



# SOLVAY

asking more from chemistry®

## FOURTH QUARTER & FULL YEAR 2016 FINANCIAL REPORT

### Forenote

Following the announcements at the end of 2016 of the intended divestments of the Acetow and Vinythai businesses, these businesses are reclassified as discontinued operations and as assets held for sale. For comparative purposes, the 2015 income statement has been restated. These figures were published on January 17.

The results of former Cytec are consolidated in the Group's income and cash flow statements since January 1, 2016. Comparative information for the fourth quarter and full year 2015 is presented on an unaudited pro forma basis as if the acquisition of Cytec had taken place on January 1, 2015.

Besides IFRS accounts, Solvay also presents underlying Income Statement performance indicators to provide a more consistent and comparable indication of the Group's financial performance. The underlying performance indicators adjust IFRS figures for the non-cash Purchase Price Allocation (PPA) accounting impacts related to acquisitions, for the coupons of perpetual hybrid bonds, classified as equity under IFRS but treated as debt in the underlying statements, and for other elements that would distort the analysis of the Group's underlying performance. The comments on the results made on pages 2 to 9 are on an underlying basis, unless otherwise stated.

Regulated  
information

24/02/2017  
7:00 AM CET

# HIGHLIGHTS

- **16% EBITDA increase in the fourth quarter with growth in all segments**
- **Solid full-year performance with 7.5% EBITDA increase, leading to 21% record margin and free cash flow of € 876 million**
- **Full-year dividend <sup>[1]</sup> raised 4.5% to € 3.45 gross per share**

## Fourth quarter 2016 results <sup>[2]</sup>

- **Net sales** totaled € 2.8 billion, up 1.6%, mainly due to the 3.9% increase in volume, partially offset by the (2.2)% reduction of sales prices.
- **Underlying EBITDA** grew 16% to € 527 million. Volumes contributed 9.1%, across the operating segments, supported by less pronounced seasonality. Pricing power contributed 9.7%, benefiting from operational excellence delivery. The EBITDA margin reached 19% in the quarter, up 2.4 percentage points year on year.
  - **Advanced Materials** rose 6.1% to € 259 million year on year with good volume growth in automotive, industrial, consumer goods and healthcare which more than offset lower volumes in smart devices and aerospace;
  - **Advanced Formulations** increased 5.6% to € 124 million year on year with a pick-up in volume growth, as strong performance in agro more than offset a drop in oil & gas, which improved sequentially on the back of a higher rig count;
  - **Performance Chemicals** were 17% higher at € 168 million year on year as a result of solid volume growth, benefits from lower energy costs and excellence initiatives across the segment;
  - **Functional Polymers** grew 131% to € 51 million year on year, primarily driven by robust polyamide performance;
  - **Corporate & Business Services** was at € (75) million, equal to the fourth quarter of 2015.
- **Profit attributable to Solvay share**, on an IFRS basis was € 245 million versus € 112 million in 2015. On an underlying basis it was € 183 million versus € 136 million in 2015, reflecting a rise in operating profit with higher net financial charges partially offset by lower income taxes.
- **Free cash flow** was € 412 million, stable versus the fourth quarter of 2015.
- **Net debt** on an IFRS basis was € 4.4 billion. Underlying net debt <sup>[3]</sup> increased slightly to € 6.6 billion from € 6.5 billion at end-September.

[1] Recommended dividend pending General Shareholders meeting.

[2] The underlying and IFRS data compare to unaudited pro forma figures of the same period in 2015, as if the Cytec acquisition had occurred on January 1, 2015.

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

## Full year 2016 results <sup>[1]</sup>

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- **Net sales** fell (4.7)% to € 10.9 billion, as lower sales prices in a deflationary raw material price environment weighed (2.3)% . Foreign exchange fluctuations dented sales by (1.5)%. Volumes were stable overall.
- **Underlying EBITDA** grew 7.5% to € 2,284 million, driven by pricing power of 5.9% and fixed cost reduction benefits of 2.9%. Operational excellence exceeded € 200 million, while completion of the Cytec integration delivered € 70 million of synergies, well ahead of the initial plan. There were no significant effects from volume/mix changes. Foreign exchange fluctuations had a (1.9)% conversion effect. The EBITDA margin reached a record 21%, a notable increase from 19% in 2015.
- **Profit attributable to Solvay share**, on an IFRS basis was € 621 million vs € 406 million in 2015. On an underlying basis it grew to € 846 million versus € 768 million in 2015.
- **Free cash flow** was € 876 million, up € 384 million year on year. Continuing operations accounted for € 736 million, an increase of € 342 million, driven by higher EBITDA, reduced capital expenditure and efficient working capital management.
- **CFROI** increased to 6.3%, up 0.2 percentage point from 6.1% pro forma in 2015 on non-restated basis.
- **Dividend** increase proposed of 4.5% to € 3.45 gross per share for 2016, of which the balance is payable on May 16, 2017.

## 2017 Outlook <sup>[2]</sup>

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Solvay remains well on track to achieve its mid-term objectives. For 2017, Solvay expects underlying EBITDA to grow by mid-single digit, mainly driven by Advanced Materials and Advanced Formulations, and to generate more than € 800 million of free cash flow from continuing operations.

## Quote of the CEO, Jean-Pierre Clamadieu

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*“Solvay delivered solid full-year EBITDA growth supported by our transformation and subsequent improvement of our customer profile. Our pursuit of operational excellence, swift delivery of synergies and continued pricing momentum have contributed strongly to our performance. The upgrade of our portfolio has also enabled us to significantly lower our greenhouse gas intensity. Overall, these elements combine to enhance our sustainable value creation for both customers and shareholders.”*

[1] The underlying and IFRS data compare to unaudited pro forma figures of the same period in 2015, as if the Cytec acquisition had occurred on January 1, 2015.

[2] A more detailed outlook may be found on page 8 of this report.

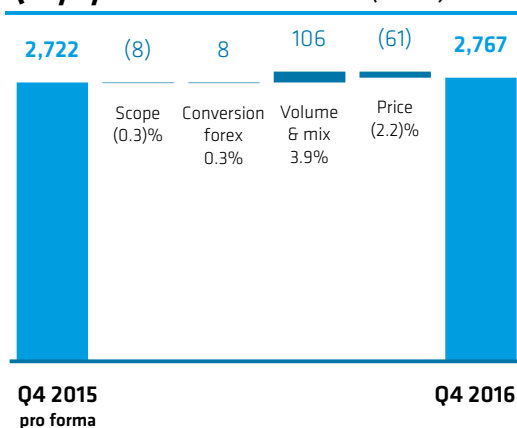
# BUSINESS REVIEW

## FOURTH QUARTER 2016 UNDERLYING RESULTS <sup>[1]</sup>

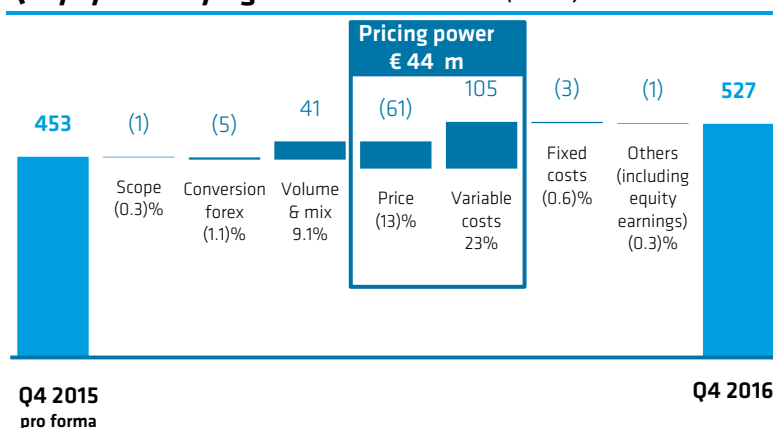
### Q4 key data

(in € m)	IFRS			Underlying		
	Q4 2016	Q4 2015 pro forma	% yoy	Q4 2016	Q4 2015 pro forma	% yoy
<b>Net sales</b>	<b>2,767</b>	<b>2,722</b>	<b>1.6%</b>	<b>2,767</b>	<b>2,722</b>	<b>1.6%</b>
<b>EBITDA</b>	<b>526</b>	<b>451</b>	<b>16%</b>	<b>527</b>	<b>453</b>	<b>16%</b>
<i>EBITDA margin</i>				19%	17%	2.4pp
<b>EBIT</b>	<b>238</b>	<b>167</b>	<b>43%</b>	<b>324</b>	<b>256</b>	<b>27%</b>
Net financial charges	(81)	(75)	(8.4)%	(110)	(97)	(13)%
Income taxes	142	94	52%	(54)	(48)	(13)%
Profit for the period from discontinued operations	(29)	(73)	60%	44	36	23%
Profit for the period attributable to non-controlling interests (-)	(25)	-	n.m.	(21)	(11)	n.m.
<b>Profit for the period attributable to Solvay share</b>	<b>245</b>	<b>112</b>	<b>n.m.</b>	<b>183</b>	<b>136</b>	<b>35%</b>
<b>Basic earnings per share (in €)</b>	<b>2.37</b>	<b>1.08</b>	<b>n.m.</b>	<b>1.77</b>	<b>1.31</b>	<b>36%</b>
<b>Capex</b>	<b>(302)</b>	<b>(341)</b>	<b>11%</b>	<b>(302)</b>	<b>(341)</b>	<b>11%</b>
Capex from continuing operations	(287)	(324)	11%	(287)	(324)	11%
<b>Free cash flow</b>	<b>412</b>	<b>413</b>	<b>(0.2)%</b>	<b>412</b>	<b>413</b>	<b>(0.2)%</b>
Free cash flow from continuing operations	362	364	(0.7)%	362	364	(0.7)%
<b>Net debt <sup>[2]</sup></b>	<b>(4,356)</b>			<b>(6,556)</b>		

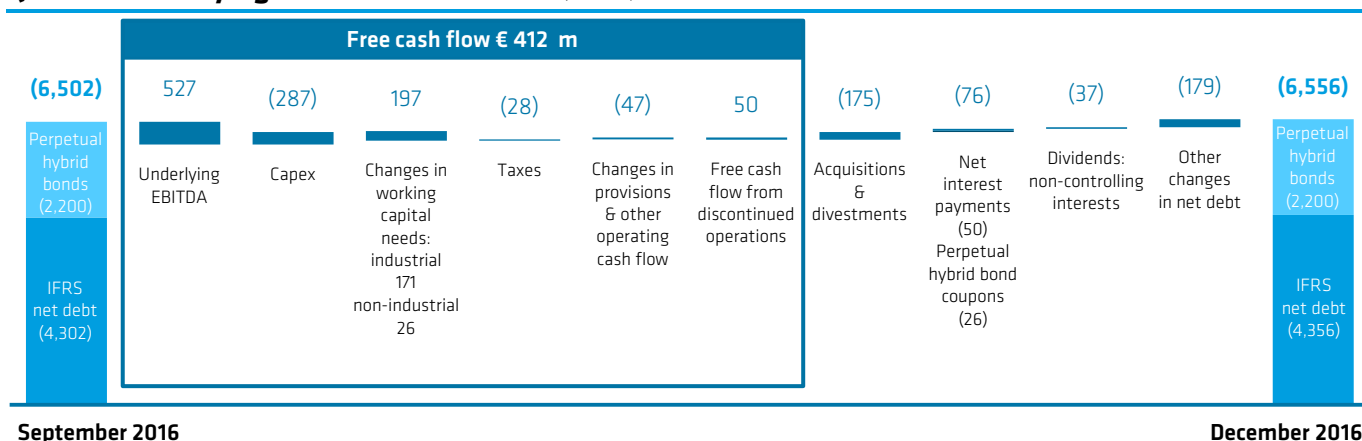
### Q4 yoy net sales evolution (in € m)



### Q4 yoy underlying EBITDA evolution (in € m)



### Q4 2016 underlying net debt <sup>[2]</sup> evolution (in € m)



[1] A full reconciliation of IFRS and underlying income statement data can be found on page 17 of this report.

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



**Net sales** totaled € 2,767 m, up 1.6%, mainly due to the higher volumes, partially offset by the reduction of sales prices. The impact of foreign exchange fluctuations on conversion and of changes in the business scope had no material effect.

- The 3.9% **volume** increase was supported across all segments, as specific headwinds started to ease and the typical market seasonality was less pronounced than in the fourth quarter of 2015. In Advanced Materials, higher volumes of high-performance polymers in automotive, industrial, consumer goods, and healthcare more than offset weaker year-on-year sales in smart devices and aerospace markets. Advanced Formulations resumed growth, driven by agro and sequential improvement in oil and gas, albeit still down year on year. Performance Chemicals' sales volumes grew mainly thanks to an increase in bicarbonates. In Functional Polymers, sales of both polyamide 6.6 intermediates and engineered materials continued to grow, driven by healthy market conditions.
- Average **price** reductions of (2.2)% reflected primarily the pass-through impact of lower raw materials and price pressure in the oil and gas sector.

