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Speakers: Jean-Pierre Clamadieu and Karim Hajjar

Operator: Ladies and gentlemen, welcome to the Solvay First Half 2018 Earnings Conference Call for Analysts and Investors. 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 listen-only mode, and afterwards there will be a question and answer session. Please dial 01 on your telephone keypad to enter the queue for the question and answer session at any time. I now hand over to Mr Jean-Pierre Clamadieu. Sir, please go ahead.

Jean-Pierre Clamadieu: Thank you very much, and thanks all of you to be with us on this very busy last day of July to share our half-year results presentation. I'm here in Brussels with our CFO, Karim and our new Head of IR, Geoffroy. I would like to share, as usual, some introductory comments and then Karim will take over to drive you into more of the details or guide you into more of the details of our results.

Maybe the first comment is that we are presenting half year results. We think that it makes really sense in the business like ours to focus on, I would say, a bit of a longer term approach, so you have all the information ready to the quarter and we'll happily be delighted to answer your question, giving you specific quarterly analysis or quarterly trend if necessary but, again, I think it makes here sense to focus more on what we have been able to achieve in the half year.

So clearly I think the headline is pretty simple. We've been able to generate strong volume growth in business which are in our key growth areas, which help us compensate for the still significantly negative foreign exchange impact. Organic net sales grew 6% driven by strong volume growth in Advanced Formulation and Advanced Material. Organic EBITDA growth was 6% in line with our expectation. If you take into account foreign exchange conversion, underlying EBITDA was down 3% mainly related to the euro-dollar exchange rate.

Some comments on the market. First one is a strong demand growth in the oil and gas market, which supported both double digit top line and bottom line organic growth in Advanced Formulation. We've seen – thanks to the strong demand, we've seen both an impact on volume but also on prices. But overall the performance of the Advanced Formulation cluster was indeed very strong.

Sustained growth demand for high performance polymers continued across several applications, in particular in the automotive market, where we benefit both from the dynamic of the market but also from the fact that our technologies fit very well with the latest trend and we see us gaining share, either for the development of electric vehicles or for the use of our newest technologies instead of the traditional ones.

Steady broad-based growth continues in composites for commercial aircraft, military and returning strength in business jets and helicopters. In fact I was in Farnborough last week with our teams and we were very encouraged to see both the dynamic of the industry but also our ability to sign long-term commitments with some of our key customers including Safran, Airbus and Spirit, the company which is producing aero structures. Overall a very positive environment as far as the level of demand is concerned and we're feeling that in fact this market is turning, as we expected, as a long-term growth market.

Maybe also I'll comment on our performance chemical business because I think we are coming now with a clear answer on how Soda Ash is able to resist from the increasing capacity in Europe. We are resisting very well in the context which is pretty favourable and my expectation is that from where we landed today, we'll see that there is opportunity to return to a situation where we grow our profitability in this business.

Looking at the pricing, you see that we've been able to present slightly positive, I would say probably almost neutral pricing power which is good. It shows that indeed we are able to maintain our margins at a pretty reasonable level in an environment where we continue to see some raw material and energy inflation. And this leads to a margin very strong at a record 23%, which puts us very well within the group of European diversified chemical companies.

With that, I will turn to Karim to ask him to give us a bit more flavour on the financial results. Karim?

Karim Hajjar: Thanks Jean-Pierre. Good afternoon, everyone. As usual, I'm going to refer to some slides that you can access on our website. As you know, referred figures that are on an underlying basis and of course on a basis that also reflects the discontinuation of the polyamide activities.

I'll pickup what Jean-Pierre was talking about in terms of the market dynamics, and we're looking at our sales. If you look at slide 8, you see the fact that sales are up 6% on an organic basis and volumes and mix represented about 5% of that. A lot of that has come from our growth operating segments. So Advanced Formulations, sales were up 10% on an organic basis in the first half and that clearly is driven by strong momentum in oil and gas, where our technologies truly help our customers maximize their yield and efficiencies. Other markets supported the growth and I'm thinking here of mining chemicals where demand increased and we're also benefiting from some small mine openings. We're confident this is beginning of quite a few quarters ahead of us with similar nature.

