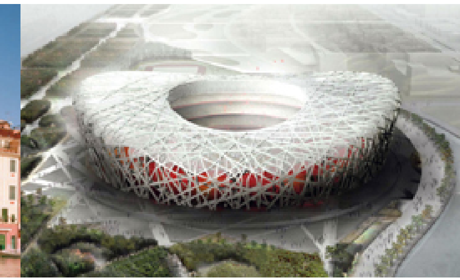
Challenges faced by multinational companies headquartered in Europe







ECB, Banque de France and the Conference Board Conference
17 January 2008, Frankfurt

AKZO NOBEL

Agenda

- Introducing Akzo Nobel
- Key success factors for European MNC's
- Some important trends to consider
- Key challenge: how to break out of vicious circle
- A call for action

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Something to shout about!

Akzo Nobel has completed its acquisition of ICI creating a major industrial force. Together, we're stronger. We are the world's biggest coatings manufacturer, the number one in decorative paints and performance coatings, and a leading supplier of specialty chemicals. Our renowned and trusted brands include Dulux®, Sikkens®, Hammerite® and International®. We're bigger. We're better. We're more focused. We have the scale and expertise to deliver whatever our customers require, wherever and whenever they need it. We're committed to creating a better tomorrow. For all of us.

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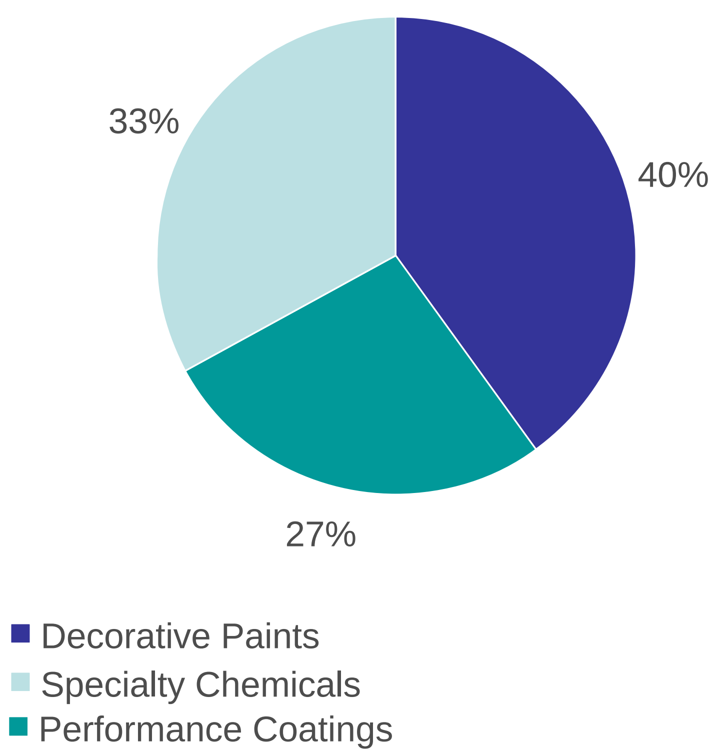
Building a leading, global company

Revenues by segment



- HQ in Amsterdam, the Netherlands
- € 15 billion in 2006 revenues*
- Around 68,000 employees*
- The world's biggest Decorative Paints company
- #1 global position in Performance Coatings
- Specialty Chemicals: global leading supplier positions

Chemicals Industry Leader

FORTUNE 500

Dow Jones Sustainability Indexes
Member 2006/07

* 2006 pro forma figures

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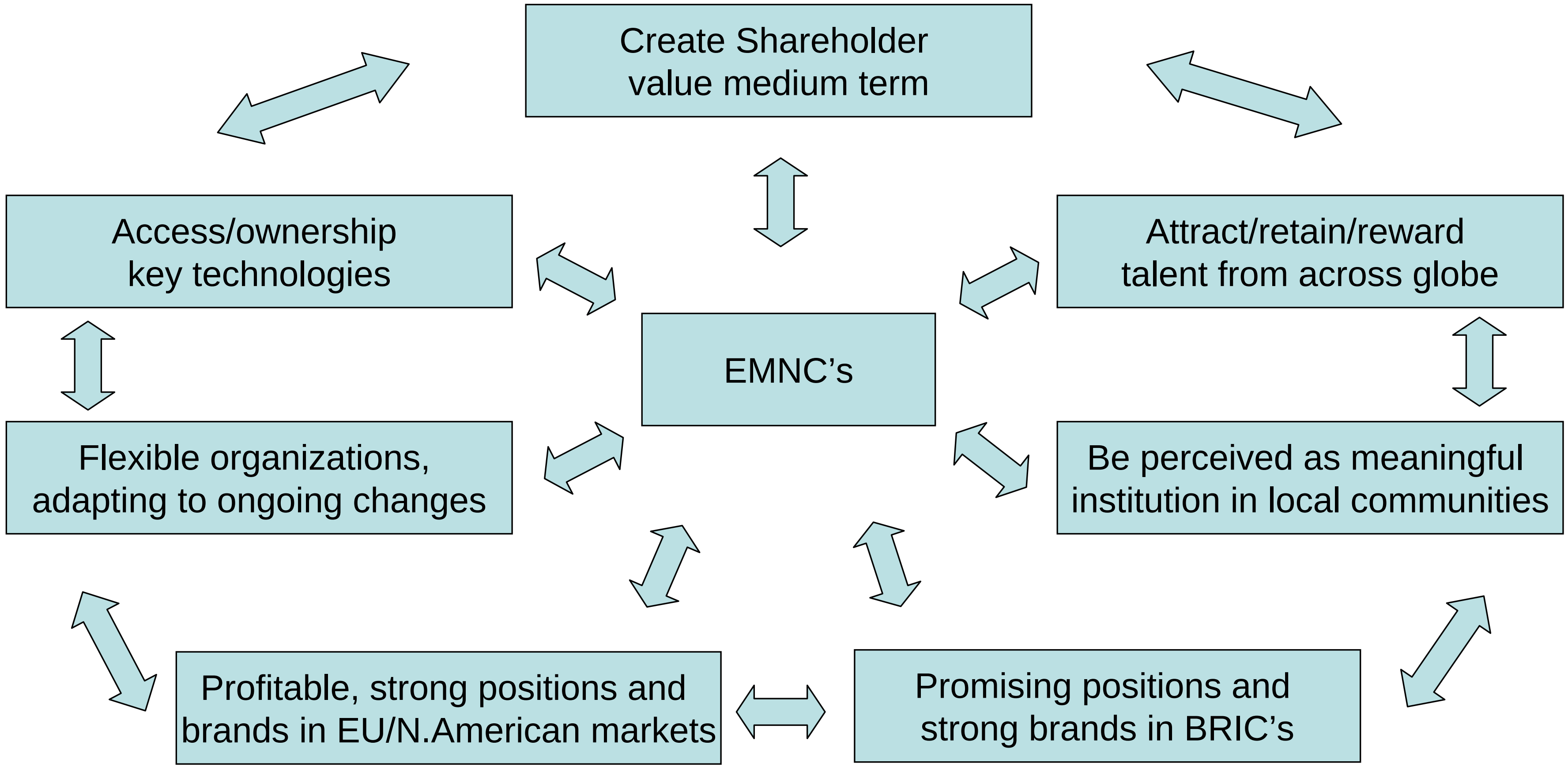
Key success factors for (European) MNC’s



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Members European Round Table of Industrialists

Chairman
Jorma Ollila - Nokia
Vice-Chairmen
Leif Johansson - AB Volvo
Peter Sutherland - BP

