**Jodi Allen - Head of IR**

Good afternoon, and welcome to our full year and fourth quarter 2021 earnings call. My name is Jodi Allen, and I'm joined virtually by our CEO, Ilham Kadri; our CFO, Karim Hajjar; and today, we are also joined by Philippe Kehren, President of Solvay's Soda Ash & Derivatives business.

Today's call is being recorded and will be made available for replay on the Investor Relations section of our website shortly after the webcast has concluded. I would like to remind all participants that the presentation includes forward-looking statements, which are subject to risks and uncertainties. You may refer to the slides related to today's broadcast, which are available on our website.

With that, I'll turn the call over to Ilham.

**Dr. Ilham Kadri - CEO**

Thank you very much, Jodi. And happy to have you here with us in person.

Hello, everyone.

I'll begin my remarks with a health and safety overview. Compared to the first quarter of 2021, the reportable injury-and-illness rates are down as are the number of accidents and near-misses across the Group. This is mainly a result of more frequent Safety Dialogues and – as we return to our plants and offices – more in-person interactions at the sites between management and employees to keep our teams safe and productive. Since 2019, we have been building-up a culture of near-misses which are increasing in the company. These indicators are observations at work of situations that could potentially become accidents, although they didn't occur in reality, but it could have happened. We encourage all employees, especially in the field, to make observations and report. All reports are reviewed and lessons learned implemented..And we continue working hard to continue raising the bar towards zero incident goal.

Regarding COVID-19, the strict lockdown measures across China are impacting markets across the globe, particularly affected are the people – including our employees – in those regions. There are nationwide lockdowns following the surge of new cases, and it remains unknown when the restrictions will be lifted. We are doing as much as we can to help our colleagues meet their essential needs. To support our employees in Shanghai, our Industrial Director Liu Yang has led the initiative to provide all employees with a fresh package of food. The packages were delivered at home for each of the employees. We also continue to use the Solvay Solidarity Fund to help our employees and their communities in Ukraine as we have donated 1 million euros to the Belgian and International Red Cross in support of relief efforts. And through our donation matching program, Solvay and our employees have donated an additional one hundred thousand euros – matching the donations of around 350 employees – to help the people of Ukraine.

Moving on now to our first quarter 2022 results on slide 3...

I am really proud of the strong performance we delivered in the quarter; we are hitting new records on Sales, EBITDA, and Returns!

Our businesses continue to do an outstanding job managing an environment of unprecedented inflationary pressures from energy and raw material costs, supply-chain and logistics constraints, and lingering uncertainty due to, what we continue to hope are, the last stages of the pandemic.

Sales were up +26% on an organic basis. And 20% growth, or 475 million, is from pricing! This is impressive when you consider we achieved 441 million euros through the entire year of 2021.

This is the highest level of quarterly price growth we have ever achieved. All businesses achieved price increases; Soda Ash & Derivatives, Specialty Polymers and Novecare in particular. As shown on slide

4, pricing momentum accelerated from 12% in the fourth quarter 2021 to 20% in the first quarter of this year, more than compensating for the sharp cost increases. Let me spend a moment on price – given its significant contribution – and tell you how we are changing our culture:

First, this achievement is Group-wide, with every business successfully raising prices.

Our pricing initiatives entail multiple mechanisms, depending on the business, its contract structures, and the actual cost impacts.

For example, in the more “Specialty-focused businesses" such as Specialty Polymers, we focus on value pricing. This means we are selling a unique differentiated value proposition to customers through existing and new solutions that address their needs for lightweighting, electrification, hyper connectivity and many more features…and we would expect much of this to remain in place.

In other businesses, including those in our Chemicals segment, most of our contracts are linked to formulas, so these prices would adjust based on the rise or fall of key raw materials. We have been reviewing and improving such contracts since last year.

Finally, in the fourth quarter last year, we started to implement surcharges, for example on energy and logistics, to secure necessary increases. These are mainly used where existing contracts do not allow such adjustments.

In our Chemicals segment, with its focus on essential chemicals, our pricing power enabled us to leverage prices to achieve a contribution to net sales of 26% of the 32% sales growth of the segment. In Materials, with its focus on specialty polymers and composites, price contributed +12% of the +28% increase in net sales for the segment. And in the Solutions segment, price contributed 21% of the 27% sales growth of the segment.

This came on the top of the volume growth, which was also positive in each of the segments.

All of this shows you that our products and solutions are valued, appreciated by our customers and that their value is clear, even in such an inflationary environment.

Also, thinking ahead to the two independent companies we intend to create, you can also see on slide #4 that businesses across both future SpecialtyCo and EssentialCo delivered pricing in equal measure, showing the progress on pricing is not limited to one type of business and indeed broad-based and strong.

Another element of growth was from underlying demand trends in our key end markets which enabled us to grow volumes by 6%. Volume growth was driven by strong demand in several key markets, including: Automotive, which grew 24%, Electronics, which grew 32%, Healthcare, which grew 34%, and Agro & Feed markets which grew 46%.

As we started monitoring our growth by market, Solvay’s best-in-class portfolio enabled us to grow our sales above market growth rates in each of the served markets.

Geographically, all regions delivered double-digit organic sales growth versus the previous year quarter, with all regions growing around 25%. Sales in Russia, which you remember are not material – less than 1% – were down slightly in the quarter as we suspended operations there in early March.

