

asking *more*
from chemistry®



**Converting
vision into value**

Capital Markets Day
June 10-11 2015

Karim Hajjar
Chief Financial Officer
Member of the Executive Committee



SOLVAY

asking more from chemistry®

Agenda

Update on 2016 targets

Cash conversion

Returns

2016 targets confirmed

- Divestments, including European PVC
- Expanding Excellence initiatives
- Disciplined reinvestments in growth engines
- Robust financial framework

Mid-term targets

>10% yoy REBITDA growth
→ 2016 REBITDA € 2.3 - 2.5 bn*

CFROI to increase by
≥100bp**

2014

On track

11%
growth



+40bp



* At constant scope vs 2013 and prevailing conditions

** vs 2012

Double digit REBITDA growth

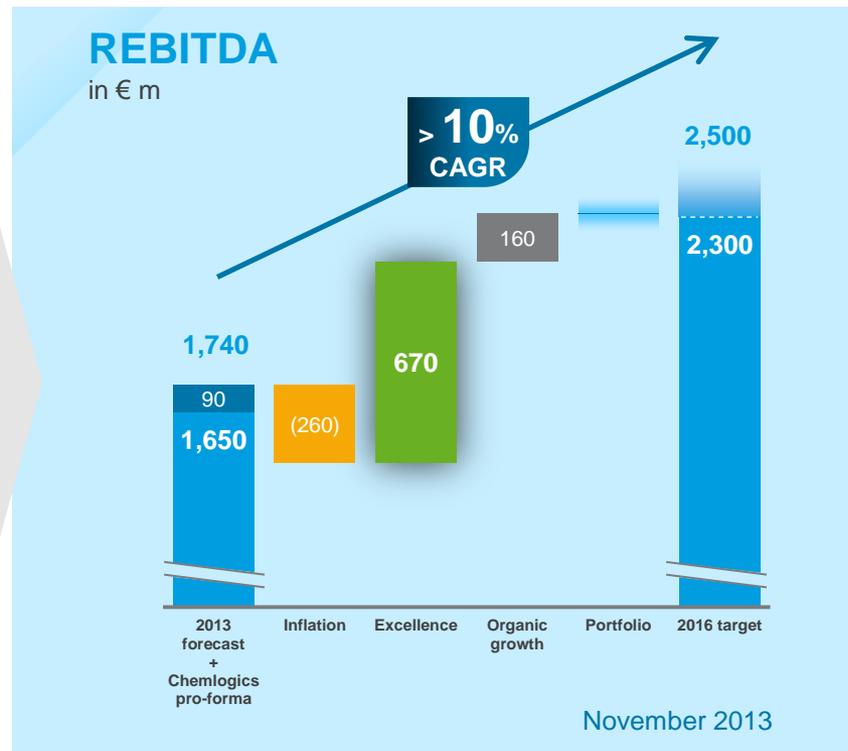


REBITDA

€ 2.3-2.5 bn

Strong 2014 with positive momentum in 2015

- Excellence ahead of plan, scope expanded
- Strengthening our customer-led solutions
- Growth engines performing well
- Headwinds mitigated



>10% yoy REBITDA growth*

* Average over 2013-2016 at comparable perimeter

Excellence delivery ahead of plan, target increased

EXCELLENCE

Operational

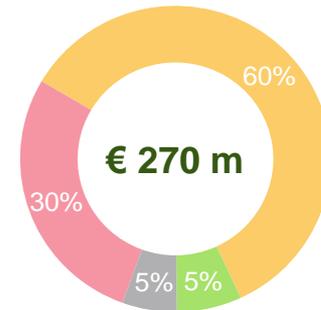
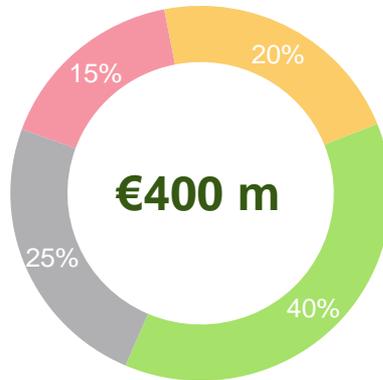
Commercial

Innovation

Target by 2016:

€ 800 m

vs € 670 m initially foreseen



- Advanced Formulations
- Advanced Materials
- Performance Chemicals
- Functional Polymers

Continuously improving on operations

Understanding customer value

Pioneering ideas, responding to sustainability challenges

Delivery in 2014:

€ 300 m



€ 160 m

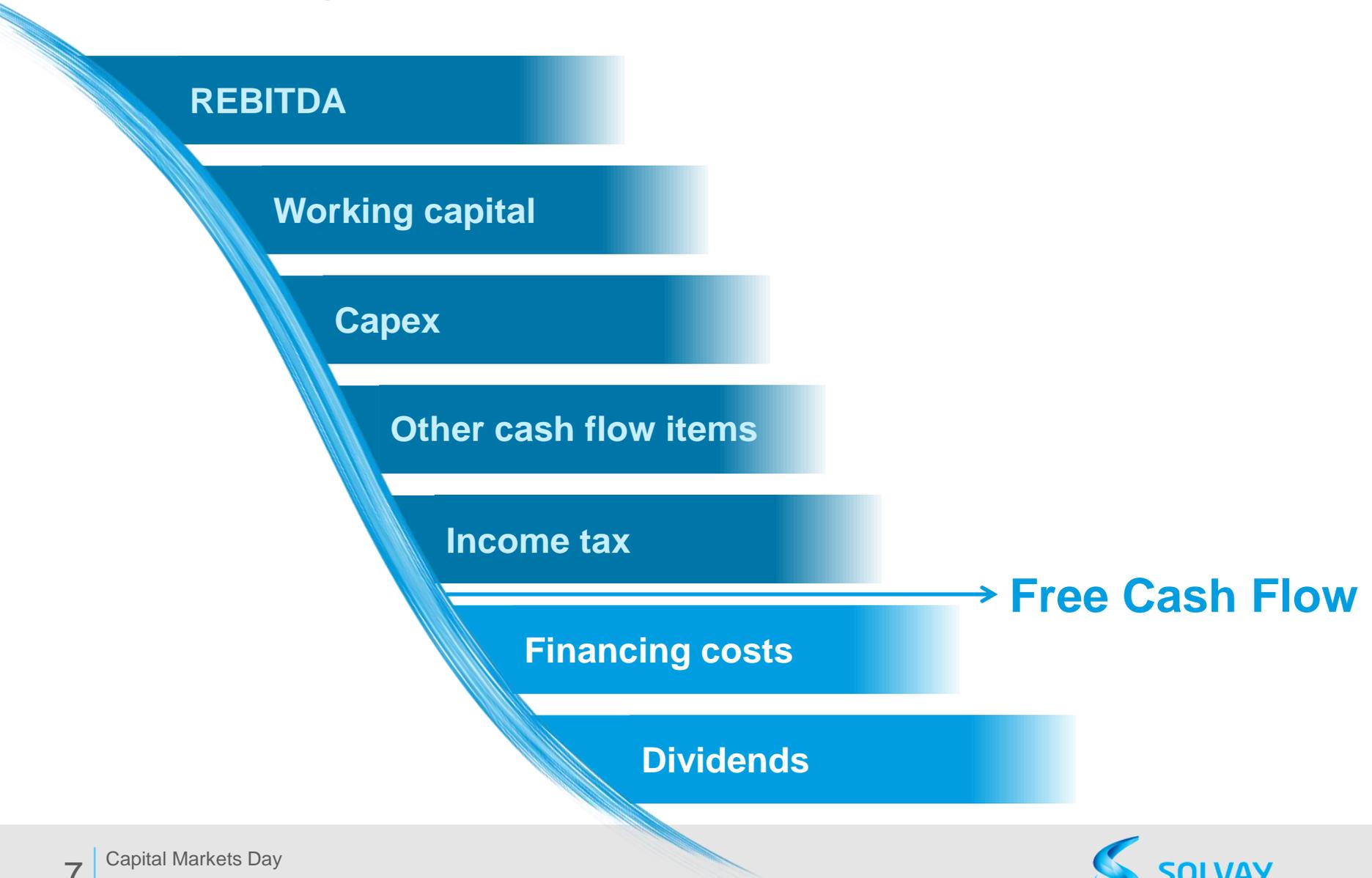
€ 40 m

€ 100 m

Cash conversion



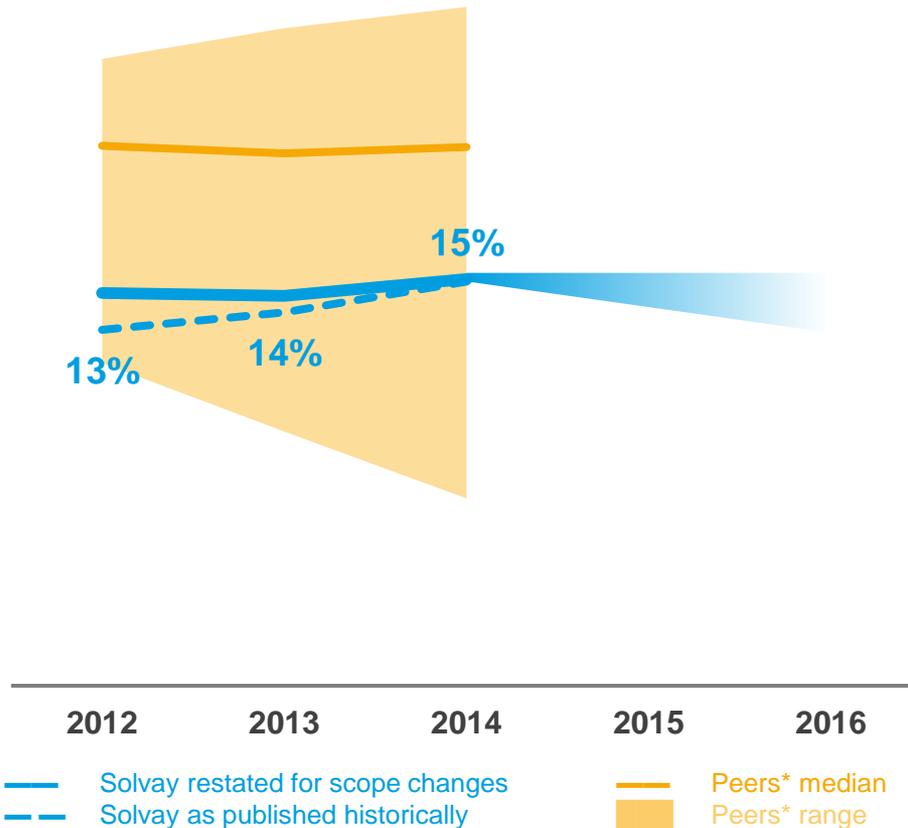
Converting REBITDA into cash for value