**Underlying EBITDA** grew 16% to € 527 m. Volumes were well up across the operating segments. Pricing power continued to contribute, benefiting from operational excellence delivery. Foreign exchange fluctuations had a slightly negative effect on conversion. Fixed costs were largely stable and changes in the business scope had no material effect.

- The higher **volumes** had a 9.1% impact on EBITDA, reflecting growth across all business segments.
- Continued **pricing power** pushed net pricing up 9.7% year on year. Lower sales prices were more than offset by the decrease of raw material costs and operational excellence initiatives especially in Performance Chemicals and Functional Polymers.
- **Fixed costs** were largely stable, with continued delivery of Cytec synergies and operational excellence offsetting inflation and increased production capacity.
- The net **foreign exchange** impact on conversion was (1.1)%, and is linked to the significant depreciation of the Venezuelan bolivar, only partially offset by the appreciation of the US dollar.

The underlying **EBITDA margin** grew to 19% in the quarter, up 2.4 pp year on year, reflecting the volume increase and cost reductions.

**Underlying EBIT** was € 324 m, a 27% increase, after deduction of amortization and depreciation charges of € (203) m, slightly up compared to those in 2015 of € (197) m.

**Underlying net financial charges**<sup>[1]</sup> rose to € (110) m from € (97) m in the same quarter last year, mainly as a result of higher discounting costs on pension and environmental liabilities, which are non-cash in nature. These were € (27) m, compared to € (17) m in 2015, which had been lower due to one-off gains on post-retirement benefits.

**Underlying income taxes** were € (54) m, slightly up, in line with higher earnings.

**Discontinued operations** include the Latin American PVC activity Indupa, which was sold at the end of December 2016, and the recently discontinued acetate tow businesses Acetow and Asian PVC activity Vinythai. These contributed € 44 m versus € 36 m in 2015, a 23% increase, driven by positive net pricing in Vinythai.

**Underlying profit** attributable to Solvay share was € 183 m, up 35%, reflecting higher EBITDA. The profit attributable to non-controlling interests rose to € 21 m due to Vinythai performance. Underlying basic earnings per share thereby increased 36% to € 1.77 per share.

**Free cash flow** from continuing operations was € 362 m, in line with the € 364 m last year. The strong EBITDA increase and lower capex were offset by a lower working capital inflow.

- **Capex** from continuing operations was € (287) m, € 36 m lower than in 2015, in line with the planned reduction in capex intensity. Cash conversion thereby rose from 29% to 46%.
- **Working capital** inflow in the fourth quarter was € 197 m, lower than in 2015 due to stricter working capital management throughout the year. This brought the net working capital over sales ratio down to 11.9% at year end, (0.6) pp lower than 12.5% at the end of 2015 on non-restated basis.

Including the € 50 m contribution from discontinued operations, the total free cash flow was € 412 m in line with the year before.

**Underlying net debt** rose slightly to € (6,556) m. Free cash flow exceeded financial charges and dividends to non-controlling interests, as well as the net € (175) m outflow from acquisitions and divestments, mainly related to the closing of the Indupa sale. Other changes in net debt were € (179) m, mainly from the non-cash foreign exchange impact on US dollar-denominated debt and financial instruments, following the appreciation in the quarter. Net debt on an IFRS basis was € (4,356) m at the end of the period and excludes 100% of the € (2,200) m hybrid perpetual bonds considered as equity under IFRS.

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

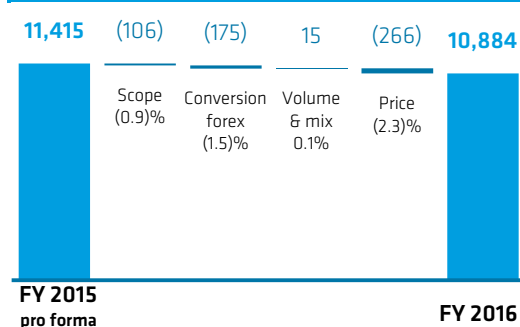
# BUSINESS REVIEW

## FULL YEAR 2016 UNDERLYING RESULTS <sup>[1]</sup>

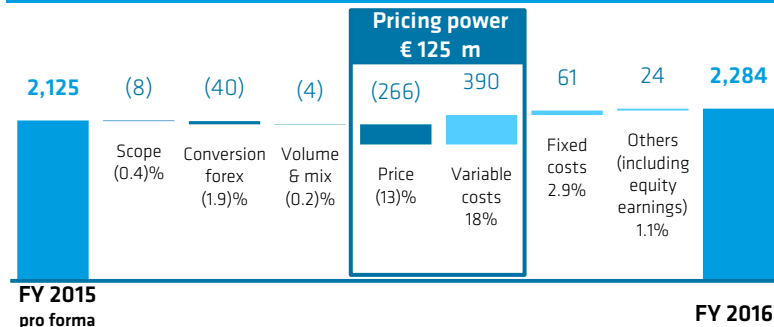
### FY key data

(in € m)	IFRS			Underlying		
	FY 2016	FY 2015 pro forma	% yoy	FY 2016	FY 2015 pro forma	% yoy
<b>Net sales</b>	<b>10,884</b>	<b>11,415</b>	<b>(4.7)%</b>	<b>10,884</b>	<b>11,415</b>	<b>(4.7)%</b>
<b>EBITDA</b>	<b>2,131</b>	<b>1,857</b>	<b>15%</b>	<b>2,284</b>	<b>2,125</b>	<b>7.5%</b>
<i>EBITDA margin</i>				21%	19%	2.4pp
<b>EBIT</b>	<b>962</b>	<b>754</b>	<b>28%</b>	<b>1,534</b>	<b>1,398</b>	<b>9.7%</b>
Net financial charges	(339)	(320)	(5.7)%	(469)	(441)	(6.4)%
Income taxes	56	(35)	n.m.	(291)	(300)	3.2%
<i>Tax rate</i>				28%	32%	(4.8)pp
Profit for the period from discontinued operations	(6)	50	n.m.	133	175	(24)%
Profit for the period attributable to non-controlling interests (-)	(53)	(48)	11%	(61)	(65)	(6.6)%
<b>Profit for the period attributable to Solvay share</b>	<b>621</b>	<b>400</b>	<b>55%</b>	<b>846</b>	<b>768</b>	<b>10%</b>
<b>Basic earnings per share (in €)</b>	<b>6.01</b>	<b>3.86</b>	<b>56%</b>	<b>8.19</b>	<b>7.40</b>	<b>11%</b>
<b>Capex</b>	<b>(981)</b>	<b>(1,160)</b>	<b>15%</b>	<b>(981)</b>	<b>(1,160)</b>	<b>15%</b>
Capex from continuing operations	(929)	(1,057)	12%	(929)	(1,057)	12%
<b>Free cash flow</b>	<b>876</b>	<b>492</b>	<b>78%</b>	<b>876</b>	<b>492</b>	<b>78%</b>
Free cash flow from continuing operations	736	394	87%	736	394	87%
<b>Net debt <sup>[2]</sup></b>	<b>(4,356)</b>	<b>(4,379)</b>	<b>-</b>	<b>(6,556)</b>	<b>(6,579)</b>	<b>-</b>
<b>CFROI <sup>[3]</sup></b>				<b>6.3%</b>	<b>6.1%</b>	<b>0.3pp</b>
<b>Research &amp; innovation</b>				<b>(350)</b>	<b>(361)</b>	<b>3.0%</b>
<i>Research &amp; innovation intensity</i>				3.2%	3.2%	

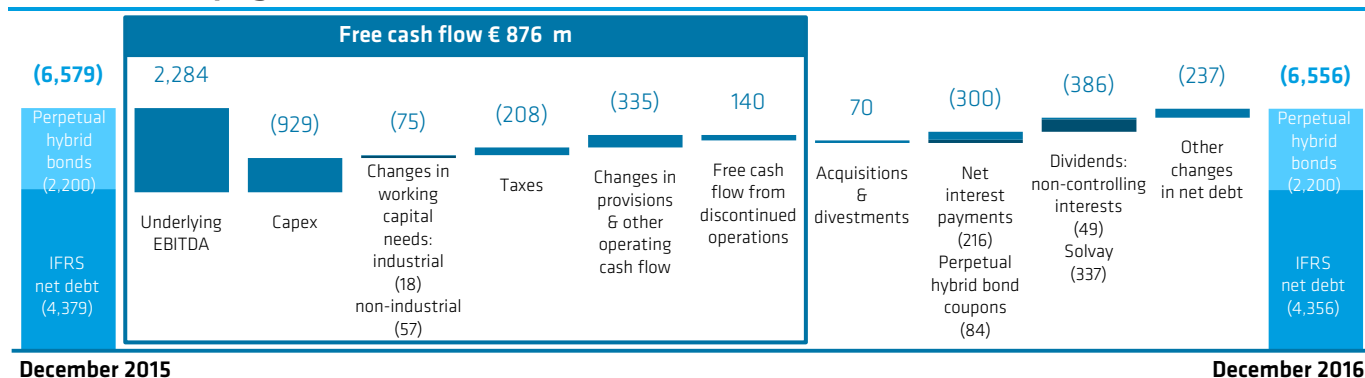
### FY yoy net sales evolution (in € m)



### FY yoy underlying EBITDA evolution (in € m)



### FY 2016 underlying net debt <sup>[2]</sup> evolution (in € m)



[1] A full reconciliation of IFRS and underlying income statement data can be found on page 17 of this report.

[2] Underlying net debt includes the perpetual hybrid bonds, accounted for as equity under IFRS. 2015 net debt is provided for reference on non-restated basis.

[3] The FY 2015 pro forma CFROI has not been restated for the discontinuation of the Acetow and Vinythai businesses.

**Net sales** totaled € 10,884 m, down (4.7)%. Volumes were stable overall. Sales prices decreased, however, while foreign exchange fluctuations had a negative conversion impact and the scope reduced slightly.

- **Volumes** were largely flat, with growth in Functional Polymers offsetting a decrease in Advanced Formulations. In Advanced Materials, solid growth in consumer goods, health-care and automotive markets more than compensated for lower civil aviation build rates and smart devices demand, including the impact of inventory adjustments in those markets. Oil and gas markets started recovering in the second half of the year, but the activity remained well below the 2015 level, weighing on Advanced Formulations' performance. This was mitigated, however, by growth in other areas, including agro and food products. In Performance Chemicals, volumes were flat overall across businesses. Functional Polymers' volumes were up thanks to solid market demand for polyamide 6.6 intermediates and engineered materials.
- Average **price** reductions of (2.3)% reflected primarily the pass-through impact of lower raw materials costs, as well as price pressure in the oil and gas sector and on the Latin American market.
- **Foreign exchange** fluctuations had a slightly negative impact on conversion of (1.5)%, linked to the depreciation of the Chinese yuan and Venezuelan bolivar.
- The **scope** effect accounted for (0.9)%, and related to the sale of the refrigerants and PCC businesses in 2015.

**Underlying EBITDA** grew 7.5% to € 2,284 m, driven by pricing power and fixed cost reduction benefits. Operational excellence exceeded € 200 m, while the acceleration of the Cytec integration delivered € 70 m of synergies, well ahead of the initial plan. There were no significant effects from volume/mix changes. Foreign exchange fluctuations and scope had a slightly negative impact.

- **Volumes** were largely flat and had no overall impact on EBITDA.
- Continued **pricing power** pushed net pricing up 5.9% year on year. Lower sales prices were more than compensated by lower raw material costs and delivery of operational excellence initiatives in all segments, except in Advanced Formulations where the price pressure in the oil & gas market proved too heavy. Solvay's rolling hedging policy protected the pricing power against short-term currency fluctuations.
- **Fixed costs** were down, adding 2.9% to EBITDA, supported by operational excellence and synergies delivery, thereby more than compensating for inflation and the additional costs from increased production capacity.
- The net **foreign exchange** impact on conversion was (1.1)%, mainly linked to the significant depreciation of the Venezuelan bolivar and Chinese yuan.
- The **scope** effect on EBITDA accounted for (0.4)%.

The underlying **EBITDA margin** reached 21%, up 2.4 pp versus 2015, thereby exceeding 20% for the first time.

**Underlying EBIT** was € 1,534 m, a 9.7% increase, after deduction of amortization and depreciation charges of € (750) m, 3% up on € (727) m in 2015, which results from the higher capex level in recent years.

**Underlying net financial charges**<sup>[1]</sup> rose to € (469) m from € (441) m in 2015. The underlying net cost of borrowings increased

to € (226) m compared to € (210) m a year ago, with currency swapping costs and higher average interest rates offsetting the effects of lower indebtedness and reduced cost of carry. Non-cash discounting costs on pension and environmental liabilities were € (106) m, compared to € (92) m in 2015. The increase is due to positive one-off effects in 2015 on post-retirement benefits.

**Underlying income taxes** were € (291) m versus € (300) m in 2015, reflecting a lower tax rate of 28% versus 32% in 2015, which is linked to a change in the geographical mix of pre-tax earnings.

