



# **Year of transformation**

## **Hans Wijers, CEO**

**Q4 and 2007 results**  
**Amsterdam, March 6, 2008**



## Safe Harbor Statement\*



*This presentation contains statements which address such key issues as Akzo Nobel's growth strategy, future financial results, market positions, product development, pharmaceutical products in the pipeline, and product approvals. Such statements should be carefully considered, and it should be understood that many factors could cause forecasted and actual results to differ from these statements. These factors include, but are not limited to, price fluctuations, currency fluctuations, progress of drug development, clinical testing and regulatory approval, developments in raw material and personnel costs, pensions, physical and environmental risks, legal issues, and legislative, fiscal, and other regulatory measures. Stated competitive positions are based on management estimates supported by information provided by specialized external agencies. For a more comprehensive discussion of the risk factors affecting our business please see our Annual Report on Form 20-F filed with the United States Securities and Exchange Commission, a copy of which can be found on the company's corporate website [www.akzonobel.com](http://www.akzonobel.com).*

*\*Pursuant to the U.S. Private Securities Litigation Reform Act 1995.*

# Agenda



## **1. Year of transformation**

## **2. Operational performance**

- **Akzo Nobel Full Year & Q4 2007**
  - **Akzo Nobel Coatings**
  - **Akzo Nobel Chemicals**
- **ICI Full Year & Q4 2007**
- **The new company: pro-forma 2007**

## **3. Integration update**

## **4. Management agenda 2008**



# 1. Year of transformation

## **2007 – Year of transformation**



- ✓ **From conglomerate to focused company in 12 months**
- ✓ **Total Shareholder Return #2 in 2007 peer group**
- ✓ **Initial share buyback EUR 1.6 bln completed, dividend increased by 50%**
- ✓ **Significant decrease of pension deficits**
- ✓ **Relocation corporate headquarters to Amsterdam**
- ✓ **#1 Dow Jones Sustainability Indexes**



## 2A. Operational Performance

## Strong operational focus during transformation



- **5% autonomous growth**
- **EBIT up 25%**
- **EBITDA up 15%; EBITDA margin further improved to 12.4%**
- **Net income before incidentals up 29%**
- **EUR 8.5 billion profit on the divestment of Organon BioSciences**
- **Pension deficit significantly down from EUR 1.8 bln to EUR 1.1 bln**

## 2007 – strong operational focus



<b><i>EUR mln*</i></b>	<b>FY 2007</b>	<b>Δ%</b>
Revenue	10,217	2
EBITDA	1,271	15
EBIT	916	25
Net income	580	29
<b><i>Ratios*, in %</i></b>	<b>FY 2007</b>	<b>FY 2006</b>
EBITDA margin	12.4	11.0
EBIT margin	9.0	7.3
Moving average ROI	16.8	13.3

\* before incidentals, continuing operations



## Q4 – growth momentum continued



<b><i>EUR* mln</i></b>	<b>Q4 2007</b>	<b>Δ%</b>
Revenue	2,431	2
EBITDA	264	22
EBIT	174	43
Net income	125	62
<b><i>Ratios*, in %</i></b>	<b>Q4 2007</b>	<b>Q4 2006</b>
EBITDA margin, in %	10.9	9.1
EBIT margin, %	7.2	5.1

\* before incidentals, continuing operations

## Coatings – dirt-repellant paints



## Coatings – excellent performance



- **Autonomous revenue growth 4% – both volumes and prices 2% higher**
- **EBIT up 15% – benefiting from margin management and cost saving programs**
- **EBITDA margin of 11.3%**
- **Decorative Coatings – substantial earnings improvement**
- **Industrial activities – solid performance despite slow demand; acquisition of Chemcraft completed**
- **Marine and Protective – another record year**
- **Car Refinishes – improved performance**

## Coatings – excellent performance



<b><i>EUR* mln</i></b>	<b>FY 2007</b>	<b>Δ%</b>
Revenue	6,537	5
EBITDA	737	12
EBIT	594	15

<b><i>Ratios*</i></b>	<b>FY 2007</b>	<b>FY 2006</b>
EBITDA margin, in %	11.3	10.6
EBIT margin, %	9.1	8.3
Moving average ROI	21.1	20.2

