

Arkema: First-quarter 2021 results

In a context of clearly improving market conditions, the Group reported strong earnings growth in the first quarter, driven in particular by a rise in volumes of innovative and sustainable Specialty Materials ⁽¹⁾, which benefited from their unique positioning and cutting-edge innovation related to global megatrends. Given its confidence in its development dynamic, Arkema is significantly increasing its financial targets for 2021.

- **Sales** of **€2.23 billion**, up 12.7% versus Q1'20 at constant scope and currency
 - Significant increase in volumes (+7.7%), in the continuity of the rebound already observed in Q4'20 (+5.2%)
 - Strong momentum in most of the Group's end markets, and contribution of new developments driven by sustainable innovation
- **EBITDA** of **€358 million**, up sharply by almost 20% (€300 million in Q1'20), and EBITDA margin of 16.1%
 - Specialty Materials' EBITDA of €306 million, up 19.5%, supported by strong increases in the three segments Adhesive Solutions, Advanced Materials and Coating Solutions
 - Intermediates' EBITDA of €75 million, up 10.3% (up 18.5% at constant scope)
- **Adjusted net income** up 59% to **€159 million**, representing €2.08 per share
- Well controlled **net debt**, at **€2.0 billion** (including €700 million in hybrid bonds), representing 1.6x LTM EBITDA
- Major milestone in Arkema's evolution with the finalization of the divestment of PMMA to Trinseo on 3 May 2021, supplemented by Bostik's recent acquisition of Poliplas
- **2021 guidance** significantly **raised**, with the Group now targeting around 20% growth in Specialty Materials' EBITDA relative to 2020 at constant scope and currency ⁽²⁾ excluding a systemic resumption of the health crisis

Following Arkema's Board of Directors' meeting, held on 5 May 2021 to review the Group's consolidated financial information for the first quarter of 2021, Chairman and CEO Thierry Le Hénaff said:

"The pace of activity accelerated in the first quarter in the context of better economic indicators. Our growth reflects first and foremost the strength of our innovation over the past few years to position our Specialty Materials in structural growth segments, along with positive momentum in most of our end markets and our balanced geographical footprint. While remaining attentive to the evolution of the health crisis and to the volatility of the environment, in light of our very good first-quarter results and our development opportunities, the Group is strongly raising its annual targets for Specialty Materials, which represent the essential part of our scope following the divestment of PMMA.

This year marks the start of a new era of growth for Arkema, consistent with the ambitions unveiled at our April 2020 Capital Markets Day. Supported by our teams' strong commitment to the company's strategy, we are accelerating our innovation projects and investments in promising high growth markets driven by sustainable megatrends, such as clean mobility, lightweight materials, 3D printing and energy efficiency."

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

⁽²⁾ With the assumption of a €/€ exchange 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

KEY FIGURES FOR FIRST-QUARTER 2021

<i>(In millions of euros)</i>	Q1'21	Q1'20	YoY change
Sales	2,226	2,088	+6.6%
EBITDA	358	300	+19.3%
Specialty Materials	306	256	+19.5%
Intermediates	75	68	+10.3%
Corporate	-23	-24	
EBITDA margin	16.1%	14.4%	
Specialty Materials	16.8%	15.2%	
Intermediates	19.0%	17.1%	
Recurring operating income (REBIT)	223	160	+39.4%
REBIT margin	10.0%	7.7%	
Adjusted net income	159	100	+59.0%
Adjusted net income per share (in €)	2.08	1.31	+58.8%
Free cash flow	-16	-38	
Net debt including hybrid bonds	2,002	2,481	
€1,910m as of 31/12/2020			

