PRESS RELEASE

Colombes, 27 February 2019

Arkema: Full year 2018 results

Record financial performance

- **€8.8 billion sales**, **up 5.9**% on 2017, with 7.9% organic growth
- **€1,474 million EBITDA, up 6%** on the excellent 2017 performance and at another record high
- A very solid year-end with fourth-quarter **EBITDA** at **€287 million**, up slightly on fourth-quarter 2017
- **EBITDA margin of 16.7%**, stable at a high level in a more unfavorable raw materials and currency context, and **REBIT margin** slightly up at **11.6%** from 11.3% in 2017
- **Adjusted net income** up by a strong **22.5%** to **€725 million**, representing **€9.51** per share (€7.82 in 2017)

Excellent cash generation

- **Free cash flow of €499 million**, despite an acceleration of major organic growth investments
- **Net debt** scaled back to **€1 billion**, *i.e.* 0.7x 2018 EBITDA

Strong momentum of projects

- Ongoing integration of bolt-on acquisitions and implementation of synergies in **adhesives**
- Ramp-up of organic growth investments in **advanced materials** and **Thiochemicals**
- Step-up of cross-functional initiatives in **corporate social responsibility, digital transformation** and **commercial excellence**

Proposed dividend increase to €2.50 per share (from €2.30 in the prior year)**.**

Arkema's Board of Directors met on 26 February 2019 to approve the Group's consolidated financial statements for 2018 and the annual financial statements of the parent company. At the close of the meeting, Chairman and CEO Thierry Le Hénaff stated:

"Arkema achieved another excellent set of results in 2018, following on from three years of strong growth. Our financial performance was up on the 2017 record level despite a more unfavorable raw materials environment as well as a mixed macro-economic context towards the end of the year. Our net debt remains tightly controlled thanks to our excellent generation of cash.

These results would not have been possible without the hard work of all of our people and I warmly thank them for that. These results further reflect the Group's strength and the quality of its portfolio of businesses, which combines excellent positions in specialty businesses offering promising growth opportunities as well as global and competitive positions in intermediate product lines.

Our performance demonstrates the soundness of Arkema's ambitious transformation strategy based on three strong growth pillars: innovation for sustainable development, bolt-on acquisitions in high value-added specialties and cutting-edge industrial investments to support our customers and partners in high-growth geographies."

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2018 KEY FIGURES

(In millions of euros)	FY'18	FY'17	YoY change
Sales	**8,816**	**8,326**	**+5.9%**
EBITDA	**1,474**	**1,391**	**+6.0%**
EBITDA margin	**16.7%**	**16.7%**	
Recurring depreciation and amortization	(448)	(449)	-0.2%
Recurring operating income (REBIT)	**1,026**	**942**	**+8.9%**
REBIT margin	11.6%	11.3%	
Depreciation and amortization related to purchase price allocation	(35)	(45)	
Other income and expenses	(63)	(52)	
Operating income	**928**	**845**	**+9.8%**
Adjusted net income	**725**	**592**	**+22.5%**
Net income - Group share	707	576	+22.7%
Adjusted net income per share (in €)	9.51	7.82	+21.6%
Weighted average number of ordinary shares	76,240,868	75,682,844	

2018 BUSINESS PERFORMANCE

Sales rose **5.9%** year on year to **€8,816 million** in 2018. At constant exchange rates and business scope, growth was 7.9%, led by a 6.3% increase in prices. The price effect was positive in all three of Arkema's divisions, reflecting the Group's policy of raising its selling prices in a context of significant increases in raw material costs, as well as a favorable pricing environment for the MMA/PMMA chain and Fluorogases. Volumes were up 1.6% during the year. Higher volumes in High Performance Materials, driven by innovation, and in Coating Solutions more than offset lower volumes in Industrial Specialties, which mainly stemmed from lower sales quotas for Fluorogases. Excluding Fluorogases, volumes were up 2.7%. The bolt-on acquisitions carried out in adhesives, including that of XL Brands completed in early 2018, contributed 0.8% to overall sales growth. The negative 2.8% currency effect mainly resulted from the sharp rise in the euro against the US dollar in the first half of 2018.

The geographic breakdown of the Group's sales was similar to 2017, with Europe accounting for 38%, North America 31% and Asia and the rest of the world 31%.

At **€1,474 million, EBITDA** reached an all-time high. EBITDA was **6%** up on the excellent 2017 performance despite an unfavorable raw materials and currency environment. This performance reflects a slight growth of specialty businesses (which made up 70% of the Group's total sales in 2018), notably High Performance Materials, and the very good results achieved by the intermediate chemicals businesses [(1)].

