



Colombes, 25 February 2021

Arkema: Full-year 2020 results

In a context strongly marked by the pandemic, the Group's EBITDA margin remained robust at 15.0%, supported by the resilience of its Specialty Materials ⁽¹⁾ and by the rebound in volumes in the fourth quarter (+5% vs Q4'19). Arkema is well positioned to take advantage of the recovery in 2021 and beyond, thanks to the benefits of its strong balance sheet and its focus on sustainable and high performance Specialty Materials.

Rebound in volumes in the fourth quarter and solid performance during the year

- **Rebound in the Group's performance in the fourth quarter**
 - **Sales growth of 2.1%** at constant scope and currency, driven by a significant improvement in volumes (+5.2% vs Q4'19)
 - Continued positive momentum in construction, decorative paints and batteries, and recovery seen in several industrial markets
 - **EBITDA** broadly stable at **€289 million** (€295 million in Q4'19), supported by the strong increase of Adhesive Solutions **(+15%)** and Coating Solutions **(+19%)**
- **€7.9 billion in sales** in 2020, representing a limited decline of 8% year on year at constant currency, reflecting the impact of the pandemic on global demand
- **EBITDA** in 2020 of **€1,182 million** (-18.9%) and **EBITDA margin** of **15.0%**. Good resilience of Specialty Materials (12% decrease in EBITDA and a 100 bp contraction in EBITDA margin to 15.8% ⁽²⁾)
- **Adjusted net income** of **€391 million** in 2020, representing €5.11 per share
- **High free cash flow** for the year at **€651 million**, comparable to the level achieved in 2019, reflecting excellent management of working capital (11.8% of sales at 31 December 2020) and strict control of capital expenditure
- **Net debt** down strongly at **€1,910 million** including hybrid bonds (€2,331 million at 31 December 2019), representing 1.6x EBITDA for 2020

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

⁽²⁾ Before allocation of corporate costs

Confidence in the outlook for 2021 and in the execution of the 2024 roadmap

- **Significant progress** made in 2020 on the strategy to refocus on Specialty Materials
- **Reinforced ambition** in terms of **CSR** and creation of the Innovation and Sustainable Growth committee, a new committee of the Board of Directors
- **Dynamic cash allocation in line with the guidelines of the April 2020 Capital Markets Day**
 - Proposed **dividend** back at pre-Covid level at **€2.50 per share** ⁽³⁾
 - Share buyback program totaling **€300 million** to be launched after the closing of the planned divestment of PMMA ⁽⁴⁾
- EBITDA growth in 2021 to be concentrated in Specialty Materials (82% of Group sales in 2020). In an environment that is still volatile, excluding a significant resumption of the pandemic, Arkema aims, at *constant currency* ⁽⁵⁾ for **Specialty Materials EBITDA to grow by around 10%** in 2021 relative to 2020, and for **EBITDA of Intermediates to be stable at constant currency** ⁽⁵⁾ and scope (closing of PMMA expected mid-2021).

Arkema's Board of Directors met on 24 February 2021 to approve the Group's consolidated financial statements for 2020. Commenting on the year's results, Chairman and CEO Thierry Le Hénaff said:

"Last year we faced the challenging context of the pandemic and first and foremost, I would like to thank the responsiveness and mobilization of our employees across the world. Their unwavering commitment, as well as Arkema's geographic and technological positioning, enabled the Group to deliver a robust financial performance in 2020, be highly efficient in managing operations to quickly adapt to the context, record a strong rebound in sales and earnings in the fourth quarter, and look confidently ahead to 2021.

2020 was ultimately a year of major qualitative progress for Arkema. Progress in refocusing the Group's profile toward Specialty Materials with the divestment of Functional Polyolefins to SK and the proposed divestment of PMMA to Trinseo. Progress in our innovation programs, in particular with the acceleration in our high-performance adhesives, cutting-edge solutions for mobility and natural resources management. Progress in CSR with the admission to the DJSI World index, the strengthening of our environmental and diversity targets, and the continued assessment of our solutions portfolio based on sustainability criteria.

Despite the ongoing uncertainty of the health context, 2021 should be a year of good growth for Arkema. In addition, we will continue to accelerate our high value-added developments in the 3 segments, Adhesive Solutions, Coating Solutions and Advanced Materials, as well as the execution of our strongly value-creative strategy to refocus entirely on Specialty Materials."

⁽³⁾ Dividend proposed at the general meeting of 20 May 2021

⁽⁴⁾ This project is still subject to the approval of the relevant antitrust authorities and to an information and consultation process involving Arkema's employee representative bodies

⁽⁵⁾ With the assumption of a €/€ rate of 1.2 for 2021, the impact on 2020 EBITDA is estimated at a negative €30 million for Specialty Materials and a negative €10 million for Intermediates

KEY FIGURES

<i>(In millions of euros)</i>	Q4'20	Q4'19	YoY change	2020	2019	YoY change
Sales	1,985	2,053	-3.3%	7,884	8,738	-9.8%
EBITDA	289	295	-2.0%	1,182	1,457	-18.9%
Specialty Materials	261	250	+4.4%	1,018	1,158	-12.1%
Intermediates	42	59	-28.8%	231	381	-39.4%
Corporate	-14	-14		-67	-82	
EBITDA margin	14.6%	14.4%		15.0%	16.7%	
Specialty Materials	15.9%	15.2%		15.8%	16.8%	
Intermediates	12.6%	14.5%		16.2%	21.0%	
Recurring operating income (REBIT)	144	151	-4.6%	619	926	-33.2%
REBIT margin	7.3%	7.4%		7.9%	10.6%	
Adjusted net income	92	102	-9.8%	391	625	-37.4%
Adjusted net income per share (in €)	1.20	1.33	-9.8%	5.11	8.20	-37.7%
Free cash flow	116	286		651	667	
Net debt including hybrid bonds				1,910	2,331	

