

# Half-yearly report 2018

Akzo Nobel Sweden Finance AB (publ)  
Registration number 556768-4062

## Contents

<b>1. General information</b>	<b>3</b>
1.1. The Company	3
1.2. Bond loan and cross guarantee	3
1.3. Capital guarantee	3
1.4. Specialty Chemicals separation	4
<b>2. Condensed consolidated financial statements for the Akzo Nobel Sweden group</b>	<b>5</b>
2.1. Condensed consolidated statement of (comprehensive) income	5
2.2. Condensed consolidated balance sheet	8
2.3. Changes in equity	10
2.4. Condensed consolidated statement of cash flows	11
<b>3. Notes to the condensed consolidated financial statements</b>	<b>12</b>
3.1. Principal risks and uncertainties	12
3.2. Seasonality	12
3.3. Transactions with related parties	12
3.4. Accounting policies and restatements	13
3.5. Safe Harbor statement	13
<b>4. Condensed financial statements for Akzo Nobel Sweden Finance AB (publ)</b>	<b>14</b>
4.1. Condensed statement of income	14
4.2. Condensed balance sheet	15
4.3. Changes in equity	16
4.4. Condensed statement of cash flows	16
<b>5. Statement of affirmation</b>	<b>17</b>

## 1. General information

### 1.1. The Company

Akzo Nobel Sweden Finance AB (publ), referred to as “the company”, was incorporated on October 13, 2008. The company is a wholly-owned subsidiary of Akzo Nobel N.V, which is a public limited liability company (Naamloze Vennootschap) incorporated in the Netherlands, with registered office at Christiaan Neefestraat 2, 1077 WW Amsterdam (telephone number +31 88 969 7555). Akzo Nobel N.V. has subsidiaries in more than 80 countries and employs approximately 35,000 people through its various Decorative Paints and Performance Coatings businesses. The Specialty Chemicals business, which is treated as discontinued operations, has approximately 10,000 employees in more than 80 countries.

Akzo Nobel N.V. and its subsidiaries together are referred to as “AkzoNobel” or the “AkzoNobel group”. Akzo Nobel Sweden Finance AB (publ) and its subsidiaries are referred to as the “AkzoNobel Sweden group”.

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.

### 1.2. Bond loan and cross guarantee

In July 2012, the company placed a bond loan of €750 million with a 2.625% coupon rate paid annually in arrears. This bond loan matures on July 27, 2022.

The company has entered into contracts (“Cross-guarantee”) pursuant to which it irrevocably and unconditionally guarantees parts of the payment obligations of Akzo Nobel N.V. relating to public debt and external credit and guarantee contracts. The amount of public debt and external credit arrangements covered by this guarantee outstanding at June 30, 2018, was €2,697 million (December 31, 2017: €2,478 million). At the same time Akzo Nobel N.V. has irrevocably and unconditionally guaranteed the payment obligations of the company relating to the €750 million bond loan. The purpose of this cross-guarantee is to ensure that the creditors of both the company and Akzo Nobel N.V. are placed in substantially equivalent structural position regarding the debt covered by the guarantee.

### 1.3. Capital guarantee

Akzo Nobel N.V. has undertaken to make a capital contribution in order to ensure that the shareholders’ equity of Akzo Nobel Sweden Finance AB (publ) will at all times amount to at least the company’s registered share capital.

#### 1.4. Specialty Chemicals separation

In April 2017, AkzoNobel announced the decision to create two focused, high performing companies, Paints and Coatings, and Specialty Chemicals – with separation due to take place during 2018. Pursuing this strategy will drive a step-change in growth and value creation and enable both businesses to become more agile, while accelerating profitability. On March 27, 2018, AkzoNobel announced to sell the Specialty Chemicals business to Carlyle Group and GIC for an enterprise value of €10.1 billion.

This strategy also includes separating the Specialty Chemicals companies in Sweden from the rest of the AkzoNobel Sweden group. In December 2017, an agreement was signed to transfer the shares in the Swedish Specialty Chemicals companies from Akzo Nobel Sweden Finance AB (publ) to a holding company outside the AkzoNobel Sweden group, effective January 1, 2018. As from December 22, 2017, the Specialty Chemicals business is classified as held for sale and discontinued operations.

