2019 fourth quarter and full year results

Press release
Inside/regulated information

February 26, 2020 at 7 a.m.

PROFIT	Underlying [1] **EBITDA** **FY: €2,322m** -0.4% -2.8% organic [2]	▪ **Underlying EBITDA was stable over the year, in line with expectations. Positive forex impact offset a modest decrease on an organic [2] basis.** ▪ **Double digit volume growth in Composite Materials, higher pricing in Performance Chemicals and strong focus on cost discipline helped mitigate demand headwinds in the automotive, electronics and oil & gas markets throughout the year.** ▪ **Underlying EBITDA margin maintained at 23% for 2019, reflecting the resilience of Solvay's businesses in a challenging market environment.**
	Advanced Materials FY: €1,143m -9.3% organic [2]	▪ Strong demand for composites from aerospace customers contributed to delivery of a record performance in 2019, despite an anticipated slowdown in the fourth quarter due to reduced 737MAX build rates. ▪ Specialty Polymers significantly impacted by market headwinds, particularly in automotive and electronics; despite headwinds, maintained leading position across all key markets.
	Advanced Formulations FY: €490m -12% organic [2]	▪ Resilient performance in coatings, agro, personal care, flavors and fragrances offset by softer mining environment and increasingly challenging conditions in the oil & gas market. ▪ Cost measures partly mitigated the impact of lower volumes.
	Performance Chemicals FY: €852m +10% organic [2]	▪ In a supportive market environment, higher prices were achieved in soda ash and peroxide leading to a strong full year performance.
	Underlying **EPS** [3] from continuing operations **FY: €8.02 -4.7%**	▪ Underlying EPS [3] from continuing operations reflects the lower EBITDA, higher depreciation and tax rate, partly offset by lower financial charges following debt optimization measures.
CASH	**FCF** to Solvay shareholders [4] from continuing operations **FY: €606m** +€40m total **FY: €801m** +€76m	▪ **Strong free cash flow, driven by the Company's renewed focus on cash and disciplined working capital management.** ▪ **Record total cash generation led to operational deleveraging of net financial debt of €414 million, and provisions of €157 million.**
	FCF conversion [4] **FY: 27.8%** +1.8pp	▪ The free cash flow conversion [4] improvement reflects higher than forecast cash generation.
RETURNS	**ROCE** **FY: 8.1%** -0.1pp	▪ Stable returns largely reflect sustained investments for future growth.
	FY dividend **€3.75** recommended	▪ Stable total dividend recommended of €3.75 gross per share. This leads to a final gross dividend of €2.25 payable on May 20, 2020, following the payment of the interim gross dividend of €1.50 per share in January 2020.
OUT-LOOK	**2020 full year outlook**	▪ **Solvay expects organic underlying EBITDA growth [2] between 0% and -3% on a year over year basis, free cash flow conversion of 28% and ROCE to be stable around 8%.**

CEO Ilham Kadri commented:

"We delivered record total free cash flow and cash conversion in 2019, allowing us to deleverage substantially. Our focus on customers and costs amid the challenging market backdrop enabled us to achieve stable EBITDA. As we look ahead, we are taking additional efficiency measures to further align our structure to our G.R.O.W. strategy and confront continuing headwinds. Today, we also released our Solvay ONE Planet sustainability goals, which, together with our new Purpose, will enable us to create long-term value for our shareholders in line with our G.R.O.W. strategy."

The full financial report can be found on: https://www.solvay.com/en/investors/financial-reporting/solvay-earnings
An analyst call will be held at 13:00 CET, please see: https://www.solvay.com/en/investors/financial-calendar-events-presentations/webcasts-podcasts-presentations

2020 outlook

Underlying EBITDA for the year is expected to be flat to modestly down (0% to -3%) organically [2] compared to €2,322 million in 2019, with growth to be back-ended. Against a backdrop of a strong Q1 2019, first quarter 2020 is expected to be down by high single digit as a combined result of the 737MAX production halt, the impact of the COVID-19 virus, and the increasingly challenging oil and gas market.

Key assumptions:

- Focus on mitigation including pricing, headcount efficiency and other cost measures, as well as accelerated technology penetration will deliver more resilience in 2020.
- Solvay assumes Boeing 737MAX production of 200 aircraft in 2020 compared to close to 600 in 2019. The net impact, after mitigation efforts, is expected to be between -€30 million and -€40 million in 2020.
- Disruptions related to the COVID-19 virus are uncertain; Solvay expects approximately -€25 million impact in the first quarter and will update its outlook as the situation becomes clearer.
- Macroeconomic environment headwinds are expected to continue into 2020, with expected improvement in key markets (auto and electronics) in the second half. We expect the oil and gas market to remain significantly challenged again this year.

Free Cash Flow conversion of 28%.

- Continued focus on working capital and on disciplined capex management will support strong cash generation in 2020.
- Pension cash-out will reduce by more than €40 million, following voluntary contributions, and cash-out for financial charges will be about €20 million lower as a result of the reduction and optimization of net financial debt.

ROCE to be stable around 8%.

Efficiency Measures

- In 2020, Solvay is accelerating the alignment of its worldwide organization with its G.R.O.W. strategy and is responding to the challenging economic environment, leading to 500 redundancies and 150 new positions to support future growth. The social procedures are 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. This plan will complement prior measures and raise our mid-term cost reduction target to at least €350 million. Restructuring charges of approximately €70 million will be provisioned in our first quarter financials. It should be noted that, in the fourth quarter of 2019 a provision of €48 million was reversed from the prior program.

