SOLVAY
asking more from chemistry®

First nine months 2019
Financial report

Inside / regulated information

Published on November 7, 2019, at 7:00 a.m.

Forenote

IFRS 16 has been implemented in the Group's financial statements since January 1, 2019. Comparative information for the first nine months of 2018 in the business review is presented on an unaudited pro forma basis as if the implementation had taken place on January 1, 2018. This information is labelled "pro forma" or "PF". The balance sheet evolution is compared with January 1, 2019, which includes the IFRS 16 impact versus December 31, 2018.

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, 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 11 are on an underlying basis, unless otherwise stated.

UNDERLYING BUSINESS REVIEW [1]

- In the first nine months net sales rose +1.6%, and underlying EBITDA was largely stable at -0.2%. Excluding conversion forex and scope impacts, underlying EBITDA was -2.6% below last year, on an organic [2] basis. EBITDA margins were sustained at 23%.
- In Q3 underlying EBITDA was up +0.4%. On an organic basis [2], EBITDA fell -1.8% as continued volume growth in composites, higher pricing in performance chemicals and particular focus on cost discipline mitigated the effects of persistent low demand in the automotive, electronics and oil & gas markets.

–

- The evolution of the underlying EPS [3] from continuing operations reflects the EBITDA performance in the first nine months of the year, as well as the effects of reduced financial charges and higher depreciation and amortization.

–

- The further decline of the shale oil and gas stimulation market in North America and the pressure on field service companies drove the commoditization of fracking technologies, leading to a switch away from Solvay's specialty solutions. These developments changed the underlying growth fundamentals of this business and reduced expectations on this business' future growth. This led to a non-cash impairment of €(656) million post-tax on the combined former Rhodia and Chemlogics oil & gas assets (see page 27).

–

- A strong focus on working capital management contributed to the generation of free cash flow to Solvay shareholders of €345 million on a continuing basis year to date, an improvement of +€217 million. The strong delivery of €313 million in Q3 primarily reflects the improvement of quarterly cash phasing.
- Total free cash flow to Solvay shareholders was €527 million year to date, including €182 million from discontinued operations. This contributed to an operational deleveraging of net financial debt by €140 million, an improvement of €241 million over 2018.
- Interim dividend of €1.50 gross per share [19], a +4.2% increase, will be payable on January 20, 2020.

Outlook

Solvay expects organic underlying EBITDA growth [4] between -2% and -3% year on year and free cash flow to Solvay shareholders from continuing operations [5] of around €490 million, in line with previous full year guidance. At current exchange rates, the expected underlying EBITDA translates into around €2,330 million, broadly flat compared to 2018.

9M key figures

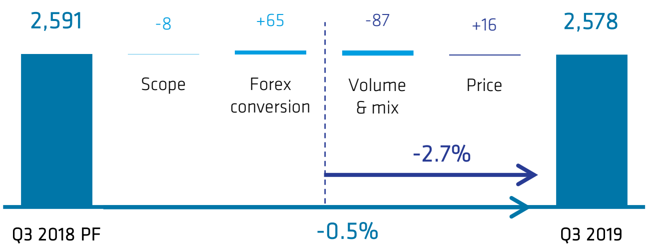
(in € million)	IFRS 9M 2019	IFRS 9M 2018 PF	IFRS % yoy	Underlying 9M 2019	Underlying 9M 2018 PF	Underlying % yoy
Net sales	7,803	7,683	+1.6%	7,803	7,683	+1.6%
EBITDA	1,707	1,544	+11%	1,796	1,799	-0.2%
EBITDA margin				23.0%	23.4%	-0.4pp
EBIT	114	758	-85%	1,197	1,229	-2.6%
Net financial charges [6]	(175)	(150)	-17%	(246)	(259)	+5.1%
Income tax expenses	(7)	(116)	n.m.	(231)	(230)	-0.3%
Tax rate				25.8%	24.6%	+1.2pp
Profit from discontinued operations	208	158	+32%	222	169	+32%
(Profit) loss attributable to non-controlling interests	(31)	(30)	+2.6%	(31)	(30)	+2.4%
Profit attributable to Solvay shareholders	110	620	-82%	911	878	+3.8%
Basic earnings per share (in €)	1.06	6.00	-82%	8.84	8.50	+4.0%
of which from continuing operations	(0.96)	4.48	n.m.	6.68	6.86	-2.7%
Capex in continuing operations				(570)	(550)	-3.7%
FCF to Solvay shareholders from continuing operations				345	128	n.m.
FCF to Solvay shareholders				527	273	n.m.
Net financial debt [7]	(3,770)			(5,570)		
Underlying leverage ratio				2.1		

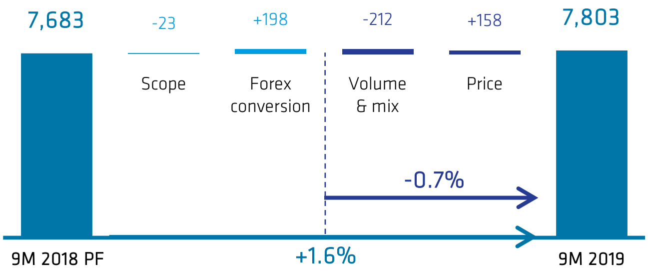
Q3 key figures

(in € million)	IFRS Q3 2019	IFRS Q3 2018 PF	IFRS % yoy	Underlying Q3 2019	Underlying Q3 2018 PF	Underlying % yoy
Net sales	2,578	2,591	-0.5%	2,578	2,591	-0.5%
EBITDA	591	569	+3.9%	601	599	+0.4%
EBITDA margin				23.3%	23.1%	+0.2pp
EBIT	(492)	311	n.m.	397	407	-2.6%
Net financial charges [6]	(62)	(52)	-20%	(80)	(88)	+9.7%
Income tax expenses	120	(42)	n.m.	(61)	(76)	+20%
Profit from discontinued operations	58	69	-16%	59	63	-6.0%
(Profit) loss attributable to non-controlling interests	(11)	(11)	+2.9%	(11)	(11)	+3.9%
Profit attributable to Solvay shareholders	(387)	275	n.m.	304	295	+3.0%
Basic earnings per share (in €)	(3.76)	2.67	n.m.	2.95	2.86	+3.2%
of which from continuing operations	(4.32)	2.00	n.m.	2.37	2.25	+5.6%
Capex in continuing operations				(215)	(187)	-15%
FCF to Solvay shareholders from continuing operations				313	146	n.m.
FCF to Solvay shareholders				335	195	+72%
Net financial debt [7]	(3,770)			(5,570)		
Underlying leverage ratio				2.1		

Net sales

(in € million)





Third quarter net sales were down -0.5%, with forex conversion effects compensating for -2.7% organic [2] growth, as a result of lower volumes.

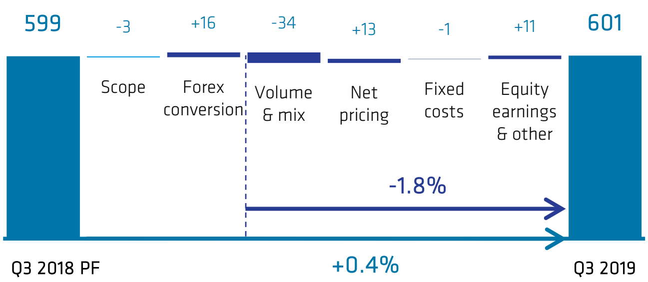
- The reduction in **scope** [8] is mainly related to the divestment of remaining soda ash related activities in Egypt in October 2018.
- **Forex** conversion had a positive effect, primarily related to the appreciation of the U.S. dollar.
- **Volumes** were down -3.5%. Lower demand from automotive and electronic applications was compensated by strong order levels in aerospace. Sales to the North American shale oil & gas sector were down more than -30% on weakening demand in a very competitive market. In Performance Chemicals volumes were overall flat, reflecting stable demand in the soda ash and peroxide markets.
- **Prices** rose by +0.6%, benefiting from transactional forex effects and increased pricing for soda ash and peroxides.

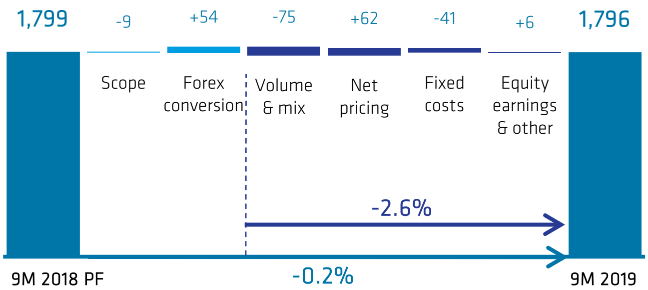
Year-to-date net sales were up +1.6%, supported by positive forex conversion effects. Organically [2], net sales were down -0.7%, lower volumes being partly compensated by higher prices.

- **Volumes** were down -2.8%. The deteriorating automotive, electronics and oil & gas markets affected Solvay's 25% sales exposure to these markets. This was partly offset by continued strong demand for composite materials in aerospace applications. Demand for soda ash and peroxide proved resilient.
- **Prices** increased by +2.1%, benefiting from transactional forex effects and higher negotiated prices for soda ash and peroxides.

Underlying EBITDA

(in € million)





Third quarter underlying EBITDA was up +0.4%, and -1.8% organically [2] excluding forex conversion. Positive net pricing effects and a strong contribution from joint ventures offset lower volumes, while fixed costs were kept stable. The underlying EBITDA margin was slightly up (+0.2pp) at 23%.

- **Net pricing** was up +2.2%, including price increases, lower raw material and energy prices and positive transactional forex effects incurred in the period. This was especially the case in Performance Chemicals with higher annual soda ash pricing.
- **Fixed costs** were stable thanks to simplification and productivity measures, especially in Advanced Formulations and Corporate, which offset higher fixed costs in Advanced Materials, coming from the expanded production capabilities in Composite materials as well as inflation and inventory reductions.
- **Other elements** consisted mainly of the strong contribution from the Russian PVC and Brazilian peroxide joint ventures.

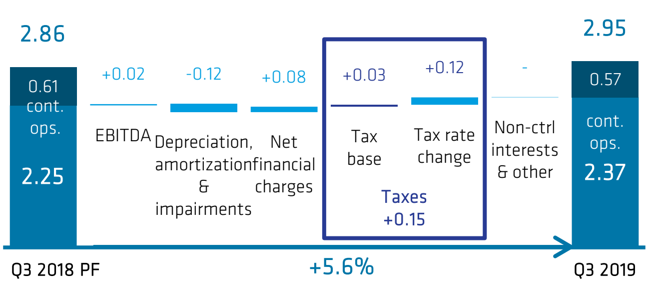
Year-to-date underlying EBITDA was down -0.2%, and -2.6% organically [2], mostly on lower volumes and the net negative impact of some one-time events.

