Chemicals - a transformation story

Leif Darner
Chemicals Transformation

Portfolio review
Divestments
Restructuring

Clear direction
5 Platforms
Focused

Growth
Accelerating
Beyond peers
Akzo Nobel outperforming peer group

ROI % 2004

Peers:
- Chemtura
- Ciba
- Clariant
- Degussa
- DSM
- Hercules
- ICI
- Kemira
- Lanxess
- Rohm&Haas
- Solvay

But below company target of 17.5%
- Uncertainty internally & externally about Chemicals’ future in Akzo Nobel
- New leadership creating expectation of change
- Urgent need for clarity of purpose and firm direction

➡️ A program for repositioning

*the Chemicals portfolio was initiated*
40+ business segments in 2004
Ambitions

A portfolio with clear focus on selected market segments:

- Leading position with significant size
- Global scope and opportunity to grow
- Clear competitive advantage
- Sustainable above average financial performance
Divesting segments not meeting ambitions

1. Kemi-Interessen
2. Sekab
3. Ink & Adhesive Resins
4. Polymerization Catalysts
5. Helianthos
6. Oleo Chemicals
7. EMC
8. Salt Solar
9. Lubricants
10. MPP Systems

11. PVC Additives
12. Methyl Amine/Choline Chloride
13. Carbide

14. Salt Specialties

Divested
In progress
Withdrawn
## Continuous restructuring

<table>
<thead>
<tr>
<th></th>
<th>Employees</th>
<th>Sites</th>
<th>BU’s</th>
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<tbody>
<tr>
<td>2003:</td>
<td>14,900</td>
<td>122</td>
<td>9</td>
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<tr>
<td>Divestments:</td>
<td>-2,000</td>
<td>-17</td>
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<tr>
<td>Restructuring:</td>
<td>-3,800</td>
<td>-25</td>
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<td>2006 Q3</td>
<td>~10,000</td>
<td>80</td>
<td>5</td>
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<tr>
<td>Year</td>
<td>2003</td>
<td>2004</td>
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<td>------------</td>
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<td>Revenues</td>
<td>4,470</td>
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<td>OI excl.incidentals</td>
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<td>ROS</td>
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<td>9.0%</td>
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<td>ROI</td>
<td>14%</td>
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5 platforms

- **Pulp & Paper Chemicals**: Global leader following the Pulp & Paper producers
- **Polymer Chemicals**: Global leader following the Polymer producers
- **Surfactants**: Global leader in specialty surfactants to selected applications
- **Functional Chemicals**: Global leader in selected intermediates and functional chemicals
- **Base Chemicals**: Regional leader in energy-salt-chlorine chain
“follows pulp & paper producers worldwide”
Pulp & Paper Chemicals

Application

Pulp manufacturing → Pulp → Paper machine → Coating

Function

Bleaching → De-inking → Retention → Sizing → Wet strength → Coating

- Nr.1 in bleaching
- Leader in retention & sizing
- Portfolio gives “critical mass” with customers

- Tissue paper
- High tech packaging
- Containerboard
- Coated woodfree paper
“follows polymer producers worldwide”
Polymer Chemicals

- Nr.1 in organic peroxides
- Leader in metal alkyls
- Portfolio gives “critical mass” with global customers

- Automotive parts
- Industrial tanks
- Adhesives tapes, Artificial marble
- Golf balls, sport shoes, snowboards
Surfactants

“global leader in selected applications”
**Surfactants**

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<tr>
<th>Segment</th>
<th>Agro</th>
<th>Asphalt</th>
<th>Mining</th>
<th>Petro</th>
<th>Cleaning</th>
<th>Pers.Care</th>
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<td>Cat-ionics</td>
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</tbody>
</table>

- Nr.1 in specialty surfactants
- Leader in selected value add segments:
  - Agriculture
  - Asphalt, mining & petroleum
  - Cleaning & personal care
- Bring pesticides into weeds
- Emulsify asphalt
- Separate ore from stone-substrate
- Softener and cleaners in cosmetics and hair products
- Reduce solvents in paints & cleaning products
“global leader in selected intermediates and functional chemicals”
Functional Chemicals

- Ethylene Oxide Chain
  - Ethylene Amines
- Sulfur-products
  - CS2
- Extended Chlorine chain
  - MCA

Chemicals Intermediates

- Functional Performance Chemicals
  - Cellulosics
  - Chelates
  - Micronutrients

- Polysulfides

Kentucky
- Nr.1 in MCA, Sulfur products, Chelates, Micro-nutrients, Polysulfides,
- Leader in Ethylene amines, Cellulosics

- Ice cream, Bakery goods
- Diapers, deodorants, toothpaste
- Fertilizers
- Latex paints, concrete mixes, PVC
- Sealants (Aerospace, windows)
“regional leader in energy-salt-chlorine”
Base Chemicals

- Chlorine chain producer, highly integrated internally and with customers
- Strong regional position

- plastics, paper
- glass
- medicines & disinfectants
- water treatment
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Growth
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Ambition to grow faster than peers

Sales

5 platforms

3.1% p.a.

2002  2006  Years
Strong growth drivers

- Grow with our customers
  - Stora Enso, Dow, Monsanto, Shin Etsu
- Invest in emerging markets
  - China, Brazil, Russia, India
- Innovate for our customers
  - Fuel emulsions in oil-sands, ferrazone, EVCO
- Participate in industry restructuring
  - Selective acquisitions
Investing for Growth

- **Sweden**
  - Ethylene Amines in Stenungsund and Ferric Chloride in Skoghall (€ 26 mln)
  - Cellulose derivatives expansion in Örsnoldsvik (€ 24 mln)

- **Netherlands**
  - Chlorine in Rotterdam & Delfzijl, MCA in Delfzijl (€ 200 mln)

- **Brazil**
  - Pulp bleaching in Bahia (€ 70 mln)
Accelerating growth in China

- Pulp & Paper: 1 plant running, 1 in construction
- Polymer: 2 plants sold out, 3rd plant planned
- Surfactants: marketing alliance with Feixiang Chemicals
- Functional: MCA and chelates operating, new polysulfides plant in construction
- New Chemicals Multi-site Ningbo planned
  - MoU signed
  - Plans in preparation for:
    - Ethylene amines, Chelates, Cellulosics, Organic peroxides
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Fit For the Future