

## **Akzo Nobel's Pharma proactive on growth**

**Arnhem, the Netherlands, November 6, 2002 – Akzo Nobel's Pharma businesses are taking active steps to turn around a current temporary slowing in performance and return to a path of stable growth in the future. Akzo Nobel's Pharma group will continue to push its successful pattern of organic growth, based on its strong commitment to R&D and well-filled pipeline, which has created tremendous value over the years. In addition, growth momentum will be supported by intensively pursuing opportunities for collaborations and product acquisitions. Funds to facilitate growth are being made available, while costs that do not directly safeguard performance are being severely scrutinized.**

This was the perspective outlined today by Akzo Nobel's CFO, Fritz Fröhlich, at the Company's Pharma Analysts and Investors Day in London. A similar meeting will be held in New York on November 7, 2002.

After five years of double-digit growth, the Pharma group's performance over the second and third quarters of 2002 has temporarily slowed in the face of a variety of forces, particularly currency effects. "With our large markets in the United States and to some extent Latin America, Pharma is particularly impacted by devaluation of the U.S. dollar and some other currencies," Fröhlich explained. "Add to this Organon's launch costs for Arixtra® and NuvaRing® in the United States, then the combined effect on performance becomes considerable. We will continue to vigorously pursue growth, for which funds will be made available. At the same time, we are addressing costs that do not contribute to performance. In that respect we have not hesitated to take appropriate measures, as demonstrated by the recently announced restructuring of Organon's operations in Japan and the United States, leading to staff reductions totaling some 300 people."

Expanding on Akzo Nobel's approach, Toon Wilderbeek, Member of Akzo Nobel's Board of Management responsible for Pharma, added: "Organic growth remains our first priority and we will continue to invest heavily in R&D to push the flow of products that will drive stable growth in the future. In addition, collaborations with third parties in both product development and marketing will get increasing emphasis."

Akzo Nobel also intends to harvest some of the synergies that exist between its human healthcare business, Organon, and its animal healthcare business, Intervet. A new and separate unit – Nobilon – has been established to develop, produce and market human vaccines. Intervet, the world's number one producer of animal vaccines, will bring its research know-how and technological expertise in vaccines to the venture, while Organon has extensive knowledge and experience in the development and marketing of human pharmaceutical products to offer.

### **Organon, autonomous growth continues**

Organon's range of innovative products have delivered 9% autonomous growth in sales so far in 2002. Total worldwide sales of antidepressant Remeron® are up 20% year to date; lawsuits in the United States regarding Organon's patent for use of Remeron in combination with SSRIs are ongoing – no guidance on timelines and outcomes is possible. Year-to-date sales for infertility treatment Puregon® are up 10%, while those of HRT treatment Livial® are up 16%.

Nevertheless, there has been a slowing in Organon's performance throughout 2002 as a result of weakening key market currencies, generic competition in the United States for its oral contraceptive Mircette® and launch costs for new products – NuvaRing and Arixtra – in the United States. To improve performance, cost cutting measures have been introduced, including restructuring of the field sales force in the United States to improve efficiency, and staff reductions in Japan in response to difficult market circumstances and product registration delays.

#### *New products*

February 2002 saw the U.S. launch of the antithrombotic Arixtra by Organon and its joint venture partner in the United States, Sanofi-Synthelabo. Sales are taking off slowly due to existing long-term contracts for competing drugs and the inherent inertia of the hospital formulary system. Arixtra is currently only approved for prevention of thrombosis following hip and joint surgery, but as further indications are approved total sales worldwide could grow gradually to reach EUR 800 million by 2006.

In July 2002 Organon successfully launched its vaginal contraceptive ring, NuvaRing, on the U.S. market. Launch is now underway in several European countries. Organon's other novel form of contraception, Implanon®, a single rod contraceptive implant, is now being marketed in 16 European countries, Latin America, Australia and New Zealand. U.S. launch is expected in 2004.

#### *R&D pipeline*

Launch of Xyvion™, Organon's osteoporosis treatment is expected in the United States in 2004/2005, depending on review schedules of the U.S. Food and Drug Administration (FDA). Similarly, U.S. launch of the contraceptive implant Implanon is foreseen in 2004. Male contraception trials are in Phase IIb: product formulations are now being evaluated. A new estrogen-free contraceptive pill is in Phase II of tests. The infertility treatment Puregon® Pen™ is to be launched in the United States in 2003.

In the area of CNS (central nervous system) drugs, launch of the antidepressant gepirone ER in the United States is now expected in 2004, pending the results of studies and approval by the FDA. Organon's extensive CNS pipeline currently includes five Phase II projects, among them a new drug for the treatment of insomnia. In addition, Org 5222, a new antipsychotic with a very promising pharmacological profile compared with drugs now prescribed for that indication, has just entered Phase III of clinical trials.

