SOLVAY
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#TRANSFORMATION FOR GROWTH

First quarter 2018 Financial report

Inside / regulated information

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Forenote

Following the announcement in September 2017 of plans to divest the Polyamide business, these have been reclassified as discontinued operations and as assets held for sale. For comparative purposes, the first quarter income statement has been restated.

Besides IFRS accounts, Solvay also presents underlying Income Statement performance indicators to provide a more consistent and comparable indication of the Group's financial performance. The underlying performance indicators adjust IFRS figures for the non-cash Purchase Price Allocation (PPA) accounting impacts related to acquisitions, for the coupons of perpetual hybrid bonds, classified as equity under IFRS but treated as debt in the underlying statements, and for other elements that would distort the analysis of the Group's underlying performance. The comments on the results made on pages **Error! Bookmark not defined.** to 9 are on an underlying basis, unless otherwise stated.

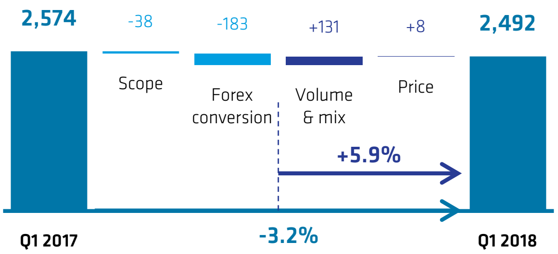
UNDERLYING BUSINESS REVIEW [1]

- Strong volumes across Advanced Materials and Advanced Formulations, led to organic growth in net sales of 6% and in underlying EBITDA of 9%
- Underlying EBITDA down 3%, due to the significant adverse forex conversion impact of 8%, mainly US$, and smaller divestments leading to a 2% reduction
- Sustained cash generation, leading to €147 million free cash flow, including €105 million from continuing operations

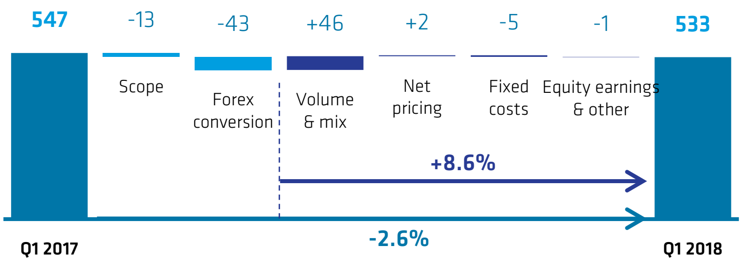
Q1 key figures

(in € million)	IFRS			Underlying		
	Q1 2018	Q1 2017	*% yoy*	Q1 2018	Q1 2017	*% yoy*
Net sales	**2,492**	**2,574**	***-3.2%***	**2,492**	**2,574**	***-3.2%***
EBITDA	**389**	**524**	***-26%***	**533**	**547**	***-2.6%***
EBITDA margin				*21%*	*21%*	*+0.1pp*
EBIT	**144**	**294**	***-51%***	**370**	**379**	***-2.4%***
Net financial charges	(51)	(80)	*+36%*	(86)	(111)	*+22%*
Income taxes	(12)	(36)	*+67%*	(67)	(68)	*+1.6%*
Tax rate				*25%*	*26%*	*-1.8pp*
Profit from discontinued operations	37	73	*-49pp*	41	72	*-44%*
(Profit) loss attributable to non-controlling interests	(10)	(16)	*-40%*	(10)	(16)	*-40%*
Profit attributable to Solvay shareholders	**109**	**235**	***-54%***	**247**	**256**	***-3.4%***
Basic earnings per share (in €)	**1.05**	**2.28**	***-54%***	**2.39**	**2.48**	***-3.5%***
of which from continuing operations	0.69	1.61	*-57%*	2.00	1.82	*+9.8%*
Capex	**(184)**	**(185)**	***+0.5%***	**(184)**	**(185)**	***+0.5%***
of which from continuing operations	(159)	(161)	*+1.7%*	(159)	(161)	*+1.7%*
Free cash flow	**147**	**164**	***-10%***	**147**	**164**	***-10%***
of which from continuing operations	105	168	*-37%*	105	168	*-37%*
Net financial debt [2]	**(3,106)**			**(5,306)**		

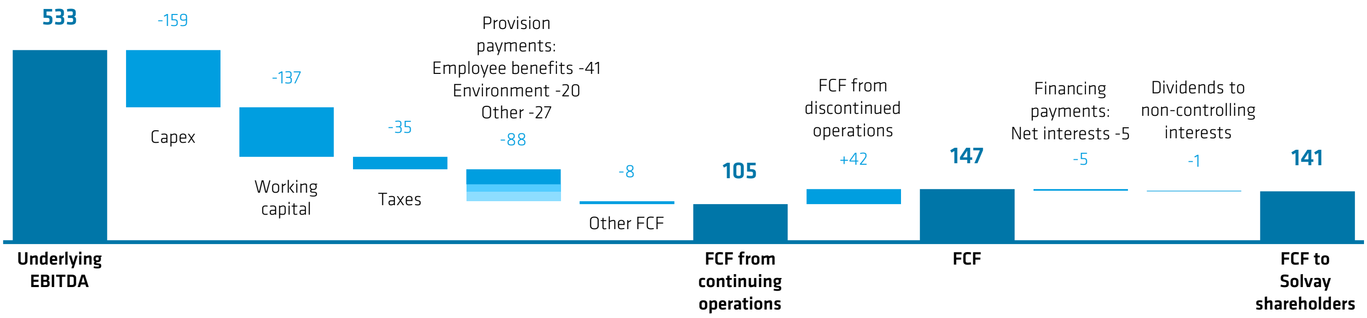
Q1 yoy net sales bridge *(in €million)*



Q1 yoy underlying EBITDA bridge *(in €million)*



Q1 2018 cash generation *(in €million)*



[1] A full reconciliation of IFRS and underlying income statement data can be found on page 12 of this report.
[2] Underlying net debt includes the perpetual hybrid bonds, accounted for as equity under IFRS.

Net sales

Net sales declined 3% to €2,492 million. Excluding scope and forex, it grew 6% organically on higher volumes.

- The reduction in **scope** [1] affected net sales by 1% and mainly reflects the divestment of the polyolefin cross-linkable compounds and formulated resins businesses in June 2017, and to a lesser extent that of the phosphorous business in February 2018.
- Conversion of **foreign exchange** had an adverse effect of 7%, mainly related to the depreciation of the US dollar, which lost 13% against the euro year on year. The performance of the Chinese yuan and the Brazilian real also negatively affected currency translation.
- The **volume** increase was delivered by Advanced Materials and Advanced Formulations. Demand for high-performance polymers continued to grow, especially in automotive, driven by sustainability trends. Aerospace composites showed significant growth. Continued recovery in the North American shale oil and gas market translated into further volume growth. In Performance Chemicals, a slow start to the year for soda ash was compensated by market recovery for Solvay's Latin American solvents and phenols business, Coatis.
- **Prices** were stable overall, with an increase in Advanced Formulations and Coatis more than compensating for the reduction in soda ash.

Underlying EBITDA

Underlying **EBITDA** was €533 million, down 3%. Excluding forex conversion and scope effects, it grew 9% organically, fully attributable to the strong volume growth. The underlying EBITDA margin was sustained at 21%.

- **Volume** growth and a positive business mix effect increased EBITDA by 8%.
- **Net pricing** was stable, demonstrating Solvay's pricing power. Price increases combined with operational excellence more than compensated for higher raw material prices, especially in Advanced Materials and Advanced Formulations. In Performance Chemicals, this effect was offset by the anticipated margin erosion in soda ash.
- **Fixed costs** were up slightly. Operational excellence and synergy benefits mostly compensated for inflation.

