SOLVAY

asking more from chemistry®

Full year 2018
Financial report

Inside / regulated information

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Forenote

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 3 to 11 are on an underlying basis, unless otherwise stated.

FY 2018 UNDERLYING BUSINESS REVIEW [1]

- Full year sales and underlying EBITDA grew organically by +5.7% and +5.3% respectively, driven by higher volumes in each operating segment and sustained net pricing. Including adverse forex and scope effects, total underlying EBITDA was stable.
- EBITDA margin sustained at 22%.

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- Underlying EPS [2] from continuing operations was €8.48, up +12%.
- The -17% reduction in net financial charges reflected deleveraging and continued optimization of Solvay's capital structure.
- Underlying tax rate was -1.4 percentage points lower at 26% for the year.
- Total underlying EPS [2] of €10.57 increased +16% versus 2017 primarily driven by the reduction in financial charges.

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- Strong cash generation in the fourth quarter, leading to total year free cash flow from continued operations of €830 million, up +6.1% vs 2017.
- Free cash flow to Solvay shareholders of €725 million was +56% higher, supported both by the strong cash flow from discontinued operations and by the reduction in financial charges, leading to an operational deleveraging of €353 million of net debt, after dividend payments.

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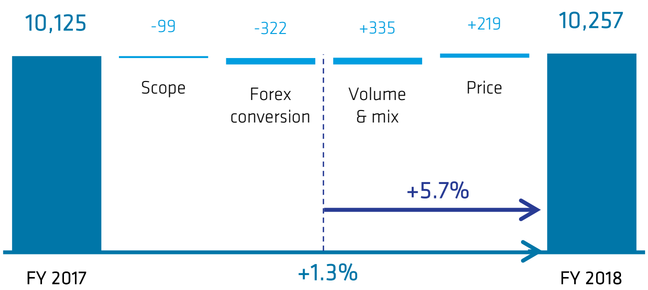
- CFROI was stable at 6.9%, well in the value creation zone, above WACC of 6.5%.
- Total dividend recommended of €3.75 gross per share. This leads to final gross dividend of €2.31 payable on May 23, 2019, following the payment of the interim gross dividend of €1.44 in January.

FY key figures	IFRS			Underlying		
(in € million)	FY 2018	FY 2017	*% yoy*	FY 2018	FY 2017	*% yoy*
Net sales	10,257	10,125	*+1.3%*	10,257	10,125	*+1.3%*
EBITDA	1,930	2,029	*-4.9%*	2,230	2,230	-
EBITDA margin				*21.7%*	*22.0%*	*-0.3pp*
EBIT	986	976	*+1.1%*	1,546	1,527	*+1.3%*
Net financial charges	(194)	(298)	*+35%*	(326)	(394)	*+17%*
Income tax expenses	(95)	197	*n.m.*	(305)	(299)	*-2.0%*
Tax rate				*26.1%*	*27.5%*	*-1.4pp*
Profit from discontinued operations	201	241	*-17%*	216	159	*+36%*
(Profit) loss attributable to non-controlling interests	(39)	(56)	*-29%*	(40)	(54)	*-26%*
Profit attributable to Solvay shareholders	858	1,061	*-19%*	1,092	939	*+16%*
Basic earnings per share (in €)	8.31	10.27	*-19%*	10.57	9.08	*+16%*
of which from continuing operations	6.37	7.97	*-20%*	8.48	7.59	*+12%*
Dividend [3]	3.75	3.60	*+4.2%*	3.75	3.60	*+4.2%*
Capex				(833)	(822)	*-1.4%*
of which from continuing operations				(711)	(716)	*+0.8%*
Free cash flow				989	871	*+14%*
of which from continuing operations				830	782	*+6.1%*
Free cash flow to Solvay shareholders				725	466	*+56%*
of which from continuing operations				566	377	*+50%*
Net financial debt [4]	(2,605)	(3,146)	*+17%*	(5,105)	(5,346)	*+4.5%*
CFROI				*6.9%*	*6.9%*	-
Research & innovation				(352)	(325)	*-8.3%*
Research & innovation intensity				*3.4%*	*3.2%*	*+0.2pp*

[1] A full reconciliation of IFRS and underlying income statement data can be found on page 18 of this report.
[2] Earnings per share, basic calculation
[3] Recommended dividend for 2018
[4] Underlying net debt includes the perpetual hybrid bonds, accounted for as equity under IFRS.

Net sales

(in € million)



Net sales were up +1.3% for the full year. Organic sales growth of +5.7% was driven by both volumes and prices, which more than offset forex conversion and scope effects.

The reduction in **scope** [1] had a -1.0% effect and comprised the divestments of the polyolefin cross-linkable compounds in Advanced Materials and formulated resins businesses, as well as part of the phosphorous business in Advanced Formulations.

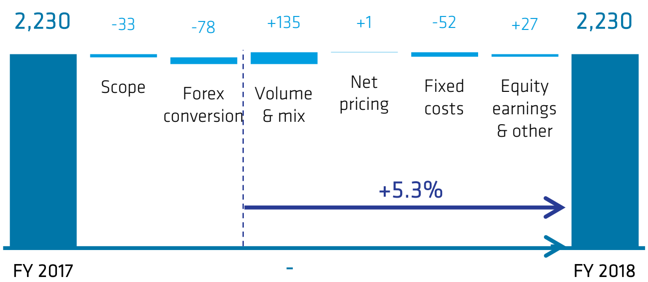
Forex conversion had an adverse effect of -3.2%, mainly related to the depreciation of the U.S. dollar in the first half of the year, as well as that of the Brazilian real.

Volumes were up +3.3% overall. In Advanced Materials strong growth for Solvay's polymers and composites technologies in aeronautics, automotive and healthcare, was tempered by lower demand in smart devices and fluorinated gases used in insulation. Volumes in Advanced Formulations were up across business units, although growth in the shale oil & gas stimulation market in North America declined significantly in the fourth quarter. In Performance Chemicals, higher demand for peroxides and recovery in Coatis' domestic Latin American market supported volume growth, more than compensating for slightly lower soda ash volumes at the start of the year.

Prices rose +2.2% overall, partially reflecting higher raw material costs. In Advanced Formulations, pricing strength was recovered in the first nine months but turned negative in the fourth quarter following the oil and gas decline. In Performance Chemicals increases in peroxides and the Coatis business, offset the anticipated decrease in soda ash.

Underlying EBITDA

(in € million)



Underlying EBITDA was flat year on year, but grew organically by +5.3% excluding forex conversion and scope effects. Volume and mix drove the strong volume growth for the year. Growth was stronger in the first half versus the second half due to the slowdown in certain markets, including electronics and oil and gas. The underlying EBITDA margin remained solid at 22%.

Volume growth had a +6.1% positive impact on EBITDA.

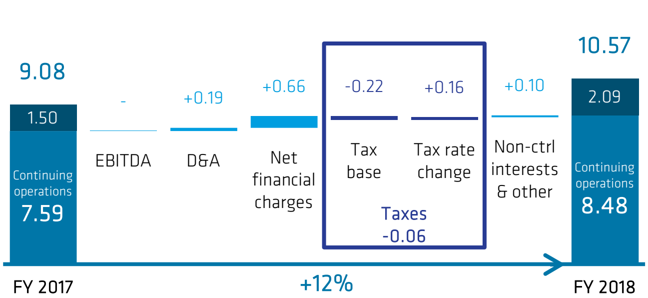
Net pricing was essentially flat, demonstrating Solvay's pricing capabilities amid higher raw materials and energy prices, and an adverse transactional forex effect.

Fixed cost increases had a -2.3% effect. These reflected investments to better support continued volume growth. Operational excellence and synergies partly offset inflation.

Other elements included a higher contribution from the PVC and peroxide joint ventures, amounting to half of the benefit, and a net positive effect of one-time events compared to 2017. .

Earnings per share

(in €)



Underlying **earnings per share** [2] grew +16% to €10.57, including a €2.09 contribution from discontinued operations. On a continuing basis, underlying earnings per share grew +12% to €8.48, thanks to lower financial charges and the lower tax rate.

Underlying **EBIT** was slightly up due to lower depreciation charges.

Underlying **net financial charges** [3] were 17% lower, reflecting the impacts of ongoing deleveraging and optimization of the debt structure.

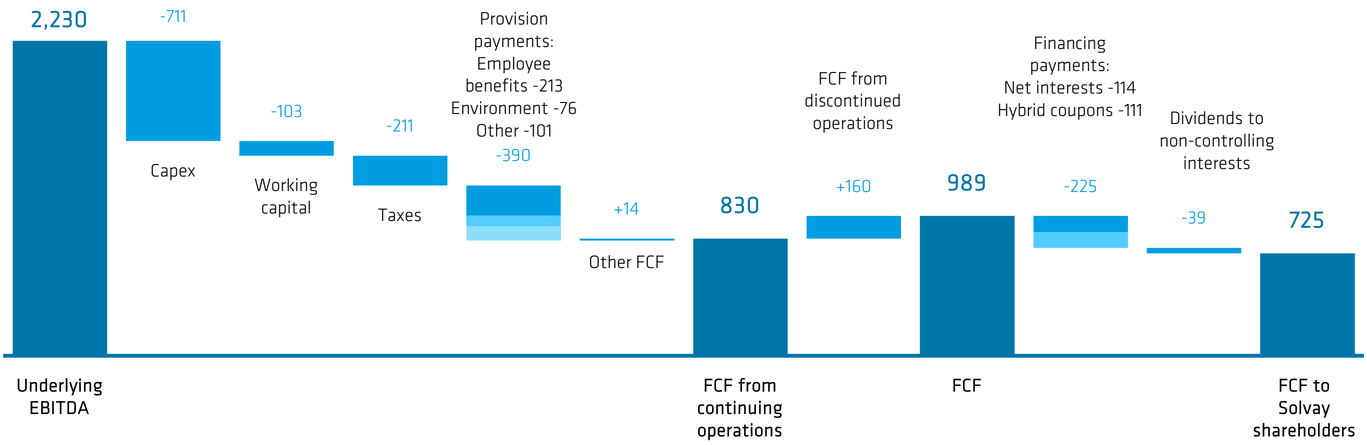
The 1.4 percentage point reduction of the underlying **tax rate** limited tax impact of the higher tax base.

The underlying contribution from **discontinued operations** was €216 million, up 36% thanks to the strong performance of the polyamide activities that are planned to be sold. This more than compensated for the absence of contributions from Acetow, which was sold at the end of May 2017.

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

Free cash flow (FCF)

(in € million)

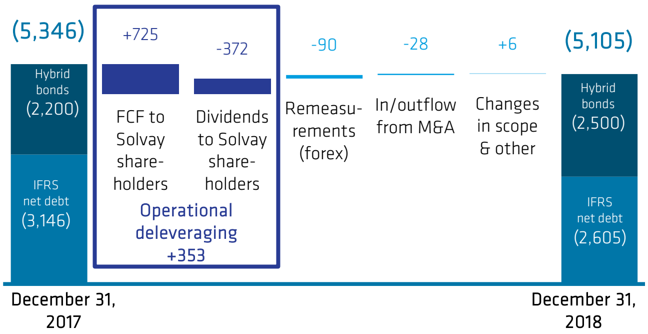


Free cash flow from continuing operations reached €830 million versus €782 million in 2017. The increase is largely attributable to working capital phasing, with working capital needs €58 million lower than in 2017. Net working capital over sales rose slightly to 13.7% versus 13.0% at the end of 2017. Total free cash flow was €989 million and included a strong contribution from discontinued operations.

Free cash flow to Solvay shareholders was €725 million, of which €566 million from continuing operations. The increase of +56% follows lower financing payments as a result of continued deleveraging.

Net financial debt

(in € million)

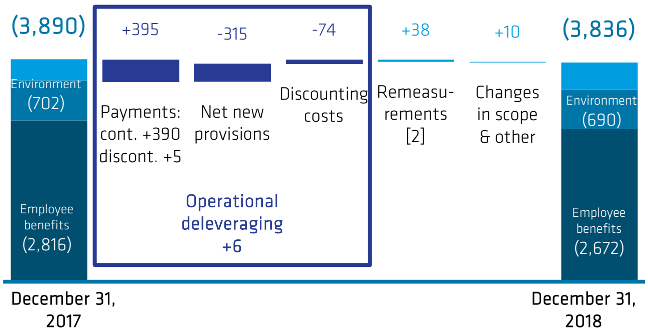


Underlying net financial debt [1] reduced to €(5.1) billion, from €(5.3) billion at the start of the year, thanks to the strong operational deleveraging, bringing the underlying leverage ratio down from 2.2x to 2.0x. The dividend payments to Solvay shareholders of €(372) million were more than covered by free cash flow delivery. Remeasurements were €(90) million, attributable to the appreciation of the U.S. dollar by 4.7% over the year affecting the conversion of U.S. dollar-denominated debt. M&A activities had a net €(28) million impact.

Underlying gross financial debt was €(6.3) billion, including €(2.5) billion perpetual hybrid bonds. In June 2018 Solvay repaid €382 million on a euro-denominated bond that came to maturity. In November 2018 Solvay successfully placed a perpetual hybrid bond for €(300) million, to be used for general corporate purposes, including the possibility to refinance the existing €(700) million hybrid bond with a first call date in May 2019.

Provisions

(in € million)



Provisions came down from €(3.9) billion to €(3.8) billion.

The **operational deleveraging** was €6 million. The net impact on employee benefits, mostly pensions was €113 million, thereby reducing pension liabilities by 5%. Provisions for environmental liabilities were also reduced. Other provisions were up, mainly due to the provision of €(177) million for the announced simplification plan.

Discounting costs were down from last year both for employee benefits and environmental related provisions. Net remeasurements mainly resulted from changes in demographic assumptions.

