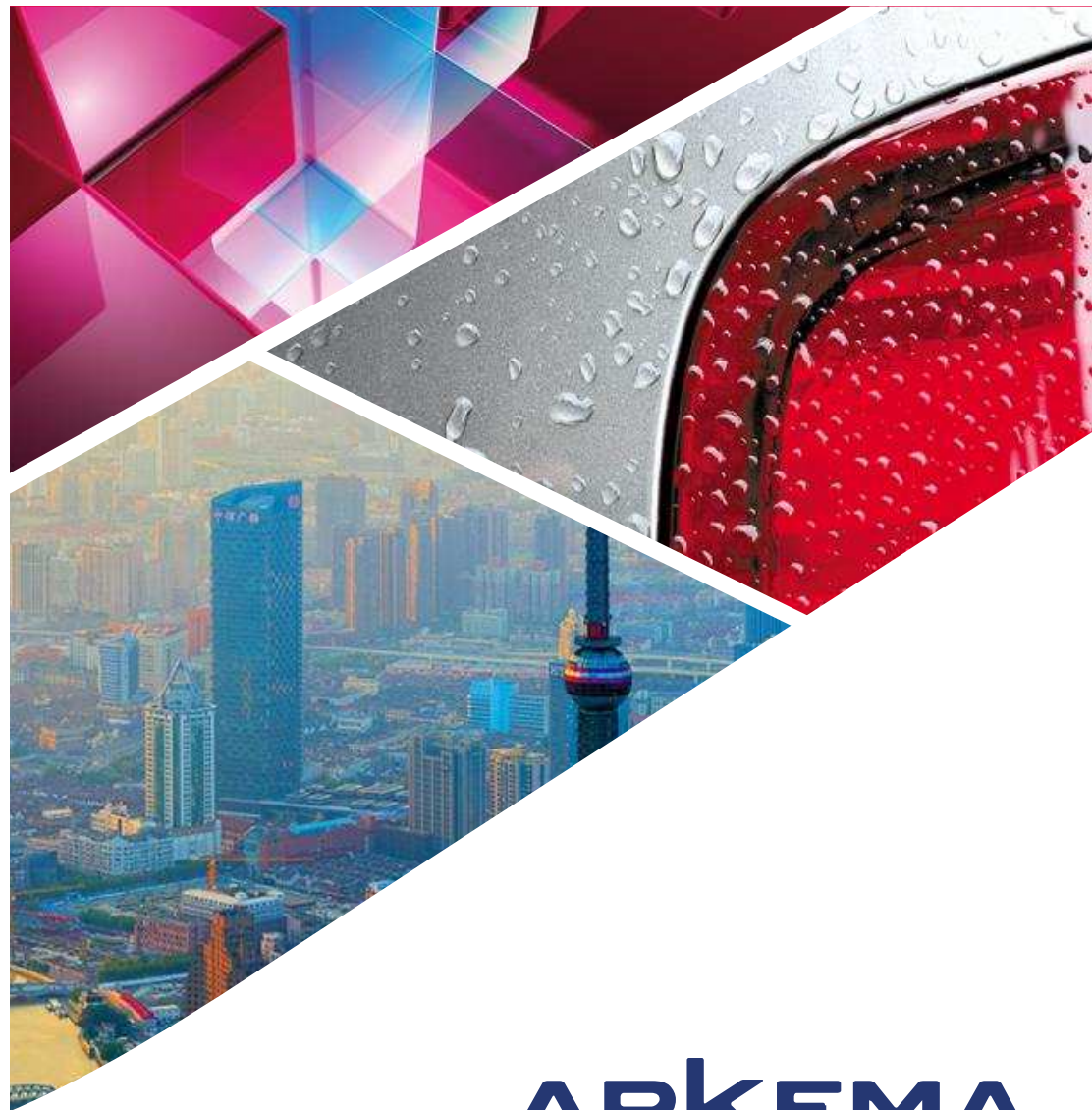


# CREDIT SUISSE, 2018 SPECIALTY CHEMICALS YEAR END LONDON CONFERENCE

DECEMBER 4, 2018



**ARKEMA**  
INNOVATIVE CHEMISTRY



# THIRD QUARTER 2018 RESULTS AND 2018 OUTLOOK

**ARKEMA**  
INNOVATIVE CHEMISTRY

## 3Q'18 KEY TAKE-AWAYS

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**€2,167m** sales

- ✦ **+7.3%** up YoY
- ✦ **+6.7%** at constant scope and FX

**€374m** EBITDA

- ✦ **+5.4%** up on excellent 3Q'17 (€355m)
- ✦ All time high EBITDA in 3Q
- ✦ Up YoY in all three divisions
- ✦ On track with FY guidance

**17.3%** EBITDA margin

- ✦ Resilient at high levels (17.6% in 3Q'17)

