**Solvay SA/NV**

A Belgian *société anonyme* / *naamloze venootschap* with a share capital of EUR 1,588,146,240

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

# INFORMATION DOCUMENT

This Information Document has been prepared on a voluntary basis by Solvay SA/NV, a public limited liability company (*société anonyme / naamloze venootschap*) organized under the laws of Belgium, with a share capital of EUR 1,588,146,240, registered with the Belgian legal entities register (Brussels) under enterprise number 403.091.220 (hereinafter, "**Solvay**") in the context of the separation by Solvay of its Specialty businesses from the Essential Businesses by means of a partial demerger (*scission partielle*) of Solvay effected under Belgian Law (the "**Partial Demerger**"). The purpose of this Information Document is to present Solvay and its activities in the manner they would operate following completion of the Partial Demerger. Throughout this Information Document, for the convenience of the reader, the term "**EssentialCo**" or "**Group**" (unless otherwise stated), refers to Solvay, together with its consolidated subsidiaries and its direct and indirect equity interests, in its expected configuration immediately following the completion of the Partial Demerger, though Solvay's name will not change. The date of this Information Document is June 29, 2023.

This Information Document has not been filed with or approved by the Financial Services and Market Authority or any other securities market or regulatory authority in any jurisdiction. It has been prepared solely for purposes of providing information in connection with the Partial Demerger, under the sole responsibility of Solvay.

## TABLE OF CONTENTS

# 1. RISK FACTORS

*Any investment in EssentialCo's Shares is subject to a number of risks. Prior to making an investment decision, prospective investors and existing Solvay shareholders should carefully consider the risk factors laid out below as well as the other information set out in this Information Document. These risks are, as of the date of this Information Document, those that EssentialCo 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 Information Document to be likely to have a material adverse effect on EssentialCo's business, financial position, results or outlook, may exist or could arise in the future. Shareholders of Solvay 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 EssentialCo businesses described herein (the "**Essential Businesses**") which are, as of the date of this Information Document, and will continue to be, directly owned and operated by Solvay. Information on the manner in which EssentialCo expects to manage the risks presented in this Section 1 is set out in Section 5.12, "Risk management and compliance." Certain terms used in this Section 1 are defined in Section 2, "General Information."*

*The risk factors within each of the risk categories mentioned below considered to be the most significant at the date of this Information 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 EssentialCo.*

## 1.1 Risks related to EssentialCo's markets and competitive position

1.1.1 <u>EssentialCo's ability to meet its cash generation objectives depends to a certain extent on business and economic cycles</u>.

Following the Partial Demerger, EssentialCo's strategy will include focusing on a portfolio of essential chemicals that it believes should benefit from long-term growth trends in line with or above gross domestic product ("**GDP**") growth in its diverse principal markets, which include industrial and chemical applications, automotive, consumer goods and healthcare, agriculture, feed & food, resources and environment, and electronics (*see* Section 5.1.3, "*EssentialCo's strategy – Pursue targeted growth while further strengthening margins*"). The revenues generated from this portfolio will be a principal driver of EssentialCo's cash generation capacity. Because the demand for some of EssentialCo's products could be broadly correlated with GDP growth, its revenues could be adversely affected by economic downturns and business cycle volatility in the main markets that it serves.

As an example, demand for EssentialCo's soda ash products was severely impacted by the global economic slowdown associated with the Covid-19 pandemic. Soda ash demand is driven to a significant extent by demand in the construction and packaging sectors, as soda ash is a significant component in the production of glass. As the global leader in soda ash production, EssentialCo's revenues were impacted by the pandemic-induced slowdown. Moreover, as the production capacity of major soda ash producers was unable to react quickly to a change in demand, the decline in demand led to a situation of significant temporary overcapacity in the market, impacting prices and margins of major producers including EssentialCo. Revenues from Solvay's Soda Ash and Derivatives global business unit declined by 12.7% from 2019 to 2020, and the underlying EBITDA margin of Solvay's Chemicals segment (of which Soda Ash and Derivatives represented 49.2% of 2020 net sales) declined by 70 basis points (-0.7%) from 2019 to 2020 despite the positive impact of cost savings initiatives. While volumes, capacity utilization, pricing and revenues recovered rapidly in 2021 and 2022, the soda ash business may face similar challenges in relation to future downturns in economic cycles.

The same is true in many of EssentialCo's other global business units, with exposure to business and economic cycles generally, or in particular sectors. The Peroxides business unit depends to a large extent on the state of the chemicals and electronics industries, which represent major customer segments for this business. The Special Chem business unit is exposed significantly to the automotive, electronics and chemicals sectors, as well as to general macroeconomic trends in its principal markets. The business of Coatis depends to a significant extent on the automotive, construction and home and personal care sectors in Latin America, where its activities are concentrated. The Silica business unit depends to a large extent on its exposure to the market for replacement tires as well as the rate of automotive production, as its products are used mainly in high performance tires.

As a result of the correlation between EssentialCo's revenues and margins and macroeconomic conditions in its main markets, EssentialCo could be more significantly impacted by future economic downturns, generally or in its principal business sectors, than companies with revenues that exhibit less of a correlation with business and economic cycles. Such downturns could impact EssentialCo's objective to drive strong and resilient cash flow.

1.1.2 EssentialCo may not be able to continue to realize its cost leadership ambitions.

In order to meet its goals of sustainable cash generation and cost competitiveness, EssentialCo must continue to improve its manufacturing processes and achieve cost savings. For example, it is targeting significant annual cost savings through its Star Factory Program, launched in 2021, which includes a ten-year roadmap for each manufacturing site that includes improved maintenance and reliability, decarbonization of production processes, process optimization, sustainable waste minimization initiatives, and digital transformation plans (*see* Section 5.1.3, "*EssentialCo's strategy – Strengthen leadership through continued investment in operational excellence and cost savings*"). However, while EssentialCo has delivered cost savings in areas such as procurement and supply chain management, operational efficiency, energy efficiency and waste reduction, and across production, selling, general and administrative functions, and research & innovation, through Excellence programs, there is no assurance that such cost savings and manufacturing excellence programs will continue to be successful, or that the Star Factory Program will reach the goals set. If EssentialCo is unable to maintain its low-cost curve positioning, its capacity to compete effectively could be adversely affected.

1.1.3 EssentialCo operates in a competitive business environment.

The essential chemicals market is generally highly competitive, consisting of multiple segments featuring evolving applications. In order to succeed and maintain its competitive position, EssentialCo must continue to maintain its cost competitiveness, and continually innovate and adapt its products to meet changing customer requirements and technological developments, and effectively protect its intellectual property (*see* Section 1.5.4, "*EssentialCo may not be able to protect its intellectual property rights*"). Competitive pressure can significantly impact the results of operations and financial condition of EssentialCo. For example, the revenues and EBITDA of Coatis were significantly impacted in 2022 by competition from Chinese companies that offered low priced products in Brazil, as described in Section 7.2, "*Overview of Pro Forma Results of Operations*."

Because many of the businesses in which EssentialCo operates are capital intensive, the development of capacity by competitors with lower cost structures could adversely impact EssentialCo's business and margins. While EssentialCo believes that other competitors with higher cost structures than its own may be more vulnerable to such issues, an increase in low-cost capacity in the market may nonetheless have an adverse impact on its profitability. In addition, EssentialCo may in the future be impacted by actions taken by competitors, including their investments in low-cost capacity in the soda ash business. Such an issue could potentially impact other businesses that are subject to competitive pressures.

EssentialCo competes based on a number of factors that vary by market and geography, including product performance, application knowledge and technical service, reliability of delivery, total cost of ownership, manufacturing process efficiency and vertical integration, resource efficiency, customer service, process efficiency and resiliency. In the building and construction industry, for example, EssentialCo competes to provide essential materials needed to meet increasingly stringent sustainability standards. In the industrial and energy production industries, EssentialCo competes on the development of flue gas treatment solutions to meet the growing demand for air pollution reduction, glass to meet increasing requirements for glass packaging (away from single use plastics) and energy efficiency (such as through double and triple-glazing). Competition in these and other areas, such as the electronics and automotive industries, requires EssentialCo to invest in research and development each year (see Section 5.4, "*Research and innovation*"), as well as competing on the sustainability of each of its manufacturing processes.

If EssentialCo is unable to enhance its essential 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 EssentialCo, EssentialCo's business, financial condition and results of operations could be adversely affected.

1.1.4 EssentialCo may not realize the intended benefits of its investments in areas identified as presenting growth potential.

While EssentialCo's primary focus is on generating strong, resilient cash flow, it has also identified a number of areas with growth potential, in which it intends to make investments (*see* Sections 5.1.3, "*EssentialCo's strategy – Invest in the acceleration of growth in attractive projects*" and 8.3, "*Pro Forma Capital Expenditures*"). Largely with a view to realizing the benefits of this growth potential, EssentialCo expects to incur significant capital expenditures significantly in the coming years.

Prospective investments include an increase in the production of naturally-manufactured sodium carbonate in its Green River facility in the United States, to meet expected increased market demand for soda ash. EssentialCo anticipates that much of this increased demand will come from exports from its U.S. facilities, but if export markets fail to materialize as EssentialCo expects, then its returns from these investments will be lower than anticipated. EssentialCo also expects to invest in the expansion of its three hydrogen peroxide to propylene oxide ("**HPPO**") mega-plants to meet the expected increase in demand for propylene oxide ("**PO**"), a key building block for numerous downstream chemicals. It plans to expand its production of specialty semiconductor-grade hydrogen peroxide ("**e-$H_2O_2$**"), a high growth application, particularly in the United States, Germany, Italy and China, as well as contemplating expanded production of AQ (2-amylanthraquinone), used in the hydrogen peroxide anthraquinone autoxidation production process. In the Silica business unit, EssentialCo plans to invest in developing the use of rice husks in the manufacturing of silica on top of its capacity expansion project in North America.

Despite such investments, there can be no assurance that EssentialCo will be able to develop or maintain competitive advantages in these, or any other, areas. Moreover, if EssentialCo is to realize its growth objectives, the demand for soda ash, PO, e-$H_2O_2$, AQ, bio-circular highly dispersible silica, and other products identified for potential growth must increase, and such opportunities must produce attractive margins. If such demand grows more slowly or less robustly than EssentialCo anticipates, or if margins are lower than anticipated, then EssentialCo may not realize the target returns on its investments or its growth objectives from these investments.

## 1.2 Risks related to EssentialCo and its operations

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

EssentialCo uses energy, raw and intermediate materials for its manufacture of critical chemical and intermediate products (*see* Section 5.7, "*Raw materials*"). It purchases large quantities of natural gas, mineral products (such as sodium silica, potassium hydroxide, and calcium silicate), coal and bio-sourced products (such as ethanol), the supply chains of which expose EssentialCo to multiple potential sources of delivery failure or product shortages. EssentialCo 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 significant disruption in the supply of energy products or raw materials could temporarily disrupt EssentialCo's manufacturing processes.

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 Russia-Ukraine conflict, 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. While EssentialCo has implemented a plan to address potential natural gas 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 EssentialCo to maintain its production at levels sufficient to meet customer demand, or will shelter EssentialCo from the impact of potential energy supply shortages further down its supply chain. In addition, curtailments of natural gas deliveries could impact EssentialCo's ambition to reduce and ultimately eliminate the use of coal to produce energy for its production processes (several of its sites currently rely on coal in whole or in part). If EssentialCo is unable to maintain production levels due to natural gas or energy shortages, its growth and profitability will be negatively impacted.

Furthermore, 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 EssentialCo 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 EssentialCo is unable to obtain adequate and timely deliveries of energy products, raw and intermediate materials, it may be unable to manufacture sufficient quantities of its products in a timely manner. This is especially true for products requiring long lead times or that involve complex manufacturing processes, which could cause EssentialCo 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 EssentialCo's business, financial condition and operating results.

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

EssentialCo purchases significant amounts of energy products for the manufacture of essential chemicals and materials, including in particular significant volumes of natural gas that is used to produce energy. In 2022, natural gas purchases for energy amounted to EUR 1,238 million, or 19% of EssentialCo's total cost of goods sold. 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 again or 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, EssentialCo's cost of goods sold increased by EUR 2,183 million (49%) compared with 2021 (*see* Section 7.4.3.1, "*Pro forma Cost of Goods Sold and Gross Margin*").

While EssentialCo has been able to increase prices for its products in 2022 and early 2023 at a rate that exceeded the rate at which its input prices increased, there can be no assurance that this will either be sustained or repeated in the future. A significant part of the price increases represented energy surcharges, which EssentialCo might not be able to continue to renegotiate year-on-year. EssentialCo also hedges some of its exposure to prices for energy products and other raw materials, but these hedges may not be fully effective and in any event have a limited duration. If EssentialCo 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 EssentialCo may face difficulties resulting from its international operations.

In some of EssentialCo's business lines, maintaining a global presence is essential to its ability to serve its customers and to meet their expectations for reliable, timely product delivery (*see* Section 5.1.2, "*EssentialCo's competitive strengths – Unique and balanced global production and distribution footprint*"). EssentialCo operates and sells to customers in numerous countries around the world, including Europe (33% of 2022 sales), Asia and the Rest of the World (28%), Latin America (21%) and North America (18%). As such, EssentialCo's wide global footprint exposes it to risks relating to global regulatory and safety requirements and navigating foreign government taxes, regulations and requirements, trade restrictions and customs regulations and tariffs.

Further, EssentialCo'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, EssentialCo has been impacted by—and may continue to be impacted by—disruptions in international supply chains. If EssentialCo 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 EssentialCo's business, results of operations and financial condition.

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

As is the case with all companies in the chemicals industry, EssentialCo 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. EssentialCo 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 EssentialCo 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 EssentialCo, it could impact EssentialCo's operations and result in liability for damages, which could materially and adversely impact EssentialCo's results of operations and financial condition to the extent not adequately covered by insurance.

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

Many of EssentialCo'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 which can present risks to the health and safety of workers, neighboring populations and the environment if mishandled. Certain of EssentialCo's facilities are classified as "high" level establishments under the Seveso Regulations (see Section 9.3.1.1, *"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 EssentialCo's customers or business partners (such as transporters or operators of storage facilities), which may seek to shift responsibility to EssentialCo 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 EssentialCo's reputation, and could have a material adverse impact on EssentialCo's results of operations and financial condition.

In addition, EssentialCo's employees and contractors face risks of workplace injury. Such injuries (including diseases) may result from any number of circumstances, including working with dangerous heavy equipment or chemical contact, accidents caused by leaking vessels, pumps or pipes, explosions, falling objects or falls from scaffolding or silos. Further, the health effects of any 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 EssentialCo 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 EssentialCo's reputation, and may have a material adverse effect on its operations and financial performance.

In addition, EssentialCo may be at risk as a result of the exposure of workers to hazardous substances. 28 civil proceedings have been brought before Italian courts by past workers and relatives of deceased workers at EssentialCo sites seeking damages for diseases allegedly caused by exposure to asbestos, with 10 proceedings still pending. While thus far the 18 proceedings that have ended have not resulted in significant damages assessed against EssentialCo, there can be no assurance that this will continue to be the case.

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

EssentialCo relies on information technology networks and systems, some of which are managed by or are accessible to third parties, to process, transmit and store electronic information and otherwise increasingly manage and support its business. EssentialCo 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 5.11, "*Digital and information technology*"). For example, EssentialCo 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 EssentialCo's products are sold (and in local languages).

Any breaches of security in EssentialCo'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 EssentialCo's operations as well as the operations of EssentialCo's customers and suppliers. For example, if the Safety Data Sheet system were to be the subject of a security breach, this could impact EssentialCo's ability to provide information to customers, and to comply with applicable regulations. EssentialCo 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 EssentialCo'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, EssentialCo 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 EssentialCo maintains some insurance coverage against the potential financial impact of a cyberattack, there is no assurance that such coverage will be adequate. If EssentialCo is the subject of a cyberattack that is not adequately covered by insurance, there could be a material adverse effect on EssentialCo's business, operations, result of operations and financial condition, as well as its image with customers.

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

In certain of its contracts with suppliers, EssentialCo 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, EssentialCo agrees to deliver fixed quantities of products within a specific time period. If EssentialCo fails to meet these commitments, it may be required to pay indemnities to its customers or suppliers. While the amount of EssentialCo'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, EssentialCo 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 EssentialCo's commitments can occur due to a sharp drop in demand for EssentialCo's products or a sharp increase in EssentialCo's need for certain supplies to fulfill client contracts. Any failure to meet its supplier and customer commitments could damage EssentialCo's reputation, negatively impact its revenues and profitability, and have a material adverse effect on its business, financial condition and results of operations.

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

EssentialCo'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 EssentialCo currently carries casualty, environmental, property and business interruption insurance policies, these policies contain exclusions and conditions that could limit EssentialCo's ability to receive indemnification thereunder, as well as customary sub-limits for particular types of losses. Furthermore, there may be instances in which EssentialCo 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. EssentialCo expects to continue a similar self-insurance structure adapted to its risks and scale following the Partial Demerger. In addition, EssentialCo has co-created a Mutual of Cyber Insurance (MIRIS) in collaboration with several other groups, which will start providing coverage to its members in 2023.

There can be no guarantee that EssentialCo's insurance coverage will be adequate to cover future claims that may arise, or that it will be able to maintain such insurance coverage. Claims for which EssentialCo is not fully insured, or is not insured at all, may cause significant increases in expenses, and adversely affect EssentialCo'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 EssentialCo 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. EssentialCo's insurance coverage is further described in Section 5.13, "*Insurance*."

1.2.9 EssentialCo is dependent on good relationships with its employees, their trade unions and other employee representative bodies and stakeholders.

EssentialCo is dependent on good relationships with its employees and their representative bodies (it had 9,340 full-time equivalent employees as of December 31, 2022, many of which are represented by trade unions or other worker representative bodies) (see Section 11.1, "*Description of the workforce*"). EssentialCo 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 EssentialCo's workforce. In Europe, EssentialCo'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 EssentialCo 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 EssentialCo'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, EssentialCo'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 EssentialCo to agree to significant concessions, which would increase expenses and negatively affect EssentialCo's results of operations and financial condition.

## 1.3 Risks related to the environment

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

EssentialCo's operations involve the use and sale of hazardous and potentially hazardous substances. These include one substance identified a as substance of very high concern ("**SVHC**") listed in the EU REACH Candidate list and EU REACH Authorization list (*see* Section 9.2.1, "*The European REACH Regulation*"). As a result, EssentialCo 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 emissions. Under these laws, EssentialCo 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 EssentialCo could increase.

In addition, EssentialCo's operations produce waste products (some of which are hazardous). For example, as discussed below in Section 1.3.2 ("*EssentialCo's past and present emittance of limestone at its sites exposes it to liabilities*"), EssentialCo's soda ash production facilities emit limestone powder. In addition, EssentialCo'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 EssentialCo endeavors to ensure such emissions and discharges are in line with allowable environmental permit limits, if this is not the case EssentialCo could be subject to penalties. EssentialCo could be liable under environmental laws for any required cleanup of sites at which its waste is disposed. Any such liability could have a material adverse impact on EssentialCo's results of operations or financial condition, and any action against EssentialCo for its emissions or discharges could negatively affect its reputation.

1.3.2 <u>EssentialCo's past and present emittance of limestone at its sites exposes it to liabilities</u>.

Soda ash producers, such as EssentialCo, emit limestone as a result of the soda ash manufacturing process. In some cases, the manufacturing process includes the extraction of limestone from a quarry, which is then released in the environment as a sludge composed of water and limestone residues, which can contain traces of naturally-occurring heavy metals. These emissions are subject to EU and other regulations, and are in some cases monitored by competent environmental agencies. While EssentialCo holds operating permits and is investing in new technologies and process solutions to address these emissions, if such discharge of limestone is not properly handled, EssentialCo may face regulatory proceedings, fines and inquiries. Liability may arise from claims alleging natural resource damage or excessive accumulation of limestone in the environment, and could lead to EssentialCo incurring liability for damages or other costs in the context of civil or criminal proceedings, the imposition of fines and penalties, or other remedies, as well as restrictions on or added costs for EssentialCo's business operations going forward, including in the form of restrictions on discharges at EssentialCo's manufacturing facilities or otherwise. Further, if EssentialCo's operating permits were to be revoked, annulled or not renewed, its business operations could be negatively impacted. For example, EssentialCo is currently facing a challenge to its operating permit for Rosignano, renewed by the Italian Ministry of Ecological Transition from January 2022 until January 2024, by a number of parties before the Tuscany Administrative Court of first instance.

In addition, if EssentialCo were to be held responsible for damages or penalties relating to limestone residue discharge in any such litigation or proceedings, its results of operations, financial condition, image and reputation could be materially adversely affected.

1.3.3 EssentialCo 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 EssentialCo. 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, EssentialCo had provisions for environmental remediation expenses of EUR 432 million (*see* Section 8.6, "*Pro Forma Provisions for Employee Benefits and Environmental Remediation*"). 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. In addition, EssentialCo has disclosed contingent liabilities of EUR 303 million 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 or not possible to measure the amount of the obligations with sufficient reliability (*see* Section 8.7, "*Pro Forma Contingencies and Off-Balance Sheet Commitments*"). EssentialCo's actual liabilities could exceed the amount of recorded provisions and contingent liabilities. In that case, EssentialCo's results of operations and financial condition could be negatively impacted.

1.3.4 EssentialCo'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, EssentialCo'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. EssentialCo may incur expenses or delays relating to the impact of such 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 EssentialCo 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 it plans to reach carbon neutrality on scope 1 and 2 emissions before 2050. It has also announced plans to phase out coal usage in energy production by 2030. EssentialCo may announce additional objectives relating to climate change and environmental sustainability in the future.

To achieve its targets, EssentialCo has invested, and will continue to invest, in transforming its energy mix and investing in cleaner processes and technologies such as renewable energy. In addition to the capital investments involved, such transformation may have a substantial impact on operations or require EssentialCo to re-qualify its products with certain suppliers. If EssentialCo is unable to recover these costs plus a reasonable return, its results of operations, profitability 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 EssentialCo'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 EssentialCo's credit ratings could negatively impact its access to the debt markets.

The availability and cost of financing from the credit and capital markets will be dependent on EssentialCo's credit ratings. The level and quality of EssentialCo's earnings, operations, business profile and management, among other things, will impact their determination. While EssentialCo'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 EssentialCo by the rating agencies may negatively impact EssentialCo's access to the debt markets and increase its cost of borrowing. In addition, a decrease in ratings may require EssentialCo to include restrictive covenants in its future bond debt instruments (it does not have restrictive covenants in its existing bond debt instruments). *See* Section 8, "*Capital Resources*." Any actual or anticipated changes or downgrades in any credit ratings assigned to EssentialCo may have a negative impact on its liquidity and capital position.

1.4.2 EssentialCo has significant liabilities under its pension plans.

EssentialCo has defined benefit pension plans in a number of countries, the most significant of which are the United Kingdom, the United States, and Germany. Some of its pension obligations are unfunded. As of December 31, 2022, EssentialCo had EUR 718 million of pro forma provisions for employee benefit liabilities. Changes, especially in interest rates, but also in mortality rates and rates of salary increases, as well as foreign exchange rate fluctuations, can alter the present value of such pension obligations or the market value of the assets held with a view to funding such obligations. Such changes directly impact EssentialCo's equity and can therefore affect its capital structure. In addition, changes in government regulation could require funding of pension liabilities that are currently unfunded or could create new pension liabilities. The realization of these risks could have an adverse effect on EssentialCo's earnings and financial condition.

1.4.3 EssentialCo is subject to fluctuations in currency exchange rates.

EssentialCo 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 Europe, which accounted for 33% of 2022 net sales, Asia and the rest of the world 28%, Latin America 21% and North America 18%.

EssentialCo is subject to translation risk, which is the risk of variation in EssentialCo'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 EssentialCo's reported revenues and results of operations. For example, 19.2% of the increase in EssentialCo's net sales in 2022 compared with 2021 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).

EssentialCo is also subject to transactional risk, which is the exchange risk linked to a specific transaction, such as an EssentialCo subsidiary purchasing or selling in a currency other than its functional currency. In particular, the prices received by subsidiaries that sell products in currencies other than their functional currencies can be impacted by exchange rate fluctuations, which are not reflected in the figures in the preceding paragraph, which relate solely to the impact of converting the revenues of such subsidiaries from their functional currencies to euros. While EssentialCo seeks to hedge its foreign exchange exposure, its hedging strategy may not be fully effective to address this risk.

1.4.4 EssentialCo may be subject to risks related to carbon pricing.

Certain of EssentialCo'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, EssentialCo 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 EssentialCo 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 EssentialCo 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 EssentialCo faces risks related to product liability.

EssentialCo faces risks relating to claims that its products or manufacturing processes may cause injury to third parties, including property damage and personal injury. While EssentialCo generally does not sell products directly to consumers, many of EssentialCo's products are used in products sold to consumers or otherwise used by individuals, such as glass packaging, construction materials, coatings and automobile tires. 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 EssentialCo'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.

EssentialCo 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. EssentialCo must incur significant expense to monitor product quality, ensure 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 EssentialCo does not control the production of such documentation, which is the responsibility of EssentialCo's customer that incorporates EssentialCo'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, EssentialCo could incur significant costs and diversion of its resources and its management's attention. EssentialCo 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 EssentialCo's reputation, business, financial condition and results of operations.

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

Because it operates in many jurisdictions in Europe, the Asia-Pacific area, North America and Latin America, EssentialCo 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 EssentialCo 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 EssentialCo fails to comply with these laws, it could be subject to civil or criminal penalties or sanctions, which could have an adverse effect on EssentialCo's business, results of operations, cash flows and financial condition.

1.5.3 EssentialCo must comply with complex international tax regimes that are subject to change.

EssentialCo determines the amount of taxes it is required to pay in jurisdictions in Europe, the Asia-Pacific area, North America and Latin America based on its interpretation of applicable treaties, laws and regulations. Given the complexity and international nature of its supply chains, EssentialCo may be particularly at risk for tax claims relating to issues inherent in international operations, such as transfer pricing, VAT and customs duties. EssentialCo relies on the advice of tax advisors in the jurisdictions where it operates and, where appropriate, on interpretative positions taken by competent tax authorities with which EssentialCo or its advisors interact. However, based on its international activity, EssentialCo is subject to complex and evolving tax legislation that may be subject to different interpretations in the various countries in which it operates. EssentialCo 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 EssentialCo could increase. This could impact EssentialCo's business, financial condition and results of operations.

1.5.4 EssentialCo may not be able to protect its intellectual property rights.

To be successful, EssentialCo 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. EssentialCo holds 2,300 patent titles as part of 400 patent families—each family relating to a specific invention—across 88 countries and jurisdictions, as described in Section 5.5, "*Intellectual property, patents and licenses*." By business unit, the most significant patent protection footprints are associated with Special Chem, which holds about 170 patent families, Soda Ash & Derivatives, which holds about 90 patent families, and Silica, which holds about 70 patent families. While EssentialCo is not dependent on any individual patents, its patent portfolio overall is material to the success of its 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 EssentialCo's intellectual property rights are not patentable, including know-how and a broad variety of processes used in EssentialCo'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 EssentialCo 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 EssentialCo's intellectual property or proprietary rights, protect its trade secrets or determine the validity and scope of proprietary rights claimed by others. For example, EssentialCo is in the process of defending its patent regarding the trona-based soda ash manufacturing process from alleged infringements, in an action before the Intellectual Property Chamber of the Hague District Court in the Netherlands. EssentialCo may also be exposed to patent and intellectual property litigation from parties claiming infringement, which could result in significant expense. Any litigation, whether or not resolved in EssentialCo's favor, could result in significant expense to EssentialCo, divert the efforts of its technical and management personnel and result in counterclaims with respect to infringement of intellectual property rights by EssentialCo. If EssentialCo 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 EssentialCo'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 the Company's Shares may have disproportionate influence or, in some cases, have the power to adopt decisions.

Each share of the Company 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 the Company'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, a company incorporated in Belgium and listed on Euronext Brussels, and which currently holds shares representing approximately 31.36% of Solvay's voting rights will continue to be the largest shareholder of EssentialCo.

### 1.7 Risks related to SpecialtyCo's separation from EssentialCo

1.7.1 The Partial Demerger may result in a loss of business opportunities and decreased purchasing power and result in a loss of synergies.

Before the Partial Demerger, EssentialCo's businesses benefited from Solvay'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. EssentialCo may incur higher costs due to a decline in purchasing scale if EssentialCo is unable to continue to obtain the same or similar terms as prior to the Partial Demerger, or to obtain other goods, services and technologies at prices or on terms as favorable as those obtained prior to the Partial Demerger.

1.7.2 EssentialCo's historical and pro forma financial information is 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 consolidated financial statements of Solvay incorporated by reference in this Information Document reflect the results of operations and financial condition of the entire Solvay Group, which will no longer exist in its historical configuration once the Partial Demerger is completed. Accordingly, those consolidated financial statements do not reflect what EssentialCo's net assets, financial position, results of operations, capital structure and cash flows would have been had EssentialCo operated as an independent stand-alone company during the periods presented.

This Information Document includes certain Unaudited Pro Forma Financial Information, which is intended to illustrate the impact of the Partial Demerger on Solvay's consolidated financial information as of and for the years ended December 31, 2022, 2021 and 2020 as if the Partial Demerger had occurred on January 1, 2020 (for purposes of the income statement) or on December 31, 2022 (for purposes of the statement financial position). Adjustments and assumptions have been made after giving effect to the Partial Demerger that EssentialCo believes are reasonable. However, this Unaudited Pro Forma Financial Information has been presented solely for purposes of illustration, and is not necessarily indicative of the results that would have actually been achieved or the financial position that would actually have resulted if the Partial Demerger had been completed on the respective dates set forth above, or indicative of the results that may be achieved in the future. In particular, the Unaudited Pro Forma Financial Information does not give effect to a number of changes that are expected to occur in connection with the Partial Demerger transaction, including changes to EssentialCo's management and governance structures (which will impact costs), or the impact of transactions intended to transform EssentialCo's capital and financial structure in the manner described in Section 8.8, "*Target Capital Structure*."

As a result, EssentialCo's results of operations and financial condition after the Partial Demerger may materially differ from those described in the Unaudited Pro Forma Financial Information. Investors should not place undue reliance on them, as they are provided for informational purposes only and are hypothetical in nature.

1.7.3 <u>EssentialCo will be required to provide certain transition services to SpecialtyCo after the Partial Demerger</u>.

After the Partial Demerger, EssentialCo will provide certain administrative and support services (including sharing of IT systems and infrastructure) to SpecialtyCo under the Transition Services Agreement, which may place a burden on EssentialCo as it seeks to transform those functions for its own account, including the requirement to perform internal controls over financial reporting for services provided to SpecialtyCo. The fees payable to EssentialCo have been determined internally within the Solvay Group, and have not been the subject of independent bids, and they may not provide a commercially attractive or sufficient margin in relation to the costs or the risks associated with EssentialCo providing such services. At the expiration of the Transition Services Agreement (which will have a duration of 24 months) EssentialCo may incur significant restructuring costs resulting from the termination or reduction of functions put in place to provide the relevant services to SpecialtyCo, although SpecialtyCo is expected to bear all or most of these costs. Nonetheless, the transition could result in significant disruption to processes and operations (particularly with respect to IT infrastructure and systems), and EssentialCo could incur significant costs in connection with the transition, some of which might not be covered by SpecialtyCo. While the Transition Services Agreement is expected to include limitations on EssentialCo's liability for any failure to perform its obligations, EssentialCo may nonetheless have liability up to those limits, and it also may incur liability to third parties if the relevant services are not properly performed. *See* Section 6.5, "*Agreements between EssentialCo and SpecialtyCo relating to the Partial Demerger*."

1.7.4 <u>EssentialCo may not be able to retain key senior managers and employees following the Partial Demerger.</u>

After the Partial Demerger, EssentialCo may need to amend its management and governance structures compared to those it has historically maintained as Solvay. Certain members of its management may transfer to SpecialtyCo or choose not to remain with either SpecialtyCo or EssentialCo. The process of putting in place new management and governance structures may be time consuming and expensive, and may lead to a reduction in employee morale due to the uncertainty of future roles within EssentialCo, resulting in the departure of key personnel. EssentialCo also might not be able to attract in a timely manner (internally or externally), or successfully retain, qualified executives or other personnel for other key leadership or organizational roles, and might not be effective at transferring knowledge to newly hired employees from members of the Solvay leadership teams who transfer to SpecialtyCo or who depart. Any failure or significant delay by EssentialCo in putting in place effective management and governance could negatively impact its financial performance or restrict it from executing its business strategy, which could negatively affect its business, cash flows, and its ability to generate attractive margins and cash flow.

In addition, many of the products EssentialCo 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 EssentialCo is not successful in managing these risks, its business, financial condition and operating results may be harmed.

1.7.5 If EssentialCo fails to maintain an effective system of internal control over financial reporting, it may not be able to accurately report its financial results or to prevent fraud.

Following the Partial Demerger, EssentialCo must 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. 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 to maintain adequate internal controls or to be able to produce accurate financial statements on a timely basis could increase EssentialCo'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 EssentialCo 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 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 6.4.8, "*U.S. tax ruling and related restrictions on EssentialCo*"), 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, EssentialCo and SpecialtyCo 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 EssentialCo and SpecialtyCo will be required to indemnify the other party against costs arising from certain U.S. federal income tax consequences that may arise if EssentialCo or SpecialtyCo, as applicable, fails to comply with the restrictions set forth therein.

These restrictions may limit EssentialCo'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, EssentialCo may be required to indemnify SpecialtyCo for certain adverse U.S. federal income tax consequences, including as a result of taking one of the actions listed above.

