

**Arkema**

**European Chemicals Conference 2013**

**Bank of America Merrill Lynch**

London – December 3<sup>rd</sup>, 2013

**Thierry LE HENAFF**  
Chairman and CEO

**ARKEMA**  
INNOVATIVE CHEMISTRY

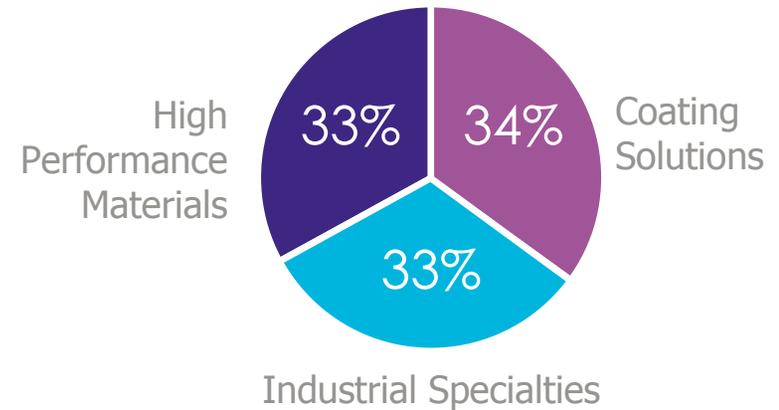


High value portfolio  
**Strong base for future growth**

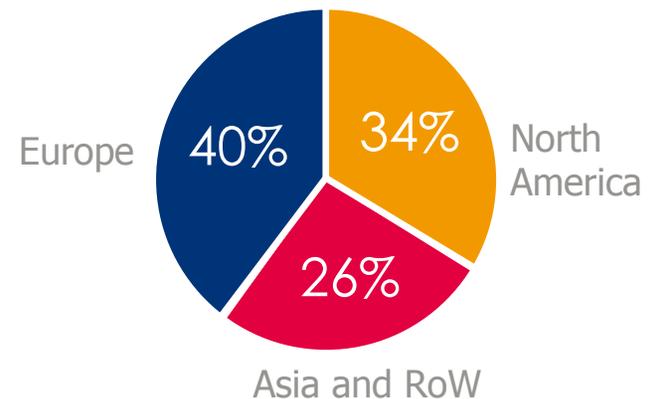
# Arkema 2012 profile

- Sales of **€6.4 bn**
- EBITDA of **€996 m**
- Industry-leading margin at **15.6%**
- 13,925** employees in 40 countries
- Capex of **€438 m**
- R&D at **2.3%** of sales
- Strong balance sheet

