Arkema

The Premium Review Conference, Société Générale

Paris, November 30th, 2011

Leadership positions in many niche markets

Commodities
- Mature markets
- Many players
- Easy available technology

Specialties
- High growth potential
- Limited number of players
- Proprietary technologies

	Ranking
Technical Polymers	# 1/2*
Functionnal Additives	# 2**
Specialty Chemicals	# 2***
Acrylic monomers	# 3
Spec. Acrylic polym.	
Acrylic Emulsions	# 2 US
PMMA	# 1/2
Thiochemicals	# 1
Fluorochemicals	# 2
Hydrogen Peroxide	# 3
Vinyl Products	# 3 EU

* Specialty Polyamide and PVDF
** Organic Peroxide
*** Molecular sieves

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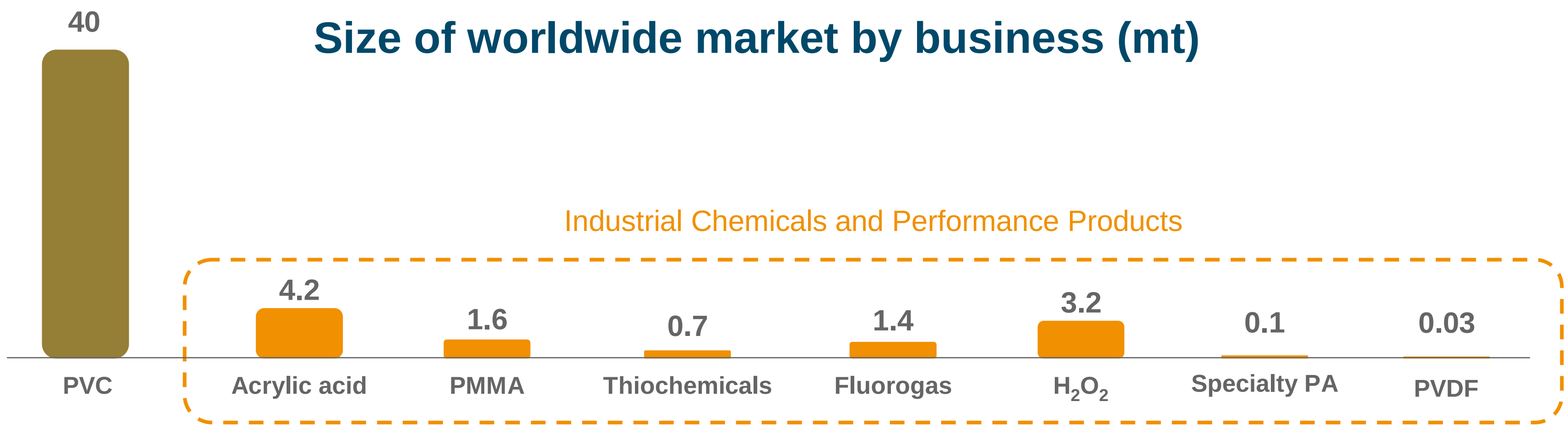
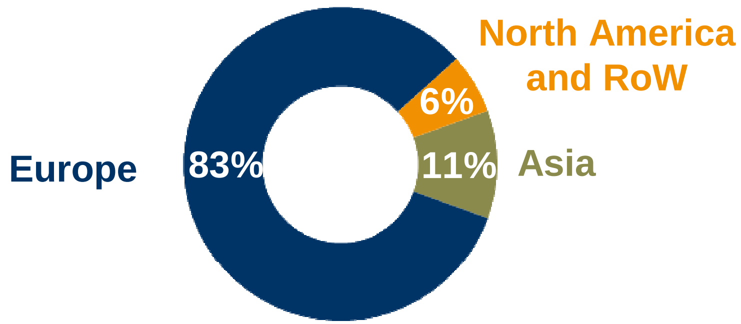
Marked differences: market size and presence

Size of worldwide market by business (mt)

