



# **2013 Annual General Meeting**

**June 4<sup>th</sup>, 2013**





# **2012 Highlights**





# Arkema in 2012

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**13,925**  
employees

**91**  
production sites

Presence  
in **40** countries

**1,200**  
researchers

**10**  
R&D centers

**151**  
patent applications

**€ 6.4 bn**  
sales

**€ 996 m**  
EBITDA

**€ 438 m**  
capex



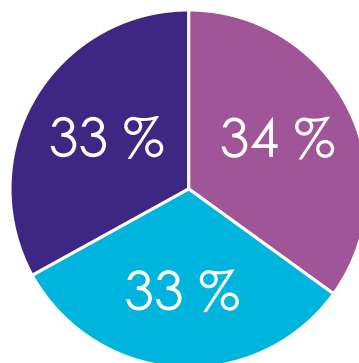
# Three specialty segments

## High Performance Materials

World of high value and innovative solutions



## Sales by segment



## Industrial Specialties

Global and integrated industrial niches

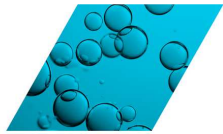


## Coating Solutions

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







# New corporate image



- Targeted growth focused on specialties
- Innovation at the heart of Arkema's strategy
- A new signature : « Innovative chemistry »

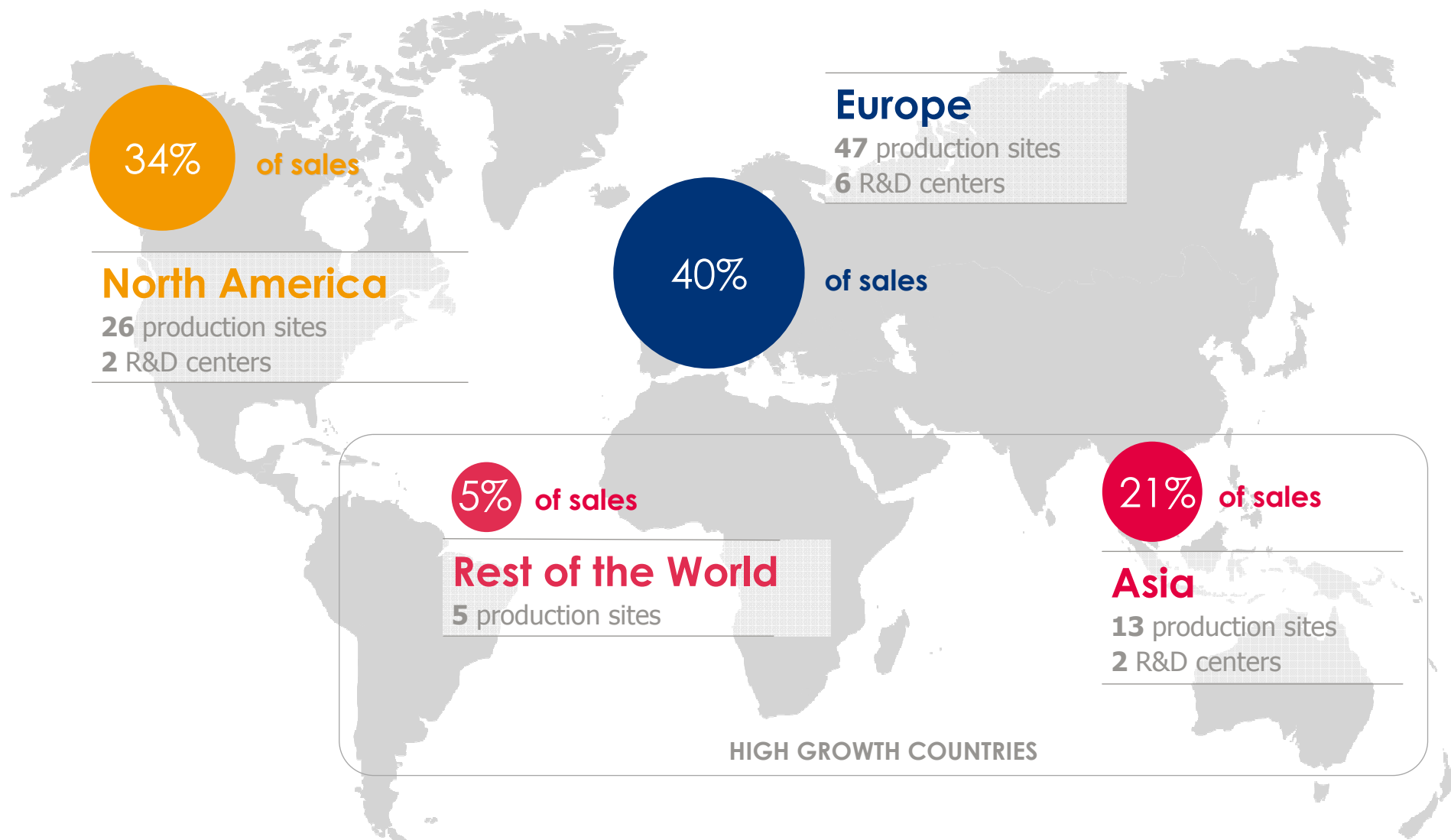


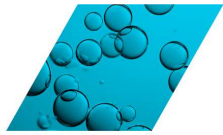
## Among top players on 90 % of sales

	POSITION	% of sales
Specialty Polyamides (10, 11 and 12)	# 1	14%
Fluoropolymer (PVDF)	# 1	
Organic Peroxides	# 2	9%
Thiochemicals	# 1	9%
Fluorogases	# 2	10%
PMMA	# 2	10%
Hydrogen Peroxide	# 3	4%
Acrylic monomers	# 4	13%
Coating Resins	# 3	13%
UV-curing Resins	# 2	5%



