance Coatings

Full-year:

- Revenue up 2% (up 4% excluding currency impact), mainly due to the acquired Industrial Coatings business, partly offset by adverse currencies and lower volumes
- Volumes 1% lower due to adverse conditions in the marine, and oil and gas industries offsetting growth in most segments and regions
- EBIT at €669 million (2016: €759 million), impacted by higher raw material costs and lower volumes, mainly due to adverse conditions in the marine, and oil and gas industries, partly compensated by continuous improvement and cost control
- ROS at 11.6% (2016: 13.4%); ROI at 23.4% (2016: 29.4%)

Q4:

- Revenue 2% lower (up 3% excluding currencies) due to lower volumes and adverse currencies, partly offset by the acquired Industrial Coatings business
- Volumes 2% lower due to adverse conditions in the marine, and oil and gas industries, partly offset by growth in Automotive and Specialty Coatings, as well as Industrial and Powder Coatings
- EBIT at €133 million (2016: €152 million), impacted by adverse currencies, higher raw material costs and lower volumes, partly compensated by continuous improvement and cost control

Full-year:

Revenue was up 2% (up 4% excluding currency impact), mainly due to the acquired Industrial Coatings business, partly offset by adverse currencies. Volume growth in most segments and regions was more than offset by adverse conditions in the marine, and oil and gas industries.

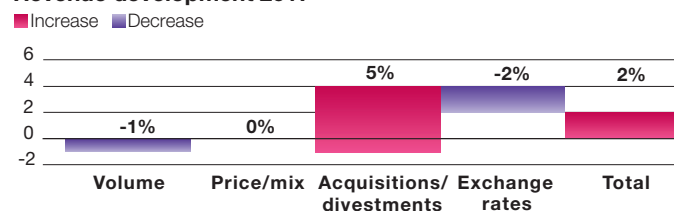
EBIT was impacted by higher raw material costs and lower volumes, mainly due to adverse conditions in the marine, and oil and gas industries, partly compensated by continuous improvement and cost control. Operating income in 2017 and 2016 was negatively impacted by identified items.

Q4:

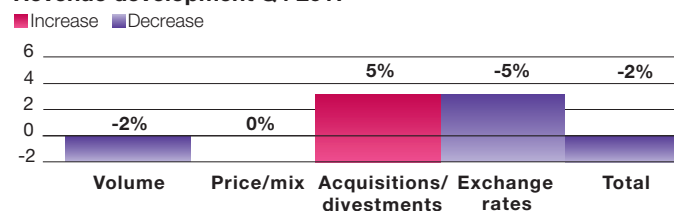
Revenue was 2% lower (up 3% excluding currencies). Volumes increased for Industrial and Powder Coatings, as well as Automotive and Specialty Coatings. Adverse conditions persisted in the marine, and oil and gas industries.

EBIT was impacted by adverse currencies, higher raw material costs and lower volumes, partly compensated by continuous improvement and cost control. Operating income in 2017 and 2016 was negatively impacted by identified items.

Revenue development 2017



Revenue development Q4 2017



Revenue

Fourth quarter			January-December			
2016	2017	Δ%	in € millions	2016	2017	Δ%
342	285	(17)	Marine and Protective Coatings	1,458	1,299	(11)
385	390	1	Automotive and Specialty Coatings	1,512	1,551	3
679	714	5	Industrial and Powder Coatings	2,732	2,974	9
(8)	(17)		Other/intragroup eliminations	(37)	(49)	
1,398	1,372	(2)	Total	5,665	5,775	2
152	133	(13)	EBIT	759	669	(12)
135	132	(2)	Operating income	735	668	(9)
10.9	9.7		ROS% *	13.4	11.6	
			Average invested capital	2,586	2,860	
			ROI (in %) *	29.4	23.4	
53	42		Capital expenditures	159	129	
			Number of employees	19,700	19,900	

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

Performance Coatings

Marine and Protective Coatings

Volumes were lower due to adverse conditions in the marine, and oil and gas industries. Full-year revenue was impacted by lower volumes, unfavorable currencies and price/mix.

In Q4, revenue was impacted by lower volumes, adverse currencies and price/mix effects. Volumes in Marine Coatings continued to be effected by the slowdown of new build activity, despite some recovery in other segments. Protective Coatings volumes decreased due to fewer oil and gas projects. Improvement actions and cost control measures remain a key focus.

Automotive and Specialty Coatings

Volumes increased for Specialty Coatings in most regions. Full-year revenue was up, mainly due to positive price/mix effects, offset by adverse currencies. In Automotive Coatings, revenue was up for all regions.

In Q4, revenue was up 1% (up 6% excluding currency impact) due to higher volumes, partly offset by adverse currency and price/mix effects.

Industrial and Powder Coatings

Volumes for Powder Coatings were up. Demand for Industrial Coatings differed per region and segment. Full-year revenue increased due to the acquired Industrial Coatings business and volume growth, offset by adverse currencies.

In Q4, Powder Coatings volume continued to grow. Industrial Coatings demand differed per region and segment. Revenue was up 5% (up 10% excluding currency impact) due to the acquired Industrial Coatings business, volume growth and positive price/mix, offset by adverse currencies.

Acquisitions

In Q4 2017, we completed the acquisition of the business of V.Powdertech Co., Ltd., the leading Thai manufacturer of powder coatings, supplying a range of products for domestic appliances, furniture and general industrial applications.