EBITDA margin came in at **16.7%**, stable versus 2017 despite the dilutive impact of the price increases implemented by the Group on this ratio. The margin is in line with the Group's mid-term objectives.

Recurring operating income (REBIT) advanced to **€1,026 million** from €942 million in 2017. The 2018 figure includes €448 million in recurring depreciation and amortization, stable compared to 2017 (€449 million). The **REBIT margin** rose to **11.6%** from 11.3 % in 2017.

Operating income increased to **€928 million** from €845 million in 2017. The 2018 figure includes €63 million in net other expenses, mainly corresponding to restructuring costs and asset impairments. It also includes €35 million in depreciation and amortization, primarily resulting from the revaluation of Bostik, Den Braven and XL Brands assets as part of the purchase price allocation.

The **financial result** represented a **net expense of €101 million**, overall stable relative to 2017.

[1] The intermediate chemicals businesses comprise the Acrylics, PMMA and Fluorogases Business Lines.

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The Group had a net **income tax expense** of **€114 million** in 2018, versus a €162 million net expense in 2017, including a €59 million one-off tax profit in 2018 with no cash impact arising from the recognition of deferred tax assets in France. Excluding exceptional items, the tax rate corresponded to 19% of recurring operating income, down significantly on the 26% rate for 2017. The year-on-year decrease resulted from the expected positive impact of the US tax reform and the geographic mix of the Group's earnings.

As a result, **net income – Group share** increased significantly to **€707 million** from €576 million in 2017. Excluding the post-tax impact of non-recurring items, **adjusted net income** was up 22.5% on 2017 at **€725 million**, representing **€9.51** per share.

In line with the Group's dividend policy, the Board of Directors has decided that at the Annual General Meeting on 21 May 2019 it will recommend increasing the dividend, to be paid entirely in cash, from €2.30 per share to **€2.50**, representing a payout rate of 26% of the Group's adjusted net income and an increase of around 9% relative to last year. This decision reflects Arkema's very good results and the confidence of the Board of Directors in the Group's development prospects. Shares will trade ex-dividend on 27 May 2019 and the dividend will be paid from 29 May 2019.

2018 PERFORMANCE BY DIVISION

HIGH PERFORMANCE MATERIALS (45% OF TOTAL GROUP SALES)

(In millions of euros)	**FY'18**	**FY'17**	YoY change
Sales	**3,970**	**3,830**	**+3.7%**
EBITDA	**640**	**632**	**+1.3%**
EBITDA margin	**16.1%**	**16.5%**	
Recurring operating income (REBIT)	**481**	**474**	**+1.5%**
REBIT margin	12.1%	12.4%	

Sales generated by the High Performance Materials division totaled **€3,970 million**, up 3.7% on 2017. At constant exchange rates and business scope, sales grew by 4.7% with volumes up 2.7%, led by sustained demand for advanced materials in the areas of lightweight materials, batteries, 3D printing and consumer goods (sports, electronics) and the ramp-up of the division's new manufacturing facilities. Selling prices increased 2.0%, thanks to the pricing actions taken by the Group throughout the course of the year. The increase was even greater in adhesives where the Group implemented significant price increases given the particularly sharp rise of certain raw materials. The integration in the adhesives business of XL Brands and of Nitta Gelatin's industrial adhesives in Japan contributed around 1.8% to the division's sales growth. The currency effect was a negative 2.9% and stemmed from the sharp rise of the euro in the first half of the year against the US dollar and the currencies of certain emerging markets.

With **EBITDA** up 1.3% year on year to **€640 million** and an **EBITDA margin** close to last year at **16.1%**, the High Performance Materials division continued to hold firm despite a more unfavorable environment for raw materials and currencies. This performance was achieved thanks to the robust growth of advanced materials, led by sustainable development innovations and an excellent contribution from the specialty molecular sieves business, especially in the first quarter of the year, given the particularly high density of projects finalized in 2018. In adhesives, the strong increase of raw material costs temporarily weighed on this business's performance given its downstream positioning.

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Industrial Specialties (31% of total Group sales)

(In millions of euros)	FY'18	FY'17	YoY change
Sales	**2,699**	**2,545**	**+6.1%**
EBITDA	**675**	**585**	**+15.4%**
EBITDA margin	**25.0%**	**23.0%**	
Recurring operating income (REBIT)	**497**	**411**	**+20.9%**
REBIT margin	18.4%	16.1%	

Industrial Specialties **sales** totaled **€2,699 million**, up 6.1% year on year. At constant exchange rates and business scope, sales increased 8.6%, driven by a 12.0% price effect, positive in all four of the division's product lines. Volumes were down 3.4%, mainly due to lower sales quotas for Fluorogases in Europe and the United States. The currency effect was a negative 2.5%, primarily attributable to the stronger euro against the US dollar.

