

Condensed financial statements

Consolidated statement of income

Third quarter			January-September	
2014	2015	in € millions	2014	2015
Continuing operations				
3,686	3,760	Revenue	10,779	11,300
(2,212)	(2,194)	Cost of sales	(6,516)	(6,653)
1,474	1,566	Gross profit	4,263	4,647
(1,139)	(1,130)	SG&A costs	(3,359)	(3,419)
335	436	Operating income	904	1,228
(38)	(28)	Net financing expenses	(115)	(96)
6	6	Results from associates and joint ventures	18	12
303	414	Profit before tax	807	1,144
(84)	(114)	Income tax	(216)	(304)
219	300	Profit for the period from continuing operations	591	840
Discontinued operations				
2	1	Profit for the period from discontinued operations	4	(3)
221	301	Profit for the period	595	837
Attributable to				
205	285	Shareholders of the company	539	776
16	16	Non-controlling interests	56	61
221	301	Profit for the period	595	837

Consolidated statement of comprehensive income

Third quarter			January-September	
2014	2015	in € millions	2014	2015
221	301	Profit for the period	595	837
Other comprehensive income				
294	(382)	Exchange differences arising on translation of foreign operations	377	32
20	(12)	Cash flow hedges	12	(17)
(29)	205	Post-retirement benefits	(880)	(433)
11	7	Tax relating to components of other comprehensive income	39	7
296	(182)	Other comprehensive income for the period (net of tax)	(452)	(411)
517	119	Comprehensive income for the period	143	426
Comprehensive income for the period attributable to				
472	126	Shareholders of the company	54	357
45	(7)	Non-controlling interests	89	69
517	119	Comprehensive income for the period	143	426

Condensed consolidated balance sheet

in € millions	December 31, 2014	September 30, 2015
Assets		
Non-current assets		
Intangible assets	4,142	4,140
Property, plant and equipment	3,835	3,891
Other financial non-current assets	2,148	2,000
Total non-current assets	10,125	10,031
Current assets		
Inventories	1,545	1,581
Trade and other receivables	2,743	3,047
Cash and cash equivalents	1,732	1,097
Other current assets	88	81
Assets held for sale	66	-
Total current assets	6,174	5,806
Total assets	16,299	15,837
Equity and liabilities		
Total equity	6,267	6,501
Non-current liabilities		
Provisions and deferred tax liabilities	2,555	2,480
Long-term borrowings	2,527	2,161
Total non-current liabilities	5,082	4,641
Current liabilities		
Short-term borrowings	811	663
Trade and other payables	3,407	3,405
Other short-term liabilities	721	627
Liabilities held for sale	11	-
Total current liabilities	4,950	4,695
Total equity and liabilities	16,299	15,837

Shareholders' equity

Shareholders' equity increased from €5.8 billion at year-end 2014 to €6.0 billion at the end of September 2015, mainly due to the net effect of:

- Net income of €776 million

Offset by:

- Actuarial impact of €442 million reported in Other comprehensive income, including €380 million for de-risking of pension liabilities
- Dividend payments of €170 million

Interim dividend

An interim dividend of €0.35 per share (2014: €0.33) will be paid out, with the option to elect stock dividend. 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-controlling interests	Group equity
Balance at January 1, 2014	485	319	(19)	(417)	5,226	5,594	427	6,021
Profit for the period	-	-	-	-	539	539	56	595
Other comprehensive income	-	-	9	334	(828)	(485)	33	(452)
Comprehensive income for the period	-	-	9	334	(289)	54	89	143
Dividend paid	4	106	-	-	(273)	(163)	(36)	(199)
Equity-settled transactions	-	-	-	-	27	27	-	27
Issue of common shares	2	7	-	-	-	9	3	12
Balance at September 30, 2014	491	432	(10)	(83)	4,691	5,521	483	6,004
Balance at January 1, 2015	492	463	(19)	(43)	4,897	5,790	477	6,267
Profit for the period	-	-	-	-	776	776	61	837
Other comprehensive income	-	-	(13)	36	(442)	(419)	8	(411)
Comprehensive income for the period	-	-	(13)	36	334	357	69	426
Dividend paid	3	103	-	-	(276)	(170)	(46)	(216)
Equity-settled transactions	-	-	-	-	24	24	-	24
Issue of common shares	2	(2)	-	-	-	-	2	2
Acquisitions and divestments	-	-	-	-	(3)	(3)	1	(2)
Balance at September 30, 2015	497	564	(32)	(7)	4,976	5,998	503	6,501

Invested capital

Invested capital at the end of Q3 2015 totaled €10.2 billion, up €0.3 billion on year-end 2014. Invested capital was primarily impacted by currency variation and seasonal increase of operating working capital.

