

Specialty polymers: punching above their weight

Focus on high-performance polymers

We think we are at an inflection point for specialty polymers: these highly attractive assets have quickly reached critical mass for some of the Diversifieds sub-sector namely Arkema and Solvay, and in our view will continue to grow rapidly thereby driving upside to forecasts, and more importantly, valuation multiples. **For both Arkema and Solvay, we upgrade EBITDA forecasts of Polymers by 5-10% in the short and mid-term** and believe we are 10-15% ahead of cons.

Long term view: megatrends galore

Though not always well understood, high-performance polymers are one of the most attractive subspaces in the global chemicals industry, thanks to favourable market structures (high barriers to entry, pricing power), demand growth that should be able to multiple of global GDP (2-3x) with the help of new applications, and margins that are less cyclical and superior to the rest of the industry (15-40% at EBIT level). They are involved in a wide range of industries and applications, from oil&gas to medtech via autos, batteries or water treatment. They typically offer innovative solution to end-markets needs: weight reduction to replace metals and reduce energy consumption, or particular resistance characteristics to demanding conditions (temperature, pressure, etc).

Short term view: rapid bounce from Q4 destocking

Polymer producers are typically a few steps away from the end-users, and therefore are subject to inventory cycles especially for a few key cyclical end markets such as electronics or autos. Slowdowns were documented by Victrex or Solvay in Q4. Interestingly, both have mentioned a bounce so far in Q1, with Victrex volumes being up 9% in January after being down 15% in Q4 and against tough Q1'11 comps. This should drive upside to 2012 earnings as cons probably turned too pessimistic.

Solvay and Arkema the ways to play this

We publish separate companion notes on Arkema, Solvay and Victrex, raising numbers and PO. Arkema and Solvay are two sector top picks, predicated on double-digit EBITDA upside to consensus and cheap valuations. We think our view on Specialty Polymers explains a significant part of the difference between us and consensus. Reverse-SOP analyses show the market is valuing those niche premium assets on commodity multiples.

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Table 1: Rating changes

Company name	Rating	Old PO	New PO
Arkema	Buy	73.00	79.00
Solvay	Buy	110.00	113.00
Victrex	Neutral	1130.00	1450.00

Source: BofA Merrill Lynch Global Research

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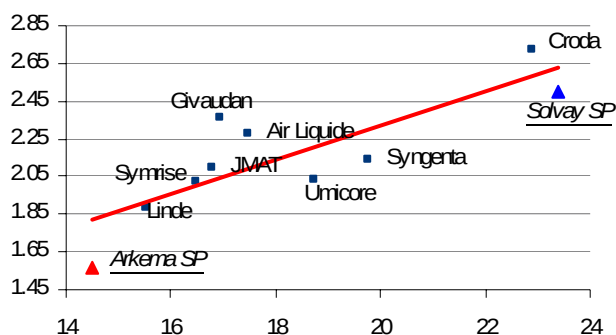
Conclusions: Buy Arkema and Solvay

We reiterate in separate notes our Buy cases for Arkema and Solvay, which are two of our sector top picks. For them we raise forecast in Polymers, and POs. They benefit from the megatrends in specialty polymers to a significant degree (c20% of group EBITDA), and offer upside from a sum-of-the-parts angle even when we put lower quality assets on depressed multiples.

Victrex is a pure-play with 100% of its sales in the highest-performing plastic called PEEK. In a separate note, we increase our PO significantly on the back of short and mid-term upgrades, but keep a Neutral on valuation grounds.

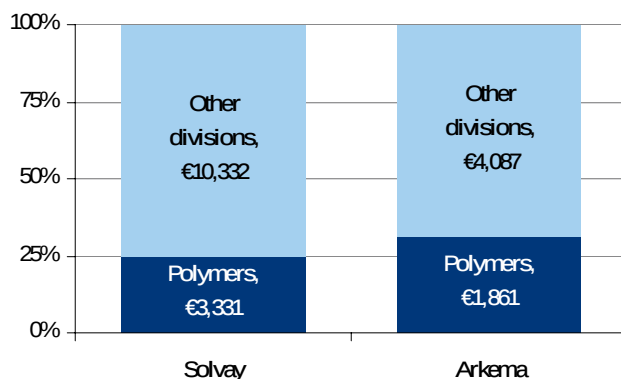
In this note, we explain why we think Specialty Polymers assets can continue to grow and defend high margins. As stand-alone units, those assets would be compared to high quality part of the sector. Chart 1 below plots those in terms of profitability and current EV/Sales multiples (2012 estimates). We also add to the chart the Polymers businesses of Arkema and Solvay using our assumed multiples in the respective SOTP analyses. This illustrates that we are not particularly aggressive on valuation. For Solvay, we think we could be more punchy but need to see continued delivery on the recent margin step-up.

Chart 1: We value Specialty Polymers (SP) at discounts to justified multiples for both Arkema and Solvay ...



