



FULL YEAR 2013 RESULTS

CITI'S WEST COAST INSTITUTIONAL
INVESTOR SYMPOSIUM

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Thierry Lemonnier
CFO

ARKEMA
INNOVATIVE CHEMISTRY

2013 key take-aways

- **Solid 15% EBITDA margin despite a challenging economic environment**
- **Decrease in EBITDA centered on a few specific fields**
Oil & Gas and photovoltaics in High Performance Materials, Fluorogases, PMMA in Europe
- **Overall increase in other business lines**
- **Further enhanced Group profile**
- **Cost base and balance sheet structure well maintained**

High Performance Materials

Contrasted year with sharp improvement in 4Q

Industrial Specialties

Mixed performance

Coating Solutions

Volume growth and resilient performance

- **Several transformational projects, started, ongoing or announced, which position Arkema well for the long-term**



Acrylics (US)



Lacq 2014 (France)



Thiochemicals (Malaysia)



Acrylic JV with Jurong*



2013 key figures

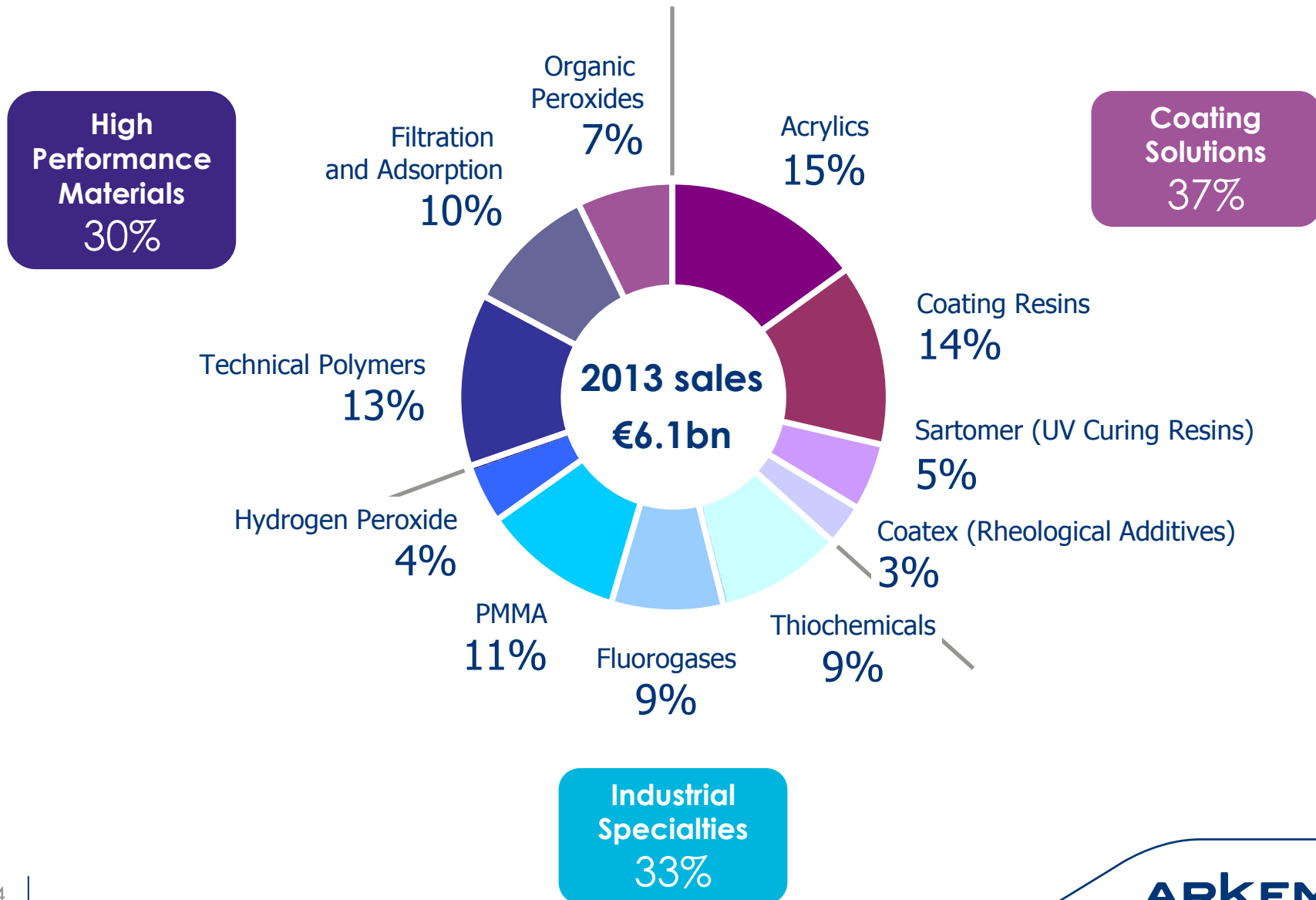
▀ **€6.1bn sales** close to 2012 at constant scope of business and exchange rate

