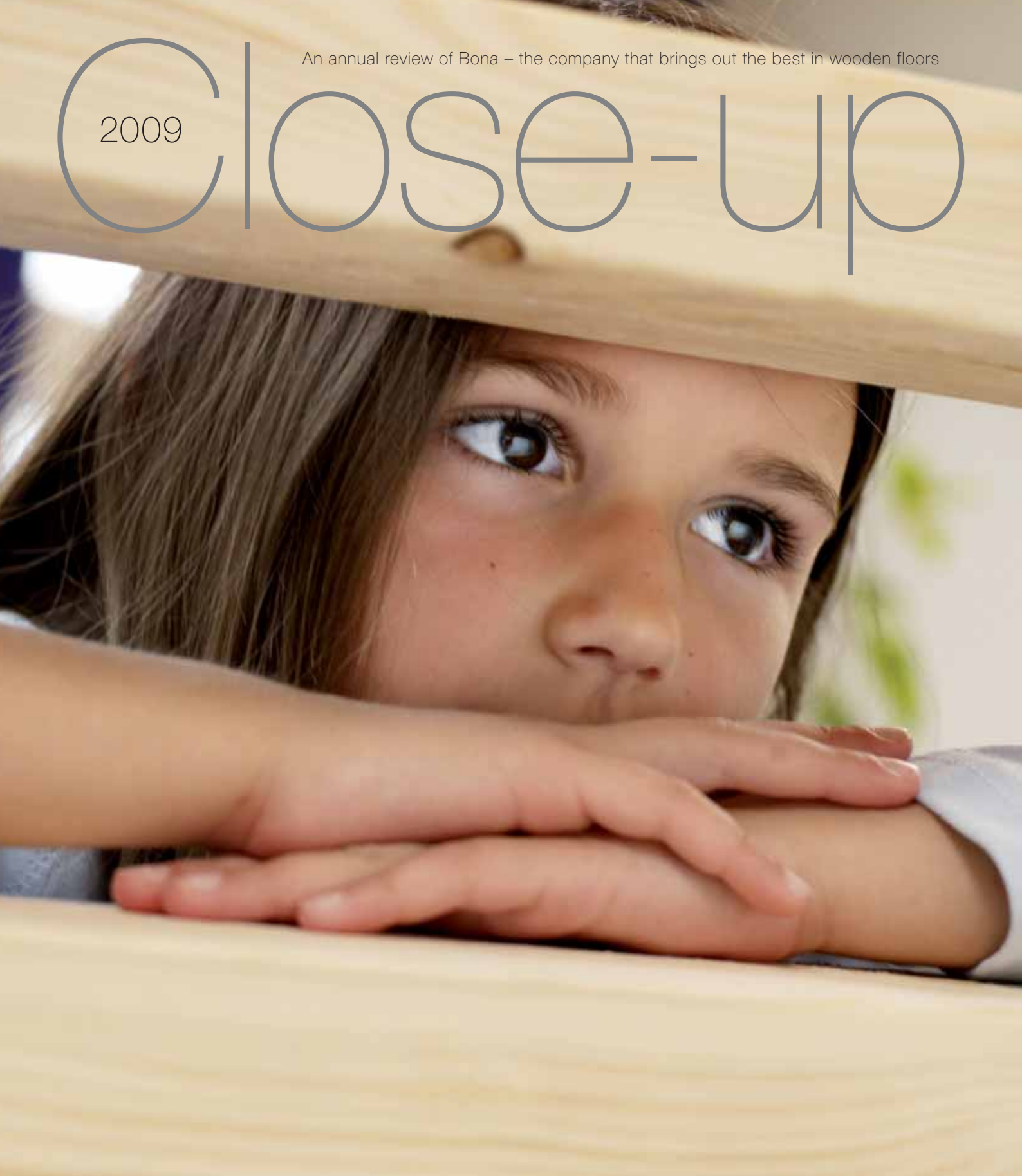


An annual review of Bona – the company that brings out the best in wooden floors

2009

Close-up



Bona[®]

Growing market share

Bona's sales revenues were SEK 1.3 billion in 2008. In a tough business climate, Bona has succeeded in gaining market share in four key markets that account for more than 50% of sales: the USA, the UK, Germany and the Netherlands.

During 2008, Bona saw the results of the cost-cutting measures and streamlining of the supply chain. Overheads have been cut and profitability has improved.

Sales performance got off to good start at the beginning of the year but fell in the last quarter due to the deepening financial crisis. The building trade has been badly hit in countries like the USA, Spain, Germany and the UK.

Nevertheless, despite the downturn, Bona has managed to increase its share on key markets, not least in the USA. Indeed, in some markets, while the installation of new floors has declined, the maintenance and renovation of old floors has actually increased. People still have to clean their floors and our floor care business continues to expand especially after the launch of our innovative mop in 2008. So the trend is not just downward. In fact, the financial crisis opens up new opportunities for us as a company to be even sharper. At times when customers are under pressure, they fall back on companies and brands they can trust such as Bona.

Overall profitability remains good and Bona continues to prosper. The future of our production plant in Malmö has also been secured. An appeal against an earlier decision to allow us to expand production in Malmö was overruled in January 2009. So now we have the opportunity to expand production of water-borne

finishes, floor care products and UV finishes.

Going for growth

Our geographical expansion continues and we now have 18 subsidiaries. Two expanding new markets for us are Latin America and Asia.

We have decided to strengthen our business in Latin America. In general, the Latin America economies are growing fast, as is the demand for wooden floors and we see a big potential for Bona here. As from January 2009, Marcus Björck has relocated from Spain to Panama to be responsible for our growing business in Mexico and Latin America.

