

CITI West Coast Institutional Investor Symposium 2015

11-12 March 2015, San Francisco

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ARKEMA
INNOVATIVE CHEMISTRY



2014 highlights

Financial performance

€5,952m sales 1.4% down on 2013 at constant scope of business and exchange rate

€784m EBITDA versus €902m in 2013:

- Reflecting challenging market conditions in fluorogases and acrylic monomers and the high basis of comparison of 2013 in polyamide 12
- Overall good performance of other product lines, up +8.5% on 2013

13.2% EBITDA margin, solid in a volatile and challenging environment

Dividend

€1.85 dividend per share proposed at the AGM of 2 June 2015, in line with September 2014 announcement and stable versus 2013

Strategic milestones

Finalization of 3 major investments which will support the Group's growth from 2015:

- Acquisition of Bostik, world's n°3 in adhesives
- Construction of the thiochemicals plant in Malaysia, which came on stream beginning 2015
- 1st step of the acquisition of Sunke in acrylics in China



Full year 2014 **Results**

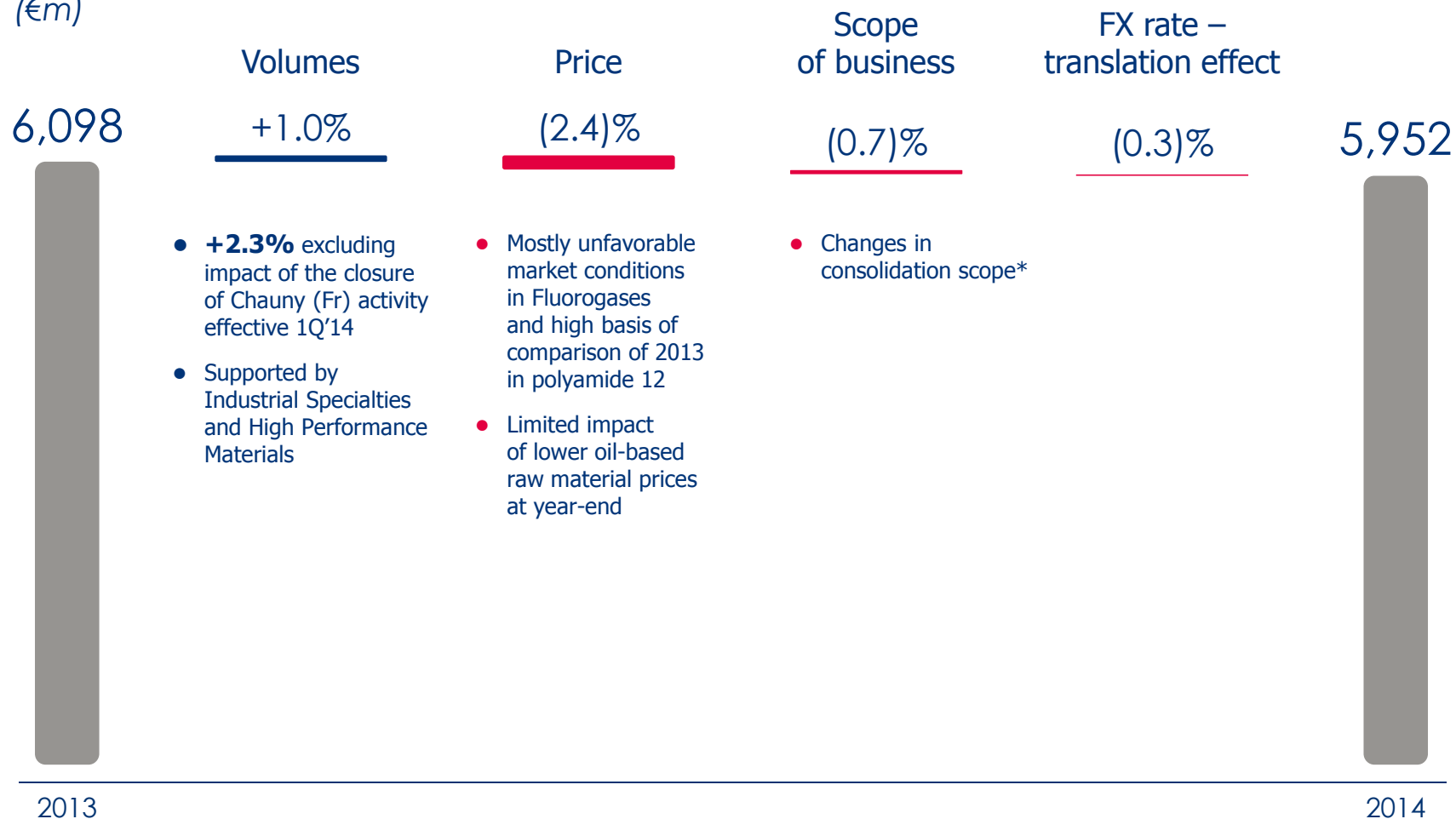
2014 key figures

<i>In €m (except EPS)</i>	2013	2014	variation
Sales	6,098	5,952	(2.4)%
EBITDA	902	784	(13.1)%
EBITDA margin	14.8%	13.2%	
Recurring operating income	588	447	(24.0)%
Adjusted net income	368	239	(35.1)%
Net income (Group share)	168	167	(0.6)%
Adjusted EPS*	5.67	3.62	(36.2)%

* For 2013, the adjusted net income per share was adjusted to take account of the share capital increase with preferential subscription rights finalized in December 2014

