

# Arkema roadshow presentation

**Autumn Conference Keplercheuvreux, Paris, 18 septembre 2013**

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September, 2013





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

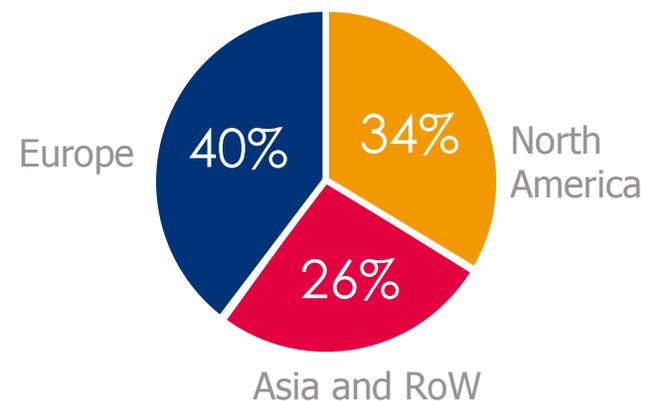
# Arkema 2012 profile

- 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

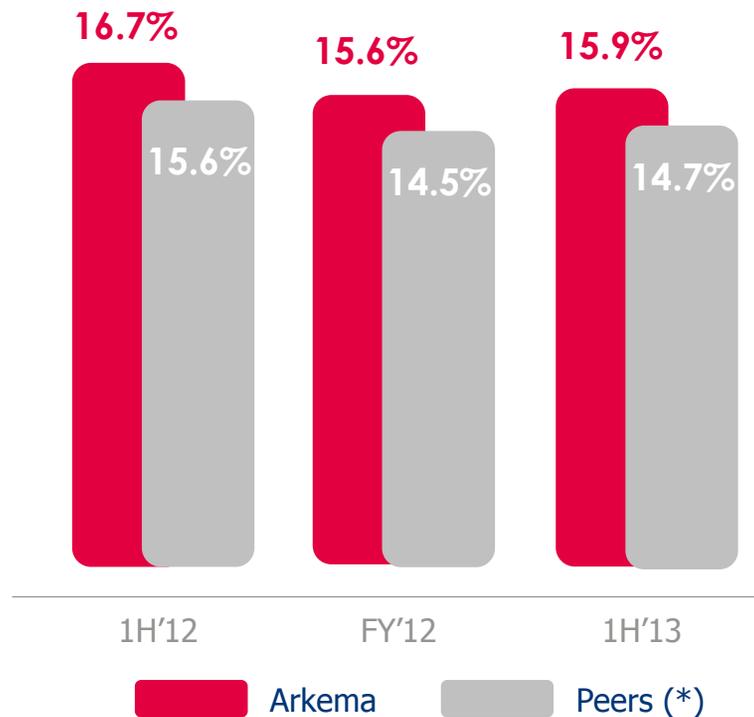


Sales by region



# Industry leading margins supported by leadership positions in ~90% of sales

EBITDA margin (%)



(\*) : Akzo Nobel (Specialty Chemicals), BASF (excluding Oil & Gas), Clariant, Evonik, Lanxess, Solvay, Dow, Dupont, Celanese, Chemtura

## High Performance Materials

- #1 in specialty polyamides
- #1 in PVDF fluoropolymer
- #2 in organic peroxides

