
Merger of Akzo Nobel Group Cos in India

Proposal for Merger/ Amalgamation of

**3 Akzo Nobel Group companies in India with
Akzo Nobel India Limited (ANIL)**

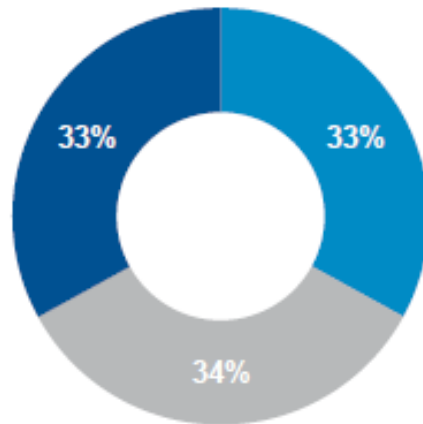


AkzoNobel: world's largest coatings company & a leading supplier of specialty chemicals

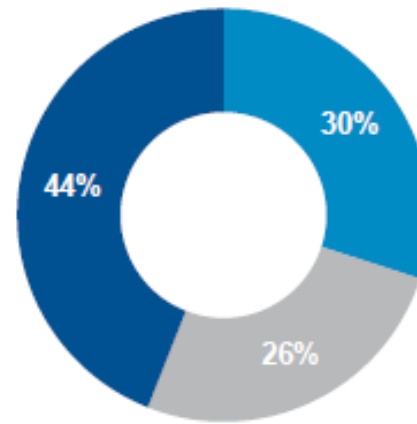
2010

- Revenue €14.6 billion
- 55,590 employees
- 39 percent of revenue from high-growth markets
- A leader in sustainability: number 2 in 2011 SAM ranking

Revenue by business area



EBITDA* by business area



- Performance Coatings
- Decorative Paints
- Specialty Chemicals



* Before incidentals



Merger Rationale: Create long-term Shareholder Wealth

Scale benefit

Unified face to customers

Seamless access to internal funds ..Will be better positioned to invest in growth projects

Operating Performance improvement by consolidating fragmented business structure

Leverage global strength to fuel growth in India



Operational Synergies of Merger

One View to Institutional Customers

Wider product portfolio

- Auto & Aerospace (A&A) Coatings
- Other Performance Coatings & Chemicals

Unrestricted access to Global R&D Capability

- Critical for Industrial Segment

Organizational Synergies

- Leadership Talent
 - Technical Experts in Industrial Segment
-



Financial Benefits of Merger

Future Earnings

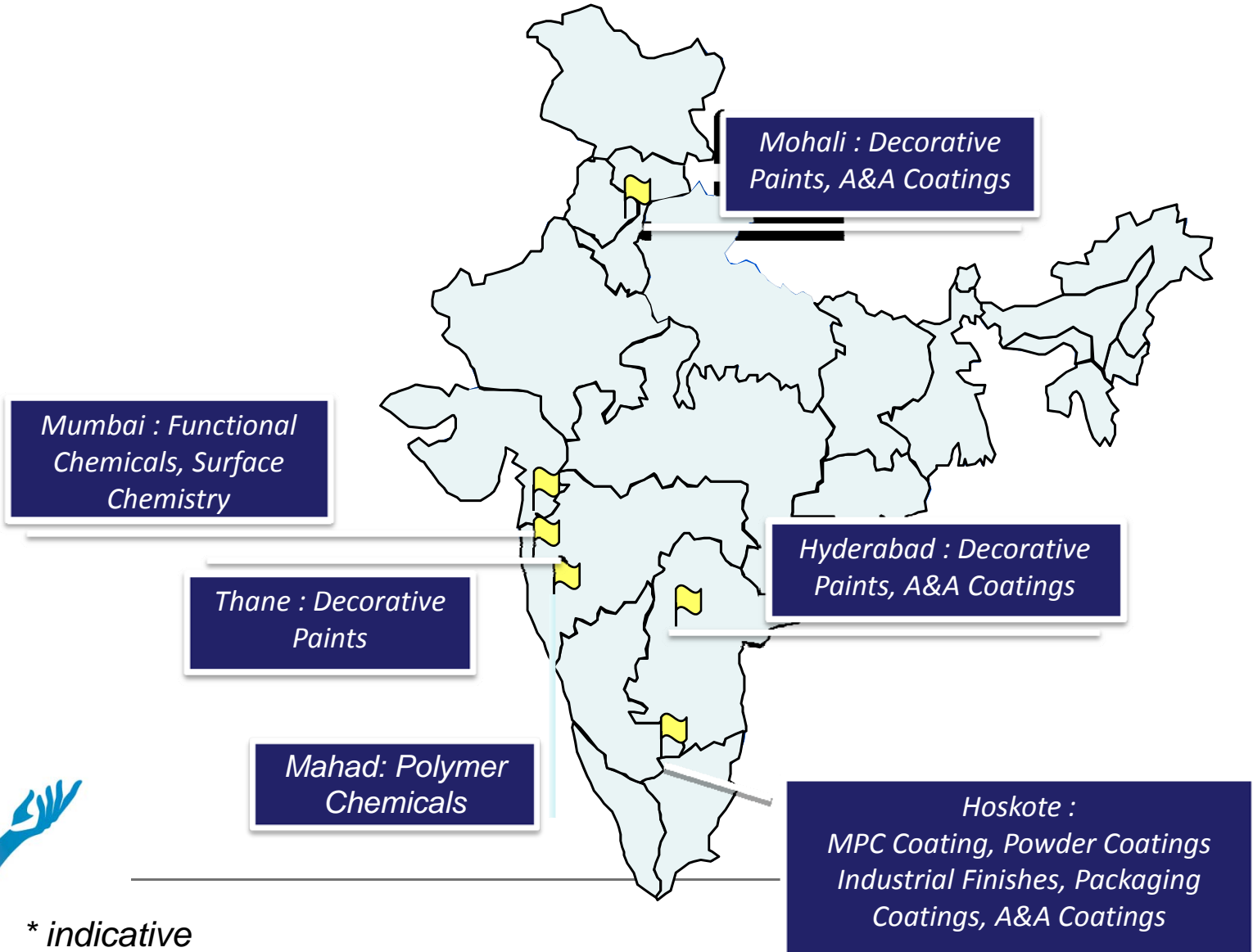
- Expected to be earning accretive in the future
- One face to customer - benefits from Key Account Management
- Areas of Cost Savings from Synergies
 - Benefit of scale - Procurement
 - Integrated Supply Chain management.
 - Back office Administrative Costs

