



ANNUAL ACCOUNTS OF AKZO NOBEL SWEDEN FINANCE AB (publ) AND CONSOLIDATED ACCOUNTS OF THE GROUP 2014

Akzo Nobel Sweden Finance AB (publ)
Company identification number 556768-4062
January 1, 2014 – December 31, 2014

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1. Administration report

Scope and type of operations

General

Akzo Nobel Sweden Finance AB (publ) (the Company) was incorporated as a public limited liability company under the laws of the Kingdom of Sweden on October 30, 2008 with registration number 556768-4062. It is domiciled in the Kingdom of Sweden. The registered office of the Company is at c/o Akzo Nobel Pulp and Performance Chemicals AB, SE-445 80 Bohus, Sweden and the telephone number of its registered office is +46 31 58 70 00.

We have prepared the financial statements of the Company and the consolidated accounts of the Group in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are companies over which the Company has directly and/or indirectly the power to control the financial and operating policies so as to obtain benefits, hereafter referred to as the Group.

The Company has a Board of Directors consisting of seven members. The Board of Directors is responsible for managing the business of the Company in accordance with Swedish law and the Company's Articles of Association. The Board of Directors also represents the Company in its dealings with third parties and in court.

The members of the Board of Directors of the Company, their functions and their principal activities outside the Company and its subsidiaries, where these are significant, are as follows:

Name	Principal activities
Remko van de Peppel, Chairman	Global manager, global finance
Daniel Karlsson	Senior legal counsel
Gijsberth de Ruiter	Director finance - Business unit Pulp and performance Chemicals
Jacq Derckx	Director Specialist accounting & governance - Akzo Nobel N.V.
Anita Lindqvist	Director Human resources - Sweden
Anna-Lena Palm	Employee representative, Product specialist.
Rolf Eriksson	Employee representative, Property Technician Infrastructure.
Esbjörn Boman	Deputy employee representative
Dennis Ljunggren	Deputy employee representative

The Managing Director of the Company is Bjarne Kristiansson.

None of the members of the Board of Directors have any potential conflict of interests between duties to the Company or AkzoNobel N.V. ("the Guarantor"), and their private interests or other duties.

Objective

The object of the company's business is to carry on the business of a finance company, including lending, borrowing and the issuing of guarantees; directly or indirectly to own and manage movable and immovable property; and any other activities compatible therewith, as well as to provide administrative and other corporate services to companies in which the company directly or indirectly owns shares and carry on any other activities compatible therewith. The company shall, however, not carry on such business as is subject to regulatory authorization in accordance with the Swedish Act (2004:297) on Banking Business and Financing Operations.

Business review

The Company was incorporated on October 30, 2008, with Akzo Nobel N.V. (Parent Company and Guarantor) being the sole shareholder. On December 12, 2008, the Company placed a 7.75 percent €1 billion bond with an issue price of 99.552 percent of the principle amount. The bond matured on January 31, 2014. In December 2011, the Company participated in the refinancing of the bond loan through the Parent Company. The Company bought back bonds with a nominal value of €175 million for a consideration of €207 million. The remaining nominal amount of the bond after the buyback amounted to €825 million. In January 2014 the total amount was redeemed.

On July 27, 2012, an additional €750 million bond loan was issued by the Company, at a 2.625 percent coupon rate. The €750 million bond matures on July 27, 2022.

Interest on the bonds is payable annually in arrears. The bonds are listed on the Luxembourg stock exchange. The Parent Company has fully guaranteed the Company's completion of its payment obligations which follow from the bond terms.

At the date of issue of the €1 billion bond with a nominal interest rate of 7.75 percent in 2008, the Company entered into a contract ("Cross-Guarantee") giving the creditors of the Company a guarantee from the Parent Company of completion of the payment obligations in accordance with the bonds' contractual terms. The contract also involves the Company taking the correspondent obligation to complete the Parent Company's payment obligations in accordance with certain bond programs and external credit arrangements amounting to €2.396 million on December 31, 2014 (on December 31, 2013: €1.514 million). The purpose of this Cross-Guarantee is to ensure that creditors in respect of the debt guaranteed by the Cross-Guarantee are placed in a substantially equivalent structural position to the holders of bonds issued by the Company.

The Parent Company has undertaken to make a capital contribution in order to ensure that the equity of the Company will at all times amount to at least the registered share capital.

From January 1, 2013, the Company has expanded its business and now also include administrative and corporate services for the Swedish companies within the areas of Human Resource, Legal, Intellectual Property, Communication and HSE.

Significant events during and after the financial year 2014

General development

Revenue decreased compared to the previous year as a result of divestments, adverse currency effects and a negative price/mix effect. Total revenue amounted to €1.626 million (€1.770 million). The challenging market conditions in Europe continue and volume development has been flat. The divestment of Building Adhesives and Purate in 2013 has had a negative effect on sales. Operating profit amounted to €101 million compared to €114 million in 2013.

During 2014 there has been a strong focus on operating efficiency with a new organization being introduced in Performance Coatings and a new operating model being implemented for the units in Decorative Paints. Within Akzo Nobel, a program for increased efficiency in all support functions (HR, IM, Finance etc.) has been introduced. As a result of these activities, substantial cost for restructuring has been incurred. These costs have been partly offset by savings as a result of earlier programs.

In 2014, a civil damage claim relating to Sodium chlorate sales was settled. A total cost of €18.3 million has been incurred as a part of other operating expenses.

In 2014, the company repaid a €825 million, 7.75 percent, bond loan. The repayment was financed by a €750 million, 2.625 percent, bond loan issued in 2012 and additional capital injections made in 2013. This refinancing of the Group has substantially decreased the financial expenses of the Group to €32.0 million (2013 €86.7 million). Earnings after tax amounted to €48.5 million (2013 €20.0).

Tax audit

There has been a tax audit on the company during 2014 for the years 2012-2013. The tax authorities have questioned the interest level on intercompany loans. The tax authorities have decided to change the taxable result for the company for the years 2012-2013 as a result of the audit. Deferred tax assets related to losses carried forward have been reduced with €1.4 million to reflect this decision. The audit adjustment has been included in the tax expenses in 2014.

Acquisitions/divestments

Specialty Chemicals announced the intended sales of its Paper Chemicals portfolio. The business is currently part of Pulp and Performance Chemicals. The transaction is expected to be completed in 2015, subject to closing conditions such as receipt of required regulatory clearances. For the units in Sweden this mainly affects transfer of inventory and assets at customer sites.

In December 2014, fixed assets of €457k and inventory of €3.285k were attributable to the business to be divested.

In 2013, the Performance Additives business in Functional Chemicals AB was divested to another AkzoNobel company outside of the Swedish Group, this generated a positive effect on earnings in the Group of €10.8 million in 2013. As a consequence of organizational changes this transaction has been reversed in 2014 with a negative impact of €9.1 million in 2014.

Incidental items – restructuring measures

A total loss of €42 million was related to incidental items in 2014 (2013: €4 million loss). This mainly related to reorganization cost €21 million and antitrust settlements of €18 million.

Significant events after the financial year

There are no significant events to report.

Ownership

The Company is a wholly-owned subsidiary of the Parent Company, which is a public limited liability company (Naamloze Vennootschap) incorporated in the Netherlands, with registered office at Strawinskylaan 2555, 1077 ZZ Amsterdam (telephone number +31 20 502 7555).

Since the Group is an integrated part of the AkzoNobel Group there is no separate management for units in the Group. Management and control is carried out through the organizational structure in the AkzoNobel Group, therefore the same operational reporting structure is used. The AkzoNobel Group is organized in three segments:

- Decorative Paints
- Performance Coatings
- Specialty Chemicals

Governance and compliance

The Group is an integrated part of the AkzoNobel Group, therefore the corporate governance structure is used.

Audit Committee

The Audit Committee consists of three members from the Board of Directors; Remko van de Peppel, Jacq Derckx and Gijsberth de Ruiter, and is chaired by Remko van de Peppel. Discussions regularly focus on financial statements, internal and external control procedures, risk management, internal auditing reports, planning, tax and the external auditor's performance and independence. The Audit Committee also discussed topics including:

- Compliance within the Group
- Environmental liabilities
- Treasury department transformation

Corporate governance statement

The Company is a public limited liability company established under the laws of Sweden. The Board of Directors is responsible for managing and supervision of the business of the Company. Our corporate governance structure is based on the requirements of the Swedish Company's Act, the Company's Articles of Association and the rules and regulations applicable to companies listed on the Luxembourg stock exchange, complemented by several internal procedures. These procedures include a risk management and control system, as well as a system of assurance of compliance with laws and regulations.

The Board of Directors is of the opinion that the Company's corporate governance structure is the most appropriate for the Company at this point in time.

Board of Directors

The Board of Directors is entrusted with the management of the Company. Among other responsibilities, the members of the Board establish the policies and manage the Company's day-to-day operations.

The members of the Board of Directors are appointed to, and removed from, office by the Annual General Meeting of shareholders.

Remuneration

No remuneration has been paid to the members of the Board of Directors or to the Managing Director.

Risk management and (financial) reporting

Internal risk management and control systems are in place. We have strict procedures for internal and disclosure controls and auditor independence. The Audit Committee monitors the procedures established by the Company to ensure adequate and timely disclosure of material financial and non-financial information. A separate internal control function is operational to secure compliance with the Company's internal control requirements. The AkzoNobel Group wide internal control self-assessment was strengthened and aligned with a number of other internal representation and compliance processes.

Auditors

The external auditor is appointed by the Company at the Annual General Meeting of shareholders. The appointment is for the time until the end of the next annual shareholders' meeting. The Audit Committee and the Board of Directors annually evaluate their dealings with the external auditor and discuss the auditor's independence.

Inside information and insider trading, Code of Conduct, Code of Financial Ethics and complaints procedure

Members of the Board of Directors are subject to the AkzoNobel Group Code on Insider Trading, which limits their opportunities to trade in the Parent Company – and in certain circumstances – other Company shares. The AkzoNobel Group Code on Insider Trading states that carrying out transactions in the Parent Company securities – as well as securities other than the Parent Company's securities – is prohibited if the person concerned has inside information regarding such securities. Furthermore, the Compliance Officer may determine that Board of Directors and certain designated employees may not carry out transactions in the Parent Company securities, or other securities, both during and outside a closed period.

A comprehensive Code of Conduct, followed by officers and employees committed to individual and corporate integrity, is one of the critical foundations of good corporate governance. AkzoNobel Group's Code of Conduct, which incorporates our business principles, sets out the Company's position.

We have established several procedures to arrange for company-wide dissemination of the Code of Conduct and training. We have also established procedures to monitor compliance with the code in general, and certain of its provisions in particular, and to provide for its enforcement.

Information about risks and uncertainties

The Board of Directors is responsible for the internal control and the management of risks within the Company and for the assessment of the effectiveness of these control systems. Such control systems were set up in cooperation with the Parent Company to identify and subsequently manage the credit and interest rate risks, which could endanger the realization of the objectives of the Company.