The classification as held for sale and discontinued operations has a great impact on the presentation of Specialty Chemicals in this report:

- Group statement of income: the Specialty Chemicals business is reported as discontinued operations. Therefore, the results of the Specialty Chemicals business are included on the line "Profit for the period from discontinued operations" for the half year 2017.
- Group statement of comprehensive income: the consolidated statement of comprehensive income includes both continuing and discontinued operations.
- Group balance sheet: the assets and liabilities of the Specialty Chemicals business are classified as held for sale. As a result, the assets and liabilities of the Specialty Chemicals business are reported on the line "Assets held for sale" and "Liabilities held for sale" in the group balance sheet as per December 31, 2017.
- Group cash flow statement: the Specialty Chemicals business is reported as discontinued operations. Therefore, the cash flows of the Specialty Chemicals business are included on the line "Cash flows from discontinued operations" for the half year 2017.

We expect that Akzo Nobel N.V. will remain guarantor of the company's bond.

## 2. Condensed consolidated financial statements for the Akzo Nobel Sweden group

### 2.1. Condensed consolidated statement of (comprehensive) income

#### Condensed consolidated statement of income AkzoNobel Sweden group

In € millions

	2018 Jan-Jun	2017 Jan-Jun
Revenue	213.8	224.2
Cost of sales	(150.7)	(159.8)
<b>Gross profit</b>	<b>63.1</b>	<b>64.4</b>
Selling expenses	(32.0)	(33.2)
Research and development expenses	(3.6)	(3.8)
General and administrative expenses	(12.3)	(9.3)
Other operating income/(expenses)	(1.6)	(2.4)
<b>Operating income</b>	<b>13.6</b>	<b>15.7</b>
Financing income	7.2	0.0
Financing expenses	(10.4)	(11.6)
<b>Profit/(loss) before tax</b>	<b>10.4</b>	<b>4.1</b>
Income tax	(3.9)	(1.0)
<b>Profit for the period from continuing operations</b>	<b>6.5</b>	<b>3.1</b>
Profit before tax from discontinued operations	0.0	126.1
Tax related to discontinued operations	0.0	(28.2)
<b>Profit for the period from discontinued operations</b>	<b>0.0</b>	<b>97.9</b>
<b>Profit for the period</b>	<b>6.5</b>	<b>101.0</b>
<b>Attributable to:</b>		
- Shareholders of the company	6.5	101.0
- Non-controlling interests	0.0	0.0
<b>Earnings per share (in €):</b>		
- Basic/diluted earnings per share from continuing operations	6,503	3,137
- Basic/diluted earnings per share from discontinued operations	0	97,840
- Basic/diluted earnings per share from total operations	6,503	100,977
Number of shares outstanding	1,000	1,000

## Consolidated statement of comprehensive income AkzoNobel Sweden group

In €millions

	2018	2017
	Jan-Jun	Jan-Jun
<b>Profit for the period</b>	<b>6.5</b>	<b>101.0</b>
Exchange differences arising on translation of operations	(4.8)	(8.3)
Cash flow hedges reported in equity	0.0	(0.9)
Post-retirement benefits	0.0	0.1
Divestment under common control of Specialty Chemicals' subsidiaries	177.2	0.0
Taxes relating to components of other comprehensive income	0.0	0.2
<b>Comprehensive income for the period</b>	<b>178.9</b>	<b>92.1</b>
<b>Attributable to:</b>		
- Shareholders of the company	178.9	92.1
- Non-controlling interests	0.0	0.0

### General development

Revenues were down to €213.8 million (2017: 224.2 million), mainly due to the weaker Swedish krona and more difficult market conditions for several businesses. Operating income decreased to €13.6 million (2017: €15.7 million), caused by margin pressure and the weaker Swedish krona, partially offset by cost savings. Due to financing income of €7.2 million on the loan granted to the parent company after the sale of the Specialty Chemicals companies as per January 1, 2018, profit for the period was up to €6.5 million (2017: profit for the period from continuing operations was €3.1 mln).

### Acquisitions/divestments

Effective January 1, 2018, the Specialty Chemicals subsidiaries were sold to a holding company outside the AkzoNobel Sweden Group. As this was a transaction under common control, the net divestment gain of €177.2 million has been recorded in other comprehensive income.