Our volume growth together with the vigorous pricing actions enabled us to again deliver a record EBITDA – which came in at 712 million euros – this is 20% higher than Q1 2021. In fact, all 3 segments achieved double-digit EBITDA growth. I would like to shine a spotlight on the performance of the Solutions segment which delivered the highest growth rate in the quarter – 35% higher organically year over year, and this is thanks to significant growth in consumer-driven end-markets, again supported by price initiatives and healthy demand.

The underlying EBITDA margin of the Group was 23%, which continues the record-level set in 2021. This was due to strong pricing actions offsetting inflationary headwinds.

The 12-month ROCE performance was another record – at 12.3% – thanks to the strong EBITDA performance in the quarter and our ongoing actions to optimize our businesses since 2019. To give you some perspective, this is 50% higher than it was in 2019 and has moved us from laggards to leaders. We've done this by upgrading the quality of our portfolio of businesses, by pruning those that could not be improved further and by prioritizing and focusing on higher-end specialties growth as we focus on the value our products bring to our customers.

Finishing the financial overview, our Free Cash Flow generation was positive for the twelfth consecutive quarter despite higher working capital as a result of the higher sales levels. We continue to prioritize investments in innovation and capacity expansions to support continuous growth across the mid-term.

Turning now to our ambitious ESG-related targets…

Our climate initiatives – to reduce greenhouse gas emissions by 30% between 2018 and 2030, and to reach carbon neutrality before 2040 in all businesses and before 2050 in soda ash – remain on track. You will recall that Solvay's greenhouse gas emissions at the end of 2021 were down 14% versus 2018 levels and our efforts continue in Q1 to support our ambitious goals. Reductions this quarter were achieved thanks to projects to reduce emissions in Specialty Polymers and in Soda Ash.

Furthermore, in April we announced that we have signed a 10-year Utility Power Purchasing Agreement with the Oslo-based hydropower company Stat-kraft to purchase electricity produced by a regional wind farm. The agreement will enable our site in Finland to operate on 100% wind-generated electricity, helping to decarbonize the production of hydrogen peroxide at the site. This agreement complements the decarbonization initiatives we have already undertaken, such as the previously announced investment to transition to biomass at our soda ash plants in Rheinberg, Germany, in Domballes in France and in Devnya, Bulgaria, and our solar farm in South Carolina, in the USA, that allows us to provide greener power for 17 of Solvay's factories which places us among the top 10 companies in the US for installed solar power.

We have also demonstrated progress, together with the French recycling-technology company Carbios, on the recyclability of PVDC high-barrier polymer, which recently has been proven to be fully compatible with their innovative recycling process. This breakthrough provides a sustainable end-of-life management solution, which can extend the proportion of our circular sales, consistent with our Solvay ONE Planet commitments.

The work we have done to address scope 1 and 2 emissions has further triggered our climate ambitions to integrate scope 3 emissions into our targets. I remind you that scope 3 considers emissions generated all along the value chain. Recognizing this potential, Solvay committed to set a 2030 target for our reductions in scope 3 emissions by joining the Science-Based Targets initiative – and those targets will be announced later this year.

We have also just launched the 4th growth platform which will focus on renewable materials and biotechnology. Demand is increasing for bio-sourced, biodegradable and recycled products, and Solvay will focus on the biotechnology required to address this rapid growth. Today, we source bio-based technologies including guar, natural vanillin, and bio-sourced solvents, and this new platform will open up new opportunities enabled by biotechnology across our markets. The bio revolution is in full swing and driving a new paradigm in our industry. For some perspective, 60% of the physical inputs to the global economy could be produced biologically between 2030 and 2040 with a potential to disrupt economies, industries and society.

In 2020, 5% of Solvay Group's sales were based on renewable or recycled resources – our objective is to reach 15% by 2030. Of course, this is not about sustainability on the one hand and profits on the other – At Solvay we believe that we can be both sustainable AND profitable. This new platform, in conjunction with our other platforms – Battery Materials, Thermoplastic Composites, and Green

Hydrogen – will enable us to investigate and provide solutions for our planet and society's needs while growing our business profitably.

Last but not least, today we announce the acquisition of the 20% minority position from AGC Soda Corp. in our Green River, USA natural soda ash operations to give us complete control of the site. This step simplifies and enhances our Soda Ash & Derivatives business, and will help to meet growing demand from customers, especially in Lithium Carbonate used in EV Batteries for clean mobility and flat glass in Solar panels for resources efficiency. This transaction will generate net cash returns of 15%, which would make this one of our most valuable acquisitions in the last decade.

Now I would like to hand over to Karim who will review the Group's segments and financial performance in more detail, Karim?

**Karim Hajjar - CFO**

Thank you Ilham. Good morning and good afternoon everybody.

I will go directly to our business review, and refer to figures on an organic basis, meaning at constant scope and currency unless otherwise noted.

