

May 4, 2023 at 7 a.m. CET

## Solvay first quarter 2023 results

*Strong pricing drives +22% organic EBITDA growth in the quarter  
Upgraded full year EBITDA and FCF outlook*

### Highlights

- **Net sales** in the first quarter of 2023 grew +2.0% organically to €3.2 billion versus Q1 2022 driven by higher prices (+14%), overcoming lower volumes (-12%) due to softer demand across several end markets including batteries for auto, construction, and consumer-driven industries. Pricing measures of €421 million more than offset the €127 million impact from variable cost inflation resulting in €294 million of net price benefit in Q1 2023.
- Underlying **EBITDA** in Q1 2023 of €839 million was up +22.0% versus Q1 2022 on an organic basis. Growth in Materials (+35%) and Chemicals (+19%) more than offset the decrease in Solutions (-9%). Sequentially, Q1 2023 EBITDA was up +14% versus Q4 2022.
- Underlying **EBITDA margin** in Q1 2023 reached a new record level at 26.5%, +320 basis points higher than in Q1 2022.
- **Underlying net profit** was €460 million in Q1 2023, up +24.5% compared to Q1 2022.
- **Free cash flow** generation of €125 million in Q1 2023 reflects high profits, investments in working capital and capital expenditures, and the benefit of a settlement of litigation.
- Simplified the portfolio with the sale of its 50% stake in RusVinyl, using proceeds to reduce net debt and further strengthen the **balance sheet**. The leverage ratio is at an historic low of 1.0x.
- **ROCE** for Q1 2023 reached a record level at 16.7%.

<i>Underlying, (in € million)</i>	<b>Q1 2023</b>	<b>Q1 2022</b>	<b>% yoy</b>	<b>% organic</b>
<b>Net sales</b>	<b>3,167</b>	<b>3,055</b>	+3.6%	+2.0%
<b>EBITDA</b>	<b>839</b>	<b>712</b>	+18.0%	+22.0%
<b>EBITDA margin</b>	<b>26.5%</b>	<b>23.3%</b>	+3.2pp	-
<b>FCF<sup>1</sup></b>	<b>125</b>	<b>216</b>	-42.0%	-
<b>FCF conversion ratio (LTM)</b>	<b>30.4%</b>	<b>32.9%</b>	-2.5pp	-
<b>ROCE (LTM)</b>	<b>16.7%</b>	<b>12.3%</b>	+4.4pp	-

### Ilham Kadri, CEO

*"I'm pleased to report that we sustained pricing in the context of a higher cost and weaker demand environment, which supported our strong EBITDA performance. We delivered our 16th consecutive quarter of positive free cash flow notwithstanding increased investments, and we intend to adapt working capital levels whilst ensuring that we continue to meet our customers' needs. We remain focused on investing for growth and further reinforcing our solid foundations as we progress in our journey to separate into two strong, independent companies later this year."*

### 2023 Outlook update

The company increases its full-year underlying EBITDA organic growth estimate from the previously indicated guidance of between -3% and -9% to a range of between +2% and -5% versus 2022<sup>2</sup>. The Free Cash Flow estimate is also increased from around €750 million to around €900 million.

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

<sup>1</sup> Free cash flow is free cash flow to Solvay shareholders from continuing operations

<sup>2</sup> On an organic basis means at constant forex and scope

## Key figures

<i>Underlying, in € million</i>	Q1 2023	Q1 2022	% yoy
<b>Net sales</b>	3,167	3,055	+3.6%
<b>EBITDA</b>	839	712	+18.0%
<i>EBITDA margin</i>	26.5%	23.3%	+3.2pp
<b>EBIT</b>	642	526	+22.2%
Net financial charges	-48	-49	+1.6%
Income tax expenses	-131	-96	-36.3%
<i>Tax rate</i>	22.6%	22.3%	+0.3pp
<b>Profit / (loss) attributable to Solvay shareholders</b>	460	369	+24.5%
<b>Basic EPS</b>	4.42	3.56	+24.3%
<b>Basic EPS from continuing operations (in €)</b>	4.43	3.55	+24.9%
<b>Capex in continuing operations</b>	212	151	+40.4%
<b>FCF to Solvay shareholders from continuing operations</b>	125	216	-42.0%
FCF conversion ratio (LTM)	30.4%	32.9%	-2.5pp
<b>Net financial debt</b>	3,252		
<b>Underlying leverage ratio</b>	1.0		

## Group performance

**Net sales** of €3,167 million in Q1 2023 were up +3.6% compared to Q1 2022 (+2.0% organically and +1.6% positive impact from foreign exchange and scope). This was mainly driven by positive pricing across most businesses, and was largely offset by lower volumes.

