



**Arkema**

**Morgan Stanley Global Chemicals conference**

Boston – November 14<sup>th</sup> and 15<sup>th</sup>, 2012

**Thierry LEMONNIER**  
CFO

**ARKEMA**  
INNOVATIVE CHEMISTRY



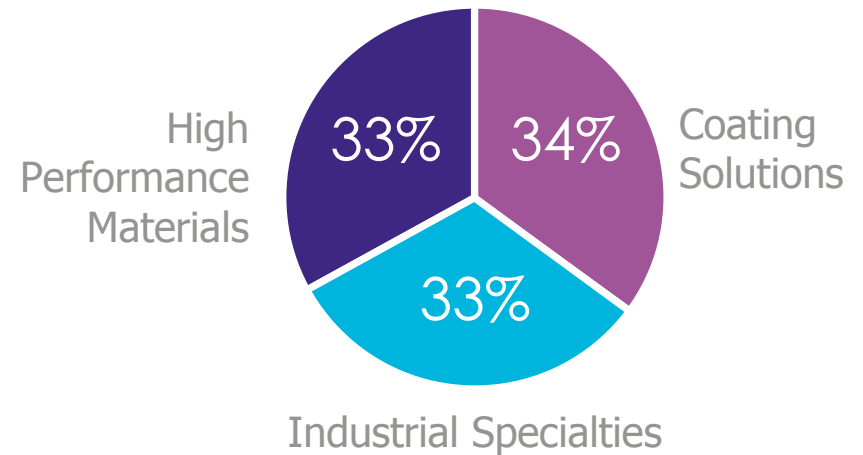
The new Arkema  
**Well positioned for  
profitable growth**