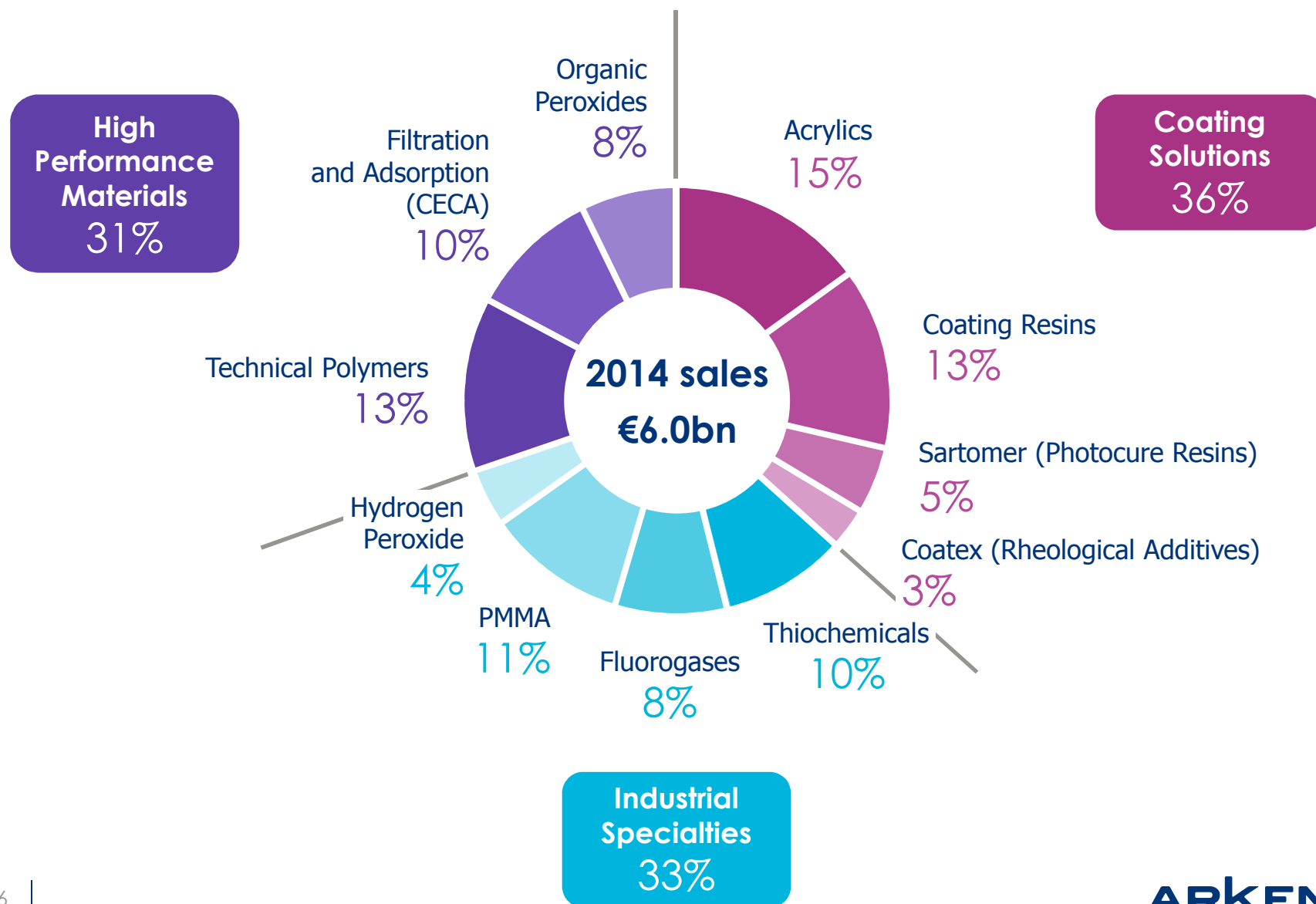
Sales bridge

Sales
(€m)

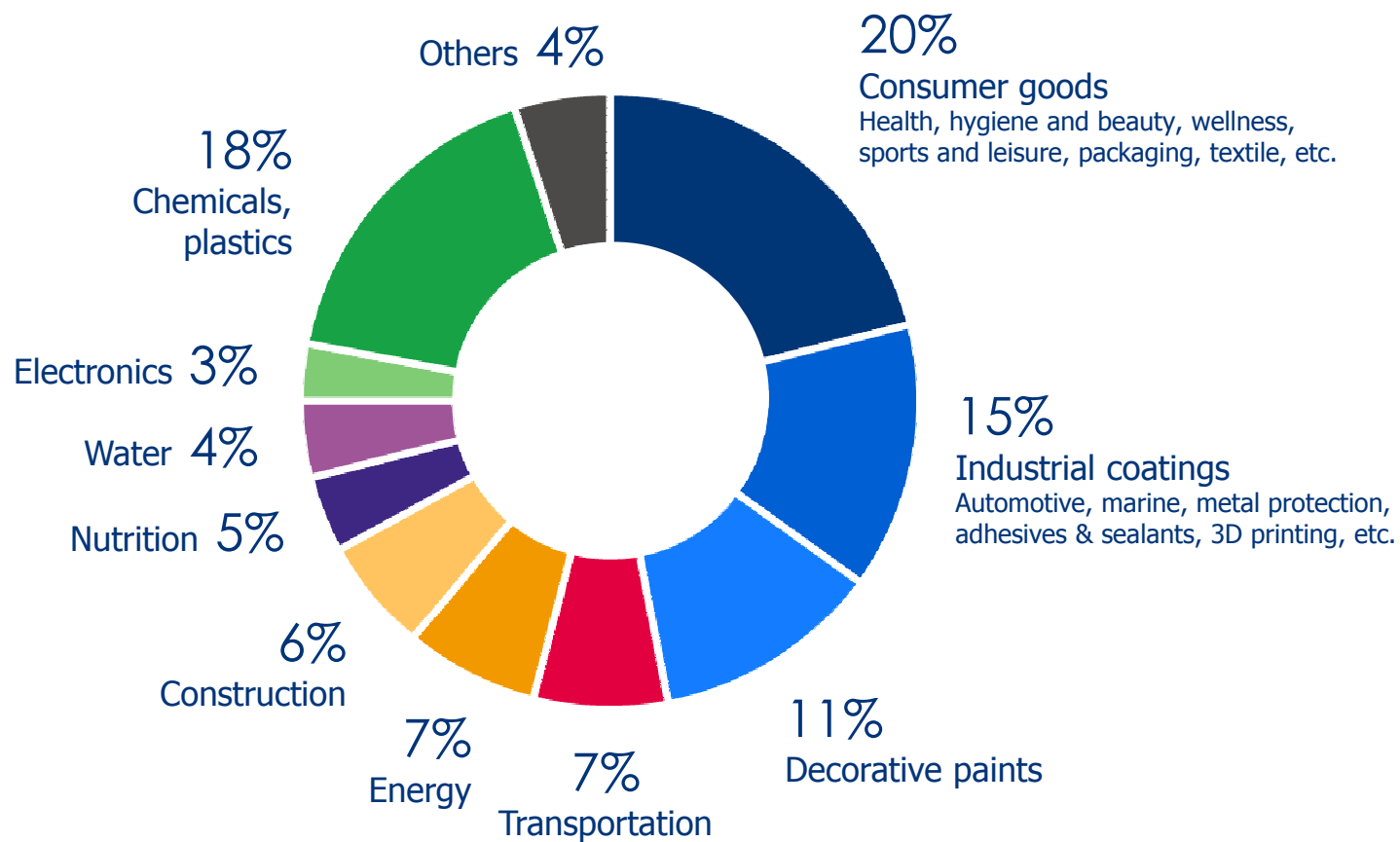


* Mainly Daikin Arkema Refrigerants now accounted for under the equity method, divestment of coating resins in South Africa and acquisition of a stake in Sunke in acrylics in China

