

# Full Year 2014 results

**Thierry Le Hénaff**  
Chairman and CEO

5 March 2015

**ARKEMA**  
INNOVATIVE CHEMISTRY



# 2014 highlights

## Financial performance

**€5,952m sales** 1.4% down on 2013 at constant scope of business and exchange rate

**€784m EBITDA** versus €902m in 2013:

- Reflecting challenging market conditions in fluorogases and acrylic monomers and the high basis of comparison of 2013 in polyamide 12
- Overall good performance of other product lines, up +8.5% on 2013

**13.2% EBITDA margin**, solid in a volatile and challenging environment

## Dividend

**€1.85 dividend** per share proposed at the AGM of 2 June 2015, in line with September 2014 announcement and stable versus 2013

## Strategic milestones

Finalization of 3 major investments which will support the Group's growth from 2015:

- Acquisition of Bostik, world's n°3 in adhesives
- Construction of the thiochemicals plant in Malaysia, which came on stream beginning 2015
- 1<sup>st</sup> step of the acquisition of Sunke in acrylics in China



# Full year 2014 **Results**

## 2014 key figures

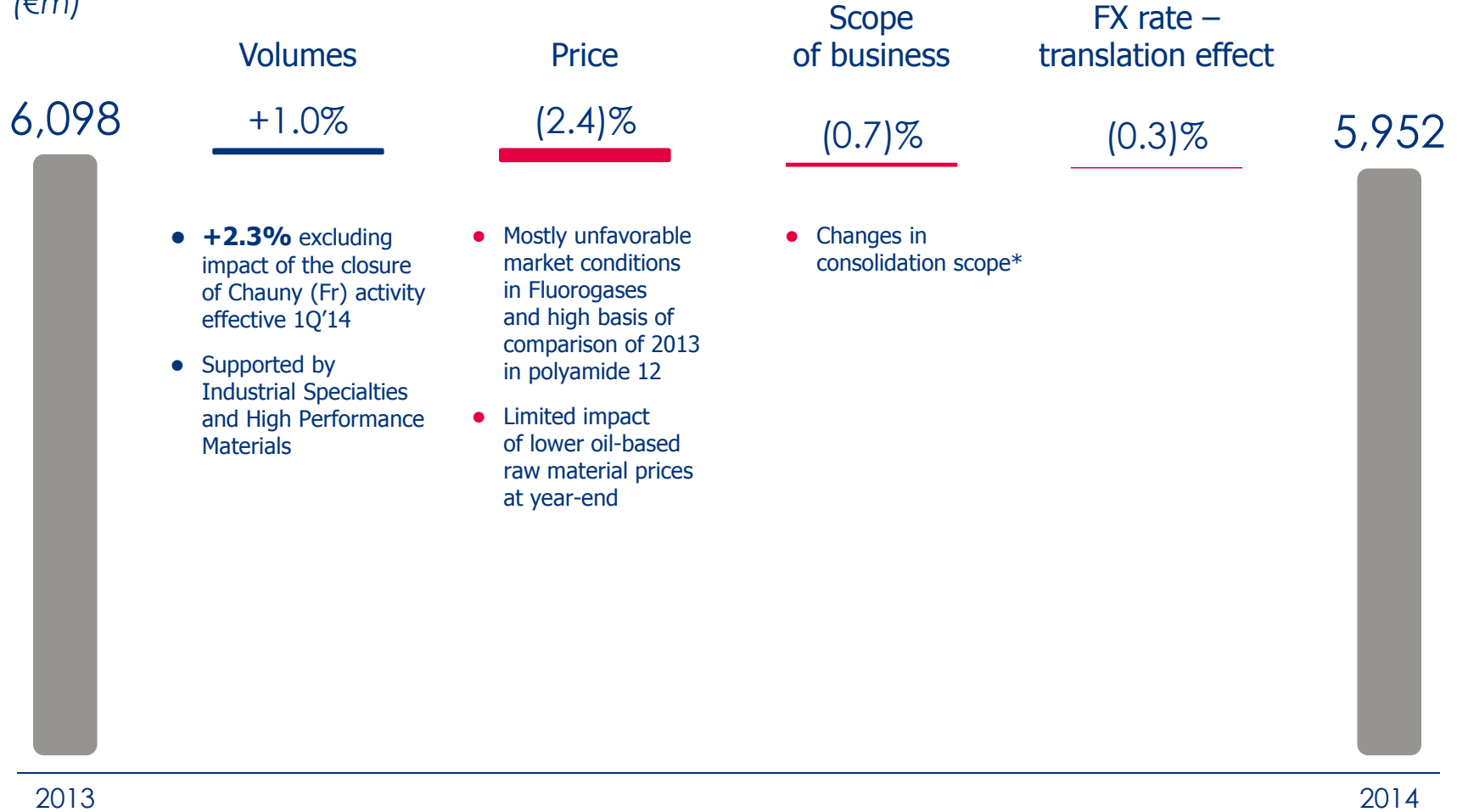
<i>In €m (except EPS)</i>	2013	<b>2014</b>	variation
<b>Sales</b>	6,098	<b>5,952</b>	(2.4)%
<b>EBITDA</b>	902	<b>784</b>	(13.1)%
<b>EBITDA margin</b>	14.8%	<b>13.2%</b>	
<b>Recurring operating income</b>	588	<b>447</b>	(24.0)%
<b>Adjusted net income</b>	368	<b>239</b>	(35.1)%
<b>Net income</b> (Group share)	168	<b>167</b>	(0.6)%
<b>Adjusted EPS*</b>	5.67	<b>3.62</b>	(36.2)%

\* For 2013, the adjusted net income per share was adjusted to take account of the share capital increase with preferential subscription rights finalized in December 2014