**Underlying EBITDA** of €839 million was up +18.0% (+22.0% organically) in Q1 2023 versus Q1 2022, driven by higher prices partly offset by lower volumes and higher fixed costs amid an inflationary environment. Record EBITDA margin was 26.5% in the quarter, 320 basis points higher than in Q1 2022.

**Free cash flow** to shareholders from continuing operations reached €125 million in Q1 2023. This reflects the combination of high profits and the €92 million settlement of litigation, as well as the impact of higher capex investments to support future growth, and higher working capital due to elevated inventories. Working capital intensity is expected to improve in the next two quarters. Free Cash flow conversion over the last twelve months stood at 30.4%.

**Underlying net financial debt** decreased €339 million to €3,252 million compared to December 2022 with €432 million of proceeds from the sale of the RusVinyl joint venture substantially offsetting the interim dividend of €160 million.

**Provisions** are higher by €170 million to €2.3 billion compared to December 2022. This was mainly driven by lower discount rates and new provisions of €80 million for restructuring associated with the Group's separation plan.

## Performance by segment

### Net sales bridges

(in € million)	Q1 2022	Scope	Forex	Volume	Price	Q1 2023	Yoy %	Organic %
Materials	879	-	+5	-16	+154	1,022	+16.3%	+15.6%
Chemicals	1,039	+19	+21	-157	+181	1,103	+6.1%	+2.2%
Solutions	1,135	-12	+15	-186	+87	1,038	-8.5%	-8.7%
Corporate	2	-	-	+1	-	3	+58.0%	+63.3%
<b>Solvay</b>	<b>3,055</b>	<b>+7</b>	<b>+40</b>	<b>-358</b>	<b>+421</b>	<b>3,167</b>	<b>+3.6%</b>	<b>+2.0%</b>

### Materials

Sales in Q1 2023 were up +16.3% (+15.6% organically) to €1,022 million driven by higher prices while volume growth in Composite Materials offset reduced demand in Specialty Polymers, mainly from customer destocking.

In Specialty Polymers, sales improved +15.1% (+15.0% organically) primarily due to higher price. Volumes were slightly lower due to reduced demand in batteries, while other markets including automotive (other applications), electronics, and healthcare delivered increased volumes.

Composite Materials sales were up +20.0% (+17.3% organically) year on year due to higher volumes and price. This was driven by the continued recovery of civil aerospace as well as growth in space & defense markets.

Segment EBITDA increased +39.9% (+35.2% organically) and +18.1% sequentially driven largely by price increases net of higher raw material costs. This resulted in an underlying EBITDA margin of 35.4%, significantly higher than 29.4% in Q1 2022.

### Chemicals

First quarter net sales were up +6.1% (+2.2% organically) in the segment driven mainly by price and partly offset by lower volumes.

In Soda Ash & Derivatives, sales improved +23.2% (+19.1% organically) versus Q1 2022. Growth was driven by higher pricing, partially offset by lower demand in flat glass for construction, particularly in Europe, while container glass remained resilient.

Peroxides sales were lower by -4.5% (-5.7% organically) as lower volumes more than offset positive pricing in the quarter. Demand softened in chemicals (HPPO) and pulp & paper, while disinfection was resilient.

Silica sales increased +6.7% (+6.3% organically) in the quarter driven by pricing actions that were able to more than compensate for lower volumes.

Coatis sales were down -23.1% (-29.3% organically) in comparison to a very strong Q1 2022 as the business continued to normalize. Sales volumes declined due to lower demand and competitive price-pressure due to imports into Brazil.

Segment EBITDA rose +6.7% (+18.9% organically) and +5.9% sequentially as a result of significant price actions across all businesses except Coatis. This resulted in an underlying EBITDA margin of 27.0% in Q1 2023, essentially flat versus prior year.

### Solutions

Sales in the first quarter of 2023 were down -8.5% (-8.7% organically) as a result of lower volumes, partly offset by higher prices.

