

# Autumn Conference, Kepler Cheuvreux Paris, 17<sup>th</sup> September 2014

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## 2Q'14 highlights

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### €1,520m sales

-3.3% versus 2Q'13 at constant scope of business and exchange rate  
Volumes up +2.5% excluding impact of Chauny shutdown

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### €206m EBITDA

Versus €273m in 2Q'13 fully attributable to:

- Challenging market conditions in Fluorogases
- After a good start of the year, temporary unfavorable factors in polyamide 12 and lower than expected volumes in acrylics
- Exchange rate effect (€/US\$, €/JPY)

Solid performance of the other product lines

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### Resilient 13.6% EBITDA margin

In current more challenging environment

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### €1,106m net debt

Below last year's level (€1,150m end of June 2013)

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### Outlook

- FY 2014 EBITDA target close to €800m
  - 2015 expected to show significant improvement
  - Mid-term targets confirmed with an achievement, initially planned for 2016, now set for 2017
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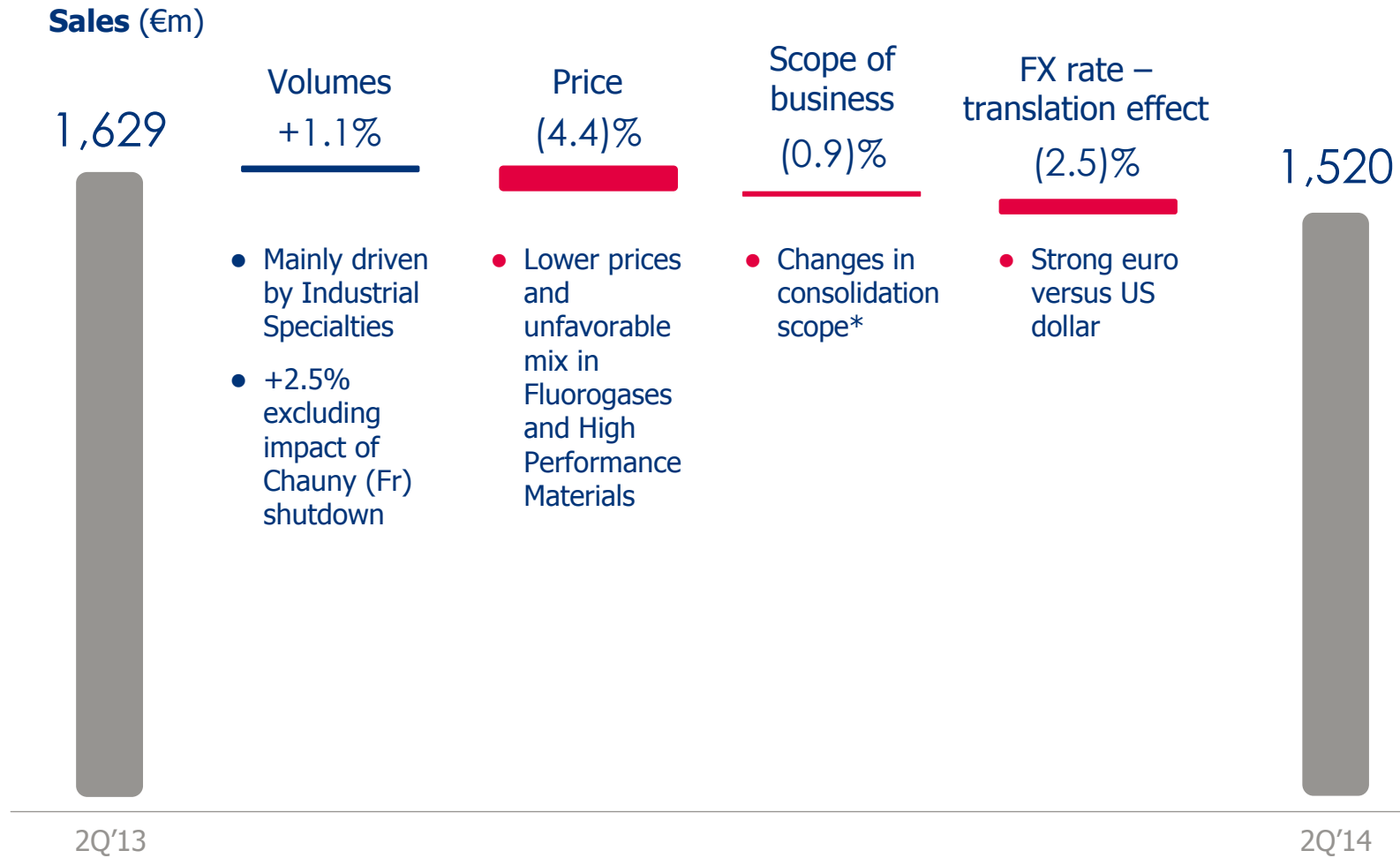