▀ **€902m EBITDA** and **14.8% EBITDA margin**

▀ **€368m adjusted net income**

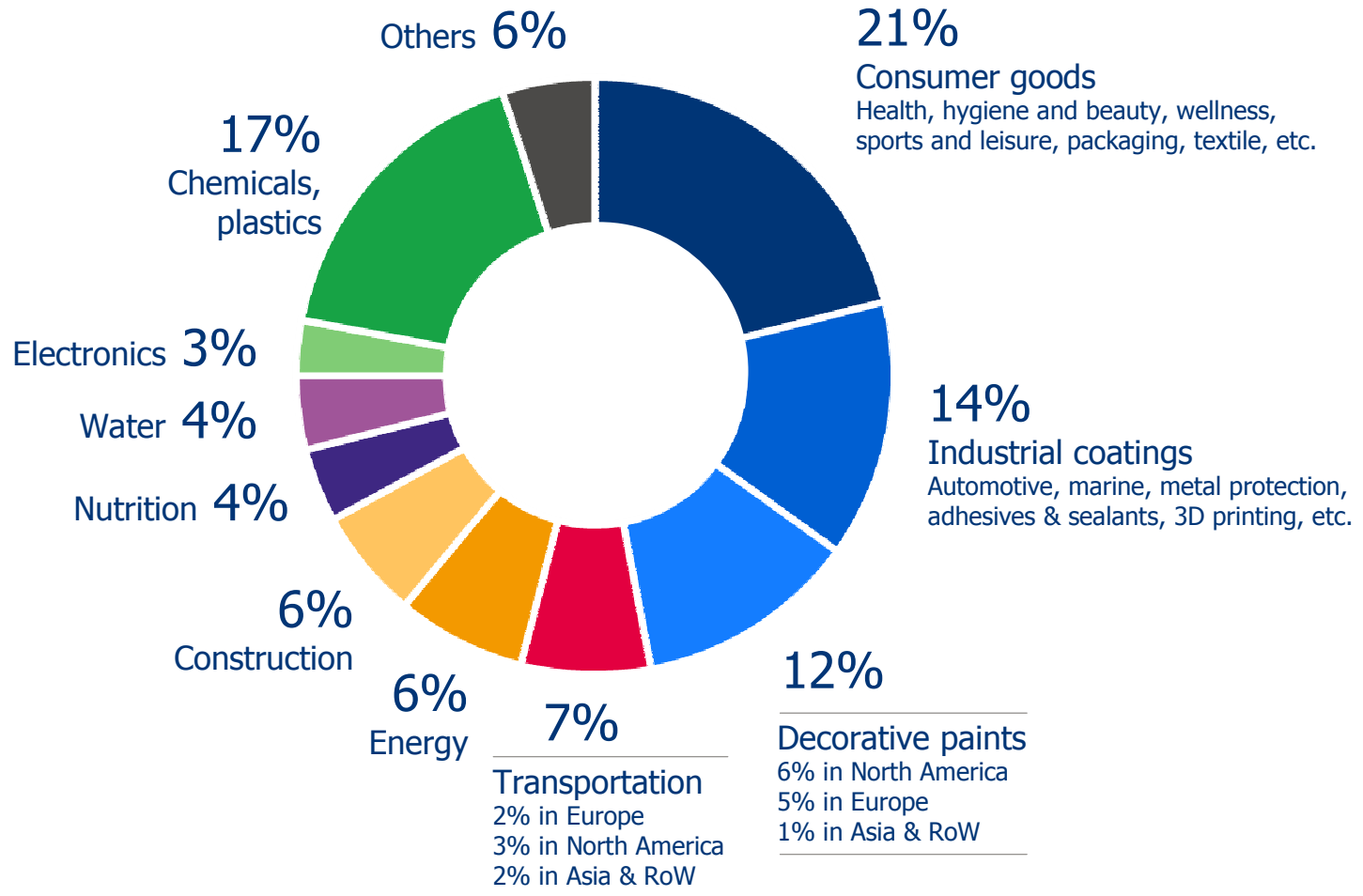
▀ **€923m net debt** representing **1x EBITDA**

