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# First Quarter 2018 Results

*May 3, 2018*

# Safe harbor

This presentation 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 presentation 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&D 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

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## Forenote

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

Besides IFRS accounts, Solvay also presents underlying Income Statement performance indicators to provide a more consistent and comparable indication of the Group's financial performance. The underlying performance indicators adjust IFRS figures for the non-cash Purchase Price Allocation (PPA) accounting impacts related to acquisitions, for the coupons of perpetual hybrid bonds, classified as equity under IFRS but treated as debt in the underlying statements, and for other elements that would distort the analysis of the Group's underlying performance.



# OVERVIEW

- **Executing our plan**
- Financial highlights
- Priorities and outlook
- Appendices



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# Strong volume growth counters forex headwinds

## Sustained EBITDA margin



**Q1 2018**

- Strong organic EBITDA growth of 9%
- Foreign exchange headwinds, as expected
- EBITDA margin sustained at 21%

# 2018 first quarter results

## Strong volume growth counters adverse forex

**EBITDA -3%**  
**(+9% organically)**

- **Volume/Mix**
  - Strong volumes across Advanced Materials and Advanced Formulations
- **Pricing power**
  - Net pricing stable in higher raw material and energy context
- **Fixed costs**
  - Operational excellence and synergies mostly offset inflation

**EBITDA margin**  
**sustained at 21%**

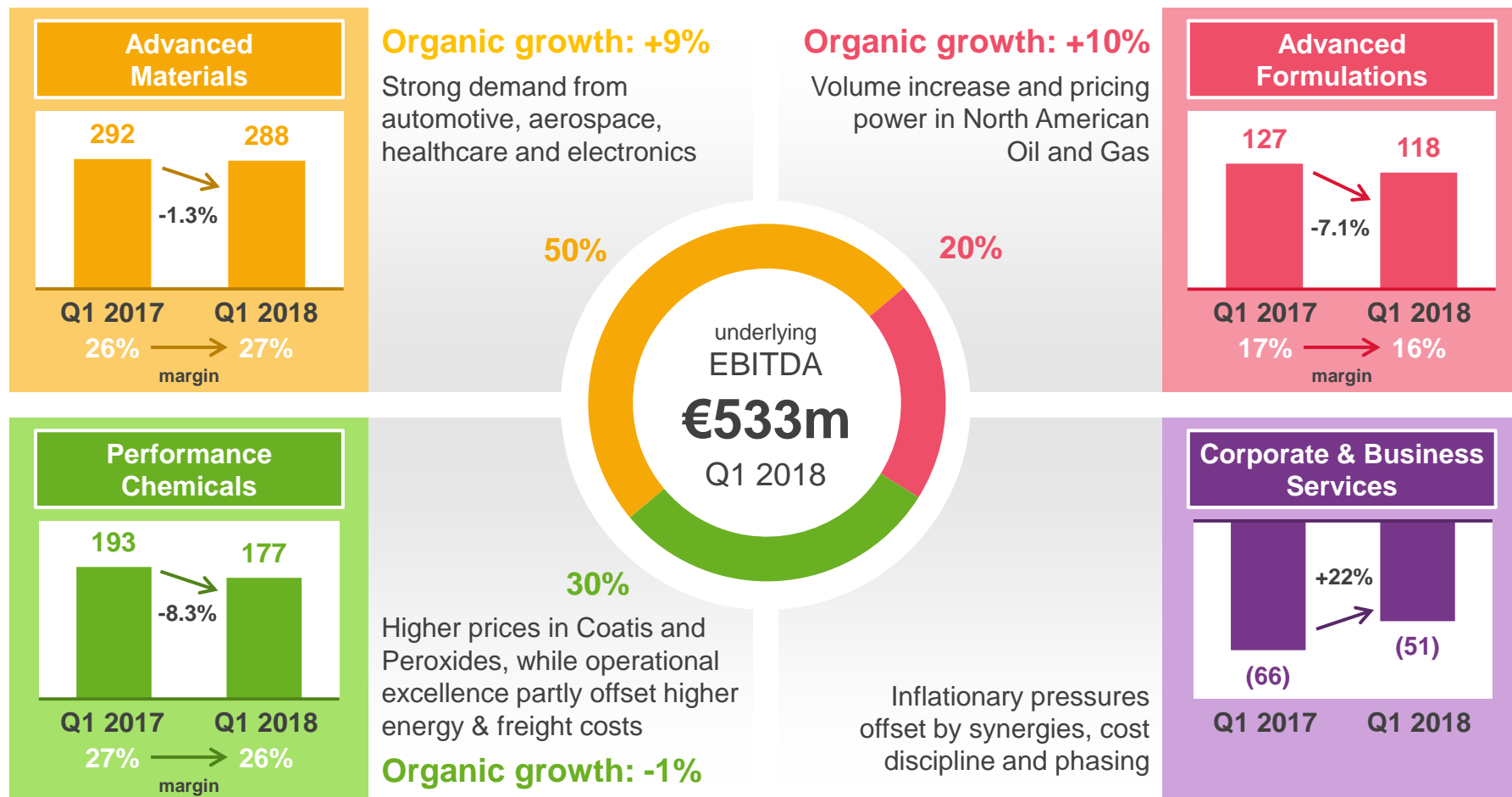
**Free cash flow<sup>[1]</sup>**  
**€105 million**

- **Resulting from**
  - Lower EBITDA
  - Phasing in working capital
  - Capex discipline maintained
- **Underlying net debt at €5.3 billion**
  - Leverage ratio stable at 2.2x

**FCF to Solvay shareholders<sup>[1][2]</sup>**  
**€99 million**

# Organic EBITDA growth

## Driven by volumes in Advanced Materials and Formulations





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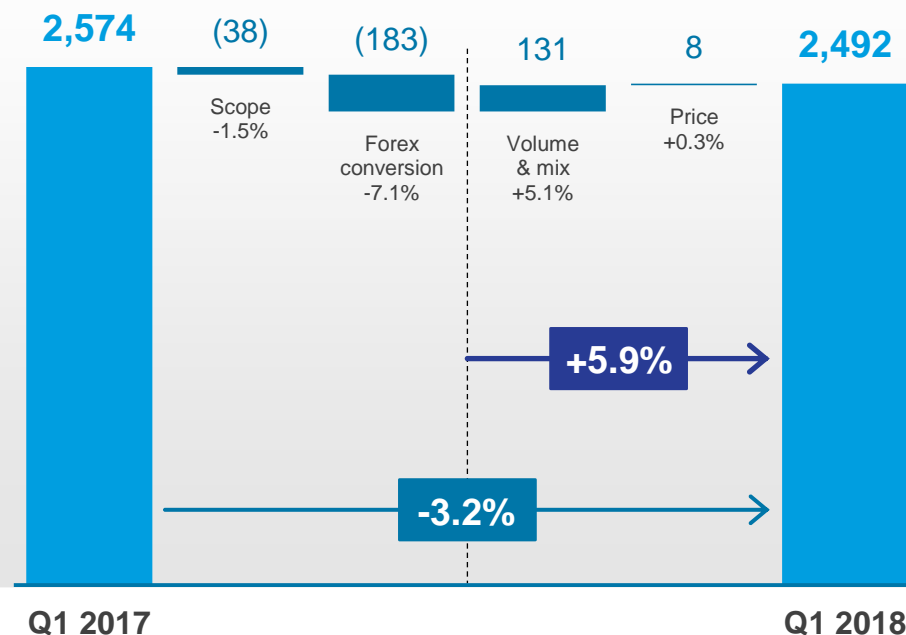
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# Sales impacted by forex & scope

## Strong organic growth

### Net sales

in € million



### Volume growth

- Advanced Materials: good demand, mainly from automotive and aerospace markets
- Advanced Formulations: continued recovery in the North American shale Oil & Gas market