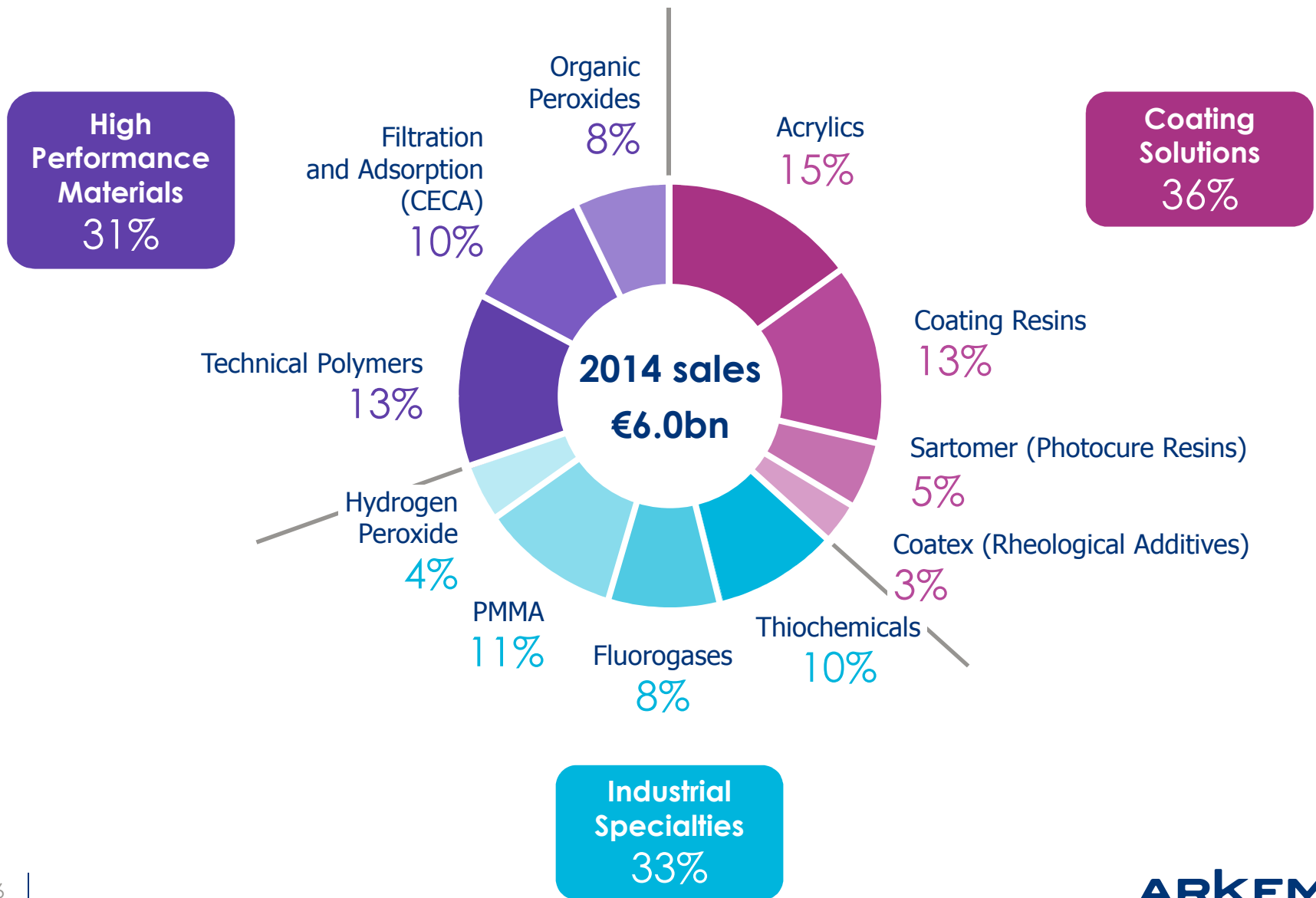
# Sales bridge

**Sales**  
(€m)



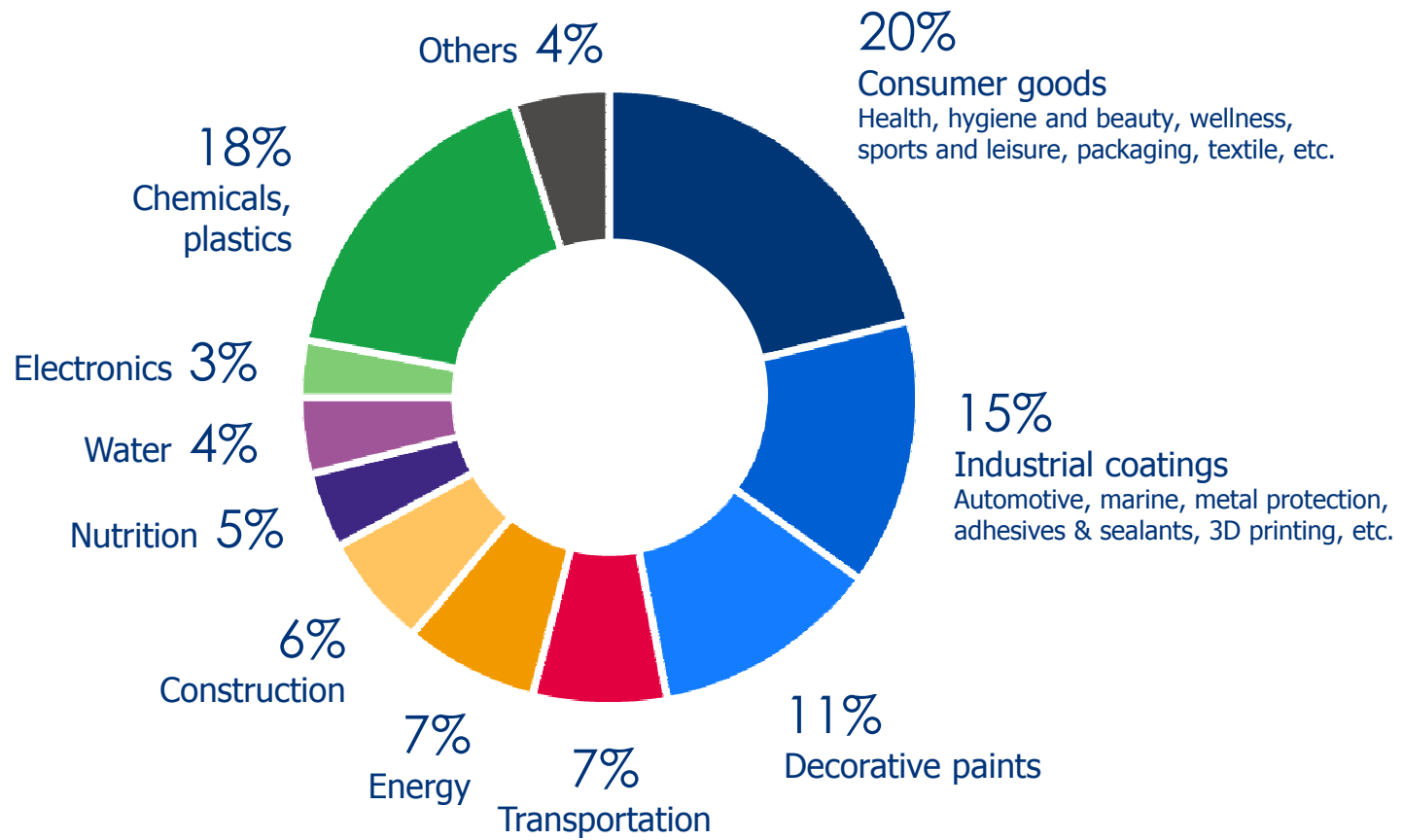
\* Mainly Daikin Arkema Refrigerants now accounted for under the equity method, divestment of coating resins in South Africa and acquisition of a stake in Sunke in acrylics in China

