

Arkema: Third-quarter 2019 results

- **Sales** up 2.3% year on year to **€2,216 million**, including a slight growth in volumes of 0.7 %
- Very good level of **EBITDA** at **€385 million**
 - Up by **3 %** relative to the record level of 2018
 - Driven by the strong increase of **specialty businesses** ⁽¹⁾
- **EBITDA margin** of **17.4%** (17.3% in third-quarter 2018), resilient at a high level in a more challenging and uncertain macroeconomic environment
- **Adjusted net income** of **€166 million**, representing 7.5% of sales
- Strong **free cash flow** generation of **€218 million**, in continuity with the first half
- **Net debt** at **€1,770 million** (1.2 times LTM EBITDA), including the recent acquisition of ArrMaz and of our partner's stake in Sunke
- Ongoing **portfolio transformation** towards specialties, with the planned divestment ⁽²⁾ of Functional Polyolefins announced on 14 October

Arkema's Board of Directors met on 29 October 2019 to review the Group's consolidated financial statements for the third quarter of 2019. Commenting the results, Chairman and CEO Thierry Le Hénaff highlighted the following points:

"The third quarter was marked by the Group's very good financial performance in a macroeconomic environment which remains globally challenging, as well as by the continued proactive portfolio transformation towards specialties, with the planned divestment ⁽²⁾ of the Functional Polyolefins business, the acquisitions of Prochimir and Lambson, and polymer capacity expansions for the 3D printing and battery markets.

Third-quarter results showed contrasting trends between our different product lines and confirm the improving momentum of specialties, notably around the three long-term growth pillars, namely adhesives, advanced materials and performance coatings.

Specialty businesses' EBITDA rose significantly despite lower volumes, thanks to strong pricing, an improved product mix, a more favorable raw materials environment and the consolidation of ArrMaz. Adhesives' EBITDA continued to grow strongly, up by nearly 20% at constant scope compared with the third quarter of 2018. The marked decline of Fluorogases weighed negatively however on the overall performance of intermediate ⁽¹⁾ businesses, despite the resilience of Acrylics and MMA/PMMA.

In this less favorable external environment, the quality of our results rewards our teams' engagement and efforts, and validate the Group's continued strategic refocusing of the business portfolio. The acquisitions we have carried out so far have made an important contribution to the Group's resilience and performance."

⁽¹⁾ The Group distinguishes intermediate businesses, corresponding to the PMMA, Fluorogases and Acrylics Business Lines, and specialty businesses

⁽²⁾ The transaction is subject to an information and consultation process involving Arkema's employee representative bodies and to the approval of the relevant antitrust authorities

KEY FIGURES FOR THIRD-QUARTER 2019

<i>(In millions of euros)</i>	3Q'19	3Q'18	YoY change
Sales	2,216	2,167	+2.3%
EBITDA	385	374	+2.9%
EBITDA margin	17.4%	17.3%	
Recurring operating income (REBIT)	250	265	-5.7%
REBIT margin	11.3%	12.2%	
Adjusted net income	166	186	-10.8%
Adjusted net income per share (in €)	2.19	2.44	-10.2%
Free cash flow	218	227	
Net debt (as of end of September)	1,770	1,167	

As of 1 January 2019, the Group applies IFRS 16, "Leases". The income statement, balance sheet and cash flow statement items for the third quarter of 2019 include the impacts of IFRS 16, which are detailed in the Group's financial statements appended to this press release. The comparative figures for 2018 have not been restated.

THIRD-QUARTER 2019 BUSINESS PERFORMANCE

Sales for the third quarter of 2019 were up 2.3% year on year at **€2,216 million**. This performance was achieved in a challenging economic context, marked by trade wars amongst the world's major powers and uncertainty weighing on demand. The +3.9% scope effect mainly reflects the consolidation of ArrMaz from 1 July. Volumes increased by 0.7%, driven notably by Coating Solutions. In High Performance Materials, the significant decline in demand in the transport, oil & gas and consumer electronics sectors was partly offset by the sustained positive momentum in batteries and 3D printing. The 4.4% negative price effect was due mainly to lower propylene prices in Coating Solutions and market conditions in Fluorogases, which overshadowed the 3% positive price effect in High Performance Materials. The currency effect was a positive 2.0%, essentially reflecting the appreciation of the US dollar against the euro.

