# ODDO BHF FORUM
# Lyon, 11 & 12 January, 2018

*Third quarter 2017 results and 2017 outlook*
*Key elements from July 2017 Capital Markets Day*

# Third quarter 2017 results and 2017 outlook

# *3Q'17 financial highlights*

| | |
|---|---|
| **€2,019 m** sales | **+9.8%** up YoY<br>**+10.5%** at constant scope and FX<br>**+8%** volume growth in **High Performance Materials** supported by successful innovation in major sustainability trends |
| **€355 m** EBITDA | **+17.2%** up on 3Q'16 (€303 m)<br>Strong YoY growth in the three divisions |
| **17.6%** EBITDA margin | 16.5% in 3Q'16<br>Margins up YoY in the three divisions |
| **€158 m** adjusted net income | **+43.6%** up YoY<br>**€2.08** adjusted EPS |
| **€1,194 m** net debt | Excellent cash generation with a free cash flow at **+€274 m**<br>Net debt significantly down versus 30 June 2017 (€1,471 m)<br>Gearing down at **27%** |

# *Main announcements since 30 June 2017*

## Bostik

### Acquisition of XL Brands

A leader in floor covering adhesives in the US

Enable Bostik to offer a full range of solutions in this growing market

US$205 m EV, 11x EBITDA and 7x EBITDA within 4 to 5 years including synergies

Closing expected end 2017

## Bostik

### Opening of a new site in Gujarat, India

New manufacturing facility in addition to existing plant in Bangalore

Will serve the fast-growing demand for adhesives in industrial markets (flexible lamination, transportation and footwear)

For both India and export markets

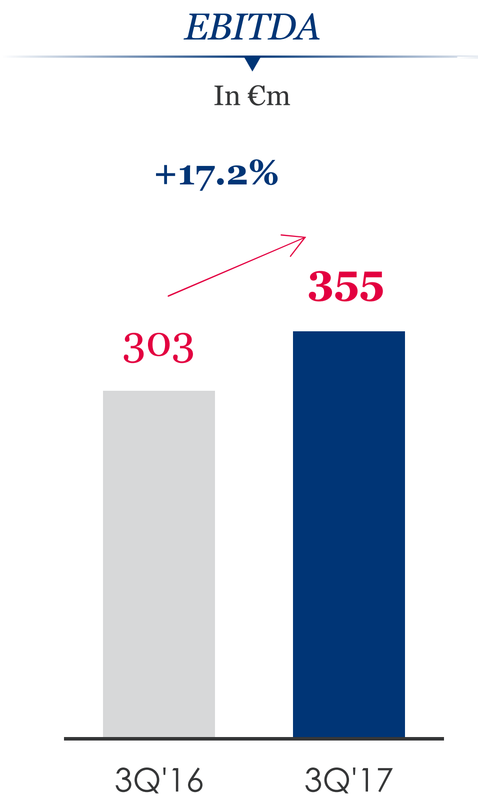
## Technical Polymers

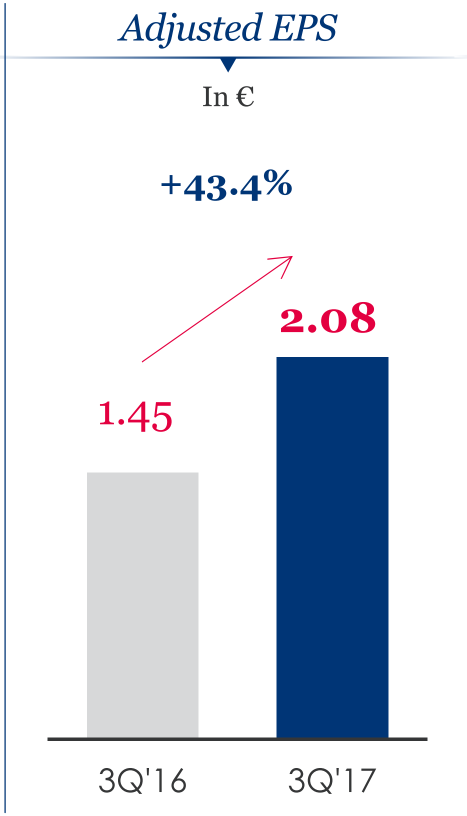
### +20% PVDF production capacity increase in North America

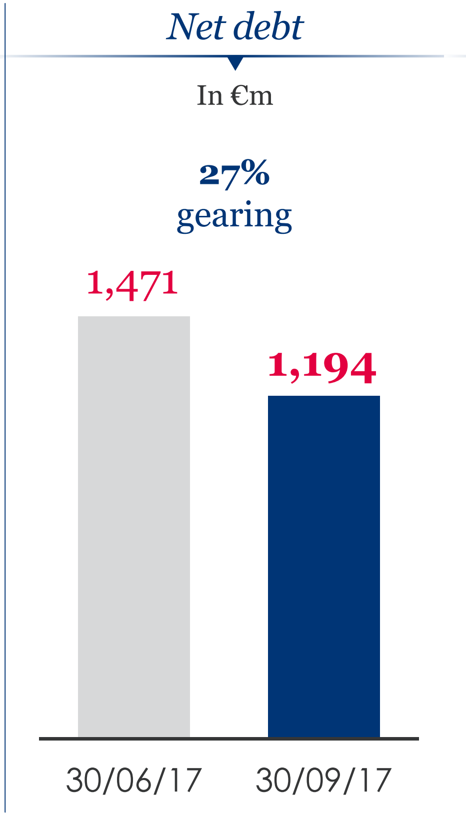
Will meet strong demand in water management, chemical process industry and high performance cables

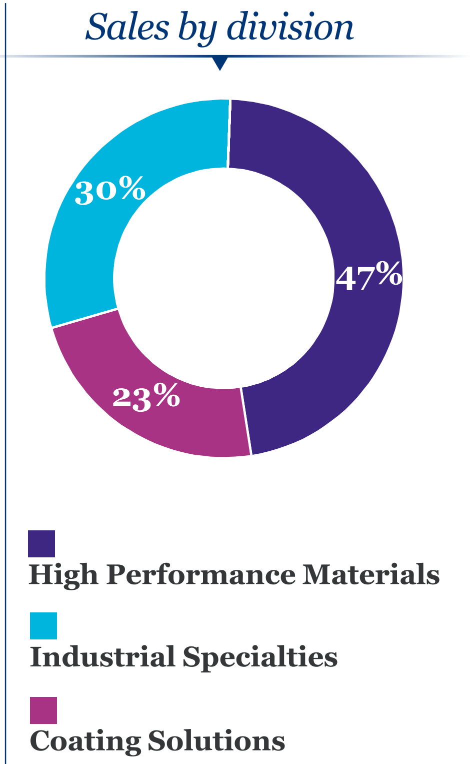
Due to start mid-2018

# A very strong quarterly performance



# *3Q'17 key figures*

| In €m (except EPS) | 3Q'16 | **3Q'17** | CHANGE |
|---|---|---|---|
| **Sales** | 1,838 | **2,019** | +9.8% |
| **EBITDA** | 303 | **355** | +17.2% |
| **EBITDA margin** | 16.5% | **17.6%** | |
| **Recurring operating income** (REBIT) | 190 | **247** | +30.0% |
| **REBIT margin** | 10.3% | **12.2%** | |
| **Adjusted net income** | 110 | **158** | +43.6% |
| **Net income – Group share** | 96 | **142** | +47.9% |
| **Adjusted EPS** *(in euros)* | 1.45 | **2.08** | +43.4% |