EBITDA amounted to **€675 million**, up 15.4% year on year, and the **EBITDA margin** stood at **25%**, with all four of the division's product lines contributing to this excellent result. The division's results reflect the overall tight market conditions in the MMA/PMMA chain despite the normalization seen in the last few months of the year and the good performance of Thiochemicals and Hydrogen Peroxide, particularly in Asia. They also reflect the benefits from Europe's F-Gas regulation in the Fluorogases business, which achieved excellent results in 2018, above our expectations and surpassing the high levels it achieved in the 2017 reference year.

Coating Solutions (24% of total Group sales)

(In millions of euros)	FY'18	FY'17	YoY change
Sales	**2,120**	**1,924**	**+10.2%**
EBITDA	**243**	**244**	**-0.4%**
EBITDA margin	**11.5%**	**12.7%**	
Recurring operating income (REBIT)	**140**	**135**	**+3.7%**
REBIT margin	6.6%	7.0%	

At **€2,120 million, sales** for the Coating Solutions division rose 10.2% year on year. At constant exchange rates and business scope, sales were up 13.4% on 2017, fueled by a 7.4% positive price effect which reflects higher selling prices across the entire acrylics chain and by a good volume momentum mainly in Asia and the United States with a 6.0% positive effect. The divestment of the oxo-alcohol business in March 2017 resulted in a 0.4% negative scope effect, and the currency effect, which primarily stemmed from the stronger euro against the US dollar, was a negative 2.9%.

The division's **EBITDA** is stable at **€243 million**. The gradual improvement in market conditions for acrylic monomers offset the impact that higher raw materials costs (especially acrylic acid and MMA) had on the performance of downstream businesses. **EBITDA margin** was **11.5%**, notably reflecting the particularly dilutive impact of the Group's higher selling prices on this ratio.

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CASH FLOW AND NET DEBT AT 31 DECEMBER 2018

In 2018, Arkema generated **€499 million** in **free cash flow** (€565 million in 2017), in a context of higher raw material prices and while pursuing its ambitious organic investment strategy to support future growth.

At €1,029 million, cash flow from operating activities was higher than in 2017 (€1,008 million), as higher EBITDA, lower taxes and the actions taken to optimize inventory levels in the fourth-quarter more than offset the mechanical impact on working capital of the sharp rise in selling prices and raw material costs. At 31 December 2018, the ratio of working capital to annual sales was 13.4%, close to the record low of 13.1% at 31 December 2017 (14.5% at end-December 2016 excluding the impact of the Den Braven acquisition).

Recurring and exceptional capital expenditure amounted to €561 million in 2018, in line with the Group's guidance. Exceptional capital expenditure came to €61 million and mainly related to major investment projects for Thiochemicals in Malaysia and specialty polyamides in Asia. Recurring capital expenditure represented 5.7% of the Group's sales.

For 2019, Arkema's recurring and exceptional expenditure is expected to amount to around €610 million, with the increase primarily corresponding to the specialty polyamides projects in Asia.

Free cash flow for 2018 also included a net €42 million cash outflow from non-recurring items, mainly corresponding to restructuring costs.

The EBITDA to cash conversion rate was 38%, above the Group's target of 35%.

Portfolio management operations represented a net cash outflow of €213 million, mainly stemming from the acquisition of XL Brands in the adhesives business in early January 2018.

Cash flow from financing activities represented a **net outflow of €268 million** and included the impact of a €2.30 per-share dividend payment in respect of 2017, representing a total amount of €176 million, €50 million in proceeds from a capital increase reserved for employees carried out in April 2018, €53 million share buybacks, and €33 million in interest paid on the Group's hybrid bond.

At 31 December 2018, **net debt** stood at **€1,006 million**, down on the €1,056 million net debt figure at 31 December 2017. It represented a gearing of 20% and 0.7 times EBITDA for the year. In accordance with IFRS, these figures exclude the hybrid bond.