For Arixtra, studies are in progress to expand the number of atherothrombotic indications approved to include, for example, treatment of venous and arterial thrombosis. While most studies are based on daily dosing, research is also in progress on S-O 34006, a new once-weekly dosing from the Arixtra family to prevent and treat long-term venous and arterial thrombosis. S-O 34006 are expected to enter Phase III trials early 2004.

Rheumatoid arthritis studies of new concepts for treatment are ongoing.

### **Intervet, healthy position to weather difficult market conditions**

Intervet, Akzo Nobel's animal healthcare business, is among the top three veterinary pharmaceutical companies in the world. Year to date, its growth rate for sales is almost flat. A one-time inventory write-off in the second quarter, negative currency effects in a number of key countries and softening economic conditions in the United States, Latin America and South Africa have led to a decline in Intervet's earnings throughout the second and third quarters of 2002. Since livestock markets are expected to remain under pressure for some time, only modest organic growth is expected for Intervet in the coming years.

Fortunately Intervet's excellent global coverage and its broad range of products for farm and companion animals put it in a strong position to weather fluctuations in the animal health market. While one geographic region faces problems, frequently another is blossoming and, similarly, problems in one species or sector can often be compensated for as a result of favorable conditions in others.

Intervet's commitment to R&D – consistently more than 10% of sales – and its extensive veterinary knowledge ensure that it will continue to develop and market innovative products for farm and companion animals. Anti-parasitic and anti-infective drugs and veterinary medicines for companion animals in North America have been identified as areas of future growth.

Collaborations, such as the recent licensing-in of Flu Avert™ I.N., are also expected to play an increasingly important role in complementing Intervet's broad range of veterinary products.

### **Diosynth, profiting from growing demand**

Diosynth has enjoyed 13% growth in sales so far in 2002. Sixty percent of Diosynth's sales are to third parties in the pharmaceutical sector.

Diosynth's performance underscores the value of its focus on manufacturing complex active pharmaceutical ingredients, especially in the biotechnological segment, for which there is a sector-wide shortage of capacity. Completion in 2003 of new upstream processing capacity will complement investments in a downstream processing unit completed in 2002 and the acquisition in 2001 of CBSI in the United States. Together, these put Diosynth in an excellent position to benefit from expected future demand for biotech processing capacity.

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### **Note for the editor**

Akzo Nobel, based in the Netherlands, serves customers throughout the world with healthcare products, coatings and chemicals. Consolidated sales for 2001 totaled EUR 14 billion. The Company currently employs over 67,000 people in more than 80 countries. Financial results for the full year 2002 will be published on February 11, 2003.

Organon, headquartered in Roseland, New Jersey, United States, is a renowned global pharmaceutical company with a strong commitment to human healthcare. The company develops and produces innovative prescription medicines for gynecology, psychiatry, cardiovascular disease, immunology and anesthesiology. Organon products are sold in over 100 countries, more than half of which have an Organon subsidiary. The company currently employs around 13,000 people. Organon is the ethical pharmaceutical business unit of Akzo Nobel.

Intervet, a business unit of Akzo Nobel, headquartered in Boxmeer, the Netherlands, with sales in 2001 of EUR 1,096 million, is focused on the research and development, manufacturing and marketing of veterinary products. Products include vaccines for the prevention of infectious diseases, anti-infectives, antiparasitics, feed additives and products for fertility management. All of these products are intended for use in a variety of animal species, including poultry, pigs, cattle, sheep, goats, horses, fish and companion animals. Intervet operates globally through its own marketing organizations. The company currently employs around 5,000 people.

Diosynth, a business unit of Akzo Nobel, is a science-driven and technology-based manufacturer of complex active pharmaceutical ingredients. The company's expertise is complex organic chemistry, extractions, cell culture, fermentation and chromatographic purification, including HPLC. These technologies are used on an industrial scale to manufacture steroids, synthetic peptides, opiate analogues, carbohydrates, heparin and recombinant proteins, as well as proprietary innovator products. Diosynth's operations are backed by a large development organization, strong commitment to Good Manufacturing Practice (cGMP) and strict adherence to HSE legislation. Diosynth is headquartered in Oss, the Netherlands, has about 3,000 employees and achieved sales in 2001 of EUR 488 million.

Internet: [www.akzonobel.com](http://www.akzonobel.com)  
[www.organon.com](http://www.organon.com)  
[www.intervet.com](http://www.intervet.com)  
[www.diosynth.com](http://www.diosynth.com)

**Not for publication – for more information please contact:**

Akzo Nobel N.V.

Ian Cressie, Manager Corporate Communications, tel. +31 26 366 4343

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This press release 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, including but not limited to the "Outlook", 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, developments in raw material and personnel costs, physical and environmental risks, and legislative, fiscal, and other regulatory measures. Stated competitive positions are based on management estimates supported by information provided by specialized external agencies.

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