Sales in Novecare were lower by -14.6% (-13.8% organically) year on year. While pricing remained positive, reduced demand in coatings, agro and consumer markets weighed on volumes.

Special Chem sales increased +4.5% (+4.3% organically) thanks to higher prices which more than compensated for reduced demand in automotive and semiconductor markets.

Technology Solutions sales increased +17.7% (+14.5% organically) due to higher prices and volumes. Strong demand was driven by mining and phosphorus derivatives.

Aroma Performance sales decreased -30.1% (-31.1% organically), as volume declined due to lower demand for vanillin used in the flavors and fragrance market.

Oil & Gas Solutions sales decreased -17.4% (-17.9% organically) versus the previous year quarter mainly driven by lower natural gas drilling activity in the US due to a significant decline in natural gas prices.

First quarter EBITDA in the segment fell -7.9% (-8.6% organically) year over year reflecting the lower volumes, but on a sequential basis was up +25.4% versus Q4 2022. EBITDA margin for the segment in Q1 was 21.1%, essentially flat versus prior year.

## Corporate and business services

Corporate and Business services reported a loss of -€39 million to Group EBITDA in Q1 2023. The majority of the €25 million improvement year over year is due to the continued stabilization of the energy business.

## Key segment figures

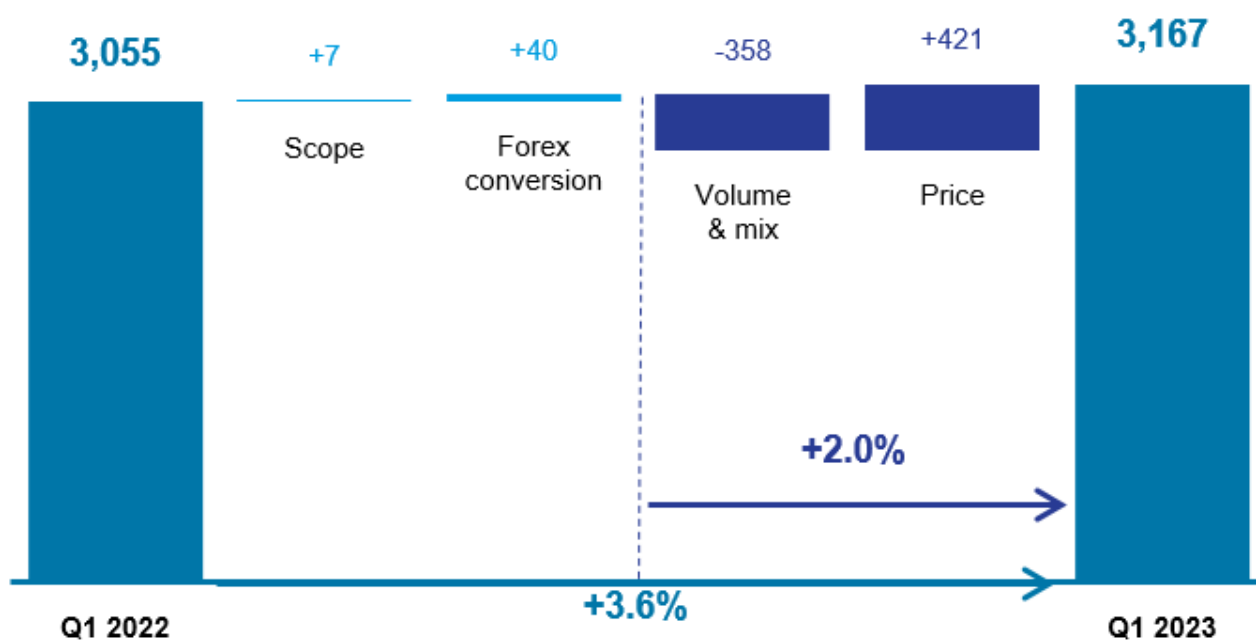
Segment review (in € million)	Underlying			
	Q1 2023	Q1 2022	% yoy	% organic
<b>Net sales</b>	<b>3,167</b>	<b>3,055</b>	<b>+3.6%</b>	<b>+2.0%</b>
Materials	1,022	879	+16.3%	+15.6%
Specialty Polymers	773	671	+15.1%	-
Composite Materials	249	208	+20.0%	-
Chemicals	1,103	1,039	+6.1%	+2.2%
Soda Ash & Derivatives	598	485	+23.2%	-
Peroxides	171	179	-4.5%	-
Coatis	172	223	-23.1%	-
Silica	163	153	+6.7%	-
Solutions	1,038	1,135	-8.5%	-8.7%
Novelcare	386	452	-14.6%	-
Special Chem	250	240	+4.5%	-
Technology Solutions	182	154	+17.7%	-
Aroma Performance	99	142	-30.1%	-
Oil & Gas Solutions	121	147	-17.4%	-
Corporate & Business Services	3	2	+58.0%	+63.3%
<b>EBITDA</b>	<b>839</b>	<b>712</b>	<b>+18.0%</b>	<b>+22.0%</b>
Materials	362	259	+39.9%	+35.2%
Chemicals	298	279	+6.7%	+18.9%
Solutions	219	238	-7.9%	-8.6%
Corporate & Business Services	-39	-64	+38.5%	-
<b>EBITDA margin</b>	<b>26.5%</b>	<b>23.3%</b>	<b>+3.2pp</b>	-
Materials	35.4%	29.4%	+6.0pp	-
Chemicals	27.0%	26.9%	+0.2pp	-
Solutions	21.1%	20.9%	+0.1pp	-

