



# 1<sup>st</sup> quarter 2014 results

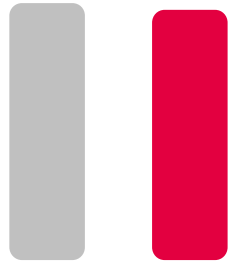
**Thierry LEMONNIER**  
CFO

**ARKEMA**  
INNOVATIVE CHEMISTRY

# 1Q'14 highlights and key figures

## Sales (€m)

1,563 1,523



1Q'13 1Q'14

- +0.7 % at constant scope and FX
- +3.3 % volumes
- 2.6 % price mainly in Fluorogases

## EBITDA (€m)

234 213

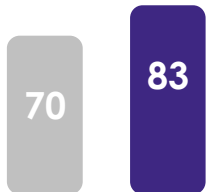


1Q'13 1Q'14

- High basis of comparison in Fluorogases in 1Q'13 (+7% EBITDA excluding Fluorogases)
- 14.0 % EBITDA margin

## EBITDA (€m) and EBITDA margin (%) by segment

15.6% 17.5%

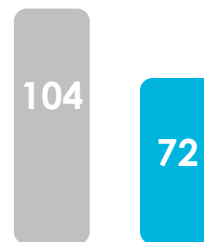


1Q'13 1Q'14

+19 % EBITDA supported by strong volumes

### High Performance Materials

19.3% 14.5%

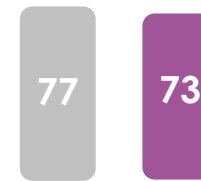


1Q'13 1Q'14

Reflect impact of Fluorogases

### Industrial Specialties

13.7% 13.3%



1Q'13 1Q'14

Confirm resilience in a mixed environment

### Coating Solutions



# Key drivers of 1Q'14 performance

## **Benefits from organic growth and innovation**

- Acrylic acid capacity expansion in Clear Lake (US)
- Increased SAP production capacity by Sumitomo Seika in Carling (France)
- Coating Resins: start-up in China, ramp-up in Brazil and improving market conditions overall
- Business developments: PVDF for li-ion batteries, oil field additives and molecular sieves for Oil and Gas

## **Contrasted market conditions**

- US businesses impacted by adverse weather conditions
- In Europe, some improvements in certain markets (automotive, decorative paints)
- In Fluorogases, high basis of comparison of 1Q'13 and more challenging market conditions
- Moderate growth in China
- Negative currency effects

## **Strict control of fixed costs**

- Shutdown of Chauny (France) effective in 1Q'14
- Benefits from productivity improvements in Coating Resins

# Projects announced in 1Q'14

## Acquisition of acrylic assets from Jurong in China\*

- Creation of a manufacturing JV in Taixing with Jurong Chemical, leader in acrylic monomers in China
- ~US\$ 600m FY sales for 320 kt/year
- Cash outs: US\$ 240m for 1<sup>st</sup> line of 160kt and US\$ 235m for 2<sup>nd</sup> line of 160kt



## Expansion of Organic Peroxides in China

- x2 production capacity in Changshu
- To support increasing use of polymers in Asia
- Start-up expected in 2016



# Implementing 2014 top priorities

## Start Thiochemicals platform in Malaysia

- Commercial start-up expected in 2H'14

## Finalize acquisition of Jurong's acrylic assets

- Closing expected in summer 2014 for the acquisition of the 1<sup>st</sup> line of 160kt / year \*
- Construction of 3<sup>rd</sup> line by Jurong on track

## Continue to address competitiveness issues in Europe

- Shutdown of Chauny (France) effective 1Q'14
- Project to shutdown production of coating resins at Stallingborough (UK) \*\*

## Accelerate R&D programs on composites, bio-sourced polymers and batteries

- Launch of Elium<sup>®</sup>, a thermoplastic resin for lightweight and resilient composite parts



