

First-quarter 2023 results and outlook

05/05/2023

Q1'23 financial highlights

€2,524m sales

→ Down **12.6%** vs **Q1'22**

- Volumes down, impacted by continued weak demand in Europe, a slowdown observed in construction in the US and temporary destocking in batteries in China
- Overall resilience in prices, benefiting from the work to position the portfolio on higher value-added solutions
- Benefits of our sustainable innovation in high performance solutions such as bio-based and recyclable materials, 3D printing and more eco-friendly coatings

€367m EBITDA

14.5% EBITDA margin

→ Down compared with the exceptionally high comparison base of Q1'22, which benefited from particularly favorable market conditions in PVDF and upstream acrylics

→ Q1'22 EBITDA of €619m and Q1'21 EBITDA of €358m

→ FY'23 EBITDA guidance confirmed at around €1.5-1.6bn

€162m adj. net income

→ Representing €2.17 per share

€2,389m net debt
(incl. hybrid bonds)

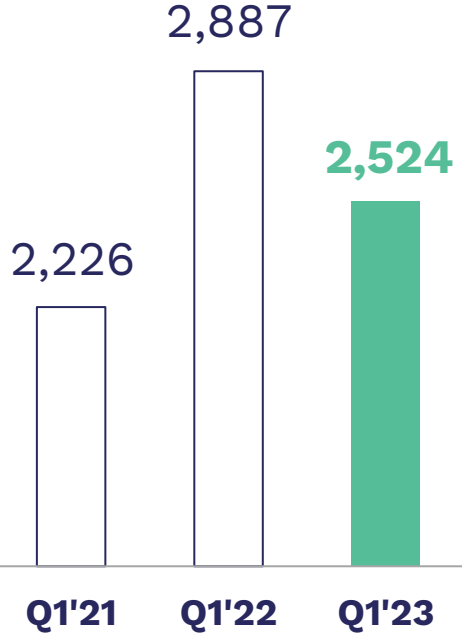
→ 1.3x LTM EBITDA reflecting strong balance sheet

