

First-quarter 2022 results and outlook

05/05/2022

Q1'22 financial highlights

€2,887m sales

- Up by **30%** vs **Q1'21** at constant scope and currency
 - Volumes slightly down compared to last year's high level, mainly impacted by logistics disruptions and raw materials shortages
 - Improved product mix reflecting accelerating demand for high performance solutions
 - Adjustment to selling prices offsetting very significant inflation of raw materials, energy and transportation costs
 - Specialty Materials representing 90% of Group sales (82% in Q1'21)

€619m EBITDA

21.4% EBITDA margin

- EBITDA up by **72.9%** vs **Q1'21** and strong EBITDA margin at **21.4%**
- Specialty Materials EBITDA up by 82% YoY, at €556m
 - Solid volumes
 - Selling price increases in a highly inflationary context
 - Development of high value-added applications linked to sustainable megatrends
- Intermediates' EBITDA up 25% despite PMMA disposal, supported by the improvement of Fluorogases and better conditions in upstream acrylics in Asia

€376m adj. net income

- Representing €4.96 per share

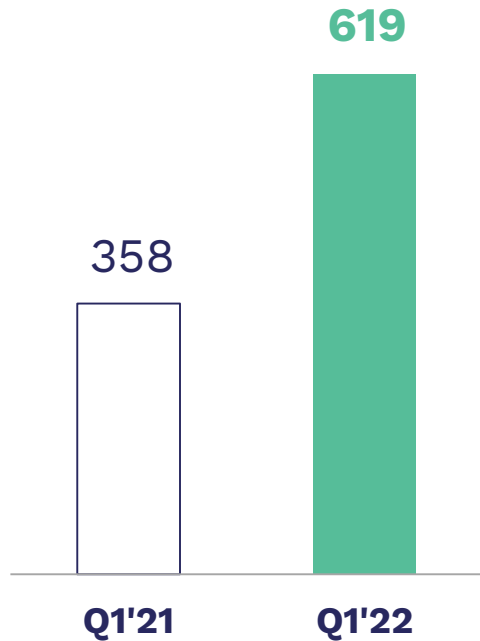
€2,703m net debt
(incl. hybrid bonds)

- 1.4x LTM EBITDA
- €26m recurring cash flow, including the seasonal increase in working capital and higher selling and raw materials prices

