



Linklaters LLP  
One Silk Street  
London EC2Y 8HQ

Prospectus dated 10 December 2008



**AKZO NOBEL SWEDEN FINANCE AB (PUBL)**  
*(incorporated as a limited company in the Kingdom of Sweden (with registered number 556768-4062))*

**€1,000,000,000**  
**7.75 per cent. Guaranteed Bonds due 2014**

**Guaranteed by**  
**AKZO NOBEL N.V.**

*(incorporated in the Netherlands as a public company with limited liability having its corporate seat in Amsterdam)*

The €1,000,000,000 7.75 per cent. Guaranteed Bonds due 2014 (the "Bonds") will be issued by Akzo Nobel Sweden Finance AB (publ) (the "Issuer"). Payment of all amounts payable by the Issuer in respect of the Bonds will be unconditionally and irrevocably guaranteed by Akzo Nobel N.V. (the "Guarantor"). Interest on the Bonds is payable annually in arrear on 31 January in each year, save that the first interest payment on the Bonds shall be due on 31 January 2010 in respect of the period from, and including, 12 December 2008 to, but excluding, 31 January 2010. Payments on the Bonds will be made without deduction for or on account of taxes of the Kingdom of Sweden or the Netherlands to the extent described under "Taxation" in the terms and conditions of the Bonds.

The issue price of the Bonds will be 99.552 per cent. of their principal amount.

The Bonds mature on 31 January 2014. The Bonds are subject to redemption in whole, but not in part, at their principal amount, together with accrued interest (i) at the option of the Issuer at any time in the event of certain changes affecting taxes of the Kingdom of Sweden or the Netherlands, and (ii) at the option of the holders if a Put Event (as defined herein) occurs. See "Redemption and Purchase" in the terms and conditions of the Bonds.

The Bonds will constitute unsecured and unsubordinated obligations of the Issuer. See "Status" in the terms and conditions of the Bonds.

Application has been made to the *Commission de Surveillance du Secteur Financier* (the "CSSF") in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities, for the approval of this Prospectus for the purposes of Directive 2003/71/EC (the "Prospectus Directive"). Application has also been made to the Luxembourg Stock Exchange for the Bonds to be admitted to the official list of the Luxembourg Stock Exchange (the "Official List") and to be admitted to trading on the Luxembourg Stock Exchange's regulated market. References in this Prospectus to the Bonds being "listed" (and all related references) shall mean that the Bonds have been admitted to the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

The denomination of the Bonds shall be €50,000.

The Bonds will initially be represented by a temporary global bond (the "Temporary Global Bond"), without interest coupons which will be issued in new global note ("NGN") form. The Temporary Global Bond will be delivered on or prior to 12 December 2008 to a common safekeeper (the "Common Safekeeper") for Euroclear and Clearstream, Luxembourg. Such Temporary Global Bond will be exchangeable for interests recorded in the records of Euroclear and Clearstream, Luxembourg in a global bond (the "Global Bond"), without interest coupons, on or after a date which is expected to be 22 January 2009 upon certification as to non-U.S. beneficial ownership.

The Global Bond will be exchangeable for definitive Bonds in bearer form in the denomination of €50,000 in the limited circumstances set out in the Global Bond, as described herein.

On issue, the Bonds will be rated A3 (negative outlook) by Moody's Investors Service Limited ("Moody's") and A- by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc ("S&P"). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Prospective investors should have regard to the factors described under the section headed "Risk Factors" commencing on page 7 of this Prospectus.

**BNP PARIBAS**

**DEUTSCHE BANK**

**HSBC**

**BARCLAYS CAPITAL**

**CITI**

**ING WHOLESALE BANKING**

**J.P. MORGAN**

**SOCIÉTÉ GÉNÉRALE**

**THE ROYAL BANK OF SCOTLAND**

This Prospectus comprises a prospectus for the purposes of Article 5.3 of the Prospectus Directive and for the purpose of giving information with regard to the Issuer, the Guarantor, the Guarantor and its subsidiaries taken as a whole (the “Group”) and the Bonds which according to the particular nature of the Issuer, the Guarantor and the Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and the Guarantor. The Issuer and the Guarantor (the “Responsible Persons”) accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of each of the Issuer and the Guarantor (each of which has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all the documents which are incorporated herein by reference (see “Documents Incorporated by Reference”).

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor or the Managers (as defined in “Subscription and Sale” below) to subscribe or purchase, any of the Bonds. The distribution of this Prospectus and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Guarantor and the Managers to inform themselves about and to observe any such restrictions.

For a description of further restrictions on offers and sales of Bonds and distribution of this Prospectus, see “Subscription and Sale” below.

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Guarantor or the Managers. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented, or that there has been no adverse change in the financial position of the Issuer or the Guarantor since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented, or that the information contained in it or any other information supplied in connection with the Bonds is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

To the fullest extent permitted by law, the Managers accept no responsibility whatsoever for the contents of this Prospectus or for any other statement made, or purported to be made, by any Manager or on its behalf in connection with the Issuer, the Guarantor, or the issue and offering of the Bonds. Each Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933 (the “Securities Act”) and are subject to U.S. tax law requirements. Subject to certain exceptions, Bonds may not be offered, sold or delivered within the United States or to U.S. persons.

Unless otherwise specified or the context requires, references to “pounds sterling”, “GBP” and “£” are to the lawful currency of the United Kingdom and references to “EUR” and “€” are to euro, which means the lawful currency of the member states of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Community.

In connection with the issue of the Bonds, HSBC Bank plc (the “Stabilising Manager”) (or any person acting on behalf of any Stabilising Manager) may over-allot Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate

public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

## DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the audited consolidated financial statements of the Guarantor as at, and for the financial years ended, 31 December 2006 and 31 December 2007, respectively, together, in each case, with the audit report thereon, and the unaudited consolidated financial statements, as at, and for the nine months ended, 30 September 2008, which have been previously published or are published simultaneously with this Prospectus and which have been filed with the CSSF. Such documents shall be incorporated in, and shall form part of, this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus may be obtained (without charge) from the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and from the website of the Guarantor ([www.akzonobel.com](http://www.akzonobel.com)).

The table below sets out the relevant page references for the audited consolidated financial statements for the financial years ended 31 December 2006 and 31 December 2007, respectively, as set out in the Guarantor's annual report for each relevant financial year and the relevant page references for the unaudited consolidated financial statements as at, and for the nine months ended, 30 September 2008 as set out in the Guarantor's report for the third quarter of 2008. Information contained in the documents incorporated by reference other than information listed in the table below is for information purposes only, and does not form part of this Prospectus.

### **Audited consolidated annual financial statements of the Guarantor for the financial year ended 31 December 2006**

|   | <b>Guarantor Annual Report 2006</b> |
|---|-------------------------------------|
| Statement of Income for the financial year ended 31 December 2006 .....     | Page 86                             |
| Balance Sheet as at 31 December 2006 .....                                  | Page 87                             |
| Statement of Cash Flows for the financial year ended 31 December 2006 ..... | Page 88                             |
| Accounting Principles .....   | Page 78-85                          |
| Notes .....   | Pages 89-111                        |
| Auditor's Report .....  | Page 122                            |

### **Audited consolidated annual financial statements of the Guarantor for the financial year ended 31 December 2007**

|   | <b>Guarantor Annual Report 2007</b> |
|---|-------------------------------------|
| Statement of Income for the financial year ended 31 December 2007 .....     | Page 102                            |
| Balance Sheet as at 31 December 2007 .....                                  | Page 103                            |
| Statement of Cash Flows for the financial year ended 31 December 2007 ..... | Page 104                            |
| Accounting Principles .....   | Pages 107-114                       |

**Guarantor Annual Report 2007**

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|                        |                          |
|------------------------|--------------------------|
| Notes .....            | Page 105-106 and 115-139 |
| Auditor's Report ..... | Page 150                 |

**Unaudited consolidated financial statements of the Guarantor for the nine months ended 30 September 2008**

**Guarantor's Report for the third Quarter of 2008**

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|   |                     |
|---|---------------------|
| Statement of Incomes for the 9 months ended 30 September 2008 ..                          | Page 20             |
| Balance Sheet as at 30 September 2008.....  | Page 22             |
| Statement of Cash Flows for the 9 months ended 30 September 2008 .....                    | Page 23             |
| Notes (including segment information and changes in equity as at 30 September 2008) ..... | Pages 21, 24 and 26 |

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## RISK FACTORS

*The Issuer and the Guarantor believe that the following factors may affect their ability to fulfil their respective obligations under the Bonds or under the guarantee of the Bonds. Most of these factors are contingencies which may or may not occur and the Issuer and Guarantor are not in a position to express a view on the likelihood of any such contingency occurring. Risk factors which are specific to the Bonds are also described below.*

*The Issuer and Guarantor believe that the factors described below represent the principal risks inherent in investing in the Bonds, but the inability of the Issuer and Guarantor to pay interest, principal or other amounts on or in connection with any Bonds may occur for other reasons and the Issuer and Guarantor do not represent that the statements below regarding the risks of holding any Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.*

*Words and expressions defined elsewhere in this Prospectus have the same meanings in this section. In this Prospectus, references to “we” or “our” refer to the Group.*

Prospective investors should consider, among other things, the following:

### **Risk Factors relating to the Issuer and Guarantor and their respective Businesses**

The most significant risks that our business faces, and which therefore are the focus for risk management, were identified in the AkzoNobel Annual Report 2007. Unless otherwise specified by reference to the Issuer or AkzoNobel, the risks apply in the Group context.

#### **Strategic Risks**

##### ***Economic Downturn***

The Group operates in over 80 countries and is affected by the prevailing economic conditions in each. Macroeconomic factors that have an impact on expenditure by customers, demand for the Group's products and the availability and cost of credit will have an effect on the Group's business and results of operations.

One of the principal uncertainties facing the Group is the extent of the economic downturn currently being experienced in many markets around the world and in particular in Europe and the United States and how this will affect the Group's business and results of operations and the timing of that impact.

We believe that the Group's geographic spread, extending from Europe to the Americas and Asia, offers a certain degree of protection against economic downturn in specified geographical markets but a prolonged downturn whether on a global basis or in regional or national markets is likely to adversely affect the Group's business and results of operations.

By way of examples:

- (a) the Decorative Paints business area, which, as at 30 September 2008, accounted for approximately 36 per cent. of our revenue, is susceptible to downturns in housing markets and has been impacted by recent downturns in the housing markets in the United States and the United Kingdom; and
- (b) the Performance Coating and Speciality Chemicals business areas, which currently account for approximately 64 per cent. of our revenue, are susceptible to downturns in industrial markets generally. A prolonged downturn could adversely affect the Group's business and results of operations.

### ***Current capital market conditions***

The current problems that are impacting the domestic and international debt and equity markets generally for all companies have resulted in the cost of capital increasing significantly over the period since the summer of 2007 and, in particular, made issuance of new debt capital more expensive and difficult.

Adverse and continued constraints in the supply of liquidity may adversely affect the cost of funding the Group and extreme liquidity constraints may limit growth possibilities.

The Group continually monitors developments in domestic and international capital markets and endeavours to raise capital at appropriate times and in a cost effective manner. However, if the current problems persist or the current market conditions deteriorate further, the Group's ability to raise capital in a timely and cost effective manner could be adversely affected.

### ***International Operations***

We are an international business with operations in over 80 countries and we conduct business in many currencies. These operations are subject to risks associated with international operations which include:

- (a) slowdown or recession in global, regional or national economic growth (as described further in "Economic Downturn" above);
- (b) tariffs and trade barriers;
- (c) exchange controls;
- (d) fluctuations in national currencies (as described further in "Exchange Rate Fluctuations" below);
- (e) social and political risks;
- (f) national and regional labour disputes;
- (g) required compliance with a variety of foreign laws, regulations and standards; and
- (h) the difficulty of enforcing legal claims and agreements through some foreign legal systems.

Unfavourable developments in one or more of these areas could adversely affect the Group's business and results of operations.

### ***Acquisitions and Disposals***

From time to time the Group makes acquisitions and disposals of businesses and brands. Whilst we aim to plan these carefully, the rationale for them may be based on incorrect assumptions or conclusions and they may not realise the anticipated benefits or there may be other unanticipated or unintended effects. In addition, whilst, where applicable, the Group seeks protection, for example through warranties and indemnities in the case of acquisitions, significant liabilities may not be identified in due diligence or may come to light after the expiry of warranty or indemnity periods, or it may not prove practicable to secure or enforce warranty or indemnity protection. These factors may adversely affect the Group's business and results of operations.

### ***Competition***

We have a wide portfolio of business units competing across a diverse range of geographical and product markets and we compete with other multinational corporations which have significant financial resources. We may be unable to compete effectively if our competitors' resources are applied to change their areas of focus, enter new markets, reduce prices, or to increase investments in marketing or the development and launch of new products. Increased competition in the markets in which we operate may adversely affect the Group's business and results of operations.

### ***Technology***

Our success depends upon sustainable growth of our business through research and development, production and sale of new products. If we are not able to identify or exploit transforming technologies, this may adversely affect the Group's business and results of operations.

## **Operational Risks**

### ***The Price and Supply of Chemicals and Raw Materials***

We use significant amounts of various chemicals and raw materials in manufacturing our products. Prices for some of these chemicals and raw materials can be volatile and are affected by cyclical movements in commodity prices, availability of such chemicals and raw materials, demand for a variety of products which are produced using these chemicals and raw materials, levels of price competition among local and global suppliers and general economic conditions. We are, to some extent, able to pass on higher input prices to our customers, but this ability is, to a large extent, dependent on market conditions. However, there may be times when we are not able to recover increases in the cost of chemicals and raw materials for some products due to weakness in demand for such products or the actions of our competitors. Our inability to access chemicals and raw materials or increases in costs and expenses for chemicals and raw materials may adversely affect our business and results of operations.

### ***The Price and Supply of Energy***

The Group's Specialty Chemicals business operates two energy-intensive businesses, Pulp & Paper Chemicals and Base Chemicals. Although we have several hedging policies in place which seek to mitigate the effects of price increases from natural gas and electricity, we are particularly sensitive to energy price movements which may adversely affect our business and results of operations.

### ***Seasonality***

Seasonality may adversely affect our business and results of operations. A portion of our business is seasonal due to weather conditions. In particular, the Decorative Paints business area is sensitive to seasonality, with business often stronger in the second and third quarters of the calendar year than in the first or fourth quarters. Consequently, seasonal lags in earnings may not be offset during the corresponding financial year and this may affect results of operations.

### ***Reputation***

Negative publicity could damage our brands. We have created a strong reputation over many years and many of the businesses have a high local profile. Our diverse portfolio, brand approach and response management system promote a certain degree of protection against damage to our brands by adverse publicity. However, any negative publicity could adversely affect our business and results of operations.

### ***Product Liability***

Our operations in consumer markets expose us to legal risks, regulation and potential liabilities from product liability claims asserted by consumers. We are currently involved in a number of product liability cases, although we believe that any accrued costs and liabilities in relation to these existing claims should not adversely affect our business. However, there can be no assurance that we will not in future be exposed to liabilities and claims which could adversely affect our business and results of operations.

### ***Other Operational Risks***

Our revenues are dependent on the continued operation of our various manufacturing facilities. Operational risks include:

- (a) equipment and systems failures;

- (b) failure to comply with applicable regulations and standards and to maintain necessary permits and approvals;
- (c) raw material and chemical supply disruptions;
- (d) labour force shortages or work stoppages;
- (e) events impeding or increasing the cost of transporting products;
- (f) natural disasters; and
- (g) terrorist attacks.

