2018 first quarter results

Strong volume growth counters forex headwinds

Press release

Inside/regulated information

May 3, 2018 at 7 a.m.

PROFIT

Underlying **EBITDA**
€533 million -2.6%
+9% organically [1]

- Strong volumes across Advanced Materials and Advanced Formulations, led to organic growth in net sales of 6% and in underlying EBITDA of 9%
- Underlying EBITDA down 3% due to the significant adverse forex conversion impact of 8%, mainly US$, and smaller divestments leading to a 2% reduction
- EBITDA margin sustained at 21%

Advanced Materials
€288 million -1%
+9% organically [1]

- Double-digit volume growth in Specialty Polymers and Composite Materials
- Persistent strong demand for high-performance polymers across applications, particularly in automotive
- Order levels picking up well in aerospace composites, driven by military and commercial transport programs

Advanced Formulations
€118 million -7%
+10% organically [1]

- Strong volume growth in North American oil & gas market
- Other businesses had solid sales performances overall

Performance Chemicals
€177 million -8%
-1% organically [1]

- Positive pricing in Peroxides and Coatis
- Solid demand for soda ash continued in a context of limited margin erosion, as anticipated

CASH

Free cash flow
from continuing operations
€105 million
vs €168 million in 2017

- Sustained cash generation, leading to €147 million free cash flow, including €105 million from continuing operations
- Free cash flow to Solvay shareholders, after financial payments, of €141 million, of which €99 million from continuing operations
- Underlying net debt slightly lower at €(5.3) billion

OUTLOOK

2018 outlook
confirmed

- Grow EBITDA by 5% to 7% organically, excluding scope and forex effects
- Deliver free cash flow from continuing operations above 2017 level

CEO Jean-Pierre Clamadieu: "Solvay's EBITDA grew 9% organically in the first quarter, driven by a continued rise in volumes across our Advanced Materials and Advanced Formulations clusters. As anticipated, foreign exchange headwinds were significant, yet we are encouraged by the positive underlying trends in our key markets. During the quarter, we launched a far-reaching project to simplify our organization to better focus on our customers."

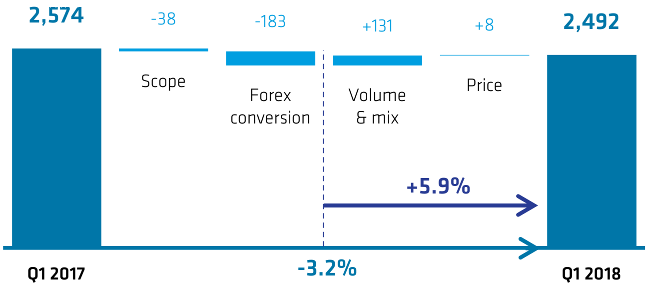
Transformation update: Solvay plans to simplify its organization to adapt to its new business portfolio and changing customer base. The initiative will considerably reinforce the financial performance of the Group.

- Recurrent annual EBITDA contribution of some €150 million to be delivered over three years.
- One-time restructuring cost of €(134) million taken in the first quarter.

The full financial report is available on: **https://www.solvay.com/en/investors/news_and_results/results/2018/index.html**.
All comparisons are made with the equivalent period of the year before, except where mentioned explicitly otherwise.
[1] Excluding forex conversion and scope effects

Net sales

(in € million)



Net sales declined 3% to €2,492 million. Excluding scope and forex, it grew 6% organically on higher volumes.

The reduction in **scope** [1] affected net sales by 1% and mainly reflects the divestment of the polyolefin cross-linkable compounds and formulated resins businesses in June 2017, and to a lesser extent that of the phosphorous business in February 2018.

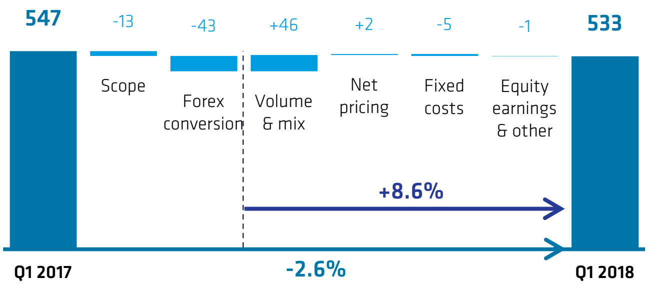
Conversion of **foreign exchange** had an adverse effect of 7%, mainly related to the depreciation of the US dollar, which lost 13% against the euro year on year. The performance of the Chinese yuan and the Brazilian real also negatively affected currency translation.

