ARKEMA INNOVATIVE MATERIALS FOR A SUSTAINABLE WORLD

Second-quarter 2023 results and outlook

28/07/2023

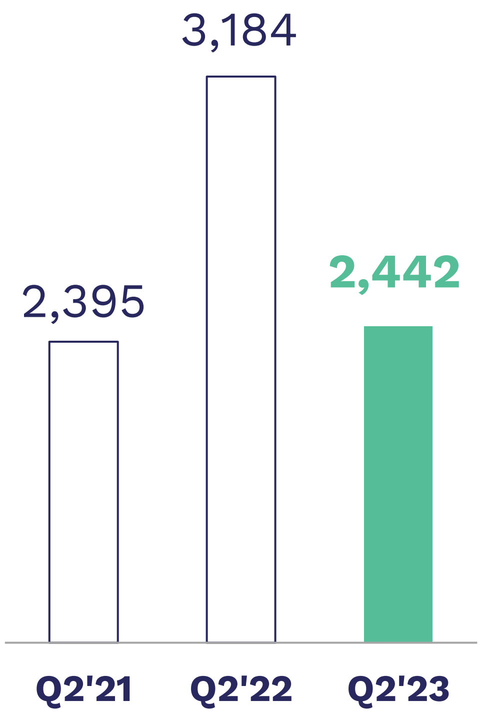
Q2'23 financial highlights

€2,442m sales	→ Down by 23% compared with the particularly high level of Q2'22 • Overall weak demand in most end markets and continued destocking • Positive momentum in high performance solutions driven by sustainability trends • Normalization of PVDF and upstream acrylics • Positive price effect in most product lines • Automotive, battery and energy markets well oriented
€417m EBITDA **17.1%** EBITDA margin	→ EBITDA down by 41% vs Q2'22 • General economic slowdown partly offset by easing tightness in raw materials • Exceptional profits recorded in PVDF and upstream acrylics in Q2'22 → Good EBITDA margin level at 17.1% • Dynamic price and mix management • Reflects the quality of the product portfolio
€207m adj. net income	→ Representing €2.77 per share
€2,645m net debt (incl. hybrid bonds)	→ 1,7x LTM EBITDA → €145m recurring cash flow, reflecting robust results and including the seasonality of working capital