## Key IFRS figures

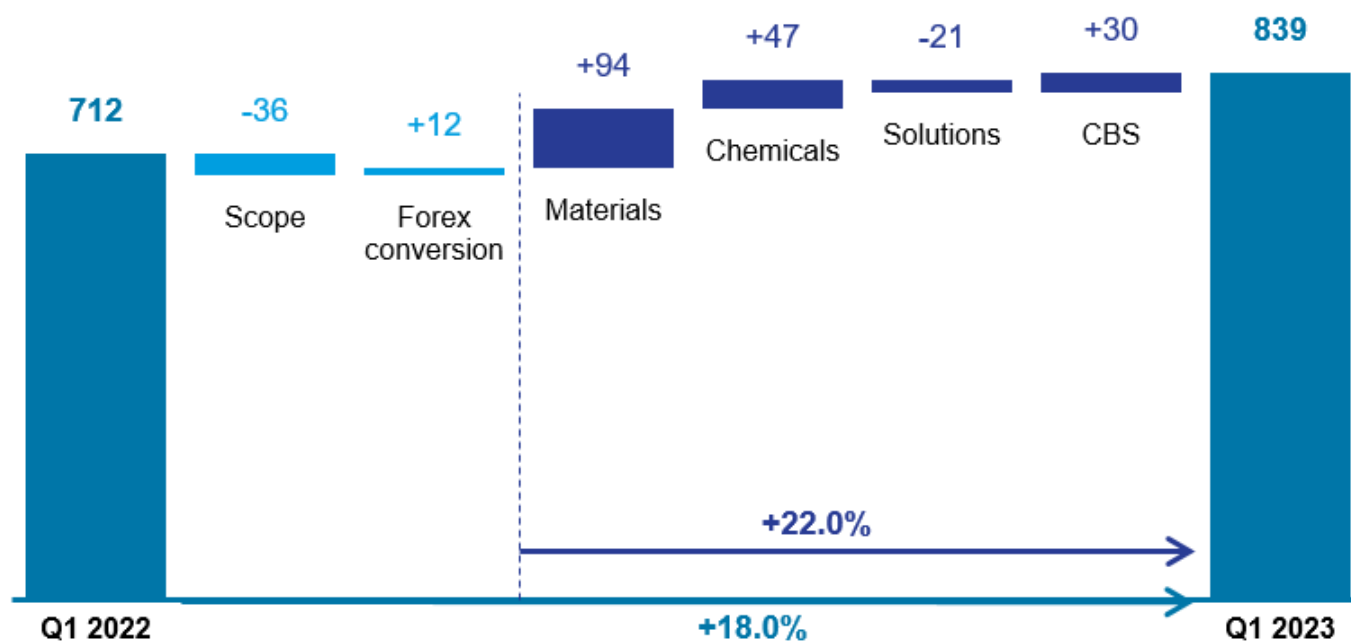
(in € million)	IFRS			Underlying		
	Q1 2023	Q1 2022	% yoy	Q1 2023	Q1 2022	% yoy
<b>Net sales</b>	<b>3,167</b>	<b>3,055</b>	<b>+3.6%</b>	<b>3,167</b>	<b>3,055</b>	<b>+3.6%</b>
<b>EBITDA</b>	<b>628</b>	<b>680</b>	<b>-7.6%</b>	<b>839</b>	<b>712</b>	<b>+18.0%</b>
<i>EBITDA margin</i>				26.5%	23.3%	+3.2pp
<b>EBIT</b>	<b>394</b>	<b>457</b>	<b>-13.8%</b>	<b>642</b>	<b>526</b>	<b>+22.2%</b>
Net financial charges	-30	-29	-4.8%	-48	-49	+1.6%
Income tax expenses	-114	-79	-44.7%	-131	-96	-36.3%
<i>Tax rate</i>				22.6%	22.3%	+0.3pp
<b>Profit / (loss) attributable to Solvay shareholders</b>	<b>246</b>	<b>337</b>	<b>-27.0%</b>	<b>460</b>	<b>369</b>	<b>+24.5%</b>
Basic EPS (in €)	2.37	3.25	-27.1%	4.42	3.56	+24.3%
of which from continuing operations	2.37	3.25	-27.0%	4.43	3.55	+24.9%