→ €(21)m recurring cash flow, reflecting usual Q1 working capital seasonality

Solid results against an exceptionally high comparison base

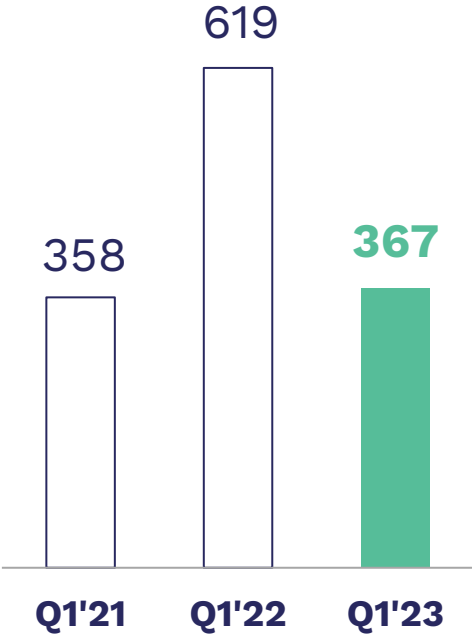
in €million

Sales



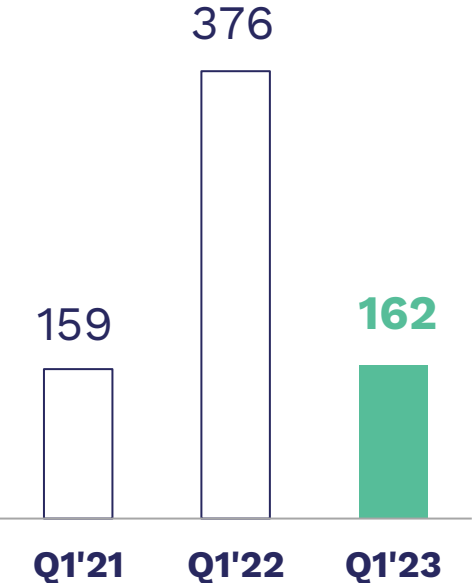
Specialty Materials **91%**

EBITDA



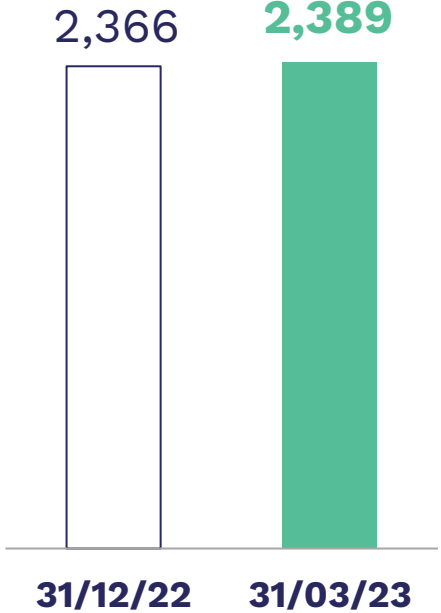
Margin **14.5%**

Adj. Net Income



Adj. EPS **€2.17**

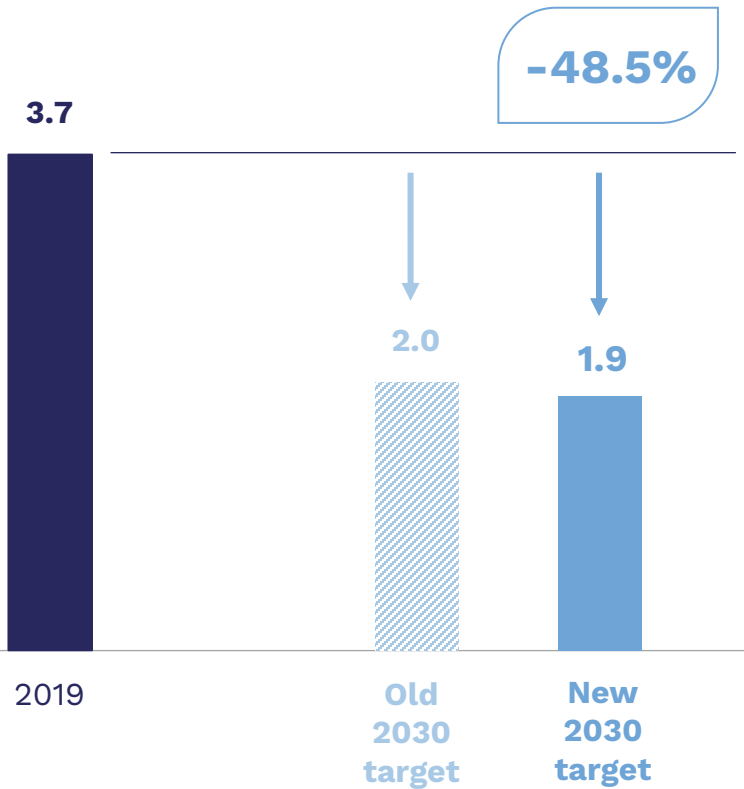
Net Debt (incl. hybrid bonds)



