

Colombes, 5 May 2022

ARKEMA: FIRST-QUARTER 2022 RESULTS

Arkema delivered an excellent financial performance in the first quarter, despite high raw materials and energy cost inflation and some disparities in growth between regions and markets. These results were driven by the Group's acceleration in high performance materials, its ability to incorporate cost increases into its selling prices and its agility in a complex global environment.

- Group **sales** of **€2.9 billion**, up by **30%** year-on-year at constant scope and currency:
 - Volumes down slightly from last year's high level, impacted mainly by logistics disruptions and raw materials shortages
 - Continued product mix improvement, reflecting the acceleration in demand for high performance solutions
 - Adjustment to selling prices offsetting very significant raw materials, energy and transportation cost inflation
 - Specialty Materials representing 90% of Group sales (82% in Q1'21)
- **EBITDA** of **€619 million**, up by **72.9%** compared with Q1'21, and **EBITDA margin** up sharply to **21.4%**:
 - EBITDA of Specialty Materials up by 82% at €556 million (€306 million in Q1'21), benefiting from solid volumes, the selling price policy against a highly inflationary context, and the development of high value-added applications linked to sustainable megatrends (batteries, 3D, lightweighting, bio-based materials, more eco-friendly paints, etc.)
 - Intermediates' EBITDA up by 25%, supported by the improvement of Fluorogases and better conditions in upstream acrylics in Asia
- **Adjusted net income** multiplied by 2.4 to **€376 million**, representing €4.96 per share (€2.08 in Q1'21)
- **Recurring cash flow** of **€26 million** (€53 million in Q1'21), including the seasonal increase in working capital, as well as higher selling and raw materials prices
- **Net debt** tightly controlled at **€2,703 million** – of which €700 million in hybrid bonds – including the acquisition of Ashland's performance adhesives finalized on 28 February 2022, and representing **1.4x** last-twelve-months **EBITDA**

Given this excellent start to the year, while remaining attentive to the evolution of the macroeconomic environment, Arkema now aims to achieve in 2022 at constant scope, Specialty Materials EBITDA and Group EBITDA slightly above the record level of 2021.

Following Arkema's Board of Directors' meeting, held on 4 May 2022 to review the Group's consolidated financial information for the first quarter of 2022, Chairman and CEO Thierry Le Hénaff said:

"Our very good performance in the first quarter reflects the strength of our innovation for sustainable development and Arkema's very solid positioning to address accelerating demand for cutting-edge solutions in high value-added markets. In an operating context that continues to be particularly demanding, our balanced geographic footprint, our technologies, our customer intimacy and the commitment of Arkema's teams are all valuable assets. Despite the uncertainties currently weighing on global growth, this first quarter's very good results make us confident in our ability to surpass in 2022 last year's record results and particularly motivate the teams to continue implementing our strategy focused on Specialty Materials.

We are also pleased to have welcomed on 1 March Ashland's adhesives' teams, and this top-tier activity is already confirming all its potential. Lastly, we are delighted to start up very soon, on time and on budget, our two new plants in Singapore and the United States, which are fully in line with the decarbonization theme."

KEY FIGURES FOR FIRST-QUARTER 2022

<i>in millions of euros</i>		Q1'22	Q1'21 ⁽¹⁾	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%
	Adjusted net income per share (in €)	4.96	2.08	+138.5%
Recurring cash flow		26	53	-50.9%
Free cash flow		-23	-16	
Net debt including hybrid bonds		2,703	2,002	
		<i>€1,177m as of 31/12/2021</i>		

FIRST-QUARTER 2022 BUSINESS PERFORMANCE

Sales rose by **29.7%** year-on-year to **€2,887 million**. Up against a high comparison base, volumes were down by a slight 2.2%, impacted by logistics disruptions in Europe and the United States and the shortage of certain raw materials, particularly in the Adhesive Solutions segment. While underlying demand remained fairly well oriented in most of the Group's end markets and regions, a slowdown was nevertheless observed in China at the end of the quarter due to Covid-related lockdowns, as well as in construction in Europe. The 31.5% positive price effect reflects in particular Arkema's ability to pass on in its Specialty Materials selling prices the very high inflation in raw materials, energy and transportation costs, as well as better conditions in upstream acrylics. The scope effect was a negative 4.9%, as the divestment of PMMA was only partially offset by the integration of acquisitions in Specialty Materials. The 5.3% positive currency effect was essentially attributable to the appreciation of the US dollar against the euro.

