

First Half Year 2020 Results

Financial report

Progress beyond



Forenote

Besides IFRS accounts, Solvay also presents alternative performance indicators to provide a more consistent and comparable indication of the Group's underlying financial performance and financial position, as well as cash flows. These indicators provide a balanced view of the Group's operations and are considered useful to investors, analysts and credit rating agencies as these measures provide relevant information on the Group's past or future performance, position or cash flows. These indicators are generally used in the sector it operates in and therefore serve as a useful aid for investors to compare the Group's performance with its peers. 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, for impairments and for other elements that would distort the analysis of the Group's underlying performance. The comments on the results made on pages 3 to 7 are on an underlying basis, unless otherwise stated.

Underlying business review

Highlights

- Strong **Free Cash Flow** to shareholders from continuing operations of €435 million in the first half, up significantly versus €33 million in the first half 2019, with Q2 contributing €233 million. The increase was predominantly driven by disciplined working capital management.
- **Net Sales** of €4,649 million in the first half were down 11% versus first half 2019, with headwinds from aero, auto, oil & gas, and construction markets impacting volumes since April. More resilient markets, including healthcare, agro/food, home and personal care and electronics helped to offset some of the challenged markets. Net sales in Q2 were down 18% to €2,175 million as result of the lower volumes.
- Acceleration of **cost savings measures** in the first half 2020 yielded a total gross savings of €170 million, as the organization acted swiftly to align production to the lower demand levels.
- Underlying **EBITDA** in the first half of 2020 of €1,008 million was down 15.6% versus first half 2019. Second quarter underlying EBITDA of €439 million was down 29.5% versus Q2 2019 level, driven by the reduction in volumes while pricing remained positive.
- **EBITDA margin** was 21.7% for the first half 2020, despite a significant reduction in demand, illustrating the decisive cost actions and sustained pricing. EBITDA margin for Q2 was 20.2%.
- **Underlying Net Profit** in the first half 2020 was €345 million and in Q2 was €109 million.
- As indicated on June 24, 2020, a **non-cash impairment** totaling €1.46 billion was taken in the second quarter, mostly related to the goodwill of the Composites business.

Q2 2020	Q2 2019	% yoy	% organic	Underlying, (in € million)	H1 2020	H1 2019	% yoy	% organic
2,175	2,654	-18.0%	-17.1%	Net sales	4,649	5,225	-11.0%	-10.8%
439	624	-29.5%	-28.5%	EBITDA	1,008	1,195	-15.6%	-15.3%
20.2%	23.5%	-3.3pp	-	EBITDA margin	21.7%	22.9%	-1.2pp	-
233	123	+89.8%	-	FCF to shareholders from continuing operations	435	33	n.m.	-
49.1%	28.2%	+20.9pp	-	FCF conversion ratio (LTM)	-	-	-	-

CEO Quote

"I am very proud of how Solvay employees are weathering the storm by staying safe and managing what is within our control exceptionally well," explained CEO Ilham Kadri. "Our steadfast focus on customers, cost and cash resulted in strong delivery of €170 million in cost reduction and record free cash flow generation of €435 million in the first half of 2020. Our leadership positions in major markets and the breadth of our technologies and innovation enabled us to capture new business while protecting margins. We will continue to adapt to the challenges in the months ahead as we resume selective investments for the return to growth in 2021."

Outlook for 2020

In the context of continued macro uncertainty and limited visibility, Solvay expects market dynamics to remain challenging in Q3 before improving in Q4. Against that backdrop, the focus on cost will continue with an expectation of delivering around €300 million of savings in full year 2020 and free cash flow generation similar to 2019.

Key figures

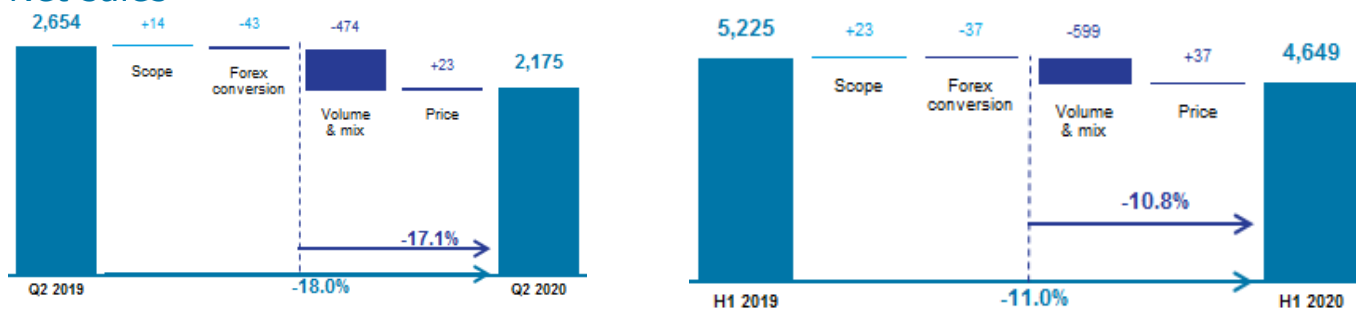
Underlying key figures

(in € million)

	Q2 2020	Q2 2019	% yoy	H1 2020	H1 2019	% yoy
Net sales	2,175	2,654	-18.0%	4,649	5,225	-11.0%
EBITDA	439	624	-29.5%	1,008	1,195	-15.6%
<i>EBITDA margin</i>	<i>20.2%</i>	<i>23.5%</i>	<i>-3.3pp</i>	<i>21.7%</i>	<i>22.9%</i>	<i>-1.2pp</i>
EBIT	202	425	-52.4%	573	801	-28.4%
Net financial charges	(64)	(79)	+18.6%	(133)	(167)	+20.3%
Income tax expenses	(22)	(98)	+77.2%	(99)	(170)	+42.0%
<i>Tax rate</i>				<i>23.8%</i>	<i>28.3%</i>	<i>-4.5pp</i>
Profit from discontinued operations	-	81	<i>n.m.</i>	21	163	-86.9%
(Profit) / loss attributable to non-controlling interests	(7)	(10)	-36.9%	(18)	(20)	-9.5%
Profit / (loss) attributable to Solvay shareholders	109	318	-65.7%	345	608	-43.2%
Basic earnings per share (in €)	1.06	3.09	-65.6%	3.35	5.89	-43.2%
of which from continuing operations	1.06	2.30	-54.0%	3.14	4.30	-27.1%
Capex in continuing operations	(132)	(177)	+25.4%	(295)	(356)	+17.0%
FCF to Solvay shareholders from continuing operations	233	123	+89.8%	435	33	<i>n.m.</i>
FCF to Solvay shareholders	234	224	+4.6%	431	191	<i>n.m.</i>
FCF conversion ratio (LTM)				49.1%	28.2%	+20.9pp
Net financial debt	(4,629)			(4,629)		
<i>Underlying leverage ratio</i>	<i>2.2</i>			<i>2.2</i>		

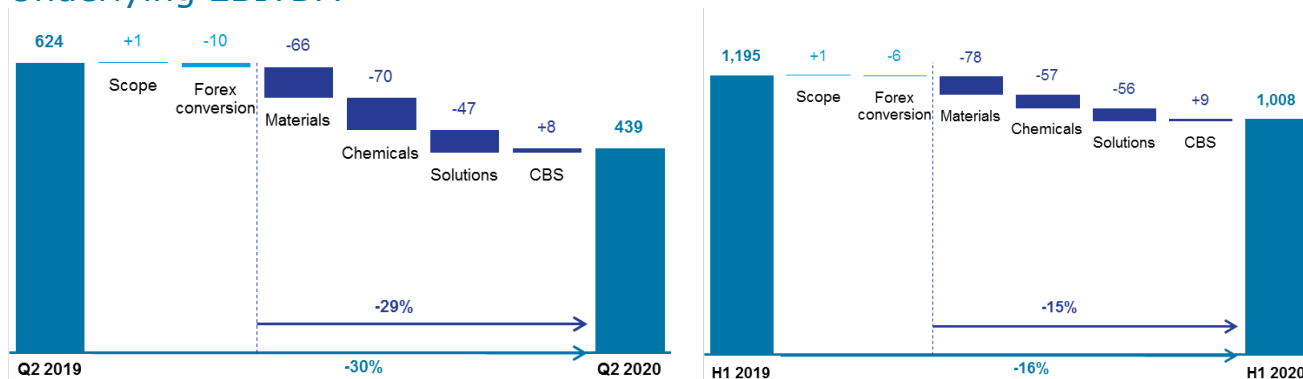
Group performance

Net sales



Net sales were down 11.0% in the first half due to lower demand which began in the second quarter. Sales were down 18.0% in the second quarter including modest changes in scope and forex, or down 17.1% organically due to lower volumes mainly related to demand declines in oil and gas, aerospace, auto and construction sectors, partly offset by growth in healthcare, home and personal care, and agro/food. Pricing was modestly higher across the group.

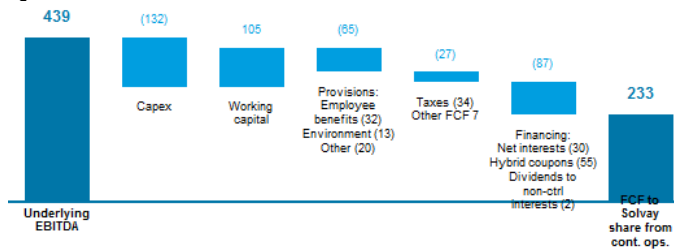
Underlying EBITDA



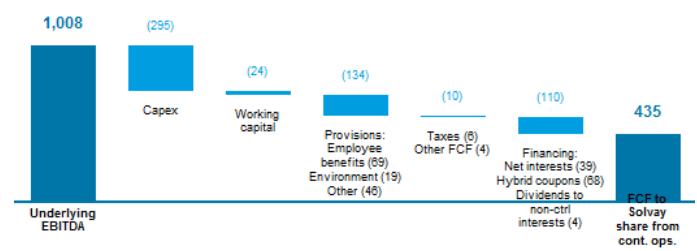
Underlying EBITDA declined 15.6% in the first half and EBITDA margin remained relatively resilient at 21.7% thanks to the acceleration and delivery of cost measures. The underlying EBITDA was down 29.5% or 28.5% organically in Q2 as a result of the lower sales volumes. Fixed cost reduction and price offset half of the volume decline thanks to swift actions taken amid the challenging economic backdrop.