With **EBITDA** of **€385 million**, up 2.9% compared with third-quarter 2018's record high of €374 million, Arkema delivered an excellent performance in a macroeconomic environment that was far less favorable than in 2018. In this context, specialty businesses (72% of sales) reported strong growth, supported by a significant increase at Bostik, innovation, product mix optimization, a more favorable raw materials environment and ArrMaz's very good performance, fully in line with our expectations. Specialties have become the growth driver, taking over from intermediates, which were impacted by much lower profits in Fluorogases compared with last year's very strong performance. **EBITDA margin** was stable at an excellent level of **17.4%** (17.3% in third-quarter 2018).

Recurring depreciation and amortization charges of €135 million were up €26 million year on year due to the €14 million impact of IFRS 16, the start-up of several production units in 2019, the consolidation of ArrMaz and an unfavorable currency effect. Consequently, **recurring operating income (REBIT)** amounted to **€250 million**, representing a **REBIT margin** of **11.3%**.

The **financial result** represented a net expense of **€29 million** (against a €26 million expense in third-quarter 2018). The change mostly reflects the unfavorable interest rate effect on the portion of the Group's debt swapped into US dollars.

For the first nine months of the year, excluding non-recurring items, the tax rate came in at 20% of recurring operating income.

Consequently, **adjusted net income** totaled **€166 million** in the quarter, representing **€2.19** per share.

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THIRD-QUARTER 2019 PERFORMANCE BY DIVISION

HIGH PERFORMANCE MATERIALS (48% OF GROUP SALES)

<i>(In millions of euros)</i>	3Q'19	3Q'18	YoY change
Sales	1,068	987	+8.2%
EBITDA	182	162	+12.3%
EBITDA margin	17.0%	16.4%	
Recurring operating income (REBIT)	134	123	+8.9%
REBIT margin	12.5%	12.5%	

At **€1,068 million, sales** for the High Performance Materials division were up 8.2% year on year (€987 million in third-quarter 2018), driven by a 7.1% positive scope effect corresponding mainly to the consolidation of ArrMaz within Performance Additives as of 1 July 2019. The 3.0% positive price effect, positive across all Business Lines, reflects the impact of price increases and a favorable shift in the product mix towards higher value-added applications, especially in adhesives. The 2.1% positive currency effect was mainly driven by the appreciation of the US dollar against the euro. Volumes were down 4.1%, penalized by the general economic context, with softer demand notably in the transport, oil & gas and consumer electronics segments, and by our customers' cautious inventory management. In the continuity of the first half, momentum remained strong in certain niche markets such as batteries and 3D printing.

The division's **EBITDA** was up 12.3% at **€182 million** (€162 million in third-quarter 2018), supported by the benefits of pricing actions and product mix optimization in a more favorable raw materials environment, and by the acquisition of ArrMaz, which delivered a very good performance, in line with our expectations. Bostik's EBITDA grew by nearly 20%, while Advanced Materials resisted well despite soft volumes in some markets. The division's **EBITDA margin** rose to **17.0%** from 16.4% in the prior year, driven mainly by Bostik's improved margin, which was up by around two percentage points.

INDUSTRIAL SPECIALTIES (28% OF GROUP SALES)

<i>(In millions of euros)</i>	3Q'19	3Q'18	YoY change
Sales	606	646	-6.2%
EBITDA	152	165	-7.9%
EBITDA margin	25.1%	25.5%	
Recurring operating income (REBIT)	98	121	-19.0%
REBIT margin	16.2%	18.7%	

Industrial Specialties **sales** declined 6.2% year on year to **€606 million**. The negative 10.8% price effect reflects the continued very challenging market conditions in Fluorogases and, to a lesser extent, normalization in the MMA/PMMA chain. The positive 2.8% volume effect was driven by a positive dynamic in Thiochemicals. The currency effect was a positive 1.7%, mainly attributable to the rise in the US dollar against the euro.