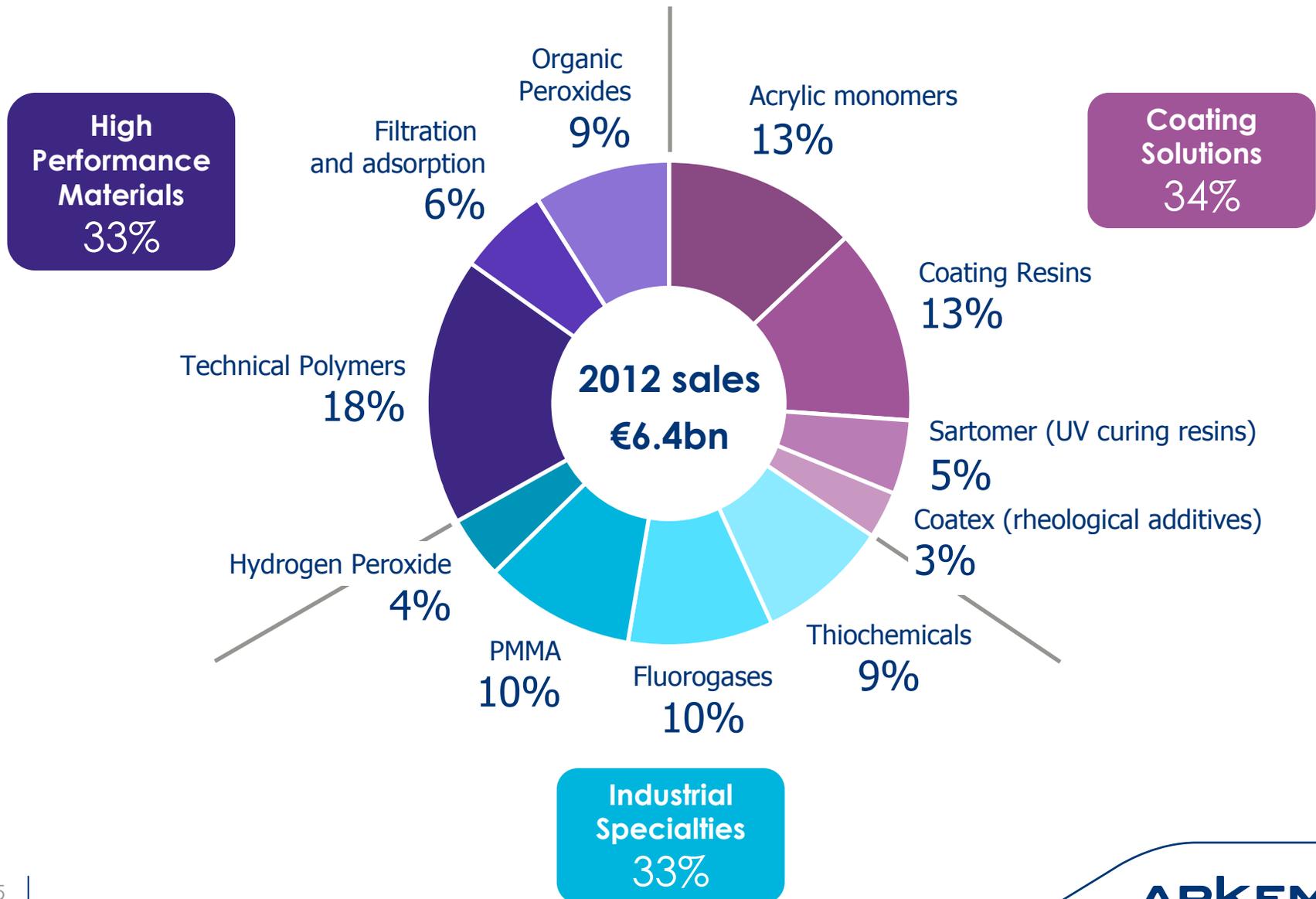
## Industrial Specialties

- #1 in thiochemicals
- #1/2 in fluorogases
- #2 in PMMA
- #3 in hydrogen peroxide

## Coating Solutions

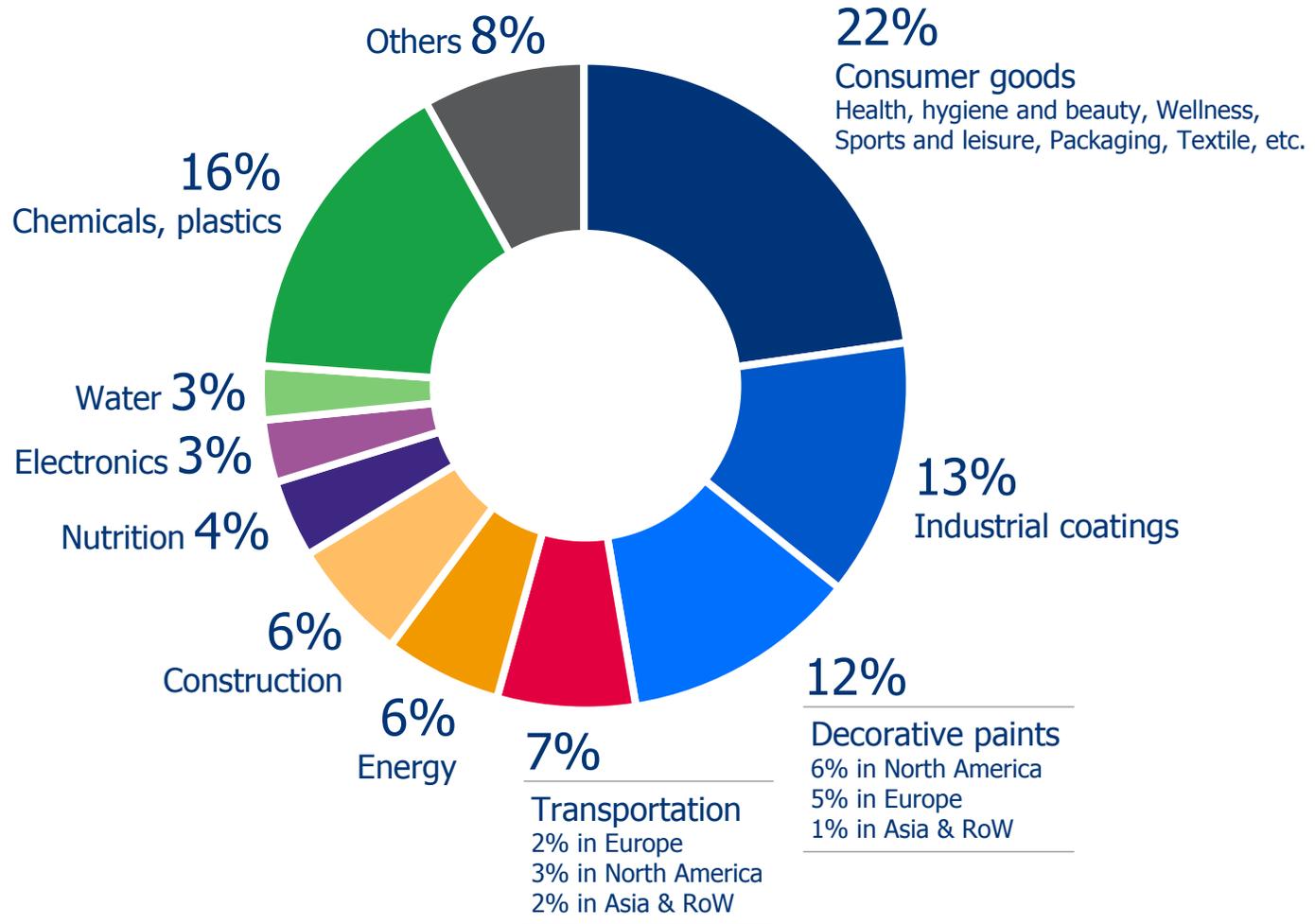
- #4 in acrylic monomers
- #3 in coating resins
- #2 in UV-curing resins