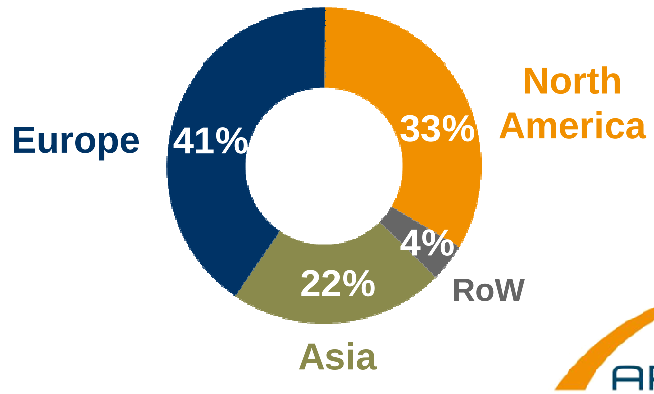


Sales by region (9m'11)

Vinyls

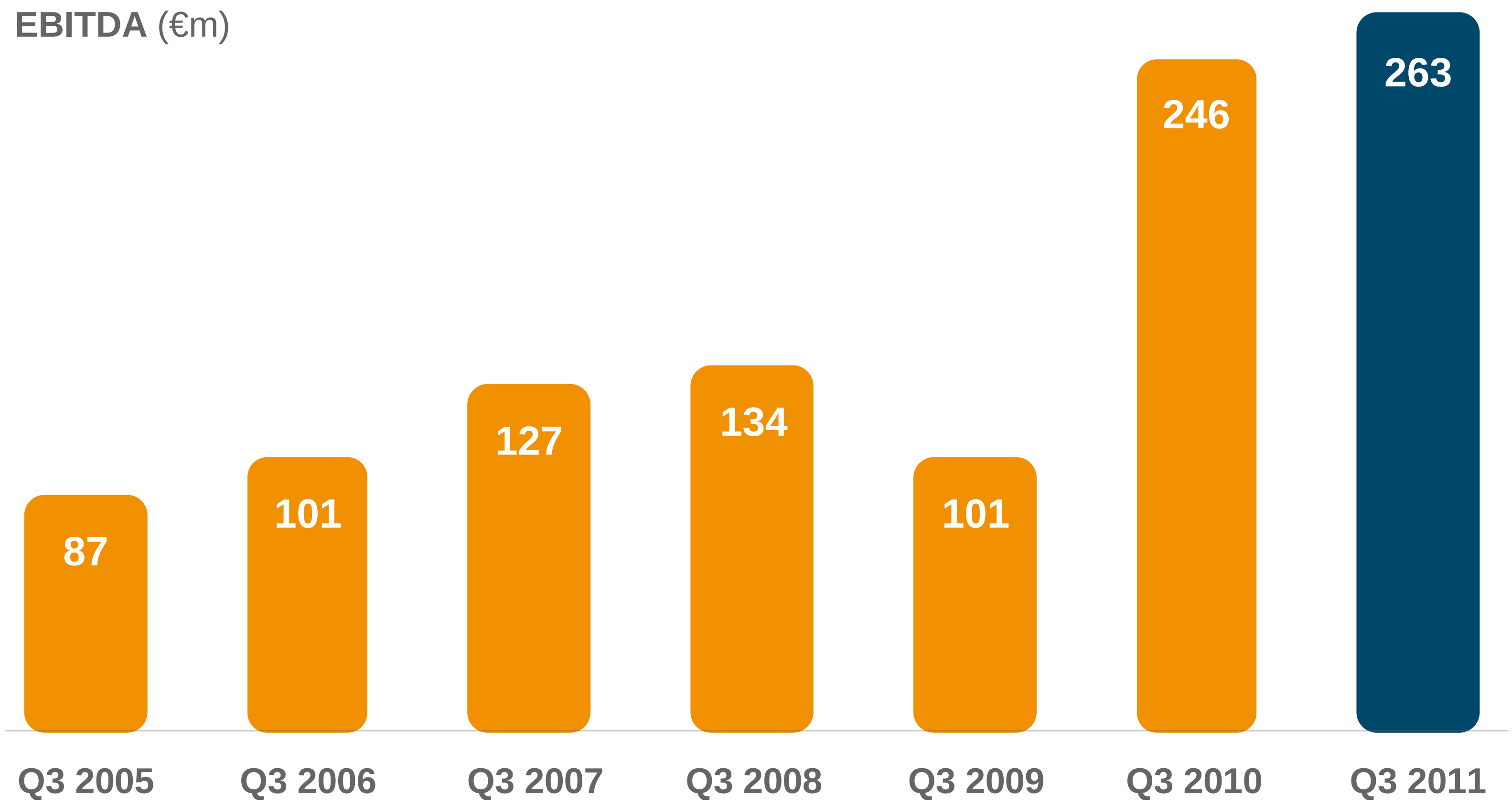


Industrial Chemicals