At **€152 million**, the division's **EBITDA** was down relative to the €165 million reported for the year-earlier period, with the Business Lines delivering very contrasting performances. The results in Fluorogases remained strongly penalized by illegal HFC imports into Europe, which continued to weigh on the prices of this activity. In the fourth quarter, Fluorogases should be significantly below the exceptional performance of 4Q'2018. In contrast, the MMA/PMMA chain resisted well in the third quarter, benefiting from its strong integration, its quality of innovation and lower prices for certain raw materials. Thiochemicals continued to grow in the continuity of the first half, driven by solid demand in its end-markets.

The division's **EBITDA margin** of **25.1%** was close to last year's level (25.5%).

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COATING SOLUTIONS (24% OF TOTAL GROUP SALES)

<i>(In millions of euros)</i>	3Q'19	3Q'18	YoY change
Sales	535	527	+1.5%
EBITDA	70	65	+7.7%
EBITDA margin	13.1%	12.3%	
Recurring operating income (REBIT)	39	39	-
REBIT margin	7.3%	7.4%	

At **€535 million, sales** of the Coating Solutions division were up 1.5% year on year. Whilst the negative 10.7% price effect was mainly due to lower propylene prices, volume growth was very robust at +7%, mainly in acrylic monomers in Asia and the United States, following the start-up of the new acrylic acid reactor at Clear Lake. The scope effect was a positive 2.9%, corresponding to Arkema's acquisition of Jurong's stake in Taixing Sunke Chemicals, the two companies' joint venture that produces acrylic monomers in China. The currency effect was a positive 2.3%.

The division's **EBITDA** rose 7.7% year on year to **€70 million**, driven mainly by improved unit margins in downstream businesses. The impact of the Imelda storm on the Clear Lake plant was limited to a few million US dollars. The **EBITDA margin** rose to **13.1%** (12.3% in third-quarter 2018).

CASH FLOW AND NET DEBT AT 30 SEPTEMBER 2019

Arkema generated strong **free cash flow** of **€218 million** in the third quarter of 2019 (€227 million in third-quarter 2018), reflecting the Group's very good operating performance and including a €43 million reduction in working capital due to the seasonality of the business. At 30 September 2019, the ratio of working capital to annualized quarterly sales stood at 16.4% versus 16.1% at 30 September 2018.

Recurring and exceptional capital expenditure for the quarter amounted to €148 million, including €30 million of exceptional capital expenditure relating to Thiochemicals in Malaysia and specialty polyamides in Asia. For full-year 2019, recurring and exceptional capital expenditure is expected to total around €610 million.

Portfolio management operations represented a net cash outflow of €594 million, mainly stemming from the acquisitions of ArrMaz, finalized on 1 July 2019, and of Jurong's stake in Taixing Sunke Chemicals, the two companies' acrylic monomer production joint venture in China.

Consequently, at 30 September 2019, **net debt**, which also includes the €13 million cost of share buybacks, stood at **€1,770 million** compared with €1,308 million at 30 June 2019. Net debt represented 1.2 times EBITDA of the last 12 months and gearing stood at 34%.

POST BALANCE SHEET EVENTS

On 1 October, Arkema finalized the acquisition of Prochimir, a manufacturer of high performance adhesive films, and of Lambson, specialized in photoinitiators for photocure resins.

On 8 October, Arkema successfully brought on stream a new production line for ultra-high performance polyamide 12 powders at the Mont plant in France. The Group thus increases its global capacity by over 50% to support the increase in demand for fast-growing niche industrial applications, in particular in the coatings, personal care, composites and 3D printing markets.

On 14 October, Arkema announced the proposed divestment of its Functional Polyolefins business to SK Global Chemical, a major chemicals player in South Korea and a subsidiary of SK, the large South-Korean corporation. Part of the PMMA Business Line (Industrial Specialties division), the Functional Polyolefins business represents sales of some €250 million. The offer received is based on an enterprise value of €335 million. The proposed divestment is subject to an information and consultation process involving Arkema's employee representative bodies and to the approval of the relevant antitrust authorities. The project is expected to be finalized in second quarter 2020.