In first-quarter 2022, Specialty Materials' sales accounted for 90% of Group sales (82% in Q1'21), confirming the benefits of the Group's strategy.

Group **EBITDA**, up by a strong 72.9% to **€619 million**, was driven in particular by the improvement in the product mix linked to strong demand for solutions with high technological content in batteries, consumer goods, electronics and 3D printing, by the Group's ability to pass on very high cost inflation, as well as by favorable market conditions in upstream acrylics. Specialty Materials' EBITDA was up by 81.7% to €556 million, supported by the good performance achieved by all its business segments. Intermediates' EBITDA increased by 25.3% to €94 million. In this demanding and complex yet nevertheless buoyant context, the Group's **EBITDA margin** rose by 530 bps to **21.4%**.

Recurring operating income (REBIT) more than doubled year-on-year to **€488 million**. This figure includes €131 million in recurring depreciation and amortization, down by €4 million compared with first-quarter 2021, mainly reflecting the scope effect linked to the divestment of PMMA in May 2021. The **REBIT margin** amounted to 16.9% (10.0% in Q1'21).

⁽¹⁾ Integrates the reclassification of the upstream of PVDF in the Advanced Materials segment (ex Intermediates segment)

Adjusted net income rose sharply to **€376 million** (€159 million in Q1'21), representing **€4.96** per share. Excluding exceptional items, the tax rate amounted to 21% of recurring operating income.

CASH FLOW AND NET DEBT AT 31 MARCH 2022

Recurring cash flow came to **€26 million**, down slightly from first-quarter 2021 (€53 million). While the Group's operating performance improved significantly compared with the prior year, the increase in working capital was also more marked, reflecting unprecedented inflation in raw materials and energy costs, higher selling prices, as well as the traditional seasonality of volumes observed in the first quarter. At end-March 2022, working capital returned to a more normative level, representing 14.0% of annualized sales (12.7% at end-March 2021 and 16.5% at end-March 2020). Recurring cash flow also included recurring capital expenditure of €72 million, stable year-on-year.

Free cash flow amounted to a **negative €23 million** (negative €16 million in Q1'21), and included exceptional capital expenditure of €40 million, down by €13 million year-on-year, as the two major projects concerned enter the final phase of their implementation.

Net cash flow from portfolio management operations represented an outflow of **€1,496 million** in first-quarter 2022, mainly reflecting the payment of the Ashland performance adhesives acquisition finalized on 28 February 2022.

As a result, **net debt** including hybrid bonds was up significantly, totaling **€2,703 million** compared with €1,177 million at end-2021. Nevertheless, the net debt (including hybrid bonds) to last-twelve-months EBITDA ratio remained well below the 2x threshold, standing at 1.4x. On a *pro forma* basis, including the twelve-months EBITDA of Ashland's adhesives and excluding the residual contribution of PMMA, this ratio came to 1.3x.

