

Arkema: Second-quarter 2020 results

Arkema confirms its resilience with a robust financial performance and high cash flow generation in the context of a global economy strongly impacted by the effects of the Covid-19 pandemic

- **€1.9 billion in sales**, down 15.6% year on year (-10.7% in H1'20):
 - significant slowdown in the construction, transportation and industrial sectors, overshadowing good demand in the nutrition, packaging and hygiene markets
 - sequential improvement in June, supported by the progress in the construction market in Europe and the US and solid sales in China
- **€286 million in EBITDA** (€407 million in Q2'19) and **EBITDA margin of 15.0%** – a resilient performance in view of the context:
 - solid performance of Advanced Materials, with an EBITDA margin of 20%
 - sharp rebound for Bostik in June
 - benefits of rapidly implemented interim fixed cost reduction initiatives
- **Adjusted net income of €90 million** (€192 million in Q2'19), representing €1.18 per share
- Excellent **free cash flow**, at **€288 million** (€90 million in Q2'19), reflecting strict management of working capital and capital expenditure
- **Net debt** down sharply relative to end-March 2020 at **€2,134 million** (of which €1 billion in hybrid bonds), including the €168 million dividend payment and €246 million in net proceeds from the divestment of the Functional Polyolefins business
- Further progress in the strategy of refocusing on Specialty Materials, with the finalization of the divestment of the Functional Polyolefins business to the South-Korea based corporation SK, and the proposed acquisition of Fixatti in Adhesive Solutions announced on 20 July

Following Arkema's Board of Directors' meeting held on 29 July 2020 to approve the Group's consolidated financial statements for the first half of 2020, Chairman and CEO Thierry Le Hénaff said:

"The second quarter was marked by the context of Covid-19 and the lockdown measures imposed in many countries. Arkema's sales were clearly impacted by this situation, but the decline was contained thanks to the Group's worldwide positioning and the diversity of its end markets. The Group demonstrated its resilience in this unprecedented context, thereby validating its strategy of refocusing its business portfolio toward specialties.

I am very pleased with the mobilization and reactivity of the Group's employees throughout this period. Arkema's teams worked hard, focusing on both the short- and mid-term.

For the short-term, we concentrated on the elements that are within our control, putting in place decisive initiatives to reduce costs and tightly control working capital and capital expenditure. This enabled us to deliver a robust financial performance in the second quarter and achieve a high level of cash generation despite the challenging operating environment. In the second half of the year, while expecting to see a gradual improvement in end markets, Arkema will continue its cost-saving and cash-generation efforts in an environment still marked by low visibility with regards to the evolution and effects of the pandemic.

At the same time, the Group confirmed its determination to implement the roadmap announced at the Investor Day on 2 April. The finalization of the divestment of the Functional Polyolefins business in early June, Bostik's acquisition of Fixatti and the start of strategic reviews regarding the evolution of the portfolio in Intermediates marked the launch of the M&A phase. Our organic growth ambitions have been supported by the partnership with Nutrien, the progress made in the construction of our bio-based polymer plant in Singapore despite the Covid-19 pandemic, and the acceleration of sustainable innovation projects in Specialty Materials".

KEY FIGURES FOR SECOND-QUARTER 2020

<i>(In millions of euros)</i>	Q2'20	Q2'19	YoY change
Sales	1,902	2,254	-15.6%
EBITDA	286	407	-29.7%
Specialty Materials ⁽¹⁾	233	304	-23.4%
Intermediates	66	127	-48.0%
Corporate	-13	-24	
EBITDA margin	15.0%	18.1%	
Recurring operating income (REBIT)	144	278	-48.2%
REBIT margin	7.6%	12.3%	
Adjusted net income	90	192	-53.1%
Adjusted net income per share (in €)	1.18	2.52	-53.2%
Free cash flow	288	90	
Net debt including hybrid bonds	2,134	2,008	