# Sales breakdown by business





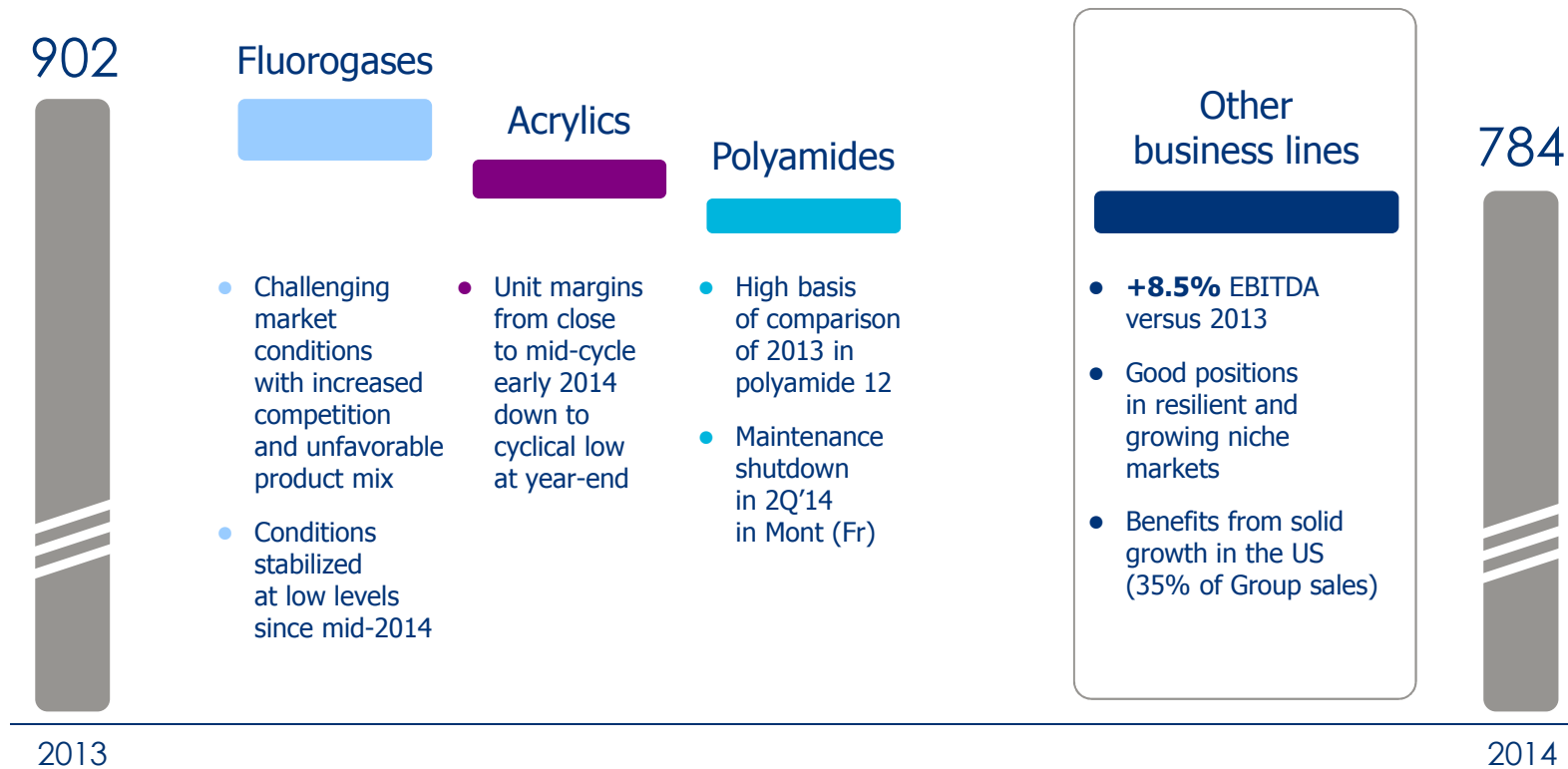
## Diversified end markets



# Key drivers of 2014 performance

## EBITDA

(€m)

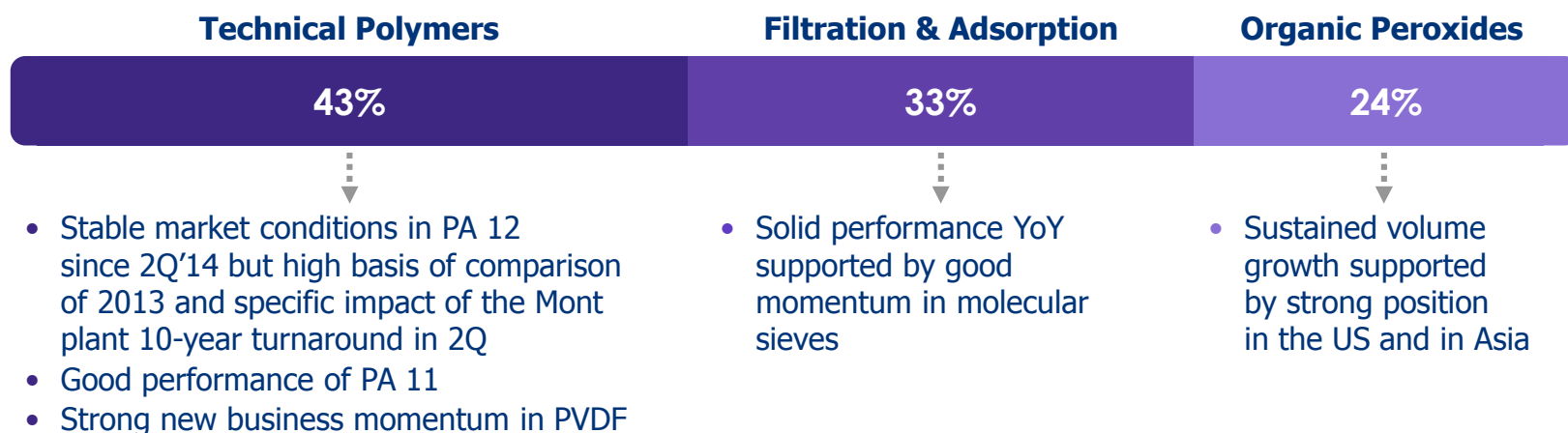




# High Performance Materials

In €m	2013	2014	variation		
<b>Sales</b>	1,842	<b>1,826</b>	(0.9)%	<b>Volumes</b>	<b>+2.0%</b>
<b>EBITDA</b>	316	<b>284</b>	(10.1)%	<b>Prices</b>	<b>(2.4)%</b>
<b>EBITDA margin</b>	17.2%	<b>15.6%</b>		<b>FX (translation)</b>	<b>(0.5)%</b>
<b>Recurring operating income</b>	212	<b>175</b>	(17.5)%	<b>Scope</b>	<b>-</b>