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Finally, on 15 October, driven by continued strong growth in the lithium-ion battery market for electric vehicles, Arkema announced plans to increase by approximately 50% the capacity of its high-performance polymer PVDF Kynar® dedicated to this market at its Changshu plant in China.

These projects will contribute to Arkema's objective to increase the share of specialties in its portfolio, in line with its ambition for these businesses to exceed 80% of Group sales by 2023.

OUTLOOK FOR 2019

For the remainder of the year, the macroeconomic environment is expected to remain challenging and volatile, with continued geopolitical uncertainties likely to weigh on global demand and raw materials prices, leading to cautious inventory management by our customers. In this context, Arkema will maintain its focus on internal momentum and the implementation of its long-term strategy.

The Group will therefore continue to roll out its industrial projects, its operational excellence initiatives, its innovation drive for sustainable development and mobility, and its targeted acquisition dynamic. In the fourth quarter, intermediate businesses should be well below last year's level, penalized mainly by a strong decline in Fluorogases. Specialties should however continue to report solid growth, driven notably by positive momentum at Bostik and performance coatings, as well as the contribution of ArrMaz, whilst technical polymers should be affected by lower demand from key customers.

Taking into account the performance over the first three quarters of the year and while remaining attentive to the development of the macroeconomic environment, Arkema confirms its ambition to consolidate its financial performance at high levels and to achieve in 2019 ⁽³⁾ an EBITDA comparable with the 2018 record level.

Further details on the Group's third-quarter 2019 results and outlook are provided in the "Third quarter 2019 results and highlights" presentation available on Arkema's website at www.finance.arkema.com

FINANCIAL CALENDAR

27 February 2020 Publication of full-year 2019 results

A designer of materials and innovative solutions, Arkema shapes materials and creates new uses that accelerate customer performance. Our balanced business portfolio spans High Performance Materials, Industrial Specialties and Coating Solutions. Our globally recognized brands are ranked among the leaders in the markets we serve. Reporting annual sales of €8.8 billion in 2018, we employ 20,000 people worldwide and operate in some 55 countries. We are committed to active engagement with all our stakeholders. Our research centers in North America, France and Asia concentrate on advances in bio-based products, new energies, water management, electronic solutions, lightweight materials and design, home efficiency and insulation. www.arkema.com

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⁽³⁾ 2019 takes into account the new IFRS 16 standard.

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. 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 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 business division included in this press release are extracted from the condensed consolidated financial statements at 30 September 2019 reviewed by Arkema's Board of Directors on 29 October 2019. Quarterly financial information is not audited.

Information by business division 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 REBIT margin as an indicator, corresponding 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 statements - At the end of September 2019

CONSOLIDATED INCOME STATEMENT

<i>(In millions of euros)</i>	<u>3rd quarter 2019</u> <i>(non audited)</i>	<u>End of September 2019</u> <i>(non audited)</i>	<u>3rd quarter 2018</u> <i>(non audited)</i>	<u>End of September 2018</u> <i>(non audited)</i>
Sales	2,216	6,685	2,167	6,609
Operating expenses	(1,721)	(5,177)	(1,669)	(5,046)
Research and development expenses	(61)	(184)	(58)	(176)
Selling and administrative expenses	(193)	(577)	(183)	(553)
Other income and expenses	(24)	(47)	(8)	(12)
Operating income	217	700	249	822
Equity in income of affiliates	(1)	(2)	1	2
Financial result	(29)	(89)	(26)	(73)
Income taxes	(40)	(135)	(49)	(165)
Net income	147	474	175	586
Of which non-controlling interests	2	6	1	5
Net income - Group share	145	468	174	581
<i>Earnings per share (amount in euros)</i>	<i>1.91</i>	<i>5.66</i>	<i>2.28</i>	<i>7.63</i>
<i>Diluted earnings per share (amount in euros)</i>	<i>1.90</i>	<i>5.63</i>	<i>2.27</i>	<i>7.61</i>

