

Solvay second quarter and half year 2025 results

Analysts call transcript

July 30, 2025

Geoffroy d'Oultremont, Head of Investor Relations

Good afternoon everyone, and welcome to Solvay's second quarter and first half 2025 Earnings Call. I am Geoffroy d'Oultremont, Head of Investor Relations, and I am joined here today on the call by our CEO, Philippe Kehren, and our CFO, Alexandre Blum.

This call is being recorded and will be accessible for replay on the Investor Relations section of Solvay's website later today.

I would like to remind you that the presentation includes forward-looking statements that are subject to risks and uncertainties. The slides presented in today's call are available on our website.

Today we will discuss the second quarter earnings and the outlook of 2025, and then we will be available to take your questions.

Philippe Kehren, CEO

Thank you, Geoffroy, and hello, everyone.

As usual, we will start with a word on safety. We continue to work hard on the transformation of the safety culture. The task force that we put in place last year supported by external advisors is visiting our sites and taking actions to improve the safety of our people.

The number of reportable incidents is stable, but the number of high potential incidents is decreasing and that's encouraging. Let's continue our efforts, be disciplined and work on our mindsets and behaviours and it will pay off.

Safety will always be our number one priority.

As usual, Alex will go through the earnings in detail, but I will first comment on the environment of the last few months.

As indicated in our communication two weeks ago when we updated our 2025 guidance, we continued to see a soft market environment in the second quarter, impacted by the ongoing global tariff discussions, the foreign exchange movements and the heightened geopolitical tensions. All of this led to a progressive reduction of demand and a slowdown in order books that's particularly visible in some soda ash end-markets and in the Coatis business units.

In soda ash more particularly, we continue to see different and volatile market conditions. In Europe and in the US, the market demand has been soft for the past two years already. In the seaborne market, and more specifically in Southeast Asia, we have seen a decrease in demand in the second half of last year. And as this continued in the first and second quarter of this year, the pricing pressure has naturally increased.

Coatis, our Brazilian business unit, active in phenol and solvents, is producing and generating most of its sales in Latin America. The second quarter was difficult for Coatis impacted by increased competition in the region, in particular from Asia. The renewed tensions around tariffs are adding pressure on the business and on our customers there. We are monitoring the situation closely and taking measures to improve the business.

Aside from Coatis and Soda Ash, it's important to keep in mind that our other businesses are delivering in line with our expectations, even if they feel some pressure from the current environment. One example is

Rare Earth, where Chinese rare earth export control is putting pressure on the whole value chain. This situation reinforces the need for rare earth production capacity outside of China and we can confirm that we have seen growing interest from customers in our newly opened La Rochelle production line dedicated to rare earth production for permanent magnets in France.

The capacity we have now is very limited, but if we can embark all stakeholders in this project, we could grow our capacity further and quickly.

Clearly, this situation is not what we expected at the beginning of the year, but we are taking all the necessary actions to navigate this environment and to make sure that we deliver on our commitments.

I will come back to that when I will discuss the outlook.

Now, Alex, can you please walk us through the Q2 results?

Alexandre Blum, CFO

Sure. Thank you, Philippe, and good morning, good afternoon, everyone. Moving to the financials. I remind you that my comments are based on organic evolution meaning at constant scope and currency, unless otherwise stated.

Moving to slide 8. Underlying net sales in Q2 2025 reached €1.1 billion, -4% versus Q2 2024. On volumes, we benefited from a one-off revenue of around €20 million related to the termination of a customer's contract in Special Chem. Excluding this impact, we observed a year-on-year decline of -4%, primarily driven by the weaker performance in the Coatis business and in the soda ash seaborne market.

Volumes for Bicar® and Peroxides were steady and Special chem suffered from a strong comparison base in Q2 2024. Prices were overall resilient but we saw decrease in the soda ash seaborne market while the prices remained stable in the other businesses.

Moving to slide 9. Underlying EBITDA amounted to €230 million in Q2 2025, down -12% compared to Q2 2024, which was the strongest quarter of last year. Overall, the EBITDA margin remained healthy, close to 21%. Volume and mix impact was slightly down when excluding the one-off, as already explained in the sales bridge. Net pricing, which reflects the evolution of our unit margins, decreased year-on-year, primarily driven by soda ash and Coatis. This decline was due to pricing pressure but also to higher variable costs resulting from the inefficiencies of our low production rates.