In Q3 2017, the acquisitions of Flexcrete Technologies Ltd and Disa Technology (Disatech) were completed. These acquisitions will further strengthen AkzoNobel's global leadership position in supplying innovative industrial coatings and aerospace and automotive coatings.

Integration of the acquired Industrial Coatings business

We are integrating the respective parts of the acquired Industrial Coatings business into our Performance Coatings businesses. The acquired revenues impacted multiple reporting segments, the largest impact being visible in Industrial and Powder Coatings. During 2017 and 2018, production volume is being transferred to nearby AkzoNobel manufacturing facilities. Near full profitability of the acquisition will be realized by the end of 2018.

In Q4 2017, the purchase price allocation with respect to this acquisition was finalized.



Strengthening our powder coatings market positions

AkzoNobel has strengthened its leading global market positions in powder coatings by acquiring the business of V.Powdertech Co. Ltd. business, the leading Thai manufacturer of powder coatings.

This brings new technologies and services to complement AkzoNobel's global technology portfolio and business in market segments such as automotive and architectural coatings.

Powder coatings such as these are used on buildings like this car park at the Monas Medical Center in Melbourne, Australia.

Discontinued operations (including Specialty Chemicals)

The separation of Specialty Chemicals, via a private sale or legal demerger, is on track for April 2018. The Specialty Chemicals business is reported as discontinued operations.

Discontinued operations and held for sale

The results and cash flows from discontinued operations in 2017, as well as 2016, and the assets and liabilities held for sale at December 31, 2017, almost completely relate to the Specialty Chemicals business.

In April 2017, AkzoNobel officially announced its decision to separate the Specialty Chemicals business, thereby creating two focused, high performing businesses – Paints and Coatings, and Specialty Chemicals. At the EGM of November 30, 2017, shareholders approved the proposed separation of the Specialty Chemicals business from AkzoNobel through a private sale or a legal demerger, expected to be completed in 2018. The Specialty Chemicals business consists of the Specialty

Chemicals Business Area and certain other assets and liabilities and income and expenses which are directly attributed to the Specialty Chemicals business from the Other activities. As from December 22, 2017, the Specialty Chemicals business is classified as held for sale and discontinued operations, therefore the consolidated statement of income for 2017, as well as for 2016, have been represented to show the results of the Specialty Chemicals business as discontinued.

Revenue

Revenue of discontinued operations consists of revenue of Specialty Chemicals and eliminations of intercompany revenue.

EBIT

Full-year EBIT was up 8% at €620 million (2016: €574 million).

- In Specialty Chemicals, EBIT was up 10%, with higher volumes and cost control more than compensating for raw material price inflation and adverse currencies
- EBIT in Other activities decreased, mainly due to some one-off items positively impacting the previous year

Operating income

Full-year operating income was negatively impacted by identified items totaling €49 million, mainly related to the costs of the separation of Specialty Chemicals and legal items. In 2016, operating income was positively impacted by identified items relating to the sale of assets.

Summary of financial outcomes discontinued operations

Fourth quarter			January-December			
2016 ¹	2017	Δ%	in € millions			
1,165	1,222	5	Revenue	4,763	4,963	4
86	126	47	EBIT	574	620	8
85	102	20	Operating income	596	571	(4)
7.4	10.3		ROS% ²	12.1	12.5	
7.3	8.3		OPI margin%	12.5	11.5	
			Average invested capital	3,623	3,624	
			ROI (in %) ²	15.8	17.1	
128	122		Capital expenditures	356	363	
			Net cash from operating activities	714	691	
52	47		Profit for the period	436	393	
			Number of employees	9,800	9,700	

¹ Represented to present the Specialty Chemicals business as discontinued operations

² ROS% = EBIT/Revenue. ROI (in %) = 12 months EBIT/12 months average invested capital

Profit and loss discontinued operations

Fourth quarter			January-December		
2016 ¹	2017	Δ%	in € millions		
1,165	1,222		Revenues	4,763	4,963
(1,090)	(1,122)		Expenses	(4,167)	(4,402)
75	100		Profit before tax	596	561
(23)	(53)		Income tax	(160)	(168)
52	47		Profit for the period	436	393

EBIT of discontinued operations

Fourth quarter			January-December			
2016 ¹	2017	Δ%	in € millions			
118	165	40	Specialty Chemicals	629	689	10
(32)	(39)		Other activities/eliminations	(55)	(69)	
86	126	47	Total	574	620	8

Operating income of discontinued operations

Fourth quarter			January-December			
2016 ¹	2017	Δ%	in € millions			
118	165	40	Specialty Chemicals	629	689	10
(33)	(63)		Other activities/eliminations	(33)	(118)	
85	102	20	Total	596	571	(4)

Assets and liabilities held for sale

in € millions		December 31, 2017
Intangible assets		787
Property, plant and equipment		2,266
Financial non-current assets		205
Inventories		503
Receivables		840
Assets held for sale		4,601
Non-current liabilities		765
Short-term borrowings		341
Current payables		1,090
Liabilities held for sale		2,196

Cash flows from discontinued operations

in € millions		2016 ¹	2017
Net cash from operating activities		714	691
Net cash from investing activities		(343)	(354)
Net cash from financing activities		(9)	323
Cash flows from discontinued operations		362	660