Starting with Materials on slide 5, net sales in the first quarter were up +24% vs last year, half of which came from pricing, the other half from volumes. Specialty Polymers grew 26%, both from volumes and price. This was driven by 29% growth in Automotive - which includes EV Batteries, 47% growth in Healthcare – driven by strong sales into medical devices - such as in surgical instruments as elective surgeries return following the pandemic impact of the recent period - and 26% growth in Electronics, with increased sales into electronics-display applications. The Automotive market, again including batteries, represented 28% of sales of the Materials segment last year, and it continues to recover. Although geopolitical headwinds could affect automotive production, the most recent market forecast for 2022 from LMC still indicates growth of around 7 percent in light duty vehicle production globally. Significant price increases in Specialty Polymers more than compensated headwinds from increased energy and raw materials costs.

In our Composite Materials business, overall sales growth was +16% predominantly from volumes, driven by sales to the Civil Aerospace market which grew +43% on increasing single-aisle build rates at our key customers (i.e., for example B737, A220 and A320), as well as recovery in the business-jets market. Sales to Space & Defense were down 11% mainly reflecting raw material shortages and supply chain issues. Overall the defense sector is expected to grow over time, as demand for defense aircrafts is increasing due to the war, supported by our broad position across multiple key programs. Price increases in Composite Materials offset increased raw material and energy costs, though higher logistics costs marginally impacted margins.

Wrapping up Materials, EBITDA in Q1 grew +21% versus last year, leading to an EBITDA margin for the segment of 29%.

Moving to Chemicals on slide 6. First quarter 2022 sales in the segment rose +29% driven mainly by price.

Soda Ash & Derivatives sales increased +29% versus Q1 last year. Given the current environment, our teams were resolutely focused on implementing price increases and energy surcharges - and they were successful because their actions helped to fully offset the rising energy costs. Significant price increases were successfully realized especially in Europe and in seaborne markets. Demand remained solid across all markets, and customers are looking to us to do more to meet their growing needs. You'll recall that when Philippe Kehren, president of that business, spoke at the last earnings call, he explained how his team had successfully renegotiated pricing with key customers to overcome rising costs; and the macro environment has only become more challenging since that time. As industry leaders in Soda Ash, the team continued their momentum in using price increases and surcharges to pass on costs and protect margins.

Peroxides sales grew +21% organically, compared to Q1 last year driven mainly by strong demand in the Pulp & Paper market in North America as well as by increased volumes in all sub segments of the Food industry including cleaning and aseptic packaging as activity resumes and COVID lockdowns are eased. Significant progress was made in driving price increases and cost surcharges, which more than offset cost-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 +33% as favorable market conditions persisted. Demand and price levels for these basic chemicals were strong, however the negative impacts from the sudden logistic and supply difficulties, in addition to increased raw material and energy costs outweighed the price increases in the quarter resulting in a margin contraction for the business. Going forward, Coatis will continue to leverage pricing power to mitigate the cost increases.

Silica sales grew +30% over last year on solid demand and volumes in the tire market. There was good progress on price increases, though these did not fully offset cost inflation, due mainly to questions of timing because contractual arrangements in that business typically mean that prices lag costs by a matter of a few months.

You will remember that we announced in early March the suspension of our business operations in Russia, and whilst sales are not significant, our results are modestly down in Q1. Profits in Rusvinyl, a 50:50 JV, were down 13% sequentially versus Q4 last year. We also indicated that we would suspend dividend payments from Rusvinyl and you may want to note that in 2021 dividends from that JV amounted to €103 million. We won't be seeing that this year, clearly.

Overall EBITDA for the Chemicals segment rose +15% compared to Q1 2021. This segment achieved an underlying EBITDA margin of 27% which is down from the Q1 2021 level of 30% mainly attributed to the price and costs effects, I highlighted earlier in Coatis and Silica.

Turning now to Solutions on Slide 7, you can see that sales in Q1 were up +26%. There mainly pricing and good demand across all relevant markets for the segment.

Sales in Novecare increased +28% driven by significant increases in pricing which came on top of demand growth in the Agriculture, Coatings, and Home & Personal Care markets. Significant progress was made in adopting a value-based pricing approach with customers where we offer differentiated solutions. For example, our formulations for the Agriculture market – where farmers are currently benefiting from stronger crop prices - all delivered strong pricing gains in the quarter. A supportive environment clearly.

Oil & Gas Solutions grew +67%, driven by strong demand and higher prices. Pricing more than compensated for higher costs. This business also overcame headwinds with several raw material outages at suppliers, and significant logistics challenges which have been created by the lockdown and port congestion in Shanghai.

Special Chemicals sales increased +18% versus Q1 last year. Higher sales in the Electronics market were partially offset by lower sales of catalyst ingredients and metal-surface treatment products to Automotive due to continued impacts of chip shortages as well as supply chain disruptions. In this business, price increases marginally exceeded cost inflation.

Technology Solutions sales increased +7% compared to Q1 last year. Growth was driven primarily by higher volumes to the mining industry, thanks to underlying strong demand and higher production levels for copper.

Sales in our Aroma Performance business improved by +23% – achieving a new record driven by significant price increases and solid demand in Food, Flavors and Fragrance markets.

To conclude the Solutions segment's results, the first quarter EBITDA was up +35%, reflecting really strong pricing power and the positive demand environment across core markets. EBITDA margin in the segment was up 150 basis points to 21% in Q1 2022. This is particularly encouraging when I recall the 17% margin delivery in Q1 2019, showing the impact of the relentless execution of the GROW strategy in that segment.

