ARKEMA
INNOVATIVE CHEMISTRY

Investor and analyst factsheet

In millions of euros	*1Q'18*	*1Q'17*	*Change*
Sales	**2,172**	**2,152**	**+0.9%**
Prices	*+5.4%*		
Volumes	*+1.9%*		
FX	*(6.6)%*		
Portfolio	*+0.3%*		
EBITDA	**383**	**355**	**+7.9%**
High Performance Materials	*176*	*166*	*+6.0%*
Industrial Specialties	*162*	*140*	*+15.7%*
Coating Solutions	*66*	*74*	*(10.8)%*
Corporate	*(21)*	*(25)*	*n.a.*
EBITDA margin	**17.6%**	**16.5%**	
Recurring depreciation and amortization	(106)	(111)	(4.5)%
Recurring EBIT	**277**	**244**	**+13.5%**
PPA depreciation and amortization	(8)	(10)	n.a.
NR items	(4)	(5)	n.a.
Equity in income of affiliates	0	0	-
Financial result	(23)	(25)	(8.0)%
Income taxes	(52)	(66)	(21.2)%
Net income – Group share	**188**	**137**	**+37.2%**
Adjusted net income	**195**	**147**	**+32.7%**
Adjusted EPS *(€)*	2.57	1.94	+32.5%
Weighted average number of ordinary shares	76,012,491	75,668,784	
Recurring capital expenditure [1]	**58**	**53**	**+9.4%**
Exceptional capital expenditure	5	1	
Working capital *(12/31)*	1,328	1,094	
Net debt *(12/31)*	**1,227**	**1,056**	
Gearing [2] *(12/31)*	**27%**	**24%**	

FIRST QUARTER 2018 GROUP PERFORMANCE

- **€2,172m sales**, up 0.9% on 1Q'17
  - +1.9% volumes
    - +7.3% volumes in High Performance Materials driven by specialty molecular sieves
    - Lower selling quotas in Fluorogases
    - High basis of comparison in Coating Solutions in 1Q'17
  - +5.4% price
    - Higher selling prices in specialties to reflect raw material increase
    - Higher prices in Fluorogases in Europe and Asia
    - Tight market conditions in MMA
  - +0.3% scope of business
    - Integration of XL Brands
    - Divestment of oxo-alcohol business
  - (6.6)% currency
    - Stronger euro against US dollar
- **€383m EBITDA**
  - 8% up on high 1Q'17 performance (€355m) and despite stronger euro (-€26m impact from translation)
  - Driven by Industrial Specialties and High Performance Materials
  - 17.6% EBITDA margin demonstrating resilience in a context of higher raw materials and stronger euro

[1] Excluding exceptional capex and capex relating to portfolio management
[2] Calculated as net financial debt divided by shareholders' equity

FIRST QUARTER 2018 PERFORMANCE BY DIVISION

In millions of euros	*1Q'18*	*1Q'17*	*Change*	*Prices*	*Volumes*	*FX*	*Portfolio*
Sales	**2,172**	**2,152**	**+0.9%**	**+5.4%**	**+1.9%**	**(6.6)%**	**+0.3%**
High Performance Materials	*998*	*976*	*+2.3%*	(0.4)%	+7.3%	(6.1)%	+1.5%
Industrial Specialties	*661*	*644*	*+2.6%*	+13.6%	(4.0)%	(7.0)%	-
Coating Solutions	*507*	*525*	*(3.4)%*	+6.0%	(0.8)%	(7.2)%	(1.5)%
EBITDA	**383**	**355**	**+7.9%**				
High Performance Materials	*176*	*166*	*+6.0%*				
Industrial Specialties	*162*	*140*	*+15.7%*				
Coating Solutions	*66*	*74*	*(10.8)%*				
EBITDA margin	**17.6%**	**16.5%**					
High Performance Materials	*17.6%*	*17.0%*					
Industrial Specialties	*24.5%*	*21.7%*					
Coating Solutions	*13.0%*	*14.1%*					
Recurring EBIT	**277**	**244**	**+13.5%**				
High Performance Materials	*138*	*127*	*+8.7%*				
Industrial Specialties	*120*	*96*	*+25.0%*				
Coating Solutions	*41*	*47*	*(12.8)%*				

