

Investor and analyst factsheet

<i>In millions of euros</i>	Q2'20	Q2'19	Change	H1'20	H1'19	Change
Sales	1,902	2,254	-15.6%	3,990	4,469	-10.7%
Prices	-5.9%			-5.5%		
Volumes	-12.2%			-8.6%		
Currency	-0.4%			+0.2%		
Scope	+2.9%			+3.2%		
EBITDA	286	407	-29.7%	586	777	-24.6%
Adhesive Solutions	50	71	-29.6%	119	133	-10.5%
Advanced Materials	124	142	-12.7%	246	293	-16.0%
Coating Solutions	59	91	-35.2%	124	170	-27.1%
Intermediates	66	127	-48.0%	134	230	-41.7%
Corporate	-13	-24		-37	-49	
EBITDA margin	15.0%	18.1%		14.7%	17.4%	
Recurring depreciation and amortization	-142	-129		-282	-252	
Recurring EBIT	144	278	-48.2%	304	525	-42.1%
<i>REBIT margin</i>	7.6%	12.3%		7.6%	11.7%	
PPA depreciation and amortization	-15	-10		-29	-19	
Non-recurring items	107	-11		93	-23	
Equity in income of affiliates	1	0		-1	-1	
Financial result	-22	-33	-33.3%	-45	-60	-25.0%
Income taxes	-96	-46	+108.7%	-124	-95	+30.5%
Net income - Group share	119	176	-32.4%	197	323	-39.0%
Adjusted net income	90	192	-53.1%	190	357	-46.8%
Adjusted EPS (€)	1.18	2.52	-53.2%	2.49	4.68	-46.8%
<i>Weighted average number of ordinary shares</i>	76,457,621	76,214,216		76,457,621	76,214,216	
Recurring capital expenditure	78	101	-22.8%	157	187	-16.0%
Exceptional capital expenditure	44	20		57	38	
Working capital (12/31 for prior year)				1,231	1,173	
Net debt (12/31 for prior year)				2,134	2,331	

OVERALL ROBUST Q2'20 PERFORMANCE IN THE EXCEPTIONAL COVID-19 CONTEXT

- **€1,902m sales**, down 15.6% YoY (-10.7% in H1'20)
 - (12.2)% volumes
 - Effect of lockdowns
 - Slowdown in construction, transportation and industrial sectors
 - Good demand in packaging, nutrition and hygiene
 - Improvement of the construction market in June in Europe/US
 - (5.9)% prices
 - Resilient prices in Adhesive Solutions and Advanced Materials
 - More challenging market conditions for Intermediates in a context of lower demand
 - +2.9% scope
 - Integration of ArrMaz, Lambson, Prochimir and LIP
 - Divestment of Functional Polyolefins on 1 June 2020
 - (0.4)% currency
 - Devaluation of emerging currencies impacting mainly Adhesive Solutions
- **€286m EBITDA and 15.0% margin**
 - Resilient performance in view of the context
 - Solid performance of Advanced Materials (20% EBITDA margin)
 - Sharp rebound for Bostik in June
 - Benefits of rapidly implemented interim fixed cost reduction initiatives

Q2'20 PERFORMANCE BY SEGMENT

<i>In millions of euros</i>	Q2'20	Q2'19	Change	Prices	Volumes	Currency	Scope
Sales	1,902	2,254	-15.6%	-5.9%	-12.2%	-0.4%	+2.9%
<i>Adhesive Solutions</i>	453	520	-12.9%	-0.9%	-13.2%	-1.5%	+2.7%
<i>Advanced Materials</i>	628	650	-3.4%	-2.0%	-11.5%	-	+10.1%
<i>Coating Solutions</i>	436	575	-24.2%	-9.5%	-15.8%	-0.1%	+1.2%
<i>Intermediates</i>	379	502	-24.5%	-12.3%	-8.1%	+0.1%	-4.2%
EBITDA	286	407	-29.7%				
<i>Adhesive Solutions</i>	50	71	-29.6%				
<i>Advanced Materials</i>	124	142	-12.7%				
<i>Coating Solutions</i>	59	91	-35.2%				
<i>Intermediates</i>	66	127	-48.0%				
<i>Corporate</i>	-13	-24					
EBITDA margin	15.0%	18.1%					
<i>Adhesive Solutions</i>	11.0%	13.7%					
<i>Advanced Materials</i>	19.7%	21.8%					
<i>Coating Solutions</i>	13.5%	15.8%					
<i>Intermediates</i>	17.4%	25.3%					
Recurring EBIT	144	278	-48.2%				
<i>Adhesive Solutions</i>	35	55	-36.4%				
<i>Advanced Materials</i>	61	87	-29.9%				
<i>Coating Solutions</i>	28	62	-54.8%				
<i>Intermediates</i>	35	99	-64.6%				
<i>Corporate</i>	-15	-25					