G.R.O.W. strategy and 2024 commitments

Our G.R.O.W. strategy, outlined in our November 7, 2019 press release, included a realignment of our businesses into three operating segments, each with distinct business mandates. We will:

- **G**rowth acceleration by prioritizing investments in high margin MATERIALS businesses with high growth potential.
- **R**esilient cash flow delivery from our CHEMICALS businesses where we have a competitive advantage.
- **O**ptimize returns in our SOLUTIONS businesses to unlock value.
- **W**in by enabling the new Solvay ONE operating model, to unleash the full potential at the service of our customers.

	2020 to 2024 *
Underlying EBITDA growth	Mid-single-digit growth per year average
Free Cash Flow conversion	Exceed 30% by 2024
ROCE	Exceed 11% by 2024
Cost reductions	At least €350 million (annual run-rate by 2024) which includes the additional measures announced today **

* *All targets on an organic basis and at constant forex and scope.*
** *Previously €300 to €350 million*

Extra financial indicators	2019	2018	2017
Greenhouse Gas emissions (scope 1 and 2) Evolution yoy (%)	**-5%**	flat	
Sustainable solutions As % of Group sales	**53%**	50%	49%
Occupational accidents at Group sites * Evolution yoy (%)	**-18%**	-17%	-16%
Employees involved in societal actions As % of employees	**47%**	33%	33%

*Rate of accidents with medical treatment, with or without work stoppage

Greenhouse Gas emissions

The -5% reduction in greenhouse gas emissions is primarily the result of investments in cogeneration activities.

Sustainable solutions

More than half of Solvay's portfolio is now solidly positioned as "Sustainable solutions". The progress is the combination of stronger organic growth in sustainable solutions and environmental improvements of operations.

Occupational accidents

This improving outcome is due to a continued and unrelentless focus on safety.

Societal actions

The Citizen Day - Solvay's first World Citizen Day for environmental preservation - contributed to the significant increase from 33% to 47% of employees involved in societal actions in 2019.

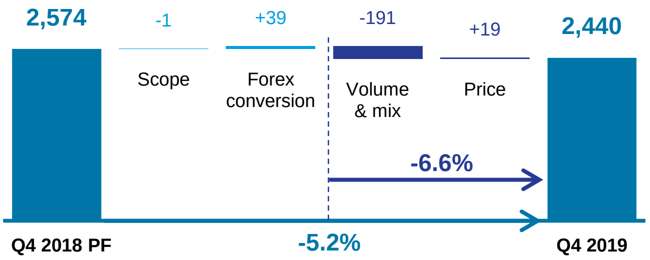
Solvay ONE Planet – New 2030 sustainability plan

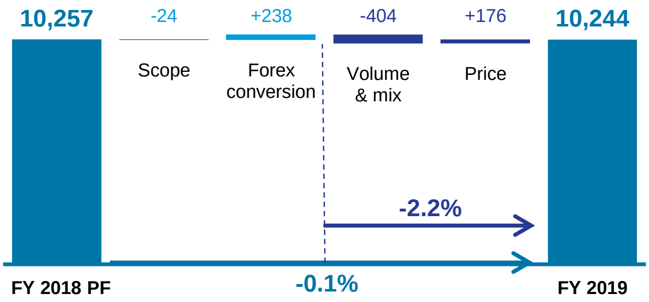
Solvay today announced a new 2030 sustainability program, Solvay ONE Planet, an integral element of the Group's G.R.O.W. strategy that is directly aligned with its purpose of bonding people, ideas and elements to reinvent progress. The plan outlines ten ambitious targets to measure the Group's progress across three key pillars: climate, resources, and better life. To meet these goals, Solvay pledges to reallocate investments to promote sustainability within its portfolio, operations and workplace. Solvay ONE Planet will create long term and shared value for all stakeholders.

		2030 vs 2018
Climate	**Greenhouse gas emissions** Align trajectory with "below 2°C temperature increase" (Paris Agreement)	**26% reduction**
	Coal phase out and **no new coal plant** Wherever renewable alternatives exist	**Achieve 100%**
	Biodiversity Reduce negative pressure (terrestrial acidification, water eutrophication, marine eco-toxicity)	**30% reduction**
Resources	**Sustainable solutions** % of Group sales	**Achieve 65%** vs 50%
	Circular economy Sales of products based on renewable or recycled resources (% of Group sales)	**Achieve 15%** vs 7%
	Industrial waste Landfill or incinerated without energy recovery	**30% reduction**
	Water use efficiency Freshwater withdrawal	**25% reduction**
Better life	**Safety** A zero accident policy aiming to protect the safety and security of its employees	**Aim for zero**
	Inclusion & diversity % of women, middle and senior managers	**Parity** (by 2035) vs 24%
	Gender equality Solvay is adapting its global policy of 14 weeks maternity leave to 16 weeks and extending it to co-parents employed by the company, regardless of gender	**Extension to 16 weeks** (by 2021)

Net sales

(in € million)





Fourth quarter net sales were down -5.2%, with forex conversion effects compensating for -6.6% organic [2] growth, as a result of lower volumes.

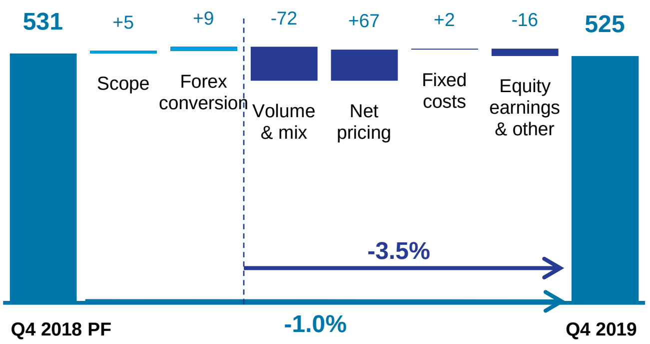
- **Forex** conversion had a positive effect, primarily related to the appreciation of the U.S. dollar.
- **Volumes** were down -7.4%. Demand from automotive and electronic applications continued to be low, while the strong performance of aerospace softened with the expected lower production rate for the 737MAX aircraft. Sales to the North American shale oil & gas sector continued to be impacted by further weakening demand in a very competitive market.
- **Prices** rose by +0.7%, benefiting from increased pricing for soda ash and peroxides.