Sales breakdown by business



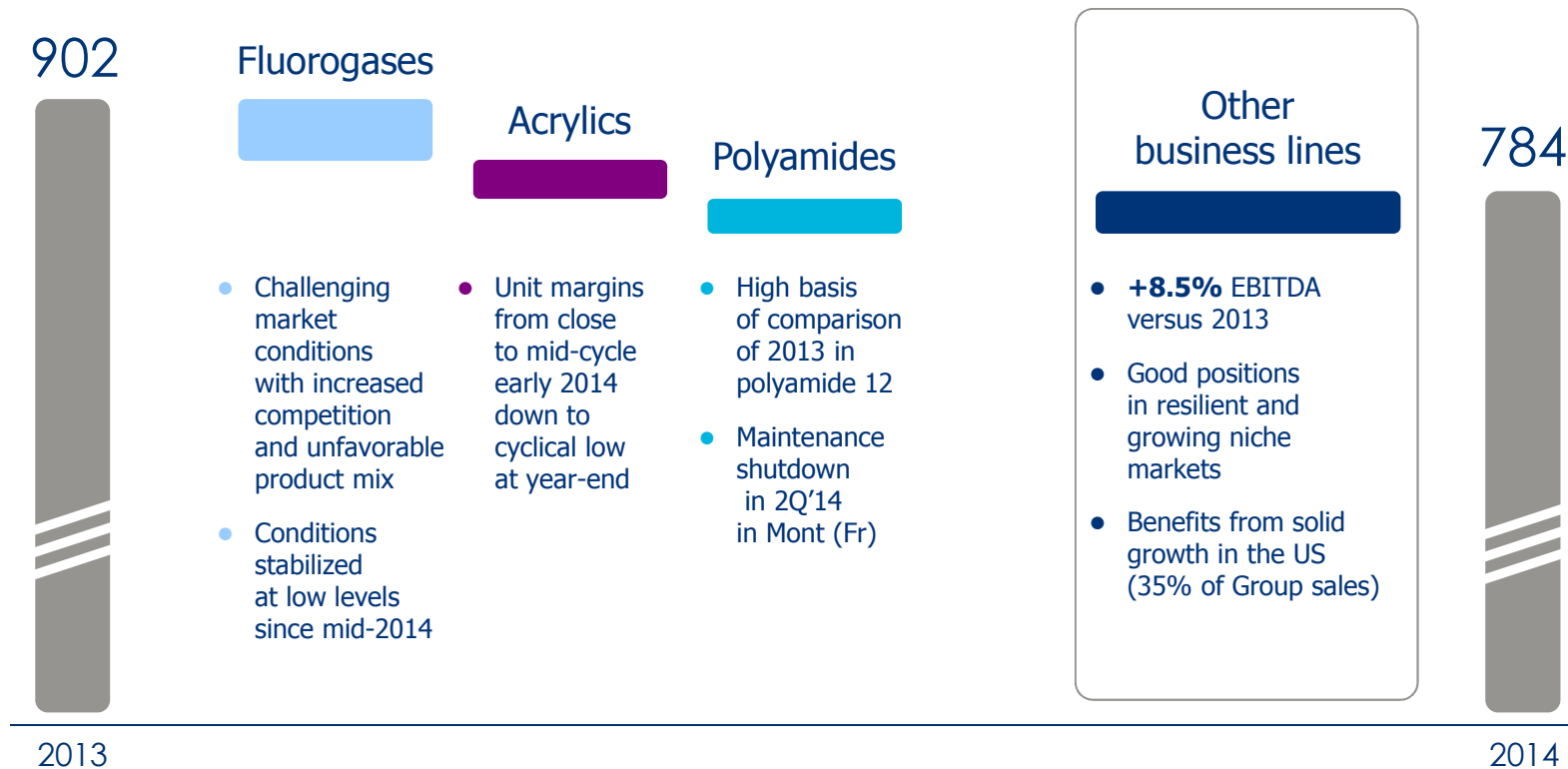
Diversified end markets



Key drivers of 2014 performance

EBITDA

(€m)

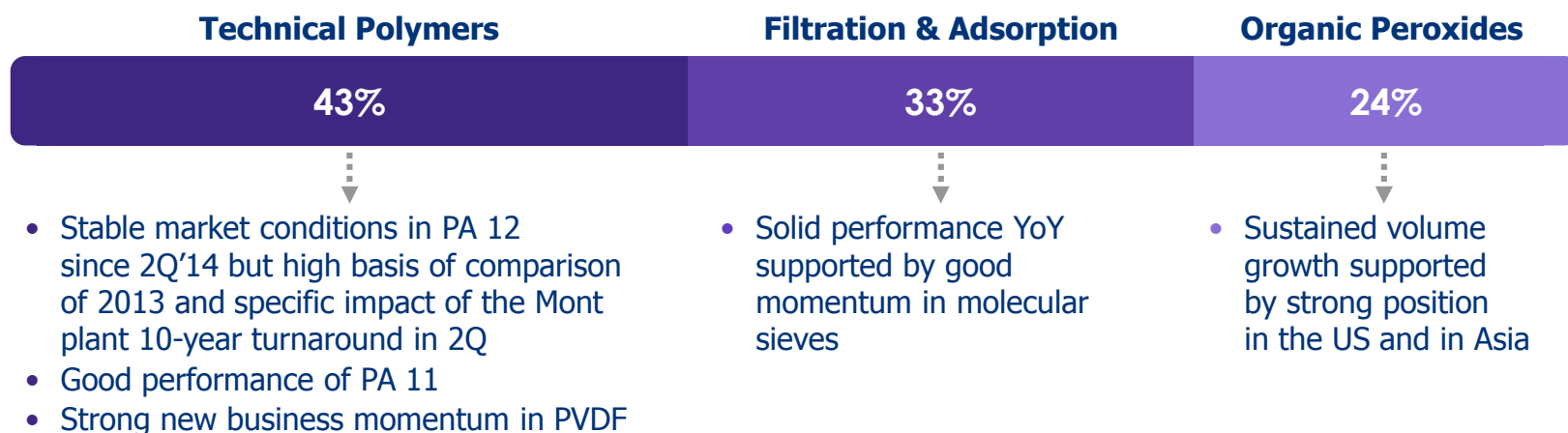


High Performance Materials

In €m	2013	2014	variation
Sales	1,842	1,826	(0.9)%
EBITDA	316	284	(10.1)%
EBITDA margin	17.2%	15.6%	
Recurring operating income	212	175	(17.5)%

Volumes	+2.0%
Prices	(2.4)%
FX (translation)	(0.5)%
Scope	-

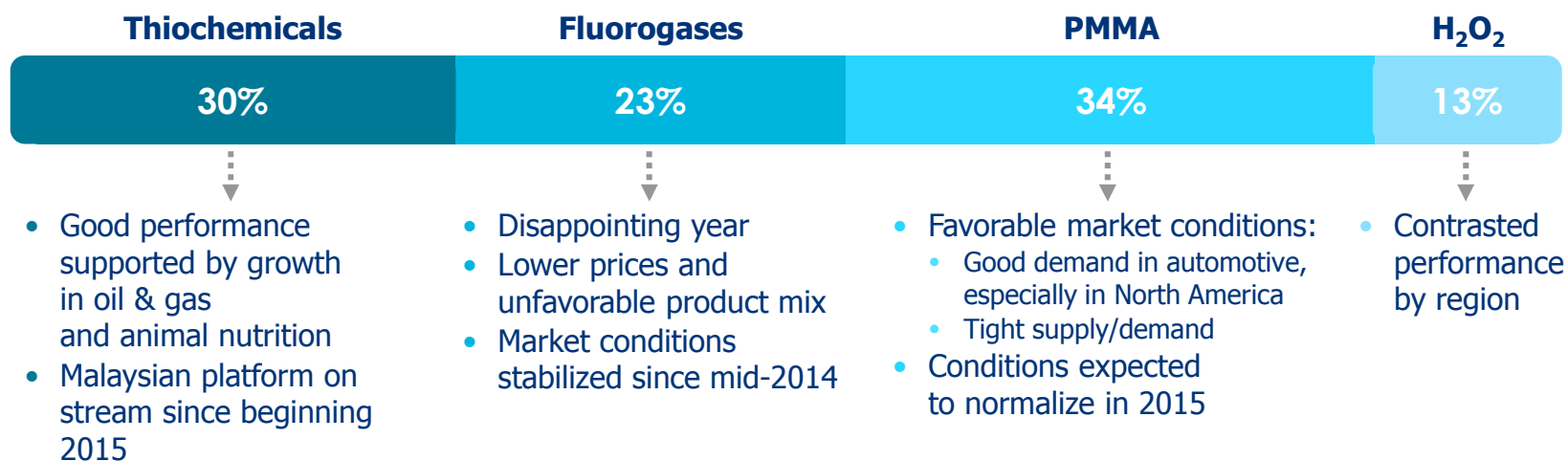
% of segment 2014 sales



Industrial Specialties

In €m	2013	2014	variation		
Sales	1,993	1,972	(1.1)%	Volumes	+3.6%
EBITDA	340	300	(11.8)%	Prices	(3.8)%
EBITDA margin	17.1%	15.2%		FX (translation)	(0.1)%
Recurring operating income	225	172	(23.6)%	Scope	(0.6)%

