



# 19<sup>ème</sup> ODDO FORUM

Lyon - January 7-8, 2016

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Vice President Investor Relations

**ARKEMA**  
INNOVATIVE CHEMISTRY

# ARKEMA TODAY



€**7.5** bn\*  
sales



**19,200**  
employees  
worldwide



A presence in  
**50** countries



**137**  
production sites

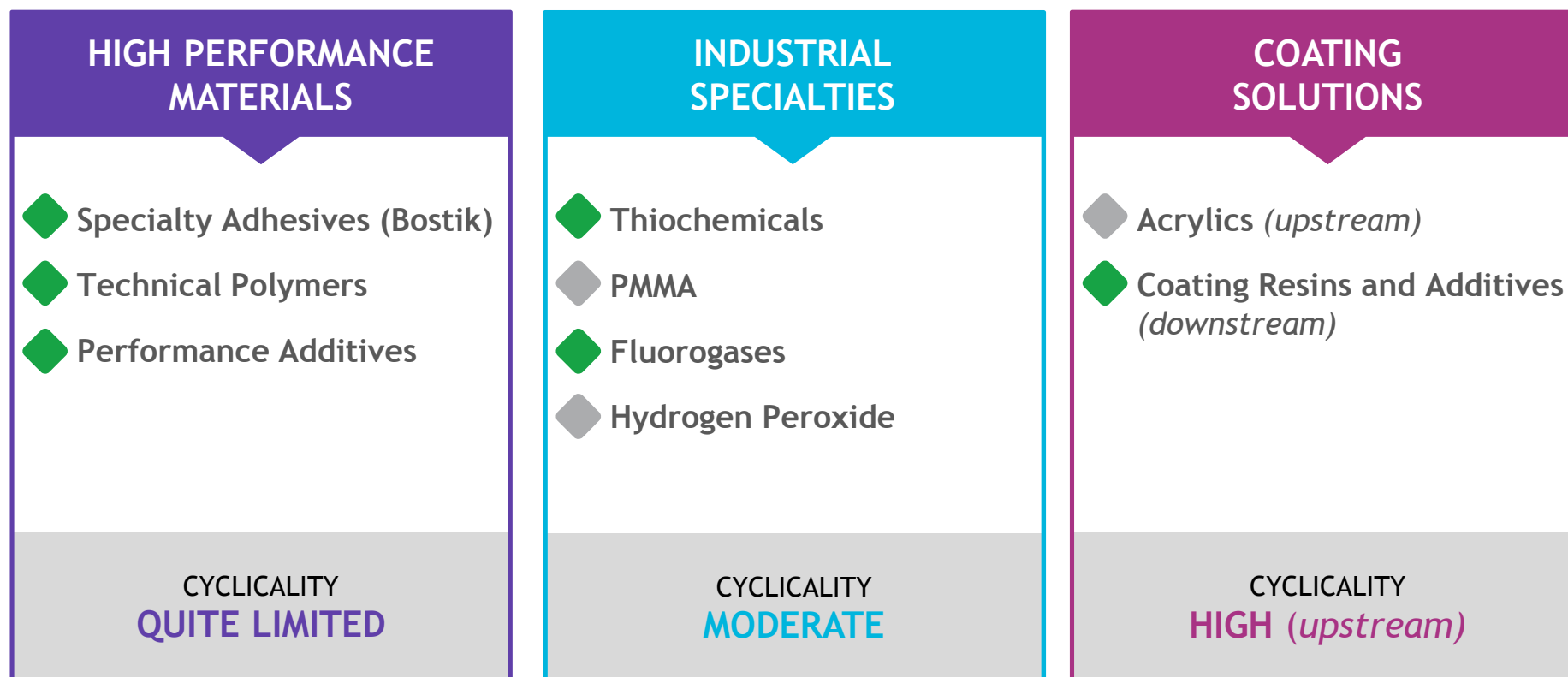


**3** R&D  
and innovation  
geographical  
hubs

- ▶ Entrepreneurial culture
- ▶ Strong focus on partnerships and relations with customers
- ▶ Balanced global footprint
- ▶ Competitive world-scale units on 3 continents
- ▶ Technology leaderships
- ▶ Highly skilled and committed management team
- ▶ Strong innovation pipeline
- ▶ Leading positions by segment (#1 to #3 WW)