Excellent Q1'22 results in a demanding operating context

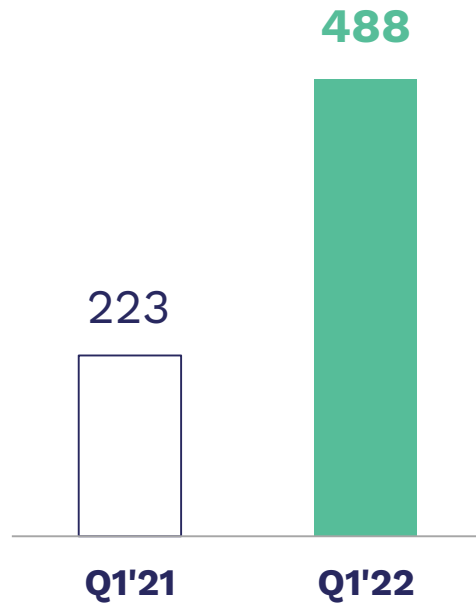
in €million

EBITDA



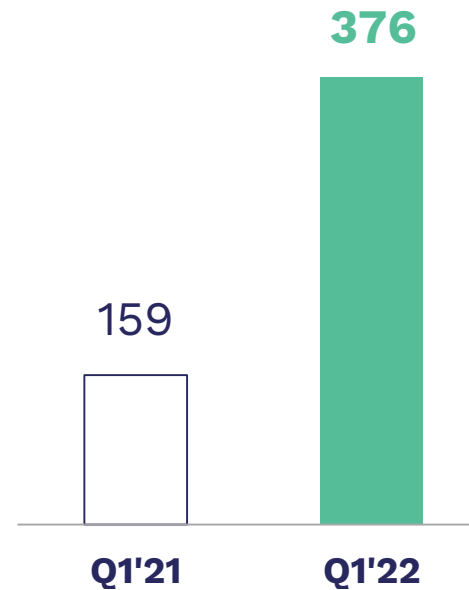
Margin 21.4%

REBIT



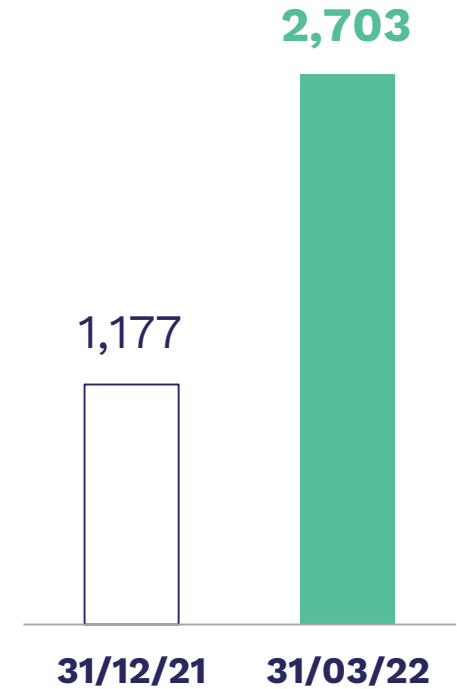
x2.2 vs Q1'21

Adj. Net Income



Adj. EPS €4.96

Net Debt (incl. hybrid bonds)



1.4x LTM EBITDA

First-quarter 2022 highlights



PMP (China)

- Acquisition finalized on 1 April 2022
- Hot-melt adhesives for the consumer electronics market

Kynar® PVDF

- +50% capacity in Changshu, CN, end-2022
- Li-ion battery, water filtration, specialty coatings, electronics

Ashland Performance Adhesives

- Acquisition finalized on 28 February 2022
- EV of US\$1.65bn
- High performance adhesives in high value-added industrial applications in the US
- Great potential going forward



Share buyback program

- Completion of the €300m program in November 2021
- 3.19% capital reduction in January 2022 by cancellation of treasury shares



Pebax® elastomers

- +25% global capacity in Serquigny, FR
- Sports, consumer goods
- Scheduled to come on stream mid-2023

First-quarter 2022 highlights (cont'd)



Morrow partnership

- Development of new electrolyte formulations for next generation high-voltage batteries
- Combination of Arkema's ultra-pure lithium electrolyte salts and Morrow's LNMO large format batteries



First 100% recyclable wind turbine blade

- Made from Elium® recyclable resin
- 62m long, world's largest prototype blade
- ZEBRA (Zero wastE Blade ReseArch) consortium

Courtesy of LM Wind Power



5th year of Pragati program

- Sustainable castor crop program in India
- +50% certified castor seeds in 2021
- > 5,800 trained farmers at the end of 2021
- Founding members: Arkema, BASF, Jayant Agro-Organics, Solidaridad

