

Investor and analyst factsheet

<i>In millions of euros</i>	3Q'19	3Q'18	Change	9m'19	9m'18	Change
Sales	2,216	2,167	+2.3%	6,685	6,609	+1.1%
Prices	(4.4)%			(1.2)%		
Volumes	+0.7%			(1.4)%		
FX	+2.0%			+2.2%		
Portfolio	+3.9%			+1.5%		
EBITDA	385	374	+2.9%	1,162	1,187	(2.1)%
High Performance Materials	182	162	+12.3%	514	515	(0.2)%
Industrial Specialties	152	165	(7.9)%	488	535	(8.8)%
Coating Solutions	70	65	+7.7%	228	199	+14.6%
Corporate	(19)	(18)		(68)	(62)	
EBITDA margin	17.4%	17.3%		17.4%	18.0%	
Recurring depreciation and amortization	(135)	(109)		(387)	(327)	
Recurring EBIT	250	265	(5.7)%	775	860	(9.9)%
REBIT margin	11.3%	12.2%		11.6%	13.0%	
PPA depreciation and amortization	(9)	(8)		(28)	(26)	
Non-recurring items	(24)	(8)		(47)	(12)	
Equity in income of affiliates	(1)	1		(2)	2	
Financial result	(29)	(26)	+11.5%	(89)	(73)	+21.9%
Income taxes	(40)	(49)	(18.4)%	(135)	(165)	(18.2)%
Net income - Group share	145	174	(16.7)%	468	581	(19.4)%
Adjusted net income	166	186	(10.8)%	523	607	(13.8)%
Adjusted EPS (€)	2.19	2.44	(10.2)%	6.87	7.97	(13.8)%
Weighted average number of ordinary shares	76,156,547	76,190,768		76,156,547	76,190,768	
Recurring capital expenditure	118	120 *	-1.7%	305	268 *	+13.8%
Exceptional capital expenditure	30	16		68	34	
Working capital (12/31 for prior year)				1,454	1,178	
Net debt (12/31 for prior year)				1,770	1,006	
Gearing (12/31 for prior year)				34%	20%	

* Restated figures

3Q'19 GROUP PERFORMANCE

- **€2,216m sales**, up 2.3% YoY (€2,167m)
 - +0.7% volumes
 - Growth driven by Coating Solutions, Thiochemicals and niches in High Performance Materials (batteries, 3D printing...)
 - Weak demand in High Performance Materials, with a significant decline in transport, oil & gas and consumer electronics
 - (4.4)% prices
 - Lower propylene in Coating Solutions
 - Challenging market conditions in Fluorogases
 - Positive price effect in High Performance Materials (+3%)
 - +3.9% scope of business
 - Acquisition of ArrMaz, mainly
 - +2.0% currency
 - Stronger US dollar against the euro

- **€385m EBITDA**, 3% up against the record performance of 3Q'18
 - Driven by the strong increase of specialties ⁽¹⁾
 - 17.4% EBITDA margin (17.3% in 3Q'18), stable at a high level despite a more challenging and uncertain macro-economic environment

⁽¹⁾ The Group distinguishes intermediate businesses, corresponding to the PMMA, Fluorogases and Acrylics Business Lines, and specialty businesses

3Q'19 PERFORMANCE BY DIVISION

<i>In millions of euros</i>	3Q'19	3Q'18	Change	Prices	Volumes	FX	Portfolio
Sales	2,216	2,167	+2.3%	(4.4)%	+0.7%	+2.0%	+3.9%
<i>High Performance Materials</i>	1,068	987	+8.2%	+3.0%	(4.1)%	+2.1%	+7.1%
<i>Industrial Specialties</i>	606	646	(6.2)%	(10.8)%	+2.8%	+1.7%	-
<i>Coating Solutions</i>	535	527	+1.5%	(10.7)%	+7.0%	+2.3%	+2.9%
EBITDA	385	374	+2.9%				
<i>High Performance Materials</i>	182	162	+12.3%				
<i>Industrial Specialties</i>	152	165	(7.9)%				
<i>Coating Solutions</i>	70	65	+7.7%				
<i>Corporate</i>	(19)	(18)					
EBITDA margin	17.4%	17.3%					
<i>High Performance Materials</i>	17.0%	16.4%					
<i>Industrial Specialties</i>	25.1%	25.5%					
<i>Coating Solutions</i>	13.1%	12.3%					
Recurring EBIT	250	265	(5.7)%				
<i>High Performance Materials</i>	134	123	+8.9%				
<i>Industrial Specialties</i>	98	121	(19.0)%				
<i>Coating Solutions</i>	39	39	-				
<i>Corporate</i>	(21)	(18)					