# *3Q'17 sales bridge*


**Volumes**
- +8.2% volumes in High Performance Materials driven by innovation in major sustainability trends and Asia

**Price**
- Price increases to offset higher raw material costs in specialties (72% of Group's sales)
- Positive trends in more cyclical businesses (28% of Group's sales)

**Scope of business**
- Integration of Den Braven and CMP within Bostik
- Divestments of activated carbon and filter aid, and oxo-alcohol businesses

**Currency**
- Mainly strengthening of the euro against US dollar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# High Performance Materials (47% of Group sales)

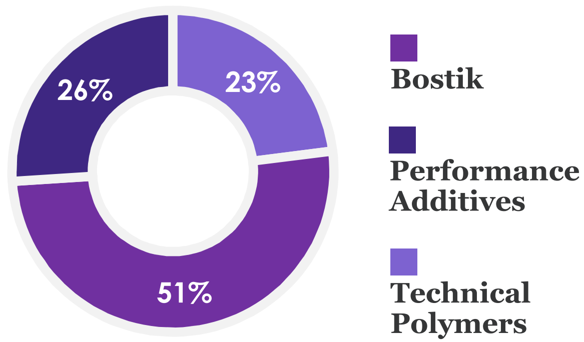
## 3Q'17 key figures

| In €m | 3Q'16 | 3Q'17 | Change |
|---|---|---|---|
| **Sales** | 836 | **955** | +14.2% |
| **EBITDA** | 140 | **161** | +15.0% |
| **EBITDA margin** | 16.7% | **16.9%** | |
| **Rec. operating income** | 102 | **123** | +20.6% |

## 3Q'17 sales development

| | |
|---|---|
| **Volumes** | **+8.2%** |
| **Prices** | **+2.2%** |
| **Currency** | **(4.1)%** |
| **Scope** | **+7.9%** |

## 3Q'17 sales by Business Line




## 3Q'17 highlights

- **Volumes up +8.2% versus 3Q'16**
  - Very strong demand in Asia for lighter materials, batteries, photovoltaics, sports and consumer electronics
  - Ramp-up of the new specialty molecular sieves unit in Honfleur (France)
- **+7.9% sales impact from M&A reflecting Den Braven and CMP acquisitions and the divestment of the activated carbon and filter aid business**
- **EBITDA up +15% YoY at €161 m despite higher costs than last year for certain raw materials**
  - Very good volume momentum in advanced materials (Technical Polymers + Performance Additives)
  - Bostik expansion supported notably by Den Braven integration and first synergies
- **16.9% EBITDA margin, slightly up YoY (16.7% in 3Q'16)**

# *Industrial Specialties (30% of Group sales)*

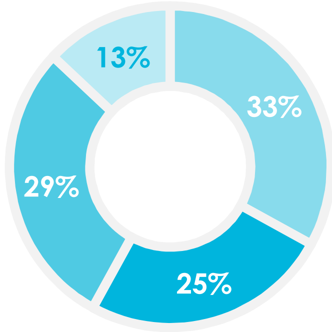
## *3Q'17 key figures*

| In €m | 3Q'16 | 3Q'17 | Change |
|---|---|---|---|
| **Sales** | 553 | **594** | +7.4% |
| **EBITDA** | 123 | **149** | +21.1% |
| **EBITDA margin** | 22.2% | **25.1%** | |
| **Rec. operating income** | 80 | **106** | +32.5% |

## *3Q'17 sales development*

| | |
|---|---|
| **Volumes** | **(0.3)%** |
| **Prices** | **+11.5%** |
| **Currency** | **(4.0)%** |
| **Scope** | **-** |

## *3Q'17 sales by Business Line*




**PMMA**
**Thiochemicals**
**Fluorogases**
**Hydrogen Peroxide**

## *3Q'17 highlights*

- **Sales up +11.2% at constant scope of business and FX**
  - +11.5% price effect driven by good market conditions in Fluorogases and MMA/PMMA
  - Overall stable volumes affected by the consequences of hurricane Harvey, particularly in Thiochemicals
- **EBITDA significantly up +21.1% YoY at €149 m**
  - Confirmation of the return of Fluorogases to very good level of results, in line with the Group's expectations
  - Continued tight market conditions in MMA/PMMA
  - Overall solid performance in Thiochemicals
- **25.1% EBITDA margin, up YoY (22.2% in 3Q'16)**



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# *Coating Solutions (23% of Group sales)*

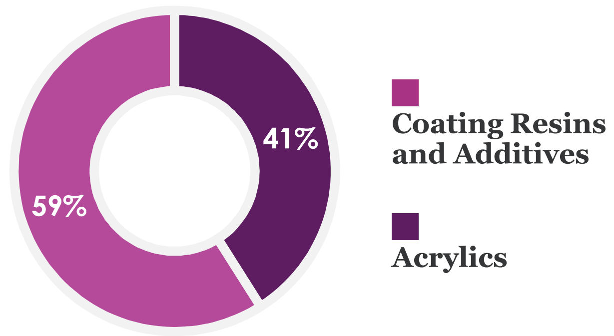
## *3Q'17 key figures*

| In €m | 3Q'16 | 3Q'17 | Change |
|---|---|---|---|
| **Sales** | 442 | **463** | +4.8% |
| **EBITDA** | 54 | **62** | +14.8% |
| **EBITDA margin** | 12.2% | **13.4%** | |
| **Rec. operating income** | 23 | **36** | +56.5% |

## *3Q'17 sales development*

| | |
|---|---|
| **Volumes** | **(1.3)%** |
| **Prices** | **+11.4%** |
| **Currency** | **(3.4)%** |
| **Scope** | **(1.8)%** |

## *3Q'17 sales by Business Line*




## *3Q'17 highlights*

- **Sales up +10.1% at constant FX and scope of business (divestment of oxo-alcohol business early March 2017)**
  - +11.4 % price effect reflecting gradually improving acrylic cycle and actions to raise selling prices across the entire chain
  - Volumes impacted by the consequences of hurricane Harvey which offset the robust volume growth for coating resins
- **EBITDA up +14.8% YoY at €62 m**
  - In line with the Group's assumption, unit margins for acrylic monomers gradually improving from last year's low points
  - Higher contribution from acrylic monomers more than offsetting the impact in downstream businesses of higher input costs
- **13.4% EBITDA margin, up YoY (12.2% in 3Q'16)**