Solid results in a weak demand environment

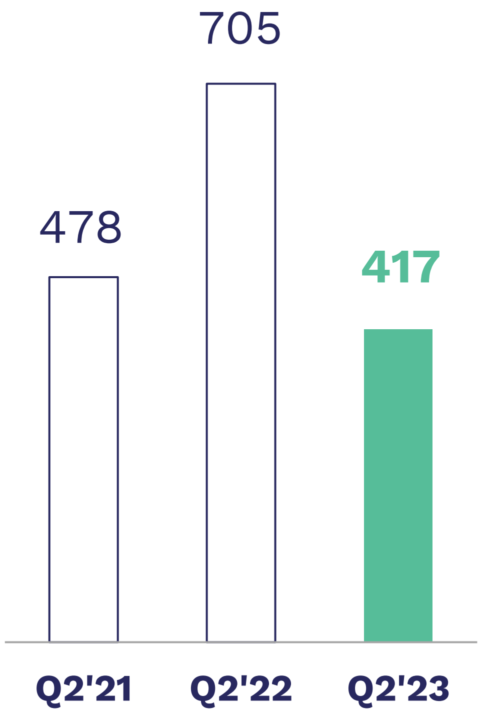
in €million

Sales



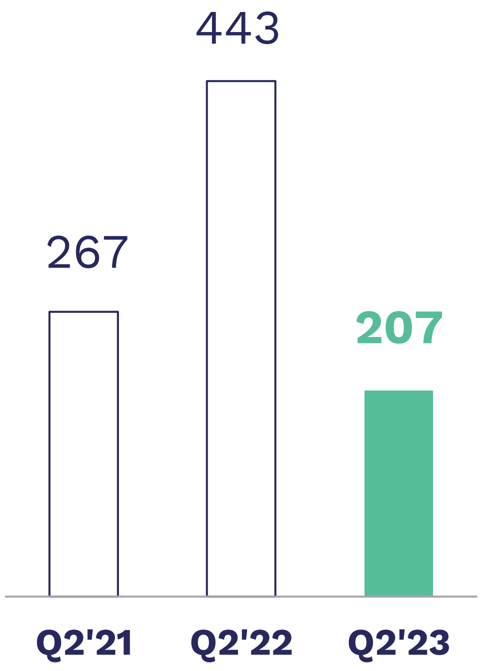
Specialty Materials 91%

EBITDA



Margin 17.1%

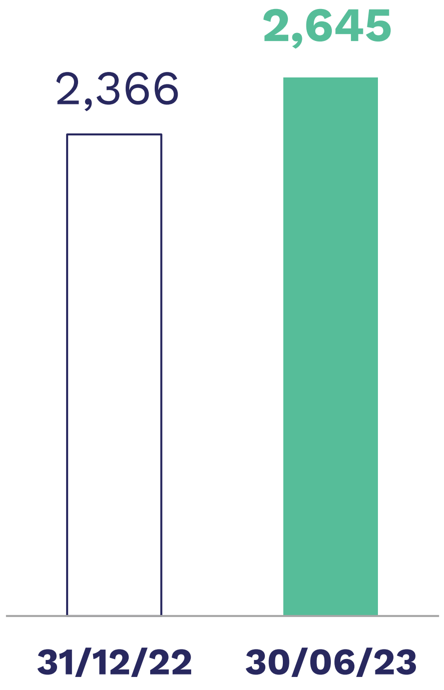
Adj. Net Income



Adj. EPS €2.77

Net Debt

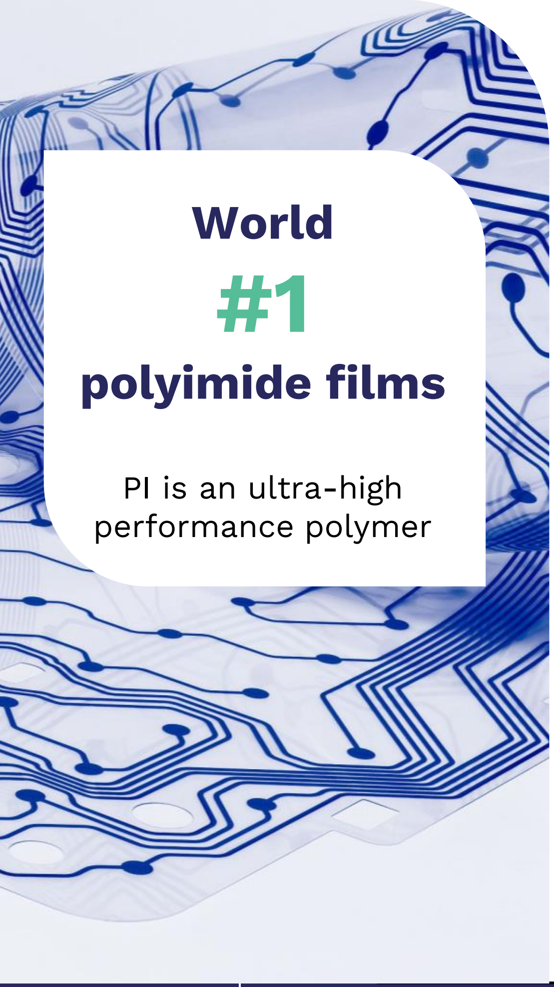
(incl. hybrid bonds)



1.7x LTM EBITDA

New significant milestone in Arkema's transformation into a pure Specialty Materials player

Proposed acquisition of 54% stake in PI Advanced Materials *



World
#1
polyimide films

PI is an ultra-high performance polymer

> €200m
Sales in 2022

c.30%
EBITDA margin

~320
employees

2
state of the art production sites in South Korea

→ **13% p.a. expected growth** in attractive **consumer electronics** and **EV** markets