Sales breakdown by business





Diversified end markets

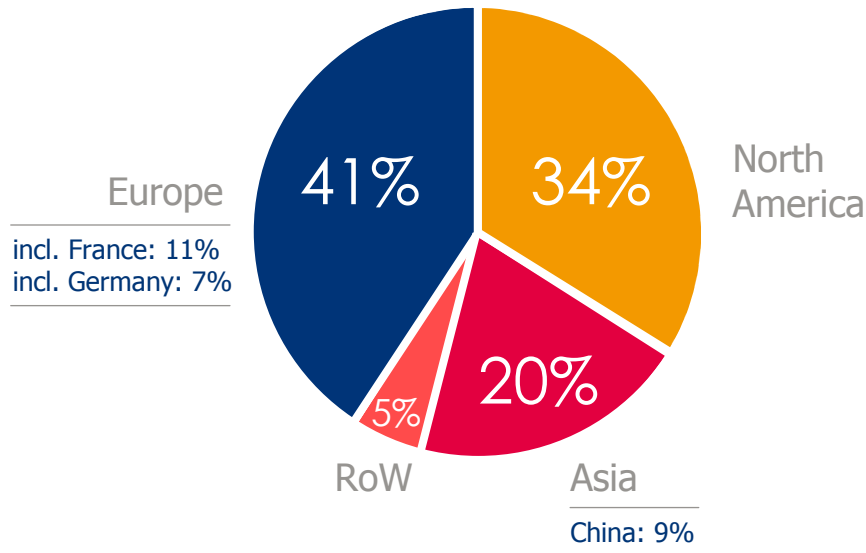


Megatrends support growth of our businesses

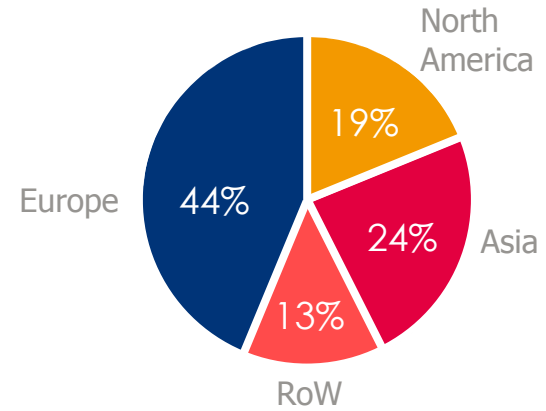
End-markets	Megatrends	Drivers of Arkema's growth
Consumer goods	<ul style="list-style-type: none"> Increasing standard of living Growth of population Ageing population 	<ul style="list-style-type: none"> Specialty Polyamides: new trends in consumer electronics and sports Acrylics: superabsorbents for diapers Filtration & Adsorption: molecular sieves for medical O₂
Paints & coatings	<ul style="list-style-type: none"> Low VOC requirements Rebound in housing in USA Smart coatings 	<ul style="list-style-type: none"> Coating Resins for decorative paints: low VOC resins and opacifiers Coatex: water-based rheology additives UV-curing resins (Sartomer) for electronic coatings, 3D printing
Transportation	<ul style="list-style-type: none"> Lightweight materials Global growth of automotive New regulations 	<ul style="list-style-type: none"> High Temperature Specialty Polyamides for metal replacement Thermoplastic composites for structural auto parts (launch of Elium®) PMMA Altuglas® ShieldUp for glass replacement Fluorogases: low GWP for air-conditioning systems Acquisition of AEC Polymers (structural methacrylate adhesives)
Energy	<ul style="list-style-type: none"> Enhanced oil recovery Increasing use of gas New energies and electricity storage 	<ul style="list-style-type: none"> Specialty Polyamides and PVDF: oil production in deep offshore Thiochemicals: process agent for gas cracking Filtration & Adsorption: molecular sieves for industrial gas PVDF fluoropolymer: li-ion batteries and photovoltaics
Food & water	<ul style="list-style-type: none"> Growing population and increasing standard of living Access to drinking water Industrial water treatment 	<ul style="list-style-type: none"> Thiochemicals: methionine production for animal nutrition PVDF fluoropolymer: membrane for water filtration Acrylics: flocculent for water treatment Hydrogen peroxide: clean reagent for industrial water treatment

Enhanced geographical reach

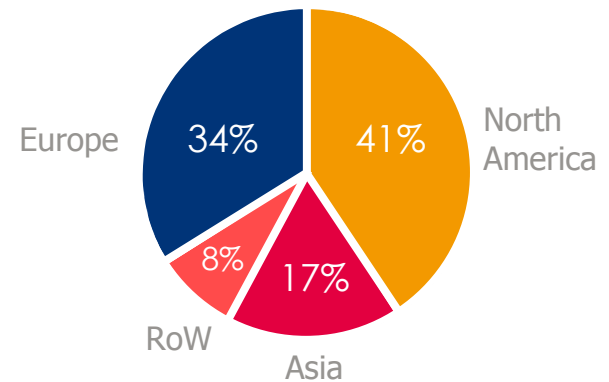
Sales by region



European panel of peers*



American panel of peers**



Two growth priorities: North America and Asia

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

Leadership positions

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

■ High Performance Materials
 ■ Industrial Specialties
 ■ Coating Solutions

Among the first 3 leaders (WW) on 90% of sales

Execution of transformational projects

United States

US\$110m capex program
in Acrylics



Bayport: 2-EHA new line (started in 2012)

Clear Lake: Acrylic acid
Capacity expansion (+60 kt) (started mid-2013)

Clear Lake: Methyl acrylate
New unit (+45 kt) (under construction)

China

Hipro: PA10 x3 capacity
(implemented in 2013)



Changshu: Coating resins
New emulsion unit
(started end 2013)



Changshu: new R&D center
(started in 1Q'13)



France

Lacq: Thiochemicals
Process transformation
(completed end 2013)



Jarrie: conversion to membrane technology
(completed end 2013)