Another expansive market for Bona is China, where our new subsidiary Bona Shanghai Trading Company Ltd in Shanghai was established in 2008. They will be responsible for everything from importing to invoicing customers in the local currency. We will be able to deliver our products directly to our distributors and contractors all over China within a few days compared to weeks before.

Four components for success

To reach the goals of our business plans, the Global Management team has identified four strategic components that I would like to outline below and you can read more details in the rest of Bona Close-up.

1. One Bona

The "One Bona" project has been a major initiative in 2008 with the focus on building a common platform for our global company. Internal dialogues were led by Global Management at all Bona's subsidiaries between April and June aimed at giving every single one of Bona's 528 employees the same information about the company and where we are going.



Kerstin Lindell took over as President and CEO of Bona in

An important part of the platform was a presentation and discussion of strategies.

In September 2008, Bona took another important step to unify the company by streamlining, clarifying and strengthening our brand. Bona is working with a brand strategy where the company name and logo – Bona – is profiled as the only brand. This means that we have now changed our company name from BonaKemi to Bona and removed the "X" symbol from our logo.

2. Customer focus

From 2005 to 2007, Bona had been losing market share in our biggest markets, the USA and Germany. We have done everything to increase our market shares and we succeeded in reversing this trend in 2008. For example, in the professional market for water-borne finishes in the USA, we increased our share from 43% in 2007 to 47% in 2008.

Bona floor care products have a different market to our traditional finishes

Highlights of 2008

- Launch of Bona Novia, a finish for the price sensitive, high volume market.
- Launch of Bona cleaning mop in the USA.
- New Chinese subsidiary established in Shanghai.
- "One Bona" dialogue started at 17 seminars around the world.

and a clear strategy



January 2007. "2008 has been an offensive year where we have made our strategy clear," she points out.

and have created the opportunity for us to target new customer segments by reaching out to consumers. We will continue to explore the consumer retail market. For example, in the USA, we will launch a new range of Bona floor finishes in early 2009 especially designed for the DIY market.

3. Bona System

This is what makes Bona unique from a global perspective. The Bona System gives customers a complete range of products – finishes, adhesives, sanding machines, abrasives, floor care products – available globally from one company. This is summed up in our mission: Bringing out the best in wooden floors. The Bona System is the 'hardware' we offer, but Bona Lifetime Support is a term we use to describe all the services and support we offer with the products such as training, advice and troubleshooting. Our offer of Bona Lifetime Support is very attractive, not least to our Industrial Coating (IC) customers.

During 2007, Division IC gained 15 new customers, including Kährs, which is the largest producer of pre-finished wooden floors in Europe. In 2008, IC continued to gain customers and can now proclaim to be the market leader in Europe and Latin America. This is a real breakthrough considering that Bona was mainly supplying small to medium-sized companies in the past. Now Bona has shown that we can supply UV finishing systems to the largest companies, too.

4. Leader in innovation

Bona's goal is to be the leader in innovation with a strong focus on the environment.

In 2008, we continued our strong track record of innovation with the launch of many new products. We also strengthened our R&D team with new chemists who will help us develop our dispersions – the building blocks for our finishes and floor care products.

One type of product they won't be developing is solvent-based finishes. We took the bold decision to phase out all solvent-based finishes in the EU by February 2009. This will strengthen our position as the market leader in water-borne finishes. I am very proud of this initiative and I am sure similar initiatives will follow. For example, we just took the decision to phase out all sales of solvent-based adhesives by 31 December 2010.

Looking ahead

We have all been busy making contingency plans to be well prepared for the difficult year that we can expect in 2009. During times such as these, we can count on tough competition. Continuing to launch innovative products in line with our strategy will help us reach our goals. In this way, we will increase loyalty amongst existing customers and attract new customers. For example, with the launch of Bona Novia in December 2008, we hope to gain market shares in the mid-range market segment and introduce new customers to the Bona System.

We will also start to improve our external communication about the environmental work at Bona. In connection with our milestone of ceasing sales of solvent-based finishes in the EU, it's time to highlight all our environmental work as well as health and safety. The campaign "On Track for Sustainability" launched in 2008 is based on Bona's long track record of innovation and our commitment to creating sustainable solutions for the future.

As we enter our 90th year, we can look back on our long heritage and a long history of caring for the environment and the health of contractors.

Our profits have increased in 2008 and we are more profitable today than we have been for many years. 2008 has been an offensive year where we have made our strategy clear and followed up on our goals. With our common platform throughout the company, as "One Bona" we are in a strong position to face the challenges ahead.

*Kerstin Lindell,
President and CEO*

Now everyone knows

Six factories on three continents, five product divisions, 18 subsidiaries, 528 employees. How do you get all these diverse parts of Bona around the world working together as one? The answer is to start a dialogue between management and every single employee around the world.

Kerstin Lindell, Bona's President and CEO, helped US employees to puzzle out what to do at the "One Bona" seminars held at the Denver and Monroe sites.



"Our aim is to get everybody at Bona united behind a common view of the company and working towards the same strategy," explains Lena Jonasson, Senior Vice President of Human Resources and the person responsible for the One Bona project.

"One Bona" is an interactive training programme and forum for dialogue that took her and CEO Kerstin Lindell around the world to 17 seminars accompanied by different members of Bona's top management.

The approach was unusual because of its high level of interactivity and dialogue. The idea was not just to make a presentation but to listen to what employees had to say and suggest. Three large work mats were developed in cooperation with the training consultants Celemi. The mats dealt with strategy, history and geographical coverage. Groups of three employees answered questions by placing cards or filling in boxes on the work mats. Some of the questions were open-ended and invited employees to devise Bona's strategy for the future.

