ARKEMA
INNOVATIVE CHEMISTRY

Colombes, 1 August 2018

Arkema: Second-quarter 2018 results

- **Sales** up **6.7%** year on year to **€2,270 million** (at constant exchange rates and business scope)
- Robust **8% EBITDA** growth on Q2 2017 to **€430 million** (**up 12.6%** at constant exchange rates)
- All three divisions reported EBITDA growth despite the unfavorable effect of currencies and raw materials
- **EBITDA margin** up to **18.9%** (from 18.1% in Q2 2017)
- Very strong **31%** increase in **adjusted net income** to **€226 million**, representing **€2.97** per share
- **Net debt** of **€1,372 million** (versus €1,227 million at end-March 2018), taking into account the €176 million dividend payment in late May 2018, representing a gearing of 29%
- Outlook for full-year 2018 revised upwards

The Board of Directors of Arkema met on 31 July 2018 to close the Group's consolidated financial statements for the first half of 2018. At the close of the meeting, Chairman and CEO Thierry Le Hénaff stated:

"For the first time in the Group's history, quarterly EBITDA exceeded €400 million, a record high. This operating performance led to a sharp increase in the adjusted net income at close to three euros per share.

In a persistently volatile global context, marked by high raw materials costs, an unfavorable currency effect and geopolitical tensions, the Group benefited from its growth strategy and strong commercial and industrial positioning. Arkema's performance was led by high demand for advanced materials in the areas of lightweight materials, 3D printing, new energies and consumer goods, by targeted acquisitions in adhesives and by robust momentum for our intermediate chemical businesses.

On the strength of these results and remaining attentive to global economic developments, we are highly confident in our ability to deliver an excellent full-year performance in 2018."

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A French *société anonyme* (joint stock corporation) with share capital of €765,324,560 euros – Registered in Nanterre under no. RCS 445 074 685
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KEY FIGURES FOR SECOND-QUARTER 2018

(In millions of euros)	**Q2 2018**	**Q2 2017**	Year-on-year change
Sales	**2,270**	**2,198**	**+3.3%**
EBITDA	**430**	**398**	**+8.0%**
EBITDA margin	**18.9%**	**18.1%**	
Recurring depreciation and amortization	(112)	(112)	-
Recurring operating income (REBIT)	**318**	**286**	**+11.2%**
REBIT margin	14.0%	13.0%	
Depreciation and amortization related to purchase price allocation*	(10)	(13)	N/A
Other income and expenses*	-	(2)	N/A
Operating income	**308**	**271**	**+13.7%**
Adjusted net income	**226**	**172**	**+31.4%**
Net income – Group share	219	160	+36.9%
Adjusted net income per share (in €)	2.97	2.28	+30.3%
Weighted average number of ordinary shares	76,070,820	75,671,629	

* In the consolidated income statement, "Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the purchase price allocation process" is now recognized in "Operating expenses". For 2017, other income and expenses have been restated to reflect this reclassification.

SECOND-QUARTER 2018 PERFORMANCE

Sales rose 3.3% year on year to **€2,270 million**. At constant exchange rates and business scope, sales rose 6.7%, driven by a 5.8% positive price effect with increases in all of the divisions that stemmed from the Group's continued policy of raising its selling prices and from market conditions for the intermediate chemical businesses. Volumes were up 0.9%, led by the Group's innovation drive and the start-up of new advanced materials units as well as a significant improvement in volumes in the Coating Solutions division. These positive factors more than offset the impact of lower selling quotas for Fluorogases and of the national rail strikes in France on certain French production units. The currency effect was a negative 4.2%, mainly due to the euro's rise against the US dollar. The 0.8% positive scope effect reflected the integration of XL Brands.

At **€430 million**, **EBITDA** reached an all-time high on a quarter. Up 8.0% on the second quarter of 2017, it advanced in all three divisions despite an €18 million currency translation loss related to the sharp increase in the euro, particularly against the US dollar. This performance was driven by high demand for advanced materials, the integration of the Group's bolt-on acquisitions in adhesives, the gradual pass-through of higher raw materials costs and a very good performance from the four Business Lines that make up the Industrial Specialties division.

EBITDA margin increased to **18.9%** from 18.1% in the second quarter of 2017.

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Recurring operating income (REBIT) rose in line with the increase in EBITDA, to **€318 million** from €286 million in the second quarter of 2017. It includes €112 million in recurring depreciation and amortization, on a par with second-quarter 2017. **REBIT margin**, which corresponds to recurring operating income as a percentage of sales, rose to 14.0% in second-quarter 2018 from 13.0% in the same period of 2017.