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KEY FIGURES FOR FOURTH-QUARTER 2018

(In millions of euros)	4Q'18	4Q'17	YoY change
Sales	**2,207**	**1,957**	**+12.8%**
EBITDA	**287**	**283**	**+1.4%**
High Performance Materials	125	131	-4.6%
Industrial Specialties	140	120	+16.7%
Coating Solutions	44	44	-
EBITDA margin	**13.0%**	**14.5%**	
High Performance Materials	12.8%	14.4%	
Industrial Specialties	20.5%	19.8%	
Coating Solutions	8.2%	10.1%	
Recurring depreciation and amortization	(121)	(118)	+2.5%
Recurring operating income (REBIT)	**166**	**165**	**+0.6%**
REBIT margin	7.5%	8.4%	
Adjusted net income	**118**	**115**	**+2.6%**
Net income - Group share	126	137	-8.0%
Adjusted net income per share (in €)	1.53	1.52	+0.7%

In the fourth quarter of 2018, **sales** rose 12.8% year on year to **€2,207 million**. At constant exchange rates and business scope, sales increased by 11.2%. The +7.7% price effect was positive in all three divisions, reflecting the Group's continued policy of raising its selling prices to offset higher raw materials costs in its downstream businesses. Volumes were up 3.5% on fourth-quarter 2017, driven mainly by the Coating Solutions division. The bolt-on acquisitions carried out in the adhesives business contributed 1.1% to overall sales growth and the currency effect was a slightly positive 0.5%.

In a volatile and mixed macro-economic environment, **EBITDA** rose to **€287 million**, up 1.4% against the high comparison base of fourth-quarter 2017. The specialty businesses delivered a very solid performance, overall stable compared to last year, whilst growth reported by the intermediate chemicals businesses offset higher corporate costs. At 13.0%, the EBITDA margin reflected the dilutive impact of the Group's policy of raising its selling prices and the product mix in the fourth quarter.

Sales for the **High Performance Materials** division rose 7.6% year on year to **€978 million** in the fourth quarter of 2018. At constant exchange rates and business scope, sales increased by 5.3%, reflecting the Group's continued policy of selectively raising its selling prices (positive 3.9% price effect) and higher volumes, up 1.4% against the high base of comparison in fourth-quarter 2017. The bolt-on acquisitions carried out in adhesives added 2.3% to the division's sales. At **€125 million**, **EBITDA** was close to last year's and the EBITDA margin came to 12.8%. The division's fourth-quarter performance was temporarily impacted by the Group's management of its inventories in a context of highly volatile oil prices.

In the **Industrial Specialties** division, **sales** grew 12.7% year on year to **€683 million** in fourth-quarter 2018. At constant exchange rates and business scope, sales were up 12.0%, driven by a +12.3% price effect, positive for all of the division's businesses, whereas volumes were close to last year's (-0.3%). At **€140 million, EBITDA** was 16.7% up on fourth-quarter 2017, with a better than expected contribution from Fluorogases at the end of the year, and very solid performances from the Thiochemicals and Hydrogen Peroxide businesses. These factors more than offset the impact, as expected, of the normalization of market conditions in the MMA/PMMA chain, mainly in Europe.

Sales in the **Coating Solutions** division totaled **€539 million**, up 23.3% on fourth-quarter 2017. At constant exchange rates and business scope, sales grew by 22.3%, driven by a 13.2% volume growth, mainly in Asia and North America and by continued price increases in the acrylics chain with a positive 9.1% price effect. The division's **EBITDA** was stable year on year at **€44 million**, as the benefits from higher volumes were fully offset by the impact of higher raw materials costs in the downstream businesses.

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Arkema generated **€256 million** in **free cash flow** in the fourth quarter of 2018, up steeply on the €177 million figure for fourth-quarter 2017. This increase was achieved thanks to the tight working capital management, with a €187 million cash inflow (excluding non-recurring items) on the quarter (+€95 million in fourth-quarter 2017).

CHANGES IN ACCOUNTING STANDARDS

IFRS 16, "Leases" came into effect on 1 January 2019. In accordance with this new standard, the Group's lease obligations will be accounted for in the balance sheet as an asset corresponding to the right to use the leased asset and an equivalent financial liability. In the income statement, lease payments will now be accounted for as an amortization of the right to use the asset, and booked in "Depreciation and amortization", and as an interest expense booked in "Financial result". Finally, in the cash flow statement, lease payments that were previously presented in "Cash flow from operating activities" will be booked as a repayment of the financial liability and presented in "Cash flow from financing activities", on one hand, and as financial interest expense presented in "Cash flow from operating activities", on the other hand.

Consequently, based on an analysis of the Group's current leases and as estimates currently stand, the application of IFRS 16 should lead, on the balance sheet, to an increase of the amount of assets and financial liabilities of less than 2% of total assets. In the income statement, EBITDA should increase by approximately 3%, while the impact on the operating income and net income should be negligible. In the cash flow statement, cash flow from operating activities should increase by an amount similar to the expected EBITDA impact with an equivalent decrease in cash flow from financing activities. The Group estimates that the application of IFRS 16 does not have a material impact on its mid and long term objectives.

