

ESSENTIAL AND SPECIAL: YESTERDAY, TODAY AND TOMORROW

Ilham Kadri,
President of the Executive
Leadership Team and CEO

How did you react to the invasion of Ukraine?

Ilham Kadri — We felt absolute shock and horror, seeing the gruesome violence unleashed against innocent people. We immediately made sure our team in Ukraine were safe; we mobilized the Solvay Solidarity Fund to donate €1 million in relief aid; and we channeled our employees' own generosity and matched all individual donations with an equal contribution. As an organization, we unequivocally condemned the invasion and decided to suspend all trade with Russia and Belarus, as well as dividend payments from our 50:50 joint venture Rusvynil, until peace returns. And we considered alternative solutions for the raw materials we sourced in Russia.

Can you guide us through the highlights of Solvay's performance in 2021?

I.K. — The Russian attack took place only the day after we announced spectacular financial results, setting three new records in EBITDA, net profit and returns. I would like us to pause and consider the results from a longer-term perspective, as they represent the successful outcome of our G.R.O.W. strategy, launched in the fall of 2019.

In 2021, our EBITDA shot up by 27% compared to 2020 – and we are rebounding higher, as it increased by 8% compared with 2019 pre-pandemic levels, lifting our EBITDA margin to a record 23.3%. We have built the muscle we need to power our Growth, with accelerated innovation focused on three platforms: Batteries, Thermoplastic Composites and Green Hydrogen. We are also expanding to serve markets growing at high speed, with new PVDF capacities for electric vehicle batteries in Europe and China, for instance, or investing to reinforce our leading position in sulfone polymers in the United States of America. We have clearly demonstrated our Resilience as a Group, as we improved our cash generation through the pandemic and subsequent recession, totaling €2.4 billion in 2020-2021, and culminating in an FCF conversion ratio of 37.6% in 2021. We are now facing the future

with increased confidence, as we strengthened Solvay's balance sheet with a total reduction in debt and pensions of €2.7 billion. Our endeavor to Optimize our operations has borne fruit, as we have simplified our portfolio by divesting non-core activities and simplifying our industrial footprint. We achieved our Return on Capital Employed target three years earlier than anticipated, as we lifted our ROCE to 11.4% in 2021. We achieved all of this because we have learned to Win together and be more effective in all we do, with accelerated structural cost reductions totaling €390 million in 2020-2021. Looking back at these past three years, we got fit, and now we are ready to change the game.

Can you elaborate on Solvay's progress with regard to sustainability?

I.K. — It's at the heart of our strategy, and our vision is to create sustainable shared value for all. I am particularly proud that we have surpassed the Paris Agreement targets for carbon emission cuts, as we achieved more than a 3.5% annual reduction since 2018, which is better than the Science Based Target Initiative goal of minus 2.5% per annum. We are resolutely committed to our ambitious Solvay One Planet goals, which we have stepped up to include carbon neutrality by 2050 at the latest for soda ash, our most energy-intensive activity, and before 2040 for all other businesses. We are walking the talk to deliver on these bold commitments, with the decision to phase out coal at three major sites: Rheinberg (Germany) in 2020, Dombasle (France) in 2021 and partly at Devnya (Bulgaria) in 2022.

I would also like to highlight another concrete achievement, which further improves the sustainability profile of our industrial activities. Last year we developed and implemented an innovative polymerization technology which removes the need for fluorosurfactants in the production of fluorinated materials. And we are expanding our impact beyond our boundaries, as customer intimacy has made us a partner of choice for leading manufacturers and Fast Moving Consumer Goods companies, whom we help to meet their own sustainability goals with natural or bio-based ingredients, for instance, or through joint development programs, such as our partnership with Renault and Veolia for battery recycling. In 2021, we also launched a comprehensive sustainability partnership with our suppliers to have an even bigger impact, address indirect Scope 3 emissions and curb the CO₂ emissions that are generated by our supply chain.

Has Solvay's company culture changed over the past three years?

I.K. — We have a strong heritage and deeply rooted values, which were those of our founder, Ernest Solvay: faith in scientific progress; the desire to serve humankind; and the ability to make bold decisions. Our Purpose built on these strong roots and transformed us into a truly daring AND caring organization, that is both performance and people-minded. Throughout the crisis, our Pulse surveys indicated how employee engagement at Solvay resisted and emerged stronger as well. In that respect, I was particularly pleased that 80% of respondents in our latest survey feel they can be themselves at work, confirming that we are an inclusive, welcoming company and encouraging us to press ahead with Solvay One Dignity, the diversity, equity and inclusion ambition that we unveiled last year. I am also proud to announce that you will find in this report our first wage equity benchmark, as well as our



commitment for the future. Our ambition is to keep transforming for the better, while remaining true to who we are.

Looking back at 2021, what are you most proud of and what do you regret?

I.K. — I am most proud of our people, without a shadow of a doubt. Their unwavering engagement and the stamina of our frontline crew, which has spearheaded our topline growth and resistance to inflationary pressures. We are definitely building up a strong, robust company where meritocracy rules – and we will reinforce the bonds with our teams even further, as we decided last year to launch a global employee share program, open to all colleagues at Solvay. Still on the financial front, the continued deleveraging of our balance sheet in 2021 was a major source of pride.

We have also developed stronger bonds with our investors, proactively addressing our Environmental, Social and Governance (ESG) ambition in dedicated events and reaching out directly to shareholder representatives and proxy voters more frequently, in addition to our intense investor relations activity.

My biggest regret for 2021 is that we seem to have steered away from our spectacular improvement trajectory for occupational safety. We halved the number of reportable injuries and illnesses (RII) at Solvay between 2015 and 2020 but saw a slight increase last year. Even though we are still in line with the benchmark of industry peers, we will do what it takes to continue improving and aim for zero accidents.

What does the future look like for Solvay?

I.K. — It is more exciting than ever, as we are presenting the General Assembly with a bold plan to create two fabulous new companies, building on what Solvay has always been throughout history: Essential AND Special. We are essential simply because the world cannot work without us. And we are special, because the future will not work without us. Going forward, if our project becomes a reality, we will build on that duality to create two independent, pure-play, public companies – one active in essential chemicals and the other in specialities, one focusing more on resilience and cost effectiveness and the other on customer intimacy and innovation. We would be creating two strong industry leaders that would benefit from the strategic and financial flexibility to concentrate on their distinctive business models, market and stakeholder priorities, with the freedom to reach their fullest potential. The special bonds with our shareholders would remain unchanged, as they would be offered the opportunity to keep their equity position in both companies, which would present distinctive investment profiles. The creation of two market leaders would in fact be an unprecedented opportunity to increase the total value of their shareholding in Solvay. This is the beginning of two exciting stories... and I invite all of our stakeholders to write them with us.

Ilham Kadri
President of the Executive Leadership Team and CEO