

Colombes, 28 July 2023

ARKEMA: SECOND-QUARTER 2023 RESULTS

In an economic environment that was in line with that of recent quarters and marked by weak demand in most end markets, Arkema's margin held up well, benefiting from the Group's repositioning toward Specialty Materials. Arkema furthermore confirms its guidance for 2023.

- **Sales of €2.4 billion**, down by 23% compared with the particularly high level of Q2'22:
 - Volumes down significantly, impacted by overall weak demand in most end markets and continued destocking. The automotive, battery and energy markets nevertheless remained well oriented
 - Price effect positive in most product lines but negative at the Group level given, as in the first quarter, the normalization of PVDF and upstream acrylics
 - Positive momentum in high performance solutions driven by sustainability trends, which are at the heart of the Group's strategy
- **EBITDA of €417 million**, down compared with the exceptionally high performance of Q2'22 (€705 million). EBITDA margin reached a very good level at 17.1%, demonstrating the quality of the product portfolio and dynamic price and mix management
- **Adjusted net income of €207 million**, representing €2.77 per share (€5.99 in Q2'22)
- **Recurring cash flow of €145 million**, reflecting the robust results and including the seasonality of working capital
- **Net debt** including hybrid bonds up slightly to **€2,645 million**, integrating the dividend payment and representing **1.7x** last-twelve-months **EBITDA**
- Strengthening of the Group's specialty profile with the announcement on 28 June of the proposed acquisition of a **controlling stake in PI Advanced Materials**⁽¹⁾, a global leader in ultra-high performance polyimide films based in South Korea
- **2023 guidance confirmed**, with Arkema aiming to achieve EBITDA of around €1.5 billion to €1.6 billion

Following Arkema's Board of Directors' meeting held on 27 July 2023 to approve the Group's consolidated financial statements for the first half of 2023, Chairman and CEO Thierry Le Hénaff said:

"In the second quarter, in an environment marked by a low level of activity in the continuity of the first quarter, Arkema's performance was solid, reflecting the Group's excellent positioning in high performance niche markets, as well as tight management of our operations. The teams delivered high-quality work, enabling us to confirm our annual targets in a macroeconomic context with low visibility that is showing little signs of improvement.

In addition, with the proposed acquisition of 54% of PI Advanced Materials announced in late June, Arkema has taken another major step towards its ambition of becoming a world leader in Specialty Materials. This unique opportunity, which will offer the Group significant synergies thanks to strong geographical and technological complementarities, will enable us to accelerate our growth in the highly attractive electronics and battery markets.

Our Capital Markets Day, to be held in Paris on 27 September, will provide an opportunity to discuss Arkema's innovation strategy and medium-term ambition in greater detail."

⁽¹⁾ This operation is subject to the approval of Chinese and Korean anti-trust authorities

KEY FIGURES

<i>in millions of euros</i>	Q2'23	Q2'22	Change	H1'23	H1'22	Change
Sales	2,442	3,184	-23.3%	4,966	6,071	-18.2%
EBITDA	417	705	-40.9%	784	1,324	-40.8%
Specialty Materials	368	600	-38.7%	715	1,156	-38.1%
Intermediates	69	129	-46.5%	118	223	-47.1%
Corporate	-20	-24		-49	-55	
EBITDA margin	17.1%	22.1%		15.8%	21.8%	
Specialty Materials	16.6%	21.0%		15.8%	21.2%	
Intermediates	32.5%	40.1%		27.4%	37.6%	
Recurring operating income (REBIT)	285	570	-50.0%	519	1,058	-50.9%
REBIT margin	11.7%	17.9%		10.5%	17.4%	
Adjusted net income	207	443	-53.3%	369	819	-54.9%
Adjusted net income per share (in €)	2.77	5.99	-53.8%	4.94	11.07	-55.4%
Recurring cash flow	145	235	-38.3%	124	261	-52.5%
Free cash flow	115	211	-45.5%	69	188	-63.3%
Net debt including hybrid bonds <i>€2,366m as of 31/12/2022</i>	2,645	2,789		2,645	2,789	