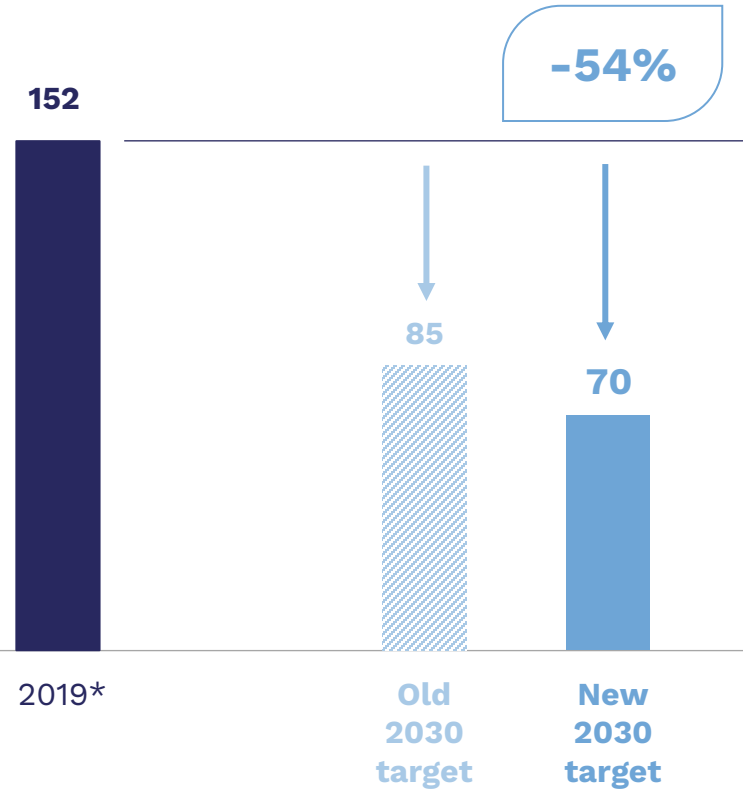
1.3x LTM EBITDA

New ambitious 1.5°C trajectory approved by SBTi (2030 targets)

Scopes 1+2
GHG emissions (Mt CO₂e)



Scope 3
GHG emissions (Mt CO₂e)



* Restated data, in line with SBTi recommendations



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

First-quarter 2023 highlights



Febex disposal

- Phosphorus derivatives mainly used in electronics and pharmaceuticals
- Sales ~ €30 million in 2021, 59 employees, 1 site in Switzerland
- Divestment to Belgian group Prayon, finalized on 3 January 2023



Major biomethane supply agreement

- Long term agreement with ENGIE, 300 GWh/year of biomethane in France
- One of the largest private biomethane deals in Europe
- Will further reduce very significantly the carbon footprint of Arkema's PA11 product range

First-quarter 2023 highlights (cont'd)



Commitment with UN Women

Arkema joined the Women's Empowerment Principles (WEPs) program with UN Women

To promote professional equality between women and men



Top Employer 2023

Certification renewed in 4 countries:
France, China, US, Brazil

Representing two-thirds of employees
and hires worldwide



Among EU's top 100 innovators

In the top 10 of French companies in the
European Patent Office's ranking

205 patents filed in 2022, >90% relating
to sustainable development

High return expansion projects to support our sustainable growth

Kynar® PVDF

+50% capacity
in Changshu, CN
+50% capacity
in Pierre-Bénite, FR

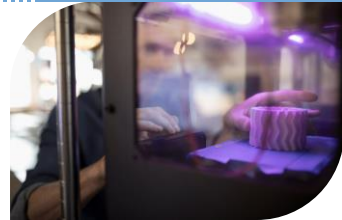


Pebax® elastomers

+40% global capacity
in Serquigny, FR



H2'23



Rilsan® Polyamide 11

+50% global capacity
in Singapore
New PA11 powders
capacity in Changshu, CN



Hydrofluoric acid (AHF)

40 kt/year supply
in partnership with
Nutrien in Aurora, US



Sartomer® photocure resins

+100% capacity
in Nansha, CN

EBITDA contribution

€50-70m

in 2023 (mainly H2)