FOURTH-QUARTER 2020 BUSINESS PERFORMANCE

Group **sales** amounted to **€1,985 million** for the fourth quarter of 2020 (€2,053 million in Q4 2019), up 2.1% at constant scope and currency. Volumes increased by a significant 5.2%, reflecting good momentum in the construction, decorative paints and batteries markets, as well as the improvement observed during the quarter in industrial markets, particularly in the automotive market. Adhesive Solutions recorded a positive 2.0% price effect and Advanced Materials prices remained stable, mitigating the impact of lower propylene prices in Coating Solutions and challenging market conditions in Fluorogases. The overall price effect was -3.1%. The scope effect was a negative 1.3%, reflecting the divestment of Functional Polyolefins, partly offset by the integration of acquisitions in Adhesive Solutions. The depreciation of the US dollar and certain emerging currencies against the euro accelerated and led to a negative 4.1% currency effect in the quarter.

Group **EBITDA** of **€289 million** was comparable to last year's level (€295 million). This performance was supported by an increase of nearly 5% for Specialty Materials, and in particular by Adhesive Solutions and Coating Solutions, which recorded respectively a 15% and 19% year-on-year rise in EBITDA. The negative currency effect and sharp drop in earnings for Fluorogases weighed on EBITDA, however. EBITDA margin rose to 14.6% (14.4% in Q4 2019).

FOURTH-QUARTER 2020 PERFORMANCE BY SEGMENT

ADHESIVE SOLUTIONS

<i>(In millions of euros)</i>	Q4'20	Q4'19	YoY change
Sales	512	500	+2.4%
EBITDA	69	60	+15.0%
EBITDA margin	13.5%	12.0%	
Recurring operating income (REBIT)	52	45	+15.6%
REBIT margin	10.2%	9.0%	

Sales of the Adhesive Solutions segment totaled **€512 million**, up 2.4% relative to fourth-quarter 2019. At constant scope and currency, they rose 2.7%, driven by a positive 2.0% price effect, and reflect ongoing positive momentum in construction in the continuity of the third quarter, as well as much better volumes in engineering adhesives. Up by a strong 15% to **€69 million**, **EBITDA** benefited from higher volumes, intensive efforts on the product mix toward higher-value added solutions, fixed costs control and the consolidation of acquisitions. EBITDA margin improved by a significant 150 bps and reached 13.5% (12.0% in Q4 2019), a record high for a fourth quarter.

ADVANCED MATERIALS

<i>(In millions of euros)</i>	Q4'20	Q4'19	YoY change
Sales	644	663	-2.9%
EBITDA	123	132	-6.8%
EBITDA margin	19.1%	19.9%	
Recurring operating income (REBIT)	57	69	-17.4%
REBIT margin	8.9%	10.4%	

In the Advanced Materials segment, **sales** declined 2.9% to **€644 million** and **EBITDA** decreased 6.8% to **€123 million**, impacted mainly by a negative currency effect. At constant scope and currency, the segment's sales grew 0.8%, a much improved performance relative to the 11.8% year-on-year decline in the third quarter. The segment's performance was driven by innovation in sustainable growth platforms such as mobility, in particular batteries, natural resource management, electronics solutions and lightweight materials. EBITDA margin of 19.1% remained at a high level (19.9% in Q4 2019).

COATING SOLUTIONS

<i>(In millions of euros)</i>	Q4'20	Q4'19	YoY change
Sales	489	477	+2.5%
EBITDA	69	58	+19.0%
EBITDA margin	14.1%	12.2%	
Recurring operating income (REBIT)	39	28	+39.3%
REBIT margin	8.0%	5.9%	

At **€489 million**, **sales** of the Coating Solutions segment were up 2.5% year on year. Volumes were up strongly (+14.5%), rising in all of the segment's businesses, driven in particular by good momentum in the decorative paints, industrial coatings, 3D printing and graphic arts markets, while lower propylene weighed significantly on prices (price effect of negative 8.4%). In this context of improving volumes, **EBITDA** rose by a sharp 19% to **€69 million** and EBITDA margin was up by almost 200 bps to 14.1% (12.2% in Q4 2019).

INTERMEDIATES

<i>(In millions of euros)</i>	Q4'20	Q4'19	YoY change
Sales	334	408	-18.1%
EBITDA	42	59	-28.8%
EBITDA margin	12.6%	14.5%	
Recurring operating income (REBIT)	12	26	-53.8%
REBIT margin	3.6%	6.4%	

At **€334 million**, sales of the Intermediates segment were down 18.1% on fourth-quarter 2019, impacted by a 13.3% negative scope effect linked to the divestment of Functional Polyolefins. Volumes rose 6.3% thanks to the strong growth of acrylic monomers in Asia and the good performance of PMMA in the continuity of the month of September, while Fluorogases volumes were lower. The negative 7.7% price effect was mainly related to Fluorogases. **EBITDA** came to **€42 million** (€59 million in Q4 2019), impacted by the deconsolidation of Functional Polyolefins and lower unit margins, essentially in Fluorogases.

2020 BUSINESS PERFORMANCE

At **€7,884 million**, sales were down **9.8%** relative to last year, or 8.1% lower at constant currency, in an environment marked by the health and economic crisis linked to the emergence of Covid-19. In this context of the pandemic, the Group reacted quickly and implemented strong measures to protect the health of its employees while ensuring business and service continuity for its customers. The Group decided very early on not to use the French government's assistance measures or furlough schemes. Arkema also maintained strict control over its operating expenses, generating savings of over €100 million in the year relative to the initially planned level of fixed costs, its working capital and capital expenditure.