India

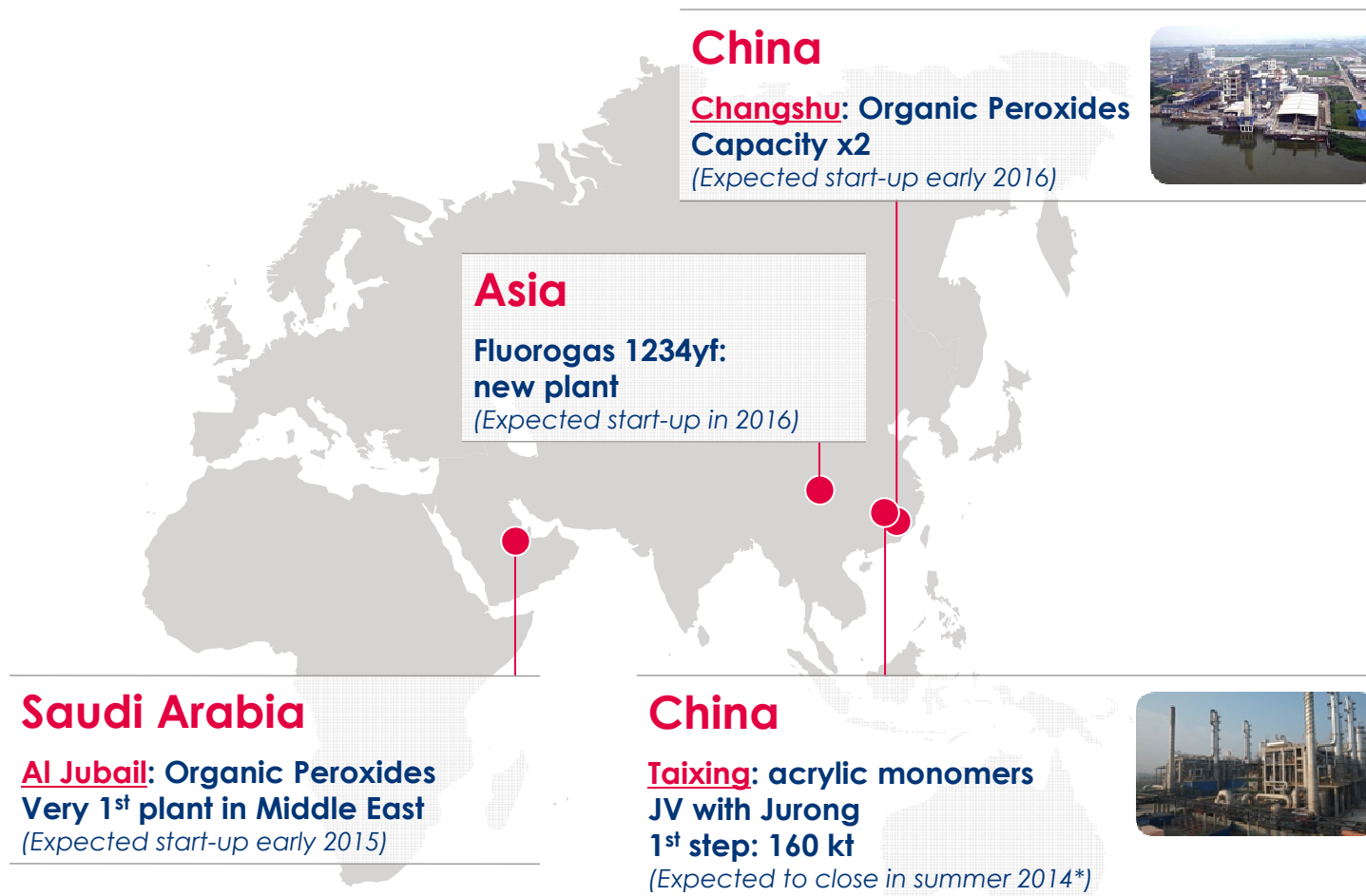
25% stake in a
subsidiary of
Jayant Agro
producing castor oil
Finalized



Malaysia

Construction of new
Thiochemicals platform
(ongoing)

Projects announced since January 1st, 2013





Full year 2013 results



2013 key figures

<i>In €m (except EPS)</i>	2012	2013	variation
Sales	6,395	6,098	-4.6%
EBITDA	996	902	-9.4%
EBITDA margin	15.6%	14.8%	
Recurring operating income	678	588	-13.3%
Adjusted net income*	441	368	-16.6%
Net income (Group share)	220	168	-23.6%
Adjusted EPS*	7.09	5.87	-17.2%



Sales bridge

Sales (€m)

6,395



2012

Volume

1.4%



- Significant volume growth in Coating Solutions
- High Performance Materials impacted by delays in Oil & Gas and more challenging market conditions in photovoltaics

Price

(2.0)%



- Temporary challenges in Fluorogases
- Less favorable product mix in High Performance Materials
- Resilience elsewhere

Scope of business

(1.9)%



- Divestment of tin stabilizers

FX rate – translation effect

(2.1)%



- Strengthening of the euro vs the US dollar

6,098



2013



Key drivers of FY'13 performance

- **Solid performance in the large majority of product lines reflecting strong positions in resilient and growing niche markets**
 - Benefit from recent investments in US and China
 - Sustainability: lightweight materials, bio-based products, water treatment, li-ion batteries, etc.
- **Specific situations impacting 3 business lines**
 - Delays in some Oil & Gas projects in High Performance Materials
 - Challenging market conditions in certain Fluorogases on increased competitive pressure
 - PMMA in Europe reflecting challenging automotive and construction
- **Contrasted dynamics by region with challenging Europe, solid context in North America and Asia (Arkema benefiting from strong presence there)**
- **Productivity initiatives offset $\frac{3}{4}$ of inflation on fixed costs**
- **Impact on EBITDA of changes in the scope of business and FX rates (€/USD, €/JPY)**
 - Translation effect: €(17)m
 - Transactional effect: same magnitude as translation effect
 - Scope effect (mainly tin stabilizers divestment): €(13)m