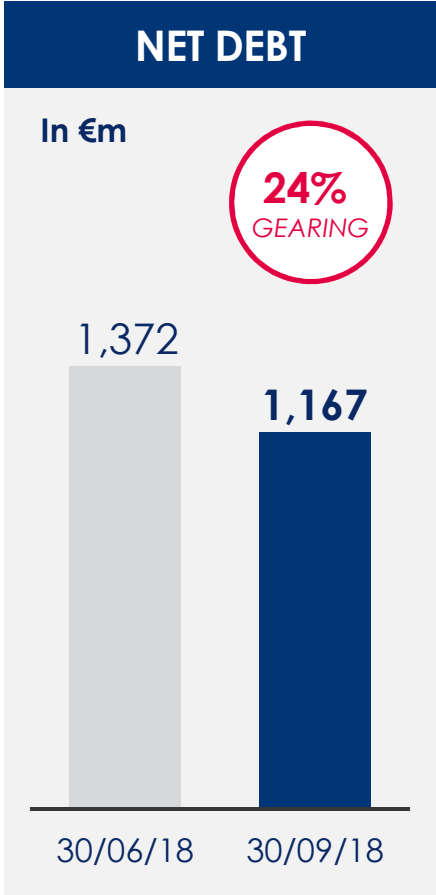
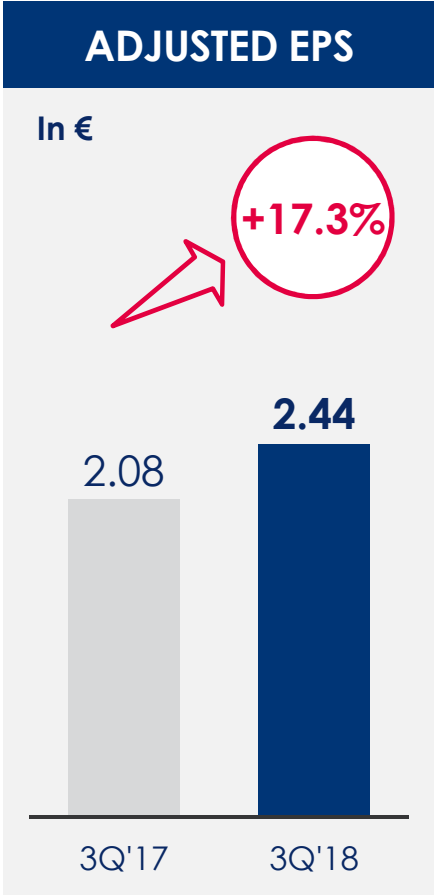
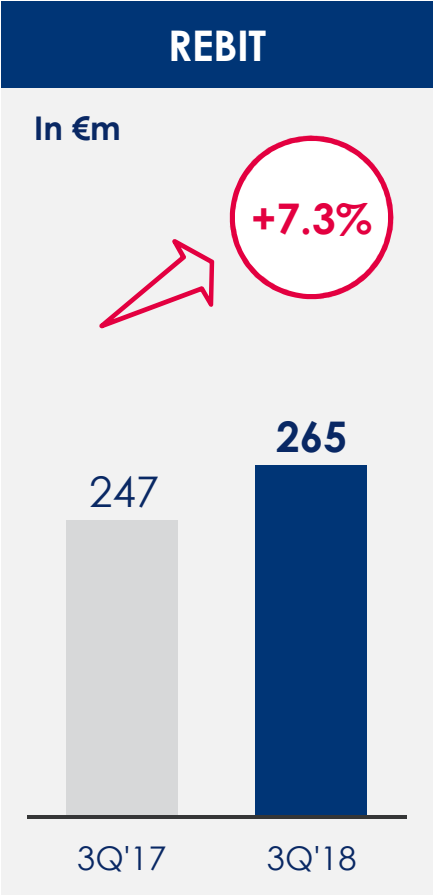
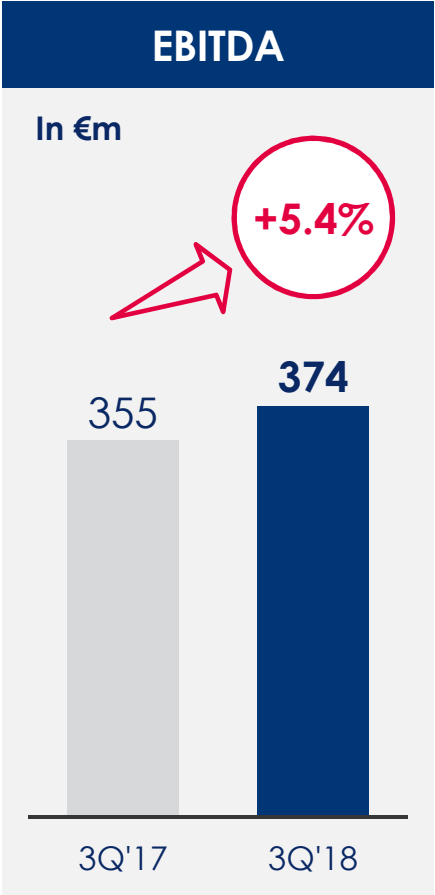
**€186m** adjusted net income

- ✦ **+18%** up YoY on higher EBITDA and lower taxes
- ✦ **€2.44** adjusted EPS (€2.08 in 3Q'17)

**€1,167m** net debt

- ✦ Strong cash generation with **+€227m** free cash flow
- ✦ Net debt significantly down versus 30 June 2018 (€1,372m)
- ✦ **24%** gearing and **0.8x** EBITDA of last 12 months

