



2007: Year of Transformation

**Akzo Nobel's Analyst Meeting
London and New York**

Agenda



- 1. Track record**
- 2. Strategic rationale for ICI transaction**
- 3. Key elements of ICI transaction**
- 4. Akzo Nobel going forward**
- 5. New financial strategy**
- 6. Summary**



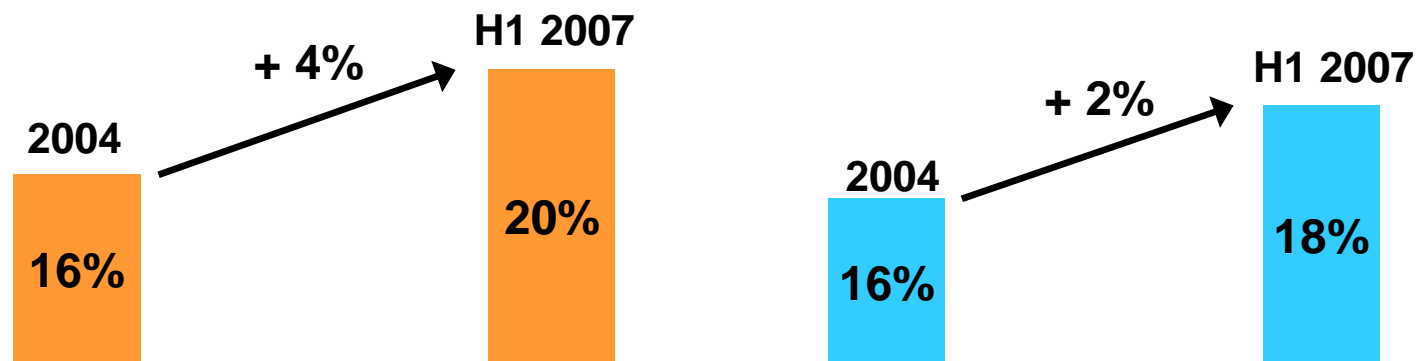
TRACK RECORD



- ✓ Fixed pharma
- ✓ Improved operational results
- ✓ Created leadership position in CSR
- ✓ Bolt-on acquisitions
- ✓ Total Shareholder Return of 270% from 2003-2007
- ✓ Improved capital structure

Chemicals turned into a highly profitable portfolio

- ✓ Restructured portfolio
- ✓ Created five growth platforms
- ✓ Delivered on cost saving programs
- ✓ Operational performance amongst best in class



Significantly improved ROI and EBITDA margin



- ✓ Divestment of Organon BioSciences for €11 billion
- ✓ Offer for ICI including on-sale to Henkel
- ✓ €1.6 billion share buyback
- ✓ Accelerating growth and improving performance across portfolio
- ✓ Good start in fixing Decorative Coatings



Decorative Coatings: restructuring paying off



Progressing well on roadmap

- New global organization in place
- Complexity reduction in products and formulations
- Global brand clustering

Key contributor to strong H1 2007 Coatings results

- Decorative Coatings revenues up 13%
- Overall Coatings EBITDA improvement of 11%