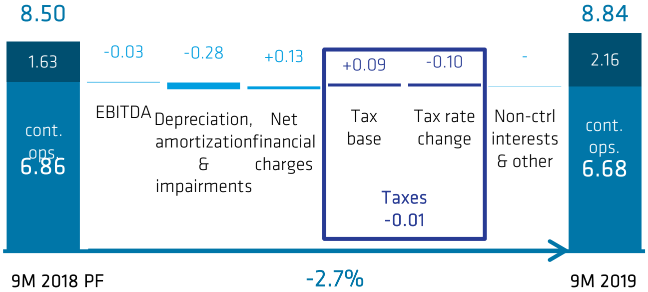
- **Net pricing** contributed +3.4%. Higher prices and transactional forex tailwinds more than compensated for higher raw material and energy prices, as well as destocking effects.
- **Fixed costs** were up reflecting the expanded production capabilities in Composite Materials, responding to the surging aerospace demand, as well as destocking effects, as businesses respond to the lower demand. Inflation was compensated by cost containment measures. The simplification plan delivered around €85 million of savings since its launch in 2018.

Other elements reflect the strong contribution from the PVC and peroxide joint ventures which more than compensated for 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 last year.

Underlying earnings per share

(in €)



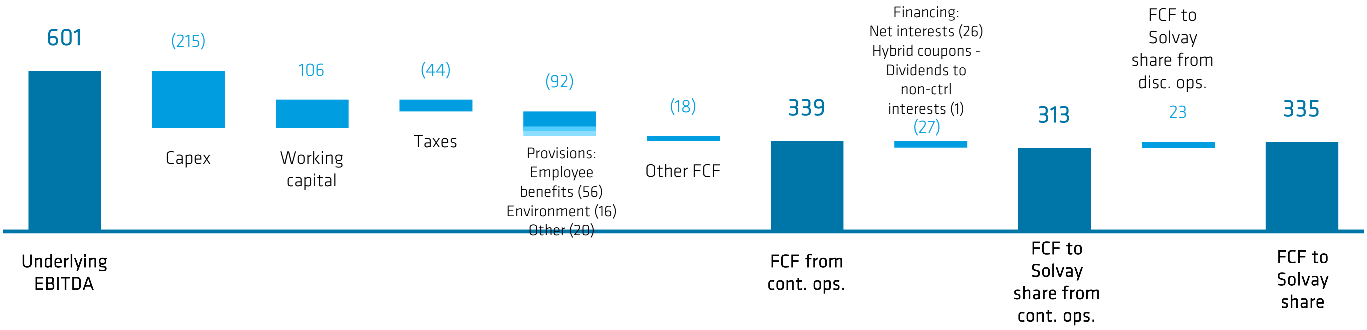


Third quarter 2019 underlying earnings per share[3] from continuing operations were up +5.6% at €2.37, reflecting the positive forex effects on EBITDA, lower net financial charges and a lower tax rate, more than offsetting higher depreciation and amortization. Total underlying earnings per share in the third quarter went up accordingly.

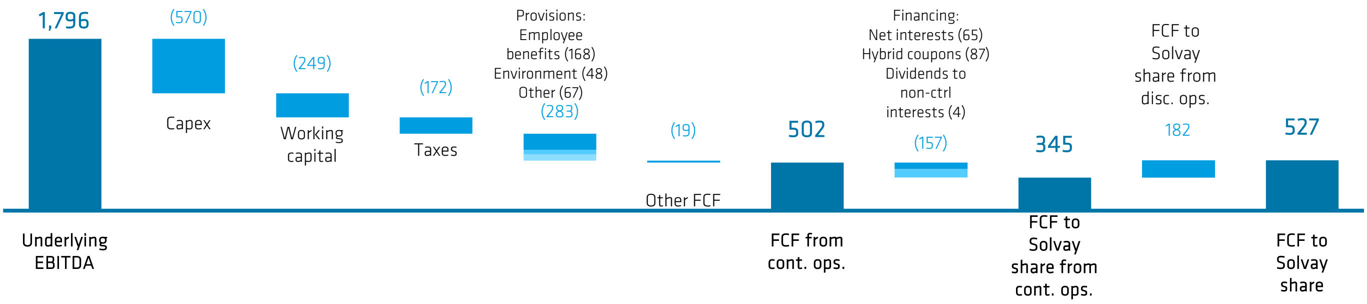
Year-to-date underlying earnings per share[3] from continuing operations were down -2.7% at €6.68. Lower net financial charges, following the repayment of higher interest-yielding debt in June 2018 and May 2019, partly offset higher depreciation and amortization charges. Total underlying earnings per share in the first nine months went up thanks to a strong contribution from discontinued operations, including the sale of some €33 million of carbon credits.

Free cash flow (FCF)

Q3 evolution *(in € million)*



9M evolution *(in € million)*



Third quarter free cash flow to Solvay shareholders from continuing operations was €313 million, more than doubling year on year, benefitting from strict working capital management. Working capital needs turned positive at €106 million compared to a €(98) million outflow in 2018. Total FCF to Solvay shareholders was €335 million.

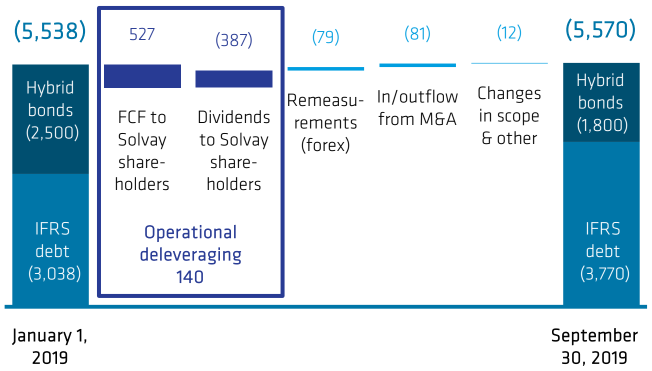
Year-to-date free cash flow to Solvay shareholders from continuing operations was €345 million, up €217 million year on year, thanks to better working capital phasing.

- **Capex** from continuing operations increased by +3.6%.
- **Financing payments** were up €(10) million, due to the charges on the early redemption of the US$800 million bond.
- **Provision payments** and taxes were largely in line with last year.
- **Working capital** needs were €219 million lower than the same period last year, thanks to targeted measures in the supply chain and improved receivables.
- **Discontinued operations** contributed €182 million, €40 million more than in 2018, including the sale of carbon credits for €33 million. These operations consist of the Polyamide activities to be sold to BASF, with an expected closing of the transaction in the first quarter of 2020.

As a consequence, total free cash flow to Solvay shareholders amounted to €527 million in the first nine months.

Net financial debt

(in € million)

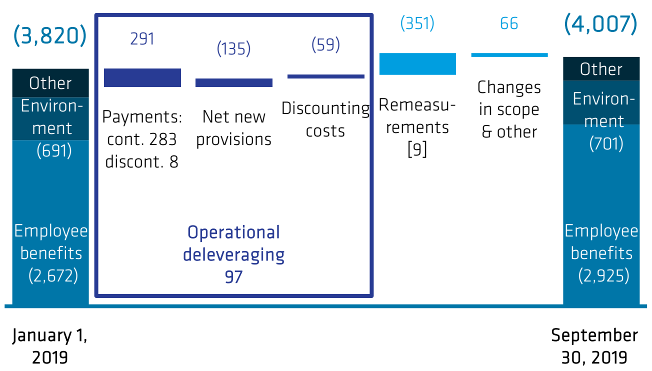


Underlying net financial debt [7] was €(5.6) billion, lower than the end of June, and slightly up from €(5.5) billion at the start of the year, due to €(79) million of forex impacts, mainly the US$ appreciation, and €(81) million M&A outflows. Strong free cash flow led operational deleveraging to end well positive at €140 million over the first nine months, despite the €(386) million dividend payments concentrated in the first half. This represents a €241 million improvement. The underlying leverage ratio [12] remained flat at 2.1x.

Underlying gross financial debt was €(6.5) billion, including €(1.8) billion perpetual hybrid bonds. 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 this year 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.

Provisions

(in € million)

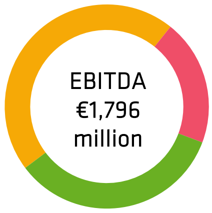


Provisions rose from €(3.8) billion to €(4.0) billion as remeasurements more than offset operational deleveraging.

The total operational deleveraging was €97 million, mostly on employee benefits, for €70 million.

Remeasurements led to an increase in liabilities of €(351) million and were mainly due to decrease of discount rates applicable to post-employment provisions across all regions, partly offset by the return of plan assets.

SEGMENT REVIEW [10]



Segment review

(in € million)	Underlying Q3 2019	Q3 2018 PF	*% yoy*	9M 2019	9M 2018 PF	*% yoy*
Net sales	**2,578**	**2,591**	***-0.5%***	**7,803**	**7,683**	***+1.6%***
Advanced Materials	1,141	1,082	*+5.4%*	3,443	3,292	*+4.6%*
Advanced Formulations	704	788	*-11%*	2,183	2,293	*-4.8%*
Performance Chemicals	731	720	*+1.5%*	2,172	2,091	*+3.8%*
Corporate & Business Services	2	1	*+81%*	5	6	*-16%*
EBITDA	**601**	**599**	***+0.4%***	**1,796**	**1,799**	***-0.2%***
Advanced Materials	301	299	*+0.6%*	891	943	*-5.6%*
Advanced Formulations	123	143	*-14%*	388	411	*-5.6%*
Performance Chemicals	216	200	*+7.6%*	646	581	*+11%*
Corporate & Business Services	(39)	(44)	*+12%*	(128)	(136)	*+5.9%*
EBIT	**397**	**407**	***-2.6%***	**1,197**	**1,229**	***-2.6%***
Advanced Materials	213	218	*-2.3%*	640	706	*-9.3%*
Advanced Formulations	83	106	*-21%*	268	299	*-10%*
Performance Chemicals	163	150	*+8.8%*	487	428	*+14%*
Corporate & Business Services	(63)	(66)	*+5.8%*	(198)	(203)	*+2.6%*

CORPORATE & BUSINESS SERVICES

Key figures

(in € million)	Underlying Q3 2019	Q3 2018 PF	*% yoy*	9M 2019	9M 2018 PF	*% yoy*
Net sales	2	1	*+81%*	5	6	*-16%*
EBITDA	(39)	(44)	*+12%*	(128)	(136)	*+5.9%*
EBIT	(63)	(66)	+5.8%	(198)	(203)	*+2.6%*

Third quarter underlying EBITDA costs were €(39) million, €5 million better than in 2018. Relentless focus on cost improvements and the benefits from the simplification plan, more than offset inflation, stranded costs from the on-going divestments and the adverse effect of forex conversion.

Year-to-date underlying EBITDA was €(128) million, €8 million better, benefiting from the cost containment measures and favorable conditions on the energy market.