# *Excellent cash flow in 3Q'17*

| In €m | 3Q'17 | |
|---|---|---|
| **EBITDA** | **355** | |
| Change in working capital [1] | 94 | • Reflects tight control and usual seasonality of working capital<br>• 15.5% working capital to annualized sales ratio versus 16.8% end of September 2016 |
| Change in fixed assets payables [1] | 4 | |
| Current taxes | (50) | |
| Cost of debt | (24) | |
| Recurring capital expenditure [2] | (95) | • 2017e capex: slightly below the initial €450 m guidance |
| Others | 11 | |
| **RECURRING CASH FLOW** | **295** | |
| Non-recurring items in operating and investing cash flow | (21) | • Correspond mainly to the consequences of hurricane Harvey and restructuring costs |
| **FREE CASH FLOW** | **274** | |
| Impact of portfolio management | (2) | |
| **NET CASH FLOW** | **272** | |

(1) Excluding non-recurring items and impact of portfolio management
(2) Excluding exceptional capex and capex relating to portfolio management

# *2017 outlook*

## Focus on internal drivers

- Bostik expansion with the integration of Den Braven
- New high value-added applications in advanced materials notably related to major sustainability trends
- Limited improvement expected in 4Q versus last year in Fluorogases given this activity's seasonality
- Ongoing actions to reflect high costs of certain raw materials in the Group's selling prices
- Operational excellence initiatives to offset part of fixed costs inflation

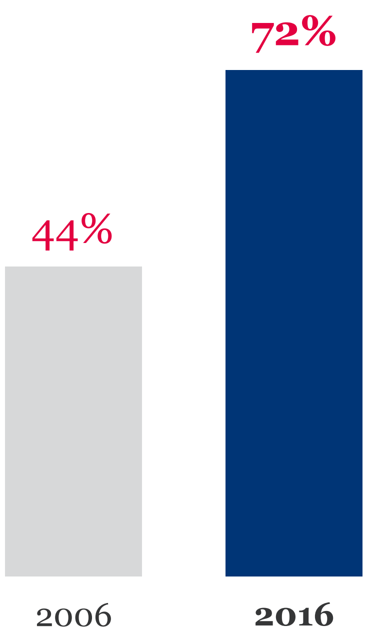
**In view of the above factors and the traditional seasonality of the Group's business towards the end of the year, and based on the results achieved in the first nine months of 2017, the Group now targets for the full year an EBITDA in the upper end of the €1,310 m to €1,350 m range announced in August.**