~€180-200m

at maturity

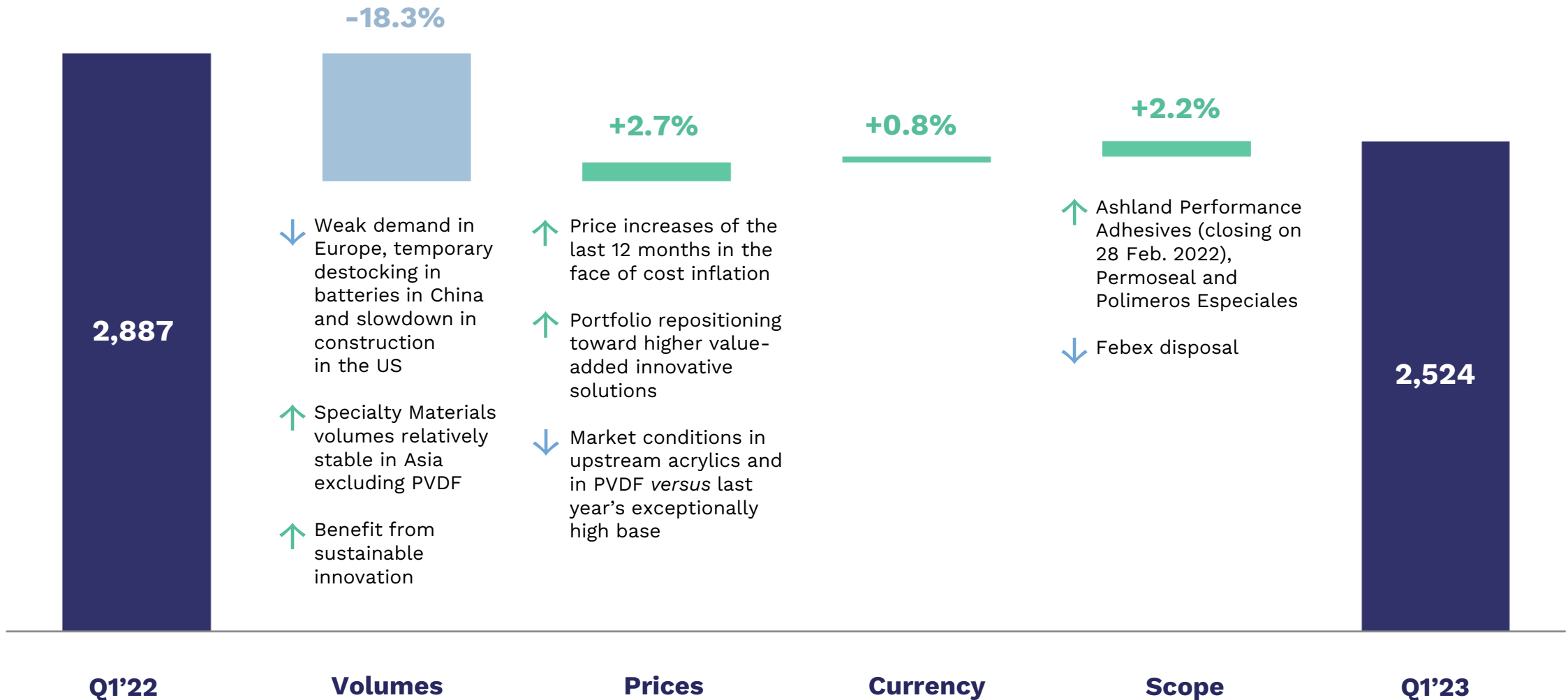
Key figures

in €million

	Q1'23	Q1'22	Change
Sales	2,524	2,887	-12.6%
EBITDA	367	619	-40.7%
Specialty Materials	347	556	-37.6%
Intermediates	49	94	-47.9%
Corporate	-29	-31	
EBITDA margin	14.5%	21.4%	
Specialty Materials	15.1%	21.3%	
Intermediates	22.5%	34.7%	
Recurring operating income (REBIT)	234	488	-52.0%
REBIT margin	9.3%	16.9%	
Adjusted net income	162	376	-56.9%
Net debt (incl. hybrid bonds)	2,389	2,703	

Sales reflecting low volume environment and good pricing

Sales in €million

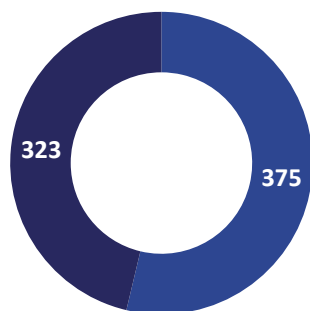


Adhesive Solutions (28% of Group sales)