FIRST-QUARTER 2022 PERFORMANCE BY SEGMENT

ADHESIVE SOLUTIONS (23% OF TOTAL GROUP SALES)

<i>in millions of euros</i>	Q1'22	Q1'21	Change
Sales	670	555	+20.7%
EBITDA	90	86	+4.7%
EBITDA margin	13.4%	15.5%	
Recurring operating income (REBIT)	73	71	+2.8%
REBIT margin	10.9%	12.8%	

Sales in the Adhesive Solutions segment rose sharply by 20.7% compared with first-quarter 2021 to **€670 million**, driven by a 15.8% price effect which reflects the Group's ongoing initiatives to pass on the significant inflation in raw materials, energy and transportation costs. In a context of sustained demand, volumes nevertheless fell by 4.5% from the high level achieved last year, impacted by the slowdown recently observed in construction and DIY in Europe, by logistics difficulties, as well as by shortages of certain raw materials, which are gradually improving. Volumes in the United States stood at a good level. The 6.3% positive scope effect corresponds to the integration of Ashland's performance adhesives in March, as well as Poliplas and Edge Adhesives Texas over the quarter. The currency effect was a positive 3.1%.

At **€90 million**, the segment's **EBITDA** increased by 4.7% compared with first-quarter 2021, and the **EBITDA margin** came in at **13.4%** (15.5% in Q1'21), impacted essentially by the mechanical dilutive effect of price increases covering all raw materials costs. This performance reflects the benefit of price increase initiatives, the product mix improvement toward high performance adhesive solutions in high value-added applications, as well as to a lesser extent the integration of acquisitions, in particular Ashland's performance adhesives in March.

ADVANCED MATERIALS (37% OF TOTAL GROUP SALES)

<i>in millions of euros</i>	Q1'22	Q1'21 ⁽¹⁾	Change
Sales	1,075	752	+43.0%
EBITDA	274	142	+93.0%
EBITDA margin	25.5%	18.9%	
Recurring operating income (REBIT)	207	75	+176.0%
REBIT margin	19.3%	10.0%	

Up by 43.0% compared with first-quarter 2021, **sales** in the Advanced Materials segment amounted to **€1,075 million**. In an environment still characterized by favorable demand in most industrial markets except automotive, which remained down, volumes decreased slightly by 2.0% year-on-year, impacted mainly by logistics disruptions. Strongly favorable in the segment's two Business Lines, the price effect of positive 39.4% reflects initiatives to increase selling prices in the context of still marked raw materials, energy and transportation cost inflation, as well as the clear improvement in the product mix toward high performance solutions that address global megatrends. In particular, momentum remained strong in batteries, lightweighting, sports, bio-based materials and electronics. The 0.5% negative scope effect corresponds to the divestment of the epoxides business in December 2021, which was partly offset by the integration of Agiplast, and the currency effect was a positive 6.1%.

The segment's **EBITDA** reached a record level of **€274 million**, a 93.0% year-on-year increase, thanks notably to the segment's positioning on higher value-added solutions. The **EBITDA margin** increased by a significant 660 bps to **25.5%**, reflecting the high quality of the Group's innovation portfolio.

COATING SOLUTIONS (30% OF TOTAL GROUP SALES)

<i>in millions of euros</i>	Q1'22	Q1'21	Change
Sales	862	567	+52.0%
EBITDA	192	78	+146.2%
EBITDA margin	22.3%	13.8%	
Recurring operating income (REBIT)	161	49	+228.6%
REBIT margin	18.7%	8.6%	

At **€862 million**, **sales** in the Coating Solutions segment were up by 52% year-on-year. At a positive 41.8%, the price effect was sustained across all the segment's activities. In an environment of high raw materials, energy and transportation cost inflation, this reflects both the price increase initiatives undertaken by the Group to offset the impact of higher costs, and more favorable conditions in upstream acrylics. Volumes were up by 4.2%, benefiting from continued well-oriented demand and a relatively favorable comparison base due to the slowdown linked to winter storm Uri in the United States last year, but remained impacted by logistics difficulties encountered in shipping and receiving products. The currency effect increased segment sales by 6.0%.

