



**SOLVAY**

asking more from chemistry®

**1<sup>ST</sup> QUARTER 2016  
FINANCIAL REPORT**

**REGULATED  
INFORMATION**

03/05/2016  
7:00 AM CET

## Forenote

The results of former Cytec are consolidated in the Group's income and cash flow statements since January 1, 2016. Comparative information for the first quarter and full year 2015 is presented on an unaudited pro forma basis as if the acquisition of Cytec had taken place on January 1, 2015.

Besides IFRS accounts, Solvay also presents underlying Income Statement performance indicators to provide a more consistent and comparable indication of the Group's financial performance. The underlying performance indicators 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 that would distort the analysis of the Group's underlying performance.

The comments on the results made on pages 3 to 13 are on an underlying basis, unless otherwise stated.

# HIGHLIGHTS

## 1<sup>ST</sup> QUARTER 2016

### Q1 2016 underlying results <sup>[1]</sup>

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- **Net sales totaled € 2.9 bn, down (6)%**, with average prices (2)% linked to partial pass-through of lower raw material costs in a deflationary environment. Scope changes and foreign exchange impacts on conversion decreased sales by (3)%. Volumes were stable overall, with growth in Advanced Materials and Functional Polymers offset by a drop in other segments.
- **Underlying EBITDA grew 2% at € 602 m**, as pricing power boosted performance by 10%, underpinned by Solvay's excellence programs and transactional foreign exchange gains. The volume mix had a (3)% impact. The remaining (5)% is caused by the € 30 m one-off benefit recognized in the first quarter of 2015, linked to U.S. post-retirement benefits. The underlying EBITDA margin widened to 21%, up 1.4 pp.
  - **Advanced Materials at € 267 m, up 1.4% yoy**, as growth in healthcare, consumer goods and sustainable mobility applications more than offset the impact of ongoing inventory adjustments in the smart devices market;
  - **Advanced Formulations at € 122 m, down (10)% yoy**, reflecting weaker oil & gas market conditions compared to Q1 2015 when this market started to decline;
  - **Performance Chemicals at € 199 m, up 7% yoy**, thanks to cost efficiency gains, especially in soda ash;
  - **Functional Polymers, at € 65 m, up 54% yoy**, driven by demand, increased net pricing and a higher contribution from RusVinyl;
  - **Corporate and Business Services at € (51) m**, benefiting from cost optimization programs and delivery of Cytec synergies; Q1 2015 underlying EBITDA was € (35) m, impacted by the € 30 m one-off post-retirement benefits.
- **Underlying net income, Solvay share, was € 192 m, down (5)%**, as a result of scope effects in discontinued operations, following the creation of Inovyn in July 2015.
- **Free cash flow of € 9 m improved versus € (358) m in the first quarter of 2015**, both on IFRS and underlying basis, primarily reflecting a significant reduction of seasonal working capital needs and the anticipated reduction of capital expenditure.
- **Underlying net financial debt rose to € (6.8) bn from € (6.6) bn at the start of the year**, following the € (138) m payment of the interim dividend to Solvay's shareholders and other financial charges.

### Q1 2016 IFRS results

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- **Net income, Solvay share, on an IFRS basis was € 15 m versus € (12) m in 2015 on a pro forma unaudited basis** (see table on page 14), and € 140 m as reported historically <sup>[2]</sup>.
- **Net financial debt, on an IFRS basis, was € (4.6) bn**, excluding the perpetual hybrid bonds.

### Quote of the CEO, Jean-Pierre Clamadieu

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*In the first quarter of the year, we delivered on our priorities. The smooth and swift integration of the former Cytec teams and businesses as part of Solvay puts us well on track to achieve our recently increased synergy targets. Our earnings grew against strong comparables in 2015, supported by a ninth straight quarter of solid pricing power which contributed to a record margin of 21%. In Advanced Materials we offset the ongoing inventory adjustments in smart devices with growth in other applications. While Advanced Formulations continued to suffer from the downturn in oil and gas, we took measures to enhance competitiveness across operating segments. Our reinforced focus on cash, including more efficient working capital management and selective capex allocation, led to a substantial improvement in cash generation and paves the way to meet our objectives for the year.*

### 2016 outlook

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Based on the first quarter results and the current macro-economic environment, Solvay reaffirms its guidance of high-single digit underlying EBITDA growth in 2016, compared to the pro forma € 2,336 m in 2015. This growth is expected to be back-end loaded. Free cash flow is expected to exceed € 650 m, more than 30% higher than the prior year pro forma level.

[1] The underlying data compares to pro forma 2015, as if the Cytec acquisition had taken place on January 1, 2015. The end-of-period balance sheet data compare to the position at the start of the period.

[2] Cytec was not included in the 2015 IFRS financial statements, whereas the Q1 2016 net income includes the impacts of the purchase price allocation, as well as the related result from portfolio management and reassessments.

# BUSINESS REVIEW

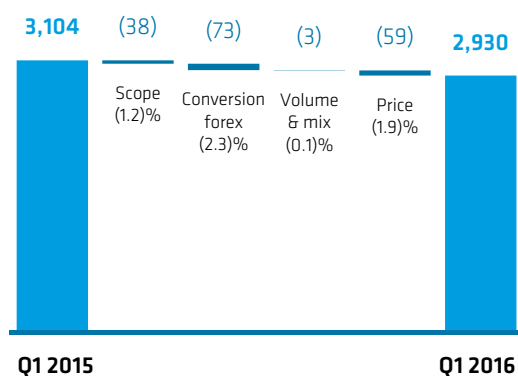
## 1<sup>ST</sup> QUARTER 2016 UNDERLYING RESULTS

### Q1 key data

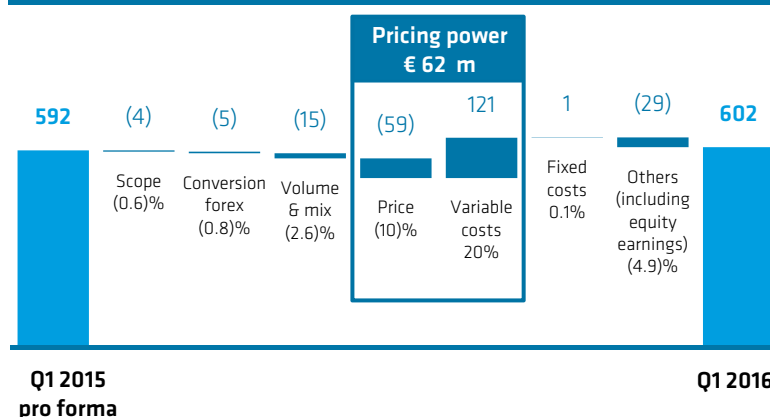
(in € m)	Q1 2016		Q1 2015 pro forma		% yoy	
	IFRS	Underlying	IFRS	Underlying	IFRS	Underlying
<b>Net sales</b>	<b>2,930</b>	<b>2,930</b>	<b>3,104</b>	<b>3,104</b>	<b>(5.6)%</b>	<b>(5.6)%</b>
<b>EBITDA</b>	<b>492</b>	<b>602</b>	<b>439</b>	<b>592</b>	<b>12%</b>	<b>1.6%</b>
<i>EBITDA margin</i>	17%	21%	14%	19%	2.7pp	1.4pp
<b>EBIT</b>	<b>105</b>	<b>408</b>	<b>101</b>	<b>406</b>	<b>4.2%</b>	<b>0.5%</b>
Net financial charges	(94)	(126)	(91)	(121)	(4.0)%	(4.3)%
Income taxes	-	(80)	(28)	(87)	n.m.	7.6%
<i>Tax rate</i>	8%	29%	n.m.	31%	n.m.	(2.0)pp
Result from discontinued operations	5	-	21	25	(74)%	n.m.
<b>Net income, Solvay share</b>	<b>15</b>	<b>192</b>	<b>(12)</b>	<b>202</b>	<b>n.m.</b>	<b>(5.2)%</b>
Basic earnings per share (in €)	0.15	1.85	(0.12)	1.95	n.m.	(5.0)%
<b>Free cash flow</b>	<b>9</b>	<b>9</b>	<b>(358)</b>	<b>(358)</b>	<b>n.m.</b>	<b>n.m.</b>
Free Cash Flow (continuing operations)	26	26	(283)	(283)	n.m.	n.m.
Capex (continuing operations)	(213)	(213)	(264)	(264)	19%	19%
<b>Net financial debt</b>	<b>4,561</b>	<b>6,761</b>				
<i>Leverage (net debt / EBITDA)<sup>[1]</sup></i>		2.9				

[1] Ratio of underlying net financial debt over underlying EBITDA of last 12 months.