Key figures

in €m	Q1'23	Q1'22	Change
Sales	698	670	+4.2%
EBITDA	93	90	+3.3%
EBITDA margin	13.3%	13.4%	
REBIT	72	73	-1.4%

Sales by Business Line



■ Construction & Consumer
■ Industrial Assembly

Sales development

Volumes — -12.7%
 Prices — +6.7%
 Currency — +0.2%
 Scope — +10.0%

Highlights

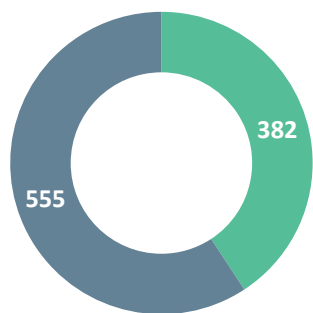
- **Prices up 6.7% YoY**, in the general inflationary context, also supported by positive mix
- **Volumes down 12.7% YoY**
 - Destocking and slowdown in construction in EU and in the US, in the continuity of Q4'22
 - Industrial adhesives in the US and Asia better oriented, with nuances by end-market
- **+10.0% scope effect**
 - 2 additional months of Ashland's adhesives
- **€93m EBITDA, up 3.3% YoY**
 - Decline in volumes more than offset by scope effect, price increases and control of fixed costs
- **EBITDA margin held up well at 13.3%**
 - Product mix improvement toward high performance adhesive applications and the integration of acquisitions offsetting lower volumes

Advanced Materials (37% of Group sales)

Key figures

in €m	Q1'23	Q1'22	Change
Sales	937	1,075	-12.8%
EBITDA	160	274	-41.6%
EBITDA margin	17.1%	25.5%	
REBIT	93	207	-55.1%

Sales by Business Line



■ High Performance Polymers
■ Performance Additives

Sales development

Volumes ——— -20.5%
Prices ——— +7.9%
Currency ——— +0.8%
Scope ——— -1.0%

Highlights

→ Volumes significantly down 20.5% YoY

- Demand remaining overall rather well oriented in the US for the segment, but impacted by specific challenging EU context
- Temporary destocking in batteries in China affecting PVDF

→ Prices up 7.9% YoY

- Teams' actions to face cost inflation
- New high value-added developments linked to sustainable megatrends
- Rapid normalization of PVDF prices in batteries in light of prior year's exceptional context

→ €160m EBITDA and EBITDA margin at 17.1%

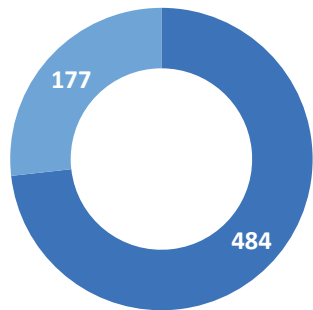
- Exceptionally high comparison base for High Performance Polymers in Q1'22
- Performance Additives quarter in line with prior year
- Segment EBITDA well above Q1'21 level of €142m

Coating Solutions (26% of Group sales)

Key figures

in €m	Q1'23	Q1'22	Change
Sales	661	862	-23.3%
EBITDA	94	192	-51.0%
EBITDA margin	14.2%	22.3%	
REBIT	63	161	-60.9%

Sales by Business Line



■ Coating Resins
■ Coating Additives

Sales development

Volumes — -20.5%
Prices — -5.3%
Currency — +1.6%
Scope — +0.9%

Highlights

→ Volumes down 20.5% YoY

- Weaker overall demand, particularly in EU and in construction with ongoing destocking at certain customers
- Strong focus on developing eco-friendly range and good prospects in new energies

→ Prices down 5.3% YoY

- Overall not far from stable in downstream activities
- Less favorable conditions in upstream acrylics compared with last year's high comparison base

→ €94m EBITDA

- Down versus prior year's very high comparison base, which benefited from particularly favorable conditions in upstream acrylics
- Good relative level of EBITDA margin at 14.2%

