



# Press release

February 20, 2013

## **AkzoNobel announces new strategy and financial targets**

### ***Leading market positions delivering leading performance***

#### **Highlights**

- AkzoNobel's vision is to deliver the full potential of its leading market positions in mature and high-growth markets
- Strategy centers around customer focus, operational excellence and sustainability
- New financial targets to be achieved by the end of 2015
- Acceleration of performance improvement program: full €500m EBITDA benefit to be delivered one year early, in 2013
- Focus on four end-user segments: Buildings and Infrastructure, Transportation, Industrial and Consumer Goods – increasing insight into leading indicators, making the company more responsive to market conditions
- Smaller executive leadership team; remuneration aligned with targets

AkzoNobel today announced a new strategy that will build on its leading market positions in mature and high-growth markets to achieve new financial targets. The strategy focuses on end-user segments, operational excellence and sustainability and is summarized by the company's new vision: Leading market positions delivering leading performance.

Commenting on AkzoNobel's new strategy and financial targets ahead of a presentation to the investment community in London today, CEO Ton Büchner explained: "AkzoNobel has leading market positions and brands in paints, coatings and specialty chemicals. With our global scale and sustainability leadership, we will focus our strategy on customer service and operational excellence, creating value for all our stakeholders."

#### **Delivering its full potential**

To deliver its full potential, AkzoNobel has identified the following strategic focus areas: care for the customer, reduction of product and process complexity, cash and return on investment, embedded safety and sustainability, and diverse and inclusive talent development.

AkzoNobel has company-wide core processes, which will support and drive the strategic focus areas. These processes include: a more rigorous operational control cycle to drive and monitor delivery of its targets, behaviour based and process safety, talent management, innovation and procurement.

AkzoNobel has four key end-user segments that it sells into: Buildings and Infrastructure, Transportation, Industrial and Consumer Goods. Better analysis and understanding of the leading indicators of these segments will make AkzoNobel more responsive to market developments.

AkzoNobel's focus on end-user segments will also allow for further growth in both mature and high-growth markets. The company will build on its leadership in high-

growth markets, which already account for 44 percent of revenue – a percentage that is expected to grow further in the years ahead.

### **Sustainability is business; business is sustainability**

AkzoNobel's drive for operational excellence and performance improvement is supported by its sustainability and innovation strategy focussed at: 'Creating more value from fewer resources'.

AkzoNobel has defined the following sustainability ambitions:

- In 2020, AkzoNobel's downstream eco-premium products will account for 20 percent of revenue
- Carbon emissions will be reduced by 25 to 30 percent per ton of product by 2020 (base 2012)

### **Acceleration of the performance improvement program**

Since the announcement of the performance improvement program in October 2011, AkzoNobel has delivered structural EBITDA gains of €250 million, while one-off costs amounted to €292 million\*. AkzoNobel will accelerate the program and expects to achieve the full EBITDA benefit of €500 million, a year early, in 2013, with associated costs estimated at €205 million.

*\* Gains and costs are excluding North America Decorative Paints.*

### **New financial targets**

AkzoNobel's new financial targets are designed to drive operational excellence, cash generation and accountability and demonstrate a clear focus on creating value for shareholders.

- **Return on sales, defined as operating income divided by revenue, targeted at 9 percent by the end of 2015.**
- **Return on investment target of 14 percent by the end of 2015.** This reflects AkzoNobel's focus on delivering value through achieving returns in excess of its cost of capital.
- **Net debt / EBITDA less than 2.0 times by the end of 2015.** This will give a fuller measure of cash generation and not just one component.

Based on the market environment and the leading indicators in its end-user segments - Buildings and Infrastructure, Transportation, Industrial and Consumer Goods – AkzoNobel is assuming sales growth (CAGR) of around 4 percent per annum between 2012 and 2015.

### **Financial implications and pensions**

In order to increase accountability, incidental items such as restructuring charges will now be included in EBITDA unless genuinely one-off and not related to normal or ongoing business. Pro-forma data will be made publicly available on the company website reflecting these and other restatements.

AkzoNobel's pension top-ups relate mainly to pension liabilities in the UK. The actuarial funding deficit of the two main UK plans (ICI and CPS) is estimated at €1.5 billion to €2 billion. The recent CPS triennial actuarial funding review has resulted in a reduction of top-up payments of €40 million per annum, representing cumulative savings of €240 million over the remaining six years of the agreed

funding recovery plan. Combined with the earlier ICI funding review, this represents total savings of €485 million over the next 6 years.

### **Executive leadership alignment**

Going forward AkzoNobel will have a smaller Executive Committee. Remuneration of the top executives will be aligned with the new targets, with the new short-term incentive bonus targets to include operating income, return on investment and operating cash flow.

- - -

AkzoNobel is a leading global paints and coatings company and a major producer of specialty chemicals. We supply industries and consumers worldwide with innovative products and are passionate about developing sustainable answers for our customers. Our portfolio includes well-known brands such as Dulux, Sikkens, International and Eka. Headquartered in Amsterdam, the Netherlands, we are consistently ranked as one of the leaders in the area of sustainability. With operations in more than 80 countries, our 55,000 people around the world are committed to excellence and delivering Tomorrow's Answers Today™.

#### **Not for publication – for more information**

Corporate Media Relations  
Tel. +31 20 502 7833  
Contact: Marcel van de Hoef

Corporate Investor Relations  
Tel. +31 20 502 7854  
Contacts: Jonathan Atack and Sheryl Stokes

#### **Safe Harbor Statement**

This press release contains statements that 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).