# Sales breakdown by business



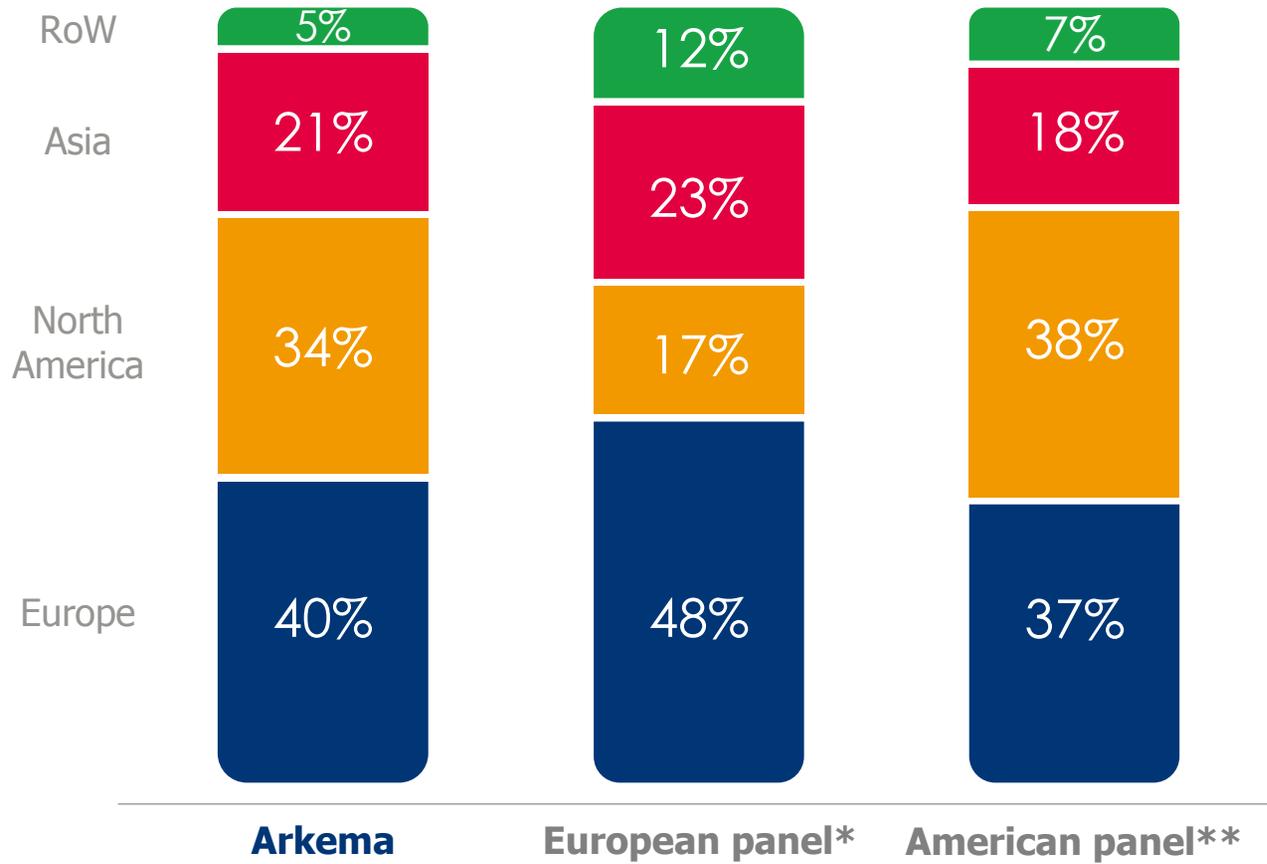


# Diversified end markets





# Balanced geographical reach



# Solid balance sheet and financing

**Shareholders' equity** € 2.3 bn

**Net debt** € 900 m

**Gearing** 39 %

**Net debt / EBITDA** 0.9x

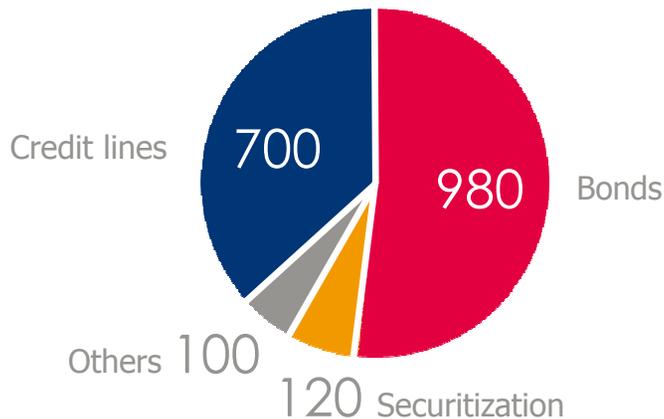
## Rating

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