Specialty Chemicals (reported as discontinued operations)

Full-year:

- Revenue up 4% (up 5% excluding currency impact), mainly due to positive volume and price/mix effects, partly offset by adverse currencies
- Volumes up 3%, with positive developments in all business units and regions, for particularly Europe, Asia and Latin America
- EBIT up 10%, with higher volumes and cost control more than compensating adverse currencies and raw material price inflation
- ROS at 13.8% (2016: 13.2%); ROI at 19.1% (2016: 17.9%)

Q4:

- Revenue up 5% (up 9% excluding currency impact) due to positive volume and price/mix effects more than offsetting adverse currencies
- Volumes up 5%, with strong development in all regions and business units
- EBIT up 40% due to increased volumes, price/mix developments and cost control, despite adverse currencies
- ROS at 13.4% (2016: 10.1%)

Full-year:

Revenue was up 4% (up 5% excluding currency impact), due to positive volume developments and price/mix effects, partly offset by adverse currencies. Volumes were up in all business units and all regions. Europe, Asia and Latin America showed particularly strong growth during the whole year, while North America suffered most from supply chain disruptions such as Hurricane Harvey.

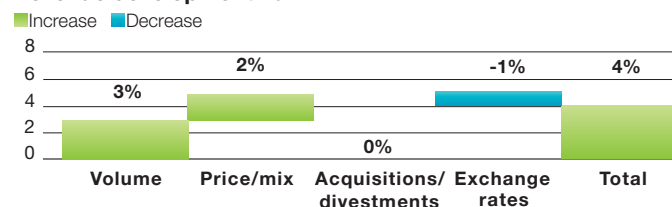
EBIT was up 10%, with higher volumes and cost control more than compensating for inflation and raw material price increases not yet fully passed on in the first part of the year.

Q4:

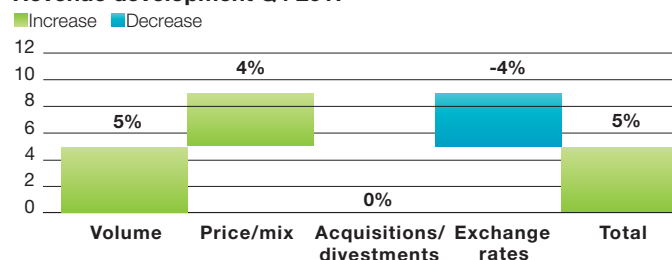
Revenue was up 5% (up 9% excluding currency impact) due to positive volume developments and price/mix effects, partly offset by adverse currencies. Volumes were up in all regions and business units. In Europe, the business benefited from good demand and strong caustic pricing, while Asia continued a strong year and Latin America ended with a very strong quarter. Positive price/mix reflects the successful pass through of raw material price inflation.

EBIT was up 40%, with favorable volumes, price/mix developments and cost control improving the result significantly versus last year.

Revenue development 2017



Revenue development Q4 2017



Revenue

Fourth quarter			January-December			
2016	2017	Δ%	in € millions	2016	2017	Δ%
413	443	7	Functional Chemicals	1,718	1,822	6
296	336	14	Industrial Chemicals	1,202	1,274	6
244	247	1	Surface Chemistry	1,030	1,065	3
238	225	(5)	Pulp and Performance Chemicals	921	921	-
(22)	(23)		Other/intragroup eliminations	(88)	(97)	
1,169	1,228	5	Total	4,783	4,985	4
118	165	40	EBIT	629	689	10
118	165	40	Operating income	629	689	10
10.1	13.4		ROS% *	13.2	13.8	
			Average invested capital	3,507	3,598	
			ROI (in %) *	17.9	19.1	
128	122		Capital expenditures	356	363	
			Number of employees	9,000	9,000	

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

Specialty Chemicals (reported as discontinued operations)

Functional Chemicals

Revenue was up 6%, mainly due to strong volume growth. Volumes were up 5% despite supply chain disruptions during the year, including Hurricane Harvey. Volumes in Asia were impacted by industry-wide inspections in China driven by enforcement of environmental regulations. This was more than compensated by strong underlying demand, mainly driven by the ethylene value chain and the contribution of our new organic peroxides facility in China.

In Q4, revenue was up 7%, mainly due to strong volumes and positive price/mix effects, partly offset by adverse currency effects. Volumes were up 7% and higher in all regions, especially Europe.

Industrial Chemicals

Revenue was up 6%, mainly due to positive price/mix effects throughout the business. Volume was up 1%, with strong underlying demand impacted by supply chain disruptions in the Rotterdam cluster in the first half of the year. The global supply and demand balance for caustic continued to tighten, leading to strengthening of caustic prices.

In Q4, revenue was up 14% due to strong price/mix effects and increased volumes. Demand in Europe and Asia continued to be strong.

Surface Chemistry

Revenue was up 3%, driven by higher volumes and positive price/mix effects. Volumes were adversely impacted by industry-wide supply chain disruptions as a result of Hurricane Harvey. The Americas delivered strong growth as a result of the continued recovery of oil related segments.

In Q4, revenue was up 1% due to strong price/mix effects and higher volumes, mostly offset by adverse currencies.