Our activities expose us to a variety of financial risks: market risk (including: currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk. Our overall risk management program seeks to identify, assess, and – if necessary – mitigate these financial risks in order to minimize potential adverse effects on our financial performance. Our risk mitigating activities include the use of derivative financial instruments to hedge certain risk exposures.

As a subsidiary to Akzo Nobel N.V. the Company has adopted the risk management system of the Parent Company. The Board of Management of the Parent Company is ultimately responsible for risk management. Day-to-day risk management activities are carried out by a central treasury department (Corporate Treasury) in line with clearly identified and formalized corporate policies and in line with the Treasury Statute. Corporate Treasury identifies, evaluates and hedges financial risks at a corporate level, and monitors compliance with the corporate policies approved by the Parent Company, except for commodity risks, which are subject to identification, evaluation and hedging at business unit level rather than at corporate level. For further descriptions of financial risks, see note 28.

Environmental information which is important to assess the Company's financial position and results of operations

The Company is confronted with substantial costs arising out of environmental laws and regulations, which include obligations to eliminate or limit the effects on the environment of the disposal or release of certain wastes or substances at various sites. Proceedings involving environmental matters, such as the alleged discharge of chemicals or waste materials into the air, water, or soil, are pending against companies in the Group. It is our policy to accrue and charge against earnings environmental clean-up costs when it is probable that a liability has materialized and an amount is reasonably estimable. These accruals are reviewed periodically and adjusted, if necessary, as assessments and clean-ups proceed and additional information becomes available. Environmental liabilities can change substantially due

to the emergence of additional information on the nature or extent of the contamination, the necessity of employing particular methods of remediation, actions by governmental agencies or private parties, or other factors. Cash expenditures often lag behind the period in which an accrual is recorded by a number of years.

The sites at Skoghall and Bohus are contaminated with mercury from previous chlor-alkali production. Mercury emissions are associated with those past activities. In Skoghall, the responsibility for the contamination of different operators at the site, past and present, is currently being investigated by the County Administrative Board. The provision made is based on the information available at the time being. All contaminated buildings at the Skoghall site have been demolished during 2014.

Statement of the Board of Directors on the financial statements and the management report

The Company has prepared this report in accordance with the Swedish Annual Accounts Act (1995:1554), the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for legal entities and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). RFR 2 means that the Company in its Annual Report shall comply with all IFRS and pronouncements adopted by the EU as far as possible within the boundaries of the Swedish Accounts Act, Tryggandelagen (TrL) and with consideration to the connection between accounting and taxation. The recommendation specifies which exceptions from and additions to IFRS should be made. However, the Company has not had to use any exceptions from IFRS.

To the best of our knowledge:

1. The financial statements in this report give a true and fair view of our assets and liabilities, and financial position at December 31, 2014, and of the result for the period January 1 to December 31, 2014.
2. The Business Review in this report includes a fair review of the development, performance and position of the Company and the Group, and describes the principal risks and uncertainties the Company and the Group faces.

Outlook

Although the net result of the Group improved significantly in 2014, the economic environment remains fragile and foreign currencies volatile. We will continue to restructure our businesses in 2015 to reduce our cost base further to offset the expected continued weak recovery.

Proposal for the appropriation of profits

The Group

The Group's equity amounts to €164.205 million, of which €48.486 million are the profit of the year.

The Company

The following profits are available for appropriation at the Annual General Meeting (in € thousands):

Profit brought forward from previous years	-108 781
Capital injection	341 127
Profit for the year	22 348
	254 694
The Board and Managing Director propose that	
the following be carried forward	254 694
	254 694

Proposal for the treatment of the profit

We recommend that this report for 2014 is adopted at the coming Annual General Meeting. In accordance with § 11 p. 7 in the Articles of Association, we recommend the Annual General Meeting to adopt the report, and to allocate the profit of the Company in accordance with the proposal and to discharge the members of the Board from liability.

Please refer to the following income statements, balance sheets and additional information regarding the Company's and the Group's profits and financial position in general. All amounts are in thousands of euro unless otherwise indicated.

2. THE GROUP INCOME STATEMENT

THE GROUP INCOME STATEMENT thousands €	Note	January 1, 2014 December 31, 2014	January 1, 2013 December 31, 2013
Revenue	1, 2	1 626 261	1 769 971
Cost of goods sold		-1 233 451	-1 386 697
Gross profit		392 810	383 274
Selling expenses		-128 376	-140 216
Administrative expenses		-93 466	-76 411
Research and development costs		-36 716	-45 587
Other operating expenses		-32 900	-6 650
Other operating income	3, 4, 5, 6	101 352	114 410
Result from financial investments			
Other interest income and similar profit/loss items		366	949
Interest expense and similar profit/loss items		-26 771	-86 460
Interest expense to group companies and other		-5 578	-1 201
Interest income / expense	8	-31 983	-86 712
Profit/ loss after financial items		69 369	27 698
Tax on profit for the year	9	-20 883	-7 679
NET PROFIT/ LOSS FOR THE YEAR		48 486	20 019
ATTRIBUTABLE TO:			
Shareholders of the company		48 162	19 582
Non-controlling interests		324	437
		48 486	20 019
STATEMENT OF COMPREHENSIVE INCOME			
thousands €		January 1, 2014 December 31, 2014	January 1, 2013 December 31, 2013
Net profit/loss for the period		48 486	20 019
Items that will never be reclassified to profit or loss			
Actuarial gains/losses		-9 002	5 513
Taxes related actuarial gains/losses		1 905	-1 213
Items that are or may be reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		-38 296	-15 241
Cash flow hedges		6 154	-7 014
Taxes related to comprehensive income		-1 354	1 543
Comprehensive income for the period		7 893	3 607
Comprehensive income attributable to:			
Shareholders of the company		7 353	3 170
Non-controlling interests		540	437
Comprehensive income for the period		7 893	3 607

3. THE GROUP BALANCE SHEET

THE GROUP BALANCE SHEET	Note	December 31, 2014	December 31, 2013
thousands €			
ASSETS			
Fixed assets			
Intangible assets			
Goodwill	10	58 679	63 112
Other intangible assets	11	40 553	49 431
		99 232	112 543
Tangible assets			
Land and buildings	12	49 713	57 013
Plant and machinery	13	176 986	194 345
Constructions in progress and advance payments for tangible assets	14	30 432	37 928
		257 131	289 286
Financial assets			
Participations in associated companies	16	117	124
Loans to partners or other closely related parties		745	905
Other long-term receivables	17	5 176	8 657
Deferred tax assets	9	306	0
		6 344	9 686
Total fixed assets		362 707	411 515
Current assets			
Inventories	18	150 068	155 011
Current receivables			
Accounts receivable trade	19	170 745	166 036
Receivables on other AkzoNobel units		54 304	64 912
Short-term securities	20	0	549 494
Other receivables		29 218	19 609
Prepaid expenses and accrued income		3 054	4 454
Current tax assets		11 813	19 045
		269 134	823 550
Cash and bank balances	21	254 934	484 355
Total current assets		674 136	1 462 916
TOTAL ASSETS		1 036 843	1 874 431

THE GROUP BALANCE SHEET**Note December 31, 2014 December 31, 2013**

thousands €

EQUITY AND LIABILITIES**Equity**

Share capital, 1000 shares		52	52
Capital contribution		341 127	341 127
Reserves		113 999	154 716
Result carried forward		-621 812	-669 974

Total equity related to majority owned interests		-166 634	-174 079
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Non-controlling interests		2 429	5 113
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Total equity		-164 205	-168 966
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Long-term liabilities

Bond loans	23	741 178	740 159
Long-term portion of provisions	22	66 936	75 497
Liabilities to group companies		16 076	536
Other long-term liabilities		1 780	1 125
Deferred tax liabilities	9	24 401	16 023
		850 371	833 340

Current liabilities

Accounts payable - trade		162 713	171 432
Current portion of provisions	22	29 196	19 077
Current portion of long-term liabilities		0	824 714
Liabilities to group companies		45 829	32 365
Other liabilities	24	97 899	93 045
Accrued expenses and deferred income	25	15 040	67 978
Current tax liability		0	1 446
		350 677	1 210 057

TOTAL EQUITY AND LIABILITIES		1 036 843	1 874 431
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MEMORANDUM ITEMS**31 december 2014 31 december 2013**

Pledged assets	26	70 000	72 082
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Contingent liabilities	27	2 396 000	1 524 961
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4. THE GROUP CHANGE IN EQUITY

THE GROUP CHANGE IN EQUITY

thousands €

The Group	Share capital	Additional paid in capital	Cash flow hedge reserve	Translation reserve	Other reserves and undistributed profits	Shareholders' equity	Non-controlling interests	Total equity
Amount brought forward January 1, 2013	52	111 127	14 912	160 455	-690 436	-403 890	1 317	-402 573
Net profit/loss for the year					19 582	19 582	437	20 019
Reclassification into the statement of income			6 155			6 155		6 155
Other comprehensive income			-13 169	-15 180	5 513	-22 836	-61	-22 897
Tax on other comprehensive income			1 543		-1 213	330		330
Capital contribution		230 000				230 000		230 000
Non-controlling interests of equity					-3 420	-3 420	3 420	0
Amount carried forward December 31, 2013	52	341 127	9 441	145 275	-669 974	-174 079	5 113	-168 966

The Group	Share capital	Additional paid in capital	Cash flow hedge reserve	Translation reserve	Other reserves and undistributed profits	Shareholders' equity	Non-controlling interests	Total equity
Amount brought forward January 1, 2014	52	341 127	9 441	145 275	-669 974	-174 079	5 113	-168 966
Net profit/loss for the year					48 162	48 162	324	48 486
Reclassification into the statement of income			13 506			13 506		13 506
Other comprehensive income			-7 352	-38 512	-9 002	-54 866	216	-54 650
Tax on other comprehensive income			-1 354		1 905	551		551
Total comprehensive income	0	0	4 800	-38 512	41 065	7 353	540	7 893
Reversal of share base payments					1 310	1 310		1 310
Capital contribution / dividend						0	-4 442	-4 442
Non-controlling interests of equity					-1 218	-1 218	1 218	0
Amount carried forward December 31, 2014	52	341 127	14 241	106 763	-628 817	-166 634	2 429	-164 205

The Company's issued share capital is €52k divided into 1,000 shares with a quota value of €52 each. Other paid in capital comprises shareholders' contribution totaling €341 million.

The Group uses energy forwards to secure the price level of electricity in the coming 3 to 5 years. The unrealized change in fair value of these contracts is reported as a change in other comprehensive income in accordance with the rules for cash flow hedge accounting as included in IAS 39. At December 31, 2014, energy forwards with a fair value of €-14.1 million (December 31, 2013: €-20.4 million), was included in the Group's equity.

