



SOLVAY

asking more from chemistry®

SECOND QUARTER & FIRST HALF 2017 FINANCIAL REPORT

Forenote

Following the announcements in late 2016 of plans to divest the Acetow and Vinythai businesses, these have been reclassified as discontinued operations and as assets held for sale. For comparative purposes, the second quarter and first half year of 2016 income statement has been restated. The Vinythai transaction was completed end of February 2017 and the Acetow transaction end of May 2017.

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

**Regulated
information**

August 1, 2017
7:00 AM

HIGHLIGHTS

- Volume growth contributes to strong EBITDA performance and a record EBITDA margin
- Sustained cash generation, with free cash flow from continuing operations at €85 million
- Full year 2017 EBITDA outlook raised to high single-digit growth

Second quarter 2017 results

Net sales totaled €3.0 billion, up 11%, with 8.1% from volume and mix, and 2.8% from price.

Underlying EBITDA grew 18% to €705 million, mostly driven by volume growth across each operating segment. This included a one-time €38 million synergy benefit on post-retirement obligations. Overall, the EBITDA margin reached a record 23%. Operational excellence measures partly offset higher fixed costs.

- **Advanced Materials:** €356 million, up 22% year on year with strong volume growth in automotive and improvement in aerospace composites; both are benefiting from sustainable mobility drivers.
- **Advanced Formulations:** €130 million, up 5% year on year due to an improvement in oil & gas and continued growth in agro.
- **Performance Chemicals:** €190 million, up 1% year on year supported by the Sadara HPPPO contract.
- **Functional Polymers:** €82 million, up 57% year on year driven by robust net pricing and continued automotive demand.
- **Corporate & Business Services:** €(53) million versus €(58) million in the second quarter of 2016.

Profit attributable to Solvay share on an IFRS basis was €378 million. On an underlying basis it was €309 million, up 38% from €223 million in 2016, reflecting higher earnings and lower financial charges.

Free cash flow from continuing operations was €85 million.

First half 2017 results

Net sales totaled €6.0 billion, up 11%, fueled by volume growth and aided by positive currency effects and price increases.

Underlying EBITDA grew 15% to €1,321 million, reflecting volume growth across each of the operating segments and the €38 million one-time gain. Operational excellence measures more than offset variable net pricing headwinds, while one-time gains mitigated increased fixed costs. The underlying EBITDA margin grew 0.8 percentage points to 22%.

Profit attributable to Solvay share on an IFRS basis was €613 million. On an underlying basis it grew 36% to €565 million, reflecting higher earnings and lower financial charges.

Free cash flow from continuing operations doubled to €245 million, from €123 million in the same period in 2016.

Underlying net debt^[1] decreased to €(5.7) billion from €(6.6) billion at the start of the year, following the completion of divestments, such as Acetow. Net debt on an IFRS basis was €(3.5) billion.

CEO Jean-Pierre Clamadieu's comment

"In the second quarter, we continued to deliver volume growth across all segments, which contributed to strong earnings and cash generation. Our delivery is consistent with our mid-term financial and extra-financial objectives. Solvay's strategic transformation progressed with further portfolio upgrades."

2017 Outlook^[2]

Based on its strong first half 2017 results, Solvay raises its full year outlook for underlying EBITDA, which it expects to grow by high single-digits. Solvay expects to generate more than €800 million of free cash flow from continuing operations.

[1] Underlying net debt includes the perpetual hybrid bonds, accounted for as equity under IFRS.

[2] Outlook based on constant scope and foreign exchange.

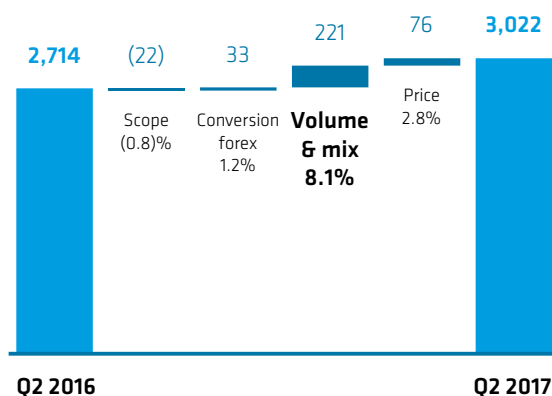
BUSINESS REVIEW

SECOND QUARTER 2017 UNDERLYING RESULTS ^[1]

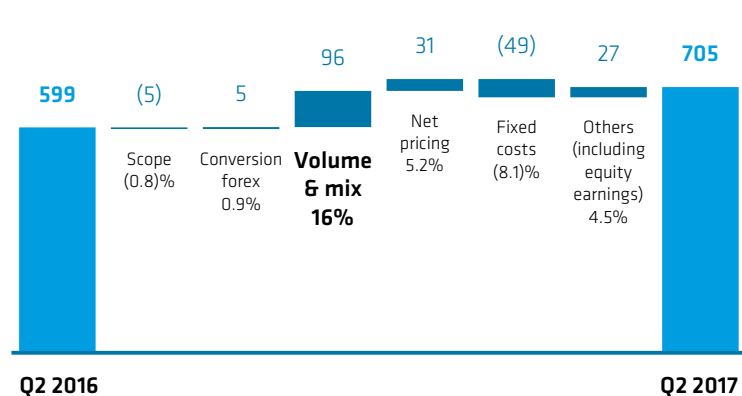
Q2 key figures

(in € million)	IFRS			Underlying		
	Q2 2017	Q2 2016	% yoy	Q2 2017	Q2 2016	% yoy
Net sales	3,022	2,714	11%	3,022	2,714	11%
EBITDA	615	588	4.6%	705	599	18%
<i>EBITDA margin</i>				23%	22%	1.3pp
EBIT	339	330	2.7%	519	415	25%
Net financial charges	(70)	(84)	16%	(96)	(117)	18%
Income taxes	(64)	(68)	6.3%	(110)	(87)	(27)%
<i>Tax rate</i>				27%	31%	(3.9)pp
Profit from discontinued operations	184	20	n.m.	7	29	(74)%
Profit attributable to non-controlling interests (-)	(10)	(14)	(26)%	(12)	(16)	(27)%
Profit attributable to Solvay share	378	185	n.m.	309	223	38%
Basic earnings per share (in €)	3.66	1.79	n.m.	2.99	2.16	38%
Capex	(177)	(218)	19%	(177)	(218)	19%
Capex from continuing operations	(174)	(208)	16%	(174)	(208)	16%
<i>Cash conversion</i>				75%	65%	10pp
Free cash flow	92	174	(47)%	92	174	(47)%
Free cash flow from continuing operations	85	136	(37)%	85	136	(37)%
Net debt ^[2]	(3,540)			(5,740)		

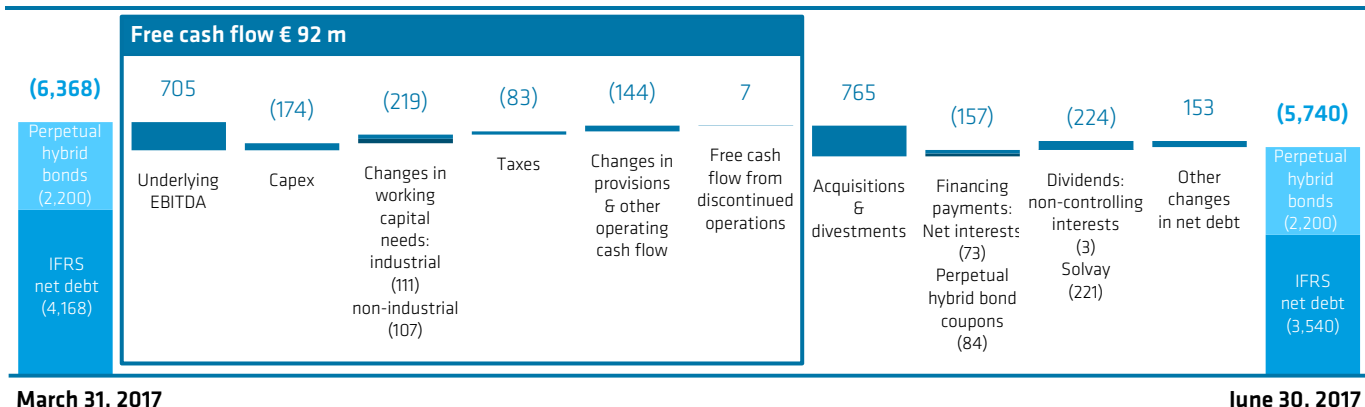
Q2 yoy net sales bridge (in € million)



Q2 yoy underlying EBITDA bridge (in € million)



Q2 2017 underlying net debt ^[2] bridge (in € million)



[1] A full reconciliation of IFRS and underlying income statement data can be found on page 14 of this report.

[2] Underlying net debt includes the perpetual hybrid bonds, accounted for as equity under IFRS.

Net sales rose 11% to €3,022 million, driven by volume growth and higher prices amid positive foreign exchange rate movements.

- The 8% **volume** increase was supported by all operating segments. Advanced Materials volume growth was driven by demand for high-performance polymers used to make more energy-efficient cars and in smart devices, while the composites business grew its aeronautics volumes for the first time since 2015. The recovery in the North American oil & gas market supported volume growth in Advanced Formulations. At Performance Chemicals, volumes grew in soda ash, bicarbonates and peroxides. Functional Polymers continued to benefit from strong demand in the polyamide 6.6 market.
- **Prices** were up 2.8%, mainly thanks to higher pricing in polyamide 6.6 intermediates and polymers and in the Latin American resins and solvents business.
- **Foreign exchange** contributed 1.2% to sales growth, largely due to the appreciation of the US dollar and to a lesser extent, that of the Brazilian real.

Underlying EBITDA grew 18% to €705 million, with volume-driven growth in all operating segments. Operational excellence measures resulted in positive net pricing and partly offset higher fixed costs associated with increased capacity. EBITDA also benefitted from a one-time gain on post-retirement benefits. The underlying **EBITDA margin** grew 1.3 percentage points to a record 23%.