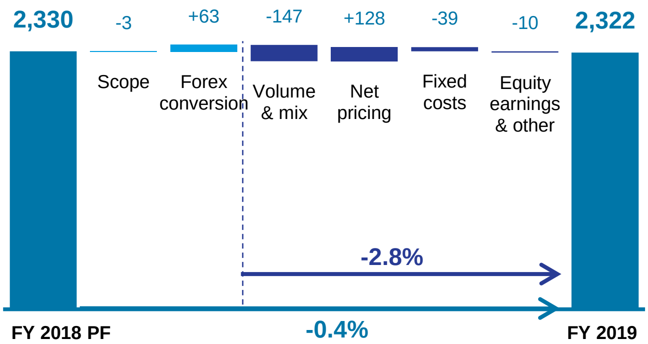
Full year net sales were stable, supported by positive forex conversion effects. Organically [2], net sales were down -2.2%, with lower volumes being partly compensated by higher prices.

- The slight reduction in **scope** [5] is mainly related to the divestment of remaining soda ash related activities in Egypt in October 2018.
- **Volumes** were down -3.9%, as demand fell in the automotive, electronics and oil & gas markets, which represents about 25% of Solvay's sales. This was partly offset by the strong demand for composite materials in aerospace applications. Demand for soda ash and peroxide proved resilient.
- **Prices** increased by +1.7%, benefiting from higher prices for soda ash and peroxides.

Underlying EBITDA

(in € million)





Fourth quarter underlying EBITDA was down -1.0%, and -3.5% organically [2] excluding forex conversion. Positive net pricing effects compensated for lower volumes, while fixed costs were kept stable. The underlying EBITDA margin was slightly up by +0.9pp at 22%.

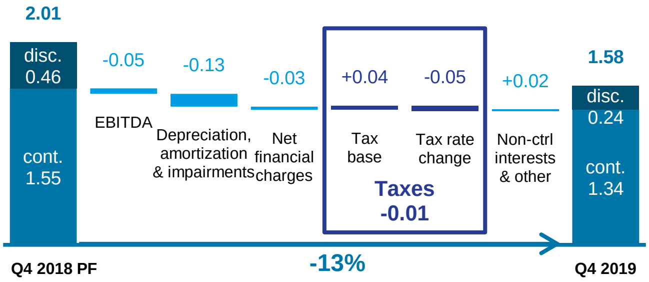
- **Net pricing** was up +12%, including price increases, lower raw material and energy prices in the quarter.
- **Fixed costs** were stable due to acceleration of the simplification and productivity measures, especially in Performance Chemicals and Advanced Formulations. Corporate costs were lower year on year.
- **Equity earnings & other elements** consisted mainly of the lower contribution from the PVC and Peroxide joint ventures, and some small non-repeating events.

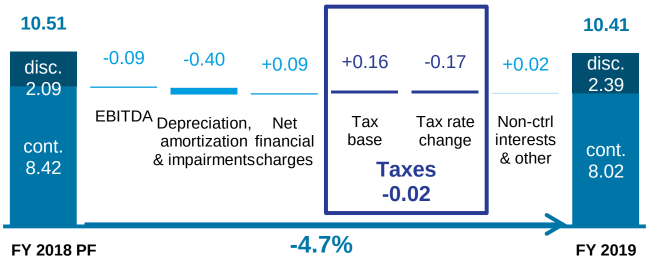
Full year underlying EBITDA was down -0.4%, and -2.8% organically [2], mostly on lower volumes.

- **Net pricing** contributed +5.5%. Higher prices and cost measures more than compensated for higher raw material and energy prices, which were up primarily in the first half.
- **Fixed costs** were up reflecting the expanded production capabilities in Composite Materials for aerospace, as well as the accounting impact of destocking in response to lower demand in other markets, especially in Specialty Polymers. Inflation was compensated by cost containment measures and lower corporate costs. The simplification plan delivered over €100 million of savings since its launch in 2018.
- **Equity earnings & other elements** reflect the positive contribution from the PVC and peroxide joint ventures and the -0.6% net impact of one-time events. These include a €12 million gain on an energy-related settlement in the second quarter of 2019 versus a €23 million pension-related synergy benefit booked in the same period in 2018.

Underlying earnings per share

(in €)



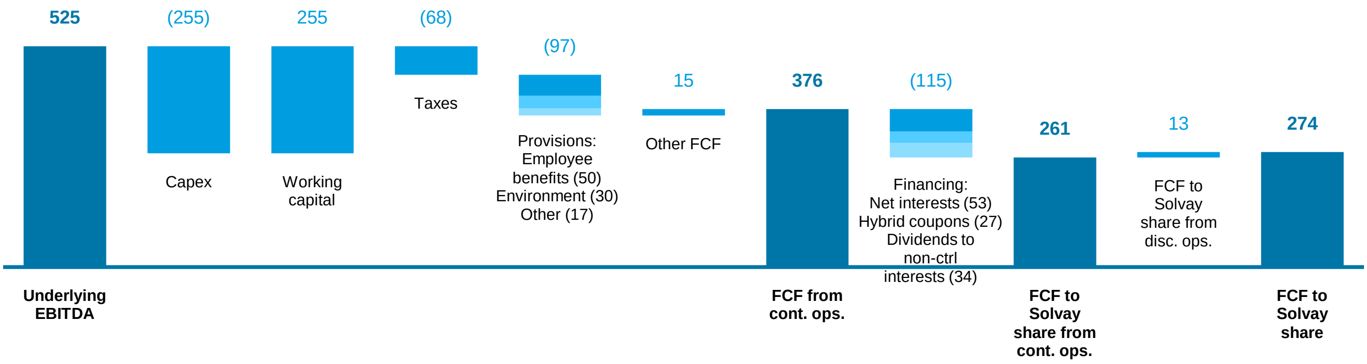


Fourth quarter 2019 underlying earnings per share[3] from continuing operations were down 13% at €1.34, primarily due to higher depreciation and amortization charges, as investments for future growth were sustained.

