



**SOLVAY**

asking more from chemistry®

# VALUE GROWTH

Finance Avenue  
November 17, 2018



# SAFE HARBOR

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

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# FORENOTE

Following the announcement in September 2017 of plans to divest the Polyamide business, these have been reclassified as discontinued operations and as assets held for sale. For comparative purposes, the first quarter of the 2017 income statement has been restated.

Besides IFRS accounts, Solvay also presents underlying Income Statement performance indicators to provide a more consistent and comparable indication of the Group's financial performance. The underlying performance indicators adjust IFRS figures for the non-cash Purchase Price Allocation (PPA) accounting impacts related to acquisitions, for the coupons of perpetual hybrid bonds, classified as equity under IFRS but treated as debt in the underlying statements, and for other elements that would distort the analysis of the Group's underlying performance.

# SOLVAY

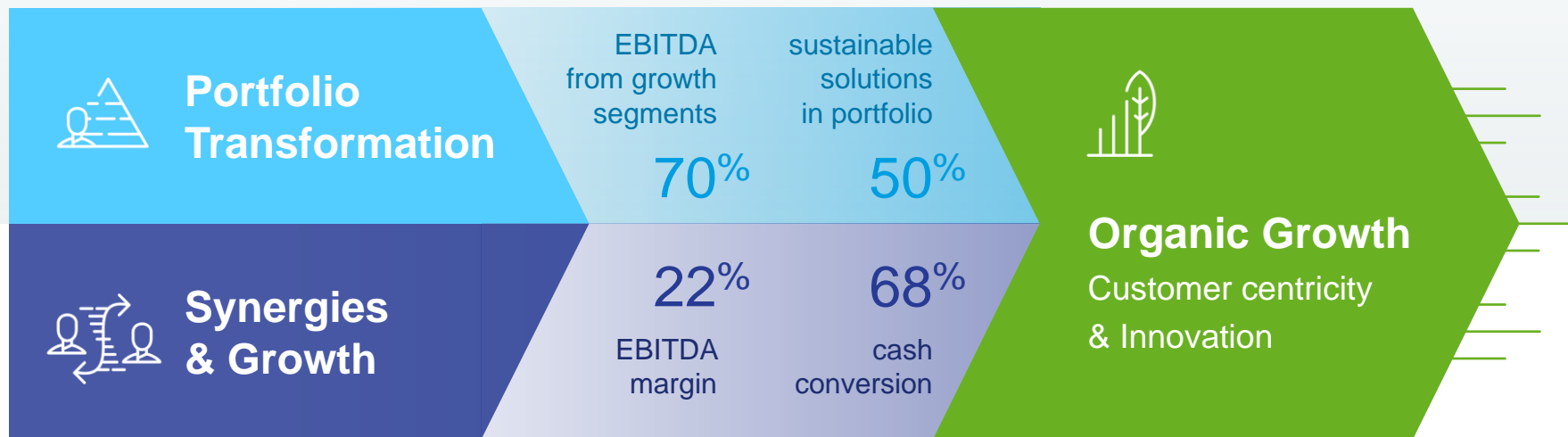
## POISED FOR VALUE GROWTH



# OUR STRATEGIC JOURNEY TO A STRONGER SOLVAY

2012 – 2017

2018 – 2021+



# SIGNIFICANTLY ENHANCED PORTFOLIO

## MORE SPECIALTY AND MORE RESILIENT

NET  
SALES

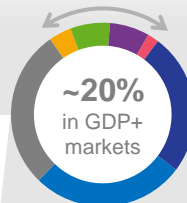
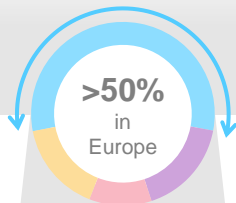
MORE  
SPECIALTY