€2,331m as of 31/12/2019

SECOND-QUARTER 2020 BUSINESS PERFORMANCE

Sales amounted to **€1,902 million**, down **15.6%** year on year, and down 18.1% at constant scope and currency. Volumes declined 12.2%, impacted by the lockdown measures imposed in many countries during the quarter. The transportation, industrial and construction sectors in the United States, Southeast Asia and Europe were more particularly affected, but the decline in these sectors was partly offset by good demand in the packaging, nutrition and hygiene markets. The construction market improved in June in Europe and the United States. Moreover, the Group benefitted from the diversity of its end markets and geographic footprint. The price effect was a negative 5.9%, mainly reflecting more challenging market conditions for Intermediates in a context of lower demand, offset by resilient prices in Adhesive Solutions and Advanced Materials. The integration of ArrMaz in Advanced Materials, Prochimir and LIP in Adhesive Solutions and Lambson in Coating Solutions, as well as the divestment of the Functional Polyolefins business at 1 June, resulted in a 2.9% positive scope effect. The currency effect was limited to a negative 0.4%. In second-quarter 2020, Specialty Materials ⁽¹⁾ accounted for 80% of total Group sales (78% in Q2 2019).

Group **EBITDA** came in at **€286 million** (€407 million in Q2 2019), reflecting the impact of much lower demand. Advanced Materials held up well in this context thanks to the good performance of certain end markets such as nutrition, the benefits of innovation in niche applications used in the fight against the virus, as well as the contribution of ArrMaz. Adhesive Solutions logically suffered in April and May from the construction market's slump in Europe and the United States, but delivered a much better performance in June as lockdowns were lifted in a number of countries that are important for the Group. At **15.0%**, **EBITDA margin** remained solid, notably supported by the solid performance of Advanced Materials, which delivered a 20% EBITDA margin, by the improvement of Adhesive Solutions in June, and by the initiatives to reduce fixed costs.

Recurring operating income (REBIT) came to **€144 million**. This amount includes €142 million in recurring depreciation and amortization, €13 million higher than in second-quarter 2019 due essentially to the start-up of production units in 2019 and early 2020, and the integration of acquisitions. **REBIT margin** stood at **7.6%**.

Adjusted net income came in at **€90 million**, representing **€1.18** per share. In the first half, excluding exceptional items, the tax rate came in at around 22% of recurring operating income.

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

CASH FLOW AND NET DEBT AT 30 JUNE 2020

Free cash flow amounted to **€288 million**, a record high for a second quarter, versus €90 million in second-quarter 2019. It includes a €105 million cash inflow related to the change in working capital during the period (compared with a €77 million cash outflow in Q2 2019), reflecting strict management of inventory and receivables in a context of lower sales and costs for certain raw materials. At 30 June 2020, the ratio of working capital to annualized quarterly sales was 16.5%, close to the year-earlier figure of 16.0%.

Free cash flow for second-quarter 2020 also includes non-recurring tax savings linked to the use of tax losses for an amount of €55 million.

Capital expenditure totaled €123 million for the period (€124 million in Q2 2019), of which €78 million was recurring and €44 million exceptional. The exceptional capex related to the polyamides project in Asia and the partnership with Nutrien announced in June for the long-term supply of anhydrous hydrogen fluoride in the US. As stated in the Group's first-quarter 2020 results release, recurring and exceptional capital expenditure for the full year is expected to total around €600 million, €100 million lower than the amount originally planned for 2020.

Cash flows from portfolio management operations represented a net inflow of €242 million, essentially corresponding to the divestment of the Functional Polyolefins business, finalized on 1 June.

Including €1.0 billion in hybrid bonds, **net debt** stood at **€2.13 billion** at end-June 2020 versus €2.48 billion at 31 March 2020. This figure includes the €2.20 per-share dividend payment for a total payout of €168 million, €21 million in share buyback costs, and €7 million in proceeds from the capital increase reserved to employees. The ratio of net debt (including hybrid bonds) to last-twelve-months EBITDA remained well contained, at 1.7x.

SECOND-QUARTER 2020 PERFORMANCE BY SEGMENT

ADHESIVE SOLUTIONS (24% OF TOTAL GROUP SALES)

<i>(In millions of euros)</i>	Q2'20	Q2'19	YoY change
Sales	453	520	-12.9%
EBITDA	50	71	-29.6%
EBITDA margin	11.0%	13.7%	
Recurring operating income (REBIT)	35	55	-36.4%
REBIT margin	7.7%	10.6%	

Sales for the Adhesive Solutions segment totaled **€453 million**, down 12.9% year on year. Despite the packaging and hygiene markets holding firm, volumes fell by 13.2%, impacted by the sharp slowdown in demand in the construction, transportation and industrial sectors. The improvement in the construction and DIY markets seen in Europe and the United States in June helped to mitigate the overall second-quarter decrease in volumes, but industrial markets remained mixed. Prices held up well during the period, down by just 0.9%, reflecting, in the continuity of the first quarter, the measures taken by the Group in 2019 to optimize the product mix. The scope effect was a positive 2.7% and corresponds to the integration of LIP and Prochimir. The negative 1.5% foreign exchange impact mainly reflects the devaluation of emerging currencies.