- Higher **volumes** added 16% to EBITDA, reflecting growth across all business segments.
- **Fixed costs** grew, lowering the EBITDA by (8)%. Although operational excellence and synergies compensated for inflation, new capacities expanded the footprint and hence the fixed costs base. Higher profitability also led to an increase in provisions for variable remuneration.
- **Net pricing** turned positive again, adding 5%. Excellence initiatives were able to compensate for higher raw material prices and energy costs in Advanced Materials, Advanced Formulations and Performance Chemicals. In Functional Polymers price increases more than offset higher variable costs.
- **Other elements** contributed €27 million. They consisted mainly of a €38 million one-time synergy benefit on post-retirement obligations in the former Cytec businesses. This compares to the €11 million one-time gain in soda ash in 2016 from the sale of some surplus assets.

Underlying EBIT grew 25% to €519 million, following deduction of underlying amortization and depreciation charges of €(186) million, similar to the level in the second quarter of 2016.

Underlying net financial charges^[1] were €(96) million, 18% lower year on year. The net cost of borrowings has decreased since mid-

2016, when gross debt was reduced and discounting costs on pensions shrunk.

Underlying income taxes were higher at €(110) million, due to higher profitability but the Group benefited from a lower underlying tax rate of 27% thanks to the geographical spread of earnings.

Discontinued operations added €7 million to profit on an underlying basis. It included the contribution of the Acetow acetate tow business until its divestment was completed end of May.

Free cash flow from continuing operations was €85 million compared to €136 million in the same quarter of 2016. This followed a strong delivery in the first quarter of 2017. Including the €7 million contribution from discontinued operations, total free cash flow was €92 million.

- **Capex** from continuing operations was €(174) million, well below the €208 million in 2016 and in line with the planned reduction in capex intensity. Combined with higher underlying EBITDA, cash conversion rose further to 75%, from 65% a year earlier.
- **Working capital** outflow from continuing operations was €(219) million, with industrial working capital needs of €(111) million. As a result the net working capital to sales ratio rose slightly to 14.5% in the quarter.

Underlying net debt reduced to €(5,740) million from €(6,368) million at the start of the quarter, an improvement of €629 million. This resulted in an underlying leverage ratio of 2.3x, down from 2.5x on an adjusted basis at the start of the quarter.

- The inflow from **acquisitions and divestments** was €765 million and mainly consisted of the net proceeds on the sale of Acetow, and on the sale of the formulated resins and cross-linkable compounds product lines. The amount was netted with the post-closing adjustment of some €(80) million on the mid-2016 sale of the Inovyn stake.
- **Financing payments** were €(157) million, less than the €(166) million in 2016. They included €(84) million of hybrid bond coupons. Net interest payments on other financial debt were, however, lower at €(73) million, as gross debt was reduced mid-2016.
- **Dividend** payments were €(224) million, of which €(221) million on the final dividend to Solvay shareholders.
- **Other changes** impacted net debt positively by €109 million and resulted mainly from the devaluation of the US dollar-denominated debt, due to the currency's depreciation over the quarter.

Net debt on an IFRS basis was €(3,540) million at the end of the period and excluded 100% of the €(2,200) million hybrid perpetual bonds considered as equity under IFRS.

[1] Underlying net financial charges include the coupons on perpetual hybrid bonds, which are accounted as dividends under IFRS, and thereby excluded from the P&L, as well as the financial charges and realized foreign exchange losses in the RusVinyl joint venture, which under IFRS are part of the earnings from associates & joint ventures and thereby included in the IFRS EBITDA.

[2] 2016 net working capital ratios are on a non-restated basis.

BUSINESS REVIEW

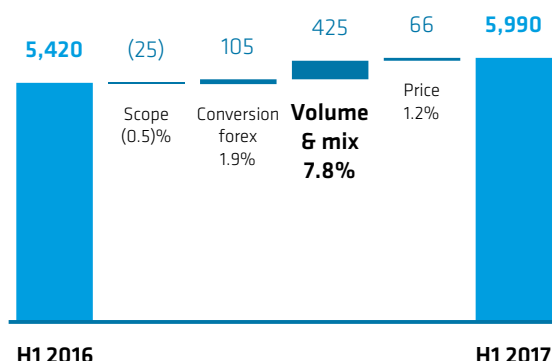
FIRST HALF 2017 UNDERLYING RESULTS ^[1]

H1 key figures

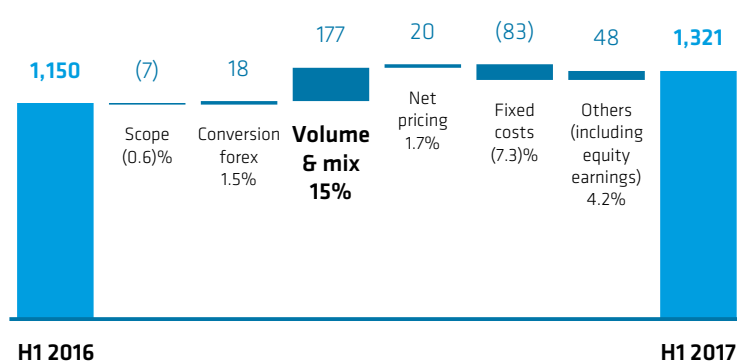
(in € million)

	IFRS			Underlying		
	H1 2017	H1 2016	% yoy	H1 2017	H1 2016	% yoy
Net sales	5,990	5,420	11%	5,990	5,420	11%
EBITDA	1,205	1,030	17%	1,321	1,150	15%
<i>EBITDA margin</i>				22%	21%	0.8pp
EBIT	677	402	68%	949	786	21%
Net financial charges	(151)	(176)	14%	(208)	(242)	14%
Income taxes	(106)	(62)	(71)%	(185)	(160)	(16)%
<i>Tax rate</i>				26%	30%	(4.6)pp
Profit from discontinued operations	220	51	n.m.	37	57	(35)%
Profit attributable to non-controlling interests (-)	(26)	(15)	76%	(28)	(26)	7.6%
Profit attributable to Solvay share	613	200	n.m.	565	415	36%
Basic earnings per share (in €)	5.94	1.93	n.m.	5.47	4.02	36%
Capex	(361)	(437)	17%	(361)	(437)	17%
Capex from continuing operations	(351)	(413)	15%	(351)	(413)	15%
<i>Cash conversion</i>				73%	64%	9.4pp
Free cash flow	257	183	40%	257	183	40%
Free cash flow from continuing operations	245	123	n.m.	245	123	n.m.
Net debt ^[2]	(3,540)			(5,740)		

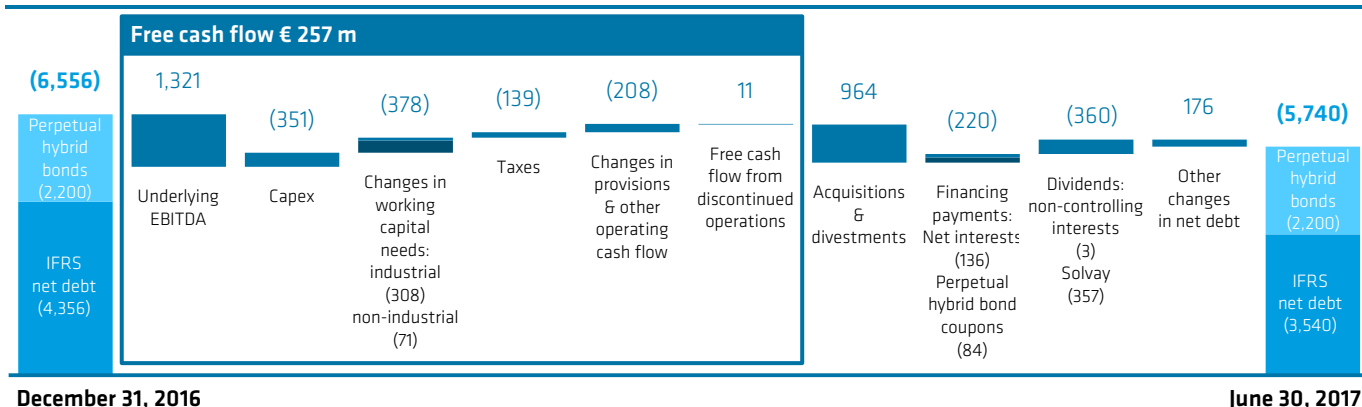
H1 yoy net sales bridge (in €million)



H1 yoy underlying EBITDA bridge (in €million)



H1 2017 underlying net debt ^[2] bridge (in €million)



[1] A full reconciliation of IFRS and underlying income statement data can be found on page 14 of this report.

[2] Underlying net debt includes the perpetual hybrid bonds, accounted for as equity under IFRS.

Net sales grew 11% to €5,990 million, fueled by volume growth and aided by positive currency effects and price increases.

- The 7.8% **volume** increase came from all segments. In Advanced Materials, demand for high-performance polymers continued to grow, especially for energy-efficient car components and for smart devices, while sales volumes in aerospace composites stabilized year on year. Advanced Formulations volumes grew strongly, driven by the recovery in the North American oil & gas market and strong demand in agricultural applications. Performance Chemicals volumes grew in soda ash, bicarbonates and peroxides. In Functional Polymers, sales of both polyamide 6.6 intermediates and engineered materials continued to grow due to tight market conditions.
- **Foreign exchange** contributed 1.9% to sales growth, largely thanks to the appreciation of the US dollar and the Brazilian real.

Underlying EBITDA grew 15% to €1,321 million, fully reflecting the volume growth across each of the operating segments. Operational excellence measures offset variable net pricing headwinds and part of the higher fixed cost base, which grew with Solvay's increasing footprint. The residual fixed cost increase was compensated by supportive foreign exchange and one-time gains. The underlying **EBITDA margin** was up 0.8 percentage points at 22%.

- The higher **volumes** added 15% to EBITDA, reflecting growth across all business segments, including the kick-in of the supply contract for the new HPPO plant at the start of the year.
- **Fixed costs** went up, lowering the EBITDA by (7.3)%. Although operational excellence and synergy benefits largely compensated for inflation, volume increase and new capacities expanded the cost base.
- **Net pricing** was positive, adding 1.7% to EBITDA. Higher pricing and operational excellence delivery throughout the segments, compensated for higher raw material and energy costs.
- The **foreign exchange** impact on conversion was 1.5%, which is explained by the appreciation of the US dollar and to a lesser extent the Brazilian real.
- **Other elements** added €48 million to EBITDA and consist mainly of a €38 million one-time synergy benefit on post-retirement obligations in the former Cytec businesses and the net impact from the sale of small surplus assets.