But there is more. We've seen growth in coatings and home and personal care, which also delivered growth albeit at a more moderated level.

Turning to Advanced Materials, the fact is sales were up 4.5% organically in the half, driven by the auto market where the trends for fuel efficiency, electrification are continuing to drive the momentum, and the need for our truly advanced polymer technologies. Demand from smart devices was substantially below last year and we're expecting that trend to continue into second half and into the third quarter in particular.

As Jean-Pierre mentioned, composite sales to aeronautics is also growing significantly across a number of programmes where we are present, reflecting the ongoing need for fuel-efficient aircraft, which again require the use of high performance composites. Now the growth is broad-based. We've talking commercial and military aircraft, but it's also really pleasing to see business jets and helicopters drive that momentum as well.

Performance chemicals sales are up 4% on an organic basis and we've seen volume growth both in soda ash and in peroxides. Indeed the robust demand environment in soda ash means that our plants are operating at very high utilization levels. So all in all, good top line organic performance for the first half of the year. That said, when you factor in foreign exchange impacts, underlying sales are down nearly 2% predominantly because of the US dollar impact.

What about the EBITDA? If you turn to slide 9, what you will see is that organically it grew 6%. Now it reflects all of the benefits of the growth in volumes that I referred to previously, but also some pretty positive dynamics across many of our businesses and that helped to overcome higher energy and raw material costs such as, for example, higher fluorochemical costs in advanced materials.

Now that performance was, despite what I would consider to be modest headwinds that we saw earlier in the year related for example to transport strikes in Brazil, to a multi-week shutdown of a silica plant in China, but also despite what we had actually indicated was going to come, some EUR12 million reduction in synergies that we reflected – that related to medical benefits post-retirement benefits. Again this was not a surprise. We had flagged it early in the year. So to show that growth despite those factors gives you an indication of the sources or the quality of the growth in our portfolio.

That is not enough because really factoring the foreign exchange conversion impact as well as some scope impacts, what you see as a matter of fact is that underlying EBITDA as reported is down 3% year-on-year.

If you turn to slide 10, you will see also that our net income from continuing businesses is up 7% despite the lower EBITDA, despite the adverse foreign exchange impacts. Why is that? Two reasons. Lower financial charges. That reflects two things, deleveraging that you've seen us deliver in the last couple of years but also the optimisation of our debt. We've retired some pretty expensive debt last year and that's having a very clear impact on our results and our cash. And we also see a reduction in our underlying tax rate from 29% last year to 25% this year.

Indeed, the positive developments in the financing charters and tax rates have helped to propel our EPS, our earnings per share, from continuing businesses by nearly 9% in this half. And that's despite the adverse foreign exchange impacts.

So far as cash is concerned, we remain totally focused on generating strong cash, and converting strong profits into cash flow. The fact is that our free cash flow from continuing businesses, of 123 million, was down on last year, largely because of a modest build in working capital, which reflects the phasing of some of our sales growth late in the second quarter. The good news as well, is that the free cash flow to shareholders increased from 33 million last year, to 77 million last year. And I remind you, that cash flow measure is after financing costs. So the fact that it increased reflects two things: lower financial charges, which I've alluded to, and also strong cash flow from our discontinued operations.

Perhaps one final point before I turn back to Jean-Pierre. And that is I'll give you a bit of an update on the simplification plans we announced in the first quarter. The great news is that the dialogue with our social partners has concluded constructively, and we're now moving from planning to execution mode. As a result of the improved clarity that followed the conclusion of the social procedures, and the modest increase, actually in the number of job suppressions, we've increased our total provision by 43 million, to a total of 178 million. Though the cash restructuring expense this year is unchanged at about 30 million this year. And that is completely factored into our outlook.

