Operator: Ladies and gentlemen, welcome to Solvay’s Fourth Quarter and Full-Year 2016 Results Conference Call for the investment community. I am pleased to present Mr Jean-Pierre Clamadieu, CEO, and Mr Karim Hajjar, CFO. For the first part of this call, all participants will be in a listen-only mode, and afterwards there will be a question and answers session. I now hand over to Mr Jean-Pierre Clamadieu.

Jean-Pierre Clamadieu: Thank you very much. Thanks everyone, to participate in our call. I know that this is a busy day within a busy week, but we are pleased to report to you what we think are strong results to finish the year 2016. So, I'm here with Karim, our CFO, and Kimberly, in charge of IR, and I will try to give you, with Karim, in as short a time as possible, to leave enough time for questions and try to give you the headlines on these results.

So again, I think a strong year where we've indeed delivered on our priorities. Maybe first portfolio transformation --- we have finalised our exit from PVC businesses. We started this project three years ago. It has been, in some cases, a long and complex project, but along the year we have finalised our exit from INOVYN. So we are not anymore in PVC Europe, we have finalised on 27th December our exit from Indupa; a rough and complex ride due to some regulatory issues with antitrust authorities which have delayed this project. And Vinythai, – it was a quick process. We've announced it in November, and as you've probably seen, we've closed this process. We've divested shares yesterday. So we are not anymore in PVC, with one exception: RusVinyl, our 50/50 JV with SIBUR in Russia. Performing well today, very good cash cost position and a business that we will continue to operate for the foreseeable future.

We have also, in terms of portfolio, announced the agreement to sell Acetow business to Blackstone. We expect to close this transaction in the first half of 2017, leaving a good business but with limited growth prospect, and which was not anymore in line with our core strategy.

On the acquisition side, 2016 was the year of the Cytec integration. Cytec is today fully integrated into Solvay, quickly and very effective as far as synergy generation is concerned. We are significantly above our initial synergy target. We've continued to work on the transformation of our portfolio. And what's important to keep in mind is that this transformation of the portfolio is also bringing a transformation in our customer list, customer profile. Our key customers today are dramatically different from those of five years ago, and we are indeed usually in a very unique position of being a sole supplier of large blue-chip companies on their most important development projects.

Going to the results, Q4 was indeed a quarter where we've seen a return to volume growth. Less pronounced seasonality than what we've seen at the end of 2015. Good growth across many diverse markets including agro, auto, consumer and healthcare, smart devices and in oil and gas, although we still see a negative comparison with Q4 2015, sequentially with the increase in oil price and with the increase in exploration and production activities in North America, we show sequential significant improvement year on year.
So full-year EBITDA growth of 7.5%, in line with our initial guidance and our mid-term strategic roadmap. Strong pricing power. We have three years of positive pricing power. Overall an impact of pricing power which is in excess of 400 million during this full year, and this illustrates the strength of our position, which allows us, in inflationary or deflationary energy and raw material environment, to continue to expand our margin, leading us in 2016 with a record 21% EBITDA margin. That is a company record – that’s very good in comparison with our European and even North American peers. And this is, again, the consequence of the quality of our portfolio.

Cytec synergies, I was mentioning it. 70 million year to date, 25 million in the last quarter, which means a run rate of 100 million. Very strong. I remind you that when we first presented this project in July 2015, we were targeting 100 million synergies in 2018, so we are significantly ahead of our expectation.

Momentum continues in excellence programs. We continue to deliver significantly in all of these improvement programs which cover the group, both in terms of geographic businesses, but also functional activities, manufacturing, commercial, supply chain. We are busy developing literally hundreds of action plans, allowing us to bring in 2016 more than €200 million of contribution to our EBITDA. Over the last three years we have a total of around 1 billion of impact, which is again, significantly ahead of our initial expectation.

This year was also a strong year of cash generation. Free cash flow at 876 million. This is clearly the consequence of a clear focus on cash generation, again in line with what we have shared with you along the year, and especially at our capital market day in September. If we look at continuing operations, which means excluding Acetow and Vinythai, we have generated 736 million of free cash flow.

