

Arkema: First-quarter 2020 results

The Group's results are in line with expectations, in a first quarter marked by the coronavirus outbreak in Asia and its spread to Europe in March. Stripping out the coronavirus impact, the Group's performance, in a less favorable economic environment than in 2019, was supported by the resilience of Specialty Materials and, in particular, strong growth of the Adhesive Solutions segment. Moreover, the balance sheet and liquidity levels remain very solid.

- **Sales at €2.1 billion**, down 5.7% year on year, marked by the impact of Covid-19
- **EBITDA of €300 million**, down 19% on first-quarter 2019, mainly impacted by the effects of Covid-19 which amounted to around €45 million
- **EBITDA stable in Specialty Materials**, excluding the impact of Covid-19,
 - supported by the significant increase in **Adhesive Solutions**, with an EBITDA increase of 11%,
 - marked by the decline in the transportation, oil & gas, and electronics markets, overshadowing the growth in the packaging and nutrition markets
- **Intermediates** segment mainly impacted by Covid-19 and less favorable market conditions in Fluorogases
- **Adjusted net income of €100 million**, representing €1.31 per share
- Close-to-balance **free cash flow**, of negative €38 million, reflecting the seasonal increase in working capital
- **Net debt** tightly controlled at **€2,481 million** (including €1 billion in hybrid bonds), up €150 million on 31 December 2019 (€2,331 million including hybrid bonds), of which over half relating to the acquisition of the Danish company LIP in adhesives
- **Liquidity levels at €1.5 billion** at end-March, confirming the Group's financial solidity
- **€100 million reduction in capital expenditure** compared to the level originally planned for 2020, and **fixed costs** to decline by **€50 million** in 2020 versus 2019, to adapt to the Covid-19 context

Following Arkema's Board of Directors' meeting, held on 5 May 2020 to review the Group's consolidated financial information for the first quarter of 2020, Chairman and CEO Thierry Le Hénaff said:

“Confronted with the Covid-19 health crisis, our priority is first and foremost to protect the health and safety of the Group's women and men. I would like to sincerely thank them for their commitment and responsiveness during this period, which requires us to continuously adapt our operating procedures. The continuity of our operations has been largely preserved, allowing us to carry on serving our customers.

The first-quarter financial performance, which was down year on year, was significantly marked by the initial impacts of the pandemic, but nevertheless allowed the Group to maintain a very solid financial structure, thanks in particular to the contribution of Specialty Materials. Sales in the second quarter will be strongly affected by the sharp drop in global demand resulting from the extensive lockdown measures put in place by governments in many countries. The Group is adjusting to this situation by taking decisive measures to adapt its costs and investments and should also benefit from the diversity of its end markets and its balanced geographical footprint.

Building on the strength of these elements, and while remaining attentive to the evolution of the global context, I am confident in Arkema's ability to manage this highly complex period and emerge from it well positioned for the future. On this basis, we intend to continue implementing the ambitious transformation strategy presented to the market on 2 April 2020, with the aim of making Arkema a pure Specialty Materials player by 2024”.

KEY FIGURES FOR FIRST-QUARTER 2020

<i>(In millions of euros)</i>	1Q'20	1Q'19	YoY change
Sales	2,088	2,215	-5.7%
EBITDA	300	370	-18.9%
Specialty Materials	256	292	-12.3%
Intermediates	68	103	-34.0%
Corporate	-24	-25	
EBITDA margin	14.4%	16.7%	
Recurring operating income (REBIT)	160	247	-35.2%
REBIT margin	7.7%	11.2%	
Adjusted net income	100	165	-39.4%
Adjusted net income per share (in €)	1.31	2.16	-39.4%
Free cash flow	-38	73	
Net debt including hybrid bonds	2,481	2,331	
	<i>as of 31 March</i>	<i>as of 31 December</i>	