In this context, the Coating Solutions segment achieved an excellent financial performance, with **EBITDA** of **€192 million versus €78 million** in the prior year, which was impacted by the consequences of winter storm Uri in the United States. Both upstream acrylics and downstream activities were up significantly. The **EBITDA margin** came to **22.3%**, benefiting from the improvement in the product mix toward higher value-added solutions that address notably challenges in living comfort & home efficiency and new energies, as well as needs in electronics and 3D printing.

⁽¹⁾ Integrates the reclassification of the upstream of PVDF in the Advanced Materials segment (ex Intermediates segment)

INTERMEDIATES (10% OF TOTAL GROUP SALES)

<i>in millions of euros</i>	Q1'22	Q1'21 ⁽¹⁾	Change
Sales	271	346	-21.7%
EBITDA	94	75	+25.3%
EBITDA margin	34.7%	21.7%	
Recurring operating income (REBIT)	79	53	+49.1%
REBIT margin	29.2%	15.3%	

Sales in the Intermediates segment amounted to **€271 million**, down by 21.7% compared with first-quarter 2021, reflecting in particular a 40.2% negative scope effect relating to the divestment of the PMMA business in May 2021. Benefiting from continued favorable market conditions in acrylics in Asia and a positive dynamic in Fluorogases in the United States, the price effect was a positive 23.1%. Volumes decreased by 10.4%, as the acrylics business was impacted at the end of the quarter by strict lockdown measures in China, and Fluorogases by the mechanical effect of quotas in the United States. The currency effect was a positive 5.8%.

At **€94 million**, **EBITDA** was up by 25.3% year-on-year, despite a negative scope effect of around €30 million. The **EBITDA margin** grew strongly to **34.7%** (21.7% in Q1'21), reflecting the recovery of Fluorogases margins from the low level of previous years, and more favorable conditions in upstream acrylics in Asia.

FIRST-QUARTER 2022 HIGHLIGHTS

On 28 February 2022, Arkema finalized the acquisition of Ashland’s Performance Adhesives business. This operation, based on a US\$1,650 million enterprise value, *i.e.*, 8.7x the expected 2026 EBITDA after taking into account growth and synergies estimated at 12.5% of sales, marks a major step in Arkema’s strengthening of its Adhesive Solutions segment.

The Group also expanded its offering of engineering adhesives with the acquisition, finalized on 1 April 2022, of Shanghai Zhiguan Polymer Materials (PMP) in China, specialized in hot-melt adhesives for the consumer electronics market.

In Advanced Materials, Arkema announced on 26 January 2022 that it was now targeting a capacity increase of 50% in fluoropolymer production at its Changshu site in China to support strong demand in lithium-ion batteries and in other important markets, with the start-up expected at end-2022.

Also in Advanced Materials, on 17 January 2022, Arkema announced plans to increase its global production capacity for Pebax® elastomers by 25% through an investment at its Serquigny plant in France, to support its customers’ strong growth, in particular in the sports and consumer goods markets.

Moreover, following the completion on 24 November 2021 of the €300 million share buyback program, the Board of Directors decided on 24 January 2022 to reduce Arkema’s share capital by 3.19%, by canceling 2,450,435 treasury shares acquired at a total cost of €270 million. Following this operation, Arkema’s share capital amounted to €742,860,410, divided into 74,286,041 shares with a par value of €10.

Lastly, in early January, the Group and other founding members of the “Pragati” project for sustainable castor crop farming, published the results of the fifth year of their program, which saw a 50% increase in certified castor beans (36,000 tons) and over 5,800 farmers trained by the end of this fifth year.

⁽¹⁾ Integrates the reclassification of the upstream of PVDF in the Advanced Materials segment (ex Intermediates segment)

OUTLOOK FOR 2022

Market conditions remain positively oriented at the beginning of the second quarter, but with disparities between regions and end markets and an increased lack of visibility regarding the environment. The health situation in China, the war in Ukraine, high raw materials and energy cost inflation, and logistics disruptions are all factors that could weigh on global demand going forward.