\* 2014 proforma sales including Bostik

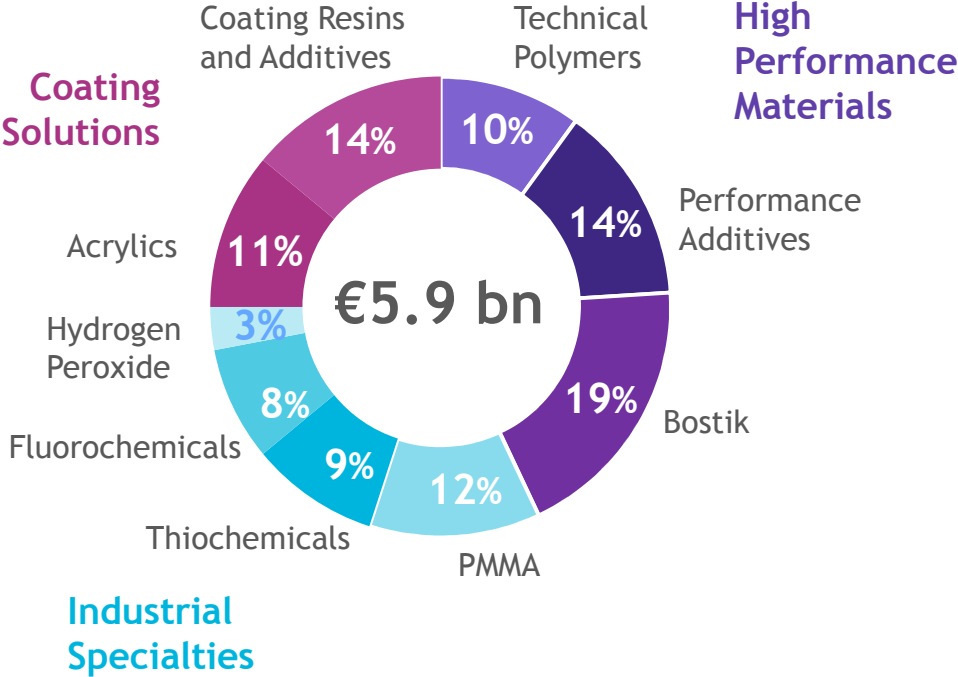
# OUR PORTFOLIO



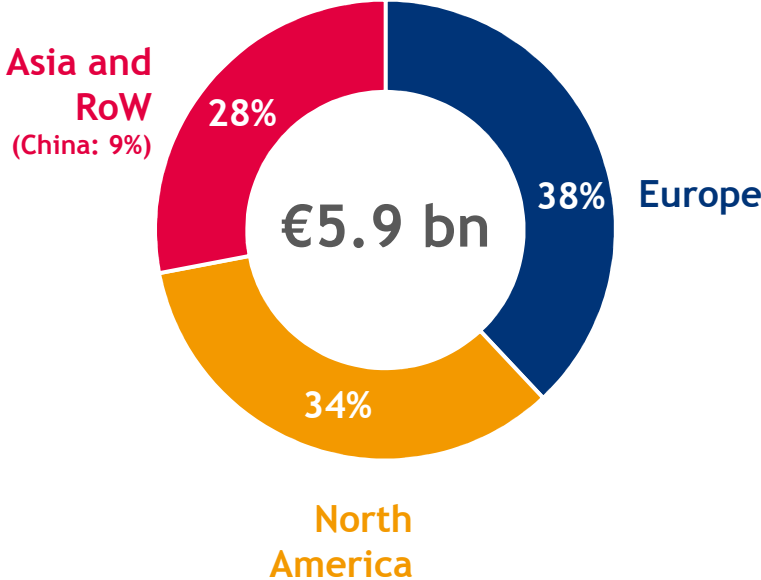
- ◆ Business with growth above GDP attracting more investments
- ◇ Business primarily focused on cash generation

# 9M'15 SALES BREAKDOWN BY SEGMENT AND REGION

9M'15 sales by business



9M'15 sales by region



# 3Q'15 RESULTS

# 3Q'15 HIGHLIGHTS

<b>€1,946 m sales</b>	<ul style="list-style-type: none"> <li>▶ +32%, significantly up YoY</li> <li>▶ Including Bostik contribution of +28%</li> </ul>
<b>€286 m EBITDA</b>	<ul style="list-style-type: none"> <li>▶ Strong performance, up +38% YoY (€207 m in 3Q'14)</li> <li>▶ Significant increase excluding Bostik contribution, driven by Industrial Specialties</li> <li>▶ Good performance of Bostik reinforced by first benefits from synergies</li> <li>▶ Favorable impact of currencies (translation) and lower input costs</li> </ul>
<b>14.7% EBITDA margin</b>	<ul style="list-style-type: none"> <li>▶ Up 70 basis points versus 3Q'14 despite the mechanically dilutive impact of Bostik integration</li> </ul>
<b>€1.27 adjusted EPS*</b>	<ul style="list-style-type: none"> <li>▶ Up +20% YoY</li> </ul>
<b>+€172 m free cash flow**</b>	<ul style="list-style-type: none"> <li>▶ Very strong cash generation</li> <li>▶ €1,632 m net debt down versus 30 June 2015 (€1,773 m) with a 42% gearing</li> </ul>

\* Adjusted EPS excluding unrealized foreign exchange result on the financing in foreign currencies of non-recurring investments (Thiochemicals in Malaysia)

\*\* Cash flow from operations and investments excluding the impact of portfolio management and the €28m unrealized currency loss in 3Q'15 on the financing in US dollars of the investments made in Thiochemicals in Malaysia

# WHERE WE STAND IN 3Q'15 ON MAIN DRIVERS

<b>Bostik</b>	<ul style="list-style-type: none"><li>▶ Good performance in a moderate growth economic environment</li><li>▶ Confirm good momentum and successful implementation of strategy</li><li>▶ Benefits from first synergies</li></ul>
<b>Thiochemicals in Malaysia</b>	<ul style="list-style-type: none"><li>▶ Significant contribution once again in 3Q'15</li><li>▶ Ramp-up supported by strong demand in the animal nutrition market in Asia</li></ul>
<b>Acrylics</b>	<ul style="list-style-type: none"><li>▶ Unit margins continue to be in low-cycle conditions particularly in Asia and should remain so in a near future</li></ul>
<b>Fluorogases</b>	<ul style="list-style-type: none"><li>▶ Gradual improvement of pricing of some gases confirmed, mostly in the US</li><li>▶ Volumes reflect the usual less favorable seasonality of the 3<sup>rd</sup> quarter</li></ul>
<b>Disposal program</b>	<ul style="list-style-type: none"><li>▶ Sunclear divestment expected to close before year end (€180 m FY sales, €105 m EV)</li></ul>

# HIGH PERFORMANCE MATERIALS

## 3Q'15 KEY FIGURES

In €m	3Q'14*	3Q'15	variation
Sales	432	866	+100.5%
EBITDA	84	131	+56.0%
EBITDA margin	19.4%	15.1%	
Rec. operating income	59	94	+59.3%

## 3Q'15 SALES DEVELOPMENT

Volumes	(1.9)%
Prices	+0.2%
Currency	+6.8%
Scope	+95.6%

## 3Q'15 HIGHLIGHTS

### Bostik

- ▶ €411 m sales
- ▶ Good performance, up YoY, in a moderate growth economic environment
- ▶ Successful implementation of strategy
- ▶ First benefits from synergies

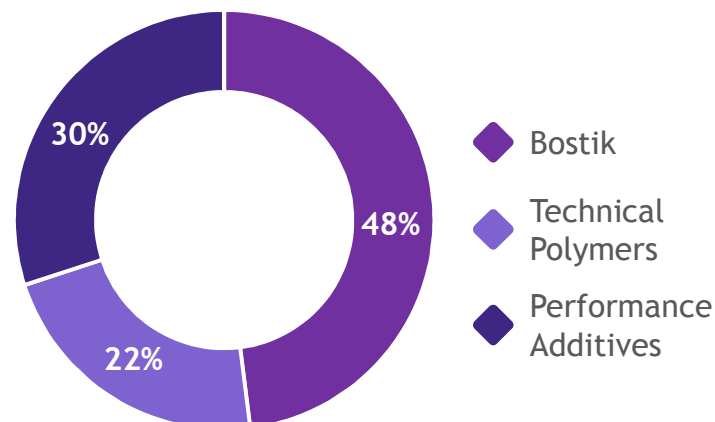
### Technical Polymers

- ▶ Continued good development of growing applications (batteries, electronics)
- ▶ Lower demand in some oil & gas applications

### Performance Additives

- ▶ Solid performance overall

## 3Q'15 SALES BY BUSINESS LINE





# INDUSTRIAL SPECIALTIES

## 3Q'15 KEY FIGURES

In €m	3Q'14*	3Q'15	variation
Sales	552	608	+10.1%
EBITDA	82	114	+39.0%
EBITDA margin	14.9%	18.8%	
Rec. operating income	42	70	+66.7%

