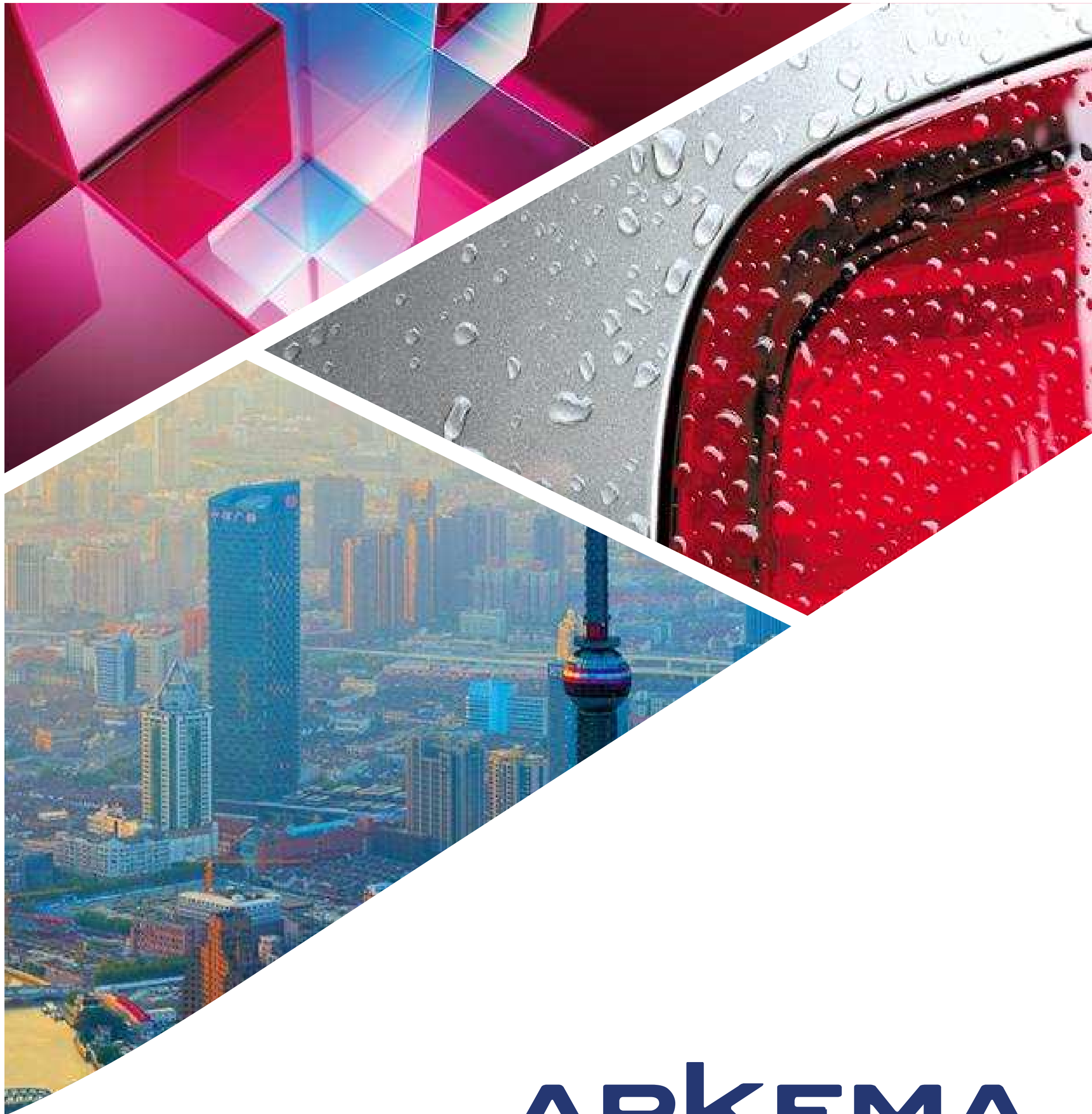
# FULL YEAR 2017 RESULTS AND OUTLOOK

THIERRY LE HÉNAFF
**CHAIRMAN AND CEO**



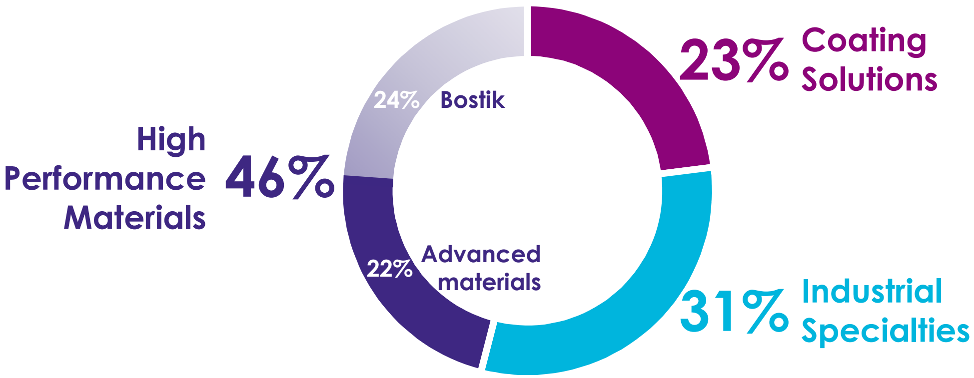
ARKEMA
INNOVATIVE CHEMISTRY

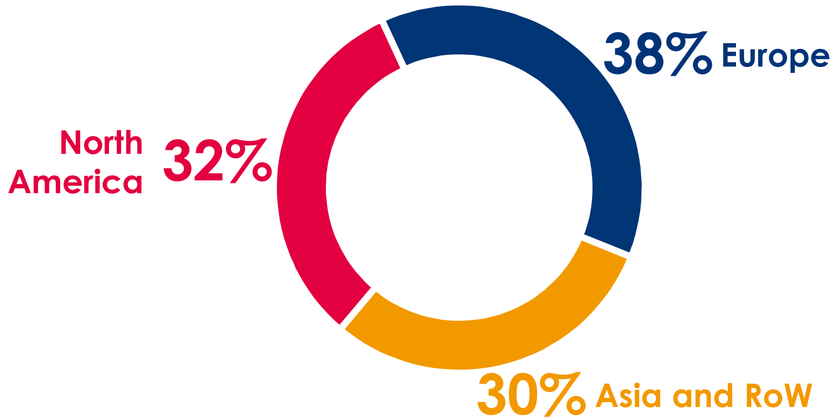
# ARKEMA IN A NUTSHELL

## 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



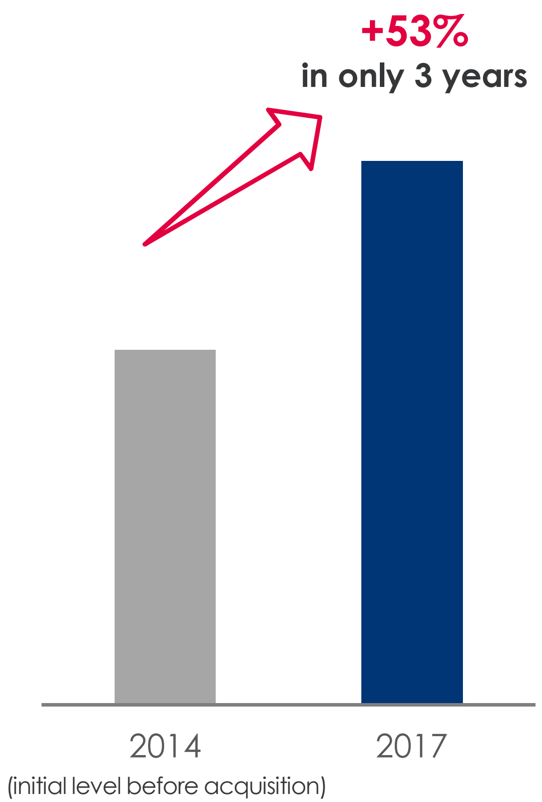
# AHEAD OF OUR 2017 FINANCIAL TARGETS

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

