

May 4, 2022 at 7 a.m. CEST

Solvay first quarter 2022 results

26% sales growth driven by strong pricing leads to record EBITDA

Highlights

- **Net Sales** in the first quarter of 2022 were over €3 billion, a new quarterly record, up +26.1% organically versus Q1 2021, with double-digit sales growth in every business and all regions driven by successful **price actions** (+20% or €475 million) and **volume growth** (+6% or €157 million).
- Structural **cost savings** of €22 million were achieved in Q1 2022, totaling €410 million since 2020, and on track to achieve our €500 million mid-term target ahead of plan.
- Record underlying **EBITDA** in Q1 2022 of €712 million was +20% higher on an organic basis. All three segments delivered double-digit EBITDA growth driven by price and volumes. Price gains in the quarter more than offset €369 million of inflationary cost increases. Solutions was up +35%, with particular strength in Novacare, while Materials was up +21%, and Chemicals was up +15%.
- The underlying **EBITDA margin** in Q1 2022 was 23.3%, similar to full year 2021 level as strong pricing actions offset inflation headwinds.
- Underlying **Net Profit** was €369 million in Q1 2022, up +54% compared to Q1 2021.
- **Free Cash Flow** in Q1 2022 amounted to €216 million, representing a 32.9% conversion ratio, despite higher working capital resulting from strong sales growth. Working capital discipline was maintained throughout the quarter.
- All time record **ROCE** at 12.3%, +477 basis points above the prior year.
- Solvay launched its **fourth growth platform**, dedicated to developing innovative solutions using renewable feedstocks and biotechnology, supporting our sustainability objectives by creating more circular solutions.

<i>Underlying, (in € million)</i>	Q1 2022	Q1 2021	% yoy	% organic
Net sales	3,055	2,373	+28.8%	+26.1%
EBITDA	712	583	+22.1%	+20.1%
EBITDA margin	23.3%	24.6%	-	-
FCF to shareholders	216	282	-23.6%	-
FCF conversion ratio (LTM)	32.9%	54.8%	-21.9pp	-
ROCE	12.3%	7.5%	+4.77 pp	-

Ilham Kadri, CEO

"I am pleased to report another set of record results, with strong performance across every business segment. The critical and differentiated solutions that we provide to our customers enabled us to increase prices and more than compensate for the sharp cost increases in raw materials and energy. This performance, together with our continued focus and cash discipline, contributed to a solid Free Cash Flow generation. This enables us to invest in innovation and capacity expansions, to support our customers globally and accelerate topline growth across the midterm. I'm also proud of our returns, which improved significantly versus one year ago thanks to our cost and portfolio actions."

2022 Outlook Increased

Full year underlying EBITDA is now estimated to grow by mid to high single-digits, and Free Cash Flow to shareholders is estimated to exceed €650 million.

[Register to the webcast scheduled at 14:00 CEST here](#) - [Link to financial report](#) - [Link to financial calendar](#)

Key figures

<i>Underlying, in € million</i>	Q1 2022	Q1 2021	% yoy
Net sales	3,055	2,373	+28.8%
EBITDA	712	583	+22.1%
<i>EBITDA margin</i>	23.3%	24.6%	-1.3pp
EBIT	526	382	+37.8%
Net financial charges	-49	-63	+21.6%
Income tax expenses	-96	-71	-36.9%
<i>Tax rate</i>	22%	24%	-1.3pp
Profit / (loss) attributable to Solvay shareholders	369	240	+53.7%
Basic EPS	3.56	2.33	+53.0%
Basic EPS from continuing operations (in €)	3.56	2.33	+53.0%
Capex	151	100	+50.7%
FCF to Solvay shareholders	216	282	-23.6%
FCF conversion ratio (LTM)	32.9%	54.8%	-21.9pp
Net financial debt	3,912		
<i>Underlying leverage ratio</i>	1.6		

Group performance

Net sales of €3,055 million in Q1 2022 were up 28.8% compared to Q1 2021 (+26.1% organically and +2.2% positive impact from currency and scope). This was driven by strong price actions implemented across businesses as well as higher volumes.