Optimal working capital intensity

Net working capital

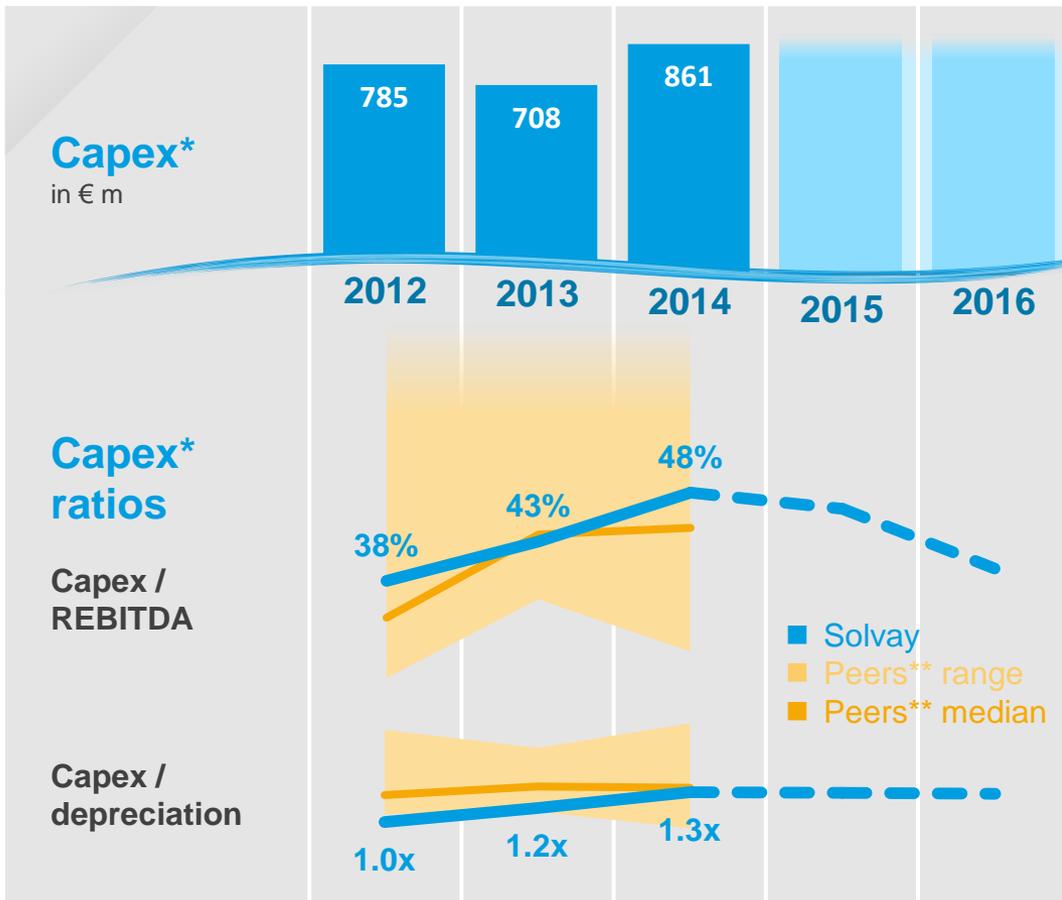
% of gross sales (average of quarters)