The segment's **EBITDA** totaled **€50 million**, impacted in April and May by the sharp contraction in volumes in the construction market, and also reflecting weak demand in the industrial assembly sector. Bostik's performance picked up sharply in June thanks to the rebound seen in the construction and DIY markets. The challenging macro-economic environment overshadowed the benefits of operational excellence and fixed cost savings initiatives announced in May, as well as the favorable impact of certain raw materials. The segment's performance also includes the contributions of LIP and Prochimir. EBITDA margin stood at 11.0%, temporarily down on second-quarter 2019.

ADVANCED MATERIALS (33% OF TOTAL GROUP SALES)

<i>(In millions of euros)</i>	Q2'20	Q2'19	YoY change
Sales	628	650	-3.4%
EBITDA	124	142	-12.7%
EBITDA margin	19.7%	21.8%	
Recurring operating income (REBIT)	61	87	-29.9%
REBIT margin	9.7%	13.4%	

Sales for the Advanced Materials segment were slightly down 3.4% to **€628 million**. Volumes fell 11.5% year on year due to the impact of the Covid-19 crisis, which weighed strongly on demand for High Performance Polymers. In the continuity of the first quarter, the decline was particularly significant in the transportation, consumer electronics, oil & gas and sports sectors, overshadowing the good performance of the nutrition market and certain niche applications used in the fight against the virus. The price effect was limited at a negative 2.0%, while the consolidation of ArrMaz added 10.1% to the segment's sales, driven by favorable end-markets such as crop nutrition.

At **€124 million**, the segment's **EBITDA** was 12.7% lower than last year. This decrease reflects the sharp drop in volumes, notably for High Performance Polymers, partly offset by the good resistance of Performance Additives, which benefitted from the consolidation of ArrMaz. **EBITDA margin** remained at a high level at **19.7%** (21.8% in second-quarter 2019), benefitting from a good product mix, the favorable evolution of certain raw materials, and the reduction in fixed costs.

COATING SOLUTIONS (23% OF TOTAL GROUP SALES)

<i>(In millions of euros)</i>	Q2'20	Q2'19	YoY change
Sales	436	575	-24.2%
EBITDA	59	91	-35.2%
EBITDA margin	13.5%	15.8%	
Recurring operating income (REBIT)	28	62	-54.8%
REBIT margin	6.4%	10.8%	

Sales for the Coating Solutions segment dropped to **€436 million**. The 15.8% decline in volumes was linked to weak demand in construction, paints and in some industrial markets. The price effect was a negative 9.5%, stemming mainly from lower propylene prices. The scope effect of +1.2% was linked to the integration of Lambson, and the currency effect was very limited at a negative 0.1%.

At **€59 million**, the segment's **EBITDA** was down sharply on the excellent performance achieved in second-quarter 2019 (€91 million), but nevertheless benefitted from the improvement of the decorative paints market in June. In the context of much lower volumes, the segment's **EBITDA margin** held up well, coming in at **13.5%** (15.8% in second-quarter 2019), thanks in particular to the benefits of the integration between upstream and downstream activities.

INTERMEDIATES (20% OF TOTAL GROUP SALES)

<i>(In millions of euros)</i>	Q2'20	Q2'19	YoY change
Sales	379	502	-24.5%
EBITDA	66	127	-48.0%
EBITDA margin	17.4%	25.3%	
Recurring operating income (REBIT)	35	99	-64.6%
REBIT margin	9.2%	19.7%	

At **€379 million, sales** for the Intermediates segment were down 24.5% compared with the second quarter of 2019. The price effect was a negative 12.3%, essentially due to the challenging market conditions in Fluorogases and lower propylene prices. Volumes declined by 8.1%, mainly reflecting the slowdown in the construction and automotive sectors, while demand in the niche market for PMMA protective sheets remained strong, as in the first quarter. The scope effect was a negative 4.2%, corresponding to the divestment of the Functional Polyolefins business finalized on 1 June 2020. The currency effect was limited, at a positive 0.1%.