FIRST-QUARTER 2020 BUSINESS PERFORMANCE

Sales totaled **€2,088 million**, down **5.7%** compared with first-quarter 2019. Volumes declined 4.8%, mainly as a result of the economic downturn caused by the Covid-19 health crisis in Asia, then in Europe from mid-March. The automotive, transportation, oil & gas and electronics markets recorded a slowdown, which impacted Advanced Materials in particular. However, demand remained high in packaging, particularly for Adhesives, nutrition and for certain emerging niche applications that are essential in combating the virus, such as disinfection, medical equipment and protective barriers and masks, in which Arkema demonstrates its know-how. The 5.1% negative price effect was due mainly to lower propylene prices in Coating Solutions and more challenging market conditions for the refrigeration business. The consolidation of ArrMaz and other bolt-on acquisitions in Specialty Materials had a 3.4% positive scope effect. The currency effect, mainly attributable to the appreciation of the US dollar against the euro, was limited to a positive 0.8%. In first-quarter 2020, Specialty Materials ⁽¹⁾ sales accounted for 81% of total Group sales (79% in first-quarter 2019).

Consolidated **EBITDA** came in at **€300 million** (€370 million in first-quarter 2019), mainly reflecting the impact of lower demand. Besides the consequences of the Covid-19 crisis, estimated at approximately €45 million, first-quarter 2020 EBITDA also reflects the negative impact of illegal refrigerant fluorogas imports in Europe, which will disappear from June, and the impact of the national pension reforms strikes in France. Adhesive Solutions continued to grow, with EBITDA up by over 10%. The Group's **EBITDA margin** stood at **14.4%**, down by just over 2 percentage points in the context of the emerging Covid-19 outbreak.

Recurring operating income (REBIT) came to **€160 million**. This amount includes recurring depreciation and amortization of €140 million, up €17 million year on year, primarily due to the start-up of production units in 2019 and the integration of acquisitions. **REBIT margin** stood at **7.7%**.

Adjusted net income amounted to **€100 million**, representing **€1.31** per share, including an income tax expense representing 21% of recurring operating income.

¹ Specialty Materials includes the three following segments: Adhesive Solutions, Advanced Materials and Coating Solutions.

CASH FLOW AND NET DEBT AT 31 MARCH 2020

Arkema generated **free cash flow** of a **negative €38 million** in first-quarter 2020 (versus €73 million in first-quarter 2019 and a negative €25 million in first-quarter 2018). In an environment characterized by a slowdown in activity, this free cash flow reflects the decrease in EBITDA compared to the previous year. It also includes the seasonal increase in working capital. The ratio of working capital to annualized sales stood at 16.5% at end-March 2020, versus 15.1% at end-March 2019.

Capital expenditure in the period amounted to €92 million (€109 million in first-quarter 2019), of which €79 million was recurring and €13 million exceptional. In the unprecedented circumstances of the Covid-19 pandemic, the Group intends to reduce the amount originally planned for 2020 by €100 million, while maintaining investments relating to the ramp-up of the polyamides project in Singapore. Recurring and exceptional capital expenditure is therefore expected to amount to around €600 million over the full year, representing a significant decrease excluding Singapore.

At end-March 2020, **net debt stood at €2.48 billion**, including €1.0 billion in hybrid bonds (versus €2.33 billion at 31 December 2019, including €700 million in hybrid bonds). This represents a €150 million increase, of which €95 million relates to acquisitions. The net debt (including hybrid bonds) to last-twelve-months EBITDA ratio stood at 1.8x. The Group's liquidity level remained very solid at €1.5 billion at end-March.

FIRST-QUARTER 2020 PERFORMANCE BY SEGMENT

ADHESIVE SOLUTIONS (25% OF TOTAL GROUP SALES)

<i>(In millions of euros)</i>	1Q'20	1Q'19	YoY change
Sales	515	513	+0.4%
EBITDA	69	62	+11.3%
EBITDA margin	13.4%	12.1%	
Recurring operating income (REBIT)	54	48	+12.5%
REBIT margin	10.5%	9.4%	

Sales for the Adhesive Solutions segment totaled **€515 million**, up 0.4% year on year. The 3.0% positive scope effect, relating to the consolidation of Prochimir and LIP, offset the 3.2% decrease in volumes. Despite the increase in demand in the packaging market and a strong performance in construction in the US and Southeast Asia, the slowdown in the transportation market and in certain industrial segments, as well as the initial impacts of the lockdown on construction in Western Europe, negatively impacted activity levels. The 0.4% positive price effect reflects the Group's initiatives to optimize the product mix in 2019. The currency effect was limited at a positive 0.2%.