ADVANCED MATERIALS

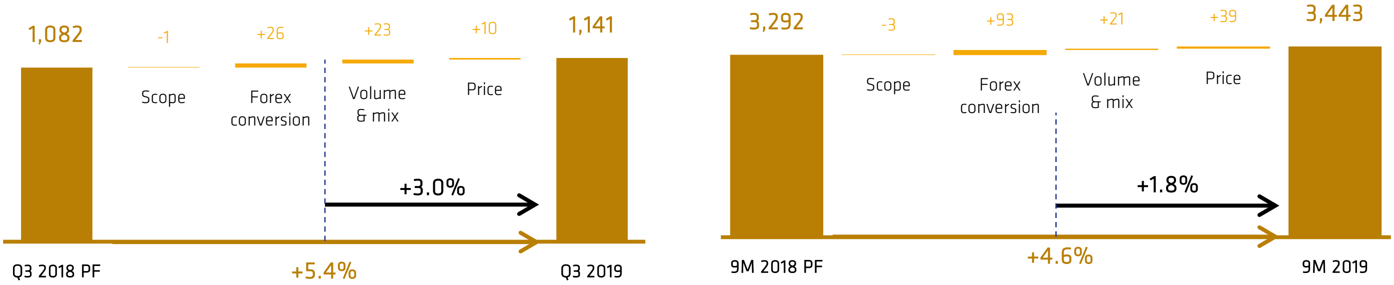
- Double-digit volume growth in composites for aircraft continued into Q3, resulting in record performance, ahead of an anticipated slowdown in Q4.
- The Q3 performance of the Specialty Polymers business was resilient in the face of continued headwinds in the automotive and electronics markets.

Key figures

(in € million)	Underlying Q3 2019	Q3 2018 PF	*% yoy*	9M 2019	9M 2018 PF	*% yoy*
Net sales	1,141	1,082	*+5.4%*	3,443	3,292	*+4.6%*
Specialty Polymers	489	509	*-3.9%*	1,478	1,534	*-3.6%*
Composite Materials	329	262	*+25%*	974	794	*+23%*
Special Chem	209	202	*+3.2%*	651	631	*+3.1%*
Silica	115	109	*+4.8%*	340	333	*+2.4%*
EBITDA	301	299	*+0.6%*	891	943	*-5.6%*
EBITDA margin	*26.4%*	*27.6%*	*-1.3pp*	*25.9%*	*28.7%*	*-2.8pp*
EBIT	**213**	**218**	***-2.3%***	**640**	**706**	***-9.3%***

Yoy net sales bridge

(in €million)



Q3 2019 and 9M 2019 performance

Third quarter net sales were up +5.4%, of which +3.0% on an organic [2] basis excluding forex conversion effects. Double-digits volume growth in Composite Materials more than offset the decline in Specialty Polymers. Prices benefited from transactional forex effects, with price increases in Specialty Polymers.

- **Specialty Polymers** sales were down -3.9% on lower volumes. Lower demand in automotive continued as in the previous quarters, and compares to still strong Solvay sales in the second half of 2018, when automotive production was already starting to decline. Continued strong growth in battery materials, supported by the persisting electrification trend, mitigated the impact. Electronics sales were down, continuing to suffer from lack of investments in the semiconductor fabs and continued weak smart device demand, although improved sequentially. Prices were up.
- **Composite Materials** sales were up +25%. Volumes grew firmly in the double digits range for the fifth consecutive quarter driven by aircraft builds, including the 787 Dreamliner, the A220, the F-35 Joint Strike Fighter, rotorcrafts, business jets and growing order levels, albeit from a small base, for the new Chinese Comac platforms. Deliveries of composites for the 737MAX program remained solid, in line with the first half, but are expected to moderate toward a 42 monthly build rate by year end, in line with Boeing's current production.
- **Special Chem** sales grew +3.2% on volumes and prices. Improvement in autocatalyst demand thanks to the launch of new emission standards in China offset weaker demand in other automotive applications, while in the semiconductor industry, increased sales of process chemicals for semiconductors offset weaker demand for capacitor materials.
- **Silica** sales were up +4.8%, with higher volumes, mostly in Europe, in a slow market environment.

Third quarter underlying EBITDA increased by +0.6% and was down -1.6% organically [2] excluding forex conversion effects, as the volume increase mitigated higher costs. These were higher due mainly to destocking effects in Specialty Polymers as the business aligned production to the lower demand levels. Productivity measures to improve production yield and optimize the supply chain, especially in Composite Materials, contained inflation. The underlying EBITDA margin fell 1.2pp to 26%.

Year-to-date net sales increased by +4.6% overall and by +1.8% organically [2]. Lower volumes in Specialty Polymers' automotive and electronics were offset by double-digit growth in Composite Material's aerospace business. Prices were up in Specialty Polymers and benefited from transactional forex effects.

Year-to-date underlying EBITDA was down -5.6% and -8.4% organically [2]. Higher volumes, as well as cost containment and productivity measures were not sufficient to compensate for the higher cost base. These resulted from the expanded production capabilities in Composite Materials, destocking effects in Specialty Polymers and higher raw material costs. The one-time pension-related synergy benefit of €19 million, booked in the second quarter of 2018, had a -1.8pp impact on the first nine months. The EBITDA margin was down -2.8pp at 26%.

ADVANCED FORMULATIONS

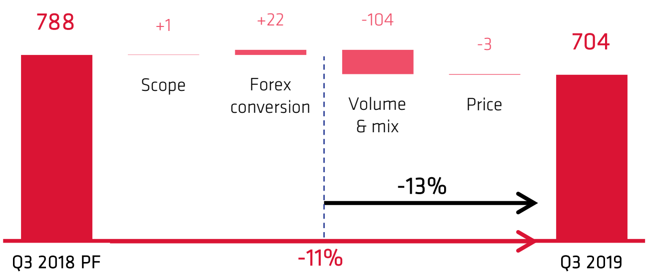
- Aroma Performance as well as the coatings and care activities in Novecare remained solid in Q3. Order levels in agro and mining were lower, however, following a strong Q2. Numerous cost actions partly compensated the impact of lower sales on EBITDA,
- The North American shale oil & gas market declined more in Q3 and Solvay's competitive position further deteriorated in the quarter.

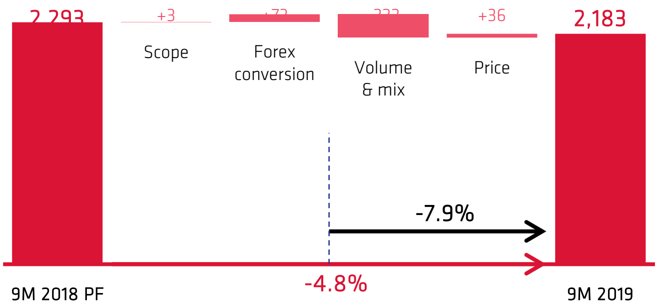
Key figures

(in € million)	Underlying					
	Q3 2019	Q3 2018 PF	*% yoy*	9M 2019	9M 2018 PF	*% yoy*
Net sales	704	788	*-11%*	2,183	2,293	*-4.8%*
Novecare	436	509	*-14%*	1,390	1,522	*-8.7%*
Technology Solutions	159	175	*-9.5%*	474	474	*+0.1%*
Aroma Performance	109	103	*+5.5%*	319	298	*+7.3%*
EBITDA	123	143	*-14%*	388	411	*-5.6%*
EBITDA margin	*17.5%*	*18.2%*	*-0.7pp*	*17.8%*	*17.9%*	*-0.2pp*
EBIT	**83**	**106**	***-21%***	**268**	**299**	***-10%***

Yoy net sales bridge

(in €million)





Q3 2019 and 9M 2019 performance

Third quarter net sales were down -11% in the third quarter, and -13% organically [2], due mainly to the weakening demand and loss of cost competitiveness of Solvay's technologies in the North American shale oil & gas stimulation activities, and to a lesser extent to weaker demand in agro and mining solutions.

- In **Novecare**, sales fell -14% as volumes and prices deteriorated further in oil & gas applications, with sales to this market down more than -30%. Contraction of the North-American stimulation market was exacerbated by customer pressure on costs, which resulted in loss of competitiveness for Solvay's business. Sales in other end-markets were overall stable, with an increase in coatings and lower demand in industrial applications.
- **Technology Solutions** sales were down -10% compared to a particularly strong third quarter in 2018, with lower volumes across activities. Order levels in mining were down, following a strong second quarter. Sales volumes of phosphorous specialties and UV-blocking polymer additives were lower on weaker demand in the agro, construction and automotive sectors respectively.

In **Aroma Performance**, sales were up +5.5% on improved mix and prices. The flavors and fragrances business benefitted from sustained growth in natural vanillin. Industrial applications were positively impacted by mix effects, mainly in polymerization inhibitors.

Third quarter underlying EBITDA decreased by -14% and excluding forex conversion effects -17% organically [2], due to the lower volumes. These were partly compensated by cost reductions, as significant measures were taken to improve the profitability and drive costs down. The underlying EBITDA margin of the third quarter was thereby sustained at 18%.

Year-to-date net sales were down -4.8% and -7.9% organically [2]. Prices were overall stable. Volumes declined -10% primarily linked to the soft shale oil & gas stimulation market in North America, exacerbated by loss of competitiveness.

Year-to-date underlying EBITDA was down -5.6% and -10% organically [2], including the one-time negative impact of the €4 million pension-related synergy benefit booked in the second quarter of 2018. The significant volume decline was partly offset by the cost containment measures and price increases. The EBITDA margin was stable at 18%.

PERFORMANCE CHEMICALS

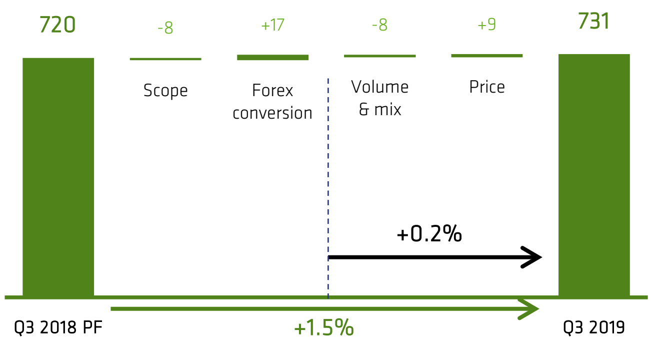
→ Higher annual prices lead to a strong increase of Q3 returns in the soda ash and peroxide activities, while demand was stable. Results also benefited from continued operational efficiency measures.

