SYENSQO

SPECIALTY HOLDCO BELGIUM

A Belgian private liability company (*société à responsabilité limitée/besloten vennootschap*)

Registered office: Rue de Ransbeek 310, 1120 Brussels, Belgium

REGISTRATION DOCUMENT

This document constitutes the registration document of Specialty Holdco Belgium (to be renamed Syensqo prior to completion of the Partial Demerger), a private liability company (*société à responsabilité limitée/besloten vennootschap*) organized under the laws of Belgium, with a share capital of EUR 1.00, registered with the Belgian legal entities register (Brussels) under enterprise number 0798.896.453 (the "**Company**") (the "**Registration Document**") within the meaning of Articles 6 and 10 of Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). The date of this Registration Document is June 29, 2023.

This Registration Document is valid for a period of twelve months from its date of approval (until June 29, 2024). The obligation to supplement this Registration Document in the event of significant new factors, material mistakes or material inaccuracies does not apply when this Registration Document is no longer valid.

This Registration Document has been approved by the Belgian Financial Services and Market Authority (the "**FSMA**"), as competent authority under the Prospectus Regulation. The FSMA only approves this Registration Document as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval by the FSMA should not be considered as an endorsement of the Company.

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1. RISK FACTORS

*Any investment in SpecialtyCo's Shares is subject to a number of risks. Prior to making an investment decision, prospective investors should carefully consider the risk factors laid out below as well as the other information set out in this Registration Document. These risks are, as of the date of this Registration Document, those that SpecialtyCo considers are likely to have a material adverse effect on its business, financial position, results or outlook and that are material to any investment decision. Investors should note, however, that the list of risks presented in this Section 1 is not exhaustive and that other risks unknown or not considered as of the date of this Registration Document to be likely to have a material adverse effect on SpecialtyCo's business, financial position, results or outlook, may exist or could arise in the future. Shareholders of Solvay SA should note that they may already be exposed to some of the risks presented in this Section 1, as such risks may be applicable to the SpecialtyCo businesses described herein (the "**Specialty Businesses**") which are, as of the date of this Registration Document, directly owned and operated by Solvay SA. Information on the manner in which SpecialtyCo expects to manage the risks presented in this Section 1 is set out in Section 6.13, "Risk management and compliance." Certain terms used in this Section 1 are defined in Section 2, "General Information."*

In accordance with the provisions of Article 16 of the Prospectus Regulation, the risk factors within each of the risk categories mentioned below considered to be the most significant at the date of this Registration Document are presented first within each such category, in accordance with an assessment that takes into account its level of impact and likelihood of occurrence as well as the risk management actions and measures implemented by SpecialtyCo.

1.1 Risks related to SpecialtyCo's markets and competitive position

1.1.1 SpecialtyCo may not realize its objective to grow faster than many of its markets, which can be impacted by different business cycles.

SpecialtyCo's strategy includes an ambition to drive above-market growth by harnessing its broad portfolio of technologies, products, expertise and close relationships with customers, but it might not realize this objective. Its ability to grow faster than the markets in which it is active will depend on its effectiveness in capitalizing on the growth of such market segments to generate increased revenues and attractive margins (*see* Section 6.1.3, "*SpecialtyCo's strategy – Drive above-market growth*").

As an example, in the Materials segment (which represented 51.8% of 2022 revenue), SpecialtyCo's offerings for the automotive sector (which represented 22.1% of 2022 Materials segment revenue), are focused on solutions for lightweighting and electrification, aiming to take advantage of the growing demand for electric and hybrid vehicles, which is expected to be greater than that of the automotive market as a whole. It believes that its specialty polymers and composite materials technologies provide it with an addressable market that is approximately twice the size of its addressable market in internal combustion engines. Solvay has noted in public presentations that China's Technology Roadmap contemplates that 50% of all vehicles sold in China will be plug-in hybrid, battery electric or fuel cell electric by 2035; that certain States of the United States (including California) plan to ban the sale of new internal combustion engine (ICE) vehicles by 2035; that the European Union plans to ban the sale of new ICE vehicles (other than certain vehicles that run on certain e-fuels) by 2035; and that major vehicle manufacturers have announced plans to shift production to electric vehicles. Based on these market factors, Solvay announced that its business relating to electric vehicles (which is mainly in the Materials segment that is part of SpecialtyCo) could realize double-digit growth in the coming years, potentially increasing revenues from less than EUR 1 billion in 2021 to more than EUR 2.5 billion in 2030. This growth potential underlies SpecialtyCo's ambition to realize above-market growth in this sector. However, SpecialtyCo's assessment of the market opportunity may prove to be incorrect, or customers may choose products of SpecialtyCo's competitors or different types of polymers or other products more frequently than SpecialtyCo anticipates, in which case SpecialtyCo's market share will be adversely affected. Moreover, even if SpecialtyCo is successful within the electric vehicle market, its rate of future growth will depend on factors outside of its control, such as the increased acceptance of electric vehicles by consumers, the availability of electric vehicle charging infrastructure or the price of electric vehicles compared to vehicles with internal combustion engines.

In the Consumer & Resources segment (which represented 48.2% of SpecialtyCo's revenues in 2022), SpecialtyCo has oriented its portfolio to take advantage of what it believes to be growing customer demand for natural and sustainable products. SpecialtyCo believes its focus on natural and sustainable products should give it the potential to grow at a rate that is greater than the overall markets in which these products are offered. If customers focus less on issues of sustainability than SpecialtyCo expects, demand for these products may not grow at a greater rate than that of the relevant markets (or even at the same rate as the markets), in which case SpecialtyCo's revenues will be negatively impacted. Demand for many products in the Consumer & Resources segment can be impacted by macroeconomic factors, which have affected Novecare's sales volumes in the coatings, agro and consumer markets in the fourth quarter of 2022 and the first quarter of 2023.

SpecialtyCo has also designated four target growth platforms that it believes have significant potential addressable market sizes (generally a potential market size of over USD 1 billion for each platform), and it may designate others in the future. One of the growth platforms is batteries for electric and hybrid vehicles, where it supplies specialty polymer solutions in a market that has developed strongly in recent years, but remains subject to the uncertainties of the trend to automotive electrification described above. The other three target growth platforms—thermoplastic composite prepregs, green hydrogen and sustainable biomaterials—are longer-term opportunities that are in early phases, and by definition are subject to even greater uncertainty, requiring further study before the potential addressable market size can be confirmed. These markets may not develop to the size or at the speed anticipated by SpecialtyCo, and even if they do develop, SpecialtyCo might not be able to position itself competitively to take advantage of the market growth. If SpecialtyCo invests significant amounts in pursuing opportunities in markets that fail to develop as it expects, or if it is not able to take advantage of any markets that develop strongly, its business may be materially and adversely impacted and it may not realize its targeted investment returns.

Further, even if SpecialtyCo achieves its revenue growth objectives, it must also generate attractive margins through strategies such as value-based pricing, or it may not achieve the level of profitability it hopes to realize as it grows. If margins on some or all of its growth products are lower than SpecialtyCo expects, then its profits may grow at a lower than expected rate, even if its revenues grow more quickly than that of the overall markets it serves.

In addition, SpecialtyCo's end-markets are impacted by different business cycles, and while some of its end-markets have proven to be historically resilient, SpecialtyCo serves a number of sectors characterized by different forms of cyclicality, including in particular the automotive, industrial, electronics and construction markets. Cyclical variations in these markets can arise from a variety of factors: economic cycles, in the case of the automotive and industrial industries, releases of new technology and product upgrades, in the case of the electronics industry, and interest rates, in the case of the construction industry. Such variations can significantly impact demand for SpecialtyCo's products. Cyclicality in these markets may lead to periods of lower demand, surplus production capacity, price or volume declines, and reduced margins. If SpecialtyCo fails to identify such cycles and adapt its commercial and investment strategies accordingly, it could suffer significant variations in its financial results. Further, while the impact on SpecialtyCo of cyclicality in any individual end-market may be limited by the diverse range of markets in which SpecialtyCo is active, if several end-markets are affected by adverse cycles simultaneously, SpecialtyCo's results of operations could be materially and adversely impacted.

1.1.2 SpecialtyCo's business may be impacted by one-time events affecting its markets.

SpecialtyCo is subject to risks of fluctuations in demand due to one-time events and evolving industry-wide challenges. In the aerospace industry, for example, Covid-19 pandemic-related issues severely impacted the production of commercial aircraft, reducing SpecialtyCo's revenues from the Composite Materials business unit (where such materials are used mainly in aircraft), which declined by 31.2% in

2020 and by 16.6% in 2021, in each case compared to the prior year, and at constant scope and exchange rates. The automotive sector has also incurred disruptions resulting from shortages of semiconductors and supply chain problems. The construction sector may be significantly impacted if global economic conditions deteriorate, particularly if interest rates continue to increase or remain at high levels, impacting the demand for new residential and commercial construction (this has impacted demand for Novecare's coatings products in late 2022 and early 2023). Disruptions such as these have negatively impacted and may in the future materially and adversely impact SpecialtyCo's business, results of operations and financial condition.

1.1.3 Some of SpecialtyCo's end-markets are characterized by a small number of major customers and/or long product development and qualification cycles.

SpecialtyCo realizes a portion of its revenues from business units in sectors reliant on a limited number of potential customers. This is most acute in the Composite Materials business unit (12.1% of SpecialtyCo net sales in 2022), which records approximately 60% of its net sales from aerospace and defense in the commercial aircraft sector, which is dominated by a very small number of aircraft manufacturers (such as Airbus, Boeing and their subcontractors) (*see* Section 6.3.1.1(b)(ii)(A), "*Commercial Aircraft*"). As a consequence, there are a limited number of aircraft programs, characterized by multi-year development and qualification cycles. If SpecialtyCo fails to capture a new opportunity to qualify its products on a developing aircraft program, it may not have a similar opportunity for a substantial period of time. While customer concentration is less significant in other end markets, and no single customer in any sector (including commercial aircraft) represents 10% or more of SpecialtyCo's total net sales, the loss of, or significant reduction in, purchases by a major customer such as Airbus or Boeing, or SpecialtyCo's failure to identify, predict and execute potential opportunities to become a supplier for such customers' current and future programs, could materially impair SpecialtyCo's business, results or operations or financial condition.

1.1.4 SpecialtyCo operates in a competitive business environment.

The specialty chemicals market is generally highly competitive, consisting of multiple segments featuring rapidly evolving applications. In order to succeed, SpecialtyCo must continually innovate and adapt its products to meet changing customer requirements and technological developments, and effectively protect its intellectual property. A significant part of the anticipated growth of the specialty chemicals market depends on innovations in areas such as electrification and lightweighting. SpecialtyCo's ability to grow and maintain customer business will depend to a significant extent on its capabilities in these and other developing areas, in which many of SpecialtyCo's competitors have (and are likely to continue to have) alternative offerings.

SpecialtyCo's competitors vary by product and region. Some are major international chemical companies and more specialized and other regional companies, such as Ashland, Celanese, EMS, Croda, Hexcel, Stepan, 3F and Victrex. Each of SpecialtyCo's business units has a different group of competitors, as described in Section 6.6, *"Competition and market positions."* In certain markets SpecialtyCo also faces competition from companies that may not have the same degree of value pricing ability or strategy, or the same standards of responsible manufacturing including high environmental standards. For example, revenues from products sold in China in the fourth quarter of 2022 were significantly impacted by competition. Further, while SpecialtyCo holds leading positions in many of its markets, it could lose some of those positions in the future, and in any event it is subject to competitive pressures even where it is the leader of a given market, particularly in periods of market downturns or economic slowdowns.

SpecialtyCo competes based on various factors that vary by market and geography, including product performance, application knowledge and technical service, quality, total cost of ownership, the ability to engage effectively in joint development with customers, manufacturing process efficiency, resource efficiency, price, customer service and sustainability. In the automotive industry, for example, SpecialtyCo competes to provide products that assist with electrification and lightweighting to meet the growing demand for sustainable and efficient transport. In the aerospace industry, SpecialtyCo competes to provide products that assist with lightweighting to meet the growing demand for materials providing both strength and cost efficiency in high-demand environments. The automotive and aerospace sectors together accounted for 50.9% of SpecialtyCo's 2022 revenues in the Materials segment, and 26.3% of its total 2022 revenues. Competition in these and other areas requires SpecialtyCo to dedicate substantial funds to research and development each year (total costs of EUR 312 million in 2022) (*see* Section 6.4, "*Research and innovation*"). Despite such investment, there can be no assurance that SpecialtyCo will be able to develop or maintain competitive advantages in these, or any other, areas.

If SpecialtyCo is unable to enhance its specialty chemicals offering or manufacturing processes to keep pace with market evolutions, or if competitors emerge that are able to deliver competitive offerings at lower total cost of ownership (TCO), more efficiently, more conveniently, or more sustainably than SpecialtyCo, SpecialtyCo's business, financial condition and results of operations could be adversely affected.

1.2 Risks related to SpecialtyCo and its operations

1.2.1 SpecialtyCo is dependent on the availability of energy, including natural gas, and certain raw and intermediate materials.

As is currently the case with Solvay, SpecialtyCo uses energy, raw and intermediate materials for its manufacture of specialty chemicals (*see* Section 6.8.2, "*Raw materials*"). Raw materials, utilities and consumables represented EUR 3,908 million of SpecialtyCo's expenses in 2022, or 61.0% of total operating expenses (excluding depreciation and amortization). SpecialtyCo purchases large quantities of natural gas, oil and oil products, mineral products and bio-sourced products, and intermediate materials such as carbon fibers, the supply chains of which expose SpecialtyCo to multiple potential sources of delivery failure or product shortages. SpecialtyCo could be impacted by its suppliers' inability to meet agreed upon timelines, capacity constraints, interruptions in production, accidents or other similar events, or delivery of materials that do not meet its quality standards. Any disruption in the supply of materials, from any supplier, could temporarily disrupt SpecialtyCo's manufacturing.

In addition, the supply of raw materials may be constrained by geo-political developments. For example, natural gas and other energy products may be subject to periodic shortages caused by supply constraints arising from the Russian invasion of Ukraine, including the partial or complete curtailment of natural gas deliveries by Russia and restrictions on purchases of natural gas and other energy products from Russia imposed by the European Union, the United Kingdom, the United States and other countries. Natural gas represented 46% of SpecialtyCo's energy expenses in 2022 (*see* Section 9.4.3.4, "*Analysis of operating expenses by nature*"). In addition, the European Union has imposed embargoes on the direct or indirect purchase, import, or transfer into the European Union of crude oil or refined petroleum products from Russia, which have become effective progressively in late 2022 and 2023. Similarly, the United States has implemented a ban on the import of Russian oil, and the United Kingdom is restricting the delivery of Russian oil and oil products. While SpecialtyCo has implemented a plan to address potential natural gas and oil shortages (including the use of alternative fuels in some locations and agreeing on curtailment schemes with partners and authorities in others), there can be no assurance that the plan will be effective or will allow SpecialtyCo to maintain its production at levels sufficient to meet customer demand, or will shelter SpecialtyCo from the impact of potential energy supply shortages further down its supply chain. If SpecialtyCo is unable to maintain production levels due to natural gas or energy shortages, its growth and profitability will be negatively impacted.

SpecialtyCo's supply chains may be impacted by other geopolitical events. For example, China has been and may continue to be the target of various trade measures undertaken by the United States and the European Union, focusing on issues such as human rights, navigation in the South China Sea, technological competition and the status of Taiwan. Such trade measures have resulted and could continue to result in disruptions to supply chains, which could impact the availability of certain raw and intermediate materials needed for SpecialtyCo's manufacturing processes, as well as the manufacture or delivery of products, such as automobiles and semiconductors, for which SpecialtyCo's products are used.

Furthermore, as is currently the case with Solvay, unexpected changes in laws or regulations, exchange rates, business conditions, materials pricing, labor issues, wars, governmental changes, tariffs, natural disasters, power outages, health epidemics (such as the Covid-19 pandemic), transportation costs and other factors beyond its and its suppliers' control could also affect these suppliers' ability to deliver materials to SpecialtyCo on a timely basis. In addition, climate change may increase the frequency and severity of potential supply chain and operational disruptions from weather events and natural disasters. The chronic physical impacts associated with climate change, such as increased temperatures, changes in weather patterns and rising sea levels, could significantly increase costs and expenses and create additional supply chain and operational disruption risks.

In summary, if SpecialtyCo is unable to obtain adequate and timely deliveries of energy products, raw and intermediate materials, it may be unable to manufacture sufficient quantities of products in a timely manner. This is especially true for products requiring long lead times or that involve complex manufacturing processes, which could cause SpecialtyCo to lose customers, incur additional costs, delay new product introductions or suffer harm to its reputation due to lower reliability. These events could have a material adverse effect on SpecialtyCo's business, financial condition and operating results.

1.2.2 Increases in the price of energy products and other inputs could harm SpecialtyCo's business.

SpecialtyCo purchases significant amounts of energy products for the manufacture of specialty chemicals and material, including in particular significant volumes of natural gas that is used to produce energy and for feedstock. In 2022, natural gas purchases represented 46% of total energy expenses, followed by electricity (some of which is produced with natural gas) which represented 32% of total energy expenses (*see* Section 9.4.3.4, "*Analysis of operating expenses by nature*"). Prices for natural gas and other energy products (including electricity) rose substantially in 2022, and while they have fallen back to more moderate levels recently, they may increase and remain at historically high levels for a significant period of time, particularly if additional disruptions relating to the Russia-Ukraine conflict occur. In addition, prices of other materials used for production have risen more generally as a result of inflationary pressures, increases in commodity prices and supply chain disruptions (which have increased transportation costs and caused delivery delays). In 2022, SpecialtyCo's total cost of goods sold increased by EUR 1,371 million (33%) compared with 2021 (*see* Section 9.4.3.2, "*Cost of goods sold and gross margin*").

While SpecialtyCo has been able to increase prices for its products and solutions in 2022 and early 2023 at a rate that is greater than the rate at which its input prices have increased, there can be no assurance that this will continue in the future. SpecialtyCo also hedges some of its exposure to prices for energy products and other raw materials, but these hedges may not successfully fully protect SpecialtyCo and in any event have a limited duration. If SpecialtyCo is not able to pass on increases in the prices it pays for energy products and other inputs to its customers, and cannot hedge its exposures effectively, its margins and profitability will be negatively impacted.

1.2.3 SpecialtyCo may face difficulties resulting from its international operations.

As is currently the case with Solvay, SpecialtyCo operates and sells to customers in numerous countries around the world, including Asia and the rest of the world (36% of 2022 sales, including 16% in China), North America (32%, including 31% in the United States), Europe (23%) and the Latin America area (9%) (*see* Section 6.7, "*Global footprint of SpecialtyCo customers*"). In addition, SpecialtyCo has production facilities in China. As a result of these international operations, it is exposed to risks relating to global regulatory and safety requirements, staffing and managing foreign site locations, and navigating foreign government taxes, regulations and requirements, trade restrictions, and customs regulations and tariffs.

Further, SpecialtyCo's wide global footprint exposes it to risks relating to geopolitical issues. In particular, trade issues have surfaced around the world in recent years as a result of increased concerns about the impact of globalization, and commercial and geopolitical issues between the United States and Europe and China. In addition, SpecialtyCo has been impacted by—and may continue to be impacted by—disruptions in international supply chains. If SpecialtyCo is not able to manage issues relating to its international operations successfully, such risks may increase its costs and impact its ability to manufacture and sell its products, which may adversely impact SpecialtyCo's business, results of operations and financial condition.

1.2.4 SpecialtyCo is exposed to physical security risks in its facilities.

As is the case with all companies in the chemicals industry, SpecialtyCo is exposed to physical security risks from issues such as terrorism, crime, violence, vandalism and theft, which could impact employees or other stakeholders, sites, assets, critical information or intellectual property.

Public and political attention continues to be placed on protecting critical infrastructure, including chemical plants, from security threats. Terrorist attacks and natural disasters (the frequency and severity of which may increase due to climate change) have increased concern about the physical security and safety of chemical production and distribution. Many industry groups and national authorities continue to elaborate rules and standards to ensure the safe production and transport of chemicals. SpecialtyCo may incur significant costs in adapting its operations to comply with such rules and standards. Even if it is able to achieve compliance, it is impossible to eliminate physical security risks completely.

While SpecialtyCo has not experienced any recent material incident of this type, such incidents have occurred at the facilities of other specialty chemicals companies, impacting their business and operations and causing damage in the areas adjacent to the affected facilities. If such an incident were to occur at a facility operated by SpecialtyCo, it could impact SpecialtyCo's operations and result in liability for damages, which could materially and adversely impact SpecialtyCo's results of operations and financial condition to the extent not adequately covered by insurance.

1.2.5 SpecialtyCo's manufacturing activities involve high-risk processes and substances.

Many of SpecialtyCo's industrial operations involve high pressure and high temperature processes, which pose risks relating to operational safety, process safety and transport. These operations also involve substances with risks associated with their chemical composition, such as chlorine, ethylene oxide and benzene derivatives, which can present risks to the health and safety of workers, neighboring populations and the environment if mishandled. Eight of SpecialtyCo's facilities are classified as "high" level establishments under the Seveso Regulations (*see* Section 11.3.1.1, "*The EU Seveso Directives and related national laws*"). An incident such as an explosion, fire, mechanical failure, pipeline leak or rupture, storage tank leak, chemical spill or transport accident, could result in the release of toxic or hazardous substances or gasses. Such events could also occur as a result of improper handling of such substances by SpecialtyCo's customers or business partners (such as transporters or operators of storage facilities), which may seek to shift responsibility to SpecialtyCo by alleging a failure to provide appropriate handling instructions. Any such event could cause injuries or fatalities, damage to neighboring industrial sites, or harm to the public, and could lead to interruptions or suspensions of activities, liabilities or damage to SpecialtyCo's reputation, and could have a material adverse impact on SpecialtyCo's results of operations and financial condition.

In addition, SpecialtyCo's employees and contractors face risks of workplace injury. Such injuries (including diseases) may result from any number of circumstances, including working with dangerous or heavy equipment, chemical contact, accidents caused by leaking vessels, pumps or pipes, explosions, falling objects or falls from scaffolding or silos. The health effects of such diseases may emerge after a long period of latency, which may make it difficult to accurately measure the human and financial impacts of such exposure. While SpecialtyCo has procedures in place to promote the safety of employees and contractors in line with what it believes are best industry practices, which have significantly reduced the number of incidents in recent years, future incidents may nonetheless occur, some of which may be severe and give rise to liability or impair SpecialtyCo's reputation, and may have a material adverse effect on its operations and financial performance.

1.2.6 SpecialtyCo relies on complex information technology systems and networks, which are exposed to cyber-attacks and security breaches.

As is currently the case with Solvay, SpecialtyCo relies on information technology networks and systems, some of which are managed or accessible by third parties, to process, transmit and store electronic information and otherwise increasingly manage and support its business. SpecialtyCo relies on information technology networks to manage crucial parts of its operations, including production, logistics, supply chain management, customer relationship management and other aspects of its business (*see* Section 6.12, "*Digital and information technology*"). For example, SpecialtyCo partly relies on an SAP system devised by Solvay to prepare Safety Data Sheets, a common worldwide standard to provide safe-handling, transportation, storage and usage information to users and handlers of chemical products, in order to comply with local regulations in the markets where SpecialtyCo's products are sold (and in local languages).

Any breaches of security in SpecialtyCo's information technology systems, such as, for example, attacks by hackers, viruses, breaches due to employee error or sabotage, malfeasance or other actions or disruptions could have an adverse impact on SpecialtyCo's operations as well as the operations of SpecialtyCo's customers and suppliers. For example, if the Safety Data Sheet system were to be the subject of a security breach, this could impact SpecialtyCo's ability to provide information to customers, and to comply with applicable regulations. SpecialtyCo and/or its suppliers may fail to effectively prevent, detect and recover from these or other security breaches and, therefore, such breaches could result in misuse of SpecialtyCo's assets, or loss of property including trade secrets and confidential or personal information, some of which is subject to privacy and security laws, corruption of data and other business disruptions. As a result, SpecialtyCo may be subject to legal claims, or proceedings, liabilities under privacy laws, reporting errors, processing inefficiencies, negative media attention, loss of sales, interference with regulatory compliance (resulting in sanctions or penalties, including under privacy laws), disruption to its operations, and damage to its reputation. While SpecialtyCo maintains some insurance coverage against the potential financial impact of a cyberattack, there is no assurance that such coverage will be adequate. If SpecialtyCo is the subject of a cyberattack that is not adequately covered by insurance, there could be a material adverse effect on SpecialtyCo's business, operations, result of operations and financial condition, as well as its image with customers.

1.2.7 If SpecialtyCo fails to meet its commitments to certain suppliers and clients, it may need to pay indemnities.

In certain of its contracts with suppliers, SpecialtyCo commits to purchase a minimum product volume (known as "take or pay" clauses). Similarly, in certain of its contracts with customers, in accordance with their terms and conditions, SpecialtyCo agrees to deliver fixed quantities of products within a specific time period. If SpecialtyCo fails to meet these commitments, it may be required to pay indemnities to its customers or suppliers. While the amount of SpecialtyCo's commitments is currently modest in the context of its total purchases of raw materials, utilities and consumables or in the context of its revenues, SpecialtyCo could enter into larger commitments in the future. If these commitments become more significant, the risk may be amplified during an economic crisis, as a mismatch between economic conditions and SpecialtyCo's commitments can occur due to a sharp drop in demand for SpecialtyCo's products or a sharp increase in SpecialtyCo's need for certain supplies to fulfill client contracts. Any failure to meet its supplier and customer commitments could damage SpecialtyCo's reputation, negatively impact its revenues and profitability, and have an adverse effect on its business, financial condition and results of operations.

1.2.8 SpecialtyCo may fail to obtain adequate insurance coverage or may choose to self-insure.

SpecialtyCo's manufacturing processes involve the handling and shipping of hazardous chemicals, for which it can be difficult and costly to maintain adequate levels of insurance. While SpecialtyCo currently carries casualty, environmental, property and business interruption insurance policies, these policies contain exclusions and conditions that could limit SpecialtyCo's ability to receive indemnification thereunder, as well as customary sub-limits for particular types of losses. Furthermore, there may be instances in which SpecialtyCo chooses to self-insure, deciding to retain risks that are insurable and face a loss in the event that such risks materialize. For example, Solvay currently maintains a substantial degree of self-insurance for any property loss claim through a captive reinsurance company, as a result of which any claims are first absorbed up to a certain amount by Solvay itself (through the captive) and only amounts in excess thereof are eligible for outside coverage. SpecialtyCo is also expected to put in place a self-insurance structure adapted to its risks and scale following the Partial Demerger, as described in Section 6.14, "*Insurance*."

There can be no guarantee that SpecialtyCo's insurance coverage will be adequate to cover future claims that may arise. Claims for which SpecialtyCo is not fully insured, or is not insured at all, may cause significant increases in expenses, and adversely affect SpecialtyCo's business, financial condition and results of operations. In addition, changes in the insurance industry have generally led to higher insurance costs and decreased the availability of coverage. The availability of insurance that covers the risks that SpecialtyCo typically insures against may decrease, or cease altogether, and the insurance that it is able to obtain may have higher deductibles, higher premiums and more restrictive policy terms.

1.2.9 <u>SpecialtyCo is dependent on good relationships with its employees, their trade unions and other employee representative bodies and stakeholders</u>.

As is currently the case with Solvay, SpecialtyCo is dependent on good relationships with its employees and their representative bodies (it had 12,873 full-time equivalent employees as of December 31, 2022, many of which are represented by trade unions or other worker representative bodies) (*see* Section 17.1, "*Description of the workforce*"). SpecialtyCo is obligated to comply with various labor laws and collective agreements, such as collective bargaining agreements and works agreements, that are in place with trade unions, works councils and other employee representative bodies and that cover a broad range of basic employment terms and conditions and provide for protections for SpecialtyCo's workforce. In Europe, SpecialtyCo's employees are generally represented by works councils, which have the right to be informed about and, in certain cases, to express a view on matters of significance. Applicable laws and agreements impose certain obligations and restrictions on SpecialtyCo that may adversely affect its flexibility to undertake adjustments to its workforce, restructurings, reorganizations and similar corporate actions, including those contemplated by its growth plan.

While SpecialtyCo's businesses have not experienced material work stoppages, strikes or similar industrial actions in recent years, such actions could occur at any time. If a material industrial action were to occur, SpecialtyCo's operations could be negatively impacted, which could in turn impact its relations with customers and negative affect its results of operations and financial condition. Moreover, resolving an industrial action could require SpecialtyCo to agree to significant concessions, which would increase expenses and negatively affect SpecialtyCo's results of operations and financial condition.

1.3 Risks related to the environment

1.3.1 <u>SpecialtyCo uses and sells some hazardous materials, chemicals and biological and toxic, organic and inorganic compounds, and produces industrial emissions and discharges</u>.

As is currently the case with Solvay, SpecialtyCo's operations involve the use and sale of hazardous and potentially hazardous substances. These include 30 substances of very high concern ("**SVHC**") listed in the EU REACH Candidate list and EU REACH Authorization list (*see* Section 11.2.1, "*The European REACH Regulation*"). As a result, SpecialtyCo is subject to a broad range of constantly evolving laws, regulations and standards in each of the jurisdictions where it operates, including those relating to pollution, limitations on emissions of CO_2 and other greenhouse gasses ("**GHGs**") and industrial emissions, discharges, carbon taxes, protection of human health, protection of the environment and the generation, storage handling, transportation, treatment, disposal and remediation of hazardous substances and waste materials. Under these laws, SpecialtyCo could be held liable for any contamination, injury or other damages resulting from these hazardous substances and emissions.

Furthermore, if such laws, regulations and standards and their interpretation and application by relevant jurisdictions or administrations evolve, the liabilities faced by SpecialtyCo could increase.

In addition, SpecialtyCo's operations produce waste products (some of which are hazardous). For example, SpecialtyCo's operations emit gasses that can negatively impact air quality, including nitrogen oxide and ozone depleting substances, and discharge oxygen-reducing substances (mainly dissolved organic matter) into aqueous receivers, which contribute to industrial waste, including hazardous industrial waste. While SpecialtyCo endeavors to ensure such emissions and discharges are in line with allowable environmental permit limits, if this is not the case (as with any company that fails to meet such limits) SpecialtyCo could be subject to penalties. In addition, SpecialtyCo could be liable under environmental laws for any required clean-up of sites at which its waste is disposed. Any such liability could have a material adverse impact on SpecialtyCo's results of operations or financial condition, and any action against SpecialtyCo for its emissions or discharges could negatively affect its reputation.

1.3.2 <u>SpecialtyCo's past and present production and use of PFAS substances exposes it to significant liabilities</u>.

SpecialtyCo's operations use, and have used in the past, perfluorinated compounds, including per-and polyfluoroalkyl substances and fluorosurfactants, which are part of the wider family of per- and polyfluoroalkyl substances (collectively "**PFAS**") that is subject to increasing regulation. SpecialtyCo has substantially eliminated fluorosurfactants in its operations. In July 2021 SpecialtyCo terminated all use of fluorosurfactants at its facilities in New Jersey, United States. In Spinetta Marengo, Italy, SpecialtyCo has eliminated most fluorosurfactants, with the full phase-out of the final fluorosurfactants in use (including a transition molecule that is not bioaccumulable by the human body) scheduled to be completed in 2026. However, SpecialtyCo remains at risk for claims relating to its past production and use of PFAS.

SpecialtyCo is subject to a number of legal actions relating to the use of some of these products, as described in Section 20.6.1, "*PFAS related proceedings*." A SpecialtyCo subsidiary—Solvay Specialty Polymers USA, LLC ("**SpP USA**")—is a defendant in 34 lawsuits in the United States relating to its alleged use of PFAS. The vast majority of these cases (30) are pending in the federal and state courts in the state of New Jersey, and the majority (27) are claims by private plaintiffs seeking medical monitoring or compensation for alleged personal injury or other alleged economic loss. Three of the cases involve civil claims by separate U.S. state government authorities in New Jersey, Michigan and Illinois seeking various damages for alleged violations of state environmental laws, including natural resource damages. The State of New Jersey also seeks the environmental clean-up of PFAS pollution allegedly caused by a single operating facility of SpP USA in West Deptford, New Jersey. SpP USA and the New Jersey Department of Environmental Protection (NJDEP) recently announced they reached a settlement resolving PFAS-related claims in New Jersey (*see* Section 12.2.6, "*Settlement with New Jersey Department of Environmental Protection on PFAS Remediation*"). Two cases relate to allegations that substances from the same operating facility caused contamination of a local municipal well. Finally, two of the cases allege that products purchased from the subsidiary caused contamination elsewhere. In most of the cases involving PFAS-related claims, SpecialtyCo does not have sufficient information to allow it to establish provisions, either because the claimants have not quantified their claims, or because SpecialtyCo is not able to determine whether there is likely to be an outflow of funds, or to estimate the potential amount of any outflow of funds, with the level of certainty needed to establish provisions (*see* Section 1.3.3, "*SpecialtyCo may be subject to liabilities for current and legacy environmental clean-up and remediation costs.*"). If SpecialtyCo were to be held responsible for damages or penalties in any such litigation or proceedings, its results of operations, financial condition, image and reputation could be materially adversely affected.

The regulation of PFAS is evolving and becoming more stringent. For example, on top of the existing restrictions on certain long chain PFAS currently in place within the European Union, the European Chemicals Agency ("**ECHA**") has proposed a restriction on the production, use, and sale of PFAS in the European Union under the framework of the REACH Regulation (*see* Section 11.2.1, "*The*

European Reach Regulation").[1] While the regulation is undergoing a lengthy review process and may be substantially modified before it is adopted, if the final regulation places restrictions on the production and use of PFAS substances produced or used by SpecialtyCo in its operations, this could impact the full value chain from SpecialtyCo's suppliers, through to its main customers in the automotive, electric and hybrid vehicle batteries, defense, construction and healthcare markets, for example. In that event, SpecialtyCo may be required to change its operations, which could result in significant expenses, decreases in revenues and profitability and impact ongoing investment projects. In addition, in the United States, the Environmental Protection Agency ("**EPA**") has proposed to designate two of the most commonly known PFAS (including perfluorooctanoic acid, which SpecialtyCo stopped using as a fluorosurfactant in the United States by 2003, and another substance that SpecialtyCo has not used) as "hazardous substances" under the United States Comprehensive Environmental Response, Compensation and Liability Act ("**CERCLA**") (*see* Section 11.3.2.1, "*The U.S. Comprehensive Environmental Response, Compensation and Liability Act*"). The EPA is soliciting input on whether to designate additional PFAS substances as CERCLA hazardous substances in the future. Such designations, to the extent finalized, may lead to claims alleging natural resource damages, and could permit delegated agencies and private parties to recover clean-up and remediation costs from SpecialtyCo, including in relation to offsite migration of contaminants via air dispersion, wastewater discharge, groundwater transport or other methods. The EPA has also proposed additional drinking water standards and related environmental clean-up standards for PFAS, which could expose SpecialtyCo to additional liabilities and costs.

1.3.3 SpecialtyCo may be subject to liabilities for current and legacy environmental clean-up and remediation costs.

The management of environmental remediation obligations and liabilities associated with past business operations, as well as acquired and previously divested businesses, contractual indemnity responsibilities, and related past waste disposal activities, coupled with growing litigation risks in fields including alleged natural resource damages and environmental justice claims, represent a source of potential liability for SpecialtyCo. These obligations and claims would typically be grounded in the investigation, clean-up and possible offsite impacts associated with regulated substances and any alleged environmental contamination and/or health/environmental impacts at and around its operating and offsite waste treatment and disposal sites.

As of December 31, 2022, SpecialtyCo had provisions for environmental remediation expenses of EUR 270 million (*see* note F30.B to the Combined Financial Statements (as defined below), "*Environmental provisions*"). These provisions cover the estimated costs of items such as sampling, analysis and monitoring of groundwater, dismantling costs, asbestos removal (when required by regulation) and environmental investigations, studies and remedial activities. For example, in relation to remedial activities pertaining to PFAS related to SpecialtyCo's West Deptford, New Jersey site—due to recent technical studies and in cooperation with the local authorities—SpecialtyCo was able to reasonably estimate certain future expenses to address this remediation. As a consequence, a corresponding provision of EUR 93 million was recognized in the third quarter of 2022. On June 28, 2023, SpecialtyCo's subsidiary SpP USA and the New Jersey Department of Environmental Protection (NJDEP) announced they reached a settlement resolving PFAS-related claims in New Jersey. As a result, SpecialtyCo will record an additional provision in June 2023 of around EUR 228 million. The resulting cash outflows are expected to occur over a 30-year period, with approximately EUR 160 million outflows occurring in 2024. For additional information on this announcement, *see* Section 12.2.6, "*Settlement with New Jersey Department of Environmental Protection on PFAS Remediation*."

In addition, SpecialtyCo has disclosed contingent liabilities with respect to environmental remediation that are not recognized in the financial statements because it is either not probable that an outflow of resources will be required to settle the obligations (EUR 12 million as of December 31, 2022, as

[1] By way of an Annex XV Restriction Report pursuant to the regulation on the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) (EC) 1907/2006 (as amended from time to time).

described in note F35 to the Combined Financial Statements, "*Contingent Liabilities*") or not possible to measure the amount of the obligations with sufficient reliability. SpecialtyCo's actual liabilities could exceed the amount of recorded provisions and contingent liabilities. In that case, SpecialtyCo's results of operations and financial condition could be negatively impacted.

1.3.4 SpecialtyCo's operations may be adversely affected by climate change, natural disasters, severe weather patterns and water scarcity.

Increasing concentrations of carbon dioxide and other GHGs in the atmosphere will continue to have an adverse effect on global temperatures, weather patterns, and the frequency and severity of extreme weather events and natural disasters. If major disasters such as earthquakes, floods, fires, heat waves, high winds, water shortages or other such events occur, SpecialtyCo's sites—depending on their location—may be seriously damaged, or it may have to stop or delay development, production and shipment of its products. SpecialtyCo may incur expenses or delays relating to the impact of such climate change (*see* note 3 to the of the Combined Financial Statements, "*Climate Change*"), severe weather or water scarcity events, and such events could adversely impact the price and availability of insurance, which could have a material adverse impact on its business, results of operations and financial condition.

1.3.5 SpecialtyCo may not be able to meet its sustainability and environmental targets, and may be subject to increased scrutiny and changing expectations from stakeholders.

Solvay has announced that SpecialtyCo will have an objective to reach carbon neutrality on scope 1 and 2 emissions before 2040. SpecialtyCo will share updated objectives relating to climate change and environmental sustainability in the future. To achieve its targets, SpecialtyCo has invested, and will continue to invest, significant amounts in transforming its energy mix and investing in cleaner processes and technologies such as renewable energy (*see* note 3 to the of the Combined Financial Statements, "*Climate Change*"). Fossil fuels represented 72% of its energy costs in 2022. Further, in addition to the capital investments involved, such transformation may have a substantial impact on operations or require SpecialtyCo to re-qualify its products with certain suppliers. If SpecialtyCo is unable to recover these costs plus a reasonable return, its results of operations and financial condition may be adversely impacted.

Further, companies across many industries are facing increasing scrutiny related to their climate and environmental practices from investor advocacy groups, investment funds, and other influential investors who are placing growing importance on the non-financial impacts of their investments. If SpecialtyCo's climate and environmental practices do not meet investor or other industry stakeholder expectations, which continue to evolve, it may incur additional costs, face shareholder actions, and its brand, ability to attract and retain qualified employees and business may be harmed.

1.4 Financial risks

1.4.1 Any decrease in SpecialtyCo's credit ratings could negatively impact its access to the debt markets.

The availability and costs of financing from the credit and capital markets will be dependent on SpecialtyCo's credit ratings. The level and quality of SpecialtyCo's earnings, operations, business profile and management, among other things, will impact their determination. While SpecialtyCo's long-term senior debt is expected to be assigned investment grade ratings by major international credit rating agencies, no assurance can be given that it will be able to receive or maintain such ratings. A decrease in the ratings assigned to SpecialtyCo by the rating agencies may negatively impact SpecialtyCo's access to the debt markets and increase its cost of borrowing. In addition, a decrease in ratings may require SpecialtyCo to include restrictive covenants in its future debt instruments (it does not have restrictive covenants in its existing debt instruments, nor are there such covenants in the debts it anticipates taking over from Solvay before the Partial Demerger, as described in Section 10.11, "*Target capital structure*"). Any actual or anticipated changes or downgrades in any credit ratings assigned to SpecialtyCo may have a material adverse impact on its liquidity and capital position.

1.4.2 SpecialtyCo is subject to fluctuations in currency exchange rates.

SpecialtyCo is exposed to foreign exchange risk as a result of its international activities, including its geographically diverse production and sales activities, as well as its purchases of raw materials on international markets. Its exposure to global markets includes Asia and the rest of the world, which accounted for 36% of 2022 net sales (with 16% from China), North America 32% (with 31% from the United States), Europe 23%, and Latin America 9%.

SpecialtyCo is subject to translation risk, which is the risk of variation in SpecialtyCo's euro-denominated consolidated financial statements resulting from subsidiaries operating in currencies other than the euro or from incurring debt in currencies other than the euro (without effective hedging arrangements). In addition, exchange rate fluctuations, particularly of the U.S. dollar, the Brazilian real and the Chinese renminbi, can affect SpecialtyCo's reported revenues and results of operations. For example, of the EUR 1,975 million increase in SpecialtyCo's net sales in 2022 compared with 2021, EUR 393 million was due to the impact of the conversion to euros of revenues recorded by subsidiaries with functional currencies other than the euro (particularly the U.S. dollar, Brazilian real and Chinese renminbi).

SpecialtyCo is also subject to transactional risk, which is the exchange risk linked to a specific transaction, such as a SpecialtyCo subsidiary purchasing or selling in a currency other than its functional currency. While SpecialtyCo seeks to hedge its foreign exchange exposure, its hedging strategy may not be fully effective to address this risk.

Not considering the impact of hedges, a fluctuation of 0.10 in the USD/EUR exchange rate, would generate a variation of EBITDA estimated at approximately EUR 150 million in 2022. Around half of this variation is from conversion of the financial statements of subsidiaries with functional currencies other than the euro, and the other half is transactional, the latter not impacting EBITDA for the portion hedged. *See* note F.31.D to the Combined Financial Statements, "*Foreign currency risks*," for additional information.

1.4.3 SpecialtyCo may be subject to risks related to carbon pricing.

Certain of SpecialtyCo's manufacturing facilities are located in jurisdictions that use carbon cap and trade systems to regulate emissions of CO_2, including the European Union and China. Depending on the level of its emissions, SpecialtyCo may be required to purchase carbon allowances in order to comply with the emissions limitations imposed by these systems. The price of carbon allowances can fluctuate significantly. For example, the price of European Union carbon emission allowances has surpassed EUR 100 per tonne in the first quarter of 2023, after trading at around EUR 65 per tonne in September and October 2022. While SpecialtyCo hedges a portion of its exposure to carbon pricing, its hedges may not be fully effective to address this exposure. Moreover, changes in the value of the instruments SpecialtyCo uses to hedge its exposure to carbon price fluctuations can have a significant impact on its results of operations and financial condition.

1.5 Risks related to non-environmental legal and tax matters

1.5.1 SpecialtyCo faces risks related to product liability.

As is currently the case with Solvay, SpecialtyCo faces risks relating to claims that its products or manufacturing processes may cause injury to third parties, including property damage and personal injury. While SpecialtyCo generally does not sell products directly to consumers, many of SpecialtyCo's products are used in products sold to consumers or otherwise used by individuals, such as electric vehicles, home and personal care ("**HPC**") products, food additives, medical implants and coatings. As such, SpecialtyCo could be subject to product liability claims from injuries or damage arising from defects in its products, as well as from inappropriate use or safety recommendations or from previously unidentified effects of existing products. Certain jurisdictions apply strict liability regimes in product liability cases, meaning that the manufacturer is liable for any damage caused by the product, regardless of proof of fault or negligence. If SpecialtyCo's products are found to cause injury or damage, it may be found liable without regard to whether its operations meet relevant regulatory standards or market practices.

SpecialtyCo also runs the risk, in the context of new-product development, that it will not be able to adequately detect all potential effects of a product on humans, animals or the environment. SpecialtyCo must incur significant expense to monitor product quality, insure safe shipping methods, guarantee appropriate use of its products at customer sites and complete required regulatory documentation. For example, documentation must be provided informing customers, in their own language, of conditions of safe use and handling, hazard levels, first aid emergency measures and emergency phone contacts. In many cases SpecialtyCo does not control the production of such documentation, which is the responsibility of SpecialtyCo's customer that incorporates SpecialtyCo's products into the customers products that are delivered to consumers.

In the course of defending product liability suits or recalling products as a preventative measure, SpecialtyCo could incur significant costs and diversion of its resources and its management's attention. SpecialtyCo might not be able to increase its prices to cover such costs. In addition, such claims could result in large settlements that could have a material adverse impact on SpecialtyCo's reputation, business, financial condition and results of operations.

1.5.2 <u>Complying with evolving antitrust, fraud, corruption and bribery, tax, and other laws and requirements may be difficult or costly</u>.

Because it operates in many jurisdictions in Europe, the Asia-Pacific area, North America and South America, SpecialtyCo is subject to a multitude of evolving international laws and regulations, including those relating to antitrust, fraud, corruption and bribery, tax, the environment, government regulation, export controls (particularly in defense-related sectors) and other actions. As a result, compliance with new or amended laws or regulations (including, for example, regulations related to privacy in the European Union), or upcoming regulations (such as the European Union Chemical Strategy for Sustainability (CSS)), may be complex and costly, and non-compliance may result in the imposition of fines and penalties, including contractual damages. While SpecialtyCo has not experienced material claims for non-compliance in recent years, and employs stringent compliance procedures designed to avoid such claims, no such procedures can guarantee against the incurrence of a material incident of non-compliance in the future. If SpecialtyCo fails to comply with these laws, it could be subject to civil or criminal penalties or sanctions, which could have an adverse effect on SpecialtyCo's business, results of operations, cash flows and financial condition.

1.5.3 <u>SpecialtyCo must comply with complex international tax regimes that are subject to change</u>.

SpecialtyCo determines the amount of taxes it is required to pay in jurisdictions in Europe, the Asia-Pacific area, North America and South America based on its interpretation of applicable treaties, laws and regulations. Given the complexity and international nature of its supply chains, SpecialtyCo may be particularly at risk for tax claims relating to issues inherent in international operations, such as transfer pricing, VAT and customs duties. SpecialtyCo relies on the advice of tax advisors in the jurisdictions where it operates and, where appropriate, on interpretative positions taken by tax authorities with which SpecialtyCo or its advisors interact. However, based on its international activity, SpecialtyCo is subject to complex and evolving tax legislation that may be subject to different interpretations in the various countries in which it operates. SpecialtyCo therefore cannot guarantee that the relevant tax authorities will agree with its interpretation of the applicable legislation in their jurisdictions. Furthermore, if the tax laws and regulations and their interpretation and application by the jurisdictions or administrations evolve, the tax burden on SpecialtyCo could increase. This could impact SpecialtyCo's business, financial condition and results of operations.

1.5.4 <u>SpecialtyCo may not be able to protect its intellectual property rights</u>.

To be successful, SpecialtyCo must protect its technology and brand through trademarks, domain names, trade secrets, patents, copyrights, service marks, invention assignments, contractual restrictions and other intellectual property rights and confidentiality procedures. SpecialtyCo holds 9,100 patent titles as part of 1,670 patent families—each family relating to a specific invention—across 88 countries and jurisdictions, as described in Section 6.5, "*Intellectual property, patents and licenses*." By business unit, the most significant patent protection footprints are associated with Specialty Polymers, which holds about 690 patent families, Novecare, which holds about 360 patent families, and Composite Material, which holds about 150 patent families. While SpecialtyCo is not dependent on any individual patents, its patent portfolio overall is material to the success of is business and operations, and its failure to maintain broad patent protection could materially and adversely impact its business, results of operations and financial condition.

Certain of SpecialtyCo's intellectual property rights are not patentable, including know-how and a broad variety of processes used in SpecialtyCo's business. In the absence of patent rights, such intellectual property may be legally vulnerable, although the extent of that vulnerability will depend on the technical capacity of a third party to exploit such intellectual property. Any inability of SpecialtyCo to detect infringement or misappropriation of its intellectual property rights by third parties, or other practical, resource or business limitations on its ability to enforce its rights.

Litigation may be necessary to enforce SpecialtyCo's intellectual property or proprietary rights, protect its trade secrets or determine the validity and scope of proprietary rights claimed by others. SpecialtyCo may also be exposed to patent and intellectual property litigation from parties claiming infringement, which could result in significant expense. For example, SpecialtyCo is awaiting the decision in an arbitration proceeding based on claims by PPT Research Inc. that Solvay USA Inc. had stolen its intellectual property. Any litigation, whether or not resolved in SpecialtyCo's favor, could result in significant expense to SpecialtyCo, divert the efforts of its technical and management personnel and result in counterclaims with respect to infringement of intellectual property rights by SpecialtyCo. If SpecialtyCo is unable to prevent third parties from infringing on or misappropriating its intellectual property or are required to incur substantial expenses defending its intellectual property rights, its business, financial condition and results of operations may be materially adversely affected.

1.6 Risks relating to SpecialtyCo's shareholder structure

1.6.1 If a significant number of shareholders are neither present nor represented in shareholder meetings, a shareholder or group of shareholders that holds a significant percentage of SpecialtyCo's Shares may have disproportionate influence or, in some cases, have the power to adopt decisions.

Each share of SpecialtyCo will carry one voting right. Any shareholder, including one holding significant or determinative influence at a shareholders meeting, will have the right to vote in its own interests, which may conflict with the interests of other shareholders. Under Belgian corporate law, certain transactions such as changes to the articles of association, certain capital increases, and statutory reorganizations (including mergers and demergers) require approval at an extraordinary general meeting of shareholders, where the required majority is 75% of the voting rights present or represented. Any shareholder that holds or acquires (alone or in a group acting in concert) more than 25% of SpecialtyCo's voting rights will have the ability to prevent the approval of such matters. Under Belgian corporate law, matters submitted to the ordinary general meeting of shareholders for approval (such as the approval of the accounts and the appointment of directors) are approved by a simple majority of voting rights present or represented at the meeting. If, during any such vote at an ordinary shareholders meeting, a significant number of shareholders do not attend and are not represented, an investor or group of investors acting in concert may have a majority of the voting rights at such meeting, and thus the power to determine any such vote's outcome.

Upon completion of the Partial Demerger, it is expected that Solvac SA, a company incorporated in Belgium and listed on Euronext Brussels, and which currently holds shares representing approximately 31.36% of Solvay SA's voting rights will be the largest shareholder of SpecialtyCo.

1.7 Risks related to the separation from Solvay SA

1.7.1 SpecialtyCo's separation from Solvay SA may result in a loss of business opportunities and decreased purchasing power and result in a loss of synergies.

As part of Solvay SA, SpecialtyCo was able to take advantage of Solvay SA's long-standing reputation, creditworthiness, size and purchasing power in procuring goods, services and technology, such as access to certain financial services, procurement networks, treasury and financing services, research and innovation, information technology, intellectual property and other services, and in seizing business opportunities. SpecialtyCo may incur higher costs due to a decline in purchasing scale if SpecialtyCo is unable to continue to obtain the same or similar terms as prior to the Partial Demerger, or to obtain other goods (including raw materials), services and technologies at prices or on terms as favorable as those obtained prior to the Partial Demerger.

1.7.2 SpecialtyCo's Combined Financial Statements are not necessarily representative of the results it would have achieved as a standalone public company and may not be a reliable indicator of its future results.

The Combined Financial Statements have been prepared in accordance with IFRS from the consolidated financial statements of Solvay SA using historical results of operations, assets and liabilities attributable to SpecialtyCo based on the legal reorganization up until the Partial Demerger, including allocations of income and expenses for the periods presented, and it excludes activities that will remain with EssentialCo after the Partial Demerger. The basis of presentation is described in introductory Note 1 to the Combined Financial Statements of SpecialtyCo. The Combined Financial Statements may not be indicative of future performance of SpecialtyCo and do not necessarily reflect what its net assets, financial position, results of operations, capital structure and cash flows would have been had SpecialtyCo operated as an independent stand-alone company during the periods presented.

Moreover, the Combined Financial Statements do not reflect certain liability management transactions expected to take place prior to the completion of the Partial Demerger, including in particular transactions involving the transfer to SpecialtyCo of certain debts of EssentialCo and the release of EssentialCo as guarantor of certain financial debt obligations of SpecialtyCo. Similarly, the Combined Financial Statements reflect as external financial debt certain liabilities (mainly relating to cash pooling) within the Solvay Group, which will be unwound prior to the Partial Demerger. Accordingly, SpecialtyCo's debt immediately following the Partial Demerger is likely to be significantly different from that shown in the Combined Financial Statements. *See* Section 10.11, "*Target Capital Structure*" for a description of these transactions and their impact on certain items of the statement of financial position as of December 31, 2022, in the Combined Financial Statements.

1.7.3 SpecialtyCo's ability to operate its business effectively may be impacted if it fails to put in place a new governance and organizational structure, or if it is not able to retain key senior managers and employees following the Partial Demerger.

Prior to the Partial Demerger, SpecialtyCo relied on the governance and organizational functions of Solvay SA. As a standalone public company, SpecialtyCo will need to put in place its own structure. While Solvay has (and SpecialtyCo will have) effective succession and retention plans in place, this process may be time consuming and expensive, and may lead to a reduction in employee morale due to the uncertainty of future roles within SpecialtyCo, resulting in the departure of key personnel. SpecialtyCo may not be able to successfully retain qualified executives or other personnel for key leadership or organizational roles. The loss of the services of any of SpecialtyCo's key employees, or any significant portion of its workforce following the Partial Demerger, could disrupt SpecialtyCo's operations or delay the development, introduction and acceleration of its growth plan. Moreover, SpecialtyCo may not be able to successfully attract and retain senior leadership necessary to grow its business, particularly if retention mechanisms are not sufficient for this purpose. Its future success also depends upon its ability to attract, hire and retain a large number of scientific, manufacturing, marketing, technology and support personnel, especially to support its innovation efforts, including developing new products and technologies. In addition, many of the products SpecialtyCo develops and/or produces require a high and often very specific level of expertise, which is difficult to attract and retain in the current market. Recruiting efforts, particularly for senior employees, may be time-consuming and expensive, which may delay the execution of the growth plan. If SpecialtyCo is not successful in managing these risks, its business, financial condition and operating results may be harmed.

1.7.4 SpecialtyCo will depend on services provided by EssentialCo under the Transition Services Agreement following the Partial Demerger.

Prior to the Partial Demerger, SpecialtyCo relied on the financial, legal, administrative and other resources of Solvay SA to operate its business. After the Partial Demerger, SpecialtyCo will not have its own internal functions in these areas, but will instead benefit from certain administrative and support services (including sharing of IT systems and infrastructure) to be provided by EssentialCo under the Transition Services Agreement (*see* Section 7.5.2, "*Transition Services Agreement*."). The fees payable to EssentialCo have been determined internally within the Solvay Group using a limited mark-up, in line with Solvay's practice for internal servicing, and have not been the subject of independent bids. Moreover, the duration of the Transition Services Agreement will be no more than 24 months, following which SpecialtyCo will be required to take over the functions provided by EssentialCo or to find third-party service providers. The transition could result in significant disruption to processes and operations (particularly with respect to IT infrastructure and systems), and SpecialtyCo could incur significant costs in connection with the transition. *See* Section 7.5, "*Agreements between SpecialtyCo and Solvay SA relating to the Partial Demerger*."

1.7.5 If SpecialtyCo fails to establish and maintain an effective system of internal control over financial reporting, or if the services relating to internal control performed by EssentialCo under the Transition Services Agreement are not effective, SpecialtyCo may not be able to accurately report its financial results or to prevent fraud.

Following the Partial Demerger, SpecialtyCo must establish, maintain and update its internal controls with the objective of providing reasonable assurance that (i) its transactions are properly authorized; (ii) its assets are safeguarded against unauthorized or improper use; and (iii) its transactions are properly recorded and reported. Initially, SpecialtyCo will rely on services provided by EssentialCo under the Transition Services Agreement for a significant portion of its internal control function. It will subsequently need to establish and implement its own system of internal controls, which is a substantial endeavor in the context of a separation transaction such as the Partial Demerger. Moreover, any system of controls can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. Any failure by SpecialtyCo (or by EssentialCo under the Transition Services Agreement) to establish and maintain adequate internal controls or to be able to produce accurate financial statements on a timely basis could increase SpecialtyCo's operating costs or subject it to liability or loss, and have a material adverse effect on its business, financial condition and results of operations.

1.7.6 SpecialtyCo must abide by certain restrictions that could affect its business, in order to preserve the tax-free treatment of the Partial Demerger for U.S. federal income tax purposes.

The Partial Demerger and the intragroup spin-off of certain U.S. entities (such internal spin-off of the U.S. Specialty Businesses and the U.S. Other Solvay Group Businesses, the "**U.S. Spin-Off**") have been structured with the intention of qualifying for tax-free treatment in certain jurisdictions, including in particular under U.S. federal income tax rules. If the Partial Demerger and the U.S. Spin-Off do not qualify for tax-free treatment in the United States, SpecialtyCo's U.S. subsidiaries would be subject to material U.S. federal income taxes as if they had sold to EssentialCo the U.S. businesses that will remain with EssentialCo following the Partial Demerger for their fair market value. Certain actions (described in Section 7.4.10, "*U.S. tax ruling and related restrictions on SpecialtyCo*"), particularly if taken within two years after the Partial Demerger, could jeopardize the tax-free status of the Partial Demerger or the

U.S. Spin-Off if they are deemed to be part of a plan that includes the Partial Demerger for U.S. federal income tax purposes. To preserve the tax-free treatment of the Partial Demerger and the U.S. Spin-Off, SpecialtyCo and EssentialCo will enter into a U.S. tax matters agreement under which they will both agree to several undertakings, including for the two-year period following the Partial Demerger, to refrain (subject to limited exceptions) from engaging in certain equity-financed transactions that could, in each case, jeopardize the tax-free status of the Partial Demerger or the U.S. Spin-Off for U.S. federal income tax purposes (as described above). The U.S. tax matters agreement will provide that each party may undertake such transactions with the other party's consent or upon delivery of an IRS ruling or a tax opinion acceptable to the other party.

The U.S. tax matters agreement will also provide that each of SpecialtyCo and EssentialCo will be required to indemnify the other party against costs arising from certain U.S. federal income tax consequences that may arise if SpecialtyCo or EssentialCo, as applicable, fails to comply with the restrictions set forth therein.

These restrictions may limit SpecialtyCo's ability to pursue strategic transactions or engage in new business or other transactions that would otherwise maximize the value of its business. In addition, SpecialtyCo may be required to indemnify EssentialCo for certain adverse U.S. federal income tax consequences, including as a result of taking one of the actions listed above.

2. GENERAL INFORMATION

Specialty Holdco Belgium SRL is referred to as the "**Company**" in this Registration Document.

The term "**Group**", as used herein, unless otherwise stated, refers to SpecialtyCo, together with, following completion of the Partial Demerger, its consolidated subsidiaries and its direct and indirect equity interests.

The term "**SpecialtyCo**" as used herein refers, as the context requires, either to the Company or to the Group, and when referring to historical activities prior to completion of the Partial Demerger, to the business units of Solvay that will form part of SpecialtyCo after completion of the Legal Reorganization and the Partial Demerger, as described in Section 7.

This Registration Document describes the Group as it will exist after (i) the completion of the reorganization transactions described in Section 7, "*Legal Reorganization and Partial Demerger*" of this Registration Document, which will take effect between the date of this Registration Document and the Effective Time; (ii) the completion of the Partial Demerger; and (iii) at the latest on the first day of trading of SpecialtyCo's Shares on the regulated markets of Euronext in Brussels ("**Euronext Brussels**") and in Paris ("**Euronext Paris**"), the entry into force of the amendments to SpecialtyCo's Articles of Association and the corporate governance rules mentioned in Section 14 and Section 21 of this Registration Document.

As noted above, for the ease of reference and convenience of the reader, this Registration Document refers to historical activities as having been conducted by "SpecialtyCo" when they in fact were conducted in the business units of Solvay that will form part of SpecialtyCo after completion of the Legal Reorganization and the Partial Demerger, as described in Section 7.

Prior to completion of the Partial Demerger, the Company intends to publish a supplement to this Registration Document, in accordance with Article 23 of the Prospectus Regulation, which will address any significant new factor or changes to the prospective information described herein that arise after the approval of this Registration Document and the start of trading of SpecialtyCo's shares on Euronext Brussels and Euronext Paris.

2.1 Information on the Market and Competitive Environment

This Registration Document contains information about the Group's markets and its competitive positions, including information on the size and growth outlook of these markets and the Group's market share. In addition to the estimates made by the Group, the items on which the Group's declarations are based come from studies and statistics of third-party organizations (*see* Section 3.3, "*Third-party information*") and from professional organizations or from data published by competitors, suppliers and customers of the Group. Some information contained in this Registration Document is publicly available information that the Group believes is reliable, but has not been verified by an independent expert. The Group cannot guarantee that a third party using different methods to collect, analyze or calculate the data on the business segments would obtain the same results. The Group makes no commitment and no guarantee as to the accuracy of this information. It is possible that this information is incorrect or is no longer up to date. The Group makes no commitment to publish updates of this information, except as may be required under applicable law.

2.2 Rounding

Certain calculated data (including data expressed in thousands, millions or billions) and percentages presented in this Registration Document have been rounded. In that case it is possible that the total presented in this Registration Document may present insignificant differences with the totals that would have been obtained by adding the exact values (not rounded) of these calculated data.

2.3 Forward-Looking Statements

This Registration Document contains statements regarding the prospects and growth strategies of the Group. These statements are sometimes identified by the use of the future or conditional tense, or by the use of forward-looking terms such as "considers", "envisages", "believes", "aims", "expects", "intends", "should", "anticipates", "estimates", "thinks", "wishes" and "might", or, if applicable, the negative form of such terms and similar expressions or similar terminology. Such information is not historical in nature and should not be interpreted as a guarantee of future performance. Such information is based on data, assumptions, and estimates that the Group considers reasonable. Such information is subject to change or modification based on uncertainties in the economic, financial, competitive or regulatory environments.

This information is contained in several sections of this Registration Document and includes statements relating to the Group's intentions, estimates and targets with respect to its markets, strategies, growth, results of operations, financial situation and liquidity. The Group's forward-looking statements speak only as of the date of this Registration Document. Absent any applicable legal or regulatory requirements, the Group expressly disclaims any obligation to release any updates to any forward-looking statements contained in this Registration Document to reflect any change in its expectations or any change in events, conditions or circumstances, on which any forward-looking statement contained in this Registration Document is based.

2.4 Risk Factors

Investors should carefully consider the risk factors set forth in Section 1 "*Risk Factors*" of this Registration Document. The occurrence of all or any of these risks could have an adverse effect on the Group's business, reputation, results of operation, financial condition or prospects. In accordance with Article 16 of the Prospectus Regulation, this Registration Document presents only the main risks that impact the Group's business, results of operations, financial position, reputation and prospects as identified by the Group following an assessment of the materiality, probability of occurrence and expected magnitude of the impact of such risks, and after taking into account measures implemented to address such risks, as applicable. Furthermore, additional risks that have not yet been identified or that are not considered material by the Group at the date of this Registration Document may also have a material adverse effect on the Group if they materialize.

2.5 IFRS and Non-IFRS Financial Measures

This Registration Document includes SpecialtyCo's combined financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**") as of and for the years ended December 31, 2022, December 31, 2021 and December 31, 2020, presented in Annex I of this Registration Document, together with the statutory auditors' reports thereon (the "**Combined Financial Statements**").

This Registration Document also includes certain measures of the Group's performance that are not required by, nor presented in accordance with, IFRS, including (as defined in Section 9.3, "*Alternative Performance Measures*") EBITDA, Underlying EBITDA, EBIT, Underlying EBIT, Underlying net income, free cash flow and ROCE (the "**Alternative Performance Measures**").

The Alternative Performance Measures are not recognized measures under IFRS or any other generally accepted accounting standards. Additionally, certain of the Alternative Performance Measures or similarly titled measures are used by different companies for different purposes and are often calculated in ways that reflect the circumstances of such companies. The Group believes the Alternative Performance Measures are useful in evaluating the Group's performance and results of operations, and explaining changes and trends in its historical results, because they allow performance to be compared on a consistent basis. In addition, they are commonly used by securities analysts, investors and other interested parties in the evaluation of companies in the Group's industry, meaning that such measures can prove helpful in enhancing the visibility of underlying trends in the Group's operating performance. However, readers should exercise caution in comparing any of the Alternative Performance Measures to the non-IFRS measures of other companies. The information presented by the Alternative Performance Measures has not been prepared in accordance with IFRS or any other accounting standards. The Alternative Performance Measures are not measures of financial condition, liquidity or profitability under IFRS, and should not be considered to be an alternative to consolidated net income, cash flows generated by operating activities or any other measure recognized by and determined in accordance with IFRS. The Alternative Performance Measures have important limitations as analytical tools, and readers should not consider them in isolation nor as a substitute for analysis of the Group's results of operations. Please *see* Section 9, "*Operating and Financial Review*" and Section 10, "*Capital Resources*" of this Registration Document for a discussion of these financial measures and certain reconciliations to comparable IFRS measures.

2.6 Other Available Information

SpecialtyCo has filed its deed of incorporation and must file its restated Articles of Association and all other deeds and resolutions that are to be published in the Annexes to the Belgian Official Gazette (*Moniteur belge*) with the clerk's office of the French-speaking section of the Enterprise Court of Brussels (Belgium), where such documents are available to the public.

Following the completion of the Partial Demerger, SpecialtyCo will prepare, in addition to annual audited individual financial statements, annual audited consolidated financial statements. All financial statements, together with the reports of the Management Body and the statutory auditors will be filed with the National Bank of Belgium, where they are available to the public. Furthermore, as an issuer of shares admitted to trading on Euronext Brussels and Euronext Paris, SpecialtyCo will publish an annual financial report (including its financial statements and the reports of the Management Body and the statutory auditors) and an annual announcement prior to the publication of the annual financial report, as well as a half-yearly financial report on the first six months of its financial year. Copies of these documents will be available on SpecialtyCo's website (www.solvay.com/en/investors/creating-two-strong-industry-leaders/syensqo) and STORI, the Belgian central storage platform which is operated by the FSMA and can be accessed via its website (www.fsma.be).

SpecialtyCo must also disclose to the public "inside information" which is information about its shareholder structure and certain other information. In accordance with Regulation (EU) No 596/2014 (as amended, the "**Market Abuse Regulation**") and the Belgian Royal Decree of November 14, 2007 relating to the obligations of issuers of financial instruments admitted to trading on a Belgian regulated market, such information and documentation will be made available through SpecialtyCo's website, press releases and the communication channels of Euronext Brussels and Euronext Paris.

2.7 Availability of this Registration Document

To obtain a copy of the Registration Document free of charge, please contact:

Specialty Holdco Belgium SRL
Rue de Ransbeek 310
1120 Brussels Belgium

Pursuant to Article 21 of the Prospectus Regulation, an electronic version of this Registration Document is also available on the website of the Company (www.solvay.com/en/investors/creating-two-strong-industry-leaders/syensqo). The posting of this Registration Document on the internet does not constitute an offer to sell or a solicitation of an offer to buy any of the Shares directed to any person in any jurisdiction in which it is unlawful to make such offer or solicitation to such person. The electronic version may not be copied, made available or printed for distribution. Other information on the website of the Group or on another website does not form part of the Registration Document.

Finally, in accordance with Article 21(5) of the Prospectus Regulation, the FSMA will publish the approved version of the Registration Document on its website (www.fsma.be).

2.8 Websites and Hyperlinks

The contents of any website or hyperlink referred to in this Registration Document do not form a part of this Registration Document.

2.9 Glossary

A glossary providing the definitions of the main technical terms and financial aggregates used herein is appended hereto as Annex I.

3. IMPORTANT INFORMATION

3.1 Person responsible for the Registration Document

The Company, represented by its Management Body, assumes responsibility for the information contained in this Registration Document.

The contents of this Registration Document should not be construed as providing legal, business, accounting or tax advice. Each prospective investor should consult its own legal, business, accounting and tax advisers prior to making a decision to invest in the Shares.

3.2 Responsibility statement

The Company, represented by its Management Body, declares that, to the best of its knowledge, the information contained in this Registration Document is in accordance with the facts, and that the Registration Document makes no omission likely to affect its import.

3.3 Third-party information

This Registration Document contains statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to the Group's business and markets. Unless otherwise indicated, such information is based on the Group's analysis of multiple sources.

Such information has been accurately reproduced and, as far as the Group is aware and able to ascertain, no facts have been omitted that would render the reproduced information provided inaccurate or misleading. The Group cannot guarantee that information from a different source or analyses conducted using different methods would lead to the same results.

4. PERSONS RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS

4.1 Statutory auditors

EY Réviseurs d'Entreprises/Bedrijfsrevisoren SRL/BV, having its registered office at De Kleetlaan, 2, 1831 Diegem, member of the Belgian Institute of Certified Auditors (*Institut des Réviseurs d'Entreprises/Instituut voor Bedrijfsrevisoren*) ("**EY**"), represented by Marie Kaisin, has been appointed as statutory auditor of the Company on February 27, 2023 for a term of three years ending at the annual shareholders' meeting of 2026 to be convened to approve the Group's financial statements for the year ending December 31, 2025.

The combined financial statements of SpecialtyCo as of and for the year ended December 31, 2022 have been prepared in accordance with IFRS and have been audited by EY, represented by Marie Kaisin, statutory auditor of Solvay SA, which has provided a report thereon.

4.2 Additional auditors

Deloitte Bedrijfsrevisoren BV, having its registered office at Gateway building, Luchthaven Brussel Nationaal 1 J, B-1930 Zaventem, member of the Belgian Institute of Certified Auditors (*Institut des Réviseurs d'Entreprises*/*Instituut voor Bedrijfsrevisoren*) ("**Deloitte**"), represented by Michel Denayer and Corine Magnin, was the previous statutory auditor of Solvay SA, appointed at the annual general meeting of the shareholders of Solvay SA held on May 14, 2019. On May 10, 2022, the annual general meeting of the shareholders of Solvay SA decided not to renew the mandate of Deloitte and to appoint EY, represented by Marie Kaisin.

The combined financial statements of SpecialtyCo as of and for the years ended December 31, 2021 and December 31, 2020 have been prepared in accordance with IFRS and have been audited by Deloitte, which has provided a report thereon.

5. INFORMATION ON SPECIALTYCO AND THE GROUP

5.1 Company name

As of the date of this Registration Document, the legal name of the Company is Specialty Holdco Belgium. Prior to completion of the Partial Demerger, the Company will be renamed Syensqo.

5.2 Registration location and number

The Company is registered with the Belgian legal entities register (Brussels) under enterprise number 0798.896.453.

The Legal Entity Identifier ("**LEI**") code of the Company is 549300060XNJ90PLNS10.

5.3 Date of incorporation and term of SpecialtyCo

The Company was incorporated in Belgium on February 27, 2023 for an indefinite period of time.

The financial year begins on January 1st and closes on December 31st of each year. The first financial year of the Company began on February 27, 2023 and will close on December 31, 2023.

5.4 Additional information of SpecialtyCo

The Company's headquarters are located at its registered office at Rue de Ransbeek/Ransbeekstraat 310 1120 Brussels, Belgium. The Company's phone number is +32 2 264 1920 and its website is www.solvay.com/en/investors/creating-two-strong-industry-leaders/syensqo.

The legal form of the Company is a private limited company (*société à responsabilité limitée/besloten vennootschap*), governed by Belgian law. As further described in Section 7.3.2, "*Conversion of the Company into a Limited Liability Company*," prior to the Partial Demerger the Company will convert into a limited liability company (*société anonyme/naamloze vennootschap*), governed by Belgian Law.

6. BUSINESS OVERVIEW

For the ease of reference and convenience of the reader, this Section 6 refers to historical activities as having been conducted by "SpecialtyCo" when they in fact were conducted in the business units of Solvay that will form part of SpecialtyCo after completion of the Legal Reorganization and the Partial Demerger, as described in Section 7.

Unless otherwise indicated, statements in this Section 6 relating to SpecialtyCo's market positions are based on analyses conducted by the Company using a combination of different sources, including (i) primary research, such as consulting internal sales staff or external experts whose analyses are based on information published by competitors or public reports, (ii) secondary research, such as using third-party reports on specific markets, and (iii) custom secondary research, such as relying on reports commissioned from external consultants. See Section 6.6, "Competition and market positions."

6.1 General overview

SpecialtyCo is a global company dedicated to providing solutions across specialty polymers, composite materials, specialty formulations and bio-circular chemistries to assist its customers in identifying, developing, and manufacturing the next generation of high-performance sustainable solutions. Its ambition is to achieve above-market growth at attractive returns. SpecialtyCo intends to drive above-market growth through an intensified focus on its customers, capitalizing on its market positions through collaborations and joint development programs with customers, and developing its portfolio of innovative products and sustainable solutions.

SpecialtyCo's businesses—across its Materials and Consumer & Resources segments—provide a diverse range of products and solutions, but with similarities in operating models. They focus on sustainability, formulation know-how, application expertise, and close-to-the-end-user applications, benefitting from a shared dedication to working closely with customers to understand their current and future needs in order to formulate value-added and customized solutions. At their core, SpecialtyCo's businesses are focused on innovations in formulation and product development.

In the year ended December 31, 2022, SpecialtyCo had combined net sales of EUR 7,890 million, Underlying EBITDA[2] of EUR 1,863 million, and an Underlying EBITDA margin of 23.6%. Based on 2022 figures, 28% of SpecialtyCo's net sales were attributable to the automotive and aerospace markets, 15% were attributable to resources and environment, 15% to industrial and chemical applications, 14% to consumer goods, home & personal care and healthcare markets, 13% to agriculture, feed and food markets, 8% to electronics and 7% to other end-markets. SpecialtyCo has balanced exposure to global markets: Asia and the rest of the world accounted for 36% of 2022 net sales (with 16% from China), North America 32% (with 31% from the United States), Europe 23%, and Latin America 9%.

Headquartered in Brussels, Belgium, SpecialtyCo has approximately 12,873 full-time equivalent employees as of December 31, 2022. It has a broad, diversified global industrial footprint with 62 industrial sites, 12 major Research and Innovation sites and an industrial presence in 15 countries across Europe, North America, Asia and the rest of the world.

6.1.1 Overview of SpecialtyCo's businesses

SpecialtyCo is a leading manufacturer of high-performance materials, consisting of specialty polymers and composite materials, and of specialty consumer and resources formulations created in close collaboration with its customers, through long-standing strategic partnerships developed over many years. SpecialtyCo's businesses are focused on a diverse range of attractive end-market opportunities in sectors with high growth potential such as automotive (including electric and hybrid vehicles), aerospace and defense, electronics, healthcare, home and personal care, and agriculture, feed and food.

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2 Underlying EBITDA is an Alternative Performance Measure defined in Section 9, "*Operating and Financial Review.*"

SpecialtyCo's businesses are organized into three segments: Materials, Consumer & Resources and a Corporate & Business Services segment that includes corporate services and business services such as Group-wide research and innovation, and new business development.

6.1.1.1 *Materials (2022 net sales of EUR 4,078 million, 52% of total combined net sales)*

The Materials segment is an industry leader in specialty polymers with one of the broadest ranges of technologies and product portfolios in the industry. The Materials segment is also one of the few global suppliers of carbon fiber-based composite materials for the aerospace, defense, automotive and other markets. SpecialtyCo is the only major producer with a strong integrated position in both specialty polymers (77% of segment net sales) and composite materials (23% of segment net sales).

Specialty Polymers (2022 net sales of EUR 3,124 million, 77% of Materials segment net sales): Specialty Polymers is a producer of high-performance polymers. Its products bring unique attributes, such as superior mechanical, thermal, electrical and chemical resistance when subjected to harsh environments such as high temperatures, high pressure, and corrosive chemicals, biocompatibility, electrical inertness, and dimensional stability. The business offers the broadest portfolio of high-performance polymers in the industry, allowing Specialty Polymers to offer customers different solutions for a range of applications, supported by technological expertise and support. The product lines include a variety of fluoropolymers (PVDF, FKM, FFKM, PFPE, ECTFE, PFSA), aromatic polymers (LCP, HPPA, PEEK, PAI, PSU, PPSU, PES, PPS), and barrier polymers (PVDC). Its products are used in a number of key end-markets, including the following:

- Automotive: SpecialtyCo has a leading position as a provider of specialty polymer solutions for the automotive sector, developed over decades of working with blue-chip original equipment manufacturers ("**OEMs**") and significant tier 1 and 2 suppliers. Its products are aligned with two key megatrends driving the automotive sector:

    - *Lightweighting*. SpecialtyCo's products deliver high strength, excellent wear resistance, thermal resistance, and dimensional stability, allowing them to be used to replace metals and reduce the weight of vehicles. This allows electric and hybrid vehicles to increase their range, and allows internal combustion engine vehicles to consume less fuel and emit fewer GHGs.

    - *Electrification*. SpecialtyCo's provides battery materials for electric and hybrid vehicles that promote improved energy density and safety. The electric and hybrid vehicle battery market is one of SpecialtyCo's strategic growth platforms, and has been a significant factor in the substantial revenue growth that SpecialtyCo has realized in recent years.

  SpecialtyCo's offerings for the electric vehicle market place it squarely in the highest-growth and highest-value segment of the automotive market today. SpecialtyCo estimates that its addressable market in electric vehicles is twice the size of its addressable market in internal combustion engine vehicles, providing a strong platform for above-market growth in the coming years.

  SpecialtyCo benefits from a long tradition of customer-focused development in close coordination with key automotive manufacturers and their suppliers. It developed these relationships over decades through the design of heat-resistant polymer solutions for use in under the hood electrical systems and transmissions, thermal and air management systems, and emissions control systems. Some of the applications include seal rings, connectors, fuses, housings, lighting sockets, sensors, switches, fuel pipes and tubings, compressor wheels, and isolation disks. This privileged traditional position has allowed SpecialtyCo to develop its leadership position in batteries and other components for electric vehicles. Its electric and hybrid vehicle battery solutions include cathode binders, separator coatings and structural components such as lightweight casings.

SpecialtyCo is also developing solutions used in the manufacture of commercial proton exchange membranes (PEM), which is an enabling technology in green hydrogen generation. Green hydrogen—another strategic growth platform of SpecialtyCo, albeit one that is currently at a very early stage—is the renewable and sustainable fuel that is expected to support decarbonization in hard-to-abate sectors such as long-haul and heavy-duty transportation.

- Electronics: SpecialtyCo delivers high strength polymers that provide the dimensional stability and insulating properties required for electronic applications in applications such as OLED displays, smart phones, smart watches, hyperscale datacenters, semiconductors, sensors, and electronics across a broad range of markets. SpecialtyCo's products are used in structural frames, antenna splits and hinges, brackets for foldable and sliding structures, parts in electronics components such as capacitors, connectors, hard disk drives, sensors, circuit boards, wires and cables, and materials used for the manufacture of semiconductors, including wet processing equipment components, heat transfer fluids, and lubricants for vacuum pumps. SpecialtyCo expects growth to be driven by 5G technology implementation, Internet of Things, consumer electronics and electrification.

- Healthcare: SpecialtyCo provides high-performance polymers for a broad range of healthcare applications including medical devices and equipment, surgical instruments, implantable devices, hemodialysis, biopharma processing components, and high-barrier polymers used for pharmaceutical packaging. SpecialtyCo also delivers medical grade polymers which are biocompatible and compatible with sterilization and hospital disinfectants, helping to improve surgical procedures, increase patient comfort and reduce the spread of hospital-acquired infections. SpecialtyCo's products provide superior lightweighting characteristics and durability compared to metal and other traditional products, which coupled with demographic evolution should drive significant growth.

- Industrial: In the industrial sector, SpecialtyCo provides a portfolio of powder and water-based polymer solutions for protective coatings, metal & surface treatment products, industrial equipment protection and additives & solvents used in industrial manufacturing, power generation, oil & gas markets and other sectors. These solutions provide excellent resistance to UV irradiation, chemicals, fire and abrasion, and provide effective anti-corrosion properties, thermal and pressure stability and low fluid permeability. These protective coating solutions are used to protect heat exchangers and stacks that extend the service life of chimneys and flue gas treatment technologies in power plants, corrosive exhaust streams found in a variety of industrial applications, including clean rooms, and various applications that meet the critical requirements of the oil and gas industry.

Composite Materials (2022 net sales of EUR 954 million, 23% of Materials segment net sales): SpecialtyCo is one of the leaders in the development, formulation and manufacturing of high-performance carbon fiber composites used predominantly across the aerospace industry to replace legacy metals in applications requiring exceptional strength-to-weight, fatigue and corrosion resistance properties under high stress conditions. SpecialtyCo's products can reduce the weight of the components in which they are used by up to 30% compared to aluminum, while providing up to 5 times the strength with improved aerodynamics. Together these features provide a substantial reduction in fuel usage and GHG emissions.

Composite Materials' products include thermoset and thermoplastic prepregs, structural adhesives (film and paste), surfacing and lightning strike protection films, and resin system formulations (with thermoplastic composites identified as one of SpecialtyCo's strategic growth platforms). SpecialtyCo's value proposition is to bring customers end-to-end solutions covering materials and processes, starting with application and virtual engineering through the development of materials and parts manufacturing processes, and supported by extensive field technical services.

SpecialtyCo benefits from a position built through decades of collaboration as a technology integrator and privileged partner of major aerospace OEMs and tier 1 suppliers. Its Composite Materials business serves three main end-markets in the aerospace and defense sectors:

- Commercial Aircraft (approximately 60% of aerospace and defense revenues in 2022): This segment includes large commercial transport jets (wide-body and narrow-body), business jets, regional jets, turboprops, and rotorcraft. SpecialtyCo's products are specified in many of the main commercial aircraft programs, including primary and secondary structures for the Airbus A220; secondary structures for the Boeing 737 and Airbus A320 and A321 families, structural adhesives and surfacing films for the Airbus A350 and Boeing 787 families. It is also a trusted long-term supplier for Safran's engine and nacelle programs.

- Defense (approximately 30% of aerospace and defense revenues in 2022): This segment includes fighter jets, transports, rotorcraft, unmanned vehicles and launch vehicles/missiles. It supplies hundreds of products across major programs, including Black Hawk, Osprey, Apache, F-35 (for which it supplies more than fifty products), F-18 and the A400M.

- Space & Launch (approximately 10% of aerospace and defense revenues in 2022): SpecialtyCo is a solution provider for innovative and high-performance lightweight materials for space applications (*e.g.*, composite fairings, nozzle ablatives, adhesives), and innovates to reduce the cost of launch applications. It is a supplier of ablative materials for use in the Artemis mission's solid rocket motor (SRM) nozzles, successfully launched on November 16, 2022.

SpecialtyCo also provides composite materials applications in motorsports and high-performance auto applications. It believes that the markets for advanced air mobility and hydrogen pressure vessels (for use as hydrogen tanks for fuel cells for electric vehicles, for example) can provide a key growth opportunity.

6.1.1.2 *Consumer & Resources (2022 net sales of EUR 3,806 million, 48% of total combined net sales)*

The Consumer & Resources segment provides specialty formulations used in agriculture, feed and food, home and personal care and industrial applications, with market-leading positions for many applications. The segment makes ingredients that are used by customers to address challenges such as improving texture, stability and efficacy of consumer and agricultural products, improving the yield of mining operations, and enhancing the sustainability of customer products. It is also focused on sustainable and biomaterial solutions—one of SpecialtyCo's strategic growth platforms—meeting increased customer demand for natural, sustainable and recyclable solutions in markets such as agriculture, feed and food, home and personal care, coatings and food and fragrances. SpecialtyCo's production model is based on asset-light, flexible and multipurpose facilities. The Consumer & Resources segment includes four principal businesses:

- *Novecare (2022 net sales of EUR 1,905 million, 50% of Consumer & Resources segment net sales),* which offers a portfolio of increasingly natural-based ingredients, including guar derivatives (whose raw materials are almost one third bio-based) and green solvents, that improve the sustainability and efficacy of customers' products, as well as more conventional surfactants, amines and solvents. Novecare's largest end-market is the agricultural sector, which represented approximately thirty percent of Novecare revenues in 2022, for which it provides non-active ingredients and formulations for products that are used for crop protection, plant nutrition and seed care, and is a leader in bio-based ingredients, providing products such as bio-based stimulants for seed applications. In the home and personal care sector (over twenty percent of Novecare revenues in 2022), Novecare offers solutions such as mild cleansing surfactants, natural rheology modifiers, emulsifiers and solubilizers, specialty emollients, anti-aging, anti-oxidant skin actives, and oral care ingredients, used in applications such as shampoos, body washes, and household cleaning and disinfecting products. Novecare's solutions are also used in building and construction (almost fifteen percent of Novecare revenues in 2022), providing additives that deliver durability, adhesion, corrosion resistance, water resistance, color development and other functionalities for paints, varnishes and other architectural coatings and metal and surface treatments, and in industrial applications (almost ten percent of Novecare revenues in 2022), including lubricants and metal bonding. Novecare provides a number of formulations for the coatings industry that are free of VOC (volatile organic components) and odor, meeting increasing manufacturer demands for sustainable and eco-conscious products.

- *Aroma Performance (2022 net sales of EUR 575 million, 15% of Consumer & Resources segment net sales*), which is the world's largest integrated producer of synthetic and natural vanillin, a compound that delivers vanilla flavor to consumer products such as chocolate, confectionaries, pastries, ice cream, beverages and fragrances for home and personal care applications. It is also the global leader in the Hydroquinone market and offers synthetic intermediates used as polymerization inhibitors allowing safe processing, transport and storage of chemical products, as well as building blocks for high-performance polymers on top of pharmaceuticals, agrochemicals and electronics. Aroma Performance is investing in its capabilities to expand and meet long-term customer needs, by enabling the switch to bio-sourced and natural ingredients.

- *Technology Solutions (2022 net sales of EUR 741 million, 19% of Consumer & Resources segment net sales)*, which is a global leader in phosphine-based chemistry for specialty mining reagents and additives solutions. Its products are used primarily in mineral processing—including separation of copper and other minerals—alumina refining and solvent extraction in the mining sector, allowing for increased selectivity in the separation of metals and minerals and reduced processing costs. It also offers phosphine gas solutions for microelectronics applications. The business also manufactures polymer additives, including solutions for the UV stabilization of polymers, and packaging, and other applications in the industrial, agriculture, feed and food, automotive and consumer goods sectors.

- *Oil & Gas Solutions (2022 net sales of EUR 586 million, 15% of Consumer & Resources segment net sales)*, which delivers a wide product portfolio to the upstream oilfield sector, including friction reducers, gelling agents, emulsion breakers, surfactants, inhibitors, cementing additives, and biocides. The business also provides solutions for metal and surface treatment, as well as solutions to give durable flame retardant properties to cotton-based textiles.

6.1.2 <u>SpecialtyCo's competitive strengths</u>

SpecialtyCo's ambition to drive above-market growth derives from its leading positions in attractive end-markets, developed over decades in collaboration with customers, based on a tradition of customer-focused innovation and differentiating technologies. In all of its businesses, SpecialtyCo's business model is to leverage its leadership and customer relationships to develop growth opportunities in areas aligned with major industry and societal trends, leveraging its understanding of the value created in the chain to capture value through pricing. SpecialtyCo's competitive strengths include in particular the following:

- <u>Pure-play specialty company with market leading positions and long-standing customer relationships</u>

  SpecialtyCo believes it is a leader in its principal end markets, based on analyses conducted by the Company. It estimates that over 90% of its net sales come from markets in which it occupies one of the top three positions with significant market shares, such as the #1 market position in high-performance polymers and the #2 position in civil aerospace (*see* Section 6.6, "*Competition and market positions*"). SpecialtyCo has established these leadership positions over many years, by focusing on markets that have a substantial need for critical and high-performance solutions, developed in close collaboration between SpecialtyCo and its customers, and requiring significant research and innovation capabilities to solve unmet customer needs, all of which play to SpecialtyCo's strengths. With the benefit of these positions, SpecialtyCo's growth in many of its end-markets has historically been greater than that of the market as a whole.

These positions provide SpecialtyCo with the leverage to take advantage of significant growth opportunities in its key markets, driven by trends toward sustainable and natural solutions and its strategic and synergistic research and innovation ("**R&I**") approach:

- SpecialtyCo believes it is one of the preeminent global leaders in specialty polymers, with the broadest offering of high-performance polymers in a single portfolio. It works closely with OEMs and tier 1 and 2 suppliers who focus on lightweighting and cost reduction through the replacement of metals, a big driver of the demand in specialty polymers and composite materials. SpecialtyCo's customers are now making substantial investments in electric vehicles, a fast-growing market in which SpecialtyCo's specialty polymers have an addressable market that it estimates to be twice as large as for internal combustion engine vehicles. SpecialtyCo's existing leadership position provides it with the relationships and credibility to be a partner of choice as the industry moves rapidly to electric vehicles.

- SpecialtyCo believes it is a global leader in high-performance carbon fiber composites for secondary structures for commercial and military aircraft, and it has a growing primary structure offering that is positioned on several key programs of major aircraft manufacturers. Carbon fiber composites have been predominantly used across the aerospace industry for lightweighting by replacing legacy metals, first in secondary structures (*e.g.*, ailerons, elevators, rudders, trim tabs, wing flaps, fairings, spoilers and air brakes) and subsequently in primary structures (*e.g.*, fuselage, wings and empennage). Due to the breadth of its capabilities and decades of expertise, SpecialtyCo is one of the very few global suppliers with secured long-term contracts across blue-chip commercial and military customer programs, in a market where product development and qualification for a program takes many years. SpecialtyCo is also uniquely positioned to develop novel thermoplastic composite materials and other materials for high throughput production processes which OEMs increasingly need to support higher build rates and also address their need for lower aircraft weights, reduced associated fuel burn, and lower carbon emissions. This is a strategic growth platform for SpecialtyCo and a potentially significantly growing end market. SpecialtyCo is the only producer that combines a broad portfolio of specialty polymers with advanced carbon fiber composites. Thanks to the breadth of its offering, its deep application knowledge, and its expertise in materials and process development, the business is well positioned to grow and further penetrate its aerospace customers.

- In the Consumer & Resources segment, SpecialtyCo is a leading global surfactant producer with a wide range of technologies (cationic, anionic, amphoteric, nonionic). It believes it is the world leader in the chemical modification of guar, which is used in the agricultural, feed and food, and home and personal care markets. It also believes it is the world's largest integrated producer of vanillin for the Food & Beverages flavors and fragrances industry. Its portfolio includes food and cosmetic grade ingredients, and it is also a top producer of natural vanillin using rice bran as starting material converted by fermentation. Its leadership and customer relationships provide it with an ideal platform to grow by investing in the natural-based solutions that are increasingly required by customers, such as natural surfactants and flavors, green solvents and bio-based ingredients. SpecialtyCo also believes it is a leader in providing specialty reagent-based solutions to the mining industry, with unique high purity, high-pressure phosphine technology and expert technical support that allows customers to optimize yields. Its R&I capabilities, including the ability for researchers to translate findings from one business unit to another using similar approaches and methods, well position it to continue these developments.

SpecialtyCo's leadership positions in each of its markets, enable it to invest in innovation and capacity in order to seize substantial growth opportunities in new areas within the same sectors, leveraging its strong customer relationships. SpecialtyCo believes this model is an ideal formula to drive above market growth at superior returns.

- <u>Attractive end-markets supported by strong tailwinds in alignment with growth megatrends</u>

  SpecialtyCo's portfolio of high-performance materials and specialty products are aligned with the key megatrends that present significant growth opportunities in its principal end-markets. These include lightweighting, electrification, advanced connectivity, resource efficiency, the use of natural ingredients for food, nutrition and personal care, sustainability, and evolving demographics.

  These megatrends drive SpecialtyCo's potential for growth and are manifested in clear and specific opportunities that are aligned with the business' unique competencies:

  - SpecialtyCo's materials solutions provide automotive and aerospace customers with light weighting and significant total cost effectiveness in comparison to metals or other legacy materials. This is driven by high-performance polymer's superior mechanical, thermal, and chemical resistance and composite's exceptional strength-to-weight, fatigue and temperature resistance properties under high stress conditions. High-performance polymer solutions improve automotive and aerospace engine efficiency and facilitate downsizing, and composites offer unique benefits in aerodynamics, design, part integration and corrosion resistance.

  - SpecialtyCo is at the heart of the innovation in materials in the electric vehicle battery value chain, offering solutions addressing its key challenges, including cathode binders, separator coatings, electrolyte salts and additives, and structural components such as lightweight casings, which make the battery pack safer and lighter while improving the range of electric vehicles. SpecialtyCo also manufactures phosphine-based chemistry solutions for the mining sector that optimize the extraction and purification of critical metals used in battery production, such as cobalt, nickel, and lithium. This extraction permits the recovery of these valuable metals from spent electric vehicle lithium-ion batteries, providing security of supply for battery materials, reducing the electric vehicle-battery recycling carbon footprint and helping electric vehicle manufacturers advance their sustainability goals. SpecialtyCo's combination of specialties allows it to offer solutions addressing key challenges of energy density, improving drive range, fast charging, safety and cost.

  - SpecialtyCo is also focused on green hydrogen as a fully decarbonized solution for electrification and energy generation in hard-to-abate transportation applications, providing solutions including an ion-conducting polymer membrane technology, Aquivion®, which is a key enabler for hydrogen conversion, electricity storage, and process reaction in fuel cells, and electrolytes for Solid Oxide fuel cells, used in stationary power generation electrolyzers for the production of electricity.

  - To address the growing trend of advanced connectivity, SpecialtyCo manufactures Xydar® LCP (liquid crystal polymer), which is a glass fiber or mineral-filled resin that features excellent flow properties, outstanding strength at extreme temperatures, inherent flame retardant characteristics and resistance to virtually all chemicals. These have specific magnetic and electrical properties which are heavily used in antennas for 5G networks. SpecialtyCo's portfolio of low-loss materials, combined with its R&I capabilities, positions it for the next generation of technologies, including 6G.

- Growing consumer demand for natural and bio-based solutions, enhanced performance and convenience, and personalized and premium products, aligns with SpecialtyCo's unique solutions in the Consumer & Resources segment, such as new biodegradable guar-based polymers and natural vanillin products bio-sourced from rice bran, and naturally derived ingredients used in personal care solutions.

- SpecialtyCo's agricultural solutions help improve crop yield with more sustainable agricultural practices by offering additives and stabilizers enabling automation and digital technology, as well as on-target drift control adjuvants for agricultural spray drones, and innovative ingredients and formulations for biological pest control which are Organic Materials Review Institute (OMRI) listed, meaning they can be used in certified organic production and processing in the United States.

- <u>Technology and customer-driven innovation capabilities that drive additional growth</u>

SpecialtyCo's innovation strategy is technology and customer-driven. Its wide portfolio of high-performance solutions, breadth of material and application development expertise, and depth of capabilities make it an indispensable partner of choice for customers. SpecialtyCo spent over EUR 302 million in R&I in 2022 (including research & development costs recognized in the income statement, excluding grants and subsidies netted in research & development costs and depreciation, amortization & impairments included in research & development costs, and including research & development costs recorded as capital expenditures in the cash flow statement), with a dedicated research and innovation team of approximately 1,776 as of December 31, 2022. SpecialtyCo builds upon the innovation tradition of Solvay, which in 2022 was among the top 100 patent applicants in the European Union, and was the leading applicant based in Belgium (positions it has held for many years). Approximately 85% of these patent applications relate to SpecialtyCo's businesses.

SpecialtyCo has a long track record of successfully partnering with blue chip customers such as Airbus, Boeing, Bosch, Corteva, Lockheed Martin, Northrop Grumman, Procter & Gamble, Sherwin-Williams, Syngenta and Unilever to co-develop and collaborate to create improved and innovative solutions, which further deepens these relationships. This is critical in establishing product qualifications for major programs, particularly in sectors such as automotive and aerospace, where the development and qualification process can be demanding and long.

To address some of its future growth platforms, SpecialtyCo has dedicated, agile teams with a start-up mindset to foster cross-innovation throughout the Group, enabling it to develop tailor-made solutions that meet customers' specific application and performance requirements building on the tradition of innovation in its businesses generally. Some recent examples of innovations across various markets, in the growth platforms and in the broader businesses of SpecialtyCo, include the following:

- The ability to deliver materials with both structural and electrical properties, such as KetaSpire® PEEK in e-motors, allows SpecialtyCo to improve energy and power density in electric vehicles. The breadth of its materials portfolio has also enabled the development of multi-layer and multi-material solutions for electronic shielding and transmissivity.

- SpecialtyCo is partnering with key developers in the Urban Air Mobility sector to develop innovative solutions that rewrite the boundaries of air mobility and space transport. For example, SpecialtyCo is partnering with Vertical Aerospace, a developer of electric Vertical Take-Off and Landing vehicles. It is also partnering with Avio to supply advanced materials for a new generation of space launchers to place satellites in low earth orbit (LEO).

- In February 2021 SpecialtyCo launched a joint research lab with Leonardo, dedicated to the development of novel composite materials and production processes critical for the future of the aerospace industry. The lab focuses on thermoplastic engineered materials and in particular on welding and automatic lamination (in-situ consolidation) of complex and large aerospace structures with the goal of maximizing product properties, increasing part production efficiency and extending the product life cycle.

- SpecialtyCo focuses on sustainable solutions by increasing sourcing from renewable feedstocks. Its solutions range from producing bio-sourced acrylonitrile in collaboration with Trillium Renewable Chemicals, to introducing Amodel Bios PPA, a bio-based polymer for use in sustainable mobility. Through its innovation processes, SpecialtyCo has also become a market leader in areas such as green solvents, biodegradable guar, and binders for waterborne coatings.

