

The AkzoNobel logo is positioned in the top right corner of the slide. It consists of the word "AkzoNobel" in a white, sans-serif font. The background of the slide is a vibrant, abstract pattern of overlapping, chevron-like shapes in shades of blue, purple, and pink, creating a sense of depth and movement.

**AkzoNobel**

# **Investor update 2020 and beyond**

February 13, 2020

## Agenda

### UPDATE 2020



Introduction



Executive summary



Market dynamics



Winning together: 15 by 20

### BEYOND 2020



Beyond 2020



Grow



Deliver



PEOPLE. PLANET. PAINT.

# Speakers

**AkzoNobel**



**Thierry Vanlancker**  
CEO



**Maarten de Vries**  
CFO



**Ruud Joosten**  
Chief Operating Officer



**David Prinselaar**  
Chief Supply Chain Officer

# Executive summary

## Thierry Vanlancker



# A focused paints and coatings company

# AkzoNobel

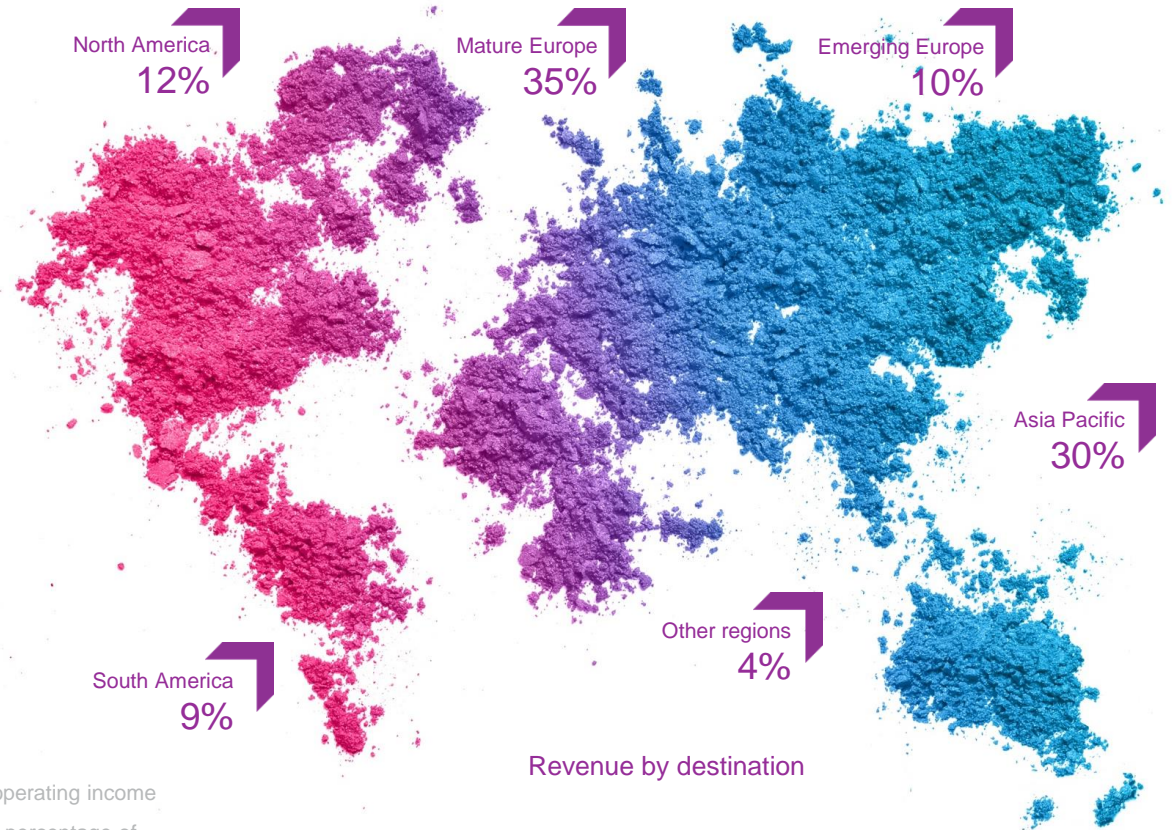


International

Interpon  
POWDER COATINGS



**€9.3bn** revenue  
**€1.2bn** EBITDA  
**€1bn** EBIT  
**12.0%** ROS  
**17.2%** ROI  
**33,800** employees



All figures are based on year-end 2019. ROS = adjusted operating income as percentage of revenue (excluding unallocated cost)  
ROI = adjusted operating income of the last 12 months as percentage of average invested capital (excluding unallocated cost and invested capital)

# Delivering on promises made in 2017

Creating two focused businesses as a logical next step	Dual-track separation process completed	✓
Accelerating growth momentum and enhanced profitability	Revenue growth ambition reduced ROS increased from 10.6% to 12.0%	X ✓
Clear separation of Specialty Chemicals within 12 months	€10.1bn private sale in <12 months	✓
Increasing returns to shareholders	€6.5bn proceeds returned before end 2019	✓
Committed to investing in sustainability, innovation and society	Paint the Future launched and expanding	✓
Best placed to unlock value ourselves	Share price increased 52% and TSR 82%	✓

# Winning together: 15 by 20



**Passion for paint**



**Precise processes**



**Powerful performance**



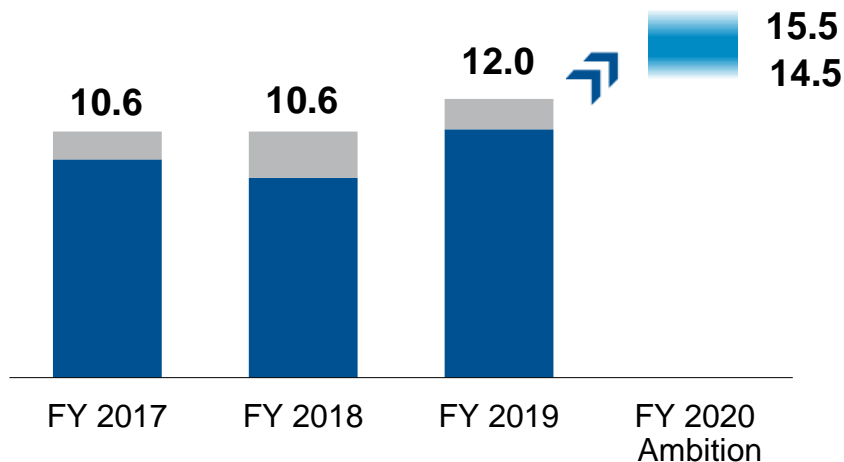
**Proud people**



# Performance improvement accelerated during H2 2019

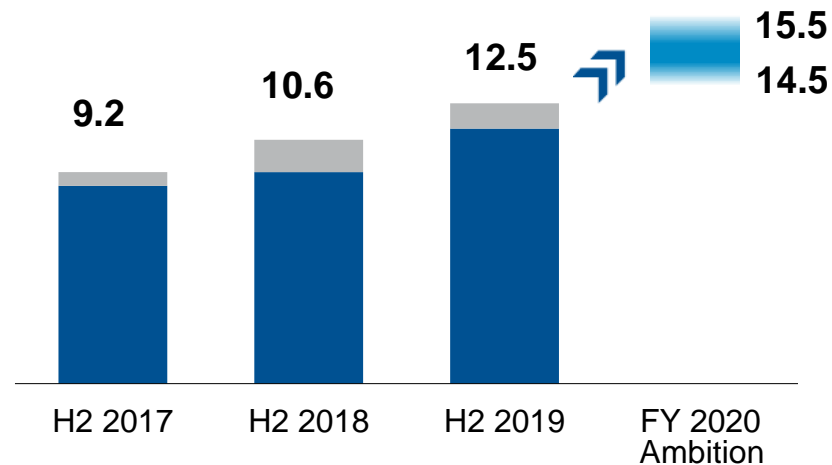
## Return on sales (ROS), full-year

% ■ Unallocated cost



## Return on sales (ROS), second half-year

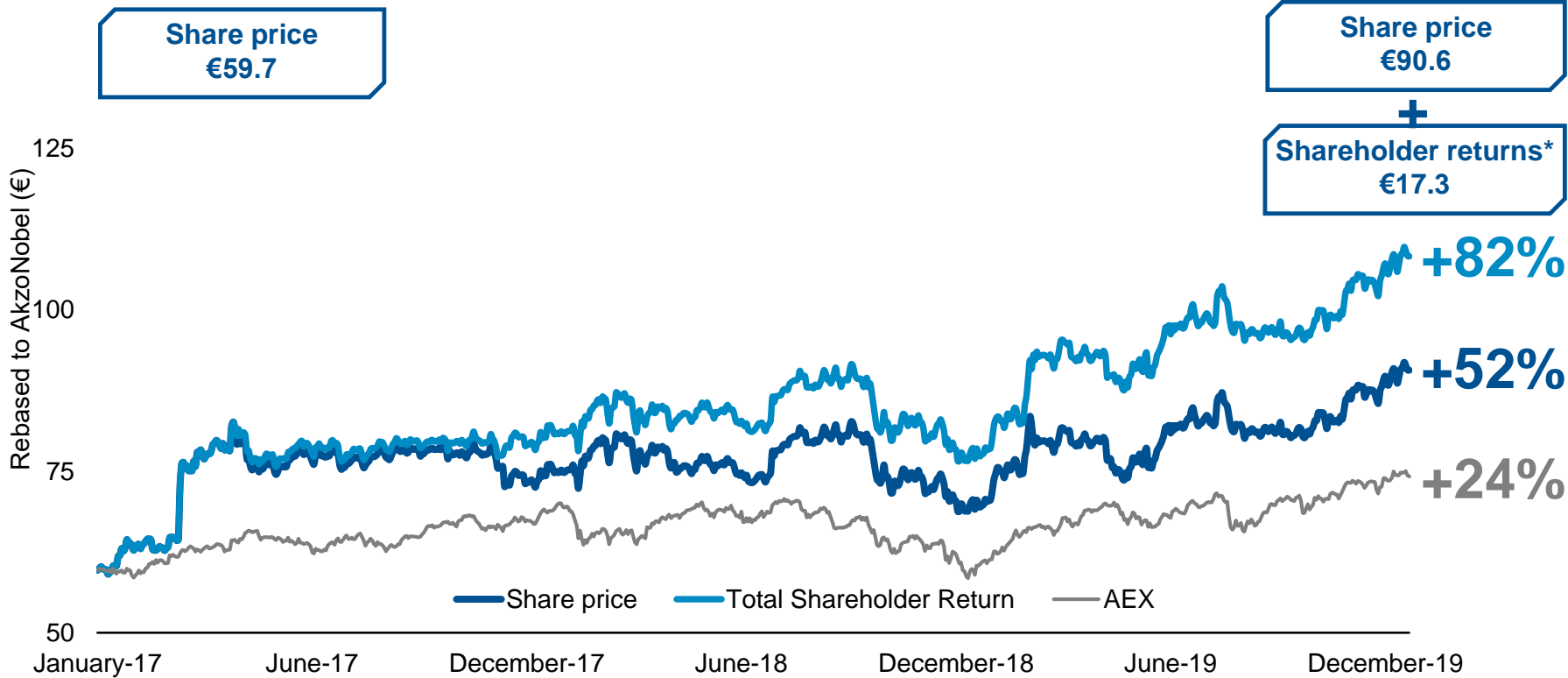
% ■ Unallocated cost



ROS = adjusted operating income as percentage of revenue (excluding unallocated cost)  
Assumes no significant market disruption