FIRST-QUARTER 2021 BUSINESS PERFORMANCE

Sales rose by **6.6%** year on year, to **€2,226 million**. The 7.7% rise in volumes was driven by overall strong momentum and in particular in the construction and DIY, batteries, electronics, transportation and consumer goods markets. This good performance reflects Arkema's ability to capitalize on rising demand for sustainable, high-performance materials thanks to its offering of innovative products with a high technological content. Certain markets such as packaging and crop nutrition nevertheless reported less buoyant growth, due to a high first-quarter 2020 comparison base, while the oil and gas market remained down. The 5.0% positive price effect mainly reflected increased prices in the acrylics chain in the face of higher propylene and initiatives to raise prices in Specialty Materials. The scope effect was a negative 1.7%, with the divestment of Functional Polyolefins only partly offset by the integration of Fixatti and Ideal Work in Adhesive Solutions. The currency effect was a negative 4.4%, primarily owing to the euro's rise against the US dollar. In first-quarter 2021, Specialty Materials sales accounted for 82% of total Group sales (81% in Q1'20).

Group **EBITDA** grew by a very strong 19.3% to **€358 million**, driven by the rise in volumes, the acceleration of new business development, particularly in High Performance Polymers, as well as tight control over fixed costs, and impacted by a close to €15 million unfavorable currency effect. In spite of the strong increase in raw material prices and transportation costs, all of the Group's segments reported a significant earnings improvement, reflecting the good positioning of the Group's product offering to leverage megatrends, the diversity of its end markets, and its balanced geographical footprint. Specialty Materials' EBITDA grew by 19.5% versus last year to €306 million, and Intermediates' EBITDA increased 10.3% to €75 million. In this context, the Group **EBITDA margin** rose by 170 bps to **16.1%**.

As a result, **recurring operating income (REBIT)** was up almost 40% year on year, to **€223 million**. This amount includes recurring depreciation and amortization of €135 million, down €5 million compared to first-quarter 2020, primarily due to the currency effect. The **REBIT margin** improved by 230 bps to **10.0%**.

Adjusted net income also increased sharply by 59% to **€159 million**, representing **€2.08** per share. Excluding exceptional items, the Group's tax rate amounted to 22% of recurring operating income.

CASH FLOW AND NET DEBT AT MARCH 31, 2021

Arkema reported **free cash flow** of **negative €16 million** in first-quarter 2021 (negative €38 million in first-quarter 2020). In an environment marked by a rebound in activity, this figure includes an increase in working capital, which is related to the seasonal rise in volumes and raw materials inflation. Working capital remained at a very good level, representing 12.7% of annualized sales at end-March 2021 (16.5% at end-March 2020 and 15.1% at end-March 2019). This reflects, in addition to strict management, inventories that are still below their normative level in the face of good customer demand.

The free cash flow figure also includes the ramp-up of exceptional capital expenditure (€53 million versus €13 million in Q1'20), relating to the bio-based polyamides project in Singapore and the hydrofluoric acid supply project with Nutrien in the United States. Recurring capital expenditure amounted to €72 million over the quarter (€79 million in Q1'20).

Including hybrid bonds, **net debt was stable** at 31 March 2021, at **€2.0 billion** (€1.9 billion at 31 December 2020), and the net debt (including hybrid bonds) to last-twelve-months EBITDA ratio stood at 1.6x.

FIRST-QUARTER 2021 PERFORMANCE BY SEGMENT

ADHESIVE SOLUTIONS (25% OF TOTAL GROUP SALES)

<i>(In millions of euros)</i>	Q1'21	Q1'20	YoY change
Sales	555	515	+7.8%
EBITDA	86	69	+24.6%
EBITDA margin	15.5%	13.4%	
Recurring operating income (REBIT)	71	54	+31.5%
REBIT margin	12.8%	10.5%	

Sales for the Adhesive Solutions segment totaled **€555 million**, up 7.8% compared to first-quarter 2020, driven mainly by the 8.6% rise in volumes. Momentum remained strong in the construction and DIY markets, particularly in Europe and Asia, in the continuity of second-half 2020, and the segment also benefited from the recovery of industrial markets in high-performance adhesives. Growth in the packaging and hygiene markets was more subdued, owing to a high prior-year comparison base. The 0.4% negative price effect reflects changes in the product mix that overshadowed the impact of higher prices in a context of raw materials inflation. Nevertheless, the price effect is positive sequentially. The positive scope effect of 3.5% corresponds to the integration of Fixatti and Ideal Work, and the currency effect was a negative 3.9%.

