

Strong volume growth counters forex headwinds

PROFIT	<p>Underlying EBITDA €1,150 million -3% +6% organically^[1]</p>	<ul style="list-style-type: none"> ▪ Solid volume increase across Advanced Materials and Advanced Formulations led to organic sales and EBITDA growth of 6% ▪ Underlying EBITDA fell 3%, mainly due to significant forex conversion impact of 7%, principally as a result of the US dollar ▪ EBITDA margin remained at a record 23%
	<p>Advanced Materials €630 million -3% +5% organically^[1]</p>	<ul style="list-style-type: none"> ▪ Sustained demand for high-performance polymers across applications, particularly in automotive, led to strong volume growth ▪ Increased demand for aerospace composites, including commercial, rotorcraft and military, supported solid volume growth
	<p>Advanced Formulations €262 million +2% +17% organically^[1]</p>	<ul style="list-style-type: none"> ▪ Volume growth was strong across end-markets and especially in the North American oil & gas market ▪ Pricing power more than compensating for higher raw material price
	<p>Performance Chemicals €365 million -9% -3% organically^[1]</p>	<ul style="list-style-type: none"> ▪ Solid demand for soda ash continued in a context of limited margin erosion ▪ Peroxides volume and price increased on solid demand
	<p>Underlying EPS from continuing operations €4.65 +9%</p>	<ul style="list-style-type: none"> ▪ The €43 million reduction of net financial charges, a 21% drop, reflects the deleveraging and optimization of Solvay's capital structure ▪ The tax rate of 25% was down from 29% in 2017
CASH	<p>Free cash flow from continuing operations €123 million vs €251 million in 2017</p>	<ul style="list-style-type: none"> ▪ Sustained cash generation led to €218 million of free cash flow, including €123 million from continuing operations, but this was lower than in 2017 due to working capital fluctuations ▪ Free cash flow to Solvay shareholders increased to €77 million from €33 million in 2017, thanks to the strong contribution from discontinued operations and lower financial payments
	<p>2018 outlook confirmed</p>	<ul style="list-style-type: none"> ▪ EBITDA growth of 5% to 7%, excluding scope and forex effects ▪ Free cash flow from continuing operations above the 2017 level

CEO Jean-Pierre Clamadieu: "Solvay's sales and EBITDA grew 6% organically in the first half of 2018 driven again by volume growth from our growth segments. Advanced Formulations benefited in particular from the continued rise in activity of North American shale oil & gas, while Advanced Materials growth was supported by automotive and aerospace. These strong results are a clear manifestation of the portfolio transformation of the past years. Internally, we are now focused on putting in place a simpler and more agile organization to better serve our customers."



The full financial report is available on: <https://www.solvay.com/en/investors/financial-reporting/solvay-earnings#Earnings-material>.

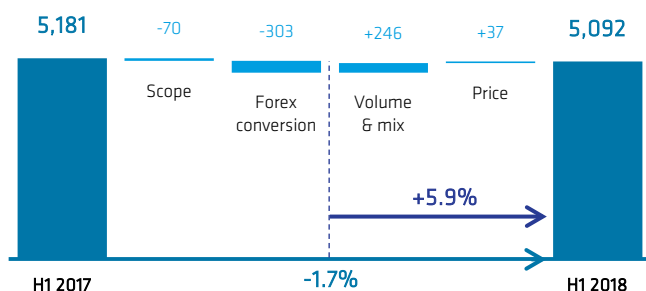
An analyst call will be held at 14:30 p.m. Details can be found on <https://www.solvay.com/en/investors/financial-reporting/solvay-earnings#First-Half-2018-Earnings>.

All comparisons are made with the equivalent period of the year before, except where mentioned explicitly otherwise.

[1] Excluding forex conversion and scope effects

Net sales

(in € million)



Net sales were down 2%. Excluding scope and forex, they grew 6% organically on higher volumes.

The reduction in **scope**^[1] affected net sales negatively by 1% and follows the divestment of the polyolefin cross-linkable compounds and formulated resins businesses in June 2017, as well as part of the phosphorous business in February 2018.