Sales by segment



Sales by region



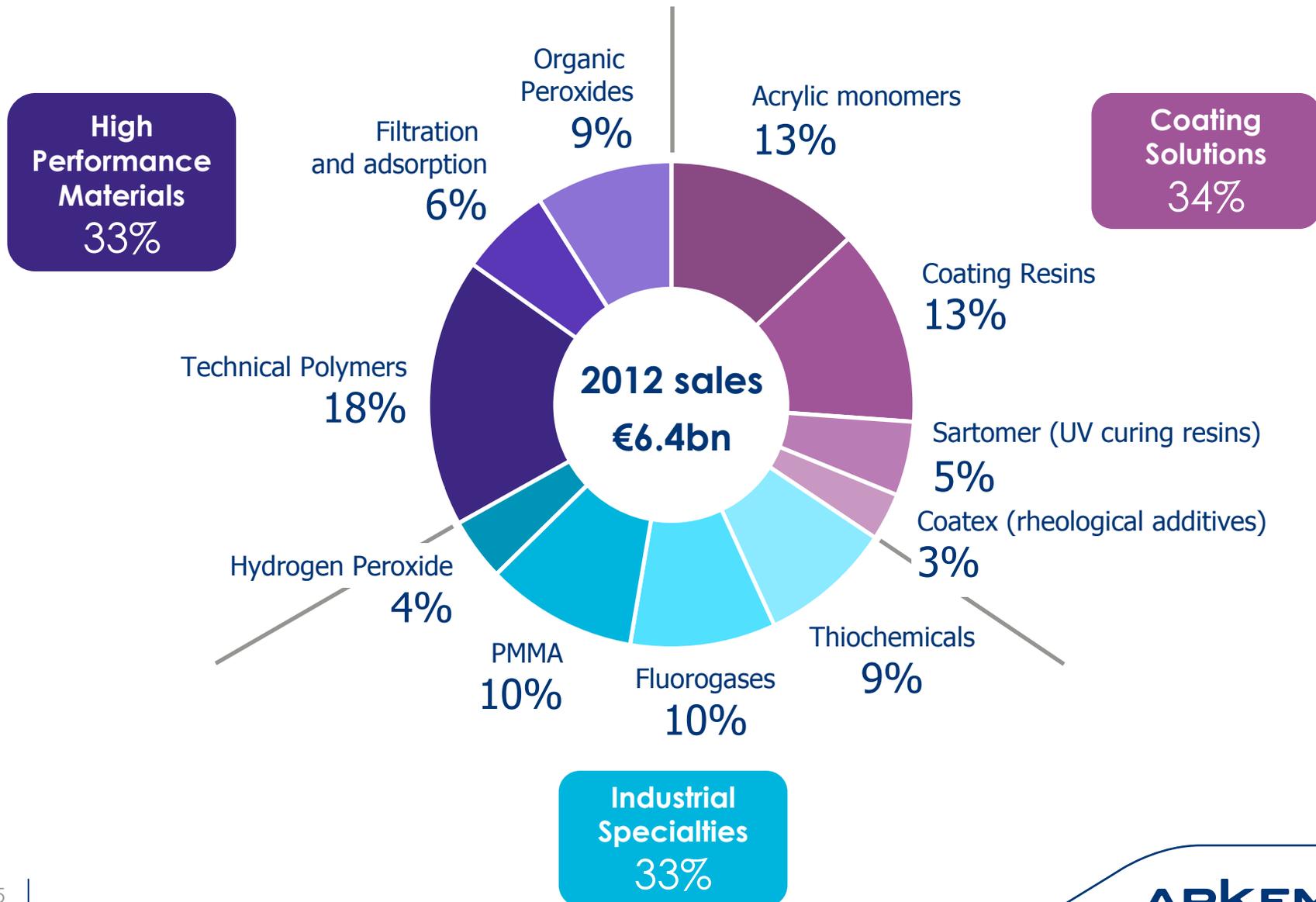
# Among top players on 90% of our sales

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%
#3	Acrylic monomers	4.2	<ul style="list-style-type: none"> <li>BASF</li> <li>Dow</li> <li>Nippon Shokubai</li> </ul>	13%
#3	Specialty 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

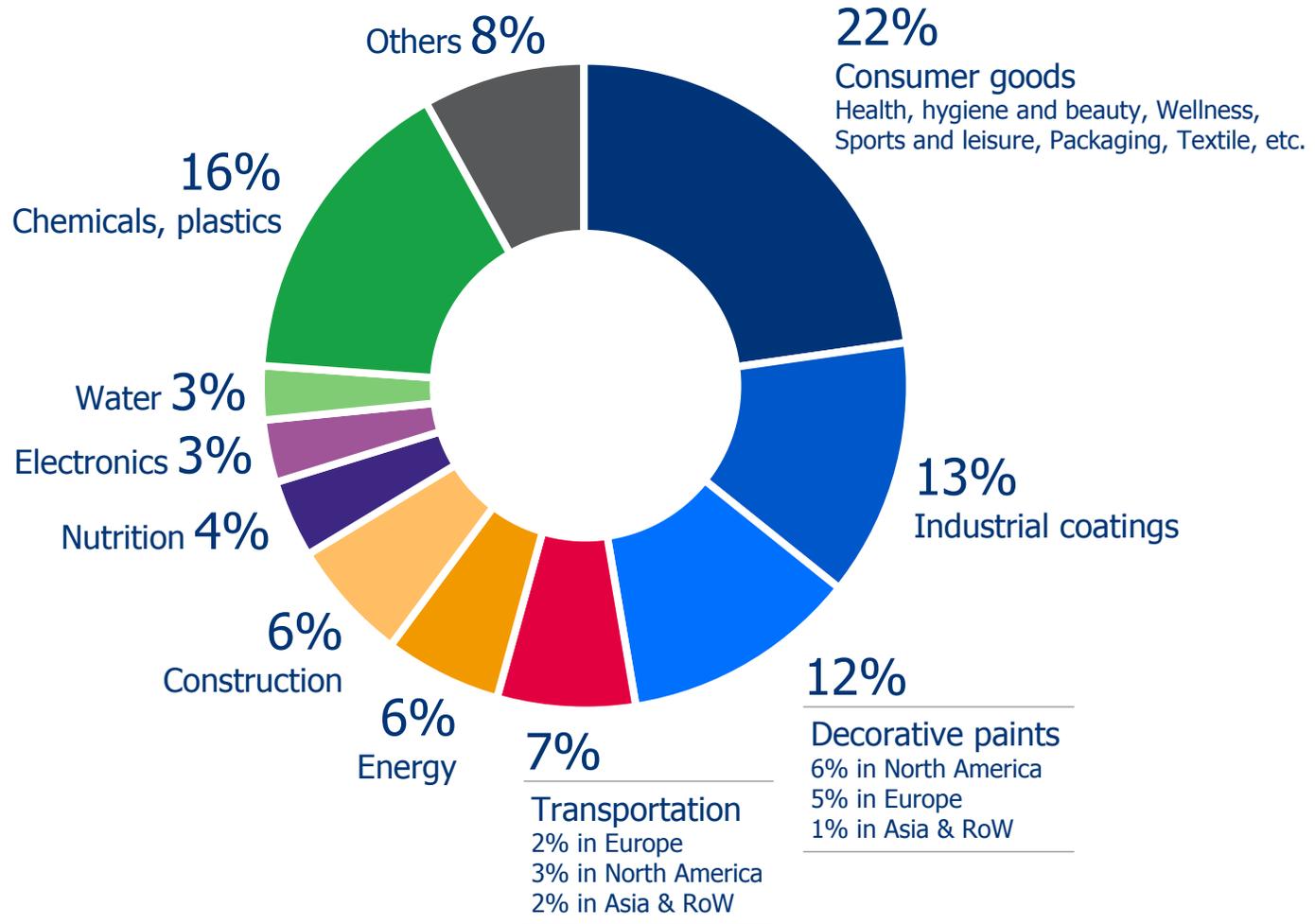
■ High Performance Materials
 ■ Industrial Specialties
 ■ Coating Solutions