# Balanced geographical presence





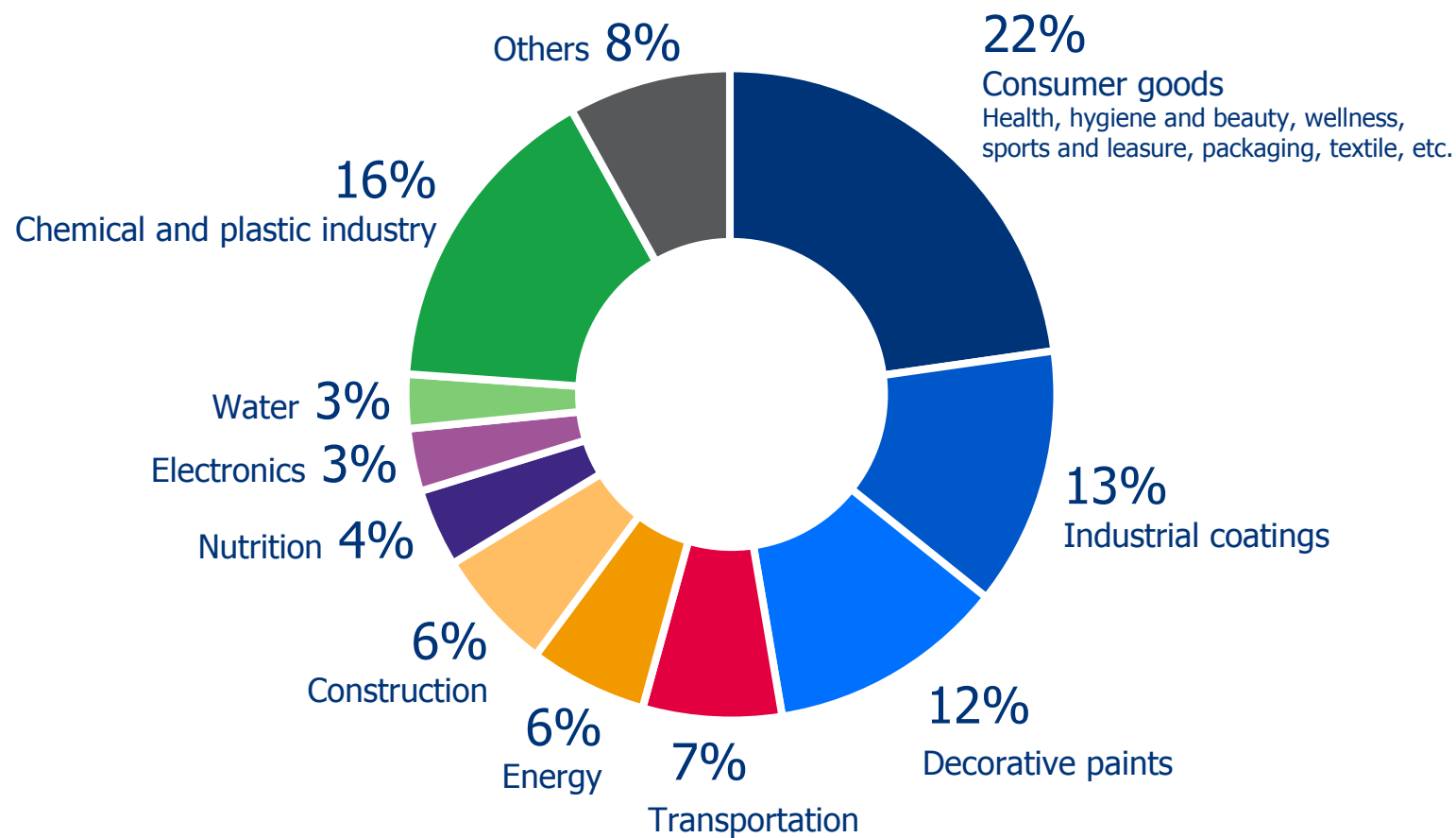
# A strong footprint in France

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- **Capex: € 208 m in 2012 (47% of Group's capex)**
- **Workforce: 48% of Group's employees**
- **75% of Group's R&D effort**
  - 6 R&D centers, 900 researchers
  - Research partnerships with Aquitaine region, CNRS, CEA and competitiveness clusters (Axelera, etc.)
- **23 production sites in France**
  - European platforms (Thiochemicals in Lacq, PVDF in Pierre-Bénite, Acrylics in Carling, amino 11 in Marseille, etc.)
  - 80% of domestic production exported
- **Strong involvement of Arkema on French industry competitiveness issue**

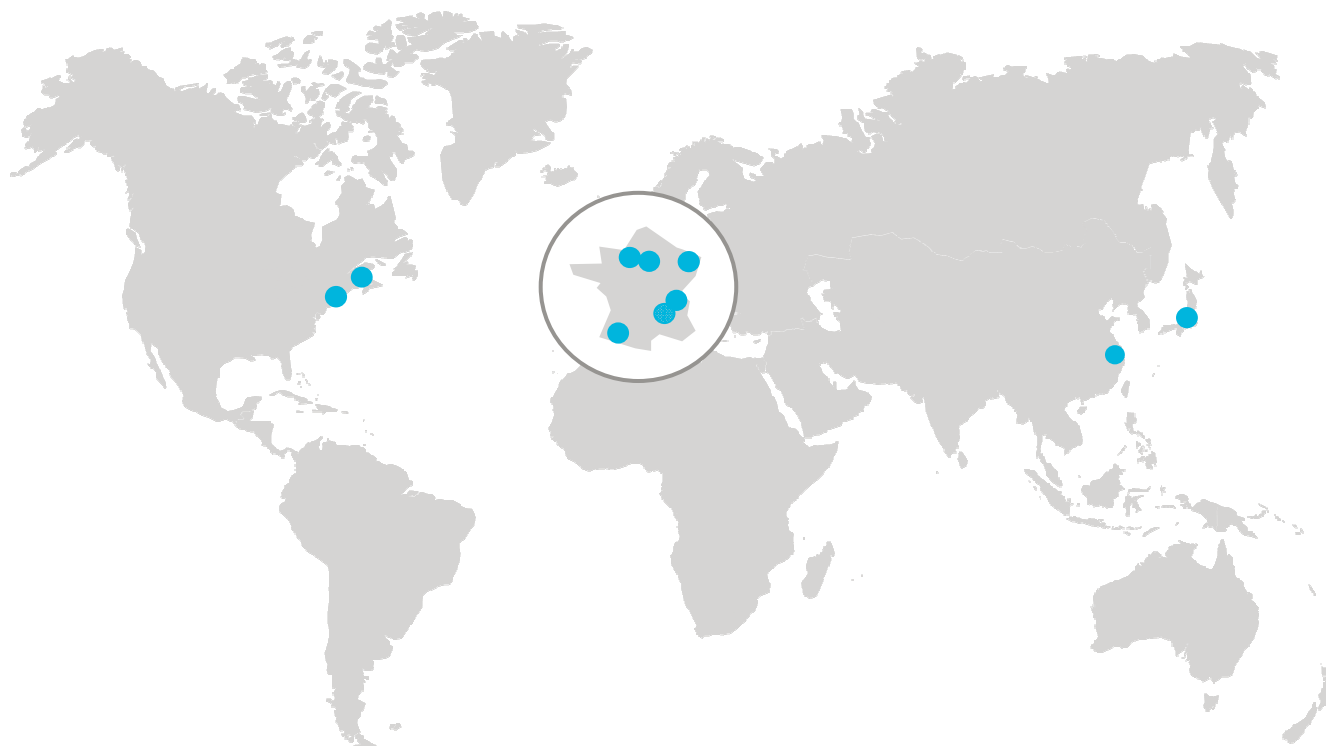


## Diversified end markets





# Innovation at the heart of the strategy



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**10** R&D centers

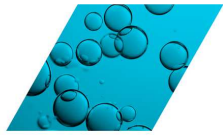
**1,200** researchers

**~€ 150 m** budget

**2.3 %** of sales

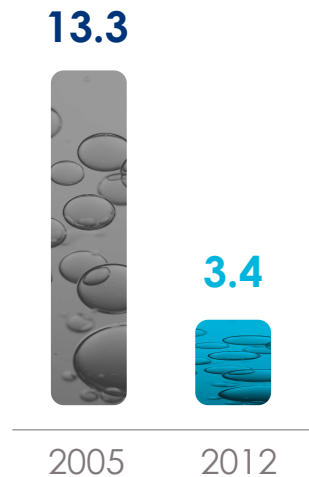
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- /// **Unique technology expertise**
- /// **New R&D center in Changshu (China) opened beginning 2013**
- /// **Close proximity with customers**
- /// **Long-term breakthrough projects supported by corporate R&D**



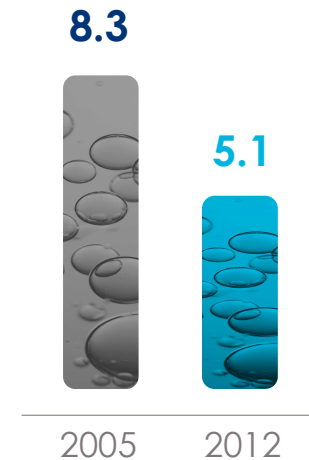
# Safety and environmental performance

## Total recordable injury rate (million working hours)

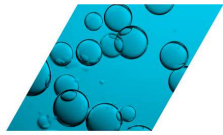


- **Our ambition:** be a top quartile performer in safety in the chemical industry
- **Our target:** Total recordable injury rate of **2.0** by 2020 latest

## Greenhouse Gas Emissions (mT CO<sub>2</sub> eq.)



- **Our ambition:** reduce environmental footprint of our activities
- **Our target:** contribute to fight against global warming by reducing greenhouse gas emissions



