



**Arkema**

# 16<sup>th</sup> European CEO Seminar

Thierry Le Hénaff – Chairman and CEO

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Paris – June 19<sup>th</sup>, 2014



# Arkema in 2013



**13,908**  
employees

**1,200**  
researchers

**90**  
production sites

**10**  
R&D centers

**€6.1 bn**  
sales

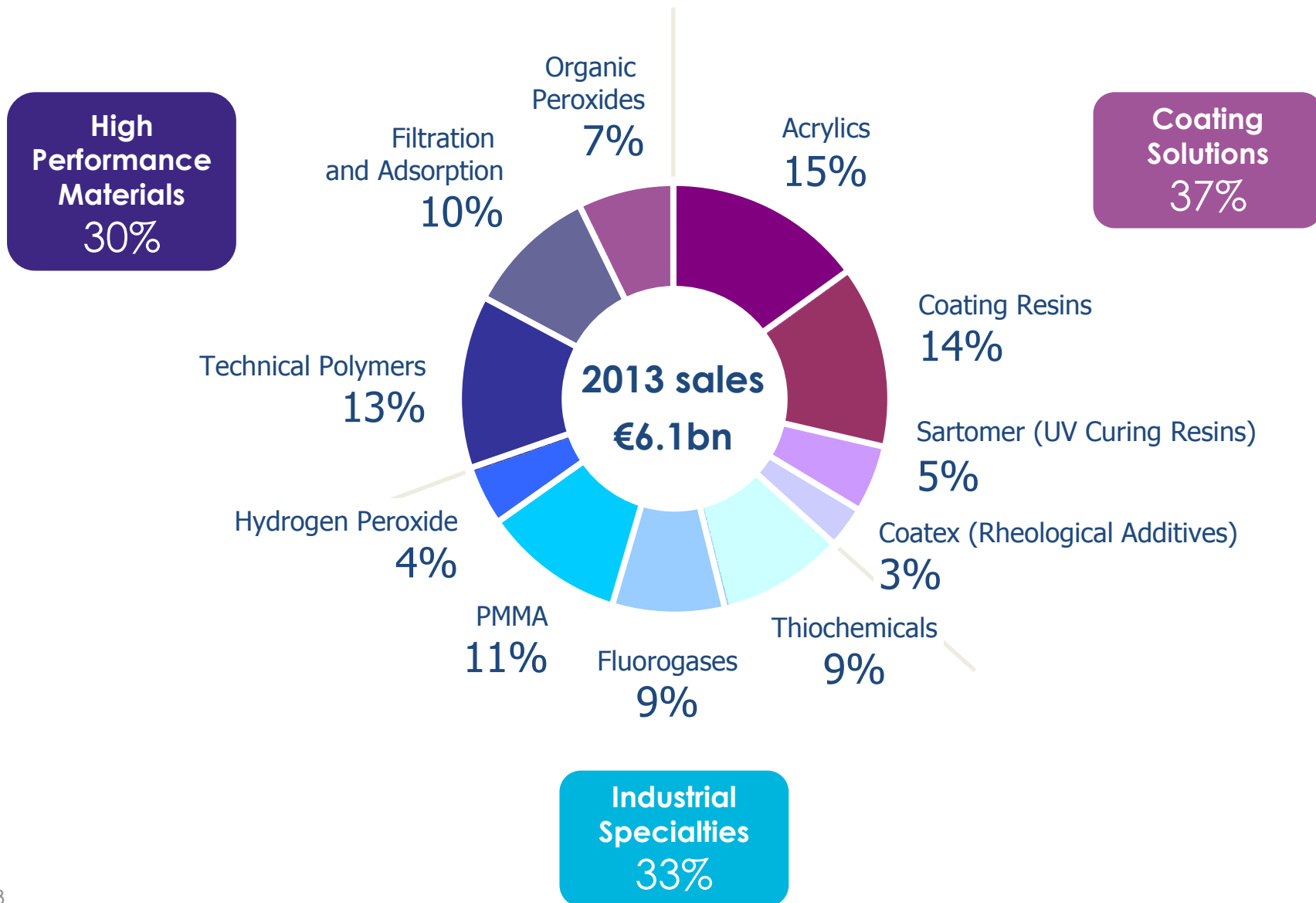
**€902 m**  
EBITDA

**€481 m**  
capex

**14.8%**  
EBITDA margin



# Sales breakdown by business



# Among the first 3 leaders in our businesses

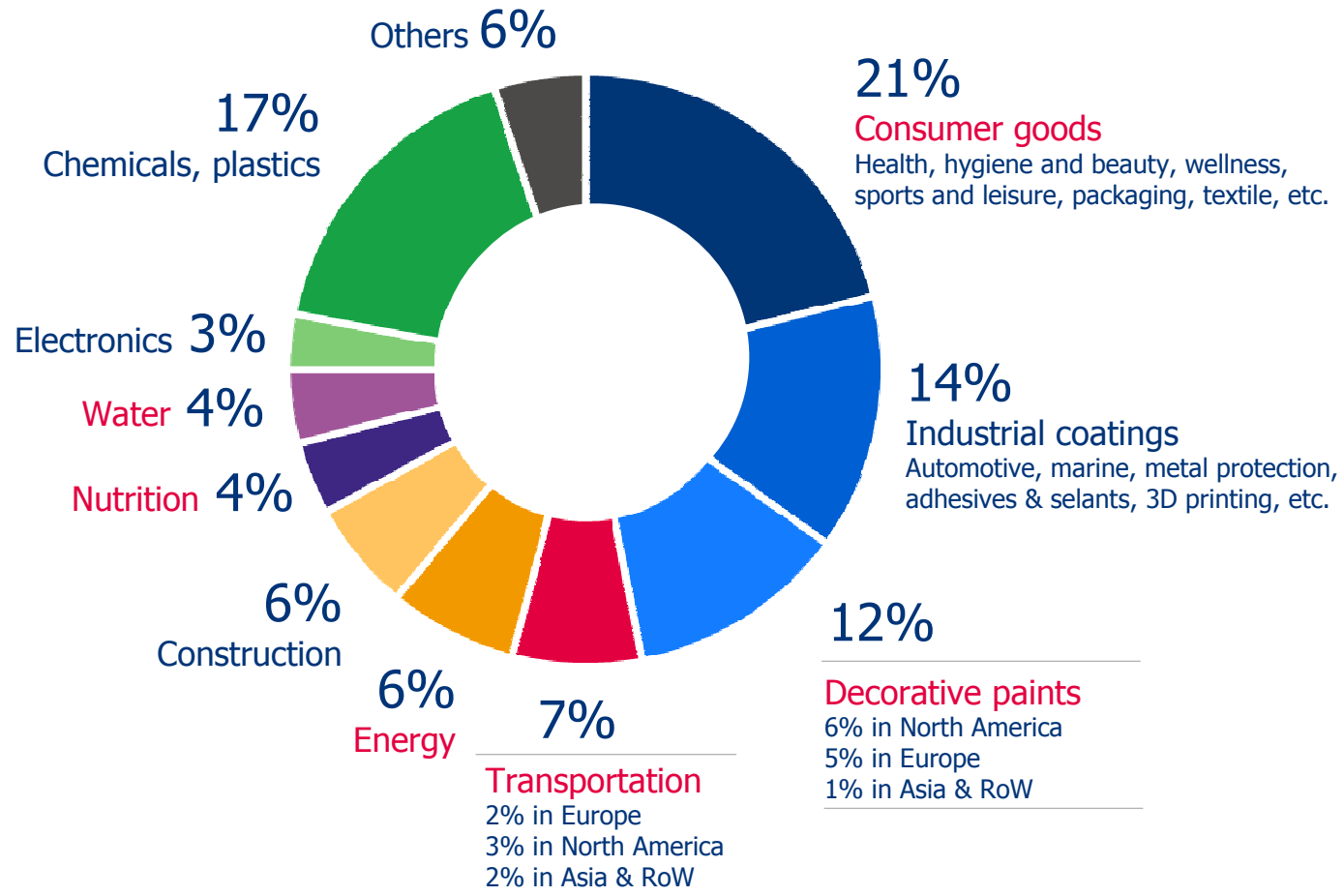


POSITION		MAIN PLAYERS	% GROUP SALES	