[1] Underlying net financial debt includes the perpetual hybrid bonds, accounted for as equity under IFRS.
[2] Impact of inflation, mortality, forex & discount rate changes

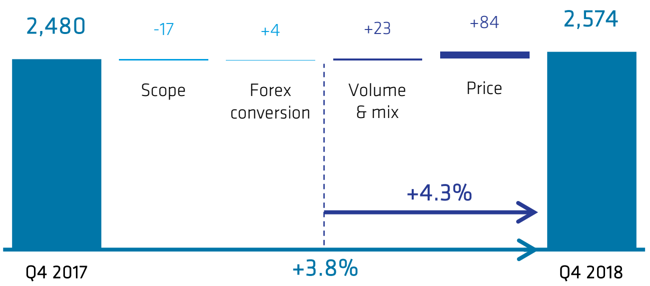
Q4 2018
UNDERLYING KEY FIGURES [1]

Q4 key figures

(in € million)	IFRS			Underlying		
	Q4 2018	Q4 2017	% yoy	Q4 2018	Q4 2017	% yoy
Net sales	2,574	2,480	+3.8%	2,574	2,480	+3.8%
EBITDA	461	457	+0.8%	506	494	+2.5%
EBITDA margin				*19.6%*	*19.9%*	*-0.3pp*
EBIT	234	204	+15%	322	307	+5.1%
Net financial charges	(57)	(86)	+34%	(78)	(90)	+13%
Income tax expenses	37	206	-82%	(73)	(60)	-22%
Profit from discontinued operations	43	(39)	n.m.	47	2	n.m.
(Profit) loss attributable to non-controlling interests	(9)	(16)	-42%	(10)	(14)	-33%
Profit attributable to Solvay shareholders	247	269	-7.9%	209	145	+44%
Basic earnings per share (in €)	2.40	2.60	-7.7%	2.02	1.40	+45%
of which from continuing operations	1.98	2.98	-33%	1.57	1.38	+13%
Capex				(275)	(287)	+4.3%
of which from continuing operations				(222)	(243)	+8.4%
Free cash flow				571	388	+47%
of which from continuing operations				555	336	+65%
Free cash flow to Solvay shareholders				454	215	n.m.
of which from continuing operations				438	163	n.m.
Net financial debt [2]	(2,605)			(5,105)		

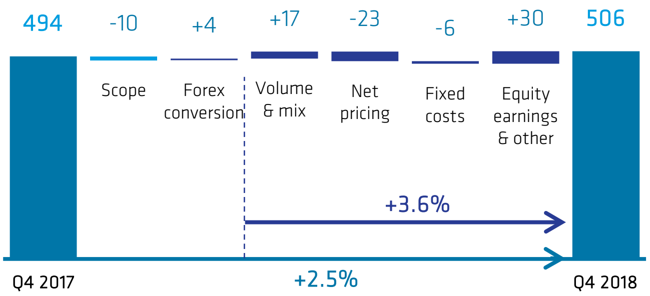
Yoy net sales bridge

(in € million)



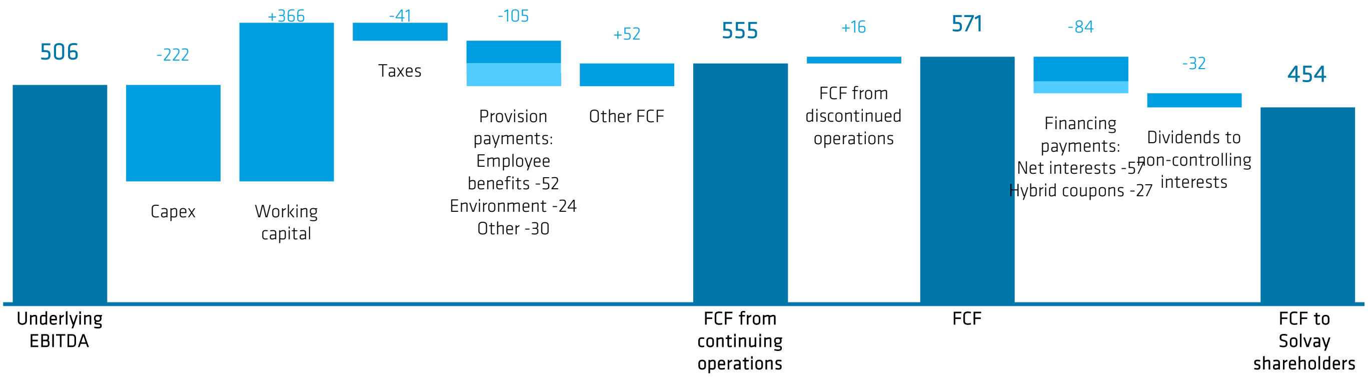
Yoy underlying EBITDA bridge

(in € million)



Cash generation

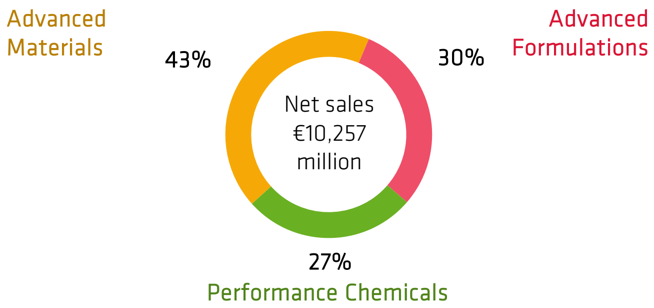
(in € million)

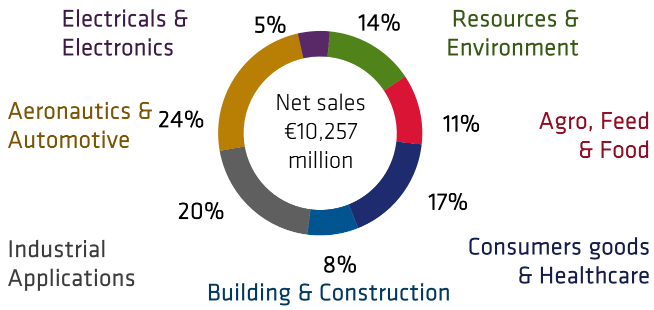


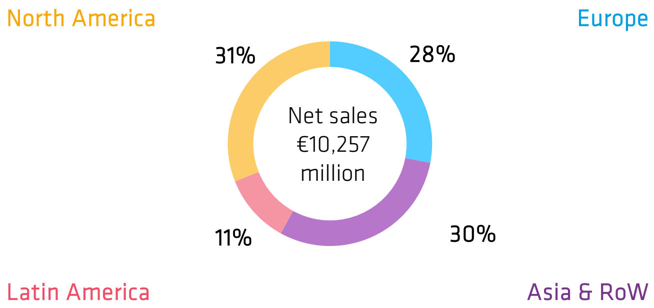
[1] A full reconciliation of IFRS and underlying income statement data can be found on page 18 of this report.
[2] Underlying net debt includes the perpetual hybrid bonds, accounted for as equity under IFRS.

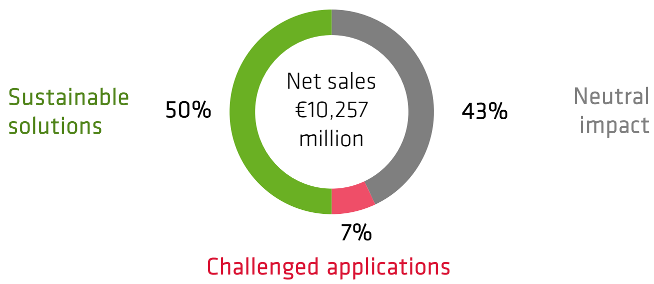
SEGMENT REVIEW [1]

Net sales FY 2018

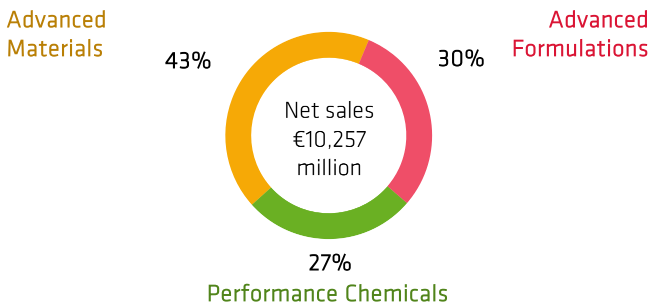


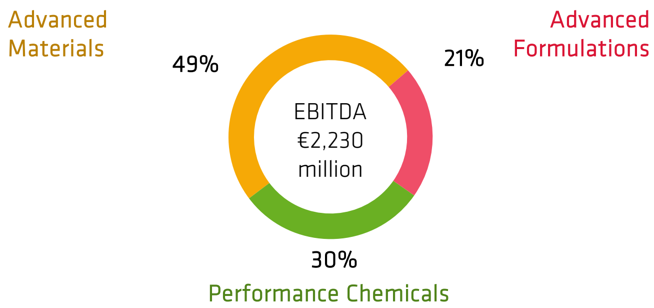


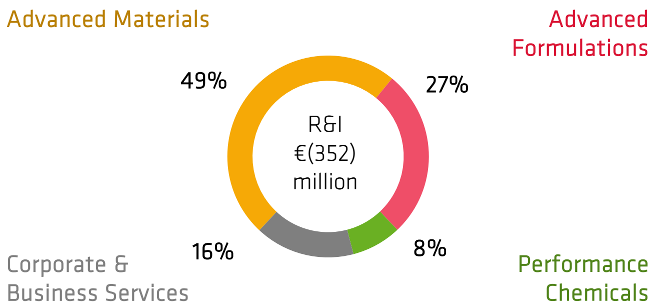


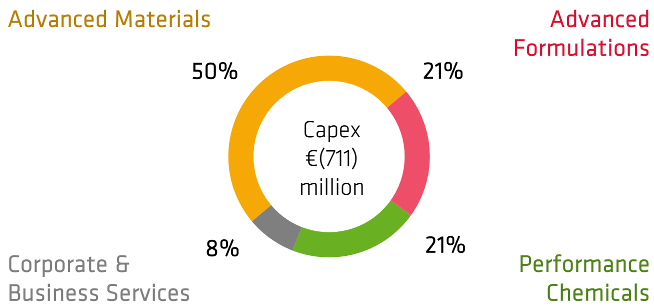


Key figures FY 2018 per segment









[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.

Segment review

(in € million)	Q4 2018	Q4 2017	% yoy	FY 2018	FY 2017	% yoy
	Underlying					
Net sales	**2,574**	**2,480**	***+3.8%***	**10,257**	**10,125**	***+1.3%***
Advanced Materials	1,093	1,047	*+4.4%*	4,385	4,370	*+0.4%*
Advanced Formulations	764	747	*+2.2%*	3,057	2,966	*+3.1%*
Performance Chemicals	716	679	*+5.5%*	2,808	2,766	*+1.5%*
Corporate & Business Services	1	7	*-83%*	7	23	*-69%*
EBITDA	**506**	**494**	***+2.5%***	**2,230**	**2,230**	-
Advanced Materials	275	260	*+5.9%*	1,197	1,202	*-0.4%*
Advanced Formulations	119	138	*-14%*	521	524	*-0.4%*
Performance Chemicals	172	170	*+0.9%*	729	749	*-2.7%*
Corporate & Business Services	(60)	(74)	*+19%*	(218)	(244)	*+11%*
EBIT	**322**	**307**	***+5.1%***	**1,546**	**1,527**	***+1.3%***
Advanced Materials	191	182	*+5.2%*	895	896	*-0.1%*
Advanced Formulations	82	94	*-13%*	381	374	*+2.1%*
Performance Chemicals	126	123	*+2.4%*	552	566	*-2.4%*
Corporate & Business Services	(77)	(92)	*+16%*	(282)	(308)	*+8.5%*
Capex from continuing operations	**(222)**	**(243)**	***+8.4%***	**(711)**	**(716)**	***+0.8%***
Advanced Materials				(355)	(366)	*+3.1%*
Advanced Formulations				(148)	(130)	*-14%*
Performance Chemicals				(149)	(152)	*+1.8%*
Corporate & Business Services				(58)	(68)	*+14%*
Cash conversion	***56.0%***	***50.8%***	***+5.2pp***	***68.1%***	***67.9%***	***+0.3pp***
Advanced Materials				*70.4%*	*69.5%*	*+0.8pp*
Advanced Formulations				*71.6%*	*75.2%*	*-3.6pp*
Performance Chemicals				*79.5%*	*79.7%*	*-0.2pp*
CFROI				***6.9%***	***6.9%***	-
Advanced Materials				*10.0%*	*10.3%*	*-0.2pp*
Advanced Formulations				*6.9%*	*6.7%*	*+0.1pp*
Performance Chemicals				*8.3%*	*8.4%*	*-0.1pp*
Research & innovation				**(352)**	**(325)**	***+8.3%***
Advanced Materials				(171)	(157)	*-8.9%*
Advanced Formulations				(97)	(85)	*-14%*
Performance Chemicals				(27)	(29)	*+6.5%*
Corporate & Business Services				(58)	(55)	*-5.3%*
Research & innovation intensity				***3.4%***	***3.2%***	***+0.2pp***
Advanced Materials				*3.9%*	*3.6%*	*+0.3pp*
Advanced Formulations				*3.2%*	*2.9%*	*+0.3pp*
Performance Chemicals				*1.0%*	*1.0%*	*-0.1pp*

CORPORATE & BUSINESS SERVICES

Underlying EBITDA costs at €(218) million were lower than in 2017. Productivity programs and low insurance claims covered by the insurance captive of the company, helped to lower fixed costs, which more than offset inflation. The contribution from Energy Services was overall flat versus the prior year.

ADVANCED MATERIALS

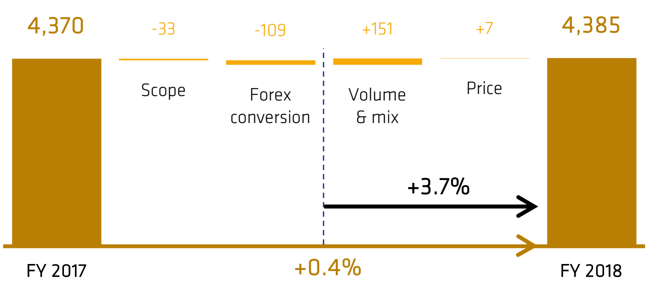
- Underlying EBITDA down -0.4% overall, and up +3.1% organically [1] over the year.
- Volume growth in automotive, aerospace and healthcare markets.
- Growth was partially offset by anticipated volume decreases in smart devices, diesel automotive catalysts, and insulation markets.

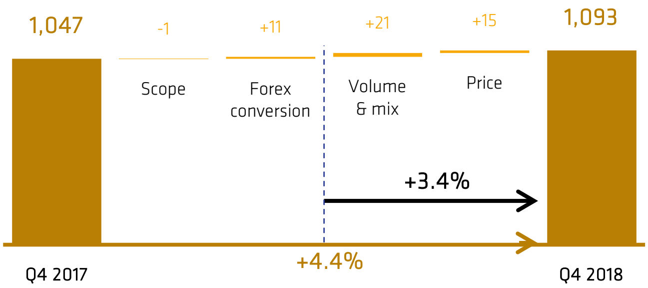
Key figures

(in € million)	Underlying					
	Q4 2018	Q4 2017	% yoy	FY 2018	FY 2017	% yoy
Net sales	1,093	1,047	*+4.4%*	4,385	4,370	*+0.4%*
Specialty Polymers	476	475	*+0.1%*	2,009	2,025	*-0.8%*
Composite Materials	288	249	*+15%*	1,082	1,038	*+4.3%*
Special Chem	220	216	*+2.1%*	852	865	*-1.5%*
Silica	110	107	*+2.5%*	442	443	*-0.1%*
EBITDA	275	260	*+5.9%*	1,197	1,202	*-0.4%*
EBITDA margin	*25.1%*	*24.8%*	*+0.4pp*	*27.3%*	*27.5%*	*-0.2pp*
EBIT	191	182	*+5.2%*	895	896	*-0.1%*
Capex from continuing operations				(355)	(366)	+3.1%
Cash conversion				*70.4%*	*69.5%*	*+0.8pp*
CFROI				*10.0%*	*10.3%*	*-0.2pp*
Research & innovation				(171)	(157)	*+0.1%*
Research & innovation intensity				*3.9%*	*3.6%*	*+0.3pp*

Yoy net sales bridge

(in €million)





FY 2018 performance

Net sales were up +0.4% for the year due to higher volumes and mix. Organically sales rose +3.7%, excluding forex conversion and scope, driven by growth in Composite Materials, Specialty Polymers and Silica.

Specialty Polymers delivered solid volume growth in the first half of the year. Demand from healthcare and from the automotive market, where Solvay sales significantly outpaced global car production growth, was solid throughout the year but signs of weakening were observed at the end of the year. The trend toward fuel-efficiency and electrification supported superior growth across all vehicle platforms. Second half sales were flat, however, as the anticipated lower demand for smart devices offset growth in other end-markets.