Free cash flow

Q2 2020



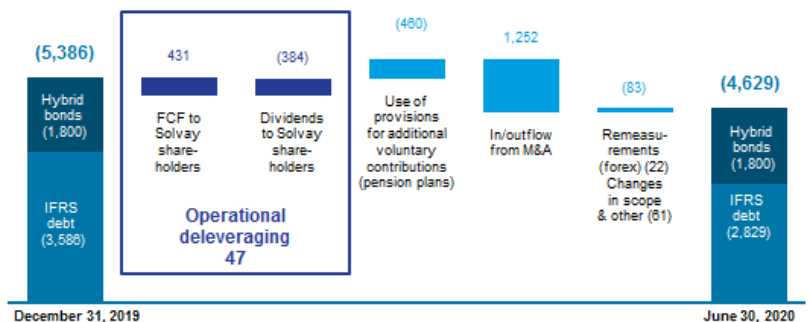
H1 2020



Free cash flow to shareholders from continuing operations totalled a record €435 million in the first half of 2020 versus €33 million in the first half 2019, a strong indication of the priority to generate and preserve cash in the context of a challenging environment. Previously, a €65 million one-off tax deduction was booked in Q1 associated with the use of the proceeds of the polyamide divestment. In the second quarter, free cash flow to Solvay shareholders from continuing operations rose strongly again to reach €233 million versus €123 million in Q2 2019. The strong performance reflected continued discipline in working capital management, reduced cash taxes & pension cash costs and to a lesser extent reduced capital expenditures.

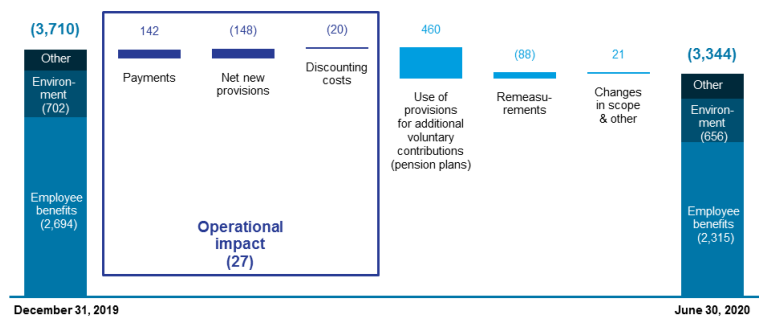
Underlying net debt

Underlying net financial debt was stable compared to the end of March 2020 at €(4.7) billion at the end of June 2020, and decreased significantly by €757 million versus year end 2019, mainly due to the closing of the polyamide sale in Q1 2020.



Provisions

Provisions are down by €370 million in the first half to €(3.3) billion as a result of €460 million voluntary pension contributions made in the first quarter of 2020 partially offset by remeasurements related to the reduction in discount rates.



Performance by segments

Net sales bridges

<i>(in € million)</i>	H1 2019	Scope	Forex conversion	Volume & mix	Price	H1 2020
Solvay	5,225	23	(37)	(599)	37	4,649
Materials	1,634	-	17	(189)	8	1,470
Chemicals	1,667	23	(52)	(204)	24	1,458
Solutions	1,921	-	(3)	(206)	5	1,717
CBS	3	-	-	-	-	3

<i>(in € million)</i>	Q2 2019	Scope	Forex conversion	Volume & mix	Price	Q2 2020
Solvay	2,654	14	(43)	(474)	23	2,175
Materials	833	-	6	(162)	5	681
Chemicals	836	14	(38)	(165)	12	658
Solutions	984	-	(10)	(147)	7	834
CBS	1	-	-	1	-	2

Materials

First half 2020 sales were down 10.0% (11.0% organically) as a result of volume declines that began in the second quarter. First half EBITDA was down 15.4% (-16.4% organically) as the supportive cost actions mitigated part of the volume decline, protecting the segment's 27.1% margins.

Second quarter net sales were down 18.2% in the segment, including forex, and down 18.8% organically due to significantly lower volumes, mainly related to aerospace and auto.

Specialty Polymers sales were down 9.3% in the second quarter, as growth in healthcare and electronics partly offset the demand decline in auto and construction markets. Sales to auto were down approximately 26% versus Q2 2019 yet outperformed the broader market thanks to greater penetration of Solvay's technologies.

Composite Materials sales were down 32.2% in the second quarter given the significant drop in commercial aircraft production rates, while sales to military aircraft were resilient. The business has fast-tracked its restructuring plans to realize savings ahead of its prior schedule.

As a result, second quarter EBITDA for the segment decreased 27.5% (27.9% organically) driven by volumes. This was mitigated by rapidly adapting production levels to changing demand and sustaining prices, leading to an EBITDA margin of 25.0%.

Chemicals

First half 2020 sales in the segment were down 12.5% (11.0% organically) versus first half 2019 due primarily to volume declines, offset partly by price. First half 2020 EBITDA was down 14.0% (-12.3% organically), as cost mitigation measures and price actions supported much of the volume shortfall and preserved 27.8% EBITDA margins amid a challenging economic backdrop.

Second quarter net sales were down 21.3% in the segment including forex, and down 18.9% organically due to lower volumes across all businesses, offset slightly by higher prices.

In Soda Ash, sales were down 16.6% as demand for flat and container glass applications impacted volumes, while pricing was relatively stable.

Peroxides sales were down by 12.6% in the quarter mainly related to lower demand in construction, auto, and pulp markets, which was partially offset by growth in disinfection and home care markets. Steep volume reductions were partly offset by positive pricing.

Coatis sales were down 30.3% due to volume reduction and currency devaluation, while Silica sales were down 40.9% due to the significant volume declines in the auto market.

Second quarter EBITDA in the segment declined 32.0% (29.6% organically) as a result of the lower volumes. Fixed cost reductions mitigated some of the impact, leading to 25.3% EBITDA margins in the quarter.

Solutions

First half sales in the segment were down 10.6% (10.5% organically) due to the Q2 volume declines and first half EBITDA was down 16.8% (-16.4% organically) reflecting the supportive cost measures and resulting in an EBITDA margin of 16.7%.

Second quarter net sales were down 15.3% including forex, and down 14.4% organically.

Sales in Novecare were down 16.1%, as growth in home and personal care and agro was able to offset a significant part of the oil & gas decline, while coatings was relatively resilient.

Technology Solutions sales were down 17.8% due to lower demand in mining, while Special Chem sales dropped by 25.0% related to volume declines in automotive and other industrial applications, whereas electronics was resilient.

Aroma Performance grew sales by 14.7%, outperforming the general industry, mainly attributable to higher volumes for Natural vanillin as a result of strong demand in the food industry.

Second quarter EBITDA in the segment was down 27.6% (26.3% organically) reflecting the lower volumes. Cost control actions combined with pricing initiatives helped maintain an EBITDA margin of 16.0% in Q2.

Key segment figures

Segment review (in € million)	Underlying					
	Q2 2020	Q2 2019	% yoy	H1 2020	H1 2019	% yoy
Net sales	2,175	2,654	-18.0%	4,649	5,225	-11.0%
Materials	681	833	-18.2%	1,470	1,634	-10.0%
Specialty Polymers	462	509	-9.3%	942	989	-4.7%
Composite Materials	220	324	-32.3%	528	645	-18.2%
Chemicals	658	836	-21.3%	1,458	1,667	-12.5%
Soda Ash & Derivatives	350	419	-16.6%	740	827	-10.5%
Peroxides	150	171	-12.6%	321	343	-6.4%
Coatis	92	133	-30.3%	220	271	-19.0%
Silica	67	113	-40.9%	178	226	-21.3%
Solutions	834	984	-15.3%	1,717	1,921	-10.6%
Novecare	399	476	-16.1%	820	953	-13.9%
Special Chem	174	232	-25.0%	380	442	-14.1%
Technology Solutions	141	172	-17.8%	282	316	-10.7%
Aroma Performance	119	104	+14.7%	235	210	+11.8%
Corporate & Business Services	2	1	+62.9%	3	3	+4.9%
EBITDA	439	624	-29.5%	1,008	1,195	-15.6%
Materials	170	235	-27.5%	398	471	-15.4%
Chemicals	167	245	-32.0%	405	472	-14.0%
Solutions	133	184	-27.6%	287	345	-16.8%
Corporate & Business Services	(31)	(40)	+23.4%	(83)	(92)	+10.6%
EBITDA margin	20.2%	23.5%	-3.3pp	21.7%	22.9%	-1.2pp
Materials	25.0%	28.2%	-3.2pp	27.1%	28.8%	-1.7pp
Chemicals	25.3%	29.3%	-4.0pp	27.8%	28.3%	-0.5pp
Solutions	16.0%	18.7%	-2.7pp	16.7%	17.9%	-1.2pp

Key IFRS figures

As announced on June 24, 2020, a non-cash impairment charge of €1.46 billion was recorded in Q2 2020. As a result, the underlying profit/(loss) attributable to Solvay shareholders was €109 million, whereas it totaled €(1,540) million on an IFRS basis. Further details are available in the financial report.