Other underlying P&L elements

Underlying **EBIT** was €370 million, 2.4% lower year on year, and slightly less than EBITDA due to lower depreciation.

Underlying **net financial charges** [2] were €(86) million, a 22% improvement compared to the first quarter of 2017, reflecting capital structure optimizations implemented in 2017.

Underlying **taxes** were €(67) million, in line with last year, as the higher tax base was offset by the anticipated lower tax rate, which ended at 25% for the quarter.

The underlying contribution from **discontinued operations** was lower than in 2017 at €41 million, mainly due to the absence of contribution from Acetow, which was divested at the end of May 2017. In 2018 discontinued operations only consist of the polyamide activities, planned to be sold to BASF in the second half of the year.

Including a lower deduction for non-controlling interests, underlying **earnings per share** [3] were €2.00 on a continuing basis, up by 10% year on year. Including the contribution from discontinued operations, it came to €2.39.

Cash flow

Free cash flow from continuing operations was €105 million, down from €168 million in the first quarter of 2017, reflecting lower EBITDA and phasing in working capital needs.

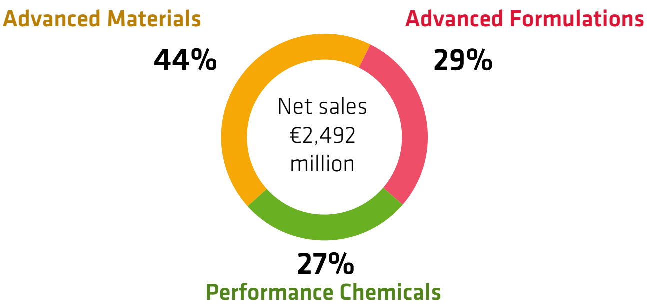
- **Capex** discipline was maintained, leading to capex of €(159) million on a continuing basis, a 2% decrease year on year. Provision payments of €(88) million were in line with 2017.
- **Total free cash flow** increased to €147 million, including cash from discontinued operations, which rose thanks to lower working capital needs.
- **Free cash flow to Solvay shareholders** was €141 million. On a continuing basis it was €99 million, in line with €102 million in 2017. Financing payments totaled €(5) million, significantly lower than the €(63) million in the first quarter of 2017, thanks to the optimization of Solvay's capital structure last year.

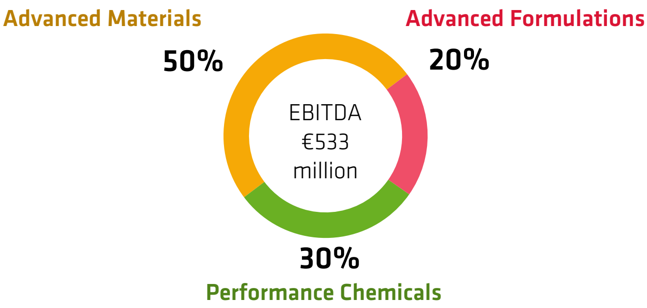
Net financial debt

Underlying **net financial debt** [4] remained largely stable at €(5.3) billion, including €(2.2) billion of perpetual hybrid bonds.

[1] Scope effects include acquisitions and divestments of smaller businesses not leading to the restatement of previous periods.
[2] Underlying net financial charges include the coupons on perpetual hybrid bonds, which are accounted as dividends under IFRS, and thereby excluded from the P&L, as well as the financial charges and realized foreign exchange losses in the RusVinyl joint venture, which under IFRS are part of the earnings from associates & joint ventures and thereby included in the IFRS EBITDA.
[3] Earnings per share, basic calculation.
[4] Underlying net debt includes the perpetual hybrid bonds, accounted for as equity under IFRS.

SEGMENT REVIEW [1]





Segment review

(in € million)	Underlying		
	Q1 2018	Q1 2017	% yoy
Net sales	**2,492**	**2,574**	***-3.2%***
Advanced Materials	1,087	1,126	*-3.5%*
Advanced Formulations	730	741	*-1.5%*
Performance Chemicals	671	703	*-4.6%*
Corporate & Business Services	4	3	*+34%*
EBITDA	**533**	**547**	***-2.6%***
Advanced Materials	288	292	*-1.3%*
Advanced Formulations	118	127	*-7.1%*
Performance Chemicals	177	193	*-8.3%*
Corporate & Business Services	(51)	(66)	*+22%*
EBIT	**370**	**379**	***-2.4%***
Advanced Materials	219	222	*-1.6%*
Advanced Formulations	85	91	*-6.4%*
Performance Chemicals	133	147	*-9.5%*
Corporate & Business Services	(67)	(81)	*+17%*

CORPORATE & BUSINESS SERVICES

Underlying EBITDA costs were €(51) million, substantially lower than in the first quarter of 2017. A softer quarter in **Energy Services** was more than offset by lower charges in **Other Corporate & Business Services**. While inflation was offset by cost discipline, it also benefitted from synergies and phasing.

[1] The net sales and EBITDA pie charts exclude Corporate & Business Services, Corporate & Business Services had no material contribution to net sales and their contribution to EBITDA is negative, and therefore cannot be depicted.

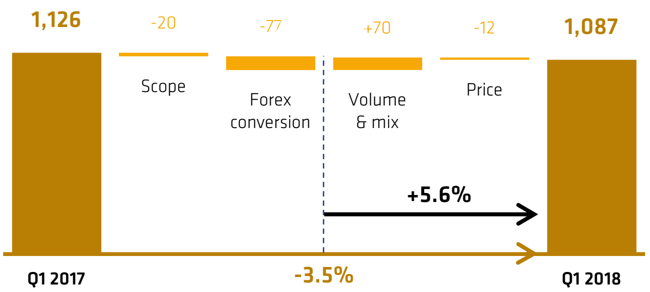
ADVANCED MATERIALS

- Q1 underlying EBITDA down 1% including forex and scope, yet up 9% organically [1]
- Double digit volume growth in Specialty Polymers and Composites
- Persistent strong demand for high-performance polymers across applications, particularly in automotive
- Order levels picking up well in aerospace composites driven by military and commercial transport programs

Key figures

(in € million)	Underlying Q1 2018	Q1 2017	% yoy
Net sales	**1,087**	**1,126**	***-3.5%***
Specialty Polymers	511	513	*-0.3%*
Composite Materials	255	273	*-6.6%*
Special Chem	211	225	*-6.4%*
Silica	110	115	*-4.6%*
EBITDA	**288**	**292**	***-1.3%***
EBITDA margin	*27%*	*26%*	*+0.6pp*
EBIT	**219**	**222**	***-1.6%***

Q1 yoy net sales bridge *(in €million)*



Q1 2018 performance

Net sales were 3.5% lower. The solid volume growth of 6% year on year was offset by forex. The bulk of the volume growth was delivered by the double-digit performance of **Specialty Polymers**, driven by strong growth across key markets. In automotive, fuel-efficiency and electrification programs continued to drive sustained demand for our high-performance polymers. Demand was also up in healthcare, food packaging and electronics, including the semiconductor and smart device industries. The sale of the polyolefin cross-linkable compounds business led to a small reduction in scope. **Composite Materials** sales volumes grew strongly, with increased production in commercial programs, including the 787 and 737MAX aircraft, and with the continued ramp-up of the F-35 military aircraft. Demand by helicopter, business jet and automotive sectors also improved. Volumes were stable overall in **Special Chem**. Robust demand from the electronics sector, supported by recent capacity expansions, offset a reduction in demand for rare earth oxides in automotive, triggered by the shift from diesel to gasoline. **Silica** volumes were stable. Overall demand from the energy-efficient tire market remains strong. Growth in the Americas compensated for a slow start to the year with some key accounts in Europe, and competition increased in Asia Pacific at the low end of the market.

