



# **2006 : another record year**

**strong growth in operating performance**

***« implementation of our strategy  
for sustainable and profitable growth »***

**February 2007**



# SOLVAY

## A CHEMICAL AND PHARMACEUTICAL GROUP



### ✓ Record results in 2006 :

|                 |     |               |
|-----------------|-----|---------------|
| Sales :         | EUR | 9.4 Bn (+10%) |
| REBITDA:        | EUR | 1.6 Bn (+17%) |
| REBIT :         | EUR | 1.1 Bn (+21%) |
| Balance Sheet : | EUR | 11 Bn         |

### ✓ International presence

in more than 50 countries with some 29,000 employees

### ✓ Three profitable & cash generating sectors, with specific strategy for growth

Pharmaceuticals, Chemicals and Plastics

### ✓ Sustainable and profitable growth through Innovation and Competitiveness

### ✓ Listed on Euronext Brussels

# OUR STRATEGIC CHOICES



- **Pharma**  
Grow faster than the industry
- **Expand our reach in faster growing markets for the three sectors**  
(Asia, Mercosur and NAFTA)
- **Specialties**  
Grow their relative size
- **Review our portfolio of activities on a permanent basis to remain at the leading edge of competitiveness**

# IMPLEMENTATION OF OUR STRATEGY



## ■ PHARMACEUTICALS

- ✓ Transformation of Solvay Pharmaceuticals (« INSPIRE » project)
- ✓ New Drug Application filing for **bifeprunox accepted** in the US;
- ✓ **Neuroscience research** collaboration with Wyeth
- ✓ **Expansion of fenofibrate franchise**, with new products in development

## ■ CHEMICALS

- ✓ **Hydrogen peroxide** : ongoing construction of a mega-plant (230kt/year) with BASF/Dow (propylene oxide)
- ✓ Ongoing construction of a plant for **Fluor products** in Korea and JV with Lantian for fluor feedstock (HF) in China

## ■ PLASTICS

- ✓ Geographic expansion in **Specialty Polymers** (India, China, USA) and portfolio upgrade (capacity expansions, PEEK, Parmax®, ....)
- ✓ **Restructuring and selective growth in Vinyls** : capacities doubled in Thailand, ongoing plant upgrade in Brazil, closure of Ludwigshafen

## ■ Sale of all Solvay's industrial foils (EUR 103 M net capital gain)

# RECORD FY06 RESULTS



- **REVENUE** +10% to EUR 9.4 bn
  - **REBIT** +21% to EUR 1.1 bn
- } → **margin of 12%**  
(vs 11% in 2005)

|             | <i>Revenue</i> | <i>REBIT</i>     |
|-------------|----------------|------------------|
| ↑ Pharma    | +15%           | +49% (EUR 451 m) |
| ↑ Chemicals | +8%            | +11% (EUR 315 m) |
| ↑ Plastics  | +8%            | +5% (EUR 409 m)  |

- **GROUP NET PROFIT: EUR 817 m**  
→ **quality of results** (significantly less non operating items)
- **NET DEBT TO EQUITY RATIO : 28%** (vs. 43% end of 05)
- **DIVIDEND UP to 2.10 EUR (+5%)**



# BETTER QUALITY OF RESULTS

→ less non operating items

| (M EUR)   | 2005        | 2006         | % change  |
|---|-------------|--------------|---|
| <b>REBIT</b>  | <b>912</b>  | <b>1,099</b> | <b>+21%</b>   |
| <b>TOTAL NON RECURRING ITEMS</b>  | <b>-357</b> | <b>-143</b>  | <b>non operating items</b><br>2006 : EUR -40 m<br>2005 : EUR +119 m |
| Capital gain on sale buildings  | +135        |              |   |
| Capital gain on sale Sofina   |             | +75          |   |
| Provisions (Pharma & Chemicals)   | -432        |              |   |
| Restructuring charges « INSPIRE » (Pharma)  |             | -133         |   |
| Restructurings & litigations (mainly in Chemicals)  |             | -42          |   |
| Impairment & Reorganization in barium/strontium carbonates<br>Impairment of Zolip : focus on feno/statin molecule in the US |             | -49          |   |
| <b>DISCONTINUED OPERATIONS</b>  | <b>476</b>  | <b>103</b>   |   |
| <b>Group net profit</b>   | <b>816</b>  | <b>817</b>   | <b>-</b>  |

→ Tax rate below normalized rate of about 30%



# GROWTH IN THE 3 SECTORS



## ■ PHARMACEUTICALS : REVENUE +15%, REBIT +49% (1)

- ✓ **Strong growth** in our major products
- ✓ Significant increase (+21%) of **R&D efforts** (16% of revenue)
- ✓ « **Inspire** » project on track

## ■ CHEMICALS : REVENUE +8%, REBIT +11%

- ✓ **Continued favorable** balance between supply and demand
- ✓ Pressures of **high energy costs**; positive effects of **ongoing restructurings**
- ✓ Strong growth in « **Minerals** »; improvement in « **Oxygens** »; lower results in **fluor chemical commodities**

## ■ PLASTICS : REVENUE +8%, REBIT +5%

- ✓ 2006 results **outperform** excellent 2005 results
- ✓ **Growth in Specialties** (Specialty Polymers & Inergy Automotive Syst.)
- ✓ **Vinyls** (Vinyls products and Pipelife) : **good performances** due to a good demand, gradual price increases and competitiveness improvements

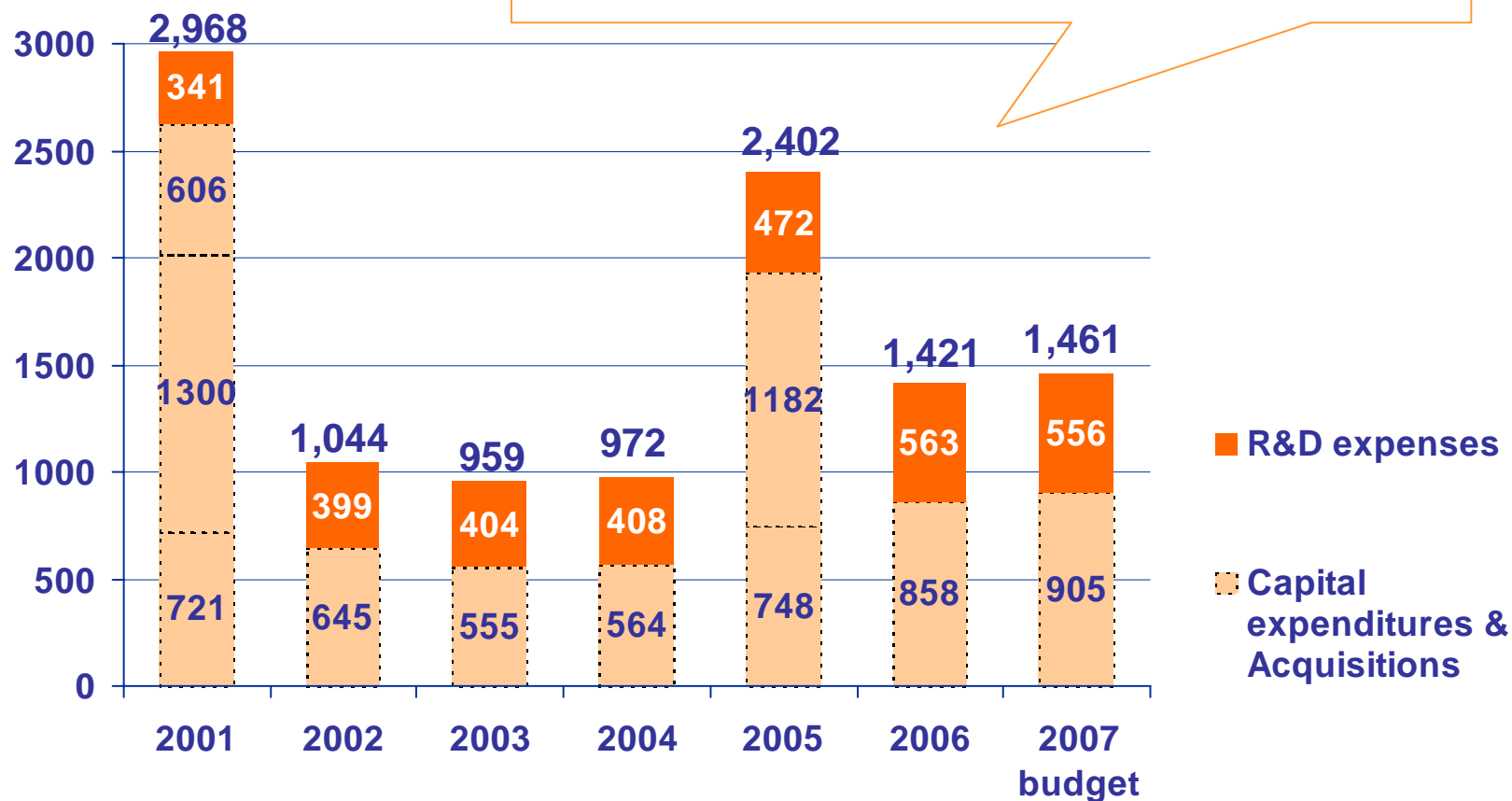
(1) 2006 figures include Fournier Pharma, 2005 include Fournier Pharma only since August



# CAPEX AND R&D INVESTMENTS TO SUPPORT GROWTH

- Major strategic initiatives
  - 2001 : Ausimont/BP high performance polymers
  - 2005 : Fournier Pharma (EUR 1.2 Bn)
- Sustained R&D investments in Pharma

In M EUR





## OUTLOOK 2007



*“The strong growth of operating performance in 2006 illustrates the implementation of the Group’s strategy for sustainable and profitable growth as well as enrichment of the portfolio of activities and the continuous efforts to improve competitiveness. The year 2007 began in a generally favorable business climate.”*