## Supplemental information: bridges

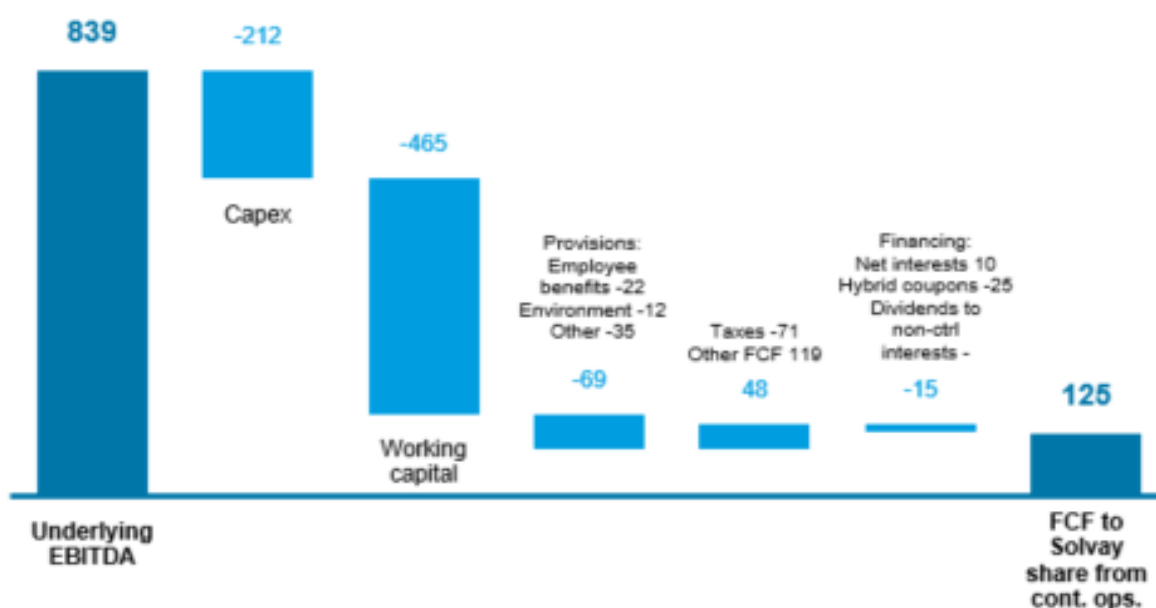
Net Sales (in € million)