- SpecialtyCo is investing in developing the circular economy for electric and hybrid vehicle batteries, through a partnership initiated with Veolia to optimize the reuse of critical metals in spent electric and hybrid vehicle batteries. SpecialtyCo's contribution to this partnership is its unique technology that allows for the extraction and purification of up to 95% of critical metals in batteries, such as lithium, cobalt, nickel and copper, which can be transformed into high-purity raw materials for use in new batteries. The partnership is in the demonstration plant phase, which is the longest and most critical phase of the project.

- SpecialtyCo has the ability to deliver materials with anti-microbial properties, such as Actizone®, which allows formulators flexibility as they develop high-performing disinfecting cleaners. Actizone®'s technology provides an all-day microbial defense by forming a protective film that reduces disease transmission.

- SpecialtyCo has developed eco-friendly monomer water-borne coatings, such as Sipomer®, to address the coatings industry's need for more sustainable, solvent-free products. Sipomer® products improve a coating's durability by imparting superior adhesion and resistance to water and corrosion, using water as a diluent instead of organic solvents. They are increasingly used by leading tier one coatings players in building, construction, industrial, automotive and other markets.

- To meet growing consumer demand for natural ingredients in the food and fragrances industries, SpecialtyCo has developed natural vanillin (Rhovanil® Natural), made from a byproduct of non-GMO rice bran thanks to fermentation. It is the only vanillin not made from vanilla beans considered as 'natural flavoring' by the EU's stringent regulatory standards, enabling manufacturers to take a big step forward in the clean label challenge. Further, as it is made from a byproduct of rice bran that otherwise goes to waste, there is no competition with food production, and SpecialtyCo can upcycle a byproduct to support the value chain.

6.1.3 SpecialtyCo's strategy

SpecialtyCo's strategic foundations were formed as part of Solvay's G.R.O.W. strategy (accelerate Growth, deliver Resilient cash flow, Optimize returns and Solvay One to Win) launched in 2019, which provided Solvay's businesses with a plan to maximize sustainable profitable growth, cash generation and returns and led to the implementation of a new operating model to reduce complexity, better manage resources and deploy capital expenditures to the highest value opportunities. Since then, Solvay achieved all of its midterm financial targets three years ahead of plan, as well as making significant progress on its sustainability ambitions.

With the strong foundations set by the G.R.O.W. strategy, the decision to separate Solvay into EssentialCo and SpecialtyCo was made to provide each company the strategic and financial flexibility to focus on its distinctive business model, market and stakeholder priorities. While multiple scenarios were considered, the split into two companies was regarded as the optimal approach from an operational perspective. As a standalone company, SpecialtyCo can more effectively prioritize and allocate financial resources and build competencies to provide innovative, value-added solutions to its customers, and it will continue to seek to drive above market growth and strong returns. SpecialtyCo's strategy is summarized below:

- Drive above-market growth

  SpecialtyCo will harness its broad portfolio of technologies and products, expertise and close relationships with customers to maintain robust leadership positions in its key markets with a view to driving above market growth at superior returns in each of its segments:

  - Materials is well positioned to drive continued penetration of its light weighting and high-performance solutions to help customers drive efficiency and innovation in markets such as transportation, electronics and healthcare.

  - Consumer & Resources is well positioned to drive the consumer industry toward bio-based, natural, and circular solutions by leveraging its portfolio of innovative solutions and applications expertise in markets such as agriculture, feed and food, home & personal care, coatings and industrial applications, supported by underlying sustainability megatrends.

  SpecialtyCo will continue strengthening its relationships with the customers who drive its growth by focusing on customer co-development and collaboration, emphasizing technical service by deploying a significant share of its workforce as field technical service employees, and developing commercial initiatives including the Group Strategic Key Account Program. These are vital, as they will allow SpecialtyCo to better understand customer needs and challenges, and co-create tailored and innovative solutions using its full portfolio of technologies, expertise, and knowhow.

  SpecialtyCo's strategy of driving above-market growth is reflected in a focus on what it believes are the fastest-growing segments of its principal end markets, driven by the societal megatrends that SpecialtyCo believes should drive profitable growth. In the automotive sector, SpecialtyCo is focused on the fast-growing market for electric vehicles, in which its products are aligned with the trends towards lightweighting and electrification. In composite materials, based on a recent market study, SpecialtyCo believes the market for high-end products has the potential to grow by up to four times by 2035, and possibly up to ten times by 2050. It has focused on the market segments that are expected to drive these trends, such as narrow-body commercial aircraft programs, in which composite material penetration is expected to grow substantially (it is currently on the order of 15-20% of the relevant structures, compared to approximately 50% in wide body programs). In the Consumer & Resources segment SpecialtyCo has oriented its portfolio to market segments such as natural vanillin, green solvents and bio-based personal care products, which provide SpecialtyCo with the potential to generate premium pricing and capture a greater share of overall customer spending. In addition, the Technology Solutions business unit is focused on phosphorous reagents used in mining of copper, a key metal for the trend towards electrification.

  SpecialtyCo has identified four strategic growth platforms to drive innovation to develop sustainable solutions: electric and hybrid vehicle batteries, thermoplastic composites, green hydrogen and sustainable biomaterials. These platforms are designed to meet market needs driven by macrotrends like electrification, lightweighting and eco-based solutions and include technologies at different stages of development, reflecting the current and future needs of customers. SpecialtyCo targets growth platforms that it believes have the potential to constitute a total addressable market of at least USD 1 billion over time. Its decision to designate electric and hybrid vehicle batteries as a growth platform has borne out in light of the robust growth in recent years, a trend that should continue driven by sustained investments in electric vehicles by major automotive manufacturers. Its other growth platforms are in early stages, but they present significant potential, and SpecialtyCo will study these markets with a view to confirming the expected size of the addressable markets, and may invest significantly in them if it believes this potential is likely to be realized.

SpecialtyCo will prioritize investments that serve its growth markets, to ensure that it stays ahead of the curve and competitors (*see* Section 10.4, for a discussion of "*Capital expenditures*"). It intends to target projects that have the potential to deliver compelling financial returns with a target return on capital employed of at least 15%. As an example, in the electric and hybrid vehicle battery sector Solvay has announced an investment (to be part of SpecialtyCo), together with joint venture-partner Orbia, in a USD 850 million PVDF production site in North America to provide supply security and value-chain infrastructure for the growing demand for battery materials. The project, of which Solvay has (and SpecialtyCo will have) a 51% share, is supported by a USD 178 million subsidy to SpecialtyCo from the U.S. Department of Energy. The production site—the largest in the region—is expected to be fully operational by 2026. SpecialtyCo's investment projects also include the development of capacity for the production of natural vanillin from rice husks, aligned with the trend towards natural solutions.

- <u>Deliver industry-leading margins, superior returns and maintain significant financial flexibility to grow</u>

  SpecialtyCo will aim to maximize sustainable profitable growth, cash generation and returns through numerous measures including:

  - Focusing on growth opportunities with the highest profit potential through effective growth management and resource allocation, including force-ranking opportunities to identify and prioritize premium, high growth and high margin options. As an example, demand for high-performance specialty polymer products exceeds the market's capacity, and SpecialtyCo is taking advantage of this by orienting its capacity to the highest potential opportunities.

  - Continue driving commercial initiatives, including aligning pricing with SpecialtyCo's value propositions to capture a greater share of the value its solutions bring to its customers. This strategy has been broadly implemented by SpecialtyCo's sales and customer relationship specialists, who have been trained through initiatives such as SpecialtyCo's Sales Academy, launched in 2019, focused on core skills building (such as key account management, customer intimacy and value-based pricing), increasing the commercial effectiveness of deals (in contract negotiations, for example), and performance excellence to improve capabilities and mindset. The strategy has already demonstrated its value in 2022, as SpecialtyCo's pricing has more than offset increased costs associated with the energy crisis and rising inflation.

  - Improve operational efficiencies through simplification, order-to-cash optimization and digitalization, as well as flexible manufacturing initiatives. An example has been SpecialtyCo's success in its consumer products manufacturing processes, which now benefits from global coverage and an "asset-light" model of multipurpose plants that can be expanded with relatively low levels of capital expenditures.

  - Continuing to focus on optimizing businesses to unlock returns through pruning the portfolio, driving cost reductions, and focusing on value-added technologies.

  SpecialtyCo will aim to maintain a healthy balance sheet, targeting an investment grade credit rating, with the aim to provide significant flexibility to fund investments in research and innovation, capacity expansions and targeted external growth, to achieve a greater than market growth rate.

- <u>Significant focus on research and innovation to align with customer requirements</u>

SpecialtyCo's Research & Innovation (R&I) efforts are the engine for delivering highly differentiated and valuable innovations that address major human challenges associated with resource scarcity, climate change and quality of life.

- SpecialtyCo will continue to focus on developing solutions in Materials which capture strong demand for solutions focused on pushing the limits of metal replacement, weight reduction and performance enhancement, while improving CO_2 and energy efficiency in markets such as next-generation mobility in automotive and aerospace, healthcare and electronics.

- It will focus innovation in the Consumer & Resources segment to meet growing consumer demand for bio-based and bio-degradable ingredients in the agriculture market, VOC-(volatile organic components) and odor-free coatings formulations in the building and construction market, and natural and bio-based solutions, enhanced performance and convenience, and personalized and premium products in the home and personal care market. This strategy is enabled by its 12 major global R&I and applications centers.

- SpecialtyCo will foster cross-innovation throughout the Group, enabling it to develop tailor-made solutions that meet customers' specific application and performance requirements. This will apply especially in relation to the four strategic growth platforms of batteries, thermoplastic composites, green hydrogen, and sustainable and biomaterials.

- Commitment to sustainability

SpecialtyCo intends to pursue distinct sustainability goals, rooted in and inspired by Solvay's One Planet roadmap that was established in 2020 and outlined ambitious targets to drive progress across three key pillars: climate, resources and better life. Among other things, Solvay committed to lowering GHG emissions, and to achieving carbon neutrality on scope 1 and 2 emissions by 2040 for all of its businesses other than Soda Ash, which is not part of SpecialtyCo.

SpecialtyCo's commitment to sustainability will be adapted to its unique business model and needs. Building on the progress made as part of the Solvay One Planet roadmap, its targets will be adapted to the scope of its activities:

- Upholding its commitment to reaching carbon neutrality on scope 1 and 2 emissions by 2040.

- Protecting the planet's natural resources by building on the Solvay One Planet record of continuing nature conservation and restoration wherever possible, innovating towards less hazardous chemicals and more circular solutions.

- Improving the quality of life of its employees and communities by emphasizing safety as a top priority.

- Continuing its commitment to Diversity, Equity and Inclusion ("**DEI**"), by building on the progress that began with Solvay's One Dignity program launched in 2021. This includes carrying over steps taken to foster gender equality, notably the 16-week parental leave available to any co-parent regardless of country, employment type and sexual orientation which went into effect at the start of 2021 while also covering parents who adopt. SpecialtyCo also intends to follow through on efforts to identify and close structural gender pay gaps for equal competencies and responsibilities.

SpecialtyCo believes that its commitment to sustainability and being a responsible partner within its communities and across its value chains will be a key success factor for its future as an independent organization.

Accordingly, Specialty Co will be launched with a comprehensive Code of Business Integrity covering anti-bribery and anti-corruption, anti-competitive activity, confidential and proprietary information, conflicts of interest, a reporting non-compliance with human rights in business policy, the use of a gifts and entertainment tracking system, the use of third-party reporting hotlines and a Group-wide "Speak Up" program to report non-compliance. It will apply to all employees and majority-owned joint venture partners. All employees will sign an annual acknowledgement that they have read the Code and that they have nothing to report. A Supplier Code of Business Integrity will apply to suppliers.

6.2 SpecialtyCo's history

SpecialtyCo encompasses business units of Solvay that are global leaders and present the potential for substantial and above-market growth. The heritage of SpecialtyCo's business dates back to the origins of each of its segments, spanning over 150 years of breakthroughs in chemistry and technology since Solvay's founding in 1863. Over the last decade, its businesses have developed organically and through acquisitions and investments, which have been integrated and developed by Solvay, and selected divestitures to improve the businesses' focus and strategy. The following are some of the key highlights of the past two decades:

2002 – Solvay completes acquisition of Ausimont, the fluorinated specialties group, from Edison and Longside International, doubling Solvay's activities in the fluorinated specialties sector and driving the growth of its Specialty Polymers business.

2011 – Solvay acquires Rhodia S.A. in 2011 in a friendly takeover, which strengthened Solvay's business in the consumer goods market, with Novecare and Aroma, and in the automotive markets.

2013 – Solvay SA acquires the privately-held U.S. company Chemlogics, doubling its U.S.-based oil and gas market capacity and significantly increasing its exposure to the growing U.S. energy market.

2014 – Solvay completes the acquisition of Ryton®PPS, a U.S. polyphenylene sulfide business, from the U.S.-based petrochemical company Chevron Phillips Chemical Company, expanding its offering of high-performance polymers.

2014 – Solvay acquires the specialty chemical assets of ERCA Quimica Ltda. and the Brazilian manufacturer of specialty ester Dhaymers, further expanding its Novecare portfolio in Latin America, developing a presence in the home, personal care, industrial lubricants, agriculture, chemicals, building and mining markets.

2015 – Solvay acquires a strong position in the aerospace market by acquiring Cytec Industries Inc., an American manufacturer of composites. The acquisition positioned Solvay as a leader in lightweighting materials for the aerospace and automotive industries.

2019 – Solvay adopts the G.R.O.W. strategy (accelerate Growth, deliver Resilient cash flow, Optimize returns and Solvay One to Win), setting clear mandates for its businesses and focusing on higher growth and margins. The businesses currently in SpecialtyCo primarily prioritized the Growth component (Materials) and the Optimize component (Consumer & Resources).

2022 – Building on the success of the G.R.O.W. strategy, Solvay announces that it will explore a separation into two independent publicly listed companies: EssentialCo, an essential chemicals leader with resilient cash generation, and SpecialtyCo, a pure-play specialty leader with accelerated growth potential. The Partial Demerger described in Section 7, "*Legal Reorganization and Partial Demerger*," of this Registration Document is being undertaken in implementation of this plan.

6.3 SpecialtyCo's business

6.3.1 Operating segments and products

SpecialtyCo operates through two main business segments: Materials, and Consumer & Resources (it also has a Corporate & Business Services segment). The Materials segment includes the Specialty Polymers and Composite Materials business units, and the Consumer & Resources segment includes the Novecare, Technology Solutions, Aroma Performance and Oil & Gas business units.

The following table breaks down SpecialtyCo's 2022 net sales by segment and by business unit.

Segment / Business Unit	2022 Net Sales (EUR millions)	Percentage of SpecialtyCo Net Sales
Materials	**4,078**	**51.7%**
Specialty Polymers	3,124	39.6%
Composite Materials	954	12.1%
Consumer & Resources	**3,806**	**48.2%**
Novecare	1,905	24.1%
Technology Solutions	741	9.4%
Oil & Gas	586	7.4%
Aroma Performance	575	7.3%
Corporate & Business Services	6	ns
Total SpecialtyCo	**7,890**	**100%**

6.3.1.1 *Materials*

The Materials segment comprises the Specialty Polymers and Composite Materials business units. Specialty Polymers represented approximately 77% of Materials net sales in 2022, while Composite Materials represented 23% of 2022 Materials net sales.

The Materials segment serves a broad range of end markets, providing specialty polymers and high-technology carbon fiber-based composite materials for sustainable mobility, lightweighting, connectivity, healthy living and energy efficiency. The following table breaks down the 2022 net sales of the Materials segment by end-market.

End Market	2022 Net Sales (EUR millions)	Percentage of 2022 Materials Net Sales
Automotive and Aerospace	2,075	50.9%
o/w Aerospace	*901*	*22.1%*
o/w Automotive	*1,174*	*28.8%*
Electronics	588	14.4%
Consumer Goods, Healthcare and Home and Personal Care	499	12.2%
Industrial	344	8.4%
Resources & Environment	240	5.9%
Building & Construction	187	4.6%
Agro, Feed & Food	133	3.3%
Others	12	0.3%
Total Materials Segment	**4,078**	**100%**

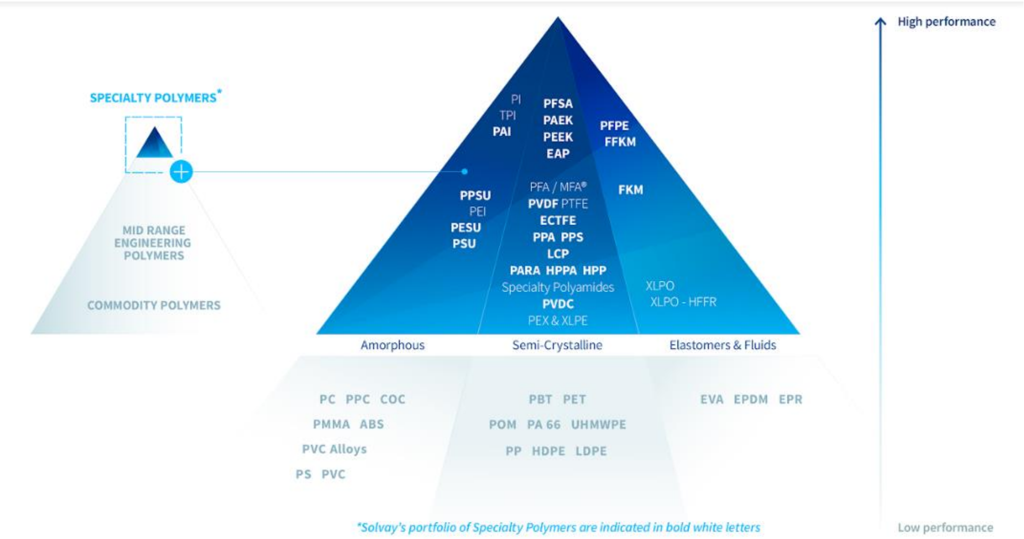
(a) Specialty Polymers

Specialty Polymers is a producer of innovative high-performance polymers with the broadest portfolio breadth in the industry. Specialty Polymers aims to touch the high end of many end-markets with a focus on customer intimacy, long-term customer relationships and innovation.

(i) *Specialty Polymer products and solutions*

Specialty Polymers concentrates on innovative, top-tier solutions. Its high-performance specialty polymers are characterized by their ability to retain desirable mechanical, thermal, and chemical resistance when subjected to harsh environments, such as high temperature, high pressure, and corrosive chemicals, biocompatibility, electrical inertness and dimensional stability.

SpecialtyCo's focus on high-performance polymers places it at the top of what it refers to as the "specialty polymer pyramid," as illustrated by the following graphic.



With over 1,500 products, SpecialtyCo offers what it believes to be the broadest range of high-performance polymers in the industry, spanning products across the value chain. Its offers solutions in three main polymer product lines:

- **Fluoropolymers** (PVDF, FKM, FFKM, PFPE, ECFTE, PFSA), a family of polymer materials containing carbon and fluorine molecules that form strong bonds, making them durable and highly chemical resistant. They also have electrical properties, making them highly valuable in electronic and electrical applications.
- **Aromatic Polymers** (LCP, HPPA, PEEK, PAI, PSU, PPSU, PES, PPS), a family of polymer materials composed of rigid aromatic rings, making them strong, stiff and thermally stable, and ideal for use in situations that require high levels of thermal and structural stability, including lightweighting in aerospace and other high intensity applications.
- **Barrier Polymers** (PVDC), which are polymer materials used for packaging and protective applications due to their low gas and moisture permeability.

In September 2020, Specialty Polymers underwent an internal reorganization to change from a product-driven to a market-driven organization, with a view to transforming decision making to become more customer focused, respond to unmet needs, and better align resources and their allocations to the best available market opportunities. The global business unit is now organized into four market-based clusters: an automotive cluster, an aerospace cluster, a life solutions cluster (which comprises healthcare, consumer, environment and construction) and an electronics and industrial cluster. The reorganization included the research and innovation group with the addition of two transversal groups: an applications group focused on the integration of materials, design and processes, and an engineered materials group focused on performance attributes necessary for end-use applications.

(ii) *Applications and end markets*

Specialty Polymers' biggest end-markets are those in which high-strength, temperature- and chemical-resistant polymers are used in multiple high-end applications. Specialty Polymers is dedicated to providing streamlined, high-end solutions to its customers in each end-market. Its products are developed through long-standing customer-collaborations, making SpecialtyCo a strategic partner in the creation of such solutions based on its unique range of high-performance polymers.

(A) <u>Automotive</u>

SpecialtyCo has a leading position as a provider of specialty polymer solutions for the automotive sector, developed over decades of working with blue-chip OEMs and significant tier 1 and 2 suppliers. Its products are aligned with two key megatrends driving the automotive sector:

- o *Lightweighting*. SpecialtyCo's products deliver high strength, excellent wear resistance, thermal resistance, and dimensional stability, allowing them to be used to replace metals and reduce the weight of vehicles. This allows electric vehicles to increase their range, and allows internal combustion engine vehicles to consume less fuel and emit fewer GHGs.
- o *Electrification*. SpecialtyCo's provides electric and hybrid vehicle battery components that promote improved energy density and safety. The electric and hybrid vehicle battery market is one of SpecialtyCo's strategic growth platforms, and has been a significant factor in the substantial revenue growth that SpecialtyCo has realized in recent years.

SpecialtyCo's offerings for the electric vehicle market place it squarely in the highest-growth and highest-value segment of the automotive market today. SpecialtyCo estimates that its addressable market in electric vehicles is twice the size of its addressable market in internal combustion engine vehicles, providing a strong platform for above-market growth in the coming years.

SpecialtyCo benefits from a long tradition of customer-focused development in close coordination with key automotive manufacturers and their suppliers. It developed these relationships over decades through the design of heat-resistant polymer solutions for use in under the hood electrical systems and transmissions, thermal and air management systems, and emissions control systems. Some of the applications include seal rings, connectors, fuses, housings, lighting sockets, sensors, switches, fuel pipes and tubings, compressor wheels, and isolation disks. This privileged traditional position has allowed SpecialtyCo to develop its leadership position in batteries and other components for electric vehicles. Its market-leading electric and hybrid vehicle battery solutions include cathode binders, separator coatings and structural components such as lightweight casings. It is developing a range of new polymers for polymeric solid state batteries that are currently expected to be introduced on the market in 2027, providing faster charging and greater range than the current generation of lithium-ion batteries.

SpecialtyCo is also developing solutions used in the manufacture of commercial proton exchange membranes (PEM), which is an enabling technology in green hydrogen generation. Green hydrogen—another strategic growth platform of SpecialtyCo, albeit one that is currently at a very early stage—is the renewable and sustainable fuel that is expected to support decarbonization in hard-to-abate sectors such as long-haul and heavy-duty transportation.

Some of the key products offered by Specialty Polymers in the automotive sector are the following:

- **Solef® PVDF**, a high-performance material for Lithium-ion battery components, enabling faster charging and increased safety, drive range and heat resistance.
- **Amodel® PPA**, an aromatic polyamide, has played a critical role in replacing metal in the automotive industry for more than 30 years. Today, as the automotive industry continues to move toward electrification, the **Amodel® PPA** family is finding use in battery electric vehicles, in electric motors, power electronics and battery technologies.
- **Ryton® PPS**, a family of polyphenylene sulfides that offer a variety of properties capable of withstanding high temperatures, mechanical stress and corrosive automotive fluids, such as those used in under-the-hood applications, brake systems, and E/E (electric and electronic) devices.
- **Tecnoflon® FKM**, a synthetic rubber that is highly resistant to fuels, powertrain fluids, and exhaust. Its low permeation helps decrease the impact of evaporative emissions which makes it ideal for automotive applications such as seals, gaskets, hoses and O-rings.
- **KetaSpire® PEEK**, an advanced material that can replace metal in vehicle insulation systems, providing for more efficient, smaller and lighter-weight eMotors. It eliminates VOC (volatile organic compound) emissions associated with use of solvent-based alternatives.

(B) Electrical and Electronics

SpecialtyCo delivers high strength polymers that provide the dimensional stability and insulating properties required for electronics applications in applications such as OLED displays, smart phones, smart watches, hyperscale datacenters, semiconductors, sensors, and electronics across a broad range of markets including automotive, consumer electronics, and industrials. SpecialtyCo's products are used in structural frames, antenna splits and hinges, brackets for foldable and sliding structures, parts in electronics components such as capacitors, connectors, hard disk drives, sensors, circuit boards, wires and cables, and materials used for the manufacture of semiconductors, including wet processing equipment components, heat transfer fluids, and lubricants for vacuum pumps.

As an illustration of the key role of SpecialtyCo's products in the high-end electronics sector, Specialty Polymers supports semiconductor processes by providing excellent chemical stability and high heat tolerance, as well as the ultra-purity required by customers.

Some of the key products offered by Specialty Polymers in the electrical and electronics sector are the following:

- **Galden® PFPE** fluids, which act as heat-transfer liquids in high-temperature conditions, ensuring the long-term reliability and efficiency of advanced semiconductor applications.

- **Kalix® HPPA** products, which are highly glass-filled compounds that can replace metal in structural mobile electronic components where strength, rigidity and aesthetics are important such as housings, covers, chassis and frames.

- **Tecnoflon® PFR (FFKM)**, which exhibits outstanding thermal resistance and plasma resistance, high purity and has a low metal content, making it an excellent material for applications in semiconductor fabrication processes such as etching, deposition, patterning and wet cleaning requiring O-rings and seals.

- **Halar® ECTFE**, which offers excellent chemical resistance to the full line of semiconductor chemicals and solvents.

(C) Healthcare

Specialty Polymers provides high-performance polymers that provide advanced solutions for a broad range of healthcare applications including medical devices and equipment, surgical instruments, implantable devices, hemodialysis, biopharma processing components, and high-barrier polymers used for pharmaceutical packaging. It delivers medical grade polymers which are biocompatible and compatible with sterilization and hospital disinfectants, helping to improve surgical procedures, increase patient comfort and reduce the spread of hospital-acquired infections.

SpecialtyCo's high-performance polymers for the healthcare sector include **Radel® PPSU**, a remarkably strong polymer used in surgical trays that can be steam-sterilized over more than a thousand cycles without significant loss of properties, replacing metal in many applications. It also offers **Ixef® PARA**, a glass fiber-reinforced polymer with excellent strength and surface finish properties, used in many single-use medical instruments and devices, and **Kalix® HPPA** a high-performance polymer used in components for healthcare electronic components. Specialty Polymers also offers high-purity, high-performance polymers for hemodialysis, **Udel® polysulfone (PSU)** and **Veradel® polyethersulfone (PESU)**, which were developed in collaboration with hemodialysis equipment manufacturers and have excellent biocompatibility, meaning that patients' blood can come into contact with them and return to their arteries without any risk.

Specialty Polymers has developed long-standing relationships with leading pharmaceutical groups, providing a higher standard in blister packaging with products such as **IXAN® PVDC Extrusion Resins**, which offer long-lasting protection for sophisticated medical film solutions, with transparency, high shrinkage, excellent water and oxygen barrier and good mechanical resistance. Its **Diofan® PVDC Aqueous Dispersions**, when applied on various types of base webs, significantly enhance their barrier and packaging properties, enabling them to preserve the efficacy of drugs.

(D) Other Sectors

SpecialtyCo provides a portfolio of industrial sector applications, such as powder and water-based polymer solutions for protective coatings, metal & surface treatment products, industrial equipment protection and additives & solvents in industrial manufacturing, power generation, oil & gas industries and other sectors. These solutions provide excellent resistance to UV irradiation, chemicals, fire and abrasion, and provide effective anti-corrosion properties, thermal and pressure stability and low fluid permeability. It also offers a variety of products and solutions for the consumer goods, energy and environment and building sectors.

Some of the key products offered by Specialty Polymers in these sectors are the following:

- **Udel® PSU**, **Veradel® PESU** and **Solef® PVDF** for filtration and separation membranes, which provide unique performance properties for various potable, industrial and municipal water treatment applications.

- **Solef® PVDF** and **Radel® PPSU** pipe fittings, which are designed to maintain their performance and integrity in the harshest environments, each with a specific combination of properties for exceptional heat resistance, corrosion resistance, chemical inertness, strength and toughness.

- **Hylar® PVDF**, a base resin used in a long-life formulation for architectural coating systems of metal elements used in residential, institutional, commercial and industrial buildings.

(iii) *Product Range, Applications and Main Competitors*

The following table sets forth summary information on the range of high-performance polymers offered by SpecialtyCo.

Specialty Polymers Products	Applications	Selected Trademarks	Main Competitors
Biomaterials for implantable devices, sulfone polymers, aromatic polyamides, aromatic polyketones	Healthcare	Solviva® Biomaterials, Radel® PPSU, Udel® PSU, Ixef® PARA, KetaSpire® PEEK	BASF, Evonik, Invibio, Sabic, Victrex
Sulfone polymers, aromatic polyamides	Consumer goods	Radel® PPSU, Veradel® PESU, Amodel® PPA, Ixef® PARA	BASF, DuPont, EMS, Sabic
Aromatic polyamides, fluorinated elastomers, aromatic polyketones, fluorinated fluids	Automotive	Amodel® PPA, Ixef® PARA, Tecnoflon® FKM, Tecnoflon® PFR FFKM, KetaSpire® PEEK, Torlon® PAI, Fomblin® PFPE Ryton® PSU	Celanese, Chemours, Dupont, Dyneon, EMS, Evonik, Kuraray, Victrex, 3F
Sulfone polymers, fluoropolymers, aromatic polyamides, aromatic polyketones	Aircraft	Radel® PPSU, Solef® PVD, Radel® PPSU, Virantage® PESU, Ajedium™ Films, Ixef® PARA, AvaSPire® PAEK, KetaSpire® PEEK, Torlon® PAI	BASF, Evonik, Sabic, Toray, Victrex,
Aromatic polyamides, sulfone polymers, aromatic polyketones	Mobile electronics	Ixef® PARA, Amodel® PPA, Kalix® HPPA, Radel® PPSU, KetaSpire® PEEK, AvaSpire® PAEK, Xydar® LCP	Dupont, EMS, Evonik
Fluoropolymers, cross-linkable compounds	Wire & cables	Halar® ECTFE, Solef® PVDF, Polidan® PEX, Cogegum® XLPO-HFFR	AEI, Arkema, Daikin, DuPont, Dyneon, Polyone, 3F, Dongyue
Aromatic polyketones, polyvinylidene chloride, fluoropolymers	Industrial and protective coatings	Torlon® AI, Diofan® PVDC, Halar® ECTFE, Solef® PVDF, KetaSpire® PEEK	Arkema, DSM, Dyneon, Lubrizol, Victrex, 3M, 3F, Dongyue, Juhua
Fluoropolymers, fluorinated fluids	Industrial equipment	Halar® ECTFE, Solef® PVDF, Fomblin® PFPE	Arkema, Daikin, Dupont, Dyneon, 3F, Dongyue
Fluorinated fluids, fluoropolymers, aromatic polyketones	Semiconductor	Galden® PFPE, Solef® PVDF, Halar® ECTFE, KetaSpire® PEEK, Tecnoflon® PFR FFKM	Arkema, Chemours, Dupont, Kureha, Victrex, 3M, 3F, Dongyue
Fluoropolymers, fluorinated elastomers, cross-linkable compounds, aromatic polyketones	Oil and gas	Solef® PVDF, Tecnoflon® FKM, Tecnoflon® PFR FFKM, KetaSpire® PEEK	Arkema, Daikin, Dupont, Victrex, 3F, Dongyue
Fluoropolymers	Li-Ion batteries	Solef® PVDF	Arkema, Kureha, 3F, Dongyue
Specialty Materials	Fuel cells and electrolyzers	Aquivion® PFSA	Chemours, AGC

Specialty Polymers Products	Applications	Selected Trademarks	Main Competitors
Fluoropolymers	Photovoltaics	Solef® PVDF, Halar® ECTFE	AGC, Arkema, Dupont, Dyneon, 3F, Dongyue
Sulfone polymers, fluoropolymers	Membranes	Radel® PPSU, Udel® PSU, Veradel® PESU, Solef® PVDF	Arkema, BASF, Kureha, 3F, Dongyue

(b) Composite Materials

SpecialtyCo's Composite Materials business is a leader in the development, formulation and manufacturing of high-performance carbon fiber composites. Its unique manufacturing processes and know-how allow it to make the best use of the significant potential of carbon-fiber composites. SpecialtyCo's products are used predominantly across the commercial aircraft, aerospace and defense markets, for lightweighting, by replacing legacy metals. Its products include thermoset and thermoplastic prepregs, structural adhesives (film and paste), and surfacing and lightning strike protection films, and resin systems formulations. As one of three global composite manufacturers in the world, its unmatched portfolio and 50-year heritage make it a privileged partner of major aircraft and aerospace companies and tier 1 suppliers. These longstanding relationships—obtained when Solvay acquired Cytec in 2015—have been further strengthened through years of collaboration in material and process development and technological innovation.

SpecialtyCo's products can reduce the weight of the components in which they are used by up to 30% compared to aluminum, while providing up to 5 times the strength with improved aerodynamics. Together these features provide a substantial reduction in fuel usage and GHG emissions.

(i) *Composite Materials products and solutions*

Composite Materials concentrates on innovative, complex solutions for extreme-demand environments. Its high-performance materials offer superior strength, fatigue resistance, durability and heat resistance (depending on the product), integrated in a complete composite ecosystem starting with application and virtual engineering, through process development and supported by extensive field technical services. Composite Materials offers solutions in the following main categories:

- **Thermoset and Thermoplastic Prepregs**. SpecialtyCo provides a range of polymer-reinforced prepregs, available in a variety of tape and fabric forms. Its product range includes thermoset prepregs, mostly based on epoxy, phenolic, and bismaleimide resin technology, and thermoplastic prepregs based on SpecialtyCo's Specialty Polymers portfolio including PEKK and PEEK for aerospace applications and PVDF for auto and industrial applications. SpecialtyCo benefits from its superior knowledge of the interface between carbon fibers and resins, and its deep expertise in composite manufacturing processes. Its prepregs offer superior performance to a range of structural applications, as well as unique benefits in aerodynamics, design, and parts integration. The product offering includes "out of autoclave" prepregs which brings cost and cycle time benefits (lower CAPEX and total part cycle cost as parts can be cured in ovens instead of autoclaves).

- **Adhesives, Surfacing and Lightning Strike Protection Films**. SpecialtyCo offers a family of high-performance structural adhesive materials in film, foam and paste form. These adhesives are used to bond materials together in structural applications for aircraft, including composite-to-composite, composite-to-metal and metal-to-metal applications, and to conduct repairs. SpecialtyCo also provides surfacing films used to prepare the surfaces of composite aircrafts before they are primed and painted, including films with integrated lightning-strike protection functionality.

- **Resin Systems Formulation**. SpecialtyCo offers resin systems used in conjunction with carbon fibers to produce composite material structural parts, using resin infusion technology. Resin infusion designates a category of thermoset resin processing techniques whereby a resin system is transferred and combined into a preform made up of dry fiber to create a composite part. Compared to prepregs, resin infusion technologies bring cost benefits (eliminating the prepreg manufacturing step, out of autoclave curing) and allow the use of advanced fiber forms and geometries not available with prepregs such as braided, multi axial preforms and complex woven 2D and 3D preforms. Applications include the fabrication of composite jet engine fan blades. Resin infusion also enables the possibility of manufacturing large and complex one-piece structures, which reduces the need for many different parts and therefore fasteners; this in turn reduces waste during manufacturing and improves aerodynamics.

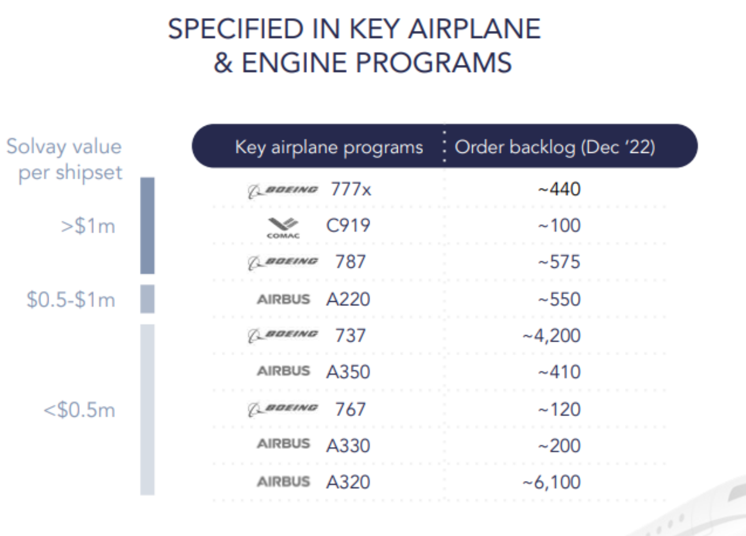
(ii) *Applications and end markets*

SpecialtyCo's Composite Materials business serves end-markets in which strength-to-weight and fatigue-resistance properties are critical. SpecialtyCo's composite materials products are used primarily in three end-markets in the aerospace and defense sectors, as well as in industrial applications.

(A) <u>Commercial Aircraft</u>

The commercial aircraft sector represented approximately sixty percent of Composite Materials net sales in the aerospace and defense sector in 2022. SpecialtyCo works closely with its customers to develop solutions for commercial aircraft manufacturing—including large commercial transport jets, business jets, regional jets, turboprops and rotorcraft—that deliver exceptional strength-to-weight, fatigue and temperature resistance properties under high stress. Its solutions currently primarily serve secondary structures of aircraft in fuselage, empennage and wing applications, as well as interiors.

SpecialtyCo's products are specified in many of the main commercial aircraft programs, including primary and secondary structures for the Airbus A220; secondary structures for the Boeing 737 and Airbus A320 and A321 families, structural adhesives and surfacing films for the Airbus A350 and Boeing 787 families. It is also a trusted long-term supplier for Safran's engine and nacelle programs. The following table provides information on SpecialtyCo's customer order backlog (by number of aircraft) for key commercial aircraft programs as of December 31, 2022, in USD (the term "Solvay value per shipset" refers to the value of materials sold by SpecialtyCo (previously Solvay) for each aircraft):



SPECIFIED IN KEY AIRPLANE & ENGINE PROGRAMS

Solvay value per shipset	Key airplane programs	Order backlog (Dec '22)
>$1m	BOEING 777x	~440
	COMAC C919	~100
	BOEING 787	~575
$0.5-$1m	AIRBUS A220	~550
<$0.5m	BOEING 737	~4,200
	AIRBUS A350	~410
	BOEING 767	~120
	AIRBUS A330	~200
	AIRBUS A320	~6,100

Composite Materials provide sophisticated solutions for wings and empennage, where it offers materials to address challenging requirements of stiffness and damage tolerance, and supports a variety of automated prepreg lay-up, resin infusion, out of autoclave and thermoplastic manufacturing processes. For the fuselage, its materials address the complex manufacturing and design requirements of skins, stringers, frames, floor beams, fairings and winglets. In rotorcraft, Composite Materials' high-temperature materials are used to manufacture blades.

SpecialtyCo believes there is a particularly significant opportunity for growth in the thermoplastic composites sector, as thermoplastic composites are strong, chemically-resistant, lightweight and recyclable, with the fast, high build rates necessary for mass production. Such composites may provide an opportunity for SpecialtyCo to expand through additional qualifications for primary structures, such as larger structural parts and fuselage frames. In response, SpecialtyCo has been accelerating innovation and working to develop commercial applications, opening a new thermoplastic composite manufacturing facility in the U.S. in 2021, and increasing its ability to manufacture unidirectional composite tape from a range of high-performance polymers (PVDF, PEEK).

SpecialtyCo also believes there is an opportunity for growth in the advanced air mobility solutions ("**AAM**") market. AAM, also known as urban air mobility or electric vertical take-off and landing, is an emerging market that is poised to accelerate the global transition to sustainable on-demand passenger, cargo and delivery drone air transportation.

Some of the key products currently offered by Composite Materials in the commercial aircraft sector are the following:

- **CYCOM®**, a series of high-performance prepregs and resins for technically challenging composite applications in aircraft assembly, providing weight-saving and cost benefits.
- **MTM®**, a series of medium temperature molding prepregs and associated adhesives.
- **FM®**, a series of high-performance film and foam adhesives used in a range of applications, providing excellent resistance to humidity.
- **APC**, a series of thermoplastic composite tapes that are used in aircraft structure and other transportation and structural engineering components.
- **AeroPaste®**, a series of epoxy-based paste adhesives with film-like properties for use in aircraft assembly.
- **FusePly™**, a breakthrough composite bonding technology that eliminates the need for numerous rivets and fasteners in aircraft assembly by creating a chemical bond between the adhesive and composite, improving performance, build rates and lightweighting.

(B) Defense

The defense sector represented approximately thirty percent of Composite Materials net sales in the aerospace and defense sector for 2022. It supplies hundreds of products across major programs, including Black Hawk, Osprey, Apache, F-35 (for which it supplies more than fifty products), F-18 and the A400M.

SpecialtyCo is one of the leaders in composites for defense, providing products that meet demanding military needs, such as prepregs, surfacing films, adhesives, resin infusion systems, high-performance thermoplastics and electrically sensitive products. It works closely with Defense OEMs and Tier 1 suppliers primarily in the Military Fixed Wing, tactical and reconnaissance Unmanned Aerial vehicles and Rotorcraft market segments, and collaborates with government labs to develop innovative products. For example, Composite Materials supplies materials used in the manufacture of ground based defense objects, such as spall liners (**MTM® 248S**)—an interior military vehicle liner used to protect soldiers from flying fragments of metal inside the crew compartment—armored vests (**MTM® 28**) and helmets (**VTM® 264**). In order to maintain and facilitate U.S. government contract and program work, SpecialtyCo has a Special Security Agreement in place at Cytec Engineered Defense.

(C) Space and Launch

Space and Launch represented approximately ten percent of aerospace and defense net sales in 2022. SpecialtyCo is a solution provider for innovative and high-performance lightweight materials for space applications (*e.g.*, composite fairings, nozzle ablatives, adhesives), and innovates to reduce the cost of launch applications. It is a supplier of ablative materials for use in the Artemis mission's solid rocket motor (SRM) nozzles, successfully launched on November 16, 2022.

In the space sector, the Composite Materials business is at the forefront of aerospace innovation. It provides materials that are tailored to meet the complex environmental challenges of space exploration, such as corrosion- and temperature-resistant primers for satellites (**BR® 127 NC**), and composites, adhesives and primers for use in the solid rocket components and thermal insulation bonding of launch vehicles. Further, as the re-usability of launch vehicles for spacecraft accelerates, and the civil manufacturing of satellites and spacecraft grows, Composite Materials is well-placed to develop strong, durable structural components for the often uncharted aerospace industry.

(D) Industrial and Performance

The industrial sector represents a smaller share of Composite Materials net sales. Composite Materials solutions are primarily used in applications such as motorsports (including Formula 1 chassis), high-performance auto, sporting goods, medical and other applications requiring high-performance in harsh environments in oil and gas and marine segments.

SpecialtyCo believes there may be significant opportunities for growth in the automotive sector, where the Composite Materials business provides thermoset and thermoplastic composites for lightweighting, replacing legacy metals, and structural reinforcement of car bodies, and battery modules/packets, helping to increase structural integrity and fuel efficiency. Examples include **Evolite®**, a series of ultra-lightweight thermoplastic composite tapes. Composite Materials is able to leverage its experience in the motorsports industry, where SpecialtyCo is the market leader in advanced composite materials, and where the Composite Materials business works directly with motorsport OEMs to develop solutions for the high-pressure racing industry. Another sector with growth potential is the oil & gas industry, where the Composite Materials business provides light and durable thermoplastic composites that have the potential to reduce the total cost of ownership of risers, flowlines and jumpers in the offshore segment, while reducing the risk of leakage.

(iii) *Product range, applications and main competitors*

The following table sets forth summary information on the range of composite materials offered by SpecialtyCo.

<table>
<tr><th>Composite Materials Products</th><th>Applications</th><th>Product Technology</th><th>Selected Trademarks</th><th>Main Competitors</th></tr>
<tr><td>Aerospace-qualified Prepregs,
Textiles, Formulated Resin
Systems, Ablatives</td><td>Airframe, Propulsion and Interiors
(Primary and Secondary Structures, Surfacing and Assembly Technologies)</td><td>Preimpregnated Tapes, Preimpregnated Fabrics, Narrow Preimpregnated Tapes, Resin Films, Liquid Resins</td><td rowspan="3">CYCOM®, MTM®
FM®
THORNEL®</td><td rowspan="3">Henkel, Hexcel, MRC,
Teijin,
Toray,
3M</td></tr>
<tr><td>Structural Adhesives Surfacing
Films</td><td>Airframe, Propulsion and Interiors</td><td></td></tr>
<tr><td>Carbon Fibers</td><td>Reinforcements for Secondary
Structures</td><td></td></tr>
<tr><td>Prepregs, Textiles, Formulated
Resin Systems Structural</td><td>Structural Reinforcements
Functional Parts
Visual Parts</td><td></td><td>MTM®, VTM®,
SOLVALITE ®</td><td>Barrflex,
Gurit,
Hexcel,
Hoysung,</td></tr>
</table>

Adhesives, Surfacing Films		EVOLITE® LTM®, HTM®	Kangde, MRC, SGL, Teijin, Toray

6.3.1.2 *Consumer & Resources*

SpecialtyCo's Consumer & Resources segment comprises four business units: Novecare (50% of 2022 segment net sales), Technology Solutions (20%), Aroma Performance (15%) and Oil & Gas (15%). The segment makes ingredients that are used by customers to address challenges such as improving texture, stability and efficacy of consumer and agricultural products, improving the yield of mining operations, and enhancing the sustainability of customer products, including bio-based ingredients, VOC-free and odor-free products.

The Consumer & Resources segment serves a range of key consumer goods end-markets, each driven by sustainability trends that have been embraced by SpecialtyCo's customers.

The following table breaks down the 2022 sales of the Consumer & Resources segment by end market.

End Market	2022 Net Sales (EUR millions)	Percentage of 2022 C&R Net Sales
Resources & Environment	959	25.2%
Agriculture, Feed & Food	856	22.5%
Industrial Applications & Chemicals	853	22.4%
Home & Personal Care	595	15.6%
Building & Construction	329	8.6%
Automotive & Aerospace	120	3.2%
Electronics	52	1.4%
Other	43	1.1%
Total Consumer & Resources Segment	**3,806**	**100.0%**

(a) Novecare

Novecare is a worldwide leader in specialty products, offering a portfolio of customized and sustainable solutions. Its formulated solutions are based on long-standing expertise in polymers, surfactants, solvents and other technologies that drive performance and sustainability improvements for customers' products. Its products can be found inside a broad range of its customers' products—such as fertilizers, plant protection and seed care products, shampoos, body washes, paints, lubricants and many products in daily use.

(i) *Novecare products*

Novecare benefits from a broad technology base and applications knowledge, with a portfolio of increasingly natural-based ingredients, including guar derivatives and green solvents that improve the sustainability and efficacy of customers' products. In the agricultural sector, its products provide ingredients and formulations that are inputs for crop protection, plant nutrition and seed care products.

In the home and personal care sector, Novecare offers solutions such as mild cleansing surfactants, natural rheology modifiers, emulsifiers and solubilizers, specialty emollients, anti-aging, anti-oxidant skin actives, and oral care ingredients, used in applications such as shampoos, body washes, and household cleaning and disinfecting products.

Novecare's products are generated from raw materials that include ethylene oxide, palm oil, bio-based chemicals and guar gum. It has invested in upstream surfactant production facilities with on-pipe ethylene oxide access for more economical supply. For its natural based polymers, Novecare uses guar gum, a bio-based material derived from the guar bean, mainly produced in India. Novecare is vertically integrated in guar processing through Hindustan Gum & Chemicals Ltd., a joint-venture with M.P. Birla Group, India.

(ii) *Applications and end markets*

Novecare's largest end-market is Agriculture, followed by Home & Personal Care, Coatings and Industrial Applications. Its customers include the leading manufacturers of products in each of these markets, including major brand owners such as Bayer Crop Science, Corteva Agriscience, Procter and Gamble Corporation, Sherwin-Williams Paint & Coating Company and Unilever Company.

(A) Agriculture

Novecare provides customers in the Agriculture sector, its largest end market, with ingredients and formulations for crop protection, as well as enhanced efficiency fertilizers and seed care products. As the global leader in green solvents for agrochemical formulators, its specialty agrochemical solutions enable all segments of the agricultural industry to improve yield with more sustainable agricultural practices, while meeting increasingly strict regulatory requirements.

As part of its portfolio optimization strategy, Novecare acquired Bayer's seed coating product line in 2021, allowing it to develop 2-in-1 products combining the acquired coatings with Novecare's bio stimulants. This helps plants germinate faster and stronger, reducing the need for chemical protection against diseases and pests during the plant's growth, and producing healthier crops.

Novecare's **AgRHO® S-Boost™** bio-based stimulant made from guar beans is a 100% natural solution that encourages seed growth. It is unique in being able to shape soil properties around the seed to favor water and nutrient uptake, enhance germination and strengthen root development, helping crops to cope with increasingly dry conditions. It increases yields while also reducing fertilizer use and optimizing water usage. Novecare is also designing innovative ingredients and formulation solutions for biological pest control, building on more than 40 years as an industry leader. Biological crop protection products prevent or reduce damage from pests, weeds or pathogens through the use of living micro-organisms, natural substances or semiochemicals.

(B) Home and Personal Care (HPC)

Novecare provides solutions for manufacturers of beauty, home and hygiene and consumer health products. Its offerings—such as mild cleansing surfactants, natural rheology modifiers, emulsifiers and solubilizers, specialty emollients, anti-aging, anti-oxidant skin actives, and oral care ingredients—enhance the performance, aesthetics, and sensorial benefits of consumer products such as shampoos, body washes, and household cleaners and disinfectants.

Novecare's products also support customers in their transition to more sustainable solutions, through offerings of bio-based, biodegradable products and products that enable customers to reduce their carbon footprint. It is a leader in high-performing personal care products with advanced aesthetics, fewer synthetic chemicals and more eco-friendly and natural materials, with a portfolio based on "clean beauty." Over 80% of its hair and skin care portfolio is derived from natural origin, according to ISO 16128:1. This includes the **Jaguar®** line of bio-based ingredients, almost all of which are plant-based and derived from guar gum, and which provide conditioning and texturizing features for hair and skin care. Novecare also offers **Dermalcare®** LIB MB, a readily biodegradable bio-sourced and plant-based hair moisturizing emollient that can be used as a sustainable alternative to non-viable silicones in hair care applications, including shampoo, conditioner and treatments, and in body and skin care treatments.

In the home care market, Novecare's high-performance cleaning solutions are important drivers. Its offerings include **Actizone™**, a unique disinfectant solution that instantly destroys over 99.9% of microorganisms, including coronaviruses, for up to 24 hours. The United States Environmental Protection Agency has approved Actizone™ F5 and, in October 2021, Actizone™ was awarded first place in the innovation award category by the SEPAWA® CONGRESS, the most important European congress for this industry. Novecare's **Mackadet® OPR 2** is a naturally-derived opacifier that acts as a pearling and opacifying agent, giving cleansing products their creamy white appearance. It is made almost fully from bio-sourced ingredients, providing a sustainable alternative to synthetic ingredients such as acrylate-based opacifiers.

(C) Building and Construction (Coatings)

Novecare provides high-performance coating solutions for customers in the architectural and industrial coatings sectors, including binder solutions, performance solutions and color solutions. It has a global leadership position in binders, as well as leadership in selected markets for performance additives.

Novecare's coatings products deliver improvements to key functionalities such as foam and particle-size control, adhesion, anti-corrosion, durability, weather resistance, shelf stability and pigment dispersion. Its sustainable coatings solutions, including those that are free of APE, VOC and odors, respond to customer demands for reduced waste disposal and emissions, increased technology and innovation solutions with sustainable benefits, and more generally a demand for more durable and safer coatings.

Leveraging its leadership in binders for waterborne coatings, Novecare has collaborated with two top North American coatings manufacturers in the development of new monomers with increased durability and sustainability. The result is the development of the **Sipomer® PAM 600** monomer and specialty emulsifier, which is used by leading tier-1 coatings manufacturers to offer more durable and sustainable solutions. The product is experiencing rapid growth since its introduction on the market. Novecare also provides a range of specialty **Aerosol®** surfactants for waterborne architectural coatings, and **Rhodafac®**, a range of coatings designed to increase water and corrosion resistance.

(D) Industrial Applications

In industrial applications, Novecare focuses on solutions for metal processes, lubricants, wire drawing and other applications. Its products provide functionalities such as lubrication, emulsification, cleaning, anti-corrosion, anti-settling, fluidification, dispersion and degreasing. Novecare also offers chemicals customers amines building blocks for surfactants and quaternary agents (compounds that combine bactericidal and virucidal activity to generate cleaning ability).

Novecare's industrial solutions include **Lubrhophos® LF-800**, an eco-friendly anti-wear lubricant additive, structurally designed to provide low-foam. Its benefits include anti-wear functionality, corrosion inhibition, lime soap dispersion and emulsification. Novecare's solutions for chemicals sector customers include **Fentacare®**, which is used as an anti-static and softening reagent in skin care and hair care formulations, as well as **Rhodasurf® LA-12,** a biodegradable detergent, wetting agent and emulsifier for household all-purpose cleaners, laundry products, industrial metal cleaners and car washes.

(iii) *Product range, applications and main competitors*

The following table sets forth summary information on the high-performance products offered by Novecare.

Novecare Products	Applications	Selected Trademarks	Main Competitors
Surfactants, Amines, Synthetic polymers, Guar Derivatives	Home & personal care	MACKAM®, JAGUAR®, MIRANOL®, MIRAPOL®, RHODAPON®, FENTACARE®, FENTAMINE®, MACKAMINE®, RHEOMER, RHODASURF®	Ashland, BASF, Clariant, Croda, Dow, Evonik Huntsman, Lamberti Oxiteno, Nouryon, Stepan
	Crop protection	SOPROPHOR®, AG-RHO®, GERONOL®, SUPRAGIL®l, GEROPON®, RHODIASOLV®	
	Architectural coatings	RHODASURF®, RHODOLINE®, ABEX®, SIPOMER®, Aerosol®, RHODAFAC®	
	Metal & Surface treatment	RHODASURF®, FENTACARE®, LUBRHOPHOS®, RHODAFAC, ALBRITECT®	
	Chemical intermediates (Amines)	FENTACARE®, FENTAMINE®	

(b) Aroma Performance

Aroma Performance is the world's largest integrated producer of vanillin for the food, flavors and fragrances markets. It is the global leader in natural vanillins. It also produces synthetic vanillins, benefitting from vertical integration by producing its own intermediates. It also produces innovative diphenol intermediates for latex monomers and synthetic intermediates used in pharmaceuticals, agrochemicals and electronics.

(i) *Aroma Performance products*

(A) <u>Food, Flavors and Fragrances</u>

As a leader in the field, Aroma Performance develops innovative flavor and fragrance formulations in line with the market trends of the food, beverage and perfume industry. It has also developed natural vanillin, compliant with stringent EU natural flavoring regulations, that can be used as an alternative to the beans themselves, which remain very limited worldwide and subject to fluctuations in terms of quality and pricing levels.

Aroma Performance is leading the "switch to natural" in these sectors, delivering natural vanillin solutions complying with global regulations, including European Flavor Regulation EC 1334/2008, which sets standards for natural vanillin obtained by a biotechnological process from a source other than vanilla. Natural vanillin is produced from sustainable and raw materials, and is used as a substitute for vanilla beans for vanilla flavoring. Aroma Performance's natural vanillin product, obtained by bioconversion of ferulic acid, a readily-available organic compound found in rice bran, is **Rhovanil® Natural CW**, the market reference for natural vanillin needs. It is a non-GMO complement. In May 2022, Aroma Performance invested in Suanfarma's fermentation plant located in Portugal, in order to expand its natural vanillin capacities in the face of strong and growing customer demand.

Aroma Performance also offers a food-grade synthetic vanillin product, **Rhovanil®,** which delivers the pure, sweet and long-lasting typical vanillin note characteristic of vanilla. It also enhances flavor, masks off-notes from other ingredients and displays beneficial antioxidant and antimicrobial properties to help preserve the product.

(B) Monomers

Aroma Performance supplies reference diphenol inhibitors used by the monomer industry to secure process and product storage performance. It provides a one-stop-shop for acrylic monomer customers, with high quality standards and traceability, robustness in inhibition performance and a sustainable and pioneering process. Its principal product is Hydroquinone (HQ), which is effective at preventing polymerization, facilitating the storage and transportation of monomers. It also supplies diphenol intermediates used as building blocks for high-performance polymers.

(C) Agriculture, Pharmaceuticals and Electronics

With a unique range of chemical intermediates that includes the largest portfolio of diphenol building blocks for agricultural and pharmaceutical applications, Aroma Performance offers a range of products driven by consumer growth, crop protection and healthcare needs. It also offers innovative and tailor-made molecules for electronics.

(ii) *Product range, applications and main competitors*

The following table sets forth summary information on the products offered by Aroma Performance:

Aroma Performance Products	**Applications**	**Selected Trademarks**	**Main Competitors**
Natural vanillin	Flavors	RHOVANIL® NATURAL	Bestally, Lesaffre
Vanillin & ethyl-vanillin, and flavors	Flavors, fragrances, food, crop protection	RHOVANIL®, RHOVEA®, RHODIAROME®, VANILTEK™, GOVALTO	Anhui bayi, Borregaard, Camlin, F&F, Jiaxing, Prova Shixing, Thrive, Wanglong,
Hydroquinone	Monomers inhibitors, photography reagents, building blocks for dyes, agrochemicals, polymers, rubber anti-oxidants and food anti-oxidants		Camlin, Eastman, Goodyear, Mitsui, Sanjili, Ube, Brother
MeHQ (Methyl Hydroquinone or also referred to as PMP for para-methoxyphenol)	Building block for agrochemicals		CST
	Monomers inhibitors		CST, Kawagushi, Seiko
Tertio Butyl Catechol (“**TBC**”)	Monomers inhibitors	Original TBC, TBC Optima	Camlin, DIC, KKPunja,
Veratrole	Building block for agrochemicals		
	Building block for drugs synthesis		

(c) Technology Solutions

Technology Solutions is a global leader in phosphine-based chemistry for specialty mining reagents. It also manufactures plastics additives solutions, including solutions for the UV stabilization of polymers, and solutions used in a variety of packaging, textile treatment and other applications in the industrial, agriculture, feed & food, automotive and consumer goods sectors. Its portfolio includes world-class, cutting-edge technologies and unrivaled technical service and applications expertise that supports customers in developing tailor-made solutions. This is particularly true for mining, where SpecialtyCo’s products allow customers to extract metal concentrates from increasingly complex and depleted ores.

(i) *Technology Solutions products*

(A) Mining Solutions

Technology Solutions is a premier supplier of specialty reagent-based solutions to the mining industry, with more than 100 years of commitment to helping customers maximize the performance of their operations. Its innovative, proprietary solutions are used in mineral processing, alumina refining (aluminum oxide) and solvent extraction:

- For mineral processing, Technology Solutions' specialty reagents—such as the selective collector for base metals and polymetallic ores, **AEROPHINE®**, or the frother formulations **AEROFROTH®** and **OREPREP®**—are used in the concentration of ores by flotation, which maximizes process yield and selectivity. They are also used as purifiers in the phosphoric acid manufacturing process, where specialty reagents such as **ACCO-PHOS®** filter out heavy metals.

- For alumina refining, Technology Solutions' specialty reagents, such as **MAX HT®** sodalite scale inhibitors, are used in the Bayer Process, where bauxite is refined to produce alumina.

- For solvent extraction, Technology Solutions' specialty reagents—such as the copper solvent extractant **ACORGA®**, and **CYANEX®** a specialty extractant used in the separation of battery metals such as nickel, cobalt and lithium—are used in solvent extraction circuits, along with extractants and other process aids.

Principal customers include companies such as Freeport, Codelco, Rio Tinto, Grupo Mexico, Vale, Alcoa and OCP.

(B) Phosphorus Specialties

Technology Solutions provides phosphine gasses and derivatives, with differentiated products and technologies based on phosphorous chemistries. Its products are used in the agricultural sector (agricultural films and fumigation, such as **ECO2FUME®**, a phosphine gas that efficiently eradicates insects), automotives (plastics and coatings), electronics (LED display technologies and semiconductors, such as **CYPURE®**, an electronic-grade phosphine gas), life sciences (catalysis, oligonucleotide synthesis, and the production of reagents and intermediaries, such as **CYTOP®**), chemical processing (manufacturing of other chemical compounds) and consumer goods and healthcare. Customers include companies such as BASF, Shell, Ecolab, Arvind and Clariant.

(C) Polymer Additives

Technology Solutions is a leader in the UV stabilization of polymers, with more than 60 years of experience. Its polymer additives enable the use of plastics in a growing number of markets and high-value applications, including agricultural plastic films, automotive interior and exterior parts, building and construction materials, energy solutions, packaging components, consumer goods and specialty fibers, films and sheets. For example, **CYASORB CYNERGY SOLUTIONS®** is a family of additive solution stabilizers that protect polymers against UV light and thermal degradation in materials like roofing membranes and tiles, doors and window frames, among others. Polymer Additives customers include companies such as Braskem, ExxonMobil, Dow Chemicals and Lyondell Basell.

(ii) *Product range, applications and main competitors*

The following table sets forth summary information on the products offered by Technology Solutions:

Technology Solutions Products	**Applications**	**Selected Trademarks**	**Main Competitors**
Phosphine Gas	Display Technology & Semiconductor Agriculture Fumigation	CYPURE®, ECO2FUME®, VAPORPHOS®, CYPHOS ® IL, CYTOP®	Air Liquids Praxair, Mitsubishi, Versum
PH3 Derivatives	Chemical Synthesis, Additives & Catalysts, Life Science, Flame retardants, Metal and surface treatment	CYTOP®, RHODAPHOS®, RHODAFAC®, CYPHOS®, PHOSREAGENT®, AMGARD®, ALBRITECT®	BASF, Shell, Berwind
Polyethylene / Polypropylene polymers Glycols	Alumina refining additives (Dispersants, modifiers, Scale inhibitors, Defoamer, Filtration aid, Flocculants)	CYQUEST®, MAX HT®, MAXYield®, AERODRI®	ECOLAB - NALCO SNF, BASF, and other Chinese players
Acrylate and Acrylic polymers		CYQUEST®, CYFLOC®	
Xanthates Dithiophosphates Dithiophosphinates Thionocarbamates Amines, Sulfonates, Fatty Acids	Mineral Processing chemicals (Collectors, Frother, Modifiers, Filtration aids, Defoamers)	AERO®, AEROFLOAT®, AEROPHINE®, CYQUEST®, PHOSFLOW®, AERODRI®	ECOLAB – NALCO, BASF, CLARIANT, ARRMAZ, BASTECH, NALCO, DANAFLOAT, FLOTTEC, and several regional players
Methyl Isobutyl Carbinol (MIBC) Blend of Alcohols Glycols		AEROFROTH®, OREPREP®	
Phosphine acid based extractants, Oxime	Solvent Extraction	CYANEX®, ACORGA®	BASF, HALLOCHEM, ZIjin

(d) Oil & Gas Solutions

Oil & Gas Solutions offers a wide product portfolio in the upstream oilfield chemicals sector that includes friction reducers, gelling agents, emulsion breakers, surfactants, inhibitors, cementing additives and biocides for the cementing, stimulation, and production steps of oil & gas extraction. Outside of the oilfield, the business also produces sodium hypophosphite for metal and surface treatment and other applications, as well as a technological process that gives durable flame retardant properties to cotton-based textiles.

Oil & Gas Solutions innovates products at the molecular level, working with customers to develop tailor-made additives and fully packaged solutions to meet the industry's most demanding challenges while increasing efficiencies and protecting resources. The business is also recognized for its superior service quality, which includes localized testing, fluid design, and field delivery services in select geographies. Deep customer intimacy and strong technical expertise has created and sustained longstanding, trusted relationships with both large global players and regionally focused ones, all of which look to the Oil & Gas Solutions team for the latest in improved and innovative chemical technologies for the oilfield.

(i) *Oil & Gas products*

The products offered by Oil & Gas Solutions serve a broad range of needs of leading customers in the oil and gas sector:

- *Cementing Additives*: Oil & Gas Solutions offers a comprehensive range of cementing additives, such as **Rhodibloc®**, used to ensure well integrity and protect groundwater from contamination. Its focus is manufacturing specialty additives that perform in extreme conditions, though its experts can combine its products with commodities available on the market to help design full cement slurry packages to perform to a customer's specifications. Included are products for fluid loss control, gas migration control, retarders, strength enhancers, loss circulation material, and more, ensuring increased well integrity and zonal isolation.

- *Stimulation Chemicals*: Stimulation is key to maximizing reservoir production in shale gas or tight oil basins. The most frequently used stimulation techniques are hydraulic fracturing—which can be accomplished using gelled fluid and/or slickwater systems to place proppant in rock fissures—and matrix acidizing, where chemicals are used to help divert acid to create paths for hydrocarbons to flow. The broad offer of Oil & Gas Solutions in stimulation is able to meet the needs of almost any well and ensure performance, efficiency and optimal recovery, including in high-salt recycled water or other difficult conditions. Products include friction reducers—which allow customers to reduce their freshwater usage and lower emissions—gelling agents, flowback surfactants, inhibitors, biocides, clay control and more.

- *Production Chemicals*: Oil & Gas Solutions' production chemical portfolio is designed to meet almost any need in the area. Featuring both intermediates that can be custom-blended by clients as well as ready to use formulations, its products are used to ensure optimal hydrocarbon flow, asset integrity, and oil/water separation. **Tolcide®**, for example, are a range of award-winning biocides that deliver fast-acting and powerful elimination of bacteria from oilfield water flood operations and fracturing fluids. **Clearbreak®** emulsion breakers—critical to the oil production process—are designed to efficiently remove the water contaminant from crude, allowing the water to be properly disposed of. Key product lines include emulsion breakers, biocides, inhibitors, foamers, scavengers, wax control, surfactants and more.

- *Industrial Applications*: Oil & Gas Solutions' high quality Sodium Hypophosphite—known for its purity and high-performance—is used in a variety of specialty industrial applications, including electroless nickel plating for automotive, electronics and other applications, flame retardants for plastics, construction, water treatment, and more.

- *Flame Retardants for Cotton Textiles*: Oil & Gas Solutions' exclusive **PROBAN®** process and products give cotton textiles durable flame retardant properties. These fabrics provide enhanced protection while remaining comfortable and durable and are used across industrial workforce, service personnel, motorsport, and domestic fabric applications.

(ii) *Product Range, Applications and Main Competitors*

The following table sets forth summary information on the products offered by Oil & Gas Solutions:

Oil & Gas Solutions Products	**Applications**	**Selected Trademarks**	**Main Competitors**
Synthetic Polymers	Stimulation, Cementing	Plexslick, Rhodibloc	BASF, Kemira, SNF
Surfactants	Production, Stimulation, Cementing	Clearbreak, Marflow	BASF, Dow, Nouryon, Stepan
Phosphorus Derivatives	Biocides	Tolcide	BASF, Lanxess
	Flame Retardant	Proban	
Guar Derivatives	Stimulation	Tiguar	IGL, Lamberti, PfP
Sodium Hypophosphite	Electronics, Automotive, Flame Retardant, Construction,		Fuerxin, Xingfa

6.4 Research and innovation

Research and innovation ("**R&I**") are a core part of SpecialtyCo's business strategy. SpecialtyCo focuses on developing highly differentiated, relevant products, solutions and technologies to address major human challenges associated with resource scarcity, climate change and quality of life, and meet customer needs. Such innovation is critical to the development of SpecialtyCo's strategic growth objectives, and to meeting its sustainability objectives. It is also an essential component of the close relationships SpecialtyCo develops and maintains with its customers, as many of SpecialtyCo's R&I efforts are conducted in collaboration with key customers and are designed to meet their specific requirements.

For example, SpecialtyCo developed a custom-engineered insulation material that allows customers to apply e-motor magnet wire insulation faster, more cost efficiently, and more sustainably than the incumbent technology. In this example of innovation, the driver for the need was the end-consumer demanding higher range electric vehicles to alleviate range anxiety, which requires higher density batteries. In turn, higher density batteries necessitate electric powertrains operating at 800 volts. This results in an unmet need as higher voltage e-motors typically require thicker magnet insulation, which involves multiple application passes that can potentially introduce defects that tend to magnify as the layers are added. One of the unmet needs in this example was to have an insulation product that can be applied in a single layer, thus minimizing the risk of manufacturing defects.

SpecialtyCo's expenditures on research and innovation were EUR 302 million, EUR 254 million, and EUR 241 million, including research & development costs recognized in the income statement, excluding grants and subsidies netted in research & development costs and depreciation, amortization & impairments included in research & development costs, and including research & development costs recorded as capital expenditures in the cash flow statement, for the years ended December 31, 2022, 2021, and 2020, respectively. *See* Section 9.4.5, "*Research & Innovation*."

As of December 31, 2022, SpecialtyCo employed approximately 1,776 employees in its global R&I functions. Increasingly, SpecialtyCo is focusing on fostering cross-innovation throughout its businesses, collaborating with customers, academia, other companies and startups (it manages numerous collaborative innovation efforts), and building innovative digital tools to conduct its research and accelerate time to market, such as artificial intelligence, machine learning and computer simulations. Such technological developments include the development of DataGrow, an innovative digital formulation database for agriculture research.

SpecialtyCo operates 12 major R&I centers (listed here):

Site	Location	Number of Full Time Equivalent Employees as of December 31, 2022
Alpharetta	United States	250-300
Bollate	Italy	250-300
Saint-Fons	France	250-300
Shanghai	China	150-200
Aubervilliers	France	150-200
Brussels	Belgium	100-150
Vadodara	India	50-100
Bristol	United States	50-100
Seoul	South Korea	1-50
Paulinia	Brazil	1-50
Pessac	France	1-50

In 2022, SpecialtyCo's research and innovation work resulted in 123 new inventions (secured with a patent filing), and approximately 800 geographical extensions of existing patents. These numbers demonstrate its commitment to innovation in its products, materials and manufacturing processes, across the entire product value chain. New inventions secured for SpecialtyCo in 2022 were related to novel battery materials, specialty polymers, digital technologies and healthcare, and bio-methods for producing chemicals among other solutions.

SpecialtyCo's ongoing R&I focus includes:

- Developing solutions in Materials which capture strong demand for solutions focused on pushing the limits of metal replacement, weight reduction and performance enhancement, while improving CO_2 and energy efficiency in markets such as next-generation mobility in automotive and aerospace, healthcare and electronics.

- Innovating in the Consumer & Resources segment to meet growing consumer demand for bio-based ingredients in the agriculture market, APE- (alkylphenol ethoxylates), VOC- (volatile organic components) and odor-free coatings formulations in the building and construction market, and natural and bio-based solutions, enhanced performance and convenience, and personalized and premium products in the home and personal care market.

Examples of current strategic R&I efforts of SpecialtyCo are described in Section 6.1.2. "*Technology and customer-driven innovation capabilities that drive additional growth*."

6.5 Intellectual property, patents and licenses

In order to ensure that new and existing products, proprietary know-how and production processes are not compromised, SpecialtyCo maintains issued and pending patents and other intellectual property, including trademarks, relating to its business. Through its different subsidiaries it holds 9,100 patent titles as part of 1,670 patent families—each family relating to a specific invention—across 88 countries and jurisdictions. By business unit, the most significant patent protection footprints are associated with Specialty Polymers, which holds about 690 patent families, Novecare, which holds about 360 patent families, and Composite Material, which holds about 150 patent families. SpecialtyCo also holds around 6,000 trademark registrations across 150 countries and jurisdictions, through similar subsidiary structures, and sources certain IP through licensing and cross-licensing schemes with third-parties. Such intellectual property is managed by a dedicated intellectual property group.

As a key factor in SpecialtyCo's growth strategy of investing in innovation—especially in relation to the strategic growth platforms of electric and hybrid vehicle batteries, thermoplastic composites, green hydrogen and sustainable and biomaterials—its intellectual property strategy is focused on protecting such investments through an individualized approach. For example, over 100 patents have been filed since 2020 in relation to next-generation materials for batteries and methods for making or using such materials (such as electrolytes, lithium-ion specialties and fluorinated electrolyte additives). SpecialtyCo's patent rights are subject to a number of actions challenging their extent or validity, in the ordinary course of business (*see* Section 1.5.4, "*SpecialtyCo may not be able to protect its intellectual property rights*"). SpecialtyCo does not consider these actions to be material to its business or operations.

SpecialtyCo does not consider its business to be dependent on the existence or validity of one or more patents, or on any other form of intellectual property or contract covering one or more intellectual property rights.

6.6 Competition and market positions

The specialty chemicals market is highly competitive. SpecialtyCo faces significant competition from both large, well-known, international chemical companies, and mid-sized or regional companies that vary by product and region. Its main competitors in Specialty Polymers include Chemours, Daikin, Dongyue, 3F, Kureha & Arkema (Fluoropolymers), Victrex (PEEK), Celanese (PPA, PPS), EMS (PPA), Toray (PPS), BASF (Polysulfones). In Composite Materials, its main competitors are Hexcel & Toray (Composite Materials) and Henkel (Adhesives). Novecare competes primarily with BASF, Clariant, Evonik, Ashland, Nouryon, Croda & Stepan. Aroma Performance competes mainly with

Camlin, Jiaxing and Brother. In Technology Solutions, SpecialtyCo competes primarily with Clariant, BASF, Nalco and SNF, and the principal competitors for Oil & Gas are SNF, Kemira, Ecolab and Clariant. SpecialtyCo holds leading positions in many of its end-markets.

SpecialtyCo estimates that over 90% of its net sales are realized in markets where it holds one of the top three market positions, in each case with significant market shares, and it orients its investments and resources to markets where it is or has the potential to be among the leaders. In such market where it holds these positions, it also holds a significant market share. Based on market studies prepared by or for the Group, SpecialtyCo holds the:

- #1 market position in high-performance polymers (Specialty Polymers),
- #2 market position in composites for civil aerospace (Composite Materials),
- #1 market position in composites for defense (Composite Materials),
- #2 market position in specialty surfactants and polymers (Novecare),
- #1 market position in synthetic and natural vanillin for food & beverage and flavor and fragrance applications, and in hydroquinone for polymerization inhibitor applications (Aroma Performance), and
- #1 position in mining reagents (Technology Solutions).

The foregoing information is based on analyses performed by the Company using a combination of different sources, including (i) primary research, such as consulting internal sales staff or external experts who perform analyses based on information published by competitors and other public sources, (ii) secondary research, such as using third-party reports on specific markets, and (iii) custom secondary research, such as reports commissioned from external consultants.

6.7 Global footprint of SpecialtyCo customers

SpecialtyCo is a global leader in its principal businesses, with a diversified portfolio of customers located around the world.

The following table breaks down SpecialtyCo's 2022 net sales by geographic region:

Region	**2022 Net Sales (EUR millions)**	**Percentage of 2022 Net Sales**
Asia and Rest of World	2,876	36.5%
o/w China	1,228	15.6%
North America	2,532	32.1%
o/w United States	2,417	30.6%
Europe	1,787	22.6%
Latin America	694	8.8%
Total SpecialtyCo	**7,890**	**100%**

SpecialtyCo benefits from, and meets the unique demands of, its global customer base. In order to meet customer demand, it has developed a global manufacturing network with specific clusters of geographic site locations (*see* Section 6.8.1, *Manufacturing Facilities*).

6.8 Manufacturing facilities and raw materials

SpecialtyCo has a global manufacturing footprint, and uses energy and raw materials for its manufacture of specialty chemicals.

6.8.1 Manufacturing Facilities

SpecialtyCo manufactures specialty chemicals across 62 industrial sites in 15 countries around the world. While most of its products generally can be transported long distances (with the notable exception of some Novecare products), its manufacturing locations are designed to facilitate close customer collaboration and responsiveness, and to ensure optimal quality and delivery times. In addition, SpecialtyCo's geographically diversified manufacturing footprint has helped it to address and manage the challenges of the current energy crisis and global supply chain problems. The following table includes SpecialtyCo's most important production facilities for each business unit by approximate number of full-time equivalent employees (a range is provided as some employees have departed or transferred into EssentialCo units after December 31, 2022 but before the date of this Registration Document):

GBU	Site Name	Country	Approximate Number of Full Time Equivalent Employees as of December 31, 2022
Specialty Polymers (Materials)	Tavaux	France	550-600
	Spinetta	Italy	500-550
	Marietta, OH	US	300-350
	Changshu	China	250-300
	Augusta, GA	US	250-300
Composite Materials (Materials)	Anaheim, CA	US	350-400
	Greenville, TX	US	300-350
	Piedmont, SC	US	300-350
	Heanor	UK	200-250
	Havre de Grace, MD	US	250-300
Novecare (Consumer & Resources)	Zhangjiagang	China	450-500
	Melle	France	100-150
	Zhenjiang	China	50-100
	Itatiba	Brazil	50-100
	Spartanburg, SC	US	50-100
	Pasadena, TX	US	1-50
Technology Solutions (Consumer & Resources)	Welland, ON	Canada	150-200
	Willow Island, WV	US	150-200
	Atequiza	Mexico	100-150
Aroma Performance (Consumer & Resources)	Saint Fons	France	200-250
	Zhenjiang	China	100-150
	Baton Rouge, LA	US	100-150
Oil & Gas (Consumer & Resources)	Hengchang	China	100-250

As part of SpecialtyCo's G.R.O.W. and STAR Factory strategies, SpecialtyCo has been reducing the number of sites and increasing the efficiency of all manufacturing facilities with a view to optimizing costs and reducing environmental footprints. For example, in the Materials segment, SpecialtyCo's decision to invest in a new PVDF facility in the United States, through a joint venture with Orbia, is expected to allow it to maximize share capture and position for leadership in the North American battery application market, which lacks local supply, while benefiting from the subsidies provided in the U.S. Inflation Reduction Act for electric vehicle battery components. In the Consumer & Resources segment, production facilities have been multi-purposed to add flexibility and enable increased customer responsiveness, allowing SpecialtyCo to produce a range of products based on different technologies within the same site. This approach also increases asset utilization rates.

6.8.2 Raw materials

SpecialtyCo uses energy and raw materials for its manufacture of specialty chemicals. It purchased EUR 3,908 million of raw materials and consumables in 2022 from a wide range of suppliers, including EUR 486 million for energy (before netting sales of energy), including EUR 346 million of natural gas.

Following the Partial Demerger, certain utilities and goods are expected to be supplied to SpecialtyCo by the Solvay business units that will become part of EssentialCo. Purchases of utilities and other goods from business units that will become part of EssentialCo after the Partial Demerger were EUR 43 million in 2020, EUR 56 million in 2021 and EUR 79 million in 2022. *See* Section 7.5.4, "*Other ancillary agreements*" and note F36 to the Combined Financial Statements.

6.8.3 Summary information on raw materials

The following table summarizes the key forms of raw materials used by each GBU:

GBU	Key Raw Materials
Specialty Polymers	Chlorine, Fluorspar (CaF2) & Derivatives, Caustic Soda, Sodium Sulfide, Natural Gas Derivatives (Methane Derivatives, Sulfur Dioxide), Ethylene Derivatives, Benzene Derivatives (HMDA)
Composite Materials	Acrylonitrile, Pitch, Solvents, Additives, Thermoset Base Resins (Epoxy, Phenolic, Polyimide, PPA, PPS, PEEK, PEKK, PVDF), Polymer Additives, Semi-finished Products (Polyethylene Film, Release Paper)
Novecare	Ethylene Oxide, Palm Oil, Bio-Based Chemicals, Guar Gum
Aroma Performance	Benzene Derivatives (Phenol, Diphenylamine, Adipic Acid), Ethylene Derivatives (Glyoxlic Acid), Hydrogen Peroxide, Caustic Soda, Perchloric Acid, Ferulic Acid, Natural Guaiacol
Technology Solutions	Phosphorous & Derivatives, Caustic Soda, Benzene Derivatives, Ethylene and Propylene Derivatives, Natural Gas Derivatives

6.9 Real property

SpecialtyCo's corporate headquarters are located in Brussels, Belgium. Operational leadership of the Materials businesses is located in Alpharetta, Georgia (near Atlanta), and operational leadership of the Consumer & Resources businesses is located in Princeton, New Jersey. SpecialtyCo's properties, including production facilities, processing, marketing and research and innovation facilities, as well as regional purchasing offices and distribution centers, are located throughout the world. Collectively, SpecialtyCo operates 62 industrial sites, including 34 in North America, 14 in Europe and the Middle East, 12 in the Asia-Pacific region and 2 in Latin America. SpecialtyCo's most important production facilities by number of full-time equivalent employees are set forth in the table in Section 6.8.1, "*Manufacturing Facilities*." All of SpecialtyCo's properties are owned or leased, and may be subject to certain easements of other persons which, in the opinion of management, do not substantially interfere with the continued use of such properties or materially affect their value.

6.10 Investments

For a discussion of the principal investment projects of SpecialtyCo, please *see* Section 6.1.3, "*SpecialtyCo's strategy*," and Section 10.4, "*Capital expenditures*." SpecialtyCo has not undertaken material commitments for capital expenditure projects other than those described in Section 10.4, "*Capital expenditures*." These are expected to be funded primarily from cash flow from operating activities and, to the extent necessary, from borrowings.

6.11 Environmental, Social and Governance

6.11.1 Overview

SpecialtyCo is in the process of developing a full suite of environmental, social and governance ("**ESG**") objectives that it expects to announce prior to the completion of the Partial Demerger. *See* Section 6.1.3, "*SpecialtyCo's Strategy – Commitment to sustainability*."

6.11.2 Selected Historical ESG Information

The following tables set forth certain historical ESG information for the businesses that will be transferred to SpecialtyCo, derived from the similar information established by Solvay. Certain terms used in these tables are defined in Section 6.11.3, "*Definitions and perimeter*."

	2022	2021	2020	2019	2018
GHG Scope 1-2 (Mt eq CO_2)	1.9	2.0	2.1	2.7	3.3
Occupational safety - MTAR (per million work hours) [1]	n/a	n/a	0.38	0.45	0.70
Occupational safety - RIIR (per 200,000 hours) [2]	0.38	0.44	n/a	n/a	n/a

(1) Prior to 2020, SpecialtyCo was using the Medical Treatment Accident Rate (MTAR): number of work accidents leading to medical treatment other than first aid per million working hours.

(2) In 2020, SpecialtyCo began using the Reportable Injury & Illness Rate (RIIR): number of reportable injury or illness per 200,000 work hours.

6.11.3 Definitions and perimeter

This section provides definitions of certain terms used in the tables presented in Section 6.11.2, "*Selected Historical ESG Information*," and the perimeter description. These definitions are derived from the same definitions historically used by Solvay, and may be subject to change as SpecialtyCo determines its future objectives.

In preparing the information presented in Section 6.11.2, "*Selected Historical ESG Information*," SpecialtyCo has estimated the allocation of historical ESG information for SpecialtyCo based on current plans for the separation of the Specialty Businesses from the Solvay Group following the Legal Reorganization and Partial Demerger. As a general principle, the historical ESG information of the Specialty Businesses (including the Composite Materials, Specialty Polymers, Novecare, Technology Solutions, Aroma Performance and Oil & Gas Solutions businesses) were allocated 100% to SpecialtyCo and the historical ESG information of the Other Solvay Group businesses were allocated 100% to EssentialCo.

6.11.3.1 *Greenhouse gas (GHG) emissions*

SpecialtyCo uses the following references to address GHG emissions:

- the Guidance for Accounting and Reporting Corporate Greenhouse Gas Emissions (GHG) in the Chemical Sector Value Chain published by the World Business Council for Sustainable Development; and
- the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard.

Please see the Glossary for the definition of GHGs used by SpecialtyCo.

To better reflect its sustainability policy, SpecialtyCo uses the market-based method to calculate CO_2 emissions associated with purchased electricity (scope 2). To comply with Global Reporting Initiative requirements, SpecialtyCo applies the following criteria (in decreasing order of priority) when selecting the CO_2 emission factor of each electricity supply contract:

- Energy attribute certificates: emission factors resulting from specific instruments such as green energy certificates;
- Contract based: the emission factor obtained from contract agreements on specific sources for which there is no emission of specific attributes;
- Supplier or utility emission rates: the emission factor disclosed as a result of the supplier's retail mix;
- Residual mix: if a residual mix is unavailable, grid average emission factors are used as a proxy; and
- Location based: if none of the above factors are available, SpecialtyCo uses the national emission factor published by national authorities or the International Energy Agency. Based on a World Resources Institute (WRI) recommendation, Emissions and Generation Resource Integrated Database (eGRID) emission factors published by EPA are used for the U.S., instead of the state emission factor. Similarly, grid emission factors published by the Ministry of Ecology and Environment are used for China, instead of the state emission factors.

In addition, internal transfers of energy within Solvay that will be accounted for as transfers from SpecialtyCo to EssentialCo following the Legal Reorganization and Partial Demerger have been accounted for in Section 6.11.2, "*Selected Historical ESG Information*," as external transfers. Such associated GHG emissions have been added to Scope 2 emissions of EssentialCo, in line with the GRI-305 Sustainability Report Standard (specifically concerning SpecialtyCo's Zhengiang and Tavaux sites).

6.11.3.2 *Employee health and safety*

Employee health and safety management encompasses occupational safety, industrial hygiene and occupational health. Occupational safety is about preventing work related injuries. Accidents are mostly linked to falls at the same level, human energy, such as pushing, pulling or striking an object, and exposure while opening a line or system. Industrial hygiene management encompasses the assessment, monitoring and management of workers' potential exposures to ergonomic, chemical and physical hazards. Occupational health includes all the preventive actions undertaken in order to protect and promote physical and psychological health at work, both collectively and for each individual SpecialtyCo employee.

In mid-2020, SpecialtyCo began using the OSHA definitions of occupational accidents in order to comply with GRI Sustainability Reporting Standards and enable comparisons outside SpecialtyCo. These are as follows:

- Occupational accident: a work related unexpected and undesirable event resulting in damage or harm, namely injury or illness. Accidents on the way to or from home are not considered as work related unless the worker was traveling for SpecialtyCo at the time of the accident.
- Reportable Injury and Illness rate (RIIR): the number of reportable injury or illness per 200,000 work hours.

In preparing the occupational safety information presented in Section 6.11.2, "*Selected Historical ESG Information*," SpecialtyCo applied the following assumptions:

- Approximately 60% of the R&I, Functions, and Corporate employees were allocated to SpecialtyCo and 40% were allocated to EssentialCo, although such allocation is provisional.
- Employees of Solvay Business Services, Digital Technology and Digital and Information Technology, which provide services to be covered in the Transition Services Agreement between EssentialCo and SpecialtyCo, were allocated to EssentialCo.

6.12 Digital and information technology

SpecialtyCo's information technology ("**IT**") systems, infrastructure, and security will be provided by a shared service provider in EssentialCo pursuant to the terms of the Transition Services Agreement between SpecialtyCo and EssentialCo for up to 24 months following the Partial Demerger. SpecialtyCo expects to adopt the policies and procedures currently in place for Solvay, including the key activities of its digital technology ("**DT**") department, which include IT sourcing, managing its IT architecture and portfolio, supporting the digital customer journey (such as ecommerce), ensuring that R&I teams are connected in their research, supporting digital transformation projects, providing internal services (such as payroll), and managing and building common platforms (such as for client services). Solvay's DT teams employ a broad range of IT systems, including an ERP system to support key business and support capabilities, such as supply chain, manufacturing, procurement and finance. They also employ a customer relationship management system to manage customer relations, R&I applications to support research and innovation, including document management, electronic lab notebooks and a laboratory information system, and MES systems to support manufacturing execution. Further, subsidiaries of SpecialtyCo that are active in the United States defense sector operate with separate IT networks and infrastructure that are compliant with relevant regulations and frameworks applicable to defense-related activities.

To support cyber security, SpecialtyCo expects that a comprehensive cybersecurity operations center will be run in a similar manner to Solvay, with data protection and identity and access management practices that are derived from industry standards, including the General Data Protection Regulation. The data security controls from these standards and regulations will be, as they currently are in Solvay, evaluated for SpecialtyCo's risk management framework based on the needs of its business and its customers, the nature of its industry, and applicable regulations. Further, due to its exposure to cyber risk—given its extensive use of information technologies and the gradual increase of automation at its sites—SpecialtyCo will be focused on developing cyber security awareness, governance and execution, by organizing assessments conducted by external experts, running penetration tests and internal phishing simulations, conducting substantial training and regularly communicating cybersecurity tips to employees. The coordination of such approach is expected to be managed globally by the Chief Security Officer.

6.13 Risk management and compliance

SpecialtyCo expects, following the Partial Demerger, initially to adopt the risk management and compliance policies and procedures currently in place in Solvay, which are inspired by the Committee of Sponsoring Organizations ("**COSO**") principles. SpecialtyCo will rely on this established risk management process to anticipate, mitigate, measure and monitor risks throughout its organization at the business unit and group levels, and to continually test whether priorities and plans remain appropriate, including by applying dedicated risk management functions to significant initiatives.

SpecialtyCo expects to have a central risk management function that will work under its executive leadership team, to ensure that risks are effectively managed and that the risk management procedures are consistent with the strategic objectives, requirements and specific risk profile of SpecialtyCo. The Management Body (and the audit committee after completion of the Partial Demerger) are also expected to monitor and review risk management practices endorsed by the Group Risk Committee (which is expected to include members of the executive leadership team and the Chief Officers in areas such as R&I, sustainability and compliance) which ensures that the SpecialtyCo's key risks are assessed for materiality and are adequately addressed.

For this purpose, following completion of the Partial Demerger, the audit committee will meet with the members of the Management Body once a year to discuss the major risks facing the Group. During the year, the audit committee will systematically review progress and regularly invite the relevant leaders and Risk Owners to provide overviews of their risk assessments and progress on mitigating actions.

Risk management is currently embedded in the day-to-day operations of each business unit at Solvay, and this will continue to be the case at SpecialtyCo after the Partial Demerger.

In areas where services will initially be provided by EssentialCo pursuant to the Transition Services Agreement (*see* Section 7.5, "*Agreements between SpecialtyCo and Solvay SA relating to the Partial Demerger"*), the risk management function of Specialty Co will also work with a view to ensuring that risk management procedures are consistently applied to these processes.

In addition, there is a structured network within Solvay to ensure crisis preparedness, which will also be the case at SpecialtyCo going forward. Members of this network perform tasks and implement programs in order to ensure that their business units and functions are prepared for specific crisis situations. These programs include crisis simulations, media training for potential spokespersons, maintenance of key databases, and analysis of relevant internal and external events. The risks identified using Solvay's Enterprise Risk Management methodology influence the scenarios used in its simulations.

Solvay currently analyzes risks in three ways. First, it establishes their level of priority, which means categorizing them as "main risks" (most critical), "emerging risks" or "other risks". Second, it identifies in which area the risk would have the most impact: the environment, people, economic or reputation. Third, it classifies risks according to their time horizon: short term (up to one year); medium term (more than one year and less than five); and long term (more than five years). In accordance with the Task Force on Climate-related Financial Disclosures (TCFD) and the EU Taxonomy frameworks, it also assesses and categorizes the main risks as "Environmental (E)", "Social (S)", or "Governance (G)", where applicable.

Once a risk is identified, Solvay's Group Risk Committee analyzes it by assessing its level (low, medium, high and very high), based on the following scale (which will be adapted to SpecialtyCo following the partial demerger):

Impact	Low	Medium	High	Very high
Economic	Less than EUR 10 million	EUR 10 million to EUR 50 million	EUR 50 million to EUR 100 million	EUR 100 million or larger
Injury to people	Nuisance (noise, smoke, odor)	One or multiple first aid injuries or shelter-in-place	One irreversible injury or multiple reversible injuries	One or multiple fatalities or multiple irreversible injuries
Reputation	-	- Local news headlines - Low activity in social media - Moderate to strong reaction from local stakeholders	- National news headlines - Strong activity in social media - Strong reaction from stakeholders	- International news headlines - Massive activity in social media - Severe reaction from all stakeholders
Environment	Non reportable operating permit limits exceeded	- Damages limited to the immediate vicinity of the site - Minor impact on plants or animals around the site	- Reversible damages off-site - Major impact on plants or animals around the site	- Long-term damages off-site (ten years)

To determine how critical a risk is, Solvay performs an assessment based on potential impact and level of control, considering the time horizon (short-term (up to one year), medium-term (up to 5 years), long-term (more than five years)) and the trend in level of control after mitigation. A link with "high materiality sustainable development aspects" is also established.

Based on the framework described above, the following is a brief description of key aspects of the manner in which Solvay manages and seeks to mitigate the impact of a number of major risks, including certain risks described in Section 1, *"Risk Factors*."

- **Security and Cyber-security**: SpecialtyCo's risk profile analysis identified both mainstream and advanced threats against information and IT infrastructure as key security risks. *See generally* Section 1.2.6, "*SpecialtyCo relies on complex information technology systems and networks, which are exposed to cyber-attacks and security breaches*" for more information on these risks. In addition, increasing cyber compliance requirements from both regulators and customers enhance the necessity for a strong cyber defense.

  Cyber-defense activities will be integrated in the DT team, with a Chief Information Security Officer reporting to the Chief Information Officer, while cyber operations will be part of the DT Operations team.

  During the transition, cyber operations will be maintained and executed by the Shared Services organization of EssentialCo pursuant to the terms of the Transition Services Agreement. The Chief Information Security Officer of SpecialtyCo will ensure that appropriate cyber governance is in place.

  As was the case with respect to Solvay prior to the Partial Demerger, SpecialtyCo's management is expected to provide regular updates on information security governance to the Management Body and, following completion of the Partial Demerger, the audit committee.

  Solvay is also insured up to certain limits against the potential financial impact of a cyber-attack, and SpecialtyCo is expected to have similar levels of insurance. This insurance covers damage to assets, business interruption, ransomware and third party liability in case of loss of third party confidential information. The insurance market is insufficient today to provide the full coverage Solvay needs. Solvay has therefore co-created a Mutual of Cyber Insurance (MIRIS) in collaboration with several other groups, which will start providing coverage to its members in 2023. SpecialtyCo plans to become a member of the MIRIS following the Partial Demerger.

- **Environmental Impact and Controversies**: Solvay's activities impact the environment through its use of raw materials based on fossil or non-renewable resources and its consumption of energy; its access to scarce resources, including water; and its management of waste, by-products, emissions and effluents. These impacts on the environment, in turn, create the following risks: (i) challenges and expenses related to meeting increasingly strict regulatory standards and changing customer expectations, standards and purchasing decisions, (ii) changes in investor sentiment and preferences as a result of the changing investor environment, and (iii) impact on Solvay's ability to recruit employees due to negative public perceptions of environmental issues. SpecialtyCo will be subject to environmental risks, including with respect to remediation costs and litigation, as described in more detail in Section 1.3, "*Risks related to the environment*."

  Solvay's environmental prevention and mitigation activities are expected to be adopted by SpecialtyCo following the Partial Demerger, and include the following:

  - Careful monitoring and management of sites with a history of soil contamination by a dedicated expert team. Solvay follows up on about 300 locations across the world.
  - Rolling out a risk characterization approach at every affected site, when relevant.
  - Local regulatory monitoring.

- A Solvay Group strategy for managing chemicals of concern and developing alternatives with a reduced human and environmental impact, or phasing them out completely.

Solvay has also implemented a comprehensive program intended to reduce workplace chemical exposure using:

- chemical risk assessments and risk-based medical surveillance, using both qualitative and quantitative methodologies;
- pandemic preparedness and mitigation plans;
- human biomonitoring, when warranted;
- improving and adapting working conditions;
- promoting general physical and mental health; and
- setting more conservative in-house exposure limits for critical substances.

Solvay regularly reviews, and updates, standards governing discharge from plants and it uses its Sustainable Portfolio Management (SPM) tool to help identify substances that can deliver the needed results but with a more limited environmental impact. Solvay revises its materiality analysis on a yearly basis to align it with evolving stakeholder expectations, including environmental impacts.

Solvay is insured up to certain limits for unknown gradual pollution, and sudden and accidental pollution. Coverage includes defense costs, clean-up costs and third party liability. SpecialtyCo expects to be insured for similar risks, with a coverage level adapted to its business. However, no assurance can be given that SpecialtyCo will be able to obtain adequate insurance, or that its coverage levels will be sufficient to protect against all relevant risks.

- **Compliance**: Solvay is exposed to risks of non-compliance towards its internal policies (such as its Compliance and Business Integrity policy, Code of Business Integrity, and Supplier Code of Business Integrity), and SpecialtyCo will be exposed to similar risks. Solvay also is (and SpecialtyCo will also be) exposed to the risk of failure to comply with chemical product standards, which can lead to the production of faulty products that result in exposure to liability for injuries, for example. In response to the risk of non-compliance with internal policies, Solvay has introduced training courses for all employees, which include those on anti-bribery, anti-corruption, anti-competitive activity, and conflicts of interest, etc. It also requires suppliers to sign its Supplier Code of Business Integrity before entering into a business relationship, and is increasing its oversight on third parties and suppliers in the fields of human rights, anti-bribery, anti-corruption and environmental breaches, among other strategies. In response to chemical product standards risks, Solvay has implemented a common worldwide SAP system and provides Safety Data Sheets for all products, to all customers, for example. It also has recall procedures in place, and carries product liability risk-related insurance.

Other risk mitigation strategies address risks such as those related to occupational safety, climate change, geopolitical impacts on its supply chain, market and growth risk, supply chain risks, and financial risks.

