

Investor and analyst factsheet

In millions of euros	2Q'18	2Q'17	Change	1H'18	1H'17	Change
Sales	2,270	2,198	+3.3%	4,442	4,350	+2.1%
Prices	+5.8%			+5.6%		
Volumes	+0.9%			+1.4%		
FX	(4.2)%			(5.4)%		
Portfolio	+0.8%			+0.5%		
EBITDA	430	398	+8.0%	813	753	+8.0%
High Performance Materials	177	174	+1.7%	353	340	+3.8%
Industrial Specialties	208	176	+18.2%	370	316	+17.1%
Coating Solutions	68	64	+6.3%	134	138	-2.9%
Corporate	(23)	(16)		(44)	(41)	
EBITDA margin	18.9%	18.1%		18.3%	17.3%	
Recurring depreciation and amortization	(112)	(112)		(218)	(223)	
Recurring EBIT	318	286	+11.2%	595	530	+12.3%
REBIT margin	14.0%	13.0%		13.4%	12.2%	
PPA depreciation and amortization	(10)	(13)		(18)	(23)	
NR items	-	(2)		(4)	(7)	
Equity in income of affiliates	1	0		1	0	
Financial results	(24)	(26)	-7.7%	(47)	(51)	-7.8%
Income taxes	(64)	(82)	-22.0%	(116)	(148)	-21.6%
Net income – Group share	219	160	+36.9%	407	297	+37.0%
Adjusted net income	226	172	+31.4%	421	319	+32.0%
Adjusted EPS (€)	2.97	2.28	+30.3%	5.53	4.22	+31.0%
Weighted average number of ordinary shares	76,070,820	75,671,629		76,070,820	75,671,629	
Recurring capital expenditure ¹	99	82	+20.7%	157	135	+16.3%
Exceptional capital expenditure ¹	13	1		18	2	
Working capital (12/31 prior year)				1,499	1,094	
Net debt (12/31 prior year)				1,372	1,056	
Gearing ² (12/31 prior year)				29%	24%	

2Q'18 GROUP PERFORMANCE

- **€2,270 m sales**
 - +0.9% volumes
 - Benefits from innovation in advanced materials³
 - Significant improvement in Coating Solutions
 - Lower selling quotas in Fluorogases
 - National rail strikes in France
 - +5.8% prices
 - Continued pricing actions to offset higher raw materials
 - Robust market conditions in intermediate chemical businesses
 - +0.8% scope of business
 - Integration of XL Brands
 - (4.2)% currency
 - Stronger euro notably against US dollar
- **€430 m EBITDA**, up 8.0% versus 2Q'17 and up 12.6% at constant exchange rates
 - An all-time high in a quarter
 - 18.9% EBITDA margin up from 18.1% in 2Q'17

¹ Restated 2017 figures following announcement of several capex projects classified as exceptional investments

² Calculated as financial net debt divided by shareholders' equity

³ Advanced materials include Technical Polymers and Performance Additives

2Q'18 PERFORMANCE BY DIVISION

<i>In millions of euros</i>	2Q'18	2Q'17	Change	Prices	Volumes	FX	Portfolio
Sales	2,270	2,198	+3.3%	+5.8%	+0.9%	(4.2)%	+0.8%
High Performance Materials	1,007	990	+1.7%	+2.7%	+1.5%	(4.2)%	+1.7%
Industrial Specialties	709	701	+1.1%	+10.9%	(5.7)%	(4.1)%	-
Coating Solutions	547	499	+9.6%	+5.0%	+9.2%	(4.4)%	-
EBITDA	430	398	+8.0%				
High Performance Materials	177	174	+1.7%				
Industrial Specialties	208	176	+18.2%				
Coating Solutions	68	64	+6.3%				
Corporate	(23)	(16)					
EBITDA margin	18.9%	18.1%					
High Performance Materials	17.6%	17.6%					
Industrial Specialties	29.3%	25.1%					
Coating Solutions	12.4%	12.8%					
Recurring EBIT	318	286	+11.2%				
High Performance Materials	137	135	+1.5%				
Industrial Specialties	163	131	+24.4%				
Coating Solutions	42	36	+16.7%				
Corporate	(24)	(16)					

1H'18 PERFORMANCE BY DIVISION

<i>In millions of euros</i>	1H'18	H'17	Change	Prices	Volumes	FX	Portfolio
Sales	4,442	4,350	+2.1%	+5.6%	+1.4%	(5.4)%	+0.5%
High Performance Materials	2,005	1,966	+2.0%	+1.2%	+4.4%	(5.2)%	+1.6%
Industrial Specialties	1,370	1,345	+1.9%	+12.2%	(4.9)%	(5.5)%	-
Coating Solutions	1,054	1,024	+2.9%	+5.5%	+4.1%	(5.8)%	(0.7)%
EBITDA	813	753	+8.0%				
High Performance Materials	353	340	+3.8%				
Industrial Specialties	370	316	+17.1%				
Coating Solutions	134	138	-2.9%				
Corporate	(44)	(41)					
EBITDA margin	18.3%	17.3%					
High Performance Materials	17.6%	17.3%					
Industrial Specialties	27.0%	23.5%					
Coating Solutions	12.7%	13.5%					
Recurring EBIT	595	530	+12.3%				
High Performance Materials	275	262	+5.0%				
Industrial Specialties	283	227	+24.7%				
Coating Solutions	83	83	+0.0%				
Corporate	(46)	(42)					