EBITDA for this segment totaled **€69 million**, up 11.3% year on year. This significant increase, despite the Covid-19 impact of approximately €5 million, confirms the validity of the Group's strategy of bolt-on acquisitions and optimizing the product mix towards higher value-added applications. Operational excellence measures and the more favorable raw materials environment also contributed to this performance. **EBITDA margin** rose considerably year on year, from 12.1% to **13.4%**.

ADVANCED MATERIALS (31% OF TOTAL GROUP SALES)

<i>(In millions of euros)</i>	1Q'20	1Q'19	YoY change
Sales	652	672	-3.0%
EBITDA	122	151	-19.2%
EBITDA margin	18.7%	22.5%	
Recurring operating income (REBIT)	61	97	-37.1%
REBIT margin	9.4%	14.4%	

Sales for the Advanced Materials segment came in at **€652 million**, representing a slight year on year decline of 3%. Volumes fell 9.9%, impacted by a challenging environment since second-half 2019 in certain sectors, the national pension reform strikes in France in January, and the Covid-19 health crisis since late January. The decline is particularly pronounced in the transportation, consumer electronics and oil & gas sectors, overshadowing the relative strength of the nutrition market, new developments in sport, and the benefits from innovation in certain niche applications that provide protection against the virus. The price effect was a slightly negative 1.7%. The 7.7% positive scope effect relates to the consolidation of ArrMaz. The currency effect is a positive 0.9%.

At **€122 million**, the segment's **EBITDA** was down strongly year on year, in a context of sharp volume declines, mainly due to the effects of coronavirus amounting to around €15 million, and the strikes in France amounting to close to €10 million. **EBITDA margin** remained however at a high level at **18.7%** (22.5% in first-quarter 2019).

COATING SOLUTIONS (25% OF TOTAL GROUP SALES)

<i>(In millions of euros)</i>	1Q'20	1Q'19	YoY change
Sales	517	564	-8.3%
EBITDA	65	79	-17.7%
EBITDA margin	12.6%	14.0%	
Recurring operating income (REBIT)	36	54	-33.3%
REBIT margin	7.0%	9.6%	

At **€517 million**, **sales** for the Coating Solutions segment were down 8.3% year on year, with an 8.3% negative price effect, primarily due to lower propylene prices. Volumes declined by 2.7%, representing a resilient performance in view of the challenging economic environment and the Covid-19 crisis, owing mainly to the ramp-up of the Clear Lake reactor in the United States and the relative strength of the decorative paints, hygiene and water treatment markets. The consolidation of Lambson accounted for 1.6% of the segment's sales, while the currency effect was a positive 1.1%.

At **€65 million**, **EBITDA** for the Coating Solutions segment was down 17.7% compared with the very good performance in first-quarter 2019 (€79 million), impacted mainly by the effects of the Covid-19 crisis estimated at around €10 million and more marginally by the strikes in France. The segment's **EBITDA margin** was **12.6%** (14.0% in first-quarter 2019).

INTERMEDIATES (19% OF TOTAL GROUP SALES)

<i>(In millions of euros)</i>	1Q'20	1Q'19	YoY change
Sales	397	459	-13.5%
EBITDA	68	103	-34.0%
EBITDA margin	17.1%	22.4%	
Recurring operating income (REBIT)	35	75	-53.3%
REBIT margin	8.8%	16.3%	

At **€397 million, sales** for the Intermediates segment fell 13.5% year on year, primarily due to a negative price effect of 12.1%. This price effect reflects mainly challenging market conditions in Fluorogases and lower propylene prices. Volumes were 2.2% lower, mainly reflecting the impacts of Covid-19 and the decline of the automotive market. The currency effect was limited at a positive 0.8%.