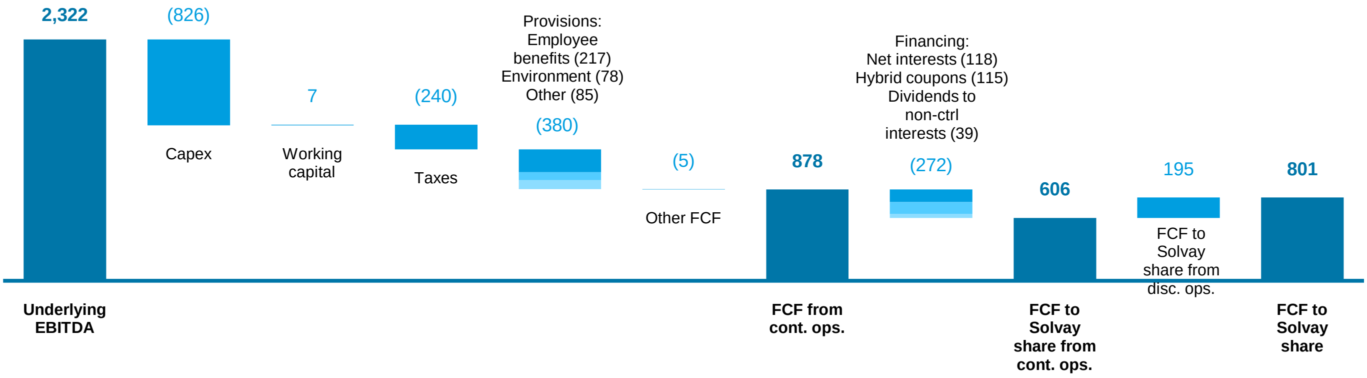
Full year underlying earnings per share[3] from continuing operations were down -4.7% at €8.02. Higher depreciation and amortization charges and the slightly lower EBITDA were mitigated by lower net financial charges, following the repayment of higher interest-yielding debt in June 2018 and May 2019. Total underlying earnings per share in the full year was modestly down thanks to a higher contribution from the discontinued polyamide operations.

Free cash flow (FCF)

Q4 evolution *(in € million)*



FY evolution *(in € million)*



Fourth quarter free cash flow to Solvay shareholders from continuing operations was €261 million. This is lower than the same quarter last year, mainly as a result of improved phasing of working capital, whereas in 2018 the cash inflow was concentrated in the fourth quarter, with €366 million (versus €255 million in the fourth quarter of 2019). Total Free Cash Flow to Solvay shareholders was €274 million.

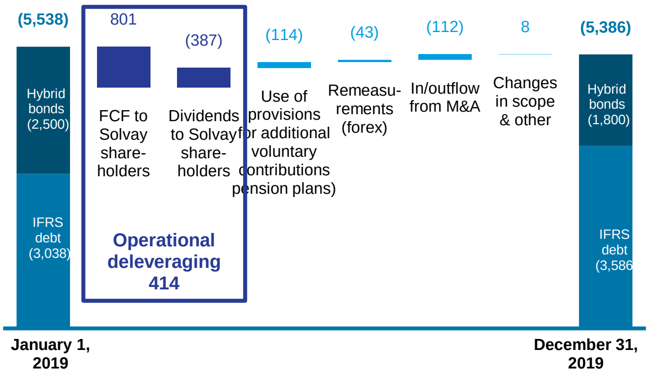
Full year free cash flow to Solvay shareholders from continuing operations was €606 million, up €40 million year on year. Working capital was positive at €7 million, resulting from more disciplined management.

Capex from continuing operations increased by +5.4% compared to €794 million in 2018. Provision payments were largely in line with last year, and taxes were up €(29) million, as expected.

Discontinued operations contributed €195 million, €35 million more than in 2018. These operations consist of the Polyamide activities sold on January 31, 2020 to BASF and Domo. As a consequence, total free cash flow to Solvay shareholders amounted to €801 million in 2019.

Net financial debt

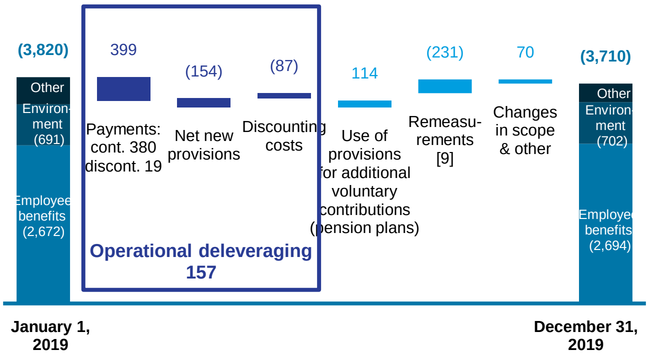
(in € million)



Underlying net financial debt [7] was €(5.4) billion. Strong operational cash flow of €801 million funded dividends of €387 million as well as an additional voluntary pension contribution of €114 million. Taking into account other factors such as forex and M&A impact, net financial debt was reduced by €152 million and the underlying leverage ratio improved to 2.0x. Solvay called a €0.70 billion hybrid bond at 4.20% in May 2019, which was partly pre-financed by a €0.30 billion hybrid bond at 4.25% issued in November 2018. In September 2019 Solvay also redeemed the outstanding US$800 million 3.400% notes due 2020, and partly replaced it by the issuance of a €600 million new bond at 0.50% in August. These steps contribute to a reduction in financial charges; full effects will be visible in 2020.