and Performance Products



3Q'11 results and outlook

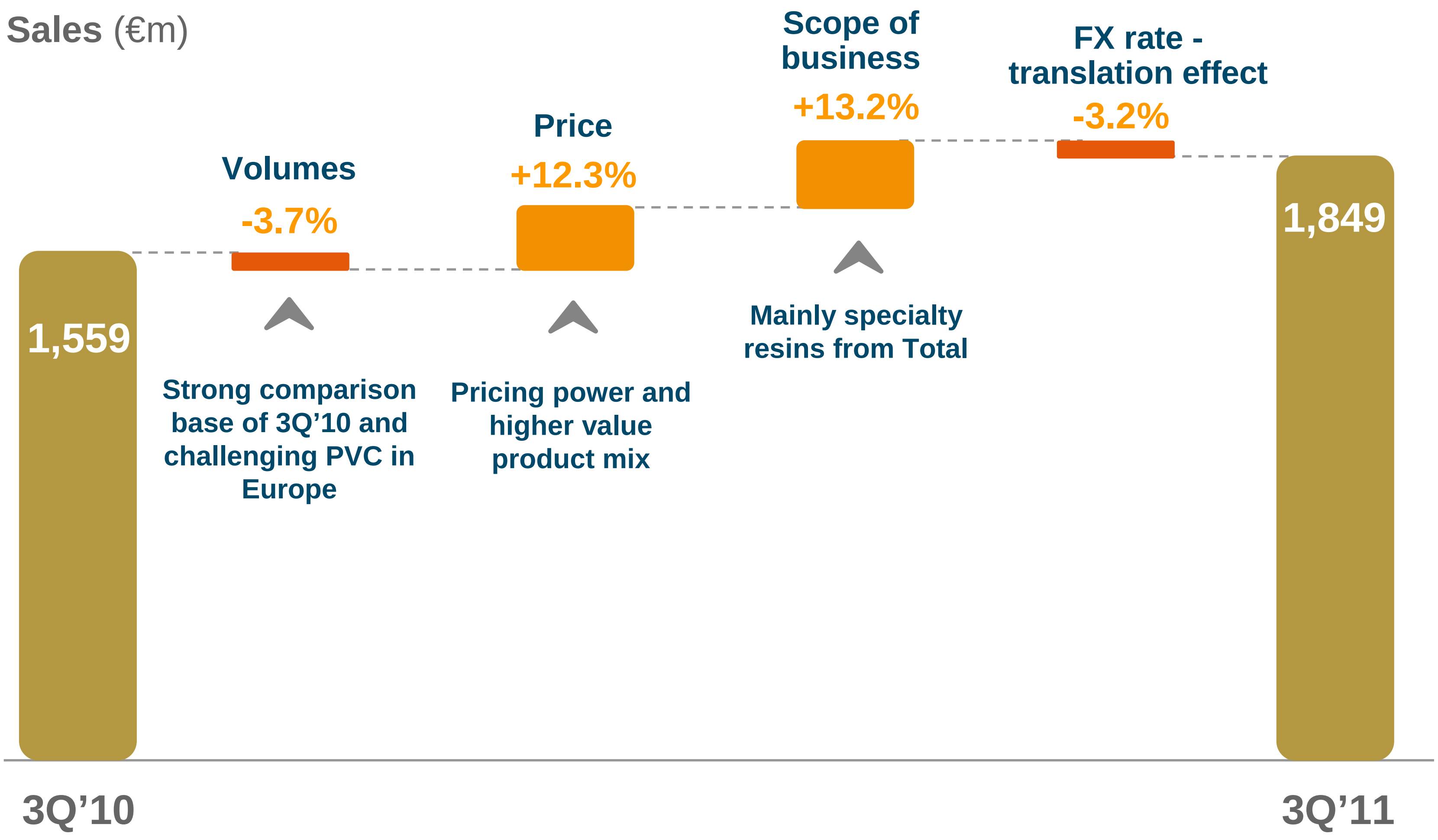
Q3'11 EBITDA reflects Arkema transformation