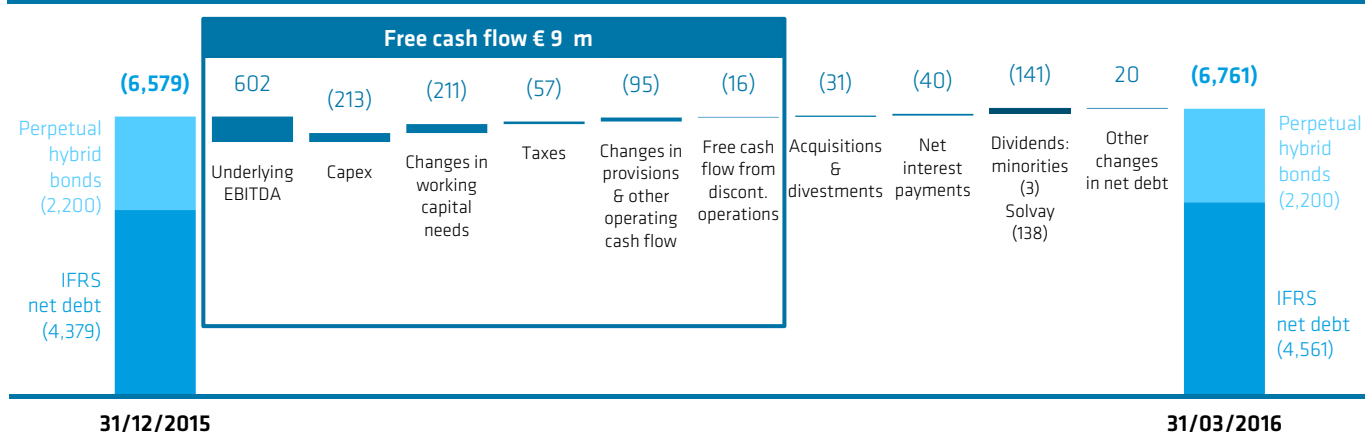
### Q1 yoy net sales evolution (in € m)



### Q1 yoy underlying EBITDA evolution (in € m)



### Q1 2016 underlying net financial debt evolution (in € m)



**Net sales** totaled € 2,930 m, down (6)%, with average prices down (2)% linked to partial pass-through of lower raw material costs in a deflationary environment. Scope changes and foreign exchange impacts on conversion lowered sales by (3)%. Volumes were stable overall, with growth in Advanced Materials and Functional Polymers offset by a drop in other segments.

- **Volumes** were stable overall, albeit with mixed dynamics across the business activities. The impact of temporary inventory adjustments in the smart devices market combined with lower sales of industrial composites were more than offset by growth in other Advanced Materials applications, such as healthcare, consumer goods and sustainable mobility. Headwinds in the oil and gas markets of Advanced Formulations persisted, whereas a year ago this downturn was just starting. In Performance Chemicals a slow start to the year in soda ash was mitigated by recovery in acetate tow markets. Functional Polymers' volumes were up with good demand for Polyamide polymers and compounds.
- **Prices** were down (2)%, as lower raw material prices were partially passed through to customers in Functional Polymers and Advanced Formulations in particular.
- The impact on conversion of **foreign exchange** turned negative at (2)% as the euro appreciated year on year versus certain emerging country currencies, especially the Brazilian real.
- The **scope** effect accounted for 1%, and related to the sale of the refrigerants and PCC businesses in 2015.

Underlying **EBITDA** grew 2% at € 602 m, as pricing power boosted performance by 10%, underpinned by Solvay's excellence programs and transactional foreign exchange gains. The volume mix had a (3)% impact. The remaining (5)% is caused by the € 30 m one-off benefit recognized in the first quarter of 2015, linked to U.S. post-retirement benefits.

- The (3)% volume and mix impact was more than compensated by the **pricing power** of € 62 m, a positive impact of 10% year on year. The latter was evident across all operating segments, especially in Advanced Materials and Performance Chemicals, where further efficiency improvements were realized, on energy efficiency, logistics and in the supply chain. Net pricing includes favorable transactional foreign exchange effects.
- The net **foreign exchange** conversion impact of (0.8)% turned negative as the appreciation of the U.S. dollar lost momentum and the euro appreciated versus a number of currencies of emerging countries that Solvay operates in, such as Brazil.
- **Fixed costs** were stable on average for the Group, thanks to operational excellence measures, which offset inflation and the increased cost base from new production capacity.

The underlying **EBITDA margin** widened to 21% of net sales, up 1.4 pp.

Underlying **EBIT** was € 408 m, after deduction of amortization and depreciation charges of € (194) m. These were slightly up year on year, as the asset base has grown.

Underlying **net financial charges** were € (126) m versus € (121) m in the same quarter last year.

- The underlying net cost of borrowing moved to € (62) m from € (60) m.
- Underlying net financial charges include the € (28) m coupons on perpetual hybrid bonds, equaling last year's pro forma figure, which are accounted as equity under IFRS.
- Underlying net financial charges are also adjusted for the reclassification of financial charges and realized foreign exchange losses on the RusVinyl joint venture, and thereby include € (8) m versus € (6) m in 2015.
- Discounting costs on pension and environmental liabilities, which are non-cash in nature, were € (28) m, slightly up compared to € (27) m in 2015.

Underlying **income taxes** were € (80) m versus € (87) m in 2015, resulting in an underlying tax rate of 29%, 1.5 pp lower than in the full year 2015.

**Discontinued operations**, in the first quarter of 2016 consisted of the Latin American chlorovinyls activity Indupa and legacy impacts from the pharma divestment. There was no contribution to underlying results from these operations. In the first quarter of 2015, however, discontinued operations still included the European chlorovinyls business, which has been integrated in the Inovyn joint venture since July 2015. These activities contributed € 25 m to the Group's net income at that time.

Underlying **net income**, Solvay share, after deduction of the € (10) m share of non-controlling interests, was € 192 m versus € 202 m in 2015. Underlying basic earnings per share thereby amounted to € 1.85, compared to € 1.95 pro forma in 2015.

**Free cash flow** from continuing operations was € 26 m versus € (283) m last year, thanks to lower capex and working capital management. Efforts to improve working capital needs reduced the seasonal outflow to € (211) m. It also includes measures to better phase cash flows over quarters. Capex was € (213) m, € 50 m lower than in 2015, reflecting the projected capex intensity reduction. The total free cash flow was € 9 m, compared to € (358) m the year before, as the outflow from discontinued operations decreased as well, following the reduced scope with the creation of Inovyn mid 2015.

**Underlying net debt**, which includes 100% of the hybrid perpetual bonds (classified as equity under IFRS) as debt, rose from € (6,579) m at the end of 2015 to € (6,761) m, following the € (138) m payment of the interim dividend to Solvay shareholders, € (40) m net interest payments and some other smaller elements. This led to an underlying leverage ratio of 2.9x, up from 2.8x at the start of the period. Net debt on an IFRS basis rose from € (4,379) m at the end of 2015 to € (4,561) m at the end of the period. Solvay repaid the € (300) m EIB loan, which came to maturity in January, and decided to exercise its first call option on the deeply subordinated € (500) m hybrid debt issued in 2006 and maturing in 2104. This bond, which is classified as net debt under IFRS, will be repaid on June 2, 2016. The financing of both repayments was secured with the bonds issued for the Cytec acquisition in December 2015.

A full reconciliation of IFRS and underlying income statement data can be found on page 14 of this report.



## OUTLOOK 2016

Despite on-going volatility in commodity markets and inventory adjustments, and assuming no major changes in market conditions, Solvay expects its underlying EBITDA in 2016 to grow by high-single digits compared to the 2015 pro forma underlying EBITDA of € 2,336 m.

Growth this year will be back-ended, reflecting the relatively strong comparable in the first half of 2015, persisting destocking in smart devices, the phasing of our innovations and the benefits from Cytec synergies. Solvay anticipates pro forma underlying EBITDA growth across all its four operating segments:

- **Advanced Materials:** Growth from its diversified end-markets is expected to overcome the impact of destocking and phasing of demand in smart devices. In aerospace, continued growth is expected from the ramp-up of aircraft platforms containing more composites;
- **Advanced Formulations:** Growth in health and personal care, agro and Technology Solutions' businesses is expected to offset continuing weakness in oil and gas markets;
- **Performance Chemicals:** Continued delivery in excellence programs is to be complemented by a gradual recovery in acetate tow filter demand;
- **Functional Polymers:** Profit restoration is expected to continue.

Furthermore underlying EBITDA will be underpinned by excellence programs and delivery of Cytec synergies. This growth combined with disciplined capital expenditure should lead to free cash flow in excess of € 650 m, more than 30% higher than the prior year pro forma level.

The Group is committed to maintain its investment grade credit rating.

This 2016 outlook is based on a number of assumptions, which remain unchanged, namely, anticipated world GDP growth of ~3%, an oil price of 30 US\$/barrel and no recovery in the U.S. oil and gas exploration activities, and on a 1.10 US\$/€ exchange rate.