High Performance Materials

<i>In €m</i>	2012	2013	variation
Sales	2,101	1,842	-12.3%
EBITDA	361	316	-12.5%
EBITDA margin	17.2%	17.2%	
Recurring operating income	252	212	-15.9%

EBITDA margin maintained at 17.2%

€1,842m sales down 4% at constant scope of business and FX

- - 6.4% impact of changes in the scope of business (mainly tin stabilizers divestment)
- Volumes and mix impacted by delays in some Oil & Gas projects and less favorable market conditions in photovoltaics

€316m EBITDA

- High basis of comparison in 2012 in Oil & Gas and photovoltaic
- Solid performance elsewhere benefiting from new developments and Asia
- Strong increase of results in 4Q'13 (+58% EBITDA YoY)



Industrial Specialties

In €m	2012	2013	variation
Sales	2,096	1,993	-4.9%
EBITDA	399	340	-14.8%
EBITDA margin	19.0%	17.1%	
Recurring operating income	285	225	-21.1%

➤ **17.1% EBITDA margin in line with 2016 target**

➤ **€1,993m sales**

- Down 3% at constant scope of business and FX
- - 4% price concentrated on Fluorogases and PMMA

➤ **€340m EBITDA**

- **Thiochemicals:** solid results despite one-off technical issues impacting 4Q'13 performance. Strong base and promising potential for mid-term growth.
- **Fluorogases:** combination of unfavorable weather conditions in 2Q'13 and competitive pressure from Chinese producers in certain gases
- **PMMA:** contrasted market conditions: robust growth in North America and challenging in Europe
- **Hydrogen Peroxide:** stable performance



Coating Solutions

In €m	2012	2013	variation
Sales	2,175	2,224	+2.3%
EBITDA	279	292	+4.7%
EBITDA margin	12.8%	13.1%	
Recurring operating income	192	199	+3.6%

➤ Continuing improvement of performance

➤ €2,224m sales

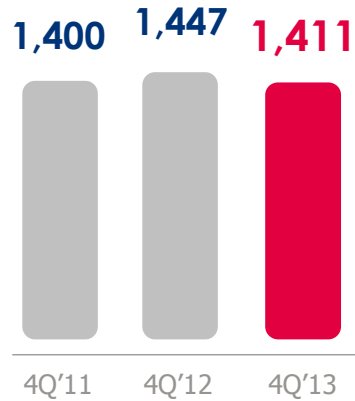
- Up 5% versus 2012 at constant scope of business and FX
- +4.6% volumes supported by organic growth capex in Clear Lake (TX) and Carling (France) and gradually improving housing market in North America

➤ €292m EBITDA (+7% at constant scope of business and FX)

- **Acrylics:** Solid volumes supported by investments offset lower unit margins
- **Coating Resins:** benefits from cost optimizations and improving market conditions in decorative paints in the US
- **Coatex and Sartomer:** good performance supported by innovation and geographical expansion

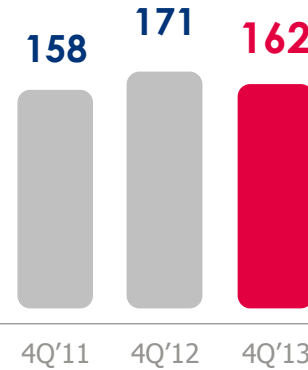
4Q'13 highlights and key figures

Sales (€m)



- +1.3 % at constant scope and FX
- +2.4 % volumes mainly in HPM
- 1.1 % price mainly in Fluorogases

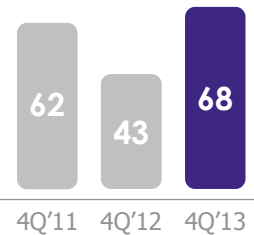
EBITDA (€m)



- 11.5 % EBITDA margin
- Solid performance in a 4th quarter

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

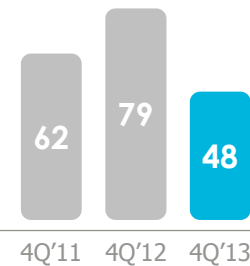
13.6% 9.6% 14.6%



- +58 % EBITDA
- Supported by better Oil & Gas for Filtration and Adsorption

High Performance Materials

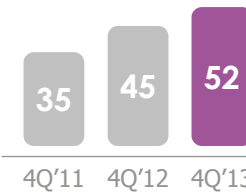
13.2% 15.7% 10.6%



- 39 % EBITDA
- Challenges in Fluorogases and one-off technical issues in Thiochemicals

Industrial Specialties

7.5% 9.1% 10.7%



- +16 % EBITDA
- Benefits from organic investments and productivity

Coating Solutions

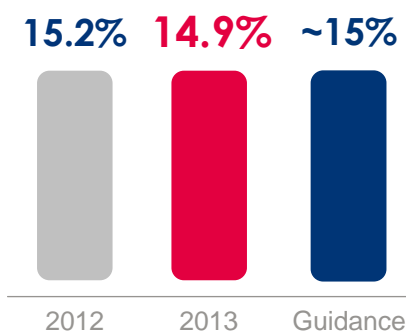
Cash flow

In €m	2013	
EBITDA	902	
Working capital variation ⁽¹⁾	(57)	
Taxes	(139)	
Cost of debt	(41)	
Recurring capex	(329)	→ In line with guidance of ~ 5.5% of sales
Others	(14)	
Recurring cash flow	322	→ Representing 36% of EBITDA, stable YoY
Non-recurring items in operating and investing cash flow	(41)	→ Including €(26)m restructuring expenses
Non recurring capex	(152)	→ • Thiochemicals in Malaysia: largest industrial project • Lacq 2014, conversion of electrolysis in Jarrie: removing risks highlighted at spin-off
Free cash flow	129	
Impact of portfolio management	(51)	→ Mainly related to the definitive exit of all vinyl activities
Net cash flow	78	