Composite Materials volumes grew at a high single-digit rate throughout the full year period. Demand for new single-aisle aircrafts utilizing the LEAP engine technology, as well as for the 787 program, drove growth in commercial aircrafts. In military, the ramp-up of the F-35 Joint Strike Fighter was also a significant contributor of the volume growth.

Volumes were essentially flat in Special Chem, as robust demand from electronics was offset by the tougher than foreseen phase-out of fluorinated insulation blowing agents. In addition, the shift from diesel to gasoline in automotive catalysts continued to pressure the business.

Silica sales into the fuel-efficient tire market grew in the year and prices were supportive, compensating for higher energy costs.

Underlying EBITDA was down -0.4%, but up +3.1% organically, excluding scope effects and forex conversion. Volume growth and higher prices compensated for the transactional forex effects and the increase in raw materials costs, mainly due to the surge of fluorspar prices in Special Chem. Fixed costs rose in Composite Materials reflecting a ramp up in manufacturing to support continued volume growth. The underlying EBITDA margin remained strong for the year at 27%.

[1] Excluding forex conversion and scope effects.

ADVANCED FORMULATIONS

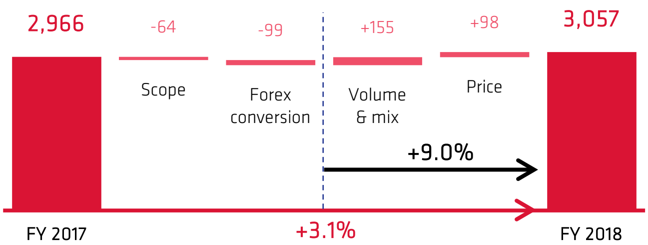
- Underlying EBITDA down -0.4% overall, and up +8.1% organically [1] over the year.
- Strong volume growth in the shale oil & gas stimulation market through the first six months followed by a significant decline in the fourth quarter.
- Pricing power and increased volumes across markets supported growth in the year.

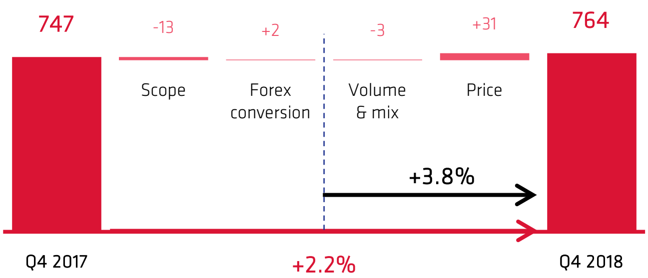
Key figures

(in € million)	Underlying					
	Q4 2018	Q4 2017	% yoy	FY 2018	FY 2017	% yoy
Net sales	764	747	*+2.2%*	3,057	2,966	*+3.1%*
Novecare	478	480	*-0.4%*	2,000	1,937	*+3.2%*
Technology Solutions	169	174	*-2.7%*	643	662	*-2.9%*
Aroma Performance	116	93	*+25%*	414	366	*+13%*
EBITDA	119	138	*-14%*	521	524	*-0.4%*
EBITDA margin	*15.6%*	*18.4%*	*-2.8pp*	*17.1%*	*17.7%*	*-0.6pp*
EBIT	82	94	*-13%*	381	374	*+2.1%*
Capex from continuing operations				(148)	(130)	-14%
Cash conversion				*71.6%*	*75.2%*	*-3.6pp*
CFROI				*6.9%*	*6.7%*	*+0.1pp*
Research & innovation				(97)	(85)	-14%
Research & innovation intensity				*3.2%*	*2.9%*	*+0.3pp*

Yoy net sales bridge

(in €million)





FY 2018 performance

Net sales were up +3.1% year on year driven by strong volumes and increased prices. Sales grew organically by +9.0% in 2018, excluding the impact from forex conversion and scope reduction.

In **Novecare,** both volumes and prices grew across multiple end-markets. The strong growth of oil and gas in the first half year of the year reduced significantly in the fourth quarter as activity levels in the shale oil & gas stimulation market in North America declined rapidly, weighing on both volumes and margins. Other end-markets including coatings, agro, and home & personal care, showed robust growth throughout the year.

Technology Solutions delivered solid volume growth in the year, with new mine wins and strong demand in phosphorus specialties and polymer additives driving volume growth.

In Aroma Performance, volumes and prices were up significantly throughout the period, both in polymerization inhibitors and in vanillin ingredients, which benefited from the launch of new natural vanillin products.

Underlying EBITDA declined by -0.4%, but grew +8.1% organically, excluding scope effects and forex conversion, as a result of the volume and price increases across businesses. These increases more than compensated for higher raw material costs and slightly higher fixed costs. As a reminder, 2017 benefited from a one-time €17 million indemnity received for the loss of some assets in China. As a result, the underlying EBITDA margin was slightly reduced by -0.6 percentage point to 17% for the year.

[1] Excluding forex conversion and scope effects.

PERFORMANCE CHEMICALS

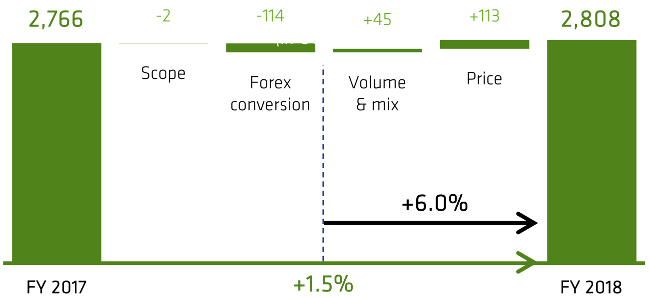
- Underlying EBITDA down -2.7% overall, and up +1.6% organically [1] over the year.
- Strong performance in peroxides and favorable market conditions in Brazil, supporting volumes and pricing.
- Solid demand and improving soda ash prices limited margin erosion.

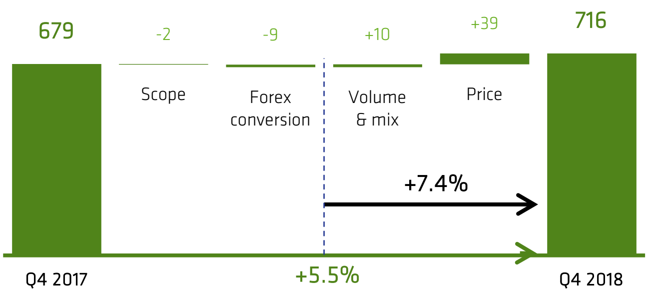
Key figures

(in € million)	Underlying					
	Q4 2018	Q4 2017	*% yoy*	FY 2018	FY 2017	*% yoy*
Net sales	716	679	*+5.5%*	2,808	2,766	*+1.5%*
Soda Ash & Derivatives	399	397	*+0.5%*	1,562	1,629	*-4.1%*
Peroxides	170	150	*+13%*	654	600	*+8.9%*
Coatis	130	106	*+23%*	509	410	*+24%*
Functional Polymers	17	26	*-32%*	82	126	*-35%*
EBITDA	172	170	*+0.9%*	729	749	*-2.7%*
EBITDA margin	*24.0%*	*25.1%*	*-1.1pp*	*26.0%*	*27.1%*	*-1.1pp*
EBIT	126	123	*+2.4%*	552	566	*-2.4%*
Capex from continuing operations				(149)	(152)	+1.8%
Cash conversion				*79.5%*	*79.7%*	*-0.2pp*
CFROI				*8.3%*	*8.4%*	*-0.1pp*
Research & innovation				(27)	(29)	+6.5%
Research & innovation intensity				*1.0%*	*1.0%*	*-0.1pp*

Yoy net sales bridge

(in €million)





FY 2018 performance

Net sales in the segment were +1.5% higher driven by price and volume increases, which more than offset forex conversion. Organically sales grew by +6.0% in the year, with the second half stronger than the first half.

Demand remained solid in **Soda Ash & Derivatives** throughout the year. Soda ash volumes ended slightly down, mainly due to logistic issues at the start of the year. Average soda ash prices were slightly lower year on year as expected, but improved in the second half. Bicarbonate volumes grew, mainly for flue gas treatment in the U.S.

Peroxides delivered strong volume growth globally, complemented by higher prices in Asia. The contribution from the HPPO plants supported the growth.

Record results for the **Coatis** business, with double-digit sales growth driven by higher volumes and prices. Both domestic demand in Latin America and exports improved, benefiting from Brazilian real depreciation.

Functional Polymers volumes were stable overall.

Underlying EBITDA dropped -2.7% due to forex conversion. Organically it rose +1.6% thanks to volume growth in Peroxides and Coatis and a higher contribution of the PVC joint venture in Russia and the peroxide joint venture in Latin America. Net pricing was stable, as the anticipated margin squeeze in soda ash was offset by the pricing power in Peroxides and Coatis. Overall, the performance of the segment was better than anticipated, resulting in overall EBITDA margin narrowing -1.1 percentage point to 26% for the year.

[1] Excluding forex conversion and scope effects.

OUTLOOK
2019

In line with fourth quarter trends, Solvay anticipates supportive market conditions to continue in most key markets, though growth is likely to be moderated by conditions in automotive, electronics and oil & gas. In this context Solvay remains focused on further developing its growth platforms.

Underlying EBITDA

Solvay currently expects 2019 EBITDA to grow modestly and to be back-ended compared to €2,330 million pro forma in 2018 [1].

- Except for discontinued operations, business scope effects are expected to be small in 2019.
- One-time gains in 2018 consisted mainly of €23 million synergies on Cytec post-retirement benefits, booked in Q2 2018 (mostly in Advanced Materials).
- Organic growth in the first quarter is expected broadly flat, relative to the strong 2018 performance of €558 million pro forma [1].

Free cash flow

Solvay will continue to focus on cost discipline and on deleveraging the balance sheet with continued solid operational free cash flow delivery

- Capex discipline maintained, close to depreciation;
- Cash-out for provisions are expected temporarily higher than the €400 million run rate, with higher restructuring cash-out as the simplification plan unfolds. Provisions cash-out includes continued deleveraging of pension liabilities;
- Tax cash-out expected to increase, linked to phasing;
- Cash financial expenses expected largely flat;
- Working capital needs will depend on demand conditions at year end 2019, compared to a softer market conditions at year end 2018;

Forex sensitivities

Solvay is mostly exposed to the U.S. dollar, with the main sensitivities per US$/€0.10 change:

- EBITDA sensitivity of about €(120) million based on the average rate in 2018 of US$/€1.18, with some 2/3 on conversion and 1/3 on transaction (excluding hedging).
- Net debt sensitivity of about €120 million based on the rate at the end of 2018 of US$/€1.15.

[1] The 2018 EBITDA figures used as a comparison basis are the pro forma figures, following the implementation of IFRS 16. Growth is expressed as organic growth, i.e. excluding scope and forex conversion effects. The full pro forma P&L and key figures can be found on page 34 of this financial report.

SUPPLEMENTARY INFORMATION

Reconciliation of alternative performance metrics

Solvay measures its financial performance using alternative performance metrics, which can be found below. 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 FY 2018	Underlying FY 2017
Profit for the period before taxes	a	1,220	1,133
Earnings from associates & joint ventures	b	74	71
Interests and realized foreign exchange gains (losses) on the RusVinyl joint venture	c	(21)	(24)
Income tax expenses	d	(305)	(299)
Tax rate	e = -d/(a-b-c)	**26.1%**	**27.5%**

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

Research & innovation

(in € million)		FY 2018	FY 2017
IFRS research & development costs	a	(297)	(290)
Grants netted in research & development costs	b	25	26
Depreciation, amortization & impairments included in research & development costs	c	(59)	(55)
Capex in research & innovation	d	(89)	(64)
Research & innovation	e = a-b-c+d	**(352)**	**(325)**
Advanced Materials		(171)	(157)
Advanced Formulations		(97)	(85)
Performance Chemicals		(27)	(29)
Corporate & Business Services		(58)	(55)
Net sales	f	10,257	10,125
Advanced Materials		4,385	4,370
Advanced Formulations		3,057	2,966
Performance Chemicals		2,808	2,766
Corporate & Business Services		7	23
Research & innovation intensity	g = -e/f	**3.4%**	**3.2%**
Advanced Materials		3.9%	3.6%
Advanced Formulations		3.2%	2.9%
Performance Chemicals		1.0%	1.0%

Research & innovation measures the total cash effort in research and innovation, regardless of whether the costs were expensed or capitalized. It consists of research & development costs from the income statement before netting of related subsidies and royalties, and where depreciation and amortization are replaced by related capital expenditure.

Research & innovation intensity is the ratio of research & innovation to net sales.

Free cash flow

(in € million)		Q4 2018	Q4 2017	FY 2018	FY 2017
Cash flow from operating activities	a	786	649	1,720	1,590
of which cash flow related to acquisition or sale of subsidiaries	b	-	-	-	(36)
Cash flow from investing activities	c	(231)	(291)	(784)	84
of which capital expenditures required by share sale agreement	d	(13)	(12)	(38)	(12)
Acquisition (-) of subsidiaries	e	-	(15)	(12)	(44)
Acquisition (-) of investments - Other	f	(4)	2	(4)	(11)
Loans to associates and non-consolidated companies	g	(3)	3	(3)	(7)
Sale (+) of subsidiaries and investments	h	4	(29)	26	891
Recognition of factored receivables	j	-	21	(21)	21
Free cash flow	k = a-b+c-d-e-f-g-h-j	**571**	**388**	**989**	**871**
Free cash flow from discontinued operations	l	16	52	160	89
Free cash flow from continuing operations	m = k-l	**555**	**336**	**830**	**782**
Net interests paid	n	(57)	(111)	(114)	(255)
Coupons paid on perpetual hybrid bonds	o	(27)	(27)	(111)	(111)
Dividends paid to non-controlling interests	p	(32)	(35)	(39)	(39)
Free cash flow to Solvay shareholders	q = k+n+o+p	**454**	**215**	**725**	**466**

Free cash flow is calculated as cash flows from operating activities (excluding cash flows linked to acquisitions or disposals of subsidiaries), and cash flows 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).

Free cash flow to Solvay shareholders is calculated as free cash flow after payment of net interests, coupons of perpetual hybrid bonds and dividends to non-controlling interests. This represents the cash flow available to Solvay shareholders, to pay their dividend and/or to reduce the net financial debt.