Looking at the Corporate & Business Services results – you'll see costs increased by 28 million to 64 million euros year over year. The increase over a low Q1 last year reflects a ramp up of investments in our growth platforms, digital transformation and also cybersecurity, as well as fixed cost inflation, less the benefit of continued cost reduction.

Moving on to slide 8, the structural or fixed costs savings for the quarter came in at 22 million euros, 60% of which comes from labor cost reductions and the balance from a combination of productivity increases and lower indirect spend. On slide 9 you'll see that fixed costs increased by around 85 million euros, or +11% versus Q1 2021, due to the factors I've indicated before as well as from: inflation of 30 million euros; investments of 30 million in cyber, IT, and in growth platforms as well as indirect spend, including maintenance of 15 million euros.

Cumulatively, structural cost savings now amount to 410 million euros since 2020, and as we look forward there is a high likelihood that we will deliver our targeted 500 million euros cost reduction much earlier than our 2024 commitment.

Turning to cash on slide 10… Free cash flow reached 216 million euros, which marks the 12th consecutive quarter of positive cash generation. The strong EBITDA growth nearly offset the higher working capital, which increased mechanically due to price and cost inflation and to higher-value inventories. We are maintaining our discipline in working capital, and our working capital as a proportion of sales remains strong at 12%, consistent with the levels achieved in Q1 2021. Free cash flow was 67 million euros below Q1 2021 due in part to increased investment in capex of 51 million euros. Importantly, Free Cash flow conversion stood at 32.9%.

With that I'll hand the floor back to Ilham. Ilham?

**Dr. Ilham Kadri – CEO**

Thank you Karim.

Let me conclude. In fact after two years of listening to us talk consistently of driving costs and cash which we are delivering against, you will now hear us consistently highlight growth and pricing, because we get fit and are now ready to change the game. Our results this quarter demonstrate our ability to implement necessary price actions to overcome the significant inflationary pressures while continuing to transform the company.

Our team has consistently demonstrated our ability to manage through these near-term headwinds. Solvay, I would say, has had more experience than we wanted in navigating through difficult market environments. Remember, we persevered through the impacts the 737 MAX issues had on the aerospace industry during my first year in the company, we took requisite measures to protect our employees and balance sheet throughout the pandemic in 2020 and 2021, and we are now facing the impacts of a war in Europe that is affecting millions of lives. All of these, along with the drastic lockdowns in China, are resulting in impacts on energy prices, potential oil and gas curtailments, lower production rates of customers, potentially lower GDPs and unthinkable human suffering. The market environment is rife with uncertainty and we are exposed to many risks that we cannot control. We will keep focusing on what we control, and we will continue doing what we have been doing: Balancing required inventory levels and working capital, increasing cash flows, reducing debt and costs, relentlessly serving and servicing our customers, and investing in growth.

As we look forward, the second quarter should be supported by our current solid order book and sustained pricing actions, although we estimate Q2 to be lower than Q1's record, not least because we factor in the loss of around 50 million euros in sales, mainly in Specialty Polymers related to shutdowns and port congestion in China. We also know that the second half of 2022 will have tougher comparables – given the measures taken to address the inflationary environment already in the second half of 2021. We will continue to be attentive to and closely monitor the global environment and we have not factored in any additional major headwinds into our guidance. So, thanks to our robust start to the year, continued pricing momentum, and solid order book, we are raising our 2022 guidance and now expect EBITDA to grow on an organic basis by mid-to-high single digit levels for the full year, by which we mean a range of 5 to 8% organic growth.

On Cash, we are maintaining our full year outlook despite the previously announced suspension of dividends from Rusvinyl. We expect to deliver more than 650 million euros of Free Cash Flow for the full-year 2022. As we continue to invest in capacity expansions and decarbonization projects in the course of the year, the capex level is expected to be around 850 million euros. This represents a 15% increase versus 2021 – half of which is inflationary effects.

Moving to another important milestone – our announcement in mid-March on the plan to explore a separation of Solvay into EssentialCo and SpecialtyCo. We have received a great deal of feedback since then. Thank you. Internally – within Solvay – the response was overwhelmingly positive and our employees are energized to support and execute on the plan. I want to extend my gratitude to all for their support and their hard work as we move forward with this important phase in our development.

We are also mobilizing a task force, led by a highly experienced and dedicated team. We are supplementing our own teams with the best experts – in short, we have the necessary resources and the intention to deliver on the separation.

We anticipate completing the spin-off during the second half of 2023 – of course – following approval from our shareholders.

Since the announcement, we have engaged with many shareholders, analysts, debtholders, and lending banks. We acknowledge that some analysts may have expected a different course of action and a quicker project execution, and we hear you.

Having said that, we were encouraged by the broad support of many top shareholders who appreciated the strategic logic that we have outlined. Stating that logic succinctly – the individual strategies, the customized and differentiated operating models, and capital allocation plans uniquely position each company to unlock value for shareholders, customers and employees alike. Indeed feedback from customers has been positive also as they anticipate each new company to further sharpen its focus on serving their respective needs, by being more effective, dedicated to one model with customized allocation of resources and the right operating model that can serve them better.