After a strong slowdown in global demand in the second quarter, the construction, DIY and decorative paints markets gradually improved in the second half. The Group also benefited from its innovation and its positioning in certain growing markets such as batteries, medical, nutrition and packaging, as well as from the diversity of its end markets and balanced geographical footprint. The Group's volumes decreased by 4.3% during the year, particularly in the transportation, industrial and oil & gas markets. The price effect was a negative 4.7% and was mainly due to the impact of lower propylene prices in the Coating Solutions segment, as well as the challenging market conditions in Intermediates, particularly Fluorogases. The scope effect was a positive 0.9%, corresponding to the contribution of acquisitions in the Adhesive Solutions segment, and of ArrMaz in Advanced Materials in the first half of the year, largely offset by the impact of the divestment of the Functional Polyolefins business on 1 June. The depreciation of the US dollar and certain emerging currencies against the euro resulted in a 1.7% negative currency effect.

The share of Specialty Materials amounted to 82% of Group sales in 2020 (79% in 2019), and would come to 89% of sales including the full impact of the M&A transactions announced during the year.

Finally, the geographic breakdown of sales was similar to 2019, with Europe representing 36% of group sales (36% in 2019), North America 33% (32% in 2019) and Asia and the rest of the world 31% (32% in 2019).

EBITDA amounted to **€1,182 million** (€1,457 million in 2019) and **EBITDA margin** held up well at **15.0%**. The Group's performance was mainly impacted by the decline in volumes, lower prices in Intermediates and an unfavorable currency effect, partly offset by the benefits of innovation in faster-growing segments, cost reduction initiatives, lower raw materials prices and the positive impact of acquisitions. Specialty Materials recorded a robust performance despite the difficult context, with EBITDA declining 12% and a resilient EBITDA margin at 15.8% (16.8% in 2019). Adhesive Solutions played their part in this very challenging context, with EBITDA comparable to the 2019 level (€261 million versus €264 million in 2019), and EBITDA margin improving to 13.1% (12.9% in 2019). EBITDA of Intermediates fell sharply, reflecting the more cyclical nature of these businesses and penalized by unfavorable market conditions, particularly in Fluorogases, as well as by a negative scope effect related to the divestment of Functional Polyolefins.

Recurring operating income (REBIT) totaled **€619 million**, representing a **REBIT margin** of **7.9%**. This figure includes recurring depreciation and amortization of €563 million, up €32 million on 2019, mainly attributable to the integration of acquisitions and the start-up of new production units, partly offset by a favorable currency effect and the divestment of Functional Polyolefins.

The **financial result** represented a net expense of **€85 million**, down by a significant €31 million compared with 2019. This year-on-year change is primarily due to a better interest rate on the portion of the Group's debt swapped into US dollars, and to the refinancing in December 2019, at favorable market conditions, of the €480 million senior bonds that matured in April 2020.

Excluding exceptional items, the Group's tax rate amounted to 22% of REBIT in 2020. In 2021, the tax rate excluding exceptional items is expected to amount to around 22% of REBIT.

Adjusted net income came in at **€391 million**, representing **€5.11** per share.

CASH FLOW AND NET DEBT AT 31 DECEMBER 2020

Following a record third quarter, **free cash flow** amounted to **€116 million** in the fourth quarter and reached **€651 million** for the full year, close to the excellent level achieved in 2019 (€667 million).

This amount, which includes €140 million of exceptional capital expenditure, led to an EBITDA to cash conversion rate of 67% ⁽⁶⁾.

The 2020 free cash flow figure included a €196 million inflow linked to the change in working capital (+€82 million in 2019), reflecting strict management of inventories and receivables in a very volatile year as well as the rebound in activity toward the end of the year. At 31 December 2020, the ratio of working capital to annual sales was at a record low of 11.8% (including the PMMA business) compared with 13.8% at 31 December 2019.

Recurring and exceptional capital expenditure totaled €600 million for the year, €100 million lower than the amount originally planned for 2020 and in line with the guidance issued on the release of the Group's first-quarter results. At €460 million, recurring capital expenditure represented 5.8% of sales. Exceptional capital expenditure totaled €140 million and is expected to amount to around €250 million in 2021, with the progress of the Nutrien project for the supply of hydrofluoric acid in the United States and the construction of the bio-based polyamide plant in Singapore. Consequently, recurring and exceptional capital expenditure is expected to amount to around €750 million in 2021.

Cash flows from portfolio management operations represented a **net inflow of €6 million** in 2020. This amount includes the bolt-on acquisitions of LIP, Fixatti and Ideal Work in the Adhesive Solutions segment, as well as the acquisition of CPS in Coating Solutions, offset by the proceeds received from the divestment of Functional Polyolefins. In 2019, cash flows from portfolio management operations represented a net outflow of €729 million and included notably the acquisition of ArrMaz in Performance Additives.

Cash flow from financing activities represented a **net outflow of €535 million** in 2020. This figure primarily includes the proceeds from the €300 million green bond issue dedicated to the financing of the bio-based polyamide plant in Singapore, the reimbursement of the €480 million senior debt and the payment of the 2019 dividend, which was limited to €2.20 per share in the context of the pandemic, representing an aggregate €168 million. The cost of share buybacks was €25 million in 2020, and interest paid on the Group's €300 million and €400 million hybrid bonds amounted to €28 million.

Including the hybrid bonds, **net debt** stood at **€1.91 billion** at end-December 2020 versus €2.33 billion at 31 December 2019. The ratio of net debt (including hybrid bonds) to EBITDA remained well controlled at 1.6x, at the prior year level.

