

Arkema: Third-quarter 2020 results

Strong improvement in the Group's volumes compared to the second quarter and excellent cash generation in an environment which remains uncertain.

- **Sales of €1.9 billion** (€2.2 billion in Q3'19):
 - 9% decline at constant scope and currency (-18% in Q2'20), in line with the guidance of around -10% issued end July. Negative volume effect of 4.4%
 - Rebound in the construction and decorative paints markets. Industrial markets remain well down overall, despite growth in certain niches with a high technological content such as batteries
- **EBITDA of €307 million** (€385 million in Q3'19) and **EBITDA margin of 16.1%**:
 - Moderate decline in Specialty Materials ⁽¹⁾ EBITDA, supported by Bostik's growth and the resilience of Advanced Materials' and Coating Solutions' margins
 - Marked decline in Intermediates despite the sequential improvement in PMMA
 - Continued fixed cost reduction initiatives
- **Adjusted net income of €109 million** (€166 million in Q3'19), representing €1.42 per share
- High **free cash flow at €285 million** (€218 million in Q3'19), reflecting the strict management of working capital and moderation of capital expenditure
- **Net debt** down €265 million on 30 June 2020, at **€1,869 million** including hybrid bonds (€2,470 million at 30 September 2019)
- Very successful issuance of the Group's first ever **green bond** for a total amount of **€300 million** dedicated to financing the growth project in bio-based polyamides in Singapore
- Ongoing PMMA divestment process. New bolt-on acquisitions in Adhesive Solutions with the finalization on 1 October of the acquisitions of Fixatti and Ideal Work

Following Arkema's Board of Directors' meeting, held on 4 November 2020 to review the Group's consolidated financial information for the third quarter of 2020, Chairman and CEO Thierry Le Hénaff said:

"After a second quarter marked by the development of the Covid-19 health crisis, global demand recovered in the third quarter and was supported in particular by the strong improvement of market segments linked to construction. Group volumes reflect a clear rebound compared to the previous quarter.

In a context that remains volatile and uncertain, Arkema continues to demonstrate its solidity thanks to the responsiveness and daily commitment of its teams. Specialty Materials, which now account for 83% of Group sales, showed a good level of resilience given the current environment. The Group continued to roll out its cost reduction initiatives and to strictly adapt its working capital. The high level of cash generation in the third quarter enabled us to further strengthen our balance sheet structure.

Beyond the short term, Arkema continues to implement its strategy announced on 2 April. Good progress has been made towards furthering the Group's sustainable transformation and its social commitment. In early October, Bostik acquired Ideal Work, the third external growth operation in Adhesive Solutions this year after LIP and Fixatti. Arkema issued, with a very positive response from financial markets, its first ever green bond for a total amount of €300 million dedicated to the financing of the bio-based polyamide plant in Singapore. Major advances have been made in innovative projects in mobility, in relation to batteries, lightweight materials and more recently hydrogen transportation and storage. Lastly, and we are particularly proud of this, the Group has for the first time recorded an injury rate that fell below the symbolic threshold of one accident per million hours worked over a 12-month period."

¹ Specialty Materials include the three following segments: Adhesive Solutions, Advanced Materials and Coating Solutions

KEY FIGURES FOR THIRD-QUARTER 2020

<i>(In millions of euros)</i>	Q3'20	Q3'19	YoY change
Sales	1,909	2,216	-13.9%
EBITDA	307	385	-20.3%
Specialty Materials	268	312	-14.1%
Intermediates	55	92	-40.2%
Corporate	-16	-19	
EBITDA margin	16.1%	17.4%	
Specialty Materials ⁽²⁾	16.9%	17.7%	
Intermediates ⁽²⁾	17.5%	20.6%	
Recurring depreciation and amortization	(136)	(135)	+0.7%
Recurring operating income (REBIT)	171	250	-31.6%
REBIT margin	9.0%	11.3%	
Adjusted net income	109	166	-34.3%
Adjusted net income per share (in €)	1.42	2.19	-35.2%
Free cash flow	285	218	
Net debt including hybrid bonds	1,869	2,470	

€2,331m as of 31/12/2019

THIRD-QUARTER 2020 BUSINESS PERFORMANCE

At **€1,909 million**, sales were down **13.9%** year on year. At constant scope and currency sales were down **8.9%**, which represents a clear improvement compared to the second quarter (down 18.1% in Q2'20), driven by a more favorable volumes dynamic (4.4% negative effect vs a 12.2% negative effect in Q2'20). Demand in the third quarter was supported in particular by the rebound in the construction and decorative paints markets, which started in June, growth in batteries, and a sequential improvement in the automotive sector toward the end of the quarter. However, trends in our main industrial markets remained mixed. The 4.5% negative price effect was due mainly to the impact of lower propylene prices in Coating Solutions and continued challenging market conditions in Intermediates. With the divestment of the Functional Polyolefins business at 1 June, the scope effect, which also includes the contribution of the Prochimir and LIP acquisitions in Adhesive Solutions and Lambson in Coating Solutions, was a negative 1.7%. The currency effect was a negative 3.3%, reflecting the further depreciation of the US dollar and certain emerging currencies against the euro in the third quarter. Lastly, the share of Specialty Materials sales continued to progress and they now account for 83% of total Group sales (80% in Q3'19), reflecting notably recent M&A movements.

