

Investor and analyst factsheet

<i>In millions of euros</i>	Q4'20	Q4'19	Change	2020	2019	Change
Sales	1,985	2,053	-3.3%	7,884	8,738	-9.8%
Prices	-3.1%			-4.7%		
Volumes	+5.2%			-4.3%		
Currency	-4.1%			-1.7%		
Scope	-1.3%			+0.9%		
EBITDA	289	295	-2.0%	1,182	1,457	-18.9%
Adhesive Solutions	69	60	+15.0%	261	264	-1.1%
Advanced Materials	123	132	-6.8%	496	584	-15.1%
Coating Solutions	69	58	+19.0%	261	310	-15.8%
Intermediates	42	59	-28.8%	231	381	-39.4%
Corporate	-14	-14		-67	-82	
EBITDA margin	14.6%	14.4%		15.0%	16.7%	
Recurring depreciation and amortization	-145	-144		-563	-531	
Recurring EBIT	144	151	-4.6%	619	926	-33.2%
REBIT margin	7.3%	7.4%		7.9%	10.6%	
PPA depreciation and amortization	-14	-19		-57	-47	
Non-recurring items	-46	-26		38	-73	
Equity in income of affiliates	-1	0		-2	-2	
Financial result	-17	-27	-37.0%	-85	-116	-26.7%
Income taxes	-22	-2		-178	-137	+29.9%
Net income - Group share	43	75	-42.7%	332	543	-38.9%
Adjusted net income	92	102	-9.8%	391	625	-37.4%
Adjusted EPS (€)	1.20	1.33	-9.8%	5.11	8.20	-37.7%
Weighted average number of ordinary shares	76,457,875	76,175,660		76,457,875	76,175,660	
Recurring capital expenditure	198	206	-3.9%	460	511	-10.0%
Exceptional capital expenditure	50	28		140	96	
Working capital (12/31 for prior year)				875	1,173	
Net debt incl hybrid bonds				1,910	2,331	

Q4'20 GROUP PERFORMANCE

- **€1,985 m sales**, up 2.1% at constant scope and currency
 - +5.2% volumes
 - Positive momentum in construction and decorative paints
 - Growth in batteries
 - Improvement in automotive
 - Industrial markets gaining momentum
 - (3.1)% prices
 - +2.0% in Adhesive Solutions
 - Resilience in Advanced Materials
 - Impact of lower propylene prices in Coating Solutions
 - Continued challenging market conditions in Fluorogases
 - (1.3)% scope
 - Functional Polyolefins divestment on 1 June
 - Positive contribution of bolt-on acquisitions
 - (4.1)% currency, linked to further depreciation of US dollar and certain emerging currencies against the euro
- **€289 m EBITDA**, broadly stable (€295 m in Q4'19)
 - Increase of nearly 5% for Specialty Materials, with Adhesive Solutions and Coating Solutions recording respectively a 15% and 19% YoY rise in EBITDA
 - Sharp drop in earnings for Fluorogases and negative currency effect weighing on EBITDA
 - EBITDA margin rising to 14.6% (14.4% in Q4'19)

2020 GROUP PERFORMANCE

- **€7,884 m sales**, down 8.1% at constant currency, reflecting the impact of the pandemic
 - (4.3)% volumes
 - Rebound in H2'20 in construction, DIY and decorative paints
 - Industrial markets starting to improve in Q4'20
 - Strong growth in batteries
 - Lower demand in the transportation, general industry and oil & gas markets
 - (4.7)% prices
 - Lower propylene prices in Coating Solutions
 - Challenging market conditions in Intermediates, particularly Fluorogases
 - Resilience in other Specialty Materials businesses
 - +0.9% scope
 - Functional Polyolefins divestment on 1 June 2020
 - Positive contribution of bolt-on acquisitions in Adhesive Solutions, as well as ArrMaz in H1'20
 - (1.7)% currency linked to depreciation of US dollar and certain emerging currencies against the euro, particularly in H2'20
- **€1,182 m EBITDA** (€1,457 m in 2019), EBITDA margin held up well at 15.0%
 - Mainly impacted by volumes decline, lower prices in Intermediates and unfavorable currency effect
 - Benefits of innovation in faster-growing segments, cost-cutting initiatives, lower raw materials prices and positive impact of acquisitions
 - Good resilience of Specialty Materials (12% decrease in EBITDA and a 100 bp contraction in EBITDA margin to 15.8% ⁽¹⁾)
 - Adhesive Solutions EBITDA comparable to 2019 level (€261 m vs €264 m in 2019) and EBITDA margin improving to 13.1% (vs 12.9% in 2019)
 - Sharp decrease of Intermediates' EBITDA, reflecting unfavorable market conditions, particularly in Fluorogases, and a negative scope effect

