Arkema

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ARKEMA

The world is our inspiration

Arkema's transformation project at the time of the spin off

Spin off in May 2006

Challenge

Transform Arkema into a profitable company with growth momentum

Financial targets

- **12% EBITDA margin in 2010**
- **Gearing below 40%**

4 strategic axes

- **Strong cost reductions**
- **Increase presence in Asia**
- **Innovation based on sustainable development**
- **Focused M&A**

Three business segments

Vinyl Products
18% of 2010e sales

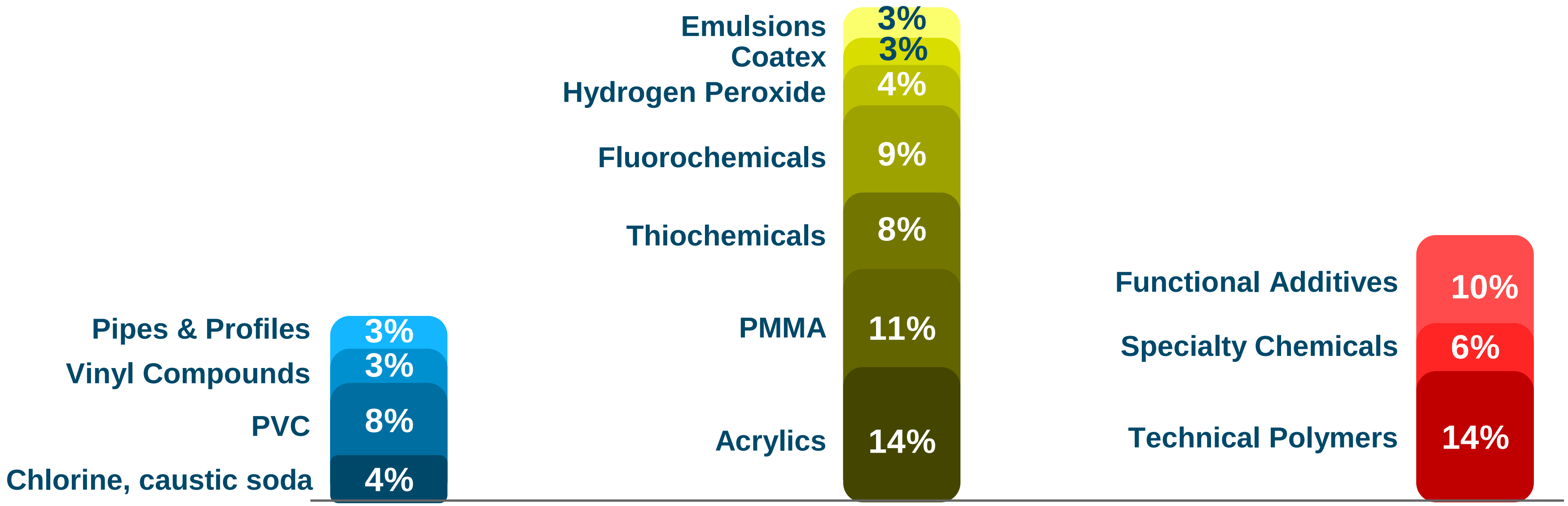
- Well integrated chain from chlorine to PVC conversion
- #3 European player in PVC

Industrial Chemicals
52% of 2010e sales

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

Performance Products
30% of 2010e sales

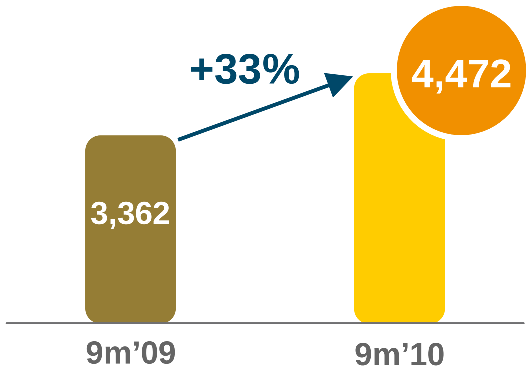
- Leadership positions in niche markets
- Innovative chemical solutions
- Customized applications