The **volume** increase was delivered by Advanced Materials and Advanced Formulations. Demand for high-performance polymers continued to grow, especially in automotive, driven by sustainability trends. Aerospace composites showed significant growth. Continued recovery in the North American shale oil and gas market translated into further volume growth. In Performance Chemicals, a slow start to the year for soda ash was compensated by market recovery for Solvay's Latin American solvents and phenols business, Coatis.

Prices were stable overall, with an increase in Advanced Formulations and Coatis more than compensating for the reduction in soda ash.

Underlying EBITDA

(in € million)



Underlying EBITDA was €533 million, down 3%. Excluding forex conversion and scope effects, it grew 9% organically, fully attributable to the strong volume growth. The underlying **EBITDA margin** was sustained at 21%.

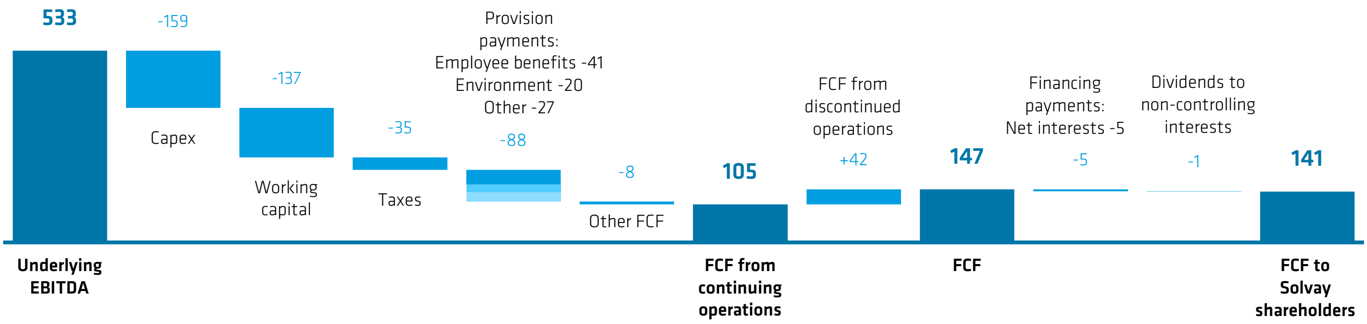
Volume growth and a positive business mix effect increased EBITDA by 8%.

Net pricing was stable, demonstrating Solvay's pricing power. Price increases combined with operational excellence more than compensated for higher raw material prices, especially in Advanced Materials and Advanced Formulations. In Performance Chemicals, this effect was offset by the anticipated margin erosion in soda ash.

Fixed costs were up slightly. Operational excellence and synergy benefits mostly compensated for inflation.

Free cash flow (FCF)

(in € million)

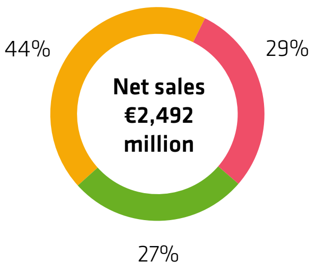


Free cash flow from continuing operations was €105 million, down from €168 million in the first quarter of 2017, reflecting lower EBITDA and phasing in working capital needs. Capex discipline was maintained, leading to capex of €(159) million on a continuing basis, a 2% decrease year on year. Provision payments of €(88) million were in line with 2017. Total free cash flow increased to €147 million, including cash from discontinued operations, which rose thanks to lower working capital needs.

Free cash flow to Solvay shareholders was €141 million. On a continuing basis it was €99 million, in line with €102 million in 2017. Financing payments totaled €(5) million, significantly lower than the €(63) million in the first quarter of 2017, thanks to the optimization of Solvay's capital structure last year.

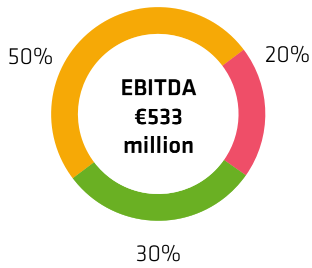
Underlying **net financial debt** [2] remained largely stable at €(5.3) billion, including €(2.2) billion of perpetual hybrid bonds.

[1] Scope effects include acquisitions and divestments of smaller businesses not leading to the restatement of previous periods.
[2] Underlying net financial debt includes the perpetual hybrid bonds, accounted for as equity under IFRS.