% of segment 2014 sales

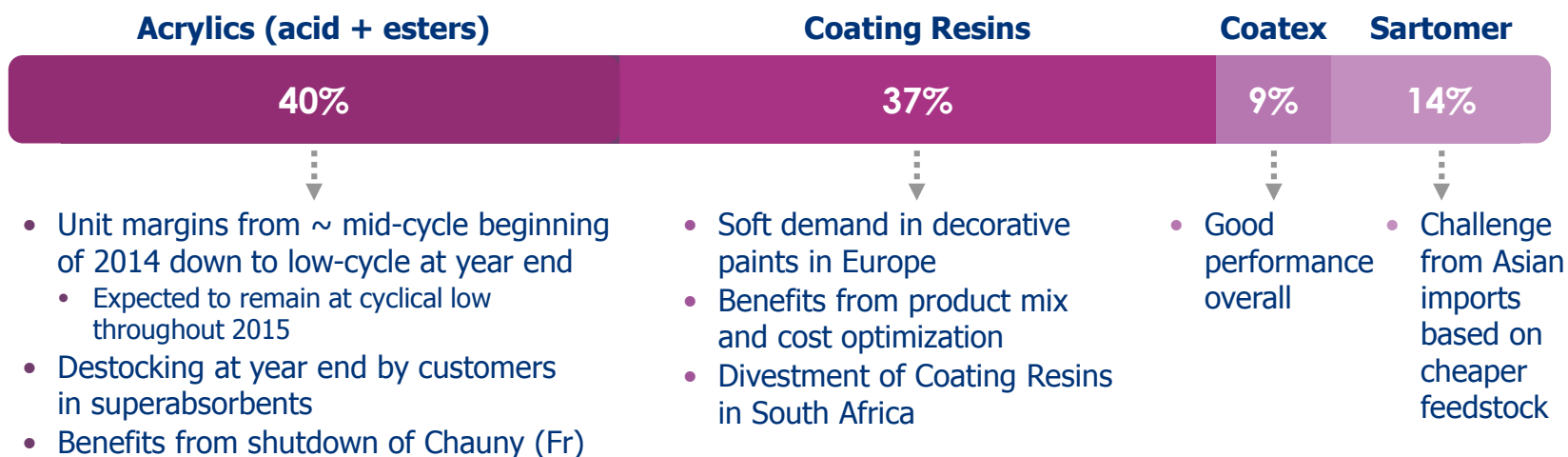


Coating Solutions

In €m	2013	2014	variation
Sales	2,224	2,131	(4.2)%
EBITDA	292	245	(16.1)%
EBITDA margin	13.1%	11.5%	
Recurring operating income	199	147	(26.1)%

Volumes	(1.4)%
Prices	(1.2)%
FX (translation)	(0.3)%
Scope	(1.2)%

% of segment 2014 sales





4Q'14 highlights

€1,431m sales, up 1.4% vs 4Q'13

- (0.9)% volumes* compared to the high basis of comparison of 4Q'13 in certain businesses
- (0.8)% prices reflecting lower costs of some oil-based raw materials at year end
- +3.8% FX rate translation effect mainly relating to the strengthening of the US\$ versus euro
- +0.7% scope effect: divestment of coating resins in South Africa, acquisition in acrylics in China

€162m EBITDA, stable vs 4Q'13

- 11.3% EBITDA margin with usual year-end seasonality
- Benefits from stronger US dollar versus euro
- Lower unit margins in acrylic monomers and high basis of comparison of 4Q'13 in HPM

+€60m free cash flow**

- €160m capex
- +€107m working capital variation*** reflecting the traditional favorable year end seasonality
- Excluding €186m net outflow from M&A mainly relating to the acquisition of a stake in Sunke

* Excluding the impact of the closure of Chauny (Fr) activity effective 1Q'14

** Cash flow from operations and investments excluding the impact of portfolio management

*** Variation in working capital and fixed asset payables excluding non-recurring items

4Q'14 performance by business segment

High Performance Materials			
In €m	4Q'13	4Q'14	variation
Sales	466	444	(4.7)%
EBITDA	68	59	(13.2)%
EBITDA margin	14.6%	13.3%	
<ul style="list-style-type: none"> • Filtration and Adsorption: different seasonality than in 2013 in the oil & gas market • Polyamide 12: high basis of comparison of 4Q'13 but stable market conditions since 2Q'14 • Organic Peroxides: good volumes 			
Industrial Specialties			
In €m	4Q'13	4Q'14	variation
Sales	453	491	+8.4%
EBITDA	48	72	+50.0%
EBITDA margin	10.6%	14.7%	
<ul style="list-style-type: none"> • Thiochemicals: particularly high performance • PMMA: tight supply & demand balance and strong automotive demand, especially in the US • Fluorogases: now stabilized at a low point 			
Coating Solutions			
In €m	4Q'13	4Q'14	variation
Sales	486	489	+0.6%
EBITDA	52	39	(25.0)%
EBITDA margin	10.7%	8.0%	
<ul style="list-style-type: none"> • Acrylic monomers: weak performance with unit margins now at low cycle and destocking in superabsorbents • Acrylic downstream: overall stable performance with benefits from new applications 			

2014 cash flow

<i>In €m</i>	2014
EBITDA	784
Working capital variation *	(29)
Taxes	(120)
Cost of debt	(56)
Recurring capex	(346)
Others	(28)
RECURRING CASH FLOW	205
Non-recurring items in operating and investing cash flow	(60)
Non recurring capex	(124)
FREE CASH FLOW	21
Impact of portfolio management	(184)
NET CASH FLOW	(163)

5.8% of sales

Restructuring expenses + cash-out of provisions relating to the divestment of vinyl activities

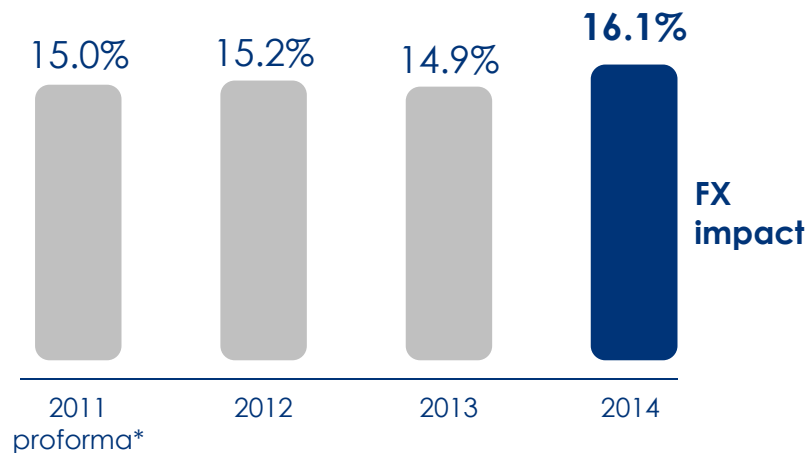
Mainly thiochemicals in Malaysia: Arkema's largest industrial project