While we maintain insurance at levels that we believe are appropriate, some of these operational risks could result in losses and liabilities in excess of our insurance coverage or in uninsured losses or liabilities, which could adversely affect our business and results of operations.

### ***Environmental, Health and Safety Legislation***

Our businesses use hazardous materials, chemicals and biological and toxic compounds in several product development programmes and manufacturing processes. We have been, and can be, exposed to risks of contamination. We are subject to a broad range of laws, regulations and standards in each of the jurisdictions where we operate, including those relating to pollution, the health and safety of employees, protection of the public, protection of the environment and the generation, storage handling, transportation, treatment, disposal and remediation of hazardous substances and waste materials. These regulations and standards are becoming increasingly stringent, and increasingly expose us to liability including in respect of damage to property and personal injury. Compliance and contingency plans and assignment arrangements are in place to seek to mitigate these risks. In addition, it is our policy to accrue and charge against earnings environmental clean-up costs when it is probable that a liability has materialised and an amount is reasonably estimable. While it is not feasible to predict the outcome of all pending environmental exposures, it is possible that there will be a need for future provisions for environmental costs. Based on information currently available, AkzoNobel does not expect provisions of this sort to have a material effect on the Group's financial position but they could be material to the Groups results of operations in any one accounting period. Moreover, there can be no assurance that we will not be exposed to additional environmental liabilities in future which could adversely affect our business and results of operations.

### ***Change Initiatives***

We may undertake significant projects including in areas of sourcing, IT, human resources and various business areas all of which require significant project management. Failure to manage such projects appropriately, or to implement such projects, may lead to loss of key staff, knowledge or other business disruption, which could have a negative effect on our productivity and thereby adversely affect our business and results of operations.

### ***Cost Structure***

Rapid changes in macroeconomic conditions (as described further in "Economic Downturn" above) may require adjustments to the local cost structures of the Group. To the extent that these cost structures are fixed in nature, such changes in macroeconomic conditions may adversely affect our business and results of operations.

### ***People***

The Group depends on the continued contribution of its executive officers and employees. While we review our staff policies on a regular basis and invest significant resources in training and development and recognising and encouraging individuals with high potential, there can be no guarantee that we will be able to attract, develop and retain these individuals at an appropriate cost and ensure that the capabilities of the

Group's employees meet its business needs. Any failure to do so may adversely affect our business and results of operations.

## **Financial Risks**

### ***Assets and Revenue of the Issuer***

At the date of this Prospectus, the Issuer has no material assets or sources of revenue. The Issuer is a wholly-owned newly incorporated finance subsidiary of AkzoNobel and will on-lend part of the proceeds from the sale of the Bonds to companies in the Group under intercompany loan agreements. It is currently intended that the Issuer may acquire certain Group entities in Sweden or elsewhere from certain holding companies in the Group. Until this acquisition occurs, the Issuer will rely on interest and principal payments received from Group companies under intercompany loan agreements to service and repay the Bonds. Once these entities in Sweden or elsewhere are transferred to the Issuer, it will rely on a combination of interest and principal payments under these intercompany loan agreements and dividends and other payments from the entities in Sweden or elsewhere acquired by it in each case to service and repay the Bonds. Accordingly, the Issuer's ability to service and repay the Bonds depends upon the ability of members of the Group to service such intercompany loans and the performance of these subsidiaries. Therefore, in meeting its payment obligations under the Bonds, the Issuer is dependent on the business and results of operations of members of the Group and the entities in Sweden or elsewhere acquired by it.

### ***Exchange Rate Fluctuations***

We have operations in more than 80 countries and report in euro. Although we have a hedging policy which seeks to mitigate certain currency exchange rate risks, our results of operations are sensitive to the relationships between the euro and U.S. dollar, pound sterling, Swedish krona and Latin American and Asian currencies. Fluctuations in currency prices which are not successfully mitigated by our hedging policy could adversely affect our business and results of operations.

### ***Credit Rating***

AkzoNobel is currently rated A- by S&P and A3 by Moody's. The outlook in relation to such rating is negative. A decision by the rating agencies to downgrade AkzoNobel's credit rating could reduce our funding options, increase our cost of borrowings and adversely affect our business and results of operations.

### ***Risk of Losses in Treasury Operations***

We have a centralised treasury function to manage the liquidity and debt financing of the Group and the financial risks associated with exposure to foreign currencies, interest rates and counterparty credit. The treasury department works within a robust framework of internal control procedures to seek to minimise losses due to error or fraud, and to protect the Group against unforeseen events. However losses in relation to treasury activities could be caused, amongst other things, by the occurrence of one or more of the following events:

- (a) unexpected extraordinary movements in money or foreign exchange markets could make short-term or long-term funding more difficult and/or more expensive to obtain (as described further in "Economic Downturn" above), and an appropriate currency mix of funding difficult to achieve;
- (b) human error could result in inappropriate activity being undertaken in the markets which will incur a cost to be reversed;
- (c) incorrect settlement of a third party payment could lead to unexpected losses and/or claims; and
- (d) a default by an external counterparty could cause losses through lost deposit monies, derivatives positions needing to be closed out and/or settlement default.

Our business and results of operations could be adversely affected if we do not successfully mitigate these risks.

### ***Retirement and Healthcare Benefits***

The Group is at risk from potential shortfalls in the funding of its various retirement and healthcare benefit schemes. The liabilities of these schemes reflect the Group's latest best estimate of life expectancy, inflation, discount rates and salary growth, which may change. These schemes are generally funded externally under trust through investments in equities, bonds and other external assets, the values of which are dependent on, among other things, the performance of equity and debt markets, which, can be volatile. Changes in the value of the assets or liabilities of these schemes and therefore their funding status may require additional funding from the employing entities and may adversely impact the Group's financial condition. Additional funding may, in the case of the ICI Pension Fund in the U.K. (in respect of which AkzoNobel has guaranteed the obligations of ICI plc), also result from a determination by the U.K. Pensions Regulator or, in certain situations, by the scheme actuary and the trustee, subject to the powers of the U.K. Pensions Regulator. In each case such additional funding may adversely affect our business and results of operations.

### ***Legal and Regulatory Risks***

The Group is at risk from significant and rapid change in the legal systems, regulatory controls, and customs and practices in the countries in which it operates. These affect a wide range of areas including the composition, production, packaging, labelling, distribution and sale of the Group's products; the Group's property rights; its ability to transfer funds and assets within the Group or externally; employment practices; data protection; environment, health and safety issues; and accounting, taxation and stock exchange regulation. Accordingly, changes to, or violation of, these systems, controls or practices could increase costs, involve actions such as product recalls, seizure of products and other sanctions and adversely affect our business and results of operations.

Liability may also arise from non-compliance with laws and regulations. For example, we are involved in investigations by the antitrust authorities in the European Union, the United States and other countries into alleged violations of the respective antitrust laws in these jurisdictions and we are engaged in civil litigation in this respect. AkzoNobel believes that the aggregate amount of any additional fines and civil damages to be paid in respect of existing or pending antitrust cases will not materially adversely affect the Group's financial position. Such aggregate amount could, however, be material to the Group's results of operations or cash flows in any one accounting period. Moreover, there can be no assurance that we will not be exposed to additional legal and regulatory liabilities in future which could adversely affect our business and results of operations.

### ***Litigation and Regulatory Action***

The outcome of litigation, tax disputes, indemnification and guarantees, and regulatory action could adversely affect our business and results of operation. A number of claims are currently pending which are contested. We are also involved in disputes with tax authorities. While the outcome of these claims and disputes cannot be predicted with certainty, AkzoNobel believes, based upon legal advice and information received, that the final outcome will not materially affect the consolidated financial position of the Group but could be material to the Group's result of operations or cashflows in any one accounting period. Moreover, there can be no assurance that we will not be exposed to additional litigation or regulatory action in future which could adversely affect our business and results of operations.

### ***Other Risk Factors***

Our businesses are exposed to varying degrees of risk and uncertainty related to other factors including competitive pricing, consumption levels, physical risks, rates of inflation, legislative, fiscal, tax and regulatory developments and economic, political and social conditions in the environment where we operate.

All of these risks could adversely affect the Group's business and results of operations. Furthermore, there may be risks which are unknown to us or which are currently believed to be immaterial.

### **Factors Which are Material for the Purpose of Assessing the Market Risks Associated with the Bonds**

#### ***Bonds may not be a Suitable Investment for all Investors***

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall financial portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;
- (d) understand thoroughly the terms of the Bonds; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

### **Risks related to Bonds generally**

#### ***Modification, and Waivers and Substitution***

The Terms and Conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Bonds also provide that the Trustee may, without the consent of Bondholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Bonds or the Trust Deed which is in the opinion of the Trustee not materially prejudicial to the interest of the Bondholders or (ii) determine without the consent of the Bondholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under the Bonds in place of the Issuer, in the circumstances described in Condition 11 of the Terms and Conditions of the Bonds.

#### ***Change of Law***

The Terms and Conditions of the Bonds are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus.

#### ***EU Savings Directive***

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual or to certain other persons in another Member State. However, for a transitional period, Belgium, Luxembourg and Austria may instead (unless during that period they elect otherwise) operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information

exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor AkzoNobel nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Bond as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent, the Issuer will be required, save as provided in Condition 6(e) of the Bonds, to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

## **Risks Related to the Market Generally**

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

### ***The Secondary Market Generally***

Although application has been made to admit the Bonds to trading on the Luxembourg Stock Exchange, the Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may adversely affect the market value of Bonds.

### ***Exchange Rate Risk and Exchange Controls***

The Issuer (and, failing the Issuer, the Guarantor) will pay principal and interest on the Bonds in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency unit (the "Investor's Currency") other than euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the euro would decrease (1) the Investor's Currency equivalent yield on the Bonds, (2) the Investor's Currency equivalent value of the principal payable on the Bonds and (3) the Investor's Currency equivalent market value of the Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

### ***Interest Rate Risks***

Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

### ***Credit Ratings may not Reflect all Risks***

One or more independent credit rating agencies will assign credit ratings to the Bonds. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

### ***Legal Considerations may Restrict Certain Investments***

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Bonds are legal investments for it, (2) the Bonds can be used as collateral

for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any of the Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

## TERMS AND CONDITIONS OF THE BONDS

*The following are the terms and conditions substantially in the form in which they will be endorsed on the Bonds.*

The issue of the €1,000,000,000 7.75 per cent. Guaranteed Bonds due 2014 (the “Bonds”) was authorised by a resolution of the Board of Directors of Akzo Nobel Sweden Finance AB (publ) (the “Issuer”) passed on 18 November 2008 and the guarantee of the Bonds was authorised by a resolution of the Supervisory Board of Akzo Nobel N.V. (the “Guarantor”) passed on 2 September 2008 and by a resolution of the Board of Management of the Guarantor passed on 26 August 2008. The Bonds are constituted by a Trust Deed (the “Trust Deed”) governed by English law dated 12 December 2008 between the Issuer, the Guarantor and The Law Debenture Trust Corporation p.l.c. (the “Trustee”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Bonds (the “Bondholders”). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds and the coupons relating to them (the “Coupons”). Copies of the Trust Deed, and of the Paying Agency Agreement (the “Paying Agency Agreement”) dated 12 December 2008 relating to the Bonds between the Issuer, the Guarantor, the Trustee and the initial principal paying agent and the other paying agents named in it, are available for inspection during usual business hours at the registered office of the Trustee (presently at Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified offices of the principal paying agent for the time being (the “Principal Paying Agent”) and the other paying agents for the time being (the “Paying Agents”, which expression shall include the Principal Paying Agent). The Bondholders and the holders of the Coupons (whether or not attached to the relevant Bonds) (the “Couponholders”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Paying Agency Agreement.

### **1 Form, Denomination and Title**

#### **(a) Form and denomination**

The Bonds are serially numbered and in bearer form in the denomination of €50,000, each with Coupons attached on issue.

#### **(b) Title**

Title to the Bonds and Coupons passes by delivery. The holder of any Bond or Coupon will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

### **2 Guarantee and Status**

#### **(a) Guarantee**

The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Bonds and the Coupons. Its obligations in that respect (the “Guarantee”) are contained in the Trust Deed.

#### **(b) Status**

The Bonds and Coupons constitute unconditional, unsubordinated and (subject to Condition 3) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds and the Coupons and of the

Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 3, at all times rank at least equally with all their respective other present and future unsecured and unsubordinated obligations.

### **3 Negative Pledge**

So long as any of the Bonds or Coupons remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will create or have outstanding any mortgage, charge, lien, pledge or other security interest (a "Security Interest") upon any of its present or future assets or revenues to secure any Public Debt, or any guarantee or indemnity in respect of any Public Debt, without, at the same time or prior thereto, according to the Bonds and the Coupons the same security as is created or subsisting to secure any such Public Debt or such other security as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Bondholders or (ii) as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders, except that the foregoing shall not apply to any of the following:

- (a) any Security Interest arising solely by mandatory operation of law;
- (b) any Security Interest over or affecting any asset either (i) acquired by the Issuer or the Guarantor after 10 December 2008 and subject to which such asset is acquired or (ii) comprised within the assets of any company merged with the Issuer or the Guarantor after 10 December 2008 where such Security Interest is created prior to the date of such merger; and
- (c) any Security Interest over assets arising pursuant to the "*Algemene Voorwaarden*" (General Terms and Conditions of the Dutch Bankers' Association), if and insofar as applicable to the Guarantor.

In this Condition 3, "Public Debt" means any loan, debt or other obligation of the Issuer or the Guarantor in the form of or represented by bonds, notes, debentures or any other publicly-issued debt securities which are, or are capable under the relevant regulatory provisions in force as at 10 December 2008 of, being traded or listed on any stock exchange, over-the-counter or other recognised securities market and which by their terms have an initial stated maturity of more than 12 months.

### **4 Interest**

The Bonds bear interest from and including 12 December 2008 at the rate of 7.75 per cent. per annum, payable annually in arrear on 31 January in each year (each an "Interest Payment Date") save that the first interest payment on the Bonds shall be due on 31 January 2010 in respect of the period from, and including, 12 December 2008 to, but excluding, 31 January 2010 and will amount to €4,405.82 per Calculation Amount (as defined below). Each Bond will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

Where interest is to be calculated in respect of a period which is equal to or shorter than an Interest Period (as defined below), the day-count fraction used will be the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last).

In these Conditions, the period beginning on and including 12 December 2008 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an “Interest Period”.

Interest in respect of any Bond shall be calculated per €50,000 in principal amount of the Bonds (the “Calculation Amount”). The amount of interest payable per Calculation Amount for any period shall be equal to the product of 7.75 per cent., the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

## **5 Redemption and Purchase**

### **(a) Final redemption**

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 31 January 2014. The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 5.

### **(b) Redemption for taxation reasons**

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders (which notice shall be irrevocable), at their principal amount (together with interest accrued to the date fixed for redemption) if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) it (or, if the Guarantee was called, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Sweden (in the case of a payment by the Issuer) or The Netherlands (in the case of a payment by the Guarantor) or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 10 December 2008, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it at a cost acceptable to it (acting reasonably), provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due. Prior to the publication of any notice of redemption pursuant to this Condition 5(b), the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories (as defined in the Trust Deed), at least one of whom is a director, of the Issuer (or the Guarantor, as the case may be) stating that the obligation referred to in (i) above cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it at a cost acceptable to it (acting reasonably) and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, in which event it shall be conclusive and binding on the Bondholders and the Couponholders.