9m'19 PERFORMANCE BY DIVISION

<i>In millions of euros</i>	9m'19	9m'18	Change	Prices	Volumes	FX	Portfolio
Sales	6,685	6,609	+1.1%	(1.2)%	(1.4)%	+2.2%	+1.5%
<i>High Performance Materials</i>	3,074	2,992	+2.7%	+4.1%	(6.3)%	+2.0%	+2.9%
<i>Industrial Specialties</i>	1,921	2,016	(4.7)%	(6.3)%	(0.6)%	+2.2%	-
<i>Coating Solutions</i>	1,669	1,581	+5.6%	(5.1)%	+6.9%	+2.8%	+1.0%
EBITDA	1,162	1,187	(2.1)%				
<i>High Performance Materials</i>	514	515	(0.2)%				
<i>Industrial Specialties</i>	488	535	(8.8)%				
<i>Coating Solutions</i>	228	199	+14.6%				
<i>Corporate</i>	(68)	(62)					
EBITDA margin	17.4%	18.0%					
<i>High Performance Materials</i>	16.7%	17.2%					
<i>Industrial Specialties</i>	25.4%	26.5%					
<i>Coating Solutions</i>	13.7%	12.6%					
Recurring EBIT	775	860	(9.9)%				
<i>High Performance Materials</i>	377	398	(5.3)%				
<i>Industrial Specialties</i>	330	404	(18.3)%				
<i>Coating Solutions</i>	141	122	+15.6%				
<i>Corporate</i>	(73)	(64)					

3Q'19 PERFORMANCE BY DIVISION

HIGH PERFORMANCE MATERIALS (48% OF GROUP SALES)

- €1,068m sales, up 8.2% YoY
 - +7.1% scope effect, reflecting the integration of ArrMaz in Performance Additives
 - Prices up 3.0%, positive in all Business Lines, on higher selling prices and improved product mix, especially in adhesives
 - Volumes down 4.1%, penalized by the global economic context
 - Softer demand in transport, oil & gas and consumer electronics. Positive dynamic in niche markets like batteries and 3D printing
 - Cautious inventory management by our customers
- €182m EBITDA (+12.3% YoY) and EBITDA margin up 60 bps to 17%
 - Bostik EBITDA up ~20% YoY and EBITDA margin up 200 bps, driving the higher profitability of the division
 - Advanced materials resisting well, in spite of the weakness of volumes in certain markets
 - ArrMaz performance perfectly in line with our expectations

INDUSTRIAL SPECIALTIES (28% OF GROUP SALES)

- €606m sales, down 6.2% YoY
 - Prices down 10.8%, reflecting continued challenging market conditions in Fluorogases and, to a lesser extent, normalization in MMA/PMMA
 - +2.8% volume effect, driven by a positive dynamic in Thiochemicals
- €152m EBITDA and stable EBITDA margin at 25.1%, with contrasting trends between Business Lines
 - Strong growth of Thiochemicals in the continuity of 1H'19, driven by solid demand in its end markets
 - Fluorogases still strongly penalized by illegal HFC imports in Europe weighing on prices
 - MMA/PMMA chain holding up well, benefiting from its strong integration, its quality of innovation and favorable raw materials

COATING SOLUTIONS (24% OF GROUP SALES)

- €535m sales, up 1.5% YoY
 - Significant volume growth at +7.0%, mainly in acrylic monomers in Asia and the US, following the start-up of the new acrylic acid reactor in Clear Lake
 - -10.7% price effect mainly on lower propylene price
 - +2.9% scope effect corresponding to the acquisition of Jurong's stake in Taixing Sunke Chemicals
- €70m EBITDA and EBITDA margin at 13.1%
 - Unit margin improvement in downstream businesses
 - EBITDA margin up by 80 bps YoY

CASH FLOW

<i>In millions of euros</i>	3Q'18	3Q'19	<i>Comments</i>
EBITDA	374	385	
Current taxes	(45)	(48)	
Cost of debt	(23)	(24)	
Change in working capital and fixed asset payables ⁽¹⁾	74	59	Decrease of working capital reflecting usual business seasonality 16.4% working capital on annualized sales ratio (16.1% end of September 2018)
Recurring capital expenditure	(120) *	(118)	Higher capex YoY, in line with 2019e capex (recurring + exceptional) guidance at ~€610m
Exceptional capital expenditure	(16)	(30)	
Others	(17) *	(6)	Including non-recurring items corresponding mainly to restructuring expenses
Free cash flow	227	218	
Impact of portfolio management	(27)	(594)	Acquisitions of ArrMaz and Jurong's stake in Taixing Sunke Chemicals in 2019
Net cash flow	200	(376)	

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

* Restated figures

NET DEBT

- **€1,770m** net debt at 30 September 2019, including payment for the acquisitions of ArrMaz and of Jurong's stake in Taixing Sunke Chemicals
- **1.2x** EBITDA of last 12 months and **34%** gearing

OUTLOOK FOR 2019

For the remainder of the year, the macroeconomic environment is expected to remain challenging and volatile, with continued geopolitical uncertainties likely to weigh on global demand and raw materials prices, leading to cautious inventory management by our customers. In this context, Arkema will maintain its focus on internal momentum and the implementation of its long-term strategy.

The Group will therefore continue to roll out its industrial projects, its operational excellence initiatives, its innovation drive for sustainable development and mobility, and its targeted acquisition dynamic. In the fourth quarter, intermediate businesses should be well below last year's level, penalized mainly by a strong decline in Fluorogases. Specialties should however continue to report solid growth, driven notably by positive momentum at Bostik and performance coatings, as well as the contribution of ArrMaz, whilst technical polymers should be affected by lower demand from key customers.

Taking into account the performance over the first three quarters of the year and while remaining attentive to the development of the macroeconomic environment, Arkema confirms its ambition to consolidate its financial performance at high levels and to achieve in 2019 ⁽²⁾ an EBITDA comparable with the 2018 record level.

⁽²⁾ 2019 takes into account the new IFRS 16 standard.