H1'20 PERFORMANCE BY SEGMENT

<i>In millions of euros</i>	H1'20	H1'19	Change	Prices	Volumes	Currency	Scope
Sales	3,990	4,469	-10.7%	-5.5%	-8.6%	+0.2%	+3.2%
<i>Adhesive Solutions</i>	968	1,033	-6.3%	-0.2%	-8.2%	-0.7%	+2.8%
<i>Advanced Materials</i>	1,280	1,322	-3.2%	-1.8%	-10.7%	+0.4%	+8.9%
<i>Coating Solutions</i>	953	1,139	-16.3%	-8.9%	-9.3%	+0.5%	+1.4%
<i>Intermediates</i>	776	961	-19.3%	-12.2%	-5.3%	+0.4%	-2.2%
EBITDA	586	777	-24.6%				
<i>Adhesive Solutions</i>	119	133	-10.5%				
<i>Advanced Materials</i>	246	293	-16.0%				
<i>Coating Solutions</i>	124	170	-27.1%				
<i>Intermediates</i>	134	230	-41.7%				
<i>Corporate</i>	-37	-49					
EBITDA margin	14.7%	17.4%					
<i>Adhesive Solutions</i>	12.3%	12.9%					
<i>Advanced Materials</i>	19.2%	22.2%					
<i>Coating Solutions</i>	13.0%	14.9%					
<i>Intermediates</i>	17.3%	23.9%					
Recurring EBIT	304	525	-42.1%				
<i>Adhesive Solutions</i>	89	103	-13.6%				
<i>Advanced Materials</i>	122	184	-33.7%				
<i>Coating Solutions</i>	64	116	-44.8%				
<i>Intermediates</i>	70	174	-59.8%				
<i>Corporate</i>	-41	-52					

Q2'20 PERFORMANCE BY SEGMENT

ADHESIVE SOLUTIONS (24% OF GROUP SALES)

- **€453m sales**, down 12.9% YoY
 - Despite packaging and hygiene markets holding firm, volumes down 13.2%, impacted by the sharp slowdown in the construction, transportation and industrial sectors
 - Price -0.9% held up well, reflecting the optimization of the product mix in 2019
 - +2.7% scope effect, on LIP and Prochimir integration
- **€50m EBITDA**
 - EBITDA down 29.6% YoY on sharp volume contraction in construction in April and May, and weak demand in industrial assembly sector
 - Performance picked up sharply in June thanks to the rebound seen in the construction and DIY markets, industrial markets remaining mixed
 - Benefits from the operational excellence and fixed cost savings initiatives, as well as favorable impact of certain raw materials
 - EBITDA margin at 11.0%, temporarily down versus last year

ADVANCED MATERIALS (33% OF GROUP SALES)

- **€628m sales**, slightly down 3.4% YoY
 - Volumes down 11.5%, with Covid-19 weighing strongly on demand for High Performance Polymers
 - significant decline in the transportation, consumer electronics, oil & gas and sports sectors
 - good performance of the nutrition market and certain niche applications used in the fight against the virus
 - Limited price effect of -2.0%
 - 10.1% positive scope effect relating to ArrMaz consolidation, driven by favorable end-markets such as crop nutrition
- **Resilient performance with €124m EBITDA and 19.7% EBITDA margin**
 - EBITDA down 12.7% YoY, reflecting sharp drop in volumes, notably for High Performance Polymers, partly offset by the good resistance of Performance Additives
 - EBITDA margin at a high level, benefitting from a good product mix, the favorable evolution of certain raw materials and fixed costs reduction

