

## Spotlight on Performance Coatings

*Making it happen*



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# Welcome

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Keith Nichols

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# Today's program

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- |    |                                   |                |
|----|-----------------------------------|----------------|
| 1. | Brief introduction to AkzoNobel   | Keith Nichols  |
| 2. | Spotlight on Performance Coatings | Leif Darner    |
| 3. | Car Refinishes                    | Jim Rees       |
| 4. | Marine & Protective Coatings      | Bob Taylor     |
|    | Q&A                               |                |
|    | Lunch                             |                |
| 5. | Industrial Coatings               | Conrad Keijzer |
| 6. | Wood Finishes and Adhesives       | John Wolff     |
| 7. | Powder Coatings                   | Rob Molenaar   |
|    | Q&A                               |                |
| 8. | Wrap up & closing                 | Leif Darner    |

# We want to be the world's leading Coatings and Specialty Chemicals company



## Our medium-term strategic ambitions are:

### Value – accelerated growth

- Grow to €20 billion revenues
- Increase EBITDA\* each year, maintaining a 13-15% margin level
- Reduce OWC percent of revenues\*\* year-on-year by 0.5 towards a 12% level
- Pay a stable to rising dividend

### Values – sustainable growth

- Top quartile safety performance
- Top 3 in DJSI\*\*\*
- Top quartile performance in diversity, employee engagement and talent development
- Top quartile eco-efficiency improvement rates

\* Absolute earnings before interest, tax, depreciation and amortization, before incidentals

\*\* Operating Working Capital at year end as a percentage of quarter\*4 revenue

\*\*\* Dow Jones Sustainability Index



## “Cautiously optimistic”

### Reasons for caution

- Global economic outlook
- Construction and housing markets remain soft in mature markets
- Potential bubbles in high growth markets

### Reasons for optimism

- Leading positions, scale and diversified markets
- Strong balance sheet to fund growth
- Evidence of sustained industrial demand beyond re-stocking
- Delivery beyond ICI synergies



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# Spotlight on Performance Coatings

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Leif Darner

# Making it happen in Performance Coatings



construction



transportation

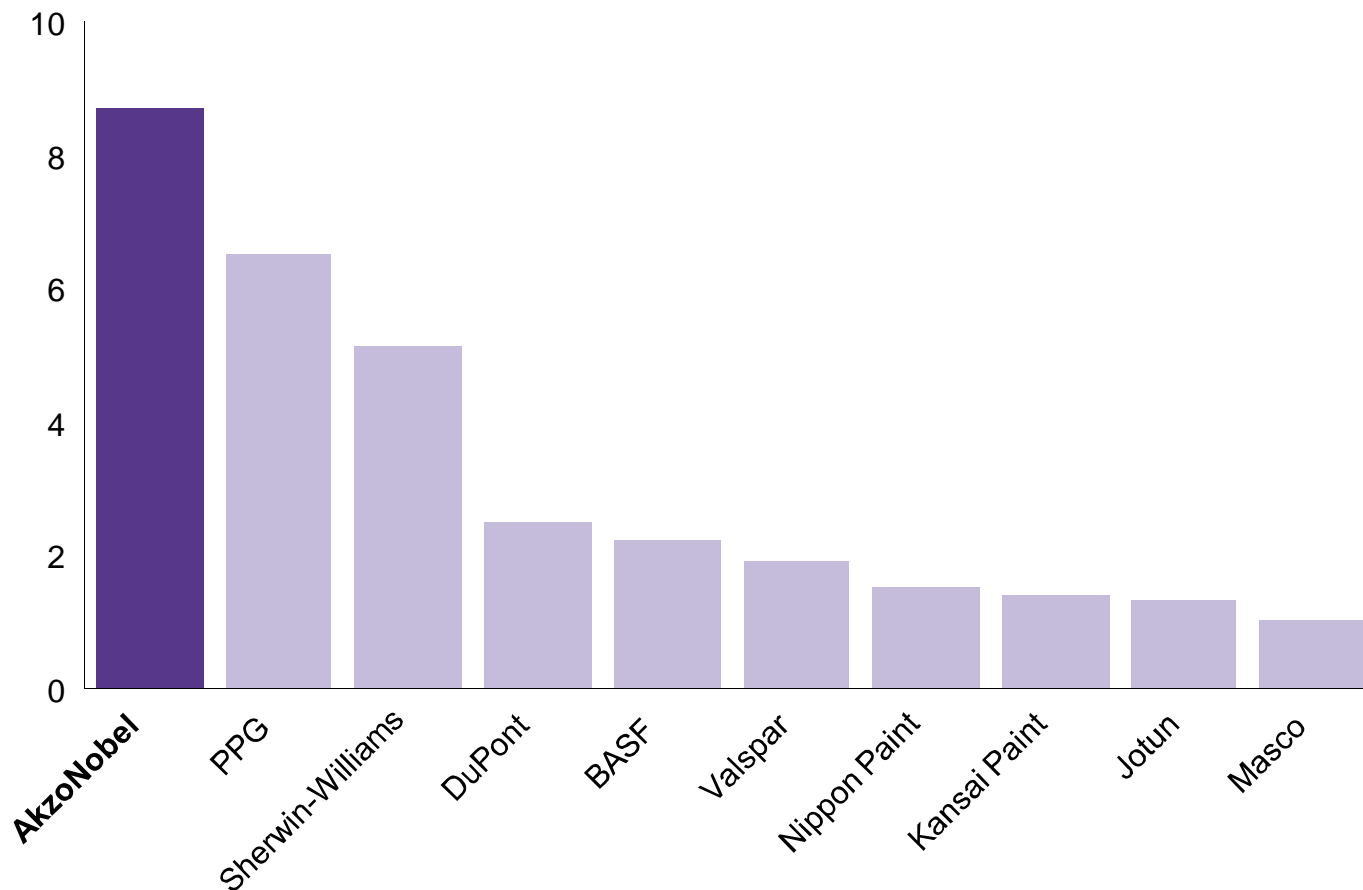


consumer goods



# AkzoNobel is the world's largest Coatings supplier

2009 revenue  
in € billion

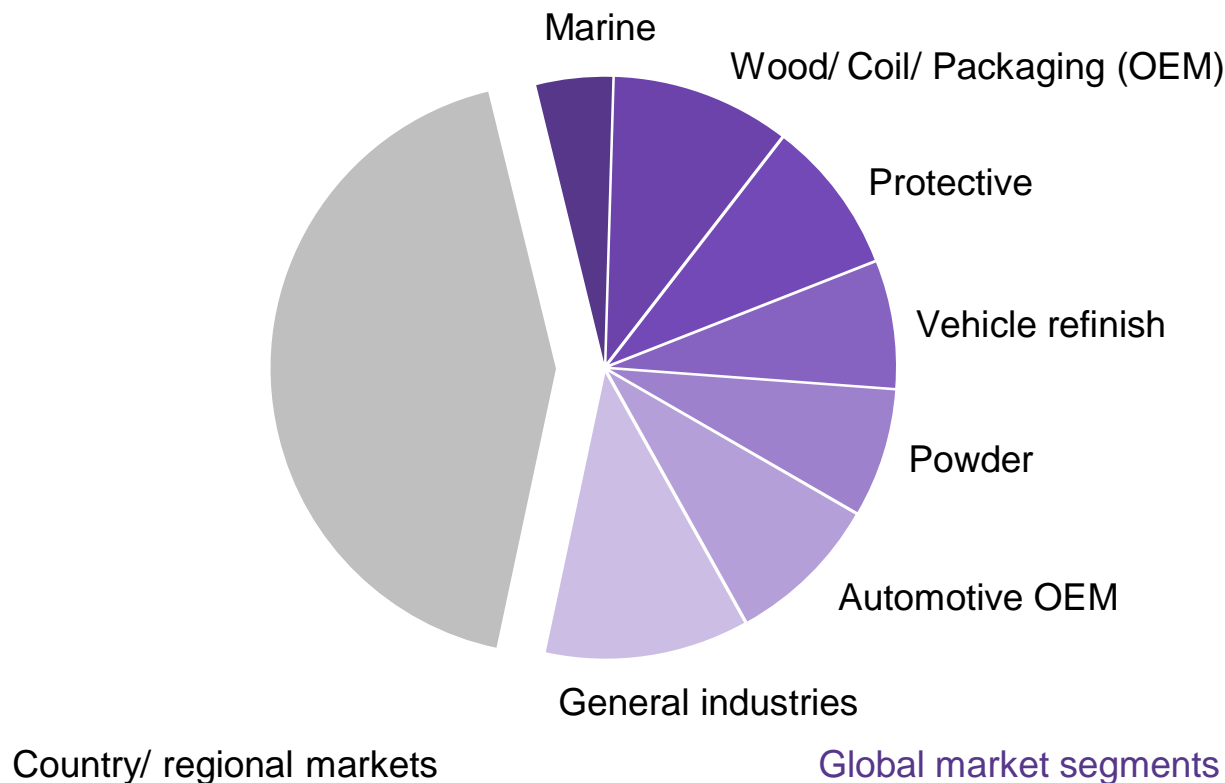




# The global coatings market is €70 billion

**Decorative Paints**  
**€30 billion**

**Performance Coatings**  
**€40 billion**



Source: External sources and company estimates

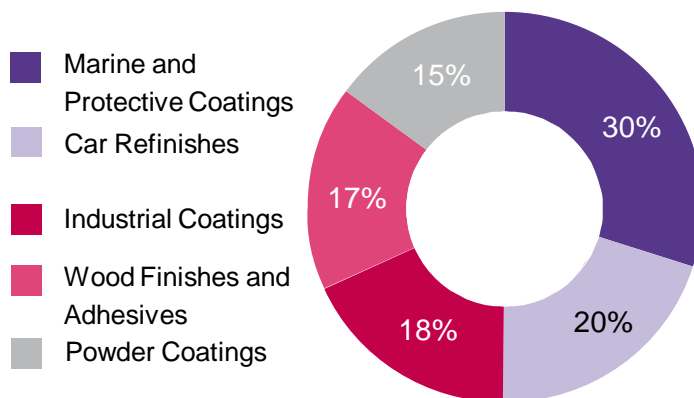
# Performance Coatings key facts

## 2009

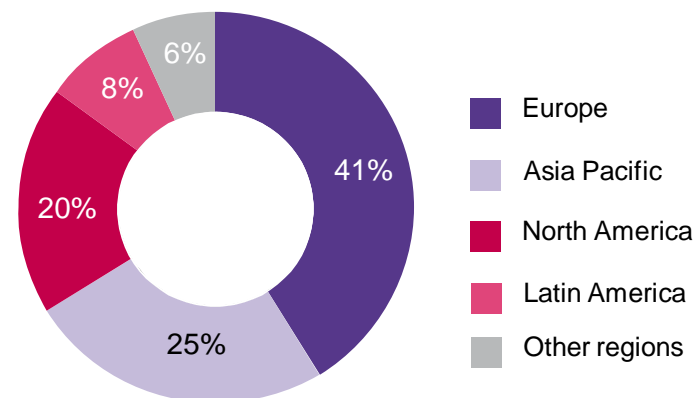
- Revenue €4.1 billion
- 19,940 employees
- EBITDA margin\*: 14.5 %
- ROI: 25 %