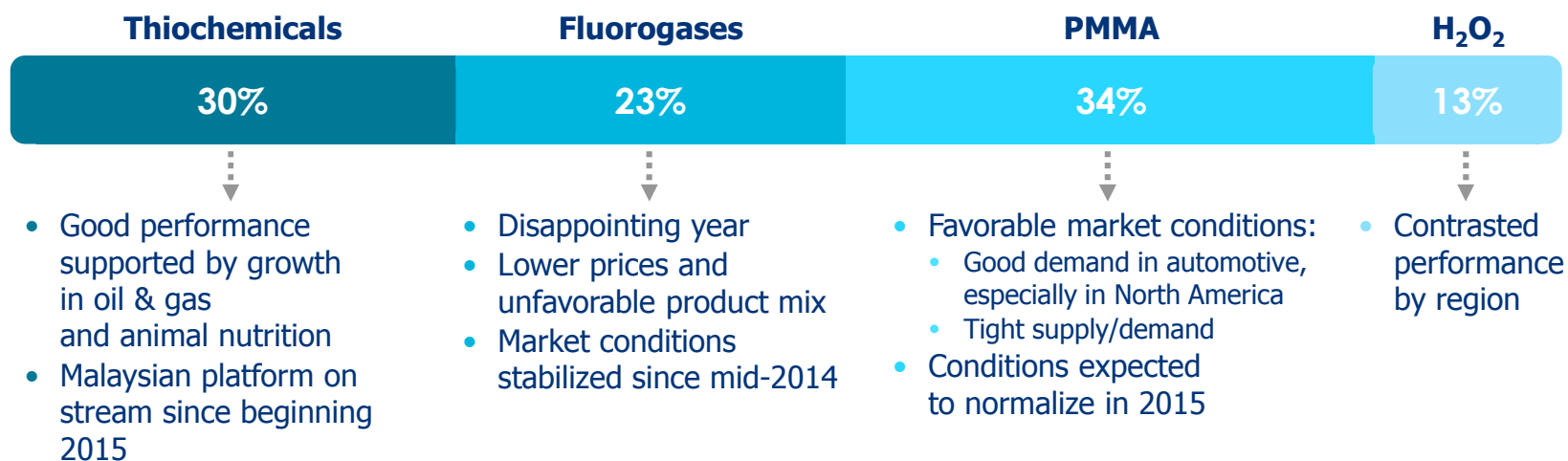
% of segment 2014 sales



# Industrial Specialties

In €m	2013	2014	variation		
<b>Sales</b>	1,993	<b>1,972</b>	(1.1)%	<b>Volumes</b>	<b>+3.6%</b>
<b>EBITDA</b>	340	<b>300</b>	(11.8)%	<b>Prices</b>	<b>(3.8)%</b>
<b>EBITDA margin</b>	17.1%	<b>15.2%</b>		<b>FX (translation)</b>	<b>(0.1)%</b>
<b>Recurring operating income</b>	225	<b>172</b>	(23.6)%	<b>Scope</b>	<b>(0.6)%</b>

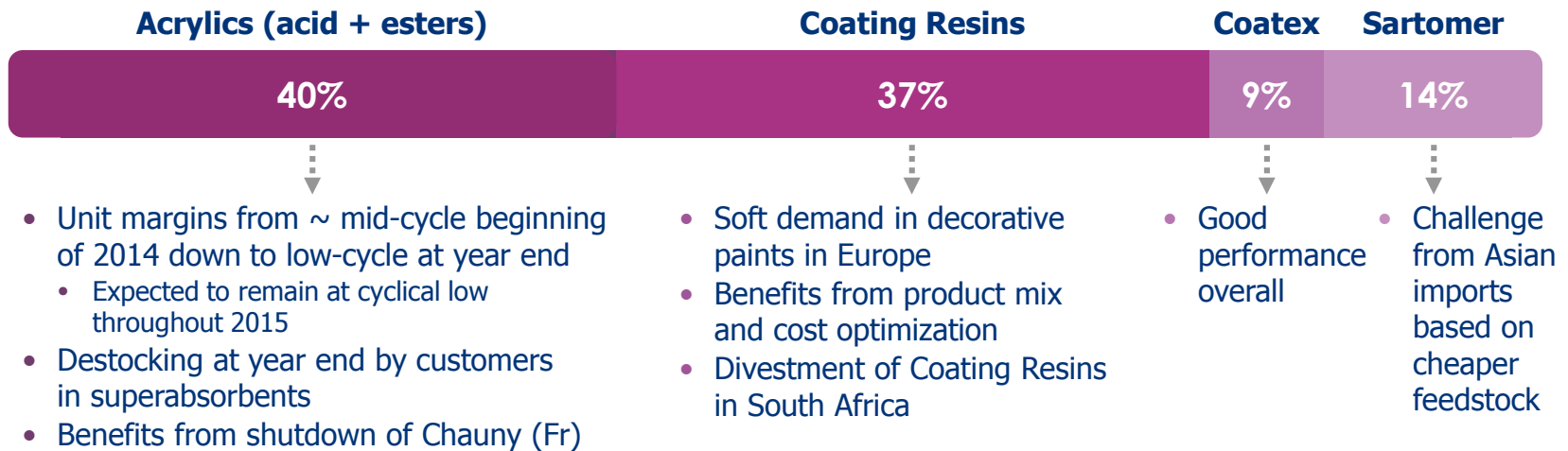
% of segment 2014 sales



# Coating Solutions

In €m	2013	2014	variation		
<b>Sales</b>	2,224	<b>2,131</b>	(4.2)%	<b>Volumes</b>	<b>(1.4)%</b>
<b>EBITDA</b>	292	<b>245</b>	(16.1)%	<b>Prices</b>	<b>(1.2)%</b>
<b>EBITDA margin</b>	13.1%	<b>11.5%</b>		<b>FX (translation)</b>	<b>(0.3)%</b>
<b>Recurring operating income</b>	199	<b>147</b>	(26.1)%	<b>Scope</b>	<b>(1.2)%</b>

% of segment 2014 sales





## 4Q'14 highlights

### €1,431m sales, up 1.4% vs 4Q'13

- (0.9)% volumes\* compared to the high basis of comparison of 4Q'13 in certain businesses
- (0.8)% prices reflecting lower costs of some oil-based raw materials at year end
- +3.8% FX rate translation effect mainly relating to the strengthening of the US\$ versus euro
- +0.7% scope effect: divestment of coating resins in South Africa, acquisition in acrylics in China

### €162m EBITDA, stable vs 4Q'13

- 11.3% EBITDA margin with usual year-end seasonality
- Benefits from stronger US dollar versus euro
- Lower unit margins in acrylic monomers and high basis of comparison of 4Q'13 in HPM

### +€60m free cash flow\*\*

- €160m capex
- +€107m working capital variation\*\*\* reflecting the traditional favorable year end seasonality
- Excluding €186m net outflow from M&A mainly relating to the acquisition of a stake in Sunke

\* Excluding the impact of the closure of Chauny (Fr) activity effective 1Q'14

\*\* Cash flow from operations and investments excluding the impact of portfolio management

\*\*\* Variation in working capital and fixed asset payables excluding non-recurring items

## 4Q'14 performance by business segment

In €m	4Q'13	4Q'14	variation
<b>Sales</b>	466	<b>444</b>	(4.7)%
<b>EBITDA</b>	68	<b>59</b>	(13.2)%
<b>EBITDA margin</b>	14.6%	<b>13.3%</b>	

### High Performance Materials

- **Filtration and Adsorption:** different seasonality than in 2013 in the oil & gas market
- **Polyamide 12:** high basis of comparison of 4Q'13 but stable market conditions since 2Q'14
- **Organic Peroxides:** good volumes

In €m	4Q'13	4Q'14	variation
<b>Sales</b>	453	<b>491</b>	+8.4%
<b>EBITDA</b>	48	<b>72</b>	+50.0%
<b>EBITDA margin</b>	10.6%	<b>14.7%</b>	

### Industrial Specialties

- **Thiochemicals:** particularly high performance
- **PMMA:** tight supply & demand balance and strong automotive demand, especially in the US
- **Fluorogases:** now stabilized at a low point

In €m	4Q'13	4Q'14	variation
<b>Sales</b>	486	<b>489</b>	+0.6%
<b>EBITDA</b>	52	<b>39</b>	(25.0)%
<b>EBITDA margin</b>	10.7%	<b>8.0%</b>	

### Coating Solutions

- **Acrylic monomers:** weak performance with unit margins now at low cycle and destocking in superabsorbents
- **Acrylic downstream:** overall stable performance with benefits from new applications

## 2014 cash flow

<i>In €m</i>	2014
<b>EBITDA</b>	<b>784</b>
Working capital variation *	(29)
Taxes	(120)
Cost of debt	(56)
Recurring capex	(346)
Others	(28)
<b>RECURRING CASH FLOW</b>	<b>205</b>
Non-recurring items in operating and investing cash flow	(60)
Non recurring capex	(124)
<b>FREE CASH FLOW</b>	<b>21</b>
Impact of portfolio management	(184)
<b>NET CASH FLOW</b>	<b>(163)</b>

▶ 5.8% of sales

▶ Restructuring expenses + cash-out of provisions relating to the divestment of vinyl activities