**ARKEMA**  
INNOVATIVE CHEMISTRY

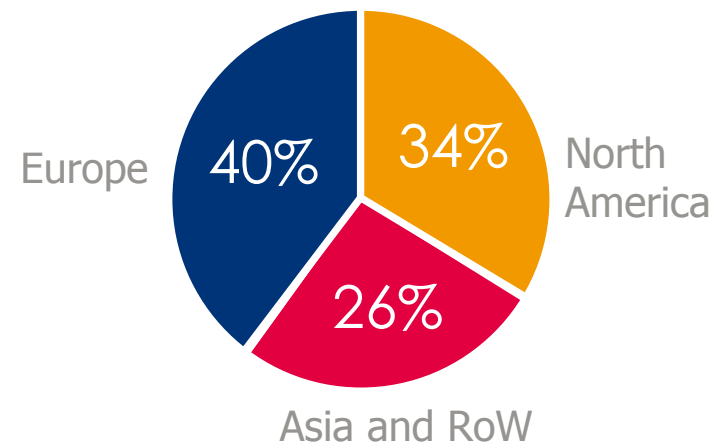
# The new Arkema

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

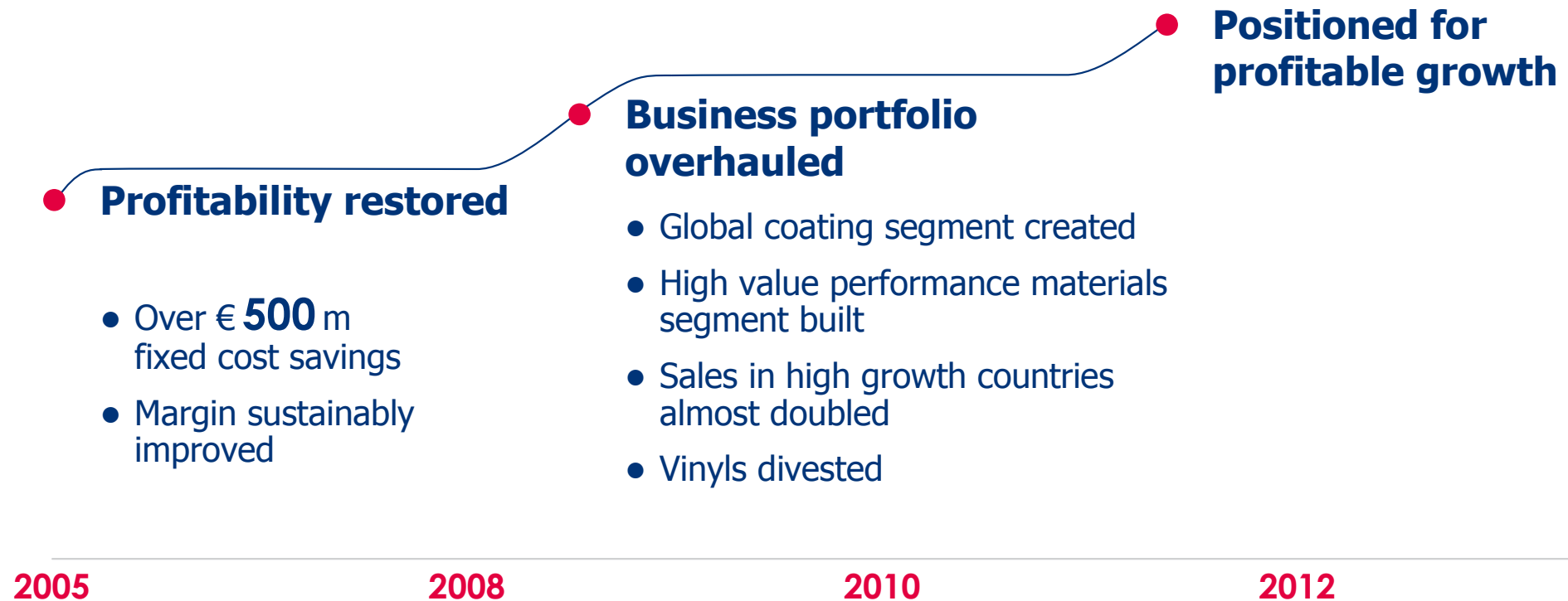
Sales by segment



Sales by region

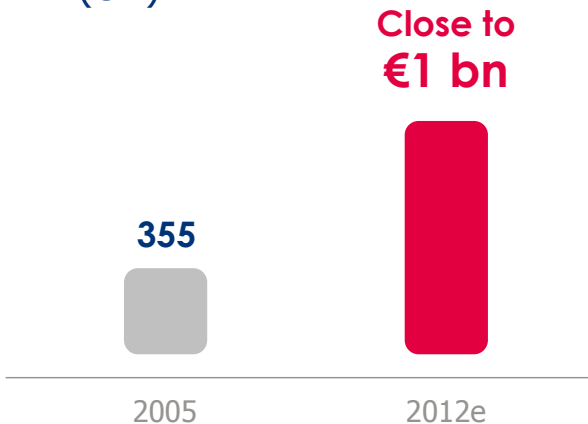


# Rapid and deep transformation executed

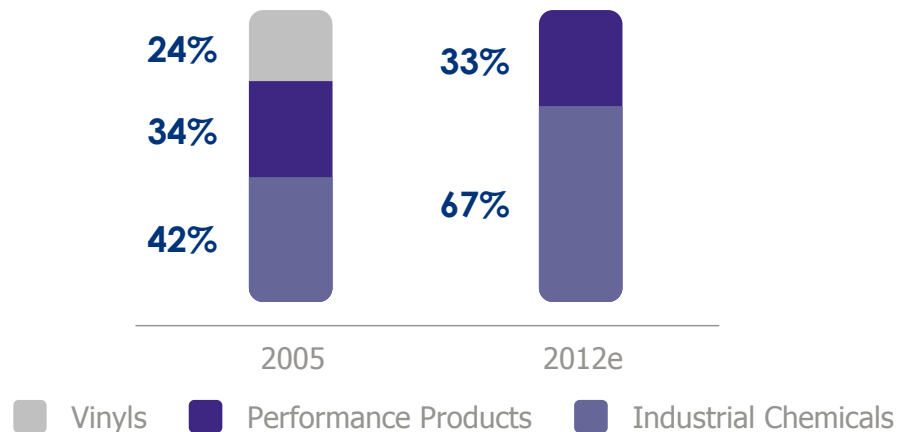


# More focused, more profitable, more resilient

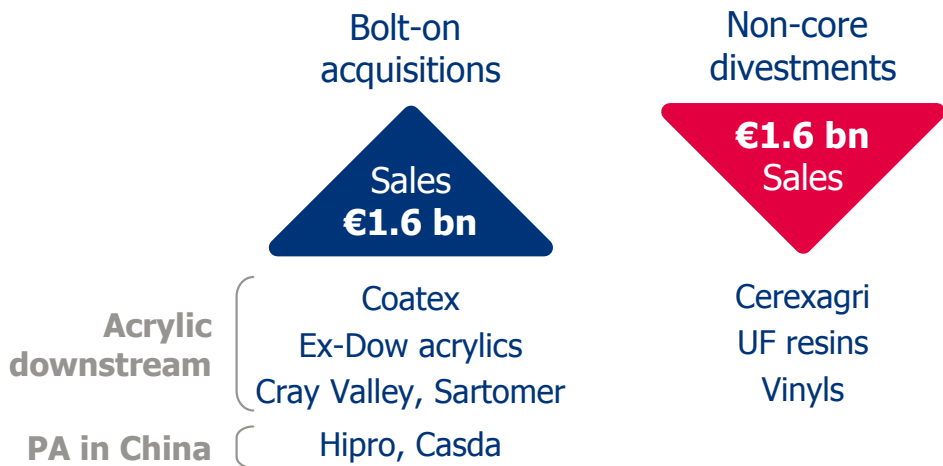
## EBITDA (€m)