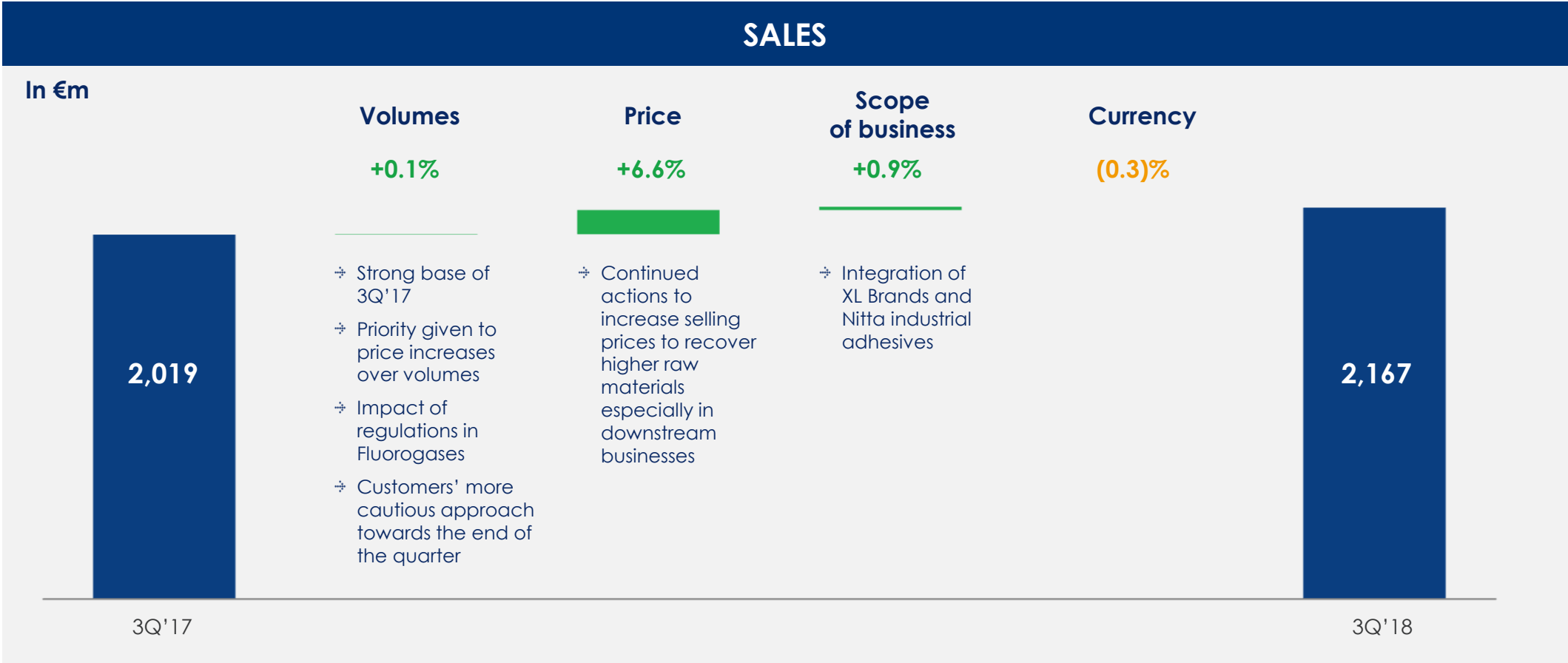
# 3Q'18 HIGHLIGHTS



## 3Q'18 KEY FIGURES

In €m (except EPS)	3Q'17	3Q'18	CHANGE
<b>Sales</b>	2,019	<b>2,167</b>	+7.3%
<b>EBITDA</b>	355	<b>374</b>	+5.4%
<b>EBITDA margin</b>	17.6%	<b>17.3%</b>	
<b>Recurring operating income (REBIT)</b>	247	<b>265</b>	+7.3%
<b>REBIT margin</b>	12.2%	<b>12.2%</b>	
<b>Adjusted net income</b>	158	<b>186</b>	+17.7%
<b>Net income – Group share</b>	142	<b>174</b>	+22.5%
<b>Adjusted EPS (in euros)</b>	2.08	<b>2.44</b>	+17.3%

# 3Q'18 SALES BRIDGE



# HIGH PERFORMANCE MATERIALS (46% OF GROUP SALES)

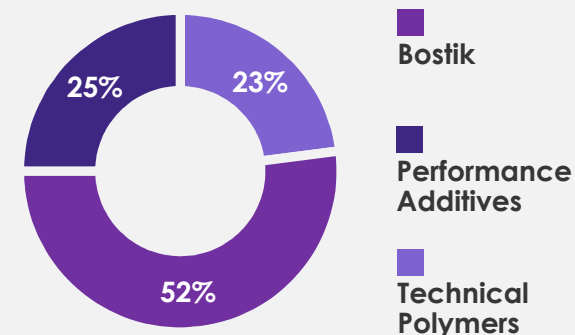
## 3Q'18 KEY FIGURES

In €m	3Q'17	3Q'18	Change
Sales	955	987	+3.4%
EBITDA	161	162	+0.6%
EBITDA margin	16.9%	16.4%	
Rec. operating income	123	123	-

## 3Q'18 SALES DEVELOPMENT

Volumes	+0.5%
Prices	+1.9%
Currency	(1.0)%
Scope	+2.0%

## 3Q'18 SALES BY BUSINESS LINE



## 3Q'18 HIGHLIGHTS

### ❖ Sales up 2.4% at constant FX and scope of business

- +1.9% price effect reflecting Group's continued initiatives to increase selling prices across all businesses
- Volumes up 0.5% compared to the excellent 3Q'17 performance, driven by a solid demand in the areas of lightweight materials and consumer goods (sports, electronics) while reflecting priority given to price increases over volumes

### ❖ €162m EBITDA and 16.4% EBITDA margin

- Confirm the division's resilience in a higher raw materials cost environment
- Benefits from the integration of bolt-on acquisitions in adhesives (XL Brands)
- As forecasted, lower YoY contribution from specialty molecular sieves

# INDUSTRIAL SPECIALTIES (30% OF GROUP SALES)

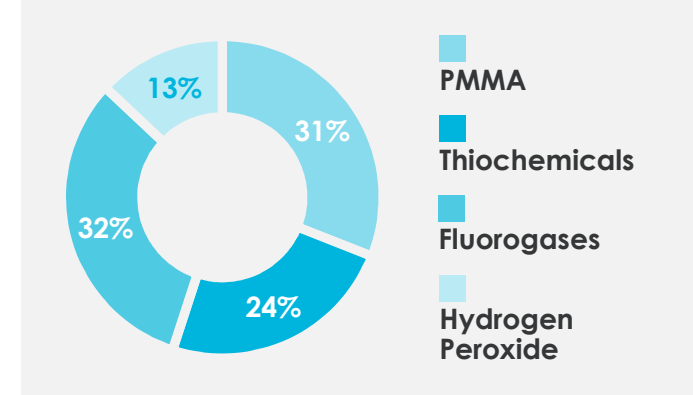
## 3Q'18 KEY FIGURES

In €m	3Q'17	3Q'18	Change
Sales	594	646	+8.8%
EBITDA	149	165	+10.7%
EBITDA margin	25.1%	25.5%	
Rec. operating income	106	121	+14.2%

## 3Q'18 SALES DEVELOPMENT

Volumes	(3.3)%
Prices	+11.4%
Currency	+0.6%
Scope	-

## 3Q'18 SALES BY BUSINESS LINE



## 3Q'18 HIGHLIGHTS

### ❖ Sales up 8.1% at constant FX and scope of business

- +11.4% price effect, positive in each of the 4 Business Lines of the division
- Volumes down 3.3% YoY on lower selling quotas for Fluorogases

### ❖ €165m EBITDA, up 10.7% YoY and 25.5% EBITDA margin, reflecting:

- Benefits from F-Gas regulation in Europe in Fluorogases
- Slight normalisation in PMMA towards the end of the quarter
- Robust performance in Thiochemicals and Hydrogen Peroxide



