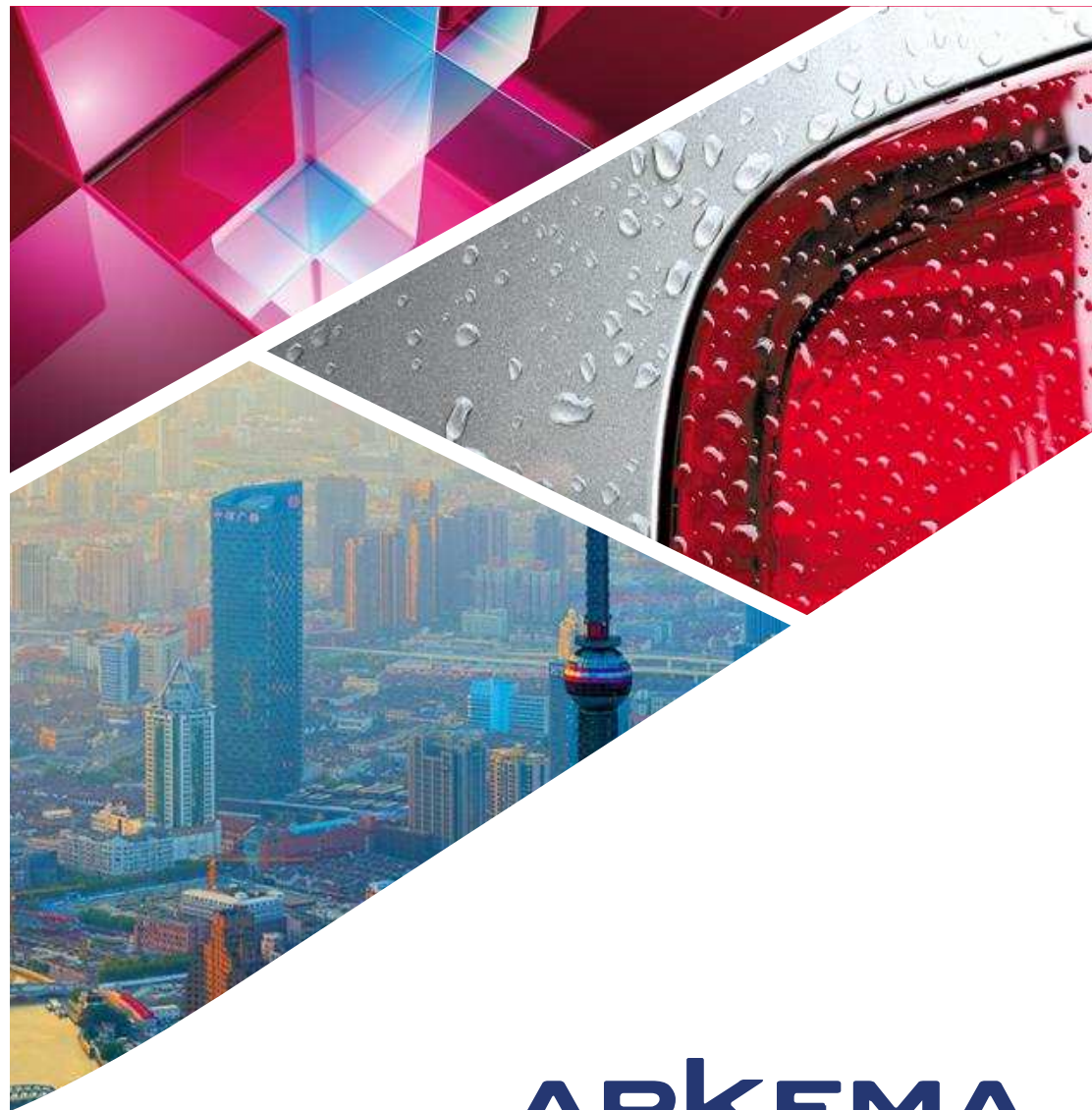


# ARKEMA

MORGAN STANLEY  
2019 GLOBAL CHEMICALS, AGRICULTURE  
AND PACKAGING CONFERENCE

BOSTON, NOVEMBER 2019



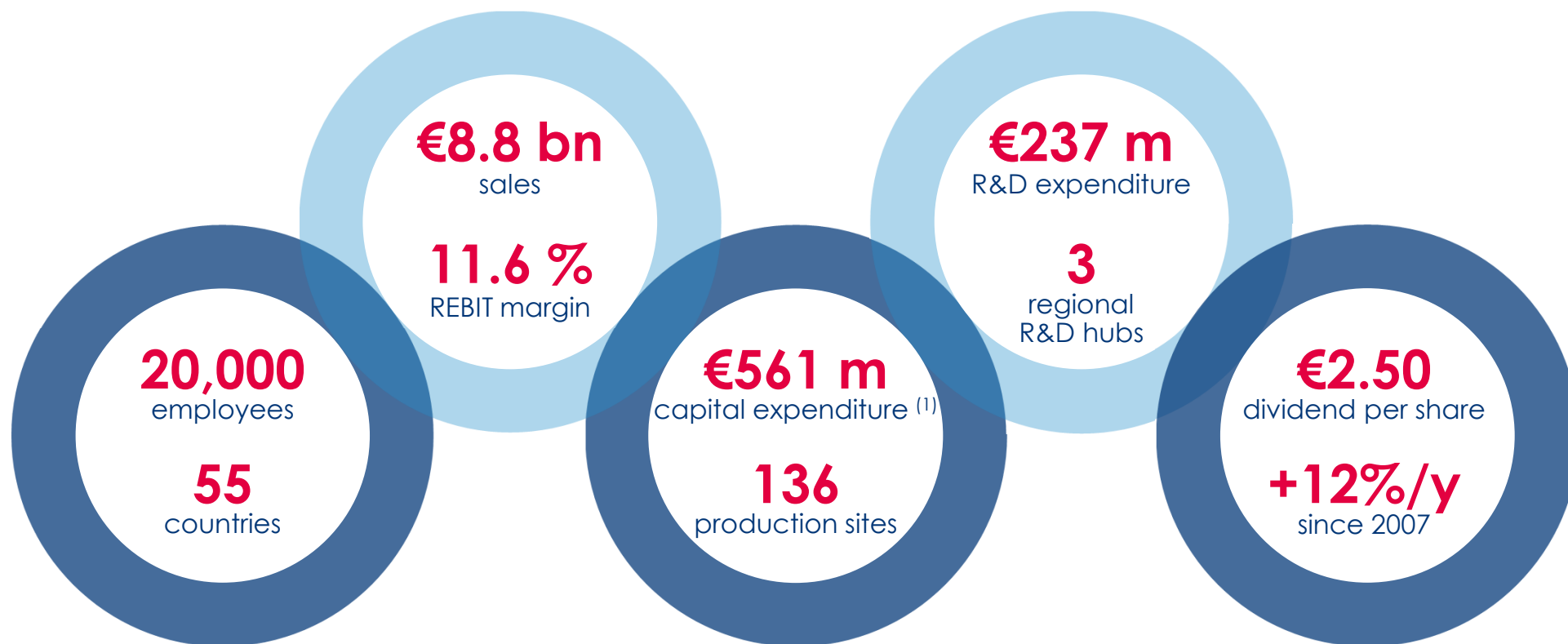
**ARKEMA**  
INNOVATIVE CHEMISTRY



# ARKEMA IN A NUTSHELL

**ARKEMA**  
INNOVATIVE CHEMISTRY

# A LEADER IN SPECIALTY CHEMICALS AND ADVANCED MATERIALS

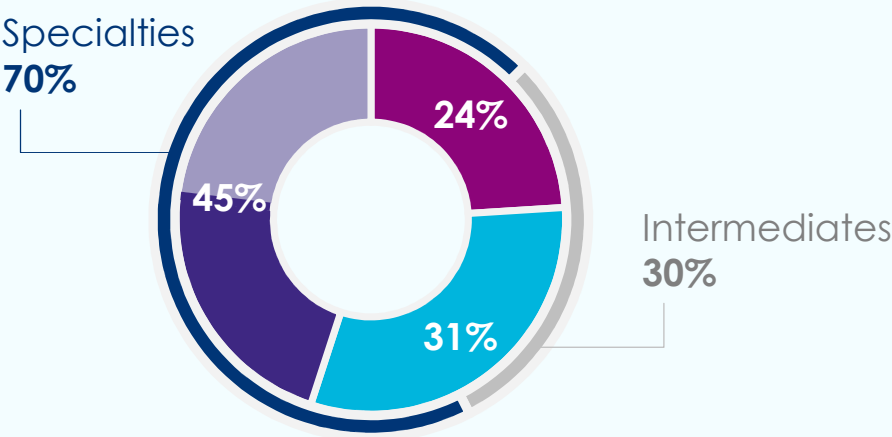


2018 figures

(1) Recurring (€500 m) and exceptional (€61 m)

