

Investor and analyst factsheet

<i>In millions of euros</i>	FY'18	FY'17	Change	4Q'18	4Q'17	Change
Sales	8,816	8,326	+5.9%	2,207	1,957	+12.8%
Prices	+6.3%			+7.7%		
Volumes	+1.6%			+3.5%		
FX	(2.8)%			+0.5%		
Portfolio	+0.8%			+1.1%		
EBITDA	1,474	1,391	+6.0%	287	283	+1.4%
High Performance Materials	640	632	+1.3%	125	131	-4.6%
Industrial Specialties	675	585	+15.4%	140	120	+16.7%
Coating Solutions	243	244	-0.4%	44	44	+0.0%
Corporate	(84)	(70)		(22)	(12)	
EBITDA Margin	16.7%	16.7%		13.0%	14.5%	
Recurring depreciation and amortization	(448)	(449)		(121)	(118)	
Recurring EBIT	1,026	942	+8.9%	166	165	+0.6%
REBIT Margin	11.6%	11.3%		7.5%	8.4%	
PPA depreciation and amortization	(35)	(45)		(9)	(11)	
NR items	(63)	(52)		(51)	(32)	
Equity in income of affiliates	2	1		0	1	
Financial Results	(101)	(103)	-1.9%	(28)	(25)	+12.0%
Income taxes	(114)	(162)	-29.6%	51	40	+27.5%
Net income - Group share	707	576	+22.7%	126	137	-8.0%
Adjusted net income	725	592	+22.5%	118	115	+2.6%
Adjusted EPS (€)	9.51	7.82	+21.6%	1.53	1.52	+0.7%
Weighted average number of ordinary shares	76,240,868	75,682,844		76,240,868	75,682,844	
Recurring capital expenditure	500	420	+19.0%	232	197	+17.8%
Exceptional capital expenditure	61	10		27	6	
Working capital (12/31 prior year)	1,178	1,094				
Net debt (12/31 prior year)	1,006	1,056				
Gearing (12/31 prior year)	20%	24%				

2018 GROUP PERFORMANCE

- **€8,816 m sales**, up 5.9% on 2017
 - +1.6% volumes
 - +2.7% excluding Fluorogases, impacted by regulations
 - Innovation drive in advanced materials
 - Good demand in Coating Solutions
 - Priority to prices over volumes in downstream
 - +6.3% price
 - Positive in all 3 divisions
 - Proactive price increase policy to recover higher raw material costs
 - Favorable price environment in MMA/PMMA and Fluorogases
 - +0.8% scope of business
 - Integration of bolt-on acquisitions in adhesives, notably XL Brands
 - (2.8)% currency
 - Stronger euro notably against US dollar in 1H'18
- **€1,474 m EBITDA**, up 6.0% on excellent 2017 performance
 - All time high EBITDA in a volatile economic environment
 - Reflects slight growth of specialty businesses, notably HPM and very good results achieved by intermediate chemicals businesses¹
 - 16.7% stable EBITDA margin despite the dilutive impact of price increases on this ratio

¹ Acrylics, PMMA and Fluorogases Business Lines

2018 PERFORMANCE BY DIVISION

<i>In millions of euros</i>	FY'18	FY'17	Change	Prices	Volumes	FX	Portfolio
Sales	8,816	8,326	+5.9%	+6.3%	+1.6%	(2.8)%	+0.8%
<i>High Performance Materials</i>	3,970	3,830	+3.7%	+2.0%	+2.7%	(2.9)%	+1.8%
<i>Industrial Specialties</i>	2,699	2,545	+6.1%	+12.0%	(3.4)%	(2.5)%	-
<i>Coating Solutions</i>	2,120	1,924	+10.2%	+7.4%	+6.0%	(2.9)%	(0.4)%
EBITDA	1,474	1,391	+6.0%				
<i>High Performance Materials</i>	640	632	+1.3%				
<i>Industrial Specialties</i>	675	585	+15.4%				
<i>Coating Solutions</i>	243	244	-0.4%				
<i>Corporate</i>	(84)	(70)					
EBITDA Margin	16.7%	16.7%					
<i>High Performance Materials</i>	16.1%	16.5%					
<i>Industrial Specialties</i>	25.0%	23.0%					
<i>Coating Solutions</i>	11.5%	12.7%					
Recurring EBIT	1,026	942	+8.9%				
<i>High Performance Materials</i>	481	474	+1.5%				
<i>Industrial Specialties</i>	497	411	+20.9%				
<i>Coating Solutions</i>	140	135	+3.7%				
<i>Corporate</i>	(92)	(78)					