6.14 Insurance

SpecialtyCo plans to adopt the policies and procedures currently in place in Solvay for its insurance coverage in a manner that is adapted to its scale and specific risk profile. Solvay currently maintains property and business interruption insurance, covering liabilities arising from all physical loss or damage, including machinery breakdown and construction, and the consequential loss of gross profit or other expenses. It also maintains general and products liability insurance for claims by third parties arising from bodily injuries, property damage and financial losses, aerospace products liability, marine transport, directors and officers liability, environmental impairment liability, cyber and other insurance coverages. *See* Section 1.2.8, "*SpecialtyCo may fail to obtain adequate insurance coverage or may choose to self-insure*" for a description of the risks relating to SpecialtyCo's insurance coverage.

7. LEGAL REORGANIZATION AND PARTIAL DEMERGER

7.1 Overview

As of the date of the Registration Document, the Specialty Businesses are directly or indirectly owned and operated by Solvay SA.

Prior to the Partial Demerger, an ongoing internal legal reorganization (the "**Legal Reorganization**") will be carried out to separate the legal entities, assets and liabilities relating to the Specialty Businesses from those relating to the other businesses of the Solvay Group (the "**Other Solvay Group Businesses**"). Part of the transactions to be carried out as part of the Legal Reorganization have occurred prior to the date of this Registration Document, and the remaining transactions are expected to be implemented at the latest on the first day of trading of the Company's Shares on Euronext Brussels and Euronext Paris. The Legal Reorganization is discussed in further detail in Section 7.3, "*Legal Reorganization*."

The Partial Demerger will provide for the actual separation of the Specialty Businesses from the Solvay Group. As a result of the Partial Demerger, the shares and other interests held by Solvay SA in the legal entities operating the Specialty Businesses, the rights and obligations of Solvay SA under the agreements entered into with those legal entities, as well as certain other assets and liabilities (as those shares, interests, agreements, assets and liabilities will be set out in the Partial Demerger Proposal) will be contributed under a universal succession regime (*transmission à titre universel*/*overgang onder algemene titel*) to the Company. In return, Solvay SA's shareholders will receive Shares, issued by the Company *pro rata* to their shareholdings in Solvay SA, which will have been admitted to trading on Euronext Brussels and Euronext Paris prior to the Partial Demerger. The Partial Demerger is discussed in further detail in Section 7.4, "*The Partial Demerger*."

7.2 Reasons for the Partial Demerger and the Legal Reorganization

Since 2019, Solvay has worked to accelerate the reinvention of the Solvay Group and amplify the impact it has in the world. In spite of the highly volatile environment in which Solvay has been operating over the past four years, marked by the global pandemic, increased inflation, supply chain disruption and international tensions, it believes it has achieved outstanding financial results and advanced on its sustainability commitments faster than planned. It invested substantial amounts to support sustainable growth and advance toward carbon neutrality, while continuing to develop a diversity, equity and inclusion (DEI) mindset. With these solid foundations in place, Solvay believes it can give both new companies the strong start they need to develop their potential.

Two distinct groups of businesses emerged as Solvay delivered its G.R.O.W. strategy and business optimizations: Essential and Specialty chemicals. While both have bold ambitions and significant potential, they have different—sometimes competing—needs (in particular, for capital resources), different operating requirements and different investment demands. Solvay therefore decided to separate the Solvay Group along the following lines:

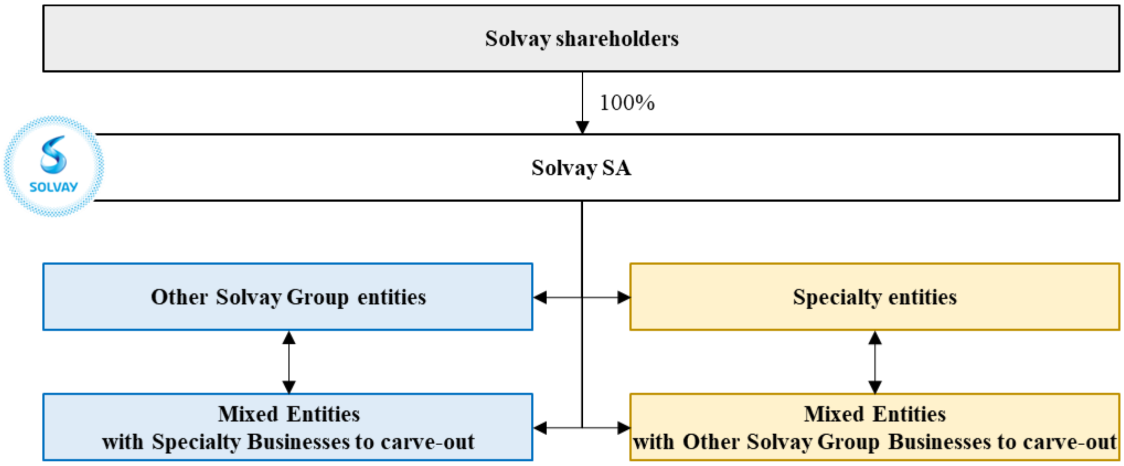
- EssentialCo would comprise the leading mono-technology businesses in the Solvay's Chemicals segment, including Soda Ash, Peroxides, Silica and Coatis, and Special Chem (formerly part of Solvay's Solutions segment). Its operating requirements and investment needs will be focused on cash generation and operational excellence, as well as sustainability.

- SpecialtyCo would comprise Solvay's Materials segment, including its Specialty Polymers and Composite Materials businesses, its four growth platforms (described in Section 6.1.3, "*SpecialtyCo's Strategy – Drive Above Market Growth*") and the remainder of Solvay's former Solutions segment (renamed Consumer & Resources), including Novecare, Technology Solutions, Aroma Performance, and Oil and Gas Solutions. Its operating requirements and investment needs will be focused on opportunities to generate above-market growth and innovation, as well as sustainability.

Once complete, the separation would establish two strong industry leaders able to benefit from the strategic and financial flexibility they need to achieve their full potential. Each standalone company would be positioned to apply differentiated operating models to better serve its customers; pursue distinct capital structures and capital allocation priorities; drive sustainability initiatives, including reaching carbon neutrality (Scope 1 and 2) before 2040 for SpecialtyCo, and before 2050 for EssentialCo; attract and retain the talent best suited for distinct businesses; and provide a clear investment thesis and visibility to attract a long-term investor base suited to each company.

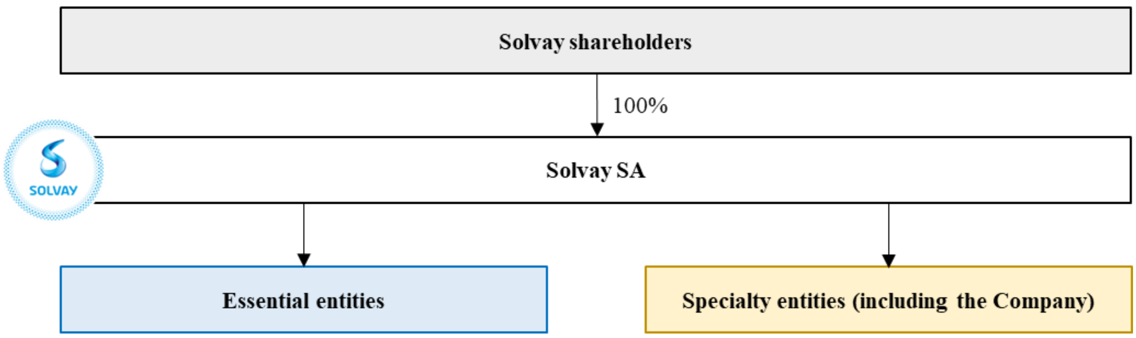
7.3 Legal Reorganization

The simplified corporate structure of the Solvay Group before the implementation of the Legal Reorganization is as follows:



The Legal Reorganization comprises (i) transfers of assets, liabilities and activities from legal entities that currently undertake both operations of the Specialty Businesses and Other Solvay Group Businesses (referred to as "**Mixed Entities**") to existing or new legal entities dedicated to either Specialty Businesses or Other Solvay Group Businesses; and (ii) a reorganization of the ownership within the Solvay Group of (a) all existing legal entities entirely dedicated to the Specialty Businesses before the Legal Reorganization ("**Dedicated Entities**"), (b) all existing legal entities that were Mixed Entities before the Legal Reorganization and from which Other Solvay Group Businesses have been carved out, and (c) all new legal entities to which Specialty Businesses have been carved-out as part of the Legal Reorganization (the entities in (a), (b) and (c) together, the "**Specialty Legal Entities**").

The simplified corporate structure of the Solvay Group after the implementation of the Legal Reorganization and prior to the Partial Demerger is expected to be as follows.



The Legal Reorganization, as currently contemplated, will require the implementation of restructuring steps in 44 countries, including 59 carve-outs, more than 70 share transfers and the creation of 24 new legal entities. Key steps of the Legal Reorganization are discussed in further detail hereafter.

7.3.1 Key steps of the Legal Reorganization

7.3.1.1 *Europe*

In Europe, the Solvay Group will restructure internally in several jurisdictions, in particular in France and Germany, in parallel of the preparatory works being carried out in Belgium in anticipation of the Partial Demerger.

(a) Germany

The main restructuring steps which have been or will be carried out in Germany in preparation of the Partial Demerger are the following:

- the sale by Solvay GmbH of its interests in the German Specialty Legal Entities (such as Solvay Specialty Polymers GmbH) to other Specialty Legal Entities;

- following such sale, the German sub-group under Solvay GmbH will only operate Other Solvay Group Businesses and the shares of Solvay GmbH held by Solvay France S.A., which is a Specialty Legal Entity, will be transferred, through a combination of dividend distributions and share sales, from Solvay France S.A. to Solvay SA, which will then directly hold 100% of the registered share capital of Solvay GmbH.

(b) France

In parallel of the upstreaming of Solvay GmbH shares, a number of asset and share sales will be carried out among Solvay France S.A.'s direct and indirect subsidiaries to separate the French Other Solvay Group Businesses from the French Specialty Businesses, the latter remaining under Solvay France S.A. The main reorganization transactions to be carried out in France in preparation of the Partial Demerger are the following:

- the partial asset contribution by Rhodia Operations S.A.S., which is not a Specialty Legal Entity, under the legal regime applicable to demergers (*apport partiel d'actif soumis au régime des scissions*) and by way of a universal succession regime (*transmission à titre universel*), of its Specialty Businesses to its wholly-owned, direct subsidiary Specialty Operations France S.A.S.;

- following this partial asset contribution to Specialty Operations France S.A.S., Rhodia Operations S.A.S. will distribute all of the shares of Specialty Operations France S.A.S. to Rhodianyl S.A.S., the latter being itself wholly-owned by Solvay France S.A.;

- as the separation of the French Other Solvay Group Businesses from the French Specialty Businesses progresses, Solvay France S.A. and its subsidiaries will transfer, principally by way of share sales, all of their interests in legal entities operating Other Solvay Group Businesses from under Solvay France S.A. to legal entities operating Other Solvay Group Businesses that will not be transferred to SpecialtyCo upon completion of the Partial Demerger;

- following a number of share transfers, Solvay France S.A.'s direct subsidiary Rhodia Participations SNC will become the main shareholder of several Specialty Legal Entities located mainly in Europe, Asia and Latin America.

As part of the Partial Demerger, Solvay SA will contribute all of the shares of Solvay France S.A. to SpecialtyCo, both directly and indirectly, through the direct contribution of all of Solvay Participations Belgique SA/NV's shares to SpecialtyCo.

7.3.1.2 *United States*

In the United States, the Solvay Group will restructure internally in order to separate its U.S. Other Solvay Group Businesses from its U.S. Specialty Businesses. This separation will be accomplished principally through the following reorganization transactions:

- an internal spin-off in which Solvay Holding, Inc. will contribute all of the assets and liabilities principally related to its Other Solvay Group Businesses (including all its interests in U.S. legal entities operating the Other Solvay Group Businesses) to Newco, a newly-formed entity;

- following the aforementioned spin-off, Solvay Holding, Inc. will distribute the membership interests of Newco to Solvay SA in redemption of some of the Class B and Class C shares of Solvay Holding, Inc. that are held by Solvay SA. Following completion of this transaction, Solvay Holding, Inc. will only hold interests in Specialty Legal Entities and will become the intermediate holding company of the U.S. Specialty sub-group.

As part of the Partial Demerger, Solvay SA will contribute all of its remaining shares in Solvay Holding, Inc. directly to SpecialtyCo, and the other shares of Solvay Holding, Inc. will be transferred to SpecialtyCo through Solvay SA's contribution of Solvay France S.A.'s and Solvay Participations Belgique SA/NV's shares to SpecialtyCo. SpecialtyCo will become the sole shareholder of Solvay Holding, Inc. upon completion of the Partial Demerger.

7.3.1.3 *Brazil*

In Brazil, the main reorganization steps to be carried out in preparation of the Partial Demerger will comprise the following:

- a proportionate spin-off of Rhodia Brasil SA, whereby assets and liabilities relating to the Specialty Businesses operated by Rhodia Brasil SA will be contributed to Quimicos E Solucoes Sustentaveis Do Brasil S.A. ("**QSSB**"), with the shareholders of Rhodia Brasil SA (namely Solvay France S.A., Rhodianyl S.A.S., Rhodia Operations S.A.S. and Solvay Chemicals and Plastics Holding B.V.) directly receiving shares in QSSB. Rhodia Brasil SA will not be dissolved and continue to hold the Other Solvay Group Businesses;

- upon completion of the proportionate spin-off of Rhodia Brasil, Rhodia Operations S.A.S. and Solvay Chemicals and Plastics Holding B.V. will subsequently transfer their shares in QSSB to Rhodianyl S.A.S., and QSSB will become a wholly-owned, indirect subsidiary of Solvay SA through Solvay France S.A. and Rhodianyl S.A.S.

As part of the Partial Demerger, Solvay SA will indirectly, through its contribution of Solvay France S.A.'s and Solvay Participations Belgique SA/NV's shares to SpecialtyCo, transfer the shares of QSSB to SpecialtyCo.

7.3.2 <u>Conversion of the Company into a limited liability company</u>

As of the date of this Registration Document, SpecialtyCo is a private limited company (*société à responsibilité limitée / besloten vennootschap*). Prior to the Partial Demerger, SpecialtyCo will convert into a limited liability company (*société anonyme / naamloze vennootschap*) (the "**Conversion**").

In accordance with Articles 14:3 to 14:6 of the BCCA, in preparation for the Conversion:

- the Company's Management Body will prepare an interim statement summarizing the assets and liabilities of the Company as at a date not earlier than three months before the Conversion is submitted for approval to Solvay SA, as sole shareholder of the Company;

- the statutory auditor of the Company will issue a report on the interim statement of assets and liabilities and state, among others, whether the reported net assets have been overstated; and

- the Company's Management Body will issue a special report explaining the proposed Conversion and including the abovementioned interim statement of assets and liabilities.

Solvay SA, as sole shareholder of the Company, will then be invited to approve the Conversion. Upon its approval, the Conversion will be effective immediately. As a result of the Conversion:

- the Company's Articles of Association will be amended to reflect its new legal form; and

- the Company's equity (*capitaux propres*/*eigen vermogen*) will be converted into share capital and Solvay SA will contribute an amount to the Company as will be necessary for its share capital to be equal to at least EUR 61,500 (the minimum capital requirement to form a limited liability company under Belgian law).

7.4 The Partial Demerger

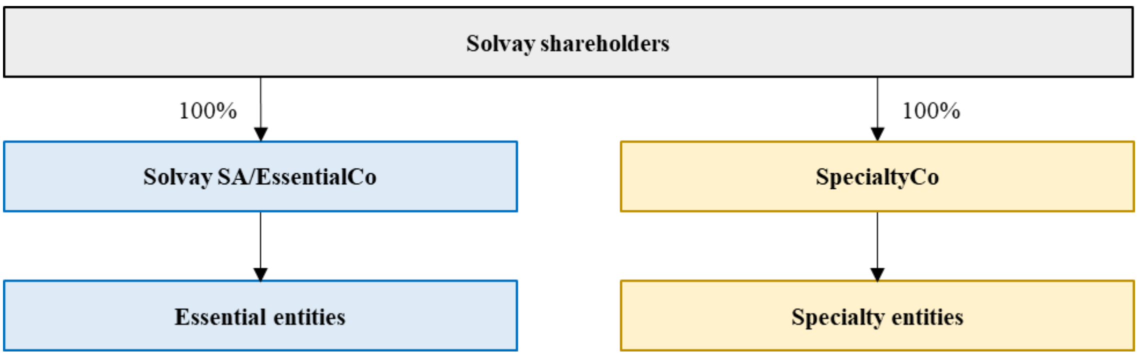
7.4.1 Description

The separation of SpecialtyCo from Solvay SA will be effected pursuant to the Partial Demerger.

As part of the Partial Demerger, Solvay SA will contribute the shares and other interests it holds in the legal entities operating the Specialty Businesses, its rights and obligations under the agreements entered into with those legal entities, as well as certain other assets and liabilities under a universal succession regime (*transmission à titre universel*/*overgang onder algemene titel*) to the Company by way of partial demerger (*scission partielle*/*partiële splitsing*) of Solvay SA in accordance with Article 12:8, 1° of the Belgian *Code des sociétés et des associations* ("**BCCA**"). In return, the share capital of the Company will be increased and new Shares of the Company (the "**New Shares**") will be issued and allocated directly to Solvay SA's shareholders on the relevant record date before the completion of the Partial Demerger ("**Solvay SA's Existing Shareholders**").

A detailed list of the shares and other interests in legal entities, agreements, assets and liabilities to be contributed to the Company pursuant to the Partial Demerger will be included in the Partial Demerger Proposal and will be described in a supplement to this Registration Document to be published prior to the completion of the Partial Demerger.

The simplified structure of the Solvay Group and the Specialty Group immediately after the Partial Demerger is expected to be as follows:



7.4.2 Procedure

In preparation of the Partial Demerger, the boards of directors of Solvay SA and the Company will approve a joint partial demerger proposal (the "**Partial Demerger Proposal**"). The Partial Demerger Proposal approved by the boards of directors of Solvay SA and the Company will, in accordance with Belgian law, be filed with the clerk's office of the Enterprise Court of Brussels at least six (6) weeks prior to the date of the extraordinary general meetings of Solvay SA and the Company to be convened to vote on the Partial Demerger Proposal (the "**EGMs**").

The Partial Demerger Proposal will then be presented to the EGMs, which are expected to be held in December 2023.

The Partial Demerger will become effective if the Partial Demerger Proposal is approved, during the EGMs, by shareholders representing 75% of the votes validly cast and provided at least 50% of the share capital is present or represented. If the 50% quorum is not reached at Solvay SA's EGM, a new EGM of Solvay SA will be convened at which the 50% quorum requirement will not apply. The special majority requirement of 75%, however, would remain applicable at such second EGM.

7.4.3 Exchange Ratio

In consideration for the contribution by Solvay SA of the shares and other interests in legal entities, agreements, assets and liabilities set out in the Partial Demerger Proposal to the Company, Solvay SA's Existing Shareholders will receive New Shares on the basis of their respective shareholding in Solvay SA and an exchange ratio to be determined in the Partial Demerger Proposal (the "**Exchange Ratio**").

The Exchange Ratio is expected to be determined on a 1:1 basis, meaning that Solvay SA's Existing Shareholders would receive one Share in the Company for each share in Solvay SA they own on the relevant date.

The consideration for the contribution will solely consist of Shares. Solvay SA's Existing Shareholders will not receive any additional cash amount (premium).

By way of exception, no Shares will be issued or allocated to Solvay SA, the Company or any persons acting in their own name but on behalf of Solvay SA or the Company, to the extent they would own shares of Solvay SA on the relevant record date before the completion of the Partial Demerger ("**Excluded Solvay Shares**"), in accordance with Article 12:71, §2 of the BCCA.

7.4.4 Conditions precedent

Completion of the separation is expected to be subject to the following conditions precedent, to be specified in the Partial Demerger Proposal, where applicable (the "**Conditions Precedent**"):

(i) approval by the EGM of Solvay of the Partial Demerger Proposal;

(ii) approval by the EGM of the Company of the Partial Demerger Proposal and the other resolutions required pursuant to Article 12:69 of the BCCA;

(iii) approval by the FSMA of the prospectus related to the admission to trading of the Company's Shares on Euronext Brussels and Euronext Paris; and

(iv) approval by Euronext SA/NV of the admission to trading of the Company's Shares on Euronext Brussels and Euronext Paris.

7.4.5 Effective Time and accounting and tax retroactivity

If the Partial Demerger is approved by Solvay SA's EGM and the Company's EGM, the Partial Demerger will be effective at 00:00 a.m. Central European Time on the first calendar day after (i) the date on which the last EGM was held or (ii) if the Conditions Precedent are not satisfied as of such date, the date on which the last Condition Precedent is satisfied (the "**Effective Time**").

Subject to Belgian law, the Partial Demerger will be deemed to enter into effect retroactively as from July 1, 2023, but solely for Belgian accounting and tax purposes (the "**BE GAAP Accounting and Tax Effective Date**"), so that, for such purposes, (i) the Company will be deemed to have had the use of all the assets of Solvay SA contributed to the Company as part of the Partial Demerger as from the BE GAAP Accounting and Tax Effective Date; (ii) all transactions of Solvay SA relating to the shares and other interests in legal entities, agreements, assets and liabilities contributed to the Company as part of the Partial Demerger will be treated as being those of the Company as from the BE GAAP Accounting and Tax Effective Date; and (iii) all of the profits and losses derived from such transactions for the period starting as from the BE GAAP Accounting and Tax Effective Date will be deemed realized by the Company. The accounting and financial information regarding the shares and others interests in legal entities, agreements, assets and liabilities contributed to the Company as part of the Partial Demerger and included in Solvay SA's Belgian statutory accounts will be reflected in the Belgian statutory accounts of the Company.

7.4.6 Form of the Shares

The New Shares are expected to be subject to all of the provisions of the Articles of Association. All Shares will be of the same class, fully paid-up and freely transferable, and carry the same rights, including as to voting and dividend rights, and will be profit sharing as from any distribution in respect of which the relevant record date or due date falls on or after the date of their issuance. The rights attached to the Shares will be described in the Securities Note to be prepared and published at a later stage, in connection with the admission to trading of the Shares on Euronext Brussels and Euronext Paris.

7.4.7 Trading and listing on Euronext Brussels and Paris

The Company intends to apply for the admission of all of the Company's Shares to trading on Euronext Brussels and Euronext Paris, on which the shares of Solvay SA are currently listed. The admission to trading on Euronext Brussels and Euronext Paris is expected to occur prior to the Partial Demerger, while the first day of trading on Euronext Brussels and Euronext Paris is expected to be on the first business day following the Effective Time, subject to the approval by the competent authorities.

7.4.8 Expected timetable

Subject to acceleration or extension of the timetable for, or withdrawal of, the Partial Demerger, the timetable below lists certain key milestones relating to the Partial Demerger and the admission to trading of the Shares on Euronext Brussels and Euronext Paris. This timetable remains subject to decisions of the Management Body of SpecialtyCo and of the Board of Directors of Solvay SA, the satisfaction of the Conditions Precedent, the implementation of the liability management transactions and general market conditions. SpecialtyCo and Solvay SA may adjust the dates, times and periods provided in this timetable and throughout this Registration Document. If SpecialtyCo and Solvay SA decide to adjust any date, time or period, SpecialtyCo and Solvay SA will make this adjustment public through a press release, which will also be posted on SpecialtyCo's website (www.solvay.com/en/investors/creating-two-strong-industry-leaders/syensqo), and, to the extent required under the Prospectus Regulation, through a supplement to this Registration Document.

Timing	Principal Events
June 29, 2023	Approval of the Registration Document by the FSMA
October 2023	Filing of the Partial Demerger Proposal with the clerk's office of the Enterprise Court of Brussels
November 2023	Expected approval by the FSMA of SpecialtyCo's prospectus for purposes of the admission to trading of the Shares on Euronext Brussels and Euronext Paris(1)
November 2023	Convocation of the EGM of Solvay SA
December 2023 ("**D**")	EGMs
December 2023 (D+1)	Effective Time of completion of the Partial Demerger
December 2023 (D+1 to D+4)	First trading day of the Shares on Euronext Brussels and Euronext Paris

(1) This prospectus is expected to comprise the following documents: (i) this Registration Document; (ii) a supplement to this Registration Document; (iii) the Securities Note; and (iv) a summary of the prospectus.

7.4.9 Belgian tax ruling

Under Belgian tax law, the Partial Demerger qualifies for tax-neutral treatment for Belgian income tax purposes, in accordance with Articles 183*bis* and 211 of the Belgian *Code des impôts sur les revenus 1992* ("**BITC**"), provided that two conditions are fulfilled: (i) the company to which a contribution is made pursuant to the partial demerger must be a resident of Belgium or another EU Member State, and

(ii) the partial demerger must not have as its main or one of its main objectives tax evasion or tax avoidance. Solvay SA will seek a ruling from the Office for Advance Tax Rulings (*Service des Décisions Anticipées en matière fiscale/Dienst Voorafgaande Beslissingen in fiscale zaken*) of the Belgian tax administration (the "**Belgian SDA**") confirming that these conditions are fulfilled and that the Partial Demerger shall qualify for tax-neutral treatment for Belgian income tax purposes (the "**Belgian Tax Ruling**"). Solvay SA expects the Belgian Tax Ruling to be granted prior to the EGMs. Solvay SA and the Company do not expect that the EGMs would be held before the Belgian Tax Ruling has been granted. An update regarding the status of the application for the Belgian Tax Ruling will be provided in the Securities Note to be published prior to the completion of the Partial Demerger.

7.4.10 U.S. tax ruling and related restrictions on SpecialtyCo

The rules for determining whether a distribution such as the Partial Demerger and the U.S. Spin-Off qualify for tax-free treatment for U.S. federal income tax purposes are complex and depend on all the relevant facts and circumstances. Solvay SA intends for the Partial Demerger and the U.S. Spin-Off to qualify as a tax-free reorganization under Sections 368(a)(1)(D) and 355 of the U.S. Internal Revenue Code of 1986, as amended. Solvay SA has sought a private letter ruling from the U.S. Internal Revenue Service (the "**IRS**") confirming such qualification (the "**U.S. Tax Ruling**") except with respect to certain requirements under Section 355 on which the IRS does not rule (each, a "**No-Rule Requirement**") and expects to receive a tax opinion from its tax advisors that each of the Partial Demerger and the U.S. Spin-Off should satisfy the relevant No-Rule Requirements (but the receipt of such U.S. Tax Ruling or tax opinion is not a condition to the Partial Demerger or the U.S. Spin-Off). There is no guarantee, however, that Solvay SA and the applicable subsidiaries of SpecialtyCo will receive the U.S. Tax Ruling from the IRS or tax opinion from its tax advisors.

If the Partial Demerger and the U.S. Spin-Off do not qualify for tax-free treatment for U.S. federal income tax purposes, then, in general, SpecialtyCo's U.S. subsidiaries would be subject to material U.S. federal income taxes as if they had sold to EssentialCo the U.S. businesses that will remain with EssentialCo following the Partial Demerger or the U.S. Spin-Off for their fair market value. In addition, the U.S. shareholders of Solvay SA at the time of the Partial Demerger who are U.S. taxpayers would be subject to tax as if they had received a distribution equal to the fair market value of SpecialtyCo shares that was distributed to them, which generally would be treated as a taxable dividend.

Even if the Partial Demerger and the U.S. Spin-Off qualify as a tax-free transaction for U.S. federal income tax purposes, certain subsequent actions could cause the Partial Demerger and/or the U.S. Spin-Off to be taxable. This could include, for instance, the disposition of certain businesses by EssentialCo or SpecialtyCo as part of a plan that includes the Partial Demerger. Similarly, if one or more persons acquire a 50% or greater interest (measured by vote or value) in the stock of SpecialtyCo or EssentialCo, directly or indirectly (including through acquisitions of stock after the completion of the Partial Demerger), as part of a plan or series of related transactions that includes the Partial Demerger, then the U.S. Spin-Off may be taxable to SpecialtyCo (but it would generally not cause the Partial Demerger to be taxable to Solvay SA's shareholders). For this purpose, any direct or indirect acquisition of stock of SpecialtyCo or EssentialCo within two years before or after the Partial Demerger is presumed to be part of a plan that includes the Partial Demerger, although SpecialtyCo or EssentialCo may be able to rebut that presumption based on either applicable facts and circumstances or a "safe harbor" described in the U.S. tax regulations. The process for determining whether an acquisition is part of a plan under these rules is complex, inherently factual in nature, and subject to a comprehensive analysis of the facts and circumstances of the particular case.

For this reason, SpecialtyCo and EssentialCo intend to enter into a U.S. tax matters agreement intended to preserve the tax-free treatment of the Partial Demerger and U.S. Spin-Off for U.S. federal income tax purposes (the "**U.S. Tax Matters Agreement**"). See Section 7.5.3, "*U.S. Tax Matters Agreement.*"

7.5 Agreements between SpecialtyCo and Solvay SA relating to the Partial Demerger

Following completion of the Partial Demerger, the Company and EssentialCo will operate separately, each as an independent public company. On or prior to the completion of the Partial Demerger, the

Company and Solvay SA intend to enter into several agreements, which are described below. The terms of those agreements have not yet been finalized and will be summarized in a supplement to this Registration Document to be published prior to the completion of the Partial Demerger.

7.5.1 Separation Agreement

On or prior to the completion of the Partial Demerger, the Company intends to enter into a separation agreement (the "**Separation Agreement**") with Solvay SA to provide a framework for the Company's relationship with Solvay SA subsequent to the completion of the Partial Demerger. The Separation Agreement is expected to cover a number of separation-related matters, including accounting matters, tax matters, intellectual property (patents, trademarks and other intellectual property rights) matters, environmental matters, guarantee-related matters, employee-related matters, and comprise cooperation, access to information, confidentiality and other covenants and undertakings.

7.5.2 Transition Services Agreement

On or prior to completion of the Partial Demerger, the Company intends to enter into a Transition Services Agreement (the "**TSA**") with Solvay SA, effective as of the Effective Date for a non-renewable term of 24 months as from the Effective Date, whereby SpecialtyCo and EssentialCo (or their relevant subsidiaries) will, to the extent that shared business functions and corporate functions have not been separated prior to the Effective Time, each provide to the other (or the other's relevant subsidiaries) various services and support on an interim transitional basis. In particular, as SpecialtyCo will not have its own internal functions in certain areas (such as finance, legal, tax, human resources and payroll, IT and other support services), it will receive services provided by EssentialCo (or its relevant subsidiaries) in these areas under the Transition Services Agreement. For instance, SpecialtyCo will initially rely on services provided by EssentialCo (or its relevant subsidiaries) for a significant portion of its internal control function, as well as for IT support services (including sharing of IT systems and infrastructure, as well as cyber operations and security). Following the expiration of the TSA, SpecialtyCo will be required to take over the functions provided by EssentialCo and to support itself or find third-party service providers. The services will generally commence on the Effective Date and terminate on or before the second anniversary the Effective Date. The fees payable by SpecialtyCo to EssentialCo will be determined internally within the Solvay Group using a limited mark-up, in line with Solvay's practice for internal servicing, and have not been the subject of independent bids. The cost of services of the type contemplated in the Transition Services Agreement in 2022 that historically were charged to Specialty Businesses amounted to EUR 413 million (EUR 345 million in 2021, EUR 318 million in 2020). See note F36 to the Combined Financial Statements, "*Related Parties.*"

7.5.3 U.S. Tax Matters Agreement

Under the U.S. Tax Matters Agreement, SpecialtyCo and EssentialCo will be prohibited from taking actions that could reasonably be expected to cause the Partial Demerger or the U.S. Spin-Off to be taxable or to jeopardize the conclusions of the U.S. Tax Ruling or of the tax opinion discussed above. In particular, SpecialtyCo and EssentialCo will agree on behalf of themselves and their affiliates to refrain (subject to limited exceptions) for the two-year period following completion of the Partial Demerger from: (i) issuing equity securities to satisfy financing needs; (ii) acquiring businesses or assets with equity securities; or (iii) engaging in mergers or asset transfers; that could, in each case, be deemed part of a plan that includes the Partial Demerger and thus jeopardize the tax-free status of the Partial Demerger or U.S. Spin-Off for U.S. federal income tax purposes. The U.S. Tax Matters Agreement will also provide that each of SpecialtyCo and EssentialCo will be required to indemnify the other party against costs arising from certain U.S. federal income tax consequences that may arise if SpecialtyCo or EssentialCo (or their respective affiliates), as applicable, fails to comply with the restrictions set forth therein.

The U.S. Tax Matters Agreement will provide that SpecialtyCo and EssentialCo will be permitted to take any of the actions described above if they obtain the other party's consent, or if they obtain an IRS private letter ruling or a tax opinion that is reasonably acceptable to the other party to the effect that the action will not affect the tax-free status of the Partial Demerger and of the U.S. Spin-Off. However, the receipt of any such consent, opinion or ruling will not relieve the party seeking to take such action from their indemnification obligation.

7.5.4 Other ancillary agreements

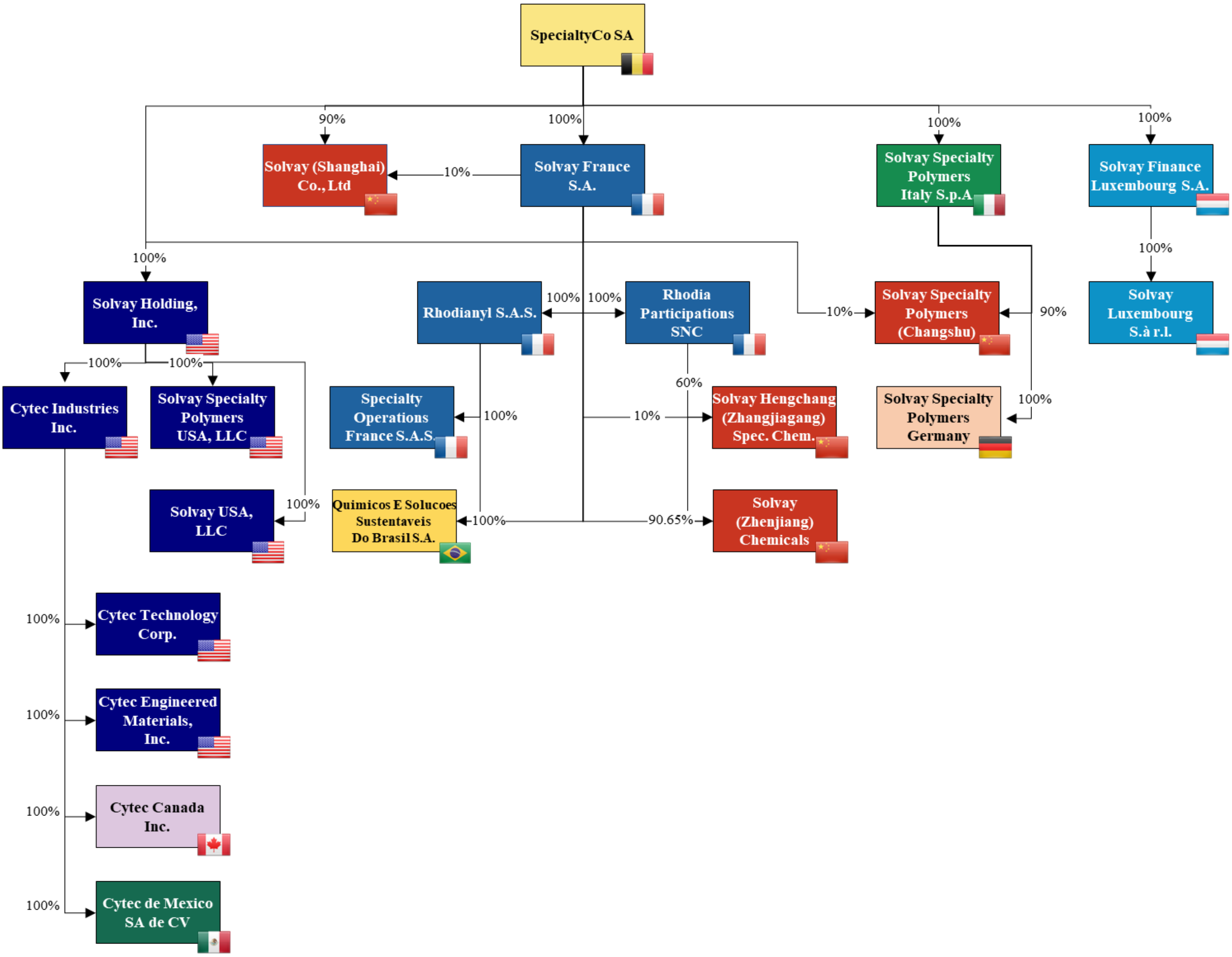
Prior to the completion of the Partial Demerger, the Company or the Specialty Legal Entities may enter into other agreements with Solvay SA or legal entities that will remain subsidiaries of Solvay SA after completion of the Partial Demerger. These agreements include agreements necessary to implement the Legal Reorganization that relate to, for example, transfers of assets, liabilities and employees, information sharing and access rights, data transfer, confidentiality and systems access, transfer of permits, operating licenses, marketing authorizations or leases, supply and tolling arrangements (including, in some cases, the supply of raw materials), and certain transitional services matters.

8. ORGANIZATIONAL STRUCTURE AND INTRA-GROUP RELATIONS

8.1 Simplified SpecialtyCo organizational chart

As at the date of this Registration Document, and until completion of the Partial Demerger, the Company is a wholly-owned subsidiary of Solvay SA and does not have any subsidiary.

SpecialtyCo will be the parent company of the Group upon completion of the Partial Demerger. The simplified organizational chart below shows the legal organization of the Group and its main subsidiaries at the Effective Time, following completion of the Legal Reorganization and the Partial Demerger (see Section 7, "*Legal Reorganization and Partial Demerger*").



8.2 Main subsidiaries

As at the date of this Registration Document, and until completion of the Partial Demerger, the Company is a wholly-owned subsidiary of Solvay SA and does not have any subsidiary. The following table provides an overview of the Company's main subsidiaries at the Effective Time, following completion of the Legal Reorganization and the Partial Demerger. The shareholdings percentages set out in this table reflect the direct and/or indirect participation of the Company in the share capital and voting rights of these subsidiaries.

Legal name	Registered office	Direct and/or indirect interest	Voting rights
Solvay Specialty Polymers Belgium SA/NV	rue de Ransbeek 310, 1120 Bruxelles, Belgium	100%	100%
Solvay France S.A.	9 rue des Cuirassiers, Immeuble « Silex 2 » Solvay - 69003 Lyon, France	100%	100%
Rhodianyl S.A.S.	9 rue des Cuirassiers, Immeuble « Silex 2 » Solvay - 69003 Lyon, France	100%	100%
Rhodia Participations SNC	9 rue des Cuirassiers, Immeuble « Silex 2 » Solvay - 69003 Lyon, France	100%	100%
Specialty Operations France S.A.S.(1)	9 rue des Cuirassiers, Immeuble « Silex 2 » Solvay - 69003 Lyon, France	100%	100%
Solvay Specialty Polymers Italy S.p.A.	Viale Lombardia, 20 - 20021 Bollate (Milano), Italy	100%	100%
Solvay Finance Luxembourg S.A.	36, Parc d'activités de Capellen, L-8308 Capellen, Luxembourg	100%	100%
Solvay Luxembourg S.à r.l.	36, Parc d'activités de Capellen, L-8308 Capellen, Luxembourg	100%	100%
Solvay Specialty Polymers Germany GmbH	Hans-Böckler-Allee 20, 30173 Hannover, Germany	100%	100%
Solvay Holding, Inc.	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, USA	100%	100%
Solvay Specialty Polymers USA, LLC	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, USA	100%	100%
Cytec Industries Inc.	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, USA	100%	100%
Cytec Engineered Materials, Inc.	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, USA	100%	100%
Cytec Technology Corp.	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, USA	100%	100%
Solvay USA Inc.(2)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, USA	100%	100%
Cytec Canada Inc.	9061 Garner Road, Niagara Falls, ON, Canada	100%	100%
Cytec de Mexico SA de CV	Km 40, Carretera Guadalajara – La Barca, Atequiza, Jalisco CP 45860, Mexico	100%	100%
苏威（上海）有限公司 Solvay (Shanghai) Co., Ltd	Room 405, Level 4, Building 2, 239 Gangao Road (GF/Zone10-2/Lot), People's Republic of China (Shanghai), Pilot Free Trade Zone	100%	100%
苏威特种聚合物（常熟）有限公司 Solvay Specialty Polymers (Changshu) Co., Ltd	Jiangsu Provincial High-Tech Fluorine Chemistry Industrial Park, Haiyu Town, 215522 Changshu, Jiangsu Province, People's Republic of China	100%	100%
索尔维-恒昌（张家港）精细化工有限公司 Solvay Hengchang (Zhangjiagang) Specialty Chemical Co., Ltd.	Chemical Industry City, East of Zhangyang Road, Yangshe Town, 215617, Zhangjiagang, Jiangsu Province, People's Republic of China	70%	70%
索尔维（镇江）化学品有限公司 Solvay (Zhenjiang) Chemicals Co., Ltd.	No. 66, Song Lin Shan Road, Zhenjiang New Area, Zhenjiang City, Jiangsu Province 212006, People's Republic of China	90.65%(3)	90.65%(3)
Quimicos E Solucoes Sustentaveis Do Brasil S.A.(4)	Avenida Maria Coelho Aguiar, 215, Bloco B, 1° andar e subsolo, Sala D, 05804-900, São Paulo/SP, Brazil	100%	100%

(1) Solvay Operations France S.A.S. was incorporated on December 7, 2022.

(2) Solvay USA Inc. will convert into an LLC under Delaware law prior to completion of the Legal Reorganization in the United States.

(3) The remaining portion of the share capital and voting rights of Solvay (Zhenjiang) Chemicals Co., Ltd. is currently held by Rhodia Operations S.A.S., a direct French law-governed, wholly-owned subsidiary of Rhodianyl S.A.S. Following completion of the Partial Demerger, Rhodia Operations S.A.S., which will have become a direct, wholly-owned subsidiary of Solvay SA, will continue to hold its 9.35% shareholding in Solvay (Zhenjiang) Chemicals Co., Ltd. and the rights and obligations of the shareholders of Solvay (Zhenjiang) Chemicals Co., Ltd. will be governed by a specific joint-venture agreement.

(4) Quimicos E Solucoes Sustentaveis Do Brasil S.A. was incorporated on September 30, 2021.

For a list of all subsidiaries, associated companies and joint ventures within the scope of combination of the Group, please refer to note F38 to the Combined Financial Statements, "*List of companies included in the combination scope*." Please note that the subsidiaries identified as Mixed Entities in note F38 have been or will be subject to carve-out transactions as part of the Legal Reorganization. Several carve-out transactions will result in the transfer of assets and liabilities relating to Specialty Businesses to newly incorporated legal entities, which are not mentioned in note F38, but will become subsidiaries of the Company following completion of the Legal Reorganization and the Partial Demerger. In addition, to the extent Specialty Businesses will be carved out from a subsidiary identified as a Mixed Entity, such subsidiary will remain a subsidiary of Solvay SA (and will not become a subsidiary of the Company) following completion of the Legal Reorganization and the Partial Demerger.

9. OPERATING AND FINANCIAL REVIEW

9.1 Overview

SpecialtyCo is a global company dedicated to providing solutions across specialty polymers, composite materials, specialty formulations and bio-circular chemistries to assist its customers in identifying, developing, and manufacturing the next generation of high-performance sustainable solutions. Its ambition is to drive above-market growth at superior returns with businesses focused on sustainability, formulation know-how, application expertise, and close-to-the-end-user applications, benefitting from a shared dedication to working closely with customers to understand their needs in order to formulate value-added and customized solutions.

During the period from 2020 to 2022, SpecialtyCo's businesses have realized substantial growth in revenues, EBITDA and cash flow. These results have been achieved in an economic and market environment heavily impacted by a number of major events, including the Covid-19 pandemic in 2020, the gradual recovery that started in 2021, associated with supply chain disruptions followed by inflationary pressures, the tightening of monetary policy and increases in interest rates, and finally the Russia-Ukraine conflict, which has impacted the market prices of energy and other commodities and exacerbated prevailing inflationary pressures.

Despite these volatile conditions, SpecialtyCo's businesses have achieved significant revenue growth and increased margins, reflecting several key factors:

- ***Alignment with Megatrends Driving Demand***. The businesses are aligned with megatrends affecting society and the industries in which SpecialtyCo's customers operate: light-weighting, electrification, advanced connectivity, resource efficiency, the growing use of natural ingredients for food, nutrition and personal care, sustainability and evolving demographics. These trends have translated into increased demand for SpecialtyCo's products and solutions and driven significant revenue growth.

- ***Premium Solutions Driving Growth and Margins***. As markets have recovered from the impact of the pandemic, SpecialtyCo's strategy has been to focus on premium products and solutions that offer attractive value propositions to customers. As an example, the Specialty Polymers business unit has oriented its resources to the highest margin opportunities in the context of market demand that exceeds supply, translating into substantial growth in higher margin products such as solutions for electric and hybrid vehicle batteries. SpecialtyCo has also focused on optimizing the portfolio of the Consumer & Resources segment, and as a result has derived significant revenue growth and higher margins.

- ***Pricing Actions***. Commercial initiatives to align pricing with SpecialtyCo's value propositions have enabled the Group to price its solutions so as to capture an appropriate share of the value it creates for its customers while preserving the cost competitiveness of its offerings. SpecialtyCo's focus on value pricing has allowed it to realize price increases that more than offset increases in variable costs resulting from inflation and increased energy prices. These pricing actions had a strong impact on net sales and drove higher margins, as prices increased significantly beginning in late 2021 and continuing through 2022 (although the rate of increase was generally higher in the first three quarters of the year than in the fourth quarter).

- ***Implementation of cost savings measures***. The implementation of Solvay's G.R.O.W. strategy has included a focus on operational efficiency and cost reduction. With these initiatives, SpecialtyCo has generated significant gross structural cost savings, through a combination of restructuring, indirect cost reductions and productivity efficiencies.

Against this background, SpecialtyCo's net sales grew by 25.4% on an organic basis (33.4% on a reported basis) from 2021 to 2022, and by 16.2% on an organic basis (12.4% on a reported basis) from

2020 to 2021. Net sales were EUR 5,261 million in 2020, EUR 5,915 million in 2021 and EUR 7,890 million in 2022. The key drivers of this growth were the following:

- Substantial increases in volumes in 2021 as businesses recovered from the impact of the pandemic, followed by significant price increases beginning in late 2021 and into 2022, more than offsetting the impact of energy prices and inflationary pressures.

- Broad-based above market growth in 2022 in all business units, particularly Specialty Polymers and Composite Materials, although demand slowed somewhat towards the end of the year, particularly in Novecare, Aroma Performance and the automotive business of Specialty Polymers (including electric vehicles). This followed above-market growth in most business units in 2021, particularly Specialty Polymers (driven by electric and hybrid vehicle batteries, other automotive and electronics), Novecare (driven by the agriculture and coatings markets) and Technology Solutions (driven by mining sales), partially offset by continued reduced activity in Composite Materials (due to decreased civil aircraft production during the Covid-19 pandemic).

- Balanced revenue growth geographically, with significant growth recorded in all regions, particularly Asia (driven by China), Europe (Germany) and Latin America in 2021, and Asia (China, Japan and South Korea), Latin America (Brazil) and North America (United States) in 2022.

SpecialtyCo's Underlying EBITDA also grew significantly over the period from 2020 to 2022, increasing from EUR 1,027 million in 2020 to EUR 1,282 million in 2021 and to EUR 1,863 million in 2022. Underlying EBITDA increased by 28% from 2020 to 2021 on an organic basis (25% on a reported basis), and by 35% from 2021 to 2022 on an organic basis (45% on a reported basis). Underlying EBITDA margin (i.e., Underlying EBITDA as a percentage of net sales) improved from 19.5% in 2020 to 21.7% in 2021 and to 23.6% in 2022.

Like revenue growth, Underlying EBITDA growth in 2022 resulted mainly from higher prices, which more than offset the impact of higher energy prices and inflationary pressures. Underlying EBITDA also benefited from the positive impacts of volume and mix in the Materials segment, partially offset by increased fixed costs. The improvement in Underlying EBITDA in 2021 was driven by increased volumes compared with 2020, particularly in Specialty Polymers, Novecare and Technology Solutions, as well as price increases initiated in the fourth quarter, and fixed cost savings.

Underlying net profit increased by 118% in 2021 and by 74% in 2022, while reported profit for the year under IFRS increased from a loss of EUR 1,282 million for 2020 (reflecting in particular impairment charges) to positive reported profit of EUR 453 million in 2021, followed by growth of 112.8% to EUR 964 million in 2022.

Cash flow from operating activities increased from EUR 676 million in 2021 to EUR 1,336 million in 2022, as growth in Underlying EBITDA was partially offset by increased working capital requirements (despite significant working capital savings in the fourth quarter). Cash flow from operating activities decreased from EUR 1,092 million in 2020 to EUR 676 million in 2021, as the improvement in Underlying EBITDA was offset by an increase in working capital requirements resulting from the significant increase in activity, as well as increased voluntary pension contributions in 2021.

Capital expenditures (including payment of lease liabilities) increased from EUR 372 million in 2020 to EUR 451 million in 2021 and then grew significantly to EUR 642 million in 2022. These included the expansion of PVDF capacity in France and China and the internalization of natural vanillin purification in Saint Fons (France). In 2022, SpecialtyCo considers that it entered a higher investment cycle that is expected to continue in 2023.

9.2 Presentation of financial information

9.2.1 Combined Financial Statements

The discussion in this Section 9 and in Section 10, "*Capital Resources*," is based on SpecialtyCo's Combined Financial Statements. The Combined Financial Statements were prepared in accordance with IFRS as of and for the years ended December 31, 2022, December 31, 2021 and December 31, 2020. They have been audited by Deloitte (for 2020 and 2021) and by EY (for 2022), as described in Section 4.1 of this Registration Document, "*Statutory auditors*."

During the reporting periods presented, SpecialtyCo was not constituted under a unique holding company and has historically not prepared consolidated financial statements for internal or external reporting purposes. The activities of SpecialtyCo have been conducted in a variety of legal entities that were under the control of Solvay SA. These activities will be transferred to SpecialtyCo in connection with the Partial Demerger, following a legal reorganization. *See* Section 7, "*Legal Reorganization and Partial Demerger*."

Management has prepared the Combined Financial Statements for inclusion in the prospectus to be filed with the FSMA in conjunction with the admission to trading of SpecialtyCo's shares on Euronext Brussels and Euronext Paris, of which this Registration Document is expected to form a part. The Combined Financial Statements were prepared in accordance with the basis of preparation set forth in Note 1 thereto.

In order to reflect the assets, liabilities, income and expenses that fall within the scope of SpecialtyCo's businesses, management has used significant judgment in determining combination rules. Thus, the Combined Financial Statements do not necessarily reflect the financial position and results of operations that would have occurred if SpecialtyCo had existed as a separate group in the periods presented. In addition, certain items that are expected to impact the future financial condition and results of operations of SpecialtyCo are not reflected, or are reflected differently, in the Combined Financial Statements, including in particular the following (see the basis of preparation in introductory Note 1 to the Combined Financial Statements for a more comprehensive list of these items):

- The costs of certain central functions ("corporate costs") of the Solvay group as a whole, such as the Board of Directors, Executive Leadership Team, Investor Relations and Corporate Communications, are not reflected in the Combined Financial Statements. Those costs amounted to EUR 126 million in 2022. An adjustment has been made to the measures provided on an "Underlying" basis to reflect the addition of a portion of these corporate costs that were not included in the Combined Financial Statements, based on the relative usage of SpecialtyCo compared to the remaining Solvay Group (which will become EssentialCo). The costs of certain administrative functions, such as accounting, human resources, legal, tax, risk management and treasury services, are reflected in the Combined Financial Statements on the basis of the charges historically applied to the relevant entities or on the basis of historical usage. In the future these functions will be performed either internally by SpecialtyCo or under the Transition Services Agreement with EssentialCo, and the cost basis may be different from the amounts reflected in the Combined Financial Statements.

- Results from portfolio management, major restructuring, legacy remediation and litigation have been allocated to SpecialtyCo according to the GBUs in scope. In addition, a proportion of the restructuring costs attributable to CBS and shared services have been allocated to SpecialtyCo. based on the assumption that restructuring costs were proportional to the historical usage of shared services by SpecialtyCo and the remaining Solvay Group.

- Charges relating to employee benefit schemes and management incentive plans, including charges for share-based payments, are based on historical charges for the relevant employees and members of management and local legal framework or contractual arrangement, and they may be different in the future depending on the schemes and incentive plans adopted by SpecialtyCo.

- Income taxes and deferred taxes have been determined based on a separate tax return approach as described in introductory note 1 to the Combined Financial Statements. They are not necessarily indicative of the tax expenses or income that would result for SpecialtyCo as a separate group.

- Financial debt with bondholders, banks and other financial institutions is included in the Combined Financial Statements where the financial debt reflects the historical ownership of the legal entities that will be part of SpecialtyCo in connection with the legal reorganization. In addition, financial assets and liabilities include transactions between SpecialtyCo and the remaining Solvay Group (EssentialCo), as discussed below. As a result, the cost of financing included in the Combined Financial Statements does not represent what the finance costs would have been had SpecialtyCo historically obtained financing on a stand-alone basis. These costs are also not indicative of the cost of financing for SpecialtyCo in the future. *See* Section 10.11, "*Target capital structure*" for additional information.

- The financing of SpecialtyCo's businesses historically was made available by cash pooling agreements and loans within the Solvay Group (which will be wound down prior to the Partial Demerger) and externally with banks and through financing vehicles (e.g., asset-backed security structures). The majority of the intercompany balances from the cash pooling agreements are presented as short-term financial assets and liabilities in the Combined Financial Statements. The components of cash and cash equivalents shown in the Combined Statement of Financial Position and the Combined Statement of Cash Flows reflect the cash and cash equivalents held by the legal entities that will be part of SpecialtyCo in connection with the legal reorganization, and are included in the perimeter of the Combined Financial Statements.

- The costs for the Partial Demerger have not been included in the Combined Financial Statements.

9.2.2 Segments

SpecialtyCo is organized into two operating segments, and a third segment:

- The **Materials** segment (identical to the same segment of the Solvay Group), which includes the Specialty Polymers and Composite Materials business units and serves a broad range of end markets, providing specialty polymers and high-technology carbon fiber-based composite materials for sustainable mobility, lightweighting, connectivity, healthy living and energy efficiency.

- The **Consumer & Resources** segment (constituting the majority of the Solvay Group's Solutions segment), which includes the Novecare, Technology Solutions, Aroma Performance and Oil & Gas business units and makes ingredients that are used by customers to address challenges such as improving texture, stability and efficacy of consumer and agricultural products, improving the yield of mining operations, and enhancing the sustainability of customer products, including bio-based ingredients, VOC-free and odor-free products.

- The **Corporate & Business Services** segment, which includes corporate and other business services, such as Group-level research & innovation and new business development.

9.3 Alternative Performance Measures

This Registration Document includes certain measures of the SpecialtyCo Group's performance that are not required by, nor are presented in accordance with, IFRS or any other generally accepted accounting standards. These measures include net sales and other items presented on an "organic basis," EBITDA, Underlying EBITDA, Underlying EBIT, Underlying net profit, Research & Innovation, free cash flow and ROCE (the "**Alternative Performance Measures**"). SpecialtyCo presents these Alternative Performance Measures to provide a more consistent and comparable indication of the Group's underlying financial performance and financial position, as well as cash flows. These indicators are intended to provide a balanced view of the Group's operations and are considered useful to investors, analysts and credit rating agencies as these measures provide relevant information on the Group's past or future performance, position or cash flows. These indicators are similar to those used in the sector it operates in and therefore serve as a useful aid for investors to compare the Group's performance with its peers. The underlying performance indicators adjust IFRS figures for certain elements that would distort the analysis of the Group's underlying performance. SpecialtyCo believes that these measurements are useful for analyzing and explaining changes and trends in its historical results of operations, as they allow performance to be compared on a consistent basis.

The Alternative Performance Measures are defined below, together with an explanation of the reasons why SpecialtyCo believes the Alternative Performance Measures are useful for investors. Certain of the Alternative Performance Measures or similarly titled measures are used by different companies for different purposes and are often calculated in ways that reflect the circumstances of such companies. Readers should therefore exercise caution in comparing any of the Alternative Performance Measures to the Alternative Performance Measures of other companies. The Alternative Performance Measures are not measures of financial condition, liquidity or profitability under IFRS, and should not be considered to be an alternative to consolidated EBIT, net income, cash flows generated by operating activities or any other measure recognized by and determined in accordance with IFRS. The Alternative Performance Measures have important limitations as analytical tools, and readers should not consider them in isolation nor as a substitute for analysis of SpecialtyCo's performance or liquidity. The Alternative Performance Measures are reconciled to IFRS measures in Section 9.4.6, "*Reconciliation of Alternative Performance Measures for Years Ended December 31, 2022 and 2021*," and Section 9.5.6, "*Reconciliation of Alternative Performance Measures for Years Ended December 31, 2021 and 2020.*" The following is a discussion of Alternative Performance Measures used in the discussion of this Section 9, which mainly relate to income statement measures. Additional Alternative Performance measures relating to cash flow and financial condition measures are discussed in Sections 9 "*Free cash flow*" and 10.6 "*Return on Capital Employed (ROCE)*."

Organic Basis

SpecialtyCo presents changes in certain items, including net sales and underlying EBITDA, on an actual basis and on an "organic basis" or "organically". Figures given on an organic basis eliminate the impact of changes in scope of consolidation (resulting from relatively modest merger and acquisition transactions that do not result in a restatement of discontinued operations) and changes resulting from the conversion to euros of the income statement items of subsidiaries whose functional currency is not the euro (organic basis changes do not eliminate the transactional impact of sales and expenses made or incurred by group entities in currencies other than their functional currencies). SpecialtyCo uses figures prepared on an organic basis both for internal analysis and for external communication, as it believes they provide means to analyze and explain variations from one period to another on a more comparable basis. The calculation is made by rebasing the prior period at the business scope (using the actual figures for the acquired company in the case of acquisitions) and foreign exchange conversion rate of the current period.

EBITDA

EBITDA is equal to earnings before interest, taxes, depreciation and amortization. It is equal to EBIT (which includes the Group's share of earnings from associates and joint ventures), after adding charges for depreciation, amortization and impairment. SpecialtyCo presents EBITDA as an alternative performance measure because management believes that the measure provides useful information to assess the SpecialtyCo Group's operating profitability as well as its ability to generate operating cash flow.

Underlying EBITDA and Underlying EBIT

SpecialtyCo presents Underlying EBITDA and Underlying EBIT to provide a more comparable indication of SpecialtyCo's fundamental performance over the reference periods. They provide readers with additional information on SpecialtyCo's underlying performance over time, and they are consistent with how the performance and financial condition of the businesses are reported to the Management Body of the Company.

SpecialtyCo calculates Underlying EBITDA and Underlying EBIT by applying the adjustments listed below to EBITDA and EBIT, respectively:

- Results from portfolio management and major restructurings (meaning primarily gains and losses on significant divestitures, acquisition costs, significant restructuring costs and impairment charges, as defined in more detail in note F5 to the Combined Financial Statements),

- Results from legacy remediation and major litigations (meaning remediation costs not generated by on-going production (shut-down of sites, discontinued productions, previous years' pollution), and the impact of significant litigation, as defined in more detail in note F5 to the Combined Financial Statements),

- Amortization of intangible assets resulting from Purchase Price Allocation (PPA) (recorded in other operating gains and losses) and inventory step-up affecting gross margin, in each case resulting from acquisition transactions, and

- The addition of a portion of certain Solvay corporate costs that were not included in the Combined Financial Statements, based on the relative usage of SpecialtyCo compared to the remaining Solvay Group (which will become EssentialCo).

SpecialtyCo analyzes the change in Underlying EBITDA and Underlying EBITDA margin (meaning underlying EBITDA as a percentage of net sales) from one period to the next based on a number of factors. These include scope and foreign exchange impacts, as discussed above under "Organic Basis." In addition, SpecialtyCo analyzes the impact on Underlying EBITDA of three operational factors: (i) volume and product mix, (ii) net pricing, meaning the net impact of price increases included in net sales, less price increases reflected in variable costs (which are essentially raw materials, utilities and consumables used and variable logistics expenses), and (iii) fixed costs (which represent all operating costs included in Underlying EBITDA, other than variable costs).

Underlying Net Profit

Underlying net profit is equal to net profit on a reported basis, adjusted for the same items that are used to adjust Underlying EBITDA and Underlying EBIT, as well as the following:

- Net financial results related to changes in discount rates, coupons of hybrid bonds deducted from equity under IFRS and debt management impacts (mainly including gains/(losses) related to the early repayment of debt),

- Results from equity instruments measured at fair value, and

- Tax effects related to the items listed above and tax expense or income of prior years, including both (i) the tax effects of items excluded from the underlying earnings before taxes, and (ii) adjustments for the tax expense or income of prior years (such as valuation allowances for deferred tax assets, or impacts due to remeasurements in case of changes in tax rates).

All of the foregoing are calculated with respect to both continuing and discontinued operations, and they include the impacts on non-controlling interests.

9.4 Results of Operations—Year ended December 31, 2022 compared with year ended December 31, 2021

9.4.1 Economic and market context

In 2022, global markets were impacted by the combined impact of the end of accommodative monetary policies, and the Russian invasion of Ukraine, which caused very significant increases in energy prices, particularly in Europe, as well as increases in the prices of other commodities, such as food and certain metals (particularly those used in the production of batteries). Inflation remained persistent in major markets, reaching 8.8% globally in 2022 compared to 4.7% in 2021 (source: IMF), despite increased interest rates. In China, economic growth was impacted by the continued zero-Covid-19 policies, which resulted in periodic lockdowns in numerous Chinese cities until late in the year. The Brent crude oil price averaged USD 99.82/barrel in 2022, compared to USD 70.44/barrel in 2021 (source: World Bank). Natural gas prices increased dramatically as a result of the Russia-Ukraine war, especially in Europe. The average Henry Hub (U.S.) price was USD 6.5 per MMBtu in 2022 compared to USD 3.9 per MMBtu in 2021 (source: U.S. Energy Information Administration); the average NBP (National Balancing Point, UK) price was USD 36.0 per MMBtu in 2022 compared to USD 16.5 per MMBtu in 2021 (source: ICE); and the average JKM (Japan-Korea-Marker) price was USD 34.1 per MMBtu in 2022 compared to USD 18.0 per MMBtu in 2021 (source: Platts).

Overall, global growth in gross domestic product ("**GDP**") slowed in 2022, increasing by 3%, compared to growth of 6% in 2021. Growth also slowed in all of the Group's regions. In Europe, GDP grew by 3% in 2022, compared to growth of 5% in 2021; in the United States, GDP grew by 2% in 2022, compared to growth of 6% in 2021; in Brazil, GDP grew by 3% in 2022, compared to growth of 5% in 2021. In China, GDP grew by 3% in 2022, compared to growth of 8% in 2021. (Source: Oxford Economics, January 2023) The slowdown in growth was more significant in the fourth quarter of 2022, when growth in most of Europe and North America was essentially flat or slightly positive, and global GDP growth was 2% (Source: Oxford Economics, January 2023).

Global manufacturing improved in 2022, despite impacts from cost inflation, fears of energy supply disruptions and increased interest rates (which particularly impacted the building and construction sector, especially in the latter part of the year). Automotive production increased 6% in 2022 (according to LMC Automotive), as supply chain issues eased partially, though demand weakened toward the end of the year. The aerospace industry was up 21% in 2022; civil aircraft production improved, as traffic recovery encouraged new aircraft orders, but component shortages continued to constrain production. Gross output increased in the chemical industry by 23%, consumer goods by 11% (despite a weak fourth quarter), industrial applications by 11%, agro & feed by 23%, mining by 27% and oil & gas by 84%. While building gross output increased by 18%, the housing sector slowed over the full year 2022, due to the impact of increasing interest rates and inflation. Electronics output also increased by 14% in 2022, but demand (in particular consumer demand) softened over the course of the year. (Source other than automotive: Oxford Economics Industry Gross Output EUR based on OE Exchange Rate).

9.4.2 Key Figures

(in EUR million except percentages)	**Year ended December 31, 2022**	**2021**	**Change 2022/2021**
Sales (incl. revenues from non-core activities)	8,123	6,032	34.7%
Net sales	7,890	5,915	33.4%
Cost of goods sold	(5,519)	(4,148)	33.1%
Gross margin	2,604	1,883	38.3%
Underlying EBITDA	1,863	1,282	45.3%
Underlying EBITDA margin	*23.6%*	*21.7%*	
EBITDA	1,720	1,172	46.8%
Underlying EBIT	1,382	834	65.7%

(in EUR million except percentages)	Year ended December 31, 2022	2021	Change 2022/2021
Underlying EBIT margin	*17.5%*	*14.1%*	
EBIT	1,098	585	87.7%
Net financial charges	(132)	(111)	18.9%
Income taxes	(2)	(22)	
Profit (loss) for the year	964	453	112.8%
Underlying net profit (loss) for the year	989	567	74.4%

9.4.3 Group performance

9.4.3.1 *Sales*

SpecialtyCo's total sales grew from EUR 6,032 million in 2021 to EUR 8,123 million in 2022, representing year-on-year growth of 34.7%. Revenues from non-core activities (primarily comprising commodity and utility third party transactions, and non-core licensing transactions) increased from EUR 117 million in 2021 to EUR 233 million in 2022 mainly due to the evolution of energy prices.

SpecialtyCo's net sales totaled EUR 7,890 million in 2022, representing an increase of 33.4% compared to 2021, driven largely by pricing thanks to the Group's pricing actions, and further supported by positive volume effects, particularly in the Materials segment, despite demand slowdowns late in the year in Novecare, Aroma Performance and the automotive business of Specialty Polymers (including electric vehicles). Net sales in 2022 were up 25.4% organically. Sales momentum remained strong in all of the Group's geographic markets throughout 2022, with some softening in volumes due to the demand issues in the fourth quarter referred to above.

The following table presents the main drivers of the changes in SpecialtyCo's net sales from 2021 to 2022:

Year ended December 31, 2021	Scope	Foreign Exchange Conversion	Volume & mix	Price	Year ended December 31, 2022
		(in EUR million)			
5,915	(16)	393	207	1,392	**7,890**

The scope impacts on 2022 growth were insignificant. The impact from foreign exchange conversion was mainly due to the appreciation of the U.S. dollar, the Brazilian real and the Chinese renminbi.

The following table sets forth a breakdown of the SpecialtyCo Group's net sales by segment and GBU in 2022 and 2021.

Net Sales by Segment and GBU

(in EUR million)	Year ended December 31, 2022	2021	Change 2022/2021	Organic change 2022/2021
Materials	**4,078**	**2,912**	**40.0%**	**32.3%**
o/w Specialty Polymers	*3,124*	*2,182*	*43.2%*	36.2%
o/w Composite Materials	*954*	*730*	*30.7%*	21.1%
Consumer & Resources	**3,806**	**3,000**	**26.9%**	**18.7%**
o/w Novecare	*1,905*	*1,548*	*23.1%*	15.5%
o/w Technology Solutions	*741*	*561*	*32.1%*	23.5%
o/w Aroma Performance	*575*	*473*	*21.6%*	14.6%
o/w Oil & Gas	*586*	*418*	*40.2%*	28.8%
Corporate & Business Services	**6**	**4**	**50.0%**	**50.0%**
Total Net Sales - Specialty Co	**7,890**	**5,915**	**33.4%**	**25.4%**

Net sales increased strongly in both segments, most particularly in Materials. With respect to individual GBUs, the greatest increases were realized in Specialty Polymers and Technology Solutions, while other GBUs also performed strongly. Please *see* Section 9.4.4, "*Segment performance*" for further details on the performance of each segment and GBU in 2022 compared to 2021.

From a regional perspective, based on customer location (i.e., country of destination), net sales increased significantly in all regions. Growth was particularly strong in China and in the United States. The following table shows the variation in net sales by region and selected countries in 2021 and 2022.

Net Sales by Region

	Year ended December 31,		Change
(in EUR million except percentages)	**2022**	**2021**	**2022/2021**
Asia and the rest of the world	**2,876**	**2,205**	**30.4%**
o/w China	*1,228*	*942*	*30.4%*
o/w Japan	*352*	*249*	*41.4%*
o/w South Korea	*271*	*214*	*26.6%*
o/w India	*210*	*186*	*12.9%*
North America	**2,532**	**1,831**	**38.3%**
o/w United States	*2,417*	*1,740*	*38.9%*
Europe	**1,787**	**1,442**	**23.9%**
o/w Germany	*478*	*405*	*18.0%*
o/w Italy	*269*	*228*	*18.0%*
o/w France	*234*	*187*	*25.1%*
o/w other European Union	*487*	*363*	*34.2%*
o/w other Europe[1]	*318*	*258*	*23.3%*
Latin America	**694**	**435**	**59.5%**
Total Net Sales – SpecialtyCo	**7,890**	**5,915**	**33.4%**

(1) Sales to the United Kingdom are reported under "other Europe" for both 2021 and 2022.

9.4.3.2 *Cost of goods sold and gross margin*

SpecialtyCo's costs of goods sold increased to EUR 5,519 million in 2022 from EUR 4,148 million in 2021. This increase reflected the increase in activity and net sales as well as significant increases in prices for raw materials, utilities and other consumables, discussed below.

Gross margin increased from EUR 1,883 million in 2021 to EUR 2,604 million in 2022, representing an increase of 38.3%. Gross margin represented 31.8% of net sales in 2021 and 33.0% of net sales in 2022. The improvement in gross margin resulted from increased activity levels and price increases that more than offset the increase in cost of goods sold.

9.4.3.3 *Other operating income and expenses*

Other operating expenses, net of income, include commercial costs, administrative costs, research and development costs (charged as expenses) and other operating gains and losses, as well as earnings from associates and joint ventures (although these are not significant). The key components of these expenses were the following:

- Commercial costs increased from EUR 199 million in 2021 to EUR 222 million in 2022, and administrative costs increased from EUR 506 million in 2021 to EUR 622 million in 2022, in each case as a result of the impact of inflation (including in certain countries such as Belgium where salaries are indexed to inflation by law), variable remuneration, increased travel following the pandemic, and information technology expenditures, though these increases were partially mitigated by cost reduction initiatives. As indicated above, certain corporate costs of the Solvay group, such as the Board of Directors, Executive Leadership Team, Investor Relations and Corporate Communications, are not reflected in the Combined Financial Statements; an adjustment has been made to the measures provided on an "Underlying" basis to reflect the addition of a portion of these corporate costs that were not included in the Combined Financial Statements, based on the relative usage of SpecialtyCo compared to the remaining Solvay Group (which will become EssentialCo). The costs of certain administrative functions, such as accounting, human resources, legal, tax, risk management and treasury services, are reflected in the Combined Financial Statements on the basis of the charges historically applied to the relevant entities or on the basis of historical usage. In the future these functions will be performed either internally by SpecialtyCo or under the Transition Services Agreement with EssentialCo, and the cost structure may be different from the amounts reflected in the Combined Financial Statements.

- Research and development costs grew from EUR 286 million in 2021 to EUR 312 million in 2022. *See* Section 9.5.5, "*Research & Innovation*," for a discussion of these costs and other related factors.

- Other operating gains and losses were a net charge of EUR 147 million in 2021 and a net charge of EUR 152 million in 2022. This included amortization of intangibles resulting from Purchase Price Allocations (PPA) in acquisitions of EUR 136 million in 2021 and EUR 137 million in 2022 (which are excluded from the calculation of SpecialtyCo's figures presented on an "Underlying" basis, as discussed below).

- Results from portfolio management and major restructuring were a net charge of EUR 102 million in 2021 and EUR 31 million in 2022, while results from legacy remediation and major litigations were a net charge of EUR 72 million in 2021 and EUR 182 million in 2022. These items are excluded from the calculation of SpecialtyCo's figures presented on an "Underlying" basis, and are discussed as adjustment items in Section 9.4.6"*Reconciliation of Alternative Performance Measures for Years Ended December 31, 2022 and 2021*."

EBIT also includes earnings from associates and joint ventures, which increased from EUR 13 million in 2021 to EUR 16 million in 2022.

9.4.3.4 *Analysis of operating expenses by nature*

Total operating expenses were EUR 7,024 million in 2022, compared to EUR 5,447 million in 2021. Excluding depreciation, amortization and impairment charges, operating expenses were EUR 6,402 million in 2022 and EUR 4,860 million in 2021. Costs of raw materials, utilities and consumables increased by 31.4% from EUR 2,973 million in 2021 to EUR 3,908 million in 2022, reflecting higher activity levels to an extent, and more importantly significant increases in the prices of energy and other commodities. In 2022, energy costs were split between natural gas for 46%, electricity for 32%, and steam, hydrogen and biomass for 22%. Fossil fuels represented 72% of energy costs.

Personnel expenses were EUR 1,197 million in 2021 and EUR 1,435 million in 2022, an increase of 19.9%, due to the impact of inflation (including in certain countries such as Belgium where salaries are indexed to inflation by law), and due to increased variable remuneration and operational headcount in line with the growth in business activity. This mainly explains the increase of Commercial and Administrative costs in the Combined Statements of Income.

Other fixed expenses mainly include costs of services, licenses, and professional fees.

Other fixed expenses increased from EUR 595 million in 2021 to EUR 782 million in 2022, reflecting the increase in activity, inflation and information technology expenses, offset in part by SpecialtyCo's continued cost reduction efforts.

Other variable logistics expenses increased from EUR 255 million in 2021 to EUR 363 million in 2022.

9.4.3.5 *EBITDA and Underlying EBITDA*

The following table presents SpecialtyCo's EBITDA, EBITDA margin, Underlying EBITDA and Underlying EBITDA margin in 2021 and 2022 and the variation on a reported and organic basis.

	Year ended December 31,		Change 2022/2021	
(in EUR million except percentages)	**2022**	**2021**	**Reported**	**Organic**
Underlying EBITDA	**1,863**	**1,282**	**45%**	**35%**
Underlying EBITDA margin	***23.6%***	***21.7%***		
EBITDA	1,720	1,172	47%	NA
EBITDA margin	*21.8%*	*19.8%*		

The main differences between EBITDA and Underlying EBITDA are discussed in Section 9.4.6, "*Reconciliation of Alternative Performance Measures for Years Ended December 31, 2022 and 2021.*"

The following table provides the breakdown in the drivers of the changes in Underlying EBITDA between 2021 and 2022.

Year ended December 31, 2021	Scope	Foreign Conversion	Volume & mix	Net Pricing	Fixed Costs	Other	**Year ended December 31, 2022**
			(in EUR million)				
1,282	(4)	97	175	615	(304)	1	**1,863**

Underlying EBITDA totaled EUR 1,863 million in 2022, representing an increase of 45% (35% on an organic basis) compared to 2021. This increase was driven by significantly higher pricing in both segments, which more than offset the impact of higher energy prices and inflationary pressures, along with the positive impacts of volume and mix in the Materials segment, partially offset by increased fixed costs. The increase in fixed costs reflected higher activity (in particular labor costs) and higher indirect spending (maintenance and logistics) as well as increased information technology expenditures and Research & Innovation staffing.

The scope impact was not significant. The foreign conversion impact of EUR 97 million related mainly to the same currencies that impacted sales growth, discussed above.

As a result of the strong performance, Underlying EBITDA margin improved from 21.7% in 2021 to 23.6% in 2022, despite somewhat lower Underlying EBITDA margin in the fourth quarter of 2022.

EBITDA totaled EUR 1,720 million in 2022, representing an increase of 47% from EUR 1,172 million in 2021.

9.4.3.6 *EBIT and Underlying EBIT*

The following table presents SpecialtyCo's EBIT and Underlying EBIT in 2020 and 2021 and the variation on a reported and organic basis.

	Year ended December 31,		Change
(in EUR million except percentages)	**2022**	**2021**	**2022/2021**
Underlying EBIT	**1,382**	**834**	**66%**
Underlying EBIT margin	***17.5%***	***14.1%***	
EBIT	1,098	585	88%
EBIT margin	*13.9%*	*9.9%*	

The changes in EBIT and Underlying EBIT reflected essentially the same factors that impacted EBITDA and Underlying EBITDA, as well as the change in depreciation, amortization and impairment charges. Depreciation and amortization charges totaled EUR 622 million in 2022, including EUR 141 million for PPA amortization (excluded from Underlying EBIT) and EUR 587 million in 2021, including EUR 139 million for PPA amortization and EUR 3 million for PPA inventory step-up, along with impairment charges of EUR 1 million (excluded from Underlying EBIT).

9.4.3.7 *Net financial charges*

Net financial charges increased from a charge of EUR 111 million in 2021 to a charge of EUR 132 million in 2022. This increase reflected an increase in the cost of borrowings (from EUR 107 million in 2021 to EUR 133 million in 2022). While the cost of senior USD notes remained stable over the period at USD 50 million (approximately EUR 45 million), the increase is explained by the fluctuation of current account liabilities with related parties (cash pooling with and loans from EssentialCo). It is important to recall that borrowing costs are based on an allocation of Solvay's financial debt done for purposes of the Combined Financial Statements, and will change in connection with the implementation of certain transactions to be effected prior to the Partial Demerger (*see* Section 10.11, "*Target capital structure*"). In particular, the Combined Financial Statements include as financial debt substantial amounts of loans and cash pooling accounts with the Solvay Group, which will be eliminated in connection with the Partial Demerger. In addition, the cost of discounting provisions for employee benefits and environmental costs declined, largely due to the evolution of the applicable discount rates. Other gains and losses on net indebtedness increased from a loss of EUR 11 million for 2021 to a loss of EUR 37 million for 2022 largely due to foreign exchange results.

The variation in the cost of discounting provisions (which represented charges of EUR 7 million in 2021 and income of EUR 17 million in 2022) related to post-employment benefits and to environmental provisions and its variation is largely attributable to the evolution of the applicable discount rates.

9.4.3.8 *Income taxes*

Income taxes amounted to a charge of EUR 22 million in 2021 and a charge of EUR 2 million in 2022. This reflected an increase in current taxes from EUR 162 million for 2021 to EUR 255 million for 2022, mainly due to higher taxable profits in countries with high effective tax rates, offset by the change in deferred taxes (representing a benefit of EUR 141 million in 2021 and a benefit of EUR 253 million in 2022). See note F7.A to the Combined Financial Statements.

9.4.3.9 *Profit (loss) for the year*

Profit for the year totaled EUR 964 million in 2022, compared to EUR 453 million in 2021. Profit attributable to the shareholders amounted to EUR 950 million in 2022, compared to EUR 444 million in 2021. The profit attributable to non-controlling interests amounted to EUR 14 million in 2022 and EUR 9 million in 2021.

9.4.3.10 *Underlying net profit (loss) for the year*

Underlying net profit totaled EUR 989 million for the year ended December 31, 2022, compared to EUR 567 million for the year ended December 31, 2021. This reflected essentially the same factors that impacted profit (loss) for the year. *See* Section 9.4.6 "*Reconciliation of Alternative Performance Measures for Years Ended December 31, 2022 and 2021*" for more information.

9.4.4 <u>Segment performance</u>

9.4.4.1 *Materials*

<u>Net sales</u>

Materials segment net sales in 2022 were up 40% (32.3% organically) to EUR 4,078 million in 2022, compared to EUR 2,912 million in 2021. The following table sets forth the key drivers of segment net sales growth.

Year ended December 31, 2021	Scope	Foreign Exchange Conversion	Volume & mix	Price	Year ended December 31, 2022
			(in EUR million)		
2,912	(1)	171	272	724	**4,078**

Both the Specialty Polymers GBU and the Composite Materials GBU recorded strong net sales growth in 2022. The following table provides a breakdown of net sales by GBU for the Materials segment:

Materials segment – Net sales by GBU

(in EUR million except percentages)	Year ended December 31, 2022	2021	Change 2022/2021 Reported	Organic
Materials	**4,078**	**2,912**	**40.0%**	**32.3%**
o/w Specialty Polymers	*3,124*	*2,182*	*43.2%*	*36.2%*
o/w Composite Materials	*954*	*730*	*30.7%*	*21.0%*

Specialty Polymers sales grew by 43.2%, reflecting continued strong demand in most markets, and most notably automotive, batteries, healthcare (medical devices) and electronics (particularly semiconductors). Sales were, however, trending down in batteries in the latter part of the year due to customer destocking resulting in lower demand, as well as price pressure following a drop in the price of a key raw material in China.

In *Composite Materials*, net sales recovered to a significant extent, increasing 30.7% compared to 2021, and 21.0% on an organic basis, with the difference mainly linked to the strengthening of the U.S. dollar against the euro. The increase compared to 2021 was driven by the continued recovery in civil aircraft production, mainly in single-aisle programs as well as engines. Sales were constrained by continued supply chain issues, in particular in defense (where build rates were reduced by customers) and automotive.

Sales growth was strong in all end markets in 2022, except the industrial applications & chemical industry end market. The following table provides a breakdown of Materials segment net sales by end market.

(in EUR million except percentages)	Year ended December 31, 2022	2021	Change 2022/2021
Automotive & Aerospace	2,075	1,455	42.6%
o/w Aerospace	*901*	*645*	*39.6%*
o/w Automotive	*1,174*	*810*	*45.0%*
Electronics	588	426	37.9%
Consumer Goods, Healthcare & HPC	499	352	41.6%
Industrial Applications & Chemical Industry	344	328	4.9%
Resources & Environment	240	126	89.9%
Building	187	122	53.8%
Agro, Feed & Food	133	91	45.8%
Other	12	11	11.2%

Net sales growth was strong in all regions, with particularly significant sales growth in Asia (China) and North America (the United States).

Materials segment – Net sales by Region

(in EUR million except percentages)	Year ended December 31, 2022	2021	Change 2022/2021
Asia and the Rest of the World	1,562	1,038	50.6%
North America	1,233	910	35.5%

(in EUR million except percentages)	Year ended December 31, 2022	2021	Change 2022/2021
Europe	1,155	895	29.0%
Latin America	129	69	85.1%

Underlying EBITDA

Materials segment Underlying EBITDA increased by 47.0% (37% organically) from EUR 878 million in 2021 to EUR 1,291 million in 2022. The following table provides the drivers of the changes in Underlying EBITDA for the Materials segment between 2021 and 2022.

Year ended December 31, 2021	Scope	Foreign Exchange Conversion	Volume & mix	Net Pricing	Fixed Costs	Other	Year ended December 31, 2022
			(in EUR million)				
878	9	54	168	373	(200)	8	**1,291**

As shown in the table above, the increase in Materials segment Underlying EBITDA was mainly driven by increased net pricing, as well as volume growth. Fixed costs increased, driven mainly by higher activity (labor (including bonus) and indirect spend (maintenance)), particularly in the Composite Materials business unit.

Materials segment Underlying EBITDA margin improved from 30.2% in 2021 to 31.7% in 2022.

9.4.4.2 *Consumer & Resources*

Net Sales

Net sales in the Consumer & Resources segment increased by 26.9% (18.7% organically), from EUR 3,000 million in 2021 to EUR 3,806 million in 2022 due primarily to significant pricing actions, as well as a positive foreign exchange impact, which offset a modest reduction in the contribution from volume and mix. The following table sets forth the key drivers of segment net sales growth.

Year ended December 31, 2021	Scope	Foreign Exchange Conversion	Volume & mix	Price	Year ended December 31, 2022
		(in EUR million)			
3,000	(14)	222	(67)	668	**3,806**

Net sales growth was recorded broadly across GBUs, with the most significant increases on an organic basis registered by Technology Solutions as well as Oil & Gas. The following table provides a breakdown of net sales by GBU for the Consumer & Resources segment.

Consumer & Resources segment – Net sales by GBU

(in EUR million except percentages)	Year ended December 31, 2022	2021	Change 2022/2021 Reported	Organic
Consumer & Resources	**3,806**	**3,000**	**26.9%**	**18.7%**
o/w Novecare	*1,905*	*1,548*	*23.1%*	*15.5%*
o/w Technology Solutions	*741*	*561*	*32.1%*	*23.5%*
o/w Aroma Performance	*575*	*473*	*21.6%*	*14.8%*
o/w Oil & Gas	*586*	*418*	*40.2%*	*28.8%*

The increase in *Novecare* net sales was driven by strong demand growth in the agro market, particularly in the first three quarters of the year, as well as by significantly higher prices across all markets, offset in part by lower volumes in some markets. Volumes fell in the fourth quarter, as demand weakened in construction and consumer goods, while the agro market remained resilient.

Technology Solutions net sales increased in all business lines, driven mainly by pricing, as well as good volumes in mining, particularly copper, phosphorous derivatives and automotive, with improved chips availability towards the end of 2022.

Aroma Performance net sales increased as a result of a strong first half of the year, driven by significant price increases and good demand in food, flavors and fragrance. In the second half of the year and particularly the fourth quarter, volumes declined due to lower demand for vanillin in the flavors and fragrance markets along with strong competitive pressure from Chinese producers.

Oil & Gas net sales increased, mainly driven by higher prices as well as resilient demand for oilfield chemicals in North America, despite competitive pressures on prices for sodium hypophosphite in the fourth quarter.

Sales growth in the Consumer & Resources segment was recorded in all end markets, with growth particularly strong in agro, feed & food and resources & environment. The following tables provide a breakdown by end market for the Consumer & Resources segment.

	Year ended December 31,		Change
(in EUR million except percentages)	**2022**	**2021**	**2022/2021**
Resources & Environment	959	694	38.2%
Agro, Feed & Food	856	620	38.1%
Industrial Applications & Chemical Industry	853	758	12.5%
Consumer Goods, Healthcare & HPC	595	503	18.3%
Building	329	286	14.9%
Automotive & Aerospace	120	104	15.5%
o/w Aerospace	*1*	*0*	*NS*
o/w Automotive	*119*	*103*	*15.4%*
Electronics	52	33	58.7%
Other	43	1	

Sales growth was also strong in all regions, particularly North America and Latin America. The following table provides a breakdown by region for the Consumer & Resources segment.

Consumer & Resources segment – Net sales by Region

	Year ended December 31,		Change
(in EUR million except percentages)	**2022**	**2021**	**2022/2021**
Asia and the Rest of the World	1,309	1,164	12.4%
North America	1,300	924	40.7%
Europe	633	545	16.1%
Latin America	565	365	54.8%

Underlying EBITDA

Consumer & Resources segment Underlying EBITDA increased by 36.7% (25% organically) from EUR 548 million in 2021 to EUR 749 million in 2022. The following table provides the breakdown in the drivers of the changes in Consumer & Resources Underlying EBITDA between 2021 and 2022.

Year ended December 31, 2021	Scope	Foreign Conversion	Volume & mix	Net Pricing	Fixed Costs	Other	**Year ended December 31, 2022**
			(in EUR million)				
548	(5)	55	2	242	(76)	(16)	**749**

As shown in the table above, the increase in Consumer & Resources segment Underlying EBITDA was primarily driven by net pricing. Fixed costs increased due to inflation and increased headcount, in particular at Novecare. Underlying EBITDA decreased in the fourth quarter of 2022 as growth in mining, agro and Oil & Gas was offset by demand declines in other sectors.

Consumer & Resources Underlying EBITDA margin improved from 18.3% in 2021 to 19.7% in 2022.

9.4.4.3 *Corporate & Business Services*

The Corporate & Business Services realized net sales of EUR 4 million in 2021 and EUR 6 million in 2022. Underlying EBITDA for the Corporate & Business Services segment represented a loss of EUR 176 million in 2022 compared to a loss of EUR 143 million in 2021.

9.4.5 Research & Innovation

SpecialtyCo adopts the indicator Research & Innovation, which combines research & development costs recognized in the income statement, excluding grants and subsidies netted in research & development costs and depreciation, amortization & impairments included in research & development costs, and including research & development costs recorded as capital expenditures in the cash flow statement. SpecialtyCo uses this measure to follow its total cash effort in research and innovation, regardless of whether the costs were expensed or capitalized. It then calculates "Research & Innovation Intensity" as the ratio of the absolute value of the Research & Innovation amount over net sales, calculated as a percentage, for the Group and each segment.

The following table presents the calculation of Research & Innovation and Research & Innovation Intensity for the years ended December 31, 2021 and 2022.

(in EUR million)	**Year ended December 31, 2022**	**2021**
IFRS research & development costs (a)	(312)	(286)
Grants netted in research & development costs (b)	28	21
Depreciation, amortization & impairments included in research & development costs (c)	(88)	(92)
Capital expenditures in research & innovation (d)	(50)	(40)
Total Research & Innovation (e = a – b – c + d)	**(302)**	**(254)**
o/w Materials	*(186.4)*	*(137.8)*
o/w Consumer & Resources	*(94.4)*	*(86.6)*
Research and Innovation Intensity	**3.8%**	**4.3%**
o/w Materials	*4.6%*	*4.7%*
o/w Consumer & Resources	*2.5%*	*2.9%*

Research & Innovation increased in 2022, compared to 2021. Research & Innovation Intensity declined, reflecting the significant increase in net sales.

9.4.6 Reconciliation of Alternative Performance Measures for Years Ended December 31, 2022 and 2021

The following table presents a reconciliation of Underlying EBIT and Underlying EBITDA to EBIT for the years ended December 31, 2022 and 2021. Reconciliations and explanations of alternative performance measures relating to cash flow and financial condition measures are presented in Sections 10.5 and 10.6. Additional information with respect to organic basis figures is also provided in Section 9.3.

(in EUR million)	**Year ended December 31, 2022**	**2021**
EBIT	**1,098**	**585**
Results from portfolio management and major restructuring	31	102
Results from legacy remediation and major litigation	182	72
Amortization of intangible assets resulting from Purchase Price Allocation (PPA)	141	139
PPA inventory step-up	-	3
Corporate costs allocation	(71)	(68)
Underlying EBIT	**1,382**	**834**

(in EUR million)	Year ended December 31, 2022	2021
Depreciation and amortization (other than amounts reflected above)	482	448
Underlying EBITDA	**1,863**	**1,282**

Results from portfolio management and major restructuring represented a charge of EUR 102 million in 2021 and a charge of EUR 31 million in 2022, composed of restructuring charges and minimal impairment charges.

Results from legacy remediation and major litigations were a charge of EUR 72 million in 2021 and a charge of EUR 182 million in 2022. In 2022, this included a provision of EUR 93 million recorded with respect to remediation to be completed by SpP USA, pertaining to the per- and polyfluoroalkyl substances (PFAS) related to the West Deptford, New Jersey site. In addition, the variation of environmental provisions was impacted by revised assumptions of higher inflation rates.

Amortization of intangible assets resulting from Purchase Price Allocation (PPA) related to acquisitions totaled EUR 139 million in 2021 and EUR 141 million in 2022. 2021 also included a PPA inventory step-up of EUR 3 million.

The adjustment to reflect the addition of a portion of these corporate costs that were not included in the Combined Financial Statements, based on the relative usage of SpecialtyCo compared to the remaining Solvay Group (which will become EssentialCo) totaled EUR 68 million in 2021 and EUR 71 million in 2022.

The following table presents a reconciliation of Underlying Net Profit (Loss) to Profit (Loss) for the years ended December 31, 2022 and 2021.

(in EUR million)	Year ended December 31, 2022	2021
Profit (loss) for the year	**964**	**453**
Results from portfolio management and major restructuring	31	102
Results from legacy remediation and major litigation	182	72
Amortization of intangible assets resulting from Purchase Price Allocation (PPA)	141	139
PPA inventory step-up	-	3
Corporate costs allocation	(71)	(68)
Impact of change in discount rates	(14)	(4)
Gains and losses financial instruments at fair value in the income statement	13	(6)
Income taxes	(275)	(141)
Tax on corporate costs allocation	18	17
Underlying net profit (loss)	**989**	**567**

9.5 Results of Operations – Year ended December 31, 2021 compared with year ended December 31, 2020

9.5.1 Economic and market context

Global markets were broadly impacted in 2021 by the initial stages of the recovery from the Covid-19 pandemic, which had dramatically affected economic activity in 2020. The recovery was accompanied by a number of significant disruptions, including supply chain issues that affected international commerce broadly and, together with increasing commodity prices, gave rise to initial inflationary pressures, particularly in the second half of 2021. Inflation increased in 2021, to 4.7% globally, compared to 3.2% in 2020 (source: IMF), with tension on energy and raw materials prices contributing to a rise in prices. The Brent crude oil price averaged USD 70.44/barrel in 2021, compared to USD 42.30/barrel in 2020 (source: World Bank).

Overall, global GDP increased by 6% in 2021 compared to a contraction of 3% in 2020. Regionally, in Europe, GDP grew by 5% in 2021, compared to a contraction of 7% in 2020; in the United States, GDP grew by 6% in 2021, compared to a contraction of 4% in 2020; in Brazil, GDP grew by 5% in 2021, compared to a contraction of 4% in 2020. In China, GDP grew by 8% in 2021, compared to growth of 2% in 2020. (Source: Oxford Economics, January 2022)

Global manufacturing activity levels improved in 2021, despite impacts from cost inflation and supply disruptions, in particular for chemical makers. 2021 saw an extreme increase of delivery times and backlogs of work due to logistics bottlenecks, material or staff shortage, with technology and electronics makers seeing the longest delays.

Automotive production improved only slightly in 2021 (up 2%, according to LMC Automotive), compared to 2020, due to supply chain issues and semiconductor supply in particular, although the market for electric vehicles developed strongly. Civil aircraft production continued to be disrupted by difficulties faced by airline companies in light of government travel restrictions and a general reluctance of individuals to travel, although the aerospace industry in general was up 9% in 2021. Building activity was strong in 2021, although activity was mixed across the world. Gross output increased in the chemical industry by 24%, building by 12%, consumer goods by 10%, industrial applications by 15%, agro & feed by 9%, mining by 19% and oil & gas by 78%. (Sources other than automotive: Oxford Economics Industry Gross Output EUR based on OE Exchange Rate).

9.5.2 Key figures

The following table sets forth key combined income statement information and related alternative performance measures for the years ended December 31, 2020 and 2021.

(in EUR million except percentages)	Year ended December 31, 2021	2020	Change 2021/2020
Sales (incl. revenues from non-core activities)	6,032	5,381	12.1%
Net sales	5,915	5,261	12.4%
Cost of goods sold	(4,148)	(3,821)	8.6%
Gross margin	1,883	1,560	20.7%
Underlying EBITDA	1,282	1,027	24.8%
Underlying EBITDA margin	*21.7%*	*19.5%*	
EBITDA	1,172	990	18.4%
Underlying EBIT	834	553	50.8%
Underlying EBIT margin	*14.1%*	*10.5%*	
EBIT	585	(931)	NS
Net financial charges	(111)	(186)	(40.3)%
Income taxes	(22)	(165)	(86.7)%
Profit (loss) for the year	453	(1,282)	NS
Underlying net profit (loss) for the year	567	260	118.1%

[1] Includes Group share of earnings from associates and joint ventures.

9.5.3 Group performance

9.5.3.1 *Sales*

SpecialtyCo's total sales grew from EUR 5,381 million in 2020 to EUR 6,032 million in 2021, representing year-on-year growth of 12.1%. Revenues from non-core activities (primarily comprising commodity and utility third party transactions, and non-core licensing transactions) decreased by 2.5%, from EUR 120 million in 2020 to EUR 117 million in 2021.

SpecialtyCo's net sales totaled EUR 5,915 million in 2021, representing an increase of 12.4% compared to 2020, driven largely by volumes, and further supported by positive pricing effects, particularly in the second half of 2021. Net sales in 2021 were up 16.2% organically. Sales were particularly strong in the fourth quarter of 2021, thanks to continued strong momentum in all of the Group's markets and due to significant pricing actions, which had the most significant impact in the fourth quarter.

The following table presents the main drivers of the changes in SpecialtyCo's net sales from 2020 to 2021:

Year ended December 31, 2020	Scope	Foreign Exchange Conversion	Volume & mix	Price	**Year ended December 31, 2021**
			(in EUR million)		
5,261	**(114)**	**(57)**	**610**	**215**	**5,915**

The scope impacts resulted from the divestments of the North American and European amphoteric surfactant business (Novecare) and the Process Materials business (Composite Materials) partially offset by the acquisition of Bayer's seeds coating business (Novecare). The impact from foreign exchange conversion was mainly due to negative impacts from the conversion of revenues of subsidiaries with functional currencies in U.S. dollars, Japanese yen and Brazilian real, offset in part by positive impacts from the Chinese yuan and pound sterling.

The following table sets forth a breakdown of the SpecialtyCo Group's net sales by segment and GBU in 2020 and 2021.

Net Sales by Segment and GBU

	Year ended December 31,		**Change**	**Organic change**
(in EUR million)	**2021**	**2020**	**2021/2020**	**2021/2020**
Materials	**2,912**	**2,702**	**7.8%**	**11.6%**
o/w Specialty Polymers	*2,182*	*1,827*	*19.4%*	*20.5%*
o/w Composite Materials	*730*	*875*	*(16.6)%*	*(8.5)%*
Consumer & Resources	**3,000**	**2,555**	**17.4%**	**21.1%**
o/w Novecare	*1,548*	*1,330*	*16.4%*	*11.1%*
o/w Technology Solutions	*561*	*491*	*14.3%*	*10.0%*
o/w Aroma Performance	*473*	*435*	*8.7%*	*9.5%*
o/w Oil & Gas	*418*	*299*	*39.8%*	*195.3%*
Corporate & Business Services	**4**	**4**	**-**	**33.3%**
Total Net Sales - Specialty Co	**5,915**	**5,261**	**12.4%**	**16.2%**

The increase in net sales was realized in both segments, although the increase in Materials was lower than in Consumer & Resources, reflecting strong growth in Specialty Polymers, while Composite Materials continued to be impacted by the pandemic-induced slowdown in civil aircraft production. With respect to individual GBUs, the greatest increases were realized in Specialty Polymers, Novecare and Technology Solutions, while Oil & Gas net sales increased significantly from a 2020 level that was heavily affected by the dramatic fall in oil and gas prices resulting from the pandemic. Please *see* Section 9.5.4, "*Segment Performance*" for further details on the performance of each segment and GBU in 2021 compared to 2020.