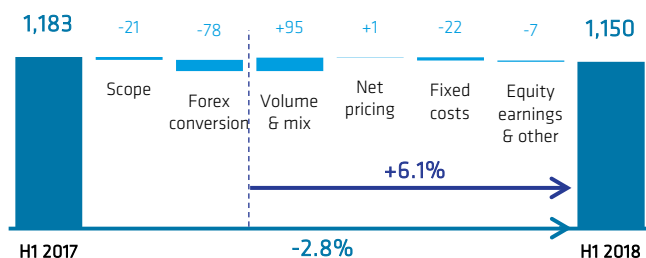
Foreign exchange conversion had an adverse effect of 6%, mainly related to the US dollar, which lost 11% in value against the euro year on year, and the Brazilian real, which lost 17%.

The overall increase in **volume** of 5% was delivered equally by Advanced Materials and Advanced Formulations. Sustainable mobility remained a solid driver for growth, as Solvay's polymers and composites technologies were in high demand in both automotive and aeronautic applications. The continued recovery in the North American shale oil & gas market supported the increase in the formulations business, complemented by home & personal care, coatings, mining and phosphorous specialties. In Performance Chemicals volumes grew thanks to increased demand for peroxides and the market recovery in Latin America.

Prices were up 1%. Prices in Advanced Materials were largely stable. In Advanced Formulations, previously incurred raw material price increases were successfully passed through, demonstrating Solvay's pricing power. Prices were raised in Performance Chemicals due to tight market conditions, especially for peroxides. This more than compensated for the anticipated price reduction in soda ash.

Underlying EBITDA

(in € million)



Underlying EBITDA fell 3% in the first half. Excluding forex conversion and scope effects, it grew 6% organically, fully attributable to strong volume growth. The underlying **EBITDA margin** was sustained at 23%.

Volume growth and a positive mix increased EBITDA by 8%.

Net pricing was stable overall, demonstrating Solvay's resilience in maintaining its overall pricing power amid higher raw materials and energy prices.

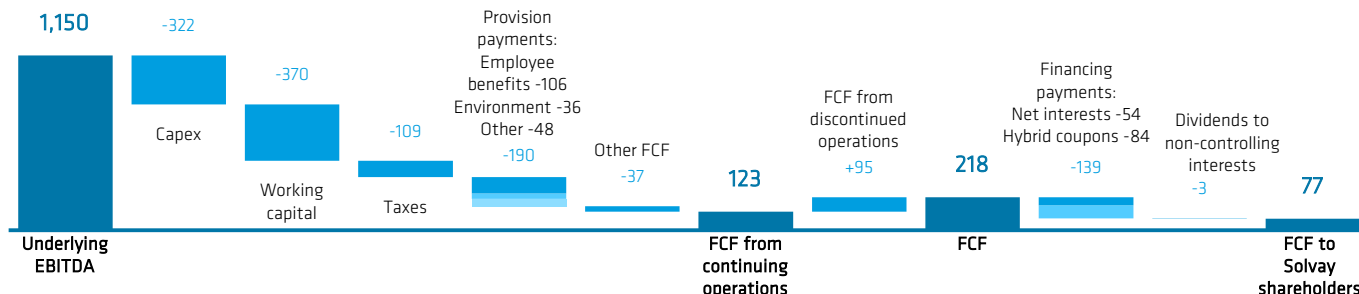
Fixed costs were up slightly, resulting in a 2% negative effect. Operational excellence and synergy benefits partly compensated for inflation.

Other elements included the €(12) million net impact of the one-off synergy gain on post-retirement benefits. These represented €23 million in the second quarter of 2018, compared to €35 million in 2017 (after adjustment for forex conversion effects).

Organic growth in the second quarter was 4%, compared to 9% in the first quarter due to the one-off effect of synergy gains on post-retirement benefits in the second quarter and the phasing of Corporate & Business Services costs over the consecutive periods.

Free cash flow (FCF)

(in € million)



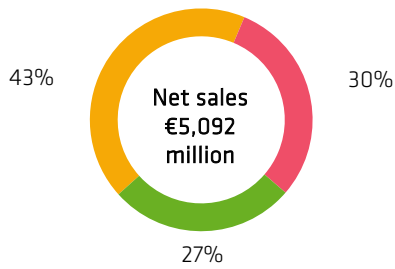
Free cash flow from continuing operations fell to €123 million from €251 million in 2017, reflecting the lower EBITDA and higher non-industrial working payments. These were due to the increase in variable remuneration following last year's performance. Capex discipline was maintained, leading to €(322) million on a continuing basis, in line with last year. Provision payments also remained stable at €(190) million. Total free cash flow was €218 million, including €95 million from discontinued operations.

