

Q1 Report

AkzoNobel

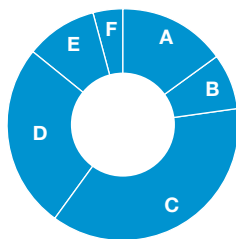


2015

AkzoNobel around the world**Revenue by destination**

(44 percent in high growth markets)

	%
A North America	15
B Emerging Europe	8
C Mature Europe	37
D Asia Pacific	26
E Latin America	10
F Other regions	4
	100



(Based on the full-year 2014)

Our results

at a glance

- Revenue up 6 percent, due to 8 percent favorable currency effects, offset by adverse volume of 2 percent
- Operating income up 42 percent at €306 million (2014: €216 million), reflecting the positive effects of process optimization efforts, reduced restructuring expenses, lower costs and favorable currency developments
- ROS improved to 8.5 percent (2014: 6.4 percent); ROI improved to 10.6 percent (2014: 9.7 percent)
- Net income attributable to shareholders up 24 percent at €160 million
- Adjusted EPS up 25 percent at €0.76 (2014: €0.61)
- Net cash outflow from operating activities was €622 million (2014: €552 million)
- Overall market conditions remain challenging in many regions
- On track to deliver 2015 targets

Summary of financial outcomes

First quarter			
in € millions	2014	2015	Δ%
Revenue	3,383	3,591	6
Operating income	216	306	42
ROS (in %)	6.4	8.5	
Average invested capital	9,820	10,137	
Moving average ROI (in %)	9.7	10.6	
EBITDA	364	462	27
Capital expenditures	115	123	
Net cash from operating activities	(552)	(622)	(13)
Net debt	2,186	2,278	
Net income from continuing operations	126	163	29
Net income from discontinued operations	3	(3)	
Net income attributable to shareholders	129	160	24
Earnings per share from total operations (in €)	0.53	0.65	23
Adjusted earnings per share (in €)	0.61	0.76	25
Number of employees	48,500	46,400	(4)

Financial highlights

Revenue was up 6 percent, due to 8 percent favorable currency effects, offset by adverse volume of 2 percent. Operating income was €306 million (2014: €216 million), reflecting the effects of process optimization efforts, reduced restructuring expenses, lower costs and favorable currency effects. ROS improved to 8.5 percent and ROI improved to 10.6 percent.

The market trend in North America continued to be positive, while Europe did not improve. Markets remained challenging in many countries, including Russia, Brazil and China.

Revenue

- Revenue in Decorative Paints increased 3 percent compared with 2014, due to a 7 percent favorable currency effect, offset by an adverse volume impact. Volumes for the first quarter were up in Latin America, but down in Europe and Asia due to soft demand. Price/mix continued to be influenced by the sale of the German stores
- Revenue in Performance Coatings was up in all businesses, benefiting from favorable currency effects. Volume was up in Automotive and Specialty Coatings and down in the other businesses. Volumes increased in North America and declined in other regions, with developments across segments mixed regionally
- Revenue in Specialty Chemicals was up 6 percent, mainly due to favorable currency effects, with volumes flat on the previous year. Volumes in the US continue to show good developments, while China showed more modest growth

Acquisitions and divestments

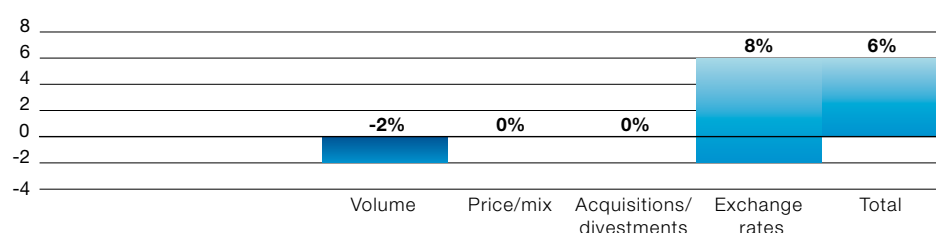
- The sale of the German stores was concluded in Q1 2014, which did not have a revenue impact in divestment, but in price/mix. This is the last quarter which shows impact of German stores
- Specialty Chemicals has announced the intended sale of its Paper Chemicals portfolio for €153 million. The business is currently part of Pulp and Performance Chemicals. The transaction is expected to be completed in Q2

