



**Arkema**

**European Chemicals Conference 2012**

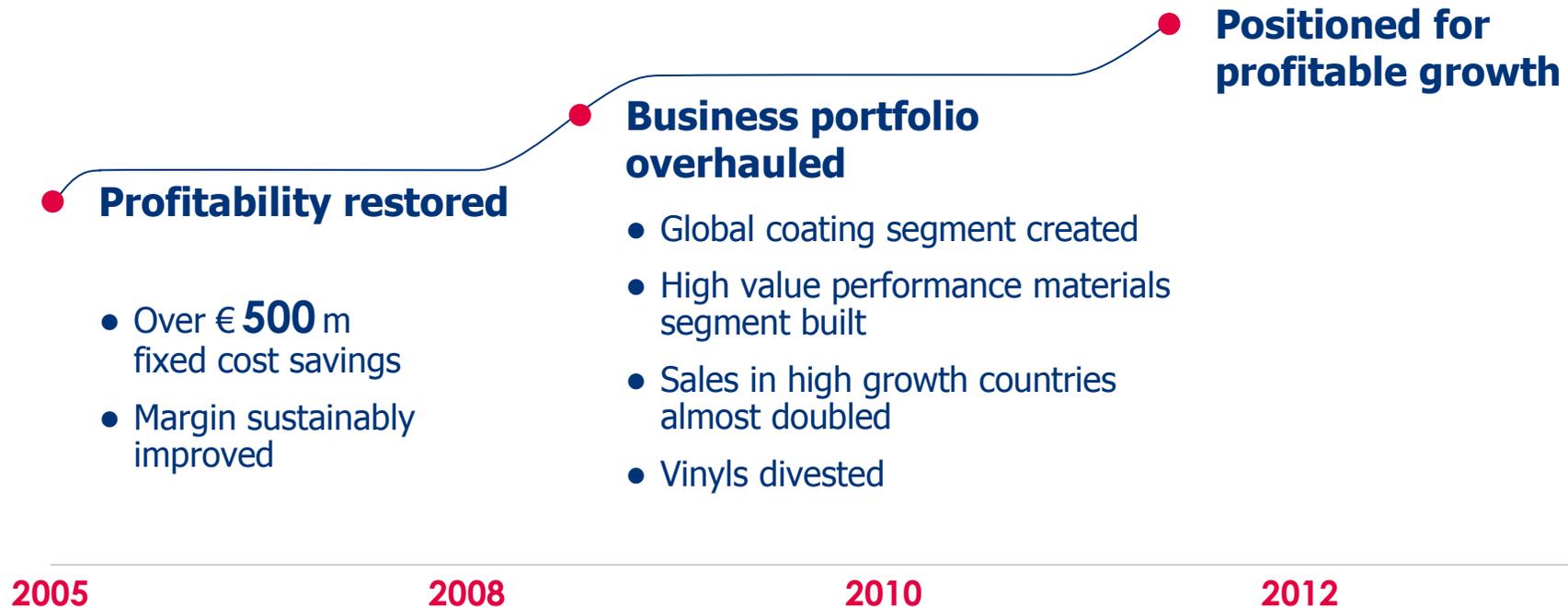
**Bank of America Merrill Lynch**

London – November 27<sup>th</sup>, 2012

**Thierry LE HENAFF**  
Chairman and CEO

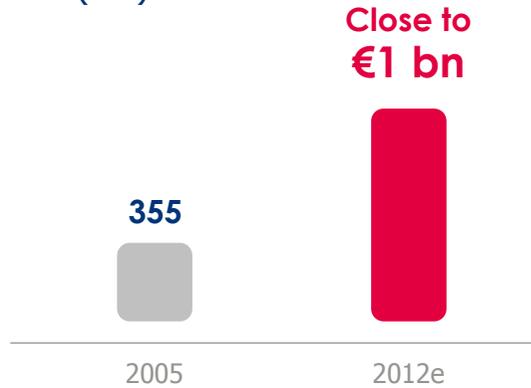
**ARKEMA**  
INNOVATIVE CHEMISTRY

# Rapid and deep transformation executed

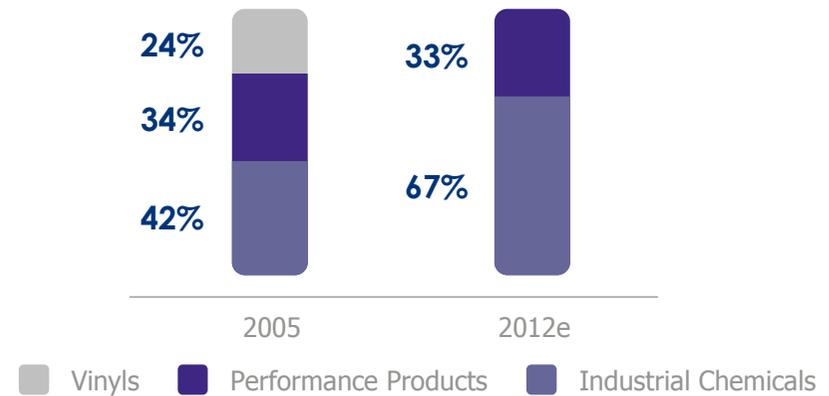


# More focused, more profitable, more resilient

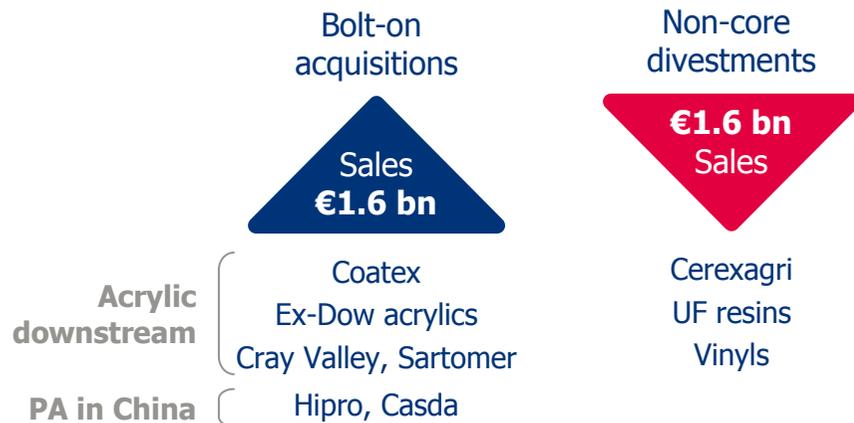
**EBITDA (€m)**



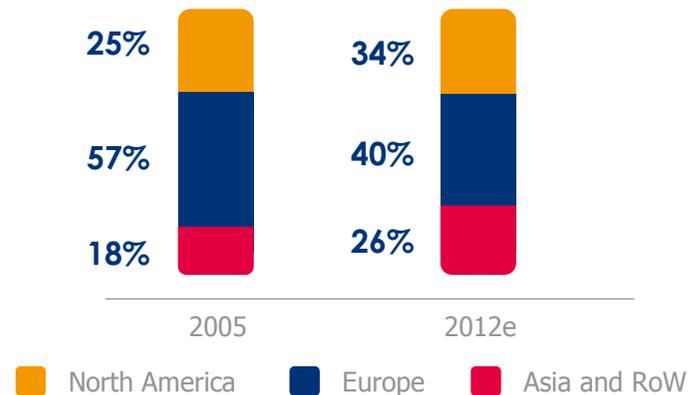
**Sales by segment**



**Portfolio changes**



**Sales by region**



# Three new reporting segments

## High Performance Materials

World of high value and innovative solutions

- Specialty polyamides
- Fluoropolymers
- Filtration and adsorption
- Organic peroxides



## Industrial Specialties

Global and integrated industrial niches

- Thiochemicals
- Fluorogases
- PMMA
- Hydrogen peroxide



## Coating Solutions

Solutions for decorative paints, industrial coatings and high-growth acrylic applications

- Acrylic monomers
  - Coating resins
  - UV-curing (Sartomer)
  - Coatex
- Downstream





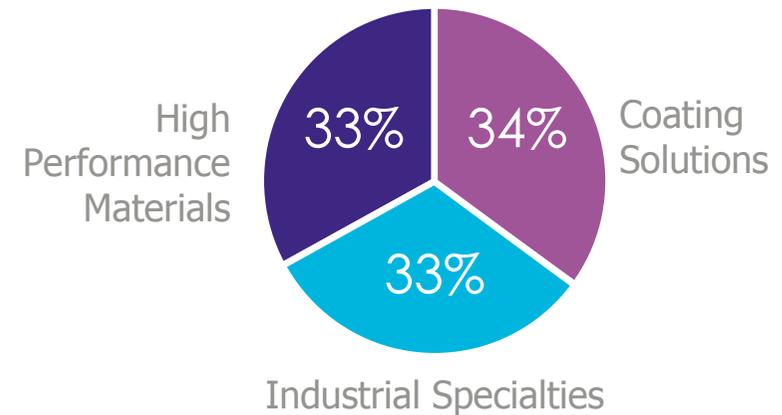
The new Arkema  
**Well positioned for  
profitable growth**