# *Key elements from July 2017 Capital Markets Day*

# *A strong track record…*

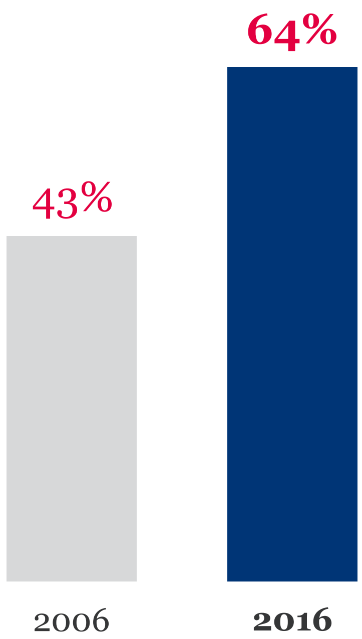
### *Share of specialties*

In % of sales



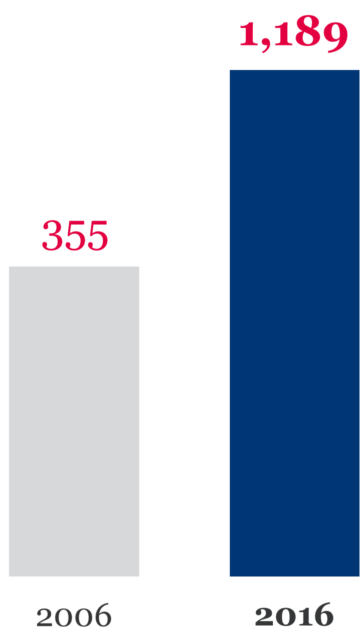

### *Sales outside Europe*

In % of sales



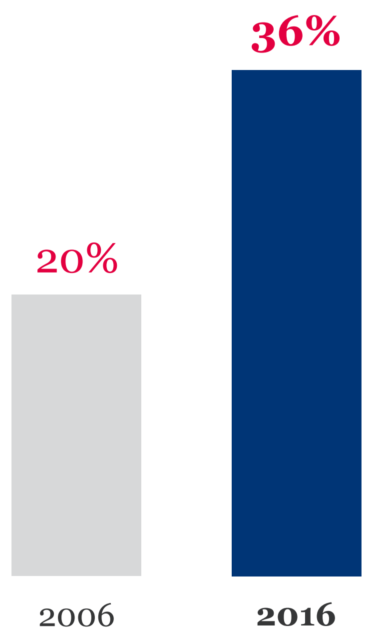

### *EBITDA*

In €m

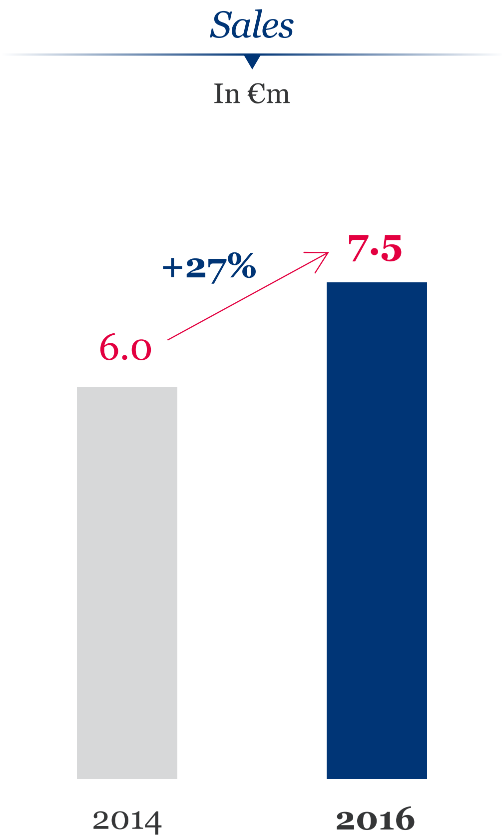


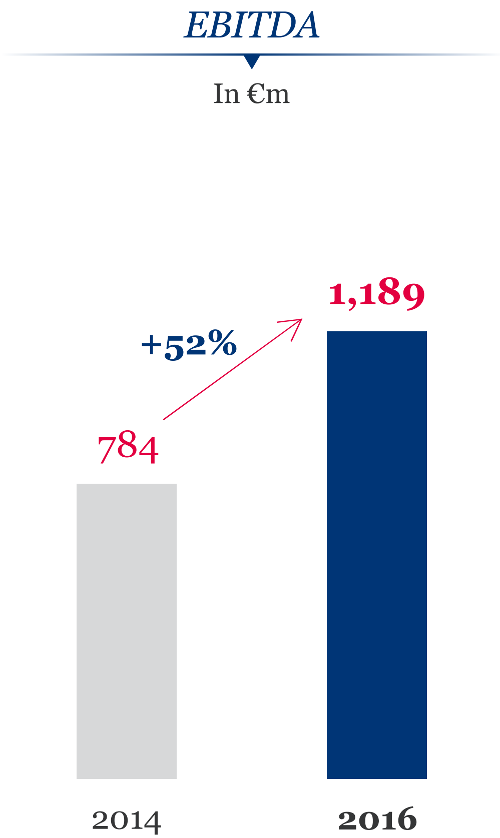

### *Free cash flow*

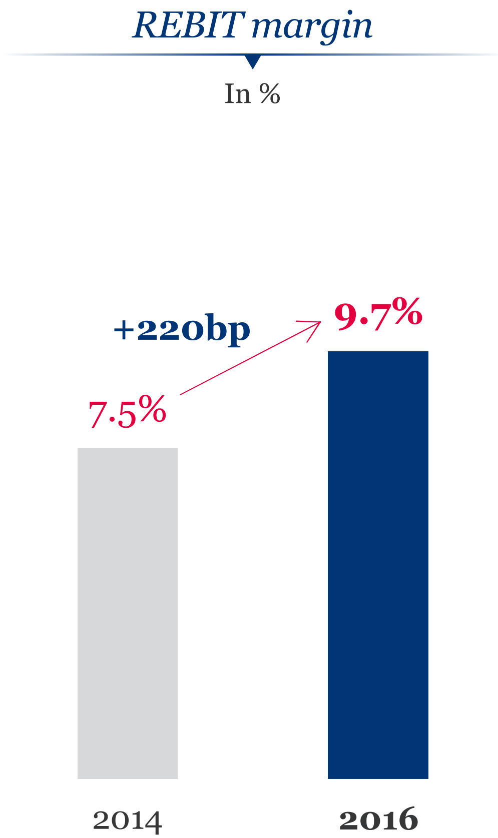
In % of EBITDA

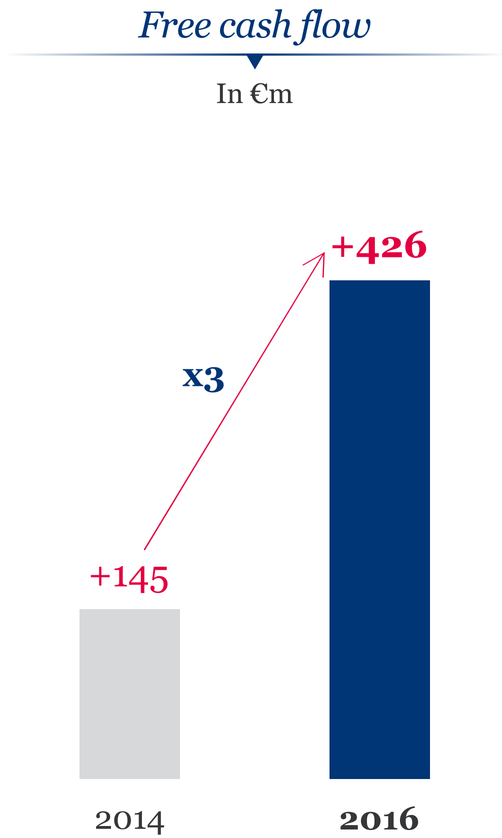


# *… including a significant step-up in financials*



# *Significant achievements since last Capital Markets Day…*


*New step in the attractive adhesives and sealants market*

V

Development of Bostik and acquisition of Den Braven

*Further streamlining of the portfolio*

V

Divestments of activated carbons and filter aids, of oxo-alcohols and of Sunclear

*Expansion in PVDF Kynar®*

V

+25% production capacity at Changshu in China


*Globalization of the Thiochemicals footprint*

V

Start and successful ramp-up of the €200 m Thiochemicals complex in Malaysia



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# *Main levers of transformation*

### *Organic growth*

Innovation, partnerships
and geographic expansion

### *Portfolio management*

**€3.7 bn** sales acquired
**€2.2 bn** sales divested

### *Productivity plans*

Offset **1/2** to **2/3** of inflation
on fixed costs

### *Lower capital intensity*

**5.6%** of sales in 2016
versus **8%** at peak

### *Reduction of working capital*

**14.5%** in 2016
versus **23%** in 2006

# *Arkema at a glance (2016)*

**€7.5 bn** sales

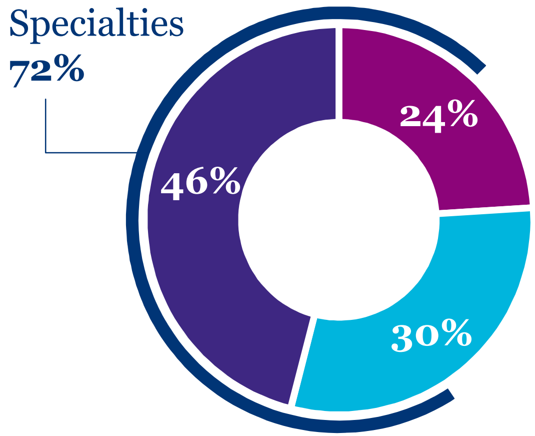
**19,700** employees

Present in **50 countries**

**133** industrial sites

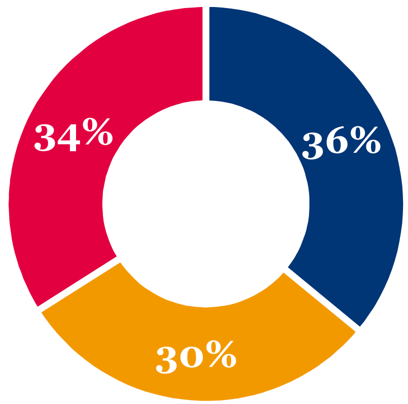
**€222 m** R&D spending

*A strong portfolio of businesses*




- High Performance Materials
  - *25% Advanced Materials*
  - *21% Adhesives*
- Coating Solutions
- Industrial Specialties

*A global and balanced footprint*




- Europe
- North America
- Asia and RoW

# Our portfolio of businesses

## High Performance Materials


**Advanced Materials**

**Adhesives**

- High value added niches
- Well-known brands
- Innovation supported by megatrends
- Co-developments with customers

## Industrial Specialties


**Fluorogases**
*Upstream of PVDF*

**PMMA**
*Engineering plastic*

**Thiochemicals**

**$H_2O_2$**

- Integrated intermediate chains
- Global leading positions
- Complex and proprietary manufacturing processes and technologies
- World-scale and competitive plants

## Coating Solutions


**Acrylic Monomers**
*Upstream of Performance Coatings*

**Performance Coatings**

- Extensive offering to coating customers
- Competitive and global acrylic acid backbone
- Eco-friendly solutions
- Downstream integration reinforces resilience