Revenue

First quarter			
in € millions	2014	2015	Δ%
Decorative Paints	865	890	3
Performance Coatings	1,319	1,430	8
Specialty Chemicals	1,222	1,296	6
Other activities/eliminations	(23)	(25)	
Total	3,383	3,591	6

Revenue development Q1 2015

■ Increase ■ Decrease



in % versus 2014	Volume	Price/mix	Divestments	Exchange rates	Total
Decorative Paints	(3)	(1)	-	7	3
Performance Coatings	(3)	1	-	10	8
Specialty Chemicals	-	-	-	6	6
Total	(2)	-	-	8	6

Volume development per quarter (year-on-year)	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15
Decorative Paints	1	3	-	(2)	(3)
Performance Coatings	3	1	2	-	(3)
Specialty Chemicals	2	4	-	(1)	-
Total	2	3	1	(1)	(2)

Price/mix development per quarter (year-on-year)	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15
Decorative Paints	3	(3)	(3)	-	(1)
Performance Coatings	2	2	(1)	1	1
Specialty Chemicals	1	(1)	1	-	-
Total	2	(1)	(1)	-	-

Operating income

- Operating income in Decorative Paints significantly improved due to the benefits of our new operating model, strict cost containment, lower restructuring costs and favorable currency developments
- Operating income in Performance Coatings increased due to the simplification of its business structure, reduced restructuring expenses, cost control measures and favorable currencies
- Specialty Chemicals improved its profitability due to benefits from continuous improvement measures, reduced restructuring expenses and favorable currency effects

Total restructuring charges amounted to €11 million (2014: €44 million).

Raw material prices were lower, although in many markets foreign currency effects have adversely impacted raw material costs.

Operating income in other activities

Operating income in other activities was lower than the previous year, mainly due to higher insurance pay-out. Corporate costs were higher in the quarter due to implementation of functional process optimization initiatives and an one-time benefit in previous year.

Net financing expenses

External interest expenses were down, which was more than offset by higher interest on provisions.

Tax

The Q1 effective tax rate was 31 percent (2014: 23 percent). The tax rate in 2014 was positively impacted by an adjustment to previous years. Excluding one-off items, the effective tax rate for Q1 2015 was 29 percent (2014: 29 percent).

Operating income

First quarter			
in € millions	2014	2015	Δ%
Decorative Paints	17	50	194
Performance Coatings	126	170	35
Specialty Chemicals	135	163	21
Other activities/eliminations	(62)	(77)	
Total	216	306	42

Operating income in other activities

First quarter		
in € millions	2014	2015
Corporate costs	(44)	(47)
Pensions	(6)	(7)
Insurances	3	(9)
Other	(15)	(14)
Operating income in other activities	(62)	(77)

Operating income to net income

First quarter		
in € millions	2014	2015
Operating income	216	306
Net financing expenses	(37)	(41)
Results from associates and joint ventures	6	(2)
Profit before tax	185	263
Income tax	(43)	(82)
Profit from continuing operations	142	181
Profit from discontinued operations	3	(3)
Profit for the period	145	178
Non-controlling interests	(16)	(18)
Net income	129	160

Decorative Paints

- Revenue up 3 percent, mainly due to favorable currency effects, offset by lower volume
- Operating income up 194 percent, due to the new operating model, lower restructuring expenses and cost containment
- ROS increased to 5.6 percent (2014: 2.0 percent); ROI increased to 9.8 percent (2014: 5.9 percent on a comparable basis)
- New operating model in place and working well

Revenue increased 3 percent compared with 2014, due to a 7 percent favorable currency effect, offset by an adverse volume and price/mix impact. Volumes for the first quarter were up in Latin America, although down in Europe and Asia due to a slow start to the season. Operating income improved due to the benefits of our new operating model, lower restructuring costs, strict cost containment and favorable currency developments.