Of course, I appreciate that you will need more information in order to better understand the path to value creation. And we WILL share more information in the coming months. In the meantime, we also intend to continue with the business briefings that we commenced earlier this year and we will host our next webinar on June 15th focused on our offering to Consumer-facing markets. I will be joined by the President of Solvay's Novecare global business unit to share more about our position and growth opportunities in areas including the Agro, Coatings, and Home & Personal Care markets.

And with that, Karim and I are happy to take your questions.

**Jodi Allen - Head of IR:** Thank you, Ilham. We will now move to the Q&A, and I ask that you kindly limit yourself to one question per analyst so that we can address as many questions as possible today. Moderator, I'll hand the floor back to you.

## Questions & Answers:

**Q1: Matthew Yates - Bank of America:** Can we talk a bit more about the solutions business. I certainly can't remember profitability at anything like this level – although the frequent restatements don't make that necessarily easy to track over time. Ilham, I remember in the past, you said this business or perhaps Novecare specifically had to earn the right to stay within Solvay. And it looks like something very good is happening here. But can you elaborate a bit more on what's driving this? You mentioned in your introductory remarks that they need to be brave and get value-based pricing, but any further insights you can share on the more structural or cultural changes of this portfolio to be really interesting. So that I don't just assume you got lucky with the rebound in all activity.

**A1: Dr. Ilham Kadri - CEO:** You'll remember well, when I joined the company, in the fall 2019, when I launched the GROW strategy, the O was for optimize, and remember that I told you that the Solutions business includes Novecare and the surface chemistries, in general. At that time, I didn't know how to think about them, but we asked them to optimize their returns because they were flirting with the cost of capital, which I was not happy about.

So we asked them really to fix it because they didn't have the right to invest in their business -- and I could not be more proud – and you heard me being a bit emotional in my introduction remarks – because they deserve it today. And that's why in this separation, they deserve to become a SpecialtyCo candidate business. So how did we do that? You would have seen us behind the curtain doing some heavy, heavy homework. We restructured the product portfolio to focus on more value-added solutions. We've pruned the portfolio. We divested commodity amphoteric surfactants at around EUR 250 million in sales – on top of various other specialty chemical product lines. We changed leadership – the new president will be with me mid-June to share the equity story of this business, we changed the CFO, we changed the marketing and strategy people, the general managers of coatings, and home and personal care, and Agro all have changed.

We stopped filling the pot actually. So we were just filling the pot and now we are more prudently choosing the product mix, or how we "fill the pot" also, we are choosing our customers. It goes both ways. -- to do business with -- we are engaging better with our customers, not only transactionally, but strategically.

And we are thinking and sending a value proposition, which is about having healthier, greener chemistries like surfactants the can enable them use less water, or longer-lasting waterborne coatings in hair care and personal care where the market needs much more eco-friendly solution for the consumer and this language is new. And that's why, frankly, we are also launching our new Biomaterials platform today. So today, with all of this, and we don't share the CFROI, which we have internally of each business. But I can tell you that the Solutions business has doubled annually. They doubled the Group improvement of CFROI between 2019 and 2021. So they did the job strategically. So today, I'm happy that they've cleaned house and that they have a better foundation and are supported by exciting megatrends in naturalness, biosourced ingredients. We have an exciting future ahead, and you will hear more on June 15. Thanks.

**Q2: Peter Clark - Societe Generale:** Quick guidance really on the Materials side. You made it quite clear with your full year guidance, maybe flat EBITDA from here. Materials made the point, lockdowns starting to impact specialty polymers. The composites had some of the supply disruption impact. I'm assuming the volumes there, excluding that would have still shown acceleration. But anyway, how you feel, particularly with the very tough comps you've got in the bigger business, Specialty Polymers in Q2 and Q3. So I'm sensing the Materials could be down on EBITDA if your guidance is flat for the group. But just your reading on the materials for the next couple of quarters.

**A2: Dr. Ilham Kadri - CEO:** I think we've seen really great momentum on Specialty Polymers. I think Karim gave you the color for Materials, a very strong quarter in auto, and electronics, et cetera. Specialty Polymer drove the growth in auto, in general, our sales to EV continues to increase, which means new projects where our materials have a critical role are ramping up faster than expected. We have more kilograms per vehicle for hybrids and pure electrics than in traditional ICE cars, therefore, our share continues to increase. So that's good news for us. And this will continue. The outlook in auto production for the rest of 2022 remains negatively impacted by the continued chip shortages, which is now expected to extend maybe to 2023 and will impact the supply chain in Europe. The China lockdowns have an important impact in the very short term, and it will depend when China lifts the lockdown. I think the local industry, in my mind, has significant free capacity to catch up and the government typically uses the automotive industry as one of the levers to drive economic growth. So we stay alert, but positive. Analysts have diverging views, optimistic LMC still reports 7% world automotive production for light vehicles for the year and the more pessimistic forecasts are around minus 2%. Nonetheless, there is still some positive growth expected in 2022. But what is important is that the EV share continues to increase.

And if you look at it, the BEV market share reached 8% in February from 5% half a year ago. And again, we like it because we are just increasing our share. We talk to customers, OEMs, et cetera, except for a few, they keep being positive. So our growth in Materials, you've seen it mainly came from pricing as our ability to supply remains constrained in some key products.