At **€86 million**, **EBITDA** for the segment rose sharply by almost 25% compared to first-quarter 2020, and the EBITDA margin reached its highest ever level in a quarter at **15.5%**, a significant 210-bp increase. This excellent performance notably reflects the momentum in volumes, the impact of our operational excellence initiatives, the repositioning toward higher value-added applications, and the integration of our acquisitions. This helps to reinforce the 14% EBITDA margin target for the year, up by almost 100 bps compared to last year.

ADVANCED MATERIALS (31.5% OF TOTAL GROUP SALES)

<i>(In millions of euros)</i>	Q1'21	Q1'20	YoY change
Sales	703	652	+7.8%
EBITDA	142	122	+16.4%
EBITDA margin	20.2%	18.7%	
Recurring operating income (REBIT)	81	61	+32.8%
REBIT margin	11.5%	9.4%	

At **€703 million, sales** for the Advanced Materials segment were up almost 8% year on year. Volumes rose by 9.5%, driven primarily by strong growth in High Performance Polymers, and reflect the benefits of innovation and new developments in the batteries, automotive, sports equipment and water filtration markets, while the oil and gas market declined. The rebound observed in fourth-quarter 2020 in several industrial sectors was confirmed, and was accompanied by a rebuilding of inventories by some of our customers. The price effect was a positive 2.6%, reflecting price increase initiatives in a context of raw materials inflation. The currency effect was a negative 4.3% over the quarter.

In this context of increasing demand for sustainable, high-performance materials, **EBITDA** for the segment was up 16.4% year on year, to **€142 million**. The **EBITDA margin** reached a high level at **20.2%** (18.7% in first-quarter 2020).

COATING SOLUTIONS (25.5% OF TOTAL GROUP SALES)

<i>(In millions of euros)</i>	Q1'21	Q1'20	YoY change
Sales	567	517	+9.7%
EBITDA	78	65	+20.0%
EBITDA margin	13.8%	12.6%	
Recurring operating income (REBIT)	49	36	+36.1%
REBIT margin	8.6%	7.0%	

At **€567 million, sales** for the Coating Solutions segment were up by 9.7% year on year, given a 9.1% positive price which offset higher propylene prices. Volumes rose by 5.8%, driven by a strong dynamic in the decorative paints, 3D printing, industrial coatings, graphic arts and electronics markets, partly offset by product availability temporarily affected by winter storm Uri in the United States. The currency effect reduced segment sales by 5.2%.

At **€78 million, EBITDA** of the Coating Solutions segment was up sharply by 20% on first-quarter 2020, benefiting from the improvement in volumes, price increases in the context of raw materials inflation, and the integration within the acrylics chain of the segment's activities. **EBITDA margin** was therefore up, at **13.8%** (12.6% in first-quarter 2020).

INTERMEDIATES (18% OF TOTAL GROUP SALES)

<i>(In millions of euros)</i>	Q1'21	Q1'20	YoY change
Sales	395	397	-0.5%
EBITDA	75	68	+10.3%
EBITDA margin	19.0%	17.1%	
Recurring operating income (REBIT)	47	35	+34.3%
REBIT margin	11.9%	8.8%	

At **€395 million, sales** for the Intermediates segment decreased by a slight 0.5% year on year. The 13.6% negative scope effect resulting from the divestment of Functional Polyolefins at 1 June 2020, along with the 4.0% negative currency effect, were more than offset by organic growth of 17.1%. Organic growth was driven by a 10.8% positive price effect and by a 6.3% increase in volumes, mainly reflecting more favorable market conditions in acrylics in Asia, still challenging conditions in Fluorogases in Europe and in Asia, and more limited growth in PMMA given the high prior-year comparison base in the context of the pandemic.