At **€68 million, EBITDA** for the segment was down significantly compared to last year's very high level, due to much lower Fluorogases earnings as a result of illegal HFC gas imports into Europe, the consequences of Covid-19 especially on acrylics in China estimated at around €10 million, and the moderate impact from the normalization of market conditions in MMA/PMMA. Consequently, **EBITDA margin** stood at **17.1%** versus **22.4%** in the prior-year period.

FIRST-QUARTER 2020 HIGHLIGHTS

On 3 January 2020, Arkema completed the acquisition of LIP Byggningsartikler AS (LIP), the Danish leader in tile adhesives, waterproofing systems and floor preparation solutions, with annual sales of approximately €30 million.

Moreover, taking advantage of favorable market conditions, on 21 January 2020, Arkema carried out a €300 million undated hybrid bond issue with an annual coupon of 1.5% until the first call date after 6 years. This issue complements the previous €400 million hybrid refinancing operation in June 2019, giving the Group the possibility to refinance the remaining €300 million portion of its outstanding undated hybrid bonds with a 4.75% coupon and a first call date in October 2020.

On 25 February 2020, Arkema also announced its new climate plan, in line with the Paris Agreement, and set a target to reduce its absolute greenhouse gas emissions by more than 1.7 million tons of CO₂ equivalent compared to the 2015 level. The Group thus aims to reduce its emissions to less than 3 million tons by 2030, representing a 38% reduction over 15 years, irrespective of the increase in production volumes. At the same time, Arkema also decided to revise its environmental targets expressed in EFPI⁽²⁾ terms, setting new targets for 2030. All these initiatives are detailed in the CSR section of Arkema's website (www.arkema.com).

Lastly, in first-quarter 2020, Arkema successfully started the expansion of production capacity at its Thiochemicals site in Kerteh (Malaysia) to support the strong growth of the animal nutrition, petrochemical and refining markets in Asia.

POST BALANCE SHEET EVENTS

During the Strategy Update on 2 April 2020, Arkema presented its ambition to become a pure player in Specialty Materials by 2024, realigned around three coherent businesses with attractive growth prospects: Adhesive Solutions, Advanced Materials and Coating Solutions. The Group took this opportunity to unveil its roadmap and targets for 2024. These elements are detailed in the "Strategy Update" presentation and the "Factsheet – new reporting key figures" document, available on Arkema's website (www.finance.arkema.com).

² Environmental Footprint Performance Indicator

In a press release published on 15 April, Arkema announced that the Board of Directors, in the spirit of solidarity and responsibility towards all stakeholders in the context of the Covid-19 crisis, had decided to reduce the proposed dividend for the 2019 financial year as stated on 26 February 2020 to €2.20 per share, a 12% decline compared to last year's level, and a decline close to 20% compared to the amount announced originally (€2.70). The Board also signaled its intent, when a return to normality takes shape and the appropriate conditions are met, to reconstitute this difference to shareholders in a manner yet to be defined. The ex-dividend date (25 May 2020) and the payment date (from 27 May 2020) remain unchanged.

OUTLOOK FOR 2020

As of today, the Covid-19 pandemic continues to spread across the world, and the evolution of the situation as well as its impact on the global economy remain uncertain. In this context, the Group previously announced that the 2020 guidance published with its 2019 results was no longer relevant.

Global demand is expected to slow significantly in the second quarter of the year, due to the lockdown measures enforced across the different regions of the world that are impacting many sectors of the economy. Construction in Europe and the United States is one market that will be particularly affected in the second quarter and this will impact specifically the performance of the Adhesive Solutions and Coating Solutions segments. While remaining attentive as to how the situation develops, the Group will draw on its strengths to best manage the current situation and mitigate the impacts of the crisis. These include its balanced geographical footprint, the diversity of its end markets, and its capacity for innovation, particularly in certain niche applications that are essential in combating the virus, such as disinfection, medical equipment and protective barriers and masks.

Looking beyond the current quarter, the prospects of an improvement in the economic environment will depend on how the pandemic evolves, which is still too uncertain to make sufficiently reliable estimates as to the impact of the crisis on Arkema's full-year 2020 results, although the Group anticipates a gradual improvement in global demand from mid-year onwards.