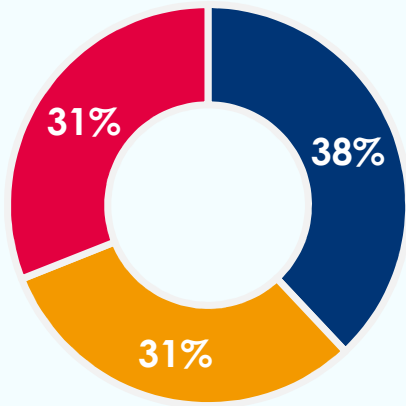
# BREAKDOWN BY DIVISION AND REGION

### FY'18 SALES BY DIVISION



- High Performance Materials
  - 23% Adhesives
  - 22% Advanced Materials
- Industrial Specialties
- Coating Solutions

### FY'18 SALES BY REGION



- Europe
- North America
- Asia and RoW

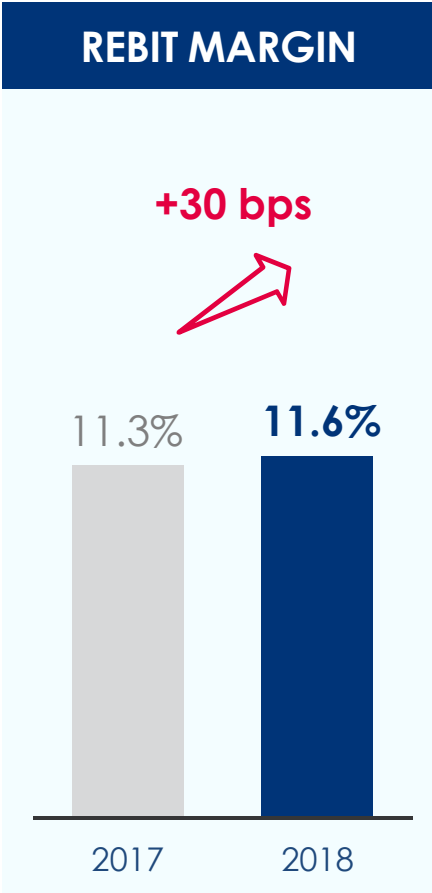
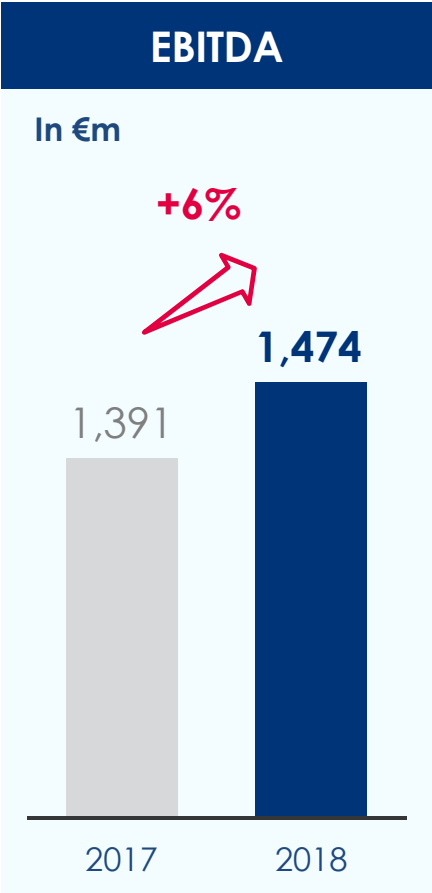
# AN EXCELLENT 2018 PERFORMANCE

