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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)



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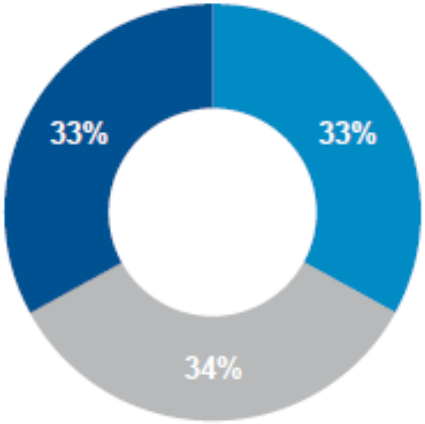
AkzoNobel: world's largest coatings company & a leading supplier of specialty chemicals

2010

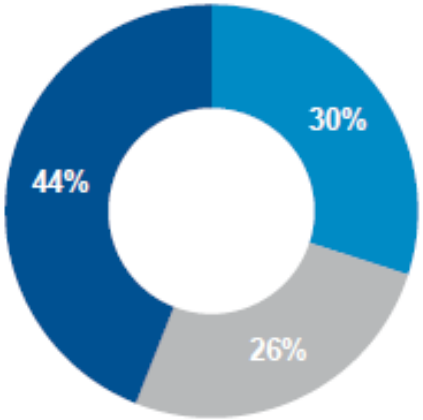
- Revenue €14.6 billion
- 55,590 employees
- 39 percent of revenue from high-growth markets
- A leader in sustainability: number 2 in 2011 SAM ranking



Revenue by business area



EBITDA* by business area



- Performance Coatings
- Decorative Paints
- Specialty Chemicals

** Before incidentals*

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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



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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



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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

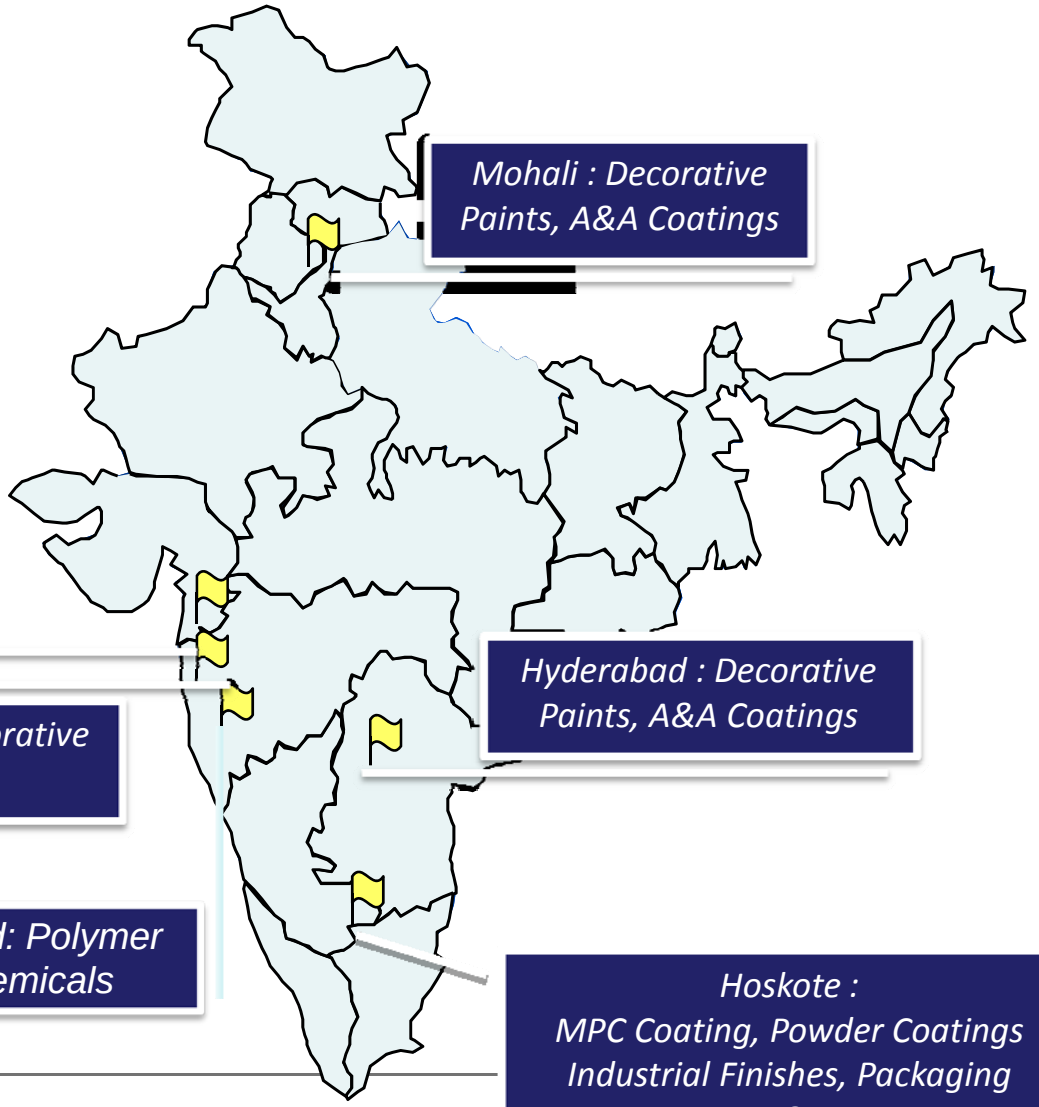
Strong Balance Sheet

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



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Consolidated India footprint, post merger *





* indicative

ANI Ambition – 3x in 4 years

FY 2011

EURO 330 m

ANI

Decorative Paints

INR 1097 Cr.

AN Coatings

AN Chemicals

AN Car Refinishes

2015 forecast

EURO 1 Bn

ANI

Decorative Paints

Industrial Coatings

Chemicals

A&A

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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



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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 Operations 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***



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Valuation Process



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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*



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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*



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Annexure

Additional Information about the merging Companies



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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



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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 Coatings**
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.**

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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**.**



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Thank You

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