- 160bp increase from portfolio changes
- Leading position sustained
- Discipline will be maintained and effectiveness improved

* Peers: Akzo Nobel, Arkema, BASF, Clariant, DSM, Evonik, Lanxess

Investments underpin growth momentum



Capex discipline maintained

→ Growth capex

- Strategic fit
- IRR \geq 15%

→ Maintenance capex at

~€ 400 m

Capex intensity to reduce after 2015

* Continued operations, figures as published before restatements

** Peers: Akzo Nobel, Arkema, BASF, Clariant, DSM, Evonik, Lanxess

Capital allocation strategically coherent for growth

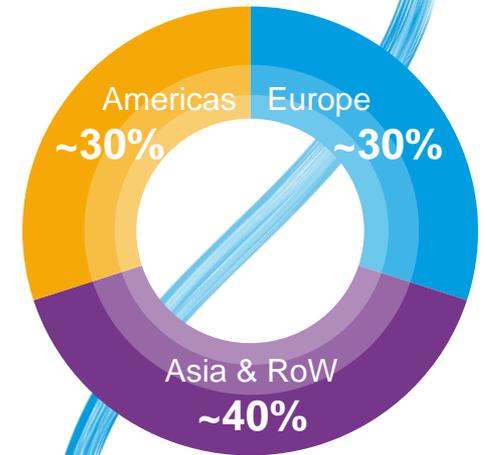
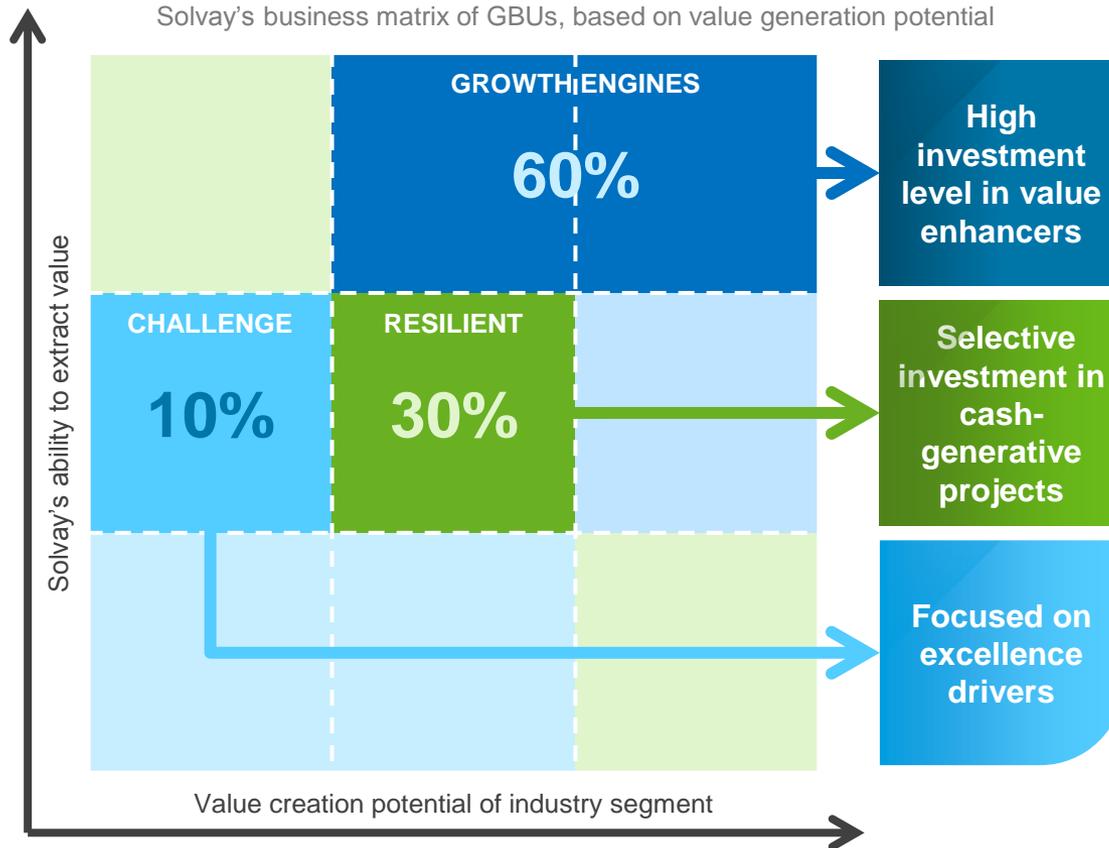
Growth capex 2015-2018