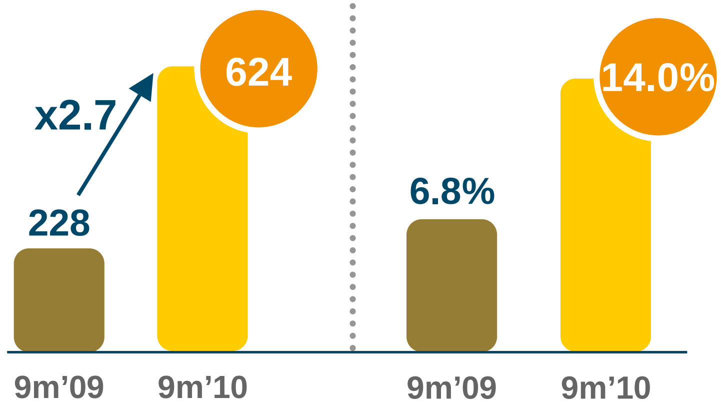
Split of sales by BU (2010e)

Best performance since spin off

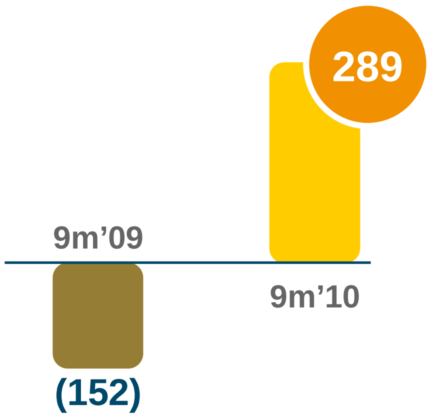
Sales (€m)



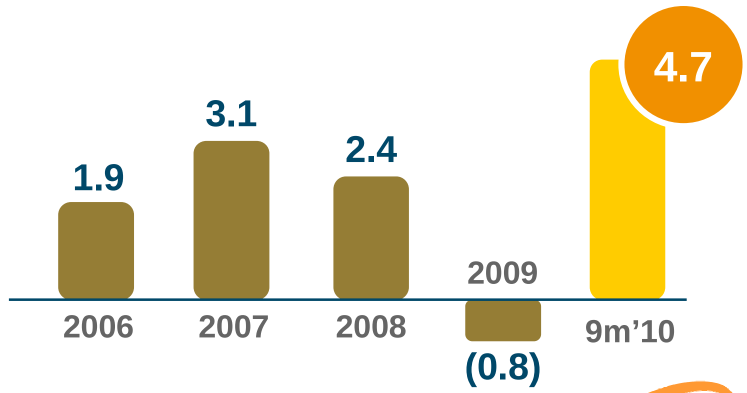
EBITDA (€m) **EBITDA margin** (%)



Net income- Group share (€m)



Adjusted EPS (€)