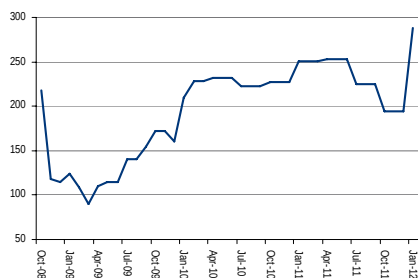
Source: BofA Merrill Lynch Global Research estimates

Chart 2: ...yet SP assets make up a very big portions of the SOTPs for both (target EV)



Source: BofA Merrill Lynch Global Research estimates

Chart 3: Victrex monthly tonnage in past 3 years



Source: Company data

In the companion notes, we have harmonised and upgraded our forecasts for 2012 and beyond. In general, we upgraded our volumes assumptions for 2012 on the back of the restocking in Q1 and what seems to be a macro environment behaving better than feared during the Q4 destocking. Regarding the short term bounce, Victrex mentioned it saw an 8% volumes jump in January and Solvay also mentioned accelerating volumes YTD. We have also taken a less conservative approach to mid-term volumes development, assuming that the polymers industry can continue to grow at least 2x global GDP.

Demystifying specialty polymers

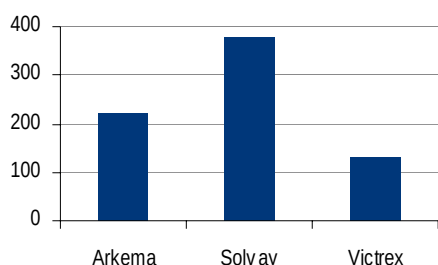
What are they?

Specialty polymers are materials that offer a wide range of high-performance attributes which make them particularly suited to replace other materials (e.g. metals) in a number of growing niches.

In total, there are over 20 molecules that qualify as being “specialty”, and they all have a few key attributes in common: they are usually lightweight structures, offer resistance to demanding conditions, are expensive materials and are known (or not!) by acronyms which generalist investors find hard to fathom (polyamide 6 is very different from 11 or 12).

Some key attributes on top those common features are: corrosion protection, biocompatibility, transparency, toughness, elasticity, flexibility of design, to quote but a few. The decision to use a particular specialty polymer will be made according to a cost/benefit analysis, since more “specialty”, i.e. better properties will come at a higher the price (sometimes a lot higher).

Chart 4: Estimated 2012 absolute EBITDA in Specialty Polymers (€m)



Source: BofA Merrill Lynch Global Research estimates

Who produces them?

We know of **12 chemical companies** significantly involved in specialty polymers, two of which are listed pure-plays (Victrex, EMS Chemie), and two of which have significant exposure (Arkema and Solvay), whilst the others tend to be bigger groups with smaller relative exposure.

Are they that special?

Each polymer tends to have high barriers to entry, strong growth potential and strong and resilience profitability as pricing power is high even in volatile environments for raw materials. The barriers to entry are high as one needs technology, patience as there is no blockbuster products but a thousand small applications, customers value a partnership approach and security of supply.

Those are highly consolidated markets, and key intermediate products tend to be captive so new entrants have to invest throughout the value chain to be able to produce the polymers. This is not the case in slightly lower quality plastics like Polyamide 6 or 6.6, as many producers are “long” the intermediates and sell them in the merchant market (caprolactam, adipic acid).

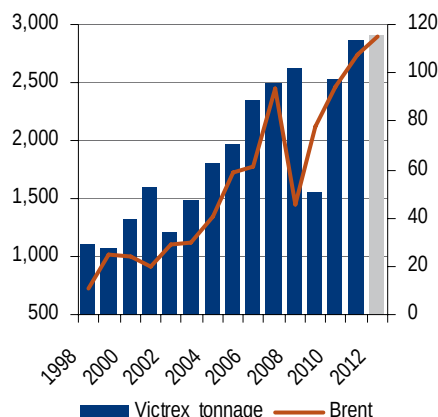
We illustrate below the point on size, pricing, and consolidation comparing a few materials on top-down considerations. On the right side, we have Polyamide 11 and 12 as well as PEEK, which are among the most relevant specialty polymers in our coverage universe.

Table 2: Key characteristics of a few materials

	Steel	Aluminium	PVC	PA 6 / 6.6	PA 11 / 12	PEEK
Global market size in tons	c1,300,000,000	c44,000,000	c25,000,000	c3,000,000	c120,000	c3,500
Market share of top 3 producers	c15%	c30%	c35%	c50%	> 70%	> 95%
Price (\$ per kilo)	0.5 - 1.0	2.0 - 2.5	1 - 1.5	3 - 4	12 - 14	> 100
Density (g/cm3)	7.9	2.7	1.5	1.1	1.0	1.3

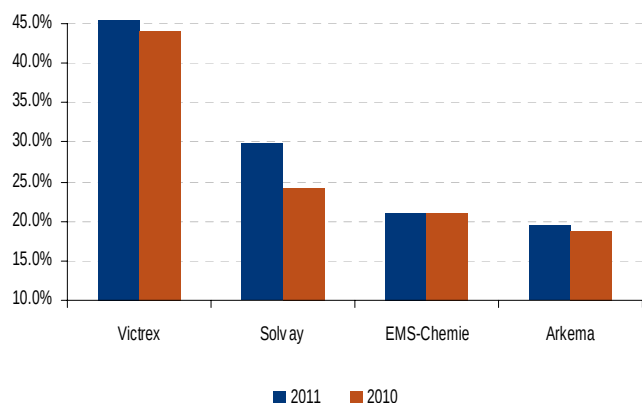
Source: BofA Merrill Lynch Global Research, company data

Chart 5: Energy megatrends drive volumes



Source: BofA Merrill Lynch Global Research, Victrex

Chart 6: EBITDA margin of Specialty Polymers division



Source: BofA Merrill Lynch Global Research estimates Note: whilst we do not cover it, we include EMS Chemie for reference purpose