Paul Adams - British American Tobacco
César Alierta Izuel - Telefónica
Nils S. Andersen - A.P. Møller – Maersk
Belmiro de Azevedo - SONAE, SGPS
Jean-Louis Beffa - Saint-Gobain
Wulf Bernotat - E.ON
Carlo Bozotti - STMicroelectronics
Peter Brabeck-Letmathe - Nestlé
David Brennan - AstraZeneca
Martin Broughton - British Airways
Antonio Brufau - Repsol YPF
Patrick Cescau - Unilever
Gerhard Cromme - ThyssenKrupp
Rodolfo De Benedetti - CIR
Thierry Desmarest - TOTAL
Bülent Eczacibaşi - Eczacibaşi Group
John Elkann - Fiat
Jürgen Hambrecht - BASF
Antti Herlin - KONE Corporation
Zsolt Hernádi - MOL
Franz Humer - F. Hoffmann-La Roche
Henning Kagermann - SAP
Gerard Kleisterlee - Royal Philips Electronics
Thomas Leysen - Umicore
Peter Löscher - Siemens
Gary McGann - Smurfit Kappa Group
Gérard Mestrallet - Suez
Aloïs Michielsen - Solvay
René Obermann - Deutsche Telekom
Benoît Potier - Air Liquide
Eivind Reiten - Norsk Hydro
John Rose - Rolls-Royce
Wolfgang Ruttenstorfer - OMV
Paolo Scaroni - Eni
Manfred Schneider - Bayer
Louis Schweitzer - Renault
Paul Skinner - Rio Tinto
Jean-François van Boxmeer - Heineken
Jeroen van der Veer - Royal Dutch Shell
Ben Verwaayen - BT
Jacob Wallenberg - Investor AB
Hans Wijers - Akzo Nobel

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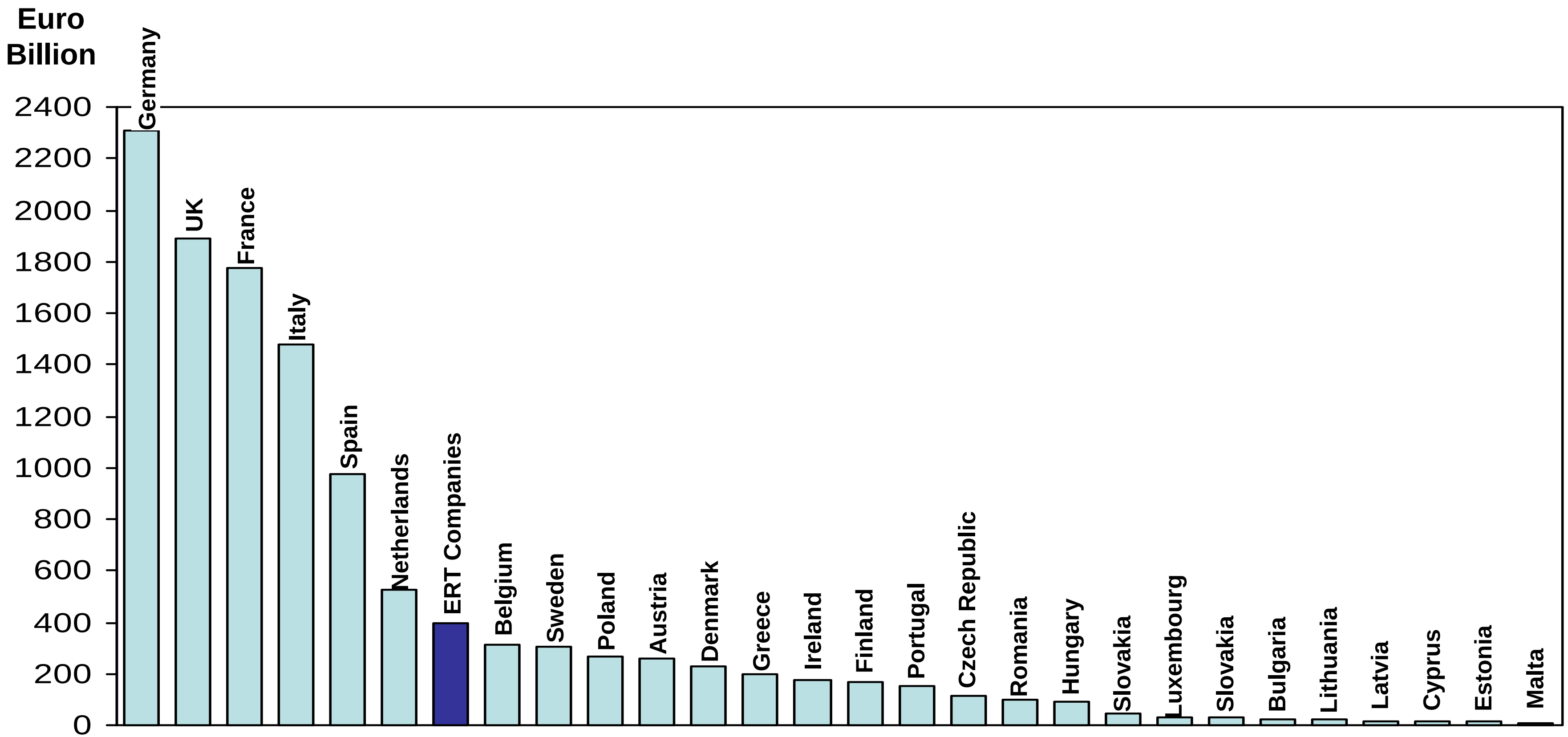
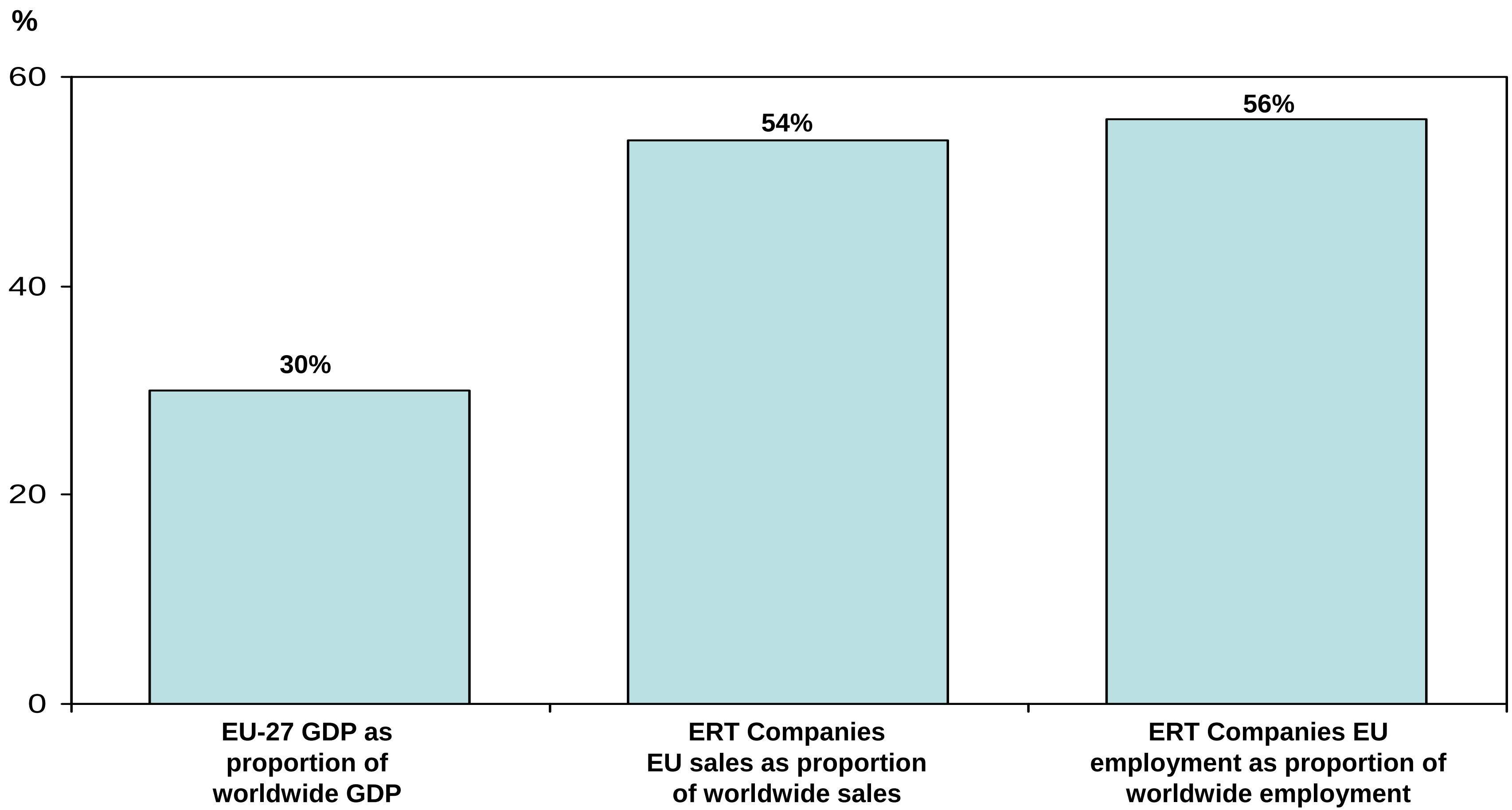
EMNC's play very important role in EU economy