Europe, Middle East and Africa

Revenue was down 4 percent due to lower volumes and adverse price/mix following the sale of the German stores, offset by favorable currency effects. Markets in continental and Eastern Europe were challenging. Various operational efficiency improvement programs led to a lower cost base.

Latin America

Increased costs for imported raw materials in local currencies have posed serious challenges to the business. Revenue increased by 19 percent due to favorable currency effects, volumes and price/mix. Improvement actions also contributed to the results.

Asia

Revenue increased by 10 percent due to favorable currency effects, partly offset by lower volumes and adverse price/mix effects. Demand in several Asian countries was encouraging, while China experienced a soft start to the year.

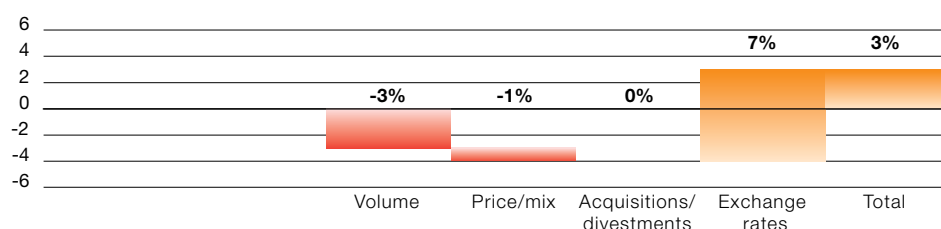
Revenue

First quarter			
in € millions	2014	2015	Δ%
Deco Europe, Middle East and Africa	532	512	(4)
Decorative Paints Latin America	116	138	19
Decorative Paints Asia	218	240	10
Other/intragroup eliminations	(1)	-	
Total	865	890	3
Operating income	17	50	194
ROS (in %)	2.0	5.6	
Average invested capital	2,816	2,888	
Moving average ROI (in %) *	13.2	9.8	
EBITDA	56	88	57
Capital expenditures	28	37	
Number of employees	15,600	15,200	

* 2014 excluding the gain on the divestment of Building Adhesives: 5.9 percent.

Revenue development Q1 2015

■ Increase ■ Decrease



Performance Coatings

- Revenue up 8 percent due to favorable currencies and price/mix offsetting lower volumes
- Operating income up 35 percent due to simplified structure and processes, improvement actions and reduced restructuring expenses
- ROS increased to 11.9 percent (2014: 9.6 percent); ROI increased to 22.9 percent (2014: 21.4 percent)
- Delayed and simplified business structure generating lower costs

Revenue was up in all businesses, benefiting from favorable currency effects. Volume was up in Automotive and Specialty Coatings and down in the other businesses. Volumes increased in North America, but declined in other regions, with performance across segments mixed regionally. Operating income was up 35 percent due to cost reductions generated by improvement activities, including the simplification of the business structure, cost control measures and currencies.

Marine and Protective Coatings

Revenue was up 9 percent, due to favorable price/mix and currencies offsetting volume declines. Protective Coatings faced market challenges in both the oil and gas and heavy industries segments, resulting in lower volumes compared with the previous year. Overall, volumes grew for Protective Coatings in North America and China, offset by the other regions, while Marine volumes declined.

Automotive and Specialty Coatings

Revenue was up 13 percent, due to volume growth, price/mix and favorable currencies. Vehicle Refinishes volumes increased across all regions. Specialty Coatings had a strong first quarter in consumer electronics in Asia. Volumes grew in the aerospace segment.

Industrial and Powder Coatings

Revenue was up 5 percent, due to favorable currencies offsetting adverse volumes and price/mix. Metal Coatings volumes were flat, as growth in the packaging segment was offset by declines in the Asia and Europe coil segment. Packaging Coatings grew across all regions. A weak start to the year for construction in China resulted in lower volume for Powder Coatings, mitigated by growth in North America and Europe. Wood Coatings grew in Europe, but declined in the other regions.