HIGH PERFORMANCE MATERIALS (45% OF GROUP SALES)

- Sales up 4.7% YoY at constant scope of business and FX
 - +2.7% volumes YoY, on high 2017 performance
 - Sustained demand in advanced materials for lighter materials, batteries, 3D printing and consumer goods and ramp-up of new industrial units
 - Volume growth in adhesives held back by priority given to price increases
 - Prices up 2.0% reflecting the Group's continued actions to increase selling prices over the year, especially in adhesives
- EBITDA slightly up +1.3% YoY and EBITDA margin holding firm at 16.1% in a more unfavourable environment for raw materials and currencies
 - Excellent contribution, notably in 1Q'18, from specialty molecular sieves given the particularly high density of projects finalized in 2018
 - Adhesives performance temporarily impacted by higher raw material costs
 - Benefits from recent acquisitions in adhesives, notably XL Brands

INDUSTRIAL SPECIALTIES (31% OF GROUP SALES)

- Sales up 8.6% YoY at constant scope of business and FX
 - +12.0% price effect positive in each of the 4 Business Lines
 - (3.4%) volumes as a consequence of lower sales quotas in Europe and the United States in Fluorogases
- EBITDA up 15.4% YoY and 25% EBITDA margin
 - All Business Lines contributing to this excellent performance
 - Tight market conditions overall in MMA/PMMA with some normalization in the last few months of the year
 - Good performance of Thiochemicals and Hydrogen Peroxide, particularly in Asia
 - Benefits from F-Gas regulation in Europe in Fluorogases, which achieved excellent results, above our expectations, surpassing the high levels of the 2017 reference year

COATING SOLUTIONS (24% OF GROUP SALES)

- Sales up 13.4% YoY at constant FX and scope of business
 - Prices up 7.4% YoY reflecting higher selling prices across the entire chain
 - Good volume momentum mainly in Asia and the United States with a +6.0% effect
- Stable EBITDA
 - Gradual improvement of market conditions in acrylic monomers
 - Good volumes in downstream acrylics but impact of higher raw material costs, notably acrylic acid and MMA
- 11.5% EBITDA margin reflecting the dilutive impact of higher selling prices on this ratio

CASH FLOW

<i>In millions of euros</i>	FY'17	FY'18	Comments
EBITDA	1,391	1,474	
Current taxes	(208)	(180)	US tax reform benefit and geographic mix of Group's earnings Excl. exceptional items, tax rate at 19% (26% in 2017) 2019e tax rate at ~21%
Cost of debt	(92)	(90)	
Change in working capital and fixed asset payables ⁽¹⁾	(46)	(75)	Tight management of working capital 13.4% working capital over annualized sales ratio, close to historical low of 13.1% at end 2017 (14.5% at end 2016)
Recurring capital expenditures ⁽²⁾	(420)	(500)	5.7% as a percentage of annual sales, in line with Group's guidance
Others ⁽²⁾	(50)	(69)	Including non-recurring items corresponding mainly to restructuring expenses
Free cash flow excluding exceptional capex	575	560	
EBITDA to cash conversion rate	41%	38%	Above Group's 35% target
Exceptional capital expenditures	(10)	(61)	Mainly related to Thiochemicals in Malaysia and specialty polyamides in Asia
Free cash flow	565	499	
Impact of portfolio management	(5)	(213)	Acquisitions in adhesives, mainly XL Brands
Net cash flow	560	286	