Provisions

(in € million)



Provisions decreased from €(3.8) billion to €(3.7) billion. Strong operational cash deleveraging of €157 million were supplemented by an additional voluntary pension contribution of €114 million. These largely offset a €231 million increase in post-employment provisions related to the net effect of lower discount rates and higher returns from plan assets.

Discontinued operations

In 2019, discontinued operations mainly consisted of the more commoditized Performance Polyamides activities to be sold to BASF and Domo Chemicals.

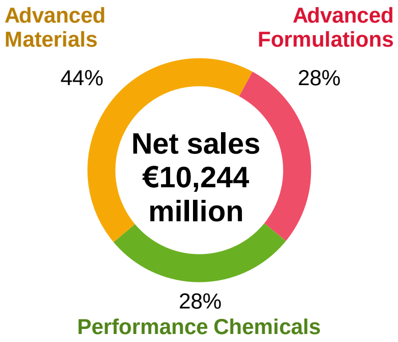
The contribution of discontinued operations to the profit of Solvay amounted to €236 million (+18% compared to 2018).

Free cash flow from discontinued operations in 2019 amounted to €195 million.

The transaction has been completed on January 31, 2020. The transaction is based on an enterprise value of €1.6 billion and the net cash proceeds to be received on the combined transaction are estimated to be around €1.2 billion, subject to customary post-closing purchase price adjustments.

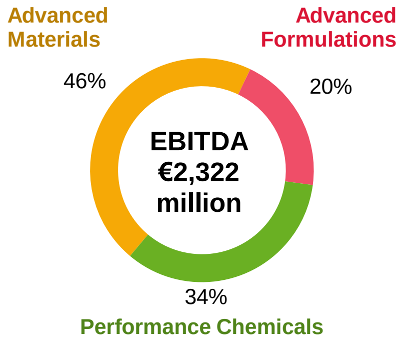
Following the closing of the transaction, the net proceeds have been already partly used to improve the balance sheet. €380 million have been used to voluntarily reduce the pension provisions, on top of the €114 million already paid in the fourth quarter of 2019.

Segment review



Advanced Materials
Advanced Formulations
Performance Chemicals

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



Corporate & Business Services

(in € million)	Q4 2019	Q4 2018 PF	*% yoy*	FY 2019	FY 2018 PF	*% yoy*
Net sales	**1**	**1**	***-3.5%***	**6**	**7**	***-14%***
EBITDA	**(35)**	**(53)**	***+34%***	**(163)**	**(189)**	***+14%***

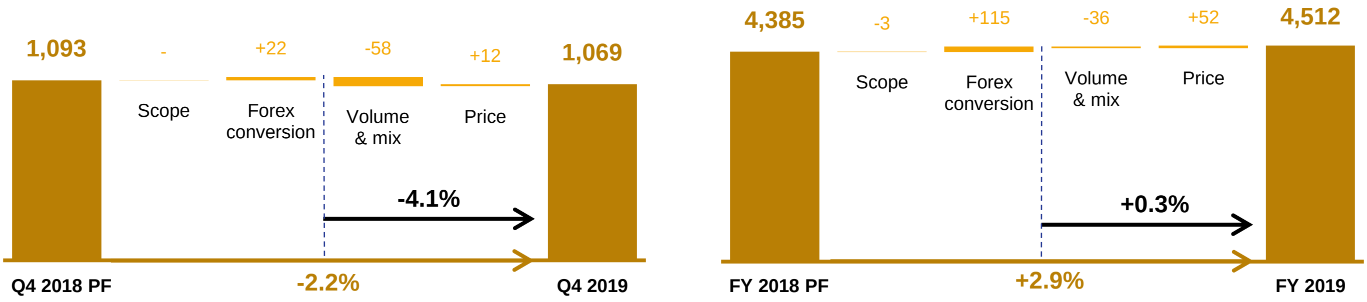
Fourth quarter underlying EBITDA costs were €(35) million, €18 million better than in 2018. Continued focus on cost discipline and lower provisions for bonuses, more than offset inflation.

Corporate & Business Services includes corporate functions, Corporate research & innovation and energy services, whose mission is to optimize energy consumption and reduce CO_2 emissions.

Full year underlying EBITDA was €(163) million, €26 million better, reflecting cost reductions and austerity measures, favorable conditions on the energy market and lower provisions for bonuses.

Advanced Materials

Net sales *(in € million)*



(in € million)	Q4 2019	Q4 2018 PF	% yoy	FY 2019	FY 2018 PF	% yoy
Net sales	1,069	1,093	*-2.2%*	4,512	4,385	*+2.9%*
EBITDA	252	282	*-11%*	1,143	1,225	*-6.7%*
EBITDA margin	*23.6%*	*25.8%*	*-2.2pp*	*25.3%*	*27.9%*	*-2.6pp*

Fourth quarter net sales were down -2.2%, of which -4.1% on an organic [2] basis excluding forex conversion effects. Double-digits volume growth in Composite Materials partly offset the decline in Specialty Polymers. Prices benefited the segment in the quarter.