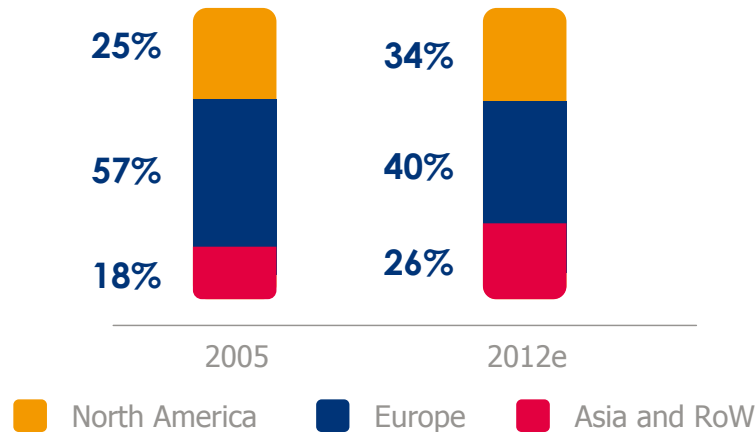
## Sales by segment



## Portfolio changes



## Sales by region



# 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

# 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) } **Downstream**
- Coatex



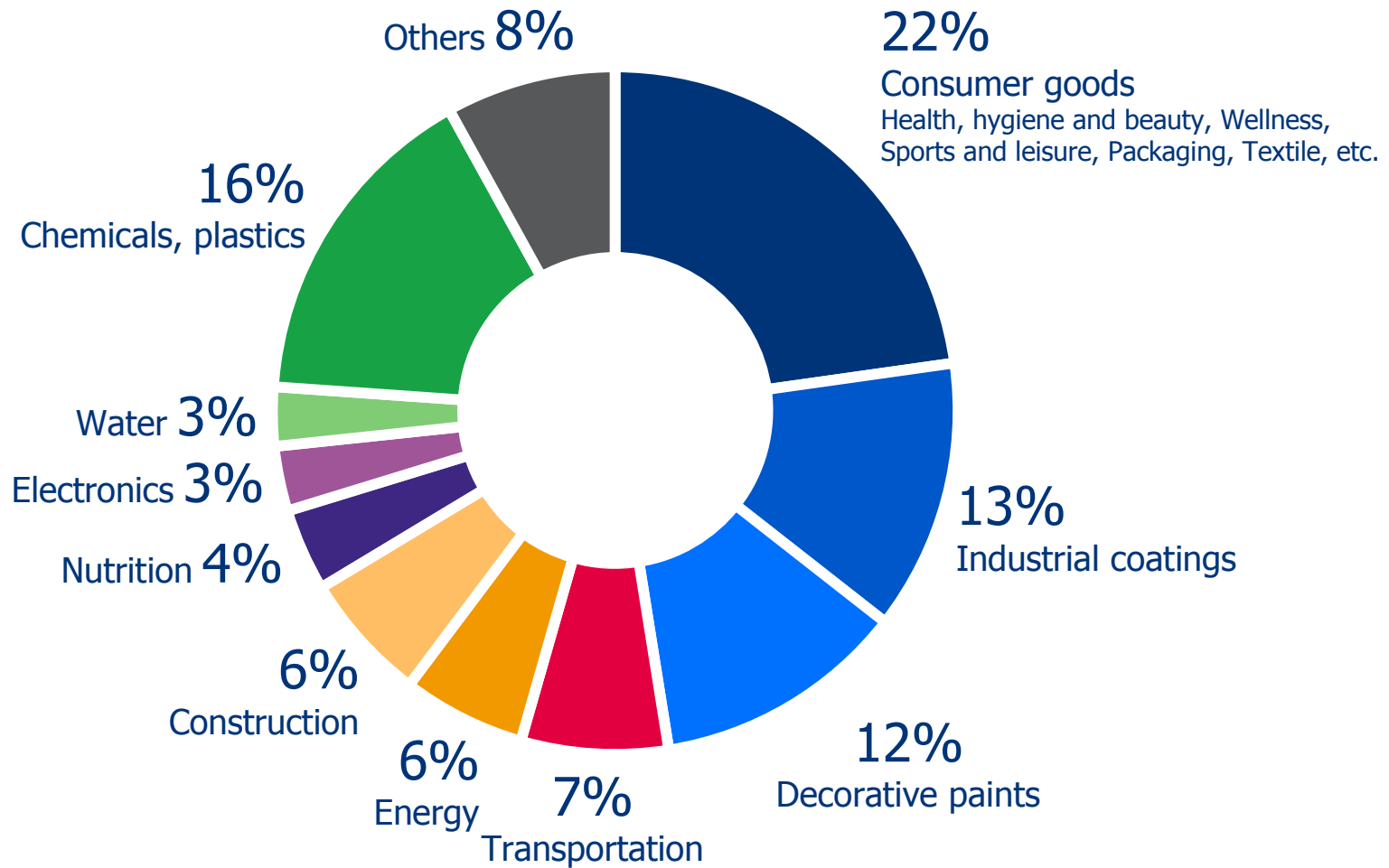
# Among top players on 90% of our sales

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*

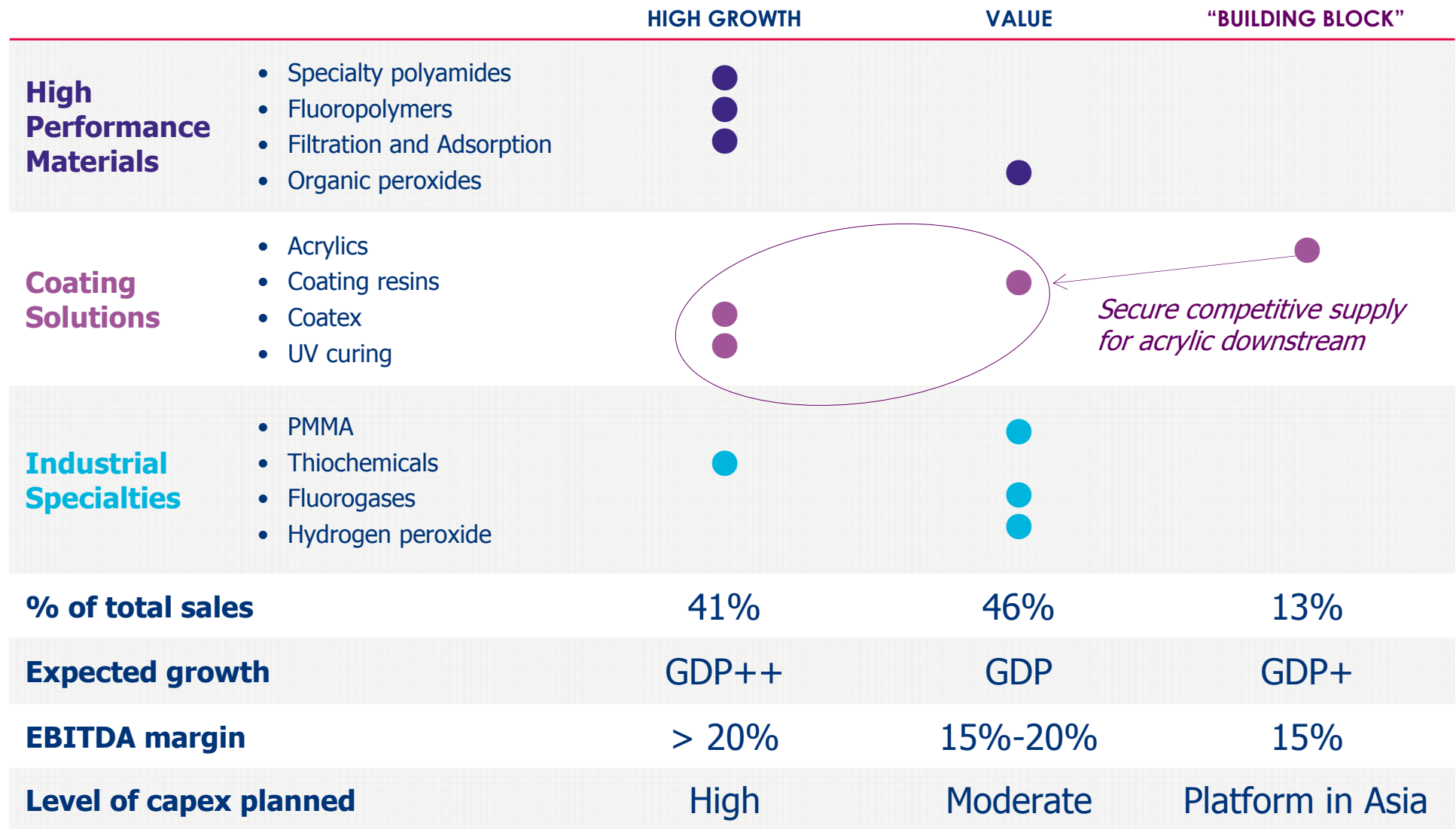


# Diversified end markets with long term growth



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

# Differentiated approach to manage our portfolio



■ High Performance Materials
 ■ Industrial Specialties
 ■ Coating Solutions



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

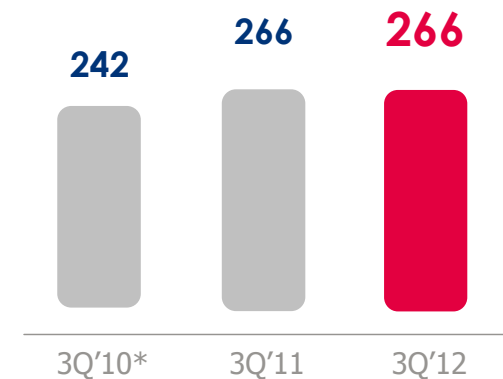
➤ **€1,002m net debt**

- 43% gearing

Sales (€m)



EBITDA (€m)