Pensions

The net balance sheet position (IAS19) of the pension plans at the end of Q3 2015 was a deficit of €0.9 billion (year-end 2014: €0.8 billion). This was the result of the net effect of:

- Lower asset returns
- In Q3 2015, one buy-in transaction was concluded in relation to the ICI Specialty Chemicals Pension Fund with a €59 million impact on Other comprehensive income. Total year-to-date de-risking of pension liabilities through non-cash buy-in transactions of £1.7 billion (€2.4 billion), has led to an impact of €380 million on Other comprehensive income

Offset by:

- Top-up payments of €349 million year-to-date predominantly into certain UK pension plans
- Higher discount rates in the key countries

The triennial review of the ICI Pension Fund was completed in July 2015, a new valuation and payment schedule was agreed with the Trustees.

Workforce

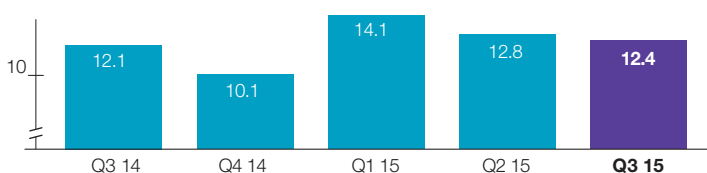
At September 30, 2015, we employed 45,800 people (year-end 2014: 47,200 employees).

Invested capital

in € millions	September 30, 2014	December 31, 2014	September 30, 2015
Trade receivables	2,500	2,246	2,580
Inventories	1,579	1,545	1,581
Trade payables	(2,294)	(2,373)	(2,291)
Operating working capital	1,785	1,418	1,870
Other working capital items	(717)	(676)	(833)
Non-current assets	9,686	10,125	10,031
Less investments in associates and joint ventures	(185)	(183)	(167)
Less pension assets	(76)	(409)	(317)
Deferred tax liabilities	(405)	(412)	(400)
Invested capital	10,088	9,863	10,184

Operating working capital

In % of revenue



Operating working capital

in € millions, % of revenue	September 30, 2014	December 31, 2014	September 30, 2015
Decorative Paints	341	202	378
Performance Coatings	842	733	887
Specialty Chemicals	669	587	665
Other activities	(67)	(104)	(60)
Total	1,785	1,418	1,870
	12.1	10.1	12.4

Condensed consolidated statement of cash flows

Third quarter		in € millions		January-September	
2014	2015		2014	2015	
926	922	Cash and cash equivalents at beginning of period	2,020	1,649	
Adjustments to reconcile earnings to cash generated from operating activities					
219	300	Profit for the period from continuing operations	591	840	
152	154	Amortization and depreciation	456	468	
137	166	Changes in working capital	(336)	(450)	
(48)	(74)	Changes in provisions	(402)	(569)	
29	37	Other changes	21	79	
489	583	Net cash from operating activities	330	368	
(137)	(163)	Capital expenditures	(402)	(423)	
6	10	Acquisitions and divestments net of cash acquired	6	122	
2	10	Other changes	23	(10)	
(129)	(143)	Net cash from investing activities	(373)	(311)	
(277)	(267)	Changes from borrowings	(791)	(456)	
(19)	(10)	Dividends	(196)	(215)	
-	-	Other changes	9	(2)	
(296)	(277)	Net cash from financing activities	(978)	(673)	
64	163	Net cash used for continuing operations	(1,021)	(616)	
(11)	-	Cash flows from discontinued operations	(25)	(2)	
53	163	Net change in cash and cash equivalents of total operations	(1,046)	(618)	
49	(44)	Effect of exchange rate changes on cash and cash equivalents	54	10	
1,028	1,041	Cash and cash equivalents at September 30	1,028	1,041	

Cash flows and net debt

Operating activities in Q3 resulted in a cash inflow of €583 million (2014: €489 million). The change is mainly due to:

- Higher profit for the period
- Higher cash inflows from working capital

Net cash from continuing operations for the quarter was positive €163 million. Net debt in Q3 decreased to €1,727 million (Q2 2015: €2,138 million), mainly due to net cash from operating activities.