Intermediates (9% of Group sales)

Key figures

in €m	Q1'23	Q1'22	Change
Sales	218	271	-19.6%
EBITDA	49	94	-47.9%
EBITDA margin	22.5%	34.7%	
REBIT	36	79	-54.4%

Sales development

Volumes	——	-17.4%
Prices	———	-2.6%
Currency	——	+0.4%
Scope	———	-

Highlights

→ Volumes down 17.4% YoY

- Primarily reflecting subdued demand for acrylics in China

→ Prices down 2.6% YoY

- Continued positive dynamic in refrigerant gases in the three continents
- Significantly less favorable market conditions in acrylics in Asia

→ €49m EBITDA and EBITDA margin at 22.5%

- Solid margin level in the context of acrylics normalization

Cash flow reflecting usual Q1 working capital seasonality

in €million

	Q1'23	Q1'22
EBITDA	367	619
Current taxes	-55	-101
Cost of debt	-16	-13
Change in working capital and fixed assets payables ⁽¹⁾	-243	-411
Recurring capital expenditure	-82	-72
Others	8	4
Recurring cash flow	-21	26
Exceptional capital expenditure	-7	-40
Non-recurring items	-18	-9
Free cash flow	-46	-23
Impact of portfolio management	30	-1,496
Net cash flow	-16	-1,519

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

→ **Q1'23 tax rate**
21% of REBIT (excl. exceptional items)

→ **Working capital**

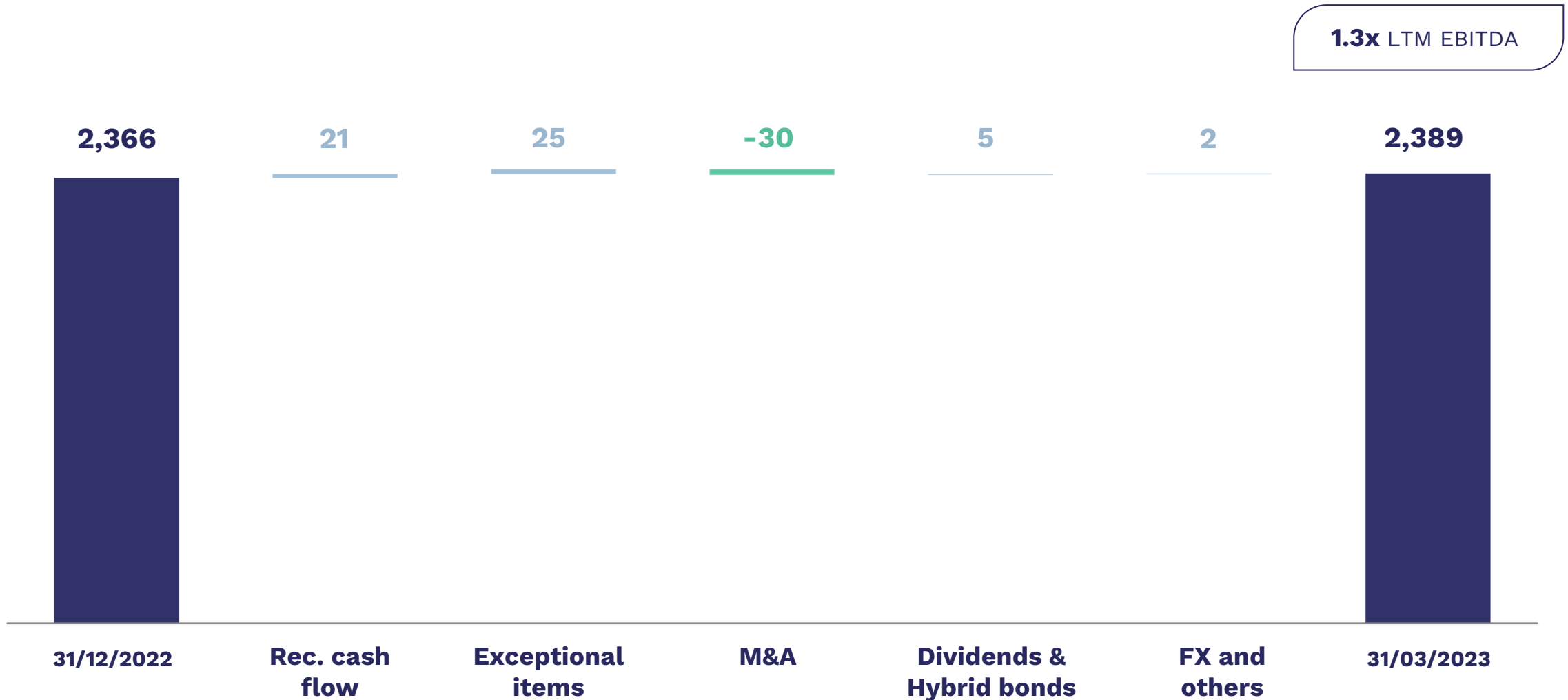
- Inventory rebuild compared to low point of end-December 2022
- **16.3%** of annualized sales at end-March 2023 (14.0% at end-March 2022)