Pulp and Performance Chemicals

Revenue for the year was flat. Positive volume developments, driven by strong demand for bleaching chemicals in Brazil and performance products, were partly offset by the planned ending of manufacturing agreements related to the divestment of the Paper Chemicals business in 2015.

In Q4, revenue was down 5%, mainly due to adverse currencies. Volume development was positive due to continued strong demand for bleaching chemicals in Brazil and performance products.



Growing with our customers

During 2017, Specialty Chemicals announced or completed a further 14 capacity expansions to support customer growth. These include investments in Brazil, China (pictured), Denmark, Germany, the Netherlands, Sweden and the US, as well as a joint arrangement with Atul to produce monochloroacetic acid in India.

Condensed financial statements

Consolidated statement of income

The Specialty Chemicals business is reported as discontinued operations. Therefore, the results of the Specialty Chemicals business are included on the line "Profit for the period from discontinued operations" in the consolidated statement of income for 2017, as well as 2016.

Consolidated statement of income

Fourth quarter		January-December	
2016 *	2017	2016 *	2017
in € millions			
Continuing operations			
2,291	2,283	9,434	9,612
(1,263)	(1,300)	(5,098)	(5,378)
1,028	983	4,336	4,234
(884)	(840)	(3,401)	(3,370)
(12)	(4)	(12)	(39)
132	139	923	825
(19)	(15)	(91)	(78)
3	2	18	17
116	126	850	764
(18)	(81)	(234)	(253)
98	45	616	511
Discontinued operations			
52	47	436	393
150	92	1,052	904
Attributable to			
133	75	970	832
17	17	82	72
150	92	1,052	904

* Represented to present the Specialty Chemicals business as discontinued operations

Consolidated statement of comprehensive income

The consolidated statement of comprehensive income includes both continuing and discontinued operations.

Consolidated statement of comprehensive income

Fourth quarter		January-December	
2016	2017	2016	2017
in € millions			
150	92	1,052	904
Profit for the period			
Other comprehensive income			
184	(79)	(104)	(535)
25	7	59	16
(32)	634	(748)	479
(33)	(86)	108	(108)
144	476	(685)	(148)
Other comprehensive income for the period (net of tax)			
294	568	367	756
Comprehensive income for the period attributable to			
271	551	290	722
23	17	77	34
294	568	367	756

Condensed consolidated balance sheet

The assets and liabilities of the Specialty Chemicals business are classified as held for sale. As a result, the assets and liabilities of the Specialty Chemicals business are reported on the line "Assets held for sale" and "Liabilities held for sale" in the balance sheet as per December 31, 2017.

Condensed consolidated balance sheet

in € millions	December 31, 2016	December 31, 2017
Assets		
Non-current assets		
Intangible assets	4,413	3,409
Property, plant and equipment	4,190	1,832
Other financial non-current assets	1,736	1,894
Total non-current assets	10,339	7,135
Current assets		
Inventories	1,532	1,094
Trade and other receivables	2,787	1,964
Cash and cash equivalents	1,479	1,322
Other current assets	59	62
Assets held for sale	-	4,601
Total current assets	5,857	9,043
Total assets	16,196	16,178
Equity and liabilities		
Group equity		
	7,034	6,307
Non-current liabilities		
Provisions and deferred tax liabilities	2,305	1,249
Long-term borrowings	2,644	2,300
Total non-current liabilities	4,949	3,549
Current liabilities		
Short-term borrowings	87	973
Trade and other payables	3,475	2,794
Liabilities held for sale	-	2,196
Other short-term liabilities	651	359
Total current liabilities	4,213	6,322
Total equity and liabilities	16,196	16,178

Shareholders' equity

Shareholders' equity decreased from €6.6 billion at year-end 2016 to €5.9 billion at year-end 2017, mainly due to the net effect of:

- Dividend payments of €1,287 million
- Profit for the period of €832 million
- Adverse currency effects of €502 million (and related taxes)
- The completed share repurchase program, for which a total number of 2.38 million common shares were repurchased and canceled, decreasing shareholders' equity by €160 million
- An actuarial impact of €380 million (including tax) reported in Other comprehensive income, including €77 million for de-risking of pension liabilities

Dividend

Our dividend policy is to pay a stable to rising dividend. In 2017 an interim dividend of €0.56 per share (2016: €0.37), with the option to elect stock dividend, was paid. We will propose a 2017 final dividend of €1.94 per share, which would make a total 2017 dividend of €2.50 (2016: €1.65) per share, up 52%. In addition, a €1 billion special cash dividend, as advance proceeds for the separation of the Specialty Chemicals business, was paid on December 7, 2017.

There will be a stock dividend option with cash dividend as default. Please refer to the final 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. The share repurchase program was completed in April 2017. A total number of 2.38 million common shares were repurchased in the period from January 2, 2017, up to and including April 21, 2017, for a total consideration of €160 million. These shares have subsequently been canceled.