As part of the policy to gradually increase shareholder returns, the Group is proposing to implement a dynamic cash allocation program in line with the guidelines presented at the Capital Markets Day in April 2020. The Board of Directors has decided that at the 20 May 2021 general meeting it will recommend a dividend payment of €2.50 per share, to be paid entirely in cash. Shares will be traded ex-dividend on 26 May 2021 and the dividend will be paid as from 28 May 2021.

Moreover, the Group will implement a share buyback program for a total amount of €300 million, after the closing of the divestment of the PMMA business, which should be finalized mid-year. The modalities of the implementation of this program will be announced at a later stage.

These provisions include the restitution to shareholders of the €0.50 per share portion of the dividend which had been retained in 2020 in the context of the pandemic.

CSR COMMITMENTS

Since its creation, through its corporate social responsibility (CSR) approach Arkema has been committed to creating sustainable value across the whole value chain with its suppliers, partners, employees and customers.

As part of the portfolio sustainability assessment, the Group increased to 72% the share of sales assessed at end-2020, against 44% at end-2019. Based on this new scope, the proportion of sales deemed to make a significant contribution to the United Nations' Sustainable Development Goals (SDGs) stood at 50%, up 4 points relative to 2019. In light of this progress driven by its innovation dynamic and in order to reinforce its commitment in terms

⁽⁶⁾ EBITDA to cash conversion rate corresponds to free cash flow excluding exceptional capital expenditure divided by EBITDA

of sustainable offerings, the Group has decided to set itself the ambitious objective of increasing to 65% the proportion of its sales that significantly contribute to the SDGs by 2030 (ImpACT+ objective).

The Group has also stepped up its expectations in terms of the climate and environment and saw positive movements in its key indicators in 2020. For example, greenhouse gas emissions ⁽⁷⁾ and the intensity of chemical oxygen demand ⁽⁷⁾ were around 10% lower than in 2019, thanks to direct actions taken by the Group and, to a lesser extent, reduced production volumes. The Group is also pursuing its measures to limit emissions of volatile organic compounds ⁽⁷⁾, as well as net energy purchases, the intensity of which decreased more moderately given the impact of lower volumes. Additionally, 2020 was marked by a record-high safety performance with a TRIR ⁽⁸⁾ of 1.0.

The Group has also set itself more ambitious objectives in terms of diversity, reflecting the Group's geographic expansion, its commitment to equal opportunities and in clear recognition of the positive contribution that diversity makes to the company's performance. Consequently, the Group has increased to 30% its objective for the proportion of women in senior management by 2030 and to 50% that of non-French nationals.

Furthermore, in November 2020, Arkema joined the DJSI World index, ranking sixth in the "Chemicals" category out of the 114 companies assessed, and S&P Global's Sustainability Yearbook 2021, receiving the Bronze class distinction in early 2021. The Group is thus rewarded for its performance in terms of sustainability and for integrating its CSR approach into its development strategy – an approach that will create long-term value.

Finally, the Group announces the creation of a third committee of the Board of Directors, the Innovation and Sustainable Growth committee, whose mission will be in particular to assess the contribution of Arkema's innovation and strategy to environmental challenges and sustainable growth. Together with the Audit and Accounts committee and the Nominating, Compensation and Corporate Governance committee, this committee will enable all the CSR issues to be covered.

2020 PERFORMANCE BY SEGMENT

ADHESIVE SOLUTIONS (25.5% OF TOTAL GROUP SALES)

<i>(In millions of euros)</i>	2020	2019	YoY change
Sales	1,996	2,055	-2.9%
EBITDA	261	264	-1.1%
EBITDA margin	13.1%	12.9%	
Recurring operating income (REBIT)	198	205	-3.4%
REBIT margin	9.9%	10.0%	

Sales of the Adhesive Solutions segment were down 2.9% to **€1,996 million** in 2020. The 4.1% decline in volumes reflects mainly the very strong slowdown in the construction market in the second quarter and the decline in industrial markets during the year. Prices held up well (+0.5%) in this context of low volumes. The integration of LIP, Ideal Work and Fixatti resulted in a 3.1% positive scope effect, while the currency effect trimmed 2.4% off sales. The performance of Adhesive Solutions was very resilient in 2020 with **EBITDA** broadly stable at **€261 million** (€264 million in 2019). **EBITDA margin** amounted to **13.1%**, up 20 bps on 2019, confirming the solidity of the adhesives business when the environment is less favorable. The margin also benefited from the improved operating efficiency of this segment and mix optimization toward higher added value products.

⁽⁷⁾ In absolute value terms for greenhouse gases and in intensity terms for VOC, COD and energy

⁽⁸⁾ Total recordable injury rate per million hours worked

ADVANCED MATERIALS (32% OF TOTAL GROUP SALES)

<i>(In millions of euros)</i>	2020	2019	YoY change
Sales	2,527	2,693	-6.2%
EBITDA	496	584	-15.1%
EBITDA margin	19.6%	21.7%	
Recurring operating income (REBIT)	245	353	-30.6%
REBIT margin	9.7%	13.1%	

Sales of the Advanced Materials segment were down 6.2% to **€2,527 million**, impacted mainly by the 8.3% decline in volumes in the context of the health crisis. In High Performance Polymers, demand fell in the transportation, oil & gas and consumer goods markets despite the improvement seen in the fourth quarter, overshadowing the strong growth in batteries, where the Group leveraged its innovation. The animal nutrition, crop protection and medical markets supported Performance Additives, partly offsetting the declines in industrial markets. The price effect of -0.8% confirmed the segment's ability to maintain stable selling prices despite the strong decline in volumes. Finally, the scope effect of +4.4% corresponded to the integration of ArrMaz in the first half of the year, and the currency effect was a negative 1.5%. In this context, **EBITDA** declined 15.1% to **€496 million**, the reduction in fixed costs and more favorable raw materials prices mitigating the impact of lower volumes. **EBITDA margin** remained at a high level at **19.6%** (21.7% in 2019), confirming the segment's good performance in a more challenging macroeconomic context.