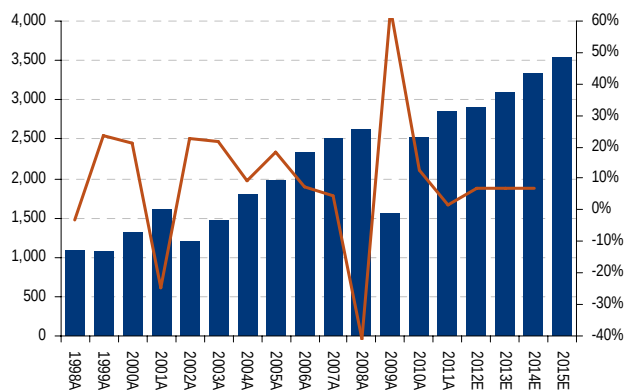
What is the growth potential? Probably in-line with history

Disclosure has historically been limited for Arkema and Solvay. The Victrex data is cleaner, and points to a **historical compounded volume growth of 8% from 1998 to 2011**. On top, prices have increased by a CAGR of 4.4%, more than compensating for raw materials.

In the medium to long term, we believe energy megatrends will continue to drive demand growth in terms of further needs for fuel efficiency, increased requirements for superior materials in Oil&Gas pipes, lightweighting, and alternative energies (photovoltaic panels, batteries). Related growth drivers include increased consumer spending in Emerging markets, healthcare globally and water treatment solutions.

Therefore, we believe organic growth of at least 2x GDP is doable on a sustainable basis. Higher investments in capex, R&D to sustain innovation, and technical and customer supports lead us to assume limited margin leverage, although history shows for Victrex and Solvay that margin growth is doable.

Chart 7: Victrex has shown tonnage growth of 8% CAGR from 1998-2011



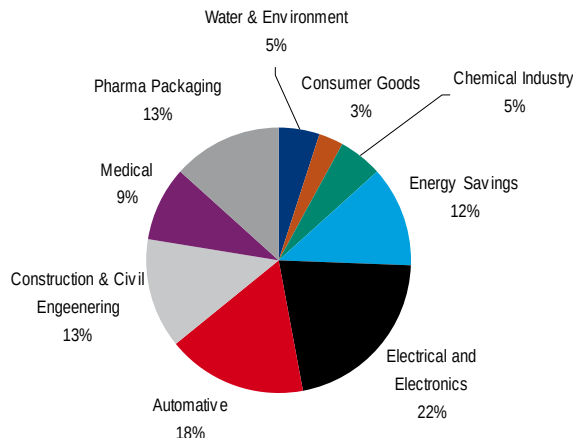
Source: BofA Merrill Lynch Global Research, Victrex

What are the main end markets?

In broad terms, we believe the industry is equally split between Americas, Asia and Europe, though our European have a bit more in Europe (c40% for Solvay). Whilst emerging markets offer the potential to catch-up in terms of intensity of use of polymers, developed markets also offer superior growth for a number of new applications.

In terms of industries, there again exposure is diversified. The **transport (autos and trucks)** industry has been a key end-market over the past 5-10 years. Typical modern cars have more than 100kg of plastic components, with the higher specification materials used in under-the-hood applications and fuel systems where conditions are the most demanding. The trend there is not over as the use of more powerful and compact engines as increased the temperatures that materials need to tolerate. The use of plastics has progressed quickly thanks to its ability to reduce weight and its ease of assembly flexibility, which have enabled more complex designs and productivity gains.

Chart 8: Typical end-markets very diversified – here the example of Solvay in 2010



Source: BofA Merrill Lynch Global Research, company data

Figure 1: The pyramid of plastics



Source: Company data

Mapping out the Specialty Polymer market

There are three groups of specialty polymers: semi-crystalline and amorphous plastics, and specialty elastomers:

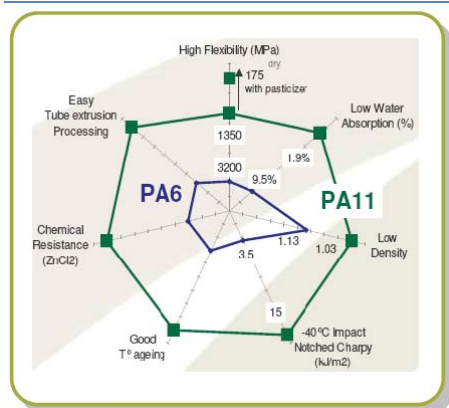
- Specialty Plastics are usually semi-crystalline, ie have a highly ordered molecular structure. Those typically have a stable structure up to a certain temperature, and have excellent chemical resistance. Amorphous or crystalline polymers are rarer. They have a randomly ordered molecular structure which softens gradually as the temperature rise. Each class will be very useful depending on the application range.
- Specialty Fluids/Elastomers are usually fluor-based elastomers which provide additional heat/chemical resistance to rubber-based elastomers, and are used as sealants in demanding (e.g. oil&gas). The most common lower specification elastomers are known as EPDM or EVA.