*Press release of February 15, 2007*



# Sector review



# BUILDING THE NEXT SOLVAY PHARMACEUTICALS



## Performance goals

- 20% REBIT/sales
- > 7% Growth\* in Revenues\*\*

## Portfolio Focus

- Key focus areas
- Specific medical needs
- Marketing excellence

## Global Organisation

- 300 MEUR of stepwise efficiency improvements

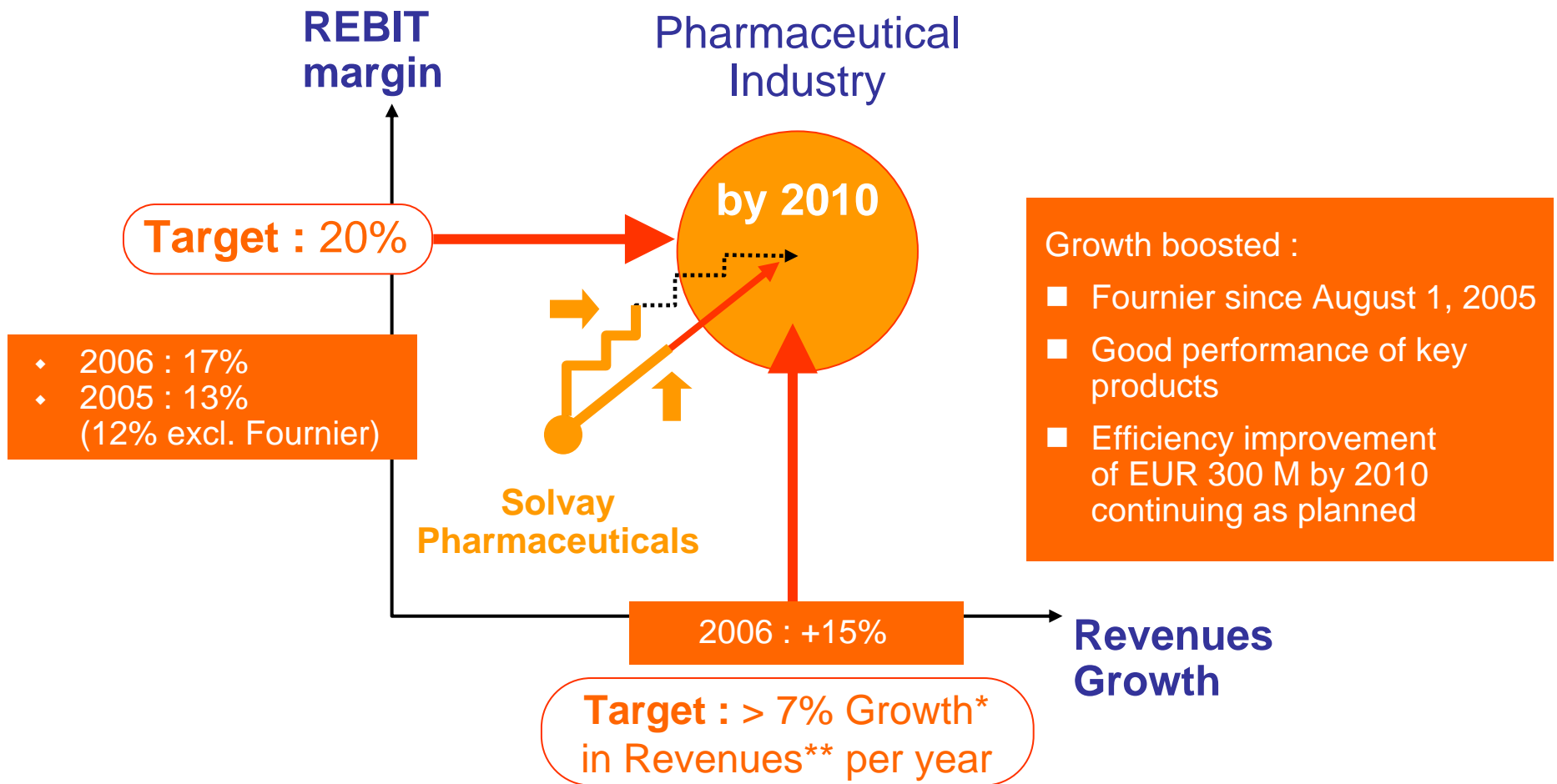
Complete  
integration  
and  
transformation  
by 2010



\* above current industry average of 7%

\*\* basis proforma 2004 (after the acquisition of Fournier Pharma) = EUR 2,338 M

# WE MAKE IT HAPPEN !



\* above current industry average of 7%

\*\* basis proforma 2004 (after the acquisition of Fournier Pharma) = EUR 2,338 M

# GROWTH IN PHARMA IN 2006

## REBIT MARGIN UP TO 17% (vs 13% in 2005)

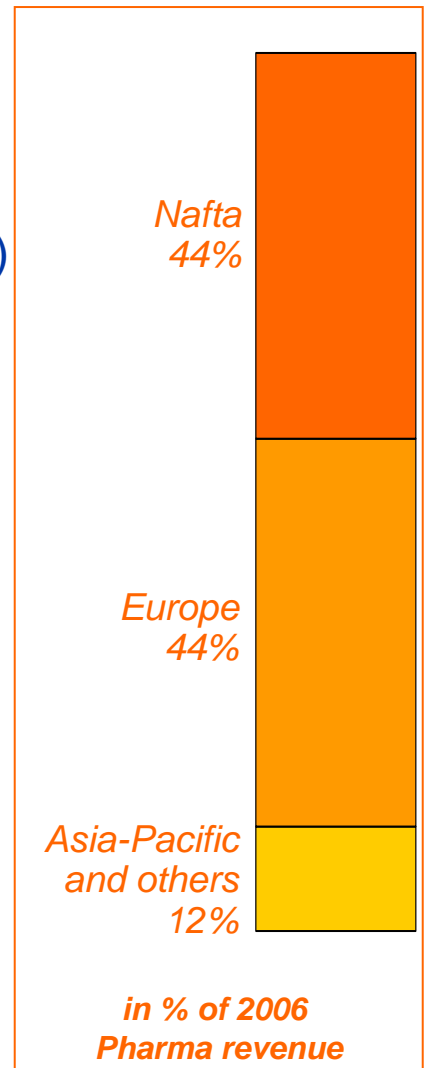


- ✓ Revenue +15%, REBIT +49% (EUR 451 m)
  - All major products are growing
  - Geographical revenue growth :
    - ✓ NAFTA (+15%) : TriCor® sales (US\*) = USD 1,048m (+14%)
    - ✓ Significant growth in Russia and emerging countries
    - ✓ Revenue increase in Europe due to Fournier
  - Expiration of Pantoloc® marketing rights in May 06 (EUR 71 m in 2006 vs EUR 166 m in 2005)
- ✓ R&D efforts +21% (EUR 424 m, 16% of sales)
  - Acceleration of projects in neuroscience and cardiometabolic to reinforce the « fenofibrate » franchise

### Q4/06 results reflect :

Loss of Pantoloc® (EUR 51 m sales in Q4/05), more aggressive inventory management of US wholesalers (REBIT – EUR 35 m), increased R&D efforts (18% of sales), EUR 40 m milestones for bifeprunox and SLV319 and unfavorable USD conversion effect on sales

\* Booked by Abbott





# GROWTH IN ALL MAJOR PRODUCTS

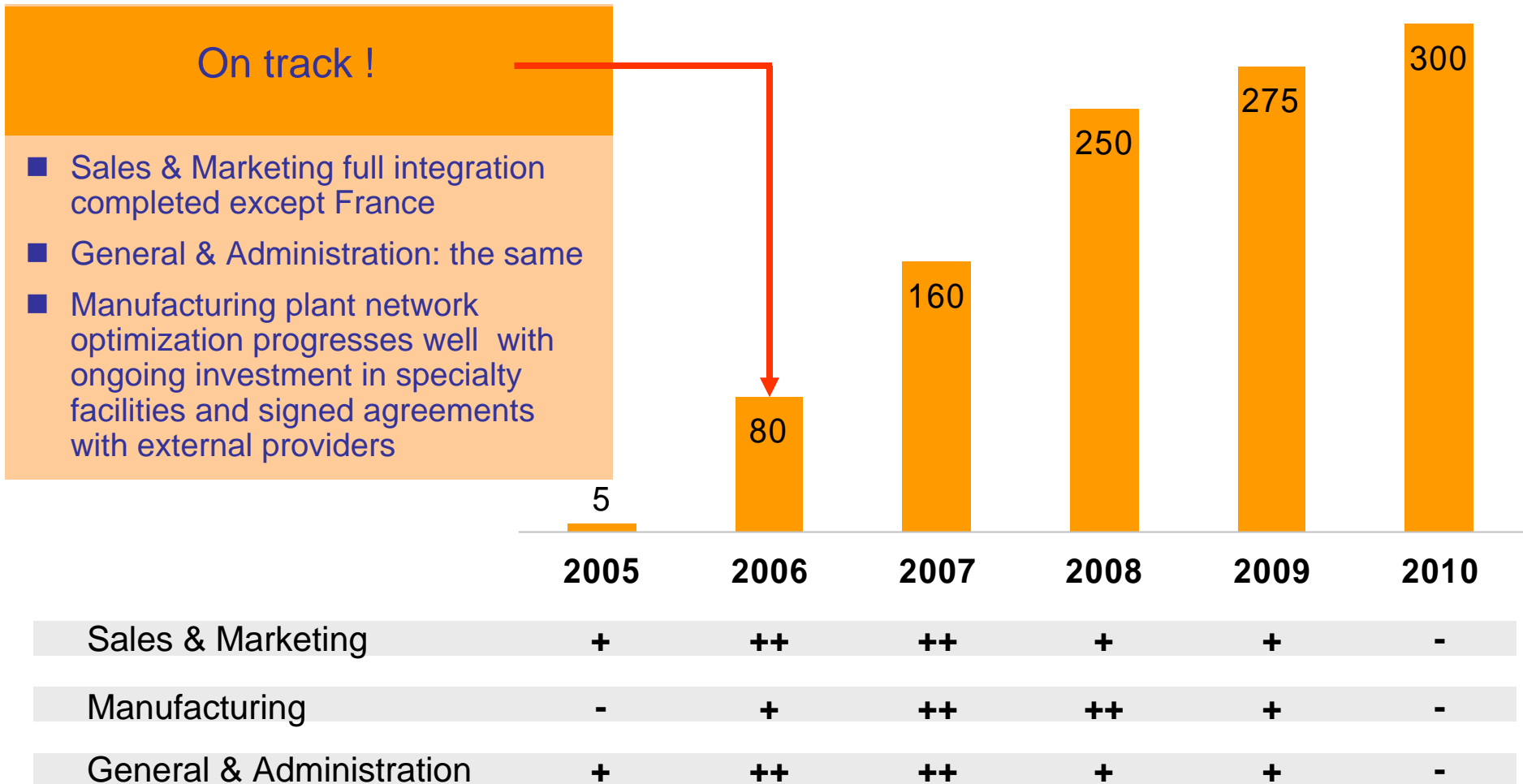


| Revenue (EUR m)          |              | 2005               | 2006                     | 06 vs 05    |
|--------------------------|--------------|--------------------|--------------------------|-------------|
| <b>PHARMACEUTICALS</b>   |              | <b>2,270</b>       | <b>2,600</b>             | <b>+15%</b> |
| Cardiometabolic          | Fenofibrates | 185 <sup>(1)</sup> | <b>413</b>               | -           |
| Women's and Men's health | Androgel®    | 239                | <b>275</b>               | <b>+15%</b> |
| Pancreatic enzymes       | Creon®       | 162                | <b>191</b>               | <b>+18%</b> |
| Neuroscience             | Serc®        | 122                | <b>146</b>               | <b>+20%</b> |
| Influenza vaccines       | Influvac®    | 100                | <b>118</b>               | <b>+18%</b> |
| Neuroscience             | Marinol®     | 84                 | <b>106</b>               | <b>+26%</b> |
| Cardiometabolic          | Teveten®     | 91                 | <b>95</b>                | <b>+ 4%</b> |
| Gastroenterology         | Duphalac®    | 85                 | <b>85</b>                | <b>=</b>    |
| Neuroscience             | Luvox®       | 80                 | <b>81</b>                | <b>+ 1%</b> |
| Gastroenterology         | Pantoloc®    | 166                | <b>71 <sup>(1)</sup></b> | <b>-58%</b> |

<sup>(1)</sup> 5 months only



# 300 MEUR OF STEPWISE EFFICIENCY IMPROVEMENTS





# R&D DEVELOPMENTS



- **bifeprunox** : NDA filing accepted by FDA in the US in Q4/06  
→ USD 25 M milestone payment from Wyeth
- + expansion of neuroscience research collaboration with Wyeth
- **Fenofibrate franchise expansion** :
  - ✓ next generation fenofibrate (ABT335/SLV348) in Phase III
  - ✓ single pill combinations in development
- **Influenza** :
  - ✓ cell culture manufacturing in the Netherlands : commercialization will start from season 08 onwards; suited to manufacture avian flu vaccines
  - ✓ USD 298 M milestone-based award from the US Department of HHS\* to develop cell-based influenza vaccine (seasonal / pandemic) and design a manufacturing capacity in the USA by 2011
- **Pulzium® (tedisamil - arrhythmia)** :  
registration dossier submitted in the US in 2006; preparation of EU dossier
- **SLV 319 (obesity)** : phase II started in Q4/06  
→ USD 25 M milestone payment from BMS