In this environment, **EBITDA** for the segment rose by 10.3% to **€75 million** (+18.5% at constant scope), and the **EBITDA margin** came in at **19.0%** compared to 17.1% in the prior-year period.

FIRST-QUARTER 2021 HIGHLIGHTS

In order to accelerate the development and production of high value-added engineering adhesives, on 19 January 2021 Arkema announced an investment in CMC (Crackless Monomer Company), a joint venture between Bostik and Taiwanese company Cartell Chemical Co, a leading supplier of cyanoacrylate solutions.

On 1 March 2021, Arkema also finalized its acquisition of Poliplas, a Brazilian leader in hybrid-technology sealants and adhesives for the construction market, which had sales of around €10 million in 2020.

Moreover, on 23 February 2021, Arkema announced a new 35% increase in fluoropolymer production capacities in Changshu, China in 2022. This new investment is supported by ever-growing demand in the lithium-ion battery sector, as well as significant opportunities in the water filtration, construction coatings and semiconductor industries.

Lastly, on 23 March 2021, Arkema joined the new CAC40[®] ESG index on the Paris stock exchange. This new index, which lists the 40 companies in the CAC[®] Large 60 index that have demonstrated environmental, social and governance (ESG) best practices, promotes the Group's commitments and successes over the past several years for a sustainable economy.

SUBSEQUENT EVENTS

On 3 May 2021, Arkema reached a new milestone in its evolution toward Specialty Materials by finalizing the divestment of its PMMA business to Trinseo. The net proceeds from the sale, which was carried out based on an enterprise value of €1,137 million, will take into account an estimated capital gains tax of around 15% of this amount.

OUTLOOK FOR 2021

The positive market dynamics observed in the first quarter is continuing, supported by strong demand in the construction and DIY markets, and several industrial markets that are important for the Group.

Thanks to its innovation for sustainable development and recent industrial capacity expansions, while being attentive to the market environment, which remains volatile, Arkema considers it is very well positioned to benefit from the strongly rising demand for high-performance materials.

In this environment of robust demand, raw materials inflation should accelerate in the second quarter. The Group will continue its initiatives to increase prices to offset this impact.

In this context, and also in light of its first-quarter financial performance, the Group has raised significantly the Specialty Materials' guidance for 2021. Excluding a systemic resumption of the health crisis,

- Specialty Materials' EBITDA is now expected to grow by around 20% in 2021 compared to 2020 at constant scope and currency ⁽³⁾
- Bostik, in line with its 2024 trajectory, confirms its EBITDA margin target of 14% in the year, and Intermediates' EBITDA should at least reach last year's level at constant scope ⁽⁴⁾ and currency ⁽³⁾.

Finally, Arkema will continue to move ahead with its ambition to become a pure Specialty Materials player by 2024.

Further details concerning the Group's first-quarter 2021 results are provided in the "First quarter 2021 results and outlook" presentation and the Factsheet available on Arkema's website www.finance.arkema.com.

⁽³⁾ With the assumption of a €/€ exchange 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

⁽⁴⁾ The combined EBITDA contribution of Functional Polyolefins, divested on 1 June 2020, and of PMMA, divested on 3 May 2021, was close to €135m in 2020 and €45m in 2021 (January – April, PMMA only)

FINANCIAL CALENDAR

20 May 2021	Annual general meeting, held behind closed doors
26 May 2021	Shares trade ex-dividend
29 July 2021	Publication of first-half 2021 results
10 November 2021	Publication of third-quarter 2021 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 82% 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 around €8 billion in 2020, and operates in some 55 countries with 20,600 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 pandemic persists 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 31 March 2020 reviewed by Arkema's Board of Directors on 5 May 2021. 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;

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- **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.