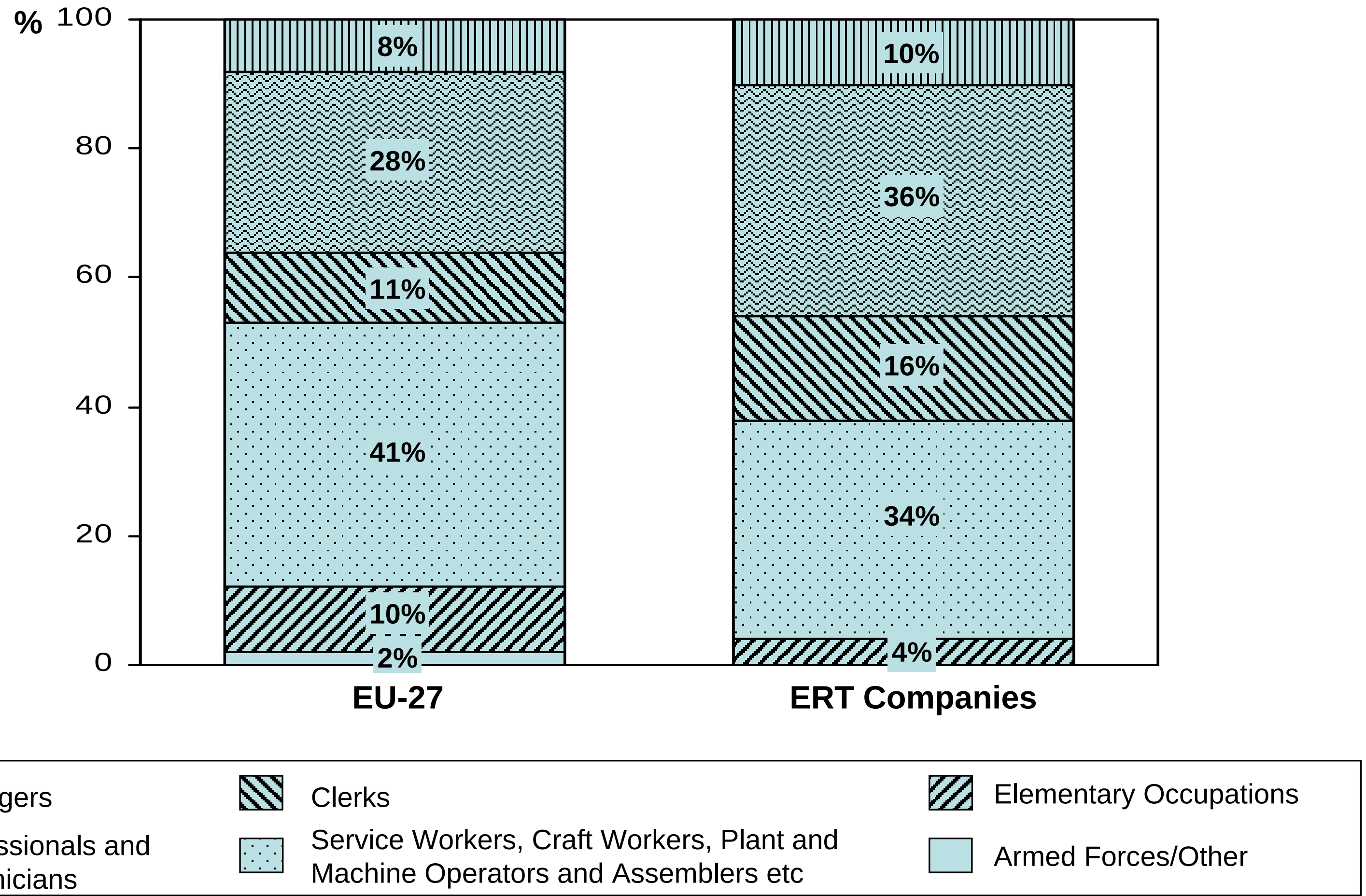
Note: EU-27 Gross Domestic Product at Market Prices (2006); ERT Companies Total Gross Value-Added (Direct and Indirect)
Source: ERT Survey of Companies (2007), ERT Study Estimate, and Eurostat (2007)