H1 key figures (in € million)	IFRS			Underlying		
	H1 2020	H1 2019	% yoy	H1 2020	H1 2019	% yoy
Net sales	4,649	5,225	-11.0%	4,649	5,225	-11.0%
EBITDA	883	1,115	-20.8%	1,008	1,195	-15.6%
<i>EBITDA margin</i>				21.7%	22.9%	-1.2pp
EBIT	(1,114)	607	n.m.	573	801	-28.4%
Net financial charges	(72)	(114)	+36.2%	(133)	(167)	+20.3%
Income tax expenses	(203)	(127)	-59.4%	(99)	(170)	+42.0%
<i>Tax rate</i>				23.8%	28.3%	-4.5pp
Profit from discontinued operations	117	150	-22.4%	21	163	-86.9%
(Profit) / loss attributable to non-controlling interests	(18)	(19)	-9.1%	(18)	(20)	-9.5%
Profit / (loss) attributable to Solvay shareholders	(1,290)	497	n.m.	345	608	-43.2%
Basic earnings per share (in €)	(12.51)	4.82	n.m.	3.35	5.89	-43.2%
of which from continuing operations	(13.64)	3.36	n.m.	3.14	4.30	-27.1%
Capex in continuing operations				(295)	(356)	+17.0%
FCF to Solvay shareholders from continuing operations				435	33	n.m.
FCF to Solvay shareholders				431	191	n.m.
FCF conversion ratio (LTM)				49.1%	28.2%	+20.9pp
Net financial debt	(2,829)			(4,629)		
<i>Underlying leverage ratio</i>				2.2		

Q2 key figures (in € million)	IFRS			Underlying		
	Q2 2020	Q2 2019	% yoy	Q2 2020	Q2 2019	% yoy
Net sales	2,175	2,654	-18.0%	2,175	2,654	-18.0%
EBITDA	398	586	-32.0%	439	624	-29.5%
<i>EBITDA margin</i>				20.2%	23.5%	-3.3pp
EBIT	(1,347)	328	n.m.	202	425	-52.4%
Net financial charges	(45)	(60)	+24.3%	(64)	(79)	+18.6%
Income tax expenses	(155)	(75)	n.m.	(22)	(98)	+77.2%
Profit from discontinued operations	15	86	-82.7%	-	81	n.m.
(Profit) / loss attributable to non-controlling interests	(7)	(10)	-37.3%	(7)	(10)	-36.9%
Profit / (loss) attributable to Solvay shareholders	(1,540)	269	n.m.	109	318	-65.7%
Basic earnings per share (in €)	(14.94)	2.61	n.m.	1.06	3.09	-65.6%
of which from continuing operations	(15.08)	1.78	n.m.	1.06	2.30	-54.0%
Capex in continuing operations				(132)	(177)	+25.4%
FCF to Solvay shareholders from continuing operations				233	123	+89.8%
FCF to Solvay shareholders				234	224	+4.6%
Net financial debt	(2,829)			(4,629)		
<i>Underlying leverage ratio</i>				2.2		

Supplementary information

Reconciliation of alternative performance metrics

Solvay measures its financial performance using alternative performance metrics, which can be found below. Solvay believes that these measurements are useful for analyzing and explaining changes and trends in its historical results of operations, as they allow performance to be compared on a consistent basis. Definitions of the different metrics presented here are included in the glossary at the end of this financial report.

Tax rate (in € million)		Underlying	
		H1 2020	H1 2019
Profit / (loss) for the period before taxes	a	440	634
Earnings from associates & joint ventures	b	36	42
Interests and realized foreign exchange gains (losses) on the RusVinyl joint venture	c	(10)	(9)
Income taxes	d	(99)	(170)
Tax rate	e = -d/(a-b-c)	23.8%	28.3%

Free cash flow (FCF) (in € million)		Q2 2020	Q2 2019	H1 2020	H1 2019
Cash flow from operating activities	a	452	540	393	712
of which additional voluntary contribution related to pension plans	b	-		(460)	
Cash flow from investing activities	c	(99)	(186)	995	(378)
of which capital expenditures required by share sale agreement	d	-	(14)	(14)	(29)
Acquisition (-) of subsidiaries	e	-	-	(9)	(2)
Acquisition (-) of investments - Other	f	(2)	(2)	(26)	(3)
Loans to associates and non-consolidated companies	g	(3)	-	3	2
Sale (+) of subsidiaries and investments	h	12	(5)	1,304	(7)
Increase/decrease of borrowings related to environmental remediation	i	1	-	6	-
Payment of lease liabilities	j	(26)	(29)	(54)	(50)
FCF	k = a-b+c-d-e-f-g-h+i+j	321	346	541	322
FCF from discontinued operations	l	-	101	(4)	159
FCF from continuing operations	m = k-l	321	246	545	163
Net interests paid	n	(30)	(37)	(39)	(39)
Coupons paid on perpetual hybrid bonds	o	(55)	(84)	(68)	(87)
Dividends paid to non-controlling interests	p	(2)	(2)	(4)	(4)
FCF to Solvay shareholders	q = k+n+o+p	234	224	431	191
FCF to Solvay shareholders from discontinued operations	r	-	101	(4)	159
FCF to Solvay shareholders from continuing operations	s = q-r	233	123	435	33
FCF to Solvay shareholders from continuing operations (LTM)	t	1,009	617		
Dividends paid to non-controlling interests from continuing operations (LTM)	u	(39)	(39)		
Underlying EBITDA (LTM)	v	2,135	2,325		
FCF conversion ratio (LTM)	w = (t-u)/v	49.1%	28.2%		

Capital expenditure (capex) (in € million)		Q2 2020	Q2 2019	H1 2020	H1 2019
Acquisition (-) of tangible assets	a	(87)	(152)	(233)	(307)
Acquisition (-) of intangible assets	b	(19)	(27)	(41)	(54)
Payment of lease liabilities	c	(26)	(29)	(54)	(50)
Capex	d = a+b+c	(132)	(208)	(328)	(411)
Capex in discontinued operations	e	-	(31)	(33)	(55)
Capex in continuing operations	f = d-e	(132)	(177)	(295)	(356)
Underlying EBITDA	g	439	624	1,008	1,195
Cash conversion	h = (f+g)/g	70.0%	71.6%	70.7%	70.2%

Net working capital		2020	2019
		June 30	December 31
<i>(in € million)</i>			
Inventories	a	1,412	1,587
Trade receivables	b	1,290	1,414
Other current receivables	c	558	628
Trade payables	d	(1,031)	(1,277)
Other current liabilities	e	(707)	(792)
Net working capital	f = a+b+c+d+e	1,521	1,560
Sales	g	2,339	2,710
Annualized quarterly total sales	h = 4*g	9,357	10,841
Net working capital / sales	i = f / h	16.3%	14.4%
Year-to-date average	j = $\mu(Q1,Q2,Q3,Q4)$	16.1%	15.3%

Net financial debt		2020	2019
		June 30	December 31
<i>(in € million)</i>			
Non-current financial debt	a	(3,354)	(3,382)
Current financial debt	b	(591)	(1,132)
IFRS gross debt	c = a+b	(3,945)	(4,513)
Underlying gross debt	d = c+h	(5,745)	(6,313)
Other financial instruments	e	153	119
Cash & cash equivalents	f	963	809
Total cash and cash equivalents	g = e+f	1,116	928
IFRS net debt	i = c+g	(2,829)	(3,586)
Perpetual hybrid bonds	h	(1,800)	(1,800)
Underlying net debt	j = i+h	(4,629)	(5,386)
Underlying EBITDA (LTM)	k	2,135	2,322
Adjustment for discontinued operations	l	-	366
Adjusted underlying EBITDA for leverage calculation	m = k+l	2,135	2,688
Underlying leverage ratio		2.2	2.0

As net debt at the end of 2019 does not yet reflect the net proceeds to be received on the divestment of discontinued operations, whereas the underlying EBITDA excludes the contribution of discontinued operations, the underlying EBITDA is adjusted to calculate the leverage ratio. Polyamide's underlying EBITDA was added.

Reconciliation of underlying income statement indicators

Besides IFRS accounts, Solvay also presents underlying Income Statement performance indicators to provide a more consistent and comparable indication of Solvay's economic performance. These figures adjust IFRS figures for the non-cash Purchase Price Allocation (PPA) accounting impacts related to acquisitions, for the coupons of perpetual hybrid bonds classified as equity under IFRS but treated as debt in the underlying statements, and for other elements to generate a measure that avoids distortion and facilitates the appreciation of performance and comparability of results over time.

Consolidated income statement Q2

(in € million)	Q2 2020			Q2 2019		
	IFRS	Adjustments	Underlying	IFRS	Adjustments	Underlying
Sales	2,339	-	2,339	2,880	-	2,880
of which revenues from non-core activities	164	-	164	226	-	226
of which net sales	2,175	-	2,175	2,654	-	2,654
Cost of goods sold	(1,805)	-	(1,804)	(2,096)	-	(2,096)
Gross margin	534	-	535	784	-	784
Commercial costs	(77)	-	(77)	(98)	-	(98)
Administrative costs	(200)	5	(195)	(242)	8	(234)
Research & development costs	(73)	1	(72)	(81)	1	(80)
Other operating gains & losses	(47)	42	(5)	(16)	46	30
Earnings from associates & joint ventures	19	(4)	15	22	1	23
Result from portfolio management & major restructuring	(1,496)	1,496	-	(29)	29	-
Result from legacy remediation & major litigations	(8)	8	-	(12)	12	-
EBITDA	398	41	439	586	38	624
Depreciation, amortization & impairments	(1,745)	1,508	(237)	(257)	58	(199)
EBIT	(1,347)	1,549	202	328	96	425
Net cost of borrowings	(30)	-	(30)	(33)	-	(33)
Coupons on perpetual hybrid bonds	-	(24)	(24)	-	(27)	(27)
Interests and realized foreign exchange gains (losses) on the RusVinyl joint venture	-	(2)	(2)	-	(2)	(2)
Cost of discounting provisions	(16)	6	(10)	(30)	10	(21)
Result from equity instruments measured at fair value through other comprehensive income	1	-	1	3	-	3
Profit / (loss) for the period before taxes	(1,393)	1,531	138	268	77	345
Income taxes	(155)	133	(22)	(75)	(23)	(98)
Profit / (loss) for the period from continuing operations	(1,548)	1,664	116	194	54	248
Profit / (loss) for the period from discontinued operations	15	(14)	-	86	(5)	81
Profit / (loss) for the period	(1,533)	1,649	116	279	49	329
attributable to Solvay shareholders	(1,540)	1,649	109	269	49	318
attributable to non-controlling interests	7	-	7	10	-	10
Basic earnings per share (in €)	(14.94)	16.00	1.06	2.61	0.48	3.09
of which from continuing operations	(15.08)	16.14	1.06	1.78	0.52	2.30
Diluted earnings per share (in €)	(14.94)	16.00	1.06	2.60	0.48	3.08
of which from continuing operations	(15.08)	16.14	1.06	1.77	0.52	2.29

EBITDA on an IFRS basis totaled €398 million, versus €439 million on an underlying basis. The difference of €41 million is explained by the following adjustments to IFRS results, which are done to improve the comparability of underlying results:

- €(4) million in *"Earnings from associates & joint ventures"* for Solvay's share in the financial charges of the Rusvinyl joint venture and the foreign exchange gains on the €-denominated debt of the joint venture, following the 7% revaluation of the Russian ruble over the period. These elements are reclassified in *"Net financial charges"*.
- €37 million to adjust for the *"Result from portfolio management and major restructuring"*, excluding depreciation, amortization and impairment elements. This result comprises mainly the cost related to the Composite restructuring initiatives
- €8 million to adjust for the *"Result from legacy remediation and major litigations"*, primarily environmental expenses.