### Adverse forex & scope<sup>[1]</sup>

- US dollar depreciation
- Scope reduction from smaller divestments

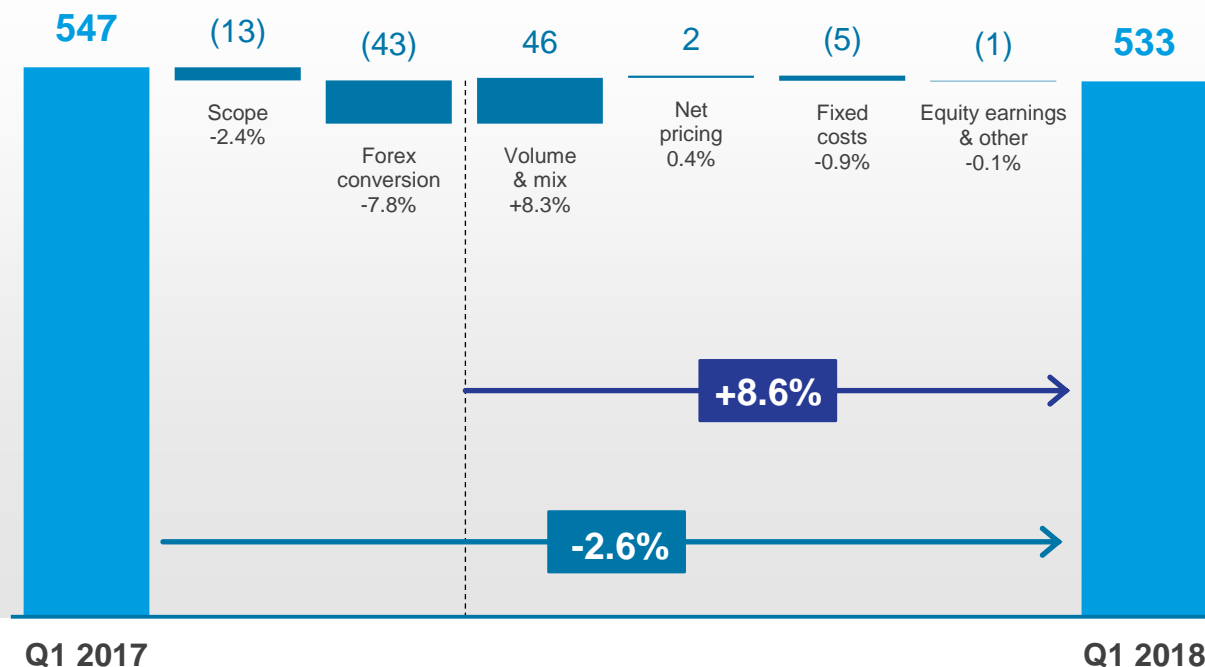


# EBITDA margin sustained

## Driven by strong volume growth

### Underlying EBITDA

in € million



### Volume & mix

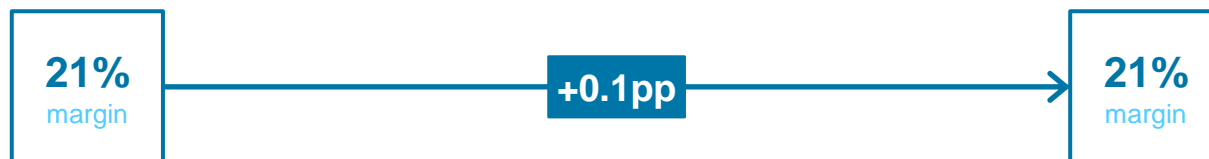
Led by Advanced Materials and Advanced Formulations

### Net pricing

Stable despite higher raw materials and energy prices, especially in Advanced Formulations and Performance Chemicals

### Fixed costs

Excellence and synergy benefits mostly offset higher fixed costs related to volume increase



# Underlying profit from continuing operations up EBITDA reduction more than offset by lower financial charges

## Underlying P&L

in € million	Q1 2018	Q1 2017	% yoy
Net sales	2,492	2,574	-3%
<b>EBITDA</b>	<b>533</b>	<b>547</b>	<b>-3%</b>
<i>EBITDA margin</i>	<i>21%</i>	<i>21%</i>	-
Depreciation & amortization	(163)	(167)	+3%
<b>EBIT</b>	<b>370</b>	<b>379</b>	<b>-2%</b>
<i>EBIT margin</i>	<i>15%</i>	<i>15%</i>	-
Net financial charges	(86)	(111)	+22%
Income taxes	(67)	(68)	+2%
<i>Tax rate (ytd)</i>	<i>25%</i>	<i>26%</i>	<i>-2pp</i>
<b>Profit, continuing operations</b>	<b>216</b>	<b>200</b>	<b>+8%</b>
Discontinued operations	41	72	-44%
Non-controlling interests (-)	(10)	(16)	+40%
<b>Profit, Solvay share</b>	<b>247</b>	<b>256</b>	<b>-3%</b>
EPS	2.39	2.48	-3.5%
EPS, continuing operations	2.00	1.82	+9.8%

### Underlying profit from continuing operations up 8%

- ↗ Lower net financial charges thanks to improved capital structure
- ↗ Lower depreciation year on year
- Higher tax base offset by anticipated lower tax rate

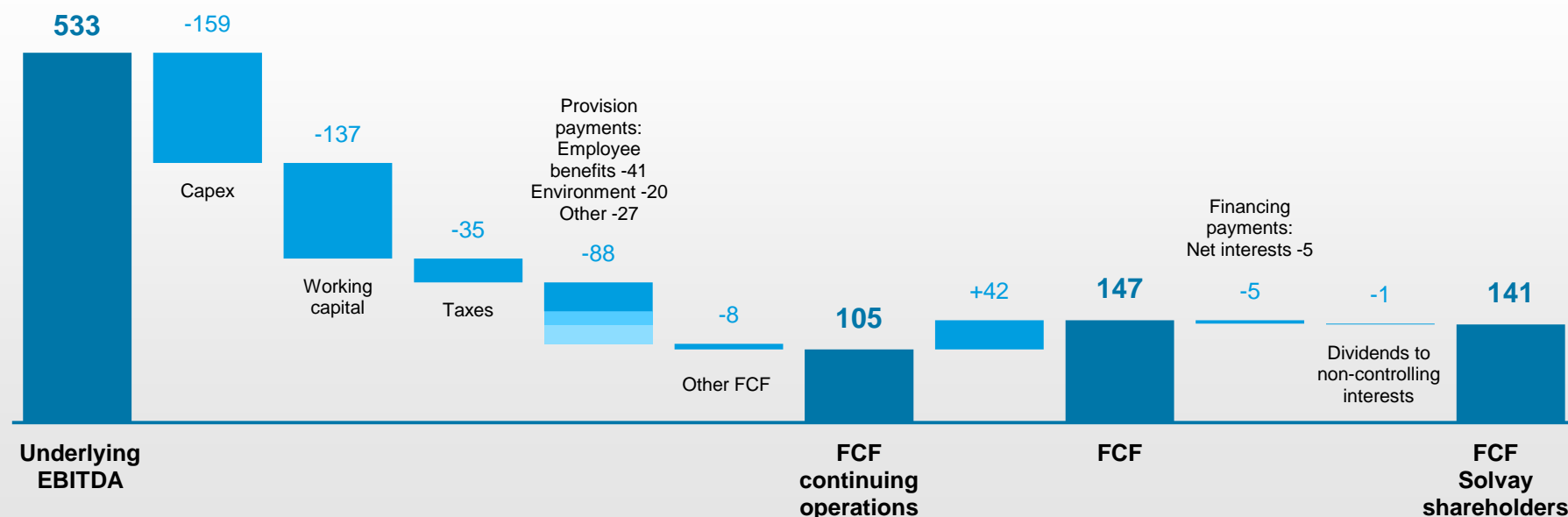
### Underlying profit (Solvay share) slightly down (3%)

- ↘ Lower contribution from discontinued operations, after finalisation of Acetow divestment

# Focus on cash maintained

## Cash generation

in € million



### Free cash flow from continuing operations at €105 million

- ↘ Lower EBITDA
- ↘ Phasing in working capital
- ↗ Capex discipline maintained

### Free cash flow to Solvay shareholders at €141 million, of which €99 million on a continuing basis

- ↗ Lower financing payments
- Largely stable on a continuing basis versus Q1 2017 (€102 million)