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

# BOSTIK
# FULLY ON TRACK WITH SIGNIFICANT POTENTIAL AHEAD

## EBITDA GROWTH

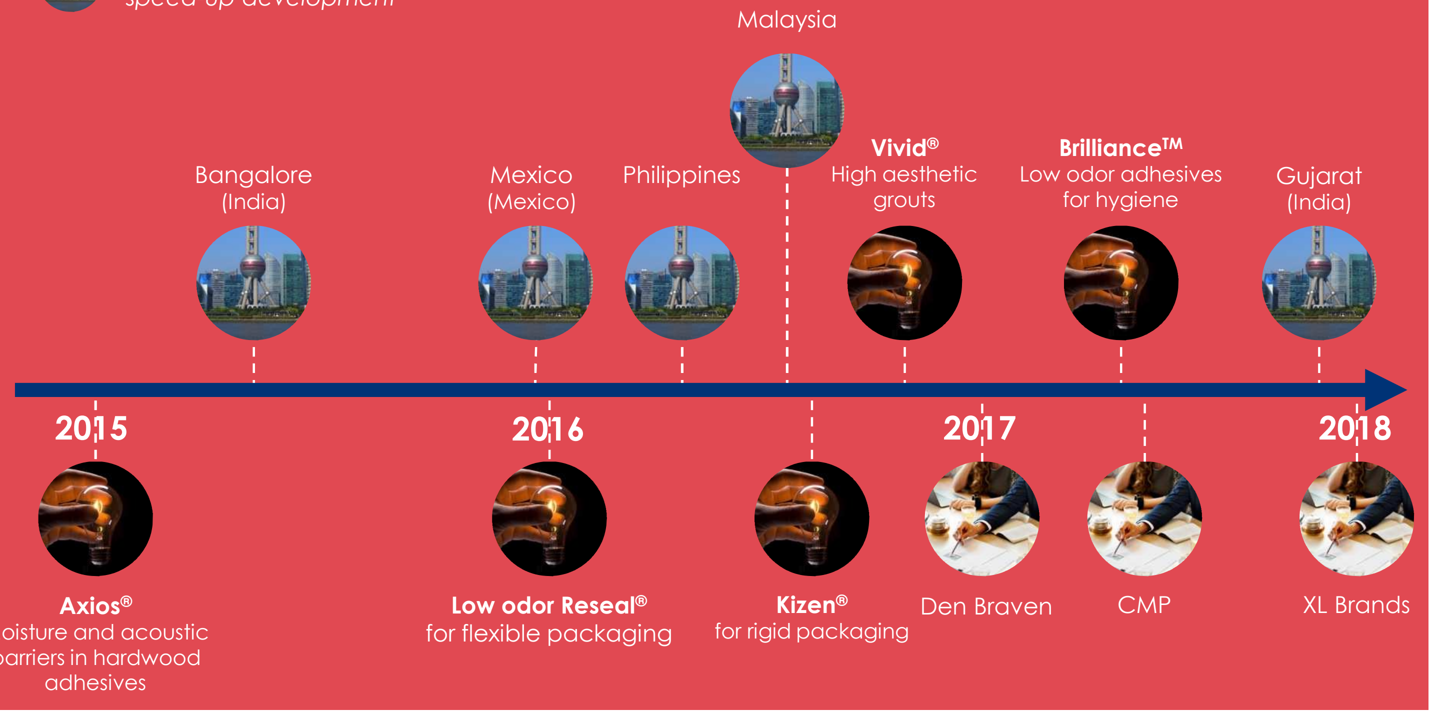



## 3 GROWTH DRIVERS

**INNOVATION**
*driven by lightweighting and home efficiency*

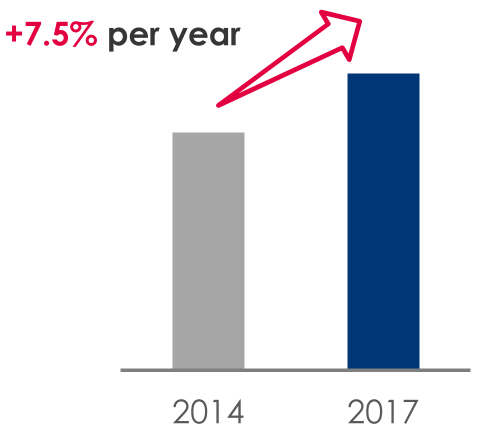
**BOLT-ON ACQUISITIONS**
*in a still very fragmented market*

