

Arkema

***Bernard BOYER,
Executive Vice-President Strategy***

**Nomura Global Chemical
Industry Leaders Conference**



Bordeaux, March 24th 2011



2005-2010:
Successful
repositioning



Arkema's transformation project at the time of the spin off

Spin off in May 2006

Challenge

Transform Arkema into a profitable company with growth momentum

Financial targets

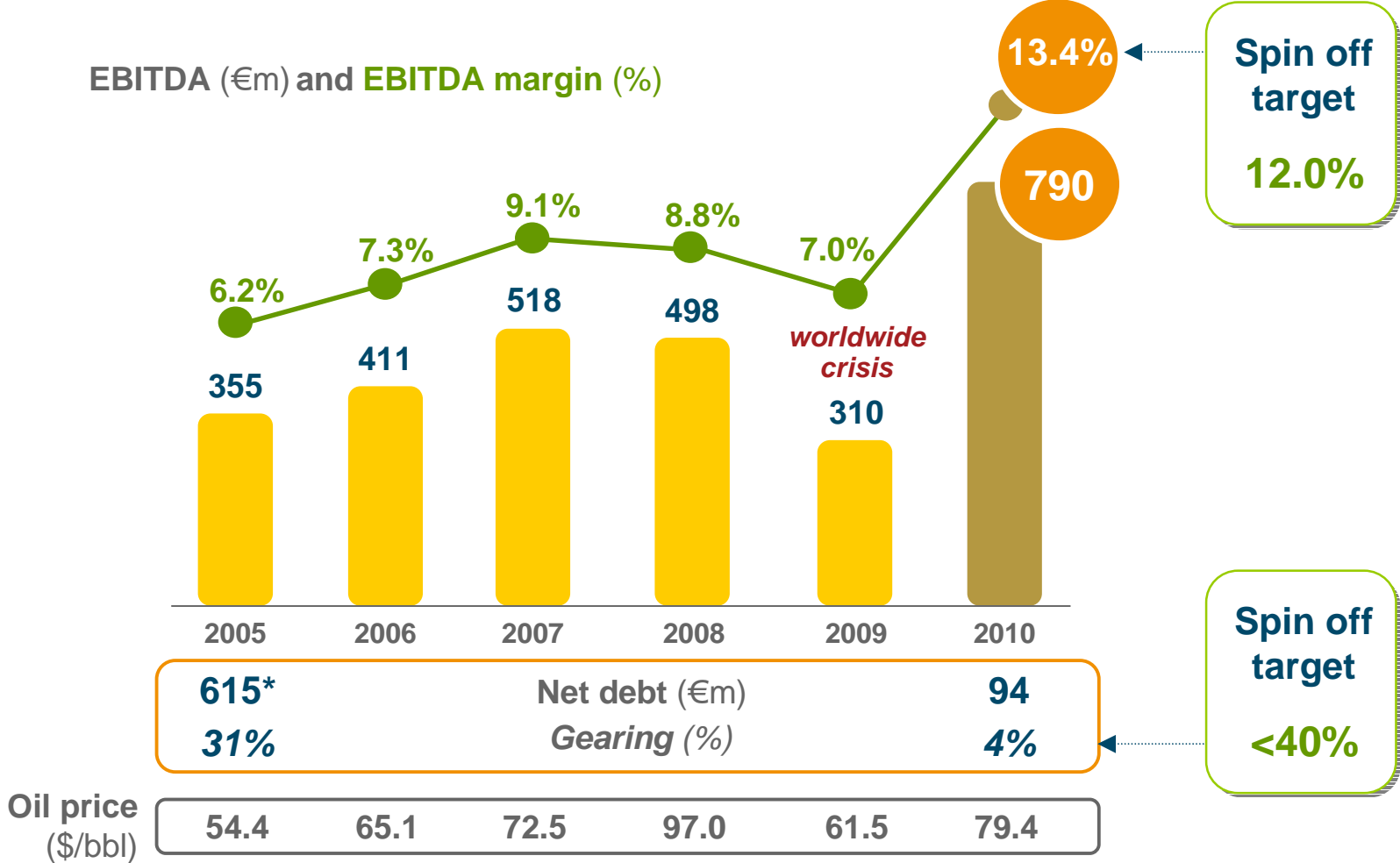
- **12% EBITDA margin in 2010**
- **Gearing below 40%**

4 strategic axes

- **Strong cost reductions**
- **Increase presence in Asia**
- **Innovation based on sustainable development**
- **Focused M&A**



EBITDA x2.2 since spin off

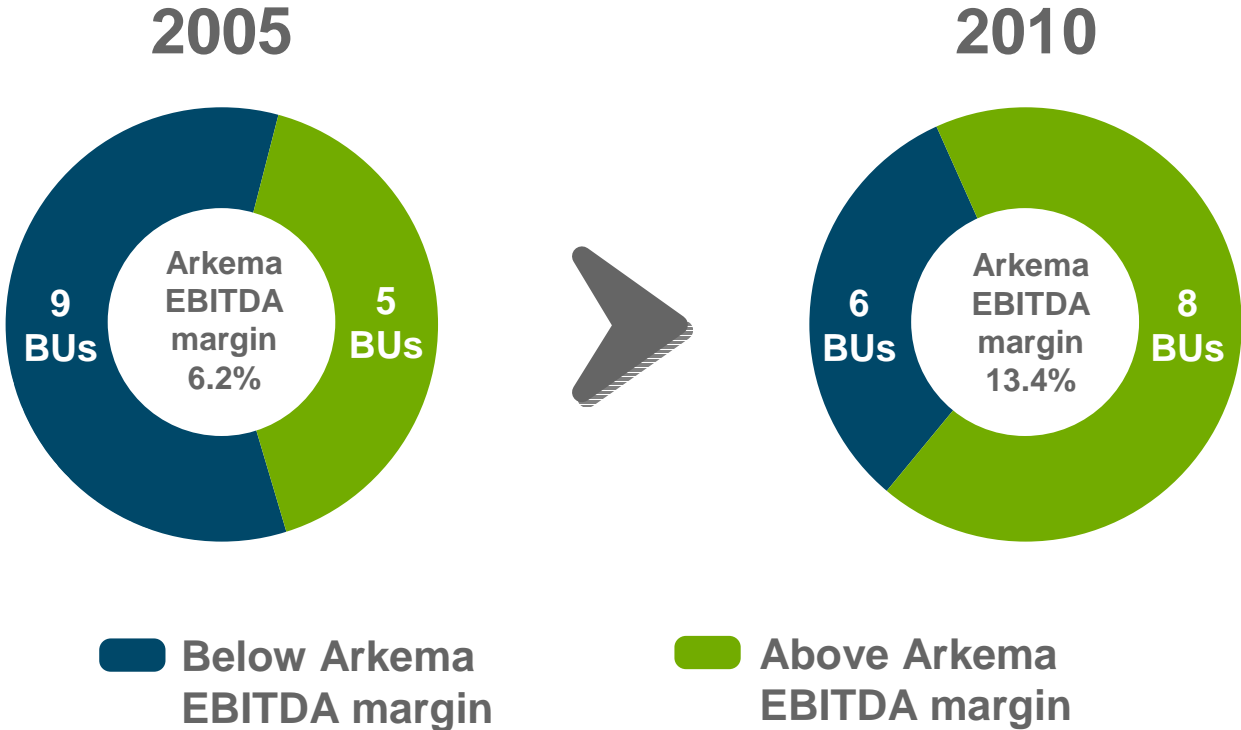


* Net financial debt end 2005 - €532m capital increase by Total + €580m non-recurring pre spin off items