## 2. GENERAL INFORMATION

*Solvay is referred to as the "**Company**" or as "**Solvay**" in this Information Document.*

*The term "**Solvay Group**", as used herein, refers to Solvay, together with its consolidated subsidiaries and its direct and indirect equity interests.*

*The term "**EssentialCo**" or "**Group**", as well as referring to Solvay, together with its consolidated subsidiaries and its direct and indirect equity interests, in its expected configuration immediately following the completion of the Partial Demerger, is also used herein to refer to historical activities prior to completion of the Partial Demerger, to the business units of Solvay that will form part of EssentialCo after completion of the Legal Reorganization and the Partial Demerger, as described in Section 6. The Company's name will remain "Solvay" and will not change following the Partial Demerger.*

*This Information Document describes the Group as it will exist after (i) the completion of the reorganization transactions described in Section 6, "Legal Reorganization and Partial Demerger," of this Information Document, which will take effect between the date of this Information Document and the Effective Time; (ii) the completion of the Partial Demerger; and (iii) the entry into force of amendments to Solvay's Articles of Association.*

*As noted above, for the ease of reference and convenience of the reader, this Information Document refers to historical activities as having been conducted by "EssentialCo" when they in fact were conducted in the business units of Solvay that will not be transferred to SpecialtyCo and thus will form part of EssentialCo after completion of the Legal Reorganization and the Partial Demerger, as described in Section 6.*

***Information on the Market and Competitive Environment***

*This Information 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 "Third-party information" in Section 2, "General Information," of this Information Document) and from professional organizations or from data published by competitors, suppliers and customers of the Group. Some information contained in this Information 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 units 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.*

***Rounding***

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

***Forward-Looking Statements***

*This Information 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 Information 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 Information 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 Information 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 Information Document is based.*

***Risk Factors***

*Investors should carefully consider the risk factors set forth in Section 1, "Risk Factors" of this Information 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. This Information 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 Information Document may also have a material adverse effect on the Group if they materialize.*

***Presentation of Financial Information***

*Historical Solvay Financial Information*

*The historical financial information of Solvay presented in this Information Document has been derived from Solvay's audited consolidated financial statements, which were 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, together with the statutory auditors' reports thereon. Such audited consolidated financial statements are included in Solvay's Annual Integrated Reports for the years ended December 31, 2022, December 31, 2021 and December 31, 2020, which are available on the website of Solvay at www.solvay.com/en/investors/annual-reports.*

*Unaudited Pro Forma Financial Information*

*This Information Document also includes certain Unaudited Pro Forma financial information, presented in Annex I of this Information Document, together with the statutory auditor's compilation report thereon prepared in accordance with the international standard on assurance engagements ("**ISAE 3420**"), which is intended to illustrate the impact of the Partial Demerger on Solvay's consolidated financial information as of and for the years ended December 31, 2022, December 31, 2021 and December 31, 2020 as if the Partial Demerger had taken place on December 31, 2022 (for purposes of the Unaudited Pro Forma statement of financial position) or on January 1, 2020 (for purposes of the Unaudited Pro Forma income statement), and certain related information on a pro forma basis (the "**Unaudited Pro Forma Financial Information**").*

*The Unaudited Pro Forma Financial Information is based upon available information and assumptions that Solvay believes are reasonable but has been presented solely for purposes of illustration. The*

*Unaudited Pro Forma Financial Information is not necessarily indicative of the results that would have actually been achieved or the financial position that would actually have resulted if the Partial Demerger had been completed on January 1, 2020 (with respect to the Unaudited Pro Forma income statement) or on December 31, 2022 (with respect to the Unaudited Pro Forma statement of financial position), or indicative of the results that may be achieved in the future. The Unaudited Pro Forma Financial Information is provided for informational purposes only and are hypothetical in nature.*

*Non-IFRS Financial Measures*

*This Information Document also includes certain measures of the Group's performance that are not required by, nor are presented in accordance with, IFRS, including (as defined in Section 7.3, "Alternative Performance Measures") EBITDA, Underlying EBITDA, EBIT and Underlying EBIT (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 7, "Operating and Financial Review," and Section 8, "Capital Resources," of this Information Document for a discussion of these financial measures and certain reconciliations to comparable IFRS measures.*

***Information Incorporated by Reference***

*The historical financial information of Solvay used in this Information Document only comprises information derived from Solvay's consolidated financial statements as of and for the years ended December 31, 2022, December 31, 2021 and December 31, 2020 and the statutory auditors' reports thereon, which have been incorporated by reference herein.*

*The information so incorporated by reference herein forms an integral part of this Information Document, save that any statement contained in a document that is incorporated by reference herein, is modified or superseded for the purpose of this Information Document to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute part of this Information Document.*

*The cross-reference table below sets out the pages of the Company's relevant documents which are incorporated by reference in this Information Document:*

| *Information Incorporated by Reference* | *Document / Page* |
|---|---|
| *Consolidated financial statements of Solvay as of and for the year ended December 31, 2022* | *Solvay's Annual Integrated Report for the year ended December 31, 2022, pp. 260-374* |
| *Statutory auditor's report on the consolidated financial statements of Solvay as of and for the year ended December 31, 2022* | *Solvay's Annual Integrated Report for the year ended December 31, 2022, pp. 378-383* |
| *Consolidated financial statements of Solvay as of and for the year ended December 31, 2021* | *Solvay's Annual Integrated Report for the year ended December 31, 2021, pp. 213-319* |
| *Statutory auditor's report on the consolidated financial statements of Solvay as of and for the year ended December 31, 2021* | *Solvay's Annual Integrated Report for the year ended December 31, 2021, pp. 332-338* |
| *Consolidated financial statements of Solvay as of and for the year ended December 31, 2020* | *Solvay's Annual Integrated Report for the year ended December 31, 2020, pp. 164-271* |
| *Statutory auditor's report on the consolidated financial statements of Solvay as of and for the year ended December 31, 2020* | *Solvay's Annual Integrated Report for the year ended December 31, 2020, pp. 283-289* |

*The documents incorporated by reference are available on the website of the Company:*

- *with respect to Solvay's Annual Integrated Report for the year ended December 31, 2022, on: www.solvay.com/sites/g/files/srpend221/files/2023-04/Solvay-2022-annual-Integrated-Report.pdf;*

- *with respect to Solvay's Annual Integrated Report for the year ended December 31, 2021, on: www.solvay.com/sites/g/files/srpend221/files/2022-04/Solvay%202021%20Annual%20Integrated%20Report.pdf;*

- *with respect to Solvay's Annual Integrated Report for the year ended December 31, 2020, on: www.solvay.com/sites/g/files/srpend221/files/2021-07/210525%20SOLVAY%20-%20MANAGEMENT%20REPORT%202019_UK_web.pdf.*

*The portions of Solvay's Annual Integrated Reports not specifically referenced above are not incorporated by reference herein, and do not form part of this Information Document. Investors should be aware that that certain information, including in particular forward-looking information, contained in Solvay's Annual Integrated Reports are not pertinent for the EssentialCo scope, and many objectives for EssentialCo are likely to be substantially different from those of Solvay as a whole.*

***Other Available Information***

*Solvay 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. A copy of the most recent restated Articles of Association, the reports of the Board of Directors and the minutes of the shareholders' meeting are also available on the Group's website (www.solvay.com).*

*In accordance with Belgian Law, Solvay must prepare annual audited and consolidated financial statements. All individual financial statements, together with the reports of the Board of Directors 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, Solvay will publish an annual financial report (including its financial statements and the reports* *of the Board of Directors 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 Solvay's website (www.solvay.com).*

*Solvay 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 Solvay's website, press releases and the communication channels of Euronext Brussels and Euronext Paris.*

***Availability of this Information Document***

*An electronic version of this Information Document is available on the website of the Group (www.solvay.com). The posting of this Information Document on the internet does not constitute an offer to sell or a solicitation of an offer to buy any of the Shares or shares of SpecialtyCo 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 Information Document.*

***Websites and Hyperlinks***

*References to any website or the content of any hyperlink contained in this Information Document do not form a part of this Information Document.*

***Glossary***

*A glossary providing the definitions of the main technical terms and financial aggregates used herein is provided in Section 16, "Glossary."*

***Third-party information***

*This Information 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 of analyses conducted using different methods would lead to the same results.*

## 3. PERSONS RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS

### 3.1 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 Solvay on May 10, 2022 for a term of three years ending at the ordinary shareholders' meeting of 2025 to be convened to approve the Group's financial statements for the year ending December 31, 2024.

The consolidated financial statements of Solvay 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.

The Unaudited Pro Forma Financial Information has been prepared to comply with the Prospectus Delegated Regulation, except for Item 2.2 of Annex 20 thereof (as 3 years of Unaudited Pro Forma Financial Information has been presented), and for no other purposes. Subject to the foregoing, the Unaudited Pro Forma Financial Information has been prepared in accordance with the principles described in the Prospectus Delegated Regulation and the related guidance issued by ESMA. The Unaudited Pro Forma Financial Information has not been prepared in accordance with the requirements of the U.S. Securities and Exchange Commission or practices generally accepted in the U.S.

The compilation of the Unaudited Pro Forma Financial Information has been subject to a reasonable assurance engagement by EY, which has provided a reasonable assurance report on the Unaudited Pro Forma Financial Statements prepared in accordance with ISAE 3420.

### 3.2 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, appointed at the annual general meeting of the shareholders of Solvay held on May 14, 2019. On May 10, 2022, the annual general meeting of the shareholders of Solvay decided not to renew the mandate of Deloitte and to appoint EY, represented by Marie Kaisin.

The consolidated financial statements of Solvay 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.

# 4. INFORMATION ON ESSENTIALCO AND THE GROUP

## 4.1 Company name

The legal name of the Company is Solvay.

## 4.2 Registration location and number

The Company is registered with the Belgian legal entities register (Brussels) under enterprise number 403.091.220.

The Legal Entity Identifier ("**LEI**") code of the Company is 549300MMVL80RTBP3O28.

## 4.3 Date of incorporation and term of EssentialCo

The Company was incorporated in Belgium on December 26, 1863.

The financial year begins on January 1$^{st}$ and closes on December 31$^{st}$ of each year.

## 4.4 Additional information of EssentialCo

The Company's headquarters are located at its registered office at Rue de Ransbeek/Ransbeekstraat 310, 1120 Brussels, Belgium. The Company's website is www.solvay.com.

The legal form of the Company is a limited liability company (*société anonyme/naamloze vennootschap*), governed by Belgian Law.

## 5. BUSINESS OVERVIEW

*For the ease of reference and convenience of the reader, this Section 5 refers to historical activities as having been conducted by "EssentialCo" when they in fact were conducted in the business units of Solvay that will form part of EssentialCo after completion of the Legal Reorganization and the Partial Demerger, as described in Section 6.*

*Unless otherwise indicated, statements in this Section 5 relating to EssentialCo'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 5.6, "Competition and market positions."*

### 5.1 General overview

EssentialCo is a global leader in the production and sale of soda ash, sodium bicarbonate, hydrogen peroxide, silica and a range of other critical chemical materials and intermediates. EssentialCo's products are critical inputs for a broad range of consumer and industrial products, including glass, food ingredients, water softeners, and high-performance tires. EssentialCo combines strong global leadership market positions and leading process technology to deliver consistent reliability as a critical supplier to a broad and diversified set of global customers. EssentialCo's principal ambitions are to maximize cash generation, deliver consistent sales growth and profitability, and accelerate its sustainability roadmap towards decarbonization.

In the year ended December 31, 2022, EssentialCo had pro forma net sales of EUR 5,558 million, Underlying EBITDA[1] of EUR 1,257 million, and an Underlying EBITDA margin of 22.6%. Based on 2022 figures, EssentialCo's net sales were made to customers in the following end-markets: 21% in industrial and chemical applications, 18% in automotive, 18% in consumer goods and healthcare, 10% in resources and environment, 16% in agriculture, feed & food, 12% in other end-markets, and 5% in electronics. EssentialCo has balanced exposure to both mature and emerging markets: Europe accounted for 33% of 2022 net sales, Asia and the rest of the world 28%, Latin America 21% and North America 18%.

Headquartered in Brussels, Belgium, EssentialCo has 9,340 full-time equivalent employees as of December 31, 2022. It has a well-balanced global industrial footprint with 42 industrial sites, seven major R&I sites, and an industrial presence in 20 countries across Europe, North America, Asia and the rest of the world, providing it with a critical global reach and logistics network.

#### 5.1.1 Overview of EssentialCo's business

EssentialCo provides critical chemical products and intermediates to customers in a broad range of consumer and industrial end-markets. Its diversified portfolio of chemical materials and intermediates is of fundamental importance to its customers—making EssentialCo an essential supplier benefiting from multiple decades as a global and regional market leader. EssentialCo benefits from long-term growth trends in line with GDP growth in its principal markets, and strong tailwinds from sustainable megatrends. Its time-tested competitive advantages include its customer-proximate regional locations, world-class scale, and advantageous cost curve positioning, due to vertical integration in its main businesses, process technology and product know-how.

EssentialCo's industry-leading businesses are operated through five global business units: Soda Ash and Derivatives, Peroxides, Silica, Special Chem and Coatis. EssentialCo also has an energy business consisting primarily of sales of excess energy from facilities it operates to serve its global business units, with revenue recorded as sales from non-core activities, and excluded from net sales. It also

[1] Underlying EBITDA is an Alternative Performance Measure defined in Section 7, "*Operating and Financial Review*."

records revenues and expenses from Corporate and Business Services, representing mainly administrative and management functions.

5.1.1.1 *Soda Ash and Derivatives (2022 net sales of EUR 2,223 million, 40% of total combined net sales)*

The Soda Ash and Derivatives business unit is the global leader in the production of soda ash (sodium carbonate) and sodium bicarbonate, excluding China. EssentialCo has built its leading position in soda ash through decades of innovation in process technology and benefits from its strategic global footprint, competitive cost position, and a history of delivering reliable security of supply to its customers.

Soda ash is an essential flux agent used in the production of glass, lowering the melting temperature of silica and delivering a sustainability benefit by reducing energy consumption. Approximately half of EssentialCo's sales of soda ash is for the manufacture of glass used in the building and construction and packaging end-markets. Soda ash is also used as a water softener in detergents due to its high alkalinity and surfactant qualities, and is a key additive in chemical and metallurgical applications due to its ability to control pH levels (such as in the desulfurization of pig iron, in mineral extraction, and in the production of lithium carbonate).

EssentialCo produces soda ash through both natural trona-based and synthetic processes, in some of the most cost-efficient, vertically-integrated production facilities in the world. Synthetic soda ash is produced through a limestone-based manufacturing process first invented by Solvay more than 160 years ago, which has been further developed and optimized with years of process innovation and know-how that enables global cost leadership. Natural trona-based soda ash is produced by the refinement of natural trona (sesquicarbonate), which is inherently cost-effective but limited to locations where trona mineral deposits can be found. By offering both natural and synthetic processes, EssentialCo provides security of supply through a global network of regional manufacturing hubs, while maintaining a focus on reducing carbon intensity in manufacturing.

Sodium bicarbonate is a biodegradable product derived from the soda ash manufacturing process. It is used as a flue gas treatment to reduce air pollution, meeting accelerating market demand for emission control solutions. It can also be applied in pharmaceuticals as an active pharmaceutical ingredient ("**API**") (such as in hemodialysis tablets) and added to animal feed diets as a buffer to help alkalize animals' digestive systems, or used in both industrial and at-home cooking as a raising agent. In addition, sodium bicarbonate stabilizes pH levels in fluid solutions, a property that makes it effective in a broad range of applications, such as reducing pipeline corrosion.

5.1.1.2 *Peroxides (2022 net sales of EUR 787 million, 14% of total combined net sales)*

EssentialCo is the industry leader for the production of hydrogen peroxide ("**$H_2O_2$**"), a chemical product used as an oxidizer, bleaching agent, and sterilization agent, usually in commercial grade, higher concentrations for industrial applications, including the production of strategically important chemicals, and diluted more strongly by water for consumer use.

EssentialCo's hydrogen peroxides have broad and diverse applications. It is a leader in the supply of hydrogen peroxide for the HPPO process, with three world-class HPPO mega plants in Belgium, Saudi Arabia and Thailand constructed and operated through co-investments with blue chip chemical companies that are also its customers. Propylene Oxide is a precursor for the manufacture of chemicals like polyurethane (used in foams for car seats, interiors, mattresses, and furniture). EssentialCo's hydrogen peroxides are also used as a biodegradable bleaching agent in consumer markets such as in the production of paper, tissues, and diapers. In addition, EssentialCo's e-$H_2O_2$ is used as a process aid chemical for high-purity cleaning and etching in the production of semiconductor chips for the electronics sector, which is a fast-growing market in Asia, the United States and Europe. In the chemical sector, they are used as catalysts for sustainable oxidation routes used by chemical producers, creating safer and more environmentally friendly materials.

EssentialCo's Peroxides business unit also produces peracetic acid, a powerful and sustainable biocide that is used in water disinfection and sterilization for oral care, aseptic packaging and food safety.

5.1.1.3 *Silica (2022 net sales of EUR 631 million, 11% of total combined net sales)*

EssentialCo is an industry leader in highly dispersible silica, a form of precipitated silica which is a mineral material obtained from quartz sand and soda ash, invented by EssentialCo in the early 1990s. Its highly dispersible silica products are reinforcement ingredients used in fuel efficient and high-performance tires' formulations. They are a key lever to increase the longevity of tires (increased mileage) and lower rolling resistance to reduce $CO_2$ emissions. Adding highly dispersible silica also enables manufacturers to improve safety by increasing tire traction on icy, snowy, and wet roads. Other applications for silica also include oral care, food, feed and as a battery separator. EssentialCo has also developed and is investing in a facility producing bio-circular silica (from rice husk) based on proprietary process technology in Livorno, Italy.

5.1.1.4 *Special Chem (2022 net sales of EUR 1,043 million, 19% of total combined net sales)*

The Special Chem business unit offers fluorine chemicals, rare earth additives and inorganic formulations that serve customers in the automotive, electronics, agriculture and insulation end-markets. EssentialCo is the industry leader in rare earths for catalysts used to reduce automotive emissions, and in aluminum brazing materials for heat exchanger system applications such as radiators, condensers, evaporators and heaters. It is also developing technology to separate rare earths elements to be used in the production of permanent magnets, which are essential components in traction motors for the automotive sector, such as through the opening of a one-of-a-kind pilot research unit in La Rochelle, France. Rare earth magnets are strong permanent magnets made from alloys of rare earth elements, producing significantly stronger magnetic fields than other types of magnets. Rare earth permanent magnets are also used in the generation motors of wind turbines and many other magnetic applications in the electronics market. In other sectors, Special Chem products are used in cleaning and polishing materials for semiconductors and emerging technologies such as solid oxide fuel cells.

5.1.1.5 *Coatis (2022 net sales of EUR 870 million, 16% of total combined net sales)*

The Coatis business unit provides specialty solvents, phenols and derivatives, polyamide intermediates and polymers, and smart, functional and sustainable yarn, primarily for the Latin American market. Its products serve end-markets such as home and personal care, automotive, and architectural paints and industrial coatings. EssentialCo is the Latin American market leader for phenol and derivatives which are used as intermediates in the production of synthetic resins employed in foundries, construction and abrasives.

5.1.2 EssentialCo's competitive strengths

EssentialCo's ambition is to maximize cash generation, deliver consistent sales growth and profitability, and accelerate its sustainability roadmap towards decarbonization. It benefits from a strong competitive position due to its broad and diversified portfolio of chemical products and intermediates, market and technology leadership, positioning on attractive and resilient end-markets, leading process technology and low-cost structure, and a well-balanced geographical footprint of both global and regional manufacturing sites.

- Track record of stable growth with top-quartile EBITDA margins and resilient cash flow

  EssentialCo is positioned on highly cash generative businesses, delivering reliable levels of profitability and resiliency. From 2018 to 2022, EssentialCo's EBITDA has grown on average at an annual rate of more than 8%, with industry-leading historical EBITDA margin levels maintained in 2020, despite absolute levels of EBITDA being negatively impacted by the pandemic. Further, despite variations from one global business unit to another in the highly volatile conditions of the last few years, EssentialCo has delivered a track-record of overall resiliency over economic cycles and lower overall EBITDA volatility compared to its peers (it is in the first quartile in terms of EBITDA volatility with a variation over 2016 to 2021 among the lowest of 24 industry peers, based on a comparison of the Underlying EBITDA of the global business units comprising EssentialCo with similar measures published by peers).

EssentialCo believes that this track-record is a result of EssentialCo's competitive cost curve positioning, scale advantage, and leading market positions across above-GDP growth products. This is further complemented by certain high-growth applications such as high-purity semiconductor-grade hydrogen peroxides (e-$H_2O_2$) for semiconductor manufacturing, lithium carbonate used in Li-ion batteries and sodium bicarbonate for flue gas treatment. In addition, EssentialCo benefits from stable customer contract structures across its business units that deliver effective pass-through of raw material price fluctuations, such as energy, based on automatic indexing or periodic renegotiation clauses.

- Market leading industry positions and technological leadership

  EssentialCo has established its global and regional leadership positions through decades of focus on markets that demand essential products and intermediate chemicals. It benefits from a competitive position due to its continued innovation in process technology, product know-how, customer partnerships, and sustainability.

  - EssentialCo has been producing Soda Ash for over a century, and today remains the global leader in the production of both soda ash and sodium bicarbonate (excluding China where the Soda Ash and Derivatives business is not producing). It operates eight main production sites in Europe and North America and one shared site in Asia, and continues to innovate, currently validating a new breakthrough process to produce soda ash that would enable more sustainable operations with significantly less $CO_2$ emissions, while supporting its cost-competitiveness.

  - Coatis is the Latin American leader in phenols and oxygenated solvents (ethyl acetate and others). Its phenol and derivatives business mostly serves the phenolic resins market, for applications in automotive and building & construction. The oxygenated solvents business provides essential chemicals used for architectural paints and coatings, printing inks for flexography, cosmetics and fragrances and other applications.

  - EssentialCo has used its 60-year presence in the Hydrogen Peroxide market to build a leadership position in both market share and technology. EssentialCo holds the leading Hydrogen Peroxide market share in EMEA and Latin America, the second leading market share in North America, and has a growing presence in Asia. In the electronics and electrical sector, EssentialCo is one of the top three global providers of ultra-high-purity hydrogen peroxides used for efficient wet-end processing of semiconductor wafers.

  - In the Silica business unit, EssentialCo is a global industry leader in highly dispersible silica and the second largest producer of precipitated silica. It also markets the widest range of innovative silica in the market. As an example, the TECHSYN innovation co-created between Solvay, Bridgestone and Arlanxeo enables +30% wear resistance for tires. EssentialCo is also focusing on setting new sustainability standards in the industry with the recent announcement of bio-circular highly dispersible silica based on proprietary process technology.

- Significant competitive advantage from industry-leading cost positions

  EssentialCo's highly competitive, unique asset portfolio, vertical integration and process technology provide it with an industry-leading cost position. For example, it believes that the majority of its total soda ash production capacity is in the first quartile of cost performance for seaborne shipments, based on analyses derived from its own cost information and IHS data, which it believes covers most global production capacity outside of China, Russia and a limited number of very small markets.

  EssentialCo's cost leadership is driven by four key factors: its product know-how and process innovation, its access to proprietary technologies, its vertical integration, and its track-record of continuous improvement and operational excellence.

  - *Vertical integration*

    EssentialCo benefits from a unique, vertically integrated position in the value chain in its main businesses. In Soda Ash, EssentialCo's operations encompass mining of limestone, salt brine and trona ore, as well as the entirety of the natural and synthetic production processes including sodium bicarbonate production. Special Chem benefits from downstream hydrogen fluoride integration through fluorine derivatives including fine chemicals, Nocolok® flux aluminum brazing, and other inorganic fluorides. Coatis is fully integrated along the value chain for phenol and acetone-based products including nylon fibers, bisphenol—a chemical intermediate mostly used in the production of polycarbonate and epoxy resins—and ketonic and acetic solvents. In Peroxides, EssentialCo is positioned along the chain from working fluids, to the production of highly pure hydrogen peroxides, to the additional purification process that produces electronics grade $H_2O_2$. Silica is partially vertically integrated in Sodium Silicate which is a key raw material of the production process. All of these vertically integrated positions provide synergies that contribute to EssentialCo's cost leadership.

  - *Proprietary technology, product know-how & process innovation*

    There are numerous examples where EssentialCo drives cost leadership by access to proprietary technologies:

    - In Soda Ash, EssentialCo has a unique history of innovation, having pioneered the limestone-based soda ash manufacturing process over 160 years ago. Today, it is developing a breakthrough and patented process using electrochemistry, replacing lime kilns and ammonia recovery. The process has passed the technology validation phase and is entering industrial pilot designs in 2023 and 2024 in Dombasle-sur-Meurthe, France. It has the potential to save substantial costs by reducing brine consumption by up to 20% and the use of limestone by up to 30%. It will also enhance sustainability by eliminating limestone residues and removing the need for fuels in kilns, eliminating the resulting $CO_2$ emissions.

    - EssentialCo produces hydrogen peroxides at a large scale based on anthraquinone autoxidation. It produces AQ (2-amylanthraquinone), one of the two most commonly used carrier fluids used in the anthraquinone process, in-house, and is the world's largest producer with over 80% of global production capacity. Its proprietary AQ formulation results in lower operating expense and capital expenditure requirements compared to other companies, while at the same time generating extreme purity, higher productivity and more sustainability.

- EssentialCo also optimizes the structure and configuration of its Peroxides manufacturing facilities. Its small plants (5-25 kilotonnes/year) operate with flexible technology at customer sites in Brazil. Across North America, Latin America, Europe, Asia and Australia, its commercial plants with 30-100+ kilotonnes/year capacity operate independently with efficient and safe processes developed over decades. In Antwerp, Belgium, Map Ta Phut, Thailand and Jubail, Saudi Arabia, three mega HPPO plants—operated as joint ventures—are based on high productivity technology (more than 200 kilotonnes/year). Such sites are co-located with major blue-chip to produce intermediary chemicals and products such as Propylene Oxide, a key building block for numerous downstream chemicals.

- Silica is the innovative leader for precipitated amorphous silica. The Silica process teams partner with industrial and energy experts to reinvent manufacturing processes and lead the conversion to bio and/or circular feedstocks and carbon neutrality for a more sustainable & renewable mobility. Ongoing exchanges between process and application teams provide competitive advantage to offer cutting edge solutions for mobility to Tier 1 tire customers. These close-loop interactions enable advanced tuning of the silica shape and surface state to offer best in class dispersibility and interaction with the rubber in tires to improve rolling resistance and wear without compromising grip.

o *Operational excellence and improvement programs*. EssentialCo has a strong track record of implementing continuous cost reduction programs to strengthen the competitiveness of its sites and optimize overhead expenses. In the past three years, Excellence projects (focused mainly on the improvement of business processes) have provided savings in areas such as procurement and supply chain management, operational efficiency, energy efficiency and waste reduction. In parallel EssentialCo has implemented restructuring programs that deliver significant savings across production, selling, general & administrative functions, and research & innovation.

- Attractive end-markets aligned with growth megatrends

EssentialCo's portfolio of chemicals is aligned with key society megatrends that drive the main trends in each of its business units' main end-markets: the increased use of renewable energy, resource efficiency, the drive towards sustainable resources, and demographic evolution. These trends play to EssentialCo's strengths across its businesses and end-markets, providing it with unique opportunities in each of its main business units:

o EssentialCo's Soda Ash business provides building, construction, automotive and consumer goods customers with essential materials needed to meet increasingly stringent sustainability and ESG standards, including flat glass used for thermal insulation such as double or triple glazing windows in buildings, which account for 15 to 25% of a building's heat loss, as well as solar panels for renewable energy, and container glass used to replace plastic in recyclable food packaging.

o As market demand for emission control increases, EssentialCo is accelerating its development of the use of sodium bicarbonate as a leading flue gas treatment solution to reduce air pollution (SOLVAir®) for the industrial, energy production, marine and waste-to-energy end-markets. Such a solution safely and reliably reduces emissions of noxious acid gasses caused by highly polluting facilities such as power plants, waste incinerators and commercial ships.

o EssentialCo's Special Chem business is meeting the increasing demand for sustainability and clean energy by developing technology to separate rare earths elements to be used in the production of innovative rare earths permanent magnet solutions for the fast-growing electric vehicles, wind turbines and electronics end-markets. Rare earth oxides are essential components used in the traction motors of electric vehicles, the generation motors of wind turbines and many other applications in electronics.

- EssentialCo is a technology leader in HPPO with a lower environmental footprint and lower energy consumption (requiring less steam and electrical energy) than traditional propylene oxide manufacturing methods.

- The Peroxides business is also focused on producing ultra-high purity grades of peroxide, a key chemical necessary for the manufacture of semiconductor chips. As demand for $H_2O_2$ increases due to the increasing complexity of computer chips and the miniaturization of their circuits, EssentialCo is well placed to address the end-market's exacting needs.

- EssentialCo's Silica business is focused on developing innovative solutions to address the challenges of sustainable mobility. Innovation grades specifically address the market need for ultra low rolling resistance tires which lead to lower emissions or extended battery range for EV. It also makes tires more resistant, improving their lifespan, and therefore contributing to increased circularity. Silica has also developed and is investing in a new facility producing bio-circular silica (from rice husk) based on proprietary process technology.

- <u>Unique and balanced global production and distribution footprint</u>

EssentialCo has built, over more than 160 years, a unique and balanced global footprint that secures the strategic, safe supply of its products to customers worldwide. Its 42 production sites, seven main R&I centers in Brussels, Dombasle, Torrelavega, Lyon and Paris (Europe), among other locations, and a network of depots across Latin America, the United States, Europe and Asia provide it with a critical global reach and logistics network. EssentialCo benefits from its "world-class" Soda Ash sites, which are able to serve global customers with consistent and universal product quality (primarily seaborne), service, and technology. EssentialCo's remaining "local" sites including its hydrogen peroxide activities, which serve customers in competitive, regional markets (primarily inland) without exporting beyond local regions due to economics of product transportation that create limited economic viability for imports. Having a global footprint has enabled EssentialCo to supply customers without interruption despite significant disruptions in global logistics by being located relatively close to them, which has delivered more resilience to revenues and profitability.

- In the Soda Ash and Derivatives business unit, EssentialCo has nine manufacturing sites and three R&I centers, including six Soda Ash plants in Europe, two in the United States and one in Asia. It has developed its production capacity to meet increased customer needs, such as by increasing its Sodium Bicarbonate capacity at its Devnya, Bulgaria site by +200 kilotonnes in 2020, and planning to increase its natural Soda Ash capacity by +600 kilotonnes by 2025 at its Green River, Wyoming, U.S. site. Its supply chain benefits from multiple sourcing opportunities, a reliable logistics network, and historical partners.

- In the Peroxides business unit, EssentialCo's 19 sites (of which 13 are main sites) vary depending on geographical location and local customer need.

- In the Silica business unit, EssentialCo is the only global player with operations in all global regions covering Europe, Asia, North America, and Latin America. It has six main production sites and one shared site in Latin America, and two R&I centers and is well positioned to support the growth of its customers in areas such as Central and Eastern Europe. For example, with a capacity of 85,000 tons, the Silica plant in Poland produces several ranges of a new generation of highly dispersible silica for improving tire energy efficiency and performance.

### 5.1.3 EssentialCo's strategy

EssentialCo's strategy 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 the businesses that are part of EssentialCo with a plan to maximize cash generation and returns through the adaptation of organizations, a focus on productivity and rationalization, and selective investments focused on compelling returns and process innovation.

With the strong foundations established by the G.R.O.W. strategy, EssentialCo intends to harness its broad portfolio of mono-technology intermediate chemicals and process expertise to maintain robust leadership positions through strategic steps in its key markets. EssentialCo's strategy is summarized below:

- Strengthen leadership through continued investment in operational excellence and cost savings

  EssentialCo will focus on continuing to pursue the improvement of its manufacturing processes and actively reduce costs to sustain its cash generation and enhance competitiveness. EssentialCo will also seek to realize the benefits of the partial demerger to achieve best-in-class efficiency in selling, general and administrative expenses as a percentage of revenues, in line with what it believes to be the most efficient companies in the essential chemicals sector.

  The Star Factory Program, launched in 2021, was initiated through pilot programs in 2022, with the first wave roll-out taking place in 2023 at 38 plants globally. The Star Factory Program involves the development of a detailed and tailored 10-year roadmap for each site. The main focus areas of the program are the following:

  - Maintenance and reliability, putting in place preventative and predictive maintenance programs, achieving improved turnaround time through planning optimization and analytics.

  - Process optimization including employee scheduling optimization.

  - Sustainable waste minimization initiatives.

  - Decarbonization of production processes.

  - Digital transformation, with digitally enabled operators to optimize processes, and sensor networks to enable advanced analytics and optimize planned downtime.

- Pursue targeted growth while further strengthening margins

  EssentialCo intends to build upon its track record of strong and sustainable EBITDA margins by taking advantage of what it views as favorable supply and demand dynamics in its principal markets, and investing in expansion in areas with the greatest potential for growth with solid margins.

  - *Benefit from supply-demand dynamics*

  EssentialCo believes that the current supply and demand dynamics in its principal markets create significant potential for improving margins. It intends to actively pursue initiatives to capture potential margin uplifts in its main businesses, particularly in Soda Ash and some regions for Peroxides.

In Soda Ash, EssentialCo has benefited from strong growth in demand, as conditions have rebounded significantly following substantial declines in demand resulting from the Covid-19 pandemic. Going forward, EssentialCo believes that demand growth has the potential to be greater than capacity growth, particularly for soda ash produced in North America. In addition, EssentialCo believes that sodium bicarbonate demand has the potential to grow at an even faster rate driven by applications in emissions control and pharmaceuticals. If so, this could support increased margins for several years.

The same dynamic can be observed in the Peroxides market in some regions (such as the United States and Latin America), where traditionally high utilization rates attracted new investments in the sector from 2015 to 2020, followed by a pandemic-induced slowdown. Utilization rates have significantly recovered in 2021 and 2022, and if they remain at this level then margins for cost-competitive operators such as EssentialCo should return to the more robust levels observed historically.

- *Invest in the acceleration of growth in attractive projects*

EssentialCo will direct significant capital expenditures to opportunities that it believes have the greatest likelihood of achieving attractive margins. The focus of the investment program will be in part on energy transition initiatives designed to create substantial value, which are part of a specific strategic initiative discussed below. The majority of the remaining investments (other than maintenance investments) will be oriented to strategic growth opportunities to ensure EssentialCo stays ahead of the curve and competitors. Some potential examples of growth-linked investments, where EssentialCo believes there is a potential for compelling cash returns, include:

- Investing in increasing market capacity in naturally-manufactured soda ash and sodium bicarbonate in its Green River facility in Wyoming, in the United States, where market capacity is currently insufficient to support expected global demand growth. EssentialCo will continue to invest in the production capacity of such facility, which manufactures soda ash from trona, in which it plans to increase capacity by 600 kilotonnes by 2025. Production is expected to start at the end of 2024. EssentialCo will also increase capacity in sodium bicarbonate in Devnya, Bulgaria, by 200 kilotonnes. This will further increase its exposure to the attractive and growing Bicar market, which has the potential to grow at approximately twice the rate of soda ash due to opportunities in high growth areas such as flue gas treatment and healthcare.

- In Special Chem, investing in rare earth asset retrofits to support demand for permanent magnet production. Investment projects include expanding EssentialCo's rare earths operations in La Rochelle, France, with the ambition to create a powerful rare earths hub in Europe.

- In the high-growth, high-margin Peroxides market, investing in the expansion of its three HPPO mega-plants, strong expansion in e-$H_2O_2$ (particularly in the United States, Italy, China and Germany) and AQ capacity expansion. EssentialCo will also invest in actively building a greater market share through collaborations and innovative partnerships. For example, in February, 2022, Solvay licensed proprietary hydrogen peroxide high productivity process technology to Hubei Sanning Chemical Industry Co. Ltd. in China for its world's-first $H_2O_2$ mega plant fully dedicated to caprolactam production. This site will begin production in mid-2024.

- EssentialCo's long-standing expertise in semiconductor-grade hydrogen peroxides provides it with opportunities to collaborate with key partners to develop new production capacities, including a 2021 collaboration with Shinkong in Taiwan (JV) to serve the local spike in demand for semi-conductors.

- Silica is committed to supporting its global tire customers and will add highly dispersible and bio-circular silica capacity in North America in the coming years. At the same, EssentialCo is investing in bio-circular highly dispersible silica (from rice husks) at its Livorno site in Europe.

- Commitment to the environmental transition to drive value creation

  EssentialCo intends to reduce the environmental impact of its operations by making a robust environmental transition commitment. Solvay has committed to carbon neutrality on scope 1 and 2 emissions by 2050 for the EssentialCo businesses.

  EssentialCo's environmental transition initiative is built around four levers:

  - *Phasing out coal from energy production for Soda Ash*:

    The coal phase out program is already underway in all relevant sites, including Rheinberg, Dombasle, Green River, Torrelavega, and Devnya with the target to phase out coal use from energy production by 2030 wherever possible. A first biomass boiler in 2021 was implemented at the soda ash production site in Rheinberg, Germany, and a second biomass boiler is underway for commissioning, marking the final step to fully phase out coal from energy production at the site (both boilers use scrap waste wood chips from industrial residues and demolition). Rheinberg will be the first soda ash plant in the world powered primarily with renewable energy.