\* HHS : Health and Human Services

# R&D PIPELINE



|                                   | <i>Preclinical</i>  | <b>Phase I</b>                           | <b>Phase II</b>   | <b>Phase III</b>   | <b>Filed/Approved</b>                 |
|-----------------------------------|---|--|---|--|---------------------------------------|
| <b>Cardiometabolic</b>            | <i>SLV316, SLV329, SLV335, SLV337, SLV338, SLV341, SLV342, SLV344, SLV345, SLV346</i> |  | SLV319<br>odiparcil<br>daglutril<br>SLV320              | ZOLIP<br>SLV348/ABT335<br>SYNORDIA® EU<br>(under analysis)<br>PULZIUM®<br>Intravenous EU | PULZIUM®<br>Intravenous US            |
| <b>Neuroscience</b>               | <i>SLV326, SLV330, SLV347, SLV338</i>   | SLV314<br>SLV334                         | MARINOL®<br>metered dose inhaler<br>SLV313<br>anatibant | DUODOPA® US<br>SLV308<br>MARINOL® EU<br>bifeprunox EU                                    | bifeprunox US                         |
| <b>Influenza vaccines</b>         |   | INFLUVAC® TC US<br>H5N1 model<br>dossier |   |  | INFLUVAC®<br>INVIVAC®<br>INFLUVAC® TC |
| <b>Pancreatic enzymes</b>         | <i>SLV340</i>   | SLV339                                   |   | CREON® JPN   | CREON® US                             |
| <b>Gastroenterology</b>           | <i>Phased out</i>   | Phased out                               |   |  | cilansetron<br>(for licensing)        |
| <b>Women's &amp; Men's Health</b> | <i>Phased out</i>   | Phased out                               | ESTRATEST® low<br>dose                                  | FEMOSTON® low<br>dose<br>ANDROGEL®<br>paediatric<br>ANDROGEL® low<br>dose                | ANDROGEL®                             |

# CHEMICALS : EARNING THE RIGHT TO GROW



## Intensification of geographic expansion

Through investments in flagship products in high-growth areas

## Growth in specialties

In existing businesses, extend products range and develop new usages/markets

Leverage existing know-how in organic chemistry with external partnerships with major customers and leading science developers

## Consolidation in Essentials

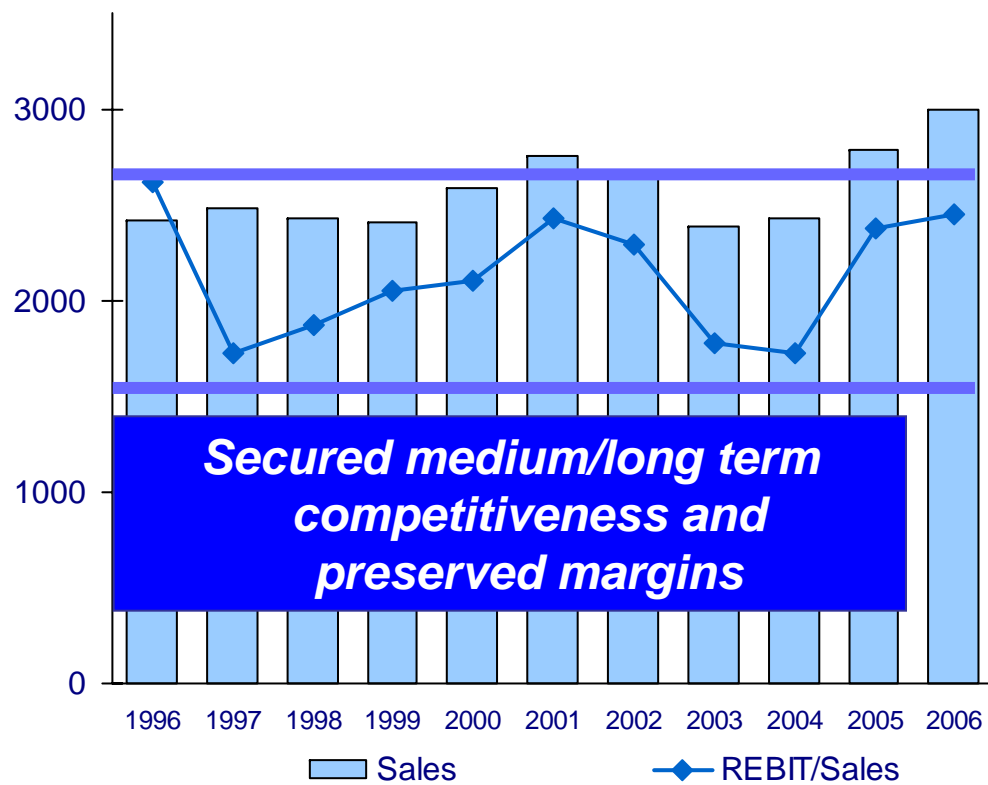
Following a policy of continuous improvement / Managing the product portfolio

## Technological innovation





# EARNING THE RIGHT TO GROW



- *Intensification of geographic expansion*
- *Growth in Specialties*
- *Consolidation in Essentials*
- *Technological innovation*

# GROWTH IN CHEMICALS



| M EUR   | REVENUE <sup>[1]</sup> |              | REBIT evolution | Comments   |
|---|------------------------|--------------|-----------------|--|
|   | 2006                   | 2006 vs 2005 |                 |  |
| <b>CHEMICALS</b>                                    | <b>2,998</b>           | <b>+8%</b>   | <b>+11%</b>     | <ul style="list-style-type: none"> <li>✓ Continued favorable global balance between supply &amp; demand</li> <li>✓ High level of energy costs; positive effects of ongoing restructurings</li> <li>✓ Strong growth in « Minerals »;</li> <li>✓ Improvement in « Oxygens »;</li> <li>✓ Lower results in Fluor chemical commodities</li> </ul> |
| <b>Minerals cluster <sup>[2]</sup></b>              | <b>1,304</b>           | <b>+7%</b>   | <b>↗</b>        |  |
| <b>Electrochemistry and Fluor chemicals cluster</b> | <b>1,130</b>           | <b>+3%</b>   | <b>↘</b>        |  |
| <b>Oxygen cluster <sup>[3]</sup></b>                | <b>494</b>             | <b>+9%</b>   | <b>↗</b>        |  |

*[1] including SBU Molecular Solutions*

*[2] including SBUs Soda ash and related specialties and Advanced Functional Minerals. As of January 1, 2007, SBUs Barium Strontium and Advanced Functional Minerals were regrouped in one SBU « Advanced Functional Minerals ».*

*[3] including SBUs Hydrogen peroxide, Detergent and Caprolactones*



# GROWTH IN CHEMICALS IN 2006

Revenue +8%, REBIT +11% (to EUR 315 m)



- **Growth in Soda ash**
  - ✓ Favorable worldwide market conditions
  - ✓ Price increases in 2006
  - ✓ Steady growth in bicarbonate : product mix/geographic expansion
- **Good volumes and stable price in caustic soda**
  - ✓ Sustained global demand and low inventories;
  - ✓ Price remains strong in a context of high energy costs
- **Fluor commodities under pressure**
  - ✓ Difficult year for refrigerants (Solkane®134a) : higher energy prices in Europe; intensified competitive pressures from China
  - ✓ Volume and price growth for some products, in particular of Solkane®365mfc (insulation)
- **Good results in Hydrogen Peroxide**
  - ✓ Sales growth in Europe, Latin America and SE-Asia combined with lower gas prices in USA



# PLASTICS : EXTENDING OUR PRODUCT PORTFOLIO & LEVERAGING OUR STRENGTHS

**Specialty Polymers &  
Inergy Automotive Systems :**  
product leadership and  
geographic globalization

- R&D intensive
- High growth markets

**Vinyls & Pipelife :**  
regional leadership and  
geographic diversification

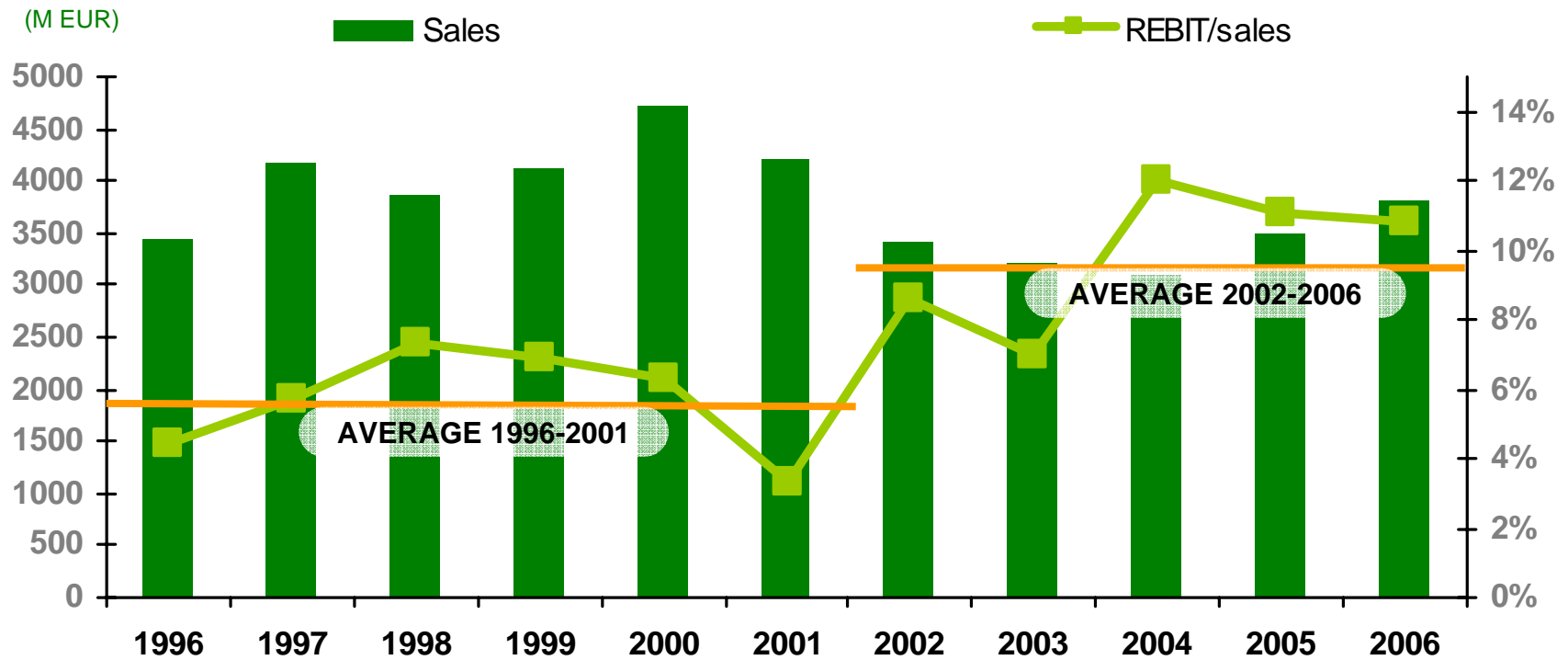
- Strengthening our  
competitive position
- Selective growth







# MARGIN UPGRADE





# GROWTH IN PLASTICS

| M EUR                                     | Revenue      |              | REBIT evolution | Comments  |
|---|--------------|--------------|-----------------|---|
|   | 2006         | 2006 vs 2005 |                 |   |
| <b>PLASTICS</b>                           | <b>3,800</b> | <b>+ 8%</b>  | <b>+5%</b>      | <ul style="list-style-type: none"> <li>✓ Specialties : growth → major contributor to the results</li> <li>✓ Sustained results in Vinyls : good demand &amp; price increases + competitiveness improvements</li> </ul> |
| <b>Specialties cluster <sup>[1]</sup></b> | <b>1,712</b> | <b>+ 6%</b>  | <b>↗</b>        |   |
| <b>Vinyls cluster <sup>[2]</sup></b>      | <b>2,088</b> | <b>+10%</b>  | <b>→</b>        |   |