## 3Q'15 SALES DEVELOPMENT

Volumes	+3.2%
Prices	(1.3)%
Currency	+7.8%
Scope	+0.3%

## 3Q'15 HIGHLIGHTS

### Thiochemicals

- ▶ Excellent performance reflecting the contribution from the new Malaysian plant driven by a continuing strong demand in Asia in the animal nutrition market

### Fluorogases

- ▶ YoY gradual improvement of the prices of some gases with the usual less favorable seasonality of 3Q

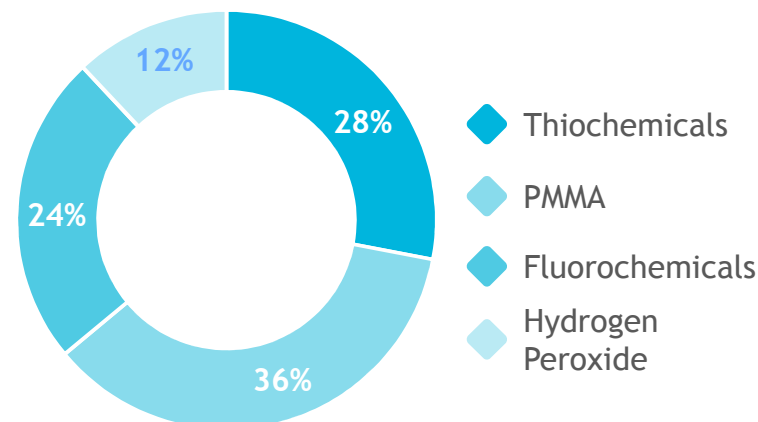
### PMMA

- ▶ Very good level of results with a few signs of normalization

### Hydrogen Peroxide

- ▶ Solid performance with further good developments in specialties

## 3Q'15 SALES BY BUSINESS LINE



# COATING SOLUTIONS

## 3Q'15 KEY FIGURES

In €m	3Q'14*	3Q'15	Variation
Sales	489	465	-4.9%
EBITDA	51	53	+3.9%
EBITDA margin	10.4%	11.4%	
Rec. operating income	29	24	-17.2%

## 3Q'15 HIGHLIGHTS

### Acrylics

- ▶ Inventory adjustments at customers in a context of high raw material cost volatility
- ▶ Low cycle unit margins (down YoY) and expected to remain low in a near future
- ▶ In Asia, contribution well below expectations

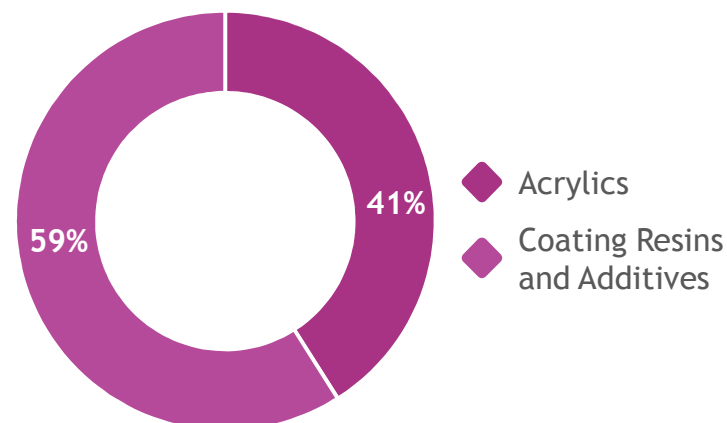
### Coating Resins and Additives

- ▶ Strong performance supported by good developments at Coatex and lower costs
- ▶ Soft demand in deco paints and construction in Europe

## 3Q'15 SALES DEVELOPMENT

Volumes	(3.6)%
Prices	(11.8)%
Currency	+6.5%
Scope	+4.1%

## 3Q'15 SALES BY BUSINESS LINE



# 3Q'15 CASH FLOW

IN €M	3Q'15	
<b>EBITDA</b>	<b>286</b>	
Working capital variation <sup>(1)</sup>	68	▶ Good working capital management
Taxes	(54)	
Cost of debt <sup>(2)</sup>	(19)	
Capital expenditure <sup>(3)</sup>	(103)	▶ 2015e capex: ~ €470 m
Others	(3)	
<b>RECURRING CASH FLOW</b>	<b>175</b>	
Non-recurring items in operating and investing cash flow	(3)	▶ Mainly restructuring expenses
<b>FREE CASH FLOW <sup>(2)</sup></b>	<b>172</b>	▶ Performance in line with the Group ambition to increase cash generation ▶ +€235 m free cash flow over first 9 months of 2015
Impact of portfolio management	(5)	
<b>NET CASH FLOW <sup>(2)</sup></b>	<b>167</b>	

(1) Variation in working capital and fixed asset payables excluding non-recurring items

(2) Excluding €(28) m unrealized currency loss on the financing in US\$ of the investments made in Thiochemicals in Malaysia with no impact on net debt

(3) Excluding capex related to M&A (in 3Q'15, mainly related to the transfer of the 3<sup>rd</sup> acrylic production line to Sunke without any impact on net debt)

# 2015 OUTLOOK

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## Macro-economic assumptions

- ▶ 4Q'15 should reflect the usual year-end seasonality which might be amplified by the current volatility of raw material prices and result in a more cautious behavior from some customers
- ▶ Impact of the US\$/€ rate expected to remain positive but far less material in 4Q than in previous quarters
- ▶ Unit margins in acrylic monomers expected to remain at low-cycle levels, in particular in Asia

## Main drivers

- ▶ Contribution of Bostik
- ▶ Ramp-up of the Thiochemicals platform in Malaysia
- ▶ Improvement of fluorogas business expected to be limited in 4Q'15 given the usual year-end seasonality of this business
- ▶ Operational excellence initiatives to offset part of the inflation on fixed costs

**Based on these drivers and the strong performance of the first nine months, Arkema increases its 2015 EBITDA target (including Bostik contribution) up to a range of €1,020 million to €1,040 million (versus initial guidance of an EBITDA “slightly above €1 billion” in 2015)**