STRATEGIC RATIONALE ICI TRANSACTION

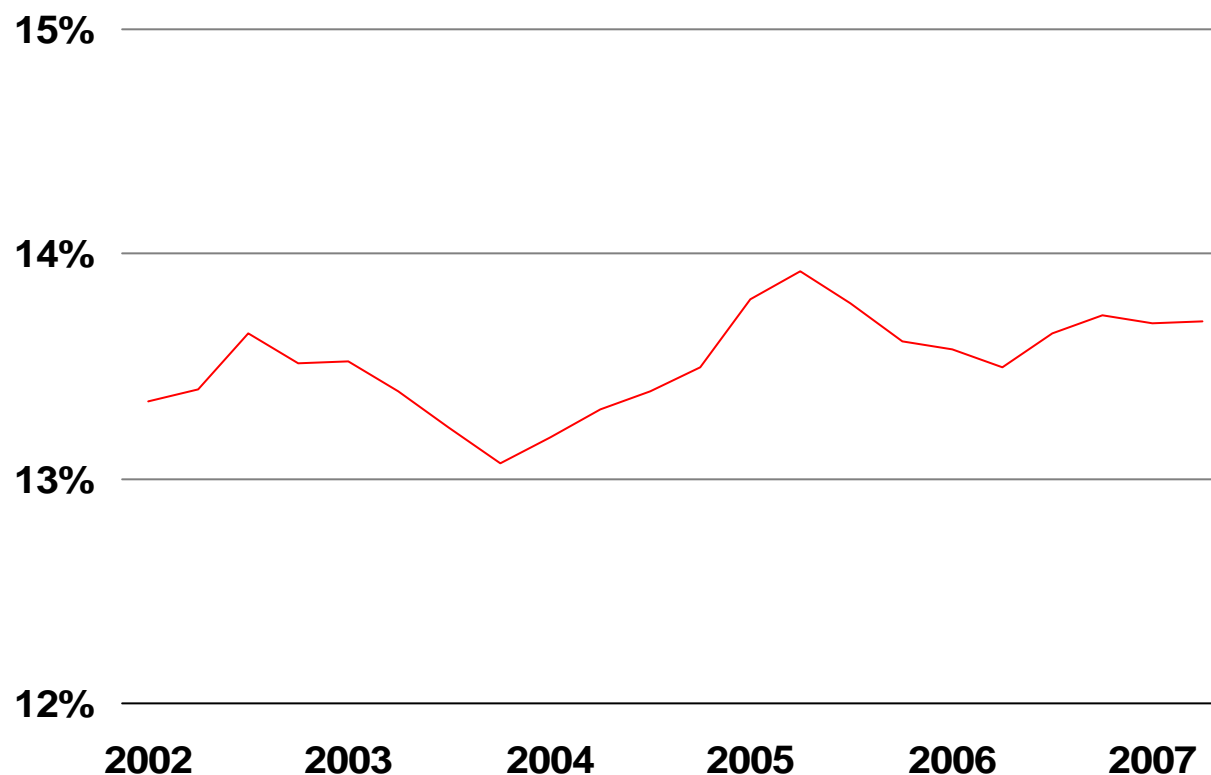


Coatings –attractive industry with strong growth potential

- Attractive industry
 - Strong and stable cash flow
 - Low cyclicality
 - Modest capital expenditure requirements
- Fragmented industry – clear signs of consolidation
- High growth potential

Stable margins through the cycle

Coatings industry – average LTM EBITDA margins

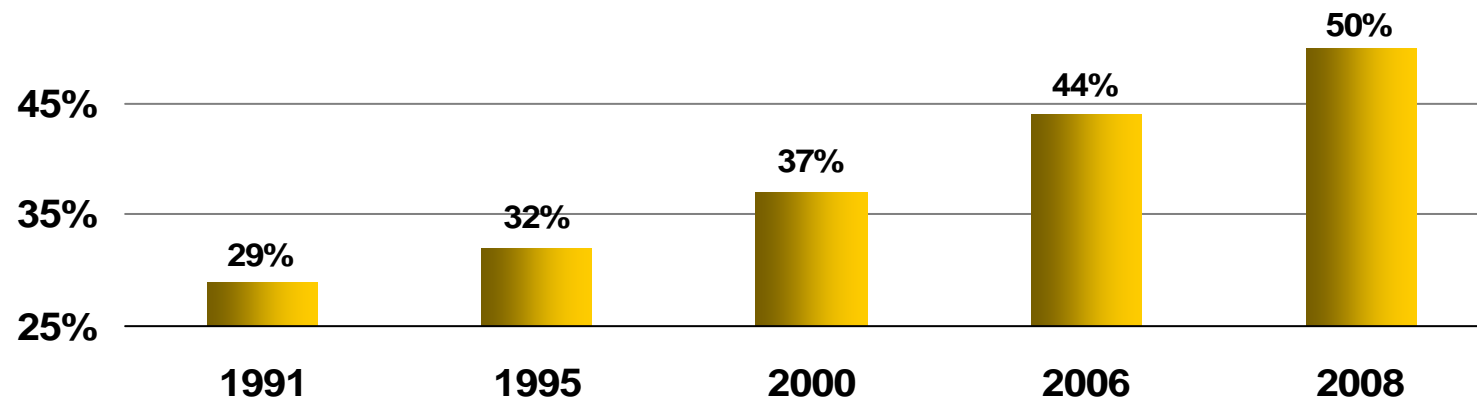


(1) Average LTM EBITDA Margins sourced from Capital IQ. Companies included: DuPont, Kansai Paint, PPG, RPM International, Sherwin Williams and Valspar