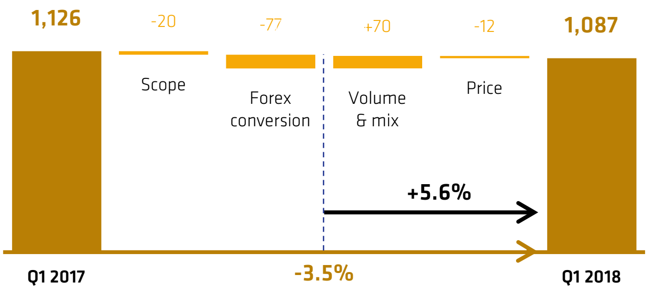
Advanced Materials
Advanced Formulations
Performance Chemicals

Corporate & Business Services
net sales is not material,
and EBITDA is negative thus is not depicted.



Advanced Materials

Net sales *(in € million)*



(in € million)	Q1 2018	Q1 2017	% yoy
Net sales	1,087	1,126	-3.5%
EBITDA	288	292	-1.3%
EBITDA margin	*27%*	*26%*	*+0.6pp*

Advanced Materials is a leader in markets with high barriers to entry and strong returns on investment. It offers high-performance materials for multiple applications primarily in the automotive, aerospace, electronics, and health markets. In particular, it provides sustainable mobility solutions, reducing weight and improving CO_2 and energy efficiency.

Net sales were 3.5% lower. The solid volume growth of 6% year on year was offset by forex. The bulk of the volume growth was delivered by the double-digit performance of **Specialty Polymers**, driven by strong growth across key markets. In automotive, fuel-efficiency and electrification programs continued to drive sustained demand for our high-performance polymers. Demand was also up in healthcare, food packaging and electronics, including the semiconductor and smart device industries. The sale of the polyolefin cross-linkable compounds business led to a small reduction in scope. **Composite Materials** sales volumes grew strongly, with increased production in commercial programs, including the 787 and 737MAX aircraft, and with the continued ramp-up of the F-35 military aircraft. Demand by helicopter, business jet and automotive sectors also improved. Volumes were stable overall in **Special Chem**. Robust demand from the electronics sector, supported by recent capacity expansions, offset a reduction in demand for rare earth oxides in automotive, triggered by the shift from diesel to gasoline. **Silica** volumes were stable. Overall demand from the energy-efficient tire market remains strong. Growth in the Americas compensated for a slow start to the year with some key accounts in Europe, and competition increased in Asia Pacific at the low end of the market.

Underlying EBITDA was slightly down year on year, despite showing 9% growth at constant scope and forex. Pricing power complemented volume growth. Fixed costs were up, mainly linked to destocking effects at the new carbon fiber plant in Piedmont, South Carolina, US. The underlying **EBITDA margin** increased 0.6 percentage point to 27%.

Corporate & Business Services

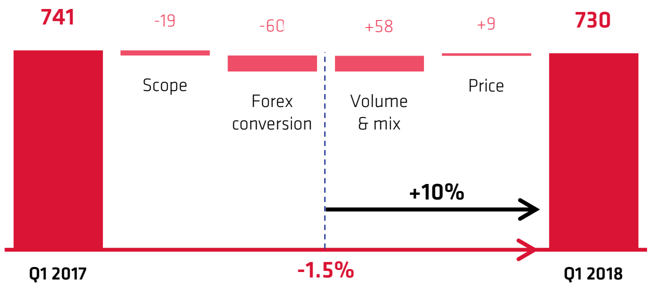
(in € million)	Q1 2018	Q1 2017	% yoy
Net sales	4	3	+34%
EBITDA	(51)	(66)	+22%

Corporate & Business Services includes corporate and other business services, such as the Research & Innovation Center. It also incorporates the Energy Services GBU, whose mission is to optimize energy consumption and reduce CO_2 emissions.

Underlying EBITDA costs were €(51) million, substantially lower than in the first quarter of 2017. A softer quarter in **Energy Services** was more than offset by lower charges in **Other Corporate & Business Services**. While inflation was offset by cost discipline, it also benefitted from synergies and phasing.