In H2, we will have some new lines in Spinetta, Italy. The start-up was in Q1, but some qualification has been achieved in record time. So we will have some new lines producing new volumes for 2023. So we are extremely positive. The pricing has played a big role. Half of the sales growth was pricing. And this is value pricing, and I explained it, we were selling “products,” and now we sell “value propositions” and we invoice products. And you will see that part of it is going to be sticky and will remain regardless of the recessionary environment. I'm very bullish. I think back in 2019, I called this business the crown jewel. The crown jewel needs to now defend itself in terms of margins. We are investing EUR 300 million in Tavaux, France in battery materials, and we are debottlenecking our plants – also digitally with low CapEx. And you may see it, or you may not see it, as we are doing it behind the scenes. But obviously, we are also looking at the macro and the impact on the GDP and if there is anything changing we will let you know.

On the Composite Materials side, you know that civil aero now represents 6.5% of our group sales. According to the main manufacturers, Boeing, Airbus, who are our customers, they will be fully recovered by 2023/24 and that's what I've been telling you since 2020. So we clearly see a steady improvement in civil aero and this is driven by the build-rate increases in the single-aisle aircraft, such as Boeing 737 and A220, and A320. We have some emerging programs – I'm not going to talk about them now, but we see some recovery. We have some bottlenecks in the value chain due to raw material availability and some logistical challenges. But frankly, it's just a matter of time, and our teams are really working hard to fix them for our customers. Back to you.

**Q3: Daniel Chung - Redburn:** Congrats on the results. My one question is on price versus costs. So in a very tough environment, you managed to achieve – on that delta – a price vs cost of EUR 106 million. It seems like initial ambitions are being exceeded here to just compensate for variable cost inflation as you're achieving a lot more. So how should we think about this for the full year? And what's baked into that guidance on that price versus cost?

**A3: Karim Hajjar - CFO:** Let me start by sharing the facts – variable costs from our core activities last year amounted to EUR 5 billion. So that's the reference for the cost base. The main areas of spend, just to remind you, roughly 60% of that 5 billion was raw materials logistics and packaging and energy cost 20%.
Now different things will go up in different proportions, but these are helpful orders of magnitude. Based on current market conditions, you've seen EUR 369 million in Q1. If we extrapolate based on what we can see today, we expect those variable costs to increase by around EUR 1.25 billion. That's about 25% higher than last year. That is our internal expectations. Now, could market conditions lead to different cost pressures?
Yes. Of course, I can. We absolutely accept that cost could fall, but frankly, suspect there is probably more of a possibility of additional increases. And in any case, we made our plans on the assumption that there will not be any easing of cost pressures. That's on the variable cost. I don't totally ignore and I would encourage you not to fully ignore the fixed cost equation. We're talking EUR 3 billion here of fixed cost now. 55% of that cost is mainly to do with plant fixed costs, including people costs, SG&A, R&I and the remainder is about 45%.
Now inflationary pressures historically were relatively modest 1.5%, 2%. We're now seeing that grow towards 5% to 6%. So again, inflation there will increase our fixed costs by around EUR 150 million, EUR 180 million a year compared to last year, important not to lose that. Now how do we address all of that? Frankly, we've got a two-pronged approach – very simple. First and foremost, we doubled down. We doubled down on cost discipline. But frankly, the best way to win, and you've seen the results is that we mitigate far more by looking at pricing as the main lever to the company's headwinds.
So that's very much how we see it. We don't have a crystal ball. We're banking on things as they are today.

**Q4: Mubasher Chaudhry - Citigroup:** Can you please talk about the rationale to continue to include Rusvinyl in the EBITDA. I think I understand that dividends have stopped. And do you expect to see this dividend in the future as a lump sum payment? Because I assume the cash balance that was accumulating. And just a second question on the minority purchase from AGC today. Have you entered into any long-term supply agreements with AGC for the supplier to dash?
**A4: Karim Hajjar - CFO:** On the accounting regulations on IFRS, the rules are very, very straightforward, and we have to comply with them. We, of course, always will. So long as we have an interest and an economic activity that is performing, regulations require a company to recognize the profits. Earnings are still accounted for as equity accounted, so equity consolidation method for the proportion that we own for the entity. And that's no change from past practices.
Now as far as cash flow is concerned, absolutely, as you know, we affirmed is we've suspended the dividend. We haven't indicated until when. Clearly, we're all horrified by the situation that we see in that region, and we will absolutely wait for peace to return because ultimately, that is the right thing to do. Beyond that, we haven't made any announcements.
**A4: Dr. Ilham Kadri - CEO:** About our acquisition in Green River – the rationale is probably pretty clear for everybody. The market is very tight. And this supports our customers' growing demand for soda ash, and we are growing in some exciting markets supporting, as I said, electrification, energy. It's completely aligned with our ambition to lower greenhouse gas emission and geared to expand our volume on natural products. It removes the JV structure, thereby simplifying our portfolio, bringing some more cash to the company and a very attractive deal, obviously, for Solvay.
I think you've seen the number, in fact, one of the most attractive deals in the past decade. On long-term supplies, we frankly don't talk about them.
Obviously, AGC is one of our customers, and they will remain -- but this is a two-way relationship with them and I mean this is not public information, but definitely, they are one of our customers. They have been -- they will stay so going forward.