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

Jean-Pierre Clamadieu: Thank you very much, Karim. So maybe just a few comments before doing the Q&A. First, I think, two key takeaways from Karim's presentation. The first one is, again, reassuring outlooks regarding Performance Chemicals. After all the questions we had in past quarters, I think it's very good to see that the business is managing very well in the current environment. And despite the new capacity coming into Europe, we see that our plants today are operating at full capacity. And I'm pretty optimistic that the combination of all the business within Performance Chemicals will indeed perform better than we expected at the beginning of the year.

Second important point is about Advanced Formulations. There were some questions in past years about the ability of this business to grow. I think what we see during this semester, show that there are indeed opportunities. It's oil and gas, but not just oil and gas. Most of the segments that Novecare serves – with the exception of agro, which was pretty flattish – have demonstrated significant opportunities for both volume growth and improved pricing.

So now, if I comment quickly on the priorities for the remaining of the year: the first one, obviously, is the completion of the Polyamide sale. You've seen that the European Commission, not completely surprisingly, is asking a number of questions, which leads us to move into the phase two approach to this anti-trust clearance. But together we are – with BASF, we are very aligned and confident regarding the completion of this project.

From an operational standpoint, we'll just confirm our guidance. We expect to generate an underlying EBITDA estimated growth estimated at 5-7% for the full year. We've just done six for this first half. And we will convert that performance into strong free cash flow. And despite the performance which was, I would say, a little bit on the soft side as far as free cash flow is concerned, for reasons that Karim has explained, we are very confident that we – for the full year, will be in line with, or exceed, our guidance. But, again, we are preparing for the future. The key priority, as I've mentioned, is really to focus on the simplification of our organisation. We want to become much more customer-focused, we want to deliver a superior customer experience to our partners. And this is why we need to have a lean and very efficient organisation.

You know also, that this year is a year where the Board of Solvay is working on CEO succession. We are still operating within the expected time frame, and I would expect a handover around year-end. We had an update on this process at the Board meeting yesterday, and I feel very comfortable that this will be the case. And we should probably expect an announcement within the month of October.

Then, last point: you know that we will be holding, with my colleagues from the executive committee, an update for our investors in London on 24th September. I hope to see a lot of you there, it will be an opportunity to have a direct dialogue. And frankly speaking, for people who wonder whether it makes sense to have such a meeting, a few months before CEO succession, I can just confirm to you that the Board is clearly very comfortable with the Solvay current strategy, and you should not expect a new CEO coming to implement a different strategy. So I think what we'll be able to share with you on September 24th will indeed make a lot of sense.

And with that, we are ready, with Karim, to take your questions.

Operator: Ladies and gentlemen, we will now begin our question and answer session. If you wish to ask a question, please dial 01 on your telephone keypad, and you will enter a queue. After you are announced, please ask your question.

The first question comes from Thomas Wrigglesworth, from Citi. Sir, please go ahead.

Jean-Pierre Clamadieu: Hello, Thomas.

Thomas Wrigglesworth: Hi gentlemen, thank you very much for your presentation. If we can focus on the free cash flow, obviously, you've restated your targets. It looks like the first half cash flow was a touch weaker from continuing operations than you'd expected. So, could you just help me understand the components that are going to either unwind from a working capital perspective in the second half, and/ or the bridge positive factors that give you conviction on that target for free cash flow? That would be very helpful.

And second question, on Advanced Formulations. Obviously, very strong performance, very strong price, and volume drop through from sales to EBITDA. Is there something in the mix of the business that has changed in this first half that is really allowing that acceleration of profitability? Some further colour around that would be very helpful. Thank you.