*\* before incidentals, continuing operations*

## Coatings Q4 – excellent performance



<b><i>EUR* mln</i></b>	<b>Q4 2007</b>	<b>Δ%</b>
Revenues	1,522	2
EBITDA	143	25
EBIT	104	33

<b><i>Ratios*</i></b>	<b>Q4 2007</b>	<b>Q4 2006</b>
EBITDA margin, in %	9.4	7.6
EBIT margin, %	6.8	5.2

*\* before incidentals, continuing operations*

## Chemicals – investing in China



## **Chemicals – record year**



- **7% autonomous growth – negative impact from currency (2%) and divestments (2%)**
- **EBIT up 20%**
- **EBITDA margin of 16.8%**
- **Active margin management offsetting impact of steep raw material and energy price rises**
- **Moving average ROI to a record 21.7%**
- **All business units turned in solid earnings increases**

## Chemicals – record year



<b><i>EUR* mln</i></b>	<b>FY 2007</b>	<b>Δ%</b>
Revenues	3,639	3
EBITDA	610	9
EBIT	408	20

<b><i>Ratios*</i></b>	<b>FY 2007</b>	<b>FY 2006</b>
EBITDA margin, in %	16.8	15.8
EBIT margin, %	11.2	9.6
Moving average ROI	21.7	17.8

*\* before incidentals, continuing operations*



## Q4 – record year



<b><i>EUR* mln</i></b>	<b>Q4 2007</b>	<b>Δ%</b>
Revenues	907	7
EBITDA	137	5
EBIT	87	16

<b><i>Ratios*</i></b>	<b>Q4 2007</b>	<b>Q4 2006</b>
EBITDA margin, in %	15.1	15.5
EBIT margin, in %	9.6	8.9

\* before incidentals, continuing operations

## 2007 incidentals



EUR mln	2007	2006
Special (charges)/benefits	(55)	28
Results on divestments	(23)	206
Restructuring and impairment charges	(62)	(104)
Charges related to major legal, antitrust and environmental cases	(29)	(4)
<b>Total incidentals</b>	<b>(169)</b>	<b>126</b>



## 2B. Financial Performance

## Strong financial position



<i>Year end; EUR mln</i>	<b>2007</b>	<b>2006</b>
Net cash from operating activities	643	547
Equity	11,129	4,263
(Cash)/ Net debt	(8,039)	1,090
Moving average ROI	16.8	13.3

# Dividend



- **Dividend up 50% to EUR 1.80 per share**
- **Higher dividend triggered by**
  - Higher net income before incidentals
  - Influence of initial share buyback: shares outstanding decreased by 10%
  - New pay-out ratio of minimum of 45%



## 2C. ICI Performance

## ICI – strong performance



- **ICI Paints**
  - Revenue on balance up 3%
  - Strong growth in emerging markets
  - EBIT improved by 17%
  - All regions contributing to EBIT rise
  - U.S. revenues down 6%, EBIT margins significantly improved
- **Specialty Polymers**
  - Strong performance
  - Revenue up 10%, EBIT increased by 22%
- **Regional & Industrial**
  - Strong performance