→ **Highly complementary** product portfolio and geographic reach

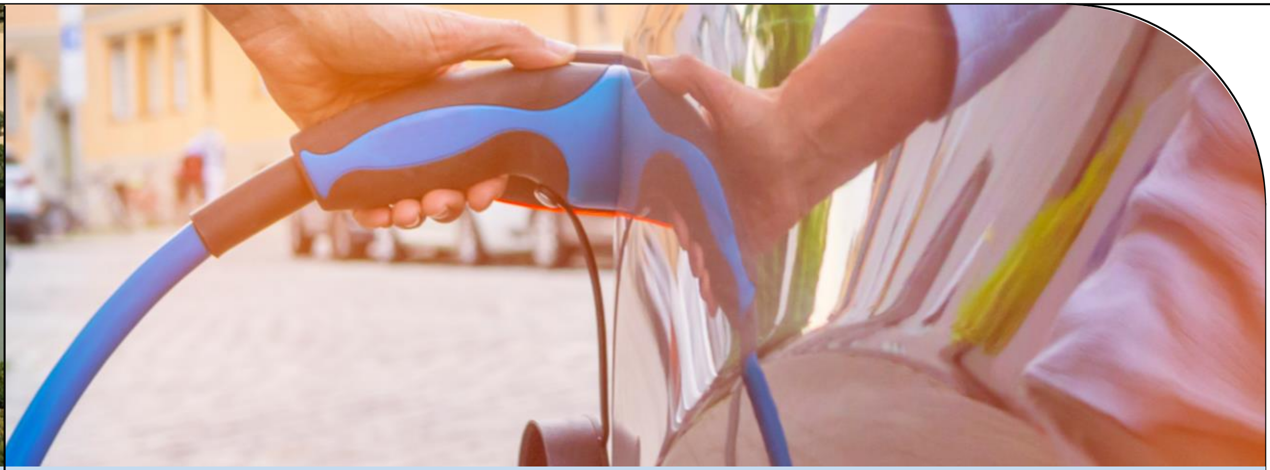
→ **c.€30m** in EBITDA synergies within 5 years

→ Transaction price based on a **€728m** enterprise value for the 54% stake
- **c.20x** average 2021/2022 EBITDA
- **8x** 2027e EBITDA post synergies

→ Closing expected end-2023 *

*Subject to the approval of Chinese and Korean anti-trust authorities

Second-quarter 2023 highlights



Approval of our 1.5°C trajectory by SBTi

Across the whole value chain

-48.5% GHG emissions for Scopes 1 + 2

-54% GHG emissions for Scope 3

in **2030** *vs* 2019

Finalization of Polytec PT acquisition

Thermal interface materials for **batteries** and engineering adhesives for **electronics**