#1	Specialty polyamides	<ul style="list-style-type: none"> <li>Evonik</li> <li>Ems</li> </ul>	13%	} ~ 90% of Group sales
#1	PVDF	<ul style="list-style-type: none"> <li>Solvay</li> </ul>		
#1	Thiochemicals	<ul style="list-style-type: none"> <li>Chevron Phillips</li> </ul>	9%	
#2	Organic peroxides	<ul style="list-style-type: none"> <li>Akzo Nobel</li> <li>United Initiators</li> </ul>	4%	
#2	Fluorogases	<ul style="list-style-type: none"> <li>Dupont</li> <li>Honeywell</li> </ul>	9%	
#2	PMMA	<ul style="list-style-type: none"> <li>Evonik</li> <li>Mitsubishi Chemical</li> </ul>	11%	
#3	Hydrogen peroxide	<ul style="list-style-type: none"> <li>Solvay</li> <li>Evonik</li> </ul>	4%	
#3 *	Acrylics	<ul style="list-style-type: none"> <li>BASF</li> <li>Dow</li> <li>Nippon Shokubai</li> </ul>	15%	
#3	Coatings	<ul style="list-style-type: none"> <li>BASF</li> <li>Dow</li> </ul>	22%	

■ High Performance Materials    
 ■ Industrial Specialties    
 ■ Coating Solutions

\* After acquisition of 1<sup>st</sup> line of 160 kt/year from Jurong in China.

# Diversified end-markets



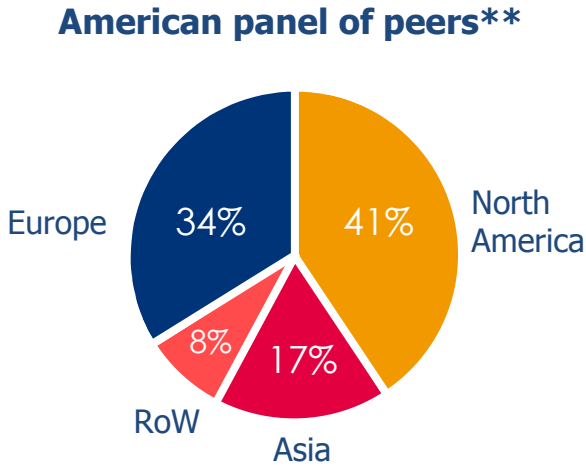
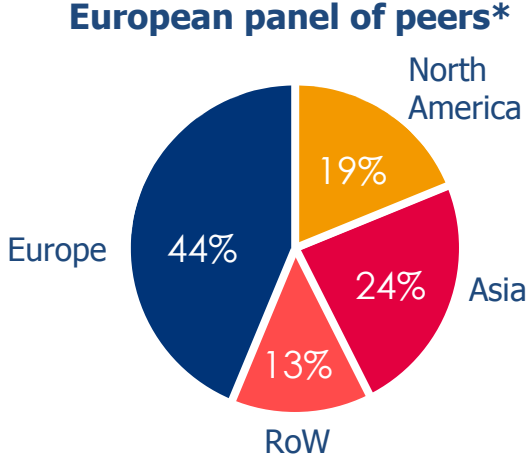
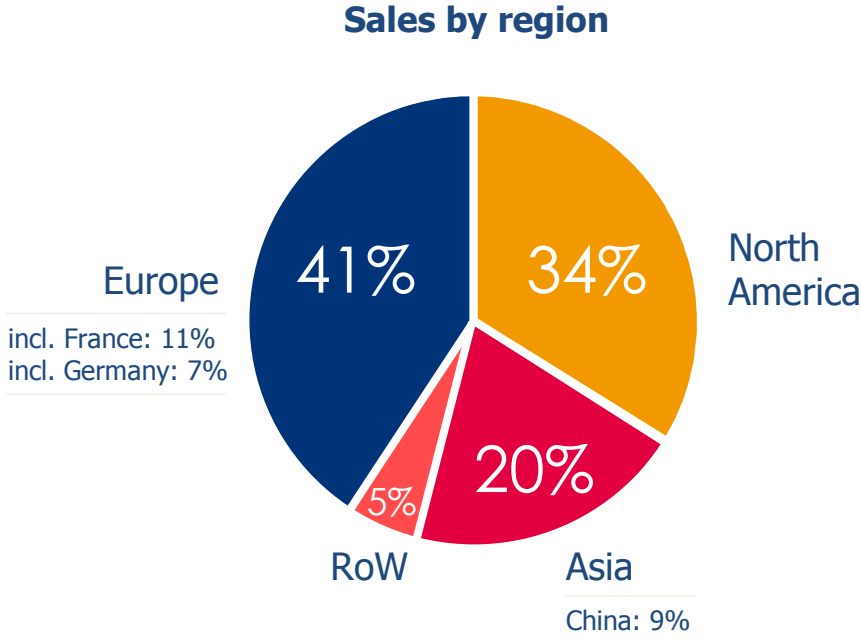
High-growth markets supported by megatrends

