SOLVAY

Moderator: Jean-Pierre Clamadieu; Karim Hajjar
February 25, 2016
12:00 p.m. GMT

Operator: This is conference # 957381. Thank you for standing by. I'd like to welcome you all to the Solvay Q4 2015 earnings conference call. During your call today, there will be a presentation followed by a question and answer session. At this time, if you would like to ask a question, please press star and one on your telephone. I'd like to advise you all that your conference is being recorded today on Thursday February 25, 2016. Without further ado I'd like to hand the conference over to your speakers today: Jean-Pierre Clamadieu, CEO, and Karim Hajjar, CFO. Please go ahead, gentlemen.

Jean-Pierre Clamadieu: Thank you very much. Thanks all for joining us for this full-year and also Q4 2015 results presentation. So I'm here in Brussels with Maria and Karim and we'll try to help you go through the quite significant amount of material that we'll share with you. This is a bit of an exceptional full-year presentation because we are also sharing with you the pro forma numbers 2015 for Solvay integrating Cytec as of January 1, so to give you some base to start with. So we'll try to cover the most important points. And at the same time we'll leave enough time for questions.

So maybe just as an introduction and before letting Karim go into the most detailed part of our financial results I think the two key words from me regarding 2015 are the following: transformation acceleration. I think I've shared these words at the beginning of last year. And I think that indeed we've accelerated very significantly our transformation but also delivery, because I think the set of results that we are presenting to you shows our focus on delivery. Transformation. Clearly the two most important events were the INOVYN JV start-up – This is clearly the key milestone for the exit of our European PVC business. JV is up and running since July 1. Very good start, very good results for the first six months and we are preparing the way for the eventual exit. As you know we have set conditions to exit this JV. – On the acquisition side, obviously Cytec, very effectively prepared and completed. We were very pleased to be able to close this transaction on December 9. As I've mentioned, but we'll discuss synergies a little bit later, we are really starting very quickly. Right up to the closing of the deal, we started working on synergies. And we are very pleased to see that we are starting 2016 with already € 20 m of cost synergies already in place. But more important, as we've looked into the detail of the business now we feel very comfortable but indeed this is a great strategic fit for Solvay. And it puts us into some very good positions both in the composite technologies with the position as the number two player in aerospace with significant growth opportunities in other segments. But also a good complement of our formulation businesses as far as surface chemistry is concerned. And regarding portfolio, clearly the improvements are not over. The next upgrade will come from divestiture. We've said it but I can confirm it this is really our priority in 2016 regarding the agenda is to make sure that we continue to improve the quality of our portfolio.

Delivery, I think we have delivered one other year of strong earnings growth. REBITDA for the full year is up 9.6%, net sales up 4%. Q4 however, showed, as we expected, a seasonality which was more pronounced versus the past two years. In the recent years Q4 has become for us and for a lot of industrial companies the weakest quarter of the year, but this year we were expecting a bit of a more pronounced seasonality. And this was even – it was even more significant because we've seen an unexpected destocking in smart devices. Unexpected destocking just means that, as you might have seen, some of the key players in this field have announced a softening of their sales. It means that they ended up with inventories which were higher than what they were expecting and they've reacted very quickly. And we've seen our deliveries to the smart device segment in the very last part of the quarter, and we'll see the continuation of this phenomenon in Q1, as you've seen, very significantly. But we are waiting for the next cycle which means the next product to be put on the market. And this will resume demand in this segment. Full-year REBITDA growth was very significant in three out of our four segments. The one which was not growing was impacted by the oil and gas decline. We've seen a very supportive forex which is good news after a year in 2014 where we've delivered significant growth, but against a very negative impact of forex. We have been able to almost compensate as far as volumes are concerned the two key areas of challenges oil and gas and acetate cable by a very positive development in a number of businesses, the most obvious contributor to this being our Specialty Polymers business and more broadly speaking the Advanced Materials segment. Pricing power was very strong, which is always a question mark by some of you when we are in an environment where we see deflation in raw material and energy costs. We've been able to keep part of the positive impact of the reduction of our input cost. And this shows that indeed we have quite strong position in a large part of our businesses. This led to a REBITDA margin increase of 100bp to 19% putting us quite well in comparison with other players in this field.

Moving maybe to slide 6 and 7 of the presentation. We are giving you a snapshot of how Solvay looks pro forma for the Cytec acquisition, which means including Cytec acquisition since January 1, 2015. € 12.4 bn of sales. A very well balanced profile both in terms of geography where you see Europe represents today only 30% of our sales, Asia Pacific 33%, North America 27%, Latin America 10%. I think this is a very good exposure, very well balanced. We've seen a reduction of the share of Europe, which is good. And we think that for an innovative chemical company like Solvay having a strong presence in North America is also a must. In terms of end market we have a very diversified exposure. Automotive and aeronautics representing today almost a fourth of our exposure. Very good because we think that we have a portfolio of technologies which fits very well with the key challenges of these two end markets in terms of $C0_2$ emission reduction and fuel efficiency and our lightweighting materials puts us really in a very good position to support our customers. We've seen over the years a reduction of our exposure to building and construction, which I think is also something very important for us. Electrical and electronic 6%, but with a very strong contribution of the smart devices segment, which will continue, despite what I've just said about Q4 and Q1, which will continue to be a great area for us to continue to develop our newest technologies and applications. So overall I think a very sound business profile.

Moving onto slide 7. We have rearranged a little bit, and I know that some of you don't like it too much because it makes the modeling a little bit more complex, but we wanted to make sure that we end up with clusters which are meaningful. And we have integrated the Cytec businesses into two clusters. And by the way it means that today the business organization of Cytec has been turned into two global GBUs operating within the Solvay framework, just as the other GBUs operates. So we've been able to integrate very quickly the businesses. And having spent a part of January visiting the former Cytec teams and plants, I'm impressed to see how quickly this integration took place. So we have created a Composite Materials GBU which will be part of the Advanced Material cluster. We have created a Technology Solutions surface chemistry GBU which will operate within our Advanced Formulations cluster. And then we have made some very slight rearrangement of businesses putting all the chlorovinyl activities into Functional Polymers, which means moving Emerging Biochemicals into Functional Polymers. And we have also moved Coatis from Advanced Formulations to Performance Chemicals because we think that indeed this business shares a strategic intent which is much more aligned with the strategic intent of the other Performance Chemicals businesses. And you see on the left-hand side of this slide some of the key numbers, REBITDA € 2,336 m, important because this is the basis for our 2016 growth; REBITDA margin 19%, no changes; free cash flow € 500 m; capex almost € 1.1 bn, and we will tell you later but we think this was really the peak capex for the combined entity; and CFROI at 6.1%, clearly an area where we need to improve.