**EMERGING COUNTRIES**
*speed-up development*



# ADVANCED MATERIALS
# SUSTAINED GROWTH SUPPORTED BY INNOVATION IN MEGATRENDS

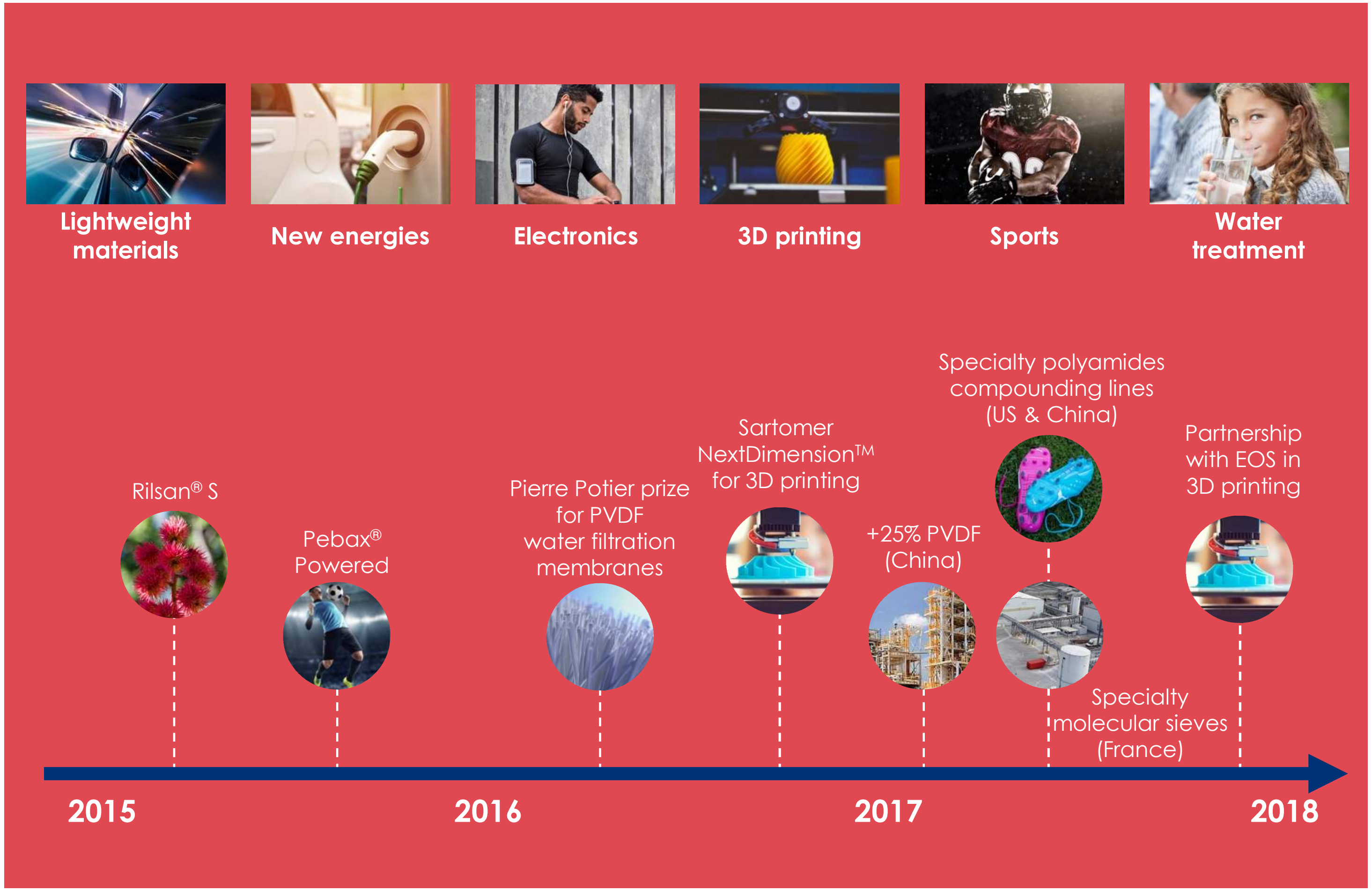
**EBITDA GROWTH**




## INNOVATION IS OUR DNA

**239** patents in 2017

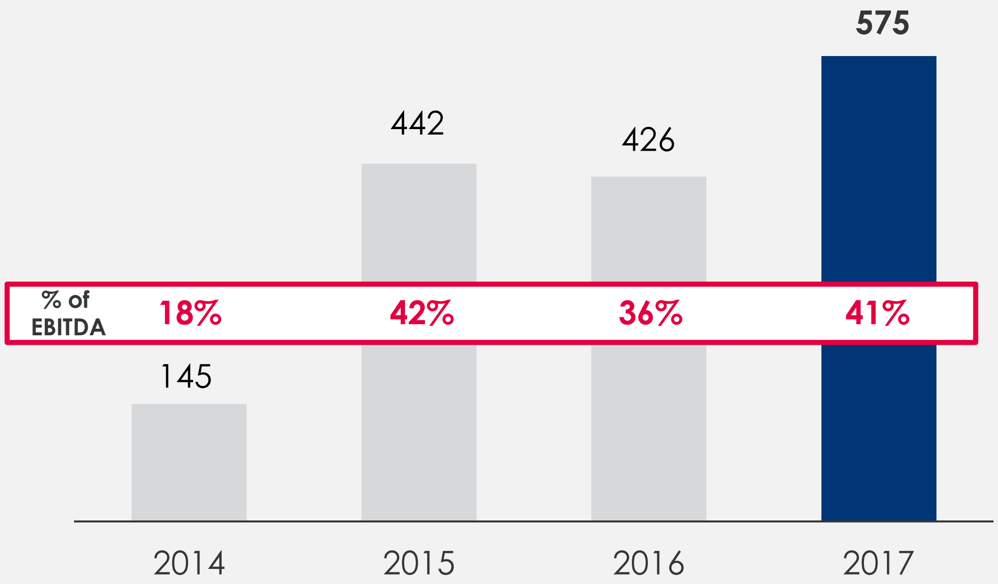
**7th** consecutive time in the TOP100 Global Innovators Clarivate Analytics