MORE  
GLOBAL

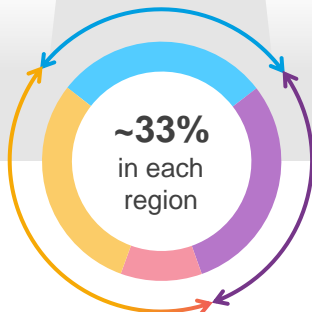
MORE  
DIVERSIFIED

MORE  
SUSTAINABLE

2010  
€6.5 billion



2017  
€10.1 billion



Advanced Materials  
Advanced Formulations  
Performance Chemicals

Europe  
Asia & RoW  
Latin America  
North America

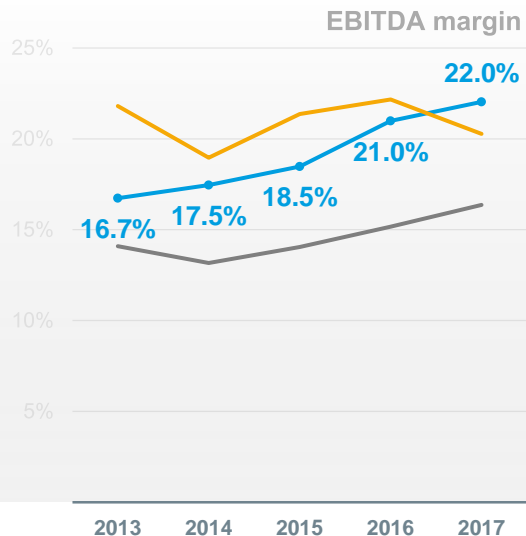
Automotive & aerospace  
Resources & environment  
Electrical & electronics  
Agro, feed & food  
Consumer goods & healthcare  
Building & construction  
Industrial applications

Sustainable solutions  
Neutral impact  
Challenged applications  
(according to SPM methodology)

