

Arkema: 2nd quarter 2017 results

- **€2,198 million sales**, significantly up by **+12.6%** over last year
- Record high for a quarter with **€398 million EBITDA (+17%** compared to 2Q 2016 already high baseline)
- **EBITDA margin**, up at **18.1%** (17.5 % in 2Q 2016), confirming the Group's ability to adapt to a rising raw material cost environment
- **Adjusted net income** significantly up by **+28%** to **€172 million**, i.e. **€2.28** per share
- Excellent cash generation with **free cash flow** multiplied by 2 to **+€158 million**
- **€1,471 million net debt** slightly down on 31 March 2017 while including the payment of a €155 million dividend at end May 2017

The Board of Directors of Arkema met on 1st August 2017 to close the Group's consolidated accounts for 1st half 2017. At the close of the meeting, Chairman and CEO Thierry Le Hénaff stated:

"In line with its excellent start to the year, Arkema confirms its development momentum with a 13% growth in sales in second quarter and new record EBITDA for a quarter, close to €400 million.

This performance reflects the Group's favorable positioning with a majority of resilient specialty activities and a good momentum in more cyclical activities. It highlights the Group's strategy focused on innovation in Advanced Materials, growth in Adhesives with the integration of Den Braven, and developments in Asia. It also illustrates Arkema's ability to operate in a higher cost environment for raw materials. Finally, the excellent cash generation enabled the Group to maintain its net debt at the same level as at the end of last year, despite the dividend payment.

The Group will carry on implementing its many projects, in particular the major ones announced at the recent Capital Markets Day, all of which represent catalysts for its future growth.

Finally, while remaining attentive to a global economic environment that continues to be volatile, the performance of the first half of the year enables us to upgrade the EBITDA target we had set ourselves for 2017."

KEY FIGURES 2ND QUARTER 2017

<i>(In millions of euros)</i>	2Q 2016	2Q 2017	Change
Sales	1,952	2,198	+12.6%
EBITDA	341	398	+16.7%
EBITDA margin	17.5%	18.1%	
<i>High Performance Materials</i>	18.8%	17.6%	
<i>Industrial Specialties</i>	22.0%	25.1%	
<i>Coating Solutions</i>	13.8%	12.8%	
Recurring operating income (REBIT)	229	286	+24.9%
Non-recurring items	10	(15)	n/a
Adjusted net income	134	172	+28.4%
Net income – Group share	147	160	+8.8%
Adjusted net income per share <i>(in €)</i>	1.79	2.28	+27.4%
Weighted average number of ordinary shares	74,799,919	75,671,629	

SECOND QUARTER 2017 ACTIVITY

In 2nd quarter 2017, **sales** reached **€2,198 million**, +12.6% up on 2nd quarter 2016. At constant exchange rates and business scope, growth stood at +8.9%. Volumes grew by +1.8% despite the impact of two maintenance turnarounds in Advanced Materials¹ and in Acrylics, and driven by innovation and good demand in Asia, in particular, in Advanced Materials. The +7.1% price effect, positive in all three business divisions, reflects the gradual improvement in the acrylic cycle and higher prices of certain fluorogases, as well as the Group's actions to adjust its sales prices to the higher raw material cost environment. The +3.1% scope effect primarily reflects the contribution of Den Braven and the impact of the divestment of the activated carbon and filter aid and of the oxo-alcohol businesses. The currency effect was limited at +0.5%.

At **€398 million**, **EBITDA** again reached an all-time high for a quarter, growing by +16.7% compared to 2nd quarter 2016. This performance reflects the excellent results of the Industrial Specialties division, growth in Specialty Adhesives, the benefits from innovation in Advanced Materials, and the continuing gradual improvement in the acrylic cycle.

At **18.1%**, **EBITDA margin** grew significantly compared to 2nd quarter 2016 (17.5%).

In line with the very strong increase in EBITDA, **recurring operating income** rose to **€286 million** from €229 million in 2nd quarter 2016. It includes €112 million depreciation and amortization, stable compared to last year. REBIT margin, corresponding to the recurring operating income over sales, grew at 13.0% against 11.7% in 2nd quarter 2016.

At **-€15 million**, **non-recurring items** essentially correspond to depreciation and amortization related to revaluations of tangible and intangible fixed assets carried out as part of the Bostik and Den Braven purchase price allocations.