Underlying EBITDA was slightly down year on year, despite showing 9% growth at constant scope and forex. Pricing power complemented volume growth. Fixed costs were up, mainly linked to destocking effects at the new carbon fiber plant in Piedmont, South Carolina, US. The underlying **EBITDA margin** increased 0.6 percentage point to 27%.

[1] Excluding forex conversion and scope effects.

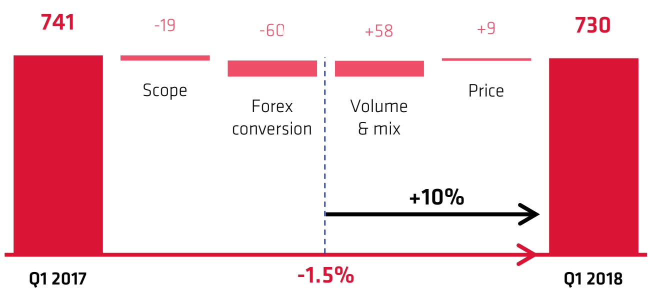
ADVANCED FORMULATIONS

- Q1 underlying EBITDA down 7% including forex and scope, yet up 10% organically [1]
- Solid volume growth in North American oil & gas market
- Other businesses had solid sales performances overall

Key figures

(in € million)	Underlying Q1 2018	Q1 2017	% yoy
Net sales	**730**	**741**	***-1.5%***
Novecare	495	486	*+1.9%*
Technology Solutions	143	162	*-12%*
Aroma Performance	92	93	*-0.9%*
EBITDA	**118**	**127**	***-7.1%***
EBITDA margin	*16%*	*17%*	*-1.0pp*
EBIT	**85**	**91**	***-6.4%***

Q1 yoy net sales bridge *(in €million)*



Q1 2018 performance

Net sales were down 1% year on year. The 8% increase in volume, complemented by higher pricing, more than offset the adverse forex effect. Volumes in **Novecare** were driven by the strong North American shale oil and gas market, which was recovering in the first half of 2017 and has remained solid since. Other markets were also supportive, with the exception of agro, which faced a slow start to the year. Volumes in **Technology Solutions** grew, supported by strong demand for phosphine specialties. Sales of polymer additives were stable at a high level. Mining volumes were also flat, despite strong demand from the sector, due to phasing effects following inventory replenishment by customers in the fourth quarter of 2017. Divestment of the formulated resins and phosphorous businesses resulted in a reduced scope. **Aroma Performance** sales volumes were stable overall, both in vanillin ingredients and chemical applications. Prices were up, after the business endured competitive pressure last year.

Underlying EBITDA decreased by 7% year on year. Excluding scope and forex effects it was up 10%, reflecting the volume increase and positive net pricing. Price increases across its businesses enabled Solvay to recover some of the raw material price increases incurred during previous reporting periods, and operational excellence initiatives helped to contain fixed costs. The underlying **EBITDA margin** narrowed 1.0 percentage point to 16%.

[1] Excluding forex conversion and scope effects.

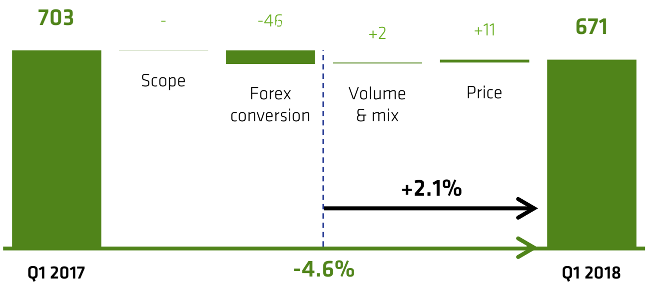
PERFORMANCE CHEMICALS

- Q1 underlying EBITDA down 8% including forex and scope, and down 1% organically [1]
- Positive pricing in Peroxides and Coatis
- Solid demand for soda ash continued in a context of limited margin erosion, as anticipated

Key figures

(in € million)	Underlying Q1 2018	Q1 2017	% yoy
Net sales	**671**	**703**	***-4.6%***
Soda Ash & Derivatives	371	415	*-11%*
Peroxides	154	152	*+1.3%*
Coatis	125	101	*+24%*
Functional Polymers	22	36	*-39%*
EBITDA	**177**	**193**	***-8.3%***
EBITDA margin	*26%*	*27%*	*-1.1pp*
EBIT	**133**	**147**	***-9.5%***

Q1 yoy net sales bridge *(in €million)*



Q1 2018 performance

Net sales were 5% lower year on year, as a result of forex conversion, though this was partly compensated by higher prices. Volumes were stable overall. While demand remained solid in **Soda Ash & Derivatives**, soda ash volumes were impacted by railcar availability in the US. Prices decreased slightly, following capacity additions by the competition. Bicarbonate volumes were stable, yet benefited from product mix. **Peroxides** sales volumes increased and prices were up, largely due to performance at the new plant in China, which ramped up to full capacity in a positive local market environment. **Coatis** sales grew by double digits, on both pricing and volumes. The improving domestic market for solvents and phenols was complemented by exports, for phenols in particular. Volume developments in **Functional Polymers** were stable overall, both in the Latin American polyamide textile business and in the Russian PVC activity.

Underlying EBITDA declined 8%, yet were largely stable excluding forex impacts. Higher prices in Coatis and Peroxides, as well as operational excellence in Soda Ash & Derviatives, partly compensated higher energy and freight costs. The fixed cost base also improved. The underlying **EBITDA margin** was 1.1 percentage point lower at 26%.

[1] Excluding forex conversion and scope effects.

SUPPLEMENTARY INFORMATION

Reconciliation of alternative performance metrics

Solvay measures its financial performance using alternative performance metrics, which can be found below. Unless otherwise stated, 2017 data are presented on a restated basis, after discontinuation of the Polyamide activities. Solvay believes that these measurements are useful for analyzing and explaining changes and trends in its historical results of operations, as they allow performance to be compared on a consistent basis.

Tax rate

(in € million)		Underlying Q1 2018	Underlying Q1 2017
Profit for the period before taxes	a	284	268
Earnings from associates & joint ventures	b	17	17
Interests and realized foreign exchange gains (losses) on the RusVinyl joint venture	c	(7)	(8)
Income taxes	d	(67)	(68)
Tax rate	e = -d/(a-b-c)	**25%**	**26%**

Tax rate = Income taxes / (Result before taxes – Earnings from associates & joint ventures – Interests & realized foreign exchange results on the RusVinyl joint venture). The adjustment made to the denominator regarding associates and joint ventures is done because these contributions are already net of income taxes.

Free cash flow

(in € million)		Q1 2018	Q1 2017
Cash flow from operating activities	a	320	261
of which cash flow related to acquisition of subsidiaries	b	-	(46)
Cash flow from investing activities	c	(142)	13
of which capital expenditures required by share sale agreement	d	(9)	-
Acquisition (-) of subsidiaries	e	(10)	(12)
Acquisition (-) of investments - Other	f	(1)	(6)
Loans to associates and non-consolidated companies	g	1	(4)
Sale (+) of subsidiaries and investments	h	50	179
Free cash flow	k = a-b+c-d-e-f-g-h-i-j	**147**	**164**
Free cash flow from discontinued operations	l	42	(3)
Free cash flow from continuing operations	m = k-l	**105**	**168**

Free cash flow measures cash flow from operating activities, net of investments. It excludes any M&A or financing related activities, but includes elements like dividends from associates and joint-ventures, pensions, restructuring costs, etc. It is defined as cash flow from operating activities (excluding cash flows from expenses incurred in connection with acquisitions of subsidiaries) and cash flow from investing activities (excluding cash flows from or related to acquisitions and disposals of subsidiaries and other investments, and excluding loans to associates and non-consolidated investments, as well as related tax elements and recognition of factored receivables).

