Press release
Inside/regulated information
July 31, 2019
at 7 a.m.

2019 second quarter and first half results

PROFIT	Underlying **EBITDA** **Q2: €624m -5.2%** [1] **H1: €1,195m -3.1%** [1]	- Net sales were up +2.6% in H1, and underlying EBITDA was -0.5% as forex conversion effects compensated for an organic [1] decrease of -3.1%. In Q2 Underlying EBITDA was down -5.2% organically [1]. The organic decrease includes the net year-on-year effect of one-time events of -1% and -2% for H1 and Q2 respectively. - Positive net pricing partly offset lower volumes and higher fixed costs resulting from the challenging macroeconomic environment. - Underlying EBITDA margin in H1 remained solid at 23%.
	Advanced Materials Q2: €300m -17% [1] H1: €590m -12% [1]	- Underlying EBITDA in Q2 decreased -17% organically [1], leading to an H1 performance of -12% organically [1] - Double-digit volume growth in composites to aerospace partly offset declines in automotive and electronics markets
	Advanced Formulations Q2: €138m -9.2% [1] H1: €264m -5.8% [1]	- Underlying EBITDA in Q2 was down -9.2% organically [1], bringing H1 EBITDA to -5.8% organically [1] - Lower volumes in oil & gas market, which remains challenged, while other markets, including mining, agro and aroma performance, were more supportive.
	Performance Chemicals Q2: €224m +12% [1] H1: €430m +11% [1]	- Underlying EBITDA in Q2 grew +12% organically [1], contributing to H1 organic [1] growth of +11% - Higher prices and operational excellence supported growth, while demand remained solid.
	Underlying **EPS** [2] from continuing operations **Q2: €2.30 -13%** **H1: €4.30 -6.7%**	- Total underlying EPS [2] in H1 was €5.89, up +4.4%, including a strong contribution from discontinued polyamide activities. - Underlying EPS [2] from continuing operations was down -6.7% in H1 on lower EBITDA and a higher tax rate.
CASH	**FCF** to Solvay shareholders from continuing operations **Q2: €123m +€240m** **H1: €33m +€51m**	- Free cash flow to Solvay shareholders turned positive to €33 million in H1, resulting from significantly stronger cash generation in the second quarter of €123 million, due to strong inventory management. - Total Free cash flow to Solvay shareholders was €191 million in H1, exceeding free cash flow in H1 2018 by more than €100 million, thanks to a strong contribution from the discontinued Polyamide activities.
OUTLOOK	**2019 full year outlook confirmed**	Despite continuing headwinds in certain end-markets, Solvay confirms its full year outlook: - Underlying EBITDA to be flat to modestly down organically [3]; - Free cash flow to shareholders from continuing operations to be around €490 million [4].

CEO Ilham Kadri commented: "Solvay's results in the second quarter met our expectations. Growth in aerospace, mining, agro and Aroma Performance was offset by the headwinds in automotive, electronics and oil & gas. Against this backdrop, we focused on actions within our control – cash, costs and pricing. We are progressing on our comprehensive strategy review, with a clear objective of unleashing and accelerating value creation. We look forward to sharing our strategy roadmap when we report our third quarter results in November."

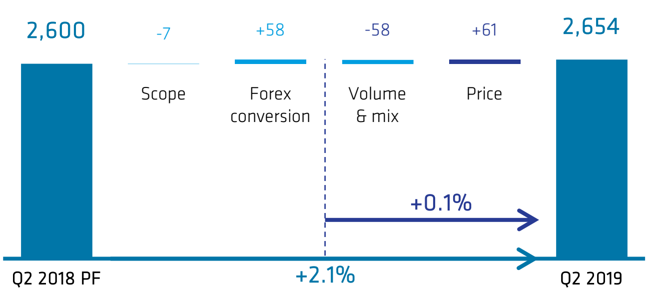
All comparisons are made year on year with 2018 pro forma figures, as if IFRS 16 had already been implemented in 2018, unless stated otherwise.