SECOND-QUARTER 2023 BUSINESS PERFORMANCE

At **€2,442 million, sales** were down by **23.3%** relative to the particularly elevated level of second-quarter 2022. Group volumes declined by 15.2% in an environment marked by continued destocking and overall weak demand, particularly in Europe and the United States. Most end markets were down, although the energy, automotive, medical and battery markets showed positive momentum. The price effect was a negative 6.6%, impacted by the expected normalization of market conditions in PVDF and upstream acrylics, but it was positive in most other product lines, reflecting the strength of Arkema's positions. The scope effect was limited (+0.4%), with the integrations of Permoseal and Polytec PT in Adhesive Solutions and of Polimeros Especiales in Coating Solutions offset by the divestment of Febex in early January 2023. The currency effect was a negative 1.9%, primarily reflecting a stronger euro against the US dollar.

At **€417 million, EBITDA** was down relative to the prior year (€705 million in Q2'22), which included exceptional profits in PVDF and upstream acrylics. This figure also reflects the general economic slowdown and the benefits from easing tightness in raw materials. Despite significantly lower volumes, the **EBITDA margin** held up well at **17.1%**, supported in particular by dynamic price management and an improved mix toward higher value-added solutions.

Including virtually stable recurring depreciation and amortization of €132 million (€135 million Q2'22), **recurring operating income (REBIT)** amounted to **€285 million** (€570 million in Q2'22), and **REBIT margin** reached 11.7% (17.9% in Q2'22).

Adjusted net income came to **€207 million** (€443 million in Q2'22), representing **€2.77** per share, based on a tax rate, excluding exceptional items, of 21% of recurring operating income.

CASH FLOW AND NET DEBT AT 30 JUNE 2023

In second-quarter 2023, **recurring cash flow** came to **€145 million** (€235 million in Q2'22). This figure reflects the Group's solid operating performance and includes a limited increase in working capital, in a context of decreasing raw material costs and weak activity. At end-June 2023, working capital represented 16.9% of annualized sales (14.9% at end-June 2022). Recurring cash flow also included recurring capital expenditure of €130 million *versus* €99 million in the prior-year period.

At **€115 million, free cash flow** included exceptional capital expenditure of €5 million (€26 million in Q2'22), as well as a non-recurring cash outflow of €25 million linked mainly to start-up costs for the Singapore plant and restructuring costs.

The **net cash outflow from portfolio management operations** of €69 million in second-quarter 2023 corresponds mainly to the acquisition of Polytec PT in high performance adhesives.

At **€2,645 million, net debt** including hybrid bonds was slightly higher than at end-March 2023 (€2,389 million) and included the dividend payment of €3.40 per share for a total of €253 million. Arkema's balance sheet remains solid, with net debt (including hybrid bonds) to last-twelve-months EBITDA ratio standing at 1.7x. In this context, on 6 July 2023, credit rating agency Standard & Poor's raised the outlook associated to the Group's rating from 'stable' to 'positive' while confirming its rating of BBB+/A-2.

Moreover, on 5 July 2023, the Group extended its €1.1 billion syndicated line of credit by one year, with maturity now on 28 July 2028.

SECOND-QUARTER 2023 PERFORMANCE BY SEGMENT

ADHESIVE SOLUTIONS (28.5% OF TOTAL GROUP SALES)

<i>in millions of euros</i>	Q2'23	Q2'22	Change
Sales	692	779	-11.2%
EBITDA	95	111	-14.4%
EBITDA margin	13.7%	14.2%	
Recurring operating income (REBIT)	75	92	-18.5%
REBIT margin	10.8%	11.8%	

Sales in the Adhesive Solutions segment totaled **€692 million**, down by 11.2% compared to second-quarter 2022. In the continuity of the first quarter, sales were impacted by a 12.7% volume decrease, reflecting continued destocking and overall weaker demand in most end markets, with the exception of the automotive market which was better oriented. The price effect was a positive 2.3% and reflects the price increases implemented last year in response to cost inflation. The scope effect, which added 1.9% to sales, corresponds to the integration of Permoseal and, to a lesser extent, Polytec PT. The currency effect was a negative 2.7%.