Underlying EBITDA of €712 million was up 22.1% (+20.1% organically) in Q1 2022 driven mainly by higher prices but also volumes more than offsetting higher fixed costs amid an inflationary environment and re-investment in growth and capability. As a result, the EBITDA margin of 23.3% in the quarter was similar to the 2021 average.

Free cash flow to shareholders from continuing operations reached €216 million, which marks the 12th consecutive quarter of positive cash generation. The strong EBITDA growth driven by pricing and volumes nearly offset the increase of industrial working capital. Cash flow was €66 million below Q1 2021 as capex was €51 million higher than in Q1 2021, as we continue to invest in our growth. LTM Free Cash flow conversion stood at 32.9%.

Underlying net financial debt was roughly stable at €3.9 billion compared to December 2021, with sustained free cash flow generation of €216 million more than offsetting the interim dividend payment of €155 million.

Provisions are down -€160 million to €2.4 billion compared to December 2021. This was mainly driven by higher discount rates.

Performance by segment

Net sales bridges

(in € million)	Q1 2021	Scope	Forex	Volume	Price	Q1 2022	Yoy %	Organic %
Materials	689	-8	+30	+82	+86	879	+27.6%	+23.7%
Chemicals	791	-14	+32	+27	+203	1,039	+31.5%	+28.5%
Solutions	891	-31	+42	+47	+186	1,135	+27.4%	+25.8%
Corporate & Bus. Services	3	-	-	-	-	2	-	-
Solvay	2,373	-53	+104	+156	+475	3,055	+28.8%	+26.1%

Materials

Sales in Q1 2022 were up +27.6% (23.7% organically) driven equally by strong demand and significant price increases.

Sales in Specialty Polymers increased significantly +31.4% (26.1% organically) compared to the first quarter 2021, and +21% sequentially versus the fourth quarter 2021. Record sales reflect continued strong demand in all markets, most notably automotive, batteries, medical devices, and electronics.

Composite Materials sales were up +16.7% (16.4% organically) year on year, and grew +6.3% sequentially versus the fourth quarter 2021. The Aerospace market continues its recovery, driven by higher production of single-aisle aircraft, yet continues to face supply chain challenges.

Segment EBITDA increased +25.6% (20.9% organically) year on year, and +25% sequentially versus Q4 2021, driven by price and volume increases net of higher energy and raw materials costs. This resulted in an EBITDA margin of 29.4%.

Chemicals

First quarter 2022 sales in the segment rose +31.5% (+28.5% organically) driven mainly by price.

Soda Ash & Derivatives sales increased +32.0% (+29.2% organically) versus the prior year quarter. Successful implementation of price increases and surcharge actions have more than offset rising energy costs, and demand remained solid.

Peroxides sales grew +17.3% (+20.7% organically), compared to Q1 2021 driven mainly by strong demand in the pulp & paper market in North America. Price increases and surcharges were able to offset inflationary impacts.

The Coatis business benefited from the continued momentum that was evident in the second half of 2021, with sales in the quarter up +42.1% (+32.9% organically) as favorable market conditions persisted. The solid demand, particularly in Brazil, was able to compensate for logistics and supply difficulties.

Silica sales grew +34.0% year over year (+29.9% organically) on solid demand and volumes, while price increases have not yet fully offset significant cost inflation.

Segment EBITDA rose +16.4% compared to Q1 2021 (+15% organically), as a result of significant price actions across all businesses, continued favorable market conditions in Coatis, and a stable profit contribution from the Rusvinyl JV. This resulted in an underlying EBITDA margin of 26.9% in Q1 2022.

Solutions

Sales in the first quarter of 2022 were up +27.4% (+25.8% organically) of which 21% came from higher prices and 4.7% from volume growth across markets.

First quarter sales in Novacare increased significantly +27.6% year on year driven by significant increases in pricing on top of demand growth in markets such as agriculture, coatings, and home & personal care.

Oil & gas grew +78.2% year on year, driven by strong demand and higher prices.

Special Chem sales increased +15.1% (organically +18.3%) year on year. Higher sales in electronics were partially offset by lower auto sales due to continued impacts of chip shortages.

Technology Solutions sales increased +13.9% (+7.0% organically) compared to Q1 2021. Growth was driven by higher volumes to the mining industry and increased prices.

