

Colombes, 5 May 2023

ARKEMA: FIRST-QUARTER 2023 RESULTS

In an environment in the continuity of the end of last year, marked by continued low volumes, the Group achieved a solid financial performance in the first quarter, in line with its full-year guidance for 2023.

Moreover, Arkema obtained validation from the SBTi⁽¹⁾ organization for its 1.5°C decarbonization trajectory by 2030.

- **Sales of €2.5 billion**, down by 12.6% year-on-year:
 - Volumes down, impacted by continued weak demand in Europe, a slowdown observed in construction in the United States, 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
- **EBITDA of €367 million** and **EBITDA margin of 14.5%**, down compared with the exceptionally high comparison base of Q1'22 (€619 million and 21.4%, respectively), which benefited from particularly favorable market conditions in PVDF and upstream acrylics
- **Adjusted net income of €162 million**, representing €2.17 per share (€5.08 in Q1'22)
- **Recurring cash flow of negative €21 million** (positive €26 million in Q1'22), reflecting the usual seasonality of working capital in the first quarter
- **Net debt stable at €2,389 million** (€2,366 million at end-December 2022), including €700 million in hybrid bonds, representing **1.3x** last-twelve-months **EBITDA**
- **2023 guidance confirmed**: in 2023, the Group aims to achieve EBITDA of around €1.5 billion to €1.6 billion and maintain a high EBITDA to cash conversion rate of over 40%
- **Commitment for the climate on the 1.5°C trajectory by 2030 strengthened** by the Group in light of the progress achieved in its carbon trajectory, and **validated by SBTi**. Arkema now aims to reduce its greenhouse gas emissions by 48.5% for Scopes 1+2 and by 54% for Scope 3 by 2030 *versus* 2019

Following Arkema's Board of Directors' meeting, held on 4 May 2023 to review the Group's consolidated financial information for the first quarter of 2023, Chairman and CEO Thierry Le Hénaff said:

"The quarter's performance was achieved, as expected, in a general context of weaker demand, more particularly in Europe and in the construction market. The visibility expressed by our customers remains limited despite some more positive initial signals observed in Asia. In this economic environment that remains difficult, the Group achieved, thanks to its positioning and agility, solid results in the first quarter, and confirms its EBITDA and cash flow forecast for the year. Arkema will moreover remain attentive to strictly managing its costs and working capital."

The beginning of 2023 was also marked by two key milestones in the implementation of Arkema's ambition in sustainable solutions: the launch of the final phase in the start-up of the bio-based polymer plant in Singapore, and SBTi validation for our 1.5°C carbon trajectory by 2030. In addition, several major industrial projects are progressing as planned and will soon contribute to the Group's growth in Specialty Materials."

⁽¹⁾ Science Based Targets initiative (SBTi): partnership between CDP (Carbon Disclosure Project), United Nations Global Compact, WRI (World Resources Institute) and WWF (World Wide Fund for Nature)

KEY FIGURES FOR FIRST-QUARTER 2023

<i>in millions of euros</i>		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%
	Adjusted net income per share (in €)	2.17	5.08	-57.3%
Recurring cash flow		-21	26	
Free cash flow		-46	-23	
Net debt including hybrid bonds		2,389	2,703	
		<i>€2,366m as of 31/12/2022</i>		

FIRST-QUARTER 2023 BUSINESS PERFORMANCE

At **€2,524 million**, the Group's **sales** were down by 12.6% compared with first-quarter 2022. Volumes declined by 18.3% in a context of weak demand in Europe, relatively stable volumes in Specialty Materials in Asia excluding the destocking in batteries in China, and a slowdown in construction in the United States. Despite different market conditions year-on-year in upstream acrylics and PVDF, the overall price effect was a positive 2.7%, integrating the price increase initiatives of the last twelve months in the face of cost inflation, and the benefit of repositioning the portfolio in innovative, higher value-added solutions. The scope effect was a positive 2.2%, primarily attributable to acquisitions in Adhesive Solutions, and the currency effect was limited at positive 0.8%.