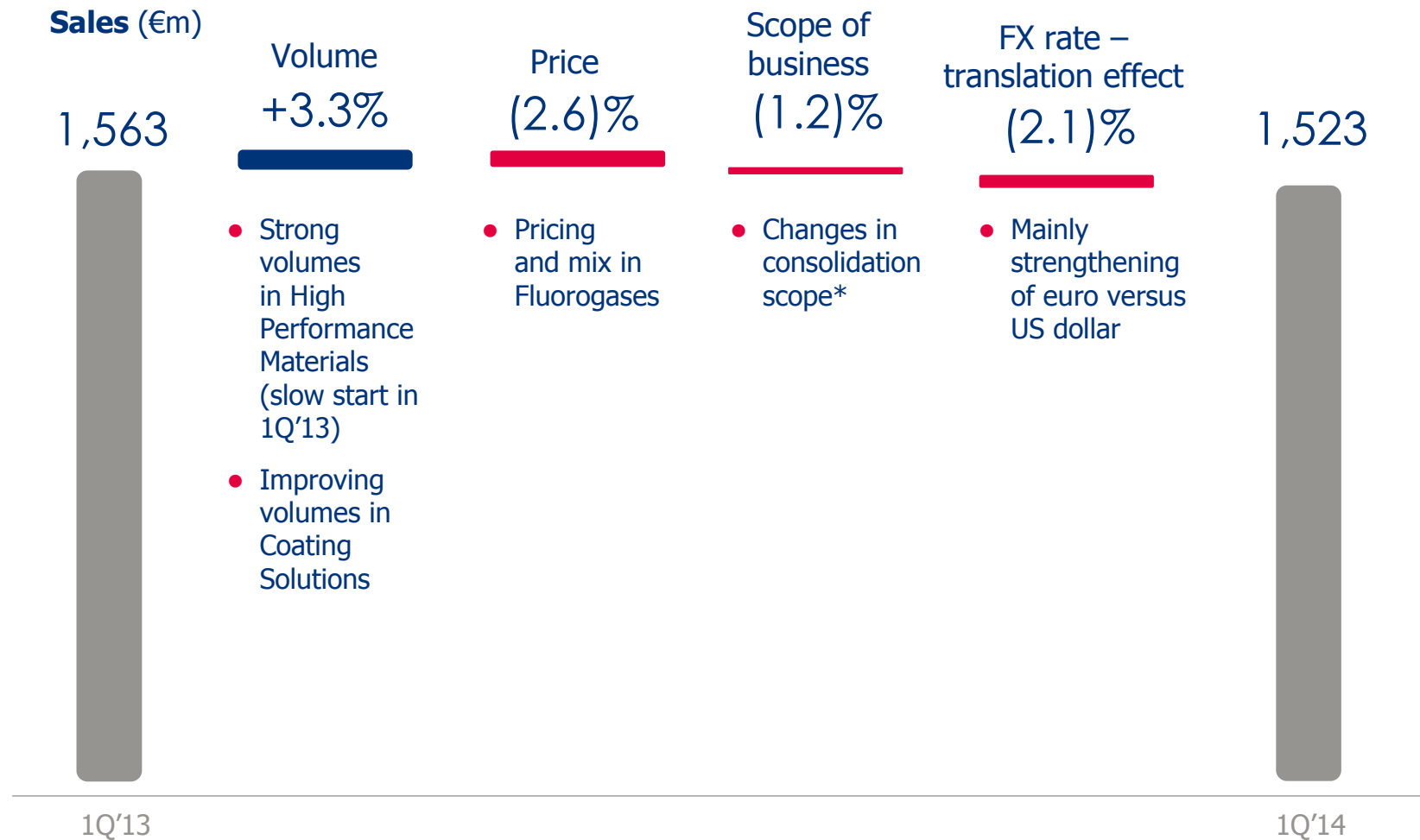
Thiochemicals in Malaysia

**ELIUM**<sup>®</sup>  
BY ARKEMA

\* Project subject to the authorization of the relevant authorities in China and to several administrative formalities

\*\* Subject to an employee consultation procedure

# Sales bridge



6 | \* Daikin Arkema Refrigerants now accounted for under the equity method and coating resins in South Africa unconsolidated



## 1Q'14 key figures

<i>In €m (except EPS)</i>	1Q'13	1Q'14	variation
Sales	1,563	1,523	-2.6%
EBITDA	234	213	-9.0%
EBITDA margin	15.0%	14.0%	
Recurring operating income	158	135	-14.6%
Adjusted net income	97	88	-9.3%
Net income (Group share)	(30)	77	-
Adjusted EPS	1.55	1.40	-9.7%