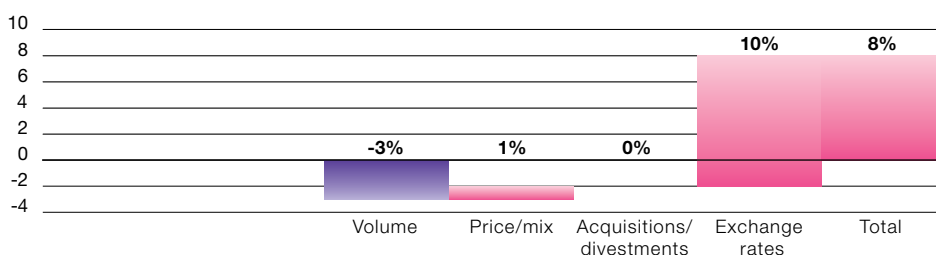
Revenue *

First quarter			
in € millions	2014	2015	Δ%
Marine and Protective Coatings	323	353	9
Automotive and Specialty Coatings	343	388	13
Industrial and Powder Coatings	660	695	5
Other/Intragroup eliminations	(7)	(6)	
Total	1,319	1,430	8
<hr/>			
Operating income	126	170	35
ROS (in %)	9.6	11.9	
<hr/>			
Average invested capital	2,442	2,569	
Moving average ROI (in %)	21.4	22.9	
<hr/>			
EBITDA	163	206	26
Capital expenditures	26	29	
Number of employees	21,200	19,800	

* Segment reporting updated following change in business structure. For more details, please see the Investor Update presentation on www.akzonobel.com

Revenue development Q1 2015

■ Increase ■ Decrease



Specialty Chemicals

- Revenue up 6 percent, mainly due to favorable currency effects, with volumes flat on the previous year
- Operating income improved 21 percent to €163 million, due to improvement actions, cost containment and lower restructuring costs
- ROS increased to 12.6 percent (2014: 11.0 percent); ROI increased to 15.3 percent (2014: 13.3 percent on a comparable basis)
- Investments in functional capabilities further driving continuous improvement

Revenue was up 6 percent, mainly due to favorable currency effects. Volumes in the first quarter remained flat on the previous year, with a mixed and volatile picture across segments and regions. Developments in the bleaching and chelates segments were positive while volumes in oil drilling were lower. The US continued to show good developments, while China and regions such as Russia and the Middle East were challenging. The closing of the Paper Chemicals divestment is expected in Q2.

Functional Chemicals

Revenue increased by 5 percent, driven by positive currency developments, partly offset by slower demand in the polymer industry. The business continued to implement the comprehensive improvement program which was launched in 2013.

Industrial Chemicals

Revenue decreased by 4 percent due to lower volumes and temporary inefficiencies, including the disruption in the Rotterdam supply chain, which was compensated by an insurance payout. The new chlorine plant in Frankfurt is now in operation. There is a continuous focus on improving production availability.

Surface Chemistry

Revenue was up 11 percent, driven mainly by currencies. Challenging conditions in China and the oil drilling segment were mostly offset by good developments in other segments. Overall, this resulted in roughly flat volumes compared with the previous year.

Pulp and Performance Chemicals

Revenue was up 12 percent due positive currency effects and strong developments in growth products such as Expancel and silica.

Revenue

First quarter

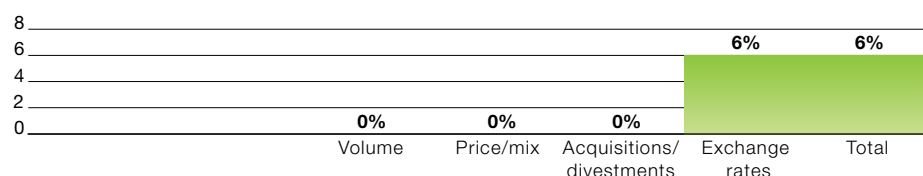
in € millions	2014	2015	Δ%
Functional Chemicals *	440	464	5
Industrial Chemicals *	322	308	(4)
Surface Chemistry	250	277	11
Pulp and Performance Chemicals	243	273	12
Other/intragroup eliminations	(33)	(26)	
Total	1,222	1,296	6
Operating income	135	163	21
ROS (in %)	11.0	12.6	
Average invested capital	3,552	3,509	
Moving average ROI (in %) **	9.4	15.3	
EBITDA	204	242	19
Capital expenditures	61	56	
Number of employees	10,200	9,600	

* Adjusted to the new business structure.