The Group's **EBITDA** stood at **€367 million** (€619 million in Q1'22), impacted as expected by the lack of the exceptional profits recorded in the prior year in upstream acrylics and PVDF, and also reflecting a less buoyant global macroeconomic environment than in first-quarter 2022. It also includes the additional contribution of Ashland's adhesives in the first two months of the quarter and was supported by the slightly positive price effect. The Group's **EBITDA margin** thus amounted to **14.5%** (21.4% in Q1'22).

The **recurring operating income** (REBIT) of **€234 million** (€488 million in Q1'22) included €133 million in recurring depreciation and amortization, stable compared with first-quarter 2022. The **REBIT margin** came to 9.3% for the quarter (16.9% in Q1'22).

Taking into account a tax rate excluding exceptional items of 21% of recurring operating income, **adjusted net income** amounted to **€162 million** (€376 million in Q1'22), or **€2.17** per share.

CASH FLOW AND NET DEBT AT 31 MARCH 2023

Recurring cash flow was a **negative €21 million** (positive €26 million in Q1'22) and reflects the traditional seasonality of business in the first quarter. At end-March 2023, working capital represented 16.3% of annualized sales (14.0% at end-March 2022), integrating the rebuilding of inventories relative to the low point of end-December 2022. Recurring cash flow also included recurring capital expenditure of €82 million, up slightly year-on-year (€72 million in Q1'22).

Free cash flow was a **negative €46 million** (negative €23 million in Q1'22), including exceptional capital expenditure of €7 million (*versus* €40 million in the prior-year period) and a non-recurring cash outflow of €18 million related notably to start-up costs for the Singapore platform.

Net cash flow from portfolio management operations represented a net inflow of **€30 million**, corresponding primarily to the divestment of Febex. In first-quarter 2022, it amounted to a net outflow of €1,496 million and included mainly the payment of the Ashland's performance adhesives acquisition.

As a result, **net debt** including hybrid bonds was stable, totaling **€2,389 million** compared with €2,366 million at end-2022. The net debt to last-twelve-months EBITDA ratio stood at 1.3x.

CLIMATE PLAN

Arkema, which had already strengthened its climate plan in July 2022, today published new, even more ambitious targets for its whole value chain. The Group thus raises its commitment to decarbonization and obtains validation from the Science Based Targets initiative (SBTi) organization for its 1.5°C trajectory by 2030. The Group now aims to reduce its greenhouse gas emissions by 48.5% for Scopes 1+2 and by 54% for Scope 3 by 2030 *versus* 2019.

FIRST-QUARTER 2023 PERFORMANCE BY SEGMENT

ADHESIVE SOLUTIONS (28% OF TOTAL GROUP SALES)

<i>in millions of euros</i>	Q1'23	Q1'22	Change
Sales	698	670	+4.2%
EBITDA	93	90	+3.3%
EBITDA margin	13.3%	13.4%	
Recurring operating income (REBIT)	72	73	-1.4%
REBIT margin	10.3%	10.9%	

Sales in the Adhesive Solutions segment were up by 4.2% compared with first-quarter 2022 to **€698 million**. The scope effect added 10.0% to the segment's sales and corresponds to the additional two-month contribution of Ashland's adhesives and to the integration of Permoseal. The 6.7% positive price effect reflects the teams' efforts to take into account the general inflationary context. Volumes fell by 12.7%, impacted in particular by destocking and the slowdown in construction in Europe and the United States, in the continuity of fourth-quarter 2022. Demand for industrial adhesives in the United States and Asia, however, remained better oriented. At a positive 0.2%, the currency effect was not significant on the segment's sales.

At **€93 million, EBITDA** increased by 3.3% compared with first-quarter 2022, with the decline in volumes more than offset by the scope effect, price increases and control of fixed costs. The **EBITDA margin** held up well at **13.3%** (13.4% in Q1'22), benefiting from the improvement in the product mix toward high performance adhesive applications and the integration of acquisitions offsetting lower volumes.