  - *Satisfying new power needs from green energy sources*:

    This is reflected in power purchase agreements signed for Peroxides as well as a program for the installation of solar panels over five years beginning in 2022. Special Chem will implement the Massa, Italy, biomass project over the same five-year period, while Coatis will implement a new project to reduce emissions in steam generation. In addition, from 2023 onward, EssentialCo's Voikkaa hydrogen peroxides production site in Finland will operate on 100% wind-generated electricity. This is the result of a ten-year utility power purchasing agreement, signed with Statkraft, that will help to decarbonize the production of hydrogen peroxide at the site.

  - *Process upgrades and raw materials sourcing designed to reduce emissions*:

    This includes upgrade projects in the Soda Ash business unit, such as a methane abatement project at the Green River facility, as well as the longer-term implementation of the new soda ash process innovation. In Peroxides the focus will be on the reduction of steam consumption and energy excellence, including the use of green hydrogen, carbon capture and utilization optimization. The Silica business unit is implementing a pilot program to produce silica based on rice husks, and it is also investing in an electric furnace in its Collonges facility.

    The objective of EssentialCo's initiatives is to follow an ambitious roadmap to achieve carbon neutrality for scope 1 and 2 emissions by 2050. The roadmap is supported by well-defined projects based on energy efficiency and a shift to renewable energy sources.

- *Improving the quality of life of its employees and communities*:

  EssentialCo will continue to emphasize safety as a top priority.

## 5.2 EssentialCo's history

EssentialCo encompasses business units of Solvay that are global leaders in providing critical chemical materials. The heritage of EssentialCo's business dates back to the origins of the Solvay Group following the invention of the ammonia soda-ash process in 1863, with over 160 years of breakthroughs in chemistry and technology since then. In recent years, its businesses have developed organically and through acquisitions and investments, which have been integrated and developed by Solvay. The following are some of the key highlights of the past two decades:

*2003* – Solvay acquires American Soda (United States) adding to its global soda ash footprint.

*2011* – Solvay acquires Rhodia S.A., acquiring Rhodia S.A.'s Silica and other businesses, including Special Chem and Coatis.

*2013* – Solvay announces a plan to construct a state-of-the-art silica manufacturing facility in Włocławek, Poland, increasing its global highly dispersible silica production capacity.

*2016* – Solvay starts a new e- $H_2O_2$ unit at its plant in Rosignano, Italy.

*2018* – Solvay's joint venture with Sadara Chemical Company begins production at one of the world's largest hydrogen peroxide plants in the Kingdom of Saudi Arabia, following Solvay's earlier construction of world-class mega plants in Antwerp, Belgium, and Map Ta Phut, Thailand, further strengthening Solvay's global leadership in the hydrogen peroxide market.

*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 focus for EssentialCo was the Resilient component, prioritized in the Chemicals segment (constituting most of EssentialCo).

*2020* – Peróxidos do Brasil, a joint venture between Solvay and Produtos Químicos Makay, begins the assembly of a construction site for the installation of a new hydrogen peroxide production unit at the Coronel Industrial Park in Chile. An additional production site is expected in 2023.

*2021* – Solvay adopts the Star Factory program aimed at achieving operational excellence and enhancing sustainability in each of its production facilities.

*2021* – Solvay announces an e-$H_2O_2$ joint venture with Shinkong in Taiwan to serve the booming Taiwanese demand for semiconductors, to begin operations in 2023.

*2022* –Solvay licenses proprietary hydrogen peroxide high productivity process technology to Hubei Sanning Chemical Industry Co. Ltd. in China for its world's-first $H_2O_2$ mega plant fully dedicated to caprolactam production. This site has a planned launch in mid-2024.

*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 this Information Document is being undertaken in implementation of this plan.

*2022* – Solvay's joint-venture Solvay Sodi—in partnership with Sisecam—unveils a large-scale investment project in its sodium bicarbonate manufacturing facility in Bulgaria, increasing manufacturing capacity by 200,000 tons.

*2022* – Solvay secures 100% ownership of its joint venture stake in Green River soda ash manufacturing facility in Wyoming, United States, expanding its trona-based capacities.

*2022* – Solvay announces plans to expand its rare earths operations in La Rochelle, France to enter the value chain for rare earths permanent magnets in Europe and serve customers in the fast-growing electric vehicles, wind power, and electronics markets.

*2022* – Solvay secures 100% ownership of its joint venture stake in Solvay Special Chemicals Japan, advancing its capabilities in the production of rare earth specialties.

*2023* – Solvay announces plans to expand highly dispersible and bio-circular silica production capacity in North America, and its investment in a bio-circular silica asset in Livorno (Italy).

## 5.3 EssentialCo's business

### 5.3.1 Business units and products

EssentialCo operates through five main business units: Soda Ash and Derivatives, Peroxides, Silica, Special Chem and Coatis. EssentialCo also has an energy business consisting primarily of sales of excess energy from facilities it operates to serve its global business units, with revenue recorded as sales from non-core activities, and excluded from net sales. It also records revenues and expenses from Corporate and Business Services, representing mainly administrative and management functions.

The following table breaks down EssentialCo's 2022 sales by business unit and activity.

| **Business Unit or activity** | **2022 Sales (EUR mlns)** | **Percentage of EssentialCo Net Sales** |
|---|---|---|
| **Total Sales** | 8,059 | |
| o/w non-core (mainly Energy) | 2,500 | n.a. |
| o/w net sales | 5,558 | 100% |
| **Breakdown of Net Sales by Business Unit** | | |
| Soda Ash and Derivatives | 2,223 | 40% |
| Peroxides | 787 | 14% |
| Silica | 631 | 11% |
| Special Chem | 1,043 | 19% |
| Coatis | 870 | 16% |
| Corporate and Business Services | 4 | n.s. |
| **Total EssentialCo Net Sales** | **5,558** | **100%** |

EssentialCo serves a broad range of end markets, including industrial and chemical applications, automotive, consumer goods & healthcare, agriculture, feed & food, other, resources & the environment, and electronics. The following table breaks down the 2022 net sales by end-market.

| End Market | 2022 Net Sales (EUR mlns) | Percentage of 2022 EssentialCo Net Sales |
|---|---|---|
| Industrial & Chemical Applications | 1,154 | 21% |
| Automotive | 1,019 | 18% |
| Consumer Goods & Healthcare | 990 | 18% |
| Agriculture, Feed & Food | 882 | 16% |
| Other | 694 | 12% |
| Resources & Environment | 554 | 10% |
| Electronics | 265 | 5% |
| **Total EssentialCo Net Sales (excl. CBS)** | **5,558** | **100%** |

5.3.1.1 *Soda Ash and Derivatives*

EssentialCo is the largest soda ash and bicarbonate producer in the world, excluding China. Soda ash, known as sodium carbonate, Na2CO3, is a water-soluble salt that yields moderately alkaline solutions in water. EssentialCo uses two different manufacturing processes in cost-efficient production facilities: the traditional ammonia process, and a process in which natural trona (sesquicarbonate)—a primary source of sodium carbonate—is refined. Soda ash is also used to produce sodium bicarbonate, a similarly water-soluble salt with alkaline properties.

Solvay has built its leading position in soda ash through over 160 years of innovation in process technology and benefits from its unique global footprint, competitive cost position, and a history of delivering reliable security of supply to its customers.

(a) Soda Ash products and applications

Soda ash is an essential flux agent used in the production of glass, lowering the melting temperature of silica and delivering a sustainability benefit by reducing energy consumption. Approximately half of EssentialCo's sales of soda ash are for the manufacture of glass used in the building and construction and packaging end-markets. Soda ash is also used as a water softener in detergents due to its high alkalinity and surfactant qualities, and is a key additive in chemical and metallurgical applications due to its ability to control pH levels (such as in the desulfurization of pig iron, in mineral extraction, and in the production of lithium carbonate).

The Soda Ash business provides building, construction, automotive and consumer goods customers with essential materials needed to meet increasingly stringent sustainability and ESG standards. Key applications for soda ash products include the following:

- *Glass Manufacturing*: Soda ash is an essential flux agent used in the production of glass, lowering the melting temperature of silica and delivering a sustainability benefit by reducing energy consumption. It represents approximately half of EssentialCo's soda ash sales in Soda Ash and Derivatives. **Soda Solvay® Dense** is used by customers to manufacture reliable, competitive glass packaging and in glass production in the building and construction sectors. Its granular properties make it widely dust-free and reduce the risks of segregation during transport and handling. Its uses include flat glass used for thermal insulation such as double or triple glazing windows in buildings—which account for 15 to 25% of a building's heat loss—as well as solar panels for renewable energy, and container glass used to replace plastic in recyclable food packaging.

- *Chemical Processes*: **Soda Solvay® Light** is widely used as an alkaline support and for pH regulation, and is also used for silicate and silica synthesis.

- *Home and Personal Care*: **Soda Solvay® Light** is also used as a component of detergent due to its alkaline support, grease removal and surfactant properties (due to the saponification effect, whereby fats are hydrolyzed in reaction to alkali), and ability to soften water. In addition, it is also used for fabric care as a fabric softener for laundry and cleaning.

- *Metallurgical Processes*: **Soda Solvay® Dense** is used in the desulfurization of pig iron—an intermediate product of the iron industry in the production of steel—as a flux agent for mineral extraction, and in the production of lithium carbonate used in Li-ion batteries.

- *Pharmaceuticals*: **SODIUM CARBONATE IPH**, a superior grade of anhydrous sodium carbonate, is used as an API. It functions as a stable and inert material for use in effervescent tablets due to its desiccant (water-removing) properties, and is also used as high substance with pH-buffering properties in cosmetics.

(b) Sodium Bicarbonate products and applications

Sodium bicarbonate is a biodegradable product derived from the soda ash manufacturing process—marketed as Bicar® and known as sodium acid carbonate, acid monosodium salt, sodium hydrocarbonate or baking soda—generated by reacting soda ash with water and $CO_2$. Sodium bicarbonate is soluble in water, slightly soluble in alcohol, slightly abrasive (for use as a cleanser), fungistatic, non-flammable and is able to stabilize a solution's pH levels. It has a broad range of uses, include as a flue gas treatment (to reduce air pollution), buffer (which stabilizes a solution's pH level), raising agent (by allowing the release of $CO_2$ for the production of pastries and other food products) and as an API (used in pharmaceuticals). Key applications for sodium bicarbonate products include the following:

- *Flue gas treatment*: the **Solvair Solutions®** range of flue gas treatment solutions helps manufacturers control their own air emissions, meeting the demand of industrial activities like coal-fired or fuel power plants, energy-from-waste incinerators and industrial boilers. Such a solution safely and reliably reduces emissions of noxious acid gasses caused by highly polluting facilities such as power plants, waste incinerators and commercial ships. EssentialCo is accelerating its development of sodium bicarbonate as a flue gas treatment solution to reduce air pollution and as market demand for emission control increases.

- *Agriculture & Feed*: **Bicar ®Z** is added to animal feed diets as a buffer to help alkalize animals' digestive systems, improving their health and production performance (such as in milk production). It also reduces the risk of rumen acidosis, a bovine metabolic disease that affects feedlot as well as dairy cattle. Similarly, **CASO®** is added to animal feed diets to provide calcium, increasing the performance of livestock by preventing milk fever during cow pregnancies, assisting sow preparation during the end of the gestation period, and preventing urinary problems (calculi) in lambs.

- *Food*: **Bicar®food** is used in both industrial and at-home cooking as a raising agent, as it reacts with acid substances or heat to release $CO_2$ which causes foods to rise, a critical component to many baking and other recipes.

- *Pharmaceuticals*: **Bicar®pharma**, a premium grade of sodium bicarbonate, is used as an API in the pharmaceutical industry, such as in dialysate for hemodialysis.

- *Home and Personal Care*: **Bicar ®**, a "buffer" form of sodium bicarbonate, is used to soften water by reducing lime deposits (when it is dissolved in water, the calcium ions do not separate into lime, or calcium carbonate), reducing the need for the use of soap and detergents. It is also used as an odor absorber.

- *Biogas*: **Bicar ®** is used in the production of biogas, which is a form of green energy produced by the fermentation of organic waste (such as cow dung or plant residues). During the production process, **Bicar ®** stabilizes the pH of the digester in case of acidosis, ensuring the production of biogas by reducing the accumulation of fatty acids.

(c) Product range, applications and competitors

The following table sets forth summary information on the range of soda ash, sodium bicarbonate and other derivative products offered by EssentialCo.

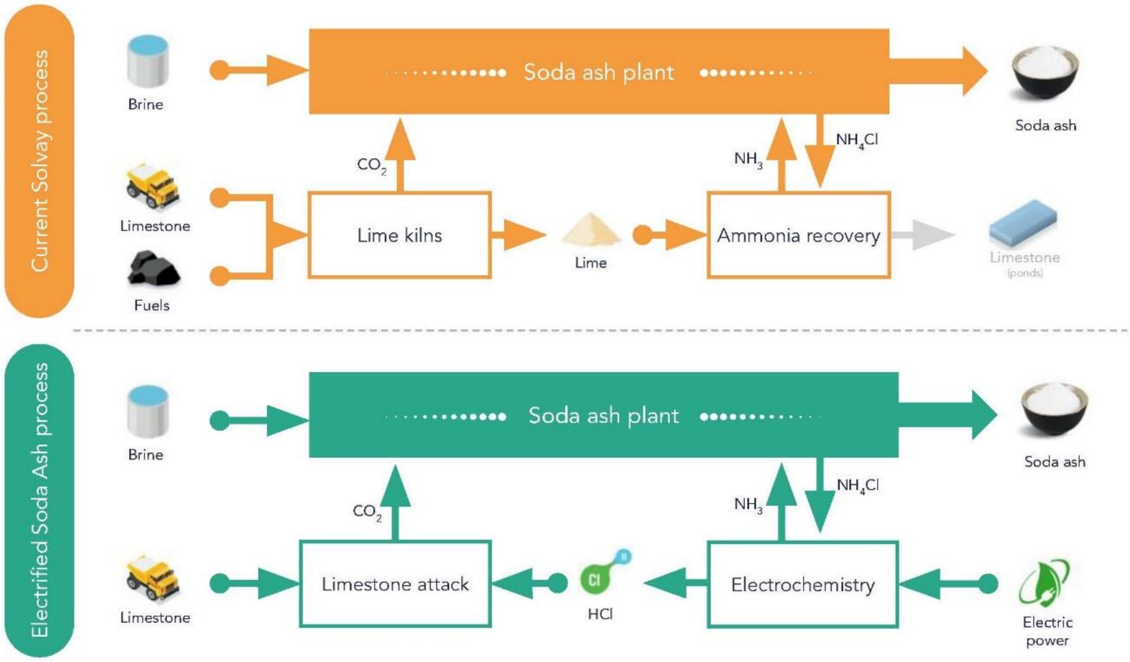
| **Products** | **Applications** | **Trademarks** | **Competitors outside of China** |
|---|---|---|---|
| Na2CO3 soda ash | Flux in flat glass | SODA SOLVAY® DENSE | Tata Chemicals, Genesis, Ciech, Sisecam, Nirma, Bashkim, OCI, WE-Soda, Novacarb |
| | Flux in container glass | SODA SOLVAY® DENSE | |
| | Water softener in detergents | SODA SOLVAY® LIGHT | |
| | Metallurgy | SODA SOLVAY® DENSE or LIGHT | |
| | Healthcare | | |
| Na2CO3, NaHCO3, 2H2O trona | Flue gas cleaning agent | SOLVAir®SELECT 200<br>SOLVAir®SELECT 150 | WE-Soda, Tata Chemicals, Genesis, Sisecam, Berun, Jindadi, Humens, Lhoist, Carmeuse |
| | Supplement in animal feed | Trona T-50 | Genesis |
| NaHCO3 sodium Bicarbonate | Supplement in animal feed, supplement in food | BICAR®Z, BICAR® Food, BI-PROTEC® | Church & Dwight, FMC, Natural Soda, Tata Chemicals, Sisecam, Ciech, Bashkim, WE-Soda, Novacarb |
| | Flue gas cleaning agent | BICAR®TEC, SOLVAIR®SB0/3<br>SOLVAir® S300, SOLVAir® S350 | |
| | Active ingredients(API), excipient in effervescent formulations, electrolyte in hemodialysis | BICAR® PHARMA | |
| CaCl2.nH2O calcium Chloride | Supplement in food, supplement in animal feed, road treatment (deicing and dedusting), de-humidification | CASO® | Tetra, Nedmag, Zirax |
| Functionalized sodium bicarbonate | Eco-friendly foaming agent for thermoplastics foams used in footwear, automotive, building & construction | Alve-One® | ADCA and Expancell producers |

(d) Production processes and facilities

EssentialCo manufactures soda ash in two ways. First, the synthetic and traditional ammonia process—developed by Ernest Solvay in the 1860s—mixes purified brine with $CO_2$ (generated by limestone in lime kilns) and ammonia to produce crude bicarbonate, which is dried and transformed into soda ash ($CO_2$ replacing chlorine at the sodium atom). The process is widely used, producing a residue of powdery limestone mixed with gypsum, sand and clay. Second is the natural trona (sesquicarbonate) process, which crushes, calcines, leaches, filters and crystalizes trona, which is then dried to create soda ash. This process is inherently more cost-effective but limited to locations where trona mineral deposits can be found. Trona insoluble residues are then sent into a mine void for permanent storage. By offering both solutions, EssentialCo provides security of supply by selling large volumes through a global manufacturing network of synthetic soda ash plants while maintaining a focus on reducing carbon intensity in manufacturing through the natural trona-based process.

Sodium bicarbonate is derived from the soda ash production process. As a portion of the soda ash is brought into contact with $CO_2$, the resulting process yields sodium bicarbonate.

As EssentialCo continues to innovate, it is developing new manufacturing methods for the Soda Ash and Derivatives business unit, including a breakthrough and patented electrochemistry process. The patented process has passed the technology validation phase and will enter industrial pilot designs in 2023 and 2024. It has the potential to save substantial costs by reducing brine consumption by up to 20% and the use of limestone by up to 30%. It will also enhance sustainability by eliminating limestone residues and removing the need for fuels in kilns, eliminating the resulting $CO_2$ emissions. The difference between the Solvay process and the electrochemistry process is illustrated in the following graphic:




The Soda Ash and Derivatives business benefits from a highly competitive cost structure. EssentialCo believes that the majority of its total soda ash production capacity is in the first quartile of cost performance for seaborne shipments, based on analyses derived from its own cost information and IHS data, which it believes covers most global production capacity outside of China, Russia and a limited number of very small markets.

EssentialCo's Soda Ash and Derivatives business has a balanced global footprint—outside of China, where it is not present—with 11 production sites, including six Soda Ash plants, a brine extraction facility and a limestone extraction facility in Europe, two plants in the United States and one plant in Asia. The business also has three research and innovation facilities located in Belgium, France and Italy. Its supply chain benefits from multiple sourcing opportunities, a reliable logistics network, and historical partners, and dedicated logistics operations, providing security of supply to customers around the world and reliable product quality. EssentialCo is a best-in-class sodium bicarbonate producer, for example, benefitting from complete process control, certifications, and best-in-class documentation, designed to meet customers' global quality standards.

Further, as customer needs increase, EssentialCo continues to develop its soda ash and derivatives production capacity in targeted, customer-proximate locations, such as the 200+ kiloton increase in its Sodium Bicarbonate capacity at its Devnya, Bulgaria site, and the plan that is currently underway to increase its Soda Ash capacity by +600 kilotonnes by 2025 at its Green River, Wyoming, U.S. site.

EssentialCo is also in the process of decarbonizing soda ash manufacturing at its facilities, by cutting the use of coal-based energy from its synthetic manufacturing process. As an example, EssentialCo's Soda Ash site in Dombasle-sur-Meurthe, France has approved a Refuse Derived Fuel project with Veolia to produce energy with non-recyclable waste as an alternative to coal from 2024. Further, in 2022, Soda Ash and Derivatives also announced that it would adapt one of its existing boilers to increase its co-combustion rate with biomass—discarded wood chips supplied by local companies—in Devnya, Bulgaria (its largest European Soda Ash plant) and in Rheinberg, Germany. By powering the boiler with 30% biomass, the $CO_2$ emissions related to energy production activities can be cut by 20%. By taking these approaches to decarbonization, EssentialCo estimates that it can achieve a reduction in costs per metric ton of soda ash on the order of 30-40% as compared with the traditional process, assuming a carbon price of EUR 100 per tonne. The cost reduction could be on the order of 40-50% if the innovative electrochemistry process discussed above is fully and successfully implemented.

5.3.1.2 *Peroxides*

EssentialCo is the industry leader for the production and technological development of hydrogen peroxide, or $H_2O_2$, using "best-in-class" technological processes to deliver low-cost, high-purity solutions to its customers. $H_2O_2$ is a chemical product used as an oxidizer, bleaching agent, and sterilization agent, usually diluted by water for consumer use and in commercial grade, higher concentrations for industrial applications, including the production of strategically important chemicals. It is also used in new, innovative applications like electronics, battery recycling and urban mining applications. EssentialCo holds the number one global position in the market for hydrogen peroxides based on production capacity, with broad geographical strength that includes number one positions in Europe and Latin America and a number two position in North America. It is one of three global producers in the fast-growing market for semiconductor-grade peroxide, or e-$H_2O_2$, and holds a significant leadership position in the supply of hydrogen peroxides for the Hydrogen Peroxide to Propylene Oxide technology.

(a) Peroxides products and solutions

EssentialCo uses its proprietary chemicals and innovative technology to manufacture $H_2O_2$ in large volumes, operating a circular production process that is fully sustainable across its lifecycle. Its products and solutions include:

- **Hydrogen Peroxide ($H_2O_2$)**, a clear, colorless liquid with disinfection and sanitization properties widely used for the production of bulk or specialty chemicals, bleaching, and—in its purest form, as **e-$H_2O_2$**—as a key chemical in the production of semiconductor chips, such as for use in the etching of printed circuit boards. **e-$H_2O_2$** can also be used to regenerate cupric chloride etching baths.

- **Hydrogen Peroxide to Propylene Oxide (HPPO) Technology**, the advanced production process by which Propylene Oxide (PO) is manufactured for customers—including large industry players—in three world-class mega plants at low cost, for their use in manufacture of chemicals like polyurethane (used in foams for car seats and interiors, mattresses, furniture). Hydrogen peroxide is used as an oxidizing agent to oxidize propylene to PO, with water as the only by-product.

- **Peracetic acid (PAA)**, a powerful and sustainable liquid, organic biocide used in water disinfection and sterilization for oral care, aseptic packaging and food safety.

(b) Applications and End Markets

Peroxides' $H_2O_2$ products are used for broad and diverse applications, allowing it to serve a wide range of customer needs:

- *Chemical Processes (approx. 40% of sales of the Peroxides business unit)*: $H_2O_2$ is used as an intermediary for chemical synthesis (HPPO, caprolactam, etc.). It is a mild oxidizing agent and therefore it can lead to highly selective chemical reactions while minimizing waste and the formation of by-products. **INTEROX® Technical Grade**, for example, meets the strict purity requirements of the chemical industry, ensuring higher synthesis conversion rates, minimizing costs, improving product quality and minimizing the impact on catalysts.

- *Pulp, Paper and Textiles (approx. 20% of sales of the Peroxides business unit)*: $H_2O_2$ is used as a biodegradable bleaching agent for high quality paper and tissue manufacturing, and as a bleach for natural and synthetic fibers. **INTEROX® Technical Grade** hydrogen peroxide is used in this manner, for example. Peroxides has also piloted a carbon-neutral offering, gaining traction with paper & pulp customers, with the intention of launching this at scale in 2023.

- *Electronics (approx. 10% of sales of the Peroxides business unit)*: $H_2O_2$ is a key chemical in the production of semiconductor chips for the electronics industry. Special grades of $H_2O_2$ include e-$H_2O_2$, (**INTEROX® Electronic Grade)** for use in the high-purity cleaning and etching of printed circuit boards and to regenerate cupric chloride etching baths to produce high-quality semiconductor wafers. As demand increases due to the increasing complexity of computer chips and the miniaturization of their circuits, Peroxides is well placed to address the end-market's exacting needs.

- *Others (approx. 30% of sales of the Peroxides business unit)*: In the home and personal care business unit, $H_2O_2$ is used as an enhanced cleaning and brightening agent for new hygienic formulations in oral care, and as a bleach and detergent in the laundry industry. In the aquaculture business unit, $H_2O_2$ is used as disease treatment and water conditioning solution for healthy seafood farming. **Paramove®**, for example, a form of $H_2O_2$, is an effective long-term solution for lice control on farmed Atlantic salmon when used as part of an integrated pest management strategy. And in wastewater treatment, $H_2O_2$ and PAA are used to oxidize and disinfect wastewater to safely secure scarce resources. **Oxystrong®**, for example, is a mix of $H_2O_2$, PAA, acetic acid and water used to remove pathogenic species and harmful microorganisms found in wastewater ranging from raw sewage to stormwater, meeting the challenge of treating used waters of big cities. Such a solution is used by the city of Milan, where Oxystrong® enables the re-use of its wastewater for irrigation, in collaboration with a local agricultural cooperative. $H_2O_2$ is also used in the healthcare, mining and oil & gas industries.

(c) Product range, applications and competitors

| **Peroxides Products** | **Applications** | **Trademarks** | **Competitors outside of China** |
|---|---|---|---|
| Hydrogen peroxides | Pulp (bleaching function) | INTEROX®<br>MyH2O2 | Evonik, Arkema, Nouryon, Kemira |
| | Chemical intermediates synthesis (HPPO, caprolactam, caprolactone, ESBO, etc.) & mining | INTEROX® | |
| Sodium percarbonate and hydrogen peroxides | Home care (bleached powder detergent) & personal care (oral & hair care) | OXYPER®<br>INTEROX® | OCI |
| Hydrogen peroxides and peracetic acid | Aquaculture, food safety | Paramove® INTEROX®, Proxitane® | Eka |
| | Water treatment | INTEROX®, Proxitane®, Oxystrong® | Evonik, Kemira, Peroxychem |
| Inorganic peroxides and peracetic acid | Oil and gas | Ixper®<br>Proxitane® | Evonik, Kemira, Peroxychem |

(d) Production processes and facilities

In the Peroxides business unit, EssentialCo is positioned along the chain from working fluids, to the production of highly pure hydrogen peroxides, to the additional purification process that produces electronics grade $H_2O_2$. Its 19 manufacturing sites (of which 13 are main sites) have tailored production capacity and global reach, providing customers with security of supply. Its one small plant, for example (5-25 kilotonnes/year), operates with flexible technology at a customer site in Brazil, with reduced logistics costs. Its commercial plants with 30-100+ kilotonnes/year capacity operate independently with efficient and safe processes developed over decades. In addition, in Antwerp, Belgium, Map Ta Phut, Thailand and Jubail, Saudi Arabia, its three mega (HPPO) plants—operated through co-investments in the hydrogen peroxide production parts of the plants with blue chip chemical companies that are also its customers—are based on high productivity technology (more than 200 kilotonnes/year) and operate with reduced costs, offering guaranteed returns. Such sites produce intermediary chemicals and products, such as propylene oxide (PO), a key building block for numerous downstream chemicals. Its ultra-high purity $H_2O_2$ plants also provide dedicated semiconductor-grade e-$H_2O_2$. Peroxides' global presence provides it with the ability to meet high volume demand across the globe to meet a range of customer needs.

The Peroxides manufacturing process is vertically integrated, with Peroxides positioned along the value chain from working fluids, to the production of highly pure hydrogen peroxides, to the additional purification process that produces electronics grade $H_2O_2$. For example, EssentialCo is the world's largest producer (with over 80% of global production capacity) of AQ (2-amylanthraquinone), most of which is used by EssentialCo internally. Its proprietary AQ formulation results in lower operating expense and capital expenditure requirements compared to other companies, while at the same time generating extreme purity, higher productivity and more sustainability.

5.3.1.3 *Silica*

EssentialCo is an industry leader in highly dispersible silica ("**HDS**"), a form of precipitated silica which is a mineral material obtained from quartz sand and soda ash, invented by EssentialCo in the 1990s. It is used primarily in fuel-efficient and high performance tires, addressing strong and growing demand for sustainable mobility solutions for the automotive industry. EssentialCo is also the second largest producer of precipitated silica, and markets the widest range of innovative silica in the market. In addition, EssentialCo is the only global player in silica with operations in all global regions covering Europe, Asia, North America, and Latin America.

In the tire industry, HDS lowers tire rolling resistance, thereby improving tire performance and reducing $CO_2$ emissions. It also enables manufacturers to improve safety by increasing tire traction on icy, snowy or wet roads. The **Zeosil®** range, for example, is instrumental in the development of energy efficient tires, providing high surface silicas combining superior dispersibility, excellent reinforcement and low hysteretic properties. **Zeosil® Premium** silica provides 25% less rolling resistance and 7% less fuel consumption, contributing to the reduction of $CO_2$ emissions and improving tire lifespan. In addition, Silica is focused on developing new solutions for global tire manufacturers. As an example the **TECHSYN** innovation co-created between EssentialCo, Bridgestone and Arlanxeo enables +30% in tire wear resistance.

Other than the tire industry, precipitated silica is used in rubber technical parts, industrial products, elastomers and silicones, rubber goods, sports shoes, animal food and the nutrition markets.

(a) Product range, applications and competitors

| Silica Products | Applications | Trademarks | Competitors outside of China |
|---|---|---|---|
| Highly dispersible silica (HDS) | Energy-efficient Tires | Zeosil®, Zeosil® PREMIUM 200, SW | Evonik, PPG, Wuxi Quechen, OSC |
| Precipitated silica (conventional) | Polymer reinforcements | Zeosil® | Evonik, PPG, OSC |
| | Oral care (toothpaste) | Tixosil® | Evonik, PQ Corporation, WR Grace, Evonik, OSC |
| | Nutrition | Tixosil® | Evonik, PQ Corporation, Wuxi Quechen, WR Grace, Evonik, OSC |

(b) Production processes and facilities

In the Silica business unit, EssentialCo is the only global player with operations in all regions covering Europe, Asia, North America, and Latin America. It has six main production sites and one shared site in Latin America, and two R&I centers, and is well positioned to support the growth of its customers in areas such as Central and Eastern Europe. For example, with a capacity of 85,000 tons, the Silica plant in Poland produces several ranges of a new generation of highly dispersible silica for improving tire energy efficiency and performance.

5.3.1.4 *Special Chem*

The Special Chem business unit offers unique rare earth and fluorine chemicals, rare earth additives and inorganic formulations that serve customers in the automotive, electronics, agriculture, and insulation end-markets. EssentialCo is an industry leader in rare earths for catalysts used to reduce automotive emissions, and in aluminum brazing materials for heat exchanger system applications such as radiators, condensers, evaporators and heaters. It is also developing rare earths oxides to be used in the production of permanent magnets used as essential components in traction motors for the automotive sector, such as in electric vehicles. Rare earth magnets are strong permanent magnets made from alloys of rare earth elements, producing significantly stronger magnetic fields than other types of magnets. Rare earth permanent magnets are also used in the generation motors of wind turbines and many other magnetic applications in the electronics market. In other sectors, Special Chem products are used in cleaning and polishing materials for semiconductors and emerging technologies such as solid oxide fuel cells.

(a) Special Chem products and solutions

In its rare earth formulations business, Special Chem is the technology leader in rare earth separation, recycling, purification, finishing and formulation (though is not active in rare earth mining). Rare earth is the generic term for 17 natural non-ferrous elements present as ores in the earth’s crust, such as lanthanum and cerium, which are particularly prized for their exceptional catalytic, magnetic, luminescent or abrasive qualities, and can assist in compliance with emissions regulations regimes. **Actalys®** and **OPtalys®**, for example, are performance materials provided by Special Chem that contain cerium, with outstanding thermal stability for robust, long-life catalysts and a stable surface area, used extensively in automotive emission-control catalyst technologies. **Eolys PowerFlex®** is a fuel-borne catalyst for passenger cars and light-duty vehicles that works to lower diesel engine emissions. As the regulation of vehicle emissions becomes even more stringent, the demand for efficient automotive catalysts—and therefore more and more advanced rare earth oxides—is increasing. Further, as the demand for strong, permanent rare earth magnets (those made from alloys of rare earth elements) for the electric vehicles, clean energy and electronics markets grows, Special Chem is well-positioned to provide critical rare earth materials to such markets, in addition to playing a proactive role in the recycling of magnets. It announced, in September 2022, the expansion of its rare earths operations in La Rochelle, France.

Special Chem is also a leader in producing rare earth (cerium-based) abrasives for semiconductors and glass, such as **Zenus®**, a colloidal ceria abrasive that resolves major defectivity issues faced by semiconductor manufacturers, and **CEROX®**, a polishing powder for mass production optical lenses, camera lenses, jewelry, mirrors, mobile screens and other forms of glass.

In its fluor-based business, Special Chem manufactures fluorine and other ultrapure chemical solutions. **Nocolok®** brazing flux, for example, is recognized as a benchmark in the industry and used for aluminum brazing for heat exchanger manufacturing. As aluminum is increasingly used to replace copper in industrial heat exchangers, growth in the market for aluminum brazing fluxes is expected to outpace GDP growth.

(b) Product range, applications and competitors

The following table sets forth summary information on the range of Special Chem products offered by EssentialCo.

| **Products** | **Applications** | **Trademarks** | **Competitors** |
|---|---|---|---|
| Fluor-based compounds | High voltage engineering (SF6), High purity gas (eHF, e-F2, e-IF5, e-C4F6) for chip etching and cleaning, chemicals for Li-batteries (Li- TA, Li-TFSi) | SIFREN® (C4F6) | Kemeite, Liming, Henan Huaneng Fluoride and others, HaloPolymer, Asahi Glass, Kanto Denka, Showa Denko, Central Glas, Linde, AirProducts |
| | Insulation, energy saving | IXOL® | Honeywell, Arkema, DuPont, Albarnali, Chemtura |
| | Aluminum Brazing for Heat Exchanger manufacturing | NOCOLOK® | Morita, Honeywell |
| Fluorinated organic compounds, TFAC, TFA, TFAH, TFAEt, TFK, ETFBO, Other CF3 | Building blocks for active ingredients | | Halocarbon, SRF, Sinochem, Blue Star |
| Rare earth oxide formulations | Automotive catalysts | ACTALYS®, ACTALYS® HSA, EOLYS® POWERFLEX®, ESIS ® OPTALYS®, STABILYS® | DKK, MEL Chemicals, Sasol |
| | High performance polishing for glass and semiconductors | CEROX®, ZENUS® | OST, Treibacher, Ferro, Nikki |

(c) Production processes and facilities

In the Special Chem business unit, EssentialCo has 11 industrial sites and R&I centers, and is well positioned to support the growth of its customers. For example, EssentialCo announced plans in September, 2022 to increase its rare earths operations in La Rochelle, France to enter the value chain for rare earths permanent magnets in Europe, expanding and upgrading an existing sophisticated manufacturing site.

5.3.1.5 *Coatis*

Coatis provides specialty solvents, phenols and derivatives, polyamide intermediates and polymers, and smart, functional and sustainable yarn, primarily for the Latin American market. Its products are manufactured in southeast Brazil, and serve end-markets such as home and personal care, automotive, and architectural paints and industrial coatings.

EssentialCo is the Latin American market leader for phenol—a crystalline mass with a strong characteristic odor—and derivatives, which are used as intermediates in the production of synthetic resins employed in foundries, construction and abrasives. Coatis also manufactures phenol for use by its polyamide customers, and for the production of coatings for plywood to meet the growing demand in Latin America for laminated woods.