EBIT on an IFRS basis totaled €(1,347) million, versus €202 million on an underlying basis. The difference of €1,549 million is explained by the above-mentioned €41 million adjustments at the EBITDA level and €1,508 million of *"Depreciation, amortization & impairments"*. The latter consist of:

- €49 million to adjust for the non-cash impact of purchase price allocation (PPA), consisting of amortization charges on intangible assets, which are adjusted in *"Administrative costs"* for €5 million, in *"Research & development costs"* for €1 million, and in *"Other operating gains & losses"* for €42 million.
- €1,459 million to adjust for the impact of impairments reported in *"Result from portfolio management and major restructuring"* – see Note on Covid19 impacts.

Net financial charges on an IFRS basis were €(46) million versus €(64) million on an underlying basis. The €(19) million adjustment made to IFRS net financial charges consists of:

- €(24) million reclassification of coupons on perpetual hybrid bonds, which are treated as dividends under IFRS, and as financial charges in underlying results.
- €(2) million reclassification of financial charges and realized foreign exchange result on the €-denominated debt of RusVinyl as net financial charges.
- €6 million for the net impact of increasing discount rates on the valuation of environmental liabilities in the period.

Income taxes on an IFRS basis were €(155) million, versus €(22) million on an underlying basis. The €133 million adjustment includes mainly the tax effect of the adjustments of profit before taxes and valuation allowances on deferred tax assets on losses and other temporary differences.

Discontinued operations generated a profit of €15 million on an IFRS basis and €0 million on an underlying basis. The €(14) million adjustment to the IFRS profit relates to the expected capital gain after taxes (subject to customary post-closing purchase price adjustments) on the divestment of the polyamide activities.

Profit / (loss) attributable to Solvay shareholders was €(1,540) million on an IFRS basis and €109 million on an underlying basis. The delta of €1,649 million reflects the above-mentioned adjustments to EBIT, net financial charges, income taxes and discontinued operations. There was no impact from non-controlling interests.

H1 consolidated income statement

(in € million)	H1 2020			H1 2019		
	IFRS	Adjustments	Underlying	IFRS	Adjustments	Underlying
Sales	5,026	-	5,026	5,739	-	5,739
of which revenues from non-core activities	377	-	377	514	-	514
of which net sales	4,649	-	4,649	5,225	-	5,225
Cost of goods sold	(3,748)	1	(3,747)	(4,184)	1	(4,183)
Gross margin	1,278	1	1,279	1,555	1	1,556
Commercial costs	(163)	-	(163)	(194)	-	(194)
Administrative costs	(444)	12	(432)	(488)	16	(473)
Research & development costs	(151)	1	(150)	(159)	1	(158)
Other operating gains & losses	(83)	86	3	(65)	92	27
Earnings from associates & joint ventures	23	13	36	49	(7)	42
Result from portfolio management & major restructuring	(1,554)	1,554	-	(64)	64	-
Result from legacy remediation & major litigations	(20)	20	-	(27)	27	-
EBITDA	883	125	1,008	1,115	79	1,195
Depreciation, amortization & impairments	(1,998)	1,562	(435)	(509)	115	(394)
EBIT	(1,114)	1,687	573	607	194	801
Net cost of borrowings	(57)	-	(57)	(64)	-	(64)
Coupons on perpetual hybrid bonds	-	(47)	(47)	-	(58)	(58)
Interests and realized foreign exchange gains (losses) on the RusVinyl joint venture	-	(10)	(10)	-	(9)	(9)
Cost of discounting provisions	(17)	(4)	(20)	(54)	13	(40)
Result from equity instruments measured at fair value through other comprehensive income	1	-	1	4	-	4
Profit / (loss) for the period before taxes	(1,187)	1,627	440	493	141	634
Income taxes	(203)	104	(99)	(127)	(43)	(170)
Profit / (loss) for the period from continuing operations	(1,389)	1,731	342	366	98	464
Profit / (loss) for the period from discontinued operations	117	(95)	21	150	13	163
Profit / (loss) for the period	(1,273)	1,636	363	516	111	627
attributable to Solvay shareholders	(1,290)	1,636	345	497	111	608
attributable to non-controlling interests	18	-	18	19	-	20
Basic earnings per share (in €)	(12.51)	15.85	3.35	4.82	1.07	5.89
of which from continuing operations	(13.64)	16.77	3.14	3.36	0.95	4.30
Diluted earnings per share (in €)	(12.50)	15.85	3.34	4.81	1.07	5.88
of which from continuing operations	(13.63)	16.77	3.14	3.35	0.94	4.30

EBITDA on an IFRS basis totaled €883 million, versus €1,008 million on an underlying basis. The difference of €125 million is explained by the following adjustments to IFRS results, which are done to improve the comparability of underlying results:

- €13 million in *"Earnings from associates & joint ventures"* for Solvay's share in the financial charges of the Rusvinyl joint venture and the foreign exchange losses on the €-denominated debt of the joint venture, following the 12% devaluation of the Russian ruble over the period. These elements are reclassified in *"Net financial charges"*.
- €91 million to adjust for the *"Result from portfolio management and major restructuring"*, excluding depreciation, amortization and impairment elements. This result comprises mainly the €85 million restructuring charges for the efficiency measures announced on February 26, 2020 and the Composites restructuring plan announced on May 15, 2020.
- €20 million to adjust for the *"Result from legacy remediation and major litigations"*, primarily environmental expenses.

EBIT on an IFRS basis totaled €(1,114) million, versus €573 million on an underlying basis. The difference of €1,687 million is explained by the above-mentioned €125 million adjustments at the EBITDA level and €1,562 million of *"Depreciation, amortization & impairments"*. The latter consist of:

- €100 million to adjust for the non-cash impact of purchase price allocation (PPA), consisting of amortization charges on intangible assets, which are adjusted in *"Cost of goods sold"* for €1 million, in *"Administrative costs"* for €12 million, in *"Research & development costs"* for €1 million, and in *"Other operating gains & losses"* for €86 million.
- €1,462 million to adjust for the impact of impairments reported in *"Result from portfolio management and major restructuring"* – see Note on Covid19 impacts.

Net financial charges on an IFRS basis were €(72) million versus €(133) million on an underlying basis. The €(60) million adjustment made to IFRS net financial charges consists of:

- €(47) million reclassification of coupons on perpetual hybrid bonds, which are treated as dividends under IFRS, and as financial charges in underlying results.
- €(10) million reclassification of financial charges and realized foreign exchange result on the €-denominated debt of RusVinyl as net financial charges.
- €(4) million for the net impact of increasing discount rates on the valuation of environmental liabilities in the period.

Income taxes on an IFRS basis were €(203) million, versus €(99) million on an underlying basis. The €104 million adjustment includes mainly the tax effect of the adjustments of profit before taxes and valuation allowances on deferred tax assets on losses and other temporary differences.

Discontinued operations generated a profit of €117 million on an IFRS basis and €21 million on an underlying basis. The €(95) million adjustment to the IFRS profit relates to the expected capital gain after taxes (subject to customary post-closing purchase price adjustments) on the divestment of the polyamide activities.

Profit / (loss) attributable to Solvay shareholders was €(1,290) million on an IFRS basis and €345 million on an underlying basis. The delta of €1,636 million reflects the above-mentioned adjustments to EBIT, net financial charges, income taxes and discontinued operations. There was no impact from non-controlling interests.

Condensed consolidated financial statements^[1]

Consolidated income statement

(in € million)	IFRS			
	Q2 2020	Q2 2019	H1 2020	H1 2019
Sales	2,339	2,880	5,026	5,739
of which revenues from non-core activities	164	226	377	514
of which net sales	2,175	2,654	4,649	5,225
Cost of goods sold	(1,805)	(2,096)	(3,748)	(4,184)
Gross margin	534	784	1,278	1,555
Commercial costs	(77)	(98)	(163)	(194)
Administrative costs	(200)	(242)	(444)	(488)
Research & development costs	(73)	(81)	(151)	(159)
Other operating gains & losses	(47)	(16)	(83)	(65)
Earnings from associates & joint ventures	19	22	23	49
Result from portfolio management & major restructuring [2]	(1,496)	(29)	(1,554)	(64)
Result from legacy remediation & major litigations	(8)	(12)	(20)	(27)
EBIT	(1,347)	328	(1,114)	607
Cost of borrowings	(29)	(37)	(58)	(72)
Interest on lendings & deposits	2	4	5	7
Other gains & losses on net indebtedness	(3)	-	(3)	1
Cost of discounting provisions	(16)	(30)	(17)	(54)
Result from equity instruments measured at fair value through other comprehensive income	1	3	1	4
Profit / (loss) for the period before taxes	(1,393)	268	(1,187)	493
Income taxes	(155)	(75)	(203)	(127)
Profit / (loss) for the period from continuing operations	(1,548)	194	(1,389)	366
attributable to Solvay shareholders	(1,555)	183	(1,407)	347
attributable to non-controlling interests	7	10	18	19
Profit / (loss) for the period from discontinued operations	15	86	117	150
Profit / (loss) for the period	(1,533)	279	(1,273)	516
attributable to Solvay shareholders	(1,540)	269	(1,290)	497
attributable to non-controlling interests	7	10	18	19
Weighted average of number of outstanding shares, basic	103,073,974	103,168,801	103,193,910	103,195,943
Weighted average of number of outstanding shares, diluted	103,073,974	103,451,773	103,221,352	103,421,883
Basic earnings per share (in €)	(14.94)	2.61	(12.51)	4.82
of which from continuing operations	(15.08)	1.78	(13.64)	3.36
Diluted earnings per share (in €)	(14.94)	2.60	(12.50)	4.81
of which from continuing operations	(15.08)	1.77	(13.63)	3.35

Consolidated statement of comprehensive income

(in € million)	IFRS			
	Q2 2020	Q2 2019	H1 2020	H1 2019
Profit / (loss) for the period	(1,533)	279	(1,273)	516
Gains and losses on hedging instruments in a cash flow hedge	9	(6)	(39)	(6)
Currency translation differences from subsidiaries & joint operations	(116)	(95)	(117)	79
Share of other comprehensive income of associates and joint ventures accounted for using equity method that will be reclassified to profit or loss	10	2	(62)	25
Recyclable components	(96)	(99)	(218)	98
Gains and losses on equity instruments measured at fair value through other comprehensive income	(3)	-	(2)	1
Remeasurement of the net defined benefit liability [3]	(201)	(144)	(166)	(218)
Share of other comprehensive income of associates and joint ventures accounted for using equity method that will not be reclassified to profit or loss	(2)	-	-	-
Non-recyclable components	(205)	(144)	(168)	(217)
Income tax relating to components of other comprehensive income	22	48	16	70
Other comprehensive income, net of related tax effects	(280)	(195)	(370)	(48)
Total comprehensive income	(1,813)	85	(1,643)	468
attributed to Solvay share	(1,817)	77	(1,660)	449
attributed to non-controlling interests	4	8	17	19

[1] Reviewed for H1 2020 and H1 2019 figures

[2] Result from portfolio management & major restructuring mainly relates to the €1.5 billion impairment largely attributable to goodwill at Composite Materials (€0.8 billion) and Technology Solutions (€0.3 billion). An additional impairment was recorded on Oil & Gas and some specific assets within Special Chem (see note 1). It also includes a restructuring charge of €85 million.