# Sales breakdown by business



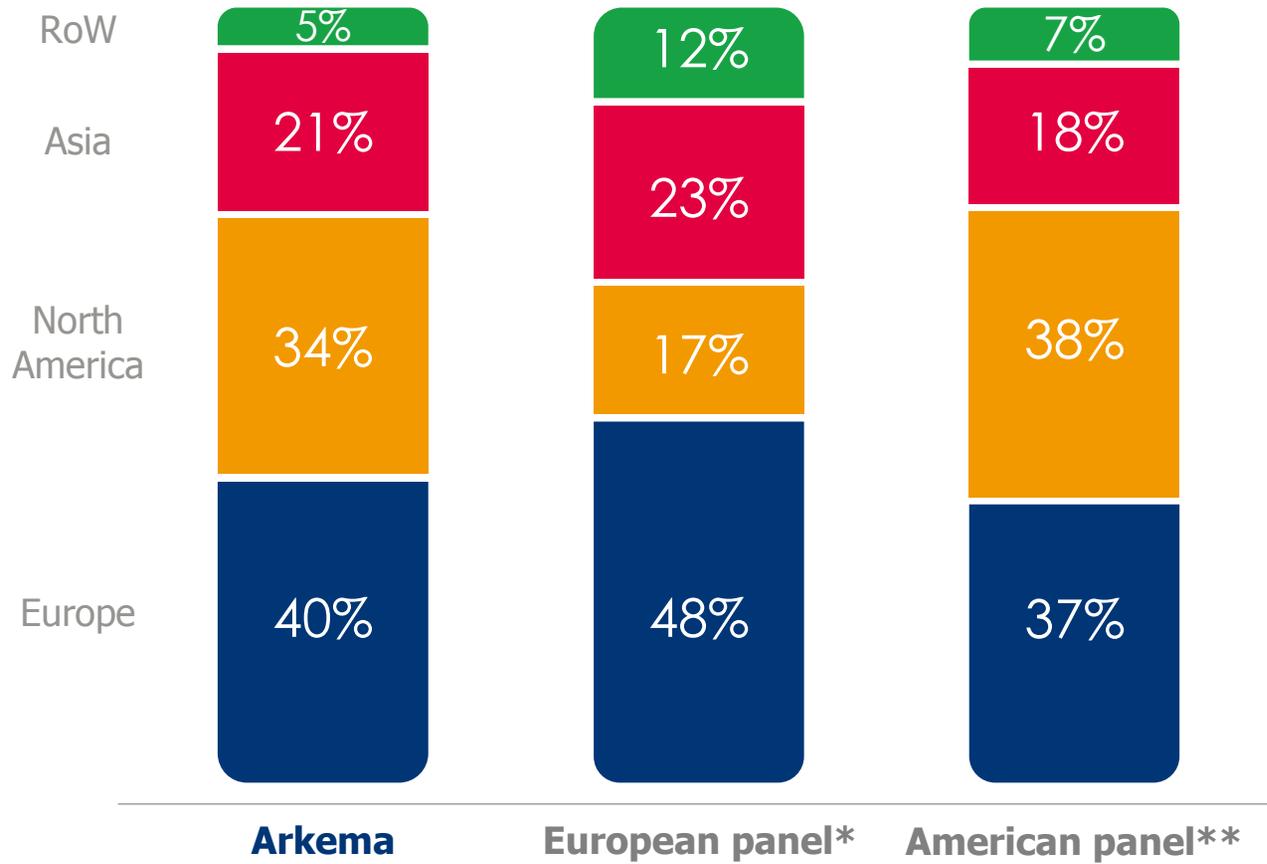


# Diversified end markets





## Balanced geographical reach



# Solid balance sheet and financing

**Shareholders' equity** € 2.3 bn

**Net debt** € 900 m

**Gearing** 39 %

**Net debt / EBITDA** 0.9x

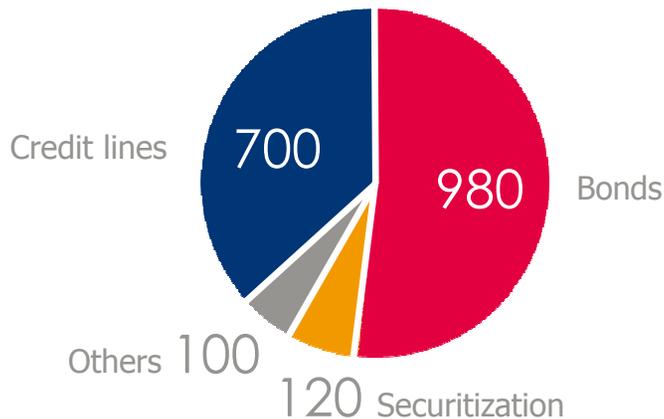
## Rating

**Standards & Poor's** **BBB** **Stable outlook**

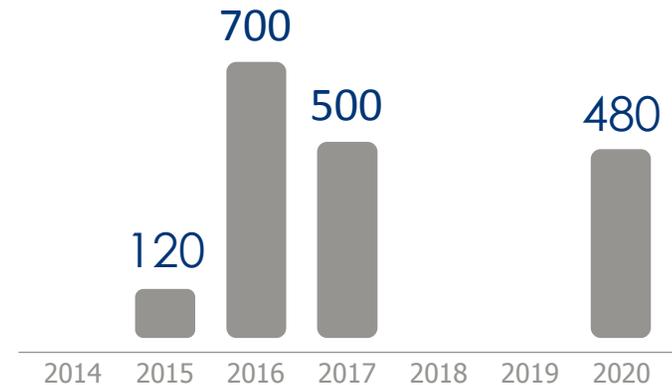
**Moody's** **Baa2** **Stable outlook**

*Figures at 31<sup>st</sup> December 2012*

## €1.9bn financing resources (€m)



## Average maturity > 4 years (€m)





## Clear strategic roadmap

« **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

**+ 144**

Organic growth

**+ 140**

Acquisitions and divestments