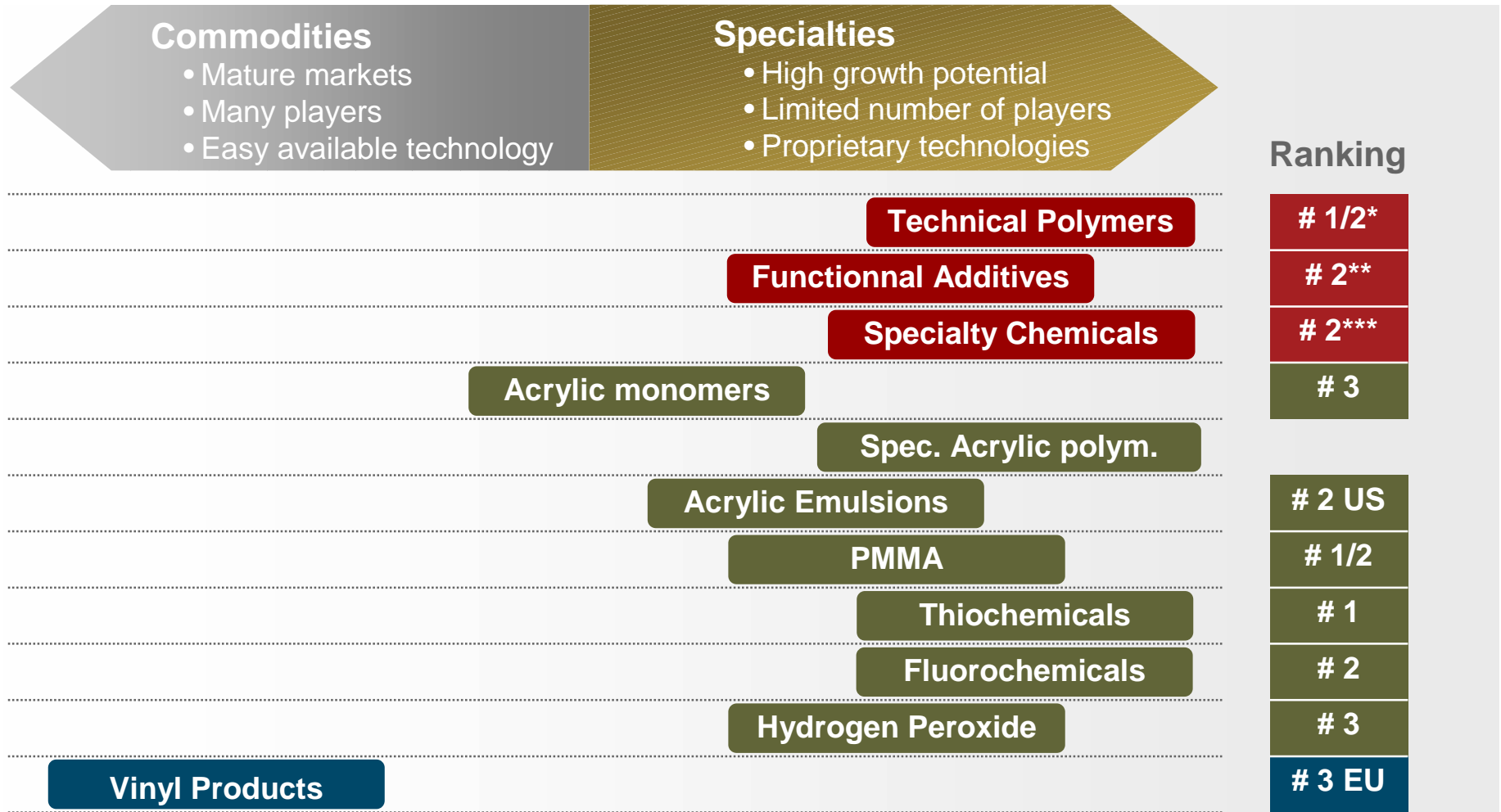


Evolution of profitability by BU

Breakdown of sales with EBITDA margin above/below Arkema margin



Leadership positions in many niche markets



* Specialty Polyamide and PVDF

** Organic Peroxide

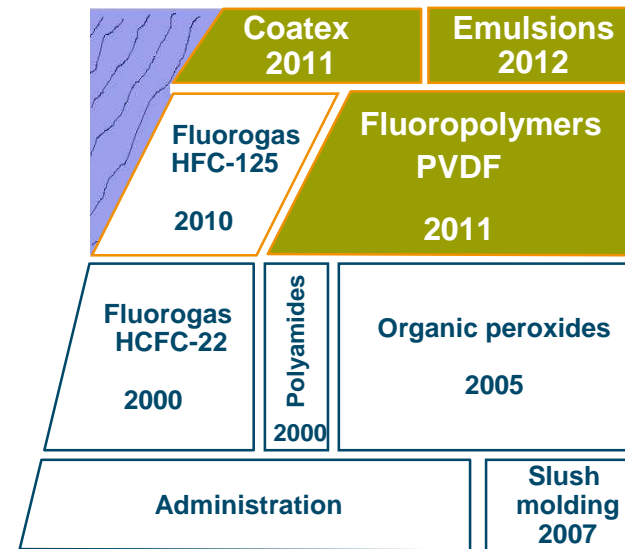
*** Molecular sieves



A better footprint in China

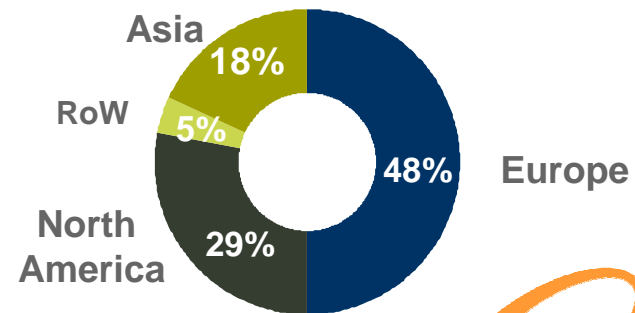


Changshu: Arkema's 3rd worldwide platform in 2011

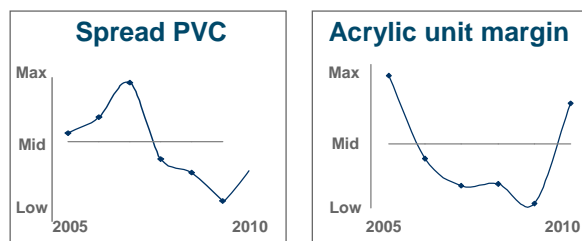
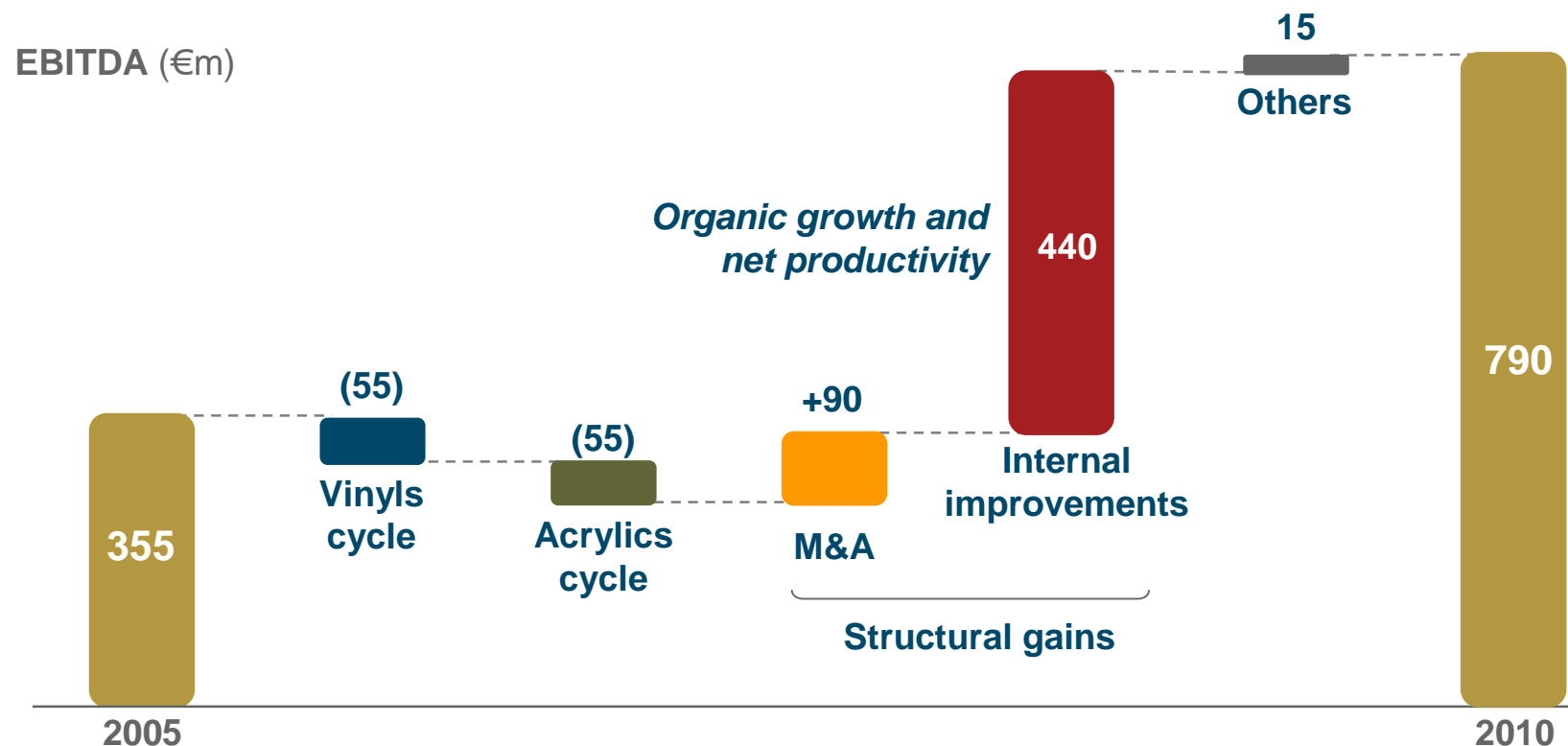


- Changshu at a glance**