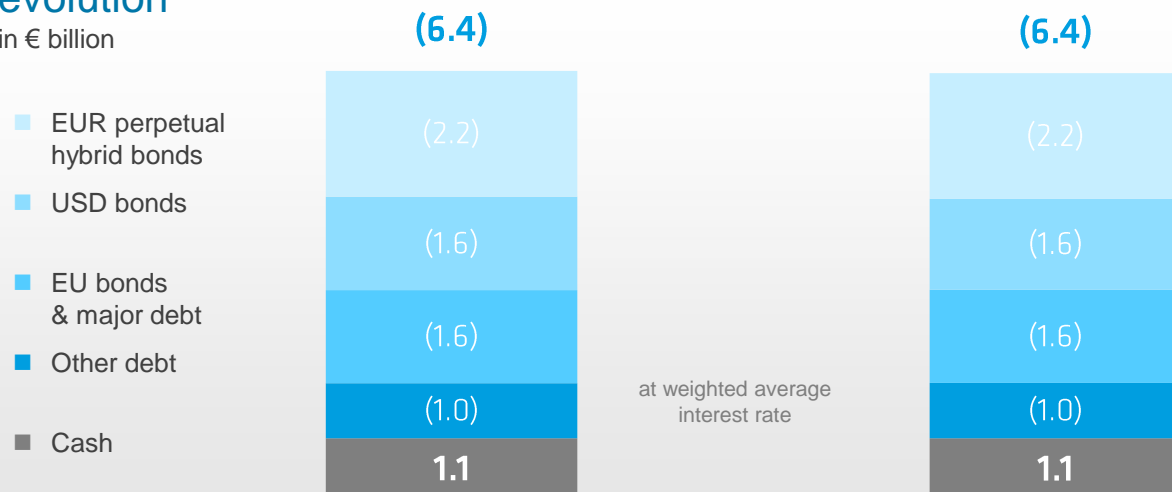


# Efficient capital structure

## Leading to reduced cost of debt

### Underlying financial debt<sup>[1]</sup> evolution

in € billion



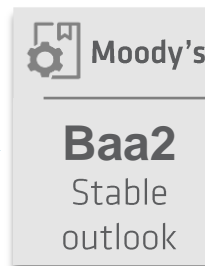
**Pro forma impact from announced Polyamide divestment**

→ Underlying net debt €4.2 bn

→ Underlying leverage 1.9x

### Underlying

	31/12/2017		31/03/2018
<b>Net debt<sup>[1]</sup></b>	<b>€5.3 bn</b>	<b>stable</b>	<b>€5.3 bn</b>
<b>Leverage<sup>[2]</sup></b>	<b>2.2x</b>		<b>2.2x</b>



**INVESTMENT GRADE**

# OVERVIEW

- Executing our plan
- Financial highlights
- **Priorities and outlook**
- Appendices



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# Our priorities

Deliver mid-term objectives and prepare the future



**Organic volume growth**

**Earnings and cash flow growth**

**Optimize organization**

**Sustainable value**



# Outlook

## Full year 2018



**Underlying EBITDA to grow  
5% to 7% organically<sup>[1]</sup>**

**Free cash flow<sup>[2]</sup> to exceed 2017  
level of €782 million**

# APPENDICES

- **Additional first quarter 2018 financial data**
- General information
- Other financial considerations for 2018

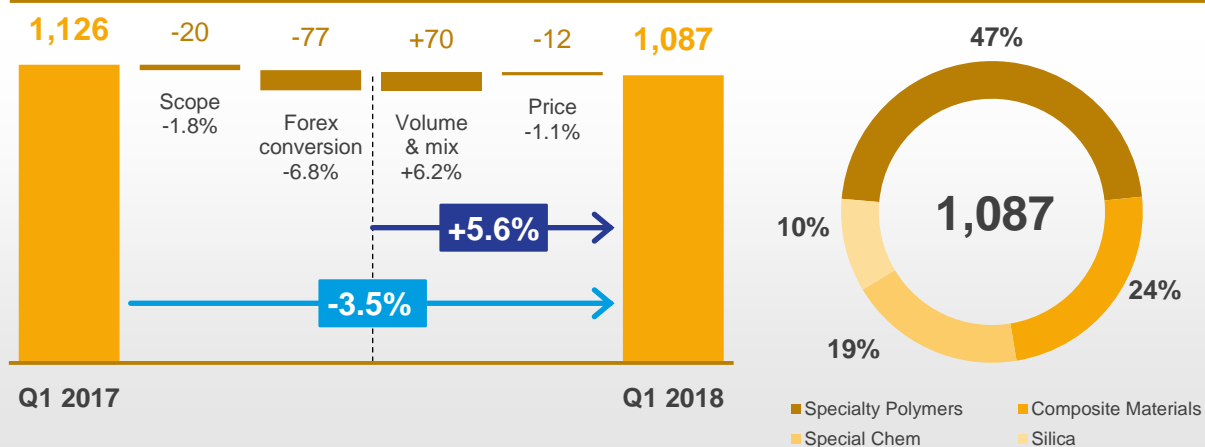


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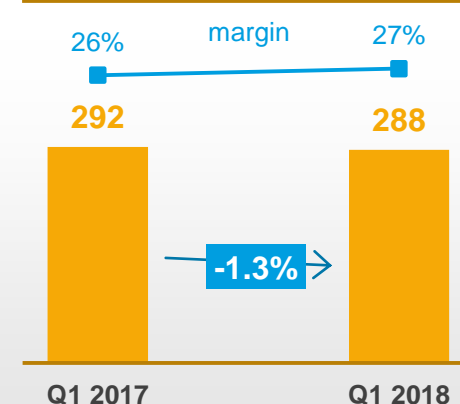
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# Advanced Materials first quarter 2018

## Net sales (in € million)



## EBITDA (in € million)



### Specialty Polymers

- Solid volume growth offset by forex
- Double-digit performance across key markets in sustainable mobility, healthcare, food packaging and electronics

### Composite Materials

- Aerospace composites showed growth, led by F-35, B787, B737 platforms
- Improving industrial markets

### Special Chem

- Robust demand in electronics supported by recent capacity expansions
- Lower demand for rare earth oxides in automotive, triggered by the shift from diesel to gasoline

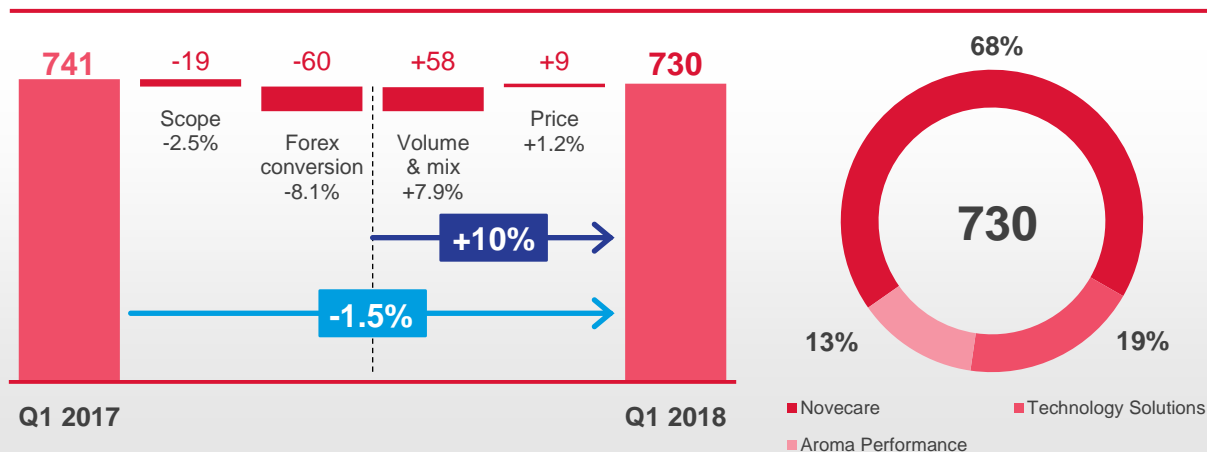
### Silica

- Energy-efficient tire demand from the market remains strong

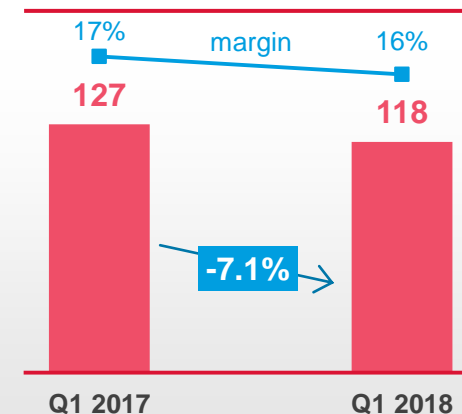


# Advanced Formulations first quarter 2018

## Net sales (in € million)



## EBITDA (in € million)



## Novocare

- Strong volumes led by Oil & Gas, with good demand from diversified markets
- Agro faced a slow start to the year