The first round of the One Bona project was conducted between April and June in 2008. The reactions from employees have been overwhelmingly positive. The first round of seminars resulted in several follow-up meetings held to discuss specific issues relevant to a particular workplace or business area.

There will be a second round of dialogue from February to April 2009 with a similar set-up where the subjects under discussion are the Bona brand, Bona's values and the company code of conduct. Here are some of the reactions to the first round of One Bona.



USA

In the USA, two sessions were held in May at Bona in Denver, Colorado, and at Monroe in North Carolina. A total of 130 people participated. "We talk about Bona being a global company but many of us don't really know just how global Bona is. One Bona gave us an insight into this," says Erin Wright, Vice President of Human Resources at Bona USA. "We are used to seeing things from the US standpoint, not from a global standpoint. That was a big piece of the puzzle for us seeing where Bona is on the map and getting a sense of the strategy. We are trying to instil a global culture and not just see ourselves as a US company. Bona does feel like one big family and the One Bona project will reinforce our work together.

The US workforce is now more open to sharing best practices and talent with other parts of the Bona group. Sharing has taken place before but the process has now been strengthened. For example, there are plans to roll out the management training that takes place in the USA to other parts of the global Bona organization such as Sweden."

China

In June 2008, the whole Bona workforce from all over Asia gathered at Dalian in northern China for the One Bona project conducted by Kerstin Lindell, Lena Jonasson, Paul Spångberg, Dan Fredheim and Lars-Olle Andersson. A lot of new employees had joined the company since 2007 with the opening of the new factory in Dalian for the production of UV finishes so this was a valuable opportunity for them to learn more. "It was an eye-opener for them and they are not used to meeting many foreigners. They were honoured that the CEO had come to meet them personally," says Jon Loi Hui Jong, General Manager for the Bona factory in Dalian, who has been with Bona for 10 years. "The employees found out about Bona's history of 90 years. A lot of companies in China are less than 30 years old as they were formed after China moved from a planned economy to a market economy in the 1980s, so Bona employees feel proud to work for such an old international company. We got a lot of information in one day and it was a bit overwhelming but we are looking forward to the next dialogue in 2009."



where Bona is going



The One Bona project spanned the world with its informative work mats with questions and answers for employees to fill in. Here is a team from the Chinese day in May.



60 people from six countries gathered in Salzburg in Austria.



“One Bona” was received enthusiastically by the German organization in May 2008.

Germany

The training in Germany took place at Limburg in May 2008 with two days for a total of 80 employees.

“It is very important that everyone gains the same knowledge about the company,” says Christian Löher, Country Manager for Germany, responsible for sales and marketing.

“We had people from sales and marketing in Germany as well as from our central warehouse, factory and administration. It is interesting for all these people to learn what is happening in sales and to learn about the company goals. Here we could see the overall goals and results from all the different markets around the world. I have worked for Bona for 12 years but I still learnt something and found the day really interesting. I was particularly interested in seeing the results from other countries. Everyone learnt that they can contribute so that the company will be a success.”

Eastern Europe

Bona has subsidiaries in Eastern Europe in the Czech Republic, Hungary, Poland, Romania and Slovakia. These subsidiaries plus the Austrian staff of Bona GesmbH gathered in Salzburg in Austria for the One Bona session on May 25 making a total of about 60 employees. For one Romanian member of staff working in logistics, it was the first time he had ever been abroad.

“When top management came to see us, it created a very positive response,” comments Walter Schmiedhuber, who is in charge of the Eastern European subsidiaries plus Bona distributors in 30 countries. “In Eastern Europe, our people may feel that their markets are not so important to Bona but the One Bona dialogue made us all feel important. The day gave us a very good picture of Bona from when the company started to today. The next step was to look into the future because it is important that we all agree where we are going and what we will do to get there. We all need to be pulling in the same direction.”

bona

the Bona one

On track



In 2008, Bona launched a brand new platform, “On Track for Sustainability”. Under this banner, Bona aims to communicate the benefits of their innovative work that ever since the 1970s takes into account the impact on the contractor, the indoor and the outdoor environment.

One commonly used definition of sustainability is “development that meets the needs of the present world without compromising the ability of future generations to meet their own needs.” It has become a buzzword in the boardrooms of many large corporations in recent years but Bona was actually caring and concerned about the safety, health and the environment long before sustainability was in vogue.

“We were pioneers in the 1970s by introducing our water-borne finishes for wooden floors. Since then we have pioneered dust-free sanding and a whole range of silane-based adhesives. These breakthroughs make a difference to the working environment of the flooring contractor and for the outdoor environment too,” says Arne Wallin, Environmental Manager at Bona. “Sustainability is our goal. It includes three parts: environment, economy and ethics.”

A big milestone for the environmental work at Bona was the ceasing of sales of solvent-based finishes in the EU by Bona in February 2009. The next step will be to phase out Bona’s solvent-based adhesives as well and the date has just been set by Bona as 31 December 2010. The company is moving more and more towards sustainable solutions.



Words like NMP-free, low VOC and silane-based are explained here to illustrate some of Bona’s efforts in the field of health, safety and the environment.

Water-borne

Bona has driven the transition from solvent-based to water-borne finishes. Even though water-borne finishes still contain some solvents out of necessity for their functionality, Bona’s have a very low content of 100g/l or less. These solvents are usually of a different non-hazardous type. Bona’s water-borne finishes are therefore a sound environmental choice for the coating of wooden floors. When the finishes dry, it is mainly water that evaporates off into the air.

for sustainability



Today, Bona is able to offer a full range of environmentally sound products for sanding, finishing, gluing down and maintaining a wooden floor – throughout its lifetime.