### Financing

The AkzoNobel Sweden group's major source of long-term financing is the bond loan. Short-term financing is provided by internal bank arrangements. There is an internal loan structure set up within the AkzoNobel Sweden group, to minimize borrowings from other AkzoNobel companies.

Akzo Nobel Sweden Finance AB (publ) has borrowed the proceeds from the sale of the Specialty Chemicals companies on January 1 2018, to the parent company.

### Operating segments – management structure

The AkzoNobel Sweden group is an integrated part of the AkzoNobel group. Management and control is carried out through the organizational structure in the AkzoNobel group, therefore the same operational reporting structure is used.

AkzoNobel Sweden group is organized in two business areas:

- Decorative Paints
- Performance Coatings

### Workforce

At the end of June 30, 2018, we employed 1,176 staff (December 31, 2017: 993; June 30, 2017: 1,228). The increase mainly concerns new hires including seasonal employees, exceeding voluntary leaves.

### Segment reporting AkzoNobel Sweden group

In € millions	2018	2017
	Jan-Jun	Jan-Jun
<b>Revenue</b>		
Decorative Paints	45.1	54.6
Performance Coatings	168.8	170.5
Other activities/eliminations	(0.1)	(0.9)
<b>Total</b>	<b>213.8</b>	<b>224.2</b>

<b>Operating income</b>		
Decorative Paints	6.8	3.2
Performance Coatings	7.8	12.2
Other activities/eliminations	(1.0)	0.3
<b>Total</b>	<b>13.6</b>	<b>15.7</b>

<b>Number of employees June 30</b>	<b>1,176</b>	<b>1,228</b>
------------------------------------	--------------	--------------

### Disaggregation of revenue January-June 2018 AkzoNobel Sweden group

In € millions	Decorative Paints	Performance Coatings	Other	Total
Sweden	39.8	37.9	0.0	77.7
Other Europe	0.5	53.0	0.0	53.5
Rest of world	0.0	0.1	0.0	0.1
Sales to AkzoNobel group	4.9	77.6	0.0	82.5
<b>Total</b>	<b>45.2</b>	<b>168.6</b>	<b>0.0</b>	<b>213.8</b>

### Profit and loss discontinued operations AkzoNobel Sweden group

In € millions	2018 Jan-Jun	2017 Jan-Jun
Revenues	0.0	584.3
Expenses	0.0	(458.2)
<b>Profit before tax</b>	<b>0.0</b>	<b>126.1</b>
Income tax	0.0	(28.2)
<b>Profit for the period</b>	<b>0.0</b>	<b>97.9</b>

## 2.2. Condensed consolidated balance sheet

### Condensed consolidated balance sheet AkzoNobel Sweden group

In € millions	June 30 2018	December 31 2017
Intangible assets	15.7	16.8
Property, plant and equipment	46.1	50.8
Other financial non-current assets	759.5	1.3
<b>Total non-current assets</b>	<b>821.3</b>	<b>68.9</b>
Inventories	32.3	32.3
Trade and other receivables	85.9	81.0
Assets held for sale	0.0	858.3
Cash and cash equivalents	144.9	129.8
<b>Total current assets</b>	<b>263.1</b>	<b>1,101.4</b>
<b>Total assets</b>	<b>1,084.4</b>	<b>1,170.3</b>
Shareholders' equity	187.0	9.9
Non-controlling interest	0.0	0.0
<b>Shareholders' equity</b>	<b>187.0</b>	<b>9.9</b>
Provisions and deferred tax liabilities	2.7	2.8
Long-term borrowings	769.2	769.9
<b>Total non-current liabilities</b>	<b>771.9</b>	<b>772.7</b>
Short-term borrowings	0.2	0.0
Trade and other payables	48.3	44.7
Other short-term liabilities	77.0	59.9
Liabilities held for sale	0.0	283.1
<b>Total current liabilities</b>	<b>125.5</b>	<b>387.7</b>
<b>Total equity and liabilities</b>	<b>1,084.4</b>	<b>1,170.3</b>

#### Other financial non-current assets

The increase mainly concerned a new intercompany loan given to the parent company after the sale of the Specialty Chemicals' subsidiaries on January 1, 2018.

#### Cash and cash equivalents

At June 30, 2018, €143.8 million (December 31, 2017: €129.7 million) of the liquid funds is placed with the AkzoNobel group.