- Around 500 employees in 2010
 - 10 manufacturing units in 2011
 - 2011 start-ups: new units for PVDF Kynar® and Coatex

Sales by region (2010)



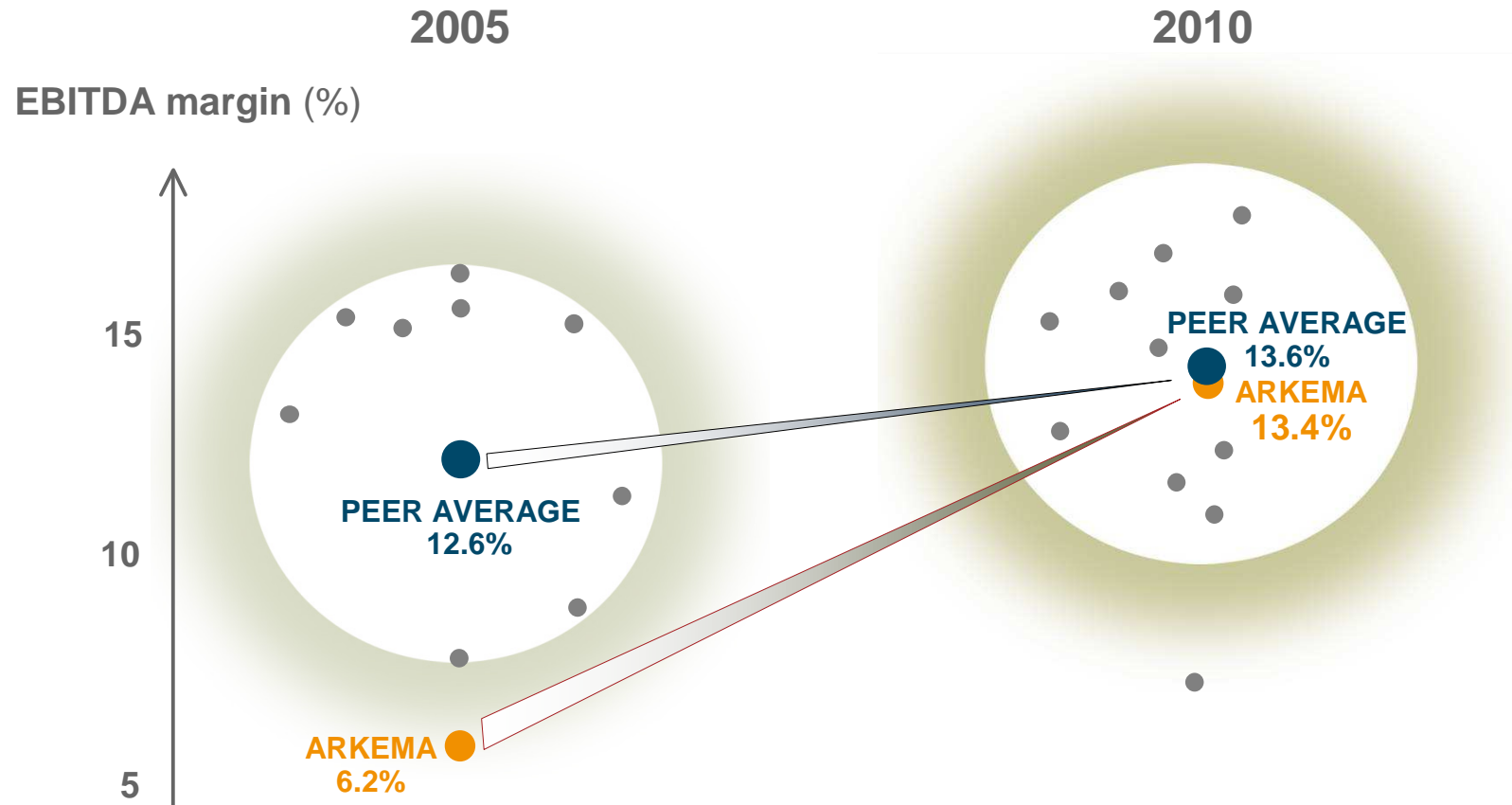
Performance turnaround driven by transformation



Negative impact from the cycle over the period



Gap filled with the industry in 5 years



Peers : Akzo Nobel (Specialty Chemicals), BASF (excl. Oil & Gas), Celanese, Chemtura (consensus), Clariant, Dow, Dupont, Lanxess (consensus), Rhodia (excl. CER), Solvay, Tessenderlo