Financial result stood at **-€26 million** against -€27 million in 2nd quarter 2016. Following a €900 million bond issue with a yearly 1.5% coupon in 2nd quarter and before the repayment in the 4th quarter 2017 of a €500 million bond with

¹ Advanced Materials include two Business Lines: Technical Polymers and Performance Additives.

a yearly 4% coupon, cost of debt temporarily increased compared to last year. This impact was offset by favorable currency effects on debt of certain foreign subsidiaries denominated in currencies other than the one of their accounts.

Income taxes amounted to **-€82 million** against -€68 million in 2nd quarter 2016. It includes a €5 million tax paid on 2016 dividend as well as a €5 million reversal of provisions for deferred tax liabilities accounted for as part of the allocation of the Bostik and Den Braven purchase prices. The tax rate amounted to 28.7% of the recurring operating income, reflecting the geographic split of the results.

Net income Group share rose to **€160 million** against €147 million in 2nd quarter 2016. Excluding the impact after tax of non-recurring items, **adjusted net income** stood at **€172 million**, i.e. **€2.28** per share.

PERFORMANCE BY DIVISION IN 2ND QUARTER 2017

HIGH PERFORMANCE MATERIALS

Sales in High Performance Materials stood at **€990 million**, +12.6 % up on 2nd quarter 2016 (€879 million). The +7.7% scope effect reflects the integration of Den Braven and the CMP activity, as well as the divestment of the activated carbon and filter aid business. At constant exchange rate and business scope, sales grew by +5.1%. Volumes grew by +2.9%, driven by the benefits of innovation, in particular in Asia in Technical Polymers, where demand in lightweighting, new energies and automotive is strong. Demand was also favorable in specialty molecular sieves for petrochemical applications with the ramping-up of the new Honfleur unit (France). The price effect was positive at +2.2%, reflecting the Group's actions to adjust its sales prices to higher raw material costs. The currency effect stood at -0.1%.

EBITDA grew to **€174 million**, +5.5% over 2nd quarter 2016 (€165 million), and the division's **EBITDA margin** stood at **17.6%** (18.8% in 2nd quarter 2016), resisting well in a context of higher raw material costs and despite the impact of the large maintenance turnaround in specialty polyamides in Marseille (France). This performance was supported by good volume growth, in particular in Advanced Materials, which comprise Technical Polymers and Performance Additives, and by the growth of adhesives which also benefited from the integration of Den Braven. In adhesives, which account for over half of the division's sales, EBITDA margin over the 1st half of the year resisted well at 13.3% (13.8% in 1st half 2016).

INDUSTRIAL SPECIALTIES

Sales in Industrial Specialties reached **€701 million**, +15.1% up on 2nd quarter 2016 (€609 million). At constant exchange rate and business scope, sales grew by +14.0%, driven by a +4.5% increase in volumes and a +9.5% price effect which mostly reflects the ongoing improvement in the prices of certain fluorogases in the three main geographic regions as well as market conditions in the MMA / PMMA chain. The currency effect was positive at +1.2%.

At **€176 million**, the division's **EBITDA** was significantly up by +31.3% over 2nd quarter 2016 (€134 million), while **EBITDA margin** rose to **25.1 %**, strongly up on last year (22.0% in 2nd quarter 2016). These results reflect the return of fluorogases to high levels of results, the ongoing very good market conditions in MMA / PMMA, and the solid performance of Thiochemicals. In fluorogases, the Group should by year-end achieve the target it had set itself for end 2018 to improve this activity's EBITDA by €100 million compared to 2014.

COATING SOLUTIONS

At **€499 million**, **sales** in Coating Solutions rose by +9.2% compared to 2nd quarter 2016 (€457 million), supported by a +13.6% price effect reflecting some improvement in the acrylic cycle and the actions to raise sales prices in the entire chain. Volumes were down by -4.0%, and include the impact of the large maintenance turnaround at Clear Lake in the United States in acrylic monomers and of inventory adjustments at certain paints and coatings customers following the very strong start to the year. The divestment of the oxo-alcohol business resulted in a -1.4% scope effect. The currency effect was positive at +0.9%.