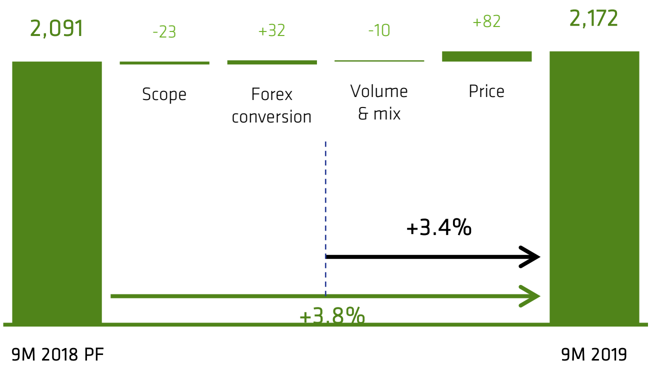
Key figures

(in € million)	Underlying Q3 2019	Q3 2018 PF	% yoy	9M 2019	9M 2018 PF	% yoy
Net sales	731	720	*+1.5%*	2,172	2,091	*+3.8%*
Soda Ash & Derivatives	423	399	*+5.9%*	1,250	1,163	*+7.4%*
Peroxides	172	165	*+4.4%*	515	484	*+6.3%*
Coatis [11]	136	156	*-13%*	407	443	*-8.2%*
EBITDA	216	200	*+7.6%*	646	581	*+11%*
EBITDA margin	*29.5%*	*27.9%*	*+1.7pp*	*29.7%*	*27.8%*	*+1.9pp*
EBIT	163	150	*+8.8%*	487	428	*+14%*

Yoy net sales bridge

(in €million)





Q3 2019 and 9M 2019 performance

Third quarter net sales in the segment were up +1.5% thanks to forex conversion, while largely flat organically [2]. Higher prices for soda ash and peroxides, more than compensated weaker sales in Coatis.

- In **Soda Ash & Derivatives**, sales grew +5.9%. Prices were well up, benefiting from the yearly contracts negotiated at the end of 2018. Soda ash volumes were stable, underpinned by resilient demand from construction and container glass, as well as other applications. Sales of bicarbonate continued to be impacted by lower demand for flue gas treatment in North America as coal power plants are running at a lower level.
- **Peroxides** sales were up +4.4%, benefiting from higher prices, with an increase in Europe more than compensating for a continued volatile environment in Asia. Volumes were overall stable with sustained demand for propylene oxide driving volumes in the HPPO plants, offsetting some demand softness for pulp applications.
- **Coatis** sales were down -13%, both on volumes and prices, as the demand in its domestic Brazilian market fell compared to a strong third quarter in 2018. This was especially the case in nylon salt due to weaker automotive demand, and in other markets due to intensified competition from imports.

Third quarter underlying EBITDA rose +7.6%. Excluding scope and forex conversion effects it grew +4.4%. This was the result of the higher prices for soda ash and peroxides as well as continued productivity gains over the total supply chain, primarily in Soda Ash & Derivatives. Strong performance of the Brazilian peroxide and Russian PVC joint ventures contributed to the result. Consequently, the segment EBITDA margin grew +1.7pp to 30%.

Year-to-date net sales in the segment were up +3.8% and +3.4% organically [2], reflecting the higher prices on annual contracts for soda ash and peroxides, demonstrating the resilience of these businesses in the current economic environment.

Year-to-date underlying EBITDA grew +11% and +8.7% organically [2]. Higher prices more than compensated higher raw material and energy costs, and were complemented by productivity gains and a strong contribution from the Russian PVC joint venture. A one-time gain of €12 million, contributing +2.0pp, was booked in the second quarter on the settlement of an energy contract in Solvay's European soda ash business. The EBITDA margin was up +1.9pp at 30%.

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. For comparability purposes the 2018 reference figures are on a pro forma basis, as if IFRS 16 had been implemented in 2018. The balance sheet evolution is compared with January 1, 2019, which includes the IFRS 16 impact versus December 31, 2018.

Tax rate

(in € million)		Underlying 9M 2019	Underlying 9M 2018 PF
Profit for the period before taxes	a	951	970
Earnings from associates & joint ventures	b	71	51
Interests and realized foreign exchange gains (losses) on the RusVinyl joint venture	c	(16)	(18)
Income taxes	d	(231)	(230)
Tax rate	e = -d/(a-b-c)	**25.8%**	**24.6%**

Underlying tax rate = Income taxes / (Result before taxes – Earnings from associates & joint ventures – Interests & realized foreign exchange results on the RusVinyl joint venture) – all determined on an underlying basis. The adjustment made to the denominator regarding associates and joint ventures is done because these contributions are already net of income taxes.

Free cash flow (FCF)

(in € million)		Q3 2019	Q3 2018 PF	9M 2019	9M 2018 PF
Cash flow from operating activities	a	582	392	1,295	1,016
Cash flow from investing activities	b	(253)	(223)	(631)	(553)
of which capital expenditures required by share sale agreement	c	(15)	(8)	(44)	(25)
Acquisition (-) of subsidiaries	d	(2)	(2)	(4)	(12)
Acquisition (-) of investments - Other	e	(12)	1	(15)	(1)
Loans to associates and non-consolidated companies	f	2	-	4	-
Sale (+) of subsidiaries and investments	g	(11)	(28)	(18)	22
Recognition of factored receivables	h	(23)	(21)	(23)	(21)
Payment of lease liabilities	i	(29)	(23)	(79)	(69)
FCF	j = a+b-c-d-e-f-g-h+i	**362**	**204**	**684**	**431**
FCF from discontinued operations	k	23	49	182	144
FCF from continuing operations	l = j-k	**339**	**155**	**502**	**287**
Net interests paid	m	(26)	(6)	(65)	(68)
Coupons paid on perpetual hybrid bonds	n	-	-	(87)	(84)
Dividends paid to non-controlling interests	o	(1)	(3)	(4)	(6)
FCF to Solvay shareholders	p = j+m+n+o	**335**	**195**	**527**	**273**
FCF to Solvay shareholders from discontinued operations	q	23	49	182	145
FCF to Solvay shareholders from continuing operations	r = p-q	**313**	**146**	**345**	**128**

Free cash flow is calculated as 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 of deleveraging nature as 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, as well as related tax elements and recognition of factored receivables) and payment of lease liabilities. Prior to the adoption of IFRS 16, operating lease payments were included in the free cash flow. Following the application of IFRS 16, because leases are generally considered to be operating in nature, the free cash flow incorporates the payment of the lease liability (excluding the interest expense). Not including this item in the free cash flow would result in a significant improvement of the free cash flow compared to prior periods, whereas the operations themselves have not been affected by the implementation of IFRS 16.

Free cash flow to Solvay shareholders is calculated as 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.

Capital expenditure (capex)

(in € million)		Q3 2019	Q3 2018 PF	9M 2019	9M 2018 PF
Acquisition (-) of tangible assets	a	(195)	(160)	(502)	(458)
Acquisition (-) of intangible assets	b	(27)	(28)	(81)	(100)
Payment of lease liabilities	c	(29)	(23)	(79)	(69)
Capex	d = a+b+c	**(251)**	**(211)**	**(662)**	**(627)**
Capex in discontinued operations	e	(37)	(24)	(92)	(77)
Capex in continuing operations	f = d-e	**(215)**	**(187)**	**(570)**	**(550)**
Underlying EBITDA	g	601	599	1,796	1,799
Cash conversion	h = (f+g)/g	64.3%	68.8%	68.2%	69.4%

Capex is defined as 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.

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.

Net working capital

		2019		**2018**
(in € million)		September 30	January 1	December 31
Inventories	a	1,749	1,685	1,685
Trade receivables	b	1,447	1,434	1,434
Other current receivables	c	670	718	719
Trade payables	d	(1,243)	(1,431)	(1,439)
Other current liabilities	e	(768)	(850)	(850)
Net working capital	f = a+b+c+d+e	**1,855**	**1,557**	**1,550**
Sales	g	2,777	2,830	2,830
Annualized quarterly total sales	h = 4*g	11,109	11,321	11,321
Net working capital / sales	i = f / h	**16.7%**	**13.8%**	**13.7%**
Year-to-date average	j = μ(Q1,Q2,Q3,Q4)	16.5%		13.8%

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

Net financial debt

		2019		**2018**
(in € million)		September 30	January 1	December 31
Non-current financial debt	a	(3,421)	(3,520)	(3,180)
Current financial debt	b	(1,273)	(723)	(630)
IFRS gross debt	c = a+b	(4,694)	(4,243)	(3,810)
Other financial instruments	d	140	101	101
Cash & cash equivalents	e	784	1,103	1,103
Total cash and cash equivalents	f = d+e	924	1,205	1,205
IFRS net debt	g = c+f	**(3,770)**	**(3,038)**	**(2,605)**
Perpetual hybrid bonds	h	(1,800)	(2,500)	(2,500)
Underlying net debt	i = g+h	**(5,570)**	**(5,538)**	**(5,105)**
Underlying EBITDA (last 12 months)	j	2,325	2,330	2,230
Adjustment for discontinued operations [12]	k	385	315	305
Adjusted underlying EBITDA for leverage calculation [12]	l = j+k	2,709	2,645	2,536
Underlying leverage ratio [12]	m = -i/l	**2.1**	**2.1**	**2.0**

(IFRS) net debt = Non-current financial debt + Current financial debt – Cash & cash equivalents – Other financial instruments. Underlying net debt represents the Solvay share view of debt, reclassifying as debt 100% of the hybrid perpetual bonds, classified as equity under IFRS. Leverage ratio = Net debt / Underlying EBITDA of last 12 months. Underlying leverage ratio = Underlying net debt / Underlying EBITDA of last 12 months.

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. For comparability purposes the 2018 reference figures are on a pro forma basis, as if IFRS 16 had been implemented in 2018, and were restated for the amendment of IAS 12.