Changes in equity

in € millions	Subscribed share capital	Additional paid-in capital	Cashflow hedge reserve	Cumulative translation reserves	Other reserves	Shareholders' equity	Non-controlling interests	Group equity
Balance at January 1, 2016	498	598	(42)	81	5,349	6,484	496	6,980
Profit for the period	–	–	–	–	970	970	82	1,052
Other comprehensive income	–	–	45	(128)	(597)	(680)	(5)	(685)
Comprehensive income for the period	–	–	45	(128)	373	290	77	367
Dividend	5	149	–	–	(393)	(239)	(93)	(332)
Equity-settled transactions	–	–	–	–	20	20	–	20
Issue of common shares	1	(1)	–	–	–	–	–	–
Acquisitions and divestments	–	–	–	–	(2)	(2)	1	(1)
Balance at December 31, 2016	504	746	3	(47)	5,347	6,553	481	7,034
Balance at January 1, 2017	504	746	3	(47)	5,347	6,553	481	7,034
Profit for the period	–	–	–	–	832	832	72	904
Other comprehensive income	–	–	12	(502)	380	(110)	(38)	(148)
Comprehensive income for the period	–	–	12	(502)	1,212	722	34	756
Dividend	4	180	–	–	(1,471)	(1,287)	(73)	(1,360)
Equity-settled transactions	–	–	–	–	37	37	–	37
Issue of common shares	2	(2)	–	–	–	–	–	–
Share repurchase	(5)	(155)	–	–	–	(160)	–	(160)
Balance at December 31, 2017	505	769	15	(549)	5,125	5,865	442	6,307

Invested capital

Invested capital at year-end 2017 totaled €6.0 billion (year-end 2016: €10.3 billion). Invested capital at year-end 2017 was impacted by the held for sale accounting of the Specialty Chemicals business.

Operating working capital at year-end 2016 of €1,405 million includes Specialty Chemicals operating working capital. At year-end 2017 the operating working capital of Specialty Chemicals amounted to €569 million and was classified as held for sale. Operating working capital of Paints and Coatings at year-end 2017 amounted to €927 million. At year-end 2017 the operating working capital was 10.2% of revenue for Paints and Coatings.

Pensions

The net balance sheet position (IAS19) of the pension plans at year-end 2017 was a surplus of €0.4 billion (year-end 2016: a deficit of €1.0 billion). The development during 2017 was the net effect of:

- Remeasurement effects of liability experience and demographic assumption changes
- The classification as held for sale of the net balance sheet position (IAS19) of the pension plans of Specialty Chemicals, amounting to a deficit of €0.5 billion at year-end 2017
- Top-up payments of €275 million, predominantly into certain UK pension plans

Partly offset by:

- De-risking of pension liabilities through non-cash buy-in transactions totaling £0.4 billion in 2017, all related to the ICI Pension Fund, which led to a €77 million impact in Other comprehensive income

Workforce

At December 31, 2017, the number of people employed was 35,700 people (year-end 2016: 36,300) related to continuing operations and 9,700 people (year-end 2016: 9,800) related to discontinued operations.

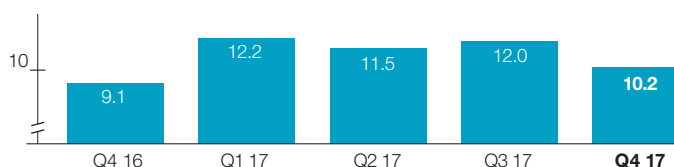
Invested capital

in € millions	December 31, 2016	December 31, 2017 *
Trade receivables	2,272	1,699
Inventories	1,532	1,094
Trade payables	(2,399)	(1,866)
Operating working capital	1,405	927
Other working capital items	(730)	(719)
Non-current assets	10,339	7,135
Less investments in associates and joint ventures	(161)	(118)
Less pension assets	(220)	(895)
Deferred tax liabilities	(367)	(285)
Invested capital	10,266	6,045

* The assets and liabilities of the Specialty Chemicals business are classified as held for sale as from December 22, 2017. These assets and liabilities are therefore not included in the invested capital as per December 31, 2017

Operating working capital (Continuing operations)

In % of revenue



AkzoNobel and MasterPeace reach milestone

AkzoNobel and global peace movement MasterPeace joined forces to create 141 "Walls of connection" in more than 30 cities during 2017. The partnership was announced with the first mural in Rotterdam, the Netherlands, in March, and has since revitalized walls in cities around the world. Let's Colour Walls of Connection has demonstrated the power of paint brands, such as Dulux, to make living spaces more liveable and enjoyable. In Nepal, the Shree Bhunesthan Primary School in the Kavre district (pictured) was part of this project.

Cash flows and net debt

Operating activities in 2017 related to continuing and discontinued operations resulted in cash inflows of €969 million (2016: €1,291 million). Profit for the period was impacted by identified items related to the new strategy to create a focused, high performing Paints and Coatings business and related to the separation of the Specialty Chemicals business.

In Q4, a €500 million floating rate note was launched at attractive terms, with a two-year maturity, at a coupon of three-months Euribor plus 0.2% mark-up, floored at zero percent.

At December 31, 2017, net debt was €1,951 million versus €1,252 million at year-end 2016. The increase is mainly due to the €1 billion special cash dividend and the share repurchase program.

Outlook

Headwinds experienced during 2017, including higher raw material costs and adverse effects from foreign currency, are projected to continue in 2018, especially during the start of the year.

We anticipate ongoing positive developments for Decorative Paints in all regions, particularly Asia. Trends for Performance Coatings are expected to be positive for most segments and regions, while still challenging for Marine and Protective Coatings.

We continue implementing various measures to mitigate current market challenges, including increased selling prices and cost discipline. Our “Winning Together – 15 by 20” strategy will create a focused Paints and Coatings Company and deliver our 2020 guidance.