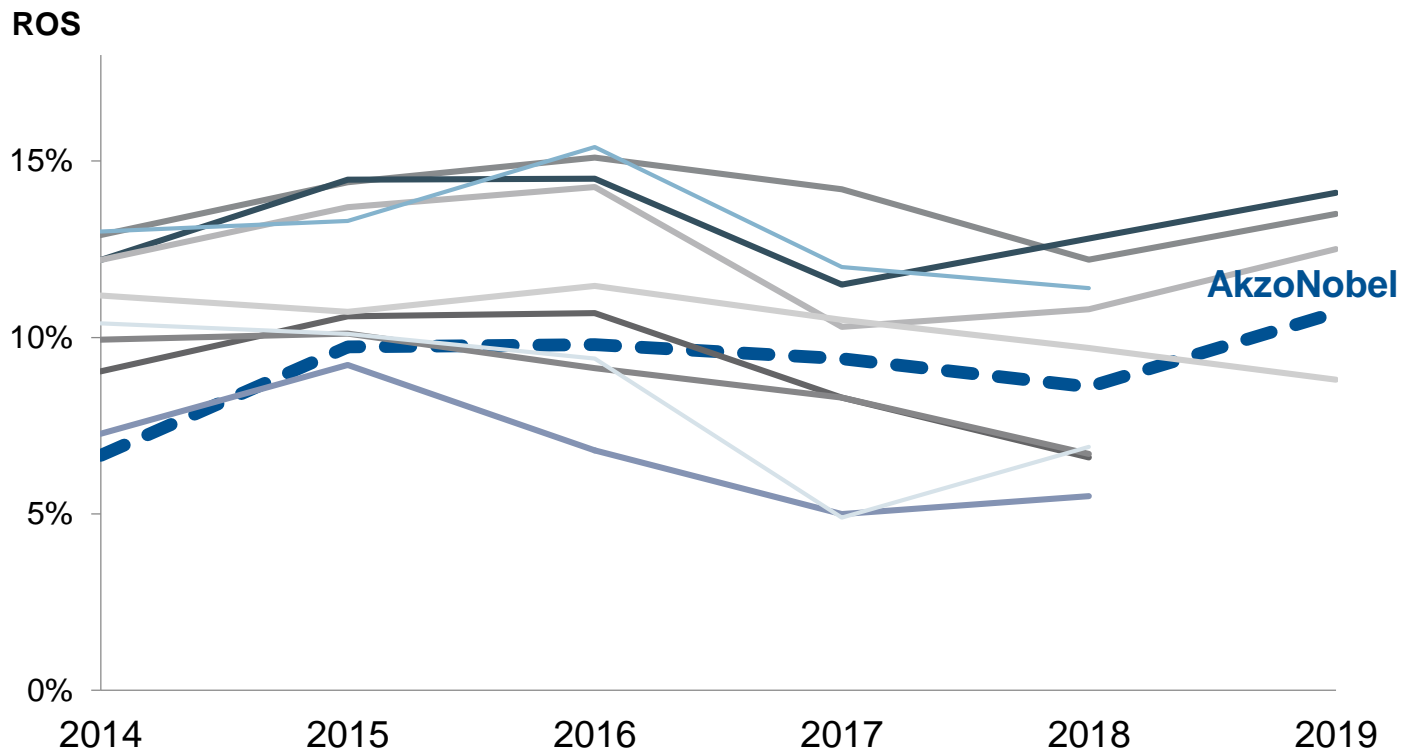


# Significant share price increase and total shareholder return delivered since 2017



Source: Bloomberg  
 \*Special dividend (€4.00) + capital repayment (€8.78) + special dividend (€4.50)

# Performance gap versus top peers narrowed, with further room to improve



ROS = adjusted operating income as percentage of revenue (including unallocated cost)  
 Source: Company data, internal estimates

# Strategy beyond 2020 balances growth and profitability improvement...

**GROW  
& DELIVER**



# Market dynamics

## Ruud Joosten



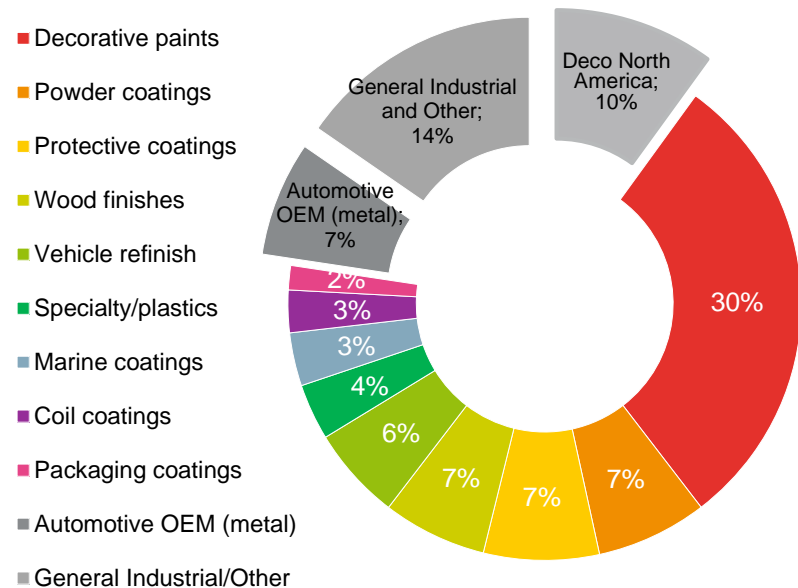
**Paints and coatings protect assets  
and inspire people's everyday lives**

**AkzoNobel**

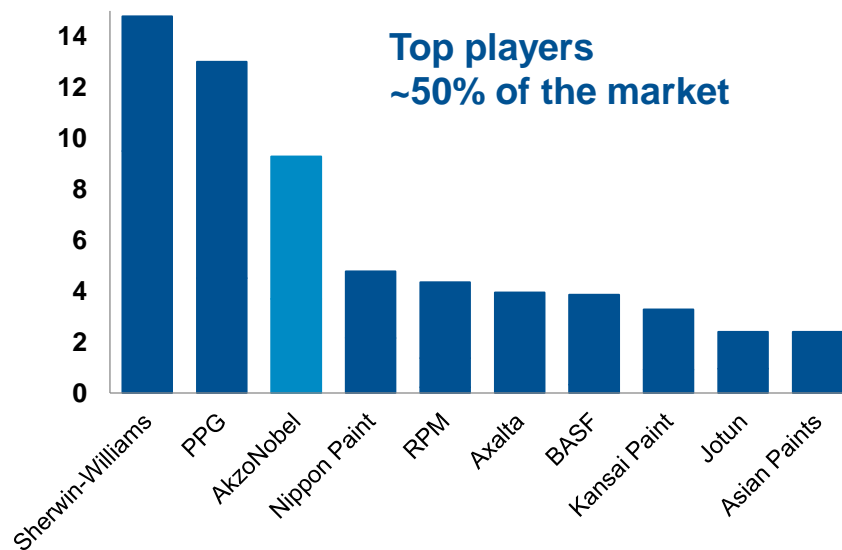


# Attractive €125bn industry with multiple opportunities for growth

Global paints and coatings by market sector  
~€125 billion, 2018



Peer revenue comparison  
€ billion, 2018



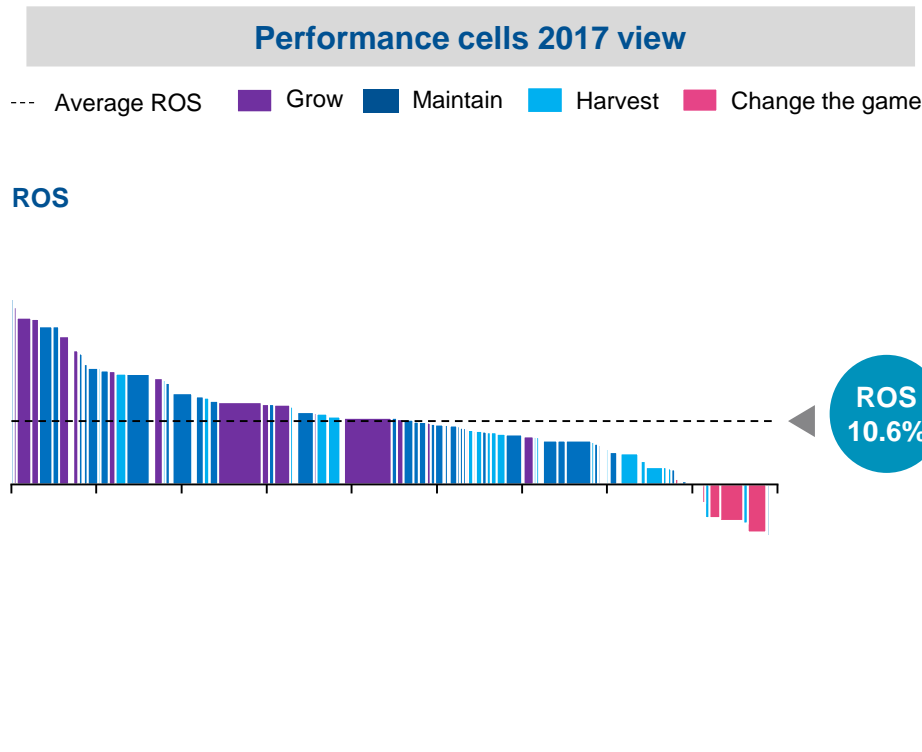
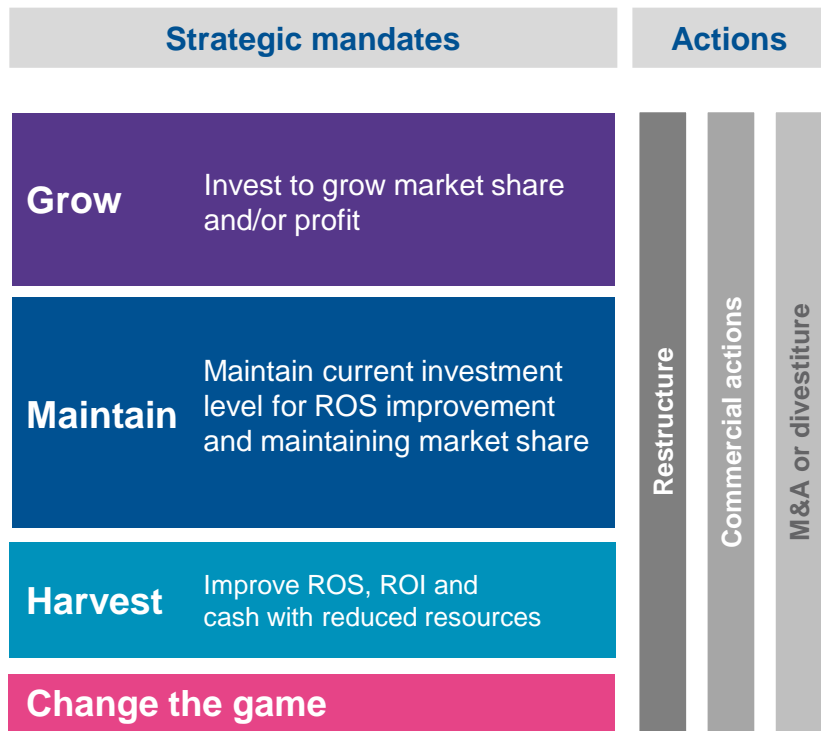
# Strong global portfolio of businesses with leading positions in most segments

