

**Arkema**  
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**Exane BNP Paribas**  
**6<sup>th</sup> Basic Materials Seminar**



London, March 23<sup>rd</sup> 2011

# 3 business segments

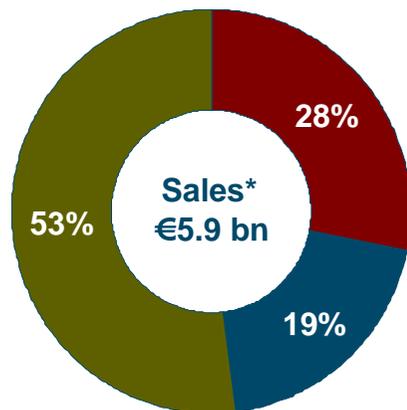
## Industrial Chemicals

- Large integrated chemical lines
- Worldwide leadership positions
- Complex technologies



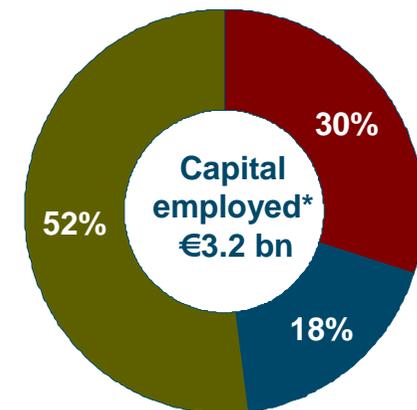
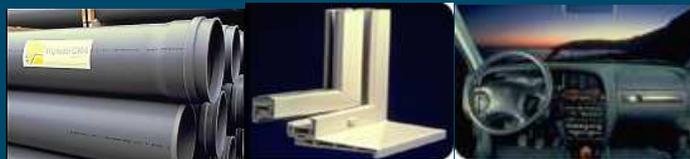
## Performance Products

- Leadership positions in niche markets
- Innovative chemical solutions
- Customized applications