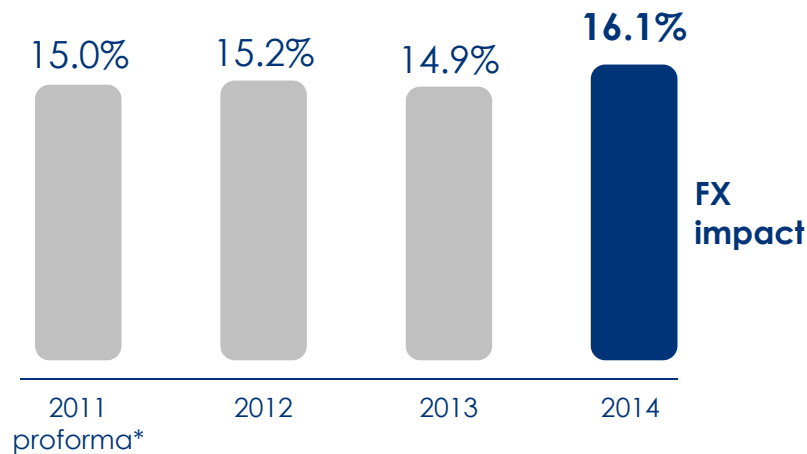
▶ Mainly thiochemicals in Malaysia: Arkema's largest industrial project

▶ Mainly acquisition of a stake in Sunke in acrylics in China

\* Variation in working capital and fixed asset payables excluding non-recurring items

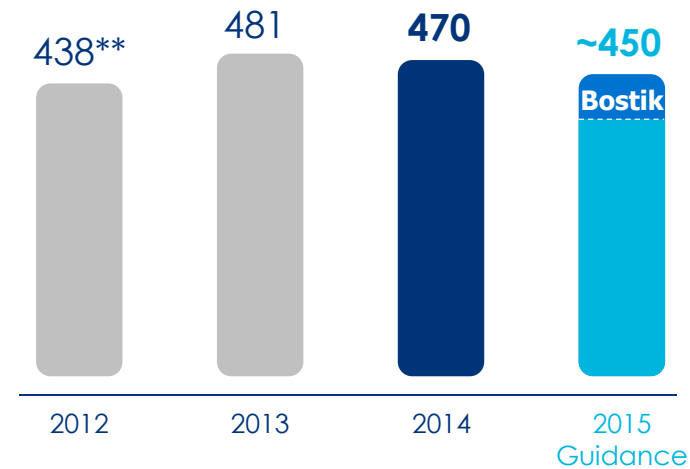
# Working capital and capex

## Working capital on sales (%)



- 16.1% ratio, mechanical outcome of FX rates (sales converted at 2014 average €/US\$ rate)

## Capex (€m)



- In 2015, significant decrease like-for-like
  - Thiochemicals platform in Asia now completed
  - Addition of Sunke capex
  - Bostik capex at ~3% of sales

\* 2011 proforma working capital includes alkoxyates and Total's Specialty Resins and excludes Vinyls

\*\* Excluding Vinyls

# Balance sheet

In €m	31 Dec 2013	31 Dec 2014
Net debt	923	154
Shareholders' equity	2,349	3,573
Net provisions for pensions and other employee benefits*	356	455
Other net provisions*	342	296
Non current assets**	3,162	3,607
Working capital	908	958
Capital employed	4,070	4,565***

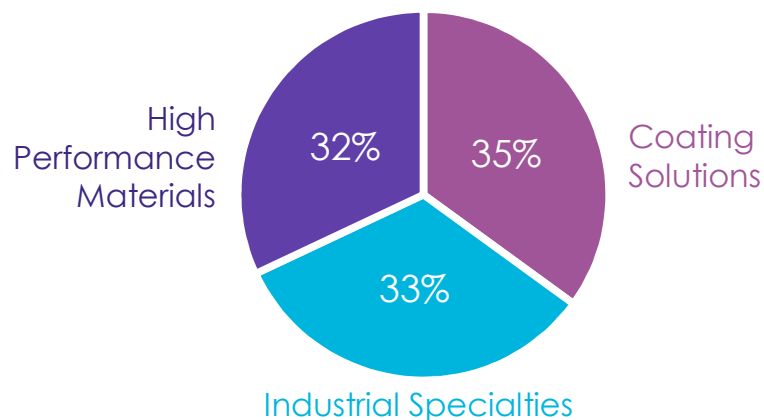
Net debt level temporarily lowered by €700m hybrid bond and €350m share capital increase aimed at financing Bostik acquisition (closed on 2 February 2015)

- 0.2x net debt/EBITDA
- 4% gearing

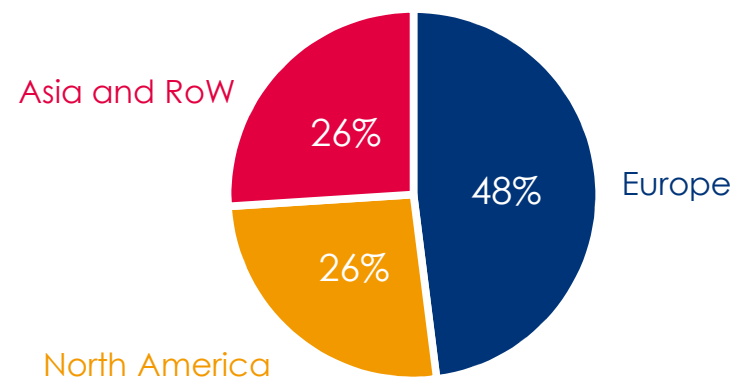
Net provisions include:

- €348m pensions (€264m end 2013) on lower discount rates
- €55m restructuring (€50m end 2013)
- €125m environment (€122m end 2013)

## Capital employed by segment



## Capital employed by region



\* Provisions net of non-current assets

\*\* Excluding deferred taxes and including pension assets

\*\*\* Including Sunke's assets and Thiochemicals plant in Malaysia



# Maintain a strong balance sheet

## Financing of Bostik acquisition

- €700m perpetual hybrid bond issue (October 2014)
  - 4.75%/year
  - First call date: 29 October 2020
  - Recognized as equity under IFR rules
- €350m share capital increase (December 2014)
  - With preferential subscription rights
  - 9,102,624 new shares
- €700m bond issue (January 2015)
  - 1.50%/year
  - 10-year maturity

## Renewal of the syndicated revolving credit facility (October 2014)

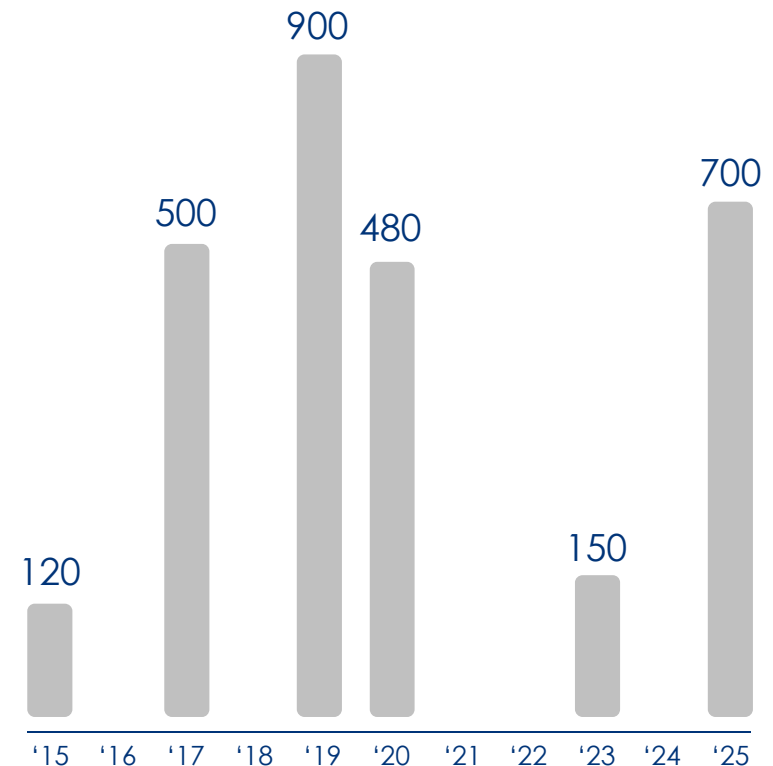
- €900m for 5 years
- Covenant: net debt/EBITDA  $\leq$  3.5x