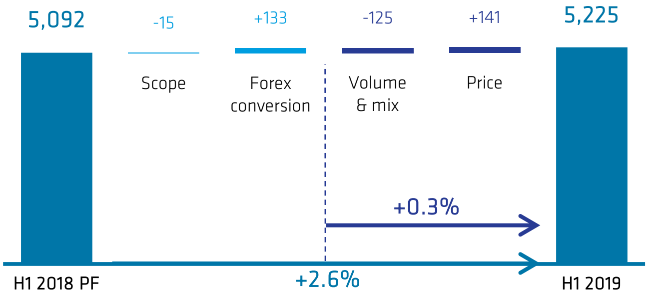
The full financial report can be found on: https://www.solvay.com/en/investors/financial-reporting.
An analyst call will be held at 13:30, please see: https://www.solvay.com/en/event/solvay-first-half-year-2019-earnings.

[1] Organic growth excludes forex conversion and scope effects, as well as the effect from the implementation of IFRS 16.
[2] Underlying earnings per share, basic calculation.
[3] Organic growth excludes forex conversion and scope effects, and compares to €2,330 pro forma in 2018, which already includes the €100 million IFRS 16 effect.
[4] Free cash flow to Solvay shareholders is free cash flow post financing payments and dividends to non-controlling interests, and compares to €566 million in 2018. Free cash flow from continuing operations (before financing) is expected at around €770 million in 2019, compared to €846 million pro forma in 2018.

Net sales

(in € million)





Net sales were up +2.1% in the second quarter and +2.6% year to date on the basis of positive forex conversion effects. On an organic basis [1], sales were mostly flat, with higher prices offsetting lower volumes.

The reduction in **scope** [2] effect is mainly related to the divestment of some remaining soda ash related activities in Egypt in October 2018.

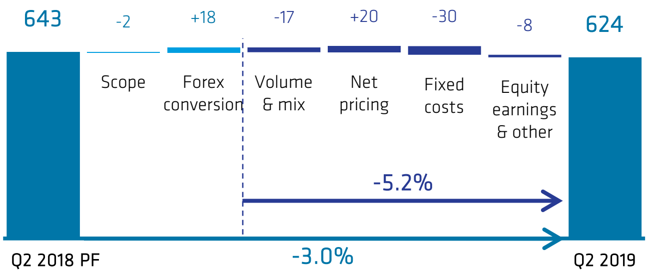
Forex conversion had a positive effect, primarily related to the appreciation of the U.S. dollar.

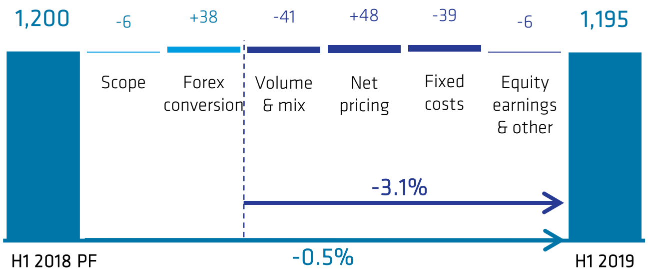
Volumes were down some -2.2% in the second quarter and -2.5% in the first half, as a result of the significant decline in demand from the automotive, electronics and oil & gas markets, which continued in the second quarter. In Advanced Materials, which has a 40% exposure to automotive and electronics, the volume drop was compensated by the pursued double-digit growth in aerospace. Volumes in Advanced Formulations dropped on the back of the lower activity in the shale oil & gas stimulation market in North America, which persists since September 2018. In Performance Chemicals volumes were overall flat, reflecting stable demand.

Prices rose across segments, by +2.3% in the second quarter and by +2.8% year to date, benefiting from transactional forex effects and higher negotiated prices for soda ash and peroxides in Performance Chemicals.

Underlying EBITDA

(in € million)





Underlying EBITDA was down -3.0% in the second quarter, and -5.2% organically [1] excluding forex conversion. Positive net pricing effects offset lower volumes, but fixed costs went up. One-time effects had a -1.5% and -0.9% impact on the second quarter and first half respectively. Over the first half year underlying EBITDA growth was flat, as scope and forex offset an organic decrease of -3.1%.

The **underlying EBITDA margin** remained solid at 23%.

Net pricing was up +3.2% in the second quarter and +4.0% year to date, as the price increases more than compensated for higher raw material and energy prices incurred in the period and before, especially in Advanced Formulations and Performance Chemicals. Transactional forex effects contributed as well.