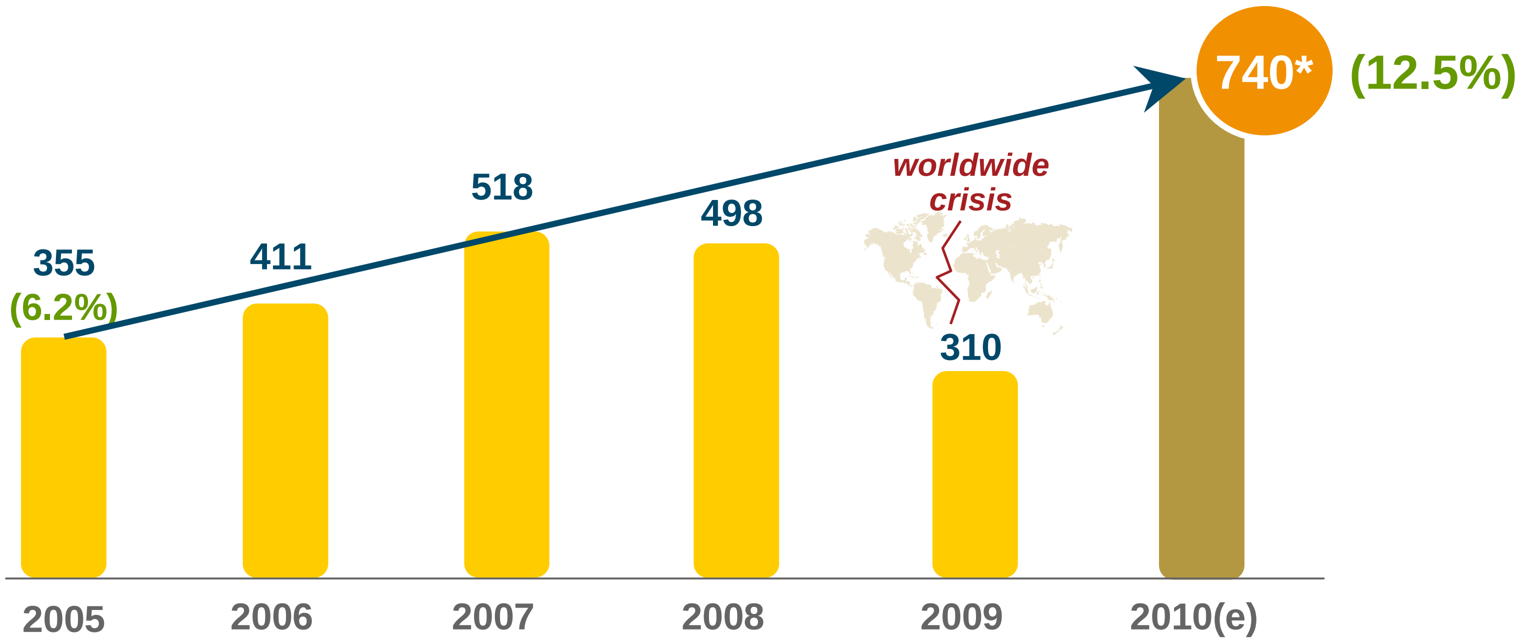


2010 outlook (reminder of 3Q'10 release)

- **FY'10 EBITDA target significantly increased to around €740m**
  - **Market conditions remain well orientated**
  - **Traditional far lower seasonality in 4Q'**
  - **Impact of the external strikes (refineries and Marseille harbor) related to the national pension reform in France estimated at around -€20m (this will mainly concern Vinyls)**
- **FY'10 EBITDA target should result in around 12.5% EBITDA margin**
  - **Above the 12% target set at the spin off, 5 years ago**
  - **Previous high in 2007 with 9.1% EBITDA margin**
- **2010 ROCE will exceed cost of capital**

EBITDA more than doubled in 5 years

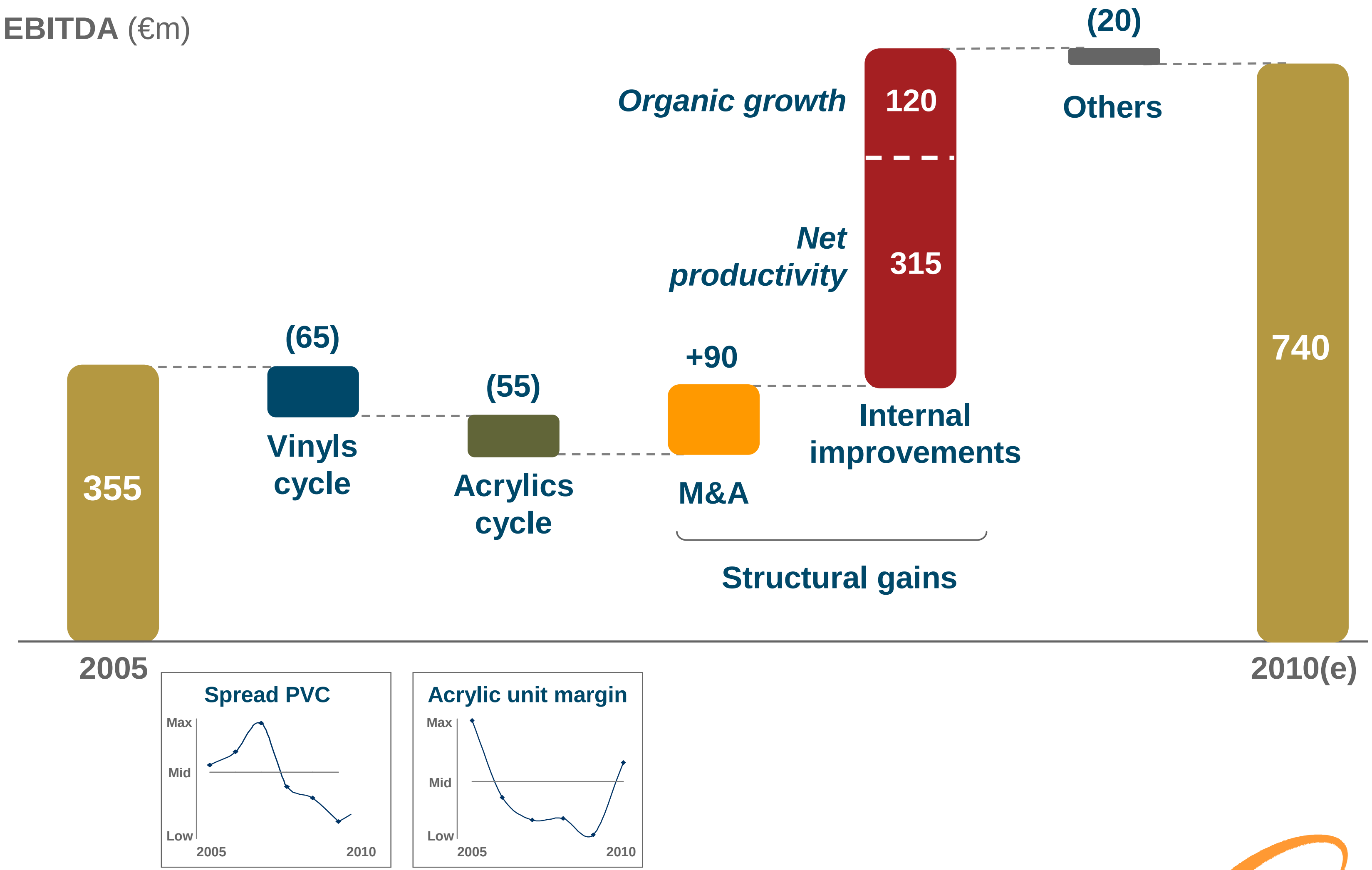
EBITDA (€m) and **EBITDA margin** (%)