In this context of strong declines in volumes and prices, the segment's **EBITDA** was significantly lower than in second-quarter 2019, totaling **€66 million**. Furthermore, the performance of Fluorogases was impacted by illegal HFC imports into Europe, although the effect of this eased towards the end of the period. **EBITDA margin** contracted to **17.4%**.

KEY FIGURES FOR FIRST-HALF 2020

<i>(In millions of euros)</i>	H1'20	H1'19	YoY change
Sales	3,990	4,469	-10.7%
EBITDA	586	777	-24.6%
Specialty Materials	489	596	-18.0%
Intermediates	134	230	-41.7%
Corporate	-37	-49	
EBITDA margin	14.7%	17.4%	
Recurring operating income (REBIT)	304	525	-42.1%
REBIT margin	7.6%	11.7%	
Adjusted net income	190	357	-46.8%
Adjusted net income per share (in €)	2.49	4.68	-46.8%
Free Cash Flow	250	163	

SUBSEQUENT EVENTS

On 20 July 2020, Arkema announced its proposed acquisition of Fixatti, a company specialized in high-performance thermobonding adhesive powders reporting annual sales of around €55 million. This acquisition will enable Bostik to strengthen its global offering of hotmelt adhesive solutions for niche industrial applications in the construction, technical coating, battery, automotive, and textile printing markets. The deal is expected to close in the fourth quarter of 2020, subject to approval by the antitrust authorities in the relevant countries.

On 29 July 2020, the Group secured refinancing for its €900 million credit facility maturing on 29 October 2021 by setting up a new multi-currency syndicated credit facility whose amount was raised to €1 billion. This new facility has an initial term of three years with a maturity date of 29 July 2023 and two one-year extension options exercisable, subject to the lenders' approval, at the end of the first and the second year. It is intended to finance the Group's general corporate needs and to serve as a back-up facility for the Negotiable European Commercial Paper program.

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.

Further details concerning the Group's second-quarter 2020 results are provided in the "Second-quarter 2020 results" presentation and the Factsheet, both available on Arkema's website at www.finance.arkema.com.

REGULATED INFORMATION

The half-year financial report at 30 June 2020 is available on the Group's website (www.arkema.com) under Finance / Financials / Financial results.

FINANCIAL CALENDAR

5 November 2020	Publication of third-quarter 2020 results
25 February 2021	Publication of full-year 2020 results

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 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 condensed consolidated financial statements at 30 June 2020 closed by Arkema's Board of Directors on 29 July 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.



ARKEMA Financial Statements

Consolidated financial statements - At the end of June 2020

Half-year information is subject to a limited review by auditors.
Consolidated financial statements as of December 2019 have been audited.

CONSOLIDATED INCOME STATEMENT

	<u>2nd quarter 2020</u>	<u>End of June 2020</u>	<u>2nd quarter 2019</u>	<u>End of June 2019</u>
<i>(In millions of euros)</i>				
Sales	1,902	3,990	2,254	4,469
Operating expenses	(1,539)	(3,211)	(1,731)	(3,456)
Research and development expenses	(56)	(120)	(61)	(123)
Selling and administrative expenses	(178)	(384)	(194)	(384)
Other income and expenses	107	93	(11)	(23)
Operating income	236	368	257	483
Equity in income of affiliates	1	(1)	0	(1)
Financial result	(22)	(45)	(33)	(60)
Income taxes	(96)	(124)	(46)	(95)
Net income	119	198	178	327
Of which non-controlling interests	0	1	2	4
Net income - Group share	119	197	176	323
<i>Earnings per share (amount in euros)</i>	<i>1.56</i>	<i>2.58</i>	<i>1.82</i>	<i>3.75</i>
<i>Diluted earnings per share (amount in euros)</i>	<i>1.55</i>	<i>2.57</i>	<i>1.81</i>	<i>3.73</i>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

2nd quarter 2020

End of June 2020

2nd quarter 2019

End of June 2019

(In millions of euros)

Net income	119	198	178	327
Hedging adjustments	15	8	2	(1)
Other items	-	-	1	1
Deferred taxes on hedging adjustments and other items	-	-	-	-
Change in translation adjustments	(53)	(36)	(37)	14
Other recyclable comprehensive income	(38)	(28)	(34)	14
Actuarial gains and losses	(14)	(38)	(54)	(33)
Deferred taxes on actuarial gains and losses	2	10	10	5
Other non-recyclable comprehensive income	(12)	(28)	(44)	(28)
Total income and expenses recognized directly in equity	(50)	(56)	(78)	(14)
Comprehensive income	69	142	100	313
Of which: non-controlling interest	(1)	1	-	4
Comprehensive income - Group share	70	141	100	309