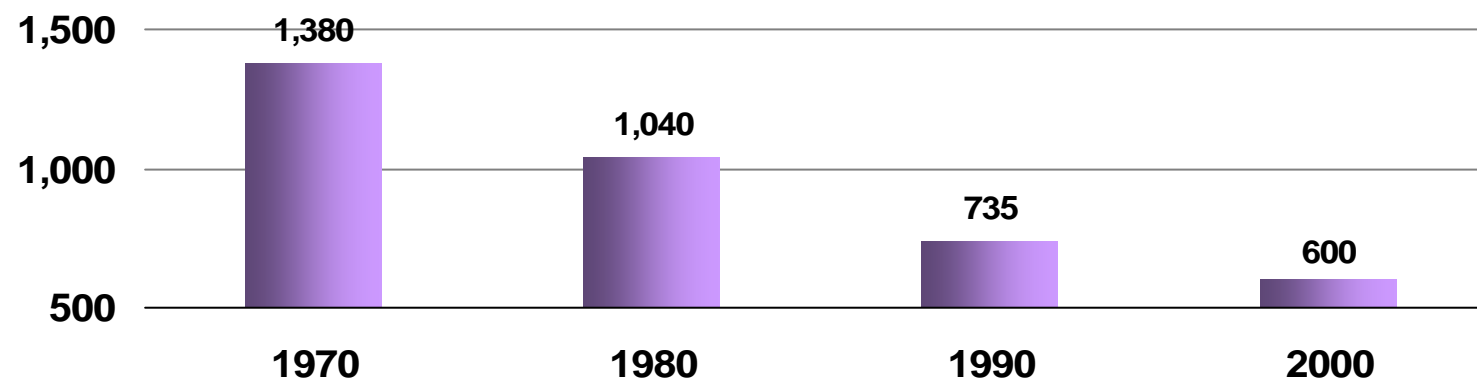
Consolidation in Coatings



Market share of Top 10 coatings companies ⁽¹⁾



Example: number of US coatings companies ⁽²⁾



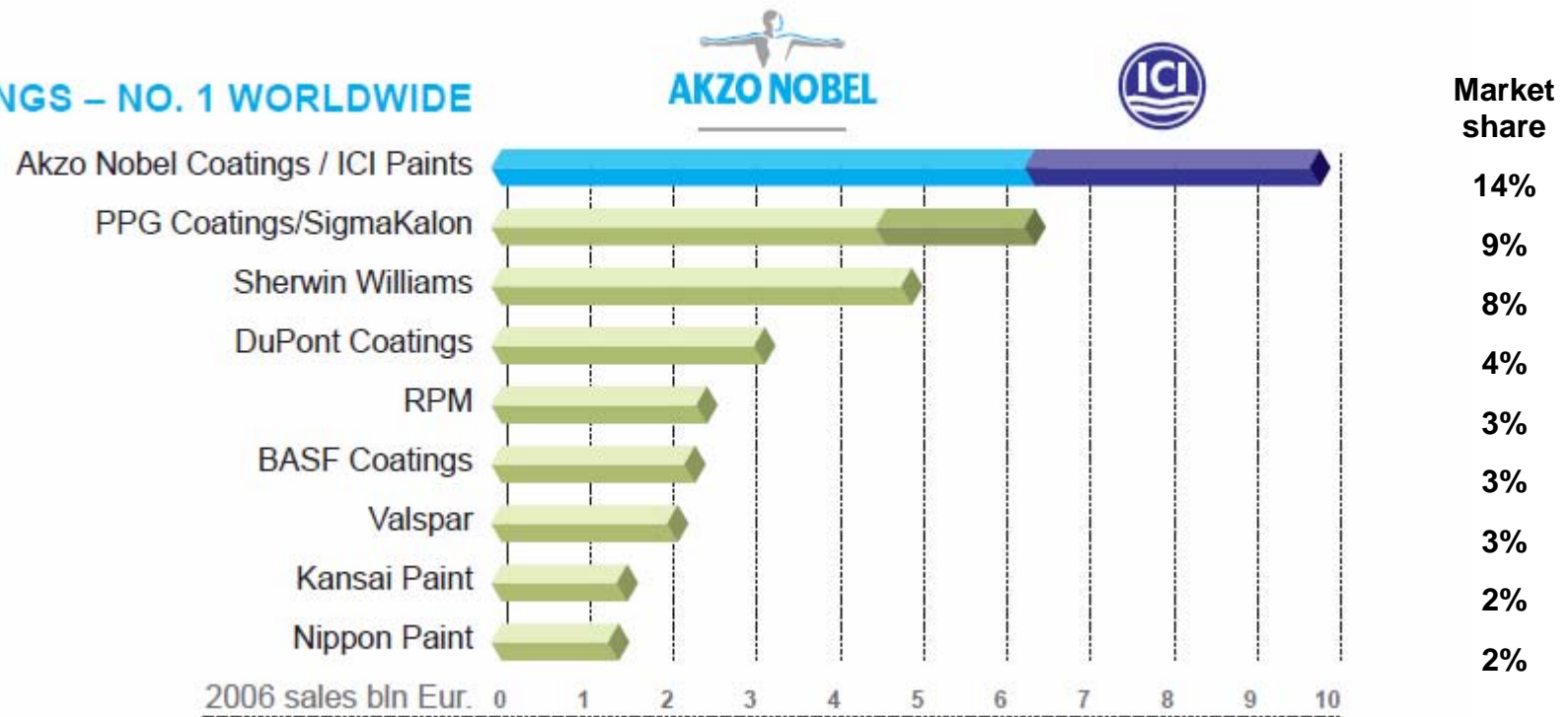
(1) Sourced from Euromonitor and Akzo Nobel Internal Sources

(2) Sourced from The ChemQuest Group and BB&T Capital Markets

New combined global market share of 14%



COATINGS – NO. 1 WORLDWIDE



(1) Assuming market size about € 70 billion in 2006



PER HOUSEHOLD SPEND ON PAINTS AND COATINGS



Source: Euromonitor

Strong international position in Coatings



	EMEA	North America	Emerging Markets
Decorative Coatings	AN ✓ ✓ ✓ ICI ✓ ✓	AN ✓ ICI ✓ ✓	AN ✓ ICI ✓ ✓ ✓
Industrial Coatings	AN ✓ ✓ ✓ ICI ✓	AN ✓ ✓ ✓ ICI ✓	AN ✓ ✓ ✓ ICI ✓
Relative Market Position ⁽¹⁾	✓ Weak	✓ ✓ Moderate	✓ ✓ ✓ Strong

(1) Statement of opinion by Akzo Nobel

A perfect strategic fit in Decorative Coatings

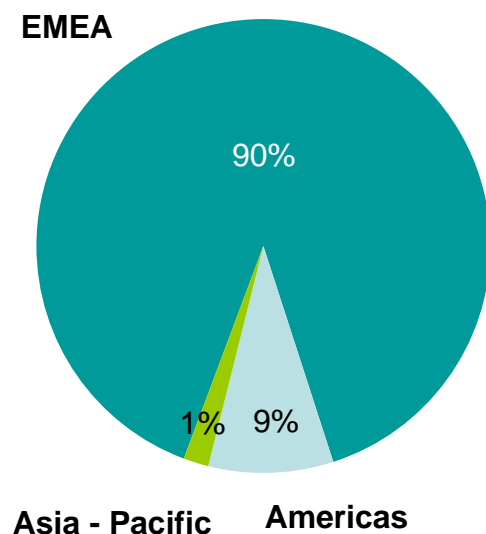


- Presence on all continents
- Ability to serve customers worldwide
- Complementary fit across regions, markets and brands
- Well positioned in highly attractive platforms for growth