If you move onto slide 8, just a snapshot on what we do in terms of lightweight materials. Clearly I think that this is becoming a very significant part of our portfolio. We have the opportunity to have within Solvay a strong position both in thermoplastic and thermoset resins and formulations and the ability, thanks to the Cytec acquisition regarding composite, thanks to our own development regarding foams, to use these materials to produce the parts that at the end of the day will be used in transportation application: both aerospace and automotive. This being very much aligned with the need to lighten vehicles, both aerospace and automotive, to fit with regulation regarding $C0_2$ emission regulations, which are in place for the automotive sector and which are currently being discussed – but my understanding is that we are close to a conclusion – regarding aerospace. In automotive we already have a very strong presence in under-the-hood applications, with polyamide, with specialty polymers, battery for electric or hybrid vehicles. The challenge for us is to move into chassis, upperbody/hood application and this will be the entry point for composite in this segment. For aerospace we are very strong in secondary structures, we are strong in primary structures. We've made a very interesting entry in jet engines with the LEAP engine from Safran GE. We have some position in cabin interiors, but clearly very significant opportunities to become more important in this segment.

Moving to slide 9 and just spending a minute on formulation and surface chemistry. We have clearly a very good complementarity between our position within healthcare in mild surfactants, natural guar, synthetic polymers and the very strong technology position that Cytec is bringing regarding phosphine. We have also some complementarity in terms of the market that we serve. Cytec is bringing a very strong position in some very, very niche markets like screens where we've been able to develop the very, very high value applications. But they have also a strong position in the mining sector where they are really helping the launch of mining operations to optimize the output and then the cost of the materials that they extract. And we think that even in the current environment, and probably even more in the current environment, this fits very well with the needs of our customers.

Maybe one more word on what we've been doing in 2015, just to underline the fact that the excellence initiatives continue to be very strong within Solvay. We started this program in 2013. It was a three-year program. When we started it our objective was to generate € 600 m of REBITDA impact. Thanks to these various programs which covers most of our activities from manufacturing, supply chain, innovation, commercial, we have upgraded our objective € 800 m to be delivered by 2016. This excludes Cytec by the way and part of the synergy and part of the integration activities is to bring our teams into the Cytec operation, to help them move also in this mode of large usage of excellence initiatives. We are very confident that we'll meet our target at the end of 2016, and by the way, the show won't stop in December 2016 as far as excellence initiatives are concerned. We still have a very strong pipe of opportunities and you can expect us to come back at the end of 2016 with some objectives regarding the next few years. This has turned to be a very significant lever of performance within the Company and something which clearly is part of the self-help that we can deliver and which would help us improve our profitability, whatever the outside economic situation or scenarios are.

Maybe a last word before turning to Karim on our sustainability commitment which is on slide 11. We have taken the opportunity of the COP21 in Paris, the conference on climate change to update our own commitment regarding sustainability. We will focus on a more limited number of key priorities. Probably the most important one is $C0_2$ emission reduction. We have taken the commitment to reduce $C0_2$ emission intensity by 40% between 2016 and 2025. We are building the road map to achieve this objective. We think it will be a great opportunity for us to demonstrate that indeed a chemical company can make a significant reduction in its $C0_2$ emission without impacting its profitability. We continue to focus very much on safety with the objective to divide by two the number of accidents that we have within the company although we are still operating at a benchmark level. And then another number of initiatives, I don't want to go into the detail of all of them, just to mention that we also recognize that through our innovation, through the solutions we are bringing to our customers we will also be able to contribute to some of these very significant challenges that the world is facing.

And with that, I'll turn to Karim to go into the details of our financial performance.

Karim Hajjar: Jean-Pierre, thank you. Good afternoon. Before I start into some of the details I want to recognize very much what Jean-Pierre said, which is that we are giving you a lot more information than usual. And we are going to give you even more in the middle of

March by giving you additional phased and segmental information to get you ready well ahead of our Q1 reporting. For today I'm going to focus mainly on the financial highlights on a Solvay stand-alone basis. But I will refer to the pro forma briefly as well as Cytec, recognizing that Cytec will only contribute to our P&L, on basis of materiality from January 1, 2016 only obviously except for the balance sheet data which already incorporates it. As usual I'll refer to the charts that are available on the web.

So on slide 13, I want to pick up where Jean-Pierre left off, he talked about our ambitions on sustainability and our targets. I'd like to start with the numbers on the right-hand side, the green numbers. There is delivery on sustainability in Solvay in 2015. The intensity of our greenhouse gas emissions is down already 10%. One-third of our products are already in the sustainable solutions category and this is before we add in the Cytec contribution which will move this up significantly as well. Very importantly we have improved our safety performance. And the list goes on. I don't want to underestimate the importance of these non-financial indicators. They really do matter over the long term. But so do the financial numbers. We'll come in and talk a bit more about REBITDA and free cash flow for sure, but I want to highlight that our net income of € 477 m also comes in with a CFROI that is stable, reflecting the combination of the decline in profits due to oil and gas but also the higher impact to the operational delivery. Dividend we will come back to as well.

Now, turning to page 14 and looking at the top line. What are the facts? Sales up 4%. As you've seen the first three quarters, foreign exchange has been very supportive and our volume is mixed. There has been very strong progress in terms of Advanced Materials helping to overcome the headwinds that you're also very familiar with both in terms of oil and gas and acetate tow markets. On the latter we've seen good sequential improvements. There will be a bit more to come. So we are confident that for acetate tow the worst is behind us. Oil and gas it's anybody's guess.