In the solvents business unit, which is more specialized, Coatis manufactures solvents for the inks industry and for industrial cleaning products, paints and coatings. Rhodiasolv®IRIS, for example, is a strong solvent used in metal cleaning (degreaser), paint stripping and cleaning applications, and Rhodiasolv®PolarClean—part of Coatis' green solvents range—is an eco-friendly water soluble solvent to solubilize (make more soluble) agrochemicals. Coatis' innovative eco-friendly solvent products meet growing demand for safer products in the agrochemical industry, substituting toxic solvents such as NMP (N-Methylpyrrolidone). Similarly, Coatis offers Augeo®, an innovative line of bio-based solvents developed from glycerin, a sustainable alternative to petrochemical solvents for applications such as air care, fragrances, paints and varnishes, printing inks, household and institutional cleaners, and leather.

(a) Product range, applications and competitors

The following table sets forth summary information on the range of Coatis products offered by EssentialCo.

| Coatis Products | Applications | Trademarks | Competitors outside of China |
|---|---|---|---|
| Phenol and derivatives | Synthetic resins & molding compounds (Epoxy, polycarbonate, polyamide, phenolic MMA resins) | | Dow, Ineos, Shell |
| Oxygenated solvents, of which: | Adhesives, cosmetics, mining, coating, print inks, wood coating, oilfield, cleaners, automotive, industrial paints, pharma, solubilization of actives and resins | | Arkema, Sasol, Halterman Celanese, Ineos, Eastman, Dow, Shell |
| Ketonic solvents | | | |
| Acetic solvents | | RHODIASOLV™ | |
| Glycerin-based solvents | | AUGEO™ | |

(b) Production processes and facilities

In the Coatis business unit, EssentialCo has two production sites, one in Paulínia, southeast Brazil, and one in Santo André, near San Paolo, and two R&I centers. It is well positioned to provide solvent solutions, specialty phenols, polyamide derivatives and smart, functional and sustainable yarn and polymers to its customers in the Latin American market.

## 5.4 Research and innovation

Research and innovation ("**R&I**") are a core part of EssentialCo's business strategy. EssentialCo focuses on developing essential, relevant products, solutions and technologies to address major human challenges associated with resource scarcity, climate change and quality of life, and meet customer needs. Its market-leading industry positions, technological and cost leadership depend on its continued innovation in process technology, product know-how and sustainability.

EssentialCo's research and development costs were EUR 46 million, EUR 40 million, and EUR 47 million for the years ended December 31, 2022, 2021, and 2020, respectively.

As of December 31, 2022, EssentialCo employed approximately 200 employees in its global R&I functions. Increasingly, EssentialCo is focusing on fostering cross-innovation throughout its businesses, collaborating with customers, academia, other companies and startups (it manages numerous collaborative innovation projects), 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.

EssentialCo has six major R&I locations (listed here):

| **Site** | **Location** | **Number of R&I Employees** | **Type** |
|---|---|---|---|
| Paulinia | Brazil | 30-40 | Co-located at the plant |
| Aubervilliers | France | 30-40 | R&I center |
| Dombasle-sur-Meurthe | France | 30-40 | Co-located at the plant |
| Brussels | Belgium | 20-30 | R&I center |
| Collonges au Mont d'Or | France | 20-30 | Co-located at the plant |
| La Rochelle | France | 10-20 | Co-located at the plant |

In 2022, EssentialCo's research and innovation work resulted in 24 new inventions (secured with a patent filing), and approximately 150 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 EssentialCo in 2022 were related to $H_2O_2$ manufacturing technology processes, novel energy sources for the production of soda ash, and the production of silica from renewable sources.

EssentialCo's ongoing R&I focus includes:

- In Soda Ash and Derivatives, developing a breakthrough and patented process using electrochemistry, replacing lime kilns and ammonia recovery. The process has passed the technology validation phase and will enter industrial pilot designs in 2023 and 2024 in Dombasle-sur-Meurthe, France. It has the potential to save substantial costs by reducing brine consumption by up to 20% and the use of limestone by up to 30%. It will also enhance sustainability by eliminating limestone residues and removing the need for fuels in kilns, eliminating the resulting $CO_2$ emissions.

- In Soda Ash and Derivatives, developing SOLVAir Marine, a sodium based solution to clean exhaust gasses from vessels running on High Sulfur Heavy fuel Oil (HFO) diesel. Up to 100% of SOx are treated and over 99% of particles are captured. No waste, residue or pollutants are released into the air or sea.

- In Soda Ash and Derivatives, developing Alve-One® a functionalized sodium bicarbonate eco-friendly foaming agent for thermoplastics foams used in footwear, automotive, building and construction applications. Alve-One® is free of any hazardous SVHC substances and accredited as a substitute to Azodicarbonamide (ADCA).

- In Peroxides, meeting the challenge of treating used waters of big cities by developing a rapid-acting and safe oxidizing biocide partially composed of hydrogen peroxide (Oxystrong®) which allows the recycling of municipal wastewater. Such a solution is used by the city of Milan, where Oxystrong® enables the re-use of its wastewater for irrigation, in collaboration with a local agricultural cooperative.

- In Silica, investing in developing the use of rice husks and other bio-materials in the manufacturing of silica, and developing a new technology for tires with Bridgestone and Arlanxeo, which is designed to provide unrivalled tire strength, low rolling resistance and ultra-low wear (environmental performance).

- In Special Chem, developing technology to separate rare earths elements to be used in the production of innovative rare earths permanent magnet solutions for the fast-growing electric vehicles, wind turbines and electronics end-markets. In addition, working with Cyclic Materials to develop the production and supply of recycled mixed rare earth oxides.

Examples of current strategic innovation projects of EssentialCo are described in Section 5.1.2, "*EssentialCo's competitive strengths – Market leading industry positions and technological leadership, Significant competitive advantage from industry-leading cost positions, Attractive end-markets aligned with growth megatrends*."

## 5.5 Intellectual property, patents and licenses

In order to ensure that new and existing products, proprietary know-how and production processes are not compromised, EssentialCo maintains issued and pending patents and other intellectual property, including trademarks, relating to its business. Through its different subsidiaries it holds approximately 2,300 patent titles as part of 400 patent families—each family relating to a specific invention—across 67 countries and jurisdictions. By business unit, the most significant patent protection footprints are associated with Special Chem, which holds about 170 patent families, Soda Ash & Derivatives, which holds about 90 patent families, and Silica, which holds about 70 patent families. EssentialCo also holds around 2,330 trademark registrations across 153 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.

EssentialCo 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.

## 5.6 Competition and market positions

EssentialCo's main competitors in Soda Ash and Derivatives include Ciner Group (WE Soda), Genesis, Sisecam and Tata Chemicals. In Special Chem, its main competitors are Alkeemia, DDF, Honeywell and Lanxess, (HF, Brazing flux), DKK, MEL and Neo Performance Materials (Rare Earth Mixed Oxides), Sasol (Alumina), and Treibacher (Rare Earth Polishing). Coatis competes primarily with Arkema (Ketonics), Celanese (Acetyls) and INEOS (Phenol and Acetyls). In Peroxides, EssentialCo's main competitors for hydrogen peroxides are Arkema, Evonik, Kemira and Nouryon. For semiconductor-grade e-$H_2O_2$, they are CCP, Evonik and MGC. In Silica, EssentialCo competes primarily with Evonik, OSC, PPG, WR Grace and Wuxi Quechen.

EssentialCo holds leading positions in many of its end-markets. It estimates that over 80% of its net sales are realized in markets where it holds one of the top three market positions, and it orients its investments and resources to markets where it is or has the potential to be among the leaders. According to market studies prepared for the Group, EssentialCo holds the:

- #1 global market position in soda ash (Soda Ash and Derivatives), excluding China,
- #1 global market position in sodium bicarbonate (Soda Ash and Derivatives),
- #1 global market position in hydrogen peroxide (Peroxides), based on production capacity,
- #1 global market position in highly dispersible silica for tires (Silica),
- #1 market position in phenol and solvents in Latin America (Coatis), and
- #1 global position in rare earths for automotive catalysts (Special Chem).

## 5.7 Raw materials

EssentialCo uses a broad range of energy and raw materials for its manufacture of essential chemicals. It purchased EUR 1.5 billion of raw materials and consumables in 2022 from a wide range of suppliers and EUR 2.1 billion of energy (before sales of energy), including EUR 1.2 billion of natural gas and EUR 0.4 billion of solid fuels.

Following the Partial Demerger, certain of such raw materials are expected to be supplied to EssentialCo by the Solvay Group business units that will become part of SpecialtyCo. Such business units are expected to continue to supply SpecialtyCo with necessary raw materials, according to the terms of agreements between EssentialCo and SpecialtyCo. *See* Section 6.5.4, "*Other ancillary agreements*."

### 5.8 Real property

EssentialCo's corporate headquarters are located in Brussels, Belgium. EssentialCo'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, EssentialCo operates 42 industrial sites, including 22 in Europe and the Middle East, eight in North America, eight in the Asia-Pacific region and four in Latin America. The following table includes EssentialCo's most important real properties by turnover. As indicated in the table, all of EssentialCo'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.

| Site | Location | Function |
|---|---|---|
| Paulinia | Brazil | Production of Coatis and Silica |
| Green River | U.S. | Production of Soda Ash and Derivatives |
| Devnya | Bulgaria | Production of Soda Ash and Derivatives |
| Torrelavega | Spain | Production of Soda Ash and Derivatives |
| Rosignano | Italy | Production of Soda Ash and Derivatives, Peroxides, Special Chem |

### 5.9 Contract structures

EssentialCo benefits from customer contracts with structures that support stability and predictability of returns. These contracts have allowed EssentialCo to adapt its pricing to mitigate the impact of energy prices and inflation on its results. In particular:

- In the Soda Ash and Derivatives business unit, EssentialCo enters into short and medium-term contracts for the majority of its business. While its short-term contracts (up to one year) provide it with the ability to renegotiate prices annually and take into account cost factors and adjust to the supply and demand situation, a majority of its medium-term contracts (up to three years) provide for periodic price adjustments based on a market index. Some contracts also include energy adjustment factors applying in case of extreme energy index variations.

- In the Peroxides business unit, contract structures vary based on the type of product. The HPPO business is conducted through joint-investment programs with customers, providing for long-term offtake agreements with EssentialCo's joint venture partners. The e-$H_2O_2$ business is conducted under ten-year contracts with major semiconductor manufacturers, which is designed to guarantee the return on invested capital. Most of the remaining business is conducted under two to three-year contracts. Most contracts in the Peroxides business include pricing formulas that provide for the contractual pass-through of raw material price fluctuations, including energy.

- The Silica business unit is conducted under contracts with leading tire manufacturers with terms of between three and five years. The majority of these contracts include pricing formulas that provide for the contractual pass-through of raw material price fluctuations on a quarterly basis, including energy.

- In the Special Chem business unit, EssentialCo enters into medium-term contracts for the majority of its business, the majority of which include pricing terms that provide for the contractual pass-through of raw material price fluctuations, including energy.

- In the Coatis business unit, EssentialCo enters into medium and long-term contracts for the majority of its business. Most of these contracts have four to eight year terms, and include pricing formulas that provide for the contractual pass-through of raw material price fluctuations.

## 5.10 Environmental, Social and Governance

### 5.10.1 Overview

EssentialCo is committed to society, driving the energy transition to reach a zero carbon footprint as it makes progress on its environmental, social and governance ("**ESG**") goals. Its targets include climate-related initiatives—drawn from Solvay's One Planet initiatives prior to the Partial Demerger—social initiatives including the health, welfare and career of EssentialCo's employees, and governance goals, including ensuring the integration of EssentialCo's ESG commitments into its business and reporting. A robust framework entailing suitable processes, competencies and oversight is expected to be put in place to ensure such goals are embedded into its business and reporting.

Solvay has announced that EssentialCo's $CO_2$ objective will be to reach carbon neutrality on scope 1 and 2 emissions before 2050. It also aims to phase out its use of coal by 2030 wherever possible. EssentialCo is in the process of developing a full suite of ESG objectives that it expects to announce prior to the completion of the Partial Demerger.

### 5.10.2 Selected Historical ESG Information

The following tables set forth certain historical ESG information for the businesses that will be part of EssentialCo, derived from the similar information established by Solvay. Certain terms used in these tables are defined in Section 5.10.3, "*Definitions and perimeter*."

| | **2022** | **2021** | **2020** | **2019** | **2018** |
|---|---|---|---|---|---|
| GHG Scope 1-2 (Mt eq $CO_2$) | 8.5 | 9.0 | 8.0 | 9.3 | 9.0 |
| Solid fuels (PJ) | 28.0 | 27.2 | 26.9 | 30.8 | 32.2 |
| Freshwater withdrawal, Mm3 | 243 | 243 | 286 | 307 | 304 |
| Occupational safety - MTAR (per million work hours)[i] | 0.35 | 0.45 | 0.51 | 0.44 | 0.47 |
| Occupational safety - RIIR (per 200,000 hours)[ii] | 0.44 | 0.44 | n/a | n/a | n/a |

[i] Prior to 2020, EssentialCo was using the Medical Treatment Accident Rate (MTAR): number of work accidents leading to medical treatment other than first aid per million working hours.
[ii] In 2020, EssentialCo began using the Reportable Injury & Illness Rate (RIIR): number of reportable injury or illness per 200,000 work hours.

### 5.10.3 Definitions and perimeter

This section provides definitions of certain terms used in the tables presented in Section 5.10.2, "*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 EssentialCo determines its future objectives.

In preparing the information presented in Section 5.10.2, "*Selected Historical ESG Information*," EssentialCo has estimated the allocation of historical ESG information for EssentialCo based on current plans for the implementation of the Legal Reorganization and the Partial Demerger. As a general principle, the historical ESG information of the Essential Businesses (including Soda Ash and Derivatives, Peroxides, Silica, Special Chem and Coatis) were allocated 100% to EssentialCo and the historical ESG information of the Specialty businesses were allocated 100% to SpecialtyCo.

#### 5.10.3.1 *Greenhouse gas (GHG) emissions*

EssentialCo 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 EssentialCo.

To better reflect its sustainability policy, EssentialCo uses the market-based method to calculate $CO_2$ emissions associated with purchased electricity (scope 2). To comply with Global Reporting Initiative requirements, EssentialCo 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, EssentialCo 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 US, 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 5.10.2, "*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).

#### 5.10.3.2 *Energy*

Solid fuels are various forms of material used in energy production, such as coal and petcoke. Coke, anthracite or fuels used in other processes, *e.g.*, in the soda ash production process, are not included.

#### 5.10.3.3 *Water Management*

Freshwater withdrawal, measured in millions of cubic meters per year, is the amount of incoming freshwater purchased from third parties (e.g. drinking water from the public network) or pumped by EssentialCo from the public network (drinking water), freshwater systems, such as rivers and lakes, and groundwater sources (aquifers).

The GRI-303 (*Water and Effluents 2018*) standard has been applied since 2020; past freshwater withdrawal figures have been restated to be consistent with the new version of the standard, in particular for accounting of water treated on account of third parties.

For the information presented in Section 5.10.2, "*Selected Historical ESG Information*," on water, the R&I sites of Bruxelles, Hannover and Paulinia were allocated 100% to EssentialCo.

EssentialCo's estimation of water consumption for EssentialCo's cradle to gate production is effectively equivalent to the water consumption of a product. Simply put, it is the amount of water withdrawn, minus the amount of water of the same quality released back into the same watershed. This means that the water used in turbines for hydropower and the cooling of water in open loop systems are not included in this indicator. EssentialCo's main areas of water consumption are in production, or what is known as industrial water, and in irrigation for bio based raw materials.

#### 5.10.3.4 *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 EssentialCo employee.

In mid-2020, EssentialCo began using the United States Occupational Safety and Health Act ("**OSHA**") definitions of occupational accidents in order to comply with GRI Sustainability Reporting Standards and enable comparisons outside EssentialCo. 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 EssentialCo 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 5.10.2, "*Selected Historical ESG Information*," EssentialCo applied the following assumptions:

- Approximately 40% of the R&I, Functions, and Corporate employees were allocated to EssentialCo and 60% were allocated to SpecialtyCo, 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.

## 5.11 Digital and information technology

EssentialCo's digital and information technology ("**IT**") system, infrastructure and security are provided by a service provider. The key activities of its digital technology ("**DT**") department 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). Its DT teams employ a broad range of IT systems, including an Enterprise Resource Planning 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.

To support cyber security, EssentialCo runs a comprehensive cybersecurity operations center, 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 are evaluated for EssentialCo'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— EssentialCo is 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 managed globally by the Chief Security Officer.

In addition, under the terms of the Transition Services Agreement between SpecialtyCo and EssentialCo, a shared service provider in EssentialCo will provide to SpecialtyCo for up to 24 months following the Partial Demerger a range of IT services.

### 5.12 Risk management and compliance

EssentialCo's risk management and compliance policies and procedures are inspired by the Committee of Sponsoring Organizations principles, and follow the structure established by Solvay prior to the Partial Demerger. EssentialCo relies 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.

EssentialCo has a central risk management function that works 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 the specific risk profile of EssentialCo. The EssentialCo Board of Directors and Audit Committee (which includes members of the Executive Leadership Team and the Chief Officers in areas such as R&I, sustainability and compliance) also monitor and review risk management practices endorsed by the Group Risk Committee which ensures that EssentialCo's key risks are assessed for materiality and are adequately addressed.

For this purpose, the Audit Committee meets with the Chief Executive Officer and all other members of the Board of Directors 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 embedded in the day-to-day operations of each business unit.

There is a structured network within EssentialCo to ensure crisis preparedness. 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 EssentialCo's Enterprise Risk Management methodology influence the scenarios used in its simulations.

EssentialCo analyses 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, EssentialCo'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 EssentialCo 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<br>- Low activity in social media<br>- Moderate to strong reaction from local stakeholders | - National news headlines<br>- Strong activity in social media<br>- Strong reaction from stakeholders | - International news headlines<br>- Massive activity in social media<br>- Severe reaction from all stakeholders |
| **Environment** | Non reportable operating permit limits exceeded | - Damages limited to the immediate vicinity of the site<br>- Minor impact on plants or animals around the site | - Reversible damages off-site<br>- Major impact on plants or animals around the site | - Long-term damages off-site (ten years) |

To determine how critical a risk is, EssentialCo 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 EssentialCo 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**: EssentialCo's risk profile analysis identified mainstream threats against information and IT infrastructure as key security risks. In addition, increasing cyber compliance requirements from both regulators and customers enhance the necessity for a strong cyber defense.

  Cyber-defense activities are managed by the Chief Information Security Officer reporting to the Head of Security & Facilities who acts as an independent 2nd line of defense. Cyber operations are integrated into the DT Operations team which acts as a 1st line of defense.

  These two lines of defense manage respectively oversee a cyber security program that includes the use of cyber security assessments conducted by external experts; the use of penetration tests and internal phishing simulations; substantial training for all EssentialCo Business Services and DT professionals, and mandatory security training for all employees, as well as the regular publication of cybersecurity tips to increase employee awareness.

  EssentialCo's management provides regular updates on information security to the Audit Committee and the Board of Directors.

  Solvay is also insured up to certain limits against the potential financial impact of a cyber-attack, and EssentialCo is expected to have similar levels of insurance following the Partial Demerger. This insurance covers damage to assets, business interruption, ransomware and third party liability in case of loss of third party confidential information. While the insurance market is insufficient today to provide the full coverage EssentialCo needs, Solvay has co-created a

Mutual of Cyber Insurance (MIRIS) in collaboration with several other groups, which will start providing coverage to its members in 2023.

- **Environmental Impact and Controversies**: EssentialCo'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 EssentialCo's ability to recruit employees due to negative public perceptions of environmental issues. EssentialCo is 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.*"

  EssentialCo's environmental prevention and mitigation activities include the following:

  - Careful monitoring and management of sites with a history of soil contamination by a dedicated expert team. EssentialCo 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 Group-level strategy for managing chemicals of concern and developing alternatives with a reduced human and environmental impact, or phasing them out completely.

  EssentialCo 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.

  EssentialCo 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. EssentialCo 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. EssentialCo expects to be insured for similar risks, with a coverage level adapted to its business. However, no assurance can be given that EssentialCo will be able to maintain adequate insurance, or that its coverage levels will be sufficient to protect against all relevant risks.

- **Compliance**: EssentialCo 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). EssentialCo also is 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, EssentialCo 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, EssentialCo 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.

In addition, EssentialCo's risk management activities will initially cover a number of processes and procedures at SpecialtyCo, for which EssentialCo will provide services pursuant to the terms of the Transition Services Agreement. The risk management function will also work with a view to ensuring that risk management procedures are consistently applied to these processes.

### 5.13 Insurance

EssentialCo 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, "*EssentialCo 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.

## 6. LEGAL REORGANIZATION AND PARTIAL DEMERGER

### 6.1 Overview

As of the date of the Information Document, the Essential Businesses are directly or indirectly owned and operated by Solvay. This will continue to be the case after the Partial Demerger. EssentialCo will retain the name "Solvay."

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 Essential Businesses from those relating to the other businesses of the Solvay Group (the "**Other Solvay Group Businesses**") which will make up SpecialtyCo. Part of the transactions to be carried out as part of the Legal Reorganization have occurred prior to the date of this Information Document, and the remaining transactions are expected to be implemented at the latest on the first day of trading of the SpecialtyCo's shares on Euronext Brussels and Euronext Paris. The Legal Reorganization is discussed in further detail in Section 6.3, "*Legal Reorganization*."

The Partial Demerger will provide for the actual separation of the Essential Businesses from the Other Solvay Group Businesses. As a result of the Partial Demerger, the shares and other interests held by Solvay in the legal entities operating the Other Solvay Group Businesses, the rights and obligations of Solvay 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 SpecialtyCo. In return, Solvay's shareholders will receive shares, issued by SpecialtyCo *pro rata* to their shareholdings in Solvay, 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 6.4, "*The Partial Demerger*."

### 6.2 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.

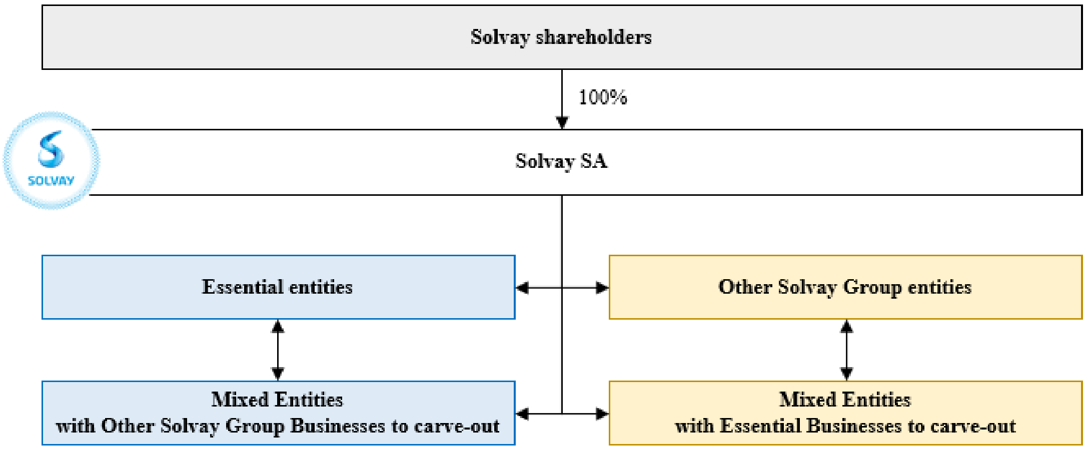
Two distinct groups of businesses emerged as Solvay delivered its G.R.O.W. strategy and business optimizations: Essential and Specialty chemicals. While both have bold ambitions and significant potential, they have different—sometimes competing—needs (in particular, for capital resources), different 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 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.

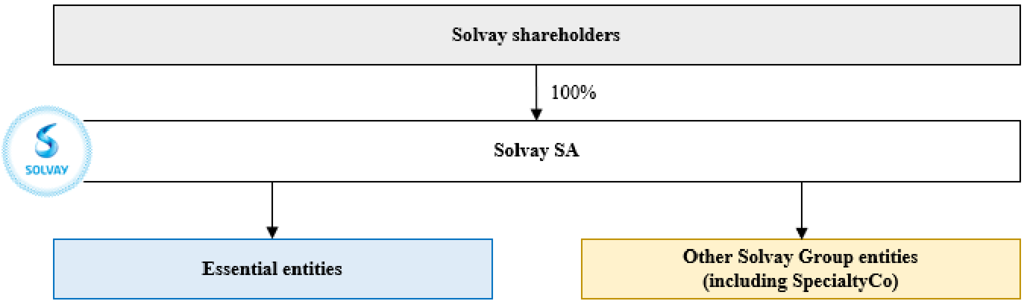
### 6.3 Legal Reorganization

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 Essential Businesses and Other Solvay Group Businesses (referred to as "**Mixed Entities**") to existing or new legal entities dedicated to either Essential 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 Essential 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 Essential Businesses have been carved-out as part of the Legal Reorganization (the entities in (a), (b) and (c) together, the "**Essential 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.

### 6.3.1 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.

#### 6.3.1.1 *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 legal entities operating Other Solvay Group Businesses (such as Solvay Specialty Polymers GmbH) to other legal entities operating Other Solvay Group Businesses;

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

#### 6.3.1.2 *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 Essential Businesses from the French Other Solvay Group 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 an Essential 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 Other Solvay Group 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 Essential Businesses from the French Other Solvay Group 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 Essential Businesses from under Solvay France S.A. to legal entities operating Essential Businesses that will not be transferred to SpecialtyCo upon completion of the Partial Demerger.

As part of the Partial Demerger, Solvay 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.

### 6.3.2 United States

In the United States, the Solvay Group will restructure internally in order to separate its U.S. Essential from its U.S. Other Solvay Group 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 Essential Businesses (including all its interests in U.S. legal entities operating the Essential Businesses) to Newco, a newly-formed entity;

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

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

6.3.3 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 Other Solvay Group 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 its Essential 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 through Solvay France S.A. and Rhodianyl S.A.S.

As part of the Partial Demerger, Solvay 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.

## 6.4 The Partial Demerger

6.4.1 Description

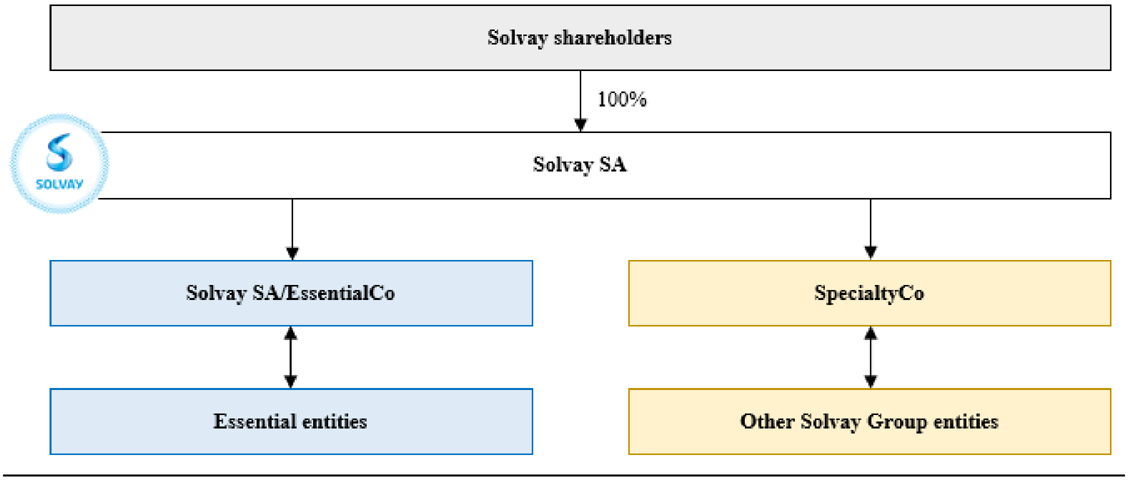
Pursuant to the Partial Demerger, the Other Solvay Group Businesses will be separated from Solvay.

As part of the Partial Demerger, Solvay will contribute the shares and other interests held by Solvay in the legal entities operating the Other Solvay Group 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 SpecialtyCo by way of partial demerger (*scission partielle*/*partiële splitsing*) of Solvay in accordance with Article 12:8, 1° of the Belgian *Code des sociétés et des associations* ("**BCCA**"), with the Essential Businesses remaining in EssentialCo. In return, the share capital of SpecialtyCo will be increased and new shares of SpecialtyCo will be issued and allocated directly to Solvay's shareholders on the relevant record date before the completion of the Partial Demerger ("**Solvay's Existing Shareholders**").

A detailed list of the shares and other interests in legal entities, agreements, assets and liabilities to be contributed by Solvay to SpecialtyCo pursuant to the Partial Demerger will be included in the Partial

Demerger Proposal and will be described in a supplement to this Information 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:




6.4.2 Procedure

In preparation of the Partial Demerger, the boards of directors of Solvay and SpecialtyCo will approve a joint partial demerger proposal (the "**Partial Demerger Proposal**"). The Partial Demerger Proposal approved by the boards of directors of Solvay and SpecialtyCo 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 and SpecialtyCo 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's EGM, a new EGM of Solvay 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.

6.4.3 Exchange Ratio

In consideration for the contribution by Solvay of the shares and other interests in legal entities, agreements, assets and liabilities set out in the Partial Demerger Proposal, Solvay's Existing Shareholders will receive new shares of SpecialtyCo on the basis of their respective shareholding in Solvay 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's Existing Shareholders would receive one share in SpecialtyCo for each Share in Solvay they own on the relevant date.

The consideration for the contribution of the Other Solvay Group Businesses will solely consist of new shares of SpecialtyCo. Solvay's Existing Shareholders will not receive any additional cash amount (premium).

By way of exception, no shares of SpecialtyCo will be issued or allocated to Solvay, SpecialtyCo or any persons acting in their own name but on behalf of Solvay or SpecialtyCo, to the extent they would own any Shares of Solvay 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.

#### 6.4.4 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 SpecialtyCo 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.

#### 6.4.5 Effective Time and accounting and tax retroactivity

If the Partial Demerger is approved by Solvay's EGM and SpecialtyCo'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) SpecialtyCo will be deemed to have had the use of all the assets of Solvay contributed to SpecialtyCo as part of the Partial Demerger as from the BE GAAP Accounting and Tax Effective Date; (ii) all transactions of Solvay relating to the shares and other interests in legal entities, agreements, assets and liabilities contributed to SpecialtyCo as part of the Partial Demerger will be treated as being those of SpecialtyCo 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 SpecialtyCo. The accounting and financial information regarding the shares and others interests in legal entities, agreements, assets and liabilities contributed to SpecialtyCo as part of the Partial Demerger and included in Solvay's Belgian statutory accounts will be reflected in the Belgian statutory accounts of SpecialtyCo.

#### 6.4.6 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 SpecialtyCo shares on Euronext Brussels and Euronext Paris. This timetable remains subject to decisions of the Board of Directors of Solvay and of the management body of SpecialtyCo, the satisfaction of the Conditions Precedent, the implementation of the liability management transactions and general market conditions. Solvay and SpecialtyCo may adjust the dates, times and periods provided in this timetable and throughout this Information Document. If Solvay and SpecialtyCo decide to adjust any date, time or period, Solvay and SpecialtyCo will make this adjustment public through a press release, which will also be posted on Solvay's website (www.solvay.com).

| Timing | Principal Events |
|---|---|
| June 29, 2023 | Approval of the SpecialtyCo's 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 |
| 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 SpecialtyCo shares on Euronext Brussels and Euronext Paris |

(1) This prospectus is expected to comprise the following documents: (i) the registration document; (ii) a supplement to the registration document; (iii) the securities notes; and (iv) a summary of the prospectus.

### 6.4.7 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 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 expects the Belgian Tax Ruling to be granted prior to the EGMs. Solvay and SpecialtyCo 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 closer to the completion of the Partial Demerger.

### 6.4.8 U.S. tax ruling and related restrictions on EssentialCo

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 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 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 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 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'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 6.5.3, "*U.S. Tax Matters Agreement*."

## 6.5 Agreements between Solvay and SpecialtyCo relating to the Partial Demerger

Following completion of the Partial Demerger, Solvay and SpecialtyCo will operate separately, each as an independent public company. On or prior to the completion of the Partial Demerger, Solvay and SpecialtyCo intend to enter into several agreements, which are described below. The terms of those agreements have not yet been finalized and a summary thereof will be provided closer to the completion of the Partial Demerger.

### 6.5.1 Separation Agreement

On or prior to the completion of the Partial Demerger, Solvay intends to enter into a separation agreement (the "**Separation Agreement**") with SpecialtyCo to provide a framework for SpecialtyCo's relationship with Solvay 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.

### 6.5.2 Transition Services Agreement

On or prior to completion of the Partial Demerger, Solvay intends to enter into a Transition Services Agreement (the "**TSA**") with SpecialtyCo, 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*."

### 6.5.3 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.

### 6.5.4 Other ancillary agreements

Prior to the completion of the Partial Demerger, Solvay or the Essential Legal Entities may enter into other agreements with Solvay or legal entities that will remain subsidiaries of Solvay 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.

## 7. OPERATING AND FINANCIAL REVIEW

### 7.1 Pro Forma Presentation

#### 7.1.1 Overview and Basis of Preparation

EssentialCo will operate the businesses of Solvay that are not transferred to SpecialtyCo in the Partial Demerger. Solvay will be the parent company of the EssentialCo group. Solvay has already published audited consolidated financial statements for the years ended December 31 2020, 2021 and 2022. Accordingly, there are no historical consolidated financial statements showing only the results of operations and financial condition of the businesses that will constitute the EssentialCo group, without the businesses to be transferred to SpecialtyCo.

In order to illustrate the results of operations and financial condition of the EssentialCo group, Solvay has presented in this Information Document Unaudited Pro Forma Financial Information, prepared as if the Partial Demerger had taken place on December 31, 2022 (for purposes of the Unaudited Pro Forma Statement of Financial Position) or January 1, 2020 (for purposes of the Unaudited Pro Forma income statement). The Unaudited Pro Forma Financial Information includes an Unaudited Pro Forma Statement of Financial Position as of December 31, 2022 and an Unaudited Pro Forma income statement for the years ended December 31, 2022, December 31, 2021 and December 31, 2020 with the related explanatory notes. The Unaudited Pro Forma Financial Information also was prepared as if the sale of Solvay's interest in the RusVinyl joint venture had occurred on January 1, 2020. The Unaudited Pro Forma Financial Information has been prepared solely for purposes of illustration and does not necessarily reflect the actual results of operations and financial condition that EssentialCo would have had if the Partial Demerger had taken place on those dates. For more information please see "*Background information*" and "*Basis of preparation*" of the Unaudited Pro Forma Financial Information in Annex I.

The discussions in this Section 7, "*Operating and Financial Review*," and in Section 8, "*Capital Resources*," have been prepared on the basis of, and should be read in conjunction with, the Unaudited Pro Forma Financial Information. The Unaudited Pro Forma Financial Information has been derived from Solvay's audited consolidated financial statements for the years ended December 31, 2022, 2021 and 2020 and the audited combined financial statements of SpecialtyCo for the years ended December 31, 2022, 2021 and 2020. The Unaudited Pro Forma Financial Information was prepared to comply with Commission Delegated Regulation (EU) 2019/980, except for Item 2.2 of Annex 20 (i.e. 3 years of unaudited pro forma income statements have been included), and for no other purposes. The Unaudited Pro Forma Financial Information was prepared in accordance with the principles described in the Commission Delegated Regulation (EU) 2019/980 and the related guidance issued by the European Securities and Markets Authority (ESMA). The Unaudited Pro Forma Financial Information presented in this document has not been prepared in accordance with the requirements of the SEC or practices generally accepted in the United States.

The Unaudited Pro Forma Financial Information reflects the application of pro forma adjustments that are (i) directly attributable and (ii) factually supportable and are based upon available information, and certain assumptions described in the accompanying notes hereto, that management believes are reasonable under the given circumstances. The Unaudited Pro Forma Financial Information does not reflect items such as EssentialCo's expected synergies, operating efficiencies or restructuring and integration costs that may result from the separation.