NMP-free

NMP is short for N-Methyl Pyrrolidone, an organic solvent which has been used in the manufacture of water-borne polyurethane (PU) floor finishes for the last 25 years. New studies carried out on NMP have revealed that the substance has “reproductive toxicity” which in this case means that it poses a risk to the foetus if a pregnant woman comes into skin contact with liquid NMP. Being concerned about its possible harm, Bona has worked actively to reformulate their products without NMP. Bona now offers a complete range of NMP-free finishes.

Low VOC

When a finish dries, the solvents it contains evaporate. These vapours are called VOCs (Volatile Organic Compounds) and go into the atmosphere. At ground level, they contribute to the formation of smog. Choosing a finish and adhesive with low VOC (a low solvent content) leads to a better working environment and less impact on the environment.

Dust-free

Well, virtually dust free! Bona’s Dust Care Systems with HEPA filters remove almost all (99.9%) of the sanding dust including almost all of the finest particles that tend to float around for a long time in a room. They are designed to be attached to sanding machines via a hose and Bona has revolutionized sanding with their dust containment systems and anti-static abrasives. Airborne wood dust is a known carcinogen and an occupational hazard. Dust-free sanding gives a healthier working environment for the contractor and a cleaner home. Contractors who have used Bona’s Dust Care System comment that they no longer become irritated in their nostrils or lungs after a sanding job.

Silane-based

Bona is leading the way from solvent-based towards silane-based adhesives. Silane-based adhesives are safer than traditional products based on hazardous chemicals such as epoxy resins – a common cause of allergies among building workers. Silane-based adhesives are

easy to work with and wipe off from hands, tools and floors. Setting quickly, they enable sanding to be started sooner. Bona’s silane-based range recognized by the prefix R is the best option for fast, easy and safe adhesion.

Ergonomic

Bona designs products from a practical perspective, for example, plastic containers that are easy to grip and ergonomic sanding machines. Our larger sanders have a removable motor with handles for easier lifting. One of our small sanders, the Bona Mini Edge, was awarded the prestigious Red Dot Design Award in 2004 for its modern ergonomic design. Ergonomic design makes the hard job of sanding less tiring and reduces strain on muscles and joints.



Bona Novia – an attractive look at an attractive price

Division Finishing accounts for just over half of Bona's sales revenues. In 2008, a host of new products were introduced including Bona Novia as a healthier and higher quality alternative to competitive finishes in the mid-range segment of the professional market.



The VIP Lounge in the Ernst Happel Stadium in Vienna was treated with Carl's Hard Wax Oil in 2008.

The big launch of 2007 was Bona Naturale – a special protective treatment to retain the natural beauty of wood. In December 2008 and early 2009, there was another big launch: Bona Novia. While Bona Naturale is a niche product for an exclusive market, Bona Novia has been developed to appeal to a much wider market for use in all kinds of homes.

Many of Bona's competitors offer budget finishes as price is often an important issue for contractors. The finish Bona Resident was introduced to cater for this market and now Bona Novia is being launched to further strengthen Bona's position within this segment.

"Bona is still focusing on producing premium products such as Bona Mega and Bona Traffic, but we see an increased demand for finishes in the mid-range segment. Bona Novia will be a strong contender in this high volume segment. It's extremely good value for money," says Björn Saalbach, Vice President and Director of Division Finishing.

Bona Novia is suitable for homes and competes on price while still giving excellent wear-resistance and scuff-resistance. It also has all the environmental advantages associated with Bona's best water-borne finishes such as low VOC and NMP-free.

Bona Naturale

At the beginning of 2008, Bona Naturale two-component was introduced in Europe for high traffic public areas. Thanks to this concept, sales of Bona Naturale in Europe increased by 65% compared to 2007. Two-component Bona Naturale differs from one-component Bona Naturale in

that it requires a primer, Bona Naturale Base, before the application of the top coats. The protection of the finished surface from wear and chemicals is better in the case of the two-component Bona Naturale but the look is the same – just as nature intended.

Carl's Deck Oil

In April 2008, Bona launched Carl's Deck Oil, the company's first product for protecting outdoor decks. A wooden deck is a costly investment for owners, and as such demands proper care to maintain it in the face of the outside elements like rain, snow and sun. Carl's Deck Oil penetrates deep into the wood to create a protective barrier. It also contains special UV filters that block harmful UV radiation from the sun.

Carl's Hard Wax Oil

In certain parts of Europe, an old favourite is back – wax oil. With the use of hard wax oil gaining in popularity, especially in Sweden and the UK, Bona has launched Carl's Hard Wax Oil along with Carl's Hard Wax Oil Refresher to be used for maintenance when the waxed surface is showing signs of wear.

Bona Prime Trowel

In Austria, Finland, Germany and Sweden, a steel trowel is often used to apply finishes. The finish is applied thinly and dries quickly. Bona Prime Trowel is a new primer launched in February 2008 with just the right consistency for this kind of work. It is also designed to minimize the risk of side-bonding.

Moving into the retailing segment

Bona's finishing products are mainly sold to professional flooring contractors in specialized stores for tradesmen. However, there is also a large market among home handymen and casual building labourers. To reach this market, Bona is launching a new retail range in DIY chains where these target groups purchase home decorating items. This range will replace the former Parquet & Co, that was introduced in Europe in 1999. In the USA, the new product range was introduced in early 2009 and the main product there is called simply Bona Waterborne Hardwood Floor Finish.

Solvents phased out in the EU

During 2008, Bona prepared for the phase-out of the company's remaining solvent-based finishes in the EU on 1 February 2009. With a full range of high performance water-borne finishes available that give an equivalent if not better result, there is no longer any good reason to use solvent-based finishes that are harmful to health and the environment.



150,000 mops sold in first nine months

Sales of floor care products were up by 6% globally in 2008 and accounted for around 16% of Bona's total sales revenues. On the US market, Bona's new floor mop was launched successfully with the demand exceeding the supply.