POST BALANCE SHEET EVENTS

In February 2019, Arkema inaugurated a new first-class polyester resin manufacturing facility in India. This new facility also includes a dedicated laboratory to provide both application development and technical support. The facility will help Arkema better serve its customers in the fast-growing powder coating market in India and in the Gulf Region.

OUTLOOK FOR 2019

The start of the year remains characterized by a volatile environment and some geopolitical tensions which are somewhat weighing on global demand. In this context, Arkema will maintain its focus on internal momentum and the implementation of its long-term strategy.

Consequently, the Group continues the roll-out of its industrial projects to reinforce its positions in specialty businesses and higher-growth regions, its innovation drive for sustainable development, its acquisition momentum in adhesives, its operational excellence initiatives as well as its policy of selectively raising its selling prices.

In 2019 [(2)], while remaining attentive to the development of the macro-economic environment, Arkema aims to demonstrate its resilience in this more complex environment and to consolidate its financial performance at high levels. In the first quarter, EBITDA is expected to be slightly below the very high comparison base of first-quarter 2018. For the full year, the Group aims to achieve an EBITDA comparable to the 2018 record level with momentum improving throughout the year, driven notably by the growth of specialty businesses.

[2] 2019 takes into account the new IFRS 16 standard.

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Further details on the 2018 results and the outlook are provided in the "Full year 2018 results" presentation available on Arkema's website at www.finance.arkema.com

The consolidated financial statements at 31 December 2018 have been audited, and an unqualified certification report has been issued by the Company's statutory auditors. These financial statements and the statutory auditors' report will be available in April in the Company's reference document which will be posted online on Arkema's website at www.finance.arkema.com

FINANCIAL CALENDAR

7 May 2019	Publication of first-quarter 2019 results
21 May 2019	Annual General Meeting
1 August 2019	Publication of first-half 2019 results
30 October 2019	Publication of third-quarter 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 50 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*

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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.

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 business division included in this press release are extracted from the consolidated financial statements at 31 December 2018 as approved by Arkema's Board of Directors on 26 February 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 the REBIT margin calculated as the recurring operating income (REBIT) 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.*

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ARKEMA Financial Statements

Consolidated financial statements - At the end of December 2018

CONSOLIDATED INCOME STATEMENT

(In millions of euros)	4th quarter 2018 (non audited)	End of December 2018 (audited)	4th quarter 2017 (non audited)	End of December 2017 (audited)
Sales	**2,207**	**8,816**	**1,957**	**8,326**
Operating expenses	(1,795)	(6,841)	(1,559)	(6,467)
Research and development expenses	(61)	(237)	(59)	(235)
Selling and administrative expenses	(194)	(747)	(185)	(727)
Other income and expenses	(51)	(63)	(32)	(52)
Operating income	**106**	**928**	**122**	**845**
Equity in income of affiliates	0	2	1	1
Financial result	(28)	(101)	(25)	(103)
Income taxes	51	(114)	40	(162)
Net income	**129**	**715**	**138**	**581**
Of which non-controlling interests	3	8	1	5
Net income - Group share	**126**	**707**	**137**	**576**
Earnings per share (amount in euros)	*1.21*	*8.84*	*1.37*	*7.17*
Diluted earnings per share (amount in euros)	*1.21*	*8.82*	*1.36*	*7.15*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In millions of euros)	4th quarter 2018 *(non audited)*	End of December 2018 *(audited)*	4th quarter 2017 *(non audited)*	End of December 2017 *(audited)*
Net income	**129**	**715**	**138**	**581**
Hedging adjustments	3	1	(5)	20
Other items	(6)	(7)	(4)	(4)
Deferred taxes on hedging adjustments and other items	-	-	-	-
Change in translation adjustments	27	41	(17)	(200)
Other recyclable comprehensive income	**24**	**35**	**(26)**	**(184)**
Actuarial gains and losses	(22)	(3)	16	32
Deferred taxes on actuarial gains and losses	4	(1)	(6)	(11)
Other non-recyclable comprehensive income	**(18)**	**(4)**	**10**	**21**
Total income and expenses recognized directly in equity	**6**	**31**	**(16)**	**(163)**
Comprehensive income	**135**	**746**	**122**	**418**
Of which: non-controlling interest	4	9	4	5
Comprehensive income - Group share	**131**	**737**	**118**	**413**

INFORMATION BY BUSINESS DIVISION

(audited)