## Revenue by business unit

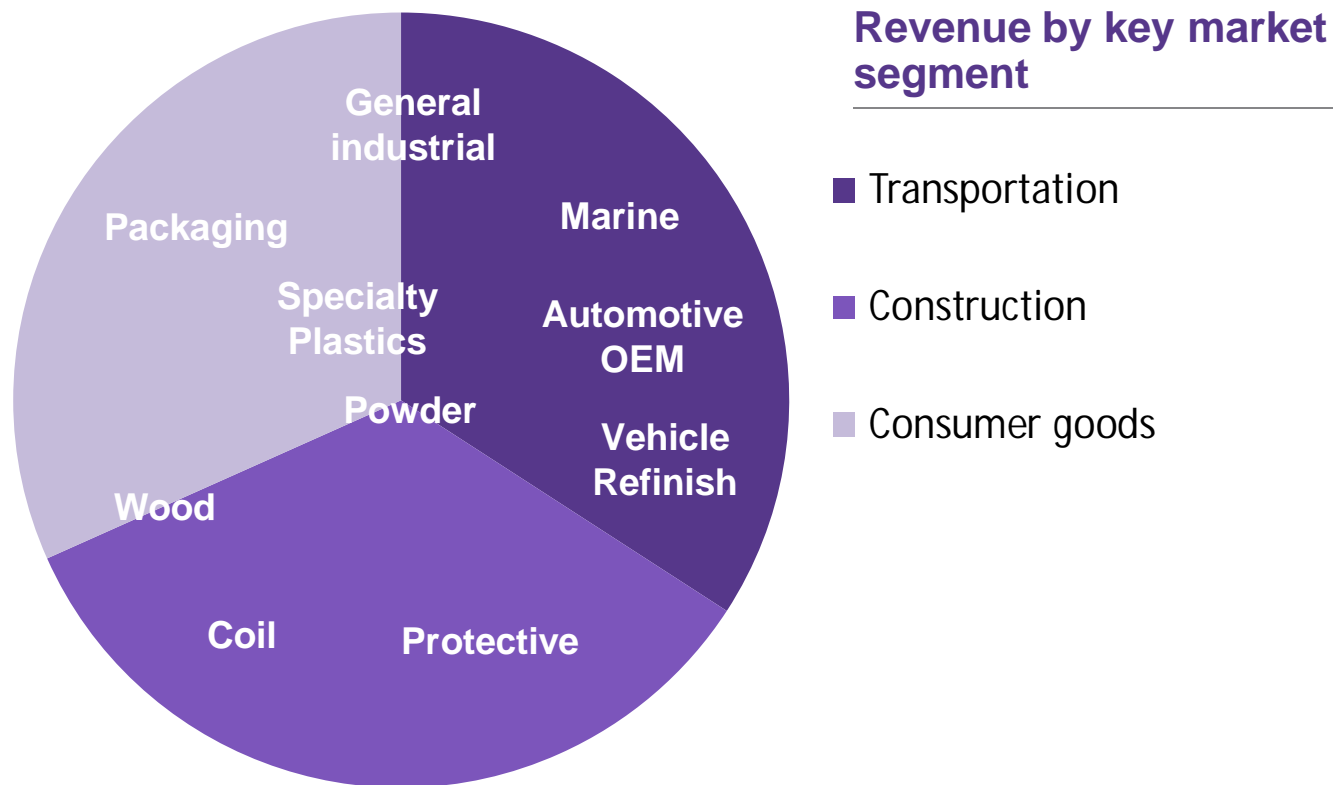


## Revenue by geography



\* Before incidentals

## Performance Coatings has a balanced exposure to different end markets



# AkzoNobel's competitive portfolio leaves room for growth

| Market segments       | Global market size (€billion) | Global market share % | Position |
|-----------------------|-------------------------------|-----------------------|----------|
| Marine                | 3                             | 20 – 25               | 1        |
| Wood/ Coil/ Packaging | 7                             | 15 – 20               | 1        |
| Protective            | 6                             | 10 – 15               | 1        |
| Vehicle refinish      | 5                             | 10 – 15               | 3        |
| Powder                | 5                             | 10 – 15               | 1        |
| Automotive OEM        | 6                             | < 5                   | < 5      |
| General industrial    | 8                             | < 5                   | < 5      |

Source: External sources and company estimates

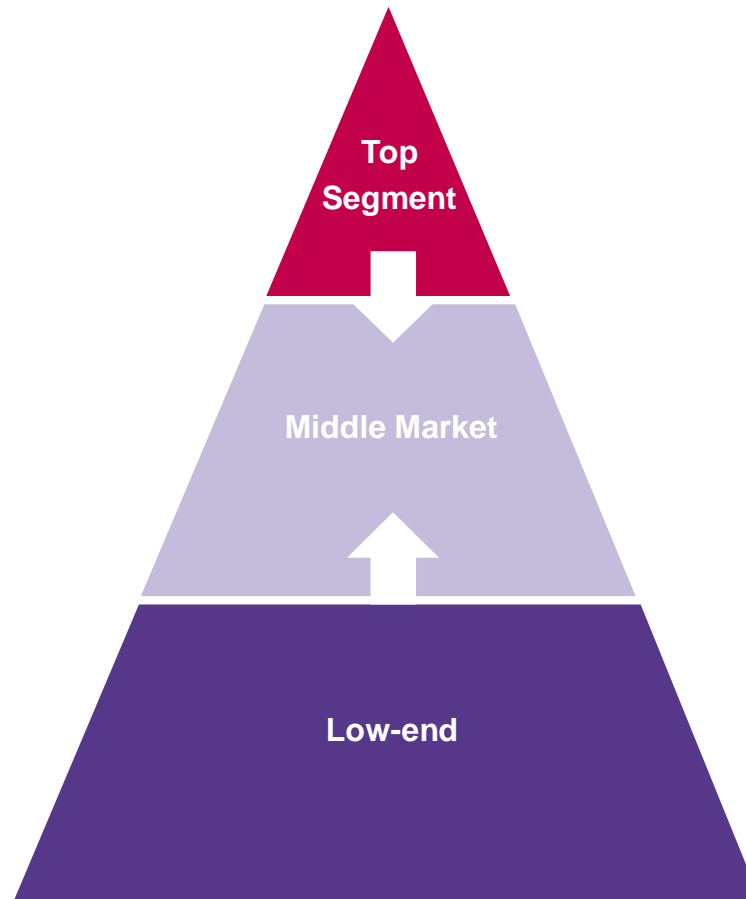


# Growth in both mature and high growth markets

|                        | High growth markets  | Mature markets   |
|------------------------|--|--|
| Organic                | Wood Finishes and Adhesives in China, Vietnam and Bangladesh | Specification selling, Protective Coatings                   |
| Innovation based       | Mid-tier expansion with new technology and new distribution  | 6i, Stickerfix, Autoclear LV, Car Refinishes                 |
| Selective acquisitions | Prime, Car Refinishes  | Lindgens, Industrial Coatings<br>Dow Powder, Powder Coatings |



# Taking on the massive shift of growth into mid-market segments



## Typical MNC entry point

'Global' value propositions,  
technology and business models

Intense battle between *global companies moving down* and  
*local companies moving up*

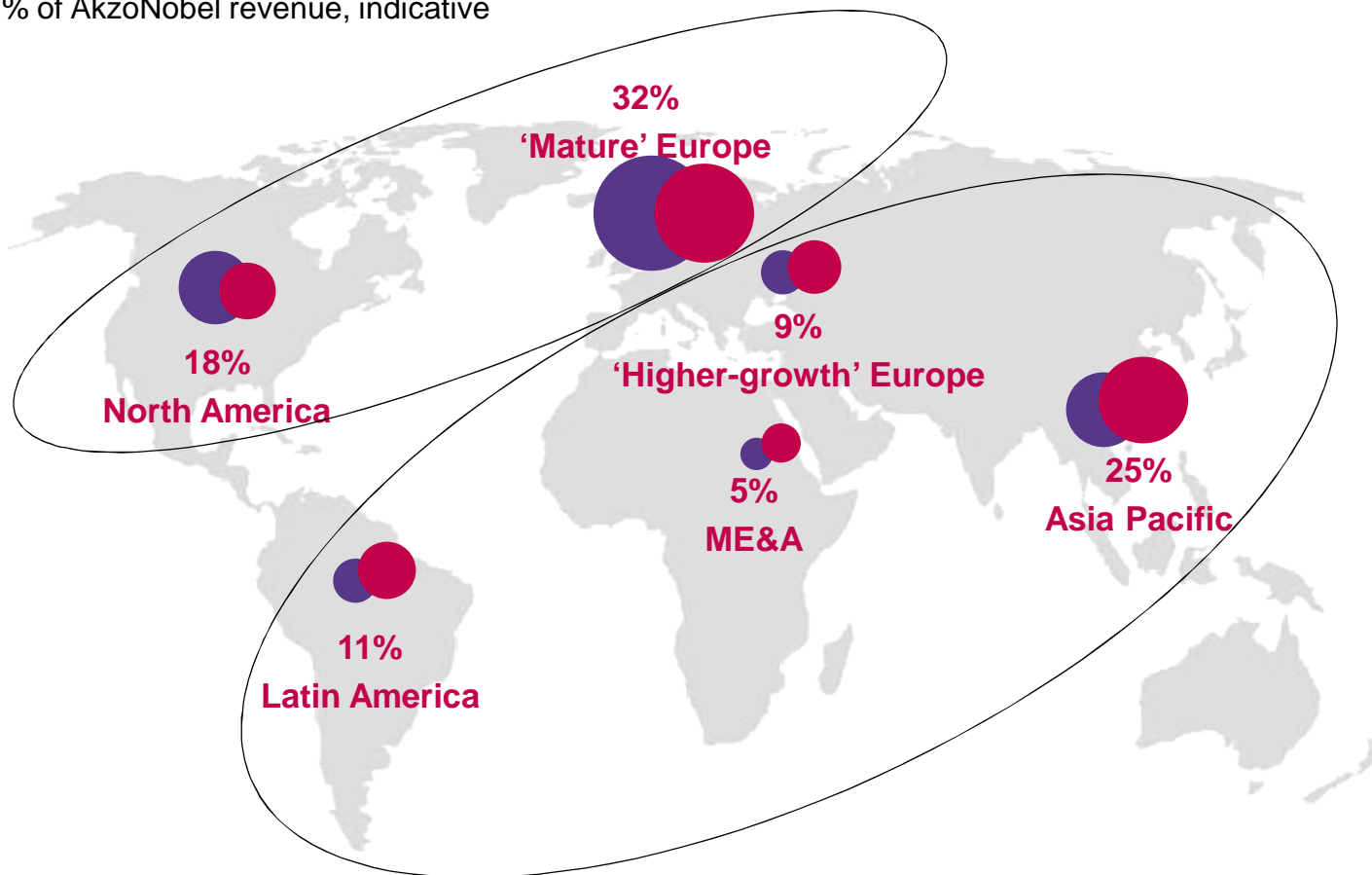
## Typical focus of local competitors

Low cost 'local' value propositions,  
low-end technology and business  
models



# Over 50% of revenue will come from high-growth markets in this decade

% of AkzoNobel revenue, indicative



Performance Coating will deliver faster  
today 45% of revenue comes from high growth markets

# We will continue our operational excellence

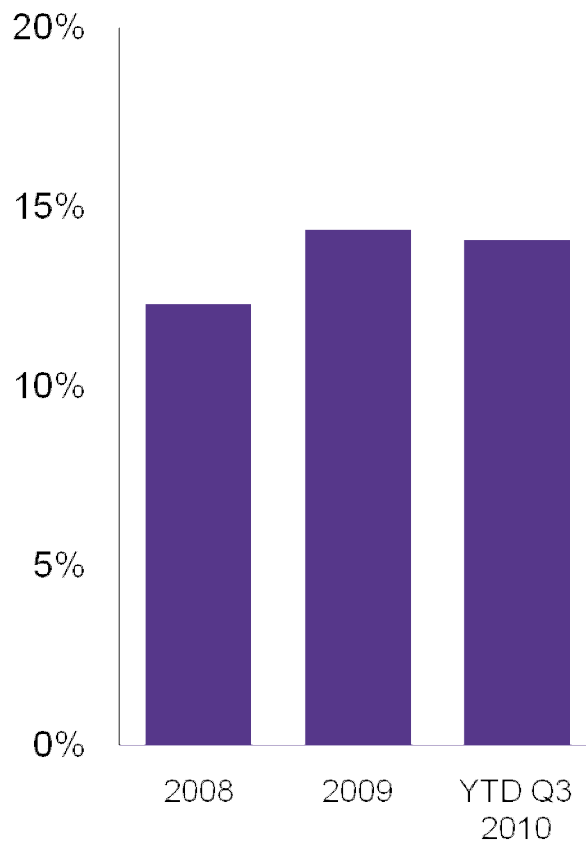
|                            | Track record             | Additional focus              |
|----------------------------|--------------------------|-------------------------------|
| Margin management          | Sourcing<br>Pricing      | Improve product mix           |
| Expense control            | Restructuring<br>program | Focus mature markets          |
| Capital management         | Capex                    | OWC                           |
| Sustainability improvement | Behavior Based<br>Safety | Operational<br>eco-efficiency |



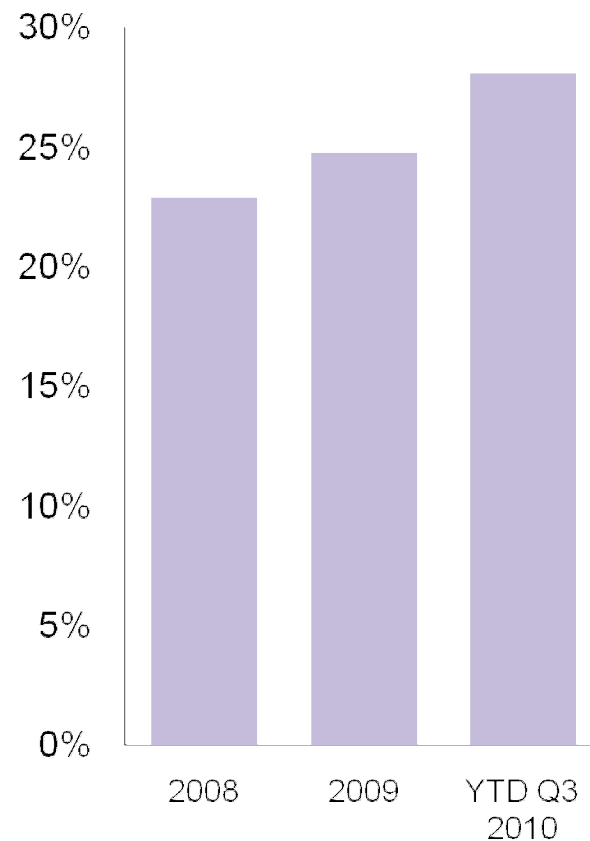


## Value: excellent returns over the cycle

### EBITDA\* margin



### Moving average ROI in %\*\*



\* Before incidentals

\*\* ROI% is calculated as EBIT of the last four quarters divided by the average invested capital of these quarters