Group **EBITDA** came in at **€307 million** (€385 million in Q3'19), mainly impacted by the decline in volumes, lower prices in Intermediates and negative scope and currency effects, partially offset by cost reduction initiatives and the lower cost of raw materials. EBITDA for Specialty Materials, down 14%, held up well in view of the context, benefitting notably from the slight growth of Adhesive Solutions compared to last year and the solid margins of Advanced Materials and Coating Solutions, all of which benefitted in particular from the rebound of the construction sector. The performance of Intermediates fell sharply, affected by continued challenging market conditions in Fluorogases and by the impact of unit margins on the PMMA business despite higher volumes. The Group's **EBITDA margin** resisted well at **16.1%**, supported by the solid performance of Specialty Materials, whose EBITDA margin held up well at around 17% ⁽²⁾.

Recurring operating income (REBIT) came to **€171 million**. This amount includes recurring depreciation and amortization of €136 million, broadly stable year on year, the favorable currency effect and the divestment of

² Excluding corporate costs allocation

the Functional Polyolefins business offsetting the impact of the start-up of production units and the integration of acquisitions. **REBIT margin** stood at **9.0%**.

Adjusted net income amounted to **€109 million**, representing **€1.42** per share. In the third quarter, excluding exceptional items, the tax rate came in at around 22% of recurring operating income.

CASH FLOW AND NET DEBT AT 30 SEPTEMBER 2020

In the continuity of the second quarter, **free cash flow** remained excellent, amounting to **€285 million**, a record high for a third quarter, versus €218 million in third-quarter 2019. It includes a €158 million cash inflow linked to the change in working capital during the quarter (compared with a €43 million cash inflow in Q3'19), reflecting continued strict management of inventories and receivables in the context of a gradual business recovery and lower raw materials costs. At 30 September 2020, the ratio of working capital to annualized quarterly sales was 13.9% (16.4% at 30 September 2019), already corresponding to the expected year-end level (13.8% at 31 December 2019).

Capital expenditure totaled €139 million over the quarter, down compared to the previous year (€148 million in Q3'19), and included €105 million recurring capex and €33 million exceptional capex, the latter relating to the polyamides project in Asia and the Nutrien project in the US for the long-term supply of anhydrous hydrogen fluoride. The Group confirms that recurring and exceptional capital expenditure are expected to total some €600 million for the full year – €100 million lower than the amount originally planned for 2020.

Net cash outflow from portfolio management operations amounted to €5 million versus €594 million in Q3'19, which mainly corresponded to the acquisition of ArrMaz.

Including hybrid bonds, **net debt** stood at **€1.87 billion** at 30 September 2020 versus €2.13 billion at 30 June 2020, and includes €14 million of interest paid on the €400 million of hybrid bonds issued in June 2019. The net debt (including hybrid bonds) to last-twelve-months EBITDA ratio remained well contained, at 1.6x.

CSR HIGHLIGHTS

Since its creation and through its Corporate Social Responsibility approach, Arkema is committed to creating sustainable value across the whole value chain, with its suppliers, partners, employees and customers.

Thus, in the context of its portfolio sustainability assessment, the Group increased to 65% the share of sales assessed at the end of September 2020, up from 44% at the end of 2019. On this new basis, the percentage of sales deemed to contribute significantly to the United Nations' Sustainable Development Goals is similar to the end-2019 level, at around 46%. The Group aims to continue increasing the percentage of assessed sales, with a view to covering 100% of the portfolio by 2024.

Through ambitious collaborative projects, Arkema is also dedicated to adopting a circular economy approach for both its operations and its products. In September, the Group became a partner of the ZEBRA (Zero waste Blade ReseArch) project driven by IRT-Jules Verne to design and produce the first 100% recyclable wind turbine blade, using Elium® resin. The 2020 Pierre Potier Prize was recently awarded to the Group for this resin, acknowledging this breakthrough innovation in the thermoplastic composites market for end-of-life wind turbine blades.