Segment	Market size ~€bn, 2018*	Position by revenue	Market growth 2017-2020	Current market dynamics
Decorative Paints (ex. North America)	35	1	1-2%	<ul style="list-style-type: none"> <li>Consolidation in fragmented market</li> <li>Asia continues to outgrow more developed markets</li> </ul>
Marine and Protective Coatings	12	1	0-1%	<ul style="list-style-type: none"> <li>Investments in oil and gas upstream</li> <li>Demand growing in LNG</li> <li>Marine demand stabilized at lower level</li> </ul>
Powder Coatings	8	1	2-3%	<ul style="list-style-type: none"> <li>Demand for more sustainable solutions</li> <li>Continued growth in architectural use</li> <li>New applications</li> </ul>
Industrial Coatings	14	2	0-1%	<ul style="list-style-type: none"> <li>Strong demand for beverage packaging</li> <li>Geographic shifts in demand for wood coatings</li> </ul>
Automotive and Specialty Coatings	11	2/3	1-2%	<ul style="list-style-type: none"> <li>Downturn in automotive industry</li> <li>Aircraft order backlog drives demand for aerospace coatings</li> </ul>



\*Excluding ~€40 bn in regions/segments where AkzoNobel is not present  
Source: Orr&Boss, Chem Research, internal estimates

# Business portfolio managed according to clear strategic mandates



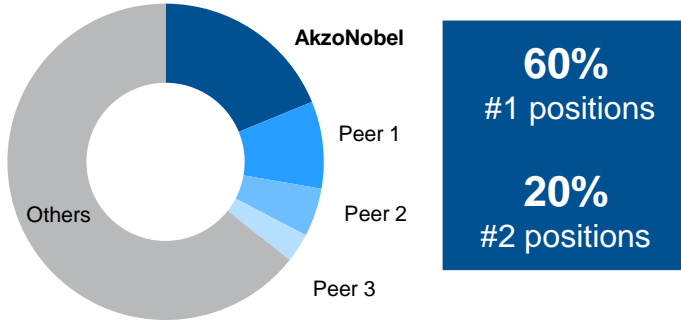
ROS = adjusted operating income as percentage of revenue



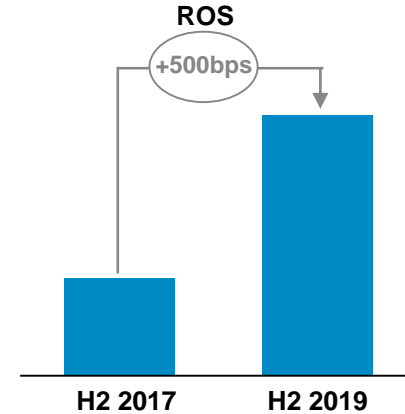
# Decorative Paints EMEA

Combining leading positions with strong brands and distribution

Largest player in fragmented market



**€2.2bn revenue**  
**2x relative market share**  
**#1 in Africa**



Strong foundation to grow revenue and profit:

- ↗ Stable volume share
- ↗ Expanded store network in UK
- ↗ Progress in France
- ↗ Successful operating model

Leveraging strong brands:



# Decorative Paints

## Successful bolt-on acquisitions

Focus on strategically aligned and value generating acquisitions:

- Strengthen market position
- Increase relative market share
- Expand distribution
- Leverage synergies
- Support footprint optimization
- New technologies

Further opportunities for consolidation...



#1 in Romania  
Strong market presence  
Local production capacity

The logo for Xylazel, consisting of the word "xylazel" in white lowercase letters on a black rectangular background with a wavy bottom edge.

Shared #1 in Spain  
Strengthens metal and woodcare offering  
Cost savings



Expanded Malaysian distribution  
Cost savings

+€85m  
revenue  
in 2019

Integration  
on track

Accretive to  
ROS post  
synergies

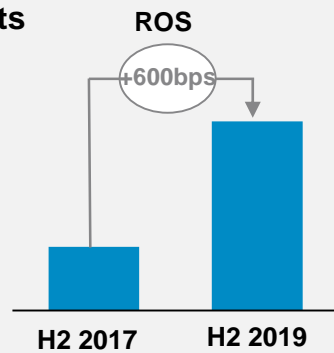


# Marine and Protective Coatings

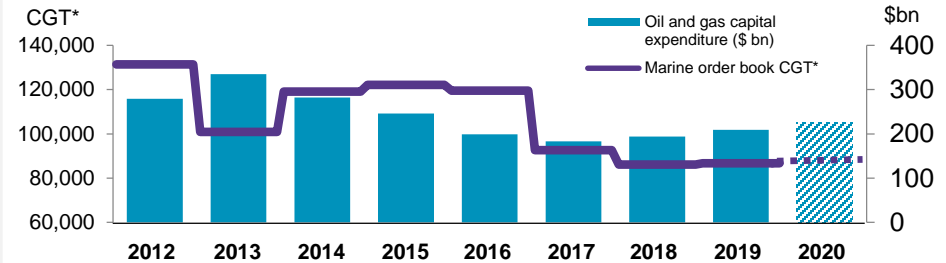
## Recovered to double-digit ROS in tough market

### Profitability back in double-digits

- ↗ Focus on value over volume
- ↗ Right-sized cost structure
- ↗ Effective portfolio management



### Industry headwinds persisted in marine and oil and gas industries



#### Marine

- ↗ Pockets of growth: LNG
- ↗ Solution based product technology and service innovation
- ↗ Big data analytics and digital automation

#### Protective

- ↗ Global market leader with strong position in oil and gas
- ↗ Robust pipeline of opportunities
- ↗ Technology as key success lever

€1.3bn revenue  
#1 position



# Industrial Coatings

Turnaround with focus on value over volume and cost savings

€1.7bn revenue

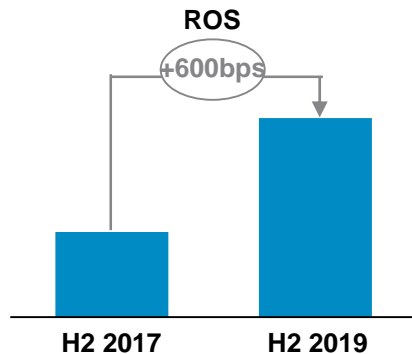
#1 packaging  
(inside the can)

#2 coil

#2 wood

Deliberate focus on value over volume

- Raw material pricing inflation recovery
- Margin management
- Tail slicing discipline
- Shift in positioning



## Case study: Coil in Europe

- Exited non-profitable business
- Strategic long-term contracts to secure future with top customers
- SKU rationalization to capture business integration synergies
- Footprint optimization: closed one factory and invested in two others

Investing in our assets: €50m upgrade for wood coatings in the US



- State-of-the-art production technology
- New raw materials warehouse
- Research lab and technical application center



**Winning together:  
15 by 20  
Maarten de Vries**



# Winning together: 15 by 20 strategy continues to deliver results



**Sales force effectiveness**  
**Margin management**  
**Innovation excellence**

**10% cumulative price increases (2017-2019)**  
Moving towards ongoing margin management  
Paint the Future creating an innovation ecosystem



**Global Business Services**  
**Integrated Business Planning**  
**ERP and systems platform**

All 5 GBS hubs operational; **38 transitions completed in 2019**  
**16 ERP integrations realized** out of 18 planned for 2019



**ALPS continuous improvement**  
**Fit-for-purpose organization**  
**Procurement excellence**

Continuous improvement continues to offset fixed cost inflation  
**Delivered €80m out of €200m savings for 2019 and 2020**



**High-performance culture**  
**Career and capability development**  
**Core principles**

Executive organizational health in 2<sup>nd</sup> quartile  
**Recognized as Top Employer in key countries**



# Transformation delivering towards previously announced cost savings



Sales force effectiveness  
Margin management  
Innovation excellence



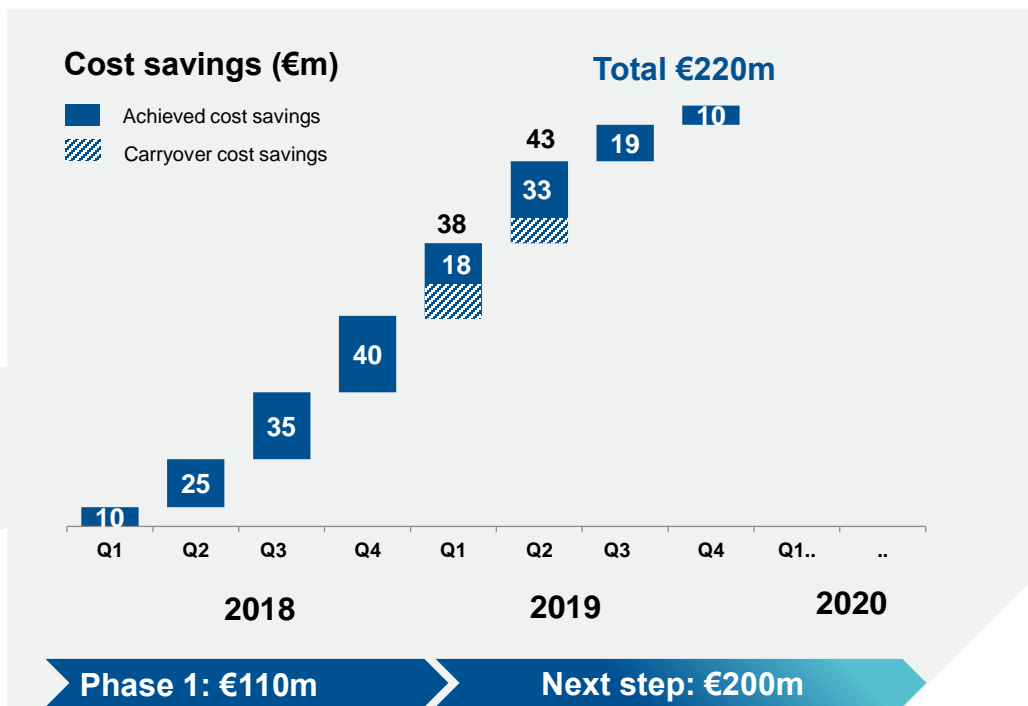
Global Business Services  
Integrated Business Planning  
ERP and systems platform