EBITDA for the segment came in at **€95 million** (€111 million in Q2'22), impacted mainly by the decline in volumes, but benefiting nevertheless from the shift in the product mix towards higher value-added solutions and the raw material costs decrease at the end of the quarter. In this context, the **EBITDA margin** held up well at **13.7%** (14.2% in Q2'22).

ADVANCED MATERIALS (37.5% OF TOTAL GROUP SALES)

<i>in millions of euros</i>	Q2'23	Q2'22	Change
Sales	912	1,113	-18.1%
EBITDA	185	282	-34.4%
EBITDA margin	20.3%	25.3%	
Recurring operating income (REBIT)	117	215	-45.6%
REBIT margin	12.8%	19.3%	

Sales in the Advanced Materials segment were down by 18.1% compared to second-quarter 2022 to **€912 million**. Segment volumes fell by 8.1%, essentially in Performance Additives, impacted by destocking and lower demand. Volumes of High Performance Polymers rose, driven in particular by demand in the automotive and energy markets, as well as by improved momentum in batteries in China following the destocking observed at the start of the year. The price effect of negative 7.1% reflects the expected normalization of PVDF in batteries, which overshadowed a positive trend in the segment's other activities linked to the pricing policy implemented since last year in the face of inflation, as well as a positive product mix supported by new developments. The scope effect was a negative 1.1%, linked to the divestment of Febex, and the currency effect was a negative 1.8%.

At **€185 million, EBITDA** for the segment was down compared with the prior year's very high comparison base (€282 million in Q2'22, €184 million in Q2'21), which was linked to exceptionally favorable conditions in PVDF for batteries. Although impacted by sharply lower volumes, Performance Additives' EBITDA was stable, reflecting the quality and resilience of the portfolio. In this context, the segment's **EBITDA margin** reached a good level of **20.3%**, supported by the positive momentum in high performance solutions.

COATING SOLUTIONS (25% OF TOTAL GROUP SALES)

<i>in millions of euros</i>	Q2'23	Q2'22	Change
Sales	617	960	-35.7%
EBITDA	88	207	-57.5%
EBITDA margin	14.3%	21.6%	
Recurring operating income (REBIT)	58	175	-66.9%
REBIT margin	9.4%	18.2%	

Sales in the Coating Solutions segment were down by a sharp 35.7% compared with the very high comparison base of second-quarter 2022 and amounted to **€617 million**. In a context of falling overall demand in Europe and the United States, volumes were down by 22.9%, also penalized by the effects of destocking in decorative paints and industrial markets. The 12.7% negative price effect mainly reflects markedly less favorable conditions in upstream acrylics. The scope effect was a positive 0.9%, corresponding to the integration of Polimeros Especiales, and the currency effect was a negative 1.0%.

In this context, segment **EBITDA** fell sharply and amounted to **€88 million** (€207 million in Q2'22), impacted above all by the normalization of market conditions in upstream acrylics and by sharply lower volumes, while downstream activities proved far more resilient. The **EBITDA margin** held up well given the economic context, coming in at **14.3%**.

INTERMEDIATES (9% OF TOTAL GROUP SALES)

<i>in millions of euros</i>	Q2'23	Q2'22	Change
Sales	212	322	-34.2%
EBITDA	69	129	-46.5%
EBITDA margin	32.5%	40.1%	
Recurring operating income (REBIT)	57	114	-50.0%
REBIT margin	26.9%	35.4%	

Sales in Intermediates fell by 34.2% to **€212 million**. Volumes were down by 23.3%, impacted in particular by weak demand for acrylics in China. The 8.4% negative price effect reflects markedly less favorable market conditions in acrylics in Asia, offset in part by positive price dynamics in refrigerant gases. The currency effect was a negative 2.5%.