Free cash flow to Solvay shareholders was €77 million. Financing payments totaled €(139) million, significantly lower than €(220) million in the first half of 2017, as in the interim Solvay has deleveraged and optimized its capital structure.

Underlying net financial debt^[2] increased to €(5.7) billion, from €(5.3) billion, due to the dividend payments to the shareholders, which are concentrated in the first half of the year.

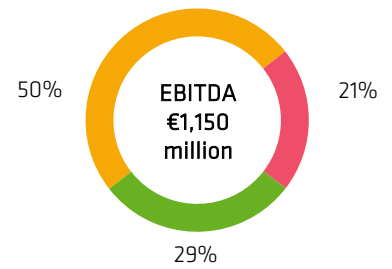
[1] Scope effects include acquisitions and divestments of smaller businesses not leading to the restatement of previous periods.

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



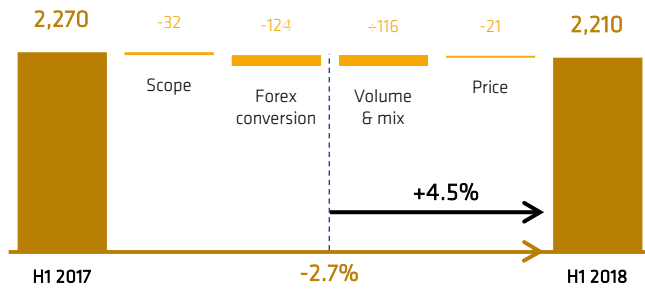
Advanced Materials
Advanced Formulations
Performance Chemicals

Corporate & Business Services net sales was not material, and EBITDA is negative thus is not depicted.



Advanced Materials

Net sales (in € million)



(in € million)	H1 2018	H1 2017	% yoy
Net sales	2,210	2,270	-2.7%
EBITDA	630	648	-2.8%
EBITDA margin	29%	29%	-

Advanced Materials is a leader in markets with high barriers to entry and strong returns on investment. It offers high-performance materials for multiple applications primarily in the automotive, aerospace, electronics, and health markets. In particular, it provides sustainable mobility solutions, reducing weight and improving CO₂ and energy efficiency.

Net sales were 3% lower, as a result of forex conversion and a small reduction in scope from the divestment of the polyolefin cross-linkable compounds business in June 2017. Excluding these two elements, segment sales rose 5% organically, with volume growth across business units. Prices came out slightly lower due to forex transactional effects. **Specialty Polymers** was the strongest contributor to volume growth. In automotive, fuel-efficiency and electrification programs continued to drive demand for Solvay's high-performance polymers. This includes strong growth in battery applications, as the new PVDF plant in China is ramping up. Volumes also grew in other markets, including healthcare and consumer goods. Sales for electronic applications were largely flat as growth in semiconductor was offset by lower demand in smart devices in the second quarter. **Composite Materials** volumes grew strongly as well, reaching a high historical level in the period. The ramp-up of the F-35 military aircraft continued strongly while demand by the helicopter and business jet sectors continued to improve, as did industrial applications. Solvay order levels in the commercial passenger aircraft were overall stable, with recently launched programs, such as the 787 and 737MAX aircraft, offsetting the lower production rate for some larger planes. Volumes rose slightly in **Special Chem**, as robust demand from the electronics sector could build on recent capacity additions. This more than compensated for the planned gradual phase-out in insulation and the negative mix impact in automotive catalysts from the shift to gasoline from diesel. **Silica** volumes grew in North-America and in Europe, as overall demand from the energy-efficient tire market remains strong. Brazilian and Chinese operations were affected by force majeure in those countries.