Table 3: Specialty Polymers landscape: products, size when estimated, key players

	Semi-crystalline	Amorphous / Crystalline	Fluids / Elastomers
Ultra Polymers	PEEK (c3,500t) Victrex (global leader) Solvay, Evonik Others (PFSA, PAEK, PEKK) Solvay, Arkema	Solvay (SRP, PAI, HTS) DuPont (PI)	FFKM/PTFE DuPont Solvay Daikin Dyneon (3M)
High-Perf Polymers	PVDF (c30,000t) Arkema & Solvay (global leaders) Dyneon (3M) PA 12 (c100,000t) Arkema, Evonik, EMS, Ube PA 11 (c20,000t) Arkema PPS, LCP Ticona (Celanese), Solvay Others Solvay, Arkema, Dyneon	Solvay (PSU/PES/PPSU) BASF (PSU/PES/PPSU) Sabic (PEI, ex GE Plastics)	FKM: DuPont Solvay Daikin Dyneon (3M)

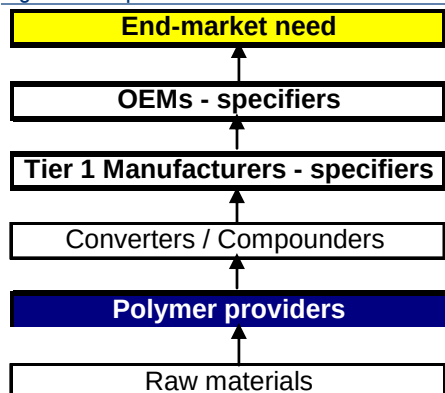
Source: BofA Merrill Lynch Global Research, company data Note: global 2011 market size where estimated in brackets

Figure 2: Comparing Polyamide 6 and 11



Source: Company data

Figure 3: Simplified value chain



Source: BofA Merrill Lynch Global Research, company data

Other plastics participate in the metals replacement megatrend, such as Polyamide 6 or 6.6. Those do not offer the same market structure, barrier to entry, or pricing power and therefore profitability. Polyamides 6 and 6.6 have a combined market size approaching 3mt, roughly 10x the combined size of Specialty Polymers on our 2011 estimates. Typical profitability through the cycle is just over 10% on an EBITDA basis, vs 20% or more for Specialty Polymers (40% for Victrex in PEEK).

Value chain explains success factors and volatility

Specialty polymers producers tend to be a few steps away from the end users which makes them subject to short-term inventory cycles. Equally, it means that a critical success factor is to be close to all the actors in the chains, to better understand product requirements (in the case of the specifiers), or better help from a production and technical standpoint (for the processors).

The best example there is Victrex, which has dedicated people at all steps (Market and Key account development people close to OEMs and Tier 1 manufacturers, Sales and Technical service teams close to the processors, and R&D people).

A few example of growth drivers

1. Automotive: Driven by growth in premium sector

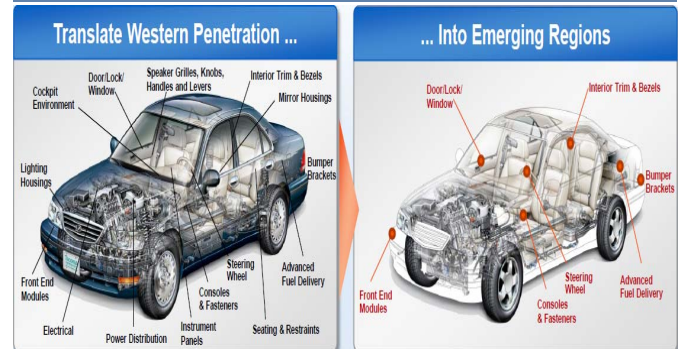
Our global autos team expects global car production to be up 2/3%, including better growth from premium cars and emerging markets. Premiumisation is important for specialty polymers as it drives increased content per vehicle (bigger and more powerful engines, need for lighter materials, electronics on board, etc). In emerging markets, the story is also about higher intensity of use, though coming from a lower point.

Chart 9: Global auto sales and growth



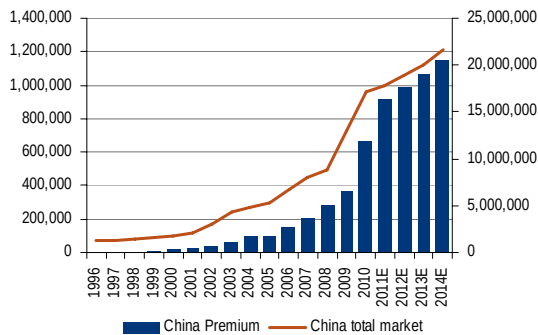
Source: BofA Merrill Lynch Global Auto Research