**ARKEMA**  
INNOVATIVE CHEMISTRY

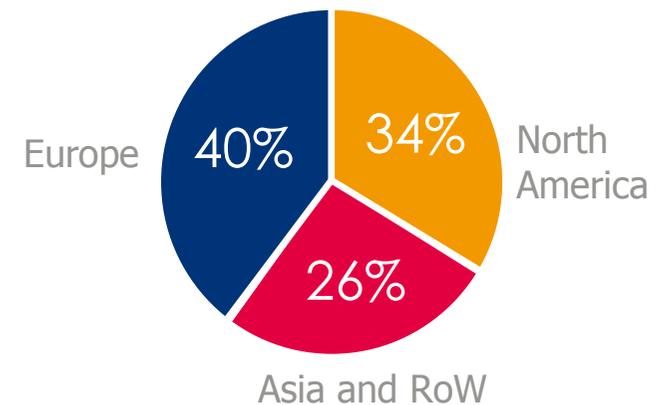
# The new Arkema

- Sales of **€6.5 bn**
- EBITDA close to **€1bn**
- Industry-leading margin **~ 15%**
- 14,000** employees in 40 countries
- Strong balance sheet

Sales by segment

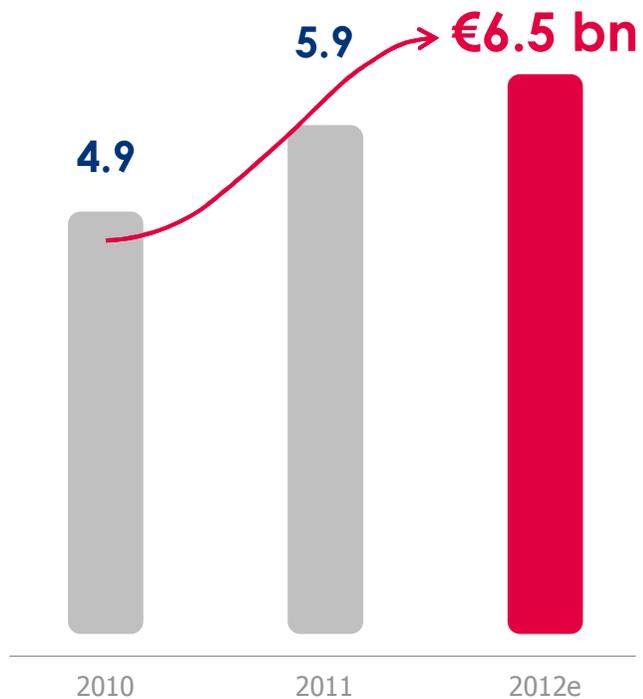


Sales by region

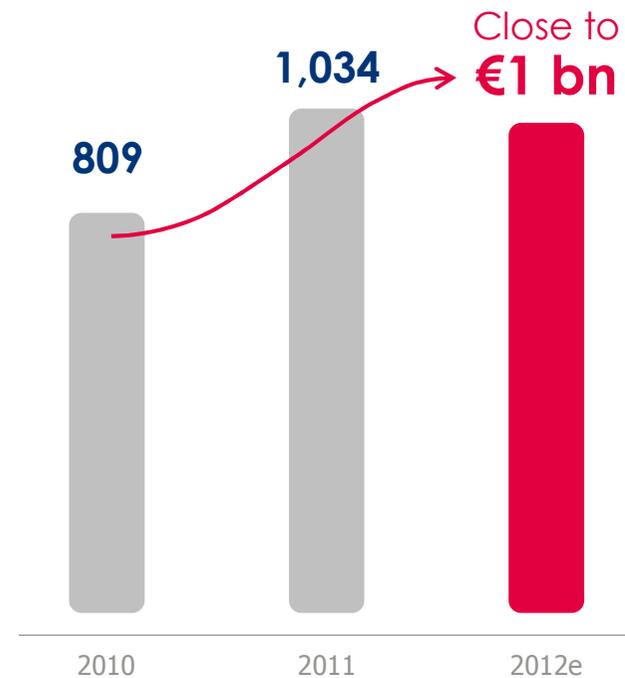


# Strong profitability consistently developed

Sales (€bn)



EBITDA (€m)



Sales and EBITDA exclude the vinyl business divested beginning of July 2012



# Strong competitive advantages

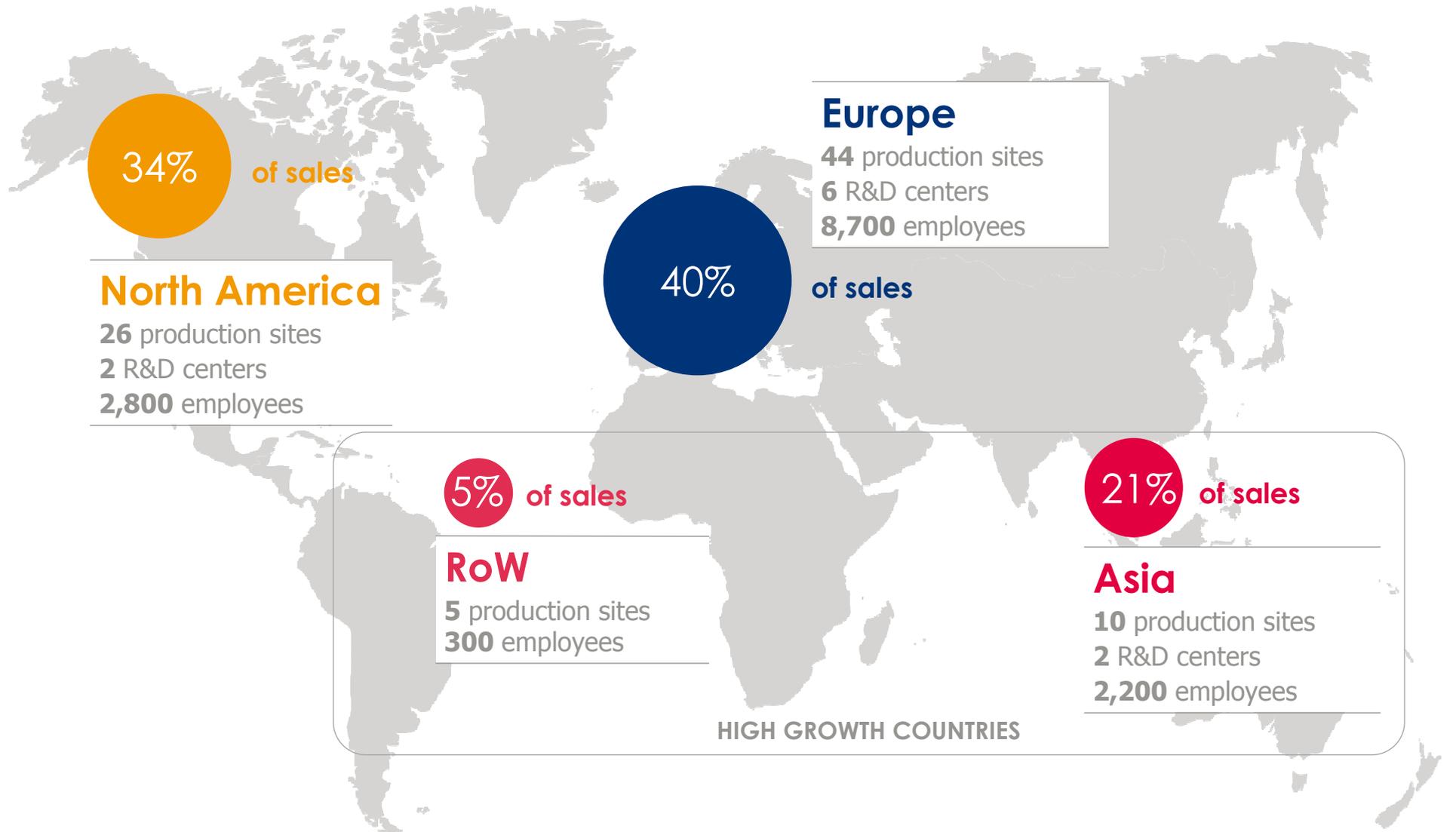
- **Leading** positions in **specialty** niches
- **Global** and **balanced** geographical coverage
- Interacting with the leaders (customers, suppliers, partners)
- Strong **technology** base
  - Broad base of proprietary technologies
  - Rich pipeline of innovation across businesses
- **Ability to manage** complex projects
- **Superior track record** of value creation and ability to deliver
- **Commitment** and **entrepreneurial** spirit