### Assets and liabilities held for sale

The assets and liabilities held for sale balances on December 31, 2017, concerned, the Specialty Chemicals' subsidiaries, which were sold on January 1, 2018.

#### Assets and liabilities held for sale AkzoNobel Sweden group

In € millions	June 30 2018	December 31, 2017
Intangible assets	0.0	106.7
Property, plant and equipment	0.0	235.5
Financial non-current assets	0.0	10.8
Inventories	0.0	103.0
Receivables	0.0	402.3
<b>Assets held for sale</b>	<b>0.0</b>	<b>858.3</b>
Non-current liabilities	0.0	80.6
Current payables	0.0	202.5
<b>Liabilities held for sale</b>	<b>0.0</b>	<b>283.1</b>

## 2.3. Changes in equity

### Changes in equity AkzoNobel Sweden group

In € millions	Subscribed share capital	Additional paid-in capital	Cash flow hedge reserve	Translation reserve	Other reserves and undistributed profits	Shareholders' equity	Non-controlling interest	Total equity
<b>Balance at December 31, 2016</b>	<b>0.1</b>	<b>341.1</b>	<b>28.4</b>	<b>89.9</b>	<b>(508.0)</b>	<b>(48.5)</b>	<b>0.2</b>	<b>(48.3)</b>
Profit/loss for the period	0.0	0.0	0.0	0.0	101.0	101.0	0.0	<b>101.0</b>
Reclassification into the statement of income	0.0	0.0	(2.3)	0.0	0.0	(2.3)	0.0	<b>(2.3)</b>
Other comprehensive income	0.0	0.0	1.4	(8.3)	0.1	(6.8)	0.0	<b>(6.8)</b>
Tax on other comprehensive income	0.0	0.0	0.2	0.0	0.0	0.2	0.0	<b>0.2</b>
<b>Total comprehensive income</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.7)</b>	<b>(8.3)</b>	<b>101.1</b>	<b>92.1</b>	<b>0.0</b>	<b>92.1</b>
Dividend paid	0.0	0.0	0.0	0.0	(65.0)	(65.0)	0.0	<b>(65.0)</b>
Other changes in equity	0.0	0.0	0.0	0.0	0.5	0.5	0.0	<b>0.5</b>
<b>Balance at June 30, 2017</b>	<b>0.1</b>	<b>341.1</b>	<b>27.7</b>	<b>81.6</b>	<b>(471.4)</b>	<b>(20.9)</b>	<b>0.2</b>	<b>(20.7)</b>
<b>Balance at December 31, 2017</b>	<b>0.1</b>	<b>341.1</b>	<b>3.4</b>	<b>69.9</b>	<b>(404.6)</b>	<b>9.9</b>	<b>0.0</b>	<b>9.9</b>
Impact adoption IFRS 9 and IFRS 15	0.0	0.0	0.0	0.0	(1.8)	(1.8)	0.0	<b>(1.8)</b>
<b>Balance at January 1, 2018</b>	<b>0.1</b>	<b>341.1</b>	<b>3.4</b>	<b>69.9</b>	<b>(406.4)</b>	<b>8.1</b>	<b>0.0</b>	<b>8.1</b>
Profit/loss for the period	0.0	0.0	0.0	0.0	6.5	6.5	0.0	<b>6.5</b>
Divestment under common control of Specialty Chemicals' subsidiaries	0.0	0.0	(3.4)	(44.8)	225.4	177.2	0.0	<b>177.2</b>
Other comprehensive income	0.0	0.0	0.0	(4.8)	0.0	(4.8)	0.0	<b>(4.8)</b>
Tax on other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>
<b>Total comprehensive income</b>	<b>0.0</b>	<b>0.0</b>	<b>(3.4)</b>	<b>(49.6)</b>	<b>231.9</b>	<b>178.9</b>	<b>0.0</b>	<b>178.9</b>
Dividend paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>
Other changes in equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>
<b>Balance at June 30, 2018</b>	<b>0.1</b>	<b>341.1</b>	<b>0.0</b>	<b>20.3</b>	<b>(174.5)</b>	<b>187.0</b>	<b>0.0</b>	<b>187.0</b>

Effective January 1, 2018, the Specialty Chemicals subsidiaries were sold to a holding company outside the AkzoNobel Sweden Group. As this is a transaction under common control, the net divestment gain of €177.2 million has been recorded in other comprehensive income.