Capital expenditure (capex)

(in € million)		Q1 2018	Q1 2017
Acquisition (-) of tangible assets	a	(158)	(161)
Acquisition (-) of intangible assets	b	(26)	(23)
Capex	c = a+b	**(184)**	**(185)**
Capex flow from discontinued operations	d	(25)	(23)
Capex from continuing operations	e = c-d	**(159)**	**(161)**
Underlying EBITDA	f	533	547
Cash conversion	g = (f+e)/f	**70%**	**70%**

Capital expenditure (capex) is cash paid for the acquisition of tangible and intangible assets.

Cash conversion is a ratio used to measure the conversion of EBITDA into cash. It is defined as (Underlying EBITDA + Capex from continuing operations) / Underlying EBITDA.

Net working capital

(in € million)		2018 March 31	2017 December 31
Inventories	a	1,549	1,504
Trade receivables	b	1,608	1,462
Other current receivables	c	730	627
Trade payables	d	(1,358)	(1,330)
Other current liabilities	e	(953)	(848)
Net working capital	f = a+b+c+d+e	**1,576**	**1,414**
Sales	g	2,809	2,765
Annualized quarterly total sales	h = 4*g	11,235	11,060
Net working capital / sales	i = f / h	**14.0%**	**12.8%**

Net working capital includes inventories, trade receivables and other current receivables, netted with trade payables and other current liabilities.

Net financial debt

(in € million)		2018 March 31	2017 December 31
Non-current financial debt	a	(3,122)	(3,182)
Current financial debt	b	(1,066)	(1,044)
Gross debt	c = a+b	(4,188)	(4,226)
Other financial instrument receivables	d	92	89
Cash & cash equivalents	e	990	992
Total cash and cash equivalents	f = d+e	1,083	1,080
IFRS net debt	g = c+f	**(3,106)**	**(3,146)**
Perpetual hybrid bonds	h	(2,200)	(2,200)
Underlying net debt	i = g+h	**(5,306)**	**(5,346)**
Underlying EBITDA (last 12 months)	j	2,216	2,230
Adjustment for discontinued operations [1]	k	226	236
Adjusted underlying EBITDA for leverage calculation [1]	l = j+k	2,442	2,466
Underlying leverage ratio [1]	m = -i/l	**2.2**	**2.2**

(IFRS) net debt = Non-current financial debt + Current financial debt – Cash & cash equivalents – Other financial instrument receivables. Underlying net debt represents the Solvay share view of debt, reclassifying as debt 100% of the hybrid perpetual bonds, classified as equity under IFRS. Leverage ratio = Net debt / Underlying EBITDA of last 12 months. Underlying leverage ratio = Underlying net debt / Underlying EBITDA of last 12 months.

[1] As net debt at the end of the period does not yet reflect the net proceeds to be received on the divestment of discontinued operations, whereas the underlying EBITDA excludes the contribution of discontinued operations, the underlying EBITDA is adjusted to calculate the leverage ratio. Polyamide's underlying EBITDA was added.

Reconciliation of underlying income statement indicators

Besides IFRS accounts, Solvay also presents underlying Income Statement performance indicators to provide a more consistent and comparable indication of Solvay's economic performance. These figures adjust IFRS figures for the non-cash Purchase Price Allocation (PPA) accounting impacts related to acquisitions, for the coupons of perpetual hybrid bonds classified as equity under IFRS but treated as debt in the underlying statements, and for other elements to generate a measure that avoids distortion and facilitates the appreciation of performance and comparability of results over time.

Q1 consolidated income statement

	Q1 2018			Q1 2017		
(in € million)	IFRS	Adjust-ments	Under-lying	IFRS	Adjust-ments	Under-lying
Sales	**2,809**	**-**	**2,809**	**2,840**	**-**	**2,840**
of which revenues from non-core activities	317	-	317	266	-	266
of which net sales	2,492	-	2,492	2,574	-	2,574
Cost of goods sold	(2,064)	-	(2,064)	(2,068)	-	(2,068)
Gross margin	**744**	**-**	**744**	**772**	**-**	**772**
Commercial & administrative costs	(329)	8	(321)	(353)	10	(343)
Research & development costs	(70)	1	(69)	(72)	1	(71)
Other operating gains & losses	(50)	49	(1)	(51)	55	4
Earnings from associates & joint ventures	11	6	17	22	(5)	17
Result from portfolio management & reassessments	(145)	145	-	(13)	13	-
Result from legacy remediation & major litigations	(18)	18	-	(10)	10	-
EBITDA	**389**	**144**	**533**	**524**	**23**	**547**
Depreciation, amortization & impairments	(245)	82	(163)	(229)	62	(167)
EBIT	**144**	**226**	**370**	**294**	**85**	**379**
Net cost of borrowings	(32)	-	(32)	(54)	-	(54)
Coupons on perpetual hybrid bonds	-	(27)	(27)	-	(28)	(28)
Interests and realized foreign exchange gains (losses) on the RusVinyl joint venture	-	(7)	(7)	-	(8)	(8)
Cost of discounting provisions	(19)	-	(19)	(26)	5	(22)
Profit for the period before taxes	**93**	**191**	**284**	**214**	**54**	**268**
Income taxes	(12)	(56)	(67)	(36)	(32)	(68)
Profit for the period from continuing operations	**81**	**136**	**216**	**178**	**22**	**200**
Profit (loss) for the period from discontinued operations	37	3	41	73	(1)	72
Profit for the period	**118**	**139**	**257**	**251**	**21**	**272**
attributable to Solvay share	109	139	247	235	21	256
attributable to non-controlling interests	10	-	10	16	-	16
Basic earnings per share (in €)	1.05		2.39	2.28		2.48
of which from continuing operations	0.69		2.00	1.61		1.82
Diluted earnings per share (in €)	1.04		2.38	2.26		2.46
of which from continuing operations	0.68		1.99	1.60		1.81

EBITDA on an IFRS basis totaled €389 million, versus €533 million on an underlying basis. The difference of €144 million is explained by the following adjustments to IFRS results, which are done to improve the comparability of underlying results:

- €6 million in "*Earnings from associates & joint ventures*" for Solvay's share in the financial charges of the Rusvinyl joint venture and the foreign exchange losses on the €-denominated debt of the joint venture, following the 2.1% devaluation of the Russian ruble over the period. These elements are reclassified in "*Net financial charges*".
- €120 million to adjust for the "*Result from portfolio management and reassessments*", excluding depreciation, amortization and impairment elements. This result comprises €(136) million of restructuring costs, almost entirely related to the cost booked for the Group simplification plan of €(134) million. These impacts were mitigated by €16 million net gains on M&A activities, mainly the capital gain on the divestment of the phosphorous plant in Charleston, US.
- €18 million to adjust for the "*Result from legacy remediation and major litigations*", primarily environmental expenses.

EBIT on an IFRS basis totaled €144 million, versus €370 million on an underlying basis. The difference of €226 million is explained by the above-mentioned €144 million adjustments at the EBITDA level and €82 million of "*Depreciation, amortization & impairments*". The latter consist of:

- €57 million to adjust for the non-cash impact of purchase price allocation (PPA), consisting of amortization charges on intangible assets, which are adjusted in "*Commercial & administrative costs*" for €8 million, in "*Research & development costs*" for €1 million, and in "*Other operating gains & losses*" for €49 million.
- €25 million to adjust for the net impact of impairments, which are non-cash in nature and are reported in "*Result from portfolio management and reassessments*", mainly related to the divestment of the hydrofluoric acid plant in Porto Marghera, Italy.

Net financial charges on an IFRS basis were €(51) million versus €(86) million on an underlying basis. The €(35) million adjustment made to IFRS net financial charges consists of:

- €(27) million reclassification of coupons on perpetual hybrid bonds, which are treated as dividends under IFRS, and as financial charges in underlying results.
- €(7) million reclassification of financial charges and realized foreign exchange result on the €-denominated debt of RusVinyl as net financial charges. The €(1) million delta with the adjustment made to EBITDA is attributed to unrealized foreign exchange losses.