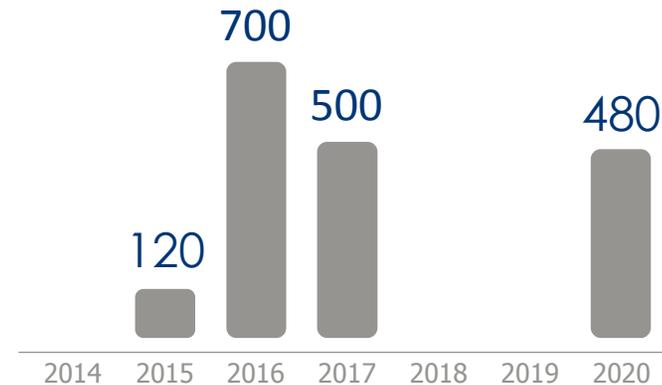
**Moody's** **Baa2** **Stable outlook**

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

## €1.9bn financing resources (€m)



## Average maturity > 4 years (€m)





## Clear roadmap to 2016

**« 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



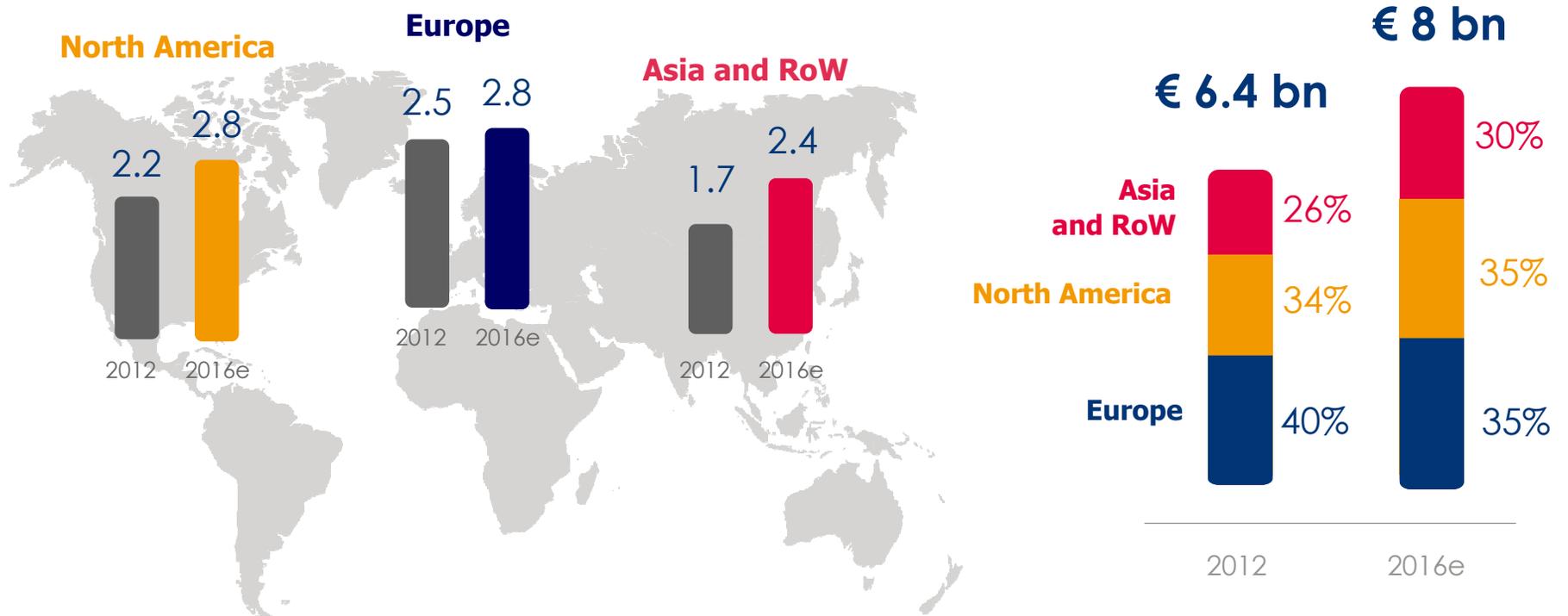