## SOLVAY NEWS CORNER

### LIGHTWEIGHTING MATERIALS

Solvay has a unique and strong solution offer addressing sustainability challenges in the aerospace and automotive industry.

The Group combines the world's broadest offering in ultra-performing specialty polymer materials with its expertise in composite structural parts.

Lightweight materials enable cleaner transport, meeting stricter legislation to reduce fuel consumption and CO<sub>2</sub> emissions.



### PORTFOLIO MILESTONE

#### Exiting chlorovinyls



#### In aerospace – Aircraft structure and interior

Boeing extended its supply contract with Solvay of high-performance, structural composite and adhesive materials. These materials lightweight Boeing's large passenger planes for legacy programs such as the B737, B747 and B777 as well as current and future platforms, including B787, B737 MAX and the B777 X. Solvay's range of prepregs, adhesives and surfacing materials end up in primary and secondary structure applications, such as flaps, doors, fairings and ailerons and offer excellent process repeatability.

Separately, Solvay obtained qualification from Airbus for its TegraCore™ PPSU foam used as a high-performance lightweighting material on its flagship A350 XWB. The qualification win means the foam can be used on other Airbus aircraft, with applications ranging from ducting to sandwich components. TegraCore™ complies with the most severe flammability, smoke density, and toxic gas emission requirements and its impact strength exceeds that of honeycomb cores. Moreover, it saves time and costs in production, refurbishments and maintenance.

#### In automotive – composite innovations

BMW selected Solvay's new thermoset system to manufacture the composite hood for its new M4 GTS passenger car. Solvay's MTRTM 760 system allows for the rapid cure and subsequent excellent processing of resin impregnated carbon fiber blanks. The outstanding surface finish of the resin allows a Class-A paint finish. Solvay worked closely with the supply chain partners C-Con and Läßle to optimize the material and manufacturing process.

At the world's largest composite fair in Paris, Solvay and Renault Trucks won the 2016 "JEC Innovation Award for Structural Parts in Automotive" using a thermoplastic composite material to build a front structural module of a truck, called the firewall. This new high performance composite material is based on Solvay's Evolite® thermoplastic resin reinforced with continuous glass fiber. The module weighs 25% less than a similar metal model, while the number of parts used to assemble was divided by two, thanks to the pooling of the partners' innovations in design, materials and manufacturing.

#### In Europe - Early exit from Inovyn JV

Solvay reached another milestone in its portfolio transformation and a first step in deleveraging its balance sheet with its early exit of the Inovyn joint venture with INEOS. Upon exit, foreseen in the second half of 2016, Solvay will receive a final price payment of € 335 m.

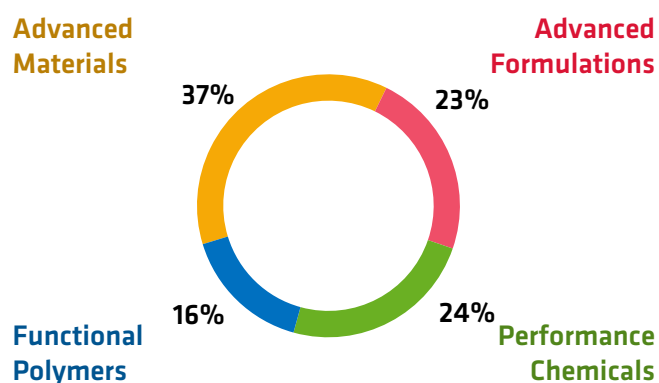
#### In Latin America – Agreement on sale of Indupa

Solvay signed a definitive agreement with Brazilian chemical group Unipar Carbocloro to sell its 70.59% stake in PVC and caustic soda producer Solvay Indupa. Completion of the transaction is subject to the customary closing conditions, including antitrust approval. The assets were already classified as "Assets held for sale" by Solvay.

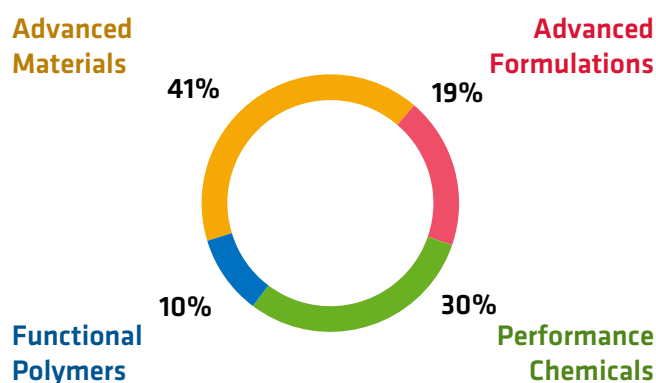
# SEGMENT REVIEW

## 1<sup>ST</sup> QUARTER 2016 UNDERLYING RESULTS

### Q1 2016 net sales by segment



### Q1 2016 underlying EBITDA by segment



### Segment review

(in € m)	Underlying		
	Q1 2016	Q1 2015 pro forma	% yoy
<b>Net sales</b>	<b>2,930</b>	<b>3,104</b>	<b>(5.6)%</b>
Advanced Materials	1,082	1,108	(2.3)%
Advanced Formulations	662	744	(11)%
Performance Chemicals	719	756	(4.8)%
Functional Polymers	462	494	(6.6)%
Corporate & Business Services	4	1	n.m.
<b>EBITDA</b>	<b>602</b>	<b>592</b>	<b>1.6%</b>
Advanced Materials	267	263	1.4%
Advanced Formulations	122	135	(9.8)%
Performance Chemicals	199	186	6.8%
Functional Polymers	65	42	54%
Corporate & Business Services	(51)	(35)	(48)%
<b>EBITDA margin</b>	<b>21%</b>	<b>19%</b>	<b>1.4pp</b>
Advanced Materials	25%	24%	0.9pp
Advanced Formulations	18%	18%	0.3pp
Performance Chemicals	28%	25%	3.0pp
Functional Polymers	14%	8%	5.5pp
<b>EBIT</b>	<b>408</b>	<b>406</b>	<b>0.5%</b>
Advanced Materials	199	200	(0.4)%
Advanced Formulations	84	102	(18)%
Performance Chemicals	154	141	9.2%
Functional Polymers	38	14	n.m.
Corporate & Business Services	(68)	(52)	(32)%



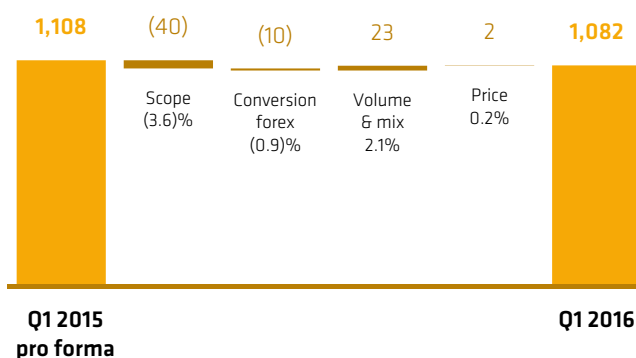
## ADVANCED MATERIALS

- Q1 2016 underlying EBITDA up 1.4% yoy at € 267 m, underpinned by positive net pricing and volume growth;
- Inventory adjustments in smart device market were more than offset by growth in other Specialty Polymers business;
- Strong sales growth Special Chem, based on automotive catalysts and semiconductor industry.

### Key data

(in € m)	Underlying		
	Q1 2016	Q1 2015 pro forma	% yoy
<b>Net sales</b>	<b>1,082</b>	<b>1,108</b>	<b>(2.3)%</b>
Specialty Polymers	469	451	4.0%
Composite Materials	282	300	(6.0)%
Special Chem	218	229	(4.8)%
Silica	113	127	(11)%
<b>EBITDA</b>	<b>267</b>	<b>263</b>	<b>1.4%</b>
EBITDA margin	25%	24%	0.9pp

### Q1 yoy net sales evolution (in € m)



### Q1 2016 performance

**Net sales** totaled € 1,082 m, a (2)% decrease from the first quarter in 2015, fully attributable to the (4)% scope effect from the sale of Special Chem's refrigerants and PCC businesses in 2015. Volumes were up 2% underpinned by growth in **Special Chem**, with good demand for new rare earth formulations for automotive diesel catalysts and the high-purity H<sub>2</sub>O<sub>2</sub> units in the U.S. ramping up. The anticipated inventory adjustments in the smart device markets in **Specialty Polymers** were more than compensated by growth in healthcare, consumer goods and energy applications. The latter was mainly driven by the positive developments for automotive batteries in China. Sales volumes in the aerospace business of **Composite Materials**<sup>[1]</sup> were stable as build rate increases of higher composite-content new platforms like the Boeing B787, or the Airbus A350 and A320/330 NEO offset the announced production reduction and associated destocking on legacy platforms like the Boeing B747 and B777, as well as lower sales to rotorcraft. Volumes in industrial composites fell due to the challenging introduction of the ERP system that started last year, in combination with the timing of programs in certain end-markets. In **Silica**, sales growth to the energy-efficient tire market in Europe and North America offset negative dynamics in Asia, which is due to the more difficult economic context in the region and new market entrants. Average pricing in the Advanced Materials segment was stable. Exchange rate fluctuations had a slight negative impact largely linked to the Silica operations in Venezuela.