HIGH PERFORMANCE MATERIALS (46% OF GROUP SALES)

- Sales up +6.9% at constant FX and scope of business
  - +7.3% volumes driven notably by the large number of projects carried out in 1Q'18 in specialty molecular sieves and the ongoing benefit from innovation
  - ~+2.5% price effect (excluding molecular sieves) reflecting actions to increase selling prices to offset higher raw material costs. These actions will continue in coming months
- EBITDA up +6% YoY at €176m and 17.6% EBITDA margin
  - Despite stronger euro and higher raw material costs
  - Strong contribution from specialty molecular sieves, benefits from XL Brands integration in Bostik and overall solid performance of other businesses driven by innovation
  - 2Q'18 will be impacted by strikes at SNCF (French railways) in France which affect the transportation by train of certain products and raw materials, and thus operations at certain sites, mainly in advanced materials.

INDUSTRIAL SPECIALTIES (31% OF GROUP SALES)

- Sales up +9.6% at constant FX and scope of business
  - +13.6% price effect driven by ongoing high prices in Fluorogases in Europe and Asia and tight market conditions in MMA/PMMA
  - Volumes down 4% mainly resulting from expected lower selling quotas in Fluorogases more than offset by higher HFC prices
- EBITDA up +15.7% YoY at €162m
  - Performance up YoY in all four Business Lines
  - Confirmation of the division excellent performance
  - Robust perspective moving forward
- 24.5% EBITDA margin

COATING SOLUTIONS (23% OF GROUP SALES)

- Sales up +5.2% YoY at constant FX and scope of business
  - +6.0% price effect resulting from ongoing actions to raise selling prices across the entire acrylic chain

- Volumes down 0.8% reflecting restocking effects in 1Q'17 and weather conditions in Europe and in the US
    - -1.5% sales from M&A corresponding to the divestment of oxo-alcohol business
- EBITDA down 10.8% YoY at €66m
    - High basis of comparison in 1Q'17 when acrylic unit margins in China were at very high levels
    - For the rest of the year, acrylic unit margins expected to improve overall compared to last year
- Solid start of the year with EBITDA margin at 13.0%

CASH FLOW

In millions of euros	**1Q'17**	**1Q'18**	**Comments**
EBITDA	**355**	**383**	
Change in working capital [1]	(195)	(221)	Usual seasonality of working capital and higher raw material prices
Change in fixed assets payables [1]	(54)	(29)	15.3% working capital to annualized sales ratio (15.6% end of March 2017)
Taxes	(64)	(53)	Benefits from US tax reform 2018e tax rate: ~23% REBIT
Cost of debt	(22)	(20)	
Recurring capital expenditure [2]	(53)	(58)	2018e capex (recurring + exceptional): ~€550m
Others	(3)	(12)	
Recurring cash flow	**(36)**	**(10)**	
Exceptional capital expenditure	(1)	(5)	Capex related to Thiochemicals in Malaysia and polyamides in Asia
Other non-recurring items in operating and investing cash flow	(7)	(10)	Mainly restructuring costs
Free cash flow	**(44)**	**(25)**	
Impact of portfolio management	20	(165)	XL Brands acquisition
Net cash flow	**(24)**	**(190)**	

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

NET DEBT

- **€1,227m** net debt at 31 March 2018, including acquisition of XL Brands early 2018
- Close-to-balance free cash flow despite the usual strong working capital seasonality
- 27% gearing

OUTLOOK FOR 2018

Demand in the three main geographic regions should remain well oriented and the environment characterized by a stronger euro[3] and higher raw materials costs than in 2017.

The Group will continue to benefit from its strong innovation drive in advanced materials, the integration of XL Brands within Bostik and a globally robust market environment for its intermediate chemical businesses. It will continue to implement its major manufacturing projects, as presented during its Capital Markets Day, for thiochemicals, specialty polyamides, fluoropolymers and Sartomer.

Lastly, the Group will continue its actions to pass on the rises in raw materials costs in its selling prices and the rollout of its operational excellence initiatives to partly offset inflation on its fixed costs.

On the back of a very good start to the year, Arkema confirms its objective to increase its EBITDA in 2018 compared to the excellent performance already achieved in 2017.

[3] A 10% increase in the euro/US dollar exchange rate has a negative €50 million impact on EBITDA for the year (translation effect).