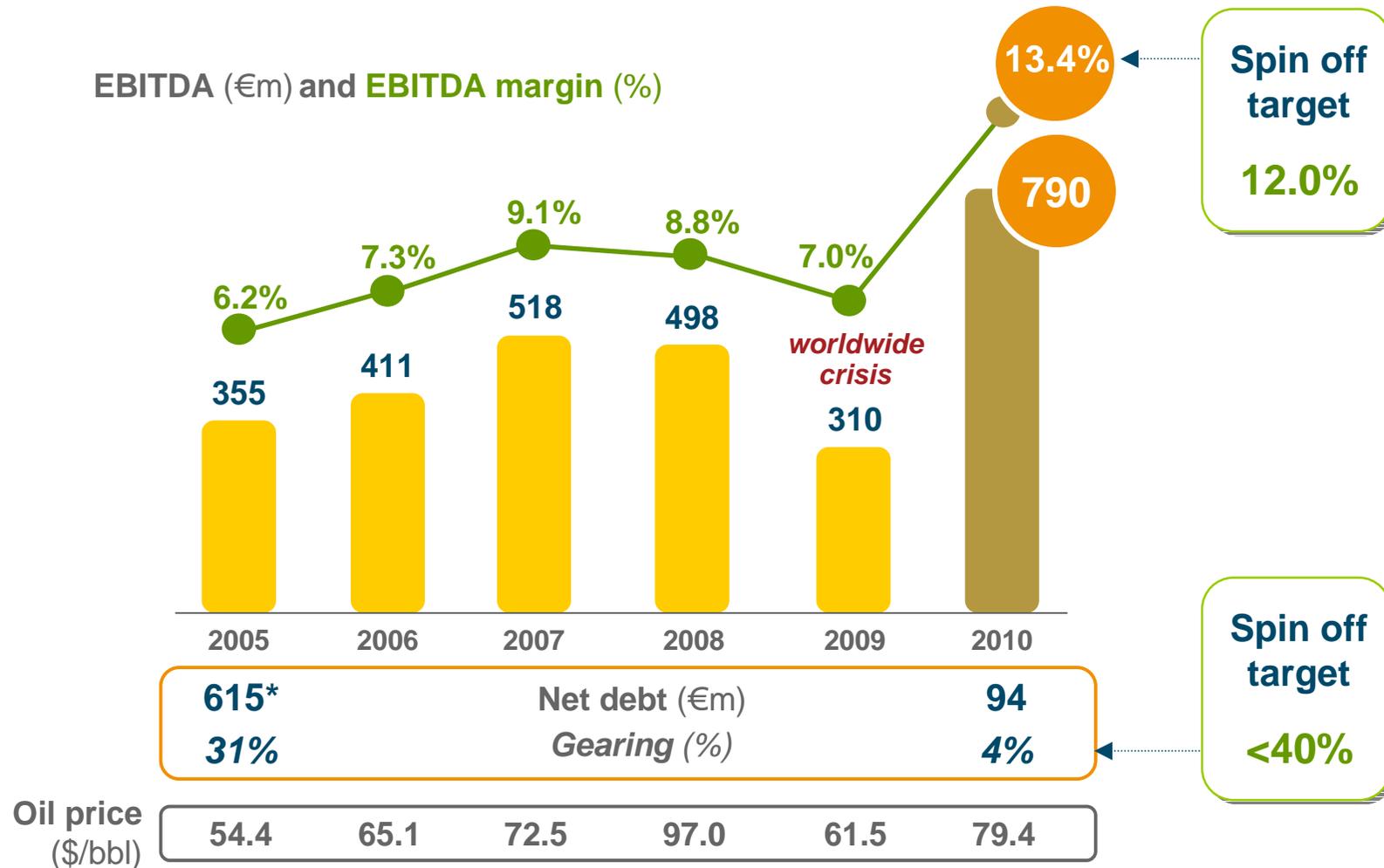


## Vinyl Products

- Well integrated chain from chlorine to PVC conversion
- #3 European player in PVC



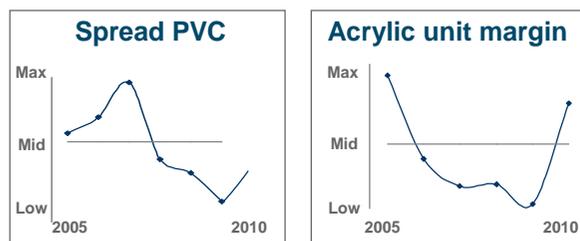
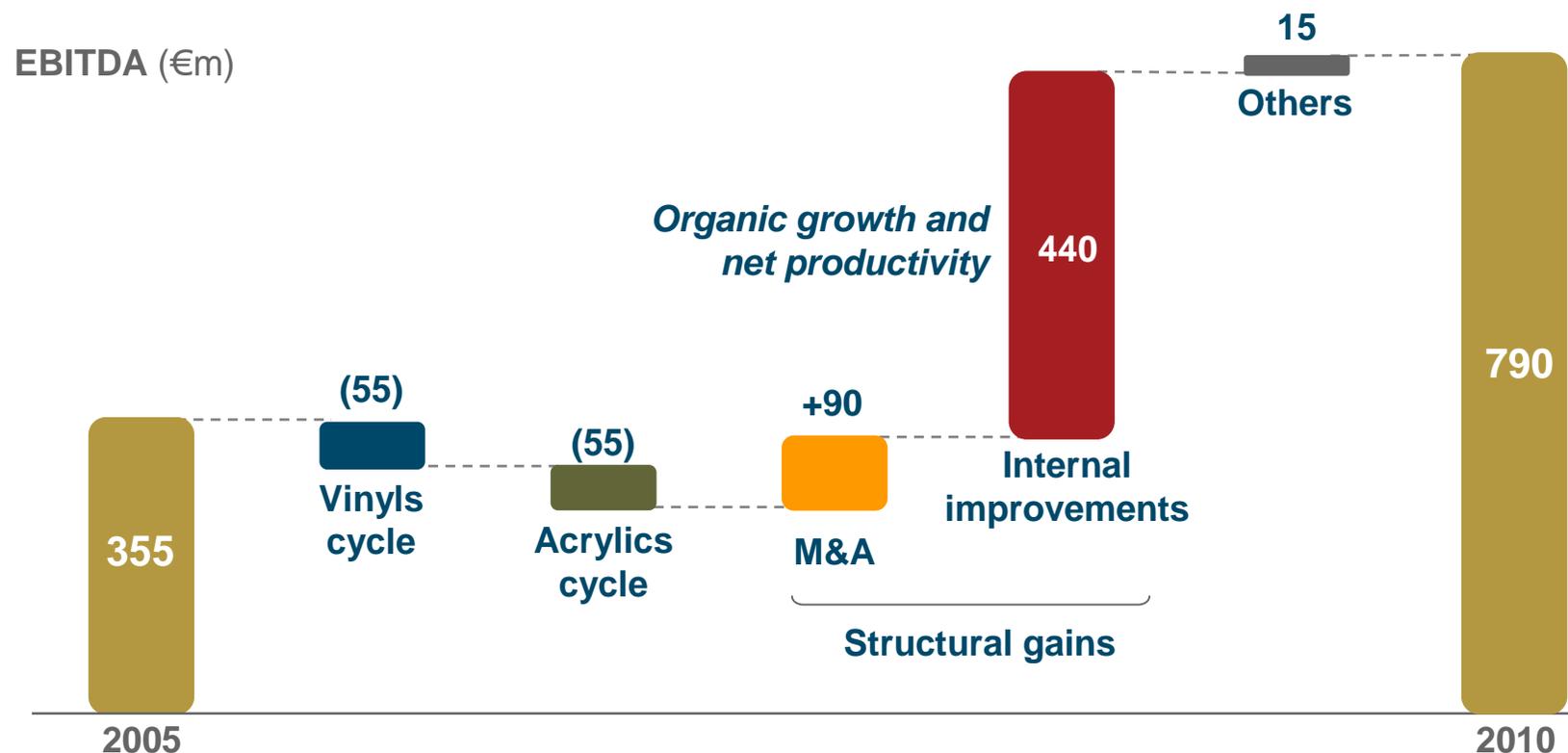
# 2005-2010: EBITDA x2.2