# 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

**CAPEX**

**€1.3 bn**

**M&A**

**€2 bn** net

**Acquisitions**
Bostik, Den Braven and CMP

**Divestments**
Sunclear, activated carbon and filter aid and oxo alcohol businesses

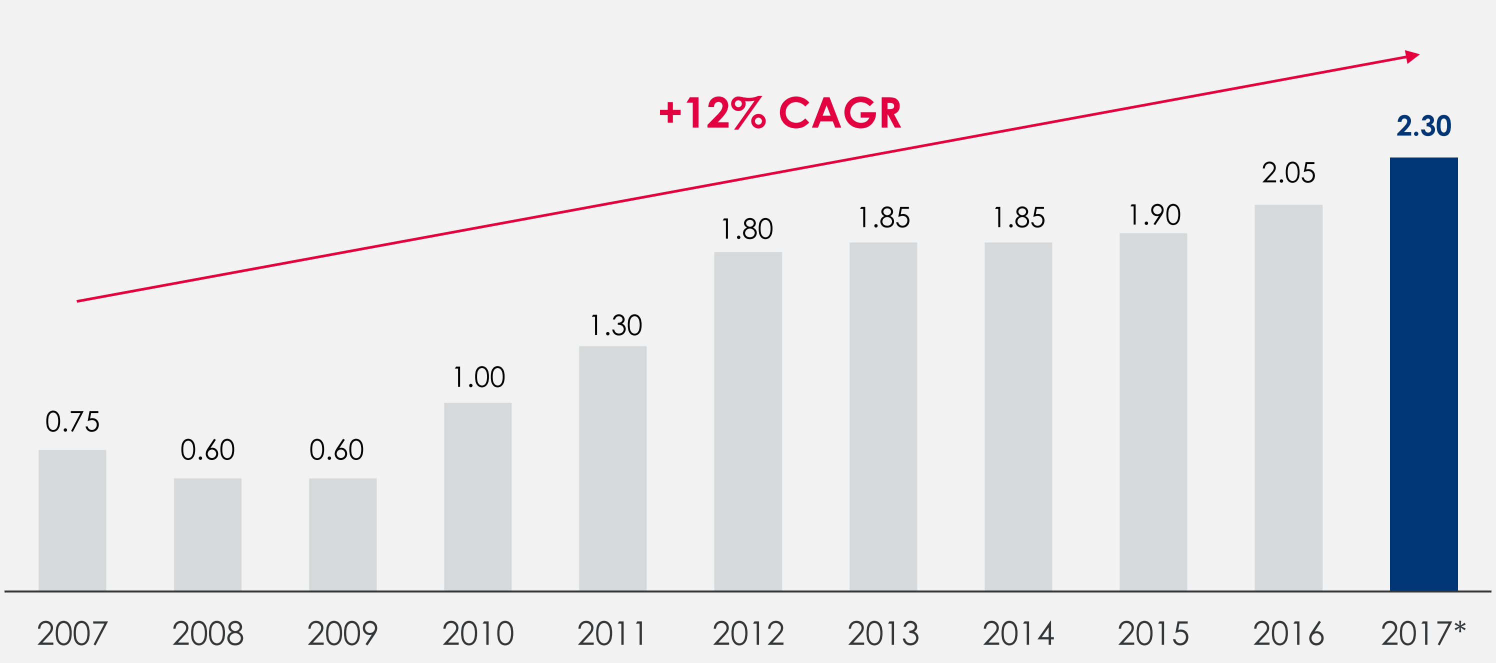
**Dividend**

**€0.4 bn**

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

# SIGNIFICANT INCREASE IN DIVIDEND

**DIVIDEND** in €/share

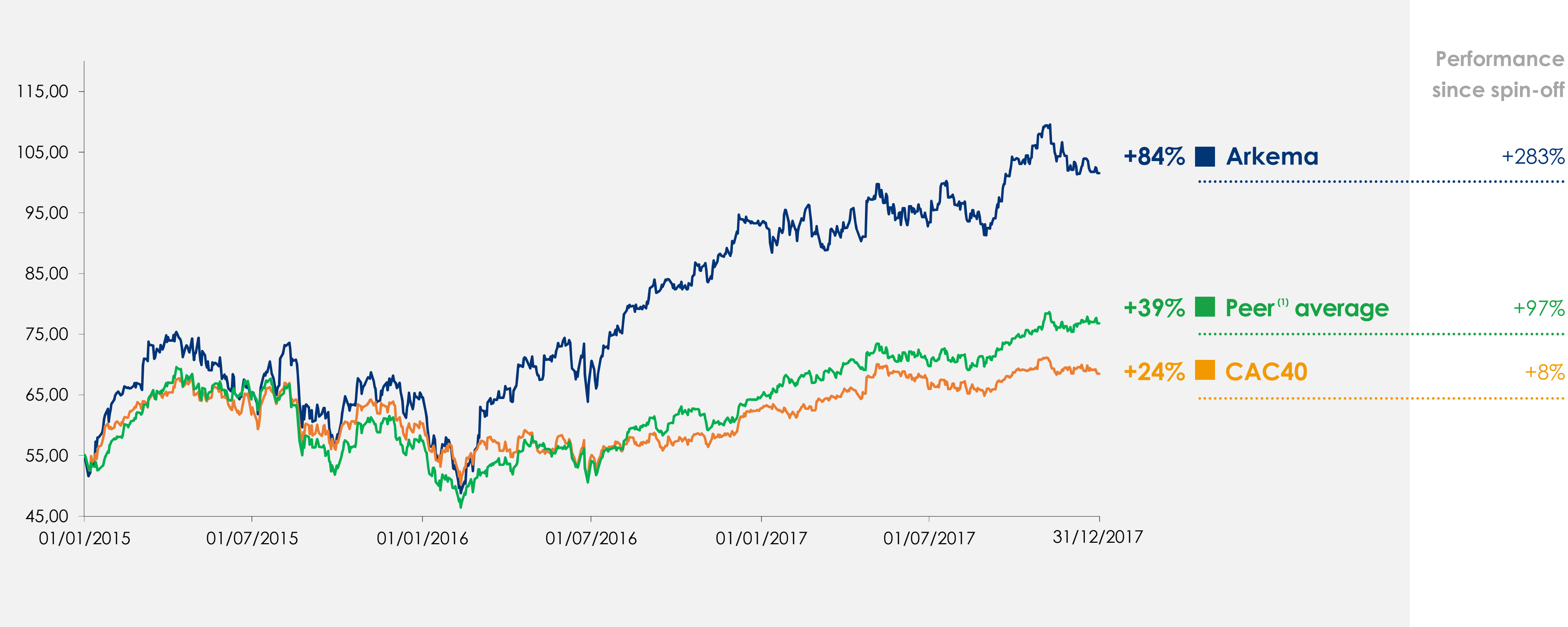



- Reflects the strong confidence of the Board in the current level of profitability and long-term growth prospects
- **~30%** payout ratio
- **Dividend to be paid fully in cash from 29 May 2018**
  - Ex-dividend date: 25 May 2018

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

* Dividend proposed to the shareholders' annual general meeting of 18 May 2018

# 3-YEAR SHARE PRICE EVOLUTION




(1) AkzoNobel, BASF, Clariant, DSM, Evonik, Lanxess, Solvay


ARKEMA INNOVATIVE CHEMISTRY

# 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

Start-up 2018 2019 2020 2021

**2018**

**+20% PVDF Kynar® production capacities at Calvert City (US)**

**Markets**
New energies and water filtration

**Powder coating resins facility in India**

**Markets**
Paints, coatings and construction

**PEKK plant at Mobile (US)**

**Markets**
Aeronautics, 3D-printing and oil & gas

**2019**

**90kt acrylic acid reactor at Clear Lake (US)**

**Markets**
Paints, coatings, adhesives and water treatment

**+30% Sartomer photocure resins production capacities in Nansha (China)**

**Markets**
3D-printing, graphic arts and electronics

**2020**

**Doubling of thiochemicals capacities in Malaysia**

**Markets**
Animal nutrition and petrochemicals and refining applications

**+25% global PA12 production capacities (China)**

**Markets**
Lightweight materials, sports, electronics

**2021**

**+50% global PA11 monomer and polymer production capacities**

**+50% global Pebax® production capacities**

**Markets**
Lightweight materials, sports, electronics

North America | Asia

**Asia and North America, two core growth regions for Arkema**

# CORPORATE SOCIAL RESPONSIBILITY AT THE HEART OF OUR STRATEGY

## A RESPONSIBLE CHEMIST

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

| | OCCUPATIONAL SAFETY (TRIR) |
|---|---|
| 2025 objective | <1.2 |
| 2017 | 1.6 |