Portfolio

Regional

Solvay's business matrix of GBUs, based on value generation potential

Based on main projects



Current pipeline will start delivering in 2016 ...

	Major growth projects		Industrial start-up	Years to maturity	Projected IRR*	Total capex
GROWTH ENGINES	Novecare	Alkoxylation USA & Singapore	2015	≤ 3	>20%	€ 500 m
	Aroma Performance	Vanillin Asia	2015	≤ 3	>20%	
	Specialty Polymers	Polymers China	2015	≥ 6	~15%	
		PEEK US & India	2016	≥ 6	>20%	
Silica	HDS Poland & Korea	2015-2017	≤ 3	>15%		
RESILIENT	Peroxides	HPPO Saudi Arabia	2015	≤ 3	>15%	€ 325 m
		H2O2 China	2015	≤ 3	>15%	
	Soda Ash & Derivatives	Bicarbonate Thailand	2015	≤ 3	>15%	
		Operational excellence	2014	≤ 3	>15%	

... growing to maturity in next 3 years

* IRR = Internal Return Rate

Converting REBITDA into cash for value

REBITDA



> 10% yoy on average

Working capital



≤ 15% / sales

Capex



Intensity
reduces after 2015

Other cash flow items



Pensions, environmental,
restructuring, ... → ~ € 300 m net

Income tax



Low to mid 30%'s

Financing costs



% charges
to continue to fall

Dividends

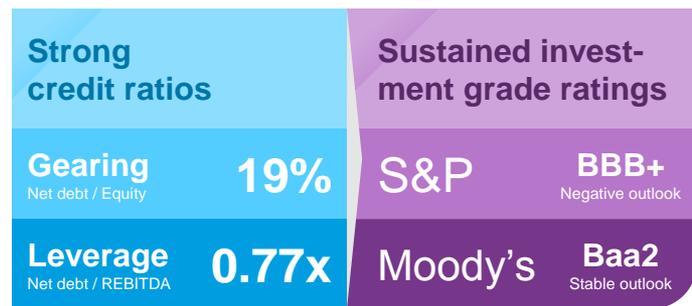
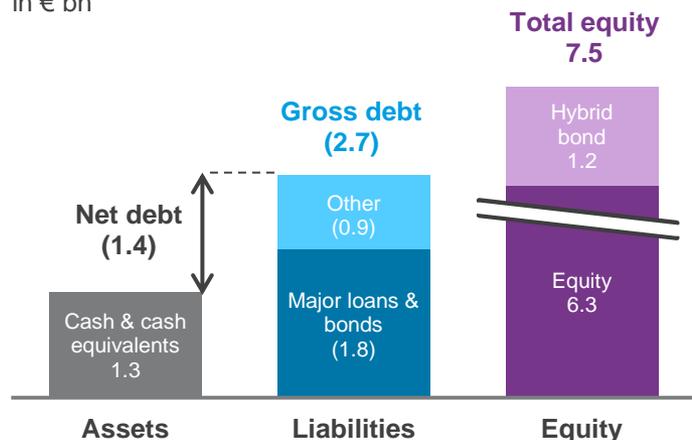


Stable
to growing

Strong financial framework supports growth ...