The Group applied IFRS 16 for the first time at 1 January 2019, under the modified retrospective approach which does not require restatement of the comparative figures for 2018.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<u>3rd quarter 2019</u>	<u>End of September 2019</u>	<u>3rd quarter 2018</u>	<u>End of September 2018</u>
<i>(In millions of euros)</i>	<i>(non audited)</i>	<i>(non audited)</i>	<i>(non audited)</i>	<i>(non audited)</i>
Net income	147	474	175	586
Hedging adjustments	(5)	(6)	(2)	(2)
Other items	(1)	-	(1)	(1)
Deferred taxes on hedging adjustments and other items	-	-	-	-
Change in translation adjustments	61	75	(14)	14
Other recyclable comprehensive income	55	69	(17)	11
Actuarial gains and losses	(29)	(62)	1	19
Deferred taxes on actuarial gains and losses	6	11	(1)	(5)
Other non-recyclable comprehensive income	(23)	(51)	-	14
Total income and expenses recognized directly in equity	32	18	(17)	25
Comprehensive income	179	492	158	611
Of which: non-controlling interest	3	7	-	5
Comprehensive income - Group share	176	485	158	606

The Group applied IFRS 16 for the first time at 1 January 2019, under the modified retrospective approach which does not require restatement of the comparative figures for 2018.

INFORMATION BY BUSINESS DIVISION

(non audited)

3rd quarter 2019

(In millions of euros)

	High Performance Materials	Industrial Specialties	Coating Solutions	Corporate	Total
Non-Group sales	1,068	606	535	7	2,216
Inter-division sales	3	34	18	-	
Total sales	1,071	640	553	7	
EBITDA	182	152	70	(19)	385
Recurring depreciation and amortization of tangible and intangible assets	(48)	(54)	(31)	(2)	(135)
Recurring operating income (REBIT)	134	98	39	(21)	250
Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(9)	-	0	-	(9)
Other income and expenses	(20)	(4)	0	0	(24)
Operating income	105	94	39	(21)	217
Equity in income of affiliates	0	(1)	-	-	(1)
Intangible assets and property, plant and equipment additions	63	47	32	6	148
Of which recurring capital expenditure	44	36	32	6	118

3rd quarter 2018

(In millions of euros)

	High Performance Materials	Industrial Specialties	Coating Solutions	Corporate	Total
Non-Group sales	987	646	527	7	2,167
Inter-division sales	3	47	21	-	
Total sales	990	693	548	7	
EBITDA	162	165	65	(18)	374
Recurring depreciation and amortization of tangible and intangible assets	(39)	(44)	(26)	0	(109)
Recurring operating income (REBIT)	123	121	39	(18)	265
Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(8)	-	-	-	(8)
Other income and expenses	(9)	(1)	0	2	(8)
Operating income	106	120	39	(16)	249
Equity in income of affiliates	1	-	-	-	1
Intangible assets and property, plant and equipment additions	48	60	27	11	146
Of which recurring capital expenditure	38	44*	27	11	120*

* Restated figures

INFORMATION BY BUSINESS DIVISION

(non audited)

End of September 2019

(In millions of euros)

	High Performance Materials	Industrial Specialties	Coating Solutions	Corporate	Total
Non-Group sales	3,074	1,921	1,669	21	6,685
Inter-division sales	8	112	57	-	
Total sales	3,082	2,033	1,726	21	
EBITDA	514	488	228	(68)	1,162
Recurring depreciation and amortization of tangible and intangible assets	(137)	(158)	(87)	(5)	(387)
Recurring operating income (REBIT)	377	330	141	(73)	775
Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(26)	-	(2)	-	(28)
Other income and expenses	(37)	(6)	(1)	(3)	(47)
Operating income	314	324	138	(76)	700
Equity in income of affiliates	0	(2)	-	-	(2)
Intangible assets and property, plant and equipment additions	167	128	75	11	381
Of which recurring capital expenditure	127	92	75	11	305

End of September 2018

(In millions of euros)