### Environment
***Reduce*** *the environmental* ***footprint*** *of our activities*

| | GREENHOUSE GAS EMISSIONS | VOLATILE ORGANIC COMPOUND | CHEMICAL OXYGEN DEMAND | NET ENERGY PURCHASED |
|---|---|---|---|---|
| 2025 objectives | -50% vs 2012 | -33% vs 2012 | -40% vs 2012 | -15% vs 2012 |
| 2017 | -48% | -34% | -30% | -11% |

## 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

| | TO BE HELD BY WOMEN | TO BE HELD BY NON-FRENCH NATIONALS |
|---|---|---|
| 2025 objectives | 23-25% | 42-45% |
| 2017 | 19% | 37% |

### Societal
*Encourage open* ***dialogue*** *with all* ***stakeholders***

## RECOGNITION

2017 CSR Rating GOLD ecovadis

FTSE4Good

CDP DRIVING SUSTAINABLE ECONOMIES

EURONEXT vigeo eiris INDICES EUROZONE 120

**OUR AMBITION**

Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

# FULL YEAR 2017 RESULTS

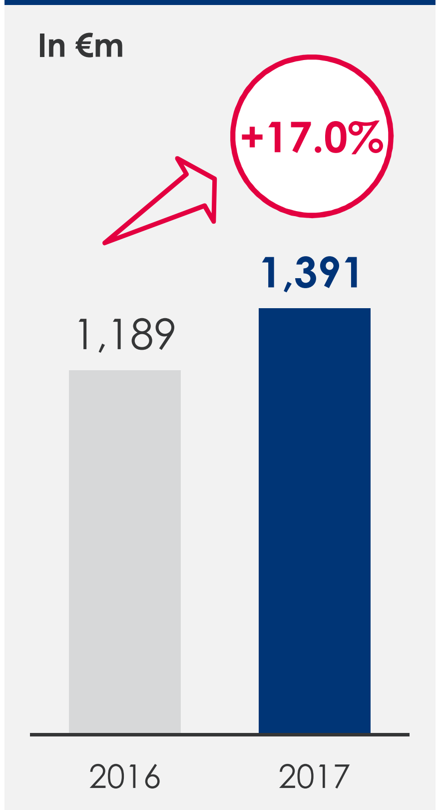
# FY'17 RESULTS KEY TAKE-AWAYS

| | |
|---|---|
| **€8,326 m** sales | **+10.5%** up YoY<br>**+8.9%** at constant scope and FX |
| **€1,391 m** EBITDA | **+17%** up on 2016 good performance<br>Driven by all 3 business divisions |
| **16.7%** EBITDA margin | 15.8% in 2016<br>Despite a context of higher raw material costs and stronger euro vs the US dollar |
| **€592 m** adjusted net income | **+42%** up YoY<br>**€7.82** adjusted EPS (€5.56 in 2016) |
| **€1,056 m** net debt | Significantly down YoY (€1,482 m at 31 December 2016)<br>Excellent cash generation with **€565 m** free cash flow (€426 m in 2016)<br>**0.8x** 2017 EBITDA |
| **€2.30** dividend | Proposed increase from €2.05 in 2016 |

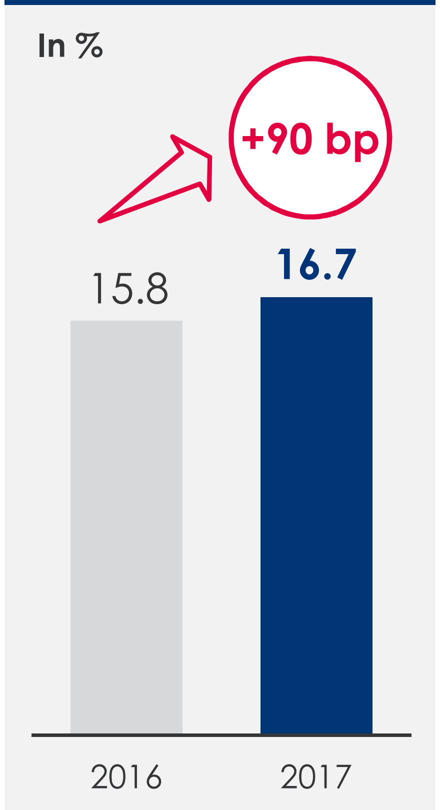
With the US tax reform, Arkema will benefit from tax savings estimated at around 6% of its adjusted net income (on the basis of 2017 results)