\* Net financial debt end 2005 - €532m capital increase by Total + €580m non-recurring pre spin off items



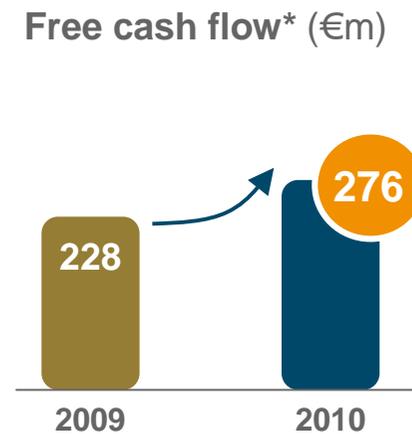
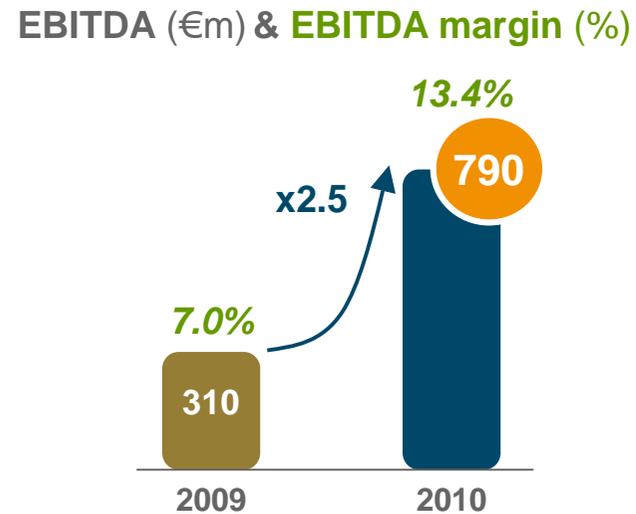
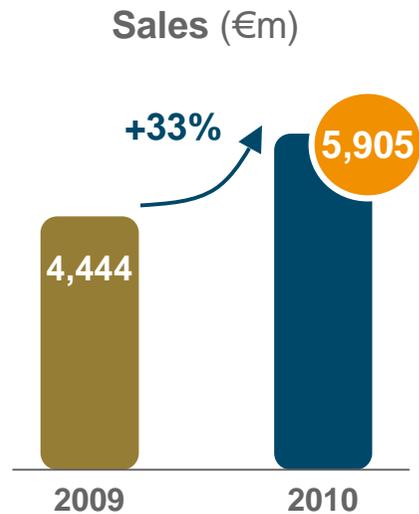
# Performance turnaround driven by transformation