Moreover, the Group's main indicators relative to the environment are evolving positively over the first nine months of the year, in line with our long-term commitments. Thus, greenhouse gas emissions ⁽³⁾ are down around 10% versus 2019, thanks to the Group's proactive actions and, to a lesser extent, lower production volumes. Structural measures also continue to be implemented to limit volatile organic compound emissions ⁽³⁾, which decreased by more than 10% over the same period, and chemical oxygen demand ⁽³⁾, down more than 5%. The intensive indicator for net energy purchases ⁽³⁾ is broadly stable, as lower volumes impacted energy efficiency.

In addition, the Group successfully issued in October its first ever green bond for a total amount of €300 million. The bond is fully dedicated to the financing of Arkema's new world-scale plant in Singapore to manufacture 100% bio-based Rilsan® polyamide 11.

³ In absolute value for greenhouse gases and in intensity for VOC, COD and energy

The Group's strong CSR commitments were recently rewarded by the Wall Street Journal, which placed Arkema 11th - and first in the chemical sector - in its ranking of the 100 " Most Sustainably Managed Companies in the World ", thereby recognizing its ability to create value over the long term.

THIRD-QUARTER 2020 PERFORMANCE BY SEGMENT

ADHESIVE SOLUTIONS (27% OF TOTAL GROUP SALES)

<i>(In millions of euros)</i>	Q3'20	Q3'19	YoY change
Sales	516	522	-1.1%
EBITDA	73	71	+2.8%
EBITDA margin	14.1%	13.6%	
Recurring operating income (REBIT)	57	57	-
REBIT margin	11.0%	10.9%	

After a temporary drop during the second quarter, sales for the Adhesive Solutions segment totaled **€516 million** (€522 million in Q3'19), returning to the prior year level at constant scope and currency. The volume effect (a negative 0.3%, versus a negative 13.2% in the second quarter 2020) confirms the strong recovery of the construction market which began in June, especially in Europe and the United States. Industrial sectors remained more challenging however, and the packaging and hygiene markets normalized after a very good start of the year. The price effect was limited at a positive 0.4%. The 2.5% positive scope effect corresponds to the integration of LIP and Prochimir. Finally, the currency effect was a negative 3.7%.

EBITDA for the segment totaled **€73 million**, up around 3% year on year despite the negative currency effect. In addition to the contribution of the LIP and Prochimir acquisitions, EBITDA benefitted from the very good performance in the construction and DIY markets and the control of fixed costs. **EBITDA margin** stood at **14.1%**, up 50 bps on third-quarter 2019. This performance confirms Adhesive Solutions' resilience in a challenging macro-economic environment, as well as the segment's operational progress.

ADVANCED MATERIALS (31.5% OF TOTAL GROUP SALES)

<i>(In millions of euros)</i>	Q3'20	Q3'19	YoY change
Sales	603	708	-14.8%
EBITDA	127	159	-20.1%
EBITDA margin	21.1%	22.5%	
Recurring operating income (REBIT)	66	100	-34.0%
REBIT margin	10.9%	14.1%	

Sales for the Advanced Materials segment were down 14.8% to **€603 million**, mainly impacted by the decline in volumes (-12.6%) linked to the Covid-19 crisis. In High Performance Polymers, growth in batteries was strong, reflecting innovation in the segment, but was overshadowed by a sharp decline in overall demand in industrial sectors, consumer goods, and oil and gas. The latter also weighed on volumes in Performance Additives, which were nevertheless supported by the robust performance of certain markets, such as crop nutrition or medical applications. The 0.8% positive price effect mainly reflects a favorable product mix, while the currency effect was a negative 3.0%.

At **€127 million**, the segment's **EBITDA** was 20% lower than last year, primarily reflecting the drop in volumes, notably for High Performance Polymers, and the negative currency effect, which were partly offset by lower fixed costs. In this context, **EBITDA margin** of **21.1%** remained at a high level (22.5% in Q3'19).

COATING SOLUTIONS (24.5% OF TOTAL GROUP SALES)

<i>(In millions of euros)</i>	Q3'20	Q3'19	YoY change
Sales	469	532	-11.8%
EBITDA	68	82	-17.1%
EBITDA margin	14.5%	15.4%	
Recurring operating income (REBIT)	39	53	-26.4%
REBIT margin	8.3%	10.0%	

At **€469 million, sales** for the Coating Solutions segment were down 11.8% year on year, reflecting an 11.3% negative price effect, primarily linked to lower propylene prices. Volumes were up 2.1%, driven mainly by growth in the decorative paints market, while demand in the other markets remained broadly lower relative to last year. The currency effect was a negative 3.4%, and the scope effect a positive 0.8%, linked to the integration of Lambson.