Mainly acquisition of a stake in Sunke in acrylics in China

* Variation in working capital and fixed asset payables excluding non-recurring items

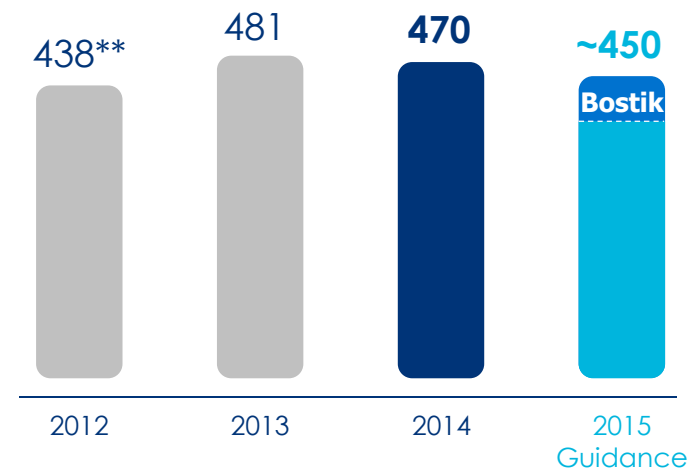
Working capital and capex

Working capital on sales (%)



- 16.1% ratio, mechanical outcome of FX rates (sales converted at 2014 average €/US\$ rate)

Capex (€m)



- In 2015, significant decrease like-for-like
 - Thiochemicals platform in Asia now completed
 - Addition of Sunke capex
 - Bostik capex at ~3% of sales

* 2011 proforma working capital includes alkoxyates and Total's Specialty Resins and excludes Vinyls

** Excluding Vinyls

Balance sheet

In €m	31 Dec 2013	31 Dec 2014
Net debt	923	154
Shareholders' equity	2,349	3,573
Net provisions for pensions and other employee benefits*	356	455
Other net provisions*	342	296
Non current assets**	3,162	3,607
Working capital	908	958
Capital employed	4,070	4,565***

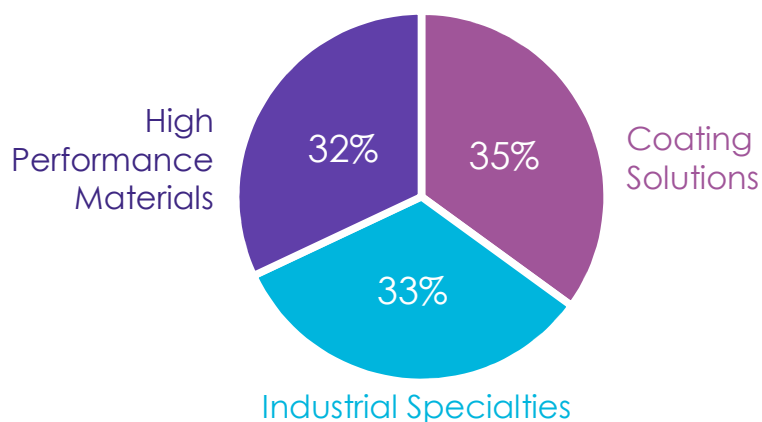
Net debt level temporarily lowered by €700m hybrid bond and €350m share capital increase aimed at financing Bostik acquisition (closed on 2 February 2015)

- 0.2x net debt/EBITDA
- 4% gearing

Net provisions include:

- €348m pensions (€264m end 2013) on lower discount rates
- €55m restructuring (€50m end 2013)
- €125m environment (€122m end 2013)

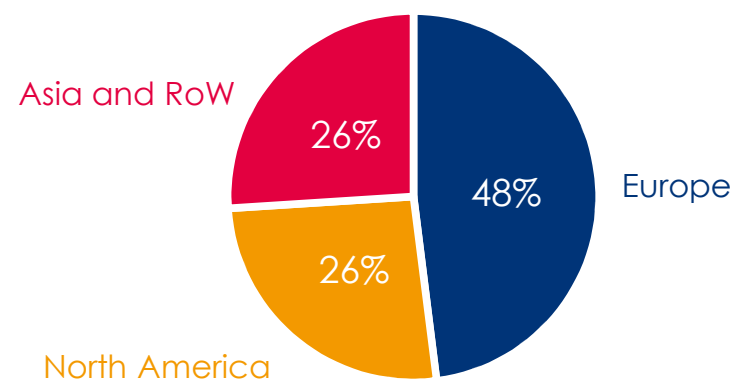
Capital employed by segment



* Provisions net of non-current assets

** Excluding deferred taxes and including pension assets

Capital employed by region



*** Including Sunke's assets and Thiochemicals plant in Malaysia

Maintain a strong balance sheet

Financing of Bostik acquisition

- €700m perpetual hybrid bond issue (October 2014)
 - 4.75%/year
 - First call date: 29 October 2020
 - Recognized as equity under IFR rules
- €350m share capital increase (December 2014)
 - With preferential subscription rights
 - 9,102,624 new shares
- €700m bond issue (January 2015)
 - 1.50%/year
 - 10-year maturity

Renewal of the syndicated revolving credit facility (October 2014)

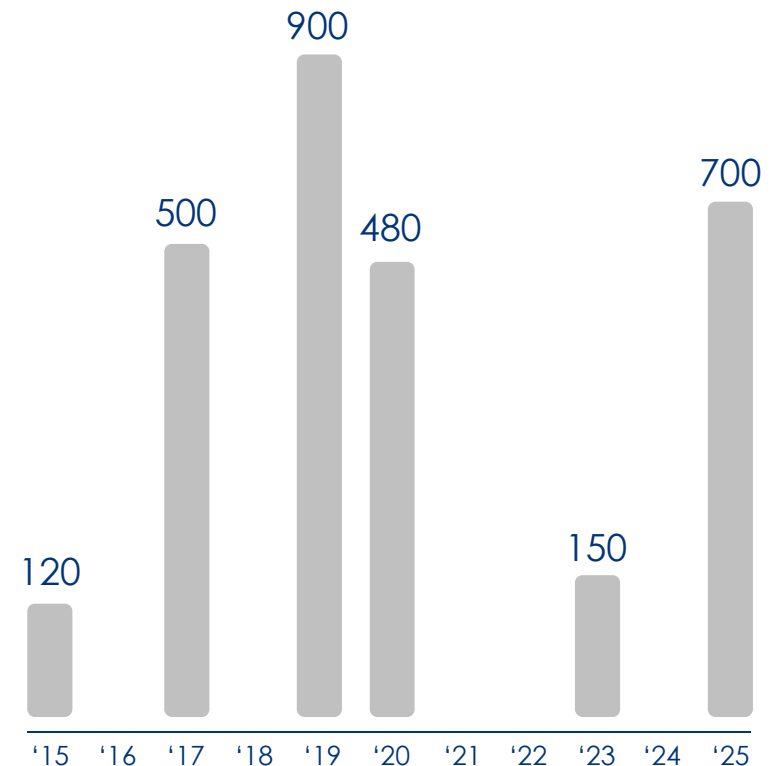
- €900m for 5 years
- Covenant: net debt/EBITDA \leq 3.5x