From a regional perspective, based on customer location (i.e., country of destination), net sales grew broadly across the globe in 2021, particularly in China and Germany. The following table shows the variation in net sales by region and selected countries in 2020 and 2021.

Net Sales by Region

(in EUR million except percentages)	Year ended December 31, 2021	2020	Change 2021/2020
Asia and the rest of the world	**2,205**	**1,853**	**19.0%**
o/w China	*942*	*760*	*23.9%*
o/w Japan	*249*	*235*	*6.0%*
o/w South Korea	*214*	*176*	*21.6%*
o/w India	*186*	*147*	*26.5%*
North America	**1,831**	**1,744**	**5.0%**
o/w United States	*1,740*	*1,660*	*4.8%*
Europe	**1,442**	**1,331**	**8.3%**
o/w Germany	*405*	*345*	*17.4%*
o/w Italy	*228*	*234*	*(2.6)%*
o/w France	*187*	*169*	*10.7%*
o/w other European Union	*363*	*344*	*5.5%*
o/w other Europe(1)	*258*	*238*	*8.4%*
Latin America	**435**	**332**	**31.0%**
Total Net Sales – SpecialtyCo	**5,915**	**5,261**	**12.4%**

(1) Sales to the United Kingdom are reported under "other Europe" for both 2020 and 2021.

9.5.3.2 *Cost of goods sold and gross margin*

SpecialtyCo's costs of goods sold increased to EUR 4,148 million in 2021 from EUR 3,821 million in 2020. This increase reflected the increase in activity and net sales as well as increases in raw materials, utilities and other consumables used, discussed below.

As a result of the foregoing, gross margin increased from EUR 1,560 million in 2020 to EUR 1,883 million in 2021, representing an increase of 20.7%. Gross margin represented 29.7% of net sales in 2020 and 31.8% of net sales in 2021. The improvement in gross margin resulted from increased activity levels, price increases and cost savings initiatives.

9.5.3.3 *Other operating income and expenses*

Other operating expenses, net of income, include commercial costs, administrative costs, research and development costs (charged as expenses) and other operating gains and losses, as well as earnings from associates and joint ventures (which are not significant). The key components of these expenses were the following:

- Commercial costs declined from EUR 219 million in 2020 to EUR 199 million in 2021, while administrative costs grew from EUR 480 million in 2020 to EUR 506 million in 2021. As discussed above, given the methodology used to prepare the Combined Financial Statements these figures may not be representatives of the future cost structure of SpecialtyCo; an adjustment has been made to the measures provided on an "Underlying" basis to reflect the addition of a portion of these corporate costs that were not included in the Combined Financial Statements, based on the relative usage of SpecialtyCo compared to the remaining Solvay Group (which will become EssentialCo).

- Research and development costs grew from EUR 253 million in 2020 to EUR 286 million in 2021. See Section 9.5.5, "*Research & Innovation*," for a discussion of these costs and other related factors.

- Other operating gains and losses were a net charge of EUR 159 million in 2020 and EUR 147 million in 2021. This included amortization of intangibles resulting from Purchase Price Allocations in acquisitions of EUR 155 million in 2020 and EUR 136 million in 2021 (which are excluded from the calculation of SpecialtyCo's figures presented on an "Underlying" basis).

- Results from portfolio management and major restructuring were a net charge of EUR 1,359 million in 2020 and EUR 102 million in 2021, while results from legacy remediation and major litigations were a net charge of EUR 27 million in 2020 and EUR 72 million in 2021. These items are excluded from the calculation of SpecialtyCo's figures presented on an "Underlying" basis, and are discussed as adjustment items in Section 9.5.6 "*Reconciliation of Alternative Performance Measures for Years Ended December 31, 2021 and 2020*."

EBIT also includes earnings from associates and joint ventures, which increased from EUR 6 million in 2020 to EUR 13 million in 2021.

9.5.3.4 *Analysis of operating expenses by nature*

Total operating expenses were EUR 5,447 million in 2021 and EUR 6,312 million in 2020. Excluding depreciation, amortization and impairment charges, operating expenses were EUR 4,860 million in 2021 compared to EUR 4,391 million in 2020.

Costs of raw materials, utilities and consumables increased by 34.6% from EUR 2,208 million in 2020 to EUR 2,973 million in 2021, reflecting higher activity levels and increases in the prices of energy and other commodities. These factors also had an impact on variable logistics expenses, which increased from EUR 175 million in 2020 to EUR 255 million in 2021, or by 45.7%.

Personnel expenses were EUR 1,224 million in 2020 and EUR 1,197 million in 2021, a decrease of 2.2%.

Other fixed expenses increased from EUR 553 million in 2020 to EUR 595 million in 2021, reflecting inflation partially offset by SpecialtyCo's cost reduction efforts.

9.5.3.5 *EBITDA and Underlying EBITDA*

The following table presents SpecialtyCo's EBITDA, EBITDA margin, Underlying EBITDA and Underlying EBITDA margin in 2020 and 2021 and the variation on a reported and organic basis.

	Year ended December 31,		**Change 2021/2020**	
(in EUR million except percentages)	**2021**	**2020**	**Reported**	**Organic**
Underlying EBITDA	**1,282**	**1,027**	**24.8%**	**28%**
Underlying EBITDA margin	***21.7%***	***19.5%***		
EBITDA	1,172	990	18.4%	
EBITDA margin	*19.8%*	*18.8%*		

The main differences between EBITDA and Underlying EBITDA are discussed in Section 9.5.6, "*Reconciliation of Alternative Performance Measures for Years Ended December 31, 2021 and 2020*."

The following table provides the breakdown in the drivers of the changes in Underlying EBITDA between 2020 and 2021.

Year ended December 31, 2020	Scope	Foreign Conversion	Volume & mix	Net Pricing	Fixed Costs	Other	**Year ended December 31, 2021**
			(in EUR million)				
1,027	(18)	(7)	309	(3)	(39)	16	**1,282**

Underlying EBITDA totaled EUR 1,282 million in 2021, representing an increase of 24.8% (28% on an organic basis) compared to 2020. This increase was driven by significantly higher volumes, with a greater proportion of sales involving higher margin products. Pricing actions essentially offset increases in energy and raw materials prices, which initially impacted margins in the third quarter, particularly in Specialty Polymers, but were quickly recovered by strong margin growth in the fourth quarter. Fixed costs increased modestly, as savings from the cost reduction program offset most of the impact of inflation and increased variable remuneration in 2021.

The scope impact of EUR (18) million related to the divestment of the North American and European amphoteric surfactant business and the divestment of Process Materials business, offset in part by the acquisition of Bayer's seeds coating business. The foreign conversion impact of EUR (7) million related mainly to the negative conversion impacts of subsidiaries with functional currencies of the U.S. dollar and Brazilian real, offset in part by positive impacts from the Chinese yuan and pound sterling.

As a result of the strong performance, Underlying EBITDA margin improved from 19.5% in 2020 to 21.7% in 2021.

EBITDA totaled EUR 1,172 million in 2021, representing an increase of 18.4% from EUR 990 million in 2020. The slightly lower increase compared to the increase in Underlying EBITDA resulted from the higher charge in results from legacy remediation and major litigation, as explained above.

9.5.3.6 *EBIT and Underlying EBIT*

The following table presents SpecialtyCo's EBIT and Underlying EBIT in 2020 and 2021 and the variation on a reported basis.

	Year ended December 31,		
(in EUR million except percentages)	**2021**	**2020**	**Change 2021/2020**
Underlying EBIT	**834**	**553**	**50.8%**
Underlying EBIT margin	***14.1%***	***10.5%***	
EBIT	585	(931)	NA
EBIT margin	*9.9%*	*NS*	

The changes in EBIT and Underlying EBIT reflected essentially the same factors that impacted EBITDA and Underlying EBITDA, as well as the change in depreciation, amortization and impairment charges. Depreciation and amortization charges decreased from EUR 643 million in 2020, including EUR 169 million for PPA amortization (excluded from Underlying EBIT), to EUR 586 million in 2021, including EUR 139 million for PPA amortization and EUR 3 million for PPA inventory step-up (excluded from Underlying EBIT). EBIT was also impacted by impairment charges, which were significantly lower in 2021 compared to 2020 and totaled EUR 1 million for non-performing assets in 2021 and EUR 1,278 million for Composite Materials, Technology Solutions and Oil & Gas business units in 2020 (excluded from Underlying EBIT). See note F23 to the Combined Financial Statements for more information.

9.5.3.7 *Net financial charges*

Net financial charges were EUR 186 million in 2020 and EUR 111 million in 2021. This reflected a decline in the cost of borrowings (from EUR 164 million in 2020 to EUR 107 million in 2021). It is important to recall that borrowing costs are based on an allocation of Solvay's financial debt done for purposes of the Combined Financial Statements, and will change in connection with the implementation of certain transactions to be effected prior to the Partial Demerger (*see* Section 10.11, "*Target capital structure*"). In particular, the Combined Financial Statements include as financial debt substantial amounts of loans and cash pooling accounts within the Solvay Group, which will be eliminated in connection with the Partial Demerger.

Other gains and losses on net indebtedness remained stable at a loss of EUR 11 million for both 2020 and 2021.

The variation in the cost of discounting provisions (which decreased from a charge of EUR 28 million in 2020 to charge of EUR 7 million in 2021) related to post-employment benefits and to environmental provisions and its decrease is largely attributable to the evolution of the applicable discount rates.

9.5.3.8 *Income taxes*

Income tax charges decreased from EUR 165 million in 2020 to EUR 22 million in 2021. This reflected an increase in current taxes from EUR 113 million for 2021 to EUR 162 million for 2021, mainly due to higher taxable profits in countries with high effective tax rates, which was more than offset by the change in deferred taxes (representing a charge of EUR 53 million in 2020 and a benefit of EUR 141 million in 2021). See note F7.A to the Combined Financial Statements.

9.5.3.9 *Profit (loss) for the year*

Profit for the year totaled EUR 453 million for 2021, representing a significant improvement from a loss for the year of EUR 1,282 million for 2020. Profit attributable to the shareholders amounted to EUR 444 million in 2021, compared to loss attributable to the shareholders of EUR 1,285 million in 2020. The profit attributable to non-controlling interests amounted to EUR 9 million in 2021 and EUR 3 million in 2020.

9.5.3.10 *Underlying net profit (loss) for the year*

Underlying net profit totaled EUR 567 million for the year ended December 31, 2021, compared to EUR 260 million for the year ended December 31, 2020. This reflected essentially the same factors that impacted profit (loss) for the year, excluding the impairments recorded in 2020. *See* Section 9.5.6 "*Reconciliation of Alternative Performance Measures for Years Ended December 31, 2021 and 2020*" for more information.

9.5.4 Segment Performance

9.5.4.1 *Materials*

Net sales

Materials segment net sales in the full year 2021 were up 7.8% (11.6% organically) to EUR 2,912 million, compared to EUR 2,702 million in 2020. The following table sets forth the key drivers of segment net sales growth.

Year ended December 31, 2020	Scope	Foreign Exchange Conversion	Volume & mix	Price	**Year ended December 31, 2021**
		(in EUR million)			
2,702	(60)	(33)	263	39	**2,912**

The Specialty Polymers GBU recorded strong net sales growth in 2021, offsetting a decline in Composite Materials. The following table provides a breakdown of net sales by GBU for the Materials segment:

Materials segment – Net sales by GBU

	Year ended December 31,		**Change 2021/2020**	
(in EUR million except percentages)	**2021**	**2020**	**Reported**	**Organic**
Materials	**2,912**	**2,702**	**7.8%**	**11.6%**
o/w Specialty Polymers	*2,182*	*1,827*	*19.4%*	*20.5%*
o/w Composite Materials	*730*	*875*	*(16.6)%*	*(8.5)%*

Specialty Polymers sales grew by 19.4%, driven primarily by the automotive, electric vehicle battery and electronic markets. Electric battery sales grew substantially, as SpecialtyCo oriented its production to higher margin opportunities in a context of strong market demand. SpecialtyCo also benefited from a strong rebound in the remainder of the automotive sector despite the semiconductor chip shortage, although sales remained somewhat below 2019 levels. Electronics sales were driven by demand for 5G mobile phones and smart devices.

In *Composite Materials*, net sales began to recover, but continued to be impacted by the effects of the Covid pandemic on civil aircraft production. In 2021, sales began to recover in single-aisle aircraft production but were offset by lower wide-body orders. The defense sector continued to perform well. *Composite Materials* sales were impacted by the sale of the Process Materials business, which occurred on March 1, 2021, accounting for the bulk of the difference in the change in net sales on a reported basis compared to on an organic basis.

With respect to end markets, sales growth was particularly strong in the automotive, electronics and industrial/chemical sectors in 2021, reflecting primarily the performance of the Specialty Polymers business discussed above. The following table provides a breakdown of Materials segment net sales by end market.

(in EUR million except percentages)	**Year ended December 31, 2021**	**2020**	**Change 2021/2020**
Automotive & Aerospace	1,455	1,386	4.9%
o/w Aerospace	*645*	*777*	*(16.9)%*
o/w Automotive	*810*	*610*	*32.8%*
Electronics	426	356	19.8%
Consumer Goods, Healthcare & HPC	352	321	9.8%
Industrial Applications & Chemical Industry	328	288	13.8%
Resources & Environment	126	139	(9.0)%
Building	122	112	8.1%
Agro, Feed & Food	91	90	1.9%
Other	11	10	10.3%

From a regional perspective, net sales growth was strong in the Asian market (particularly China), where strong sales growth was recorded in Specialty Polymers. Sales growth in North America was impacted by the Composite Materials business, which records a majority of its sales in this region. The following tables provide a breakdown of Materials segment net sales by region.

Materials segment – Net sales by Region

(in EUR million except percentages)	**Year ended December 31, 2021**	**2020**	**Change 2021/2020**
Asia and the Rest of the World	1,038	899	15.4%
North America	910	923	(1.4)%
Europe	895	815	9.7%
Latin America	69	64	8.2%

Underlying EBITDA

Materials segment Underlying EBITDA increased by 23.3% (26% organically) from EUR 712 million in 2020 to EUR 878 million in 2021. The following table provides the drivers of the changes in Underlying EBITDA for the Materials segment between 2020 and 2021.

Year ended December 31, 2020	Scope	Foreign Exchange Conversion	Volume & mix	Net Pricing	Fixed Costs	Other	**Year ended December 31, 2021**
			(in EUR million)				
712	(4)	(9)	189	(17)	6	1	**878**

As shown in the table above, the increase in Materials segment Underlying EBITDA was mainly driven by increased sales volumes and an improved product mix. Price increases lagged modestly behind increases in energy and raw material costs, which began to impact Specialty Polymer margins in the third quarter of 2021, and were overtaken by pricing actions by the fourth quarter. Fixed costs declined from 2020 to 2021, driven by a significant reduction of costs in Composite Materials following the implementation of restructuring measures in 2020.

Materials segment Underlying EBITDA margin improved from 26.4% in 2020 to 30.2% in 2021.

9.5.4.2 *Consumer & Resources*

Net sales

Net sales in the Consumer & Resources segment increased by 17.4% (21.1%organically), from EUR 2,555 million in 2020 to EUR 3,000 million in 2021 due primarily to volume recovery across businesses, as well as positive pricing actions. The following table sets forth the key drivers of segment net sales growth.

Year ended December 31, 2020	Scope	Foreign Exchange Conversion	Volume & mix	Price	**Year ended December 31, 2021**
		(in EUR million)			
2,555	(54)	(24)	346	175	**3,000**

Net sales growth was recorded broadly across GBUs, with the most significant increases on an organic basis registered by Novecare as well as Oil & Gas. The following table provides a breakdown of net sales by GBU for the Consumer & Resources segment.

Consumer & Resources segment – Net sales by GBU

	Year ended December 31,		**Change 2021/2020**	
(in EUR million except percentages)	**2021**	**2020**	**Reported**	**Organic**
Consumer & Resources	**3,000**	**2,555**	**17.4%**	**21.1%**
o/w Novecare	*1,548*	*1,330*	*16.4%*	*11.1%*
o/w Technology Solutions	*561*	*491*	*14.3%*	*10.0%*
o/w Aroma Performance	*473*	*435*	*8.7%*	*9.5%*
o/w Oil & Gas	*418*	*299*	*39.8%*	*195.3%*

The increase in *Novecare* net sales was driven by strong volume growth in the agriculture and coatings markets. Agriculture sales were driven in particular by green solvents, while the increase in coatings volumes reflected robust activities in building and construction, as well as sales to customers in the "do-it-yourself" retail sector. In 2021, Novecare divested its amphoterics surfactants business and a site in Rasal (India), and it acquired Bayer's seed coatings business, accounting for most of the difference between changes on a reported and organic basis.

Technology Solutions net sales increased in all business lines, particularly mining and phosphorus specialties. The increase in mining sales was driven in particular by historically high copper prices in 2021, which stimulated significant investments, and it was achieved despite supply chain issues.

Aroma Performance net sales increased as a result of strong demand, in tight market conditions, resulting in volume growth and, in the latter part of 2021, price increase. Net sales volumes in natural vanillin products were somewhat less robust than other product lines.

Oil & Gas net sales also increased, mainly driven by higher pricing in the phosphorus derivatives product line and compared to 2020. The Oil & Gas GBU was created in 2021 from businesses that were previously part of Novecare and Technology Solutions.

With respect to end markets, sales growth in the Consumer & Resources segment was recorded broadly in all sectors other than consumer goods, healthcare and home & personal care. The following tables provide a breakdown by end market for the Consumer & Resources segment.

(in EUR million except percentages)	Year ended December 31, 2021	2020	Change 2021/2020
Industrial Applications & Chemical Industry	758	651	16.5%
Resources & Environment	694	549	26.4%
Agro, Feed & Food	620	499	24.3%
Consumer Goods, Healthcare & HPC	503	516	(2.5%)
Building	286	216	32.3%
Automotive & Aerospace	104	22	374.2%
o/w Aerospace	*0*	*1*	*(36.8%)*
o/w Automotive	*103*	*21*	*381.6%*
Electronics	33	29	12.6%
Other	1	73	

From a regional perspective, sales growth was strong globally, with the largest increases recorded in Asia and Latin America. The following table provides a breakdown by region for the Consumer & Resources segment. From a regional perspective, net sales growth was strong in the Asian market (particularly China), where strong sales growth was recorded in Novecare.

Consumer & Resources segment – Net sales by Region

(in EUR million except percentages)	Year ended December 31, 2021	2020	Change 2021/2020
Asia and the Rest of the World	1,164	948	22.7%
North America	924	821	12.5%
Europe	545	517	5.4%
Latin America	365	268	36.2%

Underlying EBITDA

Consumer & Resources segment Underlying EBITDA increased by 28.6% (32% organically) from EUR 426 million in 2020 to EUR 548 million in 2021. The following table provides the breakdown in the drivers of the changes in Consumer & Resources Underlying EBITDA between 2020 and 2021.

Year ended December 31, 2020	Scope	Foreign Conversion	Volume & mix	Net Pricing	Fixed Costs	Other	Year ended December 31, 2021
			(in EUR million)				
426	(11)	(1)	135	13	(29)	14	**548**

As shown in the table above, the increase in Consumer & Resources segment Underlying EBITDA was primarily driven by higher volumes, driven by strong demand. Improved pricing modestly outweighed the impact of rising raw materials, energy and logistics costs. Underlying EBITDA growth was recorded across all business units, particularly Technology Solutions and Aroma Performance. Novecare recorded significant growth despite margin pressure resulting from raw material cost inflation and a somewhat less favorable product mix. Oil & Gas recorded improved results in 2021, after a difficult year in 2020.

Consumer & Resources Underlying EBITDA margin improved from 16.7% in 2020 to 18.3% in 2021.

9.5.4.3 *Corporate & Business Services*

The Corporate & Business Services realized net sales of EUR 4 million in 2020 and EUR 4 million in 2021. Underlying EBITDA for the Corporate & Business Services segment represented a loss of EUR 143 million in 2021 compared to a loss of EUR 110 million in 2020.

9.5.5 Research & Innovation

SpecialtyCo adopts the indicator Research & Innovation, which combines research & development costs recognized in the income statement, excluding grants and subsidies netted in research & development costs and depreciation, amortization & impairments included in research & development costs, and including research & development costs recorded as capital expenditures in the cash flow statement. SpecialtyCo uses this measure to follow its total cash effort in research and innovation, regardless of whether the costs were expensed or capitalized. It then calculates "Research & Innovation Intensity" as the ratio of the absolute value of the Research & Innovation amount over net sales, calculated as a percentage, for the Group and each segment.

The following table presents the calculation of Research & Innovation and Research & Innovation Intensity for the years ended December 31, 2020 and 2021.

	Year ended December 31,	
(in EUR million)	**2021**	**2020**
IFRS research & development costs (a)	(286)	(253)
Grants netted in research & development costs (b)	21	20
Depreciation, amortization & impairments included in research & development costs (c)	(92)	(78)
Capital expenditures in research & innovation (d)	(40)	(46)
Total Research & Innovation (e = a – b – c + d)	**(254)**	**(241)**
o/w Materials	*(137.8)*	*(126.4)*
o/w Consumer & Resources	*(86.6)*	*(85.1)*
Research and Innovation Intensity	**4.3%**	**4.6%**
o/w Materials	*4.7%*	*4.7%*
o/w Consumer & Resources	*2.9%*	*3.3%*

Research & Innovation increased slightly during 2021, compared to 2020. Corporate R&I efforts were strongly redirected towards the material activities in preparation of the new G.R.O.W. strategy. Research & Innovation Intensity declined, given the increase in net sales.

9.5.6 Reconciliation of Alternative Performance Measures for years ended December 31, 2021 and 2020

The following table presents a reconciliation of Underlying EBIT and Underlying EBITDA to EBIT for the years ended December 31, 2021 and 2020. Reconciliations and explanations of alternative performance measures relating to cash flow and financial condition measures are presented in Sections 10.5 and 10.6. Additional information with respect to organic basis is also provided in Section 9.3.

	Year ended December 31,	
(in EUR million)	**2021**	**2020**
EBIT	**585**	**(931)**
Results from portfolio management and major restructuring	102	1,359
Results from legacy remediation and major litigation	72	27
Amortization of intangible assets resulting from Purchase Price Allocation (PPA)	139	169
PPA inventory step-up	3	-
Corporate costs allocation	(68)	(71)
Underlying EBIT	**834**	**553**
Depreciation and amortization (other than amounts reflected above)	448	475
Underlying EBITDA	**1,282**	**1,027**

Results from portfolio management and major restructuring improved from a charge of EUR 1,359 million in 2020 to a charge of EUR 102 million in 2021. The 2020 figure included EUR 66 million of restructuring charges, relating to the implementation of the G.R.O.W. strategy, as well as EUR 1,278 million of impairment charges recorded in respect of the Composite Materials (EUR 798 million), Technology Solutions (EUR 280 million), and Oil & Gas (EUR 155 million) business units as well as EUR 15 million in losses from disposals. In 2021, results from portfolio management and major restructuring included EUR 92 million of restructuring charges, EUR 9 million of losses on disposals and minimal impairment charges.

Results from legacy remediation and major litigations were a charge of EUR 27 million in 2020 and EUR 72 million in 2021. Major litigations represented a charge of EUR 12 million in 2020 and a charge of EUR 24 million in 2021. Remediation costs and other costs related to non-ongoing activities represented a charge of EUR 15 million in 2020 and a charge of EUR 48 million in 2021.

Amortization of intangible assets resulting from Purchase Price Allocation (PPA) related to acquisitions totaled EUR 169 million in 2020 and EUR 139 million in 2021. 2021 also included a PPA inventory step-up of EUR 3 million.

The adjustment to reflect the addition of a portion of these corporate costs that were not included in the Combined Financial Statements, based on the relative usage of SpecialtyCo compared to the remaining Solvay Group (which will become EssentialCo) totaled EUR 71 million in 2020 and EUR 68 million in 2021.

The following table presents a reconciliation of Underlying Net Profit (Loss) to Profit (Loss) for the years ended December 31, 2021 and 2020.

	Year ended December 31,	
(in EUR million)	**2021**	**2020**
Profit (loss) for the year	**453**	**(1,282)**
Results from portfolio management and major restructuring	102	1,359
Results from legacy remediation and major litigation	72	27
Amortization of intangible assets resulting from Purchase Price Allocation (PPA)	139	169
PPA inventory step-up	3	
Corporate costs allocation	(68)	(71)
Impact of change in discount rates	(4)	2
Gains and losses financial instruments at fair value in the income statement	(6)	(4)
Income taxes	(141)	43
Tax on corporate costs allocation	17	18
Underlying net profit (loss)	**567**	**260**

10. CAPITAL RESOURCES

10.1 Overview

SpecialtyCo's principal cash needs have historically consisted of cash used for working capital needs and capital expenditures. SpecialtyCo has historically met these needs principally from a combination of cash flows from operations and borrowings from external sources and within the Solvay Group.

10.2 Cash flow

The following table sets forth information from SpecialtyCo's combined statements of cash flows.

	Year ended December 31		
(in EUR million)	**2022**	**2021**	**2020**
Change in working capital	(264)	(253)	255
Cash flow from operating activities	1,336	676	1,092
Cash flow from (used in) investing activities	(644)	(616)	(348)
Cash flow from (used in) financing activities	(576)	(129)	(702)
Change in cash and cash equivalents	116	(69)	43
Currency translation differences	(10)	5	(28)
Cash and cash equivalents (end of period)	244	139	203

10.2.1 Cash flow from operating activities

Cash flow from operating activities increased from EUR 676 million for the year ended December 31, 2021 to EUR 1,336 million for the year ended December 31, 2022. This mainly reflected the increase in EBITDA, while the change in working capital requirements remained relatively stable. *See* Section 10.3, "*Working capital*," for a discussion of working capital. Income taxes paid (other than those paid for the sale of investments) increased from EUR 117 million in 2021 to EUR 182 million in 2022. In addition, the use of provisions for voluntary cash contributions to pension plans represented an outflow of EUR 147 million in 2021 while no such contributions were made in 2022.

Cash flow from operating activities decreased from EUR 1,092 million for the year ended December 31, 2020 to EUR 676 million for the year ended December 31, 2021. This reflected the increase in EBITDA, which was more than offset by a significant increase in the change in working capital, with 2020 providing a working capital release of EUR 255 million and 2021 requiring a working capital increase of EUR 253 million, resulting primarily from a significant increase in inventories. *See* Section 10.3, "*Working capital,*" for a discussion of working capital. In addition, voluntary pension plan contributions increased from an outflow of EUR 35 million in 2020 to an outflow of EUR 147 million in 2021, while income taxes paid (other than those paid for the sale of investments) increased from EUR 115 million in 2020 to EUR 117 million in 2021.

10.2.2 Cash flow from (used in) investing activities

Cash flow used in investing activities increased from EUR 348 million for the year ended December 31, 2020 to EUR 616 million for the year ended December 31, 2021, and to EUR 644 million in the year ended December 31, 2022.

Capital expenditures (including payment of lease liabilities) increased from EUR 372 million in 2020 to EUR 451 million in 2021 and EUR 642 million in 2022. Capital expenditures included in cash flow from (used in) investing activities (acquisitions of property, plant and equipment and intangibles) were EUR 317 million in 2020, EUR 402 million in 2021 and EUR 591 million in 2022, while proceeds from sales of property, plant and equipment and intangibles were EUR 2 million in 2020, EUR 15 million in 2021 and EUR 7 million in 2022. *See* Section 10.4, "*Capital expenditures,*" for a discussion of capital expenditures in the period.

Apart from capital expenditures and sales of property, plant and equipment and intangibles, the main items impacting cash flow used in investing activities were the following:

- Loans to associates and non-consolidated companies were a net repayment of EUR 9 million in 2020, followed by a net outflow of EUR 76 million in 2021 and an inflow of EUR 102 million in 2022, of which an inflow of EUR 9 million, an outflow of EUR 79 million and an inflow of EUR 102 million were, respectively, from or to related parties.

- Acquisitions of subsidiaries and other investments were EUR 50 million in 2020, EUR 36 million in 2021 and EUR 3 million in 2022.

- Sales of subsidiaries and other investments were EUR 9 million in 2020, EUR 61 million in 2021 and EUR 66 million in 2022.

Cash flow from (used in) investing activities was also significantly impacted by the change in internal bank accounts within the Solvay Group (cash pooling), which resulted in a cash outflow of EUR 4 million in 2020, a cash outflow of EUR 184 million in 2021 and a cash outflow of EUR 227 million in 2022.

10.2.3 Cash flow from (used in) financing activities

Cash flow from (used in) financing activities totaled an outflow of EUR 702 million for the year ended December 31, 2020 to an outflow of EUR 129 million for the year ended December 31, 2021, and an outflow of EUR 576 million for the year ended December 31, 2022. Cash flow from (used in) financing activities is not particularly meaningful as it does not reflect the capital structure of SpecialtyCo that is targeted after the Partial Demerger. *See* Section 10.11, "*Target capital structure.*"

10.3 Working capital

SpecialtyCo analyzes its net working capital position on the basis of the sum of inventories, trade receivables and other current receivables, netted with trade payables and other current liabilities. The following table presents SpecialtyCo's net working capital for the years ended December 31, 2020, 2021 and 2022.

Net Working Capital – SpecialtyCo

	Year ended December 31		
(in EUR million)	**2022**	**2021**	**2020**
Inventories (a)	1,392	1,147	798
Trade receivables (b)	1,027	871	651
Other current receivables (c)	306	283	243
Trade payables (d)	(972)	(845)	(560)
Other current liabilities (e)	(538)	(432)	(372)
Total net working capital (a+b+c+d+e)	**1,215**	**1,024**	**760**

The amounts in the table include ordinary course receivables and payables (including in respect of tax liabilities) with the remaining Solvay Group (EssentialCo). At the end of 2022, the most significant items with respect to the remaining Solvay Group are tax account receivables for EUR 32 million, included in the "Other current receivables," and tax account payables for EUR 64 million included in the "Other current liabilities." The latter also include liabilities with the remaining Solvay Group related to transfer of environmental liabilities (see notes F33 and F36 to the Combined Financial Statements).

Working capital increased from EUR 760 million in 2020 to EUR 1,024 million in 2021 and EUR 1,215 million in 2022, following the increase in activity. Inventories were high at December 31, 2022 despite a significant reduction in inventories at all GBUs in the fourth quarter of 2022 as the business units that faced lower demand (particularly Novecare) focused on lowering inventory levels towards year-end. The increase in inventories in 2021 reflected inflation as well as volume effects following low points.

The following tables present SpecialtyCo's industrial working capital (calculated as inventories and trade receivables, netted with trade payables) for the years ended December 31, 2020, 2021 and 2022, broken down between the two operating segments (the remainder of SpecialtyCo's industrial working capital is in the Corporate and Business Services segment).

Industrial working capital - Materials

	Year ended December 31		
(in EUR million)	**2022**	**2021**	**2020**
Inventories	855	686	483
Trade receivables	518	383	289
Trade payables	511	384	226
Industrial working capital	**862**	**685**	**546**

Industrial working capital – Consumer & Resources

	Year ended December 31		
(in EUR million)	**2022**	**2021**	**2020**
Inventories	533	457	313
Trade receivables	478	469	322
Trade payables	412	424	283
Industrial working capital	**599**	**502**	**352**

10.4 Capital expenditures

SpecialtyCo prioritizes investments that serve its growth markets, to ensure that it stays ahead of the curve and competitors, which in recent years has included its investments in PVDF capacity and in the production of natural vanillin. It believes that it has entered into a relatively higher investment cycle that is expected to last through 2023. The significant commitments for capital expenditures in 2023 relate to the pursuit of the same projects that involved significant outflows in 2022, as described below. These are expected to be funded primarily from cash flow from operating activities and, to the extent necessary, from borrowings.

The following table presents SpecialtyCo's capital expenditures for the years ended December 31, 2020, 2021 and 2022, broken down by segment.

Capital expenditures

	Year ended December 31		
(in EUR million)	**2022**	**2021**	**2020**
Acquisition (-) of tangible assets (a)	(522)	(345)	(235)
Acquisition (-) of intangible assets (b)	(69)	(57)	(82)
Payment of lease liabilities (c)	(51)	(49)	(55)
Total Capital expenditures (d = a + b + c)	**(642)**	**(451)**	**(372)**
Total capital expenditures as a percentage of net sales	***8.1%***	***7.6%***	***7.1%***
of which Materials segment capital expenditures	(400)	(250)	(191)
Material segment capital expenditures as a percentage of segment net sales	*9.8%*	*8.6%*	*7.1%*
of which Consumer & Resources segment capital expenditures	(190)	(131)	(107)
Consumer & Resources segment capital expenditures as a percentage of segment net sales	*5.0%*	*4.4%*	*4.2%*
of which Corporate & Business Services segment capital expenditures	(52)	(70)	(74)

Capital expenditures increased from EUR 451 million in 2021 to EUR 642 million in 2022, as SpecialtyCo entered into a relatively higher investment cycle that is expected to last through 2023. The main capital expenditure projects in 2022 included the following:

- Specialty Polymers: Polyvinylidene Fluoride (PVDF) capacity increase in Tavaux (France) and Changshu (China). The Tavaux investment is scheduled to be completed by December 2023;
- Novecare: internalization of IRIS intermediate chemical production in Melle (France);
- Technology Solutions: Aldoxime capacity increase in Mount Pleasant (USA);
- Aroma performance: Internalization of natural vanillin purification in Saint Fons (France);
- Specialty Polymers: DCDPS monomer capacity increase in Augusta (USA); and
- Specialty Polymers: Udel polysulfone capacity increase in Marietta (USA).

The 2021 capital expenditure figure of EUR 451 million represented an increase compared to EUR 372 million in 2020, which was impacted by the pandemic. Capital expenditures in both 2020 and 2021 included the following projects:

- Specialty Polymers: The expansion of Tecnoflon capacity in Spinetta (Italy);
- Specialty Polymers: The expansion of Polyvinylidene Fluoride (PVDF) capacity in Changshu (People's Republic of China); and
- Composite Materials: The construction of a new production unit dedicated to thermoplastic composites in Piedmont, South Carolina (United States).

In 2021, capital expenditures also included the following projects:

- Specialty Polymers: The expansion of PVDF capacity in Tavaux (France);
- Aroma Performance: The internalization of natural vanillin purification in Saint Fons (France); and
- Specialty Polymers: The installation of water treatment facilities in Spinetta (Italy).

10.5 Free Cash Flow and Free Cash Flow to SpecialtyCo Shareholders

Free cash flow is equal to cash flows from operating activities (excluding cash flows linked to acquisitions or disposals of subsidiaries and cash outflows of voluntary pension contributions, as they are deleveraging in nature as a reimbursement of debt), cash flows from investing activities (excluding cash flows from or related to the acquisitions and disposals of subsidiaries, cash flows related to internal management of portfolio (one-off costs of internal carve-out, related taxes, etc.) and other investments, and excluding loans to associates and non-consolidated investments, and recognition of factored receivables) and increase/decrease of borrowings related to environmental remediation. In addition, because leases are generally considered to be operating in nature, free cash flow incorporates the payment of the lease liability (excluding the interest expense) recorded in cash flow from financing activities in accordance with IFRS 16. Free cash flow is a measure of cash generation, working capital efficiency and capital discipline of the SpecialtyCo Group.

SpecialtyCo also measures free cash flow to SpecialtyCo shareholders, which is equal to free cash flow less net interest payments and dividends to non-controlling interests. It represents the cash flow available to SpecialtyCo shareholders, to pay dividends or to reduce net financial debt.

The following table presents the calculations of free cash flow and free cash flow to SpecialtyCo shareholders for the years ended December 31, 2022, 2021 and 2020.

(in EUR million)	Year ended December 31 2022	2021	2020
Cash flow from operating activities (a)	1,336	676	1,092
o/w cash flow related to acquisition or sale of subsidiaries (b)	(6)	0	0
o/w cash flow related to additional voluntary contributions (c)	0	(147)	(35)
Cash flow from investing activities (d)	(644)	(616)	(348)
o/w Change in internal bank accounts with remaining Solvay Group (e)	(227)	(184)	(4)
o/w acquisition of tangible assets related to acquisition of subsidiaries (f)	0	0	0
Acquisition (-) of subsidiaries (g)	0	(22)	(4)
Acquisition (-) of investments – Other (h)	(3)	(14)	(46)
Loans to associates & non-consolidated subsidiaries (i)	102	(76)	9
Sale (+) of subsidiaries and investments (j)	66	61	9
Repayment of lease liabilities - IFRS 16 (k)	(51)	(49)	(55)
Increase / decrease of borrowings related to environmental remediation (l)	0	0	6
Recognition of factored receivables (m)	26	0	22
Corporate costs allocation* (n)	(53)	(51)	(53)
Free cash flow (o=a-b-c+d-e-f-g-h-i-j+k+l+m+n)	**682**	**342**	**735**
Free cash flow from discontinued operations (p)			
Free cash flow from continuing operations (q=o-p)	**682**	**342**	**735**
Net interest paid (r)	(97)	(97)	(160)
Dividends to non-controlling interests (s)	(8)	(2)	(3)
Free cash flow to SpecialtyCo shareholders from continuing operations (t=q+r+s)	**577**	**243**	**572**
Free cash flow to SpecialtyCo shareholders from discontinued operations (u)	0	0	0
Total Free cash flow to SpecialtyCo shareholders (t+u)	**577**	**243**	**572**

*After tax effect considered at 25%

10.6 Return on capital employed, or ROCE

Return on Capital Employed, or ROCE, is calculated as the ratio between Underlying EBIT (before adjustment for the amortization of PPA) and capital employed. Capital employed consists of net working capital, tangible and intangible assets, goodwill, rights-of-use assets, investments in associates and joint ventures and other investments, and is taken as the average of the situation at the beginning and at the end of each period. Management believes that ROCE provides useful information for evaluating the Company's profitability and the efficiency with which capital has been employed over time.

(in EUR million)	Year ended December 31 2022	2021	2020
Underlying EBIT (a)	1,382	834	553
Non-cash accounting impact from amortization & depreciation of purchase price allocation (PPA) from acquisitions (b)	(141)	(139)	(169)
Numerator (c = a + b)	**1,240**	**696**	**383**
Industrial working capital (d)	1,323	1,031	1,035
Other current receivables/liabilities (e)	(205)	(141)	(109)
Property, plant and equipment (f)	3,035	2,808	2,930
Intangible assets (g)	1,843	1,886	2,117
Right-of-use assets (h)	198	212	230
Investments in associates and joint ventures (i)	205	195	170
Other investments (j)	5	5	6
Goodwill (k)	2,624	2,521	3,057
Denominator (l = d + e + f + g + h + i + j + k)	**9,028**	**8,516**	**9,436**
ROCE (m = c/l)	**13.74%**	**8.17%**	**4.06%**

10.7 Financial debt

SpecialtyCo's financial debt (the sum of current and non-current financial debt) has remained relatively stable, and amounted to EUR 5,877 million as of December 31, 2022, EUR 5,778 million as of December 31, 2021 and EUR 5,746 million as of December 31, 2020. These figures include substantial amounts of internal Solvay Group debt that will be wound down prior to the Partial Demerger. SpecialtyCo's financial debt is expected to change significantly in advance of the Partial Demerger. As of December 31, 2022, SpecialtyCo entities owed a net amount of EUR 2,949 million to EssentialCo entities. See note F32 to the Combined Financial Statements and Section 10.11, "*Target capital structure*."

10.8 Equity

Equity attributable to shareholders of the parent totaled EUR 4.9 billion as of December 31, 2022, compared to EUR 4.3 billion as of December 31, 2021 and EUR 3.1 billion as of December 31, 2020. The increases in 2022 and 2021 were attributable to the profit for the years ended December 31, 2022 and 2021 as well as to other items of comprehensive income for the year, in particular the impact of currency translation differences relating to subsidiaries and joint operations (EUR 358 million negative impact on equity in 2020, EUR 291 million positive impact in 2021 and EUR 162 million positive impact in 2022). Equity was also impacted by remeasurements of the net defined benefit liability related to the employee defined benefit plans that are part of the Group (EUR 26 million negative impact on equity in 2020, EUR 322 million positive impact in 2021 and EUR 74 million negative impact in 2022).

10.9 Provisions for employee benefits

Provisions for employee benefits declined from EUR 766 million as of December 31, 2020 to EUR 433 million as of December 31, 2021 and EUR 338 million as of December 31, 2022. In 2022, the decline in provisions mainly reflected payments (EUR (47) million) to deleverage and de-risk, which exceeded net new liabilities (EUR 35 million), as well as the impact of remeasurements (EUR (93) million, mainly due to changes in discount rates). In 2022, both the defined benefit liability and the carrying value of recognized plan assets decreased due to increasing discount rates. As a result, the net liability increased from EUR 169 million at the end of 2021 to EUR 236 million at the end of 2022. See Notes F30 and F30.A to the Combined Financial Statements. In 2021, the decline in provisions reflected mainly voluntary cash contributions (EUR 147 million) and uses (EUR 38 million) as well as remeasurements (EUR (357) million mainly due to changes in the discount rates (increases)), partially offset by other increases (EUR 168 million) mainly due to the reclassification of amounts and currency translation differences. *See* note F30.A to the Combined Financial Statements.

10.10 Contingencies and off-balance sheet commitments

SpecialtyCo has recorded provisions for restructuring, environmental remedial costs and onerous contracts. As of December 31, 2022, provision for environmental remedial costs amounted to EUR 270 million, provisions for litigation amounted to EUR 31 million, provisions for restructuring amounted to EUR 36 million and other provisions relating to the shutdown or disposal of activities amounted to EUR 38 million. *See* note F30.B to the Combined Financial Statements for more information.

10.11 Target capital structure[3]

The capital structure of SpecialtyCo following the Partial Demerger will be significantly different from that shown in the Combined Financial Statements. In addition to changes arising in the ordinary course of business, the structure of SpecialtyCo's financial assets and liabilities is expected to change in three significant respects prior to the Partial Demerger:

[3] As plans are currently being reviewed by senior management, and are evolving, this may have an impact on the target capital structure and combined financial statements (which will be updated to reflect such changes).

- Solvay is contemplating liability management transactions, including consent solicitations and an exchange offer, which if successful will have the effect of transferring certain financial debt of EssentialCo entities to the SpecialtyCo group. The aggregate amount of senior bonds to be transferred was recorded at amortized cost as of December 31, 2022 at EUR 1,094 million. The transaction will also include the transfer of EUR 500 million of hybrid bonds that will be treated as equity in SpecialtyCo's consolidated balance sheet. The liability management transactions will also seek the release of Solvay's guarantees of bonds issued by SpecialtyCo entities and their replacement by guarantees from SpecialtyCo, although this will not impact the principal amount of SpecialtyCo's consolidated financial debt.

- Solvay is expected to obtain new bank facilities expected to be used primarily for the purpose of financing the redemption of the hybrid bonds with a first call date in 2023 (EUR 800 million outstanding) and in anticipation of the refinancing of the hybrid bonds with a first call date in 2024 (EUR 500 million outstanding). Any additional cash proceeds, after transaction costs, will be transferred to SpecialtyCo. The amount of new financing is expected to be approximately EUR 1,850 million. The purchase price of the hybrid bonds will depend on market conditions.

- Financial assets and liabilities between the SpecialtyCo and EssentialCo entities, mainly reflecting cash pooling and similar arrangements within the Solvay Group, will be unwound. This will be done mainly by way of transfers of receivables among entities within the Solvay Group. As of December 31, 2022, SpecialtyCo entities owed a net amount of EUR 2,949 million to EssentialCo entities.

The following table presents the hypothetical impact of the foregoing transactions on SpecialtyCo's capital structure (financial debt, cash and equity) as of December 31, 2022 as set forth the Combined Financial Statements, as if such transactions took place on December 31, 2022, on the assumption that the liability management transactions will be fully successful, and that Solvay will obtain new financing in the amount of EUR 1,850 million, of which EUR 1,300 million will be used to refinance the hybrid bonds with first call dates in 2023 and 2024, with the remaining EUR 550 million transferred to SpecialtyCo.

The table is hypothetical and is presented solely for illustration. It does not represent the actual capital structure that SpecialtyCo would have had if it had already been separated from Solvay and these transactions had taken place on December 31, 2022. SpecialtyCo's capital structure after the Partial Demerger will vary, potentially significantly, from that illustrated in the table as a result of, among other things, ordinary course variations in cash inflows and outflows (including operating cash flow and capital expenditures), whether the liability management transactions are fully successful and the costs of carrying out those transactions (which are not reflected in the table), the amount of new financing (after costs) obtained by Solvay and the purchase price (after costs) of Solvay's hybrid bonds.

Investors should read this table together with the Combined Financial Statements as well as Sections 9 and 10 of this Registration Document. For purposes of this table, EssentialCo entities are referred to as the "Remaining Solvay Group."

(in EUR million)	As of December 31, 2022 Combined Financial Statements (Audited)	Adjustments (Unaudited)	As of December 31, 2022, as adjusted (Unaudited)
External financial debt			
Senior USD Note Cytec Industries Inc.(1)	152	0	152
Senior USD Notes Solvay Finance (America) (2)	748	0	748
Other borrowings from third parties	59	0	59
EUR Senior Notes 2027(3)	0	497	497
EUR Senior Notes 2029(4)	0	597	597
Total external financial debt	**959**	**1,094**	**2,053**
Perpetual hybrid bonds(5)	0	**500**	**500**
Total external underlying financial debt (external financial debt plus Perpetual hybrid bonds) (a)	**959**	**1,594**	**2,553**
Financial assets and debts owed by or to Remaining Solvay Group			
Non-current loans to Remaining Solvay Group	(54)	54	0
Current loans to Remaining Solvay Group	(144)	144	0
Current financial instruments - Internal bank accounts with Remaining Solvay Group	(1,555)	1,555	0
Non-current borrowings from Remaining Solvay Group	773	(773)	0
Current borrowings and internal bank accounts liabilities with Remaining Solvay Group	3,929	(3,929)	0
Net financial assets and debt owed by or to Remaining Solvay Group (b)	**2,949**	**(2,949)**	**0**
Lease debt (c)	216		216
Other financial instruments (current and non-current) (d)	(66)		(66)
Cash and cash equivalents (e)	**(244)**	**(550)**	**(794)**
Underlying net financial debt (f = a + b + c + d +e)	**3,814**	**(1,905)**	**1,909**
Total Business Equity (excluding perpetual hybrid bonds)	**4,946**	**1,905**	**6,851**

(1) USD 250 million principal amount of Senior Notes due May 2025 issued by Cytec Industries Inc. *See* note F32 to the Combined Financial Statements. These Notes are currently guaranteed by Solvay. Cytec Industries Inc. will offer to exchange new Notes with substantially similar terms for these Notes, except that the guarantee of Solvay will be released and replaced by a guarantee from SpecialtyCo upon completion of the Partial Demerger.

(2) USD 800 million principal amount of Senior US$ Notes due December 2025 issued by Solvay Finance (America), LLC. *See* note F32 to the Combined Financial Statements. Solvay Finance (America), LLC will offer to exchange new Notes with substantially similar terms for these Notes, except that the guarantee of Solvay will be released and replaced by a guarantee from SpecialtyCo upon completion of the Partial Demerger.

(3) EUR 500 million principal amount (EUR 497 million carrying value) of Senior Notes due December 2027 issued by Solvay, for which bondholder consent will be sought for the substitution of SpecialtyCo as issuer, subject to the completion of the Partial Demerger.

(4) EUR 600 million principal amount (EUR 597 million carrying value) of Senior Notes due September 2029 issued by Solvay, for which bondholder consent will be sought for the substitution of SpecialtyCo as issuer, subject to the completion of the Partial Demerger.

(5) EUR 500 million of perpetual hybrid bonds, callable as from December 2025, treated as equity in the consolidated financial statements of Solvay, but treated as debt for purposes of determining underlying financial debt for which bondholder consent will be sought for the substitution of SpecialtyCo as issuer, subject to the completion of the Partial Demerger.

10.12 Preliminary ratings for SpecialtyCo following the Partial Demerger

As of the date of this Registration Document, S&P Global Ratings Europe Limited ("**S&P**") and Moody's Deutschland GmbH ("**Moody's**") assigned a preliminary rating to SpecialtyCo subject to, amongst others, the Partial Demerger becoming effective, as follows:

Credit Rating Agency	Preliminary Long-Term Issuer Rating	Outlook	Date of Assessment
S&P	BBB+	Stable	June 16, 2023
Moody's	Baa1	Stable	June 16, 2023

A rating reflects the opinion of the relevant rating agency at the given reported point in time. There can, however, be no assurance that any such ratings will be assigned as expected or that any such ratings, if existing or assigned, will remain the same for any given period or will not be lowered by the relevant rating agency if, in its judgement, circumstances in the future so warrant. Investors should consider each rating individually and obtain additional information and a more detailed understanding of the significance of the credit rating provided by the relevant rating agency. A decision by any rating agency to downgrade or withdraw any applicable rating or not assign any rating could impact SpecialtyCo.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the relevant rating agency. Similar ratings for different types of issuers and on different types of securities do not necessarily mean the same thing. The significance of each rating should be analyzed independently from any other rating.

Each of S&P and Moody's is a credit rating agency established in the European Union and registered with the European Securities and Markets Authority ("**ESMA**") in accordance with Regulation (EC) No 1060/2009 of September 16, 2009 on credit rating agencies, as amended from time to time, and are included in the list of registered credit rating agencies published on the website of ESMA (www.esma.europa.eu/supervision/credit-rating-agencies/risk).

11. REGULATORY ENVIRONMENT

A number of SpecialtyCo's operations and activities are governed by international, transnational, national and regional laws and regulations in each jurisdiction in which SpecialtyCo operates, relating to matters such as products, environmental protection and sustainability, health and safety, security, labor and employment, import and export controls, and bribery and corruption.

This regulatory framework is complex, and frequently evolving in light of technological progress, the public's increased safety needs and awareness with respect to quality and the environment and the increasingly demanding requirements of customers regarding product quality and safety. As a result, these laws and regulations have tended to impose increasingly stringent conditions on SpecialtyCo's products, manufacturing operations and supply chains over time, in particular with respect to product safety, environmental matters such as air, water and soil pollution, the use, handling, storage and disposal of hazardous materials and the remediation of environmental contamination.

The following provides an overview of selected areas of the main laws and regulations applicable to SpecialtyCo's business operations in the European Union, the United Kingdom, the United States and Asia, as of the date of this Registration Document.

11.1 Permits and authorizations

SpecialtyCo must achieve and maintain regulatory compliance with the laws and regulations emanating from authorities or agencies of many different countries given the international spread of its activities. These may impose, among other things, the requirement to obtain a permit, a license, or another form of registration to carry out certain activities, to notify the competent authorities of such activities, or to comply with binding and evolving rules relating to the protection of the environment and to health and safety for the conduct of such activities.

For instance, most of SpecialtyCo's manufacturing facilities located in the EU are subject to Directive 2010/75/EU, as amended, known as the Industrial Emissions Directive (the "**IED**") and to local laws and regulations implementing the IED. The IED aims to achieve a high level of protection of human health and the environment taken as a whole by reducing harmful industrial emissions in particular through better application of best available techniques ("**BAT**") determined for each activity and operation that has an impact on the environment such as the production of polymers. All installations falling within the scope of the IED are required to operate in accordance with a permit granted by the competent authorities in the relevant member states of the EU ("**EU Member States**") which should contain conditions set in accordance with the principles and provisions of the IED (including the BAT conclusions from the applicable horizontal or vertical best reference documents (or "**BREFs**") published by the European Integrated Pollution Prevention and Control Bureau ("**EIPPCB**") to describe the state-of-the art of a production containing, for instance, typical pollution levels, raw material consumptions, and containing a list of BAT to be implemented by the operators in order to limit the environmental impact from the activities). The IED contains mandatory requirements on environmental inspections. EU Member States must set up a system of environmental inspections and draw up inspection plans accordingly. SpecialtyCo's facilities located in the EU falling within the scope of the IED are subject to compliance audits which take place at least every 1 to 3 years, using risk-based criteria.

11.2 Product-related regulations

SpecialtyCo is subject to various product-related regulations across the globe that are designed, in particular, to ensure the safety and proper handling of the products it manufactures and/or sells. These regulations can be broken down into three main categories:

- *Classification requirements* lead in particular by the Globally Harmonized System of Classification and Labelling of Chemicals ("**GHS**"), a major initiative of the United Nations internationally recognized to standardize and harmonize the classification criteria for, and labelling of, hazardous chemicals worldwide, and which includes hazard identification, communication and Safety Data Sheet requirements;

- *Compliance with product regulations*: depending on the geographical location where SpecialtyCo manufactures and/or sells products, the requirements for such types of regulations may vary. Some of the main product regulations are the Toxic Substances Control Act in the United States, the EU Regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals (or REACH) in Europe, REACH-like regulations in other jurisdictions (such as the Korean REACH, the KKDIK REACH Turkey, the National Chemical Inventory (NCI) of Vietnam or the UK REACH) or the Chinese MEE order No 12 in China;

- *Compliance to market regulations*: SpecialtyCo is also subject to market regulations governing the sale and distribution of certain products, which, depending on the geographical location where SpecialtyCo operates, also set requirements for the products sold in those applications. Examples of matters which are market regulated and involve products within SpecialtyCo's activities include: biocide, pesticides, cosmetic ingredients, detergents, food contact or medical devices.

11.2.1 The European REACH Regulation

All substances of which more than one ton is manufactured or imported by SpecialtyCo in Europe require registration under the EU Regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals (Regulation (EC) No. 1907/2006), as amended ("**REACH Regulation**"), unless specific exemptions apply. The REACH Regulation imposes several regulatory requirements on manufacturers, producers, importers and downstream users and requires companies to have detailed knowledge of substances, their hazards and risks during use. This knowledge must be collected and organized into reliable and systematic safety information that includes all uses and risks incurred along the value chain.

As of the date of this Registration Document, 593 substances used or sold as part of SpecialtyCo's business were registered in compliance with the requirements of the REACH Regulation, and it is expected that SpecialtyCo will continue to fully comply with the provisions of the REACH Regulation following the completion of the Partial Demerger.

SpecialtyCo is closely monitoring the substances of very high concern ("**SVHC**") listed in the EU REACH Candidate list and EU REACH Authorization List, by identifying all marketed products sold in the EU and worldwide containing a concentration of those SVHC above 0.1%. SpecialtyCo has identified 30 such SVHC substances.

Further to the approach above, SpecialtyCo also uses a more stringent internal methodology to monitor SVHC that goes beyond those listed in the EU REACH Candidate list and EU REACH Authorization List ("**Solvay-SVHC**"), under which it has identified 104 Solvay-SVHC substances in marketed products sold worldwide containing a concentration of those Solvay-SVHC above 0.1%.

Under the framework of the REACH Regulation, ECHA received on January 13, 2023 from the national authorities of Denmark, Germany, the Netherlands, Norway and Sweden a proposal to restrict the production, use, and sale of more than 10,000 PFAS substances in the European Union. In the current state of the proposal as of the date of this Registration Document, the proposed restriction would ban the manufacture, placing on the market and use of PFAS as such, as constituent in other substances, in mixtures, and in articles above a set concentration limit. The proposed restriction option would allow for an 18-month transition period (after entry into force) and use-specific time-limited derogations for several sectors. Time-limited derogations and their duration (either 5 or 12 years from the end of the general transition period of 18 months) would be based on socio-economic considerations and the availability of alternatives. In addition, some time-unlimited derogations are proposed, such as for PFAS used as active substances in plant protection products, biocidal products, and human and veterinary medicinal products, as these are addressed under their respective regulations.

This restriction proposal is subject to a six-month open consultation initiated on March 22, 2023 and will be followed by the analysis of the proposal by the ECHA scientific committees for risk assessment and for socio-economic analysis. Such committees will then send their opinions to the European Commission, who, together with the EU Member States, will decide on the adoption of the proposed restrictions.

If enacted, such restrictions on the production and use of PFAS substances used by SpecialtyCo in its operations could impact the full value chain from SpecialtyCo's suppliers, through to its main customers in the automotive, electric and hybrid vehicle batteries, defense, construction and healthcare markets, for example. *See* Section 1.3.2, "*SpecialtyCo's past and present production and use of PFAS substances exposes it to significant liabilities*."

11.2.2 <u>The U.S. Toxic Substances Control Act</u>

The Toxic Substances Control Act of 1976 (as amended, "**TSCA**", often referred to as the "**New TSCA**"), regulates the manufacture, import, processing, distribution and use of a broad range of chemicals in the United States. The EPA has authority to restrict or ban a chemical substance it believes poses an unreasonable risk to safety, health or the environment. A TSCA Chemical Substance Inventory, maintained by the EPA, lists over 86,000 covered chemicals; unless an exemption or exclusion applies, chemicals not listed on the TSCA Inventory is considered as a "new chemical substance" and cannot be imported into or manufactured for commercial use in the United States until a pre-manufacture notice ("**PMN**") has been made and the EPA has made a determination with respect to such new chemical substance. All products manufactured and imported into the United States as part of SpecialtyCo's business have been reviewed to confirm their TSCA applicability and compliance.

SpecialtyCo relies on available TSCA exemptions, including but not limited to the so-called polymer exemption, the low volume exemption and other exemptions, to manufacture and distribute for a commercial purpose certain products. For example, products meeting the polymer exemption criteria require no PMN submittal to EPA. SpecialtyCo follows the recordkeeping requirements to document compliance with all applicable TSCA exemption criteria. For example, SpecialtyCo submits an annual report on the number of exempted polymers for which manufacture or importation commenced under terms of the exemption during the preceding calendar year.

TSCA authorizes EPA to issue specific reporting, record-keeping and testing rules for chemicals (including requirements for the import and export of certain chemicals), as well as other restrictions potentially relevant to SpecialtyCo's business. For example, on January 4, 2023 the EPA announced that it issued a new TSCA test order requiring testing of trifluoro(trifluoromethyl)oxirane ("**HFPO**"), a PFAS used in the manufacture of plastics, under its national PFAS Testing Strategy further to the EPA's PFAS Strategic Roadmap, with the aim of using the information received under the order to improve its understanding of human health effects of HFPO, as well as the effects of dozens of PFAS that are structurally similar to HFPO and in the same Testing Strategy category of PFAS. SpecialtyCo's business is subject to several current test orders including Paradichlorobenzene, Tetrabromobisphenol A (TBBPA). In addition, SpecialtyCo uses n-methylpyrrolidone (NMP), and some product lines contain 1,4-dioxane as a trace impurity which is currently under risk evaluation by the EPA.

In addition, the EPA may from time to time issue "Significant New Use Rules" ("**SNURs**") under TSCA when it identifies new uses of already listed chemicals that could pose risks. Once the EPA promulgates a SNUR, a manufacturer or processor wishing to engage in a designated significant new use must submit a Significant New Use Notice (a "**SNUN**") to the EPA at least 90 days before engaging in the new use. This notification provides the EPA with the opportunity to evaluate the new use and, if necessary, take action to prohibit or regulate the proposed activity before it occurs.

TCSA also places requirements on those importing chemicals into, or exporting chemicals out of, the customs territory of the United States. Importers are required to certify that imported chemicals either comply with TSCA (positive certification) or, if they are not clearly identified as excluded from TSCA, are not subject to TSCA (negative certification). Certain chemicals require no certification. Any person who exports or intends to export a chemical substance or mixture that is subject to certain TSCA regulations is required to notify the EPA, which, in turn, provides information about such exported chemical and EPA's related regulatory actions, to the importing government.

11.3 Environmental laws and regulations

11.3.1 Europe and the United Kingdom

SpecialtyCo's activities are subject to various environmental regulations defined and implemented at the European, national or local level, including but not limited to the European regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), the Classification Labelling and Packaging of Chemicals regulation (CLP) implemented by the European Chemicals Agency (ECHA), sectorial product-specific legislation, as well as environmental laws including the Seveso Regulations, the Industrial Emissions Directive (IED), the Environmental Crime Directive, the Waste Framework Directive, the Water Framework Directive, and the Emissions Trading Scheme Directive.

11.3.1.1 *The EU Seveso Directives and related national laws*

Several of SpecialtyCo's sites in Europe are governed by the control of major accident hazards involving dangerous substances regulations, implementing into domestic law Directive 2012/18/EU of July 4, 2012 as amended on the control of major-accident hazards involving dangerous substances, (also known as the "**Seveso III Directive**") such as the Control of Major Accident Hazards (COMAH) Regulations 2015 in Great Britain and the regulations relating to classified facilities for the protection of the environment (*Installation Classée pour la Protection de l'Environnement* (ICPEs)) codified under Articles L. 511-1 A *et seq.* of the French *Code de l'environnement* in France (the "**Seveso Regulations**").

The Seveso Regulations lay down the rules for prevention of major industrial accidents involving hazardous substances and for limiting the consequences of such accidents for human health and the environment. The Seveso Regulations apply only to locations deemed to pose risks to human health and/or the environment as a result of the substances and mixtures used and manufactured in these facilities. Under these Seveso Regulations, facilities where industrial processes involving hazardous substances are carried out are subject to reporting requirements to the relevant EU Member State national authorities. Such facilities are classified as either "lower-tier establishments", where the total quantity of hazardous substances on site is equal to or exceeds a low tier qualifying threshold, or as "high" level Seveso establishments and subject to more stringent obligations from the operator of such facilities, where the total quantity of hazardous substances is equal to or exceeds an upper-tier qualifying threshold. SpecialtyCo operates 8 "high" level Seveso establishments and 0 "low" level Seveso establishments.

11.3.1.2 *The Waste Framework Directive*

Directive 2008/98/EC, amended in 2018 (the "**Waste Framework Directive**") governs the collection, transportation, recovery and disposal of waste in Europe. The Waste Framework Directive requires EU Member States to take appropriate measures for the prevention of waste and to ensure that waste is recovered or disposed of without endangering human health or causing harm to the environment. EU Member States must adopt appropriate permitting, registration and inspection requirements. SpecialtyCo is subject to relevant statutory provisions regarding waste management. These provisions may govern permissible methods of, and responsibility for, the generation, handling, possession, discharge and recycling of waste depending on the dangers posed by the waste, among other factors.

SpecialtyCo's activities in Europe are subject to the Waste Framework Directive, as implemented by each EU Member State, including but not limited to Articles L. 541-1 *et seq.* of the *Code de l'environnement* in France or the Waste (England and Wales) Regulations 2011, as amended, in England and Wales.

11.3.1.3 *The Water Framework Directive, Groundwater Directive and the Environmental Quality Standards Directive*

Directive 2000/60/EC (the "**Water Framework Directive**" or "**WFD**") governing the reduction and the removal of water pollution in both groundwaters and inland, transitional and coastal surface waters, as primary legislation supplemented by two directives: the Groundwater Directive (the "**GWD**") and the Environmental Quality Standards Directive (the "**EQS**").

Pursuant to the WFD, the Member States are required to use their River Basin Management Plans ("**RBMPs**") and Programmes of Measures ("**PoMs**") to protect and, where necessary, restore water bodies in order to good status and prevent deterioration.

The EQS set out the standards to meet to achieve a good surface water chemical status. A list of priority substances that may be monitored by the Member States to reach the abovementioned goal is provided in the WFD. Regarding groundwater, a list of pollutants and the standards to meet to achieve a good groundwater chemical status are drawn up in the GWD.

SpecialtyCo's activities in Europe are subject to the Water Framework Directive, as implemented by each EU Member State, such as Articles L. 212-1 *et seq.* of the *Code de l'environnement* in France or the Water Environment (Water Framework Directive) (England and Wales) Regulations 2017 in England and Wales.

11.3.1.4 *The Emission Trading Systems*

SpecialtyCo participates in the European emission trading system set out in Directive 2003/87/EC as amended ("**EU ETS**"), which applies in all EU countries and sets an annual cap on emissions. Under the EU ETS, regulated entities (including SpecialtyCo) receive or buy a certain number of emission allowances (European Unit Allowances or "**EUA**"), which can be traded. Each year, these regulated entities must surrender a number of EUA corresponding to the total quantity of their CO_2 emissions in the prior year, such as direct GHG emissions resulting from the production of the goods and products from their affected European facilities. The EU ETS Directive ensures compliance by imposing a EUR 100 penalty (indexed to inflation) for each ton of CO_2 emitted for which no EUA has been surrendered in due time, in addition to the cost of surrendering the due EUA. Other penalties applicable to infringements in implementing the EU ETS are based on national provisions set by each relevant country.

The European Commission presented a package of proposals on July 14, 2021 (entitled "Fit for 55") intended to bring the EU closer to the augmented target of cutting CO_2 emissions by at least 55% (compared to 1990 levels) by 2030 as part of the "European Green Deal." The package contains a proposal to increase the ambition of the EU ETS with a new emissions reduction target of 61% (compared to 2005 levels) levels by 2030 (compared to 43% compared to 2005 levels currently), a lower overall emissions cap, and a steeper annual emissions reduction of 4.2% instead of the current 2.2% per year.

SpecialtyCo may also be subject to similar regulations in non-European Union jurisdictions, such as the UK Emissions Trading Scheme ("**UK ETS**") which came into operation on January 1, 2021, replacing the UK's participation in the EU ETS and operating with broadly similar rules to the EU ETS. UK ETS auctions commenced in May 2021. The UK ETS has delivered broadly similar carbon prices to the EU ETS but, as expected in a significantly smaller scheme, the UK ETS market has been less liquid than the EU ETS and prices have been more volatile. Further developments of the UK ETS are expected over the next few years, including the alignment of the cap on the number of allowances with the UK's transition to net zero. In a trade and cooperation agreement dated December 30, 2020, the UK and the EU agreed to give serious consideration to linking the UK ETS and EU ETS but made no commitment to do so. There has been no indication of any progress towards this linkage during 2022. In addition to the UK ETS, many countries from the Asia Pacific area have implemented similar emission trading systems on a national level (such as New Zealand, South Korea and China), to which SpecialtyCo may be subject.

11.3.1.5 *The European Liability Directive*

Environmental liability and the "polluter pays" principle are increasingly embedded in environmental legislation aimed at preventing and remedying environmental damage.

In Europe, environmental damage to land, water, natural habitats and protected species is regulated by Directive 2004/35/EC as amended (the "**ELD**") establishing a framework based on the polluter pays principle to prevent and remedy environmental damage, which may lead to increased remediation costs as the ELD introduces a broad scope of soil-remediation requirements, including requirements for primary remediation, complementary remediation and compensatory remediation.

Consequently, under the environmental regulations implementing the ELD across the various jurisdictions in the EU, and particularly in France (Law no. 2008-757 of August 1, 2008, as amended) and Germany (Environmental Damage Act (*Umweltschadensgesetz*)), SpecialtyCo, as operator or former operator of activities that have caused contamination of the operated land or surrounding land may retain responsibility for the existence of such contamination and its potential health or environmental consequences. This responsibility, which may last for decades (*e.g.*, 30 years from the declaration of cessation of operations of classified facilities in France), may require SpecialtyCo, as operator or former operator, whether or not it is the owner of the operated land, to undertake, at its own expense, environmental investigations, monitoring measures and/or remediation measures. Moreover, the principle that the waste producer is responsible for the waste until it is finally disposed of (Extended Producer Responsibility or "**EPR**") may result in liability on the part of the waste producer due to the impact of such waste on land belonging to third parties, including waste generated in the past by activities that are no longer being carried out.

11.3.1.6 *The EU Taxonomy Regulation*

In December 2019, the European Commission presented the "European Green Deal" which includes the goal of making the EU climate neutral by reducing net GHG emissions in the European Union to zero by 2050. To foster this goal, the European Union adopted Regulation (EU) 2020/852 (as amended, the "**EU Taxonomy Regulation**").

The EU Taxonomy Regulation provides for a classification system, establishing a list of environmentally sustainable economic activities. Environmentally sustainable economic activities may be:

- activities that in and of themselves contribute substantially to one of the six environmental objectives set out in the EU Taxonomy Regulation;

- "transition activities" (*i.e.*, activities for which there are no technologically and economically feasible low-carbon alternatives, but that support the transition to a climate-neutral economy in a manner that is consistent with a pathway to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels, for example by phasing out GHG emissions); or

- "enabling activities" (*i.e.*, activities that enable other activities to make a substantial contribution to one or more of the EU taxonomy's environmental objectives, provided that they do not lead to a lock-in in assets that undermine long-term environmental goals, considering the economic lifetime of those assets and have a substantial positive environmental impact on the basis of lifecycle considerations).

The EU Taxonomy Regulation is intended to provide companies, investors and policymakers with appropriate definitions under which economic activities can be considered environmentally sustainable.

According to the timeline set out in the Commission Delegated Regulation (EU) 2021/2178 of July 6, 2021 (the "**Disclosures Delegated Act**"), non-financial businesses have published a simplified first taxonomy eligibility report in 2022, with full reporting being delayed to 2023.

In order to be taxonomy-eligible, an economic activity must contribute substantially to at least one of the six environmental objectives—climate mitigation, climate adaptation, water, circular economy, pollution prevention and biodiversity—and not significantly harm such other objectives. The technical alignment criteria have been defined for the first two climate objectives in the "**Climate Delegated Act**" and its annexes (Commission Delegated Regulation (EU) 2021/2139 of June 4, 2021) as completed by the "**Complementary Climate Delegated Act**" (Commission Delegated Regulation (EU) 2022/1214 of March 9, 2022) which included a broad variety of industries, including manufacturing activities of various products (*e.g.*, aluminum, iron, chlorine), certain types of energy generation activities, transportation modes, financial and insurance activities and specific nuclear and gas energy activities in the list of economic activities covered by the EU taxonomy. The indicators will only take into account the four other environmental objectives 12 months after the date of application of delegated acts, which will define the technical alignment criteria for these four objectives (these delegated acts are currently being developed by the European Commission following the publication of the non-binding Platform on Sustainable Finance's report with recommendations on technical screening for the four remaining environmental objectives of the EU taxonomy in March 2022). As such, the taxonomy only addresses a limited number of SpecialtyCo's activities.

A first estimate of SpecialtyCo's portfolio of taxonomy-eligible activities will be available on SpecialtyCo's website following the completion of the Partial Demerger. Some of SpecialtyCo's activities, such as the ones relating to polymer membranes in batteries, may be eligible both as "transition activities" and "enabling activities."

11.3.1.7 *The Corporate and Sustainability Reporting Directive*

Directive 2022/2464/EC as regards corporate sustainability reporting dated December 14, 2022 and entered into force on January 5, 2023 ("**CSRD**"), lays down new non-financial disclosure rules regarding sustainability matters, and requires companies (i) to extensively report on their sustainability (environmental, social and governance) performance, both in terms of sustainability matters affecting the company as well as the impacts of the company's operations on such sustainability considerations, and the business risks related to it, and (ii) to audit the sustainability information they report. The purpose of CSRD is to ensure that investors and other stakeholders have access to the information they need to assess investment risks arising from climate change and other sustainability issues, to create a culture of transparency about the impact of companies on people and the environment, and reducing reporting costs for companies by harmonizing the information to be provided. SpecialtyCo will have to apply these new rules and provide such additional information for the first time for its annual report published in 2025 with respect to the 2024 financial year. SpecialtyCo will be required to disclose, in particular, any plans they may have to ensure that their business model and strategy are compatible with the transition to a sustainable economy and with the objectives of limiting global warming to 1,5 °C in line with the Paris Agreement and achieving climate neutrality by 2050, as established in Regulation (EU) 2021/1119. This reporting will have to be prepared in accordance with the European Sustainability Reporting Standards, which are currently being developed by the European Financial Reporting Advisory Group, an independent body composed of various stakeholders, and are expected be adopted by the European Commission in the summer of 2023.

11.3.2 United States

As a result of its operations in the United States, SpecialtyCo is subject to extensive and frequently changing federal, state and local laws and regulations, including, but not limited to the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation, and Liability Act, the TSCA, the Occupational Safety and Health Act

("**OSHA**"), and various statutes collectively governing chemical transportation, chemical plant security, national security and export control.

These laws are implemented by numerous federal administrative agencies including, but not limited to the United States Environmental Protection Agency (the "**EPA**") and the Occupational Safety and Health Administration.

In addition, most states in the U.S. (each a "**U.S. State**" and collectively, "**U.S. States**") have their own state-level counterparts of these federal laws and federal agencies as well as many of their own laws that address additional health, safety, environmental and security issues or that address the federal level issues in a more stringent manner based on U.S. State level issues or concerns. U.S. States may have more restrictive emissions, environmental remediation and other requirements that SpecialtyCo's sites must meet. Enforcement of U.S. State and federal regulations for non-compliance can result in heavy fines and penalties.

As is the case with the U.S. chemicals industry generally, compliance with existing and emerging laws and regulations increases the overall cost of operating SpecialtyCo's U.S. based business, including operating costs and capital costs to construct, maintain and upgrade equipment and facilities. Compliance with these existing and emerging laws and regulations may also increase the overall cost of addressing SpecialtyCo's legacy environmental investigation and remediation responsibilities and/or liabilities.

The overall trend in the scope, applicability and compliance requirements associated with these laws has been to become more stringent over time, requiring increasing levels of resources in order to achieve and maintain compliance.

11.3.2.1 *The U.S. Comprehensive Environmental Response, Compensation and Liability Act*

In the U.S., SpecialtyCo may be subject to claims brought by U.S. federal or U.S. State regulatory agencies or private individuals, including natural resource trustees, pursuant to federal or state laws and regulations. In particular, SpecialtyCo is subject to, and may have potential liability under, the U.S. Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, ("**Superfund**" or "**CERCLA**") and related U.S. State laws for investigation and remediation costs at and around certain sites, including but not limited to current and past operating sites and disposal sites.

At these sites, companies such as SpecialtyCo (by virtue of its own current or past business operations or by virtue of past activities of a predecessor or acquired company or business and related statutory or contractual responsibilities), may be notified that the EPA, U.S. State governing bodies or private individuals, including natural resource trustees, consider it to be a potentially responsible party ("**PRP**") under Superfund or related laws. PRPs may be required to undertake or pay for environmental investigation and remediation actions at and around designated sites and to potentially pay for alleged damage to impacted natural resources.

Because Superfund allows for joint and several liability in certain circumstances, SpecialtyCo could be responsible for all authorized remediation costs and natural resource damages at and around such sites, even if SpecialtyCo is one of many PRPs. Furthermore, in line with its focus on addressing and taking actions with respect to PFAS set forth in its Strategic Roadmap announced on October 18, 2021, the EPA released on August 26, 2022 a proposal to designate two PFAS Chemicals, namely PFOA (which SpecialtyCo stopped using as a fluorosurfactant in the United States by 2003) and another substance not used by SpecialtyCo as hazardous substances under Superfund. *See* Section 1.3.2, "*SpecialtyCo's past and present production and use of PFAS substances exposes it to significant liabilities*" and "*Risk Factors – SpecialtyCo may be subject to liabilities for environmental clean-up and remediation costs at its sites.*"

11.3.2.2 *Other significant laws and regulations*

The **Clean Air Act,** as amended, imposes stringent limits on facility air emissions, establishes an operating permits program, allows for civil, administrative and criminal enforcement actions, and requires the EPA to regulate hazardous air pollutants (also known as "toxic" air pollutants, or "air toxics") on a pollutant-by-pollutant basis, based on risk. The Clean Air Act establishes national ambient air quality standards ("**NAAQS**") with attainment deadlines and control requirements based on the severity of air pollution in a given geographical area. Various U.S. State clean air acts implement, complement and, in many instances, add to the requirements of the Clean Air Act. The requirements of the Clean Air Act and its U.S. State counterparts govern the daily operation of SpecialtyCo's manufacturing sites in the United States and, in many cases, on product manufacturing and other long-term business decisions. SpecialtyCo's businesses maintain numerous permits and emission control devices pursuant to these clean air laws.

Several of SpecialtyCo's U.S. sites have sufficient air emissions to trigger stringent permitting requirements under Title V of the Clean Air Act or U.S. State counterpart laws.

Pursuant to the **Clean Water Act**, as amended, the EPA has implemented pollution control programs such as setting wastewater and stormwater standards for industry. The EPA also developed national water quality criteria recommendations for pollutants in surface waters. Under the Clean Water Act, discharge of any regulated pollutant from a point source, such as pipes or man-made ditches, into navigable waters requires a National Pollution Discharge Elimination System (NPDES) or U.S. State equivalent permit. SpecialtyCo's facilities in the U.S. generally are required to obtain these permits for discharges of process wastewaters, including any required pretreatment steps. To the extent SpecialtyCo's facilities discharge into municipalities' publicly owned treatment works they are often required to obtain pretreatment and/or discharge permits from local agencies. In either case, the regulations and permits (if applicable) typically require SpecialtyCo to file periodic discharge monitoring reports disclosing wastewater discharges and any permit limit exceedances.

Pursuant to the **Resource Conservation and Recovery Act**, as amended ("**RCRA**"), the EPA regulates the generation, transport, treatment, storage, disposal and clean-up of hazardous and non-hazardous wastes. The EPA has developed a comprehensive program to ensure that hazardous waste is managed safely from the moment it is generated to its final disposal (from the "cradle-to-grave"). Generators of hazardous waste may not treat, store, dispose of, transport, or offer for transportation, hazardous waste without having received an EPA identification number and must follow certain standards for record-keeping, inspections, and short term storage of wastes based on the amounts of hazardous wastes generated on a monthly basis. Likewise, a generator may not offer its hazardous waste to transporters or to treatment, storage, or disposal facilities that have not received an EPA identification number.

Facilities that want to store, treat, or dispose of hazardous wastes on-site are required to obtain a permit and be classified as a treatment, storage, and disposal ("**TSD**") facility. TSD facilities have additional record-keeping, reporting, inspections, training, and spill response burdens. RCRA also requires owners and operators of TSD facilities to demonstrate that they have the financial resources to properly close the permitted operations at the end of their useful lives and respond appropriately to any releases of hazardous waste. Transport and disposal of hazardous waste is strictly regulated by the EPA. There are prohibitions against the land disposal of certain hazardous wastes, requiring use of certain treatment methods, such as incineration, prior to land disposal.

Generally, any site discovered to be contaminated by hazardous substances, including hazardous wastes, is remediated under RCRA's corrective action program, the CERCLA or similar U.S. State laws. Most of SpecialtyCo's facilities generate various hazardous and non-hazardous wastes, as part of normal operations, for treatment and disposal.

Over time, additional permits or amended permits may also be required for SpecialtyCo's manufacturing and business activities. To the extent required, each SpecialtyCo site is issued individual operating permits covering environmental aspects of their operations, which must be periodically renewed and/or updated as required. These permits may be subject to public review and varying degrees of public participation and potential challenge before they are issued or renewed. For example, EPA and certain states are increasingly using environmental justice legal concepts to evaluate applications for new, renewed and changed permits. In general, compliance, monitoring and government reporting under certain defined circumstances are often required by the operating permits. In addition, laws requiring environmental assessment and remediation will continue to require significant investment of SpecialtyCo's resources for third party waste disposal sites for historical operations, as well as active plant sites, closed sites, and sold sites where SpecialtyCo has retained environmental responsibilities.

Pursuant to the **Safe Drinking Water Act**, EPA is promulgating a proposed National Drinking Water Regulation for six PFAS including PFOA and PFNA which would set Maximum Contaminant Levels ("**MCLs**") in the very low parts per trillion range. The final rule, expected in late 2023, would require public water utilities to treat the water they supply to customers to meet the MCLs. EPA can be expected to regulate additional PFAS with MCLs over time. While not directly applicable to SpecialtyCo manufacturing sites, the final rule could impact SpecialtyCo in several ways including those described here. First, states are likely to reduce their groundwater remediation standards consistent with the new MCLs, which could impact remediation costs for releases associated with SpecialtyCo operations. In addition, public water suppliers may allege that their water supplies have been impacted by SpecialtyCo and bring litigation against SpecialtyCo seeking to recover the costs of installing treatment on their supplies. Similarly, the new MCLs could lead to increased litigation from individual plaintiffs seeking to recover treatment costs for their private wells and/or costs related to alleged personal injury.

11.3.3 Asia

The following provides an overview of selected areas of the main environmental laws and regulations applicable to SpecialtyCo's business operations Asian countries where it owns or operates sites or facilities, as of the date of this Registration Document, namely China, Thailand, and India.

11.3.3.1 *China*

SpecialtyCo's activities in China are subject to various environmental regulations including laws promulgated by the National People's Congress, administrative regulations implemented by the State Council or local regulations formulated by each province, autonomous region or municipalities.

Major environmental laws and regulations, which SpecialtyCo must comply with include the Environmental Protection Law, the Water Pollution Prevention Law, the Yangtze River Protection Law, the Air Pollution Prevention Law, the Soil Pollution Prevention Law, the Discharge Permit management rule and the Environmental Impact Assessment (EIA) Law.

(a) The Water Pollution Prevention and Control Law

The Water Pollution Prevention and Control Law (as amended on June 27, 2017 and became effective on January 1, 2018) sets forth the legal framework for water pollution prevention in China, in line with national waste discharge standards established by the environmental protection department of the State Council.

Pursuant to the Water Pollution Prevention and Control Law, the discharge of industrial waste water, medical sewage to waters, waste water or sewage are subject to the obtaining of a pollutant discharge license from the environmental protection department of the State Council. Businesses conducting such licensed activities are required to monitor the discharged water pollutants, and retain original monitoring records. A list of prohibited substances (such as oil, acid, alkaline, industrial solid waste, toxic or harmful substances, pathogenic pollutants, and radioactive pollutants) for which such license is required is established by law. Despite obtaining this license, Businesses that discharge waste into water are required to pay a sewage treatment fee allocated to the construction and operation of facilities for the centralized treatment of urban sewage. Most of SpecialtyCo's facilities in the China are required to obtain this license to discharge waste water.

The Water Pollution Prevention and Control Law also provides for a number of obligations to which companies are subject and which allow for their effective control by the relevant public authorities. For instance, companies such as SpecialtyCo are required to report to and register with the local environmental protection department their existing facilities which discharge and treat pollutants, and the categories, quantities and concentrations of pollutants discharged under their normal operating conditions, and also provide to the same department technical information concerning prevention and control of water pollution.

Companies which act in violation of the abovementioned rules can be ordered to stop such illegal actions and to implement remediation or treatment measures within a certain time limit, and faces administrative, criminal or civil penalties. The administrative fines vary, depending on the nature of the violation. While violation of the monitoring obligations can be fined between RMB 20,000 (c. EUR 2,700 euros) and RMB 200,000 (c. EUR 27,000), the unlicensed discharge of pollutants is fined between RMB 100,000 (c. EUR 13,400) and RMB 1 million (c. EUR 134,000).

(b) The Yangtze River Protection Law

The Yangtze River Protection Law of December 26, 2020, aiming at strengthening the ecological and environmental protection and remediation in the Yangtze River Basin, establishes the "Yangtze River Basin Coordination Mechanism", which uniformly coordinates the protection of the Yangtze River through deliberation on major policies and plans for the protection of the Yangtze River, and supervision and inspection of the implementation of relevant important measures in this respect. In particular, the Yangtze River Basin Coordination Mechanism prohibited navigation and the transfer of heavily polluting enterprises and projects in certain areas of the river, or the dumping, burying, piling up, discarding or treatment of solid waste within the limits of control areas for rivers and lakes in the Yangtze River basin.

(c) The Solid Waste Pollution Prevention and Control Law

Pursuant to the Solid Waste Pollution Prevention and Control Law of October 30, 1995 (as amended on April 29, 2020), companies operating in China are required to classify and manage solid waste in accordance with their type (solid, semi-solid or gaseous state) and are encouraged to reduce, reuse and recycle such waste. The regulation also imposes that companies like SpecialtyCo establish and improve their responsibility system for the prevention and control of environmental pollution, and adopt treatment measures on industrial solid waste to reduce or control environmental pollution.

(d) The Soil Pollution Prevention Law

The Soil Pollution Prevention Law of August 31, 2018 (and effective as of January 1, 2019) requires industrial companies in China which cause a contamination (and any of its successors) (either of which, a "Responsible Person") shall implement risk control and remediation measures. Where it is not possible to determine the identity of the Responsible Person, the land use rights holder is required to implement risk control and remediation measures.

In the exercise of their control of soil pollution, government authorities created supervision lists of industrial facilities in each city across China that will be subject to increased government inspections. Businesses having facilities included in the soil contamination Supervision List are required to (i) establish procedures for managing the discharge of toxic or hazardous waste, (ii) establish procedures for screening of soil contamination, and (iii) conduct an annual examination on the soil and underground water on the land used for its operation and report the results of such examination to the competent local authorities of ecology and environment.

SpecialtyCo's has four facilities appearing respectively in the Supervision Lists of cities.

(e) The Environmental Impact Appraisal (EIA) Law

The Environmental Impact Appraisal Law of October 28, 2002 (and effective as of September 1, 2003, as amended, the "**EIA**"), on the basis of a list of activities set by the administrative department under the State Council in charge of environmental protection (e.g., construction, energy, agriculture) requires companies to undergo an environmental impact appraisal before a project is approved, to evaluate the potential environmental impacts of such activities, and to propose countermeasures to prevent and mitigate the negative effects of such activities. and make follow-up monitoring.

As a company operating in fields covered by the EIA, SpecialtyCo is required to conduct environmental impact assessments for its activities. In the event that environment impacts are likely to be very minor, companies subject to the EIA may not to conduct an environmental impact assessment, but would still be required to complete a registration form of the environmental impacts. A failure to comply with the EIA Law will expose SpecialtyCo to fines ranging from RMB 500,000 (c. EUR 65,000) to RMB 2 million (c. EUR 265,000) per non-compliant project.

11.3.3.2 *Thailand*

SpecialtyCo's facilities in Thailand are subject to numerous environmental laws. These include but are not limited to the Enhancement and Conservation of National Environmental Quality Act (1992), the Factory Act (1992), the Hazardous Substance Act (1992), the Industrial Estate Authority of Thailand Act (1979), and the Ministerial Regulation on Measures to Prevent Soil and Groundwater Contamination (2016).

The Enhancement and Conservation of National Environmental Quality Act, the Factory Act and the Industrial Estate Authority of Thailand Act tend to regulate all types of pollution (water, atmospheric or waste pollution) and each act empowers an authority to prescribe standards and to enforce the regulations.

In particular, pursuant to the **Enhancement and Conservation of National Environmental Quality Act**, the National Environmental Board prescribes quality standards for river, canal, or coastal water, groundwater and atmospheric water. The National Environmental Board is also in charge of approving certain projects which, based on their type, their size or the concerned activities, are likely to have an environmental impact, on the basis of an assessment report to be submitted by companies subject to this law. In addition, pursuant to the Enhancement and Conservation of National Environmental Quality Act, SpecialtyCo, is required to construct, install, bring into operation and maintain on-site facilities for wastewater treatment and for air pollution control and elimination. Furthermore, the **Ministerial Regulation on Measures to Prevent Soil and Groundwater Contamination** allows private laboratory approved by the Department of Industrial Works to conduct soil and groundwater inspections of such facilities to ensure it complies with the relevant standards of people's safety and environmental quality protection and conservation.

The **Factory Act** mainly controls and regulates the establishment and the operation of factories in Thailand based on the impacts a factory may have on the environment, by setting out three different categories of factories subject to different level of control and regulations. Where Group 1 factory is authorized to engage in a business without any prior approval, Group 2 and 3 must respectively notify the Permanent Secretary of the Ministry or seek its approval. The Act also authorizes the Department of Industrial Works to control and inspect the factory operations that could affect the environment. SpecialtyCo's factories in Thailand are classified as Group 3 factories.

The **Hazardous Substance Act** governs a broad range of hazardous materials, including hazardous and infectious waste, by prescribing criteria for import, production, transportation, consumption, disposal and export. Pursuant to this Act, the Hazardous Substance Committee is established, among other things, to set forth measures and plan on hazardous substance control. As in the Factory Act, the hazardous substances are classified into four categories, the production, import or export of substances of each category being subject to different conditions. While the operations involving second and third categories substances are respectively subject to a prior notification or to a license, the substances contained in the fourth category are prohibited. Substances that are forged, under-standard, deteriorated or under revocation order cannot be produced, imported or possessed, regardless of which category they belong to.

11.3.3.3 *India*

SpecialtyCo's facilities in India are subject to different types of regulations, some of which provide a normative framework for environmental protection and others which focus on the protection and control of a specific source of pollution.

The **Environment Protection Act of 1986** prohibits companies such as SpecialtyCo from discharging or emitting any pollutants (waste, water or atmospheric pollutants) in excess of the standards set out by the act. It also permits any person empowered by the central government to enter any place for the purpose of examining and testing any equipment, industrial plant, record, register, document or any other material object or for conducting a search of any building in which he has reason to believe that the pollution standards have been exceeded. This Act also constitutes the Environmental Impact Assessment Authority (EIAA) which is in charge of approving the construction, expansion, and modernization of specific projects.

The **Water Prevention and Control of Pollution Acts of 1974 and 1977** provide for the prevention and control of water pollution, and for the maintaining or restoring water quality and wholesomeness in the country. The 1974 Act establishes quality standards, prevents any person to knowingly cause or permit water poisoning or pollution determined in accordance with such standards, and obliges the companies to seek the approval of the State Board before establishing any industry, operation or process or any treatment and disposal system. The 1977 Act creates a tax which is to be levied and collected for the purposes of these regulations. This tax is collected with a view to augment the resources of the Central Board and the State Boards for the prevention and control of water pollution constituted under the 1974 Act. SpecialtyCo as an entity carrying out is operations in India, is subject to the payment of the tax which is calculated on the basis of the water it consumes. Similarly with respect to air pollution, the **Air Prevention and Control of Pollution Act 1981** and the **Rules 1982** adopted pursuant to the Act, which created the Central Pollution Control Board and State Boards in charge of laying down standards for the quality of the air and standards for emission of air pollutants into the atmosphere, prohibits companies such as SpecialtyCo to emit air pollutants exceeding the established standards.

Moreover, hazardous wastes are regulated by the **Hazardous Waste Management, Handling and Transboundary movement Rules of 2008 and 2016** which, among other things, make industries engaged in handling, generation, collection, storage, packaging, transportation, use, treatment, processing, recycling, recovery, utilization, offering for sale, transfer or disposal of the hazardous and other wastes, subject to the prior approval of the State Pollution Control Board. The treatment, storage and disposal facilities shall respect the guidelines issued by the Central Pollution Control Board, which is entitled to control the facilities. The transboundary movement (import and export) of hazardous wastes is also subject to the granting of a permission for transit by the Ministry of Environment, Forest and Climate Change.

11.4 Workplace safety laws and regulations

SpecialtyCo's facilities must comply with a number of workplace requirements in Europe (such as Directive 89/391/EEC of June 12, 1989, the "**OSH Framework Directive**") and in the United States (such as "**OSHA**") as well as other safety management regulations in various jurisdictions around the world focused on worker protection and prevention of injuries, exposure to substances (industrial hygiene) and accidental releases of dangerous substances and their effect on the local community (such as the Work Safety Law of China of June 29, 2022 as amended).

The **OSH Framework Directive** guarantees minimum safety and health requirements throughout Europe while EU Member States remain competent to maintain or establish more stringent measures.

In addition to the OSH Framework Directive, a series of individual directives and various national legislations have been adopted to impose more stringent and specific provisions with respect to certain activities such as the ones requiring exposure to dangerous substances or physical agents.

Likewise, pursuant to OSHA's catch-all "general duty" clause, and other OSHA-issued standards and regulations, SpecialtyCo is required to provide a safe workplace for all of its U.S. employees by managing recognized safety or health hazards. For example, OSHA imposes certain requirements for workplace monitoring and surveillance, including employee monitoring and requiring employers to maintain a log of workplace illnesses and injuries. OSHA also establishes standards for specific hazards, such as airborne chemical exposure levels and proper use of equipment in the workplace. Employers must assess their facilities for the presence of asbestos-containing material and follow certain notice and work practice requirements to prevent employee exposure. OSHA's hazard identification and control requirements cover both physical hazards (such as the potential for explosions) and health hazards (such as equipment safety and electrical hazards). Employers must provide a minimum level of training to ensure that employees are properly equipped to handle chemicals and workplace hazards.

OSHA requires that employers provide its employees with personal protective equipment when other controls are not feasible or effective in reducing the risk of exposure to hazardous substances (or other workplace hazards). OSHA representatives have authority to conduct inspections at workplaces and conduct interviews with employees.

Significant workplace accidents or breaches of workplace safety policies may result in loss of life, environmental clean-up costs, lawsuits, fines, administrative penalties or other outcomes, which could have a material adverse effect on SpecialtyCo's business, financial condition and results of operations. *See* Section 1.2.5, "*SpecialtyCo's manufacturing activities involve high-risk processes and substances.*"

11.5 Anti-corruption, anti-money laundering and anti-bribery laws and regulations

SpecialtyCo is subject to a number of laws and regulations targeted at preventing and countering corruption, bribery or money laundering applicable in the various jurisdictions in which it conducts its operations, such as the UK Bribery Act of 2010, the anti-corruption provisions of French law n° 2016-1691 dated December 9, 2016 relating to Transparency (the so-called "**Sapin II Law**"), the U.S. Foreign Corrupt Practices Act of 1977 as amended (FCPA), and economic and trade sanctions, including those administered by the United Nations, the European Union, the Office of Foreign Assets Control of the U.S. Treasury, and the U.S. Department of State. These statutes generally prohibit providing anything of value to foreign officials for the purposes of obtaining or retaining business or securing any improper business advantage. SpecialtyCo may deal with both governments and state-owned business enterprises, the employees of which are considered foreign officials for purposes of these laws.

Any violations of the aforementioned laws and regulations may result in substantial civil or criminal penalties or sanctions, breach of contract and fraud litigation, reputational harm, and other consequences, each of which, individually or in the aggregate, could have a material adverse effect on the Group's business, results of operations or financial conditions. *See* Section 1.5.2, "*Complying with evolving antitrust, fraud, corruption and bribery, tax, and other laws and requirements may be difficult or costly*."

12. TREND INFORMATION

12.1 Financial performance

The trends observed in the first part of 2023 follow to a large extent those realized during the fourth quarter of 2022, as discussed in Section 9.4, "*Results of Operations—Year ended December 31, 2022 compared with year ended December 31, 2021*."

In the first quarter of 2023, SpecialtyCo recorded strong Underlying EBITDA growth in Materials that more than offset a modest decline in Consumer & Resources Underlying EBITDA. Pricing actions overcame cost inflation and lower volumes (due to softer demand across several end-markets), while fixed cost increases were contained due to cost savings measures (including continued implementation of structural cost reductions).

In the Materials segment, volume growth in Composite Materials offset lower demand in Specialty Polymers. Specialty Polymers' sales improved primarily due to higher prices. Volumes were slightly lower due to reduced demand in batteries (destocking), while other markets including automotive (other applications), electronics, and healthcare delivered increased volumes. Composite Materials' sales were up due to higher volumes and price. This was driven by the continued recovery of civil aerospace as well as growth in space & defense markets. Segment profitability benefited from improved margins, reflecting positive price increases net of higher raw material costs.

The Consumer & Resources segment experienced lower volumes, partly offset by higher prices. While pricing in Novecare remained positive, reduced demand in the coatings, agro and consumer markets weighed on volumes. Technology Solutions benefited from higher prices and volumes, due to strong demand driven by mining and phosphorus derivatives. Aroma Performance volume declined due to lower demand for vanillin used in the flavors and fragrance market. Oil & Gas Solutions' sales decreased from lower natural gas drilling activity in the U.S. due to a steep decline in natural gas prices. Segment profitability declined year on year, reflecting the lower volumes overall.

SpecialtyCo received compensation of EUR 91.6 million from a final settlement of litigation in relation to Solvay's claims of environmental breaches by Edison, which is recorded under Results from Legacy Remediation and Major Litigation, and is not part of Underlying EBITDA.

12.2 Business Developments

12.2.1 Launch of KetaSpire® PEEK

On May 23, 2023, Solvay announced the launch of **KetaSpire®** KT-857, a new polyetheretherketone (PEEK) extrusion compound designed especially for copper magnet wire insulation in electric motors. The development of the custom-engineered insulation material was driven by the move of OEMs towards higher density batteries and electric powertrains operating at 800V or above to address the range anxiety of consumers.

In addition to ensuring better adhesion in a faster and more cost-efficient monolayer process, Solvay's new magnet wire PEEK insulation material also provides important sustainability benefits. The extrusion of a single insulation layer requires less energy, and in contrast to the enamel process there is no need for utilizing any volatile organic compounds. At the same time, KetaSpire® KT-857 PEEK results in a more uniform insulation layer.

KetaSpire® KT-857 compliments the portfolio of Solvay's dedicated high-performance e-motor solutions, which also include **Ajedium™** PEEK film and **Xydar®** LCP for slot liners, **Amodel®** PPA and **Ryton®** PPS resins for high-voltage connectors, connection rings and busbars, and **Xencor™** long fiber thermoplastics for slot wedges.

12.2.2 GKN Aerospace

On April 19, 2023, Solvay announced that it and GKN Aerospace signed an extension to their 2017 collaboration agreement. Under the agreement, both businesses are developing a joint thermoplastic composites (TPC) roadmap to explore new materials and manufacturing processes for aerospace structures, while jointly targeting future strategic high-rate programs. In addition SpecialtyCo will remain a GKN Aerospace preferred supplier for TPC materials.

Over the past six years, the Composite Materials business and GKN Aerospace have engaged on successful projects such as a TPC wing rib program where the use of TPC and a one shot manufacturing process enabled the development of a lighter and cost competitive part; as well as the development of a cost effective AFP TPC fuselage panel opening the door to primary structure applications.

GKN Aerospace is an industry leader in the use of TPC on aircraft and SpecialtyCo's PEKK composites and PEKK films play an important role in supporting GKN Aerospace's TPC development activities.