[3] The remeasurement of the net defined benefit liability of €(166) million in H1 2020 were mainly due to decrease of discount rates applicable to post-employment provisions in UK and US, partly offset by the return of plan assets.

Consolidated statement of cash flows

IFRS

(in € million)	Q2 2020	Q2 2019	H1 2020	H1 2019
Profit / (loss) for the period	(1,533)	279	(1,273)	516
Adjustments to profit / (loss) for the period	1,967	480	2,290	913
Depreciation, amortization & impairments (-)	1,745	257	1,998	508
Earnings from associates & joint ventures (-)	(19)	(22)	(23)	(49)
Additions & reversals on provisions (-)	35	40	148	111
Other non-operating and non-cash items [1]	8	20	(304)	36
Net financial charges (-)	45	61	73	115
Income tax expenses (-)	153	125	399	192
Changes in working capital	104	(62)	(32)	(394)
Uses of provisions	(66)	(100)	(142)	(197)
Use of provisions for additional voluntary contributions (pension plans)			(460)	
Dividends received from associates & joint ventures	14	11	16	17
Income taxes paid (excluding income taxes paid on sale of investments)	(34)	(67)	(7)	(143)
Cash flow from operating activities	452	540	393	712
Acquisition (-) of subsidiaries	-	-	(9)	(2)
Acquisition (-) of investments - Other	(2)	(2)	(26)	(3)
Loans to associates and non-consolidated companies	(3)	-	3	2
Sale (+) of subsidiaries and investments	12	(5)	1,304	(7)
Acquisition (-) of tangible and intangible assets (capex)	(106)	(179)	(274)	(361)
of which tangible assets	(87)	(152)	(233)	(307)
of which capital expenditures required by share sale agreement	-	(14)	(14)	(29)
of which intangible assets	(19)	(27)	(41)	(54)
Sale (+) of tangible & intangible assets	2	4	6	5
Dividends from financial assets measured at fair value through other comprehensive income	1	4	1	4
Changes in non-current financial assets	(3)	(8)	(11)	(17)
Cash flow from investing activities	(99)	(186)	995	(378)
Repayment of perpetual hybrid bond	-	(700)	-	(701)
Sale (acquisition) of treasury shares	-	(11)	(26)	(5)
Increase in borrowings	278	757	527	1,147
Repayment of borrowings [2]	(293)	(30)	(1,139)	(44)
Changes in other current financial assets	(11)	(68)	(33)	(64)
Payment of lease liabilities	(26)	(29)	(54)	(50)
Net interests paid	(30)	(37)	(39)	(39)
Coupons paid on perpetual hybrid bonds	(55)	(84)	(68)	(87)
Dividends paid	(231)	(240)	(388)	(390)
of which to Solvay shareholders	(229)	(238)	(384)	(386)
of which to non-controlling interests	(2)	(2)	(4)	(4)
Other [3]	88	48	25	7
Cash flow from financing activities	(281)	(394)	(1,194)	(226)
of which increase/decrease of borrowings related to environmental remediation	1		6	
Net change in cash and cash equivalents	71	(39)	195	108
Currency translation differences	3	(3)	(41)	7
Opening cash balance	889	1,261	809	1,103
Closing cash balance	963	1,219	963	1,219

[1] Other non-operating and non-cash items of €(304) million in H1 2020 mainly related to Polyamide capital gain before taxes and provisions

[2] Repayment of borrowings of €(1,139) million in H1 2020 mainly relates to the reimbursement of commercial paper after the cash proceeds on Polyamide disposal.

[3] Other cash flow from financing activities of €88 million mainly relate to margin calls.

Statement of cash flow from discontinued operations

IFRS

(in € million)	Q2 2020	Q2 2019	H1 2020	H1 2019
Cash flow from operating activities	-	117	15	185
Cash flow from investing activities	-	(27)	(33)	(51)
Cash flow from financing activities	-	(3)	5	(6)
Net change in cash and cash equivalents	-	87	(13)	128

[1] The cash flow from investing activities of discontinued operations excludes the proceeds received on the divestment of Polyamide. The sale of Polyamide was completed on January 31, 2020.

Consolidated statement of financial position

	2020	2019
<i>(in € million)</i>	June 30	December 31
Intangible assets	2,392	2,642
Goodwill	3,380	4,468
Tangible assets	5,062	5,472
Right-of-use assets	433	447
Equity instruments measured at fair value through other comprehensive income	59	56
Investments in associates & joint ventures	513	555
Other investments	47	38
Deferred tax assets	771	1,069
Loans & other assets	326	289
Non-current assets	12,983	15,035
Inventories	1,412	1,587
Trade receivables	1,290	1,414
Income tax receivables	128	129
Other financial instruments	153	119
Other receivables	558	628
Cash & cash equivalents	963	809
Assets held for sale	-	1,586
Current assets	4,504	6,272
Total assets	17,486	21,307
Share capital	1,588	1,588
Issue premiums	1,170	1,170
Other reserves	4,772	6,757
Non-controlling interests	124	110
Total equity	7,654	9,625
Provisions for employee benefits	2,315	2,694
Other provisions	728	825
Deferred tax liabilities	531	531
Financial debt	3,354	3,382
Other liabilities	137	159
Non-current liabilities	7,066	7,592
Other provisions	301	190
Financial debt [1]	591	1,132
Trade payables	1,031	1,277
Income tax payables	128	102
Dividends payable	8	161
Other liabilities	707	792
Liabilities associated with assets held for sale	-	437
Current liabilities	2,767	4,091
Total equity & liabilities	17,486	21,307

[1] The current financial debt (€591 million at the end of June 2020) is composed of €125 million of commercial paper and €466 million of other short term financing (which include €103 million of short term portion of long term financing and leases).

Consolidated statement of changes in equity

	Revaluation reserve (fair value)											Total equity
	Share capital	Share premiums	Treasury shares	Perpetual hybrid bonds	Retained earnings	Currency translation differences	Equity instruments measured at fair value through other comprehensive income	Cash flow hedges	Defined benefit pension plans	Total other reserves	Non-controlling interests	
<i>(in € million)</i>												
Balance on December 31, 2018	1,588	1,170	(299)	2,486	6,834	(618)	9	(26)	(636)	7,750	117	10,624
Adoption IFRS 16	-	-	-	-	8	-	-	-	-	8	-	8
Balance on January 1, 2019	1,588	1,170	(299)	2,486	6,842	(618)	9	(26)	(636)	7,758	117	10,632
Profit / (loss) for the period	-	-	-	-	497	-	-	-	-	497	19	516
Items of other comprehensive income	-	-	-	-	-	103	1	(4)	(149)	(48)	-	(48)
Comprehensive income	-	-	-	-	497	103	1	(4)	(149)	449	19	468
Perpetual hybrid bond issuance (repayment)	-	-	-	(697)	(3)	-	-	-	-	(701)	-	(701)
Cost of stock options	-	-	-	-	7	-	-	-	-	7	-	7
Dividends	-	-	-	-	(238)	-	-	-	-	(238)	(3)	(241)
Coupons of perpetual hybrid bonds	-	-	-	-	(87)	-	-	-	-	(87)	-	(87)
Sale (acquisition) of treasury shares	-	-	(5)	-	-	-	-	-	-	(5)	-	(5)
Other	-	-	-	-	3	-	1	-	(5)	(1)	-	(1)
Balance on June 30, 2019	1,588	1,170	(304)	1,789	7,020	(514)	10	(30)	(790)	7,182	133	10,073
Balance on December 31, 2019	1,588	1,170	(274)	1,789	6,462	(454)	10	(20)	(756)	6,757	110	9,625
Profit / (loss) for the period	-	-	-	-	(1,290)	-	-	-	-	(1,290)	18	(1,273)
Items of other comprehensive income	-	-	-	-	-	(179)	(1)	(28)	(162)	(370)	-	(370)
Comprehensive income	-	-	-	-	(1,290)	(179)	(1)	(28)	(162)	(1,660)	17	(1,643)
Cost of stock options	-	-	-	-	3	-	-	-	-	3	-	3
Dividends	-	-	-	-	(232)	-	-	-	-	(232)	(3)	(235)
Coupons of perpetual hybrid bonds	-	-	-	-	(68)	-	-	-	-	(68)	-	(68)
Sale (acquisition) of treasury shares	-	-	(26)	-	-	-	-	-	-	(26)	-	(26)
Other	-	-	-	-	(7)	-	-	-	6	(1)	-	(1)
Balance on June 30, 2020	1,588	1,170	(300)	1,789	4,868	(633)	9	(48)	(913)	4,772	124	7,654

H1 2020 Equity is reduced by €179 million due to currency translation differences as the revaluation of the USD was more than offset by the devaluation of other currencies (mainly BRL, RUB, MXN and KRW).