In order to limit the economic impact of the Covid-19 crisis, the Group intends to reduce its capital expenditure by €100 million in 2020, compared to the level originally planned, and to reduce its fixed costs by €50 million compared to 2019.

Thanks to those initiatives, the positioning of its product lines, its moderate indebtedness and strong liquidity level, Arkema confirms its confidence in its ability to deal with this unprecedented crisis and to be well positioned when the recovery materializes.

Finally, the Group continues to progress with its reflections about its development and long-term evolution, in line with its ambition presented during the 2 April 2020 Strategy Update to become a pure Specialty Materials player by 2024.

Further details concerning the Group's first-quarter 2020 results are provided in the "First-quarter 2020 results" presentation and the Factsheet available on Arkema's website www.finance.arkema.com. The "New reporting key figures 2019 by quarter" document, which details the main financial indicators for 2019 on a quarterly basis, according to the new reporting structure as presented during the Strategy Update on 2 April 2020, has also been posted.

FINANCIAL CALENDAR

19 May 2020	Annual general meeting, held behind closed doors
27 May 2020	Shares trade ex-dividend
30 July 2020	Publication of 1 st half 2020 results
5 November 2020	Publication of 3 rd quarter 2020 results

Arkema

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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 80% 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 €8.7 billion in 2019, and operates in some 55 countries with 20,500 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 epidemic continues to rapidly spread 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 2020. 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.

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ARKEMA Financial Statements

Consolidated financial information - At the end of March 2020

CONSOLIDATED INCOME STATEMENT

<i>(In millions of euros)</i>	1st quarter 2020	1st quarter 2019
	<i>(non audited)</i>	<i>(non audited)</i>
Sales	2,088	2,215
Operating expenses	(1,672)	(1,725)
Research and development expenses	(64)	(62)
Selling and administrative expenses	(206)	(190)
Other income and expenses	(14)	(12)
Operating income	132	226
Equity in income of affiliates	(2)	(1)
Financial result	(23)	(27)
Income taxes	(28)	(49)
Net income	79	149
Of which non-controlling interests	1	2
Net income - Group share	78	147
<i>Earnings per share (amount in euros)</i>	<i>1.02</i>	<i>1.93</i>
<i>Diluted earnings per share (amount in euros)</i>	<i>1.02</i>	<i>1.92</i>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(In millions of euros)</i>	<u>1st quarter 2020</u> <i>(non audited)</i>	<u>1st quarter 2019</u> <i>(non audited)</i>
Net income	79	149
Hedging adjustments	(7)	(3)
Other items	-	-
Deferred taxes on hedging adjustments and other items	-	-
Change in translation adjustments	17	51
Other recyclable comprehensive income	10	48
Actuarial gains and losses	(24)	21
Deferred taxes on actuarial gains and losses	8	(5)
Other non-recyclable comprehensive income	(16)	16
Total income and expenses recognized directly in equity	(6)	64
Comprehensive income	73	213
Of which: non-controlling interest	2	4
Comprehensive income - Group share	71	209

INFORMATION BY SEGMENT

(non audited)

1st quarter 2020

(In millions of euros)

	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

1st quarter 2019 *

(In millions of euros)

	Adhesive Solutions	Advanced Materials	Coating Solutions	Intermediates	Corporate	Total
Total sales	513	672	564	459	7	2,215
EBITDA	62	151	79	103	(25)	370
Recurring depreciation and amortization of tangible and intangible assets	(14)	(54)	(25)	(28)	(2)	(123)
Recurring operating income (REBIT)	48	97	54	75	(27)	247
Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(8)	-	(1)	-	-	(9)
Other income and expenses	(3)	(4)	(1)	(3)	(1)	(12)
Operating income	37	93	52	72	(28)	226
Equity in income of affiliates	0	(2)	-	1	0	(1)
Intangible assets and property, plant and equipment additions	9	64	22	11	3	109
Of which recurring capital expenditure	9	41	22	11	3	86

* 2019 figures have been restated in accordance with the new reporting structure announced by the Group on April 2, 2020.