COATING SOLUTIONS (24.5% OF TOTAL GROUP SALES)

<i>(In millions of euros)</i>	2020	2019	YoY change
Sales	1,911	2,148	-11.0%
EBITDA	261	310	-15.8%
EBITDA margin	13.7%	14.4%	
Recurring operating income (REBIT)	142	197	-27.9%
REBIT margin	7.4%	9.2%	

Sales of the Coating Solutions segment decreased 11.0% to **€1,911 million**, reflecting a 9.4% negative price effect which was mainly linked to the decline in propylene prices. Volumes were down by 1.2%, with the strong recovery in the decorative paints market in the second half of the year offsetting to a large extent lower volumes in the segment's other markets during the year. At **€261 million**, Coating Solutions' **EBITDA** was down 15.8% relative to last year, strongly impacted by the acrylics activities that are not integrated downstream. Performance for the segment's other activities was robust, with EBITDA up slightly on last year. **EBITDA margin** resisted well at **13.7%** (14.4% in 2019), supported by cost reduction initiatives and synergies between the segment's different product lines.

INTERMEDIATES (18% OF TOTAL GROUP SALES)

<i>(In millions of euros)</i>	2020	2019	YoY change
Sales	1,425	1,816	-21.5%
EBITDA	231	381	-39.4%
EBITDA margin	16.2%	21.0%	
Recurring operating income (REBIT)	109	261	-58.2%
REBIT margin	7.6%	14.4%	

At **€1,425 million**, sales of the Intermediates segment were down 21.5% year on year, impacted by unfavorable market conditions, particularly in Fluorogases. The price effect was a negative 10.8% and the volume effect was a negative 2.3%, supported in the fourth quarter by improved demand in PMMA and acrylics in Asia. The scope effect was a negative 7.1% and corresponded to the divestment of the Functional Polyolefins business finalized on 1 June 2020. In the context of the pandemic, the segment's **EBITDA** decreased sharply year on year to **€231 million** and **EBITDA margin** dropped to **16.2%**.

OUTLOOK FOR 2021

In an environment that is still uncertain, particularly with regards to the pandemic, the start of the year is marked by an increase in the level of global demand, in the continuity of fourth-quarter 2020. **EBITDA for first-quarter 2021** could thus **rise by around 10%** relative to first-quarter 2020, including a negative currency impact estimated at €15 million.

Moreover, the growth of Arkema's EBITDA during the year should be concentrated in Specialty Materials (82% of Group sales in 2020). Excluding a significant resumption of the pandemic,

- Arkema aims at *constant currency* ⁽⁹⁾ for **Specialty Materials EBITDA to grow by around 10%** in 2021 relative to 2020
 - **Bostik**, in line with its 2024 trajectory, **is aiming for 14% EBITDA margin in 2021**, thanks to the benefits of its positioning in the construction and high-performance industrial adhesives markets, and its operational excellence initiatives, as well as its acquisition strategy.
 - The **Advanced Materials** segment should record a significant rebound, driven in particular by its innovations in batteries, electronics, lightweight materials, sporting goods and filtration, as well as by higher demand in certain industrial markets, animal nutrition and crop protection.
 - Finally, earnings of **Coating Solutions** should be supported by the growth momentum and sustainable innovation in the paints, electronics and 3D printing markets.
- **EBITDA for the Intermediates segment** in 2021 is expected to be at a **comparable level to 2020** at *constant currency* ⁽⁹⁾ and scope. The divestment of PMMA is expected to close in mid-year.

Moreover, in 2021 the Group will continue to execute its mid-term strategy presented at the Capital Markets Day in April 2020, in line with its ambition to become a pure Specialty Materials player by 2024. In this respect, the two major industrial projects – the bio-based polyamides plant in Singapore and hydrofluoric acid plant in the United States – will progress as expected and come on stream mid-2022. Arkema will pursue its bolt-on acquisition strategy in Specialty Materials, particularly in Adhesive Solutions, and will accelerate the strategic review of Fluorogases. Lastly, the Group will reinforce its innovation for sustainable development given the opportunities arising from governments' stimulus plans in the fields of new mobility, home comfort and management of natural resources.

SUBSEQUENT EVENTS

In order to strengthen Bostik's position in the fast-growing construction adhesives market in Brazil, on 9 February 2021, Arkema announced the planned acquisition of Poliplas, a leader in hybrid technology sealants and adhesives, which generated almost €10 million in sales in 2020. This acquisition is aligned with Bostik's growth strategy in the construction market and will strengthen its presence in high-growth regions.

Moreover, the exceptional cold spell which hit south western US and in particular Texas in mid-February, led to important operational disruptions across the whole industry. The Group, like many other chemicals companies, has had to declare *force majeure* for certain sites and has faced higher energy and raw material prices. The teams are mobilized to resume operations in the best conditions.

Finally, on 23 February 2021, Arkema announced it will invest to further increase its Kynar® fluoropolymer production capacities by 35% at its Changshu site in China. This new investment is fueled by further strong demand in the lithium-ion battery business as well as significant opportunities in the water filtration, construction coatings, and semiconductor industries. The increase in capacity is scheduled to come on stream before the end of 2022.