# Values: embedding our ambitions

## Safety

Total reportable rate of injuries per million hours



## Sustainability developments

- Pro-active product stewardship
- Developing technology based on renewable resources
- Helping customers lowering their ecological footprint



# Making it happen in Performance Coatings

- Leading global positions
- Technology differentiation
- Exciting growth drivers



# Strong Management Team

**Car Refinishes**

**Marine and  
Protective  
Coatings**

**Industrial  
Coatings**

**Wood Finishes  
and Adhesives**

**Powder  
Coatings**

**Jim Rees**



**Bob Taylor**



**Conrad Keijzer**



**John Wolff**



**Rob Molenaar**



Vehicle Refinishes  
OEM Commercial  
Vehicles and  
Plastic Coatings  
Aerospace  
Coatings

Marine  
Protective  
Yacht

Coil Coatings  
Specialty Plastics  
Packaging  
Coatings

Wood Coatings  
Wood Adhesives

Powder



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# Thank you

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# Car Refinishes

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Jim Rees

# Car Refinishes key facts

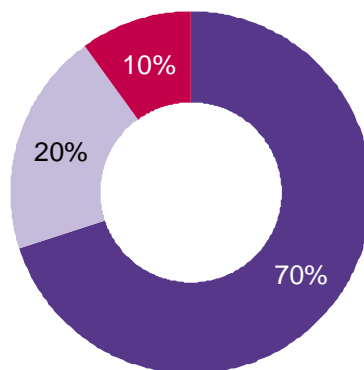
## 2009

- Revenue € 872 million
- 5,090 employees
- 8 manufacturing, 6 color development, 7 RD&I locations
- Active in more than 130 countries
- 19% of sales from eco-premium products



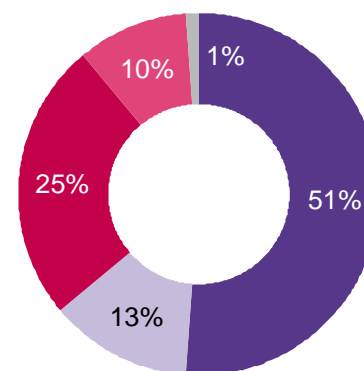
## Revenue by business unit

- Vehicle Refinish
- CV OEM/ APC
- Aerospace



## Revenue by geography

- Europe
- Asia Pacific
- North America
- Latin America
- Other regions



# The Vehicle Refinish market

- Global market size is €5 billion\*
- Market strongly driven by GDP and vehicle population size
- Value chain: insurance companies, fleet owners, car makers, paint distributors and collision repairers
- Major growth opportunities in high growth markets



\* Source: External sources and company estimates





# The OEM Commercial Vehicles market

- Global market size is €640 million\*
- Paints and services for OEM buses and trucks and specialized commercial vehicle builders
- Market strongly correlate with GDP and new vehicle build rate
- Big markets in North America and Europe
- Major opportunities in high growth markets



\* Source: External sources and company estimates



# The Automotive Plastic market

- Global market size is €1.0 billion\*
- Coatings for exterior automotive components
- Market strongly connected to OEM car production volumes
- Significant opportunities in China, India, Latin America and Europe
- B2B market with Tier 1 and Tier 2 OEM suppliers, but closely connected to Automotive OEMs



\* Source: External sources and company estimates



# The Aerospace Coatings markets

- Global market size is €250 million\*
- Decorative and structural coatings for commercial, general aviation and defense markets for both OEM applications and maintenance and repair
- Market strongly driven by commercial aviation, new builds, maintenance and livery changes



\* Source: External sources and company estimates



## Some of the customers we serve ...



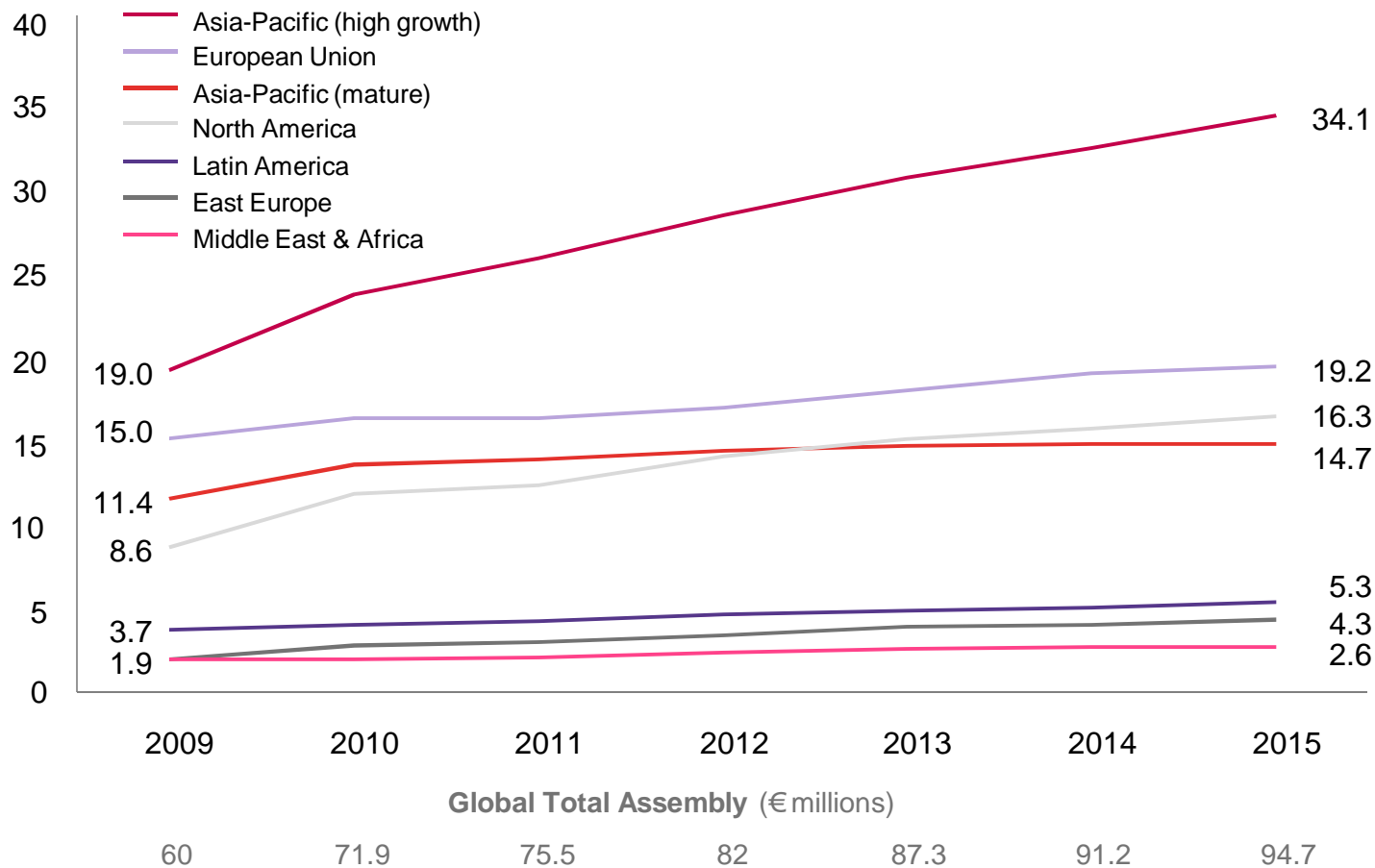
# Main competitors and market positions

|           | 1      | 2                | 3                | 4                |
|-----------|--------|------------------|------------------|------------------|
| VR        | DuPont | PPG              | <b>AkzoNobel</b> | BASF             |
| APC       | PPG    | BASF             | DuPont           | <b>AkzoNobel</b> |
| Aerospace | PPG    | <b>AkzoNobel</b> | Mankiewicz       | Sherwin Williams |



# Global light vehicle assembly

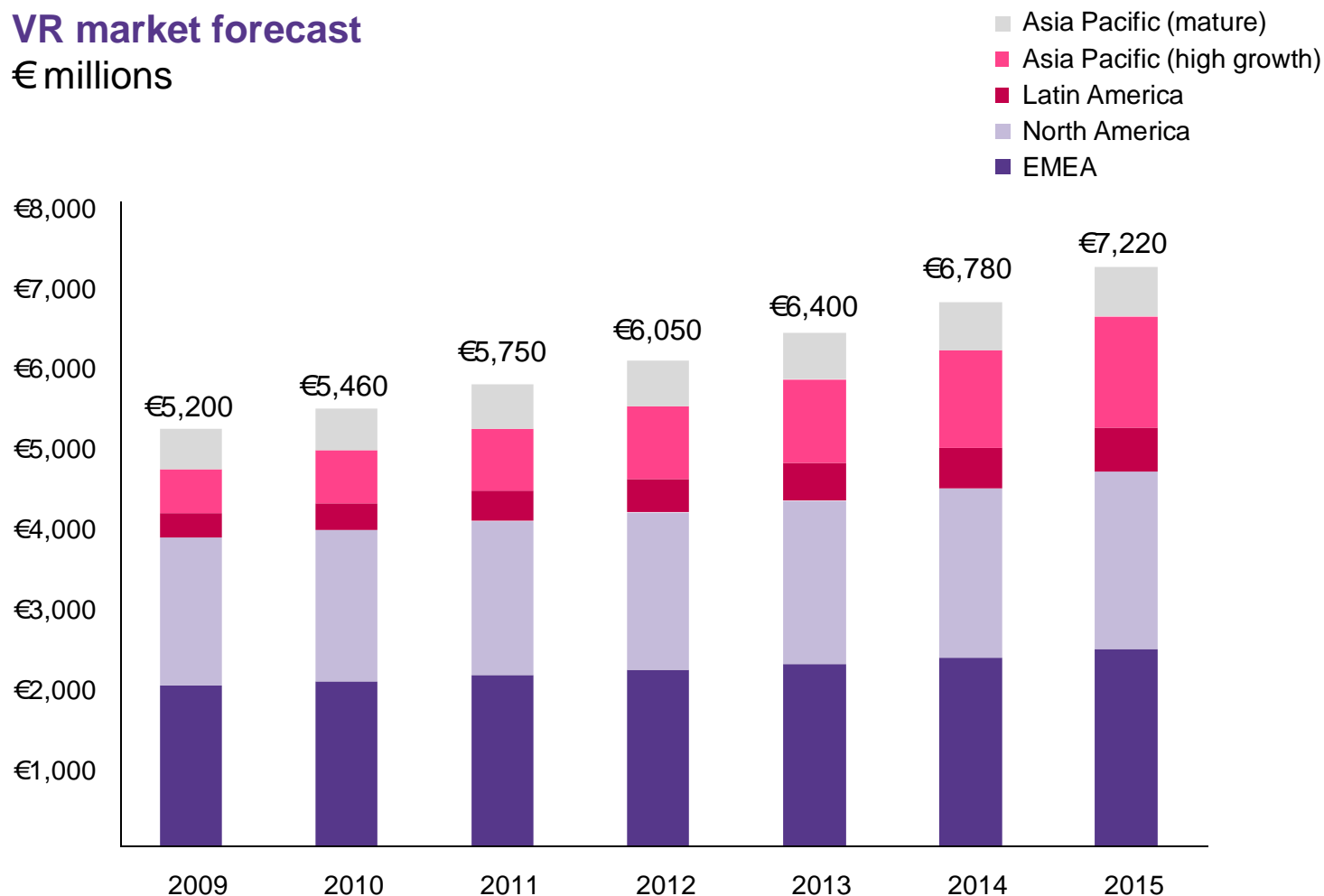
Units ( millions)