Jean-Pierre Clamadieu: I will take the second part, and I will leave Karim with the question on free cash flow. No, Advanced Formulation, I would say that there were – there's still some evolution in the mix. But the big elements are clearly volume, volume growth, in oil and gas but also in the other markets that we are serving. Again, we have one exception, which is the ag market, which was, I would say, pretty soft. For all the other markets, we have seen significant opportunities for volume gain, and conditions which help us improve our pricing in a context where, as we've commented for the last quarters, we have improved our position as far as access to raw material is concerned. So these are reliable key fact, and yes, we've seen a bit more of some of the higher value product being sold, but I would consider that as a weaker effect in comparison to volume and prices.

Karim, on the free cash flow.

Karim Hajjar: Sure. Thomas, on the free cash flow there are probably two key factors I want to highlight. One is the fact that 2017 performance was stronger than in 2016, which meant that the variable remuneration or bonuses, which are pre-provided for in 2017, are paid out in the second quarter of 2018. So what you, basically, have is a variable remuneration that is higher this year than last year. That is one factor to highlight.

More importantly, and the majority of the reasons for that cash flow is as I said before, which is we built some working capital, but very modest. I'll explain to you what I mean by that. Our working capital, which in gross terms, if you add up payables we see over inventories, is €4.5 billion. We're talking of 2% to 3% build, because we want to make sure we can be there for our customers with the inventories to meet strong demand dynamics. And when you see strong demand dynamics or growth in May and June, absolutely we build some working capital. We don't normally see that in the mid-November to December timeframes.

So at this point in time, things are exactly where we thought they'd be. Obviously, we look at, or I look at, some of the key more operational KPIs; overdues; days sales outstanding; days payable; inventory terms. There's not a single thing on that dashboard that is linking anything other than green. So, yes, more work to do, but we've got a good track record in terms of discipline and focus, absolutely confident we will deliver it, which is why we reiterated our guidance. Does that help?

Thomas Wrigglesworth: Is this margin, at 19%, now sustainable; is that how we should read this, given the improvement in the Novecare business?

Jean-Pierre Clamadieu: Yes. Oh, yes.

Thomas Wrigglesworth: Okay. Okay, excellent, very helpful.

Jean-Pierre Clamadieu: Next question.

Operator: So the next question is from Win Hoste from KBC Securities. Sir, please go ahead.

Jean-Pierre Clamadieu: Hello Win.

Win Hoste: Yes, sir. Hi, good afternoon everybody. I have a couple of questions. So, maybe, first could you update on the FX impact, where, given that the dollar has weakened a bit versus, maybe, the initial guidance at the start of the year? Then the second one is on the Speciality Polymers business. You hinted that a reasonably soft Q3, also for the smart devices, and then if I read your comment about will be there be improvements building into next year. Can you, maybe, talk a little bit about that? And then, thirdly, if I can come back to the CEO succession debate, what kind of profile is the board, sort of, looking for: will there be external/internal candidates? How will the transition, practically, be organised? Can you talk a bit about that as well, please?

Jean-Pierre Clamadieu: So just on FX, Karim?

Karim Hajjar: Sure. I mean there are two factors. One, the conversion effects, you can see the difference, that's essentially 7% decline if we go from the organic. The majority of that is US dollars. The Brazilian real also contributed some adverse impact. There's nothing more to share with you on that. What I what say is there's also a bit of a modest impact on our pricing power, our earnings, because of the transaction impact, but that, to our mind, is part of business and our job is to make sure we offset that. We don't normally get into the specifics of it, but I would say it still has a bit of a negative impact and a drag on our results, but our teams are… And the same with raw material costs, everything else, we go out and compete in the market to maintain our margins.

Jean-Pierre Clamadieu: On the smart devices, I think my comments will be the following. I think we are seeing soft – some softness there and probably a bit of a decrease in activity, which is linked to a couple of things. The first one is our design choices made by our key customer, which in some cases favours, in other cases don't favour our polymer solutions. And the second, our specific production forecast, but, at the end of the day, we will see less of a contribution of smart devices into our result.