# 2016 sales by end markets

- **24%** Consumer Goods — Lightweighting Design
- **19%** Coatings — Regulations Low-VOC
- **19%** Chemicals & Plastics — Emerging countries Megatrends
- **11%** Building & Construction — Home efficiency and insulation
- **7%** Automotive & Transportation — Lightweighting Mobility
- **7%** Industry
- **8%** Energy & Water — Access to clean water, New energies
- **5%** Others

*Diversity of end markets offers resilience and growth*

# *Leading positions on all key product lines*

| *Rank* | *Business Lines* | *Main peers* |
|---|---|---|
| #3 | **Bostik** (adhesives and sealants) | Henkel, Sika, H.B. Fuller |
| #1 | **Specialty Polyamides** | Evonik, Ems-Chemie, Ube |
| #1 | **PVDF** (fluoropolymers) | Solvay, Kureha |
| #1 | **Sartomer** (UV curing resins) | Allnex, Miwon |
| #1 | **Thiochemicals** | Chevron Phillips |
| #2 | **MMA / PMMA** | Mitsubishi Rayon, Evonik, Sumitomo |
| #3 | **Fluorogases** | Honeywell, Chemours, Mexichem |
| #2 | **Acrylic Monomers** | BASF, Dow, Nippon Shokubai |
| #3 | **Performance Coatings** | BASF, Allnex, Dow |

● High Performance Materials ● Industrial Specialties ● Coating Solutions

# *Our vision*

*A global specialty chemical group strongly focused on adhesives and advanced materials, fostering customers innovation in megatrends and sustainability, and delivering best-in-class financial, operational and CSR performance.*

# *Long-term financial objectives (2023)*

*REBIT margin*

**11.5% to 12.5%**

*EBITDA to free cash conversion*

**35%**

*Under strict financial discipline*

*ROCE*

**at least 10%**

*Net debt*

**<2x EBITDA**

*Rating*

**Solid investment grade**

Defined in normalized market conditions and under current IFRS rules

# *Maintain disciplined capital allocation policy*

| *Organic growth* | *M&A* | *Dividend* |
|---|---|---|
| ***Support development of main growth pillars*** | ***Reinforce current portfolio*** | ***A key element of shareholder return policy*** |
| Targeted capex | Bolt-on acquisitions with significant synergies and divestments of small non-core businesses | Stable to growing dividend every year |