Constantly delivering on our targets

	Spin off target 2005-2010	2010	
EBITDA margin	12% in 2010	13.4%	✓
Fixed cost savings	€500m	€540m	✓
Working capital / sales	18%	13.3%	✓
Gearing	<40%	4%	✓
Portfolio management	Acquisitions €500m to €800m sales	€650m	✓
	Divestments €300m to €400m sales	€480m	

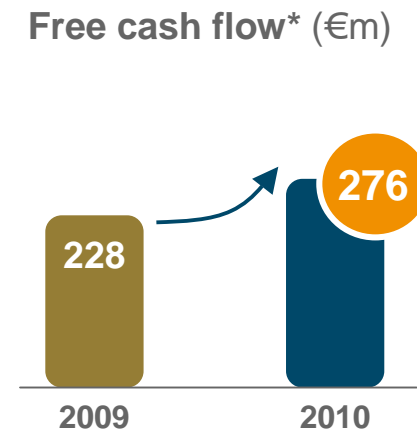
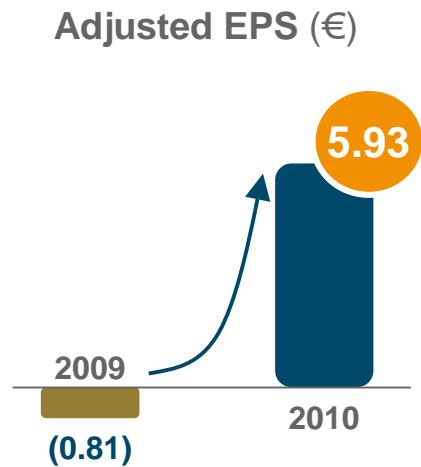
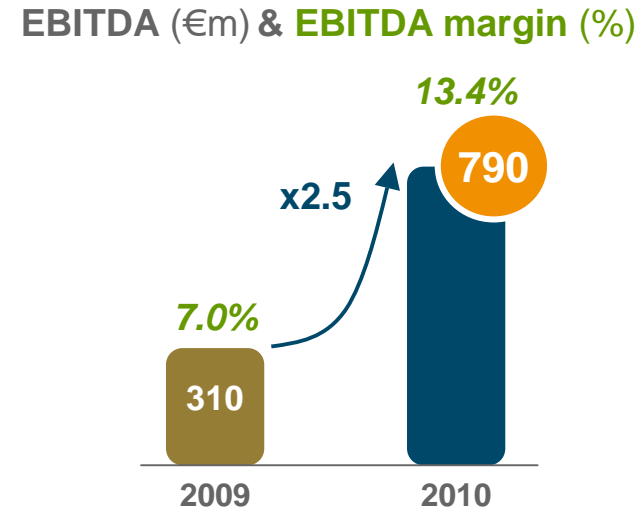
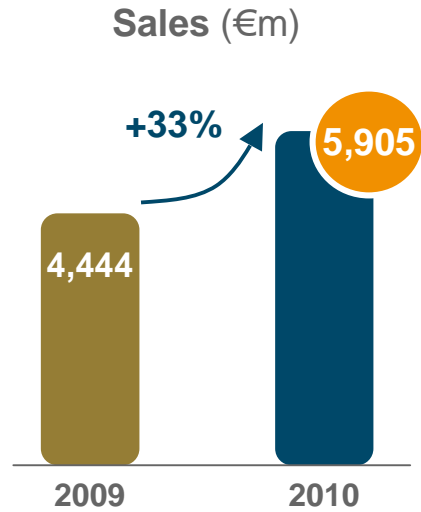




FY'10 results:
Five year
transformation
drives record
performance



Excellent set of figures



* Free cash flow = cash flow including non-recurring items and excluding impact from M&A



Well oriented market conditions

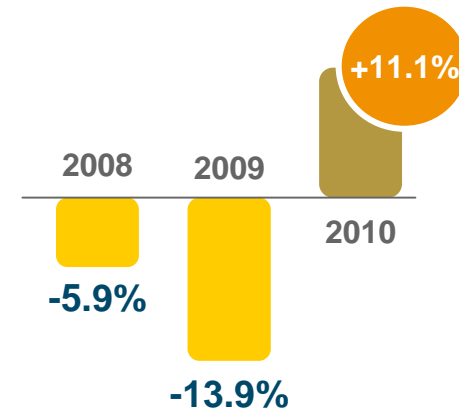
- ▶ **+11% volumes supported by Asia and emerging technologies**

- ▶ Mixed picture by region
 - Strong demand in Asia
 - Improved market conditions in North America
 - Slower pace of recovery in Europe
- ▶ Fast growing emerging applications (photovoltaic, Li-ion batteries, etc.)
- ▶ Housing and construction markets remaining slow in Europe and North America

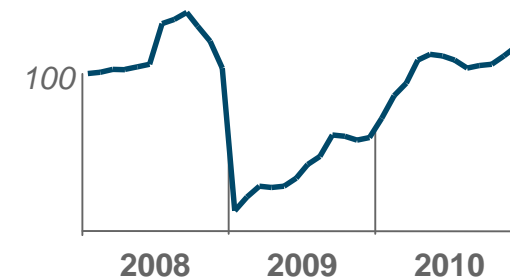
- ▶ **Price increases and improved product mix bring value above sharp rise in raw materials**

- ▶ **Volatile foreign exchange rates**

YoY volume variation (%)



Raw material index



Several key milestones

- ▶ **Successful acquisition and integration of acrylic assets in North America**
- ▶ **Quick ramp-up of new HFC-125 fluorogas production unit in China**
- ▶ **19% of total sales achieved in Asia in 4Q'10**
- ▶ **Fast-growing contribution from developments in emerging applications (photovoltaic, Li-ion batteries, LED TV, high-temperature polyamides, etc.)**
 - ▶ Above € 100m new sales versus 2009
- ▶ **Tight management of fixed costs**
 - ▶ Benefit from MMA/PMMA restructuring in Europe
 - ▶ Fixed cost maintained at 2009 level while volume increased by 11%
- ▶ **€500m bond issue**
 - ▶ Maturity: October 2017
 - ▶ Interest rate: 4% per year

Clear Lake site acquired beginning of 2010 (USA)



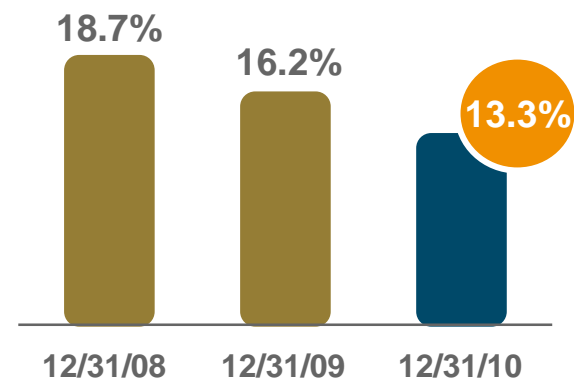
Start up of HFC-125 in Changshu (China)



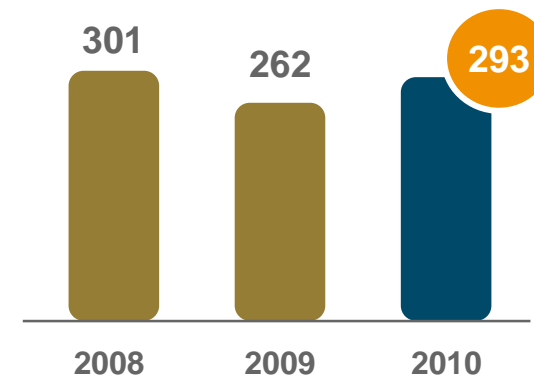
+€276m free cash flow*

<i>in €m</i>	2010
EBITDA	790
Working capital variation (<i>excl. M&A</i>)	(43)
Recurring capex	(293)
Tax & cost of debt	(142)
Restructuring outflows	(73)
Others	+37
Free cash flow*	+276
M&A	(46)
Net cash flow	230