At **€68 million**, the segment's **EBITDA** was 17.1% lower than last year. The decline was concentrated in acrylic activities which are not integrated downstream, amid challenging market conditions since the pandemic started. However, the performance of the other activities is on a par with last year's level, supported by good volumes in decorative paints. **EBITDA margin** held up well, coming in at **14.5%** (15.4% in Q3'19), benefitting notably from cost reduction initiatives and synergies between the different product lines within this segment.

INTERMEDIATES (17% OF TOTAL GROUP SALES)

<i>(In millions of euros)</i>	Q3'20	Q3'19	YoY change
Sales	315	447	-29.5%
EBITDA	55	92	-40.2%
EBITDA margin	17.5%	20.6%	
Recurring operating income (REBIT)	27	61	-55.7%
REBIT margin	8.6%	13.6%	

Sales for the Intermediates segment fell 29.5% year on year to **€315 million**, including a negative scope effect of 12.2% corresponding to the divestment of the Functional Polyolefins business finalized on 1 June 2020. The price effect was a negative 10.5%, reflecting unfavorable market conditions in Fluorogases in Europe and Asia, and in acrylics in China. Volumes declined by a modest 3.8%, as the strong slowdown observed in Fluorogases was partly offset by higher demand in PMMA, driven notably by the gradual improvement in the automotive sector and sustained momentum in the niche market for protective barriers. The currency effect was a negative 3.0%.

In the unfavorable context linked to the pandemic, **EBITDA** for the Intermediates segment came in at **€55 million**, considerably lower than in third-quarter 2019, despite the sequential improvement in PMMA. EBITDA margin contracted to 17.5%.

SUBSEQUENT EVENTS

On 1 October 2020, Arkema finalized the acquisition of Fixatti, a company specialized in high-performance thermobonding adhesive powders with annual sales of around €55 million. This acquisition will enable Bostik to strengthen its global offering of hotmelt adhesive solutions for niche industrial applications in the construction, technical coating, battery, automotive, and textile printing markets.

Also on 1 October 2020, Arkema completed the acquisition of Ideal Work, a company specialized in high-end decorative flooring technologies with annual sales of around €10 million. Ideal Work will allow Bostik to expand its offering in flooring solutions and position itself in a high-added value niche market in flooring renovation and decoration.

These two acquisitions are part of the Group's strategy to supplement organic growth in the Adhesive Solutions segment through targeted acquisitions, in line with Arkema's roadmap to become a pure player in Specialty Materials by 2024, focused on Adhesive Solutions, Advanced Materials and Coating Solutions.

Moreover, on 14 October 2020, Arkema issued its first ever green bond for a total amount of €300 million maturing on 14 October 2026 and with an annual coupon of 0.125%. Fully in line with the Group's CSR policy, this green bond is entirely dedicated to the financing of Arkema's new world-scale plant in Singapore to manufacture 100% bio-based Rilsan® polyamide 11.

Lastly, Arkema led the Series B investment in Adaptive3D, an innovative company specialized in the supply of premium additive manufacturing photopolymer resins, dedicated to the consumer goods, healthcare, industrial, transportation, and oil & gas markets. This investment will complement Sartomer's expertise in UV liquid resin material design and its commitment to accelerate the development of 3D printing manufacturing technology.

OUTLOOK

The fourth quarter is marked by a second wave of Covid-19 in many countries, especially in Europe, which could weigh on global demand. In this uncertain environment, Arkema estimates at this stage that activity levels should nevertheless be in the continuity of those of the third quarter, excluding a significant impact on the global economy linked to the new sanitary restrictions. Fourth-quarter sales could therefore decline by around 7% year on year at constant scope and currency, reflecting a solid performance of the construction market for Bostik and Coating Solutions, a sequential improvement for High Performance Polymers, but a continued marked decline in Intermediates.

Arkema will therefore continue to focus its efforts on the elements that are within its control, notably cost reduction initiatives and the strict management of working capital and capital expenditure.

The Group will also continue to implement its long-term strategy, notably its major industrial projects, targeted acquisitions and innovation initiatives in Specialty Materials to meet its customers' sustainable developments opportunities, as well as its strategic review for Intermediates, in line with its ambition to become a pure player in Specialty Materials by 2024.

Further details concerning the Group's third-quarter 2020 results are provided in the "Third-quarter 2020 results" presentation and the Factsheet, both available on Arkema's website at www.arkema.com/en/investor-relations

FINANCIAL CALENDAR

25 February 2021 Publication of full-year 2020 results

*Building on its unique set of expertise in materials science, **Arkema** offers a world-leading technology portfolio to address ever-growing demand for new and sustainable materials. With the ambition to become in 2024 a pure player in Specialty Materials, the Group is structured into three complementary, resilient and highly innovative segments dedicated to Specialty Materials – Adhesive Solutions, Advanced Materials and Coating Solutions – accounting for some 80% of Group sales, and a well-positioned and competitive Intermediates segment. Arkema offers cutting-edge technological solutions to meet the challenges of, inter alia, new energies, access to water, recycling, urbanization and mobility, and fosters a permanent dialogue with all its stakeholders. The Group reported sales of €8.7 billion in 2019, and operates in some 55 countries with 20,500 employees worldwide. www.arkema.com*

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DISCLAIMER

The information disclosed in this press release may contain forward-looking statements with respect to the financial position, results of operations, business and strategy of Arkema.