**Discontinued operations** include the Latin American PVC activity Indupa, which was sold at the end of December 2016, and the recently discontinued acetate tow businesses Acetow and Asian PVC activity Vinythai. Their contribution was lower year on year, as in 2015 discontinued operations still included the € 57 m contribution of the European PVC activity, which was incorporated in the Inovyn joint venture mid-2015.

**Underlying profit** attributable to Solvay share was € 846 m, a 10% increase, reflecting higher EBITDA. Underlying basic earnings per share rose likewise to € 8.19 per share.

**Dividend** recommendation for the full year of € 3.45 gross per share, which represents a 4.5% raise. Subject to shareholder's approval, the balance of € 2.13 gross per share, after deduction of the € 1.32 interim dividend distributed in January, will be payable to shareholders on May 16, 2017.

**Free cash flow** from continuing operations nearly doubled to € 736 m versus € 394 m in 2015. In addition to the € 159 m rise in EBITDA this was the result of lower capex and strict working capital management.

- **Capex** from continuing operations was € (929) m, € 127 m lower than in 2015, in line with the planned reduction of capex intensity. Cash conversion thereby rose from 50% to 59%.
- Outflow from **working capital** was € (75) m. The average net working capital to sales ratio over the quarters was 15.3% versus 13.4% in 2015 on non-restated basis, inflated by the outstanding receivable on the Inovyn exit price in the first half of 2016.

Including the € 140 m contribution from discontinued operations, the total free cash flow was € 876 m versus € 492 m in 2015.

**CFROI** improved to 6.3%, versus 6.1% pro forma in 2015 before discontinuation of Acetow and Vinythai. This reflects Solvay's growing performance more than offsetting the (0.2) pp effect from these divestments.

Underlying **net debt** reached € (6,556) m, stable compared to the end of 2015. The strong free cash flow more than covered € (300) m in financial charges, which include € (84) m coupons on perpetual hybrid bonds, and higher dividend pay-out, of which € (337) m to Solvay shareholders. The net cash inflow from acquisitions and divestments primarily reflects the sale of Solvay's stake in Inovyn and the net cash outflow linked to the sale of Indupa. Other changes in net debt of € (237) m comprise the non-cash effect of foreign exchange fluctuations on financial debt and related instruments, primarily the conversion impact of the higher US dollar and Brazilian real on gross debt, and of the lower Venezuelan bolivar on cash. Net debt on an IFRS basis was € (4,356) m and excludes 100% of the € (2,200) m hybrid perpetual bonds considered as equity under IFRS.

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

# OUTLOOK 2017

## EBITDA

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- Solvay expects underlying **EBITDA** to grow by mid-single digit. Overall demand is anticipated to remain healthy and operational excellence momentum is expecting to continue, albeit in an environment of rising raw material prices.
  - **Advanced Materials** growth will be driven by most markets, including aerospace, automotive, consumer & healthcare, and electronics.
  - **Advanced Formulations** growth is projected in several end markets including agro, coatings and mining, with improving conditions in oil & gas.
  - **Performance Chemicals** is expected to show stable to modest growth, with anticipated headwinds in the soda ash market offset by operational excellence and Solvay's capacity increase in peroxides.
  - **Functional Polymers** is projected to be flat, retaining the growth achieved in 2016.
  - **Corporate & Business Services** are committed to excellence measures to offset inflation.The EBITDA outlook is based on constant scope and foreign exchange rates <sup>[1]</sup>.
- Underlying **depreciation & amortization** charges are expected to be at around € (750) m and exclude PPA amortization charges of approximately € (290) m.

## Financial charges & taxes

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- Underlying **net financial charges** expected at € (425) m, excluding the impact of foreign exchange fluctuations <sup>[1]</sup>:
  - Underlying **net cost of borrowings** at around € (230) m
  - Coupons to be paid on the **perpetual hybrid bonds** of € (112) m
  - Non cash recurring **discounting costs** are estimated at approximately € (80) m, of which some three quarters relates to pensions and one quarter to health, safety & environmental (HSE) provisions.
- Underlying **income tax** rate is expected to be around 30%

## Cash flow

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- **Free cash flow** from continuing operations is expected to exceed € 800 m in 2017, compared to € 736 m in 2016, driven by higher EBITDA and reduced capital expenditures.
- **Capital expenditure** from continued operations is expected to decrease further to around € (800) m.
- The total **pension** cash outflow is projected at € (210) m.

[1] Solvay is exposed to foreign exchange fluctuations. The main currency exposure is to US dollar, Chinese yuan, Thai baht, Brazilian real, Russian ruble, Japanese yen and Korean won. EBITDA sensitivity to US dollar is about € 120 m per US\$/€ (0.10) change, of which some 60% on conversion and 40% on transaction. Net debt sensitivity to US dollar is approximately € (200) m per US\$/€ (0.10) change.



## NEWS CORNER

### PORTFOLIO MOVES



### Transformation towards multi-specialty chemical Group

Throughout 2016, Solvay made significant headway in its transformation towards a multi-specialty chemical Group. It further refocused and upgraded its portfolio with a number of divestments and successfully integrating Cytec.

2016 was the year of **Cytec's successful integration** following its acquisition at the end of 2015. With a € 100 million run-rate at year-end 2016, Solvay is well on track to achieve its synergy target of € 150 million by 2018.

Solvay has finalized its **exit from largely all of its PVC businesses**, a major milestone in its transformation. In Europe, Solvay exited the Inovyn joint venture earlier than expected. In Latin America Solvay sold its 70.6% stake in Indupa and in Asia its 58.8% stake in Thai subsidiary Vinythai. Solvay's only remaining PVC activity is RusVinyl, co-owned with Sibur, supplying Russia's growing domestic PVC market.

Solvay also agreed to **sell its cellulose acetate tow** business Acetow at an enterprise value of about € 1 billion.

### INVESTMENTS



### Worldwide production expansions to serve customers

Solvay finalized several plant constructions or launched production at several sites.

For the aerospace market, Solvay began **production of lightweighting composite materials** in the United States. The Boeing Company qualified the new carbon fiber production line, which doubles capacities, for secondary structures such as movable wing flaps, as well as for interior applications. In Germany, Solvay finalized a state-of-the-art resin facility. Production should begin in the second quarter of 2017 after customer qualifications, to supply for the LEAP engine for Airbus and Boeing programs.

Solvay's peroxide business successfully completed the construction and commissioning of the **hydrogen peroxides plant** in Saudi Arabia. Its customer and joint-venture partner Sadara is finalizing its commissioning and the mega-plant should start its production in the coming weeks. In China, Solvay's new hydrogen peroxide plant began production for high-quality applications, serving growing demand from electronics, water treatment and aquaculture industries, as well as supplying Solvay's own semiconductor and flavor businesses.

In Asia, Solvay began **Highly Dispersible Silica production** at its new South Korean plant to meet strong and growing regional demand for energy saving tires. This Solvay invention reduces a vehicle's fuel consumption by as much as 7% and helps tire makers to raise performance levels for car tire compounds.

### INNOVATION



### Science & Innovation

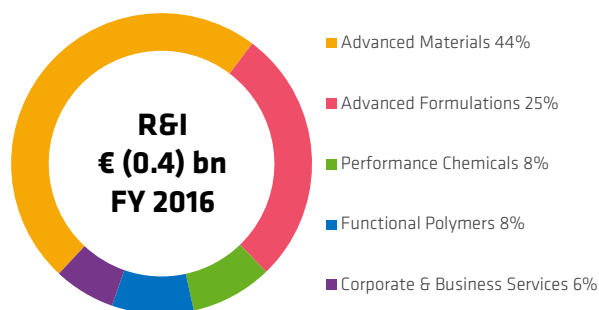
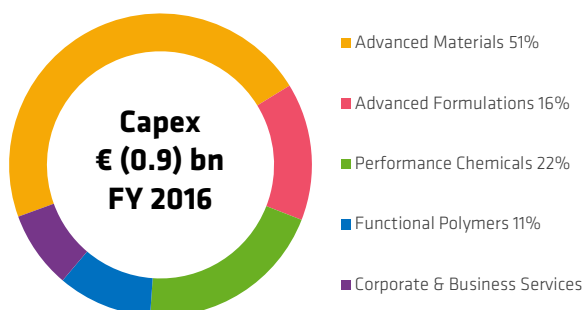
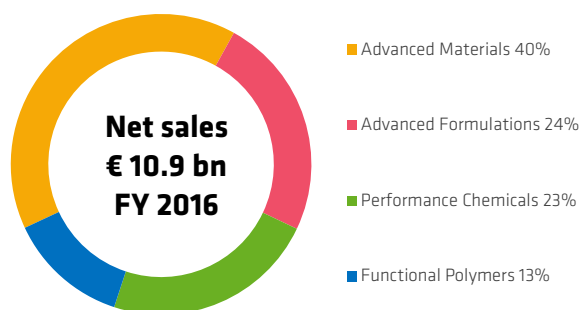
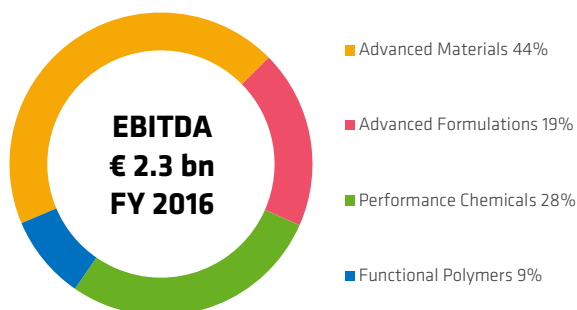
Solvay and France's **CNRS** renewed their **framework agreement** for five years, underlining the strong ties between science, research and innovation and their strategic partnership over the past four decades. The diversity of the researchers drives creativity, resulting in innovative applications as well as in valuable and sustainable solutions for customers.

Solvay will this year present the **"Chemistry for the Future Solvay Prize"** which rewards decisive breakthroughs in scientific research. The Solvay Prize rose in prominence when its 2015 laureate Dutch scientist Ben Feringa was among the Nobel Prize winners in 2016. His research on unidirectional molecular motors paves the way to new therapeutic and technological applications with nano-robots.

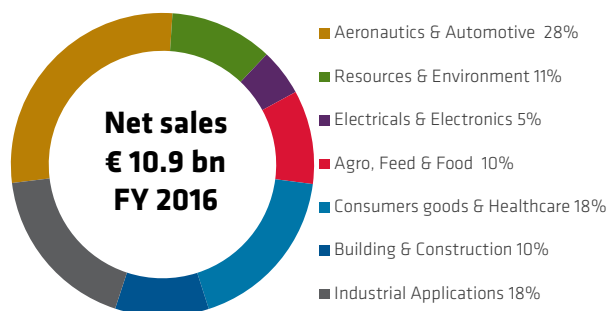
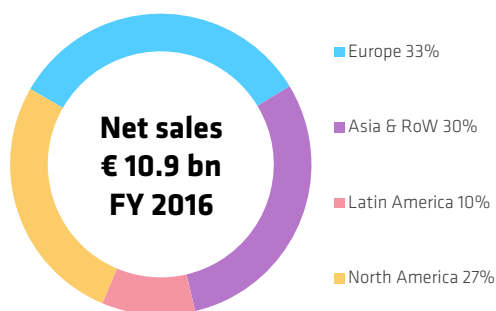
# SEGMENT REVIEW

## FOURTH QUARTER & FULL YEAR 2016 UNDERLYING RESULTS

### FY 2016 by segment <sup>[1]</sup>



### FY 2016 net sales by region and end-market



[1] The EBITDA pie chart excludes Corporate & Business Services, as their contribution to EBITDA is negative, and therefore cannot be depicted. Corporate & Business Services had no material contribution to net sales.