c.€15m sales, one main production site in Germany

Finalized on 1 June 2023

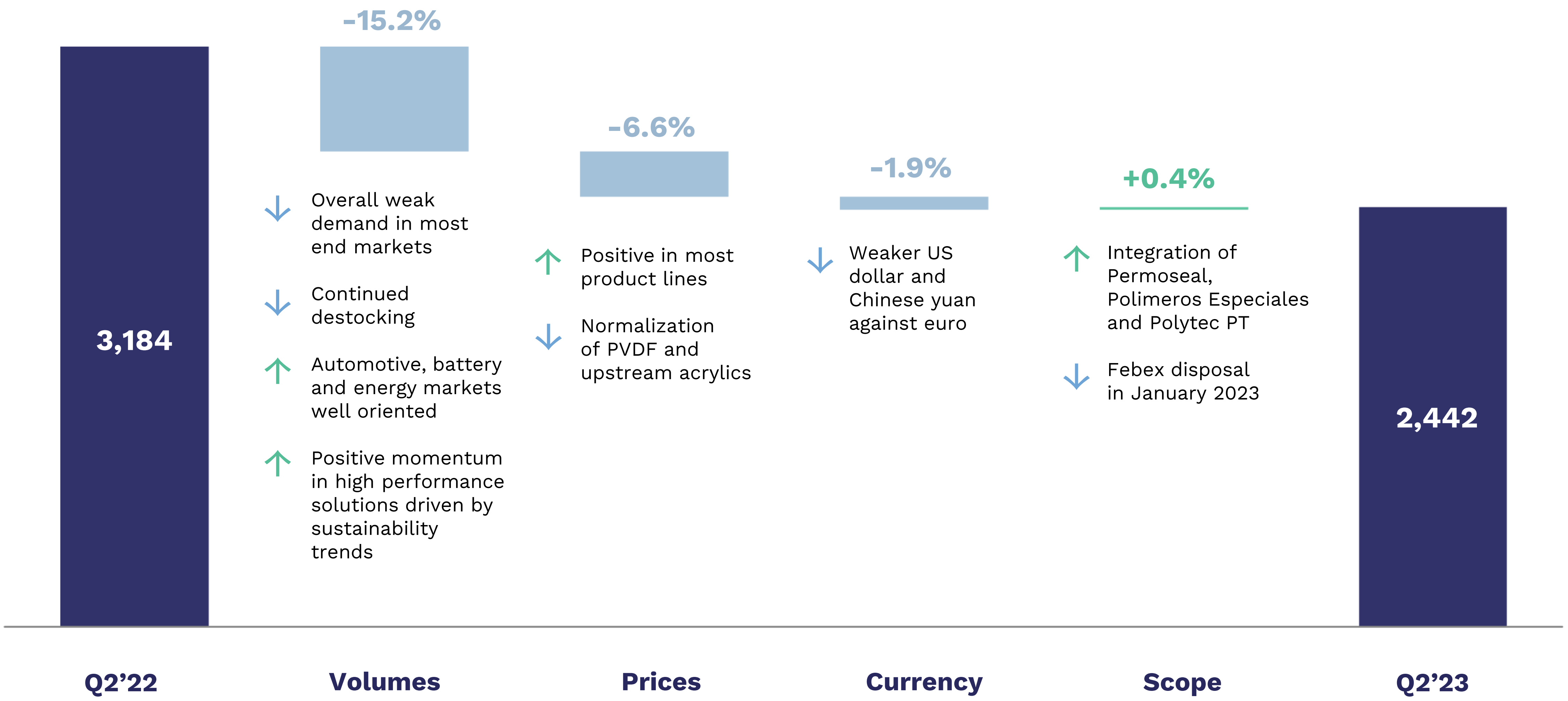
Key figures

in €million

	Q2'23	Q2'22	Change	**H1'23**	H1'22	Change
Sales	**2,442**	3,184	-23.3%	**4,966**	6,071	-18.2%
EBITDA	**417**	705	-40.9%	**784**	1,324	-40.8%
Specialty Materials	**368**	600	-38.7%	**715**	1,156	-38.1%
Intermediates	**69**	129	-46.5%	**118**	223	-47.1%
Corporate	**-20**	-24		**-49**	-55	
EBITDA margin	**17.1%**	22.1%		**15.8%**	21.8%	
Specialty Materials	**16.6%**	21.0%		**15.8%**	21.2%	
Intermediates	**32.5%**	40.1%		**27.4%**	37.6%	
Recurring operating income (REBIT)	**285**	570	-50.0%	**519**	1,058	-50.9%
REBIT margin	**11.7%**	17.9%		**10.5%**	17.4%	
Adjusted net income	**207**	443	-53.3%	**369**	819	-54.9%
Net debt (incl. hybrid bonds)	**2,645**	2,789		**2,645**	2,789	