**+6%**

**Sales**  
€ 8.8 billion

**+22.5%**

**Adjusted net income**  
€ 725 million



**0.7x EBITDA**

**Net debt**  
€ 1 billion

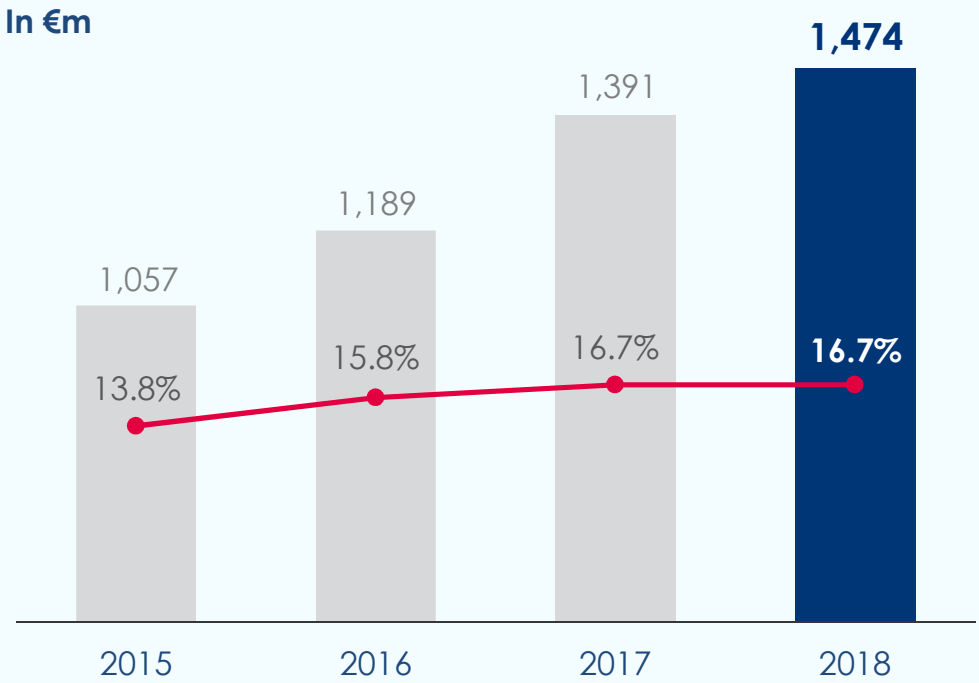
**+100 bps**

**ROACE\***  
15.1%

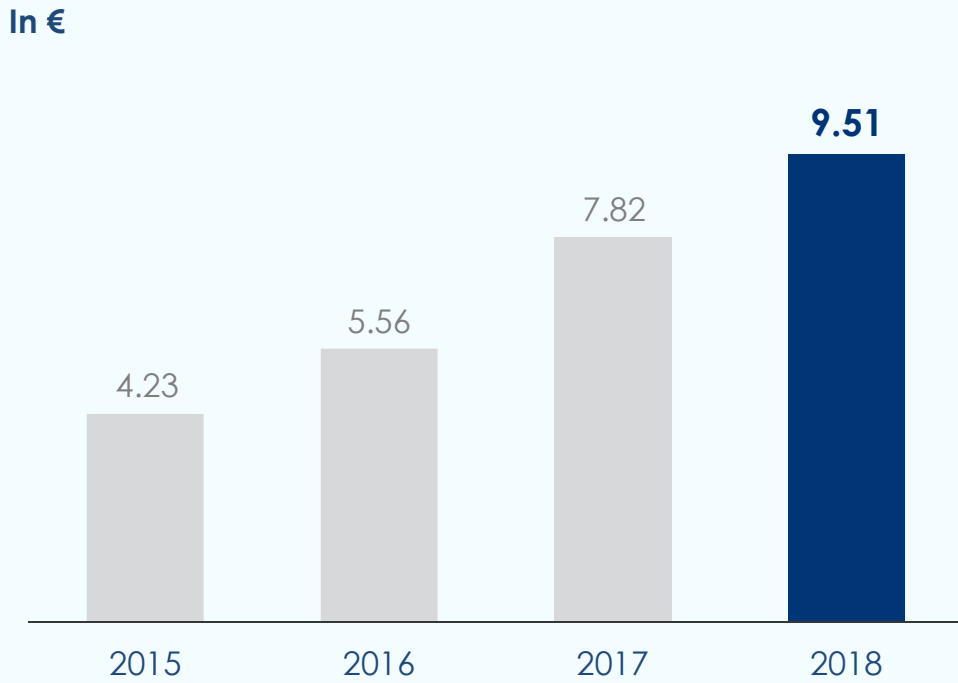
\* Return on average capital employed

# STEADY GROWTH IN DIFFERENT MACRO-ECONOMIC ENVIRONMENTS

## EBITDA AND EBITDA MARGIN



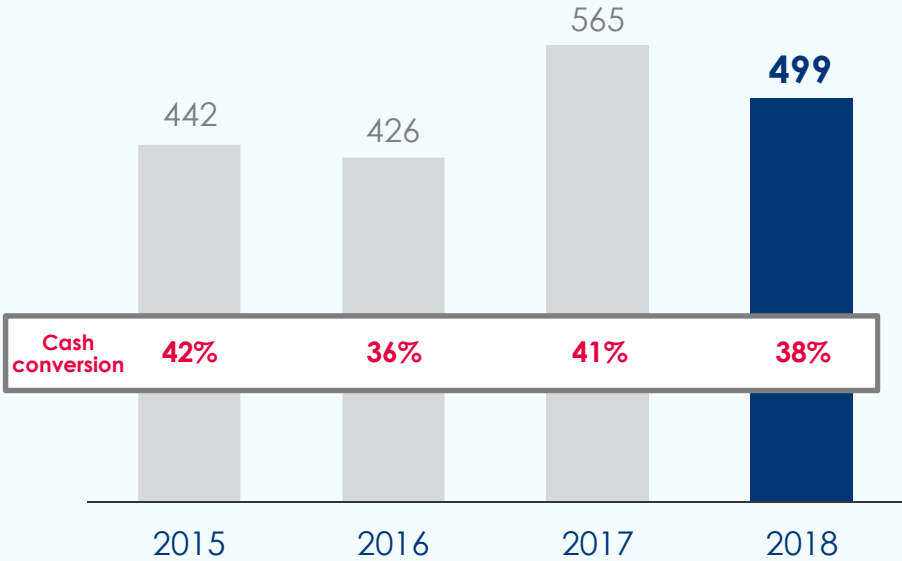
## Adjusted EPS



# BEST-IN-CLASS CASH GENERATION

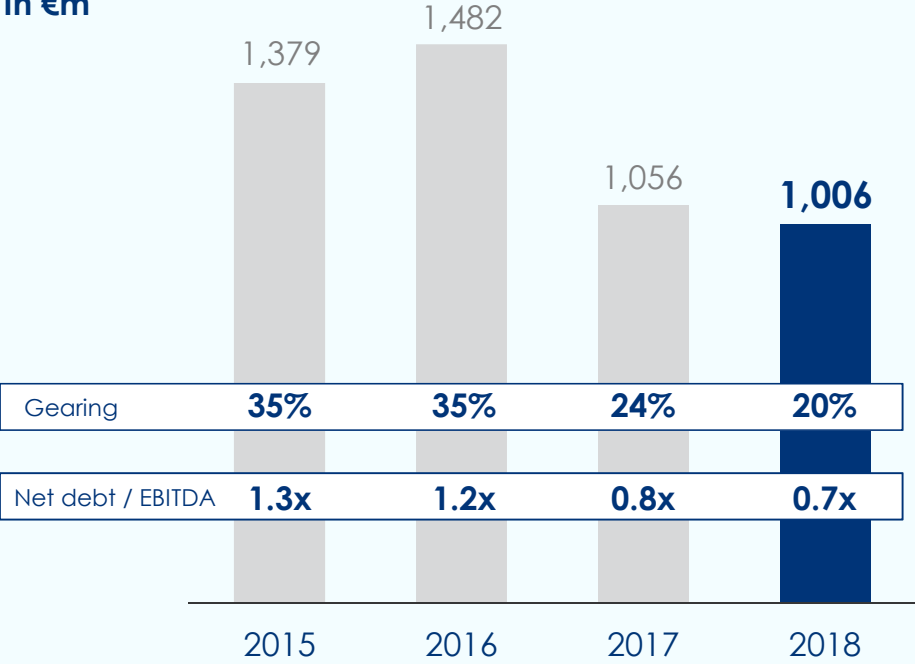
## Free cash flow and EBITDA to cash conversion rate

In €m



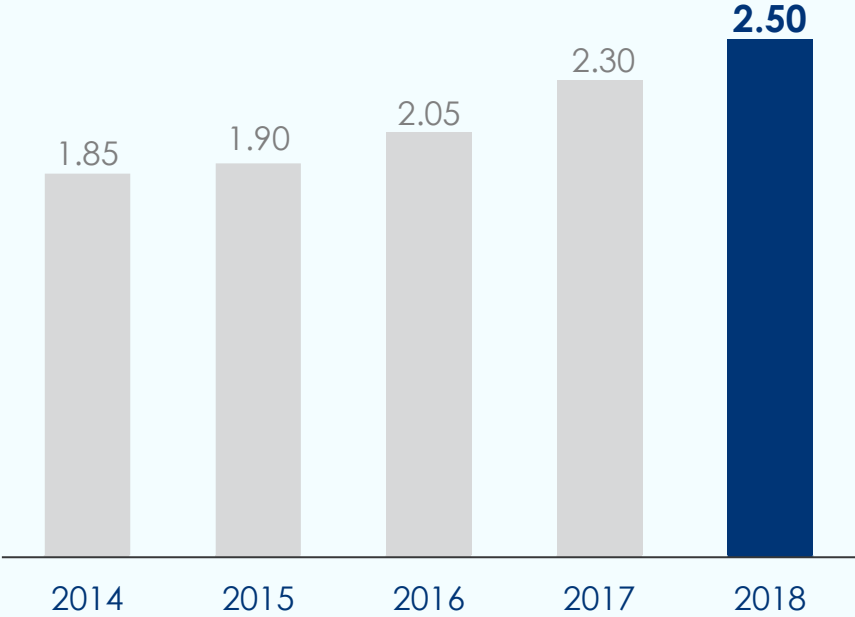
## NET DEBT excluding €700m hybrid bond

In €m



# DIVIDEND: A KEY COMPONENT OF ARKEMA'S SHAREHOLDER RETURN POLICY

DIVIDEND in €/share



Policy of paying stable to growing dividend every year

- ✦ **26%** payout ratio in 2018
- ✦ **3.3%** yield (based on the share price as of 31/12/2018)
- ✦ **+8.7%** growth 2018 vs. 2017
- ✦ **~ +8%** on average since 2014