Credit rating

- BBB (outlook negative) by Standard & Poor's
- Baa2 (outlook negative) by Moody's

Debt maturity profile

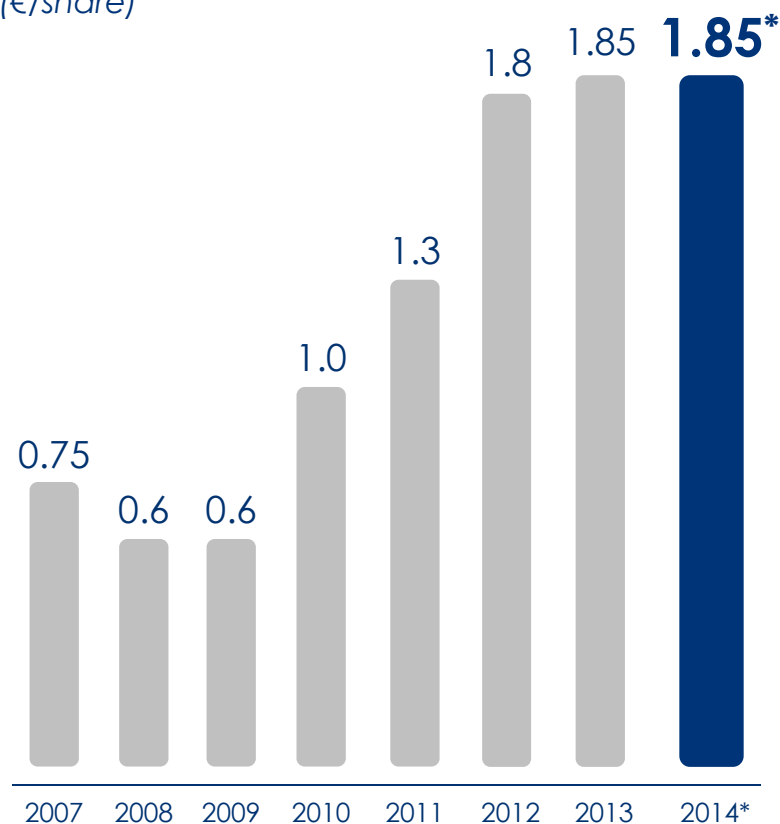
(€m)



Dividend

Dividend

(€/share)



➤ **Dividend policy: "aims to reach a 30% payout ratio on adjusted net income and not to reduce dividend"**

➤ **Dividend maintained at €1.85**

- Despite lower adjusted net income
- Despite a higher number of shares outstanding following the share capital increase completed in December 2014
- In line with announcement made in September 2014

➤ **Confirms dividend as a key component of shareholder return**

➤ **Reflects confidence in long-term outlook**

➤ **3.4% dividend yield**
(based on share price at year end)



* Dividend proposed to the Shareholders' Annual General Meeting of 2 June 2015
+3% up compared to 2013 after adjustment to take account of the share capital increase finalized in December 2014



Strategic priorities and outlook

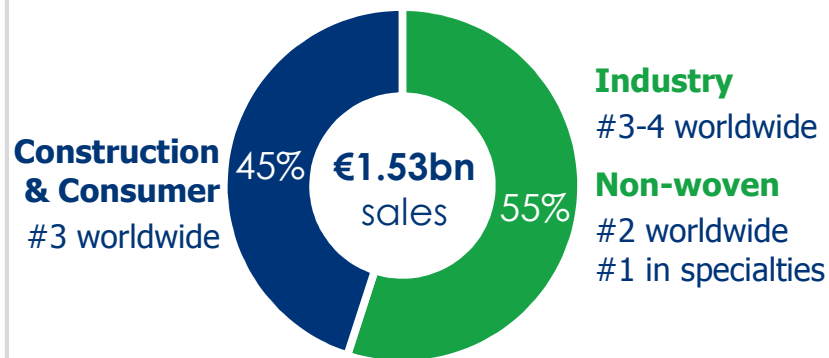
New promising growth platforms

Executing on targeted growth strategy

Acquisition in High Performance Materials	<ul style="list-style-type: none"> Bostik, #3 worldwide in adhesives, acquired 2 February 2015 	
Global manufacturing presence in Thiochemicals	<ul style="list-style-type: none"> Start-up of a new platform in Malaysia beginning 2015 	
Global manufacturing presence in Acrylics	<ul style="list-style-type: none"> US\$110m investment plan finalized mid-2014 Acquisition of a stake in Sunke in October 2014 	
Innovation	<ul style="list-style-type: none"> Strong emphasis on composites: high temperature Rilsan®, Elium® Arkema in 2014 Thomson Reuters Top 100 Global Innovators for 4th consecutive year Step-up in PEKK 	
Operational excellence	<ul style="list-style-type: none"> Excellent performance in safety Roll-out of global SAP supply chain "Ambition" program (2013 – 2017) Significant savings in variable costs in line with €100m cost savings target to be achieved by end 2017 	
Promising growth platforms for future years		

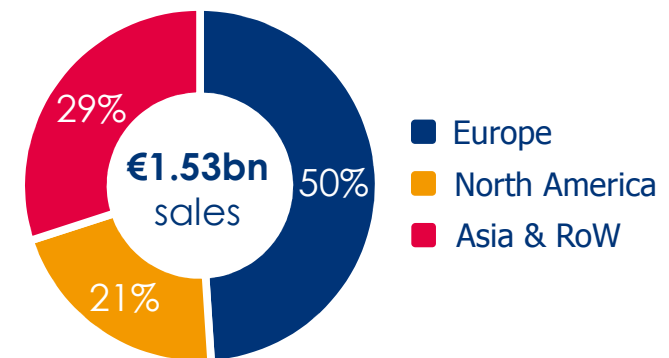
Bostik in a nutshell

#3 worldwide in adhesives



Proforma 2014 figures

Sales by region



Proforma 2014 figures

Powerful brands with high customer loyalty



QUELYD

SADER

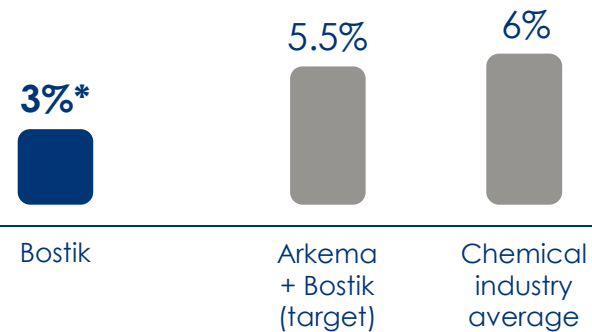
EV-STIK

MEM®
DICHTEN. KLEBEN. PFLEGEN.