Underlying EBITDA was down 3% year on year. Excluding scope effects and forex conversion, EBITDA grew 5%, driven by volumes. The segment was successful in raising prices and optimizing variable costs, thereby mitigating transactional forex effects and the sharp price increase of fluorspar. Fixed costs rose mainly as a result of temporary destocking effects at the new carbon fiber plant in the US during the first quarter. A one-off synergy gain of €19 million was booked on post-retirement benefits, less than in 2017, resulting in a net negative impact of €(9) million. The underlying **EBITDA margin** was stable at 29%.

Corporate & Business Services

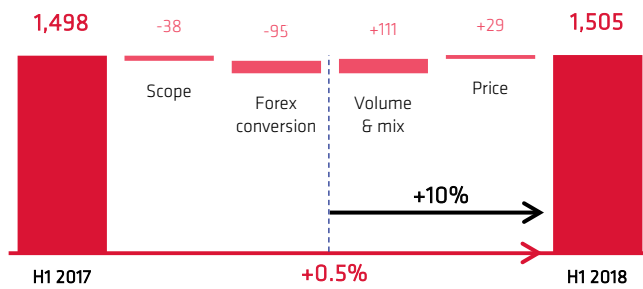
(in € million)	H1 2018	H1 2017	% yoy
Net sales	5	10	-50%
EBITDA	(107)	(123)	+13%

Corporate & Business Services includes corporate and other business services, such as the Research & Innovation Center, and Energy Services, whose mission is to optimize energy consumption and reduce CO₂ emissions.

Underlying EBITDA costs were €(107) million, substantially lower than in the first half of 2017. While inflation was offset by cost discipline, Solvay benefitted from synergies and phasing of costs.

Advanced Formulations

Net sales (in € million)



(in € million)	H1 2018	H1 2017	% yoy
Net sales	1,505	1,498	+0.5%
EBITDA	262	257	+1.9%
EBITDA margin	17%	17%	+0.2pp

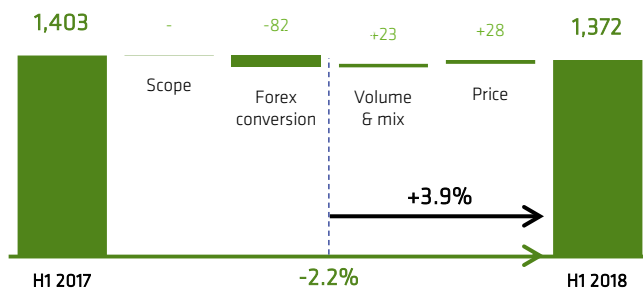
Advanced Formulations serves primarily the resources and environment, agro and food, and consumer goods markets. It offers customized specialty formulations that impact surface chemistry and alter liquid behavior to optimize efficiency and yield, while minimizing environmental impact.

Net sales were slightly up year on year. Volume increased 7%, across business units, and price increased 2%, offsetting the adverse forex effect and scope reduction from the divestment of formulated resins and part of the phosphorous businesses. Volumes in **Novocare** were still driven by continued strong demand in the North American shale oil and gas market. Other markets, including home & personal care and coatings, were also supportive, though demand from the agricultural sector remained soft. The business was successful in passing through raw material prices which had risen in the previous periods. Volumes in **Technology Solutions** were well up, thanks to strong demand for phosphorous specialties and growth in mining after the temporary phasing effect at the beginning of the year. Demand for UV-blocking polymer additives remained high as well. **Aroma Performance** sales volumes and prices were up in vanillin ingredients and especially in chemical applications.

Underlying EBITDA grew 2% year on year. Excluding scope effects and forex conversion, EBITDA grew 17% in the segment, reflecting the strong volume growth across business units. Price increases recouped some previous raw material price increases, while operational excellence initiatives helped contain fixed costs. The net effect of the one-off synergy benefit had a €(3) million negative impact. The underlying **EBITDA margin** remained at 17%.

Performance Chemicals

Net sales (in € million)



(in € million)	H1 2018	H1 2017	% yoy
Net sales	1,372	1,403	-2.2%
EBITDA	365	401	-9.0%
EBITDA margin	27%	29%	-2.0pp

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 serves mainly the consumer goods and food markets.