As far as fixed costs are concerned, the savings program continues to exceed inflation, but year-on-year variation this quarter was negatively impacted by two elements. First, temporary stranded costs, which really started in Q2 of this year as Syensqo progressively exited most of the Transition Service Agreement. And secondly, higher fixed costs in our Basic Chemicals plants from operational issues.

Finally, the other bucket of the bridge reflects the non-repeat of the Q2 2024 accrual of €-18 million for the Dombasle Energy transition project.

Moving to an update on our cost savings program. Structural cost savings initiatives delivered €29 million in the second quarter bringing the 2025 savings to €55 million and €165 million in total since the beginning of 2024. We continue to accelerate savings where we can and we expect to exceed our intermediary target of €200 million by the end of 2025.

One of the key drivers remained the digitalisation of our plant. We're leveraging the use of devices such as IoT captures or drones in our site, supporting savings both in variable and fixed costs. For example, by reducing the time for maintenance inspection, by extending the life of equipment or by optimising our energy consumption.

Moving to the segment review and starting with Basic Chemicals. Let me start for once with the Peroxides business. With sales year-on-year down -2%, volumes remain resilient. Mining and water treatment end- markets were more robust, which compensated for lower demand from the chemical applications. The electronic grades saw higher demand in semiconductors which has offset lower volumes from the solar panel industry.

Now let me elaborate on the Soda Ash and Derivative business unit, where sales were down -4%. Bicarbonate demand continued to be robust, driven by food and feed and flue gas treatment. As a reminder and based on 2024 figures, this business now represents more than 30% of the GBU sales and 12% of the sales at group level.

Soda ash volumes were lower year-on-year due to the continued sluggish demand in our domestic market in Europe and North America, as well as from an increasing competitive pressure on the seaborne market, especially in Southeast Asia.

During the quarter, the business unit also had higher unit variables costs resulting from less efficient low production rates. The Soda ash Unit also faced some operational issues which negatively impacted fixed costs this quarter and which we are currently addressing.

Consequently, the segment EBITDA was -25% compared to Q2 2024. Overall, the EBITDA margin decreased to 21% this quarter.

Moving to Performance Chemicals on slide 12.

Silica sales to be very resilient with volumes only slightly down compared to rather strong Q2 2024.

Coatis saw the largest decline, with -19%. Volumes and pricing were negatively impacted by strong competition from Asian players on the whole value chain, while at the same time high tension around tariffs are impacting demand.

In Special Chem, sales were up +6%. This includes the positive one-off of circa €20 million highlighted previously. This is linked to the termination of a customer's contract. Volumes in the rare earth autocatalysis business were lower compared to the strong performance of Q2 2024 when we had opportunistic sales captured in Asia.

Chinese rare export control implemented in April also explained to a lesser extent the lower volume in auto cat. While there are alternative sources for the light rare earth, heavy rare earth oxides are still mainly sourced from China. So far the impact on Solvay has been quite limited as we have been able to get licenses to export most of our products, or as we have found other solutions for our customers such as alternative supplies, reformulation of some inventories abroad.

All in all, in Q2 2025, thanks to the one-off gain, the Performance Chemicals segment EBITDA was up 9% compared to an already strong Q2 2024. And the EBITDA margin increased year-on-year to 24%.

Slide 13, Corporate segment results. Solvay has been delivering support functions and IT services to Syensqo since the spinoff. A large majority of these services were terminated progressively during Q2 2025. We consequently started to adjust our cost base but the full offset will take some time and hence we started to see temporary stranded costs this quarter.

The Corporate segment EBITDA for the quarter ended at €-15 million, sequentially lower than in Q1 due to these temporary stranded costs. For the full year, we expect our corporate costs to be between €-80 million and €-90 million with the peak of the stranded cost being obviously H2 2025.

Regarding the upcoming years, our projections remain consistent with what we presented during last year's Q3 earnings. In 2026, our corporate net costs are anticipated to temporarily increase from the loss of TSA revenue and from operational expenditure associated with our ERP implementation. Then we anticipate the full offset of the temporary stranded costs and the delivery of the structural savings from

the Target Operating Model in years 2027 and 2028 along with the ERP rollout. Overall, this will bring the corporate segment to normalised level around that year.

This brings us to the Free Cash Flow to shareholders from continuing operations, which amounted to €54 million in Q2 2025, reaching €97 million for H1 2025. This is in line with our previous indication to generate approximately one-third of the annual free cash flow in the first half of the year and two third in the second half. You will note the working capital seasonal cash out for H1 were €-56 million. All of it can be attributable to the variable remuneration cash out we are doing in Q2.