615**	**Net debt** (€m)	**~300**

* Including - €20m negative impact from national external strikes related to pension reform in France
** Net financial debt end 2005 - €532m capital increase by Total + €580m non-recurring pre spin off items

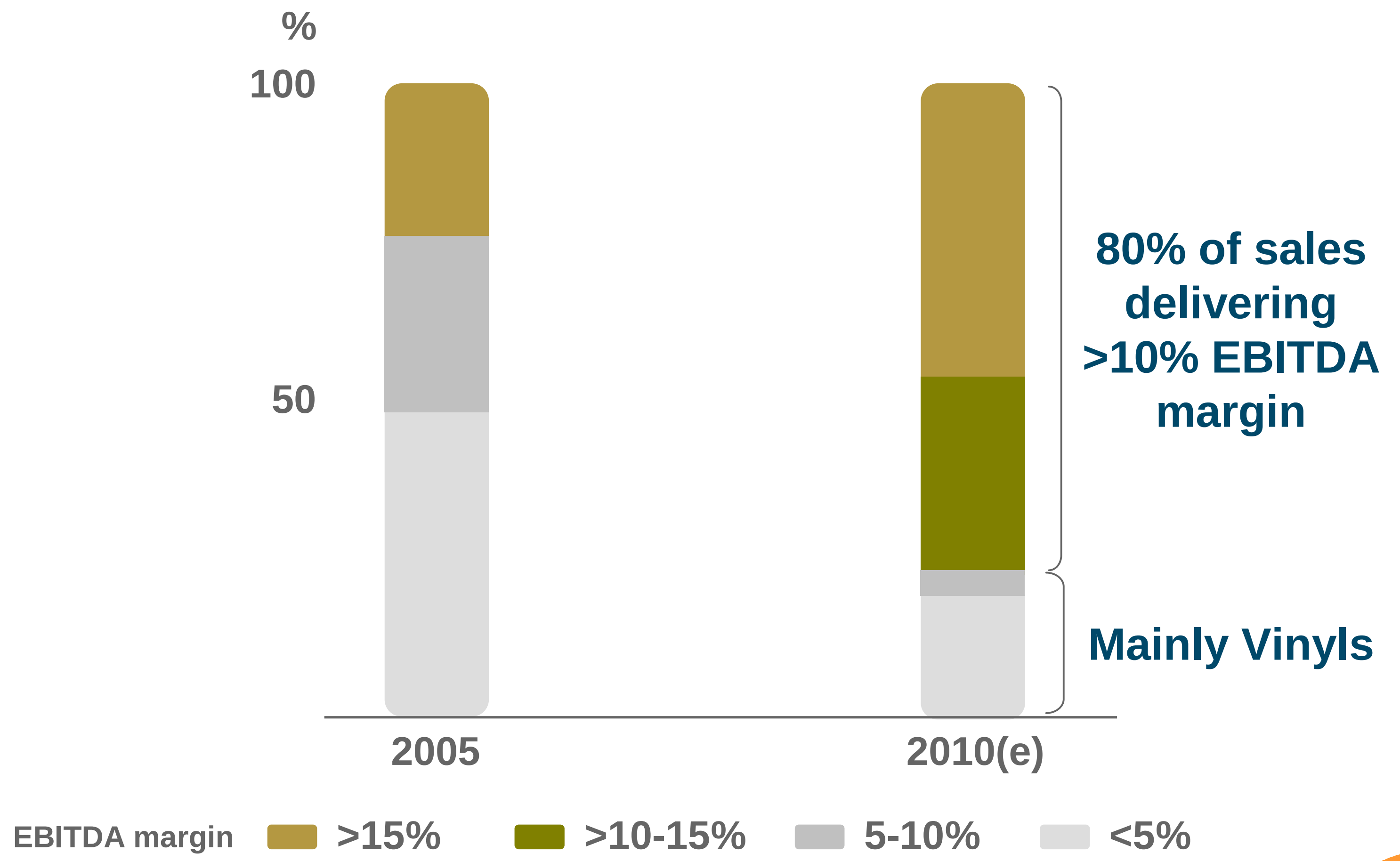
Transformation drives performance turnaround