Income taxes on an IFRS basis were €(12) million, versus €(67) million on an underlying basis. The €(56) million adjustment includes mainly:

- €(60) million to adjust for the tax impacts of the adjustments made to the underlying result before taxes (as described above).
- €5 million to adjust for tax elements related to prior periods.

Discontinued operations generated a profit of €37 million on an IFRS basis and €41 million on an underlying basis. The €3 million adjustment to the IFRS profit is made for M&A costs related to the planned divestment of the polyamide activities.

Profit attributable to Solvay share was €109 million on an IFRS basis and €247 million on an underlying basis. The delta of €139 million reflects the above-mentioned adjustments to EBIT, net financial charges, income taxes and discontinued operations. There was no impact from non-controlling interests.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (NOT AUDITED)

Consolidated income statement

(in € million)	IFRS Q1 2018	IFRS Q1 2017
Sales	**2,809**	**2,840**
of which revenues from non-core activities	317	266
of which net sales	2,492	2,574
Cost of goods sold	(2,064)	(2,068)
Gross margin	**744**	**772**
Commercial & administrative costs	(329)	(353)
Research & development costs	(70)	(72)
Other operating gains & losses	(50)	(51)
Earnings from associates & joint ventures	11	22
Result from portfolio management & reassessments	(145)	(13)
Result from legacy remediation & major litigations	(18)	(10)
EBIT	**144**	**294**
Cost of borrowings	(34)	(43)
Interest on lendings & deposits	3	5
Other gains & losses on net indebtedness	(1)	(16)
Cost of discounting provisions	(19)	(26)
Profit for the period before taxes	**93**	**214**
Income taxes	(12)	(36)
Profit for the period from continuing operations	**81**	**178**
attributable to Solvay share	71	166
attributable to non-controlling interests	10	12
Profit (loss) for the period from discontinued operations	37	73
Profit for the period	**118**	**251**
attributable to Solvay share	109	235
attributable to non-controlling interests	10	16
Weighted average of number of outstanding shares, basic	103,354,210	103,236,769
Weighted average of number of outstanding shares, diluted	103,917,063	103,885,079
Basic earnings per share (in €)	1.05	2.28
of which from continuing operations	0.69	1.61
Diluted earnings per share (in €)	1.04	2.26
of which from continuing operations	0.68	1.60

Consolidated statement of comprehensive income

(in € million)	IFRS Q1 2018	IFRS Q1 2017
Profit for the period	**118**	**251**
Other comprehensive income		
Other comprehensive income, net of related tax effects	**(150)**	**95**
Recyclable components	(170)	(17)
Gains and losses on hedging instruments in a cash flow hedge	8	(8)
Currency translation differences from subsidiaries & joint operations	(166)	(30)
Currency translation differences from associates & joint ventures	(12)	21
Non-recyclable components	24	139
Gains and losses on financial instruments measured at fair value through comprehensive income	(1)	-
Remeasurement of the net defined benefit liability	25	139
Income tax relating to components of other comprehensive income	(4)	(26)
Total comprehensive income	**(32)**	**346**
attributed to Solvay share	(40)	356
attributed to non-controlling interests	9	(9)

Consolidated statement of cash flows

(in € million) IFRS	Q1 2018	Q1 2017
Profit for the period	118	251
Adjustments to profit for the period	463	378
Depreciation, amortization & impairments (-)	245	254
Earnings from associates & joint ventures (-)	(11)	(22)
Additions & reversals on provisions (-)	168	39
Net financial charges & gains and losses on financial instruments measured at fair value through comprehensive income (-)	52	82
Income tax expenses (-)	30	47
Other non-operating and non-cash items	(21)	(22)
Changes in working capital	(141)	(204)
Uses of provisions	(90)	(96)
Dividends received from associates & joint ventures	5	5
Income taxes paid (including income taxes paid on sale of investments)	(35)	(73)
Cash flow from operating activities	**320**	**261**
of which cash flow related to acquisition or sale of subsidiaries		(46)
Acquisition (-) of subsidiaries	(10)	(12)
Acquisition (-) of investments - Other	(1)	(6)
Loans to associates and non-consolidated companies	1	(4)
Sale (+) of subsidiaries and investments	50	179
Acquisition (-) of tangible and intangible assets (capex)	(184)	(185)
of which tangible assets	(158)	(161)
of which capital expenditures required by share sale agreement	(9)	-
of which intangible assets	(26)	(23)
Sale (+) of tangible & intangible assets	7	51
of which cash flow related to the sale of real estate in the context of restructuring, dismantling or remediation		4
Changes in non-current financial assets	(5)	(10)
Cash flow from investing activities	**(142)**	**13**
Sale (acquisition) of treasury shares	2	(2)
Increase in borrowings	374	4
Repayment of borrowings	(410)	(28)
Changes in other current financial assets	(7)	(12)
Net interests paid	(5)	(63)
Dividends paid	(144)	(136)
of which to Solvay shareholders	(143)	(136)
of which to non-controlling interests	(1)	-
Other	24	(16)
Cash flow from financing activities	**(166)**	**(252)**
Net change in cash and cash equivalents	**12**	**22**
Currency translation differences	(14)	18
Opening cash balance	992	1,054
Closing cash balance	**990**	**1,094**
of which cash in assets held for sale	-	-

Statement of cash flow from discontinued operations

(in € million) IFRS	Q1 2018	Q1 2017
Cash flow from operating activities	66	20
Cash flow from investing activities [1]	(24)	(23)
Net change in cash and cash equivalents	**42**	**(4)**

[1] The cash flow from investing activities of discontinued operations excludes the proceeds received on the divestment of Vinythai.

Consolidated statement of financial position

(in € million)	IFRS March 31, 2018	IFRS December 31, 2017
Non-current assets	**15,066**	**15,394**
Intangible assets	2,829	2,940
Goodwill	4,962	5,042
Tangible assets	5,312	5,433
Financial instruments measured at fair value through comprehensive income	43	44
Investments in associates & joint ventures	460	466
Other investments	47	47
Deferred tax assets	1,065	1,076
Loans & other assets	348	346
Current assets	**6,338**	**6,057**
Inventories	1,549	1,504
Trade receivables	1,608	1,462
Income tax receivables	121	100
Other financial instrument receivables	92	89
Other receivables	730	627
Cash & cash equivalents	990	992
Assets held for sale	1,249	1,284
Total assets	**21,404**	**21,451**
Total equity	**9,720**	**9,752**
Share capital	1,588	1,588
Reserves	8,011	8,051
Non-controlling interests	121	113
Non-current liabilities	**7,533**	**7,571**
Provisions for employee benefits	2,763	2,816
Other provisions	912	793
Deferred tax liabilities	556	600
Financial debt	3,122	3,182
Other liabilities	180	180
Current liabilities	**4,151**	**4,128**
Other provisions	254	281
Financial debt	1,066	1,044
Trade payables	1,358	1,330
Income tax payables	161	129
Dividends payable	3	147
Other liabilities	953	848
Liabilities associated with assets held for sale	355	349
Total equity & liabilities	**21,404**	**21,451**