Sales down relative to the particularly elevated level of Q2'22

Sales in €million

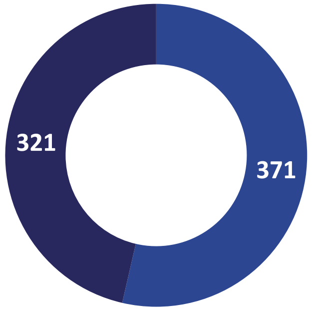


Adhesive Solutions (28.5% of Group sales in Q2'23)

Key figures

in €m	**Q2'23**	Q2'22	Change	**H1'23**	H1'22	Change
Sales	**692**	779	-11.2%	**1,390**	1,449	-4.1%
EBITDA	**95**	111	-14.4%	**188**	201	-6.5%
EBITDA margin	**13.7%**	14.2%		**13.5%**	13.9%	
REBIT	**75**	92	-18.5%	**147**	165	-10.9%

Q2'23 Sales
by Business Line



Construction & Consumer
Industrial Assembly

Q2'23 sales
development

Volumes	-12.7%
Prices	+2.3%
Currency	-2.7%
Scope	+1.9%

Highlights Q2'23

→ **Price effect +2.3% YoY**, mostly reflecting 2022 price increases in response to cost inflation

→ **Volumes down 12.7% YoY**
- Continued destocking
- Overall weaker demand in most end markets
- Automotive market better oriented

→ **€95m EBITDA**
- Impact of volume decline
- Benefit from lower raw materials costs at the end of the quarter

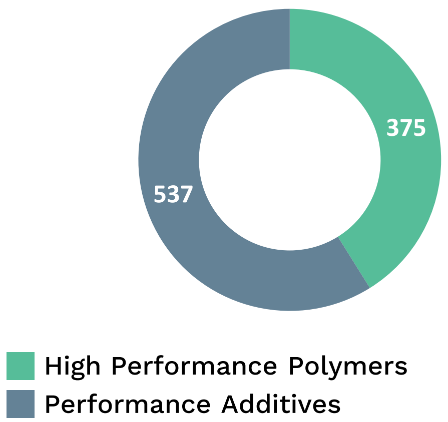
→ **EBITDA margin holding up well at 13.7%,** also supported by the shift in the product mix towards higher value-added solutions

Advanced Materials (37.5% of Group sales in Q2'23)

Key figures

in €m	**Q2'23**	Q2'22	Change	**H1'23**	H1'22	Change
Sales	**912**	1,113	-18.1%	**1,849**	2,188	-15.5%
EBITDA	**185**	282	-34.4%	**345**	556	-37.9%
EBITDA margin	**20.3%**	25.3%		**18.7%**	25.4%	
REBIT	**117**	215	-45.6%	**210**	422	-50.2%

Q2'23 Sales
by Business Line



Q2'23 sales
development

Volumes	-8.1%
Prices	-7.1%
Currency	-1.8%
Scope	-1.1%

Highlights Q2'23

→ **Price effect -7.1% YoY**
- Normalization, as expected, of PVDF in batteries
- Positive trend in other activities in the face of strong inflation
- Product mix improvement supported by new developments

→ **Volumes down 8.1% YoY**
- Volume increase in HPP, driven by automotive and energy markets, as well as improved momentum in batteries in China
- Softness in Performance Additives, on destocking and lower demand

→ **€185m EBITDA, down 34.4% YoY**
- High comparison base linked to exceptionally favorable conditions in PVDF for batteries in 2022
- Stable Performance Additives EBITDA despite sharply lower volumes

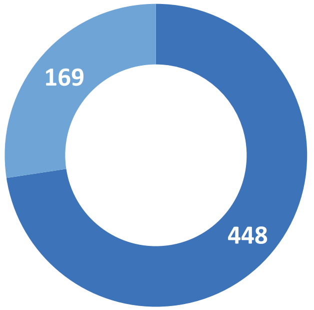
→ **EBITDA margin at a good level of 20.3%,** supported by the positive momentum in high performance solutions

Coating Solutions (25% of Group sales in Q2'23)