9M consolidated income statement	9M 2019			9M 2018 PF		
(in € million)	IFRS	Adjust-ments	Under-lying	IFRS	Adjust-ments	Under-lying
Sales	**8,517**	**-**	**8,517**	**8,469**	**-**	**8,469**
of which revenues from non-core activities	713	-	713	786	-	786
of which net sales	7,803	-	7,803	7,683	-	7,683
Cost of goods sold	(6,214)	1	(6,213)	(6,124)	1	(6,123)
Gross margin	**2,303**	**1**	**2,304**	**2,345**	**1**	**2,346**
Commercial costs	(286)	-	(286)	(277)	-	(277)
Administrative costs	(714)	24	(690)	(746)	26	(720)
Research & development costs	(236)	2	(234)	(217)	2	(215)
Other operating gains & losses	(106)	138	32	(104)	148	43
Earnings from associates & joint ventures	76	(4)	71	29	22	51
Result from portfolio management & reassessments	(891)	891	-	(200)	200	-
Result from legacy remediation & major litigations	(31)	31	-	(72)	72	-
EBITDA	**1,707**	**89**	**1,796**	**1,544**	**256**	**1,799**
Depreciation, amortization & impairments	(1,592)	993	(599)	(786)	216	(570)
EBIT	**114**	**1,083**	**1,197**	**758**	**472**	**1,229**
Net cost of borrowings	(108)	13	(95)	(102)	-	(103)
Coupons on perpetual hybrid bonds	-	(81)	(81)	-	(83)	(83)
Interests and realized foreign exchange gains (losses) on the RusVinyl joint venture	-	(16)	(16)	-	(18)	(18)
Cost of discounting provisions	(71)	13	(58)	(47)	(8)	(55)
Result from equity instruments measured at fair value through other comprehensive income	4	-	4	-	-	-
Profit / (loss) for the period before taxes	**(61)**	**1,012**	**951**	**608**	**362**	**970**
Income taxes	(7)	(224)	(231)	(116)	(115)	(230)
Profit / (loss) for the period from continuing operations	**(68)**	**788**	**720**	**492**	**247**	**739**
Profit / (loss) for the period from discontinued operations	208	14	222	158	11	169
Profit / (loss) for the period	**140**	**802**	**942**	**650**	**258**	**908**
attributable to Solvay shareholders	110	802	911	620	257	878
attributable to non-controlling interests	31	-	31	30	-	30
Basic earnings per share (in €)	1.06	7.77	8.84	6.00	2.49	8.50
of which from continuing operations	(0.96)	7.64	6.68	4.48	2.39	6.86
Diluted earnings per share (in €)	1.06	7.76	8.82	5.97	2.48	8.45
of which from continuing operations	(0.95)	7.62	6.67	4.45	2.37	6.83

EBITDA on an IFRS basis totaled €1,707 million, versus €1,796 million on an underlying basis. The difference of €89 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 11% revaluation of the Russian ruble over the period. These elements are reclassified in "*Net financial charges*".
- €63 million to adjust for the "*Result from portfolio management and reassessments*", excluding depreciation, amortization and impairment elements. This result comprises €45 million of restructuring costs, mainly related to the cost booked for the Group simplification plan of €24 million.
- €31 million to adjust for the "*Result from legacy remediation and major litigations*", primarily environmental expenses.

EBIT on an IFRS basis totaled €114 million, versus €1,197 million on an underlying basis. The difference of €1,083 million is explained by the above-mentioned €89 million adjustments at the EBITDA level and €993 million of "*Depreciation, amortization & impairments*". The latter consist of:

- €165 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, "*Administrative costs*" for €24 million, in "*Research & development costs*" for €2 million, and in "*Other operating gains & losses*" for €138 million.
- €828 million to adjust for the net impact of impairments, mainly for the Oil & Gas Goodwill and Intangible assets, which are non-cash in nature and are reported in "*Result from portfolio management and reassessments*" (see page 27).

Net financial charges on an IFRS basis were €(175) million versus €(246) million on an underlying basis. The €(71) million adjustment made to IFRS net financial charges consists of:

- €(13) million for the costs related to the restructuring of the Group financial debt and the reimbursement of the USD800 million bond,
- €(81) million reclassification of coupons on perpetual hybrid bonds, which are treated as dividends under IFRS, and as financial charges in underlying results,
- €(16) million reclassification of financial charges and realized foreign exchange result on the €-denominated debt of RusVinyl as net financial charges. The €20 million delta with the adjustment made to EBITDA is attributed to unrealized foreign exchange gains,
- €13 million for the net impact of decreasing discount rates on the valuation of environmental liabilities in the period.

Income taxes on an IFRS basis were €(7) million, versus €(231) million on an underlying basis. The €(224) million adjustment includes mainly:

- €(212) million to adjust for the tax impacts of the adjustments made to the underlying result before taxes (as described above) and in particular for the deferred tax net income of the Oil & Gas impairment (€165 million).
- €(12) million to adjust for tax elements related to prior periods.

Discontinued operations generated a profit of €208 million on an IFRS basis and €222 million on an underlying basis. The €14 million adjustment to the IFRS profit is made for costs related to the planned divestment of the polyamide activities.

Profit attributable to Solvay shareholders was €110 million on an IFRS basis and €911 million on an underlying basis. The delta of €802 million reflects the above-mentioned adjustments to EBIT, net financial charges, income taxes and discontinued operations. There was no impact from non-controlling interests.

Consolidated income statement Q3

(in € million)	Q3 2019 IFRS	Q3 2019 Adjust-ments	Q3 2019 Under-lying	Q3 2018 PF IFRS	Q3 2018 PF Adjust-ments	Q3 2018 PF Under-lying
Sales	**2,777**	-	**2,777**	**2,840**	-	**2,840**
of which revenues from non-core activities	199	-	199	249	-	249
of which net sales	2,578	-	2,578	2,591	-	2,591
Cost of goods sold	(2,030)	-	(2,029)	(2,049)	-	(2,049)
Gross margin	**748**	-	**748**	**790**	-	**791**
Commercial costs	(92)	-	(92)	(93)	-	(93)
Administrative costs	(225)	8	(218)	(247)	10	(237)
Research & development costs	(76)	1	(76)	(76)	1	(75)
Other operating gains & losses	(41)	46	5	(48)	50	2
Earnings from associates & joint ventures	27	2	29	10	8	19
Result from portfolio management & reassessments	(827)	827	-	2	(2)	-
Result from legacy remediation & major litigations	(4)	4	-	(29)	29	-
EBITDA	**591**	**10**	**601**	**569**	**30**	**599**
Depreciation, amortization & impairments	(1,084)	879	(205)	(258)	66	(192)
EBIT	**(492)**	**889**	**397**	**311**	**96**	**407**
Net cost of borrowings	(45)	13	(31)	(33)	-	(33)
Coupons on perpetual hybrid bonds	-	(24)	(24)	-	(28)	(28)
Interests and realized foreign exchange gains (losses) on the RusVinyl joint venture	-	(7)	(7)	-	(8)	(8)
Cost of discounting provisions	(18)	-	(17)	(18)	-	(19)
Result from equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-
Profit / (loss) for the period before taxes	**(554)**	**871**	**317**	**260**	**60**	**319**
Income taxes	120	(181)	(61)	(42)	(34)	(76)
Profit / (loss) for the period from continuing operations	**(434)**	**690**	**256**	**217**	**26**	**243**
Profit / (loss) for the period from discontinued operations	58	1	59	69	(6)	63
Profit / (loss) for the period	**(376)**	**691**	**315**	**286**	**20**	**306**
attributable to Solvay shareholders	(387)	691	304	275	20	295
attributable to non-controlling interests	11	-	11	11	-	11
Basic earnings per share (in €)	(3.76)	6.70	2.95	2.67	0.19	2.86
of which from continuing operations	(4.32)	6.69	2.37	2.00	0.25	2.25
Diluted earnings per share (in €)	(3.75)	6.69	2.94	2.65	0.19	2.84
of which from continuing operations	(4.31)	6.68	2.37	1.99	0.25	2.24

EBITDA on an IFRS basis totaled €591 million, versus €601 million on an underlying basis. The difference of €10 million is explained by the following adjustments to IFRS results, which are done to improve the comparability of underlying results:

- €2 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 1% revaluation of the Russian ruble over the period. These elements are reclassified in "*Net financial charges*".
- €4 million to adjust for the "*Result from portfolio management and reassessments*", excluding depreciation, amortization and impairment elements. This result comprises mainly restructuring costs
- €4 million to adjust for the "*Result from legacy remediation and major litigations*", primarily environmental expenses.

EBIT on an IFRS basis totaled €-492 million, versus €397 million on an underlying basis. The difference of €889 million is explained by the above-mentioned €10 million adjustments at the EBITDA level and €879 million of "*Depreciation, amortization & impairments*". The latter consist of:

- €55 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 €8 million, in "*Research & development costs*" for €1 million, and in "*Other operating gains & losses*" for €46 million.
- €824 million to adjust for the net impact of impairments, mainly for the Oil & Gas Goodwill and Intangible assets, which are non-cash in nature and are reported in "*Result from portfolio management and reassessments*" (see page 27).

Net financial charges on an IFRS basis were €(62) million versus €(80) million on an underlying basis. The €(18) 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.
- €(7) million reclassification of financial charges and realized foreign exchange result on the €-denominated debt of RusVinyl as net financial charges. The €3 million delta with the adjustment made to EBITDA is attributed to unrealized foreign exchange gains.
- €13 million for the costs related to the restructuring of the Group financial debt and the reimbursement of the USD800 million bond.

Income taxes on an IFRS basis were €120 million, versus €(61) million on an underlying basis. The €(181) million adjustment includes mainly:

- €(190) million to adjust for the tax impacts of the adjustments made to the underlying result before taxes (as described above) and in particular to the deferred taxes on the oil & gas impairment of €165 million.
- €9 million to adjust for tax elements related to prior periods.

Discontinued operations generated a profit of €58 million on an IFRS basis and €59 million on an underlying basis. The €1 million adjustment to the IFRS profit is made for income from previous M&A deal.

Profit / (loss) attributable to Solvay shareholders was €(387) million on an IFRS basis and €304 million on an underlying basis. The delta of €691 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 [13]

The third quarter and first nine months comparable figures used in these financial statements are on a non-pro forma basis: not adjusted for IFRS 16 and restated for the amendments to IAS 12.

Consolidated income statement

IFRS				
(in € million)	Q3 2019	Q3 2018	9M 2019	9M 2018
Sales	**2,777**	**2,840**	**8,517**	**8,469**
of which revenues from non-core activities	199	249	713	786
of which net sales	2,578	2,591	7,803	7,683
Cost of goods sold	(2,030)	(2,051)	(6,214)	(6,129)
Gross margin	**748**	**789**	**2,303**	**2,340**
Commercial costs	(92)	(93)	(286)	(277)
Administrative costs	(225)	(248)	(714)	(747)
Research & development costs	(76)	(76)	(236)	(217)
Other operating gains & losses	(41)	(47)	(106)	(104)
Earnings from associates & joint ventures	27	10	76	29
Result from portfolio management & reassessments	(827)	2	(891)	(200)
Result from legacy remediation & major litigations	(4)	(29)	(31)	(72)
EBIT	**(492)**	**309**	**114**	**752**
Cost of borrowings	(37)	(31)	(110)	(100)
Interest on lendings & deposits	5	4	12	10
Other gains & losses on net indebtedness	(12)	(2)	(11)	-
Cost of discounting provisions	(18)	(18)	(71)	(47)
Result from equity instruments measured at fair value through other comprehensive income	-	-	4	-
Profit / (loss) for the period before taxes	**(554)**	**262**	**(61)**	**614**
Income taxes	120	(43)	(7)	(117)
Profit / (loss) for the period from continuing operations	**(434)**	**219**	**(68)**	**497**
attributable to Solvay shareholders	(445)	208	(99)	467
attributable to non-controlling interests	11	11	31	30
Profit / (loss) for the period from discontinued operations	58	69	208	158
Profit / (loss) for the period	**(376)**	**288**	**140**	**655**
attributable to Solvay shareholders	(387)	277	110	625
attributable to non-controlling interests	11	11	31	30
Weighted average of number of outstanding shares, basic	103,061,938	103,277,950	103,151,275	103,302,604
Weighted average of number of outstanding shares, diluted	103,234,813	103,775,603	103,359,445	103,835,812
Basic earnings per share (in €)	(3.76)	2.68	1.06	6.05
of which from continuing operations	(4.32)	2.01	(0.96)	4.52
Diluted earnings per share (in €)	(3.75)	2.67	1.06	6.02
of which from continuing operations	(4.31)	2.00	(0.95)	4.50