Underlying EBIT grew 21% to €949 million, and included underlying amortization and depreciation charges of €(372) million, which were slightly higher following the start-up of new capacities.

Underlying net financial charges^[1] were €(208) million, 14% lower year on year. Net cost of borrowings fell as gross debt was reduced mid-2016, and as discounting costs on pensions dropped thanks to lower discount rates.

Underlying income taxes were €(185) million, benefiting from a lower underlying tax rate of 26%, linked to the geographical mix of earnings.

Discontinued operations added €37 million to profit on an underlying basis. They included the contribution of both the Asian PVC activity Vinythai and of the acetate tow business, Acetow, until the divestment of these businesses was completed end of February and end of May respectively.

Free cash flow from continuing operations doubled to €245 million from the same period in 2016, thanks to the rise in EBITDA, lower capex and maintained working capital discipline. Including the €11 million contribution from discontinued operations, total free cash flow was €257 million.

▪ **Capex** from continuing operations was €(351) million, €64 million lower than in 2016, in line with the planned reduction in capex intensity. Combined with higher underlying EBITDA, cash conversion thereby rose to 73%, from 64% in 2016.

▪ **Working capital** outflow from continuing operations was €(378) million, of which €(308) million in industrial working capital needs. The average working capital to sales ratio over the first half thereby came at 13.5%.

Underlying net debt reduced to €(5,740) million from €(6,556) million at the start of the year, an improvement of €817 million. As a result, the underlying leverage ratio was 2.3x, down from 2.6x on an adjusted basis at the start of the year.

▪ The net debt reduction resulting from **acquisitions and divestments** was €964 million and consisted mainly of the net proceeds on the sale of the discontinued Vinythai and Acetow activities, as well as the formulated resins and cross-linkable compounds product lines. These were netted with post-closing payments on the Indupa and Inovyn divestments, which took place in 2016, and the Cytec and Chemlogics acquisitions dating from 2015 and 2013 respectively.

▪ **Financing payments** were €(15) million more than in 2016 to €(220) million, due to a higher coupon pay-out on the hybrid bond of €(84) million. In 2016 part of these only required the pay-out of half the coupon. Net interest payments on other financial debt were slightly lower, however, at €(136) million, as gross debt was reduced mid-2016.

▪ **Dividend** payments were €(360) million, of which €(357) million to Solvay shareholders.

▪ **Other changes** had a positive impact on net debt of €145 million, which resulted mainly from the devaluation of the US dollar-denominated debt, following the currency's depreciation over the period.

Net debt on an IFRS basis was €(3,540) million at the end of the period and excluded 100% of the €(2,200) million hybrid perpetual bonds considered as equity under IFRS.

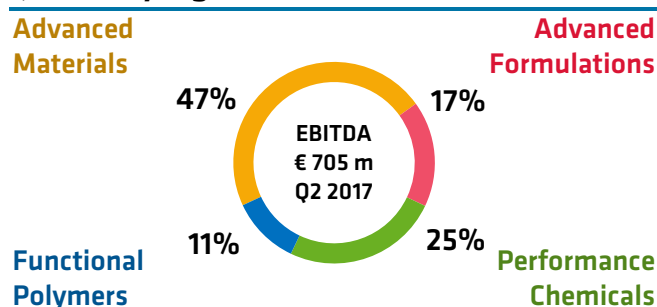
[1] Underlying net financial charges include the coupons on perpetual hybrid bonds, which are accounted as dividends under IFRS, and thereby excluded from the P&L, as well as the financial charges and realized foreign exchange losses in the RusVinyl joint venture, which under IFRS are part of the earnings from associates & joint ventures and thereby included in the IFRS EBITDA.

[2] 2016 net working capital ratios are on a non-restated basis.

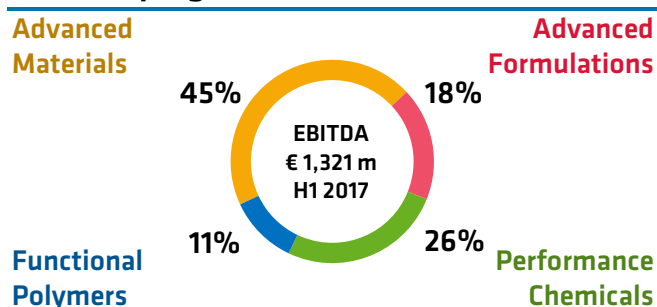
SEGMENT REVIEW

SECOND QUARTER & FIRST HALF 2017 UNDERLYING RESULTS

Q2 2017 by segment ^[1]



H1 2017 by segment ^[1]



Segment review

Underlying

(in € million)	Q2 2017	Q2 2016	% yoy	H1 2017	H1 2016	% yoy
Net sales	3,022	2,714	11%	5,990	5,420	11%
Advanced Materials	1,144	1,082	5.7%	2,270	2,164	4.9%
Advanced Formulations	757	650	16%	1,498	1,312	14%
Performance Chemicals	666	619	7.5%	1,333	1,216	9.7%
Functional Polymers	449	362	24%	879	723	22%
Corporate & Business Services	7	1	n.m.	10	5	n.m.
EBITDA	705	599	18%	1,321	1,150	15%
Advanced Materials	356	293	22%	648	560	16%
Advanced Formulations	130	124	5.2%	257	246	4.6%
Performance Chemicals	190	188	1.0%	374	353	6.0%
Functional Polymers	82	52	57%	153	105	45%
Corporate & Business Services	(53)	(58)	9.0%	(111)	(114)	2.8%
EBIT	519	415	25%	949	786	21%
Advanced Materials	285	222	28%	508	422	20%
Advanced Formulations	95	85	12%	186	169	9.8%
Performance Chemicals	147	149	(1.4)%	287	276	4.2%
Functional Polymers	61	32	n.m.	111	66	69%
Corporate & Business Services	(70)	(73)	4.9%	(144)	(147)	2.0%

CORPORATE & BUSINESS SERVICES

Q2 2017 underlying EBITDA costs were €(53) million, a 9% improvement versus 2016, thanks to improved contribution from **Energy Services**. The EBITDA of this unit was €3 million, turning positive again compared to €(2) million in 2016, as in the first quarter, mainly as a result of restructuring benefits in its renewable energy projects. Business conditions for energy and carbon management services were largely stable. Costs in **Other Corporate & Business Services** were €(56) million as in 2016, whereby fixed cost inflation was offset by operational excellence and synergy benefits.

H1 2017 underlying EBITDA costs were €(111) million, 3% lower than in 2016. **Energy Services'** EBITDA was €7 million, compared to €(4) million in 2016. While business conditions for energy and carbon management services were largely stable, the business unit benefited from the restructuring of renewable energy projects it implemented in 2016. Costs in **Other Corporate & Business Services** were €(118) million, €(8) million higher than in 2016, largely linked to phasing effects in the first quarter.

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

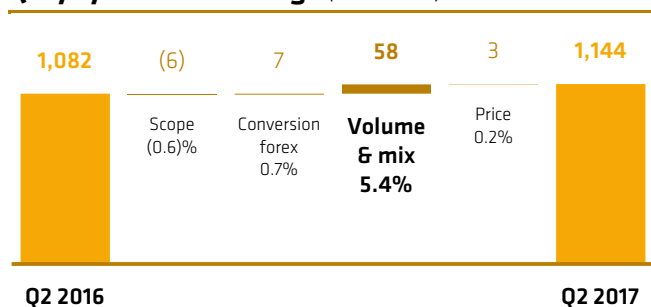
ADVANCED MATERIALS

- Q2 underlying EBITDA up 22% driven by volume growth
- Strong demand for high-performance polymers to make cars more energy-efficient and stronger recovery in smart devices
- Composites sales to aeronautics up year on year
- One-time synergy benefit of €31 million

Key figures

(in € million)	Underlying					
	Q2 2017	Q2 2016	% yoy	H1 2017	H1 2016	% yoy
Net sales	1,144	1,082	5.7%	2,270	2,164	4.9%
Specialty Polymers	527	475	11%	1,040	944	10%
Composite Materials	283	277	2.1%	556	559	(0.5)%
Special Chem	219	214	2.2%	444	432	2.7%
Silica	114	115	(0.9)%	229	229	0.3%
EBITDA	356	293	22%	648	560	16%
<i>EBITDA margin</i>	<i>31%</i>	<i>27%</i>	<i>4.1pp</i>	<i>29%</i>	<i>26%</i>	<i>2.7pp</i>

Q2 yoy net sales bridge (in €million)

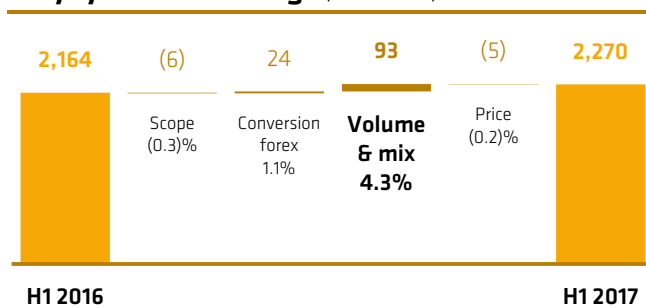


Q2 2017 performance

Net sales totaled €1,144 million, 6% higher, driven by volume growth in **Specialty Polymers**. Volume growth across Solvay's broad end-markets pushed net sales up 11%. Demand for high-performance polymers that make car engines more energy-efficient remained strong, and the recovery of the smart device market strengthened. **Composite Materials** sales growth was positive for the first time since 2015, driven by the production ramp-up of the F-35 for military and the LEAP engine used in new single-aisle aircrafts. Industrial composites sales were down year on year. **Special Chem** sales were slightly up underpinned by price increases and continued robust demand in the electronics sector. **Silica** sales were stable with demand from the energy-efficient tire market in line with last year.