Chart 10: Intensity of use in autos



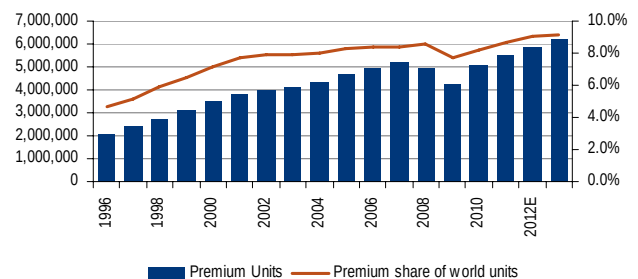
Source: company data

Chart 11: China premium sales: premium and total



Source: BofA Merrill Lynch Global Auto Research

Chart 12: Global premium auto sales and share of total units sold

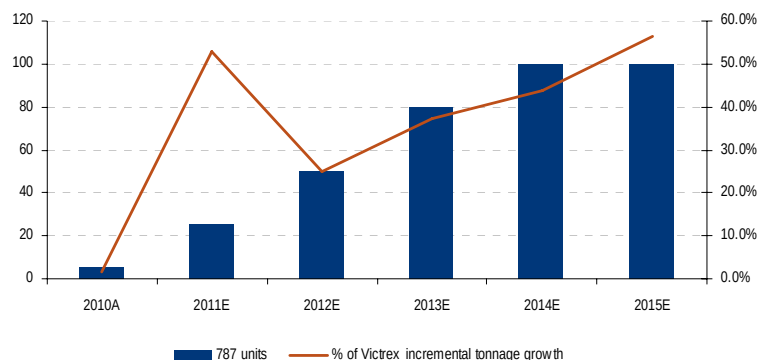


Source: BofA Merrill Lynch Global Auto Research

2. Example number 2: aerospace

Victrex, Solvay and Evonik are the three main players in PEEK. PEEK has many growth opportunities, but aerospace is one where growth will be driven by the need of fuel cost reduction, which should be achieved largely through weight reduction. In that sense, the value proposition for Victrex is that PEEK pipes are lighter, insensitive to corrosion, have interior smooth surface, lower thermal conductivity and vibration dampening. On new designs, such as the Boeing 787, new polymers have gained share. Victrex claims they will have 1ton of PEEK per aircraft. On a full run-rate of 100 units per year, that's 100t of PEEK against an estimated total current market of 3,500t for all applications.

Chart 13: Boeing 787 deliveries and the impact on Victrex tonnage growth



Source: BofA Merrill Lynch Global Aerospace and Chemicals Research

3. Offshore drilling flexible pipes

This is one area that we have already mentioned a few times on Arkema. Arkema (and before it Atofina) has a long history of supplying high-performance polymers to the Oil&Gas industry. We believe its Polyamide 11 called Rilsan is the most widely used plastic as sealing liner in flexible pipes. This polymer has indeed emerged over the years as the best compromise for quality and cost in a wide range of flexible pipes in the oil&gas industry. The emergence of less conventional drilling conditions has led to a wider use of more expensive PVDF, which can be used at higher temperatures (above 100 degrees C) and be exposed to harsher compounds (eg acids). As Arkema as a monopoly on PA 11, we believe it is involved with most pipes producers and in particular Technip. For higher end specifications, it is our understanding that Technip uses Arkema's PVDF, whilst Wellstream and NKT use Solvay's PVDF.

The next big opportunity: Petrobras' \$200bn investments. 60% of the volumes of flexible pipes delivered by Technip since 2000 have been in Brazil, and this is unlikely to reverse in the near future.

Recently, Technip was awarded this morning a five-year frame agreement from Petrobras for the supply of around 1,400km of flexible pipes. The contract is effective immediately with supply starting in 2013 and orders are guaranteed for at least 50% of the total value, which is currently estimated to be worth around US\$2.1bn. Thechnip have a total installed base of roughly 10,000km of flexible pipes, which presumably use Arkema's polymers. This contract of 1,400km is thus significant.

4. PVDF

PVDF is a very high performance polymer that has superior processability and performance balance. It can therefore be used in a wide range of applications and can be processed by injection moulding, extrusion and thermoforming.

The 3 main markets are: coatings (PVDF in powder forms used to enhance formulation of high end protective coatings), industrials (oil and gas, wire protection) and new energies & water management (solar pannels, Li-ion batteries and membranes for water filtration).

More details on Arkema

Technical Polymers is the largest unit within the Performance products division. It regroups the specialty polymers activities (PA11, 12, PVDF) sold in a variety of forms and shapes (including ultra-fine powders) as well as functional polyols (high-end ethylene copolymers, key competitors include Exxon and DuPont).

Whilst Arkema do not disclose profitability by unit, we believe margins have gone up significantly over the past 5 years, thanks to a better focus on innovation and manufacturing efficiencies, new product launches as well as some radical restructuring (French asset base rationalised in 2007 and 2008, site closures in Germany in 2008).

The key products, as described above, are PVDF, PA 11 and PA 12. PA 11 is a bio-based version of PA 12 which is unique to Arkema. It is based on castor oil as a source of monomer, as opposed to petrochemicals (butadiene) for PA12, and can therefore be marketed as a renewable product. The range of bio-based polymers was actually widened recently, with the acquisitions in China of Hipro Polymers (PA 10.10) as well as Casda Biomaterials (a producer of sebacic acid derived from castor oil, also a key input for PA 10.10).

Key growth projects:

- From Q3'2012: 50% expansion of PVDF capacity in Changshu (China). This site was opened in 2011.
- The newly acquired Hipro Polymers was in a phase of significant expansion (tripling of capacity from 5,000 tonnes/year).
- From 2013: tripling of polyamides capacity in Changshu

More details on Solvay

By size of absolute EBITDA and breath of portfolio, we believe Solvay has the largest Specialty polymers business. As demonstrated by Victrex, dispersion in this field is not necessarily an advantage. But Solvay's profitability in this division, excluding Victrex, is right at the top of the sector.