Working capital as % of sales*



Recurring capex (€m)

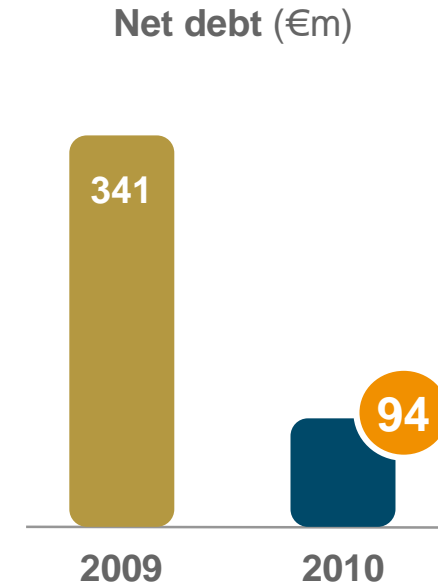


- ▶ **+€48m free cash flow* versus 2009 thanks to:**
 - ▶ Strong operational discipline
 - ▶ Limited working capital outflow on 33% sales increase
- ▶ **2011 targets**
 - ▶ Working capital between 14% and 15% of sales
 - ▶ ~ €360m recurring capex taking into account acceleration of growth in Asia and in Acrylics

* Free cash flow = cash flow including non-recurring items and excluding impact from M&A

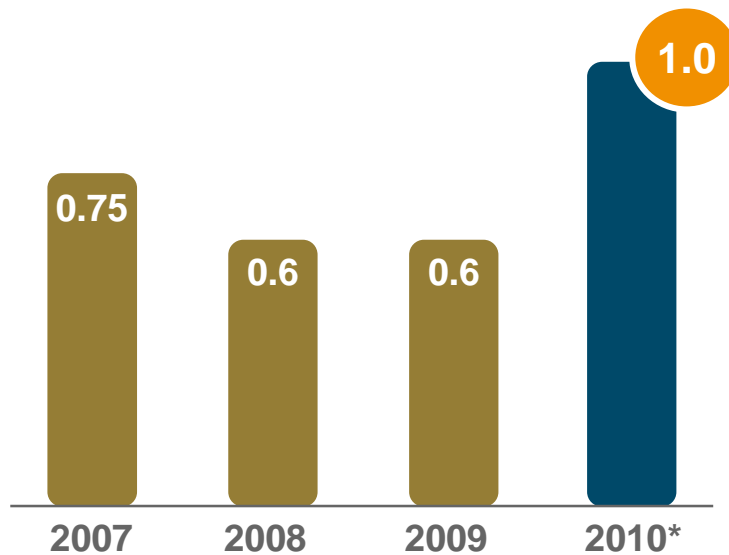
Significantly reduced net debt at year end

- ▶ **Net debt reduced at €94m, representing 0.1x EBITDA**
- ▶ **Diversification of debt sources**
 - ▶ Bond issue in October 2010
 - Amount: €500m
 - Interest rate: 4% per year
 - Maturity: October 2017
 - ▶ Securitization program
 - Amount: €240m
 - Maturity: June 2015
- ▶ **Net debt end 2010 does not include the financing of the project to acquire UV-curing and coating resins from Total (EV: €550m)**
- ▶ **Target to maintain gearing < 40%**



Dividend

Dividend (€/share)



- ▶ Proposed significant increase versus 2009 to reflect 2010 performance
- ▶ Payout: 18% of net income
- ▶ 1.9% dividend yield (based on share price at year end)

Dividend policy:

Arkema intends to pay each year a stable to reasonably rising dividend

* Dividend proposed to the Shareholders' Annual General Meeting of May 24th, 2011



Outlook



Assumptions for 2011

- ▶ **Continuing positive economic climate:**
 - ▶ Strong Asia, improved USA, slower recovery in Europe
 - ▶ Strong pull from sustainable trends
 - ▶ High raw material and energy costs
 - ▶ Remain attentive to changes in the macro environment

- ▶ **In Vinyls, higher energy cost but slowly improving market conditions**

- ▶ **Supply/demand balance in Industrial Chemicals and Performance Products to remain well oriented**

- ▶ **Acrylic unit margins similar to 2010 average**

- ▶ **Large maintenance turnarounds:**
 - ▶ Vinyls in April (Lavéra)
 - ▶ Acrylics in October and November (Carling and Clear Lake)



Our priorities for 2011

▶ Continue to actively increase our presence in Asia

- ▶ 2011 start-ups in Changshu (China): PVDF Kynar® new unit in March and Coatex plant mid-2011
- ▶ Build up new emulsions plant and capacity expansion in polyamides and PVDF Kynar®
- ▶ Prepare longer term projects in Asia: Thiochemicals, Acrylic monomers

▶ Accelerate growth in emerging applications for sustainable development (photovoltaic range of products, high-temperature polyamides, bio-plastics, water treatment, DMDS for soil fumigation, LED TV screens, etc.)

▶ Implement our global coating materials platform

- ▶ Finalize the acquisition of UV curing and coating resins businesses* from Total
- ▶ Reinforce partnerships with major customers
- ▶ Site development in acrylic monomers in Carling (Fr) and Clear Lake (US)

▶ Maintain strong pricing to follow raw material and energy cost

▶ Maintain a strong focus on fixed costs and cash generation

* Subject to the approval of the relevant anti-trust authorities and information / consultation of work councils



Project to acquire resin businesses from Total

▶ A new milestone

- ▶ €850m FY sales (€750m once consolidated within Arkema)
- ▶ €550m enterprise value
- ▶ Closing by mid-2011*

▶ Perfect fit with strategy in the acrylic value chain

- ▶ Increase downstream integration in acrylics from 30% to 40%
- ▶ Build an integrated and global Coating materials platform

▶ Strong potential

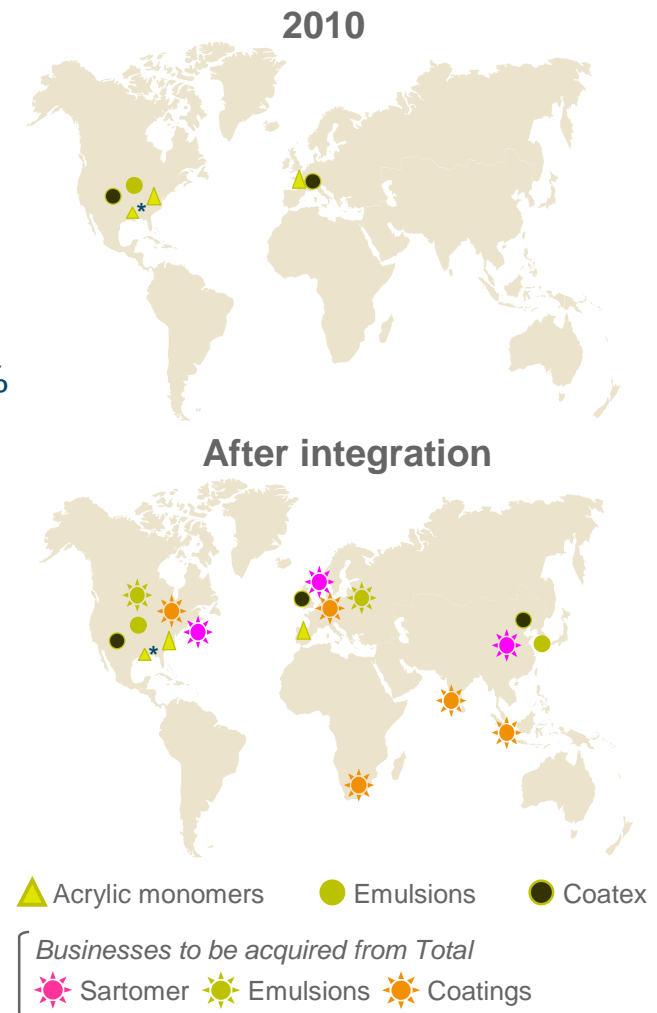
- ▶ Position on high growth value-added photocure market
- ▶ Strong growth platform in Asia