There has been a decrease in the cumulative translation reserves by €4.8 million due to depreciation of the Swedish krona compared to the euro. The functional currency of most companies in the AkzoNobel Sweden group is the Swedish krona and therefore the movement in the Swedish krona/euro exchange rate affects equity.

## 2.4. Condensed consolidated statement of cash flows

### Condensed consolidated statement of cash flows AkzoNobel Sweden group

In €millions	2018	2017
	Jan-Jun	Jan-Jun
<b>Cash and cash equivalents opening balance</b>	<b>129.8</b>	<b>354.0</b>
<b>Continuing operations</b>		
Operating income for the period	13.6	15.7
Amortization, depreciation and impairments	2.9	3.2
(Paid) financial items and (paid)/received taxes	6.9	(38.5)
Changes in working capital	(4.9)	(10.6)
Changes in provisions	0.7	(0.4)
Other changes	0.1	0.2
<b>Net cash from operating activities</b>	<b>19.3</b>	<b>(30.4)</b>
Capital expenditure	(2.7)	(3.6)
Proceeds from divestments	752.4	0.0
Loan to parent company	(750.0)	
Other changes	(1.1)	0.3
<b>Net cash from investing activities</b>	<b>(1.4)</b>	<b>(3.3)</b>
Changes in borrowings	(1.1)	(9.1)
Dividend	0.0	(65.0)
<b>Net cash from financing activities</b>	<b>(1.1)</b>	<b>(74.1)</b>
<b>Net cash from continuing operations</b>	<b>16.8</b>	<b>(107.8)</b>
<b>Discontinued operations</b>		
Net cash from operating activities	0.0	114.1
Net cash from investing activities	0.0	(21.4)
Net cash from financing activities	0.0	(11.8)
<b>Cash flow from discontinued operations</b>	<b>0.0</b>	<b>80.9</b>
<b>Net change in cash and cash equivalents</b>	<b>16.8</b>	<b>(26.9)</b>
Effects of exchange rate changes	(1.7)	(3.6)
<b>Cash and cash equivalents at end of period</b>	<b>144.9</b>	<b>323.5</b>

Cash flow from operating activities increased to an inflow of €19.3 million (2017: €30.4 million outflow). The changes mainly consist of a tax refund in 2018 versus higher taxes (pre)paid in 2017 and lower working capital built-up.

Proceeds from divestments relate to the sale of the Specialty Chemicals subsidiaries, for which the majority of the proceeds were borrowed upstream to the parent company.

### 3. Notes to the condensed consolidated financial statements

#### 3.1. Principal risks and uncertainties

In our Report 2017, we have extensively described our risk management framework and the major risk factors which may prevent full achievement of our objectives within the forthcoming three to five years, as well as beyond the five-year time horizon. This included risks related to the separation of Specialty Chemicals. In the meantime, we successfully concluded the separation process with the announced sale of the Specialty Chemicals business to The Carlyle Group and GIC. The transaction is expected to be completed before the end of 2018, subject to customary closing conditions, including the relevant regulatory approvals and consultation with the relevant employee representative bodies. Overall, we consider the medium-term and long-term risks as communicated in the Report 2017, including the five medium-term risks assessed to increase, still to be valid. Please refer to our Report 2017, a copy of which can be found on [www.akzonobel.com](http://www.akzonobel.com).