# LONG-TERM AMBITION

**ARKEMA**  
INNOVATIVE CHEMISTRY

# MAIN STRATEGIC DIRECTIONS

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1

ACCELERATE GROWTH  
OF HIGH PERFORMANCE  
MATERIALS

2

SELECTIVE GROWTH IN  
INDUSTRIAL SPECIALTIES

3

REINFORCE ACRYLICS  
DOWNSTREAM

4

FINALIZE THE FULL  
GEOGRAPHICAL  
BALANCING

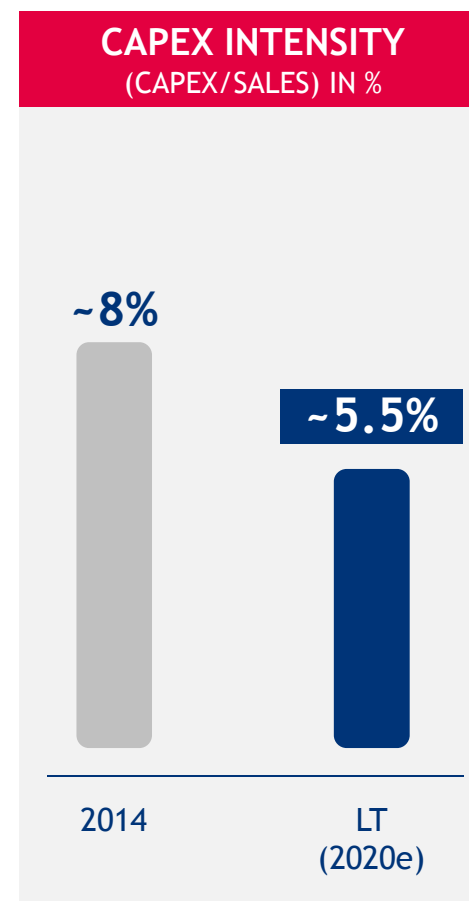
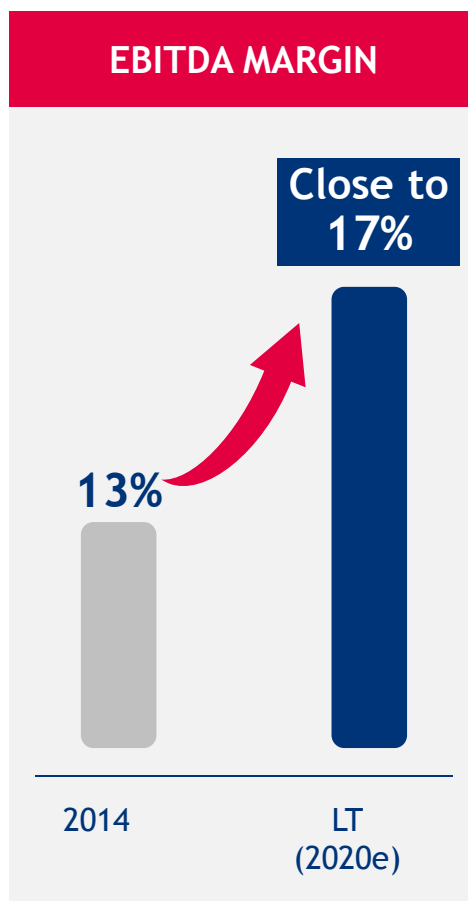
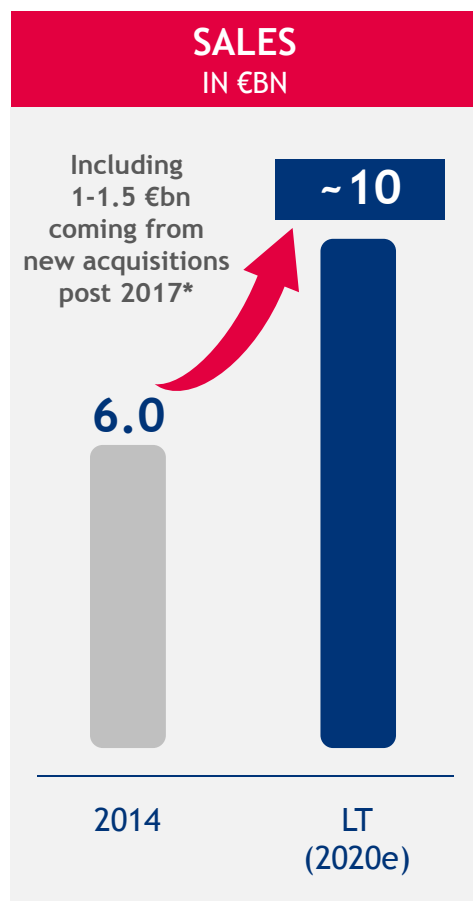
5

DISPOSAL OF NON-CORE  
ASSETS

6

MAINTAIN EMPHASIS  
ON OPERATIONAL  
EXCELLENCE

# OUR LONG-TERM AMBITION



Defined in normalized market conditions (*Acrylics in mid-cycle, €/US\$ at 1.15, Brent at US\$70/b,...*)

Net debt / EBITDA ~1.5x

\* Beyond Bostik and Jurong acquisitions

# MAIN ELEMENTS SUPPORTING 2017 OBJECTIVE

2017 EBITDA OBJECTIVE: €1.3 BN

## ORGANIC GROWTH + €180 m vs 2014

### MAIN DRIVERS

- ▶ Thiochemicals in Malaysia
- ▶ Bostik growth: +€50 m
- ▶ Internal measures in Fluorogases: +€40 m
- ▶ O&G in filtration and adsorption
- ▶ Acrylics in the US

### OTHER DRIVERS

- ▶ Other organic
  - ▶ Operational excellence gains
  - ▶ Inflation on fixed costs
- ⇒ 3 elements offsetting each other

## M&A + €190 m vs 2014

### ACQUISITIONS

- ▶ Bostik (initial €158 m)
- ▶ 1<sup>st</sup> step of Sunke acquisition
- ▶ 2<sup>nd</sup> step of Sunke acquisition  
*with Sunke contribution defined in mid-cycle conditions*

### DIVESTMENTS

- ▶ €700 m sales to be divested
- ▶ Divestment of Sunclear in PMMA in 4Q'15 (€180 m sales)