Aroma Performance sales increased +28.6% (+23.1% organically) in Q1 2022 versus Q1 2021, setting a new record driven by significant price increases and good demand in food, flavors and fragrance markets.

First quarter EBITDA in the segment was up +37.2% (+35.2% organically) year over year, reflecting both pricing power and the positive demand environment across the core markets. EBITDA margin in the segment was up +1.5pp to 20.9% in Q1 2022, further reflecting our price actions, cost reduction efforts, and portfolio pruning.

Corporate & Business Services

The EBITDA contribution of Corporate and business services in Q1 2022 was a loss of €-64 million. While the energy supply business to third parties did not have an impact in Q1, the increase is due to investments in our growth platforms, digital transformation & cybersecurity, and fixed cost inflation.

Key segment figures

Segment review

(in € million)	Underlying			
	Q1 2022	Q1 2021	% yoy	% organic
Net sales	3,055	2,373	+28.8%	+26.1%
Materials	879	689	+27.6%	+23.7%
Specialty Polymers	671	511	+31.4%	-
Composite Materials	208	178	+16.7%	-
Chemicals	1,039	791	+31.5%	+28.5%
Soda Ash & Derivatives	485	367	+32.0%	-
Peroxides	179	152	+17.3%	-
Coatis	223	157	+42.1%	-
Silica	153	114	+34.0%	-
Solutions	1,135	891	+27.4%	+25.8%
Novelcare	452	354	+27.6%	-
Special Chem	243	211	+15.1%	-
Technology Solutions	151	133	+13.9%	-
Aroma Performance	142	110	+28.6%	-
Oil & Gas	147	83	+78.2%	-
Corporate & Business Services	2	3	-13.3%	5.8%
EBITDA	712	583	+22.1%	+20.1%
Materials	259	206	+25.6%	+20.9%
Chemicals	279	240	+16.4%	+15.0%
Solutions	238	173	+37.2%	+35.2%
Corporate & Business Services	-64	-36	-76.8%	-
EBITDA margin	23.3%	24.6%	-1.3pp	-
Materials	29.4%	29.9%	-0.5pp	-
Chemicals	26.9%	30.4%	-3.5pp	-
Solutions	20.9%	19.4%	+1.5pp	-