*With net debt to EBITDA* ***< 2x***

# *Our strategic priorities*

Innovation

Acquisitions

Emerging countries

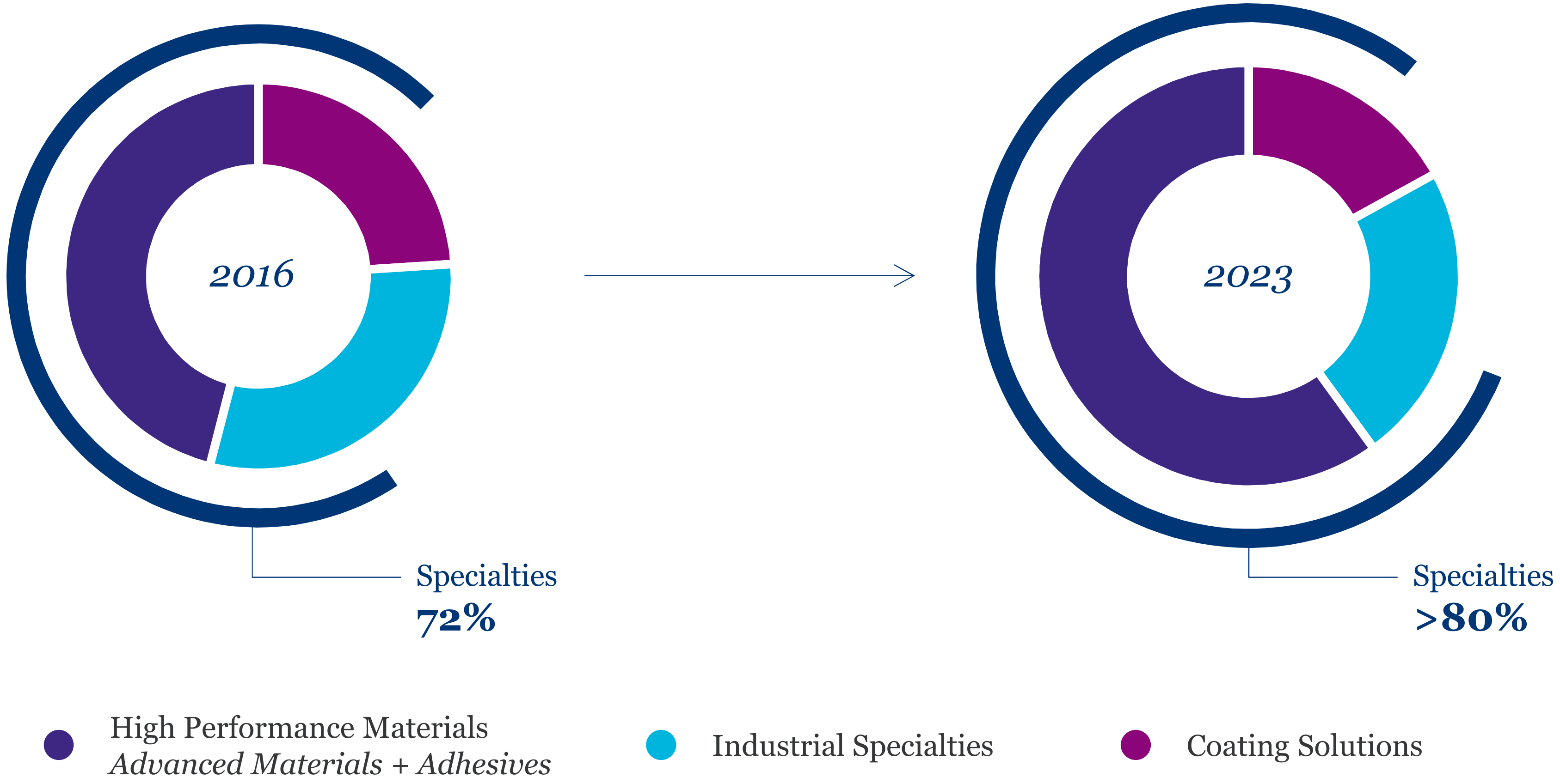
**Commercial excellence**

**Operational excellence**

**Corporate social responsibility**

**Digitalization**

# *Accelerate growth of Advanced Materials and Adhesives*



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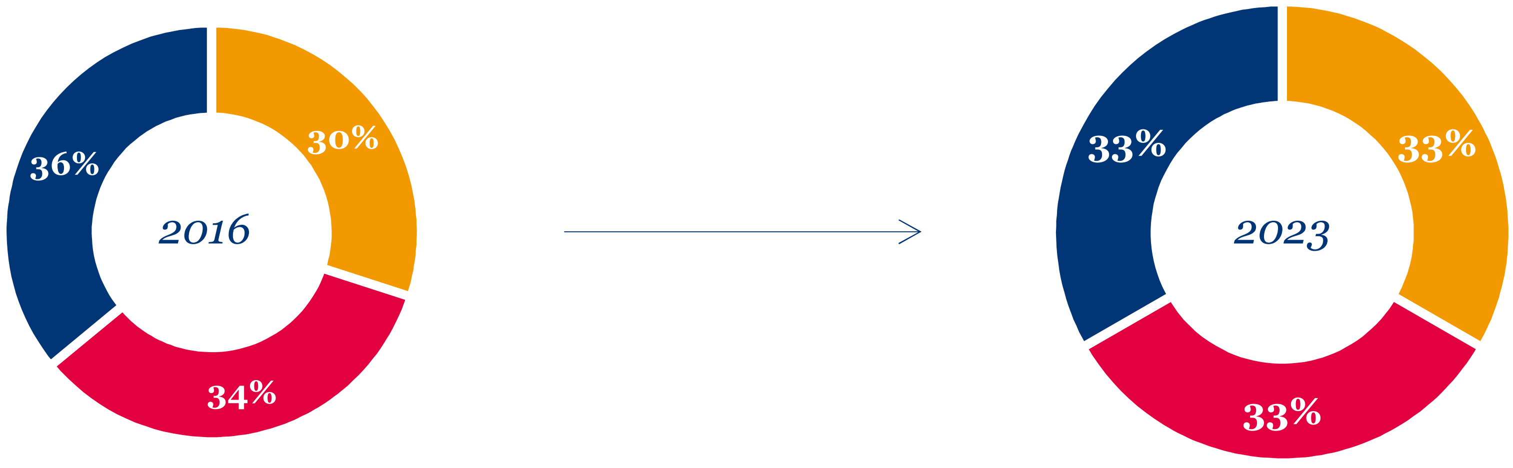
# *Reinforce footprint in higher growth countries*



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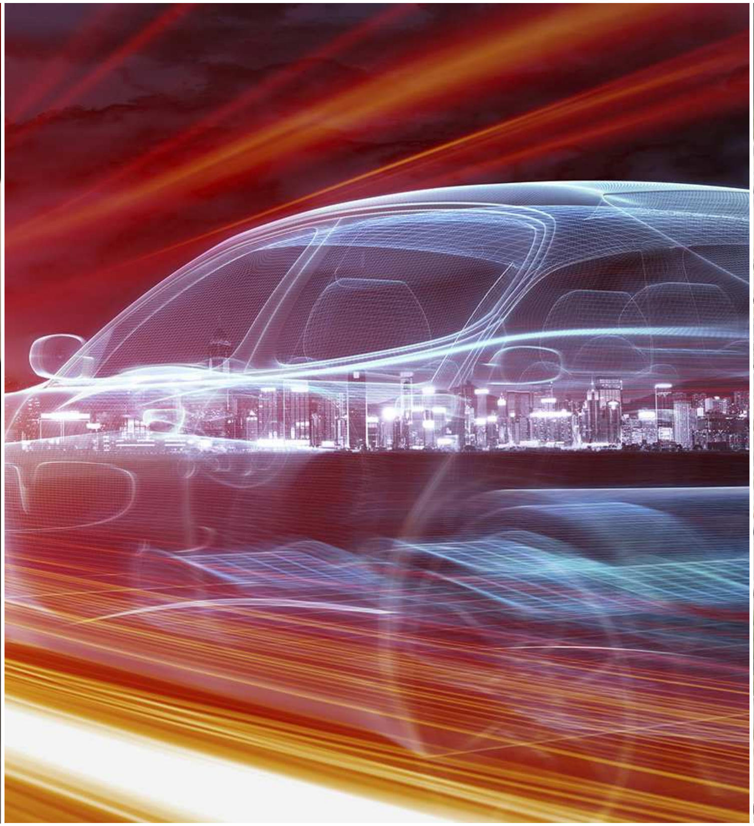
# 3 major growth pillars

***Adhesives***



***Advanced Materials***

***Thiochemicals***

# *A wave of significant projects supporting our objectives*

## *Adhesives*

- Further organic growth and cost optimization of **Bostik** “legacy”
- Development of **Den Braven** and **CMP** including implementation of synergies with Bostik
- Further participate in market consolidation with **bolt-on acquisitions**

## *Advanced Materials*

- Build and start the **PEKK plant** in **Mobile** (Alabama, USA)
- Continuously expand our **PVDF capacities** in the 3 regions consistently with our current investment in Changshu (China)
- ★ Expand significantly the bio-based **polyamide 11 chain in Asia (+50% WW)**
- Leverage the recent expansion of the **molecular sieves** plant at **Honfleur** (France)
- ★ Expand by **30% Sartomer production capacity in Nansha** (China)

## *Thiochemicals*

- ★ Double site capacity at **Kerteh** (Malaysia)
- Advanced thoughts underway on a project to double site capacity at **Beaumont**
- Accelerate development of our **Carelflex®** and **Odorflex®** solutions in petrochemicals and refining

★ **Announced today**



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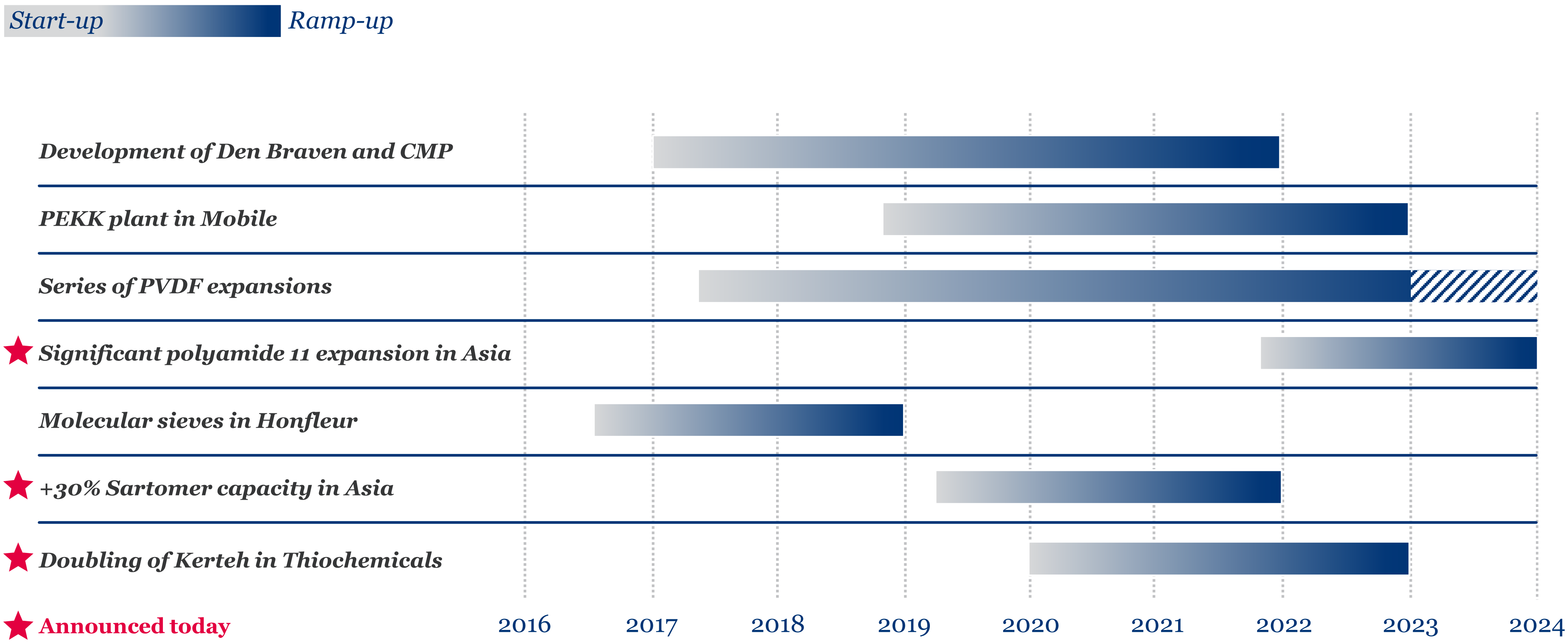
# *Planned calendar of these projects*