CONSOLIDATED CASH FLOW STATEMENT

<i>(In millions of euros)</i>	<u>End of March 2020</u> <i>(non audited)</i>	<u>End of March 2019</u> <i>(non audited)</i>
Cash flow - operating activities		
Net income	79	149
Depreciation, amortization and impairment of assets	156	172
Other provisions and deferred taxes	(7)	7
(Gains)/losses on sales of long-term assets	-	(3)
Undistributed affiliate equity earnings	2	1
Change in working capital	(132)	(90)
Other changes	5	6
Cash flow from operating activities	103	242
Cash flow - investing activities		
Intangible assets and property, plant, and equipment additions	(92)	(109)
Change in fixed asset payables	(53)	(66)
Acquisitions of operations, net of cash acquired	(90)	-
Increase in long-term loans	(8)	(8)
Total expenditures	(243)	(183)
Proceeds from sale of intangible assets and property, plant and equipment	1	4
Change in fixed asset receivables	-	(1)
Repayment of long-term loans	6	10
Total divestitures	7	13
Cash flow from investing activities	(236)	(170)
Cash flow - financing activities		
Issuance (repayment) of shares and other equity	-	-
Purchase of treasury shares	0	(4)
Issuance of hybrid bonds	299	-
Dividends paid to parent company shareholders	-	-
Dividends paid to non-controlling interests	-	(1)
Increase in long-term debt	2	1
Decrease in long-term debt	(24)	(14)
Increase/ decrease in short-term borrowings	1	36
Cash flow from financing activities	278	18
Net increase/(decrease) in cash and cash equivalents	145	90
Effect of exchange rates and changes in scope	5	(11)
Cash and cash equivalents at beginning of period	1,407	1,441
Cash and cash equivalents at end of period	1,557	1,520

CONSOLIDATED BALANCE SHEET

	<u>End of March 2020</u>	<u>End of December 2019</u>
<i>(In millions of euros)</i>	<i>(non audited)</i>	<i>(audited)</i>
ASSETS		
Intangible assets, net	3,472	3,392
Property, plant and equipment, net	3,017	3,026
Equity affiliates: investments and loans	32	33
Other investments	56	53
Deferred tax assets	210	216
Other non-current assets	243	240
TOTAL NON-CURRENT ASSETS	7,030	6,960
Inventories	1,107	1,014
Accounts receivable	1,352	1,204
Other receivables and prepaid expenses	202	184
Income tax receivables	114	113
Other current financial assets	12	17
Cash and cash equivalents	1,557	1,407
Assets held for sale	76	78
TOTAL CURRENT ASSETS	4,420	4,017
TOTAL ASSETS	11,450	10,977
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	766	766
Paid-in surplus and retained earnings	4,699	4,340
Treasury shares	(11)	(11)
Translation adjustments	195	178
SHAREHOLDERS' EQUITY - GROUP SHARE	5,649	5,273
Non-controlling interests	53	51
TOTAL SHAREHOLDERS' EQUITY	5,702	5,324
Deferred tax liabilities	330	334
Provisions for pensions and other employee benefits	549	525
Other provisions and non-current liabilities	387	391
Non-current debt	2,373	2,377
TOTAL NON-CURRENT LIABILITIES	3,639	3,627
Accounts payable	952	905
Other creditors and accrued liabilities	377	366
Income tax payables	91	80
Other current financial liabilities	22	8
Current debt	665	661
Liabilities related to assets held for sale	2	6
TOTAL CURRENT LIABILITIES	2,109	2,026
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	11,450	10,977

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(non audited)

<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 January 1, 2020	76,624,220	766	1,266	694	2,380	178	(131,028)	(11)	5,273	51	5,324
Cash dividend	-	-	-	-	-	-	-	-	-	-	-
Issuance of share capital	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	(7,000)	(0)	(0)	-	(0)
Grants of treasury shares to employees	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	6	-	-	-	6	-	6
Issuance of hybrid bonds	-	-	-	300	-	-	-	-	300	-	300
Redemption of hybrid bonds	-	-	-	-	(1)	-	-	-	(1)	-	(1)
Other	-	-	-	-	-	-	-	-	-	-	-
Transactions with shareholders	-	-	-	300	5	-	7,000	(0)	305	-	305
Net income	-	-	-	-	78	-	-	-	78	1	79
Total income and expense recognized directly through equity	-	-	-	-	(24)	17	-	-	(7)	1	(6)
Comprehensive income	-	-	-	-	54	17	-	-	71	2	73
At March 31, 2020	76,624,220	766	1,266	994	2,439	195	(138,028)	(11)	5,649	53	5,702