Outlook and 2015 targets

Market outlook is unchanged: positive trends in North America, no improvement for Europe overall as well as a challenging environment in some countries, including Russia, Brazil and China. Based on current rates, the positive impact of foreign currencies is expected to moderate in the 4th quarter. The significant actions taken in recent years form a sound basis for further 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, October 22, 2015
The Board of Management

Quarterly statistics

					2014		2015				
Q1	Q2	Q3	Q4	year	in € millions	Q1	Q2	Q3	year-to-date		
Revenue											
865	1,074	1,050	920	3,909	Decorative Paints	890	1,134	1,052	3,076		
1,319	1,434	1,420	1,416	5,589	Performance Coatings	1,430	1,550	1,493	4,473		
1,222	1,228	1,239	1,194	4,883	Specialty Chemicals	1,296	1,290	1,235	3,821		
(23)	(26)	(23)	(13)	(85)	Other activities/eliminations	(25)	(25)	(20)	(70)		
3,383	3,710	3,686	3,517	14,296	Total	3,591	3,949	3,760	11,300		
EBITDA											
56	141	150	58	405	Decorative Paints	88	165	159	412		
163	212	170	142	687	Performance Coatings	206	257	246	709		
204	204	232	175	815	Specialty Chemicals	242	243	242	727		
(59)	(48)	(65)	(45)	(217)	Other activities/eliminations	(74)	(55)	(57)	(186)		
364	509	487	330	1,690	Total	462	610	590	1,662		
10.8	13.7	13.2	9.4	11.8	EBITDA margin (in %)	12.9	15.4	15.7	14.7		
Depreciation											
(27)	(26)	(27)	(29)	(109)	Decorative Paints	(26)	(26)	(27)	(79)		
(27)	(24)	(25)	(25)	(101)	Performance Coatings	(25)	(26)	(26)	(77)		
(60)	(64)	(64)	(68)	(256)	Specialty Chemicals	(66)	(68)	(66)	(200)		
(3)	(3)	(3)	(2)	(11)	Other activities/eliminations	(3)	(3)	(1)	(7)		
(117)	(117)	(119)	(124)	(477)	Total	(120)	(123)	(120)	(363)		
Amortization											
(12)	(13)	(10)	(13)	(48)	Decorative Paints	(12)	(11)	(11)	(34)		
(10)	(10)	(10)	(11)	(41)	Performance Coatings	(11)	(11)	(10)	(32)		
(9)	(16)	(12)	(14)	(51)	Specialty Chemicals	(13)	(13)	(13)	(39)		
-	-	(1)	-	(1)	Other activities/eliminations	-	-	-	-		
(31)	(39)	(33)	(38)	(141)	Total	(36)	(35)	(34)	(105)		
Operating income excluding incidentals											
17	102	113	16	248	Decorative Paints	50	128	121	299		
126	178	135	106	545	Performance Coatings	170	220	210	600		
135	124	156	93	508	Specialty Chemicals	163	162	163	488		
(62)	(51)	(69)	(47)	(229)	Other activities/eliminations	(77)	(58)	(58)	(193)		
216	353	335	168	1,072	Total	306	452	436	1,194		
Operating income											
17	102	113	16	248	Decorative Paints	50	128	121	299		
126	178	135	106	545	Performance Coatings	170	220	210	600		
135	124	156	93	508	Specialty Chemicals	163	192	163	518		
(62)	(51)	(69)	(132)	(314)	Other activities/eliminations	(77)	(54)	(58)	(189)		
216	353	335	83	987	Total	306	486	436	1,228		
6.4	9.5	9.1	2.4	6.9	ROS (in %)	8.5	12.3	11.6	10.9		