Negative impact from the cycle over the period

Improved and more uniform performance

EBITDA margin distribution (% of total sales excluding corporate)

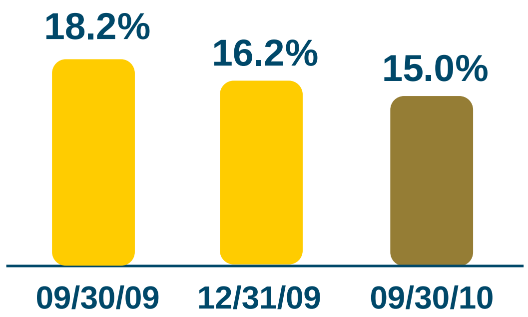


Positive cash generation on strong EBITDA

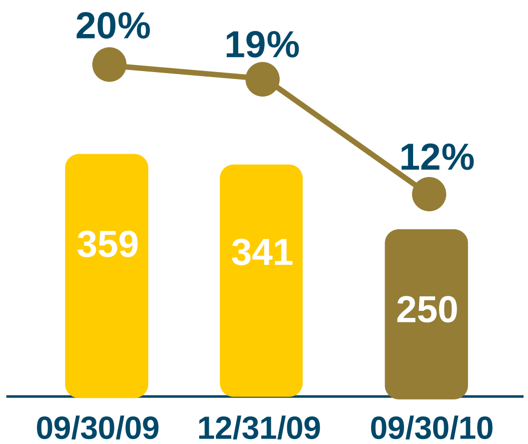
in €m	9m'10
EBITDA	**624**
Working capital variation	**(154)**
Capex	**(185)**
Tax & cost of debt	(116)
Restructuring outflows	(51)
Others	(8)
Free cash flow*	**+110**

- **3Q'10 free cash flow: +€96m**
- **9m'10 net cash flow***: +€70m**

Working capital as % of sales**



Net debt (€m) **and gearing** (%)



Free cash flow = cash flow including non-recurring items and excluding impact from M&A
*** At 30 September = (working capital end of September) / (4x 3rd quarter sales)*
**** Net cash flow = Cash flow from operating activities - cash flow from investing activities*

Successful diversification of debt sources

Financial resources end 2009

Revolving credit facility: €1,100m (March 2013)

Local bank loans: €70m

Financial resources end 2010

Bond issue: €500m (October 2017)

Revolving credit facility: €1,100m (March 2013)

Securitization program: €240m (June 2015)

Local bank loans

Average maturity >3 years

Entering 2011 with confidence

- **Assumptions for 2011 market conditions**
  - Similar market conditions expected in acrylic acid and MMA (2010 average = 2011 average)
  - €/$ exchange rate at 1.35
  - Raw material costs to remain at current high levels
  - Some improvement of PVC spread on higher caustic soda prices
  - Increased cost of electricity (France)
  - Market conditions to remain well oriented in Asia

- **Internal projects to deliver in 2011**
  - Full-year benefit of HFC-125 in China (1 quarter more)
  - Full integration of former Dow acrylic assets (1 month more and synergies)
  - 2 new plants in China in Kynar® PVDF (1Q'11) and for Coatex (mid-2011)
  - Short-term benefits from innovation projects started 4 years ago including:
    - Paladin®, DMDS for soil fumigation
    - Fast emerging LED TV market for PMMA
    - Continuous growth of Photovoltaics
    - Bio-based high performance polymers (Rilsan® and Pebax® Rnew for sport, electronics…)
  - Maintain tight fixed cost management with an obvious priority on Chlorochemicals