### **(c) Redemption at the option of Bondholders on a Put Event**

- (i) If during the period from, and including, 12 December 2008 to, but excluding, 31 January 2014 a Change of Control Event occurs and within the Change of Control Period (A) (if at the time that Change of Control Event occurs there are Rated Securities) a Rating Downgrade in respect of that Change of Control Event occurs or (B) (if at such time there are no Rated Securities) a Negative Rating Event in respect of that Change of Control Event occurs (that Change of Control Event and, where applicable, Rating Downgrade or Negative Rating Event, as the case may be, occurring within the Change of Control Period, together called a “Put Event”), the holder of each Bond will have the option (unless, prior to the giving of the Put Event Notice referred to below, the Issuer gives notice under Condition 5(b) to redeem the Bonds) to require

the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Bond on the Put Date (as defined below) at its principal amount together with (or, where purchased, together with an amount equal to) interest accrued to but excluding the Put Date.

- (ii) Promptly upon, and in any event within 21 days after, the Issuer becoming aware that a Put Event has occurred, the Issuer shall, and at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders the Trustee shall (subject in each case to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction), give notice (a "Put Event Notice") to the Bondholders in accordance with Condition 15 specifying the nature of the Put Event and the procedure for exercising the put option contained in this Condition 5(c).
- (iii) To exercise the put option under this Condition 5(c), the holder of a Bond must deliver such Bond, on any Business Day falling within the period of 30 days after a Put Event Notice is given (the "Put Period"), at the specified office of any Paying Agent, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a "Put Notice") and in which the holder may specify a bank account to which payment is to be made under this Condition 5(c).

The Bond should be delivered together with all Coupons appertaining thereto maturing after the date which is seven days after the expiry of the Put Period (the "Put Date"), failing which the Paying Agent will require payment of an amount equal to the face value of any such missing Coupon. Any amount so paid will be reimbursed in the manner provided in Condition 6(c) against presentation and surrender of the relevant missing Coupon (or any replacement therefor issued pursuant to Condition 10 any time after such payment, but before the expiry of the period of five years from the Relevant Date (as defined in Condition 7), but not thereafter. The Paying Agent to which such Bond and Put Notice are delivered will issue to the Bondholder concerned a non-transferable receipt in respect of the Bond so delivered. Payment in respect of any Bond so delivered will be made, if the holder duly specifies a bank account in the Put Notice to which payment is to be made, on the Put Date by transfer to that bank account and, in every other case, on or after the Put Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of any Paying Agent. A Put Notice, once given, shall be irrevocable. For the purposes of Condition 6 and certain other purposes specified in the Trust Deed, receipts issued pursuant to this Condition 5(c) shall be treated as if they were Bonds. The Issuer shall redeem or, at the option of the Issuer, purchase (or procure the purchase of) the relevant Bonds on the Put Date unless previously redeemed or purchased.

- (iv) If 80 per cent. or more in principal amount of the Bonds then outstanding have been redeemed or purchased pursuant to the foregoing provisions of this Condition 5(c), the Issuer may, on not less than 30 or more than 60 days' notice to the Bondholders given within 30 days after the Put Date, redeem, at its option, the remaining Bonds as a whole at their principal amount plus interest accrued to but excluding the date of such redemption.
- (v) If the rating designations employed by any of S&P, Moody's or Fitch Ratings are changed from those which are described in paragraph (B) of the definition of "Negative Rating Event" below, or if a rating is procured from another Rating Agency, the Issuer and the Guarantor shall determine, with the agreement of the Trustee, the rating designations of S&P, Moody's, Fitch Ratings or such other Rating Agency (as appropriate) as are most nearly equivalent to the prior rating designations of S&P, Moody's or Fitch Ratings, and this Condition shall be construed accordingly.

(vi) The Trustee is under no obligation to ascertain whether a Change of Control Event, Negative Rating Event or Put Event or any event which could lead to the occurrence of or could constitute a Change of Control Event, Negative Rating Event or Put Event has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Change of Control Event, Negative Rating Event or Put Event or other such event has occurred.

(vii) In this Condition 5(c):

“Business Day” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the place of the specified office of the Paying Agent at which the relevant Bond is delivered.

A “Change of Control Event” shall be deemed to have occurred if at any time a person or group of persons acting in concert, other than a holding company (as defined in section 1159 of the Companies Act 2006) whose shareholders are or are to be the same as (or the same save for the initial subscriber of the shares of the holding company), and who hold the shares in the same proportion (save for any holding of any such initial subscriber) as, the pre-existing shareholders of the Guarantor, gains control of more than 50 per cent. of the issued shares of the Guarantor or of the voting rights attached to the issued shares of the Guarantor (for these purposes, “acting in concert” means a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate through the acquisition by any of them, either directly or indirectly, of shares in the Guarantor to obtain or consolidate control of the Guarantor).

“Change of Control Period” means the period beginning on the date that is (A) the date of the first public announcement of the Change of Control Event or, if earlier, (B) the date of the earliest Potential Change of Control Event Announcement (if any) and ending 90 days after the occurrence of the Change of Control Event (if any) (or such longer period in which the Rated Securities are under consideration (announced publicly within the period ending 90 days after the occurrence of the Change of Control Event) for rating review or, as the case may be, rating by a Rating Agency, such period not to exceed 60 days after the public announcement of such consideration).

A “Negative Rating Event” shall be deemed to have occurred if the Issuer or the Guarantor (A) does not, either prior to or not later than 21 days after the relevant Change of Control Event, seek, and thereupon use all reasonable endeavours to obtain, a rating of the Bonds or any other unsecured and unsubordinated debt of the Issuer or the Guarantor (or any subsidiary of the Issuer or the Guarantor which is guaranteed on an unsecured and unsubordinated basis by the Guarantor or the Issuer) having an initial maturity of five years or more from a Rating Agency or (B) does so seek and use such endeavours, it is unable, as a result of such Change of Control Event, to obtain such a rating of at least “investment grade” (being a rating of BBB- (in the case of Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc. (“S&P”)), Baa3 (in the case of Moody’s Investors Service Limited (“Moody’s”)) or BBB- (in the case of Fitch Ratings Ltd (“Fitch Ratings”)), or their respective equivalents for the time being) from at least one Rating Agency, provided that a Negative Rating Event shall not be deemed to have occurred in respect of a particular Change of Control Event if the Rating Agency declining to assign a rating of at least investment grade (as defined above) does not announce or publicly confirm or inform the Issuer, the Guarantor or the Trustee in writing that its declining to assign a rating of at least investment grade was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable

Change of Control Event (whether or not the Change of Control Event shall have occurred at the time such investment grade rating is declined).

“Potential Change of Control Event Announcement” means any public announcement or statement by the Guarantor, any actual or potential bidder or any adviser acting on behalf of any actual or potential bidder relating to any potential Change of Control Event where, within 90 days following the date of such announcement or statement, a Change of Control Event occurs.

“Rated Securities” means the Bonds so long as they shall have an effective rating from any Rating Agency and otherwise any unsecured and unsubordinated debt of the Issuer or the Guarantor (or any subsidiary of the Issuer or the Guarantor which is guaranteed on an unsecured and unsubordinated basis by the Guarantor or the Issuer) having an initial maturity of five years or more which is rated by one of the Rating Agencies.

“Rating Agency” means S&P and its successors or Moody’s and its successors or Fitch Ratings and its successors or any other rating agency of equivalent standing specified by the Issuer or the Guarantor from time to time and approved in writing by the Trustee.

A “Rating Downgrade” shall be deemed to have occurred in respect of a Change of Control Event if the current rating whether provided by a Rating Agency at the invitation of the Issuer or the Guarantor or of its own volition assigned to the Rated Securities by any Rating Agency (A) is withdrawn and is not within the Change of Control Period replaced by a rating of another Rating Agency at least equivalent to that which was current immediately before the occurrence of the Change of Control Event or (B) is reduced from a rating of investment grade (as defined above) or better to a non-investment grade rating of BB+ (in the case of S&P), Ba1 (in the case of Moody’s) or BB+ (in the case of Fitch Ratings) (or their respective equivalents for the time being) or worse and not subsequently upgraded to an investment grade rating during the Change of Control Period; provided that a Rating Downgrade otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular Change of Control Event if the Rating Agency making the reduction in rating to which this definition would otherwise apply does not announce or publicly confirm or inform the Issuer, the Guarantor or the Trustee in writing that the reduction was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Change of Control Event (whether or not the applicable Change of Control Event shall have occurred at the time of the Rating Downgrade).

**(d) *Notice of redemption***

All Bonds in respect of which any notice of redemption is given under this Condition shall be redeemed on the date specified in such notice in accordance with this Condition.

**(e) *Purchase***

Each of the Issuer, the Guarantor and their respective subsidiaries may at any time purchase Bonds in the open market or otherwise at any price (provided that they are purchased together with all unmatured Coupons relating to them). The Bonds so purchased, while held by or on behalf of the Issuer, the Guarantor or any such subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Condition 11(a).

**(f) *Cancellation***

All Bonds redeemed in accordance with this Condition 5 and any unmatured Coupons attached to or surrendered with them will be cancelled and may not be re-issued or resold. Bonds purchased by the

Issuer, the Guarantor or their respective subsidiaries in accordance with Condition 5(e) may, at the option of the Issuer, the Guarantor or the relevant subsidiary, be cancelled (together with any unmatured Coupons attached to them) or may be held, re-issued or re-sold.

## **6 Payments**

### **(a) *Method of Payment***

Payments of principal and interest will be made against presentation and surrender (or, in the case of a partial payment, endorsement) of Bonds or the appropriate Coupons (as the case may be) at the specified office of any Paying Agent (subject to Condition 6(b) below) by Euro cheque drawn on, or by transfer to a Euro account maintained by the payee with, a bank in a city in which banks have access to the TARGET System. Payments of interest due in respect of any Bond other than on presentation and surrender of matured Coupons shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Bond. In this Condition 6, "TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System which utilises a single shared platform and which was launched on 19 November 2007, or any successor thereto.

### **(b) *Payments subject to fiscal laws***

All payments are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7. No commissions or expenses shall be charged to the Bondholders or Couponholders in respect of such payments.

### **(c) *Surrender of unmatured Coupons***

Each Bond should be presented for redemption together with all unmatured Coupons relating to it, failing which the amount of any such missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal amount due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon not later than 10 years after the Relevant Date (as defined in Condition 7) for the relevant payment of principal.

### **(d) *Payments on business days***

A Bond or Coupon may only be presented for payment on a day which is a business day in the place of presentation (and, in the case of payment by transfer to a Euro account, a day on which the TARGET System is operating). No further interest or other payment will be made as a consequence of the day on which the relevant Bond or Coupon may be presented for payment under this paragraph falling after the due date. In this Condition "business day" means a day on which commercial banks and foreign exchange markets are open in the relevant city.

### **(e) *Paying Agents***

The initial Paying Agents and their initial specified offices are listed below. The Issuer and the Guarantor reserve the right at any time with the approval of the Trustee to vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, provided that they will maintain (i) a Principal Paying Agent, (ii) Paying Agents having specified offices in at least two major European cities approved by the Trustee and (iii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN

Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

## **7 Taxation**

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds and the Coupons or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Kingdom of Sweden or The Netherlands or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in receipt by the Bondholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Bond or Coupon presented for payment:

**(a) Other connection**

by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond or Coupon by reason of his having some connection with the Kingdom of Sweden or, in the case of payments made by the Guarantor, The Netherlands other than the mere holding of the Bond or Coupon; or

**(b) Holder able to avoid**

by or on behalf of a holder who would have been able to avoid such withholding or deduction (i) by presenting any form or certificate or (ii) by making a declaration of non-residence or other similar claim for exception to the relevant tax authority; or

**(c) Presentation more than 30 days after the Relevant Date**

more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting such Bond or Coupon for payment on the last day of such period of 30 days; or

**(d) Payment to individuals**

where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

**(e) Payment by another Paying Agent**

by or on behalf of a Bondholder or a Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Bond or Coupon to another Paying Agent in a Member State of the European Union.

“**Relevant Date**” means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders. Any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition or any undertaking given in addition to or substitution for it under the Trust Deed.

## 8 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders shall, subject to being indemnified and/or secured and/or prefunded to its satisfaction (but, in the case of the happening of any of the events mentioned in paragraphs (b) and (f) below, only if the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Bondholders), give notice to the Issuer that the Bonds are, and they shall accordingly thereby forthwith become, immediately due and repayable at their principal amount together with accrued interest (as provided in the Trust Deed) if any of the following events (each an “Event of Default”) shall have occurred (unless such event has been remedied to the satisfaction of the Trustee):

- (a) default is made in the payment of principal or interest on the Bonds on the due date for payment thereof and such failure continues, in the case of principal, for a period of seven days and, in the case of interest, for a period of 14 days; or
- (b) the Issuer or the Guarantor fails to perform or observe any of its other obligations under the Bonds or the Trust Deed and (except where the Trustee shall have certified to the Issuer in writing that it considers such failure to be incapable of remedy, in which case no such notice or continuation as is hereinafter mentioned will be required) such failure continues for the period of 30 days (or such longer period as the Trustee may in its absolute discretion permit) next following the service by the Trustee of notice on the Issuer or the Guarantor, as the case may be, specifying such failure and requiring the same to be remedied; or
- (c) the Issuer or the Guarantor is dissolved or wound up; or
- (d) the Issuer or the Guarantor enters into a composition with its creditors, files a petition for a suspension of payments, admits in writing that it cannot pay its debts generally as they become due, initiates a proceeding in bankruptcy or is adjudicated bankrupt; or
- (e) the Issuer and/or the Guarantor and/or any Major Subsidiary (as defined below) defaults in the making of any payment in respect of Indebtedness for Borrowed Moneys (as defined below) of, assumed or guaranteed by, the Issuer and/or the Guarantor and/or any Major Subsidiary, as the case may be, when and as the same shall become due and payable, if such default shall continue for more than the period of grace, if any, applicable thereto and the time for such payment has not been effectively extended, or if any Indebtedness for Borrowed Moneys of, or assumed by, the Issuer and/or the Guarantor and/or any Major Subsidiary shall have become repayable before the due date thereof as a result of acceleration of maturity by reason of the occurrence of an event of default thereunder, provided that the aggregate amount of the relevant Indebtedness for Borrowed Money in respect of which one or more of the events mentioned above in this paragraph (e) have occurred is greater than €40,000,000 or the equivalent thereof in any other currency or currencies.

In this paragraph (e):

“Indebtedness for Borrowed Moneys” shall mean any indebtedness for borrowed money having an original maturity of 12 months or more; and

“Major Subsidiary” shall mean at any relevant time any company or entity of which the Guarantor directly or indirectly has control and (i) whose total sales shall have exceeded 10 per cent. of the Guarantor’s consolidated sales for the immediately preceding financial year, all as calculated by reference to the then latest audited accounts of the relevant company or entity and the then latest consolidated audited accounts of the Guarantor, or (ii) to which is transferred all or substantially all the assets and undertaking of any company or entity of which the Guarantor directly or indirectly has control which immediately prior to such transfer is a Major Subsidiary. A report by two Authorised

Signatories, at least one of whom is a director, of the Guarantor (whether or not addressed to the Trustee) that in their opinion any company or entity is or is not or was or was not at any particular time or throughout any specified period a Major Subsidiary may be relied upon by the Trustee without liability to any person and without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all relevant parties; or

- (f) if the Issuer or the Guarantor merges or otherwise amalgamates with any other incorporated or unincorporated legal entity unless the legal entity surviving such merger or amalgamation expressly assumes all obligations of the Issuer or the Guarantor, as applicable, in respect of the Bonds (in the case of the Issuer) or the Guarantee (in the case of the Guarantor) and has obtained all necessary authorisations therefor; or
- (g) if for any reason the Guarantee ceases to be in full force and effect.