1,280

2012

2016e

# 2016 targets by segment



## High Performance Materials

38% of total sales

18% EBITDA margin

## Industrial Specialties

30% of total sales

17% EBITDA margin



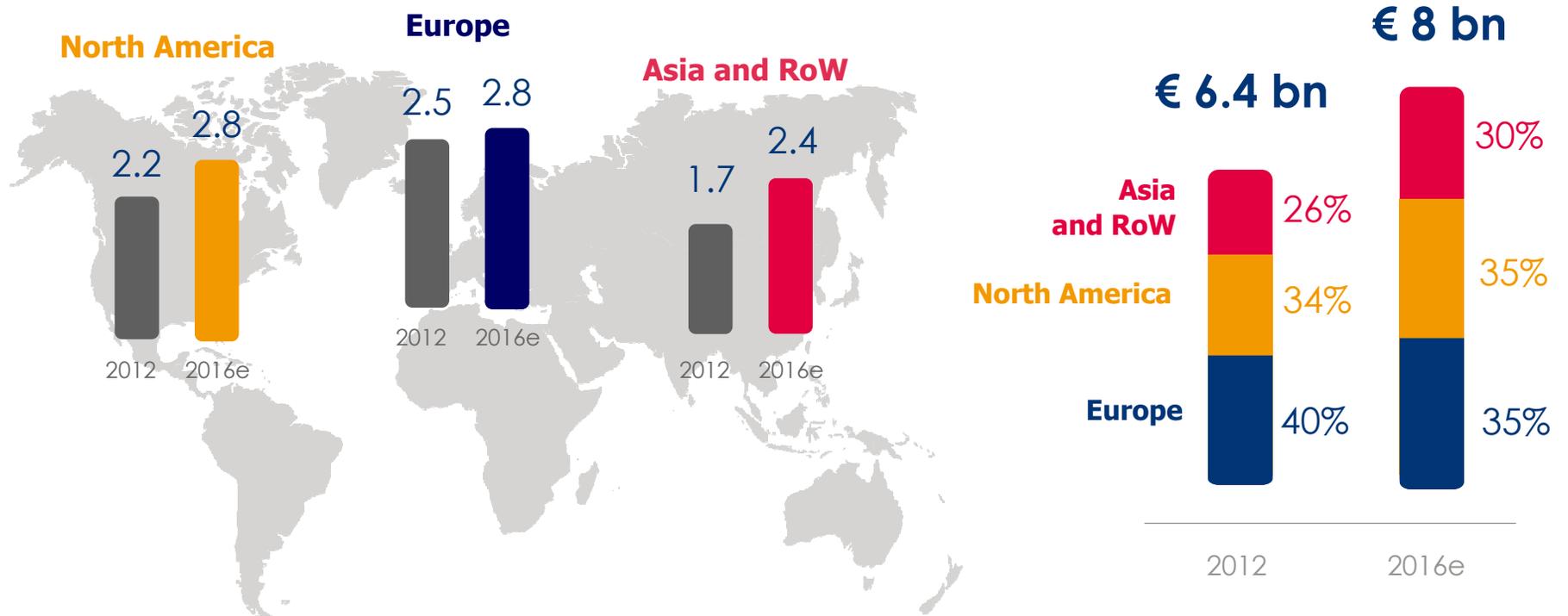
## Coating Solutions

32% of total sales

15% EBITDA margin

# Development in high growth countries

Sales by region (€bn)



# Industrial projects to support organic growth

2012



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

2013



- **Acrylic acid and esters**  
(United States)
- **Superabsorbents\***  
**(Acrylic derivatives)**  
(France)
- **Coating resins**  
**(Acrylic derivatives)**  
(China)
- **Hipro expansion**  
**(Specialty Polyamides)**  
(China)
- **Lacq (Thiochemicals)**  
(France)