# DELIVERING AN EXCELLENT 2017 PERFORMANCE

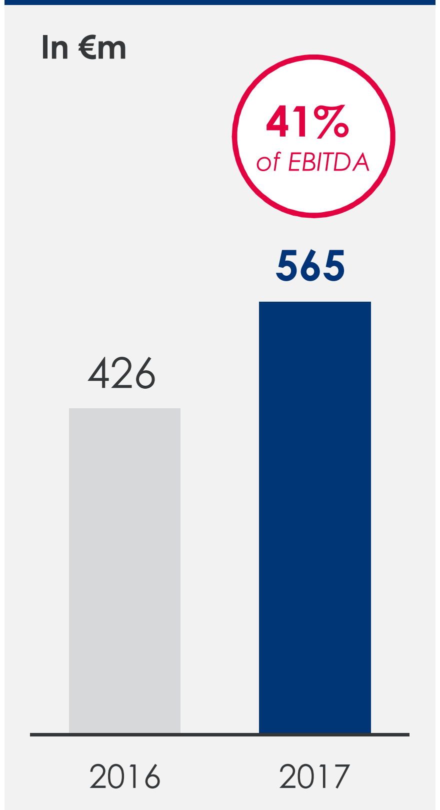
## EBITDA



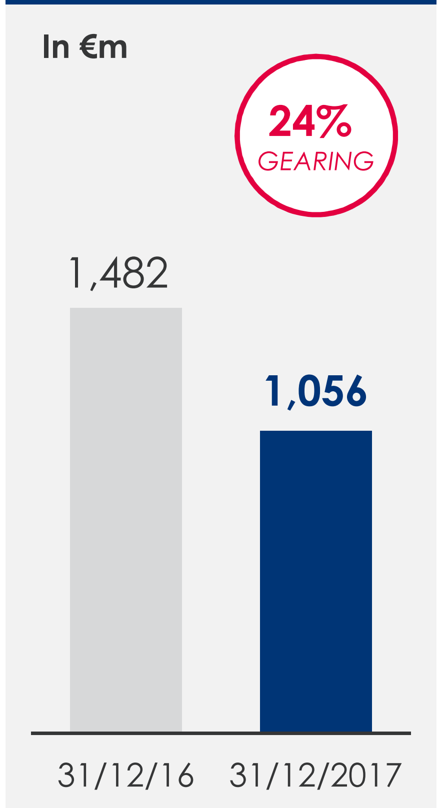

## EBITDA MARGIN




## FREE CASH FLOW*

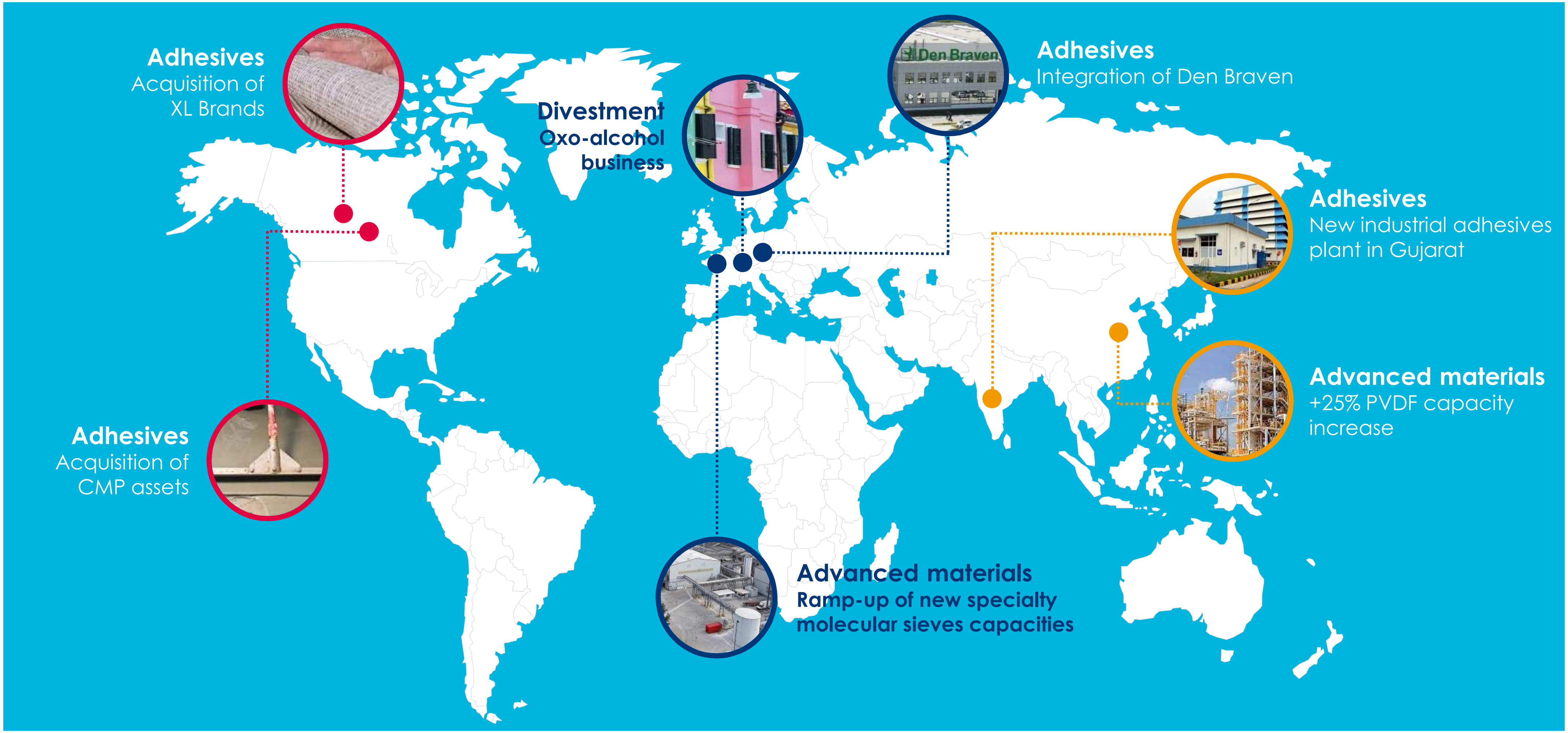



## NET DEBT




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

# 2017 HIGHLIGHTS





ARKEMA INNOVATIVE CHEMISTRY

# 2017 KEY FIGURES

| In €m (except EPS) | 2016 | **2017** | CHANGE |
|---|---|---|---|
| **Sales** | 7,535 | **8,326** | +10.5% |
| **EBITDA** | 1,189 | **1,391** | +17.0% |
| **EBITDA margin** | 15.8% | **16.7%** | |
| **Recurring operating income** (REBIT) | 734 | **942** | +28.3% |
| **REBIT margin** | 9.7% | **11.3%** | |
| **Adjusted net income** | 418 | **592** | +41.6% |
| **Net income – Group share** | 427 | **576** | +34.9% |
| **Adjusted EPS** *(in euros)* | 5.56 | **7.82** | +40.6% |

# 2017 SALES BRIDGE

## SALES


**Volumes**

- +4.4% in High Performance Materials driven by Asia, innovation and start-up of new units

**Price**

- Price increases to pass through higher raw material costs in specialties (71% of Group's sales)
- Positive trends in intermediate chemical businesses (29% of Group's sales)*

**Scope of business**

- Integration of Den Braven and CMP
- Divestments of the activated carbon and filter aid business, and of oxo-alcohols

**Currency**

- Mainly strengthening of the euro against US dollar

* Acrylics, Fluorogases, PMMA

# HIGH PERFORMANCE MATERIALS (46% OF GROUP SALES)

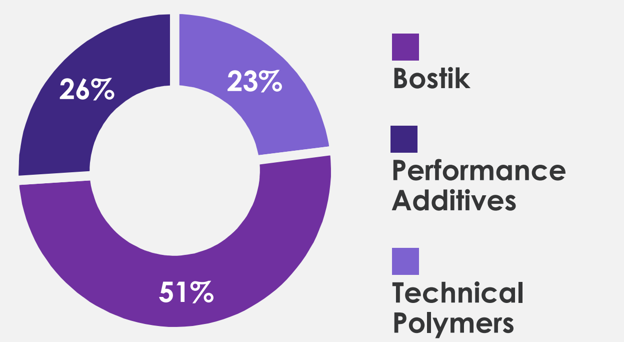
## 2017 KEY FIGURES

| In €m | 2016 | 2017 | Change |
|---|---|---|---|
| **Sales** | 3,422 | **3,830** | +11.9% |
| **EBITDA** | 570 | **632** | +10.9% |
| **EBITDA margin** | 16.7% | **16.5%** | |
| **REBIT** | 416 | **474** | +13.9% |
| **REBIT margin** | 12.2% | **12.4%** | |

## 2017 SALES DEVELOPMENT

| | |
|---|---|
| **Volumes** | **+4.4%** |
| **Prices** | **+1.5%** |
| **Currency** | **(2.1)%** |
| **Scope** | **+8.0%** |