## Credit rating

- BBB (outlook negative) by Standard & Poor's
- Baa2 (outlook negative) by Moody's

## Debt maturity profile

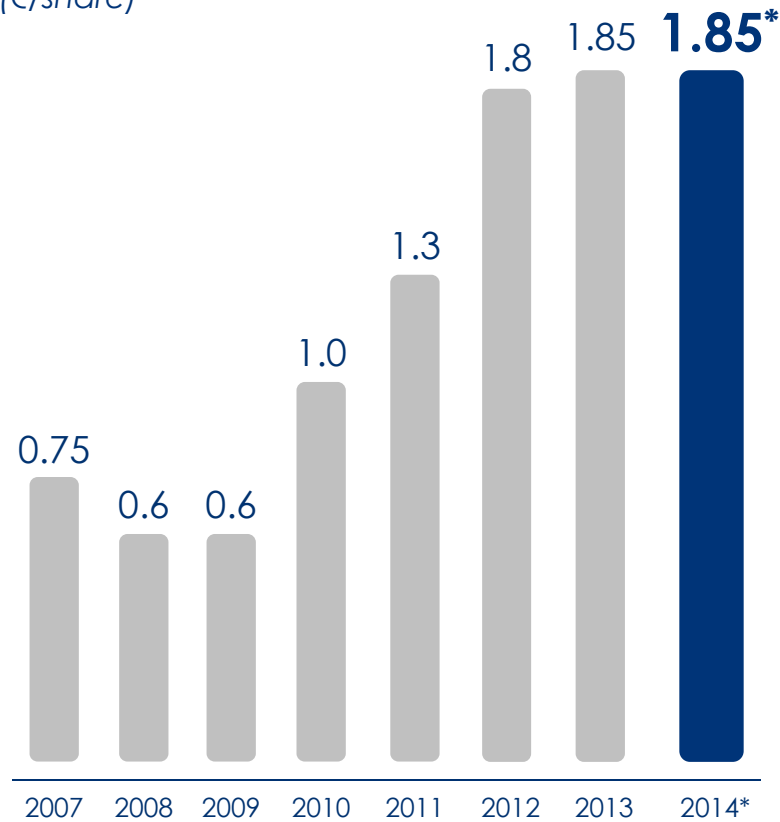
(€m)





# Dividend

## Dividend (€/share)



➤ **Dividend policy: "aims to reach a 30% payout ratio on adjusted net income and not to reduce dividend"**

➤ **Dividend maintained at €1.85**

- Despite lower adjusted net income
- Despite a higher number of shares outstanding following the share capital increase completed in December 2014
- In line with announcement made in September 2014

➤ **Confirms dividend as a key component of shareholder return**

➤ **Reflects confidence in long-term outlook**






➤ **3.4% dividend yield**  
(based on share price at year end)

\* Dividend proposed to the Shareholders' Annual General Meeting of 2 June 2015  
+3% up compared to 2013 after adjustment to take account of the share capital increase finalized in December 2014



Strategic priorities and outlook  
**New promising growth platforms**

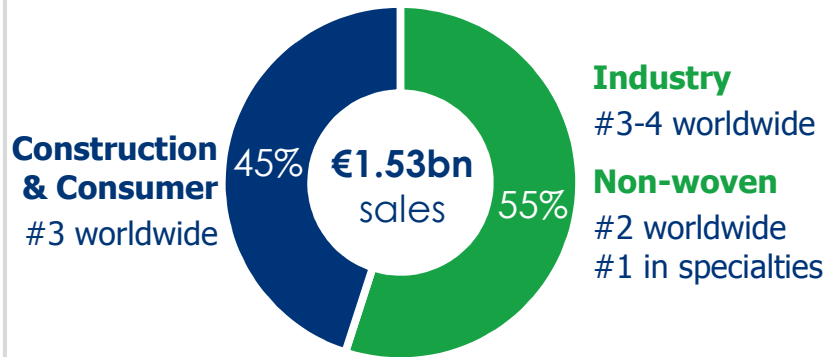
# Executing on targeted growth strategy

<b>Acquisition in High Performance Materials</b>	<ul style="list-style-type: none"><li>➤ Bostik, #3 worldwide in adhesives, acquired 2 February 2015</li></ul>	
<b>Global manufacturing presence in Thiochemicals</b>	<ul style="list-style-type: none"><li>➤ Start-up of a new platform in Malaysia beginning 2015</li></ul>	
<b>Global manufacturing presence in Acrylics</b>	<ul style="list-style-type: none"><li>➤ US\$110m investment plan finalized mid-2014</li><li>➤ Acquisition of a stake in Sunke in October 2014</li></ul>	
<b>Innovation</b>	<ul style="list-style-type: none"><li>➤ Strong emphasis on composites: high temperature Rilsan®, Elium®</li><li>➤ Arkema in 2014 Thomson Reuters Top 100 Global Innovators for 4<sup>th</sup> consecutive year</li><li>➤ Step-up in PEKK</li></ul>	
<b>Operational excellence</b>	<ul style="list-style-type: none"><li>➤ Excellent performance in safety</li><li>➤ Roll-out of global SAP supply chain "Ambition" program (2013 – 2017)</li><li>➤ Significant savings in variable costs in line with €100m cost savings target to be achieved by end 2017</li></ul>	