⁽¹⁾ Excluding non-recurring items and impact of portfolio management

⁽²⁾ Restated 2017 figures

NET DEBT

- **€1,006 m** net debt at 31 December 2018, down on 31 December 2017 (€1,056 m)
- 20% gearing and 0.7x 2018 EBITDA

DIVIDEND

- Proposed dividend increase from €2.30 to €2.50 per share², up around 9% versus 2017
 - Reflects Arkema's very good results and confidence of the Board of Directors in the Group's development prospects
 - 26% pay-out ratio
 - Dividend to be paid fully in cash from 29 May 2019 (ex-dividend date: 27 May 2019)

² Dividend proposed at the shareholders' annual general meeting of 21 May 2019

4Q'18 PERFORMANCE BY DIVISION

<i>In millions of euros</i>	4Q'18	4Q'17	Change	Prices	Volumes	FX	Portfolio
Sales	2,207	1,957	+12.8%	+7.7%	+3.5%	+0.5%	+1.1%
<i>High Performance Materials</i>	978	909	+7.6%	+3.9%	+1.4%	-	+2.3%
<i>Industrial Specialties</i>	683	606	+12.7%	+12.3%	(0.3)%	+0.8%	-
<i>Coating Solutions</i>	539	437	+23.3%	+9.1%	+13.2%	+1.0%	-
EBITDA	287	283	+1.4%				
<i>High Performance Materials</i>	125	131	-4.6%				
<i>Industrial Specialties</i>	140	120	+16.7%				
<i>Coating Solutions</i>	44	44	-				
<i>Corporate</i>	(22)	(12)					
EBITDA Margin	13.0%	14.5%					
<i>High Performance Materials</i>	12.8%	14.4%					
<i>Industrial Specialties</i>	20.5%	19.8%					
<i>Coating Solutions</i>	8.2%	10.1%					
Recurring EBIT	166	165	+0.6%				
<i>High Performance Materials</i>	83	89	-6.7%				
<i>Industrial Specialties</i>	93	78	+19.2%				
<i>Coating Solutions</i>	18	16	+12.5%				
<i>Corporate</i>	(28)	(18)					

HIGH PERFORMANCE MATERIALS

Solid performance

- Sales up 5.3% vs 4Q'17 at constant scope and FX
- +3.9% price effect on continued actions to increase selling prices selectively
- Volumes up 1.4% on high 4Q'17
- Performance temporarily impacted by the Group's inventories management in a context of highly volatile oil prices

INDUSTRIAL SPECIALTIES

A very strong quarter

- Sales up 12.0% vs 4Q'17 at constant scope and FX driven by positive price effect in all Business Lines
- Better than expected contribution in Fluorogases
- Very solid performance of Thiochemicals and Hydrogen Peroxide
- Normalization as expected in MMA/PMMA especially in Europe

COATING SOLUTIONS

Good volumes but higher raw material costs

- Sales up 22.3% vs 4Q'17 at constant scope and FX
- Volumes up 13.2% mainly driven by Asia and North America
- +9.1% prices on continued pricing actions in the acrylics chain
- Benefits from higher volumes fully offset by the impact of higher input costs in downstream

2019 OUTLOOK

The start of the year remains characterized by a volatile environment and some geopolitical tensions which are somewhat weighing on global demand. In this context, Arkema will maintain its focus on internal momentum and the implementation of its long-term strategy.

Consequently, the Group continues the roll-out of its industrial projects to reinforce its positions in specialty businesses and higher-growth regions, its innovation drive for sustainable development, its acquisition momentum in adhesives, its operational excellence initiatives as well as its policy of selectively raising its selling prices.

In 2019 ⁽³⁾, while remaining attentive to the development of the macro-economic environment, Arkema aims to demonstrate its resilience in this more complex environment and to consolidate its financial performance at high levels. In the first quarter, EBITDA is expected to be slightly below the very high comparison base of first-quarter 2018. For the full year, the Group aims to achieve an EBITDA comparable to the 2018 record level with momentum improving throughout the year, driven notably by the growth of specialty businesses.

³ 2019 takes into account the new IFRS 16 standard.