## Technology Solutions

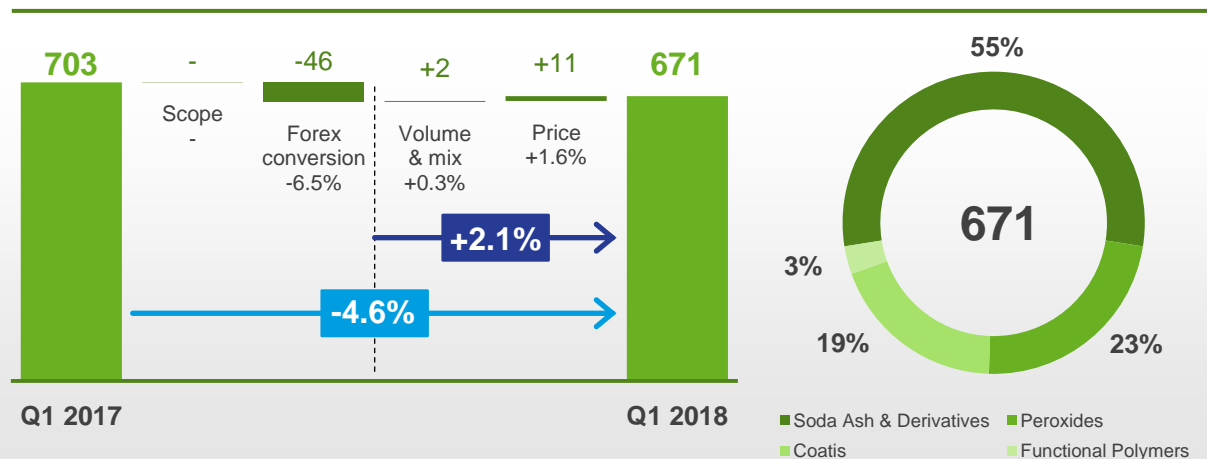
- Strong demand for phosphine specialties
- Polymer additives were stable at a high level
- Mining volumes flat on phasing effects following inventory replenishment by customers in the fourth quarter of 2017

## Aroma Performance

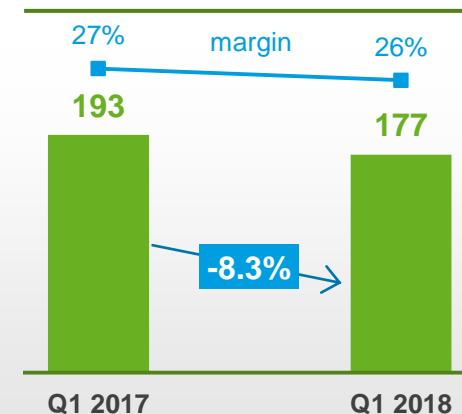
- Stable volumes in vanillin ingredients and chemical applications
- Prices edged higher after last year's competitive pressure

# Performance Chemicals first quarter 2018

## Net sales (in € million)



## EBITDA (in € million)



### Soda Ash & Derivatives

- Solid demand continued in a context of limited margin erosion
- Stable bicarbonate volumes, better product mix

### Peroxides

- Higher volumes and prices
- The new plant in China ramped up to full capacity in a positive local market context

### Coatis

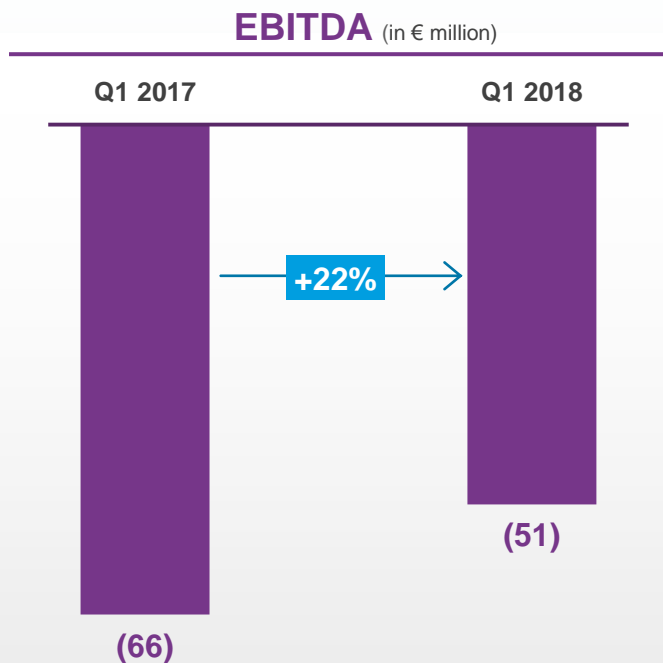
- Double-digit growth thanks to both volumes and prices
- Better domestic market for solvents and phenols complemented by exports

### Functional Polymers

- Stable environment, both in the Latin American polyamide textile business and Russian PVC activity

# Corporate & Business Services first quarter 2018

## Stable conditions



### Other Corporate & Business Services

- Positive forex conversion
- Cost reductions in **Other Corporate & Business Services** thanks to further synergy and excellence delivery, as well as phasing

### Energy Services

- Stable market environment

# ANNEXES

- Additional first quarter 2018 financial data
- **General information**
- Other financial considerations for 2018



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# Solvay

## A sustainable investment

Providing mission critical solutions in fast-growth end-markets

→ Supporting blue chip manufacturers & brands globally

Technology focused in Advanced Materials & Advanced Formulations

→ Powered by innovation & market leadership positions

Highest EBITDA margin within diversified chemical companies

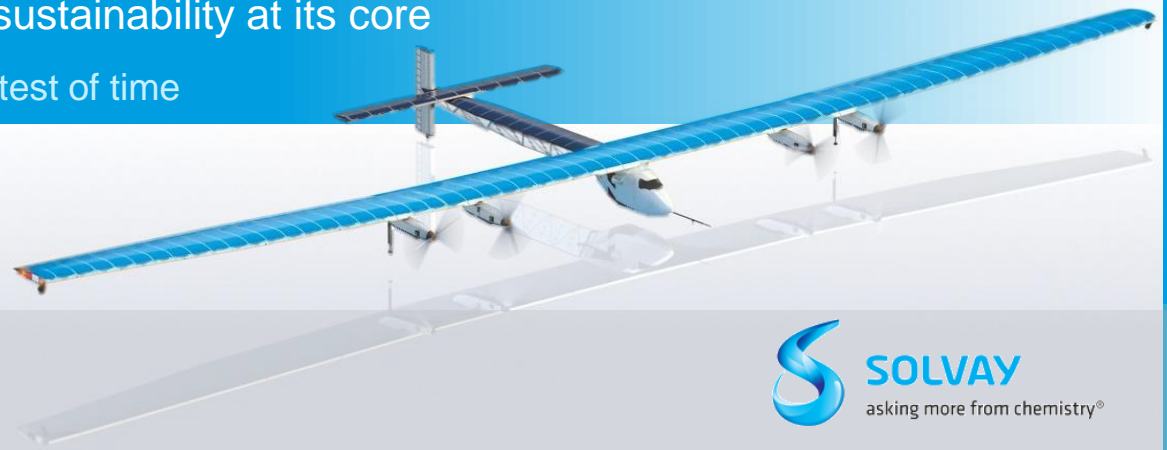
→ Propelled by volumes, underpinned by efficiency

Dividend growth over 30 years and strong cash generation

→ Driven by focus on cash returns

Futureproofing the business with sustainability at its core

→ Deliver more value that stands the test of time



# We are a world leader In the chemical industry



~26,800  
Employees<sup>[2]</sup>



61  
countries



135  
Industrial sites



21  
Major R&I sites



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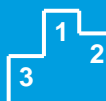
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2017