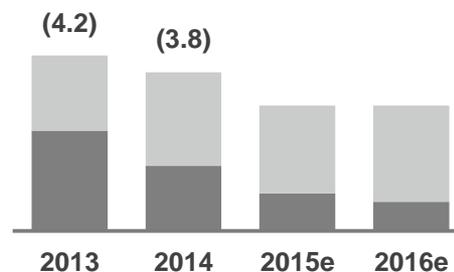
Capital structure (31/03/2015)

in € bn



Strong liquidity position maintained

in € bn

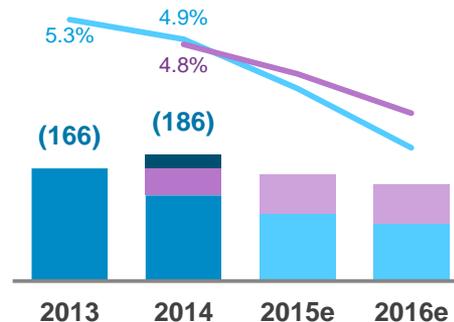


Lower cost of carry

- Unused credit facilities
- Cash & cash equivalents

Financial expenses

in € m



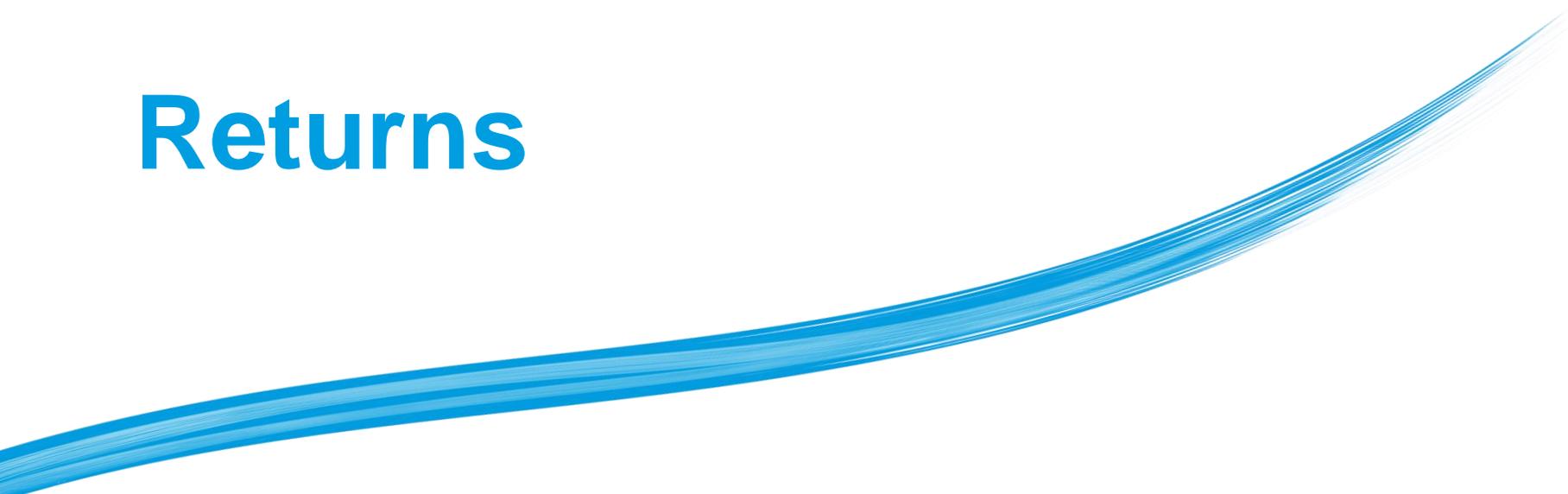
Lower financial costs

- Exceptionals
- Hybrid debt in equity
- Net financial charges
- Cost of borrowing
- Cost of borrowing including hybrid debt in equity