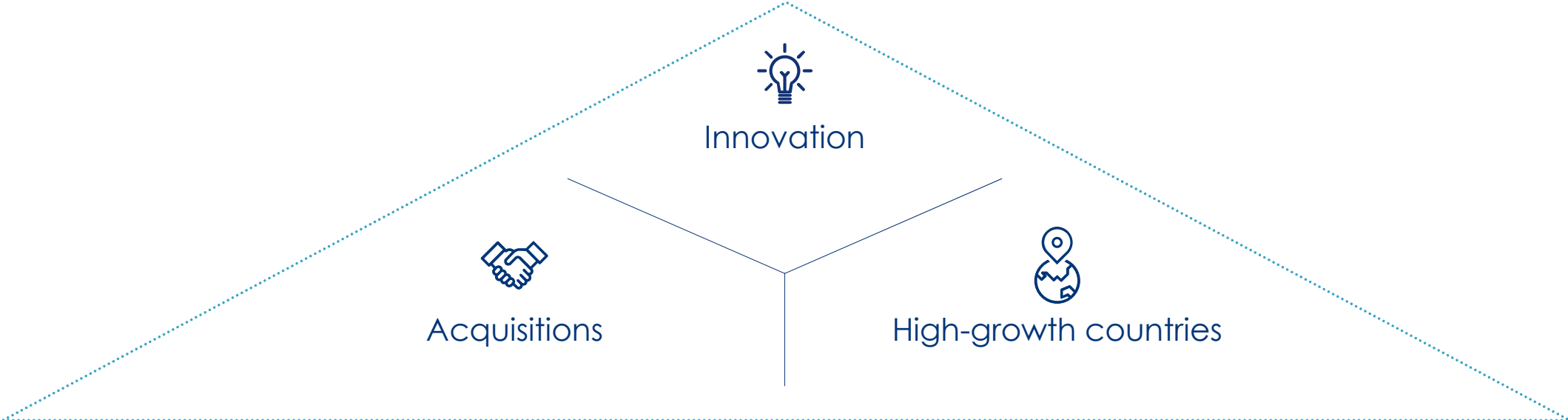




# AN ONGOING VALUE CREATIVE TRANSFORMATION

**ARKEMA**  
INNOVATIVE CHEMISTRY

# OUR STRATEGIC AND OPERATIONAL PRIORITIES



Commercial excellence



Operational excellence

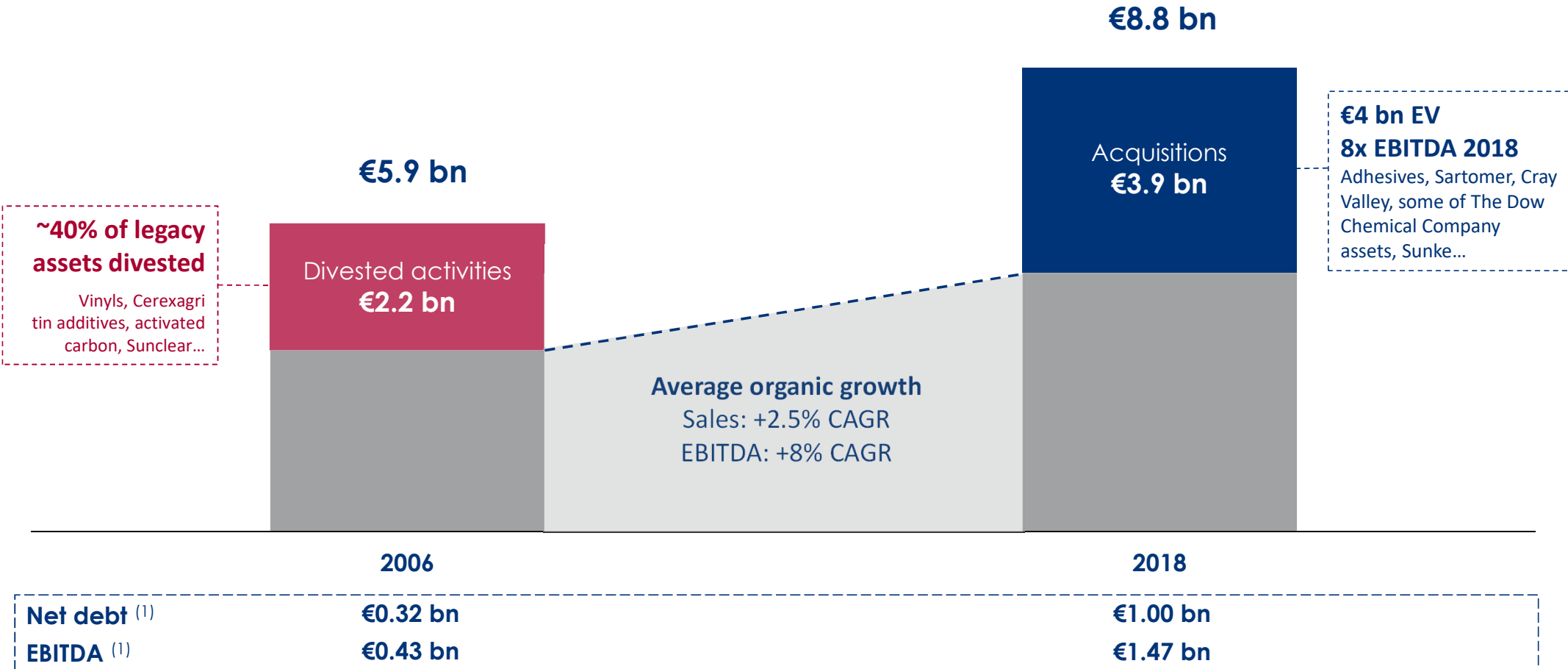


Corporate social responsibility



Digitalization

# PORTFOLIO EVOLUTION SINCE 2006 (TURNOVER\*)

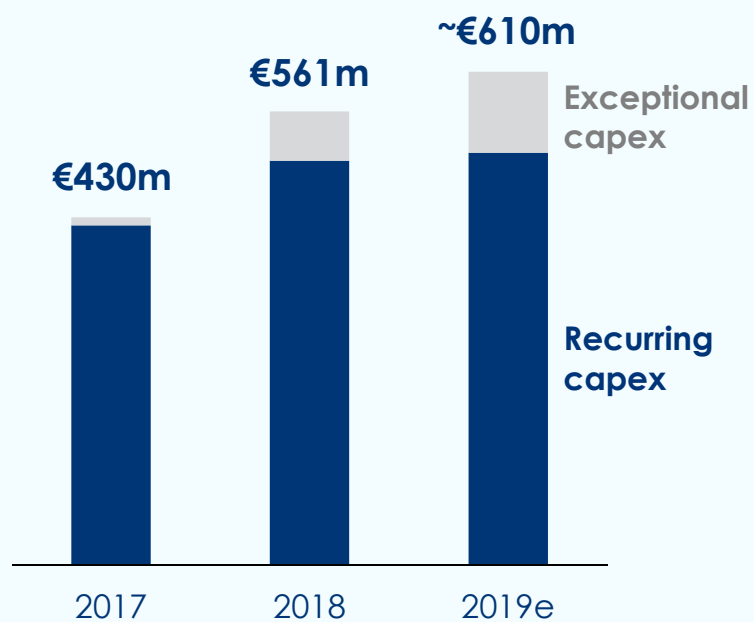


\* Estimated figures (1) excl. IFRS 16

# INVEST IN FUTURE GROWTH

## CAPEX PLAN

In €m



## STRONG CAPEX DISCIPLINE

- ✦ ~5.5% recurring capex as a % of Group sales
- ✦ ~€500m exceptional capex over 2018-2021