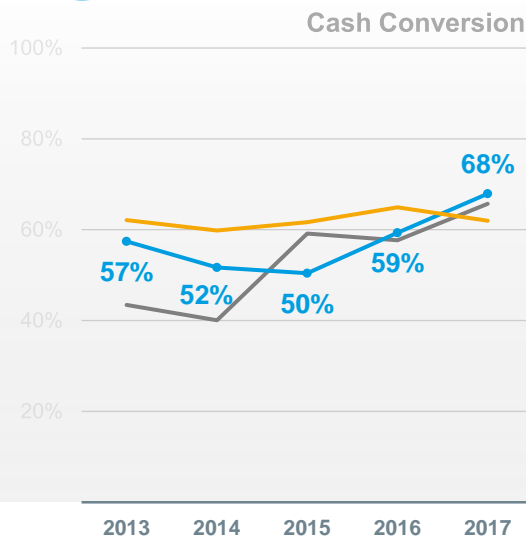
# FINANCIAL VALUE DELIVERY EVOLVING FROM DIVERSIFIED TOWARDS SPECIALTY



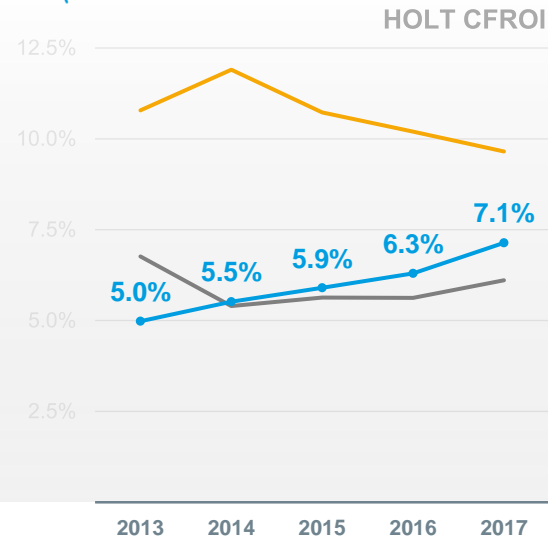
## PROFIT



## CASH



## RETURNS



● Solvay

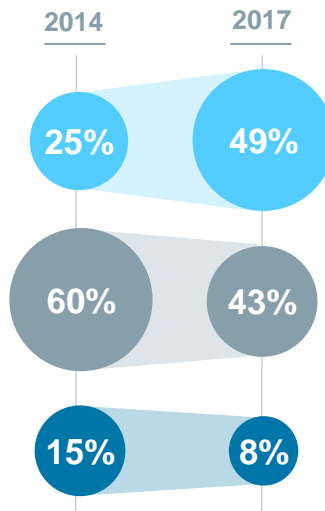
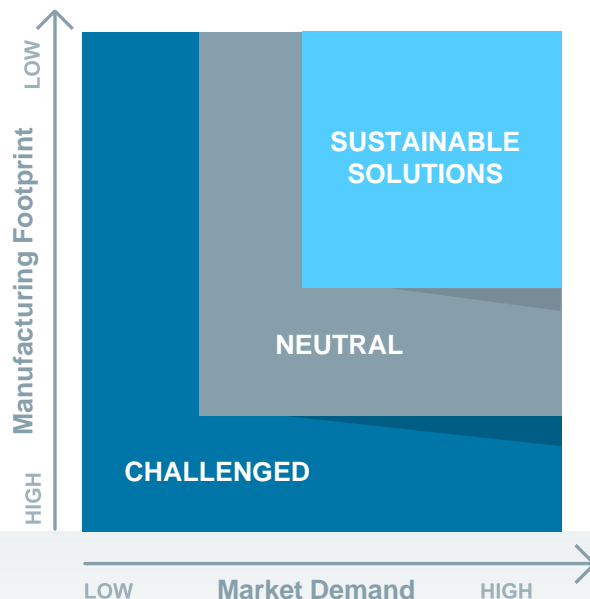
● Median diversified peers

● Median specialty peers

- Akzo Nobel
- Arkema
- BASF
- Clariant
- DSM
- Evonik
- Lanxess

- Ashland
- Croda
- Hexcel
- Johnson Matthey
- Victrex
- Umicore

# INTEGRATING SUSTAINABILITY INTO DECISION-MAKING DRIVES SUPERIOR FINANCIAL VALUE GROWTH



Fully embedded into our decision-making processes



M&A



60% CAPEX



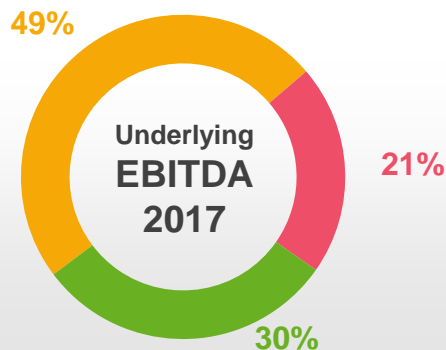
80% R&I

Higher volume growth  
on average from  
sustainable solutions



Good for our customers,  
our planet and our bottom line

# THREE FOCUSED SEGMENTS



## Market positions:



Global market position in main markets addressed



Regional market position in main markets addressed

## Advanced Materials

Providing solutions for **sustainable mobility**, lightweighting, CO<sub>2</sub> and energy efficiency

Specialty Polymers (#1)

Composite Materials (#2)

Special Chem (#1)

Silica (#1)

## Advanced Formulations

Customized specialty formulations for surface chemistry & liquid behavior, **maximizing yield & efficiency** & **minimizing eco-impact**

Novecare (#1)

Technology Solutions (#1)

Aroma Performance (#1)

## Performance Chemicals

**Leading positions** in chemical intermediates through **scale & technology**, developing applications & industrial innovation for optimized costs

Soda Ash & Derivatives (#1)

Peroxides (#1)

Coatis (#1)

Functional Polymers (#1)

Net sales	€10,125m	€4,370m	€2,966m	€2,766m
Underlying EBITDA	€2,230m	€1,202m	€524m	€749m
EBITDA growth	+7.5%	+8.2%	+8.1%	+4.3%
EBITDA margin	22%	27%	18%	27%
CFROI <sup>[1]</sup>	6.9%	10.3%	6.7%	8.4%

