

Interview

Expanding growth



"Occupying niches"

Dr Matthias L. Wolfgruber, Altana AG

To grow its business activities Altana focuses on markets that are growing beyond the GDP. Nevertheless all the enthusiasm for the BRIC states, the company will not neglect European and North American markets, says Dr Matthias Wolfgruber Chairman of Management Board.

What are the advantages to your company of being a niche supplier?

Dr. Matthias L. Wolfgruber: Our business model is based on a knowledge driven specialty business. We want to play a permanently leading role in our markets. We'll succeed in this if we occupy niches. In markets of the order of between 200 million and 2 billion euros, we can actually achieve this objective. Obviously, though, we need to stand out from the competition through innovation and service.

To what extent does this positioning allow you to continue growing?

Wolfgruber: In order to expand our activities further, we are looking for markets that are growing beyond the GDP. This is a basic requirement for our target markets. Otherwise, it is primarily innovation that enables us to grow. Even in the difficult phase during which the coatings industry stagnated, we were able to record double-digit organic growth for additives. This trend is continuing. The volume in the coatings industry is generally growing in the single-digit range, yet through innovations and individual solutions we can create further growth.

What growth do you expect for your global activities?

Wolfgruber: The good results of 2010 are also linked to catch-up effects. Sales and results are significantly above the pre-crisis level in all areas. In 2011 growth rates will slow, even if the first quarter has already seen an increase of 15 %. For

the year overall, we anticipate a rate in the high single-digit range.

We will drive our growth forward on both counts: both organically and through acquisitions. Our strategy is clear: to grow in established businesses through innovation, regional expansion, and development of our commercial activities. With regard to acquisitions, we will be concentrating on existing and, of course, new areas of business.

What regions and segments show growth potential?

Wolfgruber: We are expanding where the coatings industry is the most innovative. In the emerging markets, pent-up demand is very large. In particular, innovations that are allied to eco-friendly system solutions as well as permitting new functions will provide us with opportunities. Legislative regulations, too, create enormous growth potential for our activities.

Nevertheless all the enthusiasm for the BRIC states, we will not neglect European and North American markets. The U.S. is still the largest single market for chemical and coating products. We achieve around 16% of our global sales revenue here. Which is why we wish to continue to expand our position. Germany and China follow close behind with approx. 15 % each.

To what extent will you continue to invest in your growth?

Wolfgruber: We are continuing to invest massively in our future growth. To support our innovation efforts we are planning on spending in the region of EUR 90 million on R&D this year. Another 6 % of sales will be invested in capital assets. But when it comes to developing infrastructures and acquisitions, too, we want to invest disproportionately in future compared to many of our competitors. (gag)

Automotive coatings

Hemmelrath to enter Chinese market

Germany-based Hemmelrath Lackfabrik plans to have a fully operational production facility for automotive coatings in China within two years. "Either by cooperating with a local partner or by building an own production", said CEO Dr. *Markus Hemmelrath* to the editors of ECJ about the company's plans to enter the Chinese market by 2013.

www.hemmelrath.de

Acquisition

PPG to purchase Colpisa

PPG Industries announced that it and its subsidiary, PPG Colombia, have entered into an agreement to purchase the coatings businesses of Colpisa Colombiana de Pinturas. The Colombian company manufactures and distributes coatings for automotive OEM and refinish, industrial and architectural coatings.

www.ppg.com

Acquisition

RPM buys API

RPM International Inc. announced that its Performance Coatings Group has acquired API S.p.A., a USD 28 million producer and installer of polyurethane and urethane-based flooring and decking solutions for cruise ships, mega-yachts and naval applications. Based in Genoa, Italy, API also produces epoxy and polyurethane flooring systems for the Italian building market.

www.rpm.com

Pigments

Krahn and Heubach cooperate

Krahn Chemie will distribute Heubach's chromate-free anticorrosive pigments, organic and inorganic color pigments as well as pigment preparations in Poland, Romania and Hungary. The fully owned subsidiary Krahn Chemie Polska Sp. z o.o. is responsible for the distribution of the Heubach products.