# Among top players on 90% of our sales

POSITION		MARKET SIZE (mT)	MAIN PLAYERS	% GROUP SALES
#1	Specialty polyamides	0.2	<ul style="list-style-type: none"> <li>Evonik</li> <li>Ems</li> </ul>	14%
#1	PVDF		<ul style="list-style-type: none"> <li>Solvay</li> </ul>	
#2	Organic peroxides	0.2	<ul style="list-style-type: none"> <li>Akzo Nobel</li> <li>United Initiators</li> </ul>	4%
#1	Thiochemicals	0.7	<ul style="list-style-type: none"> <li>Chevron Phillips</li> </ul>	9%
#1/2	Fluorogases	1.6	<ul style="list-style-type: none"> <li>Dupont</li> <li>Honeywell</li> </ul>	10%
#2	PMMA	1.6	<ul style="list-style-type: none"> <li>Evonik</li> <li>Mitsubishi Chemical</li> </ul>	10%
#3	Hydrogen peroxide	3.2	<ul style="list-style-type: none"> <li>Solvay</li> <li>Evonik</li> </ul>	3%
#4	Acrylic monomers	4.2	<ul style="list-style-type: none"> <li>BASF</li> <li>Dow</li> <li>Nippon Shokubai</li> </ul>	13%
#3	Coatings	4.0	<ul style="list-style-type: none"> <li>BASF</li> <li>Dow</li> </ul>	21%

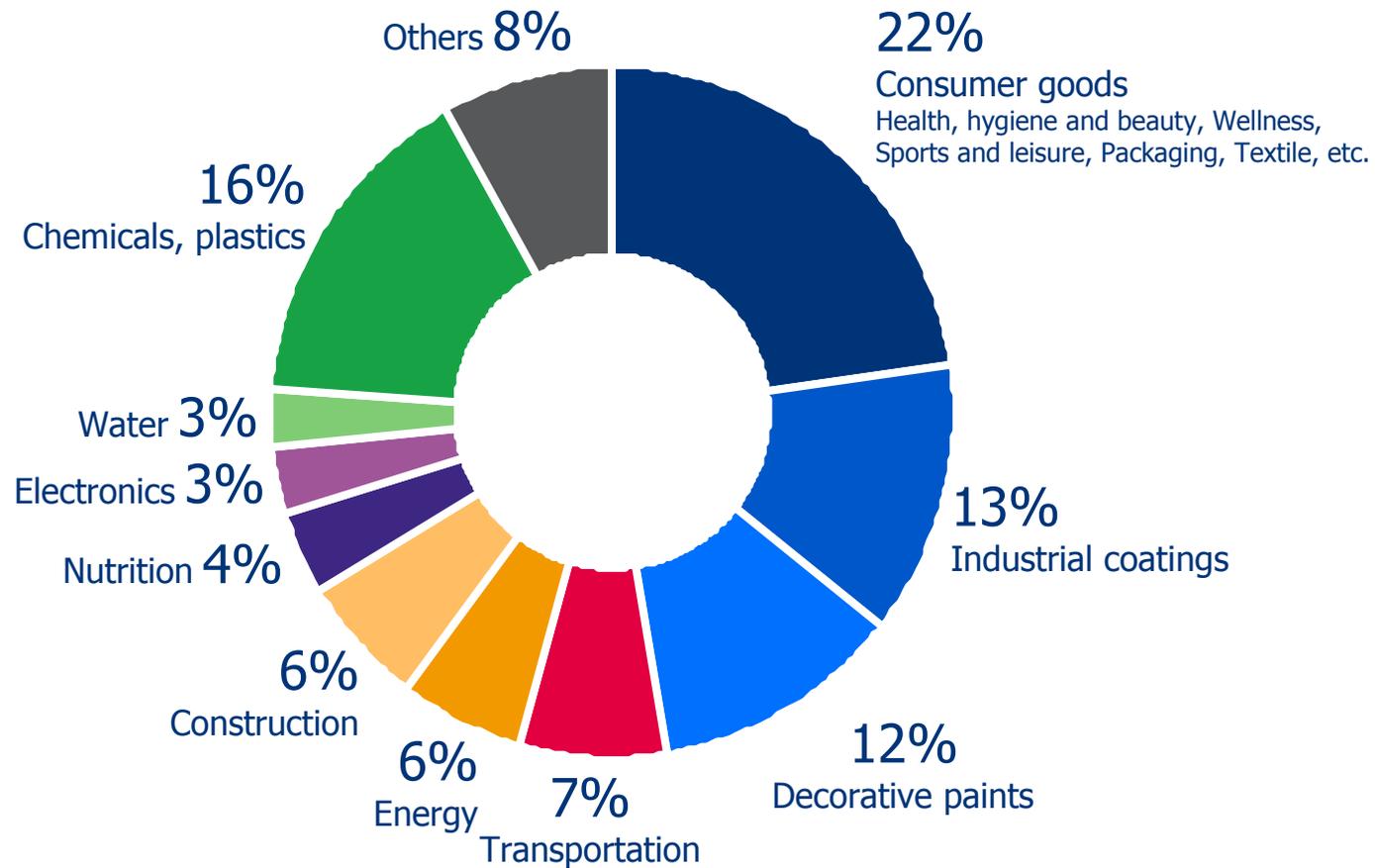
*As a comparison,  
a market like PVC is 40mt*

# Broad and balanced geographical reach





## Diversified end markets with long term growth



- Largest customer represents **less than 3%** of Group sales
- Top 15 customers represent **less than 20%** of Group sales



# Innovation-driven culture

## Innovation at the heart of Arkema's strategy

- Direct reporting of R&D to CEO
- 2/3 of R&D expenditure in sustainability / megatrends
- €350m new sales from R&D since spin off

## Unique technology base

- Core proprietary technologies in long chain polyamides, acrylics, sulfur chemicals, fluorogases and PVDF, MMA
- €150m R&D expenditure and 1,200 researchers
- 150 patents filed in 2011

## Close proximity with customers

- 90% of R&D spent at BU level
- R&D centers in Europe, North America, Asia
- A new R&D center to open by end 2012 in China

## Role of corporate R&D

- Cross-BU market-driven approach
- Breakthrough projects: PEKK, nanotechnologies, bio-process, etc.
- Partnerships with universities and public laboratories



2016 ambition  
**A world leader  
in specialty chemicals  
and advanced materials**

**ARKEMA**  
INNOVATIVE CHEMISTRY



## Our roadmap to 2016

- **Deliver** consistent **profitable growth** and **solid cash flow**
- **Accelerate** expansion in **High Performance Materials** through innovation in sustainability (oil and gas, automotive, new energies) and bolt-on acquisitions
- **Broaden** reach in **higher growth countries** beyond China
- **Increase** further **acrylic downstream** integration
- **Enhance market-driven** approach through long-term partnerships with leaders, differentiation from innovation and broadened range of products
- **Reinforce** operational excellence



# 2016 financial objectives

Profitable growth	High Performance	Higher growth countries	Acrylic downstream	Market-driven	Operational excellence
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€8 bn