Maybe just a word on non-financial performance. We are communicating, not just on financial indicators, but also on some non-financial indicators. Probably the headline in 2016 is a 19% reduction in greenhouse gases emission intensity. That’s the impact of our portfolio transformation, but also the impact of a strong focus on energy optimisation, energy mix. We want, indeed, to continue to drive our CO2 intensity down, and this year was a benchmark – or at least, sorry, a milestone in terms of reducing CO2 intensity.

So, a year in which we have continued to execute our strategy, and we were able to overcome a number of headwinds, especially in advanced materials with the smart device segment, advanced formulation with the North American oil and gas environment. And I think that this good result, despite these headwinds, reflects the strength of our multi-speciality portfolio, and our business model.

Karim, can you give us a bit more insight on our financial results? And I will then conclude with a few comments.

**Karim Hajjar:** Of course, thank you Jean-Pierre. As usual, the numbers I am going to discuss are on an underlying basis, and I am going to refer to a few slides that are available on our website. Before I get into this, I just want to clarify, for the avoidance of any doubt, that the comparatives we’re using are those that are restated for the fact that Acetow and Vinythai are treated as discontinued operations.

Let’s start with sales on slide number 13. The facts are, sales are down 5% for the full year, overall volumes are flat, but solid growth in important markets such as automotive, consumer goods, semiconductors, agro, home and personal car, and that helped to offset the headwinds that Jean-Pierre talked about in oil and gas, smart devices and aerospace.

Prices are down 2.3% in a deflationary environment with low raw material prices being partly passed through to customers, primarily in polyamide, plus there’s been some market pressure, which is totally understandable, in oil and gas and our businesses in Latin America as well.
But let’s talk about EBITDA on slide 14. Jean-Pierre did indicate the 7.5%, and the record margin is 21%. A few points I’d like to highlight in overall terms. There is strong momentum in terms of excellence and synergies, and that shows itself in two particular respects. On excellence programs, you see that’s a contribution to the positive pricing power, but also in fixed costs. The fact that our fixed costs are down €61 million despite inflationary cost increases of over €80 million, it’s testament to the real focus on cost discipline and excellence. Clearly, as you know as well, that we hedged the majority of our net transaction foreign exchange, nine months forward, and that contributed about 110 million to our bottom line in 2016.

Now, if you turn to each of the key segments, advanced materials increased 3%. Margins expanded 2% to 26%. Specialty polymers stands out with very strong performance with growth in automotive, batteries, consumer goods, healthcare, outpacing quite a marked slowdown and lower demand in smart devices. Composites, as you know, was faced with declining build rates in wide body platforms. There were inventory adjustments, which put pressure on the segment. The market now seems to have stabilised. Special chem delivered double-digit growth with good momentum, and automotive catalysts, semiconductors, whereas growth in Silica was unfortunately masked by the devaluation of the Venezuelan currency. Advanced formulation sales are down; EBITDA is down 7%, but margins were largely stable, at 18%. That, to my mind, is worth noting in particular, because that represents the variabilisation of fixed costs in that segment, and another example of this focus on the bottom-line delivery. As we know, oil and gas was under pressure throughout most of the year, and we did see a sequential improvement in Q4 against Q3, indicating that our activity is starting to increase following the higher rig counts that we’ve been noticing for a while now.

There was good growth in other Novecare markets: agro, coatings and other industrial stand out, and that helped to partially mitigate and offset the decline in oil and gas. Technology solutions, a leading business, and mining, remain resilient, and finished the year quite neutral despite the significant headwinds facing the industry.

Performance chemicals advanced by 11%; its margins achieved a new record at 28%. What did we see? We saw soda ash really going from strength to strength, specifically in bicarbonates in 2016, which had double-digit growth supported in part by the new Thailand plant, and there is good demand for soda ash, which was very much in line with the previous year, as well. Peroxide performed well, and it benefited from volume growth, with a new plant in China as well. Operational excellence really stands out as the key contributor to our performance, and that is something which really helps to preserve our leadership positions. And at least in terms of the industry cost curves; very, very strong positions. Looking forward, we do see limited impact from new capacities in 2017, although clearly, one expects some margin pressures, coming not least from increasing energy costs.

Functional polymers was a very strong performer when you see a 57% increase in EBITDA, when you see margin expansion from 9.5% to 15% in the space of one year. As you’d expect, polyamide led that strength, led that growth, with volume growth, particularly in automotive and industrial applications, but also, as you know, that growth was supplemented and really underpinned by very, very strong focus and delivery, and operational excellence.

