

Investor and analyst factsheet

<i>In millions of euros</i>	Q3'20	Q3'19	Change	9m'20	9m'19	Change
Sales	1,909	2,216	-13.9%	5,899	6,685	-11.8%
Prices	-4.5%			-5.2%		
Volumes	-4.4%			-7.2%		
Currency	-3.3%			-1.0%		
Scope	-1.7%			+1.6%		
EBITDA	307	385	-20.3%	893	1,162	-23.1%
Adhesive Solutions	73	71	+2.8%	192	204	-5.9%
Advanced Materials	127	159	-20.1%	373	452	-17.5%
Coating Solutions	68	82	-17.1%	192	252	-23.8%
Intermediates	55	92	-40.2%	189	322	-41.3%
Corporate	-16	-19		-53	-68	
EBITDA margin	16.1%	17.4%		15.1%	17.4%	
Recurring depreciation and amortization	-136	-135		-418	-387	
Recurring EBIT	171	250	-31.6%	475	775	-38.7%
REBIT margin	9.0%	11.3%		8.1%	11.6%	
PPA depreciation and amortization	-14	-9		-43	-28	
Non-recurring items	-9	-24		84	-47	
Equity in income of affiliates	0	-1		-1	-2	
Financial result	-23	-29	-20.7%	-68	-89	-23.6%
Income taxes	-32	-40	-20.0%	-156	-135	+15.6%
Net income - Group share	92	145	-36.6%	289	468	-38.2%
Adjusted net income	109	166	-34.3%	299	523	-42.8%
Adjusted EPS (€)	1.42	2.19	-35.2%	3.91	6.87	-43.1%
Weighted average number of ordinary shares	76,424,364	76,156,547		76,424,364	76,156,547	
Recurring capital expenditure	105	118	-11.0%	262	305	-14.1%
Exceptional capital expenditure	33	30		90	68	
Working capital (12/31 for prior year)				1,061	1,173	
Net debt incl hybrid bonds (12/31 for prior year)				1,869	2,331	

STRONG SEQUENTIAL VOLUMES IMPROVEMENT AND EXCELLENT CASH GENERATION

- **€1,909m sales**, down 13.9% YoY, and down 9% YoY at constant scope and currency, in line with the guidance of around -10% issued end July
 - (4.4)% volumes
 - More favorable dynamic vs Q2'20 (-12.2% YoY)
 - Rebound in construction and decorative paints
 - Growth in batteries and gradual improvement in automotive
 - Industrial markets remained mixed
 - (4.5)% prices
 - Impact of lower propylene prices in Coating Solutions
 - Continued challenging market conditions in Intermediates
 - (1.7)% scope
 - Divestment of the Functional Polyolefins business on 1 June 2020
 - Positive contribution of Prochimir, LIP and Lambson acquisitions
 - (3.3)% currency
 - Further depreciation of the US dollar and certain emerging currencies against euro
- **€307m EBITDA** and **16.1% EBITDA margin**
 - Moderate decline in Specialty Materials EBITDA ⁽¹⁾, 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

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

Q3'20 PERFORMANCE BY SEGMENT

<i>In millions of euros</i>	Q3'20	Q3'19	Change	Prices	Volumes	Currency	Scope
Sales	1,909	2,216	-13.9%	-4.5%	-4.4%	-3.3%	-1.7%
Adhesive Solutions	516	522	-1.1%	+0.4%	-0.3%	-3.7%	+2.5%
Advanced Materials	603	708	-14.8%	+0.8%	-12.6%	-3.0%	-
Coating Solutions	469	532	-11.8%	-11.3%	+2.1%	-3.4%	+0.8%
Intermediates	315	447	-29.5%	-10.5%	-3.8%	-3.0%	-12.2%
EBITDA	307	385	-20.3%				
Adhesive Solutions	73	71	+2.8%				
Advanced Materials	127	159	-20.1%				
Coating Solutions	68	82	-17.1%				
Intermediates	55	92	-40.2%				
Corporate	-16	-19					
EBITDA margin	16.1%	17.4%					
Adhesive Solutions	14.1%	13.6%					
Advanced Materials	21.1%	22.5%					
Coating Solutions	14.5%	15.4%					
Intermediates	17.5%	20.6%					
Recurring EBIT	171	250	-31.6%				
Adhesive Solutions	57	57	-				
Advanced Materials	66	100	-34.0%				
Coating Solutions	39	53	-26.4%				
Intermediates	27	61	-55.7%				
Corporate	-18	-21					