Operating income amounted to **€308 million** compared with €271 million in the second quarter of 2017. The second-quarter 2018 figure includes €10 million in depreciation and amortization related to the revaluation of assets carried out as part of the Bostik, Den Braven and XL Brands purchase price allocation processes.

Financial result represented a net expense of **€24 million**. This €2 million improvement on second-quarter 2017 reflects the refinancing of a bond issue at more favorable market conditions in 2017.

Income taxes for second-quarter 2018 represented a net expense of **€64 million** versus a net expense of €82 million for the same period of 2017. Excluding exceptional items, the tax rate corresponded to 21% of recurring operating income, down significantly on the 30% rate for second-quarter 2017, notably due to the positive impact of the US tax reform.

As a result, **net income – Group share** rose sharply to **€219 million** from €160 million in second-quarter 2017. Excluding the post-tax impact of non-recurring items, **adjusted net income** came to **€226 million**, representing **€2.97** per share (versus €2.28 in second-quarter 2017).

SECOND-QUARTER 2018 PERFORMANCE BY DIVISION

HIGH PERFORMANCE MATERIALS: 45% OF TOTAL GROUP SALES

(In millions of euros)	**Q2 2018**	**Q2 2017**	Year-on-year change
Sales	**1,007**	**990**	**+1.7%**
EBITDA	**177**	**174**	**+1.7%**
EBITDA margin	**17.6%**	**17.6%**	
Recurring operating income (REBIT)	**137**	**135**	**+1.5%**
REBIT margin	13.6%	13.6%	

Sales generated by the High Performance Materials division came in at **€1,007 million**, up 1.7% year on year. At constant exchange rates and business scope, sales grew by 4.2%. The price effect for the division was a positive 2.7%, reflecting the Group's continued policy of raising its selling prices. Volumes rose 1.5%, led by high demand for advanced materials in the areas of lightweight materials, new energies, 3D printing and consumer goods (sports, electronics, etc.), but were limited by the impact of France's national rail strikes on certain French production sites in the second quarter. The sustainability R&D pipeline continued to be strengthened, offering good growth opportunities. The 1.7% positive scope effect was attributable to the integration of XL Brands and the CMP business. The currency effect was a negative 4.2%, primarily reflecting the appreciation of the euro against the US dollar.

At **€177 million**, **EBITDA** reached its highest-ever quarterly level for the division and was up on the comparable prior-year period in spite of the much stronger euro and higher costs for some raw materials. This achievement reflects strong demand for advanced materials, the integration of XL Brands in adhesives and the gradual pass-through of higher raw materials costs.

EBITDA margin was **17.6%**, stable year on year thanks to the increasingly beneficial effects of actions taken to raise selling prices and pass on increases in raw materials costs, particularly in Adhesives and Technical Polymers.

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INDUSTRIAL SPECIALTIES: 31% OF TOTAL GROUP SALES

(In millions of euros)	Q2 2018	Q2 2017	Year-on-year change
Sales	**709**	**701**	**+1.1%**
EBITDA	**208**	**176**	**+18.2%**
EBITDA margin	**29.3%**	**25.1%**	
Recurring operating income (REBIT)	**163**	**131**	**+24.4%**
REBIT margin	23.0%	18.7%	

Industrial Specialties **sales** were up 1.1% year on year to **€709 million**. At constant exchange rates and business scope, sales growth came to 5.2%. The price effect was positive for all four of the division's product lines, totaling 10.9% and reflecting the impact of the implementation of the F-Gas regulation in Europe, tight market conditions in the MMA/PMMA chain, the Group's strong positioning in Thiochemicals and favorable market conditions for hydrogen peroxide in China. The 5.7% negative volume effect was mainly due to lower selling quotas for Fluorogases in Europe and the United States. The currency effect was a negative 4.1% and primarily stemmed from the appreciation of the euro against the US dollar.