- **Recurring capex at ~€330m**
- **Working capital on sales at ~16%**

investor day 2010

Our ambition for 2015

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The world is our inspiration

Continuity of strategy but acceleration of growth component

Competitiveness	• **Strict control of fixed and variable costs** • **On Vinyls, - €50m net cost reductions**
Emerging countries	**+60% sales**
Innovation	**€400m new sales**
Selective M&A	**€700m net additional sales**

In 2015 versus 2010

Strategic priorities by segment

Vinyl Products

- Continue to refocus on best sites and reinforce competitiveness
- Open to partnerships

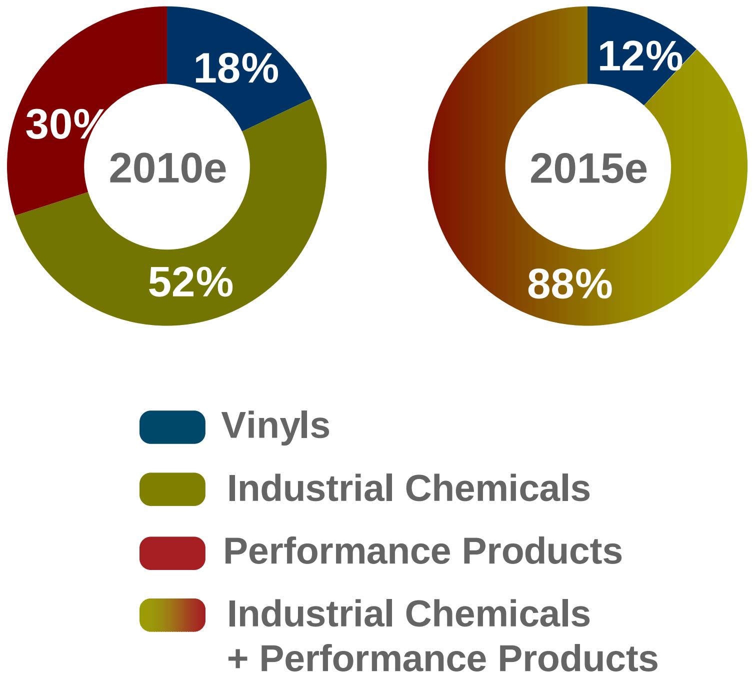
Industrial Chemicals

- Develop acrylic downstream
- Increase manufacturing presence in Asia
- Strengthen partnerships with customers on a multi-region and multi-BU approach
- Selective investment on mega-trends

Performance Products

- Innovate on sustainability
- Support strong Asian development through local manufacturing
- Balanced external and organic growth
- Pursue acquisitions of small start-ups for tomorrow's chemicals

