

Investor and analyst factsheet

<i>In millions of euros</i>	3Q'18	3Q'17	Change	9m'18	9m'17	Change
Sales	2,167	2,019	+7.3%	6,609	6,369	+3.8%
Prices	+6.6%			+5.9%		
Volumes	+0.1%			+1.0%		
FX	(0.3)%			(3.8)%		
Portfolio	+0.9%			+0.7%		
EBITDA	374	355	+5.4%	1,187	1,108	+7.1%
High Performance Materials	162	161	+0.6%	515	501	+2.8%
Industrial Specialties	165	149	+10.7%	535	465	+15.1%
Coating Solutions	65	62	+4.8%	199	200	-0.5%
Corporate	(18)	(17)		(62)	(58)	
EBITDA Margin	17.3%	17.6%		18.0%	17.4%	
Recurring depreciation and amortization	(109)	(108)		(327)	(331)	
Recurring EBIT	265	247	+7.3%	860	777	+10.7%
REBIT Margin	12.2%	12.2%		13.0%	12.2%	
PPA depreciation and amortization	(8)	(11)		(26)	(34)	
NR items	(8)	(13)		(12)	(20)	
Equity in income of affiliates	1	0		2	0	
Financial Results	(26)	(27)	-3.7%	(73)	(78)	-6.4%
Income taxes	(49)	(54)	-9.3%	(165)	(202)	-18.3%
Net income - Group share	174	142	+22.5%	581	439	+32.3%
Adjusted net income	186	158	+17.7%	607	477	+27.3%
Adjusted EPS (€)	2.44	2.08	+17.3%	7.97	6.30	+26.5%
Weighted average number of ordinary shares	76,190,768	75,664,785		76,190,768	75,664,785	
Recurring capital expenditure	126	95	+32.6%	283	230	+23.0%
Exceptional capital expenditure	16	2		34	4	
Working capital (12/31 prior year)				1,399	1,094	
Net debt (12/31 prior year)				1,167	1,056	
Gearing (12/31 prior year)				24%	24%	

3Q'18 GROUP PERFORMANCE

- **€2,167 m sales**
 - +6.6% prices
 - Continued actions to increase selling prices to recover higher raw materials especially in downstream businesses
 - +0.1% volumes
 - Strong base of 3Q'17
 - Priority given to price increases over volumes
 - Impact of regulations in Fluorogases
 - Customers' more cautious approach towards the end of the quarter
 - +0.9% scope of business
 - Integration of XL Brands and Nitta industrial adhesives
 - (0.3)% currency
- **€374 m EBITDA**, up 5.4% on excellent 3Q'17, on track with FY guidance
 - An all-time high EBITDA in 3Q
 - Up YoY in all three divisions
- **17.3% EBITDA margin**
 - Resilient at high levels (17.6% in 3Q'17)

3Q'18 PERFORMANCE BY DIVISION

<i>In millions of euros</i>	3Q'18	3Q'17	Change	Prices	Volumes	FX	Portfolio
Sales	2,167	2,019	+7.3%	+6.6%	+0.1%	(0.3)%	+0.9%
<i>High Performance Materials</i>	987	955	+3.4%	+1.9%	+0.5%	(1.0)%	+2.0%
<i>Industrial Specialties</i>	646	594	+8.8%	+11.4%	(3.3)%	+0.6%	-
<i>Coating Solutions</i>	527	463	+13.8%	+10.2%	+3.5%	+0.1%	-
EBITDA	374	355	+5.4%				
<i>High Performance Materials</i>	162	161	+0.6%				
<i>Industrial Specialties</i>	165	149	+10.7%				
<i>Coating Solutions</i>	65	62	+4.8%				
<i>Corporate</i>	(18)	(17)					
EBITDA Margin	17.3%	17.6%					
<i>High Performance Materials</i>	16.4%	16.9%					
<i>Industrial Specialties</i>	25.5%	25.1%					
<i>Coating Solutions</i>	12.3%	13.4%					
Recurring EBIT	265	247	+7.3%				
<i>High Performance Materials</i>	123	123	-				
<i>Industrial Specialties</i>	121	106	+14.2%				
<i>Coating Solutions</i>	39	36	+8.3%				
<i>Corporate</i>	(18)	(18)					