In this context, segment **EBITDA** amounted to **€69 million** (€129 million in Q2'22) and the **EBITDA margin** reached **32.5%** (40.1% in Q2'22).

SECOND-QUARTER 2023 HIGHLIGHTS

On 1 June 2023, Arkema finalized the acquisition of Polytec PT, a German company specialized in adhesives for batteries and electronics applications, which will strengthen Bostik's product offering to serve these fast-growing markets.

Moreover, on 28 June 2023, Arkema announced the proposed acquisition of Glenwood Private Equity's 54% stake in the listed South Korean company PI Advanced Materials (PIAM), for an enterprise value of €728 million, marking a new significant milestone in the Group's transformation into a pure Specialty Materials player. With sales of over €200 million, an EBITDA margin of around 30% and best-in-class manufacturing, PIAM is the global leader in polyimide films, delivering superior growth in the attractive consumer electronics and electric vehicles markets. This transaction will broaden Arkema's polymer range with ultra-high performance and cutting-edge technology, strengthening the Advanced Materials segment's portfolio and performance. The deal, which is subject to the approval of Chinese and Korean anti-trust authorities, should be finalized end-2023.

OUTLOOK FOR 2023

In a macroeconomic environment which is in line with that of the first six months of the year, volumes remain sharply lower than last year with reduced visibility at the start of the second half. The price of certain raw materials and energy continues to decrease.

In this context, the Group will strive to continue tightly managing its operations, in particular by controlling fixed costs and optimizing working capital. It will also continue its innovation drive in high-growth areas linked to sustainability, and ramp up recently started growth capital expenditure projects.

In this environment, in light of its first-half results and based on the projected momentum in the second half, Arkema confirms its full-year guidance and aims to achieve in 2023 EBITDA of around €1.5 billion to €1.6 billion. Furthermore, the Group expects a high EBITDA to cash conversion rate over the year, consistent with its medium-term target of at least 40%.

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

REGULATORY INFORMATION

The half-year financial report for the six months ended 30 June 2023 is available on the Group's website (www.arkema.com) under Investors/Financials/Financial results.

FINANCIAL CALENDAR

27 September 2023: 2023 Capital Markets Day

9 November 2023: Publication of third-quarter 2023 results

29 February 2024: Publication of full-year 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 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, and changes in general economic and financial conditions. Arkema does not assume any liability to update such forward-looking statements whether as a result of any new information or any unexpected event or otherwise. Further information on factors which could affect Arkema's financial results is provided in the documents filed with the French Autorité des marchés financiers.

Balance sheet, income statement and cash flow statement data, as well as data relating to the statement of changes in shareholders' equity and information by segment included in this press release are extracted from the condensed consolidated financial statements at 30 June 2023 as approved by Arkema's Board of Directors on 27 July 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.

Investor relations contacts

Béatrice Zilm	+33 (0)1 49 00 75 58	beatrice.zilm@arkema.com
Peter Farren	+33 (0)1 49 00 73 12	peter.farren@arkema.com
Mathieu Briatta	+33 (0)1 49 00 72 07	mathieu.briatta@arkema.com
Caroline Chung	+33 (0)1 49 00 74 37	caroline.chung@arkema.com

Media contacts

Gilles Galinier	+33 (0)1 49 00 70 07	gilles.galinier@arkema.com
Anne Plaisance	+33 (0)6 81 87 48 77	anne.plaisance@arkema.com

Arkema

420, rue d'Estienne d'Orves
92705 Colombes Cedex
France
P +33 (0)1 49 00 80 80
arkema.com

Follow us on:

 [Twitter.com/Arkema_group](https://twitter.com/Arkema_group)
 [Linkedin.com/company/arkema](https://www.linkedin.com/company/arkema)

ARKEMA financial statements

Consolidated financial information - At the end of June 2023

Half-year information is subject to a limited review by auditors.
Consolidated financial statements as of December 2022 have been audited.