In this demanding context, the Group will endeavor to optimize supply chain management and continue to dynamically adjust its selling prices. Moreover, Arkema will pursue its cutting-edge innovation to develop, in partnership with its customers, its Specialty Materials and high performance solutions for sustainable development.

While remaining attentive to the evolution of the macroeconomic environment, the Group aims to reach in second-quarter 2022 a strong increase in its EBITDA compared with the prior year, driven in particular by high organic growth in Advanced Materials and Coating Solutions. The Adhesive Solutions segment, still impacted by certain raw materials shortages, will benefit from the integration of Ashland's adhesives business.

Moreover, Arkema now aims to achieve in 2022, at constant scope, Specialty Materials EBITDA and Group EBITDA slightly above the record level of 2021.

In line with its strategy to become a pure Specialty Materials player in 2024, Arkema will continue in 2022 its bolt-on acquisition policy, as well as its review of the Intermediates segment. Beyond the start-up, expected in the coming months, of the two major industrial projects, namely the bio-based polyamides plant in Singapore and the hydrofluoric acid plant in the United States, Arkema will continue to selectively increase its industrial capacities to support its growth.

Lastly, the Group is reaffirming its confidence in its ability to achieve the ambitious targets it has set for 2024. It will continue to implement its strategic roadmap, notably by stepping up its innovation efforts for sustainable development. Arkema thus aims to generate €1.5 billion of new revenues from 2019 to 2030 around its five large innovation platforms, namely lightweight materials and design, electronics solutions, new energies, living comfort and home efficiency and natural resources management.

Further details concerning the Group's first-quarter 2022 results are provided in the "First-quarter 2022 results and outlook" presentation and the "Factsheet", both available on Arkema's website at: www.arkema.com/global/en/investor-relations/

FINANCIAL CALENDAR

19 May 2022: Annual general meeting

29 July 2022: Publication of second-quarter 2022 results

10 November 2022: Publication of third-quarter 2022 results

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 where the consequences of the Russian offensive in Ukraine and the resulting economic sanctions against Russia on geopolitical stability and the global 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 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 Russian offensive in Ukraine, 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 2022 reviewed by Arkema’s Board of Directors on 4 May 2022. 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.

Building on its unique set of expertise in materials science, **Arkema** offers a portfolio of first-class technologies 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 3 complementary, resilient and highly innovative segments dedicated to Specialty Materials –Adhesive Solutions, Advanced Materials, and Coating Solutions- accounting for some 85.5% of Group sales in 2021, and a well-positioned and competitive Intermediates segment. Arkema offers cutting-edge technological solutions to meet the challenges of, among other things, new energies, access to water, recycling, urbanization and mobility, and fosters a permanent dialogue with all its stakeholders. The Group reported sales of around €9.5 billion in 2021, and operates in some 55 countries with 20,200 employees worldwide.

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ARKEMA financial statements

Consolidated financial information - At the end of March 2022

Consolidated financial statements as of December 2021 have been audited.

CONSOLIDATED INCOME STATEMENT

	<u>1st quarter 2022</u>	<u>1st quarter 2021</u>
<i>(In millions of euros)</i>		
Sales	2,887	2,226
Operating expenses	(2,135)	(1,769)
Research and development expenses	(66)	(61)
Selling and administrative expenses	(217)	(190)
Other income and expenses	(35)	(24)
Operating income	434	182
Equity in income of affiliates	(1)	(1)
Financial result	(8)	(13)
Income taxes	(95)	(43)
Net income	330	125
Attributable to non-controlling interests	1	1
Net income - Group share	329	124
<i>Earnings per share (amount in euros)</i>	<i>4.28</i>	<i>1.56</i>
<i>Diluted earnings per share (amount in euros)</i>	<i>4.26</i>	<i>1.55</i>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(In millions of euros)</i>	<u>1st quarter 2022</u>	<u>1st quarter 2021</u>
Net income	330	125
Hedging adjustments	(1)	(15)
Other items	-	-
Deferred taxes on hedging adjustments and other items	0	-
Change in translation adjustments	90	115
Other recyclable comprehensive income	89	100
Impact of remeasuring unconsolidated investments	(1)	-
Actuarial gains and losses	50	61
Deferred taxes on actuarial gains and losses	(9)	(13)
Other non-recyclable comprehensive income	40	48
Total income and expenses recognized directly in equity	129	148
Total comprehensive income	459	273
Attributable to non-controlling interest	1	2
Total comprehensive income - Group share	458	271