## 2Q'14 key figures

<i>In €m (except EPS)</i>	2Q'13	2Q'14	variation
<b>Sales</b>	1,629	1,520	(6.7)%
<b>EBITDA</b>	273	206	(24.5)%
<b>EBITDA margin</b>	16.8%	13.6%	
<b>Recurring operating income</b>	195	126	(35.4)%
<b>Adjusted net income</b>	124	68	(45.2)%
<b>Net income</b> (Group share)	112	47	(58.0)%
<b>Adjusted EPS</b>	1.98	1.07	(46.0)%

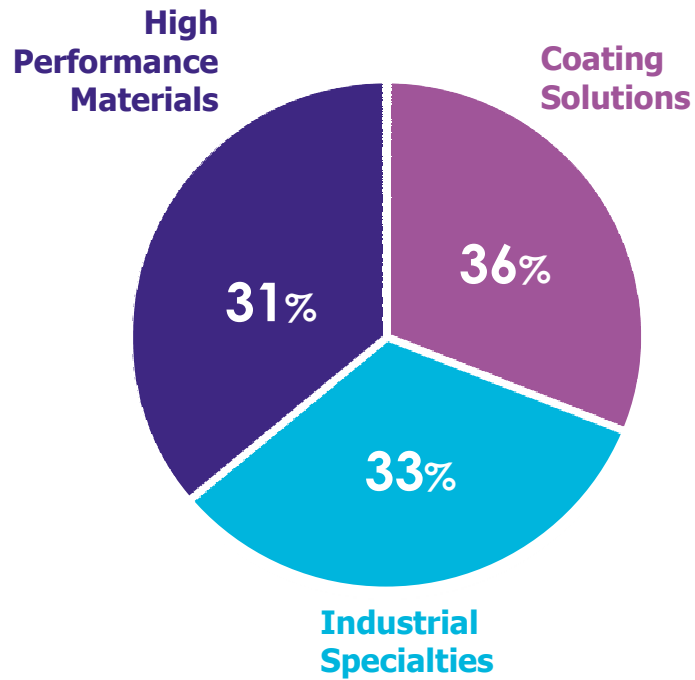


# Sales bridge

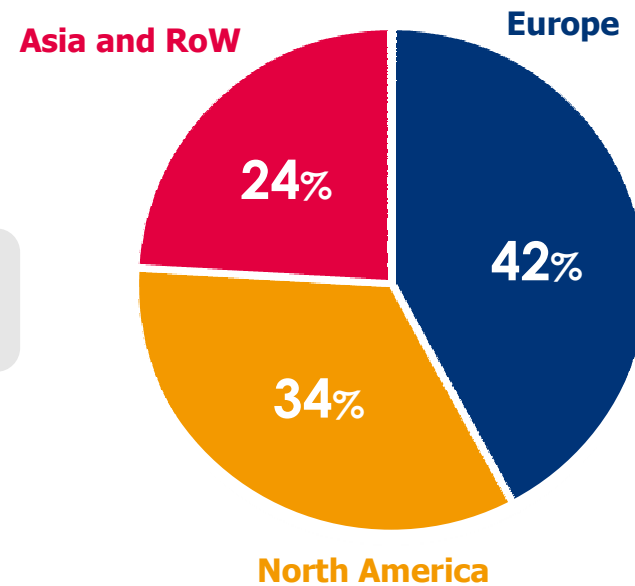


\* Daikin Arkema Refrigerants now accounted for under the equity method and coating resins in South Africa unconsolidated