\* 3Q'10 EBITDA excludes the EBITDA of the whole Vinyl Products segment

# 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**



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

€8 bn

Sales

Organic growth

+ €0.9 bn

M&A

+ €0.6 bn

16%

EBITDA margin

High Performance Materials

18%

Industrial Specialties

17%

Coating Solutions

15%

< 40%

Gearing



# Contribution from organic growth well underway



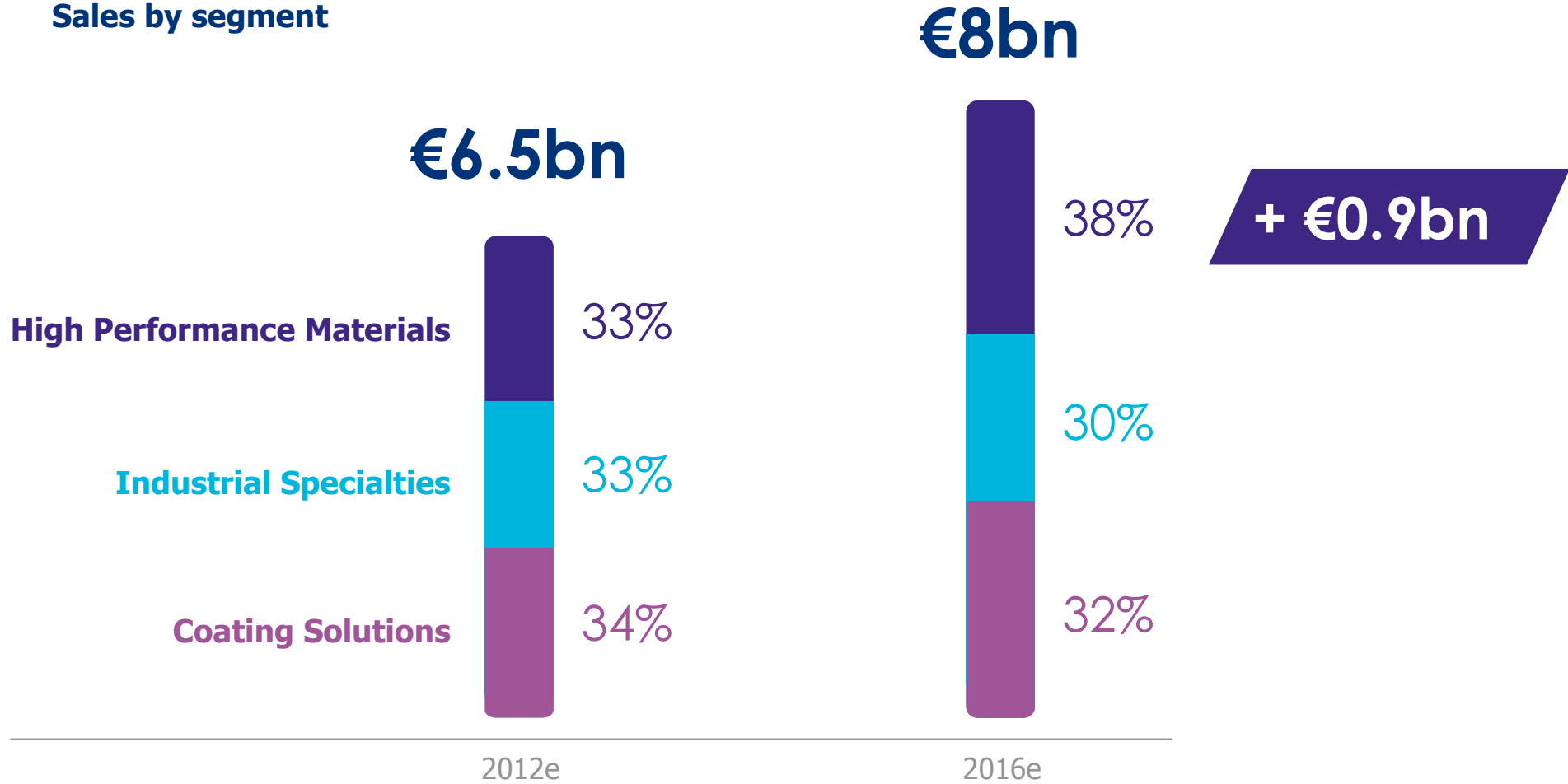
Sales (€bn)