2014

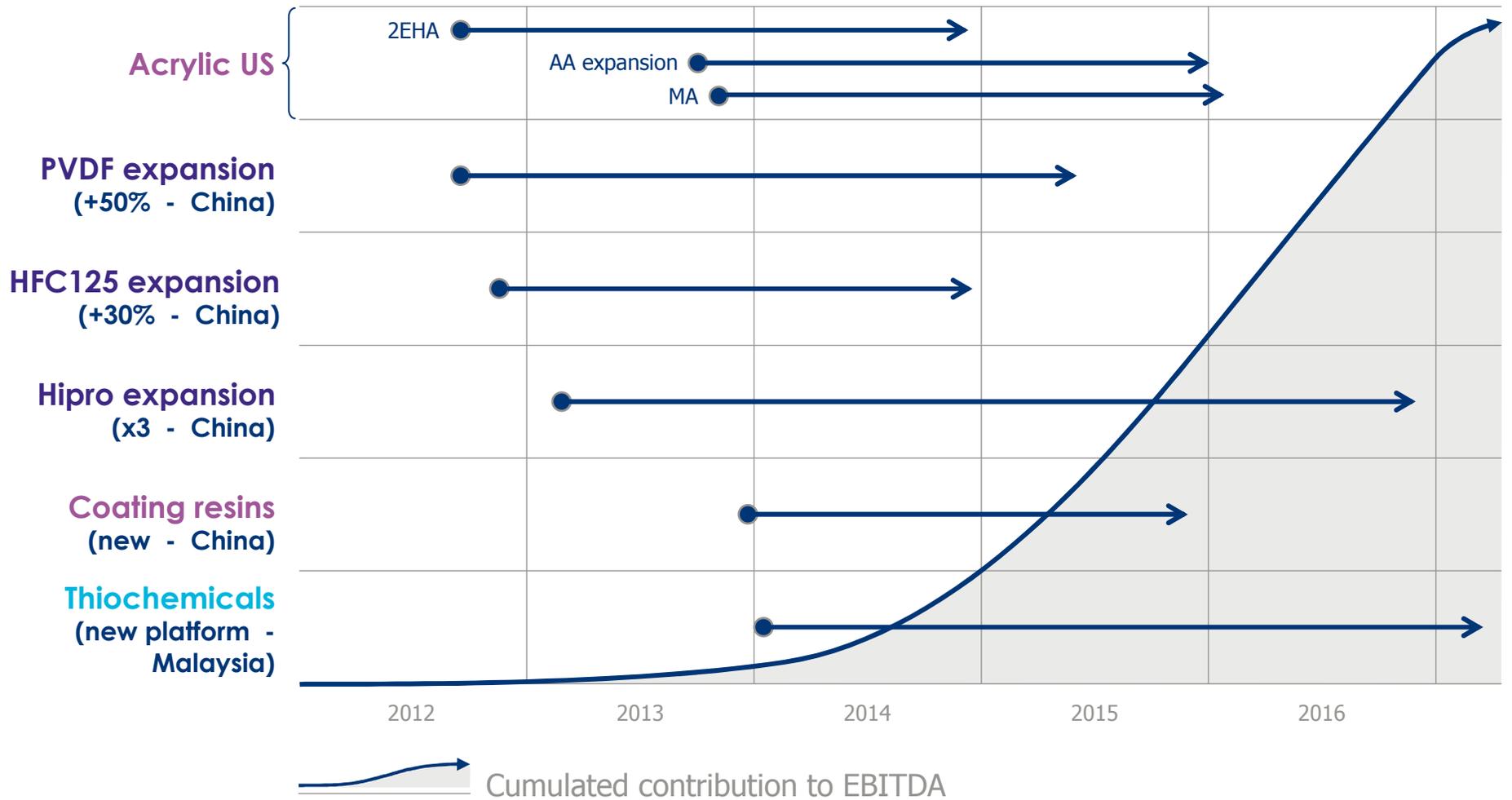


- **Thiochemical platform**  
(Malaysia)
- *Several other projects under consideration*

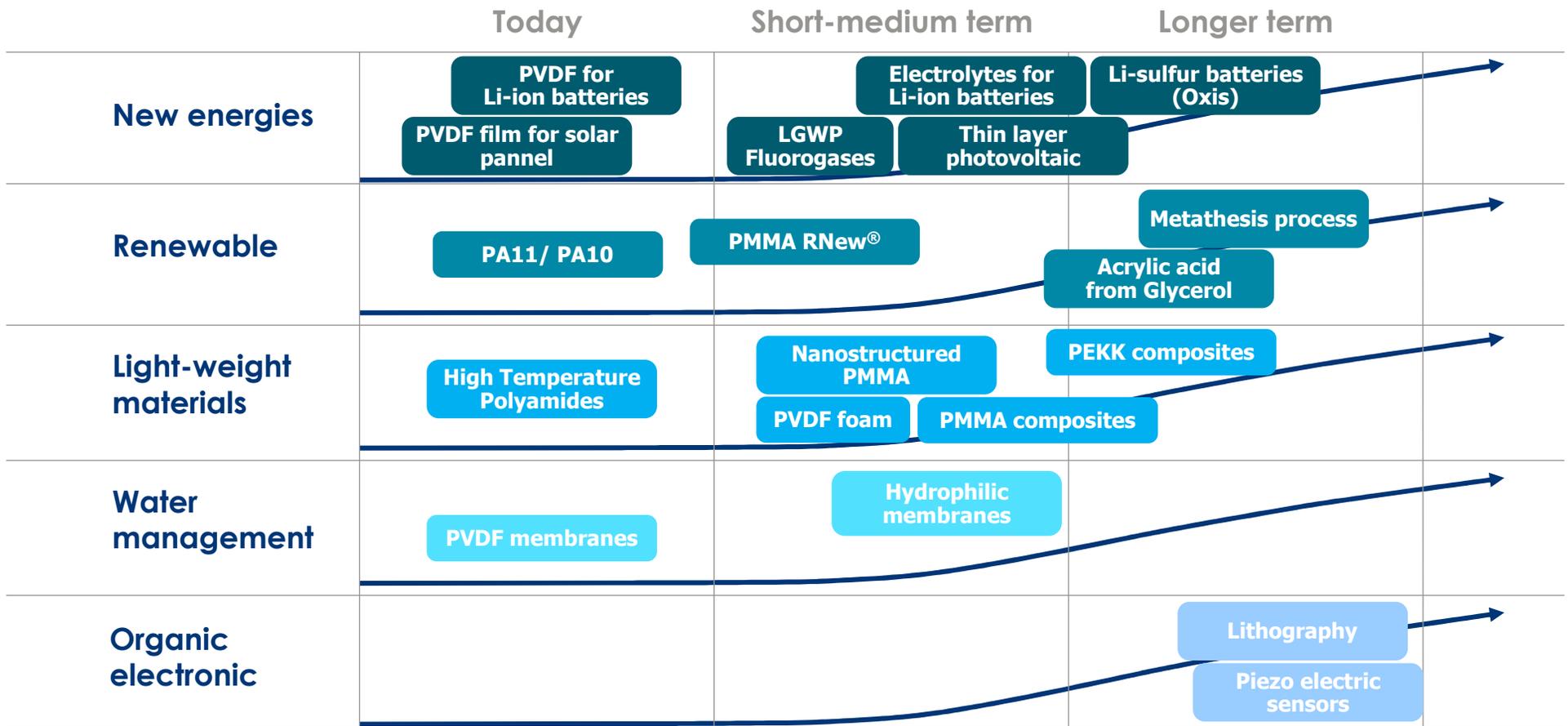
- 2/3 of capex already identify to support planned organic growth
- Strong emphasize on acrylic value chain, Specialty Polyamides and Thiochemicals