Source: Global Insight, October 2010

# Vehicle Refinish market

## VR market forecast € millions

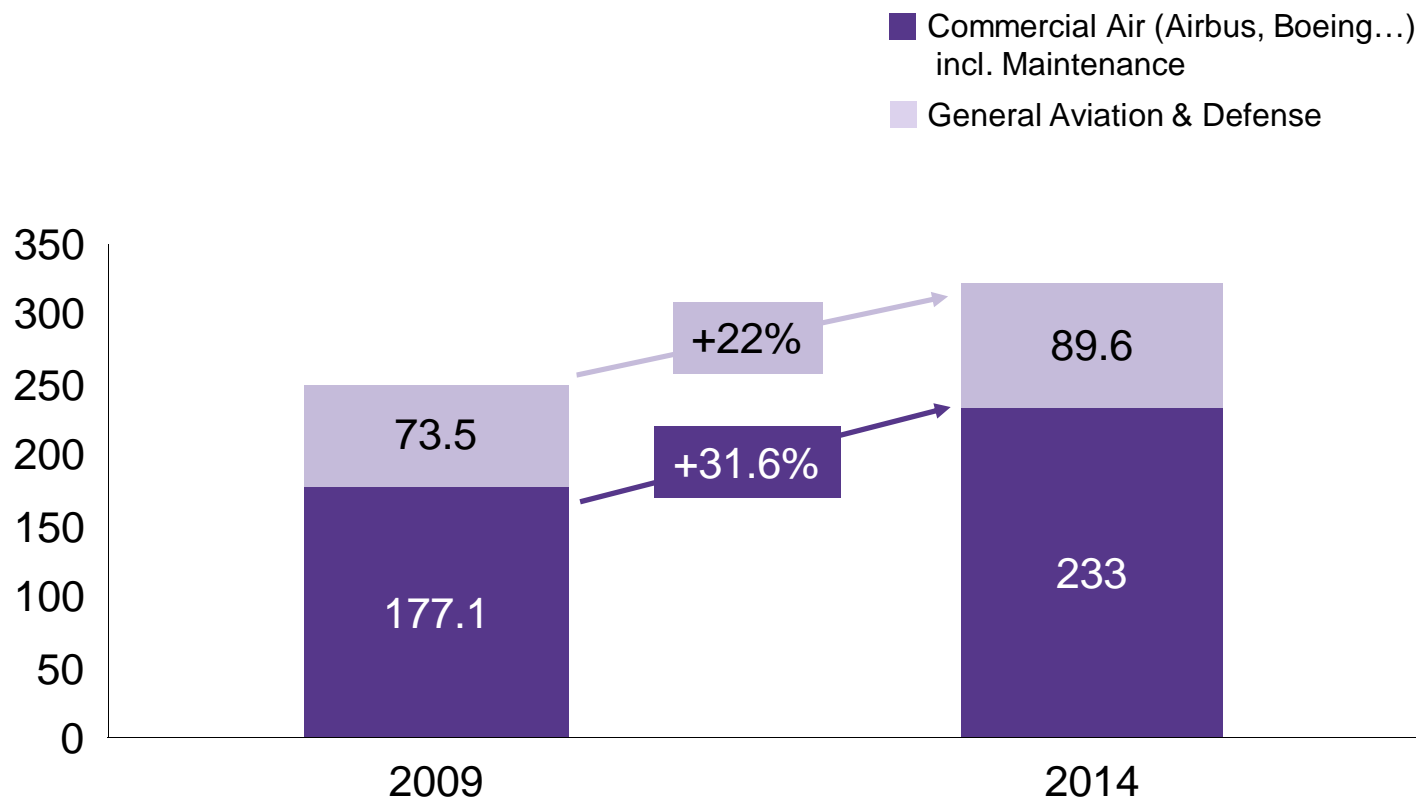


Source: Irfab, Global Insight, Company research

# Aerospace market

## Market Segments relative importance & evolution 2009 - 2014

€ millions



Source: Irfab, Company research



# Our ambition determines our strategy

## Today

We are the world's **third largest** Vehicle Refinishes Company & a **leading** Aerospace Coatings supplier.

## Tomorrow

To challenge the **#2 position** in the global VR market, and to defend and grow our **#2 position** in Aerospace.



## Strategy translates to: Growth drivers in mature markets

### Organic

- Colour leadership
- Brand & Key Account management
- Distribution excellence
- Customer wins & retention (across the board)

### Innovation based

- PCE
- stickerfix™
- Basecoat/clearcoat technology for OEM and Maintenance within Aerospace
- Vodafone McLaren Mercedes / Color
- Sikkens Autowave

### Selective acquisitions

- Spectrum (NL)



# Making it happen in mature markets Sterling



## Sterling Autobody Centers

- Multi-Shop Operation with over 60 locations
- Division of Allstate Insurance, one of largest US insurance providers

## Strategic business needs of Sterling

- Conversion to waterborne technology
- Standard “Lean”-centric production methods
- Performance training to enhance Sterling’s current repair processes

## Implementation process

- New set of standards for equipment and tooling > support waterborne paint
- Customized, web-enabled supply chain solution



# Growth drivers in high growth markets

## Organic

- Strong presence in mid-markets: India (Dynacoat), Turkey (Akripol), Brazil (Wanda), China (Prime)
- Continue to adapt global to local

## Innovation based

- New mid-market waterborne base coat
- Rapid Repair (India)

## Selective acquisitions

- Prime (China)



# Making it happen in high growth markets Prime

## Strategic move into Chinese VR automotive market

- Acquisition of Changzhou Prime Automotive Paint Co., Ltd, a leader in the fast-growing mid-market segment.



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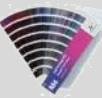









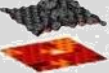


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**AkzoNobel is the #1 supplier to the VR markets in China**



# Solution promises/Innovation

| Solution Promises                          | Today  | Tomorrow   | What's next?   |
|--|--|--|--|
| Serving the needs of the global mid market | Trade Segment<br>               | Universal tinters  | Powder tinting<br>Stir-in Pigments<br>                |
| Bringing products for wellness & identity  | Colors, effects & designs<br>   | Color tools & digital retrieval<br> | Full digitization of color<br>                        |
| Achieving zero footprint                   | VOC compliant product range<br> | Next step WBBC<br>                  | Various zero-VOC solutions<br>                        |
| Saving you time and effort                 | UV- LED gun<br>                | Integrated paint layers<br>Fast and low-bake cure  | Advanced process control<br>Color 1st-time right<br> |
| New horizons in functionality              | Paint film<br>                 | Self healing<br>                  | Energy from surfaces<br>                            |

## Operating excellence

- Safety: Culture driven by behavior
- S&OP: understanding and managing the complete value chain
- Margin management: sourcing, pricing and market development
- Living 5S and Lean: fundamental business practice
- OWC: next phase of achievement
  
- Costs:
  - Leverage Aerospace/VR synergies
  - Benefit from One AkzoNobel initiatives
  - Align cost base
  - One ERP system to drive standardization



## Summary

- Each business a growth business, and in the right regions
- Continue to establish a stronger presence in mid-market segments
- Further leverage our position in mature markets
- Next step in business excellence
- Deliver on unique solution promises/innovation for our customers





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# Thank you

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# Marine and Protective Coatings

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Bob Taylor

# Making it happen in Marine and Protective Coatings

- Our people, their experience and intense customer focus, and our fantastic range of innovative products make the difference....
- **Intersleek** family of biocide-free foul-release marine coatings
  - Smooth, slippery surface reduces drag and prevents organisms attaching
  - Lower drag results in improved efficiency averaging over 10% on a range of vessels
  - Over 1,200 vessels coated to date
  - Prime example of our balance between new construction and maintenance

HMS Ark Royal



The Queen Mary 2

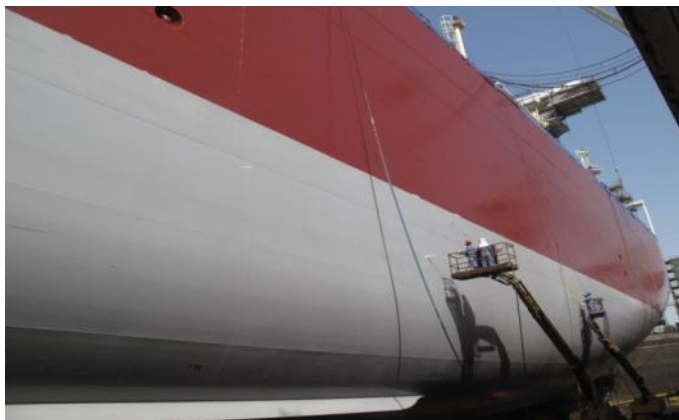


Photograph by Dave Coombs. © Crown Copyright/MOD



# Making it happen in Marine and Protective Coatings

## Outstanding Performance of Intersleek 5-year docking



## Competitive ATF 3 years



## Competitive Foul Release



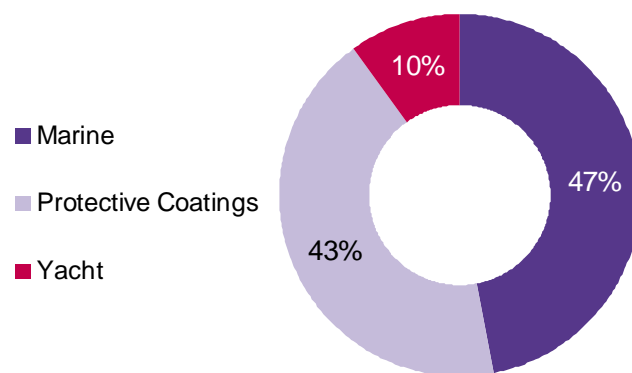
# Marine and Protective Coatings key facts

## 2009

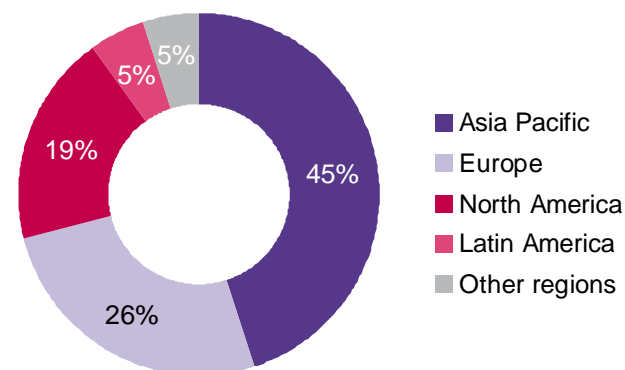
- Revenue €1.26 billion
- 5,500 employees
- Operations in 60 countries
- Global leadership positions in Marine, Protective and Yacht coatings
- Strong brands
- Balanced portfolio not dependent on any one sector



## Revenue by market segment



## Revenue by geography

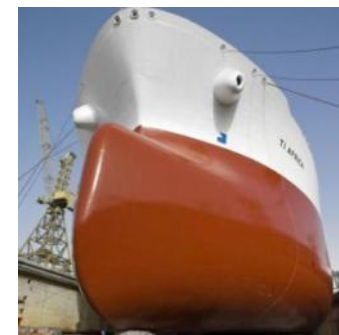


# The Marine Coatings market

## ✕ International.

- Global market €2.5 billion\*, in which we are the clear market leader
  - **Deep Sea** – crude oil tankers, bulkers, container vessels, LNG carriers, cruise liners and chemical tankers
  - **Coastal & Navy** – tugs, barges, ferries, fishing fleets, offshore supply & military vessels
  - New Construction shipyards, on board Seastores and M&R drydocks
- Complex global sales & distribution network linking ship owners, fleet managers, shipyards and dry-dock facilities
- **Main competitors:** Jotun, Hempel, Chugoku & PPG
- **Major customers:** BP, Shell, K-Line, Cunard/Carnival, Qatar Gas, Hanjin, Hudong, Hyundai, Samsung & Daewoo

Deep Sea



Coastal/Navy



\* Source: External sources and company estimates





# Marine Coatings market characteristics

- Ship owners primarily Greece, Germany, Scandinavia, & Japan with developing influence from Korea & China
- 85+% deep sea new construction in China, Korea....and Japan
- **New construction drivers & trends:**
  - Seaborne trade & World fleet size
  - New construction output – should peak In 2011
  - New construction order book – peaked in 2007
  - New price index – down 30-40% from 2008 peak
- **Maintenance & Repair drivers & trends:**
  - Typically 5-year cycle to maintain Class rating
  - Freight earnings & vessel utilization rates
  - Delay DD as long as possible, minimize spend
  - Significant pent-up demand from 2011 onward
  - Begins to offset downturn in new construction



# The Protective Coatings market

**International** **Chartek** **Enviroline** **Ceilcote** **DEVUE**  
HIGH PERFORMANCE COATINGS

- Global market €6 billion\*, highly fragmented new construction and maintenance markets. We are market leader
- **Power generation** – coal power stations, wind & nuclear
- **Oil and gas upstream** – drilling rigs, platforms, floating production & subsea
- **Downstream** – oil refining, gas & chemical processing, terminals
- **Mining** – extraction & refining facilities
- **High-Value Infrastructure** – Airports, stadia, monumental buildings
- **Water and waste water** – water storage & waste treatment

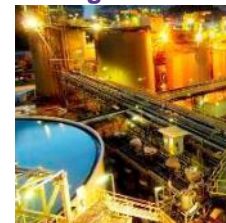
Oil & Gas



Power



Mining



HVI



\* Source: External sources and company estimates





# Protective Coatings market characteristics

- Complex global sales & distribution network linking architects, engineering houses, municipal governments, main contractors, sub-contractors, OEMs, fabricators and applicators
- **Main competitors:** Hempel, PPG, Jotun, Sherwin-Williams and RPM
- **Major customers:** Shell, Chevron, ExxonMobil, Bechtel, Foster Wheeler, KBR, GE & Siemens
- **Key Drivers & trends:**
  - Structural steel output (All markets)
  - Oil price (Upstream and Downstream Oil and Gas)
  - GDP (HVI, Water & Waste Water, Power)
  - Base metal prices (Mining & Metal)
  - Outlook positive