[1] Including SBUs Specialty Polymers and Inergy Automotive Systems (fuel systems)

[2] Including SBUs Vinyls and Pipelife (pipes & fittings)



# GROWTH IN PLASTICS IN 2006

*Revenue +8%, REBIT +5% (EUR 409 m)*

## ■ Growth in Specialties

- ✓ Overall increase of volumes
- ✓ Faster growth in market segments with higher added value and in Asia
- ✓ Strong results growth despite high raw material costs and increased R&D efforts (+19%)
- ✓ Inergy Automotive Systems: stable results on 4% lower volumes

## ■ Good performance of Vinyls

- ✓ Good volumes in Mercosur and Europe
- ✓ Improved competitive position in Europe and Brazil
- ✓ Q4/06 results in Europe : price increases and positive impact of Ludwigshafen closure on cost base
- ✓ Good start of 2007 : sustained demand during winter; lower ethylene prices reflected in PVC prices
- ✓ Asia : continued pressure on prices and spreads due to volatile supply/demand balance in China



# BACKGROUND INFORMATION



## *Long term financial targets*



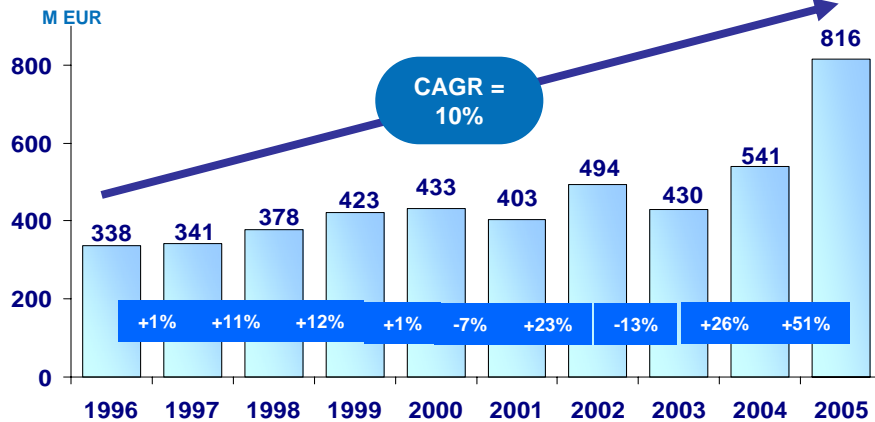
|  |   |
|--|---|
| <b>Net profit growth (part of the group)</b> | 10%   |
| <b>Return on equity (RoE)</b>                | 15%   |
| <b>Net debt to equity</b>                    | Not to exceed durably 45%   |
| <b>Dividend policy</b>                       | Increasing our dividend<br>whenever possible,<br>and if possible, never reducing it |



# Sustainable and profitable growth with a healthy financial structure

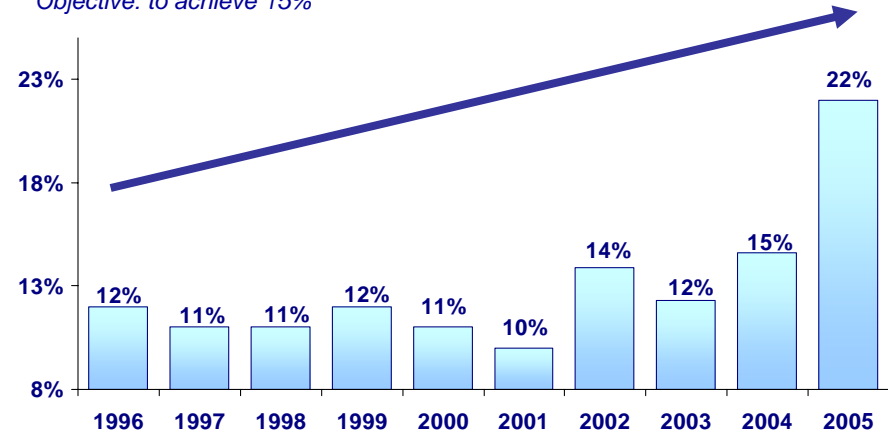
## NET PROFIT

Objective: average annual growth of 10%



## RETURN ON EQUITY

Objective: to achieve 15%



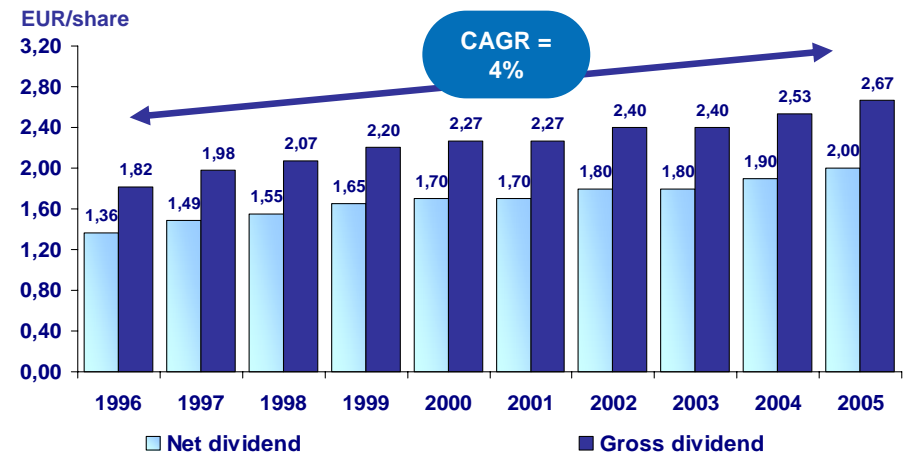
## NET DEBT TO EQUITY

Objective: not to exceed durably 45%



## DIVIDEND POLICY

Increasing our dividend whenever possible, and if possible, never reducing it



# Leadership

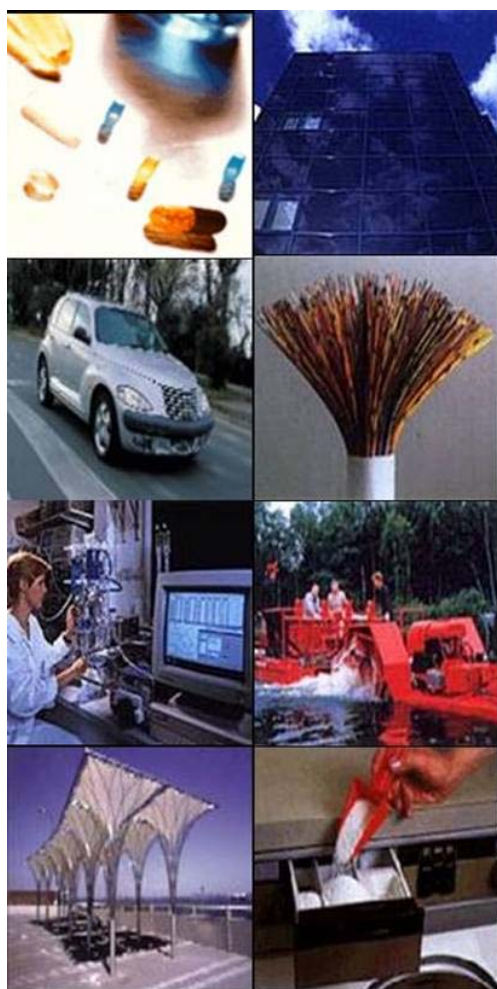
*SOLVAY is among the leaders  
for about 85% of its sales (75% in 2000)*



|                        |  | Europe                  | North America | World |
|------------------------|--|-------------------------|---------------|-------|
| <b>Pharmaceuticals</b> | Cholesterol & triglycemia                | 12                      | 4             | 6     |
|                        | Fibrates                                 | 1                       | 1             | 1     |
|                        | Antiemetics, antinauseants               | -                       | 2             | 3     |
|                        | Vertigo (Ménière's disease)              | 1                       | 1             | 1     |
|                        | Digestives/Enzymes                       | 1                       | 2             | 1     |
|                        | Antispasmodics/IBS                       | 1                       | 7             | 2     |
|                        | Hormone Therapies                        |                         |               |       |
|                        | • Female                                 | 2                       | 2             | 2     |
| • Male                 | 3  | 1                       | 1             |       |
| <b>Specialties</b>     | Fluor                                    | 1                       |               | 2     |
|                        | Advanced functional minerals             | among the world leaders |               |       |
|                        | Bicarbonate                              | 1                       |               | 1     |
|                        | Ultrapure hydrogen peroxide              | 2                       |               | 4     |
|                        | Ultrapure barium/strontium               | 1                       |               | 1     |
|                        | Fluorinated polymers                     | -                       |               | 3     |
|                        | Other Specialty polymers                 | among the world leaders |               |       |
|                        | Inergy Automotive Systems (fuel systems) | 1                       |               | 1     |
|                        | Soda ash                                 | 1                       |               | 1     |
|                        | Hydrogen peroxide                        | 1                       |               | 1     |
| <b>Essentials</b>      | Detergent (Persalts)                     | 1                       |               | 1     |
|                        | Barium / Strontium carbonates            | 1                       |               | 1     |
|                        | Caustic soda                             | 1                       |               | 3     |
|                        | PVC                                      | 2                       |               | 3     |
|                        | Pipeline (Pipes and fittings)            | 4                       |               | -     |



# Diversified customer base



|  |  |
|--|--|
| <b>Pharmaceutical industry</b>                   | 28% of Group sales<br>SBUs : Pharmaceuticals                               |
| <b>Automotive industry</b>                       | 13% of Group sales<br>SBUs : Inergy Automotive Systems, Specialty Polymers |
| <b>Chemicals industry</b>                        | 12% of Group sales<br>SBUs : Electrochemistry, Vinyls, Soda Ash, Fluor     |
| <b>Construction and architecture</b>             | 11% of Group sales<br>SBUs : Vinyls, Specialty Polymers, Fluor             |
| <b>Glass industry</b>                            | 7% of Group sales<br>SBUs : Soda ash                                       |
| <b>Electricity and Electronics</b>               | 4% of Group sales<br>SBUs : Specialty Polymers, Vinyls                     |
| <b>Water and Environment</b>                     | 4% of Group sales<br>SBUs : Pipelife, Soda ash, Electrochemistry           |
| <b>Detergents, cleaning and Hygiene products</b> | 3% of Group sales<br>SBUs : Soda ash, Electrochemistry                     |
| <b>Paper</b>                                     | 3% of Group sales<br>SBUs : Hydrogen peroxide, Electrochemistry            |