In the current context, where the Covid-19 epidemic continues to spread across the world, and the evolution of the situation as well as the magnitude of its impacts on the global economy are highly uncertain, the retained assumptions and forward-looking statements could ultimately prove inaccurate.

Such statements are based on management's current views and assumptions that could ultimately prove inaccurate and are subject to risk factors such as (but not limited to) changes in raw materials prices, currency fluctuations, the pace at which cost-reduction projects are implemented, developments in the Covid-19 situation, and changes in general economic and financial 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.

Balance sheet, income statement and cash flow statement data, as well as data relating to the statement of changes in shareholders' equity and information by segment included in this press release are extracted from the consolidated financial information at 30 September 2020 reviewed by Arkema's Board of Directors on 4 November 2020. Quarterly financial information is not audited.

Information by segment is presented in accordance with Arkema's internal reporting system used by management.

Details of the main alternative performance indicators used by the Group are provided in the tables appended to this press release. For the purpose of analyzing its results and defining its targets, the Group also uses EBITDA margin, which corresponds to EBITDA expressed as a percentage of sales, EBITDA equaling recurring operating income (REBIT) plus recurring depreciation and amortization of tangible and intangible assets, as well as REBIT margin, which corresponds to recurring operating income (REBIT) expressed as a percentage of sales.

For the purpose of tracking changes in its results, and particularly its sales figures, the Group analyzes the following effects (unaudited analyses):

- **scope effect:** the impact of changes in the Group's scope of consolidation, which arise from acquisitions and divestments of entire businesses or as a result of the first-time consolidation or deconsolidation of entities. Increases or reductions in capacity are not included in the scope effect;
- **currency effect:** the mechanical impact of consolidating accounts denominated in currencies other than the euro at different exchange rates from one period to another. The currency effect is calculated by applying the foreign exchange rates of the prior period to the figures for the period under review;
- **price effect:** the impact of changes in average selling prices is estimated by comparing the weighted average net unit selling price of a range of related products in the period under review with their weighted average net unit selling price in the prior period, multiplied, in both cases, by the volumes sold in the period under review;
- **volume effect:** the impact of changes in volumes is estimated by comparing the quantities delivered in the period under review with the quantities delivered in the prior period, multiplied, in both cases, by the weighted average net unit selling price in the prior period.

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ARKEMA Financial Statements

Consolidated financial information - At the end of September 2020

Consolidated financial statements as of December 2019 have been audited.

CONSOLIDATED INCOME STATEMENT

3rd quarter 2020 End of September 2020 3rd quarter 2019 End of September 2019

(In millions of euros)

Sales	1,909	5,899	2,216	6,685
Operating expenses	(1,518)	(4,729)	(1,721)	(5,177)
Research and development expenses	(57)	(177)	(61)	(184)
Selling and administrative expenses	(177)	(561)	(193)	(577)
Other income and expenses	(9)	84	(24)	(47)
Operating income	148	516	217	700
Equity in income of affiliates	0	(1)	(1)	(2)
Financial result	(23)	(68)	(29)	(89)
Income taxes	(32)	(156)	(40)	(135)
Net income	93	291	147	474
Of which non-controlling interests	1	2	2	6
Net income - Group share	92	289	145	468
<i>Earnings per share (amount in euros)</i>	<i>1.02</i>	<i>3.60</i>	<i>1.91</i>	<i>5.66</i>
<i>Diluted earnings per share (amount in euros)</i>	<i>1.02</i>	<i>3.59</i>	<i>1.90</i>	<i>5.63</i>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

3rd quarter 2020 End of September 2020 3rd quarter 2019 End of September 2019

(In millions of euros)

Net income	93	291	147	474
Hedging adjustments	17	25	(5)	(6)
Other items	-	-	(1)	-
Deferred taxes on hedging adjustments and other items	(3)	(3)	-	-
Change in translation adjustments	(92)	(128)	61	75
Other recyclable comprehensive income	(78)	(106)	55	69
Actuarial gains and losses	(12)	(50)	(29)	(62)
Deferred taxes on actuarial gains and losses	2	12	6	11
Other non-recyclable comprehensive income	(10)	(38)	(23)	(51)
Total income and expenses recognized directly in equity	(88)	(144)	32	18
Comprehensive income	5	147	179	492
Of which: non-controlling interest	-	1	3	7
Comprehensive income - Group share	5	146	176	485