Consolidated statement of changes in equity

IFRS

(in € million)	Share capital	Share premiums	Treasury shares	Perpetual hybrid bonds	Retained earnings	Currency translation differences	Revaluation reserve (fair value): Financial instruments measured at fair value through comprehensive income [1]	Revaluation reserve (fair value): Cash flow hedges	Defined benefit pension plans	Total reserves	Non-controlling interests	Total equity
Balance on December 31, 2016	**1,588**	**1,170**	**(274)**	**2,188**	**5,899**	**(39)**	**8**	**(5)**	**(828)**	**8,118**	**250**	**9,956**
Profit for the period	-	-	-	-	235	-	-	-	-	235	16	251
Items of other comprehensive income	-	-	-	-	-	16	-	(8)	112	121	(26)	95
Comprehensive income	**-**	**-**	**-**	**-**	**235**	**16**	**-**	**(8)**	**112**	**356**	**(9)**	**346**
Cost of stock options	-	-	-	-	2	-	-	-	-	2		2
Sale (acquisition) of treasury shares	-	-	(2)	-	-	-	-	-	-	(2)		(2)
Other [2]	-	-	-	-	2	-	-	-	-	2	(119)	(117)
Balance on March 31, 2017	**1,588**	**1,169**	**(276)**	**2,188**	**6,137**	**(23)**	**8**	**(13)**	**(716)**	**8,475**	**122**	**10,185**
Balance on December 31, 2017	**1,588**	**1,170**	**(281)**	**2,188**	**6,454**	**(834)**	**5**	**16**	**(666)**	**8,051**	**113**	**9,752**
Adoption IFRS 9	-	-	-	-	(5)	-	-	-	-	(5)	-	(5)
Balance on January 1, 2018	**1,588**	**1,170**	**(281)**	**2,188**	**6,449**	**(834)**	**5**	**16**	**(666)**	**8,046**	**113**	**9,747**
Profit for the period	-	-	-	-	109	-	-	-	-	109	10	118
Items of other comprehensive income [3]	-	-	-	-	-	(177)	(1)	8	21	(149)	(1)	(150)
Comprehensive income	**-**	**-**			**109**	**(177)**	**(1)**	**8**	**21**	**(40)**	**9**	**(32)**
Cost of stock options	-	-	-	-	3	-	-	-	-	3	-	3
Sale (acquisition) of treasury shares	-	-	2	-	-	-	-	-	-	2	-	2
Balance on March 31, 2018	**1,588**	**1,170**	**(279)**	**2,188**	**6,560**	**(1,011)**	**5**	**24**	**(645)**	**8,011**	**121**	**9,720**

[1] Prior to adoption of IFRS 9 Available-for-sale financial instruments
[2] The €(119) million reduction in equity related to non-controlling interest follows the completion of the Vinythai divestment in Q1 2017.
[3] The €(177) million reduction in equity related to currency translation differences is mainly related to the US$ decrease versus the €.

NOTES

1. General information

Solvay is a public limited liability company governed by Belgian law and quoted on Euronext Brussels and Euronext Paris. These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 2, 2018.

On February 7, 2018, Solvay completed the sale of its U.S. facility in Charleston, South Carolina, and the phosphorus derivatives-based products made at the plant, to German specialty chemicals company Lanxess for € 51 million, leading to a net capital gain before tax of € 20 million.

On March 15, 2018, Solvay announced it has agreed to sell its Porto Marghera plant, which produces hydrofluoric acid, to Alkeemia, part of the Italian Fluorsid Group. The hydrofluoric acid is utilized by Solvay as a base chemical for the production of selected specialty polymers. This divestment is in line with Solvay Specialty Polymers' strategy to focus on specialties, where technology and innovation make the difference, to improve the sustainability of its productions. Fluorsid Group is one of the key players in the hydrofluoric acid and derivatives market at an international level. Alkeemia will acquire Solvay Specialty Polymers' Porto Marghera branch of activities, and the employees at the site will be transferred. The sale is expected to close in the first half of 2018 and it is subject to customary closing conditions. In connection with the expected disposal, an impairment loss of € 21 million has been recognized.

On March 29, 2018, Solvay announced it is taking a new step in its transformation, putting its customers at the core of its organization to enhance its long-term growth as an advanced materials and specialty chemicals company. Solvay announced plans to simplify its organization that needs to be adapted to its portfolio which is now strongly focused on high-performance materials and tailored solutions, as well as to its changing customer base. The Group launched the relevant information/consultation procedures with employee representatives. These procedures should be completed at the end of June. The Group is committed to supporting employees throughout this transformation while limiting job losses as much as possible. The simplification of the organization should lead to about 600 net redundancies, mainly in functional activities. The concentration of the R&I and support activities would involve the transfer to Lyon and Brussels, over four years, of about 500 employees who can rely on comprehensive support from the Group to help them relocate. In connection with the announced transformation, a restructuring provision has been recognized in the amount of € 129 million.

2. Accounting policies

General

Solvay prepares its consolidated interim financial statements on a quarterly basis, in accordance with IAS 34 *Interim Financial Reporting*. They do not include all the information required for the preparation of the annual consolidated financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2017.

The consolidated financial statements for the three months ended March 31, 2018, were prepared using the same accounting policies as those adopted for the preparation of the consolidated financial statements for the year ended December 31, 2017, except for the adoption of new Standards effective as of January 1, 2018, that are discussed hereafter. The Group has not early adopted any other Standard, Interpretation or amendment that has been issued but is not yet effective.

Impacts of new Standards

As of January 1, 2018, the Group applied, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*. As required by IAS 34, the nature and effect of these changes are disclosed below. Several other amendments and Interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group adopted IFRS 9 on January 1, 2018, and did not restate comparative information.

During 2017, the Group finalized the impact assessment of all three aspects of IFRS 9. Overall, there is no significant impact on the Group's statement of financial position and equity. The Group observed an increase in the loss allowance resulting in a negative impact on equity as discussed below. In addition, the Group has implemented changes in classification of certain financial instruments.

- **Impairment:** IFRS 9 requires the Group to recognize expected credit losses on all of its trade receivables: the Group applies the simplified approach and recognizes lifetime expected losses on all trade receivables, using the provision matrix in order to calculate the lifetime expected credit losses for trade receivables as required by IFRS 9, using historical information on defaults adjusted for the forward looking information. Impacts related to debt securities, loans, financial guarantees, and loan commitments provided to third parties, as well as cash and cash equivalents, are immaterial. The impact on the trade receivable allowances is as follows, while the impact on the Group's equity (net of deferred taxes) amounts to €(5) million:

(in € million)	Allowances on trade receivable
Carrying amount as of December 31, 2017 - IAS 39	(49)
Remeasurements from incurred to expected loss model	(6)
Carrying amount as of December 31, 2017 - IFRS 9	(55)

- **Classification and measurement:** the application of the classification and measurement requirements of IFRS 9 does not have a significant impact on the Group's consolidated statement of financial position or equity. It will continue measuring at fair value all financial assets previously held at fair value. The equity shares in non-listed companies, previously presented as available for sale, are intended to be held for the foreseeable future. The Group applies the option to present fair value changes in OCI, and therefore the application of IFRS 9 does not have a significant impact. The fair value gains or losses accumulated in the other comprehensive income will no longer be subsequently reclassified to profit or loss, which is different from the previous treatment. Loans as well as trade receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Thus, the Group will continue to measure those financial assets at amortized cost under IFRS 9. The effect of applying IFRS 9's classification and measurement requirements on financial assets is as follows:

Financial assets	IAS 39 December 31, 2017	Transition to IFRS 9		IFRS 9 January 1, 2018	At date of transition
(in € million)	Carrying amount	Reclassi fications	Remeasu rements	Carrying amount	Impact on retained earnings [1]
Loans and receivables (including cash & cash equivalents, trade receivables, loans and other current and non-current assets except pension fund surpluses)	2,870	(2,870)	-	-	-
Financial assets measured at amortized cost	-	2,870	(6)	2,864	(5)
Available-for-sale financial assets	44	(44)	-	-	-
Financial assets measured at fair value through comprehensive income	-	44		44	

[1] Net of deferred tax assets

Regarding financial liabilities, the Group didn't make any reclassifications or remeasurements.

- **Hedge accounting:** In accordance with IFRS 9's transition provisions for hedge accounting, the Group applies the IFRS 9 hedge accounting requirements prospectively from the date of initial application on January 1, 2018. The Group's qualifying hedging relationships in accordance with IAS 39 in place as at January 1, 2018 also qualify for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. No rebalancing of any of the hedging relationships was necessary on January 1, 2018.