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>End of March 2020</u>	<u>End of March 2019</u>
OPERATING INCOME	132	226
- Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(14)	(9)
- Other income and expenses	(14)	(12)
RECURRING OPERATING INCOME (REBIT)	160	247
- Recurring depreciation and amortization of tangible and intangible assets	(140)	(123)
EBITDA	300	370

Details of depreciation and amortization of tangible and intangible assets:

<i>(In millions of euros)</i>	<u>End of March 2020</u>	<u>End of March 2019</u>
Depreciation and amortization of tangible and intangible assets	(156)	(172)
Of which: Recurring depreciation and amortization of tangible and intangible assets	(140)	(123)
Of which: Depreciation and amortization related to the revaluation of assets as part of the allocation of the purchase price of businesses	(14)	(9)
Of which: Impairment included in other income and expenses	(2)	(40)

ADJUSTED NET INCOME AND ADJUSTED EARNINGS PER SHARE

<i>(In millions of euros)</i>	<u>End of March 2020</u>	<u>End of March 2019</u>
NET INCOME - GROUP SHARE	78	147
- Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(14)	(9)
- Other income and expenses	(14)	(12)
- 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	3	2
- Taxes on other income and expenses	3	1
- One-time tax-effects	-	-
ADJUSTED NET INCOME	100	165
- Weighted average number of ordinary shares	76,492,807	76,253,737
- Weighted average number of potential ordinary shares	76,658,760	76,594,223
ADJUSTED EARNINGS PER SHARE (€)	1.31	2.16
DILUTED ADJUSTED EARNINGS PER SHARE (€)	1.30	2.15

RECURRING CAPITAL EXPENDITURE

<i>(In millions of euros)</i>	<u>End of March 2020</u>	<u>End of March 2019</u>
INTANGIBLE ASSETS AND PROPERTY, PLANT, AND EQUIPMENT ADDITIONS	92	109
- Exceptional capital expenditure	13	18
- Investments relating to portfolio management operations	-	-
- Capital expenditure with no impact on net debt	0	5
RECURRING CAPITAL EXPENDITURE	79	86

FREE CASH FLOW

<i>(In millions of euros)</i>	<u>End of March 2020</u>	<u>End of March 2019</u>
Cash flow from operating activities	103	242
+ Cash flow from investing activities	(236)	(170)
NET CASH FLOW	(133)	72
- Net cash flow from portfolio management operations	(95)	(1)
FREE CASH FLOW	(38)	73

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

WORKING CAPITAL

<i>(In millions of euros)</i>	<u>End of March 2020</u>	<u>End of December 2019</u>
Inventories	1,107	1,014
+ Accounts receivable	1,352	1,204
+ Other receivables including income taxes	316	297
+ Other current financial assets	12	17
- Accounts payable	952	905
- Other liabilities including income taxes	468	446
- Other current financial liabilities	22	8
WORKING CAPITAL	1,345	1,173

CAPITAL EMPLOYED

<i>(In millions of euros)</i>	<u>End of March 2020</u>	<u>End of December 2019</u>
<i>Goodwill, net</i>	1,994	1,917
+ Intangible assets (excluding goodwill), and property, plant and equipment, net	4,495	4,501
+ Investments in equity affiliates	32	33
+ Other investments and other non-current assets	299	293
+ Working capital	1,345	1,173
CAPITAL EMPLOYED	8,165	7,917

NET DEBT

<i>(In millions of euros)</i>	<u>End of March 2020</u>	<u>End of December 2019</u>
Non-current debt	2,373	2,377
+ Current debt	665	661
- Cash and cash equivalents	1,557	1,407
NET DEBT	1,481	1,631