

Arkema: Second-quarter 2019 results

- **Sales** close to last year's level at **€2,254 million** (€2,270 million in 2Q'18)
- Resilient **EBITDA** at **€407 million**, compared with the record performance of second-quarter 2018 (€430 million) in a more challenging macroeconomic environment
- Very solid **EBITDA margin** of **18.1%**
- **Adjusted net income** of **€192 million**, representing 8.5% of sales
- Very strong cash generation, with **free cash flow** increasing to **€90 million** (€41 million in 2Q'18)
- **Net debt** at **€1,308 million** including the €190 million dividend payment, representing **0.9** times EBITDA of the last 12 months. €400 million of hybrid bonds refinanced under favorable conditions
- Continued strengthening of the High Performance Materials division, with the acquisition of ArrMaz (announced in May 2019), Prochimir and Lambson (July 2019) and the capacity extension of Sartomer in China for the electronics and 3D printing markets (April 2019)

Arkema's Board of Directors met on 31 July 2019 to close the Group's consolidated financial statements for the first half of 2019. Commenting these results, Chairman and CEO Thierry Le Hénaff highlighted the following points:

"In the second quarter, Arkema continued to demonstrate its resilience in an environment which remains volatile and complex, marked by the weakness of certain end-markets. Our performance, close to the record highs of last year, was driven in particular by the very solid performance of our specialty businesses supported by our teams' excellent work on prices and margins, allowing us to offset the decline in volumes. Adhesives continued to make notable progress, in line with our strong ambition in this business. Moreover, we continue to generate a high level of cash.

Over the past few months, we also continued to roll out our long-term strategy focused on three pillars, namely organic projects with strong profitability, innovation to support our customers and bolt-on acquisitions generating a high level of synergies. We notably continued to increase the share of specialties in our portfolio of businesses with the acquisitions of ArrMaz, Prochimir and Lambson, which illustrate our capacity to seize opportunities to acquire cutting-edge technologies in attractive and still fragmented markets.

In view of these results and projects dynamic, while remaining attentive to the economic environment, we are confident in our ability to achieve another good year and pursue Arkema's transformation."

KEY FIGURES FOR SECOND-QUARTER 2019

<i>(In millions of euros)</i>	2Q'19	2Q'18	YoY change
Sales	2,254	2,270	-0.7%
EBITDA	407	430	-5.3%
EBITDA margin	18.1%	18.9%	
Recurring operating income (REBIT)	278	318	-12.6%
REBIT margin	12.3%	14.0%	
Adjusted net income	192	226	-15.0%
Adjusted net income per share (in €)	2.52	2.97	-15.2%
Net income - Group share	176	219	-19.6%
Free cash flow	90	41	
Net debt (as of end of June)	1,308	1,372	

As of 1 January 2019, the Group applies IFRS 16, "Leases". The income statement, balance sheet and cash flow statement items for the second quarter of 2019 include the impacts of IFRS 16, which are detailed in the Group's financial statements appended to this press release. The comparative figures for 2018 have not been restated.

SECOND-QUARTER 2019 BUSINESS PERFORMANCE

At **€2,254 million, sales** for the second quarter of 2019 were close to last year's figure (€2,270 million in 2Q'18). The price effect at Group level (-0.6%) was limited, with continued strong initiatives to raise selling prices in the High Performance Materials division (prices up 4.7%) largely offsetting the decrease observed in Industrial Specialties and Coating Solutions in a context of volatile raw materials costs. In continuity with the start of the year, volumes declined 2.4% compared with the very high level recorded in the second quarter of 2018. This mainly reflects lower demand year-on-year in the automotive, consumer electronics and oil & gas markets, overshadowing the strong dynamic in batteries and 3D printing, as well as higher volumes in Coating Solutions. The currency effect was a positive 1.9%, mainly due to the appreciation of the US dollar against the euro. The scope effect was limited (+0.4%).

In this complex macroeconomic context, less favorable than it was last year, Arkema generated **EBITDA of €407 million**, slightly down on the record performance of second-quarter 2018 (€430 million). Despite volumes being impacted by end markets, High Performance Materials resisted well, continuing to deliver a high level of results driven by innovation and the pro-active policy of raising selling prices, while growth in Coating Solutions mitigated the impact of market conditions in Fluorogases and of MMA/PMMA normalization, compared with their historically high performances last year. **EBITDA margin** remained excellent at **18.1%** (18.9% in 2Q'18 and 18.1% in 2Q'17).