**Underlying EBITDA** rose 1.4%, a more moderate pace than in the previous quarters, to reach € 267 m, supported by net volume growth and positive net pricing. Operational excellence programs lead to significant operational efficiency gains, while prices were stable overall. New capacity additions in Specialty Polymers (FKM in China) weighed on fixed costs, while these plants are gradually ramping up. Scope effects and currency fluctuations impacts on conversion had a negative impact on the segment's EBITDA. The underlying EBITDA margin widened by 0.9 pp from 24% to 25% year on year, thanks to the increased net pricing.

[1] Combination of the former Cytec business units "Aerospace Materials" and "Industrial Materials"

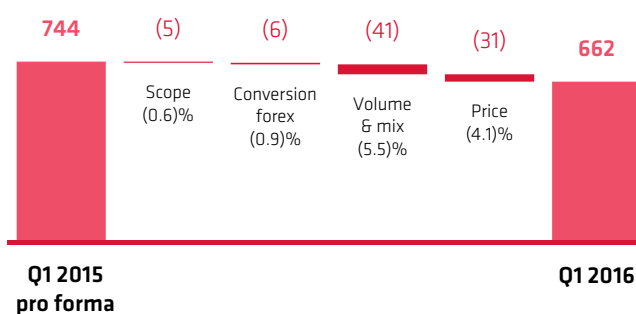
## ADVANCED FORMULATIONS

- Q1 2016 underlying EBITDA down (10)% yoy at € 122 m, due to the persisting demand decline in the oil & gas industry versus still strong comparables in Q1 2015;
- Cost efficiency measures limiting impact on EBITDA margin.

### Key data

(in € m)	Underlying		
	Q1 2016	Q1 2015 pro forma	% yoy
<b>Net sales</b>	<b>662</b>	<b>744</b>	<b>(11)%</b>
Novacare	421	503	(16)%
Technology Solutions	158	157	0.8%
Aroma Performance	82	84	(1.7)%
<b>EBITDA</b>	<b>122</b>	<b>135</b>	<b>(9.8)%</b>
EBITDA margin	18%	18%	0.3pp

### Q1 yoy net sales evolution (in € m)



### Q1 2016 performance

**Net Sales** decreased by (11)% year on year to € 662 m, as the headwinds in the unconventional oil and gas markets in North America persisted impacting **Novacare**'s sales by (14)%. Against a dropping and volatile oil price, the rig count in North America fell further by some 20% versus the last quarter of 2015, or some 60% year on year, when business conditions started to turn down. The market shrinkage impacted volumes and prices significantly versus still strong comparables in the first quarter of 2015. Volume growth in other Novacare markets, such as coatings and agro, mitigated the impact. Sales in **Technology Solutions**<sup>[1]</sup> were slightly affected by the reduced production levels in the mining industry driven by the lower copper and aluminum prices, as older less efficient mines are closing and new more efficient mines are not yet ramping up. Sales in the phosphorous activities were stable. **Aroma Performance** sales were down, despite higher sales volumes in vanillin formulations, as competitive price pressure intensified, especially in monomer inhibitors. Conversion foreign exchange and scope effects had a slight negative impact on segment sales.

**Underlying EBITDA** fell (10)% year on year to € 122 m in the quarter, mainly due to the volume drop in Novacare's oil and gas business, which was only partially compensated by growth elsewhere. Foreign exchange effects also had a slight negative effect on conversion. However, net pricing widened, despite lower sales prices, as the cost base reduced more. This was supported by transactional foreign exchange tailwinds and operational excellence measures. The latter also allowed to reduce the fixed cost base. As a result underlying EBITDA margin remained largely stable at 18%.

[1] Combination of the former Cytec business units "In Process Separation" and "Additive Technologies"

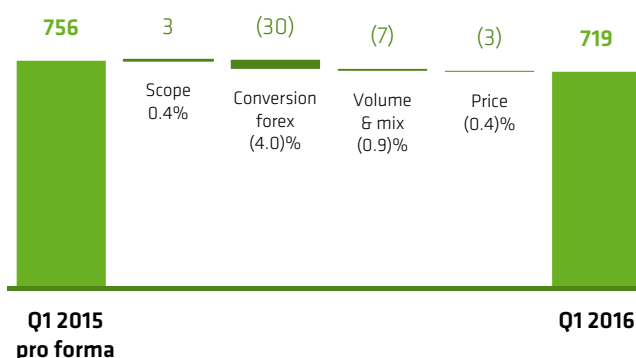
## PERFORMANCE CHEMICALS

- Q1 2016 underlying EBITDA at € 199 m, up 7% yoy, thanks to positive net pricing underpinned by cost efficiency measures;
- Recovering volumes in Acetow offset by slow start to the year in soda ash markets.

### Key data

(in € m)	Underlying		
	Q1 2016	Q1 2015 pro forma	% yoy
<b>Net sales</b>	<b>719</b>	<b>756</b>	<b>(4.8)%</b>
Soda Ash & Derivatives	374	384	(2.5)%
Peroxides	137	136	1.3%
Acetow	126	127	(0.8)%
Coatis	82	110	(25)%
<b>EBITDA</b>	<b>199</b>	<b>186</b>	<b>6.8%</b>
EBITDA margin	28%	25%	3.0pp

### Q1 yoy net sales evolution (in € m)



### Q1 2016 performance

**Net sales** fell (5)% to € 719 m, mainly due to the impact of adverse foreign exchange movements on conversion, with the depreciation of the Brazilian real affecting Coatis' reported figures. Volumes were slightly down by (1)%. In **Soda Ash & Derivatives**, the domestic European and U.S. soda ash markets, as well as the seaborne market, started the year slowly before picking up in March. Sales of bicarbonate were subdued linked to weaker end-markets. The newly opened bicarbonate plant in Thailand is gradually ramping up. **Peroxides** sales were up slightly as higher volumes to the traditional wood pulp bleaching market compensated for lower sales in specialties, while the HPPO units are increasing production, especially in Thailand. **Acetow** volumes were up year on year as the recovery in the acetate tow market that started in the second half of 2015 confirms, although destocking continues in China. **Coatis** remains impacted by the worsening conditions in the domestic Latin American market, affecting volumes.

**Underlying EBITDA** was € 199 m, a 7% increase from the same quarter in 2015. While sales prices were stable, lower energy and raw material costs as well as efficiency gains more than offset the dip in volumes, and higher fixed costs linked to new investments. This was especially the case for Soda Ash & Derivatives, where savings were made in the logistics chain, and Coatis, which improved its competitive position versus import with the lower Brazilian real. All business units saw results stable or up. As a result of the competitiveness improvements, the underlying EBITDA margin grew 3.0 pp to 28%.

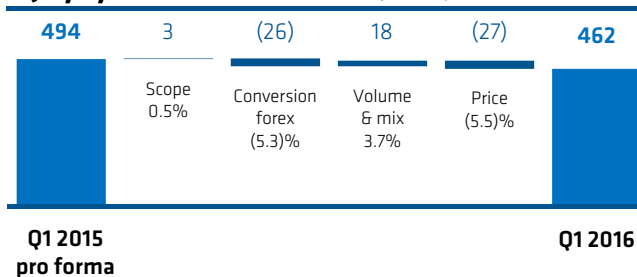
## FUNCTIONAL POLYMERS

- Q1 2016 underlying EBITDA at € 65 m, up more than 50%, underpinned by positive net pricing and good demand for PA6.6 in Europe;
- Solid contribution from RusVinyl JV, as capacity utilization is maximized.

### Key data

(in € m)	Underlying		
	Q1 2016	Q1 2015 pro forma	% yoy
<b>Net sales</b>	<b>462</b>	<b>494</b>	<b>(6.6)%</b>
Polyamide	351	375	(6.4)%
Chlorovinyls	111	119	(7.0)%
<b>EBITDA</b>	<b>65</b>	<b>42</b>	<b>54%</b>
EBITDA margin	14%	8.5%	5.5pp

### Q1 yoy net sales evolution (in € m)



### Q1 2016 performance

**Net sales** fell (7)% to € 462 m as a result of (5)% lower pricing and (5)% conversion foreign exchange impacts, with major sites operating in Brazil, Korea, and Thailand, whose currencies depreciated versus the EUR. The lower prices resulted from a decrease in raw material prices, which were partially passed through to customers, both in Polyamide, with the lower butadiene price, and in Chlorovinyls. Volumes were up 4% with strong **Polyamide** polymers (PA6.6) and compounds sales in Europe and Asia, especially for automotive applications. The yarn market in Latin America deteriorated further. In the Thai **Chlorovinyls** activity, higher PVC and epichlorohydrin sales volumes were offset by limited caustic soda production.