Top 3

Market position <sup>[1]</sup>



€10.1 billion  
net sales



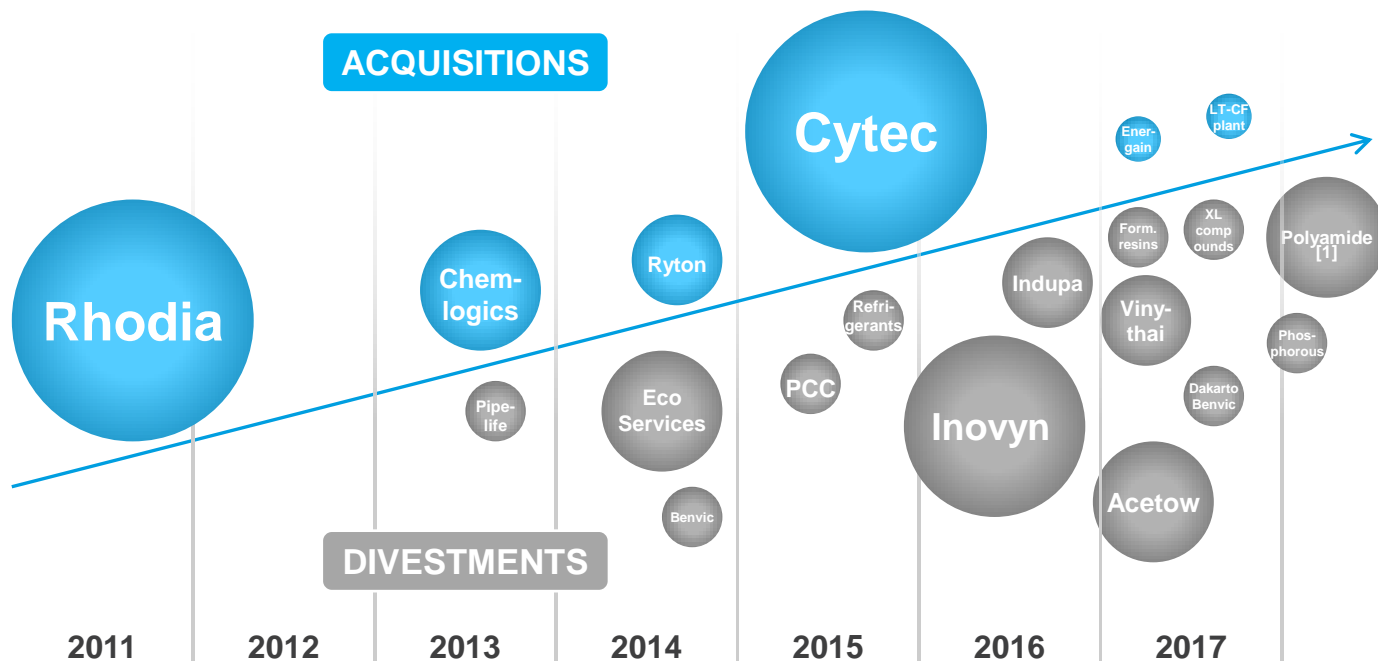
€2.2 billion  
underlying EBITDA



22%  
EBITDA margin



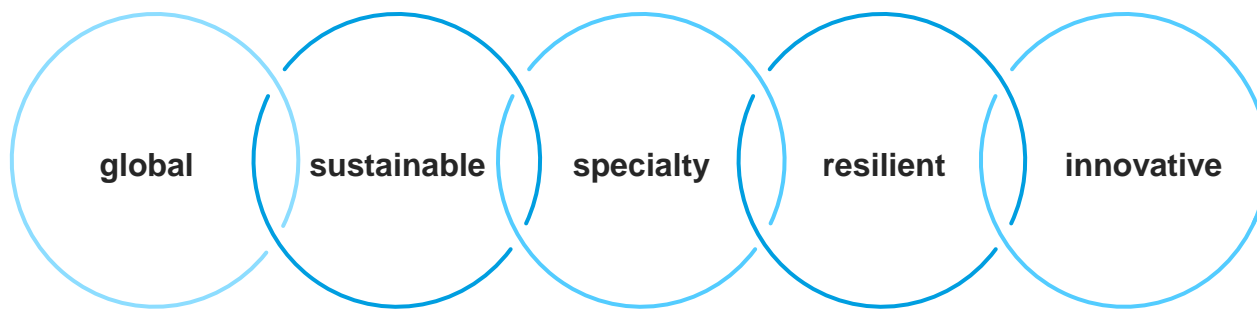
# Upgraded portfolio



Enhancing customized solution offerings

Reducing cyclical & low-growth businesses exposure

**MORE** →



# Significantly enhanced portfolio

## More global, more specialty

Net  
Sales

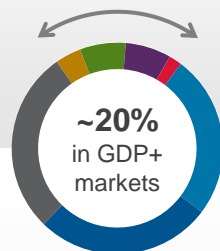
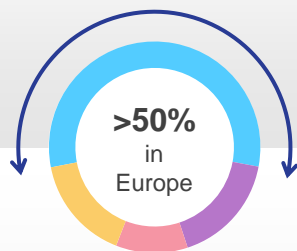
**MORE  
GLOBAL**

**MORE  
DIVERSIFIED**

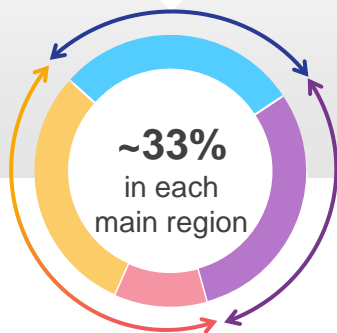
**MORE  
SPECIALTY**

**MORE  
SUSTAINABLE**

**2010**  
**€6.5 billion**



**2017**  
**€10.1 billion**



Europe  
Asia & RoW  
Latin America  
North America

Automotive & aerospace  
Resources & environment  
Electrical & electronics  
Agro, feed & food  
Consumer goods & healthcare  
Building & construction  
Industrial applications

Advanced Materials  
Advanced Formulations  
Performance Chemicals

Sustainable solutions  
Neutral impact  
Challenged applications

(according to SPM methodology)