# Sales breakdown by segment and region



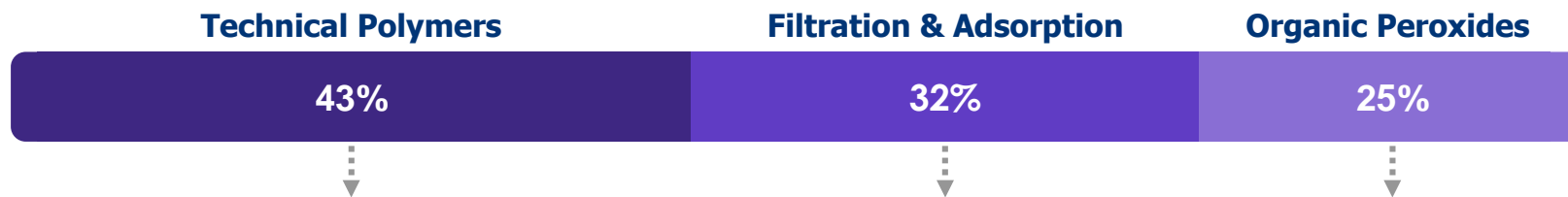
H1 '14 sales  
€3,0bn



# High Performance Materials

In €m	2Q'13	2Q'14	variation		
Sales	477	451	(5.5)%	Volumes	+0.9%
EBITDA	93	67	(28.0)%	Prices	(4.1)%
EBITDA margin	19.5%	14.9%		FX (translation)	(2.3)%
Recurring operating income	68	41	(39.7)%	Scope	-

% of segment 2Q'14 sales



## Polyamides

- €(7)m EBITDA from large maintenance turnaround in Mont (Fr)
- Higher competitive pressure on polyamide 12
- Strong profitability of polyamide 11
- Unfavorable FX rates (transactional)

## PVDF

- Good growth (batteries, photovoltaic, etc.)

- Solid performance YoY
- Different pattern of seasonality in the Oil & Gas business versus 1Q'14

- Solid volume growth supported by automotive and plastic industry

# Industrial Specialties

In €m	2Q'13	2Q'14	variation		
Sales	540	509	(5.7)%	Volumes	+5.5%
EBITDA	114	80	(29.8)%	Prices	(8.2)%
EBITDA margin	21.1%	15.7%		FX (translation)	(2.3)%
Recurring operating income	85	50	(41.2)%	Scope	(0.7)%

% of segment 2Q'14 sales



- Strong performance in oil & gas and animal nutrition
- €(5)m EBITDA from large maintenance turnaround in Beaumont (US)

- Volumes up YoY on better weather conditions than in 2Q'13
- Lower prices and unfavorable product mix
- Market conditions stabilized at low levels

- Solid volume growth supported by improving demand in automotive

- Contrasted performance by region

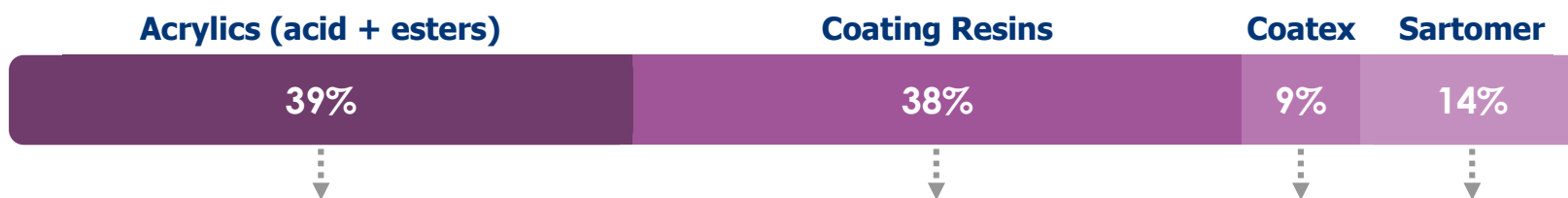


# Coating Solutions

In €m	2Q'13	2Q'14	variation
Sales	602	555	(7.8)%
EBITDA	84	71	(15.5)%
EBITDA margin	14.0%	12.8%	
Recurring operating income	61	48	(21.3)%

Volumes	(2.0)%
Prices	(1.2)%
FX (translation)	(2.7)%
Scope	(1.9)%

% of segment 2Q'14 sales



- Margins between low and mid-cycle, in line with FY'14 assumption
- First benefits from shutdown of Chauny (Fr)
- Start-up of new methyl acrylate unit in Clear Lake (US) end of June
- Propylene supply from PDH (today's announcement)

- Lower than expected volumes with low deco paints in the US (no catch-up post cold winter)
- Improved product mix and cost optimization
- Geographical expansions in China and Brazil