Underlying EBITDA grew 22% to €356 million, boosted by volume growth, mix effects and a €31 million one-time synergy benefit on post-retirement obligations in the former Cytec businesses. Operational excellence throughout the segment, more than offset the impact of higher raw material costs, and partly compensated for the higher fixed cost base stemming from inflation and a growing production base. The underlying **EBITDA margin** was significantly up by 4.1 percentage points to a record 31%.

H1 yoy net sales bridge (in €million)



H1 2017 performance

Net sales were €2,270 million, an increase of 5%, reflecting a 4% volume growth and supportive foreign exchange effects of 1%. In **Specialty Polymers**, volume growth drove net sales up 10%, chiefly underpinned by increased demand from the automotive sector, as well as by growth from batteries for the developing electric vehicle market. Sales to the smart device market recovered from inventory destocking a year ago. **Composite Materials** sales were stable over the half-year. The business began to benefit from F-35 production rate increases, which drove growth in the military sector but were moderated by declines in rotorcraft and business jets. Demand for single-aisle aircraft is growing and started to offset the declining wide-body volumes in the period. **Special Chem** sales were up 3% as a result of price increases, while demand in the automotive catalyst and electronics sectors remained robust. In **Silica** strong volume growth to the energy-efficient tire market in Europe and Asia was partially offset by negative price developments, resulting in stable sales.

Underlying EBITDA grew 16% to €648 million, driven by volume growth and a €31 million one-time synergy benefit. Operational excellence across the segment offset the impact of lower prices and higher raw material costs, and, combined with synergy delivery in Composite Materials, partly compensated for the higher fixed cost base. The underlying **EBITDA margin** increased 2.7 percentage points to 29%.

ADVANCED FORMULATIONS

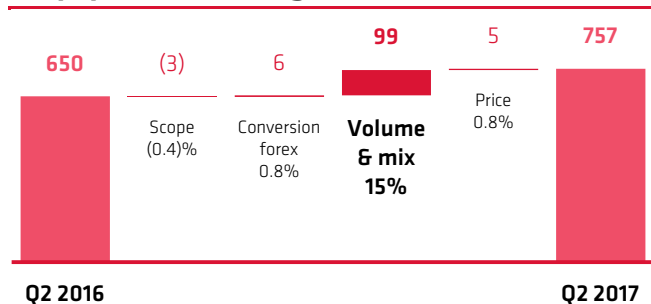
- Q2 underlying EBITDA up 5% based on volume growth
- Recovery in the North American oil & gas market led to volume growth
- Higher raw material and fixed costs weighed on result

Key figures

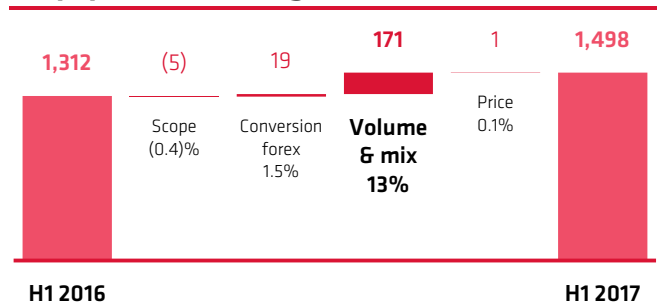
(in € million)

	Underlying					
	Q2 2017	Q2 2016	% yoy	H1 2017	H1 2016	% yoy
Net sales	757	650	16%	1,498	1,312	14%
Novocare	496	400	24%	982	821	20%
Technology Solutions	165	165	0.1%	327	323	1.2%
Aroma Performance	96	85	13%	189	167	13%
EBITDA	130	124	5.2%	257	246	4.6%
EBITDA margin	17%	19%	(1.8)pp	17%	19%	(1.6)pp

Q2 yoy net sales bridge (in €million)



H1 yoy net sales bridge (in €million)



Q2 2017 performance

Net sales grew 16% to €757 million, with volumes contributing 15%. **Novocare** benefited from strong recovery in the North American oil & gas industry in recent quarters, driving sales up 24% from the trough in the second quarter last year. Growth in agricultural applications continued. Sales in **Technology Solutions** were flat in the quarter, with prior production issues at some customers' mines still impacting demand. **Aroma Performance** sales grew 13% thanks to strong volume growth in aroma ingredients, albeit in a lower price environment.

Underlying EBITDA was up 5%, reaching €130 million in the quarter. The one-time synergy benefit on post-retirement obligations in the former Cytec businesses added €7 million. Higher raw material and fixed costs were partly offset by operational excellence initiatives. The underlying **EBITDA margin** decreased by (1.8) percentage points to 17%.

H1 2017 performance

Net sales rose 14% to €1,498 million, thanks to volume growth of 13%. The foreign exchange effect was supportive, adding 1%. The recovery in **Novocare** delivered 20% growth in sales. Volumes were up, driven by innovation in agro and by the rise in activity levels of the North American oil & gas market. Sales in **Technology Solutions** were up slightly by 1%. Mining sales were stable overall, despite production issues at customers' copper mines, while demand rose for polymer additives and phosphorous derivatives. **Aroma Performance** sales grew 13%, with the new vanillin plant in China ramping up, while competitive price pressure continued.

Underlying EBITDA increased by 5% to €257 million year to date. The positive impact of higher volumes was offset by higher raw material and fixed costs, despite operational excellence delivery. EBITDA also benefitted from the one-time synergy benefit on post-retirement obligations in the former Cytec businesses, which added €7 million. The higher raw material costs decreased the underlying **EBITDA margin** by (1.6) percentage points to 17%.

PERFORMANCE CHEMICALS

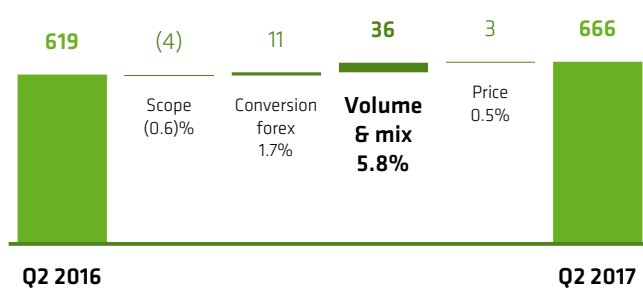
- Q2 underlying EBITDA largely stable
- New HPPPO plant contract offset one-time asset optimization in 2016
- Operational excellence offset higher variable and fixed costs

Key figures

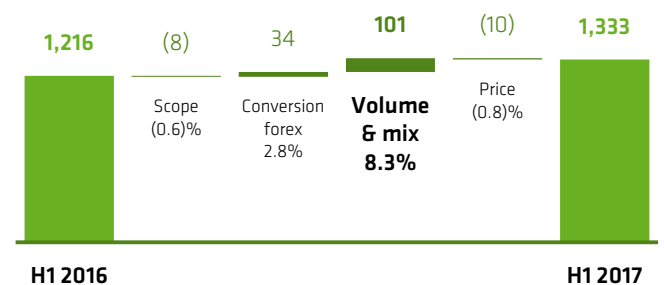
(in € million)

	Underlying					
	Q2 2017	Q2 2016	% yoy	H1 2017	H1 2016	% yoy
Net sales ^[1]	666	619	7.5%	1,333	1,216	9.7%
Soda Ash & Derivatives	412	397	3.8%	827	772	7.2%
Peroxides	151	135	12%	302	272	11%
Coatis	103	85	21%	204	167	22%
EBITDA	190	188	1.0%	374	353	6.0%
<i>EBITDA margin</i>	<i>29%</i>	<i>30%</i>	<i>(1.8)pp</i>	<i>28%</i>	<i>29%</i>	<i>(1.0)pp</i>

Q2 yoy net sales bridge (in €million)



H1 yoy net sales bridge (in €million)



Q2 2017 performance

Net sales reached €666 million, in line with the first quarter, representing a 7% increase year on year, carried by 6% higher volumes and a 2% positive foreign exchange effects. **Soda Ash & Derivatives** sales grew 4% mainly due to increased volume to the seaborne market, despite slightly lower prices. Sales of bicarbonate also grew compared to the second quarter of 2016, when the new plant in Thailand had not fully ramped up yet. **Peroxides** sales were up 12%, reflecting the supply contract for the new HPPPO plant in Saudi Arabia. **Coatis** sales were up 21% thanks to higher prices on certain products and the conversion impact of the higher Brazilian real. Volumes were flat, as the weaker domestic Latin American market was offset by more exports.

Underlying EBITDA rose a modest 1%, to €190 million. The volume increase effect was offset by the €11 million one-time gain realized in 2016, owing to an asset optimization initiative at that time. A relentless focus on cost optimization through operational excellence initiatives offset higher energy and raw material costs, as well as higher fixed costs resulting from the enlarged footprint in Peroxides. The underlying **EBITDA margin** decreased (1.8) percentage points to 29%.

H1 2017 performance

Net sales grew 10% to €1,333 million on 8% higher volumes across business units. Foreign exchange further supported sales growth by 3%. In **Soda Ash & Derivatives**, sales increased by 7% thanks to higher volumes for the seaborne market. Prices were down slightly. Bicarbonate sales grew by double digits in specialty applications, supported by the new plant in Thailand. **Peroxides** sales were up 11%, as the supply contract for the new HPPPO plant in Saudi Arabia took effect at the start of the year. **Coatis** sales went up 22%, thanks to the appreciation of the Brazilian real and modest volume growth, and despite the difficult conditions on the domestic Latin American market.

Underlying EBITDA rose 6%, to €374 million, reflective of the volume growth and to a lesser extent the foreign exchange impact. Operational excellence initiatives made it possible to offset most of the increased raw material and energy costs, and part of the higher fixed costs that resulted from the increased footprint in Peroxides. The €11 million one-time gain realized in 2016 also skewed the comparison. The underlying **EBITDA margin** was (1.0) percentage points lower at 28%.

[1] Following the discontinuation of Acetow, some residual business was still reported under Performance Chemicals' net sales in Q2 2016 for €2 million and in H1 2016 for €5 million. There was no material contribution to EBITDA.