Recurring depreciation and amortization amounted to €129 million, up €17 million against last year, due to the €13 million impact of IFRS 16 and an unfavorable currency effect. In line with the evolution of EBITDA and recurring depreciation and amortization, **recurring operating income (REBIT)** amounted to **€278 million** with a **REBIT margin** at **12.3%**.

Operating income came in at **€257 million** including €11 million in net other expenses, mainly corresponding to restructuring costs and asset impairments, as well as €10 million in depreciation and amortization resulting from the revaluation of assets carried out as part of purchase price allocations.

The **financial result** represented a net expense of **€33 million** (against a €24 million expense in 2Q'18). The change mostly reflects the unfavorable interest rate effect on the portion of the Group's debt swapped into US dollars, and actuarial losses on certain provisions for employee benefits.

The **income tax expense** was down year-on-year at **€46 million** (versus €64 million in 2Q'18) in line with the change in results. Excluding non-recurring items, the tax rate for the first half of the year amounted to around 20% of recurring operating income.

Consequently, **net income – Group share** totaled **€176 million** (versus €219 million in 2Q'18) while net earnings per share amounted to €1.82 after deduction of the €37 million expense resulting from the refinancing of hybrid bonds. Excluding the post-tax impact of non-recurring items, **adjusted net income** came in at **€192 million**, representing **€2.52** per share.

SECOND-QUARTER 2019 PERFORMANCE BY DIVISION

HIGH PERFORMANCE MATERIALS (44% OF GROUP SALES)

<i>(In millions of euros)</i>	2Q'19	2Q'18	YoY change
Sales	998	1,007	-0.9%
EBITDA	170	177	-4.0%
EBITDA margin	17.0%	17.6%	
Recurring operating income (REBIT)	123	137	-10.2%
REBIT margin	12.3%	13.6%	

At **€998 million, sales** for the High Performance Materials division were close to the €1,007 million figure for second-quarter 2018, driven by a +4.7% price effect which, in continuity with the start of the year, remained largely positive, reflecting continued actions to raise selling prices and optimization of the product mix towards higher value-added applications. In line with market trends, volumes were down 8% due to notably lower demand compared with last year in the automotive, consumer electronics and oil & gas markets, as well as inventory adjustments in some of those chains. The scope effect was a positive 0.9%, corresponding to the integration of targeted acquisitions in adhesives. The positive 1.7% currency effect was mainly driven by the appreciation of the US dollar against the euro.

Down slightly on the very good prior-year performance, **EBITDA** resisted well at **€170 million**, despite the weakness of certain markets weighing on volumes, particularly in advanced materials. These impacts were mitigated to a large extent by the benefits of pricing actions, particularly in adhesives, where EBITDA increased significantly year-on-year. At **17.0%, EBITDA margin** remained close to the record high levels of the previous year. Bostik's EBITDA margin reached 13% in first-half 2019, up by one percentage point year-on-year.

INDUSTRIAL SPECIALTIES (30% OF GROUP SALES)

<i>(In millions of euros)</i>	2Q'19	2Q'18	YoY change
Sales	673	709	-5.1%
EBITDA	179	208	-13.9%
EBITDA margin	26.6%	29.3%	
Recurring operating income (REBIT)	126	163	-22.7%
REBIT margin	18.7%	23.0%	

Industrial Specialties **sales** totaled **€673 million**, down 5.1% year-on-year, mainly reflecting lower prices in the MMA/PMMA chain and Fluorogases compared to the very high levels reached in 2018 (-5.7% price effect). Volumes decreased 1.3% year-on-year, mainly in Fluorogases. The currency effect was a positive 1.9%, essentially reflecting the variation of the euro against the US dollar.

At **€179 million**, the division's **EBITDA** was down on the record second-quarter 2018 performance as Fluorogases were impacted in particular by continued illegal HFC imports in Europe, which weighed on both volumes and prices of this business. The results also reflect, to a lesser extent, the normalization of market conditions in the MMA/PMMA chain in the continuity of the first quarter. Thiochemicals and Hydrogen Peroxide achieved a solid performance in the quarter. In this context, **EBITDA margin** remained excellent at **26.6%**.