▶ EPS accretive on a first full-year basis

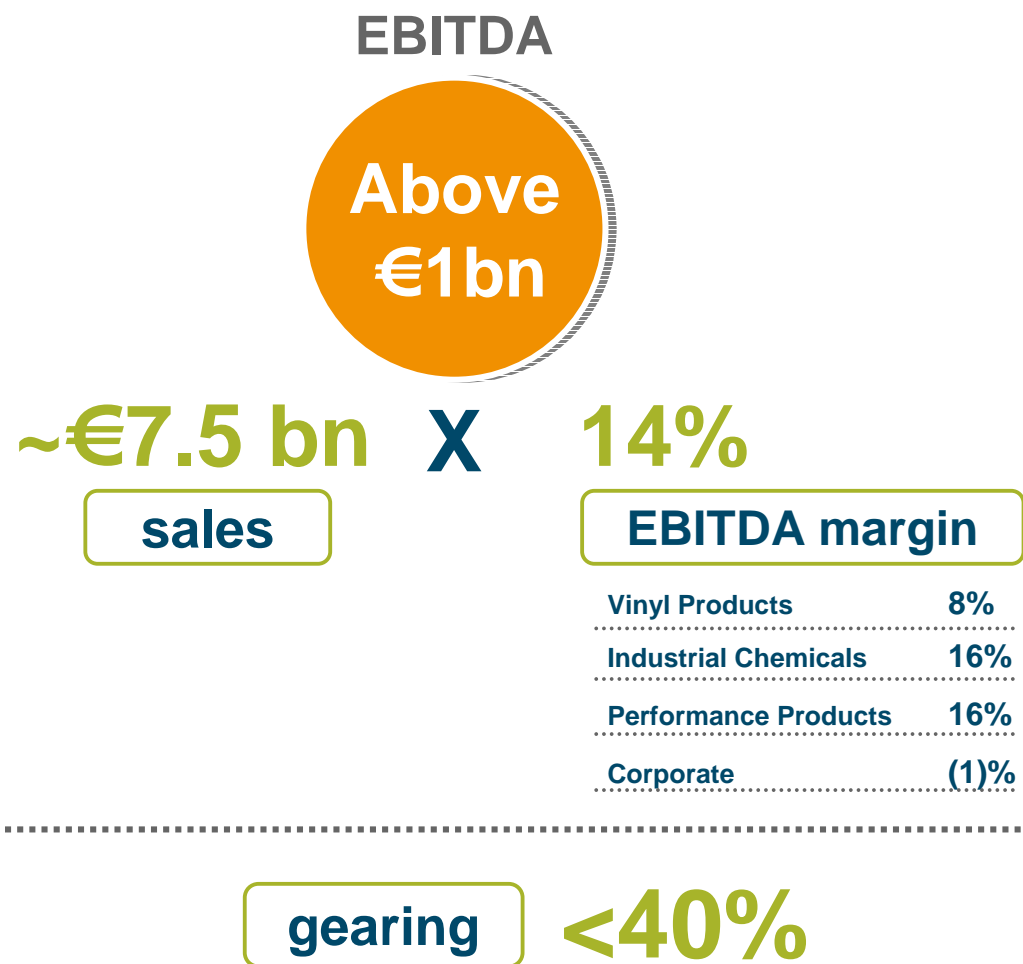
▶▶ **14% EBITDA margin target in 2015**
on € 900m sales**

* Subject to the approval of the relevant anti-trust authorities and information / consultation of work councils

** In a normalized environment



Our ambition for 2015: a new breakthrough



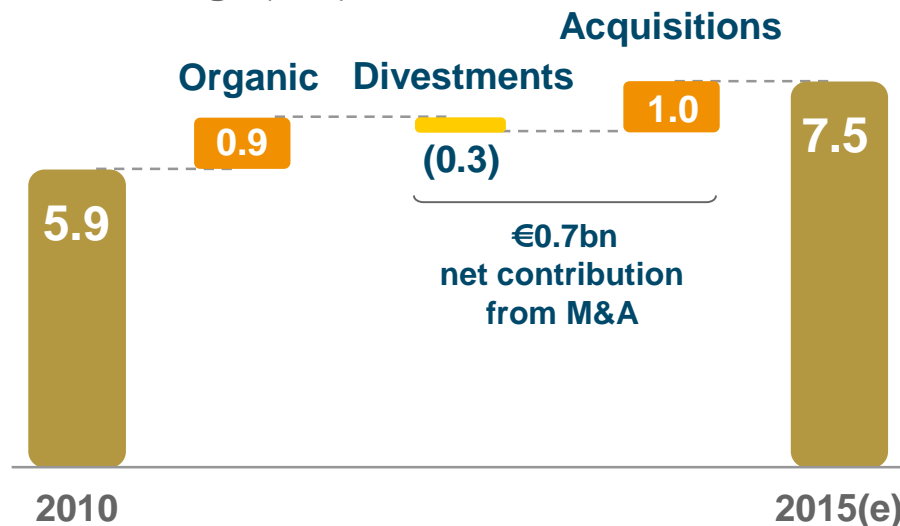
Assumptions:

- Mid-cycle conditions in a normalized environment
- Worldwide GDP growth at 3% / yr over the period
- Oil price and raw material index at current levels
- €/\$ exchange rate at 1.35

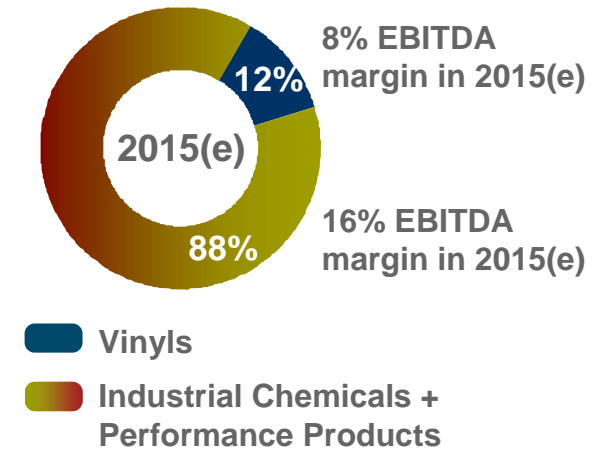


Fully on track to achieve 2015 objectives

Sales bridge (€bn)