FUNCTIONAL POLYMERS

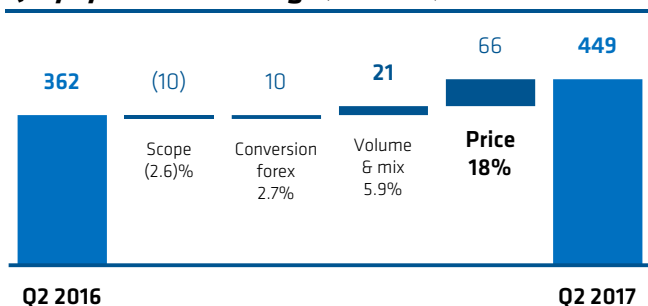
- Q2 underlying EBITDA up 57%
- Solid positive net pricing based on strong demand dynamics
- Volume growth in automotive applications continued

Key figures

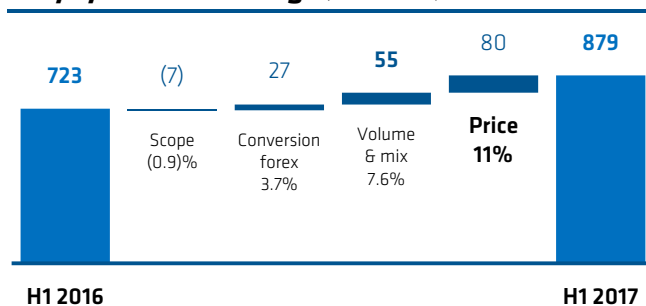
Underlying

(in € million)	Q2 2017	Q2 2016	% yoy	H1 2017	H1 2016	% yoy
Net sales	449	362	24%	879	723	22%
Polyamide	449	351	28%	879	702	25%
Chlorovinyls ^[1]	-	11	n.m.	-	21	n.m.
EBITDA	82	52	57%	153	105	45%
EBITDA margin	18%	14%	3.8pp	17%	15%	2.8pp

Q2 yoy net sales bridge (in €million)



H1 yoy net sales bridge (in €million)



Q2 2017 performance

Net sales rose 24% to €449 million, benefiting from 18% overall higher prices and a 6% increase in volumes. The 3% positive foreign exchange effect compensated for negative scope. **Polyamide** sales grew 28%, largely linked to price increases triggered by higher raw material prices and sustained strong demand in automotive. Volumes were also up both for polyamide 6.6 intermediates and polymers and for engineering plastics, running at maximum capacity utilization and compared to a softer quarter in 2016, which was affected by planned and unplanned production stops. In **Chlorovinyls** the PVC joint venture Rusvinyl, continued to operate at the high level already reached in 2016. The (3)% decrease in scope is linked to the planned termination of some remaining trading contracts with Inovyn.

Underlying EBITDA was €82 million, up 57%, reflecting the volume increase and especially strong net pricing. The underlying **EBITDA margin** widened 3.8 percentage points to 18%.

H1 2017 performance

Net sales grew 22% to €879 million as a result of 11% higher prices and 8% higher volumes, supplemented by a supportive foreign exchange environment, which added 4%. **Polyamide** sales grew 25%, with volumes up for PA6.6 intermediates and polymers, as well as for engineering plastics, mainly driven by increased demand in automotive in Europe and Asia. Higher average prices reflect the pass-through of higher raw material costs to customers in the upstream polyamide 6.6 intermediates and polymers part of the business. In **Chlorovinyls**, production rates in the PVC joint venture Rusvinyl remained at a high level, and business conditions in the Russian home market were stable.

Underlying EBITDA was €153 million, up 45%. This reflected volume and price increases, which benefited from the strong demand dynamics in the upstream polyamide 6.6 market, leading to positive net pricing. The underlying **EBITDA margin** further improved compared to the same period in 2016, up 2.8 percentage points to 17%.

[1] Following the discontinuation of Vinythai, the only businesses reporting net sales in Chlorovinyls are residual trading and research activities in PVC, following the discontinuation of the European, Latin American and Asian chlorovinyl activities. These residual activities had no material impact on EBITDA, but it includes the net contribution from the RusVinyl joint venture, the Russian PVC activity, adjusted for financial charges.

SUPPLEMENTARY INFORMATION

Reconciliation of alternative performance metrics

Solvay uses alternative performance metrics to measure its financial performance, which can be found below. Unless otherwise stated, 2016 data are presented on a restated basis, after discontinuation of Acetow and Vinythai. 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			
		Q2 2017	Q2 2016	H1 2017	H1 2016
Profit for the period before taxes	a	423	298	741	544
Earnings from associates & joint ventures	b	20	20	37	33
Interests and realized foreign exchange gains (losses) on the RusVinyl joint venture	c	(4)	(5)	(12)	(12)
Income taxes	d	(110)	(87)	(185)	(160)
Tax rate	e = -d/(a-b-c)	27%	31%	26%	30%

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

Free cash flow

(in € million)		Q2 2017	Q2 2016	H1 2017	H1 2016
Cash flow from operating activities	a	265	356	550	605
of which cash flow related to acquisition of subsidiaries, excluded from free cash flow	b	-	(5)	(23)	16
Cash flow from investing activities	c	585	(173)	574	(422)
Acquisition (-) of subsidiaries	d	(2)	23	(25)	20
Acquisition (-) of investments - Other	e	(4)	1	(10)	(1)
Loans to associates and non-consolidated companies	f	(7)	(6)	(12)	(33)
Sale (+) of subsidiaries and investments	g	772	(4)	950	(2)
Income taxes paid on sale of investments	h	-	-	(14)	-
Free cash flow	i = a-b+c-d-e-f-g-h	92	174	257	183
Free cash flow from discontinued operations	j	7	38	11	61
Free cash flow from continuing operations	k = i-j	85	136	245	123

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

Capital expenditure (capex)

(in € million)		Q2 2017	Q2 2016	H1 2017	H1 2016
Acquisition (-) of tangible assets	a	(146)	(24)	(308)	(45)
Acquisition (-) of intangible assets	b	(30)	(195)	(54)	(392)
Capex	c = a+b	(177)	(218)	(361)	(437)
Capex flow from discontinued operations	d	(2)	(10)	(11)	(23)
Capex from continuing operations	e = c-d	(174)	(208)	(351)	(413)

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

Cash conversion

(in € million)

		Q2 2017	Q2 2016	H1 2017	H1 2016
Capex from continuing operations	a	(174)	(208)	(351)	(413)
Underlying EBITDA	b	705	599	1,321	1,150
Cash conversion	$c = (a+b)/b$	75%	65%	73%	64%

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)

		2017		2016
		June 30	March 31	December 31
Inventories	a	1,732	1,747	1,672
Trade receivables	b	1,719	1,781	1,621
Other current receivables	c	671	705	736
Trade payables	d	(1,475)	(1,563)	(1,547)
Other current liabilities	e	(804)	(1,078)	(1,085)
Net working capital	$f = a+b+c+d+e$	1,843	1,592	1,396
Sales	g	3,188	3,159	2,933
Annualized quarterly total sales	$h = 4 * g$	12,753	12,638	11,731
Net working capital / sales	$i = f / h$	14.5%	12.6%	11.9%
Year average	$j = \mu(Q1, Q2, Q3, Q4)$	13.5%		15.3%

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

Net debt

(in € million)

		2017		2016
		June 30	March 31	December 31
Non-current financial debt	a	(3,512)	(4,039)	(4,087)
Current financial debt	b	(1,820)	(1,322)	(1,338)
Gross debt	$c = a+b$	(5,332)	(5,361)	(5,426)
Other financial instrument receivables	d	637	99	101
Cash & cash equivalents	e	1,156	1,094	969
Total cash and cash equivalents	$f = d+e$	1,792	1,193	1,070
IFRS net debt	$g = c+f$	(3,540)	(4,168)	(4,356)
Perpetual hybrid bonds	h	(2,200)	(2,200)	(2,200)
Underlying net debt	$i = g+h$	(5,740)	(6,368)	(6,556)
Underlying EBITDA (last 12 months)	j	2,455	2,349	2,284
Adjustment for discontinued operations ^[1]	k	-	158	235
Adjusted underlying EBITDA for leverage calculation ^[1]	$l = j+k$	2,455	2,506	2,519
Underlying leverage ratio^[1]	$m = -i/l$	2.3	2.5	2.6

[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 for the purpose of calculating the leverage ratio. For March 2017 the underlying EBITDA of Acetow was added; for December 2016 the underlying EBITDA of Acetow and Vinythai was added.

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

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.

Q2 consolidated income statement <i>(in € million)</i>	Q2 2017			Q2 2016		
	IFRS	Adjustments	Underlying	IFRS	Adjustments	Underlying
Sales	3,188	-	3,188	2,820	-	2,820
of which revenues from non-core activities	166	-	166	106	-	106
of which net sales	3,022	-	3,022	2,714	-	2,714
Cost of goods sold	(2,284)	-	(2,283)	(2,016)	-	(2,016)
Gross margin	904	-	905	804	-	804
Commercial & administrative costs	(395)	11	(384)	(370)	13	(357)
Research & development costs	(77)	1	(76)	(76)	1	(75)
Other operating gains & losses	(2)	57	55	(32)	55	23
Earnings from associates & joint ventures	-	20	20	26	(5)	20
Result from portfolio management & reassessments	(67)	67	-	(7)	7	-
Result from legacy remediation & major litigations	(24)	24	-	(15)	15	-
EBITDA	615	90	705	588	11	599
Depreciation, amortization & impairments	(276)	90	(186)	(258)	74	(184)
EBIT	339	180	519	330	84	415
Net financial charges	(70)	(26)	(96)	(84)	(34)	(117)
Net cost of borrowings	(49)	6	(42)	(57)	-	(57)
Coupons on perpetual hybrid bonds	-	(28)	(28)	-	(28)	(28)
Interests and realized foreign exchange gains (losses) on the RusVinyl joint venture	-	(4)	(4)	-	(5)	(5)
Cost of discounting provisions	(22)	-	(22)	(28)	-	(28)
Result from available-for-sale financial assets	-	-	-	1	(1)	-
Profit for the period before taxes	269	154	423	247	51	298
Income taxes	(64)	(46)	(110)	(68)	(18)	(87)
Profit for the period from continuing operations	205	108	313	178	32	211
Profit for the period from discontinued operations	184	(176)	7	20	9	29
Profit for the period	389	(68)	321	198	41	240
attributable to Solvay share	378	(70)	309	185	39	223
attributable to non-controlling interests	10	2	12	14	2	16
Basic earnings per share (in €)	3.66		2.99	1.79		2.16
of which from continuing operations	1.88		2.92	1.58		1.90
Diluted earnings per share (in €)	3.64		2.97	1.78		2.16
of which from continuing operations	1.87		2.90	1.58		1.90