## Coating Solutions

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

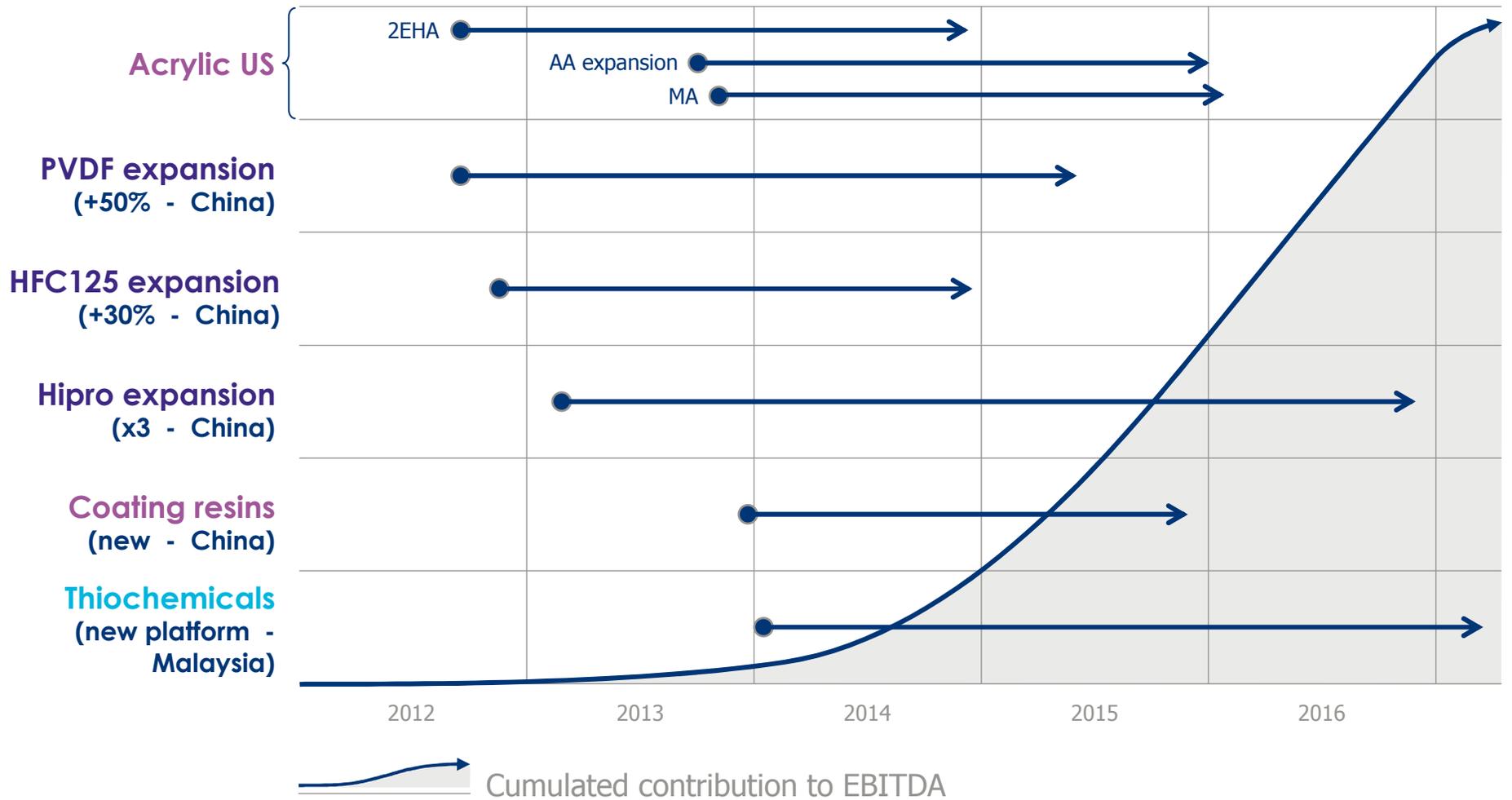


- **Thiochemical platform**  
(Malaysia)
- *Several other projects under consideration*

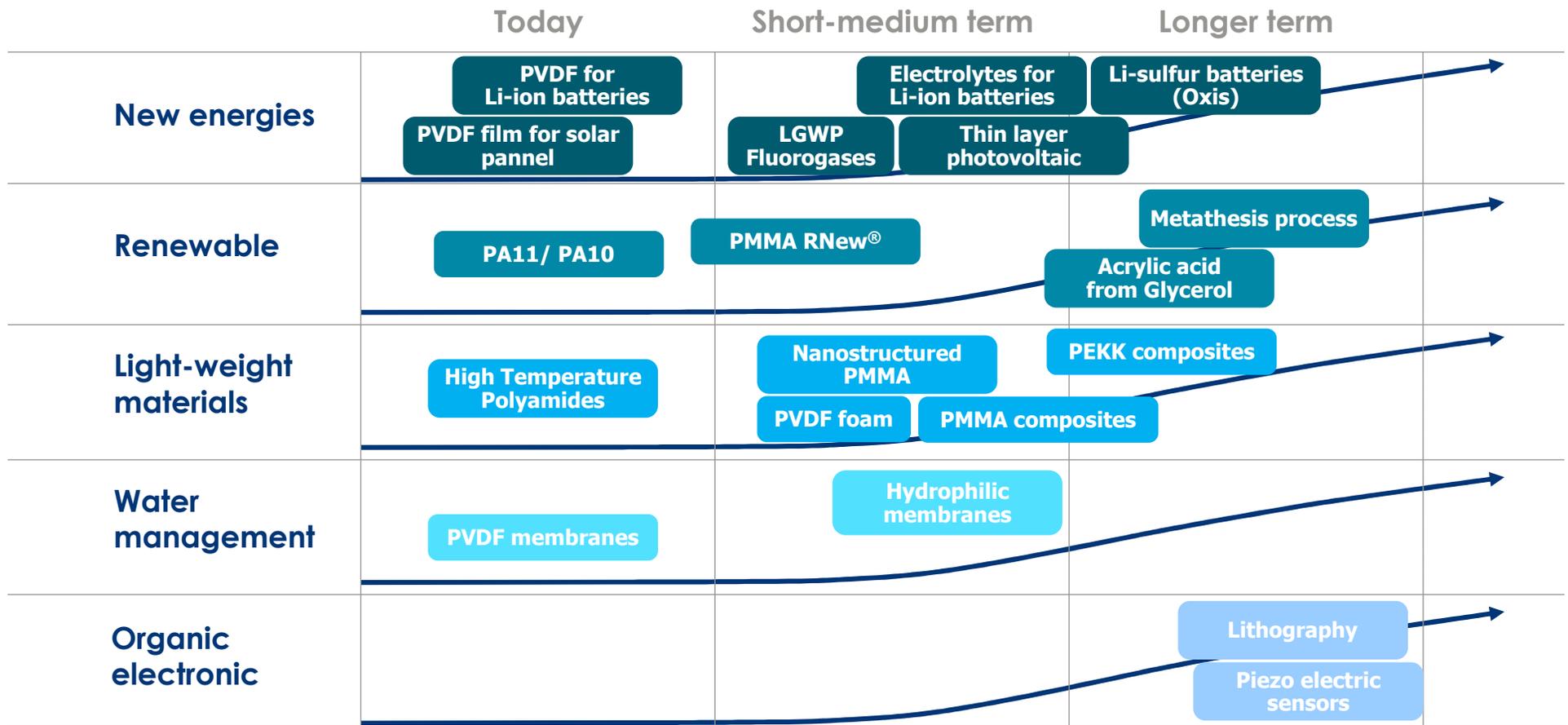
- 2/3 of capex already identify to support planned organic growth
- Strong emphasize on acrylic value chain, Specialty Polyamides and Thiochemicals