# The Yacht Coatings market



- Global market €340 million\*, we are the clear market leader
- Major sectors - 70% professional , 30% retail
  - **Superyacht** (length >30 – 160 meters)
    - New construction
    - Maintenance, repair and refit
  - **General Professional**
    - OEM – glass fiber, steel
    - Maintenance & Repair
  - **Retail**
    - DIY boat owner
- **Mainly regional competitors:** Mankiewicz, RPM (Petit), Jotun, Hempel
- **Major customers:** Brunswick, West Marine, Lurssen Yacht, Sunseeker, Benneteau

Superyacht



Professional



Retail/DIY



\* Source: External sources and company estimates



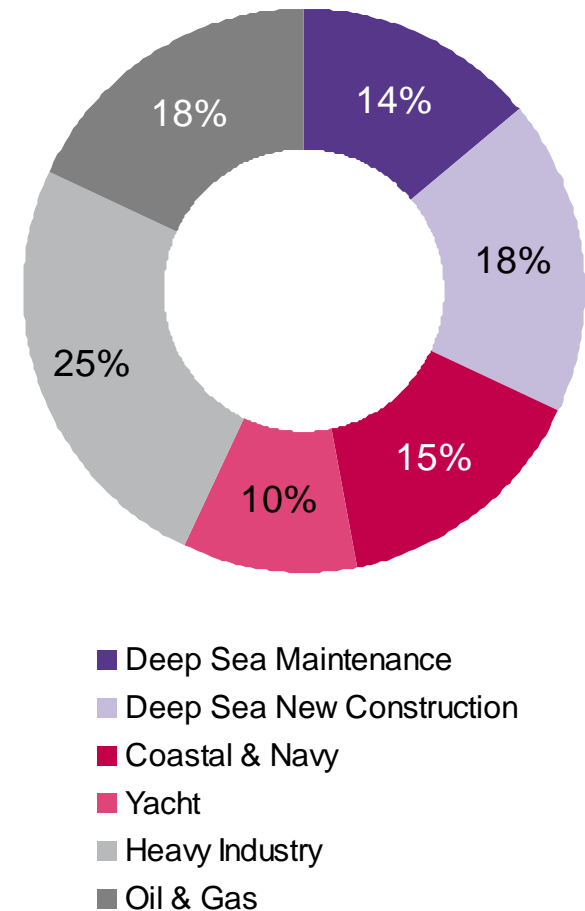
# Yacht Coatings market characteristics

- Superyacht segment has grown rapidly in recent years: total fleet 4500 – up 33% since 2005
- Strong brands & technology highly important in all sectors
- **Key Drivers & trends:**
  - Superyacht industry at capacity with 18 months backlog
  - GDP (Disposable income) influences retail buying patterns and professional M&R activity
  - 2010 Boat Show attendance up.
  - Steady recovery in professional & retail



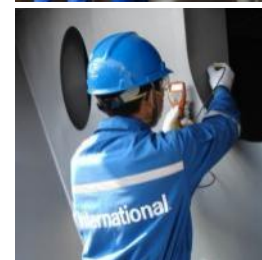
## Very well positioned for market developments

- Strong profitability at upper end of the Company's EBITDA margin ambition in all sectors
- Deep sea new construction deliveries expected to peak in 2011, but order book rebuilding in 2010
- Significant demand increase next 5 years in Deep Sea M&R
- Continued growth expected in Coastal, Navy and Yacht globally
- Strong growth expected across all Protective Coatings sectors
- BU projecting solid revenue and absolute EBITDA growth in 5 year plan



# Why our operating model works

- Operational presence in 60 countries servicing our customers directly
- Leveraging our global resources coupled with strong local presence
- Business-to-business “engineering selling”
- Experts focussed on all parts of the decision chain for each industry sector we serve
- Global manufacturing footprint ensuring speed and consistency of supply
- Extensive global technical service network





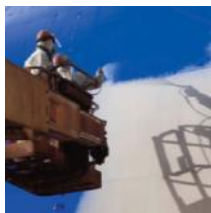
# Strategy

- Focus on both **new construction** and **maintenance** opportunities
- Focus on **global** and **local** customers
- Drive **sustainable innovation**
- **Marine**
  - Capture growth opportunities in Deep Sea M&R, Seastores, and Coastal & Navy sectors
- **Protective Coatings**
  - Increasing investment in key focus markets – Oil and Gas, HVI, Power, Mining, Water and Waste Water
  - Expand geographical penetration, particularly in high growth regions
- **Yacht**
  - Develop new market sectors – leverage AkzoNobel knowhow
  - Follow high-wealth consumer trends in emerging markets



# Innovation and sustainability as growth drivers

- Differentiated products that deliver real customer value
- Patent portfolio of over 800 filings
- 560 dedicated scientists linked into AkzoNobel RD&I network
- Opened new global marine lab in Singapore May 2010
- Opening of global fire protection COE in the UK Q2 2011



## Intersleek Link Coat

A sustainable solution that allows overcoating of traditional antifoulings in M&R with our Intersleek foul release technology, significantly expanding market potential

## Interplate Zero Evo

A zero-VOC water-based marine shop primer that noticeably lowers shipyard emissions

International  
Interplate\_zero



## Intertherm 751 CSA

Provides corrosion resistance at temperature range from cryogenic to 500+C. Unique technology offering ultra high performance under insulation wrap

## Growth drivers in mature markets

### Organic

- Drive M&R
- Capture new construction opportunities – Coastal & Navy, Cruise, Professional Yacht, Power, HVI and Mining

### Innovation based

- New products: Intersleek , Interplate Zero Evo, Intertherm CSA, Chartek & InterChar, Micron ATF

### Selective acquisitions

- Ceilcote and Enviroline protective linings
- Awlgrip professional and Superyacht markets
- Devoe (ICI) protective coatings
- Chartek (Textron) fire protection





# Growth drivers in high growth markets

## Organic

- Expand operational positions in China, SEA, India, Brazil, Russia, Middle East & Africa
- Tremendous new construction opportunities and rapidly developing M&R needs

## Innovation based

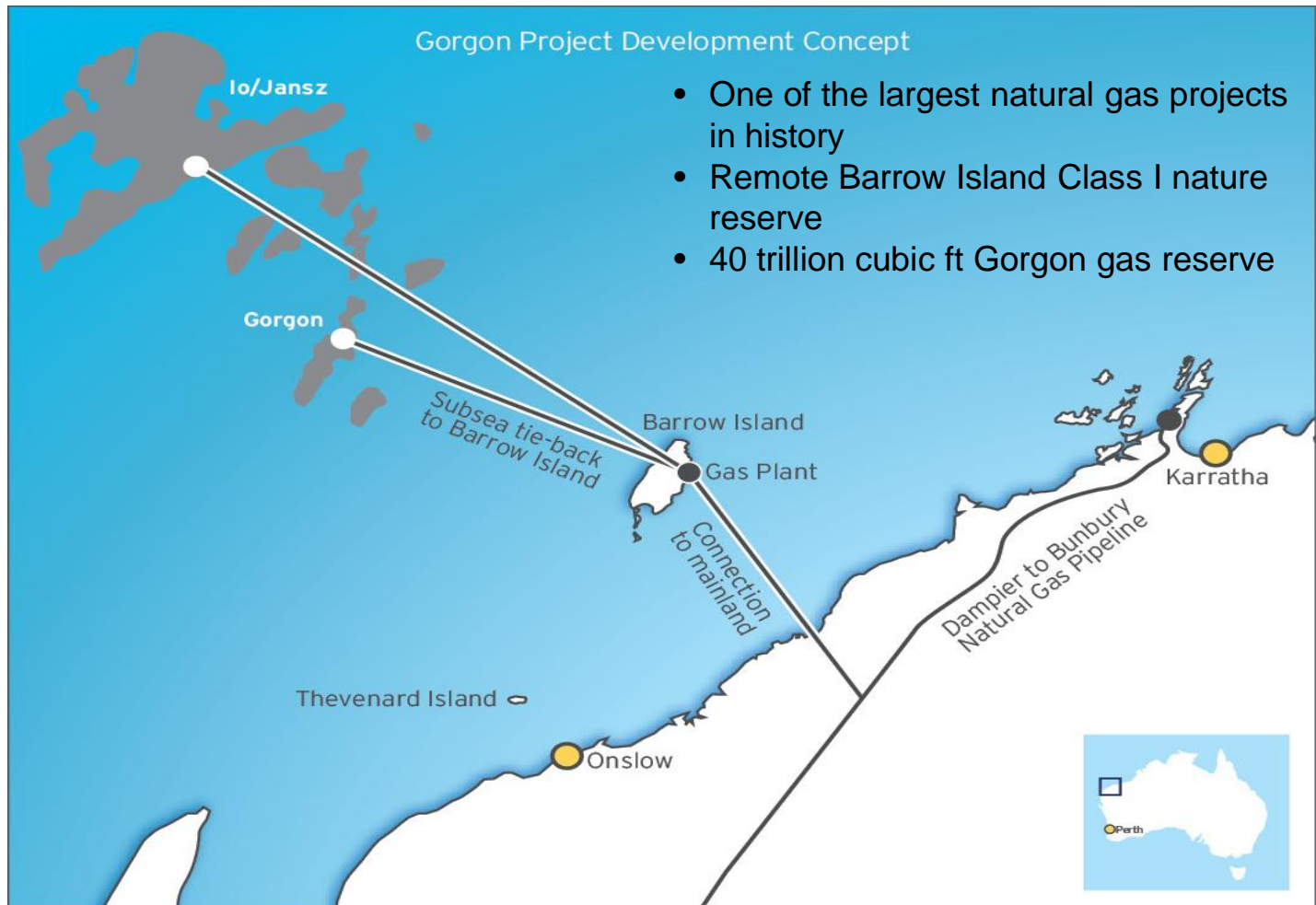
- Strong demand for global innovations
- Specific development targeted to mid-tier sectors

## Selective acquisitions

- Targeting “bolt-on” technology or market-positioning acquisitions



# Case study – Gorgon Project, Australia



# Gorgon Project highlights

- Major shareholders: Chevron (47%) Project Manager, Shell (25%) and Exxon Mobil (25%)
- \$50 billion investment, includes world's largest CO<sub>2</sub> reinjection plant
- To minimize eco-disruption the plant is being built offshore in modules to be erected on site
- Complex global project requiring dedicated teamwork and coordination across 4 continents from 2005-2014
- Coatings required in Korea, China, Malaysia, Singapore, Indonesia, Australia, Italy, USA & Norway 2011-2014

**Chartek 1709** state-of-the-art fire protection for modules

**Intertherm 7050** for cryogenic spill protection

**Intertherm 751** for OEM processing equipment & valves

**Intergard 272** unique flowcoat for subsea gas pipes

Processing Plant



Jetty



Offloading Unit



**Total coatings potential 12 million liters**



# Summary

- Recognized global leader
- Established track record of successful innovation
- Global scope & expertise to manage complex supply chains
- Well balanced portfolio
- Growth in Deep Sea M&R, Coastal & Navy, Yacht and Protective coatings more than offsets any downturn in Deep Sea new construction
- 5 year outlook positive with solid revenue and absolute EBITDA growth



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# Q&A

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# Industrial Coatings

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**Conrad Keijzer**

# Making it happen in Industrial Coatings



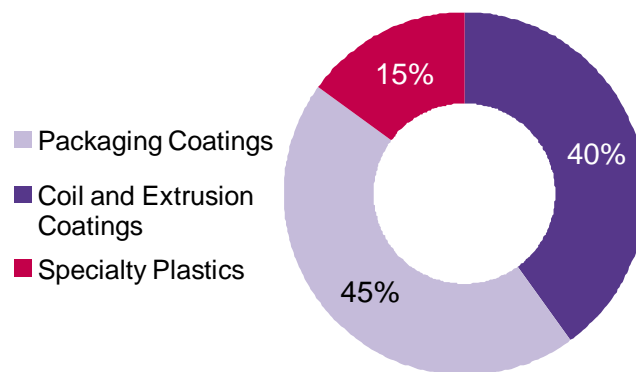
# Industrial Coatings key facts

2009

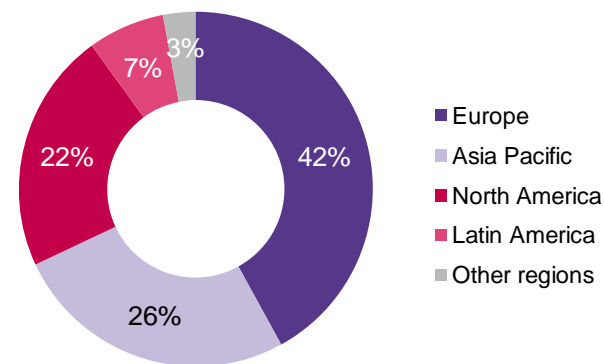
- Revenue €725 million
- 2,240 employees
- Active in more than 70 countries
- 34% of sales in growth markets