If I look at the segments in brief, because again there are no more surprises here, advanced formulations are down in terms of sales at (7)%. Volumes have dragged that down (13)%% and that is oil and gas. I would take a small detour maybe quickly briefly mention the impact of Chemlogics, and one thing we look at very carefully is the fact that, yes, it is adapting to a very challenging market but it's generating cash. Chemlogics in 2015 has generated € 80 m of free cash flow after tax. Very important to note that. We will grow more; we are absolutely poised for growing back up to an even higher level if and when markets eventually recover. Other markets in Novecare have exhibited satisfactory performance most notably in agro and in coatings that have each posted double-digit growth. Advanced Materials, Jean-Pierre mentioned what's happening with smart devices but there's more, there is 6% volume growth in the year, 21% sales advance for the year as well. Auto, other high-end applications have contributed strongly to that performance. Performance Chemicals, sales up 5%, volumes down (2)%. Not a surprise given what I've said and what we've seen in terms of the impact of the destocking in acetate tow. But that has also been offset by a strong performance and strong pricing in fact soda ash and in peroxides. Functional Polymers down (10)% largely pricing in a commodity environment that we are all familiar with and volumes largely flat at (1)%.

EBITDA, there's a lot that I can say but there is little information that is really new news, so I'm going to focus on the key factors. One, we have advanced 9.6%. We've done that despite the headwinds that we are familiar with, supported by foreign exchange of course. The momentum on excellence, Jean-Pierre alluded to, at more than € 300 m again in 2015, well on track toward the higher target of € 800 m. Remember we started two years ago with € 670 m. So the machine is working well. It's delivering. And we can see it permeating in a number of different areas. Clearly innovation is at the heart of Solvay. We can see that coming through for example in Specialty Polymers. But it's also about costs. If we look at the cost bridge what are the facts? It costs a lot, € (48) m. So you ask ourselves well where is the impact. Well, the € (48) m reflects the good cost investment, let's say, as we commissioned eight new plants. That comes in as fixed costs. We will see the volumes and the profits come through in the next year or two, in 2016 and beyond. But that cost is after mitigation of inflation, and that is really important. On a corporate cost point of view we've not only done that with inflation but also mitigated the impact of adverse foreign exchange effects. So what helps us on the bottom line hurts on the corporate costs as well. So good progress, good discipline and that will continue. Pricing power is evident. This is I don't how many quarters sequential we've demonstrated strong sequential pricing power. It's eight times. So we are very much on track. As we look at the totality of this, we are at 18% EBITDA margin and that is one year ahead of what we indicated two years ago. Again not new news but it's for my mind good to confirm that what we expected is now delivered.

Turning to net income on page 16, again little new news but I want to highlight two things. One, is our nonrecurring costs are down against last year € (245) m against € (308) m. Within that though, the composition clearly is different. We have € (130) m related to the

Cytec acquisition. € (40) m of that you've seen already. We've seen the premium on the contingent hedge that we booked in Q3. We also have the very first part of the initial integration costs of Cytec. And then you have the very normal and totally anticipated costs in terms of all the advisory professional fees on M&A in relation to Cytec. Net financial charges are lower but this is linked to one-off effects of the discount rate impact in environmental provisions, which is about € 14 m. One thing we are really pleased about is the fact that we are holding steady the tax rate. The underlying tax rate is 30%, significantly better than last year. Now you will also notice on page 37 of our press release and one or two other references as well, the concept of underlying results. Our underlying net income you can see on page 16. We are from the beginning of the first quarter of this year moving towards underlying results. And I'll tell you a bit more about that in a moment. The intention is to facilitate the understanding. The intention is to facilitate the comparability of our performance. And that's really important where there are many moves in portfolio. And it really helps to track and trend exactly how things compare over time. And as one example, underlying net income will soon become a very helpful proxy for underlying EPS because of growth, at least. So that's signaling that. You will see a lot more of that from Q1 going forwards.

Page 17, what do you see here? You've got a more expansive illustration of risk in the press release on page 37, but fundamentally you have Solvay stand-alone IFRS 2015, you have Cytec standalone. These will be different from the figures you would have received from Cytec because they report on a U.S.-GAAP basis. So clearly to do this we've done three things: Aligned U.S.-GAAP to IFRS, we've adapted their accounting policies to Solvay, not huge differences but absolutely make sure they're consistent, thirdly, we are using obviously euro as the functional currency. There is a column here “Funding Cytec”. This is intended to help simulate the impact of the results as if we'd acquired Cytec on January 1, 2015. You then come into an IFRS pro forma column, then have adjustments which gets us to underlying. To keep it simple there are three things I want you to note. What do these adjustments represent? 1) PPA that you're familiar with; 2) nonrecurring and we are not changing a single thing around how it's presented. So what you've been used to continues with the exception of taking it all the way down to a post-tax basis, that is new. And then 3) finally, we're also very aware that hybrid debt is interpreted differently. And what we are doing now is to say we are going to look at it as an economic concept as debt rather than equity. So for this purpose alone, we've taken the coupon on the hybrid debt and rather than treat it as IFRS as a dividend, we're saying, no, it's a financial charge. The combination of those three factors, nonrecurring post-tax, PPA post-tax and then on the hybrid coupon, we then move toward underlying, all the way down to the bottom line. Again, this will be something that you will see increasingly from Q1 onwards with a very complete reconciliation from IFRS to underlying.