Overall, I would say it's probably good news. I mean any business is welcome, but you see a bit our dependency to this specific segment, not to say the specific customer. It will continue to be a very important one, but the rest of the business continues to grow very well, allowing us to de-risk and have a better spread of activities in the Specialty Polymers – spread of exposure, I should say, in the Specialty Polymer business. So, overall, I think that we are demonstrating our ability during this year to go through this reduction of activity in smart devices without major impact on our growth trajectory.

For CEO succession, I'll be discrete, as you would imagine. I mean this is, really, a process that the board is in charge of. I'm contributing to the process, I'm aware of where we are, but I guess not at a point where we want to make too many public comment. Regarding the profile, clearly someone who can continue the transformation of the group within the strategy that the board has approved. And the board is very insistent on the fact that they want this strategy to be continued, and discussions with potential candidates are based on this assumption. We want to look in detail, both at external and internal candidates, and it's the reason why the process takes a bit of time. I would say not an extraordinary period of time, if you want to be serious.

And in the identification and analysis of external candidate, my view is that we should stay within the framework that we have announced a few months ago, which means a transition around year-end. And I expect, once again, an announcement to be made during the month of October. So this is probably the best update and summary that I can give you.

Next question.

Operator: Thank you. The next question comes from Markus Mayer from Baader Bank. Sir, please go ahead.

Jean-Pierre Clamadieu: Hello Markus.

Markus Mayer: Good afternoon, gentlemen. I have three questions, if I may? Firstly, on oil and gas again. So we've heard from other companies in this space that there's a price consciousness of oil and gas companies.

Jean-Pierre Clamadieu: There's a what, sorry?

Markus Mayer: A price consciousness, so that customers in this space are not willing to accept higher product prices, or at least trying to avoid –

Jean-Pierre Clamadieu: Sorry? Price consciousness? Oh, okay. Sorry.

Markus Mayer: Price consciousness, yeah, exactly.

Jean-Pierre Clamadieu: Okay.

Markus Mayer: Yeah. Sorry for that. But it doesn't look like that you are seeing these effects and maybe you can comment on this one?

Then, secondly, there's very strong growth in peroxide. Is this – maybe you can split it up a little; give, kind of, a flavour if this is mores coming from the volume or from the price side?

And then, lastly, the price outlook for soda ash. So prices are clearly significantly lower, less lower than feared, and also then the cash which was looking quite okay for soda ash. Maybe you can shed some light; what you are thinking, how are the soda ash prices, and the different kind of reach and the development. Thank you.

Jean-Pierre Clamadieu: Okay. So, yes, we see price consciousness of our customer in oil and gas because people are always focused on prices. But in this context we've been able, indeed, to manage pricing very well. The reason is simple, we bring some – we bring performance to our customers, and at the end of the day what they want is an overall, very competitive and effective set up. So we've been able to see, in oil and gas, both volume and price increase. This is really the result of all the efforts we've done during the past few years, where we were facing a very challenging market and we took this opportunity both to work on the improvement of the performance of our product and, at the same time, make sure we could build a much more effective supply chain in a market where we've seen a number of competitors disappearing. So we are pretty pleased with this situation that we expecting, but it's good when it happens, where we see volume opportunities, but also opportunities to make sure we get the right price for our product.

Peroxides, you're right to mention a number of positives, and our Saudi plant is ramping up or has ramped up very well. And in fact, we see a very significant – we see very significant volumes there. That's good. But we see also good news across the board. The North American situation has normalised for us, and we see some of our key customers doing well, which is good. Favourable pricing in Asia, so a pretty nice picture around peroxides.

And soda ash, I can just reiterate what I was saying. We see overall a good level of demand. Volumes from Turkey are there, but they have been absorbed by this market, in a context where we've seen a bit of a reduction of export volumes coming from China. Yes, our view today is that the price should increase in 2019, but we have not started negotiation yet with customers. But we think that the situation we had during this year, where, once again, we've not been able to fully compensate in the end-of'17 negotiation, the expected increase in energy cost, we think that this situation is now behind us and we are more optimistic regarding our ability to manage the equation better in 2019. And it's our view that things should gradually improve in the performance chemical cluster from where we are today.