ADVANCED MATERIALS (37% OF TOTAL GROUP SALES)

<i>in millions of euros</i>	Q1'23	Q1'22	Change
Sales	937	1,075	-12.8%
EBITDA	160	274	-41.6%
EBITDA margin	17.1%	25.5%	
Recurring operating income (REBIT)	93	207	-55.1%
REBIT margin	9.9%	19.3%	

Sales in the Advanced Materials segment totaled **€937 million**, down by 12.8% compared with first-quarter 2022. Volumes decreased by a significant 20.5% in an environment marked by temporary destocking in batteries in China affecting fluoropolymers. Demand in the segment overall remained rather well oriented in the United States but was impacted by the specific European context. At a positive 7.9%, the price effect reflects the teams' actions to face cost inflation and the contribution of new high value-added developments linked to sustainable megatrends. It also takes into account the rapid normalization of PVDF prices in batteries in light of the prior year's exceptional context. The negative scope effect of 1.0% corresponds to the divestment of Febex at the start of the year, and the currency effect was a positive 0.8%.

EBITDA for the segment declined to **€160 million** (€274 million in Q1'22), given the exceptionally high comparison base for High Performance Polymers in first-quarter 2022, while Performance Additives delivered a quarter in line with the prior year. The **EBITDA margin** stood at **17.1%** versus 25.5% in the prior-year period.

COATING SOLUTIONS (26% OF TOTAL GROUP SALES)

<i>in millions of euros</i>	Q1'23	Q1'22	Change
Sales	661	862	-23.3%
EBITDA	94	192	-51.0%
EBITDA margin	14.2%	22.3%	
Recurring operating income (REBIT)	63	161	-60.9%
REBIT margin	9.5%	18.7%	

At **€661 million, sales** in the Coating Solutions segment were down by a sharp 23.3% year-on-year, including a volume effect of negative 20.5%. This decline in sales reflects both the high level of first-quarter 2022, which was supported by the very favorable conditions in upstream acrylics, and weaker overall demand at the beginning of 2023, particularly in Europe and in the construction market. The price effect of negative 5.3%, overall not far from stable in downstream activities, essentially reflects less favorable conditions in upstream acrylics. The scope effect linked to the acquisition of Polimeros Especiales amounted to a positive 0.9% and the currency effect was a positive 1.6%.

EBITDA for the segment amounted to **€94 million** (€192 million in Q1'22), down significantly from the prior year's very high comparison base, which benefited from particularly favorable conditions in upstream acrylics. In this context, the **EBITDA margin** reached a good relative level at **14.2%**.

INTERMEDIATES (9% OF TOTAL GROUP SALES)

<i>in millions of euros</i>	Q1'23	Q1'22	Change
Sales	218	271	-19.6%
EBITDA	49	94	-47.9%
EBITDA margin	22.5%	34.7%	
Recurring operating income (REBIT)	36	79	-54.4%
REBIT margin	16.5%	29.2%	

Sales in the Intermediates segment amounted to **€218 million**, down by 19.6% compared with first-quarter 2022, impacted by a 17.4% decrease in volumes primarily reflecting subdued demand for acrylics in China. The 2.6% negative price effect was impacted by significantly less favorable market conditions for acrylics in Asia, while the dynamic remained positive in refrigerant gases in the three continents. The currency effect was a positive 0.4%.

In this environment, segment **EBITDA** came in at **€49 million versus** €94 million in first-quarter 2022, and the **EBITDA margin** amounted to **22.5%** (34.7% in Q1'22).

FIRST-QUARTER 2023 HIGHLIGHTS

On 3 January 2023, continuing its dynamic business portfolio management, Arkema finalized the divestment of Febex, a company specialized in phosphorus-based chemistry, to Belgian group Prayon. Part of the Performance Additives Business Line and with little integration within the Group's other activities, Febex reported sales of around €30 million in 2021, employs 59 people, and operates 1 site in Switzerland.

Moreover, on 16 January 2023, Arkema successfully completed a €400 million bond issue with an eight-year maturity and an annual coupon of 3.50%. This operation, carried out as part of the Group's financing policy, enables to extend the average maturity of its financial resources and initiate the refinancing of its upcoming bond maturities.

In addition, on 19 January 2023, Arkema announced that it had signed a major biomethane supply agreement with ENGIE to further reduce the carbon footprint of its bio-based polyamide 11 materials. The long-term agreement covers the supply of 300 GWh/year of biomethane in France and represents one of the largest private biomethane deals in Europe to date.

