

Condensed financial statements

Consolidated statement of income

Fourth quarter				January-December	
2014	2015 in € millions		2014	2015	
Continuing operations					
3,517	3,559	Revenue	14,296	14,859	
(2,160)	(2,131)	Cost of sales	(8,676)	(8,784)	
1,357	1,428	Gross profit	5,620	6,075	
(1,189)	(1,160)	SG&A costs	(4,548)	(4,613)	
(85)	77	Incidentals	(85)	111	
83	345	Operating income	987	1,573	
(41)	(18)	Net financing expenses	(156)	(114)	
3	5	Results from associates and joint ventures	21	17	
45	332	Profit before tax	852	1,476	
(36)	(112)	Income tax	(252)	(416)	
9	220	Profit for the period from continuing operations	600	1,060	
Discontinued operations					
14	9	Profit for the period from discontinued operations	18	6	
23	229	Profit for the period	618	1,066	
Attributable to					
7	203	Shareholders of the company	546	979	
16	26	Non-controlling interests	72	87	
23	229	Profit for the period	618	1,066	

Consolidated statement of comprehensive income

Fourth quarter				January-December	
2014	2015 in € millions		2014	2015	
23	229	Profit for the period	618	1,066	
Other comprehensive income					
56	105	Exchange differences arising on translation of foreign operations	433	137	
(12)	(13)	Cash flow hedges	–	(30)	
291	242	Post-retirement benefits	(589)	(191)	
(21)	–	Tax relating to components of other comprehensive income	18	7	
314	334	Other comprehensive income for the period (net of tax)	(138)	(77)	
337	563	Comprehensive income for the period	480	989	
Comprehensive income for the period attributable to					
311	530	Shareholders of the company	365	887	
26	33	Non-controlling interests	115	102	
337	563	Comprehensive income for the period	480	989	

Condensed consolidated balance sheet

in € millions	December 31, 2014	December 31, 2015
Assets		
Non-current assets		
Intangible assets	4,142	4,156
Property, plant and equipment	3,835	4,003
Other financial non-current assets	2,148	2,125
Total non-current assets	10,125	10,284
Current assets		
Inventories	1,545	1,504
Trade and other receivables	2,743	2,741
Cash and cash equivalents	1,732	1,365
Other current assets	88	69
Assets held for sale	66	-
Total current assets	6,174	5,679
Total assets	16,299	15,963
Equity and liabilities		
Total equity		
	6,267	6,980
Non-current liabilities		
Provisions and deferred tax liabilities	2,555	2,225
Long-term borrowings	2,527	2,161
Total non-current liabilities	5,082	4,386
Current liabilities		
Short-term borrowings	811	430
Trade and other payables	3,407	3,473
Other short-term liabilities	721	694
Liabilities held for sale	11	-
Total current liabilities	4,950	4,597
Total equity and liabilities	16,299	15,963

Shareholders' equity

Shareholders' equity increased from €5.8 billion at year-end 2014 to €6.5 billion at year-end 2015, mainly due to the net effect of:

- Net income of €979 million
- Positive currency effect of €124 million
- Actuarial impact of post-retirement benefits of €193 million, including €384 million for de-risking of pension liabilities as well as assumption and triennial valuation remeasurements
- Dividend payments of €222 million

Dividend

Our dividend policy is to pay a stable to rising dividend. We will propose a 2015 final dividend of €1.20 per share, which would make a total 2015 dividend of €1.55 (2014: €1.45) per share, up 7 percent. 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-controlling interests	Group equity
Balance at January 1, 2014	485	319	(19)	(417)	5,226	5,594	427	6,021
Profit for the period	-	-	-	-	546	546	72	618
Other comprehensive income	-	-	-	374	(555)	(181)	43	(138)
Comprehensive income for the period	-	-	-	374	(9)	365	115	480
Dividend paid	5	137	-	-	(354)	(212)	(68)	(280)
Equity-settled transactions	-	-	-	-	34	34	-	34
Issue of common shares	2	7	-	-	-	9	3	12
Balance at December 31, 2014	492	463	(19)	(43)	4,897	5,790	477	6,267
Balance at January 1, 2015	492	463	(19)	(43)	4,897	5,790	477	6,267
Profit for the period	-	-	-	-	979	979	87	1,066
Other comprehensive income	-	-	(23)	124	(193)	(92)	15	(77)
Comprehensive income for the period	-	-	(23)	124	786	887	102	989
Dividend paid	4	137	-	-	(363)	(222)	(86)	(308)
Equity-settled transactions	-	-	-	-	32	32	-	32
Issue of common shares	2	(2)	-	-	-	-	2	2
Acquisitions and divestments	-	-	-	-	(3)	(3)	1	(2)
Balance at December 31, 2015	498	598	(42)	81	5,349	6,484	496	6,980

Invested capital

Invested capital at year-end 2015 totaled €9.8 billion; slightly down on year-end 2014, mainly as a result of lower operating working capital, driven by improvements in inventories. In 2015, we invested €651 million in property, plant and equipment.