For the full year, we are committed to reach our free cash flow target of around €300 million. We will come back to this in the outlook section.

I will end this financial review with a word on net debt. As indicated during our previous earnings call, net debt increased in H1, primarily due to the dividend payment and to additional leases on our balance sheet in relation to the launch of the waste wood boiler in Rheinberg, Germany. We expect net debt to come back to a level of approximately €1.7 billion by the end of the year.

Our leverage ratio remains healthy at 1.9x at the end of this quarter.

Philippe, back to you for the outlook.

Philippe Kehren, CEO

Thank you, Alex.

So moving to the outlook now. As you know, we revised the outlook for 2025 two weeks ago to adapt it to the new reality of our markets. I will not repeat what I said at the beginning of this call, but we are currently facing very unique circumstances. There is limited visibility, but one element is clear, the second half of the year will continue to present significant challenges.

While we recognise the current macroeconomic and geopolitical environment is not supportive, we are taking the necessary measures to deliver on our commitments and we stay firm on our strategic priorities. More specifically, we continue and accelerate where and whenever possible the transformation of Solvay to make it stronger for the future.

Now let me repeat the guidance for 2025. We expect the underlying EBITDA to be between €880 and €930 million, assuming current foreign exchange levels for the second half of the year. I can also confirm the third quarter is expected to be sequentially down versus the second quarter. Our underlying demand continues to be negatively impacted by the tariff's latest announcements, especially for our Coatis customers in Brazil.

As said, our cost savings initiatives are well on track and we now expect to exceed the indication of €200 million accumulated savings by the end of 2025.

Finally, a word on cash. We confirm that the Free Cash Flow from continuing operations to Solvay shareholders will be around €300 million. This is really the way we operate. And to anticipate some of your questions, Alex will now give you some additional elements on how we can reach €300 million of Free Cash Flow in this new context.

Alexandre Blum, CFO

On slide 18, we provide you with a schematic bridge for 2025 going from EBITDA to Free Cash Flow. You know the EBITDA range already. Considering the evolution of the business context, we have decided to limit CAPEX to a maximum of €300 million in 2025.

Cash outflow provision is expected to be around €250 million this year and that includes approximately €100 million for pension and environmental liabilities together, as well as €60 million related to the energy transition project in Dombasle. The rest is mostly for restructuring and some litigation. 2025 is exceptionally high on cash out for provisions but we see our baseline provisions cash out to be around €130 million per year in the future, so about half of what we are going to see in 2025.

Financing expenses should be around €80 million and taxes and other probably around the same amount. This leaves us with the working capital, which is where we expect a positive contribution in 2025.

I will mention three elements. The first relates to the TSA exit we discussed before; all in all, we will have less working capital at the end of the year, which should contribute for a good €25 million. Second element, in such a lower demand environment, we will see some natural improvement from our working capital. And thirdly and more generally, we are looking at each component of the working capital be it in inventory, receivable or payable, and we will look at what we can do in such a depressed environment.

Philippe Kehren, CEO

Thank you, Alex. So now maybe let me conclude this first part.

We are navigating a period where our focus is very much on the short term. This is essential particularly as we anticipate a lower EBITDA in 2025. However, we have the organisation, the model and the flexibility to meet our cash commitment. Cash is the key enabler of our capital allocation and our dividend policy and it will remain at the forefront of my attention.

The short-term focus doesn't mean that we're losing sight of our long-term strategic priorities. We continue to engage closely with our customers and leverage our local footprint to support them in this challenging environment. We are actively involved in the transformation of our industry. For example, I am personally engaging with many stakeholders on the EU Chemicals Industry action plan to sustain the competitiveness of the European industry by which decarbonisation is an imperative.

At our level, the energy transition continues to be well underway and will enable us to further reduce our greenhouse gas emissions by 10% in 2025 versus 2024.

Finally, we accelerate the transformation of Solvay and we will stay agile and disciplined in the future, ready to seize new opportunities or adapt our footprint depending on the evolutions of the market.

Thank you. Back to you, Geoffroy.

Geoffroy d'Oultremont, Head of Investor Relations

Thank you, Philippe and Alex. This closes our prepared remarks and we will now take your questions.

Questions and answers

Katie Richards (Barclays)

On soda ash, can you give us some more colour please? In the pre-release, you mentioned a progressive reduction of demand in soda ash markets, but in the release today you said volumes have improved sequentially versus Q1, so it sounded like a little bit of a shift in tone. Can you help reconcile this?