At **€64 million**, **EBITDA** was slightly up over last year (€63 million in 2nd quarter 2016), and **EBITDA margin** stood at **12.8%** (13.8% in 2nd quarter 2016). As expected, unit margins in acrylic monomers gradually improved in the three main geographic regions compared to the low points of 2nd quarter 2016. This improvement offset the impact of

the Clear Lake large maintenance turnaround and the impact in acrylic downstream activities of the higher raw material costs, including acrylic acid, which affected their performance during the quarter. This latter impact should diminish significantly over the rest of the year given the actions made to pass through the cost of raw materials.

CASH FLOW AND NET DEBT AT 30 JUNE 2017

In 2nd quarter 2017, Arkema generated **+€158 million free cash flow**, twice as much as in 2nd quarter 2016 (+€77 million). This major improvement over 2nd quarter 2016 which included -€17 million loans granted to employees as part of the share capital increase reserved for employees, primarily reflects the strong improvement in EBITDA and a good control of working capital. Working capital increased by €44 million² (€46 million in 2nd quarter 2016) reflecting the usual seasonality of the activity and the significant increase in sales. The ratio of working capital over annualized sales for the quarter stood at 15.5 % at end of June 2017 against 17.2 %³ at end of June 2016. Capital expenditure⁴ amounted to €83 million over the quarter. Over the full year, capital expenditure should be close to €450 million.

Acquisitions and divestments represented a -€22 million net cash outflow and included the cost of the acquisition of the CMP business in adhesives. Taking all these elements into account, **net cash flow** stood at **+€136 million** in 2nd quarter 2017.

Net debt stood at **€1,471 million**, down on 31 March 2017 (€1,496 million). It includes the payment of a €2.05 dividend per share, totaling €155 million, and the positive currency effect on the debt swapped in US dollars. Gearing was stable at 34%.

2017 OUTLOOK

In the second half of the year, the global macro-economic environment should remain volatile with contrasted dynamics by end-market and by region, higher raw material costs than last year, and the euro strengthening versus the US dollar.

In this context, Arkema will continue to benefit from growth in adhesives and the integration of Den Braven, innovation in Advanced Materials and downstream acrylics, as well as better prices in fluorogases. The Group will continue to ensure that the higher cost of certain raw materials is reflected in its selling prices. Finally, it will continue implementing its operational excellence initiatives to offset part of fixed cost inflation.

The performance of the first half of the year leads the Group to upgrade its initial EBITDA objective for 2017. The Group now anticipates to exceed €1.3 billion EBITDA and achieve between €1,310 million and €1,350 million EBITDA for the full year.

The 2nd quarter 2017 results and the outlook are detailed in the "2nd quarter 2017 results" presentation available on the website www.finance.arkema.com

REGULATED INFORMATION

The half-year financial report at 30 June 2017 is available on the Group's website under the following link: www.finance.arkema.com and can be found under the heading Investor Relations in section Financials / Financial results

² Changes in working capital and fixed asset payables excluding non-recurring items.

³ At 30 June 2016, working capital included trade payable relating to the transfer of an acrylic production line to Taixing Sunke Chemicals. The ratio computation at 30 June 2016 excludes this item.

⁴ Excluding investments related to portfolio management.

FINANCIAL CALENDAR

9 November 2017 3rd quarter 2017 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 €7.5 billion in 2016, we employ approximately 20,000 people worldwide and operate in close to 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 conditions, 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, among others, changes in raw materials prices, currency fluctuations, implementation pace of cost-reduction projects and changes in general economic and business 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, cash flow statement, statement of changes in shareholders' equity and information by business segment included in this press release are extracted from the condensed consolidated financial statements at 30 June 2017 closed by the Board of Directors of Arkema SA on 1st August 2017. Quarterly financial information is not audited.

Business division information is presented in accordance with Arkema's internal reporting system used by the management.

The main performance indicators used by the Group are defined in note B.17 of the notes to the consolidated financial statements at 31 December 2016 in section 4.3.3 of 2016 Reference document.