## *Vertical integration in raw materials*



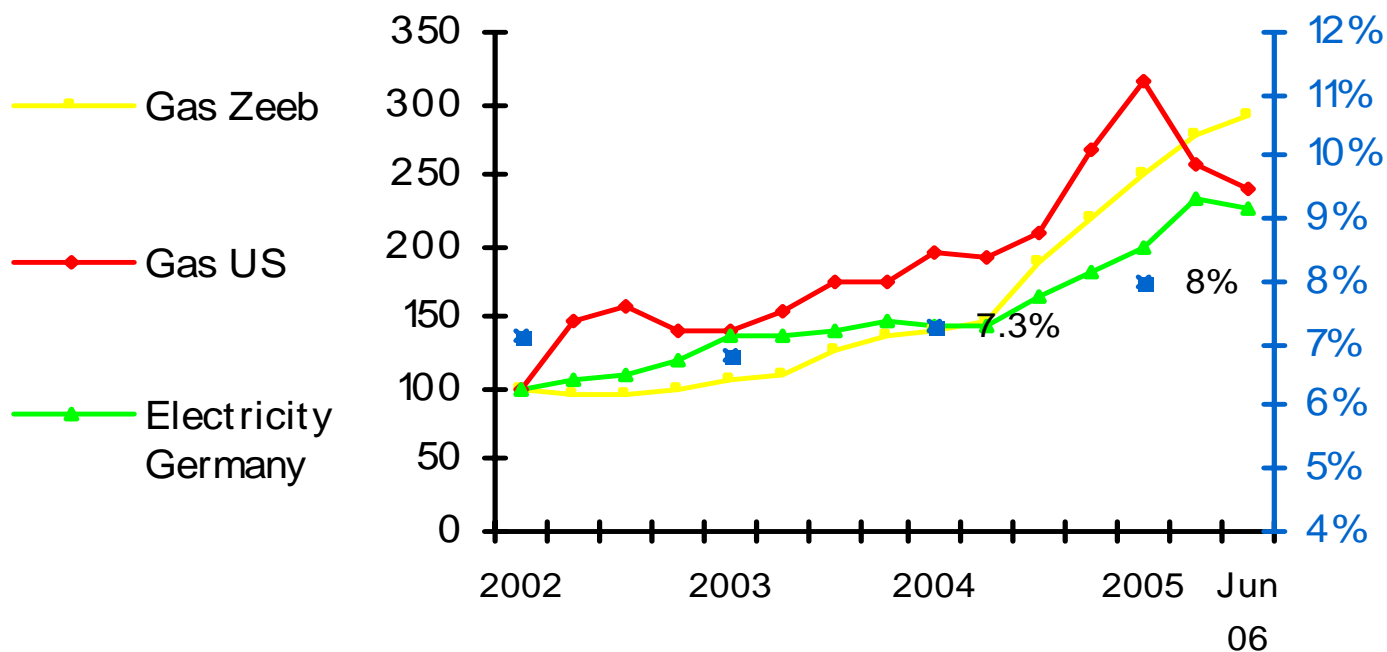
- **Chemicals :**  
largely integrated  
(limestone, salt, chlorine, fluorspar ...)
- **Plastics :**  
Vinyls (integrated in chlorine and partially integrated in ethylene), fluorine chain and monomers for Specialty Polymers
- **Pharmaceuticals :**  
in-house production of selected active ingredients

**→ More control  
of supply sources and costs**



# Energy management

Evolution of Solvay energy expenses and prices of energy sources



Energy sources index

Solvay Energy costs as % of sales ■



# BUILDING THE NEXT SOLVAY PHARMACEUTICALS



# SOLVAY HAS MULTIPLE PARTNERSHIPS TO MANAGE R&D & SALES



- Fenofibrate franchise co-development and co-promotion
- odiparcil
- bifeprunox co-development and co-marketing
- Effexor® XR co-promotion
- Co-development SLV313 and SLV314
- Neuroscience research collaboration
- bifeprunox
- Cannabinoid SLV319 co-development
- Luvox co-promotion
- Fenofibrate co-promotion and co-development
- Creon co-development and co-promotion
- Early compound risk sharing (POP studies)

US



Global



Nafta

US



US

Global

EU, ROW



Global



Japan



Japan



Japan



Global



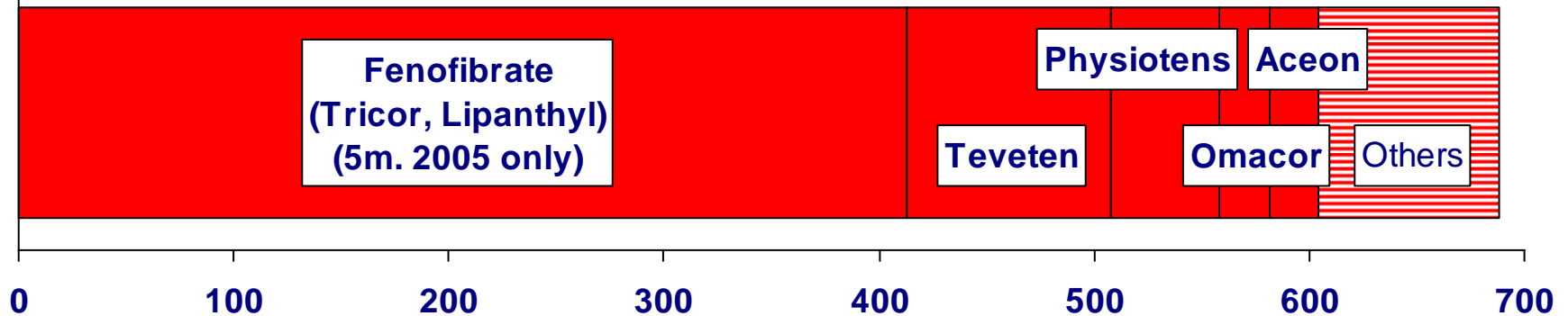




# CARDIO-METABOLIC



**2006 sales : EUR 686 M**



**2006 R&D investments : EUR 153 M** (36% of total Pharma R&D)

- Fenofibrate & combinations
- Atrial fibrillation/PULZIUM® IV
- Heart failure & hypertension/dagliutril
- Antithrombotic/odiparcil
- Renal failure/SLV320
- Obesity/SLV319

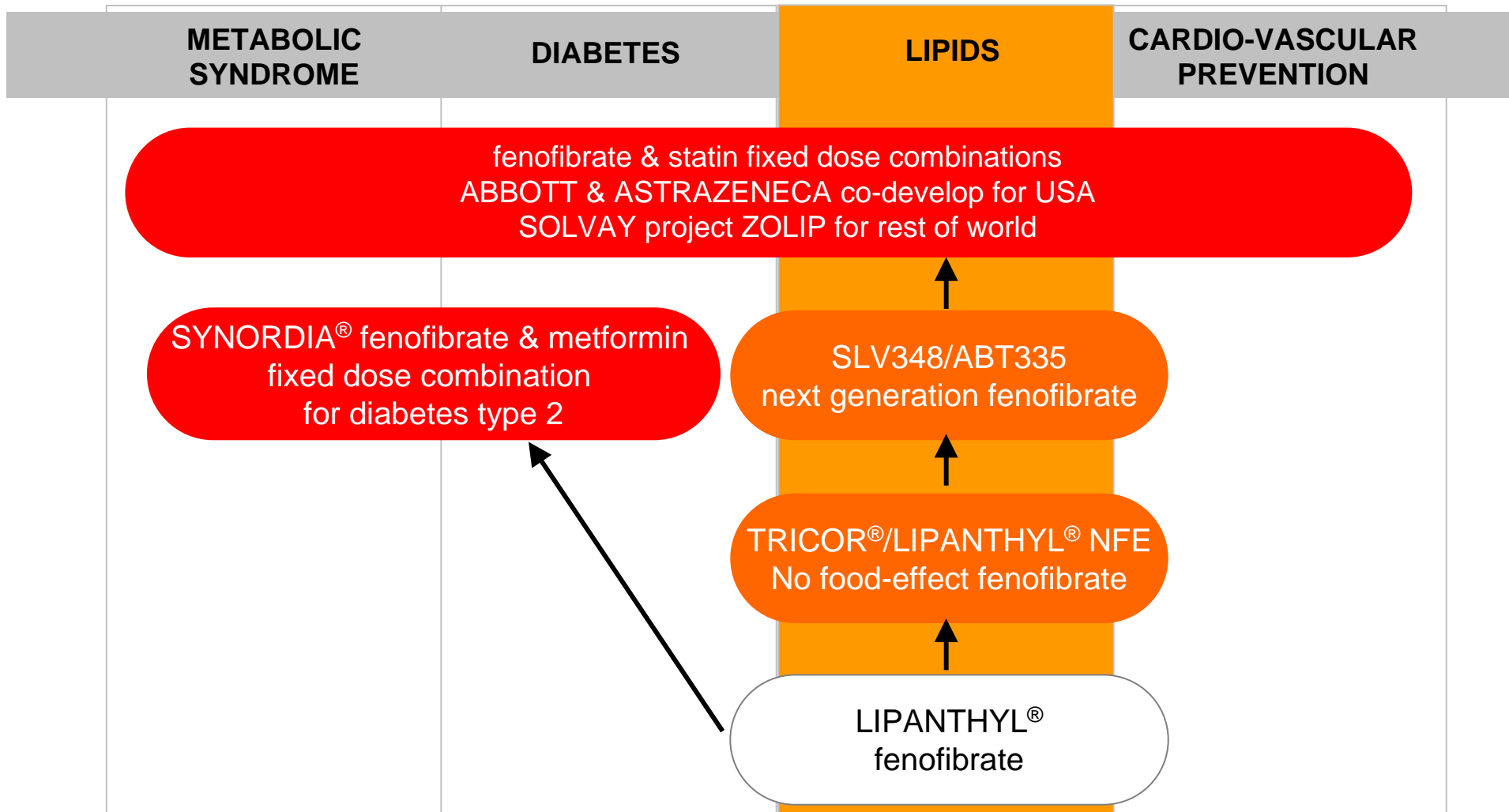
Strategic investments  
in all phases,  
research,  
development  
and marketed products

*Others includes, Omacor, Olicard, Gilurytmal, Inocar, Angiodrox*



# Fenofibrate Franchise

Building on different patient profiles







## *Fenofibrate*



- PPAR alpha agonist with benefits over other fibrates
- Hypercholesterolemia and mixed dyslipidemias
- Long term use well established
- 145 mg No Food Effect formulation introduced in all major markets
- NFE formulation has important clinical benefits compared to previous formulations
- IP formulation protection 145 mg NFE until Jan. 2018 in US and Europe



## *SLV348/ABT335*



→ Submission date and sales potential under review with partner

- Next generation fenofibrate
- Dossier protection & IP
- Added benefit with statins
- Phase III ongoing



## *Fenofibrate & statin* *fixed dose combination USA*



AstraZeneca 

 **Abbott**  
A Promise for Life

→ Launch date :  
2010 US

- Fast growing statin,  
rosuvastatin/CRESTOR®/ASTRAZENECA
- With SLV348/ABT335 drug substance or with TRICOR®  
NFE formulation
- One single pill to target 3 important lipids
- In US, today 5% of statin users get co-prescribed a fibrate



## **SYNORDIA®**

*fenofibrate & metformin  
fixed dose combination*



- Submission EMEA July 2006  
→ information request under analysis
- Metformin (for blood sugar control)  
and fenofibrate (for lipid control)
- IP 2019 + possible extensions
- US submission under consideration
- Convenience & improved compliance in type 2 diabetics  
with lipid disorders
  - SYNORDIA® improved lipid control of Type 2 diabetic patients  
treated with metformin, with and without concomitant statin therapy
  - SYNORDIA® was more effective than either drug alone to treat the  
lipid and glucose features of metabolic syndrome
  - In a patient acceptability studies, patients found the combination  
regimen easier than to take the two drugs separately.