Key figures

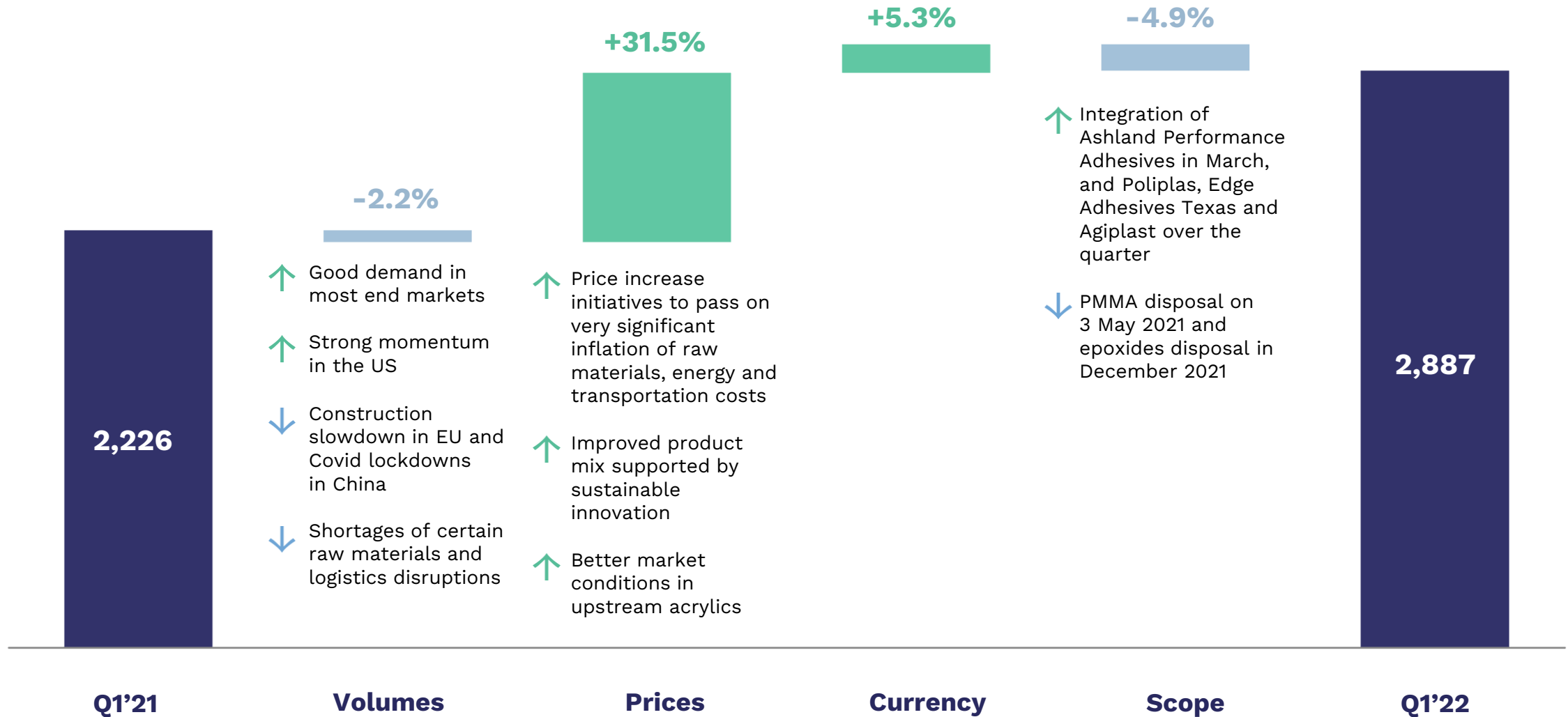
in €million

	Q1'22	Q1'21 *	Change
Sales	2,887	2,226	+29.7%
EBITDA	619	358	+72.9%
Specialty Materials	556	306	+81.7%
Intermediates	94	75	+25.3%
Corporate	-31	-23	
EBITDA margin	21.4%	16.1%	
Specialty Materials	21.3%	16.3%	
Intermediates	34.7%	21.7%	
Recurring operating income (REBIT)	488	223	+118.8%
REBIT margin	16.9%	10.0%	
Adjusted net income	376	159	+136.5%
Net debt (incl. hybrid bonds)	2,703	2,002	

* Integrates reclassification of the upstream of PVDF in the Advanced Materials segment (ex Intermediates segment).

Ongoing pricing initiatives in a highly inflationary environment

Sales in €million



- ↑ Good demand in most end markets
- ↑ Strong momentum in the US
- ↓ Construction slowdown in EU and Covid lockdowns in China
- ↓ Shortages of certain raw materials and logistics disruptions

- ↑ Price increase initiatives to pass on very significant inflation of raw materials, energy and transportation costs
- ↑ Improved product mix supported by sustainable innovation
- ↑ Better market conditions in upstream acrylics

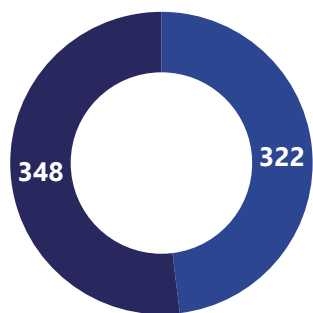
- ↑ Integration of Ashland Performance Adhesives in March, and Poliplas, Edge Adhesives Texas and Agiplast over the quarter
- ↓ PMMA disposal on 3 May 2021 and epoxides disposal in December 2021