# Enabling tomorrow

## Attractive growth markets



**20% CAGR<sup>[1]</sup>**  
**Electric & Hybrid vehicles**  
**on the road by 2030<sup>[1]</sup>**

### **High-performance polymers**

→ vehicle bodies

### **Silica technology**

→ more durable tires

### **Various active materials**

→ longer-life EV batteries



**4.5% annual growth**  
**in aircraft passengers to 2025**

### **Lightweight composites**

→ aircraft exteriors & interiors

### **Specialty polymers**

→ aircraft exteriors & interiors,  
onboard electronics

### **Functional materials**

→ engine and fuel systems



### **Resources scarcity**

### **Chemical Solutions:**

→ improve yield of mining and  
Oil & Gas exploration

### **Energy storage and photovoltaic panels**

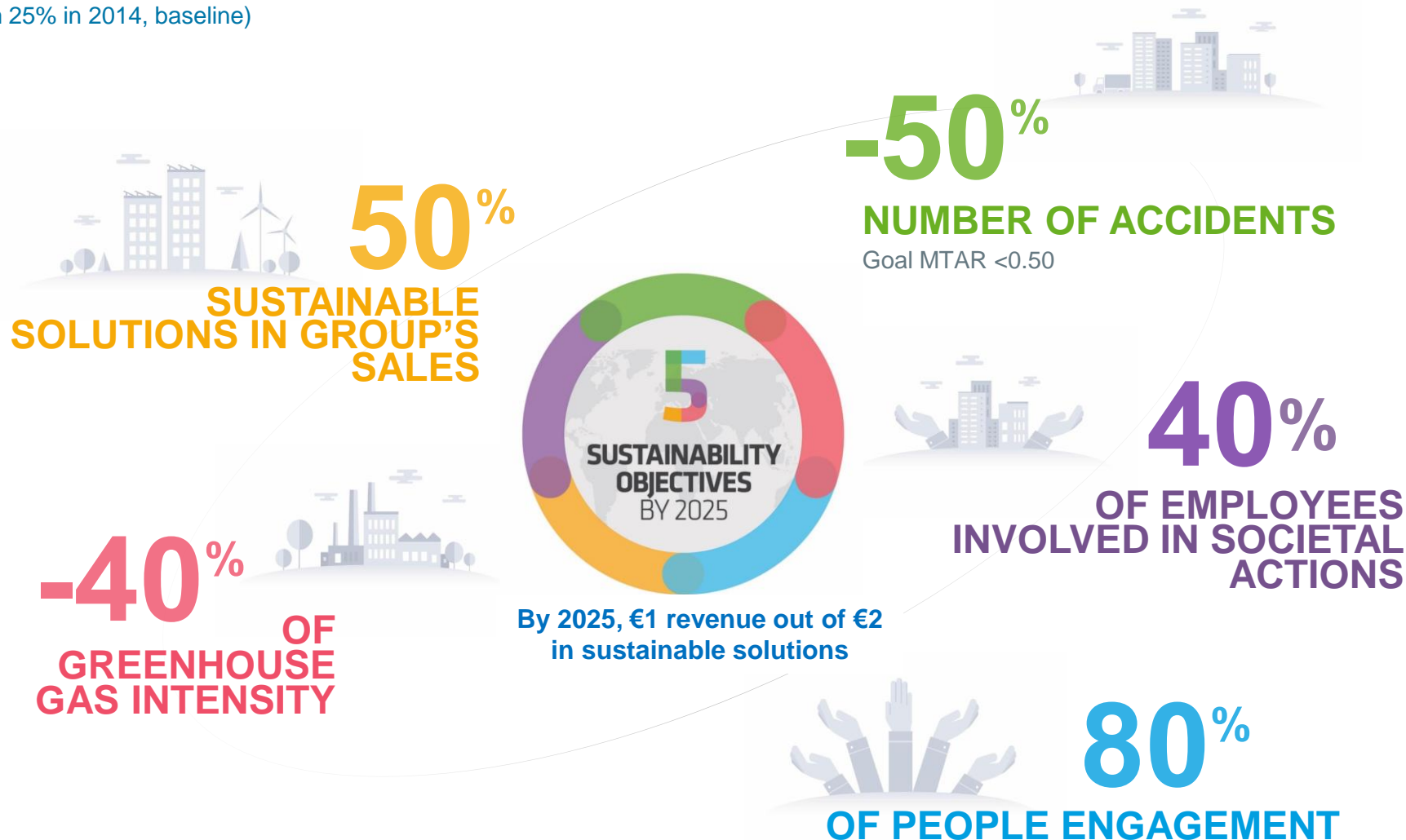


## Strategic & Superior Growth Markets

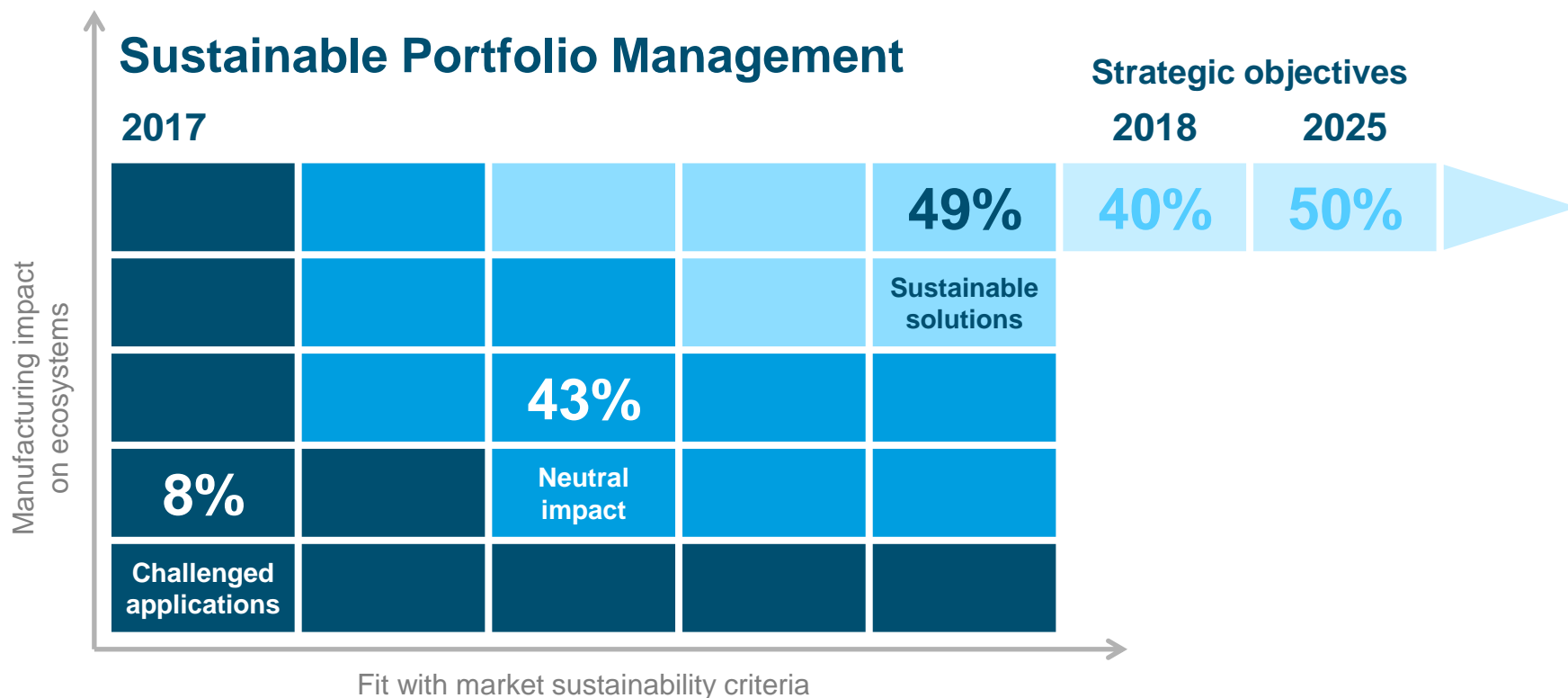
# Our strategic commitment

## Double revenue share from sustainable solutions<sup>[1]</sup>

(From 25% in 2014, baseline)



# More sustainable solutions To drive superior returns over time



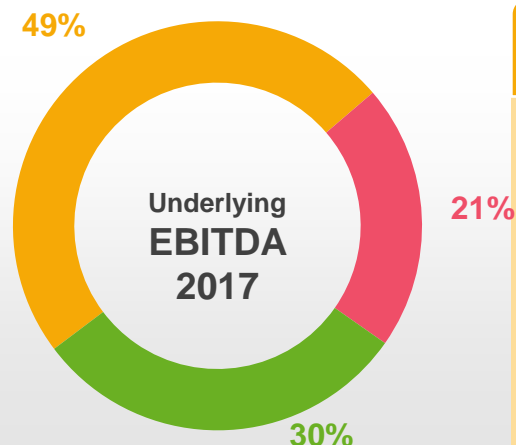
## Key levers

✓ Portfolio ✓ Capex ✓ R&I priorities

## Key impacts

✓ Part of the solution ✓ Enhanced profitability

# Growth engines deliver 70% of EBITDA



## Market positions:



Global market position in main markets addressed



Regional market position in main markets addressed

## Advanced Materials

Providing solutions for **sustainable mobility**, lightweighting, CO<sub>2</sub> and energy efficiency

Specialty Polymers (#1)

Composite Materials (#2)

Special Chem (#1)

Silica (#1)

## Advanced Formulations

Customized specialty formulations for surface chemistry & liquid behavior, **maximizing yield & efficiency** & **minimizing eco-impact**

Novecare (#1)

Technology Solutions (#1)

Aroma Performance (#1)

## Performance Chemicals

**Leading positions** in chemical intermediates through **scale & technology**, developing applications & industrial innovation for optimized costs

Soda Ash & Derivatives (#1)

Peroxides (#1)

Coatis (#1)

Functional Polymers (#1)