- **Specialty Polymers** sales were down -5.6% on lower volumes. Electronics sales were down due to lack of investments in the semiconductor fabs, while smart device demand improved sequentially in a soft market. Lower demand in automotive continued against a stronger fourth quarter in 2018. Battery materials performed strongly again, supported by the electrification trend. Prices were up.
- **Composite Materials** sales were up +3.8%. Volumes were slightly down, mainly driven by the anticipated decrease of 737MAX production in the quarter as well as normal seasonality.
- **Special Chem** sales decreased by -3.2% on volumes, partly offset by prices. Auto catalyst demand continued to be positive thanks to the launch of new emission standards in China, while demand in other automotive applications remained weak. The semiconductor industry was stable.
- **Silica** sales were down -0.9%, showing resilience in a soft market environment.

Fourth quarter underlying EBITDA decreased by -11% and was down -12% organically [2] excluding forex conversion effects, as the price increase could not mitigate lower volume. Costs were also slightly higher, due mainly to inventory destocking in both Specialty Polymers and Composites. Measures to improve production yield and optimize the supply chain partly offset the destocking impact. The underlying EBITDA margin fell 2.2pp to 24%.

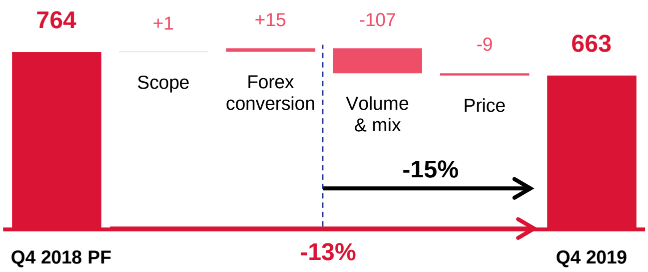
Full year net sales increased by +2.9% overall and by +0.3% organically [2]. Lower volumes in Specialty Polymers' automotive and electronics markets were offset by double-digit growth in Composite Material's for aerospace. Prices were up across the segment.

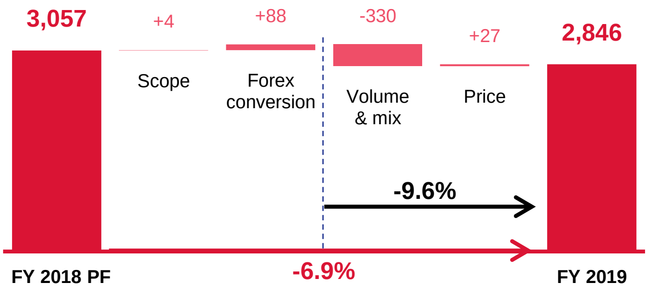
Full year underlying EBITDA was down -6.7% and -9.3% organically [2]. Higher prices, as well as cost containment and productivity measures only partly offset the higher cost base, resulting primarily from destocking and the effect of expanded production capabilities in Composite Materials. The one-time pension-related synergy benefit of €19 million, booked in the second quarter of 2018, had a -1.5% impact on the 2019 full year EBITDA. The EBITDA margin was down -2.6pp at 25%.

Advanced Materials offers 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 CO_2 and energy efficiency. Major markets served include next-generation mobility in automotive and aerospace, healthcare and electronics.

Advanced Formulations

Net sales *(in € million)*





(in € million)	Q4 2019	Q4 2018 PF	*% yoy*	FY 2019	FY 2018 PF	*% yoy*
Net sales	663	764	*-13%*	2,846	3,057	*-6.9%*
EBITDA	102	122	*-17%*	490	533	*-8.1%*
EBITDA margin	*15.4%*	*16.0%*	*-0.6pp*	*17.2%*	*17.4%*	*-0.2pp*

Fourth quarter net sales were down -13%, and -15% organically [2] as North American shale oil & gas stimulation activities were increasingly challenging.

- In **Novecare**, sales fell -17% with lower volumes and prices in a deteriorating Oil & Gas environment. Customers remained focused on costs in a challenging market. Sales in other end-markets such as coatings increased modestly.
- **Technology Solutions** sales were down -6.8% on lower volumes. Activity levels in mining were down related to production stoppages at some key mining customers, while volumes of phosphorous specialties and polymer additives were impacted by weak demand in the construction and automotive sectors.
- In **Aroma Performance**, sales were down -8.6% related to order phasing across the quarters.

Fourth quarter underlying EBITDA decreased by -17% and excluding forex conversion effects -19% organically [2], due to the lower volumes. These were partly compensated by better prices and cost reduction measures. The underlying EBITDA margin of the fourth quarter decreased by 0.6pp at 15.4%.

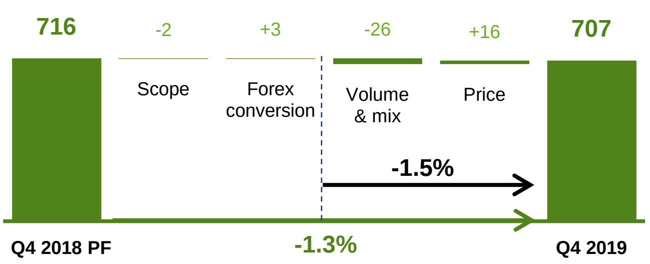
Full year net sales were down -6.9% and -10% organically [2]. Prices were slightly up, and volumes declined -11% primarily linked to the challenging shale oil & gas conditions in North America and softer activity in mining in the second half. Aroma Performance sales were up on volumes, notably in natural vanillin, and prices.

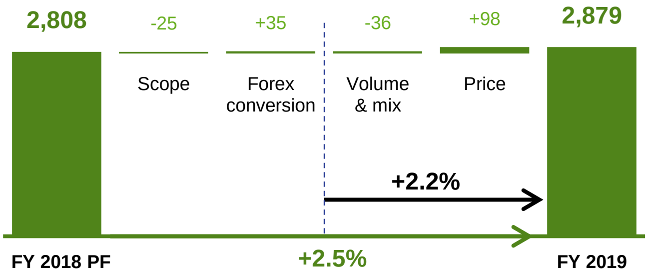
Full year underlying EBITDA was down -8.1% and -12% organically [2]. The significant volume declines were mitigated by price increases and cost containment measures, particularly in Novecare, leading to stable EBITDA margin of 17%.