⁽⁹⁾ With the assumption of a €/€ rate of 1.2 for 2021, the impact on 2020 EBITDA is estimated at a negative €30 million for Specialty Materials and a negative €10 million for Intermediates

Further details about the Group's 2020 results and outlook are provided in the "Full year 2020 results and outlook" presentation available on Arkema's website at <https://www.arkema.com/global/en/investor-relations/>

The consolidated financial statements at 31 December 2020 have been audited, and an unqualified certification report has been issued by the Company's statutory auditors. These financial statements and the statutory auditors' report will be available in March in the Company's Universal Registration Document 2020, which will be posted on Arkema's website at www.arkema.com/global/en/investor-relations/

FINANCIAL CALENDAR

6 May 2021	Publication of first-quarter 2021 results
20 May 2021	Annual General Meeting
29 July 2021	Publication of first-half 2021 results
10 November 2021	Publication of third-quarter 2021 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 82% 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 €7.9 billion in 2020, 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 consolidated financial information at 31 December 2020 as reviewed by Arkema's Board of Directors on 24 February 2021. Quarterly financial information is not audited.

Arkema

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A French société anonyme (joint stock corporation) with share capital of €767,364,760 - Registered in Nanterre: RCS 445 074 685
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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 information - At the end of December 2020

Consolidated financial statements as of December 2019 and December 2020 have been audited.

CONSOLIDATED INCOME STATEMENT

4th quarter 2020

End of December 2020

4th quarter 2019

End of December 2019

(In millions of euros)

Sales	1,985	7,884	2,053	8,738
Operating expenses	(1,607)	(6,336)	(1,660)	(6,837)
Research and development expenses	(64)	(241)	(65)	(249)
Selling and administrative expenses	(184)	(745)	(196)	(773)
Other income and expenses	(46)	38	(26)	(73)
Operating income	84	600	106	806
Equity in income of affiliates	(1)	(2)	(0)	(2)
Financial result	(17)	(85)	(27)	(116)
Income taxes	(22)	(178)	(2)	(137)
Net income	44	335	77	551
Of which non-controlling interests	1	3	2	8
Net income - Group share	43	332	75	543
<i>Earnings per share (amount in euros)</i>	<i>0.38</i>	<i>3.98</i>	<i>0.79</i>	<i>6.45</i>
<i>Diluted earnings per share (amount in euros)</i>	<i>0.37</i>	<i>3.96</i>	<i>0.78</i>	<i>6.41</i>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<u>4th quarter 2020</u>	<u>End of December 2020</u>	<u>4th quarter 2019</u>	<u>End of December 2019</u>
<i>(In millions of euros)</i>				
Net income	44	335	77	551
Hedging adjustments	3	28	8	2
Other items	-	-	(1)	(1)
Deferred taxes on hedging adjustments and other items	(2)	(5)	1	1
Change in translation adjustments	(84)	(212)	(39)	36
Other recyclable comprehensive income	(83)	(189)	(31)	38
Actuarial gains and losses	3	(47)	17	(45)
Deferred taxes on actuarial gains and losses	(1)	11	(4)	7
Other non-recyclable comprehensive income	2	(36)	13	(38)
Total income and expenses recognized directly through equity	(81)	(225)	(18)	-
Comprehensive income	(37)	110	59	551
Of which: non-controlling interest	-	1	1	8
Comprehensive income - Group share	(37)	109	58	543

INFORMATION BY SEGMENT

4th quarter 2020

(In millions of euros)

	Adhesive Solutions	Advanced Materials	Coating Solutions	Intermediates	Corporate	Total
Total sales	512	644	489	334	6	1,985
EBITDA	69	123	69	42	(14)	289
Recurring depreciation and amortization of tangible and intangible assets	(17)	(66)	(30)	(30)	(2)	(145)
Recurring operating income (REBIT)	52	57	39	12	(16)	144
Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(9)	(4)	(1)	-	-	(14)
Other income and expenses	(6)	(11)	(0)	(26)	(3)	(46)
Operating income	37	42	38	(14)	(19)	84
Equity in income of affiliates	-	(1)	-	-	-	(1)
Intangible assets and property, plant and equipment additions	17	124	40	65	5	251
Of which recurring capital expenditure	17	102	37	37	5	198

4th quarter 2019

(In millions of euros)

	Adhesive Solutions	Advanced Materials	Coating Solutions	Intermediates	Corporate	Total
Total sales	500	663	477	408	5	2,053
EBITDA	60	132	58	59	(14)	295
Recurring depreciation and amortization of tangible and intangible assets	(15)	(63)	(30)	(33)	(3)	(144)
Recurring operating income (REBIT)	45	69	28	26	(17)	151
Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(9)	(8)	(2)	-	-	(19)
Other income and expenses	(13)	(7)	(2)	(1)	(3)	(26)
Operating income	23	54	24	25	(20)	106
Equity in income of affiliates	-	(1)	-	1	-	(0)
Intangible assets and property, plant and equipment additions	29	126	46	45	8	254
Of which recurring capital expenditure	29	78	46	45	8	206

* 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 December 2020

<i>(In millions of euros)</i>	Adhesive Solutions	Advanced Materials	Coating Solutions	Intermediates	Corporate	Total
Total sales	1,996	2,527	1,911	1,425	25	7,884
EBITDA	261	496	261	231	(67)	1,182
Recurring depreciation and amortization of tangible and intangible assets	(63)	(251)	(119)	(122)	(8)	(563)
Recurring operating income (REBIT)	198	245	142	109	(75)	619
Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(35)	(16)	(6)	-	-	(57)
Other income and expenses	(42)	(31)	(3)	157	(43)	38
Operating income	121	198	133	266	(118)	600
Equity in income of affiliates	-	(2)	-	0	-	(2)
Intangible assets and property, plant and equipment additions	69	271	88	161	16	605
Of which recurring capital expenditure	69	204	83	88	16	460