Adhesive Solutions (23% of Group sales)

Key figures

in €m	Q1'22	Q1'21	Change
Sales	670	555	+20.7%
EBITDA	90	86	+4.7%
EBITDA margin	13.4%	15.5%	
REBIT	73	71	+2.8%

Sales by Business Line



■ Construction & Consumer
■ Industrial Assembly

Sales development

Volumes ——— -4.5%
Prices ——— +15.8%
Currency ——— +3.1%
Scope ——— +6.3%

Highlights

- **+15.8% price effect**, reflecting priority given to the pass-through of significant inflation of raw materials, energy and transportation
- **Volumes down 4.5% YoY**
 - High base of comparison in Q1'21
 - Well-oriented volumes in the US
 - Shortages of certain raw materials; situation gradually improving
- **€90m EBITDA, up 4.7% YoY**
 - Solid results in a highly inflationary environment
 - Improved product mix through high value-added applications
 - Integration of Ashland's performance adhesives in March
 - EBITDA margin at 13.4%, reflecting the mechanical dilutive effect of price increases

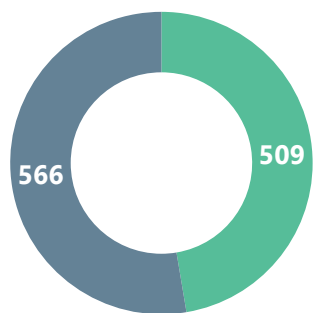
Advanced Materials (37% of Group sales)

Key figures

in €m	Q1'22	Q1'21 *	Change
Sales	1,075	752	+43.0%
EBITDA	274	142	+93.0%
EBITDA margin	25.5%	18.9%	
REBIT	207	75	+176.0%

* Integrates the reclassification of the upstream of PVDF in the High Performance Polymers Business Line (from Intermediates segment).

Sales by Business Line



■ High Performance Polymers
■ Performance Additives

Sales development

Volumes	—	-2.0%
Prices	—	+39.4%
Currency	—	+6.1%
Scope	—	-0.5%

Highlights

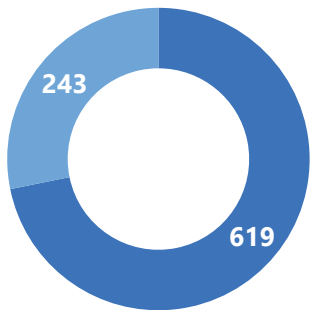
- **Prices up 39.4% YoY**, strongly positive in both Business Lines
 - Price increase initiatives in a still marked inflationary context
 - Product mix improvement and sustained momentum in batteries, lightweighting, sports, bio-based materials and electronics
- **Volumes down 2.0% YoY**
 - Favorable demand environment in most industrial markets but automotive remaining down
 - Logistics disruptions, particularly maritime freight
- **€274m EBITDA, up 93.0% YoY**, reflecting the positioning on higher value-added solutions
- **EBITDA margin at a very high level of 25.5%** (18.9% in Q1'21)

Coating Solutions (30% of Group sales)

Key figures

in €m	Q1'22	Q1'21	Change
Sales	862	567	+52.0%
EBITDA	192	78	+146.2%
EBITDA margin	22.3%	13.8%	
REBIT	161	49	+228.6%

Sales by Business Line



■ Coating Resins
■ Coating Additives

Sales development

Volumes ——— +4.2%
Prices ——— +41.8%
Currency ——— +6.0%
Scope ——— -

Highlights

- **+41.8% price effect**, sustained in all the segment's activities
 - Price increase initiatives to offset high inflation of raw materials, energy and transportation costs
 - More favorable conditions in upstream acrylics
 - Product mix improvement towards higher value added solutions for living comfort and home efficiency, new energies, as well as electronics and 3D printing

- **Volumes up 4.2% YoY**
 - Demand remaining well oriented
 - Favorable comparison base due to the slowdown linked to Uri storm in the US in Q1'21
 - Impacted by logistics constraints