The highlight of 2008 was the launch of Bona's patented Hardwood Floor Mop in April on the American market. It has been specially designed by Bona with a spray cartridge operated by pressing a trigger on the handle. The cartridge contains either Bona's Hardwood Floor Cleaner or Bona Stone, Tile and Laminate Cleaner. So instead of having a separate spray bottle for the cleaner, the cartridge for the cleaner is built into the mop. Ordinary floor mops are available on the market but this is an innovative premium product that retails at around \$45 (SEK 300). It features washable microfibre pads for picking up dust. The new mop makes cleaning a wooden floor easy because you can spray and wipe as you go along.

First time on television

The mop is sold direct to the consumer and through retail chains. For the first time in its history, Bona has advertised on television. The two-minute TV spots were highly successful and paid for a significant portion of the cost in terms of extra sales by customers calling direct to Bona. However, the main purpose of the TV advertising was to promote sales in the retail chains where the mop is available.

"We have sold every mop we could make during 2008. We also found some exciting new channels that have expanded our distribution," says Kirk Roberts, Vice President and Director of Division Floor Care. "Now production has been stepped up and we expect 2009 to be a very good year for sales of the mop. Because consumers like the concept of the mop, it is helping us to grow the Bona brand. We not only grow the profit side of the business, but we gain brand awareness with the end-consumer. And in 2009, we are also working on establishing a supply chain in China for the domestic Chinese market, new markets in the EU and Latin

America, and for cost reduction on a portion of the mops sold in the US."

Now in US supermarkets

During 2008, Bona gained distribution for floor care products in a number of new consumer retail channels in the USA including: Lowe's (DIY home centres), Bed, Bath and Beyond (a specialty chain of home furnishing stores), Sears and Kohls (two chains with 800 department stores each) and Safeway (a chain of 1,000 supermarkets). In 2009, Bona's products will be testing in 3-400 Target stores (a mass consumer chain of over 2,000 stores). Together with Safeway, Target marks the first entry into large nationwide consumer retailing channels after eight years of marketing floor care products in the USA.

Entering new markets

The European, Asian and Latin American markets selling Bona's consumer floor care products are still in the early phase of investigating potential channels. The strategy is to build up the Bona brand in smaller chains and independent stores where the floor care products can receive sufficient exposure. In fact, 95% of the worldwide sales of Bona's floor care products come from DIY stores, specialty retail stores, paint and hardware stores or flooring shops. The remaining 5% of sales are from mass consumer outlets such as supermarkets.

Upgraded professional floor care range

The professional Bona floor care range includes mops, pads, cleaners, oils, polishes and other products that are designed to work together. Users can clean without fear of damaging finishes and there is good adhesion when applying a new coat of finish or oil on top.

Bona has been reviewing the entire floor care range and this has resulted in



Bona's new mop was advertised heavily in the USA including on this prime poster site in New York's famous Times Square.

the introduction of new products and the reformulation of others.

Next generation of polishes

In 2008, the former Bona Parquet Polish was replaced by two new versions, Bona Polish Matt and Bona Polish Gloss. Both polishes have been enhanced with the addition of polyurethane to make them more durable and give better adhesion.

The polish for matt floors was introduced because of the trend towards a matt look with about 70-80% of new pre-finished floors having a silk matt or matt finish. Traditionally, wooden floors have been treated and maintained using high gloss polishes in many countries and still are, especially in Southern Europe.

Improved Bona Cleaner

With its new formulation, Bona Cleaner makes a powerful, low-foaming cleaning agent. It is designed to be used in an auto-scrubber or with conventional methods for quick and effective cleaning. It washes away dirt better than ever without damaging finishes or leaving a residue. And in line with Bona's corporate message of sustainability, the new formula is even more environmentally sound.

R stands for reactive (and revolutionary)



Any Bona adhesive product with the prefix R is part of a revolution taking place in the adhesives market. Only a few years after the launch of Bona's R850 in 2005, there has been a rapid changeover on many markets to reactive adhesives based on silanes. The shift has been driven by Bona.

Division Fastening accounts for about 10% of Bona's total sales and recorded a 7% increase in sales turnover in 2008. Almost half of the sales revenues of 15 million Euros (SEK 133 million) are accounted for by one outstanding success – the universal reactive adhesive R850. Now new products are being introduced to expand the reactive range.

"We are witnessing a technology shift in adhesives," says Thomas Brokamp, Vice President and Director of Division Fastening. "In 2002, sales of solvent-based adhesives represented 70% of our sales volumes. Now they are down to 20% and declining all the time. Solvents are being replaced largely by reactive adhesives. The results are superior and reactive adhesives are simpler and safer to use."

In December 2008, Bona took the bold decision to phase out solvent-based adhesives completely by the end of 2010. While solvent-based products still account for a large proportion of the sales of competitors, they will be discontinued by Bona. Meanwhile, Bona continues to invest in its facilities in Limburg in Germany for the production of reactive products. In 2009, a new heated tank will be installed for silane polymers.

"We have handled the transition from solvent-based to reactive adhesives much

better than our competitors and that's why Division Fastening has grown so strongly," comments Thomas Brokamp. "There is still great potential for growth. For example, Bona North America will launch reactive adhesives in 2009 spearheaded by Bona R851, a slightly different formulation to R850 adapted for the American regulations."

New value-for-money Bona R845

The silane-based adhesive Bona R845 was reformulated and relaunched in 2008 to complement the reactive range from Bona. It is sold at a lower price and with a lower strength than the company flagship Bona R850. Bona R845 is aimed specifically at the gluing down of pre-finished wooden floors while Bona R850 is suitable for both pre-finished and untreated wooden floors. Bona R845 has been a big success in 2008 with sales increasing by five times compared to 2007.