FORTALEZA
argamassas e revestimentos

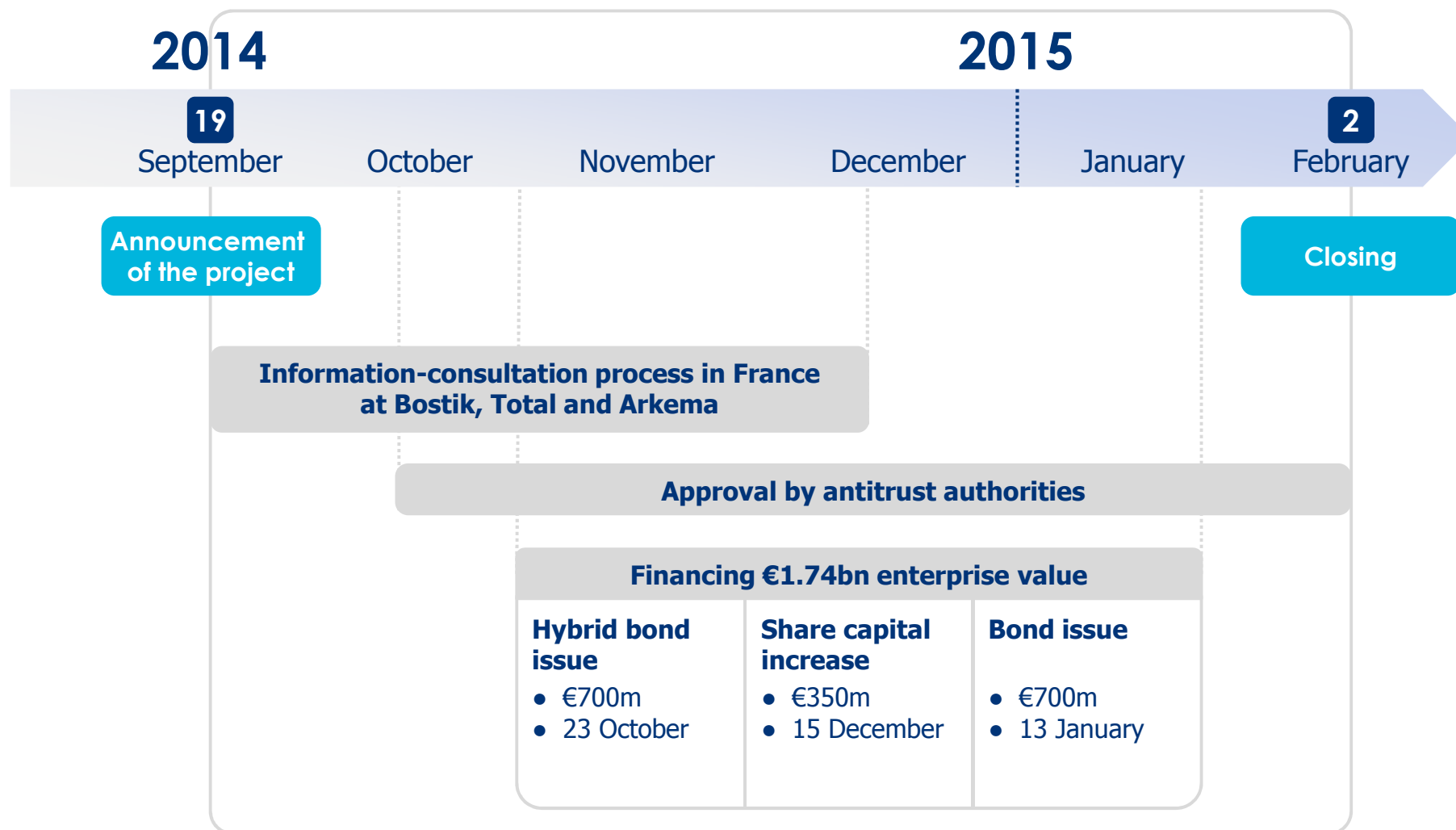
Low capital intensive business

Capex as % of sales



* 4-year average

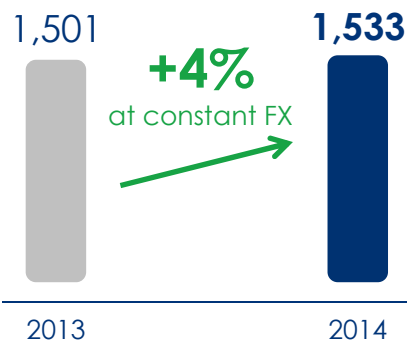
Bostik: an acquisition closed within a tight timetable



Bostik in 2014

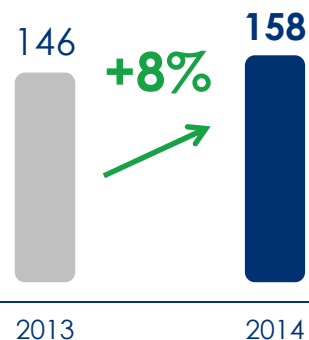
2014 key figures fully in line with communicated estimates

Sales (€m)

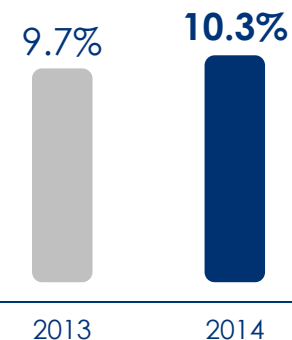


Proforma figures

EBITDA (€m)



EBITDA margin



Very clear growth strategy

■ Increase presence in emerging countries

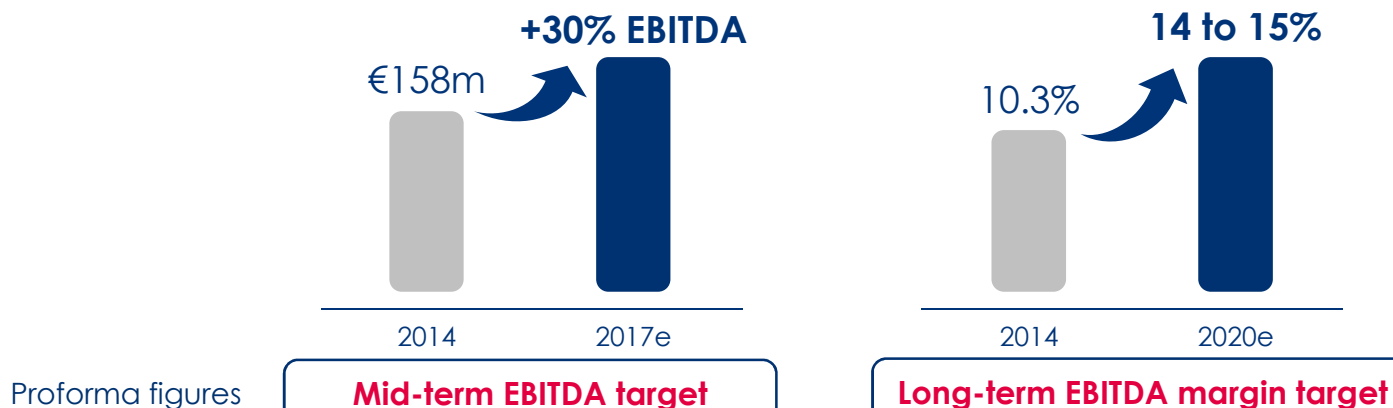
- Start-up of new units in Brazil and Malaysia
- Ramp-up of China and Egypt
- +9% sales in higher growth countries versus 2013

