



SOLVAY

asking more from chemistry®

Shareholders' letter

November 2018

www.solvay.com

First Nine Months 2018 results

Volume growth sustained

Volumes continued to increase throughout the nine-month period, resulting in 6% organic growth of sales and EBITDA. Advanced Formulations generated strong growth, Performance Chemicals proved resilient, and in Advanced Materials, robust growth in the aerospace and automotive markets compensated for the anticipated softness in smart devices toward the end of the period. We confirm our full year growth outlook, while remaining attentive to heightened macro-economic volatility.

Jean-Pierre Clamadieu, CEO



KEY FIGURES

Net Sales

€ 7.7 bn

+ 0.5 %

+ 6 %

EBITDA¹

€ 1.7 bn

- 0.7 %

+ 6 %

incl. scope and forex conversion effects

organic growth²

Earnings per share¹

From continuing operations

€ 6.91

+ 11 %

Free Cash Flow

From continuing operations

€ 275 m

vs € 446 m

Interim dividend

Payable on January 17, 2019

€ 1.44

+ 4,33 %

¹ Underlying figures

² Excluding scope and forex conversion effects

Compared to 9 months 2017



[For complete information about Solvay 9 months 2018 results, please refer to the regulated information available on our website.](#)

Highlights of the first nine months of 2018 include:

Organic net sales growth of **6%**

Underlying organic EBITDA growth of 6% to €1,725m driven by volumes and price

All segments support **EBITDA growth**

Free Cash Flow to Solvay shareholders of **€271m**

Solvay, an advanced materials and specialty chemicals company, recorded **revenue** of € 7.7 bn in the first nine months of 2018. An organic growth of 6%, from both volumes and prices, offset scope and forex conversion effects.

In **Advanced Materials** strong growth for Solvay's polymers and composites technologies in aeronautics, automotive and healthcare, was tempered by lower demand in smart devices and fluorinated gases used in insulation, especially in the third quarter, as anticipated.

Volumes in **Advanced Formulations** were up across applications, although growth in the North American shale oil & gas market is gradually stabilizing.

In **Performance Chemicals**, higher demand for peroxides and recovery in Latin America supported volume growth.

Prices were up 2% overall. In Advanced Formulations, recovery continued in Novecare's activities and prices strengthened in Aroma Performance as well. Prices also rose in Performance Chemicals due to tight market conditions in peroxides and in Solvay's Latin American Coatis business.

Underlying **EBITDA** dropped 0.7% in the first nine months. Excluding forex conversion and scope effects, it grew 6% organically, attributable to strong volume growth and pricing power. The underlying EBITDA margin was slightly lower at 22%.

Underlying Earnings per share (EPS) from continuing operations was up 11%, at €6.91. The 19% reduction of net financial charges reflected continued deleveraging and optimization of Solvay's capital structure. Underlying tax rate was 2.5 percentage points lower at 25%

Free cash flow from continuing operations fell to €275 million from €446 million in 2017. The decrease is largely attributable to working capital needs, higher than in 2017. Inventory levels were up at the end of September, anticipating planned turnarounds in the fourth quarter, and earlier this year more variable remuneration was paid following a better prior year performance.

The interim dividend of €1.44 gross per share, a 4.3% increase, will be payable on January 17, 2019.



OUTLOOK 2018

Under current circumstances, Solvay expects:

Underlying EBITDA to grow organically at around 5% to 6%, within the range of initial guidance

Free cash flow from continuing operations is still expected above the 2017 level

PROFILE

Ilham Kadri, Future CEO of Solvay Group

I'm looking forward to joining the Group whose passion for science, its values and transformation echo my own personal and professional journey. Early next year, I will work alongside Solvay's teams to accelerate value creation based on innovation, collaboration, a customer centric culture and a clear sense of purpose. These fundamentals will guide my actions at Solvay.

Ilham Kadri

Ilham Kadri has been appointed CEO of the Group, Chairman of the Executive Committee, member of the Board of Directors, by Solvay's Board of Directors, with effect from March 1st, 2019. She will join Solvay on January 1st, 2019 and spend two months transitioning with Jean-Pierre Clamadieu, before taking the leadership role and continuing Solvay's transformation.