# Thiochemical platform in Malaysia

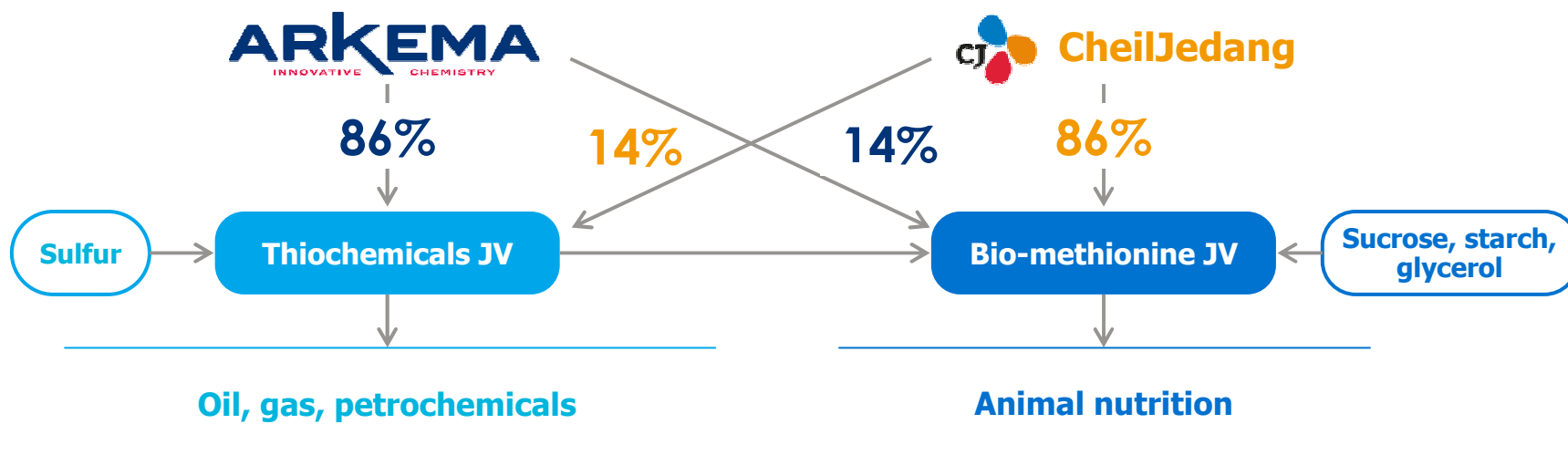


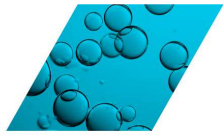
- **Project in partnership with South Korean company CJ CheilJedang**
- **Ground breaking ceremony in October 2012**
- **Capex for Arkema's Thiochemical plant of Arkema: around US\$220m**
- **Mechanical completion expected beginning of 2014**





# Structure of Thiochemicals project in Malaysia





# Capex program in Acrylics in North America

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- **Capex: US\$ 110 m**
- **Two units already started:**
  - 2EHA: new unit started in 2012 in Bayport
  - Acrylic Acid: capacity increase in Clear Lake started end of May 2013 (+60 kT with half of production for methyl acrylate)
- **Under construction in Clear Lake (unit acquired from Dow early 2010):**
  - Methyl Acrylate: capacity increase (+ 45 kT). Start up expected in 4<sup>th</sup> quarter 2013

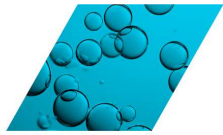




# Integration of Hipro and Casda

- Companies acquired in February 2102 (specialized in sebacic acid and polyamide 10)
- Unique range of specialty polyamides 10, 11 and 12
- Global leader for bio-sourced polyamides
- Trebling polyamide 10 capacity of Hipro (started in 1<sup>st</sup> quarter 2013)





# Divestment of vinyl activities

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## ■ Divestment of vinyl activities to Klesch group

### ■ Transaction highlights

- Divestment of a whole coherent portfolio of activities including upstream activities (electrolysis of chlorine, caustic soda and PVC) and downstream activities (compounds, pipes and profiles)
- Around € 1bn sales
- Strong balance sheet:
  - No financial liabilities
  - Inventories given for free
  - € 100 m cash transferred
  - Warranties granted to third parties for a net amount of € 60 m

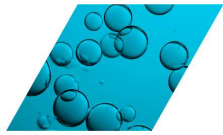
### ■ Timetable

- 23 November 2011: announcement of divestment project
- 3 July 2012: closing of transaction with effect on 1 July 2012

## ■ Operation in line with Arkema's strategy to further focus on specialty chemicals

## ■ Klesch launched an arbitration procedure against Arkema in March 2013. Arkema categorically denies the allegations made by the Klesch group.

## ■ Insolvency proceedings against the company Kem One (upstream activities only) on 27 March 2013. Arkema accepted to contribute to the financing of the observation period and to put on hold receivables from Kem One (non-recurring charge of € 125 m booked in 1<sup>st</sup> quarter 2013).



# Start up of ADAME™ unit in Carling

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- **ADAME™: an acrylic acid derivative**
- **End market: water treatment**
- **Total capex for Carling modernization: € 40 m**





# New superabsorbent unit in Carling

- A Sumitomo Seika unit on Arkema's platform (near 50 kT)  
Start up expected in 1<sup>st</sup> half 2013
- Superabsorbents: acrylic acid derivatives
- Project strengthens Carling site
- End market: diapers

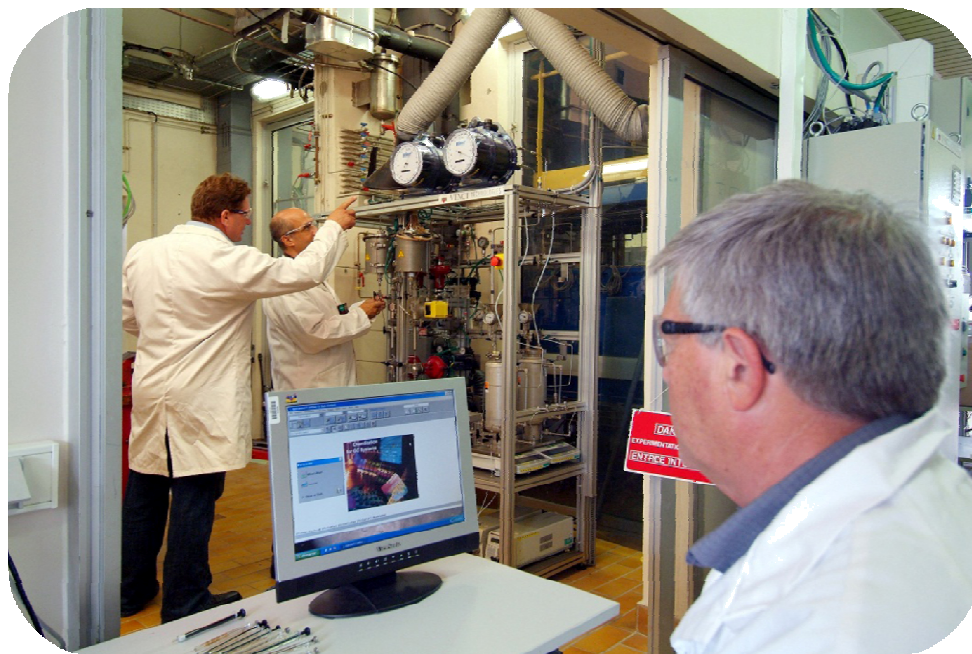


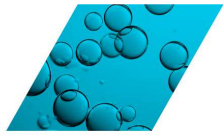




# Lacq Cluster Chimie 2030 project

- **Purpose: extend and secure sulfur supply for next 30 years**
- **Major turnaround in 4<sup>th</sup> quarter 2013**
- **Total capex in Lacq for Arkema: € 50 m  
(including DMDS capacity expansion and large turnaround)**





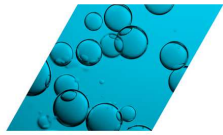
# Investments in Jarrie

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- **Conversion of electrolysis to new membrane technology**
- **Implementation of Technological Risk Prevention Plan (« PPRT »)**
- **Total capex for Jarrie modernization: € 100 m  
(€ 60 m net with subsidies)**