**Q5: Chetan Udeshi - JPMorgan Chase:** On the Materials pricing, can you maybe help us understand how much of that is just PVDF. And we've seen a lot of inflation in the PVDF market, especially in China. Is that contributing to most of it? Or is that broad-based? Any quantification of PVDF in terms of pricing to be useful?

The other question was -- there was this press release and you also alluded alarm in your commentary in the beginning about biotechnology. And I'm not sure how Solvay is sort of involved in that industry. Can you maybe help us understand what is the sort of involvement of Solvay today in the biotechnology side? And what are the focus segments to scale that up going forward?

**A5: Dr. Ilham Kadri - CEO:** On pricing in Materials, this is not PVDF related only. This is across the board across really all specialty polymers. And I think I'm not sure you weighed my language last year when -- for the first half of last year, the pricing had always been flattish. You can imagine the same curve for specialty polymers, and we started to consistently say that inflation is going to be part of the equation in the second half last year. We started preparing our businesses and opening contracts. And in Specialty Polymers, specifically, I think for a business-lady like me – or marketer – by background, when you start implementing value pricing correctly and selling solutions rather than “products” and invoicing the products, I tell my teams internally, in Specialty Polymers, to stop selling products sell the value proposition and invoice products. And that's what we started to do consistently. So I'm very glad. This is also for under-the-hood applications– not only PVDF. And you remember from our Auto webinar – Mike Finelli, Mauricio, and I shared the value proposition for under-the-hood. Our mission with customers is to provide them light waywith light-weighting in order to consume less fuel and emit less $CO_2$ and replace metal with specialty polymers. And this is not only PVDF in batteries, but we have PES, etcetera, we have much more. We have EUR 800 million of automotive business which is fabulous. And so for pricing, this is across the board, and that's why you can expect part of it to be sticky even though in the future we will return to a more normal inflationary environment.

Second question, we've been working on biotechnology for a while – since I joined the company. But I was not sure yet that this deserves to be called a growth platform. I think you understand by now that when we label an area a “platform,” that it is a multibillion-euro opportunity for us. The big addressable market, not all accessible for us, is EUR 54 billion of turnover for chemicals and plastic in the bio-based economy. That's what we are looking at. What we are doing at Solvay – we have 3 parts, or 3 sub bullets. One is renewable carbon, which means that we look at increasing the content of renewable carbon in Solvay’s product offering. The drivers are developments of environmental trends and circular products. We have alliances throughout the value chain. So that's number one – renewable carbon.

Number two is biotechnology. And in biotechnology, we are expanding our customer base to new growth businesses enabled by biotechnology. And this is where we develop new value propositions aligned with our rapidly-evolving consumer customers with open innovation to address knowledge gaps with others. So that's the area of biotechnology.

And number three is biodegradability. So the ability is new. It's by design technologies, which are biodegradable. When I was younger and I was a chemist in the lab, I was not asked to correct the molecule to make it biodegradable or to see that it is recycled for a second life.

Now we are asking our chemists in the lab to do just that and to manage the end of life of products at the beginning of designing the molecule to deliver, of course, safe, sustainable solutions and, obviously, this is going to make us even stronger in front of the EU Green deal and the chemical strategy for sustainability. So those are the 3 areas we are looking at: chemistry, biology, biomass. And we had pockets of excellence in the company, but now we are really having a dedicated team like we did with Battery Materials and you've seen how fast we have been getting momentum and deciding to invest. But now with the guar technologies – this is the surfactant in Novecare – we had rice husks as a raw material for vanillin production in Aroma. We had biosolvents in Coatis. And all of this now as part of the same platform augmented with biotechnology, be it microbes or enzymes. We will report as we progress, but we are very, very excited about this, and I think this is the future of chemistry.

**Q6: Geoffrey Haire - UBS:** I was wondering, could you help us with discussing how volumes are developing as we move through into Q2, particularly in China and Europe?
**A6: Karim Hajjar - CFO:** I mean I think the best thing I can do is say the momentum that we've described in Q1 at the moment is being maintained fully. The one exception that Ilham mentioned is clearly the China effect. I'll start with just the facts, which is that our solid order books are very solid. The first results coming -- we're showing for April also confirmed the momentum that we had in Q1. The best we can give you is that we estimate about EUR 50 million of negative sales impact related directly to the China lockdown situation. This morning, I'm hearing that there is some good news emerging around the easing of the shutdowns, but maybe Ilham can say more about that as well.
**A6: Dr. Ilham Kadri - CEO:** As for the situation in China, we gave an estimate to make it squeaky clean and give you some of the transparency we have today. Nobody knows what will happen in China. But I had a call this morning with our country leader. And it looks like the situation in China is improving, the new infections are down to about the 5,000 level. It was 30,000, as you may remember, there is some news, not yet formalized, about easing control. It's possible that, for example, the subway will be restarted next week. I've heard that some shops will reopen. And this will probably be true if the new-infection rates continue to go down. You may have also read that the Shanghai lockdown has cost China RMB 300 billion to RMB 400 billion in economic loss. So it is reasonable to believe that the government has to consider reducing the impact by permitting a conditional restart. The logistics are still challenging, and I know you know that. Even though the central government called for removing restrictions for freeways. Solvay has nine sites, which are all operating. We have 1 site which is running at 50% capacity due to the lack of operators.
People are still not allowed to move across districts, but it is said that the Shanghai government will reduce the restriction gradually. So our people are safe. They're working from home, which helps us because of COVID-19 we went to a hybrid mode and we changed our policy. So we are happy now because it allows us to be adaptable in China. And the past 2 weeks, as I said, we have organized various support. So yes, all in all, I think it's "wait and see." We remain positive. The Shanghai port is operating, but the port is very congested. That's what we are looking at closely. It is said that there was some improvement in the past 3 days, but still low in utilization. Getting goods to and from the port is very difficult, but nothing new from what you have heard from other peers or from the market. And so far, we are managing it.