Fastest bonding velocity with new Bona R860

The latest product to be launched by Bona is R860 designed to convince the remaining users of solvents to make the switch to reactive adhesives. Bona's market research shows that what solvent-based users look for in an adhesive is

how fast it "grabs" and sets. New Bona R860 offers them by far the most rapid build-up of strength available on the adhesives market. R860 also represents the first time that a silane-based adhesive can be used both in the normal one-component way (just spread it and let it harden) or as a two-component product. By adding a little water, its performance is improved as you would expect in a two-component product.

This opens up the exciting possibility of laying a floor in the morning and then being able to sand or walk on it in the afternoon. Time is money for flooring contractors; instead of waiting around for hours for the adhesive to bind the floor strongly, R860 allows them to get on with sanding after 6 hours or within an even shorter time if they add water.

Bona R580: new damp-proof membrane

Unless a subfloor is completely dry, it will need to be coated with a damp-proof membrane before placing a wooden floor on top. To replace the use of harmful epoxy resins (a common cause of allergies) or polyurethane coatings as damp-proof membranes, Bona is launching new R580. This damp-proof membrane was tested on 10,000 sq.m of subfloors before it was launched in early 2009. "New R580 is really unique," comments Thomas Brokamp. "Other companies have tried to develop a similar product but we are the first to introduce it onto the market."

Customers have been waiting for a product like Bona R850 and there has been a rapid shift away from traditional solvent-based adhesives.



Recession hits sales of machines

Division Sanding operates in three areas

- Sanding machines
- Dust Care Systems
- Abrasives

Division Sanding, which is responsible for Sanding machines, Dust Care Systems and abrasives, accounted for about 12% of Bona's sales revenues in 2008. Sales declined significantly by around 13% compared to 2007, mainly due to the situation on the US market.

Bona's sanding machine business has been hit hard by the economic recession in the USA.

"There is no new construction and an oversupply of new homes in the US," John Rauvola, Managing Director of Bona USA, commented at the end of 2008. "As regards our sanding machine business, anything that is a higher priced item is really hurting right now."

Göran Palm, Vice President and Director of Division Sanding, faces a challenging situation in the USA and key European markets. However, he is confident Bona will be able to turn sales around by offering a total package and high quality machines at competitive prices. "The quality of the product is the number one priority for our customers. But training and after-sales service are other critical factors to success."

Financial packages

Many customers are self-employed flooring contractors with limited funds. An attractive financial package can be a critical factor in enabling them to invest in an expensive sanding machine.

For several years, Bona's subsidiaries in Eastern Europe have offered payment by instalments to their loyal and credit-worthy customers. Interestingly, the purchase of a new sanding machine resulted in increased work and revenues for flooring contractors, so they were often able to pay back their loan long before it was due.

In Spain, Bona has recently introduced a leasing package in cooperation with

the bank Banco Sabadell allowing flooring contractors to make monthly payments for three years to lease a Bona sanding machine such as the Bona Belt. The possibility of leasing makes a machine such as the Bona Belt much more affordable for Spanish contractors.

Training and spare parts

There has been a strong emphasis in Bona on training in 2008 with courses and seminars for flooring contractors on abrasives, dust care and sanding. "We have a long tradition of arranging training both internally for our own representatives and externally for our customers," says Göran Palm.

Another critical factor is the availability of spare parts and servicing. "When times are tough, flooring contractors try to keep their existing sanding machines going longer before buying a new one," says Göran Palm. "They need access to spare parts and good servicing at the right price. This is an area we will be focusing more on in future."

New Bona Edge 130

The new Bona Edge 130 (known simply as Bona Edge in North America) is designed for sanding the edges of floors, stairs and under radiators. The nose of

the new Bona Edge 130 is about 10 cm shorter than a standard nose, making it very manoeuvrable. The Bona Edge 130 also has an industry first – a built-in hour meter. The hour meter can be used as an indicator for routine maintenance such as changing the brushes.

New Bona DCS 70

An improved dust containment system has been launched as part of the Bona Dust Care System (DCS) and includes about 15 design improvements compared to the original Bona Dust Care Single launched in 2006. A model with a 115 V motor was launched on the US market in spring 2008 and with a 230 V motor in Europe in early 2009.

New flexible sander

After about two years of development work, a new sander called the Bona Flexisand will be launched in April 2009. Many buffing machines on the market are designed primarily for the cleaning or polishing of floors. This new two-speed machine has a more robust motor and construction. It is suitable for fine abrasion, heavier sanding and oiling work on wooden floors. It can also be used to remove dried-in adhesive from a subfloor. It has an interchangeable disc system so it is simple to add another function.



Leader in Europe and Latin America

Today Bona has a strong position in the UV finish market and has become the market leader in Europe and Latin America. About 30 new customers, large and small, have signed deals with Bona for UV finishes in 2007 and 2008.

The customers of Division Industrial Coating are manufacturers of pre-finished wooden floors around the world. The division supplies complete UV finishing systems made at the factories in Malmö in Sweden and Dalian in China.

Sales revenues from Division Industrial Coating represent about 11% of Bona's total sales. The number of customers increased significantly in 2008. Some examples of large new customers are Baltic Wood in Poland, BKB in Malaysia, Pampa in Brazil and the Swedish flooring company Forbo.

Big European names choose Bona

Among Bona's largest customers are Boen, Karelia Upofloor and Kährs with their main base in Northern Europe, Scheucher and Tilo based in Central Europe, and Greenkett and Herväs based in Southern Europe – all well known brand names. Kährs, for example, is one of the leading wooden flooring companies in Europe and Bona became one of their main suppliers of UV finishes in October 2007.