## EXTERNAL ENVIRONMENT + €150 m vs 2014

### NORMALIZED

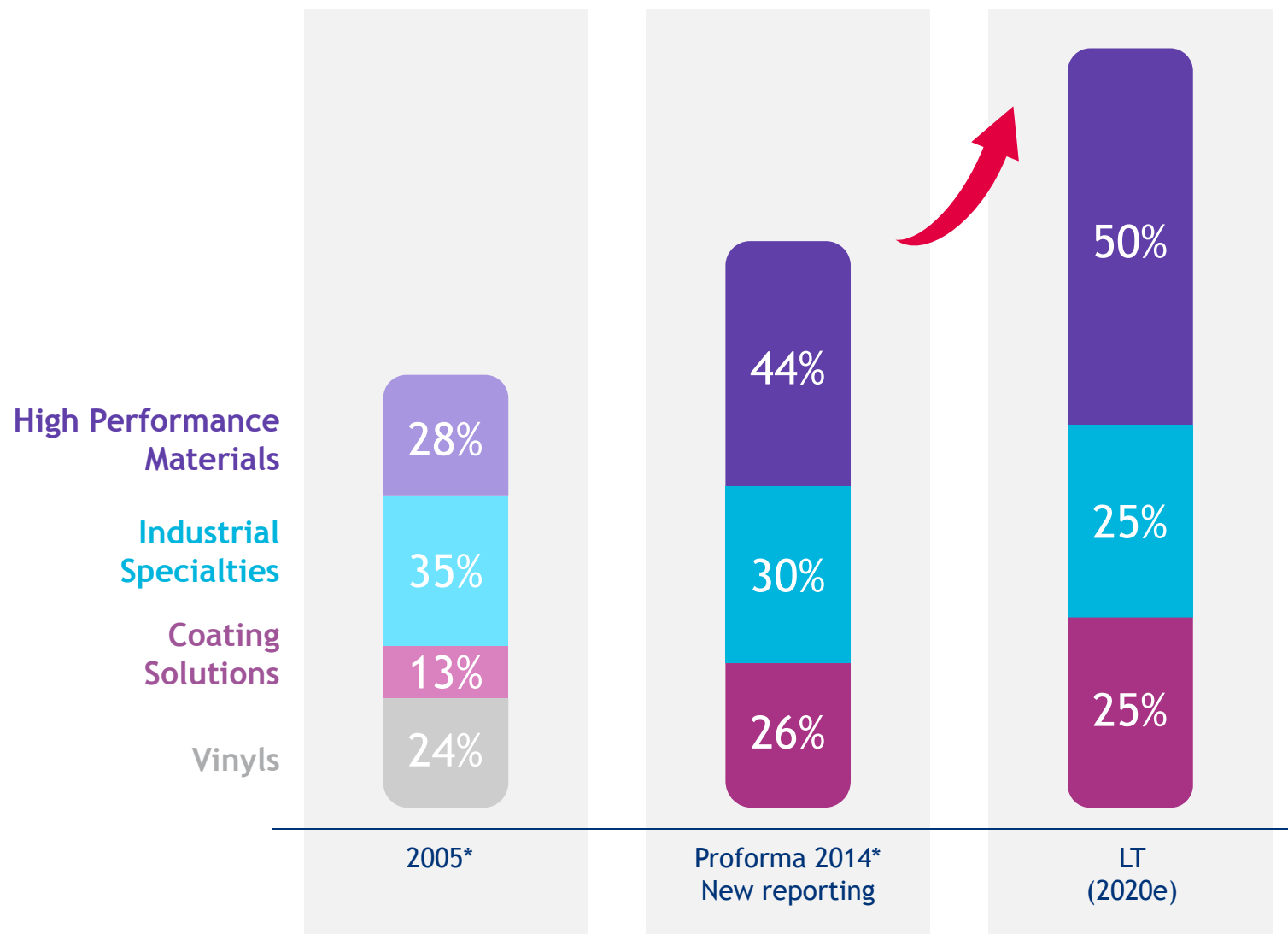
- ▶ Acrylics in mid-cycle  
*(currently low-cycle)*
- ▶ Fluorogases: +€40 m  
from better pricing environment  
*(currently gradually improving)*
- ▶ FX rate: €/US\$ at 1.15
- ▶ PMMA: normalization of market conditions  
*(currently close to high-cycle)*
- ▶ Brent: US\$70/b

Defined in normalized market conditions (*Acrylics in mid-cycle, €/US\$ at 1.15, brent at US\$70/b,...*)