INFORMATION BY SEGMENT

3rd quarter 2020

(In millions of euros)

	Adhesive Solutions	Advanced Materials	Coating Solutions	Intermediates	Corporate	Total
Total sales	516	603	469	315	6	1,909
EBITDA	73	127	68	55	(16)	307
Recurring depreciation and amortization of tangible and intangible assets	(16)	(61)	(29)	(28)	(2)	(136)
Recurring operating income (REBIT)	57	66	39	27	(18)	171
Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(8)	(4)	(2)	-	-	(14)
Other income and expenses	(7)	(2)	-	(1)	1	(9)
Operating income	42	60	37	26	(17)	148
Equity in income of affiliates	-	1	-	(1)	-	0
Intangible assets and property, plant and equipment additions	18	64	19	34	4	139
Of which recurring capital expenditure	18	47	18	18	4	105

3rd quarter 2019 *

(In millions of euros)

	Adhesive Solutions	Advanced Materials	Coating Solutions	Intermediates	Corporate	Total
Total sales	522	708	532	447	7	2,216
EBITDA	71	159	82	92	(19)	385
Recurring depreciation and amortization of tangible and intangible assets	(14)	(59)	(29)	(31)	(2)	(135)
Recurring operating income (REBIT)	57	100	53	61	(21)	250
Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(9)	-	0	-	-	(9)
Other income and expenses	(6)	(18)	(0)	(0)	(0)	(24)
Operating income	42	82	53	61	(21)	217
Equity in income of affiliates	-	(1)	-	0	-	(1)
Intangible assets and property, plant and equipment additions	17	68	30	27	6	148
Of which recurring capital expenditure	17	39	29	27	6	118

* 2019 figures have been restated in accordance with the new reporting structure announced by the Group on April 2, 2020.

INFORMATION BY SEGMENT

End of September 2020

(In millions of euros)

	Adhesive Solutions	Advanced Materials	Coating Solutions	Intermediates	Corporate	Total
Total sales	1,484	1,883	1,422	1,091	19	5,899
EBITDA	192	373	192	189	(53)	893
Recurring depreciation and amortization of tangible and intangible assets	(46)	(185)	(89)	(92)	(6)	(418)
Recurring operating income (REBIT)	146	188	103	97	(59)	475
Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(26)	(12)	(5)	-	-	(43)
Other income and expenses	(36)	(20)	(3)	183	(40)	84
Operating income	84	156	95	280	(99)	516
Equity in income of affiliates	-	(1)	-	0	-	(1)
Intangible assets and property, plant and equipment additions	52	147	48	96	11	354
Of which recurring capital expenditure	52	102	46	51	11	262

End of September 2019 *

(In millions of euros)

	Adhesive Solutions	Advanced Materials	Coating Solutions	Intermediates	Corporate	Total
Total sales	1,555	2,030	1,671	1,408	21	6,685
EBITDA	204	452	252	322	(68)	1,162
Recurring depreciation and amortization of tangible and intangible assets	(44)	(168)	(83)	(87)	(5)	(387)
Recurring operating income (REBIT)	160	284	169	235	(73)	775
Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(26)	-	(2)	-	-	(28)
Other income and expenses	(11)	(29)	(1)	(3)	(3)	(47)
Operating income	123	255	166	232	(76)	700
Equity in income of affiliates	-	(4)	-	2	-	(2)
Intangible assets and property, plant and equipment additions	38	202	76	54	11	381
Of which recurring capital expenditure	38	127	75	54	11	305

* 2019 figures have been restated in accordance with the new reporting structure announced by the Group on April 2, 2020.

CONSOLIDATED CASH FLOW STATEMENT

End of September 2020 End of September 2019

(In millions of euros)

Cash flow - operating activities

Net income	291	474
Depreciation, amortization and impairment of assets	576	469
Other provisions and deferred taxes	42	(14)
(Gains)/losses on sales of long-term assets	(247)	(6)
Undistributed affiliate equity earnings	1	5
Change in working capital	133	(116)
Other changes	21	17

Cash flow from operating activities	817	829
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Cash flow - investing activities

Intangible assets and property, plant, and equipment additions	(354)	(381)
Change in fixed asset payables	(54)	(81)
Acquisitions of operations, net of cash acquired	(94)	(606)
Increase in long-term loans	(26)	(28)

Total expenditures	(528)	(1,096)
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Proceeds from sale of intangible assets and property, plant and equipment	3	8
Proceeds from sale of businesses, net of cash transferred	327	-
Repayment of long-term loans	58	21