Negative impact from the cycle over the period



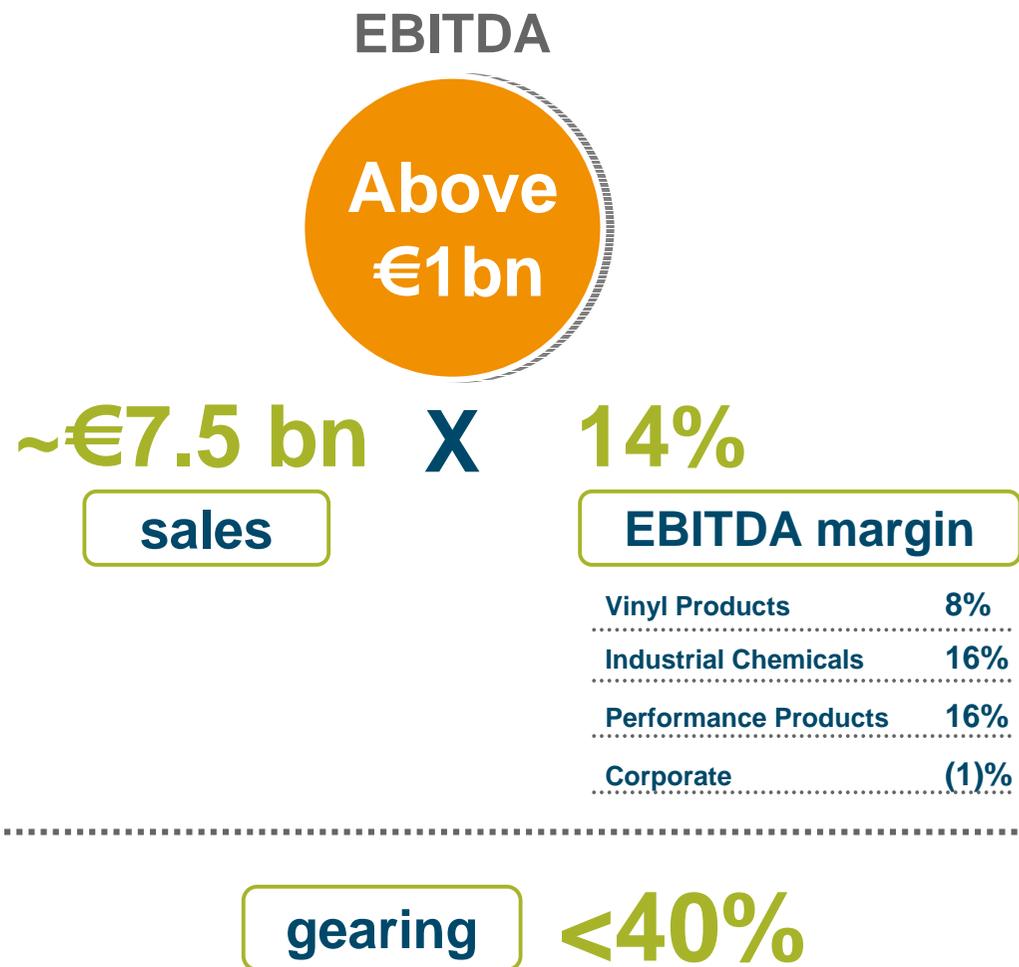
# Excellent set of figures in 2010



\* Free cash flow = cash flow including non-recurring items and excluding impact from M&A



# Our ambition for 2015: a new breakthrough



**Assumptions:**

- Mid-cycle conditions in a normalized environment
- Worldwide GDP growth at 3% / yr over the period
- Oil price and raw material index at current levels
- €/\$ exchange rate at 1.35



# Continuity of strategy defined at the spin off but acceleration of growth component

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**Emerging countries**



**+60% sales**

**Innovation**



**€400m new sales**

**Selective M&A**



**€700m net additional sales**

**Competitiveness**



- **Strict control of fixed and variable costs**
- **On Vinyls, - €50m net cost reductions**