In order to reflect the assets, liabilities, income and expenses that fall within the scope of each of SpecialtyCo's and EssentialCo's businesses, management has used significant judgement in determining combination rules. Thus, the Unaudited Pro Forma Financial Information does not necessarily reflect the financial position and results of operations that would have occurred if EssentialCo had existed as a separate group in the periods presented.

- 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's Board of Directors, Executive

Leadership Team, Investor Relations and Corporate Communications team, have been included in the Unaudited Pro Forma Financial Information. An adjustment has been made to information on an "Underlying" basis to reflect the allocation of a portion of these costs to SpecialtyCo.

- With respect to employee benefit plans, where the local legal framework or contractual arrangement does not contain the requirements for allocation of rights and obligations for employees that will be transferred to SpecialtyCo entities, the benefit obligations and related assets are included in the Unaudited Pro Forma Financial Information. Charges relating to employee benefit schemes and management incentive plans may be different in the future depending on the schemes and incentive plans adopted by EssentialCo.

- Financial debt with bondholders, banks and other financial institutions is included in the Unaudited Pro Forma Financial Information where the financial debt reflects the historical ownership of the legal entities that will be part of the Remaining Solvay Group. The debt instruments issued by Solvay are included in the Unaudited Pro Forma Financial Information. The cost of financing included in the Unaudited Pro Forma Financial Information does not represent what the finance costs would have been had EssentialCo historically obtained financing on a stand-alone basis. These costs are also not indicative of the cost of financing for EssentialCo in the future. *See* Section 8.8, "*Target Capital Structure*" for additional information.

- The financing of EssentialCo'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 arising from the Solvay cash pooling agreements involving entities that will be transferred to SpecialtyCo are presented as other current financial instruments and current financial debt in the Unaudited Pro Forma Financial Information.

- The non-recurring transaction related costs related to the Partial Demerger and separation plan (the "Transaction") are assumed to have been incurred before closing of the Transaction. Under the assumption that the Transaction would have taken place in 2020, these transaction costs are reflected in 2020 as a pro forma adjustment. These costs are reversed from the Unaudited Pro Forma income statement for the financial year ended December 31, 2022 and reflected in the Unaudited Pro Forma income statement for the financial year ended December 31, 2020. The additional non-recurring related transaction costs that were not recorded as of December 31, 2022, but incurred in the first quarter of 2023 are reflected in the Unaudited Pro Forma income statement for the financial year ended December 31, 2020 with the corresponding entry recorded as an additional liability in the Unaudited Pro Forma Statement of Financial Position as of December 31, 2022. See note 3.3 to the Unaudited Pro Forma Financial Information.

### 7.1.2 Selected Unaudited Pro Forma Financial Information and Alternative Performance Indicators

The following table presents pro forma information from the Unaudited Pro Forma income statement for the years ended December 31, 2022, 2021 and 2020. The table should be read in conjunction with the Unaudited Pro Forma Financial Information presented in Annex I of this Information Document, which presents the underlying information derived from the consolidated financial statements of Solvay, the combined financial statements of SpecialtyCo and the relevant adjustments, as well as notes that explain such adjustments.

| Pro Forma<br>(in EUR million) | Year ended December 31,<br>2022 | <br>2021 | <br>2020 |
|---|---|---|---|
| Sales (incl. revenues from non-core activities) | 8,057 | 5,493 | 4,420 |
| of which revenues from non-core activities[2] | 2,500 | 1,281 | 693 |
| of which Net sales | 5,558 | 4,212 | 3,726 |
| Cost of goods sold | (6,632) | (4,449) | (3,472) |
| **Gross margin** | **1,425** | **1,043** | **949** |
| Commercial costs | (95) | (88) | (93) |
| Administrative costs | (467) | (440) | (420) |
| Research and development costs | (46) | (40) | (47) |
| Other operating gains and (losses) | 323 | 67 | 10 |
| Earnings from associates and joint ventures | 37 | 31 | 35 |
| Results from portfolio management and major restructuring | 14 | (97) | (294) |
| Results from legacy remediation and major litigations | (101) | (51) | 6 |
| **EBIT** | **1,091** | **425** | **147** |
| Cost of borrowings | (87) | (54) | (64) |
| Interest on loans and short term deposits | 85 | 54 | 109 |
| Other gains and (losses) on net indebtedness | 40 | 7 | 3 |
| Cost of discounting provisions | 23 | 8 | (41) |
| Result from equity investments measured at fair value | - | 0 | - |
| **Profit/(loss) for the year before income taxes** | **1,154** | **440** | **154** |
| Income taxes | (244) | (95) | (59) |
| **Profit for the year from continuing operations** | **910** | **345** | **95** |
| Profit for the year from discontinued operations | - | 5 | 163 |
| **Profit/(loss) for the year** | **910** | **350** | **258** |
| Of which attributable to | | | |
| Solvay share | 896 | 317 | 228 |
| non-controlling interests | 14 | 33 | 29 |

Solvay uses (and EssentialCo is expected to use) certain alternative performance measures in addition to the line items presented in the table above, as discussed in Section 7.3, "*Alternative Performance Measures*." The following table sets forth certain alternative performance measures for EssentialCo presented on a pro forma basis.

| Pro Forma<br>(in EUR million) | Year ended December 31,<br>2022 | <br>2021 | <br>2020 |
|---|---|---|---|
| Underlying EBITDA | 1,257 | 961 | 876 |
| Underlying EBITDA Margin | 22.6% | 22.8% | 23.5% |
| Underlying EBIT | 935 | 653 | 517 |

## 7.2 Overview of Pro Forma Results of Operations

EssentialCo is a global leader in the production and sale of soda ash, sodium bicarbonate, hydrogen peroxides, silica and a range of other critical chemical materials and intermediates. EssentialCo's products are critical inputs for a broad range of consumer and industrial products, including glass, food ingredients, water softeners, and high performance tires. EssentialCo combines strong global leadership market positions and leading process technology to deliver consistent reliability as a critical supplier to a broad and diversified set of global customers. EssentialCo's principal ambitions are to maximize cash generation, deliver consistent sales growth and profitability, and accelerate its sustainability roadmap towards decarbonization.

In 2022, EssentialCo had pro forma net sales of EUR 5,558 million, Underlying EBITDA of EUR 1,257 million, and an Underlying EBITDA margin of 22.6%, compared to pro forma net sales of EUR 4,212 million, Underlying EBITDA of EUR 961 million and an Underlying EBITDA margin of 22.8% in 2021 and pro forma net sales of EUR 3,726 million, Underlying EBITDA of EUR 876 million and an

[2] EssentialCo has an energy business consisting primarily of sales of excess energy from facilities it operates to serve its global business units, with revenue recorded as sales from non-core activities, and excluded from net sales.

Underlying EBITDA margin of 23.5% in 2020. 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 significantly impacted market prices of natural gas, other energy products and commodities, and exacerbated prevailing inflationary pressures.

The revenue growth in 2022 was driven to a large extent by price increases, including both increases resulting from favorable demand conditions as well as energy surcharges primarily in the Soda Ash & Derivatives business unit. Improved margins resulted from net pricing increases (more than offsetting higher variable costs from energy price increases and inflation) as well as cost savings and increased EBITDA in the energy business. The increase in revenues in 2021 was largely the result of improved volume and product mix as markets stabilized following the pandemic in 2020.

EssentialCo benefits from customer contracts with structures that support stability and predictability of returns. These contracts have allowed EssentialCo to adapt its pricing to mitigate the impact of energy prices and inflation on its results over the period. In the last quarter of 2021 and in 2022, in Soda Ash, price increases were implemented as part of yearly contract renegotiation: base price increase and implementation of price surcharge for tons ex-EU related to coal and gas inflation; in Peroxides a surcharge for certain gas prices was implemented; in Silica, pricing formulas resulted in increases with some delay and some negotiation. *See* Section 5.9, "*Contract Structures*," for more information.

EssentialCo has a strong track record of implementing continuous cost reduction programs to strengthen the competitiveness of its sites and optimize overhead expenses. From 2020 to 2022, Excellence projects (focused mainly on the improvement of business processes) have provided significant savings in areas such as procurement and supply chain management, operational efficiency, energy efficiency and waste reduction. In parallel EssentialCo has implemented restructuring programs that deliver an estimated EUR 50 million of annual savings across production, selling, general & administrative functions, and research & innovation. These cost reduction programs helped EssentialCo maintain relatively stable pro forma Underlying EBITDA margins over the 2020 to 2022 period despite global disruptions resulting from the Covid-19 pandemic, the Russia-Ukraine conflict and the significant increase in the prices of natural gas, electricity and many commodities.

While EssentialCo's margins have been steady overall despite the volatile conditions experienced over the past three years, they have varied from one business unit and activity to another. In particular:

- *Soda Ash and Derivatives* benefited in 2021 from increased volumes following a significant reduction in 2020 resulting from a decline in demand due to the pandemic. This partially offset the impact of increased costs, which were compensated by pricing increases late in the year. Those price increases, partially in the form of energy surcharges, were fully realized in 2022 and drove very significant revenue and margin growth, which also benefited from an energy credit in Italy.

- *Peroxides* benefited from pricing actions and modest volume growth in 2021, although its contribution was reduced by divestitures of businesses in Germany and Portugal. Its contribution was strong in 2022 as it benefited from higher pricing and the initial revenues from its new licensing activity.

- *Silica* benefited from strong automotive demand in 2021, as well as innovation and pricing actions, while its contribution in 2022 increased due to higher pricing that more than offset softening volumes.

- *Special Chem* contributed significantly to EssentialCo's Underlying EBITDA growth in 2021, as strong demand in electronics offset lower automotive sector demand resulting from chip shortages, as well as increased energy costs in the European Union, and the impact of a business divestiture. In 2022 the contribution of this business unit was driven by higher pricing that more than offset softer demand.

- *Coatis* had contrasting performances in 2021 and 2022, with large increases in revenues and a strong contribution to EssentialCo's underlying EBITDA in 2021 resulting from strong demand and reduced competition, while the opposite occurred in 2022, with demand softening late in the year and as Coatis faced competition from Chinese companies in Brazil.

- The *Energy* business had contrasting impacts on EssentialCo's Underlying EBITDA in 2021 and 2022. Its contribution was impacted by energy price volatility in the fourth quarter of 2021, as well as bad debt losses, resulting in a negative overall contribution. In 2022, the business benefited from higher energy prices to generate a strong positive contribution.

EBITDA in 2022 also reflected EUR 322 million of one-time income from a change in the accounting treatment of $CO_2$ allowances, although this was excluded from Underlying EBITDA and will be reflected over time as the allowances are retired or sold. EBITDA in 2021 benefited from a EUR 56 million indirect tax credit in Brazil relating to the period prior to Solvay's acquisition of Rhodia, also excluded from Underlying EBITDA.

Pro forma profit for the year increased from EUR 258 million for the year ended December 31, 2020 to EUR 350 million for the year ended December 31, 2021 and EUR 910 million for the year ended December 31, 2022. Pro forma profit for the year ended December 31, 2020 included the transactions costs related to the Transaction, as explained above in 7.1.1 "*Overview and Basis of Preparation*."

### 7.3 Alternative Performance Measures

This Information Document includes certain measures of the EssentialCo 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 and Underlying EBIT (the "**Alternative Performance Measures**"). EssentialCo 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. EssentialCo 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 EssentialCo 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 EssentialCo's performance or liquidity.

The Alternative Performance Measures are reconciled to IFRS measures in Sections 7.5 and 7.7, "*Reconciliation of Alternative Performance Measures for Years Ending December 31, 2022 and 2021*" and "*Reconciliation of Alternative Performance Measures for Years Ending December 31, 2021 and 2020*."

The following is a discussion of Alternative Performance Measures used in the discussion of this Section 7, which mainly relate to income statement measures.

**Organic Basis**

EssentialCo 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 or disposal 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). EssentialCo 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 based on comparable structures. 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 back charges for depreciation, amortization and impairment. EssentialCo presents EBITDA as an alternative performance measure because management believes that the measure provides useful information to assess the EssentialCo Group's operating profitability as well as its ability to generate operating cash flow.

**Underlying EBITDA and Underlying EBIT**

EssentialCo presents Underlying EBITDA and Underlying EBIT to provide a more comparable indication of EssentialCo's fundamental performance over the reference periods. They provide readers with additional information on EssentialCo's underlying performance over time, and they are consistent with how the performance and financial condition of the businesses are reported to the Board of Directors and Executive Leadership Team.

EssentialCo 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); it also includes a gain related to the resolution of a tax dispute in Brazil (PIS/COFINs) for which the relevant period pre-dated the Groups' acquisition of Rhodia in August 2011 and separation costs incurred for the project aimed at the separation of the Group into two independent, publicly listed companies, which have been entirely allocated to EssentialCo in the Unaudited Pro Forma Financial Information;

- Results from legacy remediation and major litigations (meaning remediation costs not generated by on-going production, and the impact of significant litigation);

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

- Gains and losses related to the management of the $CO_2$ hedges not accounted for as Cash Flow Hedge, deferred in adjustments until the maturity of the economic hedge; and

- An adjustment has been made to reflect a corresponding adjustment made in the "Underlying" basis reporting of SpecialtyCo. This adjustment reflects the subtraction of a portion of the costs of certain central functions ("corporate costs") of the Solvay Group, such as the Board of Directors, Executive Leadership Team, Investor Relations and Corporate Communications, which are not reflected in the SpecialtyCo combined financial statements, based on the relative usage of SpecialtyCo compared to the remaining Solvay Group (which will become EssentialCo).

EssentialCo analyzes the change in Underlying EBITDA and Underlying EBITDA margin (meaning underlying EBITDA as a percentage of 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, EssentialCo 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).

## 7.4 Results of Operations – Year ended December 31, 2022 compared with year ended December 31, 2021

### 7.4.1 Economic and Market Context

In 2022, global markets were impacted by the combined impact of the end of accommodative monetary policies, and the Russia-Ukraine conflict, 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 (US) 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 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 at the end of the year. 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).

### 7.4.2 Key figures

The following table sets forth key pro forma income statement information and related alternative performance measures for the years ended December 31, 2021 and 2022.

| **Pro Forma (in EUR million except percentages)** | **Year ended December 31, 2022** | **2021** | **Change 2022/2021** |
|---|---|---|---|
| Sales (incl. revenues from non-core activities) | 8,057 | 5,493 | 46.7% |
| of which revenues from non-core activities[3] | 2,500 | 1,281 | 95.2% |
| of which net sales | 5,558 | 4,212 | 32.0% |
| Cost of goods sold | (6,632) | (4,449) | 49.1% |
| Gross margin | 1,425 | 1,043 | 36.6% |
| Underlying EBITDA | 1,257 | 961 | 30.8% |
| *Underlying EBITDA margin* | 22.6% | 22.7% | |
| EBITDA | 1,392 | 687 | 102.6% |
| Underlying EBIT | 935 | 653 | 43.2% |
| *Underlying EBIT margin* | *16.8%* | *15.5%* | |
| EBIT | 1,091 | 425 | 156.7% |
| *EBIT margin* | *19.6%* | *10.1%* | |
| Financial results | 61 | 15 | 306.7% |
| Income taxes | (244) | (95) | 156.8% |
| Profit (loss) for the year | 910 | 350 | 160.0% |

### 7.4.3 Group performance

EssentialCo's pro forma sales grew from EUR 5,493 million in 2021 to EUR 8,057 million in 2022, representing year-on-year growth of 46.7%.

Pro forma revenues from non-core activities (mainly energy sales) grew by 95.2%, from EUR 1,281 million in 2021 to EUR 2,500 million in 2022, mainly due to increased energy sales, reflecting primarily the impact of sharply increased energy prices.

EssentialCo's pro forma net sales totaled EUR 5,558 million in 2022, representing an increase of 32.0%, compared to 2021, driven largely by positive pricing effects (reflecting strong demand and pass-through and surcharges due to increased raw materials and energy prices). Pro forma net sales in 2022 were up 25.8% organically. Scope effects mainly related to Soda Ash and operations in the United States.

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

| **Year ended December 31, 2021** | Scope | Foreign Exchange Conversion | Volume & mix | Price | **Year ended December 31, 2022** |
|---|---|---|---|---|---|
| | | **(pro forma, in EUR million)** | | | |
| **4,212** | (54) | 259 | (70) | 1,212 | **5,558** |

**Net Sales by Global Business Unit**

The following table sets forth a breakdown of the EssentialCo Group's pro forma net sales by global business unit in 2021 and 2022.

[3] EssentialCo has an energy business consisting primarily of sales of excess energy from facilities it operates to serve its global business units, with revenue recorded as sales from non-core activities, and excluded from net sales.

| Pro Forma (in EUR million) | Year ended December 31, 2022 | 2021 | Change 2022/2021 | Organic change 2022/2021 |
|---|---|---|---|---|
| Soda Ash & Derivatives | 2,223 | 1,510 | 47.2% | 40.7% |
| Peroxides | 787 | 647 | 21.6% | 16.8% |
| Silica | 631 | 467 | 35.1% | 30.0% |
| Special Chem | 1,043 | 841 | 24.1% | 23.2% |
| Coatis | 870 | 745 | 16.8% | 5.1% |
| Corporate & Business Services | 4 | 3 | 33.3% | |
| **Total Net Sales - EssentialCo** | **5,558** | **4,212** | **32.0%** | **25.8%** |

Growth in most global business units was greater than in their key end markets. With respect to individual GBUs, the greatest increases were realized in Soda Ash and Silica, reflecting the significant increase in pricing, while Coatis was impacted by a significant decrease in demand and competitive pressures in the second half of the year and particularly in the fourth quarter.

The increase in *Soda Ash & Derivatives* net sales was driven primarily by price increases mainly to offset increased energy and raw material costs and higher demand for bicarbonate (flue gas treatment and pharmaceutical applications). Volume growth was constrained in the second quarter by asset outages due to force majeure issues at assets in Europe and the United States, in the third quarter of 2022 by a production issue and in the fourth quarter by the impact of the cold storm in the United States.

The increase in *Peroxides* net sales was driven by pricing and also by volume growth in North and Latin American due to strong demand (in particular in pulp and paper), with some demand softening in the merchant market (in the EU and US) and HPPO at the end of 2022. Price increases and surcharges were able to offset inflationary impacts. A licensing-contract business for $H_2O_2$ began in the fourth quarter of 2022 (the business unit has started to license its proprietary plans for the building of $H_2O_2$ plants in certain locations where it does not expect to build such plants itself).

In *Silica*, the increase in net sales was driven by solid demand and volumes, and price increases that were able to more than offset inflation by the second quarter of 2022. Growth in silica sales reflected the need for highly dispersible silica used in electric vehicles energy-efficient tires. While volume growth was strong in the first half of 2022, it softened in the second half, in particular due to softening demand for tires in the EU.

The increase in *Special Chem* net sales was driven by higher sales in electronics, partially offset by lower auto sales due to continued impacts of chip shortages, as well as price increases across most business lines.

The increase in *Coatis* net sales was driven by favorable market conditions in the first half of the year, while volumes began decreased in the second half of the year, particularly in the fourth quarter, due to reduced demand, and imports by Chinese competitors to Brazil which put pressure on prices and market share.

### Net Sales by Region and End Market

The following table shows the variation in pro forma net sales by region and selected countries in 2021 and 2022.

| Pro Forma (in EUR million except percentages) | Year ended December 31, 2022 | 2021 | Change 2022/2021 |
|---|---|---|---|
| **Europe** | **1,853** | **1,341** | **38.2%** |
| *o/w Germany* | *467* | *330* | *41.5%* |
| *o/w Italy* | *276* | *197* | *40.1%* |
| *o/w France* | *244* | *185* | *31.9%* |
| *o/w other European Union* | *753* | *536* | *40.5%* |
| *o/w other Europe* | *113* | *94* | *20.2%* |

| **Pro Forma** (in EUR million except percentages) | **Year ended December 31,** 2022 | 2021 | **Change** 2022/2021 |
|---|---|---|---|
| **Asia and the rest of the world** | **1,537** | **1,194** | **28.7%** |
| *o/w China* | *316* | *270* | *17.0%* |
| **North America** | **999** | **804** | **24.3%** |
| *o/w United States* | *944* | *761* | *24.0%* |
| **Latin America** | **1,169** | **873** | **33.9%** |
| *o/w Brazil* | *803* | *622* | *29.1%* |
| **Total Net Sales – EssentialCo** | **5,558** | **4,212** | **32.0%** |

The following table shows the variation in pro forma net sales by end market in 2021 and 2022.

| **(in EUR million except percentages)** | **Year ended December 31,** 2022 | 2021 | **Change** 2022/2021 |
|---|---|---|---|
| Automotive | 1,019 | 812 | 25.5% |
| Industrial and Chemical Applications | 1,154 | 923 | 25.0% |
| Consumer Goods & Healthcare | 990 | 808 | 22.5% |
| Resources & Environment | 554 | 345 | 60.6% |
| Agro, Feed and Food | 882 | 597 | 47.7% |
| Electronics | 265 | 228 | 16.2% |
| Other | 694 | 498 | 39.4% |

### 7.4.3.1 *Pro Forma Cost of Goods Sold and Gross Margin*

EssentialCo's pro forma cost of goods sold increased to EUR 6,632 million in 2022 from EUR 4,449 million in 2021. This increase reflected the increase in activity and net sales as well as increases in prices for raw materials, utilities and other consumables, discussed below. With respect to energy expenses, EssentialCo's main energy source in 2022 was natural gas, followed by coke, pet coke, coal and anthracite and electricity, with a small amount from steam, hydrogen and biomass.

As a result of the foregoing, pro forma gross margin increased from EUR 1,043 million in 2021 to EUR 1,425 million in 2022, representing an increase of 36.6%. Pro forma gross margin represented 24.8% of net sales in 2021 and 25.6% of net sales in 2022. The improvement in gross margin mainly resulted from price increases and cost savings initiatives.

### 7.4.3.2 *Pro Forma Other Operating Income and Expenses*

Pro forma other operating expenses, net of income, decreased by 45.8% from EUR 618 million in 2021 to EUR 335 million in 2022. The key components of these expenses were the following:

- Commercial costs grew from EUR 88 million in 2021 to EUR 95 million in 2022, while administrative costs grew from EUR 440 million in 2021 to EUR 467 million in 2022.

- Research and development costs grew from EUR 40 million in 2021 to EUR 46 million in 2022.

- Other operating gains and losses were a net gain of EUR 67 million in 2021 and EUR 323 million in 2022 reflecting primarily the Brazilian indirect tax credit in 2021 and the one-time profit relating to the accounting treatment of $CO_2$ credits, as described above.

- Earnings from associates and joint ventures were EUR 31 million in 2021 and EUR 37 million in 2022.

- Results from portfolio management and major restructuring represented charges of EUR 97 million in 2021 and income of EUR 14 million in 2022. Results from legacy remediation and major litigations were a charge of EUR 51 million in 2021 and a charge of EUR 101 million in

2022. *See* Section 7.5 "*Reconciliation of Alternative Performance Measures for Years Ending December 31, 2022 and 2021*."

7.4.3.3 *Pro Forma EBITDA and Underlying EBITDA*

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

| **Pro Forma** (in EUR million except percentages) | **Year ended December 31,** | | **Change 2022/2021** | |
|---|---|---|---|---|
| | **2022** | **2021** | **Reported** | **Organic** |
| **Underlying EBITDA** ...................................... | **1,257** | **961** | **31%** | **26%** |
| ***Underlying EBITDA margin***............................ | ***22.6%*** | ***22.8%*** | | |
| EBITDA ............................................................ | 1,392 | 687 | 103% | |
| *EBITDA margin*................................................ | *25.0%* | *16.3%* | | |

The main differences between EBITDA and Underlying EBITDA are discussed in Section 7.5, "*Reconciliation of Alternative Performance Measures for Years Ending December 31, 2022 and 2021*."

The following table provides the breakdown in the drivers of the changes in pro forma 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** |
|---|---|---|---|---|---|---|---|
| | | | **(pro forma, in EUR million)** | | | | |
| **961** | (35) | 75 | 44 | 387 | (95) | (74) | **1,257** |

Pro forma Underlying EBITDA totaled EUR 1,257 million in 2022, representing an increase of 30.8% (26% on an organic basis) compared to 2021. This increase was driven mainly by higher net pricing and positive effects from foreign exchange conversion, partially offset by negative changes in volume and mix as well as by the fluctuation of results in corporate and business services. Fixed costs increased in 2022 due to inflation, salary indexation and higher business activity as well as increased spendings in cyber security and digital technologies. Scope effects had a negative impact of EUR 35 million and mainly related to Soda Ash and operations in the United States. Foreign conversion effects were positive in the amount of EUR 75 million. The profit from the first HPPO licensing agreement, the profits of energy hedges and in Soda Ash, Peroxides and Silica as well as the energy credit in Soda Ash in Italy also contributed to increased Underlying EBITDA, partially offset by the negative impact in Spain of certain disqualified gas hedges and a penalty on an energy contract and the decline at Coatis, where margins were severely impacted by the deterioration in market conditions in the second half of the year and particularly in the fourth quarter of 2022, partially offset by favorable foreign exchange rate conversion. The energy business, which recorded a loss in 2021 (EUR 30 million) in relation to energy supply to third parties (including bad debt), recorded a significant positive contribution to Underlying EBITDA in 2022 (EUR 23 million). Corporate & Business Services recorded losses that were similar in amount in both 2021 and 2022.

As a result of these varied results, EssentialCo's pro forma Underlying EBITDA margin remained stable at 22.7% in 2021 and 22.6% in 2022.

Pro forma EBITDA totaled EUR 1,392 million in 2022, representing an increase of 103% compared to 2021. This increase included in particular the EUR 322 gain on C02 hedge management. *See* Section 7.5 "*Reconciliation of Alternative Performance Measures for Years Ending December 31, 2022 and 2021*" for additional information on this gain and other items adjusted in Underlying EBITDA.

### 7.4.3.4 *Pro Forma Underlying EBIT and EBIT*

The following table presents EssentialCo's pro forma Underlying EBIT and EBIT in 2022 and 2021 and the variation on a reported basis.

| **Pro Forma** | **Year ended December 31,** | | **Change 2022/2021** |
|---|---|---|---|
| **(in EUR million except percentages)** | **2022** | **2021** | **Reported** |
| **Underlying EBIT** | **935** | **653** | **43.2%** |
| ***Underlying EBIT margin*** | ***16.8%*** | ***15.5%*** | |
| EBIT | 1,091 | 425 | 156.7% |
| *EBIT margin* | *19.6%* | *10.1%* | |

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, amortization and impairment charges totaled EUR 301 million in 2022, compared to EUR 262 million in 2021. In 2022, EUR 28 million related to the net impact of the reversal of certain impairments resulting primarily from the improved performance of some Special Chem assets (Fluorine Europe, impairments recorded in 2020), partially offset by impairment losses of other non-performing assets. In 2021, a charge of EUR 7 million related to impairment losses recorded for certain non-performing assets.

### 7.4.3.5 *Pro Forma Financial Results*

The following table presents the pro forma financial results for the years ended December 31, 2022 and 2021.

| **Pro Forma** | **Year ended December 31,** | | **Change 2022/2021** |
|---|---|---|---|
| **(in EUR million except percentages)** | **2022** | **2021** | **Reported** |
| Cost of borrowings | (87) | (54) | 61.1% |
| Interest on loans and short term deposits | 85 | 54 | 57.4% |
| Other gains and (losses) on net indebtedness | 40 | 7 | 471.4% |
| Cost of discounting provisions | 23 | 8 | 187.5% |
| Result from equity investments measured at fair value | - | 0 | |
| **Financial results** | **61** | **15** | **306.7%** |

The cost of borrowings reflects interest paid on external financial debt as well as on intercompany cash pooling arrangements and loans with entities that will be transferred to SpecialtyCo. Similarly, interest on loans includes interest earned on loans to entities that will be transferred to SpecialtyCo. All of these arrangements will be terminated prior to the Partial Demerger. *See* Section 8.8, "*Target Capital Structure*."

### 7.4.3.6 *Pro Forma Income Taxes*

Pro forma income taxes increased from EUR 95 million for the year ended December 31, 2021 to EUR 244 million for the year ended December 31, 2022, mainly due to higher earnings.

### 7.4.3.7 *Pro Forma Profit (loss) for the year*

Pro forma profit for the year increased from EUR 350 million for the year ended December 31, 2021 to EUR 910 million for the year ended December 31, 2022.

Pro forma profit attributable to non-controlling interests totaled EUR 33 million for the year ended December 31, 2021 to EUR 14 million for the year ended December 31, 2022. Pro forma profit attributable to shareholders totaled EUR 317 million for the year ended December 31, 2021 to EUR 896 million for the year ended December 31, 2022.

### 7.5 Reconciliation of Alternative Performance Measures for Years Ending December 31, 2022 and 2021.

The following table presents a reconciliation of pro forma Underlying EBIT and Underlying EBITDA to EBIT for the years ended December 31, 2022 and 2021.

| **Pro Forma (in EUR million)** | **Year ended December 31, 2022** | **2021** |
|---|---|---|
| **EBIT** | **1,091** | **425** |
| Results from portfolio management and major restructuring | (14) | 97 |
| Results from legacy remediation and major litigation | 101 | 51 |
| Amortization of intangible assets resulting from Purchase Price Allocation | 8 | 12 |
| Gains on $CO_2$ hedge management | (322) | - |
| Corporate costs allocation[4] | 71 | 68 |
| **Underlying EBIT** | **935** | **653** |
| Depreciation and amortization (other than amounts reflected above) | 321 | 309 |
| **Underlying EBITDA** | **1,257** | **961** |

Results from portfolio management and major restructuring represented a charge of EUR 97 million in 2021 and income of EUR 14 million in 2022. In 2022, the net income of EUR 14 million was the result of net impairment reversal for EUR 28 million and EUR 12 million of restructuring costs mainly related to the rationalization of the EssentialCo industrial footprint. The EUR 28 million net impact of the reversal of certain impairments resulting primarily from the improved performance of some Special Chem assets (Fluorine Europe, impairments recorded in 2020), partially offset by impairment losses of other non-performing assets. In 2021, a charge of EUR 7 million related to impairment losses recorded for certain non-performing assets. In 2021, restructuring costs related mainly to the new simplification program of the support functions for EUR 88 million.

Results from legacy remediation and major litigations were a charge of EUR 51 million in 2021 and a charge of EUR 101 million in 2022. Remediation costs increased in 2022 due to higher inflation assumptions.

In 2021, a gain of EUR 56 million was recorded related PIS/COFINS credits recognition. A Supreme Court ruling in Brazil issued in August 2021 conferred the right to recover Federal indirect tax on sales, so-called “PIS/COFINs”, to a number of companies, including Solvay. As a result of that ruling, a total gain of EUR 92 million related to operations from 2003 to the present date was quantified and assessed as recoverable before tax of EUR (26) million. Of that, EUR 36 million were recognized under “Results from portfolio management and major restructuring” mainly as the relevant period pre-dated the Groups’ acquisition of Rhodia in August 2011. The remaining EUR 56 million were recorded as “Other operating gains & losses” as the period related to operations subsequent to August 2011 and still in Solvay’s perimeter. This amount has been substantially recovered mainly through the offset of income tax payments in 2022.

4 An adjustment has been made to reflect a corresponding adjustment made in the “Underlying” basis reporting of SpecialtyCo. This adjustment reflects the subtraction of a portion of the costs of certain central functions (“corporate costs”) of the Solvay Group, such as the Board of Directors, Executive Leadership Team, Investor Relations and Corporate Communications, which are not reflected in the SpecialtyCo combined financial statements, based on the relative usage of SpecialtyCo compared to the remaining Solvay Group (which will become EssentialCo).

Gains on $CO_2$ hedge management amounted to EUR 322 million in 2022. Management practices related to hedging of $CO_2$ exposure changed in 2022, in view of both increased volatility in energy and $CO_2$ markets and the plan to separate Solvay into two independent groups. Consequently, the Group reconsidered the conditions of the own use exemption and accordingly the entire portfolio of EUA futures was accounted for at the end of the period in accordance with the general requirements of IFRS 9 Financial Instruments, and a profit of EUR 322 million was classified as "Other operating gains and losses". Since the economic substance of hedging future $CO_2$ exposures remains unchanged, such gains and losses are deferred in Adjustments until the maturity of the economic hedge. No such gains were recorded in 2021.

Amortization of intangible assets resulting from Purchase Price Allocation related to acquisitions totaled EUR 12 million in 2021 and EUR 8 million in 2022.

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

### 7.6.1 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. Demand for Soda Ash, Peroxides and Silica remained strong; while the markets for the products produced by Coatis were particularly favorable. The tires sector was impacted by the chip shortage affecting automobile manufacturing, however demand for tires remained resilient.

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)

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 the 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).

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. 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).

Market conditions for Coatis were very favorable in 2021. In addition, the continuing recovery in building sustained good demand in flat glass, Bicarbonate demand was strong for use in flue gas treatment; strong U.S. power demand amid high natural gas prices, making the switch to coal more profitable.

### 7.6.2 Key Figures

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

| **Pro Forma** **(in EUR million except percentages)** | **Year ended December 31,** | | **Change** |
|---|---|---|---|
| | **2021** | **2020** | **2021/2020** |
| Sales (incl. revenues from non-core activities) | 5,493 | 4,420 | 24.3% |
| of which revenues from non-core activities[5] | 1,281 | 693 | 84.8% |
| of which net sales | 4,212 | 3,726 | 13.0% |
| Cost of goods sold | (4,449) | (3,472) | 28.1% |
| Gross margin | **1,043** | **949** | **9.9%** |
| Underlying EBITDA | 961 | 876 | 9.7% |
| *Underlying EBITDA margin* | *22.8%* | *23.5%* | |
| EBITDA | 687 | 642 | 7.0% |
| Underlying EBIT | 653 | 517 | 26.3% |
| *Underlying EBIT margin* | *15.5%* | *13.9%* | |
| EBIT | 425 | 147 | 189.1% |
| *EBIT margin* | *10.1%* | *3.9%* | |
| Financial results | 15 | 7 | 114.3% |
| Income taxes | (95) | (59) | 61.0% |
| Profit (loss) for the year | 350 | 258 | 35.7% |

### 7.6.3 Group Performance

#### 7.6.3.1 *Pro Forma Sales*

EssentialCo's pro forma sales grew from EUR 4,420 million in 2020 to EUR 5,493 million in 2021, representing year-on-year growth of 24.3%.

Pro forma revenues from non-core activities grew by 84.8%, from EUR 693 million in 2020 to EUR 1,281 million in 2021; the increase compared to 2020 is mainly related to higher gas and electricity prices and to increased volumes after the rebound in the activity of the Group's customers.

EssentialCo's pro forma net sales totaled EUR 4,212 million in 2021, representing an increase of 13.0% compared to 2020, driven largely by volumes, and further supported by positive pricing effects starting in the fourth quarter of 2021. Pro forma net sales in 2021 increased 18% organically, excluding scope changes (in Peroxides) and foreign exchange conversion effects.