Corporate costs, you won’t be surprised to see that they were down 5%, and that simply is the fact that we’re determined to maintain cost discipline and deliver those synergies. And that helped to obviously overcome inflation.

Now, turning to net income on slide 15, there’s little to really highlight, other than the fact that net income has progressed by 10%, aided by the fact that our effective tax rate is down from 32% to 28.5%. The other aspect is clearly as to why that improvement in tax, is driven largely by the evolution and the geographic mix of our pre-tax earnings.

Cash. Jean-Pierre has given you the headlines of our cash generation, and on slide 16, you’ll see the bridge and the key components of that. I won’t repeat what Jean-Pierre said, but I will highlight two or three things. 1) the drivers of the cash have high quality behind them, because they come from strong
profits, low CAPEX, and an unrelenting focus on working capital. Those three coincide to generate that. And the €876 million compares with €492 million last year, and it's fair to say, it's at the top end of our expectations. Nevertheless, that cash more than offset clearly all funding costs – dividend and interest – by nearly €200 million. However, adverse movements in foreign exchange meant that our net debt did not fall down, largely because of the impact of the dollar, the Venezuelan currency and the Brazilian real, and the impact of our debt. So net-net, we have a very strong balance sheet, very strong cash flow performance, and the quality is there to stay.

And with that, Jean-Pierre, I hand back to you.

Jean-Pierre Clamadieu: Thank you very much, Karim. So maybe just to conclude with the sustainability indicators that you see on slide 11. Just to confirm that, indeed, we are willing in the next two years, as we did during the Capital Market Day, when we are setting mid-term objectives, we are willing to continue to follow how we do on various metrics. I already mentioned greenhouse gases intensity, but we see indeed a meaningful reduction in 2016 due to portfolio movement, but also, the continuous effort to optimise energy consumption and CO2 emissions. Meaningful increase in sustainable solutions, which represent today 43% of our portfolio. Safety, a bit of a disappointment, with a stable performance; at a good level, but stable, and as far as safety is concerned, you don’t want to be stable, you want to be improving. And a slight improvement also in employee engagement. So again, you should continue to follow on these indicators.

Looking into 2017 and our priorities, we continue to upgrade the quality of the portfolio. Indeed, the work is not finished there, although we have accomplished some significant projects during 2016. We are willing to deliver volume growth especially on our growth engines; it will be a bit of a different year than what we’ve seen in 2016. We expect the headwinds that we’ve seen in some segments like smart devices, on North American oil and gas, turning, and we continue to expect significant growth coming from automotive electronics or aerospace. And in other business – just to mention one of them, peroxide – we will – we expect our new capacity to actually start up during the first half of the year, and this will be another opportunity for us to generate volume growth.

Based on this, our current estimate is that we should be able to generate mid-single-digit EBITDA growth for the full year, mostly driven by advanced materials and advanced formulations. Focus on cash will continue to be a priority for us, as Karim mentioned. Our target on continuing operations will be to generate more than €800 million of cash compared to €736 million this year, and this again means that we will continue to have a very disciplined approach to CAPEX. This will provide us more opportunity to reduce our debt profile going forward. All of this very much in line with the strategic program that we have announced during our Capital Markets Day, and we feel very confident that until 2018, we have all the components in place to deliver on the various objectives that we have shared with you a few months ago.

Maybe just a final word to – regarding dividend, just to say that our board yesterday decided to recommend to a shareholder meeting in May a dividend increase of 4.5% to €3.45 per share. This is both a result of our strong delivery in terms of EBITDA and cash in 2016, but also, our confidence that we will be able to continue growth, and that we are confident in our ability to create more sustainable value for our shareholders.

With that, I will open the Q&A session.

Operator: Thank you, sir. Ladies and gentlemen, we will now begin our Q&A session. If you wish to ask a question, please press the numbers 0-1 on your telephone keypad, and you will enter a queue. After you are announced, please ask your question. Once again, please press the numbers 0-1 on your telephone keypad.

The first question is coming from Thomas Wrigglesworth, Citigroup. Sir, please go ahead.

Thomas Wrigglesworth: Jean-Pierre, great, thank you very much.
Jean-Pierre Clamadieu: Hello?