CONSOLIDATED INCOME STATEMENT

<i>(In millions of euros)</i>	<u>2nd quarter 2023</u>	<u>2nd quarter 2022</u>
Sales	2,442	3,184
Operating expenses	(1,900)	(2,350)
Research and development expenses	(66)	(67)
Selling and administrative expenses	(223)	(218)
Other income and expenses	(32)	(35)
Operating income	221	514
Equity in income of affiliates	(2)	(0)
Financial result	(16)	(6)
Income taxes	(51)	(106)
Net income	152	402
Attributable to non-controlling interests	0	1
Net income - Group share	152	401
<i>Earnings per share (amount in euros)</i>	<i>2.03</i>	<i>5.42</i>
<i>Diluted earnings per share (amount in euros)</i>	<i>2.03</i>	<i>5.40</i>

<i>(In millions of euros)</i>	<u>1st half 2023</u>	<u>1st half 2022</u>
Sales	4,966	6,071
Operating expenses	(3,922)	(4,485)
Research and development expenses	(136)	(133)
Selling and administrative expenses	(452)	(435)
Other income and expenses	(39)	(70)
Operating income	417	948
Equity in income of affiliates	(5)	(1)
Financial result	(35)	(14)
Income taxes	(92)	(201)
Net income	285	732
Attributable to non-controlling interests	1	2
Net income - Group share	284	730
<i>Earnings per share (amount in euros)</i>	<i>3.73</i>	<i>9.80</i>
<i>Diluted earnings per share (amount in euros)</i>	<i>3.72</i>	<i>9.76</i>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<u>2nd quarter 2023</u>	<u>2nd quarter 2022</u>
<i>(In millions of euros)</i>		
Net income	152	402
Hedging adjustments	(20)	17
Other items	-	-
Deferred taxes on hedging adjustments and other items	0	(3)
Change in translation adjustments	(53)	237
Other recyclable comprehensive income	(73)	251
Impact of remeasuring unconsolidated investments	-	-
Actuarial gains and losses	(3)	65
Deferred taxes on actuarial gains and losses	1	(10)
Other non-recyclable comprehensive income	(2)	55
Autres éléments du résultat global	(75)	306
Autres éléments du résultat global des activités abandonnées	-	-
Total income and expenses recognized directly in equity	(75)	306
Total comprehensive income	77	708
Attributable to non-controlling interest	(2)	2
Total comprehensive income - Group share	79	706

	<u>1st half 2023</u>	<u>1st half 2022</u>
<i>(In millions of euros)</i>		
Net income	285	732
Hedging adjustments	(38)	16
Other items	0	-
Deferred taxes on hedging adjustments and other items	2	(3)
Change in translation adjustments	(143)	327
Other recyclable comprehensive income	(179)	340
Impact of remeasuring unconsolidated investments	-	(1)
Actuarial gains and losses	(7)	115
Deferred taxes on actuarial gains and losses	1	(19)
Other non-recyclable comprehensive income	(6)	95
Total income and expenses recognized directly in equity	(185)	435
Total comprehensive income	100	1,167
Attributable to non-controlling interest	(1)	3
Total comprehensive income - Group share	101	1,164

INFORMATION BY SEGMENT

2nd quarter 2023

(In millions of euros)

	Adhesive Solutions	Advanced Materials	Coating Solutions	Intermediates	Corporate	Total
Sales	692	912	617	212	9	2,442
EBITDA	95	185	88	69	(20)	417
Recurring depreciation and amortization of property, plant and equipment and intangible assets	(20)	(68)	(30)	(12)	(2)	(132)
Recurring operating income (REBIT)	75	117	58	57	(22)	285
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	(26)	(3)	(3)	-	-	(32)
Other income and expenses	(5)	(26)	0	0	(1)	(32)
Operating income	44	88	55	57	(23)	221
Equity in income of affiliates	-	(2)	-	-	-	(2)
Intangible assets and property, plant, and equipment additions	18	85	25	5	2	135
Of which: recurring capital expenditure	18	80	25	5	2	130

2nd quarter 2022

(In millions of euros)