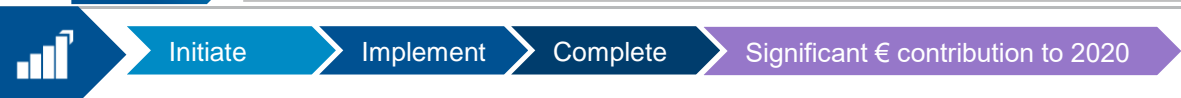
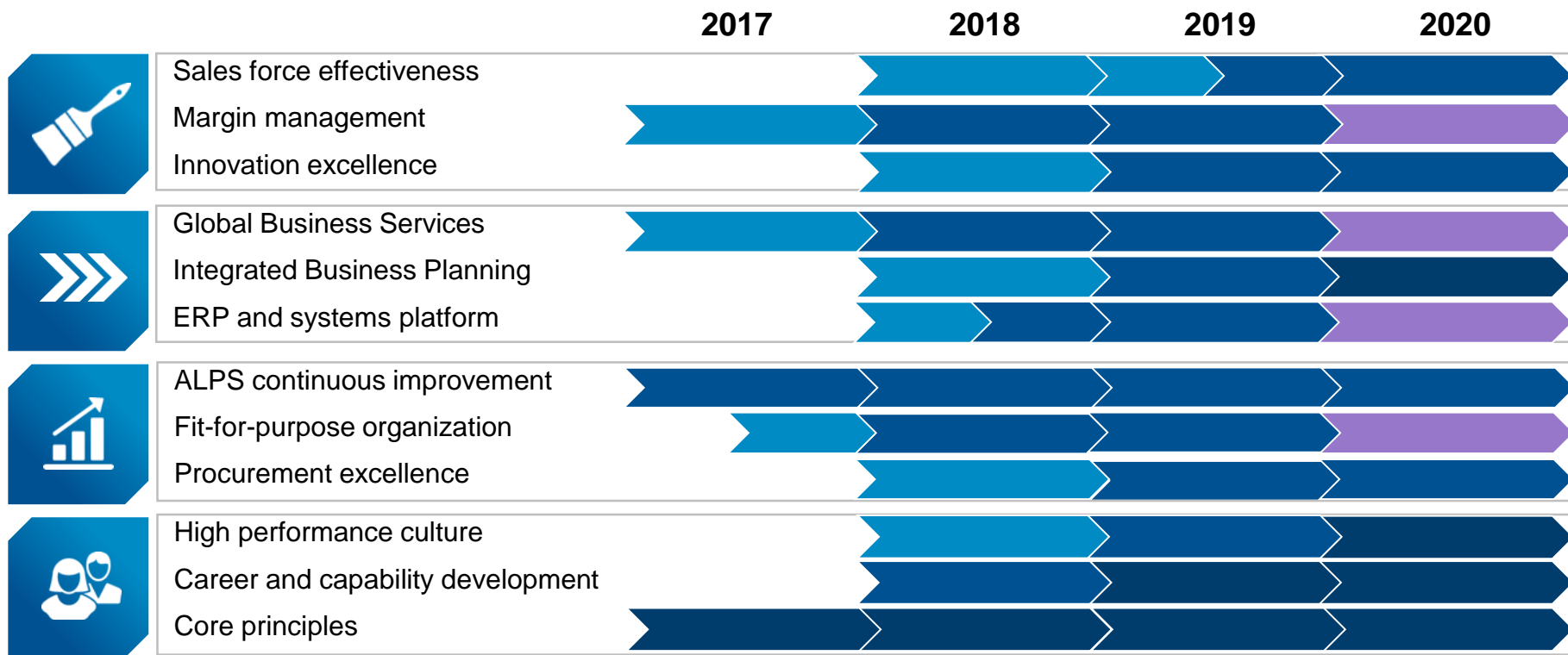
ALPS continuous improvement  
**Fit-for-purpose organization**  
Procurement excellence



High-performance culture  
Career and capability development  
Core principles




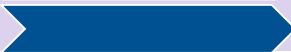














# Good progress and sustained focus on transformation plans





# Several key initiatives contribute to 2020

		Significant € contribution to 2020	
	Sales force effectiveness	↗ Moving towards margin management ↗ 1-2% annual pricing discipline	
	Margin management		
	Innovation excellence		
	Global Business Services	↗ Additional 36 GBS transitions in progress ↗ 4 ERP integrations planned for 2020 (65% of revenue in 1 ERP by end 2020)	
	Integrated Business Planning		
	ERP and systems platform		
	ALPS continuous improvement	↗ Selective Supply Chain footprint optimization ↗ Transformation of support functions continues	
	Fit-for-purpose organization		
	Procurement excellence		
	High performance culture		
	Career and capability development		
	Core principles		

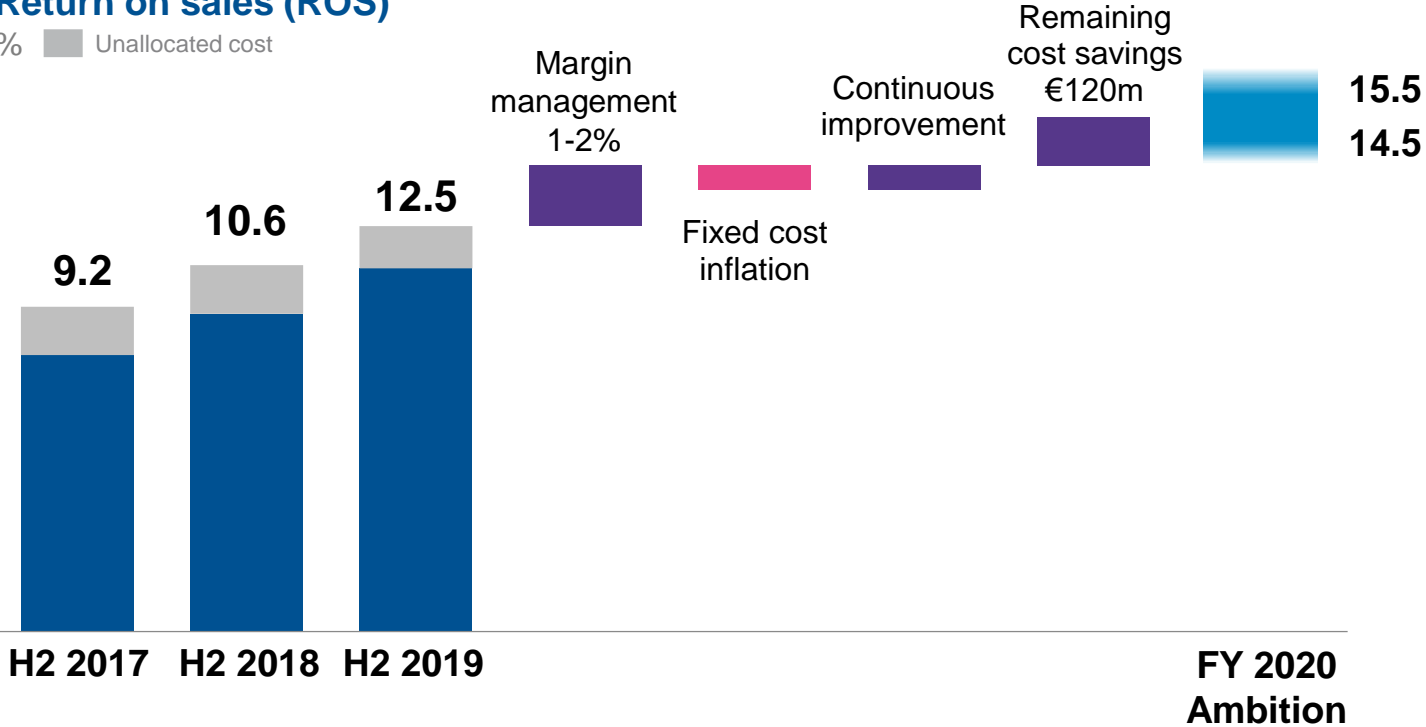


# Momentum to deliver higher ROS in 2020

## Margin management and cost savings drive profitability improvement

### Return on sales (ROS)

%  Unallocated cost



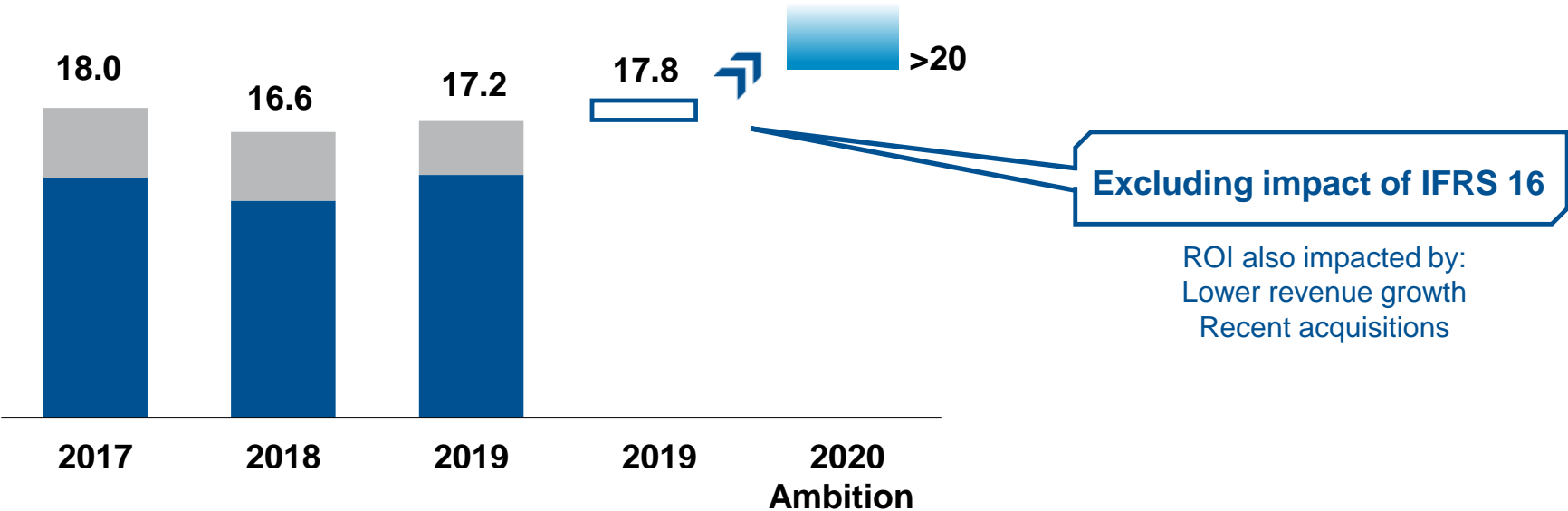
ROS = adjusted operating income as percentage of revenue (excluding unallocated cost)  
Assumes no significant market disruption

# Momentum to deliver improved ROI in 2020 AkzoNobel

despite lower growth assumptions and impact of IFRS 16

## Return on investment (ROI)

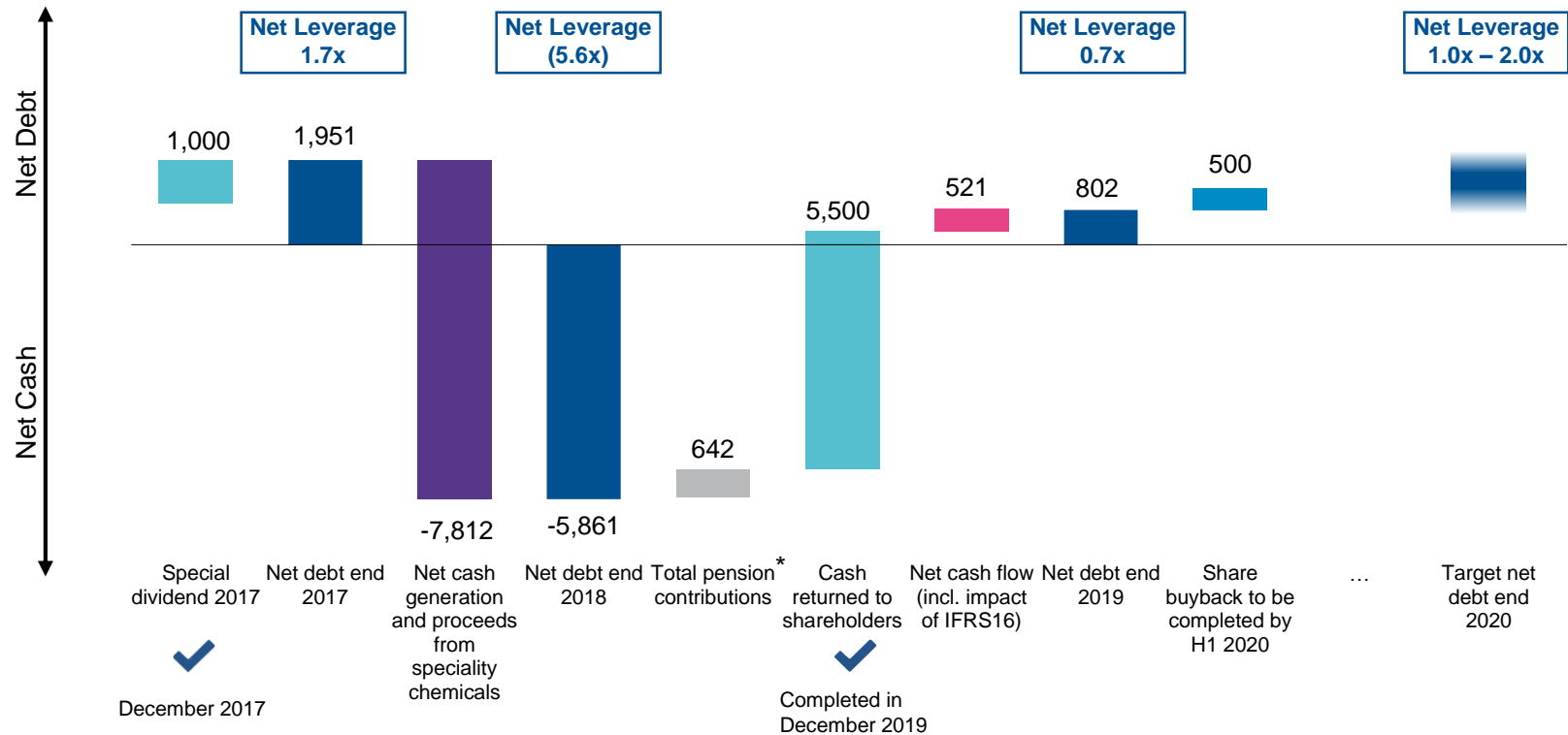
% ■ Unallocated cost and invested capital