## **9 Prescription**

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 6 within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

## **10 Replacement of Bonds and Coupons**

If any Bond or Coupon is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Paying Agent in London subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and the Guarantor may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Bonds or Coupons must be surrendered before replacements will be issued.

## **11 Meetings of Bondholders, Modification, Waiver and Substitution**

### **(a) Meetings of Bondholders**

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds or the Coupons, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or cancel the Guarantee, in which case the necessary quorum will be one or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

**(b) *Modification and Waiver***

The Trustee may, without the consent of the Bondholders or Couponholders, (i) agree to any modification of any of the provisions of the Trust Deed which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error or an error which is, in the opinion of the Trustee, proven, and (ii) agree to any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, and may determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, which in any such case is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation, waiver or determination shall be binding on the Bondholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Bondholders as soon as practicable.

**(c) *Substitution***

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and other conditions as specified in the Trust Deed, but without the consent of the Bondholders or the Couponholders, to the substitution of certain other entities (as provided in the Trust Deed) in place of the Issuer as principal debtor under the Trust Deed and the Bonds. In the case of such a substitution the Trustee may agree, without the consent of the Bondholders or Couponholders, to a change of the law governing the Bonds, the Coupons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Bondholders.

**(d) *Entitlement of the Trustee***

In connection with the exercise of its functions (including, but not limited to, those referred to in this Condition) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Bondholder or Couponholder be entitled to claim, from the Issuer or the Guarantor any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders or Couponholders. The Trustee may rely, without liability to Bondholders, on a report, confirmation or certificate of any accountants, financial advisers or investment bank, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee shall be obliged to accept and be entitled to rely on any such report, confirmation or certificate where the Issuer or the Guarantor procures delivery of the same pursuant to its obligation to do so under a condition hereof and such report, confirmation or certificate shall be binding on the Issuer, the Guarantor, the Trustee and the Bondholders in the absence of manifest or proven error.

## **12 Enforcement**

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Bonds and the Coupons, but it need not take any such proceedings unless it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least one-quarter in principal amount of the Bonds outstanding; nor shall the Trustee be required to take any step or omit to take any step or action (including such proceedings) unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction in respect of all costs, claims, expenses and liabilities to or for which it may, in its opinion, thereby become liable. No Bondholder or Couponholder may proceed directly

against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

### **13 Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including relieving it from taking proceedings or any action unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity related to the Issuer or the Guarantor without accounting for any profit.

### **14 Further Issues**

The Issuer may from time to time without the consent of the Bondholders or Couponholders create and issue further securities either having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Bonds. Any further securities forming a single series with the outstanding securities of any series (including the Bonds) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of securities of other series where the Trustee so decides.

### **15 Notices**

Notices to Bondholders will be valid if published in a leading newspaper having general circulation in London (which is expected to be the Financial Times) and (so long as the Bonds are listed on the Luxembourg Stock Exchange and the rules of that Stock Exchange so require) published either on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, if in the opinion of the Trustee such publication shall not be practicable, in an English language newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Bondholders in accordance with this Condition.

### **16 Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

### **17 Governing Law**

#### **(a) Governing Law**

The Trust Deed, the Bonds and the Coupons, and any non-contractual obligations arising out of or in connection therewith, are governed by and shall be construed in accordance with English law.

#### **(b) Jurisdiction**

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Bonds, the Coupons or the Guarantee and accordingly any legal

action or proceedings arising out of or in connection with the Trust Deed, the Bonds, the Coupons or the Guarantee (“Proceedings”) may be brought in such courts. Pursuant to the Trust Deed, each of the Issuer and the Guarantor has irrevocably submitted to the jurisdiction of such courts.

**(c) *Agent for Service of Process***

Pursuant to the Trust Deed, each of the Issuer and the Guarantor has irrevocably appointed an agent in England to receive service of process in any Proceedings in England based on any of the Trust Deed, the Bonds, the Coupons or the Guarantee.

## **SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM**

*The Temporary Global Bond in respect of the Bonds and the corresponding Global Bond contain provisions which apply to the Bonds while they are in global form, some of which modify the effect of the terms and conditions of the Bonds set out in this document. The following is a summary of certain of those provisions:*

### **1 Nominal Amount and Exchange**

The nominal amount of the Bonds shall be the aggregate amount from time to time entered in the records of Euroclear and Clearstream, Luxembourg or any alternative clearing system approved by the Trustee (the "Alternative Clearing System") (each a "relevant Clearing System"). The records of such relevant Clearing System shall be conclusive evidence of the nominal amount of Bonds represented by the Temporary Global Bond and the Global Bond and a statement issued by such relevant Clearing System at any time shall be conclusive evidence of the records of that relevant Clearing System at that time. The Temporary Global Bond is exchangeable in whole or in part for interests recorded in the records of the relevant Clearing Systems in the Global Bond on or after a date which is expected to be 22 January 2009 upon certification as to non-U.S. beneficial ownership in the form set out in the Temporary Global Bond. The Global Bond is exchangeable in whole but not in part (free of charge to the holder) for the definitive Bonds described below ("Definitive Bonds") if the Global Bond is held on behalf of a relevant Clearing System and such relevant Clearing System is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. Thereupon the holder may give notice to the Trustee of its intention to exchange the Global Bond for Definitive Bonds on or after the Exchange Date specified in the notice.

On or after the Exchange Date (as defined below) the holder of the Global Bond may surrender the Global Bond to or to the order of the Principal Paying Agent. In exchange for the Global Bond the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Bonds (having attached to them all Coupons in respect of interest which has not already been paid on the Global Bond), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in Schedule 1 to the Trust Deed. On exchange of the Global Bond, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with any relevant Definitive Bonds.

"Exchange Date" means a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and in the cities in which the relevant clearing system is located.

### **2 Payments**

No payment will be made on the Temporary Global Bond unless exchange for an interest in the Global Bond is improperly withheld or refused. Payments of principal and interest in respect of the Bonds represented by the Global Bond will be made to its holder. The Issuer shall procure that details of each such payment shall be entered pro rata in the records of the relevant Clearing System, and, in the case of payments of principal, the nominal amount of the Bonds will be reduced accordingly. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant Clearing System shall not affect such discharge. Condition 6(e)(iii) and Condition 7(e) will apply to the Definitive Bonds only.

### **3 Notices**

So long as the Bonds are represented by the Global Bond and the Global Bond is held on behalf of a relevant Clearing System, notices to Bondholders may be given by delivery of the relevant notice to that relevant

Clearing System for communication by it to entitled accountholders in substitution for publication as required by the Conditions, except that, so long as the Bonds are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, notices shall also be published either on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

#### **4 Prescription**

Claims against the Issuer in respect of principal and interest on the Bonds while the Bonds are represented by the Global Bond will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 7).

#### **5 Meetings**

The holder of the Global Bond will be treated as being one person for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Bondholders and, at any such meeting, as having one vote in respect of each €50,000 in principal amount of Bonds.

#### **6 Purchase and Cancellation**

On cancellation of any Bond required by the Conditions to be cancelled following its purchase, the Issuer shall procure that details of such cancellation shall be entered *pro rata* in the records of the relevant Clearing Systems and, upon any such entry being made, the nominal amount of the Bonds recorded in the records of the relevant Clearing Systems and represented by the Global Bond shall be reduced by the aggregate nominal amount of the Bonds so cancelled.

#### **7 Trustee's Powers**

In considering the interests of Bondholders while the Global Bond is held on behalf of a clearing system the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Bond and may consider such interests as if such accountholders were the holder of the Global Bond.

#### **8 Put Option**

The Bondholders' put option in Condition 5(c) may be exercised by the holder of the Global Bond giving notice to the Principal Paying Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in Condition 5(c). The Issuer shall procure that any exercise of any option or any right under the Bonds, as the case may be, shall be entered in the records of the relevant Clearing Systems and upon any such entry being made, the nominal amount of the Bonds represented by the Global Bond shall be adjusted accordingly.

## DESCRIPTION OF THE ISSUER

Akzo Nobel Sweden Finance AB (publ) (the “Issuer”) was incorporated as a public limited liability company under the laws of the Kingdom of Sweden on 13 October 2008 with registration number 556768-4062. It is domiciled in the Kingdom of Sweden. The registered office of the Issuer is at P.O. Box 11500, SE-100 61 Stockholm, Sweden and the telephone number of its registered office is +46 8 743 4000.

As at the date of this Prospectus, the Issuer is a wholly-owned subsidiary of the Guarantor.

The objects of the Issuer (to be found in Section 3 of the Articles of Association of the Issuer) are to carry on the business of a finance company, including lending, borrowing and the issuing of guarantees directly or indirectly, owning and managing movable and immovable property; and any other activities compatible therewith.

Since the date of its incorporation, the Issuer has not made any significant investments and, as of the date of this Prospectus, the Issuer is not committed to any other significant investments. However, it is intended that the Issuer will lend funds to Group companies in the Group under intercompany loan agreements. It is also intended that the Issuer may acquire Group entities in Sweden or elsewhere from certain holding companies in the Group and that generally the Issuer will act as a finance company for the Group.

In accordance with applicable Swedish law, the Issuer has a Board of Directors consisting of three members. The Board of Directors is responsible for managing the business of the Issuer in accordance with Swedish law and the Issuer’s Articles of Association. The Board of Directors also represents the Issuer in its dealings with third parties and in court.

The Issuer does not intend to hire employees of its own. Administrative tasks will be performed by other Group entities.

As at the date of this Prospectus, the members of the Board of Directors of the Issuer, whose business addresses are P.O. Box 11500, SE-100 61 Stockholm, Sweden, and their functions and their principal activities outside the Issuer and its subsidiaries, where these are significant, are as follows:

| Name                       | Principal activities outside the Issuer                     |
|----------------------------|---|
| Peter van Rood<br>Director | Director – Corporate Finance and Treasury – Akzo Nobel N.V. |
| Sven Buhre<br>Director     | Finance Director – Akzo Nobel AB                            |
| Bo Berndtsson<br>Director  | Manager Legal Affairs – Sweden – Akzo Nobel AB              |

The Managing Director of the Issuer is Sven Buhre.

None of the members of the Board of Directors have any potential conflict of interests between duties to the Issuer or the Guarantor and their private interests or other duties.

On or about the date of issue of the Bonds, the Issuer will enter into a deed poll pursuant to which it will irrevocably and unconditionally guarantee the payment obligations of the Guarantor in respect of certain of the Guarantor’s public debt and external credit arrangements (the “Cross-Guarantee”). The purpose of the Cross-Guarantee is to ensure that the creditors in respect of the debt guaranteed by the Cross-Guarantee are placed in a substantially equivalent structural position to the holders of the Bonds.

## DESCRIPTION OF THE GUARANTOR

### *History and Development*

Akzo Nobel N.V. (“AkzoNobel” or the “Guarantor”) was incorporated in the Netherlands on 18 May 1911 as a Public Limited Liability Company (Naamloze Vennootschap) under registration number 09007809 and with the name N.V. Nederlandsche Kunstzijdefabriek. AkzoNobel’s common shares are admitted to listing and trading on Euronext Amsterdam by NYSE Euronext. As at the date of this Prospectus, AkzoNobel has subsidiaries in more than 80 countries and employs approximately 60,000 people through its various business units worldwide.

AkzoNobel’s registered office is at Strawinskyalaan 2555, 1077 ZZ Amsterdam, The Netherlands (telephone number +31 20 502 7555).

AkzoNobel’s objects, as set out in Article 3 of its Articles of Association, are as follows:

“The objects of the Company are to participate directly or indirectly in partnerships, and in companies and other legal entities; to manage and finance such partnerships, companies, and legal entities; and to do all such things as are incidental to the attainment of the above objects, including providing security, whether or not for debts of third parties entering into and providing loans as well as the holding and administering of patents and other rights of intellectual property.”

N.V. Nederlandsche Kunstzijdefabriek was renamed AKU N.V. (“AKU”), and in the years from its incorporation in 1911 grew into an international concern with interests in cellulose fibres and, following the Second World War, synthetic textiles, carpet fibres and industrial fibres. In 1969, AKU merged with Koninklijke Zout-Organon N.V., and in 1994 was renamed AkzoNobel, after the merger with Nobel Industries AB (“Nobel”).

Koninklijke Zout-Organon N.V. was set up in 1967 as a holding company in connection with the merger of Koninklijke Zout-Ketjen N.V. and N.V. Koninklijke Zwanenberg-Organon, with interests in companies active in salt refining, basic chemicals, specialty chemicals and coatings on the one hand, and in food/non-food products, chemical products, brand-name drugs, non-prescription products and raw materials for the pharmaceutical industry on the other.

Nobel was formed in 1984 through the merger of Bofors (established in 1646) and KemaNobel, which had been founded in 1871 with the name Stockholms Superfosfat Fabriks AB. At the time of the merger with AkzoNobel in 1994, Nobel was a leading European producer of chemicals (including pulp and paper chemicals and surfactants) and coatings (including paints for professional and consumer markets, industrial coatings and industrial products).

In July 1998, AkzoNobel acquired Courtaulds plc (“Courtaulds”), an international chemical company operating in the markets for high tech industrial coatings and man-made fibres. Several brands, such as International Paints, Courtelle acrylic fibres and Tencell®, at that time, a new cellulosic fibre, were included in the acquisition. In the 1960s, Courtaulds acquired The International Paint Company Limited (formerly Pinchin Johnson & Associates Limited).

In November 1999, AkzoNobel acquired Hoechst Roussel Vet (“HR VET”), the veterinary products business of Hoechst AG. Through this acquisition, Intervet, the veterinary business of AkzoNobel, established a significant presence in the veterinary products industry.

After the Courtaulds acquisition, the fibres operations of AkzoNobel and Courtaulds were combined into a newly established company named Acordis B.V. (“Acordis”). On 31 December 1999, the Acordis business was sold, with AkzoNobel retaining a 21 per cent. stake in the business at that date.

Between 2004 and 2006, AkzoNobel disposed of the non-core assets in its chemicals business, including businesses operating in the catalysts and phosphorus chemicals industry, the resins industry and 14 smaller operations.

In 2006, AkzoNobel initiated a process to dispose of its pharmaceuticals business, Organon BioSciences N.V. (“Organon”), by way of initial public offering (“IPO”). Included in Organon were the “Intervet” veterinary businesses (including HR VET) The IPO process was suspended at a late stage when the American pharmaceutical firm Schering-Plough Company offered to buy Organon, which was sold in March 2007 for €11.0 billion.

AkzoNobel used the proceeds of the sale of Organon to purchase U.K.-based firm Imperial Chemical Industries plc (“ICI”) for £8.1 billion, significantly increasing the presence of its core businesses in the coatings and specialty chemicals markets. This acquisition was completed on 2 January 2008.

In April 2008, AkzoNobel sold ICI’s Adhesives and Electronic Material businesses to Henkel KG a.A (“Henkel”) for an amount of €3.6 billion before final settlement adjustments. The operational disentanglement of these businesses from ICI’s business is expected to continue throughout 2008. In connection with the acquisition of ICI, the EU and Canadian authorities have granted antitrust clearance, accepting a commitment package from AkzoNobel involving the divestiture of a number of AkzoNobel Decorative Paints businesses in the U.K., Ireland, Belgium and Canada, which together contributed approximately €300 million to the Group’s 2007 revenue. This divestment programme was completed on 30 September 2008. AkzoNobel has announced its intention to sell ICI’s Specialty Starches businesses provided that market conditions permit and terms acceptable to it can be agreed for the sale.