Figure 4: Specialty polymers: Solvay's product offering

	PVDC	PPS	LCP	HPPA	PEEK	PAI	PEI	PI	PSU PES PPSU	PTFE	PVDF	FEP/ PFA	FKM/ FFKM	PFPE	PEX, XLPE EPR ³ , EPDM ³	OTHERS
Solvay	✓	✓	✓	✓	✓	✓			✓	✓	✓	✓	✓	✓		✓
SOLVAY Trade Marks	Icar® Diofan®	Prinex® (1)	Xydar®	DEP® Amodet®	Kataspire® Avaspire®	Torlon®			Udel® Veradel® Radcl® Epispire® Acudel® (2) Mindel® (2)	Algorlon® Polymist®	Solef® Hylar®	Hyllon®	Tecnoflon®	Fomblin® Galden® Fluorolink®	Polidan® Polidiema® Cogesum®	Halar® Primospire®
Arkema				x	x						x					
BASF									x							
Daikin										x		x	x	(2)		x
DuPont				x				x		x		x	x	(2)		x
Dyneon										x	x	x	x	(2)		x
EMS				x												
Evonik				x	x											
SABIC							x									
Ticona		x	x													
Victrex					x											

Source: Solvay

A multi-year transformation

Solvay's specialty assets have gone through significant changes over the past few years. With the disposals of polypropylene compounds in 2008 (€188m of sales), and Inergy auto systems in 2010 (€450m of sales), Solvay reduced its sales base significantly from €1.7bn in 2007 and now has a more focussed portfolio. It has delivered significant margin improvement, helped by strong demand conditions and therefore pricing conditions, but management's actions have also been key.

More recently, Solvay has improved transparency as they report Specialty Polymers as a division, and have announced significant capacity expansions. Management has been driving mix improvement and therefore better profitability. This includes the creation of a dedicated healthcare unit, similar to the move operated by Victrex with the InVibio division.

Focus on the healthcare field:

In June 2011, Solvay created a dedicated healthcare unit and management team for implantable and non-implantable devices, increasing headcount by 50% for sales, marketing and technology. Non-implantable devices are medical grade plastics for instrumentation, reusable and single-use devices, medical equipment, and sterilization cases and trays. Implantable devices are currently focussed on the spinal area, where polymers like PEEK offer cost-efficient and high-performing alternatives to metals with key attributes of biocompatibility, toughness, and fatigue resistance. A new area of development is implantable biomedical fabrics for therapeutic devices in orthopedics, cardiovascular, tissue engineering, neurology, and general surgery. Solvay entered in a partnership with biomedical textiles company Secant during 2011 to promote this new development.

Growth in Asia

Q4'2012: start-up of expanded compounding facility in China (Changshu). Capex of for €21m.

Q1'2014: significant global capacity increase in fluor-based compounds (PVDF plastics, FKM sealants) with new site in China. Capex of €120m.

Table 4: Companies mentioned table

Ticker	Name	Curr.	Price	Date	Q-R-Q	Pr. Obj.	PO Date
ARKAF	Arkema	EUR	67.8	16 Feb 2012	B-1-7	79.0	20 Feb 2012
SVYSF	Solvay	EUR	85.6	16 Feb 2012	B-1-7	113.0	20 Feb 2012
VTXPF	Victrex	GBP	1330.0	16 Feb 2012	C-2-7	1450.0	20 Feb 2012

Source: BofA Merrill Lynch Global Research

Price objective basis & risk

Arkema (ARKAF / ARKAY;B-1-7;US\$89.77)

We have a PO of EUR79 (US\$103.49/ADR) based upon SOTP and DCF. We also assume sales growth of 2% long term, Capex/sales of c5.2% long-term, a WACC of 8.4% and a terminal growth rate of 2%. At our PO, the stock would be on a 2012E P/E of 9.5x.

Risks to our PO are: a significant sustained slowdown in construction demand, which would adversely affect returns in coatings related assets, a significant appreciation of the EUR relative to the US\$, and a prolonged downturn in European GDP.

Solvay S.A. (SVYSF)

Our price objective of EUR113 is based on both our SOTP and DCF models, now including the contribution from Rhodia. For our DCF, we assume a WACC of 8.4% and have terminal NOPAT margin of 8% and 2.5% terminal growth.

Risks to our price objective are: 1) if synergies from the Rhodia acquisition are not realised, 2) risks around a recovery in the construction market, 3) a weakening of general industrial production and 4) strengthening of the US\$ versus Euro

Victrex (VTXPF)

Our price objective for Victrex is 1,450p. This is based upon a DCF valuation incorporating NOPAT margins of 31% this year, faded down to 30% until 2018, and normalising at 28% in our terminal year (terminal sales growth of 3% and a WACC of 8.7%). At our price objective Victrex would trade on a forward 2012E PE of 17.5x, which we consider justified, given its higher return on capital and stronger balance sheet.

Risks to our price objective are a prolonged and significant slowdown in global GDP growth, loss of market share to emerging competitors in the market for PEEK, and a substantial weakening/strengthening of Sterling vs the USD and Euro.

Link to Definitions

Basic Materials

Click [here](#) for definitions of commonly used terms.