(In millions of euros)	4rd quarter 2018				
	High Performance Materials	**Industrial Specialties**	**Coating Solutions**	**Corporate**	**Total**
Non-Group sales	978	683	539	7	**2,207**
Inter-division sales	2	18	16	-	
Total sales	**980**	**701**	**555**	**7**	
EBITDA	**125**	**140**	**44**	**(22)**	**287**
Recurring depreciation and amortization	(42)	(47)	(26)	(6)	(121)
Recurring operating income (REBIT)	**83**	**93**	**18**	**(28)**	**166**
Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(9)	-	-	-	(9)
Other income and expenses	(30)	(22)	(2)	3	(51)
Operating income	**44**	**71**	**16**	**(25)**	**106**
Equity in income of affiliates	0	0	-	-	-
Intangible assets and property, plant and equipment additions	**89**	**103**	**64**	**14**	**270**
Of which recurring capital expenditure	79	75	64	14	232

(In millions of euros)	4rd quarter 2017				
	High Performance Materials	**Industrial Specialties**	**Coating Solutions**	**Corporate**	**Total**
Non-Group sales	909	606	437	5	**1,957**
Inter-division sales	2	34	17	-	
Total sales	**911**	**640**	**454**	**5**	
EBITDA	**131**	**120**	**44**	**(12)**	**283**
Recurring depreciation and amortization	(42)	(42)	(28)	(6)	(118)
Recurring operating income (REBIT)	**89**	**78**	**16**	**(18)**	**165**
Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(11)	-	-	-	(11)
Other income and expenses	(5)	(7)	(7)	(13)	(32)
Operating income	**73**	**71**	**9**	**(31)**	**122**
Equity in income of affiliates	0	1	-	-	1
Intangible assets and property, plant and equipment additions	**74**	**79**	**43**	**11**	**207**
Of which recurring capital expenditure	74	69	43	11	197

INFORMATION BY BUSINESS DIVISION

(audited)

(In millions of euros)	End of December 2018				
	High Performance Materials	**Industrial Specialties**	**Coating Solutions**	**Corporate**	**Total**
Non-Group sales	3,970	2,699	2,120	27	**8,816**
Inter-division sales	10	159	75	-	
Total sales	**3,980**	**2,858**	**2,195**	**27**	
EBITDA	**640**	**675**	**243**	**(84)**	**1,474**
Recurring depreciation and amortization	(159)	(178)	(103)	(8)	(448)
Recurring operating income (REBIT)	**481**	**497**	**140**	**(92)**	**1,026**
Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(35)	-	-	-	(35)
Other income and expenses	(41)	(24)	(4)	6	(63)
Operating income	**405**	**473**	**136**	**(86)**	**928**
Equity in income of affiliates	1	1	-	-	2
Intangible assets and property, plant and equipment additions	**199**	**238**	**117**	**37**	**591**
Of which recurring capital expenditure	168	178	117	37	500

(In millions of euros)	End of December 2017				
	High Performance Materials	**Industrial Specialties**	**Coating Solutions**	**Corporate**	**Total**
Non-Group sales	3,830	2,545	1,924	27	**8,326**
Inter-division sales	7	141	72	-	
Total sales	**3,837**	**2,686**	**1,996**	**27**	
EBITDA	**632**	**585**	**244**	**(70)**	**1,391**
Recurring depreciation and amortization	(158)	(174)	(109)	(8)	(449)
Recurring operating income (REBIT)	**474**	**411**	**135**	**(78)**	**942**
Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(45)	-	-	-	(45)
Other income and expenses	(19)	(9)	(8)	(16)	(52)
Operating income	**410**	**402**	**127**	**(94)**	**845**
Equity in income of affiliates	1	-	-	-	1
Intangible assets and property, plant and equipment additions	**186**	**165**	**88**	**20**	**459**
Of which recurring capital expenditure	168	144	88	20	420