And in Coatis, sales were obviously down quite significantly this quarter. Can you elaborate on the factors behind this, specifically to what extent the competition from Asian producers intensified and which product chains are mostly affected by this? And if you see potential for further deterioration?

Philippe Kehren, CEO:

Thank you, I will start with Coatis. The situation there is probably where the changes are the most important during Q2 for different reasons, I think mainly two and they are not completely unrelated. There is today a strong pressure coming from the potential future tariffs between Brazil and the US. We are talking about 50%, this is supposed to be implemented as of the 1st of August and this changes completely the behaviour and the strategy of our Brazilian customers that are exporting some of their products to the US. And so they clearly reduced their orders based on this uncertainty.

The second element, which is an indirect effect of the tariffs between China and the US, is that there is a lot of very aggressive competition in Latin America coming from China on the products manufactured by Coatis. So the situation really changed very much between Q1 and Q2 for Coatis. Again, Coatis is not the biggest of our businesses but the impact is quite significant.

What will be the future evolution? It is very difficult to say. We are getting organised to face any potential scenario, including adjusting the way we operate our assets and reduce our cost base. But we will see. It will also very much depend on what Brazil will do versus those new tariffs and so it's very difficult to say at this point.

Regarding soda ash, maybe Alex, you want to address the question?

Alexandre Blum, CFO:

Sure. I think fundamentally nothing has changed between Q1 and Q2. Even we could say the tariffs are progressively increasing the pressure. But what happened in Q1 is that volumes were particularly low. As you may remember in Q4 last year we have seen quite strong volumes as some people were probably anticipating some purchase and some production in Q4 before the tariffs and change of US administration and that has temporarily impacted Q1. So in the fundamental trend, if you look at a kind of rolling average, there is no change, just in Q2 we saw a little bit of catch up.

Thomas Wrigglesworth (Morgan Stanley):

Hi gentlemen, thanks very much for the opportunity. My questions are probably just a bit of a follow on the soda ash because the margins are down 300 basis points quarter-on-quarter. Normally, I mean from my outside-in type of model, it looks like you've managed to lose price in Basic Chemicals and at the same time have experienced a cost increase, which is normally quite unusual. So is it that you've lost really high value tons in Q2, or that there's something else, or that you've got some high cost inventory? I didn't quite catch in your pre-prepared comments what you were saying around fixed cost absorption? And if it is fixed cost absorption, how temporary is that? I mean obviously your guidance suggests it's not. So something seems to have more meaningfully changed in margins in Basic Chemicals in Q2. And I guess the question is, is that resetting the base for 2026 now, or is there basis to think that that might normalise back up? That's my first question.

My second question is just as a follow-up on Coatis. I mean obviously you built this plant originally because Brazil is a net importer. Do you think that's now structurally changed or do you think that this is just because of those tariffs and once tariffs abate, we'll see that material redirect? I.e., is there a strong disincentive for the Chinese logistically to sell to Brazil versus ship to the US?

Philippe Kehren, CEO:

So first on soda ash margins, you are right. There is a decrease in price not in Europe, not in North America but in Southeast Asia because we have seen between Q1 and Q2 additional pressure in Southeast Asia. Even though the volumes exported from China are relatively stable and probably close to their maximum already, we see some players selling really at extremely low prices and most probably not even covering their variable costs.

But the big impact comes from our costs and not from prices. And you are right, we had in Q2 several elements, a lot of them being non-structural. We had unplanned maintenance and also scheduled maintenance that were phased in Q2 and that you don't see when you compare to Q2 last year or to the previous quarter. So we have additional costs that will not repeat.

And we also have additional costs that are a little bit more structural because we run at lower rates, right? So our plants are optimised to run, let's say, at 80%, 85% utilisation rate. Today we are slightly below that. We've been running like that for a few quarters already, and so we see the effect of this lower rate a little bit on our specific consumption and yields.

I would say this will reset somehow at some point. I'm not talking about the market at this point because we don't see any recovery in our order book visible at this point, but there are a certain number of elements in our costs that will not repeat. So this should not be completely the basis for 2026 in terms of costs at least. And so of course in terms of impact on the margins.