The functional currency of most companies in the Group is the Swedish krona and therefore the movement in the Swedish krona/euro exchange rate affects the Company's equity.

5. THE GROUP CASH FLOW STATEMENT

THE GROUP CASH FLOW STATEMENT		January 1, 2014 December 31, 2014	January 1, 2013 December 31, 2013
thousands €			
Operating activities			
Operating profit/ loss	101 352	114 410	
Adjustments for items excluded from cash flow statement, etc.	74 283	44 552	
	175 635	158 962	
Interest paid	-83 650	-83 808	
Income taxes paid	-2 365	9 817	
Cash flow from operating activities before changes in working capital	89 620	84 971	
Cash flow from changes in working capital			
Decrease/increase in inventories	-5 689	18 286	
Decrease/increase in accounts receivable	-15 627	15 890	
Decrease/increase in accounts payable	26 319	-748	
Decrease/increase in other receivables and liabilities	6 016	-12 464	
Cash flow from operating activities	100 639	105 935	
Investing activities			
Divestments / acquisitions of subsidiaries	-8 714	16 487	
Purchase of tangible assets	-40 910	-38 636	
Disposal of tangible assets	2 239	1 767	
Purchase of intangible assets	-4 268	-4 597	
Investments/redemption of long-term receivables	-412	-1 843	
Cash flow from investing activities	-52 065	-26 822	
Financing activities			
Increase in internal loans	564 233	-131 620	
Increase/decrease in external loans	-822 868	-2 665	
Capital injection	0	230 000	
Dividends paid	-4 442	-	
Cash flow from financing activities	-263 077	95 715	
Net change in cash and cash equivalents	-214 503	174 828	
Cash and cash equivalents beginning of the year	484 355	312 233	
Exchange rate difference in cash and cash equivalents	-14 918	-2 706	
Cash and cash equivalents end of the year	254 934	484 355	
ADJUSTMENTS FOR ITEMS EXCLUDED FROM CASH FLOW STATEMENT			
	1 januari 2014 31 december 2014	1 januari 2013 31 december 2013	
Depreciations	54 663	53 475	
Impairments	393	2 952	
Fair value of FX contracts	2 821	276	
Change in provisions	-1 810	-11 552	
Capital results	8 714	-10 900	
Amortization intangible assets	9 502	10 301	
Total adjustments for items excluded from cash flow statement	74 283	44 552	

6. THE COMPANY INCOME STATEMENT

THE COMPANY INCOME STATEMENT	Note	January 1, 2014 December 31, 2014	January 1, 2013 December 31, 2013
thousands €			
Revenue		71	0
Gross profit/ loss		71	0
Administrative expenses		-263	218
Other operating income		77	-41
Other operating expenses		-65	0
Operating profit/ loss		-180	177
Result from financial investments			
Result from participations in group companies	7	-11 115	-54 527
Interest expense and similar profit/loss items		-26 453	-85 952
Guarantee fee		-2 084	1 494
Interest expense to group companies		149	-3 680
Profit/ loss after financial items	8	-39 683	-142 488
Appropriations	7	74 479	92 443
Tax on profit for the year	9	-12 448	-1 406
NET PROFIT/ LOSS FOR THE YEAR		22 348	-51 451

7. THE COMPANY BALANCE SHEET

THE COMPANY BALANCE SHEET	Note	December 31, 2014	December 31, 2013
thousands €			
ASSETS			
Fixed assets			
Tangible assets			
Property, plant and equipment		15	20
		15	20
Financial assets			
Participations in group companies		945 904	957 019
Other long-term receivables		5	5
Deferred tax assets		0	11 318
		945 909	968 342
Total fixed assets		945 924	968 362
Current assets			
Current receivables			
Accounts receivable-trade		37	63
Receivables from group companies		75 266	642 510
Other receivables		18	8
Prepaid expenses and accrued income		9	188
		75 330	642 769
Cash and bank balances	21	229	256 995
Total current assets		75 559	899 764
TOTAL ASSETS		1 021 483	1 868 126

THE COMPANY BALANCE SHEET		Note	December 31, 2014	December 31, 2013
thousands €				
EQUITY AND LIABILITIES				
Equity				
Restricted equity				
Share capital, 1000 shares			52	52
			<u>52</u>	<u>52</u>
Non-restricted equity				
Capital contribution			341 127	341 127
Profit or loss brought forward			-108 781	-57 330
Profit/loss for the year			22 348	-51 451
			<u>254 694</u>	<u>232 346</u>
Total equity			254 746	232 398
Long-term borrowings				
Bond loans	23		741 178	740 159
			<u>741 178</u>	<u>740 159</u>
Current liabilities				
Accounts payable - trade			346	611
Current portion of bond loans			0	824 633
Liabilities to group companies			12 784	124
Current tax liability	9		1 090	0
Short term part of provisions			94	0
Other liabilities			2 298	2 223
Accrued expenses and deferred income	25		8 947	67 978
			<u>25 559</u>	<u>895 569</u>
TOTAL EQUITY AND LIABILITIES			1 021 483	1 868 126
MEMORANDUM ITEMS				
Contingent liabilities	27		2 396 000	1 514 545

8. THE COMPANY CHANGE IN EQUITY

THE COMPANY CHANGE IN EQUITY

thousands €

The Company	Share capital	Capital contribution	Profit brought forward	Profit/ loss for the year	Total equity
Amount brought forward January 1, 2013	52	111 127	10 911	-68 241	53 849
Appropriation of profits as resolved by the annual general meeting			-68 241	68 241	0
Capital contribution		230 000			230 000
Net profit/ loss for the year				-51 451	-51 451
Amount carried forward December 31, 2013	52	341 127	-57 330	-51 451	232 398
The Company	Share capital	Capital contribution	Profit brought forward	Profit/ loss for the year	Total equity
Amount brought forward January 1, 2014	52	341 127	-57 330	-51 451	232 398
Appropriation of profits as resolved by the annual general meeting			-51 451	51 451	0
Capital contribution					0
Net profit/ loss for the year				22 348	22 348
Amount carried forward December 31, 2014	52	341 127	-108 781	22 348	254 746

9. THE COMPANY CASH FLOW STATEMENT

THE COMPANY CASH FLOW STATEMENT	January 1, 2014 December 31, 2014	January 1, 2013 December 31, 2013
thousands €		
Operating activities		
Operating profit/ loss	-180	177
	-180	177
Interest paid	-84 627	-89 528
Income taxes paid	0	12 597
Cash flow from operating activities before changes in working capital	-84 807	-76 754
Cash flow from changes in working capital		
Decrease/increase in receivables	195	-63
Decrease/increase in liabilities	1 693	1 017
Cash flow from operating activities	-82 919	-75 800
Investing activities		
Investment in fixed assets	0	-25
Investments/redemption of long-term receivables	546 000	0
Cash flow from investing activities	546 000	-25
Financing activities		
Increase/decrease in external loans	-824 950	0
Increase/decrease in internal loans	12 660	0
Shares and participations in Group companies	92 443	295 830
Cash flow from financing activities	-719 847	295 830
Net change in cash and cash equivalents	-256 766	220 005
Cash and cash equivalents beginning of the year	256 995	36 990
Cash and cash equivalents end of the year	229	256 995
Reported in the balance sheet	229	256 995

10. ADDITIONAL INFORMATION

Accounting principles

The Company has prepared the consolidated financial statements in accordance with the Swedish Annual Accounts Act (1995:1554), the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for legal entities and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

RFR 2 means that the Company in its Annual Report shall comply with all IFRS and pronouncements adopted by the EU as far as possible within the boundaries of the Swedish Accounts Act, Tryggandelagen (TrL) and with consideration to the connection between accounting and taxation. The recommendation specifies which exceptions from and additions to IFRS should be made. However, the Company has not had to use any exceptions from IFRS.

The following valuation and recalculation principles are applied to the annual accounts:

Consolidated accounts

The income statements and balance sheets of the Group include all of the companies of which the Company owns more than half of the voting shares either directly or indirectly, as well as companies in which the Group influences the decision making in other manners and is entitled to a more significant portion of the earnings.

The consolidated accounts are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). All corporate acquisitions are accounted for using the acquisition method.

Untaxed reserves in the individual Group companies are separated on the consolidated balance sheet into a capital portion and a tax portion.

Non-controlling interests in equity and related results are presented separately. Transactions between consolidated companies and intercompany balances within the Group are eliminated. Accounting policies, as set out below, have been applied consistently for all periods presented in these consolidated financial statements and by all subsidiaries.

Use of estimates

The preparation of the financial statements in compliance with IFRS requires management to make judgments, estimates and assumptions that affect amounts reported in the financial statements. The estimates and assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised or in the revision period and future periods, if the changed estimates affect both current and future periods.

Impairment of intangible assets and property, plant and equipment

We assess whether the carrying values of intangible assets and of property, plant and equipment are recoverable. In this assessment, we make significant judgments and estimates to determine if the future cash flows expected to be generated by those assets are less than their carrying value. The data necessary for the impairment tests are based on our strategic plans and our estimates of future cash flows, which require estimating revenue growth rates and profit margins. The estimated cash flows are discounted using a net present value technique with business-specific discount rates.

Accounting for income tax

As part of the process of preparing consolidated financial statements, we estimate income tax in each of the jurisdictions in which we operate. This process involves estimating actual current tax expense and temporary differences between carrying amounts of assets and liabilities for tax and financial reporting purposes. Temporary differences result in deferred tax assets and liabilities, which are included in the consolidated balance sheet. We assess the likelihood that deferred tax assets will be recovered from future taxable income.

Provisions

By their nature, provisions and contingent liabilities are dependent upon estimates and assessments as to whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Estimates related to provisions for environmental matters are based on the nature and seriousness of the contamination, as well as on the technology required for clean-up. The provisions for antitrust cases are based on an estimate of the costs, fines, and civil damages, taking into account legal advice and the current facts and circumstances. Provisions for termination benefits and exit costs also involve management's judgment in estimating the expected cash outflows for severance payments and site closure or other exit costs.

Accounting for pensions and other post-retirement benefits

Post-retirement benefits represent obligations that will be settled in the future and require assumptions to project obligations and fair values of plan assets. The accounting requires us to make assumptions regarding variables such as discount rate, rate of compensation increase, return on assets and mortality rates. Periodically, we consult with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations, funding requirements and periodic costs incurred.

Statement of cash flows

We have used the indirect method to prepare the statement of cash flows. Cash flows in foreign currencies have been translated at transaction rates. Exchange rate differences affecting cash items are presented separately in the statement of cash flows. Receipts and payments with respect to income tax are included in cash from operating activities. Interest payments are included in cash from operating activities, while interest receipts are included in cash from investing activities. The costs of acquisition of subsidiaries, associates and joint ventures, and other investments, as long as paid in cash, are included in cash from investing activities. Acquisitions or divestments of subsidiaries are presented net of cash and cash equivalents acquired or disposed of, respectively. Acquisitions of non-controlling interests are reported in cash from financing activities. Cash flows from derivatives are recognized in the statement of cash flows in the same category as those of the hedged items.