## 2017 SALES BY BUSINESS LINE




## 2017 HIGHLIGHTS

- **Sales up +5.9% YoY at constant scope of business and FX**
  - +4.4% volumes YoY, up in all Business Lines
  - Very strong demand in Asia for lighter materials, new energies (batteries and photovoltaics) and consumer goods (sports and consumer electronics)
  - Contribution from the new specialty molecular sieves unit in Honfleur (France)
- **+8.0% sales from M&A reflecting Den Braven and CMP acquisitions and the divestment of the activated carbon and filter aid business**
- **EBITDA up +11% YoY**
  - Very good volume momentum in advanced materials (Technical Polymers + Performance Additives)
  - Bostik continued expansion supported in particular by Den Braven integration and first synergies
  - Despite higher costs of certain raw materials and the impact of a stronger euro versus the US dollar
- **Good resistance of EBITDA margin at 16.5%, nearly stable compared to 2016**

# INDUSTRIAL SPECIALTIES (31% OF GROUP SALES)

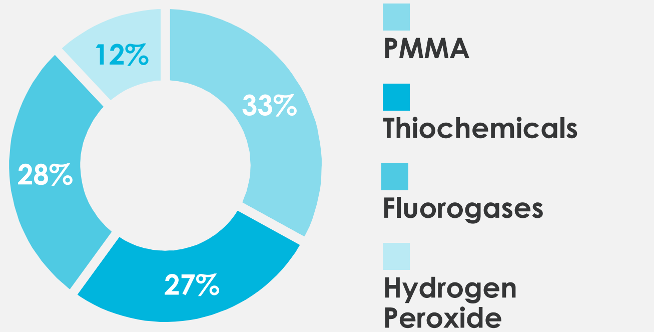
## 2017 KEY FIGURES

| In €m | 2016 | 2017 | Change |
|---|---|---|---|
| **Sales** | 2,316 | **2,545** | +9.9% |
| **EBITDA** | 473 | **585** | +23.7% |
| **EBITDA margin** | 20.4% | **23.0%** | |
| **REBIT** | 300 | **411** | +37.0% |
| **REBIT margin** | 13.0% | **16.1%** | |

## 2017 SALES DEVELOPMENT

| | |
|---|---|
| **Volumes** | **+1.7%** |
| **Prices** | **+9.6%** |
| **Currency** | **(1.4)%** |
| **Scope** | **-** |

## 2017 SALES BY BUSINESS LINE




## 2017 HIGHLIGHTS

- **Sales up +11.3% YoY at constant scope of business and FX**
  - +9.6% price effect driven by higher prices of certain fluorogases, in particular in Europe and Asia, and tight market conditions in MMA/PMMA
  - Volumes mainly driven by good demand in Thiochemicals
- **EBITDA up +24% YoY**
  - Fluorogases back as planned to very good level of results supported by legislation in Europe and environmental policies in China
  - Tight supply and demand balance in MMA/PMMA
  - Solid performances in Thiochemicals and Hydrogen Peroxide
- **23% EBITDA margin**

# COATING SOLUTIONS (23% OF GROUP SALES)

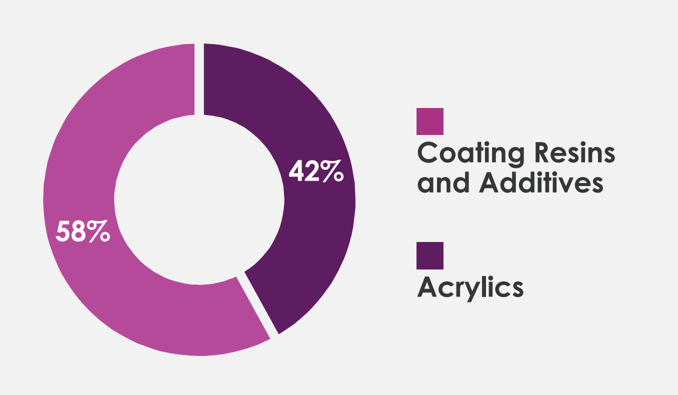
## 2017 KEY FIGURES

| In €m | 2016 | 2017 | Change |
|---|---|---|---|
| **Sales** | 1,771 | **1,924** | +8.6% |
| **EBITDA** | 208 | **244** | +17.3% |
| **EBITDA margin** | 11.7% | **12.7%** | |
| **REBIT** | 83 | **135** | +62.7% |
| **REBIT margin** | 4.7% | **7.0%** | |

## 2017 SALES DEVELOPMENT

| | |
|---|---|
| **Volumes** | **(0.4)%** |
| **Prices** | **+12.1%** |
| **Currency** | **(1.5)%** |
| **Scope** | **(1.5)%** |

## 2017 SALES BY BUSINESS LINE




## 2017 HIGHLIGHTS

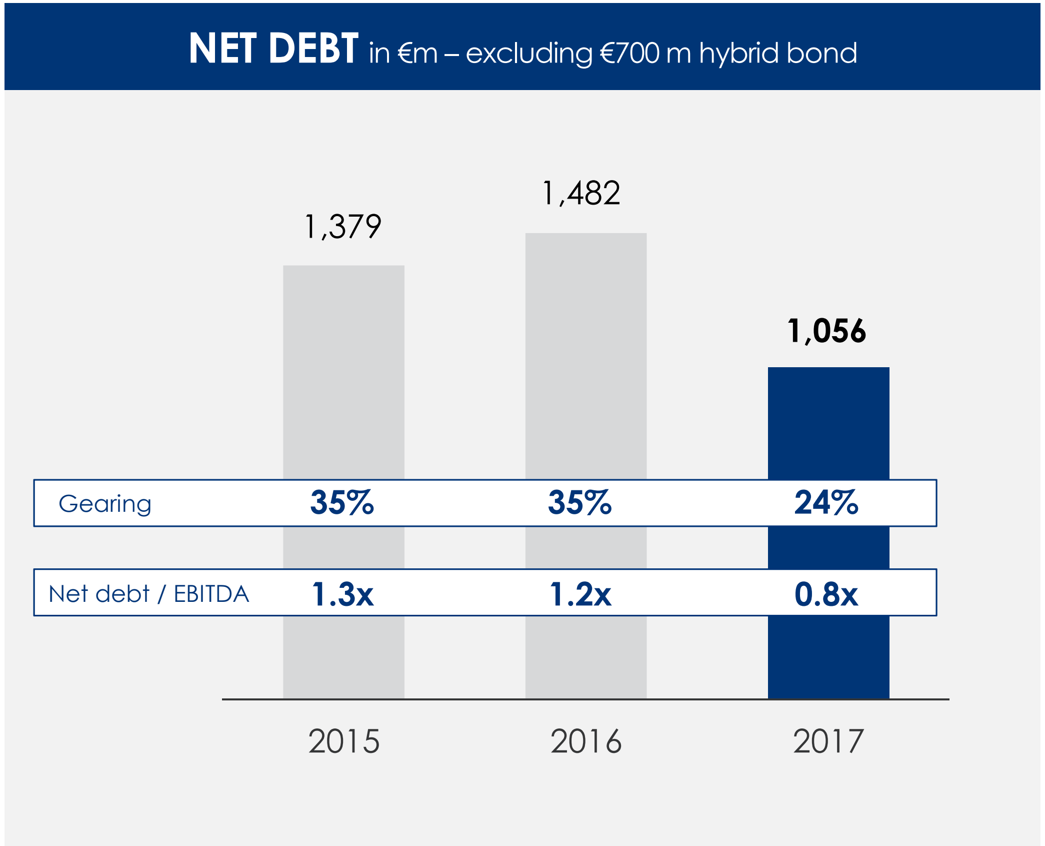
- **Sales up +11.7% YoY at constant scope of business and FX**
  - +12.1% price effect reflecting improving acrylic cycle and actions to pass through higher raw material costs across the entire chain
  - Higher volumes in downstream businesses offset the impact in acrylic monomers of maintenance turnarounds
  - -1.5% sales from M&A reflecting the divestment of the oxo-alcohol business
- **EBITDA up +17% YoY**
  - Acrylic margins in 2017 between low and mid-cycle, in line with Group's assumption
  - Improvement in the acrylic monomers unit margins more than offsetting the impact in downstream businesses of higher input costs