Advanced Formulations includes a broad-based portfolio of surface chemistries focused on improving the world's resource efficiency. The segment offers customized formulations that alter fluids behavior to optimize yield while reducing environmental impact. Major markets include resource efficiency in oil & gas, mining and agriculture, as well as consumer goods, and food.

Performance Chemicals

Net sales *(in € million)*





(in € million)	Q4 2019	Q4 2018 PF	*% yoy*	FY 2019	FY 2018 PF	*% yoy*
Net sales	707	716	*-1.3%*	2,879	2,808	*+2.5%*
EBITDA	207	180	*+15%*	852	761	*+12%*
EBITDA margin	*29.2%*	*25.1%*	*+4.1pp*	*29.6%*	*27.1%*	*+2.5pp*

Fourth quarter net sales in the segment were down -1.3%, and -1.5% organically [2]. Higher contract prices for soda ash and peroxides did not fully offset the lower volumes.

- In **Soda Ash & Derivatives**, sales grew +3.2%. Soda ash volumes were down at year-end, with higher customer inventories, while prices were well up.
- **Peroxides** sales were down -1.0%, with higher prices partly offsetting lower volumes in different markets. Demand for propylene oxide drove solid volumes in the HPPO plants, offsetting some softness for pulp applications.
- **Coatis** sales were down -14%, both on volumes and prices, with softer demand in its domestic Brazilian market compared to a very strong 2018, mainly related to weaker automotive demand.

Fourth quarter underlying EBITDA rose +15%. Excluding scope and forex conversion effects it grew +14%, mainly due to higher prices for soda ash and peroxides as well as favorable energy costs and productivity gains across the supply chain. Consequently, the segment EBITDA margin grew +4.1pp to 29%.

Full year net sales in the segment were up +2.5% and +2.2% organically [2], reflecting the higher contract prices for soda ash and peroxides, and more than offsetting lower sales in Coatis, which compare to a very strong 2018.

Full year underlying EBITDA grew +12% and +10% organically [2] driven by higher prices. Productivity gains, favorable energy costs and a strong contribution from the Russian PVC joint venture also contributed positively to the performance. A one-time gain of €12 million was booked in the second quarter on the settlement of an energy contract in the soda ash business. The EBITDA margin was up +2.5pp at 30%.

Performance Chemicals hosts 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. It provides resilient profitability thanks to good pricing and market dynamics, underpinned by high quality assets.

Underlying key figures

(in € million)	Q4 2019	Q4 2018 PF	% yoy	FY 2019	FY 2018 PF	% yoy
Net sales	**2,440**	**2,574**	***-5.2%***	**10,244**	**10,257**	***-0.1%***
EBITDA	**525**	**531**	***-1.0%***	**2,322**	**2,330**	***-0.4%***
EBITDA margin	*21.5%*	*20.6%*	*+0.9pp*	*22.7%*	*22.7%*	*-0.1pp*
EBIT	**306**	**325**	***-5.7%***	**1,503**	**1,554**	***-3.2%***
Net financial charges [6]	(86)	(82)	*-4.2%*	(332)	(342)	*+2.8%*
Income tax expenses	(74)	(73)	*-1.5%*	(305)	(303)	*-0.6%*
Tax rate				*27.8%*	*26.1%*	*+1.6pp*
Profit from discontinued operations	24	47	*-49%*	247	216	*+14%*
(Profit) / loss attributable to non-controlling interests	(8)	(10)	*-18%*	(39)	(40)	*-2.5%*
Profit / (loss) attributable to Solvay shareholders	**163**	**208**	***-21%***	**1,075**	**1,085**	***-1.0%***
Basic earnings per share (in €)	**1.58**	**2.01**	***-21%***	**10.41**	**10.51**	***-0.9%***
of which from continuing operations	1.34	1.55	*-13%*	8.02	8.42	*-4.7%*
Capex in continuing operations	**(255)**	**(243)**	***-4.9%***	**(826)**	**(794)**	***-4.0%***
FCF to Solvay shareholders from continuing operations	**261**	**438**	***-40%***	**606**	**566**	***+7.1%***
FCF to Solvay shareholders	274	454	*-40%*	801	726	*+10%*
FCF conversion ratio	56%	89%	*-32%*	28%	26%	*+1.8%*
Net financial debt [7]	**(5,386)**			**(5,386)**		
Underlying leverage ratio [8]	*2.0*			*2.0*		
CFROI				***6.5%***	***6.8%***	***-0.3pp***
ROCE				***8.1%***	***8.2%***	***-0.1pp***
Research & innovation				(336)	(352)	*+4.7%*
Research & innovation intensity				***3.3%***	***3.4%***	***-0.2pp***

Notes

All comparisons are made year on year with 2018 pro forma figures, as if IFRS 16 had already been implemented in 2018, unless stated otherwise.

[1] Underlying 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.

[2] Organic growth excludes forex conversion and scope effects, as well as the effect from the implementation of IFRS 16 in 2016. Reported growth compares to the published 2018 pro forma figures, adjusted for the implementation of IFRS 16.

[3] Underlying earnings per share, basic calculation.

[4] Free cash flow to Solvay shareholders is the 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. The free cash flow conversion ratio is calculated as the ratio between the free cash flow to Solvay shareholders (before netting of dividends paid to non-controlling interest) and underlying EBITDA.