Operating segments

The Group uses the same operational structure as the AkzoNobel Group. Therefore, we determine and present operating segments (Business Areas) on the information that internally is provided to the AkzoNobel's Executive Committee. A Business Area is a component that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with other Business Areas within the Company. Operating results of a Business Area have been reviewed regularly by the Executive Committee to make decisions about resources to be allocated to the Business Area and assess its performance, and for which discrete financial information is available. Business Area results reported to the Executive Committee include items directly attributable to a Business Area as well as those items that can be allocated on a reasonable basis.

The relevant segments for the 2013 report are Specialty Chemicals, Performance Coatings and Decorative Paints.

Since its incorporation the sole activities of the Company is the placement of bond loans, therefore segment reporting is not applicable for the Company, neither based on products and services nor on geographical areas in which the Company operates. As from 2013 the Company also provides services for other Group companies in the areas of human resources, legal services, intellectual property, etc.

Functional and presentation currency

These Financial Statements are presented in euro, which is the Company's functional currency. All financial information presented in euro has been rounded to the nearest thousand unless otherwise stated.

Transactions in foreign currencies are translated into the functional currency using the foreign exchange rate at transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rates at the balance sheet date. Resulting foreign currency differences are included in the income statement. Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at acquisition date. The assets and liabilities of entities with other functional currencies are translated into the functional currency of the Company, using the exchange rates at the balance sheet date. Foreign exchange differences resulting from translation into the functional currency of investments in subsidiaries and of intercompany loans of a permanent nature with other functional currencies are recorded as a separate component (cumulative translation reserves) within other comprehensive income. These cumulative translation adjustments are reclassified to the income statement (either fully or partly) upon disposal or liquidation of a foreign subsidiary to which the investment or the intercompany loan with a permanent native relates to.

Exchange rate effects on group contributions as an effect of the difference between the exchange rate per balance date and the exchange rate per payment date are booked directly to equity together with the underlying group contribution.

Revenue recognition

Revenue is defined as the revenue from the sale and delivery of goods and services and royalty income, net of rebates, discounts and similar allowances, and net of sales tax. Revenue is recognized when the significant risks and rewards have been transferred to a third party, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods. For revenue from sales of goods these conditions are generally met at the time the product is shipped and delivered to the customer, depending on the delivery conditions. Service revenue is generally recognized as services are rendered.

Pensions and other post-retirement benefits

Contributions to defined contribution plans are recognized in the income statement as incurred. Most of our defined benefit pension plans are funded with plan assets that have been segregated in a trust or foundation. Valuations of both funded and unfunded plans are carried out by independent actuaries based on the projected unit credit method. Pension costs primarily represent the increase in the actuarial present value of the obligation for projected pension benefits based on employee service during the year and the interest on this obligation with respect to employee service in previous years, net of the expected return on plan assets.

Actuarial gains and losses that arise in calculating our obligation with reference to a plan, are recognized in other comprehensive income. When the benefits of a plan improve, the portion of the increased benefits related to past service by employees is recognized as an expense in the income statement immediately. We recognize gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and change in the present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognized.

Income tax

As part of the process of preparing consolidated financial statements, we estimate income tax in each of the jurisdictions in which we operate. This process involves estimating actual current tax expense and temporary differences between carrying amounts of assets and liabilities for tax and financial reporting purposes. Temporary differences result in deferred tax assets and liabilities, which are included in the consolidated balance sheet. We assess the likelihood that deferred tax assets will be recovered from future taxable income.

Income tax expense comprises both current and deferred tax, including effects of changes in tax rates. Income tax is recognized in the income statement, unless it relates to items recognized in other comprehensive income. In the balance sheet, current tax includes the expected tax payable and receivable on the taxable income for the year, using tax rates enacted or substantially enacted at reporting date, as well as any adjustments to tax payable and receivable with respect to previous years. Current tax assets and liabilities have been offset in cases where there is a legally enforceable right to set off current tax assets against current tax liabilities and when the intention exists to settle on a net basis or to realize the assets and liabilities simultaneously.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amount used for taxation purposes. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are recognized, including assets arising from losses carried forward, to the extent that future probable taxable profit will be available against which the deferred tax asset can be utilized. We do not recognize deferred tax for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences related to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The income tax consequences of dividends are recognized when a liability to pay the dividend is recognized. Deferred tax assets are offset only when there is a legally enforceable right to offset tax assets against tax liabilities and when the deferred tax assets and liabilities relate to the same tax authority. Measurement of deferred tax assets and liabilities is based upon the enacted or substantially enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be reversed. Non-

refundable dividend tax is taken into account in the determination of deferred tax liabilities to the extent of earnings expected to be distributed by subsidiaries in the foreseeable future. If separate tax rates exist for distributed and undistributed profit, the current and deferred taxes are measured at the tax rate applicable to undistributed profit. Deferred tax is not discounted.

Intangible assets

Intangible assets are valued at cost less accumulated amortization and impairment charges. All intangibles assets are tested for impairment whenever there is an indication that the intangible asset may be impaired. In addition, intangible assets with an indefinite useful life, such as goodwill and certain brands, are not amortized, but tested for impairment annually. In cases where the carrying value of the intangibles exceeds the recoverable amount, an impairment charge is recognized in the income statement.

Goodwill in a business combination represents the excess of the consideration paid over the net fair value of the acquired identifiable assets, liabilities and contingent liabilities. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. If the cost of an acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement. Goodwill related to an investment in associates and joint ventures is included in the carrying value of that investment.

Intangible assets with a finite useful life, such as certain licenses, know-how and brands, customer relationships and intellectual property rights, are capitalized at historical cost and amortized on a straight-line basis over the estimated useful life, which generally ranges from 10 to 40 years. Development costs are capitalized if the costs can be measured reliably, the product or process is technically and commercially feasible and sufficient future economic benefits will be generated, and we have sufficient resources to complete the development. The expenditures capitalized, include the cost of materials, direct labor and overhead costs that are directly attributable to preparing the asset for its intended use. Capitalized development costs are amortized on a straight-line basis over the estimated useful life, which generally is up to five years. Amortization methods, useful lives and residual values are reassessed annually.

Property, plant and equipment

Property, plant and equipment are valued at cost less accumulated depreciation and impairment charges. Costs include expenditures that are directly attributable to the acquisition of the asset, including financing expenses of capital investment projects under construction. Government grants to compensate for the cost of an asset are deducted from the cost of the related asset.

Depreciation is calculated using the straight-line method, based on the estimated useful life. In the majority of cases the useful life of plant equipment and machinery is ten years, and for buildings ranges from 20 to 30 years. Land is not depreciated. In the majority of cases residual value is assumed to be insignificant. Depreciation methods, useful lives and residual values are reassessed annually.

Parts of property, plant and equipment that have different useful lives are accounted for as separate items of property, plant and equipment. Cost of major maintenance activities is capitalized as a separate component of property, plant and equipment, and depreciated over the estimated useful life. Maintenance costs which cannot be separately defined as a component of property, plant and equipment are expensed in the period in which they occur. Gains and losses on the sale of property, plant and equipment are included in the statement of income.

Impairment of intangible assets and property, plant and equipment

We assess whether the carrying values of intangible assets and of property, plant and equipment are recoverable. In this assessment, we make significant judgments and estimates to determine if the future cash flows expected to be generated by those assets are less than their carrying value. The data necessary for the impairment tests are based on our strategic plans and our estimates of future cash flows, which require estimating revenue growth rates and profit margins. The estimated cash flows are discounted using a net present value technique with business-specific discount rates.

If any indication of impairment exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the income statement.

Leases

Lease contracts in which we have substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset. Minimum lease payments made under finance leases are apportioned between the financing expenses and the reduction of the outstanding liability. The financing expenses are recognized as interest over the lease term.

Payments made under operating leases are recognized in the income statement on a straight line basis over the term of the lease. Lease incentives received are recognized over the term of the lease.

Inventories and work in progress

Inventories are measured at the lower of cost and net realizable value. Costs of inventories comprise all cost of purchase, costs of conversion and other costs incurred in bringing the inventories to the present location and condition. The cost of conversion of inventories includes direct labor and fixed and variable production overheads, and takes into account the stage of completion. The cost of inventories is determined using the weighted average cost formula. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Provisions

We recognize provisions when a present legal or constructive obligation as a result of a past event exists, and it is probable that an outflow of economic benefits is required to settle the obligation. Provisions are measured at net present value and take into account anticipated legal fees. The expected future cash outflows are discounted at appropriate pre-tax interest rates, reflecting current market assessments of the time value of money and, if applicable, the risks specific to the liability. The increase of provisions as a result of the passage of time is recognized in the income statement under financing expenses.

Provisions for restructuring are recognized when a detailed and formal restructuring plan has been approved, and the restructuring has either commenced or has been announced publicly. We do not provide for future operating costs. Termination benefits for voluntary redundancy are recognized if we have made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably.

In accordance with our environmental policy and applicable legal requirements, we recognize a provision for environmental clean-up cost when it is probable that a liability has materialized and the amount of cash outflow can be reasonably estimated.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another entity. Financial assets mainly include cash and cash equivalents and receivables from group companies. Financial liabilities mainly comprise the bond issued.

Financial instruments are recognized on the balance sheet when a Group entity becomes a party to the contractual obligations of the instrument. Receivables are recorded when revenue has been recognized. Trade receivables are recognized in the balance sheet at the time the bill has been sent. Liabilities are recognized when the counterparty has delivered and a contractual obligation to pay exists, even if the bill has not yet been received. Trade payables are recognized when the bill is received.

A financial asset is removed from the balance sheet when the contractual rights have been realized, expired or the Company loses control of them. The same holds true for a part of a financial asset. A financial liability is removed from the balance sheet when the contractual obligation is fulfilled or in other way extinguished. The same holds true for a part of a financial liability. A financial asset and a financial liability are offset and recognized on a net basis in the balance sheet only when a legal right to offset them exists and the intent is to settle the financial asset and financial liability on the net basis or to realize the asset and liability at the same time.

Initially, financial instruments are recognized at their fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments are only recognized in determining the carrying amount, if the financial instruments are not measured at fair value through profit or loss. Subsequently, financial instruments are recognized from the measurement and accounting policies which arise from the classification into categories of financial instruments described below.

Regular purchases and sales of financial assets and liabilities are recognized on trade date, which is the date we commit to purchase or sell the asset. The initial measurement of all financial instruments is fair value adjusted for directly attributable transaction costs. Below, the accounting policies for financial instruments are explained, relating to the following categories:

- Derivative financial instruments
- Other financial non-current assets
- Trade and other receivables
- Cash and cash equivalents
- Long-term and short-term borrowings
- Trade and other payables.