Revenue by market segment



Revenue by geography





# Packaging coatings market

## Beer and beverage cans, food cans, caps and closures and general line cans

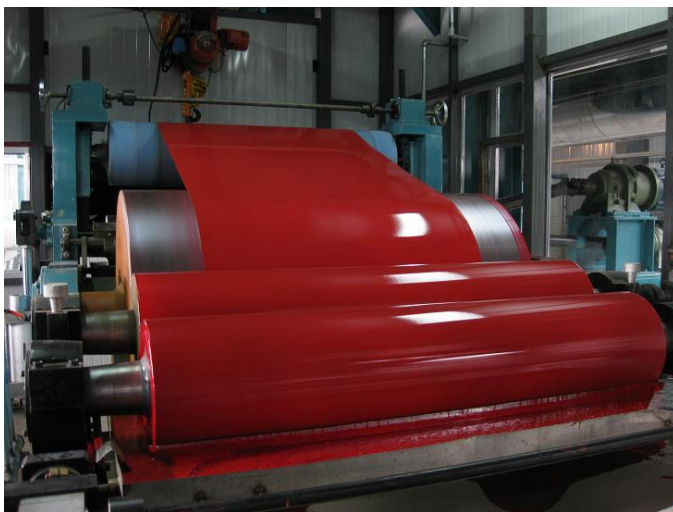
- Packaging coatings and inks
- Can market is stable and follows GDP
- Growth opportunity in and beyond BRIC countries



# Coil coatings market

**Metal building products – for residential and non-residential construction. Home appliances and automotive components**

- Coil and extrusion coatings
- Main driver is construction activity
- Growth opportunity in China



# Specialty plastics market

**Consumer electronics, automotive, cosmetic packaging and sporting goods**

- Coatings, film and design
- Driven by consumer buying power and design trends
- Global growth, manufacturing in Asia



## Some of our customers

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## Market characteristics

**Global market size  
is €4 billion\***

**Packaging  
Coatings**

**Coil  
Coatings**

**Specialty  
Plastics**

Size: € 1.5 bln\*

Size: € 2.0 bln\*

Size: € 500 mln\*

Global # 2

Global # 1

Global # 1

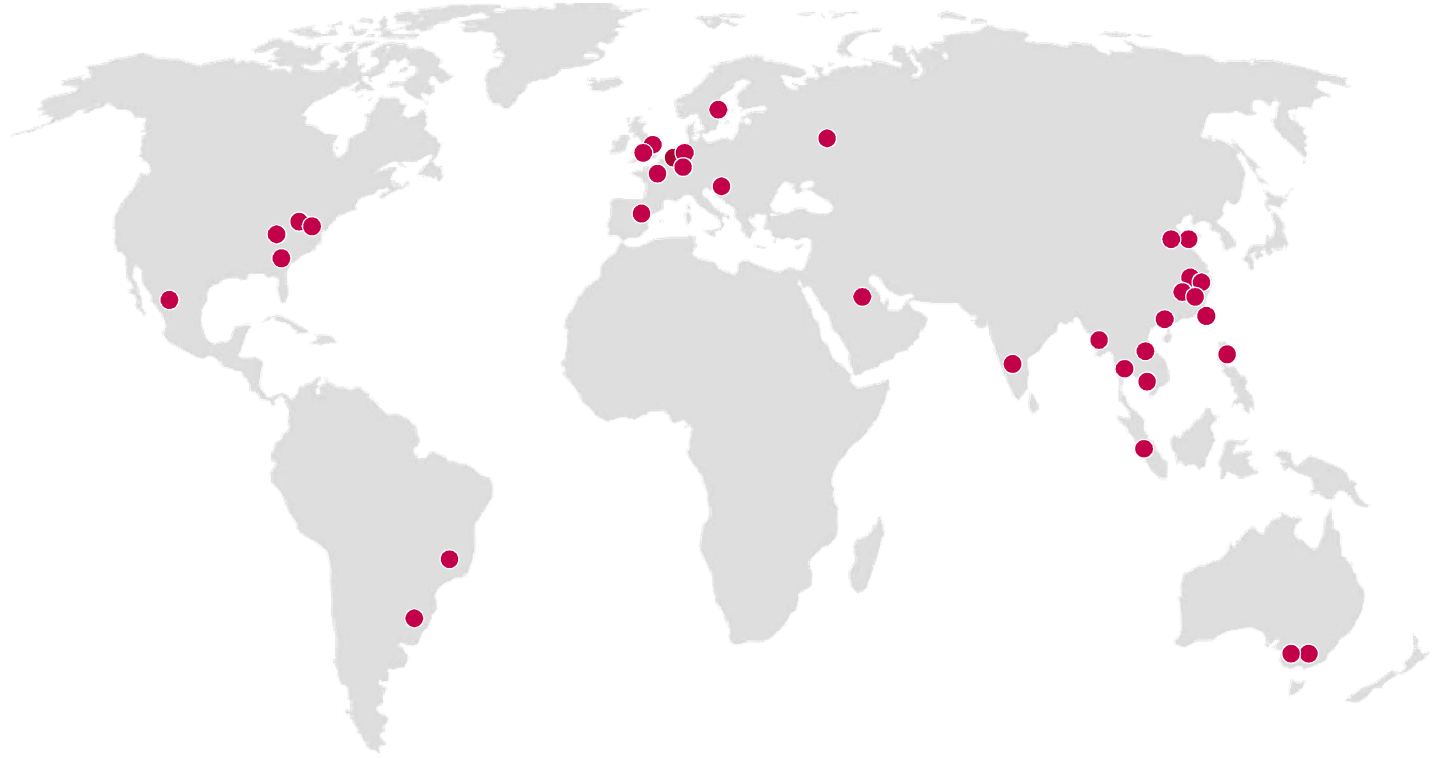


Valspar  
PPG  
Beckers  
Nippon Paint

\* Source: External sources and company estimates

# Global operating model

- Footprint in high growth markets
- Coatings and resins capability
- International or global key account management
- Leveraging best HSE practices across the globe



# Strategy

**We are the global partner to industrial clients with innovative coatings and film technology**

**We will strengthen our leadership position through**

- Product line extensions
- Growth in high growth markets
- Technology leadership through resins capability
- Color and design
- The right people

**Safety and sustainability is in everything we do**



# Our growth agenda

|                        | High growth markets                  | Mature markets                                     |
|------------------------|--------------------------------------|--|
| Organic                | Global KAM<br>Footprint optimization | Product line extensions                            |
| Innovation based       | Retort coatings<br>Value engineering | Eco-premium  |
| Selective acquisitions | Petrokom, Coil                       | Lindgens, Packaging<br>Soliant, Specialty Plastics |





# Innovation – Tomorrows Answers Today

Serving the needs of  
the global mid market

Retort coatings



Bringing products for  
wellness & identity

Pictaflex



Achieving zero footprint

EvCote



Saving you time and  
effort

Film on Mg alloy



Creating new horizons  
in functionality

Heat reflective coatings



## Case study

### Thin film to replace anodized metal

- Anodized aluminum parts give attractive metal finish
- Thin film mimics the appearance of the anodized look
  - Chemical treatment eliminated
  - Color control



## Summary

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- Leading positions in industrial coatings markets
- Leveraging global presence and know-how
- Strong presence in growth markets
- Technology leadership
- Color and design
- Customer focus



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# Thank you

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# Wood Finishes and Adhesives

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John Wolff

# Making it happen in Wood Finishes and Adhesives





## Wood: the renewable resource

- For every 1m<sup>3</sup> of forest growth, the forest consumes 1 ton of CO<sub>2</sub>
- Wood products make up 47% of industrial raw material manufactured in the US, yet consume only 4% of the energy needed to manufacture them
- 100,000+ tree species
- Many different wood substrates:
  - Solid woods
  - Veneers and laminates
  - Reconstituted board products
    - HDF & MDF
    - OSB
    - Particle boards
- Key Success Factor – knowing “Wood”



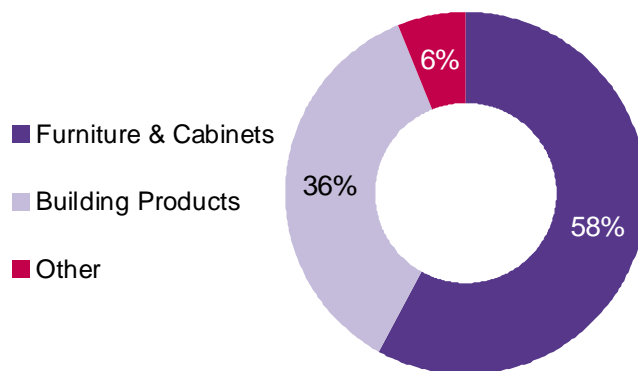
# Wood Finishes and Adhesives key facts

## 2009

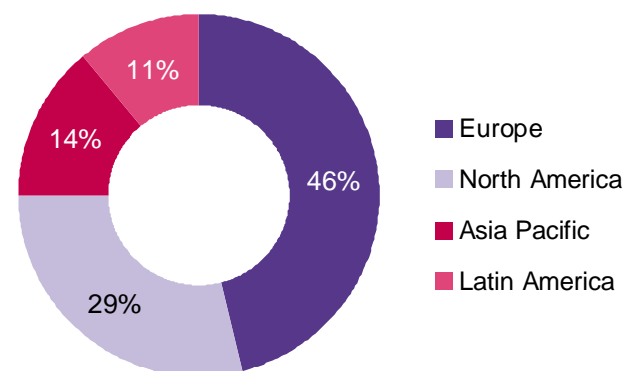
- Revenue €684 million
- 3,770 employees in 40 countries
- 20 manufacturing plants
- Manufacturing and laboratories in major regions
- Leadership positions in attractive market segments
- 25% of sales from eco-premium products



## Revenue by market segment



## Revenue by geography





## Key markets and drivers Furniture and Cabinets

- Target market size: €4.0 billion\*
- Market leader
- Growth drivers:
  - Residential and commercial construction
  - Consumer spending
  - Fashion trends and remodeling
  - Growth in high growth markets (HGMs)
- Market characteristics
  - Large OEMs and custom workshops
  - Very fragmented and regional
  - Broad product range and excellent local service
- Major customers – IKEA, Stanley, Bernhardt, MASCO, Lacquer Craft, Markor
- Main competitors - Sherwin Williams/Becker , Valspar and many regional manufacturers



\* Source: External sources and company estimates



## Key markets and drivers

### Building products

- Flooring, structural elements, doors, trim, joinery
- Target market size: €1.2 billion\*
- Market leader
- Growth drivers:
  - Residential and commercial construction
  - Growths in high growth markets
  - Remodeling
- Market characteristics
  - Dominated by large OEMs
  - Custom workshops have smaller share
  - Engineering aspect
- Major customers – Tarkett, Armstrong, StoraEnso, Mannington, Jeld-Wen, Kahrs, GP
- Main competitors - Valspar, PPG, S-W/Becker, Dynea, Jowat and regional manufacturers



\* Source: External sources and company estimates



# Our Unique Product and Service Offer

## Products

- Finishes:
  - Stains
  - Coatings
  - Fillers and putties
- Adhesives:
  - Glues
  - Resins



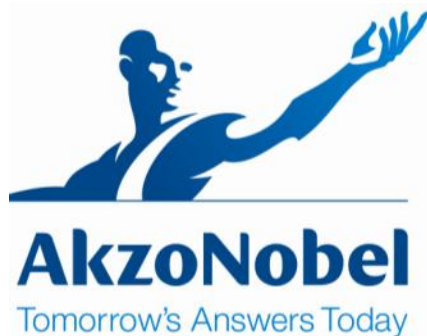
## Services

- Color styling
- Application machine design
- Application monitoring equipment
- Application line optimization
- Technical service