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

Amsterdam, March 8, 2018
The Board of Management

Condensed consolidated statements of cash flows (continuing and discontinued operations)

Fourth quarter			January-December	
2016	2017	in € millions	2016	2017
1,632	1,032	Net cash and cash equivalents at beginning of period	1,317	1,441
Adjustments to reconcile earnings to cash generated from operating activities				
150	92	Profit for the period	1,052	904
150	138	Amortization and depreciation	606	607
365	320	Changes in working capital	1	(110)
(29)	(27)	Changes in provisions	(504)	(477)
(58)	6	Other changes	136	45
578	529	Net cash from operating activities	1,291	969
(231)	(208)	Capital expenditures	(634)	(613)
(394)	(11)	Acquisitions and divestments net of cash acquired	(363)	(28)
(10)	6	Other changes	18	3
(635)	(213)	Net cash from investing activities	(979)	(638)
(80)	891	Changes from borrowings	140	911
(81)	(960)	Dividend paid	(336)	(1,187)
–	–	Share repurchase	–	(160)
–	–	Other changes	(7)	–
(161)	(69)	Net cash from financing activities	(203)	(436)
(218)	247	Net change in cash and cash equivalents of continued and discontinued operations	109	(105)
27	(1)	Effect of exchange rate changes on cash and cash equivalents	15	(58)
1,441	1,278	Net Cash and cash equivalents at December 31	1,441	1,278

Paints and Coatings (continuing operations)

Quarterly statistics

	Q1	Q2	Q3	Q4	2016 *		Q1	Q2	Q3	Q4	2017 *
	year					in € millions	year				
Revenue											
	861	1,055	1,021	898	3,835	Decorative Paints	922	1,046	1,007	923	3,898
	1,388	1,473	1,406	1,398	5,665	Performance Coatings	1,471	1,504	1,428	1,372	5,775
	(20)	(17)	(24)	(5)	(66)	Other activities/eliminations	(16)	(17)	(16)	(12)	(61)
	2,229	2,511	2,403	2,291	9,434	Total	2,377	2,533	2,419	2,283	9,612
EBITDA											
	86	165	156	84	491	Decorative Paints	109	152	124	87	472
	222	257	233	187	899	Performance Coatings	225	242	185	165	817
	(66)	(35)	(28)	(51)	(180)	Other activities/eliminations	(53)	(28)	(15)	(12)	(108)
	242	387	361	220	1,210	Total	281	366	294	240	1,181
	10.9	15.4	15.0	9.6	12.8	EBITDA margin (in %)	11.8	14.4	12.2	10.5	12.3
Depreciation											
	(23)	(25)	(23)	(24)	(95)	Decorative Paints	(23)	(23)	(23)	(22)	(91)
	(26)	(25)	(25)	(27)	(103)	Performance Coatings	(25)	(27)	(26)	(27)	(105)
	(1)	(2)	(2)	(3)	(8)	Other activities/eliminations	(3)	(1)	(1)	(1)	(6)
	(50)	(52)	(50)	(54)	(206)	Total	(51)	(51)	(50)	(50)	(202)
Amortization											
	(11)	(9)	(10)	(9)	(39)	Decorative Paints	(9)	(8)	(6)	(7)	(30)
	(10)	(10)	(9)	(8)	(37)	Performance Coatings	(13)	(13)	(12)	(5)	(43)
	-	-	-	-	-	Other activities/eliminations	-	-	(1)	-	(1)
	(21)	(19)	(19)	(17)	(76)	Total	(22)	(21)	(19)	(12)	(74)
EBIT (operating income excluding identified items)											
	52	131	123	51	357	Decorative Paints	77	121	95	58	351
	186	222	199	152	759	Performance Coatings	187	202	147	133	669
	(67)	(37)	(30)	(54)	(188)	Other activities/eliminations	(56)	(29)	(17)	(13)	(115)
	171	316	292	149	928	Total	208	294	225	178	905
	7.7	12.6	12.2	6.5	9.8	ROS (in %)	8.8	11.6	9.3	7.8	9.4

* Represented to present the Specialty Chemicals business as discontinued operations

Paints and Coatings (continuing operations)