EBITDA on an IFRS basis totaled €615 million versus €705 million on an underlying basis. The difference of €90 million is explained by the following adjustments to IFRS results, in order to improve the comparability of underlying results:

- €1 m for legacy acquisition costs, in this case the Chemlogics retention premiums, which are adjusted in "*Commercial & administrative costs*".
- €20 million in "*Earnings from associates & joint ventures*" for Solvay's share in the foreign exchange losses on the euro-denominated debt of the RusVinyl joint venture, following the devaluation of the Russian ruble in the quarter, as well as the financial charges of the joint venture. These elements are reclassified in "*Net financial charges*".
- €45 million to adjust for the "*Result from portfolio management and reassessments*", excluding depreciation, amortization and impairment elements. This result comprises €(15) million of restructuring costs and the €(72) million impact from the deconsolidation of the Venezuelan silica plant, of which €(60) million came from the recycling through the P&L of currency translation adjustments. These impacts were mitigated by €42 million net capital gains on multiple smaller divestments.
- €24 million to adjust for the "*Result from legacy remediation and major litigations*".

EBIT on an IFRS basis totaled €339 million versus €519 million on an underlying basis. The difference of €180 million is explained by the above-mentioned €90 million adjustments at the EBITDA level and €90 million of "*Depreciation, amortization & impairments*". The latter consist of:

- €68 million for the non-cash impact of purchase price allocation (PPA), consisting of amortization charges on intangible assets, which are adjusted in "*Commercial & administrative costs*" for €10 million, in "*Research & development costs*" for €1 million and in "*Other operating gains & losses*" for €57 million.
- €22 million 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 an energy intangible asset.

Net financial charges on an IFRS basis were €(70) million versus €(96) million on an underlying basis. The €(26) million adjustment made to IFRS net financial charges consists of:

- €6 million on net cost of borrowings related to a one-time net debt management cost
- €(28) million reclassification of coupons on perpetual hybrid bonds, which are treated as dividends under IFRS, and as financial charges in underlying results.
- €(4) million reclassification of financial charges and realized foreign exchange result on the euro-denominated debt of RusVinyl as net financial charges. The €(16) million delta with the adjustment made to EBITDA is attributed to unrealized foreign exchange losses.

Income taxes on an IFRS basis were €(64) million versus €(110) million on an underlying basis. The €(46) million adjustment consists of:

- €(35) million for the tax impacts of the adjustments made to the underlying result before taxes (as described above).
- €(11) million for tax elements related to prior periods.

Discontinued operations generated a profit of €184 million on an IFRS basis and €7 million on an underlying basis. The €(176) million adjustment made to the IFRS profit adjusts mainly for:

- €180 million capital gain on the divestment of Acetow.
- €(4) million price adjustments on prior divestments.

Profit attributable to Solvay share on an IFRS basis was €378 million after subtracting the €10 million profit attributable to non-controlling interests. On an underlying basis the profit attributable to non-controlling interests represented €12 million, after a €2 million adjustment for the part of the above adjustments attributable to non-controlling interests. This resulted in an underlying profit attributable to Solvay share of €309 million.

H1 consolidated income statement

H1 2017

H1 2016

(in € million)	H1 2017			H1 2016		
	IFRS	Adjustments	Underlying	IFRS	Adjustments	Underlying
Sales	6,348	-	6,348	5,647	-	5,647
of which revenues from non-core activities	357	-	357	227	-	227
of which net sales	5,990	-	5,990	5,420	-	5,420
Cost of goods sold	(4,588)	1	(4,587)	(4,128)	82	(4,046)
Gross margin	1,759	1	1,760	1,519	82	1,601
Commercial & administrative costs	(774)	22	(752)	(727)	27	(700)
Research & development costs	(153)	1	(151)	(153)	1	(152)
Other operating gains & losses	(60)	115	55	(111)	115	4
Earnings from associates & joint ventures	21	15	37	42	(9)	33
Result from portfolio management & reassessments	(83)	83	-	(142)	142	-
Result from legacy remediation & major litigations	(36)	36	-	(26)	26	-
EBITDA	1,205	116	1,321	1,030	120	1,150
Depreciation, amortization & impairments	(528)	156	(372)	(628)	264	(364)
EBIT	677	272	949	402	383	786
Net financial charges	(151)	(57)	(208)	(176)	(65)	(242)
Net cost of borrowings	(103)	6	(96)	(119)	-	(119)
Coupons on perpetual hybrid bonds		(56)	(56)	-	(56)	(56)
Interests and realized foreign exchange gains (losses) on the RusVinyl joint venture		(12)	(12)	-	(12)	(12)
Cost of discounting provisions	(48)	5	(44)	(59)	4	(55)
Result from available-for-sale financial assets	-	-	-	1	(1)	-
Profit for the period before taxes	525	216	741	226	318	544
Income taxes	(106)	(80)	(185)	(62)	(98)	(160)
Profit for the period from continuing operations	420	136	556	164	220	385
Profit for the period from discontinued operations	220	(183)	37	51	6	57
Profit for the period	640	(47)	593	215	226	441
attributable to Solvay share	613	(49)	565	200	215	415
attributable to non-controlling interests	26	2	28	15	11	26
Basic earnings per share (in €)	5.94		5.47	1.93		4.02
of which from continuing operations	3.85		5.15	1.42		3.51
Diluted earnings per share (in €)	5.90		5.43	1.93		4.01
of which from continuing operations	3.82		5.12	1.41		3.50

EBITDA on an IFRS basis totaled €1,205 million versus €1,321 million on an underlying basis. The difference of €116 million is explained by the following adjustments to IFRS results, in order to improve the comparability of underlying results:

- €1 m for legacy acquisition costs, in this case the Chemlogics retention premiums, which are adjusted in "*Commercial & administrative costs*".
- €15 million in "*Earnings from associates & joint ventures*" for Solvay's share in the foreign exchange losses on the euro-denominated debt of the RusVinyl joint venture, following the devaluation of the Russian ruble in the quarter, as well as the financial charges of the joint venture. These elements are reclassified in "*Net financial charges*".
- €65 million to adjust for the "*Result from portfolio management and reassessments*", excluding depreciation, amortization and impairment elements. This result comprises €(28) million of restructuring costs and the €(72) million impact from the deconsolidation of the Venezuelan silica plant, of which €(60) million came from the recycling through the P&L of currency translation adjustments. These impacts were mitigated by €35 million net capital gains on multiple smaller divestments.
- €36 million to adjust for the "*Result from legacy remediation and major litigations*".

EBIT on an IFRS basis totaled €677 million versus €949 million on an underlying basis. The difference of €272 million is explained by the above-mentioned €116 million adjustments at the EBITDA level and €156 million of "*Depreciation, amortization & impairments*". The latter consist of:

- €138 million for the non-cash impact of purchase price allocation (PPA), consisting of amortization charges on intangible assets, which are adjusted in "*Cost of goods sold*" for €1 million, "*Commercial & administrative costs*" for €21 million, in "*Research & development costs*" for €1 million and in "*Other operating gains & losses*" for €115 million.
- €18 million 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 an energy management intangible asset. This is much lower than in the first half of 2016 when large impairments on the soda ash plant in Egypt and some renewable energy assets brought the figure above €(100) million.

Net financial charges on an IFRS basis were €(151) million versus €(208) million on an underlying basis. The €(57) million adjustment made to IFRS net financial charges consists of:

- €6 million on net cost of borrowings related to a one-time net debt management cost
- €(56) million reclassification of coupons on perpetual hybrid bonds, which are treated as dividends under IFRS, and as financial charges in underlying results.
- €(12) million reclassification of financial charges and realized foreign exchange result on the euro-denominated debt of RusVinyl as net financial charges. The €(3) million delta with the adjustment made to EBITDA is attributed to unrealized foreign exchange losses.
- €5 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 €(106) million versus €(185) million on an underlying basis. The €(80) million adjustment consists of:

- €(69) million for the tax impacts of the adjustments made to the underlying result before taxes (as described above).
- €(11) million for tax elements related to prior periods.

Discontinued operations generated a profit of €220 million on an IFRS basis and €37 million on an underlying basis. The €(183) million adjustment made to the IFRS profit adjusts mainly for:

- €204 million capital gain on the divestment of Acetow and Vinythai.
- €(21) million price adjustments on prior divestments.