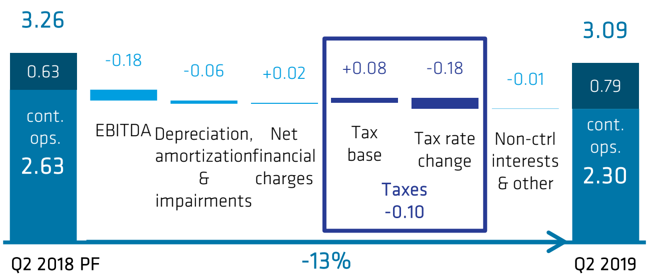
Fixed costs were up, resulting in a -3.3% effect in the first half. These reflected the expanded production capabilities in Composite Materials, responding to the surging aerospace demand. Inflation was partly compensated by cost reduction programs. The increase of fixed costs in the second quarter was linked to the reduction of inventory levels. This partly offset the benefit of lower fixed costs in the first quarter, when inventories rose.

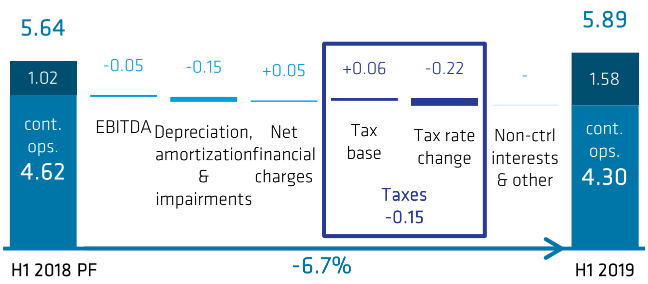
Other elements consisted mainly of the net negative impact from one-time events, mitigated by a strong contribution from the Russian PVC joint venture. The one-time events are the result of a €12 million gain on an energy-related settlement in the second quarter of 2019 versus a €23 million pension-related synergy benefit booked in the same period last year.

[1] Organic growth excludes forex conversion and scope effects, as well as the effect from the implementation of IFRS 16.
[2] Scope effects include acquisitions and divestments of smaller businesses not leading to the restatement of previous periods.

Underlying earnings per share

(in €)





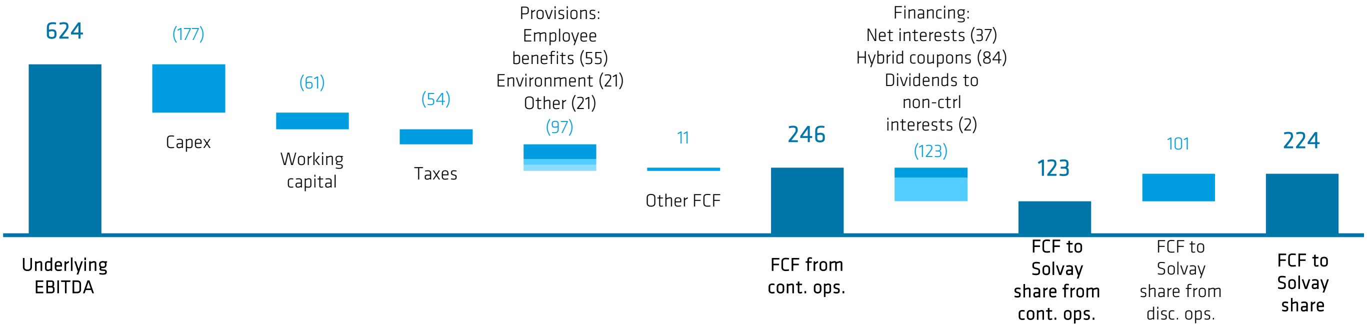
Underlying earnings per share[1] from continuing operations were down -13% in the second quarter at €2.30, and -6.7% in the first half at €4.30, reflecting lower EBITDA and a higher tax rate. Total underlying earnings per share in the first half went up thanks to a strong contribution from discontinued operations.

Taxes went up due to higher underlying tax rate. This was the result of the geographical spread of earnings.