## COATING SOLUTIONS (24% OF GROUP SALES)

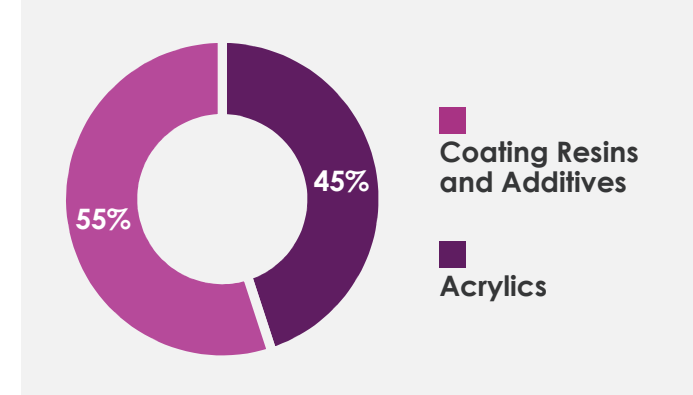
### 3Q'18 KEY FIGURES

In €m	3Q'17	3Q'18	Change
Sales	463	527	+13.8%
EBITDA	62	65	+4.8%
EBITDA margin	13.4%	12.3%	
Rec. operating income	36	39	+8.3%

### 3Q'18 SALES DEVELOPMENT

Volumes	+3.5%
Prices	+10.2%
Currency	+0.1%
Scope	-

### 3Q'18 SALES BY BUSINESS LINE



### 3Q'18 HIGHLIGHTS

#### ❖ Sales up 13.7% at constant FX and scope of business

- +10.2% price effect reflecting higher selling prices across the entire chain
- Volumes up 3.5% driven by solid demand in Asia and the US

#### ❖ EBITDA up 4.8% YoY at €65m

- Gradual improvement of unit margins in acrylic monomers, in line with Group's assumptions
- Downstream performance impacted by higher raw material costs, notably acrylic acid

#### ❖ 12.3% EBITDA margin impacted by the significant dilutive effect of higher selling prices on the ratio

## 3Q'18 CASH FLOW

In €m	3Q'17	3Q'18	3Q'18 highlights
<b>EBITDA</b>	<b>355</b>	<b>374</b>	
Change in working capital <sup>(1)</sup>	94	65	<ul style="list-style-type: none"> <li>▪ In a context of higher raw material costs</li> <li>▪ 16.1% WC over annualized sales ratio versus 15.5% at 30/09/17 and 16.8% at 30/09/16</li> </ul>
Change in fixed assets payables <sup>(1)</sup>	4	9	
Current taxes	(50)	(45)	US tax reform benefit and geographic mix of Group's earnings
Cost of debt	(24)	(23)	
Recurring capital expenditure <sup>(2)</sup>	(95)	(126)	In line with Group guidance. FY'18e total capex (including exceptional) at ~€550m
Others	11	2	
<b>RECURRING CASH FLOW</b>	<b>295</b>	<b>256</b>	
Exceptional capital expenditure <sup>(2)</sup>	(2)	(16)	Mainly related to Thiochemicals in Malaysia and specialty polyamides in Asia
Other non-recurring items in operating and investing cash flow	(19)	(13)	Mainly restructuring expenses
<b>FREE CASH FLOW</b>	<b>274</b>	<b>227</b>	
Impact of portfolio management	(2)	(27)	Mainly acquisitions in adhesives
<b>NET CASH FLOW</b>	<b>272</b>	<b>200</b>	

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

<sup>(2)</sup> Restated 2017 figures following announcement of several capex projects classified as exceptional

# 2018 OUTLOOK

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## ❖ **Macro-economic environment should remain contrasted**

- Different dynamics by end-markets and regions
- Geopolitical tensions
- High raw material prices

## ❖ **Arkema will continue to focus on internal drivers**

- Innovation in advanced materials
- Integration of bolt-on acquisitions in adhesives
- Selling price increases to reflect higher raw material costs
- Operational excellence initiatives to partly offset fixed cost inflation
- Globally robust performance of intermediate chemicals businesses, despite expected gradual normalisation of PMMA in 4Q

**On the back of its results for the first nine months of the year, Arkema confirms its guidance for full-year 2018 to achieve mid-single digit <sup>(1)</sup> EBITDA growth compared to the excellent 2017 performance.**

<sup>(1)</sup> Of around 5%



# ARKEMA HIGHLIGHTS

**ARKEMA**  
INNOVATIVE CHEMISTRY

# ARKEMA IN A NUTSHELL

## 2017 KEY FIGURES



€8.3 bn sales



19,800 employees worldwide



Worldwide presence in 55 countries

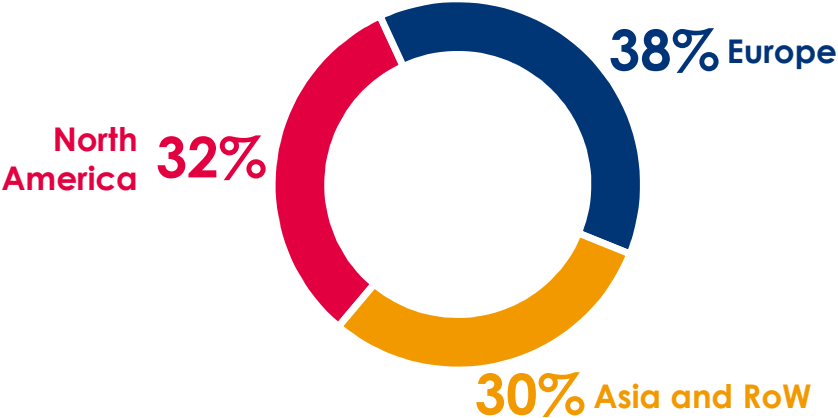
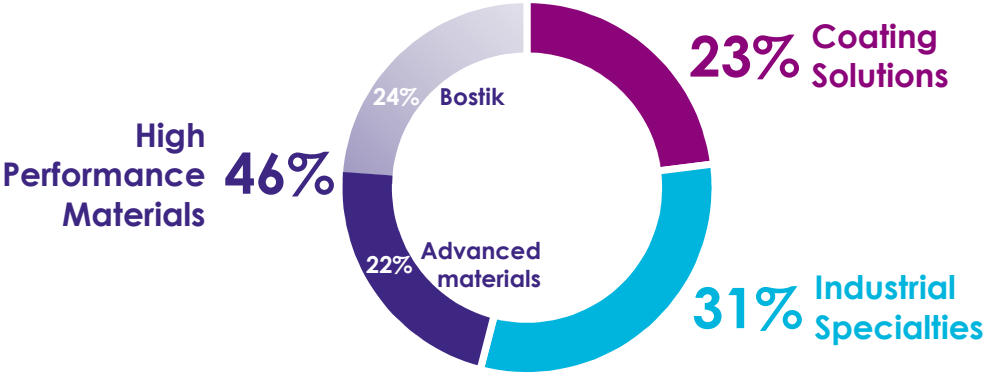