	High Performance Materials	Industrial Specialties	Coating Solutions	Corporate	Total
Non-Group sales	2,992	2,016	1,581	20	6,609
Inter-division sales	8	141	59	-	
Total sales	3,000	2,157	1,640	20	
EBITDA	515	535	199	(62)	1,187
Recurring depreciation and amortization of tangible and intangible assets	(117)	(131)	(77)	(2)	(327)
Recurring operating income (REBIT)	398	404	122	(64)	860
Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(26)	-	-	-	(26)
Other income and expenses	(11)	(2)	(2)	3	(12)
Operating income	361	402	120	(61)	822
Equity in income of affiliates	1	1	-	-	2
Intangible assets and property, plant and equipment additions	110	135	53	23	321
Of which recurring capital expenditure	89	103*	53	23	268*

* Restated figures

CONSOLIDATED CASH FLOW STATEMENT

	<u>End of September 2019</u>	<u>End of September 2018</u>
<i>(In millions of euros)</i>	<i>(non audited)</i>	<i>(non audited)</i>
Cash flow - operating activities		
Net income	474	586
Depreciation, amortization and impairment of assets	469	355
Other provisions and deferred taxes	(14)	(31)
(Gains)/losses on sales of long-term assets	(6)	(2)
Undistributed affiliate equity earnings	5	(2)
Change in working capital	(116)	(309)
Other changes	17	14
Cash flow from operating activities	829	611
Cash flow - investing activities		
Intangible assets and property, plant, and equipment additions	(381)	(321)
Change in fixed asset payables	(81)	(13)
Acquisitions of operations, net of cash acquired	(606)	(199)
Increase in long-term loans	(28)	(53)
Total expenditures	(1,096)	(586)
Proceeds from sale of intangible assets and property, plant and equipment	8	2
Repayment of long-term loans	21	15
Total divestitures	29	17
Cash flow from investing activities	(1,067)	(569)
Cash flow - financing activities		
Issuance (repayment) of shares and other equity	3	51
Purchase of treasury shares	(30)	(26)
Issuance of hybrid bonds	399	-
Redemption of hybrid bonds	(425)	-
Dividends paid to parent company shareholders	(190)	(176)
Interest paid to bearers of subordinated perpetual notes	(12)	-
Dividends paid to non-controlling interests	(1)	(1)
Increase in long-term debt	2	1
Decrease in long-term debt	(531)	(17)
Increase/ decrease in short-term borrowings	477	26
Cash flow from financing activities	(308)	(142)
Net increase/(decrease) in cash and cash equivalents	(546)	(100)
Effect of exchange rates and changes in scope	(42)	1
Cash and cash equivalents at beginning of period	1,441	1,438
Cash and cash equivalents at end of period	853	1,339

The Group applied IFRS 16 for the first time at 1 January 2019, under the modified retrospective approach which does not require restatement of the comparative figures for 2018.

CONSOLIDATED BALANCE SHEET

<i>(In millions of euros)</i>	<u>End of September 2019</u> <i>(non audited)</i>	<u>End of December 2018</u> <i>(audited)</i>
ASSETS		
Intangible assets, net	3,274	2,877
Property, plant and equipment, net	2,992	2,627
Equity affiliates : investments and loans	35	38
Other investments	53	33
Deferred tax assets	216	209
Other non-current assets	255	243
TOTAL NON-CURRENT ASSETS	6,825	6,027
Inventories	1,217	1,136
Accounts receivable	1,348	1,247
Other receivables and prepaid expenses	181	173
Income tax receivables	85	80
Other current financial assets	6	7
Cash and cash equivalents	853	1,441
TOTAL CURRENT ASSETS	3,690	4,084
TOTAL ASSETS	10,515	10,111
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	766	766
Paid-in surplus and retained earnings	4,302	4,099
Treasury shares	(56)	(28)
Translation adjustments	216	142
SHAREHOLDERS' EQUITY - GROUP SHARE	5,228	4,979
Non-controlling interests	55	49
TOTAL SHAREHOLDERS' EQUITY	5,283	5,028
Deferred tax liabilities	267	268
Provisions for pensions and other employee benefits	555	470
Other provisions and non-current liabilities	404	433
Non-current debt	1,881	2,246
TOTAL NON-CURRENT LIABILITIES	3,107	3,417
Accounts payable	881	1,037
Other creditors and accrued liabilities	392	343
Income tax payables	94	78
Other current financial liabilities	16	7
Current debt	742	201
TOTAL CURRENT LIABILITIES	2,125	1,666
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	10,515	10,111