[1] **Cash Flow Return On Investment** measures the cash returns of Solvay's business activities. Movements in CFROI levels are relevant indicators for showing whether economic value is being added, though it is accepted that this measure cannot be benchmarked or compared with industry peers. The definition uses a reasonable estimate of the replacement cost of assets and avoids accounting distortions, e.g. for impairments. It is calculated as the ratio between recurring cash flow and invested capital, where: **Recurring cash flow** = Underlying EBITDA + Dividends from associates and JVs - Earnings from associates and JVs + Recurring capex + Recurring income taxes; **Invested capital** = Replacement value of goodwill & fixed assets + Net working capital + Carrying amount of associates and JVs; **Recurring capex** is normalized at 2% of the replacement value of fixed assets net of goodwill values; **Recurring income tax** is normalized at 30% of (Underlying EBIT - Earnings from associates and JVs)



# ORGANIC GROWTH DRIVEN BY 2 GROWTH SEGMENTS

## ADVANCED MATERIALS



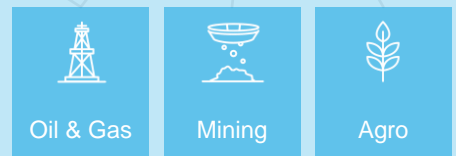
## ADVANCED FORMULATIONS



### Next gen mobility



### Resource efficiency



Main end-markets represent  
2/3 of segments' sales



Customer  
intimacy  
& market  
leadership





Innovation  
edge



Strong  
technology  
portfolio

# BROADEST PORTFOLIO OF ADVANCED MATERIALS

## DIFFERENTIATING SOLVAY FROM COMPETITION

	Aromatics				Fluoropolymers					High Perf Composites					
	HPPA	PPS	PEEK	PSU	PTFE	PVDF	PFA	FKM	PFPE	Carbon Fiber	Thermoset Prepreg	Resin Infusion	Adhesives & Surfacing films	Thermo-plastic prepreg	Out-of-Autoclave prepreg
 SOLVAY asking more from chemistry®	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
 ARKEMA	✓					✓									
 BASF We create chemistry	✓			✓											
 Celanese		✓												✓	
 DAIKIN					✓	✓	✓	✓							
 DSM SMART TECHNOLOGY. SUSTAINABLE GROWTH.	✓														
 dyneon					✓	✓	✓	✓	✓						
 DOW DUPONT	✓				✓		✓	✓	✓						
 EMS	✓														
 EVONIK INDUSTRIES	✓		✓												
 HEXCEL										✓	✓				✓
 KUREHA		✓				✓									
 TORAY Innovation by Chemistry										✓	✓			✓	✓
 victrix	✓		✓												