INFORMATION BY SEGMENT

1st quarter 2022*

(In millions of euros)

	Adhesive Solutions	Advanced Materials	Coating Solutions	Intermediates	Corporate	Total
Sales	670	1,075	862	271	9	2,887
EBITDA	90	274	192	94	(31)	619
Recurring depreciation and amortization of property, plant and equipment and intangible assets	(17)	(67)	(31)	(15)	(1)	(131)
Recurring operating income (REBIT)	73	207	161	79	(32)	488
Depreciation and amortization related to the revaluation of property, plant and equipment and intangible assets as part of the allocation of the purchase price of businesses	(13)	(4)	(2)	-	-	(19)
Other income and expenses	(18)	(3)	-	0	(14)	(35)
Operating income	42	200	159	79	(46)	434
Equity in income of affiliates	-	(1)	-	-	-	(1)
Intangible assets and property, plant, and equipment additions	15	76	15	2	4	112
Of which: recurring capital expenditure	15	36	15	2	4	72

1st quarter 2021*

(In millions of euros)

	Adhesive Solutions	Advanced Materials	Coating Solutions	Intermediates	Corporate	Total
Sales	555	752	567	346	6	2,226
EBITDA	86	142	78	75	(23)	358
Recurring depreciation and amortization of property, plant and equipment and intangible assets	(15)	(67)	(29)	(22)	(2)	(135)
Recurring operating income (REBIT)	71	75	49	53	(25)	223
Depreciation and amortization related to the revaluation of property, plant and equipment 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	63	38	53	(25)	182
Equity in income of affiliates	-	(1)	-	-	-	(1)
Intangible assets and property, plant, and equipment additions	15	89	11	9	3	127
Of which: recurring capital expenditure	15	36	9	9	3	72

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

CONSOLIDATED CASH FLOW STATEMENT

End of March 2022

End of March 2021

(In millions of euros)

Operating cash flows

Net income	330	125
Depreciation, amortization and impairment of assets	154	146
Other provisions and deferred taxes	(13)	12
(Gains)/losses on sales of long-term assets	-	(2)
Undistributed affiliate equity earnings	1	1
Change in working capital	(332)	(137)
Other changes	10	6
Cash flow from operating activities	150	151

Investing cash flows

Intangible assets and property, plant, and equipment additions	(112)	(127)
Change in fixed asset payables	(79)	(45)
Acquisitions of operations, net of cash acquired	(1,481)	(14)
Increase in long-term loans	(6)	(8)
Total expenditures	(1,678)	(194)
Proceeds from sale of intangible assets and property, plant, and equipment	1	5
Proceeds from sale of operations, net of cash transferred	-	-
Proceeds from sale of unconsolidated investments	-	-
Repayment of long-term loans	8	6
Total divestitures	9	11
Cash flow from investing activities	(1,669)	(183)

Financing cash flows

Issuance (repayment) of shares and paid-in surplus	-	-
Purchase of treasury shares	(2)	(28)
Issuance of hybrid bonds	-	-
Redemption of hybrid bonds	-	-
Dividends paid to parent company shareholders	-	-
Interest paid to bearers of subordinated perpetual notes	(5)	(5)
Dividends paid to non-controlling interests	-	-
Increase in long-term debt	1	4
Decrease in long-term debt	(21)	(14)
Increase / (Decrease) in short-term debt	489	(4)
Cash flow from financing activities	462	(47)
Net increase/(decrease) in cash and cash equivalents	(1,057)	(79)
Effect of exchange rates and changes in scope	29	(14)
Cash and cash equivalents at beginning of period	2,285	1,587
Cash and cash equivalents at end of the period	1,257	1,494