Regarding your question on Coatis, this is intrinsically a good business. We have the only phenol production unit in Latin America. We have two value chains that are important on polyamide and on solvents. And on solvents, we are even exporting from Brazil. So I think now we have a non-structural pressure coming from a lot of uncertainties as long as there is no clear visibility, as long as we do not know what the tariffs will be between Brazil and the US and until we are in a more stable situation.

As long as we will be in this uncertain environment, it will be very difficult for all the players in the value chain to get organised. Once this stabilizes, I'm pretty convinced that the business will find its balance and its way to operate because it is legitimate, it has competitiveness and it has a market.

Wim Hoste (KBC Securities):

I also have a couple of questions. The first one is on the tariff impacts. I think you mentioned clearly the impact or the uncertainty around Brazil, but can you maybe elaborate on the other regions, the 15% for example that has been agreed recently between Europe and the US, what kind of impacts that might create for some of your businesses?

The second question is on the outlook for the Peroxides business and specifically I'm interested in the semiconductors and solar panels market segments. Is there some restocking in Semicon for example that has helped you? Is the solar panel weakness temporary, or is it also tied to tariff impacts? If you can just elaborate a little bit on that, that would also be helpful.

And then the third and last question would be on the rare earths business of Special Chem. Can you maybe elaborate on how close you are or what is the current thinking about potential timing of expansion projects in that business? You said you see some interest. Does that mean that expansion in Europe of that business might come rapidly?

Philippe Kehren, CEO:

Thank you again for your questions. First, tariffs. So indeed what we said is that we are not so much directly impacted by tariffs because we have a lot of flows that are local to local, but we are always of course indirectly impacted because those tariffs have an impact on the inflation and so on demand.

That's the same for the new tariffs announced between the EU and the US. We don't have flows between the EU and the US. We have only very limited flows on rare earth for example, but that's really small and

cannot be substituted, so those tariffs will have to be paid anyway by the customers ; so it can have an impact on demand of course, but not on our margins.

So we won't be impacted directly but indirectly and today it's very difficult, it's too early to say what will be the impact of those new tariffs. A lot of people say it's good, some people say it's not good. So who knows how this will evolve.

Where we see the highest level of impact today is really in Brazil, because of two elements. Brazil is selling a lot to the US. So all the Brazilian industry is currently potentially impacted if it's confirmed that the US will put 50% of tariff on these flows. And also because Asia is redirecting some of its flows from the US to Latin America. So Brazil is very much potentially impacted. I have absolutely no doubt that they will take measures. They will take measures to protect their markets, I'm pretty sure of that. This is what they did in the past. It was already in place and then they can do it to a larger extent.

Peroxides: electronic grade, electronic market doing good. Of course, there's a high level of volatility in this market right now. But all in all, a good level of demand and good performance of the business.

When we talk about the other grades that are for the solar panels, here the market is still down, but it will recover. We will need solar panels in the future to do the energy transition, but for the time being we still see a level of demand that is soft. You wanted to complement, Alex?

Alexandre Blum, CFO:

Sure. I think Q2 is a little bit of an adjustment, if you look again beyond the one quarter. We are conducting market surveys and it shows the fundamental demand in the electronic segment, especially sustained by artificial intelligence, where there is a need for a lot of chips where our products are needed. This is largely outperforming the photovoltaic softness. So even if you assume flattish photovoltaic, the demand will be positive for our ultra pure quality grade.

Philippe Kehren, CEO:

Thank you, Alex. And then you had a question on rare earth. So clearly there's an interest in this business that is bigger and bigger. We see our customers coming to us and asking for new options, in particular with what's happening in terms of export control from China on some heavy rare earth materials.

We started producing light rare earth oxides for permanent magnets in La Rochelle earlier this year. For the time being, as we said, the volumes are relatively small. Today, we have not yet decided to go further and we're waiting for our customers and for the policymakers to give us the right level of comfort to invest. Again, as I said earlier, we are extremely strict on cash management in these circumstances, probably even more than we are normally and we are normally already very strict. So we will not invest if we are not secured on the revenues that we will get from this unit. We will wait to secure our sales before investing and that's even more true in the current circumstances.

Hannah Harms (BNP Paribas Exane):

Good afternoon. I just wanted to have a little bit of clarification on the Corporate costs, if possible. My understanding was before that it was then suggested we'd have a range of €-70 million to €-90 million and now we're obviously at the upper end of that. I was just wondering what the reason for that was or whether it's a pull forward from next year.