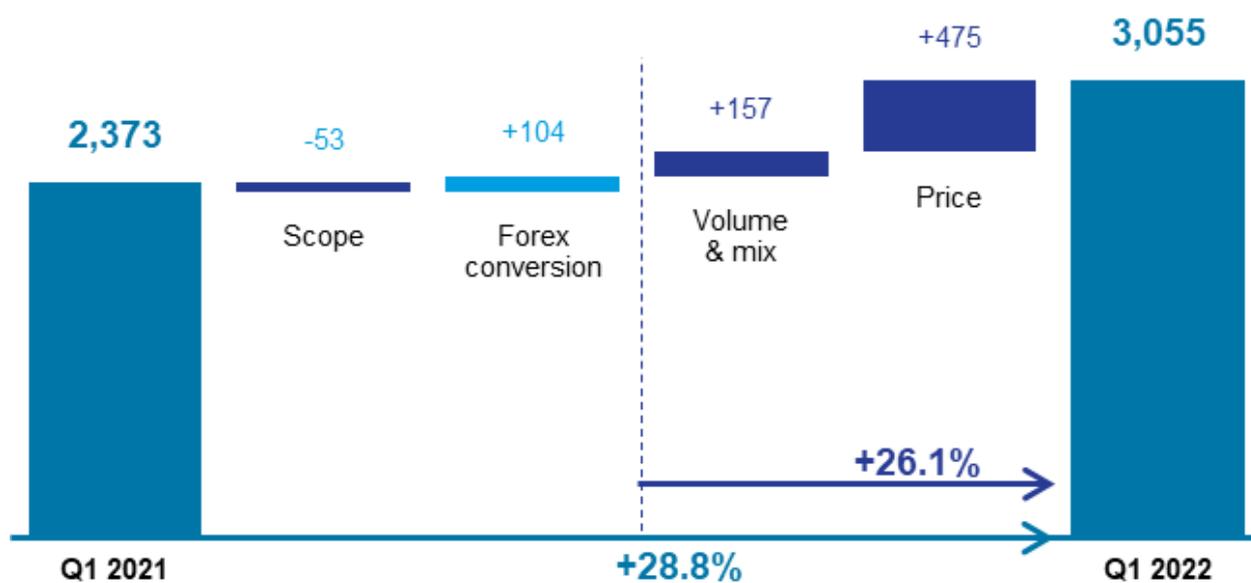
Key IFRS figures

<i>(in € million)</i>	IFRS			Underlying		
	Q1 2022	Q1 2021	% yoy	Q1 2022	Q1 2021	% yoy
Net sales	3,055	2,373	+28.8%	3,055	2,373	+28.8%
EBITDA	680	414	+64.3%	712	583	+22.1%
<i>EBITDA margin</i>				23.3%	24.6%	-1.3pp
EBIT	457	169	n.m.	526	382	+37.8%
Net financial charges	-29	-30	+4.5%	-49	-63	+21.6%
Income tax expenses	-79	-25	n.m.	-96	-70	-36.9%
<i>Tax rate</i>				22%	24%	-1.3pp
Profit / (loss) attributable to Solvay shareholders	337	104	n.m.	369	240	+53.7%
Basic EPS (in €)	3.25	1.01	n.m.	3.56	2.33	+53.0%
Basic EPS, from continuing operations (in €)	3.25	1.01	n.m.	3.56	2.33	+53.0%
Capex				151	100	+50.7%
FCF to Solvay shareholders				216	282	-23.6%
FCF conversion ratio (LTM)				32.9%	54.8%	-21.9pp
Net financial debt				3,912		

Supplemental information: bridges

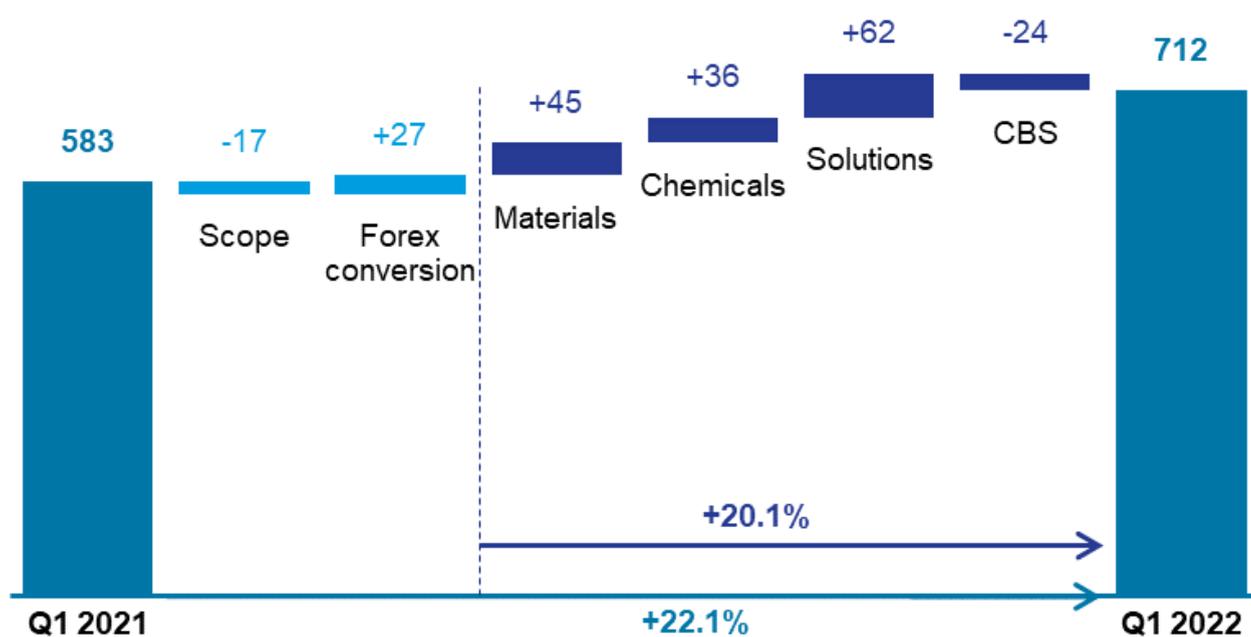
Net Sales

(€ million)