Key figures

in €m	**Q2'23**	Q2'22	Change	**H1'23**	H1'22	Change
Sales	**617**	960	-35.7%	**1,278**	1,822	-29.9%
EBITDA	**88**	207	-57.5%	**182**	399	-54.4%
EBITDA margin	**14.3%**	21.6%		**14.2%**	21.9%	
REBIT	**58**	175	-66.9%	**121**	336	-64.0%

Q2'23 Sales
by Business Line



Q2'23 sales
development

Volumes	-22.9%
Prices	-12.7%
Currency	-1.0%
Scope	+0.9%

Highlights Q2'23

→ **Price effect -12.7%,** reflecting markedly less favorable conditions in upstream acrylics

→ **Volumes down 22.9 % YoY**
- Falling overall demand in Europe and the United States
- Destocking in decorative paints and industrial markets

→ **€88m EBITDA, sharply down**
- Normalization of market conditions in upstream acrylics and lower volumes
- Downstream activities more resilient

→ **EBITDA margin holding up reasonably at 14.3%**

Intermediates (9% of Group sales in Q2'23)

Key figures

in €m	**Q2'23**	Q2'22	Change	**H1'23**	H1'22	Change
Sales	**212**	322	-34.2%	**430**	593	-27.5%
EBITDA	**69**	129	-46.5%	**118**	223	-47.1%
EBITDA margin	**32.5%**	40.1%		**27.4%**	37.6%	
REBIT	**57**	114	-50.0%	**93**	193	-51.8%

Q2'23 Sales development

Volumes — -23.3%

Prices — -8.4%

Currency — -2.5%

Scope — -

Highlights Q2'23

→ **Prices down 8.4% YoY**
- Positive price dynamics in refrigerant gases
- Less favorable market conditions in acrylics in Asia

→ **Volumes down 23.3% YoY**, impacted in particular by weak demand for acrylics in China

→ **€69m EBITDA, down 46.5% YoY**

→ **EBITDA margin at 32.5%**

Cash flow reflecting robust results and working capital seasonality

in €million

	Q2'23	Q2'22	**H1'23**	H1'22
EBITDA	**417**	705	**784**	1,324
Current taxes	-57	-117	-112	-218
Cost of debt	-12	-13	-28	-26
Change in working capital and fixed assets payables (1)	-42	-217	-285	-628
Recurring capital expenditure	-130	-99	-212	-171
Others	-31	-24	-23	-20
Recurring cash flow	**145**	235	**124**	261
Exceptional capital expenditure	-5	-26	-12	-66
Non-recurring items	-25	2	-43	-7
Free cash flow	**115**	211	**69**	188
Impact of portfolio management	-69	-11	-39	-1,507
Net cash flow	**46**	200	**30**	-1,319

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

→ **Q2'23 tax rate**
21% of REBIT
(excl. exceptional items)

→ **Working capital**
- Limited increase in a context of weak activity and decreasing raw material costs
- **16.9%** of annualized sales at end-June 2023

→ **Impact of portfolio management**
- Payment of Polytec PT acquisition in Q2'23 partially offset by Febex divestment in January
- Payment of Ashland's adhesives acquisition in Q1'22

Net debt evolution (including hybrid bonds)

Outlook

- Macroeconomic environment in line with that of the first six months of the year. Volumes sharply lower than last year with reduced visibility at the start of the second half. Price of certain raw materials and energy continues to decrease.

- In this context, the Group will strive to continue tightly managing its operations, in particular by controlling fixed costs and optimizing working capital. It will also continue its innovation drive in high-growth areas linked to sustainability, and ramp up recently started growth capital expenditure projects.

- In this environment, in light of its first-half results and based on the projected momentum in the second half, Arkema confirms its full-year guidance and aims to achieve in 2023 EBITDA of around €1.5 billion to €1.6 billion. Furthermore, the Group expects a high EBITDA to cash conversion rate over the year, consistent with its medium-term target of at least 40%.

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 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, and changes in general economic and business conditions. These risk factors are further developed in the 2022 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 2022 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