**x2 thiochemicals**  
capacities in Malaysia

**5% growth p.a.**

Start-up expected  
in 1H 2020



**Specialty polyamides**  
**expansion plan in Asia**  
(incl. +50% global PA11)

**5% growth p.a.**

PA11 unit to be  
completed by late 2021

**EXCEPTIONAL CAPEX FOCUSED ON HIGH GROWTH LINES**

# BOLT-ON ACQUISITIONS AND PARTNERSHIPS IN HIGH PERFORMANCE MATERIALS

**ARRMAZ**

Specialty surfactants for crop nutrition, mining and infrastructure

US\$290 m sales

**Create a new leader in specialty surfactants**

Profitable, resilient and low capital intensive activity

US\$ 570m EV

Completed on 1 July

Integrated in **Performance Additives**





**PROCHIMIR**

High performance **thermobonding adhesives films** for automotive, construction, textile and healthcare

€30 m sales



**Position Bostik among world-leading players in thermobonding films**

Completed on 1 October

Integrated in **Adhesives**

**LAMBSON**

**Photoinitiators** for curing technology used in 3D printing, electronics, digital ink and composites

€45 m sales



**Expand Sartomer's portfolio of solutions**

Completed on 1 October

Integrated in **Performance Additives**

**CARBON®**  
3D printing

**Support the next generation of fully integrated digital manufacturing platforms**

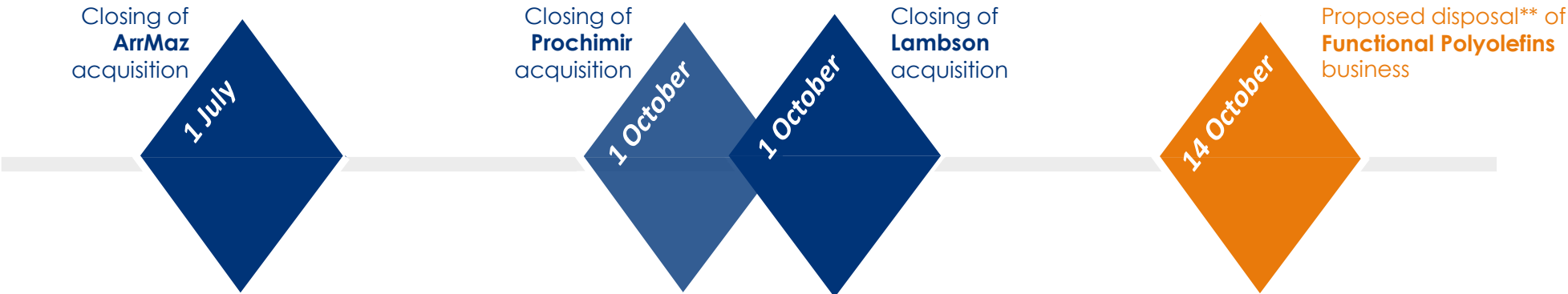
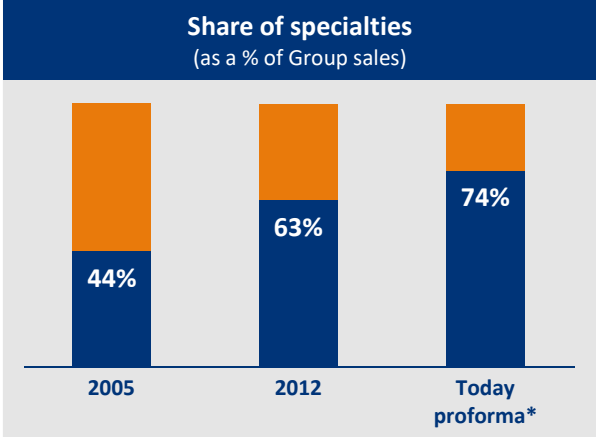
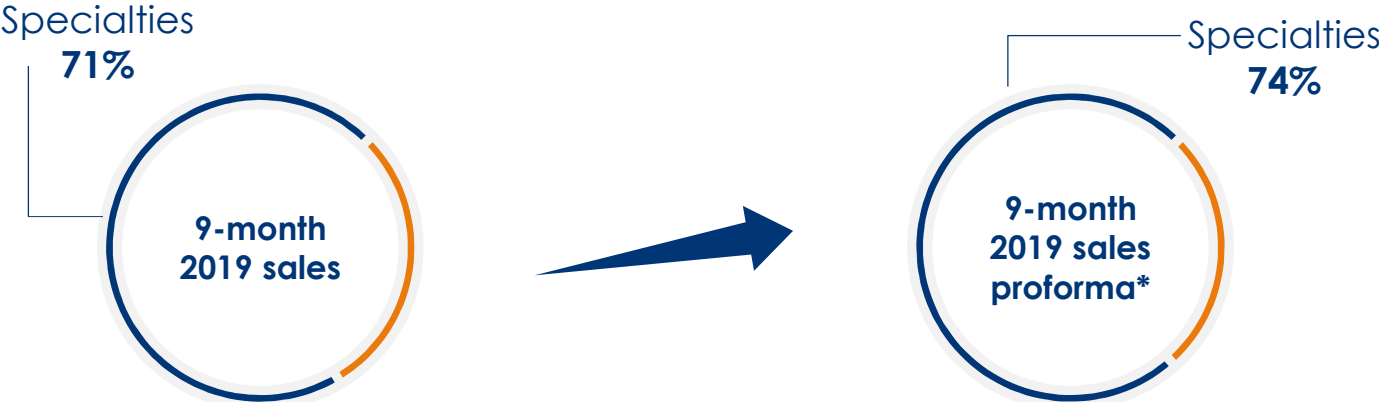
US\$20 m equity investment

**HEXCEL**  
Composites

**Develop thermoplastic composites for aerospace sector**

Opening of a joint R&D laboratory in France

# RECENT M&A PROJECTS ACCELERATING TRANSFORMATION TOWARDS SPECIALTIES



\* Including the impact of the acquisitions of ArrMaz, Prochimir and Lambson and the proposed disposal of the Functional Polyolefins business on a 9-month basis  
 \*\* Subject to an information and consultation process involving Arkema’s employee representative bodies and to the approval of the relevant antitrust authorities

# 2023 LONG-TERM OBJECTIVES

## A global specialty player focused on adhesives and advanced materials <sup>(1)</sup>

### Bostik 2023 objectives



- ❖ Exceed **1/3** of Group sales
- ❖ **More than double** sales vs 2016
- ❖ **12.5% to 13%** REBIT margin

### Advanced materials 2023 objectives



- ❖ Exceed **25%** of Group sales
- ❖ **14% to 15%** REBIT margin

Exceed **80%** of sales from **specialty businesses**  
(70% in 2018)

## Delivering strong margins and cash generation



REBIT margin  
**11.5% to 12.5%**



EBITDA to free cash conversion  
**35%**

Under strict financial discipline



ROCE <sup>(2)</sup>  
**at least 10%**



Net debt  
**<2x EBITDA**



Rating  
**Solid investment grade**

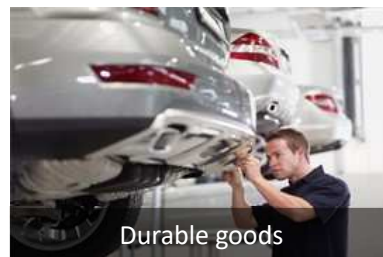
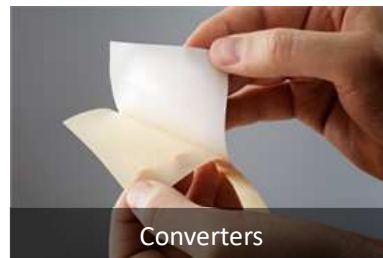
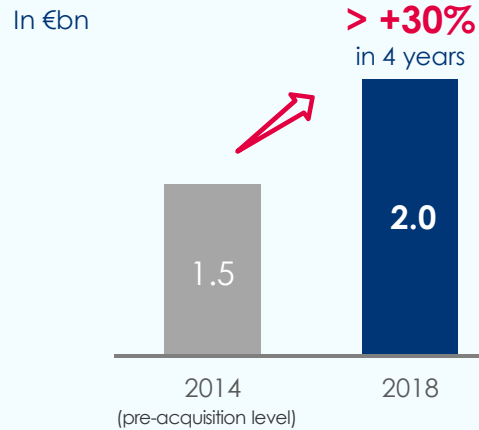
Defined in normalized market conditions