##### Risks assessed to increase in the 2017 Annual Report

Risk	Risk description	Mitigating actions
Sourcing of raw materials and energy	Prices for key raw materials and energy can be volatile, are affected by economic conditions and regulations and have a direct impact on margins. In addition, there is a non-level playing field on a global level (e.g. shale gas, national policies, subsidies), which affects our competitive position.	<ul style="list-style-type: none"> <li>Our procurement sourcing processes (ALPS Source) and organization are designed to actively leverage the cost, quality and delivery of raw materials and energy, including the performance of suppliers. This includes managing the risks related to single sourced materials, demand forecasting and margin-impact assessment</li> <li>Our Supplier Sustainability Program is embedded in our sourcing strategy, selection and management process to ensure compliance of critical suppliers, while also driving continuous improvements. We are also active in several industry groups</li> </ul>
Information Technology	The company's longer term IT strategy means we increasingly rely on fewer consolidated critical applications, including industrial process control systems. As the number of digital exchanges of business transactions is increasing, the non-availability of IT systems, or unauthorized access can have a direct impact on our business processes, competitive position and reputation.	<ul style="list-style-type: none"> <li>Focus on measures such as redundant design, back-up processes, virus protection, anti-spoofing, advanced forensic scanning and mission critical infrastructure support</li> <li>Centrally monitor access control processes and identity and access enhancements</li> <li>Improve and test end-user awareness and behavior via cyber-security campaigns and e-learning</li> <li>Roll-out of the new IM security standard for industrial control systems to all manufacturing locations</li> <li>Further test and improve IT security response and incident management process</li> </ul>
Complying with law and regulations	Our international footprint exposes us to (continuously expanding) laws and regulations. We may be held responsible for any liabilities arising out of non-compliance with these laws and regulations.	<ul style="list-style-type: none"> <li>Implementation of Business Partner Compliance Framework</li> <li>Monitor and adapt to significant changes in the legal systems, regulatory controls, customs and practices in the countries in which we operate</li> <li>Remain dedicated to minimizing AkzoNobel's compliance risk by fostering an open and transparent culture, continuously educating and training our employees worldwide and increasing awareness</li> <li>Monitor overall compliance through our comprehensive annual Non-Financial Letter of Representation process, as well as our annual Competition Law Compliance Declaration</li> <li>Continue to embed company-wide standard setting and compliance awareness through activities and training programs, including training on Code of Conduct</li> </ul>
Attraction and retention of talent	Ensuring continued alignment between a rapidly evolving business environment and qualifications, capabilities and talent of our workforce across the globe is an increasingly complex process. At the same time, it determines to a large extent the success of our organization.	<ul style="list-style-type: none"> <li>Strengthen AkzoNobel's employee value proposition, based on the company purpose and brand</li> <li>Further improve talent and succession action planning</li> <li>Fully embed leadership behaviors in our Performance and Development Dialog annual appraisal</li> <li>Deploy the AkzoNobel Academy to the full extent</li> </ul>
Management of change	To support the implementation of our strategy, we continue to implement important changes in our operating model across the entire company.	<ul style="list-style-type: none"> <li>Focus on core principles and values to set desired behavioral changes in motion</li> <li>Embed project and change management in the curriculum of the AkzoNobel Academy</li> <li>Roll out principles of commercial excellence in all levels of the organization</li> <li>Combine sales and marketing under the responsibility of the Chief Operating Officer</li> <li>Accelerate the adoption of a new organizational model through the creation of a Planning and Transformation Office</li> <li>Continue the journey of creating fit-for-purpose support functions to drive synergies and standardization and leverage expertise at a company-wide level</li> </ul>

#### 3.2. Seasonality

Revenue and results in Decorative Paints are impacted by seasonal influences. Revenue and profitability tend to be higher in the second and third quarter of the year as weather conditions determine whether paints and coatings can be applied. In Performance Coatings, revenue and profitability vary with building patterns from original equipment manufacturers.

#### 3.3. Transactions with related parties

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. Sales to other parts of the AkzoNobel group in the first half year amounted to €69.2 million (2017: €82.3 million).

There are also a number of shared services within the AkzoNobel group for example sourcing, legal, human resources and financing for which the costs are shared.

### 3.4. Accounting policies and restatements

This interim financial report is in compliance with IAS 34 "Interim Financial Reporting". This report is unaudited. The significant accounting policies applied in the condensed consolidated interim financial statements are consistent with those applied in AkzoNobel Sweden group's consolidated financial statements for the year ended December 31, 2017, except for the following changes in accounting policies and disclosures:

IFRS 15, "Revenue from contracts with customers", replaces pre-existing revenue recognition guidance in IFRS. It introduces a five-step model to determine when to recognize revenue and at what amount, based on transfer of control over goods or services to the customer. AkzoNobel has adopted IFRS 15 as per January 1, 2018, and has not restated its 2017 comparative figures. The transition effect on group equity as per January 1, 2018, is €1.8 million after tax. For further information, reference is made to Note 1 of the 2017 Financial Statements. The impact on the interim condensed consolidated financial statements is not significant.