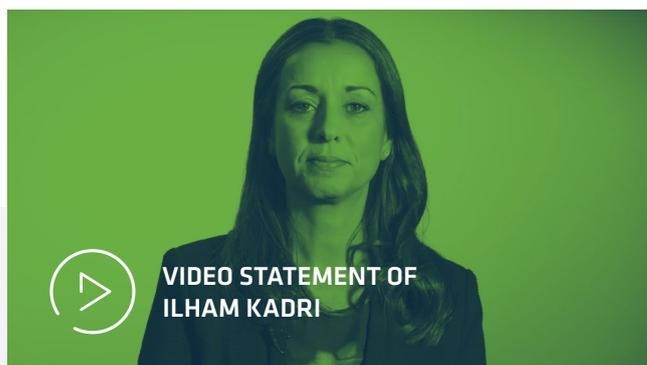
The newly appointed CEO Ilham Kadri reflects Solvay's recent journey to leading company in the fields of advanced materials and speciality chemicals, with innovative product portfolio and sustainable solutions to address next-generation mobility challenges and improve resource efficiency.

Based on its strong portfolio, we will unleash the Group's potential to achieve growth through customer-centricity, collaboration and innovation. I'm a big believer Solvay has a huge potential: just look at its people, technologies and, of course, heritage.



Nicolas Boël,

Président du Conseil d'Administration de Solvay,



Ilham Kadri

Future CEO of Solvay Group

Follow Ilham Kadri
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Resume

Ilham Kadri is President and Chief Executive Officer of Diversey, a global leader in hygiene, cleaning solutions, food safety and infection prevention. U.S.-headquartered Diversey, owned by Bain Capital, has 9,200 employees and generates a turnover of \$2.7 billion. Dr. Kadri is also board member at A.O. Smith, a U.S.-based leading global manufacturer and supplier of water heating equipment.

Dr. Kadri is a world citizen with Moroccan-French roots and professional experience across four continents. During her 22-year career, she has held diverse positions at top multinationals including Shell-Basell, UCB-Cytec, Huntsman, Rohm Haas-Dow Chemical and Sealed Air.

Her responsibilities have included research & development, strategy, business and digital in industries spanning automotive, aerospace, oil & gas, mining, water desalination, construction, consumer goods, food service, hospitality and healthcare. She has overseen transformations through multiple mergers and acquisitions.

Ilham Kadri led the turnaround of Diversey, starting in 2013, when she joined Sealed Air, the company's owner at the time.

She grew Diversey's performance and in 2016, led the spin-off of operations which resulted in the acquisition by Bain Capital.

At Diversey, she delivered annual double-digit profit and revenues growth since 2013, while the company expanded into high-performance sectors such as health care and food service. Employee engagement doubled to a record of 80% in 2016 as she gave the business a clear purpose in strengthening performance and rewarding merit.

Ilham Kadri is committed to diversity and inclusion, mentoring young women and promoting female leadership in science, technology, engineering and mathematics. Throughout her career, she received awards for fighting illiteracy, for developing charity and for her business leadership.

She holds a degree in chemical engineering from L'Ecole des Hauts Polymères in Strasbourg, and a PhD in macromolecular physico-chemistry from Strasbourg's Louis Pasteur University.



Analysts' views



The future CEO has a very international profile, which is positive in our view as Solvay has become a multinational company, even more after its transformation that started in 2013.

Nathalie Debruyne, Degroof Petercam

After an extensive portfolio transformation, we would expect her first priorities are on organic growth as well as a further streamlining of the organization.

Wim Hoste, KBC Securities



Ilham Kadri has a strong track record, a long experience in the chemicals industry (together with her chemical academic background) and comes from outside the Group and therefore might change Solvay's culture further.

Markus Mayer, Baader Bank



Recognition in 2018

- In 2018, Solvay received a rating of AAA (on a scale of AAA-CCC) in the **Morgan Stanley Capital International (MSCI) ESG Ratings assessment**.
- Solvay was confirmed for the second year in a row as a constituent of the **World Dow Jones Sustainability Index (DJSI World)**, underlining the Group's commitment to improve its performance in sustainable development as a part of its business strategy.
- Solvay received the **Integrated Thinking Award** from the Institut du Capitalisme Responsable, underlining Solvay's work for the realization of the 2017 annual integrated report.
- Solvay has been nominated by the **Finance for the Future Award** from the Institute of Chartered Accountants in England and Wales (ICAEW)
- Solvay has been nominated by the **Association of Belgian Financial Analysts (ABAF)** in the Best Financial Communication category.
- Solvay's Corporate Social Responsibility Engagement has been recognized by **EcoVadis**, the first collaborative platform providing Supplier Sustainability Ratings for global supply chains, as 'Advanced', confirming Solvay's spot in the top 1% of all chemical companies assessed in 2018.



