

# Arkema

**Citi** 6<sup>th</sup> Annual Benelux Symposium 2012

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Amsterdam

## Principles applied for 1Q'12 consolidated accounts

*Consolidated statements were prepared in accordance with IFRS 5 rules following the announcement on November 23<sup>rd</sup>, 2011 of a project to divest Vinyls\*.*

**Income statement**  
**excludes Vinyls**  
**for both 1Q'12 and 1Q'11**

- Vinyls are accounted for as discontinued operations

**Balance sheet**  
**excludes Vinyls**  
**both at 03/31/2012 and 12/31/2011**

- Vinyls are accounted for as assets or liabilities held for sale

**Cash flow statement**  
**includes Vinyls**  
**for both 1Q'12 and 1Q'11**

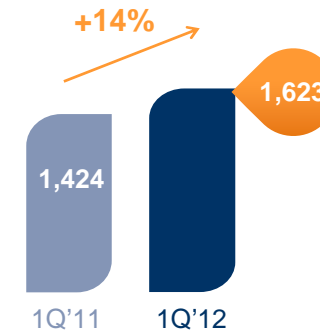
- Cash flow from Vinyls are mentioned as cash flow from discontinued operations for both 1Q'12 and 1Q'11

\* Project subject to the approval of antitrust authorities

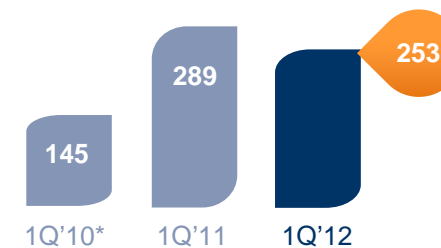
## Good start of the year

- **+14% sales at €1,623m**
- **€ 253m EBITDA close to historical high of 1Q'11**
  - 2<sup>nd</sup> best performance in a first quarter
  - Well above 4Q'11 EBITDA (€ 158m)
  - Excellent results of Performance Products
  - Good performance of Industrial Chemicals
- **15.6% EBITDA margin**
- **€ 123m adjusted net income of continuing operations**
  - 7.6% of sales
- **€ 100m net income (Group share)**
- **€ 835m net debt and gearing at 37%**

Sales (€m)



EBITDA\* (€m)



\* 1Q'10 figures exclude results of the whole Vinyl Products segment. For 1Q'12 and 1Q'11, figures exclude Vinyls business subject to a divestment project. This project remains subject to the approval of antitrust authorities

## Improving market conditions versus end 2011

- **As expected, contrasted market conditions by region**
  - Positive developments in North America
  - Asia, especially China, recovering gradually after Chinese new year
  - Europe remaining challenging especially in construction
- **High basis of comparison of 1Q'11 (restocking in several business lines and booming Asia)**
- **Sharp increase of raw material costs versus end 2011**
  - Continued strong focus on price increases
  - Confident to fully offset higher raw materials in 2Q'12
- **Strong momentum in niche markets (bio-based polymers, oil & gas, specialty materials for high performance coatings)**
- **Innovation and Asia continue to support growth**

## Highlights since January 1<sup>st</sup>, 2012

- **Finalization of the acquisition of Hipro and Casda companies in China in bio-based specialty polyamides**
- **Completion of the legal information and consultation process of workers councils on the Vinyl divestment project**
- **Success of the 3<sup>rd</sup> share capital increase reserved to employees**
  - € 29m subscribed
  - Employee holdings in Arkema's share capital now represents 5.5%
- **Force majeure declared on polyamide 12 following accident at Evonik's CDT plant in Marl (Germany)**
  - CDT is a key raw material for PA12 production
  - Taking into account insurance and deductibles, exceptional impact should be limited at ~ €(17)m to be booked in 2012 in other income and expenses
- **Bond issue in April 2012**
  - Amount: €230m
  - Maturity: April 30, 2020

## 1Q'12 key figures

<i>in €m (except EPS)</i>	1Q'11	1Q'12	Variation
<b>Sales</b>	1,424	1,623	+14.0%
<b>EBITDA</b>	289	253	-12.5%
<b>EBITDA margin</b>	20.3%	15.6%	
<b>Recurring operating income</b>	228	180	-21.1%
<b>Adjusted net income - continuing operations</b>	170	123	-27.6%
<b>Net income - continuing operations</b>	168	123	-26.8%
<b>Net income - discontinued operations</b>	(16)	(23)	<i>n.m.</i>
<b>Net income (group share)</b>	151	100	-33.8%
<b>Diluted adjusted EPS (continuing operations)</b>	2.74	1.97	-28.1%