Commitment of ERT companies to the EU



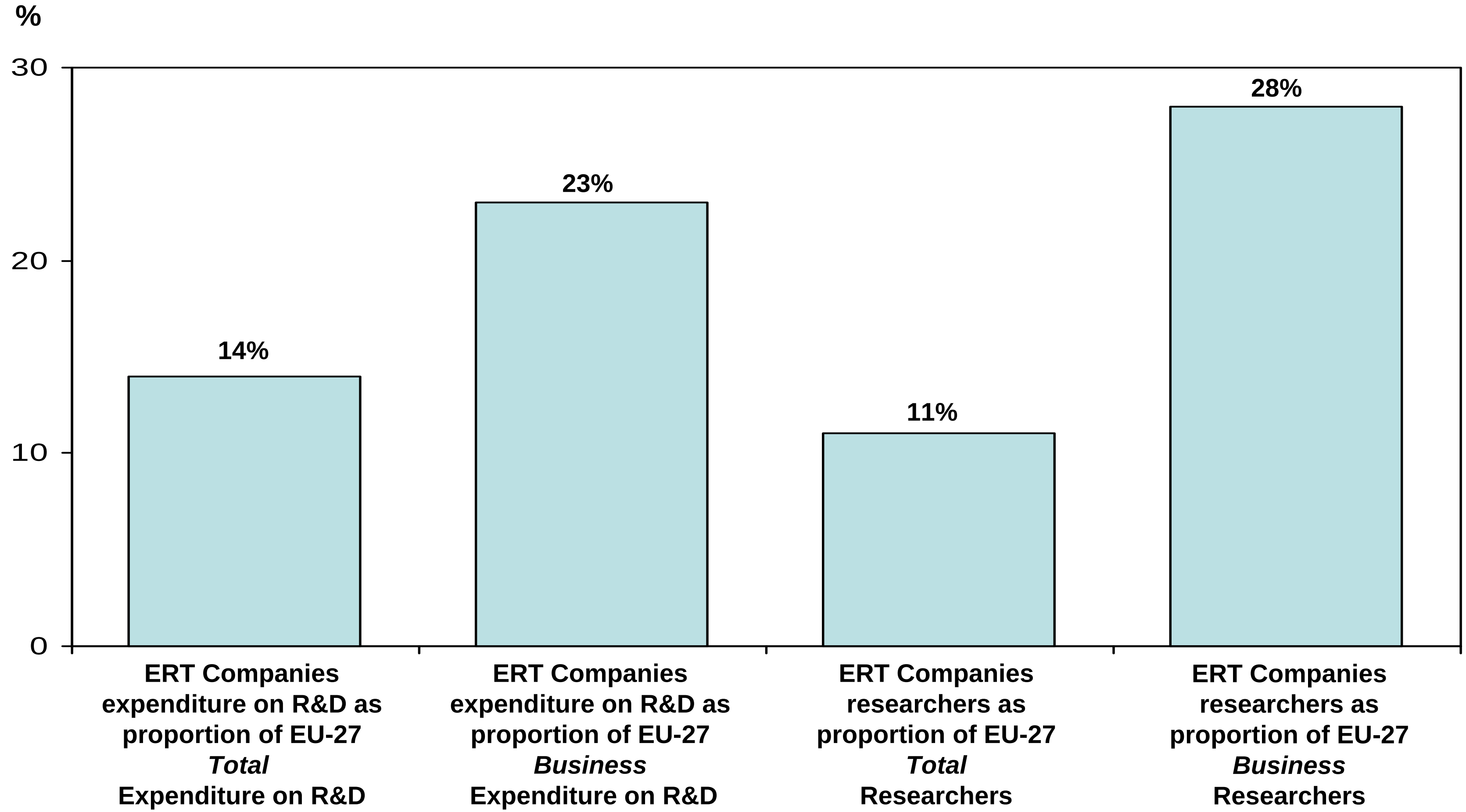
Note: EU-27 Gross Domestic Product at market exchange rates
Source: ERT Survey of Companies (2007), ERT Study Estimates, and Economist Intelligence Unit Country Forecast (2007)

Job Quality: Employment by occupation in the EU of ERT companies



Source: ERT Survey of Companies (2007) and International Labour Organisation (ILO) International Standard Classification of Occupations (ISCO-88)

Expenditure on R&D and employment of researchers in the EU of ERT companies



Source: ERT Survey of Companies, OECD and Eurostat

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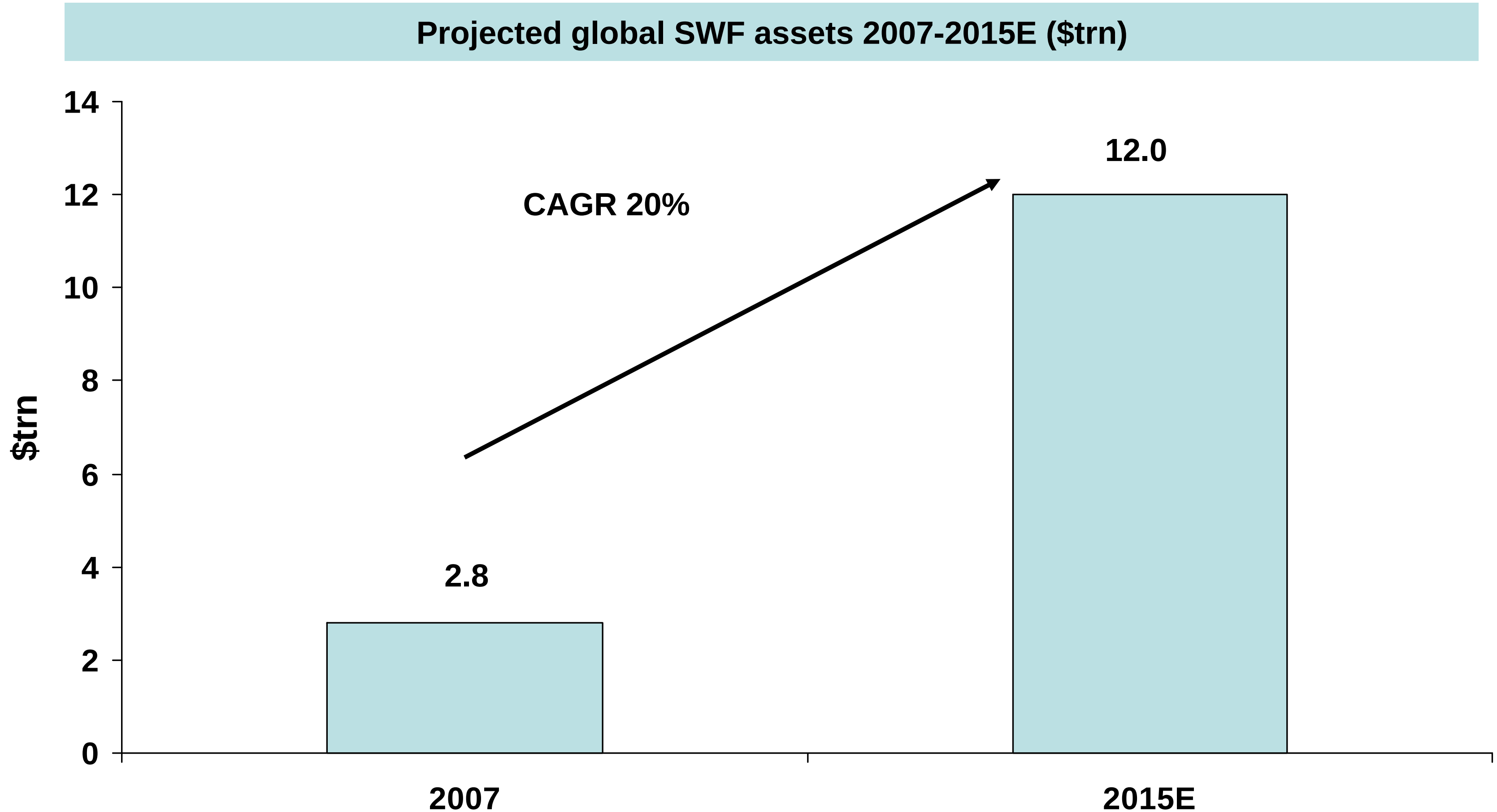
Some important trends to consider