CONSOLIDATED CASH FLOW STATEMENT

(In millions of euros)	**End of December 2018** *(audited)*	**End of December 2017** *(audited)*
Cash flow - operating activities		
Net income	715	581
Depreciation, amortization and impairment of assets	508	501
Provisions, valuation allowances and deferred taxes	(81)	(41)
(Gains)/losses on sales of assets	(3)	(2)
Undistributed affiliate equity earnings	(1)	2
Change in working capital	(130)	(41)
Other changes	21	8
Cash flow from operating activities	**1,029**	**1,008**
Cash flow - investing activities		
Intangible assets and property, plant, and equipment additions	(591)	(459)
Change in fixed asset payables	53	6
Acquisitions of operations, net of cash acquired	(201)	(1)
Increase in long-term loans	(59)	(60)
Total expenditures	**(798)**	**(514)**
Proceeds from sale of intangible assets and property, plant and equipment	4	10
Change in fixed asset receivables	-	0
Proceeds from sale of operations, net of cash sold	-	11
Proceeds from sale of unconsolidated investments	-	0
Repayment of long-term loans	51	45
Total divestitures	**55**	**66**
Cash flow from investing activities	**(743)**	**(448)**
Cash flow - financing activities		
Issuance (repayment) of shares and other equity	54	3
Purchase of treasury shares	(53)	(17)
Dividends paid to parent company shareholders	(176)	(155)
Interest paid to bearers of subordinated perpetual notes	(33)	(33)
Dividends paid to non-controlling interests	(4)	(4)
Increase in long-term debt	1	902
Decrease in long-term debt	(18)	(32)
Increase/ decrease in short-term borrowings	(39)	(472)
Cash flow from financing activities	**(268)**	**192**
Net increase/(decrease) in cash and cash equivalents	18	752
Effect of exchange rates and changes in scope	(15)	63
Cash and cash equivalents at beginning of period	1,438	623
Cash and cash equivalents at end of period	**1,441**	**1,438**

CONSOLIDATED BALANCE SHEET

(In millions of euros)	End of December 2018 *(audited)*	End of December 2017 *(audited)*
ASSETS		
Intangible assets, net	2,877	2,706
Property, plant and equipment, net	2,627	2,464
Equity affiliates : investments and loans	38	30
Other investments	33	30
Deferred tax assets	209	150
Other non-current assets	243	230
TOTAL NON-CURRENT ASSETS	**6,027**	**5,610**
Inventories	1,136	1,145
Accounts receivable	1,247	1,115
Other receivables and prepaid expenses	173	181
Income taxes recoverable	80	70
Other current financial assets	7	17
Cash and cash equivalents	1,441	1,438
TOTAL CURRENT ASSETS	**4,084**	**3,966**
TOTAL ASSETS	**10,111**	**9,576**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	766	759
Paid-in surplus and retained earnings	4,099	3,575
Treasury shares	(28)	(2)
Translation adjustments	142	101
SHAREHOLDERS' EQUITY - GROUP SHARE	**4,979**	**4,433**
Non-controlling interests	49	41
TOTAL SHAREHOLDERS' EQUITY	**5,028**	**4,474**
Deferred tax liabilities	268	271
Provisions for pensions and other employee benefits	470	460
Other provisions and non-current liabilities	433	443
Non-current debt	2,246	2,250
TOTAL NON-CURRENT LIABILITIES	**3,417**	**3,424**
Accounts payable	1,037	965
Other creditors and accrued liabilities	343	377
Income taxes payable	78	82
Other current financial liabilities	7	10
Current debt	201	244
TOTAL CURRENT LIABILITIES	**1,666**	**1,678**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**10,111**	**9,576**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(audited)

(In millions of euros)	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, 2018	**75,870,506**	**759**	**1,216**	**689**	**1,670**	**101**	**(33,225)**	**(2)**	**4,433**	**41**	**4,474**
Cash dividend	-	-	-	-	(209)	-	-	-	(209)	(4)	(213)
Issuance of share capital	710,986	7	47	-	-	-	-	-	54	-	54
Purchase of treasury shares	-	-	-	-	-	-	(557,642)	(53)	(53)	-	(53)
Grants of treasury shares to employees	-	-	-	-	(27)	-	271,869	27	-	-	-
Share-based payments	-	-	-	-	20	-	-	-	20	-	20
Other	-	-	-	-	(3)	-	-	-	(3)	3	-
Transactions with shareholders	**710,986**	**7**	**47**	**-**	**(219)**	**-**	**(285,773)**	**(26)**	**(191)**	**(1)**	**(192)**
Net income	-	-	-	-	706	-	-	-	706	9	715
Total income and expense recognized directly through equity	-	-	-	-	(10)	41	-	-	31	-	31
Comprehensive income	**-**	**-**	**-**	**-**	**696**	**41**	**-**	**-**	**737**	**9**	**746**
At December 31, 2018	**76,581,492**	**766**	**1,263**	**689**	**2,147**	**142**	**(318,998)**	**(28)**	**4,979**	**49**	**5,028**

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

(In millions of euros)	End of December 2018	End of December 2017	4rd quarter 2018	4rd quarter 2017
OPERATING INCOME	**928**	**845**	**106**	**122**
- Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(35)	(45)	(9)	(11)
- Other income and expenses	(63)	(52)	(51)	(32)
RECURRING OPERATING INCOME (REBIT)	**1,026**	**942**	**166**	**165**
- Recurring depreciation and amortization	(448)	(449)	(121)	(118)
EBITDA	**1,474**	**1,391**	**287**	**283**