12.2.3 Strategic Collaboration with Ginkgo Bioworks

On April 4, 2023, Solvay announced a strategic collaboration with Ginkgo Bioworks (NYSE: DNA), which is building the leading platform for cell programming and biosecurity. Through this multi-year strategic collaboration agreement, SpecialtyCo will join forces with Ginkgo to unlock the power of synthetic biology as an enabler of more sustainable chemicals and materials, contributing to the transition towards more environmentally-friendly solutions. This alliance will start by focusing on new sustainable biopolymers, specialties which could tangibly impact a breadth of markets, from home and personal care to agriculture and food.

As part of this partnership, SpecialtyCo will also acquire a Ginkgo (formerly Zymergen) laboratory in Cambridge, Massachusetts. This acquisition will expand SpecialtyCo's R&I footprint in the U.S., provide access to new talents, and establish a sustainable growth base in synthetic biology in one the most important biotech hubs in the world, accelerating the company's biotech development plan.

With this strategic collaboration and expansion, SpecialtyCo will integrate deep competencies in bioinformatics / data science, strain engineering, biocatalysis and fermentation processes, strengthening and accelerating the ability to scout, develop and turn into businesses the most valuable biotech-enabled opportunities.

This partnership is designed to strengthen SpecialtyCo's position in biotechnology as part of the Renewable Materials and Biotechnology growth platform which aims to meet growing demand for sustainable solutions by increasing the share of renewable carbon in Solvay's product offering and developing new business opportunities enabled by biotechnology. This growth platform complements the company's activities in three other key areas: battery materials, green hydrogen and thermoplastic composites.

12.2.4 Agreement with energyRe to buy Renewable Energy Certificates from Lone Star Solar

On February 27, 2023, Solvay announced a 15-year agreement with energyRe for Solvay to purchase all renewable energy certificates (RECs) generated by the Lone Star Solar project in Calhoun County, South Carolina. This agreement will help SpecialtyCo reduce carbon emissions for its U.S. electricity purchases and decrease GHG emissions of its operations by 73,000 metric tons annually. Lone Star Solar is currently under development by energyRe and is expected to reach commercial operation in 2024.

The agreement will enable Solvay facilities (Havre de Grace, Maryland; Piedmont, South Carolina; Rock Hill, South Carolina; Winona, Minnesota and Willow Island, West Virginia) to reach zero emissions from respective electricity purchases. Solvay One Planet, launched in 2021, is the company's roadmap to a more sustainable future and as part of this, Solvay is targeting carbon neutrality globally before 2040.

Upon commercial operation, the Lone Star Solar plant will have 66 megawatt (MWac)/107.8 MWdc of renewable power capacity. The project will also deploy a 198 megawatt-hour (MWh) Battery Energy Storage System (BESS) across the 572-acre facility. Pending regulatory approvals, Lone Star Solar will be one of the largest solar and storage facilities in the southeastern U.S. and will represent approximately $200 million invested toward powering 17,000 homes and businesses.

12.2.5 New polymer for high-heat electric vehicle battery module insulation

On March 23, 2023, Solvay announced the introduction of a new high-heat and flame retardant grade in the company's **Xydar® liquid crystal polymers** (LCP) portfolio, which is designed to meet critical safety demands in electric vehicle battery components. The new Xydar® LCP G-330 HH material addresses challenging thermal and insulation requirements and is targeted particularly at battery module plates of electric vehicle models operating with higher voltage systems.

Xydar® LCP G-330 HH is a glass-filled LCP for injection molding capable of retaining its electrical insulation upon exposure to 400°C for 30 minutes. Xydar® LCP is an inherently flame retardant polymer, without the use of halogen or bromine additives. In addition, it offers exceptional flowability and helps battery designers achieve thinner parts than possible with incumbent battery module insulation materials, such as polycarbonates or aerogels. It has been successfully tested with plates molded in typical dimensions of 100 x 150 x 0.5 mm.

Xydar® LCP has a proven fit in many electrical and electronic as well as coating applications. Besides automotive lighting components, sensors, solenoids and connectors, advanced examples in e-mobility include thin-wall slot liners used in the rotor design of an electric drive traction motor.

Xydar® LCP G-330 HH extends the portfolio of SpecialtyCo's battery solutions, which also includes **Solef® PVDF** for binders and separators, **Ryton® PPS** for coolant line connectors and vents, and **Amodel® PPA** for connectors and busbars.

12.2.6 Settlement with New Jersey Department of Environmental Protection on PFAS Remediation

On June 28, 2023, SpecialtyCo's subsidiary SpP USA and the New Jersey Department of Environmental Protection (NJDEP) announced an agreement resolving PFAS related claims in New Jersey.

Under the terms of the agreement, SpecialtyCo will pay USD 75 million to NJDEP for Natural Resource Damages (NRDs) and USD 100 million to fund NJDEP PFAS remediation projects in areas of New Jersey near the company's West Deptford site (approximately EUR 68 million and EUR 91 million, respectively, based on the ECB's exchange rate prevailing as of the date of this Registration document). The settlement includes commitments for SpecialtyCo to complete remediation activities that the company began in 2013, including testing water and soil near the West Deptford site. SpecialtyCo has agreed to establish a remedial funding source in the amount of USD 214 million to fund those activities (approximately EUR 195 million based on the aforementioned exchange rate). The agreement, structured as a Judicial Consent Order, will be presented to the U.S. Court for review and approval later this year, following a public comment period.

Since 2013, SpecialtyCo has been conducting remediation efforts in New Jersey. This includes installing a drinking water treatment system on a municipal well, constructing and operating an offsite pump-and-treat system for impacted groundwater, and enhancing existing onsite treatment systems for impacted groundwater.

As a result of this settlement, SpecialtyCo will increase its current provision[4] by around USD 250 million at the end of Q2 2023 (approximately EUR 228 million based on the aforementioned exchange rate), with USD 175 million cash out in 2024 (approximately EUR 160 million based on the aforementioned exchange rate) and the balance over a 30 year period. This provision represents the estimated liability and does not reflect expected recoveries from third party contributors nor does it reflect potential insurance proceeds, the combination of which could significantly reduce the resultant liability.

[4] In the third quarter of 2022, SpecialtyCo recorded EUR 93 million of environmental provisions reflecting the estimated cost of certain remediation activities in West Deptford, NJ over the next 20 years.

13. PROFIT FORECASTS OR ESTIMATES

Not applicable.

14. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

14.1 General

This Section 14 describes the Company's corporate governance as of the date of this Registration Document.

The main aspects of the corporate governance of the Company as from the completion of the Partial Demerger, including its precise governance structure as well as the terms of reference of the Management Body, will be described in a supplement to this Registration Document to be published prior to the completion of the Partial Demerger.

As from the completion of the Partial Demerger, the Company will become a listed company and will adhere to the principles and provisions of the 2020 Belgian Code on Corporate Governance (the "**Corporate Governance Code**"), which is based on a "comply or explain" principle. Under the BCCA, Belgian listed companies are required to disclose and justify any deviations from the Corporate Governance Code in the corporate governance statement included in their annual report. To the extent that the Company would not comply with any principle or provision of the Corporate Governance Code, the Company's Management Body will explain the reasons for any such deviation in its corporate governance statement.

The Management Body will also adopt a corporate governance charter (the "**Corporate Governance Charter**"). The Articles of Association are available, and the Corporate Governance Charter will be (once adopted) made available, on the Company's website (www.solvay.com/en/investors/creating-two-strong-industry-leaders/syensqo) and, upon request, free of charge at the Company's registered office.

14.2 Founder

The Company was incorporated on February 27, 2023 by Solvay SA as sole founder.

14.3 Management Body as of the date of this Registration Document

14.3.1 Composition of the Management Body

At incorporation, the Company's sole director was Solvay SA, represented by Mr. Louis d'Oreye de Lantremange.

Solvay SA resigned as sole director of the Company on May 24, 2023. On the same date, Dr. Ilham Kadri and Mr. Karim Hajjar were appointed as directors of the Company by Solvay SA (as sole shareholder of the Company) and together, they form the Management Body of the Company as of the date of this Registration Document.

The table below provides an overview of the current mandates at the date of this Registration Document:

Name	Position	Start of mandate	End of mandate
Ilham Kadri	Director	May 24, 2023	Indefinite
Karim Hajjar	Director	May 24, 2023	Indefinite

The professional address of both directors is Rue de Ransbeek/Ransbeekstraat 310, 1120 Brussels, Belgium.

The following paragraphs contain brief biographies of each of the directors.

Ilham Kadri – Dr. Kadri is Chairwoman of the Executive Committee, CEO and a member of the Board of Directors of Solvay SA since 2019. She is also a member of the Board of Directors of A.O. Smith

Corporation, and a member of the Board of Directors and of the Audit Committee of L'Oréal SA. Prior to her work at Solvay, Dr. Kadri was CEO and President of Diversey and prior to that, Dr. Kadri held a series of positions at Sealed Air Corporation, Dow Chemical, Huntsman, UCB and Royal Dutch Shell. Born in 1969, Dr. Kadri holds a PhD in Macromolecular Physics-Chemistry from Louis Pasteur University, Strasbourg, France, and a Degree in Chemical Engineering from l'Ecole des Hauts Polymères, Strasbourg, France.

Karim Hajjar – Mr. Hajjar is Chief Financial Officer of Solvay and a member of Solvay's Executive Committee. He joined Solvay and assumed his present roles at the company in 2013. Prior to his tenure at Solvay, he held a series of positions at Imperial Tobacco Group, Tarmac Group (a division of Anglo American plc), Royal Dutch Shell, and Grant Thornton, Chartered Accountants. Born in 1963, Mr. Hajjar received a Bachelor of Science degree in Economics from the City University London in 1984, and received a Chartered Accountancy certification from the Institute of Chartered Accountants in England and Wales in 1987.

In the five years preceding the date of this Registration Document, the directors have held the following directorships (apart from their directorships of the Company and its subsidiaries) and memberships of administrative, management or supervisory bodies and/or partnerships:

Name	Current mandates	Past mandates
Ilham Kadri	**Solvay SA**: Chairwoman of the Executive Committee, CEO, Director, Member of the Finance Committee and Member of the ESG Committee **A.O. Smith Corporation**: Director, Member of the Nominating & Governance Committee and Member of the Personnel & Compensation Committee **L'Oréal SA**: Director and Member of the Audit Committee	**Diversey**: CEO and President
Karim Hajjar	**Solvay SA**: Member of the Executive Committee and CFO	

14.3.2 Litigation statement concerning the directors

To the best knowledge of the Company, as at the date of this Registration Document, none of the directors of the Company has, for at least the previous five years:

- been convicted in relation to fraudulent offences;
- held an executive function as a senior manager or a member of the administrative, management or supervisory bodies of any company at the time of or preceding any bankruptcy, receivership or liquidation or at the time at which such company has been put into administration;
- been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body); or
- been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of affairs of any company.

14.3.3 Conflicts of interest

As of the date of this Registration Document, the Company is not aware of any potential conflicts of interest between any duties owed to the Company by its directors and the other duties or private interests of such directors.

However, the Company notes that Dr. Kadri and Mr. Hajjar are respectively CEO and CFO of Solvay SA, which – until completion of the Partial Demerger – is the sole shareholder of the Company and with which – after completion of the Partial Demerger – the Company and its subsidiaries are expected to continue to have commercial relationships (*see* Section 7.5, "*Agreements between SpecialtyCo and Solvay SA relating to the Partial Demerger*"). Potential conflicts of interest that may exist following completion of the Partial Demerger (if any) will be described in a supplement to this Registration Document, taking into account the identity and roles of the members of the Management Body.

Furthermore, the Company and its directors must comply with the procedures regarding conflicts of interest set out in Article 5:76 of the BCCA in the event of a possible personal financial conflict of interest of one or more directors with one or more decisions or transactions to be adopted by the Management Body of the Company.

Each director is encouraged to arrange his or her personal and business affairs so as to avoid direct and indirect personal financial conflicts of interest with the Company.

15. REMUNERATION AND BENEFITS

15.1 Remuneration and benefits of the Members of the Board of Directors

The directors of the Company as of the date of this Registration Document, Dr. Kadri and Mr. Hajjar, are not entitled to any remuneration from the Company for the exercise of their mandate as directors of the Company.

The Company notes that Dr. Kadri and Mr. Hajjar are respectively CEO and CFO of Solvay SA, which – until completion of the Partial Demerger – is the sole shareholder of the Company. This Section summarizes the remuneration and benefits received by Dr. Kadri and Mr. Hajjar during the year ended on December 31, 2022 for the exercise of their roles at Solvay SA.

Solvay SA's remuneration policy prepared in accordance with Article 7:89/1 of the BCCA was last approved by Solvay SA's ordinary general meeting held on May 10, 2022 and is available on its website (www.solvay.com).

The expected remuneration and benefits of the future members of the Board of Directors and of the Executive Committee as of the Partial Demerger will be described in a supplement to this Registration Document to be published prior to the completion of the Partial Demerger.

15.1.1 Remuneration of Ilham Kadri and Karim Hajjar

Solvay SA's remuneration structure is designed in line with the following principles, which apply to both Dr. Kadri and Mr. Hajjar as members of the ELT:

- total remuneration is set at a level that is competitive in the relevant market and sector, in order to attract, retain and motivate the high-caliber talent needed to deliver Solvay's strategy and drive business performance;
- short- and long-term variable remuneration is tied to the achievement of strategic objectives, including driving sustainable performance, and recognizes excellent results once delivered;
- remuneration decisions are compliant and equitable, keeping in mind pay levels within the wider workforce, and balance cost and value appropriately.

The remuneration of Dr. Kadri and Mr. Hajjar for their roles as respectively CEO and CFO of Solvay SA for the year ended on December 31, 2022 consists out of 4 components: (i) fixed remuneration and benefits, (ii) variable short-term cash incentive ("**STI**"), (iii) long-term share incentives ("**LTI**"), and (iv) an exceptional stock option award.

15.1.1.1 *Fixed base remuneration and benefits*

Fixed base remuneration reflects an individual's experience, skills, duties, responsibilities, contribution and role within Solvay. It is reviewed annually and may be adjusted, taking into consideration a number of factors. Fixed base remuneration does not include the value of any benefits offered to ELT Members and is used to calculate targets for variable remuneration.

The fixed base remuneration for the year ended on December 31, 2022 granted to Dr. Kadri and Mr. Hajjar is respectively EUR 1,287,500 and EUR 951,984.

As mentioned under Section 15.2, "*Amount of provisions made or recorded by the Company or by its subsidiaries for the payment of pensions, retirement plans or other benefits*," the Company has not made provisions for payment of pensions, retirement or other similar benefits for its directors. However, Solvay SA has made the following provisions for amounts for payment of pensions, retirement or other similar benefits during financial year 2022 for Dr. Kadri and Mr. Hajjar for their roles at Solvay SA.

With respect to Dr. Kadri, an amount of EUR 911,634 was contributed to her pension plan and an amount of EUR 375,857 was allocated to other benefits which include long-term benefits (*e.g.*, deathin-service, disability & medical benefits) and benefits in kinds (*e.g.*, company vehicle, education, expatriation package expenses, tax filing assistance).

With respect to Mr. Hajjar, an amount of EUR 243,505 was contributed to his pension plan and an amount of EUR 300,828 was allocated to other benefits (similar to those granted to Dr. Kadri).

15.1.1.2 *Variable short-term cash incentives*

The STI plan provides a cash opportunity that is based solely on the achievement of pre-determined financial, non-financial and individual objectives.

The target opportunity provided by the STI plan for Dr. Kadri is 120% of fixed base remuneration, and up to 70% of fixed base remuneration for other members of the ELT, including Mr. Hajjar. The minimum pay-out is 0% and the maximum is 200% of target STI. The STI plan uses three broad performance categories weighed as follows:

- 65% depending on financial objectives (EBITDA growth and free cash flow conversion);
- 15% linked to the Solvay One Planet objectives which are structured around the three major categories of climate, resources and better life, and serves as Solvay SA's roadmap toward a sustainable future; and
- 20% linked to individual objectives measured against predetermined non-financial, quantitative and qualitative objectives. These are defined by the board of directors of Solvay SA for Dr. Kadri and then cascaded down to other ELT members by Dr. Kadri (as the CEO).

Bonuses are subject to malus and clawback provisions, in accordance with Solvay SA's remuneration policy.

15.1.1.3 *Long-term share incentives*

The long-term incentive grant for the year ended on December 31, 2022 for ELT members consists of (i) 70% Performance-based Share Units ("**PSU**") and (ii) 30% Restricted Share Units ("**RSU**"). The annual grant value is determined yearly by the board of directors of Solvay SA and is determined as a percentage of fixed base remuneration.

Dr. Kadri has an LTI grant target of 150% of fixed base remuneration. The board of directors of Solvay SA can apply discretion between 0% and 150% of the grant value. For Mr. Hajjar and other ELT Members, the grant target value is up to 125% of the fixed based remuneration. The board of directors of Solvay SA can apply discretion between 0% and 150% of the grant value.

(a) <u>Performance-based share units</u>

The PSUs vest three years from the date of grant, subject to the achievement of the pre-set performance objectives set in the 2022 PSU plan and linked to the performance of the Solvay group (EBITDA growth, sustained and / or improved ROCE %, and reduction of GHG absolute emissions) over a three (3) year period.

The opportunity varies from a minimum of zero, if the minimum target is not met, to a maximum payout of 150%, if the maximum target is achieved. Outcomes are subject to a further linear adjustment upwards or downwards dependent on Solvay SA's performance against the median of total shareholders return of the Stoxx 600 Index peer group. The final number of PSUs vested can reach a total maximum opportunity of 188% for maximum achievement on each of the KPIs as well as at or above 75th percentile positioning in the scale for the total shareholder return.

For the year ended on December 31, 2022 for the exercise of their roles at Solvay SA, Dr. Kadri and Mr. Hajjar were initially and respectively allotted 16,926 PSUs and 4,836 PSUs at a share price of EUR 94.09 for a total amount of EUR 1,592,567 for Dr. Kadri and EUR 455,019 for Mr. Hajjar. For the avoidance of doubt, these amounts are based on the assumption that the pre-set performance objectives to be assessed over a three (3) year period are met at 100%.

The PSU plans include an employment condition and malus and clawback provisions as per Solvay SA's remuneration policy.

It should further be noted that PSUs granted under the 2019 PSU plan have vested in 2022 at 24% of target. This resulted in an additional payment in 2022 of an amount of EUR 221,384 for Dr. Kadri and EUR 64,142 for Mr. Hajjar.

(b) Restricted share units

As mentioned under Section 15.1.1.3, "*Long-term share incentives*," 30% of the annual LTI grant is in principle delivered in the form of RSUs. The RSU vest with no performance hurdle, after a three (3) year period.

For the year ended on December 31, 2022 for the exercise of their roles at Solvay SA, Dr. Kadri and Mr. Hajjar were respectively allotted 7,254 RSUs and 2,073 RSUs at a share price of EUR 94.09 for a total amount of EUR 682,52.86 for Dr. Kadri and EUR 195,048 for Mr. Hajjar.

The RSU plans include an employment condition and malus and clawback provisions as per Solvay SA's remuneration policy.

15.1.1.4 *Exceptional stock option award*

In March 2022, Solvay SA announced that it was is reviewing the Partial Demerger. The successful implementation of this project depends on the performance of Solvay's ELT and key senior executives. For this reason, the board of directors of Solvay SA following the recommendation of Solvay SA's remuneration committee, decided to allocate an exception stock option grant to the members of the ELT and certain senior managers.

The options granted under this plan are subject to performance conditions and will be forfeited if the Partial Demerger does not occur by 2025. The options may be exercised by beneficiaries between January 1, 2026 and December 31, 2027 inclusive, providing presence and performance criteria are met.

Further to this scheme, Dr. Kadri and Mr. Hajjar have been granted respectively 129,418 and 42,602 options.

15.2 Amount of provisions made or recorded by the Company or by its subsidiaries for the payment of pensions, retirement plans or other benefits

The Company has not made provisions for amounts for payment of pensions, retirement or other similar benefits for its directors.

However, Solvay SA has made provisions for payment of pensions, retirement or other similar benefits during financial year 2022 for Dr. Kadri and Mr. Hajjar for their roles at Solvay SA in the amount set out under Section 15.1.1.1, "*Fixed base remuneration and benefits*."

16. OPERATIONS OF THE ADMINISTRATIVE AND MANAGEMENT BODIES

16.1 Terms of office of members of the administrative and management bodies

Information on the dates of expiration of the mandates of the directors of the Company as of the date of this Registration Document and information on the period during which each of them has served in that office is set out in Section 14.3.1, "*Management Body as of the date of this Registration Document*."

16.2 Information on service agreements between members of the Management Body and the Company or any of its subsidiaries

As of the date of this Registration Document and to the Company's knowledge:

- there are no service agreements entered into between directors and the Company providing for the granting of benefits upon termination of employment. The Company has no subsidiary as of the date of this Registration Document.

- each of Dr. Kadri and Mr. Hajjar have entered into a service (as regards Dr. Kadri) or employment (as regards Mr. Hajjar) contract with Solvay SA for the exercise of their roles respectively as CEO and CFO of Solvay SA and which provide for benefits upon termination of employment:

    - Dr. Kadri's service contract provides for a contractual indemnity of 18 months of her fixed and variable emoluments and all other benefits granted, and a 12 month non-compete indemnity equivalent to six months of remuneration computed in the same way as the severance fee due in case of termination by Solvay SA; and

    - Mr. Hajjar's employment contract contains a contractual departure indemnity of 12 months of his salary after five years of seniority, and a non-compete clause of 12 months.

Please refer to Section 15, "*Remuneration and benefits*" for a description of the service agreements entered into between the directors of the Company and Solvay SA.

16.3 Committees of the Management Body

As of the date of this Registration Document, the Company's Management Body comprises two directors and does not include any advisory committees. The Company's governance structure as from the completion of the Partial Demerger will be described in a supplement to this Registration Document to be published prior to the completion of the Partial Demerger.

17. EMPLOYEES

17.1 Description of the workforce

17.1.1 Number and breakdown of employees

As of December 31, 2022, SpecialtyCo had 12,873 employees within its scope of combination, which represents a net increase of 5.62% compared to financial year ended December 31, 2021 (as of December 31, 2021, SpecialtyCo had 12,188 employees within its scope of combination, and as of December 31, 2020, it had 13,046). Such totals have been estimated for SpecialtyCo based on current plans for the separation of the Specialty Businesses from the Solvay Group following the Legal Reorganization and Partial Demerger.[5] The allocation of corporate employees has been assumed, and is subject to change.

The table below shows a breakdown of SpecialtyCo's full-time equivalent employees by geographic location, as of December 31, 2022.

Geographic area	Headcount as of December 31, 2022 (in FTE)
Europe	4,775
North America	4,887
Latin America	436
Asia & rest of the world	2,775
Total	**12,873**

The table below shows a breakdown of SpecialtyCo's full-time equivalent employees by business unit, as of December 31, 2022.

Business unit	Headcount as of December 31, 2022 (in FTE)
Aroma Performance	580
Composite Materials	2,576
Novecare	2,300
Oil & Gas	634
Specialty Polymers	3,800
Technology Solutions	1,095
Total (Business Unit)	**10,985**
Functions	**1,888**
Total	**12,873**

17.1.2 Human resources policy

17.1.2.1 *Employee relations*

SpecialtyCo companies are subject to different legal and regulatory requirements regarding employee representation and the appointment of works councils in the countries in which they are located. SpecialtyCo complies with local requirements regarding staff representation and union representation.

The majority of SpecialtyCo's employees are covered by national collective bargaining agreements. These agreements typically complement applicable statutory provisions in respect of, among other things, the general working conditions of SpecialtyCo's employees, such as maximum working hours, holidays, termination, retirement, welfare and incentives.

SpecialtyCo believes it has developed fair relations with the employee representatives present in each country in which it operates. In the last five years, SpecialtyCo has not experienced any material disruption to its business as a result of strikes, work stoppages or other labor disputes that were specific to SpecialtyCo.

[5] As Oil & Gas only became a separate business unit in mid-2021, SpecialtyCo did not record any Oil & Gas employees in 2020.

17.1.2.2 *Training and talent development*

SpecialtyCo is continuously investing in training to enable its employees to improve their capabilities and develop new skills in line with SpecialtyCo's objectives and their foreseeable evolutions, and to maintain their abilities and employability throughout their career. The performance and development cycle of Solvay, a similar version of which is expected to be implemented within SpecialtyCo following completion of the Partial Demerger, aims at offering each employee the opportunity to realize their respective potential and to fulfil their ambition, and is also in line with the above-mentioned diversity and gender equality policy's objectives.

The performance and development cycle programs cover compliance, leadership and management, business/services-related training, soft skills, technical, tools and systems and health and safety issues. As part of Solvay's human resources policy, training programs are reviewed on an annual basis and training needs are considered during annual appraisals. A similar approach expected to be implemented within SpecialtyCo following completion of the Partial Demerger. In particular, such a cycle applies to the entire manager population and is used by about 7,600 employees, representing 53% of the non-manager population of SpecialtyCo in 2022.

17.1.2.3 *Health and safety*

SpecialtyCo is very attentive to employment-related issues, especially to health and safety in the workplace, security and quality of the work environment. In particular, one of SpecialtyCo's focuses is on compliance with all applicable legal, regulatory, industry and corporate requirements, and in particular with workplace safety regulations. See Section 11.4, *"Workplace safety laws and regulations."*

Solvay's health, safety and environment ("**HSE**") strategy, which companies operating the Specialty Businesses participated in and benefited from before the completion of the Partial Demerger, is based on a safety culture approach and a reporting process used to evaluate performance, analyze events and define short- and long-term improvement plans. It includes an approved HSE management system implemented at every industrial (manufacturing and research and innovation) site, including a set of risk-based procedures applying to areas including health monitoring, industrial hygiene, occupational safety, process safety, transport safety, environment and product safety, which is organized at the group level and implemented throughout each business unit. Solvay Group's HSE management system is aligned with ISO 45001 and ISO 14001 definitions and with its Responsible Care Policy, which aims to safeguard people and the environment, by continuously improving SpecialtyCo's environmental, health and safety performance, the security of its facilities, processes, and technologies, and chemical product safety and stewardship throughout the supply chain.

As of December 31, 2022, 57 of the sites at which the Specialty Businesses are operated have a management system and have been audited by a third party in the past five years, and it is expected that SpecialtyCo will implement similar HSE management systems following the completion of the Partial Demerger. In addition, as of December 31, 2022, 21 of the sites at which the Specialty Businesses are operated are certified by ISO 45001 or by the American Chemistry Council's Responsible Care Management System ("**ACC RCMS**"), 10 are certified by ISO 14001 and/or by ACC RCMS 14001 and 25 have implemented both systems. One of the Specialty Businesses operated sites has another approved management system in place.

It is expected that SpecialtyCo will implement within the Group similar HSE strategies and management systems as those described herein following the completion of the Partial Demerger.

17.2 Shareholdings and stock options

See Section 15, "*Remuneration and Benefits*."

17.3 Description of arrangements involving employees in the capital of SpecialtyCo

In December 2021, Solvay launched a global employee shareholding initiative, the Global Performance Sharing 2021 in coordination with the Solvay Global Forum, a global employee representative body created in 2015 to meet with Solvay's top management on a quarterly basis to comment on and discuss the quarterly results Solvay and to keep everyone informed of the main new projects. The Global Performance Sharing 2021 program, which is open to employees around the world, irrespective of their position or grading, allows any such employee to purchase Solvay shares at a discounted price: in particular, employees can benefit from a 10% discount on the share price and free shares for every three shares they own after a lock-in period. By mid-2023, most of the employees will be offered the possibility to buy shares, and get the same rights like every other shareholder. This program has been set up to increase employee's understanding of the Solvay's performance as well as enhance their sense of belonging to Solvay.

It is expected that SpecialtyCo will implement similar employee-related share purchase programs following the completion of the Partial Demerger.

18. MAJOR SHAREHOLDERS

18.1 Shareholding structure

As of the date of this Registration Document, the sole shareholder of the Company is Solvay SA, which owns the single share issued by the Company. The table below presents the Company's shareholding structure as of the date of this Registration Document up to the completion of the Partial Demerger.

Shareholders	Number of Shares	% of share capital	Number of voting rights	% of voting rights
Solvay SA	1	100.00%	1	100.00%
Total	**1**	**100.00%**	**1**	**100.00%**

As described in Section 7.4, "*The Partial Demerger*," as part of the Partial Demerger, Solvay SA will contribute the shares and other interests it holds in the legal entities operating the Specialty Businesses, its rights and obligations under the agreements entered into with those legal entities, as well as certain other assets and liabilities under a universal succession regime (*transmission à titre universel/overgang onder algemene titel*) to the Company by way of partial demerger. In return, the share capital of the Company will be increased and New Shares will be issued and allocated directly to Solvay SA's Existing Shareholders. The Exchange Ratio will be determined in the Partial Demerger Proposal and is expected to be determined on a 1:1 basis.

Assuming the Exchange Ratio would be determined on a 1:1 basis, each of the Solvay SA's Existing Shareholders would receive one Share for each share in Solvay SA it owns on the relevant record date before the completion of the Partial Demerger. Accordingly, upon completion of the Partial Demerger, the shareholding structure of the Company would mirror the shareholding structure of Solvay SA, subject only to (i) the single Share held by Solvay prior to completion of the Partial Demerger and (ii) any Excluded Solvay Shares for which no Shares will be issued or allocated to the relevant holder(s).

Based on the ownership of Solvay SA's share capital as at June 13, 2023, and ownership reporting notices published by the FSMA pursuant to the Belgian Law of May 2, 2007 on disclosure of major holdings in issuers whose shares are admitted to trading on a regulated market and laying down miscellaneous provisions (as amended, the "**Transparency Law**") and the Belgian Law of April 1, 2007 on public takeover bids (as amended, the "**Takeover Law**"), the table below presents Solvay SA's shareholding structure as of June 13, 2023, indicating shareholders holding more than 3% of Solvay SA's shares.

Solvay SA shareholders	Number of shares	% of share capital	Number of voting rights	% of voting rights
Solvay SA(1)	1,900	0.002%	N/A(2)	0%
Solvac SA	32,621,583	30.81%	32,621,583	31.36%
Solvay Stock Option Management SRL	1,861,202	1.76%	N/A(2)	0%
BlackRock(3) (4)	4,973,232	4.70%	4,973,232	4.78%
Public	66,418,499	62.73%	66,418,499	63.86%
Total	**105,876,416**	**100.00%**	**105,876,416**	**100.00%**

(1) Treasury shares acquired by Solvay SA in January 2023 for purposes of hedging Solvay SA's obligations under its Employee Share Purchase Plan. Solvay SA intends to sell any remaining treasury shares on the market before the Partial Demerger.

(2) Voting rights of Solvay SA shares held by Solvay SA or Solvay Stock Option Management SRL are suspended in accordance with Article 7:217 of the BCCA.

(3) Entities controlled by BlackRock, Inc.

(4) Further to a transparency declaration made by BlackRock, Inc. to Solvay SA and the FSMA on May 18, 2023, BlackRock owned as of May 17, 2023: (i) 4,973,232 shares of Solvay SA; and (ii) equivalent financial instruments which, if exercised, would allow BlackRock, Inc. to acquire 713,208 shares of Solvay SA. For the avoidance of doubt, the number of shares and voting rights of Solvay SA reported opposite BlackRock's name in the above table only includes shares held directly and does not take into consideration Solvay SA shares that BlackRock, Inc.'s may acquire upon exercise of equivalent financial instruments.

Based on Solvay SA's shareholding structure as presented in the above table, and assuming the Exchange Ratio would be determined on a 1:1 basis and there will be no Excluded Solvay Share, the table below presents the ownership of the Shares upon completion of the Partial Demerger, indicating shareholders holding more than 3% of Shares.

SpecialtyCo shareholders	Number of Shares	% of share capital	Number of voting rights	% of voting rights
Solvay SA	1	0.00%	0	0.00%
Solvac SA	32,621,583	30.81%	32,621,583	30.81%
Solvay Stock Option Management SRL	1,861,202	1.76%	1,861,202	1.76%
BlackRock(1) (2)	4,973,232	4.70%	4,973,232	4.70%
Public	66,420,399	62.73%	66,420,400	62.73%
Total	**105,876,417(3)**	**100.00%**	**105,876,417(3)**	**100.00%**

(1) Entities controlled by BlackRock, Inc.

(2) Based on the transparency declaration made by BlackRock, Inc. to Solvay SA and the FSMA on May 18, 2023, as explained above.

(3) Calculations based on total number of issued and outstanding shares of Solvay SA as at the date of this Registration Document (105,876,416) *plus* the single Share of the Company held by Solvay SA, and assuming that there would be no Excluded Solvay Shares.

18.2 Voting rights of the shareholders

All of the Shares of the Company will have the same voting rights. The major shareholders of the Company will not have different voting rights per Share. For further information on the Company's share capital and voting rights, *see* Section 21.1, "*Share capital*."

18.3 Reference shareholder

Upon completion of the Partial Demerger, the reference shareholder of the Company will be Solvac SA, a limited liability company (*société anonyme/naamloze vennootschap*) organized under the laws of Belgium and listed on Euronext Brussels. A majority of Solvac SA's shares (around 77.4% as published in Solvac's annual report for the financial year ended December 31, 2022) are held by members of various branches of the founding families of Solvay SA. Solvac will have the same rights as any holder of Shares.

As indicated in Sections 7.4, "*The Partial Demerger*," and 18.1, "*Shareholding structure*," as part of the Partial Demerger, it is expected that Solvay SA's Existing Shareholders will receive one Share in the Company for each share in Solvay SA that they own on the relevant record date before the completion of the Partial Demerger. Assuming that Solvac would own, at the relevant date, an identical number of Solvay SA shares as that which it owned on June 13, 2023, Solvac would own 32,621,583 Shares upon completion of the Partial Demerger, corresponding to 30.81% of the voting rights of the Company.

As a matter of Belgian law, ownership of 30.81% of the voting rights of the Company would not result in Solvac exercising de jure control over the Company.

18.4 Reference shareholder support

On March 15, 2022, Solvac SA publicly communicated its support to Solvay SA's project to explore the separation of the Solvay Group through the Partial Demerger. The Chairman of the board of directors of Solvac stated that:

> "*The board of directors of Solvac fully supports Solvay's project to explore its separation in two independent listed entities. We are happy that the board of directors of Solvay and its team initiate this important step to accelerate long term value creation for its shareholders. […]*

We are therefore fully committed to supporting the long-term development of both companies as they would both benefit from the strategic and financial flexibility to focus on their specific business models, markets and stakeholder priorities."

In the same press release, Solvac noted that:

"*Solvac commits to remain a reference shareholder in both companies throughout this next important phase in Solvay's evolution. As always, Solvac will maintain an open dialogue with Solvay throughout the transformation process*."

18.5 Agreements likely to lead to a change of control

The Company is not aware of any agreements, the operation of which may at a subsequent date result in a change in control of the Company.

19. RELATED-PARTY TRANSACTIONS

For a summary of related-party transactions to which SpecialtyCo is or will be a party, see Section 7.5, "*Agreements between SpecialtyCo and Solvay SA relating to the Partial Demerger*."

20. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION, PROFITS AND LOSSES

20.1 Combined financial information

SpecialtyCo's Combined Financial Statements, prepared in accordance with IFRS, are included in this Registration Document as Annex I.

20.2 Interim and other financial information

Not applicable.

20.3 Auditing of the combined financial information

The audit reports from EY and Deloitte on the Combined Financial Statements are attached to such Combined Financial Statements included in this Registration Document as Annex I.

20.4 Pro forma financial information

Not applicable.

20.5 Dividend policy

As it was incorporated on February 27, 2023, the Company has not distributed any dividends. After the completion of the Legal Reorganization and Partial Demerger, the Company will assume a 40% share of the current dividend level of Solvay SA for the 2023 financial year. The Company is expected to adopt a dividend policy that enables it to invest in the growth that will deliver sustainable value creation to shareholders, whilst preserving a structural capacity to deleverage over time (subject to its liquidity needs, the decision of its Management Body and approval of its shareholders). The Company's dividend policy will be further detailed in a supplement to this Registration Document to be published prior to the completion of the Partial Demerger.

20.6 Legal and arbitration proceedings

SpecialtyCo may, from time to time, be involved in various legal and arbitration proceedings which arise in the ordinary course of business, including in the areas of product liability, contractual relations, antitrust laws, patent disputes, tax assessments and environmental matters. Material proceedings are summarized below. While the list provided in this Section 20.6 is not exhaustive, SpecialtyCo is not aware of any other material proceedings against it, including any such proceedings that are pending or threatened.

20.6.1 <u>PFAS related proceedings</u>

A SpecialtyCo subsidiary in the United States—SpP USA—is a defendant in 34 lawsuits in the United States relating to its alleged use of PFAS. The vast majority of these cases (30) are pending in the federal and state courts in the state of New Jersey, and the majority (27) are claims by private plaintiffs seeking medical monitoring or compensation for alleged personal injury or other alleged economic loss. Three of the cases involve civil claims by separate U.S. state government authorities in New Jersey, Michigan and Illinois seeking various damages for alleged violations of state environmental laws, including natural resource damages. Two cases relate to allegations that substances from the same operating facility caused contamination of a local municipal well and two cases allege that products purchased from the subsidiary caused contamination elsewhere. The State of New Jersey also seeks the environmental clean-up of PFAS pollution allegedly caused by a single operating facility of SpP USA in West Deptford, New Jersey. On June 28, 2023, SpP USA and the New Jersey Department of Environmental Protection (NJDEP) announced they reached a settlement resolving PFAS-related claims in New Jersey. For additional information on this announcement, *see* Section 12.2.6, "*Settlement with New Jersey Department of Environmental Protection on PFAS Remediation*."

20.6.2 Spinetta proceedings

The Public Prosecutor's Office of the Criminal Court of Alessandria, Italy launched a preliminary criminal investigation into the alleged crime of culpable environmental disaster by two managers (employees of Solvay Specialty Polymers Italy SpA) at SpecialtyCo's Spinetta Marengo site at the end of 2020. It closed the investigation in December 2022. SpecialtyCo expects the Public Prosecutor's Office's final decision by the end of Q2 2023 on whether the case should be dismissed or brought to trial.

20.6.3 Edison related proceedings

There are administrative litigation cases pending in relation to the identification of the alleged polluter of an industrial site in Bussi, Italy (a site SpecialtyCo sold in 2016, before selling the surrounding area in 2018) and of the Tirino River. Such cases were brought by Edison in 2020 and 2022— the previous owner and operator of the Bussi site—after being recognized by the competent administrative authorities as "sole and exclusive polluter" of both the Bussi industrial site and the Tirino River.

Further, SpecialtyCo has been involved in more than 10 years of legal proceedings in relation to Solvay Specialty Polymers Italy Spa's claims of environmental breaches by Edison, in the context of SpecialtyCo's acquisition of the Italian company Ausimont in 2002. While Edison has been ordered by the ICC Arbitration Court in Geneva (CH) to pay a partial award of EUR 91 million for the losses, damages and costs incurred up to the end of 2016 in relation to certain environmental issues at the Spinetta Marengo and Bussi sites (previously owned and operated by Edison and Ausimont), a further phase of the arbitration proceeding, expected to end in 2024, will further define the additional amounts owed to SpecialtyCo. In addition, on January 23, 2023, SpecialtyCo received a favorable ruling from the Court of Appeal of Milan which rejected Edison's appeal against the enforcement of the partial award, making it definitively enforceable in Italy. On February 8, 2023, Edison settled the EUR 91 million partial award in full with Solvay. Subsequently, Edison filed an additional appeal with the Italian Cassation Court against the Court of Appeal of Milan's ruling of January 23, 2023.

20.7 Significant change in the issuer's financial position

As of the date of this Registration Document, there has been no significant change in the financial performance, the financial position and the trading position of SpecialtyCo since December 31, 2022, other than as described in Section 12, "*Trend Information*."

21. ADDITIONAL INFORMATION

As of the date of this Registration Document, the Company is a private limited company (*société à responsibilité limitée*/*besloten vennootschap*). As described in Section 7.3.2, "*Conversion of the Company into a Limited Liability Company*," prior to the Partial Demerger the Company will convert into a limited liability company (*société anonyme*/*naamloze vennootschap*).

This Chapter 21 summarizes material information relating to the Company's share capital and Articles of Association as they are expected to be in effect as of the date of the Partial Demerger, unless expressly stated otherwise. It also summarizes certain material rights of the shareholders of a limited liability company under Belgian law whose shares are admitted to trading on an EU regulated market.

This summary does not purport to provide a complete overview of the Company's Articles of Association, nor of the relevant provisions of Belgian law.

A more detailed description of the provisions of the Company's Articles of Association—in the form expected to be in force as of the date of the Partial Demerger—will be included in a supplement to this Registration Document. Such supplement will be published prior to the completion of the Partial Demerger.

21.1 Share capital

21.1.1 Subscribed share capital and authorized but unissued share capital

As of the date of this Registration Document, the equity (*capitaux propres* / *eigen vermogen*) of the Company amounts to EUR 1.00 and is represented by 1 share without nominal value, representing the entire equity. The Company's single Share is fully paid-up.

As described in Section 7.3.2, "*Conversion of the Company into a Limited Liability Company*," as part of the Conversion, the Company's equity will be converted into share capital and Solvay SA will contribute an amount to the Company as will be necessary for its share capital to be equal to at least EUR 61,500 (the minimum capital required to form a limited liability company under Belgian law).

As described in Section 7.4, "*The Partial Demerger*," as part of the Partial Demerger, Solvay SA will contribute the shares and other interests it holds in the legal entities operating the Specialty Businesses, its rights and obligations under the agreements entered into with those legal entities, as well as certain other assets and liabilities under a universal succession regime (*transmission à titre universel* / *overgang onder algemene titel*) to the Company by way of partial demerger of Solvay SA. In return, the share capital of the Company will be increased and New Shares will be issued and allocated directly to Solvay SA's Existing Shareholders.

The Articles of Association in force as of the date of this Registration Document do not allow the Management Body to issue new Shares. *See* Section 21.2.4, "*Changes to the share capital*," for the conditions under which, after the Conversion, the Management Body could be granted an authorization by the shareholders' meeting of the Company to issue new Shares.

21.1.2 Shares not representing capital

As of the date of this Registration Document, the Company has not issued any shares not representing capital.

21.1.3 Shares held in treasury by SpecialtyCo or for its account

As of the date of this Registration Document, the Company does not hold any of its own Shares and does not have any subsidiary. No Shares of the Company are held by any third party on behalf of the Company.

21.1.4 Other securities providing access to equity

As of the date of this Registration Document, the Company has not issued any stock options or other convertible securities, exchangeable securities or securities with warrants or any other securities giving access to its equity.

21.1.5 Conditions governing any acquisition rights and/or any obligations attached to capital subscribed but not paid up

None.

21.1.6 Share capital of any Group company under option or agreed to be put under option

None.

21.1.7 Changes in SpecialtyCo's capital since the date of its incorporation (February 27, 2023)

None.

21.2 Articles of Association

21.2.1 Corporate Profile

Company name:	Specialty HoldCo Belgium
Form:	Before the Conversion: private limited company (*société à responsibilité limitée*/*besloten vennootschap*) After the Conversion: limited liability company incorporated in the form of a *société anonyme* / *naamloze vennootschap* under Belgian law
Registered office:	Rue de Ransbeek/Ransbeekstraat 310 1120 Brussels Belgium
Telephone number of registered office:	+32 2 264 1920
Register of legal entities:	0798.896.453 (Brussels)
LEI:	549300060XNJ90PLNS10
Date of incorporation:	February 27, 2023
Financial year:	From January 1st to December 31st The first financial year began on February 27, 2023, and will close on December 31, 2023.

21.2.2 Corporate purpose

The corporate purpose of the Company is set forth in Article 3 of the Articles of Association. As of the date of this Registration Document, it reads as follows (translation from the original French and Dutch original versions):

"*The company's purpose is, both in Belgium and abroad, for its own account or for the account of third parties, or with their participation:*

- *to hold and manage, directly or indirectly, interests in companies, enterprises or entities the purpose of which is directly or indirectly linked to the manufacturing, exploitation, marketing, research and development of industrial and commercial activities or services primarily but not exclusively in the chemicals sector, its different disciplines and specialties, and activities connected, derived from and incidental thereto as well as* *activities in the sector of the exploitation and processing of natural resources, in Belgium as well as abroad;*

- *to conduct, both in Belgium and abroad, on its own behalf or on behalf of third parties, the manufacturing, exploitation, marketing, research and development, handling, processing, transportation and management activities in the business sectors noted above.*

The company also has the following purpose:

a) *exclusively in its own name and for its own account: the construction, development and management of real estate; ail operations, whether or not subject to VAT, relating to real estate and real estate rights, such as buying and selling, construction, renovation, interior design and decoration, renting or ta king on rent, exchange, subdivision and, in general, ail operations that are directly or indirectly related to the management or operation of real estate or real estate rights;*
b) *exclusively in its own name and for its own account: the construction, development and management of movable property; ail operations relating to movable property and rights of any kind, such as the sale and purchase, rental and leasing, exchange, in particular the management and valuation of ail negotiable assets, shares, bonds, state funds;*
c) *exclusively in its own name and for its own account: to make loans and grant loans, credits, financing and the negotiation of leasing contracts, within the framework of the purposes described above.*

The company may give security for its own commitments as well as for the commitments of third parties, inter alia by mortgaging or pledging its assets, including its own business assets. It may act as guarantor or provide security for companies or private persons in the broadest sense.

ln general, it has full legal capacity to carry out all acts and operations directly or indirectly related to its purpose or which are likely to facilitate directly or indirectly, in whole or in part, the realization of this purpose.

It may take an interest by way of association, contribution, merger, financial intervention or in any other way whatsoever in any company, association or enterprise whose object is identical, similar or related to its own or which is likely to promote the development of its business or to constitute a source of outlets for it.

It may act as director or liquidator in other companies.

ln the event that the performance of certain acts is subject to prerequisites for access to the profession, the company shall make its action in respect of the performance of such acts conditional upon the fulfilment of such prerequisites."

21.2.3 Form and transferability of the Shares

The Company's Shares can take the form of registered Shares or dematerialized Shares. Holders of registered Shares may request that their registered Shares be converted into dematerialized (book-entry) Shares and vice versa. Any costs incurred in connection with the conversion of Shares into another form will be borne by the shareholders. A register of registered Shares (which may be held in electronic form) is maintained at the Company's registered address.

As of the date of this Registration Document, the Company's single Share is fully paid-up and freely transferable.

21.2.4 Changes to the share capital

21.2.4.1 *Share capital increases decided by the shareholders*

In principle, changes to the share capital are decided by the shareholders. The shareholders' meeting may at any time decide to increase or decrease the share capital. Such resolution must satisfy the quorum and majority requirements that apply to an amendment of the Articles of Association (*see* Section 21.2.6.12, "*Quorum and majority requirements*").

21.2.4.2 *Share capital increases decided solely by the Management Body*

Subject to the same quorum and majority requirements, the shareholders' meeting may authorize the Management Body, within certain limits, to increase the share capital without any further approval of the shareholders. Such authorization is generally referred to as "authorized capital". This authorization needs to be limited in time (*i.e.*, it can only be granted for a renewable period of maximum five years) and in scope (*i.e.*, the authorized capital may not exceed the amount of the share capital at the time of the authorization).

21.2.4.3 *Preferential subscription rights*

In accordance with the BCCA, in the event of a share capital increase for cash with issue of new Shares or in the event of an issue of convertible bonds or subscription rights, the existing shareholders have a preferential right to subscribe, pro rata to the part of the share capital represented by the Shares they hold, to the new Shares, convertible bonds or subscription rights. The preferential subscription rights may be exercised during a period determined by the shareholders' meeting or by the Management Body (as the case may be), with a legal minimum of 15 days. The preferential subscription rights may be traded during the subscription period.

The shareholders' meeting may, subject to substantive and reporting requirements, limit or cancel the preferential subscription rights of shareholders. Such decision must satisfy the same quorum and majority requirements as the decision to increase the Company's share capital. The shareholders can also decide to authorize the Management Body to limit or cancel the preferential subscription rights for any capital increase or issuance of convertible bonds or subscription rights when issuing securities within the framework of the authorized capital, subject to the terms and conditions set forth in the BCCA.

Generally, unless expressly authorized in advance by the shareholders' meeting, the authorization of the Management Body to increase the share capital of the Company through contributions in cash with cancellation or limitation of the preferential subscription rights of shareholders is suspended as of the notification to the Company by the FSMA of a public takeover bid on the financial instruments of the Company.

21.2.5 Share buy-backs

In accordance with the BCCA, the shareholders' meeting may authorize the Management Body, within certain limits, to acquire or sell the Company's own Shares. Such resolution must satisfy the quorum and majority requirements that apply to an amendment of the Articles of Association (*see* Section 21.2.6.12, "*Quorum and majority requirements*"). This authorization must be limited in time (*i.e.*, it can only be granted for a renewable period of maximum five years) and determine the conditions under which Share buy-backs may occur (including, as the case may be, the maximum number of Shares that may be purchased or the minimum or maximum Share purchase price).

In accordance with the BCCA, an offer to purchase shares must in principle be made to all shareholders. This obligation does not apply to:

- the acquisition of Shares by the Company executed in the central order book of Euronext Brussels or Euronext Paris or, if the transaction is not so executed in the central order book of Euronext Brussels or Euronext Paris, in case the offered price is lower than or equal to the highest actual independent bid price in the central order book of Euronext Brussels or Euronext Paris; or

- the acquisition of Shares that has been unanimously decided by the shareholders at a meeting where all shareholders were present or represented.

Shares can only be acquired with funds that would otherwise be available for distribution as a dividend to the shareholders pursuant to Article 7:212 of the BCCA (*see* Section 21.2.7, "*Dividend rights*").

21.2.6 Right to attend and vote at the shareholders' meeting

Holding Shares of the Company gives its holder the right to attend and vote at the shareholders' meeting of the Company.

21.2.6.1 *Annual shareholders' meeting*

The Articles of Association of the Company provide that the annual shareholders' meeting is held at 10:30 a.m. Central European Time on the first Tuesday of May each year, at the registered office of the Company or any other location indicated in the convening notice of the meeting. If this date is a legal holiday, the meeting is held on the next business day (excluding Saturday) at the same time.

21.2.6.2 *Special and extraordinary shareholders' meetings*

The Management Body or the statutory auditor (or the liquidators, if appropriate) may, whenever the interest of the Company so requires, convene a special or extraordinary shareholders' meeting. Such shareholders' meeting must also be convened every time one or more shareholders holding at least one-tenth of the Company's share capital so request.

21.2.6.3 *Authority of the shareholders' meeting*

Generally, the Shareholders' Meeting has sole authority with respect to:

- the approval of the statutory financial statements of the Company (statutory financial statements under Belgian GAAP);
- the appointment and dismissal of directors and the statutory auditors of the Company;
- the granting of discharge of liability to the directors and the statutory auditors;
- the determination of the remuneration of the directors and of the statutory auditors for the exercise of their mandate;
- the distribution of profits;
- the filing of a claim for liability against directors;
- the decisions relating to the dissolution, merger and certain other reorganizations of the Company; and
- the approval of amendments to the Articles of Association.

21.2.6.4 *Notices convening shareholders' meetings*

The notice convening the shareholders' meeting must be published in the Belgian State Gazette (*Moniteur belge*/*Belgisch Staatsblad*), in a newspaper with national distribution (except for those ordinary shareholders' meetings which take place at the location, place, day and hour indicated in the Articles of Association and the agenda of which is limited to the approval of the annual accounts, the annual reports of the Management Body and the statutory auditor, discharge to be granted to the members of the Management Body and statutory auditor, the remuneration report and termination provisions for executive directors), in media that can be reasonably considered having effective distribution with the public in the European Economic Area and that is accessible swiftly and in a non-discriminatory manner, and on the Company's website. The notices are published at least thirty calendar days prior to the meeting. If a new convocation is required for lack of quorum and the date of the second meeting was mentioned in the first notice, then, in the absence of new agenda items, notices are published at least seventeen days in advance of that second meeting.

The convening notices must also be communicated by regular mail to the holders of registered Shares and to the other persons which must receive the convening notice in accordance with the BCCA (or by email if the relevant persons agreed to receive the communication of the Company by email).

As from the publication of the notice, the Company shall make the information required by law available on the Company's website (www.solvay.com/en/investors/creating-two-strong-industry-leaders/syensqo) for a period of five years after the relevant shareholders' meeting.

21.2.6.5 *Admission to meetings*

In order to be able to attend a shareholders' meeting, a holder of Shares must satisfy two criteria: being registered as holder of Shares on the registration date for the meeting, and notify the Company:

- Firstly, the right to attend shareholders' meetings applies only to persons who are registered as owning Shares on the 14th day prior to the shareholders' meeting at midnight (Central European Time) (the "**Record Date**") via registration, in the applicable register book for the securities concerned (for registered securities) or in the accounts of a certified account holder or relevant settlement institution for the securities concerned (for dematerialized securities or securities in book-entry form).

- Secondly, in order to be admitted to the shareholders' meeting, holders of Shares must notify the Company at the latest on the sixth day prior to the shareholders' meeting whether they intend to attend the meeting and indicate the number of Shares in respect of which they intend to do so. For the holders of dematerialized Shares or Shares in book-entry form, the notice should include a certificate confirming the number of Shares that have been registered in their name on the Record Date. The certificate can be obtained by the holder of the dematerialized Shares or Shares in book-entry form with the certified account holder or the applicable settlement institution for the Shares concerned.

The convening notices for a shareholders' meeting will specify the formalities for shareholders to communicate to the Company (or the person designated by the Company) their intention to participate in the shareholders' meeting.

The holders of non-voting Shares, non-voting profit-sharing certificates, convertible bonds, subscription rights or certificates issued with the cooperation of the Company, if any, may participate in the shareholders' meeting in consultative capacity only. If they intend to participate, such holders are subject to the same conditions and formalities concerning admission and access as those imposed on shareholders.

21.2.6.6 *Voting rights*

Each Share is entitled to one vote, subject to legal restrictions.

Voting rights can mainly be suspended in relation to Shares:

- that are not fully paid up, notwithstanding the request thereto of the Management Body;

- to which more than one person has rights *in rem*, until a single person has been designated as the holder of the voting right vis-à-vis the Company;

- that entitle their holder to voting rights above the threshold of 5%, 10%, 15%, 20% and any further multiple of 5% of the total number of voting rights attached to the outstanding financial instruments of the Company on the date of the relevant shareholders' meeting, in the event that the relevant shareholder has not complied with its notification obligations under the Transparency Law at least twenty calendar days prior to the date of the shareholders' meeting in accordance with the applicable rules on disclosure of significant shareholdings (*see* Section 21.3.1, "*Notification of significant shareholdings*"); and

- upon a decision by a competent court to suspend such voting rights.

Pursuant to Article 7:217 of the BCCA, the voting rights attached to Shares owned (directly or through a subsidiary) by the Company (also known as "treasury shares") are suspended.

21.2.6.7 *Voting by Proxy*

Any shareholder has, subject to compliance with the conditions for admission, the right to attend and to vote at shareholders' meetings in person or through a proxy holder, who need not be a shareholder. A shareholder may designate, for a given meeting, only one person as proxyholder, save for the exceptions allowed by the BCCA. The appointment of a proxy holder may take place in paper form or electronically (in which case the form shall be signed by means of an electronic signature in accordance with applicable Belgian law), through a form which shall be made available by the Company. The signed original paper or electronic form must be received by the Company at the latest on the sixth calendar day preceding the meeting.

21.2.6.8 *Remote voting in relation to the Shareholders' meeting*

If expressly allowed by the Articles of Association and the relevant convening notice, the shareholders who have fulfilled the conditions for admission may vote remotely before the shareholders' meeting, by letter or via the Company's website, through a form which shall be made available by the Company in accordance with the instructions mentioned in the convening notice. In case of voting by letter, the signed form must be received by the Company at the latest on the sixth day preceding the date of the meeting. Voting via the Company's website may occur until the last day before the meeting.

If the Articles of Association allow to vote remotely via the Company's website, the Company shall ensure that the capacity and the identity of the shareholders can be verified through the system used, in such way as determined by the Management Body.

In calculating the rules on quorum and majority, the Company will only take into account the votes cast remotely by shareholders who have fulfilled the conditions for admission and insofar as the form made available by the Company, has been validly completed and returned to the Company in a timely manner.

21.2.6.9 *Remote participation in the shareholders' meeting*

The Articles of Association may allow the shareholders to participate remotely in the shareholders' meeting by way of electronic means of communication which shall be made available by the Company. Regarding compliance with the quorum and majority conditions, the shareholders who participate in the shareholders' meeting in such way are deemed to be present at the place where the shareholders' meeting is physically being held. For the calculation of the rules concerning quorum and majority, only the shareholders who have fulfilled the conditions for admission are to be taken into account.

If the convening notice allows remote participation in the shareholders' meeting, the Management Body shall determine the conditions and modalities relating thereof.

The Company will ensure that, when arranging remote participation in the shareholders' meeting, the Company is able, through the electronic means of communication used, to verify the identity and capacity of the shareholder, in such a way as the Management Body determines.

21.2.6.10 *Right to request items to be added to the agenda*

One or more shareholders (together) holding at least three percent of the Company's share capital may, in accordance with the applicable provisions of the BCCA, require that items be placed on the agenda of any shareholders' meeting and submit proposals for resolutions concerning items on or to be placed on the agenda for a meeting already convened, provided that: (i) they prove ownership of such shareholding as at the date of their request; (ii) they record their Shares representing such shareholding on the Record Date; and (iii) their requests with, as the case may be, the text of the agenda items to be added and the corresponding resolutions proposals, or the text of the resolution proposals to be added to the agenda, have been received in writing by the Company at the latest on the 22nd day preceding the date of the relevant shareholders' meeting. The shareholding must be proven by, as far as registered Shares are concerned, a certificate evidencing the registration of the relevant Shares in the share register of the Company or, as far as dematerialized Shares are concerned, a certificate issued by an authorized account holder or a settlement institution certifying the book-entry of the relevant number of dematerialized Shares in the name of the relevant shareholder(s) in one or several accounts held by such account holder or settlement institution.

If additional agenda items are so requested, the Company shall publish a revised agenda of the shareholders' meeting, at the latest on the 15th day preceding the shareholders' meeting. The right to request that items be added to the agenda or that proposed resolutions in relation to existing agenda items be submitted does not apply in the case of a second extraordinary shareholders' meeting that must be convened after a first extraordinary shareholders' meeting with the same agenda during which no decisions could be taken about the agenda because the quorum was not obtained.

21.2.6.11 *Right to ask questions at the shareholders' meeting*

Within the limits of Article 7:139 of the BCCA, the members of the Management Body and the statutory auditor shall answer, during the shareholders' meeting, the questions raised by shareholders in connection with the items on the agenda. Shareholders can ask questions either during the meeting or prior to the meeting (in paper or electronic form), provided that the Company receives the written question at the latest on the sixth day preceding the shareholders' meeting.

21.2.6.12 *Quorum and majority requirements*

In general, there is no attendance quorum requirement for a shareholders' meeting, except as provided for by law in relation to decisions regarding certain matters. Decisions are taken by a majority of the votes cast, except where the law or the Articles of Association provide for a special majority.

Matters requiring special legal quorum and majority requirements include, among others, amendments to the Articles of Association, issuances of new Shares (other than within the framework of the authorized capital), convertible bonds or subscription rights and decisions regarding statutory reorganizations (including mergers and demergers), which require at least 50% of the share capital to be present or represented and the affirmative vote of the holders of at least 75% of the votes cast. If the quorum is not reached, a second meeting may be convened at which no quorum shall apply. The special majority requirements, however, remain applicable.

21.2.7 Dividend rights

All Shares participate equally in the Company's profits (if any).

In principle, the Company may only pay dividends with the approval of the shareholders' meeting, although the Management Body may declare interim distributions or dividends without prior shareholder approval if authorized thereto by the Articles of Association in accordance with the provisions of the BCCA.

The calculation of amounts available to be distributed as dividends or otherwise distributed to shareholders must be made on the basis of the Belgian statutory financial statements, taking into account the limits set out by Article 7:212 of the BCCA. According to Article 7:212 of the BCCA, no dividend may be distributed if, at the date of the closing of the last financial year, the net assets as set forth in the statutory financial statements prepared in accordance with Belgian GAAP are lower than the amount of the paid-up share capital or, if this amount is higher, of the called share capital, increased with all reserves which may not be distributed according to the law or the Articles of Association, or if the net assets would fall below this amount as a result of such a distribution.

In accordance with Article 7:211 of the BCCA, the Company must allocate, each year, at least 5 percent of its annual net profits to a legal reserve until this reserve reaches 10 percent of the Company's share capital.

In accordance with Belgian law, the right to collect dividends declared on ordinary shares expires five years after the date the Management Body has declared the dividend payable, whereupon the Company is no longer under an obligation to pay such dividends.

21.2.8 Liquidation rights

The Company can only be dissolved by the shareholders' meeting pursuant to a resolution adopted with the quorum and majority required for the amendment of the Articles of Association (*see* Section 21.2.6.12, "*Quorum and majority requirements*").

If as a result of losses incurred, the ratio of the Company's net assets (determined in accordance with Belgian legal and accounting rules) to share capital is less than 50%, the Management Body must convene an extraordinary shareholders' meeting within two months of the date upon which the Management Body discovered or should have discovered this. At this shareholders' meeting the Management Body needs to propose either the dissolution or the continuation of the Company, in which case the Management Body must propose measures to restore the Company's financial situation. The Management Body must motivate its proposals in a special report to the Shareholders. A majority of at least 75% of the votes validly cast at this meeting can decide to dissolve the Company, provided that at least 50% of the Company's issued shares is present or represented at the meeting.

If, as a result of losses incurred, the ratio of the Company's net assets to share capital is less than 25%, the same procedure must be followed, it being understood, however, that in that event the shareholders representing at least 25% of the votes at this meeting can decide to dissolve the Company. If the amount of the Company's net assets has dropped below EUR 61,500 (the minimum amount of share capital of a Belgian limited liability company), any interested party is entitled to request the competent court to dissolve the Company. The court can order the Company's dissolution or grant a grace period for the Company to remedy the situation.

If the Company is dissolved for any reason, the liquidation must be carried out by one or more liquidators appointed by the shareholders' meeting. If the shareholders' meeting does not appoint any liquidator(s) then the directors who were in office at the time of the resolution for dissolution shall be regarded as liquidators towards third parties.

All assets of the Company are realized, unless the shareholders' meeting decides otherwise. The positive balance of the liquidation, after payment of all debts, charges and costs of the liquidation, shall be distributed among the shareholders pro rata to the number of Shares held by each shareholder.

21.3 Legislation and Jurisdiction

21.3.1 Notification of significant shareholdings

Pursuant to the Transparency Law, a notification to the Company and to the FSMA is required by all natural persons and legal entities on the occurrence of, among other things, any one of the following triggering events, subject to limited exceptions:

- an acquisition or disposal of voting securities, voting rights or financial instruments that are treated as voting securities;

- the reaching of a threshold by persons or legal entities acting in concert;
- the conclusion, modification or termination of an agreement to act in concert;
- the downward reaching of the lowest threshold;
- the passive reaching of a threshold;
- the holding of voting securities in the Company upon first admission of them to trading on a regulated market;
- where a previous notification concerning financial instruments treated as equivalent to voting securities is updated;
- the acquisition or disposal of the control of an entity that holds the voting securities in the Company;
- where the Company introduces additional notification thresholds in the Articles of Association,

in each case where the percentage of voting rights attached to the securities held by such persons reaches, exceeds or falls below the legal threshold, set at 5% of the total voting rights, and 10%, 15%, 20% and so on in increments of 5% or, as the case may be, of the additional thresholds provided in the Articles of Association.

The notification must be made as soon as possible, and at the latest within four trading days following the occurrence of the triggering event. Where the Company receives a notification of information regarding the reaching of a threshold, it must publish such information through press release within three trading days following receipt of the notification. Furthermore, the Company must state its shareholder structure (as it appears from the notifications received) in the notes to its annual accounts. The Company must also publish the total share capital, the total number of securities and voting rights and the total number of voting securities and voting rights for each class (if any) at the end of each calendar month in which one of these numbers has changed. In addition, the Company must, where appropriate, publish the total number of bonds convertible into voting securities (if any) as well as the total number of rights, whether or not included in securities, to subscribe for not yet issued voting securities (if any), the total number of voting securities that can be obtained upon the exercise of these conversion or subscription rights, and the total number of shares without voting rights (if any).

All transparency notifications received by the Company will be accessible on the Company's website (www.solvay.com/en/investors/creating-two-strong-industry-leaders/syensqo), where they will be published in their entirety.

21.3.2 Right to identify shareholders and facilitation of exercise of shareholders' rights

The Company will be entitled, pursuant to the Transparency Law, to request information from intermediaries (such as investment firms, credit institutions and central securities depositories) regarding the identity and holding of its shareholders. If multiple intermediaries are involved in the relationship between the Company and a shareholder, the Company is entitled to address a request for information to any intermediary in the chain. Intermediaries are required to respond to the Company's requests without delay.

The following information regarding its shareholders can be requested by the Company:

- name and contact details, including the full address, the email address (where available) and the registration number (if the shareholder is a legal entity); and
- the number and classes (if any) of Shares held and the date from which the Shares have been held.

The Company is required to provide in due time to intermediaries all information necessary to allow shareholders to exercise the rights attached to their Shares. Alternatively, the Company may make such information available on its website, in which case it is required to provide to intermediaries a notice regarding the location on its website where the information can be found. Intermediaries have a duty to relay the information so received from the Company to the shareholders on behalf of whom they are holding Shares.

21.3.3 Public takeover bids

Public takeover bids for shares and other securities giving access to voting rights (such as subscription rights or convertible bonds, if any) are subject to supervision by the FSMA. Public takeover bids must be extended to all of the voting securities, as well as all other securities giving access to voting rights. Prior to making a bid, a bidder must publish a prospectus which has been approved by the FSMA beforehand.

Belgium has implemented the Thirteenth Company Law Directive (European Directive 2004/25/EC of 21 April 2004) in the Takeover Law and the Belgian Royal Decree of 27 April 2007 on public takeover bids (the "**Takeover Royal Decree**"). The Takeover Law provides that a mandatory bid must be launched if a person, as a result of its own acquisition or the acquisition by persons acting in concert with it or by persons acting for their account, directly or indirectly, holds more than 30% of the voting securities in a company having its registered office in Belgium and of which at least part of the voting securities is traded on a regulated market. The mere fact of exceeding the relevant threshold through the acquisition of shares will give rise to a mandatory bid, irrespective of whether the price paid in the relevant transaction exceeds the current market price. The duty to launch a mandatory bid does not apply in certain cases set out in the Takeover Royal Decree such as in the case of: (i) an acquisition if it can be shown that a third party exercises control over the company or that such party holds a larger stake than the person holding more than 30% of the voting securities; (ii) a capital increase with preferential subscription rights decided by the shareholders' meeting; or (iii) an enforcement of security, provided that the acquirer disposes of the securities in excess of the 30% threshold within twelve months and does not exercise the voting rights attached to those excess securities.

In principle, any authorization of the Management Body to increase the share capital of the Company through contributions in kind or in cash, with the cancellation or limitation of the preferential subscription rights of the existing shareholders, is suspended upon the notification to the Company by the FSMA of a public takeover bid for the securities of the Company. The shareholders' meeting can, however, subject to certain conditions and within the limits set out in Article 7:202 of the BCCA, expressly authorize the Management Body to increase the share capital of the Company in such a case by issuing Shares in an amount of not more than 10% of the existing Shares at the time of such a public takeover bid.

21.3.4 Squeeze-out

Pursuant to Article 7:82 of the BCCA or the regulations promulgated thereunder, a person or legal entity, or different persons or legal entities acting alone or in concert, who own, together with the company (*i.e.*, treasury shares), at least 95% of the securities with voting rights in a public company are entitled to acquire the totality of the securities with voting rights in that company following a squeeze-out offer. The securities that are not voluntarily tendered in response to such an offer are deemed to be automatically transferred to the bidder at the end of the procedure. At the end of the squeeze-out procedure, the company is no longer deemed a public company, unless bonds issued by the company are still spread among the public. The consideration for the securities must be in cash and must represent the fair value (verified by an independent expert) so as to safeguard the interests of the transferring shareholders.

A squeeze-out offer is also possible upon completion of a public takeover bid, provided that the bidder holds at least 95% of the voting capital and 95% of the voting securities of the public company. In such a case, the bidder may require that all of the remaining shareholders sell their securities to the bidder at the offer price of the takeover bid, provided that, in case of a voluntary takeover offer, the bidder has also acquired 90% of the voting capital to which the offer relates. The shares that are not voluntarily tendered in response to any such offer are deemed to be automatically transferred to the bidder at the end of the procedure.

21.3.5 Sell-out right

Within three months following the expiration of an offer period related to a public takeover bid, holders of voting securities or of securities giving access to voting rights who own at least 95% of the voting capital and 95% of the voting securities in a public company following a takeover bid may require the offeror, acting alone or in concert, to buy their securities from them at the price of the bid, on the condition that, in case of a voluntary takeover offer, the offeror has acquired, through the acceptance of the bid, securities representing at least 90% of the voting capital subject to the takeover bid.

22. MATERIAL CONTRACTS

For a summary of material contracts to which SpecialtyCo is a party, *see* Section 7.5, "*Agreements between SpecialtyCo and Solvay SA relating to the Partial Demerger*."

23. DOCUMENTS AVAILABLE

Pursuant to Article 21 of the Prospectus Regulation, an electronic version of this Registration Document is available on the website of the Group (www.solvay.com/en/investors/creating-two-strong-industry-leaders/syensqo). SpecialtyCo's up-to-date Articles of Association are also available on the website of the Group (www.solvay.com/en/investors/creating-two-strong-industry-leaders/syensqo) and at SpecialtyCo's registered office.

Following the admission of SpecialtyCo's shares to trading on the regulated market of Euronext Brussels and Euronext Paris, regulated information shall also be available on SpecialtyCo's website. In addition, minutes of general shareholders' meetings and other statutory documents, as well as any valuation or statement made by an independent expert at SpecialtyCo's request which must be made available to shareholders in accordance with applicable regulations, will also be available for consultation at SpecialtyCo's registered office.

24. GLOSSARY

"AAM" — Advanced air mobility solutions.

"Alternative Performance Measures" — Measures of performance that are not required by, nor are presented in accordance with, IFRS, including (as defined in Section 9.3 "*Alternative Performance Measures*") EBITDA, Underlying EBITDA, Underlying EBIT, Underlying net profit, Research & Innovation, free cash flow and ROCE.

"APE" — Alkylphenol ethoxylates.

"Articles of Association" — The articles of association of SpecialtyCo.

"BE GAAP Accounting and Tax Effective Date" — July 1, 2023, being the date on which the Partial Demerger will be deemed to enter into effect retroactively, solely for Belgian accounting and tax purposes.

"BCCA" — Belgian *Code des sociétés et des associations*.

"Belgian SDA" — The Office for Advance Tax Rulings (*Service des Décisions Anticipées en matière fiscale/Dienst Voorafgaande Beslissingen in fiscale zaken*) of the Belgian tax administration.

"Belgian Tax Ruling" — The ruling sought from, and to be issued by, the Belgian SDA following the filing by Solvay SA of a tax ruling request with the Belgian SDA relating to the tax-neutral treatment of the Partial Demerger for Belgian tax purposes, in accordance with Articles 183*bis* and 211 of the BITC.

"BITC" — Belgian *Code des impôts sur les revenus 1992*.

"CERCLA" — U.S. Comprehensive Environmental Response, Compensation and Liability Act.

"Combined Financial Statements" — The combined financial statements of SpecialtyCo, prepared in accordance with IFRS, as of and for the years ended on December 31, 2022, December 31, 2021 and December 31, 2020, as presented in Annex I of this Registration Document, together with the statutory auditors' reports thereon.

"Company" — Specialty Holdco Belgium, a private liability company (*société à responsabilité limitée/besloten vennootschap*) organized under the laws of Belgium, with equity of EUR 1.00, registered with the Belgian legal entities register (Brussels) under enterprise number 0798.896.453.

"Conditions Precedent" — Conditions to which the completion of the Partial Demerger is expected to be subject, as defined in Section 7.4.4, "*Conditions precedent*," which will be set forth in the Partial Demerger Proposal.

"Conversion" — The conversion of the Company from a private liability company (*société à responsabilité limitée/besloten vennootschap*) into a limited liability company (*société anonyme/naamloze vennootschap*).

"Corporate Governance Charter" — The corporate governance charter to be adopted by the Management Body of the Company.

"Corporate Governance Code" — The 2020 Belgian Code on Corporate Governance.

"Covid-19" — The global outbreak of the SARS-CoV-2 coronavirus.

"CRM"	Customer relationship management.
"Dedicated Entities"	All existing legal entities entirely dedicated to the Specialty Businesses before the Legal Reorganization.
"DEI"	Diversity, equity and inclusion.
"Deloitte"	Deloitte Bedrijfsrevisoren BV, having its registered office at Gateway building, Luchthaven Brussel Nationaal 1 J, B-1930 Zaventem, member of the Belgian Institute of Certified Auditors (*Institut des Réviseurs d'Entreprises/Instituut voor Bedrijfsrevisoren*).
"DT"	Digital technology.
"EBIT"	Earnings before interest, taxes.
"EBITDA"	Earnings before interest, taxes, depreciation, and amortization.
"ECHA"	European Chemicals Agency.
"EEA"	European Economic Area.
"Effective Time"	00:00 a.m. Central European Time on the first calendar day after (i) the date on which the last EGM – between Solvay SA's EGM and SpecialtyCo's EGM concerning the approval of the Partial Demerger – was held or (ii) if the Conditions Precedent are not satisfied as of such date, the date on which the last Condition Precedent is satisfied.
"EGMs"	Extraordinary general meetings of Solvay SA and SpecialtyCo to be convened to vote on the Partial Demerger Proposal.
"EPA"	U.S. Environmental Protection Agency.
"ERP"	Enterprise resource planning.
"ESG"	Environmental, social and corporate governance.
"ESMA"	European Securities and Markets Authority.
"EssentialCo"	Solvay SA following completion of the Partial Demerger.
"EU"	European Union.
"EU Member States"	Member states of the European Union.
"Euronext Brussels"	Regulated market of Euronext in Brussels.
"Euronext Paris"	Regulated market of Euronext in Paris.
"Exchange Ratio"	The exchange ratio (expected to be determined on a 1:1 basis), used to calculate the number of Shares in the Company which will be issued and allocated directly to Solvay SA's Existing Shareholders upon completion of the Partial Demerger.
"Excluded Solvay Shares"	Shares of Solvay SA held by Solvay SA, the Company or any persons acting in their own name but on behalf of Solvay SA or the Company on the relevant record date before completion of the Partial Demerger.
"EY"	EY Réviseurs d'Entreprises/Bedrijfsrevisoren SRL/BV, having its registered office at De Kleetlaan, 2, 1831 Diegem, member of the Belgian Institute of Certified Auditors (*Institut des Réviseurs d'Entreprises/Instituut voor Bedrijfsrevisoren*).

"Free Cash Flow"	Cash flows from operating activities, investing activities and other investments. It does not include loans to associates and nonconsolidated investments, recognition of factored receivables, payment of lease liabilities, and increase/decrease of borrowings related to environmental remediation. It is a measure of cash generation, working capital efficiency and capital discipline of the SpecialtyCo Group.
"FSMA"	The Belgian Financial Services and Market Authority (*Autorité des services et marchés financiers/Autoriteit voor financiële diensten en markten*).
"GBU"	Global business unit.
"GDP"	Gross domestic product.
"GHGs" or **"GHG"**	Greenhouse gasses, including carbon dioxide, methane, nitrous oxide and certain fluorinated gasses (such as hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride and nitrogen trifluoride).
"Group"	SpecialtyCo, together with, following completion of the Partial Demerger, its consolidated subsidiaries and its direct and indirect equity interests.
"G.R.O.W. strategy"	Growth, deliver resilient cash flow, optimize returns and Solvay one to win.
"HPC"	Home and personal care.
"IFRS"	International Financial Reporting Standards as adopted by the European Union.
"IMF"	International Monetary Fund.
"IRS"	U.S. Internal Revenue Service.
"IT"	Information technology.
"LCP"	Liquid crystal polymer.
"Legal Reorganization"	The ongoing internal legal reorganization of the Solvay Group to be carried out prior to the Partial Demerger to separate the entities, assets and liabilities relating to the Specialty Businesses from those relating to the Other Solvay Group Businesses.
"LEI"	Legal entity identifier.
"LEO"	Low earth orbit.
"LTI"	Long-term share incentive.
"Management Body"	The management body of the Company (*organe d'administration/bestuursorgaan*) at the relevant point in time.
"MES"	Manufacturing execution system.
"Mixed Entities"	Entities that currently undertake both operations of the Specialty Businesses and Other Solvay Group Businesses.
"Moody's"	Moody's Deutschland GmbH.
"New Shares"	New Shares of SpecialtyCo issued upon completion of the Partial Demerger.

"No Rule-Requirement"	Certain requirements under Section 355 of the U.S. Internal Revenue Code of 1986, as amended, on which the IRS does not rule.
"OEMs"	Original equipment manufacturers.
"OMRI"	Organic materials review institute.
"OSHA"	U.S. Occupational Safety and Health Act.
"Other Solvay Group Businesses"	Other businesses than Specialty Businesses of the Solvay Group.
"Paris Agreement"	A legally binding international treaty on climate change, adopted by 196 Parties at the UN Climate Change Conference (COP21) in Paris, France, on December 12, 2015 and entered into force on November 4, 2016.
"Partial Demerger"	The separation by Solvay SA of its Specialty businesses from the Other Solvay Group Businesses by means of a partial demerger (*scission partielle*) of Solvay SA effected under Belgian law, whereby the shares and other interests held by Solvay SA in the legal entities operating the Specialty Businesses, the rights and obligations of Solvay SA under the agreements entered into with those legal entities, as well as certain other assets and liabilities (as those shares, interests, agreements, assets and liabilities will be identified in the Partial Demerger Proposal) will be contributed under a universal succession regime to the Company.
"Partial Demerger Proposal"	The joint partial demerger proposal to be adopted by the boards of directors of Solvay SA and SpecialtyCo in preparation of the Partial Demerger.
"PEM"	Proton exchange membranes.
"PFAS"	Per- and polyfluoroalkyl substances, or collectively perfluorooctanoate, perfluorooctane sulfonate, perfluorohexane sulfonate, or other per-and polyfluoroalkyl substances.
"PFOA"	Perfluorooctanoic acid.
"PPA"	Purchase price allocation.
"Prospectus Regulation"	Regulation EU 2017/1129 of the European Parliament and of the Council of June 14, 2017, on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as amended.
"PSU"	Performance-based Share Unit.
"PVDF"	Polyvinylidene fluoride.
"QSSB"	Quimicos E Solucoes Sustentaveis Do Brasil S.A.
"R&I"	Research and innovation.
"REACH Regulation"	EU Regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals (Regulation (EC) No. 1907/2006), as amended ("**REACH Regulation**").
"Record Date"	The 14^{th} day preceding the date of the shareholders' meeting at midnight (Central European Time).

"Registration Document" .... This document, the registration document of SpecialtyCo within the meaning of Articles 6 and 10 of the Prospectus Regulation.

"Research & Innovation Intensity" .... The ratio of the absolute value of the Research & Innovation amount over net sales, calculated as a percentage, for the Group and each segment.

"ROCE".. Return on Capital Employed, the ratio between Underlying EBIT (before adjustment for the amortization of PPA) and capital employed.

"RSU".. Restricted Share Unit.

"S&P" .... S&P Global Ratings Europe Limited.

"Safety Data Sheets" .... A common worldwide standard to provide safe-handling, transportation, storage and usage information to users and handlers of chemical products, in order to comply with local regulations in the markets where SpecialtyCo's products are sold (and in local languages).

"Securities Note".. The securities note to be prepared in accordance with Article 6 of the Prospectus Regulation in connection with the admission to trading of the Shares on Euronext Brussels and Euronext Paris.

"Separation Agreement" .... The agreement to be entered into by Solvay SA and SpecialtyCo on or prior to the completion of the Partial Demerger to provide a framework for SpecialtyCo's relationship with Solvay SA subsequent to the completion of the Partial Demerger.

"Seveso Regulations".. Regulations relating to classified facilities for the protection of the environment (*Installation Classée pour la Protection de l'Environnement* (ICPEs)) codified under Articles L. 511-1 A *et seq*. of the French *Code de l'environnement* in France.

"**Shares**".. Each ordinary share of the Company.

"Solvac".. Solvac, a *société anonyme* organized under the laws of Belgium, whose shares are admitted to trading on Euronext Brussels, and which currently holds shares in Solvay SA representing approximately 31.36% of Solvay SA's voting rights.

"Solvay Group" or **"Solvay"** .... Solvay SA, its consolidated subsidiaries and its direct and indirect equity interests.

"Solvay SA" .... Solvay SA, a limited liability company (*société anonyme/ naamloze vennootschap*) organized under the laws of Belgium, with its registered office at 310 rue de Ransbeek, 1120 Brussels, Belgium, whose shares are admitted to trading on Euronext Brussels and Euronext Paris.

"Solvay SA's Existing Shareholders"............... Solvay SA's shareholders on the relevant record date before completion of the Partial Demerger.

"Solvay-SVHC".. Substances identified by SpecialtyCo using a more stringent internal methodology to monitor SVHC that goes beyond those listed in the EU REACH Candidate list and EU REACH Authorization List.

"Specialty Businesses" .... Specialty businesses described in this Registration Document.

"Specialty Legal Entities" .... Collectively, (i) Dedicated Entities, (ii) all existing legal entities that were Mixed Entities before the Legal Reorganization and from which Other Solvay Group Businesses have been carved out, and (iii) all new legal entities to which Specialty Businesses have been carved-out as part of the Legal Reorganization.

"SpecialtyCo" .... Either the Company or the Group, as the context requires, and—in some cases, when referring to historical activities prior to the Partial Demerger—the business units of Solvay that will form part of SpecialtyCo after the Partial Demerger.

"SpP USA" .... Solvay Specialty Polymers USA, LLC.

"SRM" .... Solid rocket motor.

"STI" .... Short-term cash incentive.

"SVHC" .... Substances of very high concern listed in the EU Regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals (Regulation (EC) No. 1907/2006) Candidate List and Authorization List.

"Takeover Law" .... The Belgian Law of April 1, 2007 on public takeover bids, as amended.

"Takeover Royal Decree" .... The Belgian Royal Decree of April 27, 2007 on public takeover bids, as amended.

"Transition Services Agreement" or **"TSA"** .... The agreement to be entered into between EssentialCo and SpecialtyCo regarding transition services to be provided between the Parties following the Partial Demerger, as further described in Section 7.5.2.

"Transparency Law" .... The Belgian Law of May 2, 2007 on the disclosure of significant shareholdings in issuers whose securities are admitted to trading on a regulated market, as amended.

"TSCA" or **"New TSCA"** .... U.S. Toxic Substances Control Act of 1976, as amended.

"Underlying EBIT" .... Adjusted EBIT (including results from portfolio management, results from legacy remediation and major litigation, amortization of intangible assets resulting from PPA and inventory step-up).

"Underlying EBITDA" .... Adjusted EBITDA (including results from portfolio management, results from legacy remediation and major litigation, amortization of intangible assets resulting from PPA and inventory step-up).

"Underlying Net Financial Debt" .... Underlying (net) financial debt that reclassifies as debt 100% of the perpetual hybrid bonds, considered as equity under IFRS.

"Underlying Net Income/Profit" .... Adjusted net income/profit (including results from portfolio management, results from legacy remediation and major litigation, amortization of intangible assets resulting from PPA and inventory step-up).

"U.S. Spin-Off" .... Separation of the U.S. Specialty Businesses and the U.S. Other Solvay Group Businesses through an internal spin-off.

"U.S. State(s)" .... State(s) in the U.S.

"U.S. Tax Matters Agreement" .... The agreement to be entered into between SpecialtyCo and EssentialCo intended to preserve the tax-free treatment of the

	Partial Demerger and U.S. Spin-Off for U.S. federal income tax purposes.
"U.S. Tax Ruling"	The ruling sought from, and to be issued by, the IRS following the filing by Solvay SA of a tax ruling request with the IRS relating to the qualification as tax-free reorganization of the Partial Demerger and the U.S. Spin-Off for U.S. federal income tax purposes, in accordance with Sections 368(a)(1)(D) and 355 of the U.S. Internal Revenue Code of 1986, as amended.
"VOC"	Volatile organic components.

25. CROSS-REFERENCE TABLE WITH ANNEX 1 TO DELEGATED REGULATION (EU) 2019/980

The cross-reference table below shows the headings provided for in Annex 1 to Delegated Regulation (EU) 2019/980 of March 14, 2019, as amended, and provides references to the pages on which the relevant information appears in this Registration Document.

Headings of Annex 1 to Delegated Regulation (EU) 2019/980 of March 14, 2019			Section(s)
1. Persons responsible, third party information, experts' reports and competent authority approval			
1.1	Identification of responsible persons		3.1
1.2	Statement by responsible persons of exactitude and absence of omission		3.2
1.3	Identification of experts whose statement or reports are included in the registration document		N/A
1.4	Confirmation that third-party sourced information are accurately reproduced and that the issuer is not aware of any omission rendering the reproduced information inaccurate or misleading		3.3
1.5	Statement of approval of the registration document by a competent authority and information on the extent of this approval		Cover page
2. Statutory Auditors			
2.1	Names and addresses of the auditors, including membership of a professional body		4.1 and 4.2
2.2	Material details of any resignation, removal or re-appointment of auditors		N/A
3. Risk factors			
3.1	Description of the material risks specific to the issuer, taking into account the negative impact on the issuer and the probability of their occurrence shall be set out first		1
4. Information about the issuer			
4.1	Legal and commercial names		5.1
4.2	Place of registration, registration number and legal entity identifier		5.2
4.3	Date of incorporation and term		5.3
4.4	Registered office, legal form, applicable law, country of incorporation, address and phone number of its registered office, and website		5.4
5. Business Overview			
5.1	Principal activities		
	5.1.1	Nature of the operations and main activities	6.1
	5.1.2	Any significant products and/or services introduced or in development	6.1
5.2	Principal markets, including a breakdown of total revenues by operating segment and geographical market		6.7, 10.11 and 9.5.4
5.3	Important events in the development of the issuer's business		7.5
5.4	Strategy and objectives, both financial and non-financial		6.1.3
5.5	Degree of dependence on patents or licenses, industrial, commercial or financial contracts or new manufacturing process		6.5
5.6	Basis for statements made by the issuer regarding its competitive position		6.1.2 and 6.6
5.7	Investments		

Headings of Annex 1 to Delegated Regulation (EU) 2019/980 of March 14, 2019			Section(s)
	5.7.1	Material investments for each financial year for the period covered by the historical financial information	10.4
	5.7.2	Material investments in progress or committed, including the geographical distribution of these investments and their method of financing	6.1.3, 6.10 et 10.4
	5.7.3	Significant joint ventures and undertakings	N/A
	5.7.4	Environmental issues that may affect the issuer's utilization of the tangible fixed assets	N/A
6. Organizational structure			
6.1	Brief description of the Group and the issuer's position within the Group, accompanied by a diagram of the organizational structure if appropriate		8.1
6.2	Identification of significant subsidiaries, issuer's ownership interest and voting power held		8.2
7. Operating and financial review			
7.1	Financial condition		
	7.1.1	Fair review of the development and performance of the issuer's business as a whole for each financial year for the period covered by the historical financial information, including an analysis of the development and performance of the issuer's business and position	9.1, 9.2, 9.4 and 9.5
	7.1.2	Indication of (a) the issuer's likely future development and (b) activities in the field of research and development	6.4, 9.4.5 and 12.2
7.2	Operating results		
	7.2.1	Significant factors materially affecting the income	9.4, 9.5 and 12
	7.2.2	Narrative discussion of material changes in net sales or revenues, if applicable	N/A
8. Capital resources			
8.1	Capital resources, both short term and long term		10.1, 10.2 and 10.7
8.2	Sources and amounts of the issuer's cash flows		10.2
8.3	Borrowing requirements and funding structure of the issuer		10.7
8.4	Restrictions on the use of capital resources		N/A
8.5	Anticipated sources of funds needed to perform material investments of the issuer that are in progress or for which firm commitments have already been made		10.4
9. Regulatory environment			
9.1	Regulatory environment that the issuers operates in and that may materially affect its business, and any governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the issuer's operations		11
10. Trend information			
10.1	(a) Most significant recent trends in production, sales and inventory, and costs and selling price and (b) any significant change in the financial performance of the group		12
10.2	Known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects		N/A

Headings of Annex 1 to Delegated Regulation (EU) 2019/980 of March 14, 2019		Section(s)
11. Profit forecasts or estimates		
11.1	Profit forecast or estimate, if published	13
11.2	Assumptions upon which the issuer has based its forecasts or estimates	13
11.3	Statement validating the forecasts and estimates contained in pending prospectuses	13
12. Administrative, management and supervisory bodies and senior management		
12.1	Identification and details about members of the administrative, management or supervisory bodies, partners with unlimited liability, founders and any relevant senior manager	14.3
12.2	Administrative, management and supervisory bodies and senior management conflicts of interest	14.3.3
13. Remuneration and benefits		
13.1	Remuneration and benefits in kind paid to members of the administrative, management or supervisory bodies, and senior managers	15.1
13.2	Amounts set aside or accrued to provide pension, retirement or similar benefits	15.2
14. Board Practices		
14.1	Current terms of office of members of the administrative, management and supervisory bodies	16.1
14.2	Members of the administrative, management supervisory bodies' service contracts with the issuer or any of its subsidiaries providing for benefits upon termination of employment	16.2
14.3	Information about the issuer's audit committee and remuneration committee, including the names of its members and terms of reference	16.3
14.4	"Comply or explain" statement related to corporate governance	14.1
14.5	Potential material impact on the corporate governance, including future changes in the board and committees composition, as already decided by the board or shareholders meeting	N/A
15. Employees		
15.1	Number of employees, including a breakdown of persons employed by main category of activity and geographic location if appropriate, and number of temporary employees if significant	17.1.1
15.2	Shareholdings and stock options	17.2
15.3	Arrangements for involving the employees in the capital of the issuer	17.3
16. Major Shareholders		
16.1	Identification of major shareholders, i.e. any person with an interest in the issuer's capital or voting rights notifiable under the issuer's national law	18.1
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ANNEX I
FINANCIAL INFORMATION

Combined Financial Statements of the Specialty Businesses to be transferred to SpecialtyCo upon completion of the Partial Demerger as of and for the fiscal years ended December 31, 2022, 2021 and 2020 and the opening Statement of Financial Position on January 1, 2020 in accordance with International Financial Reporting Standards (IFRS, as adopted by the EU)

Combined Financial Statements

1. COMBINED FINANCIAL STATEMENTS

BACKGROUND

Solvay SA/NV ("Solvay SA") is a public limited liability company governed by Belgian law. The shares of Solvay SA are admitted to trading on the regulated market of Euronext in Brussels ("Euronext Brussels"), which is its primary listing, and on the regulated market of Euronext in Paris ("Euronext Paris") as its secondary listing. The principal activities of Solvay SA, its subsidiaries, joint operations, joint ventures and associates (collectively with Solvay SA, the "Solvay Group") are organized into four operating segments:

- Materials: offering a unique portfolio of high-performance polymers and composite technologies used primarily in sustainable mobility applications. Its solutions enable weight reduction and enhance performance while improving CO_2 and energy efficiency. Major markets served include next generation mobility in automotive and aerospace, healthcare and electronics.

- Chemicals: hosting chemical intermediate businesses focused on mature and resilient markets. Solvay is a world leader in soda ash and peroxides and major markets served include building and construction, consumer goods and food. Its Silica, Coatis and RusVinyl businesses are also high-quality assets with strong positions in their markets.

- Solutions: offering a unique formulation and application expertise through customized specialty formulations for surface chemistry and liquid behavior, maximizing yield and efficiency of the processes they are used in while minimizing the eco-impact. Novecare, Technology Solutions, Aroma Performance, Special Chem and Oil and Gas focus on specific areas such as resources (improving the extraction yield of metals, minerals and oil), industrial applications (such as coatings) or consumer goods and healthcare (including vanillin and guar for home and personal care).

- Corporate & Business Services: including corporate, shared and other business services, such as the Solvay Group's research and innovation or energy services, whose mission is to optimize energy consumption and reduce CO_2 emissions.

The Solvay Group operates 99 industrial sites in 61 countries, employs over 22,000 employees and delivered net sales of €13.4 billion in 2022. Solvay SA is the Solvay Group's ultimate parent with its registered office located at Rue de Ransbeek 310, B-1120 Brussels, Belgium.

Solvay SA announced, on March 15, 2022, that it was reviewing plans to separate into two independent, publicly traded companies:

- "SpecialtyCo", which would comprise the Solvay Group's Materials segment, and the majority of the Solvay Group's Solutions segment:Novecare, Technology Solutions, Aroma Performance, and Oil and Gas (together the "Specialty Businesses").
- "EssentialCo", which would comprise the leading mono-technology businesses in the Solvay Group's Chemicals segment and the Special Chem business(together the "Remaining Solvay Group"). Following the Partial Demerger (as defined below), the Remaining Solvay Group would consist of EssentialCo.

Under the separation plan, Solvay SA's shareholders would retain their current shares of Solvay SA. The separation would be effected by means of a partial demerger ("*scission partielle*") of Solvay SA, under Belgian law, whereby the Specialty Businesses and related legal entities, assets and liabilities will be contributed under a universal succession regime ("*transmission à titre universel*") to SpecialtyCo (the "Partial Demerger"). Upon completion of the Partial Demerger, Solvay shareholders would receive shares issued by SpecialtyCo pro rata to their shareholdings in Solvay SA and SpecialtyCo's shares would be admitted to trading on Euronext Brussels and Euronext Paris immediately thereafter. The Partial Demerger is expected to be structured in a manner that would be tax efficient for a significant majority of Solvay SA's shareholders in key jurisdictions. The Partial Demerger remains subject to general market conditions and customary closing conditions, including final approval by Solvay SA's Board of Directors, consent of certain financing providers and shareholders' approval at an extraordinary general meeting. Solvay SA expects to complete the process by December of 2023.

Before the Partial Demerger, a legal reorganization is planned to separate the Specialty Businesses from other businesses of the Solvay Group (the "Legal Reorganization"), by: (i) transferring assets, liabilities and activities from legal entities that currently undertake both Specialty Businesses and Remaining Solvay Group operations (referred to as "Mixed Entities") to existing or new legal entities dedicated to either Specialty Businesses or the Remaining Solvay Group's activities; and (ii) reorganizing the ownership within the Solvay Group of all existing legal entities entirely dedicated to the Specialty Businesses before the Legal Reorganization ("Dedicated Entities"), all existing legal entities that were Mixed Entities before the Legal Reorganization and from which Remaining Solvay Group's activities have been carved out, and all new legal entities to which Specialty Businesses have been carved-out as part of the Legal Reorganization.

According to the Commission Delegated Regulation (EU) 2019/980 of March 14, 2019 (as amended, the "Delegated Prospectus Regulation"), Annex I, items 18.1.1 and 18.1.3, supplementing Regulation (EU) 2017/1129 of June 14, 2017 (as amended, the "Prospectus Regulation"), an issuer must present audited historical financial information covering the latest three fiscal years, compliant with International Financial Reporting Standards as endorsed by the European Union ("IFRS"), in its prospectus prepared in connection with the contemplated admission of its securities to trading on a regulated market.

Therefore, Solvay Management has prepared these Combined Financial Statements as of and for the fiscal years ended December 31, 2022, December 31, 2021 and December 31, 2020 and the opening Statement of Financial Position on January 1, 2020 in accordance with IFRS, which reflect the Specialty Businesses to be transferred to SpecialtyCo upon completion of the Partial Demerger, which were under the control of Solvay SA during those periods.

The Combined Financial Statements comprise the Combined Income Statements, Combined Statements of Comprehensive Income, Combined Statements of Financial Position, Combined Statements of Cash Flows, Combined Statements of Changes in Equity and Notes to the Combined Financial Statements as of and for the fiscal years ended December 31, 2022, December 31, 2021 and December 31, 2020 and the opening Statement of Financial Position on January 1, 2020. The Combined Financial Statements have been prepared on a going concern basis despite the fact that current liabilities are higher than the current assets over the periods presented. The capital structure presented in the Combined Financial Statements does not reflect the target capital structure at the time of the partial demerger which will best support SpecialtyCo's value creation objectives. SpecialtyCo will have full financial flexibility at the time of separation to fund its growth plan.

The list of the Mixed Entities and the Dedicated Entities that are included in the Combined Financial Statements are presented in the Note F38 - Entities and operations included in the scope of combination.

The Combined Financial Statements are presented in millions of euros (€ million), except where otherwise indicated. Rounding differences may occur in respect of individual amounts or percentages.

The Combined Financial Statements were authorized for issue by the Board of Directors of Solvay S.A. on June 13, 2023.