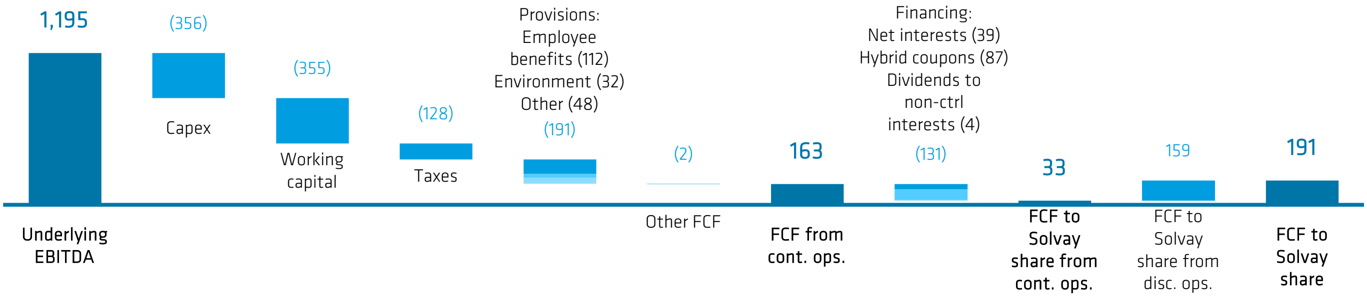
The underlying contribution from **discontinued operations** was €81 million in the second quarter and €163 million year to date, including the one-time sale for about €30 million of carbon credits.

Free cash flow (FCF)

Q2 evolution *(in € million)*



H1 evolution *(in € million)*



Free cash flow to Solvay shareholders was €123 million from continuing operations in the second quarter. It more than offset the negative free cash flow of the first quarter, leading to €33 million for the first half versus €(19) million in the first half of 2018. Total free cash flow to Solvay shareholders was €191 million in the first half, thanks to a strong contribution from discontinued operations, which included the one-time sale of carbon credits with a cash impact of about €60 million.

Capex from continuing operations was in line with 2018 on a pro forma basis, reflecting continued discipline.

Working capital needs were €(355) million in the first half, slightly lower than in 2018. The higher than average inventory increase at end of March, which resulted from anticipated slow response to the slowdown in certain end-markets, was almost completely absorbed in the second quarter, thanks to targeted measures in the supply chain.

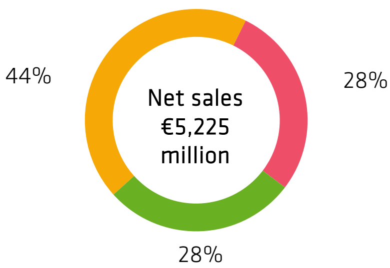
Underlying net financial debt[2] was €(5.8) billion, at the same level as at the end of March, and up from €(5.5) billion at the start of the year. This is due to the concentration of dividend payments, totaling €(386) million, in the first half of the year. The underlying leverage ratio remained flat at 2.1x.

[1] Underlying earnings per share, basic calculation
[2] Underlying net financial debt includes the perpetual hybrid bonds, accounted for as equity under IFRS.

Group review

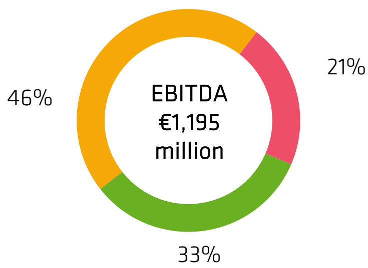
Underlying key figures

(in € million)	Q2 2019	Q2 2018 PF	*% yoy*	H1 2019	H1 2018 PF	*% yoy*
Net sales	**2,654**	**2,600**	***+2.1%***	**5,225**	**5,092**	***+2.6%***
EBITDA	**624**	**643**	***-3.0%***	**1,195**	**1,200**	***-0.5%***
EBITDA margin	*23.5%*	*24.7%*	*-1.2pp*	*22.9%*	*23.6%*	*-0.7pp*
EBIT	**425**	**450**	***-5.6%***	**801**	**822**	***-2.6%***
Net financial charges [1]	(79)	(81)	*+2.5%*	(167)	(171)	*+2.7%*
Income tax expenses	(98)	(87)	*-12%*	(170)	(154)	*-10%*
Tax rate				*28.3%*	*24.5%*	*+3.8pp*
Profit from discontinued operations	81	65	*+24%*	163	106	*+54%*
(Profit) loss attributable to non-controlling interests	(10)	(10)	*+8.5%*	(20)	(19)	*+1.6%*
Profit attributable to Solvay shareholders	**318**	**337**	***-5.6%***	**608**	**583**	***+4.3%***
Basic earnings per share (in €)	**3.09**	**3.26**	***-5.5%***	**5.89**	**5.64**	***+4.4%***
of which from continuing operations	2.30	2.63	*-13%*	4.30	4.62	*-6.7%*
Capex in continuing operations	**(177)**	**(184)**	***+3.6%***	**(356)**	**(363)**	***+2.0%***
FCF to Solvay shareholders from continuing operations	**123**	**(118)**	***n.m.***	**33**	**(19)**	***n.m.***
FCF to Solvay shareholders	224	(64)	*n.m.*	191	78	*n.m.*
Net financial debt [2]	**(5,809)**			**(5,809)**		
Underlying leverage ratio	*2.1*			*2.1*		