TO A STRONGER SOLVAY: our potential for growth

OUR STRATEGIC JOURNEY TO A STRONGER SOLVAY

Did you know?

Solvay underwent a breakthrough transformation over the past five years making major acquisitions and divestments and taking one bold step after another. Today, the Group is more sustainable, profitable, innovative, specialised, and global. So where does it stand today compared to five years ago? Watch the video and find out more...



During the Investor Update last September 24 in London, Solvay updated investors on its portfolio, with Next Generation Mobility & Resource Efficiency as key markets and levers to enable the Group to deliver superior and sustainable value growth.

Solvay's profound transformation has delivered strong profits, cash and returns.

Jean-Pierre Clamadieu, CEO



Karim Hajjar,
Member of the Executive Committee & CFO

KEY FIGURES

Profits

+6 to 9 %

Organic¹ underlying EBITDA growth
yoy average
At constant scope & forex

Cash

+10 to 15 %

Free cash flow to Solvay shareholders
At constant scope

Returns

+50 - 100 bp
over 3 years

CFROI

Planet

1 million ton CO₂
by 2025

GHG emissions
In absolute value, at constant scope

Sustainability

**Reconfirming other
extra-financial
2025 objectives**

Safety, societal actions, employee
engagement & sustainable solutions

What is the Group's growth potential?

Between 2019 and 2021, Solvay expects a mid-term annual growth potential for underlying EBITDA of 6 to 9% organically.

Advanced Materials

+ 6 to 10 %

driven by leading market positions and unmatched combination of high-performance polymer and composite technologies, which offer solutions for next generation mobility, mainly to improve energy efficiency of aircraft and cars ;

Advanced Formulations

+ 6 to 10 %

driven by leading market positions and tailored surface chemistry solutions mainly to improve resource efficiency in mining, oil & gas and agro, while minimizing the environmental impact;

Performance Chemicals

+ 2 to 6 %

based on recovery in the soda ash business, reflecting its global leadership with world-class assets.

Free cash flow to Solvay shareholders has the potential to grow by 10 to 15% on average per year. Continued disciplined capital spend and lower financial charges from expected deleveraging should contribute to the strong growth.

* Free cash flow aux actionnaires Solvay, après déduction des charges financières et du dividende aux minoritaires

Cash Flow Return On Investment (CFROI) has the potential to increase 50 to 100 basis points over the next three years, cementing returns firmly in the value creation zone, a level that was reached in 2018 for the first time in more than a decade.

Looking ahead, Solvay will leverage on its differentiated technologies and its simpler, customer-focused organization to continue to innovate and generate superior growth.

¹ Excluding scope and forex conversion effects

Solvay in the driver seat for Next Generation Mobility with the specialty polymers & composites technologies of Advanced Materials

KEY TRENDS

- Aerospace ramp-up and higher composite usage
- Automotive technology shifts / electrification
- Other markets' needs for high-performing polymers (including healthcare & electronics)

SOLVAY STRENGTHS

- Unmatched portfolio of polymers & composite materials
- Innovative & tailor-made solutions for challenging applications
- Deep application expertise & customer intimacy

Solvay leadership is based on a portfolio of technologies, polymers and materials unmatched in our industry. This portfolio is a major asset to our customers: it enables us to develop with them advanced solutions thanks to the deep technological knowledge of our teams. Long-term contracts signed in recent months with Airbus, Bell, Safran and Spirit demonstrate our ability to implement sustainable strategic partnerships. These alone are worth more than €1 billion.



Augusto Di Donfrancesco,
Member of the Executive Committee

Solvay as unique provider of surface chemistry solving resource constraints challenges with Advanced Formulations

KEY TRENDS

- Maximize mining yield as ore quality degrades
- Greater demand for metals related to electrification
- Improve Oil & Gas productivity while reducing eco impact
- Agro and other markets' need for greener solutions

SOLVAY STRENGTHS

- Innovative technologies to improve process yield and reduce eco impact
- Customer intimacy to capture market trends and needs
- Global outreach allowing geographical expansion

If we can say what we do for our customers in only four words, we do more with less. We do improve the production processes of our customers. We increase the efficiency of their assets. We increase the yields. How do we do that? By consuming less: less natural resources, less use of fresh water, use of energy and on top of that reducing the environmental impact of the activities of our customers.