In application of IFRS 5 rules, Vinyls activities subject to a divestment project are accounted for as discontinued operations

# +14% sales versus 1Q'11

Sales (€m)



## Industrial Chemicals: good results with very high comparison base in 1Q'11

<i>in €m</i>	1Q'11	1Q'12	Variation
Sales	947	1,083	+14.4%
EBITDA	227	170	-25.1%
<i>EBITDA margin</i>	24.0%	15.7%	
Recurring operating income	189	123	-34.9%

- **+14% sales at €1,083m**
  - Benefits from specialty resins acquired in July 2011
  - As expected, lower YoY volumes on high comparison basis (more balanced seasonality this year)
- **Strong performance of Thiochemicals, PMMA and Acrylic Specialties (Sartomer, Coatex)**
- **Acrylic acid margins at mid-cycle in line with FY'12 assumption**
- **Fluorochemicals at good level despite normalizing margins in HFC-125 in China**
- **Demand gradually improving in Coating Resins**



## Performance Products: performance reflects portfolio strength

<i>in €m</i>	1Q'11	1Q'12	Variation
<b>Sales</b>	472	534	+13.1%
<b>EBITDA</b>	74	102	+37.8%
<b>EBITDA margin</b>	15.7%	19.1%	
<b>Recurring operating income</b>	52	76	+46.2%

- **+13% sales at €534m**
  - Strong pricing and favorable product mix
  - Benefits from acquisitions (mainly alkoxyates)
- **+38% EBITDA and EBITDA margin at record level in a 1<sup>st</sup> quarter at 19.1%**
- **Excellent performance of Technical Polymers sustained by new developments and repositioning on high value added and fast growing niche markets**
- **Strong performance of Specialty Chemicals on favorable product mix and benefit from recently acquired alkoxyates**
- **Closing of Hipro and Casda acquisition on February 1<sup>st</sup>, 2012**

## Update on project to divest Vinyls

### ■ Information / consultation of relevant workers councils completed

- Some warranties to be put in place
- € (25) to (30) m exceptional expense to be booked in 2Q'12 in net result of discontinued operations

### ■ Approval by relevant antitrust authorities on-going

### ■ Closing expected mid 2012

### ■ Impact on 1Q'12 financial statements

- €(17) m EBITDA including €(16)m impact of strikes related to the divestment project
- €(23) m net income

## Further diversification of financing sources

### Diversified financing sources

Revolving credit facility: €300m

Securitization program: €240m

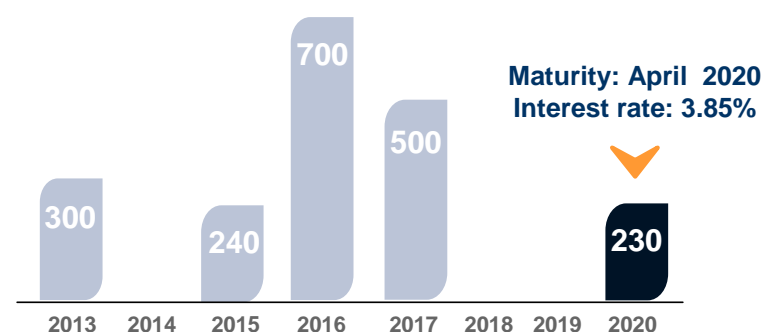
Revolving credit facility: €700m

Bond issue: €500m

Bond issue: €230m

Local bank loans

### Maturity of financial debt (€m)



- Average maturity > 5 years
- More than € 1.4 bn available after 2015

A well balanced maturity profile

## Cash flow and net debt

- **€100m operating cash flow from continuing operations**
- **Working capital / sales\* at 16.4% vs 14.7% end of March 2011**
  - Usual seasonality of working capital
  - Integration of acquired resin business with structurally higher ratio
  - Vinyl activities at lower ratio not included in 2012
- **€ 71m capex including:**
  - € 59m recurring capex in line with € 350m FY'12 target
  - € 12m non recurring capex (Jarrie, Lacq 2014, Thiochemicals in Malaysia) in line with € 50m FY'12 guidance
- **€185m cash outflow related to M&A**
  - Additional ~€65m to be paid to Hipro - Casda minority shareholders in 2Q'12
- **Net debt at € 835m representing 37% gearing**

\* Calculated as working capital end of period divided by 4 times quarterly sales. End of March 2012, (working capital excluding debt towards minority shareholders of Hipro-Casda) / [(1Q'12 sales + estimated 1Q'12 sales of Hipro-Casda) x 4]