Profit attributable to Solvay share on an IFRS basis was €613 million after subtracting the €26 million profit attributable to non-controlling interests. On an underlying basis the profit attributable to non-controlling interests represented €28 million, after a €2 million adjustment for the part of the above adjustments attributable to non-controlling interests. This resulted in an underlying profit attributable to Solvay share of €565 million.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (REVIEWED ^[1])

Consolidated income statement

	IFRS			
(in € million)	Q2 2017	Q2 2016	H1 2017	H1 2016
Sales	3,188	2,820	6,348	5,647
of which revenues from non-core activities	166	106	357	227
of which net sales	3,022	2,714	5,990	5,420
Cost of goods sold	(2,284)	(2,016)	(4,588)	(4,128)
Gross margin	904	804	1,759	1,519
Commercial & administrative costs	(395)	(370)	(774)	(727)
Research & development costs	(77)	(76)	(153)	(153)
Other operating gains & losses	(2)	(32)	(60)	(111)
Earnings from associates & joint ventures	-	26	21	42
Result from portfolio management & reassessments	(67)	(7)	(83)	(142)
Result from legacy remediation & major litigations	(24)	(15)	(36)	(26)
EBIT	339	330	677	402
Cost of borrowings	(41)	(49)	(84)	(101)
Interest on lendings & deposits	3	3	8	6
Other gains & losses on net indebtedness	(11)	(12)	(27)	(24)
Cost of discounting provisions	(22)	(28)	(48)	(59)
Result from available-for-sale financial assets	-	1	-	1
Profit for the period before taxes	269	247	525	226
Income taxes	(64)	(68)	(106)	(62)
Profit for the period from continuing operations	205	178	420	164
Profit for the period from discontinued operations	184	20	220	51
Profit for the period	389	198	640	215
attributable to Solvay share	378	185	613	200
attributable to non-controlling interests	10	14	26	15
Average number of share for EPS calculation (basic)	103,343,444	103,376,611	103,290,107	103,456,839
Average number of share for EPS calculation (diluted)	104,089,449	103,542,916	103,981,906	103,587,277
Basic earnings per share (in €)	3.66	1.79	5.94	1.93
of which from continuing operations	1.88	1.58	3.85	1.42
Diluted earnings per share (in €)	3.64	1.78	5.90	1.93
of which from continuing operations	1.87	1.58	3.82	1.41

Consolidated statement of comprehensive income

	IFRS			
(in € million)	Q2 2017	Q2 2016	H1 2017	H1 2016
Profit for the period	389	198	640	215
Other comprehensive income, net of related tax effects	(434)	19	(339)	(376)
Recyclable components	(463)	218	(481)	(56)
Gains and losses on available-for-sale financial assets	(3)	3	(2)	9
Gains and losses on hedging instruments in a cash flow hedge	21	-	13	6
Currency translation differences from subsidiaries & joint operations	(438)	195	(469)	(93)
Currency translation differences from associates & joint ventures	(44)	20	(23)	21
Non-recyclable components	36	(222)	174	(341)
Remeasurement of the net defined benefit liability ^[2]	36	(222)	174	(341)
Income tax relating to components of other comprehensive income	(6)	22	(32)	21
Total comprehensive income	(45)	217	301	(161)
attributed to Solvay share	(48)	198	307	(176)
attributed to non-controlling interests	3	19	(6)	15

[2] The remeasurement of the net defined benefit liability of €174 million in H1 2017 mainly related to the increase of discount rates.

[1] Review of H1 figures only.

Consolidated statement of cash flows

IFRS

(in € million)	Q2 2017	Q2 2016	H1 2017	H1 2016
Profit for the period	389	198	640	215
Adjustments to profit for the period	235	363	575	868
Depreciation, amortization & impairments (-)	292	267	546	674
Earnings from associates & joint ventures (-)	-	(26)	(21)	(42)
Net financial charges & result from available-for-sale financial assets (-)	71	93	153	196
Income tax expenses (-)	70	73	116	81
Other non-operating and non-cash items ^[1]	(198)	(43)	(219)	(41)
Changes in working capital	(216)	(79)	(410)	(325)
Changes in provisions	(60)	(44)	(117)	(52)
Dividends received from associates & joint ventures	5	6	10	13
Income taxes paid (excluding income taxes paid on sale of investments)	(88)	(88)	(148)	(113)
Cash flow from operating activities	265	356	550	605
of which cash flow related to acquisition of subsidiaries, excluded from free cash flow	-	(5)	(23)	16
Acquisition (-) of subsidiaries	(2)	23	(25)	20
Acquisition (-) of investments - Other	(4)	1	(10)	(1)
Loans to associates and non-consolidated companies	(7)	(6)	(12)	(33)
Sale (+) of subsidiaries and investments	772	(4)	950	(2)
Income taxes paid on sale of investments	-	-	(14)	-
Acquisition (-) of tangible and intangible assets (capex)	(177)	(218)	(361)	(437)
of which tangible assets	(146)	(195)	(308)	(392)
of which intangible assets	(30)	(24)	(54)	(45)
Sale (+) of tangible & intangible assets	11	39	63	48
of which cash flow related to the sales of real estate in the context of restructuring, dismantling or remediation	-	27	4	28
Changes in non-current financial assets	(7)	(8)	(17)	(18)
Cash flow from investing activities	585	(173)	574	(422)
Sale (acquisition) of treasury shares	4	(26)	3	(49)
Increase in borrowings	442	424	746	603
Repayment of borrowings	(308)	(745)	(635)	(1,061)
Changes in other current financial assets	(534)	33	(546)	10
Net interests paid	(73)	(108)	(136)	(148)
Coupons paid on perpetual hybrid bonds	(84)	(58)	(84)	(58)
Dividends paid	(224)	(208)	(360)	(349)
of which to Solvay shareholders	(221)	(199)	(357)	(337)
of which to non-controlling interests	(3)	(9)	(3)	(11)
Other	1	(1)	(15)	(20)
Cash flow from financing activities	(775)	(690)	(1,028)	(1,072)
Net change in cash and cash equivalents	74	(507)	96	(888)
Currency translation differences	(13)	24	5	(35)
Opening cash balance	1,094	1,596	1,054	2,037
Closing cash balance	1,156	1,113	1,156	1,113
of which cash in assets held for sale	-	33	-	33

[1] The increase in Q2 2017 is related to the capital gain booked on the Acetow divestment of €180 million and on other M&A deals, partially offset by the €(72) million deconsolidation impact on the Venezuelan plant.

Statement of cash flow from discontinued operations

IFRS

(in € million)	Q2 2017	Q2 2016	H1 2017	H1 2016
Cash flow from operating activities	9	48	21	83
Cash flow from investing activities ^[2]	(2)	(42)	(10)	(54)
Cash flow from financing activities	-	(27)	-	(49)
Net change in cash and cash equivalents	7	(21)	11	(21)

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

Consolidated statement of financial position

IFRS

<i>(in € million)</i>	June 30, 2017	December 31, 2016
Non-current assets	16,581	17,548
Intangible assets	3,267	3,600
Goodwill	5,379	5,679
Tangible assets	6,103	6,472
Available-for-sale financial assets	44	44
Investments in associates & joint ventures	467	497
Other investments	56	55
Deferred tax assets	886	890
Loans & other assets	379	312
Current assets	6,103	6,597
Inventories	1,732	1,672
Trade receivables	1,719	1,621
Income tax receivables	156	166
Dividends receivable	3	2
Other financial instrument receivables	637	101
Other receivables	671	736
Cash & cash equivalents	1,156	969
Assets held for sale	31	1,331
Total assets	22,685	24,145
Total equity	9,837	9,956
Share capital	1,588	1,588
Reserves	8,129	8,118
Non-controlling interests	121	250
Non-current liabilities	8,237	9,188
Provisions for employee benefits	2,854	3,118
Other provisions	808	860
Deferred tax liabilities	834	909
Financial debt	3,512	4,087
Other liabilities	230	214
Current liabilities	4,610	5,001
Other provisions	305	291
Financial debt	1,820	1,338
Trade payables	1,475	1,547
Income tax payables	198	197
Dividends payable	4	139
Other liabilities	804	1,085
Liabilities associated with assets held for sale	4	403
Total equity & liabilities	22,685	24,145

Consolidated statement of changes in equity

(in € million)	Revaluation reserve (fair value)										IFRS	
	Share capital	Share premiums	Treasury shares	Perpetual hybrid bonds	Retained earnings	Currency translation differences	Available-for-sale financial assets	Cash flow hedges	Defined benefit pension plans	Total reserves	Non-controlling interests [1]	Total equity
Balance on December 31, 2015	1,588	1,170	(230)	2,188	5,720	(353)	(2)	(28)	(630)	7,835	245	9,668
Profit for the period	-	-	-	-	200	-	-	-	-	200	15	215
Items of OCI	-	-	-	-	-	(73)	9	(3)	(308)	(376)	-	(376)
Comprehensive income	-	-	-	-	200	(73)	9	(3)	(308)	(176)	15	(161)
Cost of stock options	-	-	-	-	4	-	-	-	-	4	-	4
Dividends	-	-	-	-	(199)	-	-	-	-	(199)	(9)	(208)
Coupons of perpetual hybrid bonds	-	-	-	-	(58)	-	-	-	-	(58)	-	(58)
Sale (acquisition) of treasury shares	-	-	(38)	-	(11)	-	-	-	-	(49)	-	(49)
Other	-	-	-	-	(8)	13	-	-	-	5	8	13
Balance on June 30, 2016	1,588	1,170	(268)	2,188	5,648	(413)	8	(32)	(939)	7,362	259	9,210
Balance on December 31, 2016	1,588	1,170	(274)	2,188	5,899	(39)	8	(5)	(828)	8,118	250	9,956
Profit for the period	-	-	-	-	613	-	-	-	-	613	26	640
Items of OCI ^[1]	-	-	-	-	-	(459)	(2)	15	140	(306)	(33)	(339)
Comprehensive income	-	-	-	-	613	(459)	(2)	15	140	307	(6)	301
Cost of stock options	-	-	-	-	5	-	-	-	-	5	-	5
Dividends	-	-	-	-	(220)	-	-	-	-	(220)	(5)	(225)
Coupons of perpetual hybrid bonds	-	-	-	-	(84)	-	-	-	-	(84)	-	(84)
Sale (acquisition) of treasury shares	-	-	3	-	-	-	-	-	-	3	-	3
Other ^[2]	-	-	-	-	(33)	-	-	-	34	1	(119)	(117)
Balance on June 30, 2017	1,588	1,170	(271)	2,188	6,179	(498)	6	9	(654)	8,129	121	9,837

[1] The €(459) million reduction in equity related to currency translation differences is the result of €(575) million translation differences (mainly USD decrease versus EUR), partly offset by €116 million recycling of CTAs, following the closing of several divestments and the deconsolidation of the Venezuelan plant.

[2] The €(119) million reduction in equity related to non-controlling interest follows the completion of the Vinythai divestment in Q1 2017.

NOTES TO THE IFRS ACCOUNTS

1. General information

Solvay is a public limited liability company governed by Belgian law and quoted on Euronext Brussels and Euronext Paris. These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on July 31, 2017.