Analyst Certification

We, Andrew Stott, Fabio Lopes and Laurent Favre, CFA, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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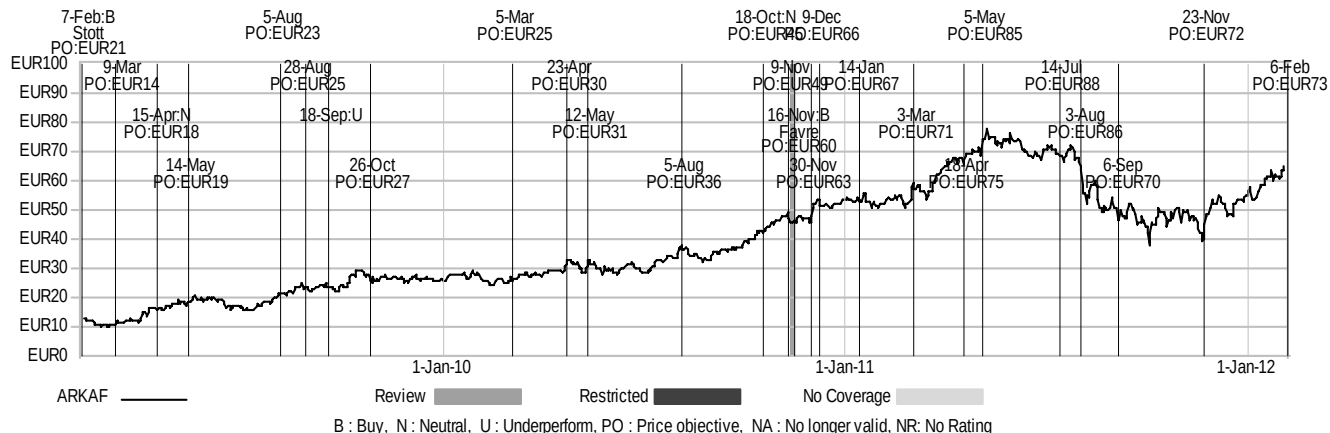
Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
BUY	Air Liquide	AIQUF	AI FP	Andrew Stott
	Air Liquide	AIQUY	AIQUY US	Andrew Stott

EMEA - Chemicals & Paper Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
	Arkema	ARKAF	AKE FP	Laurent Favre, CFA
	Arkema - A	ARKAY	ARKAY US	Laurent Favre, CFA
	Croda	COIHF	CRDA LN	Andrew Stott
	DS Smith Plc	DITHF	SMDS LN	Ross Gilardi
	DSM	KDSKF	DSM NA	Andrew Stott
	DSM	DSM	RDSMY US	Andrew Stott
	Lanxess	LNXSF	LXS GR	Andrew Stott
	Rexam	REXMF	REX LN	Ross Gilardi
	Rexam	REXMY	REXMY US	Ross Gilardi
	Smurfit Kappa Group	SMFTF	SKG LN	Ross Gilardi
	Solvay S.A.	SVYSF	SOLB BB	Laurent Favre, CFA
	Svenska Cellulosa AB (SCA)	SVCBF	SCAB SS	Ross Gilardi
	Syngenta	SYENF	SYNN VX	Andrew Stott
	Syngenta AG	SYT	SYT US	Andrew Stott
	Yule Catto	YULCF	YULC LN	Fabio Lopes
NEUTRAL				
	Akzo Nobel	AKZOF	AKZA NA	Laurent Favre, CFA
	Akzo Nobel	AKZOY	AKZOY US	Laurent Favre, CFA
	BASF	BFFAF	BAS GR	Laurent Favre, CFA
	BASF	BASFY	BASFY US	Laurent Favre, CFA
	Clariant	CLZNF	CLN VX	Andrew Stott
	Israel Chemicals Limited	ISCHF	ICL IT	Andrew Stott
	Johnson Matthey	JMPLF	JMAT LN	Andrew Stott
	Johnson Matthey	JMPY	JMPY US	Andrew Stott
	Linde	LNAGF	LIN GR	Laurent Favre, CFA
	Mondi Plc	MONDF	MNDI LN	Ross Gilardi
	Stora Enso	SEOFB	STERV FH	Ross Gilardi
	UPM-Kymmene	UPMKF	UPM1V FH	Ross Gilardi
	Victrex	VTXPF	VCT LN	Fabio Lopes
UNDERPERFORM				
	Givaudan	GVDBF	GIVN VX	Andrew Stott
	Holmen	HLMNF	HOLMB SS	Ross Gilardi
	K+S	KPLUF	SDF GR	Andrew Stott
	Lenzing AG	LNZNF	LNZ AV	Fabio Lopes
	Sappi Limited	SPPJF	SAP SJ	Ross Gilardi
	Symrise	SYIEF	SY1 GR	Laurent Favre, CFA
	Umicore	UMICF	UMI BB	Andrew Stott
	Yara	YRAIF	YAR NO	Laurent Favre, CFA