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# Adhesives

*Market*

**Fragmented** market and ongoing **consolidation** by the leaders

Barriers to entry, **resilience** and low capital intensity

**Substitution** of mechanical fasteners by adhesives

Increasing needs for **home efficiency and insulation**

*Arkema / Bostik*

**Participate** in the consolidation of the market

**Focused growth** in core segments and high value niches

**R&D efforts** increased by **30%** to foster innovation

Synergies with **Arkema's Advanced Materials**



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# *Adhesives long-term ambition*


- Exceed **1/3** of Group sales
- **More than double** sales versus 2016
  *in completing GDP+ organic growth by*
  *an ambitious bolt-on acquisition program*
- **12.5%** to **13%** REBIT margin
- Maintain capex level below **3%** of sales

# *Advanced Materials*

*Market*

**Consolidated market** with limited number of players

Significant opportunities **from megatrends**
*Lightweighting, clean water, new energies, 3D printing*

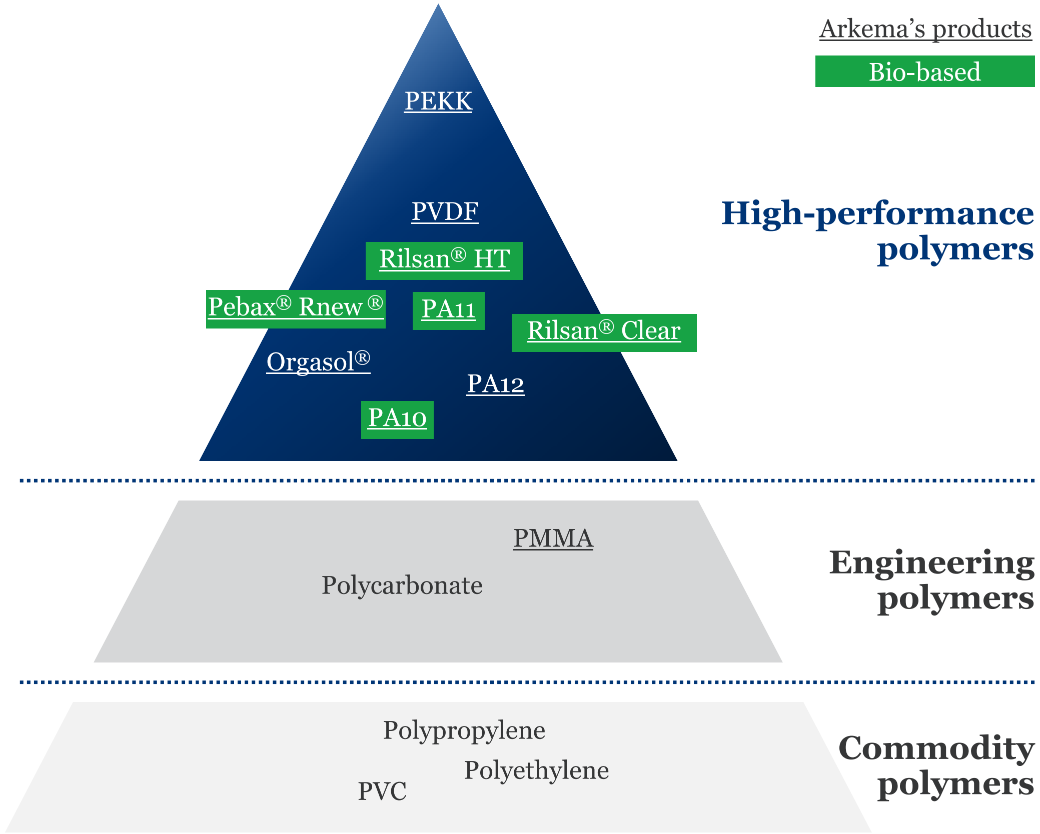
*Arkema*

**Unique technology-driven** portfolio supporting high-value applications

Unique **bio-based** positioning

**Well recognized brands**

***Ranking of polymers pricing and performance***



# *Advanced Materials long-term ambition*

- Exceed **25%** of Group sales
- **14%** to **15%** REBIT margin
- Support long-term growth of bio-based polyamide 11 with **~€300 m** exceptional capex in Asia
- R&D expenses at **4%** of sales,
up to 8% in certain applications



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# *Targeting excellence is our driver*

## *Commercial excellence*

### Accelerate our long-term growth

***Program to be launched at the 2017 worldwide Senior Management convention***

*Key account management*

*Geographic expansion*

*End-market expertise*

*Place our customers at the heart of our digital strategy*

*Transversal innovation across businesses*

## *Operational excellence*

### Objective: **€30 m to €40 m** gain /year

***To offset at least 1/2 of inflation on fixed costs***

*People quality and commitment*

*Safety and environment*

*Manufacturing excellence*
Competitiveness, reliability, quality

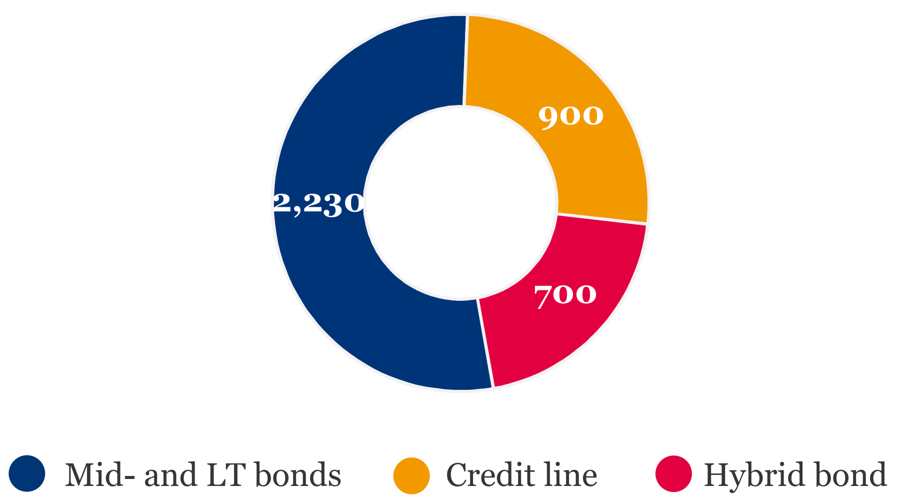
*"Next Gen" manufacturing footprint with digitalization*