Strong balance sheet

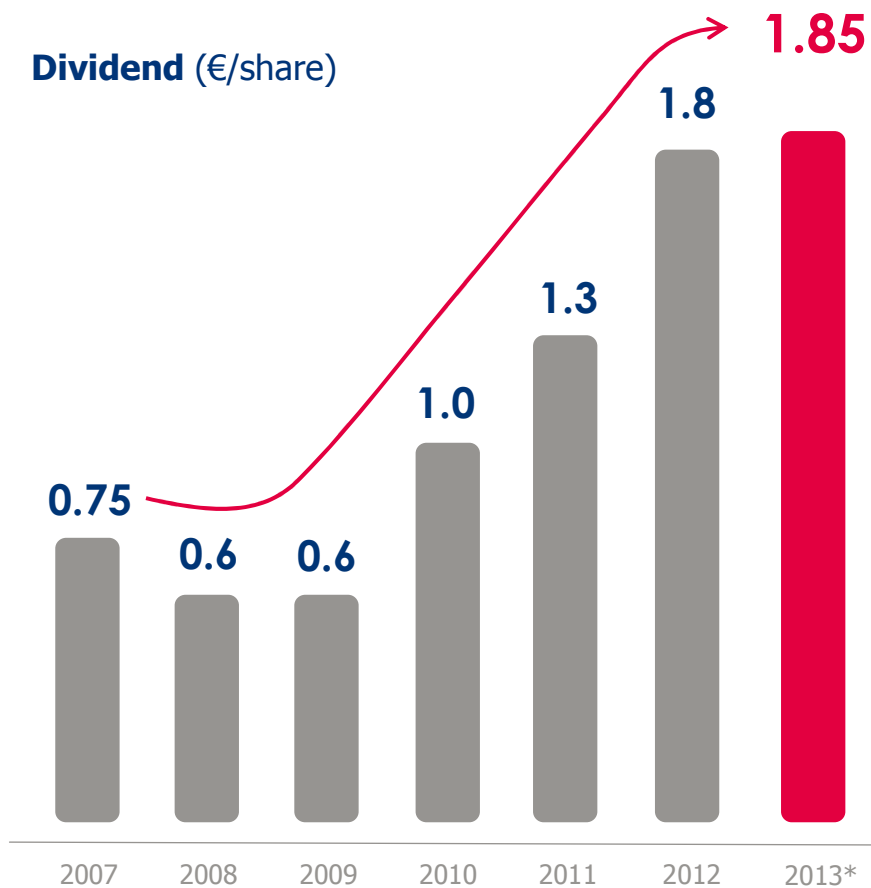
In €m	31 Dec 2012	31 Dec 2013
Net debt	900	923
Shareholders' equity	2,311	2,349
Net provisions for pensions and other employee benefits*	431	356
Other net provisions*	343	342
Non current assets	3,068	3,162
Working capital	971	908
Capital employed	4,039	4,070

Working capital /sales (%)



- **1x net debt / EBITDA and 39% gearing**
- **€264 m provisions for pensions (€331 m in 2012) on higher discount rates**
- **Other provisions include:**
 - €50 m restructuring (stable YoY)
 - €122 m environment (stable YoY)
 - €170 m other provisions (stable YoY)
- **€632 m unrecognized deferred tax assets end 2013**

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)



2014 outlook

Macro-economic assumptions

- Market conditions expected to remain contrasted
 - Solid growth in North America
 - Stabilization at current low points in Europe
 - Asia to remain with higher level of growth (China, South East Asia)
- On average expected stability of €/US\$ exchange rate versus 2013

Top priorities of the year

- Deliver € 40 m structural EBITDA in 2014 from organic developments
- Execute on the € 450 m capex plan for 2014 to fuel future EBITDA growth
- Start Thiochemicals platform in Malaysia
- Accelerate R&D programs on composites, bio-sourced polymers and batteries
- Finalize acquisition of Jurong's acrylic assets
- Continue to address competitiveness issue in Europe

Outlook

- While cautious on macro, confidence in Arkema's ability to grow EBITDA in 2014
- High 1Q'13 comparison base for fluorogases to be reversed in the remaining part of the year



Long-term outlook



The right strategy to create significant value long-term

INNOVATION

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



BOLT-ON ACQUISITIONS

Reinforce market positions and enhance profile

EMERGING COUNTRIES

Towards completely balanced presence



Unique quality of projects to sustain growth

High Performance Materials

- **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

18%

Industrial Specialties

- **Thiochemicals:**
Platform under construction in Malaysia
- **Fluorogases:**
Build solid positions in low GWP (1234yf, 1233zf)
- **PMMA:**
Lightweight materials (Altuglas® ShieldUp, thermoplastic composite)