# Contribution of organic growth projects to EBITDA



# A rich pipeline of R&D projects





# Acquisition strategy

- **2016 targets: + €140m EBITDA from acquisitions and divestments**
- **Small to mid-size bolt-on acquisitions**
- **Proven track record in acquiring businesses and executing integration**
  - €1.2bn cash out on acquisitions since spin off
  - + €220m full year EBITDA net impact of acquisitions and divestments including only partial synergies of recently acquired business

## Strategic criteria

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- **Strengthen portfolio of businesses**
  - **Accelerate development in higher growth countries**
  - **Reinforce earning stability**
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## Financial criteria

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- **EPS accretive between one and two years**
  - **Benchmark with organic growth projects and other options**
  - **Maintain BBB rating**
-

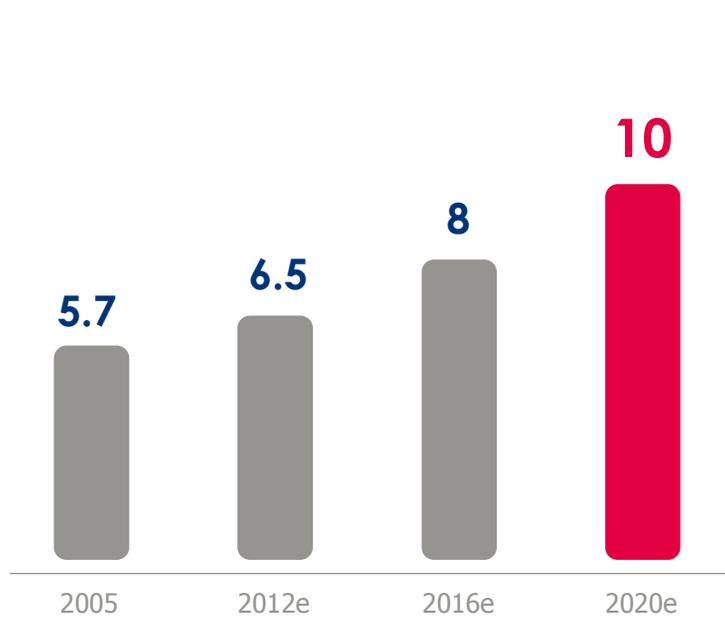
# Cash allocation over 2013 - 2016



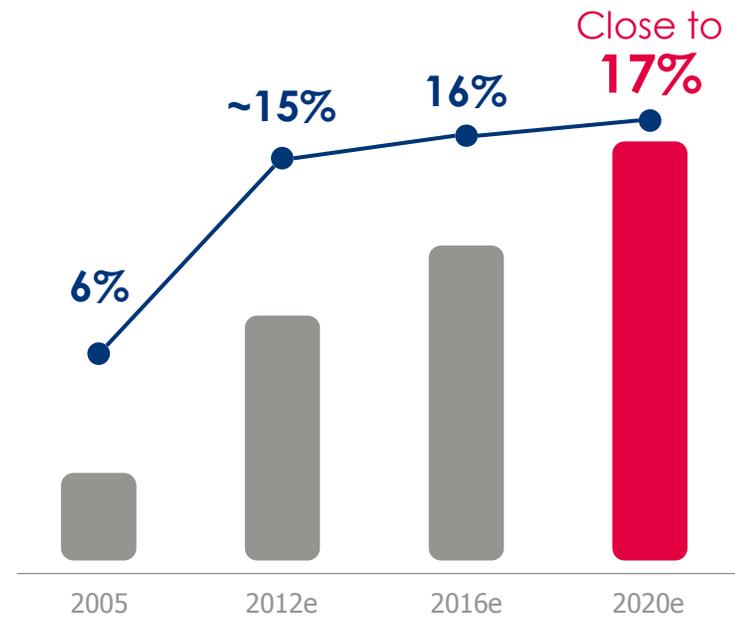


# Main objectives 2020

Sales (€bn)



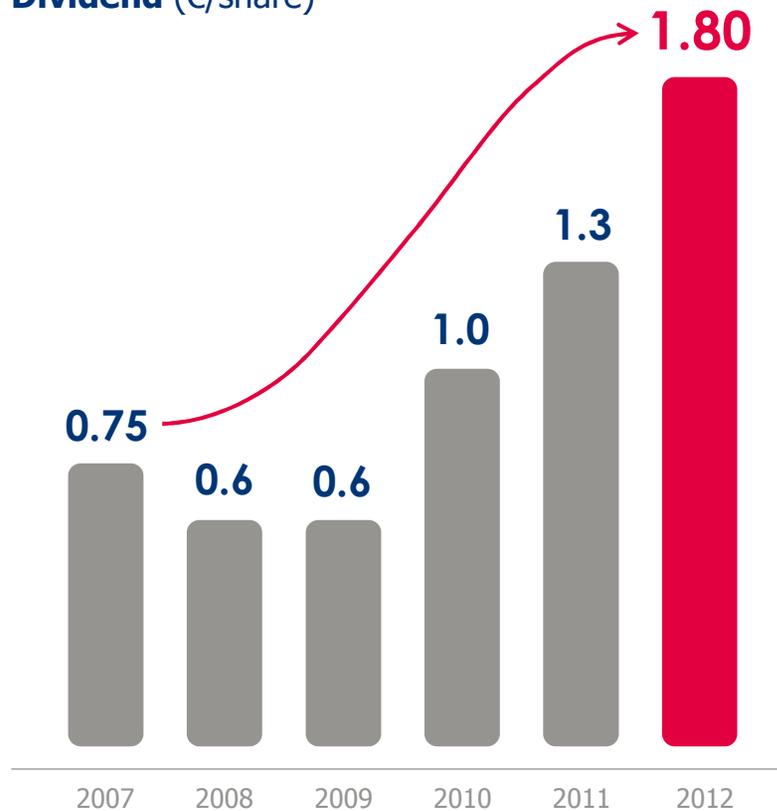
EBITDA and EBITDA margin (%)



