

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

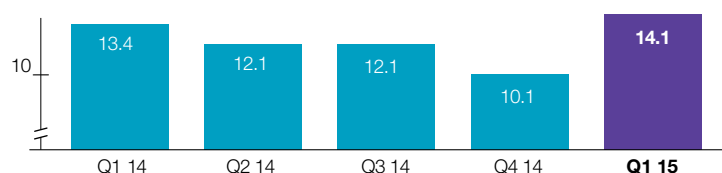
At March 31, 2015, we employed 46,400 staff (year-end 2014: 47,200 employees).

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

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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.