Full Year 2019 results

February 26, 2020
Webcast
slides
Forenote

IFRS 16 has been implemented in the Group’s financial statements since January 1, 2019. Comparative information for the first quarter of 2018 in the business review is presented on an unaudited pro forma basis as if the implementation had taken place on January 1, 2018. This information is labelled “pro forma” or “PF”. The balance sheet evolution is compared with January 1, 2019, which includes the IFRS 16 impact versus December 31, 2018.

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

This presentation may contain forward-looking information. Forward-looking statements describe expectations, plans, strategies, goals, future events or intentions. The achievement of forward-looking statements contained in this presentation is subject to risks and uncertainties relating to a number of factors, including general economic factors, interest rate and foreign currency exchange rate fluctuations, changing market conditions, product competition, the nature of product development, impact of acquisitions and divestitures, restructurings, products withdrawals, regulatory approval processes, all-in scenario of R&D projects and other unusual items.

Consequently, actual results or future events may differ materially from those expressed or implied by such forward-looking statements. Should known or unknown risks or uncertainties materialize, or should our assumptions prove inaccurate, actual results could vary materially from those anticipated. The Company undertakes no obligation to publicly update or revise any forward-looking statements.

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2019 Financial results
Focus on cost, cash and customers in a challenging macro environment

FY NET SALES
Down 2% yoy
Price partly offsets volumes
Q4: €2,440 m

FY UNDERLYING EBITDA
Foreign exchange offsets 2.8% decrease
Q4: €525 m

FY FREE CASH FLOW to Solvay Shareholders from continuing operations
Disciplined focus delivers solid results
Q4: €261 m

€10bn
€2.3bn
€606m
Strategic update

Portfolio

• Divestment of Polyamides commodities
• Net Proceeds of €1.2 billion
• Used to reduce pension liabilities and delever net debt

Structure

• Bonus structure aligned to differentiated business mandates
• New efficiency measures announced
• Creates a leaner, more efficient organization
• Increases mid-term cost reduction target to min €350m

Customer focus

• Collaboration with leading auto OEM customer enabled Solvay to win new battery container application in hybrid vehicles
Our Purpose

We bond people, ideas and elements to reinvent progress

Together we can create a sustainable and shared future
10 SUSTAINABILITY GOALS BY 2030

- **Greenhouse gas emissions**: Align its trajectory with “well below 2°C temperature increase” (2015 Paris Agreement)
  - Coal phase out and no new coal plant: wherever renewable alternatives exist
  - Biodiversity: reduce negative pressure on biodiversity beyond climate change: terrestrial acidification, water eutrophication, marine ecotoxicity
  - Achieve 100%
  - 30% reduction

- **Sustainable Solutions**: increase the share of revenue in Sustainable Solutions measured by SPM
  - Circular economy: increase the percentage of sales of products based on renewable or recycled resources
  - Industrial waste: reduce non-recoverable industrial waste (landfill or incinerated without energy recovery)
  - Water use efficiency: decrease the impact on freshwater withdrawal by reducing intake of freshwater
  - Achieve 65% vs 50%
  - Achieve 15% vs 7%
  - 30% reduction
  - 25% reduction

- **Safety**: a zero accident policy aiming to protect the safety and security of employees
  - Inclusion and Diversity: Gender parity for mid- and senior-level management by 2035
  - Extending maternity and paternity leave: Solvay is adapting its global policy of 14 weeks maternity leave to 16 weeks, extending it to co-parents inside the company regardless of their gender, by 2021.
  - Aim for zero accident
  - Parity vs 24%
  - Extension to 16 weeks (by 2021)
Performance Highlights

- Double-digit growth in Composite Materials for aerospace offset lower volumes in Specialty Polymers into automotive and electronics
- Higher prices across segment
- Fixed costs up to support future growth
- Efficiency measures only partially offset higher variable costs and destocking

Market Drivers

- Auto market down due to lower global production, offset slightly by higher sales to EV batteries
- Electronics down due to lower demand of semiconductor and smart devices
- Aerospace growth due to build rate increases across military and commercial aircrafts
Advanced Formulations
2019 Performance