COMBINED STATEMENTS OF INCOME

In € million	Notes	2022	2021	2020
Sales	*(F1)*	**8,123**	**6,032**	**5,381**
of which revenue from non-core activities	*(F3)*	233	117	120
of which net sales		7,890	5,915	5,261
Cost of goods sold		-5,519	-4,148	-3,821
Gross margin		**2,604**	**1,883**	**1,560**
Commercial costs		-222	-199	-219
Administrative costs		-622	-506	-480
Research and development costs		-312	-286	-253
Other operating gains and (losses)	*(F4)*	-152	-147	-159
Earnings from associates and joint ventures	*(F22)*	16	13	6
Results from portfolio management and major restructuring	*(F5)*	-31	-102	-1,359
Results from legacy remediation and major litigations	*(F5)*	-182	-72	-27
EBIT		**1,098**	**585**	**-931**
Cost of borrowings	*(F6)*	-133	-107	-164
Interest on loans and short term deposits	*(F6)*	34	8	13
Other gains and (losses) on net indebtedness	*(F6)*	-37	-11	-11
Cost of discounting provisions	*(F6)*	17	-7	-28
Result from equity instruments measured at fair value		-13	6	4
Profit/(loss) for the year before taxes		**966**	**474**	**-1,117**
Income taxes	*(F7)*	-2	-22	-165
Profit/(loss) for the year		**964**	**453**	**-1,282**
attributable to:				
- SpecialtyCo share		950	444	-1,285
- non-controlling interests		14	9	3

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

In € million	Notes	2022	2021	2020
Profit/(loss) for the year		**964**	**453**	**-1,282**
Other comprehensive income				
Gains and losses on hedging instruments in a cash flow hedge	*(F8)*	9	-13	12
Currency translation differences	*(F8)*	168	283	-343
Share of other comprehensive income of associates and joint ventures	*(F8)*	-8	9	-15
Recyclable components		**170**	**279**	**-346**
Gains and losses on equity instruments measured at fair value through other comprehensive income	*(F8)*	-25	33	2
Remeasurements of the net defined benefit liability	*(F8)*	-65	346	2
Share of other comprehensive income of associates and joint ventures	*(F8)*	0	0	0
Non-recyclable components		**-90**	**379**	**4**
Income tax relating to recyclable and non-recyclable components	*(F8)*	-6	-32	-28
Other comprehensive income/(loss), net of related tax effects	***(F8)***	**73**	**626**	**-371**
Comprehensive income/(loss) for the year		**1,037**	**1,079**	**-1,653**
attributable to:				
- SpecialtyCo share		1,024	1,069	-1,656
- non-controlling interests		13	10	3

COMBINED STATEMENTS OF CASH FLOWS

In € million	Notes	2022	2021	2020
Profit/(loss) for the year		**964**	**453**	**-1,282**
Adjustments to profit / (loss) for the year		936	858	2,371
- Depreciation, amortization and impairments	*(F9)*	622	587	1,921
- Earnings from associates and joint ventures	*(F22)*	-16	-13	-6
- Other non-operating and non-cash items	*(F10)*	6	-9	5
- Additions and reversals of provisions	*(F13)*	189	160	99
- Net financial charges		132	111	186
- Income tax expense/income	*(F11)*	2	22	165
Changes in working capital	*(F12)*	-264	-253	255
Use of provisions	*(F13)*	-121	-120	-103
Use of provisions for additional voluntary cash contributions (pension plans)	*(F13)*		-147	-35
Dividends received from associates and joint ventures	*(F22)*	4	2	2
Income taxes paid (excluding income taxes paid on sale of investments)	*(F11)*	-182	-117	-115
Cash flow from operating activities		**1,336**	**676**	**1,092**
of which cash flow related to portfolio management and excluded from Free Cash Flow		*-6*	*0*	*0*
Acquisition (-) of subsidiaries	*(F14)*		-22	-4
Acquisition (-) of investments - Other	*(F14)*	-3	-14	-46
Loans to associates and non-consolidated companies			-82	-7
of which with remaining Solvay Group			*-80*	*-5*
Loans repayments from associates and non-consolidated companies		102	6	17
of which with remaining Solvay Group		*102*	*1*	*14*
Sale (+) of subsidiaries and investments	*(F14)*	66	61	9
Acquisition (-) of property, plant and equipment	*(F14)*	-522	-345	-235
Acquisition (-) of intangible assets	*(F14)*	-69	-57	-82
Sale (+) of property, plant and equipment and intangible assets	*(F14)*	7	15	2
Dividends from equity instruments measured at fair value		2	5	4
Change in Internal Bank Accounts with remaining Solvay Group	*(F15)*	-227	-184	-4
Changes in non-current financial assets		1	0	0
Cash flow from investing activities		**-644**	**-616**	**-348**
Increase in borrowings	*(F32)*	426	195	278
of which from related parties		*355*	*138*	*212*
Repayment of borrowings	*(F32)*	-410	-334	-1,041
of which to related parties		*-125*	*-295*	*-950*
Changes in other financial assets	*(F32)*	26	-35	-22
Payment of lease liabilities	*(F32)*	-51	-49	-55
Net interests paid		-97	-97	-160
Dividends paid to non-controlling interests		-8	-2	-3
Dividends paid to Solvay Group	*(F16)*	-237	-271	-338
Dividends received from Solvay Group	*(F16)*	9	102	71
Other transactions with Solvay Group	*(F16)*	-215	379	586
Other	*(F17)*	-19	-16	-16
Cash flow from financing activities		**-576**	**-129**	**-702**
of which increase/decrease of borrowings related to environmental remediation				6
Net change in cash and cash equivalents		**116**	**-69**	**43**
Currency translation differences		-10	5	-28
Opening cash balance		139	203	189
Closing cash balance	*(F32)*	244	139	203

COMBINED STATEMENTS OF FINANCIAL POSITION

In € million	Notes	December 31, 2022	December 31, 2021	December 31, 2020	January 1, 2020
ASSETS					
Intangible assets	*(F18)*	1,817	1,870	1,902	2,333
Goodwill	*(F19, F23)*	2,671	2,577	2,464	3,650
Property, plant and equipment	*(F20)*	3,152	2,917	2,699	3,161
Right-of-use assets	*(F21)*	196	201	222	237
Equity instruments measured at fair value	*(F31)*	71	114	66	56
Investments in associates and joint ventures	*(F22)*	204	207	183	157
Other investments		4	5	5	7
Deferred tax assets	*(F7)*	623	366	320	465
Loans to remaining Solvay Group	*(F36)*	54	133	115	115
Other Loans and other assets	*(F31)*	89	244	117	106
Other financial instruments	*(F31)*	30	30	0	0
Non-current assets		**8,910**	**8,663**	**8,094**	**10,287**
Inventories	*(F24)*	1,392	1,147	798	1,037
Trade receivables	*(F31)*	1,027	871	651	746
Income tax receivables		20	34	38	50
Other financial instruments with third parties	*(F31,F32)*	36	60	49	29
IBA (*) receivables with remaining Solvay Group	*(F31, F32, F36)*	1,555	1,314	1,083	1,122
Other receivables	*(F25)*	306	283	243	253
Loans to remaining Solvay Group	*(F36)*	144	164	93	104
Cash and cash equivalents	*(F32)*	244	139	203	189
Assets held for sale	*(F26)*	0	0	118	0
Current assets		**4,723**	**4,012**	**3,277**	**3,530**
Total assets		**13,633**	**12,675**	**11,371**	**13,817**
EQUITY & LIABILITIES					
Owner's net investment	*(F28)*	4,922	4,315	3,065	4,408
Non-controlling interests	*(F28)*	24	18	13	13
Total business equity		**4,946**	**4,333**	**3,078**	**4,421**
Provisions for employee benefits	*(F30)*	338	433	766	806
Other provisions	*(F30)*	256	192	162	183
Deferred tax liabilities	*(F7)*	479	440	459	543
Borrowings from remaining Solvay Group	*(F31, F32, F36)*	773	875	866	1,250
Other non-current Financial debt	*(F31,F32)*	1,078	1,213	1,182	1,276
Other liabilities		23	40	43	48
Non-current liabilities		**2,948**	**3,193**	**3,477**	**4,106**
Other provisions	*(F30)*	118	104	62	61
Borrowings and IBA (*) liabilities from remaining Solvay Group	*(F31, F32, F36)*	3,929	3,552	3,632	4,092
Other current Financial debt	*(F31,F32)*	96	138	66	143
Trade payables	*(F31)*	972	845	560	593
Income tax payables		85	77	59	50
Other liabilities	*(F33)*	538	432	372	350
Liabilities associated with assets held for sale	*(F26)*	0	0	65	0
Current liabilities		**5,739**	**5,149**	**4,816**	**5,290**
Total equity and liabilities		**13,633**	**12,675**	**11,371**	**13,817**

(*) IBA = Internal bank accounts

COMBINED STATEMENT OF CHANGES IN EQUITY

In € million	Notes	Invested equity attributable to SpecialtyCo	Currency translation differences	Equity instruments measured at fair value through other comprehensive income	Cash flow hedges	Defined benefit pension plan	Owner's net investment	Non-controlling interests	Total equity
January 1, 2020		**4,802**	**-224**	**10**	**-2**	**-179**	**4,408**	**13**	**4,421**
Profit/(loss) for the year		-1,285					**-1,285**	3	**-1,282**
Items of other comprehensive income	*(F8)*		-358	2	12	-26	**-370**	0	**-371**
Comprehensive income		***-1,285***	***-358***	***2***	***12***	***-26***	**-1,656**	***3***	**-1,653**
Transactions with Solvay Group	*(F16)*	310					**310**		**310**
Dividends								-3	**-3**
Other		2					**2**	0	**2**
December 31, 2020		**3,830**	**-582**	**12**	**10**	**-205**	**3,065**	**13**	**3,078**
Profit for the year		444					**444**	9	**453**
Items of other comprehensive income	*(F8)*		291	25	-13	322	**625**	1	**626**
Comprehensive income		***444***	***291***	***25***	***-13***	***322***	**1,069**	***10***	**1,078**
Transactions with Solvay Group	*(F16)*	179					**179**		**179**
Dividends								-2	**-2**
Other		16	-1	-14		1	**3**	-2	**0**
December 31, 2021		**4,468**	**-292**	**23**	**-3**	**118**	**4,315**	**18**	**4,333**
Profit for the year		950					**950**	14	**964**
Items of other comprehensive income	*(F8)*		162	-19	6	-74	**74**	-1	**73**
Comprehensive income		950	162	-19	6	-74	**1,024**	13	**1,037**
Transactions with Solvay Group	*(F16)*	-452					**-452**		**-452**
Dividends								-8	**-8**
Other		35		0			**35**	0	**35**
December 31, 2022		**5,002**	**-130**	**4**	**3**	**44**	**4,922**	**24**	**4,946**

2. NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

Definition of the reporting entity

During the reporting periods presented, SpecialtyCo (the "Reporting Entity") was not constituted under a unique holding company and has historically not prepared consolidated financial statements for internal or external reporting purposes. The activities of SpecialtyCo have been conducted in a variety of legal entities, including Mixed Entities and Dedicated Entities that were under the control of Solvay SA and associates or joint ventures that were accounted for as equity investments in Solvay SA. As part of the Legal Reorganization, several new legal entities will be created for the purpose of the Partial Demerger. Establishing the target structure of the Reporting Entity will require the implementation of restructuring steps in 44 countries, including 59 carve-outs and the creation of 24 new legal entities. The carve-outs relate to Mixed Entities.

Solvay Management has prepared these Combined Financial Statements for inclusion in the prospectus to be filed with the FSMA in conjunction with the admission to trading of SpecialtyCo's shares on Euronext Brussels and Euronext Paris. The Combined Financial Statements were prepared in accordance with IFRS as published by the International Accounting Standards Board ("IASB"), and endorsed by the European Union as of December 31, 2022.

Since IFRS provides no specific guidelines for the preparation of Combined Financial Statements, in accordance with the requirements of the Conceptual Framework and IAS 8 *Accounting policies, changes in accounting estimates and errors*, in order to provide a relevant and faithful representation of SpecialtyCo's financial performance, Solvay Management defined the perimeter of the Reporting Entity in order to present information that is complete, neutral and free from error.

In order to reflect the assets, liabilities, income and expenses that fall within the scope of SpecialtyCo, Solvay Management uses significant judgment in determining combination rules. Thus, the Combined Financial Statements presented here do not necessarily reflect the financial position and results of operations that would have occurred if SpecialtyCo had existed as a separate group in the periods presented. This is mainly because of the legal view followed for assets and liabilities, the capital and financing structure which will be adapted and the corporate costs which are not allocated to SpecialtyCo. Further details are provided below.

For Dedicated Entities, for which no carve-out is required, the Combined Financial Statements include all assets, liabilities, income and expenses of each legal entity.

For Mixed Entities, assets are attributed to the Combined Financial Statements if they were used in activities related to the SpecialtyCo Businesses. Liabilities are attributed to the Combined Financial Statements if they were incurred in relation to activities for the SpecialtyCo Businesses and due to be settled by SpecialtyCo. These assets and liabilities are only included in the Combined Financial Statements if they are planned to be transferred to SpecialtyCo as part of the Legal Reorganization except if described otherwise below.

Income and expenses for Mixed Entities are presented based on the concept of reflecting all revenues and costs that are historically incurred by the SpecialtyCo Businesses.

Businesses acquired from a third party during the reporting periods of the Combined Financial Statements were included from the date on which the Solvay Group gained control according to the acquisition method of IFRS 3 *Business Combinations* as applied in the same reporting periods by the Solvay Group.

In the IFRS consolidated financial statements of the Solvay Group as of and for the fiscal years ended December 31, 2022, December 31, 2021, and December 31, 2020 (the "Solvay Group Consolidated Financial Statements"), the business activities conducted by SpecialtyCo were included in Solvay SA's reportable Materials segment, the majority of the Solutions segment (renamed in these Combined Financial Statements as "Consumer and Resources") and part of the Corporate and Business Services segment ("CBS").

After the Partial Demerger, SpecialtyCo would comprise three operating segments:

- Materials, consisting of the Global Business Units ("GBUs") Composite Materials and Specialty Polymers;
- Consumer and Resources (formerly named "Solutions" in the Solvay Group Consolidated Financial Statements), consisting of the GBUs Novecare, Technology Solutions, Aroma Performance and Oil and Gas; and
- Corporate and Business Services.

For more information, refer to Note F1 – Revenues and Segment Reporting.

Principles of combination

The full list of Dedicated and Mixed entities included in the combined scope of the Reporting Entity are highlighted in Note F38.

For sake of clarity, the terminology 'subsidiaries', 'control', 'joint control', 'significant influence', 'joint venture' and 'associate' are used throughout this report as if the Legal Reorganization would already have been completed and thus the SpecialtyCo parent entity would have obtained full or partial legal ownership over these entities. This terminology corresponds to the way these Mixed and Dedicated Entities were included in the Combined Financial Statements, i.e. full consolidation for subsidiaries (for the part related to SpecialtyCo activities if Mixed Entity) and equity method for joint ventures and associates. As a result:

- entities controlled by the Solvay Group (including through its subsidiaries) and that are a part of the SpecialtyCo scope qualify as subsidiaries;
- arrangements over which the Solvay Group (including through its subsidiaries) exercises joint control and are a part of the SpecialtyCo scope qualify as joint ventures.
- arrangements over which the Solvay Group (including through its subsidiaries) has significant influence, and are a part of the SpecialtyCo scope qualify as an associate.

In accordance with the principle of materiality, certain companies, which are not of a significant size, but are in the SpecialtyCo scope have not been included in the SpecialtyCo combination. These companies are deemed not to be significant when, during two consecutive years, they do not exceed any of the three following thresholds in terms of their contribution to the accounts:

- sales of € 15 million;
- total assets of € 7.5 million;
- headcount of 75 persons.

In the aggregate, the companies excluded from the combination scope have an immaterial impact on the Combined Financial Statements. The full list of companies can be obtained at the Solvay Group's head office.

Application of IFRS 1 to the Combined Financial Statements

These Combined Financial Statements are the first IFRS financial statements of SpecialtyCo, therefore IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied.

The Reporting Entity existed at the time that the Solvay Group first transitioned to IFRS. As such, the Combined Financial Statements have been prepared according to IFRS 1.D16(a) and reflect the carrying amounts that are included in the Solvay Group Consolidated Financial Statements. All historical SpecialtyCo goodwill and purchase price adjustments have been reflected in the Combined Financial Statements as the Reporting Entity existed before the acquisition of the related businesses.

The optional exemptions available under IFRS 1 were not elected to be applied to the Combined Financial Statements, with the exception of the treatment of cumulative exchange difference described in the section 'Presentation of Equity' below.

As SpecialtyCo does not have any previous GAAP, for the purposes of the Combined Financial Statements, SpecialtyCo is not required to present reconciliations pursuant to IFRS 1.

The accounting policies and measurement principles used in the IFRS consolidated financial statements of the Solvay Group were applied in preparing the Combined Financial Statements.

All IFRS accounting standards and amendments that were effective on December 31, 2022 were applied in the Combined Financial Statements (see Note Significant accounting policies) in accordance with the same respective dates of first-time adoption of the Solvay Group.

SpecialtyCo has included an opening statement of financial position per the date of transition, January 1, 2020.

Standards, interpretations and amendments applicable for the first time in 2023

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Combined Financial Statements and which may have an impact on the Reporting Entity are disclosed below. SpecialtyCo intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 (the "Amendment"). In May 2021, the IASB issued the Amendment, which narrowed the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The Amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability are also recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The application of the Amendment is not expected to have more than an insignificant impact on the Reporting Entity's Combined Financial Statements.

Standards, interpretations and amendments applicable for the first time after 2023

On September 22, 2022, the IASB issued 'Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)' with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") to be accounted for as a sale. The amendments are effective for annual periods beginning on or after January 1, 2024 but are not yet endorsed by the EU. SpecialtyCo is currently assessing the impact the amendments will have on its current accounting practices.

On January 23, 2020, the IASB issued 'Classification of Liabilities as Current or Non-current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments were originally effective for annual reporting periods beginning on or after January 1, 2023, however, their effective date has been delayed to January 1, 2024, and they are not yet endorsed by the EU. SpecialtyCo is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require reclassification.

Presentation of equity

The Combined Statements of Changes in Equity present the changes in equity attributable to SpecialtyCo and attributable to non-controlling interests. In the presented periods, SpecialtyCo did not constitute a group with a parent company in accordance with IFRS 10 *Consolidated Financial Statements*. Therefore, share capital, reserves and retained earnings are presented as a single heading "Owner's net investment", with separate indications of other components of equity and Non-Controlling interests, presented accordingly. Exchange differences on currency translation of foreign operations and other comprehensive income/loss from equity and debt instruments, hedge accounting for derivative financial instruments under IFRS 9 *Financial Instruments* ("IFRS 9"), net of tax, are reported separately under "Other Components of Equity" as part of Owner's net investment.

Cumulated exchange differences on currency translation of foreign operations are measured at their carrying amount included in the Solvay Group's Consolidated Financial Statements for Dedicated Entities and pro rata the net assets transferred to SpecialtyCo for the Mixed Entities. The changes in Owner's net investment that result from transactions deemed to be immediately settled through equity and as such treated as contributions from or distributions to shareholders are included in the line "Transactions with Solvay Group", in the Combined Statements of Changes in Equity. Those contributions from or distributions to shareholders relate to carve-out specific considerations, such as the allocation of costs for shared services, impact of tax results recalculated on separate tax return basis, restructuring charges and employee benefit charges.

The capital structure of SpecialtyCo upon completion of the Partial Demerger will differ from the capital structure presented in the Combined Financial Statements.

Goodwill

Historically, goodwill reported in the Solvay Group Consolidated Financial Statements was consistently allocated to the cash-generating units ("CGUs") or groups of CGUs that were expected to benefit from the synergies of the respective acquisitions/business combinations.

The goodwill amount reflected in the Combined Financial Statements comprises the goodwill attributable to the (groups of) CGUs corresponding to the GBUs which were included in SpecialtyCo as part of the Legal Reorganization. Therefore, goodwill historically allocated to the groups of CGUs: Composite Materials, Specialty Polymers, Novecare, Technology Solutions, Aroma Performance and Oil and Gas in the Solvay Group Consolidated Financial Statements has been attributed to the same (groups of) CGUs for SpecialtyCo.

Goodwill related to the Solutions segment in the Solvay Group Consolidated Financial Statements is partially allocated to the SpecialtyCo Consumer and Resources segment, based on the relative fair value as at January 1, 2020 of the related group of CGUs consisting of the GBUs Novecare, Technology Solutions, Aroma Performance, and Oil and Gas to be part of SpecialtyCo as per the Legal Reorganization.

Goodwill related to the Energy Services group of CGUs in the Solvay Group Consolidated Financial Statements is partially allocated to the Energy CGU of SpecialtyCo, based on the relative fair value as at January 1, 2020 of the CGUs to be part of SpecialtyCo as per the Legal Reorganization.

During the periods presented, goodwill was tested for impairment for the Solvay Group Consolidated Financial Statements based on the same structure of the (groups of) CGsU of SpecialtyCo. For the goodwill that has been reallocated, the additional impairment test performed for the Combined Financial Statements did not result in an impairment loss.

Services provided and charged by centrally managed functions

Solvay SA and other entities within the Solvay Group provided various shared services to the Specialty Businesses. These activities will either be transferred to SpecialtyCo in the context of the Legal Reorganization or will be provided to SpecialtyCo under transitional services agreements after the Partial Demerger for a limited period of time. These services include, but are not limited to: accounting, human resources, information technology, legal, tax, risk management and treasury services.

The costs of such services that historically were charged to Specialty Businesses have been included in the Combined Income Statement based on their historical amounts.

The costs of such services that historically were not charged to Specialty Businesses and that were reported as part of the results of the Corporate and Business Services segment in the Solvay Group Consolidated Financial Statements have been included in the Combined Financial Statements based on historical relative usage.

Solvay Management considers that these costs are a reasonable reflection of the historical utilization of services provided to, or to the benefit of, the Specialty Businesses, but are not necessarily indicative of such costs in the future.

The costs related to corporate functions that were incurred for the benefit of the Solvay Group as a whole, including but not limited to costs for Solvay SA's Board of Directors, Executive Leadership Team, Investor Relations and Corporate Communications have not been included in the Combined Financial Statements. The costs incurred by Solvay for the Partial Demerger have also not been included in the Combined Financial Statements.

For further details please also refer to Note 8.4.6 Reconciliation of Alternative Performance Measures in the Registration Document.

Obligations for employee benefits

The Combined Financial Statements include the obligations for pensions and other post-employment benefits for both active and inactive beneficiaries, as well as the respective plan assets for Dedicated Entities.

For the Mixed Entities, benefit obligations and the respective plan assets follow the local legal framework or contractual arrangement. For employee benefit plans where the local legal framework or contractual arrangement do not contain the requirements for allocation of rights and obligations for active employees that will be transferred to SpecialtyCo entities, the benefit obligations and related assets remain in the legal entity that has the obligation to settle as per the reporting dates of the Combined Financial Statements. For those employee benefit plans where the local legal framework or contractual arrangement includes a requirement for the Specialty Businesses to settle the obligation for the employees expected to be transferred, the benefit obligations for active beneficiaries and the respective plan assets are recognized in the Combined Statements of Financial Position. For all inactive employees, the benefit obligations and related plan assets remain with the legal entity that has to settle these plans.

Employee benefit expenses are included in the Combined Income Statements when they are incurred on behalf of the Specialty Businesses (against equity).

Due to the fact that the legal transfer of the employee benefit plans has not yet been completed, the actual amounts of the obligations and assets to be transferred may differ from the amounts presented in the Combined Financial Statements. For further details please also refer to Note F30.A Provisions for employee benefits.

Share-based payments

SpecialtyCo's management has historically participated in share-based compensation programs of the Solvay Group which include both equity-settled and cash-settled compensation plans: the Solvay Group's Stock Option Plans ("SOPs") and Restricted Share Units Plans ("RSU Plans") are equity-settled share-based plans, and the Solvay Group's Performance Share Unit Plans ("PSU Plans") were cash-settled plans until 2021 and the new PSU plan granted in 2022 is an equity-settled share-based plan.

Beginning in 2022 the Solvay Group offered to substantially all of its employees the opportunity to participate in an Employee Share Purchase Plan ("ESPP"), which grants one free share to each employee in the plan and matching shares for every two shares of the Solvay Group purchased by the employee. The ESPP plan is classified as equity-settled in the Combined Financial Statements in line with the specific requirements for each share-based payment transaction among group entities.

The costs and liabilities related to the cash-settled PSU Plans are recognized in the Combined Financial Statements for the portion attributable to the personnel working for SpecialtyCo.

The costs of the equity-settled PSU and RSU Plans, the ESPP, and the SOPs are recognized in the Combined Financial Statements when related to the personnel attributable to SpecialtyCo and they are considered as immediately settled by the Remaining Solvay Group.

The historical cost of share-based payments may not be indicative of the future expenses that will be incurred through incentive schemes that could be established by SpecialtyCo following the Partial Demerger.

Income taxes and deferred taxes

In accordance with IAS 12 *Income Taxes*, current and deferred income taxes are recognized for the purposes of the Combined Financial Statements taking into consideration local tax requirements. Income taxes are determined using the separate tax return approach under the assumption that the Dedicated Entities and operations comprising Specialty Businesses in Mixed Entities constitute separate taxable entities.

This assumption implies that current and deferred taxes for all Dedicated Entities and operations comprising Specialty Businesses in Mixed Entities and tax groups within SpecialtyCo are calculated separately. The recoverability of deferred tax assets is assessed on this basis. In the Combined Financial Statements deferred tax assets are recognized to the extent it is probable that they can be offset with future taxable income from the respective SpecialtyCo entities, without using hindsight.

Tax receivables and liabilities, as well as deferred tax assets on loss carryforwards, of SpecialtyCo entities that did not constitute a separate tax payer in previous years are treated as contributions from and distributions to shareholders, included in Owner's net investment in the Combined Statement of Changes in Equity.

Solvay Management considers the approach as appropriate though not necessarily indicative of the tax expenses or income that would result for SpecialtyCo as a separate group. For further details please also refer to Note F7 Income taxes.

Shared assets

Shared assets consist of fixed assets (i.e., tangible and intangible) and right-of-use assets which historically have been jointly used by SpecialtyCo entities and the Remaining Solvay Group. The shared assets mainly include assets which relate to corporate and other business services, such as facilities, digital technology and research and innovation related assets.

Shared assets are included in the Combined Financial Statements when such assets historically have been used by a SpecialtyCo entity and will be transferred to SpecialtyCo as part of the Legal Reorganization. Additionally, the usage of shared assets is reflected in the Combined Income Statements through a charge or income representing the relative usage of the asset, in the respective reporting periods.

The usage charges are generally calculated as a proportion of the historical incurred amortization or depreciation for the underlying asset considering pertinent drivers (e.g. Full Time Equivalents ("FTE") using shared buildings, users for Information Technology, …). Allocated amounts are deemed to be settled immediately by the parent and as such accounted for as a contribution or distribution. Accordingly, the impact of the expense or income allocated through profit or loss, net of tax, is reflected directly in the Combined Statement of Changes in Equity in Owner's net investment.

Other intangible assets

Certain intellectual property assets, as well as customer relationships, are directly attributable to the Specialty Businesses and will be transferred as part of the Legal Reorganization and the Partial Demerger. Those assets are recognized in the Combined Financial Statements with their respective book value (if any).

Financial debt

Financial debt with bondholders, banks and other financial institutions is included in the Combined Financial Statements where the financial debt reflects the historical ownership of the Dedicated Entities or Mixed Entities that, after the carve out of the Remaining Solvay Group's activities, will be part of SpecialtyCo in connection with the Legal Reorganization.

As a result, the cost of financing included in the Combined Financial Statements may not represent what the finance costs would have been had SpecialtyCo historically obtained financing on a stand-alone basis. These costs are also not indicative of the cost of financing for SpecialtyCo in the future.

Cash and cash equivalents

The financing of SpecialtyCo historically was made available by cash pooling agreements and loans within the Solvay Group and externally with banks and through financing vehicles (e.g., asset-backed security structures).

The majority of the intercompany balances from the cash pooling agreements are presented as short-term financial assets and liabilities in the Combined Financial Statements.

The components of cash and cash equivalents shown in the Combined Statement of Financial Position and the Combined Statement of Cash Flows reflect the cash and cash equivalents held by the legal entities that will be part of SpecialtyCo in connection with the Legal Reorganization, and are included in the perimeter of the Combined Financial Statements.

Derivative financial instruments

The Solvay Group enters into a variety of derivative financial instruments to manage its exposure to interest rate risk, foreign exchange rate risk, and commodity risk. Derivatives that are not in a cash flow hedge relationship ("Trading Instruments"), are recognized at fair value through profit or loss. For derivatives in respect of foreign exchange rate risk on highly probable future transactions and energy-related price risks, when designated as hedging instruments in a cash flow hedge relationship, the effective portion of changes in their fair value is recognized in Other Comprehensive Income.

Trading Instruments are reported in the operating entity and included in the perimeter of the Combined Financial Statements as per the Legal Reorganization structure.

External cash flow hedges were entered into by a central function, on behalf of operating entities within the Solvay Group. In certain cases, these cash flow hedges were entered into "back-to-back", where the net result of the instruments were settled in the operating entity. The back-to-back contracts are reported in the operating entity and included in the perimeter of the Combined Financial Statements as per the principles defined in the "*Definition of the reporting entity*" section. When no back-to-back contract exists, mainly in China and Brazil, foreign currency exposures on highly probable future transactions were hedged by a central function. The hedged position was based on both foreign currency exposures on highly probable future transactions related to activities which are included in the perimeter of the Combined Financial Statements, and exposures remaining with the Solvay Group (net positions). Cash flow hedge accounting continues to be applied to the remaining part of the hedging instrument that relates to foreign currency exposure on highly probable future transactions related to the activities in the perimeter of the Combined Financial Statements.

Working capital

SpecialtyCo's working capital needs have historically been funded by intercompany loans and intercompany factoring with the central treasury entities in the Solvay Group.

Accounts receivable, accounts payable and inventories are included in the Combined Statements of Financial Position when they result from purchases and sales of products or services by Dedicated Entities. For Mixed Entities, the split of accounts receivable, accounts payable and inventories is based on the underlying business transaction.

Furthermore, we also refer to the "*Intercompany transactions*" section.

Results from portfolio management, major restructuring, legacy remediation and major litigation

Results from portfolio management and major restructurings include: 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; one-off operating costs related to internal management of portfolio (carve-out of major lines of businesses); gains and losses on the sale of real estate not directly linked to an operating activity; restructuring charges driven by portfolio management and by major reorganizations of business activities, including impairment losses resulting from the shutdown of an activity or a plant; and impairment losses (reversals) resulting from testing of CGUs.

Results from legacy remediation and major litigations include: 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, major restructuring, legacy remediation and litigation have been allocated to the Combined Financial Statements according to the GBUs in scope. In addition, a proportion of the restructuring costs attributable to CBS and shared services have been allocated to the Combined Financial Statements based on the assumption that restructuring costs were proportional to the historical usage of shared services by SpecialtyCo and the remaining Solvay Group.

Environmental Provisions in the Combined Financial Statements include both the environmental provisions of Dedicated Entities and Mixed Entities in relation to sites to be transferred to SpecialtyCo based on the Legal Reorganization and when the local legislation allows for a transfer of responsibility. Cross indemnities between SpecialtyCo and the Remaining Solvay Group will be put in place whenever SpecialtyCo retains obligations related to activities of the Remaining Solvay Group or whenever the Remaining Solvay Group retains obligations related to SpecialtyCo activities and the transfer of responsibility cannot take place based on the local legislation.

The Solvay Group launched significant transformation and simplification programs in 2020 and 2021 resulting in restructuring provisions that will be transferred to SpecialtyCo at the time of the Partial Demerger as part of the Dedicated Entities. Results from major restructuring related to SpecialtyCo in Mixed Entities or related to shared support functions used by SpecialtyCo are included in the Combined Income Statement, and are considered as immediately settled via contributions from the shareholders.

The other provisions and contingent liabilities resulting from portfolio management and litigations are recognized in the Combined Financial Statements according to whether the legal entities within the SpecialtyCo perimeter were or will be responsible for their settlement.

Non-current assets held for sale and disposal groups

The disposal groups disclosed in the Combined Statement of Financial Position relate to businesses, parts of the cash generating units that are part of the Specialty Businesses.

Discontinued operations

SpecialtyCo did not recognize any discontinued operations for the fiscal years ended December 31, 2022, December 31, 2021 and December 31, 2020. All disposals and disposal groups held for sale did not represent a separate major line of business or geographical area.

Intercompany transactions

Within the Solvay Group, intercompany transactions have occurred historically with entities over which Solvay SA exercised control, or significant influence, or with joint ventures. Transactions with entities over which Solvay SA exercised control were customarily accounted for as intragroup transactions which were eliminated as part of the consolidation procedures applied for the purposes of preparing the Solvay Group Consolidated Financial Statements.

Transactions that were previously eliminated in the Solvay Group need to be reinstated and will be disclosed under IAS 24 *Related Party Disclosures* in the Combined Financial Statements, to the extent they are between SpecialtyCo entities and entities in the Remaining Solvay Group.

Transactions between a SpecialtyCo entity and entities in the Remaining Solvay Group mainly comprise structured borrowings and loans as well as intercompany bank accounts between SpecialtyCo and the Remaining Solvay Group, in place over the periods presented, which were eliminated as part of the consolidation procedures applied for the Solvay Group Consolidated Financial Statements, and which were reinstated in the Combined Financial Statements. This does not reflect the expected situation after the Partial Demerger as no financing relation is expected to exist between SpecialtyCo and the Remaining Solvay Group once the transaction is completed.

For the balances resulting from transactions between Mixed Entities, the following carve-out approach has been followed in the Combined Financial Statements:

1. The balance is classified as an intragroup transaction and eliminated in the Combined Financial Statements if such a transaction is between two entities that are both part of SpecialtyCo.
2. The balance is classified as a transaction with related parties in the Combined Financial Statements if such transaction after the Partial Demerger, is a transaction between an entity that is part of SpecialtyCo and an entity that is part of the Remaining Solvay Group.

For further details please also refer to Note F36 *Related party transactions*.

Segment reporting

During the reporting periods under consideration there was no separate chief operating decision maker (CODM) who regularly reviewed the operating results of SpecialtyCo. As such, the segment reporting in the Combined Financial Statements reflects the historical segment information as was presented in the Solvay Group Consolidated Financial Statements, renaming the portion of the "Solutions" segment in the Specialty Businesses as "Consumer and Resources".

For further details please also refer to Note F1 *Revenue and Segment reporting*.

Combined Statement of Cash Flows

According to IAS 7 Statement of *Cash Flows*, the Combined Statements of Cash Flows of SpecialtyCo present the cash flows from operating, investing and financing activities.

Changes in receivables or liabilities from the cash pooling agreements, as well as proceeds from and repayments of loans with the Remaining Solvay Group have been included in the line items "Increase / Repayment of borrowings" in the cash flows from financing activities of the Combined Statements of Cash Flows and the related amount is provided in dedicated lines. When an intercompany bank account, that is part of the cash pool, was in a structural asset position for SpecialtyCo, the related changes have been reflected in cash flows from investing activities in the Combined Statements of Cash Flows.

Transactions with the Remaining Solvay Group that are treated as contributions from or distributions to shareholders are included in the Combined Statements of Cash Flows. Such transactions result from the inclusion of expenses or income in the Combined Financial Statements such as taxes of Mixed Entities, restructuring costs, employee benefit charges, charges for usage of shared assets, that are considered to be immediately settled by the Remaining Solvay Group.

In the Combined Statements of Cash flows such expenses or income results respectively in cash outflows or inflows presented as part of the cash flow from operating activities and they are offset by the contributions from or distributions to shareholders presented as "Other transactions with Solvay Group" in the cash flows from financing activities.

For further information on the Combined Statements of Cash Flows refer to Note F16 Other transactions with Solvay Group

Subsequent events

Subsequent events have been considered for adjustment or disclosure up to February 23, 2021, February 22, 2022 and February 23, 2023, the dates the Solvay Group Consolidated Financial Statements, from which these Combined Financial Statements were derived, were authorized for issuance.

The above Basis of preparation needs to be read together with the more detailed accounting policies included in the remainder of the Combined Financial Statements.

MAIN EVENTS AND CHANGES IN SCOPE

Composite Materials – Process Materials

On November 5, 2020, Solvay and Composites One LLC, entered into an exclusive negotiation period for the acquisition of Solvay's Process Materials (PM) business by Composites One. The PM business provides a broad array of vacuum bagging materials including bagging films, breather fabrics, release films and fabrics, peel plies, sealant tapes plus valves and hoses.
This business line has sales of approximately € 80 million in 2020 and operates six production sites in the US, France, Italy and the United Kingdom. The transaction was completed in Q1 2021.

Novecare – Amphoteric surfactants

On December 22, 2020, Solvay signed an agreement to sell its North American and European amphoteric surfactant business to OpenGate Capital, a private equity firm with headquarters in Los Angeles, California (USA). The sale includes three production sites supporting the amphoteric product lines located in University Park, Illinois (USA), Genthin (Germany), Halifax (United Kingdom), and a tolling business in Turkey. The agreement also includes tolling and service agreements between Solvay and OpenGate Capital to ensure a seamless transition and minimal customer disruption. The transaction was completed in Q2 2021.

Novecare – seed coatings

On July 1, 2021, Solvay announced the closing of the acquisition, from Bayer, of a seed coating business, with facilities in Méréville, France, and tolling operations in the U.S. and Brazil. This is a natural extension to Solvay's own AgRHO® family of sustainable seed boosting solutions (part of Novecare) and supports the drive toward more bio-based, sustainable technologies.

COVID-19 impact

The total net impact of COVID-19 on full year 2020 EBITDA is estimated at € (295) million, after short term mitigation actions related to labor costs (including furloughs) and indirect spend. A review was undertaken during Q2, 2020, to assess whether the consequences of COVID-19 indicated that some assets could be impaired. The review confirmed that there was an indication of impairment for CGUs with the lowest impairment headroom at January 1, 2020 (see Note F23 *Impairment*).

Senior bonds

On November 22, 2022, Solvay delivered a notice of early redemption in full to holders of Cytec's US dollar 3.50% senior notes due 2023 guaranteed by Solvay with ISIN / CUSIP US23282AJ97 / 232820AJ9 in an outstanding principal amount of USD 196 million.
The redemption was implemented in accordance with the terms and conditions of the bonds. The redemption date was January 1, 2023, however, Solvay was discharged from its liability by the paying agent on December 30, 2022, when the paying agent received the funds.

2. BASIS OF MEASUREMENT AND PRESENTATION

The combined financial statements are presented in millions of euros, which is also the functional currency of Solvay SA.

The preparation of the combined financial statements requires the use of estimates and assumptions that have an impact on the application of accounting policies and the measurement of amounts recognized in the combined financial statements. The areas for which the estimates and assumptions are material with respect to the combined financial statements are presented in the section Critical accounting judgments and key sources of estimation uncertainty.

1. Foreign currencies

The individual financial statements of each SpecialtyCo entity are prepared in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the combined financial statements, the results and financial position of each SpecialtyCo entity are expressed in euros (EUR), which is the presentation currency of the Reporting Entity's combined financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entities' functional currency are recognized at the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the closing rate. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rate when the fair value was measured. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income under "currency translation differences"; and
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see Note F31 *Financial instruments* and financial risk management for hedge accounting policies).

The main exchange rates used are:

		Closing rates				Average rates		
1 Euro =		**December 31, 2022**	**December 31, 2021**	**December 31, 2020**	**January 1, 2020**	**2022**	**2021**	**2020**
Brazilian Real	BRL	5.635	6.309	6.373	4.413	5.439	6.378	5.895
Yuan Renminbi	CNY	7.420	7.219	8.024	7.734	7.078	7.628	7.875
Pound Sterling	GBP	0.887	0.840	0.898	0.878	0.853	0.860	0.890
Indian Rupee	INR	88.302	84.196	89.650	78.829	82.691	87.427	84.603
Japanese Yen	JPY	140.725	130.408	126.462	122.018	138.018	129.878	121.824
Korean Won	KRW	1349.664	1346.438	1332.836	1305.309	1357.228	1353.661	1345.76
Mexican Peso	MXN	20.881	23.154	24.433	21.557	21.192	23.989	24.530
US Dollar	USD	1.067	1.133	1.227	1.119	1.053	1.183	1.142

2. Government grants

Government grants are not recognized until there is reasonable assurance that the Reporting Entity will comply with the conditions attaching to them and that the grants will be received.

Government grants relating to the purchase of property, plant and equipment are deducted from the cost of those assets. They are recognized in the combined statement of financial position at their expected value at the moment of initial recognition. The grant is recognized in profit or loss over the depreciation period of the underlying assets as a reduction of depreciation expense.

Other government grants are recognized as income on a systematic basis over the periods in which the related costs, which they are intended to compensate, are recognized. These grants are presented in profit and loss as a deduction of the related expense. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Reporting Entity with no future related costs are recognized in profit or loss in the period in which they become receivable.

3. Climate Change

In preparing the combined financial statements, Solvay's management has considered the impacts of climate change, particularly in the context of the disclosures included in the risk report and Extra-financial Statements and the Solvay Group's progression towards the ambitious 2030 goals to reduce scope 1 and 2 greenhouse gas emissions from our operations by 30% from the 2018 base year, an annual pace aligned with the Paris Agreement objectives, and to phase-out the use of coal for energy where renewable or other alternatives exist.

In October 2021, Solvay S.A., parent of SpecialtyCo., published its ambitions to become carbon neutral by 2040 for all Specialty businesses. SpecialtyCo. maintains those ambitions.

SpecialtyCo. plans investments of up to € 800 millions to reach carbon neutrality on scope 1 and 2 by 2040 for all its businesses worldwide. These investments can be partially supported by government subsidies, enabling SpecialtyCo. to also continue to invest in its growth platforms. Since 2016, SpecialtyCo and the Remaining Solvay Group have adopted an internal carbon price and it has imputed that as an input cost into all CAPEX investment decisions, irrespective of prevailing market prices. The internal cost was originally set at € 25 per metric ton in 2015, and was doubled to € 50 per metric ton in 2019. In 2021 it was then decided to raise the price to € 100 per metric ton with implementation in 2022. This approach ensures that all investments contribute positively to the resilience of SpecialtyCo. in the face of climate change risk and are also oriented towards achieving carbon neutrality.

In addition to the strategic direction, policies and commitments, it is important to note that Solvay management is taking actions aligned with its climate change commitments. These are extensively developed in the Sustainability Report. Several projects were initiated over the last years.

SpecialtyCo. is also actively working on sourcing its energy needs from more environmentally friendly resources including long-term renewable energy generation solutions both onsite and offsite at certain facilities. These include long-term solar and wind power purchase agreements generally accounted for as executory own use contracts. In addition, SpecialtyCo. has entered into long-term contracts to purchase Renewable Energy Certificates, which will cover almost 40% of the electricity purchased and consumed in the United States. The latter are recorded in operating expenses. SpecialtyCo. has started its transition to the usage of renewable energy with an actual share of 8%. The 2030 target is to reach a renewable source of energy (solar & wind power) up to 40% by 2030. This aims to limit its exposure to the price fluctuation of fossil fuels energy.

Solvay management has also considered the impact of climate change in making some key estimates within the combined financial statements, including the execution of the Solvay One Planet strategy, which is included in the budgets, mid-term plan and long-term forecasts, which are used to:

· estimate future cash flows used in impairment assessments of the carrying value of non-current assets (such as intangible assets and goodwill) (see Note F23 Impairment);

· estimate future profitability used in the assessment of the recoverability of deferred tax assets (see Note F7 Deferred taxes in the combined statement of financial position), provisions, etc.;

In 2022, Solvay Management reviewed its scenario analysis regarding SpecialtyCo's transition risk. This scenario analysis focuses on total emissions (scope 1+2+3) & exposure to climate sensitive markets. The main takeaway is that the specialty polymers business has the most significant opportunities to help achieve the 1.5°C target in the Paris Agreement. The Reporting Entity's products are generally high-value added products which are more resilient to price increases and are in expanding markets.

In summary, SpecialtyCo.'s climate change risks and opportunities mentioned above were considered as part of the reporting judgments and estimates, but did not have a material impact on the financial statements for the periods presented. Further, SpecialtyCo. concludes that the climate change risk does not impact the going concern assessment for December 2022. Additional information can be found in Notes F20 Property, Plant and Equipment, F21 Right-of Use Assets and Lease Obligations and F24 Inventories.

CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

1. Critical accounting judgments

The preparation of the Reporting Entity's Combined Financial Statements required Management to apply accounting methods and policies that are based on judgments. The application of these judgments, including how the Dedicated and Mixed Entities are to be combined, affected the reported amounts of assets and liabilities at the reporting dates as well as the reported amounts of income and expenses during the reporting periods. The Combined Financial Statements, however, may not necessarily reflect what the Reporting Entity's results of operations, financial position and cash flows would have been, had the Reporting Entity been operating in the current structure on a stand-alone basis during the periods presented. This also means that the combined financial information cannot be used to forecast the future development of the operations of SpecialtyCo.

In preparing the Combined Financial Statements, additional assumptions were made, in particular regarding:

(i) the execution of the Legal Reorganization and the Dedicated or Mixed entities (to be carved-out), to be transferred to SpecialtyCo;

(ii) the costs of the SpecialtyCo shared services over the periods presented and the final transfer of employees to SpecialtyCo, especially for the support functions.

See the basis of preparation for additional information on the accounting judgments taken in the preparation of the Combined Financial Statements.

2. Key sources of estimation uncertainty

Impairment

Solvay Management performs annual impairment tests on (groups of) CGUs to which goodwill has been allocated, and each time there are indicators that their carrying amount might be higher than their recoverable amount. This analysis requires management to estimate the future cash flows expected to be generated by the CGUs and a suitable discount rate in order to calculate present value. The recoverable amount is highly sensitive to discount and growth rates.

Impairment assessment procedures were performed by Solvay SA management for all the (groups of) CGUs that are part of the scope of combination, with no change in their perimeter. For the goodwill that has been reallocated, an additional impairment test was performed.

Further details are provided in note F19 Goodwill and Business Combinations and F23 Impairment.

Income taxes

Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits.

The Reporting Entity has € 4.1 billion (2021: € 4.8 billion, 2020: € 5.0 billion) of tax losses carried forward for which no deferred tax assets were recognized. These losses relate to subsidiaries that have a history of losses, do not expire, and may not be used to offset taxable income elsewhere in the Reporting Entity. The subsidiaries do not have any taxable temporary differences that could partly support the recognition of these losses as deferred tax assets. On this basis, the Reporting Entity has determined that it cannot recognize deferred tax assets on these tax losses carried forward.

Further details are provided in Note F7.C. Deferred taxes in the Combined Statement of Financial Position.

Provisions

Restructuring provision for the Reporting Entity’s simplification and transformation program

In early 2020 the Reporting Entity launched restructuring plans, accelerating the alignment of its worldwide organization with its G.R.O.W. strategy and responding to the challenging economic environment. These plans included the industrial footprint restructuring for Composite Materials, launched in Q2 2020, resulting in 620 redundancies within this GBU. In 2021, building on the 2020 plans, the Reporting Entity launched a new program to further align its structure to its strategy and aiming at a profound simplification of all support functions to serve the business more effectively. As a consequence of these new restructuring plans, restructuring charges of approximately € 66 million and € 90 million were recognized in 2020 and 2021, respectively.

Those charges include the provisions that are related to SpecialtyCo as part of the Dedicated Entities, as well as the results from major restructuring related to SpecialtyCo in Mixed Entities or related to shared support functions used by SpecialtyCo.

The estimate of these costs is based on the historical accruals for restructuring provision in Solvay consolidated financial statements and considering the relative usage by SpecialtyCo of shared services, for the restructuring initiatives related to support functions.

Defined benefit obligations

The actuarial assumptions used in determining the defined benefit obligations at December 31 as well as the annual cost can be found in note F30 Provisions. All main employee benefits plans are assessed annually by independent actuaries. Discount rates and inflation rates are defined centrally by Solvay Management. The other assumptions (such as future salary increases and expected rates of medical care cost increases) are defined at a local level. All plans are supervised by the Reporting Entity’s central Human Resources department with the help of a central actuary to check the reasonableness of the results and ensure consistency in reporting. All assumptions are reviewed at each reporting date.

Further details are provided in note F30.A. Provisions for employee benefits.

Environmental provisions

Environmental provisions are managed and coordinated jointly by the Environmental Rehabilitation department and the Finance department. In case of environmental impacts stemming from historical production activities, generally, no provision is recognized for remediation works beyond the 20 years due to the inherent high level of uncertainty as to whether there will be any obligation after the lapse of this period.

The forecasts of expenses are discounted to their present value. The discount rates fixed by geographical area correspond to the average risk-free rate on 10-year government bonds or the inflation rate if higher. These rates are set annually by the Finance Department and can be revised based on the evolution of economic parameters of the country involved. To reflect the passage of time, the provisions are increased each year at the discount rates described above.

Further details are provided in note F30.B. Provisions other than for employee benefits.

Provisions for litigations

Any significant litigations (post M&A and other, including threat of litigation) are reviewed by the Reporting Entity's in-house lawyers with the support, when appropriate, of external counsels at least every quarter together with the Finance and Insurance Departments. This review includes an assessment of the need to recognize provisions, disclose contingent liabilities and/or contingent assets.

Further details are provided in note F30.B. Provisions other than for employee benefits and F35 Contingent assets, liabilities and financial guarantees.

Leases – Identifying whether a contract includes a lease

The Reporting Entity enters into various contracts to obtain goods and services. Determining whether those contracts include a lease requires judgment. Elements that are considered include assessing whether or not there is an identified asset. To make the determination the Reporting Entity considers whether or not it has the right to obtain substantially all of the economic benefit of the asset(s) throughout the period of use. Additionally, the Reporting Entity assesses the extent of its decision-making rights and the existence of any substantive substitution rights. All facts and circumstances relevant to the assessment are considered and the identification of a lease is determined with the support of the departments that have the relevant knowledge, and which mainly includes the GBU management. Refer to note F21 Right-of-use assets and lease obligations for the leases that were identified by the Reporting Entity and accounted for in accordance with IFRS 16 *Leases*.

Leases – Assessment of lease term

Determining the lease term requires judgment. Elements that are considered include assessing the probability that early termination options or extension options will be exercised. All facts and circumstances relevant to the assessment are considered, and the main ones have been described in note F21 Right-of-use assets and lease obligations. Lease terms are determined with the support of the departments that have the relevant knowledge, and that mainly includes the Purchasing department, and the Facilities department.

NON-IFRS (UNDERLYING) METRICS

In addition to IFRS accounts, the Reporting Entity also presents alternative performance indicators to provide a more consistent and comparable indication of the SpecialtyCo underlying financial performance and financial position, as well as cash flows. These indicators provide a balanced view of the Reporting Entity's operations and are considered useful to investors, analysts and credit rating agencies as these measures provide relevant information on the Reporting Entity's past or future performance, position or cash flows. These indicators are generally used in the sector it operates in and therefore serve as a useful aid for investors to compare the Reporting Entity's performance with its peers.

See Glossary for definitions of adjustments (IFRS vs Underlying metrics) and Section 8. Operating and Financial Review for more information and reconciliation with IFRS figures.

NOTES TO THE COMBINED INCOME STATEMENT

NOTE F1

REVENUE AND SEGMENT INFORMATION

Accounting policy

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers:

- Identify the contract,
- Identify the performance obligations,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contract, and
- Recognize revenue when or as the Reporting Entity satisfies a performance obligation.

Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which the Reporting Entity expects to be entitled in exchange for transferring goods or services to a customer.

Sale of goods: Contracts can be short term (including based only on a purchase order) or long term, some have minimum off-take requirements. As the Reporting Entity is in the business of selling chemicals, contracts with customers generally concern the sale of goods. As a result, revenue recognition generally occurs at a point in time when control of the chemicals is transferred to the customer, generally on delivery of the goods.

Distinct elements: a good or service that is promised to a customer is distinct if both of the following criteria are met: (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. The good or service is capable of being distinct); and (b) the Reporting Entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. The promise to transfer the good or service is distinct within the context of the contract).

The revenue of the Reporting Entity consists mainly of sales of chemicals, which qualify as separate performance obligations. Value-added services – mainly customer assistance services – corresponding to SpecialtyCo's know-how are rendered predominantly over the period that the corresponding goods are sold to the customer.

Variable consideration: some contracts with customers provide trade discounts or volume rebates. Trade discounts and volume rebates give rise to variable consideration under IFRS 15, and are required to be estimated at contract inception and subsequently at each reporting date. IFRS 15 requires the estimated variable consideration to be constrained to prevent overstatement of revenue.

Moment of recognition of revenue: revenue is recognized when (or as) the Reporting Entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. Substantially all revenue stems from performance obligations satisfied at a point in time, i.e. The sale of goods. Revenue recognition for those takes into account the following:

- The Reporting Entity has a present right to payment for the asset;
- The customer has legal title to the asset;
- The Reporting Entity has transferred physical possession of the asset;
- The customer has the significant risks and rewards of ownership of the asset (in this respect, incoterms are considered); and
- The customer has accepted the asset.

Products sold to customers generally cannot be returned, other than for performance deficiencies. Customer acceptance clauses are in many cases a formality that would not affect the Reporting Entity's determination of when the customer has obtained control of the goods. Revenue from services is recognized in the period those services have been rendered.

The Reporting Entity sells its chemicals to its customers, (a) directly, (b) through distributors, and (c) with the assistance of agents. When the Reporting Entity delivers a product to distributors for sale to end customers, the Reporting Entity evaluates whether that distributor has obtained control of the product at that point in time. No revenue is recognized upon delivery of a product to a customer or distributor if the delivered product is held on consignment. Indicators of consignment inventory include:

- The product is controlled by the Reporting Entity until a specified event occurs, such as the sale of the product to a customer of the distributor or until a specified period expires;
- The Reporting Entity is able to require the return of the product or transfer the product to a third party (such as another distributor); and
- The distributor does not have an unconditional obligation to pay for the product (although he might be required to pay a deposit).
- Agents facilitate sales and do not purchase and resell the goods to the end customer.

Warranties: warranties provide a customer with assurance that the related product will function as the parties intended because it complies with agreed-upon specifications. Substantially all warranties do not provide the customer with a service in addition to the assurance that the product complies with agreed-upon specifications, and are hence accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Licensing: In case of performance obligations relating to licensing intellectual property (IP), the Reporting Entity assesses if it grants a right to access the IP as it exists throughout the license period or a right to use the IP as it exists at the point in time at which the license is granted. If the performance obligation is to grant a right to access, then the related revenue is recognized over the license period; otherwise, it is recognized at a point in time, i.e. when the license period starts or when the customer starts using the IP. The Reporting Entity assesses if the license provided can be considered as being distinct in the context of the contract. If not, the license will have to be bundled with other goods or services provided in the contract.

An Operating Segment is a component of the Reporting Entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker and for which discrete financial information is available. The Reporting Entity's chief operating decision maker is the Solvay Group Chief Executive Officer.

General

SpecialtyCo is organized into three Operating Segments, which are 3 of the segments currently defined at Solvay Group level:

- Materials, consisting of the GBUs Composite Materials and Specialty Polymers. The Materials segment offers a unique portfolio of high-performance polymers and composite technologies used primarily in sustainable mobility applications. Its solutions enable weight reduction and enhance performance while improving CO_2 and energy efficiency. Major markets served include next-generation mobility in automotive and aerospace, healthcare and electronics.
- Consumer and Resources offer a unique formulation & application expertise through customized specialty formulations for surface chemistry & liquid behavior, maximizing yield and efficiency of the processes they are used in while minimizing the eco-impact. Novecare, Technology Solutions, Aroma, and Oil & Gas focus on specific areas such as resources (improving the extraction yield of metals, minerals and oil), industrial applications (such as coatings) or consumer goods and healthcare (including vanillin and guar for home and personal care).
- Corporate & Business Services includes corporate and other business services, such as research & innovation, cogeneration units dedicated to the SpecialtyCo activities and new business development (NBD).

External net sales by cluster

In € million	2022	2021	2020
Materials	**4,078**	**2,912**	**2,702**
Specialty Polymers	*3,124*	*2,182*	*1,827*
Composite Materials	*954*	*730*	*875*
Consumer & Resources	**3,806**	**3,000**	**2,555**
Novecare	*1,905*	*1,548*	*1,330*
Technology Solutions	*741*	*561*	*491*
Aroma Performance	*575*	*473*	*435*
Oil and Gas	*586*	*418*	*299*
Corporate & Business Services	**6**	**4**	**4**
CBS and NBD	*6*	*4*	*4*
Total	**7,890**	**5,915**	**5,261**

Sales by market

Sales by market are presented in Section 8. Operating and Financial Review of the Registration Document.

There are no individual customers that contribute 10% or more to the Reporting Entity’s revenue or any individual segment’s revenue in either 2022, 2021 or 2020.

Net sales by country and region

The sales disclosed below are based on the customers' location.

In € million	2022	%	2021	%	2020	%
Belgium	89	1%	59	1%	58	1%
Germany	478	6%	405	7%	345	7%
Italy	269	3%	228	4%	234	4%
France	234	3%	187	3%	169	3%
Netherlands	52	1%	51	1%	49	1%
Spain	69	1%	59	1%	63	1%
European Union - Other	277	4%	194	3%	174	3%
European Union	**1,469**	**19%**	**1,184**	**20%**	**1,093**	**21%**
Europe - Other	**318**	**4%**	**258**	**4%**	**238**	**5%**
United States	2,417	31%	1,740	29%	1,660	32%
Canada	115	1%	92	2%	85	2%
North America	**2,532**	**32%**	**1,831**	**31%**	**1,744**	**33%**
Brazil	351	4%	192	3%	152	3%
Mexico	157	2%	106	2%	85	2%
Latin America - Other	186	2%	138	2%	95	2%
Latin America	**694**	**9%**	**435**	**7%**	**332**	**6%**
Australia	91	1%	91	2%	65	1%
China	1,228	16%	942	16%	760	14%
Hong Kong	64	1%	64	1%	34	1%
India	210	3%	186	3%	147	3%
Indonesia	81	1%	81	1%	45	1%
Japan	352	4%	249	4%	235	4%
Russia	6	0%	33	1%	27	1%
Saudi Arabia	13	0%	8	0%	7	0%
South Korea	271	3%	214	4%	176	3%
Thailand	61	1%	46	1%	40	1%
Turkey	51	1%	45	1%	45	1%
Other	448	6%	244	4%	272	5%
Asia and rest of the world	**2,876**	**36%**	**2,205**	**37%**	**1,853**	**35%**
Total	**7,890**	**100%**	**5,915**	**100%**	**5,261**	**100%**

Information per segment

2022 - In € million	Materials	Consumers & Resources	Corporate & Business Services	Group Total
Income statement items				
Net sales (including inter-segment sales)	4,081	3,814	6	7,901
- Inter-segment sales	-3	-7	0	-11
Net sales	4,078	3,806	6	7,890
Revenue from non-core activities	109	29	95	233
Gross margin	1,560	1,039	5	2,604
Depreciation and amortization	363	206	53	622
Earnings from associates and joint ventures	9	5	2	16
Underlying EBITDA (1)	***1,291***	***749***	***-176***	***1,863***
EBIT				**1,098**
Net financial charges				-132
Income taxes				-2
Profit for the year from discontinued operations				0
Profit/(loss) for the year				**964**

31 December 2022 - In € million	Materials	Consumers & Resources	Corporate & Business Services	Group Total
Statement of financial position and other items				
Capital expenditures	400	190	52	642
Investments	0	0	3	3
Working capital				
Inventories	855	533	3	1,392
Trade receivables	518	478	30	1,027
Trade payables	511	412	49	972

(1) Underlying EBITDA is a key performance indicator followed by Solvay management and includes other elements than those presented above (See Note 8 Operating and Financial Review of the Registration Document for the reconciliation with IFRS figures).

Capital expenditures include Acquisitions of property, plant and equipment, Acquisition of intangible assets and Payments of lease liabilities.

2021 - In € million	Materials	Consumers & Resources	Corporate & Business Services	Group Total
Income statement items				
Net sales (including inter-segment sales)	2,921	3,005	4	5,930
- Inter-segment sales	-9	-5	0	-14
Net sales	2,912	3,000	4	5,915
Revenue from non-core activities	19	18	79	117
Gross margin	1,102	773	8	1,883
Depreciation and amortization	313	226	48	588
Earnings from associates and joint ventures	8	4	1	13
Underlying EBITDA(1)	***878***	***548***	***-143***	***1,282***
EBIT				**585**
Net financial charges				-111
Income taxes				-22
Profit for the year from discontinued operations				0
Profit/(loss) for the year				**453**

December 31, 2021 - In € million	Materials	Consumers & Resources	Corporate & Business Services	Group Total
Statement of financial position and other items				
Capital expenditures	250	131	70	451
Investments	1	24	10	35
Working capital				
Inventories	686	457	4	1,147
Trade receivables	383	469	19	871
Trade payables	384	424	37	845

(1) Underlying EBITDA is a key performance indicator followed by Solvay management and includes other elements than those presented above (See Note 8 Operating and Financial Review of the Registration Document for the reconciliation with IFRS figures).

Capital expenditures include Acquisitions of property, plant and equipment, Acquisition of intangible assets and Payments of lease liabilities.

2020 - In € million	Materials	Consumers & Resources	Corporate & Business Services	Group Total
Income statement items				
Net sales (including inter-segment sales)	2,709	2,558	4	5,270
- Inter-segment sales	-7	-3	0	-9
Net sales	2,702	2,555	4	5,261
Revenue from non-core activities	19	25	75	120
Gross margin	913	643	4	1,560
Depreciation and amortization (incl. impairment)	1,126	731	65	1,921
Earnings from associates and joint ventures	0	5	1	6
Underlying EBITDA(1)	***712***	***426***	***-110***	***1,027***
EBIT				**-931**
Net financial charges				-186
Income taxes				-165
Profit for the year from discontinued operations				0
Profit/(loss) for the year				**-1,282**

December 31, 2020 - In € million	Materials	Consumers & Resources	Corporate & Business Services	Group Total
Statement of financial position and other items				
Capital expenditures	191	107	74	372
Investments	32	9	8	50
Working capital				
Inventories	483	313	3	798
Trade receivables	289	322	39	651
Trade payables	226	283	51	560

(1) Underlying EBITDA is a key performance indicator followed by Solvay management and includes other elements than those presented above (See Note 8 Operating and Financial Review of the Registration Document for the reconciliation with IFRS figures).

Capital expenditures include Acquisitions of property, plant and equipment, Acquisition of intangible assets and Payments of lease liabilities.

January 1, 2020 - In € million	Materials	Consumers & Resources	Corporate & Business Services	Group Total
Statement of financial position and other items				
Working capital				
Inventories	654	379	5	1,037
Trade receivables	386	349	10	746
Trade payables	276	288	29	593

NON-CURRENT ASSETS, CAPITAL EXPENDITURES AND INVESTMENTS BY COUNTRY AND REGION

In € million	Non-current assets							
	December 31, 2022	%	December 31, 2021	%	December 31, 2020	%	January 1, 2020	%
Belgium	110	1%	124	2%	151	2%	109	1%
Germany	45	1%	47	1%	58	1%	82	1%
Italy	393	5%	363	5%	349	5%	361	4%
France	1,727	21%	1,600	20%	1,593	21%	1,613	17%
Spain	0	0%	0	0%	0	0%	0	0%
European Union - Other	44	1%	41	1%	44	1%	46	0%
European Union	**2,319**	**29%**	**2,175**	**28%**	**2,195**	**29%**	**2,210**	**23%**
Europe - Other	**144**	**2%**	**153**	**2%**	**154**	**2%**	**213**	**2%**
United States	4,664	58%	4,544	58%	4,278	57%	6,154	64%
Canada	175	2%	177	2%	170	2%	185	2%
North America	**4,839**	**60%**	**4,721**	**60%**	**4,448**	**59%**	**6,339**	**66%**
Brazil	46	1%	40	1%	41	1%	59	1%
Latin America - Other	12	0%	10	0%	10	0%	17	0%
Latin America	**57**	**1%**	**50**	**1%**	**51**	**1%**	**76**	**1%**
Russia	0	0%	0	0%	0	0%	0	0%
Thailand	8	0%	8	0%	9	0%	11	0%
China	444	5%	448	6%	389	5%	415	4%
South Korea	17	0%	15	0%	12	0%	12	0%
India	233	3%	240	3%	234	3%	264	3%
Singapore	3	0%	36	0%	40	1%	50	1%
Japan	3	0%	1	0%	2	0%	3	0%
Other	46	1%	39	0%	6	0%	6	0%
Asia and rest of the world	**752**	**9%**	**788**	**10%**	**692**	**9%**	**761**	**8%**
Total	**8,111**	**100**	**7,887**	**100**	**7,540**	**100**	**9,600**	**100**

Non-current assets are those other than deferred tax assets, loans and other assets, and other financial instruments.

In € million	Capital expenditures and investments					
	2022	%	**2021**	%	**2020**	%
Belgium	-2	0%	-7	1%	-28	7%
Germany	-4	1%	-2	0%	-2	1%
Italy	-91	14%	-76	16%	-46	11%
France	-197	31%	-133	27%	-88	21%
Spain	0	0%	0	0%	0	0%
European Union - Other	-7	1%	-4	1%	-3	1%
European Union	**-301**	**47%**	**-222**	**46%**	**-167**	**40%**
Europe - Other	**-15**	**2%**	**-15**	**3%**	**-11**	**3%**
United States	-237	37%	-154	32%	-177	42%
Canada	-11	2%	-6	1%	-8	2%
North America	**-247**	**38%**	**-160**	**33%**	**-185**	**44%**
Brazil	-3	1%	-2	1%	-1	0%
Latin America - Other	-2	0%	-2	0%	-1	0%
Latin America	**-6**	**1%**	**-4**	**1%**	**-2**	**1%**
Russia	0	0%	0	0%	0	0%
Thailand	-1	0%	-1	0%	-1	0%
China	-57	9%	-69	14%	-38	9%
South Korea	-5	1%	-2	1%	0	0%
India	-8	1%	-7	1%	-12	3%
Singapore	-2	0%	-3	1%	-3	1%
Japan	-1	0%	-2	0%	-1	0%
Other	0	0%	0	0%	0	0%
Asia and rest of the world	**-76**	**12%**	**-84**	**17%**	**-56**	**13%**
Total	**-645**	**100**	**-486**	**100**	**-422**	**100**

Capital expenditures and investments include acquisitions of property, plant and equipment, payments of lease liabilities, intangible assets and investments in subsidiaries and other investments (joint ventures and associates).

NOTE F2
COMBINED INCOME STATEMENT BY NATURE

In € million	**Notes**	2022	2021	2020
Net sales	*(F1)*	7,890	5,915	5,261
Revenue from non-core activities	*(F3)*	233	117	120
Raw materials, utilities and consumables used		-3,908	-2,973	-2,208
Changes in inventories		224	284	-151
Personnel expenses		-1,435	-1,197	-1,224
Wages and direct social benefits		*-1,080*	*-906*	*-920*
Employer's contribution for social insurance		*-250*	*-142*	*-143*
Pensions and insurance benefits		*-73*	*-63*	*-62*
Other personnel expenses		*-33*	*-85*	*-99*
Amortization, depreciation and impairment	*(F9)*	-622	-588	-1,921
Other variable logistics expenses		-363	-255	-175
Other fixed expenses		-782	-595	-553
Addition and reversal of provisions (excluding employee benefit provisions)	*(F30)*	-154	-128	-71
M&A costs and gains and losses on disposals	*(F5)*	0	-9	-15
Earnings from associates and joint ventures	*(F22)*	16	13	6
EBIT		**1,098**	**585**	**-931**

Personnel expenses increased in 2022 due to the impact of inflation (including in certain countries such as Belgium where salaries are indexed to inflation by law), and due to increased variable remuneration and operational headcount in line with the growth in business activity. This mainly explains the increase of Commercial and Administrative costs in the Combined Statements of Income.

Other fixed expenses mainly include costs of services, licenses, and professional fees.

NOTE F3
REVENUE FROM NON-CORE ACTIVITIES

This revenue primarily comprises commodity and utility third party transactions and other revenue, considered to not correspond to the Reporting Entity's core business.

NOTE F4

OTHER OPERATING GAINS AND LOSSES

In € million	2022	2021	2020
Start-up and preliminary study costs	-20	-10	-12
Capital gains/losses on sales of property, plant and equipment and intangible assets	2	3	0
Net foreign exchange gains and losses	-10	6	-2
Amortization of intangible assets resulting from PPA	-137	-136	-155
Other	14	-10	9
Other operating gains and losses	**-152**	**-147**	**-159**

NOTE F5

RESULTS FROM PORTFOLIO MANAGEMENT AND MAJOR RESTRUCTURINGS, LEGACY REMEDIATION AND MAJOR LITIGATIONS

Accounting policy

Results from portfolio management and major restructurings include:

- gains and losses on the sale of subsidiaries,, joint ventures, and associates that do not qualify as discontinued operations;
- acquisition costs of new businesses;
- one-off operating costs related to internal management of portfolio (carve-out of major lines of businesses);
- gains and losses on the sale of real estate not directly linked to an operating activity;
- restructuring charges driven by portfolio management and by major reorganizations of business activities, including impairment losses resulting from the shutdown of an activity or a plant;
- impairment losses (reversals) resulting from testing of CGUs.

Results from legacy remediation and major litigations include:

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

Results from portfolio management and major restructuring

In € million	2022	2021	2020
Restructuring costs and impairment	-31	-93	-1,344
Impairment	*-6*	*-1*	*-1,278*
Restructuring costs	*-26*	*-92*	*-66*
M&A costs and gains and losses on disposals	1	-9	-15
Results from portfolio management and major restructuring	**-31**	**-102**	**-1,359**

Results from legacy remediation and major litigations

In € million	2022	2021	2020
Major litigations	-70	-24	-12
Remediation costs and other costs related to non-ongoing activities	-112	-48	-15
Results from legacy remediation and major litigations	**-182**	**-72**	**-27**

In 2020 Impairment primarily related to Composite Materials (€ (798) million), Technology Solutions (€ (280) million) and Oil & Gas (€ (155) million);

See note F23 Impairment for more information.

For the movement in litigation costs please refer to the note F30.B. Provisions other than for employee benefits.

In 2022 remediation costs increased versus last year mainly due to a €93 million provision recorded in Q3, 2022 related to per- and polyfluoroalkyl substances (PFAS). See note F30.B Provisions other than for employee benefits.

NOTE F6

NET FINANCIAL CHARGES

Accounting policy

Interest on borrowings is recognized in costs of borrowings as incurred, with the exception of borrowing costs directly attributable to the acquisition, construction and production of qualifying assets (see note F20 Property, Plant and Equipment).

Net foreign exchange gains or losses on financial items (e.g. cash, loans and borrowings) and changes in fair value of derivative financial instruments related to net indebtedness are presented in "Other gains and losses on net indebtedness", with the exception of changes in fair value of derivative financial instruments that are hedging instruments in a cash flow hedge relationship, and which are recognized on the same line as the hedged item, when the latter affects profit or loss.

In € million	2022	2021	2020
Cost of borrowings	-121	-96	-152
Interest expense on lease liabilities	-11	-11	-12
Interest on loans and short term deposits	34	8	13
Other gains and losses on net indebtedness	-37	-11	-11
Net cost of borrowings	**-137**	**-110**	**-162**
Cost of discounting provisions	4	-11	-26
Impact of change of discount rate on provisions	14	4	-2
Result from equity instruments measured at fair value	-13	6	4
Net financial charges	**-132**	**-111**	**-186**

Details are included in note F33 Net indebtedness.

The net cost of borrowings variance is mainly explained by:

· Cost of borrowings:

The cost of Senior US$ notes remains stable over the three years period with an amount of $ (50) million (approx € 45 million)

The increase in 2022 in comparison to 2021 is mainly explained by the fluctuation of the interest rates on current account liabilities with related parties (bank pooling with the Remaining Solvay Group)

The decrease in 2021 in comparison to 2020 is mainly explained by the fluctuation of the interest rates on current account liabilities with related parties (bank pooling with the Remaining Solvay Group)

· Interest income on loans and deposits:

The increase in 2022 in comparison to 2021 is explained by:

- the fluctuation of current account asset positions with related parties (bank pooling with the Remaining Solvay Group) for € 13 million
- loans to related parties for € 12 million

The decrease in 2021 in comparison to 2020 is explained by:

- the fluctuation of current account asset positions with related parties (bank pooling with the Remaining Solvay Group) for € (5) million

· Other gains and losses on net indebtedness at € (37) million for 2022, from € (11) million for 2020 and 2021, largely attributable to foreign exchange results.

The cost of discounting provisions relates to post-employment benefits (net of the expected return on plan assets) and to environmental provisions and its decrease is largely attributable to the evolution of the applicable discount rates (see also note F30 Provisions).

NOTE F7

INCOME TAXES IN THE INCOME STATEMENT AND THE STATEMENT OF FINANCIAL POSITION

Current taxes

The current tax payable is based on taxable profit of the year. Taxable profit differs from profit as reported in the combined income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Reporting Entity's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes

Deferred taxes are recognized for temporary differences between the carrying amounts of assets and liabilities in the combined financial statements and their corresponding tax bases used in the computation of taxable profit.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are generally recognized for all taxable temporary differences.

No deferred tax liabilities are recognized following the initial recognition of goodwill. In addition, no deferred tax assets or liabilities are recognized with respect to the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, joint operations, joint ventures, and associates, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets other than tax loss carryforwards are analyzed on a case by case basis, taking into account all relevant facts and circumstances. For example, a zero taxable profit, after deducting the amounts paid to retirees under a defined benefit plan and for which a deductible temporary difference existed, can justify the recognition of the underlying deferred tax assets. Recognition of deferred tax assets for tax loss carryforwards requires a positive taxable profit during the year that enables the utilization of tax losses that originated in the past. Because of uncertainties inherent to predicting such positive taxable profit, recognition of deferred tax assets from tax loss carryforwards is based on a case by case analysis, which is usually based on five-year profit forecasts, except with respect to any financial company for which ten-year financial profit forecasts are considered highly predictable and are consequently used.

The corporate tax reporting team, which monitors the Group deferred tax positions, is involved in assessing deferred tax assets.

Further details are provided in note F7.C.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current tax assets and liabilities are offset when there is a legally enforceable right to set off the recognized amounts and when the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred taxes for the period

Current and deferred taxes for the period are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss, or when they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in the accounting for the business combination.

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

F7.A. Income taxes

The income taxes (net expense) recognized in the Combined Income Statement amount to € (2) million in 2022, € (22) million in 2021 and € (165) million in 2020. The income taxes (net expense) recognized in other comprehensive income amount to € (5) million in 2022, € (32) million in 2021 and € (28) million in 2020, changes being mainly due to the movement in employee benefit provisions (see note F30A Provisions for employee benefits).

In € million	2022	2021	2020
Current taxes related to current year	-258	-159	-100
Provisions for tax litigations	9	-1	0
Other current taxes related to prior years (a)	-6	-2	-12
Current taxes	**-255**	**-162**	**-113**
Changes in unrecognized deferred tax assets (b)	156	90	-19
Deferred tax income on amortization of PPA step-ups	33	33	40
Deferred tax impact of changes in the nominal tax rates	-3	0	0
Deferred taxes related to prior years (a)	18	3	7
Deferred taxes on impairments (adjustment)	0		14
Changes in deferred tax assets O&G US (c)	105	16	-110
Other deferred taxes (d)	-56	-2	15
Deferred taxes	**253**	**141**	**-53**
Income taxes recognized in the combined income statement	**-2**	**-22**	**-165**
Income taxes on items recognized in other comprehensive income	**-6**	**-32**	**-28**

The evolution of the current taxes (net expense) from 2020 to 2022 is mainly due to higher taxable profits in countries with high effective tax rates.

(a) The current and deferred taxes related to prior years derive mainly:

- from true-ups (€ (6) million) and from the changes in deferred taxes (mainly on foreign income book to tax basis) in the United States (€ 21 million) in 2022;
- from true-ups in 2021 (€1 million); and
- from an important true-up in the United States in 2020 (€ (6) million).

(b) The changes in unrecognized deferred tax assets result mainly:

- from a revision of the forecasts of utilization of tax losses carried forward in the holding companies (€ 143 million in 2022 , € 64 million in 2021 and € 10 million in 2020);
- from changes in deferred taxes (mainly on tangible assets) in the United States (€ 19 million) in 2021;
- from the reversal of deferred taxes in the United Kingdom in 2020 (€ (23) million) mainly from capital allowances deemed not to be utilized within the next five years.

(c) The deferred tax assets on the goodwill and other tangible and intangible assets for Oil & Gas in the United States were written-down in the US tax unit in 2020 (€ (110) million). Based on a reassessment of recoverability of these deferred tax assets, the write-down of the deferred tax assets was reversed (€ 15 million in 2021 and € 105 million in 2022). The difference between the amount at origin and the reversal is mainly due to FX changes.

(d) The other deferred taxes mainly include:

- the creation and utilization of deferred taxes on tax losses and tax credits carried forward in the holding companies (€ (98) million in 2022, € (19) million in 2021 and € 37 million in 2020);
- the other net increases and reversals of other temporary differences.

F7.B. Reconciliation of the income tax expense

The effective income tax expense has been reconciled with the theoretical tax expense obtained by applying to the pre-tax profit of each entity within the scope of combination, the nominal tax rate prevailing in the country in which it operates.

In € million	**2022**	2021	2020
Profit/(Loss) for the year before taxes	966	474	-1,117
Earnings from associates and joint ventures	16	13	6
Profit/(Loss) for the year before taxes excluding earnings from associates and joint ventures	**951**	**461**	**-1,123**
Reconciliation of the tax income/(expense)			
Total tax income/(expense) of the entities within the scope of combination on the basis of the respective local nominal rates	-288	-167	183
Weighted average nominal rate	30%	36%	16%
Tax effect of changes in nominal tax rates	-3	0	0
Changes in unrecognized deferred tax assets	156	90	-19
Tax effect of permanent differences	7	16	3
Gain and losses with no tax expense and income	17	31	29
US taxes disconnected from profit for the year before taxes	-14	-6	
Non deductible impairment of the goodwills	0	0	-245
Changes in deferred tax assets O&G US	105	16	-110
Provisions for tax litigations	9	-1	0
Other tax effect of current and deferred tax adjustments related to prior years	13	1	-6
Tax effect on distribution of dividends	-5	0	-1
Effective tax income/(expense)	**-2**	**-22**	**-165**
Effective tax rate	**0%**	**5%**	**-15%**

The changes in the weighted average nominal rate are mainly due to the weight of the withholding taxes on dividends (more dividends paid in 2021 and 2022 compared to 2020 mainly from the Chinese subsidiaries) and to the evolution of results in countries with higher nominal tax rate (e.g. Brazil, Italy).

F7.C. Deferred taxes in the combined statement of financial position

2022 - In € million	Opening balance	Recognized in income statement	Recognized in other comprehensive income	Exchange rate effect	Other	Closing balance
Temporary differences						
Employee benefits obligations	**42**	11	-9	3	0	**46**
Provisions other than employee benefits	**89**	13	0	4	0	**105**
Property, plant and equipment	**-182**	27	0	-12	0	**-167**
Intangible assets	**-268**	97	0	-17	0	**-188**
Right-of-use assets	**-34**	1	0	-1	0	**-35**
Lease liabilities	**33**	0	0	1	0	**35**
Goodwill	**3**	56	0	-1	0	**58**
Other temporary differences	**21**	-32	3	0	2	**-5**
Tax losses	**203**	86	0	3	-13	**279**
Tax credits	**19**	-5	0	1	0	**15**
Total (net amount)	**-74**	253	-6	-19	-11	**144**

2021 - In € million	Opening balance	Recognized in income statement	Recognized in other comprehensive income	Exchange rate effect	Other acquisition / disposal	Transfer to assets held for sale	Other	Closing balance
Temporary differences								
Employee benefits obligations	**87**	9	-56	2	0	0	-1	**42**
Provisions other than employee benefits	**81**	0	0	5	0	1	2	**89**
Property, plant and equipment	**-218**	22	32	-15	1	-4	-1	**-182**
Intangible assets	**-307**	64	0	-24	-1	0	1	**-268**
Right-of-use assets	**-39**	7	0	-2	1	0	-2	**-34**
Lease liabilities	**40**	-8	0	2	-1	1	0	**33**
Goodwill	**3**	0	0	0	0	0	0	**3**
Other temporary differences	**32**	1	-8	3	-1	1	-7	**21**
Tax losses	**172**	37	0	5	-2	0	-9	**203**
Tax credits	**10**	9	0	1	0	0	0	**19**
Total (net amount)	**-139**	**141**	**-32**	**-24**	**-3**	**-1**	**-16**	**-74**

2020 - In € million	Opening balance	Recognized in income statement	Recognized in other comprehensive income	Exchange rate effect	Transfer to assets held for sale	Other	Closing balance
Temporary differences							
Employee benefits obligations	**142**	-22	-28	-5	0	0	**87**
Provisions other than employee benefits	**91**	1	0	-6	-1	-4	**81**
Property, plant and equipment	**-211**	-30	0	19	4	0	**-218**
Intangible assets	**-383**	47	0	28	0	0	**-307**
Right-of-use assets	**-38**	-3	0	3	0	0	**-39**
Lease liabilities	**39**	4	0	-3	-1	0	**40**
Goodwill	**91**	-87	0	0	0	0	**3**
Other temporary differences	**51**	-13	-1	-4	-1	0	**32**
Tax losses	**129**	53	0	-4	0	-6	**172**
Tax credits	**14**	-3	0	-1	0	0	**10**
Total (net amount)	**-77**	**-53**	**-28**	**27**	**1**	**-9**	**-139**

The significant components of the deferred tax assets and deferred tax liabilities are as follows:

In € million	2022				
	Deferred tax assets	Deferred tax liabilities	Net deferred taxes before write-down	Write-down of deferred tax assets (unrecognized portion)	**Net deferred taxes**
Employee benefits obligations	82	-35	47	0	46
Provisions other than employee benefits	107	-1	106	0	105
Property, plant and equipment	45	-179	-135	-33	-167
Intangible assets	250	-362	-112	-76	-188
Right-of-use assets	1	-36	-35	0	-35
Lease liabilities	36	-1	35	0	35
Goodwill	58	0	58	0	58
Other	29	-33	-5	0	-5
Temporary differences	**606**	**-648**	**-42**	**-109**	**-151**
Operational losses	1,291	0	1,291	-1,050	240
Non-operational losses	107	0	107	-69	39
Tax losses	**1,398**	**0**	**1,398**	**-1,119**	**279**
Tax credits carried forward	**70**	**0**	**70**	**-55**	**15**
Netting deferred taxes	-169	169	0	0	0
Deferred taxes	**1,906**	**-479**	**1,426**	**-1,283**	**144**

In € million	2021				
	Deferred tax assets	Deferred tax liabilities	Net deferred taxes before write-down	Write-down of deferred tax assets (unrecognized portion)	**Net deferred taxes**
Employee benefits obligations	129	-88	42	0	**42**
Provisions other than employee benefits	90	-2	88	1	**89**
Property, plant and equipment	120	-273	-152	-30	**-182**
Intangible assets	146	-363	-218	-50	**-268**
Right-of-use assets	18	-53	-35	0	**-35**
Lease liabilities	53	-20	34	0	**33**
Goodwill	64	0	64	-61	**3**
Other	80	-54	26	-4	**22**
Temporary differences	**701**	**-852**	**-151**	**-145**	**-296**
Operational losses	1,392	0	1,392	-1,238	**155**
Non-operational losses	134	0	134	-86	**48**
Tax losses	**1,526**	**0**	**1,526**	**-1,323**	**203**
Tax credits carried forward	**64**	**0**	**64**	**-45**	**19**
Netting deferred taxes	-412	412	0	0	0
Deferred taxes	**1,880**	**-440**	**1,440**	**-1,514**	**-74**

In € million	2020				
	Deferred tax assets	Deferred tax liabilities	Net deferred taxes before write-down	Write-down of deferred tax assets (unrecognized portion)	**Net deferred taxes**
Employee benefits obligations	158	-4	155	-67	**87**
Provisions other than employee benefits	85	-3	82	0	**81**
Property, plant and equipment	57	-238	-181	-37	**-218**
Intangible assets	115	-379	-264	-43	**-307**
Right-of-use assets	-1	-38	-38	0	**-39**
Lease liabilities	39	0	39	0	**40**
Goodwill	64	0	64	-61	**3**
Other	74	-33	41	-8	**32**
Temporary differences	**592**	**-695**	**-103**	**-216**	**-320**
Operational losses	1,344	0	1,344	-1,201	**144**
Non-operational losses	142	0	142	-114	**28**
Tax losses	**1,487**	**0**	**1,487**	**-1,315**	**172**
Tax credits carried forward	**57**	**0**	**57**	**-47**	**10**
Netting deferred taxes	-236	236	0	0	0
Deferred taxes	**1,899**	**-459**	**1,440**	**-1,578**	**-139**

The evolution of the net deferred taxes between 2020 and 2022 mainly relates to the following items:

- deferred tax assets on employee benefit obligations: € 46 million at year-end 2022, € 42 million at year-end 2021 and € 87 million at year-end2020. The progressive decrease is explained by the decrease of post-employment benefits obligations (see note F30A Provisions for employee benefits) partially offset by the reversal of the write-down on deferred taxes on capital allowances in the United Kingdom for € 32 million in 2021;
- deferred tax liabilities on provisions other than employee benefits: : € 105 million at year-end 2022, € 89 million at year-end 2021 and € 81 million at year-end2020;
- deferred tax on Property, plant and equipment increased significantly in 2021 due to the reversal of the write-down on deferred taxes on capital allowances in the United Kingdom for € 32 million;
- deferred tax liabilities on intangible assets: € (188) million at year-end 2022, € (268) million at year-end 2021 and € (307) million at year-end 2020. The evolution mainly reflects:
  - exchange rate impacts of € (17) million in 2022, € (24) million in 2021 and € 28 million in 2020;
  - the tax impact of amortization in the Combined Income Statement of the step-up of intangible assets resulting from Purchase Price Allocation (€ 33 million in 2022, € 33 million in 2021 and € 40 million in 2020);
  - the reversal of the write-down of the deferred taxes on intangible assets for Oil & Gas in the United States for € 49 million in 2022 and € 15 million in 2021.
- deferred tax liabilities on goodwill: the changes mainly reflect the write-down, in 2020, of the deferred taxes on goodwill for Oil & Gas in the United States that was reversed in 2022;
- deferred taxes on operational and non-operational tax losses: € 279 million at year-end 2022, € 203 million at year-end 2021 and € 172 million at year-end 2020. The changes are mainly due to
  - the revision of the forecasts of utilization of tax losses carried forward in the holding companies (€ 143 million in 2022, € 64 million in 2021 and € 10 million in 2020);
  - the newly created or utilized deferred tax on tax losses in the holding companies for € (98) million in 2022, € (19) million in 2021 and € 37 million in 2020.

Deferred tax liabilities on unremitted earnings were recognized in the Other Temporary differences for € (29) million at year-end 2022, € (28) million at year-end 2021, € (26) million at year-end 2020 and € (28) million at year-end 2019. The amounts of deferred tax liabilities not recognized, provided that that the Reporting Entity controls the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future were: € 9 million at year-end 2022, € 10 million at year-end2021, € 9 million at year-end 2020 and € 7 million at year-end 2019.

Recognized deferred taxes for which utilization depends on future taxable profits in excess of the profit arising from the reversal of existing taxable temporary differences within entities that have suffered a tax loss in either current or preceding years in the related tax jurisdiction, amount to € 113 million at year-end 2022, € 192 million at year-end 2021 and € 185 million at year-end 2020. This recognition is supported by favorable expectations of future taxable profits.

F7.D. Other information

For the majority of the Reporting Entity's tax loss carryforwards, no deferred tax assets have been recognized. The unrecognized tax losses are mainly located in countries where they can be carried forward indefinitely.

The tax losses carried forward generating deferred tax assets are given below by expiration date.

In € million	2022	2021	2020	2019
Within 1 year	0	15	0	18
Within 2 years	0	16	0	12
Within 3 years	0	2	20	15
Within 4 years	0	2	2	22
Within 5 or more years	9	25	32	38
No time limit	1,014	726	663	427
Total of losses carried forward which have generated recognized deferred tax assets	**1,023**	**786**	**717**	**533**
Tax losses carried forward for which no deferred tax assets were recognized	4,090	4,850	4,945	4,973
Total of tax losses carried forward	**5,113**	**5,636**	**5,662**	**5,506**

At the end of 2022, the tax losses carried forward of € 1,023 million (€ 786 million in 2021 and € 717 million in 2020) have generated deferred tax assets for € 279 million (€ 203 million in 2021 and €172 million in 2020).

The changes in the recognition of deferred taxes on tax losses carried forward are largely due to the revised forecast for the holding companies.

NOTES TO THE COMBINED STATEMENT OF COMPREHENSIVE INCOME

NOTE F8

COMBINED STATEMENT OF COMPREHENSIVE INCOME

Accounting policy

In accordance with IAS 1 *Presentation of Financial Statements*, the Reporting Entity elected to present two statements, i.e. a combined income statement immediately followed by a combined statement of comprehensive income.

The components of other comprehensive income (OCI) are presented before related tax effects with one amount shown for the aggregate amount of income tax relating to those components. Tax impacts are further disclosed in this note.

Presentation of the tax effect relating to each item of other comprehensive income

Note: the below table presents the total other comprehensive income items for the aggregate of the shares of the Reporting Entity and the non-controlling interests.

	2022		
In € million	Before-tax amount	Tax expense (-)/income	Net of tax amount
Effective portion of gains and losses on hedging instruments in a cash flow hedge	*9*	*-3*	*6*
Recycling to the income statement	*-1*		*-1*
Gains and losses on hedging instruments in a cash flow hedge (see note F31)	8	-3	5
Currency translation differences arising during the year	*170*		*170*
Recycling of currency translations differences relating to foreign operations disposed of in the year	*0*		*0*
Other movement of currency translation differences (NCI) relating to foreign operations	-1		-1
Currency translation differences - Subsidiaries	169		169
Share of other comprehensive income of associates and joint ventures	-7		-7
Recyclable components	***170***	***-3***	***166***
Gains and losses on equity instruments measured at fair value through other comprehensive income	-25	6	-19
Remeasurements of the net defined benefit liability (see notes F30)	-66	-9	-74
Share of other comprehensive income of associates and joint ventures	0		0
Non-recyclable components	***-90***	***-3***	***-93***
Other comprehensive income/(loss)	**79**	**-6**	**73**

In € million	2021 Before-tax amount	Tax expense (-)/income	Net of tax amount
Effective portion of gains and losses on hedging instruments in a cash flow hedge	*-3*	*0*	*-3*
Recycling to the income statement	*-10*		*-10*
Gains and losses on hedging instruments in a cash flow hedge (see note F31)	-13	0	-13
Currency translation differences arising during the year	*277*		*277*
Recycling of currency translations differences relating to foreign operations disposed of in the year	*5*		*5*
Other movement of currency translation differences (NCI) relating to foreign operations	*1*		*1*
Currency translation differences - Subsidiaries	283		283
Share of other comprehensive income of associates and joint ventures	9		9
Recyclable components	***279***	***0***	***279***
Gains and losses on equity instruments measured at fair value through other comprehensive income	33	-8	25
Remeasurements of the net defined benefit liability (see note F30)	345	-24	321
Share of other comprehensive income of associates and joint ventures	0		0
Non recyclable components	***378***	***-32***	***346***
Other comprehensive income/(loss)	**657**	**-32**	**625**

In € million	2020 Before-tax amount	Tax expense (-)/income	Net of tax amount
Effective portion of gains and losses on hedging instruments in a cash flow hedge	*13*	*0*	*13*
Recycling to the income statement	*-1*		*-1*
Gains and losses on hedging instruments in a cash flow hedge (see note F31)	12	0	12
Currency translation differences arising during the year	*-342*		*-342*
Recycling of currency translations differences relating to foreign operations disposed of in the year	*0*		*0*
Other movement of currency translation differences (NCI) relating to foreign operations	*0*		*0*
Currency translation differences - Subsidiaries	-343		-343
Share of other comprehensive income of associates and joint ventures	-15		-15
Recyclable components	***-346***	***0***	***-347***
Gains and losses on equity instruments measured at fair value through other comprehensive income	2	0	2
Remeasurements of the net defined benefit liability (see note F30)	2	-28	-26
Share of other comprehensive income of associates and joint ventures	0		0
Non recyclable components	***4***	***-28***	***-24***
Other comprehensive income/(loss)	**-343**	**-28**	**-371**

The € 33 million gain on equity instruments measured at fair value through other comprehensive income mainly relates to a Solvay Ventures investment that was listed in Q4 of 2021.

Currency translation differences

Accounting policy

For the purpose of presenting combined financial statements at the end of each reporting period, the assets and liabilities of the Reporting Entity's foreign operations are expressed in euros using closing rates. Income and expense items are translated at the average exchange rates for the period except when the impact of applying the average rate is materially different from applying the spot rate at the respective transactions' dates, in which case the latter is applied. Exchange differences arising, if any, are recognized in other comprehensive income as "currency translation differences".

Currency translation differences are reclassified from equity to profit or loss, on:

- a disposal of the Reporting Entity's entire interest in a foreign operation, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation. In this case, all of the accumulated exchange differences in respect of that operation attributable to the Reporting Entity are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognized, but they are not reclassified to profit or loss;
- a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation, when the retained interest is a financial asset. In this case, all of the accumulated exchange differences in respect of that operation attributable to the Reporting Entity are reclassified to profit or loss;
- a partial disposal of an interest in a joint venture or an associate that includes a foreign operation and that continues to be accounted for as a joint venture or an associate. In this case, a proportionate share of the accumulated exchange differences is reclassified to profit or loss.

In case of a partial disposal of a subsidiary (i.e. No loss of control) that includes a foreign operation, the proportionate share of accumulated exchange differences is reattributed to non-controlling interests and is not recognized in profit or loss.

In case of (a) a capital decrease of a subsidiary without loss of control, or (b) a capital decrease of an equity method investee or a joint operation without modification of the share of equity interest held in that investee, then no accumulated exchange differences are reclassified from equity to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated into the Reporting Entity's presentation currency at the closing rate.

The total currency translation gain or loss amounts to € 162 million in 2022, € 291 million in 2021 and € (358) million in 2020 and only relates to the Reporting Entity's share. They are mainly linked to the US dollar (€ 160 million in 2022, € 218 million in 2021 and € (281) million in 2020) and the Chinese Renminbi (€ (35) million in 2022, € 64 million in 2021 and € (13) million in 2020) compared to the Euro.

NOTES TO THE COMBINED STATEMENT OF CASH FLOWS

NOTE F9

DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

The table below presents the amounts of the total depreciation, amortization and impairment losses (reversals) included in the different headings of the Combined Statements of Income.

in € million	2022	2021	2020
Cost of goods sold	340	310	350
Administrative costs	44	40	53
Research and development	88	92	78
Other operating gains and losses	150 (of which PPA 137)	144 (of which PPA 136)	163 (of which PPA 155)
Net impairment		1	1278
Total	622	587	1921

See note F23 *Impairments* for more details on impairment losses.

NOTE F10
OTHER NON OPERATING AND NON CASH ITEMS

The other non-operating and non-cash items (€ 6 million for 2022, €(9) million for 2021 and € 5 million for 2020) relate mainly to non-cash results of M&A deals.

NOTE F11
INCOME TAXES IN THE COMBINED STATEMENT OF CASH FLOWS

Income tax expense amounts to € 2 million in 2022, € 22 million in 2021 and € 165 million in 2020.

Income tax paid amounts to € (182) million in 2022, € (117) million in 2021 and € (115) million in 2020.

The major components of Income taxes are discussed in note F7 *Income taxes* in the income statement and the statement of financial position.

NOTE F12
CHANGES IN WORKING CAPITAL

In € million	2022	2021	2020
Inventories	-224	-289	149
Trade receivables	-137	-199	68
Trade payables	82	238	9
Other receivables/payables	14	-2	29
Changes in working capital	**-264**	**-253**	**255**

See comments in the Management Description and Analysis section. The cash flows presented as "Other receivables/payables" relate to Other current liabilities, Other current assets and certain long term assets and liabilities. As described in the note F36, the cash variation related to internal tax accounts with the remaining Solvay Group, which are mainly presented as part of the "Other current liabilities" (see also note F33) is reported as part of the "Income tax paid" in the combined statement of cash flow.

NOTE F13
ADDITIONS, REVERSALS AND USE OF PROVISIONS

Additions and reversals on provisions in 2022 amount to € 189 million (€ 160 million in 2021 and € 99 million in 2020) and concern mainly employee benefits € 37 million (€ 33 million in 2021 and € 29 million in 2020), restructuring € 15 million (€ 44 million in 2021 and € 51 million in 2020) and environment for 106 million (€ 42 million in 2021 and € 10 million in 2020).

Use of provisions in 2022 amounts to € (121) million (€ (120) million in 2021 and € (103) million in 2020) and concerns mainly employee benefits € (47) million (€ (37) million in 2021 and € (30) million in 2020), environment € (37) million (€ (25) million in 2021 and € (29) million in 2020) and restructuring € (17) million (€ (34) million in 2021 and € (36) million in 2020).

In 2021, use of provisions for additional voluntary cash contributions to pension plans relates to € (134) million in the United Kingdom and to € (13) million in Belgium.

In 2020, use of provisions for additional voluntary cash contributions to pension plans relates to € (29) million in France and to € (6) million in the United States.

See note F30 Provisions for more information.

NOTE F14

CASH FLOWS FROM INVESTING ACTIVITIES – ACQUISITION/DISPOSAL OF ASSETS AND INVESTMENTS

2022 - In € million	Acquisitions	Disposals	Total
Investments	**-3**	**66**	**63**
Subsidiaries	*0*	*22*	*22*
Other	*-3*	*44*	*41*
Property, plant and equipment/Intangible assets	**-591**	**7**	**-584**
Total	**-594**	**73**	**-521**

2021 - In € million	Acquisitions	Disposals	Total
Total investments	**-36**	**61**	**25**
Subsidiaries	*-22*	*61*	*39*
Other	*-14*		*-14*
Property, plant and equipment/Intangible assets	**-402**	**15**	**-387**
Total	**-438**	**76**	**-362**

2020 - In € million	Acquisitions	Disposals	Total
Total investments	**-50**	**9**	**-41**
Subsidiaries	*-4*	*9*	*5*
Other	*-46*		*-46*
Property, plant and equipment/Intangible assets	**-317**	**2**	**-316**
Total	**-367**	**11**	**-356**

2022

Other acquisitions mainly relate to the investment in equity instruments measured at fair value.