Sales by segment



Our ambition for 2015: a new breakthrough

EBITDA

Above €1bn

~€7.5 bn X **14%**

sales **EBITDA margin**

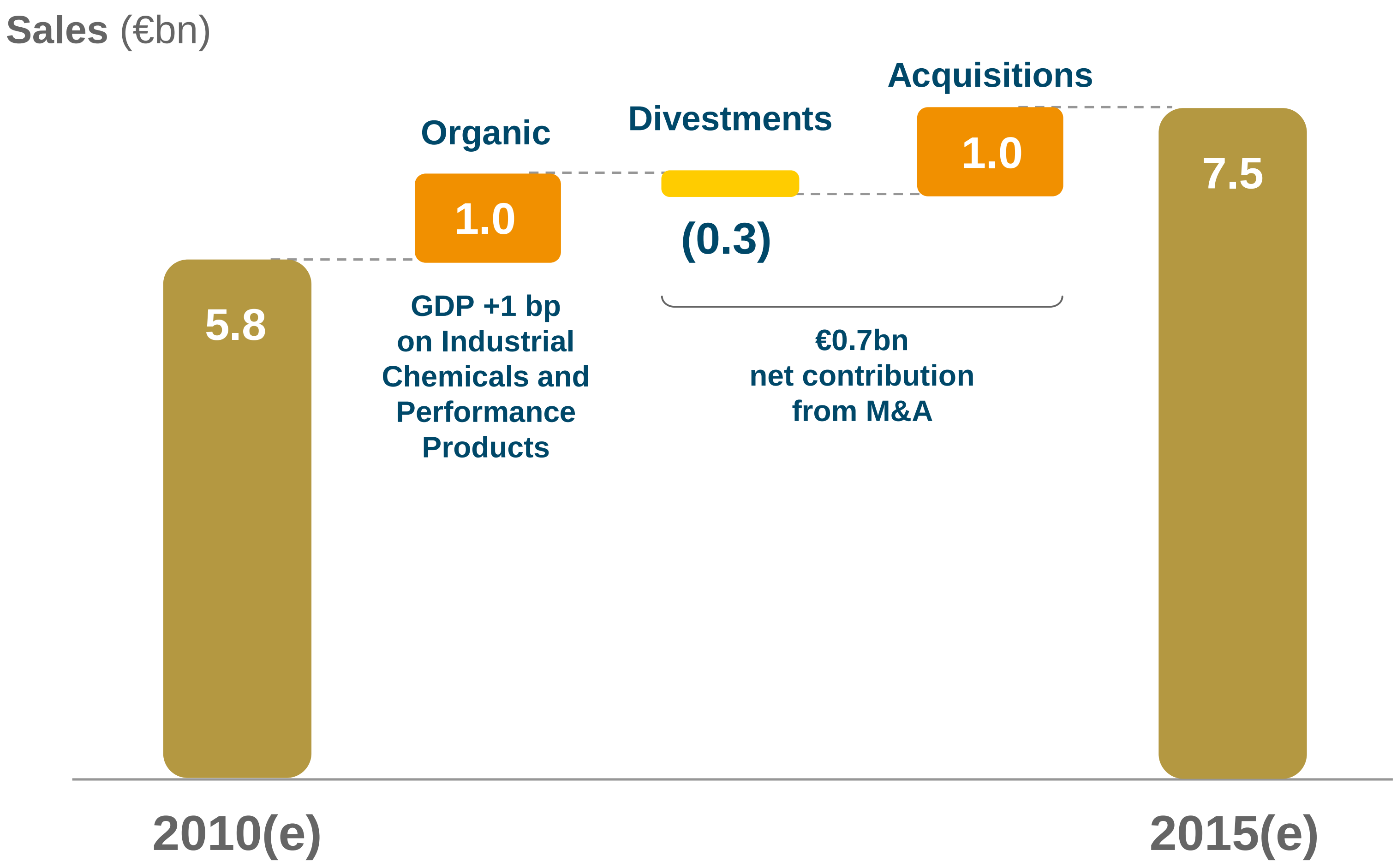
Vinyl Products	8%
Industrial Chemicals	16%
Performance Products	16%
Corporate	(1)%