OUTLOOK FOR 2023

At the beginning of the second quarter, 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 United States 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 the United States, and energy prices are declining while remaining relatively high in Europe.

In this context, the Group will continue to work on two levels: firstly, tightly managing its operations with in particular a strong emphasis on cost control, the optimization of working capital and the environmental performance of its sites. Then, the implementation of its projects to develop sustainable solutions by continuing the dynamic of growth-driven industrial investments and the acceleration of targeted innovation in new energies, 3D printing, bio-based and recyclable materials, and new mobility.

This year, the Group will benefit in particular from the start-up and ramp-up of its main expansion projects, which should contribute €50 million to €70 million to the Group's EBITDA in 2023, mainly in the second part of the year.

Moreover, Arkema reaffirms its full-year guidance, and in 2023 aims to achieve EBITDA of around €1.5 billion to €1.6 billion while maintaining a high EBITDA to cash conversion rate of over 40%.

Further details concerning the Group's first-quarter 2023 results are provided in the "First-quarter 2023 results and outlook" presentation and the "Factsheet", both available on Arkema's website at: www.arkema.com/global/en/investor-relations/

FINANCIAL CALENDAR

11 May 2023: Annual general meeting

28 July 2023: Publication of first-half 2023 results

27 September 2023: Capital Markets Day – Paris

9 November 2023: Publication of third-quarter 2023 results

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 pandemic persists across the world, and where the consequences of the Russian offensive in Ukraine and the resulting economic sanctions against Russia on geopolitical stability and the global 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 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 Russian offensive in Ukraine, developments in the Covid-19 situation, and changes in general economic and financial conditions. Arkema does not assume any liability to update such forward-looking statements whether as a result of any new information or any unexpected event or otherwise. Further information on factors which could affect Arkema's financial results is provided in the documents filed with the French Autorité des marchés financiers.

Balance sheet, income statement and cash flow statement data, as well as data relating to the statement of changes in shareholders' equity and information by segment included in this press release are extracted from the consolidated financial information at 31 March 2023 reviewed by Arkema's Board of Directors on 4 May 2023. 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.

Building on its unique set of expertise in materials science, **Arkema** offers a portfolio of first-class technologies 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 3 complementary, resilient and highly innovative segments dedicated to Specialty Materials -Adhesive Solutions, Advanced Materials, and Coating Solutions- accounting for some 91% of Group sales in 2022, and a well-positioned and competitive Intermediates segment. Arkema offers cutting-edge technological solutions to meet the challenges of, among other things, new energies, access to water, recycling, urbanization and mobility, and fosters a permanent dialogue with all its stakeholders. The Group reported sales of around €11.5 billion in 2022, and operates in some 55 countries with 21,100 employees worldwide.

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ARKEMA financial statements

Consolidated financial information - At the end of March 2023

Consolidated financial statements as end of December 2022 have been audited.

CONSOLIDATED INCOME STATEMENT

	<u>1st quarter 2023</u>	<u>1st quarter 2022</u>
<i>(In millions of euros)</i>		
Sales	2,524	2,887
Operating expenses	(2,022)	(2,135)
Research and development expenses	(70)	(66)
Selling and administrative expenses	(229)	(217)
Other income and expenses	(7)	(35)
Operating income	196	434
Equity in income of affiliates	(3)	(1)
Financial result	(19)	(8)
Income taxes	(41)	(95)
Net income	133	330
Attributable to non-controlling interests	1	1
Net income - Group share	132	329
<i>Earnings per share (amount in euros)</i>	<i>1.70</i>	<i>4.38*</i>
<i>Diluted earnings per share (amount in euros)</i>	<i>1.69</i>	<i>4.36*</i>