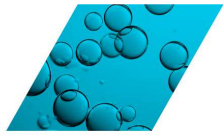




## PVDF Kynar® capacity expansion in Changshu

- **50% capacity expansion in July 2012**
- **Following start up of Kynar® PVDF unit in China in 2<sup>nd</sup> quarter 2011**
- **End markets: new energies, water filtration**





# Acquisition of an industrial site in Brazil

- Acquisition of an acrylic additives and emulsions site
- Strengthen Group's presence in Latin America
- Combined sales with Coatex in Brazil: US\$20 m





# Innovation success

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## ■ Arkema in the « Top 100 Global Innovator Award 2012 » (Thomson Reuters)

- Among the 13 French companies mentioned

## ■ Pierre Potier prize for Altuglas® ShieldUp

- New nano-structured acrylic glass sheet (PMMA)
- Outstanding properties: glass replacement
- Lightweight material for automotive





# Financial results





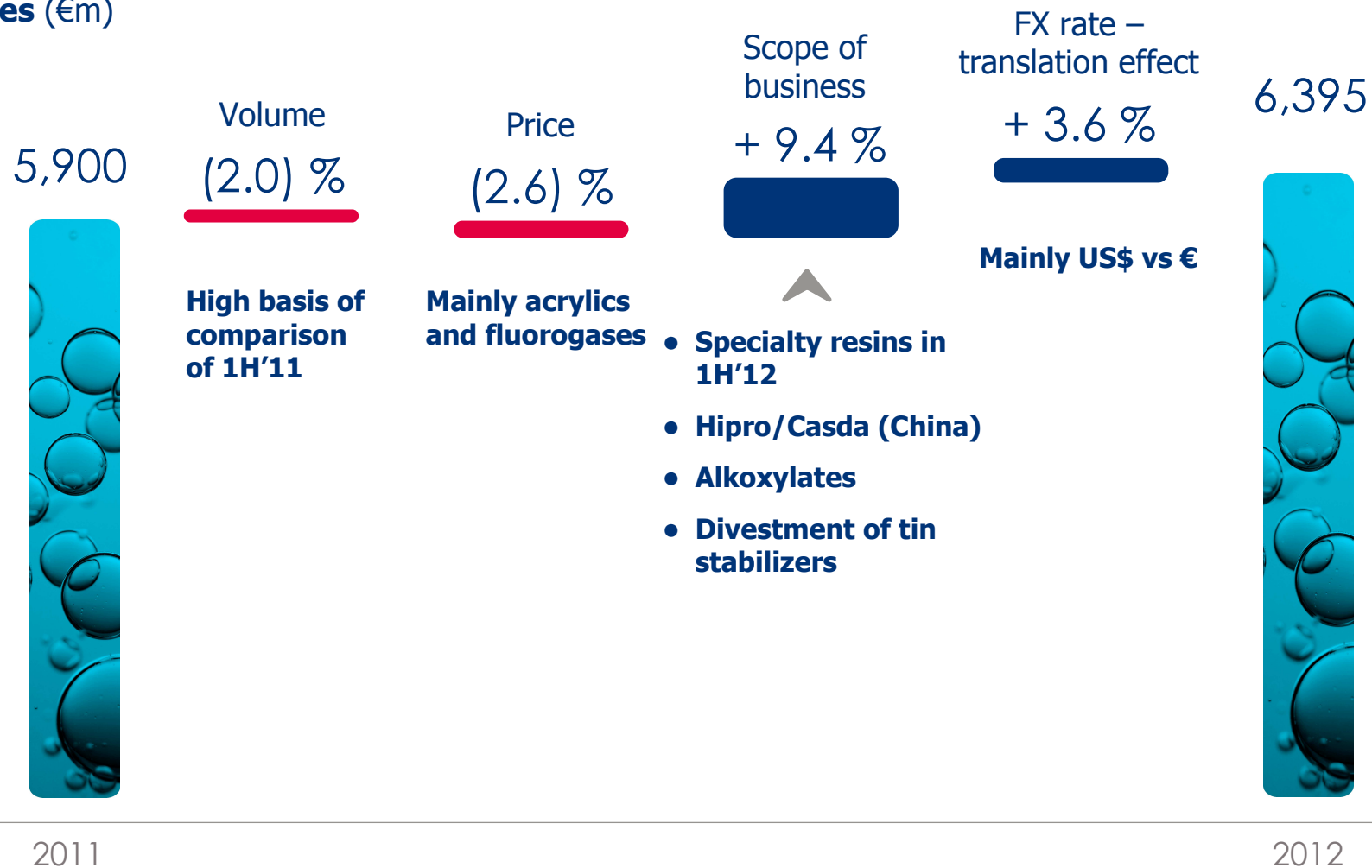
## 2012 Key figures

<i>In €m (except Earnings Per Share)</i>	2011	2012	variation
Sales	5,900	6,395	+ 8.4 %
EBITDA	1,034	996	- 3.7 %
EBITDA margin	17.5 %	15.6 %	
Recurring operating income	762	678	- 11.0 %
Adjusted net income (continuing operations)	574	441	- 23.2 %
Adjusted net income (discontinued operations)	(587)	(200)	-
Net income (Group share)	(19)	220	-
Diluted adjusted EPS (continuing operations)	9.21	7.00	- 24.0 %



## + 8.4 % sales versus 2011

**Sales (€m)**

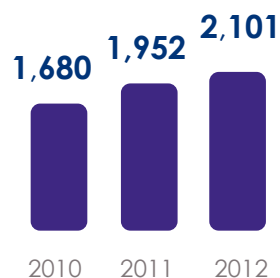




# Performance of segments

## Sales (€m)

### High Performance Materials



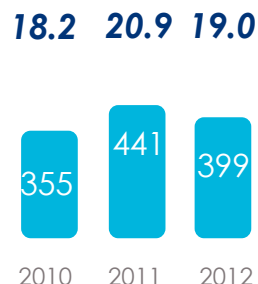
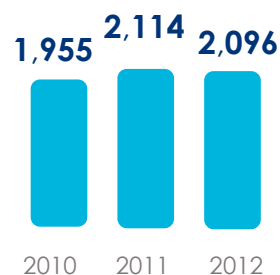
## EBITDA (€m)

### EBITDA margin (%)



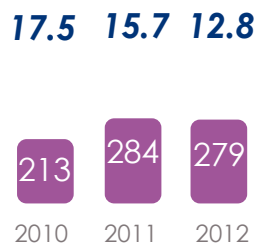
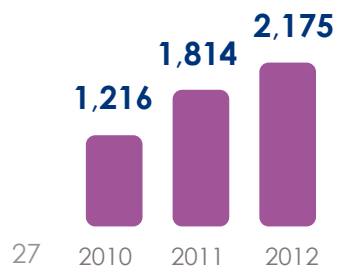
- 17.2% EBITDA margin, maintained at historical high
- Strong performance of Technical Polymers despite slowdown in 4<sup>th</sup> quarter specifically in Europe

### Industrial Specialties

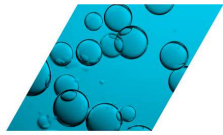


- Excellent EBITDA margin at 19%
- Solid performance of all businesses in North America

### Coating Solutions

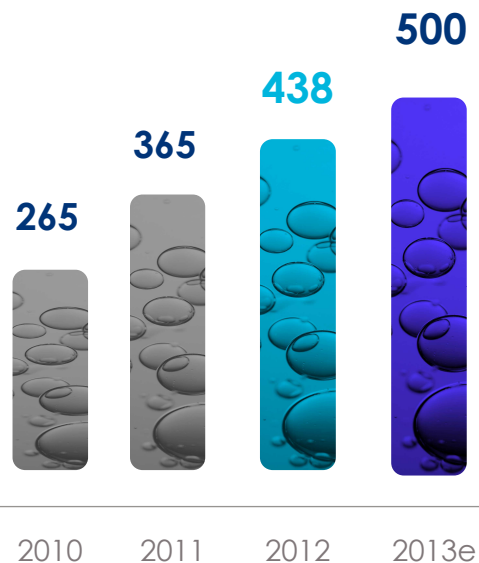


- Mid cycle conditions for acrylics (after peak in 2011)
- Dilutive impact on EBITDA margin of specialty resins
- Weak demand in decorative paints in Europe and North America