ARKEMA Financial Statements

Consolidated financial information - At the end of March 2021

CONSOLIDATED INCOME STATEMENT

	<u>1st quarter 2021</u>	<u>1st quarter 2020</u>
<i>(In millions of euros)</i>	<i>(non audited)</i>	<i>(non audited)</i>
Sales	2,226	2,088
Operating expenses	(1,769)	(1,672)
Research and development expenses	(61)	(64)
Selling and administrative expenses	(190)	(206)
Other income and expenses	(24)	(14)
Operating income	182	132
Equity in income of affiliates	(1)	(2)
Financial result	(13)	(23)
Income taxes	(43)	(28)
Net income	125	79
Of which non-controlling interests	1	1
Net income - Group share	124	78
<i>Earnings per share (amount in euros)</i>	<i>1.56</i>	<i>1.02</i>
<i>Diluted earnings per share (amount in euros)</i>	<i>1.55</i>	<i>1.02</i>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<u>1st quarter 2021</u>	<u>1st quarter 2020</u>
<i>(In millions of euros)</i>	(non audited)	(non audited)
Net income	125	79
Hedging adjustments	(15)	(7)
Other items	-	-
Deferred taxes on hedging adjustments and other items	-	-
Change in translation adjustments	115	17
Other recyclable comprehensive income	100	10
Actuarial gains and losses	61	(24)
Deferred taxes on actuarial gains and losses	(13)	8
Other non-recyclable comprehensive income	48	(16)
Total income and expenses recognized directly through equity	148	(6)
Comprehensive income	273	73
Of which: non-controlling interest	2	2
Comprehensive income - Group share	271	71

INFORMATION BY SEGMENT

(non audited)

1st quarter 2021

<i>(In millions of euros)</i>	Adhesive Solutions	Advanced Materials	Coating Solutions	Intermediates	Corporate	Total
Total sales	555	703	567	395	6	2,226
EBITDA	86	142	78	75	(23)	358
Recurring depreciation and amortization of tangible and intangible assets	(15)	(61)	(29)	(28)	(2)	(135)
Recurring operating income (REBIT)	71	81	49	47	(25)	223
Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(12)	(4)	(1)	-	-	(17)
Other income and expenses	(6)	(8)	(10)	0	(0)	(24)
Operating income	53	69	38	47	(25)	182
Equity in income of affiliates	-	(1)	-	(0)	-	(1)
Intangible assets and property, plant and equipment additions	15	58	11	40	3	127
Of which recurring capital expenditure	15	33	9	12	3	72

1st quarter 2020

<i>(In millions of euros)</i>	Adhesive Solutions	Advanced Materials	Coating Solutions	Intermediates	Corporate	Total
Total sales	515	652	517	397	7	2,088
EBITDA	69	122	65	68	(24)	300
Recurring depreciation and amortization of tangible and intangible assets	(15)	(61)	(29)	(33)	(2)	(140)
Recurring operating income (REBIT)	54	61	36	35	(26)	160
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	(3)	(6)	(0)	(4)	(1)	(14)
Operating income	43	51	34	31	(27)	132
Equity in income of affiliates	-	(2)	-	0	-	(2)
Intangible assets and property, plant and equipment additions	15	38	14	23	2	92
Of which recurring capital expenditure	15	25	14	23	2	79

CONSOLIDATED CASH FLOW STATEMENT

<i>(In millions of euros)</i>	<u>End of March 2021</u>	<u>End of March 2020</u>
	<i>(non audited)</i>	<i>(non audited)</i>
Cash flow - operating activities		
Net income	125	79
Depreciation, amortization and impairment of assets	146	156
Other provisions and deferred taxes	12	(7)
(Gains)/losses on sales of long-term assets	(2)	-
Undistributed affiliate equity earnings	1	2
Change in working capital	(137)	(132)
Other changes	6	5
Cash flow from operating activities	151	103
Cash flow - investing activities		
Intangible assets and property, plant, and equipment additions	(127)	(92)
Change in fixed asset payables	(45)	(53)
Acquisitions of operations, net of cash acquired	(14)	(90)
Increase in long-term loans	(8)	(8)
Total expenditures	(194)	(243)
Proceeds from sale of intangible assets and property, plant and equipment	5	1
Change in fixed asset receivables	-	-
Proceeds from sale of businesses, net of cash transferred	-	-
Proceeds from sale of unconsolidated investments	-	-
Repayment of long-term loans	6	6
Total divestitures	11	7
Cash flow from investing activities	(183)	(236)
Cash flow - financing activities		
Issuance (repayment) of shares and other equity	-	-
Purchase of treasury shares	(28)	-
Issuance of hybrid bonds	-	299
Redemption of hybrid bonds	-	-
Dividends paid to parent company shareholders	-	-
Interest paid to bearers of subordinated perpetual notes	(5)	-
Dividends paid to non-controlling interests	-	-
Variation des dividendes à payer	-	-
Increase in long-term debt	4	2
Decrease in long-term debt	(14)	(24)
Increase/ decrease in short-term borrowings	(4)	1
Cash flow from financing activities	(47)	278
Net increase/(decrease) in cash and cash equivalents	(79)	145
Effect of exchange rates and changes in scope	(14)	5
Cash and cash equivalents at beginning of period	1,587	1,407
Cash and cash equivalents at end of period	1,494	1,557