* Figures have been restated to include the capital reduction in January 2022 by cancellation of treasury shares, in line with figures published in 2022 half-year and year-end financial reports.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(In millions of euros)</i>	<u>1st quarter 2023</u>	<u>1st quarter 2022</u>
Net income	133	330
Hedging adjustments	(18)	(1)
Other items	-	-
Deferred taxes on hedging adjustments and other items	2	0
Change in translation adjustments	(90)	90
Other recyclable comprehensive income	(106)	89
Impact of remeasuring unconsolidated investments	-	(1)
Actuarial gains and losses	(4)	50
Deferred taxes on actuarial gains and losses	0	(9)
Other non-recyclable comprehensive income	(4)	40
Total income and expenses recognized directly in equity	(110)	129
Total comprehensive income	23	459
Attributable to non-controlling interest	1	1
Total comprehensive income - Group share	22	458

INFORMATION BY SEGMENT

1st quarter 2023

(In millions of euros)

	Adhesive Solutions	Advanced Materials	Coating Solutions	Intermediates	Corporate	Total
Sales	698	937	661	218	10	2,524
EBITDA	93	160	94	49	(29)	367
Recurring depreciation and amortization of property, plant and equipment and intangible assets	(21)	(67)	(31)	(13)	(1)	(133)
Recurring operating income (REBIT)	72	93	63	36	(30)	234
Depreciation and amortization related to the revaluation of property, plant and equipment and intangible assets as part of the allocation of the purchase price of businesses	(25)	(5)	(1)	-	-	(31)
Other income and expenses	(7)	10	(1)	-	(9)	(7)
Operating income	40	98	61	36	(39)	196
Equity in income of affiliates	-	(3)	-	-	-	(3)
Intangible assets and property, plant, and equipment additions	15	52	14	3	5	89
Of which: recurring capital expenditure	15	45	14	3	5	82

1st quarter 2022

(In millions of euros)

	Adhesive Solutions	Advanced Materials	Coating Solutions	Intermediates	Corporate	Total
Sales	670	1,075	862	271	9	2,887
EBITDA	90	274	192	94	(31)	619
Recurring depreciation and amortization of property, plant and equipment and intangible assets	(17)	(67)	(31)	(15)	(1)	(131)
Recurring operating income (REBIT)	73	207	161	79	(32)	488
Depreciation and amortization related to the revaluation of property, plant and equipment and intangible assets as part of the allocation of the purchase price of businesses	(13)	(4)	(2)	-	-	(19)
Other income and expenses	(18)	(3)	0	0	(14)	(35)
Operating income	42	200	159	79	(46)	434
Equity in income of affiliates	-	(1)	-	0	-	(1)
Intangible assets and property, plant, and equipment additions	15	76	15	2	4	112
Of which: recurring capital expenditure	15	36	15	2	4	72

CONSOLIDATED CASH FLOW STATEMENT

End of March 2023

End of March 2022

(In millions of euros)

Operating cash flows

Net income	133	330
Depreciation, amortization and impairment of assets	164	154
Other provisions and deferred taxes	(2)	(13)
(Gains)/losses on sales of long-term assets	(26)	-
Undistributed affiliate equity earnings	3	1
Change in working capital	(136)	(332)
Other changes	7	10
Cash flow from operating activities	143	150

Investing cash flows

Intangible assets and property, plant, and equipment additions	(89)	(112)
Change in fixed asset payables	(107)	(79)
Acquisitions of operations, net of cash acquired	0	(1,481)
Increase in long-term loans	(8)	(6)
Total expenditures	(204)	(1,678)
Proceeds from sale of intangible assets and property, plant, and equipment	3	1
Proceeds from sale of operations, net of cash transferred	32	-
Repayment of long-term loans	10	8
Total divestitures	45	9
Cash flow from investing activities	(159)	(1,669)

Financing cash flows

Issuance (repayment) of shares and paid-in surplus	-	-
Purchase of treasury shares	(5)	(2)
Dividends paid to parent company shareholders	-	-
Interest paid to bearers of subordinated perpetual notes	(5)	(5)
Dividends paid to non-controlling interests	-	-
Increase in long-term debt	395	1
Decrease in long-term debt	(20)	(21)
Increase / (Decrease) in short-term debt	(40)	489
Cash flow from financing activities	325	462
Net increase/(decrease) in cash and cash equivalents	309	(1,057)
Effect of exchange rates and changes in scope	16	29
Cash and cash equivalents at beginning of period	1,592	2,285
Cash and cash equivalents at end of the period	1,917	1,257