# Our branding strategy

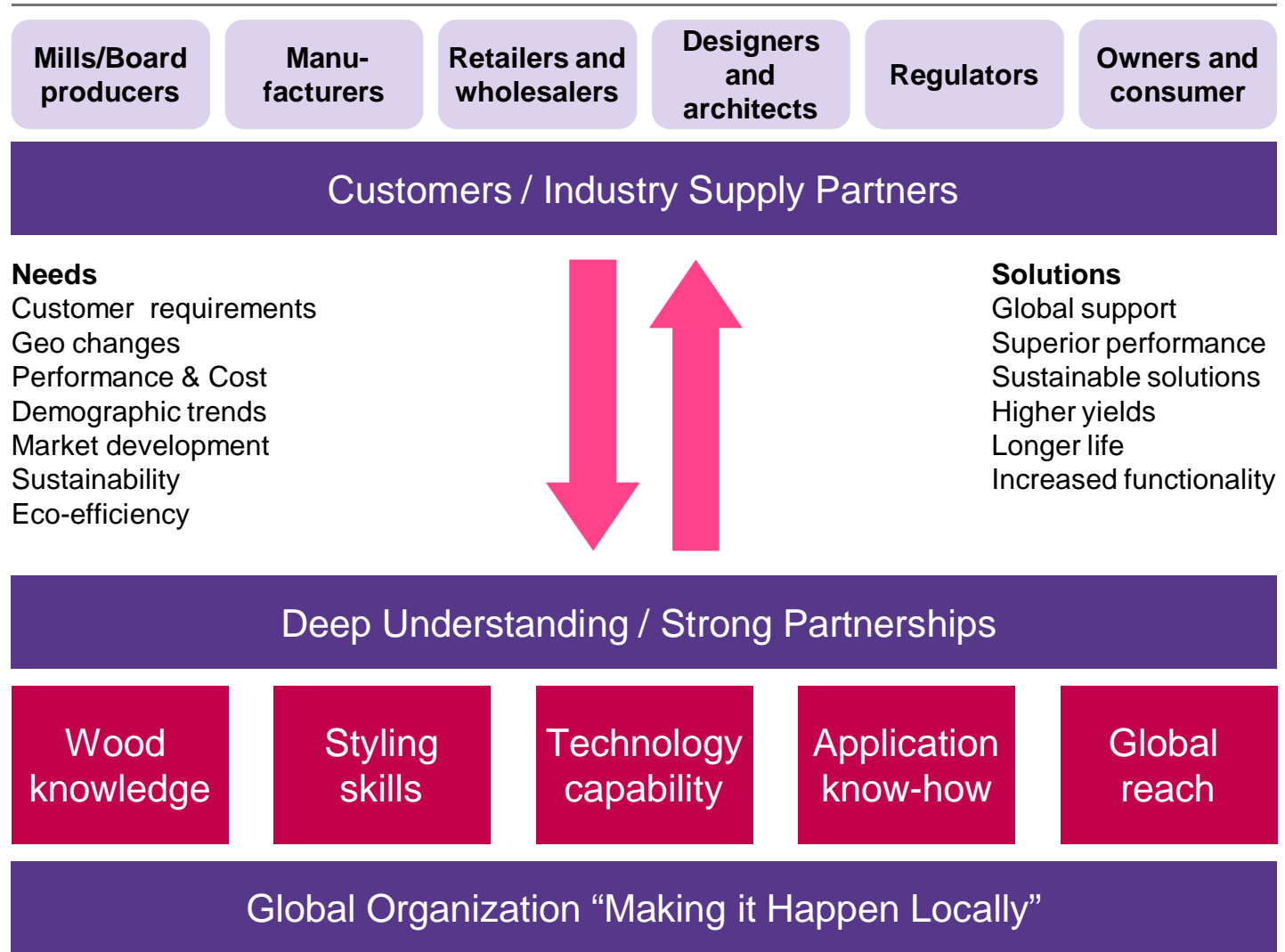
## AkzoNobel – Our OEM brand



## Brand's for custom workshops / distribution segment



# Business Model – “Making it Happen”



# Global reach



- Manufacturing and Laboratories
- Research Centers
- BU Office

# Our Strategy for Sustainable Growth

**Our ambition is to significantly strengthen our position as the world's leading Wood Finishes and Wood Adhesives supplier**

- Partner with our customers and make them more successful
- Focus on eco-efficient products and services that provide higher wood yields, efficiencies and functionality
- Strengthen technology leadership by further developing our unique combination of capabilities
  - Deep understanding of “Wood”
  - Technology and product development
  - Machinery and application know how
  - Expertise in styling
- Grow in high growth markets by further extending our successful business model
- Win the “Talent War” – People, Development and Engagement



# Growth in mature markets

## Organic

- Grow with large OEM customer base
- Grow with Custom Workshops via expansion of distribution channels
- Continue driving costs out – rationalization

## Innovation based

- Sustainability
- Higher yields & higher efficiencies
- Grow market with new functionalities

## Selective acquisitions

- Participate in industry consolidation via strategic acquisitions





# Growth in high growth markets

## Organic

- Geo-expansion in Asia, Eastern Europe and LATAM
- Support mature region customers sourcing from high growth markets
- Expand into distribution

## Innovation based

- Increase investment into technology development
- Sustainable solutions for the mid-market customers
- Eco-premium products

## Selective acquisitions

- Strategic acquisitions to provide further market access



## Innovation: Automated putty system

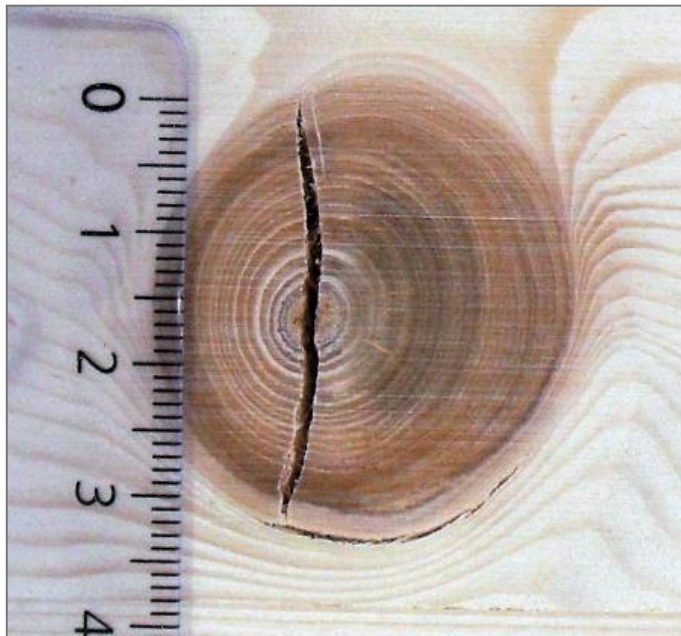
- Transforms poor quality wood into viable substrates for flooring, furniture and cabinetry
- More usable wood per tree
- Less waste
- Improved line efficiencies
- Used by Tarkett, a leading global producer of flooring, with 29 manufacturing facilities, producing 1 million m<sup>2</sup> of flooring every day



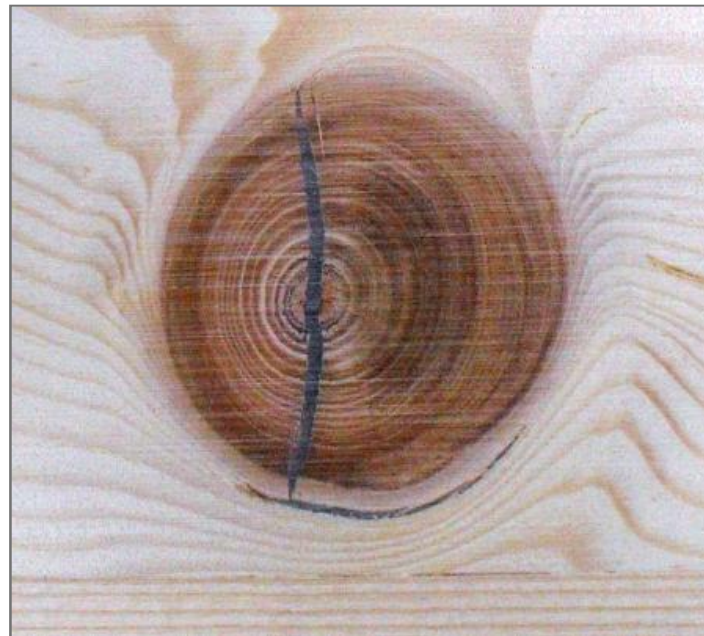
**Tarkett®**

## Innovation: Automated putty system

**Before**



**After**



**includes putty and sanding**



# Innovation: Sustainable stain blocking

## Problem:

Wooden substrates for exterior joinery can release natural stains and tannins, spoiling the finished product.

## Solution:

“Ion-Lock” Technology - Waterborne 1K primer with good stain-blocking, VOC 2010 compliant, no heavy metals or other hazardous compounds.

## Impact:

Fast-drying, good pore-filling, sandable product getting excellent customer reviews in Europe.



# Innovation: Sustainable stain blocking

**Before**  
tannin spots visible



**After**  
stains gone, natural look



**Oak substrate**





# Innovation: Optimizing glue application

- New “Forward Integration” software optimizes adhesive application process
- Controls glue application, substrate temperature and bonding process
- Reduces waste, increases throughput

**Forward Integration**

The gluing process optimizer.

Forward Integration is a function in our machinery that is developed to meet our customer's needs in terms of productivity and effectiveness. We call it "The gluing process optimizer".

Your needs:

- Safety margin
- Higher productivity
- More optimized production
- Long term reduction of glue consumption
- Less rejects
- Better documentation

Our solutions:

- Glue amount optimizer
- Press time optimizer
- Gluing safety guard

AkzoNobel  
Tomorrow's Answers Today



## Working closely with MASCO

**Leading producer of brand name home furnishings including cabinetry, flooring, fixtures and hardware**

- 35,000 employees, \$7.8 billion revenue
- SCORE supplier evaluation program: strategic versus tactical (Supplier Collaborative Cost Reduction Evaluation)
- Enables Masco to provide better value to customers
- AkzoNobel honored five consecutive years, supplying 14 plants



**MASCO**  
CABINETS

KraftMaid | Merillat | QualityCabinets | DENOVA



# Summary

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## Well positioned for growth

- Market leader
- Industry that is based on a renewable resource
- Leading supplier of sustainable technology
- Focused on expanding our position in high growth markets
- Technology investments focused on sustainable solutions





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# A world of opportunities

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Thank you!



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# Powder Coatings

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Rob Molenaar



# Making it happen in Powder Coatings

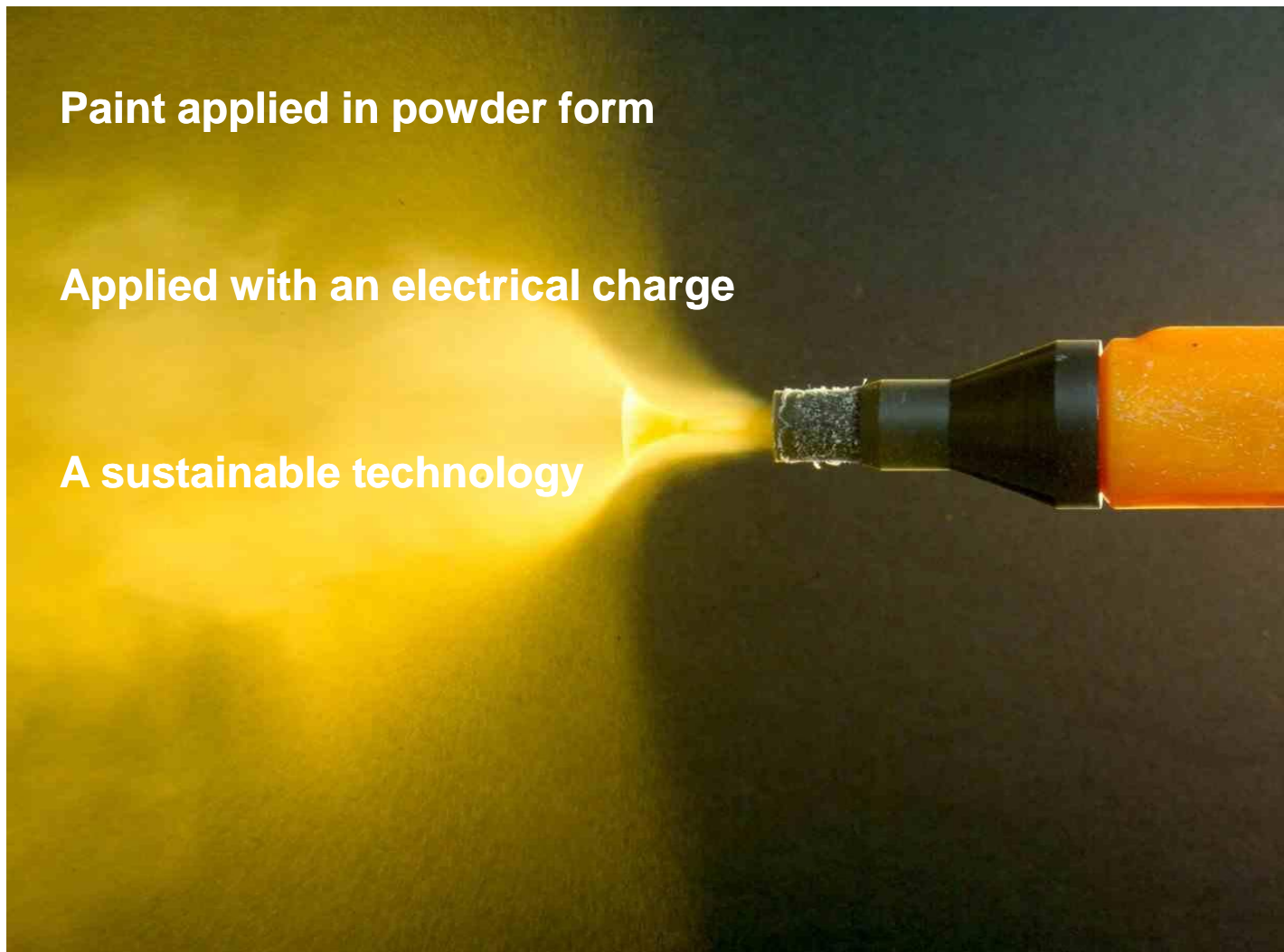


# Making it happen in Powder Coatings

Paint applied in powder form

Applied with an electrical charge

A sustainable technology



# AkzoNobel Powder Coatings key facts

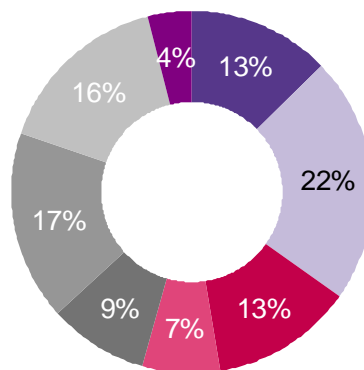
## 2009

- Revenue €597million (excl. Dow R&H)
- 4,000 employees
- 33 Manufacturing locations
- Environmentally attractive product offering
- 28% of sales from eco-premium products
- Global market leader