Akzo Nobel Decorative Coatings today

Decorative Coatings Revenues in 2006 of €2.3 billion

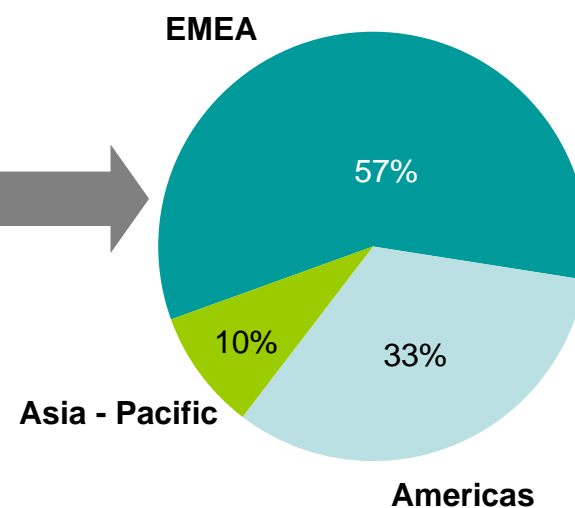


ICI's leading Decorative positions in emerging markets⁽²⁾

China	#2
India	#3
Indonesia	#2
Malaysia	#1
Pakistan	#1
Thailand	#2
Vietnam	#2
Brazil	#2
Argentina	#1

Pro Forma combined

Pro forma Decorative Coatings revenues in 2006 of €5.5 billion⁽¹⁾



(1) Based on Akzo Nobel's "Coatings" revenues and ICI's "Paints" revenues, applied € / £ exchange rate of 1.478

(2) Sourced from ICI Q2 results 2007



- Largest (25%) and most attractive coatings market worldwide
- Under pressure since mid-2006
- New home sales account for 25%
- Revised strategy initiated by ICI end of 2006
- Improved margins and profits
- Conservative assumptions made



KEY ELEMENTS ICI TRANSACTION

Key terms of ICI transaction

- Offer price of 670p in cash for each ICI share
 - 5p second ordinary interim dividend⁽¹⁾
 - Transaction financed by the proceeds of OBS sale of €11 billion
- On-sale of part of National Starch to Henkel for €4 billion
- Key financial effects:⁽²⁾
 - Earnings enhancing
 - IRR meaningfully above Akzo Nobel's WACC of 8%
 - EVA positive in year 3

(1) Assuming 2nd January 2008 closing date

(2) This statement is not a profit forecast and should not be interpreted to mean that future earnings per share will necessarily be greater than those for the relevant preceding financial period





- Specialty Starches:

- Attractive business with H1 2007 revenues of approx. €390 million and an EBITDA margin of 17%
- Intention to seek new owner

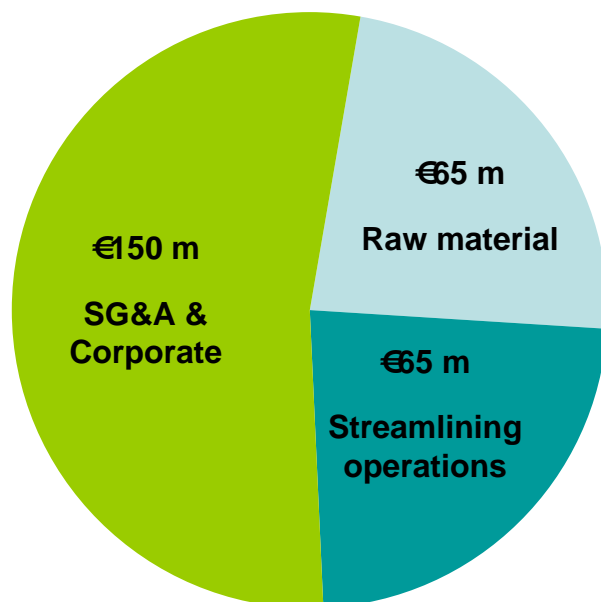
- Specialty Polymers:

- Excellent performance record with continuing growth potential
- H1 2007 Revenues of €205 million and an EBITDA margin of 23%
- Akzo Nobel will retain the business



Total synergies have a NPV of approx. €2.5 billion ⁽¹⁾

Estimated annual pre-tax cost synergies of €280 million p.a.



Other synergies with an estimated post-tax NPV of €375 million, of which 75% is cash related