COATING SOLUTIONS (26% OF GROUP SALES)

<i>(In millions of euros)</i>	2Q'19	2Q'18	YoY change
Sales	576	547	+5.3%
EBITDA	82	68	+20.6%
EBITDA margin	14.2%	12.4%	
Recurring operating income (REBIT)	54	42	+28.6%
REBIT margin	9.4%	7.7%	

At **€576 million, sales** for the Coating Solutions division rose 5.3% year-on-year. Volumes (up 6.7%) continued to grow, particularly in acrylic monomers. The 3.8% negative price effect mainly reflects lower propylene prices. Prices in the downstream businesses were stable overall. The currency effect was a positive 2.4%.

The division's **EBITDA** increased sharply by nearly 21% year-on-year to **€82 million**, driven by gradually improving market conditions in acrylic monomers and the progressive recovery of unit margins in downstream businesses. In this context, **EBITDA margin** was also up significantly to **14.2%**, compared with 12.4% in 2Q'18.

CASH FLOW AND NET DEBT AT 30 JUNE 2019

Arkema generated **€90 million free cash flow** in the second quarter of 2019, significantly higher than the €41 million generated in the same period of 2018, mainly reflecting a lower increase in working capital as a result of tight management, activity levels and the favorable impact of lower raw materials costs on inventories. At 30 June 2019, the ratio of working capital to annualized sales for the quarter stood at 16.0% versus 16.5% at 30 June 2018.

Capital expenditure for second-quarter 2019 amounted to €124 million, including €101 million in recurring capital expenditure and €20 million in exceptional capital expenditure, mainly relating to thiochemicals in Malaysia and specialty polyamides in Asia. For full-year 2019, total recurring and exceptional capital expenditure is expected to total around €610 million.

Portfolio management operations represented a net cash outflow of €24 million, mainly stemming from an equity investment in Carbon®, a world leader in digital manufacturing.

Consequently, **net debt** stood at **€1,308 million** at 30 June 2019 versus €1,130 million at 31 March 2019. This figure includes a €2.50 per-share dividend payment, representing an aggregate payout of €190 million, the €38 million net global cost for the partial refinancing of hybrid bonds, and €13 million share buybacks. Net debt at 30 June 2019 represented 0.9 times EBITDA of the last twelve months and gearing stood at 26 %.

POST BALANCE SHEET EVENTS

On 1 July 2019, Arkema finalized the acquisition of ArrMaz, a global leader in specialty surfactants for crop nutrition, mining and infrastructure markets, with sales of USD 290 million.

In adhesives, Arkema announced at the end of July a project by Bostik to acquire Prochimir, a company specializing in high performance thermobonding adhesive films with sales of €30 million and reporting steady growth in the past 5 years. This acquisition would position Bostik among world-leading players in thermobonding films with a broadened offering of solvent-free solutions earmarked for many fast-growing industrial applications in the automotive, construction, textile and medical markets. This acquisition is fully in line with the Group's strategy to accelerate its growth in the still fragmented adhesives market through acquisitions targeting leading technologies. Closing of the deal is expected in fourth quarter 2019, after consultation of trade unions and subject to approval by the antitrust authorities in the relevant countries.

Finally, Arkema announced a project to acquire Lambson, a company specializing in photoinitiators for curing, a technology meeting the demands of cutting-edge markets such as electronics, 3D printing, digital ink, composites and high performance coatings. These solutions will complement the offering of Sartomer, a global leader in photocure resins, while speeding up its development in this market growing at around 5% per year. Lambson reports sales of some €45 million. Closing of the deal is expected in fourth quarter 2019, subject to approval by the antitrust authorities in the relevant countries.

All of these acquisitions will contribute to further strengthening the share of specialties in Arkema's portfolio, in line with its long-term ambition.

OUTLOOK FOR 2019

In the second half of the year, the macroeconomic environment is expected to remain volatile and complex, marked by continued geopolitical uncertainties, which are weighing on global demand and raw material volatility. However, the inventory adjustments observed in the first half of the year in certain end-markets are expected to ease. In this context, Arkema will maintain its focus on internal momentum and the implementation of its long-term strategy.