Sales



16%

EBITDA margin



< 40%

Gearing



Organic growth	+ €0.9 bn
M&A	+ €0.6 bn

High Performance Materials	18%
Industrial Specialties	17%
Coating Solutions	15%



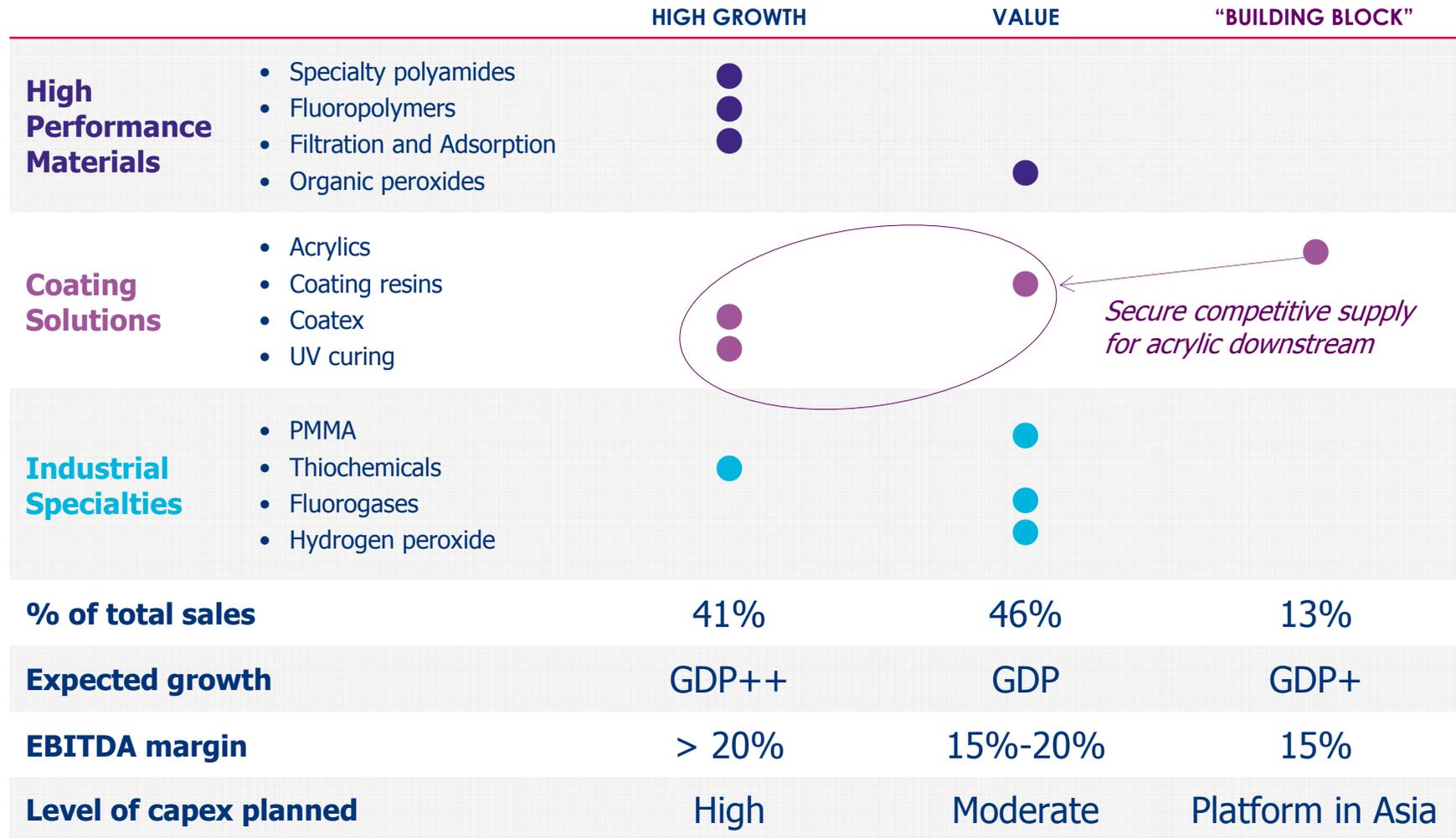
# Sales growth balanced between organic and acquisitions

Profitable growth	High Performance	Higher growth countries	Acrylic downstream	Market-driven	Operational excellence
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Sales (€bn)



# Differentiated approach to manage our portfolio

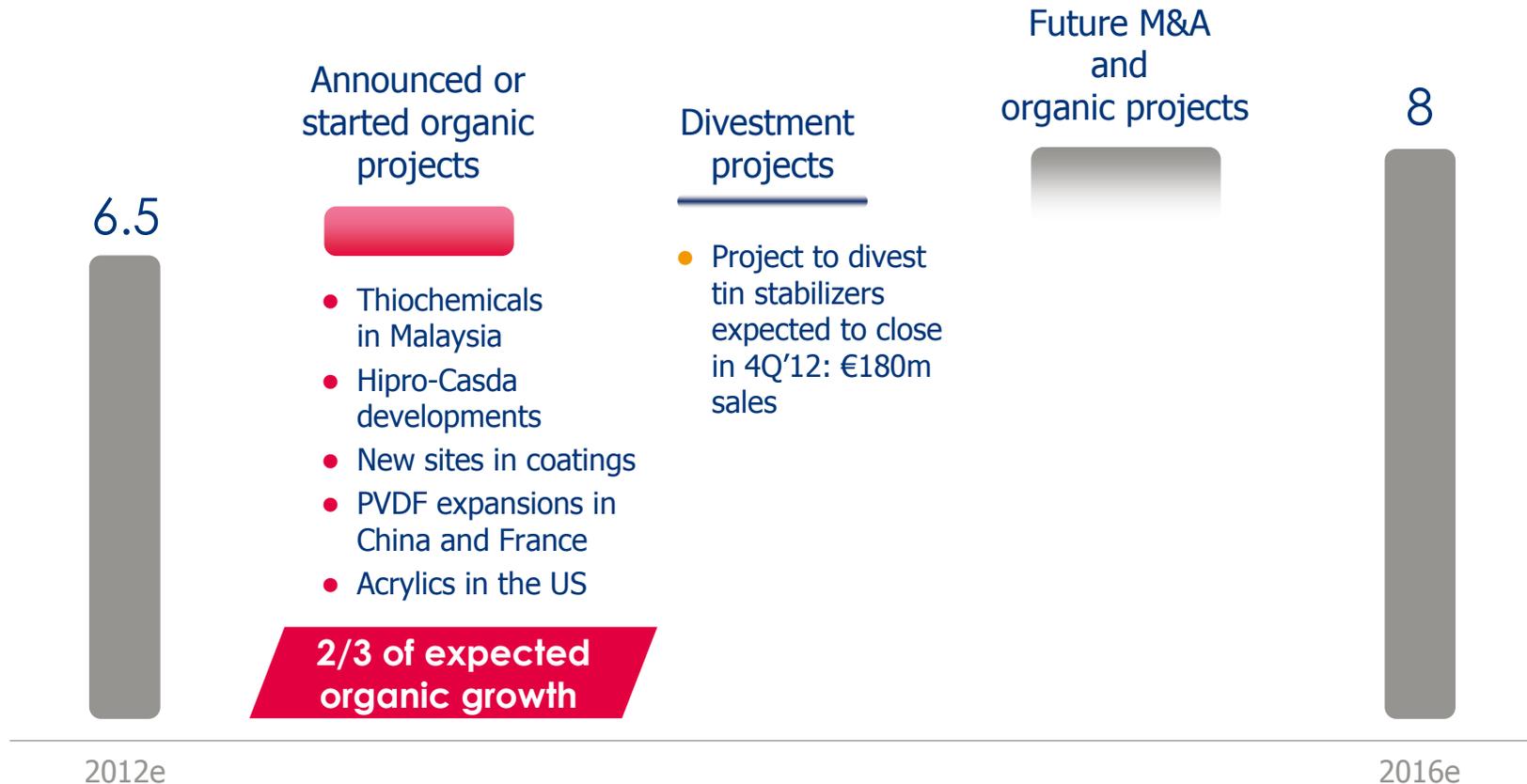


High Performance Materials
 Industrial Specialties
 Coating Solutions

# Contribution from organic growth well underway

Profitable growth	High Performance	Higher growth countries	Acrylic downstream	Market-driven	Operational excellence
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## Sales (€bn)



# Four transformational projects

## Thiochemicals in Malaysia



First sulfur derivatives platform in Asia for animal nutrition and oil and gas

## Acrylic monomers in Clear Lake / Bayport



Capacity expansions in acrylic acid and esters and site optimization

## Hipro-Casda integration



Broadening of PA10 product range following the acquisition early 2012

## PVDF development



Capacity expansions in Changshu (China) and Pierre-Bénite (France)

- €600 m sales
- EBITDA margin notably **above** Arkema average
- €600 m capex and acquisitions