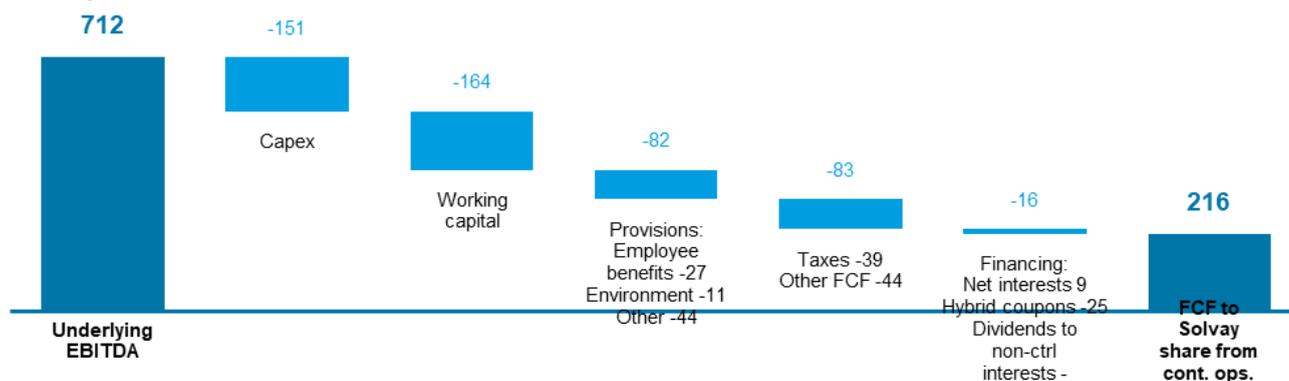
Underlying EBITDA

(€ million)



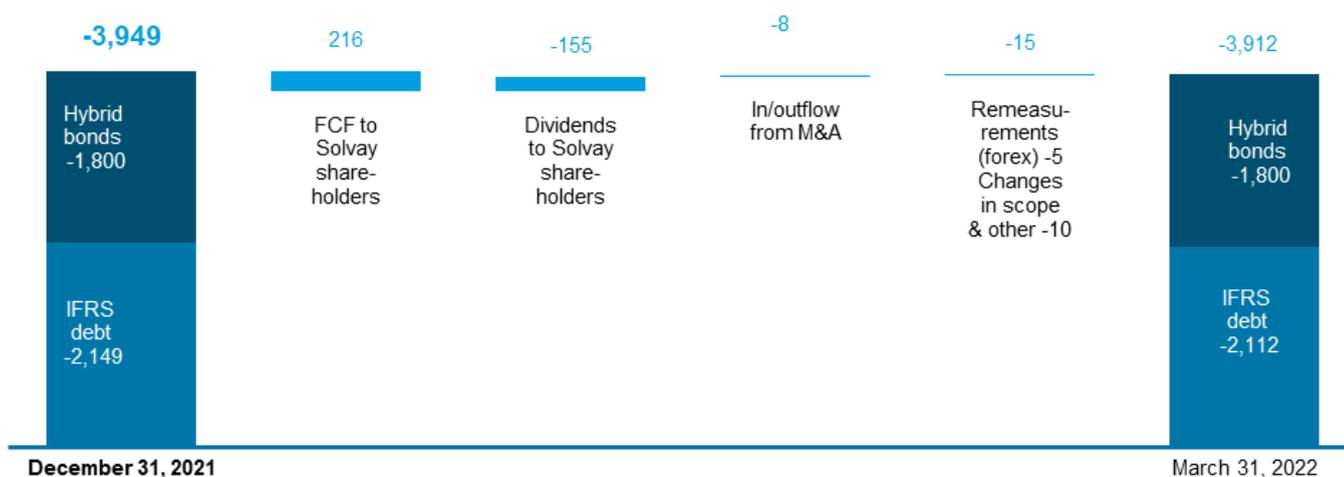
Free cash flow

(€ million)