Capital expenditure (capex)

(in € million)		Q4 2018	Q4 2017	FY 2018	FY 2017
Acquisition (-) of tangible assets	a	(233)	(252)	(691)	(707)
Acquisition (-) of intangible assets	b	(41)	(35)	(142)	(115)
Capex	c = a+b	**(275)**	**(287)**	**(833)**	**(822)**
Capex from discontinued operations	d	(52)	(44)	(122)	(105)
Capex from continuing operations	e = c-d	**(222)**	**(243)**	**(711)**	**(716)**
Advanced Materials				(355)	(366)
Advanced Formulations				(148)	(130)
Performance Chemicals				(149)	(152)
Corporate & Business Services				(58)	(68)
Underlying EBITDA	f	**506**	**494**	**2,230**	**2,230**
Advanced Materials		275	260	1,197	1,202
Advanced Formulations		119	138	521	524
Performance Chemicals		172	170	729	749
Corporate & Business Services		(60)	(74)	(218)	(244)
Cash conversion	g = (f+e)/f	**56.0%**	**50.8%**	**68.1%**	**67.9%**
Advanced Materials				70.4%	69.5%
Advanced Formulations				71.6%	75.2%
Performance Chemicals				79.5%	79.7%

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 December 31	2018 September 30	2018 June 30	2018 March 31	2017 December 31
Inventories	a	1,685	1,744	1,624	1,549	1,504
Trade receivables	b	1,434	1,565	1,541	1,608	1,462
Other current receivables	c	719	1,123	820	730	627
Trade payables	d	(1,439)	(1,312)	(1,289)	(1,358)	(1,330)
Other current liabilities	e	(850)	(1,140)	(889)	(953)	(848)
Net working capital	f = a+b+c+d+e	**1,550**	**1,980**	**1,808**	**1,576**	**1,414**
Sales	g	2,830	2,840	2,820	2,809	2,717
Annualized quarterly total sales	h = 4*g	11,321	11,359	11,281	11,235	10,869
Net working capital / sales	i = f / h	**13.7%**	**17.4%**	**16.0%**	**14.0%**	**13.0%**
Year average	j = μ(Q1,Q2,Q3,Q4)				15.3%	13.8%

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 December 31	2017 December 31
Non-current financial debt	a	(3,180)	(3,182)
Current financial debt	b	(630)	(1,044)
Gross debt	c = a+b	(3,810)	(4,226)
Other financial instruments	d	101	89
Cash & cash equivalents	e	1,103	992
Total cash and cash equivalents	f = d+e	1,205	1,080
IFRS net debt	g = c+f	**(2,605)**	**(3,146)**
Perpetual hybrid bonds	h	(2,500)	(2,200)
Underlying net debt	i = g+h	**(5,105)**	**(5,346)**
Underlying EBITDA (last 12 months)	j	2,230	2,230
Adjustment for discontinued operations [1]	k	305	236
Adjusted underlying EBITDA for leverage calculation [1]	l = j+k	2,536	2,466
Underlying leverage ratio [1]	m = -i/l	**2.0**	**2.2**

(IFRS) net debt = Non-current financial debt + Current financial debt – Cash & cash equivalents – Other financial instruments. 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.

CFROI

(in € million)

		FY 2018 As published	FY 2018 Adjustment	FY 2018 As calculated	FY 2017 As published	FY 2017 Adjustment	FY 2017 As calculated
Underlying EBIT	a	1,546		1,546	1,527		1,527
Underlying EBITDA	b	2,230		2,230	2,230		2,230
Underlying earnings from associates & joint ventures	c	74		74	71		71
Dividends received from associates & joint ventures [1]	d	25	-	25	18	-	18
Recurring capex [2]	e = -2%*l			(324)			(326)
Recurring income taxes [3]	f = -30%*(a-c)			(442)			(437)
Recurring "CFROI" cash flow data	g = b-c+d+e+f			**1,416**			**1,415**
Advanced Materials				794			798
Advanced Formulations				335			335
Performance Chemicals				446			458
Corporate & Business Services				(158)			(176)
Tangible assets	h	5,454			5,433		
Intangible assets	i	2,861			2,940		
Goodwill	j	5,173			5,042		
Replacement value of goodwill & fixed assets [4]	k = h+i+j	13,488	4,831	18,319	13,415	5,093	18,508
of which fixed assets	l			16,187			16,314
Investments in associates & joint ventures [5]	m	441	1	443	466	16	482
Net working capital [5]	n	1,550	179	1,728	1,414	111	1,525
"CFROI" invested capital	o = k+m+n			**20,490**			**20,515**
Advanced Materials				7,918			7,777
Advanced Formulations				4,878			4,972
Performance Chemicals				5,373			5,450
Corporate & Business Services				2,321			2,315
CFROI	p = g/o			**6.9%**			**6.9%**
Advanced Materials				10.0%			10.3%
Advanced Formulations				6.9%			6.7%
Performance Chemicals				8.3%			8.4%

Cash Flow Return On Investment measures the cash returns of Solvay's business activities. Movements in CFROI levels are relevant indicators for showing whether economic value is being added, though it is accepted that this measure cannot be benchmarked or compared with industry peers. The definition uses a reasonable estimate (management estimate) of the replacement cost of assets and avoids accounting distortions, e.g. for impairments. It is calculated as the ratio between recurring cash flow and invested capital, where:

- Recurring cash flow = Underlying EBITDA + Dividends from associates and joint ventures – Earnings from associates and joint ventures + Recurring capex + Recurring income taxes;
- Invested capital = Replacement value of goodwill & fixed assets + Net working capital + Carrying amount of associates and joint ventures;
- Recurring capex is normalized at 2% of the replacement value of fixed assets net of goodwill values;
- Recurring income tax is normalized at 30% of (Underlying EBIT – Earnings from associates and joint ventures)

[1] Excluding discontinued operations
[2] Currently estimated at 2% of replacement value of fixed assets
[3] Currently estimated at 30% of underlying EBIT
[4] The adjustment reflects the quarterly average over the year.
[5] The adjustment reflects the difference between the estimated replacement value of goodwill and fixed assets, and the accounting value. The changes over time come from foreign exchange variations, new investments and portfolio moves. It also reflects the quarterly average over the year.

Key value indicators

Key value indicators				Mid-term objectives 2016 - 2018	Achieved 2016 - 2018	FY 2018	FY 2017	FY 2016	FY 2015 pro forma
Underlying EBITDA	*(in € million)*	as published	a			2,230	2,230	2,284	2,336
		restated	b				2,230	2,075	2,125
		at constant scope & forex	c				2,119	2,034	2,077
Average growth[1]	*(in %)*	*restated*	*= a(0) / b(-1) - 1*		*+5.0%*	*-*	*+7.5%*	***+7.5%***	
		at constant scope & forex	*= a(0) / c(-1) - 1*	***mid-to-high single-digit***	***+8.3%***	***+5.3%***	***+9.7%***	*+9.9%*	
		for average calculation	*= a(0) / c(-1) - 1*	***mid-to-high single-digit***	***+7.5%***	***+5.3%***	***+9.7%***	***+7.5%***	
Free cash flow (total) [2]	*(in € million)*	as published		> 2,400	2,736	989	871	876	492
CFROI	*(in %)*	*as published*				*6.9%*	*6.9%*	*6.3%*	*6.1%*
Total improvement (+)	*(in pp)*	*as published*		*+0.5pp - +1.0pp*	*+0.8pp*	*-*	*+0.6pp*	*+0.3pp*	
Greenhouse gas intensity	*(in kg CO2e / € EBITDA)*	*as published*		*≤ 5.8*	*5.5*	*5.5*	*5.5*	*5.9*	*7.3*
Total improvement (-)	*(in %)*			*-20%*	*-24%*	*-0.2%*	*-5.8%*	*-19%*	
Sustainable solutions (SPM)	*(in % of net sales)*	*as published*		*≥ 40%*	*50.0%*	*50.0%*	*49.0%*	*43.0%*	*33.0%*
Total improvement (+)	*(in pp)*			*+7.0pp*	*+17pp*	*+1.0pp*	*+6.0pp*	*+10pp*	
Occupational accidents at Group sites[3]	*(in # accidents / m working h)*	*as published*		*≤ 0.69*	*0.54*	*0.54*	*0.65*	*0.77*	*0.77*
Total improvement (-)	*(in %)*			*-10%*	*-30%*	*-17%*	*-16%*	*-*	
Employee engagement	*(index on 100% scale)*	*as published*		*≥ 75%*	*76.0%*	*76.0%*	*75.0%*	*77.0%*	*75.0%*
Total improvement (+)	*(in pp)*			*-*	*+1.0pp*	*+1.0pp*	*-2.0pp*	*+2.0pp*	
Employees involved in societal actions	*(in % of employees)*	*as published*		*≥ 25%*	*33.0%*	*33.0%*	*33.0%*	*23.0%*	*20.0%*
Total improvement (+)	*(in pp)*			*+5.0pp*	*+13pp*	*-*	*+10pp*	*+3.0pp*	

[1] Mid-term 2016-2018 objectives for underlying EBITDA growth were given at constant scope and forex. Based on that calculation, the 2016 growth was +9.9%. As the scope and forex were already largely known at the time the objectives were set in the third quarter of 2016, the reported growth of +7.5% is taken for the calculation.

[2] The free cash flow objective in excess of €2.4 billion has been set at constant scope (and forex). Since then, a number of businesses have been divested (Acetow, Vinythai) or are in the process of being divested (Polyamide), so these activities will not contribute fully to cash flow generation over the three-year period, making achieving the target is even more challenging.

[3] The business scope for occupational accidents includes all sites under Solvay's operational control for which the Group manages and monitors safety performance.

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.

FY consolidated income statement

(in € million)	FY 2018 IFRS	FY 2018 Adjust-ments	FY 2018 Under-lying	FY 2017 IFRS	FY 2017 Adjust-ments	FY 2017 Under-lying
Sales [1]	**11,299**	-	**11,299**	**10,984**	-	**10,984**
of which revenues from non-core activities [1]	1,042	-	1,042	859	-	859
of which net sales	10,257	-	10,257	10,125	-	10,125
Cost of goods sold [1]	(8,264)	2	(8,262)	(7,898)	2	(7,896)
Gross margin	**3,035**	**2**	**3,037**	**3,086**	**2**	**3,088**
Commercial costs	(373)	-	(373)	(400)	-	(400)
Administrative costs	(1,006)	35	(971)	(1,037)	42	(996)
Research & development costs	(297)	3	(294)	(290)	3	(288)
Other operating gains & losses	(123)	197	74	(154)	206	51
Earnings from associates & joint ventures	44	30	74	44	27	71
Result from portfolio management & reassessments	(208)	208	-	(188)	188	-
Result from legacy remediation & major litigations	(86)	86	-	(84)	84	-
EBITDA	**1,930**	**301**	**2,230**	**2,029**	**201**	**2,230**
Depreciation, amortization & impairments	(944)	260	(684)	(1,054)	350	(704)
EBIT	**986**	**560**	**1,546**	**976**	**551**	**1,527**
Net cost of borrowings	(118)	-	(118)	(201)	31	(170)
Coupons on perpetual hybrid bonds	-	(112)	(112)	-	(111)	(111)
Interests and realized foreign exchange gains (losses) on the RusVinyl joint venture	-	(21)	(21)	-	(24)	(24)
Cost of discounting provisions	(77)	3	(74)	(97)	8	(89)
Profit for the period before taxes	**791**	**429**	**1,220**	**678**	**455**	**1,133**
Income tax expenses	(95)	(210)	(305)	197	(496)	(299)
Profit for the period from continuing operations	**697**	**219**	**915**	**875**	**(42)**	**834**
Profit (loss) for the period from discontinued operations	201	15	216	241	(82)	159
Profit for the period	**897**	**234**	**1,131**	**1,116**	**(124)**	**992**
attributable to Solvay shareholders	858	234	1,092	1,061	(122)	939
attributable to non-controlling interests	39	-	40	56	(2)	54
Basic earnings per share (in €)	8.31		10.57	10.27		9.08
of which from continuing operations	6.37		8.48	7.97		7.59
Diluted earnings per share (in €)	8.27		10.52	10.19		9.02
of which from continuing operations	6.34		8.44	7.92		7.53

[1] The comparative figures of non-core revenues and costs of goods sold have been restated for an amount of €93 million, following a change in presentation of revenues from non-core activities.

EBITDA on an IFRS basis totaled €1,930 million, versus €2,230 million on an underlying basis. The difference of €301 million is explained by the following adjustments to IFRS results, which are done to improve the comparability of underlying results:

- €30 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 15% devaluation of the Russian ruble over the period. These elements are reclassified in "*Net financial charges*".
- €185 million to adjust for the "*Result from portfolio management and reassessments*", excluding depreciation, amortization and impairment elements. This result comprises €(184) million of restructuring costs, almost entirely related to the cost booked for the Group simplification plan of €(177) million.
- €86 million to adjust for the "*Result from legacy remediation and major litigations*", primarily environmental expenses.

EBIT on an IFRS basis totaled €986 million, versus €1,546 million on an underlying basis. The difference of €560 million is explained by the above-mentioned €301 million adjustments at the EBITDA level and €260 million of "*Depreciation, amortization & impairments*". The latter consist of:

- €237 million to adjust for the non-cash impact of purchase price allocation (PPA), consisting of amortization charges on intangible assets, which are adjusted in "*Costs of goods sold*" for €2 million, "*Administrative costs*" for €35 million, in "*Research & development costs*" for €3 million, and in "*Other operating gains & losses*" for €197 million.
- €23 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 impairment after the divestment of the hydrofluoric acid plant in Porto Marghera, Italy, and to the reversal of impairment on some cogeneration assets in Latin America, following improving market conditions.

Net financial charges on an IFRS basis were €(194) million versus €(326) million on an underlying basis. The €(131) million adjustment made to IFRS net financial charges consists of:

- €(112) million reclassification of coupons on perpetual hybrid bonds, which are treated as dividends under IFRS, and as financial charges in underlying results.
- €(21) million reclassification of financial charges and realized foreign exchange result on the €-denominated debt of RusVinyl as net financial charges. The €9 million delta with the adjustment made to EBITDA is attributed to unrealized foreign exchange losses.
- €3 million for the net impact of decreasing discount rates on the valuation of environmental liabilities in the period.

Income taxes on an IFRS basis were €(95) million, versus €(305) million on an underlying basis. The €(210) million adjustment includes mainly:

- €(106) million to adjust for the tax impacts of the adjustments made to the underlying result before taxes (as described above).
- €(104) million to adjust for tax elements related to prior periods. These mainly relate to recognition of deferred tax assets resulting from statutory reorganization in Brazil and expected capital gain on the Polyamide divestment in 2019.

Discontinued operations generated a profit of €201 million on an IFRS basis and €216 million on an underlying basis. The €15 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 €858 million on an IFRS basis and €1,092 million on an underlying basis. The delta of €234 million reflects the above-mentioned adjustments to EBIT, net financial charges, income taxes and discontinued operations. There was no impact from non-controlling interests.

(in € million)	Q4 2018 IFRS	Q4 2018 Adjust-ments	Q4 2018 Under-lying	Q4 2017 IFRS	Q4 2017 Adjust-ments	Q4 2017 Under-lying
Sales [1]	**2,830**	**-**	**2,830**	**2,717**	**-**	**2,717**
of which revenues from non-core activities [1]	256	-	256	237	-	237
of which net sales	2,574	-	2,574	2,480	-	2,480
Cost of goods sold [1]	(2,135)	-	(2,135)	(1,986)	-	(1,986)
Gross margin	**695**	**-**	**696**	**731**	**-**	**731**
Commercial costs	(96)	-	(96)	(101)	-	(101)
Administrative costs	(260)	9	(251)	(274)	10	(264)
Research & development costs	(80)	1	(80)	(82)	1	(81)
Other operating gains & losses	(19)	50	31	(47)	50	3
Earnings from associates & joint ventures	15	8	23	13	6	19
Result from portfolio management & reassessments	(8)	8	-	(10)	10	-
Result from legacy remediation & major litigations	(13)	13	-	(27)	27	-
EBITDA	**461**	**45**	**506**	**457**	**37**	**494**
Depreciation, amortization & impairments	(227)	44	(183)	(253)	66	(187)
EBIT	**234**	**89**	**322**	**204**	**103**	**307**
Net cost of borrowings	(28)	-	(28)	(59)	25	(34)
Coupons on perpetual hybrid bonds	-	(29)	(29)	-	(28)	(28)
Interests and realized foreign exchange gains (losses) on the RusVinyl joint venture	-	(3)	(3)	-	(4)	(4)
Cost of discounting provisions	(29)	11	(19)	(28)	3	(24)
Profit for the period before taxes	**177**	**67**	**244**	**118**	**99**	**217**
Income tax expenses	37	(110)	(73)	206	(266)	(60)
Profit for the period from continuing operations	**214**	**(43)**	**171**	**324**	**(167)**	**157**
Profit (loss) for the period from discontinued operations	43	5	47	(39)	41	2
Profit for the period	**257**	**(38)**	**218**	**285**	**(126)**	**159**
attributable to Solvay shareholders	247	(38)	209	269	(124)	145
attributable to non-controlling interests	9	-	10	16	(2)	14
Basic earnings per share (in €)	2.40		2.02	2.60		1.40
of which from continuing operations	1.98		1.57	2.98		1.38
Diluted earnings per share (in €)	2.39		2.02	2.58		1.39
of which from continuing operations	1.98		1.56	2.96		1.37

[1] The comparative figures of non-core revenues and costs of goods sold have been restated for an amount of €(48) million, following a change in presentation of revenues from non-core activities.