Total divestitures	388	29
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Cash flow from investing activities	(140)	(1,067)
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Cash flow - financing activities

Issuance (repayment) of shares and other equity	7	3
Purchase of treasury shares	(21)	(30)
Issuance of hybrid bonds	299	399
Redemption of hybrid bonds	-	(425)
Dividends paid to parent company shareholders	(168)	(190)
Interest paid to bearers of subordinated perpetual notes	(14)	(12)
Dividends paid to non-controlling interests	(2)	(1)
Increase in long-term debt	3	2
Decrease in long-term debt	(58)	(531)
Increase/ decrease in short-term borrowings	(531)	477

Cash flow from financing activities	(485)	(308)
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Net increase/(decrease) in cash and cash equivalents	192	(546)
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Effect of exchange rates and changes in scope	48	(42)
Cash and cash equivalents at beginning of period	1,407	1,441

Cash and cash equivalents at end of period	1,647	853
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CONSOLIDATED BALANCE SHEET

End of September 2020 **End of December 2019**

(In millions of euros)

ASSETS	<u>End of September 2020</u>	<u>End of December 2019</u>
Intangible assets, net	3,314	3,392
Property, plant and equipment, net	2,882	3,026
Equity affiliates: investments and loans	31	33
Other investments	57	53
Deferred tax assets	162	216
Other non-current assets	210	240
TOTAL NON-CURRENT ASSETS	6,656	6,960
Inventories	955	1,014
Accounts receivable	1,137	1,204
Other receivables and prepaid expenses	172	184
Income tax receivables	92	113
Other current financial assets	35	17
Cash and cash equivalents	1,647	1,407
Assets held for sale	-	78
TOTAL CURRENT ASSETS	4,038	4,017
TOTAL ASSETS	10,694	10,977
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	767	766
Paid-in surplus and retained earnings	4,437	4,340
Treasury shares	(29)	(11)
Translation adjustments	51	178
SHAREHOLDERS' EQUITY - GROUP SHARE	5,226	5,273
Non-controlling interests	51	51
TOTAL SHAREHOLDERS' EQUITY	5,277	5,324
Deferred tax liabilities	333	334
Provisions for pensions and other employee benefits	560	525
Other provisions and non-current liabilities	378	391
Non-current debt	2,372	2,377
TOTAL NON-CURRENT LIABILITIES	3,643	3,627
Accounts payable	833	905
Other creditors and accrued liabilities	380	366
Income tax payables	99	80
Other current financial liabilities	18	8
Current debt	444	661
Liabilities related to assets held for sale	-	6
TOTAL CURRENT LIABILITIES	1,774	2,026
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	10,694	10,977

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

<i>(In millions of euros)</i>	Shares issued			Paid-in surplus	Hybrid bonds	Retained earnings	Translation adjustments	Treasury shares		Shareholders' equity - Group share	Non-controlling interests	Shareholders' equity
	Number	Amount	Number					Amount				
At January 1, 2020	76,624,220	766	1,266	694	2,380	178	(131,028)	(11)	5,273	51	5,324	
Cash dividend	-	-	-	-	(182)	-	-	-	(182)	(2)	(184)	
Issuance of share capital	112,256	1	6	-	-	-	-	-	7	-	7	
Purchase of treasury shares	-	-	-	-	-	-	(280,000)	(21)	(21)	-	(21)	
Grants of treasury shares to employees	-	-	-	-	(3)	-	33,124	3	0	-	0	
Share-based payments	-	-	-	-	18	-	-	-	18	-	18	
Issuance of hybrid bonds	-	-	-	300	(1)	-	-	-	299	-	299	
Redemption of hybrid bonds*	-	-	-	(300)	-	-	-	-	(300)	-	(300)	
Other	-	-	-	6	(20)	-	-	-	(14)	1	(13)	
Transactions with shareholders	112,256	1	6	6	(188)	-	(246,876)	(18)	(193)	(1)	(194)	
Net income	-	-	-	-	289	-	-	-	289	2	291	
Total income and expense recognized directly through equity	-	-	-	-	(16)	(127)	-	-	(143)	(1)	(144)	
Comprehensive income	-	-	-	-	273	(127)	-	-	146	1	147	
At September 30, 2020	76,736,476	767	1,272	700	2,465	51	(377,904)	(29)	5,226	51	5,277	

* reclassification to current debt 300 M€

ALTERNATIVE PERFORMANCE INDICATORS

To monitor and analyse the financial performance of the Group and its activities, the Group management uses alternative performance indicators. These are financial indicators that are not defined by the IFRS. This note presents a reconciliation of these indicators and the aggregates from the consolidated financial statements under IFRS.