## 2012 priorities

### Benefits from acquisitions

- FY contribution of Specialty Resins
- Development of Seppic alcoxylates
- Integration of Hipro and Casda Biomaterials (China)



### Close project to divest Vinyls\*

### Continue strong pace of development in Asia

- FY contribution of units started in 2011 (Kynar®, Coatex)
- Start-ups expected in 2012 in China
- Start construction of Thiochemicals platform in Malaysia



### Accelerate growth from innovation

- Specialty Polyamides in automotive, oil and gas, sport, etc.
- Fluoropolymers in sustainable development
- Celacor™ opaque polymer in partial replacement of TiO<sub>2</sub>



\* Project remains subject to the approval of antitrust authorities

# Outlook

## ■ 2Q'12 expected to be above 1Q'12 while remaining below very high 2Q'11

- Market conditions of 1Q'12 expected to continue in 2Q'12
- Very high basis of comparison in 2Q'11
- Confidence in fully offsetting recent raw material increases in the course of 2Q
- Several scheduled large maintenance turnaround in 2Q'12
  - Acrylics (Bayport – US) / Polyamide 11 (Marseille - France) / Thiochemicals (Lacq – France, Beaumont – US)

## ■ Current priorities maintained

- Integration of Hipro - Casda in China
- Finalization of Vinyl divestment expected to close mid-year
- Projects under construction in Asia in Thiochemicals, Fluorochemicals and Coating resins

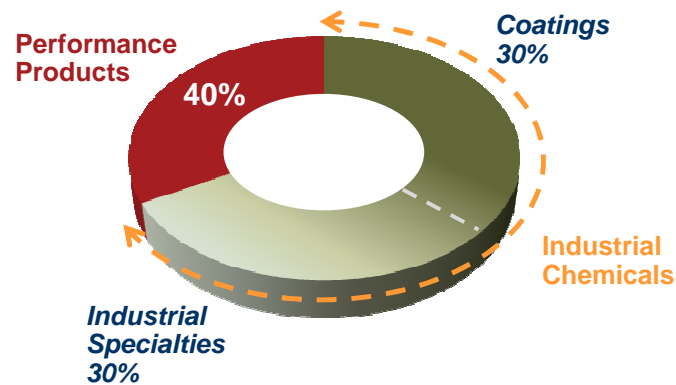
## ■ Confident in achieving a very solid 2012 while remaining attentive to macro-economic developments

- Confident in our strengths and drivers supporting future growth
- Continue to combine strict management of the company with targeted growth

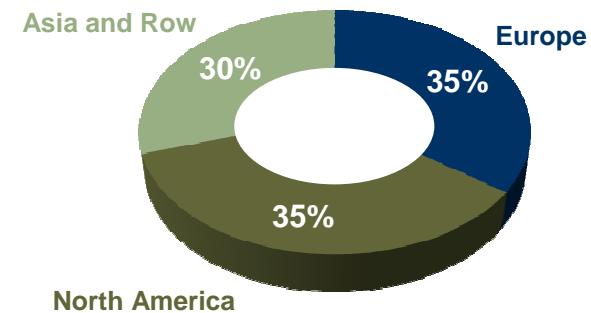
## Long-term targets (2016)

- 5-year targets\* (2016) at € 8 bn sales and € 1,250 m EBITDA
- Previous long-term target\*: € 1,050 m EBITDA in 2015
- Growth coming half from organic developments and half from bolt-on acquisitions
- Gearing maintained at around 40%

2016e sales by business line



2016e sales by region



\* In a normalized environment

## Conclusion

- Outstanding value creation over the past five years and profitability now at best-in-class levels
- High quality portfolio of specialty chemicals built over years
- Confident in achieving a very solid 2012 while remaining attentive to macro-economic developments
- Strong pipeline of projects and well positioned to capture future growth
- Long term targets\* of € 8 bn sales and € 1,250 m EBITDA in 2016