ROI = adjusted operating income of the last 12 months as percentage of average invested capital (excluding unallocated cost and invested capital). Assumes no significant market disruption

# Delivered promised shareholder returns

Moving towards target leverage 1-2x net debt/EBITDA



Return of proceeds from Specialty Chemicals

\*Mainly UK pension contributions (€481m top-up and €161m payment into escrow)

# Winning together: 15 by 20



**Passion for paint**



**Precise processes**



**Powerful performance**



**Proud people**



# Beyond 2020

## Thierry Vanlancker



# Strategy beyond 2020 balances growth and profitability improvement...

**GROW  
& DELIVER**



# Key levers to grow and deliver profitability improvement 2021-2023

- ↯ Portfolio management
- ↯ Market segment growth
- ↯ Sustainable (open) innovation

**GROWTH**

- ↯ Integrated Supply Chain
- ↯ Value engineering
- ↯ ERP and application integration
- ↯ End-to-end processes
- ↯ Attractive capital allocation

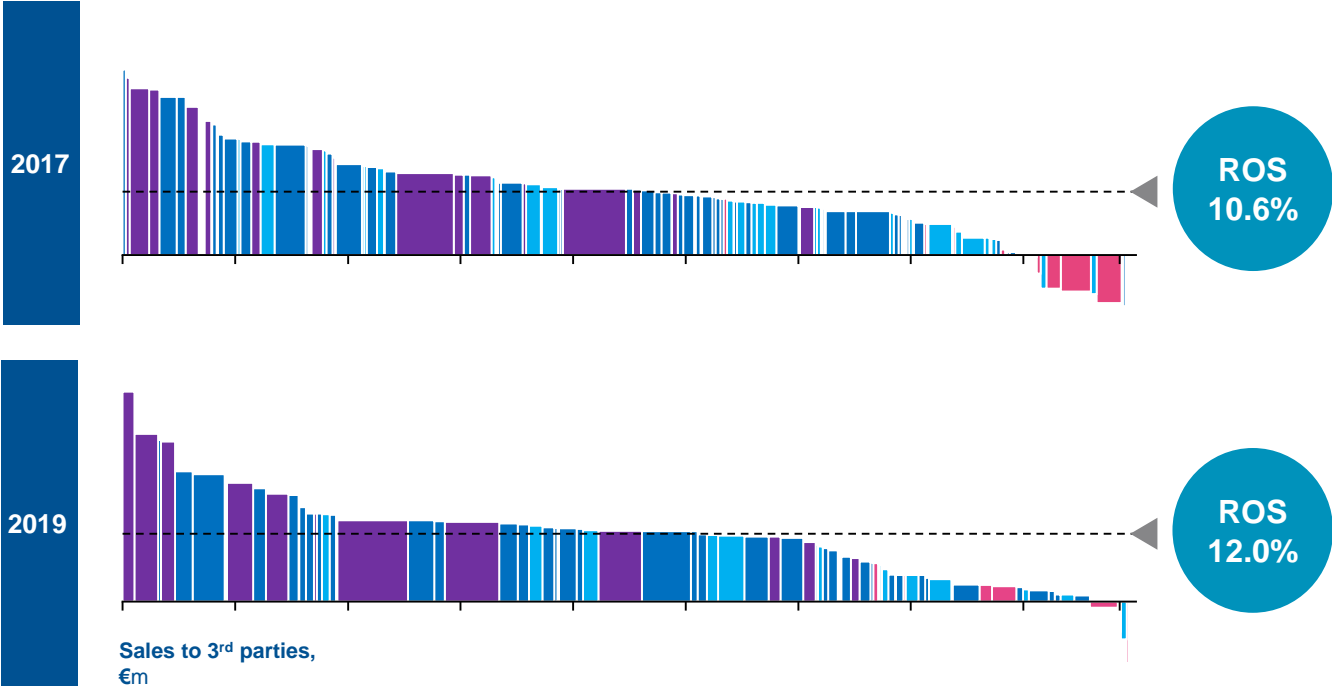
**PROFIT**





# Rigorous portfolio management

Creating a high-performance culture



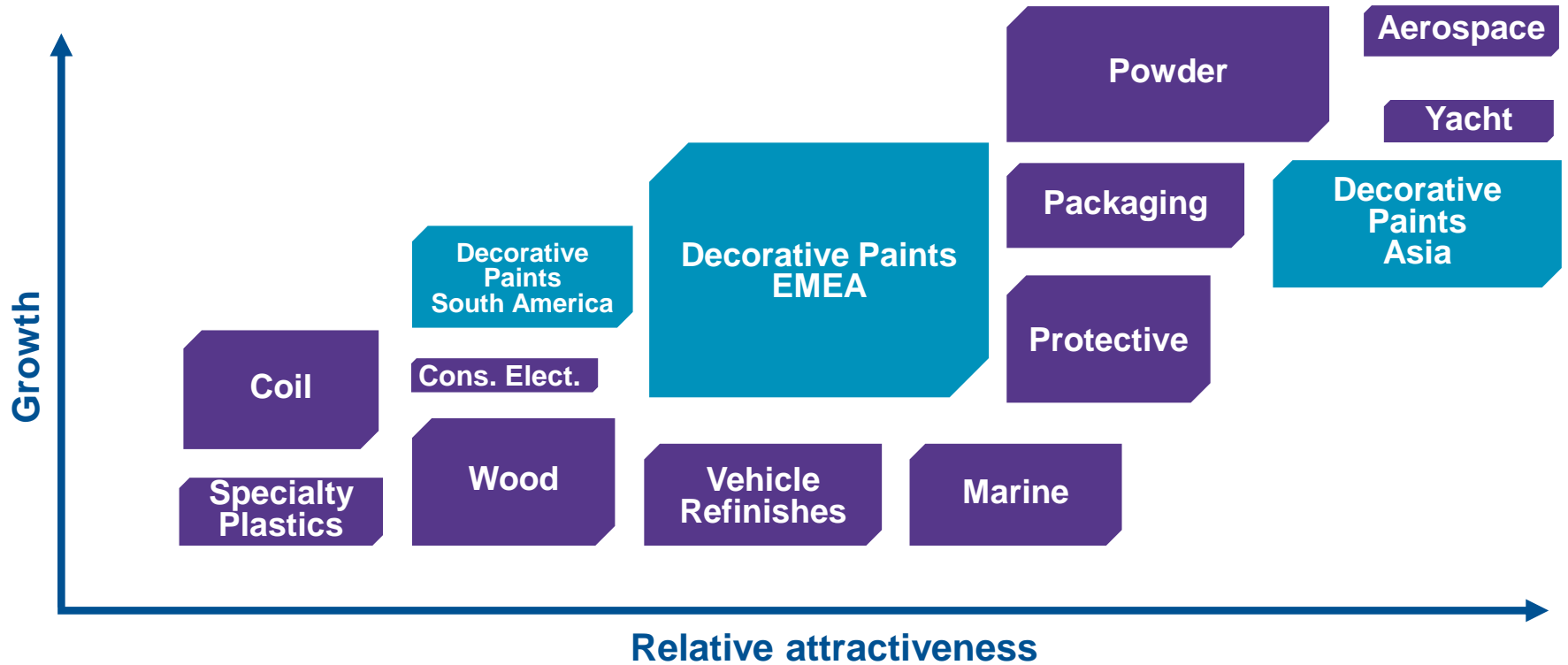
--- Average ROS    ■ Grow    ■ Maintain    ■ Harvest    ■ Change the game

ROS = adjusted operating income as percentage of revenue (excluding unallocated cost)

**Market segment growth  
and sustainable innovation**  
Ruud Joosten



# Attractive growth opportunities exist across geographies and industries



# Decorative Paints in China

Highly profitable with strong growth drivers

~€5bn market

#1 in premium segment

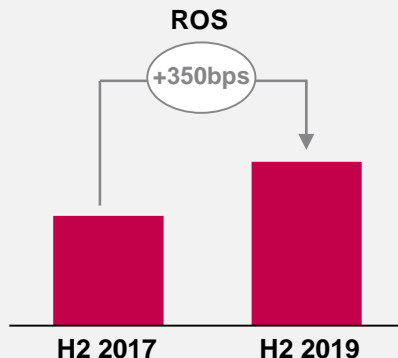
Leader in sustainability

Recognized “Superbrand”



## Strong platform in place

- ↗ Renewed management team
- ↗ Cleaned-up product portfolio
- ↗ Acquired minority shareholding
- ↗ Growing premium Dulux brand
- ↗ Highly profitable business



## Positioned for future growth

- ↗ Drive product penetration and partnerships for premium
- ↗ Disciplined pricing and promotion mechanisms
- ↗ Optimize channels and retail standards
- ↗ Upgrade distributor network