CONSOLIDATED BALANCE SHEET

31 March 2023

31 December 2022

(In millions of euros)

ASSETS		
Goodwill	2,631	2,655
Intangible assets, net	2,125	2,178
Property, plant and equipment, net	3,366	3,429
Equity affiliates: investments and loans	21	24
Other investments	52	52
Deferred tax assets	165	166
Other non-current assets	240	245
TOTAL NON-CURRENT ASSETS	8,600	8,749
Inventories	1,470	1,399
Accounts receivable	1,546	1,360
Other receivables and prepaid expenses	206	202
Income tax receivables	127	130
Other current financial assets	53	57
Cash and cash equivalents	1,917	1,592
Assets held for sale	-	22
TOTAL CURRENT ASSETS	5,319	4,762
TOTAL ASSETS	13,919	13,511
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	750	750
Paid-in surplus and retained earnings	6,335	6,218
Treasury shares	(25)	(20)
Translation adjustments	262	352
SHAREHOLDERS' EQUITY - GROUP SHARE	7,322	7,300
Non-controlling interests	40	39
TOTAL SHAREHOLDERS' EQUITY	7,362	7,339
Deferred tax liabilities	350	362
Provisions for pensions and other employee benefits	383	382
Other provisions and non-current liabilities	458	458
Non-current debt	2,950	2,560
TOTAL NON-CURRENT LIABILITIES	4,141	3,762
Accounts payable	1,183	1,149
Other creditors and accrued liabilities	437	437
Income tax payables	111	109
Other current financial liabilities	29	13
Current debt	656	698
Liabilities related to assets held for sale	-	4
TOTAL CURRENT LIABILITIES	2,416	2,410
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	13,919	13,511

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

<i>(In millions of euros)</i>	Shares issued			Hybrid bonds	Retained earnings	Translation adjustments	Treasury shares		Shareholders' equity - Group share	Non-controlling interests	Shareholders' equity
	Number	Amount	Paid-in surplus				Number	Amount			
At January 1, 2023	75,043,514	750	1,067	700	4,451	352	(231,087)	(20)	7,300	39	7,339
Cash dividend	—	—	—	—	(5)	—	—	—	(5)	—	(5)
Issuance of share capital	—	—	—	—	—	—	—	—	—	—	—
Capital decrease by cancellation of treasury shares	—	—	—	—	—	—	—	—	—	—	—
Purchase of treasury shares	—	—	—	—	—	—	(57,726)	(5)	(5)	—	(5)
Grants of treasury shares to employees	—	—	—	—	—	—	50	—	—	—	—
Share-based payments	—	—	—	—	8	—	—	—	8	—	8
Issuance of hybrid bonds	—	—	—	—	—	—	—	—	—	—	—
Redemption of hybrid bonds	—	—	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	2	—	—	—	2	—	2
Transactions with shareholders	—	—	—	—	5	—	(57,676)	(5)	—	—	—
Net income	—	—	—	—	132	—	—	—	132	1	133
Total income and expense recognized directly through equity	—	—	—	—	(20)	(90)	—	—	(110)	—	(110)
Comprehensive income	—	—	—	—	112	(90)	—	—	22	1	23
At March 31, 2023	75,043,514	750	1,067	700	4,568	262	(288,763)	(25)	7,322	40	7,362

ALTERNATIVE PERFORMANCE INDICATORS

To monitor and analyse the financial performance of the Group and its activities, the Group management uses alternative performance indicators. These are financial indicators that are not defined by the IFRS. This note presents a reconciliation of these indicators and the aggregates from the consolidated financial statements under IFRS.