www.krahn.de

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Coating Materials

The Russian paint market in the first half of 2011

The first six months of 2011 showed good signs of recovery

Table 1: Russian paints market in the first quarter 2010 and 2011

Index	1 st quarter 2010, (1,000 t)	1 st quarter 2011, (1,000 t)
Production	158.7	190.6 (+ 20.1 %)
- Export	9.3	11.5 (+ 23.7 %)
+ Import	32.0	40.5 (+ 26.6 %)
Inside consumption	181.4	219.6 (+ 21.1 %)
Volume of domestic paints market	149.4 (82.4 % of total consumption)	179.1 (+ 19.9%) (81.6 % of total consumption)

Table 2: Russian paints market in the second quarter 2010 and 2011

Index	2 nd quarter 2010, (1,000 t)	2 nd quarter 2011, (1,000 t)
Production	337.9	350.0 (+ 3.6 %)
- Export	23.1	32.0 (+ 38.5 %)
+ Import	61.2	66.2 (+ 8.2 %)
Inside consumption	376.0	384.2(+ 2.2 %)
Volume of domestic paints market	314.8 (83.7 % of total consumption)	318.0(+ 1.0%) (82.8 % of total consumption)

Table 3: Russian paints market in 1st half-year 2010 and 2011

Index	1 st half-year 2010, (1,000 t)	1 st half-year 2011, (1,000 t)
Production	500.6	540.6 (+ 8.0 %)
- Export	32.4	43.5 (+ 34.2 %)
+ Import	93.2	106.7 (+ 14.5 %)
Inside consumption	561.4	603.8 (+ 7.6%)
Volume of domestic paints market	468.2 (83.4 % of total consumption)	497.1 (+ 6.2 %) (82.3 % of total consumption)

Sergey Byrdin, Marina Polyakova and Vladimir Stokozenko*

The first half-year 2011 showed continued recovery of Russian economy after the crisis in 2009. According to Russian Federal State Statistics Service (FSSS), Russian GDP growth in the first half-year 2011 is estimated at 3.8 %. In comparison, in first half-year 2010 GDP growth was estimated at 4.2 %.

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The index of industrial production is put at 5.3 % (10.2 %), while population's real income is estimated to have fallen down at 1.4 %. Freight turnover rose 4.4 % (12.2 %), including railway freight, which was up 6.9 % (12.9 %).

Russian paint market: two not similar quarters

According to FSSS, Russian GDP growth in the first quarter 2011 is estimated at 4.1 %. By precise data of FSSS and State Customs Service, Russian paint market in first quarter 2011 shows as follows (see Table 1).

In the second quarter 2011 FSSS estimated GDP growth at 3.4 %. Russian paint market in second quarter 2011 is presented in Table 2.

It is easy to see that if in the first quarter of 2011 growth of production and consumption of coatings was characterized by double digits then in the second quarter growth rates of these indicators decreased by almost an order of magnitude. In general, in the first half of 2011 (see Table 3) the production of coatings growth estimated at 8. %, paint consumption at 7.6 %, which is twice higher than GDP growth.

High growth rates of production and consumption of paints in Russia in first half-year 2011 clearly associated with high rates of growth production in key sectors – consumers of paints.

So, in the first quarter 2011 index of machinery and equipment production amounted to 111.8 % for this indicator for 1st half-year 2010. At 37.8 % increased production of refrigerators, for 34.8 % of washing machines. Index of production of vehicles and equipment amounted 134.9 % for this indicator for 1st half-year 2010. The production of passenger cars increases by 76.5 %, trucks at 53.8 %.

Foreign trade turnover has increased by 35.2 %

Foreign trade turnover of Russia in the first half of 2011 amounted USD 397.3 billion (+ 35.2 % compared to the 1st half of 2010). Herewith the total volume of exports amounted to USD 249.5 billion (+ 34.1 %), imports of USD 147.8 billions (+ 42.3 %). Imports of chemical products in January – May increased by 33.1 %.

Foreign trade turnover of Russia paint and varnish materials in 1st half-year 2011 amounted to USD 534.0 million (+ 35.3 % on 1st half-year 2010). Herewith the export of paints and varnishes was USD 84.5 million (+ 74.6 %), imports of paints USD 449.5 million (+ 29.8 %). ◀



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