# Capex

Capex (€m)



## Strong pipeline of new projects

- Thiochemicals in Malaysia
- Acrylics in the US
- Modernization of Jarrie (France)

## € 208 m invested in France en 2012

## 52% of capex dedicated to maintenance, environment and safety





# Balance sheet and financing

**Shareholders' equity** € 2.3 bn

**Net debt** € 900 m

**Gearing** 39 %

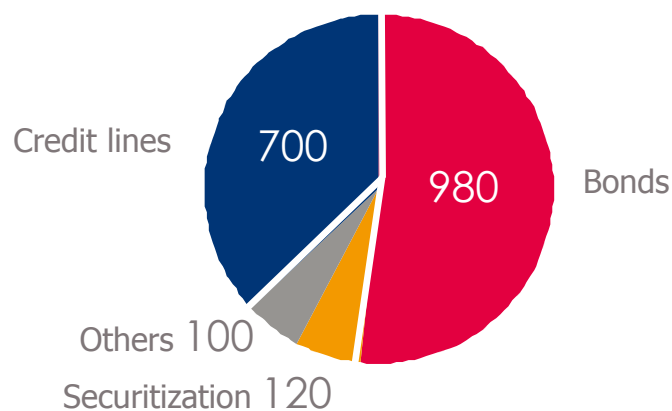
**Net debt / EBITDA** 0.9x

## Rating

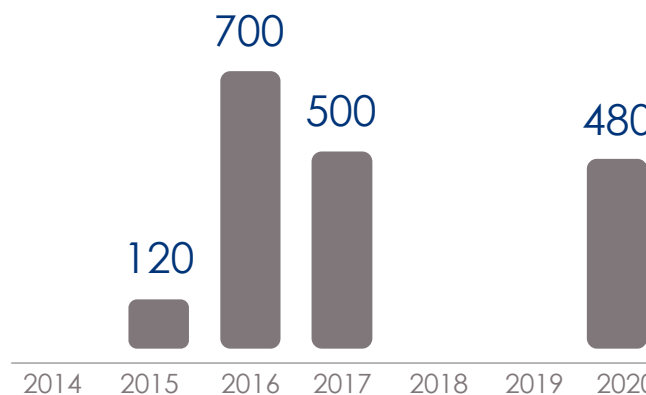
**Standard & Poor's** **BBB** **stable outlook**

**Moody's** **Baa2** **stable outlook**

## € 1.9 bn financing sources (€m)



## Average maturity > 4 years (€m)

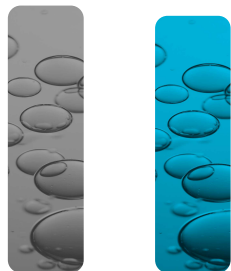




# 1<sup>st</sup> quarter 2013: a solid start of the year

## Sales (€m)

1,623 1,563

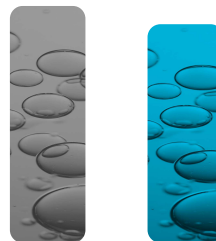


1Q'12 1Q'13

- Volumes: - 1 %
- Positive price effect (+ 0.4 %)

## EBITDA (€m)

253 234

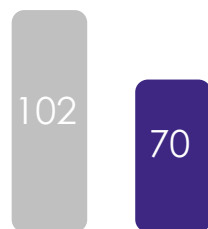


1Q'12 1Q'13

- 3<sup>rd</sup> best performance in a 1<sup>st</sup> quarter
- Significantly above 4<sup>th</sup> quarter 2012 EBITDA (€ 171 m)

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

19.1% 15.6%

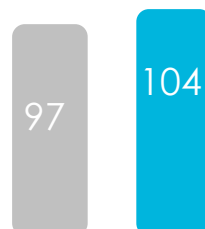


1Q'12 1Q'13

Temporary weakness but strong mid-term outlook unchanged

High Performance Materials

18.2% 19.3%

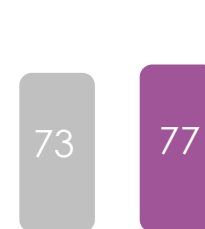


1Q'12 1Q'13

Benefit from significant presence in North America

Industrial Specialties

13.2% 13.7%



1Q'12 1Q'13

Improving trend in North America (housing) and cost efficiencies

Coating Solutions



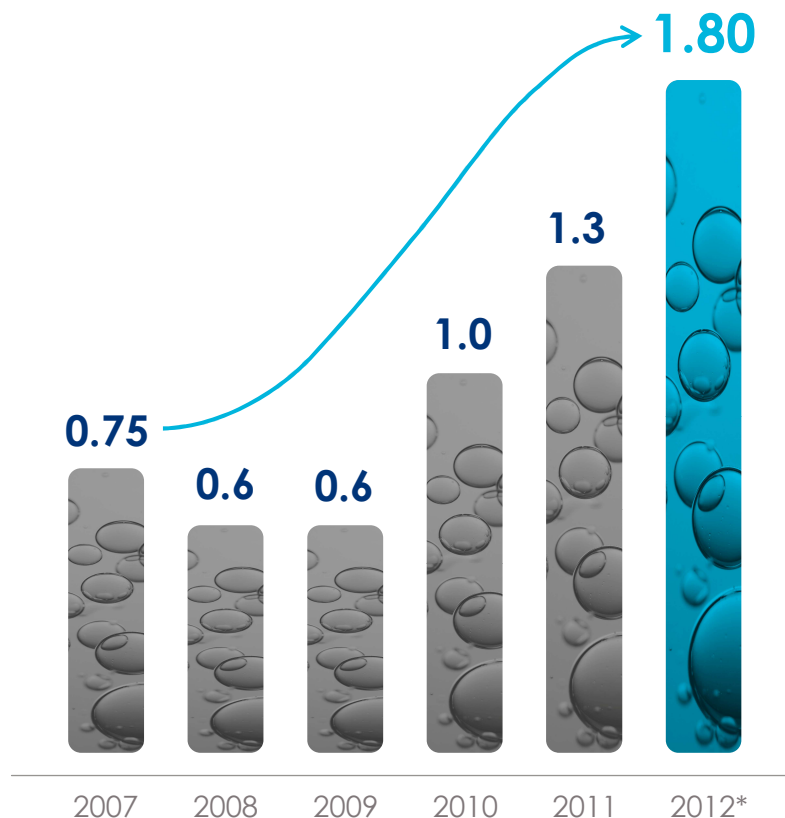
# Outlook

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- **Market conditions remain globally contrasted depending on the regions**
  - Solid environment in North America
  - Continuing challenging environment in Europe, particularly in France and Southern Europe
  - Slower than expected growth in Asia but some signs of improvement
  
- **Priority given to organic growth projects to support our mid term ambition**
  - Acrylics in North America
  - Thiochemical platform in Malaysia
  - Specialty Polyamide 10 in China
  - New coating resins unit in China
  
- **Arkema confirms its confidence in its ability to achieve another strong year in 2013 while remaining cautious on macro-economic development.**



# Dividend

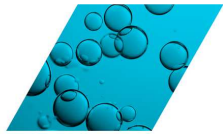


- **Payout ratio: 25% of adjusted net income**
- **2.3% dividend yield (based on share price at year end)**
- **Arkema confirms its target announced in September 2012 to reach a 30% payout ratio on adjusted net income.**



# Corporate Governance





# Board of Directors

## Composition

- 11 members
- 9 independent members (82%) in accordance with AFEP-Medef criteria adopted in the internal regulations
- 2 women (18%)
  - Recommendations issued by Nominating, Compensation and Corporate Governance Committee to reach in 2014 the 20% target set by the 27 January 2011 law related to principle of balanced gender representation among Boards of Directors
- 1 member representing shareholder employees