Sales by segment



- ▶ **€750m sales from planned acquisition of resins from Total on € 1bn target to be acquired**
- ▶ **GDP+1 growth in Industrial Chemicals and Performance Products from emerging countries, solutions in sustainable development and coating material platform**
 - ▶ Strengthen acrylic sites (Clear Lake and Carling)
 - ▶ New units in Specialty Acrylic Polymers and emulsions in Changshu
 - ▶ Expansions in China in PVDF Kynar® and polyamides
 - ▶ Innovative range on photovoltaic markets, batteries and water filtration
- ▶ **Vinyls to represent around 16% of total sales after integration of resins* from Total (26% in 2008)**

* On 2010 proforma sales including € 750m sales from resins businesses from Total



Superior underlying growth

Business	Main end-markets	Growth drivers
Thiochemicals	Animal nutrition Refineries / Petrochemicals	Increasing poultry consumption Projects in Asia and Middle-East Stronger regulations on sulfur content
Acrylics	Coatings Superabsorbants (hygiene) Water treatment Enhanced O&G recovery	Substitution to higher performance formulations Aging population in mature markets Baby diapers in China / India Need for water purification Shale gas
Methacrylates	Electronics	Emerging LED TV market
Fluorochemicals/ Fluoropolymers	Air-conditioning New energies Water treatment	Next-generation products, lower VOC products Development of photovoltaic, lithium-ion batteries Acces to drinking water in developing countries
Hydrogen Peroxide	Detergents Water treatment	Increasing green cleaning Increasing waste-water treatment
Polyamides	Automotive Oil & Gas Renewables	Lightweight vehicles Increasing deep offshore fields and natural gas distribution pipelines Booming bio-plastic demand
Specialty Chemicals	Filtration and adsorption	Gas separation



Conclusion

- ▶ **2010 performance well above pre-crisis levels (adjusted net income of € 362m in 2010 versus € 186m in 2007)**
- ▶ **Confidence for 2011 outlook. 1st quarter 2011 EBITDA expected to be significantly above 1st quarter 2010 EBITDA**
 - ▶ Seasonality back to more traditional pattern
 - ▶ Confirm ability to pass raw material cost increase
- ▶ **Major milestone in 2011: planned acquisition of resin businesses from Total turning Arkema in a leader in coating materials**
- ▶ **2015 long term objectives fully on track supported by 2010 base and high density of current projects**





Appendix



Full year 2010 key figures

<i>in €m (except EPS)</i>	2009	2010	Variation	Peer average*
Sales	4,444	5,905	+32.9%	+21%
EBITDA	310	790	x 2.5	x 1.7
EBITDA margin	7.0%	13.4%		13.6%
Recurring operating income	40	503	x 12.6	-
Net income (group share)	(172)	347	-	-
Adjusted EPS (diluted)	(0.81)	5.92	-	-

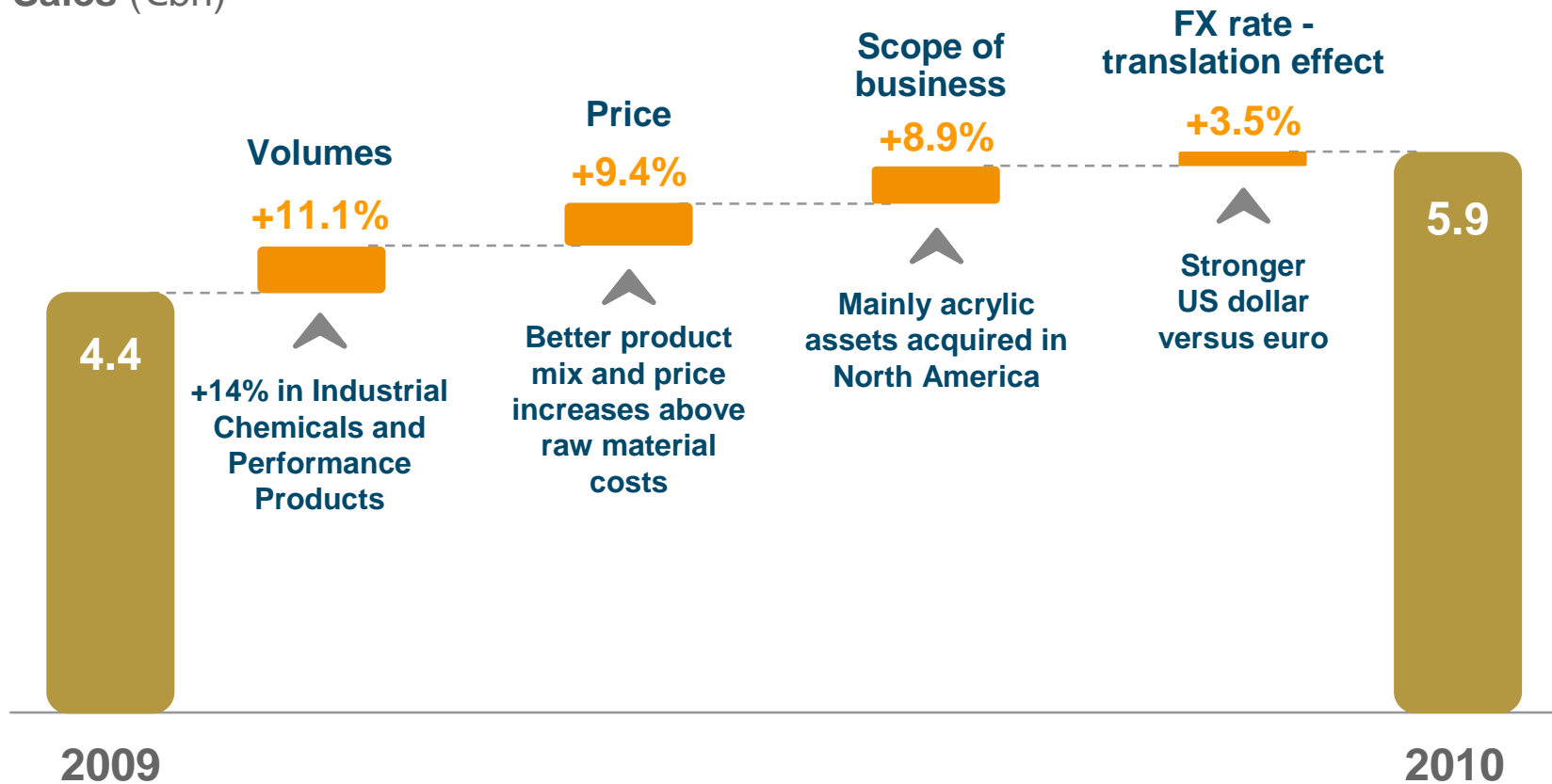
•• Excellent top and bottom-line growth

* Peers : Akzo Nobel (Specialty Chemicals), BASF (excl. Oil & Gas), Celanese, Chemtura (consensus), Clariant, Dow, Dupont, Lanxess (consensus), Rhodia (excl. CER), Solvay, Tessenderlo