The disposal of subsidiaries and other investments (€ 66 million) mainly relates to the proceeds after taxes from the Novecare Alkoxylation plant in Singapore and Solvay Ventures' investments.

The acquisition of property, plant and equipment and intangible assets (€ (591) million) relates to various projects:

- Specialty Polymers: Polyvinylidene Fluoride (PVDF) capacity increase in Tavaux (France) and Changshu (PRC)
- Novecare: internalization of IRIS intermediate chemical production in Melle (France)
- Aroma performance: internalization of natural vanillin purification in Saint Fons (France)
- Specialty Polymers: DCDPS monomer capacity increase in Augusta (USA)
- Specialty Polymers: Udel polysulfone capacity increase in Marietta (USA)

2021

The acquisition of subsidiaries (€ (22) million) mainly relates to the acquisition of a seed coating business from Bayer.

Other acquisitions mainly relate to the investment in equity instruments measured at fair value.

The disposal of subsidiaries (€ 61 million) mainly relates to the proceeds after taxes from:

- the Process Materials business;
- the amphoterics surfactants activities; and
- the surfactants and anti-oxidants business in Rasal, India.

The acquisition of property, plant and equipment and intangible assets (€ (402) million) relates to various projects:

- Aroma performance: internalization of natural vanillin purification in Saint Fons (France)
- Specialty Polymers: water treatment in Spinetta (Italy)
- Specialty Polymers: Tecnoflon capacity expansion in Spinetta (Italy)
- Specialty Polymers: Polyvinylidene Fluoride (PVDF) capacity increase in Changshu (PRC)

- Composite Materials: new production unit dedicated to thermoplastic composites in Piedmont, South Carolina (USA)
- Specialty Polymers: Polyvinylidene Fluoride (PVDF) capacity increase in Tavaux (France)

2020

The acquisition of subsidiaries (€ (4) million) mainly relates to post-acquisition payments of Cytec.

Other acquisitions mainly relate to the investment in the Strata Solvay Advanced Materials Joint Venture.

The disposal of subsidiaries (€ 9 million) mainly relates to the proceeds after taxes from the XL Compounds business In Italy.

The acquisition of property, plant and equipment and intangible assets (€ (317) million) relates to various projects:

- Specialty Polymers: Tecnoflon capacity expansion in Spinetta
- Specialty Polymers: Polyvinylidene Fluoride (PVDF) capacity increase in Changshu (PRC)
- Composite Materials: new production unit dedicated to thermoplastic composites in Piedmont (USA)
- Specialty Polymers: Polyvinylidene Fluoride (PVDF) capacity increase in Tavaux (France).

NOTE F15

CHANGES IN INTERNAL BANK ACCOUNTS WITH REMAINING SOLVAY GROUP

Intercompany bank accounts between SpecialtyCo and the Remaining Solvay Group, in place over the periods presented and eliminated as part of the consolidation procedures applied for the Solvay Group Consolidated Financial Statements, have been reinstated in the Combined Financial Statements.

When those intercompany bank accounts, part of the cash pooling system, were in a structural asset position for SpecialtyCo, the related changes are presented in the line "Change in internal bank accounts with Remaining Solvay Group" as part of the Cash flow from investing activities.

NOTE F16

DIVIDENDS PAID TO / RECEIVED FROM THE SOLVAY GROUP AND OTHER TRANSACTIONS WITH REMAINING SOLVAY GROUP

During the reporting periods presented, SpecialtyCo was not constituted as a Group under a unique holding company and SpecialtyCo Dedicated and Mixed entities held investments in subsidiaries of the Remaining Solvay Group and vice-versa.

These investments in subsidiaries of the Remaining Solvay Group were eliminated against equity in the Combined Financial Statements. As a result, the cash from dividends paid by Dedicated or Mixed SpecialtyCo Entities to the Remaining Solvay Group or received by SpecialtyCo from subsidiaries of the Remaining Solvay Group are presented in the line "Dividends paid to Solvay Group" and "Dividends received from Solvay Group", respectively, in the Combined Statements of Cash Flows. They are also included as "Transactions with Solvay Group" in the Combined Statement of Changes in Equity.

Cash flows associated with capital increases, capital reimbursements or transfers of those investments in subsidiaries of the Remaining Solvay Group are also presented in the "Other Transactions with Solvay Group" in the Combined Statements of Cash Flows and as part of the "Other transactions with Solvay Group" in the Combined Statement of Changes in Equity.

Certain operating and investing transactions of SpecialtyCo are presented on a "gross basis":

(1) operating expenses and income are presented as operating cash flows;
(2) acquisitions and sales of property, plant and equipment, intangible assets, subsidiaries and other investments are presented as investing cash flows and,

simultaneously, contributions from / distributions to the Remaining Solvay Group are presented in the cash flow from financing activities as "Other Transactions with Solvay Group", whenever those transactions do not ultimately result in movements of "Cash and cash equivalents" for SpecialtyCo.

This happens for the carve-out of the above SpecialtyCo transactions in Mixed Entities that will be part of the Remaining Solvay Group as the "Cash and cash equivalents" of those entities is not included in the Combined Statements of Financial Position (see *Basis of preparation*).

Current taxes from SpecialtyCo's results in Mixed Entities of the Remaining Solvay Group, restructuring costs related to provisions settled by the Remaining Solvay Group, employee benefit charges for defined benefit obligations kept by the Remaining Solvay Group and charges for the usage of shared assets of Mixed Entities are additional examples of transactions considered to be immediately settled by the Remaining Solvay Group and grossed-up in the Combined Statement of Cash Flows.

The presentation on a "gross basis" is considered to better reflect the business performance in terms of cash flow generation.

Movements of cash and cash equivalents resulting from operating and investing cash flows of the businesses of the Remaining Solvay Group, which occurred in Mixed Entities that will be part of SpecialtyCo based on the Legal reorganization plan, are not included in the cash flows from operating and investing activities. Rather they are presented in the line "Other Transactions with the Solvay Group" in the Combined Statement of Cash Flows and the Combined Statement of Changes in Equity as the related change in "Cash and cash equivalents" is included in the Combined Statements of Financial Position. As a relevant example, the significant amount reported in the line "Carve out of Mixed Entities" in the table below for 2020 results mainly from a portion of the cash proceeds related to the Polyamide business disposed by Solvay received by Mixed entities that will be part of SpecialtyCo.

Details about the “Other transactions with Solvay Group” line and the reconciliation between the related amounts in the Combined Statements of Cash Flow and Combined Statements of Changes in Equity are presented in the table below.

eur million	2022	2021	2020
Carve out of Mixed Entities	-215	26	420
Capital increase / decrease, transfer of shares with remaining Solvay Group	-62	260	128
Restructuring costs	10	53	17
Current Taxes	52	40	20
Total Other transactions with Solvay Group in Statements of cash flow	**-215**	**379**	**586**
Dividends paid to Solvay Group	-237	-271	-338
Dividends received from Solvay Group	9	102	71
Deferred taxes	-3	-15	-9
Other	-6	-16	2
Total Transactions with Solvay Group in Statement of changes in equity	**-452**	**179**	**311**

NOTE F17

OTHER CASH FLOWS FROM FINANCING ACTIVITIES

The other cash flows from financing activities (€ (19) million in 2022, € (16) million in 2021 and in 2020) mainly relate to other financial expenses.

NOTE F18

INTANGIBLE ASSETS

Accounting policy

An intangible asset is an identifiable non-monetary asset without physical substance. It is identifiable when it is separable, i.e. Is capable of being separated or divided from the Reporting Entity, or when it arises from contractual or other legal rights. An intangible asset shall be recognized if, and only if:

(a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the Reporting Entity; and

(b) the cost of the asset can be measured reliably.

Intangible assets acquired or developed internally are initially measured at cost. The cost of an acquired intangible asset comprises its purchase price, import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any directly attributable cost of preparing the asset for its intended use. Subsequent expenditure on intangible assets is capitalized only if it is probable that it will increase the future economic benefits associated with the specific asset. Other expenditure is expensed as incurred.

After initial recognition, intangible assets are measured at cost less accumulated amortization and impairment losses, if any.

Intangible assets are amortized on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. The estimated useful lives, residual values and amortization methods are reviewed at each year-end, and any changes in estimates are accounted for prospectively.

Patents and trademarks	2-20	years
Software	3-5	years
Development expenditures	2-5	years
Customer relationships	5-29	years
Other intangible assets - Technologies	5-20	years

Amortization expense is included in the combined income statement within cost of goods sold, administrative costs, research and development costs and other operating gains and losses.

The asset is tested for impairment if (a) there is a trigger for impairment, and (b) annually for projects under development (see note F23 Impairment).

Intangible assets are derecognized from the combined statement of financial position on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss arising from the derecognition of an intangible asset is recognized in profit or loss at the moment of derecognition.

Research and development costs

Research costs are expensed in the period in which they are incurred.

Development costs are capitalized if, and only if, all the following conditions are fulfilled:

- the cost of the asset can be reliably measured;
- the technical feasibility of the product has been demonstrated;
- the product or process will be placed on the market or used internally;
- the assets will generate future economic benefits (a potential market exists for the product or, where it is to be used internally, its future utility has been demonstrated);
- the technical, financial and other resources required to complete the project are available.

Development costs comprise employee expenses, the cost of materials and services directly attributable to the projects, and an appropriate share of directly attributable fixed costs including, and where applicable, borrowing costs. The intangible assets are amortized as from the moment they are available for use, i.e. When they are in the location and condition necessary for them to be capable of operating in the manner intended by Solvay management. Development costs, which do not satisfy the above conditions are expensed as incurred.

Patents, trademarks and customer relationships

Those intangible assets have mainly been acquired through business combinations. Customer relationships consist of customer lists.

Other intangible assets

Other intangible assets mainly include technology acquired separately or in a business combination.

In € million	Development costs	Patents and trademarks	Customer relationships	Other intangible assets	Total
Gross carrying amount					
January 1, 2020	**339**	**1,056**	**1,738**	**663**	**3,796**
Additions	52	1		14	**67**
Disposals and closures	-14	-2		-1	**-17**
Currency translation differences	-11	-71	-130	-43	**-255**
Other	9	45		-30	**24**
Transfer to assets held for sale	-1	-6		-20	**-28**
December 31, 2020	**374**	**1,023**	**1,608**	**582**	**3,587**
Additions	44	2		11	**57**
Disposals and closures	-3	0		-4	**-7**
Increase through business combinations	0	0		7	**7**
Currency translation differences	12	67	117	46	**242**
Other	-1	0		6	**5**
December 31, 2021	**427**	**1,091**	1,725	**649**	**3,892**
Additions	59	0		11	**69**
Disposals and closures	-18	-6		-4	**-27**
Currency translation differences	7	47	93	21	**168**
Other	7	4		-8	**3**
December 31, 2022	**482**	**1,136**	1,818	**669**	**4,106**
Accumulated amortization					
January 1, 2020	**-101**	**-441**	**-512**	**-409**	**-1,463**
Amortization	-46	-78	-97	-31	**-252**
Impairment	-3	-16	-10	-90	**-120**
Disposals and closures	14	2		1	**17**
Currency translation differences	3	26	34	35	**98**
Other	-1	5		4	**8**
Transfer to assets held for sale		6		20	**27**
December 31, 2020	**-135**	**-496**	**-585**	**-470**	**-1,686**
Amortization	-61	-73	-81	-11	**-226**
Impairment	0	4	0	-8	**-3**
Disposals and closures	2	0		4	**6**
Currency translation differences	-3	-30	-36	-40	**-109**
Other	1	-2		-3	**-5**
December 31, 2021	**-197**	**-597**	-701	**-529**	**-2,023**
Amortization	-58	-65	-89	-12	**-224**
Impairment	0	1	0	0	**1**
Disposals and closures	18	6		4	**27**
Currency translation differences	-2	-19	-29	-20	**-70**
December 31, 2022	**-239**	**-674**	-819	**-557**	**-2,289**
Net carrying amount					
January 1, 2020	238	615	1,226	253	**2,333**
December 31, 2020	239	527	1,023	112	**1,901**
December 31, 2021	230	494	1,024	121	**1,869**
December 31, 2022	243	462	999	112	**1,817**

Intangibles mainly relate to the intangibles acquired through the acquisitions of Cytec. The average remaining useful life of Cytec's assets is 10 years at the end of 2022.

The impairment recognized in 2020 mainly relates to the Oil & Gas business (See Note F23 Impairment).

NOTE F19

GOODWILL AND BUSINESS COMBINATIONS

Accounting policy

General

Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of acquisition) of assets transferred and liabilities incurred or assumed, and equity instruments issued by the Reporting Entity in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs, generally through profit or loss.

Where a business combination is achieved in stages, the Reporting Entity's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. The date the Reporting Entity obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognized and measured at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities, and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes*, and IAS 19 *Employee Benefits*, respectively;
- liabilities or equity instruments related to the replacement by the Reporting Entity of an acquiree's share-based payment awards are measured in accordance with IFRS 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Reporting Entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see paragraph below), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

The measurement period is the period from the date of acquisition to the date the Reporting Entity obtains complete information about facts and circumstances that existed as of the acquisition date, and does not exceed twelve months.

Goodwill

Goodwill arising in a business combination is recognized as an asset at the date that control is obtained (the acquisition date). Goodwill is measured as the excess of the sum of:

(a) the consideration transferred;

(b) the amount of any non-controlling interests in the acquiree; and

(c) in a business combination achieved in stages, the acquisition date fair value of the previously held equity interest in the acquiree,

over the share acquired by the Reporting Entity in the fair value of the entity's identifiable net assets at the acquisition date.

Goodwill is not amortized but is tested for impairment on an annual basis, and more frequently if there are any impairment triggers identified.

For the purpose of impairment testing, goodwill is allocated to each of the Reporting Entity's cash-generating units (or groups of cash-generating units) in accordance with IAS 36 *Impairment of Assets*.

A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other group(s) of assets.

These tests consist of comparing the carrying amount of the assets or (groups of) CGUs with their recoverable amount. The recoverable amount of an asset or a (group of) CGU(s) is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized on goodwill shall not be reversed in a subsequent period.

Assets held for sale include their related goodwill.

On disposal of an operation within a CGU to which goodwill has been allocated, the goodwill associated with the operation disposed of is included in the determination of the profit or loss on disposal. It is measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained, unless another method better reflects the goodwill associated with the operation disposed of.

Goodwill – overview

In € million	Total
January 1, 2020	**3,650**
Currency translation differences	-151
Impairment (see F23 *Impairment*)	-1,035
December 31, 2020	**2,464**
Currency translation differences	115
Disposals	-1
December 31, 2021	**2,577**
Currency translation differences	93
December 31, 2022	**2,671**

In 2022, 2021 and 2020, the currency translation differences mainly relate to the Cytec goodwill expressed in US dollars.

Goodwill by (groups of) CGU(s)

Goodwill acquired in a business combination is allocated to the CGUs or groups of CGUs that are expected to benefit from that business combination.

In € million	At beginning of the period	Impairment	Disposals	Currency translation differences	At the end of the period
	2022				
Operating segments - Groups of CGUs					
Materials	**341**				**341**
Consumer & Resources	**199**				**199**
(Groups of) CGUs					
Composite Materials	**555**			37	**591**
Novecare	**553**			12	**565**
Technology Solutions	**690**			43	**734**
Specialty Polymers	**179**			1	**180**
Aroma Performance	**49**				**49**
Energy Services	**12**				**12**
Total goodwill	**2,577**	**0**	**0**	**93**	**2,671**

In € million	At beginning of the period	Impairment	Disposals	Currency translation differences	At the end of the period
	2021				
Operating segments - Groups of CGUs					
Materials	**341**				**341**
Consumer & Resources	**199**				**199**
(Groups of) CGUs					
Composite Materials	**509**			46	**555**
Novecare	**541**		-1	13	**553**
Technology Solutions	**636**			54	**690**
Specialty Polymers	**177**			2	**179**
Aroma Performance	**49**				**49**
Energy Services	**12**				**12**
Total goodwill	**2,464**	**0**	**-1**	**115**	**2,577**

In € million	At beginning of the period	Impairment	Disposals	Currency translation differences	At the end of the period
	2020				
Operating segments - Groups of CGUs					
Materials	**341**				**341**
Consumer & Resources	**201**	-2			**199**
(Groups of) CGUs					
Composite Materials	**1.334**	-761		-64	**509**
Novecare	**569**	-7		-20	**541**
Technology Solutions	**966**	-265		-65	**636**
Specialty Polymers	**179**			-3	**177**
Aroma Performance	**49**				**49**
Energy Services	**12**				**12**
Total goodwill	**3,650**	**-1,035**	**0**	**-151**	**2,464**

See note F23 Impairment

NOTE F20

PROPERTY, PLANT AND EQUIPMENT

Accounting policy

General

Property, plant and equipment are tangible items that:

- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- are expected to be used during more than one period.

The items of property, plant and equipment owned by the Reporting Entity are recognized as property, plant and equipment when the following conditions are satisfied:

- it is probable that the future economic benefits associated with the asset will flow to the Reporting Entity;
- the cost of the asset can be measured reliably.

Items of property, plant and equipment are initially measured at cost. The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Solvay Management. If applicable, the cost comprises borrowing costs during the construction period.

After initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any.

Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The components of an item of property, plant and equipment with different useful lives are depreciated separately. Land is not depreciated. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, also taking into account the potential impact of climate change including the execution of the Solvay One Planet Strategy (see Note Climate Change in the IFRS general accounting policies). Any changes in estimates are accounted for prospectively.

Buildings	30-40	years
IT equipment	3-5	years
Machinery and equipment	10-20	years
Transportation equipment	5-20	years

Depreciation expense is included in the combined income statement within cost of goods sold, administrative costs, and R&D costs.

The asset is tested for impairment if there is a trigger for impairment (see note F23 Impairment).

Items of property, plant and equipment are derecognized from the combined statement of financial position on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is recognized in profit or loss at the moment of derecognition.

Subsequent expenditure

Subsequent expenditure related to items of property, plant and equipment is capitalized only if it is probable that it will increase the future economic benefits associated with the specific asset. Other expenditure is expensed as incurred. Subsequent expenditure incurred for the replacement of a component of an item of property, plant and equipment is only recognized as an asset when it satisfies the recognition criteria mentioned above. The carrying amount of replaced items is derecognized.

Repair and maintenance costs are recognized in the combined income statement as incurred.

Regarding its industrial activity, the Reporting Entity incurs expenditure for major repairs over several years for most of its sites. The purpose of this expenditure is to maintain the proper working order of certain installations without altering their useful life. This expenditure is considered as a specific component of the item of property, plant and equipment and is depreciated over the period during which the economic benefits are expected to be obtained, i.e. the major repairs' intervals.

Dismantling and restoration costs

Dismantling and restoration costs are included in the cost of an item of property, plant and equipment if the Reporting Entity has a legal or constructive obligation to dismantle or restore. They are depreciated over the useful life of the items to which they pertain.

Generally, the Reporting Entity's obligation to dismantle and/or restore its operating sites is only likely to arise upon the discontinuation of a site's activities. A provision for dismantling of discontinued sites or installations is recognized when there is a legal obligation (due to a request or injunction from the relevant authorities), or when there is no technical alternative than to dismantle, so as to ensure the safety compliance of the discontinued sites or installations.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

In € million	Land and buildings	Fixtures and equipment	Other tangible assets	Property, plant and equipment under construction	Total
Gross carrying amount					
January 1, 2020	**1,335**	**4,658**	**157**	**468**	**6,618**
Additions	17	83	6	108	**215**
Disposals and closures	-10	-55	-5	0	**-70**
Currency translation differences	-74	-244	-10	-19	**-347**
Other	44	257	8	-316	**-8**
Transfer to assets held for sale	-26	-75	-4	-2	**-107**
December 31, 2020	**1,285**	**4,624**	**152**	**239**	**6,301**
Additions	4	51	6	301	**362**
Disposals and closures	-2	-46	-5	0	**-53**
Increase through business combinations	4	2	0	0	**7**
Currency translation differences	81	251	9	20	**361**
Other	12	81	5	-107	**-10**
December 31, 2021	**1,384**	**4,963**	**167**	**453**	**6,967**
Additions	9	60	4	468	**541**
Disposals and closures	-17	-99	-11	0	**-128**
Currency translation differences	27	117	4	10	**158**
Other	8	184	5	-254	**-57**
December 31, 2022	**1,412**	**5,225**	**169**	**676**	**7,481**
Accumulated depreciation					
January 1, 2020	-501	-2,848	-107		**-3,457**
Depreciation	-43	-274	-16		**-332**
Impairment	-44	-72	-7		**-123**
Disposals and closures	10	54	5		**69**
Currency translation differences	25	139	7		**171**
Other	0	-1	2		**0**
Transfer to assets held for sale	8	59	3		**69**
December 31, 2020	-545	-2,944	-113		**-3,602**
Depreciation	-40	-253	-13		**-306**
Impairment	-5	3	0		**-2**
Reversal of impairment	1	0	0		**1**
Disposals and closures	1	45	5		**51**
Currency translation differences	-30	-151	-7		**-187**
Other	2	-7	-1		**-5**
December 31, 2021	**-615**	**-3,305**	**-129**		**-4,050**
Depreciation	-45	-285	-13		**-343**
Disposals and closures	16	98	11		**126**
Currency translation differences	-12	-77	-3		**-93**
Other	3	27	0		**30**
December 31, 2022	**-653**	**-3,542**	**-135**		**-4,329**
Net carrying amount					
January 1, 2020	834	1,810	49	468	**3,161**
December 31, 2020	741	1,680	39	239	**2,699**
December 31, 2021	769	1,658	38	453	**2,917**
December 31, 2022	759	1,683	34	676	**3,152**

The line "Other" mainly includes changes following portfolio transactions and reclassification of property, plant and equipment under construction to the appropriate categories when they are ready for intended use.

Cash flows related to major investments are disclosed in note F14 Cash flows from investing activities – acquisition/disposal of assets and investments.

The impairment of fixed assets in 2020 mainly relates to Oil and Gas and other non performing assets. See Note F23 Impairment.

NOTE F21
RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

Accounting policy

Definition of a lease

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

An asset is typically identified by being explicitly specified in a contract. However, an asset can also be identified by being implicitly specified at the time that the asset is made available for use by the customer. If the supplier has a substantive substitution right, then the asset is not identified. A substantive substitution right means that (a) the supplier has the practical ability to substitute the asset throughout the period of use, and (b) would economically benefit from doing so.

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

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

The Reporting Entity's leased assets relate mainly to buildings and industrial equipment.

Lease term

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

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

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

- contractual terms and conditions for the optional periods, compared with market rates;
- significant leasehold improvements undertaken (or expected to be undertaken) over the term of the contract;
- costs relating to the termination of the lease, including relocation costs, costs of identifying another underlying asset suitable for the Reporting Entity's needs, costs of integrating a new asset into the Reporting Entity's operations, and termination penalties;
- the importance of that underlying asset to the Reporting Entity's operations, including the availability of suitable alternatives;
- conditionality associated with exercising the option (i.e. When the option can be exercised only if one or more conditions are met), and the likelihood that those conditions will exist; and
- past practice.

Right-of-use asset and lease liability

The Reporting Entity recognizes a right-of-use asset and a lease liability at the lease commencement date, which is the date that the lessor makes the asset available for use by the Reporting Entity except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. The right-of-use assets are presented separately in the combined statement of financial position, and the lease liabilities are presented as part of financial debt.

Right-of-use asset

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

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

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

Lease liability

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

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

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

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

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

In € million	Land	Buildings	Transpor-tation equipment	Industrial equipment	Other tangible assets	Total
Gross carrying amount						
January 1, 2020	**9**	**159**	**36**	**98**	**3**	**305**
Additions	0	39	11	5	1	**57**
Disposals and closures	0	-4	-1	0	0	**-5**
Increase through business combinations	0	0	0	0	0	**0**
Currency translation differences	0	-9	-2	-6	0	**-18**
Other	1	0	-2	4	0	**3**
Transfer to assets held for sale	0	-10	-1	0	0	**-12**
December 31, 2020	**10**	**174**	**41**	**101**	**4**	**331**
Additions	0	1	5	6	1	**13**
Disposals and closures	0	0	-1	0	0	**-2**
Increase through business combinations	0	0	0	0	0	**0**
Currency translation differences	0	8	3	6	0	**16**
Other	0	1	2	2	0	**6**
Transfer to assets held for sale	0	0	0	0	0	**0**
December 31, 2021	**10**	**183**	**50**	**116**	**6**	**365**
Additions	0	6	13	5	4	**28**
Disposals and closures	0	-21	-9	-5	-1	**-36**
Increase through business combinations	0	0	0	0	0	**0**
Currency translation differences	0	5	1	4	0	**11**
Other	0	3	5	8	1	**17**
Transfer to assets held for sale	0	0	0	0	0	**0**
December 31, 2022	**11**	**176**	**59**	**128**	**10**	**384**
Accumulated depreciation						
January 1, 2020	**-1**	**-35**	**-12**	**-18**	**-1**	**-68**
Depreciation	-1	-29	-13	-14	-2	**-58**
Impairment	0	-1	0	0	0	**-1**
Reversal of impairment	0	0	0	0	0	**0**
Disposals and closures	0	4	1	0	0	**5**
Currency translation differences	0	3	1	2	0	**5**
Other	0	0	1	1	0	**3**
Transfer to assets held for sale	0	6	0	0	0	**6**
December 31, 2020	**-1**	**-53**	**-22**	**-29**	**-3**	**-108**
Depreciation	-1	-24	-12	-13	-1	**-51**
Impairment	0	0	0	0	0	**0**
Reversal of impairment	0	0	0	0	0	**0**
Disposals and closures	0	0	1	0	0	**2**
Currency translation differences	0	-3	-2	-2	0	**-7**
Other	0	1	0	0	0	**1**
Transfer to assets held for sale	0	0	0	0	0	**0**
December 31, 2021	**-2**	**-78**	**-35**	**-45**	**-4**	**-164**
Depreciation	-1	-22	-13	-16	-2	**-54**
Impairment	0	-3	0	0	0	**-3**
Reversal of impairment	0	0	0	0	0	**0**
Disposals and closures	0	21	9	5	1	**36**
Currency translation differences	0	-2	-1	-2	0	**-4**
Other	0	0	0	0	0	**0**
Transfer to assets held for sale	0	0	0	0	0	**0**
December 31, 2022	**-3**	**-84**	**-39**	**-58**	**-5**	**-188**
Net carrying amount						
January 1, 2020	8	123	24	80	2	**237**
December 31, 2020	9	121	19	72	2	**222**
December 31, 2021	8	105	15	71	1	**201**
December 31, 2022	8	93	20	70	5	**196**

The Reporting Entity primarily leases buildings that include office buildings, and warehouses. Those leases are generally long-term leases and may include extension options.

The Reporting Entity leases Industrial equipment which mainly relate to utility assets.

Lease contracts generally are negotiated by the local teams, and contain a wide range of different terms and conditions. Many lease contracts contain extension options and/or early termination options to provide the Reporting Entity with operational flexibility. Such options are taken into account when determining the lease term and the lease liability when it is reasonably certain that they will be exercised.

If the Reporting Entity exercised its extension options not currently included in the lease liability, the present value of additional payments would amount to € 74 million at December 31, 2022 (€ 81 million at December 31, 2021 and € 82 million at December 31, 2020).

Lease contracts signed not yet commenced amount to € 30 million at December 31, 2022 (€ 11 million for 2021 and € 10 million at December 31, 2020) and mainly relate to industrial equipment.

Total cash outflows for leases amount to € 62 million for 2022, of which € 51 million related to payment of lease liabilities and € 11 million of interest expenses. Information on the corresponding lease liabilities (€ 216 million) can be found in the note F32 Net indebtedness. Information on the finance expense related to lease liabilities can be found in note F6 Net financial charges.

NOTE F22

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The list of associates and joint ventures is available in the note F38 List of companies included in the combination scope.

The associates and joint ventures not classified as held for sale are accounted for under the equity method of accounting.

In € million	December 31, 2022			December 31, 2021		
	Associates	Joint ventures	Total	Associates	Joint ventures	Total
Investments in associates and joint ventures	5	199	**204**	5	202	**207**
Earnings from associates and joint ventures	1	15	**16**	1	13	**14**

In € million	December 31, 2020			January 1, 2020		
	Associates	Joint ventures	Total	Associates	Joint ventures	Total
Investments in associates and joint ventures	4	179	**183**	4	153	**157**
Earnings from associates and joint ventures	1	4	**6**			

INVESTMENTS IN ASSOCIATES

In € million	2022	2021	2020
January 1	**5**	**4**	**4**
Profit for the year	1	1	1
Dividends received	-1	-1	-1
Currency translation differences	0	0	0
December 31	**5**	**5**	**4**

The tables below present the summary of the statement of financial position and income statement of the associates as if they were proportionately consolidated.

In € million	December 31, 2022	December 31, 2021	December 31, 2020	January 1, 2020
Statement of financial position				
Non-current assets	**1**	**1**	**1**	**1**
Current assets	**6**	**6**	**5**	**4**
Cash and cash equivalents	2	2	2	1
Non-current liabilities	**1**	**1**	**1**	**1**
Non-current financial debt	0	0	0	0
Current liabilities	**1**	**1**	**1**	**1**
Current financial debt	0	0	0	0
Investments in associates	**5**	**5**	**4**	**4**

Income statement	2022	2021	2020
Sales	15	15	13
Depreciation and amortization	0	0	0
Interest on loans and short term deposits	0	0	0

Profit for the year from continuing operations	**1**	**1**	**1**
Profit for the year	**1**	**1**	**1**
Total comprehensive income	**1**	**2**	**1**
Dividends received	**1**	**1**	**1**

Investments in joint ventures

In € million	**2022**	**2021**	**2020**
January 1	**202**	**179**	**153**
Additions	0	0	9
Capital increase	-4	2	28
Profit for the year	15	13	4
Dividends received	-3	-1	-1
Currency translation differences	-5	12	-16
Transfer to assets held for sale			
Impairment	-5	0	0
Other	0	-3	1
December 31	**199**	**202**	**179**

In 2021 and 2020, the currency translation differences mainly relate to the evolution of the Indian rupee compared to the euro.

The tables below present the summary of the statement of financial position and income statement of the material joint ventures as if they were proportionately consolidated.

December 31, 2022 **In € million**	**Hindustan Gum & Chemicals Ltd**	**EECO Holding and subsidiary**	**Solvay Advanced Material JV**
Ownership interest	50%	33%	50%
Operating Segment	Consumer & Resources	Corporate & Business Services	Materials
Statement of financial position			
Non-current assets	**5**	**9**	**35**
Current assets	**153**	**13**	**10**
Cash and cash equivalents	138	4	9
Non-current liabilities	**5**	**6**	**0**
Non-current financial debt	0	6	0
Current liabilities	**7**	**7**	**1**
Current financial debt	0	6	0
Investments in joint ventures	**146**	**9**	**43**
2022 income statement			
Sales	37	0	47
Depreciation and amortization	-1	-1	0
Cost of borrowings	0	-1	0
Interest on loans and short-term deposits	6	0	0
Income taxes	-1	-1	0
Profit for the year from continuing operations	**6**	**3**	**34**
Profit for the year	**6**	**3**	**34**
Other comprehensive income (loss)	-8	4	34
Total comprehensive income (loss)	**-2**	**7**	**68**
Dividends received	**2**	**0**	**0**

December 31, 2021 In € million	Hindustan Gum & Chemicals Ltd	EECO Holding and subsidiary	Solvay Advanced Material JV
Ownership interest	50%	33%	50%
Operating Segment	Consumer & Resources	Corporate & Business Services	Materials
Statement of financial position			
Non-current assets	**5**	**10**	**29**
Current assets	**156**	**15**	**10**
Cash and cash equivalents	138	2	10
Non-current liabilities	**5**	**8**	**0**
Non-current financial debt	0	8	0
Current liabilities	**8**	**9**	**3**
Current financial debt	0	8	0
Investments in joint ventures	**149**	**8**	**36**
2021 income statement			
Sales	22	0	55
Depreciation and amortization	-1	-1	0
Cost of borrowings	0	-1	0
Interest on loans and short-term deposits	7	1	0
Income taxes	-2	0	0
Profit for the year from continuing operations	**5**	**2**	**39**
Profit for the year	**5**	**2**	**39**
Other comprehensive income	8	2	39
Total comprehensive income	**14**	**4**	**39**
Dividends received	**2**	**0**	**0**

December 31, 2020 In € million	Hindustan Gum & Chemicals Ltd	EECO Holding and subsidiary	Solvay Advanced Material JV
Ownership interest	50%	33%	50%
Operating Segment	Consumer & Resources	Corporate & Business Services	Materials
Statement of financial position			
Non-current assets	**6**	**11**	**28**
Current assets	**142**	**17**	
Cash and cash equivalents	130	3	
Non-current liabilities	**4**	**12**	
Non-current financial debt	0	12	
Current liabilities	**8**	**11**	
Current financial debt	0	10	
Investments in joint ventures	**137**	**6**	**28**
2020 income statement			
Sales	17	0	
Depreciation and amortization	0	-1	
Cost of borrowings	0	-1	
Interest on loans and short-term deposits	11	1	
Income taxes	-2	0	
Profit for the year from continuing operations	**5**	**2**	
Profit for the year	**5**	**2**	
Other comprehensive income (loss)	-15	2	
Total comprehensive income (loss)	**-11**	**4**	
Dividends received	**1**	**0**	

January 1, 2020 In € million	Hindustan Gum & Chemicals Ltd	EECO Holding and subsidiary
Ownership interest	50%	33%
Operating Segment	Consumer & Resources	Corporate & Business Services
Statement of financial position		
Non-current assets	**5**	**12**
Current assets	**155**	**22**
Cash and cash equivalents	133	2
Non-current liabilities	**3**	**16**
Non-current financial debt	0	16
Current liabilities	**8**	**15**
Current financial debt	0	14
Investments in joint ventures	**149**	**4**

Other comprehensive income mainly comprises the currency translation differences.

NOTE F23

IMPAIRMENT

Accounting policy

General

At the end of each reporting period, the Reporting Entity reviews whether there is any indication that assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Reporting Entity estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate. Future cash flows are adjusted for risks not incorporated into the discount rate.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss. An impairment loss recognized for goodwill shall not be reversed in a subsequent period.

Assets other than non-current assets held for sale

In accordance with IAS 36 *Impairment of Assets*, the recoverable amount of property, plant and equipment, intangible assets, right-of-use assets, CGUs or groups of CGUs, including goodwill, and equity method investees corresponds to the higher of their fair value less costs of disposal, and their value in use. The latter equals the present value of the future cash flows expected to be derived from each asset, CGU or group of CGUs, and equity method investees and is determined using the following inputs:

- business plan approved by Solvay Management based on growth and profitability assumptions, taking into account past performances, forecast changes in the economic environment and expected market developments, including opportunity and risks resulting from climate change (taking into account the Solvay One Planet strategy – see note Climate change in the IFRS general accounting policies) and environmental regulations such as products phasing out. For further details, refer to the Risk Management Section. Such business plan generally covers five years, unless Solvay Management is confident that projections over a longer period are reliable;
- consideration of a terminal value determined based on the cash flows obtained by extrapolating the cash flows of the last years of the business plan referred to above, affected by a long-term growth rate deemed appropriate for the activity and the location of the assets;
- discounting of expected cash flows at a rate determined using the weighted average cost of capital formula.

As described in the Basis of Preparation, these Combined Financial Statements were extracted from the Solvay Group Consolidated Financial Statements and impairment assessment procedures were performed by Solvay SA for all the (groups of) CGUs that are part of the scope of combination, with no change in their perimeter. For the goodwill that has been reallocated, an additional impairment test was performed and it did not lead to any impairment.

Discount rate

Weighted average cost of capital (WACC) was computed applying consistently the same methodology over the periods presented. Short term WACC used to discount the expected cash flows of the initial four years, computed based on prevailing discount rates and long term WACC used to discount the expected cash flows of the fifth year and the Terminal Value and based on a rolling 8-year average of historical short term WACCs are presented below.

	2022	2021	2020
Short term WACC	6.6%	5.1%	6.4%
Long term WACC	6.5%	6.8%	7.2%

Long-term growth rates

The long-term growth rates used for the impairment tests were based on the comprehensive review of the entire business portfolio performed in 2019 with the definition of the Solvay G.R.O.W Strategy that became effective as from 2020 and on the long term growth potential for Composite Materials and Technology Solutions reassessed during the 2020 impairment tests which remains very strong.

Based on the long-term growth prospects the long-term growth rates were thus set, for all the periods presented, at:

- 2% for the Specialty Polymers CGU and 3% for the Composite Materials CGU
- 1% for the other CGUs in the Segment Consumer & Resources (excluding Technology Solutions, for which 1.5% was used, and Oil & Gas).

Other key assumptions are specific to each CGU (utility price, volumes, margin, etc.).

Impairment Test 2022 and 2021

The impairment tests performed at CGU level at December 31, 2022 and at December 31, 2021 were based on the budgets approved by the Solvay Board and the Mid Term Plans which reflect the economic rebound after the 2020 crisis and the results of the structural cost saving measures adopted by the Solvay Group. They did not lead to any impairment of assets, as the recoverable amounts of the (groups of) CGUs were higher than their carrying amounts. More specifically, the difference between the (groups of) CGUs' value in use and their carrying amount (headroom) represented in all cases more than 10% of their carrying amount. As a result, for these (groups of) CGUs, a reasonable change in a key assumption relating to the recoverable amount for which the (groups of) CGUs is based, would not result in an impairment loss.

Regarding Oil & Gas, although the profitability has improved, the long-term prospects remain uncertain and the impairments recorded in prior years were not reversed.

Considering the impairment losses for Composite Materials and Technology Solutions recorded in 2020 and the consequently higher risk of impairment in case of changes in the Discount rate and Long term growth assumptions used for their test, the following sensitivity analyses are reported for these two groups of CGUs. A broader range of discount rates was used in the sensitivity analysis since 2021 as compared to the prior year.

Sensitivity and break-even Analysis
Composite Materials (Materials)

In € billion		December 31, 2022			December 31, 2021			December 31, 2020	
		Assumptions:			Assumptions:			Assumptions:	
		Discount rate = 6.5%			Discount rate = 6.8%			Discount rate = 7.2%	
		Long term growth rate = 3%			Long term growth rate = 3%			Long term growth rate = 3%	
Sensitivity to:		Impact on recoverable amount	Revised headroom		Impact on recoverable amount	Revised headroom		Impact on recoverable amount	Revised headroom
Discount rate	-1%	1.7	3.3	-1%	1.3	2.4	-0.50%	0.3	0.5
Discount rate	+1%	-0.9	0.8	+1%	-0.7	0.4	+0.5%	-0.3	-0.1
Long term growth rate	-1%	-0.8	0.8	-1%	-0.6	0.5	-1%	-0.4	-0.2
Long term growth rate	+1%	1.5	3.2	+1%	1	2.1	+1%	0.6	0.8

	Discount rate		Long term growth rate	
	Base rate	Break-even rate	Base rate	Break-even rate
December 31, 2022	6.5%	8.9%	3.0%	0.2%
December 31, 2021	6.8%	8.6%	3.0%	0.6%
December 31, 2020	7.2%	7.5%	3.0%	2.6%

Technology Solutions (Consumer & Resources)

In € billion		December 31, 2022			December 31, 2021			December 31, 2020	
		Assumptions: Discount rate = 6.5% Long term growth rate = 1.5%			Assumptions: Discount rate = 6.8% Long term growth rate = 1.5%			Assumptions: Discount rate = 7.2% Long term growth rate = 1.5%	
Sensitivity to:		Impact on recoverable amount	Revised headroom		Impact on recoverable amount	Revised headroom		Impact on recoverable amount	Revised headroom
Discount rate	-1%	0.7	1.6	-1%	0.5	0.9	-0.5%	0.2	0.2
Discount rate	+1%	-0.4	0.5	+1%	-0.3	0.1	+0.5%	-0.1	0
Long term growth rate	-1%	-0.4	0.6	-1%	-0.3	0.2	-1%	-0.2	-0.1
Long term growth rate	+1%	0.6	1.5	+1%	0.4	0.8	+1%	0.3	0.3

	Discount rate		Long term growth rate	
	Base rate	Break-even rate	Base rate	Break-even rate
December 31, 2022	6.5%	9.2%	1.5%	-2.1%
December 31, 2021	6.8%	8.3%	1.5%	0.3%
December 31, 2020	7.2%	7.5%	1.5%	1.1%

Impairment Test 2020

A review was undertaken during Q2 2020, to assess whether the consequences of COVID-19 indicated that some assets could be impaired. The review confirmed that there was an indication of impairment for CGUs with the lowest impairment headroom at December 31, 2019: Composite Materials, Technology Solutions and Oil and Gas.

• In view of the uncertainties related to the timing and magnitude of any recovery, Solvay Management prepared a range of different scenarios for the next five years and reviewed the long term growth potential in each key market (e.g. Civil Aero or Military Aero for Composites, Mining or Alumina for Technology Solutions).

Probabilities were assigned to each scenario and weighted average discounted projected cash flows were derived for each CGU (“value in use”).

• Apart from the CGUs that were impaired in Q2 2020, all other Groups of CGUs for the testing of Goodwill had sufficient headroom at the end of 2019 to absorb the impact of COVID-19, which led to the conclusion that there was no indication of an impairment loss for these groups of CGUs at the end of Q2 2020, despite COVID-19.

Composite Materials (Materials)

Goodwill of € 1.37 billion was allocated in 2015 to Composites as a result of the Cytec acquisition. The impairment test performed during Q4 2019, indicated headroom (being the difference between the value in use based on discounted cash flows and the carrying amount) of around € 0.8 billion, which was one of the lowest headroom in percentage of the carrying amount.

Developments in the first half of 2020 indicated that expectations that prevailed at the end 2019 could no longer be achieved in the near to mid-term due to an expected significant reduction in civil aircraft build rates and despite the expected resilience and growth in defense related business. The long term growth potential of the business still remains very strong.

An impairment loss of € (0.8) billion in Q2 2020 reflected the anticipated significant EBITDA decline in 2020 relative to record 2019 levels and a gradual recovery thereafter.

The impairment loss has been fully allocated to Goodwill, except for the tangible assets related to two plants that were shut down following the industrial reorganization. The amount corresponds to approximately 25% of the carrying amount tested.

Technology Solutions (Consumer & Resources)

Goodwill of € 0.95 billion was allocated in 2015 as a result of the Cytec acquisition. The impairment test performed during Q4 of 2019, indicated headroom of around € 0.4 billion, which was one of the Group of CGUs with the lowest headroom in terms of percentage of the carrying amount.

Developments in the first half of 2020 indicated that the expectations that prevailed at the end 2019 could no longer be achieved in the near term due to an expected reduction in new mine openings, and reduced demand in other markets.

The long term growth potential of the business still remains strong.

An impairment loss of € (0.3) billion in Q2 2020 reflected revised forecasts after COVID-19:

• A significant EBITDA decline in 2020 relative to 2019, consistent with a steep decline in non-mining applications such as Oil & Gas, biocides, and automotive related activities, compounded by the expected reduction in global copper and aluminum production levels ranging between 10% and 20%,

• A mid-term EBITDA growth rate of approximately 10% on average from the low point of 2020/2021,

• A long term growth rate of 1.5% that is consistent with the expected need for technologies that support the extraction of metal and minerals.

The impairment loss has been fully allocated to Goodwill, with the exception of € (15) million which were allocated to tangible assets, which corresponds to approximately 16% of the carrying amount tested.

Oil & Gas (Consumer & Resources)

An impairment loss of € (825) million was recorded in Q3 2019 for Solvay Group Consolidated Financial statements from which these Combined Financial Statements are derived.

Developments in Oil & Gas worsened substantially in 2020 and while a turnaround plan had been implemented, the plan was considered not sufficient to mitigate the effects of the deterioration of the market's dynamics.

An additional impairment loss of € (155) million was booked in 2020 and, of that amount, € (61) million was allocated to tangible assets and € (94) million was allocated to intangible assets related to customer relationships.

NOTE F24

INVENTORIES

Accounting policy

Cost of inventories includes the purchase, conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is determined by using the weighted average cost method.

Inventories are measured at the lower of purchasing cost (raw materials and merchandise) or production cost (work in progress and finished goods) and net realizable value. Net realizable value represents the estimated selling price, less all estimated costs of completion and the estimated costs necessary to make the sale.

Energy savings certificates (ESCs)

Energy savings certificates are presented as inventory items in Finished goods. They are measured at weighted average cost. As their cost is not separately identifiable, and as they are a by-product, they are measured at their net realizable value upon initial recognition.

In € million	December 31, 2022	December 31, 2021	December 31, 2020	January 1, 2020
Finished goods	951	812	597	708
Raw materials and supplies	504	393	252	375
Work in progress	15	16	13	17
Total	**1,470**	**1,220**	**862**	**1,101**
Write-downs	-77	-72	-63	-64
Net total	**1,392**	**1,147**	**798**	**1,037**

NOTE F25

OTHER RECEIVABLES (CURRENT)

In € million	December 31, 2022	December 31, 2021	December 31, 2020	January 1, 2020
VAT and other taxes	160	145	108	147
Advances to suppliers	41	39	16	18
Financial instruments - operational	17	8	15	4
Insurance premiums	23	25	19	20
Loan receivables	3	6	10	9
Other	59	59	75	55
Other current receivables	**306**	**283**	**243**	**253**

Financial instruments – operational includes held for trading and cash flow hedge derivatives (see note F31.A. Overview of financial instruments).

NOTE F26

ASSETS HELD FOR SALE

Accounting policy

A disposal group is a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. The group includes goodwill acquired in a business combination if the group is a cash-generating unit to which goodwill has been allocated, or if it is an operation within such a cash-generating unit.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. For a sale to be highly probable, Solvay Management should be committed to a plan to sell the asset (or disposal group), an active program to locate a buyer and complete the plan should be initiated, the asset (or disposal group) should be actively marketed at a price which is reasonable in relation to its current fair value, the sale should be expected to be completed within one year from the date of classification, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

When the Reporting Entity is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Reporting Entity will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Any excess of the carrying amount over the fair value less costs to sell is recognized as an impairment loss. Depreciation of such assets is discontinued as from their classification as held for sale. Prior period combined statements of financial position are not restated to reflect the new classification of a non-current asset (or disposal group) as held for sale.

At the end of December 2020, the assets and liabilities related to the following businesses have been reclassified as "held for sale" (assets for a total amount of € 118 million and liabilities for a total amount of € 65 million):

- the commodity amphoterics surfactants activities in Novecare,
- the Process Materials business (part of Composites)

December 31, 2020

In € million	**Commodity amphoterics**	**Process materials**
Operating Segment	Consumer & Resources	Materials
Property, plant and equipment	37	0
Goodwill	0	0
Intangible assets	1	0
Right-of-use assets	1	4
Investments	0	0
Deferred tax assets	2	3
Inventories	13	13
Trade receivables	15	14
Other financial instruments	12	0
Other assets	0	3
Assets held for sale	*82*	*36*
Provisions	4	3
Deferred tax liabilities	1	5
Other non-current liabilities	0	3
Financial debt	0	21
Trade payables	12	7
Income tax payables	0	0
Other liabilities	2	6
Liabilities associated with assets held for sale	*19*	*46*
Net carrying amount of the disposal group	62	-10
Included in other comprehensive income		
Currency translation differences	0	-4
Defined benefit plans	-1	0
Other comprehensive income	-1	-4

At the end of 2021 and 2022, there were no assets classified as held for sale.

On December 22, 2020, the Solvay Group signed an agreement to sell its North American and European amphoteric surfactant business to OpenGate Capital, a private equity firm with headquarters in Los Angeles, California (USA). The sale closed in Q2 2021.

On November 5, 2020, the Solvay Group and Composites One LLC, entered into an exclusive negotiation period for the acquisition of Solvay's Process Materials (PM) business by Composites One. This business line had sales of approximately € 80 million in 2020 and operated 6 production sites in the US, France, Italy and the United Kingdom. The transaction was completed in Q1 2021.

Since the classification of each business as "Assets held for Sale" no depreciation has been recognized.

NOTE F27
OWNER'S NET INVESTMENT

Accounting policy

In the presented periods, SpecialtyCo did not constitute a group with a parent company in accordance with IFRS 10 *Consolidated Financial Statements*. Therefore, share capital, reserves and retained earnings are presented as a single heading "Owner's net investment", with separate indications of Other Components of Equity and Non-Controlling interests, presented accordingly. Exchange differences on currency translation of foreign operations and other comprehensive income/loss from equity and debt instruments, hedge accounting for derivative financial instruments under IFRS 9, net of tax, are reported separately under "Other Components of Equity" as part of Owner's net investment.

Cumulated exchange differences on currency translation of foreign operations are measured at their carrying amount included in the Solvay Group's Consolidated Financial Statements for Dedicated Entities and pro rata the net assets transferred to SpecialtyCo for the Mixed Entities. The changes in Owner's net investment that result from transactions deemed to be immediately settled through equity and as such treated as contributions from or distributions to shareholders are included in the line "Transactions with Solvay Group, net of tax", in the Combined Statements of Changes in Equity. Those contributions from or distributions to shareholders relate to carve-out specific considerations, such as the allocation of costs for shared services, impact of tax results recalculated on separate tax return basis, restructuring charges and employee benefit charges.

Non-controlling interests

Those represent the share of non-controlling interests in the net assets and comprehensive income of subsidiaries of the Reporting Entity, and correspond to the interests in subsidiaries that are not held by the Reporting Entity or its subsidiaries.

The capital structure of SpecialtyCo upon completion of the Partial Demerger will differ from the capital structure presented in the Combined Financial Statements.

NOTE F28

NON-CONTROLLING INTERESTS

The amounts disclosed below are fully consolidated amounts and do not reflect the impacts from elimination of intragroup transactions.

At the end of 2022, the following subsidiaries have non-controlling interests totaling € 23 million.

In € million	Solvay Hengchang Zhangjiagang Special Chem	Solvay Nicca	Cogeneration Tavaux
Non-controlling ownership interest	30%	40%	67%
Statement of financial position			
Non-current assets	17	2	18
Current assets	72	82	7
Non-current liabilities	1	0	0
Current liabilities	34	14	16
Income statement			
Sales	168	312	0
Profit for the year	36	19	4
Other comprehensive income	-3	0	0
Total comprehensive income	**32**	**19**	**4**
Dividends paid to non-controlling interests	6	0	1
Share of non-controlling interest in the profit for the year	11	0	3
Accumulated non-controlling interests	16	1	6

At the end of 2021, the following subsidiaries have non-controlling interests totaling € 18 million.

In € million	Solvay Hengchang Zhangjiagang Special Chem	Solvay Nicca	Cogeneration Tavaux
Non-controlling ownership interest	30%	40%	67%
Statement of financial position			
Non-current assets	18	1	20
Current assets	70	79	5
Non-current liabilities	0	0	0
Current liabilities	44	15	19
Income statement			
Sales	136	228	0
Profit for the year	21	9	2
Other comprehensive income	3	0	0
Total comprehensive income	**25**	**9**	**2**
Dividends paid to non-controlling interests	1	0	1
Share of non-controlling interest in the profit for the year	6	0	1
Accumulated non-controlling interests	13	1	4

At the end of 2020, the following subsidiaries have non-controlling interests totaling € 14 million.

In € million	Solvay Hengchang Zhangjiagang Special Chem	Solvay Nicca	Cogeneration Tavaux	Sunshield Chemicals
Non-controlling ownership interest	30%	40%	67%	38%
Statement of financial position				
Non-current assets	16	0	23	11
Current assets	24	66	3	8
Non-current liabilities	0	1	0	9
Current liabilities	18	6	20	7
Income statement				
Sales	67	213	0	23
Profit for the year	4	7	1	2
Other comprehensive income	0	0	0	0
Total comprehensive income	**3**	**7**	**1**	**2**
Dividends paid to non-controlling interests	2	0	1	0
Share of non-controlling interest in the profit for the year	1	0	1	1
Accumulated non-controlling interests	7	2	4	1

As of January 1, 2020 the following subsidiaries have non-controlling interests totaling € 13 million.

In € million	Solvay Hengchang Zhangjiagang Special Chem	Solvay Nicca	Cogeneration Tavaux	Sunshield Chemicals
Non-controlling ownership interest	30%	40%	67%	38%
Statement of financial position				
Non-current assets	17	0	25	12
Current assets	28	75	6	10
Non-current liabilities	0	0	0	10
Current liabilities	19	7	25	11
Accumulated non-controlling interests	7	2	4	0

NOTE F29

SHARE-BASED PAYMENTS

Accounting policy

The Solvay Group has set up compensation plans, including equity-settled and cash-settled share-based compensation plans.

For the Solvay equity-settled plans granted to SpecialtyCo employees, the fair value of services rendered by employees in consideration for the granting of equity-instruments represents an expense. This expense is recognized on a straight-line basis in the combined income statement over the vesting periods relating to these equity-instruments and it is considered to be immediately settled by a contribution of the Remaining Solvay Group. The fair value of services rendered is measured based on the fair value of the equity-instruments on the grant date. It is not subsequently remeasured. At each reporting date, the Reporting Entity re-estimates the number of share options likely to vest. The impact of the revised estimates is recognized in profit or loss against a corresponding adjustment in equity.

For the Solvay cash-settled plans granted to SpecialtyCo employees, the Reporting Entity acquires services by incurring a liability to transfer to its employees rendering those services amounts that are based on the price (or value) of equity instruments (including shares or share options) namely through the issuance of performance share units. The fair value of services rendered by employees in consideration for the granting of share-based payments represents an expense. This expense is recognized on a straight-line basis in the combined income statement over the vesting periods relating to these share-based payments with the recognition of a corresponding adjustment in liabilities. At each reporting date, the Reporting Entity re-estimates the number of options likely to vest, with the impact of the revised estimates recognized in profit or loss. The Reporting Entity measures the services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Reporting Entity remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.

See Basis of Preparation for a description of the share-based compensation programs considered for the Combined Financial Statements.

The costs and liabilities related to the cash-settled PSU Plans are recognized in the Combined Financial Statements for the portion attributable to the personnel attributable to SpecialtyCo.

The costs of the equity-settled PSU and RSU Plans, the ESPP, and the SOPs are recognized in the Combined Financial Statements when related to the personnel attributable to SpecialtyCo and they are considered as immediately settled by the remaining Solvay Group. Those costs were not material over the period presented.

NOTE F30

PROVISIONS

In € million	Employee benefits	Restructuring	Environment	Litigation	Other	Total
December 31, 2021	**433**	**39**	**201**	**4**	**52**	**729**
Additions	35	30	125	29	15	**234**
Reversals of unused amounts	0	-18	-16	0	-11	**-45**
Uses	-47	-17	-37	-2	-19	**-121**
Use of provisions for additional voluntary cash contributions (pension plans)	0					**0**
Increase through discounting	-7	0	-10	0	0	**-17**
Remeasurements	-93	0	0	0	0	**-93**
Currency translation differences	11	1	7	0	1	**20**
Acquisitions and changes in consolidation scope	0	0	0	0	0	**0**
Disposals	0	0	0	0	0	**0**
Transfer to liabilities associated with assets held for sale	0	0	0	0	0	**0**
Other	6	0	0	0	0	**6**
December 31, 2022	**338**	**36**	**270**	**31**	**38**	**712**
Of which current provisions	*0*	*31*	*42*	*30*	*15*	***118***

The provisions decreased by € (17) million in 2022, of which € (94) million for Employee benefits, € (3) million for Restructuring, € (14) million for other, partially offset by an increase of € 69 million for Environment and € 27 million for Litigation.

Employees benefit includes other long-term benefits and termination benefits.

For employee benefits, the deleveraging of € (94) million is explained as follows:

· payments (uses) for € (47) million to deleverage and de-risk;
· net new liabilities (additions and reversals) for € 35 million;
· remeasurements, resulting from the changes in assumptions related to the gross liability for € (93) million (mainly due to changes in discount rates);
· net increase through discounting for € (7) million for the unwinding of the discount rate on the gross liability;
· other increases in the employee benefit obligations for € 17 million mainly due to the reclassification of the amounts recognized in asset surplus and currency translation differences.

Restructuring, environmental and litigation - see note F30.B Provisions other than employee benefits.

The movements in Other provisions mainly relate to post-closing adjustments resulting from M&A warranties as well as indemnities for environmental remediation.

In € million	Employee benefits	Restructuring	Environment	Litigation	Other	Total
December 31, 2020	**767**	**25**	**168**	**3**	**27**	**990**
Additions	44	45	48	2	42	**182**
Reversals of unused amounts	-12	-1	-6	-1	-2	**-22**
Uses	-38	-34	-25	-1	-23	**-120**
Use of provisions for additional voluntary cash contributions (pension plans)	-147					**-147**
Increase through discounting	9	0	-1	0	0	**7**
Remeasurements	-357	0	0	0	0	**-357**
Currency translation differences	30	1	11	0	1	**44**
Acquisitions and changes in consolidation scope	2	0	0	0	1	**3**
Disposals	0	0	4	0	0	**3**
Transfer to liabilities associated with assets held for sale	0	0	0	0	0	**0**
Other	136	2	2	0	7	**147**
December 31, 2021	**433**	**39**	**201**	**4**	**52**	**729**
Of which current provisions	*0*	*34*	*43*	*3*	*25*	***104***

The provisions decreased by € (261) million in 2021, of which € (333) million for Employee benefits, partially offset by an increase of € 14 million for Restructuring, € 33 million for Environment and € 26 million for other.

For employee benefits, the deleveraging of € (333) million is explained as follows:

- payments (uses) for € (38) million, and voluntary contributions of € (147) million to pension funds to deleverage and de-risk;
- net new liabilities (additions and reversals) for € 32 million;
- remeasurements, resulting from the changes in assumptions related to the gross liability for € (357) million (mainly due to changes in discount rates);
- increase through discounting for € 9 million for the unwinding of the discount rate on the gross liability;
- other increases in the employee benefit obligations for € 168 million mainly due to the reclassification of the amounts recognized in asset surplus and currency translation differences.

Net additions of provisions for Environment (€ 42 million) resulted mainly from the revised assumptions of higher inflation rates, partially offset by the impact of higher discount rates reducing the present value of the liability. The payments (uses) have been for € (25) million.

New provisions for restructuring exceeded the payments by € 11 million.

The movements in Other provisions mainly relate to post-closing adjustments resulting from M&A warranties as well as indemnities for environmental remediation.

In € million	Employee benefits	Restructuring	Environment	Litigation	Other	Total
January 1, 2020	**806**	**13**	**196**	**6**	**28**	**1,050**
Additions	43	66	14	3	13	**138**
Reversals of unused amounts	-15	-15	-4	-4	-2	**-39**
Uses	-27	-36	-29	-1	-10	**-103**
Use of provisions for additional voluntary cash contributions (pension plans)	-35					**-35**
Increase through discounting	22	0	6	0	0	**28**
Remeasurements	13	0	0	0	0	**13**
Currency translation differences	-34	-1	-12	-1	-1	**-48**
Acquisitions and changes in consolidation scope	0	0	0	0	0	**0**
Disposals	-1	0	-4	0	0	**-5**
Transfer to liabilities associated with assets held for sale	0	0	0	0	0	**0**
Other	-5	-2	0	1	-1	**-7**
December 31, 2020	**766**	**25**	**168**	**3**	**27**	**990**
Of which current provisions	*0*	*25*	*22*	*3*	*12*	***62***

The provisions decreased by € (60) million in 2020, of which € (40) million for Employee benefits, € (28) million for Environment, € (4) million for litigation and other, partially offset by an increase of € 12 million for Restructuring.

For employee benefits, the deleveraging of € (40) million is explained as follows:

- payments (uses) for € (27) million, and voluntary contributions of € (35) million to pension funds to deleverage and de-risk;
- net new liabilities (additions and reversals) for € 28 million;
- remeasurements, resulting from the changes in assumptions related to the gross liability for € 13 million (mainly change in discount rate);
- increase through discounting for € 22 million for the unwinding of the discount rate on the gross liability;
- other decreases in the employee benefit obligations for € (40) million mainly due to currency translation differences.

Net decrease of provisions for Environment (€ (28) million) resulted mainly from the revised assumptions of inflation rates and from the impact of discount rates increasing the present value of the liability, after payments (uses) for € (29) million.

New provisions for restructuring exceeded the payments by € 15 million.

The movements in Other provisions mainly relate to post-closing adjustments resulting from M&A warranties as well as indemnities for environmental remediation.

Management expects provisions (other than employee benefits) to be used (cash outlays) as follows:

In € million	up to 5 years	between 5 and 10 years	beyond 10 years	Total
Total provisions for environment	168	34	68	270
Total provisions for litigation	31			31
Total provisions for restructuring and other	73			73
December 31, 2022	272	34	68	374

F30.A. Provisions for employee benefits

Accounting policy

General

The Reporting Entity employees are offered various post-employment benefits, other long-term employee benefits, and termination benefits as a result of legislation applicable in certain countries, and contractual agreements entered into by the Reporting Entity with its employees or constructive obligations.

The post-employment benefits are classified as defined contribution or defined benefit plans.

Defined contribution plans

Defined contribution plans involve the payment of fixed contributions to a separate entity, and release the employer from any subsequent obligation, as this separate entity is solely responsible for paying the amounts due to the employee. The expense is recognized when an employee has rendered services to the Reporting Entity during the period.

Defined benefit plans

Defined benefit plans concern all plans other than defined contribution plans, and include:

- post-employment benefits: pension plans, other post-employment obligations and supplemental benefits such as post-employment medical plans;

Taking into account projected final salaries on an individual basis, post-employment benefits are measured by applying a method (projected unit credit method) using assumptions involving discount rate, life expectancy, turnover, wages, annuity revaluation and medical cost inflation. The assumptions specific to each plan take into account the local economic and demographic contexts.
The discount rates are interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

The amount recognized under post-employment obligations corresponds to the difference between the present value of future obligations and the fair value of the plan assets funding the plan, if any. If this calculation gives rise to a deficit, an obligation is recognized in liabilities. Otherwise, a net asset limited to the lower of the surplus in the defined benefit plan and the present value of any future plan refunds or any reduction in future contributions to the plan is recognized. Therefore the amount at which such an asset is recognized in the statement of financial position may be subject to a ceiling.

The defined benefit cost consists of service cost and net interest expense (based on discount rate) on the net liability or asset, both recognized in profit or loss, and remeasurements of the net liability or asset, recognized in other comprehensive income.

Service cost consists of current service cost, past service cost resulting from plan amendments or curtailments and settlement gains or losses.

The interest expenses arising from the reverse discounting of the benefit obligations, the financial income on plan assets (determined by multiplying the fair value of the plan assets by the discount rate) as well as interest on the effect of the asset ceiling are recognized on a net basis in the net financial charges (cost of discounting of provisions).

Remeasurements of the net liability or asset consist of:

- actuarial gains and losses on the benefit obligations arising from experience adjustments and/or changes in actuarial assumptions (including the effect of changes in the discount rate) recognized in other comprehensive income;
- Changes as a consequence of plan amendments, recognized in profit or loss;
- the return on plan assets (excluding amounts in net interest) and changes in the limitation of the net asset recognized.

Other Long-term employee and termination benefits

Other long-term employee benefits related to long service benefits granted to employees according to their seniority in the Solvay Group. Termination benefits include early pension plans. Other long-term employee and termination benefits are accounted for in the same way as post-employment benefits but remeasurements are fully recognized in the net financial charges during the period in which they occur.

The actuarial calculations of the main post-employment obligations and other long-term benefits are performed by independent actuaries.

OVERVIEW

In € million	December 31, 2022	December 31, 2021	December 31, 2020	January 1, 2020
Post-employment benefits	245	327	670	717
Other long-term benefits	93	104	94	87
Termination benefits	1	1	2	2
Total employee benefits	338	433	766	806

POST-EMPLOYMENT BENEFITS

A. Defined contribution plans

For defined contribution plans, the Reporting Entity pays contributions to publicly or privately administered pension funds or insurance companies.

B. Defined benefit plans

Defined benefit plans can be either funded via outside pension funds or insurance companies ("funded plans") or financed within the Reporting Entity ("unfunded plans"). Unfunded plans have no plan assets dedicated to them.

The net liability results from the net of the provisions and the asset plan surplus.

In € million	December 31, 2022	December 31, 2021	December 31, 2020	January 1, 2020
Provisions	245	327	670	716
Asset plan surplus	-9	-158	-30	-21
Net liability	236	169	640	695

	2022	2021	2020
Operational expense	26	17	19
Finance expense	2	7	13

The operating expense includes current service cost for € 28 million in 2022, € 24 million in 2021 and € 32 million in 2020.

B.1. Management of risks

Over recent years, the Reporting Entity has reduced its exposure to defined benefit plan obligations stemming from future services by converting existing plans into pension plans with a lower risk profile (hybrid plans, cash balance plans and defined contribution plans) or by closing them to new entrants.

The Reporting Entity continuously monitors its risk exposure, focusing on the following risks:

Asset volatility

Equity instruments, even though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. To mitigate this risk, the allocation to equity instruments is monitored using Assets and Liabilities Management techniques, to ensure it remains appropriate given the respective schemes' and the Reporting Entity's long term objectives.

Changes in bond yields

A decrease in corporate bond yields will increase the carrying amount of the plans' liabilities. For funded schemes this impact will be partially offset by an increase in the fair value of the plan assets. An increase in corporate bond yields will have the opposite impacts on plans' liabilities and assets.

Corporate bond yields are highly dependent on global and local market situations, the decisions of central banks and the political situation. Events that are currently impacting the financial markets are:

- The war in Ukraine and its geopolitical consequences;

- High inflation due to increasing energy prices;

- Quantitative tightening applied by central banks to combat rising inflation.

Consequently, yields in the major currency zones (Eurozone, the UK, and the US) have increased compared to 2021 (see Actuarial assumptions used in determining the liability). The result is a decrease in the Reporting Entity's defined benefit obligations in 2022.

Inflation risk

The defined benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). A limited part of the assets is either unaffected by or only partially correlated with inflation, meaning that an increase in inflation will also increase the plans' net liabilities.

The inflation rate in each country is based on the Global Economic Consensus Forecast (GCF) with the exception of the UK, where the information is derived from the Bank of England. Long-term inflation assumptions have increased slightly in the Eurozone in comparison to 2021. In the UK, the outlook for the retail price index and consumer price index remains unchanged from 2021. The long-term inflation rate in the US, which is also based on the GCF, remains unchanged compared to 2021. (See Actuarial assumptions used in determining the liability)

Life expectancy

The majority of the schemes' obligations are to provide benefits for the life of the member. Increases in life expectancy will therefore increase the plans' liabilities.

Regulatory risk

Especially with respect to funded plans, the Reporting Entity is exposed to the risk of external funding following regulatory constraints. This should not impact the defined benefit obligation but could expose the Reporting Entity to a potential significant cash outlay.

B.2. Description of obligations

The provisions have been set up to cover post-employment benefits granted by most Reporting Entity companies in line, either with local rules and /or with established practices, which generate constructive obligations.
The largest post-employment plans in 2022, 2021 and 2020 are in the United Kingdom, the United States, France, Germany and Belgium. These five countries represent 98% of the total defined benefit obligations.

December 31, 2022

In € million	Defined benefit obligations	In %	Recognized plan assets	Net liability/(Asset)	In %	Ratio plan assets on defined benefit obligations	of which asset surplus recognized in the balance sheet
United Kingdom	917	43%	899	18	8%	98%	
United States	968	46%	871	97	41%	90%	4
France	105	5%	23	82	35%	22%	
Germany	22	1%	0	22	9%	0%	
Belgium	65	3%	63	1	1%	98%	
Other countries	42	2%	26	16	7%	61%	5
Total	**2,119**	**100%**	**1,882**	**237**	**100%**	**89%**	**9**

December 31, 2021							
In € million	Defined benefit obligations	In %	Recognized plan assets	Net liability/(Asset)	In %	Ratio plan assets on defined benefit obligations	of which asset surplus recognized in the balance sheet
United Kingdom	**1,417**	**49%**	**1,484**	**-67**	**-39%**	**105%**	**83**
United States	**1156**	**40%**	**1,087**	**68**	**40%**	**94%**	**66**
France	**136**	**5%**	**26**	**111**	**65%**	**19%**	**0**
Germany	**33**	**1%**	**0**	**33**	**19%**	**0%**	
Belgium	**71**	**2%**	**75**	**-4**	**-2%**	**106%**	**7**
Other countries	**58**	**2%**	**27**	**31**	**18%**	**46%**	**1**
Total	**2,871**	**100%**	**2,699**	**172**	**100%**	**94%**	**157**

December 31, 2020							
In € million	Defined benefit obligations	In %	Recognized plan assets	Net liability/(Asset)	In %	Ratio plan assets on defined benefit obligations	of which asset surplus recognized in the balance sheet
United Kingdom	**1,517**	**50%**	**1,216**	**301**	**47%**	**80%**	
United States	**1,174**	**39%**	**1,051**	**123**	**19%**	**90%**	**28**
France	**158**	**5%**	**27**	**131**	**20%**	**17%**	
Germany	**35**	**1%**	**0**	**35**	**5%**	**0%**	
Belgium	**70**	**2%**	**55**	**15**	**2%**	**79%**	
Other countries	**61**	**2%**	**26**	**34**	**2%**	**44%**	**2**
Total	**3,015**	**100%**	**2,376**	**639**	**100%**	**79%**	**30**

January 1, 2020							
In € million	Defined benefit obligations	In %	Recognized plan assets	Net liability/(Asset)	In %	Ratio plan assets on defined benefit obligations	of which asset surplus recognized in the balance sheet
United Kingdom	1,473	48%	1,247	226	33%	85%	5
United States	1,248	41%	1,024	224	32%	82%	13
France	162	5%	1	162	23%	0%	
Germany	34	1%	0	34	5%	0%	
Belgium	64	2%	51	13	2%	79%	
Other countries	65	2%	29	36	5%	45%	3
Total	**3,046**	**100%**	**2,351**	**695**	**100%**	**77%**	**22**

United Kingdom

Solvay sponsors a few defined benefit plans in the United Kingdom; the largest one is the Rhodia Pension Fund (the "Fund"). This is a final salary funded pension plan, with entitlement to accrue a percentage of salary per year of service. It was closed to new entrants in 2003 and replaced by a defined contribution plan.

In 2022 broadly, about 2% of the liabilities are attributable to current employees, 28% to former employees and 70% to current pensioners.

The Fund functions and complies with UK legislation under a large regulatory framework. The Pensions Regulator has a risk based approach to regulation and a code of practice which provides practical guidance to trustees and employers of defined benefit schemes on how to comply with the scheme funding requirements. In accordance with UK legislation, the Fund is subject to Scheme Specific Funding which requires that pension plans are funded prudently.

The UK Rhodia Pension Fund is governed by a Board of Trustees. They manage the Fund with prudent and fair judgment. The Trustees determine the liabilities used for Statutory Funding Objectives based on prudent actuarial and economic assumptions. Any shortfall or deficit once these liabilities have been deducted from the Fund's assets must be reduced by additional contributions and in a time frame determined in accordance with the employer's ability to pay and the strength of covenant or contingent security being offered by the employer.

The Rhodia Pension Fund is subject to a triennial valuation cycle for funding purposes. This valuation is performed by the scheme actuary in line with UK regulations and is discussed between the Trustees and the sponsoring employer to agree the valuation assumptions and a funding plan. The last completed valuation was as at January 1, 2021 which established a fixed contribution rate of pensionable pay for active members plus a deficit recovery plan which aims to fund the scheme's technical provisions over a period of time. Recovery contributions have been increased so that the plan is expected to be fully funded by the end of 2027 in accordance with local regulations.

At the end of 2021 a voluntary contribution was paid (£ 115 million). The contribution will significantly reduce the recovery contribution to be paid until 2027.

The guarantee provided by Solvay is based on local regulations and exceeds the recognized liability – See note F36 Contingent assets, liabilities and financial guarantees for more information.

France

Solvay sponsors different defined benefit plans in France. The largest plans are the French compulsory retirement indemnity plan and four closed top hat plans. Indeed, as required by the "Loi Pacte", the open top hat plan (so called "ARS") has been closed at the end of 2019 and replaced by a defined contribution plan.

The main plan is for all former Rhodia current and retired employees who contributed to the plan prior to its closure in the 1970s. It offers a full benefit guarantee based on the end-of-career salary; more than 99% of the liabilities are attributable to current pensioners.

In line with local legislation, and legal arrangements, pension liabilities and concerned assets plans were split between SpecialtyCo and EssentialCo reporting entities.

In accordance with French legislation, adequate guarantees have been provided.

United States

Solvay sponsored five defined benefit pension plans in the United States (two qualified plans and three non-qualified plans). A qualified plan is an employer-sponsored retirement plan that qualifies for special tax treatment under Section 401(a) of the Internal Revenue Code. At this moment all defined benefit plans are closed to new entrants where newly hired employees are eligible to participate in a defined contribution plan. Note that both qualified defined benefit pension plans are funded while the three non-qualified defined benefit pension plans are unfunded. The qualified plans make up the vast majority of the pension liabilities as of December 31, 2022.

Solvay's plans are in compliance with local laws regarding audited financial statements, governmental filings, and Pension Benefit Guaranty Corporation insurance premiums where applicable. The plans are reviewed and monitored locally by fiduciary committees for purposes of plan investments and administrative matters.

For the US qualified plans, Solvay's contributions take into account minimum (tax-deductible) funding requirements as well as maximum tax deductible contributions, both regulated by the tax authorities.

Certain eligible participants may elect to receive their pension in a single lump sum payment instead of a monthly payment.

In 2022 broadly, about 26% of the liabilities are attributable to current employees, 10% to former employees for whom benefit payments have not yet commenced and 64% to current pensioners.

In 2022, in the United States Solvay contributed to two multiemployer pension plans under collective bargaining agreements that cover certain of its union-represented employees. Each of the multiemployer plans is a defined benefit pension plan. None of the multiemployer plans provide an allocation of its assets, liabilities, or costs among contributing employers. None of the multiemployer plans provides sufficient information to permit Solvay, or other contributing employers, to account for the multiemployer plan as a defined benefit plan. Accordingly, the Reporting Entity accounts for its participation in each of the multiemployer plans as if they were a defined contribution plan. For multiemployer plans, during 2022, 2021 and 2020, the annual contributions paid were less than € 1 million.

According to the fact that there was no legal framework, all the pension liabilities remained with SpecialtyCo reporting entities.

Belgium

Solvay sponsors two defined benefit plans in Belgium. These are funded pension plans. The plan for executives has been closed since the end of 2006, and the plan for the White and Blue collars has been closed since 2004. The past service benefits provided under these plans continues to be adapted each year considering annual salary increase and inflation ("Dynamic management"). In accordance with market practice in Belgium, because of favorable retirement lump sum taxation, most benefits are paid as lump sum.

Furthermore, Solvay sponsors two open defined contribution plans, classified as defined benefit plans for accounting purposes due to the minimum guarantees explained hereafter. These are funded pension plans which are open since the beginning of 2007 for the one in favor of the executives and since the beginning of 2005 for the one in favor of the White and Blue collars. Participants may choose to invest their contributions amongst four different investment funds (from "Prudent" to "Dynamic"). However, regardless of their choices, Belgian law foresees that the employer must guarantee a return on employer contribution and on personal contribution, creating that way a potential liability for the Reporting Entity. Since 2016 the return has been fixed at 1.75% for both types of contributions, at the minimum of the range provided by law since January 1, 2016 (1.75% to 3.75%). At the end of 2022, the net liability recognized in the combined statement of financial position concerning these plans is not material.

Solvay's plans are administered through the Solvay Pension Fund that operates in compliance with local laws regarding minimum funding, investments principles, audited financial statements, governmental filings, and governance principles. The Pension Fund is managed through a General Assembly and a Board of Directors delegating day-to-day activities to an operational Committee.

Solvay sponsors a few other smaller pension plans. All these plans are insured.

In line with local legislation, and legal arrangements, pension liabilities and concerned plan assets were allocated between SpecialtyCo and EssentialCo reporting entities.

Other Plans

The majority of the obligations relate to pension plans. In some countries (mainly the United States), there are also post-employment medical plans, which represent 3% (3% in 2021 and 2020) of the total defined benefit obligation.

B.3. Financial impacts

Changes in net liability

In € million	2022	2021	2020
Net amount recognized at beginning of period	170	640	695
Net expense recognized in P&L - Defined benefit plans	28	24	32
Actual employer contributions / direct actual benefits paid	-34	-172	-54
Acquisitions and disposals	0	0	-1
Remeasurements before impact of asset ceiling	63	-347	-2
Change in the effect of the asset ceiling limit on remeasurements	2	2	0
Reclassifications	4	2	-3
Currency translation differences	5	22	-27
Transfer to (liabilities associated with) assets held for sale	0	-1	0
Net amount recognized at end of period	**238**	**170**	**640**

Year 2022

Remeasurements including the impact of asset ceiling € 65 million comprise:

- the unfavorable investment return on plan assets (excluding interests reported in the combined income statement) for € 736 million;
- increase in discount rates € (683) million mainly in the United States, United Kingdom and Eurozone;
- increase in inflation rate € 8 million for Eurozone;
- other remeasurements due to changes in the other financial assumptions, demographic and experience effects € 4 million.

Year 2021

Remeasurements including the impact of asset ceiling € (345) million comprise:

- the favorable investment return on plan assets (excluding interests reported in the combined income statement) for € (100) million;
- increase in discount rates € (240) million mainly in the United States, United Kingdom, Brazil and Eurozone;
- increase in inflation rate € 57 million for United Kingdom and Eurozone;
- other remeasurements due to changes in the other financial assumptions, demographic and experience effects € (62) million.

Year 2020

Remeasurements including the impact of asset ceiling € (2) million comprise:

- the favorable investment return on plan assets (excluding interests reported in the combined income statement) for € (248) million;
- decrease in discount rates € 262 million mainly in the United States, United Kingdom and Eurozone;
- decrease in inflation rate € (19) million for United Kingdom and Eurozone;
- other remeasurements due to changes in the other financial assumptions, demographic and experience effects € 3 million.

There are no planned voluntary contributions. The expected future compulsory contribution will be in line with 2022 figures.

Net expense

In € million	2022	2021	2020
Current service costs	*23*	*24*	*23*
Past service costs (including curtailments and settlements)	*1*	*-8*	*-8*
Service costs	24	15	15
Interest cost	*64*	*47*	*67*
Interest income	*-62*	*-40*	*-54*
Net interest	2	7	13
Administrative expenses paid	2	2	3
Net expense recognized in P&L - Defined benefit plans	**28**	**24**	**32**
Remeasurements recognized in other comprehensive income	**65**	**-345**	**-2**

The service costs and administrative expenses of these benefit plans are recognized within cost of sales, administrative costs, research & development costs or operating gains and losses and results from legacy remediation, and the net interest is recognized as a finance expense.

In 2022 the Reporting Entity's current service costs amounted to € 23 million (€ 24 million in 2021, € 23 million in 2020).

In € million	December 31, 2022	December 31, 2021	December 31, 2020	January 1, 2020
Defined benefit obligations - Funded plans	1,895	2,574	2,701	2,644
Fair value of plan assets at end of period	-1,886	-2,701	-2,376	-2,351
Deficit for funded plans	9	-127	325	293
Defined benefit obligations - Unfunded plans	224	297	315	402
Deficit / surplus (-)	**233**	**170**	**640**	**695**
Amounts not recognized as asset due to asset ceiling (recognized in other comprehensive income)	4	2		
Net liability (asset)	236	169	640	695
Provision recognized	245	327	670	716
Asset recognized	-9	-158	-30	-21

Changes in defined benefit obligations

In € million	2022	2021	2020
Defined benefit obligation at beginning of period	2,871	3,017	3,047
Current service costs	23	24	23
Past service costs (including curtailments)	1	-8	-8
Interest cost	64	47	67
Employee contributions	1	1	2
Settlements	0	0	0
Acquisitions and disposals (-)	0	-1	-1
Remeasurements in other comprehensive income	-673	-248	246
Actuarial gains and losses due to changes in demographic assumptions	*-24*	*-33*	*-2*
Actuarial gains and losses due to changes in financial assumptions	*-675*	*-184*	*242*
Actuarial gains and losses due to experience	*26*	*-31*	*6*
Actual benefits paid	-188	-161	-166
Currency translation differences	17	197	-190
Reclassification and other movements	3	3	-3
Transfer from/to (liabilities associated with) assets held for sale	0	0	0
Defined benefit obligation at end of period	2,119	2,871	3,016
Defined benefit obligations - Funded plans	*1,895*	*2,574*	*2,701*
Defined benefit obligations - Unfunded plans	*224*	*297*	*315*

Changes in the fair value of plan assets

In € million	2022	2021	2020
Fair value of plan assets at beginning of period	2,701	2,376	2,351
Interest income	62	40	54
Remeasurements in other comprehensive income	-736	100	248
Return on plan assets (excluding amounts in net interests including on asset surplus)	-736	100	248
Employer contributions	34	172	54
Employee contributions	1	1	2
Administrative expenses paid	-2	-2	-3
Acquisitions / Disposals (-)	0	0	0
Settlements	0	0	0
Actual benefits paid	-188	-161	-166
Currency translation differences	12	176	-163
Reclassification and other movements	-1	-2	-1
Transfer from/to (liabilities associated with) assets held for sale	0	0	0
Fair value of plan assets at end of period	1,883	2,701	2,376
Actual return on plan assets (including on asset surplus)	-674	140	302

In 2022, the total return on plan assets, i.e. including interest income, amounts to (€ 674 million) against a positive impact of € 140 million in 2021 and € 302 million in 2020.

In 2022, the Reporting Entity's cash contributions amounted to € 34 million. No voluntary cash contributions were made in the period.

In 2021, the Reporting Entity's cash contributions amounted to € 172 million of which € 25 million of mandatory contributions to funds, € 147 million of voluntary cash contributions. The voluntary cash contributions were made to improve the funding level of the Belgian pension plans (€ 13 million) and of the Rhodia UK pension plan (€ 134 million) and increase de-risking with the additional plan assets.

In 2020, the Reporting Entity's cash contributions amounted to € 54 million, of which € 19 million of mandatory contributions to funds, € 35 million of voluntary cash contributions. The voluntary cash contributions were made to improve the funding level of the US pension plans (€ 6 million) and partially fund French pension plans (€ 29 million) and increase de-risking with plan assets.

Categories of plan assets

	December 31, 2022	December 31, 2021	December 31, 2020
Equities	20%	24%	30%
Bonds	72%	60%	59%
Properties and infrastructures	3%	4%	4%
Cash and cash equivalents	2%	6%	3%
Derivatives	1%	0%	0%
Others	2%	5%	4%
Total	100%	100%	100%

With respect to the invested assets, it should be noted that these assets do not contain any direct investment in Solvay shares or in property or other assets occupied or used by the Reporting Entity or the Remaining Solvay Group. This does not exclude Solvay shares being included in mutual investment fund type investments.

Changes in asset ceiling

In € million	2022	2021	2020
Effect of the asset ceiling limit at beginning of period	2		0
Change in the effect of the asset ceiling limit on remeasurements	2	2	0
Effect of the asset ceiling limit at end of period	4	2	

Actuarial assumptions used in determining the liability

Some of the retirement plans that the Reporting Entity has in place provide annuity payments that are adjusted on a regular basis to mitigate the effects for cost of living increases.

The salary growth assumption is used to determine what will be the salary at the end of the career of the individuals, as the defined benefit plans take into account the last salary of the individuals. This assumption includes impacts of both inflation and merit increases.

The pension growth assumption defines the expected future adjustments for these annuity payments. The plan defines how these annuity payments will be adjusted, and might be linked to inflation. Pension growth assumptions mainly apply for the defined benefit retirement plans in the United Kingdom, France and Germany.

The inflation assumption is presented separately as salary growth and pension growth assumptions encompass more variables than inflation.

	Eurozone				UK			
	2022	2021	2020	Jan 1, 2020	2022	2021	2020	Jan 1, 2020
Discount rates	3.75%	1.00%	0.25%	0.75%	4.75%	2.00%	1.25%	2.00%
Expected rates of future salary increases	2.00% - 4.25%	1.75% - 4,00%	1.75% - 3.75%	1.75% - 3.75%	2.50% - 3.00%	2.50% - 3.00%	2.00% - 2.75%	1.90% - 3.00%
Inflation	2.00% - 2.50%	1.75% - 2,00%	1.50% - 1.75%	1.75%	3.00%	3.00%	2.75%	3.00%
Expected rates of pension growth	0.00% - 2.50%	0.00% - 2.00%	0.00% - 1.75%	0.00% - 1.75%	2.80%	2.85%	2.60%	2.85%

	USA			
	2022	2021	2020	Jan 1, 2020
Discount rates	5.00%	2.75%	2.25%	3.00%
Expected rates of future salary increases	3.00% - 3.50%	3.00% - 3.50%	3.00% - 3.75%	3.00% - 3.75%
Inflation	2.50%	2.50%	2.00%	2.25%

Expected rates of pension growth	NA	NA	NA	NA

Actuarial assumptions used in determining the annual cost

	Eurozone				UK			
	2022	2021	2020	Jan 1, 2020	2022	2021	2020	Jan 1, 2020
Discount rates	1.00%	0.25%	0.75%	1.75%	2.00%	1.25%	2.00%	2.75%
Expected rates of future salary increases	1.75% - 4.00%	1.75% - 3,75%	1.75% - 3.75%	1.75% - 4.00%	2.50% - 3.00%	2.00% - 2.75%	1.90% - 3.00%	2.15% - 3.25%
Inflation	1.75% - 2.00%	1.50% - 1.75%	1.75%	1.75% 2.00%	3.00%	2.75%	3.00%	3.25%
Expected rates of pension growth	0.00% - 2.00%	0.00% - 1.75%	0,00% - 1.75%	0,00% - 2.00%	2.80%	2.70%	2.85%	3.10%

	USA			
	2022	2021	2020	Jan 1, 2020
Discount rates	2.75%	2.25%	3.00%	4.00%
Expected rates of future salary increases	3.00% - 3.50%	3.00% - 3.50%	3.00% - 3.75%	3.00% - 3.75%
Inflation	2.50%	2.00%	2.25%	2.25%
Expected rates of pension growth	NA	NA	NA	NA

Actuarial assumptions regarding future mortality are based on recent country specific mortality tables. These assumptions translate at January 1, 2020 into an average remaining life expectancy in years for a pensioner retiring at age 65:

In years	**Belgium**	**France**	**Germany**	**United Kingdom**	**United States**
Retiring at the end of the reporting period					
Male	19	25	20	20	20
Female	22	28	24	23	22

Retiring 20 years after the end of the reporting period					
Male	20	27	23	21	21
Female	24	31	26	24	23

Actuarial assumptions regarding future mortality are based on recent country specific mortality tables. These assumptions translate at January 1, 2021 into an average remaining life expectancy in years for a pensioner retiring at age 65:

Retiring at the end of the reporting period	Belgium	France	Germany	United Kingdom	United States
Male	19	25	20	20	20
Female	22	28	24	23	22
Retiring 20 years after the end of the reporting period	**Belgium**	**France**	**Germany**	**United Kingdom**	**United States**
Male	20	28	23	21	22
Female	24	31	26	24	24

For most countries the mortality assumptions reflect actual scheme experience and/or Solvay's expectations in terms of future mortality improvements.

Actuarial assumptions regarding future mortality are based on recent country specific mortality tables. These assumptions translate at January 1, 2022 into an average remaining life expectancy in years for a pensioner retiring at age 65:

Retiring at the end of the reporting period	Belgium	France	Germany	United Kingdom	United States
Male	19	25	20	20	21
Female	22	28	24	23	22
Retiring 20 years after the end of the reporting period					
Male	20	27	23	21	22
Female	24	31	26	24	24

For most countries the mortality assumptions reflect actual scheme experience and/or Solvay's expectations in terms of future mortality improvements.

The actuarial assumptions used in determining the employee benefits obligation at December 31 2022 are based on the following employee benefits liabilities durations:

	Eurozone	United Kingdom	United States
Duration in years	12.1	14.0	9.0

Sensitivities on the defined benefits obligation for the post-employment benefits

Each sensitivity amount is calculated assuming that all other assumptions are held constant. The economic factors and conditions often affect multiple assumptions simultaneously.

Sensitivity to a change of percentage in the discount rates:

In € million	0.25% increase	0.25% decrease
Eurozone	-5	5
United Kingdom	-30	31
United States	-21	21
Others	-1	1
Total	-57	58

Sensitivity to a change of percentage in the inflation rates:

In € million	0.25% increase	0.25% decrease
Eurozone	5	-5
United Kingdom	24	-24
United States	-	-
Others	-	-
Total	29	-29

Sensitivity to a change of percentage in salary growth rates:

In € million	0.25% increase	0.25% decrease
Eurozone	2	-2
United Kingdom	1	-1
United States	-	-
Others	-	-
Total	3	-3

Sensitivity to a change of one year on mortality tables – The table shows impacts when the age of all beneficiaries increases or decreases by one year:

In € million	Age correction +1 year	Age correction +1 year
Eurozone	-5	5
United Kingdom	-42	43
United States	-26	26
Others	-1	1
Total	-74	75

F30.B. Provisions other than for employee benefits

Accounting policy

General

Provisions are recognized when (a) the Reporting Entity has a present obligation (legal or constructive) as a result of a past event, (b) it is probable that the Reporting Entity will be required to settle the obligation, and (c) a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount is the present value of expenditures required to settle the obligation. Impacts of changes in discount rates are generally recognized in the financial result.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received when the Reporting Entity settles the obligation.

Restructurings

A restructuring provision is recognized when the Reporting Entity has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Environmental remediation costs

Environmental liabilities are mainly related to non-ongoing activities (shut-down sites, discontinued activities or divested activities for which the Reporting Entity keeps commitments) and, to a lower extent, to ongoing activities (see comments below).

An environmental provision is recognized, in accordance with IAS 37, when there is a current legal or constructive obligation resulting from past events which will result in a probable outflow of resources (expenses / cash outs) to settle it and for which a reliable estimate of such outflows and timing can be made.

The environmental expenses encompass, but are not limited, to the following key matters

- Sampling and analytical costs for soil and ground water monitoring
- Cost related to dismantling when required to meet a remediation or permit obligation
- Asbestos removal when obligated by regulation
- Environmental investigations and studies (Risk Assessments, Phase I and II soil and groundwater)

The closing amount of the environmental provisions is based on the net present value of the cash flows needed, for current and future years, to settle remediation obligations. Forecast expenditures are based on external consultant estimates, where appropriate and possible. Future expenditures are forecast and revised formally biannually and validated quarterly by Solvay financial and suitably qualified industrial experts led by the Group Environmental Rehabilitation Director and benefit from inputs of legal department staff for the evolution of Environmental Regulations.

In the absence of probable obligations, a contingent liability may be disclosed to represent the future possible liability. In some cases, contingent liabilities cannot be quantified. See Note F35 Contingent assets, liabilities and financial guarantees.

Restructuring provisions

In 2022, these provisions amount to € 36 million.

The provisions at the end of 2022 mainly relate to the restructuring charges for the simplification of all support functions in the frame of the Reporting Entity's simplification and transformation program, including the strategic transformation measures.

In 2021, these provisions amount to € 39 million.

The provisions at the end of 2021 mainly relate to the restructuring charges for the simplification of all support functions in the frame of the the Reporting Entity's simplification and transformation program, including the strategic transformation measures announced on February 24, 2021.

In 2020, these provisions amount to € 25 million.

The provisions at the end of 2020 mainly relate to the restructuring charges for the efficiency measures announced on February 26, 2020 and the Composites restructuring plan announced on May 15, 2020, and the Reporting Entity's simplification and transformation program.

Environmental provisions

These provisions amount to € 270 million at the end of 2022, € 201 million at the end of 2021, compared with € 168 million at the end of 2020, and pertain to:

- remedial activities pertaining to the per- and polyfluoroalkyl substances (PFAS) related to the West Deptford, New Jersey site. Due to recent technical studies and in cooperation with the local authorities, Solvay Specialty Polymers US was able to reasonably estimate future expenses to address this remediation. As a consequence, a corresponding provision of € 93 million was recognized in Q3 2022. The resulting cash outflows are expected to occur over a minimum 20 year period with 50% of the outflows occurring within the next 2 years. This provision reduces, though does not eliminate, the associated contingent liabilities. See Note F35 Contingent assets, liabilities and financial guarantees.
- various types of pollution (organic, inorganic) coming from miscellaneous chemical productions; these provisions mainly cover discontinued activities or closed plants. Most of these provisions have a horizon of 1 to 20 years.

The breakdown of the environmental provisions and related uses for the main Countries/Regions is reported here below:

	December 31, 2022			December 31, 2021			December 31, 2020		
In € million	Provisions	In %	Use of provisions	Provisions	In %	Use of provisions	Provisions	In %	Use of provisions
France	7	2%	-1	9	5%	0	7	4%	0
Italy	38	14%	-5	41	20%	0	41	24%	0
UK	2	1%	-1	3	1%	-6	4	3%	-6
North America	219	81%	-30	144	72%	-14	113	67%	-15
Rest of the world	4	2%	0	4	2%	-5	3	2%	-8
Total	**270**	**100%**	**-37**	**201**	**100%**	**-25**	**168**	**100%**	**-29**

Provisions for litigation

Provisions for litigation refer to indirect tax and legal exposures. They amount to € 31 million in 2022, compared with € 4 million in 2021 and € 3 million in 2020.

Other provisions

Other provisions relate to the shutdown or disposal of activities and amount to € 32 million at the end of 2022 compared with € 52 million at the end of 2021 and € 27 million at the end of 2020.

Accounting policy

General

Financial assets and liabilities are recognized when, and only when the Reporting Entity becomes a party to the contractual provisions of the instrument.

Amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability. When calculating the effective interest rate, the Reporting Entity estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Financial assets

Trade receivables are initially measured at their transaction price, if they do not contain a significant financing component, which is the case for substantially all trade receivables. Other financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

A financial asset is classified as current when the cash flows expected to flow from the instrument mature within one year. For the purposes of determining the measurement basis of financial assets, any intercompany factoring agreements with a centrally managed function have been disregarded: trade receivables related to SpecialtyCo businesses that were transferred to the remaining Solvay Group and were not collected from the customers at the reporting date have been included in the Combined Financial Statements, with a corresponding correction of the balances in the Internal Bank Accounts, for the Dedicated Entities or Mixed Entities which are legally in the scope of combination, as if the factoring transaction with the remaining Solvay Group had not taken place.

All recognized financial assets will subsequently be measured at either amortized cost or fair value under IFRS 9 *Financial Instruments*. Specifically:

- a debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding is measured at amortized cost (net of any write down for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option;
- a debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, is measured at fair value through other comprehensive income (FVTOCI), unless the asset is designated at FVTPL under the fair value option. Upon derecognition, the cumulative gains and losses previously recognized in other comprehensive income are reclassified to profit or loss;
- all other debt instruments are measured at FVTPL;
- all equity investments are measured in the combined statement of financial position at fair value, with gains and losses recognized in profit or loss except if an equity investment is not held for trading, nor contingent consideration recognized by an acquirer in a business combination, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognized in profit or loss. This classification is determined on an instrument-by-instrument basis. Upon derecognition, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to retained earnings.
- Equity investments in partnerships of investment funds are measured in the combined statement of financial position at fair value with gains and losses recognized in profit or loss. Based on the analysis of the characteristics of these funds the Reporting Entity determined that they were not eligible for the FVTOCI option and therefore are accounted for at FVTPL.

For instruments quoted in an active market, the fair value corresponds to a market price (level 1). For instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3). However, in limited circumstances, cost of equity instruments may be an appropriate estimate of their fair value. That may be the case if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

Impairment of financial assets

The impairment loss of a financial asset measured at amortized cost is calculated based on the expected loss model, representing the weighted average of credit losses with the respective risks of a default occurring as the weights. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Reporting Entity expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables that do not contain a significant financing component (i.e. substantially all trade receivables), the loss allowance is measured at an amount equal to lifetime expected credit losses. Those are the expected credit losses that result from all possible default events over the expected life of those trade receivables, using a provision matrix that takes into account historical information on defaults adjusted for the forward-looking information per customer. The Reporting Entity considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Reporting Entity may also consider a financial asset to be in default when internal or external information indicates that the Reporting Entity is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Reporting Entity. A financial asset is fully impaired when there is no reasonable expectation of recovering the contractual cash flows.

Impairment losses are recognized in the combined income statement, except for debt instruments measured at fair value through other comprehensive income. In this case, the allowance is recognized in other comprehensive income.

Financial liabilities

Financial liabilities are initially measured at fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability. Subsequently, they are measured at amortized cost, except for:

- financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value;
- financial guarantee contracts. After initial recognition, guarantees are subsequently measured at the higher of the expected losses and the amount initially recognized.

Derivative financial instruments

A derivative financial instrument is a financial instrument or other contract within the scope of IFRS 9 *Financial Instruments* with all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying');
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

The Reporting Entity enters into a variety of derivative financial instruments (forward, future, option, collars and swap contracts) to manage its exposure to interest rate risk, foreign exchange rate risk, and commodity risk (mainly utility and CO_2 emission rights price risks).

As explained above, derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in income or expense, unless the derivative is designated and effective as a hedging instrument. The Reporting Entity designates certain derivatives as hedging instruments of the exposure to variability in cash flows with respect to a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss (cash flow hedges).

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. Derivative instruments (or portions of them) are presented as non-current assets or non-current liabilities if the remaining maturity of the underlying settlements is more than twelve months after the reporting period. Other derivative instruments (or portions of them) are presented as current assets or current liabilities.