# AIRCRAFT FUNDAMENTALS

## SUPPORT HIGHER GROWTH IN COMPOSITES



AERO



**4.5%**

Annual growth  
in passenger traffic

**>8,000**

Record high  
order backlog

**50%**

Weight of composites  
on new aircrafts vs <15% on legacy

**2X**

Number of aircrafts expected  
to double in 20 years

SURFACE  
COATINGS

PRIMARY  
STRUCTURES

INTERIORS  
& GALLEYS

BONDING &  
MULTIFUNCTIONALITY

SECONDARY  
STRUCTURES

ENGINES

# WE MAKE CARS LIGHTER & MORE EFFICIENT

## INCREASED MATERIALS USAGE DRIVES GROWTH



AUTO

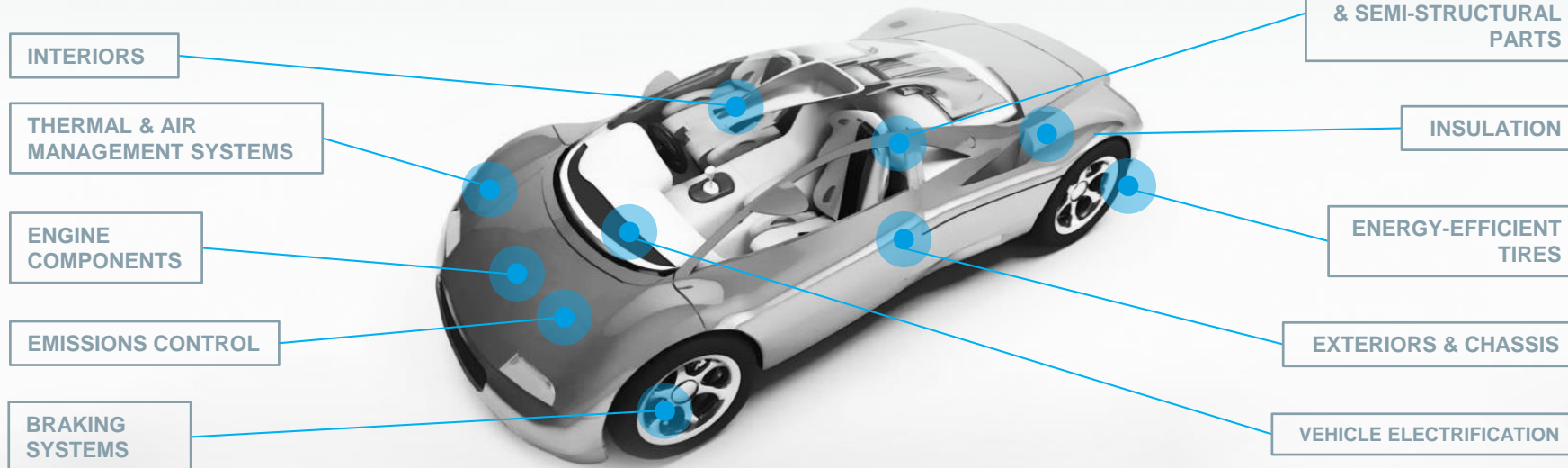


2.4%

CAGR light vehicles  
production in 5 years

~30%

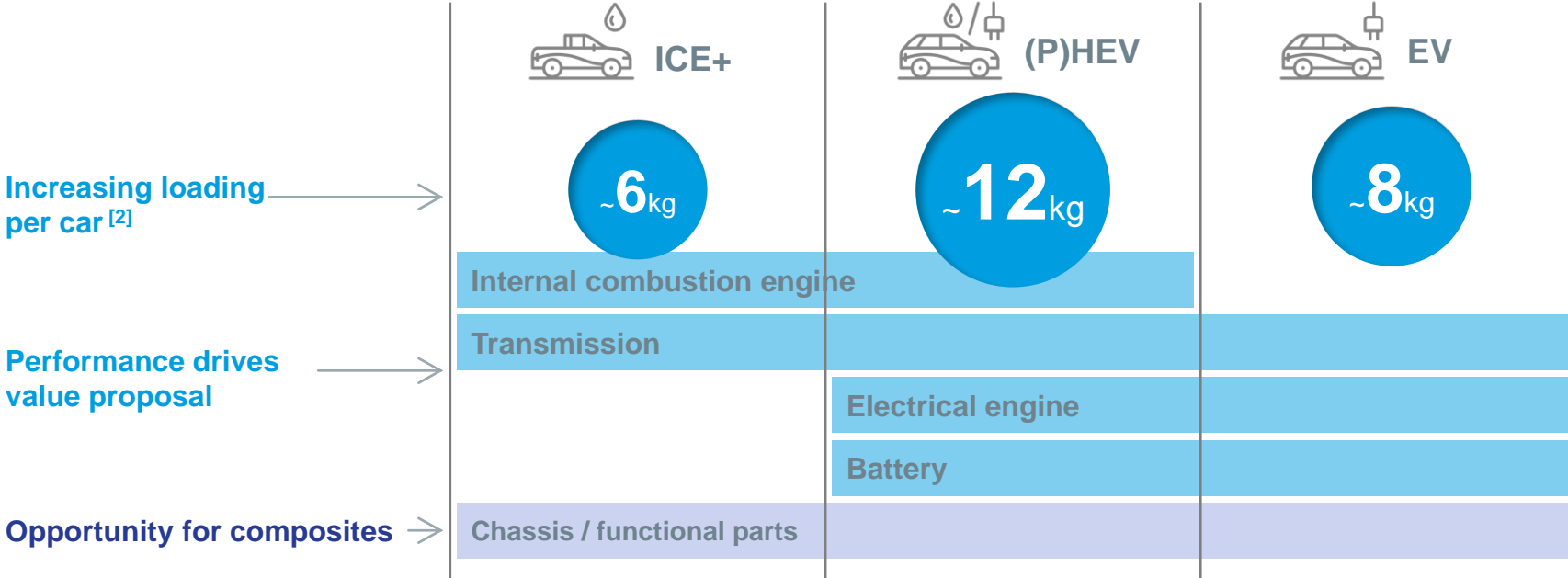
CAGR hybrid & plug-in  
electric vehicles in ten years