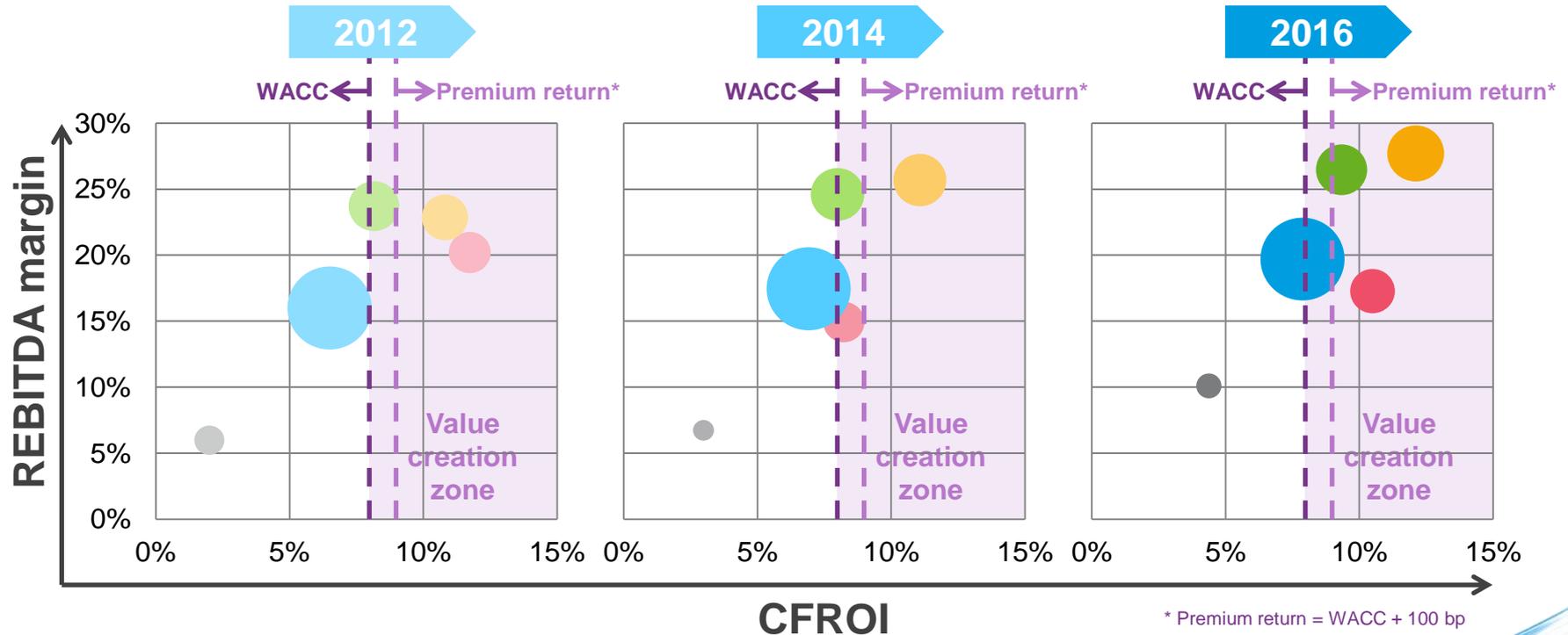


... balancing value and risk management

Returns



Value creation momentum across segments



Moving towards

Group CFROI increase ≥ 100 bp

2/3rd of business assets in value creation zone

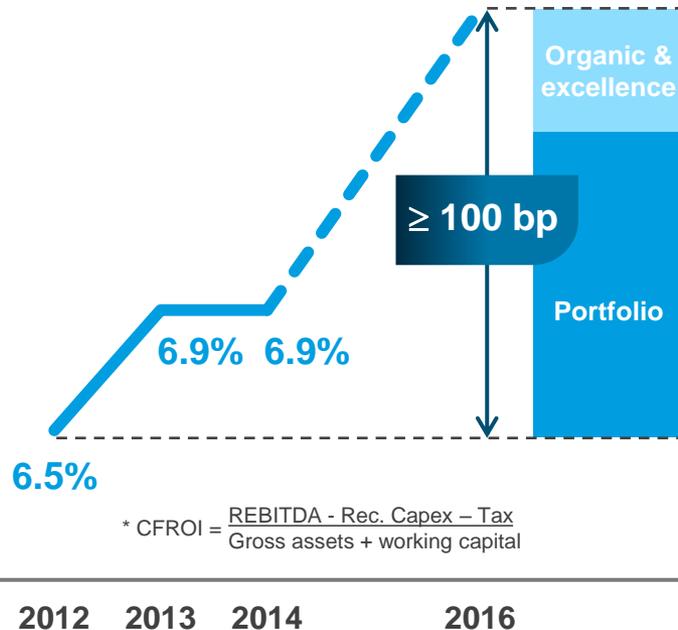
Bubble size indicative of REBITDA
● Solvay (incl. Corporate & Business Services)