Derivative financial instruments

Derivative financial instruments include forward exchange contracts, interest rate derivatives and commodity contracts, as well as embedded derivatives included in normal business contracts. All derivative financial instruments are recognized at fair value on the balance sheet. Fair values are derived from market prices and quotes from dealers and brokers, or are estimated using observable market inputs. Forward exchange and commodity contracts are reported under trade and other receivables, or under trade and other payables. Changes in the fair value of forward exchange and commodity contracts are recognized in operating income, unless cash flow hedge accounting is applied. In that case, the effective part of the fair value changes is deferred in other comprehensive income (in equity) and released to the related specific lines in the income statement or balance sheet at the same time as the hedged item.

Other financial non-current assets

Loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Long-term receivables are discounted to their net present value. Interest receivable is included in financing income.

Trade and other receivables

Trade and other receivables are measured at amortized cost, using the effective interest method, less any impairment loss. An allowance for impairment of trade and other receivables is established if the collection of a receivable becomes doubtful. Such receivable becomes doubtful when there is objective evidence that we will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. An impairment loss is recognized in the income statement, as are subsequent recoveries of previous impairments.

Cash and cash equivalents

Cash and cash equivalents include all cash balances and short-term highly liquid investments that are directly convertible into cash. Cash and cash equivalents are measured at fair value.

Loans and receivables

Loans and receivables are assessed on an individual basis at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events occurring after the date of initial recognition of the financial asset have had a negative effect on the estimated future cash flows of that asset or group of assets. Objective evidence that a receivable is impaired includes observable information reaching the Company regarding the following:

- a) significant financial difficulties of the debtor,
- b) breach of contract, such as non-payment or delayed payment of interest or principal,
- c) grants by the lender, for economical or legal reasons which corresponds with the borrower's economic difficulties, to forgivings that the lender otherwise had not considered and
- d) it is probable that the borrower will go bankrupt or other financial restructuring.

Financial liabilities

The financial liabilities of the Company comprise issued bonds and financial guarantees given. The issued bonds of the Company are recognized at amortized cost. This means that any premium or discount, as well as any transaction costs, are distributed over the expected duration of the bonds, using the effective interest rate method.

Financial guarantees

The guarantee contract where on one side the payment obligations of the Company arising from the issued bonds are guaranteed by the Parent Company and on the other side the contracts where the Company guarantees the obligation to complete the Parent Company's payment obligations in accordance with certain bond programs and external credit arrangements (Cross-Guarantee) is netted as a financial cost in the income statement. The Company performs a test to see if the issued guarantees are probable to be realized, in which case a provision is recognized in accordance with IAS 37.

New IFRS accounting standards

Several new accounting pronouncements were issued. We assessed whether our consolidated financial statements for 2015 and beyond may be affected.

IFRS 10 Consolidated Financial Statements, effective January 1, 2014, introduced an amended concept of control to determine whether an investee should be consolidated. This standard did not affect our scope of consolidation.

Under IFRS 11 Joint Arrangements, effective January 1, 2014, the interest in a joint arrangement has to be classified as either a joint operation (if the investor has rights to the assets and the obligations for liabilities relating to the arrangement) or a joint venture (if the investor has rights only to the net assets of the arrangement). This standard did not affect our consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities, effective January 1, 2014, affects disclosures about our non-controlling interests in subsidiaries and equity-accounted investees. This standard had no material impact on our consolidated financial statements.

Other accounting pronouncements, which became effective for 2014, had no material impact on our consolidated financial statements.

IFRS 9, Financial Instruments (replacement of IAS 39) will become effective as from 2018, with earlier adoption permitted. IFRS 9 introduced new requirements for classifying and measuring financial assets and liabilities. This standard encompasses an overall change of accounting principles for financial instruments and will eventually replace IAS 39 – the current standard on financial instruments. As its scope will be further expanded during the next year(s), we will review the effects of a comprehensive standard on financial instruments and consider adoption when appropriate.

Note 1 Net sales per segment and geographical market

	The Group	
<i>Revenue per business area is allocated as follows:</i>	2014	2013
Decorative Paints	126 619	170 010
Performance Coatings	411 192	436 231
Specialty Chemicals	1 088 450	1 163 730
Total	1 626 261	1 769 971

The segment information is presented according to Akzo Nobel's business structure in 2014. The segment information includes items directly attributable to a business area, as well as those that can be allocated on a reasonable basis.

	The Group	
<i>Operating income</i>	2014	2013
Decorative Paints	-1 432	-1 337
Performance Coatings	13 271	20 019
Specialty Chemicals	89 513	95 728
Total	101 352	114 410

Net sales per destination are allocated as follows:

	2014	2013
Europe	1 336 785	1 421 919
Americas	80 624	107 132
Asia, Oceania and Africa	208 852	240 920
Total	1 626 261	1 769 971

Note 2 Information regarding intercompany purchases and sales

	The Group	
<i>Purchases and sales between Group companies</i>	2014	2013
Purchases	17,7%	18,3%
Sales	19,7%	20,6%

Note 3 Items affecting comparability - incidental items

	The Group	
<i>Incidental gains and losses included in operating income/expenses</i>	2014	2013
Restructuring charges and transformation cost	-20 625	-9 298
Impairment	-393	-5 293
Divestments	0	5 436
Charges related to major legal and antitrust cases	-18 344	-267
Environmental and other incidental items	-2 317	5 953
Total incidental items	-41 679	-3 469

Restructuring charges relate to the closure of the Industrial finishes site in Gamleby and group-wide restructuring programs affecting multiple sites and functions. Antitrust charges relate to settlements of civil damage claims for the Sodium chlorate business.

Note 4 Disclosure of audit fee and cost reimbursements

	The Group		The Company	
<i>Remuneration</i>	2014	2013	2014	2013
KPMG auditors				
Audit assignment	483	513	29	22
Non-audit assignments	0	0	0	0
Tax advisory services	0	0	0	0
Other audit related services	0	0	0	0
Total	483	513	29	22

An audit assignment includes the audit of the annual accounts, the accounting records and the administration report of the Board of Directors and the Managing Director.

Note 5 Average number of employees, salaries, other remunerations and social security charges

Average no. of employees	2014		2013	
	No. of employees	Men	No. of employees	Men
The Company				
Sweden	75	30%	80	30%
Subsidiaries				
Sweden	2 864	65%	2 940	67%
Other	76	56%	78	56%
Total in subsidiaries	2 940	65%	3 018	67%
Group total	3 015	64%	3 098	66%
Salaries, remunerations, etc.	2014		2013	
	Salaries and other remun.	Soc.costs (of which pen. costs)	Salaries and other remun.	Soc.costs (of which pen. costs)
The Company	4 836	1 190 (257)	5 146	2 561 (886)
Subsidiary	161 969	71 096 (16 266)	171 121	76 589 (20 802)
Group total	166 805	72 286 (16 523)	176 267	79 150 (21 688)

€0.5 million (€0.5 million) of the Group's pensions costs refers to the subsidiaries' Boards and Managing Directors.

No remuneration has been made to the Board of Directors of the Company for the financial year 2014 or 2013.

Allocation of senior management

	The Group 2014	2013
Women	24%	20%
Men	76%	80%

Senior management is defined as board members and CEO of the company and all consolidated companies.

Note 6 Depreciation and amortization of tangible and intangible assets

Depreciation and amortization of tangible and intangible assets	The Group	
	2014	2013
Other intangible items	-9 502	-10 301
Construction in progress and other assets	-2 025	-2 252
Land and buildings	-8 213	-6 452
Machinery, plant and equipment	-44 425	-44 771
Total	-64 165	-63 776
Depreciation charges included in:	The Group	
	2014	2013
Production cost	-48 166	-47 853
S&D cost	-3 357	-2 675
G&A cost	-1 874	-1 609
R&D cost	-1 266	-1 339
Other results		0
Total	-54 663	-53 475
Amortization charges included in:	The Group	
	2014	2013
Production cost	-2 340	-1 863
S&D cost	-2 720	-4 135
G&A cost	-4 362	-4 304
R&D cost	-80	0
Other results	0	0
Total	-9 502	-10 301

Note 7 Result from participations in Group companies

Group contributions received amounted to €74 million (2013: €92 million).

As a result of the announced closure of the site in Gamleby the shares in Akzo Nobel Industrial Finishes AB was written down by €11.115 million.

Note 8 Interest income and expense

	The Group		The Company	
	2014	2013	2014	2013
Guarantee fee	-2 084	1 494	-2 084	1 494
Interest expense on bond debt	-26 453	-86 029	-26 453	-86 029
Interest income from Group companies	589	3 904	2 041	3 419
Interest expense to Group companies	0	-6 599	-1 891	-7 099
Other interest expenses and income	-4 034	518	0	77
Total	-31 982	-86 712	-28 387	-88 138

All interest income and expenses are attributable to instruments not belonging to the categories financial assets or liabilities at fair value through profit or loss.

Note 9 Income tax**Breakdown of deferred tax assets and liabilities****The Group
December 31, 2014**

	Assets	Liabilities	Net tax liabilities
Intangible assets	501	2 149	1 648
Property, plant and equipment	2 287	33 282	30 995
Goodwill	0	620	620
Inventories	1 663	0	-1 663
Trade and other receivables	212	0	-212
Other current assets	76	313	237
Investments in companies	0	197	197
<i>Provisions</i>			
Pensions and other post retirement benefit	1 135	101	-1 034
Restructuring	815	0	-815
Other provisions	7 948	2 070	-5 878
Tax assets/liabilities	14 637	38 732	24 095
Recognized losses carried forward	0	0	0
Net deferred tax assets/liabilities	14 637	38 732	24 095

Breakdown of deferred tax assets and liabilities**The Group
December 31, 2013**

	Assets	Liabilities	Net tax liabilities
Intangible assets	896	2 034	1 138
Property, plant and equipment	391	34 715	34 324
Goodwill	0	90	90
Inventories	1 584	0	-1 584
Trade and other receivables	116	0	-116
Other current assets	128	0	-128
Investments in companies	0	198	198
<i>Provisions</i>			
Pensions and other post retirement benefit	22	725	703
Restructuring	990	0	-990
Other provisions	8 357	1 863	-6 494
Tax assets/liabilities	12 484	39 625	27 141
Recognized losses carried forward	11 118	0	-11 118
Net deferred tax assets/liabilities	23 602	39 625	16 023

Effective consolidated tax rate	The Group		The Group	
	2014	2014	2013	2013
	%	thousands €	%	thousands €
Profit before tax		69 369		27 698
Corporate tax rate at standard tax rate	22,0%	-15 261	22,0%	-6 094
Actual effective tax rate	30,1%	-20 883	27,7%	-7 679
Variance	-8,1%	5 622	-5,7%	1 585
Specification of variance in tax rate				
Adjustment in tax rate	0,3%	240	-1,8%	-497
Non-deductible/non-taxable items	-4,9%	-3 369	2,5%	694
Under/(over)-provided in prior years	-2,1%	-1 481	-6,4%	-1 780
Non-refundable withholding taxes	-1,5%	-1 012	0,0%	-2
Effective consolidated tax rate	-8,1%	-5 622	-5,7%	-1 585