3Q'11 key figures

in €m (except EPS)	3Q'10	3Q'11	Variation
Sales	**1,559**	**1,849**	***+18.6%***
EBITDA	**246**	**263**	***+6.9%***
EBITDA margin	***15.8%***	***14.2%***	
Recurring operating income	**172**	**184**	***+7.0%***
Recurring operating margin	***11.0%***	***10.0%***	
Net income (group share)	**130**	**109**	***(16.2)%***
Adjusted EPS (diluted)	**2.09**	**2.09**	**-**

+19% sales versus 3Q'10



Industrial Chemicals: delivering a solid performance

in €m	3Q'10	3Q'11	Variation
Sales	**800**	**1,047**	***+30.9%***
EBITDA	**159**	**172**	***+8.2%***
EBITDA margin	***19.9%***	***16.4%***	
Recurring operating income	**122**	**131**	***+7.4%***

- **Positive price effect on higher raw material costs**
- **After untypical 2010 summer, return to more traditional seasonality**
- **Integration of Total specialty resins as of July 1st**
  - +€218m net sales
  - Dilutive effect on EBITDA margin
- **Excluding M&A, EBITDA close to 3Q'10 level**
  - Solid contribution of all businesses
  - Slower demand in architectural coatings and refrigeration (seasonality increased by inventory adjustment at customers)
- **Negative impact from foreign exchange rate (€/$)**

Performance Products: excellent growth momentum

in €m	3Q'10	3Q'11	Variation
Sales	**470**	**519**	***+10.4%***
EBITDA	**92**	**102**	***+10.9%***
EBITDA margin	***19.6%***	***19.7%***	
Recurring operating income	**70**	**79**	***+12.9%***

- **3Q EBITDA at record high**
- **Strong performance of all Technical Polymers**
  - Steady demand in Asia (31% of segment sales in 3Q'11)
  - Continuous growth of solutions to sustainable development
  - Contribution from PVDF Kynar® new unit in China
- **Positive effect from price increases and higher value product mix**
- **Negative impact from foreign exchange rate (€/US$)**
- **Project to acquire a complete range of specialty chemicals from SEPPIC consistent with our strategy in Performance Products to grow on high value niche markets**

Vinyl Products: break-even in challenging environment

in €m	3Q'10	3Q'11	Variation
Sales	**284**	**278**	***(2.1)%***
EBITDA	**4**	**0**	***na***
Recurring operating income	**(10)**	**(14)**	***na***

- **Lower volumes in a challenging construction market in Europe**
- **Price increases vs 3Q'10 offsetting higher energy and raw material costs**
  - Higher caustic soda prices
  - Increased PVC prices but unit margins still low
- **-€11m impact on sales from divestment of PVC pipe business in France**
- **4Q'11 outlook**
  - Impact from recent strike in LyondellBasell Berre refinery and expected low PVC seasonality in Europe for the end of the year should drive negative EBITDA in 4Q
- **Excellent performance of Qatar Vinyl Company in which Arkema owns 13% stake**

Significant cash generation

in €m	3Q'11
EBITDA	**263**
Working capital variation	**66**
Recurring capex	**(89)**
Tax & cost of debt	(50)
Non recurring outflows**	(10)
Others	13
Free cash flow*	**193**

- **Net debt at €653m**
  - Gearing at 25% after acquisition of Total specialty resins
- **Working capital excluding Total resins: -7% vs end of June 2011**
  - Despite inventory build up related to planned maintenance turnarounds of 4Q
- **Full year end targets**
  - Working capital/sales: ~15%
  - Recurring capex: €360m
- **4Q'11 cash flows will include:**
  - Cash outs related to an investment in a fluorspar mine (between -€25m and -€30m)
  - Acquisition of some Seppic activities