Secondly, just going back to soda ash, if I may. I know that Tata Chemicals mentioned that there's increased inventory levels in soda ash across the board at the moment, which kind of implies that we might see more pricing pressure. Is that something that you think we might see for the rest of this year and indeed into 2026?

Philippe Kehren, CEO:

Thank you very much, Hannah. I will take your question on soda ash, but first I will give the floor to Alex on the corporate costs.

Alexandre Blum, CFO:

Sure. Indeed, we have about €10 million more than what we indicated in Q3 last year. The main driver here is the fact that Syensqo exited the TSA very quickly, which makes sense. In the end, that does not fundamentally change anything and we can address the costs earlier.

But just to give you an order of magnitude, every day in the TSA we were invoicing €1 million, so just one or two weeks of TSA duration can create this difference. So no fundamental difference, it's just the difference between what we thought would be the average exit date and what was the actual exit date.

But as we confirmed, nothing changes for 2027, '28. We will get back to a normalised level.

Philippe Kehren, CEO:

Regarding soda ash, what we see is a high level of inventory in China - not in the other regions, nothing unusual there - but in China we are at a high level, I think it's around 1.5 million tons of soda ash currently. This has been seen in the past but probably not for such a long period of time. This is obviously creating some pressure at least in the southeast Asian region and might have a little bit of ripple effect on some of other seaborne markets. So this is something that obviously we're monitoring.

The level of export is at a run rate of around 2 million tons per year. So again, high point, but not unheard of. We've seen that in the past as well, but the combination of these exports and inventory for a longer period of time than usual is a little bit unusual.

We still think that the Chinese soda ash industry will restructure, and I think we're comforted by also the latest announcements made by the Chinese government in what they call the anti-involution policy, where they're looking at assets that are more than 20 years old. And if they are more than 20 years old, they need to check if they can be upgraded or otherwise they will be shut down. And I think there's also a reference to more than 30-year-old assets that would most probably be shut down. So that represents a significant portion of the soda ash assets in China. So this could be the start of the process that we expected, but let's see. I mean, this is obviously something that will not happen overnight either.

Sebastian Bray (Berenberg):

Good afternoon and thank you for taking my questions. I'd have two please. The first is on environmental adjustments and provisions. I think that Solvay previously had indicated that annual cash out should be around €60 million or so to service environmental provisions. If I add up what has been booked in adjustments under the litigation/remediation line over the last three quarters, it's pretty close to €100 million already. And the current adjustment in Q2 at about €60 million seems to refer to a single project. What is going on with the adjustments? Because at some stage, one would assume that the provisions and the cash effective amounts are normalised to the level of each other. They should equal each other. But it seems what's running through the P&L at the moment is higher than cash. Is there one project that is particularly occupying your thoughts?

My second question is on Performance Chemicals. Even allowing for the one-off tailwind of €20 million EBITDA in Special Chem, actually the underlying margins in this business ex Coatis seem to have held up quite well. What is going right there? Is it something elsewhere in Special Chem, hybrid vehicles, something happening in Silica? Any colour is welcome. Thank you.

Alexandre Blum, CFO:

Thank you for the questions, Sebastian. Indeed, we booked some additional environmental provision in Q2 and we indicated in our financial report that this was mostly linked to one remediation activity.

Overall, as you know, this kind of provisions are based on the cash flow estimated for at least two decades. So the cash impact of this specific provision we had to book is quite back ended. So it doesn't change our estimate for the normalised cash out from provision. As I was explaining, to give you the vision for 2025, we estimate about €100 million for pension and environment. That number is still the same we've been giving for one year and not changed by these recent provisions.

Performance Chemicals, indeed, there are very different dynamics between the businesses. Definitely Coatis, it's not a large business, has seen a complete change in the dynamic. The rest of the businesses are quite resilient and Silica in particular, you probably saw the announcements of the big Tire manufacturers, which have been quite resilient. This is the largest business within Performance Chemicals. And even if last year was already quite good, this year is also still quite good.

And in Performance Chemicals, there are electronic applications both in Rare Earth and in Fluorine. And this type of business has also been quite resilient. Generally, the electronic applications continue to see a sustained business. So this is the explanation. And you are right, beyond the one time we needed to clarify on - quite a resilient segment.

James Hooper (Bernstein):

Good afternoon, and thank you very much for taking my questions. The first question is about working capital in the bridge, as you're trying to manage that down. What do you think the sustainable level of working capital is without affecting service levels for the business in either percentage of sales or Days of Inventory? How big is the opportunity here? And because will this be managed in 2025, then what will change in 2026?