⁽¹⁾ Before allocation of corporate costs

Q4 PERFORMANCE BY SEGMENT

<i>In millions of euros</i>	Q4'20	Q4'19	Change	Prices	Volumes	Currency	Scope
Sales	1,985	2,053	(3.3%)	(3.1%)	5.2%	(4.1%)	(1.3%)
<i>Adhesive Solutions</i>	512	500	+2.4%	+2.0%	+0.7%	(4.6%)	+4.3%
<i>Advanced Materials</i>	644	663	(2.9%)	(0.3%)	+1.1%	(3.7%)	-
<i>Coating Solutions</i>	489	477	+2.5%	(8.4%)	14.5%	(4.9%)	+1.3%
<i>Intermediates</i>	334	408	(18.1%)	(7.7%)	+6.3%	(3.4%)	(13.3%)
EBITDA	289	295	-2.0%				
<i>Adhesive Solutions</i>	69	60	+15.0%				
<i>Advanced Materials</i>	123	132	(6.8%)				
<i>Coating Solutions</i>	69	58	+19.0%				
<i>Intermediates</i>	42	59	(28.8%)				
<i>Corporate</i>	-14	-14					
EBITDA margin	14.6%	14.4%					
<i>Adhesive Solutions</i>	13.5%	12.0%					
<i>Advanced Materials</i>	19.1%	19.9%					
<i>Coating Solutions</i>	14.1%	12.2%					
<i>Intermediates</i>	12.6%	14.5%					
Recurring EBIT	144	151	(4.6%)				
<i>Adhesive Solutions</i>	52	45	+15.6%				
<i>Advanced Materials</i>	57	69	(17.4%)				
<i>Coating Solutions</i>	39	28	+39.3%				
<i>Intermediates</i>	12	26	(53.8%)				
<i>Corporate</i>	-16	-17					

ADHESIVE SOLUTIONS

- Sales up +2.7% YoY at constant scope and currency
 - +2.0% price effect
 - Positive momentum in construction in the continuity of the 3rd quarter, and volumes improvement in engineering adhesives
- Strong performance with EBITDA up 15% YoY, and EBITDA margin up +150 bps at 13.5%, a record high for a 4th quarter

ADVANCED MATERIALS

- Q4'20 performance impacted mainly by negative currency effect
- Organic growth improving significantly in Q4'20 at +0.8% YoY (-11.8% YoY in Q3'20)
 - Continued positive momentum in batteries
 - Driven by innovation in sustainable growth platforms (mobility, electronics solutions, lightweight materials)
- EBITDA margin remaining at a high level at 19.1% (vs. 19.9% in Q4'19)

COATING SOLUTIONS

- Strong volume increase (+14.5%) with good momentum in the decorative paints, industrial coatings, 3D printing and graphic arts markets
- Sharp growth in EBITDA of +19%
- EBITDA margin up by almost 200 bps to 14.1%

INTERMEDIATES

- Significant scope effect in Q4'20 sales (-13.3% YoY) linked to Functional Polyolefins disposal
- Volume increase in Q4'20 (+6.3% YoY) driven by strong growth in Asia Acrylics as well as good dynamic in PMMA
- Negative price effect (-7.7%) mainly in Fluorogases
- EBITDA at €42 m, impacted mainly by Fluorogases