## High Performance Materials

<i>In €m</i>	1Q'13	1Q'14	variation
Sales	448	474	+5.8 %
EBITDA	70	83	+18.6 %
EBITDA margin	15.6%	17.5%	
Recurring operating income	44	57	+29.5 %

- **Strong start of the year compared to soft 1Q'13 with 19% EBITDA growth and 17.5% EBITDA margin**
- **€474m sales, up 7.9% at constant scope of business and FX**
  - +7.8% volumes
    - Up in all business units
    - Good demand in Oil and Gas for Filtration and Adsorption
    - Better trend in European automotive
    - New developments for Li-ion batteries and additives for Oil and Gas
  - Prices overall stable YoY on favorable product mix
  - -2.1% impact from FX (translation effect)





## Industrial Specialties

<i>In €m</i>	1Q'13	1Q'14	variation
Sales	539	496	-8.0 %
EBITDA	104	72	-30.8 %
EBITDA margin	19.3%	14.5%	
Recurring operating income	76	43	-43.4 %

- **Lower results reflecting more challenging market conditions and very high basis of comparison in Fluorogases**
- **Excluding Fluorogases, performance slightly up YoY**
- **€496m sales down 4.8% at constant scope of business and FX**
  - +2.8% volumes
  - -7.6% price on lower prices and unfavorable product mix in Fluorogases
  - -1.8% impact from FX (translation effect)
  - -1.4% from changes in consolidation scope\*

9 | \* Daikin Arkema Refrigerants now accounted for under the equity method



# Coating Solutions

In €m	1Q'13	1Q'14	variation
Sales	562	547	-2.7 %
EBITDA	77	73	-5.2 %
EBITDA margin	13.7%	13.3%	
Recurring operating income	55	50	-9.1%

**Good resilience in a mixed environment**

**€547m sales, up 1.4% at constant scope of business and FX**

- +4.6% volumes excluding impact of the shutdown of Chauny (France) in 1Q'14
  - Benefits from organic growth projects in acrylics (AA capacity expansion in Clear Lake and SAP extension by Sumitomo Seika in Carling)
  - Improving demand for paints in Europe offset impact from harsh winter in North America
- Prices overall stable YoY
- -1.9% scope of business (Coating Resins in South Africa unconsolidated)
- -2.4% impact from FX (translation effect)

**Good volumes in acrylic monomers offsetting lower unit margins YoY in line with FY'14 assumption**

**Benefits from productivity initiatives (Coating Resins, shutdown of Chauny, France)**

# Cash flow

In €m	1Q'14
<b>EBITDA</b>	<b>213</b>
Working capital variation *	(152)
Taxes	(31)
Cost of debt	(11)
Recurring capex	(45)
Others	(5)
<b>Recurring cash flow</b>	<b>(31)</b>
Non-recurring items in operating and investing cash flow	(7)
Non recurring capex	(45)
<b>Free cash flow</b>	<b>(83)</b>
Impact of portfolio management	-
<b>Net cash flow</b>	<b>(83)</b>

- Usual seasonality of working capital
- Should be largely reversed at year end

Including €(6)m restructuring expenses

- Thiochemicals in Malaysia: largest industrial project
- Lacq 2014 (finalization of investment plan)



# 2014 outlook

## Assumptions

- Moderate worldwide growth with contrasted market conditions by regions
- Stable €/US\$ exchange rate versus 2013 (unchanged assumption despite unfavorable rate in 1Q'14)
- 2<sup>nd</sup> quarter 2014:
  - 2 very large maintenance turnarounds in Thiochemicals (Beaumont, US) and Technical Polymers (Mont, France)
  - For fluorogases, current market conditions expected to continue, with 2Q'13 being last quarter as high comparison base

## Top priorities

- Deliver € 40 m structural EBITDA from organic developments
- Execute the € 450 m capex plan to fuel future EBITDA growth
- Start up Thiochemicals platform in Malaysia
- Finalize acquisition of Jurong's acrylic assets in China
- Finalize current analyses intended to take, mid-term, profitability of fluorogases back to historical level
- Accelerate R&D programs on composites, bio-sourced polymers and batteries
- Continue to implement productivity initiatives (fixed and variable costs)

**While cautious about macro, Arkema is confident in its ability to grow EBITDA in 2014. Beyond, Arkema confirms its mid-term targets.**



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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)