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

| **Year ended December 31, 2020** | Scope | Foreign Exchange Conversion | Volume & mix | Price | **Year ended December 31, 2021** |
|---|---|---|---|---|---|
| | | **(pro forma, in EUR million)** | | | |
| **3,726** | (88) | (67) | 413 | 228 | **4,212** |

**Net Sales by Global Business Unit**

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

[5] EssentialCo has an energy business consisting primarily of sales of excess energy from facilities it operates to serve its global business units, with revenue recorded as sales from non-core activities, and excluded from net sales.

| Pro Forma (in EUR million) | Year ended December 31, 2021 | 2020 | Change 2021/2020 | Organic change 2021/2020 |
|---|---|---|---|---|
| Soda Ash & Derivatives | 1,510 | 1,450 | 4.1% | 5.2% |
| Peroxides | 647 | 652 | (0.7)% | 9.5% |
| Silica | 467 | 387 | 20.7% | 22.2% |
| Special Chem | 841 | 761 | 10.4% | 17.6% |
| Coatis | 745 | 474 | 57.2% | 67.4% |
| Corporate & Business Services | 3 | 2 | 50.0% | |
| **Total Net Sales - EssentialCo** | **4,212** | **3,726** | **13.1%** | **18.0%** |

The increase in *Soda Ash & Derivatives* net sales was driven primarily by the demand recovery following the initial impacts of the pandemic in 2020, hindered by industrial outages, logistics issues and a delay in the start-up of the Bicar expansion. Sales of Bicarbonate (and SOLVAir) were particularly strong in the United States, due in particular to strong SOLVAir business used in flue gas treatment and strong U.S. power demand amid high natural gas prices, making the switch to coal more profitable. Soda Ash sales increased, particularly in the fourth quarter of 2021, driven by pricing actions and higher demand for soda ash and bicarbonate.

*Peroxides* net sales decreased on a reported basis due to scope changes (the divestment of the Peroxides sodium chlorate business line and related assets in Povoa (Portugal) and the Peroxides sodium percarbonate business line and related assets in Bad Hönningen (Germany)). Growth in Peroxides sales was lower than in its key end-markets, except in industrial applications and electronics.

In *Silica*, net sales increased as demand for tires rebounded back to 2019 levels, despite the impact of the chip shortage, and more specialty grades were added to the sales mix. The business unit benefited from rising demand in the automotive segment, market share gain, and interest in recently launched innovations. Both increased volumes and prices contributed to net sales growth. Growth in *Silica* sales was generally higher than in its key end-markets.

The increase in *Special Chem* net sales was driven by higher sales to electronics and the automotive industry, despite the negative impact of chip shortages, particularly towards the end of 2021.

The increase in *Coatis* net sales was driven by favorable market conditions, including recovering demand as well as force majeure conditions impacting certain competitors, which drove exceptionally high volumes and pricing. Growth in Coatis sales was much higher than in its key end-markets.

### Net Sales by Region and End Market

From a regional perspective, net sales grew significantly in Brazil and parts of Asia, while growth was more subdued in Europe, with declines in certain parts of the European Union and in certain countries in Asia and the rest of the world. The following table shows the variation in pro forma net sales by region and selected countries in 2020 and 2021.

| Pro Forma (in EUR million except percentages) | Year ended December 31, 2021 | 2020 | Change 2021/2020 |
|---|---|---|---|
| **Europe** | **1,341** | **1,264** | **6.1%** |
| *o/w Germany* | *330* | *301* | *9.6%* |
| *o/w Italy* | *197* | *176* | *11.9%* |
| *o/w France* | *185* | *167* | *10.8%* |
| *o/w other European Union* | *536* | *528* | *1.5%* |
| *o/w other Europe* | *94* | *92* | *2.2%* |
| **Asia and the rest of the world** | **1,194** | **1,072** | **11.4%** |
| *o/w China* | *270* | *223* | *21.1%* |
| **North America** | **804** | **744** | **8.1%** |
| *o/w United States* | *761* | *702* | *8.4%* |
| **Latin America** | **873** | **647** | **34.9%** |

| Pro Forma (in EUR million except percentages) | Year ended December 31, 2021 | 2020 | Change 2021/2020 |
|---|---|---|---|
| *o/w Brazil* | *622* | *448* | *38.8%* |
| **Total Net Sales – EssentialCo** | **4,212** | **3,726** | **13.1%** |

The following table shows the variation in pro forma net sales by end market in 2020 and 2021.

| (in EUR million except percentages) | Year ended December 31, 2021 | 2020 | Change 2021/2020 |
|---|---|---|---|
| Automotive | 812 | 658 | 23.4% |
| Industrial and Chemical Applications | 923 | 799 | 15.5% |
| Consumer Goods & Healthcare | 808 | 713 | 13.3% |
| Resources & Environment | 345 | 315 | 9.5% |
| Agro, Feed and Food | 597 | 599 | (0.3)% |
| Electronics | 228 | 194 | 17.5% |
| Other | 498 | 447 | 11.4% |

#### 7.6.3.2 *Pro Forma Cost of Goods Sold and Gross Margin*

EssentialCo's pro forma cost of goods sold increased to EUR 4,449 million in 2021 from EUR 3,472 million in 2020.

This increase reflected the inflationary environment, which strengthened in the second half of 2021, as well as increased activity and net sales. Energy prices in particular increased sharply in 2021. EssentialCo began to implement surcharges to pass on certain cost increases in the fourth quarter of 2021. Cost increases were also offset in part by the impact of cost savings initiatives.

As a result of the foregoing, pro forma gross margin increased from EUR 949 million in 2020 to EUR 1,043 million in 2021, representing an increase of 9.9%. Pro forma gross margin represented 25.5% of net sales in 2020 and 24.8% of net sales in 2021.

#### 7.6.3.3 *Pro Forma Other Operating Income and Expenses*

Pro forma other operating expenses, net of income, decreased by 23.0% from EUR 803 million in 2020 to EUR 618 million in 2021. The key components of these expenses were the following:

- Commercial costs decreased from EUR 93 million in 2020 to EUR 88 million in 2021, while administrative costs increased from EUR 420 million in 2020 to EUR 440 million in 2021.

- Research and development costs decreased from EUR 47 million in 2020 to EUR 40 million in 2021.

- Other operating gains and losses represented income of EUR 10 million in 2020 and EUR 67 million in 2021 (the latter relating to the Brazilian indirect tax credit).

- Earnings from associates and joint ventures were EUR 35 million in 2020 and EUR 31 million in 2021.

- Results from portfolio management and major restructuring improved from a charge of EUR 294 million in 2020 to a charge of EUR 97 million in 2021. Results from legacy remediation and major litigations were income of EUR 6 million in 2020 and a charge of EUR 51 million in 2021. *See* Section 7.7 "*Reconciliation of Alternative Performance Measures for Years Ending December 31, 2021 and 2020*" for more information.

#### 7.6.3.4 *Pro Forma EBITDA and Underlying EBITDA*

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

| **Pro Forma**<br>**(in EUR million except percentages)** | **Year ended December 31,** | | **Change 2021/2020** | |
|---|---|---|---|---|
| | **2021** | **2020** | **Reported** | **Organic** |
| **Underlying EBITDA** | **961** | **876** | **9.7%** | **18%** |
| ***Underlying EBITDA margin*** | ***22.8%*** | ***23.5%*** | | |
| EBITDA | 687 | 642 | 7.0% | |
| *EBITDA margin* | *16.3%* | *17.2%* | | |

The main differences between EBITDA and Underlying EBITDA are discussed in Section 7.7, "*Reconciliation of Alternative Performance Measures for Years Ending December 31, 2021 and 2020*."

The following table provides the breakdown in the drivers of the changes in pro forma 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** |
|---|---|---|---|---|---|---|---|
| | | | **(pro forma, in EUR million)** | | | | |
| **876** | (47) | (15) | 170 | (20) | (50) | 45 | **961** |

Pro forma Underlying EBITDA totaled EUR 961 million in 2021, representing an increase of 9.7% (18% on an organic basis) compared to 2020. This increase was driven by higher volumes overall. Structural cost reductions and price surcharges that were implemented starting in the fourth quarter of 2021 helped limit the impact of the increase in costs, however net pricing was overall negative. Price increases lagged behind increases in energy, raw material and logistics costs for most GBUs, as surcharges were implemented only late in the fourth quarter of 2021 and were not enough to offset impact of increased logistics and energy costs, including the benefit of hedging. Coatis, however, benefited from favorable market conditions, which resulted in strong sales and margins. The loss realized by the energy business in 2021 (EUR 31 million) compared to income in 2020 (EUR 21 million) was due mainly to a one-time loss recorded in the fourth quarter of 2021 in relation to energy supply to third parties, caused by an unprecedented rise in energy prices and increased market volatility in the European market, resulting in a bad debt loss. Corporate & Business Services recorded losses that were more significant in 2020 than in 2021.

As a result, pro forma Underlying EBITDA margin remained relatively stable at 23.5% in 2020 and 22.7% in 2021.

Pro forma EBITDA totaled EUR 686 million in 2021, representing an increase of 6.9% compared to 2020. *See* Section 7.7 "*Reconciliation of Alternative Performance Measures for Years Ending December 31, 2021 and 2020*" for additional information on items adjusted in Underlying EBITDA.

#### 7.6.3.5 *Pro Forma Underlying EBIT and EBIT*

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

| **Pro Forma**<br>**(in EUR million except percentages)** | **Year ended December 31,** | | **Change 2021/2020** |
|---|---|---|---|
| | **2021** | **2020** | **Reported** |
| **Underlying EBIT** | **653** | **517** | **26.3%** |
| ***Underlying EBIT margin*** | ***15.5%*** | ***13.9%*** | |

| Pro Forma<br>(in EUR million except percentages) | Year ended December 31,<br>2021 | <br>2020 | Change 2021/2020<br>Reported |
|---|---|---|---|
| EBIT | 425 | 147 | 189.1% |
| *EBIT margin* | *10.1%* | *3.9%* | |

The changes in EBIT and Underlying EBIT reflected essentially the same factors that impacted EBITDA and Underlying EBITDA referred to above in Section 7.6.3.4, as, as well as the change in depreciation, amortization and impairment charges. Depreciation, amortization and impairment charges totaled EUR 262 million in 2021, compared to EUR 495 million in 2020. In 2021, a charge of EUR 7 million related to impairment losses recorded for certain non-performing assets. In 2020, several production sites, mainly in the Special Chem CGU for Fluor Gases, with independent cash inflows were impacted by the Covid-19 crisis. The impact resulted in 2020 in an impairment loss of EUR 123 million.

7.6.3.6 *Pro Forma Financial Results*

The following table presents the pro forma financial results for the years ended December 31, 2021 and 2020.

| Pro Forma<br>(in EUR million except percentages) | Year ended December 31,<br>2021 | <br>2020 | Change 2021/2020<br>Reported |
|---|---|---|---|
| Cost of borrowings | (54) | (64) | (15.6)% |
| Interest on loans and short term deposits | 54 | 109 | (50.5)% |
| Other gains and (losses) on net indebtedness | 7 | 3 | 133.3% |
| Cost of discounting provisions | 8 | (41) | NS |
| Result from equity investments measured at fair value | 0 | - | |
| **Financial results** | **15** | **7** | **114.3%** |

The cost of borrowings reflects interest paid on external financial debt as well as on intercompany cash pooling arrangements and loans with entities that will be transferred to SpecialtyCo. Similarly, interest on loans includes interest earned on loans to entities that will be transferred to SpecialtyCo. All of these arrangements will be terminated prior to the Partial Demerger. *See* Section 8.8, "*Target Capital Structure*."

7.6.3.7 *Pro Forma Income Taxes*

Pro forma income taxes increased from EUR 59 million for the year ended December 31, 2020 to EUR 95 million for the year ended December 31, 2021, due to higher taxable profits in countries with high effective tax rates.

7.6.3.8 *Pro Forma Profit (loss) for the year*

Pro forma profit for the year increased from EUR 258 million for the year ended December 31, 2020 to EUR 350 million for the year ended December 31, 2021.

Pro forma profit attributable to non-controlling interests totaled EUR 29 million for the year ended December 31, 2020 and EUR 33 million for the year ended December 31, 2021. Pro forma profit attributable to shareholders totaled EUR 228 million for the year ended December 31, 2020 and EUR 317 million for the year ended December 31, 2021.

## 7.7 Reconciliation of Alternative Performance Measures for Years Ending December 31, 2021 and 2020

The following table presents a reconciliation of pro forma Underlying EBIT and Underlying EBITDA to EBIT for the years ended December 31, 2021 and 2020.

| **Pro Forma** | **Year ended December 31,** | |
|---|---|---|
| **(in EUR million)** | **2021** | **2020** |
| **EBIT** | **425** | **147** |
| Results from portfolio management and major restructuring | 97 | 294 |
| Results from legacy remediation and major litigation | 51 | (6) |
| Amortization of intangible assets resulting from Purchase Price Allocation | 12 | 13 |
| Corporate costs allocation[6] | 68 | 71 |
| **Underlying EBIT** | **653** | **517** |
| Depreciation and amortization (other than amounts reflected above) | 309 | 359 |
| **Underlying EBITDA** | **961** | **876** |

Results from portfolio management and major restructuring represented a charge of EUR 97 million in 2021 and a charge of EUR 294 million in 2020. The 2020 charge is composed of the separation costs relating to the Partial Demerger, considered in the pro forma as incurred in the period (EUR 104 million), impairment of assets in several production sites, mainly in the Special Chem global business unit (Fluor Gas), impacted by the Covid-19 crisis, and restructuring costs related to the initiatives that followed the launching of the G.R.O.W. strategy.

Results from legacy remediation and major litigations represented a charge of EUR 51 million in 2021 and income of EUR 6 million in 2020. Remediation costs increased in 2021 compared to 2020 due to higher inflation assumptions and investigation costs. 2020 benefited from one-time settlement indemnities partially compensating the remediation costs.

In 2021, a gain of EUR 56 million was recorded related PIS/COFINS credits recognition. A Supreme Court ruling in Brazil issued in August 2021 conferred the right to recover Federal indirect tax on sales, so-called "PIS/COFINs", to a number of companies, including Solvay. As a result of that ruling, a total gain of EUR 92 million related to operations from 2003 to the present date was quantified and assessed as recoverable before tax of EUR (26) million. Of that, EUR 36 million were recognized under "Results from portfolio management and major restructuring" mainly as the relevant period pre-dated the Groups' acquisition of Rhodia in August 2011. The remaining EUR 56 million were recorded as "Other operating gains & losses" as the period related to operations subsequent to August 2011 and still in Solvay's perimeter. This amount has been substantially recovered mainly through the offset of income tax payments in 2022.

Amortization of intangible assets resulting from Purchase Price Allocation related to acquisitions totaled EUR 12 million in 2021 and EUR 13 million in 2020.

[6] An adjustment has been made to reflect a corresponding adjustment made in the "Underlying" basis reporting of SpecialtyCo. This adjustment reflects the subtraction of a portion of the costs of certain central functions ("corporate costs") of the Solvay Group, such as the Board of Directors, Executive Leadership Team, Investor Relations and Corporate Communications, which are not reflected in the SpecialtyCo combined financial statements, based on the relative usage of SpecialtyCo compared to the remaining Solvay Group (which will become EssentialCo).

# 8. CAPITAL RESOURCES

## 8.1 Overview

EssentialCo's principal cash needs have historically consisted of cash used for working capital needs and capital expenditures. EssentialCo has historically met these needs principally from a combination of cash flows from operations and borrowings.

This section presents certain cash flow indicators, such as pro forma industrial working capital and capital expenditures. A pro forma cash flow statement has not been prepared. Therefore, the information on pro forma cash flows for EssentialCo is limited. See the consolidated financial statements of Solvay for more information about cash flows over the period.

## 8.2 Pro Forma Industrial Working Capital

EssentialCo analyzes industrial working capital for its global business units, calculated as inventories and trade receivables, netted with trade payables. Industrial working capital excludes certain other items recorded centrally outside the global business units. The trends over the period 2020 to 2022 reflect a significant increase in trade payables, relative to the increase in inventories and trade receivables.

**EssentialCo**

| **Pro Forma (in EUR million)** | **Year ended December 31** | | |
|---|---|---|---|
| | **2022** | **2021** | **2020** |
| Inventories | 720 | 600 | 446 |
| Trade receivables | 1,009 | 944 | 639 |
| Trade payables | (1,333) | (1,295) | (661) |
| **Total industrial working capital** | **396** | **249** | **423** |

## 8.3 Pro Forma Capital Expenditures

EssentialCo's capital expenditures include both maintenance investments as well as energy transition initiatives and strategic growth opportunities. The increase in 2022 reflects mainly new strategic and energy transition investments as described below. EssentialCo expects to maintain strong capital allocation discipline with expected stable capital expenditures while investing in decarbonization and some growth capacities (*see* Section 5.1.3, "*EssentialCo's strategy - Invest in the acceleration of growth in attractive projects*").

**EssentialCo**

| **Pro Forma (in EUR million)** | **Year ended December 31** | | |
|---|---|---|---|
| | **2022** | **2021** | **2020** |
| Total capital expenditures | 380 | 285 | 272 |
| *Total capital expenditures as a percentage of net sales* | *6.8%* | *6.8%* | *7.3%* |

In 2022, capital expenditures included:

- An increase in soda ash capacity in Green River (US);
- An investment in methane emissions abatement in Green River (US); and
- The launch of the industrial energy transition project, "Dombasle Énergie", with Veolia, which aims to replace coal with refuse-derived fuel (RDF) for the production of clean and competitive energy for the historical Dombasle-sur-Meurthe plant, as from 2024. In this regard, Solvay holds a 10% share in an equity accounted investment. The project, which is valued at EUR 225 million, is financed largely through non-recourse debt executed in February 2022 and government subsidies.

In 2021, capital expenditures included investments in the coal energy phase-out in Green River (US) and a new production unit dedicated to Bicarbonate in Devnya (Bulgaria).

In 2020, capital expenditures included investments in the new production unit dedicated to Bicarbonate in Devnya (Bulgaria).

### 8.4 Pro Forma Financial Debt

Pro forma net financial debt includes significant balances of cash pooling arrangements and loans within the Solvay Group to or from entities that will be transferred to SpecialtyCo. These arrangements will be eliminated prior to the Partial Demerger. *See* Section 8.8, "*Target Capital Structure*." They are referred to in the unaudited pro forma statement of financial position as transactions with the "remaining Solvay group / SpecialtyCo."

EssentialCo's pro forma financial debt as of December 31, 2022 includes long-term financial debt of EUR 1,371 million, long-term borrowings from SpecialtyCo of EUR 54 million, current financial debt of EUR 413 million and short-term borrowings and internal bank account liabilities from SpecialtyCo of EUR 1,699 million.

Pro forma cash and cash equivalents totaled EUR 1,120 million as of December 31, 2022, while "Other financial instruments" were EUR 170 million. Pro forma cash and cash equivalents include the estimated cash consideration for the sale of RusVinyl of EUR 433 million, as if it had been received on December 31, 2022.

Long-term loans to SpecialtyCo were EUR 1,954 million, short-term loans to SpecialtyCo were EUR 773 million and internal bank account receivables with SpecialtyCo were EUR 1,974 million.

### 8.5 Pro Forma Equity

EssentialCo's pro forma shareholders' equity totaled EUR 5,671 million as of December 31, 2022. Non-controlling interests totaled EUR 37 million as of December 31, 2022 and total (business) equity represented EUR 5,708 million.

### 8.6 Pro Forma Provisions for Employee Benefits and Environmental Remediation

EssentialCo's pro forma provisions for employee benefits totaled EUR 718 million as of December 31, 2022. Pro forma provisions for environmental remediation were EUR 432 million. See Note 6 to the Unaudited Pro Forma Financial Information.

### 8.7 Pro Forma Contingencies and Off-Balance Sheet Commitments

EssentialCo's pro forma contingent liabilities as of December 31, 2022 included EUR 61 million in guarantees for pensions and EUR 303 million in environmental contingent liabilities. See Note 7 to the Unaudited Pro Forma Financial Information.

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. At the end of the demerger process, it is expected that no guarantees will be provided by the Remaining Solvay Group for SpecialtyCo operations.

### 8.8 Target Capital Structure

The capital structure of EssentialCo following the Partial Demerger will be significantly different from that shown in the Unaudited Pro Forma Financial Information. In addition to changes arising in the ordinary course of business, the structure of EssentialCo's financial assets and liabilities is expected to change in three significant respects prior to the Partial Demerger:

- 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 SpecialtyCo. 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 to SpecialtyCo. The liability management transactions will also seek the release of Solvay's guarantees from SpecialtyCo.

- 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 EssentialCo's capital structure (financial debt, cash and equity) as of December 31, 2022 as set forth in the Unaudited Pro Forma Financial Information, 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. In addition, while for the purposes of the Unaudited Pro Forma Combined Statement of Financial Position as at December 31, 2022, the estimated cash consideration for the sale of RusVinyl was assumed to have been received on December 31, 2022, such cash consideration has been removed from total cash and cash equivalents as of December 31, 2022, in order to align net financial debt with Solvay's net financial debt (outside SpecialtyCo entities) as of December 31, 2022.

The table is hypothetical and is presented solely for illustration. It does not represent the actual capital structure that EssentialCo would have had if it had already been separated from Solvay and these transactions had taken place on December 31, 2022. EssentialCo'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 Unaudited Pro Forma Financial Information as well as Sections 7 ("*Operating and Financial Review*") and 8 ("*Capital Resources*") of this Information Document.

| (in EUR million) | As of December 31, 2022 Pro Forma Financial Information (Unaudited) | Adjustments (Unaudited) | As of December 31, 2022 Pro Forma Financial Information, as adjusted (Unaudited) |
|---|---|---|---|
| **External financial debt** | | | |
| EUR Senior Notes 2027[1] | 497 | (497) | 0 |
| EUR Senior Notes 2029[2] | 597 | (597) | 0 |
| Other borrowings from third parties | 103 | 0 | 103 |
| Third party margin calls received by Solvay Energy[3] | 279 | 0 | 279 |
| New Solvay financing | | 1,850 | 1,850 |
| **Total external financial debt** | **1,476** | **756** | **2,232** |
| **Perpetual hybrid bonds**[4] | **1,800** | **(1,800)** | **0** |
| **Total external underlying financial debt (external financial debt plus Perpetual hybrid bonds) (a)** | **3,276** | **(1,044)** | **2,232** |
| | | | |
| **Financial assets and debts owed by or to SpecialtyCo** | | | |
| Non-current loans to SpecialtyCo | (773) | 773 | 0 |
| Current financial instruments - Internal bank accounts with SpecialtyCo | (1,975) | 1,975 | 0 |
| Current loans to SpecialtyCo | (1,954) | 1,954 | 0 |
| Non-current borrowings from SpecialtyCo | 54 | (54) | 0 |
| Current borrowings and internal bank accounts liabilities with SpecialtyCo | 1,699 | (1,699) | 0 |
| **Net financial assets and debt owed by or to SpecialtyCo (b)** | **(2,949)** | **2,949** | **0** |
| Lease debt (c) | 308 | 0 | 308 |
| Other financial instruments (current and non-current) (d) | (171) | | (171) |
| | | | |
| **Cash and cash equivalents**[5] **(e)** | **(687)** | **0** | **(687)** |
| **Underlying net financial debt (f = a + b + c + d +e)** | **(223)** | **1,905** | **1,682** |
| **Total Business Equity (excluding perpetual hybrid bond)** | **5,708** | **(3,705)** | **2,003** |

(1) EUR 500 million principal amount of Senior Notes due December 2027 issued by Solvay, for which bondholder consent will be sought for the substitution of SpecialtyCo as obligor, subject to the completion of the Partial Demerger.

(2) EUR 600 million principal amount of Senior Notes due September 2029 issued by Solvay, for which bondholder consent will be sought for the substitution of SpecialtyCo as obligor, subject to the completion of the Partial Demerger.

(3) Solvay Energy uses brokers for trading in futures of different commodities (e.g., $CO_2$, power, gas, coal). These transactions are subject to margin calls. In order to cover counterparty credit risk, brokers pay a margin call to Solvay in case the instrument is in the money for Solvay. If the instrument is out of the money for Solvay, Solvay pays a margin call to the brokers. The margin calls received by Solvay as a result of the variation of the value of the underlying instruments are presented as a component of financial debt.

(4) Includes EUR 1,300 million of perpetual hybrid bonds that Solvay expects to refinance with proceeds from the new bank facilities, as well as EUR 500 million of perpetual hybrid bonds, callable as from December 2025, as to which consent of the holders will be sought to substitute SpecialtyCo as obligor.

(5) The cash proceeds from the disposal of RusVinyl (EUR 433 million), received by Solvay at the end of the first quarter of 2023, have been removed from this line, compared to the amount in the Unaudited Pro Forma Combined Statement of Financial Position, in order to align with Solvay's net financial debt as of December 2022. The adjustment of EUR 0 includes the receipt of EUR 1,850 million of assumed proceeds from the new Solvay financing, net of EUR 1,300 million used to refinance perpetual hybrid bonds and EUR 550 million transferred to SpecialtyCo.

As of December 31, 2022, Solvay was the guarantor of bonds issued in the United States by two SpecialtyCo entities, Solvay Finance America LLC (US $800 million due December 2025) and Cytec Industries Inc. (EUR 152 million due May 2025). It is contemplated that, prior to the Partial Demerger, SpecialtyCo will offer to exchange newly issued bonds for the bonds guaranteed by Solvay, and that Solvay's guarantee of the new bonds will terminate on the effective date of the Partial Demerger. The amount that will remain guaranteed by EssentialCo will depend on the success rate of the exchange offer.

## 9. REGULATORY ENVIRONMENT

A number of EssentialCo's operations and activities are governed by international, transnational, national and regional laws and regulations in each jurisdiction in which EssentialCo 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 EssentialCo'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 EssentialCo's business operations in the European Union, the United Kingdom, the United States, Brazil and Asia, as of the date of this Information Document.

### 9.1 Permits and authorizations

EssentialCo 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 EssentialCo'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. EssentialCo'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.

### 9.2 Product-related regulations

EssentialCo 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 EssentialCo 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; and

- *Compliance to market regulations*: EssentialCo is also subject to market regulations governing the sale and distribution of certain products, which, depending on the geographical location where EssentialCo operates, also set requirements for the products sold in those applications. Examples of matters which are market regulated and involve products within EssentialCo's activities include: biocide, cosmetics, food, food contact, feed or medical devices.

### 9.2.1 The European REACH Regulation

All substances of which more than one ton is manufactured or imported by EssentialCo 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 Information Document, 172 substances used or sold as part of EssentialCo's business were registered in compliance with the requirements of the REACH Regulation, and it is expected that EssentialCo will continue to fully comply with the provisions of the REACH Regulation following the completion of the Partial Demerger.

EssentialCo 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%. EssentialCo has identified one such SVHC substance.

Further to the approach above, EssentialCo 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 24 Solvay-SVHC substances in marketed products sold worldwide containing a concentration of those Solvay-SVHC above 0.1%.

### 9.2.2 The U.S. Toxic Substances Control Act

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 EssentialCo's business have been reviewed to confirm their TSCA applicability and compliance.

Because most of EssentialCo's basic chemical products are already listed on the TSCA Inventory of Chemical Substances, a relatively small number of substances are expected to be imported into or manufactured and distributed in the United States by EssentialCo subject to the filing a PMN each year. In addition, similar to most chemical companies, EssentialCo may rely on all available TSCA (including PMN) exemptions, to the extent necessary to manufacture and distribute its products for a commercial purpose. To the extent such exemptions are relied upon, EssentialCo follows applicable recordkeeping requirements to document compliance with applicable exemption criteria.

TSCA authorized EPA to issue number of 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 EssentialCo's business.

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.

#### 9.2.3 The Korean REACH Regulation and the Chemicals Control Act

Under the Korean Act on Registration and Evaluation, etc. of Chemicals Substances (as amended, the "**K-REACH Regulation**"), (i) all existing substances of which more than one ton is manufactured or imported per year by EssentialCo in Korea and (ii) new substances of which more than 0.1 ton is manufactured or imported per year by EssentialCo in Korea are subject to registration (which involves hazard evaluation of such substance) with the Ministry of Environment. In addition any substance that are deemed to cause serious harm to people's health or the environment following a Minister of Environment's decision, shall be registered even though the quantity manufactured or imported is less than one ton per year. Any company, such as EssentialCo, which manufactures, imports or sells chemical substances subject to registration shall be required to report the uses, quantity, etc. of such substances to the Minister of Environment on an annual basis.

As of the date of this Information Document, 21 substances used as part of EssentialCo's business were registered in compliance with the requirements of the K-REACH Regulation, and it is expected that EssentialCo will continue to fully comply with the provisions of the REACH Regulation following the completion of the Partial Demerger.

Once the chemical substances have been registered, the **Chemicals Control Act** regulates their use and in particular requires a permit for their manufacture, storage, transport and use.

### 9.3 Environmental laws and regulations

#### 9.3.1 Europe and the United Kingdom

EssentialCo's activities are subject to various environmental regulations defined and implemented at the European, national or local level, including the European regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), the Classification Labelling and Packaging of Chemicals regulation, sectorial product-specific legislation, as well as environmental laws including the Seveso Regulations, the IED, the Environmental Crime Directive, the Waste Framework Directive, and the Emissions Trading Scheme Directive.

9.3.1.1 *The EU Seveso Directives and related national laws*

Several of EssentialCo'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 "upper-tier 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. EssentialCo operates 11 "upper-tier establishments" and three "lower-tier establishments".

9.3.1.2 *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. EssentialCo 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.

EssentialCo's activities in Europe are subject to the Waste Framework Directive, as implemented by each EU Member State, such as 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.

9.3.1.3 *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.

EssentialCo'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.

#### 9.3.1.4 *The Emission Trading Systems*

EssentialCo 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 EssentialCo) 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.

EssentialCo 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 EssentialCo may be subject.

#### 9.3.1.5 *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*)), EssentialCo, 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 EssentialCo, 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.

9.3.1.6 *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 EssentialCo's activities.

A first estimate of EssentialCo's portfolio of taxonomy-eligible activities will be available on EssentialCo's website following the completion of the Partial Demerger. Some of EssentialCo's activities, such as the ones relating to soda ash used in insulation (glass wool and foam glass), may be eligible both as "transition activities" and "enabling activities".

#### 9.3.1.7 *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 harmonising the information to be provided. EssentialCo 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. EssentialCo 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 by the end of the first half of 2023.

### 9.3.2 United States

As a result of its operations in the United States, EssentialCo 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 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, "**US 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 State level issues or concerns. U.S. States may have more restrictive emissions, environmental remediation and other requirements that EssentialCo'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 EssentialCo'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 EssentialCo'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.

#### 9.3.2.1 *The U.S. Comprehensive Environmental Response, Compensation and Liability Act*

In the US, EssentialCo 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, EssentialCo is subject to, and may have a 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 EssentialCo (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, EssentialCo could be responsible for all authorized remediation costs and natural resource damages at, and around, such sites, even if EssentialCo is one of many PRPs.

#### 9.3.2.2 *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 EssentialCo's manufacturing sites in the United States and, in many cases, on product manufacturing and other long-term business decisions. EssentialCo's businesses maintain numerous permits and emission control devices pursuant to these clean air laws.

Several of EssentialCo'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. EssentialCo'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 EssentialCo'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 EssentialCo 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 EssentialCo'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 EssentialCo's manufacturing and business activities. To the extent required, each EssentialCo 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 EssentialCo's resources for third party waste disposal sites for historical operations, as well as active plant sites, closed sites, and sold sites where EssentialCo has retained environmental responsibilities.

#### 9.3.3 Brazil

In Brazil, any EssentialCo industrial site must obtain the Environmental Operation License, which concerns all the regulatory environmental requirements (liquid effluents emissions, atmospheric emissions, wastes disposal, etc.), according to the nature and profile of the site's operations. This license must be renewed periodically (*i.e.*, every 2 to 5 years), depending on the region. The relevant site has to obtain a specific license for each type of waste to be disposed of, is required to reduce its nitrous oxide and volatile organic compound emissions in some regions (such as the São Paulo state), and has to commit to specific target with the local environmental authorities with respect to environmental rehabilitations.

#### 9.3.4 Asia

The following provides an overview of selected areas of the main environmental laws and regulations applicable to EssentialCo's business operations in Asian countries where it owns or operates sites or facilities, as of the date of this Information Document, namely China, Thailand and Korea.

##### 9.3.4.1 *China*

EssentialCo'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 EssentialCo 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 and the Environmental Impact Assessment (EIA) Law.

*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 EssentialCo'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 EssentialCo 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) 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).

*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.

*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 EssentialCo 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.

*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.

EssentialCo's has two facilities appearing in the Supervision Lists of cities.

*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, EssentialCo 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 EssentialCo to fines ranging from RMB 500,000 (c. EUR 65,000) to RMB 2 million (c. EUR 265,000) per non-compliant project.

#### 9.3.4.2 *Thailand*

EssentialCo's facilities in Thailand are subject to numerous environmental laws. These include but not 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, EssentialCo 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. EssentialCo'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.

#### 9.3.4.3 *Korea*

EssentialCo's activities in Korea are subject to various environmental regulations based on the Framework Act on Environmental Policy laid down in the Korean Constitution and establishing the environmental policy and basic principles of Korean law.

The **Water Environment Conservation Act** of 1990, as amended, regulates the water environment and provides that any person intending to install a wastewater emitting facility must obtain a permit from or file a report with the Ministry of Environment. The Ministry of Environment can grant a permit without limitation or can restrict the installation of the facility if it considers the facility's proximity to any reservoir protection zone or special protection zone to be harmful.

As of the date of the Information Document, one of EssentialCo's facilities is a wastewater emitting facility and has been granted a permit by the Ministry of Environment.

Pursuant to this Act, the Ministry of Environment is also empowered with the monitoring of the facilities' activities that could affect the water environment. It may order facilities to (i) lower the amount of water pollutants discharged within a designated period if the facility is determined to be discharging excess water pollutants or (ii) stop discharging pollutants if it determines that water quality can be harmful to the public health.

The **Clean Air Conservation Act** of 2007, as amended, regulates all sources of atmospheric pollution (businesses, households, motor vehicles, etc.). Regarding businesses, the Act requires any company like EssentialCo which is willing to install a facility emitting air pollutants to obtain a permit from or file a report with the Ministry of Environment. A prevention facility should also be installed and an operation commencement report must be submitted to the Ministry of Environment before the commencement of the facility's operations.

The Act also lays down permissible emission levels of air pollutant applicable to the air pollutant-emitting facilities. The facilities exceeding those emission levels can be fined and their permit can be revoked by the Ministry of Environment.

As of the date of the Information Document, one of EssentialCo's facilities is an air pollutant-emitting facility and has been granted a permit by the Ministry of Environment.

Consequently, businesses may be required to obtain different permits for individual sources of pollution. The **Act on the Integrated Control of Pollutant-Discharging Facilities** promulgated in 2017 simplified this process for large-scale businesses that have an important impact on the environment *i.e.*, (i) a business that discharges at least 20 tons, per year, of some of the air pollutants specified in an Ministry of Environment's ordinance, or (ii) a business that discharges at least 700 cubic meters, per day, of wastewater. Pursuant to this Act, the Integrated Environmental Management System allows these businesses to apply for a unique permit which is valid for 5 years.

EssentialCo is considered in Korea, as one of the large-scale business with a significant impact on the environment and thus is entitled to the Integrated Environmental Management System.

### 9.4 Workplace safety laws and regulations

EssentialCo'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 and the Mine Act) as well as other safety management regulations in various jurisdictions around the world focused on worker protection and prevention from 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, EssentialCo is required to provide a safe workplace for all of its U.S. employees by managing recognized safety or health hazards. 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.

Similarly, MSHA enforces compliance with health and safety standards at mining operations in the US. Many of these standards are unique to the mining industry including those governing the securing of rock ceilings in tunnels.

Significant workplace accidents or breaches of workplace safety policies may result in loss of life, environmental remediation costs, lawsuits, fines, administrative penalties or other outcomes, which could have a material adverse effect on EssentialCo's business, financial condition and results of operations. See "*Risk Factors – EssentialCo's manufacturing activities involve high-risk processes and substances*."