As part of the analysis of its results or to define its objectives, the Group also uses the following indicators:

- **REBIT margin:** corresponds to the recurring operating income (REBIT) as a percentage of sales
- **Free cash flow:** corresponds to cash flow from operations and investments excluding the impact of portfolio management

As part of the analysis of the evolution of its results and in particular its sales, the Group analyzes the following effects (non-audited analyses):

- **Business scope effect:** the business scope effect corresponds to the impact of a change in the scope arising as a result of the acquisition or the divestment of an entire activity or the consolidation or deconsolidation of an entity. Increases or closures of plant capacities are not treated as a scope effect;
- **Currency exchange effect:** the currency translation effect referred to herein corresponds to the mechanical impact of the consolidation of accounts in currencies other than the euro at different exchange rates from one period to another. The currency exchange effect is treated by applying the rate of the previous period to the aggregate of the period under analysis;
- **Price effect:** the impact of average sales price variations is estimated by comparing the weighted average net unit sales price for a range of related products in the current period with the weighted average net unit sales price in the previous period, multiplied in both cases by the volumes sold in the current period;
- **Volume effect:** the impact of variations in volume is estimated by comparing the quantities delivered in the current period with the quantities delivered in the previous period, multiplied in both cases by the weighted average net unit sales price in the previous period.

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ARKEMA Financial Statements

Consolidated financial statements - At the end of June 2017

CONSOLIDATED INCOME STATEMENT

<i>(In millions of euros)</i>	<u>2nd quarter 2017</u> <i>(non audited)</i>	<u>End of June 2017</u> <i>(audited)</i>	<u>2nd quarter 2016</u> <i>(non audited)</i>	<u>End of June 2016</u> <i>(audited)</i>
Sales	2,198	4,350	1,952	3,845
Operating expenses	(1,670)	(3,328)	(1,491)	(2,965)
Research and development expenses	(60)	(121)	(56)	(112)
Selling and administrative expenses	(182)	(371)	(176)	(348)
Recurring operating income	286	530	229	420
Other income and expenses	(15)	(30)	10	(1)
Operating income	271	500	239	419
Equity in income of affiliates	0	0	3	6
Financial result	(26)	(51)	(27)	(50)
Income taxes	(82)	(148)	(68)	(126)
Net income	163	301	147	249
Of which non-controlling interests	3	4	-	4
Net income - Group share	160	297	147	245
<i>Earnings per share (amount in euros)</i>	<i>2.11</i>	<i>3.92</i>	<i>1.96</i>	<i>3.28</i>
<i>Diluted earnings per share (amount in euros)</i>	<i>2.10</i>	<i>3.91</i>	<i>1.96</i>	<i>3.27</i>
Depreciation and amortization	(112)	(223)	(112)	(223)
EBITDA	398	753	341	643
Adjusted net income	172	319	134	240
<i>Adjusted net income per share (amount in euros)</i>	<i>2.28</i>	<i>4.22</i>	<i>1.79</i>	<i>3.21</i>
<i>Diluted adjusted net income per share (amount in euros)</i>	<i>2.26</i>	<i>4.20</i>	<i>1.78</i>	<i>3.20</i>
<i>Weighted average number of shares</i>		<i>75,671,629</i>		<i>74,799,919</i>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<u>2nd quarter 2017</u>	<u>End of June 2017</u>	<u>2nd quarter 2016</u>	<u>End of June 2016</u>
<i>(In millions of euros)</i>	<i>(non audited)</i>	<i>(audited)</i>	<i>(non audited)</i>	<i>(audited)</i>
Net income	163	301	147	249
Hedging adjustments	16	24	(11)	11
Other items	-	-	(6)	(6)
Deferred taxes on hedging adjustments and other items	-	-	(1)	(1)
Change in translation adjustments	(119)	(135)	31	(42)
Other recyclable comprehensive income	(103)	(111)	13	(38)
Actuarial gains and losses	(6)	5	(16)	(16)
Deferred taxes on actuarial gains and losses	4	-	2	2
Other non-recyclable comprehensive income	(2)	5	(14)	(14)
Total income and expenses recognized directly in equity	(105)	(106)	(1)	(52)
Comprehensive income	58	195	146	197
Of which: non-controlling interest	-	1	(2)	-
Comprehensive income - Group share	58	194	148	197