The Group will therefore continue to roll out its industrial projects, its innovation drive for sustainable development and mobility, and its targeted acquisition dynamic. In the second half of the year, the Group should, in particular, benefit from the start-up of certain industrial projects in Sartomer resins in Asia, technical polymers in France and acrylics in the United States, as well as the contribution from the acquisition of ArrMaz, finalized on 1 July, and of Sunke, which is due to be completed in the third quarter of the year. The Group will also continue to implement its operational excellence initiatives and its policy of selectively raising selling prices in a context of still high oil prices.

While remaining attentive to the development of the macroeconomic environment, Arkema confirms its ambition to consolidate its financial performance at high levels and to achieve in 2019⁽¹⁾ an EBITDA comparable with the 2018 record level.

Further details on the Group's second-quarter 2019 results and outlook are provided in the "Second quarter 2019 results" presentation available on Arkema's website at www.finance.arkema.com.

REGULATED INFORMATION

The half-year financial report at 30 June 2019 is available on the Group's website at www.finance.arkema.com under Investor Relations/Financials/Financial results

FINANCIAL CALENDAR

30 October 2019	Publication of third-quarter 2019 results
27 February 2020	Publication of full-year 2019 results

*A designer of materials and innovative solutions, **Arkema** shapes materials and creates new uses that accelerate customer performance. Our balanced business portfolio spans High Performance Materials, Industrial Specialties and Coating Solutions. Our globally recognized brands are ranked among the leaders in the markets we serve. Reporting annual sales of €8.8 billion in 2018, we employ 20,000 people worldwide and operate in some 55 countries. We are committed to active engagement with all our stakeholders. Our research centers in North America, France and Asia concentrate on advances in bio-based products, new energies, water management, electronic solutions, lightweight materials and design, home efficiency and insulation. www.arkema.com*

¹ 2019 takes into account the new IFRS 16 standard.

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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. 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 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.

Data included in this press release about the balance sheet, income statement, cash flow statement and statement of changes in shareholders' equity, as well as information by business division, is extracted from the condensed consolidated financial statements at 30 June 2019 closed by Arkema's Board of Directors on 31 July 2019. Quarterly financial information is not audited.

Information by business division 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 REBIT margin as an indicator, corresponding to recurring operating income (REBIT) expressed as a percentage of sales.

For the purpose of tracking changes in its results, and particularly its sales figures, the Group analyzes the following effects (unaudited analyses):

- **scope effect:** the impact of changes in the Group's scope of consolidation, which arise from acquisitions and divestments of entire businesses or as a result of the first-time consolidation or deconsolidation of entities. Increases or reductions in capacity are not included in the scope effect;
- **currency effect:** the mechanical impact of consolidating accounts denominated in currencies other than the euro at different exchange rates from one period to another. The currency effect is calculated by applying the foreign exchange rates of the prior period to the figures for the period under review;
- **price effect:** the impact of changes in average selling prices is estimated by comparing the weighted average net unit selling price of a range of related products in the period under review with their weighted average net unit selling price in the prior period, multiplied, in both cases, by the volumes sold in the period under review.
- **volume effect:** the impact of changes in volumes is estimated by comparing the quantities delivered in the period under review with the quantities delivered in the prior period, multiplied, in both cases, by the weighted average net unit selling price in the prior period.



ARKEMA Financial Statements

Consolidated financial statements - At the end of June 2019

CONSOLIDATED INCOME STATEMENT

<i>(In millions of euros)</i>	<u>2nd quarter 2019</u> <i>(non audited)</i>	<u>End of June 2019</u> <i>(audited)</i>	<u>2nd quarter 2018</u> <i>(non audited)</i>	<u>End of June 2018</u> <i>(audited)</i>
Sales	2,254	4,469	2,270	4,442
Operating expenses	(1,731)	(3,456)	(1,721)	(3,377)
Research and development expenses	(61)	(123)	(58)	(118)
Selling and administrative expenses	(194)	(384)	(183)	(370)
Other income and expenses	(11)	(23)	-	(4)
Operating income	257	483	308	573
Equity in income of affiliates	0	(1)	1	1
Financial result	(33)	(60)	(24)	(47)
Income taxes	(46)	(95)	(64)	(116)
Net income	178	327	221	411
Of which non-controlling interests	2	4	2	4
Net income - Group share	176	323	219	407
<i>Earnings per share (amount in euros)</i>	<i>1.82</i>	<i>3.75</i>	<i>2.88</i>	<i>5.35</i>
<i>Diluted earnings per share (amount in euros)</i>	<i>1.81</i>	<i>3.73</i>	<i>2.87</i>	<i>5.34</i>