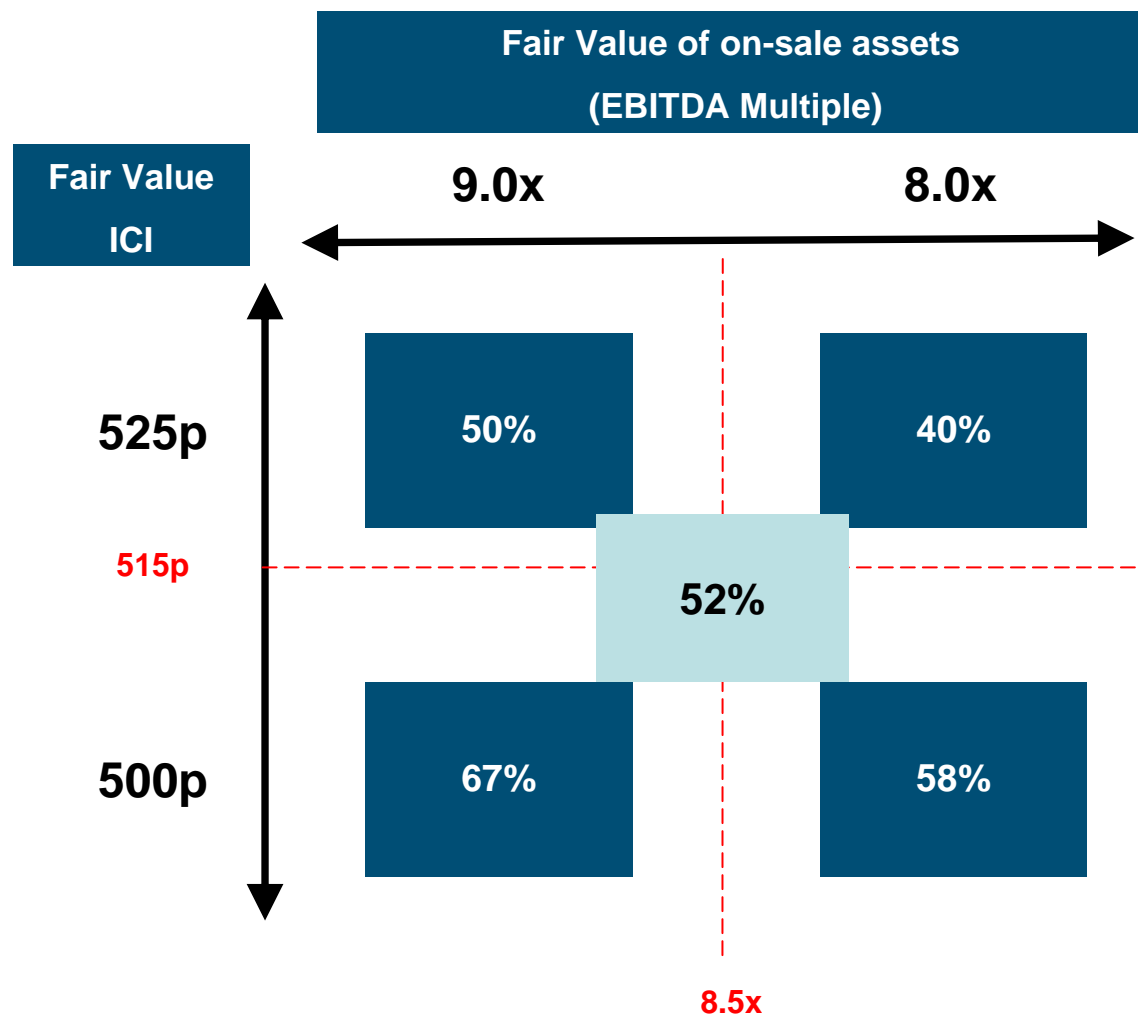
- Opportunities to grow revenues faster
- Reduction in working capital
- Consolidation of manufacturing sites
- Opportunity costs of building position in Asia by Akzo Nobel

85% of annual synergies to be realized in the first three years

(1) Based on Akzo Nobel analysis

About 50% of synergies paid away⁽¹⁾

- Synergies paid away is a simple way to evaluate attractiveness of deal
- Broker consensus fair value of ICI is approx. 515p
- Guidance for trading multiple for Henkel businesses is between 8.0x and 9.0x



⁽¹⁾ Assumes TSO of 1,196m, Net Cash of £271m and Minority Interests of £128m. Fair Value of Adhesives and Electronic Materials based on an 8.5x multiple of LTM EBITDA of £163m. Including £280m of On-Sale related separation costs. Capitalised Value of total synergies assumed to be €2.5 bn at €/£ exchange rate of 1.478

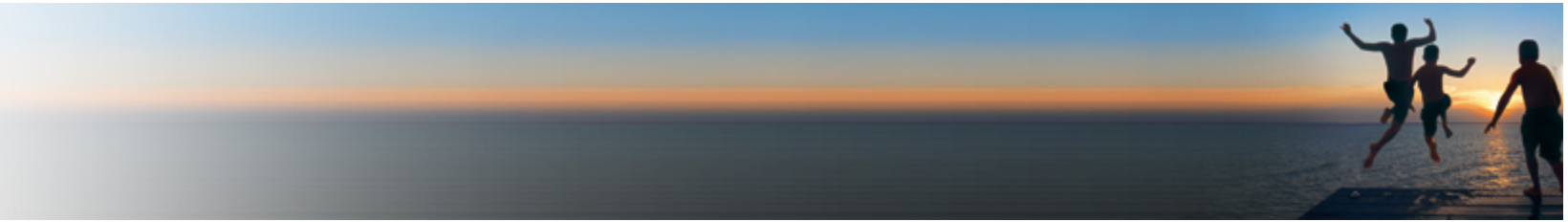


- Ambition to retain key ICI management
- New top management in place at closing, details to be announced after EGM approvals
- Teams will be in place for fast integration, implementing planned synergies
- Regular updates on implementation progress