Cytec, I'm very aware of the fact that we've acquired it on December 9 and the market won't know well how well has Cytec done in the last quarter. What you have here is on a U.S.-GAAP basis in U.S. dollars, excluding one-off items and corporate, the results of Cytec. The overall message is that it is delivering very much in line with expectations. One or two moving parts that I want to highlight, but fundamentally it’s delivering completely in line with what we were expecting when we approached the business and with what they’ve been saying to the market. Aerospace, In Process Separation businesses have achieved significant earnings growth and they've helped to offset the weaker performance in Industrial Materials. I wouldn't underestimate the achievement of the progress in In Process Separation, which as you will recall serves mining and resources significantly. It's a very challenging environment in mining. Copper went down from $ 2.3 to $ 2.05 in the fourth quarter, aluminium from $1,600 to $1,500 a tonne. Almost half of the current aluminium capacity is challenged in terms of cash breakeven costs, so challenging environment. Against that, IPS has moved forward. Its EBIT in the fourth quarter increased by 20%. Its EBIT margin has moved forward as well compared to last year from 20% to 23%. If I just look at the fourth quarter for the totality of Cytec, the fourth quarter sales were down 2% at $ 476 m, EBIT was up 7%, EBIT margin was up from 16% to 17% in the fourth quarter. And that gives you the full-year figures that you have before you. In other words there are pluses and minuses. The challenged aspect of the business is Industrial Materials but this is something that is now being addressed as a very strong action to adapt the business, because it basically had a bit of a blip that was signaled earlier in the year by Cytec, they also had issues with the ERP implementation which is now behind us. But fundamentally it's a business that's going from strength to strength. And within our hands, we are very, very confident that will contribute at the top end of our expectations.

I'm now going to go back to Solvay only figures. On page 19 there is quite a lot of information, but what are we saying? We are saying that we are investing more than in 2014. Not a surprise. € (180) m increase in our capex as we'd indicated. Part of it is impacted by foreign exchange, part of it was very much expected. Now we've opened eight new plants and this is part of the reason we have a strong conviction, confidence, that we are positioned for volume-driven growth in 2016 and beyond. But it's not all great news. Our big project in Saudi has been delayed by nine months, so we'll see the benefits of that more towards 2017 rather than 2016. That alone is a 1% impact to earnings growth. That growth is not lost, it's just deferred a while, And I'm really talking about Sadara here.

Now we've said consistently that 2015 will be a peak, and what you see on page 20 is that capex on a pro forma basis is € (1,092) m, just over € (1) bn. Our cash conversion on a pro forma basis is 53%. That's REBITDA less capex divided by REBITDA. That figure in terms of cash conversion is expected to increase. Our capex will be contained. The mix of that capex will continue to be focused towards high value, high growth, I would say, strategically coherent opportunities, to very much position us. And we will release and unleash the value that's embedded within our businesses.

But the focus is on cash, so the focus is on cash, so how are we doing this year? And we've used the word sound. What does that mean? It means OK. It doesn't mean particularly strong or weak. Why do I say that? € 387 m as a matter of fact is € (120) m lower than the equivalent free cash flow from continuing businesses in 2014. That doesn't look good. When you remember that last year we had some excellent progress on collecting overdue VAT balances, well well overdue, and we had a more acute seasonal swing, and when we account for those two factors, the underlying free cash flow if you like is flat. Why? Because the high profits we delivered in 2015 after tax has funded the increase in capex. We will be doing better. And when Jean-Pierre talks about the outlook, you will hear us describing that as well. Clearly the Cytec acquisition has an impact as well. You can see here the fact that we've paid € (5.1) bn to acquire the business. We've integrated € (0.5) bn of debt and you can see the impact of € 1.5 bn of capital raised. The net debt figure here is higher than you may be expecting. But again in the same way we are saying from an underlying economic basis we are looking at hybrid coupons as interest rather than equity, then dividend, we're saying the hybrid bonds we are also looking at debt for this purpose. So economic underlying net debt is € (6.6) bn compared to just under € (2) bn at the beginning of the year on the same basis. And again you can see the € (2.2) bn of hybrid bonds within that.

Debt is a factor that I know has been talked about quite a bit in Solvay. What you can see here is a sense of the evolution of our debt so far. And I've got three, four things I want to highlight. 1) We have raised capital to enable us to pre-finance debt that matures in 2016. € (300) m from the European Investment Bank at 3.9% has already been retired in January this year. We have the firepower to decide eventually to retire a hybrid of € (0.5) bn that currently costs 6.375%. 2) The average cost of debt in Solvay is going down, for senior debt is going down from 5.2% to 3.3%. 3) The average duration of our debt, which is very important from a risk point of view, is increasing from 3.1 years to 5.6 years. 4) The fact that we now have much more of a U.S. profit pool has also motivated us to add a U.S. bond tranche of € (1.6) bn. Again from a risk point of view: very, very effective. So fundamentally what we have is a debt profile that we believe is optimized, absolutely sustainable and we are very, very pleased to continue to see the confirmation from the rating agencies that we are investment grade and we're committed to, state the obvious, you know this already probably, but we are Baa2 with a negative outlook with Moody's and a BBB- stable at S&P.

With that, Jean-Pierre?

Jean-Pierre Clamadieu: Thank you very much, Karim. So I'll try just to conclude by sharing with you what are the priorities for us for 2016 and how do we see the year moving.

First priority obviously is to make the Cytec integration not only a success but a quick success. So integration started very quickly on December 9. We were able to reduce the headquarters structure by € 20 m at year end. And by the way this is not the end of the story, but it shows how focused we were on delivering results. In fact, we have completely mapped today the cost synergies that we expect to see in the next couple of years. And this gives us the opportunity to give you, with a very high level of confidence, a new objective for cost synergies alone of over € 100 m by the end of 2018. In reality we expect to have € 100 m as a P&L impact in 2018. On top of that there will be the top-line synergies. We are working also very hard to turn these synergies into action plans to understand exactly what and when. It's a little bit too early to share with you an update on these numbers, but clearly we are very confident that we could significantly exceed the total amount of synergies which were presented to you when we presented the deal at the end of July 2015. Integration is going very well. Cytec teams are very proactive. From a business standpoint, as I was mentioning, I think the two GBUs are already operating as the other Solvay GBUs. We are now working very much on finishing up the deliveries of cost synergies associated with the former corporate activities of Cytec, working into functional and shared services integration.

From a business standpoint we have identified a number of opportunities, short-term cross-selling opportunities, but also opportunities to develop new technologic solutions, to enter into new markets. Just to mention two areas where we are creating today the adequate organization to deliver. One is on thermoplastic composite. We think that thermoplastic composite have significant opportunities in front of them in automotive obviously but also in aerospace for applications where having a product easier to handle will make sense for the large OEMs, and even the small ones by the way. And we think that with our technology leadership in composite coming from Cytec with our knowledge about thermoplastic resin coming from the Solvay side, we are ideally positioned to come up with a high technology solution. Another very interesting area is the foam area. We know today how to form our polymers as foams which allow us to produce a very light product but very resistant, very resilient. We think that there are significant opportunities in aerospace, mostly for within-the-cabin application and there is really the Cytec knowledge of the market and the Solvay technologies which could allow us to make reasonably quickly significant progress.