- **€192m EBITDA** (€78m in Q1'21) and **EBITDA margin of 22.3%** (13.8% in Q1'21)
 - Strong progression in upstream acrylics and in downstream activities
 - Improved product mix
 - Impact of Uri storm in Q1'21

Intermediates (10% of Group sales)

Key figures

in €m	Q1'22	Q1'21 *	Change
Sales	271	346	-21.7%
EBITDA	94	75	+25.3%
EBITDA margin	34.7%	21.7%	
REBIT	79	53	+49.1%

* Integrates the reclassification of the upstream of PVDF in the Advanced Materials segment (from Intermediates segment).

Sales development

Volumes	——	-10.4%
Prices	————	+23.1%
Currency	——	+5.8%
Scope	————	-40.2%

Highlights

- **Scope effect of -40.2%** related to PMMA divestment
- **Prices up 23.1% YoY**
 - Favorable market conditions in acrylics in Asia
 - Fluorogases positive dynamic in the US
- **Volumes down 10.4% YoY**
 - Acrylics impacted by strict lockdown measures in China at the end of the quarter
 - Effect of fluorogas quotas in the US
- **€94m EBITDA**, up 25.3% YoY, despite a negative €30m scope effect
- **EBITDA margin at 34.7%**
 - Fluorogases margin recovery compared to the low level of previous years
 - Better conditions in upstream acrylics in Asia

Q1'22 Cash flow

in €million

Reconciliation of EBITDA to net cash flow

	Q1'22	Q1'21
EBITDA	619	358
Current taxes	-101	-49
Cost of debt	-13	-13
Change in working capital and fixed assets payables ⁽¹⁾	-411	-187
Recurring capital expenditure	-72	-72
Others	4	16
Recurring cash flow	26	53
Exceptional capital expenditure	-40	-53
Non-recurring items	-9	-16
Free cash flow	-23	-16
Impact of portfolio management	-1,496	-16
Net cash flow	-1,519	-32

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

→ **Q1'22 tax rate**
21% of REBIT (excl. exceptional items)