At **€208 million**, **EBITDA** was 18.2% higher than in second-quarter 2017, with material increases for all of the division's four Business Lines. Consequently, **EBITDA margin** was also higher year on year, up to **29.3%** from 25.1% in second-quarter 2017**.**

COATING SOLUTIONS: 24% OF TOTAL GROUP SALES

(In millions of euros)	Q2 2018	Q2 2017	Year-on-year change
Sales	**547**	**499**	**+9.6%**
EBITDA	**68**	**64**	**+6.3%**
EBITDA margin	**12.4%**	**12.8%**	
Recurring operating income (REBIT)	**42**	**36**	**+16.7%**
REBIT margin	7.7%	7.2%	

Coating Solutions **sales** came in at **€547 million**, up 9.6% on second-quarter 2017. At constant exchange rates and business scope, year-on-year sales increased 14.2%, driven by a 9.2% increase in volumes compared with second-quarter 2017 which saw, in particular, a large maintenance turnaround in the United States in acrylic monomers. The price effect for the division was a positive 5.0%, reflecting the Group's continued actions to raise its selling prices across the entire acrylic chain, notably to pass on the sharp increase in propylene prices during the quarter. The currency effect was a negative 4.4%, primarily reflecting the appreciation of the euro versus the US dollar.

At **€68 million**, **EBITDA** was 6.3% higher than in second-quarter 2017. The division's results remained solid despite the increase in propylene prices and an unfavorable currency effect. The picture was mixed, however, depending on the region, with a robust performance in the United States but still disappointing in China.

EBITDA margin amounted to **12.4%** compared to 12.8% in the second quarter of 2017, reflecting the mechanical impact of the higher selling prices on this ratio.

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CASH FLOW AND NET DEBT AT 30 JUNE 2018

Arkema reported **free cash flow of €41 million** in the second quarter of 2018 (versus €158 million in second-quarter 2017) which takes into account the usual seasonality of the working capital. The year-on-year change was due to the mechanical impact of the material rise in selling prices and raw materials costs on working capital, higher capital expenditure in line with the Group's guidance for the year, and loans granted to employees in connection with a share capital increase reserved for employees carried out in April 2018 (which had a €21 million negative effect on free cash flow). At 30 June 2018, the ratio of working capital to annualized sales for the quarter stood at 16.5%, versus the record low of 15.5% at 30 June 2017 (17.2% at 30 June 2016). For full-year 2018, cash generation is expected to be consistent with the Group's ambition of 35% EBITDA to free cash flow conversion.

Capital expenditure for second-quarter 2018 amounted to €112 million, including €99 million in recurring capital expenditure and €13 million in exceptional investments, mainly relating to thiochemicals in Malaysia and specialty polyamides in Asia. For full-year 2018, total capital expenditure (recurring and exceptional) is expected to amount to around €550 million.

Portfolio management operations represented a limited net cash outflow of €9 million in the second quarter of 2018.

Consequently, **net debt** stood at **€1,372 million** at 30 June 2018 (versus €1,227 million at 31 March 2018). The end-June 2018 figure includes the impact of a €2.30 per-share dividend payment, representing a total amount of €176 million, €50 million in proceeds from the share capital increase reserved for employees, and a €19 million cash out for share buybacks. Net debt at 30 June 2018 represented 29% of shareholders' equity and 0.9 times EBITDA for the last twelve months.

OUTLOOK FOR 2018

In the second half of the year, the Group will remain attentive to macro-economic and geopolitical developments as well as volatility in raw materials prices and currencies.

In this context, the Group will continue to benefit from its strong innovation drive in advanced materials, the integration of its bolt-on acquisitions in adhesives and a globally robust market environment for its intermediate chemical businesses. It will continue to implement its major manufacturing projects, as presented at its Capital Markets Day, for thiochemicals, specialty polyamides and Sartomer.

Lastly, the Group will continue its actions to pass on the rises in raw materials costs in its selling prices and the rollout of its operational excellence initiatives to partly offset the impact of inflation on its fixed costs.

For 2018, on the back of the first half and assuming that the current macro-economic environment remains unchanged, Arkema now expects a mid-single digit [1] EBITDA growth compared to the excellent performance already achieved in 2017.

REGULATED INFORMATION

The half-year financial report at 30 June 2018 is available on the Group's website at https://www.arkema.com/en/investor-relations/ under Regulated Information.

FINANCIAL CALENDAR

6 November 2018	Publication of third-quarter 2018 results

[1] Of around 5%.

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*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 €8.3 billion in 2017, we employ around 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.