** 2014, excluding an incidental impairment charge: 13.3 percent.

Revenue development Q1 2015

■ Increase ■ Decrease



Condensed financial statements

Consolidated statement of income

First quarter

in € millions

	2014	2015
Continuing operations		
Revenue	3,383	3,591
Cost of sales	(2,076)	(2,146)
Gross profit	1,307	1,445
SG&A costs	(1,091)	(1,139)
Operating income	216	306
Net financing expenses	(37)	(41)
Results from associates and joint ventures	6	(2)
Profit before tax	185	263
Income tax	(43)	(82)
Profit for the period from continuing operations	142	181
Discontinued operations		
Profit for the period from discontinued operations	3	(3)
Profit for the period	145	178
Attributable to		
Shareholders of the company	129	160
Non-controlling interests	16	18
Profit for the period	145	178

Consolidated statement of comprehensive income

First quarter

in € millions

	2014	2015
Profit for the period	145	178
Other comprehensive income		
Exchange differences arising on translation of foreign operations	(14)	590
Cash flow hedges	(20)	(1)
Post-retirement benefits	(739)	(300)
Tax relating to components of other comprehensive income	18	6
Other comprehensive income for the period (net of tax)	(755)	295
Comprehensive income for the period	(610)	473
Comprehensive income for the period attributable to		
Shareholders of the company	(628)	400
Non-controlling interests	18	73
Comprehensive income for the period	(610)	473

Condensed consolidated balance sheet

in € millions	December 31, 2014	March 31, 2015
Assets		
Non-current assets		
Intangible assets	4,142	4,401
Property, plant and equipment	3,835	4,049
Other financial non-current assets	2,148	2,365
Total non-current assets	10,125	10,815
Current assets		
Inventories	1,545	1,703
Trade and other receivables	2,743	3,234
Cash and cash equivalents	1,732	1,056
Other current assets	88	97
Assets held for sale	66	73
Total current assets	6,174	6,163
Total assets	16,299	16,978
Equity and liabilities		
Total equity	6,267	6,727
Non-current liabilities		
Provisions and deferred tax liabilities	2,555	2,772
Long-term borrowings	2,527	2,534
Total non-current liabilities	5,082	5,306
Current liabilities		
Short-term borrowings	811	801
Trade and other payables	3,407	3,458
Other short-term liabilities	721	675
Liabilities held for sale	11	11
Total current liabilities	4,950	4,945
Total equity and liabilities	16,299	16,978

Shareholders' equity

Shareholders' equity increased from €5.8 billion at year-end 2014 to €6.2 billion at the end of March 2015, mainly due to the net effect of:

- Positive currency effects of €535 million
- Net income of €160 million
- An adverse actuarial impact of €300 million reported in Other comprehensive income, including €110 million for de-risking of pension liabilities

Dividend

Our dividend policy is to pay a stable to rising dividend. A final dividend for 2014 of €1.12 per share is proposed to the AGM, which would make a total 2014 dividend of €1.45 (2013: €1.45) per share. There will be a stock dividend option with cash dividend as default. Please refer to the last page of this Report for dividend payment dates.