Advanced Materials
Advanced Formulations
Performance Chemicals

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



Corporate & Business Services

(in € million)	Q2 2019	Q2 2018 PF	*% yoy*	H1 2019	H1 2018 PF	*% yoy*
Net sales	1	1	*-2.1%*	3	5	*-38%*
EBITDA	(39)	(49)	*+21%*	(90)	(92)	*+3.1%*

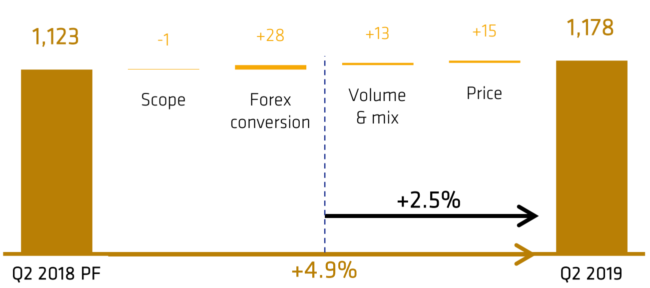
ⓘ Corporate & Business Services includes corporate and other business services, such as Group research & innovation or energy services, whose mission is to optimize energy consumption and reduce CO_2 emissions.

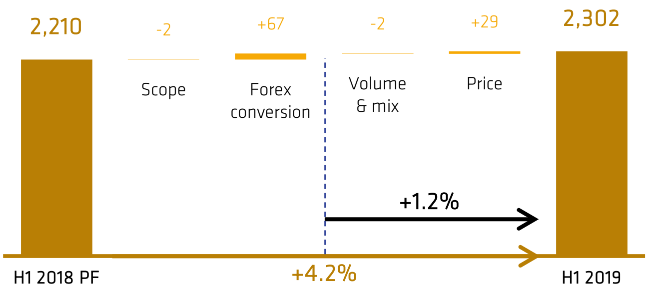
Underlying EBITDA costs were €(90) million, €2 million better than in 2018, despite €(10) million costs linked to forex conversion and scope effects. This was the result of cost containment measures and favorable energy market conditions.

[1] Underlying net financial charges include the coupons on perpetual hybrid bonds (accounted as dividends under IFRS, and thereby excluded from the P&L), as well as the financial charges and realized foreign exchange losses from the RusVinyl joint venture (part of earnings from associates under IFRS, and thereby included in the IFRS EBITDA).
[2] Underlying net financial debt includes the perpetual hybrid bonds, accounted for as equity under IFRS.

Advanced Materials

Net sales *(in € million)*





(in € million)	Q2 2019	Q2 2018 PF	*% yoy*	H1 2019	H1 2018 PF	*% yoy*
Net sales	1,178	1,123	*+4.9%*	2,302	2,210	*+4.2%*
EBITDA	300	349	*-14%*	590	644	*-8.4%*
EBITDA margin	*25.5%*	*31.1%*	*-5.6pp*	*25.6%*	*29.1%*	*-3.5pp*

Net sales were up +4.9% in the second quarter, with organic [1] growth of +2.5% supplemented by the positive forex effect on conversion and on prices. Year to date organic growth [1] was +1.2%. Double digits volume growth continued in Composite Materials, compensating for the impact of lower demand from the automotive and electronics sector in Specialty Polymers mainly.

Specialty Polymers volumes were down about -8% for the first half year, with the impact reducing to some -5% in the second quarter from -10% in the first quarter, improving across major end-markets. In automotive, Solvay outperformed global auto production figures, which were down -6% worldwide, more than overcoming temporary destocking in the supply chain. This was mainly the result of strong battery materials sales that support the pursued electrification trend in the automotive sector, especially in the second quarter. Electronics sales were down as investments in new semiconductor fabs are postponed and smart device shipments have been declining consistently since end 2017.

Composite Materials volumes continued to grow firmly in the double digits range for four consecutive quarters. Growth was broad-based in commercial aircraft platforms, including the new single-aisle aircrafts utilizing the LEAP engine technology and the 787 Dreamliner. The ramp-up of the military F-35 Joint Strike Fighter also continued at high pace. Deliveries for the 737MAX remained in line with the first quarter, up year on year.