We are also leveraging the talent of our various teams and again in a very positive and very proactive mode. By the way, we've been able to bring on board the top three people that we have identified as being the key talent of Cytec and this gives us a feeling that indeed this acquisition in terms of strategic intent, in terms of cost synergies, in terms of growth opportunities, will be a very significant milestone in the transformation of Solvay.

But 2016 is also about growth. Contrary to what we've seen in last year, we expect to be able to generate volume growth from new capacity. We have eight new sites on stream, five or six of them in Asia, the other two: one in Europe and one in the U.S. The only disappointment is the Sadara project. It's a bit of a significant disappointment for 2016 because we will be losing € 40 m to € 50 m potential REBITDA contribution, and by the way this represents 2% of growth, so something which is visible. But at the end of the day no impact because we have a very specific contract supporting this project with guaranteed returns. So it means that once the project will start, we will see the compensation of these delays coming. And I didn't mention it but the delay is not our project itself; the delay is linked to the fact that the Sadara complex, within which we are operating, will likely delay its start-up by close to nine months.

Growth will also come from innovation in various segments, Advanced Materials being once again a very significant provider of innovative solutions across the board. We've talked about smart devices and we expect that for the full year smart devices will offer us indeed the opportunity to bring new solutions to our customers. But I could have mentioned batteries, which is going well, medical applications, which is also going well. Advanced Formulations, we expect also to see innovative solutions coming. Personal care, we have some very specific expectation regarding innovation projects which should come on line during 2016. So volume growth again will be a significant element of our priorities for 2016. By the way, I could also mention Performance Chemicals. We have a new bicarbonate plant in Thailand. We have a new hydrogen peroxide plant in China and we expect to see some growth coming back in acetate. We think that most of the inventory adjustment is now behind us and we are seeing again a pattern in which volumes are growing. Even Functional Polymers – when I say "even" it's because we know it's really a business in which we've been struggling for quite some years but – we see today volume growth. I was visiting our Chalampé plant earlier this week, the plant is running at full capacity and we are clearly seeing opportunities to continue to grow and improve profitability of this in this businesses

Our priority for 2016 is obviously cash, as we have mentioned. We recognize that we need to improve our cash conversion. We have decided in 2015 to have a significant capex budget, almost € (1.1) bn if I look at the combination of Solvay and Cytec, but the projects that we've done don't need to be done again so we have an opportunity to refocus and make sure that we indeed could generate solid free cash flow in 2016. And the last priority, I mentioned it in the beginning, is portfolio upgrade.

So regarding the outlook, usually we don't give such a specific outlook early in the year but we had a feeling that with all the questions and uncertainties and so on it was important to share with you how we feel today. So today we feel confident that we will be able to grow our REBITDA by a high single-digit number versus a base which is obviously the combination of Solvay and Cytec in 2015, the € 2.3 bn that I mentioned at the beginning of the presentation. The growth will be back-ended, not so much because we expect the overall global economy to grow faster in the second half but because we have a couple of specific situations in the beginning of the year, mostly in Q1, which will lead to this situation of having back-ended growth. The first one is smart devices again. The phenomenon that we've seen starting in the last part of the fourth quarter will continue during Q1 until we get into the point of the cycle where new products will be ready to be manufactured before being brought to the market. That's one element. The second element is linked to oil and gas. We have still a strong comparable : oil and gas was still a strong contributor to our results in Q1 in 2015. So we've started to see a decrease with Q2. So these two elements explain why Q1 in terms of comparison will be a bit challenging and this explains why we expect the REBITDA growth to be back-ended in 2016.

Then we have also shared with you a free cash flow guidance. We expect free cash flow to exceed € 650 m. What's important to us is make sure that we generate the free cash flow which allows us to pay for financial charges and dividends. And we are very confident that with growth in earnings and a strong focus on capex we will be able to generate an amount of free cash flow which will meet the objective that I've just mentioned.

Obviously this guidance takes into account the current environment. We don't expect oil and gas to recover, so far as 2016 is a year in which the current situation will prevail regarding the oil and gas market.

So with that, maybe my last comment is that we decided with the Board yesterday to submit to shareholders a proposal to increase our dividend by 3.3%, € 3.30 a share. This reasonable growth shows that we are indeed confident that the Company will continue to deliver growth.

With that, I will open to questions and we'll try to make ourselves available for 20, 25 minutes as we've been a little bit longer than usual in the first part of this call. So we are now open for questions.

Operator: Thank you. As a reminder to everyone, please press star and one if you’d like to ask a question. And our first question comes from Analyst A.

Analyst A: Thank you. I have three questions and all are related to Cytec. Firstly a clarification question. The operating earnings on page 18 in the handout of $368m, is that an EBITDA figure and if so how does that reconcile to your euro figure of € 381 m the page earlier, page 17? Because I wonder why there is an exchange rate of 1.03 used.

Secondly on Cytec, can you elaborate on what do you see right now in terms of order books from the aerospace industry regarding 2016?

And thirdly, with this acquisition of Cytec your dollar exposure is rising, so can you provide us with a new dollar sensitivity? What is the rule of thumb if the dollar changed by one cent? Thank you.

Jean-Pierre Clamadieu: OK, so I'll take the second question and I will leave Karim take the first and the third one. What do we see in aerospace? Well, obviously the situation is a bit different program by program but let me just share with you a few general comments. We see significant growth opportunities coming from two programs which are in ramp-up phase. The F-35 from Lockheed Martin, this fighter jet production is increasing significantly during the course of 2016 and the latest numbers we've seen coming from the U.S. budget proposal that the President has sent to Congress give us confidence that indeed the ramp-up will be there. The second program which is ramping up very well is the LEAP engine from Safran. We are – in both programs we are a significant supplier of resin or composite. On the large commercial aircraft, growth is very much in line with previous expectation. We've seen some adjustment here and there but this adjustment has very minimum impact on us. 747 for example is a plane in which the composite content is limited. Then a number of news coming from various sides. There was news a couple of days ago of Bombardier getting meaningful orders from Air Canada which could add to their production schedule in the next couple of years. We see weaknesses in some specific markets like helicopters, mostly linked to the oil and gas situation, but overall in a nutshell the development of planes with much larger composite content is clearly offsetting the fact that we are seeing some slowdown in programs with less obvious composite content. So I think aerospace will be obviously a contributor for growth in 2016 for Solvay.