# SUPERIOR CASH GENERATION

| In €m | 2016 | 2017 | |
|---|---|---|---|
| **EBITDA** | **1,189** | **1,391** | |
| Change in working capital (1) | 2 | (48) | 13.1% working capital to sales ratio versus 14.5% (excluding Den Braven) in 2016 |
| Change in fixed assets payables (1) | 14 | 2 | |
| Taxes | (206) | (208) | Excluding exceptional items, tax rate at 26% of REBIT (29% in 2016)<br>2018e tax rate: ~23% of REBIT (including benefits from US tax reform) |
| Cost of debt | (89) | (92) | |
| Recurring capital expenditure (2) | (423) | (431) | 5.2% of Group's sales (5.6% in 2016)<br>2018e capex (recurring + exceptional): ~€550 m |
| Others | (10) | 15 | |
| **RECURRING CASH FLOW** | **477** | **629** | |
| Exceptional capital expenditure | - | (10) | As part of the project to double thiochemical production capacity in Malaysia |
| Other non-recurring items in operating and investing cash flow | (51) | (54) | Correspond mainly to the consequences of hurricane Harvey and restructuring costs |
| **FREE CASH FLOW** | **426** | **565** | |
| Impact of portfolio management | (269) | (5) | |
| **NET CASH FLOW** | **157** | **560** | |

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

# NET DEBT




**Refinancing in 2017**

- €500 m bond at 4% / year redeemed in October 2017
- €900 m bond at 1.5% / year issued in 2Q'17

⇒ Positive impact on FY'18 cost of debt: ~€(12) m versus 2017

Including 50% of the €700 m hybrid bond (same as rating agencies), net debt to EBITDA ratio at 1.0x

**Credit ratings**

- Standard & Poor's: BBB (stable outlook)
- Moody's: Baa2 (stable outlook)

# 4Q'17 RESULTS: A VERY STRONG END TO THE YEAR

| | |
|---|---|
| **€1,957 m** sales | **+5.7%** up YoY<br>**+6.7%** at constant scope and FX |
| **€283 m** EBITDA | **+16.5%** up YoY (€243 m in 4Q'16)<br>Driven by all 3 business divisions, especially High Performance Materials and Industrial Specialties |
| **14.5%** EBITDA margin | 13.1% in 4Q'16<br>Despite a context of higher raw material costs and stronger euro vs the US dollar |
| **€115 m** adjusted net income | **+69%** up YoY<br>**€1.52** adjusted EPS (€0.90 in 4Q'16) |
| **€177 m** free cash flow | +€38 m increase vs 4Q'16 (€139 m) reflecting higher EBITDA and strict control of working capital |



ARKEMA INNOVATIVE CHEMISTRY

# 4Q'17 PERFORMANCE BY DIVISION

## HIGH PERFORMANCE MATERIALS

| IN €M | 4Q'16 | 4Q'17 | Variation |
|---|---|---|---|
| **Sales** | 839 | **909** | +8.3% |
| **EBITDA** | 116 | **131** | +12.9% |
| **EBITDA margin** | 13.8% | **14.4%** | |

### GOOD PERFORMANCE DESPITE HIGHER RAW MATERIALS AND STRONGER EURO

- Sales up +3.5% vs 4Q'16 at constant scope and FX
- +4% volume growth in advanced materials driven by Asia and innovation
- Benefits from Den Braven integration and synergies

## INDUSTRIAL SPECIALTIES

| IN €M | 4Q'16 | 4Q'17 | Variation |
|---|---|---|---|
| **Sales** | 568 | **606** | +6.7% |
| **EBITDA** | 87 | **120** | +37.9% |
| **EBITDA margin** | 15.3% | **19.8%** | |

### A VERY STRONG QUARTER

- Sales up +11.7% vs 4Q'16 at constant scope and FX driven by positive price effect in all businesses
- Positive contribution from all Business Lines
- Continuing tight market conditions in MMA/PMMA
- Good results of Fluorogases despite the usual year-end seasonality

## COATING SOLUTIONS

| IN €M | 4Q'16 | 4Q'17 | Variation |
|---|---|---|---|
| **Sales** | 440 | **437** | (0.7)% |
| **EBITDA** | 41 | **44** | +7.3% |
| **EBITDA margin** | 9.3% | **10.1%** | |

### SLIGHT IMPROVEMENT COMPARED TO HIGH COMPARISON BASE IN 4Q'16 IN ASIA

- Sales up +6.3% vs 4Q'16 at constant scope and FX
- -2.1% sales resulting from the disposal of the oxo alcohols business
- Improvement of acrylic margins in Europe and the US vs 4Q'16 largely offsetting the impact of higher input costs in downstream businesses

# 2018 OUTLOOK

## External environment

- Well-oriented demand in all three main regions
- Marked strengthening of the euro versus the US dollar*
- Higher and volatile raw material costs

## Arkema will benefit from its numerous developments in its High Performance Materials division and from an environment expected to remain globally robust in its intermediate chemical businesses

- Strong innovation drive in advanced materials in lighter materials, 3D printing, new energies...
- Integration of XL Brands within Bostik
- Actions to pass on in its selling prices the continuous rises in raw materials costs
- Operational excellence initiatives to partly offset inflation on its fixed costs

**Supported by a good start of the year and this strong internal momentum and despite the euro's current strength, Arkema is confident in its ability to increase its EBITDA in 2018 compared to the excellent 2017 performance.**

* 10% increase in euro / US dollar exchange rate has a €(50) m EBITDA impact (translation)

# 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 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 2017 full year results 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.