# SOLVAY POSITIONED IN ALL AUTO PLATFORMS OUTPACING THE INDUSTRY GROWTH BY 3X [1]



AUTO



Technology shift → Big opportunity for Solvay

[1] For Solvay's polymer & composite technologies  
[2] Accessible market for Solvay polymer and composite technologies (excluding chassis / functional parts)

# RESOURCE CONSTRAINTS REQUIRE MORE EFFICIENT SOLUTIONS



MINING



OIL & GAS



AGRO

Doing more  
with less

↑ MORE

↓ LESS

**Higher throughput**  
and yield of metals  
& minerals

**Reduce impact**  
to employees and  
environment

**Maximize cost  
performance** and  
fracturing efficiency

**Less clean  
water** usage

**Targeted use**  
of ingredients for  
seeds & crops

**Reduce  
environmental  
impact**

42% of Advanced Formulations sales

# POTENTIAL FOR SUPERIOR GROWTH

2019-2021 potential for  
organic EBITDA growth <sup>[1]</sup>

Driven by key market positions and innovation

Advanced Materials	+6-10%	<ul style="list-style-type: none"><li>• Next gen batteries for Automotive</li><li>• Thermoplastics for Aerospace</li><li>• New applications in healthcare and electronics</li></ul>
Advanced Formulations	+6-10%	<ul style="list-style-type: none"><li>• Technologies for improved metal selectivity</li><li>• Next generation of Oil &amp; Gas products to improve productivity</li><li>• Innovations to penetrate new markets</li></ul>
Performance Chemicals	+2-6%	<ul style="list-style-type: none"><li>• Maintaining world-class assets</li><li>• Price increases</li><li>• Focus on cash</li></ul>

## SUPPORTED BY

Existing capacity and  
selective investments

Customer intimacy  
initiatives


Simplification of  
organization

Operational  
excellence

Investments in  
digital capabilities


# POTENTIAL FOR FUTURE VALUE CREATION

**potential  
2019-2021**

 **PROFITS** | EBITDA growth  
Underlying  
at constant scope and forex

**+6-9%<sup>[1]</sup>**  
YoY average

*Equivalent to 10-15% underlying EPS growth*

 **CASH** | Free cash flow  
to Solvay shareholder  
at constant scope

**+10-15%**  
YoY average

*Strong cash generation*

 **RETURNS** | CFROI

**+50-100bp**  
over 3 years

*Continued progress  
in the value creation zone.*

 **PLANET <sup>[2]</sup>** | GHG emissions  
In absolute value, at constant scope

**-1MT**  
by 2025

*Demanding ambition – lower emissions  
despite growth! -1Mt CO2 eq. by 2025!*

   Reconconfirming 2025 objectives for **safety**,  
**societal actions**, **employee engagement**  
and **sustainable solutions**