Thomas Wrigglesworth: Hi, Jean-Pierre, Karim. Thank you very much for your presentation. Two questions, if I may. The first on the portfolio transition. If I could push you to kind of one key barometer that you’re looking at quarter by quarter in terms of how that transition is taking place to your expectations, you know, what is that barometer, and how that – you know, that’s the first question.

The second question is around your outlook statement. So on your guidance, you’re saying mid-single-digit EBITDA growth, which, broadly speaking, on the basis, just north of €100 million. You guide the CAPEX down of around €100 million as well, year on year. And so that gives me free cash flow increase, I think, of €200 million, and yet you’re guiding to free cash flow up only €100 million, so I’m wondering if you could help me understand that dynamic, and what I’m missing in that calculation. Thank you.

Jean-Pierre Clamadieu: I will let Karim answer the second question. I realise we’re a bit cautious in the way we present it. On your first question, I mean, it’s not easy to follow a strategic progress quarter after quarter, but I think that where we are going is rather simple. We want a portfolio made of three components: two strong growth engines, advanced materials and advanced formulations. There, I don’t expect to see much transformation, just a strengthening of our positions in the next year, probably stronger delivery of top-line synergies linked to the Cytec integration. We’re focused very much, and you will certainly understand why, on cost synergies that we have delivered in a very quick and effective way, so the next challenge for us is to make sure that the top-line synergies are coming. Then, we have a third group of businesses where we want to have long-term sustainable cash generators. I have said several times that the – that soda ash and peroxide are the two key, strong, long-term sustainable cash generators. Then we still have some movement to do to deal with other situations. I mean, there are a number of strategic questions open, strategic projects. Let’s see how quickly we can conclude them.

Karim Hajjar: On the cash, perhaps, maybe just respond to your question, Thomas. There are three things I’ll highlight. One, clearly you need to factor in taxes. There’s a modest increase in our pension costs of the order of €20-€25 million from about €185 million to €210 million, and there is also, as Jean-Pierre rightly pointed out, I’m not going to say caution, but a capacity for us to invest in our customers to follow their growth. So, having that headroom to do that is important to us and that’s how you reconcile exactly, correctly, what you said and what we’ve indicated.

Operator: Thank you, sir. The next question is coming from Paul Walsh, Morgan Stanley. Please go ahead, sir.

Paul Walsh: Yeah, thanks very much. Morning, guys, and thanks for taking my two questions. The first is just on the guidance. It sounds to me like the mid-single-digit EBITDA growth is mostly volume, provision in there for net pricing being positive or negative, obviously raw mats going up now, but is that a zero number for you this year or not?

And secondly, on the EBITDA bridge, what’s your FX assumption, because obviously euro weakness is going to start to be a tailwind for some. Just curious if you’ve baked in anything into that guidance around FX as well. That’s my first question on EBITDA guidance.

Second question on cash flow, just to come back to Tom’s question. I get the lower CAPEX benefit and the higher EBITDA benefit. Karim, I think you just mentioned there higher cash taxes. Would you expect the same cash tax rates or is that also going up?

And in terms of the other changes in net debt of 237 from last year, is that all currency that disappears this year or should we factor in something negative on that piece as well this year? Thank you.
Jean-Pierre Clamadieu: Well, regarding the EBITDA guidance, we are just exiting a year, 2016, which started slowly. We’ve seen growth building up along the year. Our current view is that indeed the EBITDA growth next year will be coming from volume growth and mostly from the advanced material and advanced formulation clusters. In terms of pricing power, after this very long sequence of positive pricing power, I would probably say that we expect a modest contribution, but I can tell you that we will continue to make sure that our teams focus on that, and in terms of fixed costs, some of the units, I was mentioning Sadara. I mean, Sadara running costs will start to impact our P&L so we’ll see some impact there.

Cytec synergies will continue but clearly the big contribution was this year, and in terms of foreign exchange, we are not very original or very creative. I mean, we have used 1.10 as a reference, which was more or less the current rate when we launched our budget process. Maybe a slight benefit in today’s condition, but certainly not something we want to build on.

Karim Hajjar: Yes. Maybe turning to your other questions on the cash and to help you with the expectations, a couple of comments. We are not going to change our guidance of around 30%. I still think that’s appropriate, because again, you’ve seen quite a 3%, 4% movement in one year because of the evolution of our profit pools, geographically speaking. So, I say around 30% is still good, it still holds.