## Segment review

### Underlying

(in € m)	Q4 2016	Q4 2015 pro forma	% yoy	FY 2016	FY 2015 pro forma	% yoy
<b>Net sales</b>	<b>2,767</b>	<b>2,722</b>	<b>1.6%</b>	<b>10,884</b>	<b>11,415</b>	<b>(4.7)%</b>
Advanced Materials	1,076	1,091	(1.4)%	4,313	4,503	(4.2)%
Advanced Formulations	708	691	2.6%	2,668	2,885	(7.5)%
Performance Chemicals	623	603	3.3%	2,460	2,526	(2.6)%
Functional Polymers	358	331	8.1%	1,436	1,490	(3.6)%
Corporate & Business Services	1	6	(79)%	7	11	(39)%
<b>EBITDA</b>	<b>527</b>	<b>453</b>	<b>16%</b>	<b>2,284</b>	<b>2,125</b>	<b>7.5%</b>
Advanced Materials	259	244	6.1%	1,110	1,079	2.9%
Advanced Formulations	124	118	5.6%	484	522	(7.2)%
Performance Chemicals	168	144	17%	695	628	11%
Functional Polymers	51	22	131%	222	141	57%
Corporate & Business Services	(75)	(75)	-	(227)	(245)	7.3%
<b>EBIT</b>	<b>324</b>	<b>256</b>	<b>27%</b>	<b>1,534</b>	<b>1,398</b>	<b>9.7%</b>
Advanced Materials	180	160	12%	829	798	3.9%
Advanced Formulations	79	79	0.4%	327	378	(14)%
Performance Chemicals	126	102	23%	534	470	14%
Functional Polymers	30	2	n.m.	137	58	n.m.
Corporate & Business Services	(92)	(88)	(4.1)%	(293)	(306)	4.4%
<b>Capex from continuing operations</b>	<b>(287)</b>	<b>(324)</b>	<b>11%</b>	<b>(929)</b>	<b>(1,057)</b>	<b>12%</b>
Advanced Materials				(435)	(415)	(4.8)%
Advanced Formulations				(134)	(225)	40%
Performance Chemicals				(186)	(242)	23%
Functional Polymers				(95)	(71)	(34)%
Corporate & Business Services				(79)	(104)	24%
<b>Research &amp; innovation</b>				<b>(350)</b>	<b>(361)</b>	<b>(3.0)%</b>
Advanced Materials				(155)	(160)	3.4%
Advanced Formulations				(87)	(89)	2.6%
Performance Chemicals				(26)	(26)	(2.6)%
Functional Polymers				(30)	(31)	1.8%
Corporate & Business Services				(52)	(55)	5.6%

# ADVANCED MATERIALS

- Q4 underlying EBITDA up 6.1%;
- FY underlying EBITDA up 2.9%, record margin of 26%;
- Strong volume growth in automotive and healthcare markets, more than offsetting lower smart devices and aerospace markets.

## Key data

### Underlying

(in € m)	Q4 2016	Q4 2015 pro forma	% yoy	FY 2016	FY 2015 pro forma	% yoy
<b>Net sales</b>	<b>1,076</b>	<b>1,091</b>	<b>(1.4)%</b>	<b>4,313</b>	<b>4,503</b>	<b>(4.2)%</b>
Specialty Polymers	481	456	5.7%	1,922	1,901	1.1%
Composite Materials	262	279	(6.2)%	1,073	1,169	(8.2)%
Special Chem	218	223	(2.0)%	862	912	(5.5)%
Silica	114	134	(14)%	455	521	(13)%
<b>EBITDA</b>	<b>259</b>	<b>244</b>	<b>6.1%</b>	<b>1,110</b>	<b>1,079</b>	<b>2.9%</b>
EBITDA margin	24%	22%	1.7pp	26%	24%	1.8pp
EBIT margin	17%	15%	2.0pp	19%	18%	1.5pp
<b>CFROI</b>				<b>9.4%</b>	<b>9.2%</b>	<b>0.2pp</b>
Cash conversion				61%	62%	(0.7)pp
Research & innovation intensity				3.6%	3.6%	-

## Q4 yoy net sales evolution (in € m)

<b>1,091</b>	(4)	(14)	15	(12)	<b>1,076</b>
	Scope (0.4)%	Conversion forex (1.3)%	Volume & mix 1.4%	Price (1.1)%	
<b>Q4 2015 pro forma</b>					<b>Q4 2016</b>

## Q4 2016 performance

**Net Sales** totaled € 1,076 m; Volumes were up 1.4% while prices were (1.1)% lower and the foreign exchange impact was (1.3). In **Specialty Polymers**, innovation mainly in automotive, healthcare and oil & gas markets, led to double-digit sales growth excluding the smart device sector. Sales to this sector were flat sequentially, albeit still down year on year. **Composite Materials**<sup>[1]</sup> continued to face lower year-on-year demand. Growth on new aircraft programs was more than offset by the reduced build-rates for legacy wide-body civil aircraft programs, business jets and rotorcraft. In **Special Chem** volumes were largely stable both in rare earth and fluor markets. The divestment of the PCC business in November 2015, however, led to a negative scope effect. In **Silica** strong volume growth in the energy-efficient tire market was offset by the devaluation of the Venezuelan bolivar.

**Underlying EBITDA** grew 6.1% to € 259 m, with volume growth complemented by positive net pricing. Operational excellence and synergies were again stronger than expected. The underlying EBITDA margin thereby increased 1.7 pp to 24% in the quarter.

## FY yoy net sales evolution (in € m)

<b>4,503</b>	(104)	(79)	13	(21)	<b>4,313</b>
	Scope (2.3)%	Conversion forex (1.8)%	Volume & mix 0.3%	Price (0.5)%	
<b>FY 2015 pro forma</b>					<b>FY 2016</b>

## FY 2016 performance

**Net sales** were € 4,313 m, with the sales shortfall mainly attributable to the divestiture of Special Chem's refrigerants and PCC businesses in 2015 combined with unfavorable foreign exchange. Lower prices were balanced by modest volume growth. Sales grew in **Specialty Polymers** as strong volumes in diverse applications such as in consumer goods, batteries, automotive and medical sectors more than offset lower demand in smart devices. Sales volumes in **Composite Materials**<sup>[1]</sup> were affected by the anticipated rate declines of older aircraft programs and reduced sales to industrial markets. **Special Chem** reported good demand for automotive catalysts and growth from the semiconductor market. **Silica** volume growth across regions in the energy-efficient tire market was largely offset by the devaluation of the bolivar in Venezuela.

**Underlying EBITDA** rose 2.9% to € 1,110 m driven by operational excellence programs and Cytec synergies, which increased EBITDA margin by 1.8 pp to 26%.

[1] Combination of the former Cytec business units "Aerospace Materials" and "Industrial Materials"

## ADVANCED FORMULATIONS

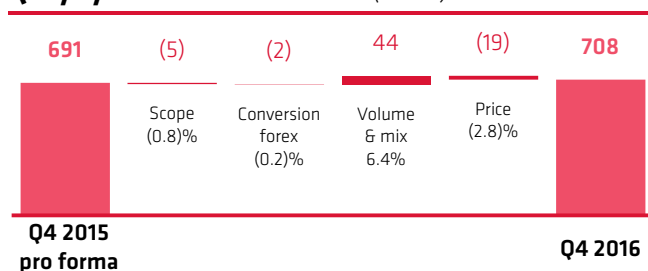
- Q4 underlying EBITDA increased by 5.6%;
- FY underlying EBITDA down (7.2)%, margin sustained at 18%;
- Growth from industrial and agro markets with sequential improvement in oil & gas.

### Key data

#### Underlying

(in € m)	Q4 2016	Q4 2015 pro forma	% yoy	FY 2016	FY 2015 pro forma	% yoy
<b>Net sales</b>	<b>708</b>	<b>691</b>	<b>2.6%</b>	<b>2,668</b>	<b>2,885</b>	<b>(7.5)%</b>
Novecare	438	443	(1.1)%	1,663	1,895	(12)%
Technology Solutions	170	156	8.7%	656	631	3.9%
Aroma Performance	100	91	9.6%	350	360	(2.7)%
<b>EBITDA</b>	<b>124</b>	<b>118</b>	<b>5.6%</b>	<b>484</b>	<b>522</b>	<b>(7.2)%</b>
EBITDA margin	18%	17%	0.5pp	18%	18%	0.1pp
EBIT margin	11%	11%	(0.2)pp	12%	13%	(0.9)pp
<b>CFROI</b>				<b>6.1%</b>	<b>6.5%</b>	<b>(0.4)pp</b>
Cash conversion				72%	57%	15pp
Research & innovation intensity				3.2%	3.1%	0.2pp

### Q4 yoy net sales evolution (in € m)

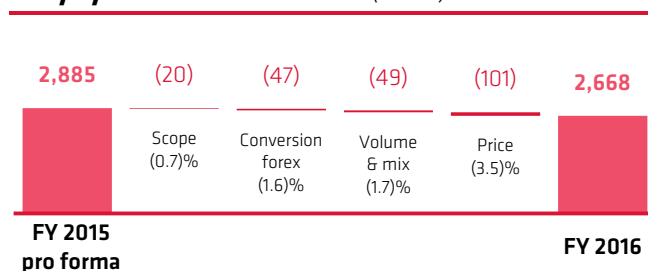


### Q4 2016 performance

**Net Sales** rose 2.6% to € 708 m, making it the highest quarter in the year, as overall volumes grew for the first time since 2014. The 6.4% volume increase was partially offset by (2.8)% lower prices, reflecting the less favorable market conditions versus last year. **Novecare** showed good sales growth in agro and a sequential improvement in oil & gas driven by a pickup in the North American rig count. Sales in **Technology Solutions**<sup>[1]</sup> increased 8.7% in the quarter, with higher sales of phosphine chemicals and polymer additives offsetting slightly weaker demand in mining. **Aroma Performance** sales grew mainly due to the new vanillin plant in China, while competitive price pressure continues.

**Underlying EBITDA** increased by 5.6% to € 124 m in the quarter, and underlying EBITDA margin improved to 18% due to synergies and operational excellence measures.

### FY yoy net sales evolution (in € m)



### FY 2016 performance

**Net Sales** decreased (7.5)% to € 2,668 m, with prices down (3.5)% and the balance from volumes and foreign exchange fluctuations. **Novecare's** annual sales were affected by the decline in the oil and gas market, which started to improve toward year end. Novecare demonstrated good growth in its other markets, including home & personal care, agro, coatings and industrial applications. Sales in **Technology Solutions**<sup>[1]</sup> grew almost 4% thanks to phosphorous and phosphine chemicals, which mitigated the lower demand in mining where some key customers reduced operating rates. **Aroma Performance** sales benefited from volume growth from the new Chinese vanillin plant but were offset by competitive price pressures.

**Underlying EBITDA** decreased (7.2)% to € 484 m as a result of foreign exchange, lower volumes and price. The underlying EBITDA margin remained at 18% following cost restructuring measures implemented in response to a more challenging environment.

[1] Combination of the former Cytec business units "In Process Separation" and "Additive Technologies"



## PERFORMANCE CHEMICALS

- Q4 underlying EBITDA increased by 17%;
- FY underlying EBITDA rose 11%, lifting margin to 28%;
- Operational excellence, in combination with lower raw material and energy costs, supported performance.

### Key data

(in € m)	Underlying					
	Q4 2016	Q4 2015 pro forma	% yoy	FY 2016	FY 2015 pro forma	% yoy
<b>Net sales<sup>[1]</sup></b>	<b>623</b>	<b>603</b>	<b>3.3%</b>	<b>2,460</b>	<b>2,526</b>	<b>(2.6)%</b>
Soda Ash & Derivatives	392	382	2.5%	1,561	1,554	0.4%
Peroxides	136	136	(0.1)%	542	558	(2.8)%
Coatis	93	81	15%	346	398	(13)%
<b>EBITDA</b>	<b>168</b>	<b>144</b>	<b>17%</b>	<b>695</b>	<b>628</b>	<b>11%</b>
EBITDA margin	27%	24%	3.1pp	28%	25%	3.4pp
EBIT margin	20%	17%	3.3pp	22%	19%	3.1pp
<b>CFROI</b>				<b>8.9%</b>	<b>8.5%</b>	<b>0.5pp</b>
Cash conversion				73%	61%	12pp
Research & innovation intensity				1.1%	1.0%	0.1pp

### Q4 yoy net sales evolution (in € m)

603	-	14	20	(14)	623
	Scope (0.1)%	Conversion forex 2.4%	Volume & mix 3.3%	Price (2.3)%	
Q4 2015 pro forma					Q4 2016

### Q4 2016 performance

**Net Sales** grew 3.3% to € 623 m, thanks to higher sales volumes. In **Soda Ash & Derivatives**, volumes were up thanks to double-digit growth in bicarbonates, driven by the new plant in Thailand. Overall soda ash volumes were in line with the prior year period.

**Peroxides** sales were largely stable as growth in the traditional wood pulp and paper market, supported by the ramp-up of the new plant in China, compensated for lower demand from specialty markets. A small pick-up in **Coatis**' domestic Latin-American markets drove sales volumes up in the quarter.

**Underlying EBITDA** rose 17% to € 168 m, attributable to growth in all three global business units. The volume growth was reinforced by the relentless focus on cost optimization, to maintain and improve the competitive position of Solvay's assets. This is reflected in the higher underlying EBITDA margin, which grew 3.1 pp to 27%.

### FY yoy net sales evolution (in € m)

2,526	8	(28)	3	(49)	2,460
	Scope 0.3%	Conversion forex (1.1)%	Volume & mix 0.1%	Price (1.9)%	
FY 2015 pro forma					FY 2016

### FY 2016 performance

**Net Sales** were down (2.6)% to € 2,460 m, due to the lower average prices, which reflect the pass-through effect of lower raw material costs. Foreign exchange effects were negative over the year, mainly with the depreciation of the Brazilian real. Volumes were stable overall. In **Soda Ash & Derivatives**, volumes were similar to the prior year. Higher bicarbonate sales, supported by the ramp-up of the new plant in Thailand, offset slightly lower volumes of soda ash, linked to slower market demand at the start of the year. In **Peroxides**, the ramp-up of the new plant in China supported volume growth in the traditional wood pulp bleaching market, offsetting weaker sales in specialties. Overall sales were down due to mix effects. **Coatis**' sales for the year fell as the conditions in its domestic Latin American market remained difficult.