Gearing at ~40%

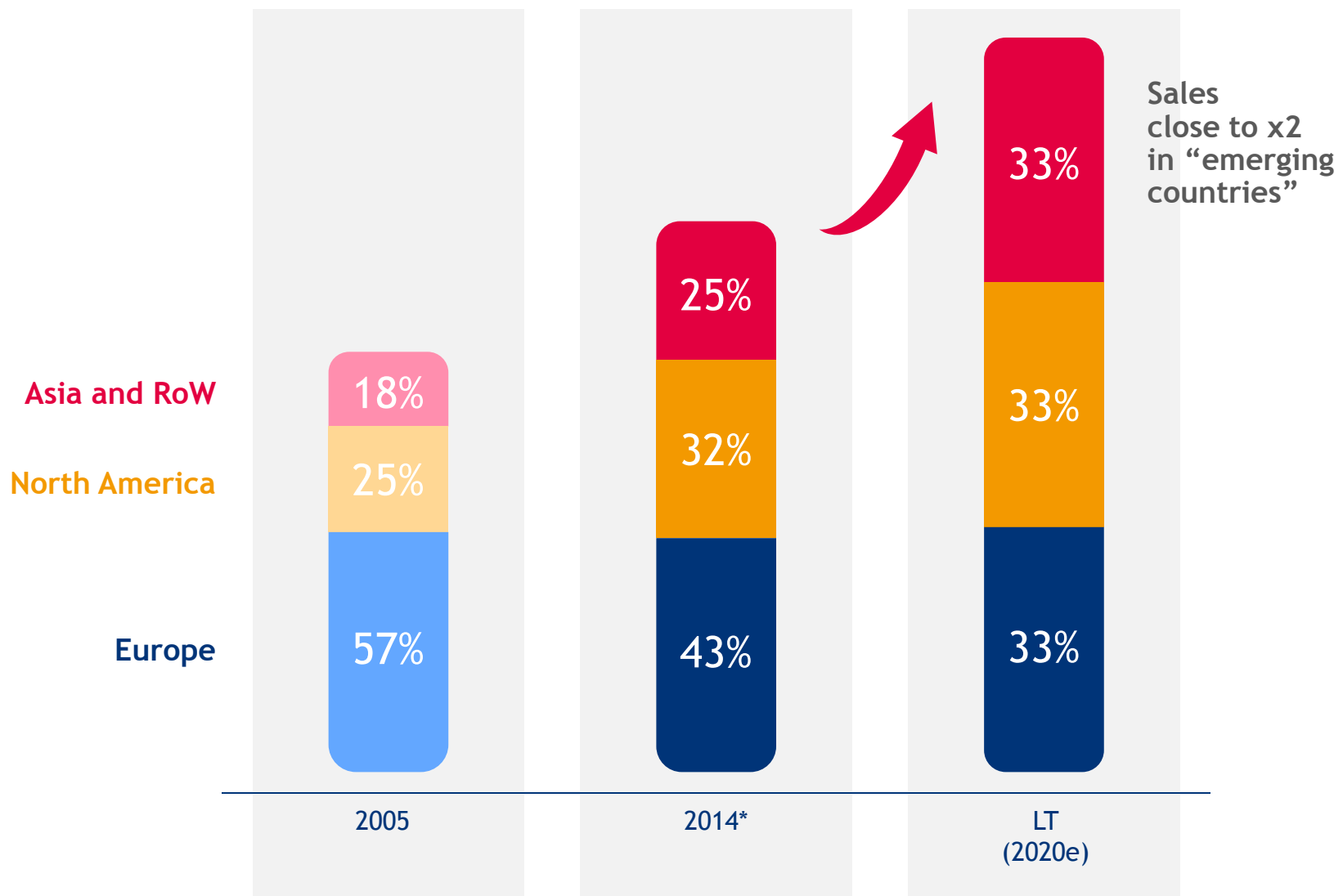


# ACCELERATE GROWTH OF HIGH PERFORMANCE MATERIALS



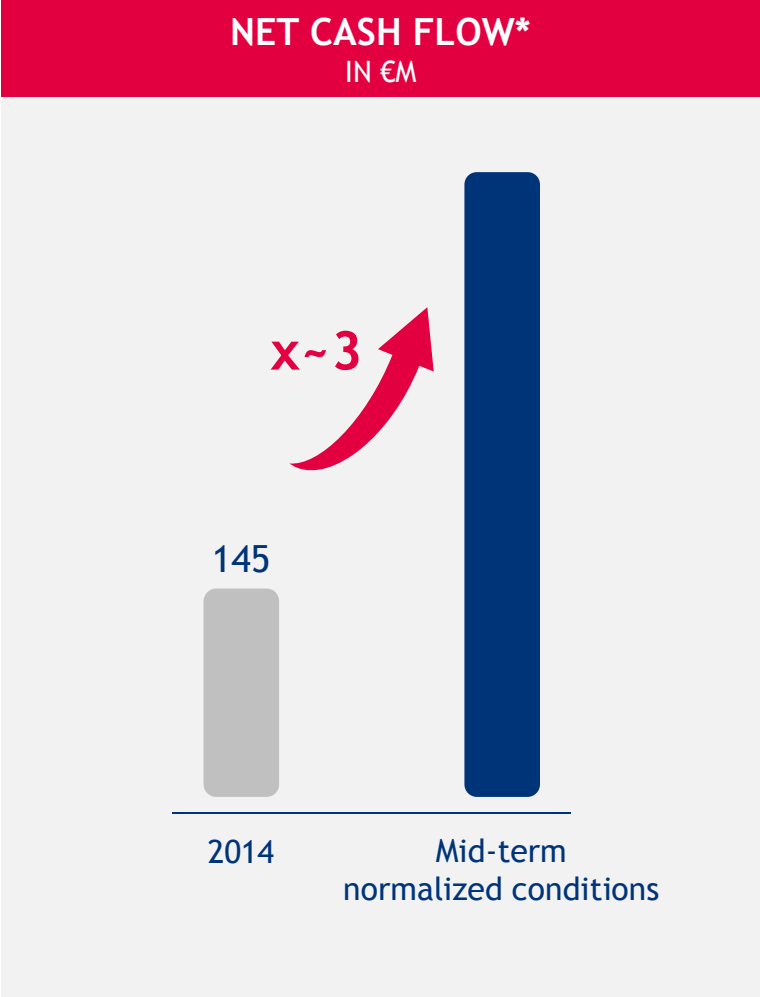
\* 2014 proforma sales including Bostik; 2005 using new reporting

# TOWARDS A FULLY BALANCED GLOBAL FOOTPRINT



\* 2014 proforma sales including Bostik

# IMPROVE CASH FLOW GENERATION

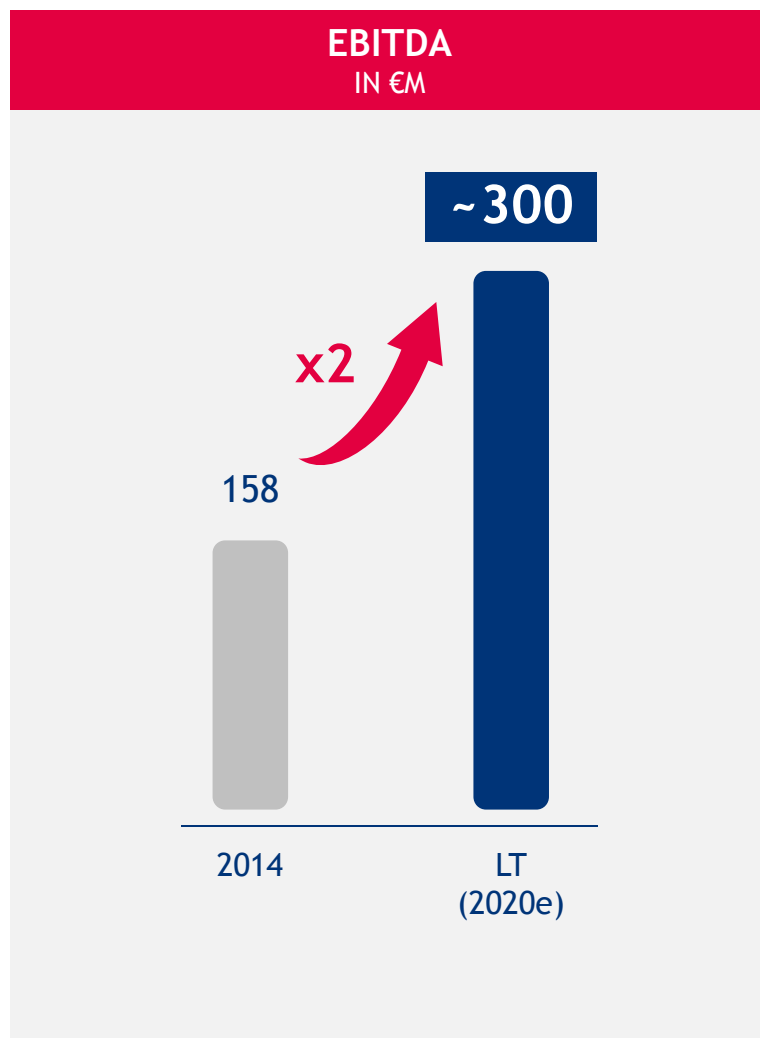


Increase cash conversion of EBITDA for the medium term from ~25% on average to 35%\*\*