**Underlying EBITDA** came in at € 65 m, 54% higher year on year, reflecting the volume increase and especially the increased net pricing. Lower raw material and energy prices had no net effect on underlying EBITDA as these gains were partially passed over to customers through price reductions. Net pricing increased however as result of the cost optimization programs put in place. The contribution from the RusVinyl joint venture to equity earnings was also well up compared to early 2015 when the plant was still in start-up. The plant is operating close to full capacity now and domestic demand increased following a temporary outage at a competitor. Consequently the underlying EBITDA margin of the segment widened by 5.5 pp to 14%.





## CORPORATE & BUSINESS SERVICES

→ Underlying EBITDA at € (51) m in Q1 2016, benefiting from pursued cost optimization programs and initial synergy delivery on the Cytec integration.

### Key data

(in € m)	Underlying		
	Q1 2016	Q1 2015 pro forma	% yoy
Net sales	4	1	n.m.
EBITDA	(51)	(35)	(48)%

### Q1 2016 performance

Net **underlying EBITDA** costs were € (51) m, compared to € (35) m in the first quarter of 2015, when a € 30 m one-off benefit was recognized related to post-retirement benefits in the U.S. In **Energy Services** the business conditions for energy and carbon management services as well as investments in biomass-based energy plants proved more challenging in a low commodity price environment. Costs at **Other Corporate & Business Services** reduced significantly as the operational excellence programs continued to bear fruit and the Cytec integration is progressing on track and delivering synergies.

## SUPPLEMENTARY INFORMATION

### RECONCILIATION OF IFRS & UNDERLYING (PRO FORMA) INCOME STATEMENT INDICATORS

Besides IFRS accounts, Solvay also presents underlying Income Statement performance indicators to provide a more consistent and comparable indication of Solvay's economic performance. These 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. The 2016 data are compared to unaudited pro forma 2015 data including Cytec, as if the acquisition had taken place on January 1, 2015.

Q1 consolidated income statement <i>(in € m)</i>	Q1 2016			Q1 2015 pro forma		
	IFRS	Adjust- ments	Under- lying	IFRS	Adjust- ments	Under- lying
<b>Sales</b>	<b>3,052</b>	-	<b>3,052</b>	<b>3,222</b>	-	<b>3,222</b>
of which revenues from non-core activities	121	-	121	118	-	118
of which net sales	2,930	-	2,930	3,104	-	3,104
Cost of goods sold	(2,290)	82	(2,208)	(2,483)	82	(2,402)
<b>Gross margin</b>	<b>762</b>	<b>82</b>	<b>844</b>	<b>738</b>	<b>82</b>	<b>820</b>
Commercial & administrative costs	(366)	14	(351)	(374)	14	(360)
Research & innovation costs	(78)	-	(78)	(78)	-	(78)
Other operating gains & losses	(82)	63	(19)	(46)	60	14
Earnings from associates & joint ventures	16	(4)	12	10	-	10
Result from portfolio management & reassessments <sup>[1]</sup>	(135)	135	-	(141)	141	-
Result from legacy remediation & major litigations <sup>[1]</sup>	(11)	11	-	(8)	8	-
<b>EBITDA</b>	<b>492</b>	<b>109</b>	<b>602</b>	<b>439</b>	<b>153</b>	<b>592</b>
Depreciation, amortization & impairments	(387)	193	(194)	(338)	151	(187)
<b>EBIT</b>	<b>105</b>	<b>302</b>	<b>408</b>	<b>101</b>	<b>305</b>	<b>406</b>
Net cost of borrowings	(62)	-	(62)	(64)	4	(60)
Coupons on perpetual hybrid bonds	-	(28)	(28)	-	(28)	(28)
Interests and realized foreign exchange losses on RusVinyl (joint venture)	-	(8)	(8)	-	(6)	(6)
Cost of discounting provisions	(32)	4	(28)	(27)	-	(27)
Result from available-for-sale financial assets	-	-	-	-	-	-
<b>Result before taxes</b>	<b>11</b>	<b>271</b>	<b>282</b>	<b>10</b>	<b>275</b>	<b>285</b>
Income taxes	-	(80)	(80)	(28)	(59)	(87)
<b>Result from continuing operations</b>	<b>11</b>	<b>190</b>	<b>202</b>	<b>(18)</b>	<b>216</b>	<b>198</b>
Result from discontinued operations	5	(5)	-	21	5	25
<b>Net income</b>	<b>17</b>	<b>185</b>	<b>202</b>	<b>3</b>	<b>221</b>	<b>224</b>
Non-controlling interests	(1)	(9)	(10)	(15)	(6)	(21)
<b>Net income, Solvay share</b>	<b>15</b>	<b>177</b>	<b>192</b>	<b>(12)</b>	<b>214</b>	<b>202</b>
Basic earnings per share (in €)	0.15	1.71	1.85	(0.12)	2.07	1.95
of which from continuing operations	0.06	1.79	1.85	(0.27)	2.03	1.76
Diluted earnings per share (in €)	0.15	1.70	1.85	(0.11)	2.05	1.94
of which from continuing operations	0.06	1.79	1.85	(0.27)	2.01	1.75

[1] These two line items were previously classified as "Non-recurring items" (see note 2).

**EBIT** on an IFRS basis totaled € 105 m versus € 408 m on an underlying basis. The difference is explained by the following adjustments to IFRS results, in order to improve comparability of underlying results:

- € 157 m for the non-cash impact of purchase price allocation (PPA). These consist of Cytec related inventory step-ups, which are adjusted in "Cost of goods sold" for € 82 m, and amortization charges on intangible assets, which are adjusted in "Other operating gains & losses" and "Commercial & administrative costs" for € (75) m.
- € 3 m for legacy acquisition costs, in this case the Chemlogics holdback payments, which are also adjusted in "Commercial & administrative costs".
- € (4) m for the financial charges and foreign exchange gains on the euro-denominated debt of the RusVinyl joint venture, which are reclassified in net financial charges.
- € 135 m for net costs resulting from portfolio management and reassessments. These include restructuring costs of € (61) m and impairments, which are non-cash in nature, primarily on the soda ash plant in Egypt for € (105) m and on biomass-based renewable energy assets for € (32) m. These costs were partially offset by a € 77 m gain on the exit of Inovyn.
- € 11 m for net costs related to legacy remediation and major litigations.

**Net financial charges** on an IFRS basis were € (94) m versus € (126) m on an underlying basis. The following adjustments were made to IFRS net financial charges:

- € 4 m for the net one-off impact from net decreasing discount rates on environmental liabilities.
- € (8) m reclassification of financial charges and realized foreign exchange result on the euro-denominated debt of RusVinyl as net financial charges.
- € (28) m reclassification of coupons on perpetual hybrid bonds, which are treated as equity under IFRS, and as financial debt in underlying results.

**Income taxes** on an IFRS basis were nil versus € (80) m on an underlying basis. The following adjustments were made to IFRS income taxes:

- € (81) m for the tax impacts of the adjustments made to the underlying result before taxes (as described above).
- € 2 m for tax elements related to prior years.

**Result from discontinued operations** on an IFRS basis contributed € 5 m, but no contribution to underlying results. The following adjustments were made to the IFRS result from discontinued operations:

- € 15 m to keep Indupa's fair value less cost to sell unchanged.
- € (20) m for a reversal of provision linked to divested activities, as underlying results exclude post-closing gains and losses.

**Net income**, Solvay share, on an IFRS basis was € 15 m after deducting the € (1) m share of non-controlling interests. The € (9) m adjustment reflects the impact of the above adjustments on the share of non-controlling interests.

# CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Differently from the pages before, where the 2016 data are compared to unaudited pro forma 2015 income statement data including Cytec, as if the acquisition had taken place on January 1, 2015, the 2016 data presented in the consolidated interim financial statements, including the notes, are compared to 2015 IFRS data as previously published.