End of December 2019*

<i>(In millions of euros)</i>	Adhesive Solutions	Advanced Materials	Coating Solutions	Intermediates	Corporate	Total
Total sales	2,055	2,693	2,148	1,816	26	8,738
EBITDA	264	584	310	381	(82)	1,457
Recurring depreciation and amortization of tangible and intangible assets	(59)	(231)	(113)	(120)	(8)	(531)
Recurring operating income (REBIT)	205	353	197	261	(90)	926
Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(35)	(8)	(4)	-	-	(47)
Other income and expenses	(24)	(36)	(3)	(4)	(6)	(73)
Operating income	146	309	190	257	(96)	806
Equity in income of affiliates	-	(5)	-	3	-	(2)
Intangible assets and property, plant and equipment additions	67	328	122	99	19	635
Of which recurring capital expenditure	67	205	121	99	19	511

* 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 December 2020

End of December 2019

(In millions of euros)

Cash flow - operating activities

Net income	335	551
Depreciation, amortization and impairment of assets	748	650
Other provisions and deferred taxes	41	(17)
(Gains)/losses on sales of long-term assets	(240)	(6)
Undistributed affiliate equity earnings	2	5
Change in working capital	201	92
Other changes	28	25
Cash flow from operating activities	1,115	1,300

Cash flow - investing activities

Intangible assets and property, plant, and equipment additions	(605)	(635)
Change in fixed asset payables	13	(26)
Acquisitions of operations, net of cash acquired	(226)	(714)
Increase in long-term loans	(39)	(55)
Total expenditures	(857)	(1,430)
Proceeds from sale of intangible assets and property, plant and equipment	6	13
Change in fixed asset receivables	(0)	-
Proceeds from sale of businesses, net of cash transferred	326	-
Proceeds from sale of unconsolidated investments	0	-
Repayment of long-term loans	67	55
Total divestitures	399	68
Cash flow from investing activities	(458)	(1,362)

Cash flow - financing activities

Issuance (repayment) of shares and other equity	7	3
Purchase of treasury shares	(25)	(34)
Issuance of hybrid bonds	299	399
Redemption of hybrid bonds	(300)	(425)
Dividends paid to parent company shareholders	(168)	(190)
Interest paid to bearers of subordinated perpetual notes	(28)	(27)
Dividends paid to non-controlling interests	(7)	(5)
Increase in long-term debt	302	502
Decrease in long-term debt	(87)	(554)
Increase/ decrease in short-term borrowings	(528)	395
Cash flow from financing activities	(535)	64
Net increase/(decrease) in cash and cash equivalents	122	2
Effect of exchange rates and changes in scope	58	(36)
Cash and cash equivalents at beginning of period	1,407	1,441
Cash and cash equivalents at end of period	1,587	1,407

CONSOLIDATED BALANCE SHEET

31 December 2020

31 December 2019

(In millions of euros)

ASSETS		
Goodwill	1,933	1,917
Other intangible assets, net	1,433	1,475
Property, plant and equipment, net	2,828	3,026
Equity affiliates: investments and loans	29	33
Other investments	57	53
Deferred tax assets	159	216
Other non-current assets	209	240
TOTAL NON-CURRENT ASSETS	6,648	6,960
Inventories	881	1,014
Accounts receivable	1,131	1,204
Other receivables and prepaid expenses	163	184
Income tax receivables	70	113
Other current financial assets	40	17
Cash and cash equivalents	1,587	1,407
Assets held for sale	191	78
TOTAL CURRENT ASSETS	4,063	4,017
TOTAL ASSETS	10,711	10,977
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	767	766
Paid-in surplus and retained earnings	4,458	4,340
Treasury shares	(6)	(11)
Translation adjustments	(32)	178
SHAREHOLDERS' EQUITY - GROUP SHARE	5,187	5,273
Non-controlling interests	48	51
TOTAL SHAREHOLDERS' EQUITY	5,235	5,324
Deferred tax liabilities	320	334
Provisions for pensions and other employee benefits	530	525
Other provisions and non-current liabilities	383	391
Non-current debt	2,663	2,377
TOTAL NON-CURRENT LIABILITIES	3,896	3,627
Accounts payable	987	905
Other creditors and accrued liabilities	339	366
Income tax payables	69	80
Other current financial liabilities	15	8
Current debt	134	661
Liabilities related to assets held for sale	36	6
TOTAL CURRENT LIABILITIES	1,580	2,026
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	10,711	10,977

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

<i>(In millions of euros)</i>	Shares issued				Retained earnings	Translation adjustments	Treasury shares		Shareholders' equity - Group share	Non-controlling interests	Shareholders' equity
	Number	Amount	Paid-in surplus	Hybrid bonds			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	-	-	-	-	(196)	-	-	-	(196)	(7)	(203)
Issuance of share capital	112,256	1	6	-	-	-	-	-	7	-	7
Purchase of treasury shares	-	-	-	-	-	-	(321,785)	(25)	(25)	-	(25)
Cancellation of purchased treasury shares	-	-	-	-	-	-	-	-	-	-	-
Grants of treasury shares to employees	-	-	-	-	(30)	-	393,057	30	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	24	-	-	-	24	-	24
Issuance of hybrid bonds	-	-	-	300	(1)	-	-	-	299	-	299
Redemption of hybrid bonds*	-	-	-	(294)	(6)	-	-	-	(300)	-	(300)
Other	-	-	-	-	(4)	-	-	-	(4)	3	(1)
Transactions with shareholders	112,256	1	6	6	(213)	-	71,272	5	(195)	(4)	(199)
Net income	-	-	-	-	332	-	-	-	332	3	335
Total income and expense recognized directly through equity	-	-	-	-	(13)	(210)	-	-	(223)	(2)	(225)
Comprehensive income	-	-	-	-	319	(210)	-	-	109	1	110
At December 31, 2020	76,736,476	767	1,272	700	2,486	(32)	(59,756)	(6)	5,187	48	5,235