Quarterly statistics

					2016 *						2017 *
Q1	Q2	Q3	Q4	year	in € millions	Q1	Q2	Q3	Q4	year	
Operating income											
52	131	132	51	366	Decorative Paints	77	121	95	41	334	
186	222	192	135	735	Performance Coatings	187	202	147	132	668	
(67)	(37)	(20)	(54)	(178)	Other activities/eliminations	(56)	(60)	(27)	(34)	(177)	
171	316	304	132	923	Total	208	263	215	139	825	
Identified items in operating income per Business Area											
-	-	9	-	9	Decorative Paints	-	-	-	(17)	(17)	
-	-	(7)	(17)	(24)	Performance Coatings	-	-	-	(1)	(1)	
-	-	10	-	10	Other activities/eliminations	-	(31)	(10)	(21)	(62)	
-	-	12	(17)	(5)	Total	-	(31)	(10)	(39)	(80)	
Reconciliation net financing expense											
5	10	7	3	25	Financing income	6	6	3	8	23	
(26)	(22)	(24)	(23)	(95)	Financing expenses	(22)	(22)	(23)	(23)	(90)	
(21)	(12)	(17)	(20)	(70)	Net interest on net debt	(16)	(16)	(20)	(15)	(67)	
Other interest movements											
2	2	2	-	6	Financing expenses related to pensions	(1)	(2)	(1)	(3)	(7)	
(10)	(7)	(15)	4	(28)	Interest on provisions	(2)	(2)	(14)	2	(16)	
6	(1)	(1)	(3)	1	Other items	2	5	4	1	12	
(2)	(6)	(14)	1	(21)	Net other financing charges	(1)	1	(11)	-	(11)	
(23)	(18)	(31)	(19)	(91)	Net financing expenses	(17)	(15)	(31)	(15)	(78)	
Quarterly net income analysis											
3	7	5	3	18	Results from associates and joint ventures	6	6	3	2	17	
151	305	278	116	850	Profit before tax	197	254	187	126	764	
(33)	(93)	(90)	(18)	(234)	Income tax	(52)	(63)	(57)	(81)	(253)	
118	212	188	98	616	Profit for the period from continuing operations	145	191	130	45	511	
22	30	32	16	28	Effective tax rate (in %)	26	25	30	64	33	

* Represented to present the Specialty Chemicals business as discontinued operations

AkzoNobel (continuing and discontinued operations)

Quarterly statistics

					2016 *				2017 *	
Q1	Q2	Q3	Q4	year		Q1	Q2	Q3	Q4	year
Earnings per share from continuing operations (in €)										
0.39	0.74	0.69	0.33	2.15	Basic	0.50	0.67	0.48	0.11	1.76
0.39	0.74	0.69	0.33	2.14	Diluted	0.50	0.67	0.48	0.11	1.75
Earnings per share from discontinued operations (in €)										
0.57	0.50	0.44	0.20	1.72	Basic	0.46	0.53	0.38	0.18	1.55
0.57	0.50	0.44	0.20	1.71	Diluted	0.45	0.53	0.37	0.18	1.54
Earnings per share from total operations (in €)										
0.96	1.24	1.13	0.53	3.87	Basic	0.96	1.20	0.86	0.29	3.31
0.96	1.24	1.13	0.53	3.85	Diluted	0.95	1.20	0.85	0.29	3.29
Number of shares (in millions)										
249.5	250.6	251.6	251.9	250.9	Weighted average number of shares	251.3	251.1	251.9	252.3	251.6
249.6	251.6	251.6	252.2	252.2	Number of shares at end of quarter	252.6	254.3	251.9	252.6	252.6
Adjusted earnings from continuing operations (in € millions)										
151	305	278	116	850	Profit before tax from continuing operations	197	254	187	126	764
-	-	(12)	17	5	Identified items reported in operating income	-	31	10	39	80
21	19	19	17	76	Amortization of intangible assets	22	21	19	12	74
(39)	(100)	(104)	(13)	(256)	Adjusted income tax	(59)	(74)	(59)	(15)	(207)
(21)	(26)	(15)	(16)	(78)	Non-controlling interests	(19)	(23)	(9)	(17)	(68)
112	198	166	121	597	Adjusted profit for the period from continuing operations	141	209	148	145	643
0.45	0.79	0.66	0.48	2.38	Adjusted earnings per share from continuing operations (in €)	0.56	0.83	0.59	0.57	2.56
Adjusted earnings from total operations (in € millions)										
350	477	431	190	1,448	Profit before tax from total operations	362	430	307	225	1,324
(23)	-	(12)	18	(17)	Identified items reported in operating income	-	20	45	64	129
33	31	31	29	124	Amortization of intangible assets	34	34	30	22	120
(95)	(149)	(132)	(55)	(431)	Adjusted income tax	(111)	(120)	(102)	(62)	(395)
(23)	(27)	(15)	(17)	(82)	Non-controlling interests	(21)	(24)	(10)	(17)	(72)
242	332	303	165	1,042	Adjusted profit for the period from total operations	264	340	270	232	1,106
0.97	1.32	1.20	0.66	4.15	Adjusted earnings per share from total operations (in €)	1.05	1.35	1.07	0.92	4.40

* Represented to present the Specialty Chemicals business as discontinued operations

Discontinued operations (including Specialty Chemicals)