And in terms of your other question around, can you expect debt to go down if the cash comes through? That really depends on your view on foreign exchange rates at year-end. As you know, this is more of an accounting conversion impact.

Paul Walsh: Yeah.

Karim Hajjar: anything impacts the cash. I can’t predict what’s going to happen on 31st December 2017. What I can say is given what we described and if the exchange rate at the end of 2017 are those that we saw in 2016 that you do expect deleveraging coming from operational cash flow. But to me, I’m kind of stating the obvious there.


Karim Hajjar: Thank you.

Operator: Thank you. The next question is coming from Peter Mackey, Exane BNP Paribas. Please go ahead, sir.

Peter Mackey: Morning everyone. I’ve got three questions, if I can. Firstly, to continue the debate around cash flow, that CAPEX number is a little bit below what I was expecting, even adjusted for the disposals. You talked at the Capital Markets Day, of sort of gradually bringing CAPEX down towards depreciation and it looks like 2017, it’s going to be – and it’s already going to be pretty close. Can you – I mean, is that better investing on your part, or phasing of investments, or…? You know, what has driven that further reduction in CAPEX, please?

Secondly, you talked about thinking – feeling that the composite situation’s begun to stabilise or has stabilised. I wonder if you could give us a little bit more colour around – about that. You said at the third-quarter stage you were expecting some recovery in composites really in the back end of 2017. You know, can you sort of comment around – in that context?

And then finally, on the smart devices business, I think you said before that you were expecting less quarterly volatility. It looks as if we’ve seen that in the fourth quarter relative to the third. We’ve seen a few comments from some peers suggesting that the tablets, the smartphone market’s, you know, seeming a little bit better. You know, are you still happy to – do you feel that you’re now on a run rate in the smart devices businesses, please? Thank you.
Jean-Pierre Clamadieu: Okay. Well, CAPEX. CAPEX, we are pleased with the guidance that we are giving. We still have significant projects which are in the start-up phase, which gives us the opportunity and the ability to generate growth. We think that the current level is probably a good one and with the exception of some specific, sizeable project, which could happen, although I don’t have any in mind as we speak, I think it’s probably a reference that we should use. We are doing a lot of things regarding CAPEX excellence within the group, which is really: 1) making sure that we support the right projects; second, making sure that we make the most out of every euro that we are investing. And I have to say that we are starting also to give special attention to the small projects, which at the end of the day represent a significant part of the 800 million envelopes which are done at the – decided at business level, done at – executed at plant level. We think that there are opportunities to do this a little bit better. But again, we have very well invested in past years. We have seen a number of projects starting up, ramping up. Some of them were a little bit delayed, like Sadara, which was unfortunate because it was one of the larger CAPEX projects over the past few years. But again, the feeling that we have now enough run rate to be able to operate with this 800 million.

And just to mention two projects that are about to start and probably at the right point of time, our fluorinated polymer plant in China, PVDF, coming really at the right point of time, because this is a product used for batteries and the battery market in China is continuing to grow very significantly. And then our peak facility in the US, where we see also some opportunities materialising and the plant will – should be in full production mode in the next couple of months.

Your second question? Sorry? What were you…?

Peter Mackey: Second question was just on the composites business.

Jean-Pierre Clamadieu: Oh yes. Well, composite business, we’ve seen last year a couple of events explaining a soft market. The first one is just the difficulty of some OEMs to build planes. I mean, if my memory is correct, Airbus has delivered 700 planes last year, 100 in December, so it shows that indeed, during the year, there was a very significant ramp-up in terms of production. Still a number of issues here and there. I don’t want to comment. You can read the news, but we see our customers still having difficulties to bring the new platform up to the expected production level, but overall improving.

And the second element was a bit of a destocking within the supply chain, people being a little bit worried of – because the production rate, we are not at the expected level, so we have suffered from the impact of both production rate declining, but also supply chain squeezing little bit inventories. We have seen that we are starting the year in better conditions. Run rates are more predictable, more stable, and the supply chain has done its efforts regarding inventories. We are more optimistic regarding the developments, although I still see a situation where we will see gradual improvement in composite along the year.

Smart devices, you know that we are very dependent on one customer, which is good, but we are also dependent on their own product cycle. Yes, the situation has stabilised. We have seen less volatility last year. We are seeing opportunities in front of us, with new products about to be launched, or which will be launched in – during 2017. So, clearly smart devices should be a segment bringing some growth opportunities for us.