gearing **<40%**

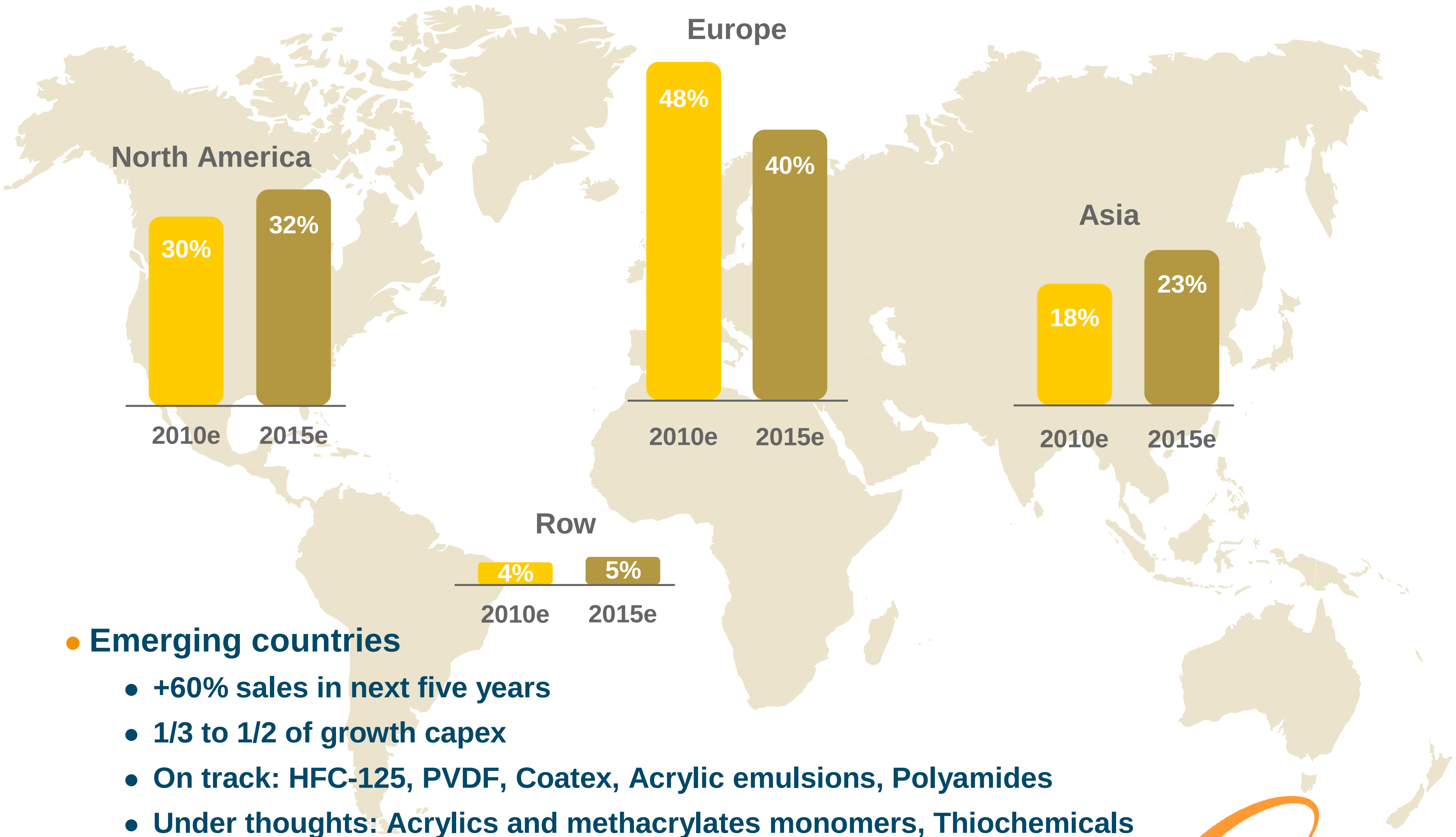
Assumptions:

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

Our analysis on… sales bridge



Our analysis on…sales by region



- **Emerging countries**
  - **+60% sales in next five years**
  - **1/3 to 1/2 of growth capex**
  - **On track: HFC-125, PVDF, Coatex, Acrylic emulsions, Polyamides**
  - **Under thoughts: Acrylics and methacrylates monomers, Thiochemicals**

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Selective acquisitions

- **+€1 bn sales from acquisitions over next 5 years**
- **- €0.3 bn sales from disposals in next 5 years**
- **Selective and strict criteria**
  - **Strategic fit with our existing core businesses**
  - **Accretive from first full year**
  - **No better use of cash**
- **Successful track-record on M&A**
  - **Net EBITDA impact: +€90m**
  - **Net cash out: -€ 230m**

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Superior underlying growth

Business	Main end-markets	Growth drivers
Thiochemicals	Animal nutrition Refineries / Petrochemicals	Increasing poultry consumption Projects in Asia and Middle-East Stronger regulations on sulfur content
Acrylics	Coatings Superabsorbants (hygiene) Water treatment Enhanced O&G recovery	Substitution to higher performance formulations Aging population in mature markets Baby diapers in China / India Need for water purification Shale gas
Methacrylates	Electronics	Emerging LED TV market
Fluorochemicals/ Fluoropolymers	Air-conditioning New energies Water treatment	Next-generation products, lower VOC products Development of photovoltaic, lithium-ion batteries Acces to drinking water in developing countries
Hydrogen Peroxide	Detergents Water treatment	Increasing green cleaning Increasing waste-water treatment
Polyamides	Automotive Oil & Gas Renewables	Lightweight vehicles Increasing deep offshore fields and natural gas distribution pipelines Booming bio-plastic demand
Specialty Chemicals	Filtration and adsorption	Gas separation

Conclusion

- We deliver constantly on our targets
- Very promising platform for future growth
- Successfully repositioned on higher value markets with strong potential on sustainability
- Confident on 2011 both on acrylic momentum and benefits from internal projects
- Ambitious target for 2015 leading to significant further value creation
- Cautious acquisition strategy with strict financial criteria

Turning Arkema into an industry leader

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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 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
- *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 seven research centers, Arkema generates annual revenue of around €5.8 billion and holds leadership positions in all its markets with a portfolio of internationally recognized brands. The world is our inspiration.

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