The Group applied IFRS 16 for the first time at 1 January 2019, under the modified retrospective approach which does not require restatement of the comparative figures for 2018.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<u>2nd quarter 2019</u>	<u>End of June 2019</u>	<u>2nd quarter 2018</u>	<u>End of June 2018</u>
<i>(In millions of euros)</i>	<i>(non audited)</i>	<i>(audited)</i>	<i>(non audited)</i>	<i>(audited)</i>
Net income	178	327	221	411
Hedging adjustments	2	(1)	-	-
Other items	1	1	-	-
Deferred taxes on hedging adjustments and other items	-	-	-	-
Change in translation adjustments	(37)	14	63	28
Other recyclable comprehensive income	(34)	14	63	28
Actuarial gains and losses	(54)	(33)	28	18
Deferred taxes on actuarial gains and losses	10	5	(7)	(4)
Other non-recyclable comprehensive income	(44)	(28)	21	14
Total income and expenses recognized directly in equity	(78)	(14)	84	42
Comprehensive income	100	313	305	453
Of which: non-controlling interest	-	4	3	5
Comprehensive income - Group share	100	309	302	448

The Group applied IFRS 16 for the first time at 1 January 2019, under the modified retrospective approach which does not require restatement of the comparative figures for 2018.

INFORMATION BY BUSINESS DIVISION

(audited)

2nd quarter 2019

(In millions of euros)

	High Performance Materials	Industrial Specialties	Coating Solutions	Corporate	Total
Non-Group sales	998	673	576	7	2,254
Inter-division sales	3	37	20	-	-
Total sales	1,001	710	596	7	-
EBITDA	170	179	82	(24)	407
Recurring depreciation and amortization	(47)	(53)	(28)	(1)	(129)
Recurring operating income (REBIT)	123	126	54	(25)	278
Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(9)	-	(1)	-	(10)
Other income and expenses	(9)	1	(1)	(2)	(11)
Operating income	105	127	52	(27)	257
Equity in income of affiliates	0	-	-	-	-
Intangible assets and property, plant and equipment additions	57	42	23	2	124
Of which recurring capital expenditure	42	34	23	2	101

2nd quarter 2018

(In millions of euros)

	High Performance Materials	Industrial Specialties	Coating Solutions	Corporate	Total
Non-Group sales	1,007	709	547	7	2,270
Inter-division sales	3	53	19	-	-
Total sales	1,010	762	566	7	-
EBITDA	177	208	68	(23)	430
Recurring depreciation and amortization	(40)	(45)	(26)	(1)	(112)
Recurring operating income (REBIT)	137	163	42	(24)	318
Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(10)	-	-	-	(10)
Other income and expenses	(1)	0	0	1	0
Operating income	126	163	42	(23)	308
Equity in income of affiliates	0	1	-	-	1
Intangible assets and property, plant and equipment additions	37	48	18	9	112
Of which recurring capital expenditure	28	37*	18	9	92*

* Restated figures

INFORMATION BY BUSINESS DIVISION

(audited)

End of June 2019

<i>(In millions of euros)</i>	High Performance Materials	Industrial Specialties	Coating Solutions	Corporate	Total
Non-Group sales	2,006	1,315	1,134	14	4,469
Inter-division sales	5	78	39	-	
Total sales	2,011	1,393	1,173	14	
EBITDA	332	336	158	(49)	777
Recurring depreciation and amortization	(89)	(104)	(56)	(3)	(252)
Recurring operating income (REBIT)	243	232	102	(52)	525
Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(17)	-	(2)	-	(19)
Other income and expenses	(17)	(2)	(1)	(3)	(23)
Operating income	209	230	99	(55)	483
Equity in income of affiliates	0	(1)	-	-	(1)
Intangible assets and property, plant and equipment additions	104	81	43	5	233
Of which recurring capital expenditure	83	56	43	5	187