<sup>(2)</sup> (REBIT – current taxes) / (net debt + shareholders' equity)

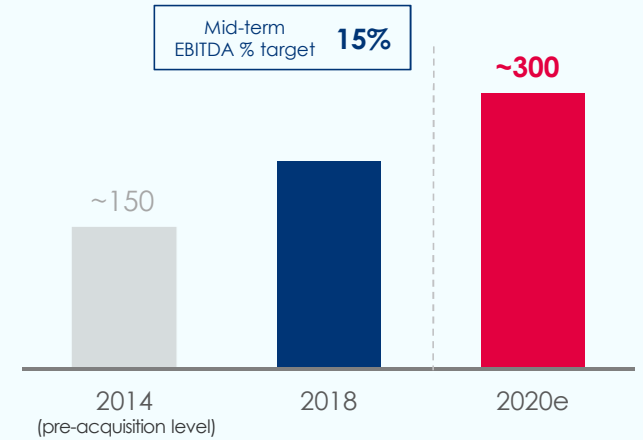
(1) Technical Polymers and Performance Additives Business Lines

# BOSTIK JOURNEY ON TRACK WITH SIGNIFICANT FURTHER GROWTH POTENTIAL

## SALES GROWTH



## EBITDA (€M)



## Ongoing acquisition flow

- Den Braven (sealants)
- CMP and XL Brands (flooring)
- Nitta Gelatin industrial adhesives
- Afinitica (engineering adhesives)
- Prochimir (high performance thermobonding films)

## Expand organically

- Structural and engineering adhesives
- High performance sealants
- Flooring systems
- Emerging countries



# ARKEMA CORPORATE SOCIAL RESPONSIBILITY POLICY



## OUR MISSION

Develop, as a responsible industrial company, innovative solutions adapted to our customers' main challenges and support them in their quest for sustainable performance

## OUR 3 COMMITMENTS:



Deliver sustainable solutions driven by innovation

- Solutions that address societal challenges
- Innovation at the heart of the activities
- Product stewardship



Manage our activities as a responsible manufacturer

- Safety of people and processes
- Health
- Environmental footprint reduction



Cultivate an open dialogue and close relations with our stakeholders

- Ethics
- Human rights
- Employee development
- Responsible value chain
- Corporate citizenship