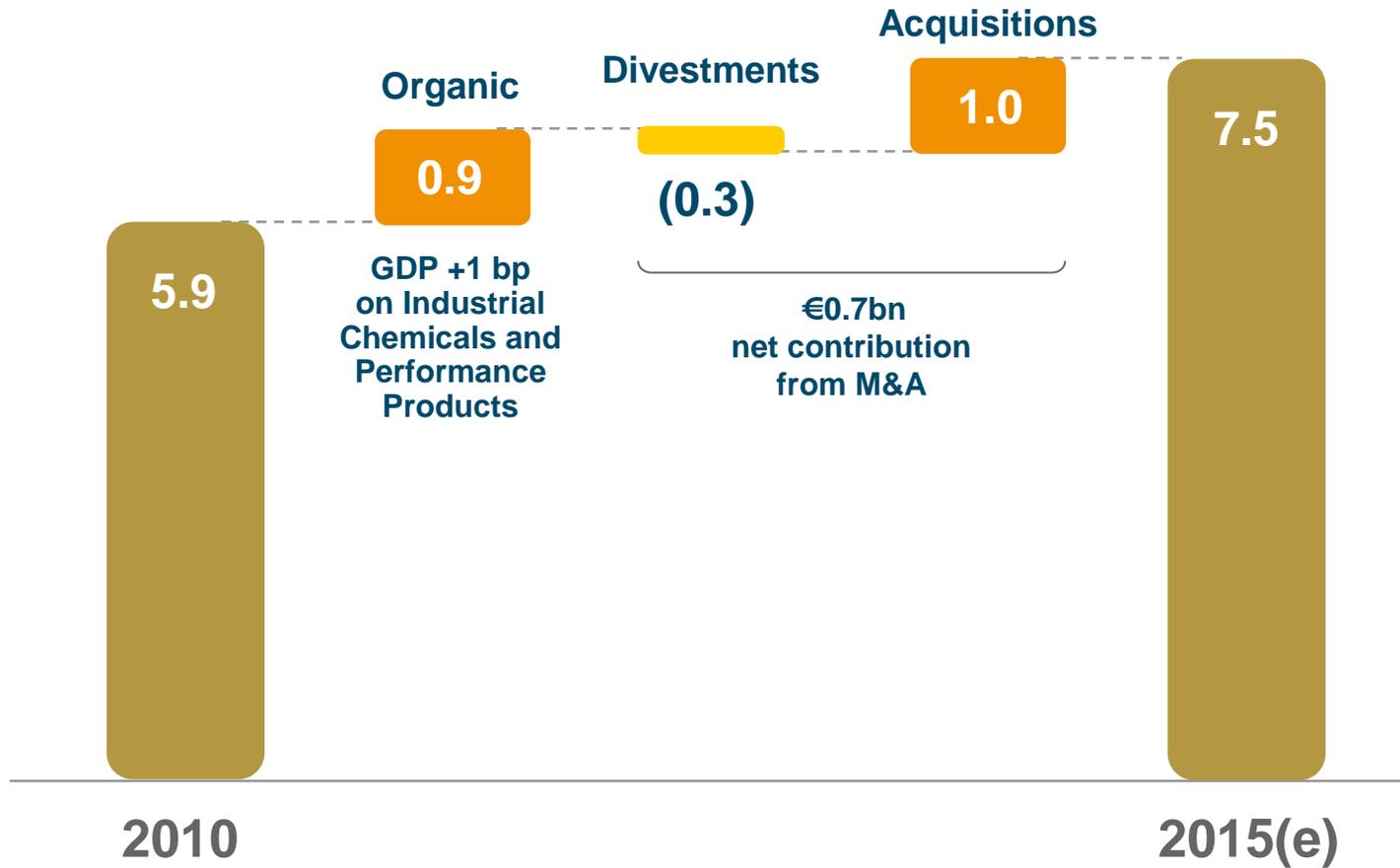
In 2015 versus 2010

7- LONDON - March 23<sup>rd</sup>, 2011



# Our analysis on sales bridge

Sales (€bn)



# Capex versus M&A

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## M&A

- ▶ **Strategic fit with our existing core businesses**
  - ▶ Downstream from main chemical lines of Industrial Chemicals and Performance Products, notably acrylics
  - ▶ Specialty businesses with high technological content
  - ▶ Strong synergies and complementary assets
- ▶ **Financial criteria**
  - ▶ Accretive from 1<sup>st</sup> full year
  - ▶ +€1bn of sales acquisition
  - ▶ -€0.3bn of sales divestment

## Capex

- ▶ **Increase manufacturing presence in Asia on our best product lines**
- ▶ **Selective debottlenecking in Europe and North America**
- ▶ **Financial criteria**
  - ▶ 2011 capex : ~€360m
  - ▶ Beyond 2011: ~5% of sales
  - ▶ Productivity and growth capex : 55%
  - ▶ 1/3 to 1/2 of growth capex in Asia

# Selective M&A

- ▶ **+€0.7 bn net sales from M&A over next 5 years**
- ▶ **Successful track-record on M&A**