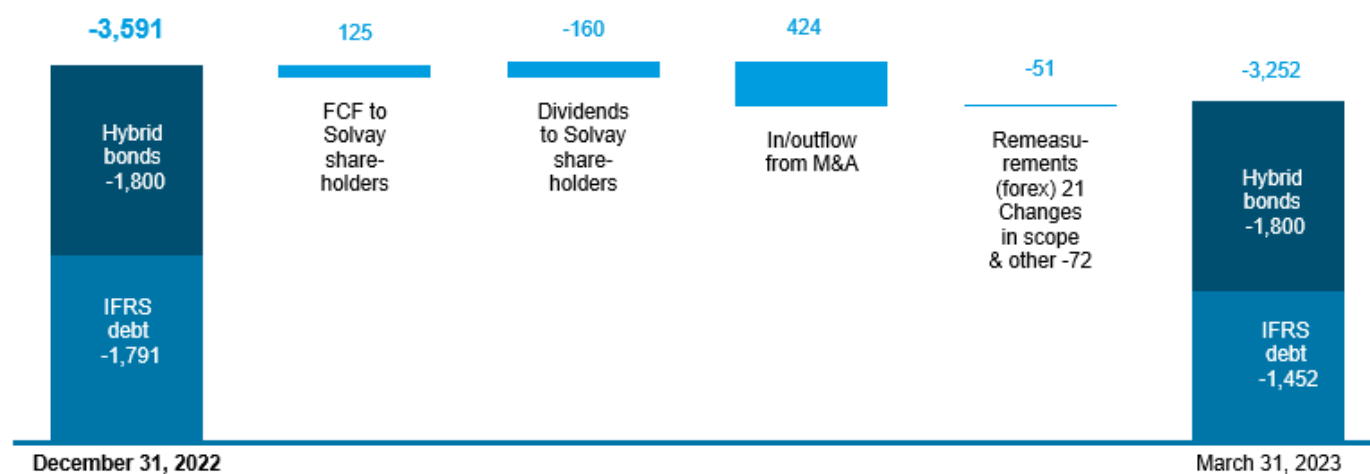
Underlying EBITDA (in € million)



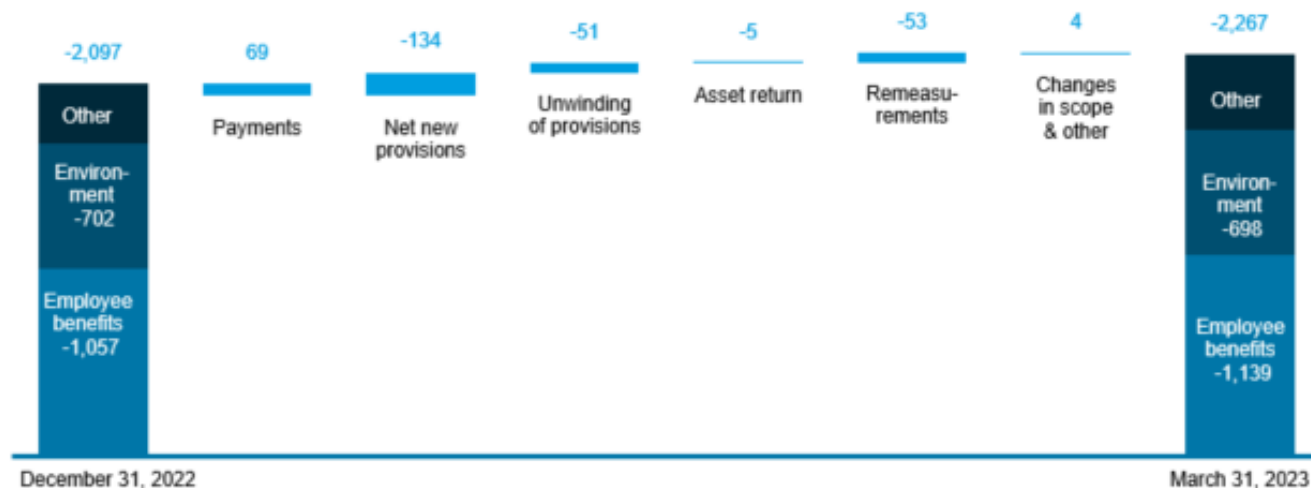
## Free cash flow (in € million)



## Underlying net debt (in € million)



## Provisions (in € million)



## Glossary

**EPS** is earnings per share.

**Free cash flow to Solvay shareholders:** 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 of free cash flow to Solvay shareholders of the last rolling 12 months (before netting of dividends paid to non-controlling interests) to the underlying EBITDA of the last rolling 12 months.

**Last twelve months (LTM)** refers to the timeframe of the immediately preceding 12 months.

**Organic growth:** 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, 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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### About Solvay

Solvay is a science company whose technologies bring benefits to many aspects of daily life. With more than 22,000 employees in 61 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 roadmap crafted around three pillars: protecting the climate, preserving resources and fostering a 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 €13.4 billion in 2022. Solvay is listed on Euronext Brussels and Paris (SOLB). Learn more at [www.solvay.com](http://www.solvay.com).

### About Solvay Investor Relations

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