In Brazil, EssentialCo has to comply with the Labor Ministry regulation (NRs - Regulatory Norms), which defines the several requirements concerning Occupational Safety and Health, such as, for instance, personal protective equipment, training, H&S Committee. There is a specific requirement about the health and safety department, which defines the specialty and the FTEs, according to the site's risk and size.

### 9.5 Anti-corruption, anti-money laundering and anti-bribery laws and regulations

EssentialCo 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. EssentialCo 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 "*Risk Factors – Complying with evolving patent infringement, antitrust, fraud, corruption and bribery, tax and other laws and requirements may be difficult or costly*."

## 10. TREND INFORMATION

The trends observed in the first quarter of 2023 follow to a large extent those realized during the fourth quarter of 2022, as discussed in Section 7.4, "*Results of Operations—Year ended December 31, 2022 compared with year ended December 31, 2021*."

In the first quarter of 2023, the performance of EssentialCo was supported by pricing actions, which more than offset lower volumes and cost inflation, while fixed cost increases were contained due to cost savings measures (including continued implementation of structural cost reductions). This resulted in an increase in Underlying EBITDA for the EssentialCo businesses.

Soda Ash & Derivatives' growth was driven by higher pricing, partially offset by lower demand in flat glass for construction, particularly in Europe, while container glass remained resilient. Peroxides realized lower volumes that more than offset positive pricing in the quarter; demand softened in chemicals (HPPO) and pulp & paper, while disinfection was resilient. Silica benefited from pricing actions that were able to more than compensate for lower volumes. Special Chem benefited from price increases across most markets, with demand remaining weak in the automotive catalysts and semiconductor markets. Coatis business continued to normalize; sales volumes declined compared to a strong first quarter of 2022, due to lower demand and competitive price-pressure due to imports into Brazil. Results from corporate and business services improved with the continued stabilization of the energy business, which was also favorably impacted by several one-time events.

The sale of the Company's interest in the RusVinyl joint venture was completed in the first quarter of 2023, yielding net proceeds of EUR 432 million. These cash proceeds are recorded in the Unaudited Pro Forma Statement of Financial Position as if they had been received as of December 31, 2022. See "Annex I – Unaudited Pro Forma Financial Information." A capital loss of EUR 174 million, mainly related to the recycling of historical currency translation balances on the sale of the RusVinyl interest, was recorded under Results from Portfolio Management & Restructuring, along with a restructuring provision in the context of the Group's separation plan. These have no impact on Underlying EBITDA, which excludes Results from Portfolio Management & Restructuring, and were not reflected in the Unaudited Pro Forma Combined Income Statement for the year ended December 31, 2022.

### 10.1 Business Developments

#### 10.1.1 Technology license for hydrogen peroxide mega-plant in China

On April 26, 2023, Solvay announced that it signed a license agreement with Guangxi Chlor-Alkali Chemical (GHCAC)1 which will enable the Chinese partner to build and operate a hydrogen peroxide megaplant at Qinzhou (Guangxi Zhuang Autonomous Region) designed to support its 300 kilotons propylene oxide (PO) production and other units on site.

Under this license, EssentialCo will provide its proprietary hydrogen peroxide mega-scale, high productivity process technology to GHCAC, including a dedicated process design package, operating expertise and a range of services to ensure the optimized and reliable production of the new megaplant. In addition, the company will also supply GHCAC with proprietary 2-amylanthraquinone (AQ), the key chemical contributing to the high productivity and environmentally-friendly chemical processes of Solvay's megaplant technology.

It has been further agreed that EssentialCo will have a hydrogen peroxide offtake after the megaplant starts up. This will support the strategic growth of EssentialCo's hydrogen peroxide business in China, in particular in the southern area.

#### 10.1.2 Memorandum of Understanding with Cyclic Materials for circular rare earth elements

On February 16, 2023, Solvay announced that it had signed a Memorandum of Understanding with Cyclic Materials, a Canadian cleantech startup producing sustainable rare earth elements for downstream processing. The Memorandum of Understanding outlines the intent of both parties to enter into an agreement for the production and supply of recycled mixed rare earth oxides (rMREO). Under the agreement, the supply of rMREO will be sent from Cyclic Materials' site in Ontario, Canada to EssentialCo's plant in La Rochelle, France.

Cyclic Materials recycles rare earth permanent magnets, producing raw materials to be fed into the supply chains of automobiles, renewable wind energy, electronics, and more. Cyclic Materials is part of significant efforts to build domestic supply chains in Europe and North America, diversifying a market that is primarily controlled by one country. EssentialCo has been working with Cyclic Materials to validate its products' compatibility with its rare earth separation process.

## 11. EMPLOYEES

### 11.1 Description of the workforce

11.1.1 Number and breakdown of employees

As of December 31, 2022, EssentialCo had 9,340 employees within its scope of combination, which represents a net decrease of 1% compared to financial year ended December 31, 2021 (as of December 31, 2021, EssentialCo had 9,418 employees within its scope of combination, and as of December 31, 2020, it had 10,639). Such totals have been estimated for EssentialCo based on current plans for the separation of the Essential Businesses from the from the Other Solvay Group Businesses following the Legal Reorganization and Partial Demerger. The allocation of corporate employees has been assumed, and is subject to change.

The table below shows a breakdown of EssentialCo's full-time equivalent employees by geographic location in 2022.

| | **Headcount as of December 31 (in FTE)** |
|---|---|
| **Geographic area** | **2022** |
| Europe | 5,620 |
| North America | 860 |
| Latin America | 1,640 |
| Asia & rest of the world | 1,220 |
| **Total** | 9,340 |

11.1.2 Human resources policy

11.1.3 *Employee relations*

EssentialCo 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. EssentialCo complies with local requirements regarding staff representation and union representation.

The majority of EssentialCo'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 EssentialCo's employees, such as maximum working hours, holidays, termination, retirement, welfare and incentives.

EssentialCo believes it has developed fair relations with the employee representatives present in each country in which it operates. In the last five years, EssentialCo has not experienced any material disruption to its business as a result of strikes, work stoppages or other labor disputes that were specific to EssentialCo.

11.1.4 *Training and talent development*

EssentialCo is continuously investing in training to enable its employees to improve their capabilities and develop new skills in line with EssentialCo's objectives and their foreseeable evolutions, and to maintain their abilities and employability throughout their career. The performance and development cycle of Solvay, 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 EssentialCo's human resources policy, training programs are reviewed on an annual basis and training needs are considered during annual appraisals.

### 11.1.5 *Health and safety*

EssentialCo 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 EssentialCo's focuses is on compliance with all applicable legal, regulatory, industry and corporate requirements, and in particular with workplace safety regulations. *See* Section 9.4, *"Workplace safety laws and regulations."*

Solvay's health, safety and environment ("**HSE**") strategy, which companies operating the Essential 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 EssentialCo'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, 42 of the sites at which the Essential Businesses are operated have a management system and have been audited by a third party in the past five years. In addition, as of December 31, 2022, five of the sites at which the Essential Businesses are operated are certified by ISO 45001 or by the American Chemistry Council's Responsible Care Management System ("**ACC RCMS**"), five are certified by ISO 14001 and/or by ACC RCMS 14001 and 30 have implemented both systems. Two of Essential Businesses operated sites have another approved management system in place.

## 11.2 Description of arrangements involving employees in the capital of EssentialCo

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 EssentialCo will continue implementing this program or similar employee-related share purchase programs following the completion of the Partial Demerger.

## 12. MAJOR SHAREHOLDERS

The Partial Demerger will not have any impact on Solvay's shareholding structure. Please refer to Section 2, "*Capital, Shares and Shareholders*," of the Solvay 2022 Annual Report.

## 13. RELATED PARTY TRANSACTIONS

For a summary of related-party transactions to which EssentialCo is or will be a party, see Section 6.5, "*Agreements between EssentialCo and SpecialtyCo relating to the Partial Demerger*."

# 14. FINANCIAL INFORMATION CONCERNING ESSENTIALCO'S ASSETS AND LIABILITIES, FINANCIAL POSITION, PROFITS AND LOSSES

## 14.1 Unaudited pro forma financial information

EssentialCo's Unaudited Pro Forma Financial Information has been prepared to comply with the Prospectus Delegated Regulation, except for Item 2.2 of Annex 20 thereof (as 3 years of Unaudited Pro Forma Financial Information has been presented), and for no other purposes. Subject to the foregoing, the Unaudited Pro Forma Financial Information has been prepared in accordance with the principles described in the Prospectus Delegated Regulation and the related guidance issued by ESMA. The Unaudited Pro Forma Financial Information has not been prepared in accordance with the requirements of the U.S. Securities and Exchange Commission or practices generally accepted in the U.S. It is included in this Information Document as Annex I.

## 14.2 Review of the unaudited pro forma financial information

The reasonable assurance report of EY on the compilation of the Unaudited Pro Forma Financial Information, prepared in accordance with ISAE 3420, is attached to such Unaudited Pro Forma Financial Information included in this Information Document as Annex I.

## 14.3 Dividend policy

After the completion of the Legal Reorganization and Partial Demerger, the Company will assume a 60% share of its current dividend level of Solvay for the 2023 financial year, and is expected to maintain its current dividend policy of stable or increasing dividends (subject to its liquidity needs, the decision of its Board of Directors and approval of its shareholders). The Company's dividend policy after the completion of the Legal Reorganization and Partial Demerger will be established and announced prior to the Partial Demerger, and will be further detailed in a supplement to this Information Document to be published prior to the completion of the Partial Demerger.

## 14.4 Legal and arbitration proceedings

EssentialCo 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 14 is not exhaustive, EssentialCo is not aware of any other material proceedings against it, including any such proceedings that are pending or threatened.

### 14.4.1 Antitrust proceedings

The Brazilian antitrust authority (CADE) levied fines against EssentialCo and others in May 2012, relating to hydrogen peroxide activities, and in February 2016, relating to perborate activities. EssentialCo's share of these fines were EUR 29.6 million and EUR 3.99 million, respectively. EssentialCo has since brought a lawsuit before the Brazilian Federal Court to contest these administrative fines.

### 14.4.2 Asbestos proceedings

Former workers and the relatives of deceased workers at EssentialCo sites have brought 28 civil proceedings before Italian courts, seeking damages in relation to diseases allegedly cause by asbestos exposure. The damages are provisionally quantified at approximately EUR 32 million. 10 proceedings remain pending before the Court of first instance and Court of Appeal while the remaining 18 proceedings definitively ended as a result of dismissals, court settlements, and condemnations to pay negligible damages.

14.4.3 Rosignano proceedings

The Public Prosecutor's Office of the Criminal Court of Livorno, Italy initiated preliminary criminal investigations in 2019 regarding the alleged contamination of specific water tables outside of EssentialCo's location in Rosignano. These investigations are still ongoing.

Further, EssentialCo is currently facing a challenge to its operating permit for Rosignano, renewed by the Italian Ministry of Ecological Transition from January 2022 until January 2024, by a number of parties before the Tuscany Administrative Court of first instance.

## 15. DOCUMENTS AVAILABLE

An electronic version of this Information Document is available on the website of the Company (www.solvay.com).

The Company's Articles of Association are also available on its website (www.solvay.com), and these and the minutes of general shareholders' meetings and other statutory documents, as well as any valuation or statement made by an independent expert at the Company's request which must be made available to shareholders in accordance with applicable regulations, may also be consulted at the Company's registered office.

## 16. GLOSSARY

**"Alternative Performance Measures"** ............. Performance measures that are not required by, nor are presented in accordance with, IFRS, including EBITDA, Underlying EBITDA, EBIT and Underlying EBIT.

**"API"** ............. Active pharmaceutical ingredient.

**"Articles of Association"** ............. The articles of association of Solvay.

**"BCCA"** ............. Belgian *Code des sociétés et des associations*.

**"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.

**"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 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*.

**"Board of Directors"** ............. The board of directors of the Company or EssentialCo, as the context requires.

**"CERCLA"** ............. U.S. Comprehensive Environmental Response, Compensation and Liability Act.

**"Company"** or **"Solvay"** ............. Solvay SA, a public limited liability company (*société anonyme / NV naamloze venootschap*) organized under the laws of Belgium, with a share capital of EUR 1,588,146,240, registered with the Belgian legal entities register (Brussels) under enterprise number 403.091.220, whose shares are admitted to trading on Euronext Brussels and Euronext Paris.

**"Conditions Precedent"** ............. Conditions to which the completion of the Partial Demerger is expected to be subject, as defined in Section 6.4.4, "*Conditions precedent*," which will be set forth in the Partial Demerger Proposal.

**"Covid-19"** ............. The global outbreak of the SARS-CoV-2 coronavirus.

**"Dedicated Entities"** ............. All existing legal entities entirely dedicated to the Essential Businesses before the Legal Reorganization.

**"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 and taxes calculated in accordance with Section 7.3.

| | |
|---|---|
| **"EBITDA"** | Earnings before interest, taxes, depreciation, and amortization calculated in accordance with Section 7.3. |
| **"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. |
| **"EGM"** | Extraordinary general meetings of Solvay and SpecialtyCo to be convened to vote on the Partial Demerger Proposal. |
| **"e-$H_2O_2$"** | High-purity semiconductor-grade Hydrogen Peroxide. |
| **"EPA"** | U.S. Environmental Protection Agency. |
| **"ESG"** | Environmental, social and corporate governance. |
| **"ESMA"** | European Securities and Markets Authority. |
| "**Essential Businesses"** | Businesses of Solvay that will makeup EssentialCo following the completion of the Partial Demerger. |
| "**Essential Legal Entities"** | All existing legal entities entirely dedicated to the Essential Businesses before the Legal Reorganization, all existing legal entities that were Mixed Entities before the Legal Reorganization and from which Other Solvay Group Businesses have been carved out, and all new legal entities to which Essential Businesses have been carved-out as part of the Legal Reorganization. |
| **"EssentialCo"** or **"Group"** | Solvay, together with, its consolidated subsidiaries and its direct and indirect equity interests, in its expected configuration immediately following the completion of the Partial Demerger, and when referring to historical activities prior to completion of the Partial Demerger, to the business units of Solvay that will form part of EssentialCo after completion of the Legal Reorganization and 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 SpecialtyCo that will be issued and allocated directly to Solvay's Existing Shareholders upon completion of the Partial Demerger. |
| **"Excluded Solvay Shares**" | Shares of Solvay held by Solvay, SpecialtyCo or any persons acting in their own name but on behalf of Solvay or SpecialtyCo 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). |

| | |
|---|---|
| **"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). |
| **"G.R.O.W Strategy"** | Solvay's strategy to accelerate Growth, deliver Resilient cash flow, Optimize returns and Solvay One to Win, launched in 2019. |
| **"$H_2O_2$"** | Hydrogen peroxide. |
| **"HPPO"** | Hydrogen peroxide to propylene oxide. |
| **"IFRS"** | International Financial Reporting Standards as adopted by the European Union. |
| **"IMF"** | International Monetary Fund. |
| **"ISAE 3420"** | International standard on assurance engagements. |
| **"IT"** | Information technology. |
| **"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 Essential Businesses from those relating to the Other Solvay Group Businesses which will make up SpecialtyCo. |
| **"LEI"** | Legal entity identifier. |
| **"Mixed Entities"** | Legal entities that currently undertake both operations of the Essential Businesses and Other Solvay Group Businesses. |
| **"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. |
| **"OSHA"** | U.S. Occupational Safety and Health Act. |
| **"Other Solvay Group Businesses"** | Legal entities relating to Other Solvay Group Businesses. |
| **"Partial Demerger"** | The separation by Solvay of its Specialty businesses from the Essential Businesses by means of a partial demerger (*scission partielle*) of Solvay effected under Belgian law, whereby the shares and other interests held by Solvay in the legal entities operating the Other Solvay Group Businesses, the rights and obligations of Solvay 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 SpecialtyCo. |
| **"Partial Demerger Proposal"** | The joint partial demerger proposal to be adopted by the boards of directors of Solvay and SpecialtyCo in preparation of the Partial Demerger. |

**"Prospectus Delegated Regulation"** .................. Commission Delegated Regulation (EU) 2019/980 of March 14, 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004, as amended.

**"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.

**"QSSB"** ................................................................ Quimicos E Solucoes Sustentaveis Do Brasil S.A.

**"R&I"** .................................................................. Research and innovation.

**"REACH Regulation"** ........................................ Regulation EC 1907/2006 of the European Parliament and of the Council of December 18, 2006, concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), establishing a European Chemicals Agency, amending Directive 1999/45/EC and repealing Council Regulation (EEC) No 793/93 and Commission Regulation (EC) No 1488/94 as well as Council Directive 76/769/EEC and Commission Directives 91/155/EEC, 93/67/EEC, 93/105/EC and 2000/21/EC, as amended.

**"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.

**"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's Existing Shareholders"** ...................... Solvay's shareholders at the time of completion of the Partial Demerger.

**"Solvay Group"** ................................................. Solvay, its consolidated subsidiaries and its direct and indirect equity interests.

**"Solvay-SVHC"** ................................................. Substances identified by EssentialCo 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.

**"SpecialtyCo"** ..................................................... Specialty Holdco Belgium, 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, including, as the context requires, following completion of the Partial Demerger, its consolidated subsidiaries and its direct and indirect equity interests.

**"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. |
| **“Transition Services Agreement”** or **“TSA”** | The agreement to be entered into between Solvay and SpecialtyCo regarding transition services to be provided between the Parties following the Partial Demerger, as further described in Section 6.5.2. |
| **“TSCA”** or **“New TSCA”** | U.S. Toxic Substances Control Act of 1976, as amended. |
| **“Unaudited Pro Forma Financial Information”** | The unaudited pro forma financial information of EssentialCo, prepared as described in Section 7.1.1 and as if the Partial Demerger had taken place on December 31, 2022 (for purposes of the Unaudited Pro Forma statement of financial position) or on January 1, 2020 (for purposes of the Unaudited Pro Forma income statement). |
| **“Underlying EBIT”** | Adjusted EBIT (including results from portfolio management, results from legacy remediation and major litigation, amortization of intangible assets resulting from Purchase Price Allocation and inventory step-up) calculated in accordance with Section 7.3. |
| **“Underlying EBITDA”** | Adjusted EBITDA (including results from portfolio management, results from legacy remediation and major litigation, amortization of intangible assets resulting from Purchase Price Allocation and inventory step-up) calculated in accordance with Section 7.3. |
| **“Underlying Net Financial Debt”** | Underlying (net) financial debt that reclassifies as debt 100% of the perpetual hybrid bonds, considered as equity under IFRS. |
| **“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. |

# ANNEX I
# FINANCIAL INFORMATION

# UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following Unaudited Pro Forma Financial Information, which has been derived from Solvay SA/NA's ("Solvay" or the "Solvay Group") audited consolidated financial statements for the years ended December 31, 2022, December 31, 2021 and December 31, 2020 and audited combined financial statements of SpecialtyCo for the years ended December 31, 2022, December 31, 2021 and December 31, 2020; is presented for illustrative purposes only and should not be considered to be an indication of the income statement or statement of financial position of Solvay following the contemplated separation. Because of its nature, the Unaudited Pro Forma Financial Information addresses a hypothetical situation and, therefore, does not represent the actual financial position or results of Solvay. Future results of operations may differ materially from those presented in the Unaudited Pro Forma Financial Information due to various factors.

**Background information**

Solvay 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 (together the "Specialty Businesses").

"EssentialCo", which would comprise the leading mono-technology businesses in the Solvay Group's Chemicals segment and its Special Chem businesses (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's shareholders would retain their current shares of Solvay. The separation (or the "Transaction") would be effected by means of a partial demerger ("*scission partielle*") of Solvay, 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, 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's shareholders in key jurisdictions. The Transaction remains subject to general market conditions and customary closing conditions, including final approval by Solvay's Board of Directors, consent of certain financing providers and shareholders' approval at an extraordinary general meeting. Solvay expects to complete the process in December 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 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 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.

On March 3, 2023 Solvay announced that it had agreed final terms to sell its 50% stake in the RusVinyl OOO joint venture ("RusVinyl") to its joint venture partner, Sibur. The agreement is based on a purchase price for Solvay's 50% stake of EUR 433 million. The RusVinyl divestment was completed at the end of the first quarter 2023.

The pro forma financial information has been prepared to represent the effect of the Partial Demerger and the RusVinyl divestment as if it occurred on December 31, 2022 in the Unaudited Pro Forma Statement of Financial Position, or on January 1, 2020 in the Unaudited Pro Forma Income Statements. The Unaudited Pro Forma Financial Information includes an Unaudited Pro Forma Statement of Financial Position as of December 31, 2022 and an Unaudited Pro Forma Income Statement for the years ended December 31, 2022, December 31, 2021 and December 31, 2020 with the related explanatory notes and has been prepared for illustrative purposes only to represent the pro forma financial position and pro forma results of EssentialCo following completion of the Partial Demerger.

Neither the assumptions underlying the preparation of the Unaudited Pro Forma Financial Information nor the Unaudited Pro Forma Financial Information itself have been audited or reviewed.

The Unaudited Pro Forma Financial Information should be read in conjunction with the information contained in Sections 7, 8 and 14 of the Information Document.

Rounding adjustments to the nearest one decimal place have been made. Therefore, figures shown as total may not be the exact arithmetic aggregation of the figures that precede them.

Stakeholders should read the Information Document as a whole and not rely solely on the Unaudited Pro Forma Financial Information contained in this section.

**Basis of preparation**

The Unaudited Pro Forma Financial Information is presented in millions of euros, except where stated otherwise.

The unaudited pro forma statement of financial position as at December 31, 2022 has been derived from:

- Solvay's audited consolidated financial statements for the year ended December 31, 2022, prepared in accordance with International Financial Reporting Standards as published by the International Accounting Standards Board ("IASB"), and endorsed by the European Union ("IFRS"). EY Réviseurs d'Entreprises SRL, independent auditors, have audited the consolidated financial statements for the year ended December 31, 2022 and have issued an unqualified independent auditor's report thereon;

- SpecialtyCo's audited combined financial statements for the year ended December 31, 2022, prepared in accordance with IFRS. EY Réviseurs d'Entreprises SRL, independent auditors, have audited the combined financial statements for the year ended December 31, 2022 and have issued an unqualified independent auditor's report thereon;

The unaudited pro forma income statements for the financial years ended December 31, 2022, December 31, 2021 and December 31, 2020 have been derived from:

- Solvay's audited consolidated financial statements for the year ended December 31, 2022, prepared in accordance with IFRS. EY Réviseurs d'Entreprises SRL, independent auditors, have audited the financial statements for the year ended December 31, 2022, and have issued an unqualified independent auditor's report thereon;

- Solvay's audited consolidated financial statements for the years ended December 31, 2021 and December 31, 2020, prepared in accordance with IFRS. Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises BV/SRL, independent auditors, have audited the financial statements for the years ended December 31, 2021 and December 31, 2020 and have issued an unqualified independent auditor's report thereon;

- SpecialtyCo's audited combined financial statements for the year ended December 31, 2022 prepared in accordance with IFRS. EY Réviseurs d'Entreprises SRL, independent auditors, have audited the combined financial statements for the year ended December 31, 2022, and have issued an unqualified independent auditor's report thereon;

- SpecialtyCo's audited combined financial statements for the years ended December 31, 2021 and December 31, 2020 prepared in accordance with IFRS. Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises BV/SRL, independent auditors, have audited the financial statements for the years ended December 31, 2021 and December 31, 2020 and have issued an unqualified independent auditor's report thereon.

The Unaudited Pro Forma Financial Information has been prepared to comply with the Prospectus Delegated Regulation, except for Item 2.2 of Annex 20 i.e. 3 years of Unaudited Pro Forma Financial Information has been presented, and for no other purposes. Subject to the foregoing, the Unaudited Pro Forma Financial Information have been prepared in accordance with the principles described in the Prospectus Delegated Regulation and the related guidance issued by the European Securities and Markets Authority (ESMA). The Unaudited Pro Forma Financial Information presented in this document have not been prepared in accordance with the requirements of the U.S. Securities and Exchange Commission or practices generally accepted in the U.S.

The Unaudited Pro Forma Financial Information reflects the application of pro forma adjustments that are (i) directly attributable and (ii) factually supportable and are based upon available information, and certain assumptions described in the accompanying notes hereto, that management believes are reasonable under the given circumstances. The Unaudited Pro Forma Financial Information does not reflect items such as EssentialCo's expected synergies, operating efficiencies or restructuring and integration costs that may result from the Partial Demerger.

In preparing the Unaudited Pro Forma Financial Information management has used certain assumptions including in relation to:

*Services provided and charged by centrally managed functions*

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's Board of Directors, Executive Leadership Team, Investor Relations and Corporate Communications team, have been included in the Unaudited Pro Forma Financial Information.

*Obligations for employee benefits*

For employee benefit plans where the local legal framework or contractual arrangement does not contain the requirements for allocation of rights and obligations for employees that will be transferred to SpecialtyCo entities, the benefit obligations and related assets are included in the Unaudited Pro Forma Financial Information.

*Cash and cash equivalents*

Within the Solvay Group, financing 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 arising from the Solvay cash pooling agreements involving entities that will be transferred to SpecialtyCo are presented as other current financial instruments and current financial debt in the Unaudited Pro Forma Financial Information.

*Derivative financial instruments*

External cash flow hedges have been entered into by a central function, on behalf of operating entities within the Solvay Group. 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 in the Remaining Solvay Group, and exposures on transactions related to activities to be transferred to SpecialtyCo. Cash flow hedge accounting is continued to be applied to the remaining part of the hedge instrument that relates to foreign currency exposure on highly probable future transactions related to the activities in the Remaining Solvay Group.

*Intercompany transactions*

Within the Solvay Group, intercompany transactions have occurred historically with entities over which Solvay exercised control, or significant influence, or with joint ventures. Transactions with entities over which Solvay 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's consolidated financial statements.

Transactions that were previously eliminated in the Solvay Group need to be reinstated, to the extent they are between entities in the Remaining Solvay Group and SpecialtyCo entities.

Transactions between EssentialCo and SpecialtyCo entities mainly comprise structured borrowings and loans as well as intercompany bank accounts between EssentialCo and SpecialtyCo, in place over the periods presented, which were eliminated as part of the consolidation procedures applied for the Solvay Group's consolidated financial statements, and which were reinstated in the Unaudited Pro Forma Financial Information. This does not reflect the expected situation after the Partial Demerger as no financing relations are expected to exist between EssentialCo and SpecialtyCo once the transaction is completed.

For the balances resulting from transactions between Mixed Entities, the following approach has been followed in the Unaudited Pro Forma Financial Information:

1. The balance is classified as an intragroup transaction and eliminated in the Unaudited Pro Forma Financial Information if such a transaction is between two entities that are both part of EssentialCo.
2. The balance is classified as a transaction with related parties in the Unaudited Pro Forma Financial Information if such transaction is a transaction between an entity that, after the Partial Demerger, will be part of EssentialCo and an entity that, after the Partial Demerger, will be part of SpecialtyCo.

*Working capital*

Working capital needs have historically been funded by intercompany loans and intercompany factoring with the central treasury entities in the Solvay Group. The impact of the intercompany factoring agreements have been eliminated in the Unaudited Pro Forma Financial Information. The resulting accounts receivable are measured on the same basis as was done in the Solvay financial statements.

Accounts receivable, accounts payable and inventories are included in the Unaudited Pro Forma Financial Information when they result from purchases and sales of products or services by entities within the Remaining Solvay Group. For Mixed Entities, the split of accounts receivable, accounts payable and inventories is based on the underlying business transaction.

*Financial debt*

Financial debt with bondholders, banks and other financial institutions is included in the Unaudited Pro Forma Financial Information where the financial debt reflects the historical ownership of the legal entities that will be part of the Remaining Solvay Group. The debt instruments issued by Solvay are included in the Unaudited Pro Forma Financial Information.

*Transaction costs*

The non-recurring transaction related costs recorded are assumed to have been incurred before closing of the Transaction. Under the assumption that the Partial Demerger would have taken place in 2020, these transaction costs are reflected in 2020 as a pro forma adjustment. These costs are reversed from the Unaudited Pro Forma Income Statement for the financial year ended December 31, 2022 and reflected in the Unaudited Pro Forma Income Statement for the financial year ended December 31, 2020.

The additional non-recurring related transaction costs that were not recorded as of December 31, 2022, but incurred in the first quarter of 2023 are reflected in the Unaudited Pro Forma Income Statement for the financial year ended December 31, 2020 with the corresponding entry recorded as an additional liability in the Unaudited Pro Forma Statement of Financial Position as of December 31, 2022.

In the following tables the amounts of the “Pro forma financial information” are computed as the amounts of “Solvay historical consolidated” financial statements less the amounts of “SpecialtyCo historical combined” financial statements and plus the amounts related to the “Divestment of RusVinyl” and other “Pro forma adjustments”.

## Unaudited Pro Forma Statement of Financial Position at December 31, 2022

| (in EUR million) | Solvay historical consolidated | SpecialtyCo historical combined | Divestment of RusVinyl | Pro forma adjustments | Pro forma financial information |
|---|---|---|---|---|---|
| | *Audited* | *Audited* | *Unaudited* | *Unaudited* | *Unaudited* |
| | **Note 1** | **Note 1** | **Note 2** | **Note 3** | |
| **ASSETS** | | | | | |
| Intangible assets | 2,048 | 1,817 | | -0 | 232 |
| Goodwill | 3,472 | 2,671 | | -0 | 802 |
| Property, plant and equipment | 5,311 | 3,152 | | 2 | 2,161 |
| Right-of-use assets | 474 | 196 | | - | 279 |
| Equity instruments measured at fair value | 71 | 71 | | 0 | -0 |
| Investment in associates and joint ventures | 809 | 204 | -431 | - | 174 |
| Other investments | 37 | 4 | | -0 | 33 |
| Deferred tax assets | 932 | 623 | | 106 | 415 |
| Loans and other assets [a] | 466 | 89 | | | 377 |
| Loans to Remaining Solvay Group / SpecialtyCo [a] | | 54 | | 827 | 773 |
| Other financial instruments | 30 | 30 | | - | - |
| **Non-current assets** | **13,651** | **8,910** | **-431** | **935** | **5,245** |
| Inventories | 2,109 | 1,392 | | 2 | 720 |
| Trade receivables | 2,026 | 1,027 | | 9 | 1,009 |
| Income tax receivables | 108 | 20 | | -1 | 87 |
| Other financial instruments [a] | 206 | 36 | | -0 | 170 |
| IBA (*) receivables with remaining Solvay Group / SpecialtyCo [a] | | 1,555 | | 3,529 | 1,974 |
| Other receivables [a] | 1,629 | 306 | | 143 | 1,467 |
| Loans to Remaining Solvay Group / SpecialtyCo [a] | | 144 | | 2,099 | 1,954 |
| Cash and cash equivalents | 932 | 244 | 433 | -1 | 1,120 |
| **Current assets** | **7,010** | **4,723** | **433** | **5,782** | **8,502** |
| **Total assets** | **20,661** | **13,633** | **2** | **6,716** | **13,747** |
| **EQUITY AND LIABILITIES** | | | | | |
| Shareholder’s equity / Owner's net investment | 10,603 | 4,922 | 2 | -12 | 5,671 |
| Non-controlling interests | 61 | 24 | | 0 | 37 |
| **Total (Business) Equity** | **10,664** | **4,946** | **2** | **-12** | **5,708** |
| Provision for employee benefits | 1,057 | 338 | | -0 | 718 |
| Other provisions | 743 | 256 | | 0 | 487 |
| Deferred tax liabilities | 558 | 479 | | 101 | 180 |
| Financial debt [a] | 2,450 | 1,078 | | - | 1,371 |
| Borrowings from Remaining Solvay Group / SpecialtyCo [a] | | 773 | | 827 | 54 |
| Other liabilities | 303 | 23 | | 0 | 280 |
| **Non-current liabilities** | **5,111** | **2,948** | | **928** | **3,090** |
| Other provisions | 297 | 118 | | - | 179 |
| Financial debt [a] | 510 | 96 | | -1 | 413 |
| Borrowings and IBA (*) liabilities from Remaining Solvay Group / SpecialtyCo [a] | | 3,929 | | 5,628 | 1,699 |
| Trade payables | 2,296 | 972 | | 9 | 1,333 |
| Income tax payables | 119 | 85 | | 1 | 35 |
| Dividends payables | 165 | 0 | | 1 | 166 |
| Other liabilities | 1,499 | 538 | | 163 | 1,124 |
| **Current liabilities** | **4,885** | **5,739** | | **5,800** | **4,949** |
| **Total liabilities** | **9,997** | **8,687** | | **6,728** | **8,039** |
| **Total equity and liabilities** | **20,661** | **13,633** | **2** | **6,716** | **13,747** |

[a] These balances relate to transactions with related parties as of December 31, 2022. Refer to Note 3.1.

(*) IBA = Internal bank accounts

### Unaudited Pro Forma Income Statement for the financial year ended December 31, 2022

| *(in EUR million)* | **Solvay historical consolidated** *Audited* **Note 1** | **SpecialtyCo historical combined** *Audited* **Note 1** | **Divestment of RusVinyl** *Unaudited* **Note 2** | **Pro forma adjustments** *Unaudited* **Note 3** | **Pro forma financial information** *Unaudited* |
|---|---|---|---|---|---|
| Sales [a] | 16,071 | 8,123 | - | 109 | 8,057 |
| of which revenue from non-core activities | 2,645 | 233 | - | 88 | 2,500 |
| of which net sales | 13,426 | 7,890 | - | 21 | 5,558 |
| Cost of goods sold [a] | -12,042 | -5,519 | - | -109 | -6,632 |
| **Gross margin** | **4,029** | **2,604** | - | - | **1,425** |
| Commercial costs | -317 | -222 | - | - | -95 |
| Administrative costs | -1,088 | -622 | - | - | -467 |
| Research and development costs | -357 | -312 | - | - | -46 |
| Other operating gains and (losses) | 171 | -152 | - | - | 323 |
| Earnings from associates and joint ventures | 171 | 16 | -117 | -2 | 37 |
| Results from portfolio management and major restructuring | -105 | -31 | - | 88 | 14 |
| Results from legacy remediation and major litigations | -283 | -182 | - | - | -101 |
| **EBIT** | **2,221** | **1,098** | **-117** | **86** | **1,091** |
| Cost of borrowings [a] | -118 | -133 | - | -102 | -87 |
| Interest on loans and short term deposits [a] | 17 | 34 | - | 102 | 85 |
| Other gains and (losses) on net indebtedness | 3 | -37 | - | 0 | 40 |
| Cost of discounting provisions | 40 | 17 | - | - | 23 |
| Result from equity investments measured at fair value | -13 | -13 | - | - | - |
| **Profit/(loss) for the year before income taxes** | **2,151** | **966** | **-117** | **86** | **1,154** |
| Income taxes | -217 | -2 | - | -29 | -244 |
| **Profit/(loss) for the year from continuing operations** | **1,934** | **964** | **-117** | **56** | **910** |
| Profit for the year from discontinued operations | - | - | - | - | - |
| **Profit/(loss) for the year** | **1,934** | **964** | **-117** | **56** | **910** |
| Of which attributable to | | | | | |
| Solvay share | 1,905 | 950 | -117 | 56 | 896 |
| non-controlling interests | 29 | 14 | - | -0 | 14 |

[a] These balances relate to transactions with related parties. Refer to Note 3.1.