Strong Balance Sheet

- Continues to be debt free
- Better avenues to deploy cash....
 - Ability to pursue inorganic growth opportunities

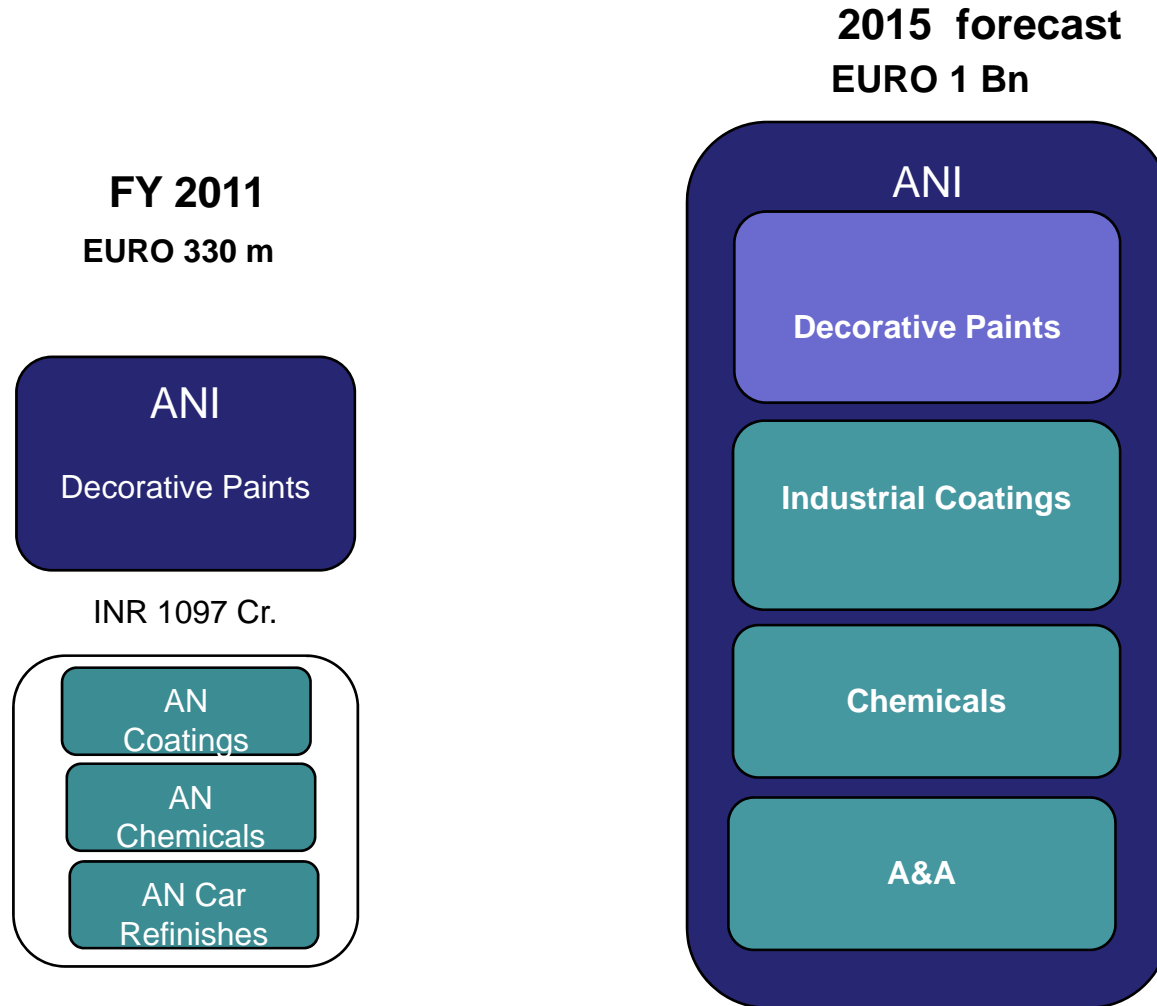


Consolidated India footprint, post merger *



* indicative

ANI Ambition – 3x in 4 years



Transaction Mechanics

Transparent Process

- Valuation and share swap ratios submitted to the Board by independent & internationally reputed valuers (PwC, BMR Advisors, Grant Thornton)
- Fairness of the process confirmed by an Independent Merchant banker
- Board approved the proposal based on merits & future benefits to shareholders
- Stock Exchanges no-objection secured
- Competition Commission of India approval obtained
- Court approval process under way