# Megatrends support growth of our businesses



End-markets	Megatrends	Drivers of Arkema's growth
Consumer goods	<ul style="list-style-type: none"> <li>Increasing standard of living</li> <li>Growth of population</li> <li>Ageing population</li> </ul>	<ul style="list-style-type: none"> <li><b>Specialty Polyamides:</b> new trends in consumer electronics and sports</li> <li><b>Acrylics:</b> superabsorbents for diapers</li> <li><b>Filtration &amp; Adsorption:</b> molecular sieves for medical O<sub>2</sub></li> </ul>
Paints & coatings	<ul style="list-style-type: none"> <li>Low VOC requirements</li> <li>Rebound in housing in USA</li> <li>Smart coatings</li> </ul>	<ul style="list-style-type: none"> <li><b>Coating Resins</b> for decorative paints: low VOC resins and opacifiers</li> <li><b>Coatex:</b> water-based rheology additives</li> <li><b>UV-curing resins</b> (Sartomer) for electronic coatings, 3D printing</li> </ul>
Transportation	<ul style="list-style-type: none"> <li>Lightweight materials</li> <li>Global growth of automotive</li> <li>New regulations</li> </ul>	<ul style="list-style-type: none"> <li>High Temperature <b>Specialty Polyamides</b> for metal replacement</li> <li>Thermoplastic composites for structural auto parts (launch of Elium®)</li> <li><b>PMMA</b> Altuglas® ShieldUp for glass replacement</li> <li><b>Fluorogases:</b> low GWP for air-conditioning systems</li> <li>Acquisition of AEC Polymers (structural methacrylate adhesives)</li> </ul>
Energy	<ul style="list-style-type: none"> <li>Enhanced oil recovery</li> <li>Increasing use of gas</li> <li>New energies and electricity storage</li> </ul>	<ul style="list-style-type: none"> <li><b>Specialty Polyamides</b> and <b>PVDF:</b> oil production in deep offshore</li> <li><b>Thiochemicals:</b> process agent for gas cracking</li> <li><b>Filtration &amp; Adsorption:</b> molecular sieves for industrial gas</li> <li><b>PVDF</b> fluoropolymer: li-ion batteries and photovoltaics</li> </ul>
Food & water	<ul style="list-style-type: none"> <li>Growing population and increasing standard of living</li> <li>Access to drinking water</li> <li>Industrial water treatment</li> </ul>	<ul style="list-style-type: none"> <li><b>Thiochemicals:</b> methionine production for animal nutrition</li> <li><b>PVDF</b> fluoropolymer: membrane for water filtration</li> <li><b>Acrylics:</b> flocculent for water treatment</li> <li><b>Hydrogen peroxide:</b> clean reagent for industrial water treatment</li> </ul>