**Underlying EBITDA** increased by 11% to € 695 m. Operational excellence remained the main driver for the improvement, leading to a record EBITDA margin of 28%.

[1] Following the discontinuation of Acetow, some residual business is still contained in Performance Chemicals' net sales. These accounted for € 3 m in Q4 and € 10 m in FY 2016, compared to € 4 m in Q4 and € 16 m in FY 2015. There was no material contribution to EBITDA.

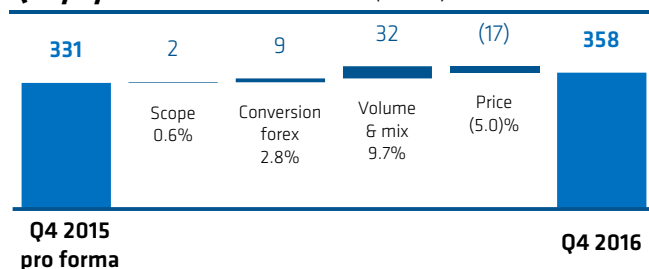
## FUNCTIONAL POLYMERS

- Q4 underlying EBITDA more than doubled;
- FY underlying EBITDA up 57%, raising margin to 15%;
- Solid demand for polyamide intermediates, polymers, and engineered products, complemented by positive contribution from RusVinyl.

### Key data

(in € m)	Underlying					
	Q4 2016	Q4 2015 pro forma	% yoy	FY 2016	FY 2015 pro forma	% yoy
<b>Net sales</b>	<b>358</b>	<b>331</b>	<b>8.1%</b>	<b>1,436</b>	<b>1,490</b>	<b>(3.6)%</b>
Polyamide	358	322	11%	1,414	1,448	(2.4)%
Chlorovinyls <sup>[1]</sup>	-	9	n.m.	22	41	(47)%
<b>EBITDA</b>	<b>51</b>	<b>22</b>	<b>131%</b>	<b>222</b>	<b>141</b>	<b>57%</b>
EBITDA margin	14%	6.7%	7.6pp	15%	9.5%	5.9pp
EBIT margin	8.5%	0.7%	7.8pp	9.5%	3.9%	5.6pp
<b>CFROI</b>				<b>5.1%</b>	<b>3.5%</b>	<b>1.6pp</b>
Cash conversion				57%	50%	7.2pp
Research & innovation intensity				2.1%	2.1%	-

### Q4 yoy net sales evolution (in € m)

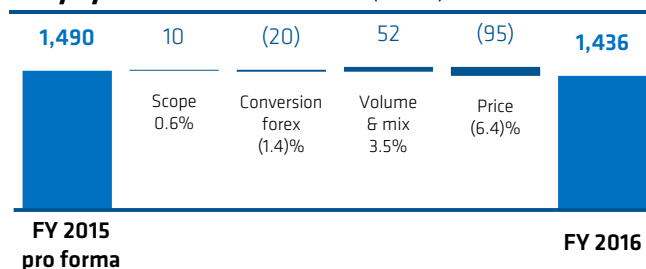


### Q4 2016 performance

**Net Sales** grew 8.1% to € 358 m as a result of 10% higher volumes, offsetting the (5.0)% average price decline. The price impact relates mainly to the partial pass-through of lower raw material costs to customers. The 2.8% foreign exchange conversion impact was supported by the appreciation of the Brazilian real. Sales volumes continued to grow year on year driven by solid demand for polyamide 6.6 intermediates, polymers and engineered products, primarily in automotive and industrial applications.

**Underlying EBITDA** was € 51 m, up € 29 m reflecting the volume increase in polyamide, the benefits from operational excellence programs as well as growth from RusVinyl. The underlying EBITDA margin widened by 7.6 pp to 14% compared to the same period in 2015.

### FY yoy net sales evolution (in € m)



### FY 2016 performance

**Net Sales** were down (3.6)% to € 1,436 m due to (6.4)% lower prices. This resulted from a decrease in raw material costs, which was partially passed on to customers. Volumes rose 3.5% thanks to the favorable market conditions for polyamides, both upstream and downstream. The (1.4)% foreign exchange fluctuations on conversion came from the Euro's appreciation versus local currencies in Brazil and Korea, where Solvay operates major sites.

**Underlying EBITDA increased** 57% to € 222 m, reflecting the volume increase in polyamide combined with benefits from operational excellence programs, more than offsetting the sales price decrease. RusVinyl, Solvay's Russian PVC joint venture, contributed significantly to results, operating close to full capacity throughout the year. The underlying EBITDA margin grew 5.9 pp to 15% versus 2015.

[1] Following the discontinuation of Vinythai, the only businesses reporting net sales in Chlorovinyls are residual trading and research activities in PVC, following the discontinuation of the European, Latin American and Asian chlorovinyl activities. These residual activities had no material impact on EBITDA, but it includes the net contribution from the RusVinyl joint venture, the Russian PVC activity, adjusted for financial charges.

## CORPORATE & BUSINESS SERVICES

- Q4 underlying EBITDA stable
- FY underlying EBITDA costs decreased by 7%
- Energy Services benefited from restructuring measures; Other Corporate & Business Services benefited mainly from delivery of synergies from the Cytec integration.

### Key data

#### Underlying

(in € m)	Q4 2016	Q4 2015 pro forma	% yoy	FY 2016	FY 2015 pro forma	% yoy
EBITDA	(75)	(75)	-	(227)	(245)	7.3%

### Q4 2016 performance

Net **underlying EBITDA** costs were € (75) m, equal to the fourth quarter of 2015.

**Energy Services'** EBITDA returned to positive at € 3 m, compared to € (2) m in 2015, mainly due to better business conditions for energy and carbon management services.

Costs in **Other Corporate & Business Services** were € (77) m, € (5) m higher than in 2015. Operational excellence and synergy benefits more than compensated for inflation. As in 2015, expenses were above the year average toward year end, due to phasing effects.

### FY 2016 performance

Net **underlying EBITDA** costs were € (227) m, € 18 m lower than in 2016, reflecting excellence and delivery on Cytec synergies. Excluding one-off elements in both years, the EBITDA would have been € 41 m better than in 2015.

**Energy Services'** EBITDA was € 3 m, compared to € (3) m in 2015. The difference is entirely due to the € (7) m write-offs on CERS in 2015. Results in 2016 benefited from the restructuring of certain renewable energy assets and from improved business conditions for energy and carbon management services.

**Other Corporate & Business Services'** EBITDA costs were € (231) m. This represented a significant improvement compared to 2015, which included a € 30 m one-off benefit recognized in 2015 related to US post-retirement benefits. Operational excellence and synergy benefits more than compensated for inflation throughout 2016.

## SUPPLEMENTARY INFORMATION

### Alternative performance metrics

Solvay uses alternative performance metrics to measure its financial performance: “Free cash flow”, “Capex”, “Cash conversion”, “net debt”, “Leverage ratio”, “Net working capital”, “Tax rate”, “Research & innovation” and “CFROI”. The definition of these metrics can be found in the glossary on page 30. A reconciliation of these metrics with published IFRS and underlying figures will be incorporated in the annual report to be published on March 31.

Solvay also uses extra-financial performance indicators which can be found in the 2016 results presentation available on Solvay's investor relations website on [http://www.solvay.com/en/investors/news\\_and\\_results/results/2016/q416earnings.html](http://www.solvay.com/en/investors/news_and_results/results/2016/q416earnings.html).

### Reconciliation of IFRS & underlying income statement indicators for the fourth quarter of 2016

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. The 2016 data are compared to unaudited pro forma 2015 data including Cytec, as if the acquisition had taken place on January 1, 2015.

(in € m)	Q4 2016			Q4 2015 pro forma		
	IFRS	Adjust- ments	Under- lying	IFRS	Adjust- ments	Under- lying
<b>Sales</b>	<b>2,933</b>	-	<b>2,933</b>	<b>2,854</b>	-	<b>2,854</b>
of which revenues from non-core activities	166	-	166	131	-	131
of which net sales	2,767	-	2,767	2,722	-	2,722
Cost of goods sold	(2,177)	1	(2,176)	(2,156)	-	(2,155)
<b>Gross margin</b>	<b>755</b>	<b>1</b>	<b>756</b>	<b>698</b>	-	<b>698</b>
Commercial & administrative costs	(382)	11	(372)	(388)	15	(372)
Research & development costs	(80)	1	(79)	(85)	-	(85)
Other operating gains & losses	(58)	58	-	(54)	56	2
Earnings from associates & joint ventures	28	(9)	19	29	(16)	13
Result from portfolio management & reassessments <sup>[1]</sup>	(5)	5	-	(23)	23	-
Result from legacy remediation & major litigations <sup>[1]</sup>	(20)	20	-	(10)	10	-
<b>EBITDA</b>	<b>526</b>	<b>2</b>	<b>527</b>	<b>451</b>	<b>2</b>	<b>453</b>
Depreciation, amortization & impairments	(288)	85	(203)	(285)	87	(197)
<b>EBIT</b>	<b>238</b>	<b>86</b>	<b>324</b>	<b>167</b>	<b>89</b>	<b>256</b>
Net cost of borrowings	(51)	-	(51)	(58)	10	(48)
Coupons on perpetual hybrid bonds	-	(28)	(28)	-	(28)	(28)
Interests and realized foreign exchange gains (losses) on the RusVinyl joint venture	-	(4)	(4)	-	(5)	(5)
Cost of discounting provisions	(32)	5	(27)	(8)	(9)	(17)
Result from available-for-sale financial assets	2	(2)	-	(9)	9	-
<b>Profit for the period before taxes</b>	<b>156</b>	<b>58</b>	<b>214</b>	<b>92</b>	<b>66</b>	<b>158</b>
Income taxes	142	(197)	(54)	94	(142)	(48)
<b>Profit for the period from continuing operations</b>	<b>299</b>	<b>(139)</b>	<b>160</b>	<b>185</b>	<b>(75)</b>	<b>110</b>
Profit for the period from discontinued operations	(29)	74	44	(73)	110	36
<b>Profit for the period</b>	<b>270</b>	<b>(66)</b>	<b>204</b>	<b>112</b>	<b>34</b>	<b>146</b>
attributable to Solvay share	245	(62)	183	112	24	136
attributable to non-controlling interests	25	(4)	21	-	10	11
Basic earnings per share (in €)	2.37		1.77	1.08		1.31
of which from continuing operations	2.79		1.44	1.72		0.98
Diluted earnings per share (in €)	2.36		1.76	1.07		1.30
of which from continuing operations	2.78		1.43	1.71		0.97

[1] These two line items were previously classified as “Non-recurring items” (see note 2).

**EBITDA** on an IFRS basis totaled € 526 m versus € 527 m on an underlying basis. The difference of € 2 m is explained by the following adjustments to IFRS results, in order to improve comparability of underlying results:

- € 1 m for the foreign exchange impact on the non-cash impact of purchase price allocation (PPA), consisting of recycling into profit or loss of Cytec inventory step-ups, which are adjusted in "*Cost of goods sold*".
- € 1 m for legacy acquisition costs, in this case the Chemlogics retention premiums, which are adjusted in "*Commercial & administrative costs*".
- € (9) m in "*Earnings from associates & joint ventures*" for the foreign exchange gains on the euro-denominated debt of the RusVinyl joint venture, following the revaluation of the Russian ruble in the quarter, netted with the financial charges of the joint venture. These elements are reclassified in "*Net financial charges*".
- € (11) m for net income in "*Result from portfolio management and reassessments*", excluding depreciation, amortization and impairment elements. These result from the € 20 m capital gain on sale of land, netted with € (10) m costs and losses related to acquisition and divestments.
- € 20 m for net costs in "*Result from legacy remediation and major litigations*".

**EBIT** on an IFRS basis totaled € 238 m versus € 324 m on an underlying basis. The difference of € 86 m is explained by the above-mentioned € 2 m adjustments on EBITDA level and € 85 m on "*Depreciation, amortization & impairments*". The latter consist of:

- € 69 m for the non-cash impact of purchase price allocation (PPA), consisting of amortization charges on intangible assets, which are adjusted in "*Commercial & administrative costs*" for € 10 m, "*Research & development costs*" for € 1 m and "*Other operating gains & losses*" for € 58 m.
- € 15 m for the net impact of impairments, which are non-cash in nature and are reported in "*Result from portfolio management and reassessments*". These primarily related to the impairment of renewable energy assets in Brazil.