Quarterly statistics

					2014					2015
Q1	Q2	Q3	Q4	year	in € millions	Q1	Q2	Q3	year-to-date	
Incidentals per Business Area										
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	30	-	-	30
-	-	-	(85)	(85)	(85)	-	4	-	-	4
-	-	-	(85)	(85)	Total	-	34	-	-	34
Reconciliation net financing expense										
12	9	9	12	42	Financing income	10	4	7	21	
(44)	(37)	(36)	(40)	(157)	Financing expenses	(38)	(31)	(29)	(98)	
(32)	(28)	(27)	(28)	(115)	Net interest on net debt	(28)	(27)	(22)	(77)	
Other interest movements										
(5)	(4)	(4)	(5)	(18)	Financing expenses related to pensions	(4)	(3)	(4)	(11)	
(4)	(11)	(8)	(9)	(32)	Interest on provisions	(9)	(1)	(7)	(17)	
4	3	1	1	9	Other items	-	4	5	9	
(5)	(12)	(11)	(13)	(41)	Net other financing charges	(13)	-	(6)	(19)	
(37)	(40)	(38)	(41)	(156)	Net financing expenses	(41)	(27)	(28)	(96)	
Quarterly net income analysis										
6	6	6	3	21	Results from associates and joint ventures	(2)	8	6	12	
(16)	(24)	(16)	(16)	(72)	Profit attributable to non-controlling interests	(18)	(27)	(16)	(61)	
185	319	303	45	852	Profit before tax	263	467	414	1,144	
(43)	(89)	(84)	(36)	(252)	Income tax	(82)	(108)	(114)	(304)	
142	230	219	9	600	Profit for the period from continuing operations	181	359	300	840	
23	28	28	80	30	Effective tax rate (in %)	31	23	28	27	

Quarterly statistics

	Q1	Q2	Q3	Q4	2014 year		Q1	Q2	Q3	2015 year-to-date
Earnings per share from continuing operations (in €)										
	0.52	0.84	0.83	(0.03)	2.16	Basic	0.66	1.35	1.15	3.15
	0.52	0.83	0.82	(0.03)	2.15	Diluted	0.66	1.34	1.14	3.13
Earnings per share from discontinued operations (in €)										
	0.01	–	0.01	0.06	0.07	Basic	(0.01)	(0.01)	–	(0.01)
	0.01	–	0.01	0.06	0.07	Diluted	(0.01)	(0.01)	–	(0.01)
Earnings per share from total operations (in €)										
	0.53	0.84	0.84	0.03	2.23	Basic	0.65	1.34	1.15	3.14
	0.53	0.83	0.83	0.03	2.22	Diluted	0.65	1.33	1.14	3.12
Number of shares (in millions)										
	243.0	244.4	245.4	245.7	244.7	Weighted average number of shares	246.4	247.7	248.4	247.5
	243.4	245.4	245.4	246.0	246.0	Number of shares at end of quarter	246.9	248.4	248.4	248.4
Adjusted earnings (in € millions)										
	185	319	303	45	852	Profit before tax from continuing operations	263	467	414	1,144
	–	–	–	85	85	Incidentals reported in operating income	–	(34)	–	(34)
	31	39	33	38	141	Amortization of intangible assets	36	35	34	105
	(52)	(101)	(94)	(72)	(319)	Adjusted income tax	(93)	(118)	(125)	(336)
	(16)	(24)	(16)	(16)	(72)	Non-controlling interests	(18)	(27)	(16)	(61)
	148	233	226	80	687	Adjusted net income for continuing operations	188	323	307	818
	0.61	0.95	0.92	0.33	2.81	Adjusted earnings per share (in €)	0.76	1.30	1.24	3.30

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 and also include country holdings. Pensions reflects pension costs after the elimination of interest cost (reported as financing expenses). Insurances are the results from our captive insurance companies. Other costs include the cost of share-based compensation, the results of treasury and legacy operations.

Glossary

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

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

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, 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 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.

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.

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Financial calendar

Ex-dividend of 2015 interim dividend	October 26, 2015
Record date of 2015 interim dividend	October 27, 2015
Election period cash or stock interim dividend	October 28, 2015 – November 19, 2015
Payment date of cash dividend and delivery of new shares	November 26, 2015
Report for the year 2015 and the 4 th quarter	February 10, 2016
Report for the 1 st quarter 2016	April 19, 2016
Annual General Meeting of shareholders	April 20, 2016
Report for the 2 nd quarter 2016	July 19, 2016
Report for the 3 rd quarter 2016	October 19, 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 46,000 people in around 80 countries, while our portfolio includes well-known brands such as Dulux, Sikkens, International, Interpon and Eka. Consistently ranked as one of the leaders in the area of sustainability, we are committed to making life more liveable and our cities more human.