- ▶ Based on EBITDA progression according to Group’s ambition
- ▶ Cost of debt ..... ~3% / year
- ▶ Tax ..... ~30% of REBIT
- ▶ Other elements ..... ~€(35) m/ year
- ▶ Working capital ..... ~15% of sales
- ▶ Capex ..... ~5.5% of sales

\* Net cash flow excluding M&A, exceptional capex (such as Kerteh), dividend and cost of hybrid  
 \*\* Net cash flow / EBITDA

# A STRONG AMBITION FOR BOSTIK



## Smooth integration

- ▶ In a very positive spirit
- ▶ Highly committed teams
- ▶ Synergies well on track with short-term focus on costs
- ▶ Promising start of the year
- ▶ Strict benchmarking of competition

## 2017 objective confirmed

- ▶ +30% EBITDA versus 2014 (excluding acquisitions)

## Long-term ambition broadened

- ▶ 14 to 15% EBITDA margin ambition confirmed
- ▶ x2 EBITDA versus 2014

## 3 main levers

- ▶ Accelerate implementation of strategy focused on emerging countries, global branding, focused innovation, operational excellence
- ▶ Bolt-on acquisitions
- ▶ Synergies with Arkema in the longer run (acrylics value chain, structural bonding)

# SOME MAJOR GROWTH DRIVERS 1/2



**THIOCHEMICALS**  
Kerteh



**ACRYLICS**  
Taixing

**COMPOSITE MATERIALS**

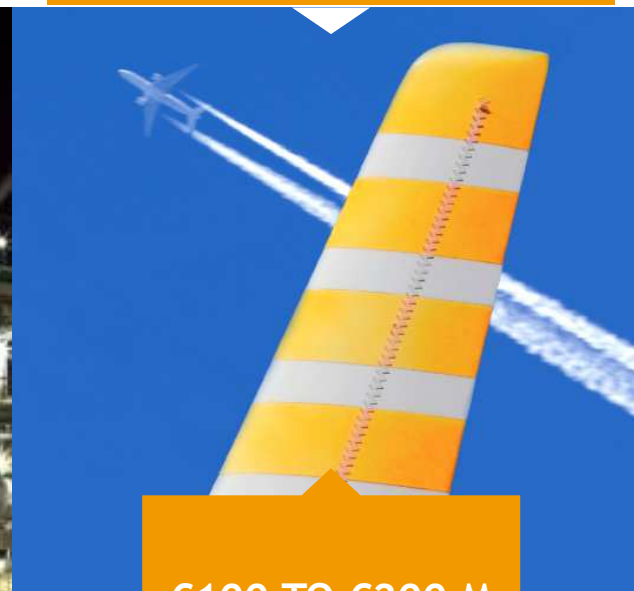


**US\$ 120 M SALES  
MID-TERM**

**FURTHER  
THOUGHTS  
UNDERWAY**



**€70 M EBITDA\*  
MID-TERM  
in mid-cycle  
conditions**



**€100 TO €200 M  
NEW SALES  
LONG-TERM**

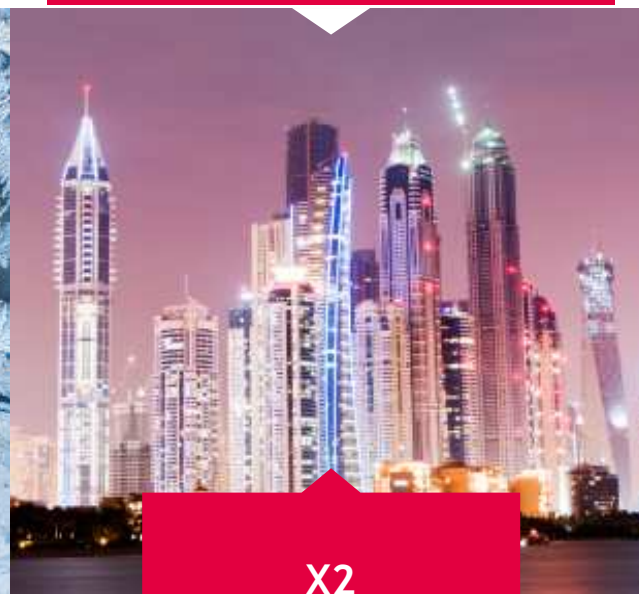
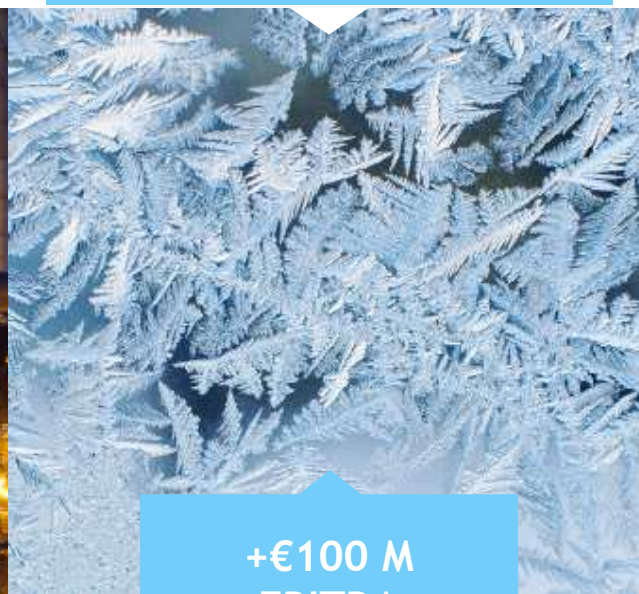
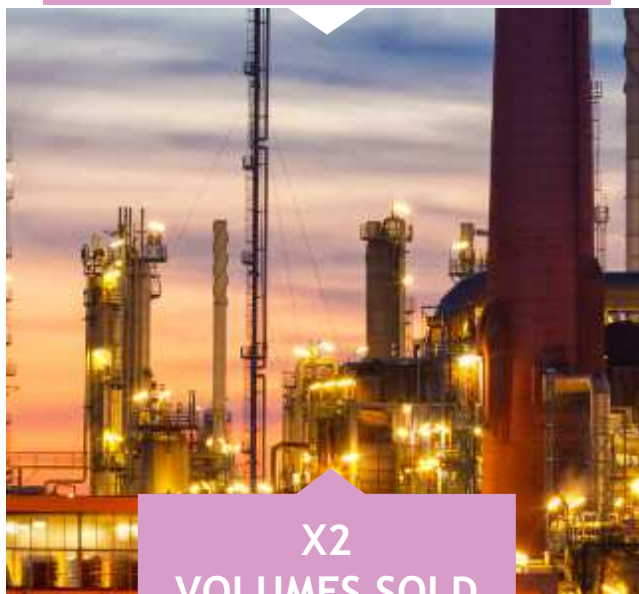
\* Subject to the exercise of the option to increase our share in Sunke and access a total production capacity of 320kt of acrylic acid per year