Net sales were 2% lower year on year, as a result of the 6% adverse forex conversion effect. Both volumes and prices rose 2%. Demand remained solid in **Soda Ash & Derivatives**. The plants operated at high capacity levels, after starting the year slowly due to railcar availability issues in the US. Prices were slightly lower versus 2017 reflecting the announced capacity additions on the market. Bicarbonate volumes continued to grow on strong demand, including for flue gas treatment. **Peroxides** sales volumes increased in North and Latin America, and prices increased in Asia on strong demand dynamics. **Coatis** sales grew by double digits, on both pricing and volumes, thanks to improved domestic demand in Latin-America, complemented by exports. **Functional Polymers** volumes were stable overall.

Underlying EBITDA dropped 9% due to forex conversion, or 3% excluding forex. As anticipated, soda ash margins eroded, as higher energy and freight costs could not be passed through the current market conditions. Growth in Coatis and Peroxides, combined with operational excellence delivery, mitigated some of the cost pressure and resulted in a better performance than expected at the start of the year. The underlying **EBITDA margin** was 2 percentage points lower at 27%.

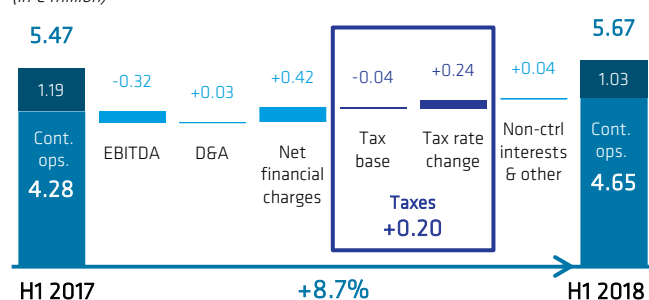


H1 key figures

(in € million)	IFRS			Underlying		
	H1 2018	H1 2017	% yoy	H1 2018	H1 2017	% yoy
Net sales	5,092	5,181	-1.7%	5,092	5,181	-1.7%
EBITDA	925	1,074	-14%	1,150	1,183	-2.8%
<i>EBITDA margin</i>				23%	23%	-0.2pp
EBIT	443	603	-27%	818	848	-3.5%
Net financial charges	(90)	(150)	+40%	(163)	(207)	+21%
Income taxes	(89)	(99)	+11%	(155)	(176)	+12%
<i>Tax rate</i>				25%	29%	-4.0pp
Profit from discontinued operations	89	286	-69%	106	127	-17%
(Profit) loss attributable to non-controlling interests	(19)	(26)	-28%	(19)	(28)	-31%
Profit attributable to Solvay shareholders	334	613	-46%	586	565	+3.8%
Basic earnings per share (in €)	3.23	5.94	-46%	5.67	5.47	+3.8%
of which from continuing operations	2.37	3.21	-26%	4.65	4.28	+8.7%
Capex	(371)	(361)	-2.5%	(371)	(361)	-2.5%
of which from continuing operations	(322)	(321)	-0.3%	(322)	(321)	-0.3%
Free cash flow	218	256	-15%	218	256	-15%
of which from continuing operations	123	251	-51%	123	251	-51%
Free cash flow to Solvay shareholders	77	33	n.m.	77	33	n.m.
Net financial debt^[1]	(3,475)			(5,675)		

Earnings per share

(in € million)



Underlying earnings per share^[3] grew 4% to €5.67 year on year. On a continuing basis they grew 9% to €4.65.

Underlying EBIT fell 4% to €818 million.

Underlying net financial charges^[2] were €(163) million, a €43 million reduction or 21% improvement as planned, reflecting the capital structure optimizations implemented in 2017.

Underlying taxes were lower than last year at €(155) million, as a result of the lower tax rate of 25% compared to 29% in the same period of 2017.

The underlying contribution from discontinued operations was lower than in 2017 at €106 million, mainly due to the absence of contributions from Acetow, which was divested at the end of May 2017. In 2018 discontinued operations only consist of the polyamide activities that are planned to be sold to BASF.

IFRS results

IFRS profit attributable to Solvay share was €334 million, €(252) million lower than the underlying profit. The adjustments to IFRS results were made primarily for the following elements:

€(178) million restructuring cost for the recently announced simplification plan, which is €(43) million more than in the first quarter. This reflects a refinement in the initial estimates and a slight increase in scope related to redundancies following the completion of the social negotiations;

€(32) million of impairments, partly offset by €9 million net gains on M&A activities, mainly the capital gain on the divestment of the phosphorous plant in Charleston, US;

€(44) million for legacy remediation and major litigations;

€(116) million of amortization charges on intangible assets linked to the impact of purchase price allocation;

€55 million coupons on hybrid bonds, which are treated as dividends under IFRS;

€67 million on income tax, mainly resulting from the tax impacts of the above adjustments.