Karim Hajjar: Martin, I'll respond to your other two questions. About the first one, to compare U.S.-GAAP based operating profit with IFRS based figures, two things to take into account. 1) depreciation obviously is one element between operating income and EBITDA but the other one 2) is the treatment of pension cost accounting. In very simplistic terms, in U.S. GAAP changes in discount rates can impact the P&L; in IFRS it goes straight to other comprehensive income. So there's a very clear audit trail from one to the other. Those are the main reasons. It's not about exchange rates or anything else.

To your second question, the sensitivities we used to disclose were essentially € 100 m for a $/€ (0.10) change. Now with Cytec our best first estimate – we'll refine it I'm sure – is € 130 m. Half of that is conversion, half of that is transactional. Given as you know we tend to hedge forward a lot of our transactional exposures, you can expect the variations to be basically spread over two years for any one change. I hope that gives you a good indication on the sensitivities.

Analyst A: Thank you.

Karim Hajjar: Thank you.

Jean-Pierre Clamadieu: Next question.

Operator: And our next question comes from the line of Analyst B.

Analyst B: Yes, hi, good afternoon.

Jean-Pierre Clamadieu: Hello.

Analyst B: Good afternoon. Three questions if I can. The first one is on the capex guidance of € (950) m. From memory the management of Cytec was looking to increase CapEx by over $ (200) m in 2016 versus 2015. So I'm just wondering where the lower spending is going to come from. Is that smaller pipeline? Is that actually especially related to the 777X opportunity? I think that they were very confident to get it. I don't know if you have an update on that side.

And then the second question on Cytec on the mining side. I think you mentioned good product mix. From memory that was more already the case in the first half and the management of Cytec was guiding towards a worse mix in the second half. Can you indicate us on what good mix actually means for that business and whether or not you get visibility on 2016 in terms of good mix or bad mix at least for the first half? And then actually a third question, if I can sneak that in on the HPPO delay. Given the contract structure, are you getting compensation this year as a sort of take-or-pay agreement, given that you're on time and your customer is not? Or how is that compensation mechanism going to work? Thank you.

Jean-Pierre Clamadieu: So three very pointed questions. HPPO, no, it's not a take-or-pay contract; it's a return guarantee. So we'll get the compensation over time but it will start only when we start shipping and invoicing product. So unfortunately for 2016 we won't see the compensation but the compensation will come as again the return on invested capital is guaranteed though the contract. Cytec capex, and again the delay is not linked to our plant. Our plant in fact is ready to start up but we don't have today the utilities, the energy and the units which could consume what we could produce.

On capex guidance, the guidance is based on our best view today of what is necessary for our business. So, yes, we have revisited some of the previous forecasts from the Cytec team but I would say it's a bit of a normal update linked to some improvements they've been able, in terms of production output, to deliver during the course of 2015. Maybe a bit of a more prudent approach in a couple of specific situations but frankly speaking no significant difference between their last guidance they've made public and what we have included in our own plan. On Solvay side where we have a Solvay legacy, I should say, or historic side, we have also been a little bit more challenging on some of the projects which did not make full sense or were not fully aligned with our strategy. The vast majority of our capex projects, especially the ones for new capacity in 2015 within Solvay, will be focused on the Advanced Materials cluster where we see significant opportunities.

So again it's clearly across the board a focus on the project which makes the most sense in terms of delivery. I would add to that that we have started a capex excellence project early 2016 with the objective to make sure we get the most out of every dollar we spend and in some reasonable-sized projects we've seen meaningful impact of this program. So again we are focusing very much on capex efficiency.

On the mining business of Cytec, probably I'm a little bit too young in this business, if I may, to give you total clarity on whether the mix is supportive or not. We continue to see a situation where, in both copper and aluminium, our products are making their way, into our customers. Clearly, even in this challenging environment, customers need the support of Cytec to improve the efficiency of the first stage of separation in their operations. We have a couple of innovation opportunities for specific types of mining operations in China which could also have an impact in the later part of the year. I don't know, Karim, if you want to add something on that?

Karim Hajjar: Yes, let me see if I can add a tiny bit of color. I don't have a phasing behind what I'm going tell you, but let’s share with you some facts. The business, the Cytec business, now the Solvay business, secured 18 new mines, new wins, out of 27 that were in our orderbook last year. That's a very strong two-thirds market share. Nine mines have been deferred so there is a challenging market. Mines that were anticipated last actually being deferred; it's anybody's guess if it's going to happen this year or 2017. What is anticipated, and then again it's very encouraging, is there's about 100 individual mines that are slated for opening in the next two to four years. So the mid-term outlook is still very, very positive. The importance of that is there's a very significant boost in demand as you fill the pipe with new mining. So the rate of new mine openings is something that’s very important in an industry that hasn't seen many curtailments. The majority of the wins, as it happens, are to do with the minerals rather than alumina aspects of the business. But like Jean-Pierre, I don't have enough visibility and depth in that, to see where there's the greatest profitability coming.

Jean-Pierre Clamadieu: So next question?

Operator: Thank you, and that comes from the line of Analyst C.

Analyst C: Hi. Thanks very much. Two questions if I may. You've talked about the orderbook and the outlook for aerospace a little bit. I was wondering if you could develop that for the automotive sector. Obviously there was some concerns about automotive destock/slowdown in the second half. What are your order books showing for through to 2016 for the automotive component, obviously in Specialty Polymers? And then second question if I may. Obviously with your PEEK expansion due in 2016, will that expansion deliver into the kind of product development of your customers for 2016 or will it actually miss the 2016 schedule and only deliver into 2017? So how is that PEEK ramp-up going to help the 2016 and the 2017 numbers? Can you give us some color about the timing of impact of that? Thank you very much.