<p><b>Acquisitions</b> Reinforce strongest product lines Spin off target : €500m to €800m sales</p>	<p>•Coatex – acrylic downstream •Repsol PMMA – Methacrylates •OdorTech – Thiochemicals •Geo’s organic peroxides •Dow acrylic assets</p>	<p>2010 ▶ <b>€650m sales</b> <b>16% EBITDA</b></p>
<p><b>Divestments</b> Divest non core businesses Spin off target : €300m to €400m sales</p>	<p>•Cerexagri •Specialty amines •Urea-formaldehyde resins •Sanitary &amp; heating pipes •Vinyl compounds •Aluminium chloride</p>	<p>2005 ▶ <b>€480m sales</b> <b>3% EBITDA</b></p>

▶▶ **2005-2010 : net cash out: - € 230m**  
**net EBITDA impact: + € 90m**



# Quick and successful integration of newly acquired acrylic assets

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- ▶ **Closing with Dow on January 25<sup>th</sup>, 2010**
- ▶ **Acquisition price based on a US\$50m EV**
- ▶ **Performance well above initial expectations**
  - ▶ US\$559m sales in 11m'10 (versus US\$450m in FY'09\*)
  - ▶ Significant contribution to 2010 EPS
- ▶ **A strong base for further growth in acrylics**
  - ▶ New acrylic emulsion plant in China (end 2012)
  - ▶ 3-year capex program of US\$110m to further strengthen acrylic monomers in North America (in Clear Lake and Bayport)
  - ▶ Ideally complemented by acquisition project of the UV-curing and coating resins from Total\*\*

Acrylic monomers  
(Clear Lake site)



UCAR™ acrylic polymers  
(Saint Charles site)



\* 2009 estimated revenues for the business acquired

\*\* Subject to the approval of the relevant anti-trust authorities and information / consultation of work councils



# Project to acquire resin businesses from Total

## ▶ A new milestone

- ▶ €850m FY sales (€750m once consolidated within Arkema)
- ▶ €550m enterprise value
- ▶ Closing by mid-2011\*

## ▶ Perfect fit with strategy in the acrylic value chain

- ▶ Increase downstream integration in acrylics from 30% to 40%
- ▶ Build an integrated and global Coating materials platform

## ▶ Strong potential

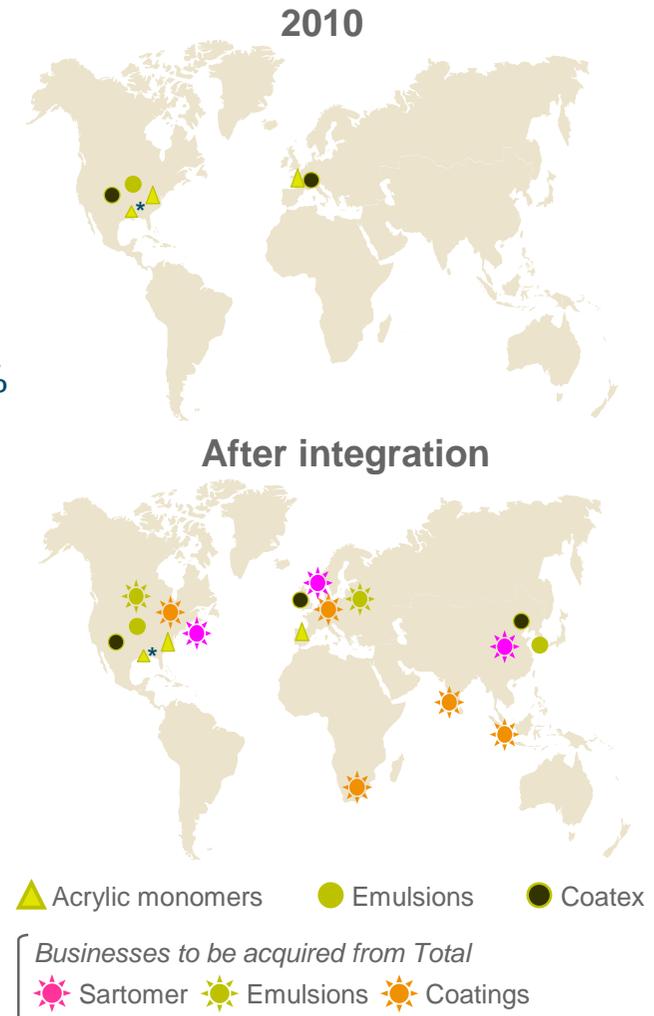
- ▶ Position on high growth value-added photocure market
- ▶ Strong growth platform in Asia