# Accelerate expansion in High Performance Materials

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



# Sales growth of 40% in High Performance Materials

Profitable growth

**High Performance**

Higher growth countries

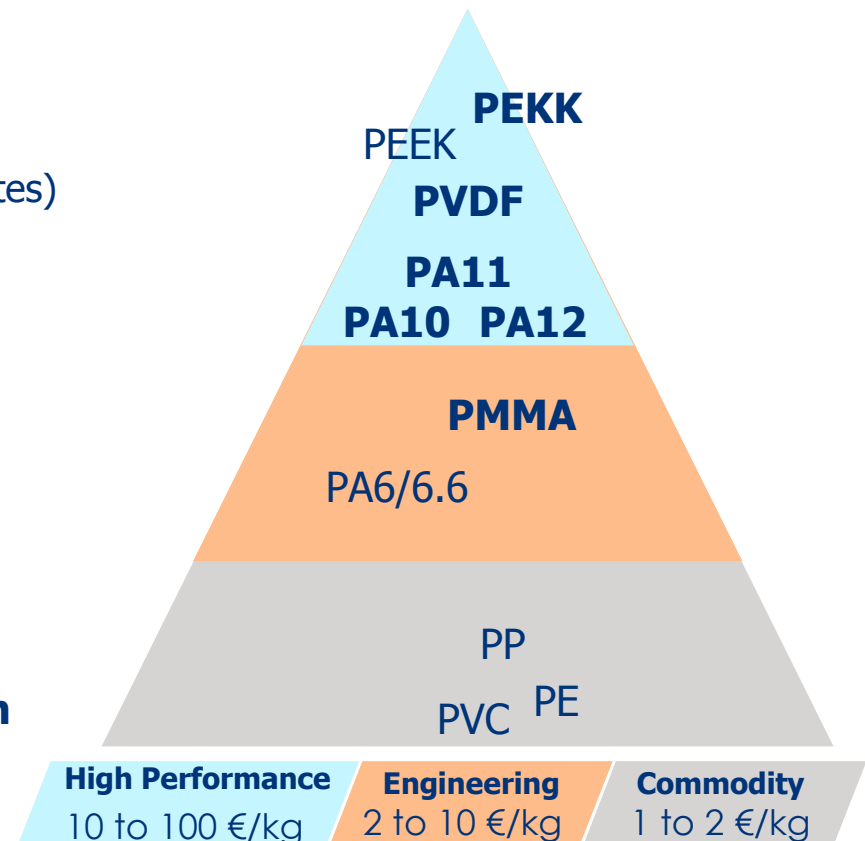
Acrylic downstream

Market-driven

Operational excellence

- 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

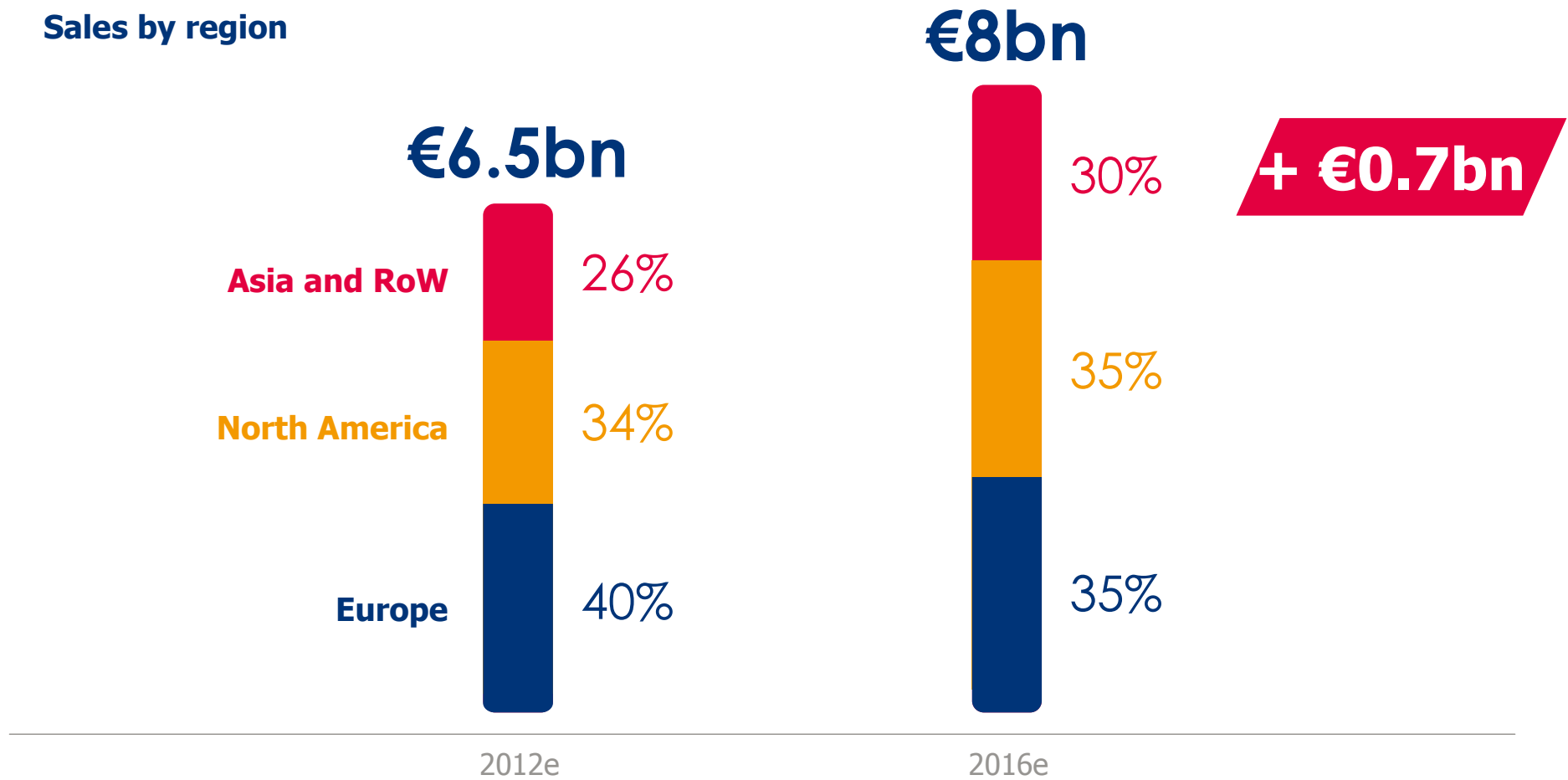
Polymer pyramid  
Arkema focused on the high end of the range