## Activity of the Board of Directors in 2012

- **7** meetings
- Average attendance rate: **90%**

## Board of Directors Committees in 2012





# Renewal of the Board of Directors



**Bernard Kasriel**

Independent Director  
Member of Nominating, Compensation and  
Corporate Governance Committee and Strategy  
Committee



**Philippe Vassor**

Independent Director  
Chairman of the Audit and Accounts Committee  
and member of Strategy Committee



**Thierry Morin**

Independent Director  
Chairman of Nominating, Compensation  
and Corporate Governance Committee and  
member of Strategy Committee



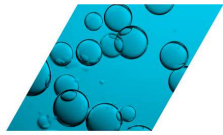
**Marc Pandraud**

Independent Director  
Member of Strategy Committee



**Victoire de Margerie**

Independent Director  
Member of Nominating, Compensation and Corporate  
Governance Committee and Strategy Committee  
New Director co-opted on 7 November 2012 to  
replace Mrs Isabelle Kocher



# Compensation of Corporate Officers

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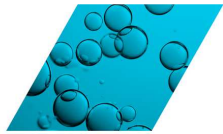
## ■ Compensation of the Chairman and Chief Executive Officer

- 2013 fixed annual compensation: €750,000
- Variable compensation: €1,042,726 due for 2012
- Criteria for variable compensation:
  - **Quantitative targets:** 55% EBITDA, 27.5% recurring cash flow and 27.5% margin on variable cost of new developments
  - **Qualitative targets:** 40% mainly related to implementation of Group's strategy

## ■ Compensation of Directors

- Maximum annual amount unchanged since 2010: €470,000
- Principles for allocation of attendance fees
  - Annual fixed part: €15,000
  - Variable part taking account of the attendance at Board and Committee meetings
  - No attendance fee for the Chairman and Chief Executive Officer and for the Director representing shareholder employees
- Total attendance fees allocated for 2012: €374,750 (10 Directors)





# Performance shares

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## ■ Principles of capital-based compensation policy detailed at the beginning of 2013

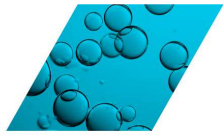
- **Involve** closely the senior managers and certain employees of the Group to its development and its share performance in the medium term
- **Gain loyalty and motivate** some 700 employees (5% of Group's employees)
- **Determine** full allocation to Executive Directors and members of the Executive committee with **demanding performance criteria**
- **Allocate existing shares** acquired in the scope of share buy-back program (with no dilutive effect for the shareholders)
- Give up stock options plans

## ■ 2 demanding performance criteria

- **EBITDA growth** (50% of the allocation)
- **Average EBITDA margin of Arkema** compared with average EBITDA margin of a panel of chemical companies over a period of at least 3 years (50% of the allocation)

## ■ 12<sup>th</sup> resolution: request for authorization to allocate a maximum of 1,250,000 shares

- Representing 2% of the share capital at 31 December 2012
- For a period of 38 months



# Employees share ownership

## ■ Objective: associate our employees to the development of the Group

## ■ Dynamic policy of employees share ownership

- Plans proposed every two years
- To employees of some 20 countries in the world (95% of Group's employees)

## ■ 3 plans implemented since spin-off in 2006

- 2008 share capital increase
  - **4,000** subscriptions
  - **618,462** subscribed shares (1.02% of share capital)
- 2010 share capital increase
  - **3,400** subscriptions
  - **824,424** subscribed shares (1.36% of share capital)
- 2012 share capital increase
  - **6,150** subscriptions
  - **535,013** subscribed shares (0.85% of share capital)

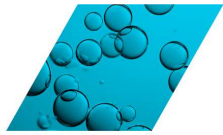


**4.9 %**  
of Arkema's capital  
held by employees



# Ambition 2016



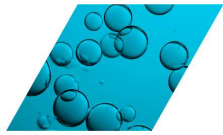


# Our roadmap to 2016

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*« Become a world leader in specialty chemicals and advanced materials »*

- Deliver **profitable growth** and **solid cash flow**
- **Accelerate** development of **High Performance Materials**
- **Intensify our presence in high growth countries**  
(China, India, Brazil, Middle East)
- **Increase downstream integration in acrylics**
- **Secure** access to **strategic raw materials**
- **Reinforce** our operational excellence