Consolidated statement of comprehensive income

IFRS				
(in € million)	Q3 2019	Q3 2018	9M 2019	9M 2018
Profit for the period	**(376)**	**288**	**140**	**655**
Gains and losses on hedging instruments in a cash flow hedge	(12)	21	(18)	4
Currency translation differences from subsidiaries & joint operations	250	31	329	180
Currency translation differences from associates & joint ventures	11	(17)	36	(38)
Recyclable components	248	35	347	146
Gains and losses on equity instruments measured at fair value through other comprehensive income	2	2	3	1
Remeasurement of the net defined benefit liability [14]	(73)	88	(290)	265
Non-recyclable components	(70)	90	(287)	266
Income tax relating to components of other comprehensive income	20	(24)	90	(61)
Other comprehensive income, net of related tax effects	**198**	**100**	**149**	**350**
Total comprehensive income	**(177)**	**388**	**290**	**1,006**
attributed to Solvay share	(193)	378	255	973
attributed to non-controlling interests	15	10	35	33

Consolidated statement of cash flows

(in € million)	Q3 2019	Q3 2018	9M 2019	9M 2018
Profit for the period	(376)	288	140	655
Adjustments to profit for the period	1,053	383	1,965	1,264
Depreciation, amortization & impairments (-)	1,084	235	1,592	717
Earnings from associates & joint ventures (-)	(27)	(10)	(76)	(29)
Additions & reversals on provisions (-)	24	34	135	256
Other non-operating and non-cash items	1	6	37	(4)
Net financial charges (-)	61	49	176	140
Income tax expenses (-)	(89)	69	102	186
Changes in working capital	46	(150)	(348)	(534)
Uses of provisions	(95)	(95)	(291)	(288)
Dividends received from associates & joint ventures	5	4	21	17
Income taxes paid (including income taxes paid on sale of investments)	(51)	(65)	(194)	(180)
Cash flow from operating activities	**582**	**365**	**1,295**	**934**
Acquisition (-) of subsidiaries	(2)	(2)	(4)	(12)
Acquisition (-) of investments - Other	(12)	1	(15)	(1)
Loans to associates and non-consolidated companies	2	-	4	-
Sale (+) of subsidiaries and investments	(11)	(28)	(18)	22
Acquisition (-) of tangible and intangible assets (capex)	(223)	(188)	(583)	(558)
of which tangible assets	(195)	(160)	(502)	(458)
of which capital expenditures required by share sale agreement	(15)	(8)	(44)	(25)
of which intangible assets	(27)	(28)	(81)	(100)
Sale (+) of tangible & intangible assets	2	3	7	19
Dividends from financial assets measured at fair value through other comprehensive income	-	-	4	-
Changes in non-current financial assets	(9)	(10)	(26)	(23)
Cash flow from investing activities	**(253)**	**(223)**	**(631)**	**(553)**
Repayment of perpetual hybrid bond	-	-	(701)	-
Sale (acquisition) of treasury shares	1	23	(4)	1
Increase in borrowings	594	966	1,741	2,053
Repayment of borrowings	(1,307)	(1,010)	(1,350)	(1,819)
Changes in other current financial assets	16	(3)	(47)	10
Payment of lease liabilities	(29)		(79)	
Net interests paid	(26)	(2)	(65)	(56)
Coupons paid on perpetual hybrid bonds	-	-	(87)	(84)
Dividends paid	(1)	(3)	(391)	(378)
of which to Solvay shareholders	-		(387)	(372)
of which to non-controlling interests	(1)	(3)	(4)	(6)
Other [15]	(9)	78	(2)	134
Cash flow from financing activities	**(760)**	**48**	**(986)**	**(140)**
Net change in cash and cash equivalents	**(431)**	**190**	**(323)**	**242**
Currency translation differences	(4)	(7)	4	(15)
Opening cash balance	1,219	1,036	1,103	992
Closing cash balance	**784**	**1,218**	**784**	**1,218**

Statement of cash flow from discontinued operations

(in € million)	Q3 2019	Q3 2018	9M 2019	9M 2018
Cash flow from operating activities	43	63	227	189
Cash flow from investing activities	(37)	(21)	(92)	(70)
Cash flow from financing activities	4	(1)	1	(1)
Net change in cash and cash equivalents	**10**	**41**	**136**	**118**

Consolidated statement of financial position

(in € million)	2019 September 30	2019 January 1	2018 December 31
Intangible assets	2,741	2,861	2,861
Goodwill	4,556	5,173	5,173
Tangible assets	5,507	5,454	5,454
Rights-of-use assets	466	428	-
Equity instruments measured at fair value through other comprehensive income	59	51	51
Investments in associates & joint ventures	542	441	441
Other investments	41	41	41
Deferred tax assets	1,284	1,123	1,123
Loans & other assets	291	272	282
Non-current assets	**15,486**	**15,844**	**15,427**
Inventories	1,749	1,685	1,685
Trade receivables	1,447	1,434	1,434
Income tax receivables	146	97	97
Dividends receivable	-	-	-
Other financial instruments	140	101	101
Other receivables	670	718	719
Cash & cash equivalents	784	1,103	1,103
Assets held for sale	1,600	1,453	1,434
Current assets	**6,535**	**6,592**	**6,574**
Total assets	**22,021**	**22,436**	**22,000**
Share capital	1,588	1,588	1,588
Reserves	8,162	8,927	8,920
Non-controlling interests	148	117	117
Total equity	**9,898**	**10,632**	**10,624**
Provisions for employee benefits	2,925	2,672	2,672
Other provisions	816	868	883
Deferred tax liabilities	585	618	618
Financial debt	3,421	3,520	3,180
Other liabilities	178	121	121
Non-current liabilities	**7,924**	**7,798**	**7,474**
Other provisions	267	281	281
Financial debt [16]	1,273	723	630
Trade payables	1,243	1,431	1,439
Income tax payables	177	114	114
Dividends payable	4	154	154
Other liabilities	768	850	850
Liabilities associated with assets held for sale	468	454	435
Current liabilities	**4,199**	**4,006**	**3,902**
Total equity & liabilities	**22,021**	**22,436**	**22,000**

The impact of IFRS 16 as of January 1, 2019 is presented in the consolidated statement of financial position, to allow better comparability with the statements as of December 2018 and September 2019. The different impacts of the implementation of IFRS 16 from January 1, 2019 are the following:

- Inclusion of "Rights-of-use assets" in "Non-current assets" for €428 million;
- Decrease of "Loans & other assets" by €(10) million;
- Decrease of "Other receivables" by €(1) million;
- Assets and liabilities associated with assets held for sale increased by €19 million for the right-of-use assets and lease liabilities related to the polyamide activities;
- Increase of "Reserves" by €8 million;
- Decrease of "Provisions" by €(16) million, of which €(15) million in "Non-current liabilities" and €(1) million in "Current liabilities";
- Decrease of "Trade payables" by €(8) million;
- Increase of "Financial debt" by €433 million, of which €340 million in "Non-current liabilities" and €93 million in "Current liabilities".

Consolidated statement of changes in equity

(in € million)	Share capital	Share premiums	Treasury shares	Perpetual hybrid bonds	Retained earnings	Currency translation differences	Revaluation reserve (fair value)		Defined benefit pension plans	Total reserves	Non-controlling interests	Total equity
							Equity instruments measured at fair value through other comprehensive income	Cash flow hedges				
Balance on December 31, 2017	**1,588**	**1,170**	**(281)**	**2,188**	**6,454**	**(834)**	**5**	**16**	**(666)**	**8,051**	**113**	**9,752**
Adoption IFRS 9	-	-	-	-	(5)	-	-	-	-	(5)	-	(5)
Balance on January 1, 2018	**1,588**	**1,170**	**(281)**	**2,188**	**6,449**	**(834)**	**5**	**16**	**(666)**	**8,046**	**113**	**9,747**
Profit for the period	-	-	-	-	625	-	-	-	-	625	30	655
Items of other comprehensive income [17]	-	-	-	-	-	139	3	(5)	210	348	3	350
Comprehensive income	**-**	**-**	**-**	**-**	**625**	**139**	**3**	**(5)**	**210**	**973**	**33**	**1,006**
Cost of stock options	-	-	-	-	7	-	-	-	-	7	-	7
Dividends	-	-	-	-	(229)	-	-	-	-	(229)	(6)	(235)
Coupons of perpetual hybrid bonds	-	-	-	-	(84)	-	-	-	-	(84)	-	(84)
Sale (acquisition) of treasury shares	-	-	1	-	-	-	-	-	-	1	-	1
Other	-	-	-	-	(3)	-	-	-	3	-	-	-
Balance on September 30, 2018	**1,588**	**1,170**	**(280)**	**2,188**	**6,765**	**(695)**	**9**	**11**	**(453)**	**8,714**	**140**	**10,442**
Balance on December 31, 2018	**1,588**	**1,170**	**(299)**	**2,486**	**6,834**	**(618)**	**9**	**(26)**	**(636)**	**8,920**	**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)**	**8,928**	**117**	**10,632**
Profit for the period	-	-			110	-	-	-	-	110	31	140
Items of other comprehensive income [17]	-	-	-	-	-	360	3	(13)	(204)	146	4	149
Comprehensive income	**-**	**-**			**110**	**360**	**3**	**(13)**	**(204)**	**255**	**35**	**290**
Perpetual hybrid bond issuance (repayment)	-	-		(697)	(3)					(701)		(701)
Cost of stock options	-	-			9					9		9
Dividends	-	-			(238)					(238)	(3)	(241)
Coupons of perpetual hybrid bonds	-	-			(87)					(87)		(87)
Sale (acquisition) of treasury shares	-	-	(4)							(4)		(4)
Other	-	-	-	-	4	-	-	1	(5)	-	-	-
Balance on September 30, 2019	**1,588**	**1,170**	**(303)**	**1,789**	**6,636**	**(258)**	**11**	**(38)**	**(846)**	**8,162**	**148**	**9,898**

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 November 6, 2019.