### ***Management Structure***

AkzoNobel has a two-tier board structure consisting of a Board of Management and a Supervisory Board. Of these, the Board of Management is the highest executive authority and the Supervisory Board is constituted of non-executive directors.

As at the date of this Prospectus, the Members of the Board of Management and the Supervisory Board, whose business addresses are AkzoNobel, Strawinskylaan 2555, 1077 ZZ Amsterdam, The Netherlands and their functions and their principal activities outside AkzoNobel and its subsidiaries, where these are significant, are as follows:

| <b>Board of Management</b> | <b>Position within Company</b>   |
|----------------------------|--|
| Hans Wijers                | Chief Executive Officer and Board Member responsible for Decorative Paints |
| Keith Nichols              | Chief Financial Officer  |
| Rob Frohn                  | Board Member responsible for Specialty Chemicals                           |
| Leif Darner                | Board Member responsible for Performance Coatings                          |

| <b>Supervisory Board</b>                            | <b>Principal activities outside AkzoNobel</b>   |
|---|---|
| Maarten van den Bergh<br>Chairman Supervisory Board | <ul style="list-style-type: none"> <li>• Former President of Royal Dutch Petroleum Company</li> <li>• Former Vice-Chairman Committee of Managing Directors of Royal Dutch/Shell Group plc</li> <li>• Former Chairman of the Board of Lloyds TSB Group plc</li> <li>• Non-executive Director of Royal Dutch Shell plc, British Airways plc and BT Group plc</li> </ul> |

|  |  |
|--|--|
| Karel Vuursteen<br>Deputy Chairman Supervisory Board       | <ul style="list-style-type: none"> <li>• Former CEO of Heineken</li> <li>• Deputy Chairman and Member of the Board of Directors of Heineken Holding</li> <li>• Member of the Supervisory Board of ING Group and TOMTOM N.V.</li> <li>• Member of the Supervisory Board of Henkel</li> <li>• Member of the Advisory Board of CVC Capital Partners Nederland</li> </ul>  |
| Baroness Virginia Bottomley of Nettlestone<br>Board Member | <ul style="list-style-type: none"> <li>• Former Secretary of State for Health and Member of the British Cabinet</li> <li>• Member of the House of Lords</li> <li>• Former Secretary of State for National Heritage</li> <li>• Governor of the London School of Economics</li> <li>• Governor of the Ditchley Foundation</li> <li>• Non-executive Director of BUPA</li> <li>• Executive Director of Odgers Ray &amp; Berndtson</li> <li>• Trustee of the Economist newspaper</li> </ul>   |
| Dolf van den Brink<br>Board Member                         | <ul style="list-style-type: none"> <li>• Professor Financial Institutions University of Amsterdam</li> <li>• Economic Advisor to the Managing Board of ABN AMRO Bank N.V.</li> <li>• Former Member of the Managing Board of ABN AMRO Bank N.V.</li> <li>• Chairman of the Supervisory Board of Nyenrode University</li> <li>• Member of the Supervisory Board of Samas Groep</li> </ul>  |
| Peggy Bruzelius<br>Board Member                            | <ul style="list-style-type: none"> <li>• Former CEO ABB Financial Services</li> <li>• Former Executive Vice-President SEB</li> <li>• Vice-Chairman AB Electrolux</li> <li>• Non-executive Director Scania AB, Axfood AB, Syngenta AG and Husqvarna AB</li> <li>• Chairman Board of Directors Lancelot Asset Management</li> <li>• Director Axel Johnson AB; Governor Stockholm School of Economics</li> <li>• Chairman of the Swedish National Agency for Higher Education</li> <li>• Member European Advisory Board of Lehman Brothers</li> </ul> |
| Uwe-Ernst Bufe<br>Board Member                             | <ul style="list-style-type: none"> <li>• Former CEO of Degussa AG</li> <li>• Vice-Chairman Investment Banking and Deputy Chairman of the Supervisory Board of UBS Deutschland AG</li> <li>• Former member of the Supervisory Board of Altana</li> <li>• Member of the Supervisory Boards of Solvay and Umicore SA</li> </ul>   |
| Antony Burgmans<br>Board Member                            | <ul style="list-style-type: none"> <li>• Former Chairman of Unilever NV and Unilever plc</li> <li>• Non-executive Director of BP plc</li> <li>• Member of the Supervisory Board of SHV Holdings NV and AEGON NV</li> <li>• Member of the Advisory Board of CVC Capital Partners Nederland</li> </ul>   |
| Peter Ellwood<br>Board Member                              | <ul style="list-style-type: none"> <li>• Former Chairman of ICI plc</li> <li>• Former Group Chief Executive of Lloyds TSB Group</li> <li>• Former Chief Executive of Barclaycard, part of Barclays Bank PLC</li> <li>• Former Chairman of Visa International</li> <li>• Chairman of Rexam plc</li> </ul>   |
| Louis Hughes<br>Board Member                               | <ul style="list-style-type: none"> <li>• Chairman and CEO of GBS Laboratories LLC</li> <li>• Former President and COO of Lockheed Martin</li> <li>• Former Executive Vice-President of General Motors</li> <li>• Non-executive Chairman of Manager Technology Inc.</li> <li>• Member of the Supervisory Board of MTU Aero Engines Holding AG</li> <li>• Member of the Board of Directors of AB Electrolux, Sulzer AG and ABB AG</li> <li>• Executive Advisor of Wind Point Partners</li> </ul>   |

None of the members of the Supervisory Board or the Board of Management have any potential conflicts of interests between duties to the Issuer or the Guarantor and their private interests or other duties.

On 10 June 2008, AkzoNobel announced the appointment of Tex Gunning as Managing Director of its Decorative Paints business with effect from 1 September 2008. It is anticipated that Mr. Gunning will be nominated to join the AkzoNobel Board of Management at the next annual general meeting of AkzoNobel, scheduled to be held in April 2009.

## **Summary description of the business of the Group**

### ***Overview of business areas***

AkzoNobel's operations are carried out in business units grouped into three business areas on the basis of affinities between activities: Decorative Paints, Performance Coatings and Specialty Chemicals. Based on revenue in the first nine months of 2008, the three business areas represent 36 per cent., 31 per cent. and 33 per cent. of the Group, respectively.

At the AkzoNobel corporate level, key tasks are coordinated across the Group in the fields of strategy; finance and control; human resources; technology; legal affairs and intellectual property; communications; health, safety, and environment; information management; and risk and insurance management.

The business units and their main products (as at the date of this Prospectus) are summarised below.

### ***Decorative Paints***

The Decorative Paints unit includes businesses focusing on a full range of interior and exterior decoration and protection products for the professional and do-it-yourself markets. These include paints, lacquers, varnishes, and application tools as well as pre-deco products and building adhesives. This business unit includes the ICI Decorative Paints businesses acquired in January 2008 ("ICI Paints"), as well as AkzoNobel's pre-existing Decorative Paints business ("AkzoNobel Decorative Paints"). The Decorative Paints business is divided into three geographical reporting units: Americas, Europe and Asia.

### ***Performance Coatings***

The Performance Coatings business unit consists of a number of separate business areas as follows:

- Industrial Finishes businesses focusing on decorative and protective wood coatings and adhesives, plastics coatings for cosmetic packaging and sports equipment and coil coatings applied to pre-fabricated steel and aluminium;
- Powder Coatings businesses focusing on solvent free paints to several market sectors, including the appliances, architectural, automotive, furniture and IT markets;
- Marine & Protective Coatings businesses focusing on paints and antifouling coatings for the shipbuilding and aerospace coating industry as well as coatings for bridges and buildings including many major landmarks such as the London Eye;
- Car Refinishes businesses focusing on paints and services to car repair, offering training, detailed local knowledge and technical and logical support in more than 60 countries world wide; and
- Packaging Coatings businesses focusing on food and drink packaging, to help preserve the freshness of these products.

### ***Specialty Chemicals***

The Specialty Chemicals business unit consists of a number of separate business areas as follows:

- Pulp & Paper Chemicals businesses focusing on bleaching chemicals for pulp manufacture, performance chemicals for production of paper, boards, wet and dry strength agents, coating additives and specialty chemicals used in the water treatment and pharmaceuticals industries;
- Base Chemicals businesses focusing on salt, chlor-alkali products and derivatives such as monochloroacetic acid (MCA) essential for food, paper, plastic, detergent and construction industries;
- Functional Chemicals businesses focusing on chemical intermediates and performance chemicals, such as ethylene amines, chelates and re-dispersible powder polymers. These are used in everyday products such as cosmetics and bakery goods;
- Surface Chemistry businesses focusing on all types of surfactants, including ionic, anionic and non-ionic surfactants. These products allow the mixture or separation of two different materials and are widely used in a range of industrial and consumer goods;
- Polymer Chemicals businesses focusing on organic peroxides, metal alkyls, polymerisation catalysts and thermoset chemicals needed for any item containing thermoplastic resin or elastomers, as well as additives, antifouling, suspending agents and high purity metalorganics used in light emitting diodes (LEDs); and
- Chemicals Pakistan, a sub-unit focusing exclusively on Pakistan, where it provides specialty chemicals such as purified terephthalic acid (PTA), polyester fibres and soda ash, and works with companies producing electronics, foods, pharmaceuticals, textiles, consumer goods and engineering products.

### **Decorative Paints – Description**

The Decorative Paints business area combines the former AkzoNobel decorative paints business unit and the Decorative Paints activities of ICI.

Decorative Paints activities have long been a core part of both AkzoNobel's and ICI's business and supply a full range of interior and exterior decoration and protection products for both the professional and do-it-yourself markets, including paints, lacquers and varnishes. The extensive product range is marketed under international and local brand names, including Dulux®, Sikkens®, Glidden®, Astral®, Alabastine®, Levis®, Sico®, Marshall® and Flexa®. Decorative Paints also supplies building adhesives and floor levelling compounds, and offers services such as mixing machines, colour concepts and advice, as well as training courses for applicators.

Decorative Paints has its own sales distribution network in addition to selling through agents and distributors.

### **Decorative Paints – Developments in 2007**

#### ***AkzoNobel Decorative Paints***

2007 saw a significant performance improvement in the AkzoNobel Decorative Paints businesses as a result of a new global strategy implemented at the beginning of 2007. This involved merging the activities of the Decorative Paints business in Europe and the Decorative Paints business in the rest of the world. The purpose of the strategy was to standardise processes and reduce complexity, for example in product formulations and product range, and to allow the unit better to leverage its scale in research and development, procurement and production. Decorative Paints reported significant revenue growth in 2007, driven by the acquisition of Sico, Inc. in Canada and autonomous growth, particularly in the emerging markets of Asia and Eastern Europe. Margin management programs have contributed to the improvement of margins, while cost savings initiatives have delivered operating cost benefits. As a result, the sub-unit's performance clearly improved compared with the previous year. Programmes on standardisation of processes, complexity reduction (in areas such as

those described above) and brand clustering are being implemented worldwide, resulting in brand synergies, improved sharing of best practices, stronger market impact and further efficiency improvements.

### ***ICI Paints***

In 2007, ICI Paints continued to pursue opportunities in developing markets, particularly in Asia and Africa. The acquisition of the Dulux business in Southern Africa, completed in September 2007, consisted of the Dulux assets in South Africa, in addition to the acquisition of shares in the Dulux subsidiaries in Botswana, Zambia, Swaziland, Malawi and Namibia. In China, ICI Paints considerably extended the number of cities to which its products are distributed. ICI Paints also continued to focus on strengthening its brands and developing innovative products and services.

During 2007, ICI Paints continued to benefit from cost savings initiatives undertaken as a part of a restructuring programme announced in 2006. The ICI Paints restructuring programme includes supply chain projects in Europe and North America as well as initiatives to improve the effectiveness of the sales forces in the U.K., Ireland, North America and Continental Europe.

The restructuring programme has had a positive impact on the performance of the North American business, which showed an overall improvement in its profits in 2007 despite the continued negative influence on the retail channel of a downturn in the housing market.

## **Performance Coatings - Description**

### ***Industrial Finishes***

The Industrial Finishes sub-unit focuses on the development, marketing and manufacturing of factory applied wood, coil, and plastic coatings, and industrial wood adhesives. Wood coatings are used to decorate and protect furniture, kitchen cabinetry and building products, including flooring, siding, doors, windows and trim. Coil coatings are applied to coiled steel and aluminium prior to manufacturing and are used in the metal building products market for roofing, siding, gutters and garage and entry doors. Coil coatings also serve the so-called "HVAC" market (for air conditioners, heaters, furnaces, and ventilation units) and the appliances market. The coil business also features extrusion coatings for the commercial construction industry that are applied to high-rise buildings. The coil business supplies plastics coatings to the consumer electronics industry for use on cell phones, music players and computers and to the cosmetic packaging and sporting equipment industries for use on items such as bicycles, helmets and ski equipment. The wood adhesives business provides bonding solutions for laminated beams, wood flooring, furniture, and other wood applications.

### ***Powder Coatings***

The Powder Coatings sub-unit is one of the largest global manufacturers by market share of powder coatings and a world leader in powder coatings technology. Powder coatings are solvent-free paints applied to metal and other conductive surfaces which are used on products ranging from metal furniture to window frames, radiators, pipes, cars and wood and plastic products. Powder Coatings supplies products to eight key market sectors (appliances, architectural, automotive, functional, furniture, general industry, general trade coaters and IT) under the global brands Interpon® and Resicoat®. The business also includes non-stick coatings businesses, focussing on products which are used on houseware and a wide range of other specialist industrial applications.

### ***Marine & Protective Coatings***

AkzoNobel is the global leader by market share for marine paints and antifouling coatings used in shipbuilding, ship maintenance and repair, and by yacht and other pleasure craft owners. The Marine & Protective Coatings sub-unit, through the International® brand name, manufactures fire retardant products for large plants and offshore installations, as well as protective coatings for structures such as bridges, stadiums

and landmarks, including the Sydney Harbour Bridge, the London Eye and the Beijing Olympic complex. The Marine & Protective Coatings sub-unit also includes AkzoNobel's aerospace coatings businesses.

### ***Car Refinishes***

The Car Refinishes sub-unit is one of the world's leading suppliers by market share of paints and services for the car repair, commercial vehicles and automotive plastics markets. It sells coatings for car body refinishing, or recoating, to customers including bodyshops, distributors, fleet owners, automotive suppliers and major bus and truck producers. Brands include Sikkens®, Lesonal®, Dynacoat®, Wanda®, and Autocoat® BT. Operating in more than 60 countries, the Car Refinishes sub-unit has specialists around the world with local market understanding and an ability to service local needs. Its customer services, color and technology solutions include offering technical and logistical support and the delivery of training programs.

### ***Packaging Coatings***

AkzoNobel has nearly 100 years of experience in Packaging Coatings business, providing coatings to help preserve the freshness of food and drink products.

## **Performance Coatings – Developments in 2007**

### ***Overview***

In 2007, Performance Coatings achieved significant growth in revenues and a substantial improvement in profits, consolidating its position among the world's leading coatings companies. The business grew organically, as well as through selective acquisitions, and its portfolio of businesses enabled it to grow in strategic global markets, including in the transportation, construction and industrial coatings markets.

### ***Industrial Finishes***

The Industrial Finishes sub-unit was materially affected in 2007 by the downturn in the U.S. housing market, which impacted volumes. However, the business nonetheless managed to achieve improvements in both revenues and profits. The Industrial Finishes sub-unit engaged in significant expansion activity in 2007, acquiring the U.S. Chemcraft industrial wood coatings business. This has enabled the sub-unit to add scale and value in a number of key sectors in the mature North American market.