# 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**
- 

## Financial criteria

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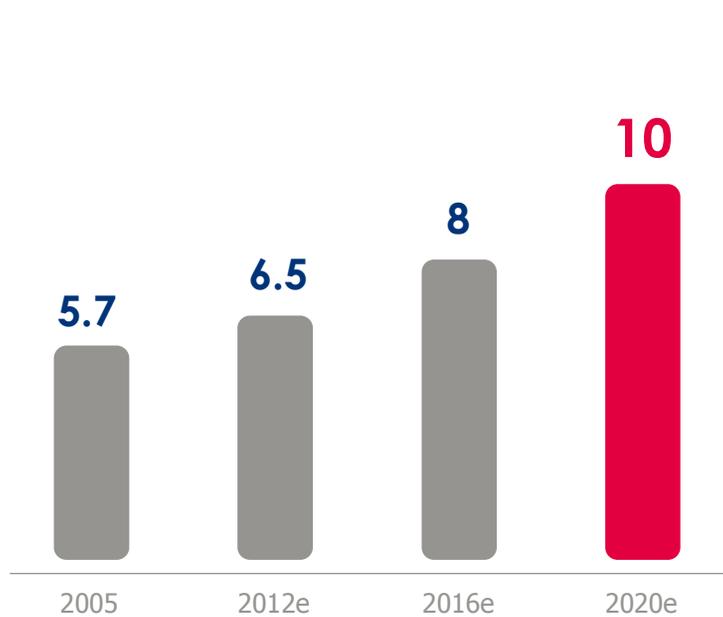
- **EPS accretive between one and two years**
  - **Benchmark with organic growth projects and other options**
  - **Maintain BBB rating**
-

# Cash allocation over 2013 - 2016

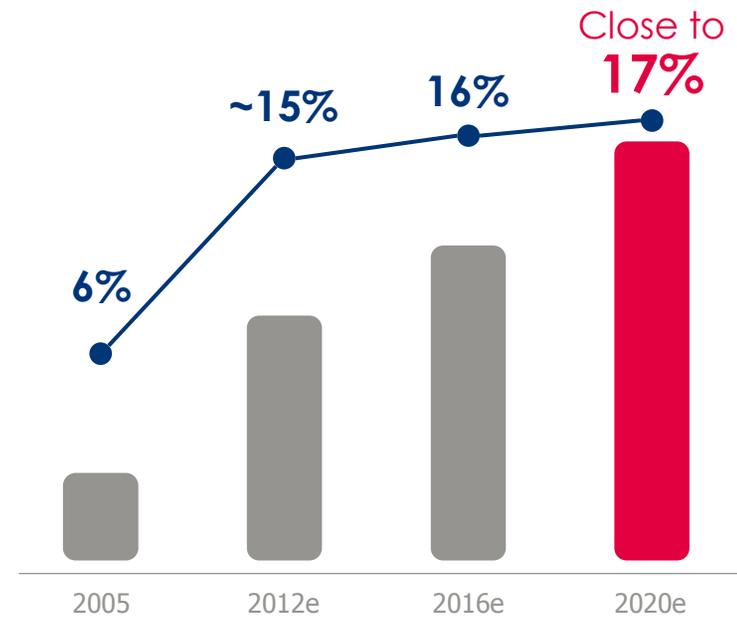


# Main objectives 2020

Sales (€bn)



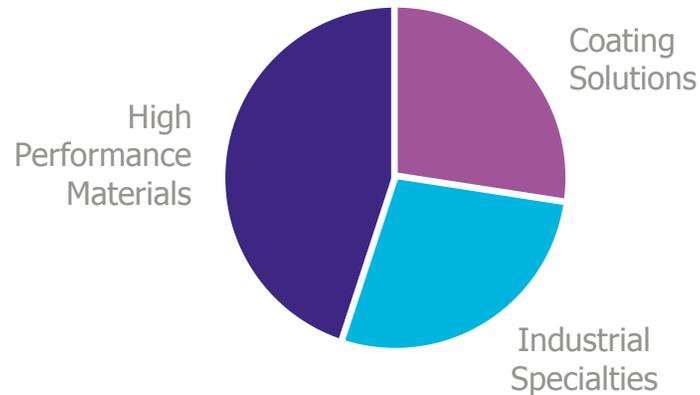
EBITDA and EBITDA margin (%)



Gearing < 40%

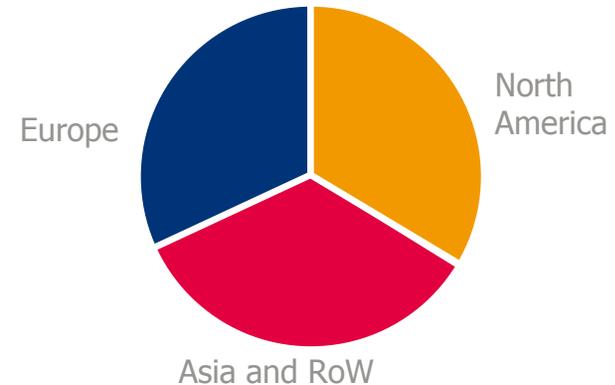
# Key drivers of long term evolution

Sales by segment



- Continue to drive High Performance Materials growth with innovation
- Increase acrylic downstream integration a step further to 50% of sales
- Further shift on specialties will increase EBITDA margins by close to 100 bp
- Mobility, oil and gas, new energies, nutrition, lightweight materials, renewables, high performance coatings will continue to generate large opportunities