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

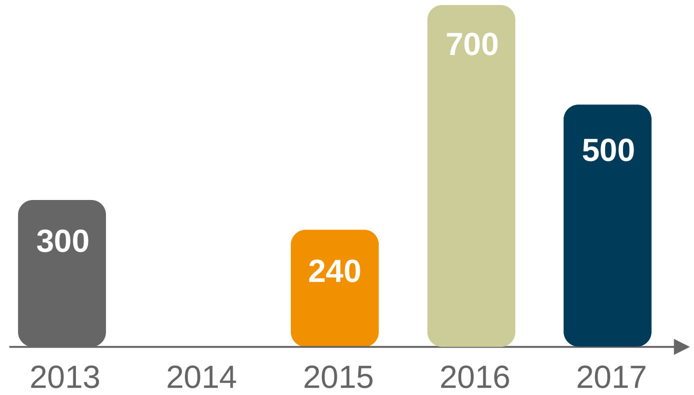
***** Including non recurring capex*

Successful diversification of financing sources

Diversified financing sources

- **Revolving credit facility: €300m**
- **Securitization program: €240m**
- **Revolving credit facility: €700m**
- **Bond issue: €500m**
- **Local bank loans**

Maturity of financial debt (m€)



Average maturity > 4 years
More than €1.2bn available after 5 years

A well balanced maturity profile

2011 outlook

- **4^{th} quarter will reflect the traditional seasonal weakness of year-end (exception in 2010)**
- **In the current uncertain macro-economic environment, we anticipate a growing caution of customers on their year-end inventory level, particularly in PVC, architectural coatings and refrigeration.**
- **4^{th} quarter will also include a few planned large maintenance turnarounds in acrylics, fluorogas and fluoropolymers.**
- **The Group confirms that 2011 will be an excellent year, very significantly above 2010, and confirms its objective to exceed the symbolic €1 billion EBITDA milestone**
- **Arkema remains attentive and proactive to the changes in the macro-economic conditions**

A strong pipeline of projects

Smooth integration of Total specialty resins

- **Integration on July 1st, 2011**
- **+€218m net contribution on Group sales in 3Q'11**
- **€535m cash outflow (including €31m cash acquired)**
- **Preliminary Purchase Price Allocation**
  - Goodwill: €136 m
- **In 3Q'11, ~€(35)m non recurring items booked**
  - Including €(29)m inventory valuation at market price (part of PPA)
- **Should be EPS accretive on first twelve months of integration**

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Planned acquisition of a complete range of Specialty Chemicals from SEPPIC

- **Acquisition of a world class industrial site in Antwerp (Belgium)**
- **Excellent fit with Arkema's strategy**
  - Complement existing range of Specialty Chemicals
    - Specialty surfactants of Specialty Chemicals BU – Ceca
    - Extended offer on high added value niche markets (warm asphalt mix, oil & gas)
  - Key component for fast growing range of high performance additives offered by Coatex (Specialty Acrylic Polymers)
    - Thickeners or pigment dispersants for coatings
    - Concrete additives for high-tech civil engineering structures
- **Sales: €47m (2010 figures) with strong growth potential**
- **Closing expected end 2011**
- **Excellent profitability in line with current Performance Products level**

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Project to expand in specialty polyamides

- **Project to acquire 2 Chinese companies**
  - **HiPro Polymers**, a fast-expanding producer of bio-sourced polyamide 10.10
  - **Casda Biomaterials**, world leader in sebacic acid, derived from castor oil and used in particular to manufacture PA 10.10
- **Acquisition fully in line with our strategy**
  - Boost our position in China
  - Strengthen our world leading position in specialty polyamide
    - Arkema is the only producer of PA 11
    - Only chemical player offering a full range of long chain polyamides
    - Combine our application know-how with HiPro's technology
  - Grow in green chemistry
- **Enterprise value of $365m**
- **$ 230m sales (2011e)**
- **750 employees**
- **Closing expected early 2012 subject to approval by Chinese authorities**