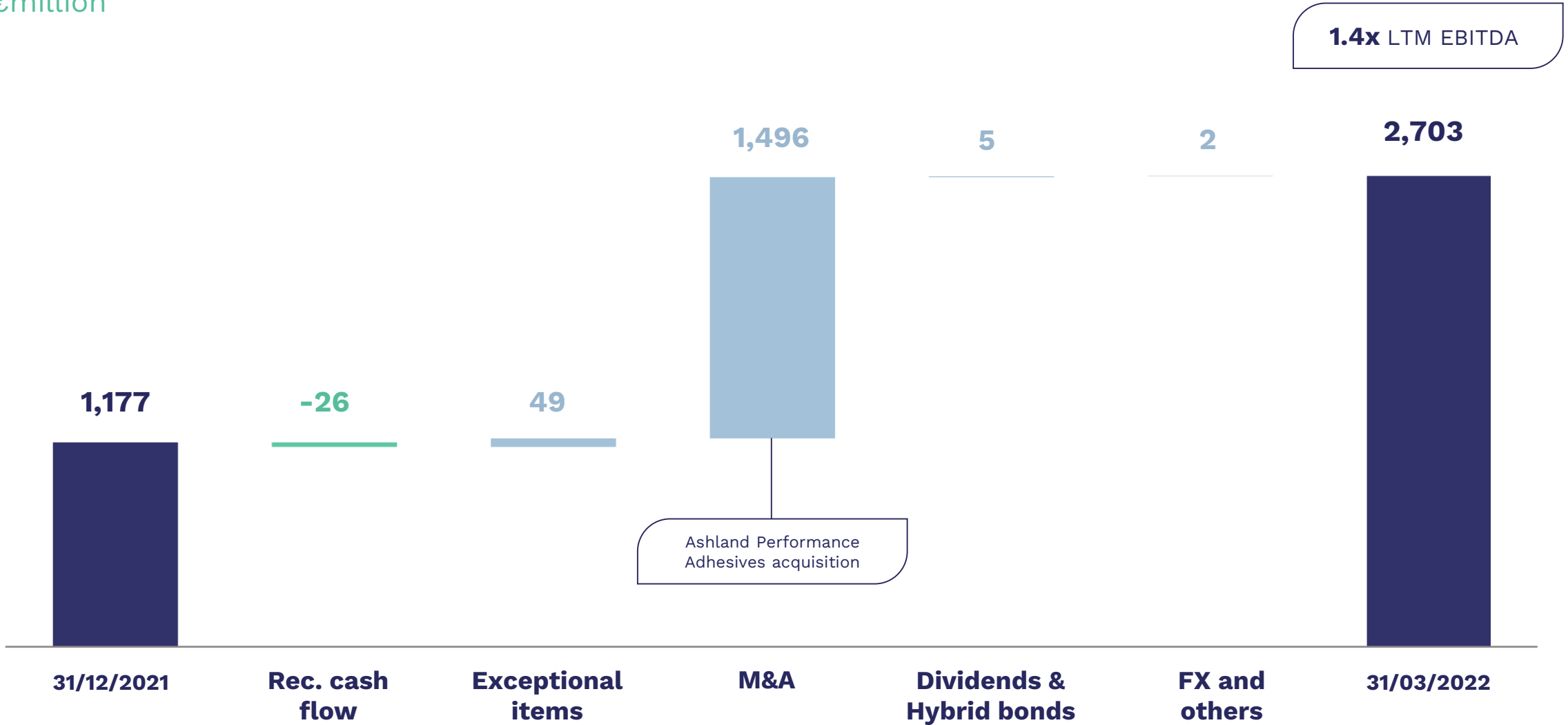
→ **Working capital**

- Seasonal volume increase
- Higher selling prices and raw materials
- **14.0%** of annualized sales at end-March 2022

→ **Impact of portfolio management**
Payment of Ashland's performance adhesives acquisition finalized on 28 February 2022

Net debt evolution (including hybrid bonds)

in €million



Outlook

- Market conditions remain positively oriented at the start of the second quarter, with disparities between regions and end markets and an increased lack of visibility. The health situation in China, the war in Ukraine, high inflation and logistics disruptions could weigh on global demand going forward.
- In this demanding context, the Group will endeavor to manage supply chains and continue to dynamically adjust selling prices. Arkema will also pursue its cutting-edge innovation to develop its Specialty Materials in partnership with customers.
- While being attentive to the evolution of the macroeconomic environment, the Group aims to achieve a strong increase in EBITDA in Q2'22 vs last year, driven in particular by the high organic growth of Advanced Materials and Coating Solutions. The Adhesive Solutions segment, still impacted by certain shortages of raw materials, will benefit from the integration of Ashland's adhesives business.
- Arkema now aims to achieve in 2022, at constant scope, an EBITDA for its Specialty Materials and for the Group slightly above the record level of 2021.
- Finally, the Group will continue to implement its strategy in line with its ambition to become a pure Specialty Materials player in 2024.

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.

In the current context, where the Covid-19 epidemic persists across the world, and where the consequences of the Russian offensive in Ukraine and the economic sanctions against Russia on geopolitical equilibriums and the world economy remain 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 material risk factors such as among others, changes in raw material prices, currency fluctuations, implementation pace of cost-reduction projects, development of the Russian offensive against Ukraine, developments in the Covid-19 situation, and changes in general economic and business conditions. These risk factors are further developed in the 2021 Universal Registration Document.

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 since 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 main performance indicators used by the Group are defined in the 2021 Universal Registration Document. As part of the analysis of its results or to define its objectives, the Group uses in particular the following indicators:

EBITDA margin: corresponds to EBITDA as a percentage of sales, EBITDA equaling recurring operating income (REBIT) plus recurring depreciation and amortization of tangible and intangible assets

REBIT margin: corresponds to the recurring operating income (REBIT) as a percentage of sales

Free cash flow: corresponds to cash flow from operations and investments excluding the impact of portfolio management

EBITDA to cash conversion rate: corresponds to the recurring cash flow divided by EBITDA