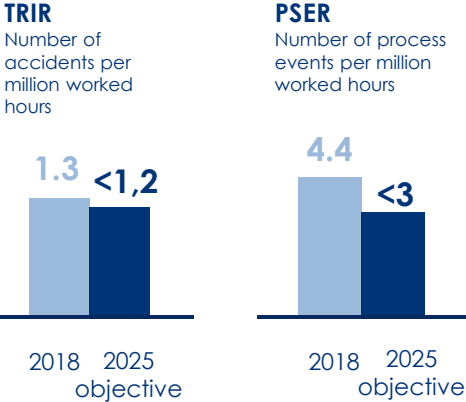


# ARKEMA CORPORATE SOCIAL RESPONSIBILITY PERFORMANCE



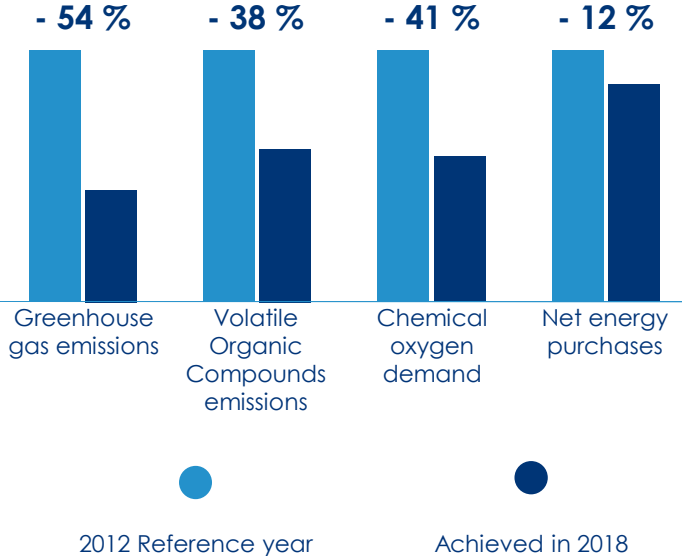
## OUR PERFORMANCE - KEY ILLUSTRATIONS

### Safety



✓ Behavior dimension    ✓ Process safety

### Environment

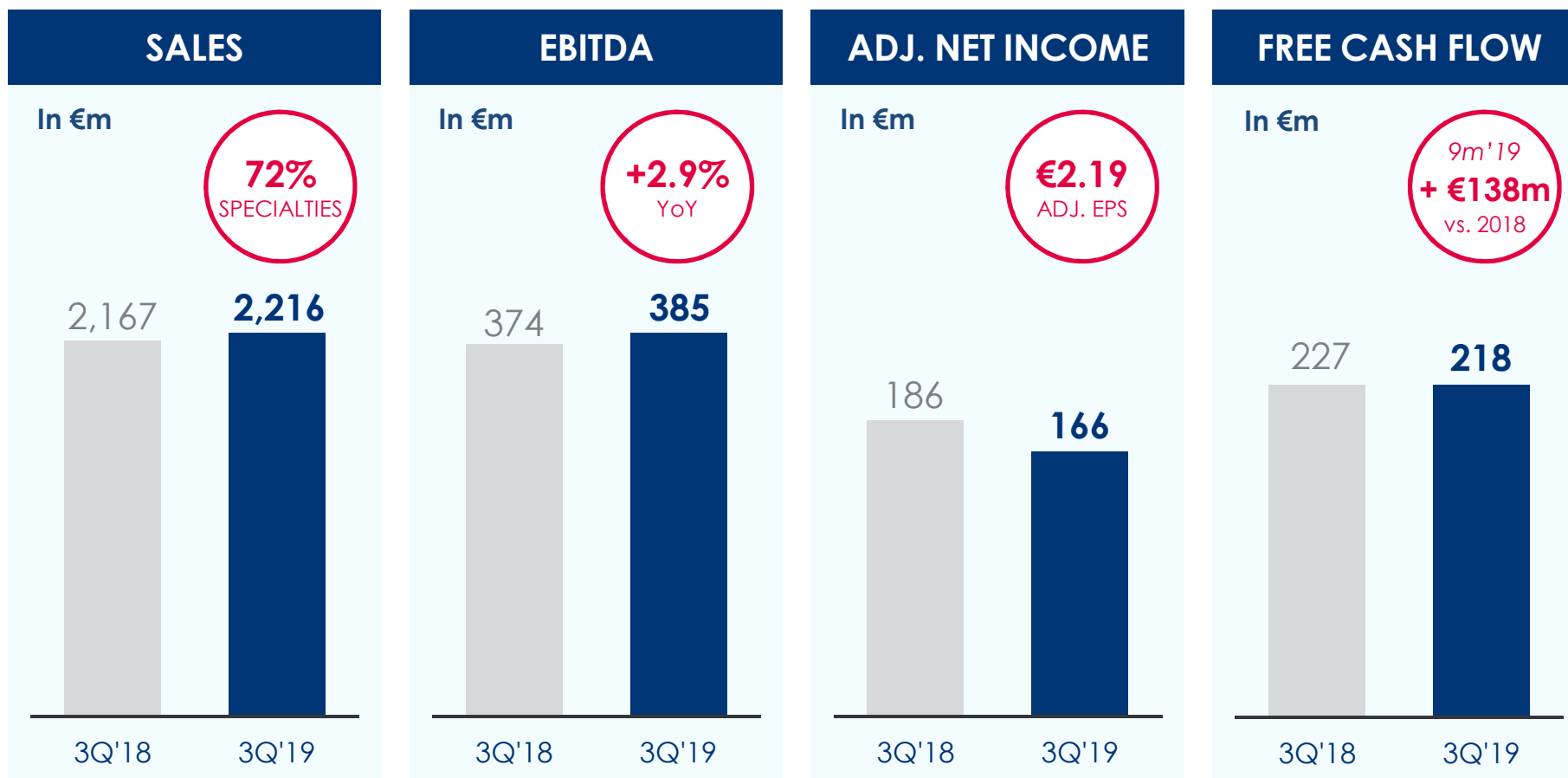




# 3Q AND 9M 2019 RESULTS

**ARKEMA**  
INNOVATIVE CHEMISTRY

## 3Q'19 PERFORMANCE



As of 1 January 2019, the Group applies the IFRS 16 standard "Leases". Impact on EBITDA is a €15m positive in 3Q'19 and is not material on REBIT. 2018 figures have not been restated.

## 3Q'19 FINANCIAL HIGHLIGHTS

---

**€2,216m** sales

- ✦ **+2.3%** YoY (€2,167m in 3Q'18)
- ✦ Slight growth in volumes of **+0.7%**

**€385m** EBITDA

- ✦ **3%** up against the record performance of 3Q'18
- ✦ Driven by the strong increase of **specialties** <sup>(1)</sup>

**17.4%** EBITDA margin

- ✦ 17.3% in 3Q'18
- ✦ Stable at a high level despite a more challenging and uncertain macro-economic environment

**€166m** adj. net income

- ✦ **7.5%** of sales
- ✦ **€2.19** adjusted EPS

**€218m** free cash flow

- ✦ Strong performance, in the continuity of 1H'19

**€1,770m** net debt

- ✦ 1.2x LTM EBITDA
- ✦ Including payment for the acquisitions of ArrMaz and of our partner's stake in Sunke

<sup>(1)</sup> The Group distinguishes intermediate businesses, corresponding to the PMMA, Fluorogases and Acrylics Business Lines, and specialty businesses

# 3Q'19 SALES BRIDGE



## HIGH PERFORMANCE MATERIALS (48% OF GROUP SALES)

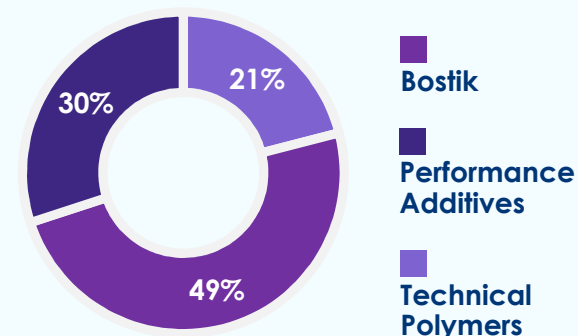
### 3Q'19 KEY FIGURES

In €m	3Q'18	3Q'19	Change
Sales	987	1,068	+8.2%
EBITDA	162	182	+12.3%
EBITDA margin	16.4%	17.0%	
Rec. operating income	123	134	+8.9%

### 3Q'19 SALES DEVELOPMENT

Volumes	(4.1)%
Prices	+3.0%
Currency	+2.1%
Scope	+7.1%

### 3Q'19 SALES BY BUSINESS LINE



### 3Q'19 HIGHLIGHTS

- ✦ **+7.1% scope effect**, reflecting the integration of ArrMaz in Performance Additives
- ✦ **Prices up 3.0%**, positive in all Business Lines, on higher selling prices and improved product mix, especially in adhesives
- ✦ **Volumes down 4.1%**, penalized by the global economic context
  - Softer demand in transport, oil & gas and consumer electronics. Positive dynamic in niche markets like batteries and 3D printing
  - Cautious inventory management by our customers
- ✦ **€182m EBITDA (+12.3% YoY) and EBITDA margin up 60 bps to 17%**
  - Bostik EBITDA up ~20% YoY and EBITDA margin up 200 bps, driving the higher profitability of the division
  - Advanced materials resisting well, in spite of the weakness of volumes in certain markets
  - ArrMaz performance perfectly in line with our expectations

## INDUSTRIAL SPECIALTIES (28% OF GROUP SALES)

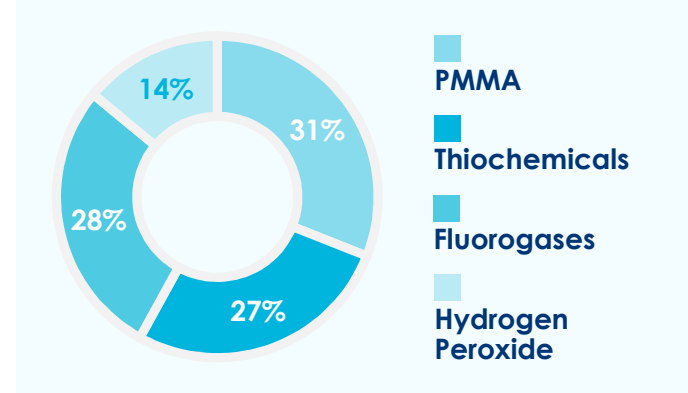
### 3Q'19 KEY FIGURES

In €m	3Q'18	3Q'19	Change
Sales	646	606	(6.2)%
EBITDA	165	152	(7.9)%
EBITDA margin	25.5%	25.1%	
Rec. operating income	121	98	(19.0)%

### 3Q'19 SALES DEVELOPMENT

Volumes	+2.8%
Prices	(10.8)%
Currency	+1.7%
Scope	-

### 3Q'19 SALES BY BUSINESS LINE



### 3Q'19 HIGHLIGHTS

#### ✦ €606m sales

- Prices down 10.8%, reflecting continued challenging market conditions in Fluorogases and, to a lesser extent, normalization in MMA/PMMA
- +2.8% volume effect, driven by a positive dynamic in Thiochemicals

#### ✦ €152m EBITDA and stable EBITDA margin at 25%, with contrasting trends between Business Lines

- Strong growth of Thiochemicals in the continuity of 1H'19, driven by solid demand in its end markets
- Fluorogases still strongly penalized by illegal HFC imports in Europe weighing on prices
- MMA/PMMA chain holding up well, benefiting from its strong integration, its quality of innovation and favorable raw materials



## COATING SOLUTIONS (24% OF GROUP SALES)

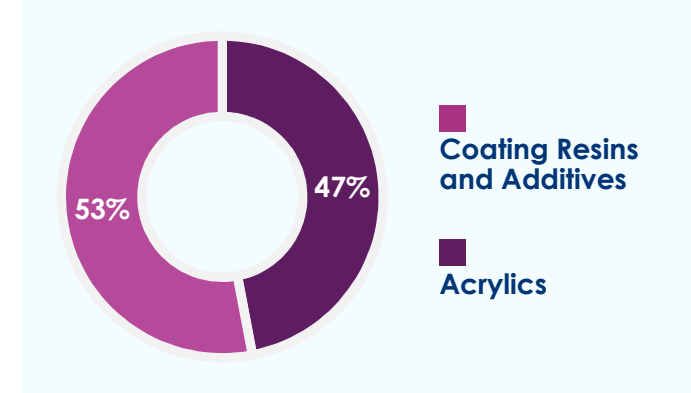
### 3Q'19 KEY FIGURES

In €m	3Q'18	3Q'19	Change
Sales	527	535	+1.5%
EBITDA	65	70	+7.7%
EBITDA margin	12.3%	13.1%	
Rec. operating income	39	39	-