Performance Highlights
• Oil & gas significantly down on lower demand as customers focus on costs
• Lower mining volumes due to production stoppages at some mining customers
• Net pricing positive and cost containment measures could only partially offset the volumes decline

Market Drivers
• North American shale oil & gas sector remained challenged
• Mining environment soft with world mine production declining by about 0.4% in 2019
• Coatings, Agro, Personal care markets stable

NET SALES
-10% y/y organic

EBITDA
-12% y/y organic

EBITDA margin
17%

NET SALES
29%

Aeronautics & Automotive
1%

Electrical & Electronics
1%

Resources & Environment
25%

Agro, Feed & Food
7%

Consumer goods & Healthcare
20%

Building & Construction
17%

Industrial applications
2%
Performance Chemicals

2019 Performance

Performance Highlights

• Higher pricing & healthy demand
• Pricing up in soda ash and peroxides
• Coatis sales down on softer demand in its domestic Brazilian market
• Productivity gains, favorable energy costs

Market Drivers

• Healthy demand throughout 2019 in Soda Ash and Peroxides markets, mainly consumer driven
• Latin American market challenged
Significant free cash flow generation

2019 (in € billion)

- Underlying EBITDA: 2,322
  - Capex: (826)
  - Working capital: 7
  - Taxes: (240)
  - Provisions: Employee benefits (217), Environment (78), Other (85)
  - Finances: Net interests (118), Hybrid coupons (115), Dividends to non-ctrl interests (39)

Other FCF: 878
- FCF from cont. ops.: 606
- FCF to Solvay share from cont. ops.: 195
- FCF to Solvay share: 801

2019 FCF to Solvay shareholders from continuing operations at €606 million
- Strict working capital management
- Capex discipline maintained

2019 Total FCF to Solvay shareholders at €801 million, including €195 million from discontinued operations → RECORD DELIVERY
Strong operational deleveraging

Underlying Net Financial Debt
(in € million)

<table>
<thead>
<tr>
<th>January 1, 2019</th>
<th>December 31, 2019</th>
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</thead>
<tbody>
<tr>
<td>Leverage 2.1x</td>
<td>Leverage 2.0x</td>
</tr>
<tr>
<td>(5,538)</td>
<td>(5,386)</td>
</tr>
<tr>
<td>Hybrid bonds (2,500)</td>
<td>Hybrid bonds (1,800)</td>
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<tr>
<td>IFRS debt (3,038)</td>
<td>IFRS debt (3,586)</td>
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</table>

- **Operational deleveraging** 414
- **Strong operational deleveraging** of €157m and additional voluntary provisions of €114m
- These largely offset a €231m increase in post-employment provisions from the net effect of lower discount rates and higher returns from plan assets
2020 outlook
Return to growth in second half

UNDERLYING EBITDA
Organically from €2,322 million in 2019

FREE CASH FLOW
Conversion

ROCE
stable

Assumptions included in guidance:
• 737MAX build rate of ~200 in 2020 versus almost ~600 in 2019 (~30m to 40m FY impact)
• COVID-19 virus uncertainty continues; assumes (~25m Q1) impact
• Macroeconomic environment remains a headwind at least through first half in key markets including auto, electronics, oil & gas
• As a result, first quarter expected to be down by high single-digits
### Committed to Delivering Enhanced Value

#### Mid-term financial targets

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<tr>
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<th>2019</th>
<th>2020 – 2024</th>
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<tbody>
<tr>
<td>Underlying EBITDA growth</td>
<td>-2.8%</td>
<td>Mid-single digit / year average</td>
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<tr>
<td>FCF conversion [1]</td>
<td>28%</td>
<td>Exceed 30% by 2024</td>
</tr>
<tr>
<td>ROCE</td>
<td>8.1%</td>
<td>Exceed 11% by 2024</td>
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<tr>
<td>Cost Reduction</td>
<td></td>
<td>Exceed €350 million [updated]</td>
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- **GROWTH**: MATERIALS, CHEMICALS, SOLUTIONS
- **RESILIENCE**
- **OPTIMIZE**
- **WIN**

All targets are on an organic basis (at constant forex and scope)

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[1] FCF Conversion: FCF to Solvay shareholders (before netting of dividends paid to Non Consolidated Interests) divided by the EBITDA
[2] FCF to Solvay shareholders