Then my second question is about Green River. Has the plan to ramp this up for later in the year or early 2026 changed, given the demand environment in soda ash?

Alexandre Blum, CFO:

As we indicated, clearly the part which is linked to the TSA is here to say, it represents €25 million. Generally, I don't have the exact number in mind, but I think our Working Capital on sales (if you look at the moving average) is around 13%, which is quite good in the industry. But as the sales have been going down, there will be a mechanical effect. And we think within the €100 million that there are probably a few tens of million euros that we can structurally gain in our working capital.

That's what makes us confident in our ability to reach the €300 million of free cash flow this year despite the lower level. We are 12% today, 12%, 13% as a total Working capital on Sales ratio, this is the right order of magnitude. And that puts us again in the probably first, second quartile of the chemicals industry.

We will continue to work from there. In a context like it is now, you can probably be a little bit more aggressive on inventories than you could be in a more tight environment.

Philippe Kehren, CEO:

Second question on soda ash, expansion in Green River, two elements. The first one is that we will complete the project. As we said earlier, we are going to strictly monitor our Capex and be extremely mindful about launching new discretionary Capex. This one is almost complete, it's almost done. We will start up in the second part of this year and ramp up this new capacity until the end of the year.

Number two, if those tons are not needed by the market, we will use this capacity because it's the most competitive and we will reduce the production in another asset. That's what we will do. Just by doing

this, we will generate better margins. But as long as the capacity is not needed, we will not increase the global level of production of our industrial footprint.

Chetan Udeshi (JP Morgan):

I just wanted to clarify your third quarter comment. When you said, Philippe, that Q3 will be below Q2, is that including the one-off in Q2, or even without the one-off, you expect Q3 to be below Q2?

Philippe Kehren, CEO:

Well, frankly speaking, we don't see any improvement today in terms of the market. So it's clear that we have the one-off in Q2 that will not repeat in Q3. I would say both the positive and negative one offs as we said also that we had a little bit of negative one-off coming from soda ash in terms of cost. But all in all, I think you need to neutralise the positive one-off that we had in Q2 to take your new reference. We also have a little bit of higher stranded costs in Q3 versus Q2. I would say Q3 would probably be a low point.

Chetan Udeshi (JP Morgan):

So below €200 millions, basically, slightly perhaps?

Philippe Kehren, CEO:

That's not what we're saying. We don't give numbers. Just take the reference, taking out the one-off, and this is basically where you are.

Chetan Udeshi (JP Morgan):

The second question was about MP Materials, which is in the rare earth value chain. They got a huge sort of check from the US government. I'm just curious, is MP Materials a competitor to Solvay? Is that a partner? Because I think at some point, Solvay was the only one who had the capability to separate out the rare earths from the concentrates. So how is the dynamics? Where are you now in that value chain on the rare earths outside China? I know you talked about the magnets, but to get to the magnets, you perhaps first need to do the separation of the rare earth concentrates. And I'm just curious how does this MP Materials deal, which is quite big, how does that have any implications on Solvay?

Philippe Kehren, CEO:

We're still the only one, at this point, to have one plant that is able indeed to take any source of material and produce any type of rare earth elements. MP Materials has a project at this point, which is linked to a mine. So it's a little bit different. Our assets in La Rochelle can take any product from any type of mine or even recycled material and so on and adjust its process to produce all sorts of rare earth elements. What I understand again, but of course you would have to ask directly to MP Materials, is that their project is really linked to a mine. And at this point, it's a project. So it doesn't really change the landscape and the value chain. But what I saw that is very interesting is a mechanism in which they would have a sort of guaranteed price. You know that today in the rare earth sector, there are a lot of different projects, but none of them are profitable because the rare earth prices that are set by China are too low. And so the Department of Defence (or the US administration) is proposing to set a floor price and to compensate the operator if the market price is below this floor price. I think this is probably something that we should look at as well in other regions, and in particular in Europe, if we want to develop new projects in La Rochelle.

Chetan Udeshi (JP Morgan):

Will you be adopting the same strategy that you would require an upfront deposit from your customers and these guaranteed minimum prices for you to invest if you have to invest a lot of money in setting up this capacity?

Philippe Kehren, CEO:

Yes, we need to have some sort of security if we want to invest, absolutely. So I don't know if it's an upfront payment or something else. But yes, I think we need to have a certain level of commitment both in terms of volume and prices. Absolutely. So either directly from the customers or a mechanism like in the US - let's see how it works. It's just for the time being, I think an indication, a sort of mechanism that will compensate if the market price is too low. It's a little bit like the development of renewable energies. When the electricity price was too low, people that developed solar panels or windmills were compensated in order to have a decent return.