Pensions

The net balance sheet position (IAS19) of the pension plans at year-end 2015 was a deficit of €0.6 billion (year-end 2014: €0.8 billion). This was the result of the net effect of:

- Lower asset returns
- De-risking of pension liabilities through non-cash buy-in transactions of £1.7 billion (€2.4 billion) in 2015, which led to an impact of €384 million in Other comprehensive income

Offset by:

- Top-up payments of €350 million, predominantly into certain UK pension plans
- Higher discount rates in the key countries
- Experience gains in plan liabilities following triennial valuation remeasurements

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

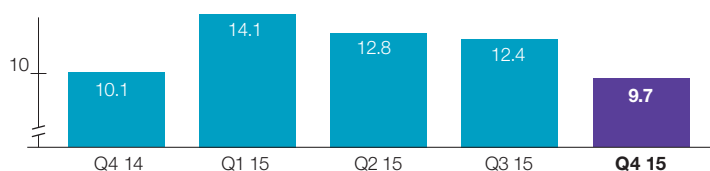
At year-end 2015, the workforce was 3 percent lower at 45,600 employees (year-end 2014: 47,200 employees) due to ongoing restructuring and divestments.

Invested capital

in € millions	December 31, 2014	December 31, 2015
Trade receivables	2,246	2,267
Inventories	1,545	1,504
Trade payables	(2,373)	(2,386)
Operating working capital	1,418	1,385
Other working capital items	(676)	(787)
Non-current assets	10,125	10,284
Less investments in associates and joint ventures	(183)	(165)
Less pension assets	(409)	(528)
Deferred tax liabilities	(412)	(360)
Invested capital	9,863	9,829

Operating working capital

In % of revenue



Operating working capital

in € millions, % of revenue	December 31, 2014		December 31, 2015	
Decorative Paints	202	5.5	162	4.4
Performance Coatings	733	12.9	734	12.4
Specialty Chemicals	587	12.3	557	11.9
Other activities	(104)		(68)	
Total	1,418	10.1	1,385	9.7

Condensed consolidated statement of cash flows

Fourth quarter		in € millions		January - December	
2014	2015		2014	2015	
1,028	1,041	Cash and cash equivalents at beginning of period	2,020	1,649	
Adjustments to reconcile earnings to cash generated from operating activities					
9	220	Profit for the period from continuing operations	600	1,060	
162	158	Amortization and depreciation	618	626	
364	496	Changes in working capital	28	46	
(4)	(88)	Changes in provisions	(406)	(658)	
(50)	(18)	Other changes	(29)	62	
481	768	Net cash from operating activities	811	1,136	
(186)	(228)	Capital expenditures	(588)	(651)	
32	29	Acquisitions and divestments net of cash acquired	38	151	
(2)	2	Other changes	21	(8)	
(156)	(197)	Net cash from investing activities	(529)	(508)	
424	(233)	Changes from borrowings	(367)	(689)	
(84)	(66)	Dividends	(280)	(281)	
3	-	Other changes	12	(2)	
343	(299)	Net cash from financing activities	(635)	(972)	
668	272	Net cash used for continuing operations	(353)	(344)	
(63)	(4)	Cash flows from discontinued operations	(88)	(6)	
605	268	Net change in cash and cash equivalents of total operations	(441)	(350)	
16	8	Effect of exchange rate changes on cash and cash equivalents	70	18	
1,649	1,317	Cash and cash equivalents at December 31, 2015	1,649	1,317	

Cash flows and net debt

Operating activities in 2015 resulted in cash inflows of €1,136 million (2014: €811 million). The change was mainly due to higher profit for the period and improved working capital, partly offset by higher cash outflow from restructuring programs.

In Q1, a €621 million bond was repaid from existing resources.

Net debt at year-end 2015 was lower at €1,226 million compared with year-end 2014 (€1,606 million). During Q4 2015, net debt decreased to €1,226 million (Q3 2015: €1,727 million), mainly due to higher profit for the period and reduction of working capital.