	The Company		The Company	
	2014	2014	2013	2013
	%	thousands €	%	thousands €
Profit before tax		34 796		-50 045
Corporate tax rate at standard tax rate	22,0%	-7 655	22,0%	11 010
Actual effective tax rate	35,8%	-12 448	-2,8%	-1 406
Variance	-13,8%	4 793	24,8%	12 416
Specification of variance in tax rate				
Adjustment in tax rate	0,0%	0	0,0%	0
Non-deductible/non-taxable items	-9,0%	-3 128	24,0%	12 006
Under/(over)-provided in prior years	-4,2%	-1 458	0,0%	-5
Different FX valuation in tax return	-0,6%	-207	0,8%	415
Effective consolidated tax rate	-13,8%	-4 793	24,8%	12 416

Note 10 Goodwill

	The Group	
	2014	2013
Acquisition value brought forward	122 107	123 893
Transferred during the year	-58 995	0
Exchange rate differences	-4 433	-1 786
Accumulated acquisition values carried forward	58 679	122 107
Amortization brought forward	-58 995	-58 995
Transferred during the year	58 995	0
Accumulated amortization carried forward	0	-58 995
Book value according to plan carried forward	58 679	63 112

Goodwill and other intangibles with indefinite useful lives are tested for impairment per business unit (one level below segment level) in the fourth quarter or whenever an impairment trigger exists. No impairment triggers were identified in 2014. In 2013 the business model for Decorative paints was changed within the Akzo Nobel group on European level. The risk and benefit of the decorative paints business was transferred in this model and therefore the impaired goodwill has been reported as transferred.

The impairment test is based on cash flow projections of the five-year plan. The key assumptions used in the projections are:

- Revenue growth: based on actual experience, an analysis of market growth and the expected development of market share
- Margin development: based on actual experience and management's long-term projections.

Revenue growth and margin development projections are extrapolated beyond this five-year explicit forecast period for another five years with reduced growth rates, except for the emerging markets. No intangible assets were registered as security for bank loans.

Note 11 Other intangible assets

	The Group	
	2014	2013
Acquisition value brought forward	97 805	96 029
Transferred during the year	-848	87
Purchases	4 268	4 597
Exchange rate differences	-6 350	-2 908
Accumulated acquisition values carried forward	94 875	97 805
Amortization brought forward	-48 374	-36 577
Amortization for the year	-9 502	-10 301
Impairment	0	-2 952
Exchange rate differences	3 554	1 456
Accumulated amortization carried forward	-54 322	-48 374
Book value according to plan carried forward	40 553	49 431

Note 12 Land and buildings

	The Group	
	2014	2013
Acquisition value brought forward	150 920	161 519
Purchases	1 037	290
Sales/disposals	-449	-3 239
Reclassifications	2 058	-1 553
Exchange rate differences	-11 861	-6 097
Accumulated acquisition values carried forward	141 705	150 920
Depreciation brought forward	-93 907	-98 542
Depreciation for the year	-8 213	-6 452
Disposals and reclassifications	1 459	6 733
Exchange rate differences	8 669	4 354
Accumulated depreciation carried forward	-91 992	-93 907
Book value according to plan carried forward	49 713	57 013

Note 13 Machinery, plant and equipment

	The Group	
	2014	2013
Acquisition value brought forward	1 021 688	1 072 680
Transferred during the year	18	-18 488
Acquisitions/divestments	0	0
Purchases	25 591	14 369
Sales/disposals	-12 756	-15 628
Reclassifications	-11 508	567
Exchange rate differences	-60 935	-31 812
Accumulated acquisition values carried forward	962 098	1 021 688
Depreciation brought forward	-827 343	-852 996
Depreciation for the year	-44 425	-44 771
Impairment	-393	-170
Disposals and reclassifications	33 284	44 772
Exchange rate differences	49 672	25 822
Accumulated depreciation carried forward	-789 205	-827 343
Book value according to plan carried forward	172 893	194 345

The impairment is reported under production cost in the income statement.

Note 14 Constructions in progress and other assets

	The Group	
	2014	2013
Acquisition value brought forward	77 459	37 002
Purchases	14 282	23 977
Sales/disposals	-3 802	-3 614
Reclassifications	-22 992	23 097
Exchange rate differences	-6 441	-3 003
Accumulated acquisition values carried forward	58 506	77 459
Depreciation brought forward	-39 531	-4 144
Depreciation for the year	-2 025	-2 252
Disposals and reclassifications	13 331	-35 096
Exchange rate differences	4 241	1 961
Accumulated depreciation carried forward	-23 984	-39 531
Residual value according to plan carried forward	34 522	37 928

Note 15 Shares in subsidiaries

The company's name	Corp. ID No.	Domicile
Akzo Nobel Pulp and Performance Chemic	556022-9972	Bohus
Akzo Nobel Car Refinishes AB	556416-0975	Tyresjö
Akzo Nobel Surface Chemistry AB	556013-8983	Stenungsund
International Färg AB	556496-9666	Gothenburg
Akzo Nobel Industrial Finishes AB	556494-9641	Gamleby
Casco Adhesives AB	556004-5311	Nacka
Akzo Nobel Bygglim AB	556026-1876	Nacka
Akzo Nobel Industrial Coatings AB	556035-9993	Malmö
Akzo Nobel Functional Chemicals AB	556234-9398	Stenungsund
Anholmen Fastighets AB	556235-2418	Skoghall
Akzo Nobel Decorative Coatings AB	556142-8011	Malmö
Carbide Sweden AB	556416-1031	Sundsvall
Akzo Nobel AB	556416-0967	Nacka
Akzo Nobel International AB	556000-1629	Stockholm
Akzo Nobel Chemicals holding AB	556416-1007	Stockholm

Shareholding of AkzoNobel Sweden finance AB (publ)

Value of holding

Company's name	No. of shares (thousands)	Share of equity %	Book value
Akzo Nobel Pulp and Performance Chemic	80	100%	170 852
Akzo Nobel Car Refinishes AB	10	100%	25 878
Akzo Nobel Surface Chemistry AB	1,200	100%	152 050
International Färg AB	201	100%	27 847
Akzo Nobel Industrial Finishes AB	17	100%	50 000
Casco Adhesives AB	25	100%	12 413
Akzo Nobel Bygglim AB	160	100%	4 573
Akzo Nobel Industrial Coatings AB	150	100%	43 238
Akzo Nobel Functional Chemicals AB	1	100%	300 000
Anholmen Fastighets AB	400	100%	0
Akzo Nobel Decorative Coatings AB	1	100%	11 167
Carbide Sweden AB	1	100%	0
Akzo Nobel AB	1,000	100%	147 886
			945 904

Note 16 Shares in associated companies

Company's name	Corp. ID No.	Domicile
GANSKA Deponi AB	556431-3772	Sundsvall
Etenförsörjning Stenungsund AB	556258-6536	Stenungsund

Scope of ownership			
Company's name	No. of shares	Share of equity %	Book value
GANSKA Deponi AB	33	33%	11
Etenförsörjning Stenungsund AB	20	20%	106
			117

All shares in associated companies are attributable to subsidiaries. Shares in VindIn AB, 556713-5172, Bas EI i Sverige AB, 556672-5858 and Åhus stuvverintressenter AB 556039-8256 are reported as other fixed assets.

Note 17 Other long-term receivables

	The Group	
	December 31, 2014	December 31, 2013
Pensions and other post retirement-benefits	0	3 891
Other long-term receivables	5 176	4 766
Total	5 176	8 657

Pensions and other post retirement-benefits

The Group operates several Defined Benefit (DB) employee benefit plans (including other long-term employee benefit plans) in Sweden. However, only one of these plans is treated as a DB plan for accounting purposes. Below we provide a summary description:

Skandia Plan: Opted-out pension arrangements for high income earners (referred to as "tiotaggare"), funded through insurance company Skandia Liv.

The Plan(s) listed above includes participants from the following entities:

- (a) Akzo Nobel Decorative Coatings AB
- (b) Akzo Nobel Bygglim AB
- (c) Akzo Nobel Functional Chemicals AB
- (d) Akzo Nobel Industrial Coatings AB
- (e) Akzo Nobel Sweden Finance AB
- (f) Akzo Nobel Surface Chemistry AB
- (g) Casco Adhesives AB
- (h) Akzo Nobel Pulp and Performance Chemicals AB

"The Skandia Plan mainly cover opted-out pension arrangements for high income earners (referred to as "tiotaggare"), funded through insurance company Skandia Liv. The benefits are determined as a part of the salary and depend on different salary levels. Retirement pension up to 7.5 Income Base Amounts (IBA), and disability pension is covered through insurance company Alecta and treated as Defined Contribution as this is a so called multi-employer plan. Benefit levels for different portions of final salary (1 IBA is €6.5 thousand in 2014 (€6.5 thousand in 2013)). The benefit may be adjusted if the service time within the plan is less than 30 years. For the Skandia Plan, contributions are paid to a pension fund within the insurance company Skandia Liv. The pension fund covers many companies and AkzoNobel cannot affect what kind of asset classes are part of the portfolio. The pension fund is supposed to cover the local GAAP liability for the Skandia Plan, and contributions are paid annually in order to match the liability. No special events occurred during fiscal year 2014.

In the table below the assumptions as of 31 December 2014 and 2013 are illustrated. The table below shows the assumptions used in the valuation of the pension plans (on a consolidated level).