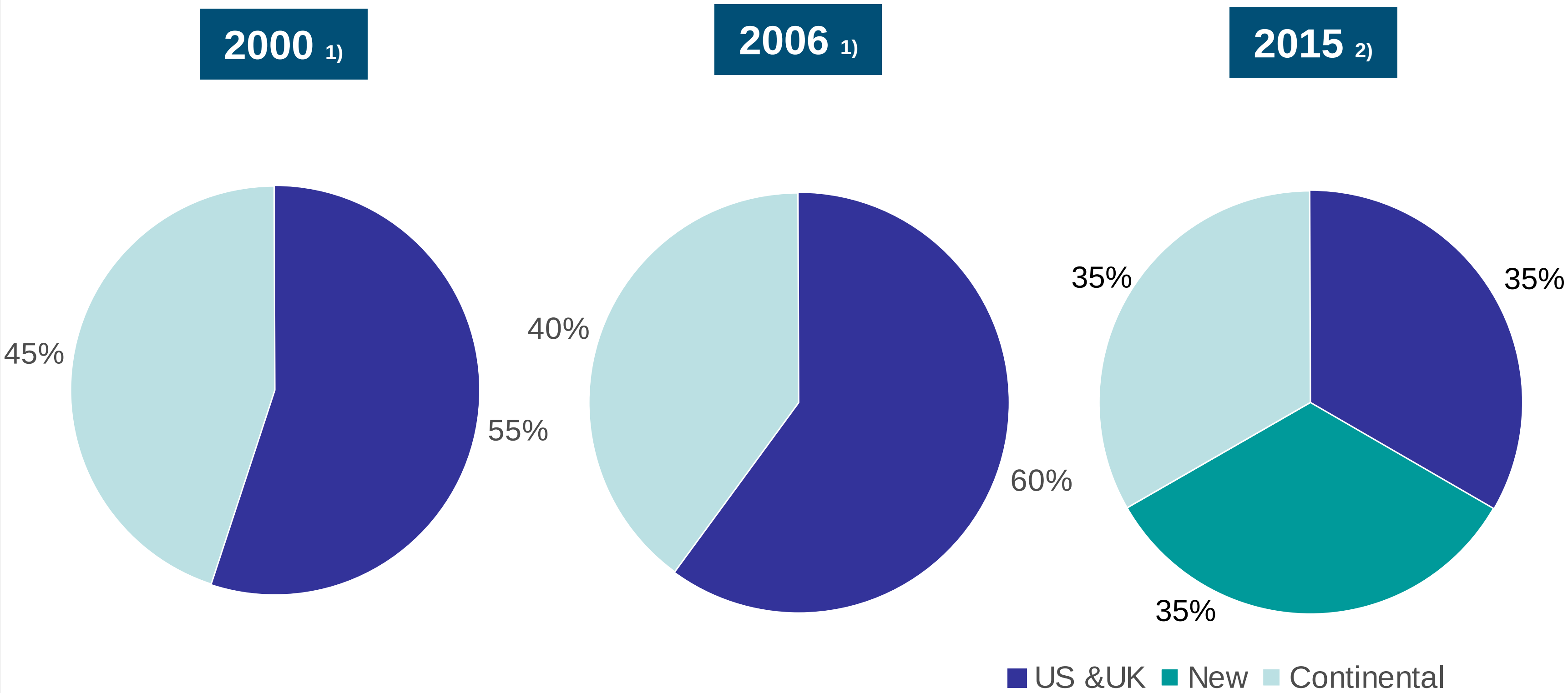
- Sovereign wealth funds to become important shareholders in EMNC’s
- Relative importance emerging economies to increase
- MNC’s from emerging markets to change competitive arena

SWFs set to grow rapidly in global importance



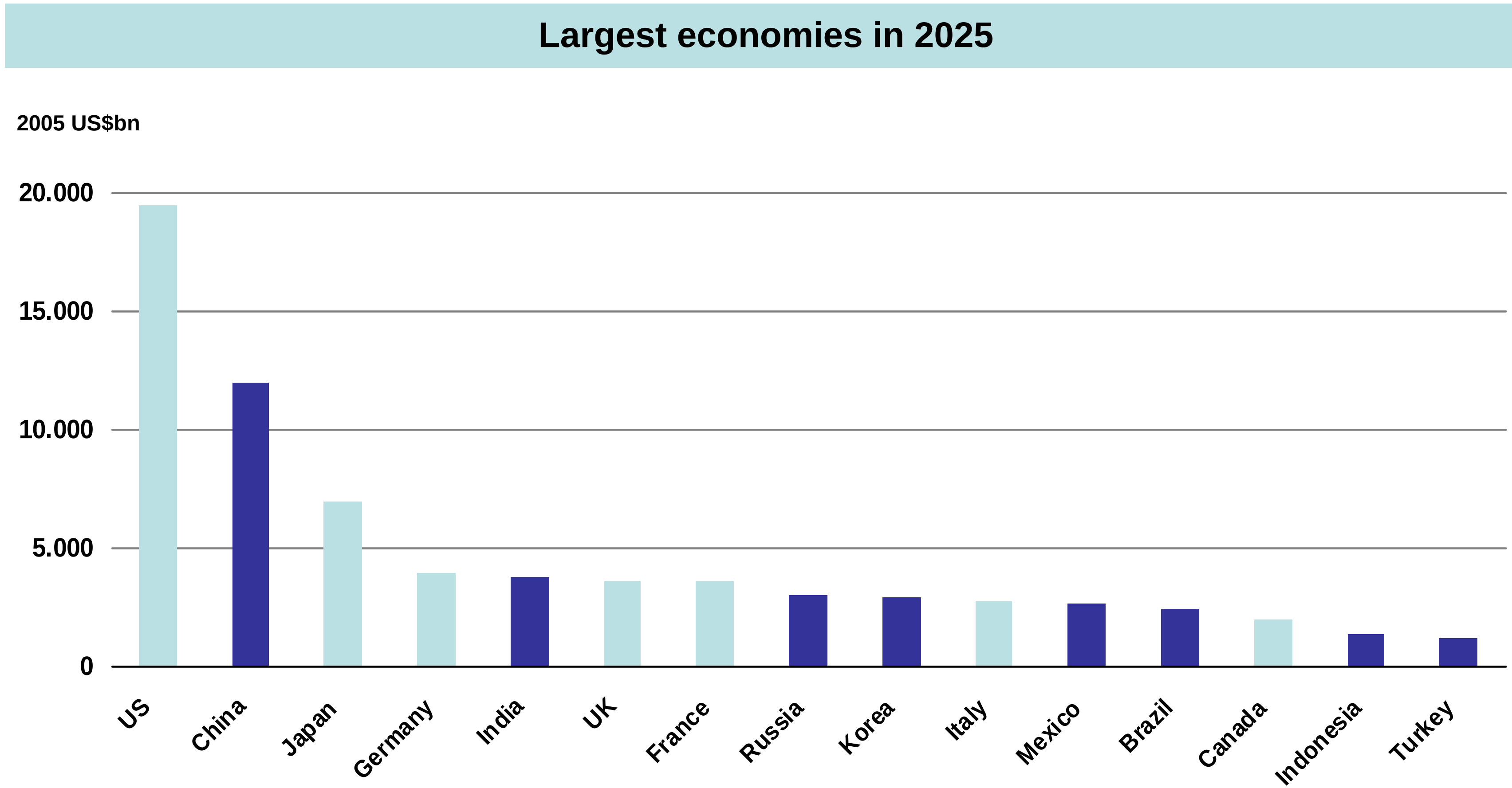
e = Morgan Sanley Research estimates
Source: Morgan Stanley Research