### 3Q'19 SALES DEVELOPMENT

Volumes	+7.0%
Prices	(10.7)%
Currency	+2.3%
Scope	+2.9%

### 3Q'19 SALES BY BUSINESS LINE



### 3Q'19 HIGHLIGHTS

#### ✦ €535m sales, up 1.5% YoY

- Significant volume growth at +7.0%, mainly in acrylic monomers in Asia and the US, following the start-up of the new acrylic acid reactor in Clear Lake
- -10.7% price effect mainly on lower propylene price
- +2.9% scope effect corresponding to the acquisition of Jurong's stake in Taixing Sunke Chemicals

#### ✦ €70m EBITDA and EBITDA margin at 13.1%

- Unit margin improvement in downstream businesses
- EBITDA margin up by 80 bps YoY

## 9M'19 KEY FIGURES

In €m (except EPS)	9M'18	9M'19	Δ
<b>Sales</b>	6,609	<b>6,685</b>	+1.1%
<b>EBITDA</b>	1,187	<b>1,162</b>	-2.1%
<b>EBITDA margin</b>	18.0%	<b>17.4%</b>	
<b>Recurring operating income (REBIT)</b>	860	<b>775</b>	-9.9%
<b>REBIT margin</b>	13.0%	<b>11.6%</b>	
<b>Adjusted net income</b>	607	<b>523</b>	-13.8%
<b>Adjusted EPS (in euros)</b>	7.97	<b>6.87</b>	-13.8%
<b>Free cash flow</b>	243	<b>381</b>	
<b>Net debt</b>	1,167	<b>1,770</b>	

As of 1 January 2019, the Group applies the IFRS 16 standard "Leases". Impact on EBITDA is a €42m positive in 9M'19 and is not material on REBIT. 2018 figures have not been restated.

## EXCELLENT CASH GENERATION IN 9M'19

### RECONCILIATION OF EBITDA TO NET CASH FLOW

In €m	9m'18	9m'19
<b>EBITDA</b>	<b>1,187</b>	<b>1,162</b>
Current taxes	(162)	(144)
Cost of debt	(65)	(73)
Change in working capital and fixed assets payables <sup>(1)</sup>	(328)	(170)
Recurring capital expenditure	(268)*	(305)
Exceptional capital expenditure	(34)	(68)
Others (including non-recurring items)	(87)*	(21)
<b>FREE CASH FLOW</b>	<b>243</b>	<b>381</b>
Impact of portfolio management	(201)	(619)
<b>NET CASH FLOW</b>	<b>42</b>	<b>(238)</b>

<sup>(1)</sup> Excluding non-recurring items and impact of portfolio management

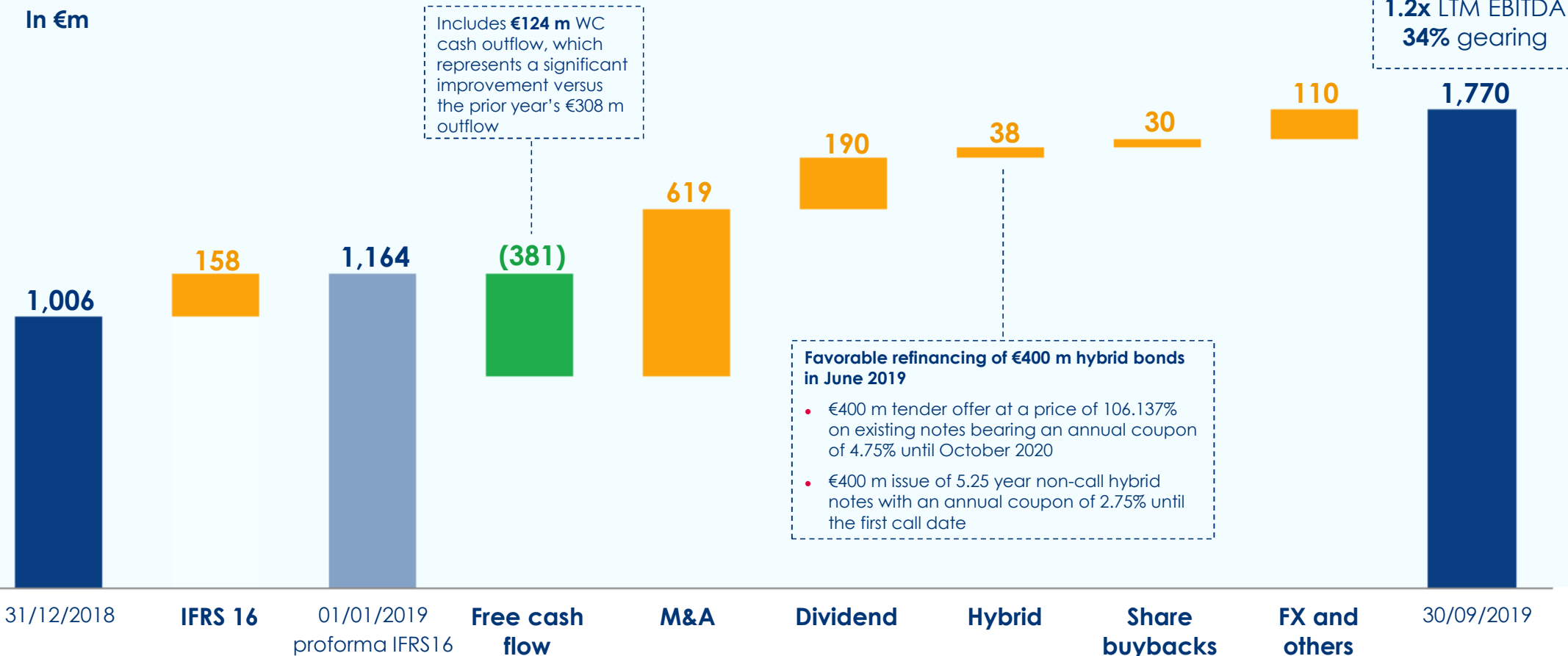
\* Restated figures

### HIGHLIGHTS

- ✦ **Limited increase of working capital**
  - Tight management, activity levels and favorable impact of lower raw materials costs on inventories
  - 16.4% working capital on annualized sales ratio (16.1% end of September 2018)
  
- ✦ **Higher capex YoY reflecting ambitious organic investment policy**
  - 2019e capex (recurring + exceptional): ~€610m
  
- ✦ **€619m portfolio management cash out**
  - Equity investment in Carbon<sup>®</sup>
  - Acquisition of ArrMaz
  - Acquisition of Jurong's stake in Taixing Sunke Chemicals

# 9M'19 NET DEBT BRIDGE

In €m



## 2019 OUTLOOK

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- ❖ 4Q'19 macro-economic environment should remain challenging and volatile
  - Ongoing geopolitical uncertainties are weighing on global demand
  - Cautious inventory management expected from our customers
- ❖ Continued focus on internal momentum and implementation of our long term strategy
- ❖ In 4Q'19, intermediates should be well down, mainly reflecting the challenging conditions in Fluorogases, while further solid growth is expected in specialties, notably driven by positive momentum in adhesives and performance coatings, as well as ArrMaz

**Taking into account the performance over the first three quarters of the year and while remaining attentive to the development of the macroeconomic environment, Arkema confirms its ambition to consolidate its financial performance at high levels and to achieve in 2019 an EBITDA comparable with the 2018 record level.**

*2019 takes into account the new IFRS 16 standard.*

## DISCLAIMER

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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 division 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 2018 Reference Document. As part of the analysis of its results or to define its objectives, the Group uses in particular 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

**EBITDA to cash conversion rate:** corresponds to the free cash flow excluding exceptional capital expenditure divided by EBITDA

**Return on average capital employed (ROACE):** corresponds to the REBIT divided by the average of capital employed at the end of years Y and Y-1.