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 2018 closed by Arkema's Board of Directors on 31 July 2018. 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 following indicators:

- ***REBIT margin:** recurring operating income (REBIT) as a percentage of sales.*
- ***free cash flow:** net cash flow from operating and investing activities excluding the impact of portfolio management;*
- ***EBITDA to free cash flow conversion rate:** free cash flow excluding exceptional investments divided by EBITDA. Free cash flow will be restated to offset the impact of the raw material environment on changes in working capital.*

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 2018

CONSOLIDATED INCOME STATEMENT

(In millions of euros)	2nd quarter 2018 (non audited)	End of June 2018 (audited)	2nd quarter 2017 (non audited)	End of June 2017 (audited)
Sales	**2,270**	**4,442**	**2,198**	**4,350**
Operating expenses	(1,721)	(3,377)	(1,683)*	(3,351)*
Research and development expenses	(58)	(118)	(60)	(121)
Selling and administrative expenses	(183)	(370)	(182)	(371)
Other income and expenses	-	(4)	(2)*	(7)*
Operating income	**308**	**573**	**271**	**500**
Equity in income of affiliates	1	1	0	0
Financial result	(24)	(47)	(26)	(51)
Income taxes	(64)	(116)	(82)	(148)
Net income	**221**	**411**	**163**	**301**
Of which non-controlling interests	2	4	3	4
Net income - Group share	**219**	**407**	**160**	**297**
Earnings per share (amount in euros)	*2.88*	*5.35*	*2.11*	*3.92*
Diluted earnings per share (amount in euros)	*2.87*	*5.34*	*2.10*	*3.91*

* Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses previously included in “Other income and expenses” have been reclassified in "Operating expenses".

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In millions of euros)	2nd quarter 2018 (non audited)	End of June 2018 (audited)	2nd quarter 2017 (non audited)	End of June 2017 (audited)
Net income	**221**	**411**	**163**	**301**
Hedging adjustments	-	-	16	24
Other items	-	-	-	-
Deferred taxes on hedging adjustments and other items	-	-	-	-
Change in translation adjustments	63	28	(119)	(135)
Other recyclable comprehensive income	**63**	**28**	**(103)**	**(111)**
Actuarial gains and losses	28	18	(6)	5
Deferred taxes on actuarial gains and losses	(7)	(4)	4	-
Other non-recyclable comprehensive income	**21**	**14**	**(2)**	**5**
Total income and expenses recognized directly in equity	**84**	**42**	**(105)**	**(106)**
Comprehensive income	**305**	**453**	**58**	**195**
Of which: non-controlling interest	3	5	-	1
Comprehensive income - Group share	**302**	**448**	**58**	**194**

INFORMATION BY BUSINESS DIVISION

(non audited)

(In millions of euros)	High Performance Materials	Industrial Specialties	Coating Solutions	Corporate	Total
	2nd quarter 2018				
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	-
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	44	18	9	99

(In millions of euros)	High Performance Materials	Industrial Specialties	Coating Solutions	Corporate	Total
	2nd quarter 2017				
Non-Group sales	990	701	499	8	**2,198**
Inter-division sales	-	38	18	-	
Total sales	**990**	**739**	**517**	**8**	
EBITDA	**174**	**176**	**64**	**(16)**	**398**
Recurring depreciation and amortization	(39)	(45)	(28)	0	(112)
Recurring operating income	**135**	**131**	**36**	**(16)**	**286**
Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(13)	-	-	-	(13)
Other income and expenses	(2)	0	1	(1)	(2)
Operating income	**120**	**131**	**37**	**(17)**	**271**
Equity in income of affiliates	1	(1)	-	-	0
Intangible assets and property, plant and equipment additions	**48**	**27**	**21**	**2**	**98**
Of which Recurring capital expenditure	33	26	21	2	82

INFORMATION BY BUSINESS DIVISION

(audited)

(In millions of euros)	End of June 2018				
	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	68	26	12	157

(In millions of euros)	End of June 2017				
	High Performance Materials	**Industrial Specialties**	**Coating Solutions**	**Corporate**	**Total**
Non-Group sales	1,966	1,345	1,024	15	**4,350**
Inter-division sales	3	74	37	-	
Total sales	**1,969**	**1,419**	**1,061**	**15**	
EBITDA	**340**	**316**	**138**	**(41)**	**753**
Recurring depreciation and amortization	(78)	(89)	(55)	(1)	(223)
Recurring operating income	**262**	**227**	**83**	**(42)**	**530**
Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(23)	-	-	-	(23)
Other income and expenses	(8)	2	0	(1)	(7)
Operating income	**231**	**229**	**83**	**(43)**	**500**
Equity in income of affiliates	1	(1)	-	-	0
Intangible assets and property, plant and equipment additions	**72**	**48**	**27**	**5**	**152**
Of which Recurring capital expenditure	57	46	27	5	135