CONSOLIDATED BALANCE SHEET

31 March 2022

31 December 2021

(In millions of euros)

	<u>31 March 2022</u>	<u>31 December 2021</u>
ASSETS		
Goodwill	3,129	1,925
Intangible assets, net	1,679	1,517
Property, plant and equipment, net	3,140	3,031
Equity affiliates: investments and loans	28	29
Other investments	51	52
Deferred tax assets	141	144
Other non-current assets	217	218
TOTAL NON-CURRENT ASSETS	8,385	6,916
Inventories	1,527	1,283
Accounts receivable	1,848	1,432
Other receivables and prepaid expenses	187	181
Income tax receivables	101	91
Other current financial assets	35	109
Cash and cash equivalents	1,257	2,285
Assets held for sale	4	4
TOTAL CURRENT ASSETS	4,959	5,385
TOTAL ASSETS	13,344	12,301
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	743	767
Paid-in surplus and retained earnings	5,721	5,598
Treasury shares	(37)	(305)
Translation adjustments	333	243
SHAREHOLDERS' EQUITY - GROUP SHARE	6,760	6,303
Non-controlling interests	49	47
TOTAL SHAREHOLDERS' EQUITY	6,809	6,350
Deferred tax liabilities	341	342
Provisions for pensions and other employee benefits	440	493
Other provisions and non-current liabilities	444	443
Non-current debt	2,690	2,680
TOTAL NON-CURRENT LIABILITIES	3,915	3,958
Accounts payable	1,381	1,274
Other creditors and accrued liabilities	448	430
Income tax payables	206	155
Other current financial liabilities	15	52
Current debt	570	82
Liabilities related to assets held for sale	-	-
TOTAL CURRENT LIABILITIES	2,620	1,993
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	13,344	12,301

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

<i>(In millions of euros)</i>	Shares issued			Treasury shares			Shareholders' equity - Group share	Non-controlling interests	Shareholders' equity		
	Number	Amount	Paid-in surplus	Hybrid bonds	Retained earnings	Translation adjustments				Number	Amount
At 1 January 2022	76,736,476	767	1,272	700	3,626	243	(2,779,553)	(305)	6,303	47	6,350
Cash dividend	-	-	-	-	(5)	-	-	-	(5)	-	(5)
Issuance of share capital	-	-	-	-	-	-	-	-	-	-	-
Capital decrease by cancellation of treasury shares	(2,450,435)	(24)	(246)	-	-	-	2,450,435	270	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	(20,000)	(2)	(2)	-	(2)
Grants of treasury shares to employees	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	7	-	-	-	7	-	7
Issuance of hybrid bonds	-	-	-	-	-	-	-	-	-	-	-
Redemption of hybrid bonds	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	(1)	-	-	-	(1)	1	-
Transactions with shareholders	(2,450,435)	(24)	(246)	-	1	-	2,430,435	268	(1)	1	-
Net income	-	-	-	-	329	-	-	-	329	1	330
Total income and expense recognized directly through equity	-	-	-	-	39	90	-	-	129	-	129
Comprehensive income	-	-	-	-	368	90	-	-	458	1	459
At 31 March 2022	74,286,041	743	1,026	700	3,995	333	(349,118)	(37)	6,760	49	6,809

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 2022</u>	<u>1st quarter 2021</u>
OPERATING INCOME	434	182
- Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(19)	(17)
- Other income and expenses	(35)	(24)
RECURRING OPERATING INCOME (REBIT)	488	223
- Recurring depreciation and amortization of tangible and intangible assets	(131)	(135)
EBITDA	619	358