- Strong developments of new markets

- Good volumes



## 2Q'14 cash flow

In €m	2Q'14
<b>EBITDA</b>	<b>206</b>
Working capital variation *	(28)
Taxes	(39)
Cost of debt	(10)
Recurring capex	(80)
Others	(16)
<b>RECURRING CASH FLOW</b>	<b>33</b>
Non-recurring items in operating and investing cash flow	(17)
Non recurring capex	(33)
<b>FREE CASH FLOW</b>	<b>(17)</b>
Impact of portfolio management	+3
<b>NET CASH FLOW</b>	<b>(14)</b>

➤ Usual peak of working capital end of June

➤ €(180)m working capital variation\* in 1H'14 should largely reverse by year end

➤ Including €(6)m restructuring expenses

➤ Thiochemicals in Malaysia: largest industrial project

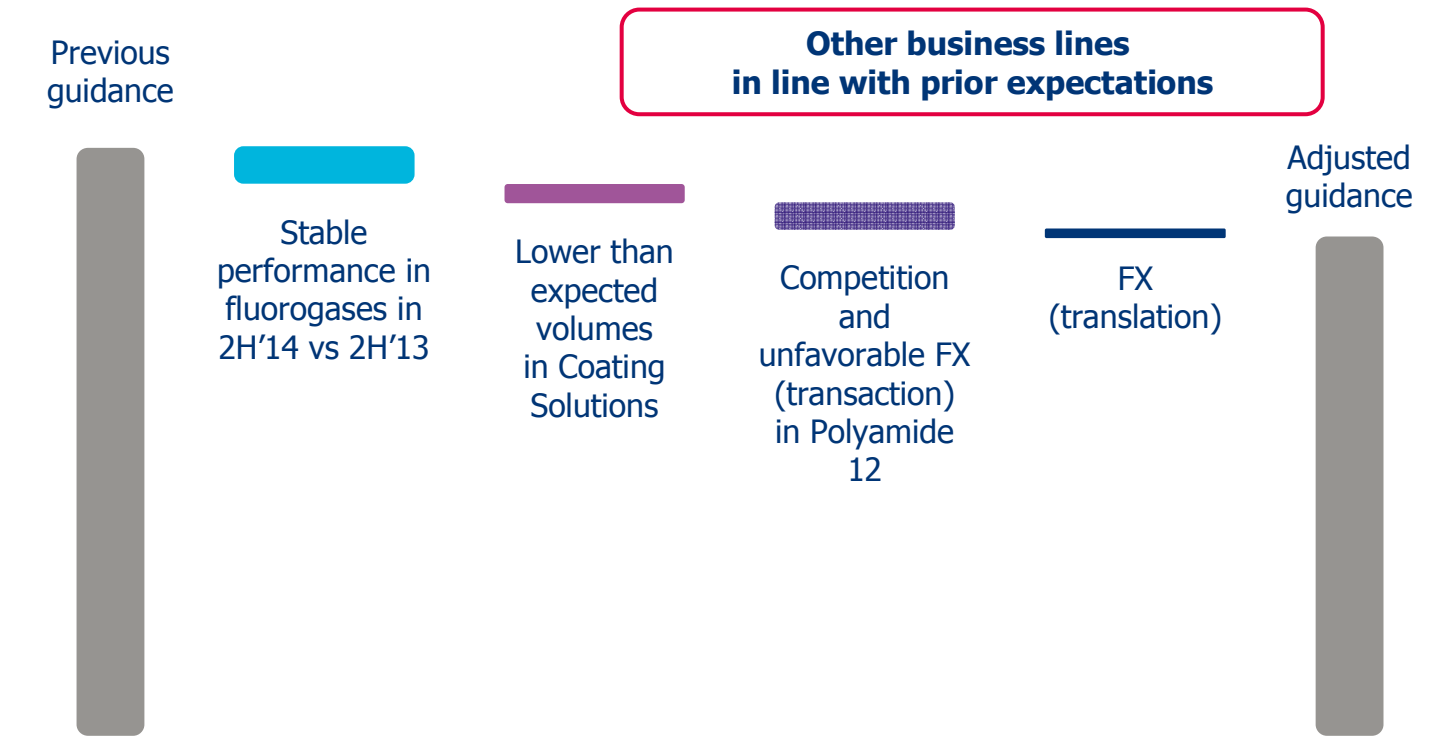
➤ **€1,106m net debt end of June 2014 (vs €923m end of December 2013) including:**