Net sales €10,125m

Underlying EBITDA €2,230m

EBITDA growth +7.5%

EBITDA margin 22%

CFROI 6.9%

€4,370m

€1,202m

+8.2%

27%

10.3%

€2,966m

€524m

+8.1%

18%

6.7%

€2,766m

€749m

+4.3%

27%

8.4%

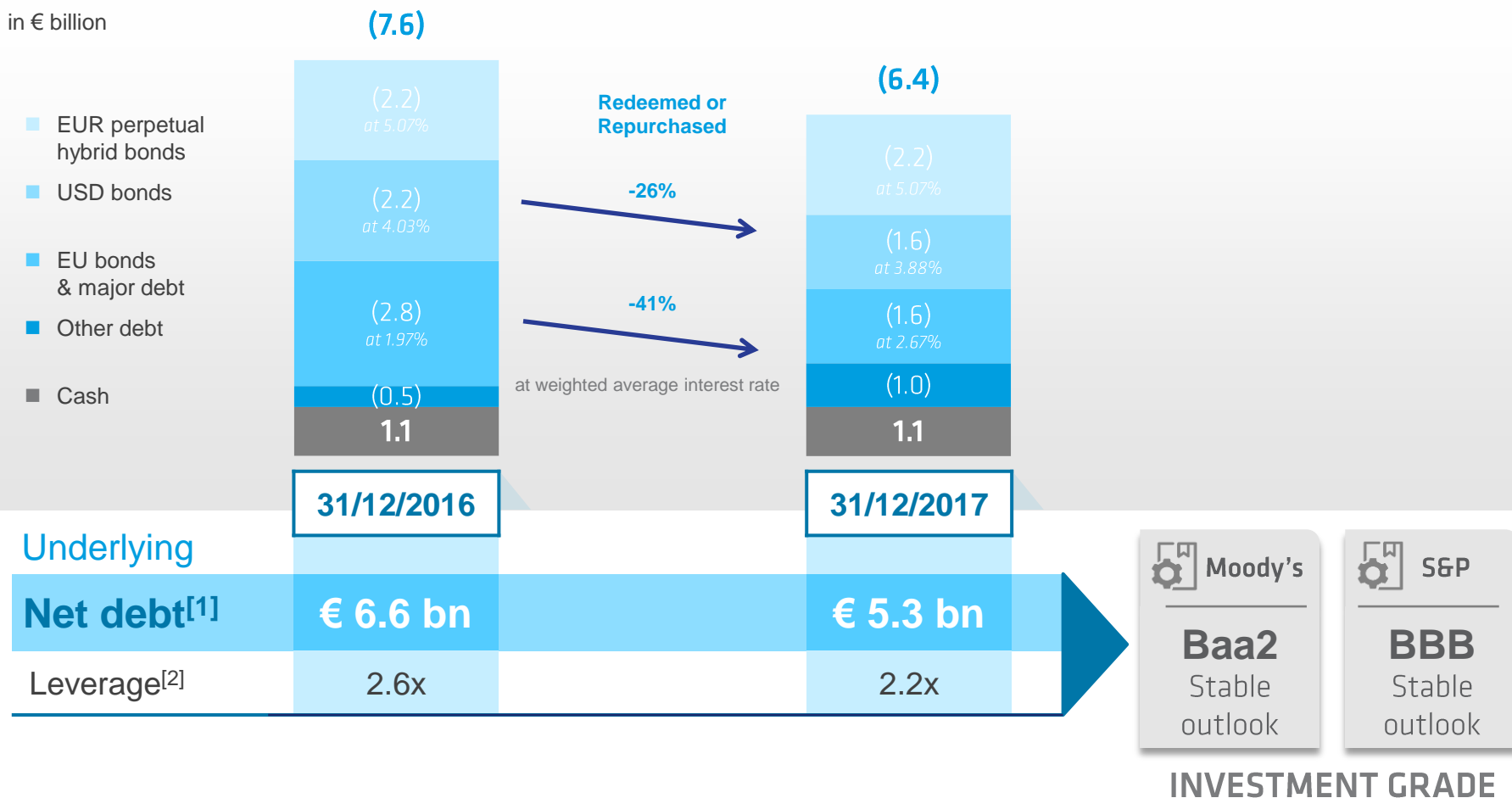


# Efficient Capital structure

## Deleveraging continues

### Underlying financial debt<sup>[1]</sup> evolution

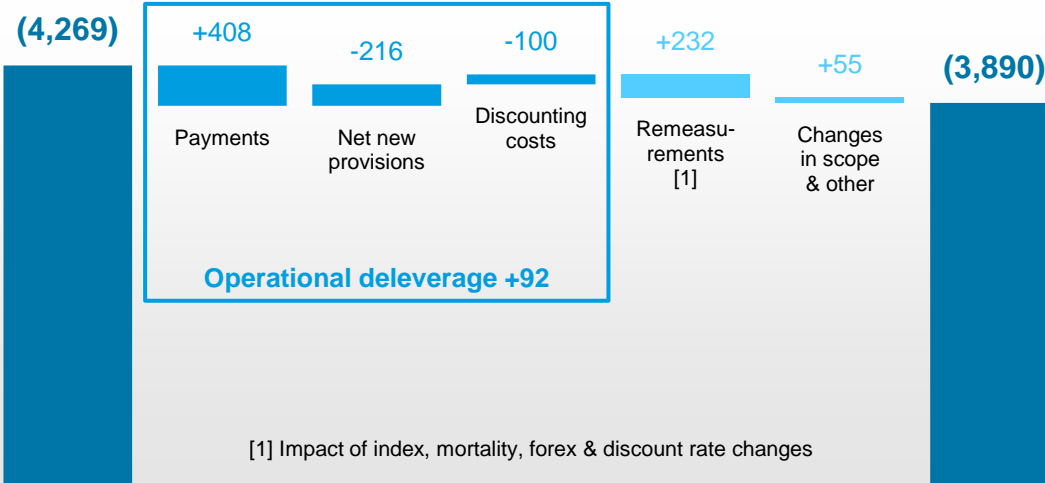
in € billion



# Provisions

## Gradual operational deleveraging

Movements  
in provisions  
in € million



	December 31, 2016	Payments	Net new provisions	Discounting costs	Remeasurements [1]	Changes in scope & other	December 31, 2017
Employee benefits	(3,118)	217	(51)	(64)	174	26	(2,816)
Environment	(737)	81	(54)	(33)	36	5	(702)
Other	(414)	110	(111)	(3)	22	24	(372)
<b>Total</b>	<b>(4,269)</b>	<b>408</b>	<b>(216)</b>	<b>(100)</b>	<b>232</b>	<b>55</b>	<b>(3,890)</b>

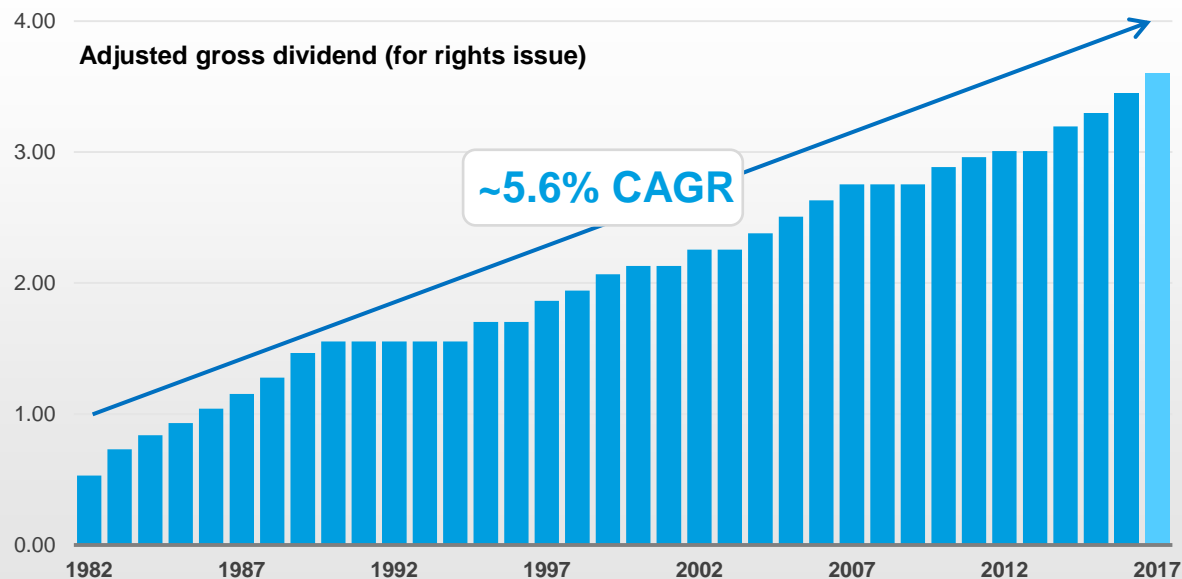
Complemented by positive impact of discount rate changes