Shareholder base Akzo Nobel could change dramatically



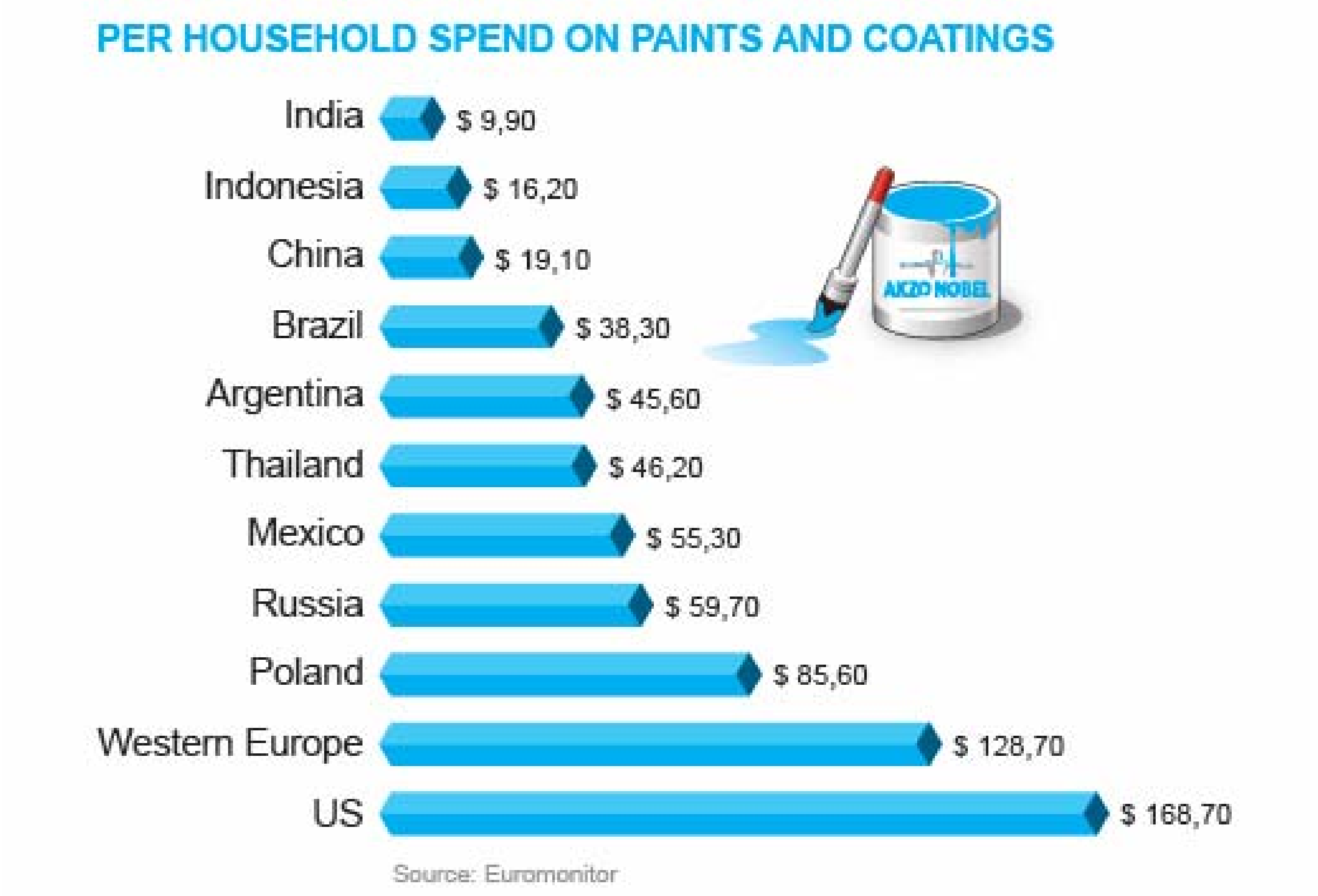
1) Annual report Akzo Nobel 2000 and 2006
2) Based on AN estimates

Relative importance emerging economies to increase

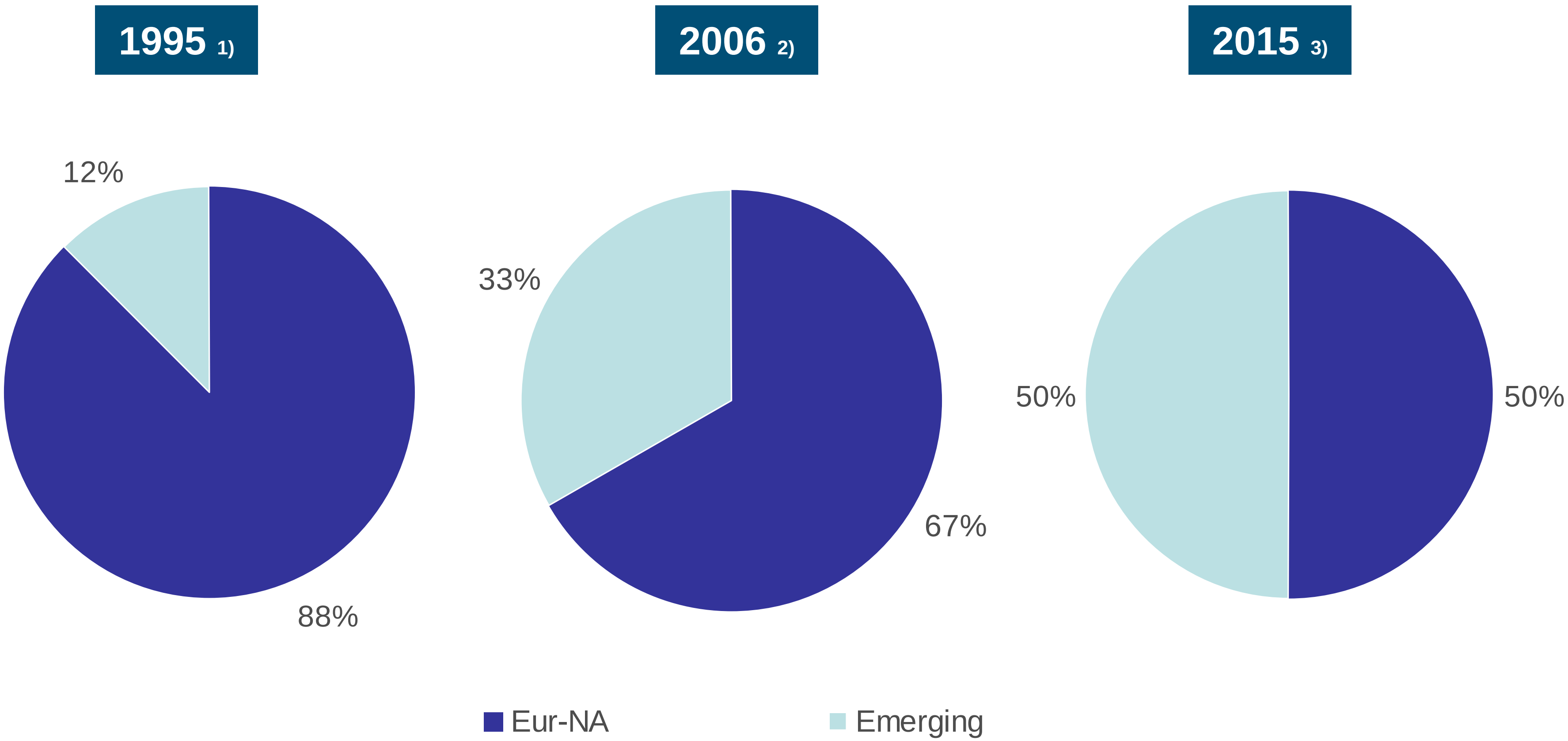


Source: Goldman Sachs Economic Research – Global Economics Paper Issue No:134

Strong growth potential

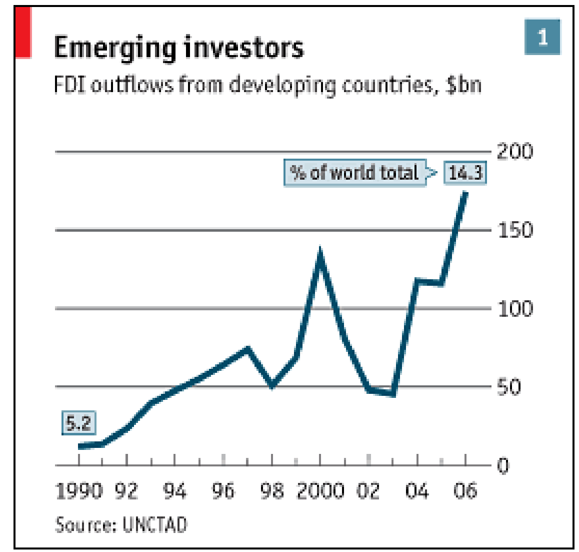


If current trends continue in 2015 50% of our staff will be in emerging markets



1) Annual report Akzo Nobel 1995
2) Source Akzo Nobel and ICI
3) Based on AN estimates