**Net financial charges** on an IFRS basis were € (81) m versus € (110) m on an underlying basis. The € (29) m adjustment made to IFRS net financial charges consists of:

- € (4) m reclassification of financial charges and realized foreign exchange result on the euro-denominated debt of RusVinyl as net financial charges. The € 13 m delta with the adjustment made to EBITDA is attributed to unrealized foreign exchange gains.
- € (28) m reclassification of coupons on perpetual hybrid bonds, which are treated as dividends under IFRS, and as financial charges in underlying results.
- € 5 m for the net impact of decreasing discount rates on the valuation of environmental liabilities in the period.
- € (2) m for the "Result from available-for-sales financial assets".

**Income taxes** on an IFRS basis represented a gain of € 142 m versus a cost of € (54) m on an underlying basis. The € (197) m adjustment consists of:

- € (14) m for the tax impacts of the adjustments made to the underlying result before taxes (as described above).
- € (183) m for tax elements related to prior years, mainly from recognition of deferred tax assets in Belgium and the UK.

**Discontinued operations** generated a loss for the period of € (29) m on an IFRS basis, but a profit of € 44 m on an underlying basis. The € 74 m adjustment made to the IFRS profit consists of:

- € 55 m for Indupa, almost entirely related to the recycling of negative currency translation adjustments at the closing of the divestment in December.
- € 18 m for costs related to the divestment of Acetow and Vinythai, including PPA depreciation.

**Profit for the period attributable to Solvay share** on an IFRS basis was € 245 m after subtracting the € 25 m profit attributable to non-controlling interests. On an underlying basis the profit attributable to non-controlling interests represented € 21 m, after adjusting by € (4) m for the impact of the above adjustments on non-controlling interests. This resulted in a profit for the period attributable to Solvay share of € 183 m on an underlying basis.



## Reconciliation of IFRS & underlying income statement indicators for full year 2016

FY consolidated income statement (in € m)	FY 2016			FY 2015 pro forma		
	IFRS	Adjust- ments	Under- lying	IFRS	Adjust- ments	Under- lying
<b>Sales</b>	<b>11,403</b>	<b>-</b>	<b>11,403</b>	<b>11,882</b>	<b>-</b>	<b>11,882</b>
of which revenues from non-core activities	519	-	519	467	-	467
of which net sales	10,884	-	10,884	11,415	-	11,415
Cost of goods sold	(8,314)	84	(8,230)	(8,834)	83	(8,751)
<b>Gross margin</b>	<b>3,090</b>	<b>84</b>	<b>3,173</b>	<b>3,048</b>	<b>83</b>	<b>3,131</b>
Commercial & administrative costs	(1,465)	50	(1,416)	(1,517)	57	(1,459)
Research & development costs	(305)	3	(302)	(318)	-	(318)
Other operating gains & losses	(222)	231	9	(228)	229	1
Earnings from associates & joint ventures	85	(16)	69	21	22	44
Result from portfolio management & reassessments <sup>[1]</sup>	(164)	164	-	(212)	212	-
Result from legacy remediation & major litigations <sup>[1]</sup>	(56)	56	-	(41)	41	-
<b>EBITDA</b>	<b>2,131</b>	<b>152</b>	<b>2,284</b>	<b>1,857</b>	<b>268</b>	<b>2,125</b>
Depreciation, amortization & impairments	(1,169)	419	(750)	(1,103)	376	(727)
<b>EBIT</b>	<b>962</b>	<b>571</b>	<b>1,534</b>	<b>754</b>	<b>644</b>	<b>1,398</b>
Net cost of borrowings	(226)	-	(226)	(235)	25	(210)
Coupons on perpetual hybrid bonds	-	(111)	(111)	-	(112)	(112)
Interests and realized foreign exchange gains (losses) on the RusVinyl joint venture	-	(26)	(26)	-	(27)	(27)
Cost of discounting provisions	(118)	12	(106)	(77)	(14)	(92)
Result from available-for-sale financial assets	5	(5)	-	(8)	8	-
<b>Profit for the period before taxes</b>	<b>624</b>	<b>441</b>	<b>1,065</b>	<b>434</b>	<b>524</b>	<b>957</b>
Income taxes	56	(347)	(291)	(35)	(265)	(300)
<b>Profit for the period from continuing operations</b>	<b>680</b>	<b>94</b>	<b>774</b>	<b>399</b>	<b>259</b>	<b>657</b>
Profit for the period from discontinued operations	(6)	138	133	50	126	175
<b>Profit for the period</b>	<b>674</b>	<b>233</b>	<b>907</b>	<b>448</b>	<b>385</b>	<b>833</b>
attributable to Solvay share	621	225	846	400	368	768
attributable to non-controlling interests	53	7	61	48	17	65
Basic earnings per share (in €)	6.01		8.19	3.86		7.40
of which from continuing operations	6.20		7.06	3.52		5.95
Diluted earnings per share (in €)	5.99		8.17	3.83		7.35
of which from continuing operations	6.18		7.04	3.50		5.91

[1] These two line items were previously classified as "Non-recurring items" (see note 2).

**EBITDA** on an IFRS basis totaled € 2,131 m versus € 2,284 m on an underlying basis. The difference of € 152 m is explained by the following adjustments to IFRS results, in order to improve comparability of underlying results:

- € 82 m for the non-cash impact of purchase price allocation (PPA), consisting of recycling into profit or loss of Cytec inventory step-ups, which are adjusted in "*Cost of goods sold*".
- € 9 m for legacy acquisition costs, in this case the Chemlogics retention premiums, which are adjusted in "*Commercial & administrative costs*".
- € (16) m in "Earnings from associates & joint ventures" for the foreign exchange gains on the euro-denominated debt of the RusVinyl joint venture, following the revaluation of the Russian ruble since the start of the year, netted with the financial charges of the joint venture. These elements are reclassified in "*Net financial charges*".
- € 21 m for net costs in "*Result from portfolio management and reassessments*", excluding depreciation, amortization and impairment elements. These include restructuring costs of € (116) m, primarily related to restructuring plans in Corporate & Business Services, Special Chem and Soda Ash & Derivatives, as well as €(46) m costs and losses related to acquisition and divestments. These costs were partially offset by the net capital gain of € 72 m made on the exit of Inovyn, the € 49 m gain for the release to Solvay of Chemlogics holdback payments and a net capital gain on sale of land of € 20 m.
- € 56 m for net costs in "*Result from legacy remediation and major litigations*".

**EBIT** on an IFRS basis totaled € 962 m versus € 1,534 m on an underlying basis. The difference of € 571 m is explained by the above-mentioned € 152 m adjustments on EBITDA level and € 419 m on "*Depreciation, amortization & impairments*". The latter consist of:

- € 277 m 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 € 2 m, "*Commercial & administrative costs*" for € 41 m, "*Research & development costs*" for € 3 m and "*Other operating gains & losses*" for €231 m.
- € 143 m for the net impact of impairments, which are non-cash in nature and are reported in "*Result from portfolio management and reassessments*". These primarily related to the mothballing of the soda ash plant in Egypt for € (82) m and impairments on renewable energy assets for € (49) m.

**Net financial charges** on an IFRS basis were € (339) m versus € (469) m on an underlying basis. The € (130) m adjustment made to IFRS net financial charges consists of:

- € (26) m reclassification of financial charges and realized foreign exchange result on the euro-denominated debt of RusVinyl as net financial charges. The € 42 m delta with the adjustment made to EBITDA is attributed to unrealized foreign exchange gains.
- € (111) m reclassification of coupons on perpetual hybrid bonds, which are treated as dividends under IFRS, and as financial charges in underlying results.
- € 12 m for the net impact of decreasing discount rates on the valuation of environmental liabilities in the period.
- € (5) m for the "Result from available-for-sales financial assets".

**Income taxes** on an IFRS basis represented a gain of € 56 m versus a cost of € (291) m on an underlying basis. The € (347) m adjustment consists of:

- € (145) m for the tax impacts of the adjustments made to the underlying result before taxes (as described above).
- € (202) m for tax elements related to prior years, mainly from recognition of deferred tax assets in Belgium and the UK.

**Discontinued operations** generated a loss for the period of € (6) m on an IFRS basis, but a profit of € 133 m on an underlying basis. The € 138 m adjustment made to the IFRS profit consists of:

- € 129 m for Indupa, including adjustments to fair value and € 54 m for the recycling of negative currency translation adjustments at the closing of the divestment in December.
- € 26 m for costs related to the divestment of Acetow and Vinythai, including PPA depreciation.
- € (17) m related to gains on the divested pharma activities, as underlying results exclude post-closing elements.

**Profit for the period attributable to Solvay share** on an IFRS basis was € 621 m after subtracting the € 53 m profit attributable to non-controlling interests. On an underlying basis the profit attributable to non-controlling interests represented € 61 m, after adjusting by € 7 m for the impact of the above adjustments. This resulted in a profit for the period attributable to Solvay share of € 846 m on an underlying basis.

# CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The 2016 data presented in the consolidated interim financial statements, including the notes, are compared to 2015 IFRS data, i.e. not pro forma. This is different from the pages before, where the 2016 data are compared to unaudited pro forma 2015 income statement data including Cytec, as if the acquisition had taken place on January 1, 2015.

## Consolidated income statement

(in € m)	IFRS			
	Q4 2016	Q4 2015	FY 2016	FY 2015
<b>Sales</b>	<b>2,933</b>	<b>2,419</b>	<b>11,403</b>	<b>10,083</b>
of which revenues from non-core activities	166	131	519	467
of which net sales	2,767	2,287	10,884	9,615
Cost of goods sold	(2,177)	(1,851)	(8,314)	(7,517)
<b>Gross margin</b>	<b>755</b>	<b>567</b>	<b>3,090</b>	<b>2,566</b>
Commercial & administrative costs	(382)	(334)	(1,465)	(1,296)
Research & development costs	(80)	(72)	(305)	(271)
Other operating gains & losses	(58)	(19)	(222)	(84)
Earnings from associates & joint ventures	28	29	85	21
Result from portfolio management & reassessments <sup>[1]</sup>	(5)	(106)	(164)	(205)
Result from legacy remediation & major litigations <sup>[1]</sup>	(20)	(11)	(56)	(37)
<b>EBIT</b>	<b>238</b>	<b>54</b>	<b>962</b>	<b>695</b>
Cost of borrowings	(44)	(30)	(188)	(108)
Interest on lendings & deposits	4	3	13	9
Other gains & losses on net indebtedness	(11)	(17)	(50)	(47)
Cost of discounting provisions	(32)	(6)	(118)	(69)
Result from available-for-sale financial assets	2	(9)	5	(8)
<b>Profit for the period before taxes</b>	<b>156</b>	<b>(5)</b>	<b>624</b>	<b>472</b>
Income taxes	142	116	56	(69)
<b>Profit for the period from continuing operations</b>	<b>299</b>	<b>111</b>	<b>680</b>	<b>403</b>
Profit for the period from discontinued operations	(29)	(73)	(6)	51
<b>Profit for the period</b>	<b>270</b>	<b>38</b>	<b>674</b>	<b>454</b>
attributable to Solvay share	245	37	621	406
attributable to non-controlling interests	25	-	53	48
Basic earnings per share (in €)	2.37	0.45	6.01	4.85
of which from continuing operations	2.79	1.25	6.20	4.42
Diluted earnings per share (in €)	2.36	0.44	5.99	4.81
of which from continuing operations	2.78	1.24	6.18	4.39

[1] These two line items were previously classified as "Non-recurring items" (see note 2).