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 December 2020	End of December 2019	4 th quarter 2020	4 th quarter 2019
OPERATING INCOME	600	806	84	106
- Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(57)	(47)	(14)	(19)
- Other income and expenses	38	(73)	(46)	(26)
RECURRING OPERATING INCOME (REBIT)	619	926	144	151
- Recurring depreciation and amortization of tangible and intangible assets	(563)	(531)	(145)	(144)
EBITDA	1,182	1,457	289	295

Details of depreciation and amortization of tangible and intangible assets:

<i>(In millions of euros)</i>	End of December 2020	End of December 2019	4 th quarter 2020	4 th quarter 2019
Depreciation and amortization of tangible and intangible assets	(748)	(650)	(172)	(181)
Of which: Recurring depreciation and amortization of tangible and intangible assets	(563)	(531)	(145)	(144)
Of which: Depreciation and amortization related to the revaluation of assets as part of the allocation of the purchase price of businesses	(57)	(47)	(14)	(19)
Of which: Impairment included in other income and expenses	(128)	(72)	(13)	(18)

ADJUSTED NET INCOME AND ADJUSTED EARNINGS PER SHARE

<i>(In millions of euros)</i>	End of December 2020	End of December 2019	4 th quarter 2020	4 th quarter 2019
NET INCOME - GROUP SHARE	332	543	43	75
- Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(57)	(47)	(14)	(19)
- Other income and expenses	38	(73)	(46)	(26)
- 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	14	14	4	7
- Taxes on other income and expenses	(54)	24	7	11
- One-time tax effects	-	-	-	-
ADJUSTED NET INCOME	391	625	92	102
- Weighted average number of ordinary shares	76,457,875	76,175,660		
- Weighted average number of potential ordinary shares	76,702,124	76,616,360		
ADJUSTED EARNINGS PER SHARE (€)	5.11	8.20	1.20	1.33
DILUTED ADJUSTED EARNINGS PER SHARE (€)	5.10	8.16	1.20	1.33

RECURRING CAPITAL EXPENDITURE

<i>(In millions of euros)</i>	End of December 2020	End of December 2019	4 th quarter 2020	4 th quarter 2019
INTANGIBLE ASSETS AND PROPERTY, PLANT, AND EQUIPMENT ADDITIONS	605	635	251	254
- Exceptional capital expenditure	140	96	50	28
- Investments relating to portfolio management operations	-	-	-	-
- Capital expenditure with no impact on net debt	5	28	3	20
RECURRING CAPITAL EXPENDITURE	460	511	198	206

FREE CASH FLOW AND EBITDA TO CASH CONVERSION RATE

<i>(In millions of euros)</i>	End of December 2020	End of December 2019	4 th quarter 2020	4 th quarter 2019
Cash flow from operating activities	1,115	1,300	298	471
+ Cash flow from investing activities	(458)	(1,362)	(318)	(295)
NET CASH FLOW	657	(62)	(20)	176
- Net cash flow from portfolio management operations	6	(729)	(136)	(110)
FREE CASH FLOW	651	667	116	286

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

<i>(In millions of euros)</i>	End of December 2020	End of December 2019
Free Cash flow	651	667
- Exceptional capital expenditure	(140)	(96)
FREE CASH FLOW EXCLUDING EXCEPTIONAL CAPITAL EXPENDITURE	791	763
EBITDA	1,182	1,457
EBITDA TO CASH CONVERSION RATE	66.9%	52.4%

NET DEBT

<i>(In millions of euros)</i>	<u>End of December 2020</u>	<u>End of December 2019</u>
Non-current debt	2,663	2,377
+ Current debt	134	661
- Cash and cash equivalents	1,587	1,407
NET DEBT	1,210	1,631
+ Hybrid bonds	700	700
NET DEBT AND HYBRID BONDS	1,910	2,331

WORKING CAPITAL

<i>(In millions of euros)</i>	<u>End of December 2020</u>	<u>End of December 2019</u>
Inventories	881	1,014
+ Accounts receivable	1,131	1,204
+ Other receivables including income taxes	233	297
+ Other current financial assets	40	17
- Accounts payable	987	905
- Other liabilities including income taxes	408	446
- Other current financial liabilities	15	8
WORKING CAPITAL	875	1,173

CAPITAL EMPLOYED

<i>(In millions of euros)</i>	<u>End of December 2020</u>	<u>End of December 2019</u>
Goodwill, net	1,933	1,917
+ Intangible assets (excluding goodwill), and property, plant and equipment, net	4,261	4,501
+ Investments in equity affiliates	29	33
+ Other investments and other non-current assets	265	293
+ Working capital	875	1,173
CAPITAL EMPLOYED	7,364	7,917
Elements of capital employed classified as assets held for sale in 2020	178	-
ADJUSTED CAPITAL EMPLOYED	7,542	7,917

RETURN ON CAPITAL EMPLOYED (ROCE)

<i>(In millions of euros)</i>	<u>End of December 2020</u>	<u>End of December 2019</u>
Recurring operating income (REBIT)	619	926
Adjusted capital employed	7,542	7,917
ROCE	8.2%	11.7%