# Enhanced geographical reach



**Two growth priorities: North America and Asia**

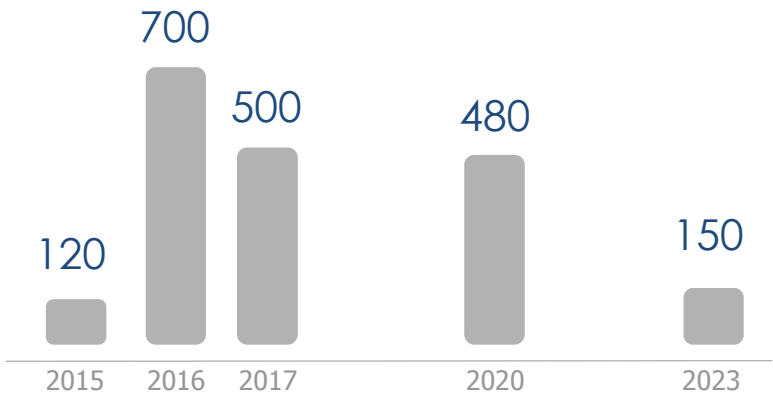
7 \* AkzoNobel, BASF, Clariant, Lanxess, Solvay  
\*\* Dow, Celanese, Chemtura

# Financing structure



 <p><b>€923 m</b></p> <p><b>Net debt</b> (December 31<sup>st</sup>, 2013)</p>	 <p><b>39%</b></p> <p><b>Gearing</b> (net debt / shareholders'equity)</p>	 <p><b>1.0 x</b></p> <p><b>Net debt / EBITDA</b></p>
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## Average maturity > 4 years (€m)

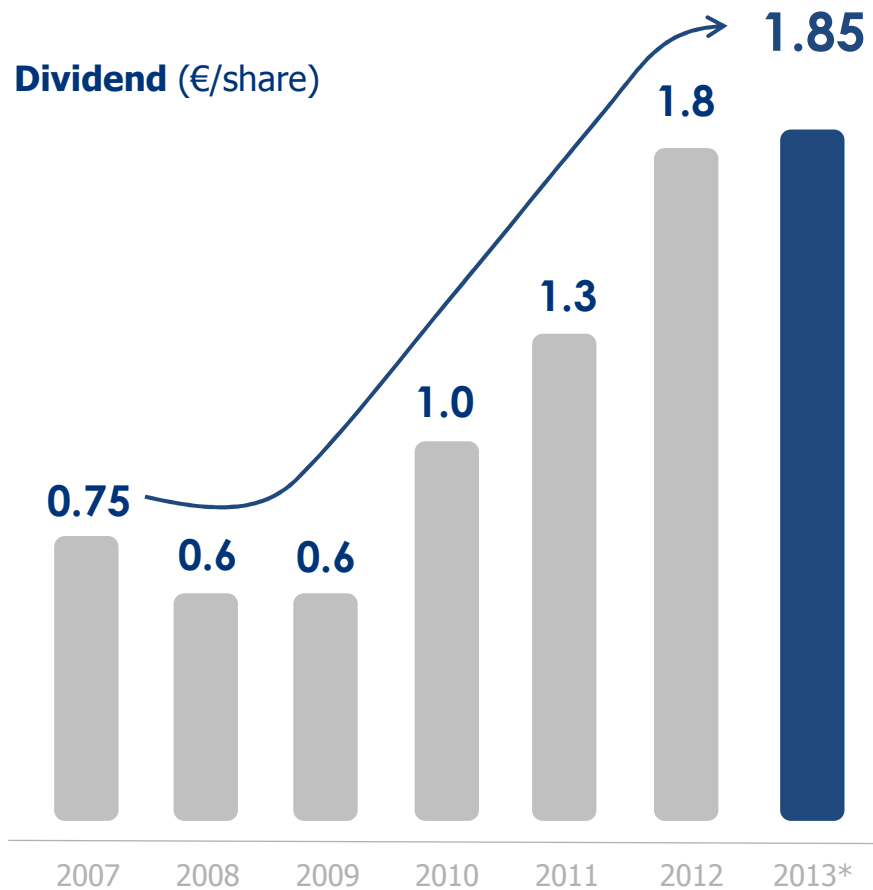


## Rating

<b>Standard &amp; Poor's</b>	<b>BBB</b>	stable outlook
<b>Moody's</b>	<b>Baa2</b>	stable outlook



# Dividend



- **32% payout on adjusted net income**
  - Versus 25% payout in 2012
  - In line with target to reach a 30% payout ratio on adjusted net income
- **Reflects confidence in mid-term outlook and solid balance sheet**
- **2.2% dividend yield**  
(based on share price at year end)