The Group applied IFRS 16 for the first time at 1 January 2019, under the modified retrospective approach which does not require restatement of the comparative figures for 2018.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(non audited)

<i>(In millions of euros)</i>	Shares issued			Hybrid bonds	Retained earnings	Translation adjustments	Treasury shares		Shareholders' equity - Group share	Non-controlling interests	Shareholders' equity
	Number	Amount	Paid-in surplus				Number	Amount			
At January 1, 2019	76,581,492	766	1,263	689	2,147	142	(318,998)	(28)	4,979	49	5,028
Cash dividend	-	-	-	-	(202)	-	-	-	(202)	(1)	(203)
Issuance of share capital	42,728	0	3	-	-	-	-	-	3	-	3
Purchase of treasury shares	-	-	-	-	-	-	(355,621)	(30)	(30)	-	(30)
Grants of treasury shares to employees	-	-	-	-	(2)	-	22,749	2	-	-	-
Share-based payments	-	-	-	-	19	-	-	-	19	-	19
Issuance of hybrid bonds	-	-	-	399	-	-	-	-	399	-	399
Redemption of hybrid bonds	-	-	-	(394)	(31)	-	-	-	(425)	-	(425)
Other	-	-	-	-	-	-	-	-	-	-	-
Transactions with shareholders	42,728	0	3	5	(216)	-	(332,872)	(28)	(236)	(1)	(237)
Net income	-	-	-	-	468	-	-	-	468	6	474
Total income and expense recognized directly through equity	-	-	-	-	(57)	74	-	-	17	1	18
Comprehensive income	-	-	-	-	411	74	-	-	485	7	492
At September 30, 2019	76,624,220	766	1,266	694	2,342	216	(651,870)	(56)	5,228	55	5,283

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>	End of September 2019	End of September 2018	3 rd quarter 2019	3 rd quarter 2018
OPERATING INCOME	700	822	217	249
- Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(28)	(26)	(9)	(8)
- Other income and expenses	(47)	(12)	(24)	(8)
RECURRING OPERATING INCOME (REBIT)	775	860	250	265
- Recurring depreciation and amortization of tangible and intangible assets	(387)	(327)	(135)	(109)
EBITDA	1,162	1,187	385	374

Details of depreciation and amortization of tangible and intangible assets:

<i>(In millions of euros)</i>	End of September 2019	End of September 2018	3 rd quarter 2019	3 rd quarter 2018
Depreciation and amortization of tangible and intangible assets	(469)	(355)	(153)	(119)
Of which: Recurring depreciation and amortization of tangible and intangible assets	(387)	(327)	(135)	(109)
Of which: Depreciation and amortization related to the revaluation of assets as part of the allocation of the purchase price of businesses	(28)	(26)	(9)	(8)
Of which: Impairment included in other income and expenses	(54)	(2)	(9)	(2)

ADJUSTED NET INCOME AND ADJUSTED EARNINGS PER SHARE

<i>(In millions of euros)</i>	End of September 2019	End of September 2018	3 rd quarter 2019	3 rd quarter 2018
NET INCOME - GROUP SHARE	468	581	145	174
- Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(28)	(26)	(9)	(8)
- Other income and expenses	(47)	(12)	(24)	(8)
- 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	7	6	2	2
- Taxes on other income and expenses	13	4	10	2
- One-time tax-effects	-	2	-	-
ADJUSTED NET INCOME	523	607	166	186
- Weighted average number of ordinary shares	76,156,547	76,190,768		
- Weighted average number of potential ordinary shares	76,613,410	76,306,477		
ADJUSTED EARNINGS PER SHARE (€)	6.87	7.97	2.19	2.44
DILUTED ADJUSTED EARNINGS PER SHARE (€)	6.83	7.95	2.17	2.42