Special Chem volumes and prices were up in the second quarter more than offsetting lower sales in the first quarter. Sales of semiconductor fab consumables continued to grow, while lower automotive catalyst sales improved from a lower first quarter, thanks to the adoption of new emission standards in China.

Silica sales were flat, with resilient demand from the fuel-efficient tire market. Growth in specialties compensated for slightly lower prices on other grades.

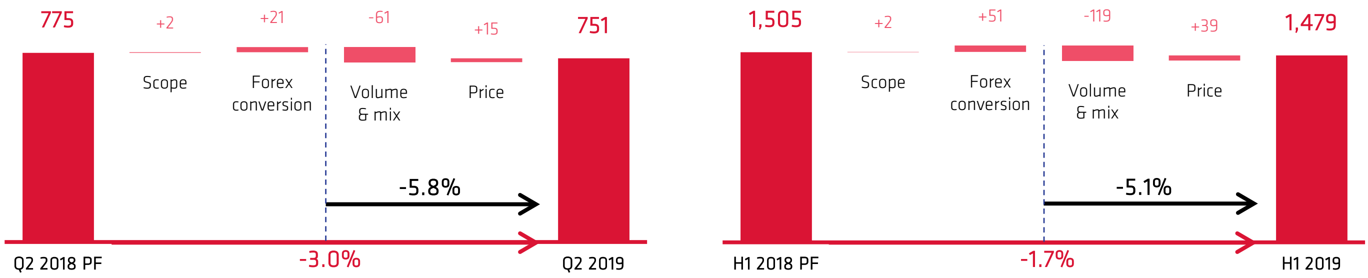
Underlying EBITDA was down -14% in the second quarter and -17% organically [1], excluding forex conversion effects. In the first half EBITDA was down -12% organically [1]. The one-time pension-related synergy benefits of €19 million, booked in 2018, had a -5% impact on the second quarter and -3% on the first half. Excellence measures to improve production yield and optimize the supply chain were not sufficient to compensate higher variable costs, including the risen cost of Fluorspar. Fixed costs went up reflecting the expanded production capabilities in Composite Materials, responding to the surging aerospace demand. The fixed cost increase in the second quarter is also linked to the inventory reduction effect. The underlying EBITDA margin for the first half year was 26%, down 3.5 percentage points.

Advanced Materials offers a unique portfolio of high-performance polymers and composite technologies used primarily in sustainable mobility applications. Its solutions enable weight reduction and enhance performance while improving CO_2 and energy efficiency. Major markets served include next-generation mobility in automotive and aerospace, healthcare and electronics.

[1] Organic growth excludes forex conversion and scope effects, as well as the effect from the implementation of IFRS 16.

Advanced Formulations

Net sales *(in € million)*



(in € million)	Q2 2019	Q2 2018 PF	*% yoy*	H1 2019	H1 2018 PF	*% yoy*
Net sales	751	775	*-3.0%*	1,479	1,505	*-1.7%*
EBITDA	138	147	*-5.7%*	264	268	*-1.2%*
EBITDA margin	*18.4%*	*18.9%*	*-0.5pp*	*17.9%*	*17.8%*	*+0.1pp*

Net sales were down -3.0% in the second quarter, supported by forex conversion effects and down -5.8% organically [1]. In the first half net sales were down -5.1% organically [1]. Price increases mitigated the impact of lower volumes, coming from the lower activity levels in oil & gas.

In Novecare, volumes were down in oil & gas applications. Activity levels dropped since September 2018 in the North-American stimulation market and customer focus on cost reduction had a negative impact on the product mix. Market conditions were similar in both quarters of 2019, but the second quarter compares to a stronger 2018. Sales in other end-markets, such as home & personal care, coatings and agro, were overall stable. In the first quarter prices compensated for lower volumes, while in the second quarter volumes were flat as agricultural demand picked up again.

Technology Solutions sales were up with higher prices and forex effects compensating for slightly lower volumes. While these were lower in the first quarter, mainly on slowing demand for phosphorous specialties, they picked up in the second quarter, especially in mining, benefiting from some new mine wins in Latin America and Eastern Europe. Demand for polymer additives held up well, despite weaker demand from the automotive sector.