9m'20 PERFORMANCE BY SEGMENT

<i>In millions of euros</i>	9m'20	9m'19	Change	Prices	Volumes	Currency	Scope
Sales	5,899	6,685	-11.8%	-5.2%	-7.2%	-1.0%	+1.6%
Adhesive Solutions	1,484	1,555	-4.6%	-	-5.6%	-1.7%	+2.7%
Advanced Materials	1,883	2,030	-7.2%	-0.9%	-11.3%	-0.8%	+5.8%
Coating Solutions	1,422	1,671	-14.9%	-9.7%	-5.7%	-0.7%	+1.2%
Intermediates	1,091	1,408	-22.5%	-11.7%	-4.8%	-0.6%	-5.4%
EBITDA	893	1,162	-23.1%				
Adhesive Solutions	192	204	-5.9%				
Advanced Materials	373	452	-17.5%				
Coating Solutions	192	252	-23.8%				
Intermediates	189	322	-41.3%				
Corporate	-53	-68					
EBITDA margin	15.1%	17.4%					
Adhesive Solutions	12.9%	13.1%					
Advanced Materials	19.8%	22.3%					
Coating Solutions	13.5%	15.1%					
Intermediates	17.3%	22.9%					
Recurring EBIT	475	775	-38.7%				
Adhesive Solutions	146	160	-8.8%				
Advanced Materials	188	284	-33.8%				
Coating Solutions	103	169	-39.1%				
Intermediates	97	235	-58.7%				
Corporate	-59	-73					

Q3'20 PERFORMANCE BY SEGMENT

ADHESIVE SOLUTIONS (27% OF GROUP SALES)

- **€516m sales**, down 1.1% YoY
 - Sales back to prior year level at constant scope and currency, after the temporary drop in Q2'20
 - Volumes down 0.3% confirming strong recovery of construction, while industrial sectors remained challenging, and packaging and hygiene normalized
 - Scope effect of +2.5% corresponding to LIP and Prochimir integration
- **€73m EBITDA and 14.1% EBITDA margin**
 - EBITDA up ~3% YoY reflecting LIP and Prochimir contribution, very good performance in construction and DIY markets, and fixed costs control
 - EBITDA margin +50 bps YoY, confirming Adhesive Solutions' resilience in a challenging macro-economic environment and operational progress

ADVANCED MATERIALS (31.5% OF GROUP SALES)

- **€603m sales**, down 14.8% YoY
 - Decline in volumes (-12.6%) linked to the Covid-19 crisis
 - In High Performance Polymers, strong growth in batteries overshadowed by sharp decline in industrial sectors, consumer goods and oil & gas
 - Performance Additives volumes down in oil & gas, partly offset by robust performance of certain markets like crop nutrition or medical applications
 - Price effect of +0.8% mainly reflecting favorable product mix
- **€127m EBITDA and 21.1% EBITDA margin**
 - EBITDA down 20% YoY, primarily reflecting the drop in volumes, notably for High Performance Polymers, and negative FX, partly offset by lower fixed costs
 - EBITDA margin remained at a high level

COATING SOLUTIONS (24.5% OF GROUP SALES)

- **€469m sales**, down 11.8% YoY
 - Price effect of -11.3% primarily linked to lower propylene prices
 - Volumes up 2.1% driven by decorative paints, while demand in other markets remained broadly lower versus last year
- **€68m EBITDA and 14.5% EBITDA margin**
 - EBITDA down 17.1% YoY
 - Decline concentrated in acrylic activities not integrated downstream, amid challenging market conditions since the pandemic started
 - Performance of the other activities on a par with last year's level, supported by good volumes in decorative paints
 - EBITDA margin holding up well, benefitting notably from cost reduction initiatives and synergies between product lines within the segment

INTERMEDIATES (17% OF GROUP SALES)

- **€315m sales**, down 29.5% YoY
 - -12.2% scope effect corresponding to the divestment of the Functional Polyolefins business, finalized on 1 June 2020
 - Price effect of -10.5% reflecting unfavorable market conditions in Fluorogases in EU and Asia, and in acrylics in China
 - Modest volumes decline of 3.8%
 - Strong slowdown in Fluorogases
 - Higher demand in PMMA, driven notably by the gradual improvement in automotive and sustained momentum in the niche market for protective barriers
- **€55m EBITDA and 17.5% EBITDA margin**
 - Considerably lower than Q3'19 in the unfavorable context linked to the pandemic
 - Sequential improvement in PMMA

CASH FLOW

<i>In millions of euros</i>	Q3'19	Q3'20	Comments
EBITDA	385	307	
Current taxes	(48)	(31)	Tax rate Q3'20: ~22% of REBIT (excl. exceptional items)
Cost of debt	(24)	(19)	
Change in working capital and fixed asset payables ⁽¹⁾	59	160	Strict working capital management 13.9% working capital on annualized quarterly sales (16.4% end of September 2019)
Recurring capital expenditure	(118)	(105)	
Exceptional capital expenditure	(30)	(33)	2020e capex (recurring + exceptional) at ~€600m
Non recurring and others	(6)	6	
Free cash flow	218	285	
Impact of portfolio management	(594)	(5)	Mainly corresponding to ArrMaz acquisition in 2019
Net cash flow	(376)	280	

1. Excluding non-recurring items and impact of portfolio management

NET DEBT

- **€1,869m** net debt (incl. hybrid bonds)
 - Down €265m compared to 30 June 2020
 - €14m of interest paid on the €400m of hybrid bonds issued in June 2019
 - **1.6x** EBITDA of last 12 months

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.