## Consolidated statement of comprehensive income

IFRS

(in € m)

	Q4 2016	Q4 2015	FY 2016	FY 2015
<b>Profit for the period</b>	<b>270</b>	<b>38</b>	<b>674</b>	<b>454</b>
<b>Other comprehensive income, net of related tax effects</b>	<b>719</b>	<b>133</b>	<b>155</b>	<b>505</b>
Recyclable components	428	140	374	246
Hyperinflation	-	21	-	42
Gains and losses on available-for-sale financial assets	(2)	(1)	9	3
Gains and losses on hedging instruments in a cash flow hedge	14	37	36	15
Currency translation differences from subsidiaries & joint operations	387	89	278	208
Currency translation differences from associates & joint ventures	28	(6)	51	(22)
Non-recyclable components	273	(6)	(275)	279
Remeasurement of the net defined benefit liability	273	(6)	(275)	279
Income tax relating to components of other comprehensive income	18	(2)	56	(20)
<b>Total comprehensive income</b>	<b>989</b>	<b>171</b>	<b>830</b>	<b>959</b>
attributed to Solvay share	948	164	762	892
attributed to non-controlling interests	41	6	67	67

## Consolidated statement of cash flows

IFRS

(in € m)

	Q4 2016	Q4 2015	FY 2016	FY 2015
Profit for the period	270	38	674	454
Adjustments to profit for the period	215	345	1,554	1,477
Depreciation, amortization & impairments (-)	296	296	1,302	978
Earnings from associates & joint ventures (-)	(28)	(29)	(86)	(21)
Net financial charges & result from available-for-sale financial assets (-)	87	62	374	257
Income tax expenses (-)	(132)	(105)	(21)	134
Changes in working capital	199	389	(99)	(103)
Changes in provisions	4	(152)	(151)	(302)
Dividends received from associates & joint ventures	5	-	22	14
Income taxes paid (excluding income taxes paid on sale of investments)	(33)	(54)	(212)	(250)
Other non-operating and non-cash items	(9)	121	(16)	129
<b>Cash flow from operating activities</b>	<b>660</b>	<b>566</b>	<b>1,788</b>	<b>1,289</b>
of which cash flow related to acquisition of subsidiaries, excluded from free cash flow	(9)	(75)	7	(98)
Acquisition (-) of subsidiaries	(5)	(4,810)	(23)	(4,835)
Acquisition (-) of investments - Other	5	(16)	4	(28)
Loans to associates and non-consolidated companies	(2)	16	(25)	11
Sale (+) of subsidiaries and investments	(163)	32	144	70
Income taxes paid on sale of investments	-	-	-	(232)
Acquisition (-) of tangible and intangible assets (capex)	(302)	(304)	(981)	(1,037)
of which tangible assets	(272)	(276)	(883)	(952)
of which intangible assets	(30)	(29)	(98)	(85)
Sale (+) of tangible & intangible assets	19	8	76	31
of which cash flow related to the sales of real estate in the context of restructuring, dismantling or remediation	5	4	35	5
Dividends from available-for-sale financial assets	-	1	-	1
Changes in non-current financial assets	26	30	(2)	4
<b>Cash flow from investing activities</b>	<b>(422)</b>	<b>(5,042)</b>	<b>(807)</b>	<b>(6,014)</b>
Capital increase (+) / redemption (-)	-	1,477	-	1,477
Proceeds from perpetual hybrid bond issuance	-	990	-	991
Sale (acquisition) of treasury shares	10	-	(55)	(59)
Increase in borrowings	530	3,664	1,133	4,628
Repayment of borrowings	(699)	(620)	(2,300)	(1,219)
Changes in other current financial assets	(46)	(6)	(50)	225
Net interests paid	(50)	(14)	(216)	(156)
Coupons paid on perpetual hybrid bonds	(26)	(27)	(84)	(57)
Dividends paid	(37)	(34)	(386)	(323)
of which to Solvay shareholders	-	-	(337)	(282)
of which to non-controlling interests	(37)	(34)	(49)	(42)
Other	25	(1)	7	(32)
<b>Cash flow from financing activities</b>	<b>(291)</b>	<b>5,429</b>	<b>(1,951)</b>	<b>5,475</b>
<b>Net change in cash and cash equivalents</b>	<b>(53)</b>	<b>953</b>	<b>(970)</b>	<b>750</b>
Currency translation differences	25	(52)	(13)	12
Opening cash balance	1,081	1,136	2,037	1,275
<b>Closing cash balance</b>	<b>1,054</b>	<b>2,037</b>	<b>1,054</b>	<b>2,037</b>
of which cash in assets held for sale	85	7	85	7



## Statement of cash flow from discontinued operations

IFRS

(in € m)	Q4 2016	Q4 2015	FY 2016	FY 2015
Cash flow from operating activities	65	66	191	205
Cash flow from investing activities	(15)	(17)	(84)	(103)
Cash flow from financing activities	(4)	(6)	(65)	(63)
<b>Net change in cash and cash equivalents</b>	<b>46</b>	<b>44</b>	<b>41</b>	<b>40</b>

## Consolidated statement of financial position

IFRS

(in € m)	December 2016	December 2015
<b>Non-current assets</b>	<b>17,548</b>	<b>18,716</b>
Intangible assets	3,600	3,919
Goodwill	5,679	5,840
Tangible assets	6,472	6,946
Available-for-sale financial assets	44	34
Investments in associates & joint ventures	497	398
Other investments	55	92
Deferred tax assets	890	1,059
Loans & other assets	312	427
<b>Current assets</b>	<b>6,597</b>	<b>6,613</b>
Inventories	1,672	1,867
Trade receivables	1,621	1,615
Income tax receivables	166	158
Dividends receivable	2	-
Other financial instrument receivables	101	111
Other receivables	736	655
Cash & cash equivalents	969	2,030
Assets held for sale	1,331	177
<b>Total assets</b>	<b>24,145</b>	<b>25,329</b>
<b>Total equity</b>	<b>9,956</b>	<b>9,668</b>
Share capital	1,588	1,588
Reserves	8,118	7,835
Non-controlling interests	250	245
<b>Non-current liabilities</b>	<b>9,188</b>	<b>11,330</b>
Provisions for employee benefits	3,118	3,133
Other provisions	860	831
Deferred tax liabilities	909	1,456
Financial debt	4,087	5,628
Other liabilities	214	282
<b>Current liabilities</b>	<b>5,001</b>	<b>4,331</b>
Other provisions	291	310
Financial debt	1,338	892
Trade payables	1,547	1,559
Income tax payables	197	130
Dividends payable	139	144
Other liabilities	1,085	1,021
Liabilities associated with assets held for sale	403	275
<b>Total equity &amp; liabilities</b>	<b>24,145</b>	<b>25,329</b>

## Consolidated statement of changes in equity

Consolidated statement of changes in equity							Revaluation reserve (fair value)			IFRS		
							Available- for-sale financial assets	Cash flow hedges	Defined benefit pension plans	Total reserves	Non- controlling interests	Total equity
(in € m)	Share capital	Share premiums	Treasury shares	Perpetual hybrid bonds	Retained earnings	Currency translation differences						
Balance in December 2014	1,271	18	(171)	1,194	5,753	(527)	(4)	(43)	(926)	5,293	214	6,778
Profit for the period	-	-	-	-	406	-	-	-	-	406	48	454
Items of OCI	-	-	-	-	35	169	3	15	264	486	19	505
Comprehensive income	-	-	-	-	441	169	3	15	264	892	67	959
Capital increase	318	1,151	-	-	-	-	-	-	-	1,151	-	1,469
Perpetual hybrid bond issuance	-	-	-	994	-	-	-	-	-	994	-	994
Cost of stock options	-	-	-	-	11	-	-	-	-	11	-	11
Dividends	-	-	-	-	(313)	-	-	-	-	(313)	(40)	(354)
Coupons of perpetual hybrid bonds	-	-	-	-	(57)	-	-	-	-	(57)	-	(57)
Sale (acquisition) of treasury shares	-	-	(59)	-	3	-	-	-	-	(56)	-	(56)
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	-	(118)	5	-	(1)	32	(82)	5	(77)
Balance in December 2015	1,588	1,170	(230)	2,188	5,720	(353)	(2)	(28)	(630)	7,835	245	9,668
Profit for the period	-	-	-	-	621	-	-	-	-	621	53	674
Items of OCI	-	-	-	-	-	313	10	23	(205)	141	14	155
Comprehensive income	-	-	-	-	621	313	10	23	(205)	762	67	830
Cost of stock options	-	-	-	-	9	-	-	-	-	9	-	9
Dividends	-	-	-	-	(336)	-	-	-	-	(336)	(45)	(381)
Coupons of perpetual hybrid bonds	-	-	-	-	(84)	-	-	-	-	(84)	-	(84)
Sale (acquisition) of treasury shares	-	-	(44)	-	(13)	-	-	-	-	(57)	-	(57)
Other	-	-	-	-	(19)	-	-	-	7	(12)	(17)	(29)
Balance in December 2016	1,588	1,170	(274)	2,188	5,899	(39)	8	(5)	(828)	8,118	250	9,956

# NOTES TO THE IFRS ACCOUNTS

## 1. General information

Solvay is a public limited liability company governed by Belgian law and quoted on Euronext Brussels and Euronext Paris. These consolidated interim financial statements were authorized for issue by the Board of Directors on February 23, 2017.

On March 16, 2016, Solvay and Ineos announced their intention to end their 50/50 chlorovinyls Inovyn joint venture earlier than originally foreseen, with Ineos to become the sole shareholder. Solvay and Ineos formed Inovyn in July 2015, with Solvay's exit originally planned in July 2018. On March 31, 2016, Solvay and Ineos announced they had signed the binding agreement to end their chlorovinyls Inovyn joint venture, following their intentions announced on March 16, 2016. On July 7, 2016, upon completion of the transaction, Solvay received a payment of € 335 m and Ineos became Inovyn's sole shareholder. The exit of the joint venture followed regulatory clearances from the relevant authorities. In 2017, Solvay will pay a total price adjustment approximating € (80) m.

On April 25, 2016 Solvay issued a formal notification for the exercise of the first call option on the € 500 m hybrid bond, maturing in 2104 after having notified the Luxembourg Stock Exchange, where the bond was listed, as well as the bondholders. This bond, which carried an annual interest rate of 6.375% in the first ten years, had previously been classified as a long-term financial debt in the consolidated statement of financial position, and was repaid on June 2, 2016. The financing of this repayment was secured in December 2015, together with the bonds issued to finance the Cytec acquisition.

On May 2, 2016, Solvay entered into a Share Purchase Agreement with Unipar Carbocloro for the sale of its equity interests held in Solvay Indupa. During the third quarter of 2016, the fair value less cost to sell had been updated, so to reflect the impact of the worsening of the business environment on the deal. An impairment loss in the amount of € (63) m was recognized in 2016. On December 7, 2016, Solvay obtained clearance from the Brazilian antitrust authority, CADE, for the agreed sale of its 70.59% stake in Solvay Indupa to chemical group Unipar Carbocloro. Completion of the transaction, at a total enterprise value of US\$ 202.2 m took place on December 27, 2016.

On May 19, 2016, Solvay and Eastman Chemical Company signed a definitive agreement to end their cellulose acetate production joint venture Primester with Solvay acquiring Eastman's 50% stake in the US-based plant and becoming its sole owner. Following the transaction, Eastman will provide the long-term supply of basic utilities and raw materials to the plant, based in Kingsport, Tennessee. The closing occurred on June 2, 2016.

On December 7, 2016, Solvay reached an agreement to sell its cellulose acetate tow business, Acetow, to private equity funds managed by Blackstone. The transaction is based on an enterprise value of about € 1 bn, representing around 7x EBITDA multiple. The net proceeds will contribute to the continued deleveraging of Solvay. Completion of the transaction is expected in the first half of 2017 and is subject to the customary social procedures and approval by the relevant antitrust authorities. In view of the materiality of the transaction, Solvay considers the business to qualify as a discontinued operation and has restated its results in accordance with IFRS.

On December 14, 2016, Solvay signed a definitive agreement to sell its 58.77% stake in its Thai subsidiary Vinythai PCL to the Japanese company AGC Asahi Glass, thereby exiting its Asian PVC activities. The transaction is based on a total enterprise value of Thai Baht 16.5 bn (€ 435 million), representing a multiple of 8x mid-cycle EBITDA. Completion of the transaction is subject to customary closing conditions, including antitrust approvals, and is expected in the first half of 2017. In view of the materiality of the transaction, Solvay considers the business to qualify as a discontinued operation and has restated its results in accordance with IFRS.

## 2. Accounting policies

Solvay prepares its 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, 2015.

The consolidated interim financial statements for the twelve months ended December 31, 2016 were prepared using the same accounting policies as those adopted for the preparation of the consolidated financial statements for the year ended December 31, 2015.

Following the ESMA Guidelines on Alternative Performance Measures issued on June 30, 2015 and effective as from July 3, 2016, Solvay has split the "Non-recurring items" into two items: (a) "Results from portfolio management and reassessments" and (b) "Results from legacy remediation and major litigations". The sum of those two items exactly equals what previously was labeled "Non-recurring items", before reclassification to discontinued operations.

### 3. Segment information

Solvay is organized in operating segments. As of January 1, 2016, following the acquisition of Cytec, Solvay has re-organized its segment set-up to enhance strategic coherence and improve business alignment. Cytec's former "Aerospace Materials" and "Industrial Materials" activities are included in Advanced Materials as the GBU "Composite Materials", while its "In Process Separation" and "Additive Technologies" activities are included in Advanced Formulations, largely as the GBU "Technology Solutions". Solvay's GBU "Coatis" is transferred to Performance Chemicals.

- **Advanced Materials** offers high-performance materials for multiple applications primarily in the automotive, aerospace, electronics, and health markets. It particularly provides sustainable mobility solutions, reducing weight and improving CO<sub>2</sub> and energy efficiency.
- **Advanced Formulations** serves the consumer goods, agro and food, as well as energy markets primarily. It offers customized specialty formulations that impact surface chemistry and alter liquid behavior, to optimize efficiency and yield, while minimizing the environmental impact.
- **Performance Chemicals** operates in mature and resilient markets with leading positions in chemical intermediates. Success is based on economies of scale and state-of-the-art production technology. It mainly serves the consumer goods and food markets.
- **Functional Polymers** produces and sells polyamide and PVC polymers and compounds and has leading regional positions in different geographies, with a focus on excellence initiatives. It serves serving mainly the automotive, construction, consumer good and building markets.
- **Corporate & Business Services** includes corporate and other business services, such as the Research & Innovation Center. It also incorporates the GBU Energy Services, which mission is to optimize energy consumption and reduce CO<sub>2</sub> emissions.