**Arkema Investor Day - September 18<sup>th</sup>, 2012**

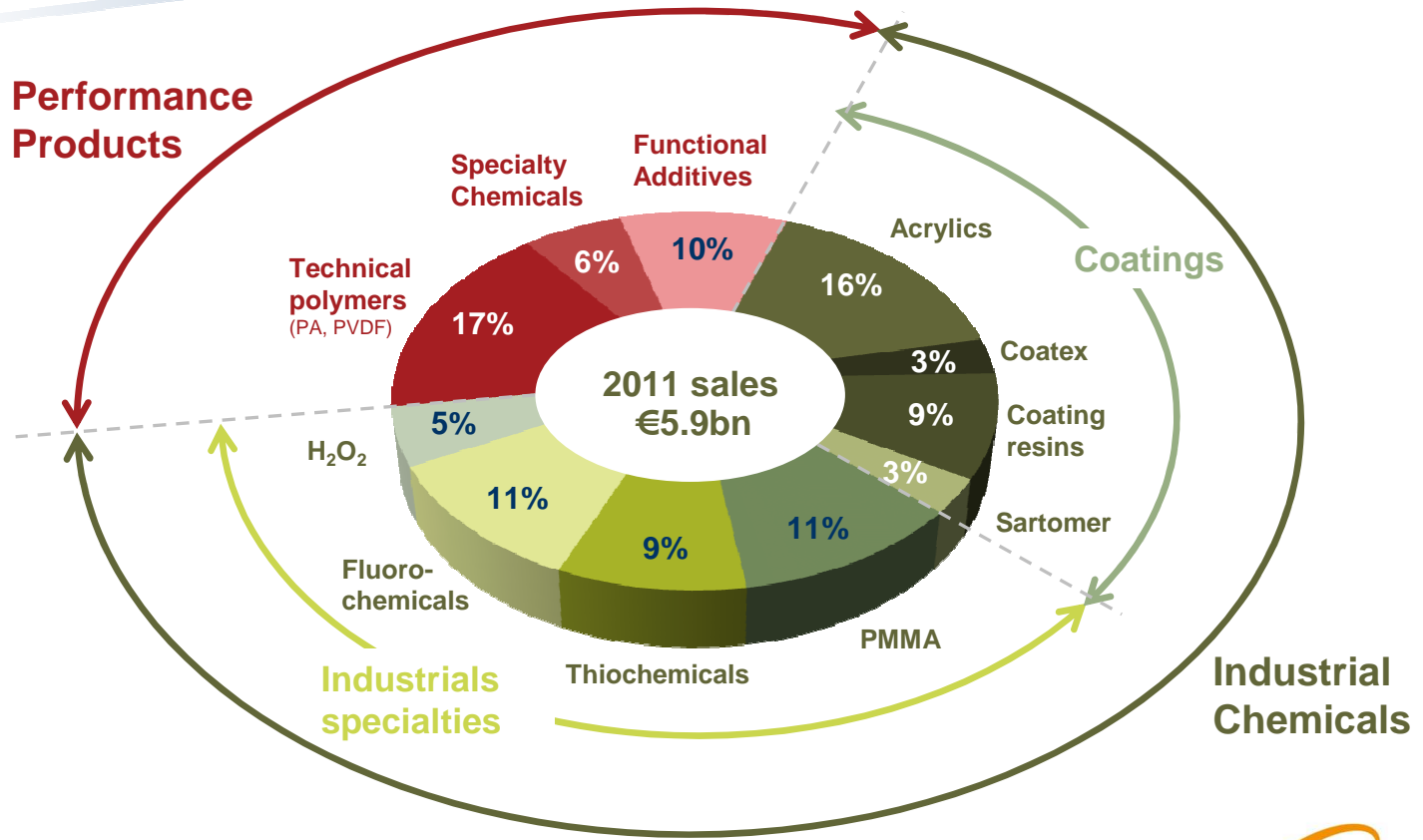
\* In a normalized environment





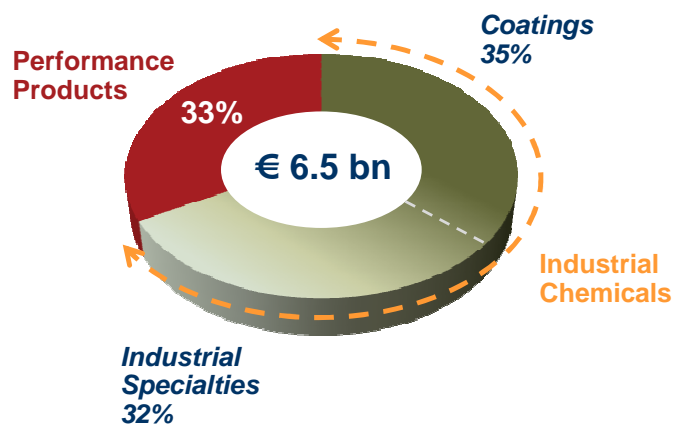
# Appendix

# Sales breakdown

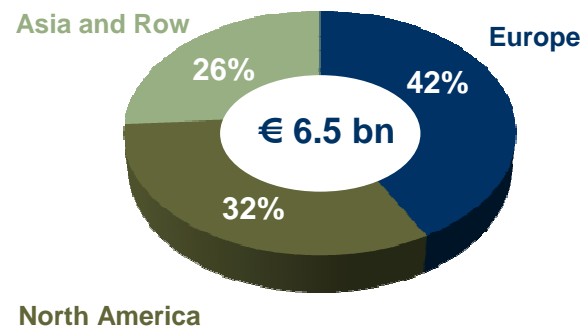


## Well balanced portfolio and geographical coverage\*

2011 sales by business line\*














2011 sales by region\*















\* Proforma sales including full year contribution of Total Resins, Seppic, HiPro and Casda and excluding Vinyls  
Project to divest Vinyls remains subject to the legal information and consultation process involving the workers councils in the various entities and countries concerned, and to the approval of antitrust authorities

# Global leadership positions

	<i>Arkema</i>	<i>BASF</i>	<i>Dow</i>	<i>Chevron Phillips</i>	<i>Evonik</i>	<i>EMS</i>	<i>Dupont</i>	<i>Solvay</i>	<i>Honeywell</i>	<i>Mitsubishi Chemicals</i>
Coatings	#3									
PMMA	#2									
Thio-chemicals	#1									
Fluoro-chemicals	#2									
PVDF	#1/2									
Specialty Polyamides	#1									

## Well positioned on mega-trends

	New energies / Energy efficiency	Renewable	Water management	Lightweight materials
Coatings				
PMMA				
Thiochemicals				
Fluorochemicals PVDF				
Specialty Polyamides				

## Strong underlying growth drivers

	End-markets	Growth drivers	Estimated growth
<b>Coatings</b>	<ul style="list-style-type: none"> <li>• Paints and adhesives</li> <li>• Super-absorbents</li> <li>• Water treatment</li> </ul>	<ul style="list-style-type: none"> <li>• Low VOC requirements</li> <li>• Growing and ageing population</li> <li>• Access to drinkable water</li> </ul>	<b>+3.5%</b> /year
<b>PMMA</b>	<ul style="list-style-type: none"> <li>• Automotive</li> <li>• Signs and displays</li> <li>• Electronics</li> </ul>	<ul style="list-style-type: none"> <li>• Lighter cars</li> <li>• Increasing standard of living</li> <li>• LED TV</li> </ul>	<b>+3.5%</b> /year