Vincent De Cuyper,
Member of the Executive Committee

Leadership positions in Performance Chemicals support growth

KEY TRENDS

- Strong demand in main markets of flat glass, container glass, household goods & packaging
- Tightening of soda ash supply
- Strong demand for Peroxides

SOLVAY STRENGTHS

- Maintaining a competitive industrial footprint & world class assets
- Price increases
- Focus on cash

With these key trends and resilient demand, it's no longer about cyclical activities. Finally, all end markets are consumer products, a very strong and resilient market. Solvay has been extremely active to invest in technologies, to improve our processes while streamlining, optimizing our cost base for every opportunity.



Pascal Juéry,
Member of the Executive Committee

Solvay's ambitious commitment to fight climate change

We have set CO₂ reduction targets in absolute terms, ensuring that our growth does not come at the expense of the planet, and placing us at the forefront of the chemical industry.

In setting an objective in absolute terms, Solvay is among the first chemical groups to decouple its emissions from its growth.

Solvay commits to **reduce greenhouse gas emissions by 1 million tonnes by 2025:**

- by improving its energy efficiency & the energy mix
- and by investing in clean technologies.



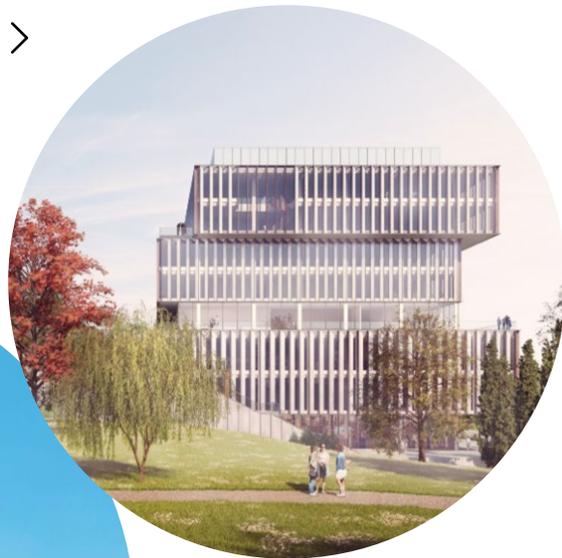
Solvay will offer its Brussels and Lyon sites with brand new, unique and modern buildings to transform them into dynamic centers favoring collaboration, innovation and sustainability.

These new workspaces, more representative of the Group and its culture, will enable and unleash the acceleration of the growth and development required by Solvay's transformation.

Brussels

The site will be dedicated to high-technology innovations in chemistry and advanced materials.

From there, Solvay's mission is to grow its own Research & Innovation (R&I) activities, as well as those with its partners, creating solutions for a rapidly advancing society, today and tomorrow.



Lyon

Located in Lyon's renowned 'Chemical Valley', the Saint-Fons research center will be turned into the Group's largest Innovation & Technology Center.

The new I&T Center will develop innovative chemistry for energy, high-tech materials and performance formulations based on advanced technologies - from research & development to industrialization.

The I&T center will work closely with the future Material Science Application Center (Brussels).





Evolution of Solvay Share Price

THE FIRST NINE MONTHS 2018 SAW THE RETURN OF MARKET VOLATILITY

Solvay stock showed relative resilience since its first half earnings, supported by the Investor Update event, the announcement of our new CEO Ilham Kadri and strong organic growth.