● Advanced Formulations
● Advanced Materials

● Performance Chemicals
● Functional Polymers

Group CFROI improves through operational performance and portfolio upgrade

CFROI, internal view*



$$* \text{CFROI} = \frac{\text{REBITDA} - \text{Rec. Capex} - \text{Tax}}{\text{Gross assets} + \text{working capital}}$$

HOLT CFROI**, independent view

- Solvay CFROI slightly over peers median in 2014
- Largest increase in last 2 years, versus decrease on average in peer group

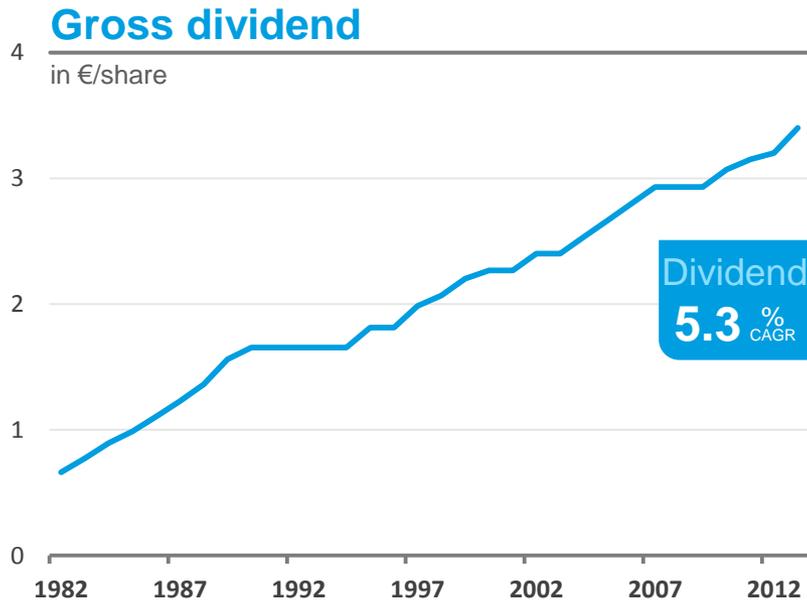
Peers: Akzo Nobel, Arkema, BASF, Clariant, DSM, Evonik, Lanxess

**HOLT CFROI is a proprietary cash flow return on investment metric of Credit Suisse calculated as an IRR taking into account i) the cash flow generated by a company and ii) the amount and estimated lifespan of its operating assets



Further improvement targeted

Rewarding shareholders with stable to growing dividend



For >30 years
~40% average pay-out

TSR* of 17% CAGR
Since Rhodia acquisition

Key take-aways



2016 Earnings & Returns targets – **confirmed**

- REBITDA to grow at **> 10% yoy**
- CFROI to increase **≥ 100 bp**



Cash conversion – **a high priority**

- Working capital discipline
- Capex intensity to reduce



Rewarding shareholders – **stable to growing dividend**

- Solid financial position



SPEAKER'S RESUME





Karim Hajjar

*Chief Financial Officer,
Member of the Executive Committee*

Karim Hajjar

began his career in 1984 at Grant Thornton Chartered Accountants, where after a few years he became a partner. He moved on to Royal Dutch/Shell in 1995 and undertook a number of roles, the last of which was as Deputy Global CFO of Shell Chemicals. Karim Hajjar held the CFO position of Tarmac Group from 2005 to 2009 and was Group Managing Director until 2010.

Before joining Solvay in September 2013, Karim Hajjar was Director Finance and Planning at Imperial Tobacco Group Plc.

Karim Hajjar, a British national, is an Economics graduate from the City University in London and is a member of the Institute of Chartered Accountants in England & Wales.



Maria Alcón-Hidaglo

Head of Investor Relations

+32 2 264 1984

E-mail : maria.alconhidalgo@solvay.com

Geoffroy Raskin

Investor Relations, Senior Manager

+32 2 264 1540

E-mail : geoffroy.raskin@solvay.com

Catherine Jouvét

Retail shareholder relations Manager

+32 2 264 2732

E-mail : catherine.jouvet@solvay.com

Bisser Alexandrov

Investor Relations, Manager

+32 2 264 2142

E-mail : bisser.alexandrov@solvay.com

Laetitia Van Minnenbruggen

Events Coordinator

+32 2 264 3025

E-mail : Laetitia.vanminnenbruggen@solvay.com



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