# SOME MAJOR GROWTH DRIVERS 2/2

MOLECULAR SIEVES  
FOR OIL & GAS

FLUOROGASES  
IMPROVEMENT

DEVELOPMENT  
IN MIDDLE EAST



X2  
VOLUMES SOLD  
MID-TERM  
(Honfleur expansion  
~€60 m CAPEX)

+€100 M  
EBITDA  
MID-TERM  
(Action plan)

X2  
SALES  
LONG-TERM

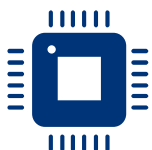
# OPERATIONAL EXCELLENCE

**TARGET: €100 M GAINS IN 2017 VERSUS 2014**

## PRIORITIES



**SAFETY / ENVIRONMENT**



**TECHNOLOGY LEADERSHIP**

- ▶ Process innovation
- ▶ New projects management



**MANUFACTURING EXCELLENCE**

- ▶ Competitiveness
- ▶ Reliability



**NEW GLOBAL SUPPLY CHAIN INFORMATION SYSTEM**

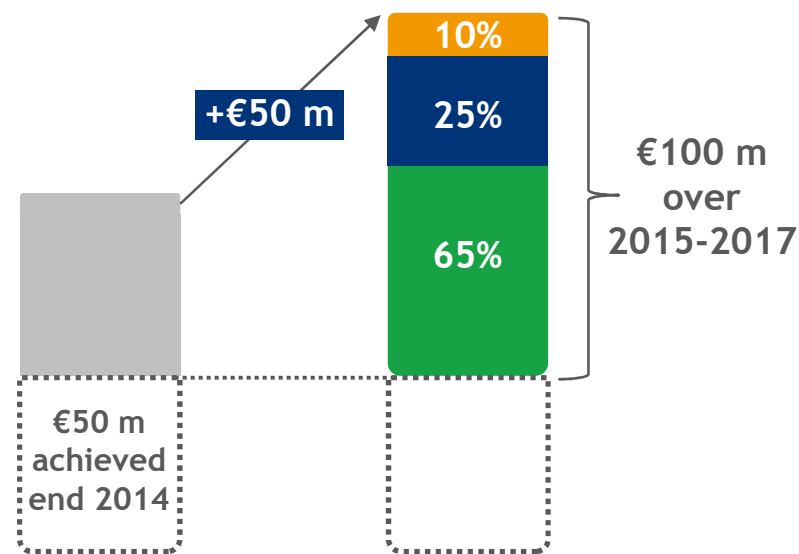


**PEOPLE QUALITY AND ENGAGEMENT**

## NEW PLAN

Previous plan  
2013-2017  
€100 m

New plan  
2013-2017  
€150 m



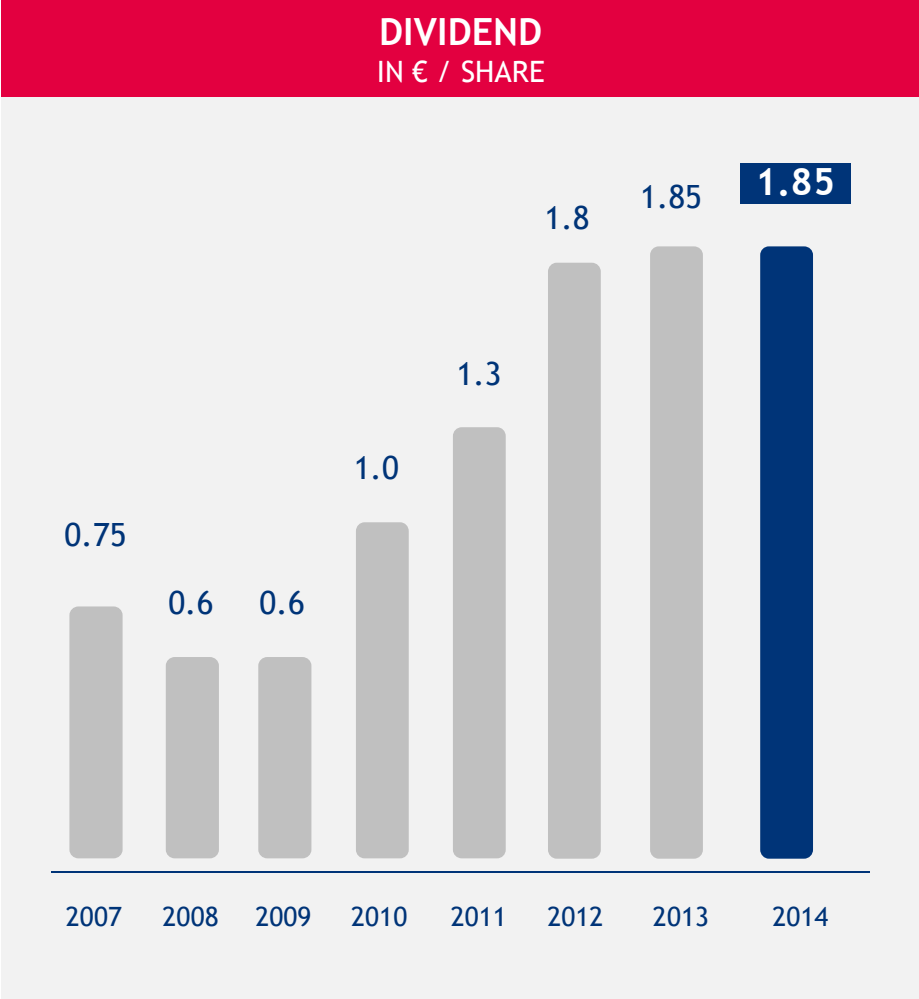
◆ **Competitiveness\***

◆ **Goods & Services procurement**

◆ **Variable costs: yield, energy savings, etc.**

\* Excluding competitiveness actions in Fluorogases

# DIVIDEND GROWTH SUPPORTED BY PROFIT DEVELOPMENT



The dividend has grown at 14% per year on average since 2007

Arkema has delivered its objective of reaching a 30% payout ratio. The Group aims at maintaining this level on average for the coming years and at paying a stable to growing dividend each year.

**A key element of shareholder return**



# 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 for 2015, 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)