FY PERFORMANCE BY SEGMENT

<i>In millions of euros</i>	2020	2019	Change	Prices	Volumes	Currency	Scope
Sales	7,884	8,738	(9.8)%	-4.7%	-4.3%	-1.7%	+0.9%
<i>Adhesive Solutions</i>	1,996	2,055	(2.9)%	+0.5%	(4.1)%	(2.4)%	+3.1%
<i>Advanced Materials</i>	2,527	2,693	(6.2)%	(0.8)%	(8.3)%	(1.5)%	+4.4%
<i>Coating Solutions</i>	1,911	2,148	(11.0)%	(9.4)%	(1.2)%	(1.7)%	+1.3%
<i>Intermediates</i>	1,425	1,816	(21.5)%	(10.8)%	(2.3)%	(1.3)%	(7.1)%
EBITDA	1,182	1,457	(18.9)%				
<i>Adhesive Solutions</i>	261	264	(1.1)%				
<i>Advanced Materials</i>	496	584	(15.1)%				
<i>Coating Solutions</i>	261	310	(15.8)%				
<i>Intermediates</i>	231	381	(39.4)%				
<i>Corporate</i>	-67	-82					
EBITDA margin	15.0%	16.7%					
<i>Adhesive Solutions</i>	13.1%	12.9%					
<i>Advanced Materials</i>	19.6%	21.7%					
<i>Coating Solutions</i>	13.7%	14.4%					
<i>Intermediates</i>	16.2%	21.0%					
Recurring EBIT	619	926	(33.2)%				
<i>Adhesive Solutions</i>	198	205	(3.4)%				
<i>Advanced Materials</i>	245	353	(30.6)%				
<i>Coating Solutions</i>	142	197	(27.9)%				
<i>Intermediates</i>	109	261	(58.2)%				
<i>Corporate</i>	-75	-90					

ADHESIVE SOLUTIONS (25.5% OF GROUP SALES)

- **€1,996 m sales**, down 2.9%
 - (4.1)% volumes
 - Very strong slowdown in the construction market in the second quarter
 - Decline in industrial markets during the year
 - +0.5% prices holding up well in this context of low volumes
 - +3.1% scope with integration of LIP, Ideal Work and Fixatti
- **€261 m EBITDA**, broadly stable (€264 m in 2019)
 - EBITDA margin at 13.1%, up 20 bps on 2019, confirming the solidity of the segment in a less favorable environment
 - Improved operating efficiency and mix optimization toward higher added value products

ADVANCED MATERIALS (32.0% OF GROUP SALES)

- **€2,527 m sales**, down 6.2%
 - (8.3)% volumes
 - In High Performance Polymers, fall in demand in the transportation, oil & gas and consumer goods markets despite the improvement seen in the fourth quarter
 - Strong growth in batteries
 - Performance Additives supported by animal nutrition, crop protection and medical markets, partly offset by the decline in industrial markets
 - (0.8)% prices confirming segment's ability to maintain stable selling prices despite the strong decline in volumes
 - +4.4% scope linked to ArrMaz integration in the first half of the year
- **€496 million EBITDA**, down 15.1%
 - Reduction in fixed costs and more favorable raw materials prices mitigating the impact of lower volumes
 - EBITDA margin remained at a high level, at 19.6% (21.7% in 2019)

COATING SOLUTIONS (24.5% OF GROUP SALES)

- **€1,911 m sales**, down 11.0%
 - (9.4)% prices mainly linked to the decline in propylene prices
 - (1.2)% volumes
 - Strong recovery in the decorative paints market in the second half of the year
 - Lower volumes in the segment's other markets
- **€261 m EBITDA**, down 15.8%
 - Strongly impacted by the acrylics activities that are not integrated downstream
 - Robust performance for the segment's other activities, with EBITDA up slightly on last year
 - EBITDA margin resisting well at 13.7% (14.4% in 2019), supported by cost reduction initiatives and synergies between the segment's different product lines

INTERMEDIATES (18.0% OF GROUP SALES)

- **€1,425 m sales**, down 21.5%
 - (2.3)% volumes and (10.8)% prices
 - Unfavorable market conditions, particularly in Fluorogases
 - Improved demand in PMMA and Acrylics Asia in the fourth quarter
 - (7.1)% scope linked to Functional Polyolefins divestment finalized on 1 June 2020
- **€231 m EBITDA**, sharp decrease YoY in the context of the pandemic
- **EBITDA margin** drop to **16.2%**