17%

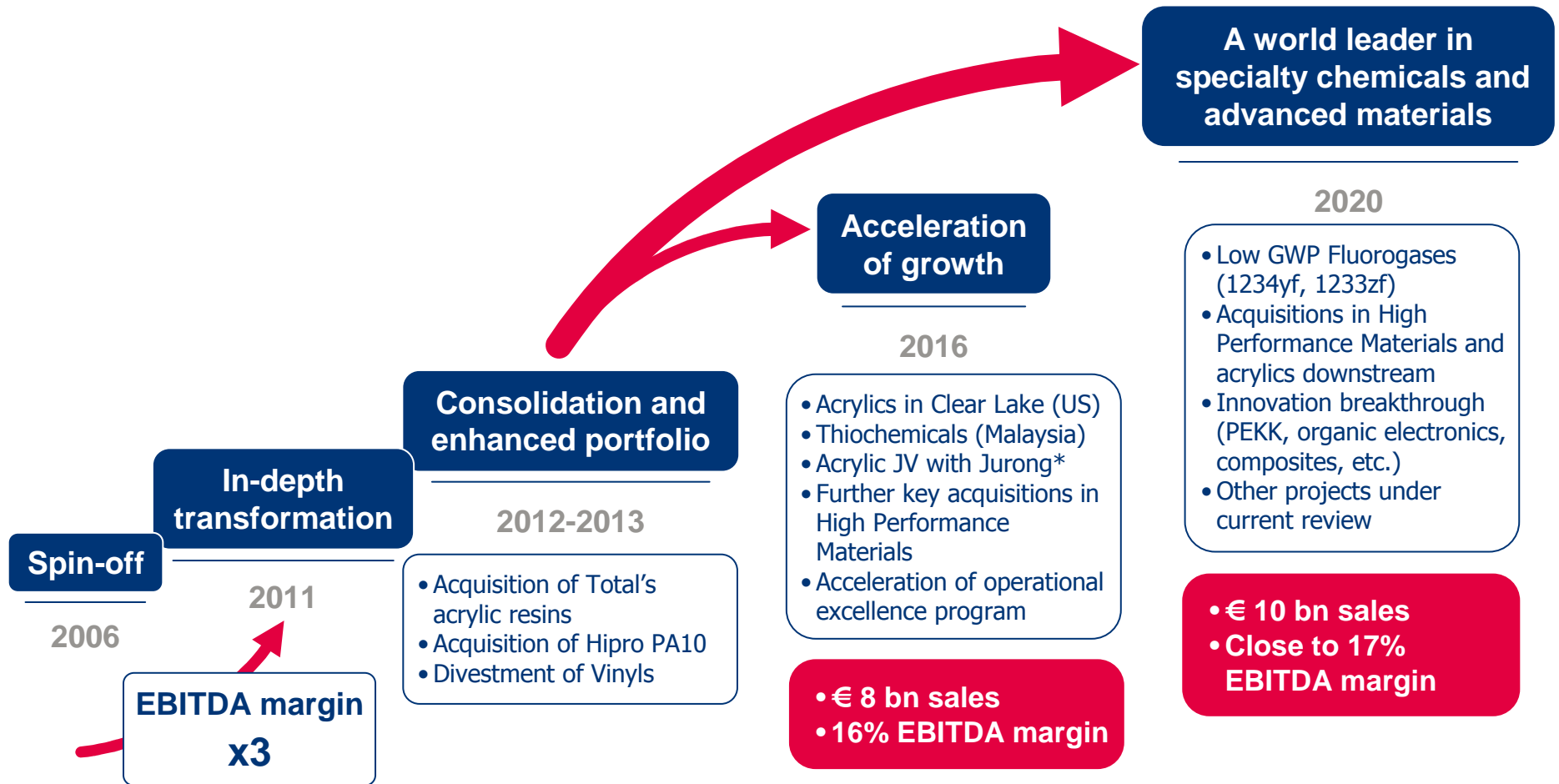
Coating Solutions

- **Acrylics:**
US\$ 110m expansion plan in the US
- **Acquisition:**
JV with Jurong in acrylics in China
- **Coating Resins:**
New unit in China
- **Innovation:**
Low-VOC coatings and 3D printing
- **Productivity:**
Shutdown of Chauny (Fr)
Coating resins optimization