Advanced Formulations

Net sales *(in € million)*



(in € million)	Q1 2018	Q1 2017	% yoy
Net sales	730	741	-1.5%
EBITDA	118	127	-7.1%
EBITDA margin	*16%*	*17%*	*-1.0pp*

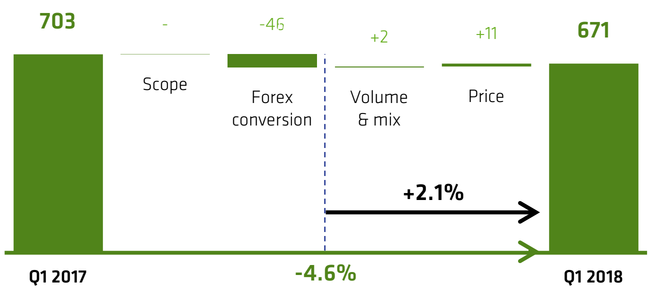
Advanced Formulations serves primarily the resources and environment, agro and food, and consumer goods markets. It offers customized specialty formulations that impact surface chemistry and alter liquid behavior to optimize efficiency and yield, while minimizing environmental impact.

Net sales were down 1% year on year. The 8% increase in volume, complemented by higher pricing, more than offset the adverse forex effect. Volumes in **Novecare** were driven by the strong North American shale oil and gas market, which was recovering in the first half of 2017 and has remained solid since. Other markets were also supportive, with the exception of agro, which faced a slow start to the year. Volumes in **Technology Solutions** grew, supported by strong demand for phosphine specialties. Sales of polymer additives were stable at a high level. Mining volumes were also flat, despite strong demand from the sector, due to phasing effects following inventory replenishment by customers in the fourth quarter of 2017. Divestment of the formulated resins and phosphorous businesses resulted in a reduced scope. **Aroma Performance** sales volumes were stable overall, both in vanillin ingredients and chemical applications. Prices were up, after the business endured competitive pressure last year.

Underlying EBITDA decreased by 7% year on year. Excluding scope and forex effects it was up 10%, reflecting the volume increase and positive net pricing. Price increases across its businesses enabled Solvay to recover some of the raw material price increases incurred during previous reporting periods, and operational excellence initiatives helped to contain fixed costs. The underlying **EBITDA margin** narrowed 1.0 percentage point to 16%.

Performance Chemicals

Net sales *(in € million)*



(in € million)	Q1 2018	Q1 2017	% yoy
Net sales	671	703	-4.6%
EBITDA	177	193	-8.3%
EBITDA margin	*26%*	*27%*	*-1.1pp*

Performance Chemicals operates in mature and resilient markets and has leading positions in chemical intermediates. Success is based on economies of scale and state-of-the-art production technology. It serves mainly the consumer goods and food markets.

Net sales were 5% lower year on year, as a result of forex conversion, though this was partly compensated by higher prices. Volumes were stable overall. While demand remained solid in **Soda Ash & Derivatives**, soda ash volumes were impacted by railcar availability in the US. Prices decreased slightly, following capacity additions by the competition. Bicarbonate volumes were stable, yet benefited from product mix. **Peroxides** sales volumes increased and prices were up, largely due to performance at the new plant in China, which ramped up to full capacity in a positive local market environment. **Coatis** sales grew by double digits, on both pricing and volumes. The improving domestic market for solvents and phenols was complemented by exports, for phenols in particular. Volume developments in **Functional Polymers** were stable overall, both in the Latin American polyamide textile business and in the Russian PVC activity.

Underlying EBITDA declined 8%, yet was largely stable excluding forex impacts. Higher prices in Coatis and Peroxides, as well as operational excellence in Soda Ash & Derivatives, partly compensated higher energy and freight costs. The fixed cost base also improved. The underlying **EBITDA margin** was 1.1 percentage point lower at 26%.