*Supply chain streamlining*

# A strong and balanced debt structure

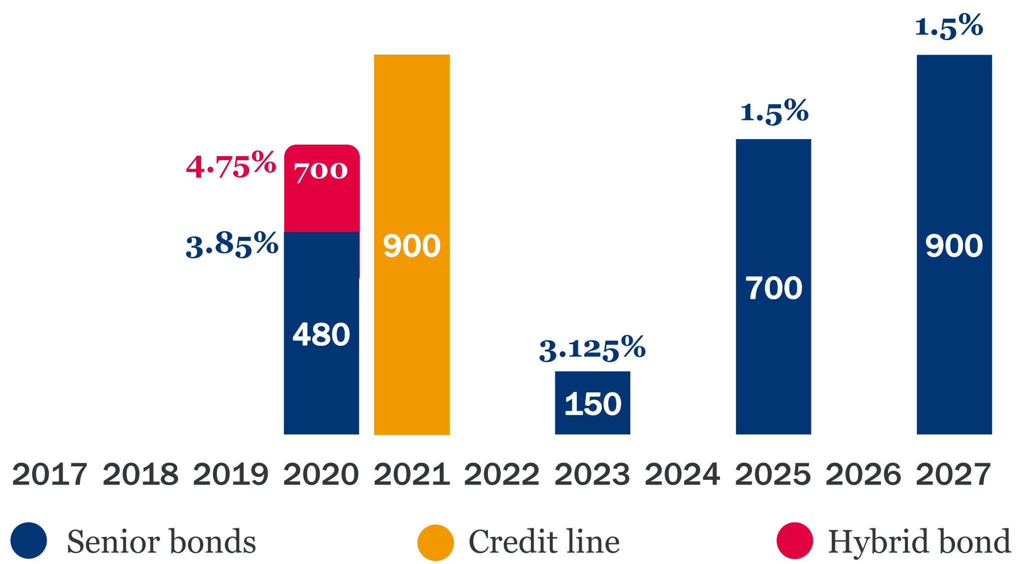
**€3.8 bn** *of financial resources*

In €m




**€2.6 bn** *of financial resources with maturity beyond 3 years*

In €m




**€900m** bond issued in 2Q'17 at **1.50% / year**

Cash cost of senior bonds **€47 m** (versus **€54 m** previously)

Cash cost of hybrid bond **€33 m**



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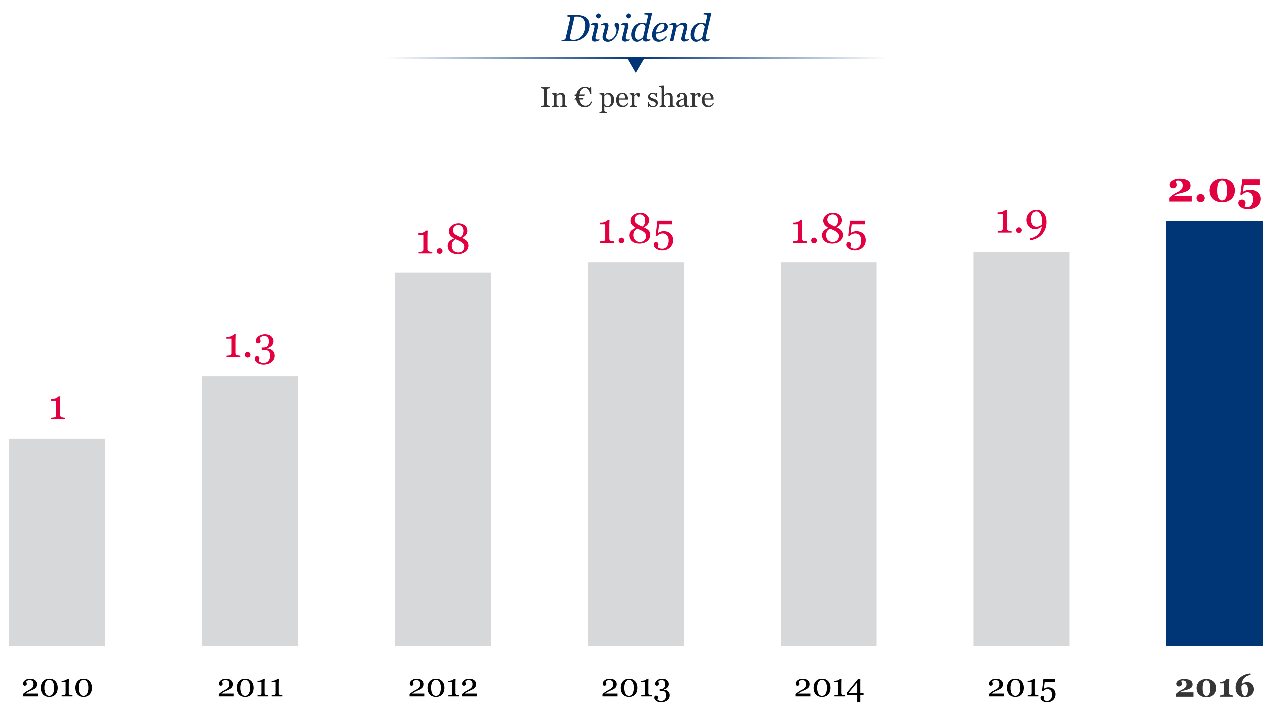
# *Dividend policy*




- Arkema confirms its policy aiming to pay a stable to growing dividend each year
- The dividend has grown at 13% per year on average since 2010
- 37% payout in 2016

*A key element of shareholder return*

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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 material 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. These risk factors are further developed in the reference document.

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 since 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 main performance indicators used by the Group are defined in the notes to the consolidated financial statements at 31 December 2016 included in section 4.3.3. of the 2016 Reference Document and in the press release. As part of the analysis of its results or to define its objectives, the Group also uses the following indicators:

**REBIT margin:** corresponds to the recurring operating income (REBIT) as a percentage of sales.

**Free cash flow:** corresponds to cash flow from operations and investments excluding the impact of portfolio management.

**Exceptional capex:** corresponds to exceptional investments which are unusual in size or nature.

**EBITDA to free cash conversion:** corresponds to the ratio of EBITDA on the free cash flow excluding exceptional capex. Free cash flow will be restated to offset the impact of the raw material environment on changes in working capital.

**Return on capital employed:** corresponds to the ratio of: (REBIT – current income taxes) / (net debt + shareholders' equity) under current IFRS rules.