Assumptions in pension plans (weighted averages)	December 31, 2014	December 31, 2013
Economic assumptions		
Discount rate	2,00%	3,60%
Inflation	1,50%	2,00%
Rate of compensation increase	2,50%	3,00%
Pension increases	2,50%	2,00%
<i>Total Return on assets</i>	2,00%	3,60%
<i>Asset categories as a percentage of total plan assets</i>		
Equity securities	27,7%	35,5%
Long-term earning interest investments	40,9%	40,0%
Real Estate	9,8%	9,6%
Other	21,6%	14,9%
<i>Total</i>	100,0%	100,0%
Demographic assumptions		
<i>Life expectancy for a male</i>		
- currently aged 60	25,3	25,3
- currently aged 45 (at age 60)	26,2	26,2
<i>Life expectancy for a female</i>		
- currently aged 60	28,0	28,0
- currently aged 45 (at age 60)	28,7	28,7

Movements in provisions for pensions and other post-retirement benefit obligations

	The Group	
	2014	2013
<i>Defined benefit obligations</i>		
Balance at beginning of year	45 736	54 091
Exchange rate adjustment opening balance	-3 039	-1 488
Acquisitions/divestments	0	-1 287
Service costs	282	447
Interest costs	1 407	1 307
Contribution by employee	0	0
Benefits paid	-2 220	-2 078
Liabilities extinguished on settlements	0	0
Actuarial (gains)/losses	10 038	-5 256
Defined benefit obligations at year end	52 204	45 736

Movements in the fair value of plan assets

	The Group	
	2014	2013
<i>Plan assets</i>		
Balance at beginning of year	-49 033	-50 868
Exchange rate adjustment opening balance	2 985	1 399
Acquisitions/divestments		1 247
Expected return on plan assets	-1 692	-1 366
Contribution by employee		0
Contribution by employer	-1 072	-1 266
Benefits paid	2 220	2 078
Assets distributed on settlements		0
Actuarial (gains)/losses	-1 051	-257
Plan assets at year end	-47 643	-49 033

Reconciliation balance sheet position

	The Group	
	December 31, 2014	December 31, 2013
Swedish defined benefit plan		
Defined benefit obligation	52 204	45 736
Fair value of plan asset	-47 643	-49 033
Funded status	4 561	-3 297

Minor plans in foreign subsidiaries

	December 31, 2014	December 31, 2013
Defined benefit obligation	2 638	1 881
Fair value of plan asset	-2 295	-2 389
Funded status	343	-508

Defined benefit obligation

	The Group	
	December 31, 2014	December 31, 2013
Actives	11 448	13 608
Deferred members	5 555	5 532
Pensioners	35 201	26 596
Total	52 204	45 736

Assets

	The Group	
	December 31, 2014	December 31, 2013
<i>Readily marketable / quoted assets</i>		
Equities	-13 197	-15 348
Fixed interest government bonds	-18 628	-17 456
Index-linked government bonds	-858	-833
<i>Non-marketable / unquoted assets</i>		
Real estate	-4 669	-4 903
Other securities	-10 291	-10 493
Total	-47 643	-49 033

The expected benefit payments for the coming ten years amounts to €25 million.

Sensitivity analysis

<i>(Increase)/decrease</i>	The Group		The Group	
	December 31, 2014		December 31, 2014	
	Impact 0.5% increase	Impact 0.5% decrease	Impact 0.5% increase	Impact 0.5% decrease
Discount rate	-3 296	3 611	-30	34
Inflation	3 537	-3 264	32	-28
Rate of compensation increases	366	-367	12	-12
Rate of pension increase for pensioners	3 537	-3 264	32	-28
1 additional year in life expectancy	2 832	-2 840	16	-16

In addition to the Swedish plan there are defined retirement obligations in the subsidiaries in Norway and Indonesia.

The ITP2 plan in Sweden is financed through insurance with the Alecta insurance company and is classified as a multiemployer defined benefit plan. The Group does not have access to sufficient information from Alecta to enable a defined benefit accounting treatment and hence it is accounted for as a defined contribution plan.

The funded status shows a surplus as the prepaid pension cost are larger than the unrecognized losses. The pension assets that the Group has within the Skandia Plan are fully recoverable. There is no general minimum funding requirement in Sweden. Based on this there is no impact of IFRIC 14 for 2014.

Note 18 Inventories

	The Group	
	December 31, 2014	December 31, 2013
Raw materials and consumables	53 860	52 656
Semi-finished products	7 545	7 796
Finished products and goods for resale	88 663	94 559
Total value	150 068	155 011

As a result of a centralized organization for the Decorative Paints business of the AkzoNobel group the inventory related to Decorative Paints has been transferred from the Swedish units during 2014. This mainly affects finished products. In 2014, €1.6 million was recognized as an expense in the income statement for the write-down of inventories while €0.8 million of write-down from earlier periods was reversed. €4.6 million was provided for obsolete stock. As of December 31, 2014, inventory of €4.5 million was valued to net realizable value. No inventory prepayments were made.

In 2013, €2.2 million was recognized as an expense in the income statement for the write-down of inventories while €2.6 million of write-down from earlier periods was reversed. €5.4 million was provided for obsolete stock.

Note 19 Accounts receivable - trade

<i>Ageing of accounts receivables</i>	The Group	
	December 31, 2014	December 31, 2013
Performing accounts receivable	154 144	145 777
Past due accounts receivables and not impaired:		
< 3 month	15 058	19 408
3-6 month	709	71
6-9 month	38	45
9-12 month	14	-5
> 12 month	39	228
Impaired accounts receivable	3 791	4 569
Allowance for impairment	-3 531	-4 057
Total value	170 262	166 036

With respect to the accounts receivables that are neither impaired nor past due, there are no indications as of reporting date that the debtors will not meet their payment obligations. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral for impaired trade receivables.

Note 20 Short-term securities

	The Group	
	December 31, 2014	December 31, 2013
Fair value of FX contracts	0	939
Short-term investment	0	548 555
Total	0	549 494

Hedged notional amounts at year-end

We have subsidiaries with a functional currency other than the euro. Therefore our consolidated financial statements are exposed to translation risk related to equity, intercompany loans of a permanent nature and earnings of foreign subsidiaries and investment in associates and joint ventures. In principle, we do not use financial instruments to hedge this risk.

We have hedging policies for energy contracts and have long-term purchase contracts in place. Derivatives used are reported as other short-term assets or liabilities.

The table below presents a breakdown of the national amounts of outstanding foreign currency contracts for entities with other functional currencies than the euro.

€ million	2014			2013		
	Buy	Sell	Net	Buy	Sell	Net
Euro	11 322	-33 956	-22 634	246	-49 105	-48 859
US dollar	6 121	-6 870	-749	941	-26 393	-25 452
Pound sterling	1 331	-5 466	-4 135	30	-7 356	-7 326
SEK	0	-2 232	-2 232	0	0	0
Other	3 189	-6 436	-3 247	617	-6 443	-5 826
Total	21 963	-54 960	-32 997	1 834	-89 297	-87 463

Our subsidiaries operate in a large number of countries, and as such have clients and suppliers in many countries. Many of these subsidiaries have clients and suppliers that are outside of their functional currency environment. This creates currency exposure which is partly netted out on consolidation. The purpose of our foreign currency hedging activities is to protect us from the risk that the eventual functional currency net cash flows resulting from trade or financing transactions are adversely affected by changes in exchange rates. It is our policy to fully hedge our transactional foreign exchange rate exposures from recognized assets and liabilities.

Corporate Treasury enters into derivative transactions with external parties and is bound by overnight limits per currency. Where hedging through Corporate Treasury is not feasible under local legislation, local hedging may take place. In general, forward exchange contracts that we enter into have a maturity of less than one year. When necessary, forward exchange contracts are rolled over at maturity. Currency derivatives are not used for speculative purposes.

Note 21 Cash and cash equivalents

	The Group		The Company	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Cash pool account with Akzo Nobel	242 825	470 191		256 941
Cash on hand and in banks	12 109	14 164	229	54
Total	254 934	484 355	229	256 995

At December 31, 2014, there were no restrictions to transfer cash in the Group. For information on credit risk management, see note 28.

At December 31, 2014, an amount of €243 million (December 31, 2013: €464 million) in cash and cash equivalents was short-term invested. Short-term investments almost entirely consist of cash loans.

Note 22 Provisions

	The Group	
	December 31, 2014	December 31, 2013
Environmental provisions	59 423	68 230
Provisions for restructuring measures	2 103	4 424
Other provisions	1 368	2 843
Provisions for pensions	4 041	0
Total	66 935	75 497
Current portion provision	29 196	19 077
Total provisions	96 131	94 574

Environmental matters

We are confronted with substantial costs arising out of environmental laws and regulations, which include obligations to eliminate or limit the effects on the environment of the disposal or release of certain wastes or substances at various sites. Proceedings involving environmental matters, such as the alleged discharge of chemicals or waste materials into the air, water, or soil, are pending against us in various countries. As stated in the note, the provisions for environmental costs accounted for in accordance with the aforesaid policies aggregated €77 million on December 31, 2014. The provision has been discounted.

Other provisions

Other provisions relate to a great variety of risks and commitments, including provisions for antitrust cases, claims, other long-term employee benefits such as long-service leave and jubilee payments.

Movements in provisions (excl. Pensions)

	Total	The Group		
		Environmental costs	Restructuring measures	Other
Balance at January 1, 2014	94 574	80 298	8 766	5 510
Additions made during the year	16 698	1 113	13 170	2 415
Withdrawals	-14 465	-2 730	-8 604	-3 131
Unwind of discount	4 181	4 148	33	0
Release of used amount and internal transfers	-3 993	-679	-3 114	-200
Changes in exchange rates	-5 552	-4 864	-500	-188
Balance at December 31, 2014	91 443	77 286	9 751	4 406

Note 23 Long-term liabilities

	The Group		The Company	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
<i>Long-term liabilities due later than one year:</i>				
Bond loan	741 394	740 159	741 394	740 159
Total	741 394	740 159	741 394	740 159

On December 12, 2008, the Company placed a 7.75 percent €1 billion bond with an issue price of 99.552 percent of the principle amount. The bond matured on January 31, 2014. Interest on the bond was payable annually in arrears on January 31.

On July 27, 2012, the Company placed a new 2.625 percent €750 million bond with an issue price of 98.911 percent of the principle amount. The bond will mature on July 27, 2022. Interest on the bond is paid annually in arrears on July 27.

Note 24 Other liabilities

	The Group	
	December 31, 2014	December 31, 2013
Compensated absences and vacations	17 766	29 394
Wage taxes and social charges	17 839	15 224
Amount payable to employees	17 030	8 890
Invoices to be received from suppliers	7 344	17 571
Payables related to antitrust settlements	18 288	0
Future contracts	16 122	20 355
Other current liabilities	3 510	1 611
Total	97 899	93 045

Note 25 Accrued expenses and deferred income

	The Group		The Company	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Current portion of bond loan (accrued interest)	8 253	66 972	8 253	66 972
Accrued interest	215	0	215	0
Accrued bonuses and discounts	5 756	2 246	0	0
Other accrued expenses	816	1 006	479	1 006
Total	15 040	70 224	8 947	67 978

Note 26 Pledged assets

	The Group	
	December 31, 2014	December 31, 2013
Chattel mortgages	0	2 082
Liabilities to credit institutions	70 000	70 000
Total	70 000	72 082

Liabilities to credit institutions includes a counter-guarantee of €70 million (2013: €70 million) to RBS from company Kemanord Kraft AB, registration number 556013-1715, relating to a guarantee that RBS provides to Nord Pool ASA.

Note 27 Contingent liabilities

	The Group		The Company	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Operating lease commitments	21 571	10 295	0	122
Other purchase obligations	3 709	243	0	0
Contingent liability relating to cross-guarantee	2 396 000	1 514 423	2 396 000	1 514 423
Total	2 421 280	1 524 961	2 396 000	1 514 545

In 2008 Akzo Noble Sweden finance AB (publ) entered into a contract ("Cross-Guarantee") pursuant to which it irrevocably and unconditionally guarantees parts of the payment obligations of the Parent Company relating to public debt and external credit- and guarantee contracts.