# Decorative Paints

Leverage global scale to drive growth and efficiency

## Marketing

### Color of the Year



All countries

### TV campaigns



25 countries

## Innovation

### Easyare



31 countries

### Rezisto



13 countries

### Color Sensor



18 countries

### Wet tester



22 countries

€3.7bn  
revenue

ROS

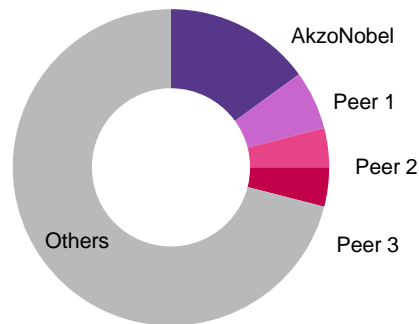
+300bps

H2 2017

H2 2019

# Powder Coatings

Clear global #1 - fastest growing and high performing

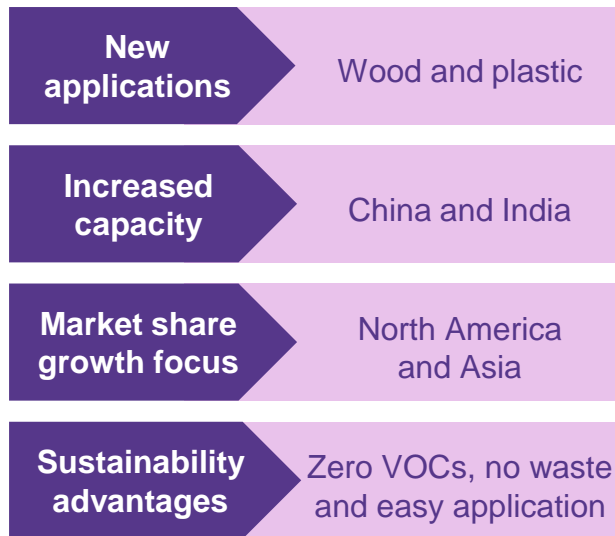


~€8bn market

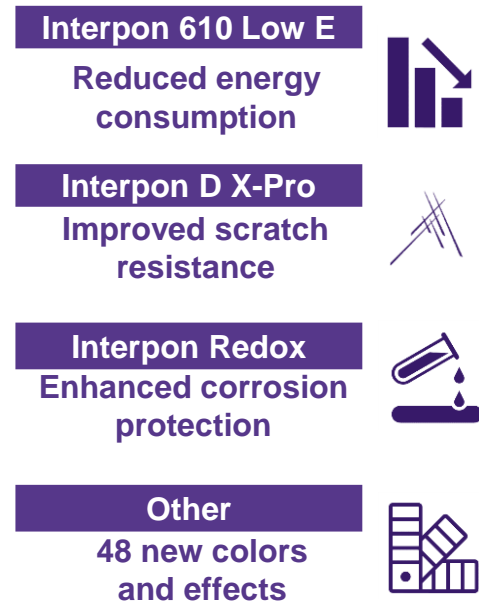
€1.2bn revenue

2x relative market share

## Multiple sources of growth..



## Product launches..



# Packaging Coatings

Well placed to capture share in a growing market segment

Shift from plastic



New categories



Brand differentiation



Leading technology

Market leading epoxy and BPANI inside spray technologies...

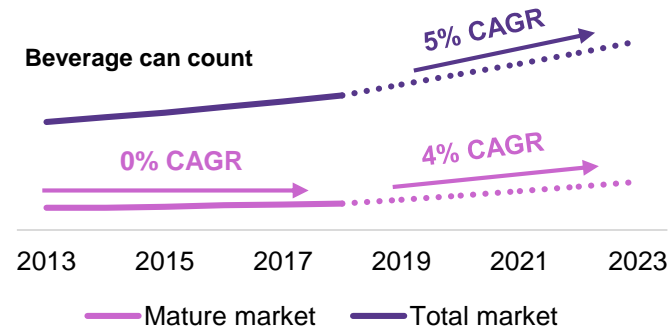
- Robust application
- High-speed coating and flexibility

~€2.5bn market

Growing faster than the market

Present on >50% cans

Market expected to continue to grow..



# Aerospace Coatings

Leading position with strong growth dynamics

**aerODUR**

**#1 in exterior coatings**

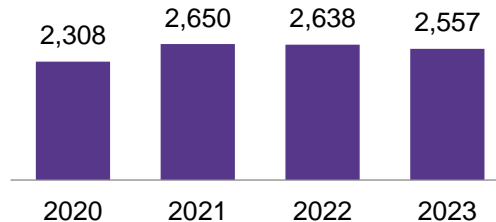
**50:50 new:maintenance**

**Serve 8/10 world's top airlines**



- Leading position with basecoat/clearcoat technology
- Sustainable solutions (e.g. chrome-free technology)
- Strong key account management
- Key customers: Boeing, Airbus, Bombardier, Embraer and Gulfstream

## Commercial aircraft deliveries (forecast)



**AkzoNobel**

**MAPAERO**

- Enables entry into cabin/interior coatings
- Strengthens position in structural coatings
- Sustainable product offering





# Yacht Coatings

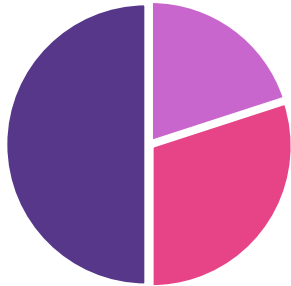
Attractive, growing niche segment; leading brands and technology

## AWLGRIP®

#1 position

€400m market

3% growth CAGR



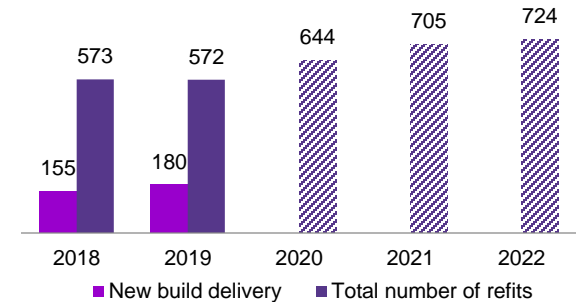
Professional Retail Yacht

### Only player with global presence:

- Present in all segments:
  - Recreational boating (distribution)
  - Superyacht (OEM and distribution)
- Complete offering:
  - Below water (primers, anti-fouling)
  - Above water (undercoats, non-skid deck coatings)
  - Interiors (finishes, tanks/wet areas)
- Strong key account management and technical support
- Broadest technology innovation (Awlgrip HDT, sprayable fillers, biocide-free)



**New-build expected to remain stable at 2019 numbers, with growth driven by refits**



# Innovation

Solutions beyond generations for our customers worldwide

~€1.25 billion

spent on R&D in the last five years

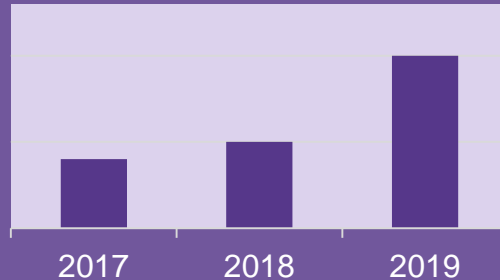
~3,000

scientists worldwide

2,900+

patents

Priority patent applications filed



Technology

Product development

Customer support



Innovation drivers



Productivity



Asset protection



Surface enhancement



Environmental protection



# Creating an innovation ecosystem

Collaborative open innovation transforming the industry

**AkzoNobel**

Paint the Future  
startup challenge

Spring 2019

Innovation  
acceleration  
with suppliers

November 2019

Regional startup  
acceleration

Brazil

Spring 2020

Collaborative  
innovation  
ecosystem



**PAINT  
THE  
FUTURE**

**Integrated Supply Chain  
and value engineering  
David Prinselaar**



# Integrated Supply Chain

Reinventing our supply chain to become strategic and customer-driven

**13,500** People  
**125** Sites  
**365** Warehouses  
**~€250m** CapEx/year  
**€1.5bn** Cost



## 2023 ambitions



**Safety**  
Remain top quartile



**Capital**  
Reduced inventory



**Service**  
Become top quartile



**People**  
Become top quartile (OHI)



**Cost**  
4% annual cost productivity



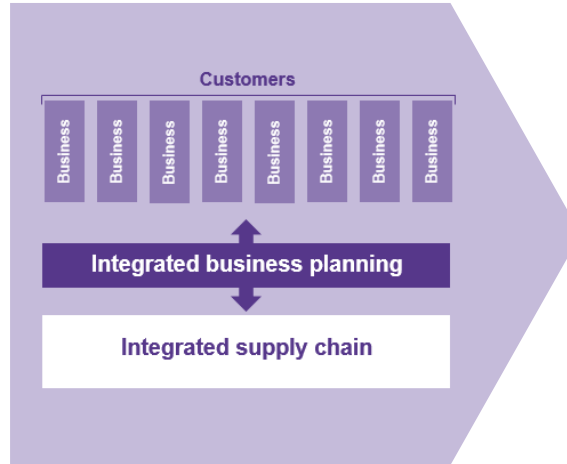
# Integrated Supply Chain

Reinventing our supply chain to become strategic and customer-driven

**2017-2019**

**Functional to integrated**

- ↗ Organizational transformation
- ↗ ALPS implementation
- ↗ Integrated Business Planning



**2020 and beyond**  
**Reinventing supply chain**

- ↗ End-to-end customer service
- ↗ Asset network based on supply chain archetypes
- ↗ Expand ALPS



People, team and capabilities



Operational excellence



End-to-end customer service



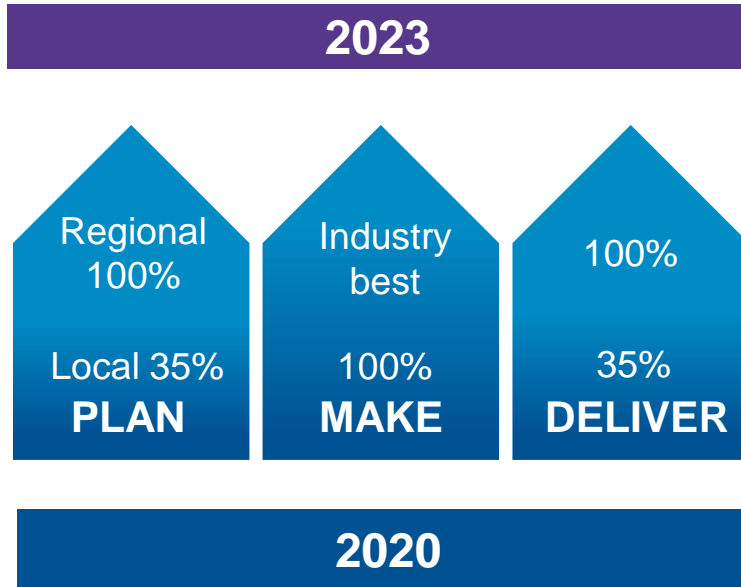
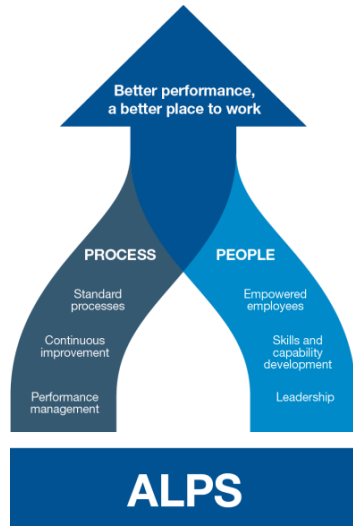
Asset network



# Integrated Supply Chain

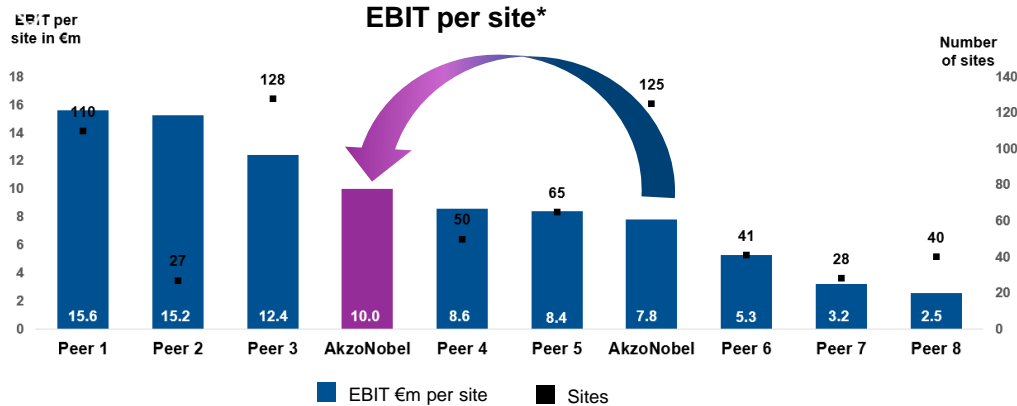
## ALPS continuous improvement drives operational excellence