Hedge accounting

The Reporting Entity designates certain derivatives and embedded derivatives, in respect of interest rate risk, foreign exchange rate risk, and commodity risk (mainly utility and CO_2 emission rights price risks), as hedging instruments in a cash flow hedge relationship.

At the inception of the hedge relationship, there is a formal designation and documentation of the hedging relationship and the Reporting Entity's risk management objective and strategy for undertaking the hedge. So to apply hedge accounting: (a) there is an economic relationship between the hedged item and the hedging instrument, (b) the effect of credit risk does not dominate the value changes that result from that economic relationship, and (c) the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Reporting Entity actually hedges and the quantity of the hedging instrument that the Reporting Entity actually uses to hedge that quantity of hedged item.

The requirement under (a) above that an economic relationship exists means that there is an expectation that the value of the hedging instrument and the value of the hedged item will systematically change in the opposite direction in response to movements in either the same underlying (or underlyings that are economically related in such a way that they respond in a similar way to the risk that is being hedged).

Cash flow hedges

The effective portion of changes in the fair value of hedging instruments that are designated in a cash flow hedge is recognized in other comprehensive income.

The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

As long as cash flow hedge qualifies, the hedging relationship is accounted for as follows:

a) the separate component of equity associated with the hedged item (cash flow hedge reserve) is adjusted to the lower of the following (in absolute amounts):

(i) the cumulative gain or loss on the hedging instrument from inception of the hedge; and

(ii) the cumulative change in fair value (present value) of the hedged item (i.e. The present value of the cumulative change in the hedged expected future cash flows) from inception of the hedge.

b) the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge (i.e. The portion that is offset by the change in the cash flow hedge reserve calculated in accordance with (a)) is recognized in other comprehensive income.

c) any remaining gain or loss on the hedging instrument (or any gain or loss required to balance the change in the cash flow hedge reserve calculated in accordance with (a)) is hedge ineffectiveness that is recognized in profit or loss.

d) the amount that has been accumulated in the cash flow hedge reserve in accordance with (a) is accounted for as follows:

(i) if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the Reporting Entity removes that amount from the cash flow hedge reserve and includes it directly in the initial cost or other carrying amount of the asset or the liability. This is not a reclassification adjustment and hence it does not affect other comprehensive income.

(ii) for cash flow hedges other than those covered by i), that amount is reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss (for example, in the periods that interest income or interest expense is recognized or when a forecast sale occurs).

(iii) however, if that amount is a loss and the Reporting Entity expects that all or a portion of that loss will not be recovered in one or more future periods, it immediately reclassifies the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.

Most hedged items are transaction related. The time value of options, forward elements of forward contracts, and foreign currency basis spreads of financial instruments that are hedging the items affect profit or loss at the same time as those hedged items.

Hedge accounting is discontinued prospectively when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria (after taking into account any rebalancing of the hedging relationship, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised.

When the Reporting Entity discontinues hedge accounting for a cash flow hedge it accounts for the amount that has been accumulated in the cash flow hedge reserve as follows:

- If the hedged future cash flows are still expected to occur, that amount remains in the cash flow hedge reserve until the future cash flows occur. However, if that amount is a loss and the Reporting Entity expects that all or a portion of that loss will not be recovered in one or more future periods, it immediately reclassifies the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.
- If the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment. A hedged future cash flow that is no longer highly probable to occur may still be expected to occur.

The following table provides a reconciliation between the presentation of certain components of the financial situation of the reporting Entity between their presentation in the Combined Statement of Financial Position and the following notes.

In € million	December 31, 2022	December 31, 2021	December 31, 2020	January 1, 2020
Borrowings from remaining Solvay Group	773	875	866	1,250
Other non-current financial debt	1,078	1,213	1,182	1,276
Non-current financial debt	**1,851**	**2,088**	**2,048**	**2,526**
Borrowings and IBA (*) liabilities from remaining Solvay Group	3,929	3,552	3,632	4,092
Other current Financial debt	96	138	66	143
Current financial debt	**4,025**	**3,690**	**3,698**	**4,235**
Total financial debt	**5,877**	**5,778**	**5,746**	**6,762**
Other financial instruments with third parties	36	60	49	29
IBA (*) receivables with remaining Solvay Group	1,555	1,314	1,083	1,122
Total other financial instruments	**1,591**	**1,374**	**1,132**	**1,151**

The following table presents the financial assets and liabilities as current or non-current according to their classification under IFRS 9.

		December 31, 2022	December 31, 2021	December 31, 2020	January 1, 2020
In € million	Classification	Carrying amount	Carrying amount	Carrying amount	Carrying amount
Non-current assets - Financial instruments		**236**	**362**	**268**	**255**
Equity instruments measured at fair value through other comprehensive income	Financial assets measured at fair value through other comprehensive income	24	51	66	55
Equity instruments measured at fair value through profit or loss	Financial assets measured at fair value through profit or loss	48	62		
Loans and other non-current assets (excluding pension fund surpluses)	Financial assets measured at amortized cost	164	249	202	200
Financial instruments - Operational					
Held for trading	Held for trading				
Derivative financial instruments designated in a cash flow hedge relationship	Cash-flow hedge				
Current assets - Financial instruments		**3,028**	**2,562**	**2,105**	**2,202**
Trade receivables	Financial assets measured at amortized cost	1,027	871	651	746
Loans short term portion	Financial assets measured at amortized cost	149	170	103	112
Other financial instruments		1,591	1,374	1,132	1,151
Other marketable securities >3 months	Financial assets measured at amortized cost	34	59	49	28
Other current financial assets	Financial assets measured at amortized cost	1,556	1,314	1,083	1,123
Financial instruments - Operational		17	8	15	4
Held for trading	Held for trading	4	3	4	2
Derivative financial instruments designated in a cash flow hedge relationship	Cash-flow hedge	13	5	11	2
Cash and cash equivalents	Financial assets measured at amortized cost	244	139	203	189
Total assets - Financial instruments		**3,264**	**2,924**	**2,373**	**2,458**
Non-current liabilities - Financial instruments		**1,869**	**2,114**	**2,078**	**2,574**
Financial debt		1,851	2,088	2,048	2,526
Bonds	Financial liabilities measured at amortized cost	900	1,019	937	1,021
Other non-current debts	Financial liabilities measured at amortized cost	785	897	923	1312
Lease liabilities IFRS 16 - Non-current portion	Lease liabilities measured at amortized cost	167	172	188	193

Other liabilities	Financial liabilities measured at amortized cost	18	26	30	48
Financial instruments - Operational					
Held for trading	Held for trading				
Derivative financial instruments designated in a cash flow hedge relationship	Cash-flow hedge				
Current liabilities - Financial instruments		**5,007**	**4,544**	**4,259**	**4,834**
Financial debt		4,025	3,690	3,698	4,235
Short-term financial debt	Financial liabilities measured at amortized cost	3,976	3,647	3,654	4,184
Currency swaps	Held for trading				
Lease liabilities IFRS 16 - Current portion	Lease liabilities measured at amortized cost	49	43	44	51
Trade payables	Financial liabilities measured at amortized cost	972	845	560	593
Financial instruments - Operational		9	9	1	5
Held for trading	Held for trading	1			1
Derivative financial instruments designated in a cash flow hedge relationship	Cash-flow hedge	8	8	1	4
Dividends payables	Financial liabilities measured at amortized cost				
Total liabilities - Financial instruments		**6,876**	**6,658**	**6,337**	**7,408**

F31.A. Overview of financial instruments

The following table gives an overview of the carrying amount of all financial instruments by category as defined by IFRS 9.

Financial Instruments.

	December 31, 2022	December 31, 2021	December 31, 2020	January 1, 2020
In € million	Carrying amount	Carrying amount	Carrying amount	Carrying amount
Fair value through profit or loss	*51*	*66*	*4*	*1*
Held for trading (financial instruments - operational - see note F25)	4	3	4	1
Held for trading (other financial instruments - see note F31, table Changes in financial debt)				
Equity instruments measured at fair value through profit or loss	48	62		
Financial assets measured at amortized cost	***3,174***	***2,801***	***2,291***	***2,397***
Financial assets measured at amortized cost (including cash and cash equivalents, trade receivables, loans and other current/non-current assets except pension fund surpluses)	3,174	2,801	2,291	2,397
Financial assets measured at fair value through other comprehensive income	*37*	*57*	77	*58*
Derivative financial instruments designated in a cash flow hedge relationship (see note F25)	13	5	11	2
Equity instruments measured at fair value through other comprehensive income	24	51	66	56
Total financial assets	3,262	2,923	2,371	2,456
Fair value through profit or loss	***-1***	**0**	**0**	**-1**
Held for trading (financial instruments - operational - see note F32)	-1			*-1*
Held for trading (financial debt - see note F31, table Changes in financial debt)				
Financial liabilities measured at amortized cost	*-6,651*	*-6,434*	*-6,104*	*-7,159*
Financial liabilities measured at amortized cost (excluding dividends payable and IFRS 16 lease liabilities)	-6,651	*-6,434*	*-6,104*	*-7,159*
Dividends payables				
Lease liabilities measured at amortized cost	-216	*-215*	*-232*	*-245*
Lease liabilities IFRS16 measured at amortized cost	-216	-215	-232	-245
Financial liabilities measured at fair value through other comprehensive income	-8	-8	-1	-4
Derivative financial instruments designated in a cash flow hedge relationship (see note F26)	-8	-8	-1	-4
Total financial and lease liabilities	-6,876	-6,658	-6,337	-7,408

The category "Held for trading" only contains derivative financial instruments that are used for management of foreign currency risk. Contracts which have been documented as hedging instruments (hedge accounting under IFRS 9 *Financial Instruments*) or which meet the exemption criteria for own use are not included in the category "Held for trading". Equity instruments measured at fair value through OCI and through profit or loss pertain to the Reporting Entity's New Business Development (NBD) activity: the Reporting Entity has built a Corporate Venturing portfolio, which consists of direct investments in start-up companies and of investments in venture capital funds. If the Reporting Entity does not have significant influence or joint control, the investments are measured at fair value according to the valuation guidelines published by the European Private Equity and Venture Capital Association. The impacts of the direct investments are recognized in other comprehensive income while the venture capital funds are generally recognized through the profit and loss.

F31.B. Fair value of financial instruments

Valuation techniques and assumptions used for measuring fair value

Accounting policy

Quoted market prices are available for financial assets and financial liabilities with standard terms and conditions that are traded on active markets. The fair values of derivative financial instruments are equal to their quoted prices, if available. In case such quoted prices are not available, the fair value of the financial instruments is determined based on a discounted cash flow analysis using the applicable yield curve derived from quoted interest rates matching maturities of the contracts for non-optional derivatives. Optional derivatives are fair valued based on option pricing models, taking into account the present value of probability weighted expected future payoffs, using market reference formulas.

The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Fair value of financial instruments measured at amortized cost (excluding IFRS 16 lease liabilities)

In € million	December 31, 2022		December 31, 2021		December 31, 2020		January 1, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Non-current assets - Financial instruments	164	164	249	249	202	202	200	200
Loans and other non-current assets (except pension fund surpluses)	164	164	249	249	202	202	200	200
Non-current liabilities - Financial instruments	-1,703	-1,671	-1,941	-2,021	-1,890	-2,004	-2,381	-2,462
Bonds	-900	-868	-1,019	-1,099	-937	-1,051	-1,021	-1,102
Other non-current debts	-785	-788	-897	-951	-923	-997	-1,312	-1,406
Other liabilities	-18	-18	-26	-26	-30	-30	-48	8

The carrying amounts of current financial assets and liabilities are estimated to reasonably approximate their fair values, such in light of short terms to maturity.

Financial instruments measured at fair value in the combined statement of financial position

The table “Financial instruments measured at fair value in the combined statement of financial position” provides an analysis of financial instruments that, subsequent to their initial recognition, are measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. Financial instruments, classified as held for trading and as hedging instruments in cash flow hedges are mainly grouped into Levels 1 and 2. They are fair valued based on forward pricing and swap models using present value calculations. The models incorporate various inputs including foreign exchange spot and interest rates of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity. The equity instruments measured at fair value through OCI and through profit and loss are presented within Level 1 and 3. The fair value of the instruments presented under Level 3 is measured based on the guidelines recommended by The International Private Equity and Venture Capital Valuation (IPEV).

In accordance with the Reporting Entity internal rules, the responsibility for measuring the fair value level resides with (a) the Treasury department for the non-utility derivative financial instruments, and the non-derivative financial liabilities, (b) the Sustainable Development and Energy department for the utility derivative financial instruments and (c) the Finance department for non-derivative financial assets.

The Reporting Entity determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. During 2020, 2021 and 2022, no such transfers have occurred.

Financial instruments measured at fair value in the combined statement of financial position

	December 31, 2022			
In € million	Level 1	Level 2	Level 3	Total
Held for trading		4		4
Foreign currency risk		4		4
Equity instruments measured at fair value through profit or loss			48	48
New Business Development			48	48
Cash flow hedges		13		13
Foreign currency risk		11		11
Utility risk		2		2
Equity instruments measured at fair value through other comprehensive income			24	24
New Business Development			24	24
Total assets		17	71	88
Held for trading		-1		-1
Foreign currency risk		-1		-1
Cash flow hedges		-8		-8
Foreign currency risk		-5		-5
Utility risk		-3		-3
Total liabilities		-9		-9

In € million	Level 1	Level 2	Level 3	Total
		December 31, 2021		
Held for trading		3		3
Foreign currency risk		3		3
Equity instruments measured at fair value through profit or loss			62	62
New Business Development			62	62
Cash flow hedges		5		5
Foreign currency risk		4		4
Utility risk		1		1
Equity instruments measured at fair value through other comprehensive income	35		17	51
New Business Development	35		17	51
Total assets	35	9	79	122
Held for trading		-1		-1
Foreign currency risk		-1		-1
Cash flow hedges		-8		-8
Foreign currency risk		-7		-7
Utility risk		-1		-1
Total liabilities		-9		-9

In € million	Level 1	Level 2	Level 3	Total
		December 31, 2020		
Held for trading		4		4
Foreign currency risk		4		4
Cash flow hedges		11		11
Foreign currency risk		11		11
Equity instruments measured at fair value through other comprehensive income			66	66
New Business Development			66	66
Total assets		15	66	81
Cash flow hedges		-1		-1
Foreign currency risk		-1		-1
Total liabilities		-1		-1

In € million	Level 1	Level 2	Level 3	Total
		January 1, 2020		
Held for trading		1		1
Foreign currency risk		1		1
Utility risk				
Cash flow hedges		2		2
Foreign currency risk		2		2
Equity instruments measured at fair value through other comprehensive income			56	56
New Business Development			56	56
Total assets		4	56	59
Held for trading		-1		-1
Foreign currency risk		-1		-1
Cash flow hedges		-4		-4
Foreign currency risk		-3		-3
Utility risk		-1		-1
Total liabilities		-5		-5

Movements of the period

Reconciliation of level 3 fair value measurements of financial assets and liabilities

	December 31, 2022		
	At fair value through profit or loss	At fair value through other comprehensive income	Total
In € million	Equity instruments	Equity instruments	
January 1	62	17	79
Total gains or losses			
- Recognized in profit or loss	-15		-15
- Recognized in other comprehensive income		8	8
Acquisitions	-1	-1	-2
Capital decreases			
Transfers out of level 3			
Closing Balance at December 31	46	24	70

	December 31, 2021		
	At fair value through profit or loss	At fair value through other comprehensive income	Total
In € million	Equity instruments	Equity instruments	
January 1	55	11	66
Total gains or losses			
- Recognized in profit or loss	1		1
- Recognized in other comprehensive income		1	1
Acquisitions	6	7	13
Capital decreases	0	0	0
Transfers out of level 3		-2	-2
Closing Balance at December 31	62	17	79

	December 31, 2020		
	At fair value through profit or loss	At fair value through other comprehensive income	Total
In € million	Equity instruments	Equity instruments	
January 1		56	56
Total gains or losses			
- Recognized in other comprehensive income		4	4
Acquisitions		7	7
Capital decreases		-1	-1
Closing Balance at December 31		66	66

Income and expenses of financial instruments recognized in the combined income statement and in other comprehensive income

In € million	2022	2021	2020
Recognized in the combined income statement			
Recycling from OCI of derivative financial instruments designated in a cash flow hedge relationship			
Foreign currency risk	-17	9	2
Utility risk	5	4	-1
Changes in the fair value of financial instruments held for trading			
Utility risk			
CO_2 risk			
Recognized in the gross margin	-13	13	
Gains and losses (time value) on derivative financial instruments designated in a cash flow hedge relationship			
Foreign currency risk			
Foreign operating exchange gains and losses	-10	6	-2
Recognized in other operating gains and losses	-10	6	-2
Recycling from OCI of derivative financial instruments designated in a cash flow hedge relationship			
Foreign currency risk			
Recognized in results from portfolio management and reassessments			
Net interest expense	-88	-87	-138
Financial charge on lease liabilities	-11	-11	-12
Other gains and losses on net indebtedness (excluding gains and losses on items not related to financial instruments)			
Foreign currency risk	-18		4
Interest element of financial instruments		5	1
Others	-17	-12	-12
Recognized in charges on net indebtedness (*)	-135	-105	-158
Dividends from equity instruments measured at fair value through other comprehensive income	-13	6	4
Total recognized in the combined income statement	-170	-80	-156

(*) The note F6 Net Financial Charges shows an amount of € (78) million for 2022 (€ (51) million for 2021 and € (66) million for2020) reported under "Net cost of borrowings". This amount includes € (3) million for 2022 ,2021 and 2020 of financial expenses not related to financial instruments that are excluded in this table from the line item "Recognized in charges on net indebtedness".

In 2022, the loss on highly probable sales in foreign currency recognized in gross margin for € (17) million (a gain of € 9 million in 2021 and € 2 million in 2020) and the gain recognized on utility instruments for € 5 million (a gain of € 4 million in 2021 and a loss of € (1) million in 2020) are the result of the recycling of gains and losses of derivative financial instruments designated in a cash flow hedge relationship.

In the caption other gains and losses on net indebtedness:

In 2022, the loss of € (18) million (a gain of € 4 million in 2020) reported under foreign exchange results corresponds to the remaining unhedged portion of the monetary balance sheet items;

The gain of € 5 million in 2021 (€ 1 million for 2020) is related to the interest element of financial derivatives;

The other costs increased from € (12) million in 2020 to € (17) million in 2022. In 2022, these costs included € (15) million related to guarantee fees and € (2) million related to a loan write-off, in 2021 and 2020 € (12) million related to guarantee fees.

Income and expenses on financial instruments recognized in other comprehensive income include the following:

In € million	Cash flow hedges											
	Foreign currency risk			Commodity risk			Interest rate risk			Total		
	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
January 1	-4	10	-1	1		-1				-3	10	-2
Recycling from other comprehensive income of derivative financial instruments designated in a cash flow hedge relationship	17	-9	-2	-5	-4	1				13	-13	-1
Effective portion of changes in fair value of cash flow hedge	-7	-5	13	3	5		0			-4	0	13
December 31	6	-4	10	-1	1		0			6	-3	10

Conventionally, (+) indicates an increase and (-) a reduction in equity.

F31.C. Capital management

See Section 9.11 Target capital structure of the Registration Document.

F31.D. Financial risk management

The Reporting Entity is exposed to market risk from movements in foreign exchange rates, interest rates and other market prices (utility prices, CO_2 emission rights prices and equity prices). The Reporting Entity's senior management oversees the management of these risks and is supported by the Treasury department (non-commodity risks) and Sustainable Development and Energy department that advise on financial risks and the appropriate financial risk governance framework for the Reporting Entity. Both departments provide assurance to the Reporting Entity's senior management that the Reporting Entity's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Reporting Entity's policies and risk objectives. The Reporting Entity uses derivative financial instruments to hedge clearly identified foreign exchange, interest rate, index, utility price and CO_2 emission rights price risks (hedging instruments). All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. However, the required criteria to apply hedge accounting are not met in all cases.

Furthermore, the Reporting Entity is also exposed to liquidity risks and credit risks.

Foreign currency risks

The Reporting Entity is a multi-specialty chemical company with operations worldwide, and hence undertakes transactions denominated in foreign currencies. Consequently, the Reporting Entity is exposed to exchange rate fluctuations. In 2022, 2021 and 2020, the Reporting Entity was mainly exposed to US dollar, Chinese yuan, Mexican peso, Brazilian real and Japanese yen.

To mitigate its foreign currency risk, the Reporting Entity has defined a hedging policy that is essentially based on the principles of financing its activities in local currency and hedges the transactional exchange risk at the time of invoicing (risk which is certain). The Reporting Entity constantly monitors its activities in foreign currencies and hedges, where appropriate, the exchange rate exposures on expected cash flows (risk which is highly probable).

Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts or, when appropriate, other derivatives like currency options.

In the course of 2022, the €/US$ exchange rate moved from 1.1326 at the start of January to 1.0674 at the end of December (from 1.2270 to 1.1326 in 2021).

In the course of 2021, the €/US$ exchange rate moved from 1.2270 at the start of January to 1.1326 at the end of December (from 1.1231 to 1.2270 in 2020).

Not considering the impact of hedges, a fluctuation of (0.10) to the US$/€ exchange rate, would generate in 2022 about € 150 million (€ 80 million for 2021 and € 70 million for 2020) variation to the EBITDA. 54% of this variation is at conversion level and 46% at transaction level, the latter not impacting EBITDA for the portion hedged, as disclosed. EBITDA is the key non-IFRS metric for operational performance as defined in the glossary.

At the end of 2022, a strengthening of the US dollar vs euro would increase the net debt by approximately € 200 million (€ 190 million in 2021, € 159 million in 2020 and € 217 million at January 1, 2020) per 0.10 US$/€ fluctuation. Conversely, a weakening of the US dollar vs euro would decrease the net debt by approximately € 166 million (€ 159 million in 2021, € 135 million in 2020 and € 182 million at January 1, 2020) per 0.10 US$/€ fluctuation. Consistently with the principle of financing the SpecialtyCo activities in local currency, the USD denominated debt is serviced with cash flows from USD-driven operations

The Reporting Entity's currency risk can be split into two categories: translation and transactional risk.

Translation risk

The translation exchange risk is the risk affecting the Reporting Entity's combined financial statements related to investees operating in a currency other than the EUR (the Reporting Entity's presentation currency).

During 2022, 2021 and 2020, the Reporting Entity did not hedge the currency risk of foreign operations.

Transactional risk

The transactional risk is the exchange risk linked to a specific transaction, such as an entity within the combination scope buying or selling in a currency other than its functional currency.

To the largest extent possible, the Reporting Entity manages the transactional risk on receivables and borrowings centrally and locally when centralization is not possible.

The choice of borrowing currency depends mainly on the opportunities offered by the various markets. This means that the selected currency is not necessarily that of the country in which the funds will be invested. Nonetheless, operating entities are financed essentially in their functional currencies.

In emerging countries, it is not always possible to borrow in local currency, either because funds are not available in local financial markets, or because the financial conditions are too onerous. In such a situation, the Reporting Entity has to borrow in a different currency. Nonetheless, the Reporting Entity considers opportunities to refinance its borrowings in emerging countries with local currency debt.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are classified into the two categories described below:

Held for trading

The transactional risk is managed either by spot or forward contracts. Unless documented as hedging instruments (see above), derivative financial instruments are classified as held for trading.

In 2022, the notional amounts transacted to manage the transactional risk are:

- a short position of € (433 million (compared to € (386) million in 2021, € (171) million in 2020 and € (206) million at January 1, 2020);
- a long position of € 26 million (compared to € 62 million in 2021, € 9 million in 2020, € 35 million on January 1, 2020).

The following table details the notional amounts of the Reporting Entity's derivatives contracts outstanding at the end of the period:

In € million	Notional amount [1]				Fair value assets				Fair value liabilities			
December 31	2022	2021	2020	2019	2022	2021	2020	2019	2022	2021	2020	2019
Held for trading long position	26	62	9	35	0	0	0	0	0	0	0	0
Held for trading short position	-433	-386	-171	-206	3	3	4	1	-1	-1	0	-1
Total	-407	-324	-162	-171	3	3	4	1	-1	-1	0	-1

(1) Long/(short) positions (if the foreign exchange transaction does not involve the functional currency, both notional amounts are considered).

Cash flow hedge

The Reporting Entity uses derivatives to hedge identified foreign exchange rate risks. It documents those as hedging instruments unless it hedges a recognized financial asset or liability when generally no cash flow hedge relationship is documented. Most hedges are transaction related.

At the end of 2022, the Reporting Entity had mainly hedged highly probable sales in foreign currencies (short position) in a nominal amount of US$ 505 million (€ 473 million) and JP¥ 12,947 million (€ 92 million).

At the end of 2021, the Reporting Entity had mainly hedged highly probable sales in foreign currencies (short position) in a nominal amount of US$ 355 million (€ 313 million) and JP¥ 10,302 million (€ 79 million).

At the end of 2020, the Reporting Entity had mainly hedged highly probable sales in foreign currencies (short position) in a nominal amount of US$ 406 million (€ 331 million) and JP¥ 9,864 million (€ 78 million).

At the beginning of 2020, the Reporting Entity had mainly hedged highly probable sales in foreign currencies (short position) in a nominal amount of US$ 469 million (€ 418 million) and JP¥ 12,309 million (€ 101 million).

All cash flow hedge contracts that exist at the end of the year are settled within the next 12 months, and impact profit or loss during that period.

The following table details the notional amounts of the Reporting Entity's derivatives contracts outstanding at the end of the period:

NOTIONAL AMOUNTS

December 31, 2022

In € million	Notional amount of the instrument (1)	Notional amount of the risk exposure (1)	Percentage of exposure hedged	Average hedge exchange rate per risk category	Cash flow hedge reserve	Fair value of the hedging instrument	
					Equity	Assets	Liabilities
Cash flow hedges - Forecasted sales and purchases (3)							
JPY/EUR	-55	-134	41% (2)	139,17	0	0	0
JPY/USD	-36	-82	44% (2)	132,47	-1	0	-1
Total JPY	-92	-216			0	1	-1
USD/BRL	-47	-148	32% (2)	5,28	0	0	0
USD/CNY	-91	-277	33% (2)	6,82	-1	1	-2
USD/EUR	-291	-560	52% (2)	1,05	4	7	-3
USD/MXN	-45	-104	43% (2)	21,01	2	2	0
Total USD	-473	-1,089			8	11	-3
Total	-565	-1,305			6	11	-5

(1) Long/(short) positions
(2)In compliance with Group Treasury Policy the percentage of hedged exposure will reach the progressive minimum compliance level of 60% in 2023
(3) The Hedging instruments are located in the line item: "Other Receivables" and "Other Liabilities" in the statement of financial position.

December 31, 2021

In € million	Notional amount of the instrument [1]	Notional amount of the risk exposure [1]	Percentage of exposure hedged		Average hedge exchange rate per risk category	Cash flow hedge reserve	Fair value of the hedging instrument	
						Equity	Assets	Liabilities
Cash flow hedges - Forecasted sales and purchases [3]								
JPY/EUR	-48	-79	61%		130.80	0	0	0
JPY/USD	-31	-58	53%	(2)	111.66	1	1	0
Total JPY	-79	-137				1	1	0
USD/BRL	-27	-62	44%	(2)	5.26	0	0	0
USD/CNY	-84	-140	60%		6.58	2	2	0
USD/EUR	-199	-491	41%	(2)	1.18	-7	0	-7
USD/MXN	-3	-69	4%	(2)	21.73	1	1	0
Total USD	-313	-763				-4	3	-7
Total	-392	-900				–3	4	-7

(1) Long/(short) positions

(2)In compliance with Group Treasury Policy the percentage of hedged exposure will reach the progressive minimum compliance level of 60% in 2022

(3) The Hedging instruments are located in the line item: "Other Receivables" and "Other Liabilities" in the statement of financial position.

December 31, 2020

In € million	Notional amount of the instrument [1]	Notional amount of the risk exposure [1]	Percentage of exposure hedged		Average hedge exchange rate per risk category	Cash flow hedge reserve	Fair value of the hedging instrument	
						Equity	Assets	Liabilities
Cash flow hedges - Forecasted sales and purchases [3]								
JPY/EUR	-45	-71	63%		123.83	1	1	0
JPY/USD	-33	-50	66%		105.24	0	0	0
Total JPY	-78	-121				1	1	0
USD/BRL	-20	-39	51%	(2)	5.02	0	0	0
USD/CNY	-90	-149	60%		6.72	2	2	0
USD/EUR	-188	-327	57%	(2)	1.16	7	7	0
USD/MXN	-33	-33	100%		22.99	0	0	0
Total USD	-331	-548				10	10	0
Total	-409	-668				10	10	0

(1) Long/(short) positions

(2) In compliance with Group Treasury Policy the percentage of hedged exposure will reach the progressive minimum compliance level of 60% in 2021

(3) The Hedging instruments are located in the line item: "Other Receivables" and "Other Liabilities" in the statement of financial position.

January 1, 2020

In € million	Notional amount of the instrument [1]	Notional amount of the risk exposure [1]	Percentage of exposure hedged	Average hedge exchange rate per risk category	Cash flow hedge reserve	Fair value of the hedging instrument	
					Equity	Assets	Liabilities
Cash flow hedges - Forecasted sales and purchases [2]							
JPY/EUR	-65	-79	82%	122.75	0	0	0
JPY/USD	-36	-52	69%	106.97	0	0	0
Total JPY	-101	-131			0	0	0
USD/BRL	-31	-40	78%	3.94	0	0	0
USD/CNY	-110	-146	75%	6.92	-1	1	-1
USD/EUR	-228	-266	85%	1.15	-2	0	-2
USD/MXN	-49	-55	89%	20.18	1	1	0
Total USD	-418	-507			-1	2	-3
Total	-519	-638			1	2	-3

(1) Long/(short) positions

(2) The Hedging instruments are located in the line item: "Other Receivables" and "Other Liabilities" in the statement of financial position.

Hedge relationships are seldom perfect. Therefore, ineffectiveness could arise with the result that changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk and the hedging instrument do not offset within a period. The sources of hedge ineffectiveness that could potentially affect the hedging relationship during its term are listed below:

- A reduction in the amount of the forecast sales resulting in quantity or notional amount differences – the hedged item and hedging instrument are based on different quantities or notional amounts.
- A significant change in the credit risk of parties.
- Timing differences – the hedged item and hedging instrument occur or are settled at different dates.

In 2022, 2021 and 2020 no hedge ineffectiveness was recognized in the combined income statement.

Interest rate risks

See the Financial risk in the Management of risks section of these Combined Financial Statements for additional information on the interest rate risks management.

Interest rate risk is managed at Solvay Group level.

The Reporting Entity is exposed to interest rate risk because entities in the Reporting Entity borrow funds at both fixed and floating interest rates. Interest rate risk is managed at The Reporting Entity level by maintaining an appropriate mix between fixed and floating rate borrowings.

Interest rate exposure by currency is summarized below :

In € million	December 31, 2022			December 31, 2021			December 31, 2020			January 1, 2020		
Currency	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
Total Financial debt												
EUR	-656	-2,528	-3,184	-783	-2,341	-3,124	-789	-2,498	-3,286	-1,073	-2,971	-4,044
USD	-1,033	-1,330	-2,363	-1,152	-1,170	-2,322	-1,077	-1,028	-2,104	-1,221	-1,119	-2,339
GBP	-185	-21	-206	-195	-19	-214	-183	-16	-199	-194	-16	-210
INR	-11	-6	-17	-39	0	-39	-26	-1	-27	-32	-16	-48
KRW	-3	-7	-11	-4	-1	-5	0	0	-1	0	-3	-4
THB	-1	0	-1	-1	0	-1	-1	0	-1	-1	0	-1
CNY	-4	-86	-90	-4	-60	-64	-4	-108	-113	-4	-94	-98
Other	-4	-1	-5	-9	-1	-10	-12	-3	-15	-15	-2	-17
Total	-1,897	-3,979	-5,877	-2,185	-3,593	-5,778	-2,091	-3,654	-5,746	-2,541	-4,221	-6,762
Cash and cash equivalents												
EUR	0	105	105		49	49		63	63		79	79
USD	0	64	64		35	35		37	37		57	57
THB	0	13	13		10	10		17	17		11	11
CNY	0	21	21		24	24		45	45		11	11
KRW	0	4	4		4	4		7	7		6	6
JPY	0	0	0		0	0		2	2		2	2
Other	0	36	36		17	17		32	32		23	23
Total	0	243	243		139	139		203	203		189	189
Current and non-currentOther financial instruments												
EUR	0	580	580		303	303		327	327		241	241
USD	0	551	551		633	633		482	482		478	478
CNY	0	232	232		246	246		180	180		204	204
Other	0	258	258		222	222		143	143		229	229
Total	0	1,621	1,621		1,404	1,404		1,132	1,132		1,151	1,151

At the end of 2022, approximately € 1.9 billion of the Reporting Entity's gross debt was at fixed-rate, and is largely comprised of:

- Remaining portion (US$ 163 million) of the US$ Senior Bonds 2025 of US$ 250 million (carrying amount of € 152 million);

- Senior US$ Bond for a total of US$ 800 million (carrying amount of € 748 million);
- Loans from the remaining Solvay Group for a total of € 833 million.
- IFRS 16 lease liability for a total of € 216 million (carrying amount of € 216 million).

The floating rate debt is mainly composed of internal bank accounts and certain borrowings from the remaining Solvay Group.

At the end of 2021, approximately € 2.2 billion of the Reporting Entity's gross debt was at fixed-rate, and is largely comprised of:

- Remaining part (US$ 196 million) of the US$ Senior Bonds 2023 of US$ 400 million (carrying amount of € 172 million);
- Remaining part (US$ 163 million) of the US$ Senior Bonds 2025 of US$ 250 million (carrying amount of € 143 million);
- Senior US$ Bonds for a total of US$ 800 million (carrying amount of € 704 million);
- Loans from the remaining Solvay Group for a total of € 844 million.
- IFRS 16 lease liability for a total of € 215 million (carrying amount of € 215 million).

The floating rate debt is mainly composed of internal bank accounts and certain borrowings from the remaining Solvay Group .

At the end of 2020, approximately € 2.1 billion of the Reporting Entity's gross debt was at fixed-rate, and is largely comprised of:

- Remaining part (US$ 196 million) of the US$ Senior Bonds 2023 of US$ 400 million (carrying amount of € 156 million);
- Remaining part (US$ 163 million) of the US$ Senior Bonds 2025 of US$ 250 million (carrying amount of € 131 million);
- Senior US$ Bonds for a total of US$ 800 million (carrying amount of € 650 million);
- Loans from related parties for a total of € 831 million.
- IFRS 16 lease liability for a total of € 232 million (carrying amount of € 232 million).

The floating rate debt is mainly composed of internal bank accounts and certain borrowings from the remaining Solvay Group.

On January 1, 2020, approximately € 2.5 billion of the Reporting Entity's gross debt was at fixed-rate, and is largely comprised of:

- Remaining part (US$ 196 million) of the US$ Senior Bonds 2023 of US$ 400 million (carrying amount of € 169 million);
- Remaining part (US$ 163 million) of the US$ Senior Bonds 2025 of US$ 250 million (carrying amount of € 143 million);
- Senior US$ Bonds for a total of US$ 800 million (carrying amount of € 709 million);
- Loans from related parties for a total of € 1.2 billion.
- IFRS 16 lease liability for a total of € 245 million (carrying amount of € 245 million).

The floating rate debt is mainly composed of internal bank accounts and certain borrowings from the remaining Solvay Group.

The impact of interest rate volatility on the gross financial debt at the end of 2022 compared to 2021, 2020 and beginning 2020 is the following:

	Sensitivity to a + 100bp movement in EUR market interest rates				Sensitivity to a - 100bp movement in EUR market interest rates			
In € million	2022	2021	2020	2019	2022	2021	2020	2019
Profit or loss	-25	-23	-25	-30	25	23	25	30

	Sensitivity to a + 100bp movement in USD market interest rates				Sensitivity to a - 100bp movement in USD market interest rates			
In € million	2022	2021	2020	2019	2022	2021	2020	2019
Profit or loss	-13	-12	-10	-11	13	12	10	11

The sensitivity to interest rates' volatility on the gross financial debt remains globally stable over the years with a switch of the risk from EUR to USD. The exposure is related to internal bank accounts balances with the remaining Solvay Group mainly in USD and in EUR.

Interest rate risk hedged by instrument accounted for as held for trading

In 2022, 2021, 2020 and 2019, there are no outstanding interest rate instruments accounted for as held for trading.

Interest rate risk hedged by instrument accounted for as a hedging instrument in a cash flow hedge

In 2022, 2021, 2020 and 2019, there are no outstanding interest rate instruments accounted for under cash flow hedges.

Other market risks

— Utility and CO_2 price risks

The Reporting Entity purchases a large portion of its coal, gas and electricity needs in Europe and the United States based on fluctuating liquid market indices. Moreover, the Reporting Entity purchases raw materials with a price formula referring to market indices (e.g. benzene). In order to reduce the cost volatility, the Reporting Entity has developed a policy for exchanging variable price against fixed price through derivative financial instruments. Most of these hedging instruments can be documented as hedging instruments of the underlying purchase contracts. Utility purchase contracts at fixed price with a physical delivery for use in the Reporting Entity's operations are qualified as own use contracts (not derivatives) and constitute a natural hedge. Those have not been included in this note.

Similarly, the Reporting Entity's exposure to CO_2 price is partially hedged by forward purchases of European Union Allowances (EUA). Forward purchases with physical delivery for use in the Reporting Entity's operations are qualified as own use contracts (not derivatives).

Finally, some exposure to gas, coal and electricity prices may arise from the production of electricity on sites (mostly from cogeneration units in Europe), which can be hedged by means of forward purchases and forward sales or optional schemes. In this case, cash flow hedge accounting is applied.

The amounts presented in the tables hereafter include hedging needs of the GBUs of the Reporting Entity that sourced through Energy Services.

December 31, 2022

Cash flow hedge	Notional amount of the instrument (1)	Notional amount of the instrument (in units)		Notional amount of the risk exposure	Notional amount of the risk exposure (in units)		Percentage of exposure hedged	Average hedge price per risk category		Cash flow hedge reserve	Fair value of the instrument - Asset	Fair value of the instrument - Liability
In € million (except where indicated)												
Standard Quality Gas	22	1,582,584	MWh	193	4,062,688	MWh	39%	14	EUR/ MWh	-1	2	-3
Total										-1	2	-3

(1) The hedging instruments are located in the line item: "Other Receivables" and "Other Liabilities" in the combined statement of financial position.

December 31, 2021

Cash flow hedge	Notional amount of the instrument (1)	Notional amount of the instrument (in units)		Notional amount of the risk exposure	Notional amount of the risk exposure (in units)		Percentage of exposure hedged	Average hedge price per risk category		Cash flow hedge reserve	Fair value of the instrument - Asset	Fair value of the instrument - Liability
In € million (except where indicated)												
Benzene	1	1,477	Tons	1	1,479	Tons	100%	655	EUR/ ton	0	0	0
Standard Quality Gas	11	1,195,730	MWh	84	2,111,086	MWh	57%	9	EUR/ MWh	0	1	-1
Total										0	1	-1

(1) The hedging instruments are located in the line item: "Other Receivables" and "Other Liabilities" in the combined statement of financial position.

December 31, 2020

Cash flow hedge	Notional amount of the instrument (1)	Notional amount of the instrument (in units)		Notional amount of the risk exposure	Notional amount of the risk exposure (in units)		Percentage of exposure hedged	Average hedge price per risk category		Cash flow hedge reserve	Fair value of the instrument - Asset	Fair val of t instrume - Liabili
In € million (except where indicated)												
Benzene	4	9,549	Tons	20	38,066	Tons	25%	510	EUR/ ton	0	0	0
Standard Quality Gas	8	1,151,769	MWh	31	2,295,623	MWh	50%	7	EUR/ MWh	0	0	0
Total										0	0	0

(1) The hedging instruments are located in the line item: "Other Receivables" and "Other Liabilities" in the combined statement of financial position.

January 1, 2020

Cash flow hedge	Notional amount of the instrument (1)	Notional amount of the instrument (in units)		Notional amount of the risk exposure	Notional amount of the risk exposure (in units)		Percentage of exposure hedged	Average hedge price per risk category		Cash flow hedge reserve	Fair value of the instrument - Asset	Fair val of t instrume - Liabili
In € million (except where indicated)												
Benzene	3	3,991	Tons	23	35,026	Tons	11%	727	EUR/ ton	0	0	0
Standard Quality Gas	10	1,214,250	MWh	25	1,463,675	MWh	83%	8	EUR/ MWh	-1	0	-1
Total										-1	0	-1

(1) The hedging instruments are located in the line item: "Other Receivables" and "Other Liabilities" in the combined statement of financial position.

The amounts presented in the tables hereafter include hedging needs of the GBUs of the Reporting Entity that are sourced through the remaining Solvay Group, and not the full Reporting Entity utility hedging needs.

Hedge relationships are seldom perfect. Therefore, ineffectiveness could arise with the result that changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk and the hedging instrument do not offset within a period. The sources of hedge ineffectiveness that could potentially affect the hedging relationship during its term are listed below:

- A reduction in the amount of the forecast purchases resulting in quantity or notional amount differences – the hedged item and hedging instrument are based on different quantities or notional amounts.

- A significant change in the credit risk of parties.

- Timing differences – the hedged item and hedging instrument occur or are settled at different dates.

In 2022, 2021 and 2020, no hedge ineffectiveness was recognized in the combined income statement.

The sensitivities of commodity derivative financial instruments as of December 31, 2022 are presented below.

The sensitivities were defined based on the price levels and volatility levels of each commodity. These assumptions do not constitute an estimation of future market prices and the sensitivities presented are not representative of future changes in the Reporting Entity's equity and results.

In € million	Price change	Other comprehensive income	Profit or loss
Natural gas	+10€/MWh	16	
Natural gas	-10€/MWh	-16	
Electricity	+30€/MWh		
Electricity	-30€/MWh		

Credit risk

The Reporting Entity continuously monitors the credit risk of important business partners.

The Reporting Entity engages in transactions only with financial institutions with a good credit rating. The Reporting Entity monitors and manages exposures to financial institutions within approved counterparty credit limits and credit risk parameters in order to mitigate the risk of default. For financial guarantees, see note F35 Contingent assets, liabilities and financial guarantees.

The Reporting Entity recognizes expected credit losses on all of its trade receivables: it applies the simplified approach and recognizes lifetime expected losses on all trade receivables, using a provision matrix in order to calculate the lifetime expected credit losses for trade receivables, using historical information on defaults adjusted for the forward-looking information.

The Reporting Entity classifies the customers and their related receivables in various rating classes, based on the risks' grading attributed to the customers and on the aging balance of receivables. As such, for all receivables overdue below 6 months, the Reporting Entity considers in 2022 percentages within a range between 0.005% and 4.204% (0.005% and 4.419% in 2021, 0.005% and 4.285% in 2020, 0.005% and 4.365% in 2019), depending on the rating class. For all receivables overdue in excess of 6 months, the Reporting Entity considers a rate of 50% or of 100%, depending on the rating class. The customer's grading is reviewed annually for customers assessed as low risk profile, and every six months for customers assessed as higher risk profile.

There is no significant concentration of credit risk at Reporting Entity level because the receivables' credit risk is spread over a large number of customers and markets.

The aging of trade receivables, financial instruments - operational, loans and other non-current assets is as follows:

December 31, 2022			With expected loss allowance, not credit-impaired				
In € million	Total	Credit-impaired	not past due	less than 30 days past due	between 30 and 60 days past due	between 60 and 90 days past due	more than 90 days past due
Trade receivables	1,039	12	988	32	4	1	2
Trade receivables - allowance	-12	-9	-1				-2
Trade receivables - net	1,027	3	987	32	4	1	0
Financial instruments - operational	18		18				
Loans and other non-current assets	180	7	173				
Loans and other non-current assets - allowance	-7	-7					
Loans and other non-current assets - net	173		173				
Total	1,218	3	1,178	32	4	1	0

December 31, 2021			With expected loss allowance, not credit-impaired				
In € million	Total	Credit-impaired	not past due	less than 30 days past due	between 30 and 60 days past due	between 60 and 90 days past due	more than 90 days past due
Trade receivables	880	9	837	28	2	1	3
Trade receivables - allowance	-9	-8	-1				-1
Trade receivables - net	871	1	837	28	2	1	2
Financial instruments - operational	8		8				
Loans and other non-current assets	413	6	407				
Loans and other non-current assets - allowance	-6	-6					
Loans and other non-current assets - net	407		407				
Total	1,286	1	1,252	28	2	1	2

December 31, 2020			With expected loss allowance, not credit-impaired				
In € million	Total	Credit-impaired	not past due	less than 30 days past due	between 30 and 60 days past due	between 60 and 90 days past due	more than 90 days past due
Trade receivables	661	10	629	20	1		1
Trade receivables - allowance	-10	-8	-1				-1
Trade receivables - net	651	2	628	20	1		-1
Financial instruments - operational	15		15				
Loans and other non-current assets	239	7	232				
Loans and other non-current assets - allowance	-7	-7					
Loans and other non-current assets - net	232		232				
Total	898	2	875	20	1		0

January 1, 2020			With expected loss allowance, not credit-impaired				
In € million	Total	Credit-impaired	not past due	less than 30 days past due	between 30 and 60 days past due	between 60 and 90 days past due	more than 90 days past due
Trade receivables	759	12	699	39	5	1	1
Trade receivables - allowance	-12	-11	-1				
Trade receivables - net	746	1	698	39	5	1	1
Financial instruments - operational	4		4				
Loans and other non-current assets	229	8	221				
Loans and other non-current assets - allowance	-8	-8					
Loans and other non-current assets - net	221		221				
Total	972	1	923	40	5	1	1

Credit risk on other current financial assets, mainly consisting of Internal Bank Accounts with remaining Solvay Group is deemed not significant over the periods presented, considering that SpecialtyCo and its counterparts were under common control and considering the planned restructuring of the intercompany financing relations between SpecialtyCo and the remaining Solvay Group upon demerger.

The table below presents the allowances on trade receivables:

In € million	2022	2021	2020
January 1	-9	-10	-12
Additions	-3		-4
Uses	1	1	1
Reversal			1
Currency translation differences			
Transfer to assets held for sale			2
Other		1	2
December 31	-12	-9	-10

Liquidity risk

Liquidity risk relates to the Reporting Entity's ability to service and refinance its debt (including notes issued) and to fund its operations.

This depends on its ability to generate cash from operations and not to overpay for acquisitions.

The Finance Committee gives its opinion on the appropriate liquidity risk management for the Reporting Entity's short, medium and long term funding and liquidity management requirements.

The Reporting Entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecasts and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Reporting Entity staggers the maturities of its financing sources over time in order to limit amounts to be refinanced each year.

The following tables detail the Reporting Entity's remaining contractual maturity for its financial liabilities with contractual repayment periods.

The tables have been prepared using the discounted cash flows of financial liabilities, based on the earliest date on which the Reporting Entity can be required to pay.

The following tables present discounted amounts (carrying amounts):

In € million			December 31, 2022		
Outflows of cash :	Total	Within one year	In year two	In years three to five	Beyond five years
Trade payables	972	972			
Financial instruments - operational	9	9			
Other non-current liabilities	23		0	10	13
Financial debt	5,661	3,976	736	918	30
Leasing debt	216	49	35	71	61
Total	6,881	5,007	771	999	104

In € million	December 31, 2021				
Outflows of cash :	Total	Within one year	In year two	In years three to five	Beyond five years
Trade payables	845	845			
Financial instruments - operational	9	9			
Other non-current liabilities	40		11	5	23
Financial debt	5,563	3,647	555	1,355	5
Leasing debt	215	43	31	67	74
Total	6,672	4,544	597	1,427	102

In € million	December 31, 2020				
Outflows of cash :	Total	Within one year	In year two	In years three to five	Beyond five years
Trade payables	560	560			
Financial instruments - operational	1	1			
Other non-current liabilities	43		16	7	20
Financial debt	5,514	3,654	197	1,658	5
Leasing debt	232	44	36	68	84
Total	6,350	4,259	249	1,733	109

In € million	January 1, 2020				
Outflows of cash :	Total	Within one year	In year two	In years three to five	Beyond five years
Trade payables	593	593			
Financial instruments - operational	5	5			
Other non-current liabilities	48		15	9	24
Financial debt	6,517	4,184	253	1,225	854
Leasing debt	245	51	32	70	91
Total	7,408	4,834	301	1,304	969

The following tables present undiscounted amounts (nominal value):

In € million		December 31, 2022			
Outflows of cash :	Total	Within one year	In year two	In years three to five	Beyond five years
Trade payables	972	972			
Financial instruments - operational	9	9			
Other non-current liabilities	23			10	13
Financial debt	5,663	3,976	736	921	30
Leasing debt	216	49	35	71	61
Total	6,884	5,007	771	1,001	104
Interests on financial debt and lease liabilities	226	83	63	58	22
Total outflows of cash	7,110	5,089	834	1,060	126

In € million		December 31, 2021			
Outflows of cash :	Total	Within one year	In year two	In years three to five	Beyond five years
Trade payables	845	845			
Financial instruments - operational	9	9			
Other non-current liabilities	40		11	5	23
Financial debt	5,567	3,647	556	1,359	5
Leasing debt	215	43	31	67	74
Total	6,676	4,544	599	1,431	102
Interests on financial debt and lease liabilities	303	89	81	106	26
Total outflows of cash	6,979	4,633	680	1,536	129

In € million	December 31, 2020				
Outflows of cash :	Total	Within one year	In year two	In years three to five	Beyond five years
Trade payables	560	560			
Financial instruments - operational	1	1			
Other non-current liabilities	43		16	7	20
Financial debt	5,522	3,654	197	1,666	5
Leasing debt	232	44	36	68	84
Total	6,358	4,259	249	1,741	109
Interests on financial debt and lease liabilities	375	90	84	170	30
Total outflows of cash	6,733	4,349	333	1,911	139

In € million	January 1, 2020				
Outflows of cash :	Total	Within one year	In year two	In years three to five	Beyond five years
Trade payables	593	593			
Financial instruments - operational	5	5			
Other non-current liabilities	48		15	9	24
Financial debt	6,528	4,184	253	1,231	859
Leasing debt	245	51	32	70	91
Total	7,419	4,834	301	1,310	975
Interests on financial debt and lease liabilities	554	125	118	240	71
Total outflows of cash	7,973	4,959	418	1,549	1,046

Interest on financial debt and lease liabilities do not include variable interests on internal bank account liabilities.

Trade payables include € 94 million (€ 76 million in 2021, € 50 million in 2020, and € 37 million in 2019) due to suppliers that have signed up for a supply chain financing program, under which the suppliers can elect to receive a discounted early payment from the partner bank rather than being paid in line with the agreed payment terms. If the option is taken, the Reporting Entity's liability is assigned by the supplier to the partner bank. The value of the Reporting Entity's liability remains unchanged. The Reporting Entity assesses each arrangement against indicators to determine if the liabilities which suppliers have sold to the partner bank under the supplier financing scheme continue to meet the definition of trade payables or should be classified as financial debt. On December 31, 2022, 2021, 2020 and January 1, 2020) the liabilities met the criteria of Trade Payables.

At the end of 2022, the Reporting Entity's liquidity is equal to € 244 million of cash and cash equivalents (€ 139 million in 2021, € 203 million in 2020, € 189 million at beginning of 2020) on the combined statement of financial position.

Furthermore, there is € 2.9 billion (€ 2.9 billion in 2021, € 3.0 billion in 2020, € 2.5 billion at beginning of 2020) of committed fully undrawn credit facilities (of which € 2.0 billion multilateral RCF over all years) available to Solvay Finance America LLC (with the guarantee of Solvay SA which is part of the Remaining Solvay Group). Those facilities were all fully unused at the end of the respective years.

In addition, Solvay Finance America LLC has access to a US commercial paper for $ 500 million (no outstanding balance at the end of 2022, 2021, 2020 and at the beginning of 2020). This program is covered by back-up credit lines and is guaranteed by Solvay SA (part of the Remaining Solvay Group).

NOTE F32 NET INDEBTEDNESS

The Reporting Entity's net indebtedness is the balance between its financial debts, loans to the Remaining Solvay Group, other financial instruments, and cash and cash equivalents.

In € million	December 31, 2022	December 31, 2021	December 31, 2020	January 1, 2020
Financial debt	5,877	5,778	5,746	6,762
Cash and cash equivalents	-244	-139	-203	-189
Other financial instruments	-1,621	-1,404	-1,132	-1,151
Loans to remaining Solvay Group	-197	-298	-208	-219
Net indebtedness	**3,814**	**3,938**	**4,201**	**5,203**

Financial debt: main borrowings

	December 31, 2022	December 31, 2021	December 31, 2020	January 1, 2020			December 31, 2022		December 31, 2021		December 31, 2020		January 1, 2020	
In € million (except where indicated)	Nominal amount	Nominal amount	Nominal amount	Nominal amount	Coupon	Maturity at YE'22	Amount at amortized cost	Fair value	Amount at amortized cost	Fair value	Amount at amortized cost	Fair value	Amount at amortized cost	Fair value
Senior US$ note Cytec Industries Inc (issuance US$ 400 million)		173	159	175	3.50%	2023			172	177	156	165	169	178
Senior US$ note Cytec Industries Inc (issuance US$ 250 million)	153	144	133	146	3.95%	2025	152	147	143	153	131	141	143	150
Senior US$ notes (144A;US$ 800 million)	750	706	651	712	4.45%	2025	748	721	704	769	650	745	709	775
Total senior US$ notes	903	1,024	943	1,033			900	868	1,019	1,099	937	1,051	1,021	1,102
Other borrowings from third parties							59		117		79		153	
Loan from related party	1,687	1,687	1,687	1,687	Variable rate from 0.19% to 0.39%	2023	1,687	1,687	1,687	1,687	1,687	1,687	1,687	1,687
Loan from related party	500	500	500	500	6.01%	2024	500	503	500	553	500	573	500	594
Loan from related party				500	5.26%	NA							500	500
Loan from related party	150	150	150		3.50%	2023	150	147	150	151	150	151	0	
Loan from related party (GBP 163 million)	183	194	181	191	0.00%	NA	183	183	194	194	181	181	191	191
Other borrowings from related parties							230		233		171		181	
Internal bank accounts with remaining Solvay Group							1,951		1,663		1,809		2,284	
Total related parties							4,702		4,426		4,498		5,342	
Lease debt							216		215		232		245	
Total							**5,877**		**5,778**		**5,746**		**6,762**	

There are no instances of default and no financial covenants on any of the companies in the scope of combination on the above-mentioned financial debts.

Other financial instruments

In € million	December 31, 2022	December 31, 2021	December 31, 2020	January 1, 2020
Non-current other financial instruments	30	30		
Current other financial instruments	1,591	1,374	1,132	1,151
Currency swaps				
Other marketable securities > 3 months	34	59	49	28
Other current financial assets	1,556	1,314	1,083	1,123
Other financial instruments	1,621	1,404	1,132	1,151

The other marketable securities > 3 months include the bank drafts position.

The other current financial assets mainly relate to the current accounts with related parties.

Cash and cash equivalents

In € million	December 31, 2022	December 31, 2021	December 31, 2020	January 1, 2020
Cash	161	96	124	105
Term deposits	83	43	80	84
Cash and cash equivalents	244	139	203	189

By their nature, the carrying amount of cash and cash equivalents is equal to, or a very good proxy of, its fair value.

Changes in financial debt and in other financial instruments arising from financing activities

In € million	2021 Total	2022 Cash flows from increase of borrowings	Cash flows from repayment of borrowings	Changes in foreign exchange rates	Changes in other current financial assets	Change in internal bank accounts with Solvay	Transfer from non-current to current	Payment of lease liabilities	Other	Total
Bonds	1,019	0		65			-186		2	900
Other non-current debts	897	113	-32	-10			-184			785
Long term leasing debt	172			6			-57		45	167
Non-current financial debt	2,088	113	-32	61			-426		47	1,851
Current financial debt	3,690	313	-378	68			426	-51	-42	4,025
Total financial debt	**5,778**	**426**	**-410**	**129**				**-51**	**5**	**5,877**
Other non-current financial instruments	-30									-30
Other marketable securities > 3 months	-59				24					-34
Other current financial assets	-1,314			-15		-227				-1,556
Other financial instruments	-1,404			-15	24	-227				-1,621
Total cash flow		**426**	**-410**		**24**	**-227**		**-51**		

The financial debt increased by € 99 million with a total of € 5,877 million at the end of 2022 (€ 5,778 million at the end of 2021).

The non-current financial debt decreased by € 237 million, mainly resulting from:

- the transfer to current financial debt for € (426) million (explained by the early repayment of the remaining portion of the € 750 million Cytec bond initially maturing in December 2023 for € (186) million, for € (184) million of other short-term financial debt and IFRS 16 leases for € (57) million);
- the change in foreign exchange rates for € 61 million (major impact of € 65 million on senior bonds in USD);
- € 45 million in "Other" for leases that commenced during the year, as well as lease modifications.

The current financial debt increased by € 335 million, mainly due to:

- the transfer from non-current financial debt to current for € 426 million (mainly explained by the remaining portion of the € 750 million bond maturing in December 2022 for € 186 million and repaid on that date, for € 184 million of other short-term financial debt and IFRS 16 leases for € 57 million).

The Other Financial Instruments increased by € 217 million, mainly due to the change of internal bank accounts with Solvay.

	2020	2021								
In € million	Total	Cash flows from increase of borrowings	Cash flows from repayment of borrowings	Changes in foreign exchange rates	Changes in other current financial assets	Change in internal bank accounts with Solvay	Transfer from non-current to current	Payment of lease liabilities	Other	Total
Bonds	937	0		77					5	1,019
Other non-current debts	923	20	-24	14			-36			897
Long term leasing debt	188			8			-45		21	172
Non-current financial debt	2,048	20	-24	99			-81		26	2,088
Current financial debt	3,698	175	-310	101			81	-49	-6	3,690
Total financial **debt**	5,746	195	-334	200				-49	20	5,778
Other non-current financial instruments					-30					-30
Other marketable securities > 3 months	-49			-5	-5					-59
Other current financial assets	-1,083			-44		-184			-3	-1,314
Other financial instruments	-1,132			-49	-35	-184			-3	-1,404
Total cash flow		**195**	**-334**		**-35**	**-184**		**-49**		

The financial debt remained relatively stable with a total of € 5,778 million at the end of 2021 (€ 5,746 million at the end of 2020).

The non-current financial debt increased by € 40 million, mainly resulting from:

- the change in foreign exchange rates for € 99 million (major impact of € 78 million on senior bonds in USD);
- the transfer to current financial debt for € (81) million including € 45 million of IFRS 16 leases;

The Other Financial Instruments increased by € 272 million, mainly due to the change of internal bank accounts with Solvay.

	2019					2020				
In € million	Total	Cash flows from increase of borrowings	Cash flows from repayment of borrowings	Changes in foreign exchange rates	Changes in other current financial assets	Change in internal bank accounts with Solvay	Transfer from non-current to current	Payment of lease liabilities	Other	Total
Bonds	1,021	0		-86					2	937
Other non-current debts	1,312	214	-578	-16			-9			923
Long term leasing debt	193			-11			-52		58	188
Non-current financial debt	2,526	214	-578	-113			-61		60	2,048
Current financial debt	4,235	64	-464	-101			61	-55	-42	3,698
Total financial debt	**6,761**	**278**	**-1,042**	**-214**				**-55**	**18**	**5,746**
Other non-current financial instruments										
Other marketable securities > 3 months	-28			1	-22					-49
Other current financial assets	-1,123			29		-4			15	-1,083
Other financial instruments	-1,151			30	-22	-4			15	-1,132
Total cash flow		**278**	**-1,042**		**-22**	**-4**		**-55**		

The financial debt decreased from € 6,761 million at beginning of 2020 to € 5,746 million at the end of 2020.

The non-current financial debt decreased by € 478 million, mainly resulting from:

- borrowing repayment for € 578 million;
- new borrowing for € 216 million;
- the change in foreign exchange rates for € (113) million (major impact of € (87) million on senior bonds in USD).

The current financial debt decreased by € (537) million, mainly due to:

- a significant variation of bank overdrafts for € (395) million;
- the change in foreign exchange rates for € (102) million;

The other financial instruments remains stable with a total of € (1,132) million at the end of 2020 (€ (1,151) million at beginning of 2020).

NOTE F33

OTHER LIABILITIES (CURRENT)

In € million	December 31, 2022	December 31, 2021	December 31, 2020	January 1, 2020
Wages and benefits debts	235	193	168	153
VAT and other taxes	68	60	40	31
Social security	26	35	31	24
Financial instruments - operational	9	9	1	5
Insurance premiums	14	19	12	14
Advances from customers	24	29	24	18
Other	160	88	97	105
Other current liabilities	**538**	**432**	**372**	**350**

Financial instruments – operational include held for trading and cash flow hedge derivatives (see note F31.A. Overview of financial instruments).

The amounts presented in the line "Other" include the tax accounts payables (see note F36) and other payables related to transfers of environmental liabilities vis à vis the Remaining Solvay Group (main item included in the section Sales & Purchase transactions of Note F36 in the table "Amounts owed to related parties", line "Remaining Solvay Group").

NOTE F34

COMMITMENTS TO ACQUIRE PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

In € million	December 31, 2022	December 31, 2021	December 31, 2020
Commitments to acquire property, plant and equipment and intangible assets	338	133	67

The amount mainly relates to commitments for the acquisition of property, plant and equipment. The increase in 2022 over the prior year is mainly explained by the planned purchase of the new headquarters in Belgium as well as the acquisition of industrial equipment for the extension of the Tavaux site in France.

NOTE F35

CONTINGENT ASSETS, LIABILITIES AND FINANCIAL GUARANTEES

Accounting policy

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the Reporting Entity.

Contingent assets are not recognized in the combined financial statements since this may result in the recognition of income that may never be realized. However, when the realization of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the combined financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the combined financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Reporting Entity discloses the contingent asset.

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Reporting Entity; or

(b) a present obligation that arises from past events but is not recognized because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability

Contingent liabilities are not recognized in the combined financial statements, except if they arise from a business combination. They are disclosed unless the possibility of an outflow of economic benefits is remote.

Financial guarantees are contracts that require the Reporting Entity to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

In order to avoid double counting, only contingent liabilities in excess of liabilities recognized or if no disclosure has been made elsewhere in the Reporting Entity's combined financial statements are disclosed in this note. All financial guarantees of the Reporting Entity are presented in this note.

In € million	December 31, 2022	December 31, 2021	December 31, 2020	January 1, 2020
Contingent assets	**91**	**91**		
Environmental contingent liabilities	12	11	13	14

Contingent Asset

Following an arbitration procedure that began in 2012, on June 22, 2021 the ICC Arbitration Court in Geneva (CH) issued a partial award in favor of Solvay Specialty Polymers Italy SpA, ordering Edison S.p.A. (Edison) to pay € 91 million for the losses, damages and costs incurred up to the end of 2016 in relation to certain environmental issues at the Spinetta Marengo and Bussi sites, previously owned and operated by (Mont)Edison SpA and Ausimont SpA. A further phase of the arbitration proceeding, expected to end in 2024, will define the quantification of the additional losses, damages and costs from 2017 onwards, as well as the interests applicable to the amount awarded and the costs of litigation, to be reimbursed to Solvay Specialty Polymers Italy SpA. No income was recognized during either 2021 or 2022 in relation to the partial award, pending Edison's appeals against the enforcement of the partial award.

On January 23, 2023, the Reporting Entity received a favorable ruling from the Court of Appeal of Milan which rejected Edison's appeal against the enforcement of the partial award, making it definitively enforceable in Italy. On February 8, 2023, Edison settled the € 91 million partial award in full with Solvay.

Contingent Liabilities

Contingent liabilities of € 12 million above relate to environmental remediation matters that can be estimated with sufficient reliability.

Guarantees

Currently substantially all of the Reporting Entity's guarantees are given by the parent company, Solvay SA. The Reporting Entity is progressively transferring the relevant guarantees to the parent company of the Reporting Entity with the transition expected to be completed by the date of the Partial Demerger.

The guarantees maintained by Solvay SA on behalf of the Reporting Entity are generally for financing arrangements, pensions, environmental obligations, taxes, and customs duties. See Note F36 Related parties for the related amounts.

Guarantees for pensions

At the end of 2022, there were € 317 million of guarantees for pensions related to the main UK Pension Funds which are provided by Solvay S.A. See Note F36 *Related Parties*. After the demerger it is anticipated that the guarantees related to the SpecialtyCo. pension funds will be transferred to the Reporting Entity.

Litigation

Generally, in line with good business practice, we are not reporting any pending or threatened proceeding, which has not matured, and where the probability of existing or future exposure is unlikely or uncertain, where financial impact is not estimable and for which we are not able to quantify contingent liabilities.

In the United States, Solvay Specialty Polymers USA, LLC (SpP) is a defendant in 35 separate individual and class action lawsuits relating to its historical use of per- and polyfluoroalkyl substances (PFAS). The vast majority of these cases (30) are pending in the federal and state courts in the state of New Jersey, in the US, and the majority (27) are claims by private plaintiffs seeking medical monitoring or compensation for alleged personal injury or other alleged economic loss. Three (3) of the cases involve civil claims by separate US state governmental authorities—New Jersey, Michigan and Illinois—seeking various damages for alleged violations of state environmental laws, including natural resource damages. The State of New Jersey also seeks the environmental cleanup of PFAS pollution allegedly caused by a single operating facility of the subsidiary in New Jersey. Two (2) cases related to allegations that contamination from the same operating facility caused contamination to a local municipal well. Finally, three (3) of the cases allege that products purchased from the subsidiary caused contamination elsewhere.

Overall, the number of these cases remains low in comparison to other industry participants. Solvay continues to dispute the merits of these claims and defend itself accordingly. In all of these cases, the plaintiffs have the burden of proof against all defendants.

See note F30.B Provisions Other than Employee Benefits for additional information.

In Italy, there are several pending litigations:

(a) With regard to the Spinetta industrial site, in December 2022 the Public Prosecutor Office of the Court of Alessandria closed the preliminary investigations started at the end of 2020 regarding certain alleged environmental violations of two Solvay managers. Also Solvay Specialty Polymers Italy SpA, as employer of the two defendants, is involved in these preliminary investigations and could be found liable pursuant to Legislative Decree n. 231/2001. The Public Prosecutor Office should decide to request the dismissal of this provisional charge or alternatively the case should go to trial by the end of Q2, 2023.

(b) With regard to the Bussi industrial site, sold by Solvay in 2016 with the surrounding area sold in 2018, an administrative litigation is pending in relation to the identification of the polluter of the industrial site.

Based on the overall assessment, including compliance with applicable laws and regulations and the unlikely or uncertain probability of existing or future exposure, as well as undefined financial impact, which is not estimable at this time, no additional provisions have been recorded in association with these litigations and contingent liabilities cannot be quantified.

Financial guarantees provided by SpecialtyCo

At the end of 2022 SpecialtyCo held bank guarantees in favor of Eco companies in the United States for an amount of € 43 million, mainly in relation to environmental permits and provided guarantees in favor of companies of the remaining Solvay Group in relation with the transfer of certain investments for an amount of € 89 million. These guarantees are expected to be canceled and replaced by the Remaining Solvay Group before or upon demerger.

NOTE F36

RELATED PARTIES

Balances and transactions between SpecialtyCo and its subsidiaries have been eliminated in the combination and are not disclosed in this note.

Related parties are deemed to be associated companies, joint ventures of SpecialtyCo and associated companies, joint ventures, joint operations and subsidiaries of the Remaining Solvay Group, since the SpecialtyCo Group was controlled by Solvay SA for the periods under consideration. The main transactions with related parties are described in detail herein and the related amounts are presented in the tables below.

Sales and purchase transactions with related parties were mainly consisting of sales and purchases of utilities and shared services provided by Solvay SA and other companies of the Remaining Solvay Group, such as, but not limited to tax, legal, accounting, IT, personnel-related services and treasury.

Sale and purchase transactions

In € million	Sale of goods			Purchase of utilities and goods		
	2022	2021	2020	2022	2021	2020
Associates	0	0	0	0	0	0
Joint ventures	15	11	5	-29	-16	-13
Other related parties	7	7	6	-2	0	0
Remaining Solvay Group	31	36	43	-79	-56	-43
Total	**53**	**54**	**54**	**-110**	**-73**	**-56**

In € million	Amounts owed by related parties				Amounts owed to related parties			
	December 31, 2022	December 31, 2021	December 31, 2020	January 1, 2020	December 31, 2022	December 31, 2021	December 31, 2020	January 1, 2020
Associates	0	0	0	0	0	0	0	0
Joint ventures	0	0	0	0	1	0	0	0
Other related parties	1	1	5	4	7	4	4	7
Remaining Solvay Group	9	5	14	3	50	62	60	58
Total	**10**	**6**	**19**	**7**	**58**	**66**	**64**	**65**

Services provided by the remaining Solvay Group

The Remaining Solvay Group provided shared services to SpecialtyCo such as, but not limited to: tax, legal, accounting, IT, personnel-related services and treasury. The costs of such services, as historically charged to Specialty Businesses and included in the Combined Income Statement based on their historical amounts, were: € 413 million in 2022 (2021: € 345 million, 2020: € 318 million).

The personnel and activities related to these shared services will either be transferred to SpecialtyCo in the context of the Legal Reorganization or will be provided to SpecialtyCo by the Remaining Solvay Group under transitional services agreements after the Partial Demerger for a limited period of time.

The costs related to corporate functions that were incurred for the benefit of the Solvay Group as a whole, including but not limited to costs for Solvay SA's Board of Directors, Executive Leadership Team, Investor Relations and Corporate Communications have not been included in the Combined Financial Statements. Those costs amounted to € 126 million in 2022.

Guarantees

Solvay S.A. has issued guarantees in favor of SpecialtyCo mainly in relation to third party financing, in the USA and in France, and for pensions plans, mainly in the UK (see Note F35 Contingent Liabilities).

The related amounts are presented in the table below:

eur million	December 31, 2022	December 31, 2021	December 31, 2020	January 1, 2020
Bonds Solvay Finance America LLC	750	706	652	712
Bonds Cytec Industries Inc.	152	317	293	320
Rhodia UK Pension fund	317	298	302	350
Total	**1,219**	**1,321**	**1,247**	**1,382**

At the end of the demerger process, it is expected that no guarantees will be provided by the Remaining Solvay Group for SpecialtyCo operations.

Hedging

As stated in the Basis of preparation, external cash flow hedges were entered into by a central function of the Solvay Group, on behalf of the different operating entities of the group. When the external cash flow hedges were mirrored by "back-to-back" agreements with SpecialtyCo these back-to-back contracts are reported in the operating entity and included in the perimeter of the Combined Financial Statements. The related amounts at the end of the periods presented are disclosed in note F31, section Other Market Risks, for Utility and CO2 price risks. The amounts related to Foreign Currency Risk are presented in the tables below:

December 31, 2022

In € million	Notional amount of the instrument (1)	Notional amount of the risk exposure (1)	Percentage of exposure hedged	Average hedge exchange rate per risk category	Cash flow hedge reserve	Fair value of the hedging instrument	
					Equity	Assets	Liabilities
Cash flow hedges - Forecasted sales and purchases (3)							
JPY/EUR	-55	-134	41% (2)	139,17	0	0	0
JPY/USD	-36	-82	44% (2)	132,47	-1	0	-1
Total JPY	**-92**	**-216**			**0**	**1**	**-1**
USD/EUR	-291	-560	52% (2)	1,05	4	7	-3
USD/MXN	-45	-104	43% (2)	21,01	2	2	0
Total USD	-336	-664			6	9	-3
Total	-428	-880			6	10	-4

(1) Long/(short) positions
(2)In compliance with Group Treasury Policy the percentage of hedged exposure will reach the progressive minimum compliance level of 60% in 2023
(3) The Hedging instruments are located in the line item: "Other Receivables" and "Other Liabilities" in the statement of financial position.

December 31, 2021

In € million	Notional amount of the instrument [(1)]	Notional amount of the risk exposure [(1)]	Percentage of exposure hedged	Average hedge exchange rate per risk category	Cash flow hedge reserve	Fair value of the hedging instrument	
					Equity	Assets	Liabilities
Cash flow hedges - Forecasted sales and purchases [(3)]							
JPY/EUR	-48	-79	61%	130.80	0	0	0
JPY/USD	-31	-58	53% [(2)]	111.66	1	1	0
Total JPY	-79	-137			1	1	0
USD/EUR	-199	-491	41% [(2)]	1.18	-7	0	-7
USD/MXN	-3	-69	4% [(2)]	21.73	1	1	0
Total USD	-202	-560			-6	1	-7
Total	-281	-697			–5	2	-7

(1) Long/(short) positions
(2)In compliance with Group Treasury Policy the percentage of hedged exposure will reach the progressive minimum compliance level of 60% in 2022
(3) The Hedging instruments are located in the line item: "Other Receivables" and "Other Liabilities" in the statement of financial position.

December 31, 2020

In € million	Notional amount of the instrument [(1)]	Notional amount of the risk exposure [(1)]	Percentage of exposure hedged	Average hedge exchange rate per risk category	Cash flow hedge reserve	Fair value of the hedging instrument	
					Equity	Assets	Liabilities
Cash flow hedges - Forecasted sales and purchases [(3)]							
JPY/EUR	-45	-71	63%	123.83	1	1	0
JPY/USD	-33	-50	66%	105.24	0	0	0
Total JPY	**-78**	**-121**			**1**	**1**	**0**
USD/EUR	-188	-327	57% [(2)]	1.16	7	7	0
USD/MXN	-33	-33	100%	22.99	0	0	0
Total USD	**-221**	**-360**			**7**	**7**	**0**
Total	**-299**	**-481**			**8**	**8**	**0**

(1) Long/(short) positions
(2) In compliance with Group Treasury Policy the percentage of hedged exposure will reach the progressive minimum compliance level of 60% in 2021
(3) The Hedging instruments are located in the line item: "Other Receivables" and "Other Liabilities" in the statement of financial position.

Tax units which include both SpecialtyCo and remaining Solvay Group entities

Certain tax units, mainly in France and in the USA, included in the reporting periods both entities inside the SpecialtyCo perimeter and entities part of the Remaining Solvay Group. The outstanding tax balances at the end of the reported periods are presented in the table below and are reported as "Current Other receivables" and "Current Other liabilities" in the Combined Statement of Financial Position.

€ million	December 2022	December 2021	December 2020	January 2020
Tax account receivables with Remaining Solvay Group	32	29	52	29
Tax account payables with Remaining Solvay Group	-64	-7	-13	-13

The tax accounts receivables and payables are presented respectively as part of the Other current assets and other current liabilities in the Combined Statement of financial position. The related cash flows are presented as part of the Income tax paid in the Combined Cash flow statements.

Key management personnel

In accordance with IAS 24 the key management personnel are those having the authority and responsibility for planning, directing and controlling activities of SpecialtyCo businesses directly or indirectly.

During the periods presented, SpecialtyCo did not exist as a separate legal group and thus there were no separate key management personnel for the reporting entity. As stated in the Basis of preparation, none of the Corporate costs of the Remaining Solvay Group were included in the SpecialtyCo Combined Financial Statements.

Financing with related parties

In € million	December 31, 2022	December 31, 2021	December 31, 2020	January 1, 2020
Non current Loans to related parties	54	133	115	115
Current Loans to related parties	144	164	93	104
Current financial instruments - Internal bank accounts with related parties	1,555	1,314	1,083	1,122
Non current borrowings from related parties	-773	-875	-866	-1,250
Current borrowings and internal bank accounts liabilities with related parties	-3,929	-3,552	-3,632	-4,092
Total	**-2,949**	**-2,815**	**-3,206**	**-4,002**

Interest charges paid to related parties	-69	-46	-102
Interest revenue from related parties	32	7	12

For the periods under consideration, SpecialtyCo was integrated in the cash pooling and financing system of the Solvay Group. The financing instruments with the Remaining Solvay Group mainly comprise structured borrowings and loans as well as intercompany bank accounts that are expected to be fully settled before or upon the completion of the Partial Demerger so that no financing relation will continue to exist between SpecialtyCo and the Remaining Solvay Group after the Partial Demerger.

As reported in Note F31 about Liquidity risks, SpecialtyCo also had €2.9 billion committed, fully undrawn credit facilities and access to a US commercial paper plan, available to Solvay Finance America LLC, with the guarantee of Solvay SA. The undrawn credit facilities are expected to be canceled and refinanced before, or at the time of the partial demerger, and the US commercial paper plan, which is not used, will be discontinued before the partial demerger

NOTE F37

EVENTS AFTER THE REPORTING PERIOD

> **Accounting policy**
>
> Events after the reporting period which provide evidence of conditions that existed at the end of the reporting period (adjusting events) are recognized in the combined financial statements. Events indicative of conditions that arose after the reporting period are non-adjusting events and are disclosed in the notes if material.

Edison

The Reporting Entity received compensation of €91.632 million after decisions by the International Chamber of Commerce's arbitration tribunal, the Swiss Supreme Court, and the Milan Court of Appeal, all of which ruled in favor of the Reporting Entity. The outcome follows more than 10 years of legal proceedings in relation to Solvay Specialty Polymers Italy Spa's claims of environmental breaches by Edison, a subsidiary of EDF, in the context of the Reporting Entity's acquisition of the Italian company Ausimont in 2002.

The compensation relates to costs, losses and damages suffered by the Reporting Entity up to the end of 2016. Additional arbitration procedures are currently ongoing regarding costs, losses and damages suffered by the Reporting Entity from January 2017 onwards. The Reporting Entity is confident in the merits of its claim for additional significant compensation for damage in this second phase and expects proceedings to conclude in 2024.

NOTE F38

LIST OF COMPANIES INCLUDED IN THE COMBINATION SCOPE

SOLVAY SUBSIDIARIES

ARGENTINA	December 31, 2022	December 31, 2021	December 31, 2020	Type
Solvay Quimica SA, Buenos Aires	100	100	100	Mixed
AUSTRALIA				
Cytec Asia Pacific Holdings Pty Ltd, Baulkham Hills	100	100	100	Dedicated
Cytec Australia Holdings Pty Ltd, Baulkham Hills	100	100	100	Mixed
BELGIUM				
Solvay Participations Belgique S.A., Brussels	100	100	100	Dedicated
Solvay Specialty Polymers Belgium SA / NV, Brussels	100	100	100	Mixed
BRAZIL				
Rhodia Brasil SA, Sao Paolo	100	100	100	Mixed
CANADA				
Cytec Canada Inc, Niagara Falls Welland	100	100	100	Dedicated
Solvay Canada Inc, Toronto	100	100	100	Mixed
CHINA				
Cytec Engineered Materials Co. Ltd, Shanghai	100	100	100	Dedicated
Cytec Industries Co. Ltd, Shanghai	100	100	100	Dedicated
Rhodia Hong Kong Ltd , Hong Kong	100	100	100	Dedicated
Solvay (Shanghai) International Trading Co., Ltd, Shanghai	100	100	100	Mixed
Solvay (Shanghai) Ltd, Shanghai	100	100	100	Dedicated

Solvay (Zhangjiangang) Specialty Chemicals Co. Ltd, Suzhou	100	100	100	Dedicated
Solvay (Zhenjiang) Chemicals Co., Ltd, Zhenjiang New area	100	100	100	Mixed
Solvay China Co., Ltd , Shanghai	100	100	100	Mixed
Solvay Hengchang (Zhangjiagang) Specialty Chemical Co., Ltd,	70	70	70	Dedicated
Solvay Specialty Polymers (Changshu) Co. Ltd, Changshu	100	100	100	Dedicated
Zhuhai Solvay Specialty Chemicals Co Ltd, Zhuhai City	100	100	100	Dedicated
CHILE				
Cytec Chile Ltda, Santiago	100	100	100	Mixed
FRANCE				
Cogénération Tavaux SAS, Paris	33.3	33.3	33.3	Dedicated
Cytec Process Materials Sarl, Toulouse	-	-	100	Dedicated
Rhodia Chimie S.A.S. , Aubervilliers	100	100	100	Mixed
Rhodia Energy GHG S.A.S. , Puteaux	100	100	100	Mixed
Rhodia Laboratoire du Futur S.A.S. , Pessac	100	100	100	Dedicated
Rhodia Operations S.A.S. , Aubervilliers	100	100	100	Mixed
Rhodia Participations S.N.C. , Courbevoie	100	100	100	Dedicated
Rhodianyl S.A.S. , Saint-Fons	100	100	100	Dedicated
Solvay - Opérations - France S.A.S., Paris	100	100	100	Mixed
Solvay Energy Services S.A.S. , Puteaux	100	100	100	Mixed
Solvay Energy France S.A , Paris	100	100	100	Dedicated
Solvay France S.A. , Courbevoie	100	100	100	Mixed
Solvay Speciality Polymers France S.A.S., Paris	-	-	100	Dedicated
Solvin France S.A., Paris	-	-	100	Dedicated
GERMANY				
Cytec Engineered Materials GmbH, Oestringen	100	100	100	Dedicated
European Carbon Fiber GmbH , Kelheim	100	100	100	Dedicated
Solvay P&S GmbH, Freiburg	-	-	100	Dedicated
Solvay Specialty Polymers Germany GmbH, Hannover	100	100	100	Dedicated
Solvin GmbH & Co. KG - PVDC, Rheinberg	100	100	100	Mixed
INDIA				
Solvay Specialities India Private Limited, Mumbai	100	100	100	Mixed
Sunshield Chemicals Limited, Mumbai	-	-	62.4	Dedicated
INDONESIA				
PT. Cytec Indonesia, Jakarta	100	100	100	Dedicated
IRELAND				
Solvay Finance Ireland Unlimited , Dublin	100	100	100	Dedicated
ITALY				
Cytec Process Materials S.r.l., Mondovi	-	-	100	Dedicated
Solvay Solutions Italia S.p.A. , Milano	100	100	100	Mixed
Solvay Specialty Polymers Italy S.p.A., Milano	100	100	100	Dedicated
JAPAN				
Solvay Japan K.K., Tokyo	100	100	100	Mixed

Solvay Nicca Ltd, Tokyo	60	60	60	Dedicated
Solvay Specialty Polymers Japan KK, Minato Ku-Tokyo	100	100	100	Dedicated
LATVIA				
Solvay Business Services Latvia SIA, Riga	-	100	100	Dedicated
LUXEMBOURG				
Cytec Luxembourg International Holdings Sarl, Strassen	100	100	100	Dedicated
Solvay Finance (Luxembourg) SA, Luxembourg	100	100	100	Dedicated
Solvay Hortensia S.A., Luxembourg	100	100	100	Mixed
Solvay Luxembourg S.a.r.l., Luxembourg	100	100	100	Dedicated
MEXICO				
Cytec de Mexico S.A. de C.V., Jalisco	100	100	100	Dedicated
Solvay Mexicana S. de R.L. de C.V., Monterrey	100	100	100	Mixed
NETHERLANDS				
Cytec Industries B.V., Vlaardingen	100	100	100	Dedicated
Solvay Solutions Nederland B.V., Klundert	100	100	100	Dedicated
NEW ZEALAND				
Solvay New Zealand Ltd, Auckland	100	100	100	Dedicated
PERU				
Cytec Peru S.A.C., Lima	100	100	100	Dedicated
POLAND				
Solvay Poland Sp. z o.o., Gorzow Wielkopolski	100	100	100	Mixed
PORTUGAL				
Solvay Biotecnologia Portugal LDA, Carnaxide	100	-	-	Dedicated
Solvay Business Services Portugal Unipessoal LDA, Carnaxide	100	100	100	Mixed
Solvay Peroxidos Portugal Unipessoal LDA , Povoa	100	100	100	Mixed
SINGAPORE				
Rhodia Amines Chemicals Pte Ltd , Singapore	100	100	100	Dedicated
Solvay Specialty Chemicals Asia Pacific Pte. Ltd., Singapore	100	100	100	Mixed
SOUTH KOREA				
Cytec Korea Inc, Seoul	100	100	100	Dedicated
Solvay Chemical Services Korea Co. Ltd, Seoul	100	100	100	Mixed
Solvay Specialty Polymers Korea Company Ltd, Seoul	100	100	100	Mixed
SPAIN				
Solvay Quimica S.L., Barcelona	100	100	100	Mixed
THAILAND				
Solvay Asia Pacific Company Ltd, Bangkok	100	100	100	Mixed
Solvay (Bangpoo) Specialty Chemicals Ltd, Bangkok	100	100	100	Dedicated
Solvay (Thailand) Ltd, Bangkok	100	100	100	Dedicated
TURKEY				
Solvay Istanbul Kimya Limited Sirketi, Istanbul	100	100	100	Mixed
UNITED ARAB EMIRATES				
Cytec Nibras LLC, Al Ain	100	100	-	Dedicated

UNITED KINGDOM				
Advanced Composites Group Investments Ltd, Heanor	100	100	100	Dedicated
Cytec Engineered Materials Ltd, Wrexham	100	100	100	Dedicated
Cytec Industrial Materials (Derby) Ltd, Heanor	100	100	100	Dedicated
Cytec Industrial Materials (Manchester) Ltd, Heanor	100	100	100	Dedicated
Cytec Industries UK Holdings Ltd, Wrexham	100	100	100	Dedicated
Cytec Med-Lab Ltd, Heanor	-	-	100	Dedicated
Cytec Process Materials (Keighley) Ltd, Keighley	-	-	100	Dedicated
McIntyre Group Ltd , Watford	100	100	100	Dedicated
Oldbury Energy Solutions UK Ltd, Oldbury	100	-	-	Dedicated
Rhodia Holdings Ltd , Watford	100	100	100	Dedicated
Rhodia International Holdings Ltd , Oldbury	100	100	100	Dedicated
Rhodia Organique Fine Ltd , Watford	100	100	100	Dedicated
Rhodia Overseas Ltd , Watford	100	100	100	Dedicated
Rhodia Pharma Solutions Holdings Ltd, Cramlington	100	100	100	Dedicated
Rhodia Pharma Solutions Ltd, Cramlington	100	100	100	Dedicated
Rhodia Reorganisation, Watford	100	100	100	Dedicated
Solvay Interox Ltd, Warrington	100	100	100	Mixed
Solvay Solutions UK Ltd, Watford	100	100	100	Dedicated
Umeco Composites Ltd, Heanor	100	100	100	Dedicated
Umeco Ltd, Heanor	100	100	100	Dedicated
UNITED STATES				
Ausimont Industries, Inc., Wilmington, Delaware	100	100	100	Dedicated
CEM Defense Materials LLC, Tempe Arizona	100	100	100	Dedicated
Cytec Aerospace Materials (CA) Inc., Sacramento California	-	-	100	Dedicated
Cytec Engineered Materials Inc., Princeton New Jersey	100	100	100	Dedicated
Cytec Global Holdings Inc., Princeton New Jersey	100	100	100	Dedicated
Cytec Industrial Materials (OK) Inc., Tulsa Oklahoma	100	100	100	Dedicated
Cytec Industries Inc, Princeton New Jersey	100	100	100	Dedicated
Cytec Korea Inc., Princeton New Jersey	100	100	100	Dedicated
Cytec Process Materials (CA) Inc., Santa Fe Springs California	-	-	100	Dedicated
Cytec Technology Corp., Princeton New Jersey	100	100	100	Dedicated
Energy Solutions US LLC, Breckenridge, Texas	100	-	-	Dedicated
Garret Mountain Insurance Co., Burlington Vermont	100	100	100	Dedicated
Solvay America Inc., Houston, Texas	100	100	100	Dedicated
Solvay Finance (America) LLC, Houston, Texas	100	100	100	Mixed
Solvay Holding Inc., Princeton, New Jersey	100	100	100	Dedicated
Solvay India Holding Inc., Princeton, New Jersey	100	100	100	Dedicated
Solvay Specialty Polymers USA, LLC, Alpharetta, Georgia	100	100	100	Dedicated
Solvay USA INC., Princeton, New Jersey	100	100	100	Mixed

EQUITY METHOD (SOLVAY ASSOCIATES)	DECEMBER	DECEMBER	DECEMBER	TYPE
INDONESIA				
SOLVAY MANYAR P.T., GRESIK	50	50	50	DEDICATED
UNITED KINGDOM				
PENSO HOLDINGS LTD, COVENTRY	-	20	20	DEDICATED

EQUITY METHOD (SOLVAY JOINT VENTURES)	DECEMBER	DECEMBER	DECEMBER	TYPE
BELGIUM				
EECO HOLDING SA, BRUSSELS	33.3	33.3	33.3	DEDICATED
INDIA				
CATASYNTH SPECIALITY CHEMICALS, MANGALORE	25.1	25.1	25.1	DEDICATED
HINDUSTAN GUM & CHEMICALS LTD, NEW DELHI	50	50	50	DEDICATED
ITALY				
COGENERATION SPINETTA S.P.A., BOLLATE	33.3	33.3	33.3	DEDICATED
UNITED ARAB EMIRATES				
STRATA - SOLVAY ADVANCED MATERIALS JOINT-VENTURE LLC, AL AIN	50	50	-	DEDICATED

SpecialtyCo

Independent Auditor’s report to the board of directors of Solvay SA for the years ended 31 December 2021 and 31 December 2020 - combined financial statements

Independent Auditor's report to the board of directors of Solvay SA for the years ended 31 December 2021 and 31 December 2020 - combined financial statements

In our capacity as statutory auditors of Solvay SA till 10 May 2022 and in accordance with your request in connection with regulation (EU) No 2017/1129 supplemented by Delegated Regulation (EU) No 2019/980 in the framework of an initial public offering on the regulated market of Euronext Brussels and Paris of the shares of SpecialtyCo Holdco Belgium BV/SRL, we have audited the accompanying combined financial statements of SpecialtyCo, a business of Solvay, as defined in the basis of preparation (the "Reporting Entity").

Report on the combined financial statements

Unqualified opinion

We have audited the combined financial statements of the Reporting Entity, which comprise:

- the combined statements of financial position as at 31 December 2021, 31 December 2020 and 1 January 2020;
- the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for the years ended 31 December 2021 and 31 December 2020;
- as well as the summary of significant accounting policies and other explanatory notes;

together (the "combined financial statements").

The combined statements of financial position shows total assets of 12 675 million EUR and 11 371 million EUR as per 31 December 2021 and 31 December 2020, respectively, and the combined statements of comprehensive income shows a profit (share of the Reporting Entity) of 444 million EUR and a loss (share of the Reporting Entity) of 1 285 million EUR for the years then ended, respectively.

In our opinion, the combined financial statements give a true and fair view of the combined Reporting Entity's net equity and financial position as of 31 December 2021 and 31 December 2020 and of its combined results and its combined cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA), as applicable in Belgium. In addition, we have applied the International Standards on Auditing approved by the IAASB applicable to the current financial year, but not yet approved at national level. Our responsibilities under those standards are further described in the "Responsibilities of the auditor for the audit of the combined financial statements" section of our report. We have complied with all ethical requirements relevant to the audit of combined financial statements in Belgium, including those regarding independence.

We have obtained from the board of directors of Solvay SA ("the board of directors") and the officials of the Reporting Entity the explanations and information necessary for performing our audit.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without modifying our opinion, we draw attention to the sections “Basis of preparation” and “Critical accounting judgments” in the combined financial statements, which describe the definition of the Reporting Entity, the key assumptions underlying the preparation of the Reporting Entity’s combined financial statements and the fact that the Reporting Entity has not existed as a separate group in the periods presented. Consequently, the combined financial statements may not necessarily be indicative of the financial position and results that would have been achieved if the Reporting Entity had operated as a separate group, nor may they be indicative of the financial position and results of the Reporting Entity for any future period.

Other matters

The financial statements for the year ended 31 December 2022 have been audited by EY Bedrijfsrevisoren BV.

Responsibilities of the board of directors for the preparation of the combined financial statements

The board of directors is responsible for the preparation and fair presentation of the combined financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium and for such internal control as the board of directors determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, the board of directors is responsible for assessing the Reporting Entity’s ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Reporting Entity or to cease operations, or has no other realistic alternative but to do so.

Responsibilities of the auditor for the audit of the combined financial statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

During the performance of our audit, we comply with the legal, regulatory and normative framework as applicable to the audit of combined financial statements in Belgium. The scope of the audit does not comprise any assurance regarding the future viability of the Reporting Entity nor regarding the efficiency or effectiveness demonstrated by the board of directors in the way that the Reporting Entity’s business has been conducted or will be conducted.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Reporting Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- conclude on the appropriateness of the use of the going concern basis of accounting by the board of directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Reporting Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Reporting Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the combined financial statements, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Reporting Entity to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the Reporting Entity's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statements regarding independence

Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the group during the performance of our engagement.

Signed at Zaventem.

The auditor

Digitally signed by
Corine Magnin
Signed By: Corine Magnin (Signature)
Signing Time: 13-Jun-2023 | 12:54 CEST
DocuSign
C: BE
Issuer: Citizen CA
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Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises BV/SRL
Represented by Corine Magnin

EY Bedrijfsrevisoren
EY Réviseurs d'Entreprises
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The board of Directors of Solvay SA/NV

Independent auditor's report on the combined financial statements of SpecialtyCo[1] as of and for the year ended 31 December 2022, to be transferred to Specialty Holdco Belgium BV/SRL

Report on the audit of the Combined Financial Statements

Unqualified opinion

In our capacity as statutory auditor of Solvay SA and in accordance with your request in connection with the admission to listing and trading of all the shares of Specialty Holdco Belgium BV/SRL on Euronext Brussels and Paris, we have audited the combined financial statements of SpecialtyCo (or the "Reporting Entity") to be transferred to Specialty Holdco Belgium BV/SRL. The combined financial statements comprise of the combined statement of financial position as at 31 December 2022, the combined income statement, the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the year ended 31 December 2022, and the related notes to the combined financial statements, including a summary of significant accounting policies (the "Combined Financial Statements"), which show a combined balance sheet total of € 13.633 million and of which the combined income statement shows a profit for the year of € 964 million.

In our opinion, the Combined Financial Statements give a true and fair view of the combined net equity and financial position of the Reporting Entity as at 31 December 2022, and of its combined results for the year then ended, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS").

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA's") applicable in Belgium.

In addition, we have applied the ISA's approved by the International Auditing and Assurance Standards Board ("IAASB") that apply at the current year-end date and have not yet been approved at national level. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the Combined Financial Statements" section of our report.

We have complied with all ethical requirements that are relevant to our audit of the Combined Financial Statements in Belgium, including those with respect to independence.

We have obtained from the Board of Directors of Solvay SA (the "Board of Directors") and the officials of the Reporting Entity the explanations and information necessary for the performance of our audit and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without modifying our opinion, we draw attention to the sections "Basis of preparation" and "Critical accounting judgments" in the Combined Financial Statements, which describe the definition of the Reporting Entity, the key assumptions underlying the preparation of the Combined Financial Statements and the fact that the Reporting Entity has not existed as a separate group in the periods presented. Consequently, the Combined Financial Statements may not necessarily be indicative of the financial position and results that would have been achieved if the Reporting Entity had operated as a separate group, nor may they be indicative of the financial position and results of the Reporting Entity for any future period.

[1] SpecialtyCo consists of the combined business units of Solvay SA, as defined in the notes of the Combined Financial Statements that will form part of Specialty Holdco Belgium BV/SRL after completion of the Legal Reorganization and the Partial Demerger.

Other matter

We performed the audit of the Combined Financial Statements for the first time. The Reporting Entity's combined financial statements for the years ended 31 December 2021 and 31 December 2020 were audited by another auditor who expressed an unqualified opinion on these Combined Financial Statements on 13 June 2023.

Responsibilities of the Board of Directors for the preparation of the Combined Financial Statements

The Board of Directors is responsible for the preparation of the Combined Financial Statements that give a true and fair view in accordance with IFRS and with the legal and regulatory requirements applicable in Belgium and for such internal controls relevant to the preparation of the Combined Financial Statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of Combined Financial Statements, the Board of Directors is responsible for assessing the Reporting Entity's ability to continue as a going concern, and provide, if applicable, information on matters impacting going concern, The Board of Directors should prepare the financial statements using the going concern basis of accounting, unless the Board of Directors either intends to liquidate the Reporting Entity or to cease business operations, or has no realistic alternative but to do so.

Our responsibilities for the audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance whether the Combined Financial Statements are free from material misstatement, whether due to fraud or error, and to express an opinion on these Combined Financial Statements based on our audit. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with the ISA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Combined Financial Statements.

As part of an audit in accordance with ISA's, we exercise professional judgment and we maintain professional skepticism throughout the audit. We also perform the following tasks:

- identification and assessment of the risks of material misstatement of the Combined Financial Statements, whether due to fraud or error, the planning and execution of audit procedures to respond to these risks and obtain audit evidence which is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatements resulting from fraud is higher than when such misstatements result from errors, since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining insight in the system of internal controls that are relevant for the audit and with the objective to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Reporting Entity's internal control;
- evaluating the selected and applied accounting policies, and evaluating the reasonability of the accounting estimates and related disclosures made by the Board of Directors as well as the underlying information given by the Board of Directors;
- conclude on the appropriateness of the Board of Directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, whether or not a material uncertainty exists related to events or conditions that may cast significant doubt on the Reporting Entity's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Combined Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Reporting Entity to cease to continue as a going-concern;

- evaluating the overall presentation, structure and content of the Combined Financial Statements, and evaluating whether the Combined Financial Statements reflect a true and fair view of the underlying transactions and events.

We communicate with the Audit Committee within the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the audits of the combined entities. In this respect we have determined the nature and extent of the audit procedures to be carried out for the Reporting Entity.

Independence matters

Our audit firm and our network have not performed any services that are not compatible with the audit of the Combined Financial Statements and have remained independent of the Reporting Entity during the course of our mandate.

Diegem, 13 June 2023

EY Réviseurs d'Entreprises SRL
Statutory Auditor
Represented by

Marie Kaisin *
Partner
* Acting on behalf of an SRL

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