	Adhesive Solutions	Advanced Materials	Coating Solutions	Intermediates	Corporate	Total
Sales	779	1,113	960	322	10	3,184
EBITDA	111	282	207	129	(24)	705
Recurring depreciation and amortization of property, plant and equipment and intangible assets	(19)	(67)	(32)	(15)	(2)	(135)
Recurring operating income (REBIT)	92	215	175	114	(26)	570
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	(15)	(5)	(1)	-	-	(21)
Other income and expenses	(14)	(19)	(0)	(2)	0	(35)
Operating income	63	191	174	112	(26)	514
Equity in income of affiliates	-	(0)	-	(0)	-	(0)
Intangible assets and property, plant, and equipment additions	12	84	24	3	2	125
Of which: recurring capital expenditure	12	58	24	3	2	99

INFORMATION BY SEGMENT

End of June 2023

<i>(In millions of euros)</i>	Adhesive Solutions	Advanced Materials	Coating Solutions	Intermediates	Corporate	Total
Sales	1,390	1,849	1,278	430	19	4,966
EBITDA	188	345	182	118	(49)	784
Recurring depreciation and amortization of property, plant and equipment and intangible assets	(41)	(135)	(61)	(25)	(3)	(265)
Recurring operating income (REBIT)	147	210	121	93	(52)	519
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	(51)	(8)	(4)	-	-	(63)
Other income and expenses	(12)	(16)	(1)	0	(10)	(39)
Operating income	84	186	116	93	(62)	417
Equity in income of affiliates	-	(5)	-	-	-	(5)
Intangible assets and property, plant, and equipment additions	33	137	39	8	7	224
Of which: recurring capital expenditure	33	125	39	8	7	212

End of June 2022

<i>(In millions of euros)</i>	Adhesive Solutions	Advanced Materials	Coating Solutions	Intermediates	Corporate	Total
Sales	1,449	2,188	1,822	593	19	6,071
EBITDA	201	556	399	223	(55)	1,324
Recurring depreciation and amortization of property, plant and equipment and intangible assets	(36)	(134)	(63)	(30)	(3)	(266)
Recurring operating income (REBIT)	165	422	336	193	(58)	1,058
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	(28)	(9)	(3)	—	—	(40)
Other income and expenses	(32)	(22)	(0)	(2)	(14)	(70)
Operating income	105	391	333	191	(72)	948
Equity in income of affiliates	—	(1)	—	0	—	(1)
Intangible assets and property, plant, and equipment additions	27	160	39	5	6	237
Of which: recurring capital expenditure	27	94	39	5	6	171

CONSOLIDATED CASH FLOW STATEMENT

End of June 2023

End of June 2022

(In millions of euros)

Operating cash flows

Net income	285	732
Depreciation, amortization and impairment of assets	334	326
Other provisions and deferred taxes	(26)	(22)
(Gains)/losses on sales of long-term assets	(28)	(4)
Undistributed affiliate equity earnings	5	2
Change in working capital	(164)	(518)
Other changes	11	15
Cash flow from operating activities	417	531

Investing cash flows

Intangible assets and property, plant, and equipment additions	(224)	(237)
Change in fixed asset payables	(124)	(99)
Acquisitions of operations, net of cash acquired	(65)	(1,493)
Increase in long-term loans	(33)	(40)
Total expenditures	(446)	(1,869)
Proceeds from sale of intangible assets and property, plant, and equipment	7	6
Proceeds from sale of operations, net of cash transferred	32	-
Repayment of long-term loans	20	13
Total divestitures	59	19
Cash flow from investing activities	(387)	(1,850)

Financing cash flows

Issuance (repayment) of shares and paid-in surplus	0	-
Purchase of treasury shares	(23)	(2)
Dividends paid to parent company shareholders	(253)	(222)
Interest paid to bearers of subordinated perpetual notes	(5)	(5)
Dividends paid to non-controlling interests and buyout of minority interests	(2)	(1)
Increase in long-term debt	396	3
Decrease in long-term debt	(42)	(37)
Increase / (Decrease) in short-term debt	(34)	648
Cash flow from financing activities	37	384
Net increase/(decrease) in cash and cash equivalents	67	(935)
Effect of exchange rates and changes in scope	7	(8)
Cash and cash equivalents at beginning of period	1,592	2,285
Cash and cash equivalents at end of the period	1,666	1,342