136 industrial sites



3 R&D & innovation geographical hubs

## BALANCED PORTFOLIO OF BUSINESSES AND GEOGRAPHIC FOOTPRINT



## TRACK RECORD OF DELIVERING FINANCIAL TARGETS

	2017 TARGETS SET 3 YEARS AGO DURING OUR 2015 CAPITAL MARKETS DAY	ACHIEVED IN 2017
<b>EBITDA</b>	€1.3 bn	€1,391 m from €784 m in 2014 
<b>Net cash flow*</b>	x3	x4 vs 2014 
<b>EBITDA to free cash conversion</b>	35%	41% from 18% in 2014 
<b>Capital intensity</b> (recurring capex to sales)	5.5%	5.2% from 5.8% in 2014 
<b>Working capital</b> (as a % of sales)	15%	13.1% from 16.1% in 2014 
<b>Gearing</b>	40%	24% 
<b>Net debt to EBITDA</b> (excluding hybrid bond)	1.5x	0.8x 

\* Net cash flow excluding M&A, exceptional capex, dividend and cost of hybrid

# REMINDER OF 2023 LONG-TERM OBJECTIVES PRESENTED AT 2017 CAPITAL MARKETS DAY

## A global specialty player focused on adhesives and advanced materials

### 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**  
(71% in 2017)

## Delivering strong margins and cash generation



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

# LONG TERM GROWTH SUPPORTED BY A NEW WAVE OF SIGNIFICANT PROJECTS

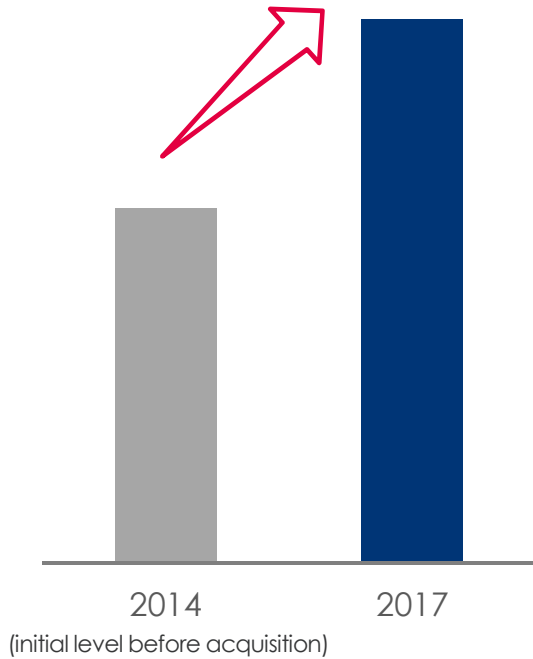




# BOSTIK FULLY ON TRACK WITH SIGNIFICANT POTENTIAL AHEAD

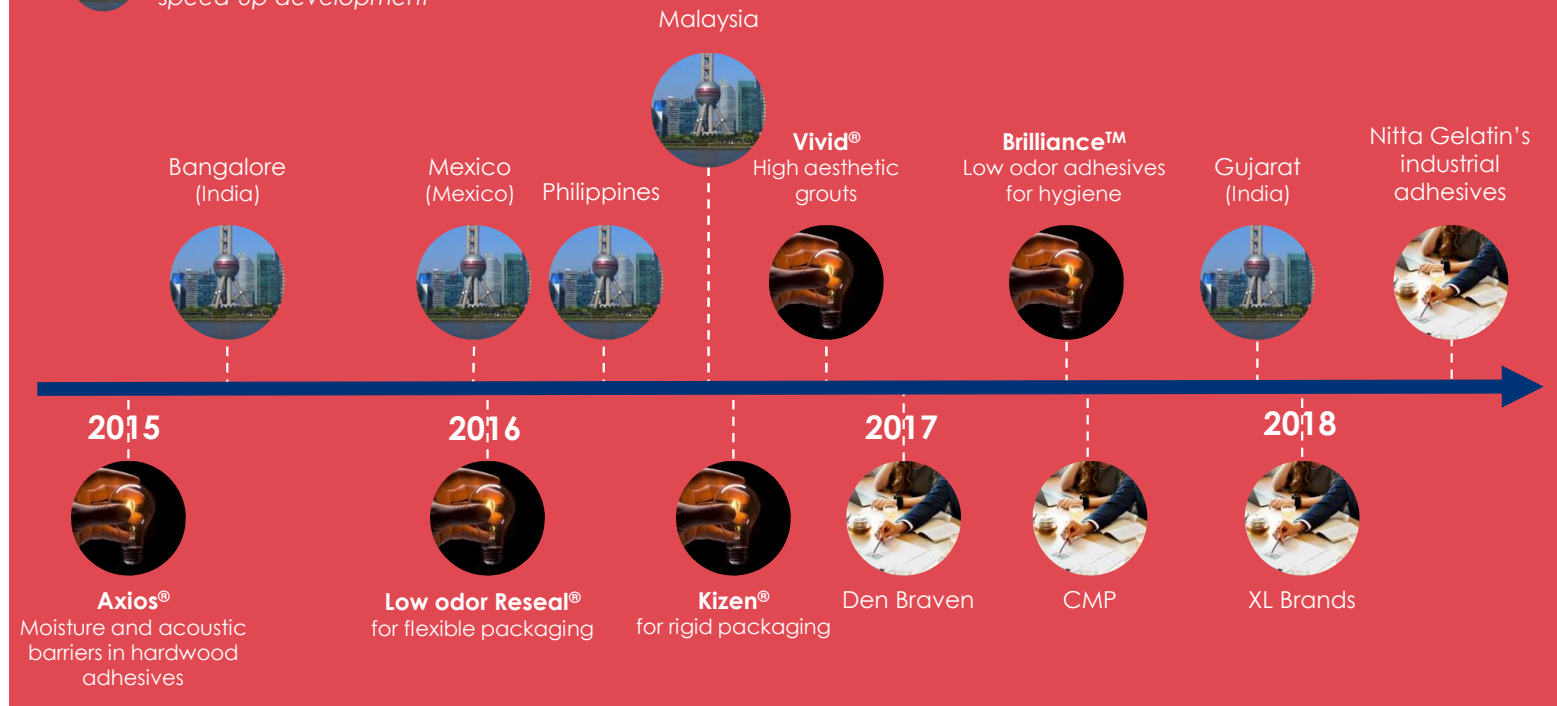
## EBITDA GROWTH

**+53%**  
in only 3 years



## 3 GROWTH DRIVERS

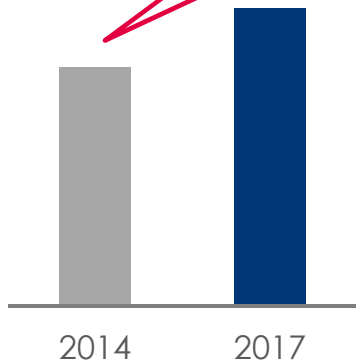
- INNOVATION**  
*driven by lightweighting and home efficiency*
- BOLT-ON ACQUISITIONS**  
*in a still very fragmented market*
- EMERGING COUNTRIES**  
*speed-up development*