### ***Powder Coatings***

In spite of challenging conditions in the United States in 2007, the Powder Coatings sub-unit managed to expand in 2007, further consolidating its leading global position by increasing its presence in several important markets as new facilities were opened in Russia, the Czech Republic, Turkey, China, and Dubai. Whilst expanding the global reach of our business activities remains a key focus across the Group, the Powder Coatings sub-unit has in particular targeted particular accelerated growth in India, where the business made significant inroads in 2007.

### ***Marine & Protective Coatings***

The Marine & Protective Coatings business had its most profitable ever year in 2007 in spite of significant raw material price challenges, especially in metals, which impacted the marine coatings businesses in particular. Both the protective coatings and the aerospace coatings businesses achieved strong growth, contributing to the sub-unit's financial performance as a whole. An important deal was also completed in the United States, with the acquisition of the worldwide Ceilcote business, which was integrated into the protective coatings business.

Notable achievements in 2007 include the presentation of the U.K.'s Queen's Award for Enterprise in the Innovation category to the Marine & Protective Coatings sub-unit for its Intersleek 700® antifouling coating. The Marine & Protective Coatings sub-unit also introduced Intersleek® 900 in 2007. The Group has already received strong positive feedback from the shipping industry to this second-generation system in the

Intersleek® range, and the range serves to underline the Group's commitment to developing innovative and environmentally responsible products to meet customer and market needs.

### ***Car Refinishes***

Growth was also achieved in the Car Refinishes sub-unit in 2007, notably in Asia, while substantial progress was made with regard to its restructuring in Europe.

### ***Packaging Coatings***

The Packaging Coatings sub-unit reported 4 per cent. higher sales in 2007. In particular the beverage and beer can business saw strong volume growth and the trading profit improved slightly compared to 2006.

## **Specialty Chemicals - Description**

### ***Pulp & Paper Chemicals***

The Pulp & Paper Chemicals sub-unit, which trades as Eka Chemicals, is one of the world's leading producers by market share of bleaching chemicals used in the manufacture of paper pulp. Eka Chemicals supplies process chemicals and performance chemicals that improve the properties of paper, as well as systems and integrated services for the pulp and paper industry. Eka Chemicals also produces specialty chemicals, having synergies in the pulp and paper business, with applications in areas such as water treatment, explosives, coatings and the pharmaceutical industry.

### ***Base Chemicals***

The Base Chemicals sub-unit produces salt and energy, chlor-alkali products, and derivatives such as monochloroacetic acid ("MCA"). It is Europe's largest producer of vacuum salt and a leading supplier of chlorine, caustic lye and MCA used in the chemical, detergent, construction, food, pulp and paper and plastic industries. Its products are widespread in everyday life and are used in the manufacture of, for example, vehicles, glass, pharmaceuticals and textiles, and in disinfectants for swimming pools. Joint ventures operated with Dutch energy companies enable the Base Chemicals businesses to make efficient use of combined heat and power to assist in the production of chlorine and vacuum salt. The Base Chemicals business is concentrated on Europe, with a growing focus on expansion into the central and eastern regions of the continent.

### ***Functional Chemicals***

The Functional Chemicals sub-unit consists of a number of different businesses that manufacture and sell a variety of chemical intermediates and performance chemicals on a global scale. It is a worldwide leading supplier by market share of ethylene amines, chelates, cellulosic specialties, sulfur products, and polysulfides. It is also one of the leading producers of salt specialties in Europe. Many of these chemicals can be found in everyday items such as detergents, personal care products, crop protection, micronutrients, building materials, paint, pharmaceuticals and food.

### ***Surface Chemistry***

The Surface Chemistry sub-unit is a global producer of surfaceactive agents used in a wide variety of applications. Its specialty surfactants and surfactant intermediates are used by industrial as well as consumer product companies. Surfactants are used to combine or separate two different materials to emulsify, disperse, clean, wet, anti-cake, aggregate, foam, defoam, disinfect and soften. Key markets include agro-chemicals, household and institutional cleaning, oil field applications and petroleum additives. In addition, surfactants products are used in fabric care, personal care, asphalt paving, mining and coatings.

### ***Polymer Chemicals***

The Polymer Chemicals sub-unit is one of the world's leading producers of organic peroxides, and a major producer of metal alkyls and co-catalysts (chemicals used primarily in the production of thermoplastic resins

and elastomers), and compounds used to make a wide range of plastic goods. The sub-unit's peroxides are widely used in polyolefins, acrylics, polystyrene, PVC, rubber and elastomers, which are in turn used for the manufacture of plastic bags, mobile phones, automotive parts, shoe soles, and wire and cables. The Polymer Chemicals businesses also manufacture high purity metalorganics, chemicals used in consumer electronics such as light emitting diodes for lighting, and for lasers inside compact disc and digital versatile disc players.

### ***Chemicals Pakistan***

The Chemicals Pakistan sub-unit provides specialty chemicals, purified terephthalic acid ("PTA"), polyester fibres and soda ash, working with companies producing electronics, foods, pharmaceuticals, textile, consumer goods and engineering product.

## **Specialty Chemicals – Developments in 2007**

### ***Overview***

In 2007, the Specialty Chemicals businesses made more than a 20 per cent. return on investment, having improved from a level of between 13 per cent. and 14 per cent. 3 to 4 years ago.

In 2007, the unit announced plans to construct a new €250 million multi-site at Ningbo in China. The main user will initially be the Functional Chemicals sub-unit, which intends to construct the first ethylene amines plant in China on the site. Before that, however, it intends to build a chelates facility there, which is currently expected to be operational in 2009. AkzoNobel believes that Functional Chemicals – which opened a new polysulfide production plant in Taixing in June – is well positioned to meet the growth in China. There are further plans in preparation for the Polymer Chemicals sub-unit to install an organic peroxides plant, and for the Functional Chemicals sub-unit to also set up a manufacturing base for cellulosic products, while the additional opportunity exists for the Decorative Paints and Protective Coatings businesses to use the location.

### ***Pulp & Paper Chemicals***

The Pulp & Paper Chemicals sub-unit showed improved profit in 2007. The sub-unit realised improvements in all its activities and markets, despite significant increases in raw material and energy prices. In May 2007, the Pulp & Paper Chemicals business announced that it intended to build a major chemical island in Brazil to supply a new pulp mill, expected to involve a capital commitment of approximately €50 million.

### ***Base Chemicals***

During 2007, three businesses within the Base Chemicals sub-unit (energy, salt and chlor-alkali) were pooled, increasing the efficiency of the chlor-alkali chain and resulting in improved profits. The sub-unit also realised increased profits in its MCA business.

### ***Functional Chemicals***

The Functional Chemicals sub-unit delivered improved profit in 2007, driven by autonomous growth and successful cost management policies, which more than offset increased raw material prices and adverse currency movements.

In October 2007, the Functional Chemicals sub-unit announced a milestone step for the growth of its Elotex® business in the development of a new plant in Shanghai, China. This plant is scheduled to become operational in the fourth quarter of 2008 and will be Elotex's first production site in Asia Pacific region and its fifth in the world. Other sites are located in Switzerland, the Netherlands, Germany and the United States.

### ***Surface Chemistry***

In 2007, the Surface Chemistry sub-unit completed an important transformation, moving away from being a bulk supplier of commodities to focusing more on specific applications where added value in technology is of particular importance to customers. The revenue and operating income of the sub-unit both increased in 2007.

### ***Polymer Chemicals***

The Polymer Chemicals sub-unit showed improved profits in 2007 across its businesses. It was able to pass on increases in the prices of raw materials to customers.

### ***Chemicals Pakistan***

The Chemicals Pakistan sub-unit comprises several businesses which are essentially local in their scope, the most significant of which is located in Pakistan. Chemicals Pakistan continued to invest in 2007 in maintaining a strong market position in the expanding domestic soda ash market, with a 50,000 tonne expansion to its previous capacity of 235,000 tonnes per annum which came on line in the first quarter of 2007. Sales for the regional and industrial business of the Chemicals Pakistan's sub-unit were 6 per cent. ahead of sales in 2006 on a comparable basis. Gross margin percentages were impacted by a decline in margins for PTA, which despite some relief in the second half of the year, were lower than the previous year due to higher raw material costs.

### **Litigation**

#### ***Environmental Matters***

The Group incurs substantial costs arising out of environmental laws and regulations, which include obligations to eliminate or limit the effects on the environment of the disposal or release of certain wastes or substances at various sites. Proceedings involving environmental matters, such as the alleged discharge of chemicals or waste materials into the air, water, or soil, are pending against Group entities in various countries. In some cases these proceedings relate to sites divested in prior years or derelict sites belonging to companies acquired in the past.

It is AkzoNobel's policy to accrue and charge environmental clean-up costs against earnings when it is probable that a liability has materialised and an amount is reasonably estimable. These accruals are reviewed periodically and adjusted, if necessary, as assessments and clean-ups proceed and additional information becomes available. Environmental liabilities can change substantially due to the emergence of additional information on the nature or extent of the contamination, the necessity of employing particular methods of remediation, actions by governmental agencies or private parties, or other factors. Cash expenditures often lag behind the period in which an accrual is recorded by a number of years.

While it is not feasible to predict the outcome of all pending environmental exposures, it is possible that there will be a need for future provisions for environmental costs. Based on information currently available, AkzoNobel does not expect provisions of this sort to have a material effect on the Group's financial position but they could be material to the Group's results of operations in any one accounting period.

#### ***Antitrust Cases***

AkzoNobel is involved in investigations by the antitrust authorities in the European Union and Canada into alleged violations of the respective antitrust laws for some products in these jurisdictions. In addition, the Group is defending civil damage claims in relation to some of these alleged antitrust violations.

Two cases are pending in appeal by the Group with the EU Court of First Instance ("EU CFI") against decisions by the EU Commission to impose fines on the Group for violations of EU competition laws regarding the following products: monochloroacetic acid (€90 million) and hydrogen peroxides (€27 million). The Group's appeals against the European Commission's decisions to fine the Group for violation of the European competition laws regarding sodium gluconates (€12 million) and choline chloride (€23 million) were dismissed by the EU CFI in 2006 and 2007 respectively. The Group's appeal against the judgment in the sodium gluconates case at the European Court of Justice ("ECJ") was withdrawn by the Group in 2007. The Group is deciding whether to appeal at the ECJ against the EU CFI judgement for choline chloride.

On 31 May 2006, ICI was informed of the European Commission's decision to fine ICI €91 million following an investigation into cartel activity in the European methacrylates markets. The fine was in respect of ICI's period of ownership of ICI Acrylics, which ended in 1999 when that business was sold. The fine was provided for in 2006. The Group has filed an appeal before the European Court of First Instance. It is not yet known when the hearing will take place.

Since the beginning of 2006, purported class action lawsuits were filed in various jurisdictions in the United States on behalf of purchasers of methyl methacrylate who claim to have suffered antitrust injury as a result of cartel activity in the European methacrylates market. All of the lawsuits were transferred to the U.S. District Court for the Eastern District of Pennsylvania and consolidated into two class actions, one on behalf of direct purchasers and the other on behalf of indirect purchasers. Three purported class actions were also filed in Canada. In November 2006, ICI filed motions to dismiss the U.S. lawsuits. Those motions are currently pending before the court. With respect to these proceedings, the Group is unable to quantify meaningfully the loss to which the proceedings may give rise.

In light of possible future developments such as (a) the outcome of investigations by various antitrust authorities, (b) potential additional lawsuits by (direct or indirect) purchasers, (c) possible future civil settlements and (d) rulings or judgments in the pending investigations or in related civil suits, these antitrust investigations are likely to result in additional liabilities and related costs. The Group cannot currently estimate any additional amount of loss or range of loss in excess of the recorded amounts with sufficient certainty to allow such amount or range of amounts to be meaningful. Moreover, if and to the extent that the relevant contingent liabilities materialise, they are typically paid over a number of years and the timing of such payments cannot be predicted with confidence.

AkzoNobel believes that the aggregate amount of any additional fines and civil damages to be paid will not materially adversely affect the Group's financial position. Such aggregate amount could, however, be material to the Group's results of operations or cash flows in any one accounting period.

#### ***Other investigations and litigation***

In December 2006 Akzo Nobel Nederland B.V. received a summons from certain Dutch labour unions, acting on behalf of retired Dutch AkzoNobel employees, in connection with Akzo Nobel Nederland B.V.'s decision no longer to reimburse part of the health insurance premiums to those former employees over time after a certain transition period. In December 2007, the court ruled that Akzo Nobel Nederland B.V. did not have the right to terminate reimbursement of part of the health insurance premiums to retired employees. Akzo Nobel Nederland B.V. has appealed the decision of the court.

In 1986, an ICI subsidiary acquired a business that manufactured and sold paint in the U.S. and Canada, now known as the Glidden Company ("Glidden"), a subsidiary of the Company. The seller, a predecessor of Millennium Holdings LLC (the "Seller"), now a subsidiary of LyondellBasell Industries, continued to manufacture and sell pigment. An alleged predecessor of Glidden and the Seller manufactured lead pigment until the 1950s and lead pigment-based paint until the 1960s. Beginning in the late 1980s, both Glidden and the Seller were named as defendants along with former producers of lead pigment and lead pigment-based paint in a number of lawsuits in the United States. These lawsuits sought damages for alleged personal injury caused by lead pigment-based paint or the costs of removing lead pigment-based paint. As the suits progressed, the plaintiffs shifted their focus to manufacturers of lead pigment. As a result, Glidden was dismissed from most of the pending cases and is currently a defendant in only two pending lawsuits, *The City of New York v Lead Industries Association, Inc, et al* and *Smith v Lead Industries Association, Inc, et al* (filed in 1989 and 1999, respectively). Glidden has a right to be indemnified by the Seller against the City of New York lawsuit. Glidden believes that it has strong defences to the two remaining cases and will continue to defend all such actions. With respect to these proceedings, the Company is unable to quantify meaningfully the loss to which the proceedings may give rise.

Under the agreement by which the paint business was acquired (the “Sale Agreement”), the Seller agreed to indemnify Glidden against claims relating to certain pre-completion liabilities, and Glidden also gave certain indemnities to the Seller. While Glidden did not acquire any assets or liabilities relating to the manufacture or sale of pigments, the Seller has asserted that it is entitled to indemnification under the Sale Agreement for certain liabilities it may have relating to lead pigment and/or lead pigment-based paint litigation. In its public disclosures, the Seller states that it continues to defend against a number of lead-based lawsuits although it asserts that the claims are without merit. On 28 March 2008, the Seller filed suit against Glidden in New York Supreme Court seeking to establish the alleged indemnification obligation. Glidden, which has assumed all of the purchaser’s rights and obligations under the Sale Agreement, believes that it has no such obligation to indemnify the Seller. With respect to this lawsuit, the Company is unable to quantify meaningfully the loss to which the claim may give rise.

From the early 1970s until 1999, ICI Americas Inc. (“ICIA”), a subsidiary of the Group, operated and maintained, on behalf of the U.S. Army, two manufacturing facilities. Employees at each facility were employed by ICIA and were members of ICIA pension schemes. The U.S. Army reimbursed ICIA the cost of contributions to each pension scheme. Upon termination of the manufacturing contract in 1999, each of the schemes carried a surplus. In September 2004, the U.S. Army Contracting Officer issued a final determination holding that termination of the contract triggered a refund to the U.S. Government of an amount equal to the value of the 1999 pension surplus. ICIA filed an appeal of the final determination to the Armed Services Board of Contract Appeals (the “Appeals Board”) on 26 January 2005. On 22 April 2005, the U.S. Army re-issued its final determination, amended to include an additional theory of liability. ICIA filed an appeal of the new final determination on 14 July 2005. A four-day hearing was held in January 2006. In a decision dated 24 May 2007, the Board ruled in favour of the U.S. Army on liability. The Appeals Board has not received evidence on damages and has agreed to stay further proceedings while the parties discuss settlement. AkzoNobel does not believe that the outcome of this matter will have a material effect on the Group’s financial position.