Changes in equity

in € millions	Subscribed share capital	Additional paid-in capital	Cashflow hedge reserve	Cumulative translation reserves	Other reserves	Shareholders' equity	Non-control- ling interests	Group equity
Balance at January 1, 2014	485	319	(19)	(417)	5,226	5,594	427	6,021
Profit for the period	-	-	-	-	129	129	16	145
Other comprehensive income	-	-	(15)	(18)	(724)	(757)	2	(755)
Comprehensive income for the period	-	-	(15)	(18)	(595)	(628)	18	(610)
Dividend paid	-	-	-	-	-	-	(2)	(2)
Equity-settled transactions	-	-	-	-	7	7	-	7
Issue of common shares	2	7	-	-	-	9	-	9
Balance at March 31, 2014	487	326	(34)	(435)	4,638	4,982	443	5,425
Balance at January 1, 2015	492	463	(19)	(43)	4,897	5,790	477	6,267
Profit for the period	-	-	-	-	160	160	18	178
Other comprehensive income	-	-	(1)	535	(294)	240	55	295
Comprehensive income for the period	-	-	(1)	535	(134)	400	73	473
Dividend paid	-	-	-	-	-	-	(23)	(23)
Equity-settled transactions	-	-	-	-	8	8	-	8
Issue of common shares	-	-	-	-	-	-	2	2
Balance at March 31, 2015	492	463	(20)	492	4,771	6,198	529	6,727

Invested capital

Invested capital at the end of Q1 2015 totaled €10.9 billion, up €1.1 billion on year-end 2014 due to currency impact of a weaker euro and seasonality of operating working capital. Within Performance Coatings we accommodated planned inventory increases as part of our scheduled footprint optimization.

Pensions

The net balance sheet position of the pension plans at the end of Q1 2015 was a deficit of €0.8 billion, flat on year-end 2014. This was the result of the net effect of:

- Lower discount rates in key countries
- Further de-risking of pension liabilities of €680 million in the ICI Pension Fund in the UK, with an additional non-cash buy-in transaction giving rise to an adverse impact of €110 million in Other comprehensive income

Offset by:

- Top-up payments of €330 million into certain UK defined benefit pension plans
- Higher asset returns and lower inflation

Workforce

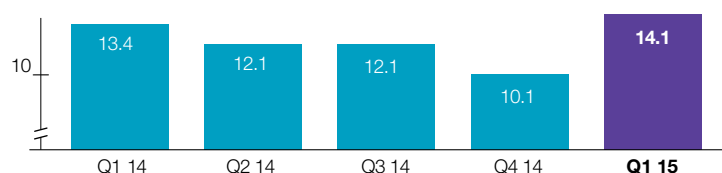
At March 31, 2015, we employed 46,400 staff (year-end 2014: 47,200 employees).

Invested capital

in € millions	March 31, 2014	December 31, 2014	March 31, 2015
Trade receivables	2,329	2,246	2,683
Inventories	1,519	1,545	1,703
Trade payables	(2,033)	(2,373)	(2,360)
Operating working capital	1,815	1,418	2,026
Other working capital items	(653)	(676)	(706)
Non-current assets	9,218	10,125	10,815
Less investments in associates and joint ventures	(178)	(183)	(159)
Less pension assets	(57)	(409)	(593)
Deferred tax liabilities	(387)	(412)	(442)
Invested capital	9,758	9,863	10,941

Operating working capital

In % of revenue



Operating working capital

in € millions, % of revenue	March 31, 2014	December 31, 2014	March 31, 2015
Decorative Paints	441 12.7	202 5.5	407 11.4
Performance Coatings	813 15.4	733 12.9	977 17.1
Specialty Chemicals	647 13.2	587 12.3	718 13.9
Other activities	(86)	(104)	(76)
Total	1,815 13.4	1,418 10.1	2,026 14.1

Cash flows and net debt

Operating activities in Q1 resulted in a cash outflow of €622 million (2014: €552 million). The higher cash outflow in Q1 versus last year was mostly due to currency effects on working capital and pension top-ups, as well as changes in provisions mostly due to restructuring payments and the payment of a legacy settlement.

As a consequence, net debt increased from €1,606 million at year-end 2014 to €2,278 million.