**Q7: Alex Stewart - Barclays:** Your cost inflation in the first quarters was, as you say in the bridge, about EUR 85 million. You talked about maybe EUR 150 million for the year, 5% to 6% to EUR 3 billion. How do I square those 2 numbers? Because clearly, the first quarter run rate is much higher than you'd expect. Is that simply because the fixed cost comparable gets easier through the rest of the year? Any guidance on that would be really helpful.
**A7: Karim Hajjar - CFO:** I'm not sure if I miscommunicated, let me just give you the facts. EUR 369 million is all we've experienced in variable cost inflation, and we also gave an estimate of EUR 30 million on fixed costs. As I look forward, I've also said EUR 1.25 billion, EUR 1.25 billion is the full year expected inflation impact on our variable costs. And I've also indicated EUR 150 million to EUR 180 million in relation to fixed cost inflation. These are the only numbers that I wanted to highlight based on our current expectations. Maybe just clarify your question a bit more. I see if I can help you answer the question.
**A7: Alex Stewart - Barclays:** I can take it up with Jodi after the call.

**Q8: Martin Roediger - Kepler Cheuvreux:** On some cost items in the P&L. First of all, on the R&D costs, they came down significantly from EUR 93 million last year to EUR 78 million in Q1. Why do you save costs in your R&D given the fact that you are a specialty chemical company focusing on innovations?
And secondly, on the admin costs, they jumped up quite strongly from EUR 220 million last year to EUR 256 million in Q1. You said a few minutes ago that inflation was roughly 1% to 2% in the past and now 5 million to 6 million for such kind of cost. But with your cost savings in place, I do not really

understand this 16% increase in these kind of costs in Q1. When I compare the administration costs in Q1 2022 to the administration costs in Q1 2021.

**A8: Karim Hajjar - CFO:** Well, what I can do is just explain to you that, a, we have delivered EUR 22 million of cost savings. We certainly see it on the bottom line. But as I mentioned, we are investing in our growth platforms. We're investing in digital, in cybersecurity. And I think I indicated about EUR 30 million in relation to those elements of cost investment. And you'll see that in different parts of our P&L. It's not all in one place. So if you look at individual pieces, you may see some distortions.

**A8: Dr. Ilham Kadri - CEO:** There are some costs you will see in the CBS line which are -- where we have costs for the growth platform. They don't belong to any business units or any segment. And that was a change I made in 2019 to ensure that there is dedication and focus. So definitely, as a specialty company, we continue to invest in R&I, Research and Innovation, as we call it internally.

So we have actually completely transformed the R&I. There are some projects we just stopped because we didn't believe that was the right thing for the company. And we are doubling down on our growth platforms, the fourth one now is being launched, so obviously, we're not inflating that cost line, but definitely, we are redirecting the cost into the right areas. Sometimes you need to stop something and reinvest elsewhere. But definitely, the cost in R&I is across multiple lines of the P&L.

**A8: Karim Hajjar - CFO:** The only thing I'll add is we're not spending less in cash in R&I. You will see variations but more relation to the accounting depreciation of the various projects that we capitalize over time.

**Q9: Jaideep Pandya - On Field:** You probably don't have details for this, but can you just tell us the schedule for your split of the company in terms of the discussion with bondholders on the hybrid bond side as well?

And then, have you sort of thought with regards to the index implications of Solvay SpecialtyCo and Solvay EssentialCo especially given Solvac – I assume they'll be a big shareholder in both those companies?

**A9: Dr. Ilham Kadri - CEO:** I'm very pleased with the progress as we get up and running. We mobilize the task force of very experienced people. There is significant complexity to contend with and we must make sure that we do this well. To run the project, there are thousands of lines, thousands of commercial contracts and advanced plans to disentangle, separate business activities amongst more than 100 legal entities across the various countries. We have a rhythm of operations, the task force and the PMO report to me directly. We give the executive leadership team an update every 2 weeks as we're determined to do the right thing, act decisively, and progress quickly – as I'm sure you appreciate.

**A9: Karim Hajjar - CFO:** And the question around debt holders – is that we're very, very mindful and fully intend to engage our debt investors. I think at this point, we're still refining our plans. We will certainly do it in due course to derisk, let's say, the transition, but it won't be the subject for the next few months. As soon as we have more clarity as to what the time scale is, we will absolutely advise everybody.

**Jodi Allen - Head of IR**

Thank you. That was our last question. So if there's any other questions, feel free to contact anyone on the Investor Relations team the rest of the afternoon, and thank you so much for your participation today. Have a great day.