- €117m dividend paid in May
- €32m share capital increase reserved for employees

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

# Outlook

- Economic environment in 2H'14 assumed to be in continuity with 2Q'14
- Target: FY 2014 EBITDA close to €800m



- 2015 expected to show significant improvement (*see next slide*)

# 4 important profitability drivers in 2015 and beyond

## Fluorogases - Worldwide



First benefits of internal and external elements to restore progressively profitability

## Thiochemicals – Malaysia / Asia



New growth driver supporting strong development of Thiochemicals (significant growth in past 10 years)

## Oil & Gas - Worldwide



New phase of significant growth for several business units starting after a few years of relative weakness

## Acrylic monomers – China / Asia



Benefit from Asian superior growth with Jurong acquisition

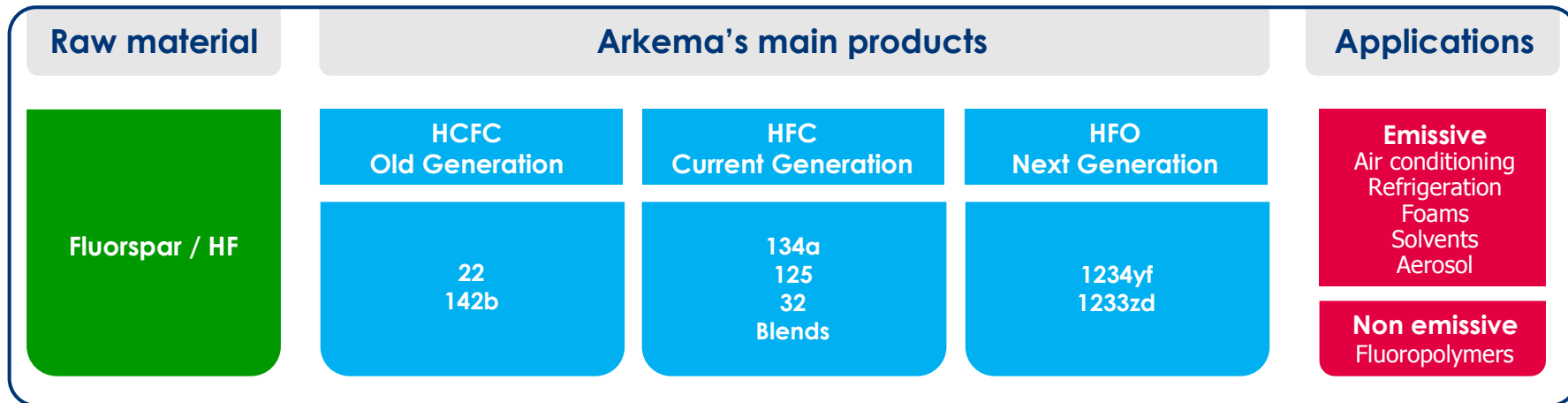


## Current priorities

- **Acrylics acquisition in China:** closing expected in September 2014\*
- **Thiochemicals platform in Malaysia:** mechanical completion expected end of summer 2014
- **New methyl acrylate unit in Clear Lake**
  - Completion of the US\$ 110m investment plan in Texas over 3 years
  - Ramp up with applications in water treatment, superabsorbents and enhanced oil & gas recovery
- **Accelerate benefits from recent projects:**
  - Acrylic resins in China and Brazil
  - PA 10.10 at Hipro
- **Reinforce cost saving initiatives:**
  - Operational excellence program increased from €50m to €100m
- **Restore profitability of Fluorogases:**
  - Take back mid-term profitability to historical level
  - Recovery plan clearly identified
  - First notable benefits in 2015

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

# Restoring profitability of Fluorogases



## Action plan (significant elements)

### Cost optimization

- Develop upstream integration: breakthrough project to be announced in coming months
- Address competitiveness issues in Europe: reflections progressing

### Evolution of regulatory framework


- Quotas of R22 in the US for coming years expected before year end
- 134a in US: final resolution on antidumping duties expected to be released in 4Q'14
- F-gas regulation in Europe from 1<sup>st</sup> January 2015

### Developments

- Next generation products
- Growth in fluoropolymers (captive and merchant use)
- Increase share of specialties (agriculture, electronics)