In Aroma Performance, sales stabilized in the second quarter after strong growth in the first quarter. Sales of vanillin ingredients grew mostly in the second quarter, driven by the flavor & fragrances sector, while industrial applications saw limited destocking, partly offsetting volume growth in the first quarter. Prices increased throughout the first half.

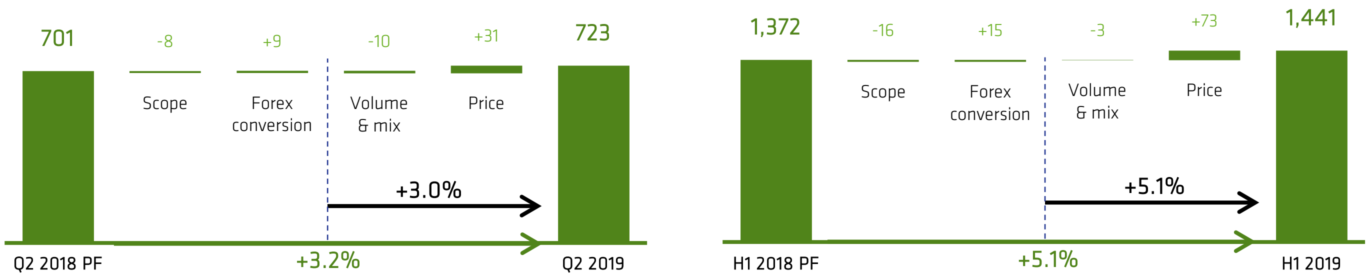
Underlying EBITDA decreased by -5.7% in the second quarter, and -9.2% organically [1], excluding forex conversion effects. Organic [1] growth year to date was -5.8%. This includes the one-time impact of the €4 million pension-related synergy benefit booked in 2018, explaining -2.4% and -1.4% of the decrease in the second quarter and first half respectively. The lower volumes were partly offset by the price increases. Higher variable costs in the first quarter, mainly raw materials and energy, were offset in the second quarter. Inflation of fixed costs was mostly absorbed by excellence measures. The underlying EBITDA margin of the first half was thereby sustained at 18%.

Advanced Formulations includes a broad-based portfolio of surface chemistries focused on improving the world's resource efficiency. The segment offers customized formulations that alter fluids behavior to optimize yield while reducing environmental impact. Major markets include resource efficiency in oil & gas, mining and agriculture, as well as consumer goods, and food.

[1] Organic growth excludes forex conversion and scope effects, as well as the effect from the implementation of IFRS 16.

Performance Chemicals

Net sales *(in € million)*



(in € million)	Q2 2019	Q2 2018 PF	*% yoy*	H1 2019	H1 2018 PF	*% yoy*
Net sales	723	701	*+3.2%*	1,441	1,372	*+5.1%*
EBITDA	224	195	*+14%*	430	381	*+13%*
EBITDA margin	*30.9%*	*27.9%*	*+3.0pp*	*29.8%*	*27.8%*	*+2.1pp*

Net sales in the segment were up +3.2% (+3.0% organically [1]) in the second quarter and +5.1% in the first half. Higher prices since year start in Soda Ash & Derivatives and in Peroxides, more than compensated for weaker market conditions in Coatis. Volumes were overall flat, reflecting stable demand.

In Soda Ash & Derivatives, prices were well up, as expected, following the price negotiations concluded at the end of 2018. Soda ash volumes increased slightly, mainly due to more exports to the seaborne market. Sales of bicarbonate were down in flue gas treatment applications as coal power plants ran at a lower level in North America.

Peroxides prices were globally up, with an increase in Europe more than compensating for higher volatility in Asia. Prices in that region came down from 2018, when these had benefitted from supply constraints. Overall volumes were slightly down, especially in the second quarter. Demand for HPPO applications was strong, but volumes used in pulp production softened in the second quarter.

Coatis sales were down on lower demand in the domestic Brazilian market and the depreciation of the Brazilian real affecting conversion.

Underlying EBITDA rose +14% in the second quarter. Excluding scope and forex conversion effects it was +12%. Organic [1] growth over the first half year was +11%. A one-time gain of €12 million was booked on the settlement of an energy contract in Solvay's European soda ash business. The rest of the growth of +6% and +8% respectively, was largely attributable to net pricing. Higher prices and excellence programs more than compensated higher raw material and energy costs. The contribution of the PVC joint venture Rusvinyl increased. The EBITDA margin of the segment in the first half grew +2.1 percentage points to 30%.