End of June 2018

<i>(In millions of euros)</i>	High Performance Materials	Industrial Specialties	Coating Solutions	Corporate	Total
Non-Group sales	2,005	1,370	1,054	13	4,442
Inter-division sales	5	94	38	-	
Total sales	2,010	1,464	1,092	13	
EBITDA	353	370	134	(44)	813
Recurring depreciation and amortization	(78)	(87)	(51)	(2)	(218)
Recurring operating income (REBIT)	275	283	83	(46)	595
Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(18)	-	-	-	(18)
Other income and expenses	(2)	(1)	(2)	1	(4)
Operating income	255	282	81	(45)	573
Equity in income of affiliates	0	1	-	-	1
Intangible assets and property, plant and equipment additions	62	75	26	12	175
Of which recurring capital expenditure	51	59*	26	12	148*

* Restated figures

CONSOLIDATED CASH FLOW STATEMENT

<i>(In millions of euros)</i>	<u>End of June 2019</u> <i>(audited)</i>	<u>End of June 2018</u> <i>(audited)</i>
Cash flow - operating activities		
Net income	327	411
Depreciation, amortization and impairment of assets	316	235
Other provisions and deferred taxes	(1)	(28)
(Gains)/losses on sales of long-term assets	(4)	(2)
Undistributed affiliate equity earnings	1	(1)
Change in working capital	(167)	(373)
Other changes	12	8
Cash flow from operating activities	484	250
Cash flow - investing activities		
Intangible assets and property, plant, and equipment additions	(233)	(175)
Change in fixed asset payables	(96)	(26)
Acquisitions of operations, net of cash acquired	(19)	(174)
Increase in long-term loans	(20)	(44)
Total expenditures	(368)	(419)
Proceeds from sale of intangible assets and property, plant and equipment	6	1
Repayment of long-term loans	16	10
Total divestitures	22	11
Cash flow from investing activities	(346)	(408)
Cash flow - financing activities		
Issuance (repayment) of shares and other equity	3	51
Purchase of treasury shares	(17)	(19)
Issuance of hybrid bonds	399	-
Redemption of hybrid bonds	(425)	-
Dividends paid to parent company shareholders	(190)	(176)
Interest paid to bearers of subordinated perpetual notes	(12)	-
Dividends paid to non-controlling interests	(1)	(1)
Increase in long-term debt	2	1
Decrease in long-term debt	(515)	(9)
Increase/ decrease in short-term borrowings	518	(16)
Cash flow from financing activities	(238)	(169)
Net increase/(decrease) in cash and cash equivalents	(100)	(327)
Effect of exchange rates and changes in scope	(10)	(7)
Cash and cash equivalents at beginning of period	1,441	1,438
Cash and cash equivalents at end of period	1,331	1,104

The Group applied IFRS 16 for the first time at 1 January 2019, under the modified retrospective approach which does not require restatement of the comparative figures for 2018.

CONSOLIDATED BALANCE SHEET

<i>(In millions of euros)</i>	<u>End of June 2019</u> <i>(audited)</i>	<u>End of December 2018</u> <i>(audited)</i>
ASSETS		
Intangible assets, net	2,863	2,877
Property, plant and equipment, net	2,758	2,627
Equity affiliates : investments and loans	37	38
Other investments	52	33
Deferred tax assets	207	209
Other non-current assets	248	243
TOTAL NON-CURRENT ASSETS	6,165	6,027
Inventories	1,167	1,136
Accounts receivable	1,370	1,247
Other receivables and prepaid expenses	184	173
Income taxes receivables	74	80
Other current financial assets	8	7
Cash and cash equivalents	1,331	1,441
TOTAL CURRENT ASSETS	4,134	4,084
TOTAL ASSETS	10,299	10,111
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	766	766
Paid-in surplus and retained earnings	4,180	4,099
Treasury shares	(44)	(28)
Translation adjustments	156	142
SHAREHOLDERS' EQUITY - GROUP SHARE	5,058	4,979
Non-controlling interests	52	49
TOTAL SHAREHOLDERS' EQUITY	5,110	5,028
Deferred tax liabilities	265	268
Provisions for pensions and other employee benefits	517	470
Other provisions and non-current liabilities	412	433
Non-current debt	1,875	2,246
TOTAL NON-CURRENT LIABILITIES	3,069	3,417
Accounts payable	926	1,037
Other creditors and accrued liabilities	348	343
Income taxes payable	75	78
Other current financial liabilities	7	7
Current debt	764	201
TOTAL CURRENT LIABILITIES	2,120	1,666
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	10,299	10,111