# Accelerate growth in Thiochemicals

## Arkema's Thiochemicals

- #1 worldwide with manufacturing sites in every region: Americas, Asia, Europe
- State-of-the-art technology and know-how
- Internationally recognized brand and highly differentiated level of services 
- End of 2014, major capex behind us (Lacq, Kerteh) in a capital intensive industry
- Attractive end markets: methionine, oil & gas, agriculture (+5%/year growth)
- Limited number of major players

## Finalizing major projects

### Lacq 2014



- H<sub>2</sub>S supply secured for the next 30 years
- Risk existing at the spin-off removed
- Incremental expansion of capacity at low cost

### Thiochemicals in Malaysia

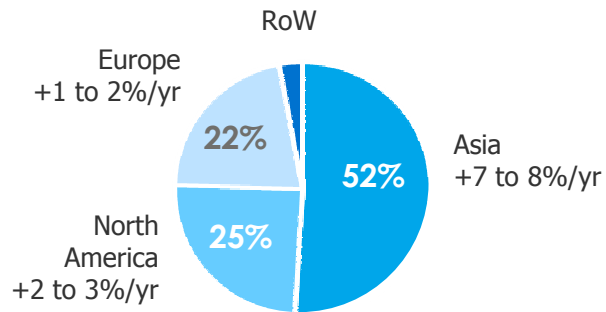


- New growth platform
- Mechanical completion expected end of summer 2014
- High confidence in new process (bio-methionine)

# Acquisition in acrylics in China: Sunke

## Capture strong growth in Asia

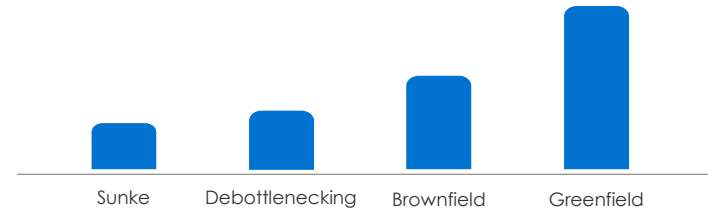
Demand and expected growth by region



Sunke: the missing piece

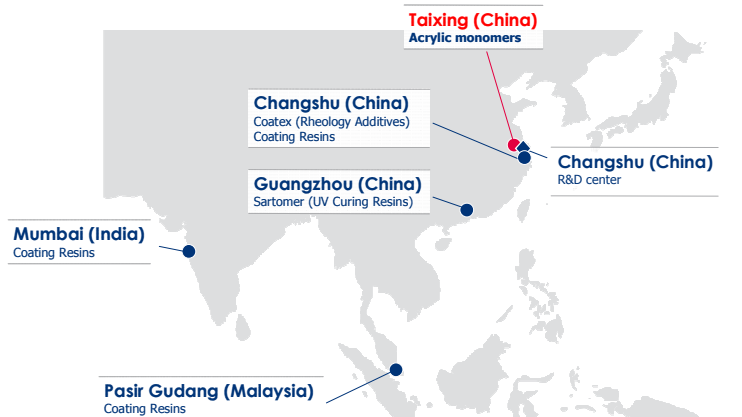
## An attractive deal with competitive and well-located site

- In-depth technical audit of the site performed by Arkema's teams
- Modern assets (start up 2012 and beyond)
- Replace a greenfield expansion initially planned after 2016
- Acquisition price at only 70% of estimated building costs

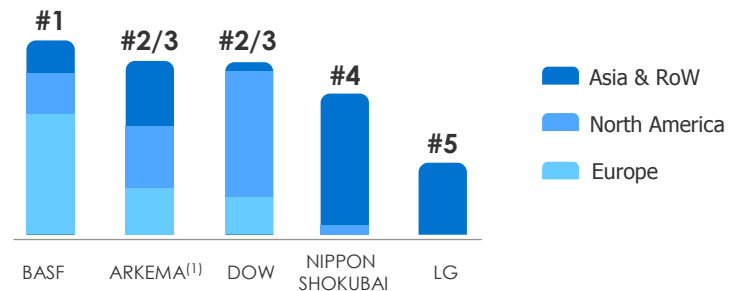


Benchmark: US\$ invested for 1t of acrylic acid produced

## Accelerate acrylic downstream expansion



## Now a global player in acrylic acid and coatings



(1) After acquisition of 160 kt and option to acquire an additional 160 kt (if exercised)