Since the end of the summer, financial markets' volatility has been rising on the back of:

- > mounting geopolitical and trade-related tensions impacting negatively the global growth, and notably the Chinese one
- > US monetary policy tightening on the back of over-heating economy leading to stronger US dollar that has impacted emerging markets
- > high raw materials and energy prices translating to inflationary pressure and

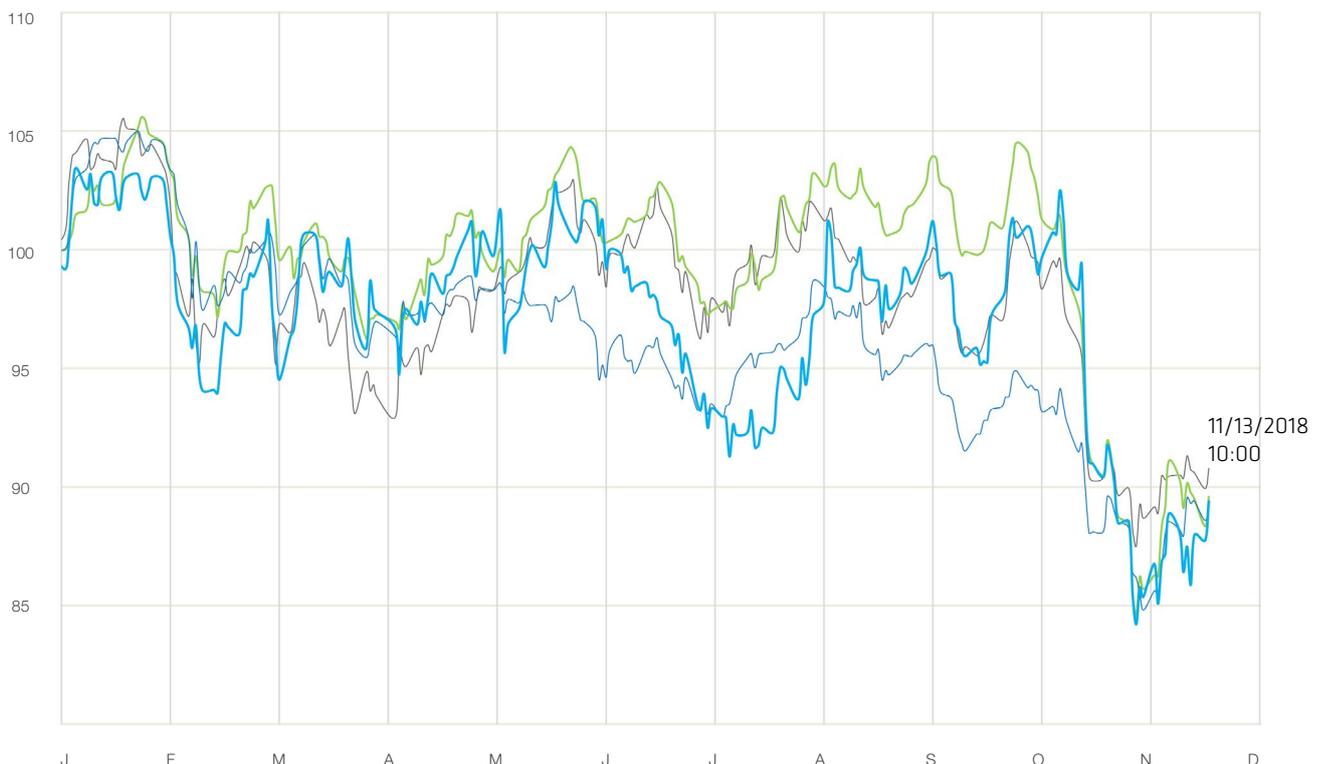
Solvay is included in major indices: Bel20, CAC Next 20, STOXX family (DJ Stoxx and DJ Euro Stoxx), MSCI index, Euronext 100 as well as the DJSI World Index and the FTSE4Good, one of the key indices for socially responsible investment.

- > EU economy impacted by the Italian budget-related tensions and Brexit-related tensions.

In this increasingly uncertain environment the vast majority of stocks and indices retreated, particularly in October.

Since the start of the year, **Solvay's shareprice** decreased in line with **BEL20** (~ -11%), **Euro Stoxx Chemicals** (~ -10%) and **Solvay's Diversified Peers*** (~ -11%).

*Akzonobel, Arkema, BASF, Clariant, DSM, Evonik et Lanxess





Interim dividend

The Board of Directors approved the payment on January 17, 2019 of an interim dividend of **€1.44 gross per share**.