A number of other claims are pending against AkzoNobel and its subsidiaries, all of which are contested. The Group is also involved in disputes with tax authorities in several jurisdictions. While the outcome of these claims and disputes cannot be predicted with certainty, AkzoNobel believes, based upon legal advice and information received, that the final outcome will not materially affect the consolidated financial position of the Group but could be material to the Group’s result of operations or cashflows in any one accounting period.

## **Illustrative Financial Information**

### ***Unaudited Financial Information***

The following unaudited pro forma statement of income and pro forma balance sheet (the “Pro Forma Financial Information”) has been included for illustrative purposes only in order to present AkzoNobel’s results of continuing businesses for the year ended and as at 31 December 2007. The Pro Forma Financial Information shows adjustments to the audited consolidated financial information of AkzoNobel for the year ended and as at 31 December 2007 to: (i) include the impact of the acquisition of ICI; (ii) exclude the financial results of businesses divested in 2007 (Organon BioSciences and Flexsys); and (iii) exclude the financial results of European and Canadian businesses that AkzoNobel has divested or is committed to divest in connection with the acquisition of ICI. These transactions are further described in the sub-section entitled “History and Development” under the section “Description of the Guarantor”.

Due to its nature, this Pro Forma Financial Information addresses a hypothetical situation and, therefore, does not represent AkzoNobel’s actual financial position or results. The Pro Forma Financial Information is prepared using AkzoNobel’s accounting policies. It is based on information that was prepared in accordance with IFRS as adopted by the EU and has been compiled from AkzoNobel’s audited financial statements for the year ended 31 December 2007, adjusted as described in the notes below.

The Pro Forma Financial Information should be read in conjunction with the notes in this document, as well as with AkzoNobel’s audited financial statements for the year ended 31 December 2007 and the related notes to the financial statements.

### ***Acquisition of ICI***

On 2 January 2008, AkzoNobel acquired 100 per cent. of the share capital of ICI. The total cost of the acquisition, paid mostly in cash, was €11.5 billion. ICI was one of the world’s leading coatings, adhesives, starches, and synthetic polymer businesses with products and ingredients developed for a wide range of markets. It had operations in over 50 countries around the world and its customers are spread across a diverse range of product sectors. ICI’s revenue and net profit for the period for 2007 – translated into euro – amounted to €7.1 billion and €1.8 billion respectively, including a €1.4 billion gain from discontinued operations. More information can be found in AkzoNobel’s audited financial statements for the year ended 31 December 2007 in note 29.

### ***Divestment of Organon BioSciences***

On 19 November 2007, AkzoNobel sold Organon BioSciences to Schering-Plough for an amount of €11 billion. During 2007, Organon BioSciences was presented as a discontinued operation. More information is found in AkzoNobel’s audited financial statements for the year ended 31 December 2007 in note 8.

## Pro forma statement of income for the year ended 31 December 2007

| In € millions   | Historical<br>unadjusted<br>information | Pro forma adjustments (unaudited) |                            |                                | Pro forma<br>(unaudited) |
|---|---|-----------------------------------|----------------------------|--------------------------------|--------------------------|
|   | AkzoNobel                               | Continuing<br>businesses<br>ICI   | ICI related<br>adjustments | Divestment<br>of<br>businesses |                          |
| Notes:  | (1)                                     | (2)                               | (3)                        | (4)                            |                          |
| Revenue.....  | 10,217                                  | 4,523                             | —                          | (298)                          | 14,442                   |
| Cost of Sales.....  | (6,252)                                 | (2,771)                           | (194)                      | 167                            | (9,050)                  |
| <b>Gross profit</b> .....                                     | <b>3,965</b>                            | <b>1,752</b>                      | <b>(194)</b>               | <b>(131)</b>                   | <b>5,392</b>             |
| Selling expenses.....   | (2,230)                                 | (823)                             | —                          | 97                             | (2,956)                  |
| Research and development expenses.....                        | (282)                                   | (65)                              | —                          | —                              | (347)                    |
| General and administrative expenses.....                      | (654)                                   | (494)                             | —                          | 10                             | (1,138)                  |
| Other operating income/expenses.....                          | (52)                                    | 7                                 | —                          | 18                             | (27)                     |
|   | <u>(3,218)</u>                          | <u>(1,375)</u>                    | <u>—</u>                   | <u>125</u>                     | <u>(4,468)</u>           |
| <b>Operating income</b> .....                                 | <b>747</b>                              | <b>377</b>                        | <b>(194)</b>               | <b>(6)</b>                     | <b>924</b>               |
| Financing income.....   | 157                                     | 109                               | —                          | —                              | 266                      |
| Financing expenses.....                                       | (277)                                   | (121)                             | 40                         | —                              | (358)                    |
| Operating income less financing charges.....                  | <u>627</u>                              | <u>365</u>                        | <u>(154)</u>               | <u>(6)</u>                     | <u>832</u>               |
| Share in profit of associates and joint ventures.....         | (20)                                    | 10                                | —                          | 47                             | 37                       |
| Profit before tax.....  | <u>607</u>                              | <u>375</u>                        | <u>(154)</u>               | <u>41</u>                      | <u>869</u>               |
| Tax.....  | (166)                                   | (139)                             | 58                         | —                              | (247)                    |
| <b>Profit for the year from continuing operations</b> .....   | <b>441</b>                              | <b>236</b>                        | <b>(96)</b>                | <b>41</b>                      | <b>622</b>               |
| Discontinued operations.....                                  | 8,920                                   | —                                 | —                          | (8,920)                        | —                        |
| <b>Profit for the year</b> .....                              | <b>9,361</b>                            | <b>236</b>                        | <b>(96)</b>                | <b>(8,879)</b>                 | <b>622</b>               |
| Minority interests.....                                       | (31)                                    | (38)                              | —                          | —                              | (69)                     |
| <b>Profit for the year attributable to shareholders</b> ..... | <b>9,330</b>                            | <b>198</b>                        | <b>(96)</b>                | <b>(8,879)</b>                 | <b>553</b>               |

## Pro forma balance sheet as at 31 December 2007

| In € millions                                     | Historical<br>unadjusted<br>information | Pro forma adjustments (unaudited) |   |              | Pro forma<br>(unaudited) |
|---|---|-----------------------------------|---|--------------|--------------------------|
|   | AkzoNobel                               | ICI at fair<br>value              | Acquisition<br>and<br>consolidation<br>of ICI | Hedge/swap   |                          |
| Notes:  | (1)                                     | (5)                               | (6)   | (7)          |                          |
| Property, Plant and Equipment .....               | 2,203                                   | 976                               | —   | —            | 3,179                    |
| Goodwill .....                                    | 463                                     | —                                 | 4,417   | —            | 4,880                    |
| Other intangible assets .....                     | 206                                     | 3,394                             | —   | —            | 3,600                    |
| Deferred tax assets .....                         | 630                                     | 120                               | —   | —            | 750                      |
| Investment in associates and joint ventures ..... | 142                                     | 63                                | —   | —            | 205                      |
| Other financial non-current assets .....          | 630                                     | 144                               | —   | —            | 774                      |
| Non-current assets .....                          | <u>4,274</u>                            | <u>4,697</u>                      | <u>4,417</u>                                  | <u>—</u>     | <u>13,388</u>            |
| Inventories .....                                 | 1,177                                   | 495                               | —   | —            | 1,672                    |
| Income tax receivable .....                       | 25                                      | 9                                 | —   | —            | 34                       |
| Trade and other receivable .....                  | 2,139                                   | 856                               | —   | —            | 2,995                    |
| Cash and cash equivalents .....                   | 11,628                                  | 1,081                             | (11,528)                                      | 349          | 1,530                    |
| Assets held for sale .....                        | —                                       | 5,633                             | —   | —            | 5,633                    |
| Current assets .....                              | <u>14,969</u>                           | <u>8,074</u>                      | <u>(11,528)</u>                               | <u>349</u>   | <u>11,864</u>            |
| Total assets .....                                | <u>19,243</u>                           | <u>12,771</u>                     | <u>(7,111)</u>                                | <u>349</u>   | <u>25,252</u>            |
| Shareholders' equity .....                        | 11,032                                  | 7,111                             | (7,111)                                       | 527          | 11,559                   |
| Minority interest .....                           | 97                                      | 499                               | —   | —            | 596                      |
| Equity .....                                      | <u>11,129</u>                           | <u>7,610</u>                      | <u>(7,111)</u>                                | <u>527</u>   | <u>12,155</u>            |
| Provisions .....                                  | 1,598                                   | 1,110                             | —   | —            | 2,708                    |
| Deferred tax liabilities .....                    | 133                                     | 896                               | —   | —            | 1,029                    |
| Long-term borrowings .....                        | 1,954                                   | 367                               | —   | —            | 2,321                    |
| Non-current liabilities .....                     | <u>3,685</u>                            | <u>2,373</u>                      | <u>—</u>                                      | <u>—</u>     | <u>6,058</u>             |
| Short-term borrowings .....                       | 1,635                                   | 406                               | —   | —            | 2,041                    |
| Income tax payable .....                          | 278                                     | 212                               | —   | —            | 490                      |
| Trade and other payables .....                    | 1,998                                   | 1,174                             | —   | (178)        | 2,994                    |
| Current portion of provisions .....               | 518                                     | 253                               | —   | —            | 771                      |
| Liabilities held for sale .....                   | —                                       | 743                               | —   | —            | 743                      |
| Current liabilities .....                         | <u>4,429</u>                            | <u>2,788</u>                      | <u>—</u>                                      | <u>(178)</u> | <u>7,039</u>             |
| Equity and liabilities .....                      | <u>19,243</u>                           | <u>12,771</u>                     | <u>(7,111)</u>                                | <u>349</u>   | <u>25,252</u>            |

Notes related to the pro forma statement of income for 2007 and the pro forma balance sheet as at 31 December 2007:

- (1) The information in this column has been derived without adjustment from AkzoNobel's audited financial statements for the financial year ended 31 December 2007.
- (2) The information in this column has been derived from internal management information of ICI. In order to present the continuing operations of ICI, we have eliminated the financial results of: i) businesses that AkzoNobel sold to Henkel in April 2008; ii) former ICI businesses that AkzoNobel intends to sell; and iii) businesses that ICI had divested in 2007. Tax was calculated using an average rate. Pound sterling outcomes were translated to euro using an average foreign currency rate of €1 = £0.688.
- (3) The information in this column includes: i) the impact of amortization and depreciation of fair value adjustments calculated on the basis of the preliminary purchase price allocation; ii) the fair value adjustments of inventories; and iii) the elimination of expenditures for the financing of the ICI acquisition, incurred by AkzoNobel in 2007, as disclosed in note 5 of AkzoNobel's audited financial statements for the financial year ended 31 December 2007.
- (4) The information in this column represents the eliminations of businesses that AkzoNobel sold during 2007 (Organon BioSciences and Flexsys - see notes 8 and 6 of AkzoNobel's audited financial statements for the financial year ended 31 December 2007 respectively) and businesses that AkzoNobel has sold and will sell during 2008 due to the agreement with Canadian and European authorities in connection with the acquisition of ICI. The latter information was derived from internal management figures.
- (5) The information in this column has been derived from AkzoNobel's financial statements for the financial year ended 31 December 2007, note 29. It presents the assets and liabilities acquired in the ICI transaction, at their estimated fair value on 2 January 2008, the date that AkzoNobel acquired ICI. The fair value is based on a preliminary purchase price allocation, using the exchange rate as at the acquisition date of €1 = £0.744. The main assets acquired are intangibles, notably brands and customer relationships. The assets and liabilities acquired and sold to Henkel on 3 April 2008 as well as former ICI businesses intended for sale are presented as assets and liabilities held for sale. At year-end 2007, the businesses that AkzoNobel committed to divest in connection with the acquisition of ICI were not ready for immediate sale in their condition at that date and therefore did not qualify as held for sale.
- (6) The information in this column includes the impact of the acquisition and consolidation of ICI: the consideration paid is deducted from cash, equity is eliminated and the excess of consideration paid over the fair value of assets and liabilities is presented as goodwill.
- (7) The information in this column includes the impact of a hedge contract in relation to the acquisition of ICI. Consistent with the assumptions underlying the Pro forma financial information, the impact of this hedge relationship was eliminated, as acquisition at 1 January 2007 would not have resulted in these changes in the balance sheet. The consideration paid was determined in pound sterling. The cash outflow was hedged by a forward contract. As presented in AkzoNobel's cash flow statement in its audited financial statements for the financial year ended 31 December 2007, a loss of €349 million on this contract was settled at the end of 2007. The remaining amount of €178 million was settled in 2008.
- (8) The effects of the issue of Bonds to which this Prospectus relates have not been included in the Pro Forma Financial Information.

## **USE OF PROCEEDS**

The net proceeds of the issue of the Bonds will be used for general corporate purposes of the Group, including the refinancing of existing Group indebtedness.

## TAXATION

### **Taxation in the Kingdom of Sweden**

*The following summary outlines certain Swedish tax consequences relating to holders of Bonds that are not considered to be Swedish residents for Swedish tax purposes, if not otherwise stated. The summary is based on the laws of the Kingdom of Sweden as currently in effect and is intended to provide general information only. The summary does not address the rules regarding reporting obligations for, among others, payers of interest. Investors should consult their professional tax advisors regarding the Swedish tax and other tax consequences (including the applicability and effect of tax treaties for the avoidance of double taxation) of acquiring, owning and disposing of Bonds in their particular circumstances.*

#### ***Holders not resident in the Kingdom of Sweden***

Payments of any principal amount or any amount that is considered to be interest for Swedish tax purposes to the holder of any Bond should not be subject to Swedish income tax, provided that such a holder is not resident in the Kingdom of Sweden for Swedish tax purposes and provided that such a holder does not have a permanent establishment in the Kingdom of Sweden to which the Bonds are effectively connected.

However, and in broad terms, provided that the value or the return of the Bonds is related to securities taxed as shares, private individuals who have been residents of the Kingdom of Sweden or have had a habitual abode in the Kingdom of Sweden at any time during the calendar year of disposal or redemption or the ten calendar years preceding the year of disposal or redemption, may be liable to capital gains taxation in the Kingdom of Sweden upon disposal or redemption of such Bonds. In a number of cases though, the applicability of this rule is limited by the applicable tax treaty for the avoidance of double taxation.

Swedish withholding tax, or Swedish tax deduction, is not imposed on payments of any principal amount or any amount that is considered to be interest for Swedish tax purposes to a holder, except for certain payments of interest to a private individual (or an estate of a deceased individual) with residence in the Kingdom of Sweden for Swedish tax purposes.

#### ***Holders resident in the Kingdom of Sweden***

Generally, for Swedish corporations and private individuals (and estates of deceased individuals) with residence in the Kingdom of Sweden for Swedish tax purposes, all capital income (e.g. income that is considered to be interest for Swedish tax purposes and capital gains on Bonds) will be taxable. Specific tax consequences, however, may be applicable to certain categories of corporations, e.g. life insurance companies. Further, specific tax consequences may be applicable if, and to the extent, a holder of Bonds realizes a capital loss on the Bonds and to any currency exchange gains or losses.