The Group applied IFRS 16 for the first time at 1 January 2019, under the modified retrospective approach which does not require restatement of the comparative figures for 2018.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(audited)

<i>(In millions of euros)</i>	Shares issued			Paid-in surplus	Hybrid bonds	Retained earnings	Translation adjustments	Treasury shares		Shareholders' equity - Group share	Non-controlling interests	Shareholders' equity
	Number	Amount	Number					Amount				
At January 1, 2019	76,581,492	766	1,263	689	2,147	142	(318,998)	(28)	4,979	49	5,028	
Cash dividend	-	-	-	-	(202)	-	-	-	(202)	(1)	(203)	
Issuance of share capital	42,728	0	3	-	-	-	-	-	3	-	3	
Purchase of treasury shares	-	-	-	-	-	-	(205,621)	(17)	(17)	-	(17)	
Grants of treasury shares to employees	-	-	-	-	(1)	-	22,749	1	-	-	-	
Share-based payments	-	-	-	-	12	-	-	-	12	-	12	
Issuance of hybrid bonds	-	-	-	399	-	-	-	-	399	-	399	
Redemption of hybrid bonds	-	-	-	(394)	(31)	-	-	-	(425)	-	(425)	
Other	-	-	-	-	-	-	-	-	-	-	-	
Transactions with shareholders	42,728	0	3	5	(222)	-	(182,872)	(16)	(230)	(1)	(231)	
Net income	-	-	-	-	323	-	-	-	323	4	327	
Total income and expense recognized directly through equity	-	-	-	-	(28)	14	-	-	(14)	-	(14)	
Comprehensive income	-	-	-	-	295	14	-	-	309	4	313	
At June 30, 2019	76,624,220	766	1,266	694	2,220	156	(501,870)	(44)	5,058	52	5,110	

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 2019</u>	<u>End of June 2018</u>	<u>2nd quarter 2019</u>	<u>2nd quarter 2018</u>
OPERATING INCOME	483	573	257	308
- Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(19)	(18)	(10)	(10)
- Other income and expenses	(23)	(4)	(11)	(0)
RECURRING OPERATING INCOME (REBIT)	525	595	278	318
- Recurring depreciation and amortization	(252)	(218)	(129)	(112)
EBITDA	777	813	407	430

Details of depreciation and amortization of tangible and intangible assets:

<i>(In millions of euros)</i>	<u>End of June 2019</u>	<u>End of June 2018</u>	<u>2nd quarter 2019</u>	<u>2nd quarter 2018</u>
Depreciation and amortization of tangible and intangible assets	(316)	(236)	(144)	(122)
Of which: Recurring depreciation and amortization of tangible and intangible assets	(252)	(218)	(129)	(112)
Of which: Depreciation and amortization related to the revaluation of assets as part of the allocation of the purchase price of businesses	(19)	(18)	(10)	(10)
Of which: Impairment included in other income and expenses	(45)	0	(5)	-

ADJUSTED NET INCOME AND ADJUSTED EARNINGS PER SHARE

<i>(In millions of euros)</i>	<u>End of June 2019</u>	<u>End of June 2018</u>	<u>2nd quarter 2019</u>	<u>2nd quarter 2018</u>
NET INCOME - GROUP SHARE	323	407	176	219
- Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(19)	(18)	(10)	(10)
- Other income and expenses	(23)	(4)	(11)	-
- 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	5	4	3	2
- Taxes on other income and expenses	3	2	2	1
- One-time tax-effects	-	2	-	-
ADJUSTED NET INCOME	357	421	192	226
- Weighted average number of ordinary shares	76,214,216	76,070,820		
- Weighted average number of potential ordinary shares	76,608,099	76,169,120		
ADJUSTED EARNINGS PER SHARE (€)	4.68	5.53	2.52	2.97
DILUTED ADJUSTED EARNINGS PER SHARE (€)	4.66	5.53	2.51	2.97