Market share of the 4 main players: 60% worldwide



# A long-term transformation project

## 2006 - 2012

### Portfolio and Group organization restructured

- More focused and resilient portfolio of businesses and well balanced geographical coverage
- 2011 – 2012: *Fluorogases and Acrylics close to peak market conditions*

2006

## 2013 - 2014

### Transition towards growth phase

- Implementation of significant growth projects (period of higher capex)
- *Fluorogases (low) and Acrylics (mid to low) with more challenging market conditions*

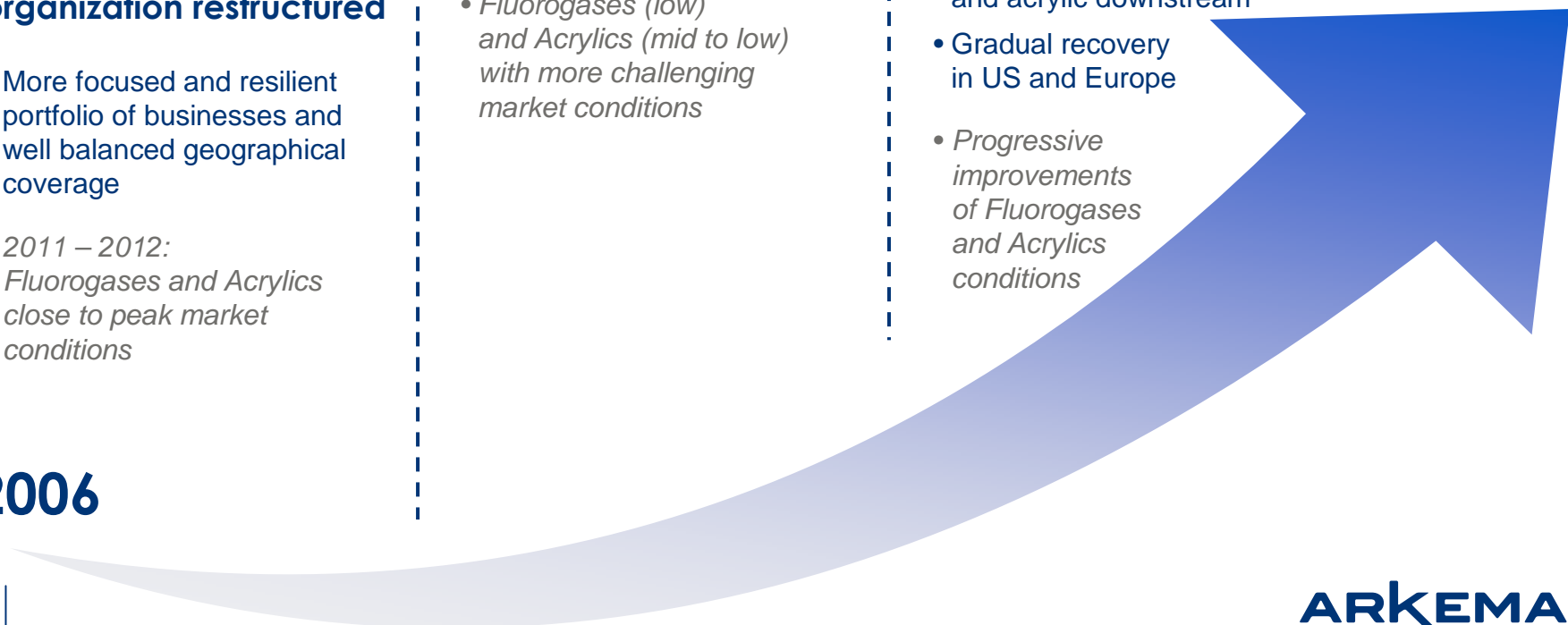
## 2015 - 2020

### Accelerate growth

Benefits from:

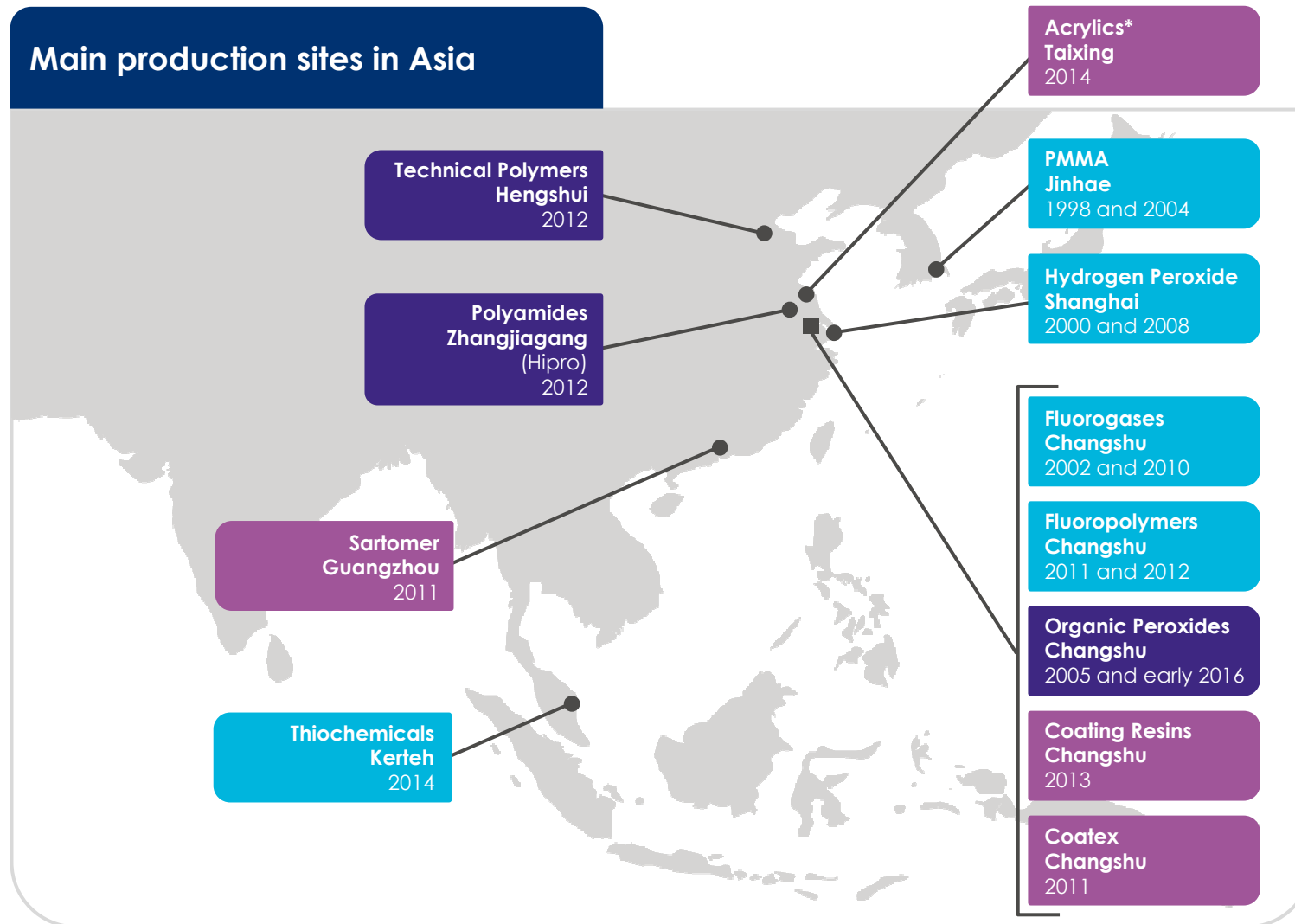
- Significant projects started
- Product innovations from megatrends (lightweight materials, new energies, consumers, electronics...)
- Acquisitions in High Performance Materials and acrylic downstream
- Gradual recovery in US and Europe
- *Progressive improvements of Fluorogases and Acrylics conditions*

2020





# Footprint now well in place in Asia



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



# Confidence reiterated in mid term outlook

- **Thorough review of each business unit prospects**
- **Financial mid-term (MT) targets confirmed:**
  - €8 billion sales
  - 16% EBITDA margin
- **MT targets, initially planned for 2016, now set for 2017 to take into account a more progressive return to normalized conditions**
- **Growth in 2015 and beyond supported by recent or ongoing large projects**
  - Footprint now well in place in Asia
  - Contribution from Kerteh, Jurong\*, developments in oil & gas
  - Lower organic capex
- **Benefit from €100m operational excellence gains**
- **After acrylics acquisition in China, priority on acquisitions in High Performance Materials**
- **2020 targets confirmed**

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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)