

PRESS RELEASE

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Restructuring of industry to continue despite less favorable market conditions

Arnhem, the Netherlands, January 13, 1999. - Mr. Cees J.A. van Lede, CEO of Akzo Nobel, speaking to the U.K. Chemical Industry Association's Annual Business Outlook Conference in London today, said he expected continued restructuring in the chemical industry, although he qualified the economic climate as uncertain at best.

Mr. Van Lede said he believed that 1999 would not be an easy year for the chemical industry. In western countries official growth rates are regularly adjusted downwards. In many sectors volume development is lower than in the previous year, while at the same time price competition in sectors is fierce due to cheaper Asian imports, a consequence of the economic situation in that region. He does not expect compensation to come from Eastern Europe and Russia, or from Latin America.

Despite these less favorable market conditions, Mr. Van Lede said that he expected the fundamental restructuring of the chemical industry to continue. The ongoing liberalization of world trade continues to call for a global presence in most chemical markets. In addition, specialization and economies of scale can bring substantial benefits. These factors, coupled with a clear preference by the international investment community for focused companies, will continue to lend momentum to the Merger & Acquisition process.

Mr. Van Lede added, however, a word of caution. Major mergers and acquisitions must, naturally, be based on what a company wishes to achieve and what it can actually absorb.

"It is not always sufficiently appreciated how much time and attention is needed for implementing major structural changes in companies to extract the real economic benefit and in this respect, the speed with which companies change hands is a cause for concern."

Mr. Van Lede emphasized the need to take time to "digest" a merger or acquisition before starting a new one. "If your changes do not take place at a human pace, you can run the risk of destroying value rather than creating it". He added that Akzo Nobel has an outstanding record of efficient integrations, which also involved being sensitive to both the business and national cultural aspects of the acquired organizations.

Within this context, Mr. Van Lede stated that 1999 would clearly be a year of consolidation for Akzo Nobel with little activity on the mergers and acquisitions front.

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“The purpose of the acquisition of Courtaulds was clearly aimed at creating a viable Fiber company – Acordis, which we will demerge in the course of the second half of this year – while at the same time achieving leadership in the world coatings market. Our attention will be dedicated to executing these activities this year.”

Akzo Nobel, based in the Netherlands, serves customers throughout the world with healthcare products, coatings, chemicals and fibers. The fibers businesses, now known as Acordis, will be demerged in the course of the second half of 1999. The company currently employs some 87,500 people in more than 60 countries. Consolidated sales for 1997 totaled NLG 24.1 billion (USD 12 billion / GBP 7.5 billion / EUR 10.8 billion). Financial results for 1998 will be announced February 22, 1999.

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