# 2016 financial targets

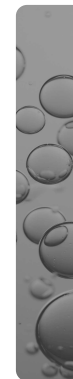
**€ 8 bn**  
Sales

**16 %**  
EBITDA margin

**< 40 %**  
Gearing

**EBITDA (€m)**

996



2012

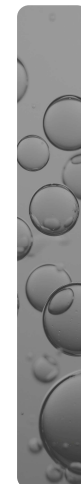
**+ 144**

Organic growth

**+ 140**

Acquisitions and divestments

1,280

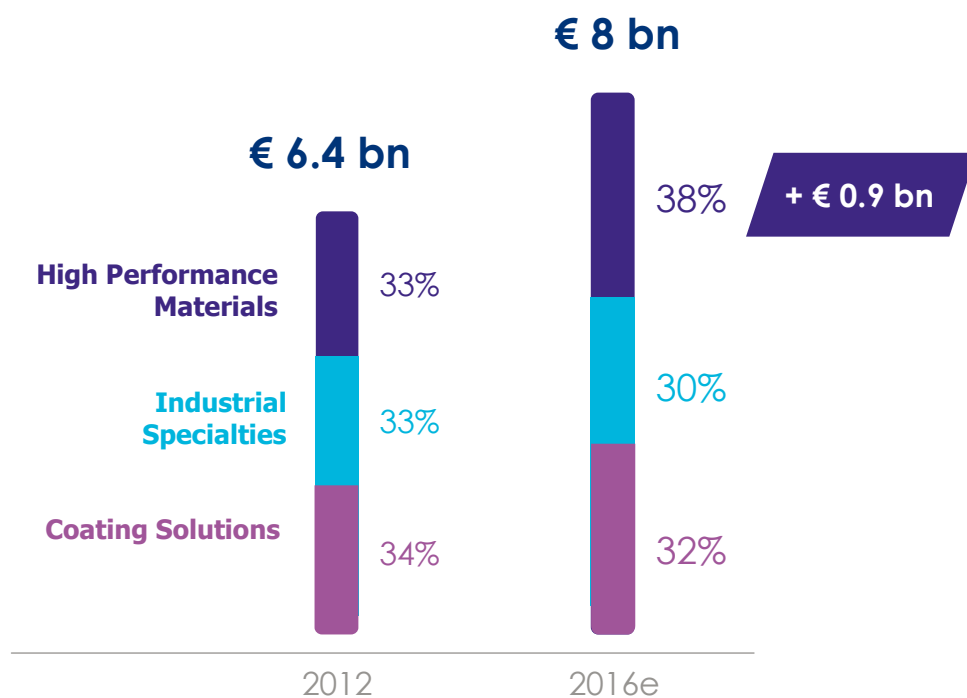


2016e

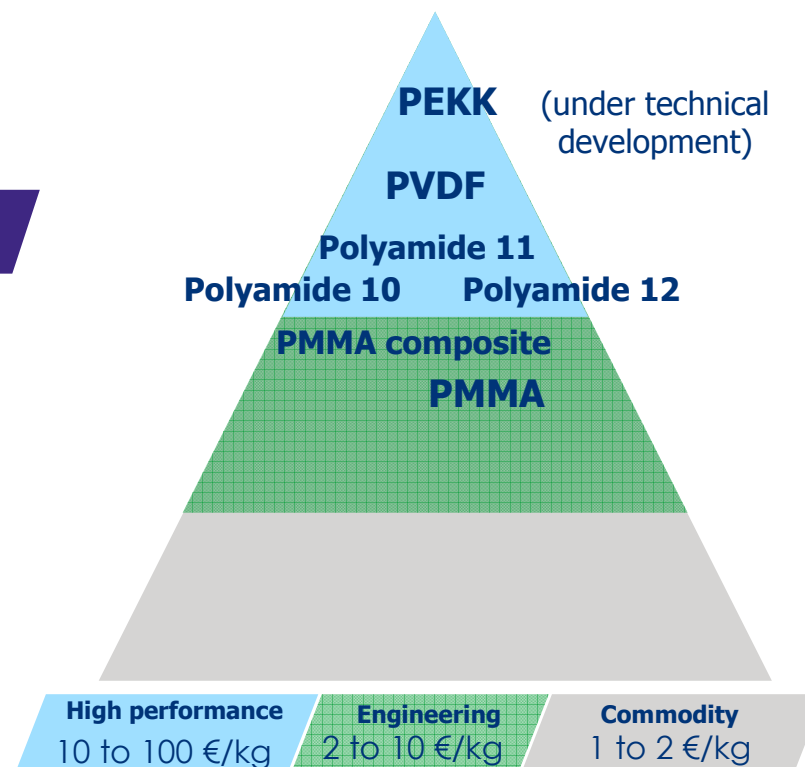


# Accelerate expansion in High Performance Materials

Sales by segment



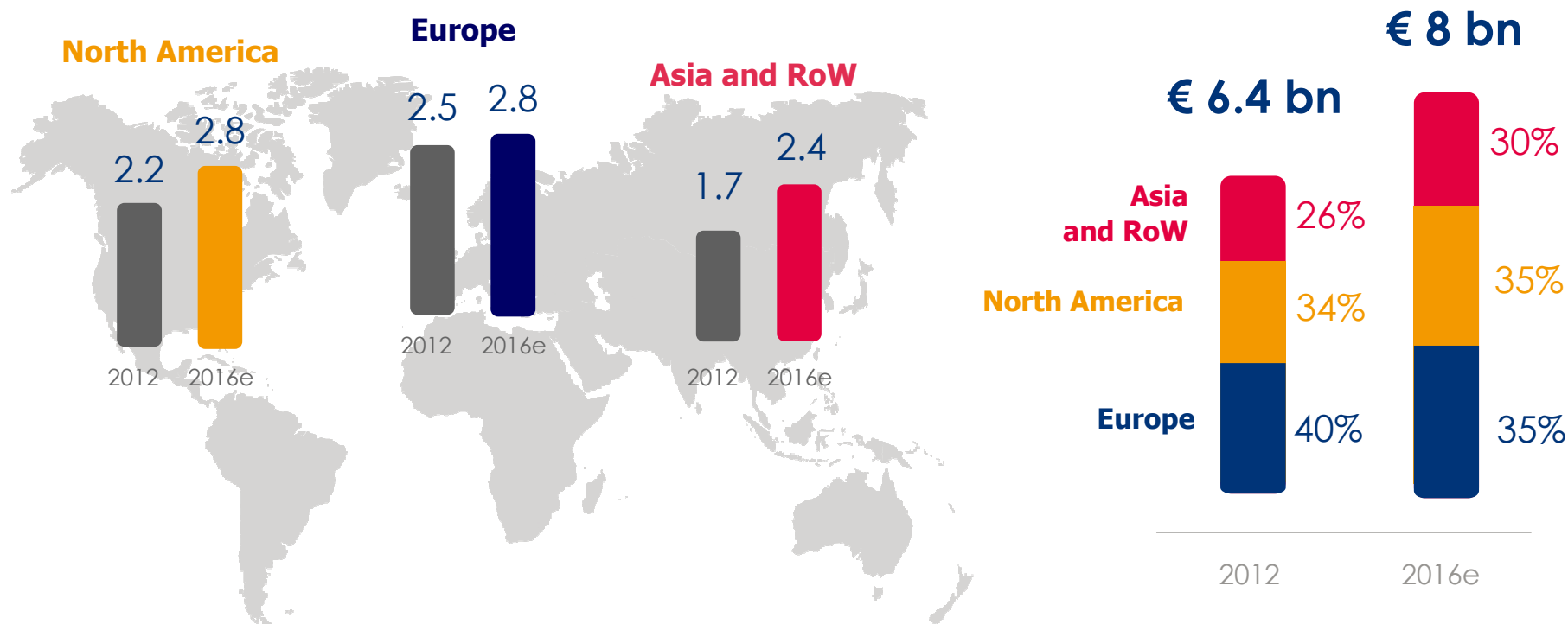
Polymers pyramid  
Arkema well positioned on high end





# Development in high growth countries

## Sales by region (€bn)





# 2016 targets by segment



## High Performance Materials

**38%** of total sales

**18%** EBITDA margin

## Industrial Specialties

**30%** of total sales

**17%** EBITDA margin



## Coating Solutions

**32%** of total sales

**15%** EBITDA margin



# Start up of industrial projects

2012



- **2EHA**  
(United States)
- **PVDF expansion**  
(China)
- **HFC125 expansion**  
(China)
- **ADAME**  
(France)

2013



- **Acrylic acid and esters**  
(United States)
- **Hipro expansion (x3)**  
(China)
- **Coating resins**  
(China)
- **Superabsorbents \***  
(France)
- **Lacq**  
(France)
- **Jarrie**  
(France)

2014

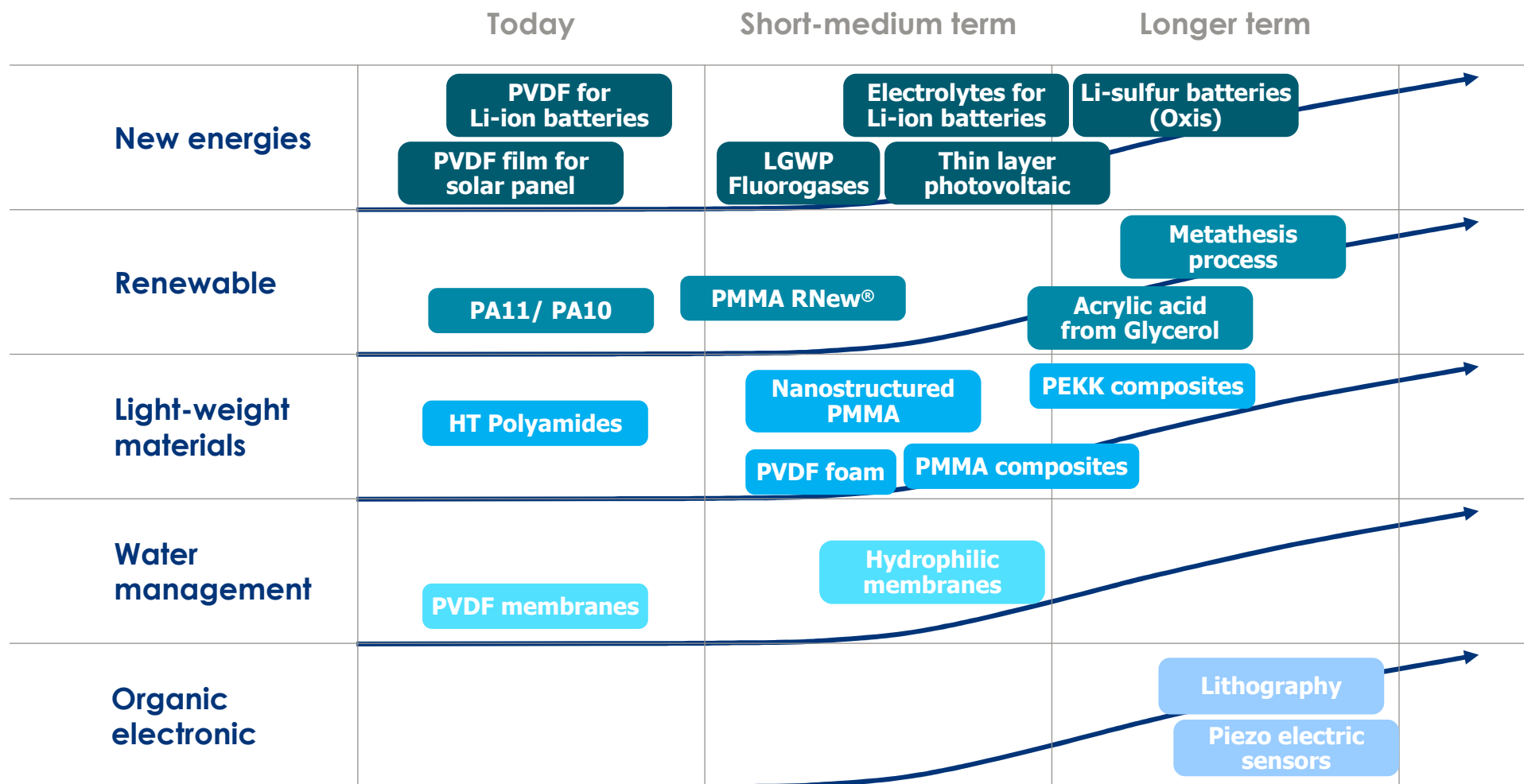


- **Thiochemical platform**  
(Malaysia)