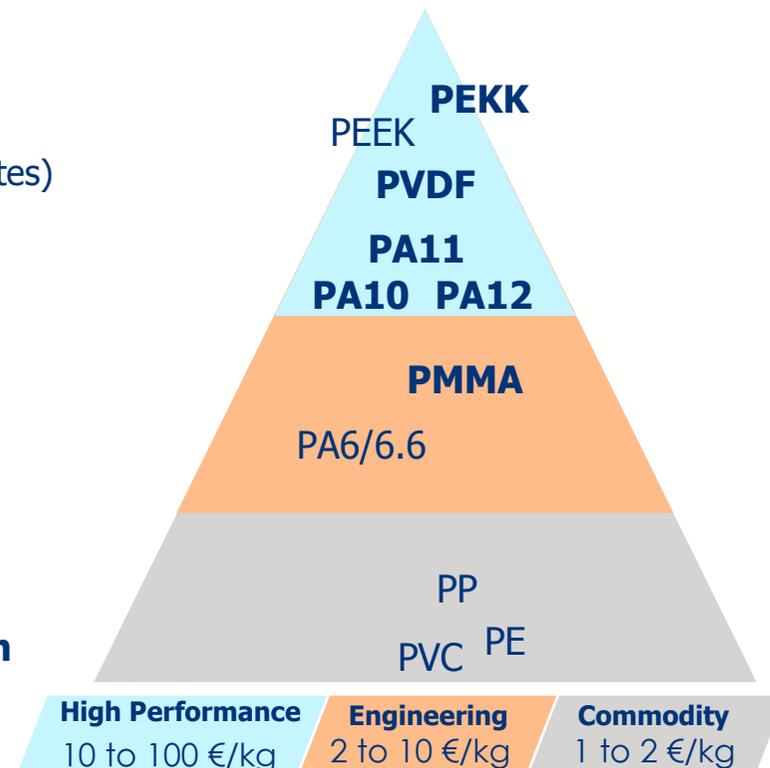


# Sales growth of 40% in High Performance Materials



- **Balance between organic developments and bolt-on acquisitions**
- **Leverage megatrends through innovation**
  - Lightweight materials (specialty polyamides and composites)
  - New energies (photovoltaic, lithium-ion batteries, etc.)
  - Energy efficiency (glass coating, medical oxygen, etc.)
  - Oil and gas (oil and gas enhanced production, etc.)
  - Renewables
- **Tailor products to regional needs (worldwide R&D centers, new Chinese lab)**
- **Remaining development potential in high growth countries (China, Middle East, Brazil, India, etc.) still huge**

**Polymer pyramid**  
Arkema focused on the high end of the range

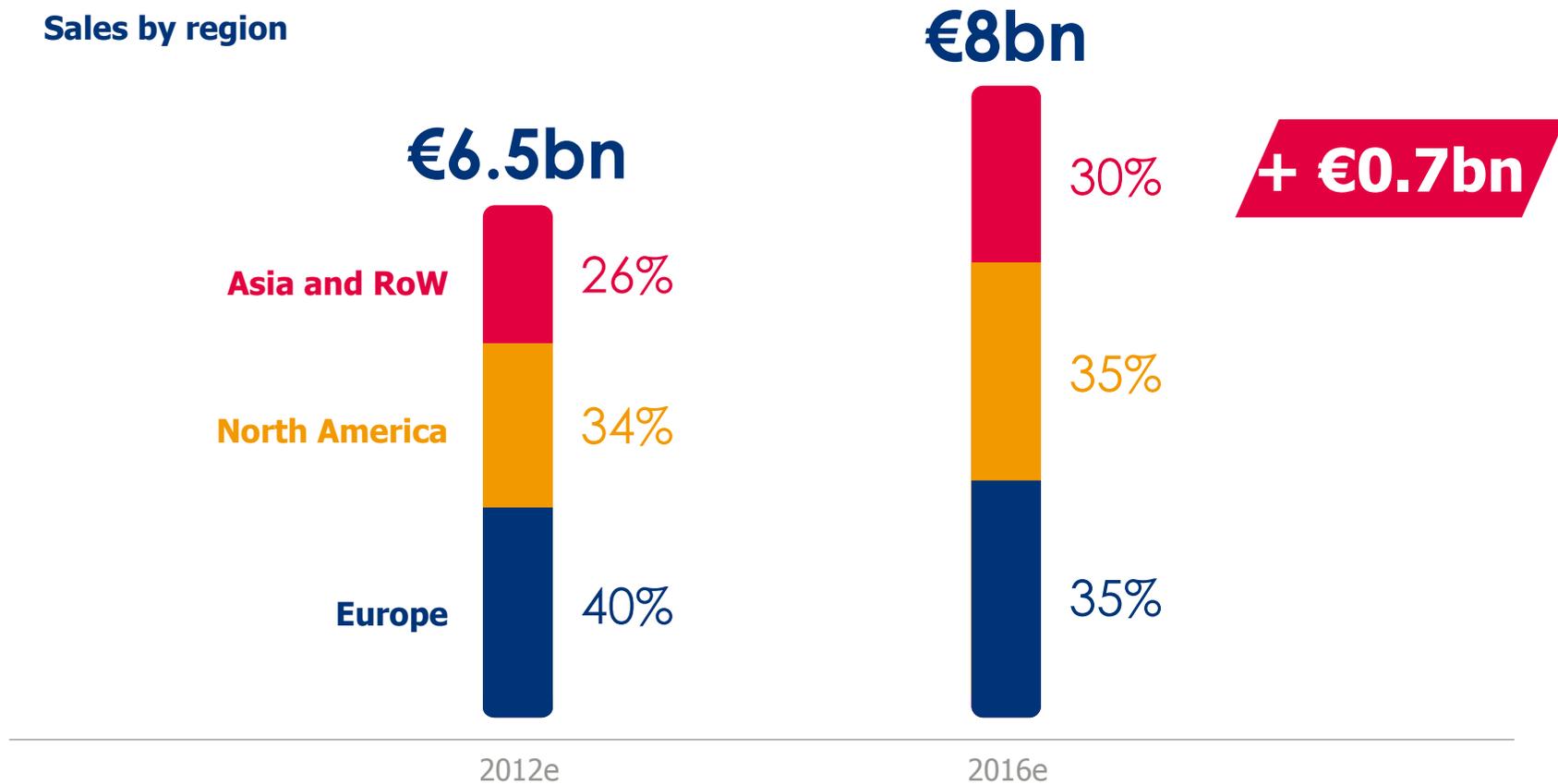




# Expansion in higher growth countries

Profitable growth	High Performance	<b>Higher growth countries</b>	Acrylic downstream	Market-driven	Operational excellence
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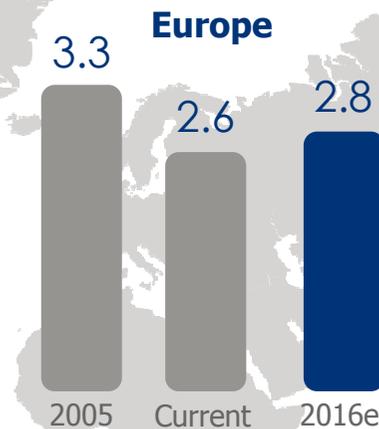
Sales by region



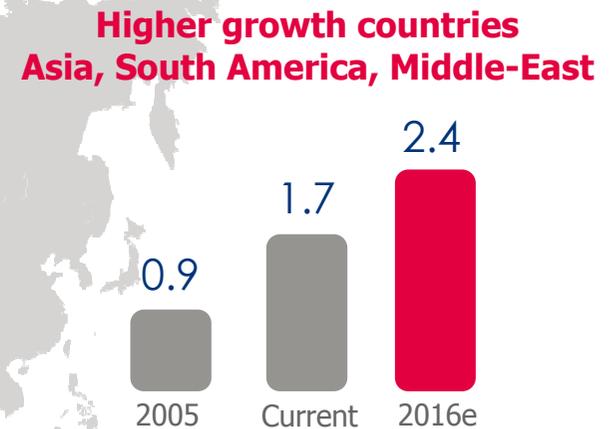
# Differentiated development pace across regions



- Major player in the USA
- Shale gas will support long term competitiveness of the economy
- Anticipated rebound in housing
- Recovery underway in automotive