Performance Chemicals hosts chemical intermediate businesses focused on mature and resilient markets. Solvay is a world leader in soda ash and peroxides and major markets served include building and construction, consumer goods and food. It provides resilient profitability thanks to good pricing and market dynamics, underpinned by high quality assets.

[1] Organic growth excludes forex conversion and scope effects, as well as the effect from the implementation of IFRS 16.

H1 key figures

(in € million)	IFRS H1 2019	IFRS H1 2018 PF	IFRS % yoy	Underlying H1 2019	Underlying H1 2018 PF	Underlying % yoy
Net sales	**5,225**	**5,092**	***+2.6%***	**5,225**	**5,092**	***+2.6%***
EBITDA	**1,115**	**975**	***+14%***	**1,195**	**1,200**	***-0.5%***
EBITDA margin				*22.9%*	*23.6%*	*-0.7pp*
EBIT	**607**	**446**	***+36%***	**801**	**822**	***-2.6%***
Net financial charges [1]	(114)	(98)	*-16%*	(167)	(171)	*+2.7%*
Income tax expenses	(127)	(73)	*-74%*	(170)	(154)	*-10%*
Tax rate				*28.3%*	*24.5%*	*+3.8pp*
Profit from discontinued operations	150	89	*+70%*	163	106	*+54%*
(Profit) loss attributable to non-controlling interests	(19)	(19)	*+2.3%*	(20)	(19)	*+1.6%*
Profit attributable to Solvay shareholders	**497**	**345**	***+44%***	**608**	**583**	***+4.3%***
Basic earnings per share (in €)	**4.82**	**3.34**	***+44%***	**5.89**	**5.64**	***+4.4%***
of which from continuing operations	3.36	2.48	*+35%*	4.30	4.62	*-6.7%*
Capex in continuing operations				**(356)**	**(363)**	***+2.0%***
FCF to Solvay shareholders from continuing operations				**33**	**(19)**	***n.m.***
FCF to Solvay shareholders				191	78	*n.m.*
Net financial debt [2]	**(4,009)**			**(5,809)**		
Underlying leverage ratio				*2.1*		

IFRS results of the first half

IFRS profit attributable to Solvay share was €497 million, €(111) million lower than the underlying profit. The adjustments to IFRS results were made primarily for the following elements:

- €(42) million restructuring costs, mostly relating to the simplification plan;
- €(26) million legacy remediation and major litigation costs;
- €(110) million of amortization charges on intangible assets linked to the impact of purchase price allocation;
- €58 million coupons of hybrid bonds, which are treated as dividends under IFRS;
- €(13) million one-time discounting impact of lower discount rates on the valorization of environmental liabilities.
- €43 million tax impacts, of which half relate to the previous adjustments and half to prior periods.
- €15 million impact of the appreciation of the Russian ruble on the Rusvinyl joint venture debt
- €(13) million M&A costs related to the remedy package for the divestment of the Polyamide activities.

[1] Underlying net financial charges include the coupons on perpetual hybrid bonds (accounted as dividends under IFRS, and thereby excluded from the P&L), as well as the financial charges and realized foreign exchange losses from the RusVinyl joint venture (part of earnings from associates under IFRS, and thereby included in the IFRS EBITDA).
[2] Underlying net financial debt includes the perpetual hybrid bonds, accounted for as equity under IFRS.

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UPCOMING EVENTS

- **November 7, 2019** Nine months 2019 results & Strategy review update
- **February 26, 2020** Full year 2019 results
- **May 6, 2020** First quarter 2020 results
- **May 12, 2020** Annual general meeting
- **July 29, 2020** First half 2020 results

USEFUL LINKS

- Press release
- Earnings toolkit: financial report, presentation, excel tables, financial & extra-financial glossary
- News corner
- Investors corner
- Analysts & Investors conference call (13:30 CET)
- 2018 annual integrated report

Investor Relations

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

Solvay is headquartered in Brussels with around 24,500 employees in 62 countries. Net sales were €10.3 billion in 2018, with 90% from activities where Solvay ranks among the world's top 3 leaders, resulting in an EBITDA margin of 22%. Solvay SA (SOLB.BE) is listed on Euronext Brussels and Paris Bloomberg: SOLB.BB - Reuters: SOLB.BR), and in the United States its shares (SOLVY) are traded through a level-1 ADR program. *(Figures take into account the planned divestment of Polyamides.)*

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