IFRS 9, "Financial Instruments" introduces new requirements for classifying and measuring financial assets and liabilities. This standard encompasses an overall change of accounting principles for financial instruments and replaces IAS 39 – the current standard on financial instruments. The standard contains new requirements for impairment of financial assets and for hedge accounting. AkzoNobel has adopted IFRS 9 as per January 1, 2018, and has not restated its 2017 comparative figures. The transition effect on group equity as per January 1, 2018, is negligible. The impact on the interim condensed consolidated financial statements is not significant.

Furthermore, IFRS 16 "Leases" is an important upcoming change, and will be implemented as of January 1, 2019. Based on the results of our assessment so far with respect to IFRS 16, we expect total assets to increase less than 10%. It should be noted that the actual impact will depend on the number, size and remaining duration of lease contracts and any expected renewals at the moment of implementation. We do not expect the impact on operating income to be significant.

### 3.5. Safe Harbor statement

This report contains statements which address such key issues as AkzoNobel's growth strategy, future financial results, market positions, product development, products in the pipeline and product approvals. Such statements should be carefully considered, and it should be understood that many factors could cause forecast and actual results to differ from these statements. These factors include, but are not limited to, price fluctuations, currency fluctuations, developments in raw material and personnel costs, pensions, physical and environmental risks, legal issues, and legislative, fiscal, and other regulatory measures as well as the separation of Specialty Chemicals. Stated competitive positions are based on management estimates supported by information provided by specialized external agencies. For a more comprehensive discussion of the risk factors affecting our business, please see the Akzo Nobel Sweden Finance AB (publ) 2017 Report, a copy of which can be found on [www.akzonobel.com](http://www.akzonobel.com).

## 4. Condensed financial statements for Akzo Nobel Sweden Finance AB (publ)

### 4.1. Condensed statement of income

#### Condensed statement of income Akzo Nobel Sweden Finance AB (publ)

In €millions	2018 Jan-Jun	2017 Full year	2017 Jan-Jun
Revenue	0.0	0.0	0.0
General and administrative expenses and income	(0.1)	(0.1)	0.0
Other results	1.7	(0.6)	0.1
<b>Operating income/(expenses)</b>	<b>1.6</b>	<b>(0.7)</b>	<b>0.1</b>
Net finance result	(3.0)	(80.8)	(11.5)
<b>Profit/(loss) before tax</b>	<b>(1.4)</b>	<b>(81.5)</b>	<b>(11.4)</b>
Appropriations (incl. dividend received)	0.0	57.1	20.5
Income tax	0.7	(7.6)	(2.1)
<b>Net income</b>	<b>(0.7)</b>	<b>(32.0)</b>	<b>7.0</b>

#### Statement of comprehensive income Akzo Nobel Sweden Finance AB (publ)

In €millions	2018 Jan-Jun	2017 Full year	2017 Jan-Jun
<b>Earnings for the period</b>	<b>(0.7)</b>	<b>(32.0)</b>	<b>7.0</b>
Other changes in comprehensive income	0.0	0.0	0.0
<b>Comprehensive income for the period</b>	<b>(0.7)</b>	<b>(32.0)</b>	<b>7.0</b>

When compared to half year 2017, the net financial result decreased due to the proceeds from the new intercompany loan given to the parent company after the sale of the Specialty Chemicals' subsidiaries on January 1, 2018.

## 4.2. Condensed balance sheet

### Condensed balance sheet Akzo Nobel Sweden Finance AB (publ)

In € millions	June 30 2018	December 31 2017	June 30 2017
Shares in consolidated companies	96.0	846.0	904.1
Loan to consolidated companies	750.0	0.0	
<b>Total non current assets</b>	<b>846.0</b>	<b>846.0</b>	<b>904.1</b>
Cash and cash equivalents	104.7	97.5	87.0
Other current assets	8.8	10.6	6.6
<b>Total current assets</b>	<b>113.5</b>	<b>108.1</b>	<b>93.7</b>
<b>Total assets</b>	<b>959.5</b>	<b>954.1</b>	<b>997.8</b>
Shareholders' equity	195.4	196.1	235.1
<b>Total equity</b>	<b>195.4</b>	<b>196.1</b>	<b>235.1</b>
Long-term borrowings	745.0	744.5	744.0
<b>Total non-current liabilities</b>	<b>745.0</b>	<b>744.5</b>	<b>744.0</b>
Trade and other payables	0.2	4.5	0.5
Other short-term liabilities	18.9	9.0	18.2
<b>Total current liabilities</b>	<b>19.1</b>	<b>13.5</b>	<b>18.7</b>
<b>Total equity and liabilities</b>	<b>959.5</b>	<b>954.1</b>	<b>997.8</b>

The main assets of the company are shares in subsidiaries and the new intercompany loan given to the parent company after the sale of the Specialty Chemicals' subsidiaries on January 1, 2018.