RECURRING OPERATING INCOME (REBIT) AND EBITDA

<i>(In millions of euros)</i>	End of September 2020	End of September 2019	3 rd quarter 2020	3 rd quarter 2019
OPERATING INCOME	516	700	148	217
- Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(43)	(28)	(14)	(9)
- Other income and expenses	84	(47)	(9)	(24)
RECURRING OPERATING INCOME (REBIT)	475	775	171	250
- Recurring depreciation and amortization of tangible and intangible assets	(418)	(387)	(136)	(135)
EBITDA	893	1 162	307	385

Details of depreciation and amortization of tangible and intangible assets:

<i>(In millions of euros)</i>	End of September 2020	End of September 2019	3 rd quarter 2020	3 rd quarter 2019
Depreciation and amortization of tangible and intangible assets	(576)	(469)	(154)	(153)
Of which: Recurring depreciation and amortization of tangible and intangible assets	(418)	(387)	(136)	(135)
Of which: Depreciation and amortization related to the revaluation of assets as part of the allocation of the purchase price of businesses	(43)	(28)	(14)	(9)
Of which: Impairment included in other income and expenses	(115)	(54)	(4)	(9)

ADJUSTED NET INCOME AND ADJUSTED EARNINGS PER SHARE

<i>(In millions of euros)</i>	End of September 2020	End of September 2019	3 rd quarter 2020	3 rd quarter 2019
NET INCOME - GROUP SHARE	289	468	92	145
- Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(43)	(28)	(14)	(9)
- Other income and expenses	84	(47)	(9)	(24)
- Other income and expenses - Non-controlling interests	-	-	-	-
- Taxes on depreciation and amortization related to the revaluation of assets as part of the allocation of the purchase price of businesses	10	7	3	2
- Taxes on other income and expenses	(61)	13	3	10
- One-time tax effects	-	-	-	-
ADJUSTED NET INCOME	299	523	109	166
- Weighted average number of ordinary shares	76,424,364	76,156,547		
- Weighted average number of potential ordinary shares	76,690,590	76,613,410		
ADJUSTED EARNINGS PER SHARE (€)	3.91	6.87	1.42	2.19
DILUTED ADJUSTED EARNINGS PER SHARE (€)	3.90	6.83	1.42	2.17

RECURRING CAPITAL EXPENDITURE

<i>(In millions of euros)</i>	End of September 2020	End of September 2019	3 rd quarter 2020	3 rd quarter 2019
INTANGIBLE ASSETS AND PROPERTY, PLANT, AND EQUIPMENT ADDITIONS	354	381	139	148
- Exceptional capital expenditure	90	68	33	30
- Investments relating to portfolio management operations	-	-	-	-
- Capital expenditure with no impact on net debt	2	8	1	0
RECURRING CAPITAL EXPENDITURE	262	305	105	118

FREE CASH FLOW

<i>(In millions of euros)</i>	End of September 2020	End of September 2019	3 rd quarter 2020	3 rd quarter 2019
Cash flow from operating activities	817	829	401	345
+ Cash flow from investing activities	(140)	(1,067)	(121)	(721)
NET CASH FLOW	677	(238)	280	(376)
- Net cash flow from portfolio management operations	142	(619)	(5)	(594)
FREE CASH FLOW	535	381	285	218

The net cash flow from portfolio management operations corresponds to the impact of acquisition and divestment operations. In 2020, a tax rate of 32% was applied to the capital gain related to the Functional Polyolefins business divestment.

WORKING CAPITAL

<i>(In millions of euros)</i>	<u>End of September 2020</u>	<u>End of December 2019</u>
Inventories	955	1,014
+ Accounts receivable	1,137	1,204
+ Other receivables including income taxes	264	297
+ Other current financial assets	35	17
- Accounts payable	833	905
- Other liabilities including income taxes	479	446
- Other current financial liabilities	18	8
WORKING CAPITAL	1,061	1,173

CAPITAL EMPLOYED

<i>(In millions of euros)</i>	<u>End of September 2020</u>	<u>End of December 2019</u>
<i>Goodwill, net</i>	1,845	1,917
+ Intangible assets (excluding goodwill), and property, plant and equipment, net	4,351	4,501
+ Investments in equity affiliates	31	33
+ Other investments and other non-current assets	267	293
+ Working capital	1,061	1,173
CAPITAL EMPLOYED	7,555	7,917

NET DEBT

<i>(In millions of euros)</i>	<u>End of September 2020</u>	<u>End of December 2019</u>
Non-current debt	2,372	2,377
+ Current debt	444	661
- Cash and cash equivalents	1,647	1,407
NET DEBT	1,169	1,631
+ Hybrid bonds	700	700
NET DEBT AND HYBRID BONDS	1,869	2,331