Details of depreciation and amortization of tangible and intangible assets:

<i>(In millions of euros)</i>	<u>1st quarter 2022</u>	<u>1st quarter 2021</u>
Depreciation and amortization of tangible and intangible assets	(154)	(146)
Of which: Recurring depreciation and amortization of tangible and intangible assets	(131)	(135)
Of which: Depreciation and amortization related to the revaluation of assets as part of the allocation of the purchase price of businesses	(19)	(17)
Of which: Impairment included in other income and expenses	(4)	6

ADJUSTED NET INCOME AND ADJUSTED EARNINGS PER SHARE

<i>(In millions of euros)</i>	<u>1st quarter 2022</u>	<u>1st quarter 2021</u>
NET INCOME - GROUP SHARE	329	124
- Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(19)	(17)
- Other income and expenses	(35)	(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	4	4
- Taxes on other income and expenses	3	2
- One-time tax effects	-	-
ADJUSTED NET INCOME	376	159
- Weighted average number of ordinary shares	75,747,926	76,479,782
- Weighted average number of potential ordinary shares	76,083,027	76,736,476
ADJUSTED EARNINGS PER SHARE (in euros)	4.96	2.08
DILUTED ADJUSTED EARNINGS PER SHARE (in euros)	4.94	2.07

RECURRING CAPITAL EXPENDITURE

<i>(In millions of euros)</i>	<u>1st quarter 2022</u>	<u>1st quarter 2021</u>
INTANGIBLE ASSETS AND PROPERTY, PLANT, AND EQUIPMENT ADDITIONS	112	127
- Exceptional capital expenditure	40	53
- Investments relating to portfolio management operations	-	-
- Capital expenditure with no impact on net debt	0	2
RECURRING CAPITAL EXPENDITURE	72	72

CASH FLOWS

<i>(In millions of euros)</i>	<u>1st quarter 2022</u>	<u>1st quarter 2021</u>
Cash flow from operating activities	150	151
+ Cash flow from investing activities	(1,669)	(183)
NET CASH FLOW	(1,519)	(32)
- Net cash flow from portfolio management operations	(1,496)	(16)
FREE CASH FLOW	(23)	(16)
Exceptional capital expenditure	(40)	(53)
- Non-recurring cash flow	(9)	(16)
RECURRING CASH FLOW	26	53

The net cash flow from portfolio management operations corresponds to the impact of acquisition and divestment operations. Non-recurring cash flow corresponds to cash flow from other income and expenses.

NET DEBT

<i>(In millions of euros)</i>	<u>End of March 2022</u>	<u>End of December 2021</u>
Non-current debt	2,690	2,680
+ Current debt	570	82
- Cash and cash equivalents	1,257	2,285
NET DEBT	2,003	477
+ Hybrid bonds	700	700
NET DEBT AND HYBRID BONDS	2,703	1,177

WORKING CAPITAL

<i>(In millions of euros)</i>	<u>End of March 2022</u>	<u>End of December 2021</u>
Inventories	1,527	1,283
+ Accounts receivable	1,848	1,432
+ Other receivables including income taxes	288	272
+ Other current financial assets	35	109
- Accounts payable	1,381	1,274
- Other liabilities including income taxes	654	585
- Other current financial liabilities	15	52
WORKING CAPITAL	1,648	1,185

CAPITAL EMPLOYED

<i>(In millions of euros)</i>	<u>End of March 2022</u>	<u>End of December 2021</u>
Goodwill, net	3,129	1,925
+ Intangible assets (excluding goodwill), and property, plant and equipment, net	4,819	4,548
+ Investments in equity affiliates	28	29
+ Other investments and other non-current assets	268	270
+ Working capital	1,648	1,185
CAPITAL EMPLOYED	9,892	7,957
Elements of capital employed classified as assets held for sale	4	4
CAPITAL EMPLOYED ADJUSTED	9,896	7,961