Long-term borrowings are the bond loan and other short-term liabilities consist of the interest on the loan, paid once a year at the end of July.

### 4.3. Changes in equity

#### Changes in equity Akzo Nobel Sweden Finance AB (publ)

In € millions	Subscribed	Additional	Profit brought	Shareholders'
	share capital	paid-in capital	forward	equity
<b>Balance at December 31, 2016</b>	<b>0.1</b>	<b>341.1</b>	<b>(48.1)</b>	<b>293.1</b>
Comprehensive income for the period	0.0	0.0	7.0	7.0
Dividend	0.0	0.0	(65.0)	(65.0)
<b>Balance at June 30, 2017</b>	<b>0.1</b>	<b>341.1</b>	<b>(106.0)</b>	<b>235.1</b>
<b>Balance at December 31, 2017</b>	<b>0.1</b>	<b>341.1</b>	<b>(145.1)</b>	<b>196.1</b>
Comprehensive income for the period	0.0	0.0	(0.7)	(0.7)
<b>Balance at June 30, 2018</b>	<b>0.1</b>	<b>341.1</b>	<b>(145.8)</b>	<b>195.4</b>

### 4.4. Condensed statement of cash flows

#### Condensed statement of cash flows Akzo Nobel Sweden Finance AB (publ)

In € millions	2018	2017	2017
	Jan-Jun	Full year	Jan-Jun
<b>Cash and cash equivalents at begin of period</b>	<b>97.5</b>	<b>62.4</b>	<b>62.4</b>
<b>Net cash from operating activities</b>	<b>4.8</b>	<b>(66.5)</b>	<b>(35.4)</b>
Proceeds from divestments	752.4	0.0	0.0
Loan to parent company	(750.0)	0.0	0.0
<b>Net cash from investing activities</b>	<b>2.4</b>	<b>0.0</b>	<b>0.0</b>
Changes in borrowing	0.0	0.0	0.0
Participations in Group companies	0.0	101.6	60.0
<b>Net cash from financing activities</b>	<b>0.0</b>	<b>101.6</b>	<b>60.0</b>
<b>Net change in cash and cash equivalents</b>	<b>7.2</b>	<b>35.1</b>	<b>24.6</b>
Effects of exchange rate changes	0.0	0.0	0.0
<b>Cash and cash equivalents at June 30</b>	<b>104.7</b>	<b>97.5</b>	<b>87.0</b>

The change in net cash from operating activities when compared to half year 2017, mainly concerns taxes (pre)paid to the Swedish tax authorities in 2017. In 2018, there was a tax refund.

The proceeds from the sale of the Specialty Chemicals subsidiaries on January 1, 2018, were borrowed to the parent company.

Net cash from financing activities in the first half year of 2017 consists of received group.

## 5. Statement of affirmation

We have prepared the half-yearly financial report 2018 of Akzo Nobel Sweden Finance AB (publ) and the undertakings included in the consolidation taken as a whole in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Swedish disclosure requirements for half-yearly financial reports.

To the best of our knowledge the condensed financial statements in this half-yearly financial report 2018 give a true and fair view of our assets and liabilities, financial position at June 30, 2018, and of the result of our consolidated operations for the first half year of 2018, and describes the principal risks and uncertainties that the company and the companies in the AkzoNobel Sweden group face.

Malmö, August 31, 2018

The Board of Directors

Joshua Watts	Chairman
Jacq Derckx	Board member
Bertrand Lerebourg	Board member
Elin Welin	Board member
Johanna Fare	Employee representative
Philip Maughan	Employee representative

Jesper Salskov Jensen    Managing director

*This report has not been the subject of review by the company's auditors.*