# Expansion in higher growth countries

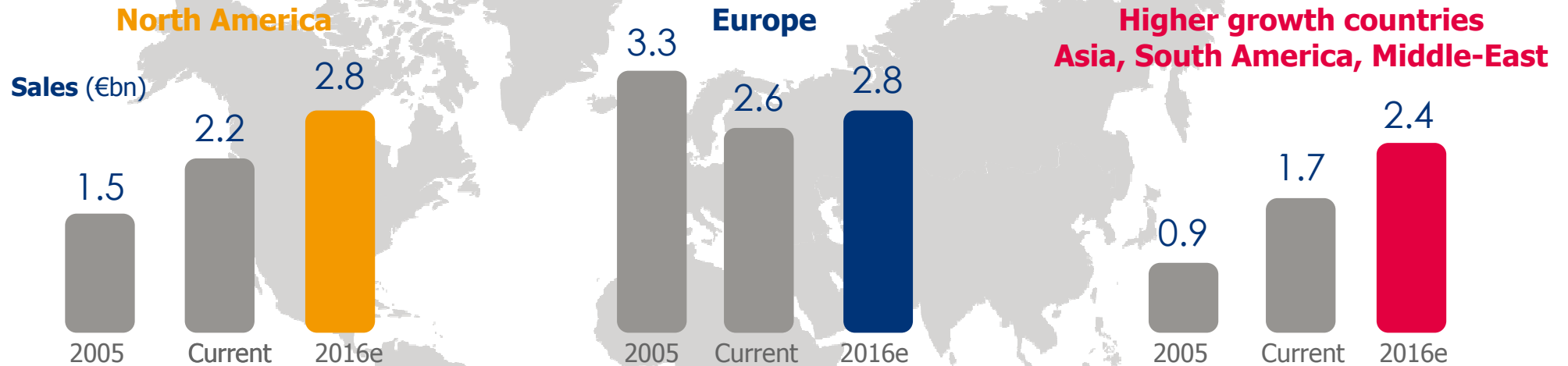
Profitable growth	High Performance	<b>Higher growth countries</b>	Acrylic downstream	Market-driven	Operational excellence
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## Sales by region



# Differentiated development pace across regions

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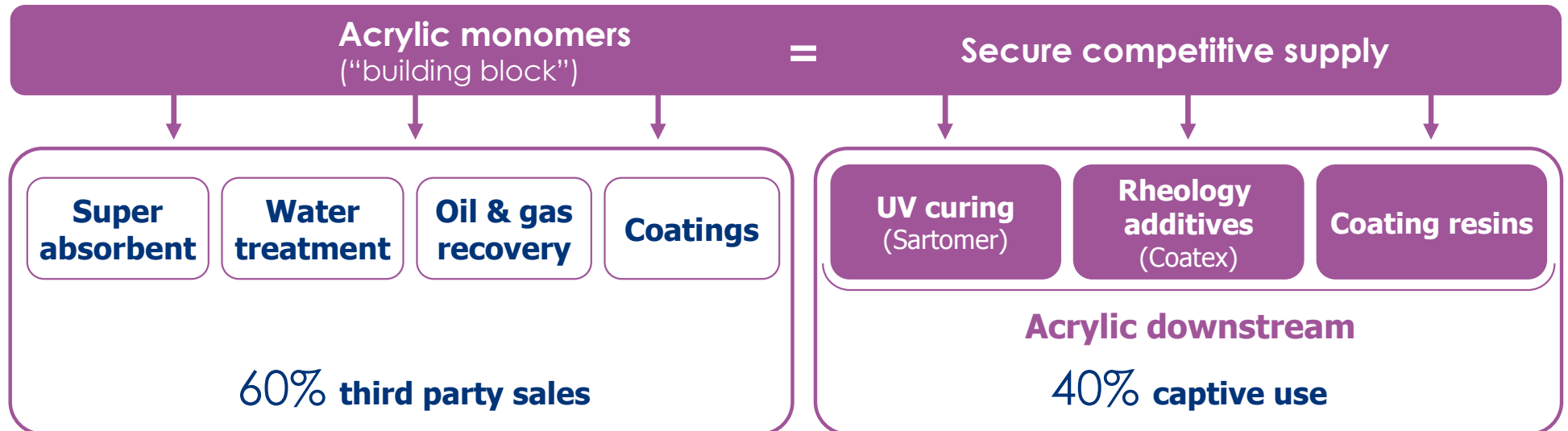


- Major player in the USA
- Shale gas will support long term competitiveness of the economy
- Anticipated rebound in housing
- Recovery underway in automotive

- 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

A decorative graphic in the top-left corner showing a microscopic view of several red, spherical bubbles or droplets against a darker red background. The bubbles are of various sizes and are partially cut off by the top and right edges of the frame.

# Looking ahead

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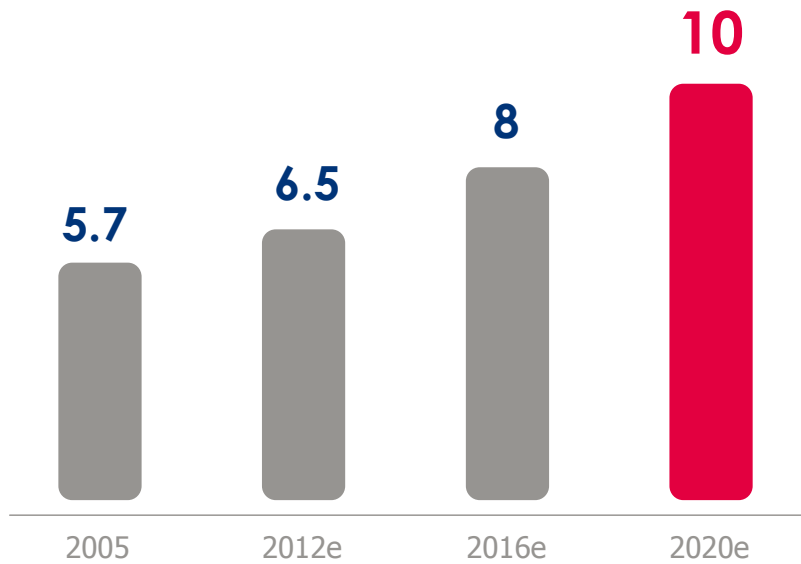
# Strong confidence in our long term potential