■ Reinforce innovation investments to support future growth

- Opening of a new regional R&D center in Compiègne (France) in October 2014
- 15% sales from products less than 3 years old (8% in 2010)

Bostik acquisition will create significant value

Bostik mid- and long-term targets



Integration process already launched

- ✓ **Secured and competitive financing of the operation**
- ✓ **Current momentum from existing action plan**
- ✓ **Implementation of synergies with Arkema already started**
 - Working groups set up and chaired by 2 executives (1 Bostik and 1 Arkema) with monthly reporting to Arkema's Executive Committee
- ✓ **Priority to well-identified cost synergies (global purchasing, administrative and support functions, operational excellence)**
- ✓ **First stones of long-term commercial synergies laid**

Successfully execute growth plan in Thiochemicals

Lacq (France)

- ✓ H₂S supply secured for next 30 years
- ✓ Risk existing at time of spin-off removed end 2013



Kerteh (Malaysia)

- ✓ New platform started beginning 2015



Significant investment phase in a capital-intensive industry now finalized

Kerteh: 1st world-scale thiochemicals platform in Asia

- ✓ **Reflect state-of-the-art know-how of Arkema in sulfur technologies**
 - High purity methyl mercaptan produced
- ✓ **Production of methyl mercaptan to supply:**
 - Methionine production of CJ CheilJedang
 - Internal production of DMDS for petrochemicals and refining applications
- ✓ **Bio-methionine production process fully confirmed**
- ✓ **Around €200m capex**



Now a global leader in Acrylics

#3 worldwide in acrylics

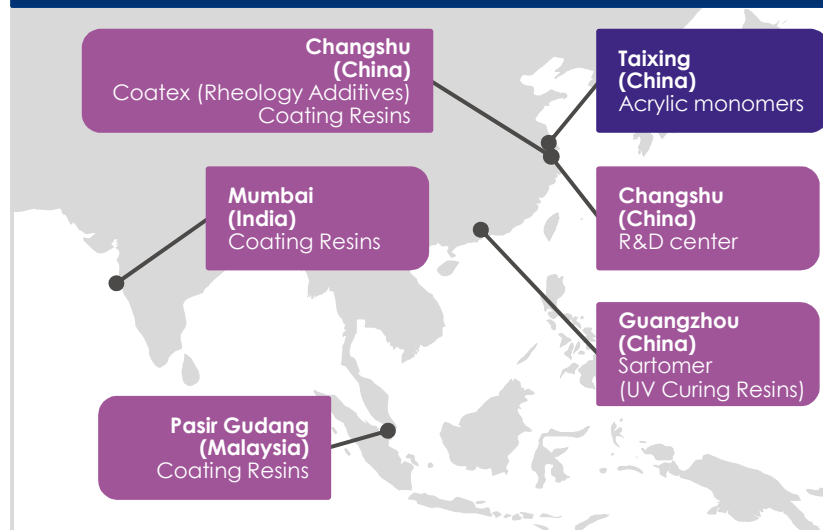


US\$110m investment plan in US finalized

Clear Lake	+45kt methyl acrylate	mid-2014
	+60kt acrylic acid	mid-2013
Bayport	2-EHA new line	2012

Stake in Sunke acquired 20 October 2014 in China

Acrylic downstream integration



Expand Arkema's acrylic downstream

- Ramp-up in Asia of Coating Resins, Coatex and Sartomer
- Capacity expansions in Brazil of Coating Resins and Coatex

Develop long-term partnerships with leading customers

- Superabsorbent production capacities increased at Carling (Fr) by Sumitomo Seika

Build a leading position in acrylics in Asia

Initial agreement (January 2014)

- 1st step: access 160,000 t/year acrylic acid for US\$240m
Closed 20 October 2014
- Option to access a total 320,000 t/year acrylic acid for an additional US\$235m
(closing initially expected in 1Q'15)
- Additional option, until early 2020, to acquire remaining third of acrylic acid capacities and hold 100% of Sunke's share capital for US\$165m

New agreement (February 2015)

- Extension **until January 2016** of the period to exercise the option to access a total of 320,000 t/year acrylic acid
- JV operated jointly by the partners and production adjusted to market conditions
(Sunke is 50% integrated in the Group's accounts)
- Financial terms of initial agreement adjusted accordingly

Maximize financial/operational flexibility

Taixing Sunke Chemicals

- Manufacturing JV created with Jurong Chemical
- Operates acrylic acid and butyl acrylate units on Taixing site in China
- High quality modern assets



Arkema's Executive Committee

Complementary skills with proven track-record



Thierry Le Hénaff

Chairman
& CEO



Marc Schuller

Industrial Specialties
Coating Solutions



Bernard Pinatel

High Performance
Materials



Thierry Lemonnier

CFO



Michel Delaborde

HR
& Communication



Bernard Boyer

Strategy



Luc Benoît-Cattin

Industry

2015 priorities

- **Integrate Bostik as a key component of Arkema Group and deliver expected profit growth**
- **Ramp up the Thiochemicals platform in Malaysia**
- **Optimize performance of Sunke in acrylics in China in current challenging market conditions**
- **Sustain growth from innovation**
 - Step up in composite materials and PEKK production
 - Leverage Chinese R&D center in Changshu
- **Implement operational excellence program**
 - Safety positioned as a top priority
 - Continue to roll out the global SAP "Ambition" program to optimize the Group supply chain
 - Further globalization of goods and services purchasing
- **First steps to restore profitability of Fluorogases**
- **New projects under review**

Integration of Bostik



Thiochemicals in Malaysia





Outlook

2015 macro-economic assumptions

- Market conditions expected to remain volatile and contrasted with different dynamics depending on geographic regions and product lines
- FX rates (mainly US\$/€) should make a positive contribution and offset low-cycle unit margins in acrylic monomers and more normalized market conditions in PMMA

Main drivers of 2015

- 11 months consolidation of Bostik
- New Thiochemicals platform in Malaysia
- Stake in Sunke in acrylics in China
- Implement actions to gradually improve fluorogases
- *In 1Q'15, still limited contribution from Thiochemicals in Malaysia and from Sunke*



- **With these drivers which will support the growth of the Group in 2015, Arkema confirms its mid- and long-term targets**

Save-the-date – Capital Markets Day
29 June 2015 – Paris (France)



Disclaimer

The information disclosed in this document may contain forward-looking statements with respect to the financial condition, results of operations, business and strategy of Arkema. Such statements are based on management's current views and assumptions that could ultimately prove inaccurate and are subject to risk factors such as among others, changes in raw material prices, currency fluctuations, implementation pace of cost-reduction projects and changes in general economic and business conditions.

Arkema does not assume any liability to update such forward-looking statements whether as a result of any new information or any unexpected event or otherwise.
Further information on factors which could affect Arkema's financial results is provided in the documents filed with the French *Autorité des marchés financiers*.

Financial information for 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006 and 2005 is extracted from the consolidated financial statements of Arkema. Quarterly financial information is not audited.

The business segment information is presented in accordance with Arkema's internal reporting system used by the management.

The definition of the main performance indicators used can be found in the reference document filed with the French *Autorité des Marchés Financiers* and available on www.finance.arkema.com