ICI acquisition - anticipated key milestones



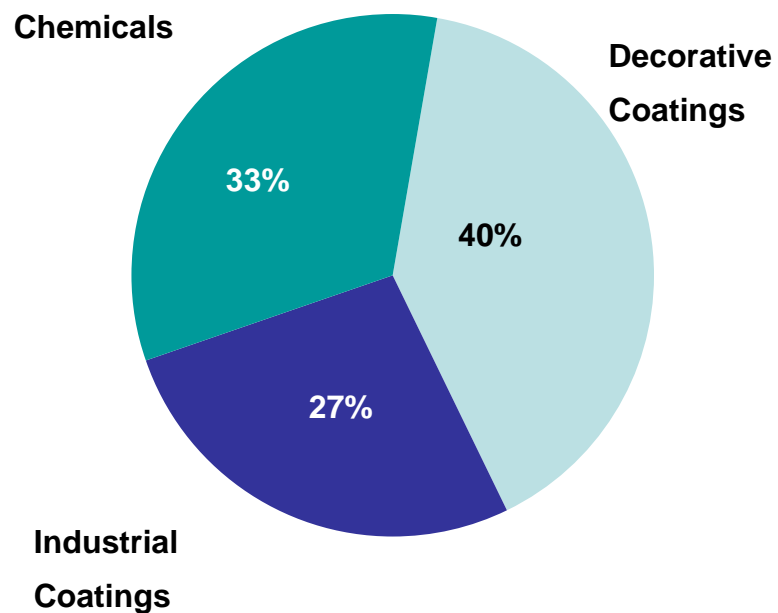
(1) At \$1.35:€1 rate, including transaction costs



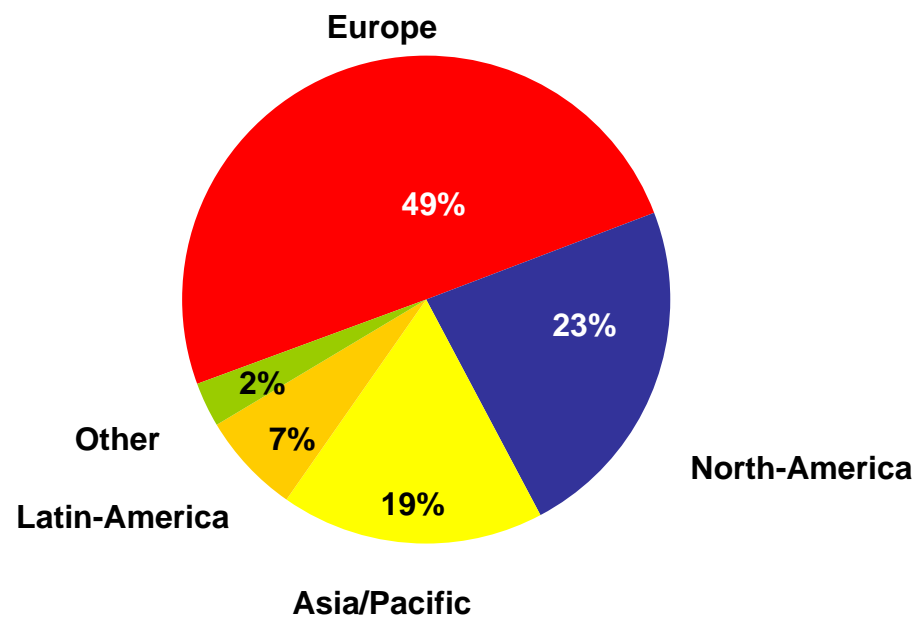
AKZO NOBEL: THE TRANSFORMATION



Revenues by segment



Revenues by geo area



(1) Revenue of Specialty Starches not included in the figures

(2) 2006 pro forma figures



Strategy going forward



- Accelerate organic growth, leveraging our leading positions
- Be an active consolidator throughout portfolio
- Capture the synergies of the ICI acquisition
- Further improve profitability through operational excellence
- Build a unique industrial brand



New Akzo Nobel will be a top performer



- Attractive industry
 - Strong portfolio
 - Operational excellence
 - Synergies
- Outgrow markets
 - EBITDA performance to move to upper half of peer group