Next question?

Operator: The next question comes from Geoffrey Haire from UBS. Sir, please go ahead.

Jean-Pierre Clamadieu: Hi, Geoffrey.

Geoffrey Haire: Hi, good afternoon. I've got three questions. We saw Toray overnight having reduced profitability, and one of the reasons was raw materials for carbon fibre, I'm assuming particularly acrylonitrile. Is that something that you're facing as well, in the composites business?

And then the second question I had was: it looks to me like volumes have slowed down in advanced materials in the second quarter, from 6.2% in Q1 to 4%. I was wondering if you could comment on what's driving that?

And then finally, I was wondering if you could give us some guidance for what you expect cash provisions to be, and the cash flow in the full year?

Jean-Pierre Clamadieu: Okay, I'll leave the last question from Karim.

On your first comment, we are not seeing this effect. I mean, our current contracts protect us from what Toray is experiencing, and we see a level of profitability, which is satisfactory in our composites business. I remind you that we are especially strong - when it comes to composites - on the resins, which are used in this product. We – today, we have – we are integrated internally on carbon fibre for – to further for our needs, and again, with contractual agreements, which are probably – which probably protect us from what Toray was seeing so far. The last quarter was a very good one when it comes to aerospace.

And I remind you in aerospace that we are benefitting from two large programmes, large-volume programmes, which are still in a very steep ramp-up phase from pretty low volumes to volumes which will become more and more significant. One is the F35 from Lockheed Martin, and the other one is LEAP engine. So, this is really something which will play in the next – in the years to come.

Demand on advanced materials, it continues to increase, yes. At a bit of a slower pace, and this is mostly linked to what I was commenting regarding the smart device segment. This is the only area where we see challenges, which are mostly linked to design choices, which, in this case, favour a bit less the use of some of our most sophisticated solutions. Frankly speaking, the rest of the segments and the business are doing very well.

Karim?

Karim Hajjar: So, Geoffrey, on the cash provisions, they're basically going to be broadly flat against last year. We're talking about €390 million, €400 million or so. The main component is pensions, at about €230 million, €235 million, environment and then restructuring. So, when I indicated that I expected the cash component of our certification programme to be about €30 million, that's within that figure. So – and it's actually very, very in line with the very detailed guidance we gave at the beginning of the year. Nothing new to report on that score.

Jean-Pierre Clamadieu: Now, maybe if I may complement my answer on advanced materials. Sorry, I forgot to mention one effect, which explains also this bit of a slower ramp-up, and this is linked to our special chem business. Special chem operates in one specific segment, which are insulations, blowing agents, to create insulation foams. We are using fluorinated gases to do that, and we are facing some challenges in this market, so that's another explanation. Special chem has also some growth businesses, especially the electronic-grade H202, but we are in a situation where the development in electronic-grade H202 don't compensate fully the impact that we are seeing on the insulation market. And maybe to be absolutely comprehensive, we are also seeing some softness, for obvious reasons, in the diesel catalyst market. Still, with special chem, we serve both diesel and gasoline, but probably more value added on diesel, and the market in Europe is turning quite steeply in the direction of more gasoline-engine vehicles. So, smart devices on one hand in specialty polymers, and within special chem, insulation, and in diesel to gasoline: these are really the components which explain this slightly softer growth in advanced materials.

Next question?

Operator: The next question comes from Nathalie Debruyne from Degroof Petercam. Madam, please go ahead.

Jean-Pierre Clamadieu: Hello, Nathalie.