Tristan Lamotte (Deutsche Bank):

Hi, I've got three questions, please.

The first is, I was wondering if you could comment on roughly what proportion of your soda ash prices you currently sell at are above the spot price in the relevant region due to lags in your contracts?

The second one is, there are some capacities that I think are expected to come back online in China in soda ash in H2. To what extent do you see impact from that? And also to what extent is Berun's production getting out to the market now?

Then the third one, I'm just interested in the kind of monthly sequential trends that you saw through the quarter and the visibility you have now on August and September ?

Philippe Kehren, CEO:

The share of spot prices: it's not really spot prices, it's more quarterly prices. And quarterly prices, let's say short term prices are mostly in seaborne, mostly in Southeast Asia, and it's around 20% of our soda ash sales.

For the capacity in China, I think Berun is in the market already. I don't know if they have an additional - I mean, there are new capacities coming online in the future, but I think the capacity of Berun is more or less in the market today. As I said, we are in a situation where I think inventories are at 1.7 million tons and the export at 2 million tons, so at high levels, but nothing beyond the historical records.

Alexandre Blum, CFO:

One of the reasons that we provided the updated outlook on EBITDA is because we think we don't see signs that it could recover in H2. So we think Berun volumes are there, and there are high inventories. In terms of fundamentals the new policy we saw in China is going in the right direction, but for the moment, we need to consider that the environment will not improve and we need to work on our side, on our costs to make sure we adjust to this reality.

Martin Roediger (Kepler Cheuvreux):

Good afternoon. First question is on Special Chem. I understood that one customer has dissolved the contract, so you were compensated by gaining €20 million in EBITDA. This means this customer will be missing as of Q3 and beyond, which means sequentially lower demand. Is the effect for upcoming absence in sales and earnings at Special Chem meaningful?

The second one is that, in the context of Coatis, you talked about the redirection of Chinese products to Brazil instead of the US on the back of the upcoming tariffs. Is there any risk that the problems you have in Coatis in Brazil, i.e., this massive increase by Chinese competition, that this could happen in Europe as well, i.e., in other activities such as for some Silica or in the Fluorine business in Special Chem?

Philippe Kehren, CEO:

Thank you. First question, indeed, we had a customer that terminated a contract and this is the reason why we have this one-off element. Obviously, this means that we will have lower revenues in the future. This has been clearly taken into account into the guidance outlook that we've given for 2025.

Alexandre Blum, CFO:

It also shows that we try when we have a significant customer to have good contracts. Which means, when market dynamics are changing, that we can get compensation. There is no sizable impact in 2025 and we are looking at what is necessary for the future.

Philippe Kehren, CEO:

Then your question on what we see in Brazil, can it happen in other places? In theory, yes, of course. But if you take soda ash or even silica, those are bulky products that cost much less to produce than the products Coatis is producing.

And so we don't see today and we don't expect to see in the future, Chinese soda ash landing in Europe. Obviously, this would not be competitive. Now that being said, we've discussed extensively about the situation in China where the inventory level is high and they are exporting to Southeast Asia. This has not a direct impact on Europe, but it has a global effect that is creating this sort of trough today in the soda ash market.

Alexandre Blum, CFO:

And I think on Coatis, the situation is quite particular where you have this 50% tariff nobody was expecting. Brazil is a net importer from the US, so suddenly the activity in Brazil is reduced. You have very low transport costs, freight costs from Asia to Latin America. And suddenly some Chinese products have to find a place to be sold. So somehow, I don't think it's the perfect storm, but almost so what is happening in Latin America.

As Philippe said, we know we are quite a large player there. We know the authorities are working on putting some limitations to avoid product dumping. The transport costs are increasing. So we are analysing, we are adjusting, we are taking measures but it will be at least for the coming few weeks and months quite a complex situation to navigate that very specific situation.

Geoffroy d'Oultremont, Head of Investor Relations:

Thank you very much for your participation today. If you have any questions, please feel free to reach out to the IR team, preferably by using the investor.relations@solvay.com email address given the summer break in the coming weeks. In September, we will be present in a few events and cities, and the calendar is available on our financial calendar page on our website.

Our Q3 earnings will be published on 6th November. Thank you very much.