## IN 2018 NINE MONTHS VOLUME GROWTH SUSTAINED

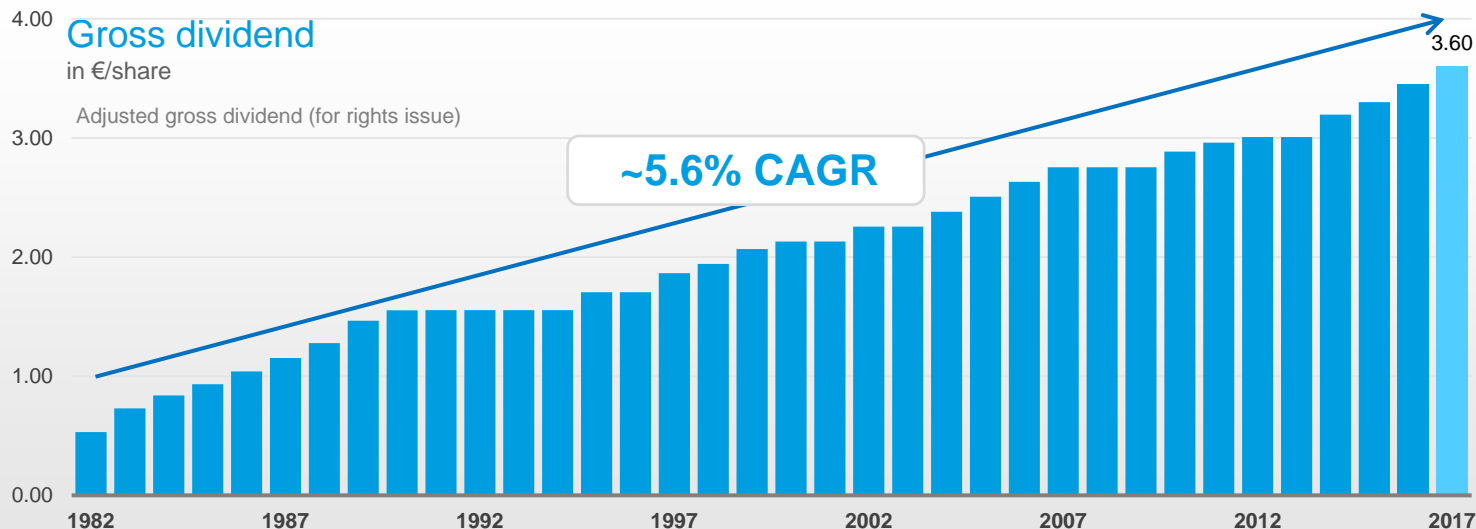


**9M 2018**

- Organic Sales & EBITDA growth of 6%
- Higher volumes and pricing
- EBITDA margin at 22%

# REWARDING SHAREHOLDERS

## STRONG TRACK RECORD OF CONTINUED SHAREHOLDERS' DISTRIBUTION



Committed to stable / growing dividend

# FOR A GREAT RUN WITH A NEW CEO & EXTENDED EXECUTIVE COMMITTEE



**Jean-Pierre  
Clamadieu**

CEO  
until 28/02/2019



**Vincent  
De Cuyper**



**Augusto  
Di Donfrancesco**



**Hua  
Du**



**Karim  
Hajjar**  
CFO



**Ilham  
Kadri**

CEO  
from 01/03/2019



**Pascal  
Juéry**



**Cécile Tandeu  
de Marsac**

# A MORE RESILIENT, STREAMLINED & PROFITABLE GROUP

Futureproofing the business with sustainability & customer centricity at its core

→ Deliver more value that stands the test of time

Outgrowing diversified peers<sup>(1)</sup> and moving toward specialty <sup>(2)</sup>

→ Propelled by volumes, underpinned by synergies and efficiency

Technology focused in Advanced Materials & Advanced Formulations

→ Propelled by volumes, underpinned by synergies and efficiency

Providing mission critical solutions in fast-growth end-markets

→ Supporting blue chip manufacturers & brands globally

Dividend growth over 30 years and strong cash generation

→ Dividend by focus on cash return

[www.solvay.com](http://www.solvay.com)