### ALPS continues to offset inflation (Implementation level 2020 to 2023 in %)

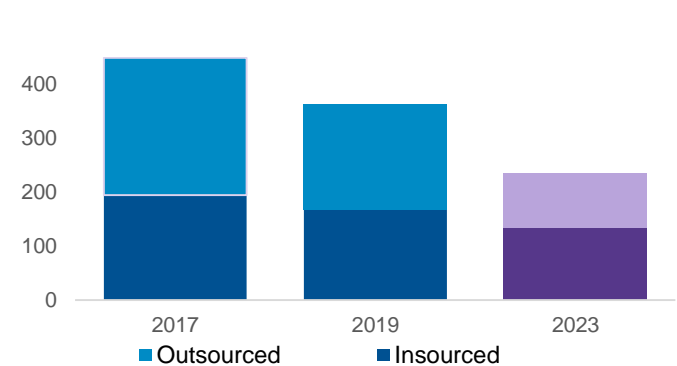


# Integrated Supply Chain

Streamlined manufacturing footprint; consolidated warehouse network



Number of warehouses AkzoNobel



## From...

- ↗ Broad manufacturing and warehouse footprint with strategy driven by business units only
- ↗ Sub-optimal product allocation and low efficiency
- ↗ Upstream product differentiation

## To...

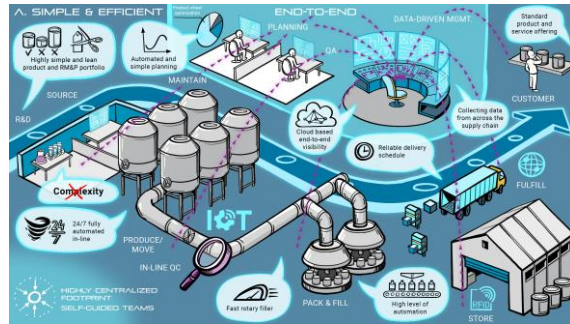
- ↗ Streamlined manufacturing footprint driven by supply chain archetypes
- ↗ Consolidated warehouse network
- ↗ Late differentiation at optimal step in value chain



# Integrated Supply Chain

## Three archetypes enable customer-driven supply chain optimization

### Simple and efficient

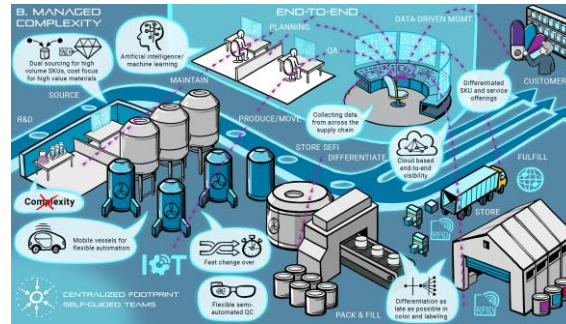


**50%**  
of total volumes

↗ Lowest total cost for high volumes at consistent quality

Example: White wall paint, packaging coatings

### Managed complexity

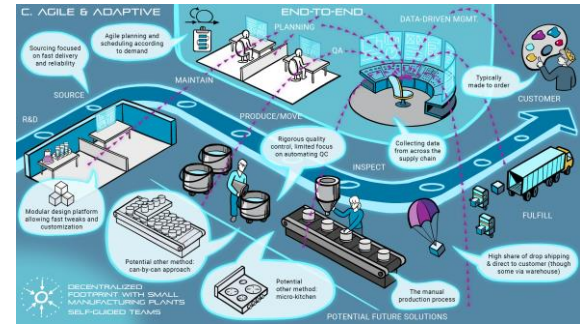


**40%**  
of total volumes

↗ Offer many SKUs with selective customizations at balanced cost with best-in class reliability

Example: Colored wall paint, basecoats for Vehicle Refinishes

### Agile and adaptive



**10%**  
of total volumes

↗ Fulfil new and/or unexpected customer requests at a fast pace

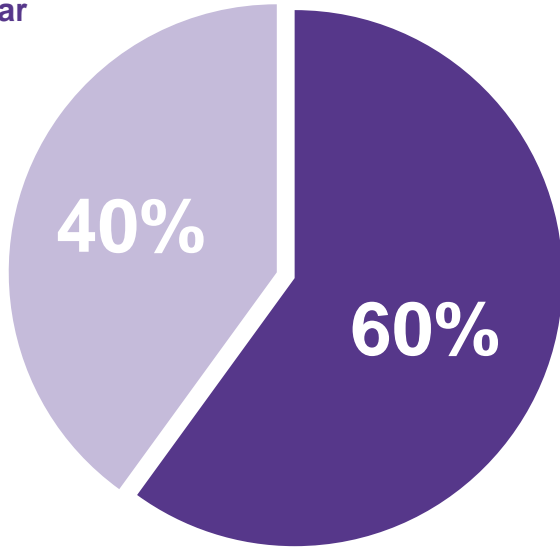
Example: Aerospace Coatings, Rapid Service Unit for Powder

# Integrated Supply Chain

Capital expenditure based on strategic mandates and archetypes

~€250m

CapEx/year



■ Maintain  
■ Invest

## PLAN

- ↳ Advanced planning system
- ↳ Data analytics



## MAKE

- ↳ Performance portals
- ↳ In line technology
- ↳ Automation
- ↳ Capacity optimization



## DELIVER

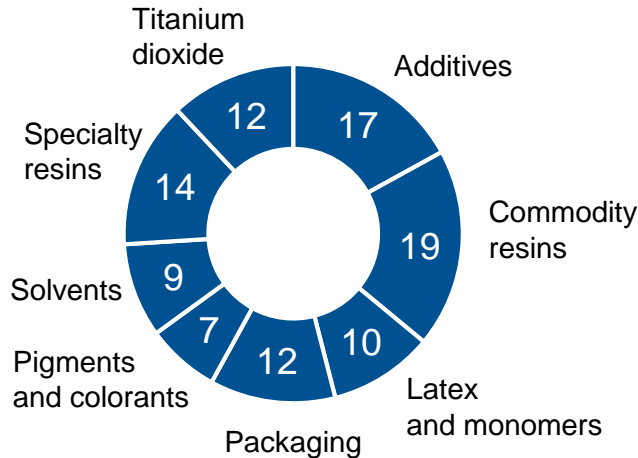
- ↳ 4PL
- ↳ Data analytics
- ↳ Capacity optimization



# Value engineering

## Procurement category management, enabling efficiency gains

### Category management in place



>12,000 Raw material SKU

>4,000 Suppliers

### Value engineering 2.0

**Raw material slate rationalization across portfolio**

**Supplier management and simplification of supply chain**

### Efficiency gains...

#### Achieved:

##### TiO<sub>2</sub> rationalization China

~20% average reduction of TiO<sub>2</sub> grades per site

#### Underway...

##### Latex rationalization Decorative Paints Europe

Planned reduction from 120 to 50 grades in four-year timeline

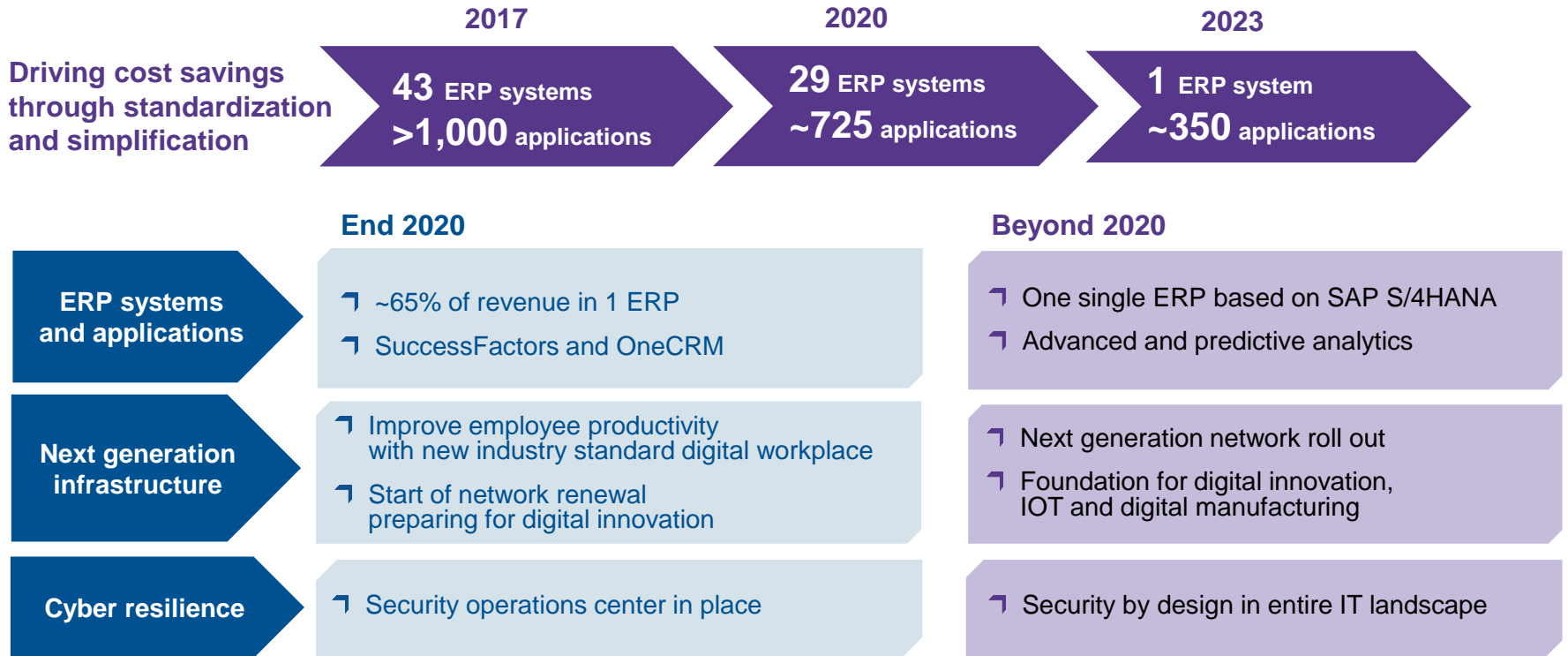


**ERP, end-to-end,  
and capital allocation**  
Maarten de Vries



# Information Technology

## Removing complexity; creating a future-proof technology backbone



# Global Business Services (GBS)

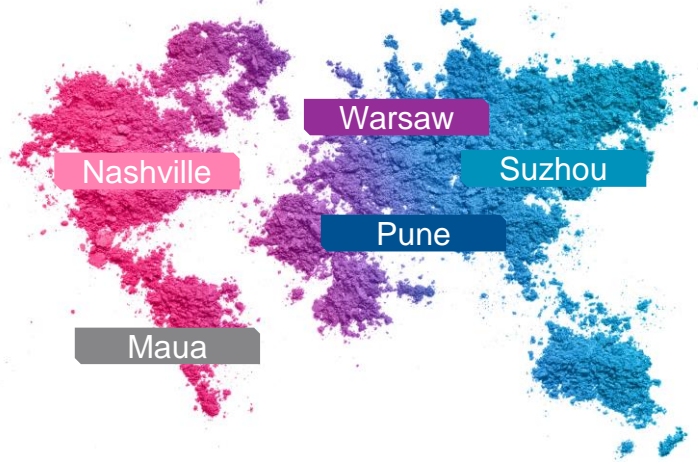
## Embed operational excellence and deliver cost savings