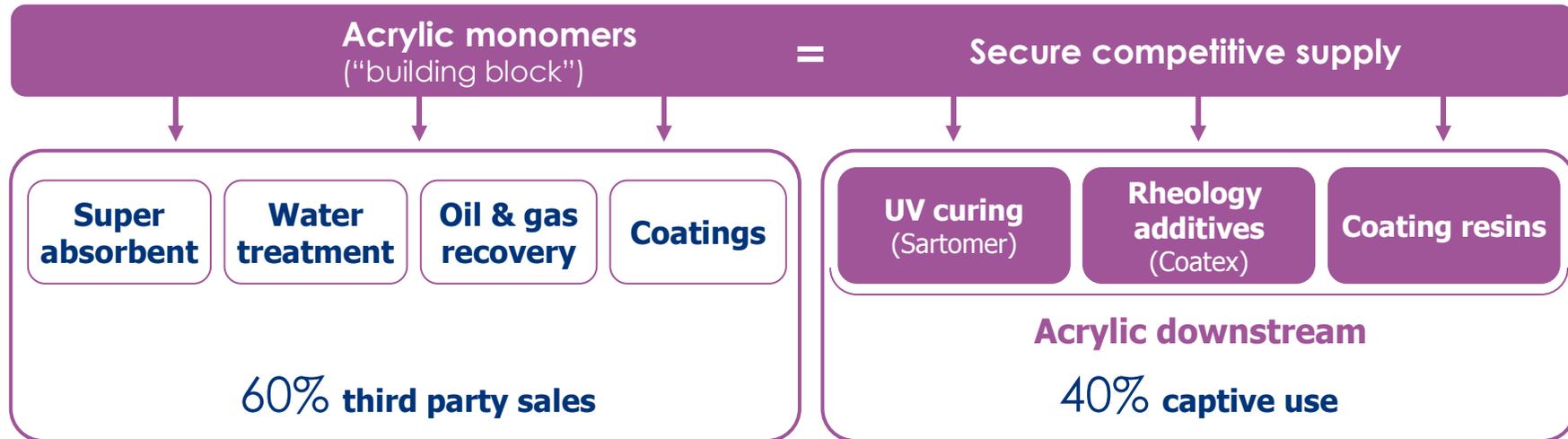


- Focus on high value products
- Pursue efforts in competitiveness
- Divest small non-core businesses



- +40% sales growth
- From a mainly Chinese focus to a more balanced approach: China, Middle East, India, Brazil
- Continue to develop local capabilities
- Promising pipeline of projects
  - PVDF expansion in China
  - Thiochemicals in Malaysia
  - Hipro-Casda in China
  - Acrylic emulsions in Brazil

# Increase further acrylic downstream integration



- **Long term partnerships with leading customers**
- **Focus on high growth applications (4% cagr in 2012-2016)**

- **From 40% to 45% downstream integration to increase further earning stability**
- **Innovative solutions**
  - Coating resins: low VOC coatings
  - Sartomer: ink jet and 3D printing
  - Coatex: bumper technology™ for improved TiO<sub>2</sub> efficiency

# Enhance market-driven approach

Profitable growth	High Performance	Higher growth countries	Acrylic downstream	<b>Market-driven</b>	Operational excellence
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- **Acceleration of market-driven initiatives beyond traditional product / technology approach**
- **Mix shift driven by specialty applications**

## High performance coatings



- Acrylic monomers for low-VOC formulations
- Sartomer UV-curing resins
- Coatex additives
- Kynar® Aquatec for cool roofing

## Oil and gas



- PVDF Kynar® and PA 11 in deep offshore pipes
- Acrylics for enhanced O&G recovery
- Oil-field additives

## New energies



- PVDF Kynar® for photovoltaic and li-ion batteries
- EVA and organic peroxides for silicon encapsulation

## Mobility Lightweight materials



- High-temperature specialty polyamides for metal replacement
- PMMA ShieldUp for glass replacement
- PVDF foams

# Reinforce operational excellence

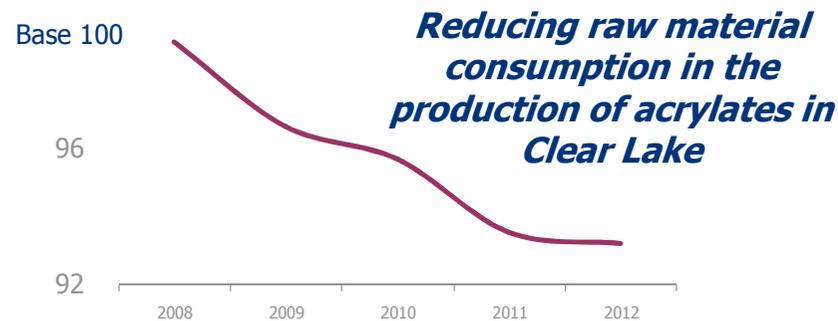
Profitable growth	High Performance	Higher growth countries	Acrylic downstream	Market-driven	<b>Operational excellence</b>
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- **Ensure top quartile manufacturing performance of the major manufacturing sites**
- **Significant further potential in variable cost optimization (acrylics, thiochemicals, etc.)**
- **Combine accountability of BUs with centralized approach**
  - Management of major capex
  - Global procurement
  - Supply chain (worldwide IT project "ambition")

**Clear Lake (Acrylics)**

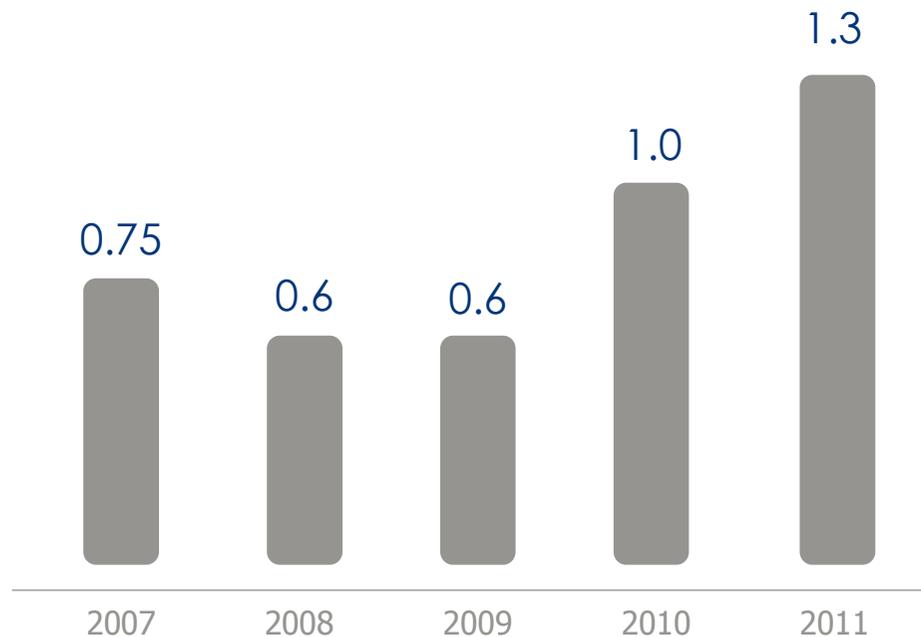


**Baumont (Thiochemicals)**



# Dividend increase reflects confidence in our long term prospects

Dividend (€/share)



*Reminder of Arkema general policy  
"Arkema intends to pay a stable to  
reasonably rising dividend each year"*

- Arkema targets a **30% payout** ratio on adjusted net income
- For 2012, dividend per share will already show a **significant step-up**