CONSOLIDATED BALANCE SHEET

(In millions of euros)	June, 30th 2018 (audited)	End of December 2017 (audited)
ASSETS		
Intangible assets, net	2,858	2,706
Property, plant and equipment, net	2,462	2,464
Equity affiliates : investments and loans	32	30
Other investments	32	30
Deferred tax assets	148	150
Other non-current assets	266	230
TOTAL NON-CURRENT ASSETS	**5,798**	**5,610**
Inventories	1,246	1,145
Accounts receivable	1,437	1,115
Other receivables and prepaid expenses	210	181
Income taxes recoverable	63	70
Other current financial assets	8	17
Cash and cash equivalents	1,104	1,438
TOTAL CURRENT ASSETS	**4,068**	**3,966**
TOTAL ASSETS	**9,866**	**9,576**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	765	759
Paid-in surplus and retained earnings	3,874	3,575
Treasury shares	(19)	(2)
Translation adjustments	128	101
SHAREHOLDERS' EQUITY - GROUP SHARE	**4,748**	**4,433**
Non-controlling interests	45	41
TOTAL SHAREHOLDERS' EQUITY	**4,793**	**4,474**
Deferred tax liabilities	273	271
Provisions for pensions and other employee benefits	436	460
Other provisions and non-current liabilities	423	443
Non-current debt	2,249	2,250
TOTAL NON-CURRENT LIABILITIES	**3,381**	**3,424**
Accounts payable	1,003	965
Other creditors and accrued liabilities	368	377
Income taxes payable	86	82
Other current financial liabilities	8	10
Current debt	227	244
TOTAL CURRENT LIABILITIES	**1,692**	**1,678**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**9,866**	**9,576**

CONSOLIDATED CASH FLOW STATEMENT

(In millions of euros)	End of June 2018 *(audited)*	End of June 2017 *(audited)*
Cash flow - operating activities		
Net income	411	301
Depreciation, amortization and impairment of assets	235	246
Provisions, valuation allowances and deferred taxes	(28)	(1)
(Gains)/losses on sales of assets	(2)	(2)
Undistributed affiliate equity earnings	(1)	0
Change in working capital	(373)	(229)
Other changes	8	0
Cash flow from operating activities	**250**	**315**
Cash flow - investing activities		
Intangible assets and property, plant, and equipment additions	(175)	(152)
Change in fixed asset payables	(26)	(56)
Acquisitions of operations, net of cash acquired	(174)	1
Increase in long-term loans	(44)	(23)
Total expenditures	**(419)**	**(230)**
Proceeds from sale of intangible assets and property, plant and equipment	1	5
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	10	11
Total divestitures	**11**	**27**
Cash flow from investing activities	**(408)**	**(203)**
Cash flow - financing activities		
Issuance (repayment) of shares and other equity	51	2
Purchase of treasury shares	(19)	(4)
Dividends paid to parent company shareholders	(176)	(155)
Dividends paid to non-controlling interests	(1)	(1)
Increase in long-term debt	1	908
Decrease in long-term debt	(9)	(14)
Increase/ decrease in short-term borrowings	(16)	(16)
Cash flow from financing activities	**(169)**	**720**
Net increase/(decrease) in cash and cash equivalents	(327)	832
Effect of exchange rates and changes in scope	(7)	44
Cash and cash equivalents at beginning of period	1,438	623
Cash and cash equivalents at end of period	**1,104**	**1,499**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(non audited)

(In millions of euros)	Shares issued Number	Shares issued Amount	Paid-in surplus	Hybrid bonds	Retained earnings	Translation adjustments	Treasury shares Number	Treasury shares Amount	Shareholders' equity - Group share	Non-controlling interests	Shareholders' equity
At January 1, 2018	**75,870,506**	**759**	**1,216**	**689**	**1,670**	**101**	**(33,225)**	**(2)**	**4,433**	**41**	**4,474**
Cash dividend	-	-	-	-	(176)	-	-	-	(176)	(1)	(177)
Issuance of share capital	661,950	6	45		-	-	-	-	51	-	51
Purchase of treasury shares	-	-	-	-	-	-	(183,642)	(19)	(19)	-	(19)
Grants of treasury shares to employees	-	-	-	-	(2)	-	28,532	2	-	-	-
Share-based payments	-	-	-	-	11	-	-	-	11	-	11
Other	-	-	-	-	-	-	-	-	-	-	-
Transactions with shareholders	**661,950**	**6**	**45**	**-**	**(167)**	**-**	**(155,110)**	**(17)**	**(133)**	**(1)**	**(134)**
Net income	-	-	-	-	407	-	-	-	407	4	411
Total income and expense recognized directly through equity	-	-	-	-	14	27	-	-	41	1	42
Comprehensive income	**-**	**-**	**-**		**421**	**27**	**-**	**-**	**448**	**5**	**453**
At June 30, 2018	**76,532,456**	**765**	**1,261**	**689**	**1,924**	**128**	**(188,335)**	**(19)**	**4,748**	**45**	**4,793**