→ Submission date :  
under analysis  
→ Peak sales potential :  
100-250 MEUR



*zolip*

*fenofibrate & simvastatin fixed dose combination*



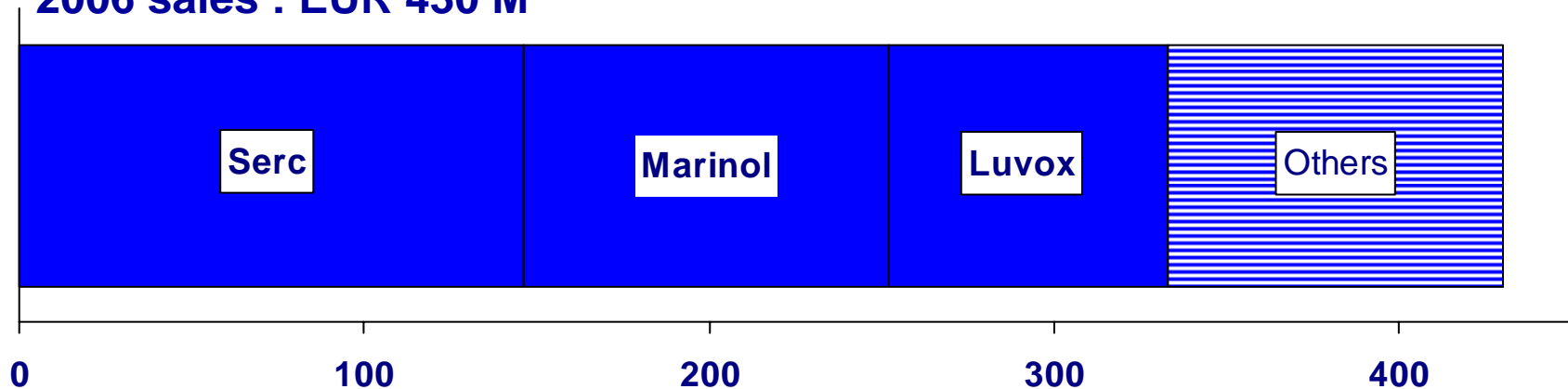
- Fenofibrate NFE & simvastatin
- Phase III ongoing
- Convenience, compliance and stronger lipid effects
- IP through NFE to 2018 with possible extensions
- Data exclusivity EU 10 years from approval

→ Submission date :  
2009

→ Peak sales potential  
EU: 100-250 MEUR



**2006 sales : EUR 430 M**



**2006 R&D investments : EUR 138 M** (33% of total Pharma R&D)

- bifeprunox with Lundbeck & Wyeth + neuroscience research collaboration (Solvay/Wyeth)
- DUODOPA®
- SLV308
- LUVOX®/DEPROMEL® Japan, social anxiety disorder
- MARINOL® EU & metered dose inhaler

Strategic investments in all phases, research, development and marketed products

Others includes, Lamaline, Baldrian, Difmetre, Xanax





## *bifeprunox with Lundbeck & Wyeth*



- Partial dopamine agonist + additional serotonin 1A activity
- Schizophrenia & bipolar disorder
- IP 2017 + possible extensions
- Partnership with Lundbeck from 2000; co-development and exclusive commercialization except for US, Can, Mex, Japan
- Partnership with Wyeth from 2004; co-development and co-commercialization US, Can & Mexico
- Phase III results presented at specialist symposium December 2006 (ACNP)

→ NDA filing US December 2006  
→ Peak sales potential global: 1 billion EUR



## *Limitations of Antipsychotic Therapies*



### Current Therapy Limitations

- Excessive Weight gain
- Glucose abnormalities
- Triglyceride elevation
- Hyperprolactinemia

### Bifeprunox Expected Advantages

- No weight gain
- Minimal glucose dysregulation
- Favorable lipid profile
- No increase in prolactin

*In partnership with Wyeth and Lundbeck*

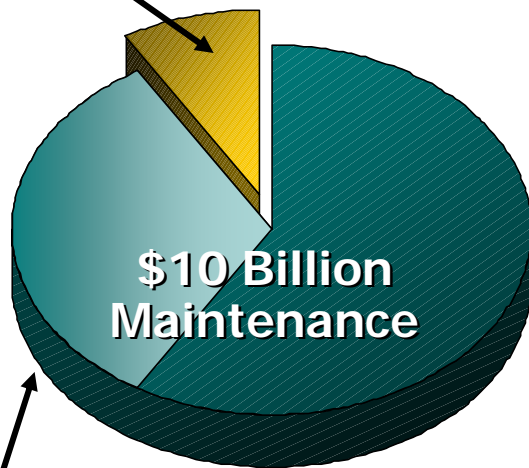


*The patient value of bifeprunox is derived from its maintenance friendly profile*



## *\$11 Billion US Atypical Market*

Acute Care  
\$1 Billion



~30-40% of Patients which have Metabolic Syndrome

**> \$3 Billion**  
Potential Market Value  
*(metabolic patients)*

*In partnership with Wyeth and Lundbeck*



## *Bifeprunox Safely Maintains Stability in Schizophrenia*



- Relief for patients where metabolic changes have challenged their long term therapy
- Improved side effect profile
  - ➔ No weight gain
  - ➔ Favorable lipid profile
  - ➔ Minimal risk for glucose dysregulation
  - ➔ Lack of hyperprolactinemia

|            |  |
|------------|--|
| Status     | NDA submission Oct. 2006<br>NDA filind Dec. 2006 |
| Peak Sales | \$500M to 1 Billion in US                        |

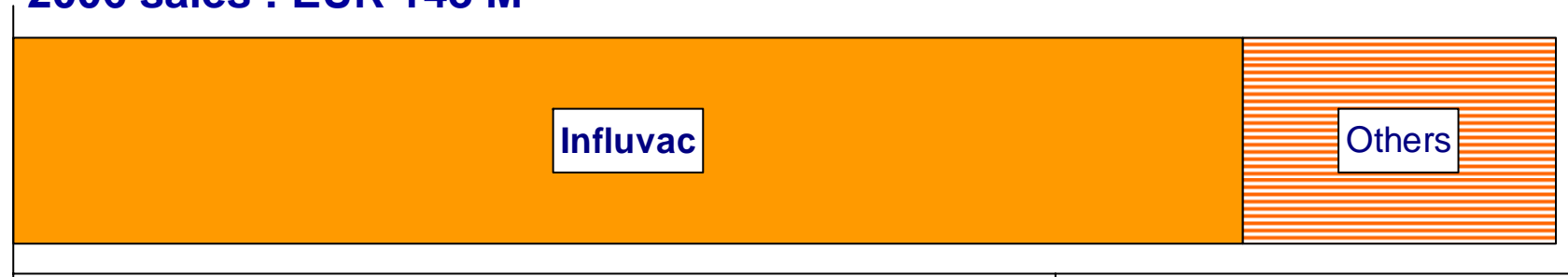
*In partnership with Wyeth and Lundbeck*



# INFLUENZA VACCINES



**2006 sales : EUR 148 M**



**2006 R&D investments : EUR 20 M** (5% of total Pharma R&D)

- **Cell culture brings opportunities**
  - **Start-up time shorter for cell-based by up to 6 months**
  - **Seed virus to product : another 6 months after startup complete**
  - **Output expectations; cell culture should double current egg based output**
  - ✓ cell culture manufacturing in the Netherlands : commercialization will start from season 08 onwards; suited to manufacture avian flu vaccines
  - ✓ USD 298 M milestone-based award from the US Department of HHS\* to develop cell-based influenza vaccine (seasonal / pandemic) and design a manufacturing capacity in the USA by 2011
- **INVIVAC® : vaccine combined with virosome technology**

Specific medical needs with full R&D



## *Further developments*



### **Geographical spread**

- In ~60 countries (incl. Canada and Southern hemisphere)
- US government granted Solvay 298 MUSD to develop cell based seasonal and pandemic vaccines for the US and to plan construction of a US cell-based facility
- Petrovax Pharm, Russia builds a new formulation plant near Moscow with Solvay technical support
  - ✓ Solvay supplies Petrovax with cell-based antigen
  - ✓ Petrovax formulates adding adjuvant polyoxidonium
  - ✓ For Russia & CIS countries

### **Pandemic vaccines & agreements**

- Pandemic insurance contracts with The Netherlands, Norway, Italy, Malta, Finland
- Pre-pandemic contract with Finland
- Pre-pandemic vaccine opportunities increasing

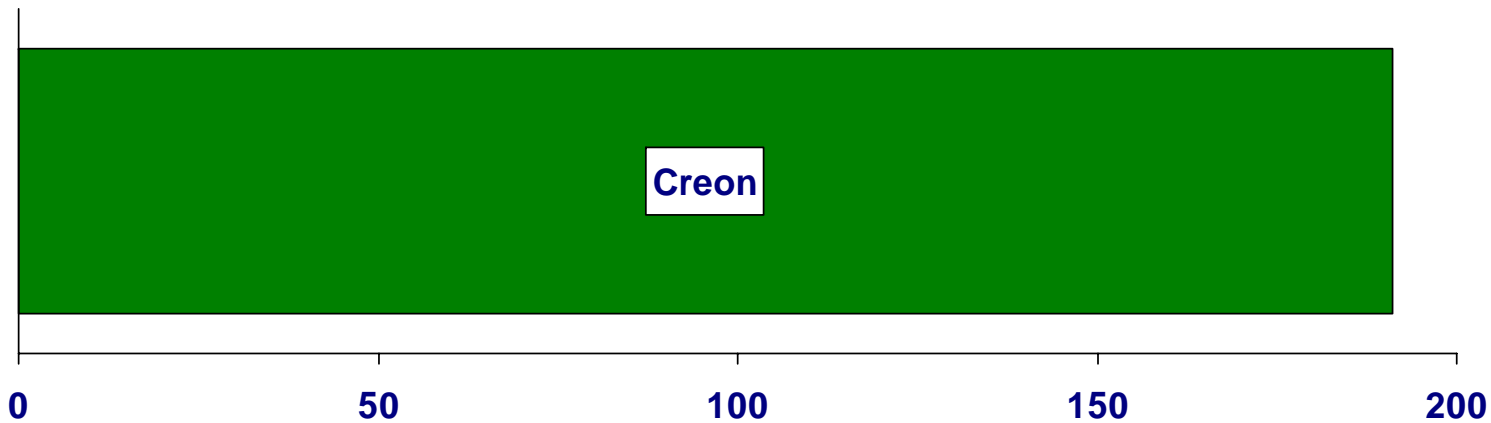




# PANCREATIC ENZYMES



**2006 Sales : EUR 191 M**



**2006 R&D investments : EUR 34 M** (8% of total Pharma R&D)

- **CREON® new agreement Japan EISAI**
- **Bioengineered pancreatic enzymes (SLV339, 340)**

Specific medical  
needs  
with full R&D



# Chemicals Earning the right to grow



# Soda ash strategy



## Growth

- **Grow size of existing manufacturing sites**
- **Continued development of Solvair (bicarbonate) in the US market**
- **Geographic expansion**

## Competitiveness and operational excellence

- **Strengthen the quality of the operations and reduce the cost of resources**
- **Reduction of energy dependence**
  - **(under study) New affordable sources of thermal energy : steam from incineration (Germany)**
  - **Conversion from gas to coal (USA) in Q2&Q3 2006 (pay-back < 1 year)**

## Extend

- **New bicarbonate based products / applications:**  
**Neutrec® (Flue gas cleaning), Bicarjet® (surface cleaning), Resolest® (recycling bicarbonate from flue gas cleaning), BiProtec (animal health),**  
...