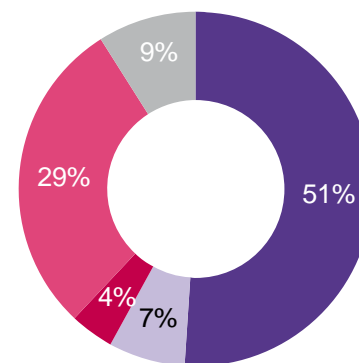
## Revenue by market segment

- Appliance
- Architectural
- Automotive
- Functional
- Furniture
- General Industrial
- General Trade Coaters
- I.T



## Revenue by geography

- Europe
- North America
- Latin America
- Asia Pacific
- Other



# These are the markets we serve

## Appliance

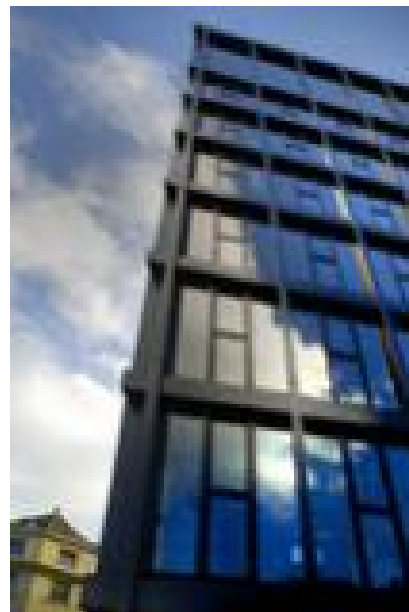
Washing machines, fridges, dryers,  
Air-conditioning units



# These are the markets we serve

## Architectural

Extrusions, Curtain walls, Windows, Doors



# These are the markets we serve

## Automotive Components

Wheels, Trim, Underbody / hood



**Mubea**





## These are the markets we serve

### Functional

Pipe, Valves, Resisters, Capacitators



**BOSCH**



# These are the markets we serve

## Furniture

Indoor, Outdoor, Office, Home



## These are the markets we serve

### General Industry / ACE

Fences, Small OEM's, Agriculture



**CATERPILLAR®**

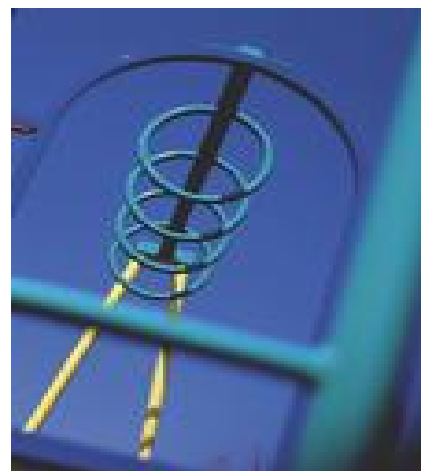


# These are the markets we serve

## General Trade Coaters

Job shops specialized in powder coating

Small objects.



# These are the markets we serve

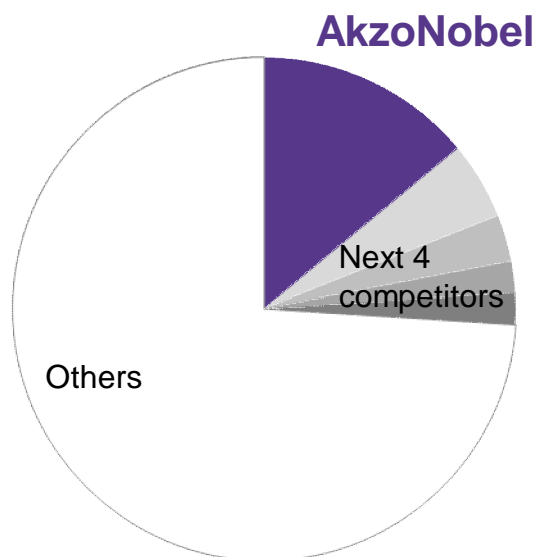
## IT

Desk Tops, Lap Tops, Telecommunications, ATM's



# Market characteristics

**Global market size  
is €5 billion\***



Further consolidation to be  
expected

\* Source: External sources and company estimates

## Market Position

- Number 1: Europe, Asia, Americas and Africa
- Number 2: Middle East

## Market Trends

- Mature markets stable/low growth
- Growth in high growth markets
- Continuing switch from liquid to powder driven by sustainability

## Competition

- Global: Dupont, Protech, Tiger
- Regional : Valspar (USA), Inver (Europe), Nippon (Asia), Jotun (EE/ ME)

# Vision Forward

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## Key Drivers

- **Segment focus**
  - Segment Managers
  - Product development
- **Shifting Manufacturing Footprint**
  - Growth in high growth markets
  - Customer globalization
- **Innovation**
  - Resins
  - Automotive, Wood, Plastics





# Powder segments



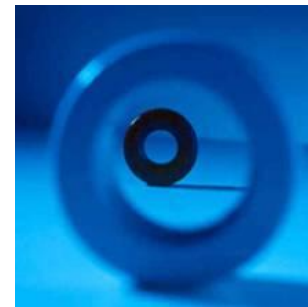
Appliance



Architectural



Automotive



Functional



Furniture



GI / ACE



IT



Trade  
Coaters





# Segment Focus

|                            | IT | Auto | Func | Arch | Furn | GTC | GI | App |
|----------------------------|----|------|------|------|------|-----|----|-----|
| Global co-ordination       |    |      |      |      |      |     |    |     |
| Product Development        |    |      |      |      |      |     |    |     |
| Specifications Approvals   |    |      |      |      |      |     |    |     |
| Color and Fashion          |    |      |      |      |      |     |    |     |
| Small Order Rapid Supply   |    |      |      |      |      |     |    |     |
| Selling to small customers |    |      |      |      |      |     |    |     |
| Services                   |    |      |      |      |      |     |    |     |
| Selectivity & Weeding      |    |      |      |      |      |     |    |     |
| Low cost formulations      |    |      |      |      |      |     |    |     |



# Shifting manufacturing footprint

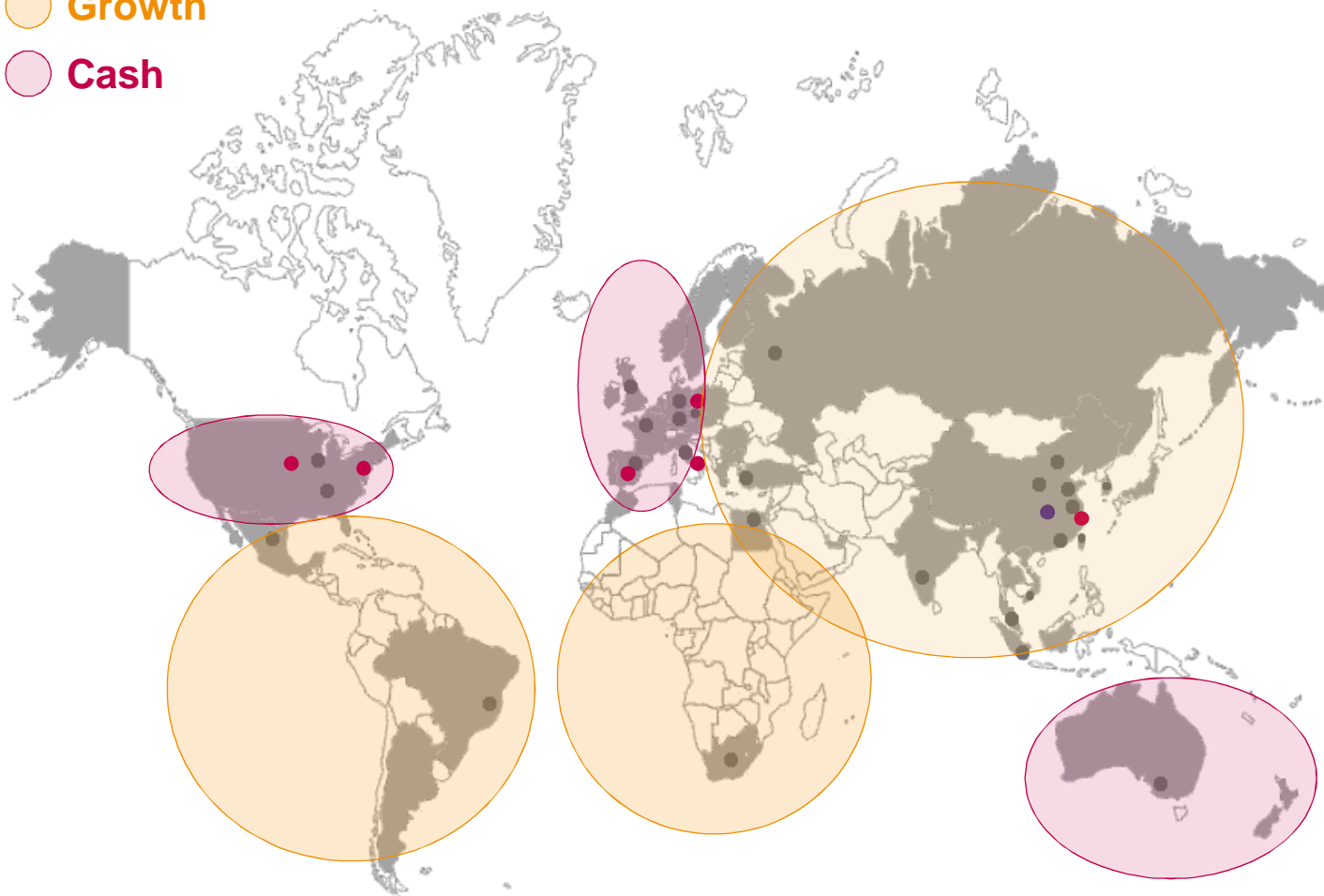
- **Expansion in high growth markets**
  - Customer globalization
  - Continued growth in Chengdu, Wuhan, Vietnam, Czech, Russia, Egypt, Dubai
  - Planned expansion in Turkey, Mexico, India
  - 21 factories in high growth markets
- **Efficiency improvements in mature markets**
  - Continued Automated Production Process:
    - Pre-weigh / Dosing
    - Extrusion / Milling
    - Filling
    - Waste recycling
  - Rapid Supply Centres
  - 12 factories in mature markets



# Balance of cash and growth

● Growth

● Cash



# Innovation

- Automotive Solid Color Monocoat
- In production by TATA motors
- First Powder coated vehicle in China



- Resin Technology Centre Felling



# Innovation as a growth driver



## Interpon Clearcoats

High clarity, low temperature cure clearcoats for alloy wheels



## Thin film coatings

Patented Particle Management Technology

## Anti-corrosive powders

Increasing product lifetimes



## Architectural single coat bright metallics


- High quality metallic appearance
- Easy clean properties

## Soft touch coatings for Furniture

Tough, durable coatings with a cool, soft feel to touch



# Growth

|                        | High growth markets                       | Mature markets  |
|------------------------|---|---|
| Organic                | 6 new factories<br>65% of CAPEX           | Segment focus , Rapid Service Centers   |
| Innovations            | Most segments +<br>Autobody & CV coatings | Manufacturing efficiency  |
| Selective acquisitions | Opportunities in mid market               | <b>ROHM<br/>AND<br/>HAAS</b>  |





## Sustainability as a growth driver

- Powder coatings is the leading green coating Technology
- No solvents either in production or application
- 99.9% efficiency in application
- Very low energy use in application
- Explore renewable raw materials





# Summary

## 1. We are the Global market leader

## 2. Growing markets:

- Continued conversion from liquid to powder
- Well positioned to grow in high-growth markets

## 3. Innovative technologies focussed on:

- New substrates
- Sustainability



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# Thank you

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# Q&A

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# Wrap up & closing

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Leif Darner

# To sum it all up

Well balanced portfolio

Strong market positions

Proven track record

Positioned to grow



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# Thank you

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## Safe Harbor Statement

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*This presentation contains statements which address such key issues as AkzoNobel's growth strategy, future financial results, market positions, product development, products in the pipeline, and product approvals. Such statements should be carefully considered, and it should be understood that many factors could cause forecasted and actual results to differ from these statements. These factors include, but are not limited to, price fluctuations, currency fluctuations, developments in raw material and personnel costs, pensions, physical and environmental risks, legal issues, and legislative, fiscal, and other regulatory measures. Stated competitive positions are based on management estimates supported by information provided by specialized external agencies. For a more comprehensive discussion of the risk factors affecting our business please see our latest Annual Report, a copy of which can be found on the company's corporate website [www.akzonobel.com](http://www.akzonobel.com).*