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 June 2018	End of June 2017	2nd quarter 2018	2nd quarter 2017
OPERATING INCOME	**573**	**500**	**308**	**271**
- Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(18)	(23)	(10)	(13)
- Other income and expenses	(4)	(7)	(0)	(2)
RECURRING OPERATING INCOME (REBIT)	**595**	**530**	**318**	**286**
- Recurring depreciation and amortization	(218)	(223)	(112)	(112)
EBITDA	**813**	**753**	**430**	**398**

Details of depreciation and amortizations:

(In millions of euros)	End of June 2018	End of June 2017	2nd quarter 2018	2nd quarter 2017
Depreciation and amortization	**(236)**	**(246)**	**(122)**	**(125)**
Of which: Recurring depreciation and amortization	(218)	(223)	(112)	(112)
Of which: Depreciation and amortization related to the revaluation of assets as part of the allocation of the purchase price of businesses	(18)	(23)	(10)	(13)
Of which: Impairment included in other income and expenses	0		0	

ADJUSTED NET INCOME AND ADJUSTED EARNINGS PER SHARE

(In millions of euros)	End of June 2018	End of June 2017	2nd quarter 2018	2nd quarter 2017
NET INCOME - GROUP SHARE	**407**	**297**	**219**	**160**
- Depreciation and amortization related to the revaluation of tangible and intangible assets as part of the allocation of the purchase price of businesses	(18)	(23)	(10)	(13)
- Other income and expenses	(4)	(7)	0	(2)
- 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	4	6	2	1
- Taxes on other income and expenses	2	2	1	2
- One-time tax-effects	2	-	-	-
ADJUSTED NET INCOME	**421**	**319**	**226**	**172**
- Weighted average number of ordinary shares	76,070,820	75,671,629		
- Weighted average number of potential ordinary shares	76,169,120	75,872,779		
ADJUSTED EARNINGS PER SHARE (€)	**5.53**	**4.22**	**2.97**	**2.28**
DILUTED ADJUSTED EARNINGS PER SHARE (€)	**5.53**	**4.20**	**2.97**	**2.26**

FREE CASH FLOW

(In millions of euros)	End of June 2018	End of June 2017	2nd quarter 2018	2nd quarter 2017
Cash flow from operating activities	250	315	180	242
+ Cash flow from investing activities	(408)	(203)	(148)	(106)
NET CASH FLOW	**(158)**	**112**	**32**	**136**
- Net cash flow from portfolio management operations	(174)	(2)	(9)	(22)
FREE CASH FLOW	**16**	**114**	**41**	**158**

RECURRING INVESTMENTS

(In millions of euros)	End of June 2018	End of June 2017	2nd quarter 2018	2nd quarter 2017
INTANGIBLE ASSETS AND PROPERTY, PLANT, AND EQUIPMENT ADDITIONS	**175**	**152**	**112**	**98**
- Exceptional investments	18	2	13	1
- Investments relating to portfolio management operations	-	15	-	15
- Investments with no impact on net debt	-	-	-	-
RECURRING INVESTMENTS	**157**	**135**	**99**	**82**

NET DEBT

(In millions of euros)	End of June 2018	End of December 2017
Non-current debt	2,249	2,250
+ Current debt	227	244
- Cash and cash equivalents	1,104	1,438
NET DEBT	**1,372**	**1,056**

WORKING CAPITAL

(In millions of euros)	End of June 2018	End of December 2017
Inventories	1,246	1,145
+ Accounts receivable	1,437	1,115
+ Other receivables including income taxes	273	251
+ Other current financial assets	8	17
- Accounts payable	1,003	965
- Other liabilities including income taxes	454	459
- Other current financial liabilities	8	10
WORKING CAPITAL	**1,499**	**1,094**

CAPITAL EMPLOYED

(In millions of euros)	End of June 2018	End of December 2017
Goodwill, net	1,599	1,525
+ Intangible assets other than goodwill, and property, plant and equipment,	3,721	3,645
+ Investments in equity affiliates	32	30
+ Other investments and other non-current assets	298	260
+ Working capital	1,499	1,094
CAPITAL EMPLOYED	**7,149**	**6,554**