→ **Portfolio management**

- Payment of Ashland's adhesives acquisition in Q1'22

Net debt evolution (including hybrid bonds)

in €million



Outlook

- The macroeconomic context remains marked by a lack of visibility and continued low volumes. The outlook should be contrasted by region for the coming months, Europe remaining weak, the US down but holding up better overall and Asia improving slightly from a low level
- Raw material costs are sequentially showing signs of easing tightness but broadly remain at elevated levels in Europe and in the US, and energy prices are declining while remaining relatively high in Europe
- The Group will continue to work on two levels:
 - the tight management of its operations with a strong emphasis on cost control, WC optimization and the environmental performance of sites
 - the implementation of projects to develop sustainable solutions through growth-driven industrial investments and the acceleration of targeted innovation
- Benefit from the start-up and ramp-up of main expansion projects, which should contribute €50m to €70m to the Group's EBITDA in 2023, mainly in H2
- 2023 guidance reaffirmed, with EBITDA of around €1.5bn to €1.6bn while maintaining a high EBITDA to cash conversion rate of > 40%

Disclaimer

The information disclosed in this document may contain forward-looking statements with respect to the financial condition, results of operations, business and strategy of Arkema.

In the current context, where the Covid-19 epidemic persists across the world, and where the consequences of the Russian offensive in Ukraine and the economic sanctions against Russia on geopolitical equilibriums and the world economy remain uncertain, the retained assumptions and forward looking statements could ultimately prove inaccurate.

Such statements are based on management's current views and assumptions that could ultimately prove inaccurate and are subject to material risk factors such as among others, changes in raw material prices, currency fluctuations, implementation pace of cost-reduction projects, development of the Russian offensive against Ukraine, developments in the Covid-19 situation, and changes in general economic and business conditions. These risk factors are further developed in the 2022 Universal Registration Document.

Arkema does not assume any liability to update such forward-looking statements whether as a result of any new information or any unexpected event or otherwise.

Further information on factors which could affect Arkema's financial results is provided in the documents filed with the French *Autorité des marchés financiers*.

Financial information since 2005 is extracted from the consolidated financial statements of Arkema. Quarterly financial information is not audited.

The business segment information is presented in accordance with Arkema's internal reporting system used by the management.

The main performance indicators used by the Group are defined in the 2022 Universal Registration Document. As part of the analysis of its results or to define its objectives, the Group uses in particular the following indicators:

EBITDA margin: corresponds to EBITDA as a percentage of sales, EBITDA equaling recurring operating income (REBIT) plus recurring depreciation and amortization of tangible and intangible assets

REBIT margin: corresponds to the recurring operating income (REBIT) as a percentage of sales

Free cash flow: corresponds to cash flow from operations and investments excluding the impact of portfolio management

EBITDA to cash conversion rate: corresponds to the recurring cash flow divided by EBITDA