# Rewarding shareholders

## Delivery on commitments over 35 years

### Gross dividend

in €/share



Full year dividend  
recommendation of  
€3.60 per share payable  
May 23, 2018



## Committed to stable / growing dividend

# Appendices

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# P&L considerations for 2018

## Underlying EBITDA

EBITDA to grow 5% to 7% organically, excluding forex conversion and scope effects

- Forex conversion impact estimated at €(125) million based on rates prevailing in Q1 2018 (and US\$/€ 1.25)
- Scope impact expected of €(30) million

## Scope effects

Discontinued operations consist of Polyamide

- planned to be sold to BASF
- expected to be completed in H2 2018

Scope effects include acquisitions and divestments of smaller businesses not leading to the restatement of previous periods, mainly:

- Polyolefin cross-linkable compounds in June 2017
- Formulated resins businesses in June 2017
- Phosphorous business in February 2018.

## Depreciation/Amortization

Underlying D&A expected at ~€(700)m, in line with 2017

- Excludes ~€(240)m PPA amortization
- PPA impacts related to Rhodia, Cytec and other smaller acquisitions (e.g. Chemlogics, Ryton)

## Underlying net financial charges

Underlying net financial charges expected at ~€(350)m, excluding forex impact

- Underlying net cost of borrowings at ~€(150)m
- Coupons from perpetual hybrid bonds of €(111)m
  - considered as dividends under IFRS
  - €(84)m in Q2 and €(27)m in Q4
- Non-cash recurring discounting costs at ~€(80)m

## Tax rate

Underlying tax rate expected at ~26% versus 27.5% in 2017

# Forex sensitivities in 2018

## EBITDA sensitivity

Forex sensitivity on conversion and transaction

- Immediate impact on conversion exposure
- Deferred transactional impact due to hedging (~6-12 month rolling basis)

Mainly linked to USD Sensitivity in 2018:

- ~€120m underlying EBITDA per (0.10) \$/€
- ~2/3 conversion & ~1/3% transactional

Other forex exposures

- CNY, BRL, JPY, RUB, KRW, THB

## Financials sensitivity

Net debt sensitivity of ~€140m  
per US\$/€ 0.10 change

Net financial charges sensitivity of ~€5m  
per US\$/€ 0.10 change

/€	<b>BRL</b>	<b>CNY</b>	<b>JPY</b>	<b>KRW</b>	<b>RUB</b>	<b>THB</b>	<b>USD</b>
Q1 2018	3.99	8	133	1,318	70	39	1.23
Q1 2017	3.35	7	121	1,227	63	37	1.06
(d)evaluation FC in %	-16%	-6%	-9%	-7%	-11%	-3.6%	-13%

# Cash considerations for 2018

## Free cash flow

Free cash flow from continuing operations expected to exceed 2017 level of €782m, including:

- Capital expenditure from continuing operations at ~€(700)m
- Total net cash-out for provisions at ~€(390)m, including mainly:
  - Higher pensions and related payments of ~€(235)m
  - Environmental provision payments of ~ €(80)m
  - Restructuring payments of ~ €(80)m

## Cash financing payments

Net cash financing payments at ~€(250)m  
Reduction by more than €100m

## Net financial debt

Net financial debt to reduce from €(5.3)bn at year start to €(4.1)bn at year end

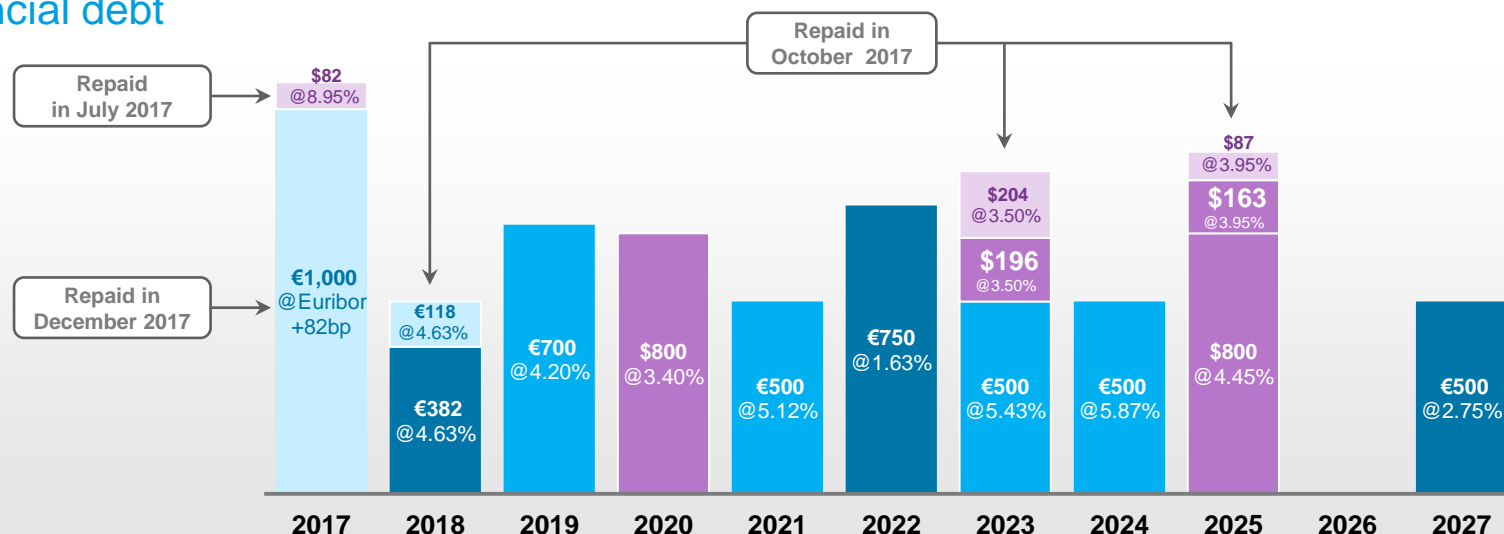
- Including expected net proceeds from Polyamide divestment of ~€1.1bn
- Leading to expected leverage ratio of 1.9x (from 2.2x at year start)

# Debt profile

## Balanced maturities allowing flexibility

### Major financial debt

in million



### Major financial debt <sup>[1]</sup>

	December 31, 2017			March 31, 2018		
	Face value	Average maturity	Average cost	Face value	Average maturity	Average cost
EUR bonds	1,632	5.5	2.67%	1,632	5.2	2.67%
EUR perpetual hybrid bonds <sup>[2]</sup>	2,200	4.1	5.07%	2,200	3.8	5.07%
USD bonds	1,634 <sup>[3]</sup>	5.7	3.88%	1,591 <sup>[3]</sup>	5.4	3.88%
<b>Total major debt</b>	<b>5,465</b>	<b>5.0</b>	<b>4.00%</b>	<b>5,423</b>	<b>4.7</b>	<b>4.00%</b>
	in € million	in years		in € million	in years	

# Solvay's ADR program

## ADRs Details

ADR Symbol	SOLVY
Platform	OTC
CUSIP	834437303
DR ISIN	US834437305
Underlying ISIN	BE0003470755
SEDOL	BD87R68
Depository bank	Citi
ADR ratio	1 ORD : 10 ADR

## Benefits of ADRs

- Clear and settle according to US standards
- Convenience of stock quotes and dividend payments in US dollars
- Purchase in the same way as other US stocks via a US broker
- Cost effective means of building an international portfolio

**For questions about creating Solvay ADRs, please contact Citi**

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# An expanded executive committee More diverse & customer-centric



**Jean-Pierre  
Clamadiou**  
CEO



**Vincent  
De Cuyper**  
COMEX



**Augusto  
Di Donfrancesco**  
COMEX



**Karim  
Hajjar**  
CFO



**Pascal  
Juéry**  
COMEX



**Hua  
Du**  
COMEX



**Cécile Tandeu  
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COMEX



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