Peter Mackey: Thanks very much.

Operator: Thank you. The next question is coming from Alex Stewart at Barclays. Sir, please go ahead.

Alex Stewart: Hi there, afternoon. Just back to Peter’s question on smart devices. Has something changed in the market, the fourth quarter of 2015 was the worst point of the last cycle, with the growth of destocking in the chain because of disappointment of the 6S. And so, it’s somewhat disappointing
that it's still negative year-on-year. I'm just interested to know if that's worse than you thought over the summer.

Secondly, can you tell us what the margin would have been in functional polymers if you'd stripped out the contribution from RusVinyl, which obviously has an impact on the EBITDA but not the revenue line, and whether that year-on-year improvement would have been the same?

And then finally, can you remind us how you're accounting for the hydrogen peroxide plant in Sadara? You've got a mix, I think, of different accounting methodologies for your H2O2 plants. And any guidance or steer you can give on the – both the earnings and the top line contribution, depending on how it's accounted for, would be very useful. Thank you.

Jean-Pierre Clamadieu: Well, on smart devices, and again, I don't want to share our customer-specific information, but I think it's quite well known that in Q4, we've suffered from significant inventory adjustment. Then the situation has stabilised, with probably a smoother supply chain management, but also a new product coming online. So, we are now getting ready for the next opportunities in 2017. And again, I see both a smoother supply chain, but also some growth opportunities in this segment.

I will turn to Karim to – are you ready to give functional Venezuela margin?

Karim Hajjar: Yes, I hesitate to give you much more detailed information than what's available. What I can say to you is polyamide itself generated a margin of around 14%, which is about 4% higher than last year. So, the majority of the improvement that you see actually is coming from that business.

Your third question was referring to Sadara and how we're going to account for it. It's going to be proportionally consolidated, which reflects the joint control nature of the arrangements that we have contractually.

Alex Stewart: Okay, thanks. And can you give any indication of the contribution? The reason I ask is that we can see your total hydrogen peroxide capacity, but because you account for different plants in different ways, it's not easy to see what the percentage increase in either your revenue or your earnings would be.

Karim Hajjar: I think that's something we can take into account and maybe reflect on how we share, once it really kicks up and start generating to the bottom line. I understand your need to really appreciate what it's adding and how it shows up. So, let's see how we take that on board. For now, I think there's nothing more that I can really say at this early stage.

Alex Stewart: Okay, very helpful. Thank you so much.

Jean-Pierre Clamadieu: Yes, but maybe just one thing, Karim. We've said in the past and we can confirm that we were expecting a contribution in the order of 50 million, including yes, including the other new peroxide plant. And in fact, what we've said – let me phrase it more precisely. What we've said is that – what we said last year is that the new peroxide capacity, mostly Sadara but a bit of the other, should bring EBITDA in excess of 50 million.

Karim Hajjar: Yep.

Jean-Pierre Clamadieu: So, I can confirm this.

Next question?

Operator: The next question is coming from Martin Roediger, Kepler. Sir, please go ahead.
Martin Roediger: Yes, thanks for hearing my question. Hello, good afternoon, Jean-Pierre, Karim. Just staying on Sadara, this 50 million, is that related already for 2017, or is that the peak earnings you expect from the Sadara and new other peroxide plants?

And in respect to Sadara, just say that there – the timing of the start-ups, would that be in the middle of this year or more the end of this year? And how do you intend the ramp-ups, over one year or two years?

The second question is on silica. You said strong volume growth in Q4 entire was offset by devaluation of the Venezuelan bolivar. Can you explain to me how important Venezuela is for your silica business?

And the third question is on Novecare. Can you talk about the sales growth in agro, please? I guess it's volume-driven. And maybe you can differentiate about the regions, how the demand was there. Thanks.

Jean-Pierre Clamadieu: No, I won't give you – I won't be able to differentiate Novecare agro sales by region. It's a little bit too specific. No, what I can say is that we are benefiting both from the volume impact in agro, but also innovation. I mean we are continuing to bring new innovative product on the agro formulation market. And what you see in terms of growth is the result of these two elements.