Nathalie Debruyne: Hello, good afternoon. Thank you for taking my questions. I will start with two, actually. The first one will be, again, on oil and gas, and I'm sorry to come back on that and to be annoying. I'm just looking at the volumes, because you said you generated 7% volumes growth for the first half of the year. I'm trying to link that to what I see on Bloomberg about increased rig count in the US. And basically, I see that the rig count increased by nearly 7% in the first quarter, and then it actually accelerated in the second quarter, and now it's flattened out a bit. So, I was just wondering if you could try to indicate what kind of time lag there is between the moment that a rig is actually added on the field, and the moment when they use your product and it actually materialises into revenues for you. So, that would be the first question.

And the second one would be actually on your PVDF plant. So, I know that you already flagged last year that battery specialty polymers remained a small business for you, but given that that plant is ramping up and that now, you clearly flag it as a driver of your volumes growth, I was wondering how small is it now, or how big is it becoming?

Jean-Pierre Clamadieu: Okay, well, maybe I won't be as specific as you would like. On battery, I will ask you for a bit of patience. We will come with a more specific view on the current situation in battery and our growth expectations, which are quite significant, during the market update in September. I think that's something where we need to give a bit more visibility to the market, but I would rather wait until we have an opportunity for a bit more detailed discussion. Because indeed, this is becoming significant for Solvay, and the growth opportunities in this segment are quite impressive.

For oil and gas, a lot of people are using rig count as a simple driver for the development of stimulation activities in unconventional oil and gas. This is a bit of a simplistic proxy, because we see more and more situations where people could have different strategies once they have drilled a hole, and we see also a situation where as technology evolves, people can do more and more simulation with just one single hole. So not easy to answer to your question.

What I can mention is that we continue to see on the ground a very strong level of activities and people willing to increase the production, and this goes for more simulation. So the dynamic there is pretty good and we expect to continue to benefit from that. And by the way, the latest news on oil prices are probably also pushing for that. But don't get this simple view that people would drill a hole but next day they will do simulation using our product. Strategies and technologies are becoming much more complex and sophisticated and there is less of a link and probably even less of a set lag time between the time of a drilling and the actual use of our products. Next question please?

Operator: The next question comes from Christian Fitz from Kepler Cheuvreux. Sir, please go ahead.

Jean-Pierre Clamadieu: Hello, Christian.

Christian Fitz: Yes, good afternoon. Christian Fitz here from Kepler Cheuvreux, thank you. Two questions, if I may, small questions. First of all, regarding the outages in silica in Brazil and China, are these now fixed or to what extent do we have to count on further outages in the second-half?

And then second of all, in Novecare you already mentioned that the amount of agriculture was soft. In which geographies did you see this most? Thank you.

Jean-Pierre Clamadieu: Well the first one the answer is yes. These were very specific events. In one case, in China, it was linked to a summit which took place, an international summit which took place in the same city as we have our plant and unfortunately the Chinese authorities have asked for a shutdown of some of our supplier side – we were caught in this unfortunate situation. In Brazil this was linked to a strike of [inaudible]. So in both cases this is the [inaudible] and we should not consider this when we look forward to the performance of silica in the remaining part of the year.

I forgot your last question, the second question?

Christian Faitz: Novecare, the weakness in agriculture, if you can pinpoint those to geographies?

Jean-Pierre Clamadieu: No, I think with what we've seen is very similar to what was reported by a number of agrochemical companies. We've not seen per se a weakness. We've seen a lack of growth and in terms of geography which was clearly across the board. Again, nothing very serious or nothing very specific to us but in a context where most of Novecare businesses are generating growth. This kind of stands out as the market which has not seen similar level of growth. So next question please?

Operator: The next question comes from Peter Clark from Société Générale. Sir, please go ahead.

Peter Clark: Yes, good afternoon. It's nice to see the growth engines beat again but first question actually is not about that. It's about the soda ash. I've heard all the comments on soda ash. You obviously have a very weak comparison in the second-half, certainly one of the quarters, when the energy costs starting shooting up. Do I get the feeling that potentially at least one of the quarters you might actually see soda ash profitability up? Because you've always guided for 2019 up but actually in the second-half we might see some traction there. And then the second question is in the growth engines. It's the silica business. We just touched on that but am I right in thinking that this bulk of capacity that came on now is largely being absorbed? So in terms of profitability and margin you might have seen the trough in that business when we look forward from here. Thank you.