EBITDA on an IFRS basis totaled €461 million, versus €506 million on an underlying basis. The difference of €45 million is explained by the following adjustments to IFRS results, which are done to improve the comparability of underlying results:

- €8 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 5% devaluation of the Russian ruble over the period. These elements are reclassified in "*Net financial charges*".
- €24 million to adjust for the "*Result from portfolio management and reassessments*", excluding depreciation, amortization and impairment elements. This result comprises primarily expenses and past service costs related to acquisitions in prior years.
- €13 million to adjust for the "*Result from legacy remediation and major litigations*", primarily environmental expenses.

EBIT on an IFRS basis totaled €234 million, versus €322 million on an underlying basis. The difference of €89 million is explained by the above-mentioned €45 million adjustments at the EBITDA level and €44 million of "*Depreciation, amortization & impairments*". The latter consist of:

- €60 million to adjust for the non-cash impact of purchase price allocation (PPA), consisting of amortization charges on intangible assets, which are adjusted in "*Administrative costs*" for €9 million, in "*Research & development costs*" for €1 million, and in "*Other operating gains & losses*" for €50 million.
- €(16) million to adjust for the net impact of the impairments reversal, which is non-cash in nature and is reported in "*Result from portfolio management and reassessments*", related to some cogeneration assets in Latin America, following improved market conditions.

Net financial charges on an IFRS basis were €(57) million versus €(78) million on an underlying basis. The €(21) million adjustment made to IFRS net financial charges consists of:

- €(29) million reclassification of coupons on perpetual hybrid bonds, which are treated as dividends under IFRS, and as financial charges in underlying results.
- €(3) million reclassification of financial charges and realized foreign exchange result on the €-denominated debt of RusVinyl as net financial charges.
- €11 million for the net impact of decreasing discount rates on the valuation of environmental liabilities in the period

Income taxes on an IFRS basis were €37 million, versus €(73) million on an underlying basis. The €(110) million adjustment includes mainly:

- €(28) million to adjust for the tax impacts of the adjustments made to the underlying result before taxes (as described above).
- €(82) million to adjust for tax elements related to prior periods These mainly relate to recognition of deferred tax assets resulting from statutory reorganization in Brazil and expected capital gain on the Polyamide divestment in 2019.

Discontinued operations generated a profit of €43 million on an IFRS basis and €47 million on an underlying basis. The €5 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 €247 million on an IFRS basis and €209 million on an underlying basis. The delta of €(38) 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

Consolidated income statement

(in € million)	IFRS Q4 2018	Q4 2017	FY 2018	FY 2017
Sales [1]	**2,830**	**2,717**	**11,299**	**10,984**
of which revenues from non-core activities [1]	256	237	1,042	859
of which net sales	2,574	2,480	10,257	10,125
Cost of goods sold [1]	(2,135)	(1,986)	(8,264)	(7,898)
Gross margin	**695**	**731**	**3,035**	**3,086**
Commercial costs	(96)	(101)	(373)	(400)
Administrative costs	(260)	(274)	(1,006)	(1,037)
Research & development costs	(80)	(82)	(297)	(290)
Other operating gains & losses	(19)	(47)	(123)	(154)
Earnings from associates & joint ventures	15	13	44	44
Result from portfolio management & reassessments	(8)	(10)	(208)	(188)
Result from legacy remediation & major litigations	(13)	(27)	(86)	(84)
EBIT	**234**	**204**	**986**	**976**
Cost of borrowings	(31)	(48)	(131)	(172)
Interest on lendings & deposits	4	4	13	15
Other gains & losses on net indebtedness	(1)	(15)	(1)	(44)
Cost of discounting provisions	(29)	(28)	(77)	(97)
Profit for the period before taxes	**177**	**118**	**791**	**678**
Income tax expenses	37	206	(95)	197
Profit for the period from continuing operations	**214**	**324**	**697**	**875**
attributable to Solvay shareholders	205	308	657	824
attributable to non-controlling interests	9	16	39	51
Profit (loss) for the period from discontinued operations	43	(39)	201	241
Profit for the period	**257**	**285**	**897**	**1,116**
attributable to Solvay shareholders	247	269	858	1,061
attributable to non-controlling interests	9	16	39	56
Weighted average of number of outstanding shares, basic	103,198,714	103,412,650	103,276,632	103,351,807
Weighted average of number of outstanding shares, diluted	103,473,072	104,133,128	103,735,303	104,084,395
Basic earnings per share (in €)	2.40	2.60	8.31	10.27
of which from continuing operations	1.98	2.98	6.37	7.97
Diluted earnings per share (in €)	2.39	2.58	8.27	10.19
of which from continuing operations	1.98	2.96	6.34	7.92

Consolidated statement of comprehensive income

(in € million)	IFRS Q4 2018	Q4 2017	FY 2018	FY 2017
Profit for the period	**257**	**285**	**897**	**1,116**
Gains and losses on hedging instruments in a cash flow hedge	(51)	(10)	(47)	15
Currency translation differences from subsidiaries & joint operations	74	(101)	255	(790)
Currency translation differences from associates & joint ventures	4	(7)	(34)	(40)
Recyclable components	28	(118)	173	(815)
Gains and losses on equity instruments measured at fair value through other comprehensive income	2	-	3	(1)
Remeasurement of the net defined benefit liability [2]	(238)	(112)	26	95
Non-recyclable components	(236)	(112)	29	94
Income tax relating to components of other comprehensive income	62	77	1	37
Other comprehensive income, net of related tax effects	**(147)**	**(153)**	**204**	**(684)**
Total comprehensive income	**110**	**132**	**1,101**	**433**
attributed to Solvay share	99	114	1,058	412
attributed to non-controlling interests	10	17	43	20

[1] The comparative figures of non-core revenues and costs of goods sold have been restated for an amount of €93 million in the full year and €(48) million in the fourth quarter, following a change in presentation of revenues from non-core activities.

[2] The net defined benefit liability remeasurement of €238 million in the fourth quarter mainly relates to negative return on plan assets, reduction of discount rates in UK and increase of inflation assumptions for France.

Consolidated statement of cash flows

(in € million)	IFRS Q4 2018	Q4 2017	FY 2018	FY 2017
Profit for the period	257	285	897	1,116
Adjustments to profit for the period	297	264	1,575	1,315
Depreciation, amortization & impairments (-)	227	253	944	1,152
Earnings from associates & joint ventures (-)	(15)	(13)	(44)	(44)
Additions & reversals on provisions (-)	59	83	315	216
Other non-operating and non-cash items [1]	(8)	10	(12)	(179)
Net financial charges (-)	58	88	198	302
Income tax expenses (-)	(25)	(157)	175	(131)
Changes in working capital	386	228	(148)	(216)
Uses of provisions	(107)	(103)	(395)	(408)
Dividends received from associates & joint ventures	8	4	25	18
Income taxes paid (including income taxes paid on sale of investments)	(55)	(29)	(235)	(237)
Cash flow from operating activities	**786**	**649**	**1,720**	**1,590**
of which cash flow related to acquisition or sale of subsidiaries	-	-	-	(36)
Acquisition (-) of subsidiaries	-	(15)	(12)	(44)
Acquisition (-) of investments - Other	(4)	2	(4)	(11)
Loans to associates and non-consolidated companies	(3)	3	(3)	(7)
Sale (+) of subsidiaries and investments	4	(29)	26	891
Acquisition (-) of tangible and intangible assets (capex)	(275)	(287)	(833)	(822)
of which tangible assets	(233)	(252)	(691)	(707)
of which capital expenditures required by share sale agreement	(13)	(12)	(38)	(12)
of which intangible assets	(41)	(35)	(142)	(115)
Sale (+) of tangible & intangible assets	23	11	42	75
of which cash flow related to the sale of real estate in the context of restructuring, dismantling or remediation	9	8	9	12
Dividends from financial assets measured at fair value through other comprehensive income	-	(1)	-	2
Changes in non-current financial assets	23	26	-	(1)
Cash flow from investing activities	**(231)**	**(291)**	**(784)**	**84**
Proceeds from perpetual hybrid bond issuance	298	-	298	-
Sale (acquisition) of treasury shares	(23)	(19)	(22)	(14)
Increase in borrowings	392	934	2,444	1,692
Repayment of borrowings	(1,175)	(1,851)	(2,994)	(2,584)
Changes in other current financial assets	(35)	390	(25)	(27)
Net interests paid	(57)	(111)	(114)	(255)
Coupons paid on perpetual hybrid bonds	(27)	(27)	(111)	(111)
Dividends paid	(33)	(35)	(411)	(396)
of which to Solvay shareholders	-	-	(372)	(357)
of which to non-controlling interests	(32)	(35)	(39)	(39)
Other [2]	(10)	1	123	13
Cash flow from financing activities	**(671)**	**(718)**	**(811)**	**(1,684)**
Net change in cash and cash equivalents	**(116)**	**(361)**	**126**	**(10)**
Currency translation differences	1	(6)	(14)	(52)
Opening cash balance	1,218	1,358	992	1,054
Closing cash balance	**1,103**	**992**	**1,103**	**992**

Statement of cash flow from discontinued operations

(in € million)	IFRS Q4 2018	Q4 2017	FY 2018	FY 2017
Cash flow from operating activities	55	84	244	183
Cash flow from investing activities	(52)	(44)	(122)	(105)
Cash flow from financing activities	-	-	(1)	(1)
Net change in cash and cash equivalents	**3**	**40**	**120**	**77**

[1] Other non-operating and non-cash items for FY the year include the capital gain on the sale of the Phosphorus site in Charleston, U.S., for €22 million, offset by some other smaller transactions.
[2] Other cash flow from financing activities were positively impacted by cash-in related to margin calls in 2018.

Consolidated statement of financial position

(in € million)	IFRS December 31, 2018	IFRS December 31, 2017
Intangible assets	2,861	2,940
Goodwill	5,173	5,042
Tangible assets	5,454	5,433
Equity instruments measured at fair value through other comprehensive income	51	44
Investments in associates & joint ventures	441	466
Other investments	41	47
Deferred tax assets	1,123	1,076
Loans & other assets	282	346
Non-current assets	**15,427**	**15,394**
Inventories	1,685	1,504
Trade receivables	1,434	1,462
Income tax receivables	97	100
Other financial instruments	101	89
Other receivables	719	627
Cash & cash equivalents	1,103	992
Assets held for sale	1,434	1,284
Current assets	**6,574**	**6,057**
Total assets	**22,000**	**21,451**
Share capital	1,588	1,588
Reserves	8,920	8,051
Non-controlling interests	117	113
Total equity	**10,624**	**9,752**
Provisions for employee benefits	2,672	2,816
Other provisions	883	793
Deferred tax liabilities	618	600
Financial debt	3,180	3,182
Other liabilities	121	180
Non-current liabilities	**7,474**	**7,571**
Other provisions	281	281
Financial debt	630	1,044
Trade payables	1,439	1,330
Income tax payables	114	129
Dividends payable	154	147
Other liabilities	850	848
Liabilities associated with assets held for sale	435	349
Current liabilities	**3,902**	**4,128**
Total equity & liabilities	**22,000**	**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)		Defined benefit pension plans	Total reserves	Non-controlling interests	Total equity
							Equity instruments measured at fair value through other comprehensive income	Cash flow hedges				
Balance on December 31, 2016	1,588	1,169	(274)	2,188	5,899	(39)	8	(5)	(828)	8,118	250	9,956
Profit for the period	-	-	-	-	1,061	-	-	-	-	1,061	56	1,116
Items of other comprehensive income	-	-	-	-	-	(795)	(3)	22	128	(649)	(35)	(684)
Comprehensive income	-	-	-	-	1,061	(795)	(3)	22	128	412	20	433
Cost of stock options	-	-	-	-	10	-	-	-	-	10	-	10
Dividends	-	-	-	-	(363)	-	-	-	-	(363)	(41)	(404)
Coupons of perpetual hybrid bonds	-	-	-	-	(111)	-	-	-	-	(111)	-	(111)
Sale (acquisition) of treasury shares	-	-	(7)	-	(7)	-	-	-	-	(14)	-	(14)
Other [1]	-	1	-	-	(33)	-	-	-	34	1	(117)	(116)
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	-	-	-	-	858	-	-	-	-	858	39	897
Items of other comprehensive income [2]	-	-	-	-	-	217	4	(42)	22	200	4	204
Comprehensive income	-	-	-	-	858	217	4	(42)	22	1,058	43	1,101
Perpetual hybrid bond issuance	-	-	-	298	-	-	-	-	-	298	-	298
Cost of stock options	-	-	-	-	9	-	-	-	-	9	-	9
Dividends	-	-	-	-	(378)	-	-	-	-	(378)	(40)	(418)
Coupons of perpetual hybrid bonds	-	-	-	-	(111)	-	-	-	-	(111)	-	(111)
Sale (acquisition) of treasury shares	-	-	(18)	-	(4)	-	-	-	-	(22)	-	(22)
Other	-	-	-	-	11	-	-	-	8	19	1	19
Balance on December 31, 2018	1,588	1,170	(299)	2,486	6,834	(618)	9	(26)	(636)	8,920	117	10,624

[1] The €(117) million reduction in equity related to non-controlling interest follows the completion of the Vinythai divestment in Q1 2017.
[2] The €217 million increase in equity related to currency translation differences is mainly related to the U.S. dollar increase versus the euro.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 financial statements were authorized for issue by the Board of Directors on February 26, 2019.

On November 15, 2017, Solvay agreed to sell its U.S. facility in Charleston, South Carolina, and the phosphorus derivatives-based products made at the plant to German specialty chemicals company Lanxess. The products at the site are used primarily as intermediates in plastic additives, flame retardants and agricultural applications. The business represents sales of approximately € 65 million. Transaction was completed on February 8, 2018 for US$68 million, leading to a net capital gain before tax of €22 million. Employees at the site were transferred.

On March 15, 2018, Solvay announced it had 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 acquired Solvay Specialty Polymers' Porto Marghera branch of activities, and the employees at the site have been transferred. The sale closed on June 1, 2018. In connection with the disposal, an impairment loss of € (23) million has been recognized in the first quarter of 2018.

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 were 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 around 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, with a net profit or loss impact of € (177) million. On top of this provision, other costs were already incurred in 2018 for an amount of € (8) million.