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, 2017	75,717,947	757	1,211	689	1,250	301	(65,823)	(4)	4,204	45	4,249
Cash dividend	-	-	-	-	(155)	-	-	-	(155)	(1)	(156)
Issuance of share capital	55,918	1	1	-	-	-	-	-	2	-	2
Purchase of treasury shares	-	-	-	-	-	-	(45,865)	(4)	(4)	-	(4)
Grants of treasury shares to employees	-	-	-	-	(1)	-	20,246	1	-	-	-
Share-based payments	-	-	-	-	7	-	-	-	7	-	7
Other	-	-	-	-	-	-	-	-	-	-	-
Transactions with shareholders	55,918	1	1	-	(149)	-	(25,619)	(3)	(150)	(1)	(151)
Net income	-	-	-	-	297	-	-	-	297	4	301
Total income and expense recognized directly through equity	-	-	-	-	29	(132)	-	-	(103)	(3)	(106)
Comprehensive income	-	-	-	-	326	(132)	-	-	194	1	195
At June 30, 2017	75,773,865	758	1,212	689	1,427	169	(91,442)	(7)	4,248	45	4,293

CONSOLIDATED BALANCE SHEET

	<u>June, 30th 2017</u>	<u>December, 31st 2016</u>
<i>(In millions of euros)</i>	<i>(audited)</i>	<i>(audited)</i>
ASSETS		
Intangible assets, net	2,742	2,777
Property, plant and equipment, net	2,461	2,652
Equity affiliates : investments and loans	33	35
Other investments	33	33
Deferred tax assets	163	171
Other non-current assets	233	227
TOTAL NON-CURRENT ASSETS	5,665	5,895
Inventories	1,144	1,111
Accounts receivable	1,319	1,150
Other receivables and prepaid expenses	178	197
Income taxes recoverable	50	64
Other current financial assets	12	10
Cash and cash equivalents	1,499	623
TOTAL CURRENT ASSETS	4,202	3,155
TOTAL ASSETS	9,867	9,050
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	758	757
Paid-in surplus and retained earnings	3,328	3,150
Treasury shares	(7)	(4)
Translation adjustments	169	301
SHAREHOLDERS' EQUITY - GROUP SHARE	4,248	4,204
Non-controlling interests	45	45
TOTAL SHAREHOLDERS' EQUITY	4,293	4,249
Deferred tax liabilities	321	285
Provisions for pensions and other employee benefits	506	520
Other provisions and non-current liabilities	440	464
Non-current debt	2,268	1,377
TOTAL NON-CURRENT LIABILITIES	3,535	2,646
Accounts payable	898	932
Other creditors and accrued liabilities	359	402
Income taxes payable	74	62
Other current financial liabilities	6	31
Current debt	702	728
TOTAL CURRENT LIABILITIES	2,039	2,155
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	9,867	9,050

CONSOLIDATED CASH FLOW STATEMENT

	<u>End of June 2017</u>	<u>End of June 2016</u>
<i>(In millions of euros)</i>	<i>(audited)</i>	<i>(audited)</i>
Cash flow - operating activities		
Net income	301	249
Depreciation, amortization and impairment of assets	246	243
Provisions, valuation allowances and deferred taxes	(1)	(51)
(Gains)/losses on sales of assets	(2)	(2)
Undistributed affiliate equity earnings	0	(4)
Change in working capital	(229)	(186)
Other changes	0	10
Cash flow from operating activities	315	259
Cash flow - investing activities		
Intangible assets and property, plant, and equipment additions	(152)	(168)
Change in fixed asset payables	(56)	(50)
Acquisitions of operations, net of cash acquired	1	0
Increase in long-term loans	(23)	(39)
Total expenditures	(230)	(257)
Proceeds from sale of intangible assets and property, plant and equipment	5	7
Change in fixed asset receivables	0	0
Proceeds from sale of operations, net of cash sold	11	20
Proceeds from sale of unconsolidated investments	0	0
Repayment of long-term loans	11	8
Total divestitures	27	35
Cash flow from investing activities	(203)	(222)
Cash flow - financing activities		
Issuance (repayment) of shares and other equity	2	46
Purchase of treasury shares	(4)	(6)
Dividends paid to parent company shareholders	(155)	(143)
Dividends paid to non-controlling interests	(1)	(1)
Increase/ decrease in long-term debt	898	(3)
Increase/ decrease in short-term borrowings and bank overdrafts	(20)	3
Cash flow from financing activities	720	(104)
Net increase/(decrease) in cash and cash equivalents	832	(67)
Effect of exchange rates and changes in scope	44	33
Cash and cash equivalents at beginning of period	623	711
Cash and cash equivalents at end of period	1,499	677