Notes to the CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information and significant events

Solvay is a public limited liability company governed by Belgian law and quoted on Euronext Brussels and Euronext Paris. These condensed consolidated financial statements were authorized for issue by the Board of Directors on July 28, 2020.

On January 31, 2020, Solvay announced it had formally completed the divestment of its Performance Polyamides activities to BASF and Domo Chemicals. The transaction is based on an enterprise value of €1.6 billion and the expected selling proceeds net of costs of disposals on the combined transaction are estimated to be around €1.2 billion (selling proceeds of €1.5 billion received on January 31, 2020). The expected capital gain after taxes, subject to customary post-closing purchase price adjustments, is €95 million and is expected to be finalized in H2, 2020.

Solvay has used a portion of the Performance Polyamides sale proceeds to prefund a part of the pension liabilities in France. This additional voluntary contribution amounts to approximately €380 million. In Q1, 2020, Solvay also voluntarily contributed approximately €80 million to the US pension plans.

On February 26, 2020, Solvay announced a restructuring plan, hence accelerating the alignment of its worldwide organization with its G.R.O.W. strategy and responding to the challenging economic environment. The plan is leading to 500 redundancies and 150 new positions to support future growth. The social procedures were launched on February 26 and the savings will commence in the fourth quarter of 2020 and will be fully implemented by the end of 2021. A provision of €64 million has been recognized in H1 2020.

On May 15, 2020, Solvay announced it will deepen and accelerate efficiency plans for its Composite Materials unit to reduce costs, improve productivity and better serve customers in light of reduced activity due to the COVID-19 crisis. Solvay intends to cease industrial operations at its plants in Manchester, England, and Tulsa, Oklahoma (USA). Those activities will be transferred to other facilities. In addition, job reductions are being implemented across the business, and total headcount will likely be reduced by approximately 570 positions, or around 20% of Composite Materials' workforce. The implementation of this plan is expected to be largely complete by the end of 2020. A restructuring charge of approximately €38 million was taken in Q2 2020.

COVID-19 impact

The total net impact of COVID-19 on Q2 2020, EBITDA is estimated at €(220) million, after mitigation actions related to labor costs (including furloughs) and indirect spend. The impact of COVID-19 is described in more detail below.

A. Underactivity

Solvay halted production partially or fully in a number of its plants during Q2 2020. At June 30, 2020, 13 sites were shutdown, 36 sites were in partial shutdown, and 16 had limited activities in the workshops. The underactivity in Q2 2020 is linked to a decline in sales of approximately 20%.

During Q2 2020, approximately 5,270 employees were on furlough (equivalent to approximately 1,730 Full Time Equivalents). These measures will be extended in Q3 2020, where applicable. Solvay has guaranteed to all employees, regardless of their country of employment, 70% of their gross monthly base pay for up to 3 months. To mitigate the impacts of underactivity, Management has ensured that the unit costs in inventory have not been artificially increased by abnormally low levels of production. This analysis was included as part of the global assessment of the COVID-19 impact on EBITDA as mentioned above.

B. Revision of short term and long term incentives

The level of provisions for short term incentives and the PSU plans have been adapted at the end of Q2 2020, based on the likelihood that financial targets will be achieved. The impact on this reassessment is not expected to change materially the total amounts accrued for these incentives in 2020 as compared to 2019.

C. Government stimulus

The impact of government stimulus is not material to the income statement, except for support related to the furloughs implemented in Europe. The Free Cash Flow to Solvay Shareholders has been positively impacted in Q2 2020, by public stimulus totaling €12 million (excluding the furlough) due to the postponed payment of social expenses in some countries.

D. Accounts Receivable

With more than 12,000 customers, Solvay is not immune to an increase in credit risk associated with corporate distress resulting from the sanitary crisis. Management's focus has intensified and the level of Days Sales Outstanding and the degree of overdues have continued to trend favorably in relation to previous performance. Similarly, there has been no significant increase in bad debt.

E. Financial instruments

No material over hedges were identified in Q2 2020, for cash flow hedges related to expected cash flows in foreign currencies and the PSUs.

F. Impact of donations and safety measures.

A Solvay Solidarity Fund (the Fund) has been established to support employees who experience hardship primarily related to the sanitary crisis. The Fund is governed by a dedicated committee with equal representation from the King Baudouin Foundation, Solvay's CEO, and an independent third party (CEO of Solvay from 2006 to 2012).

Donations during 2020 are expected to amount to approximately €15 million, comprising of donations from shareholders through foregone dividends of €13 million, contributions of €1 million from salary and fee contributions by senior leaders and Board members of Solvay, and €1 million by Solvay to match the employee contributions. Only Solvay's contribution of €1 million impacts the accounts.

G. Impairment tests (IAS 36)

A review was undertaken during Q2, 2020, to assess whether the consequences of COVID-19 indicate that some assets could be impaired. The review confirmed that there was an indication of impairment for CGUs with the lowest impairment headroom at December 31, 2019 (see Note F27 in 2019 Annual report). The methodology utilized for the review is described below:

- Scenarios: In view of the uncertainties related to the timing and magnitude of any recovery, Management prepared a range of different scenarios for the next five years and reviewed the long term growth potential in each key market (e.g. Civil Aero or Military Aero for Composites, Mining or Alumina for Technology Solutions). Probabilities were assigned to each scenario and weighted average discounted projected cash flows were derived for each CGU ("value in use").
- Discount rate: The WACC was estimated based on an extensive benchmarking with peers. In doing so management concluded that:
 - a WACC of 6.3% was utilized for the initial five years, computed consistently with previous years based on prevailing discount rates,
 - a WACC of 7.2% was utilized for the Terminal Value, based on historical observations over the last years. This refinement increases this discount rate by 0.5% as compared to the discount rate used in the Terminal Value during 2019 (6.7%).
- Apart from the CGUs that were impaired in Q2 2020, all other Groups of CGUs for the testing of Goodwill had sufficient headroom at the end of 2019 to absorb the impact of COVID-19, which led to the conclusion that there was no indication of an impairment loss for these groups of CGUs at the end of Q2 2020, despite COVID-19. Under IFRS, goodwill must be tested every year, and will be done in Q4 2020, in the normal course when the five year forecasts will be updated.

Composite Materials (Materials)

Trigger for impairment

- Goodwill of €1.37 billion was allocated in 2015 to Composites as a result of the Cytec acquisition. The impairment test performed during Q4 2019, indicated headroom (being the difference between the value in use based on discounted cash flows and the carrying amount) of around €0.8 billion, which was one of the lowest headroom in percentage of the carrying amount.
- Developments in the first half of 2020 indicated that expectations that prevailed at the end 2019 can no longer be achieved in the near to mid-term due to an expected significant reduction in civil aircraft build rates and despite the expected resilience and growth in defense related business. The long term growth potential of the business still remains very strong.

Impairment loss

- An impairment loss of €(0.8) billion reflects an anticipated significant EBITDA decline in 2020 relative to record 2019 levels and a gradual recovery thereafter.
 - Mid-term EBITDA growth forecasts of approximately 20% from the low point of 2020/2021 is consistent with:
 - An expectation that narrow-body aircraft will recover sooner than wide-body aircraft as passenger traffic recovers at local and regional levels before international travel. The forecast also integrates Boeing's indication of resuming 737MAX production in 2021, albeit at reduced rates.
 - Annual cost savings of €60 million from a recently announced restructuring plan with the closure of two industrial sites and 570 job suppressions, equivalent to €0.6 billion in value.

- Long term growth of 3% reflects the reduced short-term demand yet unchanged fundamental attractiveness of the sector in the long term (compared to 2% in the 2019 impairment test that was based on a higher EBITDA at the end of the five years plan)
- An increase in the discount rate in the Terminal Value from 6.7% to 7.2% also contributed to a reduction in the value by €(0.4) billion relative to December 2019.
- The impairment loss has been fully allocated to Goodwill, except for the tangible assets related to the two shutdown plants for €(15) million. The amount corresponds to approximately 25% of the carrying amount tested.

Sensitivities

- After the impairment, Composite Materials has no headroom and is sensitive to changes in assumptions related to the discount rate and the long term growth rate (LTG).

Value in use sensitivity	In € billions
Sensitivity to discount rate -0.5%	0.3
Sensitivity to discount rate +0.5%	-0.3
Sensitivity to LTG rate +1%	0.6
Sensitivity to LTG rate -1%	-0.4

Technology Solutions (Solutions)

Trigger for impairment

- Goodwill of €0.95 billion was allocated in 2015 as a result of the Cytec acquisition. The impairment test performed during Q4 of 2019, indicated headroom of around €0.4 billion, which was one of the Group of CGUs with the lowest headroom in terms of percentage of the carrying amount.
- Developments in the first half of 2020 indicated that the expectations that prevailed at the end 2019 can no longer be achieved in the near term due to an expected reduction in new mine openings, and reduced demand in other markets most notably Oil & Gas and automotive in the next two years. The long term growth potential of the business still remains strong.

Impairment loss Technology Solutions

- An impairment loss of €(0.3) billion reflects revised forecasts after COVID-19:
 - a significant EBITDA decline in 2020 relative to 2019 is consistent with a steep decline in non-mining applications such as Oil & Gas, biocides, and automotive related activities, compounded by the expected reduction in global copper and aluminum production levels ranging between 10% and 20%.
 - a mid-term EBITDA growth rate of approximately 10% on average from the low point of 2020/2021,
 - a long term growth rate of 1.5% that is consistent with the expected need for technologies that support the extraction of metal and minerals (compared to 1% in the 2019 impairment test that was based on a higher EBITDA at the end of the five year plan).
 - Furthermore, an increase in the discount rate in the Terminal Value from 6.7% to 7.2% also contributed to a reduction in the value by €(0.2) billion relative to December 2019.
- The impairment loss has been fully allocated to Goodwill, with the exception of €(15) million which was allocated to tangible assets, which corresponds to approximately 16% of the carrying amount tested.

Sensitivities

- After the impairment, Technology Solutions has no headroom and is sensitive to changes in assumptions related to the discount rate and the long term growth rate (LTG).

Value in use sensitivity	In € billions
Sensitivity to discount rate -0.5%	0.2
Sensitivity to discount rate +0.5%	-0.1
Sensitivity to LTG rate +1%	0.3
Sensitivity to LTG rate -1%	-0.2

Oil & Gas (Solutions)

Trigger for impairment

- An impairment loss of €(825) million was recorded in Q3 2019.
- Developments in Oil & Gas have worsened substantially since December 2019, and while a turnaround plan has been implemented, the plan will not be sufficient to mitigate the effects of the current and expected future deterioration of the market's dynamics.