CASH FLOW

<i>In millions of euros</i>	2019	2020	<i>Comments</i>
EBITDA	1,457	1,182	
Current taxes	(142)	(121)	Tax rate: 22% of REBIT (excl. exceptional items) 2021e tax rate: ~22% of REBIT
Cost of debt	(98)	(75)	
Change in working capital and fixed asset payables ⁽¹⁾	90	212	Tight management of working capital 11.8% of sales at end December
Recurring capital expenditures	(511)	(460)	2021e recurring capex at ~€500m
Others	(33)	53	Including non recurring items in 2020, notably tax savings linked to the use of tax losses for an amount of €55m in Q2'20
Free cash flow excluding exceptional capex	763	791	
EBITDA to cash conversion rate	52%	67%	
Exceptional capital expenditures	(96)	(140)	2021e exceptional capex at ~€250m
Free cash flow	667	651	
Impact of portfolio management	(729)	6	Bolt-on acquisitions outflow offset by Functional Polyolefins disposal inflow
Net cash flow	(62)	657	

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

NET DEBT

- **€1,910 m** net debt including hybrid bonds at 31 December 2020 (€2,331 m at end-2019)
- 1.6x 2020 EBITDA

SHAREHOLDER RETURN

- **Dividend** proposal back at pre-Covid level of **€2.50 per share** ⁽²⁾
 - In line with Group's ambition to progressively increase shareholder return
 - Confidence in the Group's development prospects
- Launching **share buyback** program
 - **€300 m** program to start after the divestment of PMMA, which should be finalized mid-2021
 - In line with the Group's capital allocation policy presented at Capital Markets Day
 - Modalities of the program's implementation to be announced at a later stage
- These provisions include the restitution to shareholders of the €0.50 per share portion of the dividend which had been retained in 2020 in the context of the pandemic

OUTLOOK for 2021

In an environment that is still uncertain, particularly with regards to the pandemic, the start of the year is marked by an increase in the level of global demand, in the continuity of fourth-quarter 2020. **EBITDA for first-quarter 2021** could thus **rise by around 10%** relative to first-quarter 2020, including a negative currency impact estimated at €15 million.

Moreover, the growth of Arkema's EBITDA during the year should be concentrated in Specialty Materials (82% of Group sales in 2020). Excluding a significant resumption of the pandemic,

- Arkema aims at *constant currency* ⁽³⁾ for **Specialty Materials EBITDA to grow by around 10%** in 2021 relative to 2020
 - **Bostik**, in line with its 2024 trajectory, **is aiming for 14% EBITDA margin in 2021**, thanks to the benefits of its positioning in the construction and high-performance industrial adhesives markets, and its operational excellence initiatives, as well as its acquisition strategy.
 - The **Advanced Materials** segment should record a significant rebound, driven in particular by its innovations in batteries, electronics, lightweight materials, sporting goods and filtration, as well as by higher demand in certain industrial markets, animal nutrition and crop protection.
 - Finally, earnings of **Coating Solutions** should be supported by the growth momentum and sustainable innovation in the paints, electronics and 3D printing markets.
- **EBITDA for the Intermediates segment** in 2021 is expected to be at a **comparable level to 2020** at *constant currency* ⁽³⁾ and scope. The divestment of PMMA is expected to close in mid-year.

Moreover, in 2021 the Group will continue to execute its mid-term strategy presented at the Capital Markets Day in April 2020, in line with its ambition to become a pure Specialty Materials player by 2024. In this respect, the two major industrial projects – the bio-based polyamides plant in Singapore and hydrofluoric acid plant in the United States – will progress as expected and come on stream mid-2022. Arkema will pursue its bolt-on acquisition strategy in Specialty Materials, particularly in Adhesive Solutions, and will accelerate the strategic review of Fluorogases. Lastly, the Group will reinforce its innovation for sustainable development given the opportunities arising from governments' stimulus plans in the fields of new mobility, home comfort and management of natural resources.

⁽²⁾ Dividend proposed at the shareholders' annual general meeting of 20 May 2021

⁽³⁾ With the assumption of a €/€ rate of 1.2 for 2021, the impact on 2020 EBITDA is estimated at a negative €30 million for Specialty Materials and a negative €10 million for Intermediates