If the Bonds are held by a Swedish nominee in accordance with the Swedish Financial Instruments Accounts Act (SFS 1998:1479), Swedish preliminary taxes are withheld by the nominee on payments of amounts that are considered to be interest for Swedish tax purposes to a private individual (or an estate of a deceased individual) with residence in the Kingdom of Sweden for Swedish tax purposes.

### **Taxation in the Netherlands**

*The following is intended as general information only and it does not purport to present any comprehensive or complete description of all aspects of Dutch tax law which could be of relevance to a holder of Bonds (a "Bondholder"). Prospective Bondholders should therefore consult their tax adviser regarding the tax consequences of any purchase, ownership or disposal of Bonds.*

*The following summary is based on the Dutch tax law as applied and interpreted by Dutch tax courts and as published and in effect on the date hereof, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.*

For the purpose of this paragraph, “Dutch Taxes” shall mean taxes of whatever nature levied by or on behalf of the Netherlands or any of its subdivisions or taxing authorities.

### **Withholding tax**

Any payments made under the Bonds will not be subject to withholding or deduction for, or on account of, any Dutch Taxes.

### **Taxes on income and capital gains**

A Bondholder will not be subject to any Dutch Taxes on any payment made to the Bondholder under the Bonds or on any capital gain made by the Bondholder from the disposal, or deemed disposal, or redemption of, the Bonds, except if:

- (i) the Bondholder is an individual and receives or has received any benefits from the Bonds as employment income, deemed employment income or otherwise as compensation; or
- (ii) the Bondholder is, or is deemed to be, resident in the Netherlands for Dutch (corporate) income tax purposes; or
- (iii) the Bondholder is an individual and has opted to be taxed as if resident in the Netherlands for Dutch income tax purposes; or
- (iv) the Bondholder derives profits from an enterprise, whether as entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of the enterprise other than as an entrepreneur or a shareholder, which enterprise is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands to which the Bonds are attributable; or
- (v) the Bondholder is an individual and derives benefits from miscellaneous activities (*overige werkzaamheden*) carried out in the Netherlands in respect of the Bonds, including (without limitation) activities which are beyond the scope of active portfolio investment activities; or
- (vi) the Bondholder has a substantial interest, or a fictitious substantial interest (*fictief aanmerkelijk belang*), in the Guarantor, which is not part of the assets of an enterprise; or
- (vii) the Bondholder is entitled other than by way of the holding of securities to a share in the profits of an enterprise effectively managed in the Netherlands to which the Bonds are attributable.

Generally, a Bondholder has a substantial interest if such Bondholder, alone or together with his partner, directly or indirectly:

- (i) owns, or holds certain rights on, shares representing five percent or more of the total issued and outstanding capital of the Guarantor, or of the issued and outstanding capital of any class of shares of the Guarantor;
- (ii) holds rights to acquire shares, whether or not already issued, representing five percent or more of the total issued and outstanding capital of the Issuer, or of the issued and outstanding capital of any class of shares of the Guarantor; or
- (iii) owns, or holds certain rights on, profit participating certificates that relate to five percent or more of the annual profit of the Issuer or to five percent or more of the liquidation proceeds of the Guarantor.

A Bondholder who owns shares of the Guarantor, will also have a substantial interest if his partner or one of certain relatives of the Bondholder or of his partner has a (fictitious) substantial interest.

Generally, a Bondholder has a fictitious substantial interest if, without having an actual substantial interest in the Guarantor:

- (i) an enterprise has been contributed to the Guarantor in exchange for shares on an elective non-recognition basis;
- (ii) the shares have been obtained under inheritance law or matrimonial law, on a non-recognition basis, while the disposing shareholder had a substantial interest in the Guarantor;
- (iii) the shares in the Guarantor have been acquired pursuant to a share merger, legal merger or legal demerger, on an elective non-recognition basis, while the Bondholder prior to this transaction had a substantial interest in a party to that transaction; or
- (iv) the shares held by the Bondholder, prior to dilution, qualified as a substantial interest and, by election, no gain was recognised upon disqualification of these shares.

***Gift tax or inheritance tax***

No Dutch gift tax or inheritance tax is due in respect of any gift of Bonds by, or inheritance of Bonds on the death of, a Bondholder, except if:

- (i) at the time of the gift or death of the Bondholder:
  - (a) the Bondholder is resident, or is deemed to be resident, in the Netherlands; or
  - (b) his Bonds are attributable to an enterprise (or an interest in an enterprise) which is, in whole or in part, carried on through a permanent establishment or permanent representative in the Netherlands; or
  - (c) the Bondholder is entitled to a share in the profits of an enterprise effectively managed in the Netherlands, other than by way of the holding of securities or through an employment contract, to which enterprise the Bonds are attributable; or
- (ii) the Bondholder passes away within 180 days after the date of the gift of the Bonds and is not, or not deemed to be, at the time of the gift, but is, or deemed to be, at the time of his death, resident in the Netherlands.

***Other taxes***

No other Dutch Taxes, including turnover tax and taxes of a documentary nature, such as capital tax, stamp or registration tax or duty, are payable by or on behalf of a Bondholder by reason only of the issue, acquisition or transfer of the Bonds.

***Residency***

Subject to the exceptions above, a Bondholder will not become resident, or deemed resident, in the Netherlands for tax purposes, or become subject to Dutch Taxes, by reason only of the Issuer's or Guarantor's performance, or the Bondholder's acquisition (by way of issue or transfer to it), holding and/or disposal of the Bonds.

**Luxembourg Taxation**

*The following is intended as general information only and it does not purport to present any comprehensive or complete description of all aspects of Dutch tax law which could be of relevance to a holder of Bonds. Prospective bondholders should therefore consult their tax adviser regarding the tax consequences of any purchase, ownership or disposal of Bonds.*

**The following summary is based on Luxembourg tax law as applied and interpreted by Luxembourg tax courts and as published and in effect on the date hereof, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.**

***Withholding tax***

Under Luxembourg tax law currently in effect and with the possible exception of interest paid to individual Bondholders, there is no Luxembourg withholding tax on payments of interest (including accrued but unpaid interest). There is also no Luxembourg withholding tax, with the possible exception of payments made to individual Bondholders, upon repayment of principal in the case of reimbursement, redemption or repurchase of the Bonds.

***Luxembourg non-resident individuals***

Under the Luxembourg laws dated 21 June 2005 implementing the European Council Directive 2003/48/EC on the taxation of savings income (the “Savings Directive”) and several agreements concluded between Luxembourg and certain dependent territories of the European Union, a Luxembourg-based paying agent (within the meaning of the Savings Directive) has been required since 1 July 2005 to withhold tax on interest and other similar income paid by it to (or under certain circumstances, to the benefit of) an individual resident in another Member State, unless the beneficiary of the interest payments elects for an exchange of information. The same regime applies to payments to individuals resident in certain EU dependent territories. The withholding tax rate is initially 15 per cent., increasing steadily to 20 per cent. and to 35 per cent. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain third countries.

***Luxembourg resident individuals***

A 10 per cent. withholding tax has been introduced, as from 1 January 2006, on interest payments made by Luxembourg paying agents (defined in the same way as in the Savings Directive) to Luxembourg individual residents. Only interest accrued after 1 July 2005 falls within the scope of the withholding tax. This withholding tax represents the final tax liability for the Luxembourg individual resident taxpayers.

**EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland) with effect from the same date.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor the Guarantor nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Bond as a result of the imposition of such withholding tax. If a withholding tax is imposed on a payment made by a Paying Agent, the Issuer will be required, save as provided in Condition 7 of the Bonds to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

## SUBSCRIPTION AND SALE

BNP Paribas, Deutsche Bank AG, London Branch and HSBC Bank plc (the “Joint Lead Managers”) and Barclays Bank PLC, Citigroup Global Markets Limited, ING Bank N.V., London Branch, J.P. Morgan Securities Ltd., Société Générale and The Royal Bank of Scotland plc (together with the Joint Lead Managers, the “Managers”) have, pursuant to a Subscription Agreement dated 10 December 2008, jointly and severally agreed with the Issuer and the Guarantor, subject to the satisfaction of certain conditions, to subscribe the Bonds at 99.552 per cent. of their principal amount. The Issuer (failing which, the Guarantor) has agreed to pay to the Managers a combined management, underwriting and selling commission of 0.225 per cent. of the principal amount of the Bonds. In addition, the Issuer has agreed to reimburse the Managers for certain of their expenses in connection with the issue of the Bonds. The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer. The yield of the Bonds is 7.849 per cent. per annum. The yield is calculated as at Closing Date on the basis of the issue price. It is not an indication of future yield.

### **United States**

The Bonds have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act (“Regulation S”).

The Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Bonds (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of Bonds within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

### **United Kingdom**

Each Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

### **Federal Republic of Germany**

Each Manager has represented and agreed that it has not offered or sold and that it will not offer or sell the Bonds in the Federal Republic of Germany other than in accordance with the German Securities Prospectus

Act (*Wertpapierprospektgesetz*) of 22 June 2005 and any other applicable laws in the Federal Republic of Germany governing the issue, sale and offering of securities.

### **Republic of France**

This Prospectus prepared in connection with the Bonds has not been prepared in the context of a public offer of securities in the Republic of France (*appel public à l'épargne*) within the meaning of Article L.411-1 of the French Code monétaire et financier and Articles 211-1 et seq. of the General Regulations (*Règlement Général*) of the Autorité des marchés financiers and has therefore not been and will not be submitted to the clearance procedures of the Autorité des marchés financiers or the competent authority of another member state of the European Economic Area and notified to the Autorité des marchés financiers. Persons or entities referred to in Point 4°, Section II of Article L. 411-2 of the Monetary and Financial Code may take part in the transaction solely for their own account, as provided in Articles D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the Monetary and Financial Code

Each Manager has represented and agreed that it has not offered, sold or otherwise transferred and will not offer, sell or otherwise transfer, directly, or indirectly, the Bonds to the public in the Republic of France and that any offers, sales or other transfers of the Bonds in the Republic of France will be made only to (a) persons providing investment services relating to portfolios for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*) acting for their own account as defined in and in accordance with Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French Code monétaire et financier.

In addition, each Manager has represented and agreed that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of France this Prospectus or any other offering material relating to the Bonds other than to investors to whom offers, sales or other transfers of the Bonds in the Republic of France may be made as described above.

### **The Kingdom of Sweden**

Each Manager has confirmed and agreed that it will not (directly or indirectly) offer for subscription or purchase or issue invitations to subscribe for or purchase or sell Bonds or distribute any draft or definitive document in relation to any such offer, invitation or sale, except in circumstances that will not result in a requirement to prepare a prospectus pursuant to the provisions of the Swedish Financial Instruments Trading Act (*lag (1991:980) om handel med finansiella instrument*).

### **General**

No action has been taken by the Issuer or the Guarantor that would permit an offer of the Bonds or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, each Manager has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Bonds, and that it has not distributed and will not distribute this Prospectus, except in circumstances that will, to the best of its knowledge and belief, result in compliance with all applicable laws and regulations.

## GENERAL INFORMATION

1. Application has been made to the Luxembourg Stock Exchange for the Bonds to be admitted to the Official List and to be admitted to trading on the Luxembourg Stock Exchange's regulated market.
2. Each of the Issuer and the Guarantor has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds and the Guarantee. The issue of the Bonds was authorised by a resolution of the Board of Directors of the Issuer passed on 18 November 2008 and the giving of the Guarantee relating to the Bonds by the Guarantor was authorised by a resolution of the Supervisory Board of the Guarantor passed on 2 September 2008 and by a resolution of the Board of Management of the Guarantor passed on 26 August 2008.
3. The Issuer and the Guarantor estimate that the amount of expenses related to the issue of the Bonds will be up to €2,225,000.
4. There has been no significant change in the financial or trading position of the Issuer since its date of incorporation or the Guarantor or of the Group since 30 September 2008 and no material adverse change in the financial position or prospects of the Issuer since its date of incorporation or the Guarantor or of the Group since 31 December 2007.
5. Except as disclosed on pages 41 to 43 of this Prospectus neither the Issuer nor the Guarantor is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or Guarantor is aware) during the 12 months preceding the date of this Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer, the Guarantor or the Group taken as a whole.
6. Each Bond and Coupon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".
7. The Bonds are expected to be issued on 12 December 2008. The Bonds have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records) with a Common Code of 040476571, an International Securities Identification Number (ISIN) of XS0404765710 and a WKN of A0T4VD.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg, Grand Duchy of Luxembourg.

8. With the exception of the Cross-Guarantee provided by the Issuer and referred to on page 31 of this Prospectus, there are no material contracts entered into other than in the ordinary course of the Issuer's or the Guarantor's business which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's or Guarantor's ability to meet its obligations to Bondholders in respect of the Bonds.
9. For the period of 12 months starting on the date on which this Prospectus is made available to the public, copies (and English translations where the documents in question are not in English) of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Principal Paying Agent:
  - (a) the Trust Deed (which includes the form of the Global Bonds, the Definitive Bonds and the Coupons);
  - (b) the constitutional documents of each of the Issuer and the Guarantor;

- (c) the audited consolidated financial statements of the Guarantor for the years ended 31 December 2006 and 31 December 2007, respectively;
- (d) a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus; and
- (e) the Cross-Guarantee.

This Prospectus will be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

10. KPMG Accountants N.V. have audited the consolidated financial statements of the Guarantor for the two years ended 31 December 2006 and 31 December 2007, incorporated by reference in this Prospectus, as stated in their report appearing therein. KPMG Accountants N.V. rendered an unqualified report on the aforementioned financial statements on 5 March 2008.

The business address of KPMG Accountants N.V. is Burgemeester Rijnderslaan 10-20, 1185 MC Amstelveen, The Netherlands and KPMG Accountants N.V. is registered with the Royal Dutch Institute of Chartered Accountants (Koninklijk Nederlands Instituut voor Registeraccountants).

**REGISTERED OFFICE OF THE ISSUER**

**Akzo Nobel Sweden Finance AB (publ)**

P.O. Box 11500  
SE-100 61 Stockholm  
Sweden

**REGISTERED OFFICE OF THE GUARANTOR**

**Akzo Nobel N.V.**

Strawinskylaan 2555  
1077 ZZ Amsterdam  
The Netherlands

**TRUSTEE**

**The Law Debenture Trust Corporation p.l.c.**

Fifth Floor  
100 Wood Street  
London EC2V 7EX  
United Kingdom

**PRINCIPAL PAYING AGENT**

**Deutsche Bank AG, London Branch**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**PAYING AGENT**

**Deutsche Bank Luxembourg S.A.**

2 Boulevard Konrad Adenauer  
L-1115 Luxembourg  
Grand Duchy of Luxembourg

**COMMON SAFEKEEPER**

**Clearstream Banking S.A.**

42 Avenue JF Kennedy  
L-1855 Luxembourg  
Grand Duchy of Luxembourg

**LEGAL ADVISERS**

*To the Issuer and the Guarantor*

*as to English law*

**Slaughter and May**  
One Bunhill Row  
London EC1Y 8YY  
United Kingdom

*as to Swedish law*

**Advokatfirman Vinge KB**  
Smålandsgatan 20  
Box 1703  
S-111 87 Stockholm  
Sweden

*as to Dutch law*

**De Brauw Blackstone Westbroek N.V.**  
Tripolis  
Burgerweeshuispad 301  
1076 HR Amsterdam  
The Netherlands

*To the Managers and the Trustee as to English law*

**Linklaters LLP**  
One Silk Street  
London EC2Y 8HQ  
United Kingdom

**AUDITORS OF THE GUARANTOR**

**KPMG Accountants N.V.**  
Burgemeester Rijnderslaan 10-20  
1185 MC Amstelveen  
The Netherlands