New business in Latin America

In general, the Latin American economies are strong and stable though the effects of the downturn in North America and Europe began to be felt in this area during 2008. This particularly affected manufacturers of pre-finished wooden floors who export most of what they produce to the USA and Europe.

Nevertheless, it was a very good year for the Industrial Coating division in Latin America with a large number of new customers switching to Bona as their main supplier of UV finishes. Bona is now the market leader in Latin America for UV



"Bona IC's success is based on our ability to develop exactly the right formula for large-scale production of pre-finished floors for factories around the globe", says Paul Spångberg, Vice President and Director of Division IC.

finishes and is particularly strong on the Brazilian market where the company has an IC office and representative.

Production capacity doubled in Malmö

Two completely new production lines were installed at the factory in Malmö in 2008 and the first batch of UV finishes was ready on 23 January 2009. With this new production capacity, Bona can gear up to double production in future and is ready to expand when demand increases.

Product development

AS Top Coat is an example of Bona's product development work. AS stands for "anti-scratch" and this unique product from Bona now withstands 1,500-2,000 cycles before micro-scratches appear on the surface in the standard Erichsen test method. The previous version of the product could withstand 500 cycles.

Bona Naturale was launched in 2007 and sales have taken off in 2008. Manufacturers of pre-finished wooden floors see Bona Naturale as an alternative to applying oil, as it gives a similar natural look. With Bona Naturale, the wood surface

is well-protected but looks as if it hasn't been treated with finish.

In China, a range of UV finishes is being developed especially to cater for the Chinese market. This is the advantage of having a local factory and UV lab in China. The factory was first opened in June 2007.

Wood flooring accounts for 6% of the total global flooring market and is a good long-term investment, lasting for years in excellent shape if the floors are treated in the right way. That's where Bona's Lifetime Support comes in handy (see article opposite).



Lifetime Support includes services related to sales, marketing support, training, advice, troubleshooting and so on. This gives industrial customers the reassurance that Bona will support end-users in creating and maintaining a perfect surface throughout the entire lifetime of a wooden floor. An integrated and compatible product range called the Bona System is available around the world. Combined with Lifetime Support, this system makes what Bona has to offer unique.

Lifetime Support in action



Industrial Coating (IC) customers using Bona's UV coatings are in most cases selling their wooden floors around the world. Here is an example from France that shows how a producer of pre-finished wooden floors benefited from Bona's local support to deal with a complaint.



Installation of the brand new floor at a school in Marseille in France.

Bona in Sweden got an urgent call one Friday morning in October 2008 from a distressed wooden floor producer. They had received a large order from the local education authority in Marseille for five sports floors each of about 1,000 sq.m and the first one had just been installed in a school. When cleaning the floor after installation with a scrubber dryer machine, a problem arose because the water penetrated into the wood along the joints and distorted the wood slightly. The customer was not happy and wanted to stop the planned installation of the other four floors and use other flooring material instead.

Crisis meeting

On Monday afternoon, a crisis meeting was held on site in Marseille and Bona France sent a technician to the meeting with the floor producer, the installation company Mondo and the floor owner.

A lot was at stake as it was a very important order. After inspecting the floor and checking the problem, Bona's representative suggested a solution of applying one layer of top coat from Bona's Sportive range of finishes to provide a waterproof seal over the joints. It was agreed to do a test on a small area according to Bona's suggestion and test the

result. Bona's Prep and Recoat was used to prepare the surface for recoating and then the finish was applied. Sure enough, when the same cleaning machine was used again, there was no penetration of water into the wood.

The floor owner decided to go ahead with the order as long as all the floors were coated with Bona Sportive finishes after installation. It was also agreed to use another cleaning technique because the scrubber dryer machine with brushes was found to be too aggressive for the wooden floor. Bona's floor care products were also specified for cleaning because they are especially made for wooden floors.



Everyone was satisfied

This is a good example of how Bona was able to give a quick and safe solution for installing and maintaining a pre-finished wooden floor. The customer, the local education authority in Marseille, could be confident when choosing wooden floors and was introduced to Bona's finishes and maintenance products. The board also appreciated the fast service from the local Bona representative.

The wooden floor producer received the service as promised by Lifetime Support and secured future deliveries to their French customer. The floor layers from Mondo were able to continue with the installation and simply had to add a two-day step for recoating the floors on site.

So a potential crisis situation had a happy outcome. This is Lifetime Support in action.

Bona around



Caixa Forum in Madrid, for cultural events and exhibitions, has four floors, two of which have been finished with Bona Traffic.



Bona Belt was used to sand the cycling track at Sportpalais in Alkmaar in the Netherlands with a slope of up to 42° on the curves.



The new Bona office in Spain opened in June 2008.



Loja Gazar Store is a clothing store in Alphaville in Sao Paulo in Brazil coated with Bona Traffic.



Bona Naturale Repair Kit was demonstrated at the Domotex trade fair in Germany in January 2008.



North America

Despite the fact that the US economy is in a deep recession, Bona USA's sales revenues of \$74 million (SEK 496 million) were up 7% compared to 2007 and there was a substantial improvement in operating profit. Though many of Bona's distributors saw their business drop by 20-40%, sales of Bona's water-borne finishes actually increased. This is because Bona has taken market share from competitors and is converting users of solvent-based finishes. Bona is the outright leader in water-borne finishes in the USA with a market share of 47% in the professional market in July 2008 and more than 90% brand awareness amongst core contractors. The company now plans to expand into the DIY home decorating market in 2009.

This was a very strong year for the floor care business in the USA with sales up 14% (see page 9). Sales of floor care products now account for 34% of Bona's total US sales.