# First quarter 2014 results



## Sales (€m)

1,563 1,523



- **+0.7%** at constant scope and FX
- **+3.3% volumes**
- **-2.6% prix** mainly in Fluorogases

1Q'13 1Q'14

## EBITDA (€m)

234 213

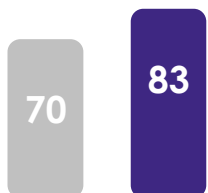


- High basis of comparison in Fluorogases in 1Q'13 (+7% EBITDA excluding Fluorogases)
- **14.0%** EBITDA margin

1Q'13 1Q'14

## EBITDA (€m) and EBITDA margin (%) by segment

15.6% 17.5%

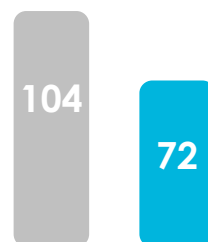


+19% EBITDA supported by strong volumes

1Q'13 1Q'14

### High Performance Materials

19.3% 14.5%

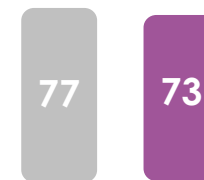


Reflect impact of Fluorogases

1Q'13 1Q'14

### Industrial Specialties

13.7% 13.3%



Confirm resilience in a mixed environment

1Q'13 1Q'14

### Coating Solutions

# Projects announced in 1Q'14



## Acquisition of acrylic assets from Jurong in China\*

- Creation of a manufacturing JV in Taixing with Jurong Chemical, leader in acrylic monomers in China
- ~US\$ 600m FY sales for 320 kt/year
- Cash outs: US\$ 240m for 1<sup>st</sup> line of 160kt and US\$ 235m for 2<sup>nd</sup> line of 160kt



## Expansion of Organic Peroxides in China

- x2 production capacity in Changshu
- To support increasing use of polymers in Asia
- Start-up expected in 2016



\* Project subject to authorization by relevant authorities in China and several administrative formalities

\*\* Under construction

# Implementing 2014 top priorities



- **Start Thiochemicals platform in Malaysia**
  - Commercial start-up expected in 2H'14
- **Finalize acquisition of Jurong's acrylic assets**
  - Closing expected in summer 2014 for the acquisition of the 1<sup>st</sup> line of 160kt / year \*
  - Construction of 3<sup>rd</sup> line by Jurong on track
- **Continue to address competitiveness issues in Europe**
  - Shutdown of Chauny (France) effective 1Q'14
  - Project to shutdown production of coating resins at Stallingborough (UK) \*\*
- **Accelerate R&D programs on composites, bio-sourced polymers and batteries**
  - Launch of Elium<sup>®</sup>, a thermoplastic resin for lightweight and resilient composite parts



Thiochemicals in Malaysia

**ELIUM**<sup>®</sup>  
BY **ARKEMA**

\* Project subject to the authorization of the relevant authorities in China and to several administrative formalities

\*\* Subject to an employee consultation procedure



- **Assumptions**

- Moderate worldwide growth with contrasted market conditions by regions
- Stable €/US\$ exchange rate versus 2013 (unchanged assumption despite unfavorable rate in 1Q'14)
- 2<sup>nd</sup> quarter 2014:
  - 2 very large maintenance turnarounds in Thiochemicals (Beaumont, US) and Technical Polymers (Mont, France)
  - For fluorogases, current market conditions expected to continue, with 2Q'13 being last quarter as high comparison base

- **Top priorities**

- Deliver €40 m structural EBITDA from organic developments
- Execute the €450 m capex plan to fuel future EBITDA growth
- Start up Thiochemicals platform in Malaysia
- Finalize acquisition of Jurong's acrylic assets in China
- Finalize current analyses intended to take, mid-term, profitability of fluorogases back to historical level
- Accelerate R&D programs on composites, bio-sourced polymers and batteries
- Continue to implement productivity initiatives (fixed and variable costs)

- **While cautious about macro, Arkema is confident in its ability to grow EBITDA in 2014. Beyond, Arkema confirms its mid-term targets.**