Details of depreciation and amortizations:

(In millions of euros)	End of December 2018	End of December 2017	4rd quarter 2018	4rd quarter 2017
Depreciation and amortization	**(508)**	**(501)**	**(153)**	**(136)**
Of which: Recurring depreciation and amortization	(448)	(449)	(121)	(118)
Of which: Depreciation and amortization related to the revaluation of assets as part of the allocation of the purchase price of businesses	(35)	(45)	(9)	(11)
Of which: Impairment included in other income and expenses	(25)	(7)	(23)	(7)

ADJUSTED NET INCOME AND ADJUSTED EARNINGS PER SHARE

(In millions of euros)	End of December 2018	End of December 2017	4rd quarter 2018	4rd quarter 2017
NET INCOME - GROUP SHARE	**707**	**576**	**126**	**137**
- Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(35)	(45)	(9)	(11)
- Other income and expenses	(63)	(52)	(51)	(32)
- 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	8	12	2	2
- Taxes on other income and expenses	10	14	6	8
- One-time tax-effects	62	55	60	55
ADJUSTED NET INCOME	**725**	**592**	**118**	**115**
- Weighted average number of ordinary shares	76,240,868	75,682,844		
- Weighted average number of potential ordinary shares	76,377,502	75,895,729		
ADJUSTED EARNINGS PER SHARE (€)	**9.51**	**7.82**	**1.53**	**1.52**
DILUTED ADJUSTED EARNINGS PER SHARE (€)	**9.49**	**7.80**	**1.53**	**1.52**

RECURRING CAPITAL EXPENDITURE

(In millions of euros)	End of December 2018	End of December 2017	4rd quarter 2018	4rd quarter 2017
INTANGIBLE ASSETS AND PROPERTY, PLANT, AND EQUIPMENT ADDITIONS	**591**	**459**	**270**	**207**
- Exceptional capital expenditure	61	10	27	6
- Investments relating to portfolio management operations	4	18	-	-
- Capital expenditure with no impact on net debt	26	11	11	4
RECURRING CAPITAL EXPENDITURE	**500**	**420**	**232**	**197**

FREE CASH FLOW AND EBITDA TO CASH CONVERSION RATE

(In millions of euros)	End of December 2018	End of December 2017	4rd quarter 2018	4rd quarter 2017
Cash flow from operating activities	1,029	1,008	418	350
+ Cash flow from investing activities	(743)	(448)	(174)	(174)
NET CASH FLOW	**286**	**560**	**244**	**176**
- Net cash flow from portfolio management operations	(213)	(5)	(12)	(1)
FREE CASH FLOW	**499**	**565**	**256**	**177**

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

(In millions of euros)	End of December 2018	End of December 2017
Free Cash flow	499	565
- Exceptional capital expenditure	(61)	(10)
FREE CASH FLOW EXCLUDING EXCEPTIONAL CAPITAL EXPENDITURE	**560**	**575**
EBITDA	1,474	1,391
EBITDA TO CASH CONVERSION RATE	**38.0%**	**41.3%**

WORKING CAPITAL

(In millions of euros)	End of December 2018	End of December 2017
Inventories	1,136	1,145
+ Accounts receivable	1,247	1,115
+ Other receivables including income taxes	253	251
+ Other current financial assets	7	17
- Accounts payable	1,037	965
- Other liabilities including income taxes	421	459
- Other current financial liabilities	7	10
WORKING CAPITAL	**1,178**	**1,094**

CAPITAL EMPLOYED

(In millions of euros)	End of December 2018	End of December 2017
Goodwill, net	1,618	1,525
+ Intangible assets other than goodwill, and property, plant and equipment,	3,886	3,645
+ Investments in equity affiliates	38	30
+ Other investments and other non-current assets	276	260
+ Working capital	1,178	1,094
CAPITAL EMPLOYED	**6,996**	**6,554**

NET DEBT

(In millions of euros)	End of December 2018	End of December 2017
Non-current debt	2,246	2,250
+ Current debt	201	244
- Cash and cash equivalents	1,441	1,438
NET DEBT	**1,006**	**1,056**

RETURN ON AVERAGE CAPITAL EMPLOYED (ROACE)

(In millions of euros)	End of December 2018	End of December 2017
Recurring operating income (REBIT)	1,026	942
Average capital employed *	6,775	6,691
ROACE	**15.1%**	**14.1%**

** Average capital employed at the end of the current and the prior year*