## ▶ EPS accretive on a first full-year basis

▶▶ **14% EBITDA margin target in 2015**  
**on € 900m sales\*\***

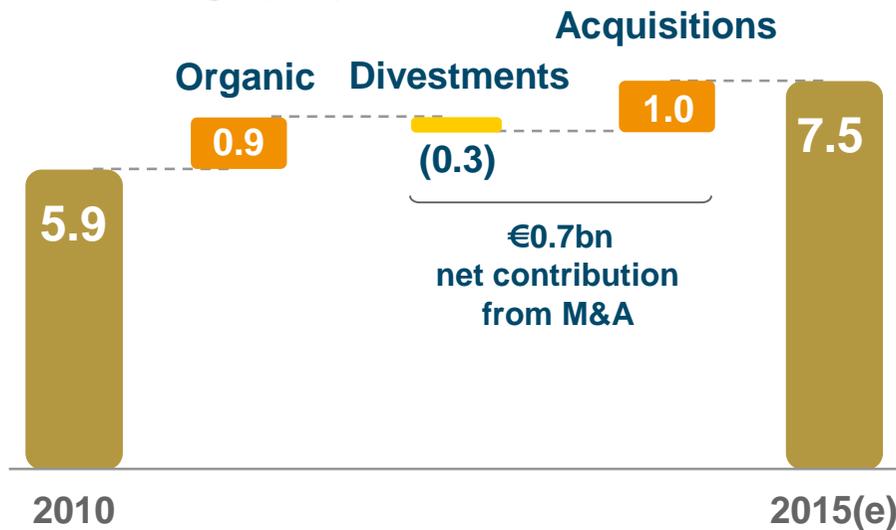
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\*\* In a normalized environment

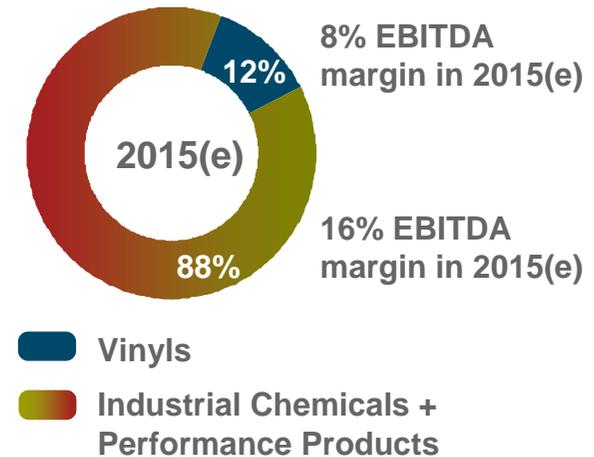


# Fully on track to achieve 2015 objectives

Sales bridge (€bn)



Sales by segment



- ▶ **€750m sales from planned acquisition of resins from Total on € 1bn target to be acquired**
- ▶ **GDP+1 growth in Industrial Chemicals and Performance Products from emerging countries, solutions in sustainable development and coating material platform**
  - ▶ Strengthen acrylic sites (Clear Lake and Carling)
  - ▶ Expansions in China in PVDF Kynar® and polyamides
  - ▶ New units in Specialty Acrylic Polymers and emulsions in Changshu
  - ▶ Innovative range on photovoltaic markets, batteries and water filtration
- ▶ **Vinyls to represent around 16% of total sales after integration of resins\* from Total (26% in 2008)**

\* On 2010 proforma sales including € 750m sales from resins businesses from Total



# Conclusion

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- ▶ **2010 performance well above pre-crisis levels (adjusted net income of € 362m in 2010 versus € 186m in 2007)**
- ▶ **Confidence for 2011 outlook. 1<sup>st</sup> quarter 2011 EBITDA expected to be significantly above 1<sup>st</sup> quarter 2010 EBITDA**
  - ▶ Seasonality back to more traditional pattern
  - ▶ Confirm ability to pass raw material cost increase
- ▶ **Major milestone in 2011: planned acquisition of resin businesses from Total turning Arkema in a leader in coating materials**
- ▶ **2015 long term objectives fully on track supported by 2010 base and high density of current projects**



# 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 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 3Q'10 results 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, 14,000 employees and eight research centers, Arkema generates annual revenues of €5.9 billion and holds leadership positions in all its markets with a portfolio of internationally recognized brands. The world is our inspiration.