Impairment loss Oil & Gas

- The Oil & Gas market has deteriorated significantly since March 2020, and the value pool for fracking chemicals has further decreased with reduced volumes and prices in a market that continues to be commoditized. As a consequence, and despite the strong turnaround plans that have already been implemented, cash flows for the next five years are below those previously expected, leading to an additional impairment loss of €(160) million. Of that amount €(60) million was allocated to tangible assets and €(100) million was allocated to intangible assets related to customer relationships.

Other small groups of assets (Solutions)

- Several production sites, mainly in the GBU Special Chem (Fluor Gas), with independent cash inflows are impacted by the COVID-19 crisis. The impact resulted in an impairment loss of €(189) million, of which €(24) million is related to the Goodwill, €(41) million is related to Intangible assets, and €(123) million for tangible assets.

Impairment impact on Deferred Tax Assets (DTA)

- Deferred tax assets recorded on impairment losses are approximately €40 million. This amount is relatively low when compared to the overall impairment taken as no deferred taxes were recorded when the €1.1 billion of goodwill of Cytec was established, which has now been impaired.

H. Impact on Deferred Tax Assets (DTA)

- In the current environment,
 - the utilization of tax losses in the next five years has been re-assessed, based on updated forecasts of taxable income. This resulted in a valuation allowance on Deferred Tax Assets on losses and on other temporary differences for approximately €(70) million.
 - the reversal of some temporary differences was assessed as not likely, which led to a DTA write-off of approximately €(115) million.

I. Liquidity

- Solvay's liquidity exceeds €4 billion including €1.1 billion of cash on the balance sheet and €3.25 billion of committed fully undrawn credit facilities (€2.0 billion multilateral RCF due 2024, and €1.25 billion bilateral RCF, largely multi-year). In addition, Solvay is committed to the continued strength of its balance sheet and BBB flat & Baa2 credit rating and also has access to a Belgian Treasury Bill program for €1.5 billion (approximately €125 million was issued at June 30, 2020) and, alternatively, to a US commercial paper for \$500 million.
- Debt repayment: out of the total underlying gross debt of €5.7 billion
 - 80% (€4.7 billion) are corporate senior & hybrid bonds with no financial covenants; next repayment could occur in June 2021, with the €500 million hybrid bond for which Solvay will have the first call decision in April 2021.
 - 10% (approximately €591 million) are short-term debt obligations over the next 12 months (until June 2021) of which €125 million of treasury notes and €466 million of other short term financing (which include €103 million of short term portion of long term financing and leases).
- Covenants: there are some financial covenants on a limited number of non-corporate debt (mainly joint operations in HPPO, proportionately consolidated of which approximately €85 million is Solvay's share; Rusvinyl, EECO holding and EECO Rosignano, recorded as equity investments, of which approximately €160 million of debt is Solvay's share) for which Solvay is not anticipating any issues for these entities to cover their obligations (nor any breach of covenant).

2. Accounting policies

Solvay prepares its condensed consolidated interim financial statements on a quarterly basis, in accordance with IAS 34 "Interim Financial Reporting" using the same accounting policies as those adopted for the preparation of the consolidated financial statements for the year ended December 31, 2019. They do not include all the information required for the preparation of the annual consolidated financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2019. The critical accounting judgments and key sources of estimation uncertainty included in the 2019 annual report remain applicable. Relevant updates on specific topics are included in these notes and should be read together with the 2019 annual report.

3. Segment information

Solvay is organized in the following operating segments:

- **Materials** offer a unique portfolio of high-performance polymers and composite technologies used primarily in sustainable mobility applications. Its solutions enable weight reduction and enhance performance while improving CO₂ and energy efficiency. Major markets served include next-generation mobility in automotive and aerospace, healthcare and electronics.
- **Chemicals** host chemical intermediate businesses focused on mature and resilient markets. Solvay is a world leader in soda ash and peroxides and major markets served include building and construction, consumer goods and food. Its Silica, Coatis and RusVinyl businesses are also high quality assets with strong positions in their markets. This segment provides resilient cash flows and the company selectively invests in these businesses to become the #1 cash conversion chemical player.
- **Solutions** offer a unique formulation & application expertise through customized specialty formulations for surface chemistry & liquid behavior, maximizing yield and efficiency of the processes they are used in while minimizing the eco-impact. Novecare, Technology Solutions, Aroma and Special Chem focus on specific areas such as resources (improving the extraction yield of metals, minerals and oil), industrial applications (such as coatings) or consumer goods and healthcare (including vanillin and guar for home and personal care).
- **Corporate & Business Services** includes corporate and other business services, such as Group research & innovation or energy services, whose mission is to optimize energy consumption and reduce CO₂ emissions.

Reconciliation of segment, underlying and IFRS data

<i>(in € million)</i>	Q2 2020	Q2 2019	H1 2020	H1 2019
Net sales	2,175	2,654	4,649	5,225
Materials	681	833	1,470	1,634
Chemicals	658	836	1,458	1,667
Solutions	834	984	1,717	1,921
Corporate & Business Services	2	1	3	3
Underlying EBITDA	439	624	1,008	1,195
Materials	170	235	398	471
Chemicals	167	245	405	472
Solutions	133	184	287	345
Corporate & Business Services	(31)	(40)	(83)	(92)
Underlying depreciation, amortization & impairments	(237)	(199)	(435)	(394)
Underlying EBIT	202	425	573	801
Non-cash accounting impact from amortization & depreciation of purchase price allocation (PPA) from acquisitions	(49)	(55)	(100)	(110)
Net financial charges and remeasurements of equity book value of the RusVinyl joint venture	4	(1)	(13)	7
Result from portfolio management & major restructuring	(1,496)	(29)	(1,554)	(64)
Result from legacy remediation & major litigations	(8)	(12)	(20)	(27)
EBIT	(1,347)	328	(1,114)	607
Net financial charges	(45)	(60)	(72)	(114)
Profit / (loss) for the period before taxes	(1,393)	268	(1,187)	493
Income taxes	(155)	(75)	(203)	(127)
Profit / (loss) for the period from continuing operations	(1,548)	194	(1,389)	366
Profit / (loss) for the period from discontinued operations	15	86	117	150
Profit / (loss) for the period	(1,533)	279	(1,273)	516
attributable to non-controlling interests	7	10	18	19
attributable to Solvay shareholders	(1,540)	269	(1,290)	497

The non-cash PPA impacts can be found in the reconciliation table on pages 11 and 13.

4. Financial Instruments

Valuation techniques

Compared to December 31, 2019, there are no changes in valuation techniques.

Fair value of financial instruments measured at amortized cost

For all financial instruments not measured at fair value in Solvay's consolidated statement of financial position, the fair value of those financial instruments as of June 30, 2020, is not significantly different from the ones published in Note F35 of the consolidated financial statements for the year ended December 31, 2019.

Financial instruments measured at fair value

For financial instruments measured at fair value in Solvay's consolidated statement of financial position, the fair value of those instruments as of June 30, 2020, is not significantly different from the ones as published in the Note F35 of the consolidated financial statements for the year ended December 31, 2019.

5. Declaration by responsible persons

Ilham Kadri, Chief Executive Officer, and Karim Hajjar, Chief Financial Officer, of the Solvay Group, declare that to the best of their knowledge:

- The condensed consolidated financial information, prepared in accordance with IAS 34 "*Interim Financial Reporting*" as adopted by the European Union, reflects a faithful image of the assets and liabilities, financial situation and results of the Solvay Group;
- The management report contains a faithful presentation of significant events occurring during the first 6 months of 2020, and their impact on the condensed consolidated financial information;
- The main risks and uncertainties are in accordance with the assessment disclosed in the Risk Management section of the Solvay 2019 Annual Integrated Report, taking into account the current economic and financial environment. The main impacts relating to COVID-19, which appeared in 2020, are explained in the note 1, on page 19 of this financial report.

Report on the review of the condensed consolidated interim financial information of Solvay SA/NV for the six-month period ended 30 June 2020

In the context of our appointment as the company's statutory auditor, we report to you on the condensed consolidated interim financial information. This condensed consolidated interim financial information comprises the consolidated condensed statement of financial position as at 30 June 2020, the consolidated condensed income statement, the consolidated condensed statement of comprehensive income, the consolidated condensed statement of changes in equity and the consolidated condensed statement of cash flows for the period of six months then ended, as well as selective notes 1 to 5.

Report on the condensed consolidated interim financial information

We have reviewed the condensed consolidated interim financial information of Solvay SA/NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting" as adopted by the European Union.

The condensed consolidated condensed statement of financial position shows total assets of 17 486 million EUR and the consolidated condensed income statement shows a consolidated loss (group share) for the period then ended of 1 290 million EUR.

The board of directors of the company is responsible for the preparation and fair presentation of the condensed consolidated interim financial information in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review of the condensed consolidated interim financial information in accordance with International Standard on Review Engagements (ISRE) 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit performed in accordance with the International Standards on Auditing (ISA) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial information.

Conclusion

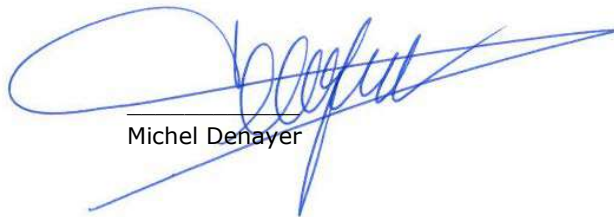
Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information of Solvay SA/NV has not been prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Zaventem, 28 July 2020

The statutory auditor

Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises CVBA/SCRL

Represented by



Michel Denayer



Corine Magnin

Deloitte.

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Glossary

Additional voluntary contributions related to employee benefits plans: Contributions to plan assets in excess of Mandatory Contributions to employee benefits plans. These payments are discretionary and are driven by the objective of value creation. These voluntary contributions are excluded from free cash flow as they are deleveraging in nature as a reimbursement of debt.