Gearing < 40%

# Dividend increase reflects strong confidence in Arkema's potential

Dividend (€/share)



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



# 3<sup>rd</sup> quarter 2013 financial results and main facts



# Solid performance in less favorable market conditions

## Sales (€m)

1,606 1,495

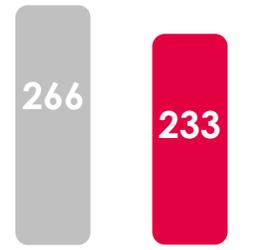


- 3Q'13 sales close to 3Q'12 sales at constant scope of business and exchange rates
- Positive YoY volume effect (+1%)
- Prices -2% YoY

3Q'12 3Q'13

## EBITDA (€m) and EBITDA margin (%)

16.6% 15.6%

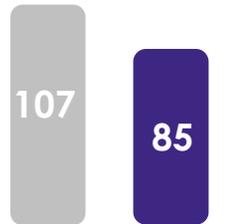


- Solid EBITDA margin level
- Variation of EBITDA vs 3Q'12 concentrated on 3 elements:
  - Strengthening of the euro
  - Fluorogases
  - Oil and gas (High Performance Materials)

3Q'12 3Q'13

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

19.5% 18.8%

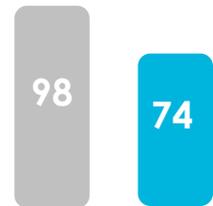


- Strong base of comparison in 3Q'12
- Gradual improvements vs 2Q'13 in oil & gas and photovoltaic

3Q'12 3Q'13

### High Performance Materials

19.8% 16.1%

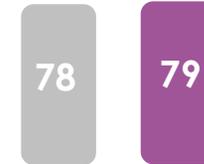


- Good performance in Thiochemicals and H<sub>2</sub>O<sub>2</sub>
- Weakness in fluorogases and in PMMA in Europe