New MNC's from emerging countries challenging EMNC's

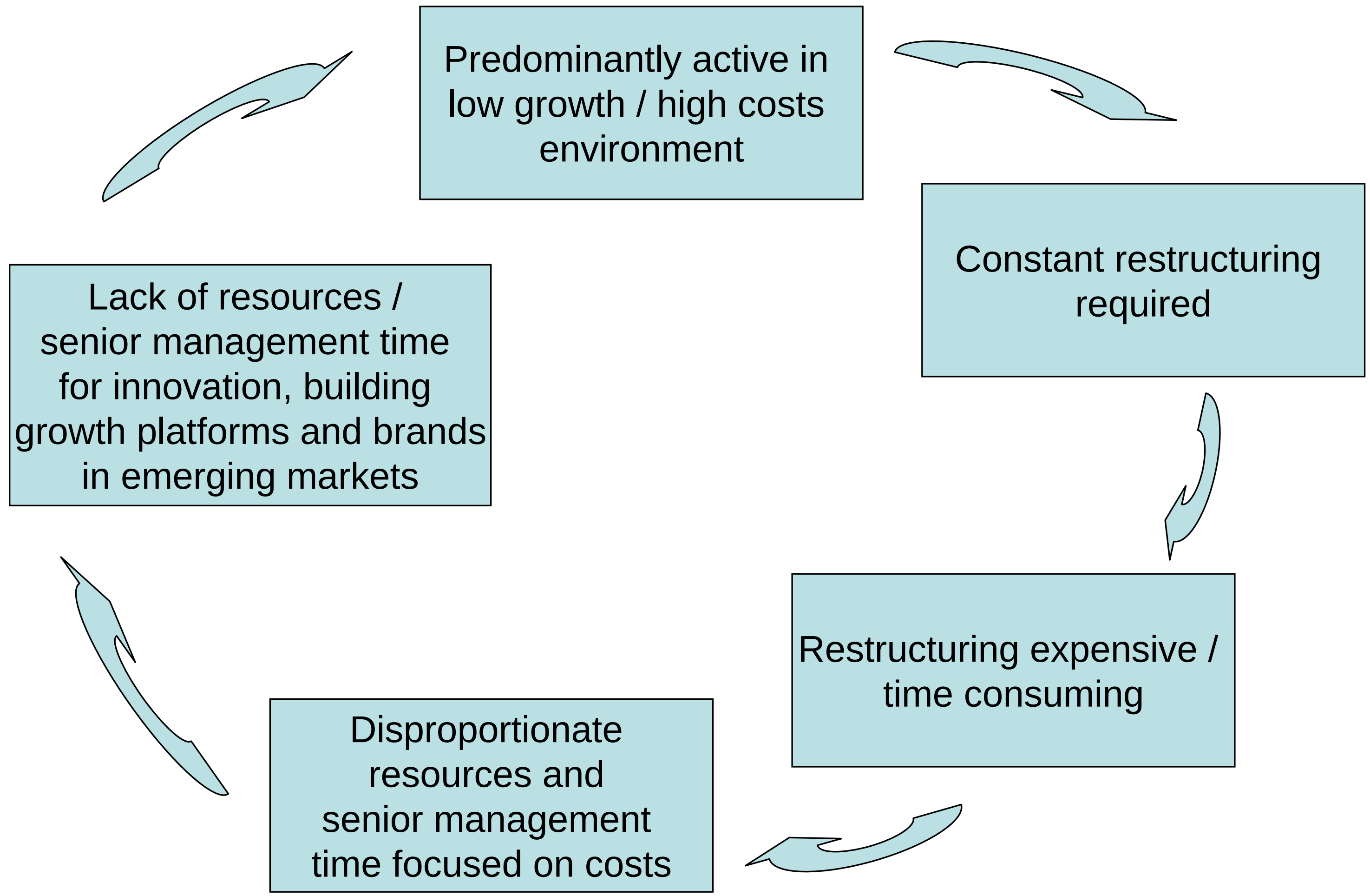


Source: The Economist January 12th 2008

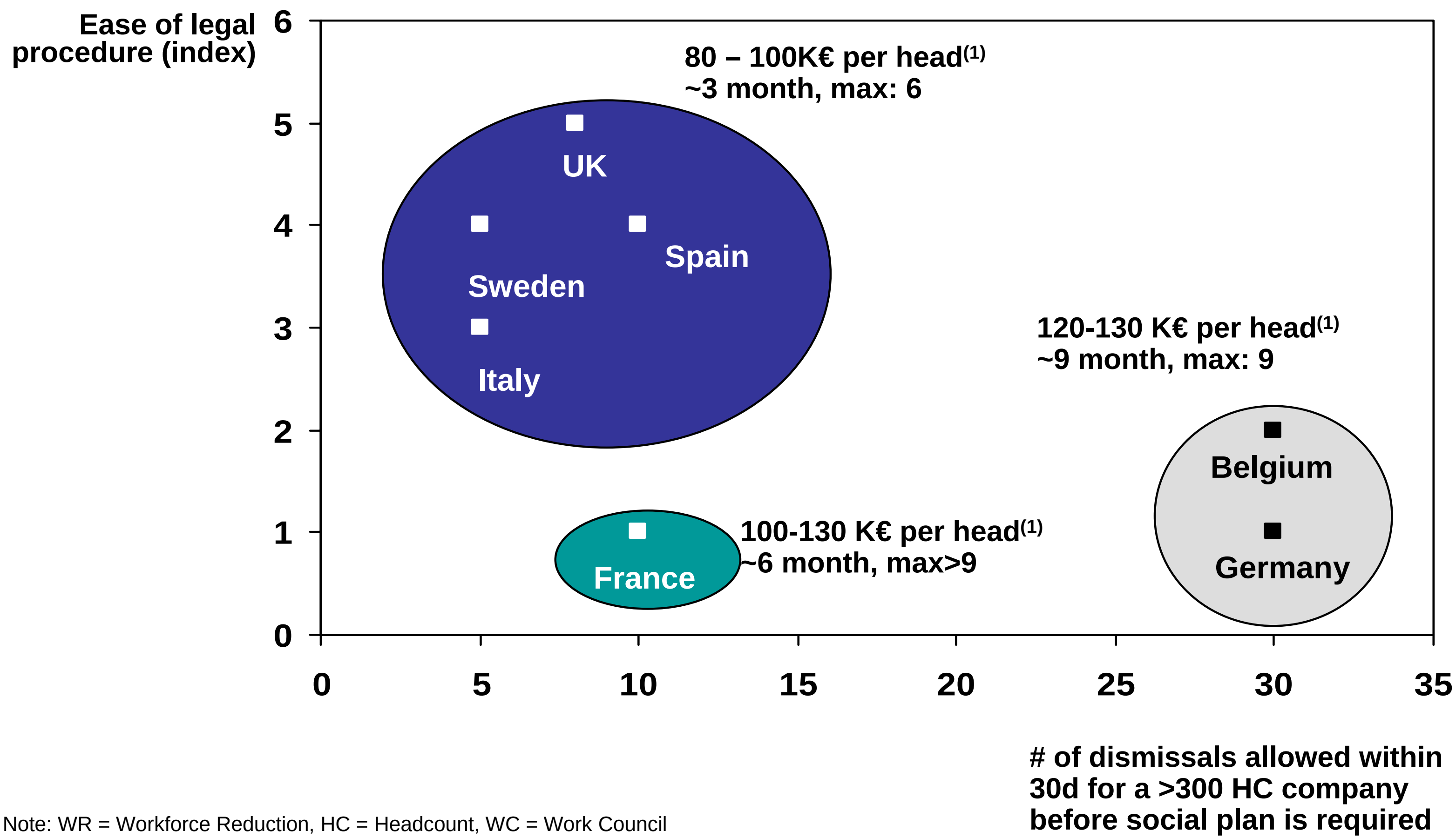
EMNC’s can deal with these trends provided:

- SWF’s provide transparency about their relationship with respective governments
- SWF’s operate according to commercial principles, free from political motivations
- SWF’s are treated equally in all EU countries (Role European Commission)
- Level playing field for all MNC’s in mature and emerging markets (Role WTO)

Key challenge for EMNC’s: to break out of vicious circle



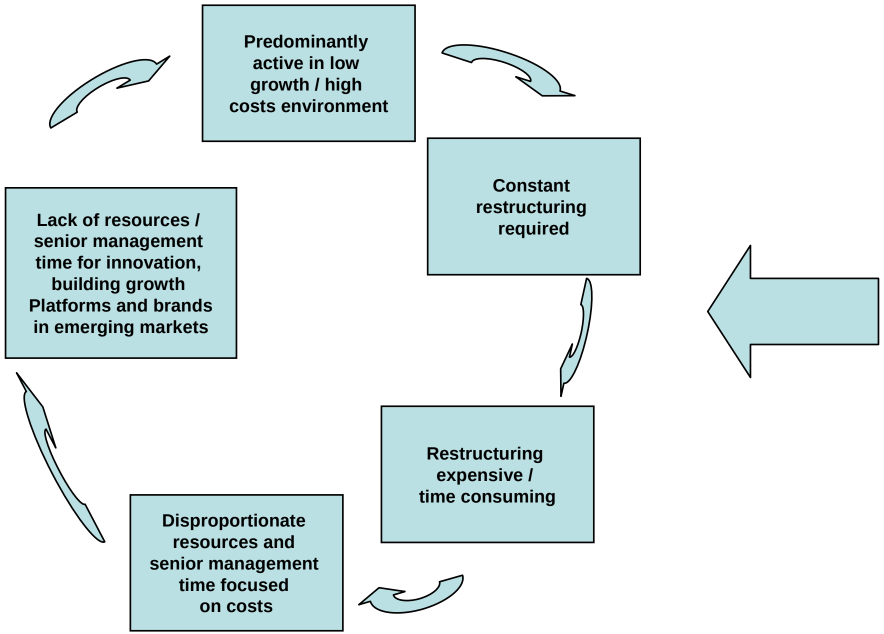
Legal procedures and social plan in Europe time consuming and expensive



Note: WR = Workforce Reduction, HC = Headcount, WC = Work Council
Assumption: For a total annual salary of 60K€ and 8 years within the company 10

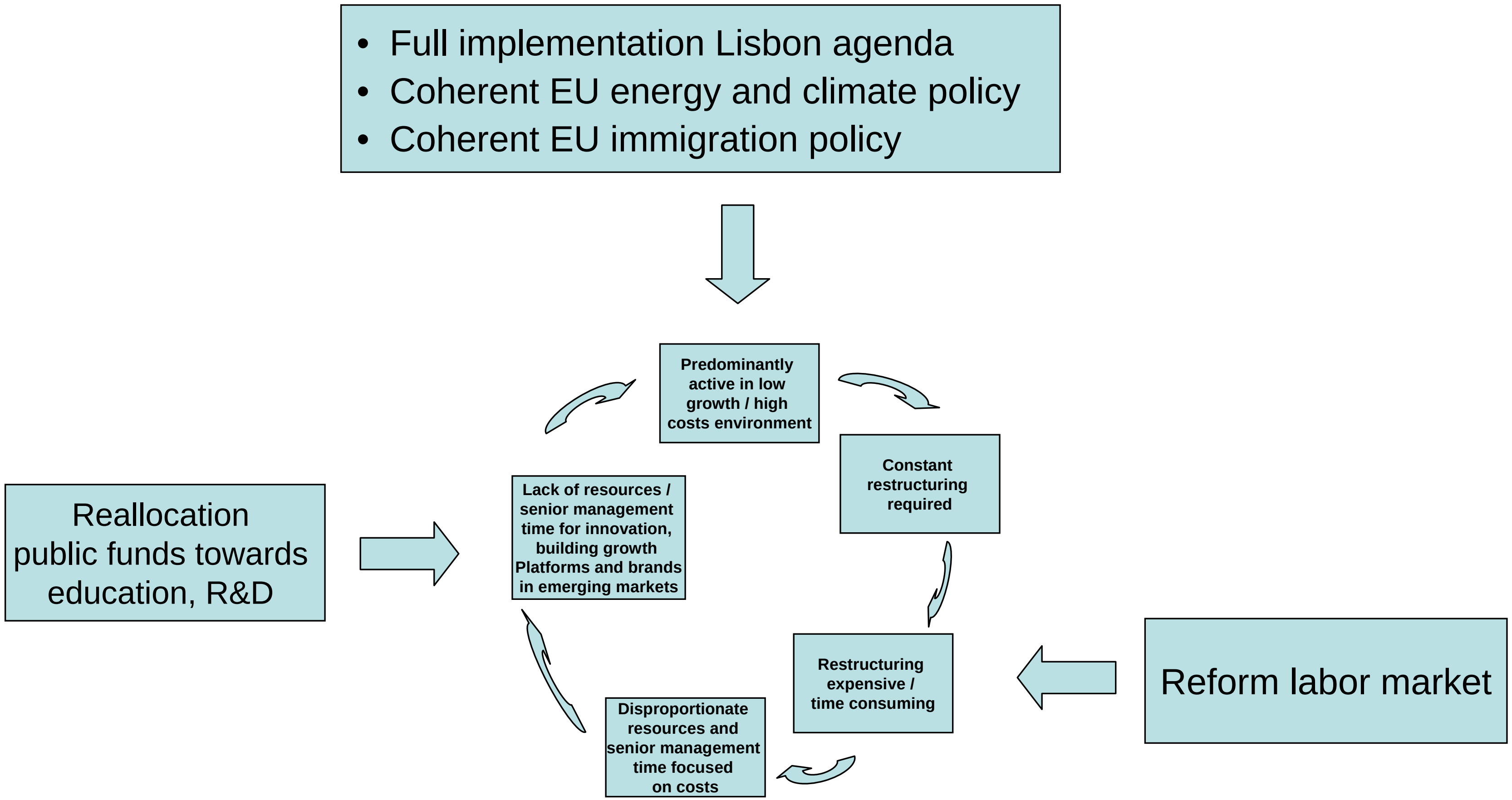
Source: The Boston Consulting Group

Triggers to break out of vicious circle for senior management



- A clear global strategy
- Sufficient proof points of ongoing investments in people, technology, brands in mature markets
- Determination to implement required restructuring
- Intense communication strategy to <u>all</u> stakeholders

Triggers to break out of vicious circle at EU and national level



A call for action

There seems to be hardly disagreement what needs to happen

Political leaders seem to be unwilling to drive reform agenda, because:

- Perception that EU economy is again competitive (wrong!)
- Voters don’t trust benefits globalization

A higher sense of urgency is essential; EU runs the risk to lose position in crucial phase of major geo-political and geo-economical shifts

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