The total amount of public debt and external credit arrangements covered by this guarantee outstanding at December 31, 2014, amounted to €2,396 million (December 31, 2013: €1,514 million). In the same contract the Parent Company has irrevocably and unconditionally guaranteed the payment obligations of the Company relating to the €750 million bond. The purpose of this "Cross-Guarantee" is to ensure the creditors of both companies are placed in a substantially equivalent structural position regarding the debt covered by the guarantee. According to a contract between the Company and the Parent Company, the Company pays 0.25 percent yearly on the amount (€750 million) guaranteed by the Parent Company as net settlement for the mutual guarantees in accordance with the Cross-Guarantee contract.

Operating lease commitments

	December 31, 2014	December 31, 2013
Paid in current year	8 661	8 546
N+1	6 862	4 656
N+2	4 261	3 830
N+3	2 623	1 582
N+4	1 914	227
N+5	1 691	0
Thereafter	4 220	0
Total operating leases	21 571	10 295

Note 28 Additional disclosures on financial instruments and financial risk management

Market risk

The market risks of the Company comprise of the currency- and interest rate risks below.

Currency risk

Currency risk is the risk that the fair value of, or future cash flows from, a financial instrument varies due to changes in foreign exchange rates. The Company manages its risks associated with fluctuations in foreign-currency denominated receivables and liabilities, if any, through forward exchange contracts.

Interest rate risk

Interest rate risk is the risk that the fair value of, or future cash flows from, a financial instrument varies due to changes in market interest rates. The Company's borrowings have fixed interest rates. Hence the Company does not have a cash flow interest rate risk. A change in market interest rate would not affect the income statement or equity since lending is measured at amortized cost.

Credit risk

Credit risk arises from financial assets such as cash and cash equivalents, derivative financial instruments with a positive fair value, deposits with banks and financial institutions, and trade receivables. We have a credit risk management policy in place to limit credit losses due to non-performance of financial counterparties and customers. We monitor our exposure to credit risk on an ongoing basis at various levels. We only deal with counterparties that have a sufficiently high credit rating. Generally, we do not require collateral in respect of financial assets. The total amount of public debt and external credit arrangements covered by this guarantee outstanding at December 31, 2014, amounted to €2,396 million (December 31, 2013: €1,514 million). The maximum credit risk exposure at balance sheet date is hence €3,146 million (December 31, 2013: €3,089 million). The Company's borrowing has fixed interest rates; therefore the credit risk is limited. Akzo Nobel N.V.'s rating is at S & P BBB+ and at Moody's Baa1, and the loan does not have any overdue payments.

Pensions

We practice pro-active pension risk management. Our pension policy is to offer a defined contribution scheme where appropriate. We are committed to further de-risk over time. Our defined benefit schemes are closed to new entrants.

Impairment

In view of the current financial market conditions, asset value decline offers both opportunities and threats to our company. We perform impairment tests for intangibles with indefinite lives (goodwill, some brands) every year and whenever an impairment trigger exists. For tangibles and other fixed assets, we do impairment tests whenever an impairment trigger exists.

Liquidity risk

The primary objective of liquidity management is to provide for sufficient cash and cash equivalents at all times and any place in the world to enable us to meet our payment obligations. We aim for a well-spread maturity schedule of our long-term borrowings and a strong liquidity position. Liquidity risk results from the Company's potential inability to meet its financial liabilities when they become due, at reasonable costs and in a timely manner. Of the issued bonds of the Company €825 million matured January 2014. The Company paid

7.75 percent (€ 77.5 million) interest yearly until the maturity date of this bond. The remaining €750 million matures in July 2022. The company will pay 2.625 percent (€ 19.7 million) interest yearly until the maturity of this bond.

Debt issued

€ million	December 31, 2014	December 31, 2013
Debt issued	Carrying amount	Carrying amount
7,75% 2008/14 (€825 million)	0	825
2.625% 2012/22 (€750 million)	741	740

Debt maturity - bond loan

€ million

Year	Amount
2022	750

Fair value of financial instruments

The fair value of the €750 million 2.625 percent bond issued by the Company at December 31, 2014 amounted to €832 million (December 31, 2013: €739 million) based on price quotations at the balance sheet date. The carrying value as per that date was €741 million (December 31, 2013: €740 million).

The fair values of cash and cash equivalents, current receivables, other current financial liabilities and approximate their carrying amount largely due to the short-term maturities of these instruments.

Fair value per financial instruments category

2013 year-end:		Carrying value per IAS 39 category						
	Carrying amount	Out of scope of IFRS 7	Loans and receivables/ other liabilities	At fair value through profit or loss	Hedging	Total carrying value	Fair value	
Trade and other receivables	239 605	3 891	235 714	0	0	235 714	235 714	
Short term securities	549 494		548 555	939		549 494	549 494	
Other current receivables	24 063		24 063			24 063	24 063	
Cash and cash equivalents	484 355		0	484 355		484 355	484 355	
Total financial assets	1 297 517	3 891	808 332	485 294	0	1 293 626	1 293 626	
Long-term borrowings	1 565 998		1 565 998	0	0	1 565 998	1 568 157	
Trade and other payables	365 356		344 465	536	20 355	365 356	365 356	
Total financial liabilities	1 931 354	0	1 910 463	536	20 355	1 931 354	1 933 513	
Gross balance sheet exposure	-633 837	3 891	-1 102 131	484 758	-20 355	-637 728	-639 887	

2014 year-end:		Carrying value per IAS 39 category						
	Carrying amount	Out of scope of IFRS 7	Loans and receivables/ other liabilities	At fair value through profit or loss	Hedging	Total carrying value	Fair value	
Trade and other receivables	230 970	3 349	227 621			227 621	227 621	
Short term securities	0		0			0	0	
Other current receivables	32 272		32 272			32 272	32 272	
Cash and cash equivalents	254 934		0	254 934		254 934	254 934	
Total financial assets	518 176	3 349	259 893	254 934	0	514 827	514 827	
Borrowings	742 958		742 958			742 958	833 780	
Trade and other payables	350 677		334 556	2 003	14 118	350 677	350 677	
Total financial liabilities	1 093 635	0	1 077 514	2 003	14 118	1 093 635	1 184 457	
Gross balance sheet exposure	-575 459	3 349	-817 621	252 931	-14 118	-578 808	-669 630	

Loans and receivables and other liabilities are recognized at amortized cost, using the effective interest method. We estimated the fair value of our long-term borrowings based on the quoted market prices for the same or similar issues or on the current rates offered to us for debt with similar maturities.

The carrying amounts of cash and cash equivalents, receivables less allowance for impairment, short-term borrowings and other current liabilities approximate fair value due to the short maturity period of those instruments.

The only financial instruments accounted for at fair value through profit or loss are derivative financial instruments and the short-term investments included in cash. The fair value of foreign currency contracts, swap contracts, forward rate agreements, oil contracts and gas futures was determined by valuation techniques using market observable input (such as foreign currency interest rates based on Reuters) and by obtaining quotes from dealers and brokers. The profit and loss effect of the fair value changes in FX contracts amounted to - €9,743 thousand (2013: €1,263 thousand).

The following valuation methods for financial instruments carried at fair value through profit or loss are distinguished:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All fair values of financial instruments carried at fair value through profit or loss in the table above are level 2 valuation methods.

Energy prices

The group operates some energy intensive businesses. A non-level playing field for energy and emission trading rights can affect the competitive position of these businesses. We are pro-actively managing energy costs. We are implementing our carbon policy, working on energy efficiency programs and investing in energy from waste and biomass. We have hedging policies for energy contracts and have long-term purchase contracts in place. To hedge the price risk of electricity that is used for the Specialty Chemicals plants in Sweden and Finland, we entered into future contracts on the power exchange Nasdaq OMX commodities, based on expected use of electricity over the period 2015 – 2019. Cash flow hedge accounting is applied to these contracts in order to mitigate the accounting mismatch that would otherwise occur. The effective part of the fair value changes of these contracts amounted to a €11 million (€16 million loss) loss net of deferred taxes in equity. In 2014 nothing was recorded in cost of goods sold due to ineffectiveness. The amounts deferred in equity at year-end are expected to affect operational cost within the next five years.

Future contracts

Year	Inflow	Outflow	Total
2015	5 398	-12 860	-7 462
2016	1 630	-5 889	-4 259
2017	88	-2 394	-2 306
2018		-63	-63
2019	0	-28	-28
Gross value	7 116	-21 234	-14 118
Tax effect	-1 566	4 672	3 106
Net value	5 550	-16 562	-11 012

We perform our commodity price risk sensitivity analysis by applying an adjustment to the forward rates prevailing at year-end. This adjustment is based on observed changes in commodity prices in the previous year and management expectations for possible future movements. We then apply the expected volatility to revalue all commodity-derivative financial instruments in the applicable commodity in its balance sheet at year-end. For the purpose of this sensitivity analysis, the change of the price of the commodity is not discounted to the net present value at balance sheet date.

On December 31, 2014, if the forward price of electricity on the Nasdaq OMX commodities exchange had weakened by €3 per MWh (€3 per MWh), 10 percent, as compared with the market prices prevailing at that date, with all other variables held constant, equity would have been €7 million (2013: €6 million) lower. This is due to the fair value changes of electricity futures which have been accounted for under cash flow hedge accounting.

Note 29 Related party transactions

The AkzoNobel Sweden Group is an integrated part of the AkzoNobel Group. A significant part of the turnover of the Swedish units is with other parts of the AkzoNobel Group. The transactions of the Company comprise mainly transactions with Group companies and are priced at an "arms' length" basis. Certain administrative tasks and R&D have been performed by Group companies, for which the expenses in 2014 amounted to €26,2 million (2013: €30,8 million). The Company also does transactions with the Parent Company, AkzoNobel N.V., in accordance with the so called Cross-guarantee contract.

There have not been any transactions with members of the Board or Board of Management or any family member of such persons. Also no loans have been extended to members of the Board of Directors or any family member of such persons.

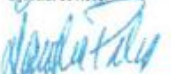
Gothenburg 2015-04-29



Birgitta Karlsson
Managing director



Gijss Verth de Roter




Anna-Lena Palm
Employee representative



Remko van de Peppel
Chairman



Daniel Keshagen



Rolf Eriksson
Employee representative



Jacq Gerelox



Anita Lindqvist

Our auditors' report is submitted on 2015-04-29
KPMG AB



Johan Kistz
Authorized Public Accountant

Auditor's report

To the annual meeting of the shareholders of Akzo Nobel Sweden Finance AB (publ), corp. id 556768-4062

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Akzo Nobel Sweden Finance AB (publ) for the year 2014.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Akzo Nobel Sweden Finance AB (publ) for the year 2014.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for our opinion on the Board of Directors proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

As basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Göteborg 29 April 2015

KPMG AB

(Signature on the original document)

Johan Kratz
Authorized Public Accountant