Peer group EBITDA performance

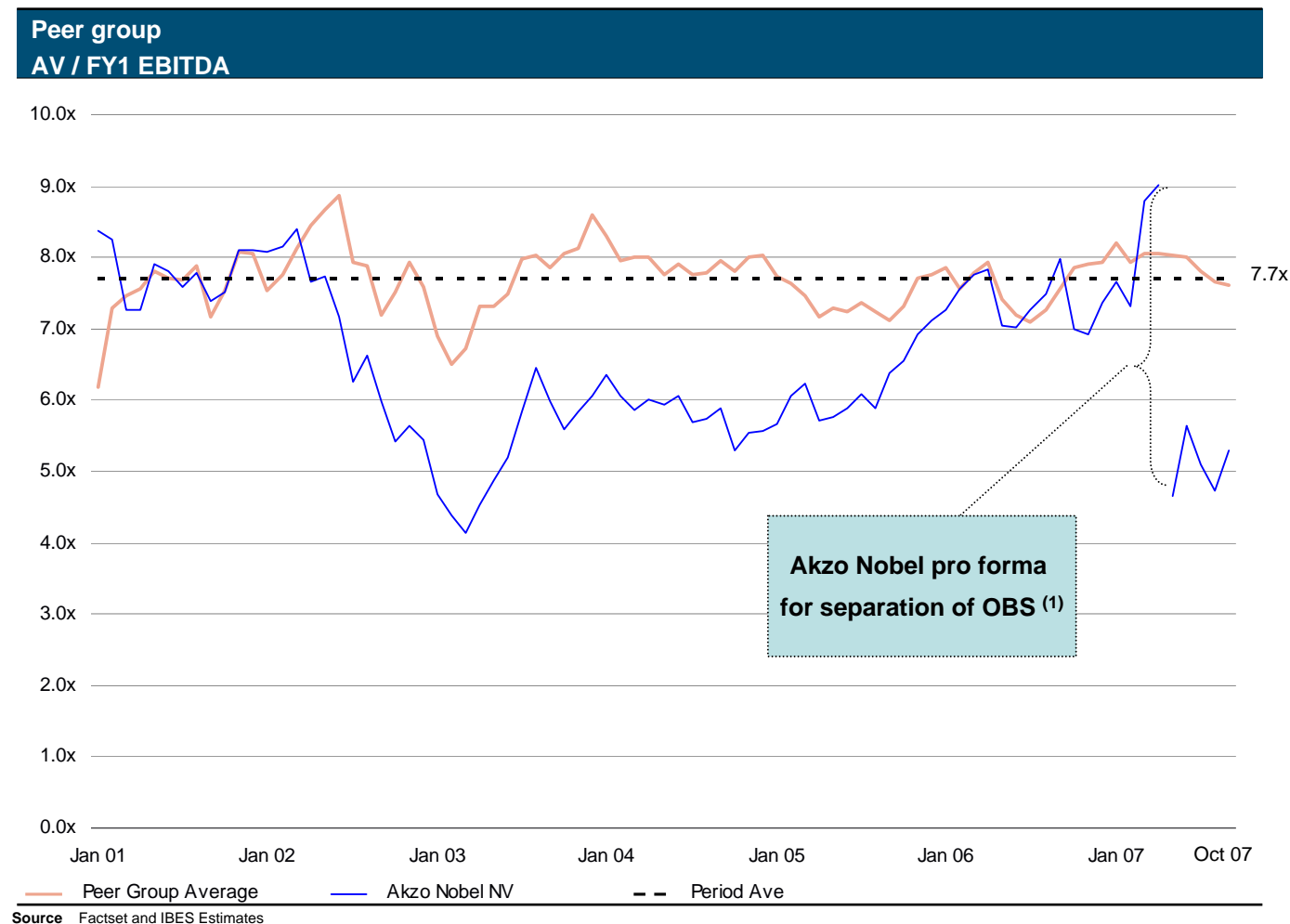
Peer Group EBITDA Margins ⁽¹⁾			
	2007	2008	2009
DuPont	19.8%	19.8%	19.6%
Hercules Inc.	18.9%	19.7%	20.6%
BASF AG	18.0%	17.8%	17.0%
PPG Industries Inc.	15.6%	15.5%	15.1%
Dow Chemical Co.	14.2%	13.8%	12.7%
CIBA	14.1%	14.7%	15.2%
Sherwin-Williams Co.	13.9%	13.9%	14.0%
RPM International Inc.	12.8%	12.9%	13.2%
Kansai Paint Co. Ltd.	12.4%	12.6%	13.3%
Valspar Corp.	12.3%	12.7%	n.a.
Kemira Group	11.9%	12.6%	13.1%
Nippon Paint Co.	8.8%	9.3%	9.8%
Arkema Sa	8.4%	9.5%	10.4%
Average	13.9%	14.2%	14.5%
Median	13.9%	13.8%	13.6%
Akzo Nobel ⁽²⁾	12.7%		

(1) Sourced from IBES Estimates and Worldscope as at 04 October, figures calendarised to December year end. Ranked by 2007 EBITDA margin estimates

(2) Akzo Nobel pro forma for ICI – H1 2007

Akzo Nobel trading valuation versus peers

- Peer group average AV / EBITDA multiple of 7.7x over the last 6 years
- Peer group valuation exhibits relatively low cyclicalty



(1) Akzo Nobel EV adjusted for €11Bn disposal of Organon BioSciences from May 2007

NEW FINANCIAL STRATEGY



Three guiding principles:

- Solid capital structure
- Attractive dividend payout ratio
- Arm's length position for pensions



- Maintain investment grade rating (single A- to BBB+ range)
 - FFO/adjusted net debt is key ratio
- Drivers
 - Flexibility for growth strategy
 - Avoid over-exposure to volatility of financial markets
 - Continue to deal proactively with pension deficit



Current policy:

- Dividend pay-out ratio of 35 to 40% of net income before incidentals

New dividend policy:

- Minimum of 45% pay-out ratio of net income before incidentals
- 2007 interim dividend proposal
 - Increased from €0.30 per share to €0.40 per share
 - Ex dividend date: October 24, 2007
 - Payment date: October 31, 2007



- Over €2 billion deficit
- Committed to fund deficits over time
- Change to defined contribution (DC) for new entrants
- Ring fence other post retirement obligations



- 2007 share buyback program of €1.6 billion completed

- 2008/2009 capital return program:
 - Share buyback program of €2.0 billion
 - Timing: right after Henkel closing
 - Return of paid in capital of €1.0 billion
 - Timing: after completion of share buyback
 - Both subject to shareholder approval
 - Timing: AGM in April 2008