INTERIM DIVIDEND

Payment	January 17, 2019
Criterion date (last date cum-coupon)	January 14, 2019
Quotation ex-dividend from	January 15, 2019
Record date (dematerialized shares)	January 16, 2019
Notification of the operations relative to registered shares, at the latest	January 8, 2019

FINAL DIVIDEND

Decision by the Board of Directors	February 26, 2019
Payment	May 23, 2019
Criterion date (last date cum-coupon)	May 20, 2019
Quotation ex-dividend from	May 21, 2019
Record date (dematerialized shares)	May 22, 2019
Notification of the operation relative to registered shares, at the latest	May 14, 2019



Final dividend to be approved at next Shareholders' Meeting.

Solvay 2019 Annual Shareholders' Meeting will be held on May 14, 2019 in Brussels.

How can you join?

Regardless of the number of shares they hold, all registered shareholders are invited to take part in the Shareholders' Meeting. The Meeting is a special opportunity to talk with Solvay's Management, learn about the Group's results and objectives, and take part in the decision-making process.

Shareholders' Services

SOLVAY INVESTORS' CLUB

Created in 2014, Solvay Investors' Club is dedicated to private investors who are particularly interested in the life of the Group and provides its members with a better understanding of Solvay, its businesses and its activities.

Timely information

To keep Club members updated with the latest news about the Group, we send several publications such as:

- A **Shareholders' Guide**
- Quarterly infographics related to the **earnings** publication
- An annual Shareholders' Letter
- Invitations to dedicated **events**

I'd like to sign up to the Investors' Club

Register to the Club on **solway.com, Shareholders' Corner** section and receive automatically throughout the year:

- invitations to Solvay's individual investors' events
- emailings about the Group's activities
- our **press releases**
- notification on the **annual report** publication



Did you know that registering your shares would make you benefit from the following services?

- Free custody and administration fees
- Personalized notice of meetings and notice of attendance to the Annual General Meeting automatically sent
- Dividend report sent with all the useful information to follow the payments
- Press releases or financial publications sent via email

The Solvay website **www.solway.com** gives access to a wide range of regularly updated information on the Group and its activity.

A specific section is dedicated to the financial community and **Solvay Shareholders** (this section is available in 3 languages). Among the different features, you will have a direct access to the **share price**, the events calendar, press releases and presentations, in particular the **Shareholders' meeting**, which can be watched on replay.

Communication media can be viewed in the **Events calendar** section along with the retail presentations and the annual integrated report.

Solvay also sends out Group news by email to web users who sign up to the Investors' Club.

[Subscribe to Solvay accounts on social networks to follow instantly the Group latest news](#)





Next retail event

Next Saturday November 17, come and meet us at Tour & Taxis Brussels for the 13th edition of Finance Avenue, the largest stock exchange fair for investors and savers. **Solvay Investor relations team will be present at Solvay booth to answer your questions.**



Presentation by Geoffroy Raskin

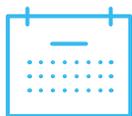
Head of Investor Relations,
at 10:15

Free entrance



Contacts

- > Retail Investor relations
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- > Shareholders' services for registered shares
shareholders@solvay.com



Agenda

November 17, 2018

Finance Avenue

January 17, 2019

Payment of the 2018 interim dividend

February 27, 2019

Full Year 2018 Results

End of March - early April 2019

Annual Integrated Report 2018 publication

May 7, 2019

1st Quarter 2019 Results

May 14, 2019

2019 General Shareholders' Meeting

May 23, 2018

Payment of the 2018 final dividend

July 31, 2019

1st Half Year 2019 Results

November 7, 2019

9 Months 2019 Results

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Follow us :



As an advanced materials and chemical company, we are committed to developing chemistry that addresses next generation mobility and improves resource efficiency. We innovate and connect with our customers and partners in diverse global end markets. Our products and solutions are used in planes, cars, smart and medical devices, batteries; in mineral and oil extraction, among many other applications promoting sustainability. Our lightweighting materials enhance cleaner transportation, its formulations optimize the use of resources and its performance chemicals improve air and water quality. Solvay is headquartered in Brussels with around 26,800 employees in 61 countries. Net sales were €10.1 billion in 2017, with 90% from activities where Solvay ranks among the world's top 3 leaders, resulting in an EBITDA margin of 22%. Solvay SA (SOLB.BE) is listed on Euronext Brussels & Paris (Bloomberg: SOLB.BB - Reuters: SOLB.BR) and in the United States its shares (SOLVY) are traded through a level-1 ADR program.

Financial figures take into account the announced divestment of Polyamides.