Condensed consolidated statement of cash flows

First quarter in € millions	2014	2015
Cash and cash equivalents at beginning of period	2,020	1,649
Adjustments to reconcile earnings to cash generated from operating activities		
Profit for the period from continuing operations	142	181
Amortization and depreciation	148	156
Changes in working capital	(471)	(576)
Changes in provisions	(294)	(410)
Other changes	(77)	27
Net cash used for operating activities	(552)	(622)
Capital expenditures	(115)	(123)
Acquisitions and divestments net of cash acquired	–	(2)
Other changes	18	(6)
Net cash used for investing activities	(97)	(131)
Changes from borrowings	(492)	(14)
Dividends	(2)	(21)
Other changes	9	–
Net cash used for financing activities	(485)	(35)
Net cash used for continuing operations	(1,134)	(788)
Cash flows from discontinued operations	(3)	(1)
Net change in cash and cash equivalents of total operations	(1,137)	(789)
Effect of exchange rate changes on cash and cash equivalents	(4)	87
Cash and cash equivalents at March 31	879	947

Outlook and 2015 targets

We anticipate exchange rate movements and lower growth rates in high growth economies, will principally determine dynamics of 2015. The preparations made in 2013 and 2014 form a sound basis for improved performance. We are on track to deliver our targets for 2015. Please refer to our website for more information on our ambitions and the strategic focus areas.

Amsterdam, April 21, 2015
The Board of Management

Quarterly statistics

	Q1	Q2	Q3	Q4	2014 year	in € millions	2015 Q1
Revenue							
	865	1,074	1,050	920	3,909	Decorative Paints	890
	1,319	1,434	1,420	1,416	5,589	Performance Coatings	1,430
	1,222	1,228	1,239	1,194	4,883	Specialty Chemicals	1,296
	(23)	(26)	(23)	(13)	(85)	Other activities/eliminations	(25)
	3,383	3,710	3,686	3,517	14,296	Total	3,591
EBITDA							
	56	141	150	58	405	Decorative Paints	88
	163	212	170	142	687	Performance Coatings	206
	204	204	232	175	815	Specialty Chemicals	242
	(59)	(48)	(65)	(45)	(217)	Other activities/eliminations	(74)
	364	509	487	330	1,690	Total	462
	10.8	13.7	13.2	9.4	11.8	EBITDA margin (in %)	12.9
Depreciation							
	(27)	(26)	(27)	(29)	(109)	Decorative Paints	(26)
	(27)	(24)	(25)	(25)	(101)	Performance Coatings	(25)
	(60)	(64)	(64)	(68)	(256)	Specialty Chemicals	(66)
	(3)	(3)	(3)	(2)	(11)	Other activities/eliminations	(3)
	(117)	(117)	(119)	(124)	(477)	Total	(120)
Amortization							
	(12)	(13)	(10)	(13)	(48)	Decorative Paints	(12)
	(10)	(10)	(10)	(11)	(41)	Performance Coatings	(11)
	(9)	(16)	(12)	(14)	(51)	Specialty Chemicals	(13)
	-	-	(1)	-	(1)	Other activities/eliminations	-
	(31)	(39)	(33)	(38)	(141)	Total	(36)
Operating income excluding incidentals							
	17	102	113	16	248	Decorative Paints	50
	126	178	135	106	545	Performance Coatings	170
	135	124	156	93	508	Specialty Chemicals	163
	(62)	(51)	(69)	(47)	(229)	Other activities/eliminations	(77)
	216	353	335	168	1,072	Total	306
Operating income							
	17	102	113	16	248	Decorative Paints	50
	126	178	135	106	545	Performance Coatings	170
	135	124	156	93	508	Specialty Chemicals	163
	(62)	(51)	(69)	(132)	(314)	Other activities/eliminations	(77)
	216	353	335	83	987	Total	306
	6.4	9.5	9.1	2.4	6.9	ROS (in %)	8.5