Adjustments: Each of these adjustments made to the IFRS results is considered to be significant in nature and/or value. Excluding these items from the profit metrics provides readers with relevant additional information on the Group's underlying performance over time because it is consistent with how the business' performance is reported to the Board of Directors and the Executive Committee. These adjustments consist of:

- Results from portfolio management and major restructurings,
- Results from legacy remediation and major litigations,
- Amortization of intangible assets resulting from Purchase Price Allocation (PPA) and inventory step-up in gross margin,
- Net financial results related to changes in discount rates, coupons of hybrid bonds deducted from equity under IFRS and debt management impacts (mainly including gains/(losses) related to the early repayment of debt,
- Adjustments of equity earnings for impairment gains or losses and unrealized foreign exchange gains or losses on debt,
- Results from equity instruments measured at fair value through other comprehensive income,
- Tax effects related to the items listed above and tax expense or income of prior years
- All adjustments listed above apply to both continuing and discontinuing operations, and include the impacts on non-controlling interests

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

Capital expenditure (capex): Cash paid for the acquisition of tangible and intangible assets presented in cash flows from investing activities, and cash paid on the lease liabilities (excluding interests paid), presented in cash flows from financing activities. This indicator is used to manage capital employed in the Group.

Cash conversion: Is a ratio used to measure the conversion of EBITDA into cash. It is defined as (Underlying EBITDA + Capex from continuing operations) / Underlying EBITDA.

CFROI: 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 (management 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 joint ventures – Underlying Earnings from associates and joint ventures) + Recurring capex + Recurring income taxes;
- Invested capital = Replacement value of goodwill & fixed assets + Net working capital + Carrying amount of associates and joint ventures;
- Recurring capex is normalized at 2,3% of the Replacement value of fixed assets net of Goodwill;
- Recurring income taxes are normalized at 28% of (Underlying EBIT – Underlying Earnings from associates and joint ventures);

CTA: Currency Translation Adjustment

Diluted earnings per share: Net income (Solvay's share) divided by the weighted average number of shares adjusted for the effects of dilution.

Discontinued operations: Component of the Group which the Group has disposed of or which is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or

- Is a subsidiary acquired exclusively with a view to resale

EBIT: Earnings before interest and taxes. Performance indicator that is a measure of the Group's operating profitability irrespective of the funding's structure.

EBITDA: Earnings before interest and taxes, depreciation and amortization. The Group has included EBITDA as an alternative performance indicator because management believes that the measure provides useful information to assess the Group's operating profitability as well as the Group's ability to generate operating cash flows.

Extra-financial indicators: Indicators used that measure the sustainability performance of the company in complement to financial indicators. Based on a materiality analysis, Solvay has selected five indicators on which it has set mid- and long-term targets. These are:

- Greenhouse gas intensity, expressed in kg CO₂ equivalents per € Underlying EBITDA;
- Sustainable solutions, expressed in % of the Group's net sales, based on the Sustainable Portfolio Management methodology;
- MTAR or Medical Treatment Accident Rate, expressed in number of accidents with medical treatment per million working hours;
- Employee engagement, which is an index based on a regular employee poll;
- Societal actions, expressed as % of employees involved.

For further definitions, we refer to the last available integrated annual report available on www.solvay.com

Free cash flow: Cash flows from operating activities (excluding cash flows linked to acquisitions or disposals of subsidiaries and cash outflows of Additional Voluntary Contributions related to pension plans, as they are deleveraging in nature as a reimbursement of debt), cash flows from investing activities (excluding cash flows from or related to acquisitions and disposals of subsidiaries and other investments, and excluding loans to associates and non-consolidated investments, and recognition of factored receivables), payment of lease liabilities, and increase/decrease of borrowings related to environmental remediation. Prior to the adoption of IFRS 16, operating lease payments were included within free cash flow. Following the application of IFRS 16, because leases are generally considered to be operating in nature, free cash flow incorporates the payment of the lease liability (excluding the interest expense). Excluding this item in the free cash flow would result in a significant improvement of free cash flow compared to prior periods, whereas the operations themselves have not been affected by the implementation of IFRS 16. It is a measure of cash generation, working capital efficiency and capital discipline of the Group.

Free cash flow to Solvay shareholders: Free cash flow after payment of net interests, coupons of perpetual hybrid bonds and dividends to non-controlling interests. This represents the cash flow available to Solvay shareholders, to pay their dividend and/or to reduce the net financial debt.

Free cash flow conversion: Calculated as the ratio between the free cash flow to Solvay shareholders of the last rolling 12 months (before netting of dividends paid to non-controlling interest) and underlying EBITDA of the last rolling 12 months.

GBU: Global business unit.

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

IFRS: International Financial Reporting Standards.

LTM: Last twelve months

Leverage ratio: Net debt / underlying EBITDA of last 12 months. Underlying leverage ratio = underlying net debt / underlying EBITDA of last 12 months.

Mandatory contributions to employee benefits plans: For funded plans, contributions to plan assets corresponding to amounts required to be paid during the respective period, in accordance with agreements with trustees or regulation, as well as, for unfunded plans, benefits paid to beneficiaries.

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

Net financial debt: Non-current financial debt + current financial debt – cash & cash equivalents – other financial instruments. Underlying net debt reclassifies as debt 100% of the hybrid perpetual bonds, considered as equity under IFRS. It is a key measure of the strength of the Group's financial position and is widely used by credit rating agencies.

Net financial charges: Net cost of borrowings, and costs of discounting provisions (namely, related to post-employment benefits and Health Safety and Environmental liabilities).

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

Net sales: Sales of goods and value added services corresponding to Solvay's know-how and core business. Net sales exclude Revenue from non-core activities.

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

OCI: Other Comprehensive Income.

Operational deleveraging: Reduction of liabilities (net debt or provisions) through operational performance only, i.e. excluding impacts from acquisitions and divestitures, as well as remeasurement impacts (changes of foreign exchange, inflation, mortality and discount rates).

Organic growth: Growth of Net sales or underlying EBITDA excluding scope changes and forex conversion effects. The calculation is made by rebasing the prior period at the business scope and forex conversion rate of the current period.

PA: Polyamide, polymer type.

pp: Unit of percentage points, used to express the evolution of ratios.

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

Pricing power: The ability to create positive net pricing.

PSU: Performance Share Unit.

PVC: Polyvinyl chloride, polymer type.

Research & innovation: Research & development costs recognized in the income statement and as capital expenditure before deduction of related subsidies, royalties and depreciation and amortization expense. It measures the total cash effort in research & innovation, regardless of whether the costs were expensed or capitalized.

Research & innovation intensity: Ratio of Research & innovation / net sales

Result from legacy remediation and major litigations: It includes:

- The remediation costs not generated by on-going production facilities (shut-down of sites, discontinued productions, previous years' pollution), and
- The impact of significant litigations

Results from portfolio management and major restructuring: It includes:

- Gains and losses on the sale of subsidiaries, joint operations, joint ventures, and associates that do not qualify as discontinued operations;
- Acquisition costs of new businesses;
- Gains and losses on the sale of real estate not directly linked to an operating activity;
- Restructuring charges driven by portfolio management and by major reorganization of business activities, including impairment losses resulting from the shutdown of an activity or a plant;

- Impairment losses resulting from testing of CGUs;
- It excludes non-cash accounting impact from amortization and depreciation resulting from the purchase price allocation (PPA) from acquisitions

Revenue from non-core activities: Revenues primarily comprising commodity and utility trading transactions and other revenue, considered to not correspond to Solvay's know-how and core business.

ROCE: Return on Capital employed, calculated as the ratio between underlying EBIT (before adjustment for the amortization of PPA) and capital employed. Capital employed consists of net working capital, tangible and intangible assets, goodwill, rights-of-use assets, investments in associates & joint ventures and other investments, and is taken as the average of the situation at the end of the last 4 quarters.

SOP: Stock Option Plan.

SPM: The Sustainable Portfolio Management tool is integrated into the Solvay Way framework (linked to five practices). It serves as a strategic tool for developing information on our portfolio and analyzing the impacts of sustainability megatrends on our businesses.

Underlying: Underlying results are deemed to provide a more comparable indication of Solvay's fundamental performance over the reference periods. They are defined as the IFRS figures adjusted for the "Adjustments" as defined above. They provide readers with additional information on the Group's underlying performance over time as well as the financial position and they are consistent with how the business' performance and financial position are reported to the Board of Directors and the Executive Committee.

Underlying Tax rate: $\text{Income taxes} / (\text{Result before taxes} - \text{Earnings from associates \& joint ventures} - \text{interests \& realized foreign exchange results on RusVinyl joint venture})$ – all determined on an Underlying basis. The adjustment of the denominator regarding associates and joint ventures is made as these contributions are already net of income taxes. This provides an indication of the tax rate across the Group.

WACC: Weighted Average Cost of Capital

yoy: Year on year comparison.

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Safe harbor

This press release may contain forward-looking information. Forward-looking statements describe expectations, plans, strategies, goals, future events or intentions. The achievement of forward-looking statements contained in this press release is subject to risks and uncertainties relating to a number of factors, including general economic factors, interest rate and foreign currency exchange rate fluctuations, changing market conditions, product competition, the nature of product development, impact of acquisitions and divestitures, restructurings, products withdrawals, regulatory approval processes, all-in scenario of R&I projects and other unusual items. Consequently, actual results or future events may differ materially from those expressed or implied by such forward-looking statements. Should known or unknown risks or uncertainties materialize, or should our assumptions prove inaccurate, actual results could vary materially from those anticipated. Solvay undertakes no obligation to publicly update or revise any forward-looking statements.

About Solvay

Solvay is a science company whose technologies bring benefits to many aspects of daily life. With more than 24,100 employees in 64 countries, Solvay bonds people, ideas and elements to reinvent progress. The Group seeks to create sustainable shared value for all, notably through its Solvay One Planet plan crafted around three pillars: protecting the climate, preserving resources and fostering better life. The Group's innovative solutions contribute to safer, cleaner, and more sustainable products found in homes, food and consumer goods, planes, cars, batteries, smart devices, health care applications, water and air purification systems. Founded in 1863, Solvay today ranks among the world's top three companies for the vast majority of its activities and delivered net sales of €10.2 billion in 2019. Solvay is listed on Euronext Brussels (SOLB) and Paris and in the United States, where its shares (SOLVY) are traded through a Level I ADR program. Learn more at www.solvay.com.

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