On January 4, 2017, Solvay agreed to sell its formulated resins business to Altana AG's Elantas PDG Inc. Under the agreement, Solvay's global business unit Technology Solutions has divested the business line, which generated sales of \$20 million (USD) in 2015. The divestment includes the formulated resins product portfolio, the manufacturing and R&D facility based in Olean, New York, US, and all associated technical, commercial and administrative staff. Completion of the transaction was subject to customary closing conditions, including antitrust approvals, and occurred on June 1, 2017. The assets of the business were presented as assets held for sale until completion of the transaction, which had no material impact on the result in the period.

On February 1, 2017, Solvay announced the acquisition of Energain™ Li-Ion high voltage technology from DuPont for €13 million. Energain™ technology and formulations enlarge Solvay Special Chem Global Business Unit's existing portfolio of high performance salts and additives for electrolytes and strengthen its capabilities to develop further innovative high-voltage solutions for Li-ion batteries.

On February 23, 2017, Solvay completed the divestment of its 58.77% stake in its Thai subsidiary, Vinythai PCL, to Japanese company AGC Asahi Glass. The assets and liabilities of the business were presented as assets held for sale and associated liabilities in December 2016, following the announcement of the intended divestment. The transaction was based on a total enterprise value of 16.5 billion Thai baht (€435 million), and triggered a capital gain of €24 million, recognized in discontinued operations.

On March 24, 2017, Solvay signed a definitive agreement to sell its 25.1% shares in National Peroxide Limited (BOM:500298) to the Wadia Group, a conglomerate of corporate India and promoter shareholder of National Peroxide Limited. The transaction was closed in March with a capital gain of €11 million.

On March 30, 2017, Solvay signed a definitive agreement to sell its polyolefin cross-linkable compounds business in Italy to family-owned group Finproject SpA. Based in Roccabianca, Parma, the business makes compounds that are used in applications in the wire and cable, as well as pipe industries, generating sales of €82 million in 2016. Finproject is a leading manufacturer of injection molded foam, polyolefin-based compounds and PVC compounds. The transaction was subject to customary closing conditions and closed on June 8, 2017. The assets of the business were presented as assets held for sale until completion of the transaction, which triggered a capital gain of €43 million.

On May 31, 2017, Solvay has completed the divestment of its cellulose acetate tow business, Acetow, to private equity funds managed by Blackstone. The assets and liabilities of the business were presented as assets held for sale and associated liabilities in December 2016, following the announcement of the intended divestment. The transaction was based on an enterprise value of around €1 billion, resulting in net financial debt reduction of some €0.7 billion and capital gain of €180 million recognized in discontinued operations, subject to potential post-closing adjustments.

Solvay has deconsolidated its investment in Venezuela triggered by the political situation in the country, and consequently a loss of €72 million, mainly related to the €(60) million recycling of CTAs, has been recognized in the second quarter.

2. Accounting policies

Solvay prepares its consolidated interim financial statements on a quarterly basis, in accordance with IAS 34 *Interim Financial Reporting*. They do not include all the information required for the preparation of the annual consolidated financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2016.

The consolidated interim financial statements for the six months ended June 30, 2017, were prepared using the same accounting policies as those adopted for the preparation of the consolidated financial statements for the year ended December 31, 2016.

3. Segment information

Solvay is organized into operating segments, which are as follows:

- **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 CO₂ 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.
- **Functional Polymers** produces and sells polyamide and PVC polymers and compounds and has leading regional positions in different geographies, with a focus on excellence initiatives. It mainly serves the automotive, construction, consumer goods and building markets.
- **Corporate & Business Services** includes corporate and other business services, such as the Research & Innovation Center. It also incorporates the Energy Services GBU, whose mission is to optimize energy consumption and reduce CO₂ emissions.

Reconciliation of segment, underlying and IFRS data

(in € million)

	Q2 2017	Q2 2016	H1 2017	H1 2016
Net sales	3,022	2,714	5,990	5,420
Advanced Materials	1,144	1,082	2,270	2,164
Advanced Formulations	757	650	1,498	1,312
Performance Chemicals	666	619	1,333	1,216
Functional Polymers	449	362	879	723
Corporate & Business Services	7	1	10	5
Underlying EBITDA	705	599	1,321	1,150
Advanced Materials	356	293	648	560
Advanced Formulations	130	124	257	246
Performance Chemicals	190	188	374	353
Functional Polymers	82	52	153	105
Corporate & Business Services	(53)	(58)	(111)	(114)
Underlying depreciation, amortization & impairments	(186)	(184)	(372)	(364)
Underlying EBIT	519	415	949	786
Non-cash accounting impact from amortization & depreciation of purchase price allocation (PPA) from acquisitions [1]	(68)	(65)	(138)	(219)
Other legacy costs related to changes in portfolio (e.g. retention premiums)	(1)	(3)	(1)	(6)
Net financial charges and remeasurements of equity book value of the RusVinyl joint venture	(20)	5	(15)	9
Result from portfolio management & reassessments	(67)	(7)	(83)	(142)
Result from legacy remediation & major litigations	(24)	(15)	(36)	(26)
EBIT	339	330	677	402
Net financial charges	(70)	(84)	(151)	(176)
Profit for the period before taxes	269	247	525	226
Income taxes	(64)	(68)	(106)	(62)
Profit for the period from continuing operations	205	178	420	164
Profit for the period from discontinued operations	184	20	220	51
Profit for the period	389	198	640	215
attributable to non-controlling interests	10	14	26	15
attributable to Solvay share	378	185	613	200

[1] The non-cash PPA impacts can be found in the reconciliation table on pages 14-17.

For Q2 2017 these consist of € (68) million of amortization of intangible assets, which are adjusted in "Commercial & administrative costs" for € 10 million, in "Research & development costs" for € 1 million, and in "Other operating gains & losses" for € 57 million.

For H1 2017 these consist of € (138) million of amortization of intangible assets, which are adjusted in "Cost of goods sold" for € 1 million, in "Commercial & administrative costs" for € 21 million, in "Research & development costs" for € 1 million, and in "Other operating gains & losses" for € 115 million.

4. Financial Instruments

a) Valuation techniques

Compared to December 31, 2016, there are no changes in valuation techniques.

b) 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 June 30, 2017, is not significantly different from the ones published in Note F32 of the consolidated financial statements for the year ended December 31, 2016.

c) 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 June 30, 2017, is not significantly different from the ones as published in the Note F32 of the consolidated financial statements for the year ended December 31, 2016.

5. Events after the reporting period

On July 5, 2017, Solvay agreed to sell its 50% stake in Dacarto Benvic to its joint venture partner which will become the sole owner of the Brazilian PVC compounder. The sale follows Solvay's withdrawal from PVC activities in Europe, Asia and Latin America, including the Benvic PVC compound business which was sold in 2014. The joint venture partner companies are Dupre Empreendimentos e Participações Ltda., Tondela Empreendimentos e Participações Ltda., and WR3C Empreendimentos e Participações Ltda. The transaction led to an impairment of €(6) million in the second quarter and €(9) million of CTA recycling is expected at closing foreseen for end 2017, subject to customary approvals including anti-trust.

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 consolidated interim financial information, prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union, reflects a faithful image of the assets and liabilities, financial situation and results of the Solvay Group;
- The management report contains a faithful presentation of significant events occurring during the first six months of 2017, and their impact on the consolidated interim financial information;
- The main risks and uncertainties are in accordance with the assessment disclosed in the section Risk Management in the Solvay 2016 Annual Report, taking into account the current economic and financial environment.

7. Auditor report on review of the consolidated interim financial information for the six-month period ended June 30, 2017

To the board of directors

In the context of our appointment as the company's statutory auditor, we report to you on the consolidated interim financial information. This consolidated interim financial information comprises the consolidated statement of financial position as at June 30, 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period of six months then ended, as well as selective notes 1 to 6.

Report on the consolidated interim financial information

We have reviewed the consolidated interim financial information of Solvay SA/NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standard IAS 34 – *Interim Financial Reporting* as adopted by the European Union.

The consolidated statement of financial position shows total assets of €22,685 million and the consolidated income statement shows a consolidated profit (group share) for the period then ended of €613 million.

The board of directors of the company is responsible for the preparation and fair presentation of the consolidated interim financial information in accordance with IAS 34 – *Interim Financial Reporting* as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of review

We conducted our review of the consolidated interim financial information in accordance with International Standard on Review Engagements (ISRE) 2410 – *Review of interim financial information performed by the independent auditor of the entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit performed in accordance with the International Standards on Auditing (ISA) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated interim financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information of Solvay SA/NV has not been prepared, in all material respects, in accordance with IAS 34 – *Interim Financial Reporting* as adopted by the European Union.

Zaventem, August 1, 2017

The statutory auditor



DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Michel Denayer

Safe harbor

This press release may contain forward-looking information. Forward-looking statements describe expectations, plans, strategies, goals, future events or intentions. The achievement of forward-looking statements contained in this press release is subject to risks and uncertainties relating to a number of factors, including general economic factors, interest rate and foreign currency exchange rate fluctuations, changing market conditions, product competition, the nature of product development, impact of acquisitions and divestitures, restructurings, products withdrawals, regulatory approval processes, all-in scenario of R&I projects and other unusual items.

Consequently, actual results or future events may differ materially from those expressed or implied by such forward-looking statements. Should known or unknown risks or uncertainties materialize, or should our assumptions prove inaccurate, actual results could vary materially from those anticipated. The Company undertakes no obligation to publicly update or revise any forward-looking statements.

Key dates for investors

- **November 8, 2017** 3rd quarter 2017 results
- **February 28, 2018** 4th quarter and full year 2017 results
- **May 3, 2018** 1st quarter 2018 results
- **May 8, 2018** Annual general assembly
- **August 1, 2018** 2nd quarter and 1st half 2018 results
- **November 8, 2018** 3rd quarter 2018 results

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Solvay is a multi-specialty chemical company, committed to developing chemistry that addresses key societal challenges. Solvay innovates and partners with customers in diverse global end markets. Its products and solutions are used in planes, cars, smart and medical devices, batteries, in mineral and oil extraction, among many other applications promoting sustainability. Its lightweighting materials enhance 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 58 countries. Net sales were €10.9 billion in 2016, with 90% from activities where Solvay ranks among the world's top 3 leaders. 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.

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