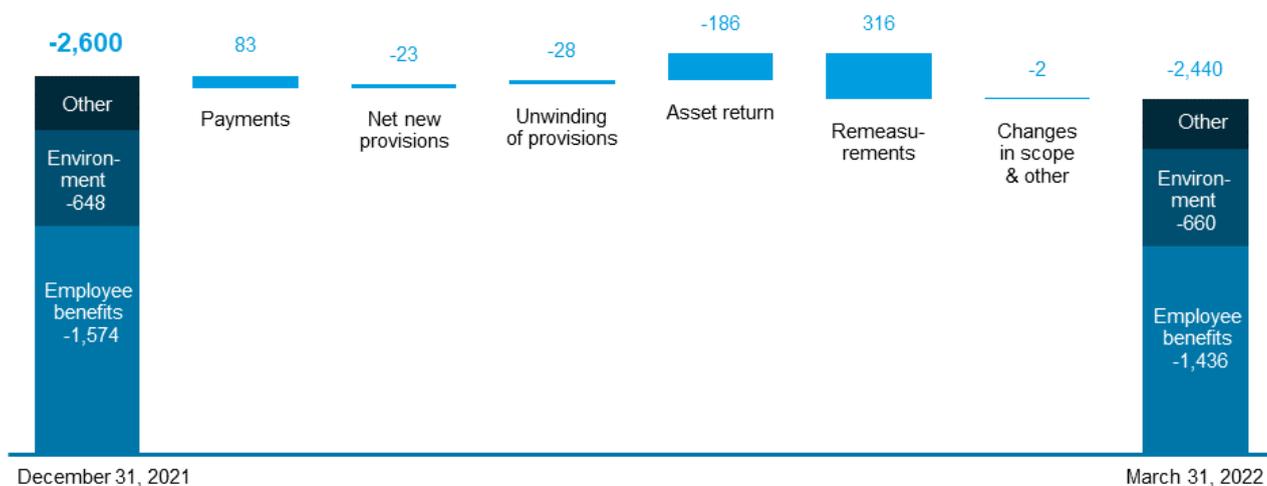
Underlying net debt

(€ million)



Provisions

(€ million)



Glossary

EPS is earnings per share.

Extra-financial indicators: Indicators used to measure the sustainability performance of the company in complement to financial indicators. Solvay has selected 10 indicators that are included in the ONE Planet initiative. For more information, we refer to the last available annual report available on www.solvay.com.

Free cash flow to Solvay shareholders is the free cash flow after payment of net interests, coupons of perpetual hybrid bonds and dividends to non-controlling interests. This represents the cash flow available to Solvay shareholders, to pay their dividend and/or to reduce the net financial debt.

Free cash flow conversion ratio is calculated as the ratio between the free cash flow to Solvay shareholders of the last rolling 12 months (before netting of dividends paid to non-controlling interest) and the underlying EBITDA of the last rolling 12 months.

Organic growth is the growth of net sales or underlying EBITDA excluding scope changes and forex conversion effects. The calculation is made by rebasing the prior period at the business scope and forex conversion rate of the current period.

ROCE (Return on Capital Employed) is calculated as the ratio between underlying EBIT (before adjustment for the amortization of PPA) and capital employed. Capital employed consists of net working capital, tangible and intangible assets, goodwill, rights-of-use assets, investments in associates & joint ventures and other investments, and is taken as the average of the situation at the end of the last 4 quarters.

Underlying figures 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 to generate a measure that avoids distortion and facilitates the appreciation of performance and comparability of results over time.

Underlying net financial charges include the coupons on perpetual hybrid bonds (accounted as dividends under IFRS, and thereby excluded from the income statement), 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).

Underlying net financial debt includes the perpetual hybrid bonds, accounted for as equity under IFRS.

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Safe harbor

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About Solvay

Solvay is a science company whose technologies bring benefits to many aspects of daily life. With more than 21,000 employees in 64 countries, Solvay bonds people, ideas and elements to reinvent progress. The Group seeks to create sustainable shared value for all, notably through its Solvay One Planet plan crafted around three pillars: protecting the climate, preserving resources and fostering better life. The Group's innovative solutions contribute to safer, cleaner, and more sustainable products found in homes, food and consumer goods, planes, cars, batteries, smart devices, health care applications, water and air purification systems. Founded in 1863, Solvay today ranks among the world's top three companies for the vast majority of its activities and delivered net sales of €10.1 billion in 2021. Solvay is listed on Euronext Brussels (SOLB) and Paris. Learn more at www.solvay.com.

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