COATING SOLUTIONS (23% OF GROUP SALES)

- **€436m sales**, down 24.2% YoY
 - Volumes down 15.8%, due to weak demand in construction, paints and in some industrial markets
 - -9.5% price effect, stemming mainly from lower propylene prices
 - Scope effect +1.2% reflecting the integration of Lambson
- **€59m EBITDA and 13.5% EBITDA margin**
 - EBITDA down 35.2% YoY compared to Q2'19 excellent performance (€91m)
 - Benefit from the improvement of the decorative paints market in June
 - EBITDA margin held up well, thanks in particular to the benefits of the integration between upstream and downstream activities

INTERMEDIATES (20% OF GROUP SALES)

- **€379m sales**, down 24.5% YoY
 - -12.3% price effect mainly reflecting challenging market conditions in Fluorogases and lower propylene prices
 - Volumes down 8.1%
 - slowdown in the construction and automotive sectors

- strong demand in the niche market for PMMA protective sheets, as in the first quarter
- Scope effect -4.2% corresponding to the Functional Polyolefins divestment finalized on 1 June 2020
- **€66m EBITDA and 17.4% EBITDA margin**
 - EBITDA down -48.0% YoY in a context of strong declines in volumes and prices
 - Performance of Fluorogases impacted by illegal HFC imports into Europe, easing towards the end of the period

CASH FLOW

<i>In millions of euros</i>	Q2'19	Q2'20	Comments
EBITDA	407	286	
Current taxes	(48) *	(29)	Tax rate H1'20: ~22% of REBIT (excl. exceptional items)
Cost of debt	(25)	(17)	
Change in working capital and fixed asset payables ⁽¹⁾	(103)	103	Strict working capital management 16.5% working capital on annualized sales (16.0% end of June 2019)
Recurring capital expenditure	(101)	(78)	
Exceptional capital expenditure	(20)	(44)	2020e capex (recurring + exceptional) at ~€600m
Non recurring and others	(20) *	67	Non-recurring items include tax savings linked to the use of tax losses for an amount of €55m in Q2'20
Free cash flow	90	288	
Impact of portfolio management	(24)	242	Mainly corresponding to Functional Polyolefins divestment
Net cash flow	66	530	

* Restated for tax impact on non-recurring items

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

NET DEBT

- **€2,134m** net debt (incl. €1bn hybrid bonds)
 - Sharp decrease compared to 31 March 2020 (€2,481m)
 - €168m dividend payment
 - €246m net proceeds from Functional Polyolefins' divestment
 - **1.7x** EBITDA of last 12 months

OUTLOOK FOR 2020

Based on the progressive lifting of lockdown measures in some important countries for the Group, Arkema expects that demand will continue to improve gradually in the second part of the year, while remaining below last year's level. The pace and strength of this improvement are still uncertain, dependent on the evolution of the pandemic, and will vary between end-markets and geographies. Arkema estimates at this stage that sales in the third quarter will decline by around 10 % year-on-year at constant scope and currency, representing a clear improvement compared to the decline of around 20% recorded in the second quarter.

In this context, Arkema will focus its efforts on the elements that are within its control, in particular costs, capital expenditure and working capital in order to maintain a strong level of liquidity. The Group thus confirms it is on track to reduce in 2020 its fixed costs by €50 million compared to 2019 and to reduce capital expenditure by €100 million compared to the level originally planned. Its innovation efforts in Specialty Materials will be preserved in order to meet its customers' numerous technological and sustainable development opportunities. Thanks to those initiatives, and on the back of its solid performance in the second quarter given the current environment, the Group remains very confident in its ability to deal with this unprecedented crisis, drawing also on its balanced geographic exposure, diversified end markets and strong balance sheet.

Finally, Arkema will continue its acquisition strategy, the roll-out of its major organic growth projects, as well as its strategic review for Intermediates, in line with its ambition to become a pure Specialty Materials player by 2024.