Jean-Pierre Clamadieu: Well on soda ash directionally I would probably consider that your comments are correct. So is it H2, is it the beginning of 2019 where we'll see a clear inflection? I don't want to be too specific but you're right to say that we've started to see higher energy cost during the second-half of 2017. So yes the comparison is becoming a bit easier for us. And yes the performance of the business is quite good.

Silica, if I leave aside the specific events that I was just commenting about, there too I would consider that your comments are reasonable. We are seeing the market adjusting to a new capacity which were brought online. We are focusing to deal with a number of operational issues which waved a bit on our profitability and we see a pretty sound market dynamic.

Next question?

Operator: The next question comes from Patrick Lambert from Raymond James. Sir, please go ahead.

Patrick Lambert: Hey, good afternoon. Three questions on my side. The first one regards pricing of Advanced Material which is still slightly down. I think it's been quite a few quarters it's down. If we could get a bit of colour of where this pricing is by business unit where it's the most down. I suppose it's silica but if you could comment on that, that would be helpful.

The second question regards Aroma Chemicals inside Advanced Formulations, seems to be pretty good volumes in Q2. If you could confirm that and the outlook and what has been driving the volume, if I'm correct?

And finally a question for Karim on the hybrids. Any update on what can be done with those hybrids, these higher coupon hybrids? Any update would be nice, thanks.

Jean-Pierre Clamadieu: So you start with the hybrids?

Karim Hajjar: Sure. I think, as you know, we're looking at all opportunities to continue to optimise our debt structure. Hybrids is the next obvious opportunity. To remind everybody, we have €700m of hybrids where the first call is May 2019 and it cost 4.2%. Clearly, if we can motivate the rating agencies to accompany us and in every fashion that says what about right-sizing that part of our balance sheet given deleveraging? Can we do it? That is ongoing work. That is an ongoing very legitimate normal conversation. Once we conclude it and once we're able to announce it we will but be clear that this is very much in our sights as a worthwhile ambition. Clearly, I expect us to make some progress on that but at this point it would be premature to indicate anything more firmly. But there is a lot of real value because essentially the hybrids will cost you 250-300bps more than the equivalent senior debts. So it's in our sights.

Jean-Pierre Clamadieu: Okay, so pricing in Advanced Materials, you're right, slight pressure there. A couple of explanations. The first one, don't forget the transactional foreign exchange which is waving a bit on us as we export.

Second, and probably in terms of business the only element where we see some pressure is the Fluor situation, the Fluorospar situation. This is linked to what I was mentioning earlier on, on the insulation market where we see a bit of a dynamic, a bit of an unfavourable dynamic which does not allow us to manage well our pricing power. But again in the overall cluster of Advanced Materials these are, I would say, second degree order impact. Overall the pricing situation especially in Specialty Polymers and in Composite is very good and we don't see any issue. By the way, the margin that we generate on this segment demonstrates that.

Aroma, good volumes, good pricing impact. So yes indeed the business is doing very well with some new products being brought into the market which are linked to the Vanillin chain but which are a bit original, especially the Bio Vanillin product which brings significant margin. So good news there in more or less on all fronts. And inhibitors too are also in the current context good opportunities so it's a small business but which is doing well.

Well I would suggest that we bring this call to a conclusion. I would like to thank all of you for your participation. Once again, if you can participate in our 24th September update for investors that will be held in London, that will be a great opportunity to catch up with you on various fronts and give you a view of where the company is going.

And with that I wish you a very nice summer and I'm looking forward to meeting you face-to-face or in another call. Thank you very much.

Operator: Thank you Mr Jean-Pierre Clamadieu and Mr Karim Hajjar. Ladies and gentlemen, this concludes today's conference call. Thank you all for your participation, you may now disconnect.