### Unaudited Pro Forma Income Statement for the financial year ended December 31, 2021

| *(in EUR million)* | **Solvay historical consolidated** *Audited* **Note 1** | **SpecialtyCo historical combined** *Audited* **Note 1** | **Divestment of RusVinyl** *Unaudited* **Note 2** | **Pro forma adjustments** *Unaudited* **Note 3** | **Pro forma financial information** *Unaudited* |
|---|---|---|---|---|---|
| Sales [a] | 11,434 | 6,032 | - | 90 | 5,493 |
| of which revenue from non-core activities | 1,330 | 117 | - | 68 | 1,281 |
| of which net sales | 10,105 | 5,915 | - | 22 | 4,212 |
| Cost of goods sold [a] | -8,508 | -4,148 | - | -90 | -4,449 |
| **Gross margin** | **2,926** | **1,883** | - | - | **1,043** |
| Commercial costs | -287 | -199 | - | 0 | -88 |
| Administrative costs | -946 | -506 | - | -0 | -440 |
| Research and development costs | -325 | -286 | - | -0 | -40 |
| Other operating gains and (losses) | -80 | -147 | - | 0 | 67 |
| Earnings from associates and joint ventures | 158 | 13 | -111 | -3 | 31 |
| Results from portfolio management and major restructuring | -133 | -102 | -67 | 0 | -97 |
| Results from legacy remediation and major litigations | -123 | -72 | - | | -51 |
| **EBIT** | **1,190** | **585** | **-178** | **-2** | **425** |

| | | | | | |
|---|---|---|---|---|---|
| Cost of borrowings [a] | -107 | -107 | - | -54 | -54 |
| Interest on loans and short term deposits [a] | 9 | 8 | - | 54 | 54 |
| Other gains and (losses) on net indebtedness | -4 | -11 | - | 0 | 7 |
| Cost of discounting provisions | 1 | -7 | - | - | 8 |
| Result from equity investments measured at fair value | 6 | 6 | - | 0 | 0 |
| **Profit/(loss) for the year before income taxes** | **1,094** | **474** | **-178** | **-2** | **440** |
| Income taxes | -110 | -22 | - | -7 | -95 |
| **Profit/(loss) for the year from continuing operations** | **985** | **453** | **-178** | **-9** | **345** |
| Profit for the year from discontinued operations | 5 | - | - | - | 5 |
| **Profit/(loss) for the year** | **989** | **453** | **-178** | **-9** | **350** |
| Of which attributable to | | | | | |
| Solvay share | 948 | 444 | -178 | 9 | 317 |
| non-controlling interests | 41 | 9 | - | 0 | 33 |

[a] These balances relate to transactions with related parties. Refer to Note 3.1.

### Unaudited Pro Forma Income Statement for the financial year ended December 31, 2020

| *(in EUR million)* | **Solvay historical consolidated** *Audited* **Note 1** | **SpecialtyCo historical combined** *Audited* **Note 1** | **Divestment of RusVinyl** *Unaudited* **Note 2** | **Pro forma adjustments** *Unaudited* **Note 3** | **Pro forma financial information** *Unaudited* |
|---|---|---|---|---|---|
| Sales [a] | 9,714 | 5,381 | - | 87 | 4,420 |
| of which revenue from non-core activities | 749 | 120 | - | 65 | 693 |
| of which net sales | 8,965 | 5,261 | - | 22 | 3,726 |
| Cost of goods sold [a] | -7,207 | -3,821 | - | -86 | -3,472 |
| **Gross margin** | **2,507** | **1,560** | - | **2** | **949** |
| Commercial costs | -312 | -219 | - | -0 | -93 |
| Administrative costs | -900 | -480 | - | 0 | -420 |
| Research and development costs | -300 | -253 | - | - | -47 |
| Other operating gains and (losses) | -149 | -159 | - | 1 | 10 |
| Earnings from associates and joint ventures | 58 | 6 | -16 | -1 | 35 |
| Results from portfolio management and major restructuring | -1,549 | -1,359 | - | -104 | -294 |
| Results from legacy remediation and major litigations | -20 | -27 | - | -1 | 6 |
| **EBIT** | **-665** | **-931** | **-16** | **-104** | **147** |
| Cost of borrowings [a] | -114 | -164 | - | -114 | -64 |
| Interest on loans and short term deposits [a] | 8 | 13 | - | 114 | 109 |
| Other gains and (losses) on net indebtedness | -8 | -11 | - | 0 | 3 |
| Cost of discounting provisions | -68 | -28 | - | - | -41 |
| Result from equity investments measured at fair value | 3 | 4 | - | 0 | - |
| **Profit/(loss) for the year before income taxes** | **-844** | **-1,117** | **-16** | **-104** | **154** |
| Income taxes | -248 | -165 | - | 22 | -59 |
| **Profit/(loss) for the year from continuing operations** | **-1,092** | **-1,282** | **-16** | **-82** | **95** |
| Profit for the year from discontinued operations | 163 | - | - | - | 163 |
| **Profit/(loss) for the year** | **-929** | **-1,282** | **-16** | **-82** | **258** |
| Of which attributable to | | | | | |
| Solvay share | -962 | -1,285 | -16 | -82 | 229 |
| non-controlling interests | 33 | 3 | - | 0 | 29 |

[a] These balances relate to transactions with related parties. Refer to Note 3.1.

## Other Financial Information for the year ended December 31, 2022

| *(in EUR million)* | **Solvay historical consolidated** *Audited* **Note 1** | **SpecialtyCo historical combined** *Audited* **Note 1** | **Divestment of RusVinyl** *Unaudited* **Note 2** | **Pro forma adjustments** *Unaudited* **Note 3** | **Pro forma financial information** *Unaudited* |
|---|---|---|---|---|---|
| Depreciation, amortisation and impairments | -923 | -622 | - | - | -301 |
| Use of provisions | -328 | -121 | - | - | -207 |
| Change in working capital | -576 | -264 | - | - | -312 |
| Capital expenditure | -1,022 | -642 | - | - | -380 |

## Other Financial Information for the year ended December 31, 2021

| *(in EUR million)* | **Solvay historical consolidated** *Audited* **Note 1** | **SpecialtyCo historical combined** *Audited* **Note 1** | **Divestment of RusVinyl** *Unaudited* **Note 2** | **Pro forma adjustments** *Unaudited* **Note 3** | **Pro forma financial information** *Unaudited* |
|---|---|---|---|---|---|
| Depreciation, amortisation and impairments | -849 | -587 | - | - | -262 |
| Use of provisions | -303 | -120 | - | - | -183 |
| Change in working capital | -92 | -253 | - | - | 161 |
| Capital expenditure | -736 | -451 | - | - | -285 |

## Other Financial Information for the year ended December 31, 2020

| *(in EUR million)* | **Solvay historical consolidated** *Audited* **Note 1** | **SpecialtyCo historical combined** *Audited* **Note 1** | **Divestment of RusVinyl** *Unaudited* **Note 2** | **Pro forma adjustments** *Unaudited* **Note 3** | **Pro forma financial information** *Unaudited* |
|---|---|---|---|---|---|
| Depreciation, amortisation and impairments | -2,416 | -1,921 | - | - | -495 |
| Use of provisions | -331 | -103 | - | - | -228 |
| Change in working capital | 249 | 255 | - | - | -6 |
| Capital expenditure | -644 | -372 | - | - | -272 |

**Notes to the Unaudited Pro Forma Financial Information**

***Note 1 – Financial Information***

**Solvay consolidated financial information**

Solvay consolidated financial information has been extracted directly from:

- Solvay’s audited consolidated financial statements for the years ended December 31, 2022, December 31, 2021 and December 31, 2020 were prepared in accordance with IFRS.

**SpecialtyCo combined financial information**

SpecialtyCo’s combined financial information has been extracted directly from:

- SpecialtyCo’s audited combined financial statements for the years ended December 31, 2022, December 31, 2021 and December 31, 2020 were prepared in accordance with IFRS.

***Note 2 – Divestment of RusVinyl***

**General**

On March 31, 2023 Solvay announced that it had agreed final terms to sell its 50% stake in RusVinyl to its joint venture partner, Sibur. The agreement is based on a purchase price for Solvay’s 50% stake of EUR 433 million. The capital loss is not included in the profit or loss and would have a neutral impact in equity. The RusVinyl divestment was completed at the end of the first quarter 2023.

For the purposes of the Unaudited Pro Forma Statement of Financial Position as at December 31, 2022, the investment in RusVinyl is eliminated as it is assumed that the Divestment occurred on December 31, 2022 and that the estimated cash consideration for the sale has been received on December 31, 2022.

For the purpose of the Unaudited Pro Forma Income Statement for the year ended December 31, 2022, the historical result of RusVinyl is eliminated as it is assumed that the Divestments occurred on January 1, 2020.

***Note 3 – Pro forma adjustments***

**General**

The impact of these pro forma adjustments on the Unaudited Pro Forma Statement of Financial Position for the financial year ended December 31, 2022 is as follows:

| *(in EUR million)* | **Note 3.1 Related party adjustment** *Unaudited* | **Note 3.2 Consolidation adjustment** *Unaudited* | **Note 3.3 Transaction costs** *Unaudited* | **Pro forma adjustments** *Unaudited* |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Intangible assets | | -0 | | -0 |
| Goodwill | | -0 | | -0 |
| Property, plant and equipment | | 2 | | 2 |
| Right-of-use assets | | - | | - |
| Equity instruments measured at fair value | | 0 | | 0 |
| Investments in associates and joint ventures | | 0 | | 0 |
| Other investments | | 0 | | 0 |
| Deferred tax assets | | 106 | | 106 |
| Loans and other assets | | | | - |
| Loans to Remaining Solvay Group / SpecialtyCo | 827 | | | 827 |
| Of which Loans to Remaining Solvay Group | 54 | | | 54 |
| Of which Loans to SpecialtyCo | 773 | | | 773 |
| Other financial instruments | | - | | - |
| **Non-current assets** | **827** | **108** | **-** | **935** |
| Inventories | | 2 | | 2 |

| | | | | |
|---|---|---|---|---|
| Trade receivables | | 9 | | 9 |
| Income tax receivables | | -0 | | -0 |
| Other financial instruments | - | -0 | | -0 |
| IBA receivables with remaining Solvay Group / SpecialtyCo | 3,529 | | | 3,529 |
| Of which IBA receivables with remaining Solvay Group | 1,555 | | | 1,555 |
| Of which IBA receivables with SpecialtyCo | 1,974 | | | 1,974 |
| Other receivables | 143 | | | 143 |
| Of which Other receivables from SpecialtyCo | 143 | | | 143 |
| Loans to Remaining Solvay Group / SpecialtyCo | 2,099 | | | 2,099 |
| Of which Loans to Remaining Solvay Group | 144 | | | 144 |
| Of which Loans to SpecialtyCo | 1,954 | | | 1,954 |
| Cash and cash equivalents | | -1 | | -1 |
| **Current assets** | **5,772** | **10** | **-** | **5,782** |
| **Total assets** | **6,599** | **117** | **-** | **6,716** |
| | | | | |
| **EQUITY AND LIABILITIES** | | | | |
| Shareholder's equity | | 9 | -21 | -12 |
| Non-controlling interests | | 0 | | 0 |
| **Equity** | | **9** | **-21** | **-12** |
| Provisions for employee benefits | | -0 | | -0 |
| Other provisions | | 0 | | 0 |
| Deferred tax liabilities | | 101 | | 101 |
| Financial debt | | | | - |
| Borrowings from Remaining Solvay Group / SpecialtyCo | 827 | | | 827 |
| Of which Borrowings from Remaining Solvay Group | 773 | | | 773 |
| Of which Borrowings from SpecialtyCo | 54 | | | 54 |
| Other liabilities | | 0 | | 0 |
| **Non-current liabilities** | **827** | **101** | **-** | **928** |
| Other provisions | | - | | - |
| Financial debt | | -1 | | -1 |
| Borrowings and IBA liabilities from Remaining Solvay Group / SpecialtyCo | 5,628 | | | 5,628 |
| Of which Borrowings and IBA liabilities from Remaining Solvay Group | 3,929 | | | 3,929 |
| Of which Borrowings and IBA liabilities from SpecialtyCo | 1,699 | | | 1,699 |
| Trade payables | | 9 | | 9 |
| Income tax payables | | 1 | | 1 |
| Dividends payables | | 1 | | 1 |
| Other liabilities | 144 | -2 | 21 | 163 |
| Of which Other liabilities to Remaining Solvay Group | 144 | | - | 144 |
| **Current liabilities** | **5,772** | **7** | **21** | **5,800** |
| **Total liabilities** | **6,599** | **108** | **21** | **6,728** |
| | | | | |
| **Total equity and liabilities** | **6,599** | **117** | **-** | **6,716** |

The impact of these pro forma adjustments on the Unaudited Pro Forma Income Statement for the financial year ended December 31, 2022 is as follows:

| *(in EUR million)* | **Note 3.1 Related party adjustment** *Unaudited* | **Note 3.2 Consolidation adjustment** *Unaudited* | **Note 3.3 Transaction costs** *Unaudited* | **Pro forma adjustments** *Unaudited* |
|---|---|---|---|---|
| Sales | - | 109 | - | 109 |
| of which revenue from non-core activities | - | 88 | - | 88 |
| of which net sales | - | 21 | - | 21 |
| Cost of goods sold | - | -109 | - | -109 |
| **Gross margin** | - | - | - | - |
| Commercial costs | - | - | - | - |
| Administrative costs | - | - | - | - |
| Research and development costs | - | - | - | - |
| Other operating gains and (losses) | - | - | - | - |
| Earnings from associates and joint ventures | - | -2 | - | -2 |
| Results from portfolio management and major restructuring | - | 5 | 83 | 88 |

| | | | | |
|---|---|---|---|---|
| Results from legacy remediation and major litigations | - | - | - | - |
| **EBIT** | **-** | **3** | **83** | **86** |
| Cost of borrowings | - | -102 | - | -102 |
| Interest on loans and short term deposits | - | 102 | - | 102 |
| Other gains and (losses) on net indebtedness | - | 0 | - | 0 |
| Cost of discounting provisions | - | - | - | - |
| Result from equity investments measured at fair value | - | - | - | - |
| **Profit/(loss) for the year before income taxes** | **-** | **3** | **83** | **86** |
| Income taxes | - | -29 | | -29 |
| **Profit/(loss) for the year from continuing operations** | **-** | **-27** | **83** | **56** |
| Profit for the year from discontinued operations | - | | | - |
| **Profit/(loss) for the year** | **-** | **-27** | **83** | **56** |
| Of which attributable to | | | | |
| Solvay share | - | -27 | 83 | 56 |
| non-controlling interests | - | 0 | | 0 |

The impact of these pro forma adjustments on the Unaudited Pro Forma Income Statement for the financial year ended December 31, 2021 is as follows:

| *(in EUR million)* | **Note 3.1 Related party adjustment** *Unaudited* | **Note 3.2 Consolidation adjustment** *Unaudited* | **Note 3.3 Transaction costs** *Unaudited* | **Pro forma adjustments** *Unaudited* |
|---|---|---|---|---|
| Sales | - | 90 | - | 90 |
| of which revenue from non-core activities | - | 68 | - | 68 |
| of which net sales | - | 22 | - | 22 |
| Cost of goods sold | - | -90 | - | -90 |
| **Gross margin** | **-** | **-** | **-** | **-** |
| Commercial costs | - | 0 | - | 0 |
| Administrative costs | - | -0 | - | -0 |
| Research and development costs | - | -0 | - | -0 |
| Other operating gains and (losses) | - | 0 | - | 0 |
| Earnings from associates and joint ventures | - | -3 | - | -3 |
| Results from portfolio management and major restructuring | - | 0 | - | 0 |
| Results from legacy remediation and major litigations | - | | - | |
| **EBIT** | **-** | **-2** | **-** | **-2** |
| Cost of borrowings | - | -54 | - | -54 |
| Interest on loans and short term deposits | - | 54 | - | 54 |
| Other gains and (losses) on net indebtedness | - | 0 | - | 0 |
| Cost of discounting provisions | - | - | - | - |
| Result from equity investments measured at fair value | - | 0 | - | 0 |
| **Profit/(loss) for the year before income taxes** | **-** | **-2** | **-** | **-2** |
| Income taxes | - | -7 | - | -7 |
| **Profit/(loss) for the year from continuing operations** | **-** | **-9** | **-** | **-9** |
| Profit for the year from discontinued operations | - | - | - | - |
| **Profit/(loss) for the year** | **-** | **-9** | **-** | **-9** |
| Of which attributable to | | | | |
| Solvay share | - | 9 | - | 9 |
| non-controlling interests | - | 0 | - | 0 |

The impact of these pro forma adjustments on the Unaudited Pro Forma Income Statement for the financial year ended December 31, 2020 is as follows:

| (in EUR million) | Note 3.1 Related party adjustment *Unaudited* | Note 3.2 Consolidation adjustment *Unaudited* | Note 3.3 Transaction costs *Unaudited* | Pro forma adjustments *Unaudited* |
|---|---|---|---|---|
| Sales | - | 87 | - | 87 |
| of which revenue from non-core activities | - | 65 | - | 65 |
| of which net sales | - | 22 | - | 22 |
| Cost of goods sold | - | -86 | - | -86 |
| **Gross margin** | **-** | **2** | **-** | **2** |
| Commercial costs | - | -0 | - | -0 |
| Administrative costs | - | 0 | - | 0 |
| Research and development costs | - | - | - | - |
| Other operating gains and (losses) | - | 1 | - | 1 |
| Earnings from associates and joint ventures | - | -1 | - | -1 |
| Results from portfolio management and major restructuring | - | -1 | -104 | -104 |
| Results from legacy remediation and major litigations | - | 1 | - | 1 |
| **EBIT** | **-** | **0** | **-104** | **-104** |
| Cost of borrowings | - | -114 | - | -114 |
| Interest on loans and short term deposits | - | 114 | - | 114 |
| Other gains and (losses) on net indebtedness | - | 0 | - | 0 |
| Cost of discounting provisions | - | - | - | - |
| Result from equity investments measured at fair value | - | 0 | - | 0 |
| **Profit/(loss) for the year before income taxes** | **-** | **0** | **-104** | **-104** |
| Income taxes | - | 22 | - | 22 |
| **Profit/(loss) for the year from continuing operations** | - | **22** | **-104** | **-82** |
| Profit for the year from discontinued operations | - | - | - | - |
| **Profit/(loss) for the year** | **-** | **22** | **-104** | **-82** |
| Of which attributable to | | | | |
| Solvay share | - | 22 | -104 | -82 |
| non-controlling interests | - | 0 | - | 0 |

### 3.1 Pro forma adjustment: Related party adjustments

Related parties are subsidiaries of SpecialtyCo. The main transactions with related parties are described 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 EssentialCo to SpecialtyCo entities, such as, but not limited to tax, legal, accounting, information technology , personnel-related services and treasury.

The amounts below are included in the year end balances of EssentialCo Unaudited Pro Forma Financial Information and meant to provide more information on the significance of intercompany transactions that are included in Pro Forma Adjustments.

| (in EUR million) | 2022 | 2021 | 2020 |
|---|---|---|---|
| Sales [(a)] | 89 | 52 | 27 |
| Cost of goods sold [(a)] | -47 | -34 | -44 |
| Interest charges paid to related parties [(b)] | -32 | -7 | -12 |
| Interest revenue from related parties [(b)] | 69 | 46 | 102 |

[(a)] Related to sales of utilities and goods and purchase of goods
[(b)] Presented as Cost of borrowings and Interest on loans and short term deposits on the face of the Unaudited Pro Forma Income Statements

For the periods under consideration, SpecialtyCo and EssentialCo were integrated in the cash pooling and financing system of the Solvay Group.

The financing instruments 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 Transaction so that no financing relation will continue to exist between SpecialtyCo and the Remaining Solvay Group after the demerger.

The majority of the intercompany balances arising in EssentialCo from the Solvay cash pooling agreements result from cash generated by SpecialtyCo entities that is transferred to treasury entities remaining with EssentialCo.

| *(in EUR million)* | **December 31, 2022** |
|---|---|
| Loans and other assets[a] | 773 |
| Other financial instruments current [b] | 1,974 |
| Other receivables current [c] | 1,954 |
| Financial debt non-current [d] | -54 |
| Financial debt current [e] | -1,699 |
| **Total** | **2,949** |

[a] Non-current loans to related parties

[b] Current financial instruments - internal bank accounts with related parties

[c] Current loans to related parties

[d] Non-current borrowings to related parties

[e] Current borrowings to related parties and internal bank account liabilities with SpecialtyCo

**Services provided by 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 revenue of such services, as historically charged to the Specialty Businesses and included in the Unaudited Pro Forma Income Statement based on their historical amounts, were: EUR 413 million in 2022 (2021: EUR 345 million, 2020: EUR 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.

**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.

| *(in EUR million)* | **December 31, 2022** |
|---|---|
| Bonds Solvay Finance America LLC | 750 |
| Bonds Cytec Industries Inc. | 152 |
| Rhodia UK Pension fund | 317 |
| **Total** | **1.219** |

At the end of the demerger process, it is expected that no guarantees will be provided by the Remaining Solvay Group for SpecialtyCo operations.

**3.2 Pro forma adjustment: Consolidation adjustments**

Transactions that were previously eliminated in the Solvay Group have been reinstated to the extent they are between EssentialCo and SpecialtyCo.

- Adjustments relate to the unwinding of netting of the deferred tax assets and liabilities as well as a recoverability reassessment of deferred tax assets for EssentialCo and SpecialtyCo after the Partial Demerger.

- Adjustments were made for changes in scope for subsidiaries previously considered as immaterial at the level of Solvay.

### 3.3 Pro forma adjustment: Transaction costs

The non-recurring related transaction costs of the Partial Demerger incurred by Solvay for the year ended December 31, 2022 are for an amount of EUR 83 million and are not tax deductible. Under the assumption that the Partial Demerger would have taken place in 2020, these transaction costs are reflected in 2020 as a pro forma adjustment. These costs are reversed from the Unaudited Pro Forma Income Statement for the financial year ended December 31, 2022 and reflected in the Unaudited Pro Forma Income Statement for the financial year ended December 31, 2020.

The additional non-recurring related transaction costs that were not recorded as of December 31, 2022, but incurred in the first quarter of 2023 are reflected in the Unaudited Pro Forma Income Statement for the financial year ended December 31, 2020 with the corresponding entry recorded as an additional liability in the Unaudited Pro Forma Statement of Financial Position as of December 31, 2022 for an amount of EUR 21 million.

The total transaction costs reflected in the Unaudited Pro Forma Income Statement for the financial year ended December 31, 2020 is EUR 104 million.

By its nature, this adjustment is not expected to have a recurring impact on the performance of EssentialCo going forward.

***Note 4 – Additional pro forma information***

### 4.1 External Net Sales By Cluster

| *(in EUR million)* | 2022 | 2021 | 2020 |
|---|---|---|---|
| Soda Ash & Derivatives | 2,223 | 1,510 | 1,450 |
| Peroxides | 787 | 647 | 652 |
| Silica | 631 | 467 | 387 |
| Coatis | 870 | 745 | 474 |
| Novecare | - | - | - |
| Special Chem | 1,043 | 841 | 761 |
| Technology Solutions | - | - | - |
| Aroma Performance | - | - | - |
| Oil and Gas | - | - | - |
| CBS and NBD | 4 | 3 | 2 |
| **Total** | **5,558** | **4,212** | **3,726** |

## 4.2 Pro Forma Net Sales By Country And Region

The sales disclosed below are allocated based on the customer's location.

| *(in EUR million)* | 2022 | % | 2021 | % | 2020 | % |
|---|---|---|---|---|---|---|
| Belgium | 146 | 3% | 116 | 3% | 90 | 2% |
| Germany | 467 | 8% | 330 | 8% | 301 | 8% |
| Italy | 276 | 5% | 197 | 5% | 176 | 5% |
| France | 244 | 4% | 185 | 4% | 167 | 4% |
| Netherlands | 52 | 1% | 38 | 1% | 38 | 1% |
| Spain | 122 | 2% | 86 | 2% | 84 | 2% |
| European Union - Other | 433 | 8% | 296 | 7% | 316 | 8% |
| **European Union** | **1740** | **31%** | **1247** | **30%** | **1172** | **31%** |
| **Europe - Other** | **113** | **2%** | **94** | **2%** | **92** | **2%** |
| United States | 944 | 17% | 761 | 18% | 702 | 19% |
| Canada | 55 | 1% | 43 | 1% | 42 | 1% |
| **North America** | **999** | **18%** | **804** | **19%** | **744** | **20%** |
| Brazil | 803 | 14% | 622 | 15% | 448 | 12% |
| Mexico | 131 | 2% | 109 | 3% | 100 | 3% |
| Latin America – Other | 235 | 4% | 142 | 3% | 99 | 3% |
| **Latin America** | **1169** | **21%** | **873** | **21%** | **647** | **17%** |
| Australia | 30 | 1% | 30 | 1% | 33 | 1% |
| China | 316 | 6% | 270 | 6% | 223 | 6% |
| Hong Kong | 0 | 0% | 0 | 0% | 3 | 0% |
| India | 62 | 1% | 54 | 1% | 45 | 1% |
| Indonesia | 84 | 2% | 84 | 2% | 42 | 1% |
| Japan | 108 | 2% | 91 | 2% | 75 | 2% |
| Saudi Arabia | 121 | 2% | 120 | 3% | 109 | 3% |
| South Korea | 96 | 2% | 89 | 2% | 94 | 3% |
| Thailand | 154 | 3% | 127 | 3% | 113 | 3% |
| Turkey | 46 | 1% | 29 | 1% | 29 | 1% |
| Other | 520 | 0% | 300 | 7% | 307 | 8% |
| **Asia and rest of the world** | **1537** | **28%** | **1194** | **28%** | **1071** | **29%** |
| **Total** | **5558** | **100%** | **4212** | **100%** | **3726** | **100%** |

***Note 5 – Pro forma other operating gains and losses***

| *(in EUR million)* | **2022** | **2021** | **2020** |
|---|---|---|---|
| Start-up and preliminary study costs | -4 | -1 | -1 |
| Capital gains/losses on sales of property, plant and equipment and intangible | 3 | 9 | 3 |
| Net foreign exchange gains and losses | 10 | -5 | 1 |
| Amortization of intangible assets resulting from PPA | -9 | -11 | -11 |
| PIS/COFINs credits recognition | - | 61 | - |
| Gains on CO2 hedge management | 322 | - | - |
| Other | -1 | 15 | 19 |
| **Other operating gains and losses** | **323** | **68** | **11** |

In 2022, the gain of EUR 322 million relates to the change in accounting treatment of the related portfolio of CO2 emission rights following the reconsideration of the IFRS 9 own use exemption.

A Supreme Court ruling in Brazil issued in August 2021 conferred the right to recover Federal indirect tax on sales, so-called "PIS/COFINs", to a number of companies, including Solvay. As a result of that ruling, a total gain of EUR 92 million related to operations from 2003 to the present date was quantified and assessed as recoverable before tax of EUR (26) million. Of that, EUR 36 million were recognized under "Results from portfolio management and major restructuring" mainly as the relevant period pre-dated the Groups' acquisition of Rhodia in August 2011 (see note F5 Results from Portfolio Management and Major Restructurings, Legacy Remediation and Major Litigations – included in line "M&A costs and gains and losses on disposals"). The remaining EUR 61 million were recorded as "Other operating gains & losses" as the period related to operations subsequent to August 2011 and still in Solvay's perimeter. This amount has been substantially recovered mainly through the offset of income tax payments in 2022.

***Note 6 – Pro forma provisions***

| *(in EUR million)* | **December 31, 2022** |
|---|---|
| Employee benefits | 718 |
| Restructuring | 83 |
| Environment | 432 |
| Litigation | 66 |
| Other | 86 |
| **Total** | **1,385** |

***Note 7 – Pro forma contingent liabilities and financial guarantees***

| *(in EUR million)* | **December 31, 2022** |
|---|---|
| Financial guarantees Rusvinyl | - |
| Guarantees for pensions | 61 |
| Environmental contingent liabilities | 303 |
| **Contingent liabilities** | **364** |

Debt instruments issued by entities that will be part of SpecialtyCo after the Partial Demerger, but that are currently guaranteed by Solvay, are not reflected as financial debt in the Unaudited Pro Forma Statement of Financial Position.

### *Note 5 – Pro forma other operating gains and losses*

| **2022** | **Solvay historical consolidated** *Audited* | **SpecialtyCo historical combined** *Audited* | **Divestment of RusVinyl** *Unaudited* | **Pro forma adjustments** *Unaudited* | **Pro forma financial information** *Unaudited* |
|---|---|---|---|---|---|
| *(in EUR million)* | **Note 1** | **Note 1** | **Note 2** | **Note 3** | |
| Start up and preliminary study costs | -24 | -20 | - | - | -3 |
| Capital gains/losses on sales of property, plant and equipment and intangible assets | 5 | 2 | - | - | 3 |
| Net foreign exchange gains and losses | 0 | -10 | - | - | 10 |
| Amortization of intangible assets resulting from PPA | -146 | -137 | - | - | -8 |
| PIS/COFINs credits recognition | - | - | - | - | - |
| Gains on CO2 hedge management | 322 | - | - | - | 322 |
| Other | 13 | 14 | - | | -1 |
| **Other operating gains and losses** | **171** | **-152** | **-** | **-** | **323** |

| **2021** | **Solvay historical consolidated** *Audited* | **SpecialtyCo historical combined** *Audited* | **Divestment of RusVinyl** *Unaudited* | **Pro forma adjustments** *Unaudited* | **Pro forma financial information** *Unaudited* |
|---|---|---|---|---|---|
| *(in EUR million)* | **Note 1** | **Note 1** | **Note 2** | **Note 3** | |
| Start up and preliminary study costs | -11 | -10 | - | - | -2 |
| Capital gains/losses on sales of property, plant and equipment and intangible assets | 12 | 3 | - | - | 9 |
| Net foreign exchange gains and losses | 1 | 6 | - | - | -5 |
| Amortization of intangible assets resulting from PPA | -147 | -136 | - | - | -11 |
| PIS/COFINs credits recognition | 61 | - | - | -5 | 56 |
| Gains on CO2 hedge management | - | - | - | - | - |
| Other | 5 | -10 | - | 5 | 19 |
| **Other operating gains and losses** | **-80** | **-147** | **-** | **-** | **67** |

| **2020** | **Solvay historical consolidated** *Audited* | **SpecialtyCo historical combined** *Audited* | **Divestment of RusVinyl** *Unaudited* | **Pro forma adjustments** *Unaudited* | **Pro forma financial information** *Unaudited* |
|---|---|---|---|---|---|
| *(in EUR million)* | **Note 1** | **Note 1** | **Note 2** | **Note 3** | |
| Start up and preliminary study costs | -13 | -12 | - | - | -1 |
| Capital gains/losses on sales of property, plant and equipment and intangible assets | 3 | 0 | - | - | 3 |
| Net foreign exchange gains and losses | -1 | -2 | - | - | 1 |
| Amortization of intangible assets resulting from PPA | -166 | -155 | - | -1 | -12 |
| PIS/COFINs credits recognition | - | - | - | - | - |
| Gains on CO2 hedge management | - | - | - | - | - |
| Other | 28 | 9 | - | 1 | 20 |
| **Other operating gains and losses** | **-149** | **-160** | **-** | **-** | **11** |

### *Note 6 – Pro forma provisions*

| December 31, 2022 | Solvay historical consolidated *Audited* | SpecialtyCo historical combined *Audited* | Divestment of RusVinyl *Unaudited* | Pro forma adjustments *Unaudited* | Pro forma financial information *Unaudited* |
|---|---|---|---|---|---|
| *(in EUR million)* | **Note 1** | **Note 1** | **Note 2** | **Note 3** | |
| Employee benefits | 1,057 | 338 | - | - | 718 |
| Restructuring | 119 | 36 | - | - | 83 |
| Environment | 702 | 270 | - | - | 432 |
| Litigation | 97 | 31 | - | - | 66 |
| Other | 123 | 38 | - | - | 86 |
| **Total** | **2,097** | **712** | **-** | **-** | **1,385** |

### *Note 7 – Pro forma contingent liabilities and financial guarantees*

| December 31, 2022 | Solvay historical consolidated *Audited* | SpecialtyCo historical combined *Audited* | Divestment of RusVinyl *Unaudited* | Pro forma adjustments *Unaudited* | Pro forma financial information *Unaudited* |
|---|---|---|---|---|---|
| *(in EUR million)* | **Note 1** | **Note 1** | **Note 2** | **Note 3** | |
| Financial guarantees RusVinyl | 0 | - | - | - | 0 |
| Guarantees for pensions | 378 | 317 | - | - | 61 |
| Environmental contingent liabilities | 315 | 12 | - | - | 303 |
| **Contingent liabilities** | **693** | **329** | **-** | **-** | **364** |

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# Report on the Compilation of Unaudited Pro Forma Financial Information for each year in the three-year period ended December 31, 2022 of Solvay SA included in the Information Document

To the Board of Directors of Solvay SA,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Solvay SA ("**Solvay**") by the Board of Directors of Solvay SA. The unaudited pro forma financial information consists of the unaudited pro forma balance sheet as at December 31, 2022, the unaudited pro forma income statements for each year in the three-year period ended December 31, 2022 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out in Annex 1 of the information document prepared by Solvay in connection with the separation by Solvay of its Specialty businesses ("**SpecialtyCo**") from the Essential businesses by means of a partial demerger by Solvay effected under Belgian law (the "**Partial Demerger**") and the disposal of Rusvinyl (together, the "**Transactions**") (the "**Information Document**"). The applicable criteria on the basis of which the Board of Directors has compiled the Unaudited Pro Forma Financial Information are described in the note "Basis of Preparation" to the Unaudited Pro Forma Financial Information included in the Information Document.

The Unaudited Pro Forma Financial Information has been compiled by the Board of Directors of Solvay to illustrate the impact that the Transactions might have had on the consolidated balance sheet at December 31, 2022 and the consolidated income statements of Solvay for each year of the three-year period ended December 31, 2022 had they taken place with effect from December 31, 2022 for the balance sheet and January 1, 2020 for the income statements.

As part of this process, information about Solvay's income statements and SpecialtyCo's income statements for the year ended December, 31, 2020 and 2021 has been extracted from Solvay's consolidated financial statements and SpecialtyCo's combined financial statements for the years ended December 31, 2020 and 2021, on which audit reports by another auditor have been published, information about Solvay's balance sheet and income statement and SpecialtyCo's balance sheet and income statement as at and for the year ended December 31, 2022 has been extracted from Solvay's consolidated financial statements and SpecialtyCo's combined financial statements for the year ended December 31, 2022 on which audit reports have been published.

**The Board of Directors' responsibility for the Unaudited Pro Forma Financial Information**

The Board of Directors of Solvay is responsible for compiling the Unaudited Pro Forma Financial Information in accordance with note "Basis of Preparation" to the Unaudited Pro forma Financial Information.

**Our Independence and quality control**

We have complied with relevant ethical requirements related to assurance engagements in Belgium, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

EY Bedrijfsrevisoren BV applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with relevant ethical requirements and applicable legal and regulatory requirements.

**Our responsibilities**

Our responsibility is to express an opinion about whether the Unaudited Pro Forma Financial Information has been properly compiled by the Board of Directors of Solvay in accordance with note "Basis of Preparation" to the Unaudited Pro Forma Financial Information.

**Basis of opinion**

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Unaudited Pro Forma Financial Information Included in the Information Document, issued by the International Auditing and Assurance Standards Board. This standard requires that the practitioner comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of Solvay has compiled the Unaudited Pro Forma Financial Information in accordance with note "Basis of Preparation" to the Unaudited Pro Forma Financial Information.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information, or of the Unaudited Pro Forma Financial Information itself.

The purpose of Unaudited Pro Forma Financial Information included in the Information Document is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at December 31, 2022 or January 1, 2020 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the company, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion:

- the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of Solvay.

Diegem, 29 June 2023

EY Réviseurs d'Entreprises SRL
Statutory Auditor
Represented by

Marie Kaisin *
Partner
*Acting on behalf of an SRL

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