RECURRING CAPITAL EXPENDITURE

<i>(In millions of euros)</i>	<u>End of June 2019</u>	<u>End of June 2018</u>	<u>2nd quarter 2019</u>	<u>2nd quarter 2018</u>
INTANGIBLE ASSETS AND PROPERTY, PLANT, AND EQUIPMENT ADDITIONS	233	175	124	112
- Exceptional capital expenditure	38	18	20	13
- Investments relating to portfolio management operations	-	-	-	-
- Capital expenditure with no impact on net debt	8	9*	3	7*
RECURRING CAPITAL EXPENDITURE	187	148*	101	92*

* Restated figures

FREE CASH FLOW

<i>(In millions of euros)</i>	<u>End of June 2019</u>	<u>End of June 2018</u>	<u>2nd quarter 2019</u>	<u>2nd quarter 2018</u>
Cash flow from operating activities	484	250	242	180
+ Cash flow from investing activities	(346)	(408)	(176)	(148)
NET CASH FLOW	138	(158)	66	32
- Net cash flow from portfolio management operations	(25)	(174)	(24)	(9)
FREE CASH FLOW	163	16	90	41

WORKING CAPITAL

<i>(In millions of euros)</i>	<u>End of June 2019</u>	<u>End of December 2018</u>
Inventories	1,167	1,136
+ Accounts receivable	1,370	1,247
+ Other receivables including income taxes	258	253
+ Other current financial assets	8	7
- Accounts payable	926	1,037
- Other liabilities including income taxes	423	421
- Other current financial liabilities	7	7
WORKING CAPITAL	1,477	1,178

CAPITAL EMPLOYED

<i>(In millions of euros)</i>	<u>End of June 2019</u>	<u>End of December 2018</u>
Goodwill, net	1,622	1,618
+ Intangible assets (excluding goodwill), and property, plant and equipment,	3,999	3,886
+ Investments in equity affiliates	37	38
+ Other investments and other non-current assets	300	276
+ Working capital	1,477	1,178
CAPITAL EMPLOYED	7,405	6,996

NET DEBT

<i>(In millions of euros)</i>	<u>End of June 2019</u>	<u>End of December 2018</u>
Non-current debt	1,875	2,246
+ Current debt	764	201
- Cash and cash equivalents	1,331	1,441
NET DEBT	1,308	1,006

IFRS 16 IMPACT ON THE MAIN ALTERNATIVE PERFORMANCE INDICATORS

As of January 1, 2019 Arkema applies IFRS 16 "Leases". The impacts of this standard on the main alternative performance indicators used by the Group are described below. The 2018 figures have not been restated.

CONSOLIDATED INCOME STATEMENT

	2 nd quarter 2019 End of June 2019	
EBITDA	14	27
Recurring depreciation and amortization	(13)	(26)
Recurring operating Income (REBIT)	1	1
Operating Income	1	1
Financial result	(1)	(2)
Ajusted net income	-	(1)
Net income	-	(1)

CONSOLIDATED CASH FLOW STATEMENT

	2 nd quarter 2019 End of June 2019	
Cash flow from operating activities	13	25
Cash flow from investing activities	(13)	(25)
Free cash flow	13	25

CONSOLIDATED BALANCE SHEET

	End of June 2019
Property, plant and equipment, net	155
Total assets	155
Non-current debt	113
Current debt	43
Net Debt	156
Net income	(1)
Total liabilities and shareholders' equity	155

INFORMATION BY BUSINESS DIVISION

IFRS 16 impact (2 nd quarter 2019)	High Performance Materials	Industrial Specialties	Coating Solutions	Corporate
EBITDA	4.5	6.5	2.5	0.5
Recurring depreciation and amortization	(4)	(6)	(2.5)	(0.5)
Recurring operating Income (REBIT)	0.5	0.5	-	-

IFRS 16 impact (End of June 2019)	High Performance Materials	Industrial Specialties	Coating Solutions	Corporate
EBITDA	8.5	12.5	5	1
Recurring depreciation and amortization	(8)	(12)	(5)	(1)
Recurring operating Income (REBIT)	0.5	0.5	-	-