**14% payout ratio**  
on adjusted net income  
of continuing operations



# Looking ahead

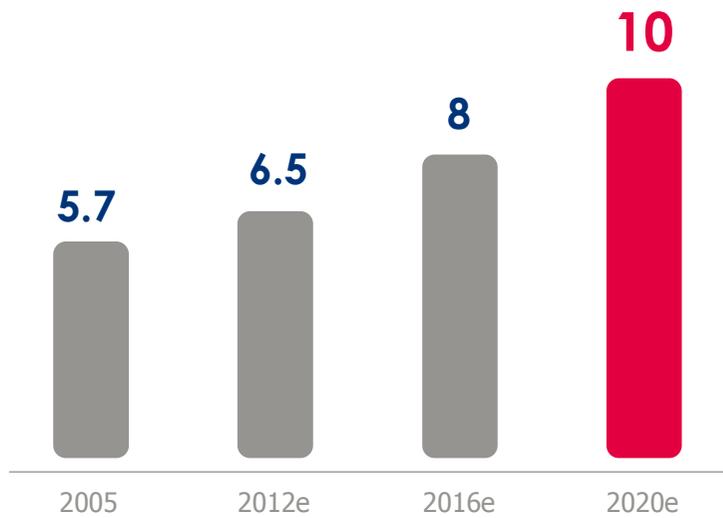


# Strong confidence in our long term potential

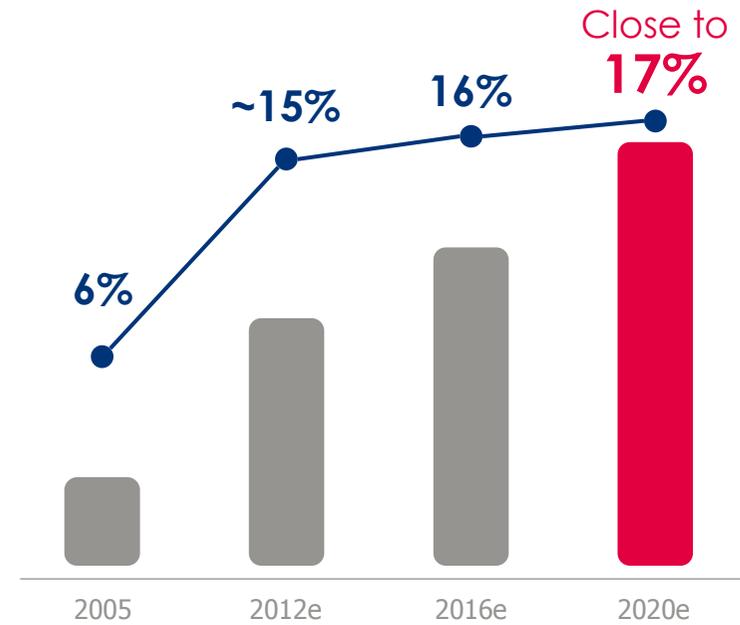
- **Several major current projects will start delivering only full speed after 2016**
  - Thiochemicals in Malaysia
  - PVDF expansion in Pierre-Bénite
  - Ramp-up of Clear Lake expansion in acrylic
- **Other long term thoughts could materialize over 2016-2020**
  - Acrylic monomers in Asia
  - Metathesis project with Elevance
  - PEKK development
- **Combination of technology leadership and enhanced end-market approach will continue to generate significant opportunities in sustainability**
- **Growth potential remains considerable for Arkema in developing economies (still low to moderate market shares)**

# Main objectives 2020

Sales (€bn)



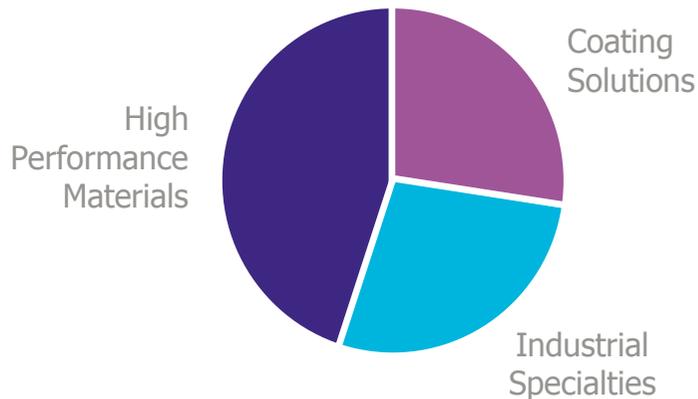
EBITDA and EBITDA margin (%)



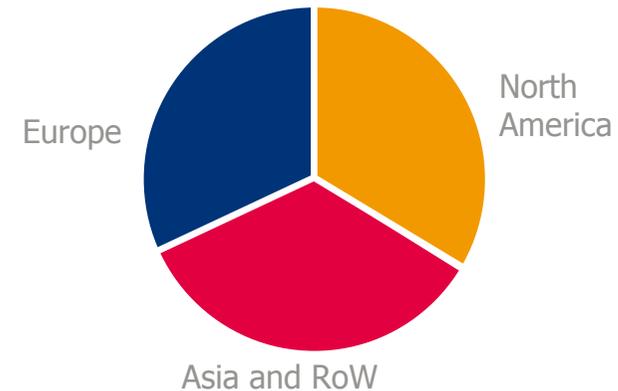
Gearing < 40%

# Key drivers of future evolution

Sales by segment



Sales by region



- Continue to drive High Performance Materials growth with innovation
- Increase acrylic downstream integration a step further to 50% of sales
- Further shift on specialties will increase EBITDA margins by close to 100 bp
- Mobility, oil and gas, new energies, nutrition, lightweight materials, renewables, high performance coatings will continue to generate large opportunities

- Balanced geographical reach between Europe, North America and rest of the world
- Continue to invest new capabilities in developing economies
- Continue to leverage strong and profitable presence in North America



Results and outlook  
**3Q'12 results and FY'12 outlook**

# A strong performance reflecting Arkema's robustness

➤ **€ 1,606m sales, +1% vs 3Q'11**

➤ **€ 266m EBITDA and 16.6% EBITDA margin**

- Same level as 3Q'11 in a less favorable economic environment
- 19.5% in Performance Products with record EBITDA in a third quarter (€107m)
- 16.7% in Industrial Chemicals

➤ **€ 116m net income, group share**

- +6% vs 3Q'11
- 7.2% of sales

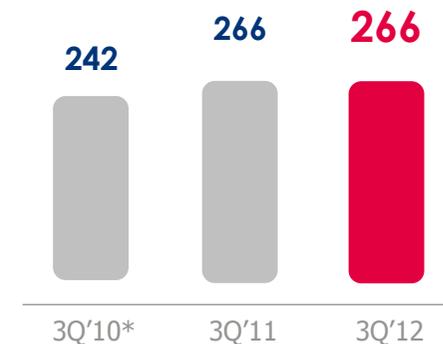
➤ **€1,002m net debt**

- 43% gearing

Sales (€m)



EBITDA (€m)





# Key drivers of Arkema 3Q'12 performance

## ➤ Challenging market conditions vs 3Q'11

- Contrasted market conditions by region with challenging conditions in Europe and relatively slow growth in Asia (positive exception in South East Asia)
- Slowdown in demand in certain end markets in September (automotive and construction in Europe, photovoltaic)
- Volatile and high raw material costs
- Positive impact of foreign exchange rate (€/€)

## ➤ Well positioned on resilient niche markets

- Oil & gas (PVDF Kynar<sup>®</sup>, specialty polyamides, Thiochemicals, oil additives, etc.)
- Animal nutrition (Thiochemicals)
- Industrial coatings (Coatex, Sartomer)

## ➤ Benefits from strong position in North America

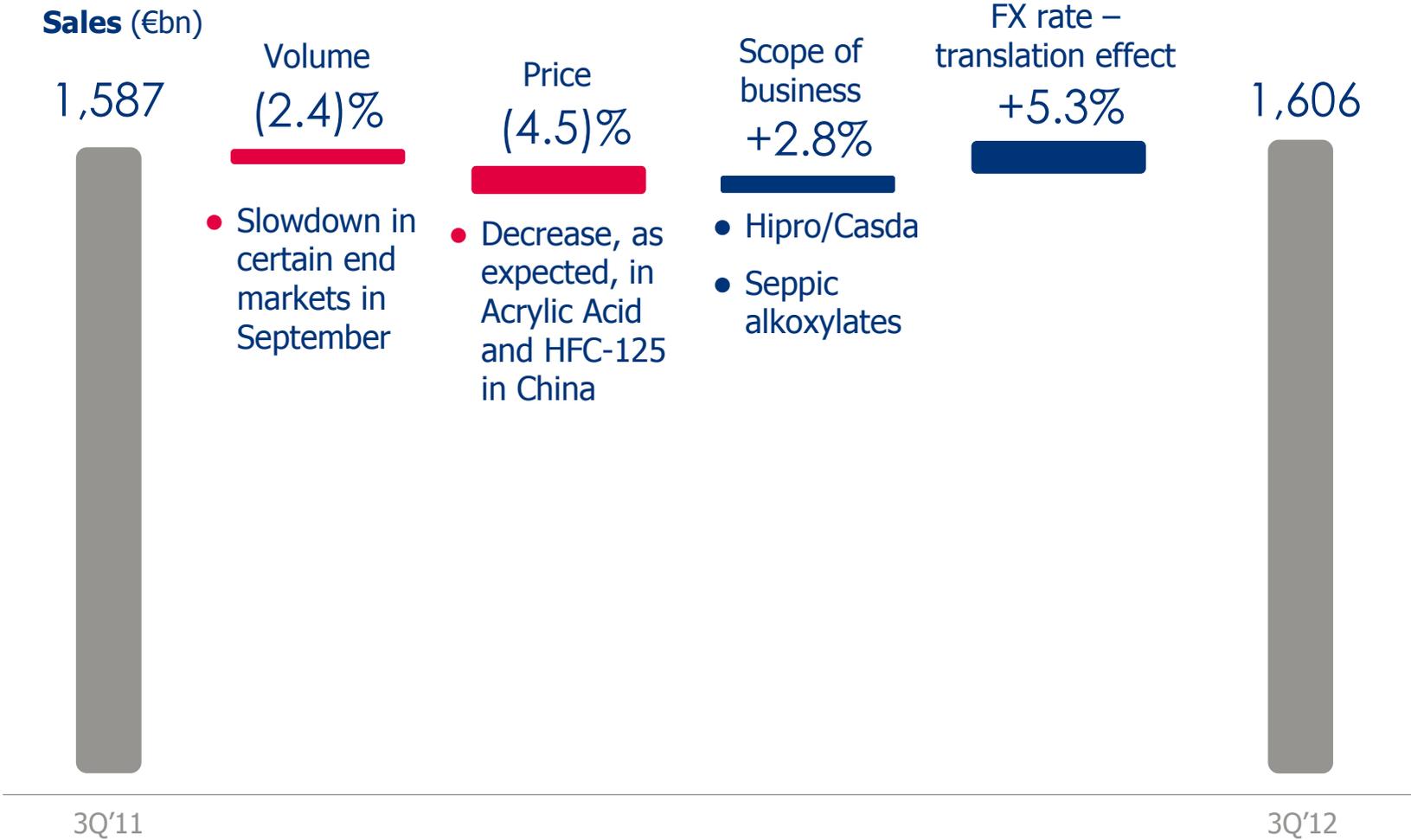
- 35% of sales

## ➤ Contribution of acquisitions in Performance Products

- Hipro/Casda in China (bio-based polyamide 10)
- Alkoxylates (Filtration and adsorption)



