



**Speech given by PASCAL REMY
ÉTATS GÉNÉRAUX DE LA CHIMIE
May 22, 2014 - PARIS**

Hello. I'm delighted to have been invited to speak at this 3rd 'États Généraux de la chimie' chemistry summit.

When I asked the organizers what format my speech should be in, they told me that it was very simple – I needed to pretend I was Steve Jobs...

Now, needless to say, it's slightly less practical coming out onto the stage with a new polyacrylamide than it is with the latest iPhone... Even so, I've been able to find one aspect in common – Steve Jobs often used to end his presentations with the words "stay hungry, stay foolish". And, like me, you all know that in order to practice chemistry in France and continue to invest in it, you need to be a bit foolish...

SNF is a relatively young company, since it was set up from practically nothing just 36 years ago in 1978 by a chemist (René Pich) and a sales rep (Hubert Issaurat). Today, our turnover stands at two billion euros, we employ over 4,300 people across the world, and we have 23 production sites.

We are the world's leading producer of polyacrylamides – water-soluble polymers that are used wherever water is used: in water treatment of course, but also more and more in the hydrocarbon-extraction, mining, paper and agriculture industries.

So, how did we get to where we are today?

First of all, we've been lucky (and I believe that you need a bit of luck in order to succeed) in that polyacrylamides have turned out to be inexpensive and very effective molecules, with the list of their possible applications growing all the time. Our markets are flourishing globally because they are being driven by the increasing scarcity of resources, namely water (clean water to be more exact), hydrocarbons and ore.

Water treatment has been our long-standing market, and continues to be the cornerstone for our growth throughout the world. It's a very stable market that is particularly resilient to fluctuations in the economy, but at the same time it's a slow-moving market that is recording little in the way of growth. When it comes to water, you need to be patient, sometimes extremely patient. Let me give you just one example: India. The water treatment needs there are phenomenal, and the country is often portrayed by the press as an El Dorado for water treatment firms. But the volume of organic polymers used in India's municipal plants currently stands at zero. Zilch!

While water treatment may have been crucial to our initial growth, it has been overtaken these past ten years by oil extraction, which has really accelerated our development. If we look back at SNF's wholesale figures recorded over the years, we can see that it took us 20 years to go from 0 to 200 million euros, another 10 years to go from 200 million to 1 billion, and just a further 5 years to go from 1 billion to 2 billion. Indeed, the fact that our annual organic growth has bordered on 15% for the past decade is essentially down to the hydrocarbons market, which uses huge quantities of our products in three principal applications: enhanced oil recovery, oil sand exploitation, and more recently hydraulic fracturing.

The fact that we are positioned on buoyant markets is of course crucial, but this alone does not explain our success. Let me give you an assortment of other reasons.

First of all, SNF has always focused on volume. From the outset, our founding fathers considered size to be the main competitiveness factor. Our first sales manager traveled all over the world, and whenever he arrived at a new city he would pick up the phone book and offer his products at a 20% discount, no matter what their original price was. It's true that back then our polymers were selling for more than 10 US dollars per kilogram, three to four times more than today. We are continuing

to focus on volume, and our aim is to have the lowest production costs in the entire industry, by diluting our fixed costs. R&D makes it possible to withstand margin erosions, but in our line of work, big contracts are price driven.

Secondly, SNF invested outside of France very early on. Indeed, France accounted for under 50% of SNF's business a decade after it was set up, and this figure today stands at just 3%. We first went to China in 1991, when the country was still very closed-off to the outside world. But the most important decision we took was to open a factory in the USA in 1987, at a time when the major chemical companies were moving away from polyacrylamides in particular and the United States in general. That year, on Christmas Day, we bought a small tall oil plant in Georgia that has since become our main site in the USA. Today, North America accounts for half of our sales and two-thirds of our profits.

Thirdly, SNF has remained focused on polyacrylamides, and, with a few rare exceptions, has not sought to diversify. Our entire growth has been organic. We have never made any significant takeovers, and we have absolutely no intention of doing so. SNF has a purely industrial development model: we are continuing to expand our existing production sites, and regularly open new ones too. We plan to invest a further 1 billion dollars over the next three years, which will see our production capacity rise from 700,000 tonnes to 1 million tonnes between now and the end of 2016.

Lastly, our company remains unlisted, even though we have public debt and as a result publish quarterly reports. We reinvest every single penny of our cash-flow, and over the years that has made the difference...

But ultimately, the key factor probably lies elsewhere. We have, you might say, a rather 'unique' management philosophy. We don't prepare budgets or make forecasts, which means that we don't spend our time trying to work out why the situation today does not tally with what we hoped for yesterday. We don't calculate internal rates of return for our investments, and we don't set sales targets for our reps – they just need to work to the best of their ability. However, we do place a strong moral obligation on every employee, requiring them to apply, at their own level, two of the precepts that made the Roman Empire so great: “do

your duty and set a good example”. Nothing more, nothing less.

The Romans also had a third precept: “do not fear death”, which essentially equates to not fearing anything. If truth be told, we've always felt as though we were at total war with our competitors, especially those in China, and that there were only ever two options for every contract: kill or be killed. To go back to Steve Jobs, you'll probably know that he also used to make frequent references to death in his presentations, and that he used to like repeating, with a touch of humor, that “if you live each day as if it's your last, someday you'll most certainly be right”.

So you see, there's nothing miraculous about the journey we've taken. Our formulas are simple and easy to reproduce, but few in fact make use of them. To tell you the truth, we're not unhappy about this, because we feel that we have enough competitors already and we wouldn't want to encourage others to move into our sector, especially when I'm speaking to such an esteemed gathering...

In this respect, I remember a conversation I had once with a chemist friend of mine, who told me that I was lucky because SNF had a 'Specialty mother' and a 'Commodity father' and therefore benefited from the best of both. I then reminded him of the anecdote involving Albert Einstein and Marilyn Monroe. Marilyn apparently once told Einstein that she wanted to have his child, saying that with her looks and his brains, it would be the perfect child. To which Einstein replied: “Yes, but what if it has my looks and your brains?” And you could say it's a bit like that for polyacrylamides too: we lie on the border between Specialty and Commodity, but we have the complexity of specialty products with the margins of commodity products. So, in our line of work, you've got to be prepared to take the rough with the smooth. That, in fact, is our secret.

Thank you for listening.

PASCAL REMY