INFORMATION BY BUSINESS SEGMENT

(non audited)

2nd quarter 2017

(In millions of euros)

	High Performance Materials	Industrial Specialties	Coating Solutions	Corporate	Total
Non-Group sales	990	701	499	8	2,198
Inter segment sales	-	38	18	-	
Total sales	990	739	517	8	
EBITDA	174	176	64	(16)	398
Depreciation and amortization	(39)	(45)	(28)	0	(112)
Recurring operating income	135	131	36	(16)	286
Other income and expenses	(15)	0	1	(1)	(15)
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	27	21	2	83

2nd quarter 2016

(In millions of euros)

	High Performance Materials	Industrial Specialties	Coating Solutions	Corporate	Total
Non-Group sales	879	609	457	7	1,952
Inter segment sales	4	29	14	-	
Total sales	883	638	471	7	
EBITDA	165	134	63	(21)	341
Depreciation and amortization	(40)	(42)	(29)	(1)	(112)
Recurring operating income	125	92	34	(22)	229
Other income and expenses	(10)	(2)	1	21	10
Operating income	115	90	35	(1)	239
Equity in income of affiliates	1	2	-	-	3
Intangible assets and property, plant and equipment additions	35	56	17	3	111
Of which Recurring capital expenditure	35	36	17	3	91

INFORMATION BY BUSINESS SEGMENT

(audited)

End of June 2017

<i>(In millions of euros)</i>	High Performance Materials	Industrial Specialties	Coating Solutions	Corporate	Total
Non-Group sales	1,966	1,345	1,024	15	4,350
Inter segment sales	3	74	37	-	
Total sales	1,969	1,419	1,061	15	
EBITDA	340	316	138	(41)	753
Depreciation and amortization	(78)	(89)	(55)	(1)	(223)
Recurring operating income	262	227	83	(42)	530
Other income and expenses	(31)	2	0	(1)	(30)
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	48	27	5	137

End of June 2016

<i>(In millions of euros)</i>	High Performance Materials	Industrial Specialties	Coating Solutions	Corporate	Total
Non-Group sales	1,747	1,195	889	14	3,845
Inter segment sales	9	60	29	-	
Total sales	1,756	1,255	918	14	
EBITDA	314	263	113	(47)	643
Depreciation and amortization	(77)	(86)	(59)	(1)	(223)
Recurring operating income	237	177	54	(48)	420
Other income and expenses	(21)	(2)	1	21	(1)
Operating income	216	175	55	(27)	419
Equity in income of affiliates	1	5	-	-	6
Intangible assets and property, plant and equipment additions	66	72	25	5	168
Of which Recurring capital expenditure	66	52	25	5	148

AJUSTED NET INCOME

Net income Group share may be reconciled to adjusted net income as follows:

	2nd quarter 2017	End of June 2017	2nd quarter 2016	End of June 2016
<i>(In millions of euros)</i>	<i>(non audited)</i>	<i>(audited)</i>	<i>(non audited)</i>	<i>(audited)</i>
ADJUSTED NET INCOME	172	319	134	240
Other income and expenses	(15)	(30)	10	(1)
Taxes on other income and expenses	3	8	3	6
NET INCOME - GROUP SHARE	160	297	147	245

NET DEBT

<i>(In millions of euros)</i>	June, 30th 2017 <i>(audited)</i>	December, 31st 2016 <i>(audited)</i>
Non-current debt	2,268	1,377
Current debt	702	728
Cash and cash equivalents	1,499	623
NET DEBT	1,471	1,482

FREE CASH FLOW

<i>(In millions of euros)</i>	2nd quarter 2017 <i>(non audited)</i>	End of June 2017 <i>(audited)</i>	2nd quarter 2016 <i>(non audited)</i>	End of June 2016 <i>(audited)</i>
Cash flow from operating activities	242	315	198	259
Cash flow from investing activities	(106)	(203)	(121)	(222)
NET CASH FLOW	136	112	77	37
<i>Of which:</i>				
<i>Net cash flow from portfolio management</i>	(22)	(2)	-	(5)
FREE CASH FLOW	158	114	77	42