9m'18 PERFORMANCE BY DIVISION

<i>In millions of euros</i>	9m'18	9m'17	Change	Prices	Volumes	FX	Portfolio
Sales	6,609	6,369	+3.8%	+5.9%	+1.0%	(3.8)%	+0.7%
<i>High Performance Materials</i>	2,992	2,921	+2.4%	+1.4%	+3.1%	(3.8)%	+1.7%
<i>Industrial Specialties</i>	2,016	1,939	+4.0%	+12.0%	(4.4)%	(3.6)%	-
<i>Coating Solutions</i>	1,581	1,487	+6.3%	+7.0%	+3.9%	(4.0)%	(0.5)%
EBITDA	1,187	1,108	+7.1%				
<i>High Performance Materials</i>	515	501	+2.8%				
<i>Industrial Specialties</i>	535	465	+15.1%				
<i>Coating Solutions</i>	199	200	-0.5%				
<i>Corporate</i>	(62)	(58)					
EBITDA Margin	18.0%	17.4%					
<i>High Performance Materials</i>	17.2%	17.2%					
<i>Industrial Specialties</i>	26.5%	24.0%					
<i>Coating Solutions</i>	12.6%	13.4%					
Recurring EBIT	860	777	+10.7%				
<i>High Performance Materials</i>	398	385	+3.4%				
<i>Industrial Specialties</i>	404	333	+21.3%				
<i>Coating Solutions</i>	122	119	+2.5%				
<i>Corporate</i>	(64)	(60)					

HIGH PERFORMANCE MATERIALS (46% OF GROUP SALES)

- Sales up 2.4% at constant FX and scope of business
 - +1.9% price effect reflecting Group's continued initiatives to increase selling prices across all businesses
 - Volumes up 0.5% compared to the excellent 3Q'17 performance, driven by a solid demand in the areas of lightweight materials and consumer goods (sports, electronics) while reflecting priority given to price increases over volumes
- €162m EBITDA and 16.4% EBITDA margin
 - Confirm the division's resilience in a higher raw materials cost environment
 - Benefits from the integration of bolt-on acquisitions in adhesives (XL Brands)
 - As forecasted, lower YoY contribution from specialty molecular sieves

INDUSTRIAL SPECIALTIES (30% OF GROUP SALES)

- Sales up 8.1% at constant FX and scope of business
 - +11.4% price effect, positive in each of the 4 Business Lines of the division
 - Volumes down 3.3% YoY on lower selling quotas for Fluorogases
- €165m EBITDA, up 10.7% YoY and 25.5% EBITDA margin, reflecting:
 - Benefits from F-Gas regulation in Europe in Fluorogases
 - Slight normalisation in PMMA towards the end of the quarter
 - Robust performance in Thiochemicals and Hydrogen Peroxide

COATING SOLUTIONS (24% OF GROUP SALES)

- Sales up 13.7% at constant FX and scope of business
 - +10.2% price effect reflecting higher selling prices across the entire chain
 - Volumes up 3.5% driven by solid demand in Asia and the US
- EBITDA up 4.8% YoY at €65m
 - Gradual improvement of unit margins in acrylic monomers, in line with Group's assumptions
 - Downstream performance impacted by higher raw material costs, notably acrylic acid
- 12.3% EBITDA margin impacted by the significant dilutive effect of higher selling prices on the ratio

CASH FLOW

<i>In millions of euros</i>	3Q'17	3Q'18	Comments
EBITDA	355	374	
Change in working capital ⁽¹⁾	94	65	In a context of higher raw material costs 16.1% working capital over annualized sales ratio vs 15.5% at 30/09/17 and 16.8% at 30/09/16
Change in fixed assets payables ⁽¹⁾	4	9	
Current taxes	(50)	(45)	US tax reform benefit and geographic mix of Group's earnings
Cost of debt	(24)	(23)	
Recurring capital expenditures ⁽²⁾	(95)	(126)	In line with Group guidance FY'18e total capex (including exceptional) at ~€550m
Others	11	2	
Recurring cash flow	295	256	
Exceptional capital expenditures ⁽²⁾	(2)	(16)	Mainly related to Thiochemicals in Malaysia and specialty polyamides in Asia
Other non-recurring items in operating and investing cash flow	(19)	(13)	Mainly restructuring expenses
Free cash flow	274	227	
Impact of portfolio management	(2)	(27)	Mainly acquisitions in adhesives
Net cash flow	272	200	

⁽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

- **€1,167m** net debt at 30 September 2018, significantly down versus 30 June 2018 (€1,372m)
- **24%** gearing and **0.8x** EBITDA of last 12 months

OUTLOOK FOR 2018

The global macro-economic environment is expected to remain contrasted, marked by different dynamics across end-markets and regions, geopolitical tensions and high raw material prices.

In this context, the Group will continue to focus on its internal momentum. It will benefit in particular from its innovation in advanced materials, the integration of bolt-on acquisitions in adhesives, its policy of raising selling prices to reflect higher raw material costs and its operational excellence initiatives to partly offset fixed cost inflation. The performance of the Group's intermediate chemicals businesses should remain globally robust despite the expected gradual normalisation of PMMA in the fourth quarter.

Taking into account these factors and on the back of its results for the first nine months of the year, Arkema confirms its guidance for full-year 2018 to achieve mid-single digit¹ EBITDA growth compared to the excellent performance achieved in 2017.

¹ Of around 5%.