# ADVANCED MATERIALS SUSTAINED GROWTH SUPPORTED BY INNOVATION IN MEGATRENDS

## EBITDA GROWTH

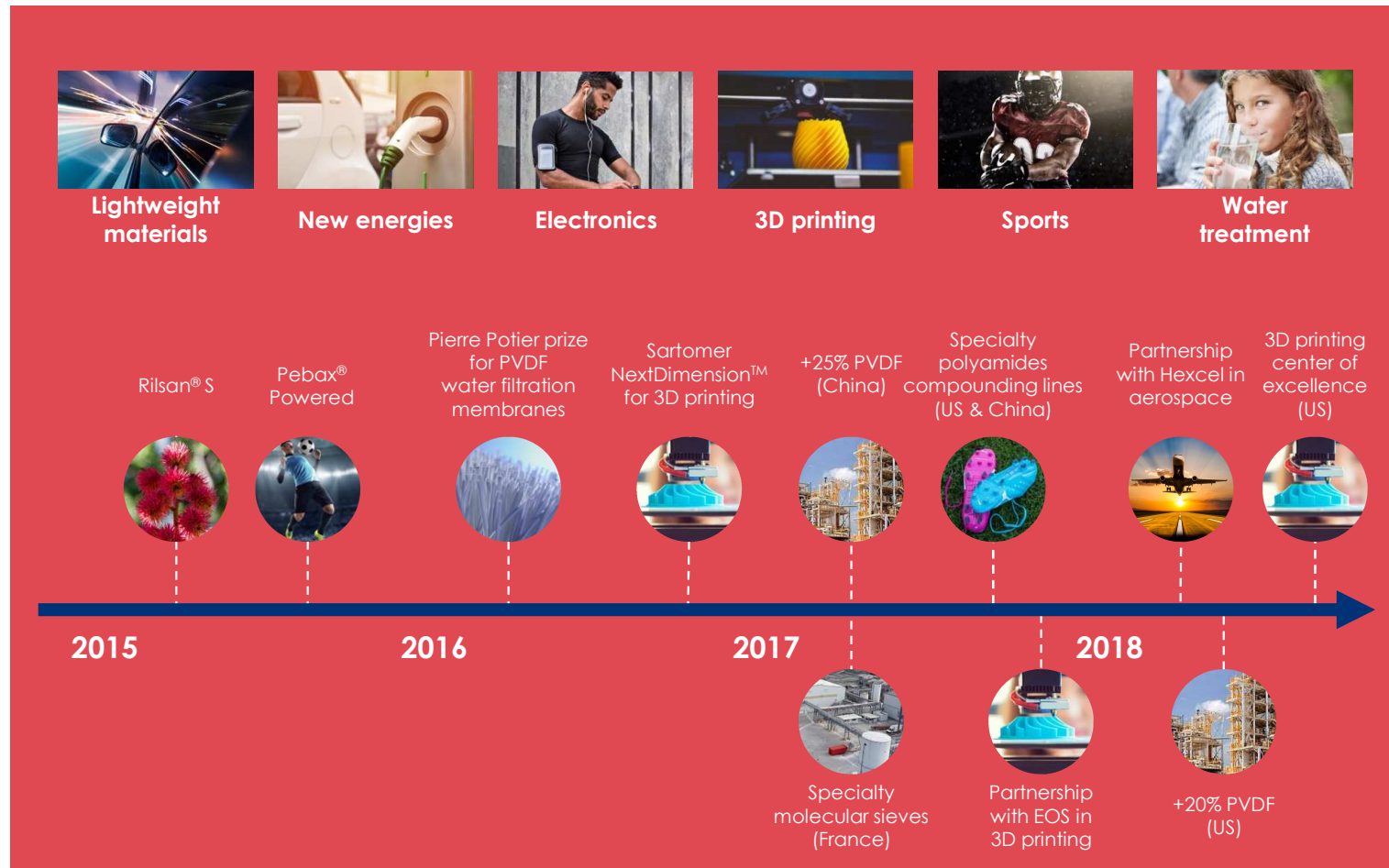
+7.5% per year



## INNOVATION IS OUR DNA

**239** patents  
in 2017

**7<sup>th</sup>** consecutive time in the  
TOP100 Global Innovators  
Clarivate Analytics



# MAJOR STEP SUPPORTING THE GROWTH OF OUR HIGH PERFORMANCE POLYMERS

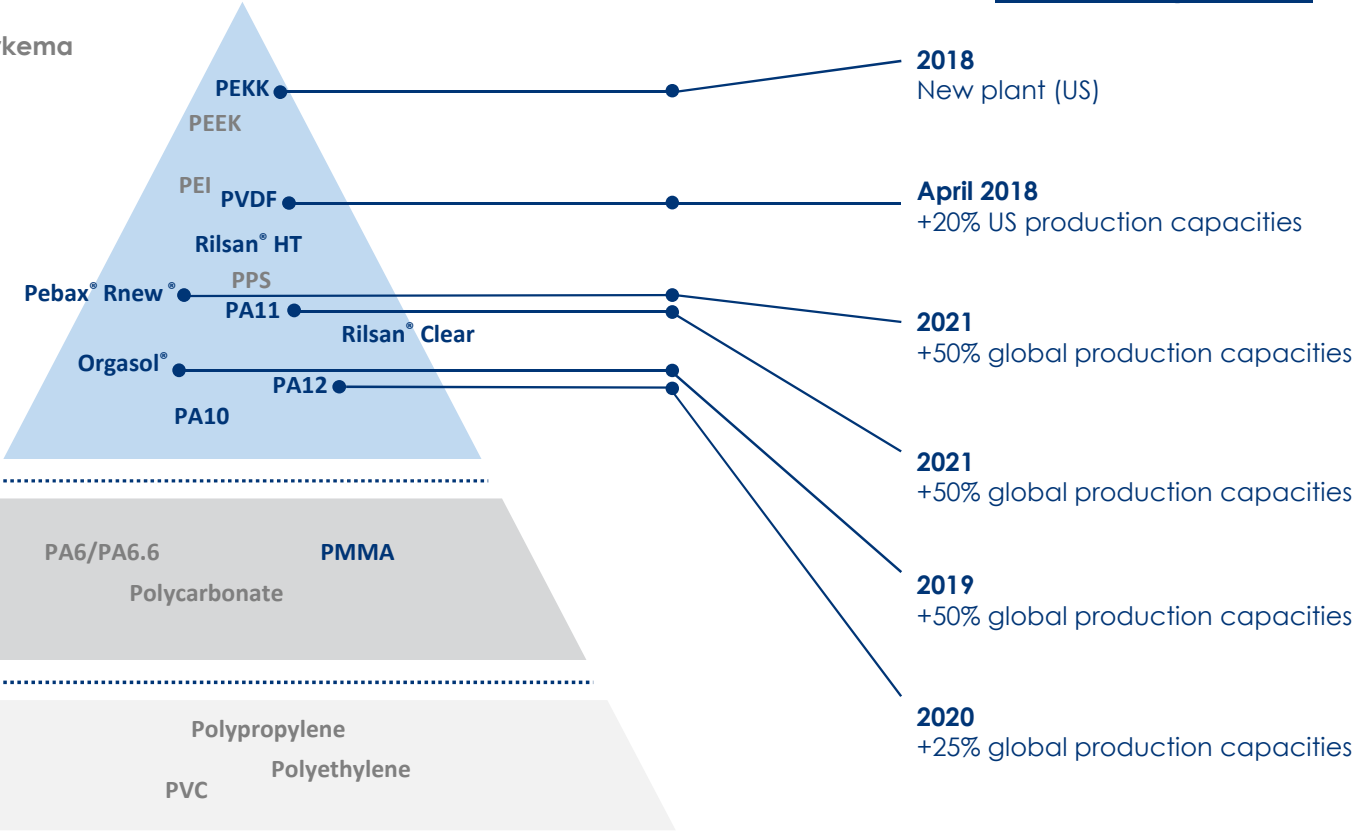
**Arkema's products**  
Polymers not produced by Arkema

**High-performance polymers**

**Engineering polymers**

**Commodity polymers**

**Planned expansions**



# CORPORATE SOCIAL RESPONSIBILITY AT THE HEART OF OUR STRATEGY



## A RESPONSIBLE CHEMIST



### Safety

Be a top quartile **safety performer** in the chemical industry

2025 objective  
2017

OCCUPATIONAL SAFETY (TRIR)



### Environment

Reduce the **environmental footprint** of our activities

2025 objectives  
2017

GREENHOUSE GAS EMISSIONS



VOLATILE ORGANIC COMPOUND



CHEMICAL OXYGEN DEMAND



NET ENERGY PURCHASED



## A SUSTAINABLE INNOVATION



### Innovation

Place **sustainable** development solutions at the heart of **innovation** and **product range**



Water management



Bio-based products



Electronics solutions



Home efficiency and insulation



New energies



Lightweight materials and design



## AN OPEN STAKEHOLDERS DIALOGUE



### Social

Promote the individual and collective **development** of all **employees** and teams