INFORMATION BY SEGMENT

2nd quarter 2020

(In millions of euros)

	Adhesive Solutions	Advanced Materials	Coating Solutions	Intermediates	Corporate	Total
Total sales	453	628	436	379	6	1,902
EBITDA	50	124	59	66	(13)	286
Recurring depreciation and amortization of tangible and intangible assets	(15)	(63)	(31)	(31)	(2)	(142)
Recurring operating income (REBIT)	35	61	28	35	(15)	144
Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(10)	(4)	(1)	-	-	(15)
Other income and expenses	(26)	(12)	(3)	188	(40)	107
Operating income	(1)	45	24	223	(55)	236
Equity in income of affiliates	-	0	-	1	-	1
Intangible assets and property, plant and equipment additions	19	45	15	39	5	123
Of which recurring capital expenditure	19	30	14	10	5	78

2nd quarter 2019 *

(In millions of euros)

	Adhesive Solutions	Advanced Materials	Coating Solutions	Intermediates	Corporate	Total
Total sales	520	650	575	502	7	2,254
EBITDA	71	142	91	127	(24)	407
Recurring depreciation and amortization of tangible and intangible assets	(16)	(55)	(29)	(28)	(1)	(129)
Recurring operating income (REBIT)	55	87	62	99	(25)	278
Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(9)	-	(1)	-	-	(10)
Other income and expenses	(2)	(7)	(0)	-	(2)	(11)
Operating income	44	80	61	99	(27)	257
Equity in income of affiliates	-	(1)	-	1	-	0
Intangible assets and property, plant and equipment additions	12	70	24	16	2	124
Of which recurring capital expenditure	12	47	24	16	2	101

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

INFORMATION BY SEGMENT

End of June 2020

(In millions of euros)

	Adhesive Solutions	Advanced Materials	Coating Solutions	Intermediates	Corporate	Total
Total sales	968	1,280	953	776	13	3,990
EBITDA	119	246	124	134	(37)	586
Recurring depreciation and amortization of tangible and intangible assets	(30)	(124)	(60)	(64)	(4)	(282)
Recurring operating income (REBIT)	89	122	64	70	(41)	304
Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(18)	(8)	(3)	-	-	(29)
Other income and expenses	(29)	(18)	(3)	184	(41)	93
Operating income	42	96	58	254	(82)	368
Equity in income of affiliates	-	(2)	-	1	-	(1)
Intangible assets and property, plant and equipment additions	34	83	29	62	7	215
Of which recurring capital expenditure	34	55	28	33	7	157

End of June 2019 *

(In millions of euros)

	Adhesive Solutions	Advanced Materials	Coating Solutions	Intermediates	Corporate	Total
Total sales	1,033	1,322	1,139	961	14	4,469
EBITDA	133	293	170	230	(49)	777
Recurring depreciation and amortization of tangible and intangible assets	(30)	(109)	(54)	(56)	(3)	(252)
Recurring operating income (REBIT)	103	184	116	174	(52)	525
Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(17)	-	(2)	-	-	(19)
Other income and expenses	(5)	(11)	(1)	(3)	(3)	(23)
Operating income	81	173	113	171	(55)	483
Equity in income of affiliates	-	(3)	-	2	-	(1)
Intangible assets and property, plant and equipment additions	21	134	46	27	5	233
Of which recurring capital expenditure	21	88	46	27	5	187

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

CONSOLIDATED CASH FLOW STATEMENT

End of June 2020 End of June 2019

(In millions of euros)

Cash flow - operating activities

Net income	198	327
Depreciation, amortization and impairment of assets	422	316
Other provisions and deferred taxes	54	(1)
(Gains)/losses on sales of long-term assets	(245)	(4)
Undistributed affiliate equity earnings	2	1
Change in working capital	(26)	(167)
Other changes	11	12

Cash flow from operating activities	416	484
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Cash flow - investing activities

Intangible assets and property, plant, and equipment additions	(215)	(233)
Change in fixed asset payables	(55)	(96)
Acquisitions of operations, net of cash acquired	(92)	(19)
Increase in long-term loans	(23)	(20)
Total expenditures	(385)	(368)