# Peroxide strategy



## Growth

- **Geographic expansion**
  - **Asia : JV Souzhou Interlox SEM Co in electronic grade; Major project under study**
  - **Mercosur : new project in Chili**
- **In new markets**
  - **Megaplant : new peroxide technology for large propylene oxide production plant (with DOW and BASF in Belgium)**
- **In existing sites**
  - **Low cost capacity expansion (“High Productivity Technology” in USA, Finland, Thailand,...)**

## Competitiveness and operational excellence

- **Achieve superior operational productivity by continuing to lower operational costs, investment costs and optimising rates of utilisation**

## Extend

- **Expand current position in Pulp & Paper by extending product portfolio**
- **Intensification of specialty products market development**

# Electrochemistry strategy



## Growth

- **Growth in Epichlorohydrin EU market : new plant based on EPICEROL® process, under construction in Tavaux, capacity 10kT/y**
- **Expansion in Asia : market analysis for EPICEROL® technology deployment**

## Competitiveness and operational excellence

- **Close follow-up of plants economics. Optimization of the production network.**
- **Actions for long-term competitive sourcing of electricity : France, Belgium, Italy and Germany**
- **Conversion (mercury cells to membranes) of the best integrated plants**
  - **gradual “conversion” (all mercury cells units amortized when that our conversion program is completed)**
- **New EPICEROL® process**
  - **Feedstock leaves oil chain (propylene) to join biodiesel chain, making use of one of its by-products, natural glycerine**

# Fluor strategy



## Growth

- In new geographies
  - Asia : new plant in South Korea and JV with Lantian in China
  - Explore and develop opportunities in Mercosur
- Growth in market segments LCD/Semiconductor and Solvents
- Capacity extension in 2006 for Sifren®, leading critical etch gas in Italy

## Competitiveness and operational excellence

- Continue to restructure and optimize NAFTA business
- Continue with integration of own fluorspar sources

## Extend

- Develop innovative products/applications in fast growing segments
  - Products for Li-Ion batteries: successful lab tests, next stage pilot plant in Germany
  - Specialty Gases for electronic industry, cleaning & etching : R&D programs under development with reference customers



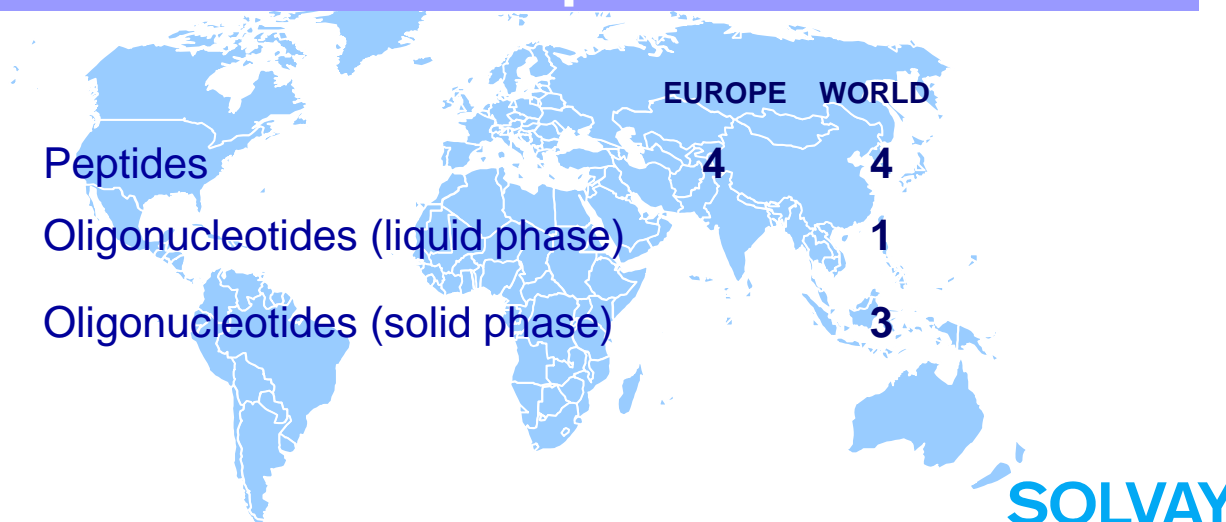
## Organics cluster



### Major Strategic Initiatives

- Consolidation and conversion of assets, and competences in organic chemistry available in sub-critical entities within Solvay Group
- Build critical mass, on assets, market knowledge and technology in order to accelerate the move to a new position

### Market position



**Plastics :  
Extending our  
product portfolio  
& leveraging our  
strengths**

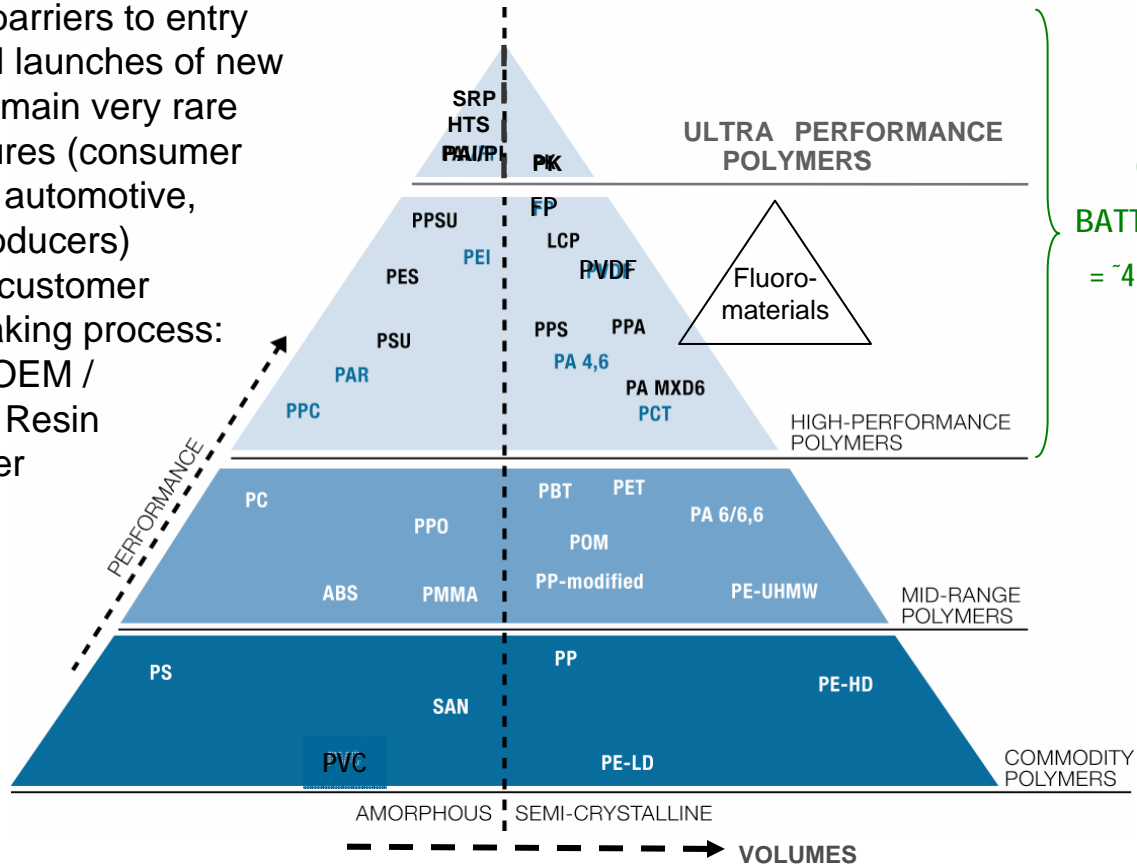




# The high performance polymers industry

## Key characteristics

- Significant barriers to entry
- Commercial launches of new polymers remain very rare
- Cost pressures (consumer electronics, automotive, Chinese producers)
- Elaborated customer decision making process:  
End-user / OEM / Processor / Resin Manufacturer



OUR BATTLEFIELD = ~4 Bn USD

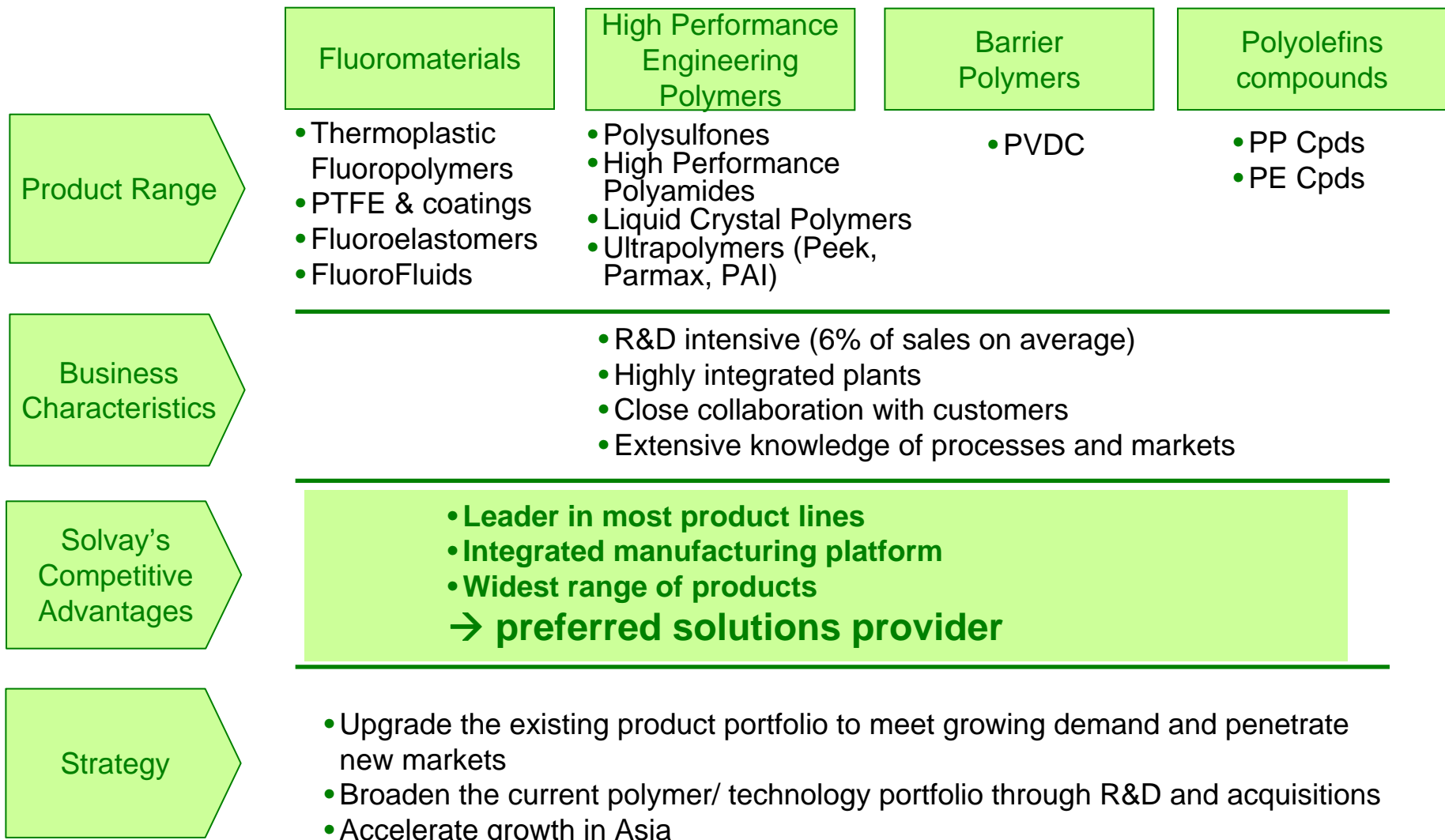


70-3500 EUR/kg  
6-10% p.a.