Regarding Sadara, unfortunately I won't share our business plan with you. I can – and regarding the start-up, you might want to call my colleague at Dow Chemical to ask him. We have our current expectation, but we have been – we – I want to be prudent, because we clearly don't control this – it's to see Sadara starting operating sometime between – sometime around the second quarter of 2017, so it will be a gradual start-up. We have some contractual arrangement which allow us to smooth a little bit this impact. But we won't see the full impact and my comment regarding – my comment a minute ago was about peak impact. We won't see the full impact in 2017. It will probably take until sometime in 2018 to see the plant reaching its peak, and then it's really in 2018 that we should have a full-year impact.

Karim Hajjar: Shall I take the silica?

Jean-Pierre Clamadieu: Sure.

Karim Hajjar: And perhaps – Martin, on the silica question, the impact of the devaluation of the Brazilian bolivar is quite simply as follows. It's about €20 million of EBITDA decline that you'll see in the FX conversion impact of our EBITDA bridge. What it means is that during 2016, that business in Venezuela has no significant impact at all on our results. So, in fact, we managed to overcome such a factor by – basically by mitigating elsewhere.

Jean-Pierre Clamadieu: No, and from a strategic standpoint, it's a very small – it's a very tiny piece of business, but we are there and we are supplying a personal care customer, which is using silica for toothpaste, so it's really a very, very small part of our silica activities.

Martin Roediger: But I thought that tires is the most important application for your silica business, and you have not so much business for dental business, for example.

Jean-Pierre Clamadieu: Yes, I mean today our silica business is mostly tires, but we continue to serve customers in various segments, oral care being one of them. And in Venezuela, our very small capacity there is just for customers -- dental, oral care.

Martin Roediger: Okay, thanks.

Operator: Thank you. The next question comes from Stephen Benson, Goldman Sachs. Please go ahead, sir.
Stephen Benson: Hi there. I had a question on the guidance, and then one on the divisions. So, your medium-term target, 5-8% growth on EBITDA, since you last updated us back at Q3 or even the Capital Markets Day, could you just help us understand what’s changed in your sort of views on 2017 that has caused you to go towards the bottom end of that? What – maybe you could rank them, like what’s prevented you from going to the same range as the medium-term target?

The second question is just on soda ash, can you give us an update on the European contract situation, when that should be finalised, perhaps, and how the ability to pass through all the higher raw materials is going?

And finally, just on functional polymers, the guidance of EBITDA flat year on year, that factors in the move of butadiene, could you just clarify that? Thanks.

Jean-Pierre Clamadieu: Okay. Just on the guidance, well, first I think it’s back to a standard year with guidance at the bottom of the range. Second, I think what we have to take into account is the fact that we don’t expect growth, neither in performance chemical nor in functional polymer, is really what it’s based on, and if you were – if you do high-single-digit growth on the advanced material and advanced formulation, you end up, if there’s no growth in the rest of the portfolio, you end up with this 5%. So, what you really have to keep in mind is that the contribution of the various segments will be very different next year – in 2017, than it was last year.

On performance chemicals, and it’s linked to your question on soda ash, we are starting to see activities coming from – new activities, I should say, coming from Turkey, so we are – the project is materialising. This being said, we expect flat to slightly growing performance of the segment, which means that what’s happening in peroxide with this Sadara and the full impact of the new Chinese capacity should lead us to, again, a stable to slightly growing performance on the cluster.

So European contract in soda ash, mostly done. Very small decrease in prices, compensated by operational excellence. So overall, I would say a good situation to start what will be a challenging year for soda ash, but in our view, a challenging year, where we’ve taken all the measures that we can to protect our positions.

Stephen Benson: Okay, and just the functional polymers? On the butadiene increase that we’ve seen.

Jean-Pierre Clamadieu: What’s your question?

Stephen Benson: The guidance for flat EBITDA in functional polymers, that bakes in the recent moves that we’ve seen in raw materials like butadiene.

Jean-Pierre Clamadieu: Absolutely.

Stephen Benson: Okay. Thank you.

Operator: Thank you, gentlemen. The next question is coming from Patrick Lambert, Raymond James. Sir, please go ahead.