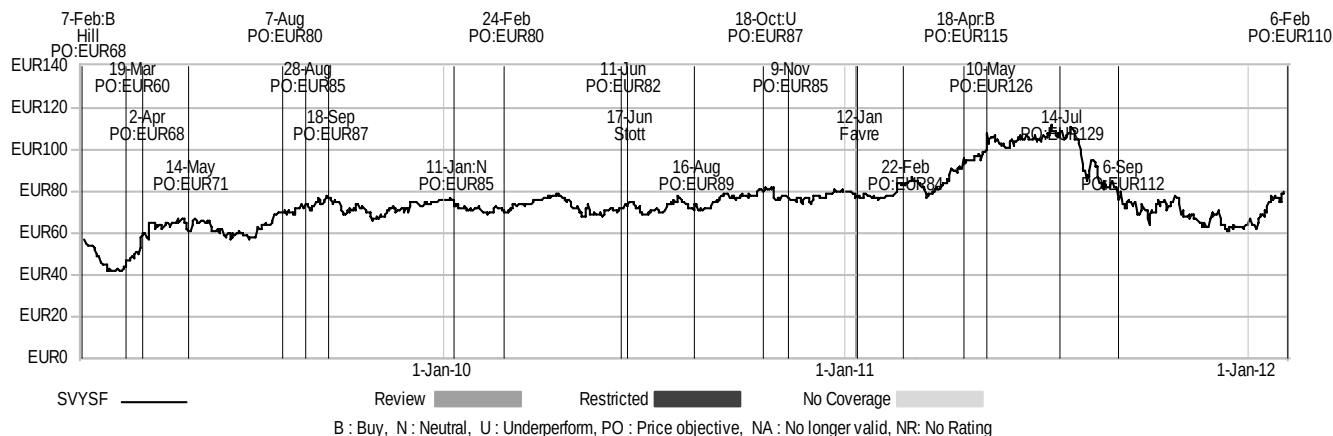
Important Disclosures

ARKAF Price Chart



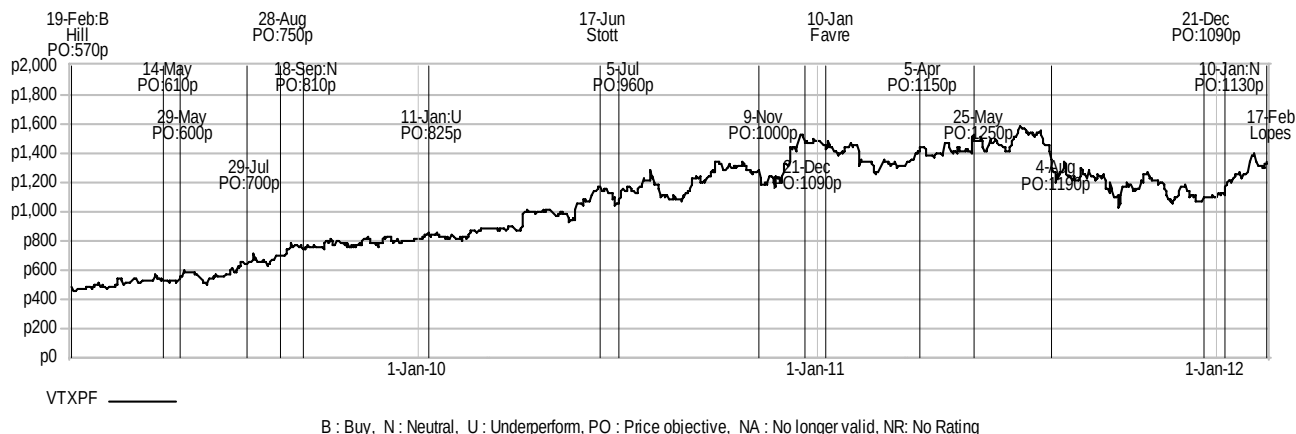
The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of January 31, 2012 or such later date as indicated.

SVYSF Price Chart



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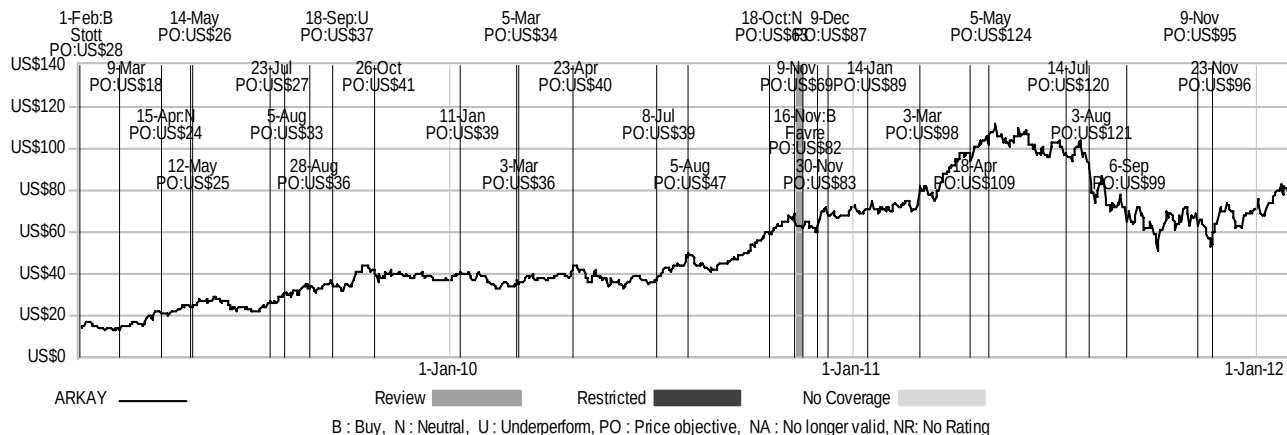
VTXPF Price Chart



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ARKAY Price Chart



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Investment Rating Distribution: Chemicals Group (as of 01 Jan 2012)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	46	42.99%	Buy	28	68.29%
Neutral	36	33.64%	Neutral	22	73.33%
Sell	25	23.36%	Sell	14	56.00%

Investment Rating Distribution: Global Group (as of 01 Jan 2012)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	2029	52.00%	Buy	1337	72.11%
Neutral	1009	25.86%	Neutral	657	71.34%
Sell	864	22.14%	Sell	487	60.20%

* Companies in respect of which BofA Merrill Lynch or one of its affiliates has received compensation for investment banking services within the past 12 months. For purposes of this distribution, a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BofA Merrill Lynch Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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