# Sales bridge





## Performance Products

<i>In €m</i>	3Q'11	3Q'12	variation
Sales	519	548	+5.6 %
EBITDA	102	107	+4.9 %
EBITDA margin	19.7%	19.5%	
Recurring operating income	78	80	+2.6 %

### **+6% sales at €548m**

- Benefits from acquisitions (bio-based polyamide 10 in China and alkoxyates)
- Slowdown in demand in September in automotive in Europe and in photovoltaic

### **EBITDA at record level for a 3<sup>rd</sup> quarter**

- 19.5% EBITDA margin
- Reflects strong positions on high-value niches

### **Further improvement of portfolio**

- Startup of 50% capacity expansion of PVDF Kynar® in China
- Divestment of tin stabilizers business (within Functional Additives BU) closed early October



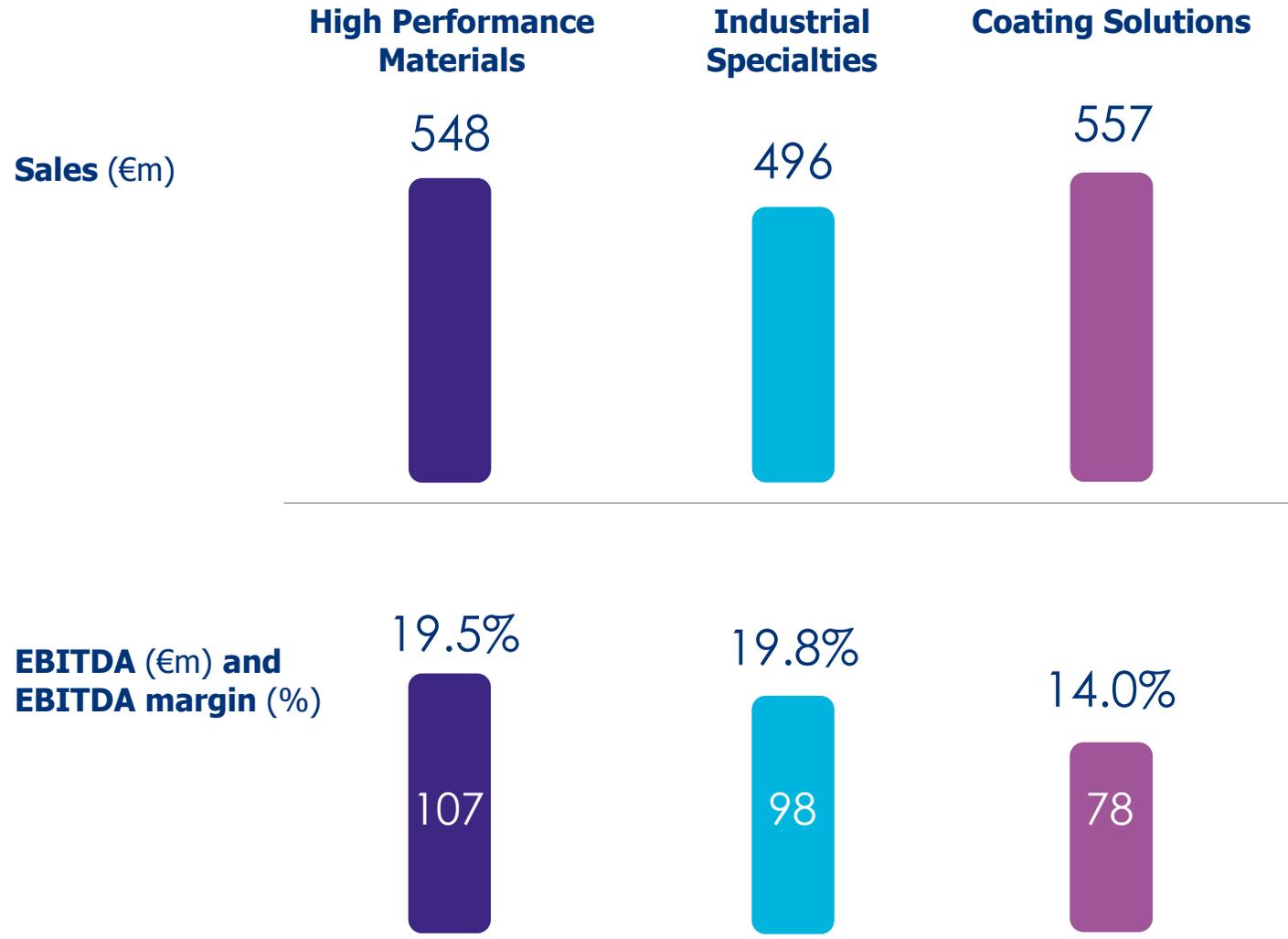
# Industrial Chemicals

<i>In €m</i>	3Q'11	3Q'12	variation
Sales	1,063	1,053	-0.9 %
EBITDA	175	176	+0.6 %
EBITDA margin	16.5%	16.7%	
Recurring operating income	132	127	-3.8 %

- **Stable volumes despite weak automotive in Europe and low demand in deco paints**
- **Decrease, as expected, of acrylic acid and fluorogases prices vs 3Q'11 high level**
- **Excellent contribution from Industrial Specialties: €98m EBITDA, 20% EBITDA margin**
  - Solid performance of all businesses in North America (PMMA for automotive, fluorogases for air-conditioning, thiochemicals for animal nutrition, hydrogen peroxide)
  - Strong decrease as expected of HFC-125 margins in China
- **Good performance of Coating Solutions: €78m EBITDA, 14% EBITDA margin**
  - In line with our assumptions, acrylic acid margins at mid cycle
  - Low demand in decorative paints especially in Europe in Coating Resins
  - Good results of industrial coatings (Coatex, Sartomer)



# Contribution by new reporting segment





# 3Q'12 cash flow and net debt end of September

## **+€ 144m free cash flow\* in 3Q'12 includes:**

- € 76m recurring capex
- € 81m cash inflow from working capital

## **€ 59m cash outflow from M&A**

- Payment to Hipro-Casda minority shareholders
- €35m cash out of part of the expenses related to Vinyls divestment booked end of June in P&L

## **+€ 85m net cash flow in 3Q'12**

## **€ 1,002m net debt (versus € 1,093m end of June 2012)**

- 43% gearing versus 49% gearing end of June 2012

## **Full year end targets**

- Working capital on sales: 16%
- Total capex: € 400m including € 350m recurring capex
- Gearing: 40%



# FY'2012 outlook confirmed

## **➤ Contrasted macro-economic conditions**

- Soft demand observed in certain end markets should continue until year end
- Challenges remain in several European countries
- Volatility of raw material costs
- Customers should cautiously manage their inventories at year-end

## **➤ Traditional year-end seasonality expected in 4<sup>th</sup> quarter**

- Low season for both Coating and Fluorogases
- Specificity of December month

## **➤ Continued focus on internal momentum to reinforce positions in niche markets and faster growing product lines and regions**

## **➤ Strict control of fixed costs, working capital and capex**

## **➤ Arkema remains confident in its ability to deliver a very solid year and confirms its target to achieve in 2012 an EBITDA close to 1 billion euros**



## Conclusion

- **High quality portfolio of profitable niches**
- **Strong competitive advantages ensuring value creation over the long term**
- **Superior track record of consistently delivering**
- **Clear roadmap for selective and profitable growth**
- **Ambitious targets confirming long term potential**
- **Dividend increase reflecting confidence**

**A world leader in specialty chemicals  
and advanced materials**



## 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 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](http://www.finance.arkema.com)