Jean-Pierre Clamadieu: Thank you very much. Order book in automotive, it's a bit more complex than aerospace. There's much more projects there and here I'm really talking Specialty Polymers and Engineering Plastics. But, no, we don't expect to see there a slowdown at the end of the year. We see a situation where in Europe and in Asia, we have also a small position in the U.S. and a big position, but overall in absolute terms it's small, in Latin America. But Europe and Asia we see reasonably good prospects. I remind you that our growth is the combination of the growth of the market but also increased market share, which continues to be the situation. Not increased market share versus competitors but increased market share versus competing materials. And, yes, we continue to see this trend to use more and more this polymer instead of metals in under-the-hood applications. So for us automotive is a market which should continue to deliver I would say high single-digit growth. On the composites for automotive, don't expect anything meaningful soon. We know that it will take a couple of years to continue to work on some projects and hopefully see some signs that this is going into production. So we will continue to serve some high end luxury vehicle markets but for larger production vehicles nothing which will come tomorrow. But clearly for us a key focus and our teams are really organizing themselves to be able to make this possible.

PEEK expansion, as you very well phrased, the question has been prudent. I think it should probably impact us at the end of 2016 but I don't expect the unit to be available for a large part of 2016. So it will be mostly a 2017 event but with hopefully some impact during the last months of 2016.

Analyst C: Thank you very much.

Jean-Pierre Clamadieu: Next question?

Operator: Our next question comes from the line of Analyst D. Please go ahead.

Analyst D: Afternoon, everybody. I've got four questions, hopefully reasonably quick ones. A couple of financial ones first. You guided to pro forma corporate line corporate costs and reconciliation of € 225 m in 2015. Am I right in assuming that that includes the € 30 m insurance gain that you booked earlier in the year and so we should be thinking about a pro forma number for 2016 of € 260 m-ish, say pre any cost savings?

On the very helpful table you gave us about adding the two standalone businesses and then combining them in a pro forma basis, could you explain what the € 45 m D&A adjustment is between the combined entity and the underlying number? Is that just different depreciation schedule or something between Cytec and Solvay?

And then a couple of business questions. On the mining chemicals business, having had access to the business now for a couple of months, is there any evidence that you have particular exposure to any mines that have been shut down or mothballed? Is there any risk around – any exceptional risk around that?

And then the last question is just on electronics. Apart from the normal seasonal or potentially cyclical trends, are there any, let's say, design functions or anything like that that you are particularly exposed to, in other words where a specific redesign of a product may have a very significant impact on your electronics and smartphone exposure? Thanks very much.

Jean-Pierre Clamadieu: OK, let me take maybe the last two questions and I will turn to Karim for the first two. Electronics, I would say: not that we know of, which means that clearly these customers are not always willing to share and in some cases they just don't know many years ahead of time what could be new functionalities, new design or anything like that. But I would say in the next year or two we don't see any significant threat there so the issue is much more, as I've mentioned, the inventory management which is linked to their own performance in their markets. But on the contrary we continue to see situations where directionally our polymers allow for more design freedom, probably the addition of specific properties or functionalities. So our view is reasonably positive, with the point I've made when I started answering your question, which is that we don't have obviously long-term full visibility on what's happening in their labs.

Mining, no, I think our view is that if you look at the mines closing and the new ones opening the balance should be positive for us. So no specific identified threats here or there.

Karim Hajjar: On your first two questions, the € 225 m excludes the € 30 m. Just to make it very clear.

Analyst D: So in other words you're suggesting there's no corporate charge that's come from Cytec that's gone into your corporate line?

Karim Hajjar: What I'm saying is we're absolutely making sure that we adapt our cost structures to avoid that, exactly, yes.

Analyst D: Right. OK.

Karim Hajjar: In fact, part of the € 20 m synergies that Jean-Pierre mentioned is exactly that. It's corporate costs leaving through the door.

Analyst D: OK.

Karim Hajjar: Now the other point is you're absolutely right, it is on the depreciation line, but let me just be a bit more complete in my answer. And that is that when you make acquisitions one needs to fair value the assets we acquire. We show that as a PPA adjustment for the very major acquisitions such as Cytec in this case and Rhodia. We don't do it for the small ones like Chemlogics, Flux, Ryton PPS. So what we're doing here is to basically take out the PPA component that would have been shown as a PPA adjustment had we considered it material in the past. So, yes, it's depreciation but it's the fair value adjustments of the assets that we acquired that we're reversing out to be consistent with the approach that we apply for the bigger ones like Rhodia and Cytec. Does that help?

Analyst D: Understood. Yes, thank you.

Karim Hajjar: Thank you.

Jean-Pierre Clamadieu: Next question?

Operator: Thank you? Our next question comes from the line of Analyst E. Please go ahead.

Analyst E: Yes, thanks very much. Afternoon, guys. Just two questions from me. Obviously last year we saw very strong cash generation in the fourth quarter and then some reversals of that in Q1. Karim, I just wondered if you could help us understand if the cash generated which was good in the fourth quarter is sort of there to stay. That's my first question.

My second question is really around the guidance. If I think about the REBITDA growth in the fourth quarter, I think it was about 4%, and obviously you've talked about some of the one-off factors. But getting up to high single-digit REBITDA growth ex-Cytec, can you just give a bit more granularity around some of the building blocks for that bridge on the basis that you enter the year with Novecare on a slightly weaker footing.

And if I think about some of the capex programs, clearly that's going to contribute but normally you have ramp costs associated with those kind of things. So look, I'm just trying to get comfortable with what is a very positive outlook for this year and just to understand some of the bigger moving parts. Thank you.

Jean-Pierre Clamadieu: So cash? Karim, are you planning to let our free cash flow go away?

Karim Hajjar: It will be a lot less acute than you've seen previously but there will absolutely be a seasonal effect where you can see negative cash flow in Q1, totally understandable and predictable because it will be driven by things such as dividends and just normal seasonal factors. But it will be less than last year for sure.

Analyst E: Understood.