IFRS 15 Revenue from contracts with customers

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other Standards. The new Standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer.

The Group adopted IFRS 15 on January 1, 2018, using the modified retrospective approach. During 2017, the Group finalized its assessment of IFRS 15 impacts that it had commenced in 2016.

- **Sale of goods:** As the Group is in the business of selling chemicals, contracts with customers generally concern the sale of goods. As a result, revenue recognition generally occurs at a point in time when control of the chemicals is transferred to the customer, generally on delivery of the goods.
- **Distinct elements:** the revenue of the Group consists mainly of sales of chemicals, which qualify as separate performance obligations. Value-added services – mainly customer assistance services – corresponding to Solvay's know-how are rendered predominantly over the period that the corresponding goods are sold to the customer. At transition date, the Group did not have a more than insignificant adjustment compared to its previous practice.

- **Variable consideration:** some contracts with customers provide trade discounts or volume rebates. In accordance with IAS 18, the Group recognized revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, and volume rebates. Trade discounts and volume rebates give rise to variable consideration under IFRS 15, and are required to be estimated at contract inception. IFRS 15 requires the estimated variable consideration to be constrained to prevent overstatement of revenue. The Group assessed individual contracts to determine the estimated variable consideration and related constraints. At transition date, the Group did not have a more than insignificant adjustment compared to its previous practice on its retained earnings.
- **Moment of recognition of revenue:** the Group sells its chemicals to its customers, (a) directly, (b) through distributors, and (c) with the assistance of agents. The Group analyzed whether the moment control of the goods passes, as described in IFRS 15, would result in a different moment to recognize the revenue. At transition date, the Group did not have a more than insignificant adjustment compared to its previous practice.

New accounting policies

IFRS 9 – Financial Instruments

General

Financial assets and liabilities are first recognized when Solvay becomes a party to the contractual provisions of the instrument.

Amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability. When calculating the effective interest rate, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Financial assets

Trade receivables are initially measured at their transaction price, if they do not contain a significant financing component, which is the case for substantially all trade receivables. Other financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

A financial asset is classified as current when the cash flows expected to flow from the instrument mature within one year.

All recognized financial assets will subsequently be measured at either amortized cost or fair value under IFRS 9. Specifically:

- a debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding is measured at amortized cost (net of any write down for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option;
- a debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, is measured at fair value through other comprehensive income (FVTOCI), unless the asset is designated at FVTPL under the fair value option;
- all other debt instruments are measured at FVTPL;
- all equity investments are measured in the consolidated statement of financial position at fair value, with gains and losses recognized in profit or loss except that if an equity investment is not held for trading, nor contingent consideration recognized by an acquirer in a business combination, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognized in profit or loss.

For instruments quoted in an active market, the fair value corresponds to a market price (level 1). For instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3). However, in limited circumstances, cost of equity instruments may be an appropriate estimate of their fair value. That may be the case if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

Impairment of financial assets

The impairment loss of a financial asset measured at amortized cost is calculated based on the expected loss model, representing the weighted average of credit losses with the respective risks of a default occurring as the weights.

For trade receivables that do not contain a significant financing component (i.e. substantially all trade receivables), the loss allowance is measured at an amount equal to lifetime expected credit losses. Those are the expected credit losses that result from all possible default events over the expected life of those trade receivables, using a provision matrix that takes into account historical information on defaults adjusted for the forward looking information.

Impairment losses are recognized in the consolidated income statement, except for debt instruments measured at fair value through other comprehensive income. In this case, the allowance is recognized in other comprehensive income.

Financial liabilities

Financial liabilities are initially measured at fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability. Subsequently, they are measured at amortized cost, except for:

- financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value;
- financial guarantee contracts. After initial recognition, guarantees are subsequently measured at the higher of the expected losses and the amount initially recognized.

Derivative financial instruments

A derivative financial instrument is a financial instrument or other contract within the scope of IFRS 9 with all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying');
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

The Group enters into a variety of derivative financial instruments (forward, future, option, collars and swap contracts) to manage its exposure to interest rate risk, foreign exchange rate risk, and commodity risk (mainly energy and CO_2 emission rights price risks).

As explained above, derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in income or expense, unless the derivative is designated and effective as a hedging instrument. The Group designates certain derivatives as hedging instruments of the exposure to variability in cash flows with respect to a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss (cash flow hedges).

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. Derivative instruments (or portions of them) are presented as non-current assets or non-current liabilities if the remaining maturity of the underlying settlements is more than twelve months after the reporting period. Other derivative instruments (or portions of them) are presented as current assets or current liabilities.

Hedge accounting

The Group designates certain derivatives and embedded derivatives, in respect of interest rate risk, foreign exchange rate risk, and commodity risk (mainly energy and CO_2 emission rights price risk), as hedging instruments in a cash flow hedge relationship.

At the inception of the hedge relationship, there is a formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. So to apply hedge accounting: (a) there is an economic relationship between the hedged item and the hedging instrument, (b) the effect of credit risk does not dominate the value changes that result from that economic relationship, and (c) the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Cash flow hedges

The effective portion of changes in the fair value of hedging instruments that are designated in a cash flow hedge is recognized in other comprehensive income.

The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

As long as cash flow hedge qualifies, the hedging relationship is accounted for as follows:

a) the separate component of equity associated with the hedged item (cash flow hedge reserve) is adjusted to the lower of the following (in absolute amounts):

i) the cumulative gain or loss on the hedging instrument from inception of the hedge; and

ii) the cumulative change in fair value (present value) of the hedged item (i.e. the present value of the cumulative change in the hedged expected future cash flows) from inception of the hedge.

b) the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge (i.e. the portion that is offset by the change in the cash flow hedge reserve calculated in accordance with (a)) is recognized in other comprehensive income.

c) any remaining gain or loss on the hedging instrument (or any gain or loss required to balance the change in the cash flow hedge reserve calculated in accordance with (a)) is hedge ineffectiveness that is recognized in profit or loss.

d) the amount that has been accumulated in the cash flow hedge reserve in accordance with (a) is accounted for as follows:

i) if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the Group removes that amount from the cash flow hedge reserve and includes it directly in the initial cost or other carrying amount of the asset or the liability. This is not a reclassification adjustment and hence it does not affect other comprehensive income.

ii) for cash flow hedges other than those covered by (i), that amount is reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss (for example, in the periods that interest income or interest expense is recognized or when a forecast sale occurs).

iii) however, if that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, it immediately reclassifies the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.

Hedge accounting is discontinued prospectively when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria (after taking into account any rebalancing of the hedging relationship, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised.

When the Group discontinues hedge accounting for a cash flow hedge it accounts for the amount that has been accumulated in the cash flow hedge reserve as follows:

- if the hedged future cash flows are still expected to occur, that amount remains in the cash flow hedge reserve until the future cash flows occur. However, if that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, it immediately reclassifies the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.
- if the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment. A hedged future cash flow that is no longer highly probable to occur may still be expected to occur.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers:

- Identify the contract
- Identify the performance obligations
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as the Group satisfies a performance obligation

Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer.

Sale of goods: As the Group is in the business of selling chemicals, contracts with customers generally concern the sale of goods. As a result, revenue recognition generally occurs at a point in time when control of the chemicals is transferred to the customer, generally on delivery of the goods.

Distinct elements: a good or service that is promised to a customer is distinct if both of the following criteria are met: (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and (b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

The revenue of the Group consists mainly of sales of chemicals, which qualify as separate performance obligations. Value-added services – mainly customer assistance services – corresponding to Solvay's know-how are rendered predominantly over the period that the corresponding goods are sold to the customer.