Outlook and 2016 guidance

We expect 2016 to be a challenging year. Difficult market conditions continue in Brazil, China and Russia. No significant improvement is anticipated in Europe, particularly in the Buildings and Infrastructure segment. Deflationary pressures continue and currency tailwinds are moderating.

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

Amsterdam, February 10, 2016
The Board of Management

Quarterly statistics

					2014						2015
Q1	Q2	Q3	Q4	year	in € millions	Q1	Q2	Q3	Q4	year	
Revenue											
865	1,074	1,050	920	3,909	Decorative Paints	890	1,134	1,052	931	4,007	
1,319	1,434	1,420	1,416	5,589	Performance Coatings	1,430	1,550	1,493	1,482	5,955	
1,222	1,228	1,239	1,194	4,883	Specialty Chemicals	1,296	1,290	1,235	1,167	4,988	
(23)	(26)	(23)	(13)	(85)	Other activities/eliminations	(25)	(25)	(20)	(21)	(91)	
3,383	3,710	3,686	3,517	14,296	Total	3,591	3,949	3,760	3,559	14,859	
EBITDA											
56	141	150	58	405	Decorative Paints	88	165	159	83	495	
163	212	170	142	687	Performance Coatings	206	257	246	229	938	
204	204	232	175	815	Specialty Chemicals	242	243	242	171	898	
(59)	(48)	(65)	(45)	(217)	Other activities/eliminations	(74)	(55)	(57)	(57)	(243)	
364	509	487	330	1,690	Total	462	610	590	426	2,088	
10.8	13.7	13.2	9.4	11.8	EBITDA margin (in %)	12.9	15.4	15.7	12.0	14.1	
Depreciation											
(27)	(26)	(27)	(29)	(109)	Decorative Paints	(26)	(26)	(27)	(26)	(105)	
(27)	(24)	(25)	(25)	(101)	Performance Coatings	(25)	(26)	(26)	(27)	(104)	
(60)	(64)	(64)	(68)	(256)	Specialty Chemicals	(66)	(68)	(66)	(69)	(269)	
(3)	(3)	(3)	(2)	(11)	Other activities/eliminations	(3)	(3)	(1)	(2)	(9)	
(117)	(117)	(119)	(124)	(477)	Total	(120)	(123)	(120)	(124)	(487)	
Amortization											
(12)	(13)	(10)	(13)	(48)	Decorative Paints	(12)	(11)	(11)	(11)	(45)	
(10)	(10)	(10)	(11)	(41)	Performance Coatings	(11)	(11)	(10)	(10)	(42)	
(9)	(16)	(12)	(14)	(51)	Specialty Chemicals	(13)	(13)	(13)	(12)	(51)	
-	-	(1)	-	(1)	Other activities/eliminations	-	-	-	(1)	(1)	
(31)	(39)	(33)	(38)	(141)	Total	(36)	(35)	(34)	(34)	(139)	
Operating income excluding incidentals											
17	102	113	16	248	Decorative Paints	50	128	121	46	345	
126	178	135	106	545	Performance Coatings	170	220	210	192	792	
135	124	156	93	508	Specialty Chemicals	163	162	163	90	578	
(62)	(51)	(69)	(47)	(229)	Other activities/eliminations	(77)	(58)	(58)	(60)	(253)	
216	353	335	168	1,072	Total	306	452	436	268	1,462	
Operating income											
17	102	113	16	248	Decorative Paints	50	128	121	46	345	
126	178	135	106	545	Performance Coatings	170	220	210	192	792	
135	124	156	93	508	Specialty Chemicals	163	192	163	91	609	
(62)	(51)	(69)	(132)	(314)	Other activities/eliminations	(77)	(54)	(58)	16	(173)	
216	353	335	83	987	Total	306	486	436	345	1,573	
6.4	9.5	9.1	2.4	6.9	ROS (in %)	8.5	12.3	11.6	9.7	10.6	