Transaction Mechanics

Valuation Method

- Relevant methods considered (Sales, EBIDTA Multiples & Asset Values)
- Market price of ANI duly factored in.
- New business opportunities & 10-year growth horizon factored in

Valuation comparables – based on 3 year average:

Legal Entity	Sales INR Cr.	EBIT from Operatio ns INR Cr.	VALUATION MULTIPLES	
			Sales	EBIT *
AN India	975	105	2.1 x	19.7 x
AN Car Refinishes	493	53	1.9x	18.1x
AN Chemicals				
AN Coatings				

* Profit figures are adjusted for one-off items



Valuation Process



Value Analysis for AN India

- *For valuation of AN India Shares following approaches were adopted*
 - **Income Approach:** *indicates the value of a business based on the value of the cash flows that the business can be expected to generate in the future*
 - **Market Approach:** *indicates the value of a business based on a comparison of the business to comparable publicly traded companies and as well as prior business transactions in the industry*
 - **Net Asset Value Approach:** *indicates the value of the business based on value of the 'Net Assets' owned by the Company as on date; arrived at by aggregating the fair value / realizable value of all assets appearing in the balance sheet of the company and reducing the value of all external liabilities*
 - *Weights assigned 40: 40: 20*



Value Analysis for Merging Companies

- For valuation of the Merging Companies following methods have been adopted
 - **NAV Method:** the fair value / realizable value of all assets appearing in the balance sheet of the company are aggregated and the value of all external liabilities is reduced to arrive at 'Net Assets' owned by the Company
 - **DCF Method:** valuation of a business based on the value of the cash flows that the business can be expected to generate in the future
- Given that there are no listed companies which may directly be considered operationally and financially similar to each of the Merging companies and in absence of any reported M&A transactions involving similar companies, comparable companies multiple ('CCM') method has not been used
- Weights assigned: 80: 20



Additional Information about the merging Companies



Akzo Nobel Performance Coatings

History in India

Akzo Nobel Coatings India Private Limited started business in India in 1995. The erstwhile Courtaulds Coatings & Sealants India Private Limited was acquired by Akzo Nobel in 1998

Products & Brands

 **International**

 **CHARTEK**
FIREPROOFING

 **Interpon**
powder coatings
EVERY COLOR IS GREEN

 **enviroline**
HIGH PERFORMANCE COATINGS AND LININGS

 **TRINAR**

 **CEILCOTE**

Sector

:
OEM, Power, Oil & Gas, Waste Water, High Value Infrastructure, New Building Automotive & IT; Industrial , Architecture, Furniture & Distributor; Functional Construction, Appliance, Building Products, General Industry, Specialty Plastics , Packaging industry

Base in India

Manufacturing facility in Bangalore
Sales offices in major cities
Total of ~ 310 Employees

Akzo advantage

Unified approach to Indian customers with One Vision to maximize revenue in Construction, Transportation, Retail and more



Akzo Nobel Car Refinishes

History in India

Car Refinishes started business in India in 1997
In 2000 International Research Center opened

Products & Brands

Car Refinish paint
Automotive Plastic Coating



Sector

Vehicle Refinish (VR) ,Premium: OEM dealerships and body shops
Commercial Vehicles (CV) Body shops, (public) transport companies
Automotive Plastic Coatings (APC) Tier 1 & Tier 2 suppliers to OEMs

Base in India

International research center in Bangalore
Total of ~ 200 Employees, 50 additional contractors

Akzo advantage

Strong back- end capability and scale to facilitate accelerated business growth.



Akzo Nobel Chemicals

History in India

Akzo Chemicals (India) Limited started business in India in 1990. Commercial production started in 1992.

Products & Brands

Trigonox (Tx) EHP, Tx 423, Tx 21S, Tx C, Tx 25C75, Perkadox IPP, Tx AW70 , TEAL, DEZ, Dibal H etc

Sectors

Oil and Gas, Chemicals paints and varnishes , Pharma , Specialty applications

Base in India

**Total of ~ 57 Employees
Activities :**

- Manufacturing of Organic Peroxides (HPOP)
- Blending/Refilling of Metal Alkyl (HPMA)
- Stock & Sale XTP & HPOP Products
- Indenting business for HP and XTP products

Akzo advantage

Customer focused organization in market and at the same time drive efficiency internally.



Thank You

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Actual results might differ materially from those, in the event of changes in market conditions.