Q1 key figures

(in € million)	IFRS Q1 2018	IFRS Q1 2017	IFRS % yoy	Underlying Q1 2018	Underlying Q1 2017	Underlying % yoy
Net sales	**2,492**	**2,574**	***-3.2%***	**2,492**	**2,574**	***-3.2%***
EBITDA	**389**	**524**	***-26%***	**533**	**547**	***-2.6%***
EBITDA margin				*21%*	*21%*	*+0.1pp*
EBIT	**144**	**294**	***-51%***	**370**	**379**	***-2.4%***
Net financial charges	(51)	(80)	*+36%*	(86)	(111)	*+22%*
Income taxes	(12)	(36)	*+67%*	(67)	(68)	*+1.6%*
Tax rate				*25%*	*26%*	*-1.8pp*
Profit from discontinued operations	37	73	*-49pp*	41	72	*-44%*
(Profit) loss attributable to non-controlling interests	(10)	(16)	*-40%*	(10)	(16)	*-40%*
Profit attributable to Solvay shareholders	**109**	**235**	***-54%***	**247**	**256**	***-3.4%***
Basic earnings per share (in €)	**1.05**	**2.28**	***-54%***	**2.39**	**2.48**	***-3.5%***
of which from continuing operations	0.69	1.61	*-57%*	2.00	1.82	*+9.8%*
Capex	**(184)**	**(185)**	***+0.5%***	**(184)**	**(185)**	***+0.5%***
of which from continuing operations	(159)	(161)	*+1.7%*	(159)	(161)	*+1.7%*
Free cash flow	**147**	**164**	***-10%***	**147**	**164**	***-10%***
of which from continuing operations	105	168	*-37%*	105	168	*-37%*
Net financial debt [1]	**(3,106)**			**(5,306)**		

Underlying results

Underlying **EBIT** was €370 million, 2.4% lower year on year, and slightly less than EBITDA due to lower depreciation.

Underlying **net financial charges** [2] were €(86) million, a 22% improvement compared to the first quarter of 2017, reflecting capital structure optimizations implemented in 2017.

Underlying **taxes** were €(67) million, in line with last year, as the higher tax base was offset by the anticipated lower tax rate, which ended at 25% for the quarter.

The underlying contribution from **discontinued operations** was lower than in 2017 at €41 million, mainly due to the absence of contribution from Acetow, which was divested at the end of May 2017. In 2018 discontinued operations only consist of the polyamide activities, planned to be sold to BASF in the second half of the year.

Including a lower deduction for non-controlling interests, underlying **earnings per share** [3] were €2.00 on a continuing basis, up by 10% year on year. Including the contribution from discontinued operations, it came to €2.39.

IFRS results

I**FRS profit** attributable to Solvay share was €109 million, €(139) million lower than the underlying profit. The adjustments to IFRS results were made primarily for the following elements:

€(134) million restructuring cost for the recently announced simplification plan;

€(25) million of impairments partly offset by €16 million net gains on M&A activities, mainly the capital gain on the divestment of the phosphorous plant in Charleston, US;

€(18) million for legacy remediation and major litigations;

€(57) million of amortization charges on intangible assets linked to the impact of purchase price allocation;

€27 million coupons on hybrid bonds, which are treated as dividends under IFRS;

€56 million on income tax, mainly resulting from the tax impacts of the above adjustments.

[1] Underlying net financial debt includes the perpetual hybrid bonds, accounted for as equity under IFRS.
[2] Underlying net financial charges include the coupons on perpetual hybrid bonds (accounted as dividends under IFRS, and thereby excluded from the P&L), as well as the financial charges and realized foreign exchange losses in the RusVinyl joint venture (under IFRS are part of the earnings from associates & joint ventures and thereby included in the IFRS EBITDA).
[3] Earnings per share, basic calculation

- **May 8, 2018** Annual general assembly
- **May 21, 2018** Final dividend ex-coupon date
- **May 22, 2018** Final dividend record date
- **May 23, 2018** Final dividend payment
- **July 31, 2018** First half 2018 results
- **November 8, 2018** Nine months 2018 results
- **February 27, 2019** Full year 2018 results
- **May 7, 2019** First quarter 2019 results

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- **Financial & extra-financial glossary**
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Solvay is an advanced materials and specialty chemicals company, committed to developing chemistry that addresses key societal challenges. Solvay innovates and partners with customers worldwide in many diverse end markets. Its products are used in planes, cars, batteries, smart and medical devices, as well as in mineral and oil and gas extraction, enhancing efficiency and sustainability. Its lightweighting materials promote cleaner mobility, its formulations optimize the use of resources and its performance chemicals improve air and water quality.

Solvay is headquartered in Brussels with around 24,500 employees in 61 countries. Net sales were €10.1 billion in 2017, with 90% from activities where Solvay ranks among the world's top 3 leaders, resulting in an EBITDA margin of 22%. Solvay SA (**SOLB.BE**) is listed on Euronext Brussels and Paris Bloomberg: **SOLB.BB** - Reuters: **SOLB.BR**) and in the United States its shares (**SOLVY**) are traded through a level-1 ADR program. *(Figures take into account the announced divestment of Polyamides.)*

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