CONSOLIDATED BALANCE SHEET

30 June 2023

31 December 2022

(In millions of euros)

	<u>30 June 2023</u>	<u>31 December 2022</u>
ASSETS		
Goodwill	2,676	2,655
Intangible assets, net	2,109	2,178
Property, plant and equipment, net	3,364	3,429
Equity affiliates: investments and loans	18	24
Other investments	52	52
Deferred tax assets	163	166
Other non-current assets	256	245
TOTAL NON-CURRENT ASSETS	8,638	8,749
Inventories	1,379	1,399
Accounts receivable	1,460	1,360
Other receivables and prepaid expenses	218	202
Income tax receivables	112	130
Other current financial assets	43	57
Cash and cash equivalents	1,666	1,592
Assets held for sale	—	22
TOTAL CURRENT ASSETS	4,878	4,762
TOTAL ASSETS	13,516	13,511
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	750	750
Paid-in surplus and retained earnings	6,214	6,218
Treasury shares	(43)	(20)
Translation adjustments	211	352
SHAREHOLDERS' EQUITY - GROUP SHARE	7,132	7,300
Non-controlling interests	39	39
TOTAL SHAREHOLDERS' EQUITY	7,171	7,339
Deferred tax liabilities	354	362
Provisions for pensions and other employee benefits	389	382
Other provisions and non-current liabilities	429	458
Non-current debt	2,951	2,560
TOTAL NON-CURRENT LIABILITIES	4,123	3,762
Accounts payable	998	1,149
Other creditors and accrued liabilities	424	437
Income tax payables	88	109
Other current financial liabilities	52	13
Current debt	660	698
Liabilities related to assets held for sale	-	4
TOTAL CURRENT LIABILITIES	2,222	2,410
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	13,516	13,511

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 1 January 2023	75,043,514	750	1,067	700	4,451	352	(231,087)	(20)	7,300	39	7,339
Cash dividend	-	-	-	-	(258)	-	-	-	(258)	(1)	(259)
Issuance of share capital	-	-	-	-	-	-	-	-	-	-	-
Capital decrease by cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	(257,726)	(23)	(23)	-	(23)
Grants of treasury shares to employees	-	-	-	-	0	-	1,185	0	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	12	-	-	-	12	-	12
Issuance of hybrid bonds	-	-	-	-	-	-	-	-	-	-	-
Redemption of hybrid bonds	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	2	2
Transactions with shareholders	-	-	-	-	(246)	-	(256,541)	(23)	(269)	1	(268)
Net income	-	-	-	-	284	-	-	-	284	1	285
Total income and expense recognized directly through equity	-	-	-	-	(42)	(141)	-	-	(183)	(2)	(185)
Comprehensive income	-	-	-	-	242	(141)	-	-	101	(1)	100
At 30 June 2023	75,043,514	750	1,067	700	4,447	211	(487,628)	(43)	7,132	39	7,171

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 June 2023</u>	<u>End of June 2022</u>	<u>2nd quarter 2023</u>	<u>2nd quarter 2022</u>
OPERATING INCOME	417	948	221	514
- Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(63)	(40)	(32)	(21)
- Other income and expenses	(39)	(70)	(32)	(35)
RECURRING OPERATING INCOME (REBIT)	519	1,058	285	570
- Recurring depreciation and amortization of tangible and intangible assets	(265)	(266)	(132)	(135)
EBITDA	784	1,324	417	705

Details of depreciation and amortization of tangible and intangible assets:

<i>(In millions of euros)</i>	<u>End of June 2023</u>	<u>End of June 2022</u>	<u>2nd quarter 2023</u>	<u>2nd quarter 2022</u>
Depreciation and amortization of tangible and intangible assets	(334)	(326)	(170)	(172)
Of which: Recurring depreciation and amortization of tangible and intangible assets	(265)	(266)	(132)	(135)
Of which: Depreciation and amortization related to the revaluation of assets as part of the allocation of the purchase price of businesses	(63)	(40)	(32)	(21)
Of which: Impairment included in other income and expenses	(6)	(20)	(6)	(16)

ADJUSTED NET INCOME AND ADJUSTED EARNINGS PER SHARE

<i>(In millions of euros)</i>	<u>End of June 2023</u>	<u>End of June 2022</u>	<u>2nd quarter 2023</u>	<u>2nd quarter 2022</u>
NET INCOME - GROUP SHARE	284	730	152	401
- Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(63)	(40)	(32)	(21)
- Other income and expenses	(39)	(70)	(32)	(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	13	8	7	4
- Taxes on other income and expenses	8	7	4	4
- One-time tax effects	(4)	6	(2)	6
ADJUSTED NET INCOME	369	819	207	443
- Weighted average number of ordinary shares	74,716,206	73,954,187	-	-
- Weighted average number of potential ordinary shares	75,043,514	74,286,041	-	-
ADJUSTED EARNINGS PER SHARE (in euros)	4.94	11.07	2.77	5.99
DILUTED ADJUSTED EARNINGS PER SHARE (in euros)	4.92	11.02	2.76	5.96

RECURRING CAPITAL EXPENDITURE

<i>(In millions of euros)</i>	<u>End of June 2023</u>	<u>End of June 2022</u>	<u>2nd quarter 2023</u>	<u>2nd quarter 2022</u>
INTANGIBLE ASSETS AND PROPERTY, PLANT, AND EQUIPMENT ADDITIONS	224	237	135	125
- Exceptional capital expenditure	12	66	5	26
- Investments relating to portfolio management operations	-	-	-	-
- Capital expenditure with no impact on net debt	-	0	0	0
RECURRING CAPITAL EXPENDITURE	212	171	130	99

CASH FLOWS

<i>(In millions of euros)</i>	<u>End of June 2023</u>	<u>End of June 2022</u>	<u>2nd quarter 2023</u>	<u>2nd quarter 2022</u>
Cash flow from operating activities	417	531	274	381
+ Cash flow from investing activities	(387)	(1,850)	(228)	(181)
NET CASH FLOW	30	(1,319)	46	200
- Net cash flow from portfolio management operations	(39)	(1,507)	(69)	(111)
FREE CASH FLOW	69	188	115	211
Exceptional capital expenditure	(12)	(66)	(5)	(26)
- Non-recurring cash flow	(43)	(7)	(25)	2
RECURRING CASH FLOW	124	261	145	235

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 June 2023</u>	<u>End of December 2022</u>
Non-current debt	2,951	2,560
+ Current debt	660	698
- Cash and cash equivalents	1,666	1,592
NET DEBT	1,945	1,666
+ Hybrid bonds	700	700
NET DEBT AND HYBRID BONDS	2,645	2,366

WORKING CAPITAL

<i>(In millions of euros)</i>	<u>End of June 2023</u>	<u>End of December 2022</u>
Inventories	1,379	1,399
+ Accounts receivable	1,460	1,360
+ Other receivables including income taxes	330	332
+ Other current financial assets	43	57
- Accounts payable	998	1,149
- Other liabilities including income taxes	512	546
- Other current financial liabilities	52	13
WORKING CAPITAL	1,650	1,440

CAPITAL EMPLOYED

<i>(In millions of euros)</i>	<u>End of June 2023</u>	<u>End of December 2022</u>
Goodwill, net	2,676	2,655
+ Intangible assets (excluding goodwill), and property, plant and equipment, net	5,473	5,607
+ Investments in equity affiliates	18	24
+ Other investments and other non-current assets	308	297
+ Working capital	1,650	1,440
CAPITAL EMPLOYED	10,125	10,023