**Promising growth platforms for future years**

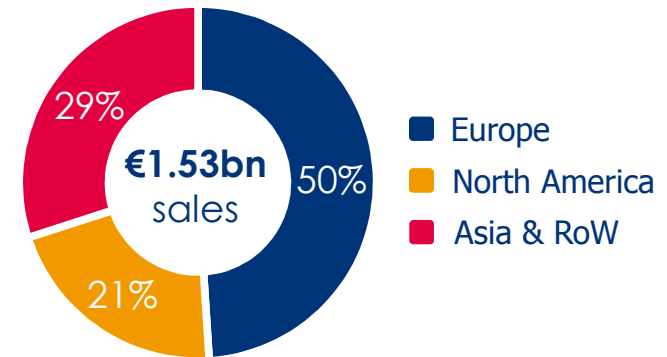
# Bostik in a nutshell

## #3 worldwide in adhesives



Proforma 2014 figures

## Sales by region



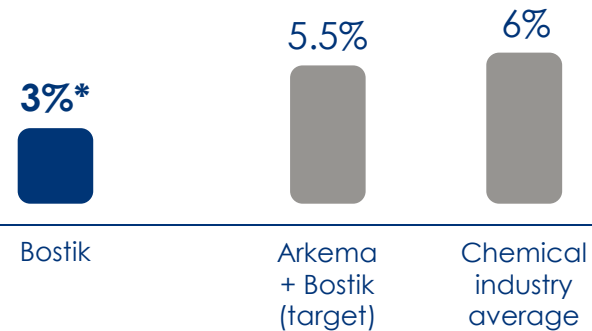
Proforma 2014 figures

## Powerful brands with high customer loyalty



## Low capital intensive business

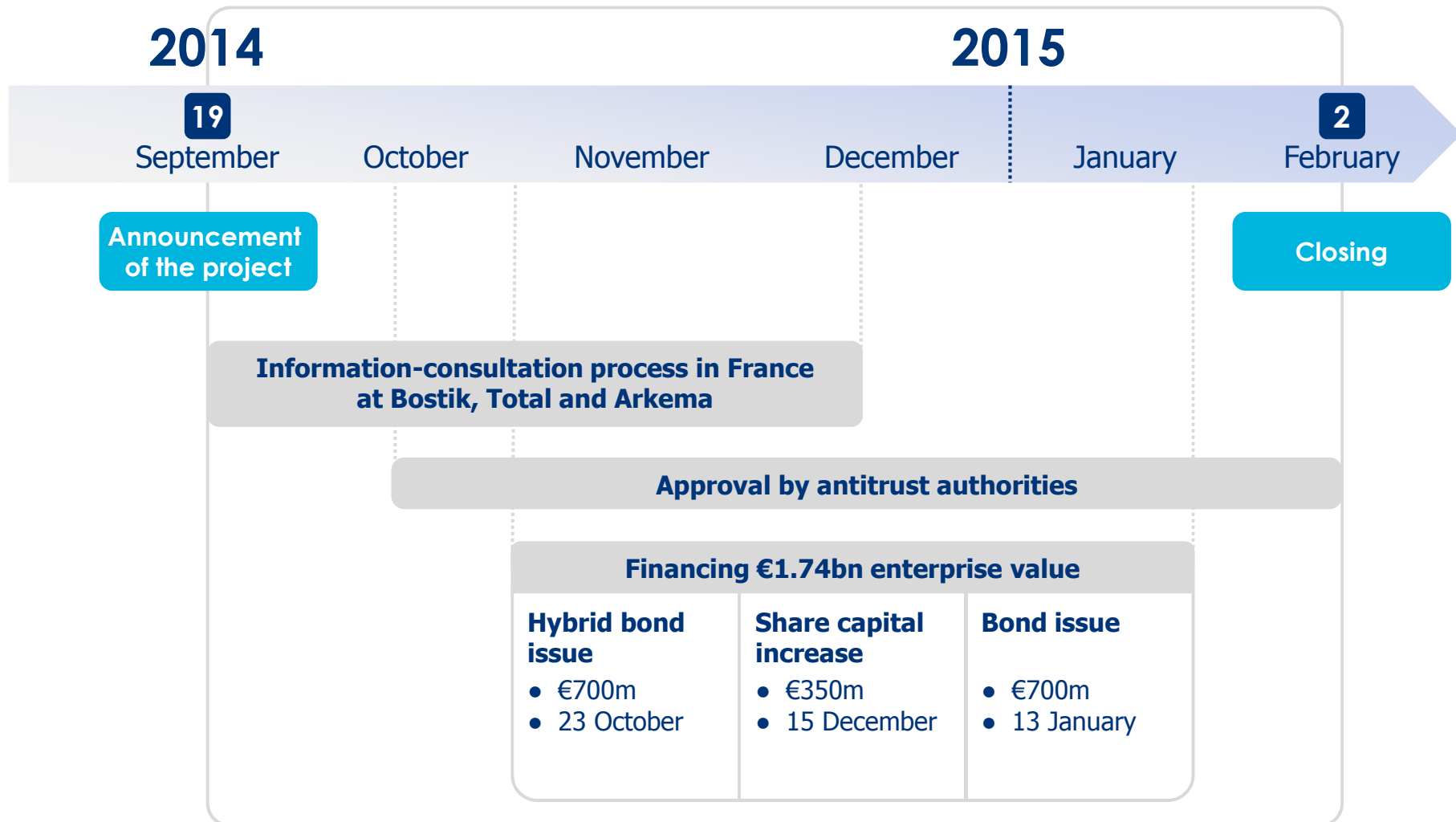
Capex as % of sales



\* 4-year average



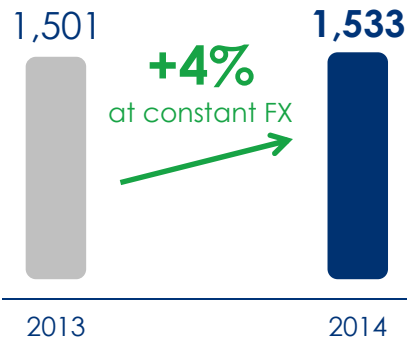
# Bostik: an acquisition closed within a tight timetable



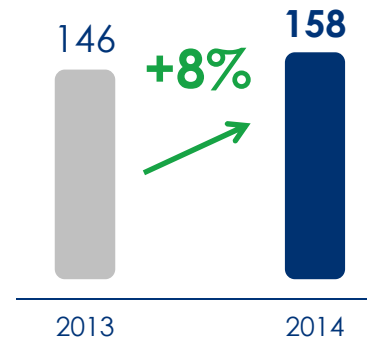
# Bostik in 2014

2014 key figures fully in line with communicated estimates

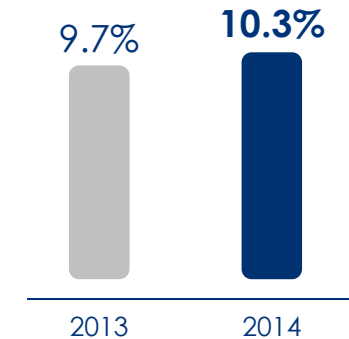
Sales (€m)



EBITDA (€m)



EBITDA margin



Proforma figures

## Very clear growth strategy

### ▀ Increase presence in emerging countries

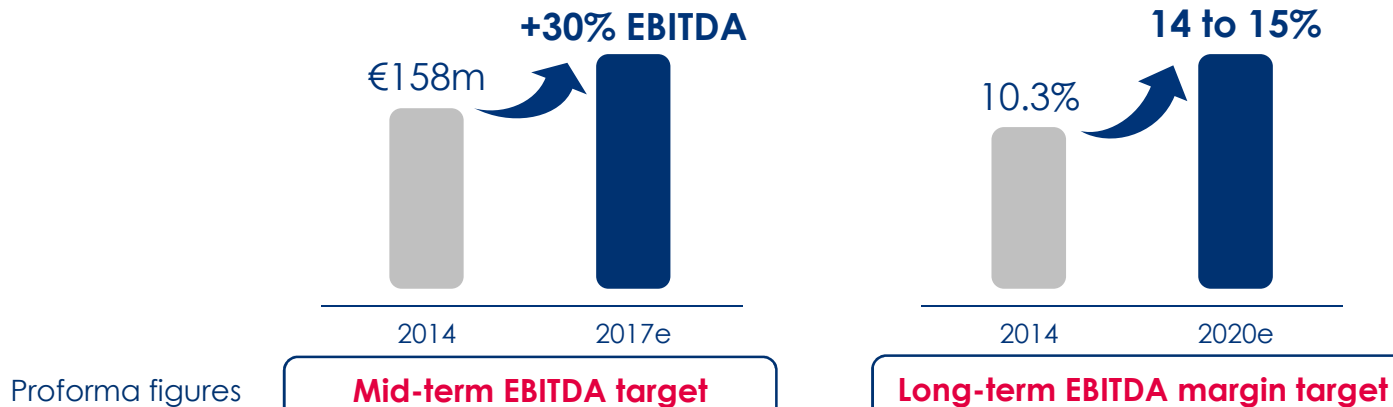
- Start-up of new units in Brazil and Malaysia
- Ramp-up of China and Egypt
- +9% sales in higher growth countries versus 2013