# The right strategy to create significant value long-term



## INNOVATION

*Leverage a unique R&D and applicative know-how focused on megatrends*

**ARKEMA**  
INNOVATIVE CHEMISTRY

## BOLT-ON ACQUISITIONS

*Reinforce market positions and enhance profile*

**Customer intimacy**

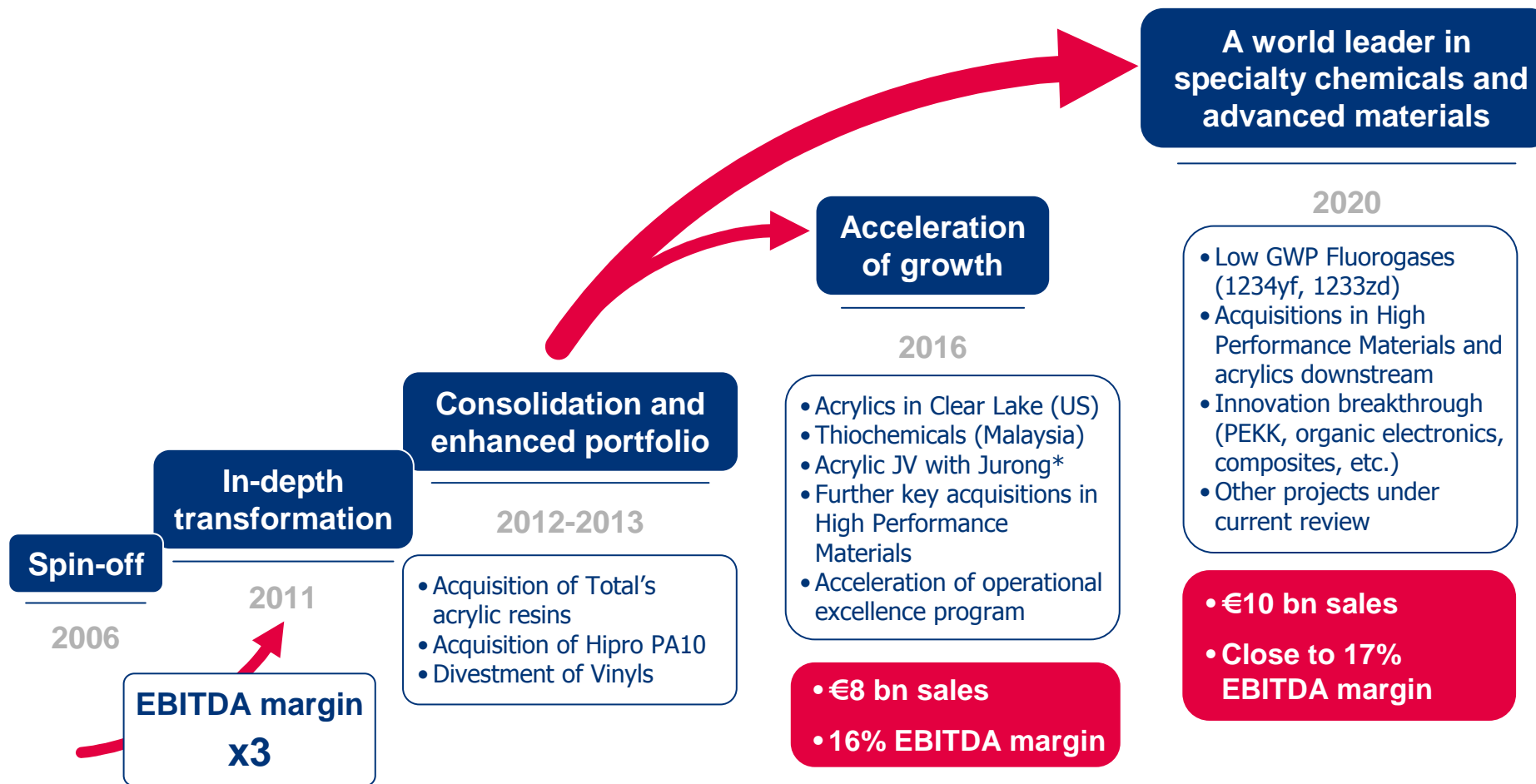
**Entrepreneurial culture**

**Operational excellence**

## EMERGING COUNTRIES

*Towards completely balanced presence*

# Step-by-step transformation



# Cash allocation over 2013-2016



**€3.6 bn**  
cash resources available

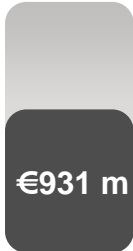
Cumulative cash flow from operating activities