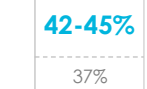
Increasing senior executive positions

2025 objectives  
2017

TO BE HELD BY WOMEN



TO BE HELD BY NON-FRENCH NATIONALS



### Societal

Encourage open **dialogue** with all **stakeholders**



## RECOGNITION



FTSE4Good



DRIVING SUSTAINABLE ECONOMIES



INDICES EUROZONE 120

## OUR AMBITION

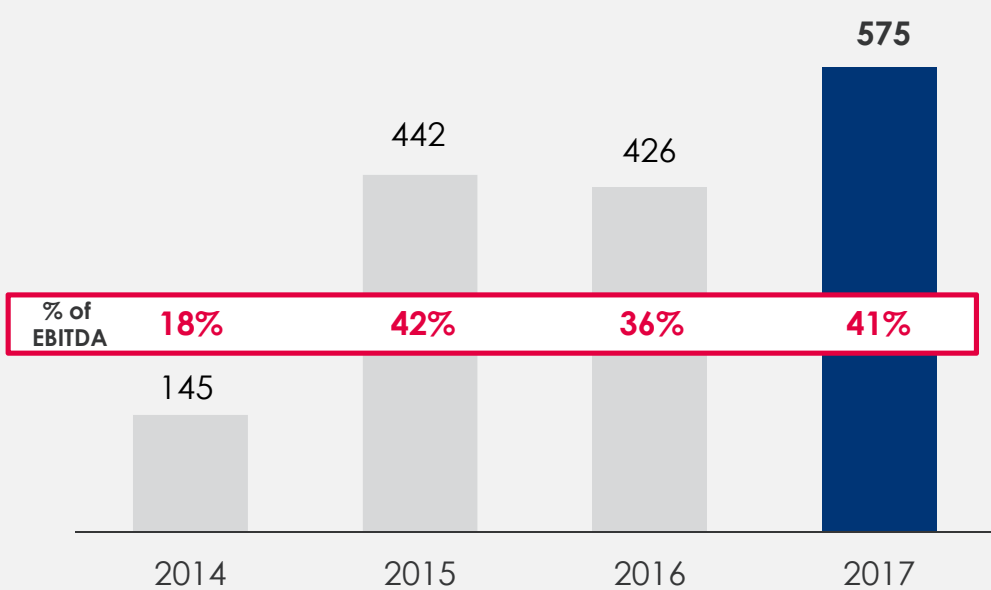
Dow Jones Sustainability Indices

In Collaboration with RobecoSAM

# BEST-IN CLASS CASH CONVERSION

## STRONG FREE CASH FLOW GENERATION\*

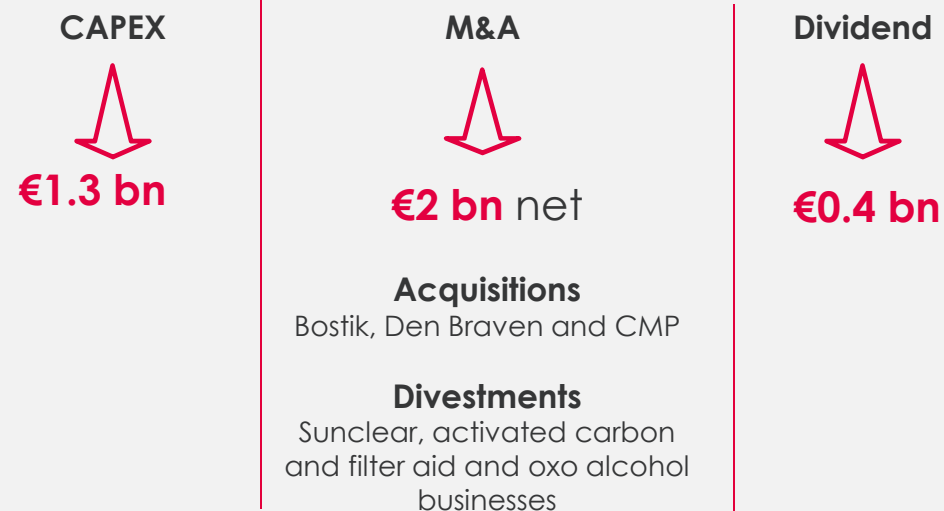
In €m



\* Excluding exceptional investments

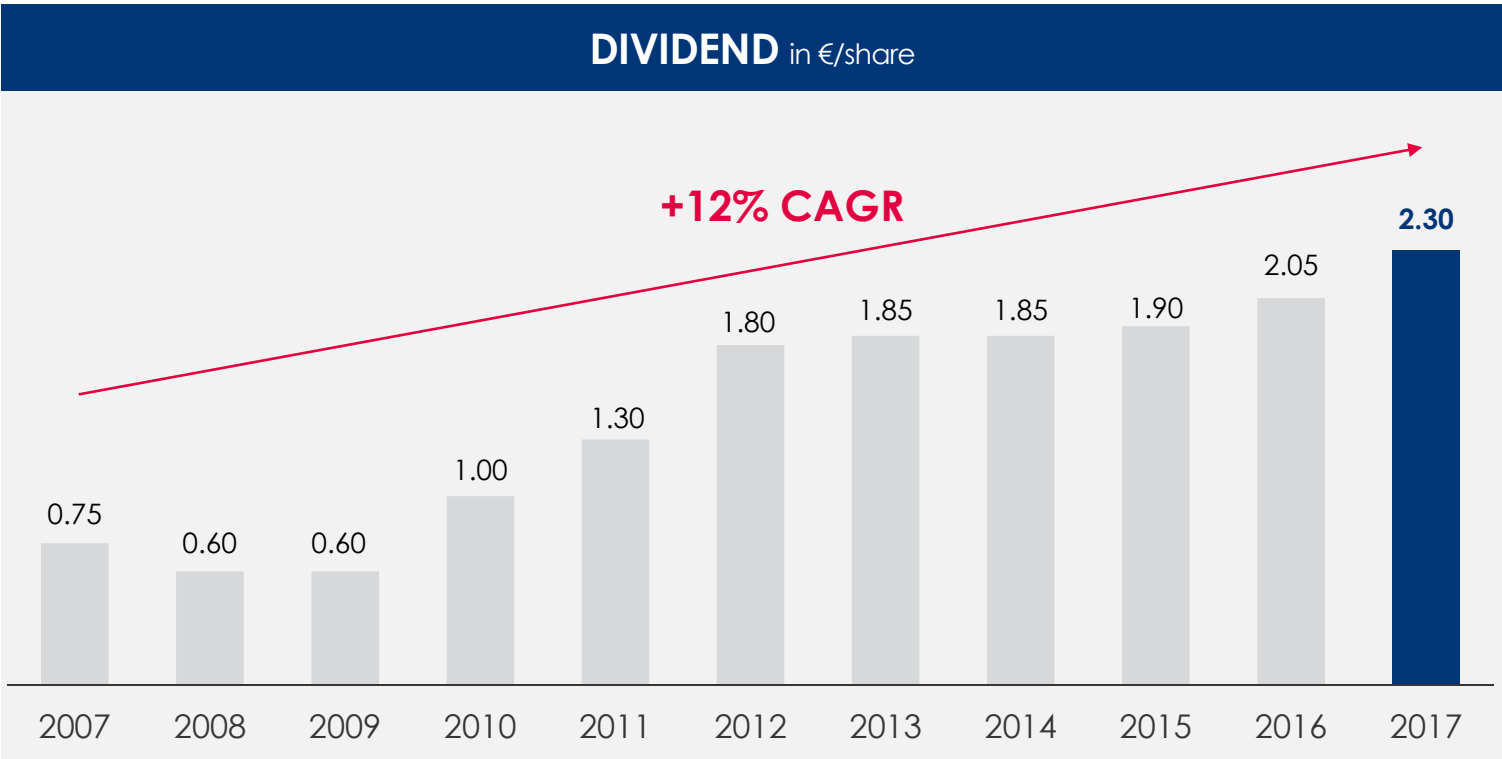
## €2.7 BN FREE CASH BEFORE CAPEX GENERATED OVER 2015-2017

### Use of cash



€1.1 NET DEBT AT 31/12/2017 REPRESENTING 0.8x 2017 EBITDA

# SIGNIFICANT INCREASE IN DIVIDEND



✦ Reflects the strong confidence of the Board in the current level of profitability and long-term growth prospects

✦ ~30% payout ratio

✦ In line with dividend policy of paying a stable to growing dividend every year

## 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 notes to the consolidated financial statements at 31 December 2017 included in section 4.3.3 of the 2017 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.

**EBITDA to free cash flow conversion:** corresponds to free cash flow excluding exceptional investments divided by EBITDA. 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:  $(\text{REBIT} - \text{current income taxes}) / (\text{net debt} + \text{shareholders' equity})$  under current IFRS rules.