[5] Scope effects include acquisitions and divestments of smaller businesses not leading to the restatement of previous periods.

[6] Underlying net financial charges include the coupons on perpetual hybrid bonds (accounted as dividends under IFRS, and thereby excluded from the P&L), as well as the financial charges and realized foreign exchange losses from the RusVinyl joint venture (part of earnings from associates under IFRS, and thereby included in the IFRS EBITDA).

[7] Underlying net financial debt includes the perpetual hybrid bonds, accounted for as equity under IFRS.

[8] The leverage ratio is defined as the underlying net financial debt divided by the underlying EBITDA of the last 12 months, adjusted for discontinued operations.

FY consolidated income statement

(in € million)	FY 2019 IFRS	FY 2019 Adjust-ments	FY 2019 Under-lying	FY 2018 PF IFRS	FY 2018 PF Adjust-ments	FY 2018 PF Under-lying
Sales	**11,227**	**-**	**11,227**	**11,299**	**-**	**11,299**
of which revenues from non-core activities	983	-	983	1,042	-	1,042
of which net sales	10,244	-	10,244	10,257	-	10,257
Cost of goods sold	(8,244)	2	(8,242)	(8,258)	2	(8,256)
Gross margin	**2,983**	**2**	**2,985**	**3,042**	**2**	**3,043**
Commercial costs	(381)	-	(381)	(373)	-	(373)
Administrative costs	(950)	28	(922)	(1,005)	35	(970)
Research & development costs	(323)	3	(321)	(297)	3	(294)
Other operating gains & losses	(131)	182	51	(123)	197	74
Earnings from associates & joint ventures	95	(3)	92	44	30	74
Result from portfolio management & reassessments	(914)	914	-	(208)	208	-
Result from legacy remediation & major litigations	(61)	61	-	(86)	86	-
EBITDA	**2,222**	**99**	**2,322**	**2,030**	**301**	**2,330**
Depreciation, amortization & impairments	(1,906)	1,087	(818)	(1,036)	260	(777)
EBIT	**316**	**1,187**	**1,503**	**994**	**560**	**1,554**
Net cost of borrowings	(141)	13	(128)	(134)	-	(134)
Coupons on perpetual hybrid bonds	-	(105)	(105)	-	(112)	(112)
Interests and realized foreign exchange gains (losses) on the RusVinyl joint venture	-	(18)	(18)	-	(21)	(21)
Cost of discounting provisions	(105)	20	(85)	(77)	3	(74)
Result from equity instruments measured at fair value through other comprehensive income	4	-	4	-	-	-
Profit / (loss) for the period before taxes	**74**	**1,097**	**1,171**	**783**	**429**	**1,212**
Income taxes	(153)	(151)	(305)	(73)	(230)	(303)
Profit / (loss) for the period from continuing operations	**(79)**	**946**	**866**	**710**	**199**	**909**
Profit / (loss) for the period from discontinued operations	236	11	247	201	15	216
Profit / (loss) for the period	**157**	**957**	**1,113**	**910**	**215**	**1,125**
attributable to Solvay shareholders	118	956	1,075	871	214	1,085
attributable to non-controlling interests	38	1	39	39	-	40
Basic earnings per share (in €)	1.15	9.27	10.41	8.43	2.08	10.51
of which from continuing operations	(1.14)	9.16	8.02	6.49	1.93	8.42
Diluted earnings per share (in €)	1.15	9.25	10.39	8.40	2.07	10.46
of which from continuing operations	(1.14)	9.14	8.01	6.46	1.92	8.38

IFRS results of FY19

IFRS profit attributable to Solvay share was €118 million, €(957) million lower than the underlying profit. The adjustments to IFRS results were made primarily for the following elements:

- €(879) million impairments, of which €(825) million on Novecare's oil & gas activities (see financial report), which represents €658 million after taxes.
- €(23) million restructuring costs, mostly relating to the simplification plan;
- €(62) million legacy remediation and major litigation costs;
- €(214) million of amortization charges on intangible assets linked to the impact of purchase price allocation;
- €105 million coupons of hybrid bonds, which are treated as dividends under IFRS;
- €(13) million financing costs, consisting of debt renegotiation charges and one-time discounting impact on environmental liabilities, partly offset by the appreciation impact of the Russian ruble on the RusVinyl joint venture debt
- €151 million tax impacts, of which €167 million relates to the oil & gas activities impairment.
- €(11) million M&A costs related to the remedy package for the divestment of the Polyamide activities.

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UPCOMING EVENTS

- **Early April 2020** — 2019 integrated annual report
- **May 6, 2020** — First quarter 2020 results
- **May 12, 2020** — Annual general meeting
- **May 18, 2020** — Final dividend: ex-coupon date
- **May 19, 2020** — Final dividend: record date
- **May 20, 2020** — Final dividend: payment date
- **July 29, 2020** — First half 2020 results
- **November 5, 2020** — Nine months 2020 results
- **February 26, 2021** — Full year 2020 results

USEFUL LINKS

- **Press release**
- **Earnings toolkit:** financial report, presentation, excel tables, financial & extra-financial glossary
- **News corner**
- **Investors corner**
- **Analysts & Investors conference call (13:00 CET)**
- **2018 annual integrated report**

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Solvay is headquartered in Brussels with around 24,100 employees in 64 countries. Net sales were €10.2 billion in 2019, with the vast majority of activities where Solvay ranks among the world's top 3 leaders, resulting in an EBITDA margin of 23%. Solvay SA (**SOLB.BE**) is listed on Euronext Brussels and Paris Bloomberg: **SOLB.BB** - Reuters: **SOLB.BR**), and in the United States its shares (**SOLVY**) are traded through a level-1 ADR program. *(Figures take into account the planned divestment of Polyamides.)*

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