On October 16, 2018, Solvay announced that the divestment of Solvay's polyamide business to BASF is moving forward, as BASF has offered remedies involving part of the assets originally included in the scope of the acquisition, to address the competition concerns the European Commission has raised following an in-depth Phase II investigation. The European Commission examined these remedies and submitted them to market testing before completing its review procedure. The assets concerned by the remedies include innovation capabilities and manufacturing assets of Solvay's polyamide intermediate and engineering plastics business in Europe. The activities included in the proposed remedy scope are able to compete as successful stand-alone businesses under third party ownership. For BASF and Solvay this was a further step towards obtaining European Commission clearance for their agreement, and which was obtained in January 2019. Both companies will continue to run their businesses separately until completion of the transaction, which is expected in the second part of 2019 after all remaining closing conditions will have been fulfilled.

On November 27, 2018 Solvay successfully issued a perpetual hybrid bond for an aggregate nominal amount of € 300 million, to be used for general corporate purposes, including the possibility to refinance the existing € 700 million hybrid bond with a first call date in May 2019. The € 300 million hybrid bond has a first call date on March 4, 2024 and a coupon of 4.25% until this date, with a reset every 5 years thereafter. The hybrid bond ranks junior to all senior debt and is classified as equity (and accordingly, coupons will be deducted from equity in accordance with IFRS.

2. Accounting policies

General

Solvay prepares its condensed consolidated 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 2018 will be published in the annual report due in April 2019.

The condensed consolidated financial statements for the year ended December 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 for condensed consolidated financial statements, 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 condensed consolidated financial statements of the Group.

IFRS 9 Financial Instruments

As from January 1, 2018, the Group no longer applies IAS 39 *"Financial Instruments: Recognition and Measurement"*. IFRS 9 is applicable for annual periods beginning on or after January 1, 2018, and brings 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.

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 of € 1 million) amounts to € (5) million:

(in € million)	Allowances on trade receivable
Carrying amount as of December 31, 2017 - IAS 39	(49)
Remeasurement - From incurred to expected loss model	(6)
Carrying amount as of January 1, 2018 - 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 financial assets, 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 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)	-	-	-
Equity instruments measured at fair value through comprehensive income	-	44		44	

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.

[1] Net of deferred tax assets.

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.

- 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.
- Presentation and disclosure requirements: IFRS 15 provides presentation and disclosure requirements, which are more detailed than under current IFRSs. The presentation requirements represent a change from previous practice and increase the volume of disclosures required in Group's financial statements. The Group has analyzed those disclosure requirements, including the need for policies, procedures, and internal controls necessary to collect and disclose the required information.

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. This classification is determined on an instrument-by-instrument basis. Equity instruments in non-listed companies previously classified as available-for-sale in accordance with IAS 39 are now classified and measured as equity instruments measured at FVTOCI. Upon derecognition, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to retained earnings. The Group elected to classify irrevocably its non-listed investments existing as of December 31, 2017 under this category as it intends to hold these investments for the foreseeable future.

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. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

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 per customer. The Group considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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, Solvay share price 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.

The requirement under (a) above that an economic relationship exists means that there is an expectation that the value of the hedging instrument and the value of the hedged item will systematically change in opposite direction in response to movements in the same underlying (or underlyings that are economically related in such a way that they respond in a similar way to the risk that is being hedged).

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.

   Most hedged items are transaction related. The time value of options, forward elements of forward contracts, and foreign currency basis spreads of financial instruments that are hedging the items affect profit or loss at the same time as those hedged items.

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; and
- 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: Contracts can be short term (including based only on a purchase order) or long term, some have minimum off-take requirements. 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 (i.e. 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.
- Corporate & Business Services includes corporate and other business services, such as the Research & Innovation Center, and energy services.

Reconciliation of segment, underlying and IFRS data

(in € million)	Q4 2018	Q4 2017	FY 2018	FY 2017
Net sales	**2,574**	**2,480**	**10,257**	**10,125**
Advanced Materials	1,093	1,047	4,385	4,370
Advanced Formulations	764	747	3,057	2,966
Performance Chemicals	716	679	2,808	2,766
Corporate & Business Services	1	7	7	23
Underlying EBITDA	**506**	**494**	**2,230**	**2,230**
Advanced Materials	275	260	1,197	1,202
Advanced Formulations	119	138	521	524
Performance Chemicals	172	170	729	749
Corporate & Business Services	(60)	(74)	(218)	(244)
Underlying depreciation, amortization & impairments	(183)	(187)	(684)	(704)
Underlying EBIT	**322**	**307**	**1,546**	**1,527**
Non-cash accounting impact from amortization & depreciation of purchase price allocation (PPA) from acquisitions [1]	(60)	(60)	(237)	(250)
Other legacy costs related to changes in portfolio (e.g. retention premiums)	-	-	-	(2)
Net financial charges and remeasurements of equity book value of the RusVinyl joint venture	(8)	(6)	(30)	(27)
Result from portfolio management & reassessments	(8)	(10)	(208)	(188)
Result from legacy remediation & major litigations	(13)	(27)	(86)	(84)
EBIT	**234**	**204**	**986**	**976**
Net financial charges	(57)	(86)	(194)	(298)
Profit for the period before taxes	**177**	**118**	**791**	**678**
Income tax expenses	37	206	(95)	197
Profit for the period from continuing operations	**214**	**324**	**697**	**875**
Profit (loss) for the period from discontinued operations	43	(39)	201	241
Profit for the period	**257**	**285**	**897**	**1,116**
attributable to non-controlling interests	9	16	39	56
attributable to Solvay shareholders	**247**	**269**	**858**	**1,061**

[1] The non-cash PPA impacts can be found in the reconciliation table on pages 18 to 21. For Q4 2018 these consist of €(60) million of amortization of intangible assets, which are adjusted in "Administrative costs" for €9 million, in "Research & development costs" for €1 million, and in "Other operating gains & losses" for €50 million. For FY 2018 these consist of €(237) million of amortization of intangible assets, which are adjusted in "Cost of goods sold" for €2 million, in "Administrative costs" for €35 million, in "Research & development costs" for €3 million, and in "Other operating gains & losses" for €197 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 December 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. The consolidated financial statements for 2018 will be published in the annual report due in April 2019.

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 December 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. The consolidated financial statements for 2018 will be published in the annual report due in April 2019.

5. Events after the reporting period

On January 18, 2019, the European Commission has cleared the divestment of Solvay's Polyamides activities to BASF, a key milestone in the completion of Solvay's transformation into an advanced materials and specialty chemicals company. The closing of the transaction is expected in the second part of 2019 after all remaining closing conditions will have been fulfilled. These conditions include the divestment of a remedy package to a third party buyer to address the European Commission's competition concerns. BASF has offered remedies involving part of the assets originally in the scope of the acquisition. These entail among others, the manufacturing assets of Solvay's polyamide intermediates, technical fibers and engineering plastics business as well as its innovation capabilities in Europe.

6. 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 condensed consolidated 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 year 2018, and their impact on the condensed consolidated 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.

7. Auditor report

Deloitte confirmed that the fieldwork related to the audit of the consolidated financial statements of Solvay SA/NV (‘‘the company’’) and its subsidiaries (jointly ‘‘the Group’’), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, is substantially completed. Deloitte confirmed that the financial information shown in this press release requires no comments on its part and is in agreement with the consolidated financial statements of the Group.

Deloitte also confirmed that it has reviewed the compliance, in all material aspects, of the alternative performance indicators as included in the Supplementary Information section.

Deloitte confirmed that it will issue an unqualified reasonable assurance opinion on the information shown on the extra-financial priority domains ‘‘Greenhouse gas intensity’’, ‘‘Sustainable solutions’’, ‘‘Occupational accidents’’ and “Employee engagement”, which is prepared in accordance with Solvay’s Reporting Framework. For “Employees involved in societal actions” Deloitte confirmed it will issue an unqualified limited assurance opinion with the following observation: “The process, definition, and underlying control environment of societal actions, though it was reinforced in 2018 compared to 2017, remains to be reinforced throughout 2019.”.

The complete audit report related to the audit of the consolidated financial statements and of the social, environmental and other sustainable development information will be shown in the 2018 Annual Report that will be published on the Internet (www.solvay.com) in April, 2019.

ANNEX
UNAUDITED 2018 PRO FORMA FINANCIAL INFORMATION CONCERNING THE ADOPTION OF IFRS 16 "*LEASES*"

General

This information provides a reference framework for evaluating the Group's performance over time following the adoption of IFRS 16, for contracts whereby the Group is the lessee. The Group adopted IFRS 16, using a modified retrospective approach, as of January 1, 2019, i.e. without restating prior reporting periods presented.

The pro forma information presents the impact on the Group's financial reporting as if the adoption of IFRS 16 had taken place on January 1, 2018. This pro forma financial information only pertains to leases that were classified as operating leases in accordance with IAS 17. The detailed basis for the preparation in the subsequent pages is an integral part of the pro forma financial information. At the end of this section, the accounting policy in accordance with IFRS 16 has been inserted.

FY 2018 underlying key figures

	Underlying		
(in € million)	As published	IFRS 16	Pro forma
EBITDA, of which	**2,230**	**100**	**2,330**
Advanced Materials	1,197	28	1,225
Advanced Formulations	521	12	533
Performance Chemicals	729	32	761
Corporate & Business Services	(218)	29	(189)
EBITDA margin	*22%*		*23%*
Depreciation, amortization & impairments	(684)	(92)	(777)
EBIT	**1,546**	**8**	**1,554**
Net financial charges	(326)	(16)	(342)
Profit for the period before taxes	**1,220**	**(8)**	**1,212**
Income taxes	(305)	2	(303)
Profit for the period from continuing operations	**915**	**(6)**	**909**
attributable to Solvay shareholders	876	(6)	869
Basic earnings per share (in €)	**10.57**	**(0.06)**	**10.51**
Capex from continuing operations	**(711)**	**(83)**	**(794)**
Cash conversion	*68%*		*66%*
Free cash flow from continuing operations	**830**	**16**	**846**
Free cash flow to Solvay shareholders from continuing operations	**566**	**-**	**566**
Net working capital	**1,550**	**7**	**1,557**
Net financial debt	**(5,105)**	**(433)**	**(5,538)**
Leverage ratio	*2.0*		*2.4*
CFROI	***6.9%***		***6.8%***

Continuing operations

- Operating lease expenses measured in accordance with IAS 17 amount to €100 million. Under IFRS 16, those operating lease expenses are no longer included in EBITDA. Yet, right-of-use assets are depreciated for €92 million and interest expenses from unwinding of the discount on lease liabilities amount to €16 million.
- The net impact on profit before taxes of €(8) million results from the fact that the opening lease liability as of January 1, 2018 triggers interest expenses that decrease over the lease term while depreciation expenses, and operating lease expenses under IAS 17 follow a straight line pattern over the lease term.
- The deferred tax income impact has been estimated at €2 million.
- The impact on free cash flow from continuing operations only relates to interests paid, and improves by €16 million.
- Net financial debt increases by €433 million.

Discontinued operations

- The impact of IFRS 16 on profit for the period from discontinued operations is not significant as the positive impact on EBITDA is offset by an increase of depreciation and interest expenses.
- Capex from discontinued operations increases by €9 million while other key performance indicators are not significantly impacted.

Pro forma IFRS figures

(in € million)	2018 Q1	Q2	Q3	Q4	FY
Sales	**2,809**	**2,820**	**2,840**	**2,830**	**11,299**
of which revenues from non-core activities	317	221	249	256	1,042
of which net sales	2,492	2,600	2,591	2,574	10,257
Cost of goods sold	(2,062)	(2,012)	(2,049)	(2,134)	(8,258)
Gross margin	**746**	**808**	**790**	**697**	**3,042**
Commercial costs	(91)	(93)	(93)	(96)	(373)
Administrative costs	(238)	(261)	(247)	(259)	(1,005)
Research & development costs	(70)	(71)	(76)	(80)	(297)
Other operating gains & losses	(50)	(7)	(47)	(19)	(123)
Earnings from associates & joint ventures	11	8	10	15	44
Result from portfolio management & reassessments	(145)	(58)	2	(8)	(208)
Result from legacy remediation & major litigations	(18)	(26)	(29)	(13)	(86)
EBITDA	**414**	**561**	**569**	**486**	**2,030**
Depreciation, amortization & impairments	(268)	(260)	(258)	(250)	(1,036)
EBIT	**146**	**300**	**311**	**236**	**994**
Net cost of borrowings	(36)	(33)	(33)	(32)	(134)
Cost of discounting provisions	(19)	(10)	(18)	(29)	(77)
Profit for the period before taxes	**91**	**258**	**260**	**175**	**783**
Income tax expenses	(12)	(76)	(42)	37	(93)
Profit for the period from continuing operations	**79**	**181**	**217**	**213**	**690**
attributable to Solvay shareholders	70	172	206	203	651
attributable to non-controlling interests	10	9	11	9	39
Profit (loss) for the period from discontinued operations	37	51	69	43	201
Profit for the period	**117**	**233**	**286**	**255**	**891**
attributable to Solvay shareholders	107	223	275	246	852
attributable to non-controlling interests	10	9	11	9	39
Basic earnings per share (in €)	**1.03**	**2.16**	**2.67**	**2.38**	**8.25**
of which from continuing operations	0.67	1.67	2.00	1.97	6.30
Diluted earnings per share (in €)	**1.03**	**2.15**	**2.65**	**2.38**	**8.21**
of which from continuing operations	0.67	1.66	1.99	1.96	6.28

Pro forma underlying figures

(in € million)	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2018 FY
Sales	**2,809**	**2,820**	**2,840**	**2,830**	**11,299**
of which revenues from non-core activities	317	221	249	256	1,042
of which net sales	2,492	2,600	2,591	2,574	10,257
Cost of goods sold	(2,062)	(2,012)	(2,049)	(2,133)	(8,256)
Gross margin	**746**	**809**	**791**	**697**	**3,043**
Commercial costs	(91)	(93)	(93)	(96)	(373)
Administrative costs	(230)	(253)	(237)	(251)	(970)
Research & development costs	(69)	(71)	(75)	(79)	(294)
Other operating gains & losses	(1)	42	3	31	74
Earnings from associates & joint ventures	17	15	19	23	74
EBITDA	**558**	**643**	**599**	**531**	**2,330**
EBITDA margin	*22%*	*25%*	*23%*	*21%*	*23%*
Depreciation, amortization & impairments	(186)	(193)	(192)	(206)	(777)
EBIT	**372**	**450**	**407**	**325**	**1,554**
EBIT margin	*15%*	*17%*	*16%*	*13%*	*15%*
Net cost of borrowings	(36)	(33)	(33)	(31)	(134)
Coupons on perpetual hybrid bonds	(27)	(28)	(28)	(29)	(112)
Interests and realized foreign exchange gains (losses) on the RusVinyl joint venture	(7)	(3)	(8)	(3)	(21)
Cost of discounting provisions	(19)	(17)	(19)	(19)	(74)
Profit for the period before taxes	**282**	**369**	**319**	**242**	**1,212**
Income tax expenses	(67)	(87)	(76)	(73)	(303)
Tax rate					*26%*
Profit for the period from continuing operations	**215**	**281**	**243**	**170**	**909**
attributable to Solvay shareholders	205	272	232	160	869
attributable to non-controlling interests	10	10	11	10	40
Profit (loss) for the period from discontinued operations	41	65	63	47	216
Profit for the period	**255**	**347**	**306**	**217**	**1,125**
attributable to Solvay shareholders	246	337	295	208	1,085
attributable to non-controlling interests	10	10	11	10	40
Basic earnings per share (in €)	**2.38**	**3.26**	**2.86**	**2.01**	**10.51**
of which from continuing operations	1.99	2.63	2.25	1.55	8.42
Diluted earnings per share (in €)	**2.36**	**3.25**	**2.84**	**2.01**	**10.46**
of which from continuing operations	1.98	2.62	2.24	1.55	8.38
Capex	**(207)**	**(210)**	**(211)**	**(298)**	**(925)**
of which from continuing operations	(180)	(184)	(187)	(243)	(794)
Cash conversion	*68%*	*71%*	*69%*	*54%*	*66%*
Free cash flow	**152**	**75**	**204**	**575**	**1,006**
of which from continuing operations	110	22	155	559	846
Free cash flow to Solvay shareholders	**141**	**(65)**	**195**	**454**	**725**
of which from continuing operations	100	(118)	146	438	566
Net working capital					**1,558**
Net working capital / sales					*14%*
Net financial debt					**(5,538)**
Leverage ratio					*2.4*
CFROI					***6.8%***