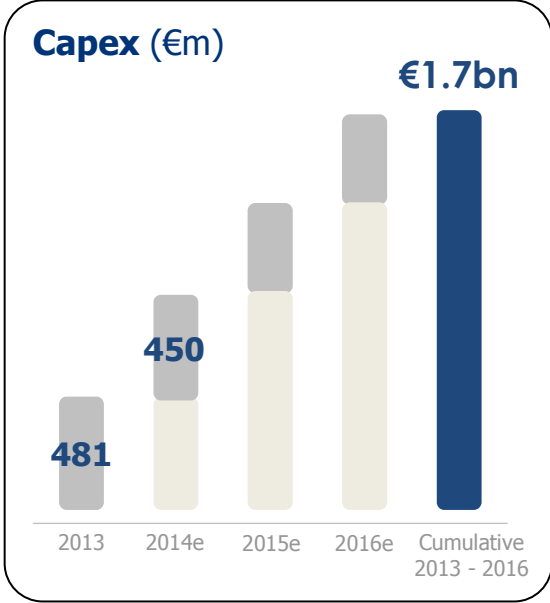
Borrowing capacity



Capex  
**€1.7 bn**



M&A, dividends and others  
**€1.9 bn**



■ Cumulative cash out over 2013 and 2014e.



# Unique quality of projects to sustain growth



## High Performance Materials

2016 EBITDA  
MARGIN TARGET

18%

- **Technical Polymers:**  
x3 capacity of Hipro PA10 and PVDF developments
- **Organic Peroxides:**  
New unit in Saudi Arabia and capacity doubled in China
- **Innovation pipeline:**  
Platforms focused on megatrends
- **Acquisitions:**  
Next priority of acquisition plan

## Industrial Specialties

2016 EBITDA  
MARGIN TARGET

17%

- **Thiochemicals:**  
Construction of a platform in Malaysia
- **Fluorogases:**  
Project to build production capacities of low-GWP 1234yf fluorinated gas
- **Lightweight materials:**  
Altuglas® ShieldUp, thermoplastic resins Elium®

## Coating Solutions

2016 EBITDA  
MARGIN TARGET

15%

- **Acrylics:**  
US\$ 110 m expansion plan in the US
- **Acquisitions:**  
Joint venture with Jurong in acrylics\* (China)
- **Coating Resins:**  
New unit in China
- **Innovation:**  
Development of low-VOC coatings
- **Productivity:**  
Shutdown of Chauny (Fr)  
Coating Resins optimization

# Disclaimer

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The information disclosed in this document may contain forward-looking statements with respect to the financial condition, results of operations, business and strategy of Arkema. Such statements are based on management's current views and assumptions that could ultimately prove inaccurate and are subject to risk factors such as among others, changes in raw material prices, currency fluctuations, implementation pace of cost-reduction projects and changes in general economic and business conditions.

Arkema does not assume any liability to update such forward-looking statements whether as a result of any new information or any unexpected event or otherwise. Further information on factors which could affect Arkema's financial results is provided in the documents filed with the French Autorité des Marchés Financiers.

Financial information for 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006 and 2005 is extracted from the consolidated financial statements of Arkema. Quarterly financial information is not audited.

The business segment information is presented in accordance with Arkema's internal reporting system used by the management.

The definition of the main performance indicators used can be found in the press release available on [www.finance.arkema.com](http://www.finance.arkema.com)

A global chemical company and France's leading chemicals producer, Arkema is building the future of the chemical industry every day. Deploying a responsible, innovation-based approach, we produce state-of-the-art specialty chemicals that provide customers with practical solutions to such challenges as climate change, access to drinking water, the future of energy, fossil fuel preservation and the need for lighter materials. With operations in more than 40 countries, some 14,000 employees and 10 research centers, Arkema generates annual revenue of €6.1 billion, and holds leadership positions in all its markets with a portfolio of internationally recognized brands.