A large high performance polymers portfolio gives us a competitive edge to provide solutions in a wide range of demanding applications



# Broadest portfolio of high performance polymers (1)



# Broadest portfolio of high performance polymers (2)



| Industry               | PVDC | PPS* | LCP | HPPA | PEEK | PAI | PEI | PI | PPSU<br>PES<br>PSU | PTFE | PVDF | FEP<br>MFA | FKM<br>FFKM | PFPE | OTHERS |
|------------------------|------|------|-----|------|------|-----|-----|----|--------------------|------|------|------------|-------------|------|--------|
| <b>Solvay</b>          | X    | X    | X   | X    | X    | X   |     |    | X                  | X    | X    | X          | X           | X    | X      |
| <b>Arkema</b>          |      |      |     | X    |      |     |     |    |                    |      | X    |            |             |      |        |
| <b>BASF</b>            |      |      |     |      |      |     |     |    | X                  |      |      |            |             |      |        |
| <b>Daikin</b>          |      |      |     |      |      |     |     |    |                    | X    |      | X          | X           |      | X      |
| <b>DuPont</b>          |      |      | X   | X    |      |     |     | X  |                    | X    |      | X          | X           |      | X      |
| <b>Dyneon</b>          |      |      |     |      |      |     |     |    |                    | X    | X    | X          | X           |      | X      |
| <b>EMS</b>             |      |      |     | X    |      |     |     |    |                    |      |      |            |             |      |        |
| <b>GE<br/>Plastics</b> |      |      |     |      |      |     | X   |    |                    |      |      |            |             |      |        |
| <b>Ticona</b>          |      | X    | X   |      |      |     |     |    |                    |      |      |            |             |      |        |
| <b>Victrex</b>         |      |      |     |      | X    |     |     |    |                    |      |      |            |             |      |        |

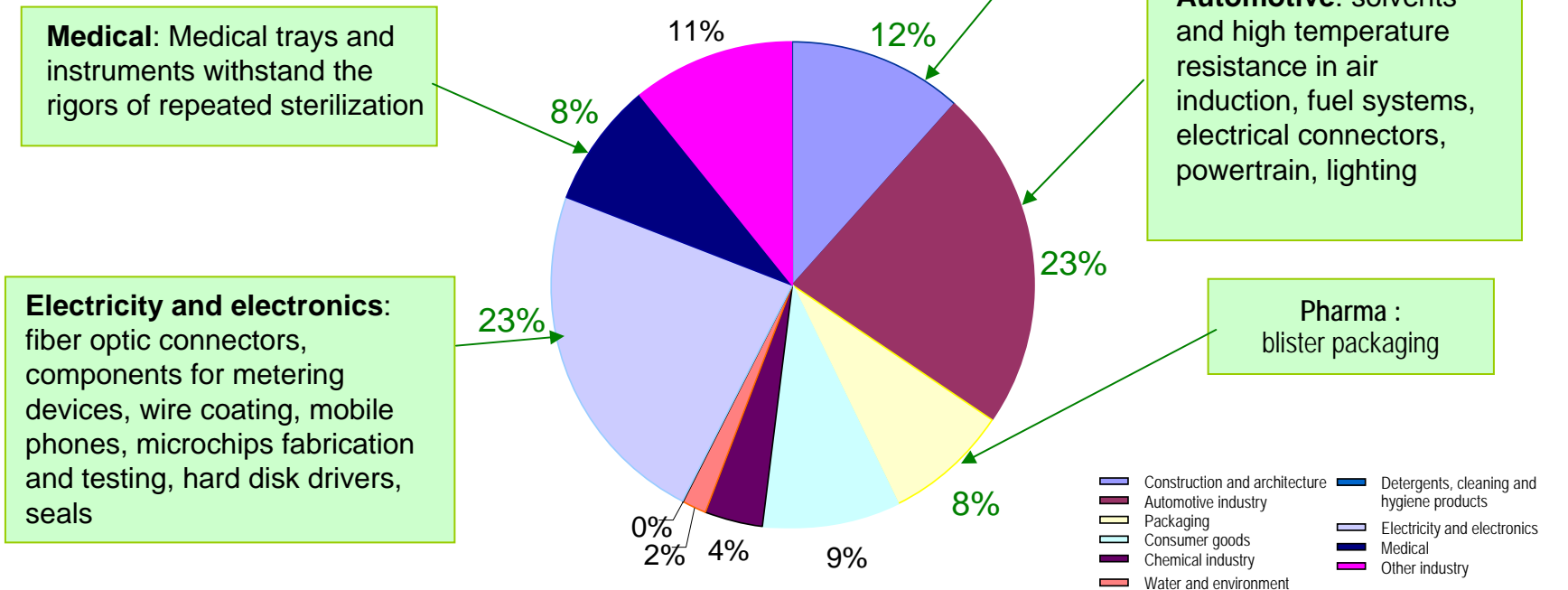
(\*) Compounding  
Acronyms : see appendix



# Leading role in high margin applications

## GROWTH DRIVERS

- Growth of high-end markets
- Metal replacement (weight / cost reduction)
- Improvement of product properties enabling new uses
- Development of new products addressing unmet needs



Solvay's Specialty Polymers 2005 sales by application



# Growth strategy in Specialty Polymers



- **Upgrade the existing product portfolio to meet growing demand and penetrate new markets :**
  - New production lines for fluorinated polymers (Algoflon® and Hyflon®)
  - New world-scale (PES/PPSU) Radel® unit in the US
- **Broaden the current polymer / technology portfolio through R&D and acquisitions :**
  - Solvera®, Supradel® HTS
  - Acquisition of Mississippi Polymer Technologies (USA) : Parmax®, a new family of specialty materials
  - Start up of SolviCore (50/50 joint venture Solvay/Umicore) : R&D, production and sales of Membrane Electrode Assemblies for application in Fuel Cells
- **Accelerate investments in fast growing markets :**
  - New development center in China and strengthening of local marketing organization
  - Acquisition of the Polymers Division of Gharda (India) : a new global platform of ultra-high performance polymers
  - Construction (by 2007) of a world-class plant for micronized polytetrafluoroethylene (PTFE) powder in China

# Vinyls

*selective investments strengthen our geographic diversification*



## ■ EUROPE :

- ✓ Ongoing measures to keep SOLVIN's cost leadership : bundle manufacturing activity in a limited number of sites with world class production capacity > 300,000 t/y
- ✓ Project in Russia under study

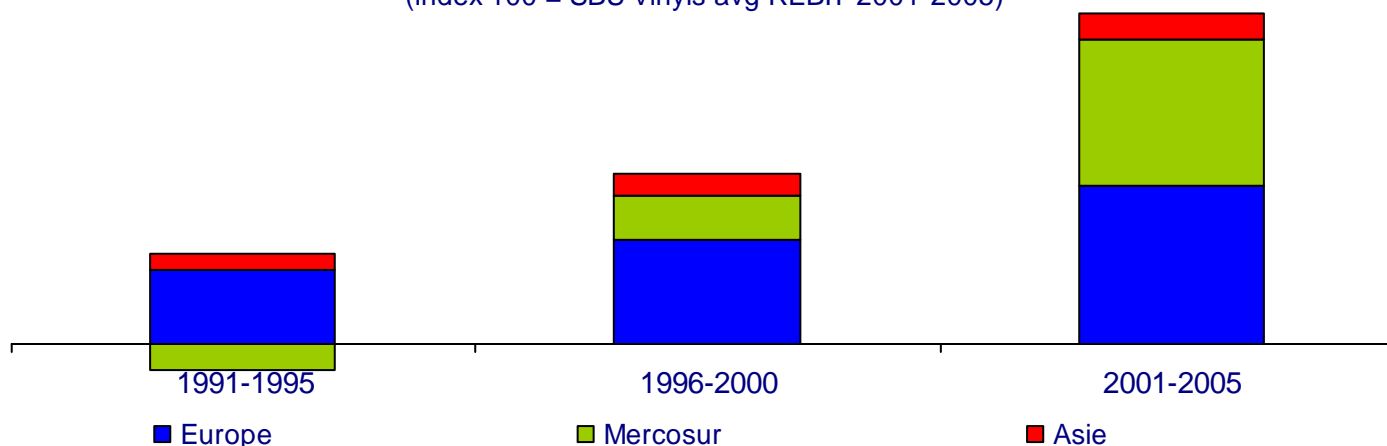
## ■ ASIA (Thailand)

- ✓ Consolidation of the competitive position and growth of Vinythai : ongoing chloralkali-VCM plant capacity expansions (x2) by end 2006 (total investment of EUR 90 M (2004-2006))

## ■ MERCOSUR (Argentina & Brazil)

- ✓ Consolidation of the competitive position and growth of Solvay Indupa : ongoing chloralkali-VCM-PVC expansions in Brazil by end 2008 (total investment of USD 150 M (2006-2008))

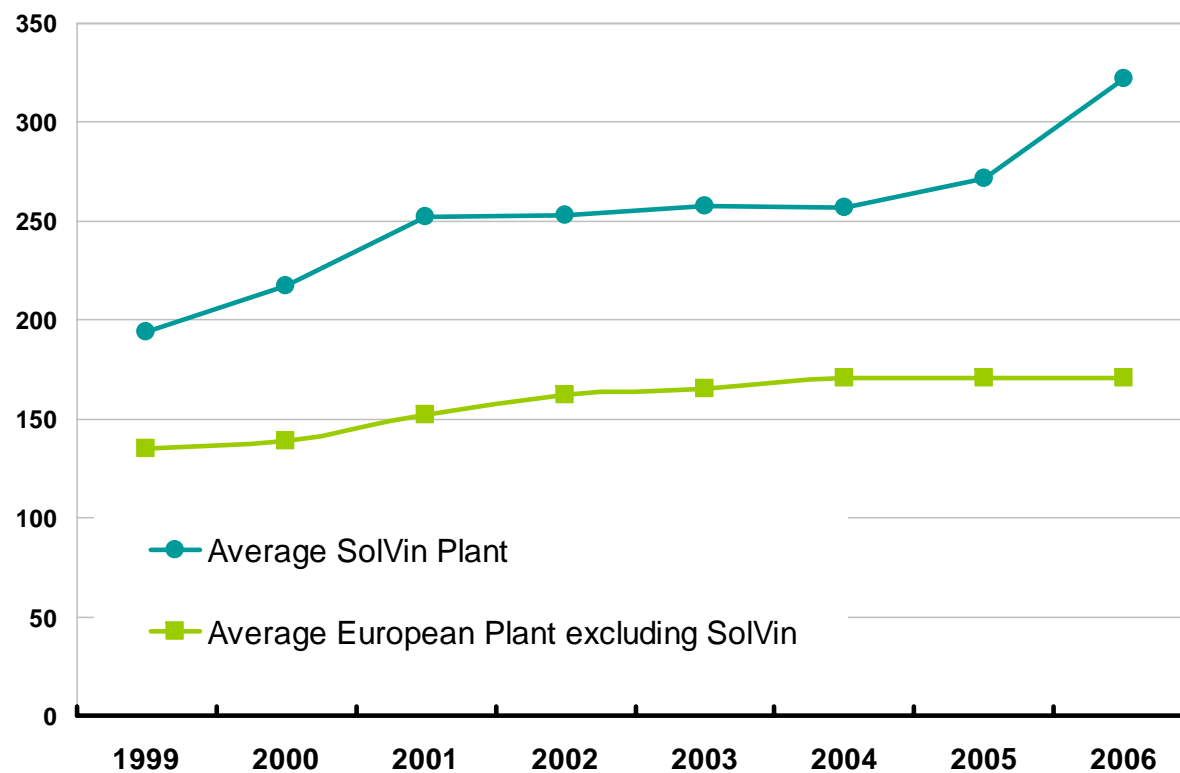
REBIT evolution by region across the cycles  
(index 100 = SBU Vinyls avg REBIT 2001-2005)



# Average PVC plant size in Western Europe



Average Plant size (kton/yr)



**Dec 2005 :**  
 closure of VCM/ PVC  
 plant in Ludwigshafen  
 and debottlenecking of  
 other SolVin  
 production sites

Source : Solvin

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