SUMMARY



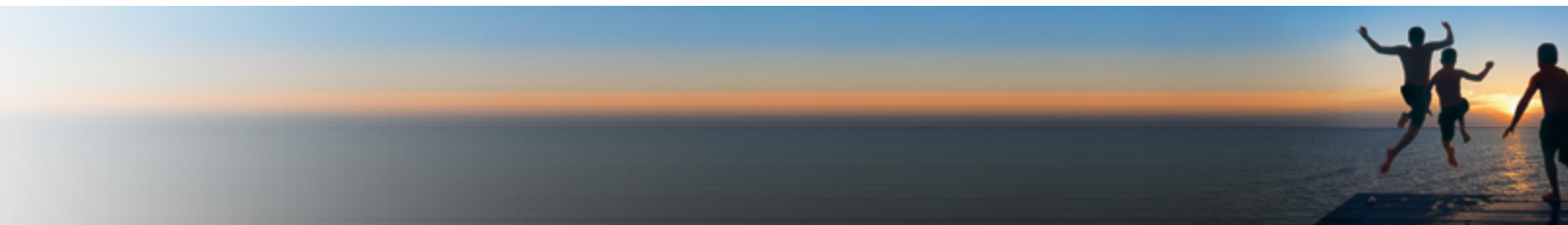
Summary : Transforming Akzo Nobel



- Delivered on promises over last five years, including TSR of 270%
- ICI acquisition and the on-sale to Henkel will be EVA positive in year 3
- The new-look company will improve EBITDA performance into the upper half of its peer group
- We will maintain a solid investment grade rating, an attractive dividend pay-out ratio of at least 45%, and return up to €3 billion

Creating one of the world's leading industrial companies





Appendix



- **On March 12, 2007, Akzo Nobel announced its intended sale of Organon BioSciences to Schering-Plough for €1 billion**
 - All closing conditions, except certain anti-trust clearances, have now been satisfied
 - Employee consultation process successfully completed early September 2007
 - Related sale and purchase agreement has been signed on September 30, 2007
 - Closing expected by no later than end of 2007 and thus before completion of the transaction with ICI
 - Schering-Plough has secured funding of \$14.9 billion⁽¹⁾ for the acquisition of Organon BioSciences.

⁽¹⁾ At \$1.35:€1 rate, including transaction costs

Proposed transaction with Henkel



- **Pre-agreed on-sale with Henkel**
 - “Adhesives” and “Electronic Materials” businesses
 - Agreed purchase price of €4 billion
 - Expected to close 3 -10 months following closing of ICI acquisition
 - Conditional only on closing of ICI acquisition and certain mandatory anti-trust clearances (Henkel has to do whatever it can to obtain clearances)
 - Estimated break-up costs of €414 million, including tax break-up costs
- **Compelling strategic rationale for all parties**
 - Focus on businesses that offer most synergies
 - Meeting strategic and financial objectives
- **Enabled Akzo Nobel to increase initial offer whilst maintaining its financial discipline**
 - Implied LTM EBITDA multiple for the retained businesses of 7.8x⁽¹⁾
 - Reduction from initial LTM EBITDA multiple for entire business of 8.2x⁽²⁾
 - Generates £2.7 billion of funds (pre break-up costs)

(1) Pro forma for full run-rate synergies; excluding break-up costs; before any adjustments for IAS 19 pension deficit

(2) Based on Akzo Nobel's initial offer price of 600 pence per ICI share and estimated synergies of €325 million related to all ICI businesses



Rank	1991	2000	2008
1	ICI	Akzo Nobel	Akzo Nobel + ICI
2	BASF Coatings	PPG	PPG + SigmaKalon
3	PPG	ICI	Sherwin Williams
4	Akzo Coatings	Sherwin Williams	DuPont Coatings
5	Sherwin Williams	DuPont Coatings	Valspar
6	Nippon Paint	Valspar	RPM
7	Kansai Paint	BASF Coatings	BASF Coatings
8	Valspar	Nippon Paint	Kansai Paint
9	Courtaulds	Kansai	Nippon Paint
10	Herberts	SigmaKalon	Masco

- 2007 capital return program (completed)
 - Share buyback program of €1.6 billion
 - completed end of August 2007
 - Average repurchased price €59.84
 - Cancellation of 26.7 million repurchased common shares planned at end November 2007
 - After cancellation approx. 262 million share outstanding



Minimum Payout Ratio of 45% Going Forward



Peer Group Dividend Payout Ratios ⁽¹⁾	Payout Ratio	
	2005	2006
Arkema Sa	0%	0%
BASF AG	35%	47%
CIBA	98%	77%
Dow Chemical Co.	28%	39%
DuPont	70%	43%
Hercules Inc.	0%	0%
Kansai Paint Co. Ltd.	21%	23%
Kemira Group	49%	50%
Nippon Paint Co.	26%	28%
PPG Industries Inc.	53%	45%
RPM International Inc. ⁽²⁾	(97%)	39%
Sherwin-Williams Co.	24%	23%
Valspar Corp.	28%	25%
Average	26%	34%
Median	28%	39%
Akzo Nobel⁽³⁾	38%	39%

(1) Sourced from Capital IQ – DPS / EPS (excluding exceptionals)

(2) In the case of RPM 2006 and 2005 refer to years ending May 2007 and May 2006 respectively

(3) Akzo Nobel internal data – Dividend Payout relative to Net Income pre Incidentals



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