Proceeds from sale of intangible assets and property, plant and equipment	2	6
Proceeds from sale of businesses, net of cash transferred	327	-
Repayment of long-term loans	37	16
Total divestitures	366	22

Cash flow from investing activities	(19)	(346)
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Cash flow - financing activities

Issuance (repayment) of shares and other equity	7	3
Purchase of treasury shares	(21)	(17)
Issuance of hybrid bonds	299	399
Redemption of hybrid bonds	-	(425)
Dividends paid to parent company shareholders	(168)	(190)
Interest paid to bearers of subordinated perpetual notes	-	(12)
Dividends paid to non-controlling interests	(1)	(1)
Increase in long-term debt	3	2
Decrease in long-term debt	(40)	(515)
Increase/ decrease in short-term borrowings	(508)	518

Cash flow from financing activities	(429)	(238)
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Net increase/(decrease) in cash and cash equivalents	(32)	(100)
Effect of exchange rates and changes in scope	25	(10)
Cash and cash equivalents at beginning of period	1,407	1,441
Cash and cash equivalents at end of period	1,400	1,331

CONSOLIDATED BALANCE SHEET

End of June 2020 End of December 2019

(In millions of euros)

ASSETS		
Intangible assets, net	3,365	3,392
Property, plant and equipment, net	2,944	3,026
Equity affiliates: investments and loans	32	33
Other investments	56	53
Deferred tax assets	161	216
Other non-current assets	224	240
TOTAL NON-CURRENT ASSETS	6,782	6,960
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Inventories	1,006	1,014
Accounts receivable	1,184	1,204
Other receivables and prepaid expenses	183	184
Income tax receivables	74	113
Other current financial assets	20	17
Cash and cash equivalents	1,400	1,407
Assets held for sale	-	78
TOTAL CURRENT ASSETS	3,867	4,017
TOTAL ASSETS	10,649	10,977
<hr/>		
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	767	766
Paid-in surplus and retained earnings	4,663	4,340
Treasury shares	(29)	(11)
Translation adjustments	142	178
SHAREHOLDERS' EQUITY - GROUP SHARE	5,543	5,273
Non-controlling interests	51	51
TOTAL SHAREHOLDERS' EQUITY	5,594	5,324
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Deferred tax liabilities	334	334
Provisions for pensions and other employee benefits	562	525
Other provisions and non-current liabilities	389	391
Non-current debt	2,380	2,377
TOTAL NON-CURRENT LIABILITIES	3,665	3,627
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Accounts payable	783	905
Other creditors and accrued liabilities	352	366
Income tax payables	86	80
Other current financial liabilities	15	8
Current debt	154	661
Liabilities related to assets held for sale	-	6
TOTAL CURRENT LIABILITIES	1,390	2,026
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	10,649	10,977

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

<i>(In millions of euros)</i>	Shares issued			Paid-in surplus	Hybrid bonds	Retained earnings	Translation adjustments	Treasury shares		Shareholders' equity - Group share	Non-controlling interests	Shareholders' equity
	Number	Amount	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	-	-	-	-	(168)	-	-	-	(168)	(1)	(169)	
Issuance of share capital	112,256	1	6	-	-	-	-	-	7	-	7	
Purchase of treasury shares	-	-	-	-	-	-	(280,000)	(21)	(21)	-	(21)	
Grants of treasury shares to employees	-	-	-	-	(3)	-	33,124	3	0	-	0	
Share-based payments	-	-	-	-	12	-	-	-	12	-	12	
Issuance of hybrid bonds	-	-	-	299	-	-	-	-	299	-	299	
Other	-	-	-	-	-	-	-	-	-	-	-	
Transactions with shareholders	112,256	1	6	299	(159)	-	(246,876)	(18)	129	(1)	128	
Net income	-	-	-	-	197	-	-	-	197	1	198	
Total income and expense recognized directly through equity	-	-	-	-	(20)	(36)	-	-	(56)	-	(56)	
Comprehensive income	-	-	-	-	177	(36)	-	-	141	1	142	
At June 30, 2020	76,736,476	767	1,272	993	2,398	142	(377,904)	(29)	5,543	51	5,594	

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 June 2020	End of June 2019	2 nd quarter 2020	2 nd quarter 2019
OPERATING INCOME	368	483	236	257
- Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(29)	(19)	(15)	(10)
- Other income and expenses	93	(23)	107	(11)
RECURRING OPERATING INCOME (REBIT)	304	525	144	278
- Recurring depreciation and amortization of tangible and intangible assets	(282)	(252)	(142)	(129)
EBITDA	586	777	286	407