Pro forma underlying figures

(in € million)	2018 Q1	Q2	Q3	Q4	FY
EBITDA	558	643	599	531	2,330
Advanced Materials	295	349	299	282	1,225
Advanced Formulations	121	147	143	122	533
Performance Chemicals	185	195	200	180	761
Corporate & Business Services	(44)	(49)	(44)	(53)	(189)
EBITDA margin	*22%*	*25%*	*23%*	*21%*	*23%*
Advanced Materials	*27%*	*31%*	*28%*	*26%*	*28%*
Advanced Formulations	*17%*	*19%*	*18%*	*16%*	*17%*
Performance Chemicals	*28%*	*28%*	*28%*	*25%*	*27%*
EBIT	372	450	407	325	1,554
Advanced Materials	219	268	218	192	897
Advanced Formulations	85	108	106	82	381
Performance Chemicals	134	144	150	127	556
Corporate & Business Services	(66)	(71)	(66)	(77)	(280)
Capex from continuing operations	(180)	(184)	(187)	(243)	(794)
Advanced Materials					(379)
Advanced Formulations					(158)
Performance Chemicals					(175)
Corporate & Business Services					(82)
Cash conversion	*68%*	*71%*	*69%*	*54%*	*66%*
Advanced Materials					*69%*
Advanced Formulations					*70%*
Performance Chemicals					*77%*
CFROI					*6.8%*
Advanced Materials					*9.9%*
Advanced Formulations					*6.8%*
Performance Chemicals					*8.1%*

Reconcilation tables

The IFRS 16 impact on EBIT, in columns b and f in the following reconciliation tables, is the net amount of the increase that results from the elimination of operating lease expenses under IAS 17, and the decrease that results from the recognition of the depreciation expense on the right-of-use assets. This affects different lines of the income statement presented by function.

IFRS 16 impact Q1 2018

(in € million)	IFRS			Adjust-ments	Underlying		
	As published	IFRS 16	Pro forma		As published	IFRS 16	Pro forma
	a	b	c = a+b	d	e = a+d	f = b	g = e+f = c+d
Sales	**2,809**	**-**	**2,809**	**-**	**2,809**	**-**	**2,809**
of which revenues from non-core activities	317	-	317	-	317	-	317
of which net sales	2,492	-	2,492	-	2,492	-	2,492
Cost of goods sold	(2,064)	2	(2,062)	-	(2,064)	2	(2,062)
Gross margin	**744**	**2**	**746**	**-**	**744**	**2**	**746**
Commercial costs	(91)	-	(91)	-	(91)	-	(91)
Administrative costs	(238)	-	(238)	8	(230)	-	(230)
Research & development costs	(70)	-	(70)	1	(69)	-	(69)
Other operating gains & losses	(50)	-	(50)	49	(1)	-	(1)
Earnings from associates & joint ventures	11	-	11	6	17	-	17
Result from portfolio management & reassessments	(145)	-	(145)	145	-	-	-
Result from legacy remediation & major litigations	(18)	-	(18)	18	-	-	-
EBITDA	**389**	**25**	**414**	**144**	**533**	**25**	**558**
Depreciation, amortization & impairments	(245)	(23)	(268)	82	(163)	(23)	(186)
EBIT	**144**	**2**	**146**	**226**	**370**	**2**	**372**
Net cost of borrowings	(32)	(4)	(36)	-	(32)	(4)	(36)
Coupons on perpetual hybrid bonds	-	-	-	(27)	(27)	-	(27)
Interests and realized foreign exchange gains (losses) on the RusVinyl joint venture	-	-	-	(7)	(7)	-	(7)
Cost of discounting provisions	(19)	-	(19)	-	(19)	-	(19)
Profit for the period before taxes	**93**	**(2)**	**91**	**191**	**284**	**(2)**	**282**
Income taxes	(12)	-	(12)	(56)	(67)	-	(67)
Profit for the period from continuing operations	**81**	**(1)**	**79**	**136**	**216**	**(1)**	**215**
attributable to Solvay shareholders	71	(1)	70	136	207	(1)	205
attributable to non-controlling interests	10	-	10	-	10	-	10
Profit (loss) for the period from discontinued operations	37	-	37	3	41	-	41
Profit for the period	**118**	**(2)**	**117**	**139**	**257**	**(2)**	**255**
attributable to Solvay shareholders	109	(2)	107	139	247	(2)	246
attributable to non-controlling interests	10	-	10	-	10	-	10
Capex				**(184)**	**(184)**	**(23)**	**(207)**
of which from continuing operations				(159)	(159)	(21)	(180)
Cash conversion					*70%*		*68%*
Free cash flow				**147**	**147**	**4**	**152**
of which from continuing operations				105	105	4	110
Free cash flow to Solvay shareholders				**141**	**141**	**-**	**141**
of which from continuing operations				100	100	-	100

IFRS 16 impact Q2 2018

(in € million)	IFRS			Adjust-ments	Underlying		
	As published	IFRS 16	Pro forma		As published	IFRS 16	Pro forma
	a	b	c = a+b	d	e = a+d	f = b	g = e+f = c+d
Sales	**2,820**	**-**	**2,820**	**-**	**2,820**	**-**	**2,820**
of which revenues from non-core activities	221	-	221	-	221	-	221
of which net sales	2,600	-	2,600	-	2,600	-	2,600
Cost of goods sold	(2,014)	2	(2,012)	-	(2,013)	2	(2,012)
Gross margin	**807**	**2**	**808**	**-**	**807**	**2**	**809**
Commercial costs	(93)	-	(93)	-	(93)	-	(93)
Administrative costs	(261)	-	(261)	8	(253)	-	(253)
Research & development costs	(71)	-	(71)	1	(71)	-	(71)
Other operating gains & losses	(7)	-	(7)	49	42	-	42
Earnings from associates & joint ventures	8	-	8	7	15	-	15
Result from portfolio management & reassessments	(58)	-	(58)	58	-	-	-
Result from legacy remediation & major litigations	(26)	-	(26)	26	-	-	-
EBITDA	**536**	**25**	**561**	**82**	**618**	**25**	**643**
Depreciation, amortization & impairments	(237)	(23)	(260)	68	(170)	(23)	(193)
EBIT	**299**	**2**	**300**	**149**	**448**	**2**	**450**
Net cost of borrowings	(29)	(4)	(33)	-	(29)	(4)	(33)
Coupons on perpetual hybrid bonds	-	-	-	(28)	(28)	-	(28)
Interests and realized foreign exchange gains (losses) on the RusVinyl joint venture	-	-	-	(3)	(3)	-	(3)
Cost of discounting provisions	(10)	-	(10)	(7)	(17)	-	(17)
Profit for the period before taxes	**260**	**(3)**	**258**	**111**	**371**	**(3)**	**369**
Income taxes	(77)	1	(76)	(11)	(88)	1	(87)
Profit for the period from continuing operations	**183**	**(2)**	**181**	**100**	**283**	**(2)**	**281**
attributable to Solvay shareholders	174	(2)	172	100	274	(2)	272
attributable to non-controlling interests	9	-	9	-	10	-	10
Profit (loss) for the period from discontinued operations	51	-	51	14	65	-	65
Profit for the period	**235**	**(2)**	**233**	**114**	**349**	**(2)**	**347**
attributable to Solvay shareholders	225	(2)	223	114	339	(2)	337
attributable to non-controlling interests	9	-	9	-	10	-	10
Capex				**(187)**	**(187)**	**(23)**	**(210)**
of which from continuing operations				(163)	(163)	(21)	(184)
Cash conversion					*74%*		*71%*
Free cash flow				**71**	**71**	**4**	**75**
of which from continuing operations				18	18	4	22
Free cash flow to Solvay shareholders				**(65)**	**(65)**	**-**	**(65)**
of which from continuing operations				(118)	(118)	-	(118)

IFRS 16 impact Q3 2018

(in € million)	IFRS As published	IFRS IFRS 16	IFRS Pro forma	Adjust-ments	Underlying As published	Underlying IFRS 16	Underlying Pro forma
	a	b	c = a+b	d	e = a+d	f = b	g = e+f = c+d
Sales	**2,840**	**-**	**2,840**	**-**	**2,840**	**-**	**2,840**
of which revenues from non-core activities	249	-	249	-	249	-	249
of which net sales	2,591	-	2,591	-	2,591	-	2,591
Cost of goods sold	(2,051)	2	(2,049)	-	(2,051)	2	(2,049)
Gross margin	**789**	**2**	**790**	**-**	**789**	**2**	**791**
Commercial costs	(93)	-	(93)	-	(93)	-	(93)
Administrative costs	(248)	-	(247)	10	(237)	-	(237)
Research & development costs	(76)	-	(76)	1	(75)	-	(75)
Other operating gains & losses	(47)	-	(47)	50	2	-	3
Earnings from associates & joint ventures	10	-	10	8	19	-	19
Result from portfolio management & reassessments	2	-	2	(2)	-	-	-
Result from legacy remediation & major litigations	(29)	-	(29)	29	-	-	-
EBITDA	**544**	**25**	**569**	**30**	**574**	**25**	**599**
Depreciation, amortization & impairments	(235)	(23)	(258)	66	(169)	(23)	(192)
EBIT	**309**	**2**	**311**	**96**	**405**	**2**	**407**
Net cost of borrowings	(29)	(4)	(33)	-	(29)	(4)	(33)
Coupons on perpetual hybrid bonds	-	-	-	(28)	(28)	-	(28)
Interests and realized foreign exchange gains (losses) on the RusVinyl joint venture	-	-	-	(8)	(8)	-	(8)
Cost of discounting provisions	(18)	-	(18)	-	(19)	-	(19)
Profit for the period before taxes	**262**	**(2)**	**260**	**60**	**321**	**(2)**	**319**
Income taxes	(43)	-	(42)	(34)	(77)	-	(76)
Profit for the period from continuing operations	**219**	**(2)**	**217**	**26**	**245**	**(2)**	**243**
attributable to Solvay shareholders	208	(2)	206	26	234	(2)	232
attributable to non-controlling interests	11	-	11	-	11	-	11
Profit (loss) for the period from discontinued operations	69	-	69	(6)	63	-	63
Profit for the period	**288**	**(2)**	**286**	**20**	**307**	**(2)**	**306**
attributable to Solvay shareholders	277	(2)	275	20	297	(2)	295
attributable to non-controlling interests	11	-	11	-	11	-	11
Capex				**(188)**	**(188)**	**(23)**	**(211)**
of which from continuing operations				(166)	(166)	(21)	(187)
Cash conversion					*71%*		*69%*
Free cash flow				**200**	**200**	**4**	**204**
of which from continuing operations				151	151	4	155
Free cash flow to Solvay shareholders				**195**	**195**	**-**	**195**
of which from continuing operations				146	146	-	146

IFRS 16 impact Q4 2018

(in € million)	IFRS			Adjust-ments	Underlying		
	As published	IFRS 16	Pro forma		As published	IFRS 16	Pro forma
	a	b	c = a+b	d	e = a+d	f = b	g = e+f = c+d
Sales	**2,830**	**-**	**2,830**	**-**	**2,830**	**-**	**2,830**
of which revenues from non-core activities	256	-	256	-	256	-	256
of which net sales	2,574	-	2,574	-	2,574	-	2,574
Cost of goods sold	(2,135)	2	(2,134)	-	(2,135)	2	(2,133)
Gross margin	**695**	**2**	**697**	**-**	**696**	**2**	**697**
Commercial costs	(96)	-	(96)	-	(96)	-	(96)
Administrative costs	(260)	-	(259)	9	(251)	-	(251)
Research & development costs	(80)	-	(80)	1	(80)	-	(79)
Other operating gains & losses	(19)	-	(19)	50	31	-	31
Earnings from associates & joint ventures	15	-	15	8	23	-	23
Result from portfolio management & reassessments	(8)	-	(8)	8	-	-	-
Result from legacy remediation & major litigations	(13)	-	(13)	13	-	-	-
EBITDA	**461**	**25**	**486**	**45**	**506**	**25**	**531**
Depreciation, amortization & impairments	(227)	(23)	(250)	44	(183)	(23)	(206)
EBIT	**234**	**2**	**236**	**89**	**322**	**2**	**325**
Net cost of borrowings	(28)	(4)	(32)	-	(28)	(4)	(31)
Coupons on perpetual hybrid bonds	-	-	-	(29)	(29)	-	(29)
Interests and realized foreign exchange gains (losses) on the RusVinyl joint venture	-	-	-	(3)	(3)	-	(3)
Cost of discounting provisions	(29)	-	(29)	11	(19)	-	(19)
Profit for the period before taxes	**177**	**(2)**	**175**	**67**	**244**	**(2)**	**242**
Income taxes	37	-	37	(110)	(73)	-	(73)
Profit for the period from continuing operations	**214**	**(1)**	**213**	**(43)**	**171**	**(1)**	**170**
attributable to Solvay shareholders	205	(1)	203	(43)	162	(1)	160
attributable to non-controlling interests	9	-	9	-	10	-	10
Profit (loss) for the period from discontinued operations	43	-	43	5	47	-	47
Profit for the period	**257**	**(1)**	**255**	**(38)**	**218**	**(1)**	**217**
attributable to Solvay shareholders	247	(1)	246	(38)	209	(1)	208
attributable to non-controlling interests	9	-	9	-	10	-	10
Capex				**(275)**	**(275)**	**(23)**	**(298)**
of which from continuing operations				(222)	(222)	(21)	(243)
Cash conversion					*56%*		*54%*
Free cash flow				**571**	**571**	**4**	**575**
of which from continuing operations				555	555	4	559
Free cash flow to Solvay shareholders				**454**	**454**	**-**	**454**
of which from continuing operations				438	438	-	438