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

[2] 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 in the RusVinyl joint venture (under IFRS are part of the earnings from associates & joint ventures and thereby included in the IFRS EBITDA).

[3] Earnings per share, basic calculation



Financial review of the second quarter 2018

Q2 key figures

(in € million)	IFRS			Underlying		
	Q2 2018	Q2 2017	% yoy	Q2 2018	Q2 2017	% yoy
Net sales	2,600	2,607	-0.3%	2,600	2,607	-0.3%
EBITDA	536	551	-2.7%	618	637	-3.0%
<i>EBITDA margin</i>				24%	24%	-0.7pp
EBIT	299	309	-3.1%	448	469	-4.4%
Net financial charges	(39)	(70)	+45%	(77)	(96)	+19%
Income taxes	(77)	(63)	-22%	(88)	(107)	+18%
<i>Tax rate</i>				25%	29%	-4.0pp
Profit from discontinued operations	51	213	-76%	65	55	+20%
(Profit) loss attributable to non-controlling interests	(9)	(10)	-7.6%	(10)	(12)	-18%
Profit attributable to Solvay shareholders	225	378	-40%	339	309	+9.8%
Basic earnings per share (in €)	2.18	3.66	-40%	3.28	2.99	+9.8%
of which from continuing operations	1.68	1.60	+5.2%	2.65	2.46	+7.7%
Capex	(187)	(177)	-6.1%	(187)	(177)	-6.1%
of which from continuing operations	(163)	(159)	-2.3%	(163)	(159)	-2.3%
Free cash flow	71	92	-22%	71	92	-22%
of which from continuing operations	18	83	-79%	18	83	-79%
Free cash flow to Solvay shareholders	(65)	(69)	+6.3%	(65)	(69)	+6.3%
Net financial debt ^[2]	(3,475)			(5,675)		

Segment review

(in € million)	Underlying					
	Q2 2018	Q2 2017	% yoy	H1 2018	H1 2017	% yoy
Net sales	2,600	2,607	-0.3%	5,092	5,181	-1.7%
Advanced Materials	1,123	1,144	-1.8%	2,210	2,270	-2.7%
Advanced Formulations	775	757	+2.4%	1,505	1,498	+0.5%
Performance Chemicals	701	699	+0.2%	1,372	1,403	-2.2%
Corporate & Business Services	1	7	-83%	5	10	-50%
EBITDA	618	637	-3.0%	1,150	1,183	-2.8%
Advanced Materials	342	356	-3.9%	630	648	-2.8%
Advanced Formulations	144	130	+11%	262	257	+1.9%
Performance Chemicals	188	208	-9.7%	365	401	-9.0%
Corporate & Business Services	(56)	(57)	+2.5%	(107)	(123)	+13%
EBIT	448	469	-4.4%	818	848	-3.5%
Advanced Materials	267	285	-6.4%	486	508	-4.3%
Advanced Formulations	109	95	+14%	193	186	+4.0%
Performance Chemicals	143	162	-11%	276	309	-10%
Corporate & Business Services	(71)	(74)	+3.7%	(138)	(155)	+11%



- **September 24, 2018** Investor update, London
- **November 8, 2018** Nine months 2018 results
- **February 27, 2019** Full year 2018 results
- **May 7, 2019** First quarter 2019 results
- **July 31, 2019** First half 2019 results



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

Solvay is headquartered in Brussels with around 26,800 employees in 61 countries. Net sales were €10.1 billion in 2017, with 90% from activities where Solvay ranks among the world's top 3 leaders, resulting in an EBITDA margin of 22%. Solvay SA (**SOLB.BE**) is listed on Euronext Brussels and Paris Bloomberg: **SOLB.BB** - Reuters: **SOLB.BR** and in the United States its shares (**SOLVY**) are traded through a level-1 ADR program. *(Financial figures take into account the planned divestment of Polyamides.)*

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