Details of depreciation and amortization of tangible and intangible assets:

<i>(In millions of euros)</i>	End of June 2020	End of June 2019	2 nd quarter 2020	2 nd quarter 2019
Depreciation and amortization of tangible and intangible assets	(422)	(316)	(266)	(144)
Of which: Recurring depreciation and amortization of tangible and intangible assets	(282)	(252)	(142)	(129)
Of which: Depreciation and amortization related to the revaluation of assets as part of the allocation of the purchase price of businesses	(29)	(19)	(15)	(10)
Of which: Impairment included in other income and expenses	(111)	(45)	(109)	(5)

ADJUSTED NET INCOME AND ADJUSTED EARNINGS PER SHARE

<i>(In millions of euros)</i>	End of June 2020	End of June 2019	2 nd quarter 2020	2 nd quarter 2019
NET INCOME - GROUP SHARE	197	323	119	176
- Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(29)	(19)	(15)	(10)
- Other income and expenses	93	(23)	107	(11)
- Other income and expenses - Non-controlling interests	-	-	0	-
- Taxes on depreciation and amortization related to the revaluation of assets as part of the allocation of the purchase price of businesses	7	5	4	3
- Taxes on other income and expenses	(64)	3	(67)	2
- One-time tax effects	-	-	-	-
ADJUSTED NET INCOME	190	357	90	192
- Weighted average number of ordinary shares	76,457,621	76,214,216	-	-
- Weighted average number of potential ordinary shares	76,667,395	76,608,099	-	-
ADJUSTED EARNINGS PER SHARE (€)	2.49	4.68	1.18	2.52
DILUTED ADJUSTED EARNINGS PER SHARE (€)	2.48	4.66	1.18	2.51

RECURRING CAPITAL EXPENDITURE

<i>(In millions of euros)</i>	End of June 2020	End of June 2019	2 nd quarter 2020	2 nd quarter 2019
INTANGIBLE ASSETS AND PROPERTY, PLANT, AND EQUIPMENT ADDITIONS	215	233	123	124
- Exceptional capital expenditure	57	38	44	20
- Investments relating to portfolio management operations	-	-	-	-
- Capital expenditure with no impact on net debt	1	8	1	3
RECURRING CAPITAL EXPENDITURE	157	187	78	101

FREE CASH FLOW

<i>(In millions of euros)</i>	End of June 2020	End of June 2019	2 nd quarter 2020	2 nd quarter 2019
Cash flow from operating activities	416	484	313	242
+ Cash flow from investing activities	(19)	(346)	217	(176)
NET CASH FLOW	397	138	530	66
- Net cash flow from portfolio management operations	147	(25)	242	(24)
FREE CASH FLOW	250	163	288	90

The net cash flow from portfolio management operations corresponds to the impact of acquisition and divestment operations. In 2020, a tax rate of 32% was applied to the capital gain related to the Functional Polyolefins business divestment

WORKING CAPITAL

<i>(In millions of euros)</i>	<u>End of June 2020</u>	<u>End of December 2019</u>
Inventories	1,006	1,014
+ Accounts receivable	1,184	1,204
+ Other receivables including income taxes	257	297
+ Other current financial assets	20	17
- Accounts payable	783	905
- Other liabilities including income taxes	438	446
- Other current financial liabilities	15	8
WORKING CAPITAL	1,231	1,173

CAPITAL EMPLOYED

<i>(In millions of euros)</i>	<u>End of June 2020</u>	<u>End of December 2019</u>
<i>Goodwill, net</i>	1,875	1,917
+ Intangible assets (excluding goodwill), and property, plant and equipment, net	4,434	4,501
+ Investments in equity affiliates	32	33
+ Other investments and other non-current assets	280	293
+ Working capital	1,231	1,173
CAPITAL EMPLOYED	7,852	7,917

NET DEBT

<i>(In millions of euros)</i>	<u>End of June 2020</u>	<u>End of December 2019</u>
Non-current debt	2,380	2,377
+ Current debt	154	661
- Cash and cash equivalents	1,400	1,407
NET DEBT	1,134	1,631
+ Hybrid bonds	1,000	700
NET DEBT AND HYBRID BONDS	2,134	2,331