## Consolidated income statement

<i>(in € m)</i>	IFRS	
	Q1 2016	Q1 2015
<b>Sales</b>	<b>3,052</b>	<b>2,764</b>
of which revenues from non-core activities	121	118
of which net sales	2,930	2,646
Cost of goods sold	(2,290)	(2,084)
<b>Gross margin</b>	<b>762</b>	<b>680</b>
Commercial & administrative costs	(366)	(316)
Research & innovation costs	(78)	(67)
Other operating gains & losses	(82)	(11)
Earnings from associates & joint ventures	16	10
Result from portfolio management & reassessments <sup>[1]</sup>	(135)	(11)
Result from legacy remediation & major litigations <sup>[1]</sup>	(11)	(8)
<b>EBIT</b>	<b>105</b>	<b>278</b>
Cost of borrowings	(52)	(29)
Interest on lendings & deposits	4	2
Other gains & losses on net indebtedness	(13)	(9)
Cost of discounting provisions	(32)	(25)
Result from available-for-sale financial assets	-	-
<b>Result before taxes</b>	<b>11</b>	<b>217</b>
Income taxes	-	(83)
<b>Result from continuing operations</b>	<b>11</b>	<b>135</b>
Result from discontinued operations	5	21
<b>Net income</b>	<b>17</b>	<b>155</b>
Non-controlling interests	(1)	(15)
<b>Net income, Solvay share</b>	<b>15</b>	<b>140</b>
Basic earnings per share (in €)	0.15	1.68
of which from continuing operations	0.06	1.49
Diluted earnings per share (in €)	0.15	1.67
of which from continuing operations	0.06	1.48

[1] These two line items were previously classified as "Non-recurring items" (see note 2).



## Consolidated statement of comprehensive income

(in € m)	IFRS	
	Q1 2016	Q1 2015
<b>Net income</b>	<b>17</b>	<b>155</b>
<b>Other comprehensive income, net of related tax effects</b>	<b>(395)</b>	<b>517</b>
Recyclable components	(274)	502
Hyperinflation	-	7
Gains and losses on available-for-sale financial assets	6	1
Gains and losses on hedging instruments in a cash flow hedge	6	(39)
Currency translation differences	(287)	532
Non-recyclable components	(119)	23
Remeasurement of the net defined benefit liability	(119)	23
Income tax relating to components of other comprehensive income	(2)	(7)
<b>Total comprehensive income</b>	<b>(378)</b>	<b>672</b>
attributed to Solvay share	(374)	622
attributed to non-controlling interests	(4)	50

## Consolidated statement of financial position

IFRS

(in € m)

	31/03/2016	31/12/2015
<b>Non-current assets</b>	<b>17,541</b>	<b>18,716</b>
Intangible assets	3,714	3,919
Goodwill	5,627	5,840
Tangible assets	6,639	6,946
Available-for-sale financial assets	40	34
Investments in associates & joint ventures	404	398
Other investments	80	92
Deferred tax assets	825	1,059
Loans & other assets	212	427
<b>Current assets</b>	<b>6,590</b>	<b>6,613</b>
Inventories	1,761	1,867
Trade receivables	1,664	1,615
Income tax receivables	166	158
Dividends receivable	1	-
Other financial instrument receivables	155	111
Other receivables	1,050	655
Cash & cash equivalents	1,555	2,030
Assets held for sale	237	177
<b>Total assets</b>	<b>24,131</b>	<b>25,329</b>
<b>Total equity</b>	<b>9,271</b>	<b>9,668</b>
Share capital	1,588	1,588
Reserves	7,434	7,835
Non-controlling interests	249	245
<b>Non-current liabilities</b>	<b>10,886</b>	<b>11,330</b>
Provisions for employee benefits	3,187	3,133
Other provisions	810	831
Deferred tax liabilities	1,071	1,456
Financial debt	5,540	5,628
Other liabilities	278	282
<b>Current liabilities</b>	<b>3,974</b>	<b>4,331</b>
Other provisions	414	310
Financial debt	732	892
Trade payables	1,336	1,559
Income tax payables	189	130
Dividends payable	2	144
Other liabilities	999	1,021
Liabilities associated with assets held for sale	302	275
<b>Total equity &amp; liabilities</b>	<b>24,131</b>	<b>25,329</b>

## Consolidated statement of changes in equity

(in € m)							Revaluation reserve (fair value)			Total reserves	Non- controlling interests	Total equity
	Share capital	Share premiums	Treasury shares	Perpetual hybrid bonds	Retained earnings	Currency translation differences	Available- for-sale financial assets	Cash flow hedges	Defined benefit pension plans			
<b>Balance at 31/12/2014</b>	<b>1,271</b>	<b>18</b>	<b>(171)</b>	<b>1,194</b>	<b>5,753</b>	<b>(527)</b>	<b>(4)</b>	<b>(43)</b>	<b>(926)</b>	<b>5,293</b>	<b>214</b>	<b>6,778</b>
Net income for the period	-	-	-	-	140	-	-	-	-	140	15	155
Items of OCI	-	-	-	-	6	497	-	(39)	17	482	35	517
<b>Comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>146</b>	<b>497</b>	<b>-</b>	<b>(39)</b>	<b>17</b>	<b>622</b>	<b>50</b>	<b>672</b>
Cost of stock options	-	-	-	-	2	-	-	-	-	2	-	2
Sale (acquisition) of treasury shares	-	-	42	-	-	-	-	-	-	42	-	42
Other	-	-	-	-	1	-	-	-	-	1	6	7
<b>Balance at 31/03/2015</b>	<b>1,271</b>	<b>18</b>	<b>(129)</b>	<b>1,194</b>	<b>5,903</b>	<b>(30)</b>	<b>(4)</b>	<b>(82)</b>	<b>(909)</b>	<b>5,961</b>	<b>271</b>	<b>7,503</b>
<b>Balance at 31/12/2015</b>	<b>1,588</b>	<b>1,170</b>	<b>(230)</b>	<b>2,188</b>	<b>5,720</b>	<b>(353)</b>	<b>(2)</b>	<b>(28)</b>	<b>(630)</b>	<b>7,835</b>	<b>245</b>	<b>9,668</b>
Net income for the period	-	-	-	-	15	-	-	-	-	15	1	17
Items of OCI	-	-	-	-	-	(283)	6	4	(117)	(389)	(6)	(395)
<b>Comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>(283)</b>	<b>6</b>	<b>4</b>	<b>(117)</b>	<b>(374)</b>	<b>(4)</b>	<b>(378)</b>
Cost of stock options	-	-	-	-	2	-	-	-	-	2	-	2
Sale (acquisition) of treasury shares	-	-	(12)	-	(11)	-	-	-	-	(23)	-	(23)
Other	-	-	-	-	(6)	-	-	-	-	(6)	8	2
<b>Balance at 31/03/2016</b>	<b>1,588</b>	<b>1,170</b>	<b>(242)</b>	<b>2,188</b>	<b>5,720</b>	<b>(636)</b>	<b>5</b>	<b>(24)</b>	<b>(747)</b>	<b>7,434</b>	<b>249</b>	<b>9,271</b>

## Consolidated statement of cash flows

IFRS

<i>(in € m)</i>	Q1 2016	Q1 2015
Net income	17	155
Depreciation, amortization & impairments (-)	407	210
Earnings from associates & joint ventures (-)	(16)	(10)
Net financial charges & result from available-for-sale financial assets (-)	103	66
Income taxes (-)	8	86
Changes in working capital	(246)	(502)
Changes in provisions	(8)	(66)
Dividends received from associates & joint ventures	7	3
Income taxes paid (excluding income taxes paid on sale of investments)	(57)	(41)
Other non-operating and non-cash items	2	11
<b>Cash flow from operating activities</b>	<b>217</b>	<b>(88)</b>
of which cash flow related to acquisition of subsidiaries	(11)	(3)
Acquisition (-) of subsidiaries	29	-
Acquisition (-) of investments - Other	(2)	(14)
Loans to associates and non-consolidated companies	(27)	(16)
Sale (+) of subsidiaries and investments	2	(6)
Income taxes paid (-) on sale of investments	-	(232)
Acquisition (-) of tangible and intangible assets (capital expenditure)	(218)	(261)
of which tangible assets	(197)	(244)
of which intangible assets	(21)	(17)
Sale (+) of tangible & intangible assets	9	12
Changes in non-current financial assets	(9)	(10)
<b>Cash flow from investing activities</b>	<b>(217)</b>	<b>(526)</b>
Sale (acquisition) of treasury shares	(23)	42
Increase in borrowings	179	377
Repayment of borrowings	(316)	(46)
Changes in other current financial assets	(23)	293
Net interests paid	(40)	(26)
Dividends paid	(141)	(111)
of which to Solvay shareholders	(138)	(108)
of which to non-controlling interests	(3)	(3)
Other	(20)	(8)
<b>Cash flow from financing activities</b>	<b>(383)</b>	<b>521</b>
<b>Net change in cash and cash equivalents</b>	<b>(382)</b>	<b>(94)</b>
Currency translation differences	(59)	83
Opening cash balance	2,037	1,275
<b>Closing cash balance</b>	<b>1,596</b>	<b>1,264</b>
of which cash in assets held for sale	40	11



## Free cash flow

<i>(in € m)</i>	IFRS	
	Q1 2016	Q1 2015
<b>Free cash flow</b>	<b>9</b>	<b>(344)</b>
of which from continuing operations	26	(269)
of which from discontinued operations	(16)	(75)

## Statement of cash flow from discontinued operations

<i>(in € m)</i>	IFRS	
	Q1 2016	Q1 2015
Cash flow from operating activities	(11)	(47)
Cash flow from investing activities	(5)	(28)
Cash flow from financing activities	(9)	(8)
<b>Net change in cash and cash equivalents</b>	<b>(25)</b>	<b>(82)</b>

# NOTES TO THE IFRS ACCOUNTS

## 1. General information

Solvay is a public limited liability company governed by Belgian law and quoted on Euronext Brussels and Euronext Paris. These consolidated interim financial statements were authorized for issue by the Board of Directors on May 2, 2016.