### END 2020

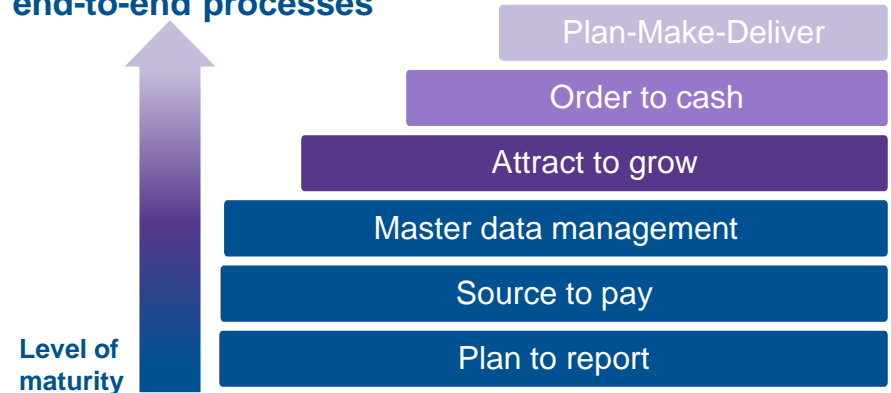
- ↗ 2,600 people (from 350 in 2017)
- ↗ Centralize before standardize
- ↗ Transparency of end-to-end metrics
- ↗ Reliable data management

### BEYOND 2020

- ↗ Rigorous standardization
- ↗ Automation of activities
- ↗ Annual cost productivity (7%-10%)
- ↗ Data-driven culture



### Expanding scope of GBS with more end-to-end processes

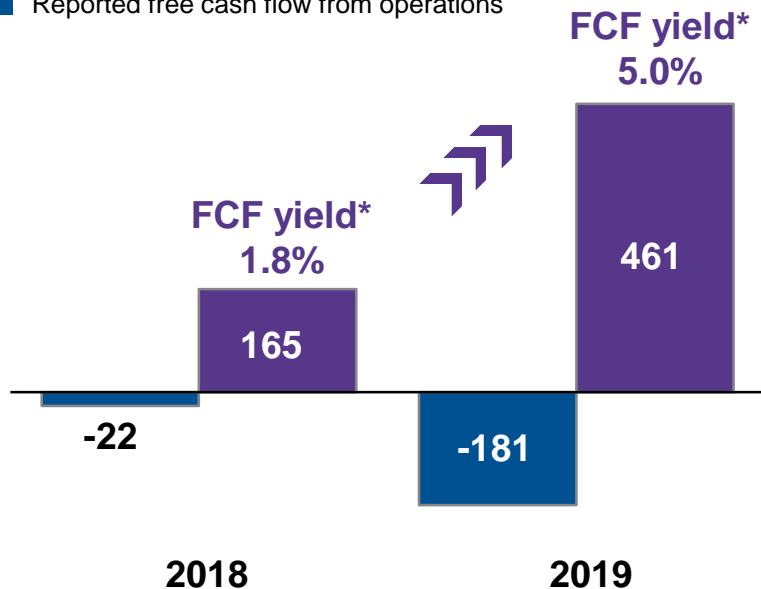


# Stepping up free cash flow

## Free cash flow (FCF) €m

■ Free cash flow excluding pension top-up payments

■ Reported free cash flow from operations



## Strong cash generation

- ↗ Increased profitability
- ↗ Minimal pension top-up payments
- ↗ Industry top quartile working capital
- ↗ Further improvement opportunities in working capital
- ↗ Low capital intensity (~2.5% capital expenditures/revenue)

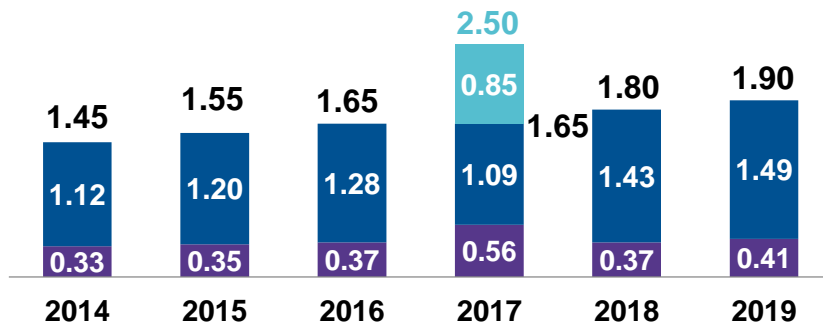


\*FCF excluding pension top-up payments as a percentage of revenue

Note: EBITDA (and FCF) was impacted by the adoption of IFRS 16 in 2019. 2018 has not been restated

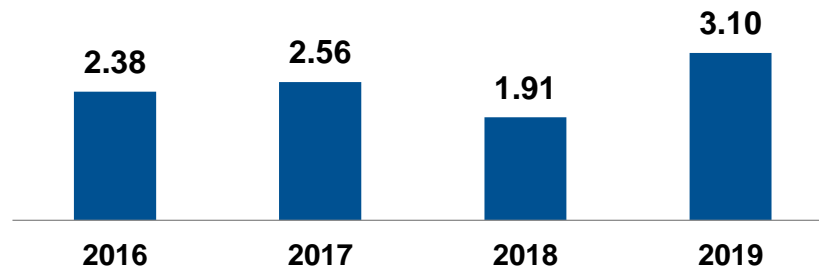
# Stable to rising dividend and modular share buybacks

Dividend (€)



- Related to the Specialty Chemicals business
- Final dividend
- Interim dividend

Adjusted earnings per share\* (EPS) (€)



Number of shares



Dividend yield  $\pm 2.5\%$  2014-2019

Dividend policy remains “stable to rising”

€2.5bn share buyback completed in 2019

€500m share buyback to be completed in H1 2020

\*From continuing operations



# Strategically aligned, value creating, M&A

AkzoNobel

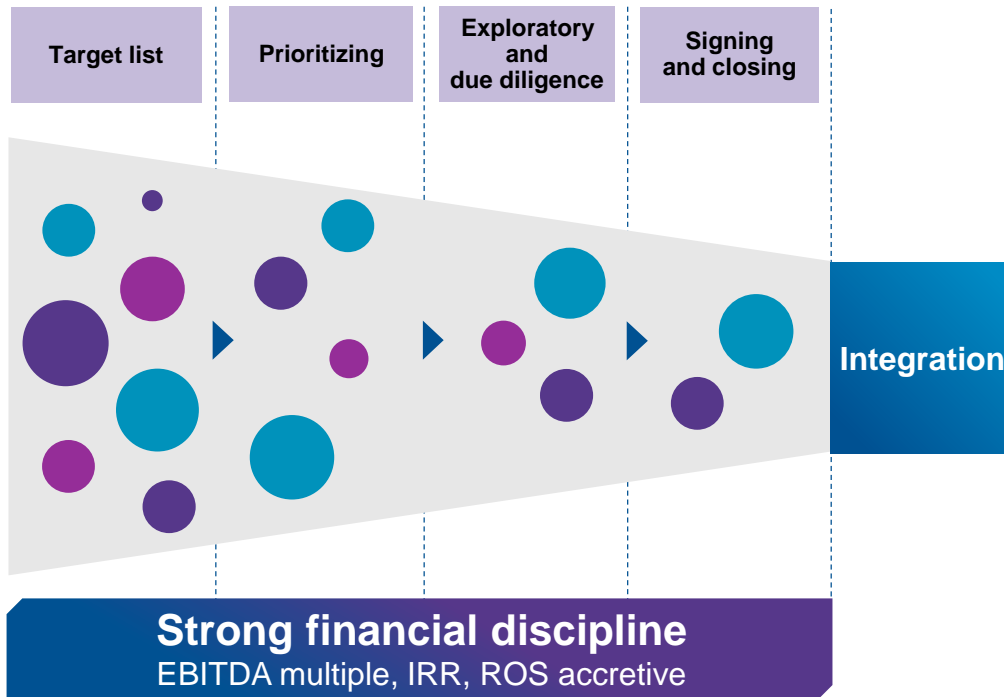
Disciplined approach, in line with strategic mandates

## Strategic fit:

- Paints and coatings segments
- Aligned with strategic mandates
- Add geography and/or technology
- Opportunity for synergies

## Ability to execute:

- Target availability
- Culture fit
- Ease of integration
- Regulatory



# Capital allocation priorities 2021-2023

Chemicals separation proceeds returned



Pension liabilities de-risked



**Profitable organic growth**

~2.5% capital expenditures/revenue  
≥ market CAGR; +50 bps ROS CAGR

**Dividend**

Stable to rising

**Acquisitions**

Strategically aligned and value creating

**Shareholder returns**

Modular share buybacks

Leverage ratio  
1-2x  
net debt/EBITDA

Retain strong  
investment  
grade  
credit rating

**PEOPLE. PLANET. PAINT.  
and concluding remarks  
Thierry Vanlancker**



# PEOPLE. PLANET. PAINT.

Our approach to sustainability

AkzoNobel



# PEOPLE. PLANET. PAINT.



Organizational health up 9% (2018-2019)

Response rate 65%

Overall engagement trend positive

Executives (~300 people) 2<sup>nd</sup> quartile Above leadership benchmark



Top Employer China 2020  
**AkzoNobel**

- Accreditation by Top Employers Institute in key countries: Brazil, China, the Netherlands, UK, US
- 2019 Employer awards in China, France, the Netherlands, Poland, and Sweden

# PEOPLE. PLANET. PAINT.

AkzoNobel

## 2025 ambitions

**>25%**

Reduced carbon emissions  
(Baseline 2018)

**50%**

Water re-usage

**>50%**

Renewable energy

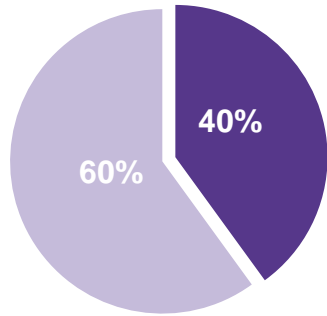
**75%**

Reusable waste



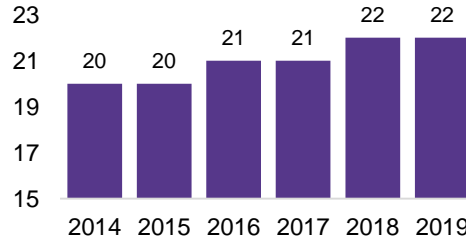
# PEOPLE. PLANET. PAINT.

**Sustainable solutions**  
make up >40% of total revenue



Other Sustainable solutions

**Eco-premium solutions**  
>20% target for 4 consecutive years



Eco-premium solutions as % of sales

## Dulux Trade Evolve

- First major manufacturer to launch a recycled paint
- Contains 35% recycled paint and meets high standards



## Interpon "Low-E"

- Low-E is more energy efficient through faster curing, reducing production cost
- Lower curing temperature is more environmentally friendly

# Strategy beyond 2020 balances growth and profitability improvement

**AkzoNobel**

**GROW  
& DELIVER**





# Financial ambitions 2021-2023



### PLANNING ASSUMPTIONS

- ↗ Constant currencies
- ↗ ROS = Adjusted operating income as percentage of revenue (including other activities/eliminations)
- ↗ Effective tax rate 27%
- ↗ ~2.5% Capital expenditures as a percentage of revenue
- ↗ Leverage ratio 1-2x net debt/EBITDA
- ↗ Assumes no significant market disruption

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