HIGH PERFORMANCE MATERIALS (45% OF GROUP SALES)

- Sales up +4.2% at constant FX and scope of business
 - +2.7% prices (+1.2% in 1H'18) reflecting Group's pricing initiatives to offset higher raw material costs
 - +1.5% volumes (+4.4% in 1H'18) driven by innovation and new units in advanced materials but limited by the impact of France's national rail strikes on certain French production units
- EBITDA up +1.7% YoY at €177m and 17.6% EBITDA margin
 - Despite stronger euro and higher raw material costs
 - Strong demand for advanced materials in the areas of lightweight materials, new energies, 3D printing and consumer goods (sports, electronics)
 - Integration of XL Brands and CMP in adhesives
 - Growing benefit from pricing actions

INDUSTRIAL SPECIALTIES (31% OF GROUP SALES)

- Sales up +5.2% at constant FX and scope of business
 - +10.9% price effect driven by
 - Strong positions in Thiochemicals
 - F-Gas implementation in Europe in Fluorogases
 - Tight market conditions in MMA/PMMA
 - Favorable market conditions for Hydrogen Peroxide in China
 - Volumes down 5.7% on lower selling quotas for Fluorogases in Europe and in the United States
- EBITDA up +18.2% YoY at €208m
 - Material EBITDA increases in each of the four Business Lines of the division
- EBITDA margin up YoY at 29.3%

COATING SOLUTIONS (24% OF GROUP SALES)

- Sales up +14.2% YoY at constant FX and scope of business
 - +9.2% volumes versus a 2Q'17 impacted by a large maintenance turnaround in the US in Acrylics
 - +5.0% price effect reflecting continued actions to raise selling prices across the entire chain in particular to pass on higher propylene prices
- EBITDA up 6.3% YoY at €68m
 - Solid results despite higher propylene prices and unfavorable FX impact
 - Mixed performance by region: robust in the US and still disappointing in China
- 12.4% EBITDA margin reflecting the mechanical impact of the higher selling prices on EBITDA margin ratio

CASH FLOW

<i>In millions of euros</i>	2Q'17	2Q'18	Comments
EBITDA	398	430	
Change in working capital ⁽¹⁾	(42)	(152)	<ul style="list-style-type: none"> Reflects usual seasonality and impact of higher selling prices and raw material costs 16.5% working capital over annualized sales ratio vs low 15.5% point at 30 June 2017 (17.2% at 30 June 2016)
Change in fixed assets payables ⁽¹⁾	(2)	0	
Current taxes	(81)	(64)	Benefits from US tax reform
Cost of debt	(24)	(22)	
Recurring capital expenditure ⁽²⁾	(82)	(99)	
Others	(2)	(32)	Including -€21m loans granted to employees as part of the share capital increase reserved for employees achieved in April 2018
Recurring cash flow	165	61	
Exceptional capital expenditure ⁽²⁾	(1)	(13)	Mainly related to Thiochemicals in Malaysia and specialty polyamides in Asia
Other non-recurring items in operating and investing cash flow	(6)	(7)	Mainly restructuring expenses
Free cash flow	158	41	For FY'18, cash generation expected to be consistent with the Group's ambition of 35% EBITDA to free cash flow conversion
Impact of portfolio management	(22)	(9)	
Net cash flow	136	32	

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

⁽²⁾ Restated 2017 figures following announcement of several capex projects classified as exceptional investments

NET DEBT

- **€1,372m** net debt at 30 June 2018, including €176m dividend payment in May
- **29%** gearing and **0.9x** EBITDA of last 12 months

OUTLOOK FOR 2018

In the second half of the year, the Group will remain attentive to macro-economic and geopolitical developments as well as volatility in raw materials prices and currencies.

In this context, the Group will continue to benefit from its strong innovation drive in advanced materials, the integration of its bolt-on acquisitions in adhesives and a globally robust market environment for its intermediate chemical businesses. It will continue to implement its major manufacturing projects, as presented at its Capital Markets Day, for thiochemicals, specialty polyamides 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 the impact of inflation on its fixed costs.

For 2018, on the back of the first half and assuming that the current macro-economic environment remains unchanged, Arkema now expects a mid-single digit⁴ EBITDA growth compared to the excellent performance already achieved in 2017.

⁴ Of around 5%.