RECURRING CAPITAL EXPENDITURE

<i>(In millions of euros)</i>	End of September 2019	End of September 2018	3 rd quarter 2019	3 rd quarter 2018
INTANGIBLE ASSETS AND PROPERTY, PLANT, AND EQUIPMENT ADDITIONS	381	321	148	146
- Exceptional capital expenditure	68	34	30	16
- Investments relating to portfolio management operations	-	4	-	4
- Capital expenditure with no impact on net debt	8	15*	-	6*
RECURRING CAPITAL EXPENDITURE	305	268*	118	120*

* Restated figures

FREE CASH FLOW

<i>(In millions of euros)</i>	End of September 2019	End of September 2018	3 rd quarter 2019	3 rd quarter 2018
Cash flow from operating activities	829	611	345	361
+ Cash flow from investing activities	(1,067)	(569)	(721)	(161)
NET CASH FLOW	(238)	42	(376)	200
- Net cash flow from portfolio management operations	(619)	(201)	(594)	(27)
FREE CASH FLOW	381	243	218	227

WORKING CAPITAL

<i>(In millions of euros)</i>	End of September 2019	End of December 2018
Inventories	1,217	1,136
+ Accounts receivable	1,348	1,247
+ Other receivables including income taxes	266	253
+ Other current financial assets	6	7
- Accounts payable	881	1,037
- Other liabilities including income taxes	486	421
- Other current financial liabilities	16	7
WORKING CAPITAL	1,454	1,178

CAPITAL EMPLOYED

<i>(In millions of euros)</i>	End of September 2019	End of December 2018
<i>Goodwill, net</i>	2,028	1,618
+ Intangible assets (excluding goodwill), and property, plant and equipment, net	4,238	3,886
+ Investments in equity affiliates	35	38
+ Other investments and other non-current assets	308	276
+ Working capital	1,454	1,178
CAPITAL EMPLOYED	8,063	6,996

NET DEBT

<i>(In millions of euros)</i>	End of September 2019	End of December 2018
Non-current debt	1,881	2,246
+ Current debt	742	201
- Cash and cash equivalents	853	1,441
NET DEBT	1,770	1,006

IFRS 16 IMPACT ON THE MAIN API

As of January 1, 2019 Arkema applies IFRS 16 "Leases". The impacts of this standard on the main alternative performance indicators used by the Group are described below. The 2018 figures have not been restated.

CONSOLIDATED INCOME STATEMENT

	3 rd quarter 2019	End of September 2019
EBITDA	15	42
Recurring depreciation and amortization of tangible and intangible assets	(14)	(40)
Recurring operating Income (REBIT)	1	2
Operating Income	1	2
Financial result	(1)	(3)
Adjusted net income	-	(1)
Net income	-	(1)

CONSOLIDATED CASH FLOW STATEMENT

	3 rd quarter 2019	End of September 2019
Cash flow from operating activities	14	39
Cash flow from financing activities	(14)	(39)
Free cash flow	14	39

CONSOLIDATED BALANCE SHEET

	End of September 2019
Property, plant and equipment, net	158
Total assets	158
Non-current debt	115
Current debt	44
Net Debt	159
Net income	(1)
Total liabilities and shareholders' equity	158

INFORMATION BY BUSINESS DIVISION

IFRS 16 impact (3 rd quarter 2019)	High Performance Materials	Industrial Specialties	Coating Solutions	Corporate
EBITDA	5	5.5	3.5	1
Recurring depreciation and amortization of tangible and intangible assets	(5)	(5)	(3)	(1)
Recurring operating Income (REBIT)	-	0.5	0.5	-

IFRS 16 impact (End of September 2019)	High Performance Materials	Industrial Specialties	Coating Solutions	Corporate
EBITDA	13.5	18	8.5	2
Recurring depreciation and amortization of tangible and intangible assets	(13)	(17)	(8)	(2)
Recurring operating Income (REBIT)	0.5	1.0	0.5	-