Variable consideration: some contracts with customers provide trade discounts or volume rebates. Trade discounts and volume rebates give rise to variable consideration under IFRS 15, and are required to be estimated at contract inception and subsequently at each reporting date. IFRS 15 requires the estimated variable consideration to be constrained to prevent overstatement of revenue.

Moment of recognition of revenue: revenue is recognized when (or as) the Group satisfies a performance obligation by transferring a promised good or service (ie an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. Substantially all revenue stems from performance obligations satisfied at a point in time, i.e. the sale of goods. Revenue recognition for those takes into account the following:

- The Group has a present right to payment for the asset;
- The customer has legal title to the asset;
- The Group has transferred physical possession of the asset;
- The customer has the significant risks and rewards of ownership of the asset (in this respect, incoterms are considered); and
- The customer has accepted the asset.

The Group sells its chemicals to its customers, (a) directly, (b) through distributors, and (c) with the assistance of agents. When the Group delivers a product to distributors for sale to end customers, the Group evaluates whether that distributor has obtained control of the product at that point in time. No revenue is recognized upon delivery of a product to a customer or distributor if the delivered product is held on consignment. Indicators of consignment inventory include

- the product is controlled by the Group until a specified event occurs, such as the sale of the product to a customer of the distributor or until a specified period expires;
- the Group is able to require the return of the product or transfer the product to a third party (such as another distributor); and
- the distributor does not have an unconditional obligation to pay for the product (although he might be required to pay a deposit).

Agents facilitate sales and do not purchase and resell the goods to the end customer.

Products sold to customers generally cannot be returned, other than for performance deficiencies. Customer acceptance clauses are in many cases a formality that would not affect the Group's determination of when the customer has obtained control of the goods.

Revenue from services is recognized in the period those services have been rendered.

Warranties: warranties provide a customer with assurance that the related product will function as the parties intended because it complies with agreed-upon specifications. Substantially all warranties do not provide the customer with a service in addition to the assurance that the product complies with agreed-upon specifications, and are hence accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

3. Segment information

Solvay is organized in the following operating segments:

- **Advanced Materials** offers high-performance materials for multiple applications primarily in the automotive, aerospace, electronics, and health markets. It particularly provides sustainable mobility solutions, reducing weight and improving CO_2 and energy efficiency.
- **Advanced Formulations** primarily serves the consumer goods, agro and food, as well as energy markets. It offers customized specialty formulations that impact surface chemistry and alter liquid behavior to optimize efficiency and yield, while minimizing environmental impact.
- **Performance Chemicals** operates in mature and resilient markets and has leading positions in chemical intermediates. Success is based on economies of scale and state-of-the-art production technology. It mainly serves the consumer goods and food markets. As from Q3 2017, Performance Chemicals also encompasses the remaining business activities previously included in the Functional Polymers segment: following the signing of the binding agreement with German chemical company BASF for the sale of its Polyamides business in September, 2017, those polyamide activities, which constituted the major part of Functional Polymers, were reclassified to discontinued operations. Comparative periods have been reworked accordingly: first quarter 2017 net sales increased by €36 million and underlying EBITDA by €9 million.
- **Corporate & Business Services** includes corporate and other business services, such as the Research & Innovation Center. It also incorporates the Energy Services GBU, whose mission is to optimize energy consumption and reduce CO_2 emissions.

Reconciliation of segment, underlying and IFRS data

(in € million)	Q1 2018	Q1 2017
Net sales	**2,492**	**2,574**
Advanced Materials	1,087	1,126
Advanced Formulations	730	741
Performance Chemicals	671	703
Corporate & Business Services	4	3
Underlying EBITDA	**533**	**547**
Advanced Materials	288	292
Advanced Formulations	118	127
Performance Chemicals	177	193
Corporate & Business Services	(51)	(66)
Underlying depreciation, amortization & impairments	(163)	(167)
Underlying EBIT	**370**	**379**
Non-cash accounting impact from amortization & depreciation of purchase price allocation (PPA) from acquisitions [1]	(57)	(66)
Net financial charges and remeasurements of equity book value of the RusVinyl joint venture	(6)	5
Result from portfolio management & reassessments	(145)	(13)
Result from legacy remediation & major litigations	(18)	(10)
EBIT	**144**	**294**
Net financial charges	(51)	(80)
Profit for the period before taxes	**93**	**214**
Income taxes	(12)	(36)
Profit for the period from continuing operations	**81**	**178**
Profit (loss) for the period from discontinued operations	37	73
Profit for the period	**118**	**251**
attributable to non-controlling interests	10	16
attributable to Solvay share	**109**	**235**

The disaggregation of revenue by region and market is not significantly different from that published in Note F1 of the consolidated financial statements for the year ended December 31, 2017.

[1] The non-cash PPA impacts can be found in the reconciliation table on pages 12 and 13. For Q1 2018 these consist of €(57) million of amortization of intangible assets, which are adjusted in "Commercial & administrative costs" for €8 million, in "Research & development costs" for €1 million, and in "Other operating gains & losses" for €49 million.

4. Financial Instruments

Valuation techniques

Compared to December 31, 2017, there are no changes in valuation techniques.

Fair value of financial instruments measured at amortized cost

For all financial instruments not measured at fair value in Solvay's consolidated statement of financial position, the fair value of those financial instruments as of March 31, 2018, is not significantly different from the ones published in Note F32 of the consolidated financial statements for the year ended December 31, 2017.

Financial instruments measured at fair value

For financial instruments measured at fair value in Solvay's consolidated statement of financial position, the fair value of those instruments as of March 31, 2018, is not significantly different from the ones as published in the Note F32 of the consolidated financial statements for the year ended December 31, 2017.

5. Declaration by responsible persons

Jean-Pierre Clamadieu, Chief Executive Officer, and Karim Hajjar, Chief Financial Officer, of the Solvay Group, declare that to the best of their knowledge:

- The consolidated interim financial information, prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union, reflects a faithful image of the assets and liabilities, financial situation and results of the Solvay Group;
- The management report contains a faithful presentation of significant events occurring during the first three months of 2018, and their impact on the consolidated interim financial information;
- The main risks and uncertainties are in accordance with the assessment disclosed in the Risk Management section of the Solvay 2017 Annual Report, taking into account the current economic and financial environment.

- **May 8, 2018** Annual general assembly
- **May 21, 2018** Final dividend ex-coupon date
- **May 22, 2018** Final dividend record date
- **May 23, 2018** Final dividend payment
- **July 31, 2018** First half 2018 results
- **November 8, 2018** Nine months 2018 results
- **February 27, 2019** Full year 2018 results
- **May 7, 2019** First quarter 2019 results

- **Press release** / **French** / **Dutch**
- **Financial report** / **French** / **Dutch**
- **News corner**
- **Conference call details**
- **Excel version of the tables**
- **Investor presentation**
- **Financial & extra-financial glossary**
- **Annual integrated report**

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Safe harbor

Solvay is an advanced materials and specialty chemicals company, committed to developing chemistry that addresses key societal challenges. Solvay innovates and partners with customers worldwide in many diverse end markets. Its products are used in planes, cars, batteries, smart and medical devices, as well as in mineral and oil and gas extraction, enhancing efficiency and sustainability. Its lightweighting materials promote cleaner mobility, its formulations optimize the use of resources and its performance chemicals improve air and water quality.

Solvay is headquartered in Brussels with around 24,500 employees in 61 countries. Net sales were €10.1 billion in 2017, with 90% from activities where Solvay ranks among the world's top 3 leaders, resulting in an EBITDA margin of 22%. Solvay SA (**SOLB.BE**) is listed on Euronext Brussels and Paris Bloomberg: **SOLB.BB** - Reuters: **SOLB.BR**) and in the United States its shares (**SOLVY**) are traded through a level-1 ADR program. (Figures take into account the announced divestment of Polyamides.)

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asking more from chemistry®

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