Quarterly statistics

	Q1	Q2	Q3	Q4	2014 year	in € millions	2015 Q1
Incidentals per Business Area							
	-	-	-	-	-	Decorative Paints	-
	-	-	-	-	-	Performance Coatings	-
	-	-	-	-	-	Specialty Chemicals	-
	-	-	-	(85)	(85)	Other activities/eliminations	-
	-	-	-	(85)	(85)	Total	-
Reconciliation net financing expense							
	12	9	9	12	42	Financing income	10
	(44)	(37)	(36)	(40)	(157)	Financing expenses	(38)
	(32)	(28)	(27)	(28)	(115)	Net interest on net debt	(28)
Other interest movements							
	(5)	(4)	(4)	(5)	(18)	Financing expenses related to pensions	(4)
	(4)	(11)	(8)	(9)	(32)	Interest on provisions	(9)
	4	3	1	1	9	Other items	-
	(5)	(12)	(11)	(13)	(41)	Net other financing charges	(13)
	(37)	(40)	(38)	(41)	(156)	Net financing expenses	(41)
Quarterly net income analysis							
	6	6	6	3	21	Results from associates and joint ventures	(2)
	(16)	(24)	(16)	(16)	(72)	Profit attributable to non-controlling interests	(18)
	185	319	303	45	852	Profit before tax	263
	(43)	(89)	(84)	(36)	(252)	Income tax	(82)
	142	230	219	9	600	Profit for the period from continuing operations	181
	23	28	28	80	30	Effective tax rate (in %)	31

Quarterly statistics

	Q1	Q2	Q3	Q4	2014 year		2015 Q1
Earnings per share from continuing operations (in €)							
	0.52	0.84	0.83	(0.03)	2.16	Basic	0.66
	0.52	0.83	0.82	(0.03)	2.15	Diluted	0.66
Earnings per share from discontinued operations (in €)							
	0.01	–	0.01	0.06	0.07	Basic	(0.01)
	0.01	–	0.01	0.06	0.07	Diluted	(0.01)
Earnings per share from total operations (in €)							
	0.53	0.84	0.84	0.03	2.23	Basic	0.65
	0.53	0.83	0.83	0.03	2.22	Diluted	0.65
Number of shares (in millions)							
	243.0	244.4	245.4	245.7	244.7	Weighted average number of shares	246.4
	243.4	245.4	245.4	246.0	246.0	Number of shares at end of quarter	246.9
Adjusted earnings (in € millions)							
	185	319	303	45	852	Profit before tax from continuing operations	263
	–	–	–	85	85	Incidentals reported in operating income	–
	31	39	33	38	141	Amortization of intangible assets	36
	(52)	(101)	(94)	(72)	(319)	Adjusted income tax	(93)
	(16)	(24)	(16)	(16)	(72)	Non-controlling interests	(18)
	148	233	226	80	687	Adjusted net income for continuing operations	188
	0.61	0.95	0.92	0.33	2.81	Adjusted earnings per share (in €)	0.76

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, 2015 do not have any or only an immaterial effect on our Consolidated financial statements. Otherwise the accounting principles are as applied in the 2014 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. 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 as well as the unallocated cost of some country organizations.

Glossary

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

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

EBITDA is operating income excluding depreciation, amortization and incidental results.

EBITDA margin is EBITDA as percentage of revenue.

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

Incidental results are special charges and benefits, results on acquisitions and divestments, 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 relevant incidental results.

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

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

ROS is operating income as percentage of revenue.

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.

Brands 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.

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The explanatory sheets used during the press conference can be viewed on AkzoNobel's corporate website www.akzonobel.com/quarterlyresults

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Financial calendar

Annual General Meeting of shareholders	April 22, 2015
Ex-dividend date of 2014 final dividend	April 24, 2015
Record date of 2014 final dividend	April 27, 2015
Election period cash or stock interim dividend	April 28, 2015 - May 13, 2015
Determination of exchange ratio	May 15, 2015
Payment date of cash dividend and delivery of new shares	May 19, 2015
Report for Q2 2015	July 21, 2015
Report for Q3 2015	October 22, 2015
Report for the full-year 2015 and the fourth quarter	February 11, 2016



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AkzoNobel is a leading global paints and coatings company and a major producer of specialty chemicals. Calling on centuries of expertise, we supply industries and consumers worldwide with innovative products and sustainable technologies designed to meet the growing demands of our fast-changing planet. Headquartered in Amsterdam, the Netherlands, we have approximately 47,000 people in around 80 countries, while our portfolio includes well-known brands such as Dulux, Sikkens, International, Interpon and Eka. Consistently ranked as one of the leaders in the area of sustainability, we are committed to making life more liveable and our cities more human.