On January 18, 2019, the European Commission cleared the divestment of Solvay's Polyamides activities to BASF, a key milestone in the completion of Solvay's transformation into an advanced materials and specialty chemicals company. One of the remaining closing conditions included the divestment of a remedy package to a third-party buyer to address the European Commission's competition concerns. BASF has offered remedies involving part of the assets originally in the scope of the acquisition. These entail among others the manufacturing assets of Solvay's polyamide intermediates, technical fibers, and engineering plastics business as well as its innovation capabilities in Europe. On August 14, 2019 Solvay and BASF have reached an agreement with Domo Chemicals whereby Domo Chemicals is to acquire the Solvay Polyamide assets that needed to be divested to a third party as part of the European Commission's merger control clearance process. The agreement is a key step towards completing the divestment of Solvay's remaining Polyamides business to BASF. Domo is a fully integrated nylon 6 specialist, providing specialized engineering materials solutions to its customers in the automotive, electrical, construction, industrial applications and consumer goods industries. The assets acquired by Domo involve Solvay's Performance Polyamides facilities at Belle-Etoile and Valence, as well as a stake in a newly created joint venture between BASF and Domo in Chalampé (France). They also involve sites in Gorzow (Poland), Blanes (Spain) and commercial activities in Germany and Italy. BASF will acquire all the activities that are not included in the remedy package and that are part of the original agreement between Solvay and BASF signed at the end of 2017. Solvay, BASF and Domo will continue to run their businesses separately until completion of the transaction, which remains subject to relevant merger control clearances, required regulatory approvals and completion of employee representatives procedures. The entire transaction, which is based on an aggregate purchase price of €1.6 billion on a debt free and cash free basis, is expected to be completed in the first quarter of 2020.

On May 12, 2019, Solvay Finance SA (subsidiary of Solvay) exercised its first call option on its €700 million hybrid bond (ISIN XS0992293570 / Common Code 099229357). This perpetual deeply subordinated bond, bearing an annual interest rate of 4.199%, was treated as equity under IFRS rules. Its repayment was due on May 12, 2019 at the end of the first 5.5 years. As a result, the overall quantum of hybrid bonds in Solvay's balance sheet decreased from €2.5 billion at the end of 2018 to €1.8 billion at the end of the third quarter of 2019.

On August 30, 2019 Solvay announced that Solvay SA placed senior fixed rate bonds for an aggregate nominal amount of €600 million paying a coupon of 0.5% and having its maturity date in September 2029. The notes are listed and admitted to trading on the regulated market of the Luxembourg Stock Exchange with ISIN BE6315847804. Meanwhile, Solvay Finance (America), LLC redeemed its outstanding US$800 million 3.400% notes due 2020 (CUSIP No. US8344PAA7 (Regulation S Notes) and 834423AA3 (Rule 144A Notes) / ISIN USU8344PAA76 (Regulation S Notes) and US834423AA33 (Rule 144A Notes)) on 30 September 2019.

On September 30, 2019 Solvay and Aquatiq have concluded a joint-venture agreement regarding Aqua Pharma company, under which Solvay acquired 50% of the shares for an amount of €21 million. This reinforces their long-term collaboration to serve aquaculture customers. With this alliance, Solvay and Aqua Pharma aim to become a key aquaculture player by offering a wide range of sustainable and efficient solutions for sea lice control and Amoebic Gill Disease (AGD) to the salmon industry.

After a strategic review performed in Q3 in the context of deteriorating profitability of the oil & gas business, the synergies between this business and the rest of Novecare appear to be too small and future growth opportunities too modest to support the oil & gas business being considered as part of one Novecare Cash Generating Unit. This requires to perform an impairment test at an oil & gas business level rather than at Novecare level. On September 30, 2019, Solvay SA performed an impairment test of its oil & gas business. Taking into account the balance sheet values of the oil & gas business as of September 30, 2019 and the present value of future cash flows, an impairment of €822 million pre-tax and €656 million post-tax has been recognized. See more information on page 27.

2. Accounting policies

General

Solvay prepares its condensed consolidated interim financial statements on a quarterly basis, in accordance with IAS 34 "*Interim Financial Reporting*". 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, 2018.

The condensed consolidated interim financial statements for the nine months ended September 30, 2019, were prepared using the same accounting policies as those adopted for the preparation of the consolidated financial statements for the year ended December 31, 2018, except for the adoption of new standards, interpretations and amendments effective as of January 1, 2019, that are discussed hereafter. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Impacts of new Standards, interpretations and amendments

As of January 1, 2019, the Group applied, for the first time, IFRS 16 "*Leases*", the amendments to IAS 12 "*Income Taxes*" as part of the annual improvements to IFRS standards 2015–2017 cycle, and IFRIC 23 "Uncertainty over Income Tax Treatments". As required by IAS 34 for condensed consolidated interim financial statements, the nature and effect of these changes are disclosed below.

Several other amendments and Interpretations apply for the first time in 2019, but do not have a more than insignificant impact on the condensed consolidated interim financial statements of the Group.

IFRS 16 *"Leases"*

As from January 1, 2019, the Group no longer applies IAS 17 *"Leases"*, IFRC 4 *"Determining whether an Arrangement contains a Lease"*, SIC-15 *"Operating Leases – Incentives"* and SIC-27 "*Evaluating the Substance of Transactions Involving a Legal Form of a Lease"*. IFRS 16 is applicable for annual periods beginning on or after January 1, 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation, and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model, similar to the accounting for finance leases under IAS 17. At the commencement date of a lease, lessees recognize a lease liability (i.e. a liability to make lease payments), and a right-of-use asset (i.e. an asset representing the right to use the underlying asset over the lease term).

The Group's leased assets relate mainly to buildings, transportation equipment, and industrial equipment.

The right-of-use assets are presented separately in the consolidated statement of financial position, and the lease liabilities are presented as part of financial debt.

On January 1, 2019, the Group:

- adopted IFRS 16, using the modified retrospective approach and did not restate comparative information. The Group did publish pro forma comparative information outside its IFRS financial statements, that was included in the fourth quarter 2018 Financial Report;
- measured the lease liability for leases previously classified as an operating lease at the present value of the remaining lease payments, discounted using the respective Group entity's incremental borrowing rate as of January 1, 2019. The lease liability amounted to €433 million, as further detailed in the table below. The weighted average incremental borrowing rate was 3.73%;
- measured the right-of-use assets for leases previously classified as an operating lease at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position at December 31, 2018. The right-of-use assets amounted to €428 million;
- used the practical expedient available on transition to IFRS 16 related to onerous contracts, adjusting the right-of-use assets at January 1, 2019 by the amount of any provision for onerous leases recognized in the statement of financial position immediately before January 1, 2019. Such positively impacted the retained earnings as of January 1, 2019 by €8 million.

The following reconciliation to the opening balance for the lease liability as at January 1, 2019 is based upon the operating lease obligations as at December 31, 2018:

(in € million)	January 1, 2019
Total of future minimum lease payments under non-cancellable operating leases (undiscounted) at December 31, 2018	491
Minimum lease payments of finance leases (undiscounted) at December 31,2018	90
Other	24
Lease liabilities (undiscounted) at January 1, 2019	**606**
Discounting	(137)
Present value of minimum lease payments of finance leases at December 31,2018	(36)
Additional lease liabilities as a result of the initial application of IFRS 16 as at January 1, 2019	**433**

"Other" mainly includes onerous lease contracts, previously recognized in "Other provisions" for €16 million, and accrued lease payments, previously included in "Trade payables" for €8 million.

As a result of the adoption of IFRS 16, for the first nine months of 2019, depreciation and finance expense for continuing operations increased by €82 million and €17 million, respectively, and operating expenses decreased by €(89) million. In addition, the operating cash flows (including discontinued operations) increased by €96 million, against a decrease of financing cash flows.

Amendments to IAS 12 "*Income Taxes*" as part of the annual improvements to IFRS standards 2015–2017 cycle

As from January 1, 2019, the Group applies the amendments to IAS 12, that apply to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period, i.e. January 1, 2018.

In 2018, the income tax consequences of the coupons on perpetual hybrid bonds classified as equity were recognized in equity. As a result of the adoption of the amendment, those income tax consequences will be recognized in profit or loss.

(in € million)		Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018
Profit for the period, IFRS as published	a	118	235	288	257	897
Tax on hybrids in equity	b	-	15	-	5	19
Profit for the period, IFRS restated	c = a+b	118	249	288	261	917
Profit for the period attributable to non-controlling interests, IFRS restated	d	10	9	11	9	39
Profit for the period attributable to Solvay shareholders, IFRS restated	e = c-d	109	240	277	252	877
Weighted average of number of outstanding shares, basic	f	103,354,210	103,275,653	103,277,950	103,198,714	103,276,632
Basic earnings per share (in €), IFRS restated	g = e/f	1.05	2.32	2.68	2.44	8.49

In the cash flow statement, increase in "Profit for the period" is offset by lower "Income tax expenses";

In the statement of changes in equity, increase in "Profit for the period" is offset by lower "Other" changes in "Retained Earnings".

IFRIC 23 "Uncertainty over Income Tax Treatments"

As from January 1, 2019, the Group applies IFRIC 23 which clarifies the recognition and measurement requirements when there is uncertainty over income tax treatments. In assessing the uncertainty, an entity shall consider whether it is probable that a taxation authority will accept uncertain tax treatment. The Group has elected to apply the limited exemption in IFRIC 23 relating to transition for classification and measurement and, accordingly, has not restated comparative period. Consistently with IFRIC 23, the uncertain tax liabilities formerly included under provisions have been reclassified to other non-current liabilities for an amount of € 35 million.

New accounting policies

IFRS 16 "*Leases*"

Definition of a lease

At inception of a contract, which generally coincides with the date the contract is signed, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

An asset is typically *identified* by being explicitly specified in a contract. However, an asset can also be identified by being implicitly specified at the time that the asset is made available for use by the customer. If the supplier has a substantive substitution right, then the asset is not identified.

To assess whether a contract conveys *the right to control the use* of an identified asset, the Group assesses whether, throughout the period of use, it has:

- the right to obtain substantially all of the economic benefits from use of the identified asset; and
- the right to direct the use of the identified asset. This is generally the case when the Group has the decision-making rights regarding how and for what purpose the asset is used.

Lease term

The Group determines the lease term as the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

In its assessment, the Group considers the impact of the following factors (non-exhaustive):

- contractual terms and conditions for the optional periods, compared with market rates;
- significant leasehold improvements undertaken (or expected to be undertaken) over the term of the contract;
- costs relating to the termination of the lease, including relocation costs, costs of identifying another underlying asset suitable for the Group's needs, costs of integrating a new asset into the Group's operations, and termination penalties;
- the importance of that underlying asset to the Group's operations, including the availability of suitable alternatives;

- conditionality associated with exercising the option (i.e. when the option can be exercised only if one or more conditions are met), and the likelihood that those conditions will exist; and
- past practice.

Right-of-use asset and lease liability

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date, which is the date that the lessor makes the asset available for use by the Group.

Right-of-use asset

The right-of-use asset is initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentive received; and
- any initial direct costs incurred by the Group.

After the commencement date, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses. Right-of-use assets are depreciated using the straight-line depreciation method, from the commencement date to (a) the end of the useful life of the underlying asset, in case the lease transfers ownership of the underlying asset to the Group by the end of the lease term, or the lease contains a purchase option that the Group is reasonably certain to exercise, or (b) the earlier of the end of the useful life and the end of the lease term, in all other cases.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entity's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for early terminating the lease, if the Group is reasonably certain to exercise an option to early terminate the lease.