- **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)**

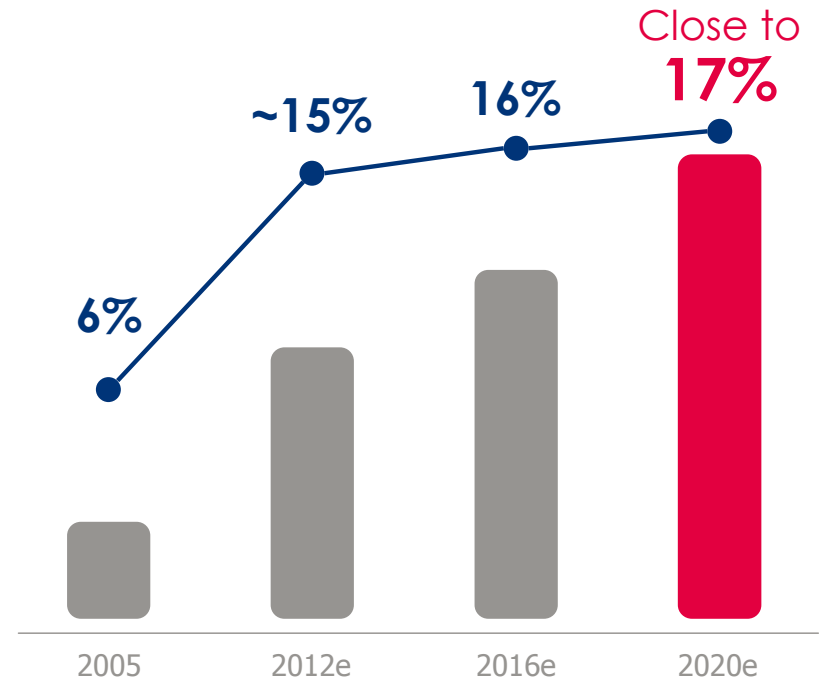


# Main objectives 2020

Sales (€bn)



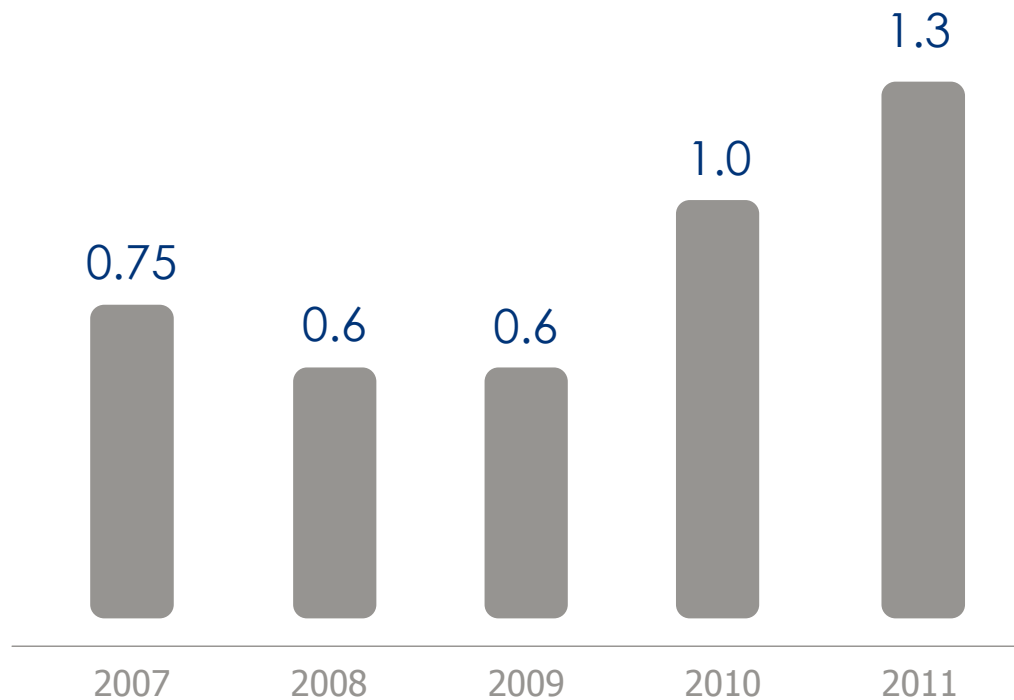
EBITDA and EBITDA margin (%)



Gearing < 40%

# 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

# Arkema key take-aways

- **Strong portfolio of profitable niche chemical businesses**
- **Powerful operating model with superior track record of value creation**
- **Innovation pipeline and technology leadership combined with enhanced market-driven approach driving our margins up**
- **Selective and profitable growth**
  - Targeted approach of fast-growing segments
  - Increase presence in rapidly developing economies
  - Greater earning stability
- **Disciplined cash allocation**
  - Solid cash generation
  - Strict return criteria for capex and acquisitions
  - Rising dividend
  - Committed to BBB rating



# Q & A



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