Several projects  
under consideration

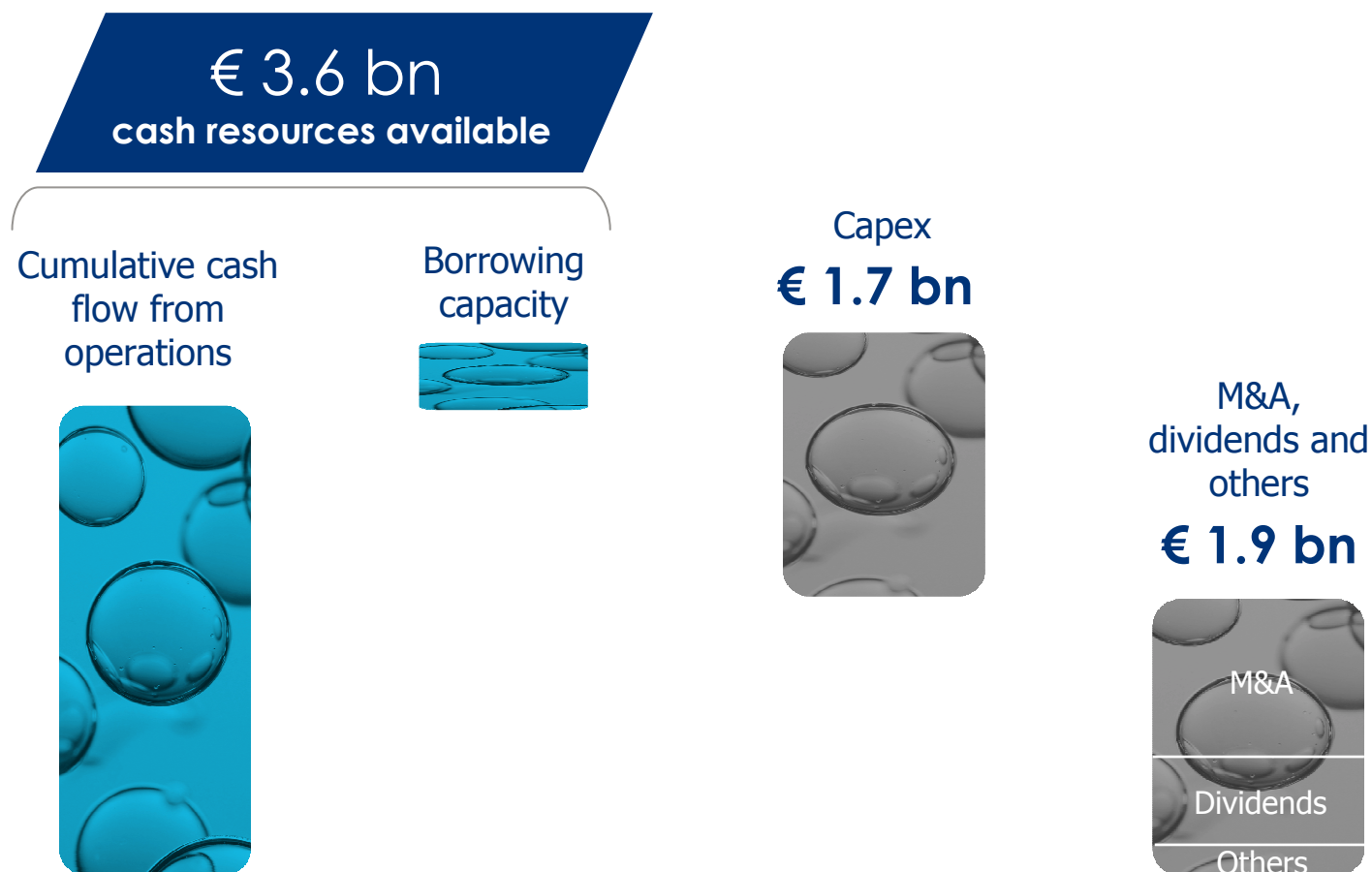


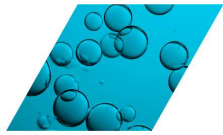
# A promising R&D projects pipeline





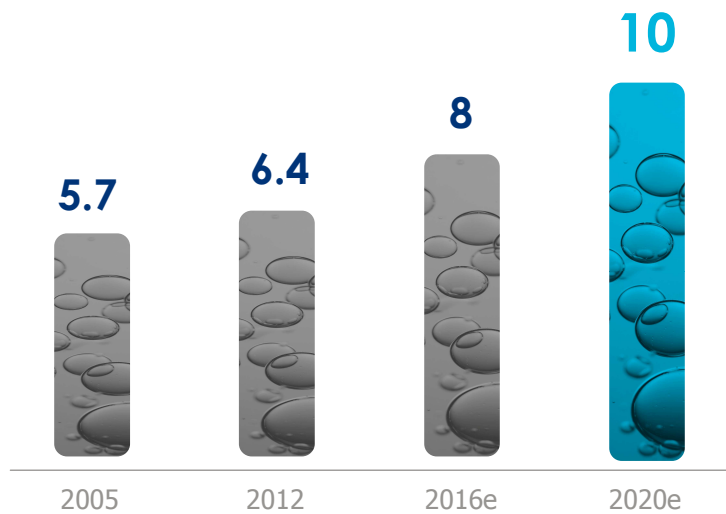
# Cash allocation over 2013-2016



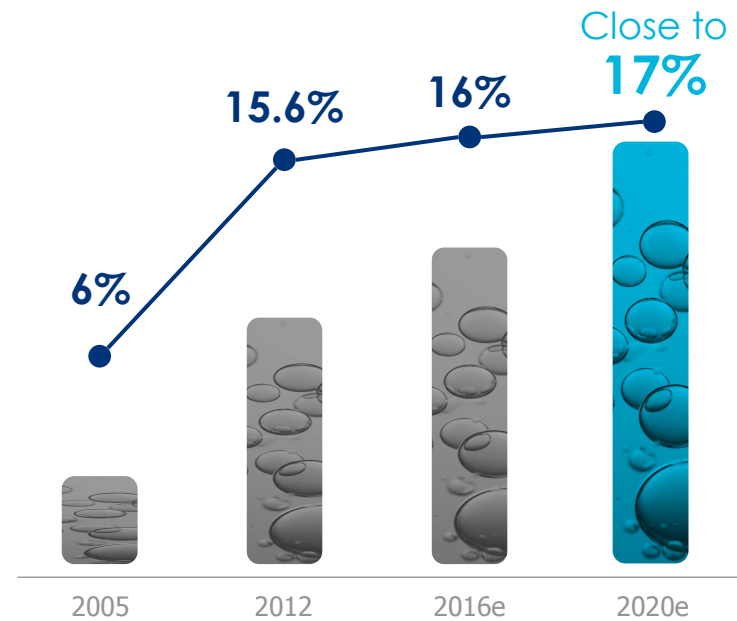


## 2020 targets

**Sales (€bn)**



**EBITDA and EBITDA margin (%)**



**Gearing < 40%**



# 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 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 €6.4 billion, and holds leadership positions in all its markets with a portfolio of internationally recognized brands.