CONSOLIDATED BALANCE SHEET

<i>(In millions of euros)</i>	31 March 2021	31 December 2020
	<i>(non audited)</i>	<i>(non audited)</i>
ASSETS		
Goodwill	1,943	1,933
Other intangible assets, net	1,489	1,433
Property, plant and equipment, net	2,886	2,828
Equity affiliates: investments and loans	30	29
Other investments	57	57
Deferred tax assets	156	159
Other non-current assets	218	209
TOTAL NON-CURRENT ASSETS	6,779	6,648
Inventories	1,006	881
Accounts receivable	1,377	1,131
Other receivables and prepaid expenses	179	163
Income tax receivables	71	70
Other current financial assets	22	40
Cash and cash equivalents	1,494	1,587
Assets held for sale	202	191
TOTAL CURRENT ASSETS	4,351	4,063
TOTAL ASSETS	11,130	10,711
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	767	767
Paid-in surplus and retained earnings	4,616	4,458
Treasury shares	(34)	(6)
Translation adjustments	82	(32)
SHAREHOLDERS' EQUITY - GROUP SHARE	5,431	5,187
Non-controlling interests	50	48
TOTAL SHAREHOLDERS' EQUITY	5,481	5,235
Deferred tax liabilities	346	320
Provisions for pensions and other employee benefits	484	530
Other provisions and non-current liabilities	406	383
Non-current debt	2,663	2,663
TOTAL NON-CURRENT LIABILITIES	3,899	3,896
Accounts payable	1,085	987
Other creditors and accrued liabilities	382	339
Income tax payables	98	69
Other current financial liabilities	19	15
Current debt	133	134
Liabilities related to assets held for sale	33	36
TOTAL CURRENT LIABILITIES	1,750	1,580
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	11,130	10,711

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(non audited)

(In millions of euros)	Shares issued								Shareholders' equity - Group share	Non-controlling interests	Shareholders' equity
	Number	Amount	Paid-in surplus	Hybrid bonds	Retained earnings	Translation adjustments	Number	Amount			
At January 1, 2021	76,736,476	767	1,272	700	2,486	(32)	(59,756)	(6)	5,187	48	5,235
Cash dividend	-	-	-	-	(5)	-	-	-	(5)	-	(5)
Issuance of share capital	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	(28)	(28)	-	(28)
Cancellation of purchased treasury shares	-	-	-	-	-	-	-	-	-	-	-
Grants of treasury shares to employees	-	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	6	-	-	-	6	-	6
Issuance of hybrid bonds	-	-	-	-	-	-	-	-	-	-	-
Redemption of hybrid bonds	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Transactions with shareholders	-	-	-	-	1	-	-	(28)	(27)	-	(27)
Net income	-	-	-	-	124	-	-	-	124	1	125
Total income and expense recognized directly through equity	-	-	-	-	33	114	-	-	147	1	148
Comprehensive income	-	-	-	-	157	114	-	-	271	2	273
At December 31, 2021	76,736,476	767	1,272	700	2,644	82	(59,756)	(34)	5,431	50	5,481