RECURRING OPERATING INCOME (REBIT) AND EBITDA

<i>(In millions of euros)</i>	<u>End of March 2023</u>	<u>End of March 2022</u>
OPERATING INCOME	196	434
- Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(31)	(19)
- Other income and expenses	(7)	(35)
RECURRING OPERATING INCOME (REBIT)	234	488
- Recurring depreciation and amortization of tangible and intangible assets	(133)	(131)
EBITDA	367	619

Details of depreciation and amortization of tangible and intangible assets:

<i>(In millions of euros)</i>	<u>End of March 2023</u>	<u>End of March 2022</u>
Depreciation and amortization of tangible and intangible assets	(164)	(154)
Of which: Recurring depreciation and amortization of tangible and intangible assets	(133)	(131)
Of which: Depreciation and amortization related to the revaluation of assets as part of the allocation of the purchase price of businesses	(31)	(19)
Of which: Impairment included in other income and expenses	0	(4)

ADJUSTED NET INCOME AND ADJUSTED EARNINGS PER SHARE

<i>(In millions of euros)</i>	<u>End of March 2023</u>	<u>End of March 2022</u>
NET INCOME - GROUP SHARE	132	329
- Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(31)	(19)
- Other income and expenses	(7)	(35)
- 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	6	4
- Taxes on other income and expenses	4	3
- One-time tax effects	(2)	-
ADJUSTED NET INCOME	162	376
- Weighted average number of ordinary shares	74,790,424	73,950,940*
- Weighted average number of potential ordinary shares	75,043,514	74,286,041*
ADJUSTED EARNINGS PER SHARE (in euros)	2.17	5.08*
DILUTED ADJUSTED EARNINGS PER SHARE (in euros)	2.16	5.06*

* Figures have been restated to include the capital reduction in January 2022 by cancellation of treasury shares, in line with figures published in 2022 half-year and year-end financial reports.

RECURRING CAPITAL EXPENDITURE

<i>(In millions of euros)</i>	<u>End of March 2023</u>	<u>End of March 2022</u>
INTANGIBLE ASSETS AND PROPERTY, PLANT, AND EQUIPMENT ADDITIONS	89	112
- Exceptional capital expenditure	7	40
- Investments relating to portfolio management operations	-	-
- Capital expenditure with no impact on net debt	-	0
RECURRING CAPITAL EXPENDITURE	82	72

CASH FLOWS AND EBITDA TO CASH CONVERSION RATE

<i>(In millions of euros)</i>	<u>End of March 2023</u>	<u>End of March 2022</u>
Cash flow from operating activities	143	150
+ Cash flow from investing activities	(159)	(1,669)
NET CASH FLOW	(16)	(1,519)
- Net cash flow from portfolio management operations	30	(1,496)
FREE CASH FLOW	(46)	(23)
Exceptional capital expenditure	(7)	(40)
- Non-recurring cash flow	(18)	(9)
RECURRING CASH FLOW	(21)	26

The net cash flow from portfolio management operations corresponds to the impact of acquisition and divestment operations. Non-recurring cash flow corresponds to cash flow from other income and expenses.

NET DEBT

<i>(In millions of euros)</i>	<u>End of March 2023</u>	<u>End of December 2022</u>
Non-current debt	2,950	2,560
+ Current debt	656	698
- Cash and cash equivalents	1,917	1,592
NET DEBT	1,689	1,666
+ Hybrid bonds	700	700
NET DEBT AND HYBRID BONDS	2,389	2,366

WORKING CAPITAL

<i>(In millions of euros)</i>	<u>End of March 2023</u>	<u>End of December 2022</u>
Inventories	1,470	1,399
+ Accounts receivable	1,546	1,360
+ Other receivables including income taxes	333	332
+ Other current financial assets	53	57
- Accounts payable	1,183	1,149
- Other liabilities including income taxes	548	546
- Other current financial liabilities	29	13
WORKING CAPITAL	1,642	1,440

CAPITAL EMPLOYED

<i>(In millions of euros)</i>	<u>End of March 2023</u>	<u>End of December 2022</u>
Goodwill, net	2,631	2,655
+ Intangible assets (excluding goodwill), and property, plant and equipment, net	5,491	5,607
+ Investments in equity affiliates	21	24
+ Other investments and other non-current assets	292	297
+ Working capital	1,642	1,440
CAPITAL EMPLOYED	10,077	10,023
Elements of capital employed classified as assets held for sale	-	18
ADJUSTED CAPITAL EMPLOYED	10,077	10,041