On March 16, 2016, Solvay and INEOS announced their intention to end their 50/50 chlorovinyls Inovyn joint venture earlier than originally foreseen, with INEOS to become the sole shareholder. Solvay and INEOS formed Inovyn in July 2015, with Solvay's exit originally planned in July 2018. On March 31, 2016, Solvay and INEOS announced they have signed the binding agreement to end their chlorovinyls Inovyn joint venture, following their intentions announced on March 16, 2016. Upon completion of the transaction, Solvay will receive a payment of €335 million and INEOS will become Inovyn's sole shareholder. In 2017, Solvay will pay a total price adjustment approximating € 80 m. Closing should occur in the second half of 2016, subject to customary regulatory approvals.

## 2. Accounting policies

Solvay prepares its consolidated interim financial statements on a quarterly basis, in accordance with IAS 34 *Interim Financial Reporting*. They do not include all the information required for the preparation of the annual consolidated financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2015.

The consolidated interim financial statements for the three months ended March 31, 2016 were prepared using the same accounting policies as those adopted for the preparation of the consolidated financial statements for the year ended December 31, 2015.

Following the ESMA Guidelines on Alternative Performance Measures issued on June 30, 2015 and effective as from July 3, 2016, Solvay has split the "Non-recurring items" into two items: (a) Results from portfolio management and reassessments, and (b) Results from legacy remediation and major litigations. The sum of those two items exactly equals what previously was labeled "Non-recurring items".

### 3. Segment information

Solvay is organized in operating segments. As of January 1, 2016, following the acquisition of Cytec, Solvay has re-organized its segment set-up to enhance strategic coherence and improve alignment. Cytec's former "Aerospace Materials" and "Industrial Materials" activities are included in Advanced Materials as the GBU "Composite Materials", while its "In Process Separation" and "Additive Technologies" activities are included in Advanced Formulations, largely as the GBU "Technology Solutions". Solvay's GBU "Coatis" is transferred to Performance Chemicals and the VinyThai activities, formerly the GBU "Emerging Biochemicals", are now included in the GBU "Chlorovinyls" in Functional Polymers.

- **Advanced Materials** offers high-performance materials for multiple applications primarily in the automotive, aerospace, electronics, and health markets. It particularly provides sustainable mobility solutions, reducing weight and improving CO<sub>2</sub> and energy efficiency.
- **Advanced Formulations** serves the consumer goods, agro and food, as well as energy markets primarily. It offers customized specialty formulations that impact surface chemistry and alter liquid behavior, to optimize efficiency and yield, while minimizing the environmental impact.
- **Performance Chemicals** operates in mature and resilient markets with leading positions in chemical intermediates. Success is based on economies of scale and state-of-the-art production technology. It mainly serves the consumer goods and food markets.
- **Functional Polymers** produces and sells polyamide and PVC polymers and compounds and has leading regional positions in different geographies, with a focus on excellence initiatives. It serves serving mainly the automotive, construction, consumer good and building markets.
- **Corporate & Business Services** includes corporate and other business services, such as the Research & Innovation Center. It also incorporates the GBU Energy Services, which mission is to optimize energy consumption and reduce CO<sub>2</sub> emissions.

The 2015 IFRS data, presented below, reflect these changes, considering that Cytec activities did not contribute to the 2015 IFRS results. After the exclusion of Coatis the underlying EBITDA of Advanced Formulations ends up € (3) m lower than published at Q1 2015. After the inclusion of Coatis and the exclusion of Emerging Biochemicals the underlying EBITDA of Performance Chemicals ends up € (9) m lower than published at Q1 2015 and the underlying EBITDA of Functional Polymers ends up € 12 m higher than published at Q1 2015. D

#### Reconciliation of segment, underlying and IFRS data

(in € m)	Q1 2016	Q1 2015
<b>Underlying EBITDA</b>	<b>602</b>	<b>502</b>
Advanced Materials	267	203
Advanced Formulations	122	92
Performance Chemicals	199	186
Functional Polymers	65	42
Corporate & Business Services	(51)	(21)
Underlying depreciation, amortization & impairments	(194)	(163)
<b>Underlying EBIT</b>	<b>408</b>	<b>339</b>
Non-cash accounting impact from amortization & depreciation of purchase price allocation (PPA) from acquisitions <sup>[1]</sup>	(157)	(39)
Other legacy costs related to changes in portfolio (e.g. holdback payments) <sup>[1]</sup>	(3)	(4)
Net financial charges and remeasurements of equity book value of the RusVinyl joint venture	4	-
Result from portfolio management & reassessments	(135)	(11)
Result from legacy remediation & major litigations	(11)	(8)
<b>EBIT</b>	<b>105</b>	<b>278</b>
Net financial charges	(94)	(60)
<b>Result before taxes</b>	<b>11</b>	<b>217</b>
Income taxes	-	(83)
<b>Result from continuing operations</b>	<b>11</b>	<b>135</b>
Result from discontinued operations	5	21
<b>Net income</b>	<b>17</b>	<b>155</b>
Non-controlling interests	(1)	(15)
<b>Net income, Solvay share</b>	<b>15</b>	<b>140</b>

[1] The 2016 non cash PPA impacts can be found in the reconciliation table on page 14, consisting of € (82) m inventory step-ups, which are adjusted for on the "Cost of goods sold" line, and € (75) m of amortization of intangible assets, which are adjustments for on the "Other operating gains & losses" and "Commercial & administrative costs" lines. The latter is also adjusted for the € (3) m Chemlogics holdback payments.

## 4. Share based payments

On February 24, 2016 the Board of Directors of Solvay SA decided to grant two long-term incentive plans for part of its key executives:

- a stock option plan (SOP) which will allow the acquisition of shares in Solvay; and
- a Performance Share Units (PSU) plan which will allow the beneficiaries to obtain cash based upon the Solvay share price.

### a) Stock option plan

The details of the stock options plan are as follows:

#### Stock option plan

Number of stock options	847,000
Grant date	24/02/2016
Vesting date	01/01/2020
Vesting period	24/02/2016 to 31/12/2019
Exercise price (in €)	75.98
Exercise period	01/01/2020 to 23/02/2024

The **stock option plan** is an equity settled share-based plan. As of March 31, 2016, the impact on the consolidated income statement and consolidated statement of financial position is insignificant.

### b) Performance Share Units Plan

The details of the performance share units plan are as follows:

#### Performance share units

Number of PSU	351,247
Grant date	24/02/2016
Vesting date	01/01/2019
Vesting period	24/02/2016 to 31/12/2018
Performance conditions	50% of the initial granted PSU are subject to the underlying EBITDA yoy growth % over 3 years (2016, 2017, 2018); 50% of the initial granted PSU are subject to the yoy CFROI % variation over 3 years (2016, 2017, 2018)
Validation of performance conditions	By the board of Directors, subject to confirmation by Solvay Statutory Auditors

The performance share units plan is a cash-settled share-based plan. As of March 31, 2016, the impact on the consolidated income statement and consolidated statement of financial position is insignificant.

## 5. Financial Instruments

### a) Valuation techniques

Compared to December 31, 2015, there are no changes in valuation techniques.

### b) Fair value of financial instruments measured at amortized cost

For all financial instruments not measured at fair value in Solvay's consolidated statement of financial position, the fair value of those financial instruments as of March 31, 2016 is not significantly different from the ones published in Note 37 of the consolidated financial statements for the year ended December 31, 2015.

### c) Financial instruments measured at fair value

Solvay's exit from INOVYN against receipt of an additional, performance-based payment qualifies as a derivative financial instrument, of which the fair value amounts to € 335 m at March 31, 2016. Its fair value is largely based on level 3 inputs, and specifically on the binding agreement signed with INEOS on March 31, 2016.

For other financial instruments measured at fair value in Solvay's consolidated statement of financial position, the fair value of those instruments as of March 31, 2016 is not significantly different from the ones as published in the Note 37 of the consolidated financial statements for the year ended December 31, 2015.