Project to divest Vinyls

Project subject to the information / consultation of relevant Work Councils

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Project rationale

- **Since spin-off, Arkema has:**
  - Developed strong leadership positions in Industrial Chemicals or niche markets in Performance Products
  - Undertaken a significant restructuring plan to improve profitability of Vinyls
- **End 2010, Arkema announced its vision for 2015**
  - Accelerate growth in Industrial Chemicals and Performance Products through expansion in Asia, innovation and M&A
  - Further reduce the weight of Vinyls while improving its profitability
- **This project is based on the firm conviction that specialty and commodity businesses require differentiated strategies and organizations**

Project overview

- **Project to sell the Vinyl Products segment* to Klesch Group**
  - Creation of a European integrated and independent PVC leader
  - Dedicated management team, strong balance sheet and clear industrial project
  - Klesch Group specialized in the development of commodity-related industrial businesses
  - Compensation packages and terms of employment contracts safeguarded for all transferred employees

- **Arkema focused on its specialty businesses: Industrial Chemicals and Performance Products**
  - In line with Arkema's strategy to reduce the weight of Vinyls
  - Cash reallocated in specialty businesses to fund growth strategy
  - Improves margins and cash returns of Arkema

* The divestment concerns all the Vinyl Products segment except the sites of Jarrie and part of Saint-Auban in France

Transaction scope and key points

- **2,630 employees transferred in accordance with applicable legislation**
- **End 2011, activities to be divested will be classified as discontinued operations**
- **~ € 470 million exceptional net expenses to be booked in 2011**
  - ~ € 370m exceptional net write-offs related to PPE, working capital and provisions
  - ~ € 100m cash charge
- **Vinyls divestment will bring forward the recognition of DTA on tax-loss carry-forwards**
- **Closing due mid 2012 subject to:**
  - Information / consultation of relevant work councils
  - Approval by relevant antitrust authorities

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Arkema pro forma P&L (unaudited)

in €m (except EPS)	Reported 2010	Transaction impact	Pro forma 2010*
Sales	**5,905**	**1,036**	**4,869**
EBITDA	**790**	**(19)**	**809**
EBITDA margin	***13.4%***	***(1.8)%***	***16.6%***
D&A	**287**	**40**	**248**
Recurring operating income	**503**	**(59)**	**562**
Rec. operating margin	***8.5%***	***(5.7)%***	***11.5%***
Net income – Group share	**347**	**(78)**	**425**

€6.5bn

Pro forma 2011e sales

Including Total resins, Seppic, and HiPro / Casda

excluding Vinyls

* Unaudited figures. Based on management estimates.

Arkema positioned as a specialty leader

Project subject to the information / consultation of relevant Work Councils

Arkema tomorrow

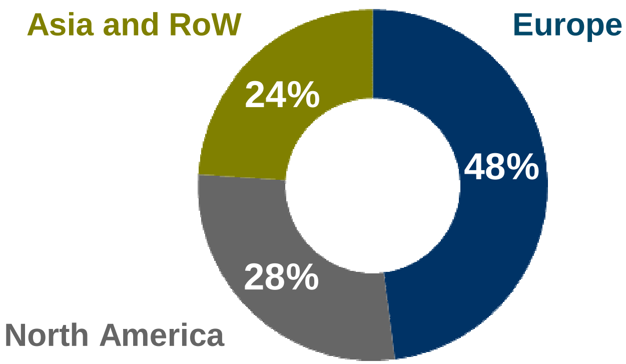
- **Global leadership positions in all business lines**
- **A portfolio focused on specialty businesses with 2 strong growing segments: Industrial Chemicals and Performance Products**
- **Well-balanced global presence**
- **Competitive world-scale facilities**
- **Solid balance sheet and diversified financing sources and maturity**
- **Best-in class margins and return on capital employed**

* Unaudited pro forma sales including FY contribution of Total's specialty resins