3Q'12 3Q'13

### Industrial Specialties

14.0% 13.8%



- Strong resilience
- Volume growth offset impact of higher raw material cost

3Q'12 3Q'13

### Coating Solutions

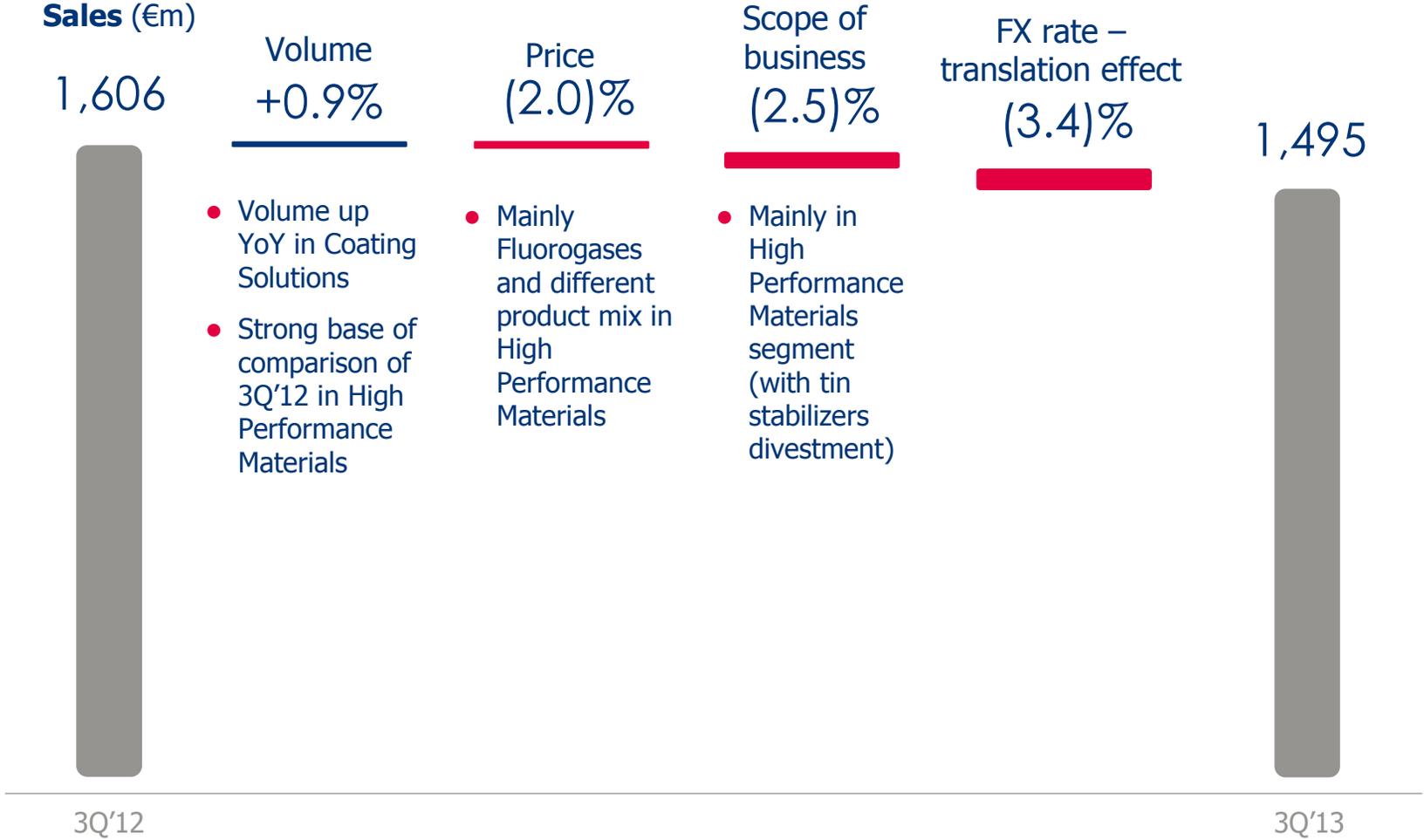


## Key drivers of Arkema 3Q'13 performance

- **Solid EBITDA margin in a more challenging environment than last year**
- **Contrasted market conditions in the continuity of 2Q'13**
  - Stabilization in Europe at a low point which might be a base for slow recovery next year
  - Market conditions remain solid in North America
  - Limited signs of improvement in Asia
- **As expected, EBITDA lower than in 3Q'12**
  - Most businesses resilient compared to last year
  - High Performance Materials impacted by lower demand in oil & gas and photovoltaic
  - Temporary weakness in fluorogases
  - Negative impact of foreign exchange rates
- **Strict control of fixed costs and working capital**



# Sales bridge





## 3Q'13 key figures

<i>In €m (except EPS)</i>	3Q'12	3Q'13	variation
Sales	1,606	1,495	-6.9 %
EBITDA	266	233	-12.4 %
EBITDA margin	16.6%	15.6%	
Recurring operating income	189	154	-18.5 %
Adjusted net income	123	101	-15.1 %
Non recurring items	-	(37)	-
Net income (group share)	116	65	-44.0 %
Adjusted EPS (diluted)	1.95	1.59	-18.5%



## High Performance Materials

<i>In €m</i>	3Q'12	3Q'13	variation
Sales	548	451	-17.7 %
EBITDA	107	85	-20.6 %
EBITDA margin	19.5%	18.8%	
Recurring operating income	80	59	-26.3 %

- **High EBITDA margin in less favorable market conditions**
- **Sales down -6% at constant scope of business and exchange rate**
  - Divestment of tin stabilizers represents half of the sales decrease
  - Lower demand in O&G and PV markets impacts volumes and prices (less favorable product mix)
- **€85m EBITDA, as expected below high comparison base of 3Q'12 (record high in a 3<sup>rd</sup> quarter)**
- **Stronger demand confirmed in oil and gas market in 4Q'13, notably in Filtration and Adsorption**



## Industrial Specialties

<i>In €m</i>	3Q'12	3Q'13	variation
Sales	496	461	-7.1 %
EBITDA	98	74	-24.5 %
EBITDA margin	19.8%	16.1%	
Recurring operating income	70	45	-35.7 %

- **Good performance of Thiochemicals and H<sub>2</sub>O<sub>2</sub>**
- **Weakness in fluorogases impacting segment's performance**
  - Performance of 3Q'13 in the continuity of 2Q'13
  - 2014 expected to show improvements
- **PMMA: good in the US but difficult in Europe on challenging automotive and construction markets**
- **Thiochemicals: transformational projects progressing well**
  - Lacq (France): 8-week turnaround started in September
  - Malaysia: mechanical completion expected in spring 2014



## Coating Solutions

In €m	3Q'12	3Q'13	variation
Sales	557	574	+3.1 %
EBITDA	78	79	+1.3 %
EBITDA margin	14.0%	13.8%	
Recurring operating income	57	55	-3.5 %

### ➤ **+3% sales at €574m**

- Strong volume growth supported both by acrylic monomers and coating resins

### ➤ **Resilient performance with 14% EBITDA margin**

- Despite negative impact of higher propylene cost
- Consistent with objective to reach 15% EBITDA margin in 2016

### ➤ **Strong newsflow in acrylic chain**

- Clear Lake (US, TX): successful ramp-up of acrylic acid capacity expansion and methyl acrylate unit expected to come on stream in coming months
- Changshu (China): finalization of new coating resins unit construction. Start-up expected end 2013
- Carling (France): inauguration of new Sumitomo Seika SAP plant on the Arkema Carling site

### ➤ **Project to close the phthalate production site of Chauny in France\***

- €30m non recurring charge booked in 3Q'13 (including €9m write-off)



# Outlook

- **Traditional year-end seasonality**
- **By regions, macro environment of 4Q'13 expected to be in the continuity of previous quarters**
- **High Performance Materials EBITDA of 4Q'13 expected to be above 4Q'12 supported by stronger demand in oil & gas market, notably for Filtration and Adsorption business**
- **Impact of exchange rate on Group's performance**
- **Arkema targets FY'13 EBITDA around €920m taking into account the strengthening of the euro**
- **Mid-long term, Arkema confirms for 2016 its ambition to achieve €8 billion sales and 16% EBITDA margin while maintaining its gearing below 40% and for 2020 its vision to achieve €10 billion sales and 17% EBITDA margin with a gearing maintained below 40%**



## 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.

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