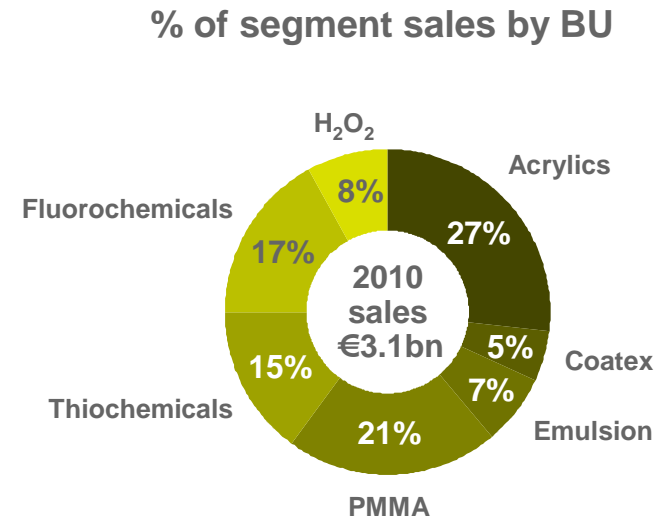
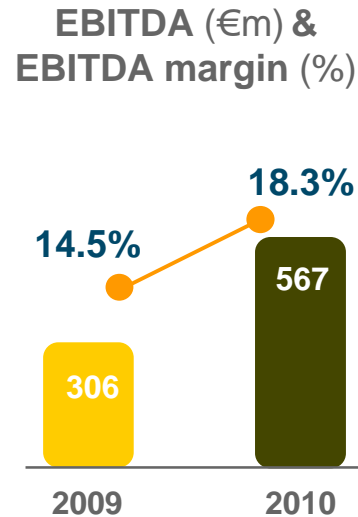
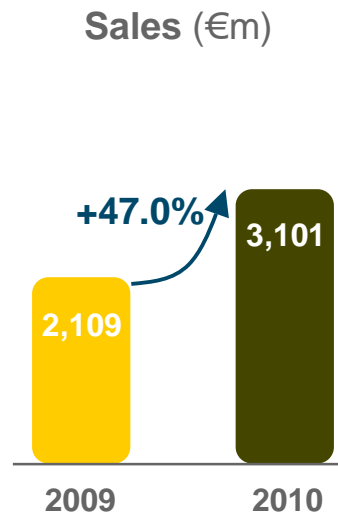


+33% sales vs 2009

Sales (€bn)



Industrial Chemicals: excellent growth and profitability



- All business lines contributed to excellent profitability**

- +28% sales at constant scope of business
 - Demand recovery in most end markets: refrigeration, oil & gas, automotive, water treatment, electronics, etc.
 - Significant price increases offsetting higher raw material costs
 - Recovery of acrylic monomer unit margins

- Successful start-up and quick ramp-up of HFC-125 production unit in Changshu (China)**

- Acrylic assets acquired in North America performed well above initial expectations**

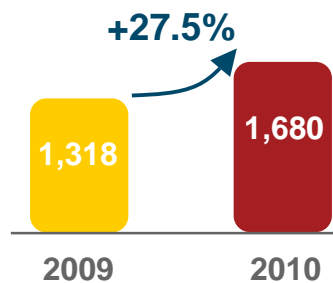
- Benefits from MMA/PMMA restructuring in Europe**

- Positive impact from foreign currency translation effect**

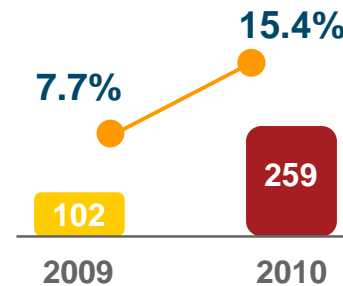


Performance Products: EBITDA margin doubled at 15.4% supported by innovation and Asia

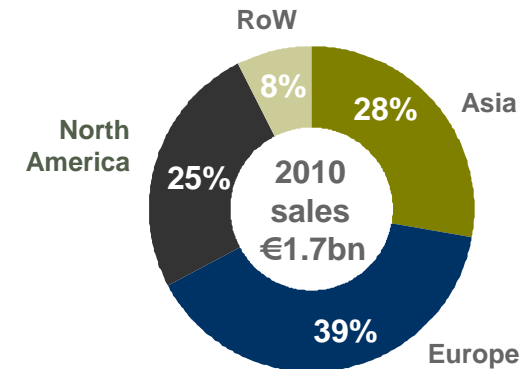
Sales (€m)



EBITDA (€m) & EBITDA margin (%)



% of segment sales by region

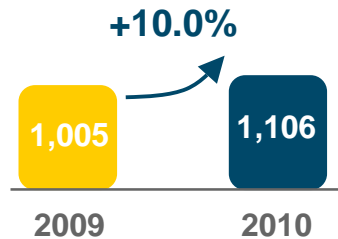


- ▶ **Innovation and market recovery supported higher sales**
- ▶ **+19% volume effect with contribution from all business lines**
 - ▶ Higher demand of traditional end markets (automotive, oil & gas, wire & cable, packaging, polymers, etc.)
 - ▶ Fast expansion of new emerging applications (photovoltaics, Li-ion batteries, high-temperature polyamides, etc.)
 - ▶ Strong growth in Asia
- ▶ **Price increases offsetting higher raw material costs**
- ▶ **Product mix of Technical Polymers repositioned on higher value added products thanks to innovation**

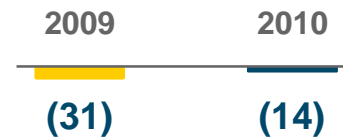


Vinyl Products: slight improvements in still challenging market conditions

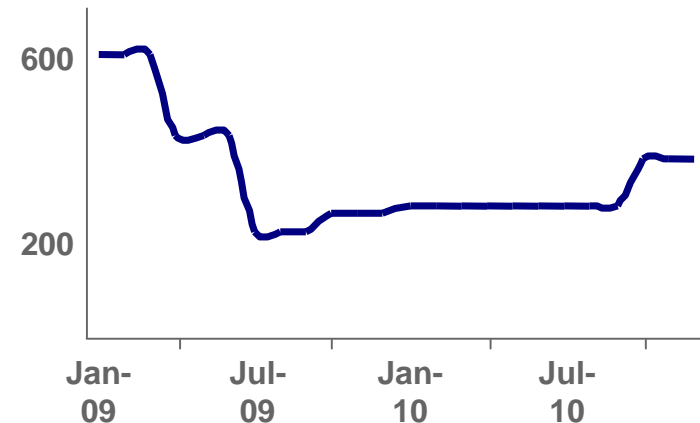
Sales (€m)



EBITDA (€m)



Caustic soda prices (in €/t)



- ▶ Volumes slightly above 2009 but construction market still challenging in Europe
- ▶ PVC price increases offset higher ethylene costs but PVC margins still low
- ▶ Caustic soda prices on average below 2009 but rising at year end
- ▶ Around €(15)m EBITDA impact from national strikes in France (refineries and Marseille harbor)
- ▶ Further fixed cost reductions in PVC
- ▶ Benefits from repositioning of Vinyl Compounds on higher value-added applications
- ▶ Excellent performance of Qatar Vinyl Company (in which Arkema holds 13%)



Strong balance sheet

<i>in €m</i>	31 Dec. 2009	31 Dec. 2010
Net debt	341	94
Shareholders' equity	1,813	2,240
Net provisions	685	702
Non-current assets*	2,257	2,379
Net working capital	720	785
Capital employed	2,977	3,164

- ▶ **Provisions include:**
 - ▶ € 100 m restructuring
 - ▶ € 239m pensions (stable amount)
 - ▶ € 136m environment

- ▶ **€411m unrecognized deferred tax assets including €332m of unrecognized tax losses**

▶▶ **15% ROCE** in 2010 well above cost of capital**

* Excluding deferred income tax assets

** ROCE = (REBIT – tax) / (Capital employed - provisions)



Disclaimer

- ▶ 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 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 3Q'10 results press release available on 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, 14,000 employees and eight research centers, Arkema generates annual revenues of €5.9 billion and holds leadership positions in all its markets with a portfolio of internationally recognized brands. The world is our inspiration.