During the three months ended March 31, 2016, there were neither reclassification between fair value levels, nor significant changes in the fair value of financial assets and liabilities measured based on level 3 inputs, except as mentioned above.

## 6. Events after the reporting period

On April 25, 2016 Solvay issued a formal notification for the exercise of the first call option on the € 500 m hybrid bond, maturing in 2104 after having notified the Luxembourg Stock Exchange, where the bond is listed, as well as the bondholders. This bond, which bears an annual interest rate of 6.375% in the first ten years, is classified as a long-term financial debt in the consolidated statement of financial position as of March 31, 2016, and will be repaid on June 2, 2016. The financing of this repayment was secured in December 2015 with the bonds issued to finance the Cytec acquisition.

On May 2, 2016, Solvay entered into a Share Purchase Agreement with Unipar Carbocloro for the sale of its equity interests held in Solvay Indupa. The determination of fair value less cost to sell at year end 2015 remained unchanged and is expected to adequately cover the significant uncertainties surrounding the valuation between the signing and the closing date.

## 7. Declaration by responsible persons

Jean-Pierre Clamadieu, Chief Executive Officer, and Karim Hajjar, Chief Financial Officer, of the Solvay Group, declare that to the best of their knowledge:

- The consolidated interim financial information, prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union, reflects a faithful image of the assets and liabilities, financial situation and results of the Solvay Group;
- The three month management report contains a faithful presentation of significant events occurring during three first months of 2016, and their impact on the consolidated interim financial information;
- The main risks and uncertainties are in accordance with the assessment disclosed in the section "Risk Management" in the Solvay 2015 Annual Report, taking into account the current economic and financial environment.

# FINANCIAL GLOSSARY

**Adjustments:** Adjustments made to IFRS results for elements distorting comparability over time of the Group underlying performance. These adjustments consist of:

- Results from portfolio management and reassessments,
- Results from legacy remediation and major litigations,
- M&A related impacts, mainly including non-cash Purchase Price Acquisition impacts (e.g. inventory step-up and amortization of intangibles) and retention bonuses relative to Chemlogics and other acquisitions,
- Net financial results related to changes in discount rates, hyperinflation, and debt management impacts (mainly including gains/(losses) related to the early repayment of debt),
- Adjustments of equity earnings for impairment gains or losses and unrealized foreign exchange gains or losses on debt,
- Results from available for sale financial assets,
- Tax effects related to the items listed above and tax expense or income of prior years.

All adjustments listed above apply to both continuing and discontinuing operations, and include the impacts on non-controlling interests.

**Basic earnings per share:** Net income (Solvay's share) divided by the weighted average number of shares, after deducting own shares purchased to cover stock option programs.

**Capital expenditure (capex):** Cash paid for the acquisition of tangible and intangible assets

**CFROI:** Cash flow return on investment, calculated as the ratio between recurring cash flow and invested capital, where

- Recurring cash flow = underlying EBITDA + (dividends from associates and joint ventures – earnings from associates and joint ventures) – recurring capex – tax;
- Invested capital = replacement value of fixed assets + working capital + carrying amount of associates and joint ventures;
- Recurring capex is normalized at 2% of the replacement value of fixed assets net of goodwill values;
- Tax is normalized at 30% of (underlying EBIT – earnings from associates and joint ventures);

**EBIT:** Earnings before interest and taxes.

**Free cash flow:** Cash flow from operating activities (including dividends from associates and joint ventures and excluding cash flow related to costs of acquisitions of subsidiaries) and Cash flow from investing activities (excluding acquisitions and disposals of subsidiaries and other investments and excluding loans to associates and non-consolidated investments).

**GBU:** Global business unit.

**Gearing ratio:** Net financial debt / total equity.

**IFRS:** International Financial Reporting Standards.

**Leverage ratio:** Net financial debt / underlying EBITDA of last 12 months.

**Net cost of borrowings:** comprise cost of borrowings netted with interest on lendings and short-term deposits, as well as other gains (losses) on net indebtedness

**Net financial charges:** comprise net cost of borrowings, costs of discounting provisions (namely, related to post-employment benefits and HSE liabilities) and income / loss from available-for-sale financial assets.

**Net pricing:** The difference between the change in sales prices versus the change in variable costs.

**Net sales:** Sales of goods and value added services corresponding to Solvay's know-how and core business. Net sales exclude other revenues primarily comprising commodity and utility trading transactions and other revenue deemed as incidental by the Group.

**Net working capital:** includes inventories, trade receivables and other current receivables, netted with trade payables and other current liabilities.

**OCI:** Other Comprehensive Income.

**pp:** Unit of percentage points or 1.0%, used to express the evolution of ratios.

**PPA:** Purchase Price Allocation (PPA) accounting impacts related to acquisitions, primarily for Rhodia and Cytec.

**Pricing power:** The ability to create positive net pricing.

**PSU:** Performance share unit.

**EBITDA:** earnings before interest and taxes, depreciation and amortization.

**Result from legacy remediation and major litigations:** It includes (a) the remediation costs not generated by on-going production facilities (shut-down of sites, discontinued activities, previous years' pollution), and (b) the impact of significant litigations.

**Results from portfolio management and reassessments:** It includes (a) gains and losses on the sale of subsidiaries, joint operations, joint ventures, and associates that do not qualify as discontinued operations; (b) acquisition costs of new businesses; (c) gains and losses on

the sale of real estate not directly linked to an operating activity; (d) major restructuring charges; (e) • impairment losses resulting from the shutdown of an activity or a plant; and (f) impairment losses resulting from testing of CGUs;. It excludes non-cash accounting impact from amortization and depreciation resulting from the purchase price allocation (PPA) from acquisitions.

**Results on disposals:** It includes gains/(losses) from activities presented as discontinued operations.

**SOP:** Stock option plan.

**Tax rate:** Income taxes / (Result before taxes – Earnings from associates & joint ventures – interests & realized foreign exchange results on RusVinyl joint venture). The adjustment of the denominator regarding associates and joint ventures is made as these contributions are already net of income taxes.

**Underlying:** Underlying results are deemed to provide a more comparable indication of Solvay's fundamental performance over the reference periods. They are defined as the IFRS figures adjusted for the "Adjustments" as defined above.

**Underlying net debt:** Underlying net debt reclassifies as debt 100% of the hybrid perpetual bonds, considered as equity under IFRS.

**yoY:** Year on year comparison.

## BUSINESS GLOSSARY

**FKM:** Fluoro-elastomer, polymer type.

**HPPO:** Hydrogen peroxide propylene oxide, new technology to produce propylene oxide using hydrogen peroxide.

**PA:** Polyamide, polymer type.

**PCC:** Precipitated calcium carbonate.

**PVC:** Polyvinyl chloride, polymer type.

## SAFE HARBOR

This press release may contain forward-looking information. Forward-looking statements describe expectations, plans, strategies, goals, future events or intentions. The achievement of forward-looking statements contained in this press release is subject to risks and uncertainties relating to a number of factors, including general economic factors, interest rate and foreign currency exchange rate fluctuations, changing market conditions, product competition, the nature of product development, impact of acquisitions and divestitures, restructurings, products withdrawals, regulatory approval processes, all-in scenario of R&I projects and other unusual items.

Consequently, actual results or future events may differ materially from those expressed or implied by such forward-looking statements. Should known or unknown risks or uncertainties materialize, or should our assumptions prove inaccurate, actual results could vary materially from those anticipated. The Company undertakes no obligation to publicly update or revise any forward-looking statements.



# KEY DATES FOR INVESTORS

<b>May 10, 2016</b>	Annual General Shareholders' meeting
<b>May 13, 2016</b>	Ex-coupon date
<b>May 16, 2016</b>	Dividend record date
<b>May 17, 2016</b>	Final dividend payment
<b>July 29, 2016</b>	Publication of the 2 <sup>nd</sup> quarter and 1 <sup>st</sup> half year 2016 results
<b>September 29, 2016</b>	Capital Markets Day
<b>November 8, 2016</b>	Publication of the 3 <sup>rd</sup> quarter 2016 results

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An international chemical and advanced materials company, Solvay assists its customers in innovating, developing and delivering high-value, sustainable products and solutions which consume less energy and reduce CO2 emissions, optimize the use of resources and improve the quality of life. Solvay serves diversified global end markets, including automotive and aerospace, consumer goods and healthcare, energy and environment, electricity and electronics, building and construction as well as industrial applications. Solvay is headquartered in Brussels with about 30,000 employees spread across 53 countries. It generated pro forma net sales of € 12.4 bn in 2015, with 90% made from activities where it ranks among the world's top 3 players. Solvay SA (SOLB.BE) is listed on Euronext in Brussels and Paris (Bloomberg: SOLB.BB - Reuters: SOLB.BR).

*Dit verslag is ook in het Nederlands beschikbaar – Ce rapport est aussi disponible en français*