Service components (e.g. utilities, maintenance, insurance, ...) are excluded from the measurement of the lease liability.

After the commencement date, the lease liability is measured by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect the impact from a revised index or rate.

Amendments to IAS 12 "*Income Taxes*" as part of the annual improvements to IFRS standards 2015–2017 cycle

Tax impacts relating to the coupons of perpetual hybrid bonds classified as equity are recognized in profit or loss, to the extent that they are considered to stem from past transactions or events that generated distributable profits.

3. Segment information

Solvay is organized in the following operating segments:

- 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 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 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.
- 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 CO_2 emissions.

Reconciliation of segment, underlying and IFRS data

(in € million)	Q3 2019	Q3 2018	9M 2019	9M 2018
Net sales	**2,578**	**2,591**	**7,803**	**7,683**
Advanced Materials	1,141	1,082	3,443	3,292
Advanced Formulations	704	788	2,183	2,293
Performance Chemicals	731	720	2,172	2,091
Corporate & Business Services	2	1	5	6
Underlying EBITDA	**601**	**574**	**1,796**	**1,725**
Advanced Materials	301	292	891	922
Advanced Formulations	123	141	388	403
Performance Chemicals	216	192	646	557
Corporate & Business Services	(39)	(51)	(128)	(158)
Underlying depreciation, amortization & impairments	(205)	(169)	(599)	(501)
Underlying EBIT	**397**	**405**	**1,197**	**1,224**
Non-cash accounting impact from amortization & depreciation of purchase price allocation (PPA) from acquisitions [18]	(55)	(62)	(165)	(177)
Net financial charges and remeasurements of equity book value of the RusVinyl joint venture	(2)	(8)	4	(22)
Result from portfolio management & reassessments	(827)	2	(891)	(200)
Result from legacy remediation & major litigations	(4)	(29)	(31)	(72)
EBIT	**(492)**	**309**	**114**	**752**
Net financial charges	(62)	(48)	(175)	(138)
Profit for the period before taxes	**(554)**	**262**	**(61)**	**614**
Income taxes	120	(43)	(7)	(117)
Profit for the period from continuing operations	**(434)**	**219**	**(68)**	**497**
Profit (loss) for the period from discontinued operations	58	69	208	158
Profit for the period	**(376)**	**288**	**140**	**655**
attributable to non-controlling interests	11	11	31	30
attributable to Solvay shareholders	**(387)**	**277**	**110**	**625**

The 9M 2018 figures have been prepared using IAS 17. The pro forma 9M 2018 figures, prepared using IFRS 16 have been published outside the IFRS financial statements, and were included in the fourth quarter 2018 Financial Report.

4. Impairment on Novecare's oil & gas assets

Most of Novecare oil & gas business is linked to the unconventional oil & gas in North America, and in particular the "fracking" stage of the process. Novecare serves other oil & gas applications and other process stages, such as cementing and production, but they represent only a small portion of the total sales.

In the context of difficult and uncertain global oil & gas markets, the fracking chemicals business has proved to be highly volatile and over the last 2 years the value pool for fracking chemicals have significantly reduced and both volumes and prices have come under pressure, as changes in the competitive environment are commoditizing the market. Solvay's oil & gas position, which comprise the Chemlogics and the Rhodia oil & gas businesses, have also been impacted by two further developments that have accelerated and became particularly impactful in 2019:

- The first is a marked decline in more sustainable & efficient, but also more expensive, natural guar-based formulations as customers have continued to opt for lower cost friction reducers rather than Solvay's solutions, and recent innovations have thus far failed to reverse that trend.
- The second is increased pricing pressure and loss of market share as competitors entered the important "last-mile" delivery and service space, which was previously a source of differentiation, as well as the more general pressure on the whole value chain caused by lower oil and natural gas prices.

As a result of these developments, the profitability of the oil & gas business in 2019 has deteriorated significantly and at the full year is expected to be less than 1/3rd of the profit level of 2018. Action has been taken in terms of changing management, adapting cost structures as well as developing plans that are expected to help recovering to a level of profitability that better reflects the competitive landscape.

Further, the strategy review that was undertaken also established that the former Chemlogics business has been relatively more resilient than the former Rhodia guar based business.

As a result the synergies between the oil & gas business and the rest of Novecare are now too small and future growth opportunities too modest to support the oil & gas business being considered as part of one Novecare Cash Generating Unit, which was previously the position. This conclusion requires, in compliance with IAS 36 "Impairment of assets", that oil & gas activities are isolated in a separate CGU and the impairment test to be conducted at an oil & gas business level rather than at Novecare level.

Taking into account the balance sheet values of the oil & gas business and the present value of future cash flows based on the recovery plan, an impairment of €822 million pre-tax and €656 million post-tax has been taken. The magnitude of the impairment is exacerbated both by the evolution of forex rates since the Chemlogics acquisition in 2013, and by an expectation of persistent low oil prices. The latter dampens demand for premium solutions and thereby the recoverable amount of the asset (cash-generating unit), which is its value in use with a WACC of 6.7% (vs WACC of 6.2% used in 2018 for the testing of the Novecare Cash Generating Unit). The impairment loss of €822 million has been recognized by class of assets in the Segment Advanced Formulations as follows: €756 million for Goodwill and €66 million for Intangible Assets.

5. Financial Instruments

Valuation techniques

Compared to December 31, 2018, 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 September 30, 2019, is not significantly different from the ones published in Note F35 of the consolidated financial statements for the year ended December 31, 2018.

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 September 30, 2019, is not significantly different from the ones as published in the Note F35 of the consolidated financial statements for the year ended December 31, 2018.

6. Events after the reporting period

On October 3, 2019 management decided to stop the planned transfers of the teams based in Paris to Lyon and Brussels, which was part of the simplification and transformation plan announced in 2018. This decision has been announced internally on October 23 and is considered as a non-adjusting subsequent event as it has not been communicated before September 30, 2019, in compliance with IAS 10 « Events after the Reporting Period » and IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". The provision booked and included in the total simplification provision reported in previous periods is still recognized at the end of the third quarter, for an amount of € 48 million. All the impacts of this announcement on the financial statements will be assessed during the fourth quarter.

7. 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 nine months of 2019, 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 2018 Annual Integrated Report, taking into account the current economic and financial environment.

Report on the review of the condensed consolidated interim financial information of Solvay SA/NV for the nine-month period ended 30 September 2019

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 September 2019, 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 nine months then ended, as well as selective notes 1 to 9.

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 22 021 million EUR and the consolidated condensed income statement shows a consolidated profit (group share) for the period then ended of 110 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, 6 November 2019

The statutory auditor

Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises CVBA/SCRL
Represented by Michel Denayer

9. 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] A full reconciliation of IFRS and underlying income statement data can be found on page 14 of this report.
[2] Organic growth excludes forex conversion and scope effects, as well as the effect from the implementation of IFRS 16.
[3] Earnings per share, basic calculation.
[4] Organic growth excludes forex conversion and scope effects, and compares to €2,330 pro forma in 2018, which already includes the €100 million IFRS 16 effect.
[5] Free cash flow to Solvay shareholders is free cash flow post financing payments and dividends to non-controlling interests, and compares to €566 million in 2018.
[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] Scope effects include acquisitions and divestments of smaller businesses not leading to the restatement of previous periods.
[9] Impact of inflation, mortality, forex & discount rate changes.
[10] The net sales and EBITDA pie charts exclude Corporate & Business Services, Corporate & Business Services had no material contribution to net sales and their contribution to EBITDA is negative, and therefore cannot be depicted.
[11] Since 2019, Coatis incorporates the Fibras activities, formerly in Functional Polymers. As a result Functional Polymers only consists of the PVC joint venture RusVinyl, which does not contribute to net sales.
[12] As net debt at the end of the period 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.
[13] Review by auditor for 9M only.
[14] The remeasurement of the net defined benefit liability of €(290) million in 9M 2019 is mainly due to decrease of discount rates applicable to post-employment provisions across all regions, partly offset by the return of plan assets.
[15] Other cash flow from financing activities mainly relate to margin calls.
[16] Current financial debt is composed of €445 million of commercial paper, €300 million of drawdown on the corporate bilateral revolving credit facilities and €528 million of other short term financing (which include €180 million of short term portion of long term financing and leases).
[17] The decrease in 2018 and increase in 2019 in equity related to currency translation differences is mainly related to changes in the U.S. dollar to euro exchange rate.
[18] The non-cash PPA impacts can be found in the reconciliation table on pages 14 to 17. For 9M 2019 these consist of €(165) million of amortization of intangible assets, which are adjusted in "Cost of goods sold" for €1 million, "Administrative costs" for €24 million, in "Research & development costs" for €2 million, and in "Other operating gains & losses" for €138 million.
[19] As in previous years, the interim dividend corresponds to 40% of the full year dividend of the prior year.

Subscribe to our mailing list

- January 16, 2020 — Interim dividend: ex-coupon date
- January 17, 2020 — Interim dividend: record date
- January 20, 2020 — Interim dividend: payment date
- February 26, 2020 — Full year 2019 results
- May 6, 2020 — First quarter 2020 results
- May 12, 2020 — Annual general meeting
- July 29, 2020 — First half 2020 results
- November 5, 2020 — Nine months 2020 results

- Press release
- News corner
- Investors corner
- **Earnings toolkit:** financial report, presentation, excel tables, financial & extra-financial glossary
- Analysts & Investors conference call (14:00 CET)
- Annual integrated report

Investor Relations

Geoffroy Raskin
+32 2 264 1540
geoffroy.raskin@solvay.com

Jodi Allen
+1 609 860 4608
jodi.allen@solvay.com

Bisser Alexandrov
+32 2 264 3687
bisser.alexandrov@solvay.com

Geoffroy d'Oultremont
+32 2 264 2997
geoffroy.doultremont@solvay.com

Media relations

Nathalie van Ypersele
+32 478 20 10 62
nathalie.vanypersele@solvay.com

Brian Carroll
+32 2 264 15 30
Brian.carroll@solvay.com

Amandine Grison
+33 1 40 75 81 49
Amandine.grison@solvay.com

Solvay is an advanced materials and specialty chemicals company, committed to developing chemistry that addresses key societal challenges. Solvay innovates and partners with customers worldwide in many diverse end-markets. Its products are used in planes, cars, batteries, smart and medical devices, as well as in mineral and oil and gas extraction, enhancing efficiency and sustainability. Its lightweighting materials promote cleaner mobility, its formulations optimize the use of resources, and its performance chemicals improve air and water quality.

Solvay is headquartered in Brussels with around 24,500 employees in 61 countries. Net sales were €10.3 billion in 2018, with 90% from activities where Solvay ranks among the world's top 3 leaders, resulting in an EBITDA margin of 22%. 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.)*

asking more from chemistry®

www.solvay.com

FOLLOW US ON

QUESTIONS?

Contact us
investor.relations@solvay.com