Quarterly statistics discontinued operations

					2016 *						2017 *
Q1	Q2	Q3	Q4	year	in € millions	Q1	Q2	Q3	Q4	year	
Revenue											
1,206	1,206	1,202	1,169	4,783	Specialty Chemicals	1,289	1,259	1,209	1,228	4,985	
(5)	(6)	(5)	(4)	(20)	Other activities/eliminations	(5)	(7)	(4)	(6)	(22)	
1,201	1,200	1,197	1,165	4,763	Total	1,284	1,252	1,205	1,222	4,963	
EBITDA											
245	259	250	199	953	Specialty Chemicals	261	265	251	238	1,015	
-	(4)	(17)	(34)	(55)	Other activities/eliminations	(8)	(11)	(10)	(35)	(64)	
245	255	233	165	898	Total	253	254	241	203	951	
20.4	21.3	19.5	14.2	18.9	EBITDA margin (in %)	19.7	20.3	20.0	16.6	19.2	
Depreciation											
(69)	(68)	(70)	(69)	(276)	Specialty Chemicals	(73)	(73)	(71)	(63)	(280)	
(1)	-	(1)	2	-	Other activities/eliminations	-	(1)	(1)	(3)	(5)	
(70)	(68)	(71)	(67)	(276)	Total	(73)	(74)	(72)	(66)	(285)	
Amortization											
(12)	(12)	(12)	(12)	(48)	Specialty Chemicals	(12)	(13)	(11)	(10)	(46)	
-	-	-	-	-	Other activities/eliminations	-	1	-	(1)	-	
(12)	(12)	(12)	(12)	(48)	Total	(12)	(12)	(11)	(11)	(46)	
EBIT (operating income excluding identified items)											
164	179	168	118	629	Specialty Chemicals	176	179	169	165	689	
(1)	(4)	(18)	(32)	(55)	Other activities/eliminations	(8)	(11)	(11)	(39)	(69)	
163	175	150	86	574	Total	168	168	158	126	620	
13.6	14.6	12.5	7.4	12.1	ROS (in %)	13.1	13.4	13.1	10.3	12.5	
Operating income											
164	179	168	118	629	Specialty Chemicals	176	179	169	165	689	
22	(4)	(18)	(33)	(33)	Other activities/eliminations	(8)	(1)	(46)	(63)	(118)	
186	175	150	85	596	Total	168	178	123	102	571	
Identified items in operating income											
-	-	-	-	-	Specialty Chemicals	-	-	-	-	-	
23	-	-	(1)	22	Other activities/eliminations	-	10	(35)	(24)	(49)	
23	-	-	(1)	22	Total	-	10	(35)	(24)	(49)	

* Represented to present the Specialty Chemicals business as discontinued operations

Notes to the condensed financial statements

Accounting policies and restatements

The full-year 2017 numbers included in the primary statements are derived from the financial statements 2017. These financial statements have been authorized for issue. The financial statements have not yet been published by law and still have to be adopted by the Annual General Meeting of shareholders. In accordance with Article 393 of Book 2 of the Dutch Civil Code, PricewaterhouseCoopers Accountants N.V. has issued an unqualified auditor's opinion on these financial statements, which will be published on March 15, 2018. All quarterly figures are unaudited. In 2017, some new IFRS accounting standards and interpretations thereof have been implemented, which did not have a material impact on our financial statements. Otherwise the accounting principles are the same as applied in the 2016 financial statements.

IFRS standards and interpretations thereof not yet in force which may apply to our Consolidated financial statements for 2018 and beyond have been assessed for their potential impact. The most important upcoming changes relate to IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers", which will be adopted as from January 1, 2018. For IFRS 9, as well as IFRS 15, AkzoNobel will not restate its 2017 comparative figures. The cumulative effect of applying IFRS 9 and IFRS 15 will be adjusted on the opening equity as per January 1, 2018. For the impact of the adoption of IFRS 9 and IFRS 15, we refer to the table below.

Furthermore, IFRS 16 "Leases" is an important upcoming change, and will be implemented as of January 1, 2019. Based on the results of our assessment so far with respect to IFRS 16, we expect total assets to increase less than 10%. It should be noted that the actual impact will depend on the number, size and remaining duration of lease contracts and any expected renewals at the moment of implementation. We do not expect the impact on operating income to be significant.

Related parties

We purchased and sold goods and services to various related parties in which we hold a 50% or less equity interest (associates and joint ventures). Such transactions were conducted at arm's length with terms comparable with transactions with third parties. We consider the members of the Executive Committee and the Supervisory Board to be the key management personnel as defined in IAS 24 "Related parties". In the ordinary course of business, we have transactions with various organizations with which certain of the members of the Supervisory Board and Executive Committee are associated. All related party transactions were conducted at arm's length.

Seasonality

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

Other activities

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

Impact of adoption of IFRS 9 and IFRS 15

in € millions	As reported at December 31, 2017	Adjustments due to the adoption of IFRS 9	Adjustments due to the adoption of IFRS 15	Adjusted opening balance at January 1, 2018
Other reserves	5,865	(3)	(43)	5,819
Non-controlling interests	442	-	(5)	437
Total impact on group equity	6,307	(3)	(48)	6,256

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 12 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 as well as the separation of Specialty Chemicals. 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
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

AkzoNobel Global Communications
T +31 88 969 7833
E info@akzonobel.com

AkzoNobel Investor Relations
T +31 88 969 7856
E investor.relations@akzonobel.com

Financial calendar

Annual report 2017	March 15, 2018
Report for the first quarter 2018	April 24, 2018
Annual General Meeting of shareholders	April 26, 2018
Ex-dividend date of 2017 final dividend	April 30, 2018
Record date of 2017 final dividend	May 2, 2018
Election period cash or stock dividend	May 3, 2018 - May 17, 2018
Determination of exchange ratio	May 18, 2018
Payment date of cash dividend and delivery of new shares	May 25, 2018
Report for the second quarter 2018	July 18, 2018
Report for the third quarter 2018	October 17, 2018
Report for the full-year and the fourth quarter 2018	February 13, 2019



www.akzonobel.com

AkzoNobel creates everyday essentials to make people's lives more liveable and inspiring. As a leading global paints and coatings company, 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 are present around the globe, while our portfolio includes well-known brands such as Dulux, Sikkens, International and Interpon. 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.

© 2018 Akzo Nobel N.V. All rights reserved.