Quarterly statistics

					2014						2015
Q1	Q2	Q3	Q4	year	in € millions	Q1	Q2	Q3	Q4	year	
Incidentals per Business Area											
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	30	-	1	31	
-	-	-	(85)	(85)	(85)	-	4	-	76	80	
-	-	-	(85)	(85)	Total	-	34	-	77	111	
Reconciliation net financing expense											
12	9	9	12	42	Financing income	10	4	7	7	28	
(44)	(37)	(36)	(40)	(157)	Financing expenses	(38)	(31)	(29)	(27)	(125)	
(32)	(28)	(27)	(28)	(115)	Net interest on net debt	(28)	(27)	(22)	(20)	(97)	
Other interest movements											
(5)	(4)	(4)	(5)	(18)	Financing expenses related to pensions	(4)	(3)	(4)	(2)	(13)	
(4)	(11)	(8)	(9)	(32)	Interest on provisions	(9)	(1)	(7)	-	(17)	
4	3	1	1	9	Other items	-	4	5	4	13	
(5)	(12)	(11)	(13)	(41)	Net other financing charges	(13)	-	(6)	2	(17)	
(37)	(40)	(38)	(41)	(156)	Net financing expenses	(41)	(27)	(28)	(18)	(114)	
Quarterly net income analysis											
6	6	6	3	21	Results from associates and joint ventures	(2)	8	6	5	17	
(16)	(24)	(16)	(16)	(72)	Profit attributable to non-controlling interests	(18)	(27)	(16)	(26)	(87)	
185	319	303	45	852	Profit before tax	263	467	414	332	1,476	
(43)	(89)	(84)	(36)	(252)	Income tax	(82)	(108)	(114)	(112)	(416)	
142	230	219	9	600	Profit for the period from continuing operations	181	359	300	220	1,060	
23	28	28	80	30	Effective tax rate (in %)	31	23	28	34	28	

Quarterly statistics

					2014						2015
Q1	Q2	Q3	Q4	year		Q1	Q2	Q3	Q4	year	
Earnings per share from continuing operations (in €)											
0.52	0.84	0.83	(0.03)	2.16	Basic	0.66	1.35	1.15	0.78	3.93	
0.52	0.83	0.82	(0.03)	2.15	Diluted	0.66	1.34	1.14	0.77	3.90	
Earnings per share from discontinued operations (in €)											
0.01	–	0.01	0.06	0.07	Basic	(0.01)	(0.01)	–	0.04	0.02	
0.01	–	0.01	0.06	0.07	Diluted	(0.01)	(0.01)	–	0.04	0.02	
Earnings per share from total operations (in €)											
0.53	0.84	0.84	0.03	2.23	Basic	0.65	1.34	1.15	0.82	3.95	
0.53	0.83	0.83	0.03	2.22	Diluted	0.65	1.33	1.14	0.81	3.92	
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	248.7	247.8	
243.4	245.4	245.4	246.0	246.0	Number of shares at end of quarter	246.9	248.4	248.4	249.0	249.0	
Adjusted earnings (in € millions)											
185	319	303	45	852	Profit before tax from continuing operations	263	467	414	332	1,476	
–	–	–	85	85	Incidentals reported in operating income	–	(34)	–	(77)	(111)	
31	39	33	38	141	Amortization of intangible assets	36	35	34	34	139	
(52)	(101)	(94)	(72)	(319)	Adjusted income tax	(93)	(118)	(125)	(85)	(421)	
(16)	(24)	(16)	(16)	(72)	Non-controlling interests	(18)	(27)	(16)	(26)	(87)	
148	233	226	80	687	Adjusted net income for continuing operations	188	323	307	178	996	
0.61	0.95	0.92	0.33	2.81	Adjusted earnings per share (in €)	0.76	1.30	1.24	0.72	4.02	

Notes to the condensed financial statements

Accounting policies and restatements

The full-year 2015 numbers included in the primary statements are derived from the financial statements 2015. 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 general meeting of shareholders. In accordance with section 393 of Book 2 of the Netherlands Civil Code, KPMG Accountants N.V. has issued an unqualified auditor's opinion on these financial statements, which will be published on February 23, 2016. All quarterly figures are unaudited. In 2015 some new IFRS have been implemented, however, these have not had any impact 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.

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

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 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

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Financial calendar

Annual report 2015	February 23, 2016
Report for Q1 2016	April 19, 2016
Annual General Meeting of shareholders	April 20, 2016
Ex-dividend date of 2015 final dividend	April 22, 2016
Record date of 2015 final dividend	April 25, 2016
Election period cash or stock dividend	April 26, 2016 - May 11, 2016
	May 13, 2016
Determination of exchange ratio	
Payment date of cash dividend and delivery of new shares	May 19, 2016
Report for Q2 2016	July 19, 2016
Report for Q3 2016	October 19, 2016
Report for the full-year 2016 and the fourth quarter	February 15, 2017



www.akzonobel.com

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.