There was a test launch of Bona adhesives in 2008 to six selected distributors. Following the success of this test, the products will be launched nationally in 2009 spearheaded by the reactive adhesive Bona R851.

Latin America

Today, Latin America accounts for a small part of Bona's total sales, but it has great potential and is growing fast. Latin America displayed double digit growth in 2008 with sales revenues up 25%

compared to 2007. In general, the Latin American economies are strong and stable though the effects of the downturn in North America and Europe began to be felt in this area during 2008.

Brazil is the main geographical market for Bona for both the professional and Industrial Coating (IC) sides of the business followed by Argentina, Chile, Colombia and Venezuela. For the professional market, apart from the afore-mentioned countries, Bona has distributors in the Dominican Republic, Ecuador, El Salvador, Puerto Rico and Uruguay. As from November 2008, Bona signed up with a new partner, Maderas Bozovich, to cover the Peruvian market. Bona is also in the process of establishing a partnership that will ensure good distribution in Mexico, where there will be a strong focus in the future.

Bona's water-borne finishes account for the main share of sales in Latin America. To complement the range of finishes, Bona Adhesives were introduced in 2007 and floor care products in 2008.

Western Europe

Germany is Bona's largest market in Europe. Despite the slowdown in the German economy, the sales revenues of Bona Germany were at the same level as in 2007, 14 million Euros (SEK 126 million) thanks to increasing market share.

Bona has managed to win some new customers in a tough market. Existing

customers ordered smaller quantities and less frequently but this loss in sales was compensated for by the new customers. "We constantly visit potential new customers," says Christian Löher, Bona's Country Manager for Germany where 13 sales representatives and five technical service specialists work. "We introduce them to the advantages of the Bona System and demonstrate selected products at a test site. This presentation gives the customers a good picture of Bona as a competent partner for finishes, adhesives, machines, abrasives and floor care. It is an advantage for the customers to be able to get everything they need from one company. With this concept, we have been able to win over some big customers to us."

The market shares also increased in Western Europe in two other major markets: the UK and the Netherlands. Meanwhile, sales decreased by 18% in Spain and Portugal during 2008 and this was the first time that sales had declined since the Bona Ibérica subsidiary started in Madrid in 1994. The Spanish building boom is over and few new houses are being built.

Asia

Sales grew by 14% in Asia in 2008 compared to 2007



the world



The Olympic Stadium in Beijing is maintained with Bona Freshen Up.

Architects at a Bona seminar at the Elite Hotel Savoy in Malmö where the floor is coated with Bona Naturale.

This American walnut floor at the McGregor Store in Barcelona in Spain is glued down with Bona R850 and treated with Bona Naturale.



At the Esprit store in Singapore, 5,500 sq.m of wooden floors are treated with Bona Carl's Oil 45.



The Bona DCS was used for dust-free sanding at De Montfort Hall in Leicester in the UK. Then the floor was coated with Bona Traffic.

and the Asia Pacific market has not yet been adversely affected by the recession that has hit the USA and Europe, even though there are signs of tough times ahead.

Bona's situation on the Asian market differs substantially between and within the different countries in the Asia Pacific region. The company is steadily expanding its distribution network and has yet to enter some countries in Asia. New distributors were established in Thailand and Hong Kong in 2008 and Bona will be entering Indonesia during 2009. A supply agreement was also finalized in Japan with Johnson Diversey, and Bona made a successful entry into the Japanese professional segment through their main distributor in Japan, Okabe Company Ltd.

China represents huge potential for Bona for the future. So far Bona has been very successful in sports floors in China by supplying coatings for more than 100 sports halls including some high profile arenas used for the 2008

Beijing Olympic Games. In order to give Chinese customers better support, in 2008 Bona established a trading company called Bona Shanghai Trading Company Ltd. The company currently has seven

employees and will take care of everything from importing to invoicing in the local currency. A new warehouse in Shanghai allows Bona to deliver all over China within a few days compared to weeks when consignments were shipped from either Singapore or Europe.

Bona is recognized as the market leader in Asia in terms of water-borne finishes. Bona also has a strong position in sanding machines. With regards to abrasives and adhesives, Bona is relatively new in Asia Pacific. For example, reactive adhesives were introduced for the first time in this region in 2008.

Australia and New Zealand

Bona has been present in Oceania for many years through long-established distributors.

In Australia, wooden floors represent 17% of the flooring market and this figure is increasing steadily. Though the coatings market is still dominated by solvent-based products, the water-borne market share is constantly growing. As Bona is the market leader in water-borne finishes, Bona's market share is also growing. In fact, sales in Australia have increased continuously for the last ten years. The nationwide distributor in Australia, Ezi Floor Products, has built up a strong customer base and plans to launch the new Bona reactive adhesives in the beginning of 2009.

Eastern Europe and Russia

In 2008 sales dropped significantly in Russia. Up to the second half of 2008, there had been a building boom in Moscow with building work going on seven days a week. With the onset of the financial crisis, the construction of new buildings has more or less come to a standstill and this has affected Bona's business in Russia and other countries in Central Asia.

Russia's economy is not expected to pick up again for some months but there is still a large sales potential for Bona in Eastern Europe where Bona has subsidiaries in the Czech Republic, Hungary, Poland, Romania and Slovakia. Sales in Romania were particularly promising in 2008 with 38% increase in sales revenues. In Croatia there is a strong trend towards the use of Bona's reactive adhesives as flooring contractors switch from solvent-based adhesives.

South Africa

Bona established a new partnership in South Africa in October 2008 with FloorworX based in Johannesburg, part of the Accéntuate group. They are now the exclusive Bona distributor for South Africa and Namibia. South Africa has a tradition for laying solid wooden floors so there is a big potential market for renovating old floors using Bona's products.



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