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>	<u>1st quarter 2021</u>	<u>1st quarter 2020</u>
OPERATING INCOME	182	132
- Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(17)	(14)
- Other income and expenses	(24)	(14)
RECURRING OPERATING INCOME (REBIT)	223	160
- Recurring depreciation and amortization of tangible and intangible assets	(135)	(140)
EBITDA	358	300

Details of depreciation and amortization of tangible and intangible assets:

<i>(In millions of euros)</i>	<u>1st quarter 2021</u>	<u>1st quarter 2020</u>
Depreciation and amortization of tangible and intangible assets	(146)	(156)
Of which: Recurring depreciation and amortization of tangible and intangible assets	(135)	(140)
Of which: Depreciation and amortization related to the revaluation of assets as part of the allocation of the purchase price of businesses	(17)	(14)
Of which: Impairment included in other income and expenses	6	(2)

ADJUSTED NET INCOME AND ADJUSTED EARNINGS PER SHARE

<i>(In millions of euros)</i>	<u>1st quarter 2021</u>	<u>1st quarter 2020</u>
NET INCOME - GROUP SHARE	124	78
- Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(17)	(14)
- Other income and expenses	(24)	(14)
- 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	4	3
- Taxes on other income and expenses	2	3
- One-time tax effects	-	-
ADJUSTED NET INCOME	159	100
- Weighted average number of ordinary shares	76,479,782	76,492,807
- Weighted average number of potential ordinary shares	76,736,476	76,658,760
ADJUSTED EARNINGS PER SHARE (in euros)	2.08	1.31
DILUTED ADJUSTED EARNINGS PER SHARE (in euros)	2.07	1.30

RECURRING CAPITAL EXPENDITURE

<i>(In millions of euros)</i>	<u>1st quarter 2021</u>	<u>1st quarter 2020</u>
INTANGIBLE ASSETS AND PROPERTY, PLANT, AND EQUIPMENT ADDITIONS	127	92
- Exceptional capital expenditure	53	13
- Investments relating to portfolio management operations	-	-
- Capital expenditure with no impact on net debt	2	0
RECURRING CAPITAL EXPENDITURE	72	79

FREE CASH FLOW AND EBITDA TO CASH CONVERSION RATE

<i>(In millions of euros)</i>	<u>1st quarter 2021</u>	<u>1st quarter 2020</u>
Cash flow from operating activities	151	103
+ Cash flow from investing activities	(183)	(236)
NET CASH FLOW	(32)	(133)
- Net cash flow from portfolio management operations	(16)	(95)
FREE CASH FLOW	(16)	(38)

The net cash flow from portfolio management operations corresponds to the impact of acquisition and divestment operations.

NET DEBT

<i>(In millions of euros)</i>	<u>End of March 2021</u>	<u>End of December 2020</u>
Non-current debt	2,663	2,663
+ Current debt	133	134
- Cash and cash equivalents	1,494	1,587
NET DEBT	1,302	1,210
+ Hybrid bonds	700	700
NET DEBT AND HYBRID BONDS	2,002	1,910

WORKING CAPITAL

<i>(In millions of euros)</i>	<u>End of March 2021</u>	<u>End of December 2020</u>
Inventories	1,006	881
+ Accounts receivable	1,377	1,131
+ Other receivables including income taxes	250	233
+ Other current financial assets	22	40
- Accounts payable	1,085	987
- Other liabilities including income taxes	480	408
- Other current financial liabilities	19	15
WORKING CAPITAL	1,071	875

CAPITAL EMPLOYED

<i>(In millions of euros)</i>	<u>End of March 2021</u>	<u>End of December 2020</u>
Goodwill, net	1,943	1,933
+ Intangible assets (excluding goodwill), and property, plant and equipment, net	4,375	4,261
+ Investments in equity affiliates	30	29
+ Other investments and other non-current assets	275	266
+ Working capital	1,071	875
CAPITAL EMPLOYED	7,694	7,364