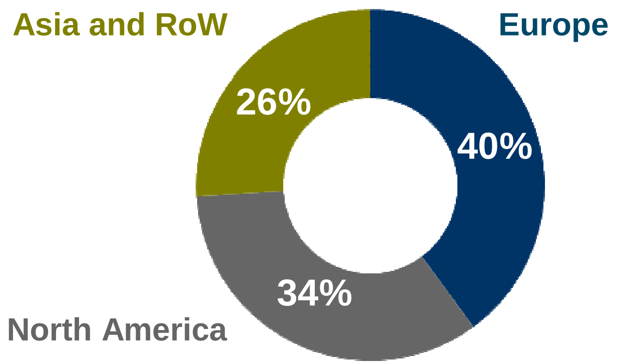
Well balanced presence

Sales by region (2011e)

Arkema including Vinyls



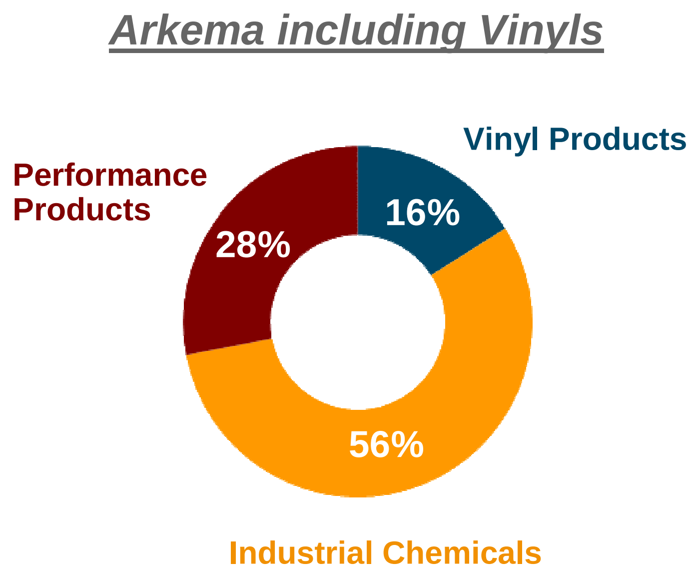
Arkema excluding Vinyls

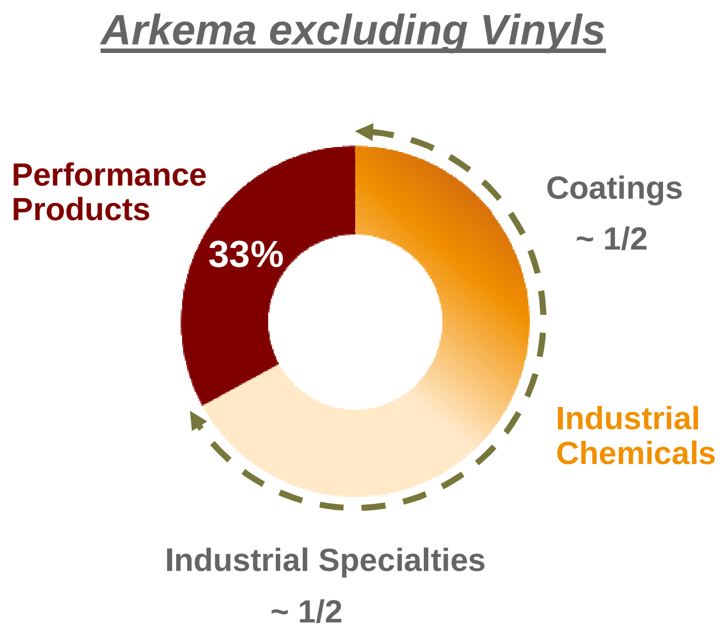


Strong exposure to emerging markets

Impact on portfolio

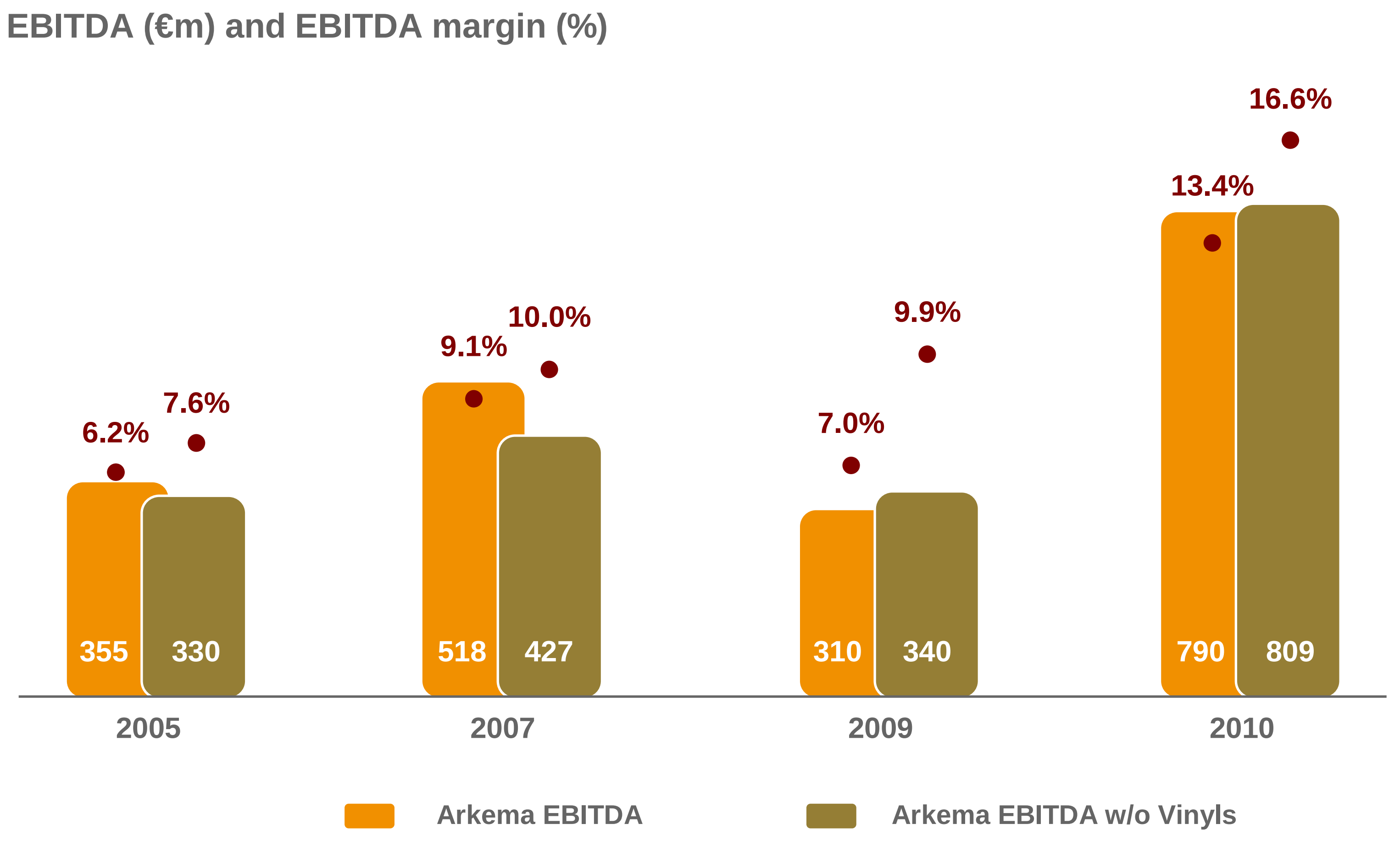
Sales by segment (2011e)





 Project subject to the information / consultation of relevant Work Councils

Profitability



* Pro forma unaudited figures. Based on management estimates

Outline of Arkema tomorrow

- **€6.5bn proforma sales***
  - Including full year acquisition impact (Total Specialty Resins, Seppic and HiPro / Casda)
  - Excluding Vinyls
- **Reduced cyclicality**
- **Strong balance sheet**
  - Net debt below 1x 2011e EBITDA
- **2015 EBITDA target increased at € 1,050m without Vinyls****
- **Reaffirm current dividend policy**

* Unaudited pro forma sales including impact of acquisitions and divestments announced in 2011
** Mid-cycle conditions in a normalized environment

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 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

- 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 has generated revenues of €5.9 billion in 2010 and holds leadership positions in all its markets with a portfolio of internationally recognized brands. The world is our inspiration.

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