### ▀ Reinforce innovation investments to support future growth

- Opening of a new regional R&D center in Compiègne (France) in October 2014
- 15% sales from products less than 3 years old (8% in 2010)

# Bostik acquisition will create significant value

## Bostik mid- and long-term targets



## Integration process already launched

- ✓ **Secured and competitive financing of the operation**
- ✓ **Current momentum from existing action plan**
- ✓ **Implementation of synergies with Arkema already started**
  - Working groups set up and chaired by 2 executives (1 Bostik and 1 Arkema) with monthly reporting to Arkema's Executive Committee
- ✓ **Priority to well-identified cost synergies (global purchasing, administrative and support functions, operational excellence)**
- ✓ **First stones of long-term commercial synergies laid**



# Successfully execute growth plan in Thiochemicals

## Lacq (France)

- ✓ H<sub>2</sub>S supply secured for next 30 years
- ✓ Risk existing at time of spin-off removed end 2013



## Kerteh (Malaysia)

- ✓ New platform started beginning 2015



Significant investment phase in a capital-intensive industry now finalized

## Kerteh: 1<sup>st</sup> world-scale thiochemicals platform in Asia

- ✓ **Reflect state-of-the-art know-how of Arkema in sulfur technologies**
  - High purity methyl mercaptan produced
- ✓ **Production of methyl mercaptan to supply:**
  - Methionine production of CJ CheilJedang
  - Internal production of DMDS for petrochemicals and refining applications
- ✓ **Bio-methionine production process fully confirmed**
- ✓ **Around €200m capex**



# Now a global leader in Acrylics

## #3 worldwide in acrylics

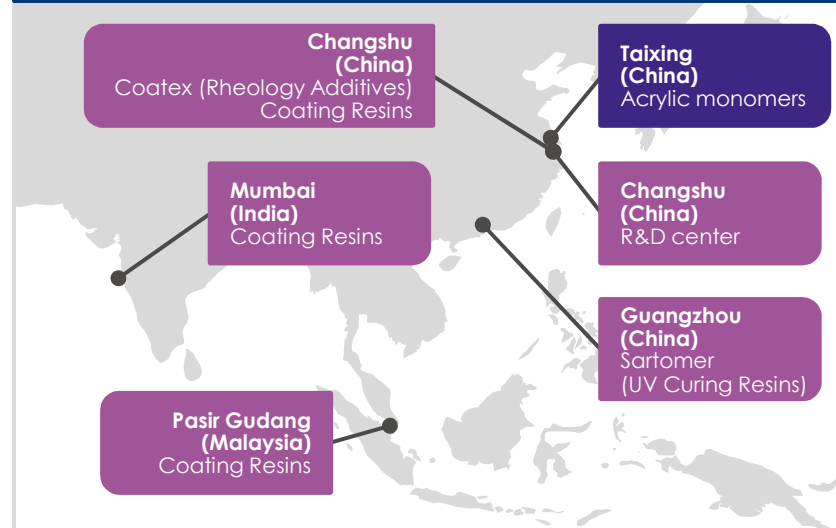


### US\$110m investment plan in US finalized

Clear Lake	+45kt methyl acrylate	mid-2014
	+60kt acrylic acid	mid-2013
Bayport	2-EHA new line	2012

### Stake in Sunke acquired 20 October 2014 in China

## Acrylic downstream integration



### Expand Arkema's acrylic downstream

- Ramp-up in Asia of Coating Resins, Coatex and Sartomer
- Capacity expansions in Brazil of Coating Resins and Coatex

### Develop long-term partnerships with leading customers

- Superabsorbent production capacities increased at Carling (Fr) by Sumitomo Seika

# Build a leading position in acrylics in Asia

## Initial agreement (January 2014)

- 1<sup>st</sup> step: access 160,000 t/year acrylic acid for US\$240m  
**Closed 20 October 2014**
- Option to access a total 320,000 t/year acrylic acid for an additional US\$235m  
*(closing initially expected in 1Q'15)*
- Additional option, until early 2020, to acquire remaining third of acrylic acid capacities and hold 100% of Sunke's share capital for US\$165m

## New agreement (February 2015)

- Extension **until January 2016** of the period to exercise the option to access a total of 320,000 t/year acrylic acid
- JV operated jointly by the partners and production adjusted to market conditions  
*(Sunke is 50% integrated in the Group's accounts)*
- Financial terms of initial agreement adjusted accordingly

**Maximize financial/operational flexibility**

## Taixing Sunke Chemicals

- Manufacturing JV created with Jurong Chemical
- Operates acrylic acid and butyl acrylate units on Taixing site in China
- High quality modern assets



# Arkema's Executive Committee

## Complementary skills with proven track-record



**Thierry Le Hénaff**

Chairman  
& CEO



**Thierry Lemonnier**

CFO



**Michel Delaborde**

HR  
& Communication



**Marc Schuller**

Industrial Specialties  
Coating Solutions



**Bernard Boyer**

Strategy



**Luc Benoît-Cattin**

Industry



**Bernard Pinatel**

High Performance  
Materials

## 2015 priorities

- **Integrate Bostik as a key component of Arkema Group and deliver expected profit growth**
- **Ramp up the Thiochemicals platform in Malaysia**
- **Optimize performance of Sunke in acrylics in China in current challenging market conditions**
- **Sustain growth from innovation**
  - Step up in composite materials and PEKK production
  - Leverage Chinese R&D center in Changshu
- **Implement operational excellence program**
  - Safety positioned as a top priority
  - Continue to roll out the global SAP "Ambition" program to optimize the Group supply chain
  - Further globalization of goods and services purchasing
- **First steps to restore profitability of Fluorogases**
- **New projects under review**

### Integration of Bostik



### Thiochemicals in Malaysia





# Outlook

## 2015 macro-economic assumptions

- Market conditions expected to remain volatile and contrasted with different dynamics depending on geographic regions and product lines
- FX rates (mainly US\$/€) should make a positive contribution and offset low-cycle unit margins in acrylic monomers and more normalized market conditions in PMMA

## Main drivers of 2015

- 11 months consolidation of Bostik
- New Thiochemicals platform in Malaysia
- Stake in Sunke in acrylics in China
- Implement actions to gradually improve fluorogases
- *In 1Q'15, still limited contribution from Thiochemicals in Malaysia and from Sunke*



- **With these drivers which will support the growth of the Group in 2015, Arkema confirms its mid- and long-term targets**

**Save-the-date – Capital Markets Day**  
29 June 2015 – Paris (France)



## Disclaimer

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 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.

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 for 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006 and 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 definition of the main performance indicators used can be found in the reference document filed with the French *Autorité des Marchés Financiers* and available on [www.finance.arkema.com](http://www.finance.arkema.com)