Jean-Pierre Clamadieu: And on the guidance, just to give a bit of granularity, as you were asking– maybe not as much as you would dream – on the new capex project, if I except Sadara, most of them are past the ramp-up phase, which means that indeed they will contribute, probably not all at full speed or at full capacity but they will contribute to our growth in 2016 and from silica in Poland to H_2O_2 in China, through alkoxylation in North America where the situation of the market is very tight, to vanillin in China, we are reasonably optimistic. I mean, the start-up of these projects took place as expected, and yes indeed a contribution to 2016 growth will be meaningful.

Then on Acetow, clearly we are back in a situation where we are seeing volume growth. So that's the normalization of the situation will continue. On oil and gas our view is that after Q1 we should be in a situation where there's limited risk, because in fact, to be blunt, unconventional oil and gas exploration and preparation production activities in the U.S. have stopped. So it won't go much further down. And the rest of the business is reasonably solid, unconventional gas in the U.S. and conventional everywhere, so we continue to sell. And by the way, our oil and gas business today is generating an EBITDA margin which is very close to the Group average, so it's not an underperforming business. But it's a business which has seen huge volume loss last year and we don't expect volume recovery in 2016. On top of that, we expect to continue to see growth linked from innovation or derived from innovation, especially in Advanced Materials. This is the case in Specialty Polymers, smart devices for the whole year but also batteries. We see strong demand in batteries as we enter into 2016, coming mostly from electric vehicles and, even if it may sound surprising, coming from China where the electric vehicle program is gaining speed. So overall I would say a reasonable level of confidence that in 2016 we'll see meaningful volume growth and this gives us confidence regarding the guidance that we've shared with you.

Analyst E: That's great, Jean-Pierre. Can I just have two quick follow-ups? I think you mentioned an expectation of slightly better macro in the second half. Just wondering if that is or isn't a meaningful contributor?

And just the second on FX, do you have any residual hedging gains that will help the EBITDA bridge in 2016? Because when we calibrate just from a currency perspective using spot, it looks like currency for most of our companies is turning slightly negative. So I just want to check on those two things.

Jean-Pierre Clamadieu: OK, on the first one my English is probably not as understandable as I would like it to be but what I've said is that we are not expecting macro improvement. We don't know in fact, but we are not betting our guidance on an improving macro in the second half. What I said is the comment regarding the fact that growth will be back-ended is mostly linked to specific situations that we expect at the beginning of the year, mainly in Q1.

Analyst E: Got it.

Jean-Pierre Clamadieu: On FX?

Karim Hajjar: On FX there will be positive impact because clearly we haven't had the full benefit in 2015 because of the hedges that we put in place. That will also contribute positively. Bearing in mind we have also, as we've said, we're anticipating an exchange rate of 1.10 at the moment and we averaged the year at 1.11. So there will be a helpful follow-on from that.

Analyst E: Have you quantified that yet, Karim, in terms of the residual hedging benefit for this year? Sorry if I can't remember.

Karim Hajjar: We haven't quantified it.

Analyst E: No problem.

Jean-Pierre Clamadieu: Well, maybe the last question now as it's already 15 past 2 o'clock.

Operator: Thank you, so our last question comes from Analyst F. Please go ahead.

Analyst F: Hi, good afternoon. I'll be quick. A few more questions. Just to wrap up on oil and gas, could you tell us how much is oil and gas now in terms of Novecare after the drop – the volume drop in 2015?

Jean-Pierre Clamadieu: 5% of the total Group sales.

Analyst F: 5%. And how much would you say now is drilling stimulation, is tight oil related? It must be very small now.

Jean-Pierre Clamadieu: No, tight oil, as I was saying, we are – this market has almost come to a stop in the last part of 2015. It's why I think that the downside risk starting where we are today is very limited.

Analyst F: OK. And margin, you mentioned slightly below average of the Group?

Jean-Pierre Clamadieu: Yes.

Analyst F: OK. The second question, can you comment a bit on your view on soda ash markets next year in terms of construction or general glass demand? Anything would be useful.

Jean-Pierre Clamadieu: No, I mean, no surprises I would say in terms of volume, reasonable pricing negotiation for Europe and the U.S., a bit of challenges on the export market although the situation seems to be improving as we speak. It seems that the Chinese producers have some production issues here and there so we see them less active on the export market. But on the two main markets for us, which are Europe and the U.S., I would say no surprises.

Analyst F: And you see construction picking up or not at all? That's something every year we start to see at the beginning and then…

Jean-Pierre Clamadieu: I've not said we are expecting a great performance. I would say no surprises.

Analyst F: And maybe a very quick last one. When can we expect the reimbursement of (U.S.A. and) hybrid bond? Is it very short term?

Karim Hajjar: I think a decision hasn't been made. The first call is in June of this year and clearly we'll make a decision beforehand.

Analyst F: So Q2.

Jean-Pierre Clamadieu: I'll let you draw your own conclusion.

So thank you very much. It's time to bring this call to a close. Thank you very much. Again, we came this morning to share with you some information which I think demonstrated that once again in 2015 we've been able to generate a significant amount of growth on top of a number of fundamental improvements in our portfolio. 2016 is indeed a challenging year because we see a number of areas of volatility, especially on the commodity side of the equation. A number of question marks regarding overall growth but a good level of confidence looking at our position, looking at our markets, looking at what we've done especially in 2015 to prepare for this year. And this leads us not only to raise our dividend by 3.3%, but this leads us also to reasonably clear guidance. High single digit is really what we want to deliver in terms of REBITDA growth. Strong focus on free cash flow, € 650 m plus, and yes, we understand that free cash flow generation is key in the next years. And with that, I think that Cytec is indeed a great acquisition, a very quick integration leading to an upgrade in our fixed cost synergy objective, plus a dynamic which will allow us to create hopefully opportunities in terms of top line growth. All of this gives us confidence on the fact that Solvay is well positioned in its transformation and the transformation agenda will continue to be a priority for the top management and all the Solvay team. Thank you very much and talk to you three months from now during our Q1 presentation.

Operator: Thank you. That does conclude today's conference. Thank you all for participating today. You may now all disconnect.

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