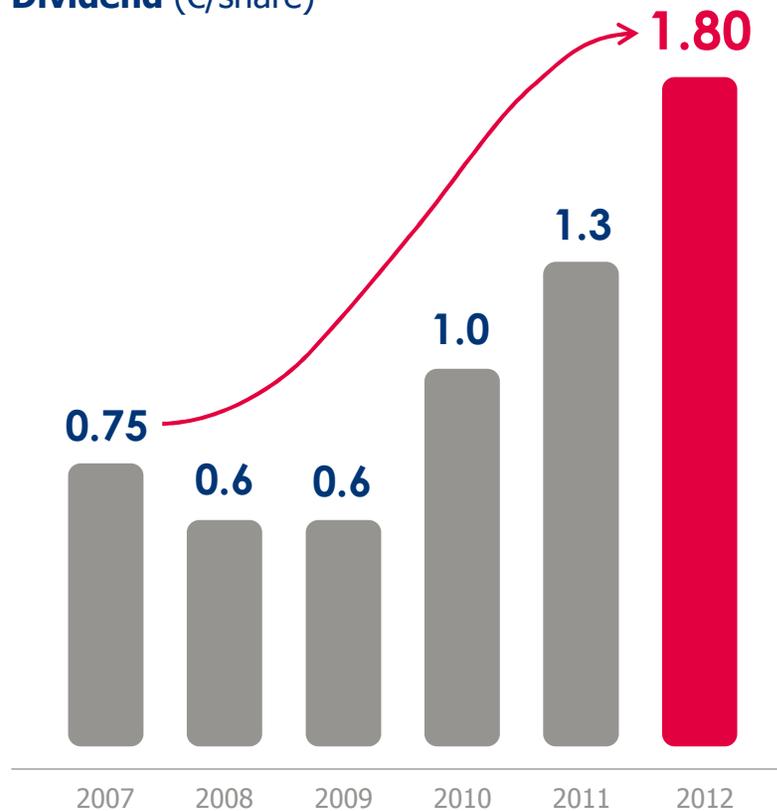
Sales by region



- Balanced geographical reach between Europe, North America and rest of the world
- Continue to invest new capabilities in developing economies
- Continue to leverage strong and profitable presence in North America

# 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

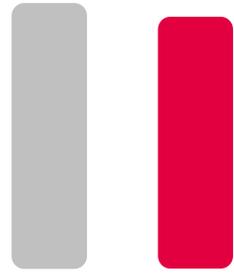


# 2<sup>nd</sup> quarter 2013 financial results **and main facts**

# 2Q'13 highlights

## Sales (€m)

1,719 1,629

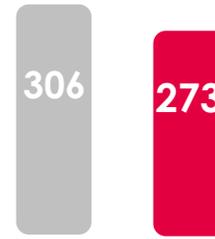


- 1.7% sales at constant scope of business and FX
- Volumes +3.5% YoY

2Q'12 2Q'13

## EBITDA (€m) and EBITDA margin (%)

17.8% 16.8%

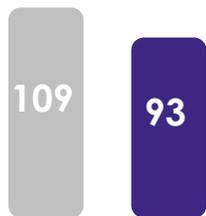


- Solid level versus high comparison base of 2Q'12
- Strong EBITDA margin at 16.8%
- Significant improvement vs 1Q'13 (+17%)

2Q'12 2Q'13

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

19.1% 19.5%

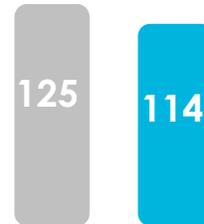


- Significant improvement versus 1Q'13
- Weakness of photovoltaic and oil & gas (temporary)