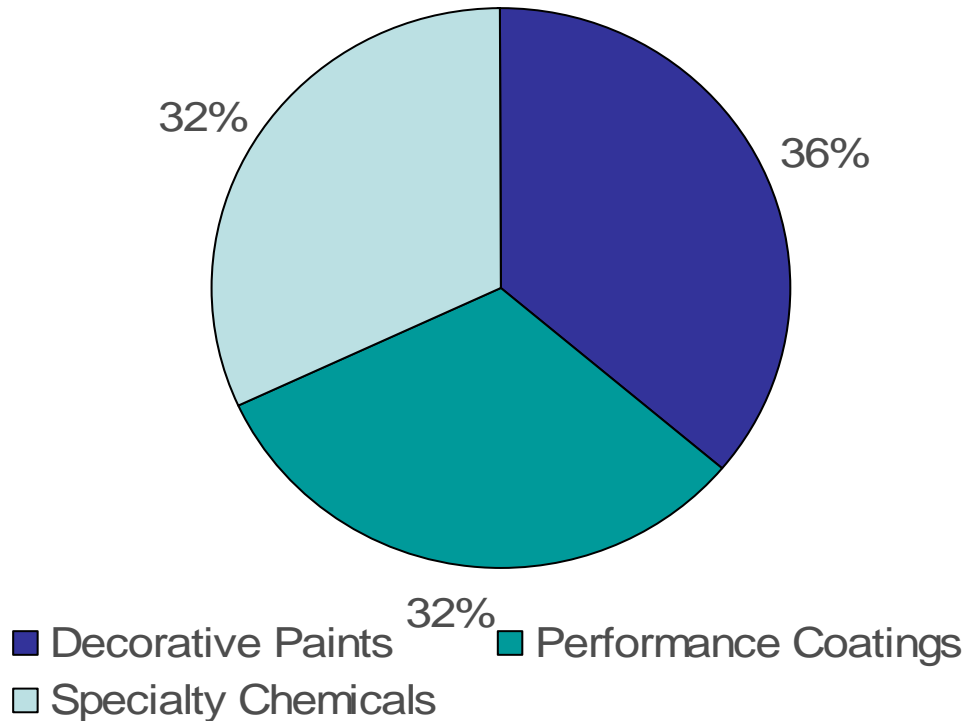


# The new company – Pro Forma 2007





## Revenues by segment



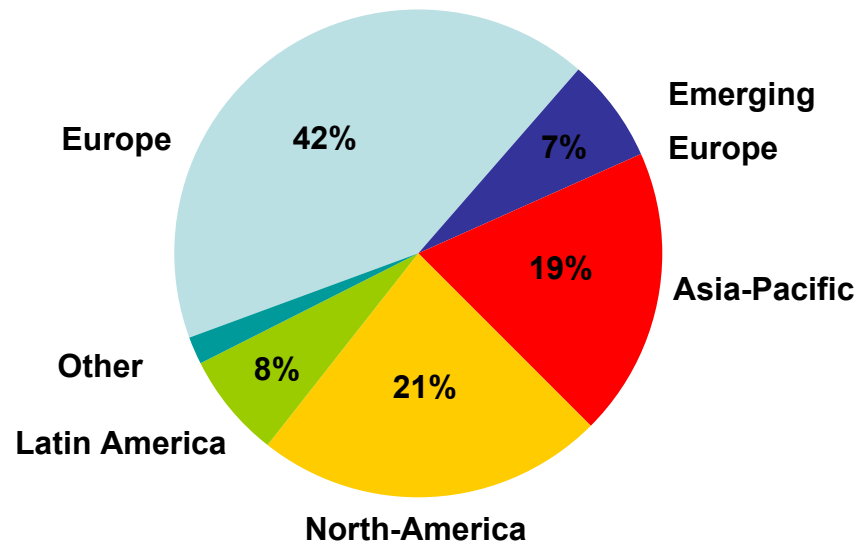
- 2007 revenue 14.4 billion
- Around 60,000 employees
- EBITDA: EUR 1.9 bln
- EBIT: EUR 1.4 bln
- Net income: EUR 942 mln
- Pension under funding EUR 1,475 million

## Well balanced portfolio



- #1 global position in Performance Coatings
- The world's largest Decorative Paints company
- One of the world's leading Specialty Chemicals producers

Geo spread







## 3. Integration Update

# Welcome to ICI employees





## Visiting ICI locations



**Stronger together – visiting Canada, US and Dublin**



**Taking care of the Dulux dog, UK**



- **Integration process well underway**
  - Making good progress in preparing full integration plan
  - Complimentary company cultures supporting the integration process
  - More than 100 people active in the integration teams, strong mix of ICI and Akzo Nobel
  
- **New management structure established**
  - Regional & functional leadership has been appointed
  - Appointment of local leadership in progress
  
- **Capturing synergies**
  - Synergy identification well on track
  - Further progress update at AGM



## 4. Management Agenda 2008





- **Significant progress with integration ICI**
- **Capture first round of synergies**
- **Divestures on sale to Henkel and Specialty Starches**
- **Remedies divestitures**
- **Conclude worldwide brand review by end of April**
- **Outgrow our markets, further improve EBITDA-margin**
- **Embark on share buyback program of EUR 3 billion**



# **Year of Transformation Q&A**

March 6, 2008