<b>Thiochemicals</b>	<ul style="list-style-type: none"> <li>• Oil &amp; gas</li> <li>• Animal nutrition</li> <li>• Soil fumigation</li> </ul>	<ul style="list-style-type: none"> <li>• Middle East and Asian developments</li> <li>• Increasing white meat consumption</li> <li>• Substitution of banned methyl bromide</li> </ul>	<b>+4.5%</b> /year

## Strong underlying growth drivers

	End-markets	Growth drivers 	Estimated growth
<b>Fluorochemicals</b>	<ul style="list-style-type: none"> <li>• Refrigeration</li> <li>• Fluoropolymers</li> </ul>	<ul style="list-style-type: none"> <li>• New regulations in air-conditioning</li> <li>• Increasing standard of living</li> <li>• Unique polymers with outstanding growth</li> </ul>	<b>+3.5%</b> /year
<b>PVDF Kynar®</b>	<ul style="list-style-type: none"> <li>• Industrial paints</li> <li>• Oil &amp; gas</li> <li>• New energies</li> <li>• Water filtration</li> </ul>	<ul style="list-style-type: none"> <li>• Growth in Asia</li> <li>• Deep off shore</li> <li>• Photovoltaic, li-ion batteries</li> <li>• Access to drinkable water</li> </ul>	<b>+7%</b> /year
<b>Specialty Polyamides</b>	<ul style="list-style-type: none"> <li>• Automotive</li> <li>• Oil &amp; gas</li> <li>• New energies</li> <li>• Consumer goods</li> </ul>	<ul style="list-style-type: none"> <li>• Metal replacement and lighter cars</li> <li>• Deep off shore</li> <li>• Photovoltaic</li> <li>• Increasing standard of living</li> </ul>	<b>+5%</b> /year

## 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 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, 15,700 employees and 9 research centers, Arkema generates annual revenue of €5.9 billion, and holds leadership positions in all its markets with a portfolio of internationally recognized brands. **The world is our inspiration.**