2Q'12 2Q'13

### High Performance Materials

22.1% 21.1%

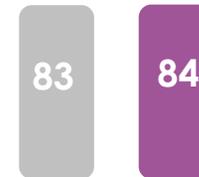


- Performance close to record high
- Negative impact of weather on Fluorogases

2Q'12 2Q'13

### Industrial Specialties

14.4% 14.0%



- Resilient with mixed performance by region

2Q'12 2Q'13

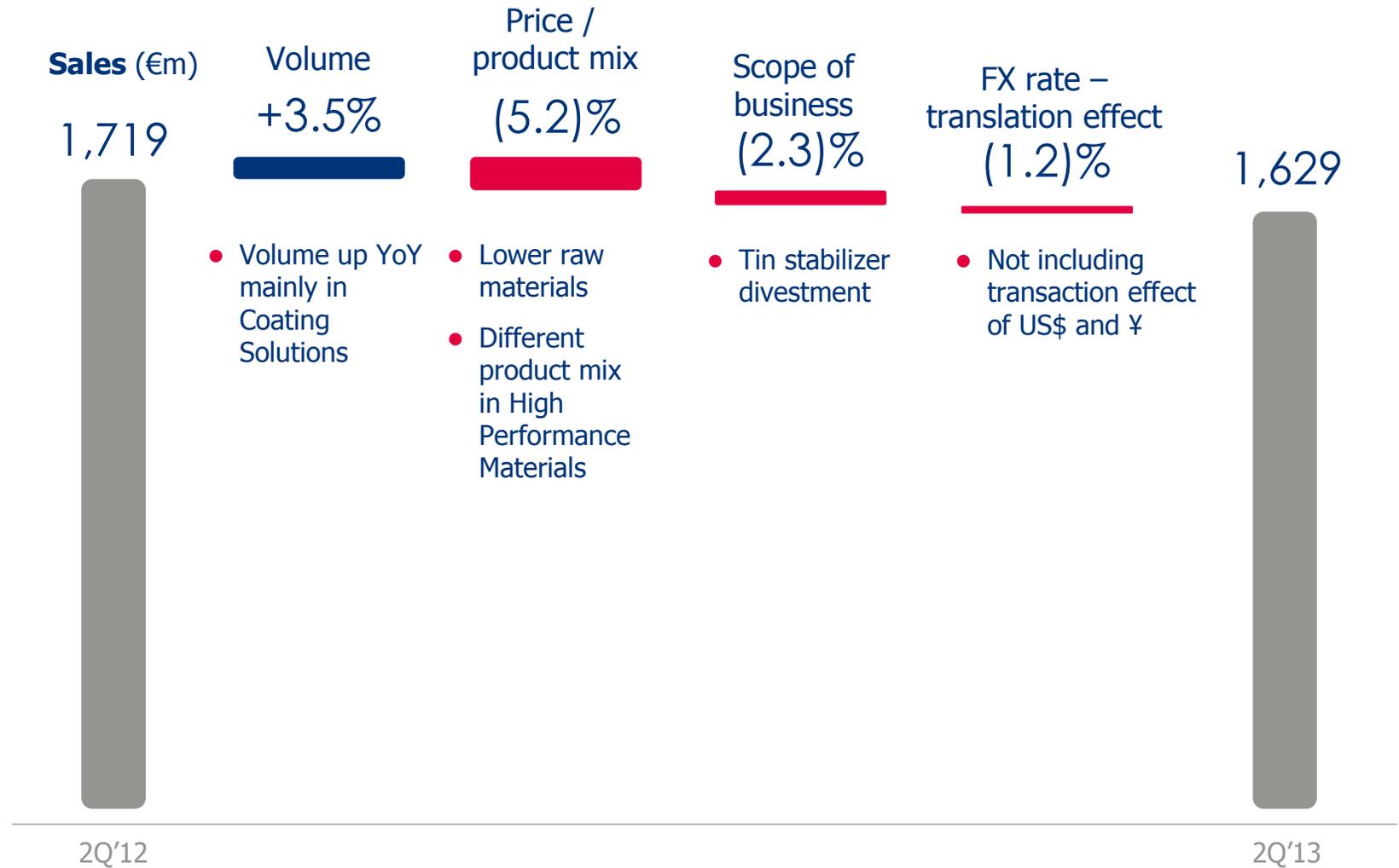
### Coating Solutions



# Key drivers of Arkema 2Q'13 performance

- **Market conditions overall stable versus 1Q'13 but less favorable than in 2Q'12**
  - North America remained solid with gradual improvement in housing market
  - Challenging market conditions in Europe but stable versus 1Q'13
  - More moderate growth in Asia
  - Coating Solutions and fluorogases impacted by unfavorable weather conditions in Europe
  - Weak demand in photovoltaic market and delays in some oil and gas projects still impacting High Performance Materials segment
- **Benefit from strong presence in North America developed over years**
  - 35% of sales in 2Q'13
  - Successful start-up of acrylic capacity expansion in Clear Lake (TX) in 2Q'13
- **Overall good resilience of unit margins despite competitive pressure on some Fluorogases in China and Europe and lower YoY acrylic unit margins**  
(above mid cycle last year due to a sharp drop of propylene price on 2 months)
- **Strict control of fixed costs and working capital**

# Sales bridge





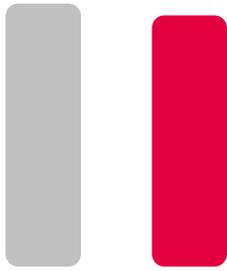
## 2Q'13 key figures

<i>In €m (except EPS)</i>	2Q'12	2Q'13	variation
Sales	1,719	1,629	-5.2%
EBITDA	306	273	-10.8%
EBITDA margin	17.8%	16.8%	
Recurring operating income	229	195	-14.8%
Adjusted net income*	151	124	-17.9%
Non recurring items	(25)	(13)	-
Net income (group share)	(12)	112	-
Adjusted EPS* (diluted)	2.40	1.96	-18.3%

# 1H'13 main figures

Sales (€m)

3,342 3,192

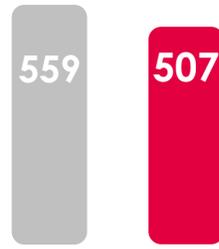


1H'12

1H'13

EBITDA (€m) and EBITDA margin (%)

16.7% 15.9%

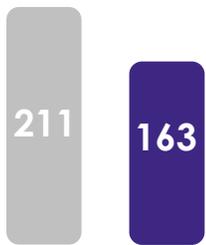


1H'12

1H'13

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

19.1% 17.6%

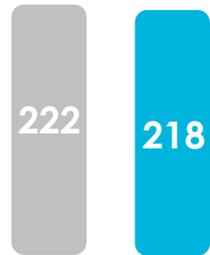


1H'12

1H'13

High Performance Materials

20.2% 20.2%

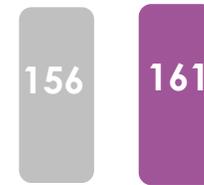


1H'12

1H'13

Industrial Specialties

13.9% 13.8%



1H'12

1H'13

Coating Solutions



# Outlook

- **Market conditions expected to be in the continuity of the 1<sup>st</sup> half of the year with marked contrast by regions and a limited visibility**
  - Solid market conditions in North America
  - Challenging but stable economic environment in Europe
  - Slower growth than expected in China
  - High Performance Materials should continue to be impacted in 3Q'13 by weak demand in photovoltaic and delays in some oil and gas projects. These markets should improve by year end.
- **2H'13 assumptions**
  - High basis of comparison in 3Q'12
  - Easier comparison base in 4Q'12 with similar YoY market conditions expected in Europe and some improvements in specific end-markets of High Performance Materials
- **In this less favorable economic environment than 2012, Arkema confirms its confidence in achieving another strong year and should achieve in 2H'13 an EBITDA similar to the record level of 2H'12**
- **The Group will continue to carefully monitor macro-economic developments and will implement the necessary adjustment initiatives if it was to be necessary**
- **Arkema confirms its ambition for 2016 to achieve € 8 billion sales and 16% EBITDA margin while maintaining its gearing 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.

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 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)