IFRS 16 impact FY 2018

(in € million)	IFRS As published	IFRS IFRS 16	IFRS Pro forma	Adjust-ments	Underlying As published	Underlying IFRS 16	Underlying Pro forma
	a	b	c = a+b	d	e = a+d	f = b	g = e+f = c+d
Sales	**11,299**	**-**	**11,299**	**-**	**11,299**	**-**	**11,299**
of which revenues from non-core activities	1,042	-	1,042	-	1,042	-	1,042
of which net sales	10,257	-	10,257	-	10,257	-	10,257
Cost of goods sold	(8,264)	7	(8,258)	2	(8,262)	7	(8,256)
Gross margin	**3,035**	**7**	**3,042**	**2**	**3,037**	**7**	**3,043**
Commercial costs	(373)	-	(373)	-	(373)	-	(373)
Administrative costs	(1,006)	1	(1,005)	35	(971)	1	(970)
Research & development costs	(297)	-	(297)	3	(294)	-	(294)
Other operating gains & losses	(123)	-	(123)	197	74	-	74
Earnings from associates & joint ventures	44	-	44	30	74	-	74
Result from portfolio management & reassessments	(208)	-	(208)	208	-	-	-
Result from legacy remediation & major litigations	(86)	-	(86)	86	-	-	-
EBITDA	**1,930**	**100**	**2,030**	**301**	**2,230**	**100**	**2,330**
Depreciation, amortization & impairments	(944)	(92)	(1,036)	260	(684)	(92)	(777)
EBIT	**986**	**8**	**994**	**560**	**1,546**	**8**	**1,554**
Net cost of borrowings	(118)	(16)	(134)	-	(118)	(16)	(134)
Coupons on perpetual hybrid bonds	-	-	-	(112)	(112)	-	(112)
Interests and realized foreign exchange gains (losses) on the RusVinyl joint venture	-	-	-	(21)	(21)	-	(21)
Cost of discounting provisions	(77)	-	(77)	3	(74)	-	(74)
Profit for the period before taxes	**791**	**(8)**	**783**	**429**	**1,220**	**(8)**	**1,212**
Income taxes	(95)	2	(93)	(210)	(305)	2	(303)
Profit for the period from continuing operations	**697**	**(6)**	**690**	**219**	**915**	**(6)**	**909**
attributable to Solvay shareholders	657	(6)	651	218	876	(6)	869
attributable to non-controlling interests	39	-	39	-	40	-	40
Profit (loss) for the period from discontinued operations	201	-	201	15	216	-	216
Profit for the period	**897**	**(6)**	**891**	**234**	**1,131**	**(6)**	**1,125**
attributable to Solvay shareholders	858	(6)	852	234	1,092	(6)	1,085
attributable to non-controlling interests	39	-	39	-	40	-	40
Capex				**(833)**	**(833)**	**(92)**	**(925)**
of which from continuing operations				(711)	(711)	(83)	(794)
Cash conversion					*68%*		*66%*
Free cash flow				**989**	**989**	**16**	**1,006**
of which from continuing operations				830	830	16	846
Free cash flow to Solvay shareholders				**725**	**725**	**-**	**725**
of which from continuing operations				566	566	-	566
Net working capital					1,550	7	1,557
Net working capital / sales					*15%*		*14%*
Net financial debt	(2,605)	(433)	(3,038)	(2,500)	(5,105)	(433)	(5,538)
Leverage ratio	-				*2.0*		*2.4*
CFROI					*6.9%*		*6.8%*

Basis for preparation

As from mid-2017, the Group launched a project to review all lease contracts, so to determine how to account for them in accordance with IFRS 16. In this respect, key parameters are their respective remaining lease terms (taking into account early termination and renewal options) and lease payments due. In 2018, the Group continued its implementation efforts, and undertook an extensive review of its operating lease contracts, challenging the non-cancellable period of the leases, especially with respect to buildings. It developed processes, IT tools, and internal controls, so to ensure IFRS 16 compliance.

Statement of financial position

The pro forma lease liabilities presented at December 31, 2018 have been calculated based on lease payments due over the remaining respective lease terms. The discount rate is the lessee's incremental borrowing rate, i.e. the rate the lessee would have to pay to borrow over a similar term, and with a similar security (e.g. taking into account a parent company guarantee), the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The respective rates are those applicable as of January 1, 2019 and take into account the remaining lease term at that moment. The lease liabilities have been translated into the reporting currency of the Group (Euro) using the exchange rates as of December 31, 2018.

Income statement

The operating lease expense, determined in accordance with IAS 17, and included in EBITDA, has been eliminated.

Next, in accordance with IFRS 16,

- the interest expense has been determined based on the lease liability outstanding during the period, using the interest rates as explained above (see *Statement of financial position*); and
- depreciation expense has been calculated using the straight-line depreciation method taking into account the remaining useful life of the right-of-use assets. For the purpose of calculating the depreciation expense, the pro forma right-of-use assets as of January 1, 2018 equal the respective lease liabilities at that date adjusted by the amount of any prepaid or accrued lease payments relating to the respective leases recognized in the statement of financial position as of January 1, 2018.

The interest and depreciation expense have been translated into the reporting currency of the Group (Euro) using the average exchange rates for the period.

Revised alternative performance measures

Free cash flow

(in € million)			2018 Q1	Q2	Q3	Q4	FY
Free cash flow from continuing operations	As published	a	105	18	151	555	830
of which lease payments included in cash flow from operations	Pro forma	b	(25)	(25)	(25)	(25)	(99)
Payment of lease liabilities	Pro forma	c	(21)	(21)	(21)	(21)	(83)
Free cash flow from continuing operations	Pro forma	d = a-b+c	110	22	155	559	846
Free cash flow from discontinued operations	Pro forma	e	42	54	49	16	160
Free cash flow	Pro forma	f = d+e	152	75	204	575	1,006
Net interests paid	Pro forma	g = h+i	(9)	(53)	(6)	(61)	(130)
of which interests paid on lease liabilities	Pro forma	h	(4)	(4)	(3)	(4)	(16)
of which net interests paid	As published	i	(5)	(49)	(2)	(57)	(114)
Coupons paid on perpetual hybrid bonds	As published	j	-	(84)	-	(27)	(111)
Dividends paid to non-controlling interests	As published	k	(1)	(2)	(3)	(32)	(39)
Free cash flow to Solvay shareholders from continuing operations	Pro forma	l = d+g+j+k	100	(118)	146	438	566
Free cash flow to Solvay shareholders from discontinued operations	Pro forma	m	42	54	49	16	160
Free cash flow to Solvay shareholders	Pro forma	n = l+m	141	(65)	195	454	725

Free cash flow measures cash flows 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.

Prior to the adoption of IFRS 16, operating lease payments were included in the free cash flow. Following the application of IFRS 16, because leases are generally considered to be operating in nature, the free cash flow incorporates the payment of the lease liability (excluding the interest expense). Not including this item in the free cash flow would result in a significant improvement of the free cash flow compared to prior periods, whereas the operations themselves have not been affected by the implementation of IFRS 16.

Impact of IFRS 16 on free cash flow from discontinued operations is immaterial.

Free cash flow is defined as (a) cash flows from operating activities (excluding cash flows linked to acquisitions or sales of subsidiaries), (b) cash flows 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), and (c) payment of lease liabilities presented in the cash flows from financing activities.

Free cash flow does not include any interest paid, as this is considered financial in nature. As a result, compared to the accounting for operating leases in accordance with IAS 17, the free cash flow improves by the amount of interest paid on the lease liabilities.
Free cash flow to shareholders includes all the lease payments, i.e. the payment of the lease liabilities and the interests paid on those. As a result, the free cash flow to shareholders is unaffected by the implementation of IFRS 16.

Capex

(in € million)		2018 Q1	Q2	Q3	Q4	FY
Acquisition (-) of tangible assets	a	(158)	(140)	(160)	(233)	(691)
Acquisition (-) of intangible assets	b	(26)	(47)	(28)	(41)	(142)
Payment of lease liabilities	c	(23)	(23)	(23)	(23)	(92)
Capex	d = a+b+c	(207)	(210)	(211)	(298)	(925)
Capex from discontinued operations	e	(27)	(27)	(24)	(55)	(131)
Capex from continuing operations	f = d-e	(180)	(184)	(187)	(243)	(794)
Advanced Materials						(379)
Advanced Formulations						(158)
Performance Chemicals						(175)
Corporate & Business Services						(82)
EBITDA	g	**558**	**643**	**599**	**531**	**2,330**
Advanced Materials		295	349	299	282	1,225
Advanced Formulations		121	147	143	122	533
Performance Chemicals		185	195	200	180	761
Corporate & Business Services		(44)	(49)	(44)	(53)	(189)
Cash conversion	*h = (g+f)/g*	**68%**	**71%**	**69%**	**54%**	**66%**
Advanced Materials						69%
Advanced Formulations						70%
Performance Chemicals						77%

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

Prior to the adoption of IFRS 16, capex was not affected by operating leases. Following the adoption of IFRS 16, right-of-use assets are recognized, representing the right to control the use of an identified asset. Payments of the lease liabilities are considered payments for the right-of-use assets, in other words, payments made for the acquisition of those assets. As a consequence, following the adoption of IFRS 16, capex includes the payments of the lease liabilities.

Capex is defined as (a) cash paid for the acquisition of tangible and intangible assets presented in cash flows from investing activities, and (b) cash paid on the lease liabilities (excluding interests paid), presented in cash flows from financing activities.

Note: the cash flows have been translated into the reporting currency of the Group (Euro) using the average exchange rates for the period.

CFROI FY 2018

(in € million)		As published	IFRS 16	Adjustment	Pro forma
Underlying EBIT	a	1,546	8	-	1,554
Underlying EBITDA	b	2,230	100	-	2,330
Underlying earnings from associates & joint ventures	c	74	-	-	74
Dividends received from associates & joint ventures	d	25	-	-	25
Recurring capex	e = -2.3%*m	-	-		(388)
Recurring income taxes	f = -30%*(a-c)	-	-		(444)
Recurring "CFROI" cash flow data	g = b-c+d+e+f	**-**	**-**		**1,449**
Advanced Materials					798
Advanced Formulations					335
Performance Chemicals					456
Corporate & Business Services					(140)
Tangible assets	h	5,454	-		
Intangible assets	i	2,861	-		
Rights-of-use assets	j	-	428		
Goodwill	k	5,173	-		
Replacement value of goodwill & fixed assets	l = h+i+j+k	13,488	428	5,105	19,021
of which fixed assets	m				16,889
Investments in associates & joint ventures	n	441	-	1	443
Net working capital	o	1,550	7	171	1,728
"CFROI" invested capital	p = l+n+o				**21,191**
Advanced Materials					8,035
Advanced Formulations					4,929
Performance Chemicals					5,657
Corporate & Business Services					2,569
CFROI	q = g/p				**6.8%**
Advanced Materials					9.9%
Advanced Formulations					6.8%
Performance Chemicals					8.1%

The CFROI formula is adapted to take into account:

- the replacement value of the right-of-use assets in the computation of the invested capital; and
- increased recurring capex that are estimated at 2.3% of the invested capital due to the higher weight of recurring capex for leases.

Accounting policy

Definition of a lease

At inception of a contract, which generally coincides with the date the contract is signed, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

An asset is typically *identified* by being explicitly specified in a contract. However, an asset can also be identified by being implicitly specified at the time that the asset is made available for use by the customer. If the supplier has a substantive substitution right, then the asset is not identified.

To assess whether a contract conveys *the right to control the use* of an identified asset, the Group assesses whether, throughout the period of use, it has:

- the right to obtain substantially all of the economic benefits from use of the identified asset; and
- the right to direct the use of the identified asset. This is generally the case when the Group has the decision-making rights regarding how and for what purpose the asset is used.

Lease term

The Group determines the lease term as the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

In its assessment, the Group considers the impact of the following factors (non-exhaustive):

- contractual terms and conditions for the optional periods, compared with market rates;
- significant leasehold improvements undertaken (or expected to be undertaken) over the term of the contract;
- costs relating to the termination of the lease, including relocation costs, costs of identifying another underlying asset suitable for the Group's needs, costs of integrating a new asset into the Group's operations, and termination penalties;
- the importance of that underlying asset to the Group's operations, including the availability of suitable alternatives;
- conditionality associated with exercising the option (i.e. when the option can be exercised only if one or more conditions are met), and the likelihood that those conditions will exist; and
- past practice.

Right-of-use asset and lease liability

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date, which is the date that the lessor makes the asset available for use by the Group.

Right-of-use asset

The right-of-use asset is initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentive received; and
- any initial direct costs incurred by the Group.

After the commencement date, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses. Right-of-use assets are depreciated using the straight-line depreciation method, from the commencement date to (a) the end of the useful life of the underlying asset, in case the lease transfers ownership of the underlying asset to the Group by the end of the lease term, or the lease contains a purchase option that the Group is reasonably certain to exercise, or (b) the earlier of the end of the useful life and the end of the lease term, in all other cases.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entity's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for early terminating the lease, if the Group is reasonably certain to exercise an option to early terminate the lease.

Service components (eg utilities, maintenance, insurance, ...) are excluded from the measurement of the lease liability.

After the commencement date, the lease liability is measured by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect the impact from a revised index or rate.

Transition

Consolidated statement of financial position

(in € million)	December 31, 2018	IFRS 16	January 1, 2019
		IFRS	
Rights-of-use assets	-	428	428
Loans & other assets	282	(10)	272
Other receivables	719	(1)	718
Total assets	**22,000**	**417**	**22,417**
Total equity	10,624	8	10,632
Other provisions	883	(16)	868
Financial debt	3,180	433	3,613
Trade payables	1,439	(8)	1,431
Total equity & liabilities	**22,000**	**417**	**22,417**

Right-of-use assets and lease liabilities amounted to €425 million before the following reclassifications:

- Prepaid lease payments, previously included in Loans & other assets (€10 million) and Other receivables (€1 million), increased Right-of-use assets by €11 million ;
- Provisions for onerous leases, previously recognized in Other provisions, decreased Right-of-use assets by €(8) million (€16 million impact on Other provisions and €(8) million on Total equity);
- Accrued lease payments, previously included in Trade payables, increased Financial debt by €8 million.

These amounts are the opening balances as of January 1, 2019.

On January 1, 2019, following the adoption of IFRS 16, both Assets held for sale, and Liabilities associated with assets held for sale increase by €20 million for the right-of use assets and lease liabilities related to Polyamide.

On January 1, 2019:

- the Group has applied IFRS 16 only to contracts that had previously been identified as leases based on IAS 17 *"Leases"* and IFRIC 4 "*Determining when an arrangement contains a lease*". Contracts that had not been identified as leases have not been reassessed as to whether they are or contain a lease. Therefore, the definition of a lease under IFRS 16 applies only to contracts entered into or changed on or after January 1, 2019. The impact of such is considered insignificant;
- the lease liability for leases previously classified as an operating lease have been measured at the present value of the remaining lease payments, discounted using the respective Group entity's incremental borrowing rate as of January 1, 2019;
- the right-of-use assets for leases previously classified as an operating lease have been measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position at December 31, 2018;
- the Group used the practical expedient available on transition to IFRS 16 related to onerous contracts, adjusting the right-of-use assets at January 1, 2019 by the amount of any provision for onerous leases recognized in the statement of financial position immediately before January 1, 2019. Such positively impacted the retained earnings as of January 1, 2019 by €8 million.

- May 7, 2019 — First quarter 2019 results
- May 14, 2019 — Annual general meeting
- May 21, 2019 — Final dividend ex-coupon date
- May 22, 2019 — Final dividend record date
- May 23, 2019 — Final dividend payment date
- July 31, 2019 — First half 2019 results
- November 7, 2019 — Nine months 2019 results
- February 26, 2020 — Full year 2019 results

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- 2018 Annual results video, Jean-Pierre Clamadieu (CEO)
- 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 & 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 27,000 employees in 62 countries. Net sales were €10.3 billion in 2018, 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. *(Financial figures take into account the announced divestment of Polyamides.)*

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