The 2015 IFRS data, presented below, reflect these changes, considering that Cytec activities did not contribute to the 2015 IFRS results and that 2015 results were restated following the presentation of Acetow and Vinythai as discontinued operations.

#### Reconciliation of segment, underlying and IFRS data

(in € m)	Q4 2016	Q4 2015	FY 2016	FY 2015
<b>Underlying EBITDA</b>	<b>527</b>	<b>366</b>	<b>2,284</b>	<b>1,744</b>
Advanced Materials	259	186	1,110	836
Advanced Formulations	124	79	484	348
Performance Chemicals	168	144	695	628
Functional Polymers	51	22	222	141
Corporate & Business Services	(75)	(65)	(227)	(209)
Underlying depreciation, amortization & impairments	(203)	(172)	(750)	(628)
<b>Underlying EBIT</b>	<b>324</b>	<b>194</b>	<b>1,534</b>	<b>1,115</b>
Non-cash accounting impact from amortization & depreciation of purchase price allocation (PPA) from acquisitions [1]	(70)	(34)	(358)	(144)
Other legacy costs related to changes in portfolio (e.g. retention premiums) [1]	(1)	(4)	(9)	(13)
Net financial charges and remeasurements of equity book value of the RusVinyl joint venture	9	16	16	(22)
Result from portfolio management & reassessments	(5)	(106)	(164)	(205)
Result from legacy remediation & major litigations	(20)	(11)	(56)	(37)
<b>EBIT</b>	<b>238</b>	<b>54</b>	<b>962</b>	<b>695</b>
Net financial charges	(81)	(59)	(339)	(222)
<b>Profit for the period before taxes</b>	<b>156</b>	<b>(5)</b>	<b>624</b>	<b>472</b>
Income taxes	142	116	56	(69)
<b>Profit for the period from continuing operations</b>	<b>299</b>	<b>111</b>	<b>680</b>	<b>403</b>
Profit for the period from discontinued operations	(29)	(73)	(6)	51
<b>Profit for the period</b>	<b>270</b>	<b>38</b>	<b>674</b>	<b>454</b>
attributable to non-controlling interests	25	-	53	48
<b>attributable to Solvay share</b>	<b>245</b>	<b>37</b>	<b>621</b>	<b>406</b>

[1] The non-cash PPA impacts can be found in the reconciliation table on pages 16-19.

For Q4 2016 these consist of € (1) m recycling into profit & loss of Cytec inventory step-ups, which are adjusted for on the "Cost of goods sold" line, and € (69) m of amortization of intangible assets, which are adjusted for on the "Cost of goods sold", "Research & development costs", "Other operating gains & losses" and "Commercial & administrative costs" lines. The latter is also adjusted for the € (1) m Chemlogics retention premiums.

For FY 2016 these consist of € (82) m recycling into profit & loss of Cytec inventory step-ups, which are adjusted for on the "Cost of goods sold" line, and € (277) m of amortization of intangible assets, which are adjusted for on the "Cost of goods sold", "Research & development costs", "Other operating gains & losses" and "Commercial & administrative costs" lines. The latter is also adjusted for the € (9) m Chemlogics retention premiums.

## 4. Share based payments

On February 24, 2016 the Board of Directors of Solvay SA decided to grant two long-term incentive plans for part of its key executives:

- Stock option plan (SOP) which will allow the acquisition of shares in Solvay; and
- Performance Share Units (PSU) plan which will allow the beneficiaries to obtain cash based upon the Solvay share price.

### a) Stock option plan

The details of the stock options plan are as follows:

#### Stock option plan

Number of stock options accepted	759,022
Grant date	24/02/2016
Vesting date	01/01/2020
Vesting period	24/02/2016 to 31/12/2019
Exercise price (in €)	75.98
Exercise period	01/01/2020 to 23/02/2024

The stock option plan is an equity settled share-based plan. As of December 31, 2016, the impact on the consolidated income statement and consolidated statement of financial position is € (3) m.

### b) Performance Share Units Plan

The details of the performance share units plan are as follows:

#### Performance share units

Number of PSU accepted	348,990
Grant date	24/02/2016
Vesting date	01/01/2019
Vesting period	24/02/2016 to 31/12/2018
Performance conditions	50% of the initial granted PSU are subject to the underlying EBITDA yoy growth % over 3 years (2016, 2017, 2018); 50% of the initial granted PSU are subject to the yoy CFROI % variation over 3 years (2016, 2017, 2018)
Validation of performance conditions	By the board of Directors

The performance share units plan is a cash-settled share-based plan. As of December 31, 2016, the impact on the consolidated income statement and consolidated statement of financial position is € (14) m.

## 5. Financial Instruments

### a) Valuation techniques

Compared to December 31, 2015, there are no changes in valuation techniques.

### b) 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 December 31, 2016 is not significantly different from the ones published in Note 37 of the consolidated financial statements for the year ended December 31, 2015.

### c) Financial instruments measured at fair value

The fair value of the derivative financial instrument representing the additional, performance based payment that Solvay would receive for its exit from Inovyn amounted to € 244 m at December 31, 2015. It increased to € 335 m following on the binding agreement signed with Ineos on March 31, 2016 for an early exit. It was settled on July 7, 2016.

For other financial instruments measured at fair value in Solvay's consolidated statement of financial position, the fair value of those instruments as of December 31, 2016 is not significantly different from the ones as published in the Note 37 of the consolidated financial statements for the year ended December 31, 2015.

During the twelve months ended December 31, 2016, there were neither reclassification between fair value levels, nor significant changes in the fair value of financial assets and liabilities measured based on level 3 inputs, except as mentioned above.



## 6. Non-adjusting events after the reporting period

On February 22, 2017, Solvay completed the divestment of its 58.77% stake in the Thai subsidiary Vinythai PCL to Japanese company AGC Asahi Glass, based on a total enterprise value of 16.5 bn Thai Baht (€ 435 m).

## 7. Declaration by responsible persons

Jean-Pierre Clamadieu, Chief Executive Officer, and Karim Hajjar, Chief Financial Officer, of the Solvay Group, declare that to the best of their knowledge:

- The consolidated interim 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 twelve months of 2016, and their impact on the consolidated interim financial information;
- The main risks and uncertainties are in accordance with the assessment disclosed in the section Risk Management in the Solvay 2015 Annual Report, taking into account the current economic and financial environment.

## 8. Report of the statutory auditor

Deloitte confirmed that the fieldwork related to the audit of the consolidated financial statements of Solvay SA/NV ("the company") and its subsidiaries (jointly "the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, is substantially completed. Deloitte confirmed that the financial information shown in this press release requires no comments on its part and is in agreement with the consolidated financial statements of the Group. The complete audit report related to the audit of the consolidated financial statements will be shown in the 2016 Annual Report that will be published on the Internet ([www.solvay.com](http://www.solvay.com)) on March 31, 2017.

# GLOSSARY

## Financial glossary

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**Adjustments:** Adjustments made to IFRS results for elements distorting comparability over time of the Group underlying performance. These adjustments consist of:

- Results from portfolio management and reassessments,
- Results from legacy remediation and major litigations,
- MGA related impacts, mainly including non-cash Purchase Price Acquisition impacts (e.g. inventory step-up and amortization of intangibles) and retention bonuses relative to Chemlogics and other acquisitions,
- Net financial results related to changes in discount rates, hyperinflation, coupons of hybrid bonds considered as dividends under IFRS and debt management impacts (mainly including gains/(losses) related to the early repayment of debt),
- Adjustments of equity earnings for impairment gains or losses and unrealized foreign exchange gains or losses on debt,
- Results from available-for-sale financial assets,
- Tax effects related to the items listed above and tax expense or income of prior years.
- All adjustments listed above apply to both continuing and discontinuing operations, and include the impacts on non-controlling interests.

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

**Capital expenditure (capex):** Cash paid for the acquisition of tangible and intangible assets

**Cash conversion:** (Underlying EBITDA + Capex from continuing operations) / Underlying EBITDA

**CFROI:** Cash Flow Return On Investment, calculated as the ratio between recurring cash flow and invested capital, where

- Recurring cash flow = Underlying EBITDA + (Dividends from associates and joint ventures – Earnings from associates and joint ventures) + Recurring capex + Recurring income taxes;
- Invested capital = Replacement value of goodwill & fixed assets + Net working capital + Carrying amount of associates and joint ventures;
- Recurring capex is normalized at 2% of the Replacement value of fixed assets net of Goodwill values;
- Recurring income taxes are normalized at 30% of (Underlying EBIT – Earnings from associates and joint ventures);

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

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

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

**EBIT:** Earnings before interest and taxes.

**EBITDA:** earnings before interest and taxes, depreciation and amortization.

**Free cash flow:** Cash flow from operating activities (excluding cash flow related to acquisitions of subsidiaries) and Cash flow from investing activities (excluding acquisitions and disposals of subsidiaries and other investments and excluding loans to associates and non-consolidated investments, as well as related tax elements).

**GBU:** Global business unit.

**IFRS:** International Financial Reporting Standards.

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

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

**Net debt:** Non-current financial debt + current financial debt – cash & cash equivalents – other financial instrument receivables. Underlying net debt reclassifies as debt 100% of the hybrid perpetual bonds, considered as equity under IFRS.

**Net financial charges:** net cost of borrowings, costs of discounting provisions (namely, related to post-employment benefits and HSE liabilities) and income / loss from available-for-sale financial assets.

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

**Net sales:** Sales of goods and value added services corresponding to Solvay's know-how and core business. Net sales exclude other revenues primarily comprising commodity and utility trading transactions and other revenue deemed as incidental by the Group.

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

**OCI:** Other Comprehensive Income.

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

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

**Pricing power:** The ability to create positive net pricing.

**PSU:** Performance Share Unit.

**Research & innovation:** Research & development costs recognized in the income statement and as capital expenditure before deduction of related subsidies, royalties and depreciation and amortization expense.

**Research & innovation intensity:** Research & innovation / net sales

**Result from legacy remediation and major litigations:** It includes:

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

**Results from portfolio management and reassessments:** It includes:

- Gains and losses on the sale of subsidiaries, joint operations, joint ventures, and associates that do not qualify as discontinued operations;
- Acquisition costs of new businesses;
- Gains and losses on the sale of real estate not directly linked to an operating activity;
- Restructuring charges driven by portfolio management and reassessment, including impairment losses resulting from the shutdown of an activity or a plant;
- Impairment losses resulting from testing of CGUs;
- It excludes non-cash accounting impact from amortization and depreciation resulting from the purchase price allocation (PPA) from acquisitions.

**Results on disposals:** It includes gains/(losses) from activities presented as discontinued operations.

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

**SOP:** Stock Option Plan.

**Tax rate:** Income taxes / (Result before taxes – Earnings from associates & joint ventures – interests & realized foreign exchange results on RusVinyl joint venture). The adjustment of the denominator regarding associates and joint ventures is made as these contributions are already net of income taxes.

**Underlying:** Underlying results are deemed to provide a more comparable indication of Solvay's fundamental performance over the reference periods. They are defined as the IFRS figures adjusted for the "Adjustments" as defined above.

**yoy:** Year on year comparison.

## Business glossary

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

**HSE:** Health, safety and environment

**PA:** Polyamide, polymer type.

**PCC:** Precipitated calcium carbonate.

**PVC:** Polyvinyl chloride, polymer type.

## SAFE HARBOR

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

Consequently, actual results or future events may differ materially from those expressed or implied by such forward-looking statements. Should known or unknown risks or uncertainties materialize, or should our assumptions prove inaccurate, actual results could vary materially from those anticipated. The Company undertakes no obligation to publicly update or revise any forward-looking statements.

# KEY DATES FOR INVESTORS

<b>May 3, 2017</b>	Publication of the 1 <sup>st</sup> quarter 2017 results
<b>May 9, 2017</b>	Annual general meeting
<b>May 12, 2017</b>	Final dividend ex-coupon date
<b>May 15, 2017</b>	Final dividend record date
<b>May 16, 2017</b>	Final dividend payment date
<b>August 1, 2017</b>	Publication of the 2 <sup>nd</sup> quarter and 1 <sup>st</sup> half year 2017 results
<b>November 8, 2017</b>	Publication of the 3 <sup>rd</sup> quarter 2017 results

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Solvay is a multi-specialty chemical company, committed to developing chemistry that addresses key societal challenges. Solvay innovates and partners with customers in diverse global end markets. Its products and solutions are used in planes, cars, smart and medical devices, batteries, in mineral and oil extraction, among many other applications promoting sustainability. Its lightweighting materials enhance 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 27,000 employees in 58 countries. Pro forma net sales were € 10.9 billion in 2016, with 90% from activities where Solvay ranks among the world's top 3 leaders. 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.

*Dit verslag is ook in het Nederlands beschikbaar – Ce rapport est aussi disponible en français*