Patrick Lambert: Hi, good afternoon everybody, thanks for taking a few questions. The first one, coming back to composites and materials, we see about 6% top line decline in Q4, better than year to date. And I think you mentioned you’re still cautious about the overall turnaround in terms of growth, mostly H2. Is that still the case? Can you – because when we look at, in particular, Safran’s business is doing pretty well, ramp up in Q4, I think there’s 66 engines delivered in H2 compared to 11 in H1. What keeps you a bit more cautious about the balance between the growth and the legacy projects? That’s the first question.

The second question concern, for Karim on pension, I think you mentioned 210 million on cash flow, but is that on top of the normal EBITDA pension expenses? Thanks.
Jean-Pierre Clamadieu: On what keeps me cautious, I mean, I can use your – the Safran number to make you cautious. I think the peak rate regarding the LEAP engine is a number around 2,000 or 3,000, so we are still at the beginning of the ramp up. And yes, 60 is better than 40, but in terms of kilos of resin, it’s still – we are still at the beginning of this curve, and clearly the impact of the LEAP engine won’t be material in our growth in 2017. So yes, we see ramp up, but again, slow ramp up. F-35, there is – we expect also a steep increase in the number of planes produced this year versus last, but in this project too, this is the beginning of the curve. So again in our view, better growth, inventory optimisation is behind us, it’s why we expect composite to grow in 2017, but no reason to be bullish short term. All the reasons to be very optimistic on the development in the next few years, but we are still in a year in which supply chain are being reorganised, OEMs are fighting to be able to produce the planes that their customers are expecting to see being delivered quickly. But everything is not yet running at full capacity.

Karim Hajjar: And on the pensions, Patrick, the answer is quite simply as follows. The 210 includes the cost in EBITDA, and it’s approximately 60 million EBITDA, 150 otherwise on the provisions.

Patrick Lambert: Perfect.

Karim Hajjar: Thank you.

Jean-Pierre Clamadieu: Next question?

Operator: The next question is coming from Mutlu Gundogan, ABN Amro. Sir, please go ahead.

Mutlu Gundogan: Yes, thank you, and good afternoon everyone. Two questions, the first is on the advanced materials. I see that your price mix is down 1% in the quarter. Can you tell us what the split was between price and mix, and can you also talk about – can you also tell us which businesses drove that?

And then secondly, to come back to the question about soda ash, in your outlook you talk about expected headwinds in this business. Could you provide some more detail on what kind of raw material inflation you are expecting?

And then coming back to the question on prices, or selling prices, you talked about – what are you seeing in the US and in the export market? If I look at the data I have in front of me, I see those flat to up.

Jean-Pierre Clamadieu: On which business was your last question?

Mutlu Gundogan: On soda ash.

Jean-Pierre Clamadieu: Okay. No, I mean, on soda ash, what we see today is mostly pressure, leaning to the new capacity becoming operational in Turkey, and with an impact in Europe. As I was saying, I think we’ve been able to negotiate well the contractual prices. We are expecting energy to go up in, especially coal, it’s still an important supply of energy for our business. And yes, I mean, what you’ve said about the US and export market is right. So we don’t expect at all catastrophe in soda ash. We know that there will be pressure. We know that peroxide, on the contrary will see a significant growth, and although it’s why we expect stable to slight growth in the performance cluster. What was your first question about?

Mutlu Gundogan: On advanced materials. I see that the price mix is down 1%.

Jean-Pierre Clamadieu: The answer is mixed. A bit less volumes from specialty polymer which has high margin, and a bit more from the other businesses which have slightly lower margins.
Mutlu Gundogan: Okay, that’s very clear. Thank you.

Jean-Pierre Clamadieu: So, no pressure. I mean, on each segment, no pressure or no specific pricing issues, and the overall margins are very good, but just a bit of an adjustment in mix from one quarter to the next.

Mutlu Gundogan: Understood, thank you.

Operator: There are no further questions, gentlemen.

Jean-Pierre Clamadieu: Very good, so it means that we’ve been probably quite comprehensive in the initial presentation. I would just like to thank you very much. We will see each other in May when we present our Q1 results. You can just count on us to continue to focus on our key priorities. Both for the transformation, we have still a few projects to conclude, and we are working very hard on these, and second making sure that we deliver volume growth and that this will translate, not only in EBITDA growth but also in strong cash generation for 2017. Thank you very much, and talk to you in May.

Operator: Thank you, Mr Jean-Pierre Clamadieu and Mr Karim Hajjar. Ladies and gentlemen, this concludes today’s conference call. Thank you all for participating.