15%

2016 EBITDA margin target

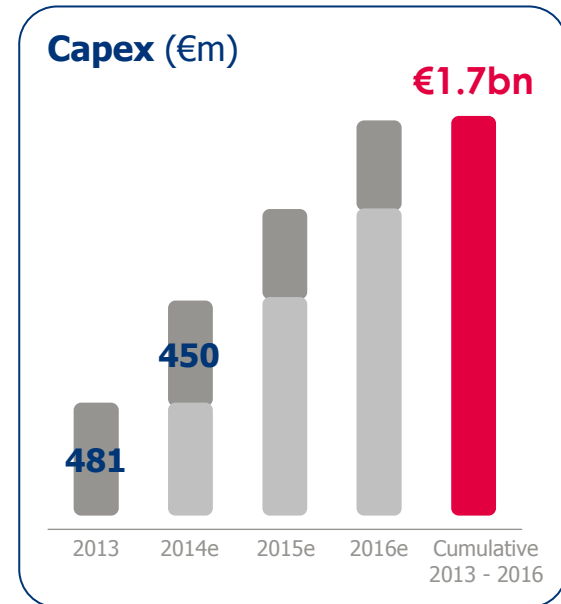
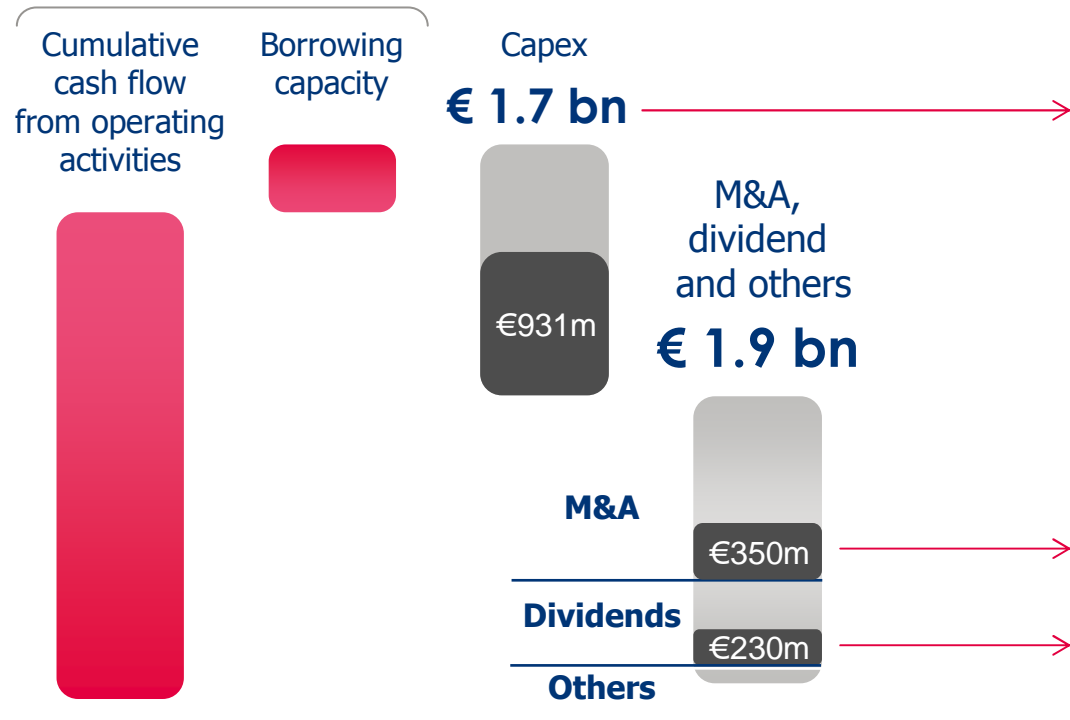
Step-by-step transformation



Cash allocation over 2013 - 2016

Cash allocation

€ 3.6 bn
cash resources available



JV in Acrylics with Jurong

Dividend paid over 2013-14 period

27 | Cumulative cash out over 2013 and 2014e



Thiochemicals platform in Asia

Support fast growth of thiochemicals markets in Asia

- Traditional markets: oil (refining), gas, petrochemicals
- Animal nutrition (+7% / year expected growth in Asia): partnership with CJ CheilJedang for bio-methionine production

Commercial start-up expected mid-2014

Expected sales: US\$120m in 2016



Construction of Kerteh plant (Malaysia)



Hipro Polymers expansion in China

- **Benefit in Asia from a regional production base in high performance polyamides for fast-growing applications (automotive, sport shoes, smartphones, etc.)**
- **Unique range of PA 10, 11 and 12 fully integrated from monomers to polymers**
- **x3 production capacity implemented in 2013**
- **Numerous technical developments ongoing**
 - Long-term partnerships with industry leaders



Hipro Polymers plant (China)



Organic Peroxides in fast-growing countries

Very first plant* in Middle East

- Located on Al Jubail platform with several international petrochemical players
- Proximity with customers (improved responsiveness and safety of supply)
- Investment of US\$ 30 m
- Expected start-up early 2015

x2 production capacity in Changshu

- To support increasing use of polymers in Asia



Changshu plant (China)

Acquisition in acrylics in China

- Creation of an acrylic acid manufacturing JV on the Taixing site with Jurong Chemical, the leader in acrylic monomers in China
- ~ US\$ 600m expected FY sales contribution with 320 kt/year and EBITDA margin expected to be in line with Arkema's mid-term targets
- Capture strong growth in acrylics in Asia (+7 to 8%/year) and support the development of:
 - Global and local customers in attractive end-markets (SAP, coatings, adhesives, water treatment)
 - Arkema's acrylics downstream businesses in the region

Multi-stage transaction



2014: cash out: US\$ 240m
 • Closing expected in summer 2014*



After start up of 3rd line (2015)
 • Option to acquire a 2nd line
 • Cash out: US\$ 235m

Within 5 years after start up of line 3
 • Option to acquire 3rd line
 • Cash out: US\$ 165m

Modern and competitive site started in 2012





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 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 reference document filed with the French *Autorité des Marchés Financiers* and available on www.finance.arkema.com



Investor Relations
420, rue d'Estienne d'Orves
F-92705 Colombes Cedex