



2007 : another record year  
*Sustainable and profitable growth strategy  
backs further growth in operating performance*

February 15, 2008



# Introduction



- **FOURTH RECORD YEAR**
- **READY FOR THE FUTURE**  
consistent implementation of our strategy for sustainable and profitable growth
- **2008 STARTED  
IN A FAVORABLE BUSINESS CONTEXT**



# 2007 : another record year

■ **NET SALES** : +2% to EUR 9.6bn  
 (+1% in Q4/07)

+4% at constant exchange rates

■ **REBIT** : +9% to EUR 1.2bn  
 (+24% in Q4/07)



**REBIT  
margin**

12.5%  
 (11.7% in 2006)

## ■ RECORD operating results in each of the 3 SECTORS

	<i>Revenue</i>	<i>REBIT</i>
Pharma	<i>stable</i>	<i>+1% (EUR 457 m)</i>
Chemicals	<i>+1%</i>	<i>+9% (EUR 345 m)</i>
Plastics	<i>+4%</i>	<i>+8% (EUR 441 m)</i>

# 2007 : another record year



- **GROUP NET PROFIT** : +1% to EUR 828m  
(Q4/07 : EUR 182m; +25%)
  - ✓ on balance EUR 71m additional non operating items<sup>(\*)</sup>
  - ✓ more taxes (+EUR 158m) compared to 2006
- **STRONG FINANCIAL POSITION**
  - ✓ net debt to equity ratio of 29% (28% in 2006)
  - ✓ net dividend : 2.20 EUR / share, +4.8% compared to 2006  
(gross dividend yield<sup>\*\*</sup> : 3.5%; net dividend yield<sup>\*\*</sup> : 2.6%)

<sup>(\*)</sup> Non operating items = Non recurring items + Discontinued operations

<sup>(\*\*)</sup> Calculated on the basis of the share price of February 13, 2008

# Delivering on Financial Targets



- **Record sales, operating results, Group net results and cash flow**  
4<sup>th</sup> consecutive record year
- **Return on equity of 18.4%**  
4<sup>th</sup> consecutive year above target of 15%
- **Net debt to equity of 29%**  
against target of not to exceed durably 45%
- **Net dividend : 2.2 EUR (2.6% net yield\*)**  
continuous increase since 1981

*(\*) calculated on the basis of the share price of February 13, 2008*

# Pharma in 2007

## Stable net sales & REBIT (EUR 457m)



### Net sales

#### Sustained growth

- in all major products
- USA (+16% in USD; +6% in EUR)
- Emerging markets represent 18% of sales (+15% in EUR)

#### offsetting

- Expiration of Pantoloc® marketing rights (*sales impact : 3%; EUR 70m*)
- Currency fluctuations impacting revenues (*sales impact : 3%; EUR 92m*)
- Price pressure in Europe, in particular in France (*sales impact : 2%; EUR 42m*)

### Results

- « Inspire » project on track
- Strong growth in Q4/07: REBIT + 42%  
(*Q4/06 affected by distributors effect & strong R&D*)

### R&D

- EUR 415m (16% of revenues)
- Projects in neuroscience / cardiometabolic (incl. fenofibrate)

# Growth in all major products



Net sales (EUR m)		2006	2007	2007 vs 2006	2007 vs 2006 (constant exchange rates)
<b>PHARMACEUTICALS</b>		<b>2,601</b>	<b>2,591</b>	<b>STABLE</b>	<b>+3%</b>
Cardiometabolic	Fenofibrates	413	433	+5%	+11%
<i>TriCor sales booked by Abbott in the US in 2007 : USD 1,218m (+16%)</i>					
Women's & Men's health	Androgel®	275	308	+12%	+22%
Pancreatic enzymes	Creon®	191	198	+4%	+7%
Neuroscience	Serc®	146	150	+3%	+3%
Influenza vaccines	Influvac®	118	127	+8%	+8%
Cardiometabolic	Teveten®	95	106	+12%	+12%
Neuroscience	Marinol®	106	105	-1%	+8%
Gastroenterology	Duphalac®	85	99	+16%	+16%
Women's & Men's health	Duphaston®	74	90	+22%	+22%
Neuroscience	Luvox®	81	83	+2%	+6%
Gastroenterology	Pantoloc®	71 (*)	-		-

(\*) 5 months only

# Pharma R&D developments



## ■ Cardiometabolic:

### ✓ treatment of dyslipidemia:

#### ◆ fenofibrate franchise expansion:

- SLV348<sup>(\*)</sup>: US regulatory submission in Q4/07
- fixed dose combinations (SLV348 (Abbott )/Astra-Zeneca collaboration, Synordia<sup>®</sup>, zolip)

#### ◆ US co-promotion agreement with Abbott on Simcor<sup>®</sup><sup>(\*\*)</sup>

### ✓ SLV 319 (obesity, developed with BMS) :Phase II ongoing

## ■ Neuroscience:

### ✓ bifeprunox:

- US with Wyeth : interaction with FDA after the « action letter »
- Europe with Lundbeck : development ongoing

### ✓ pardoprunox (SLV308): phase III ongoing

### ✓ Duodopa<sup>®</sup> in the US: 1<sup>st</sup> Phase III clinical study started in Q1/08

## ■ Pancreatic enzymes: Creon<sup>®</sup>: FDA « approvable » letter

## ■ Influenza vaccines:

### ✓ validation of **cell based production** throughout 2008; commercialization from season 09 onwards;

### ✓ 1<sup>st</sup> clinical study **in the US** started in Q4/07

\* developed with Abbott (ABT 335)

\*\* Abbott's investigational fixed-dose combination lipid therapy (Niaspan<sup>®</sup>/simvastatin), currently awaiting U.S. FDA approval

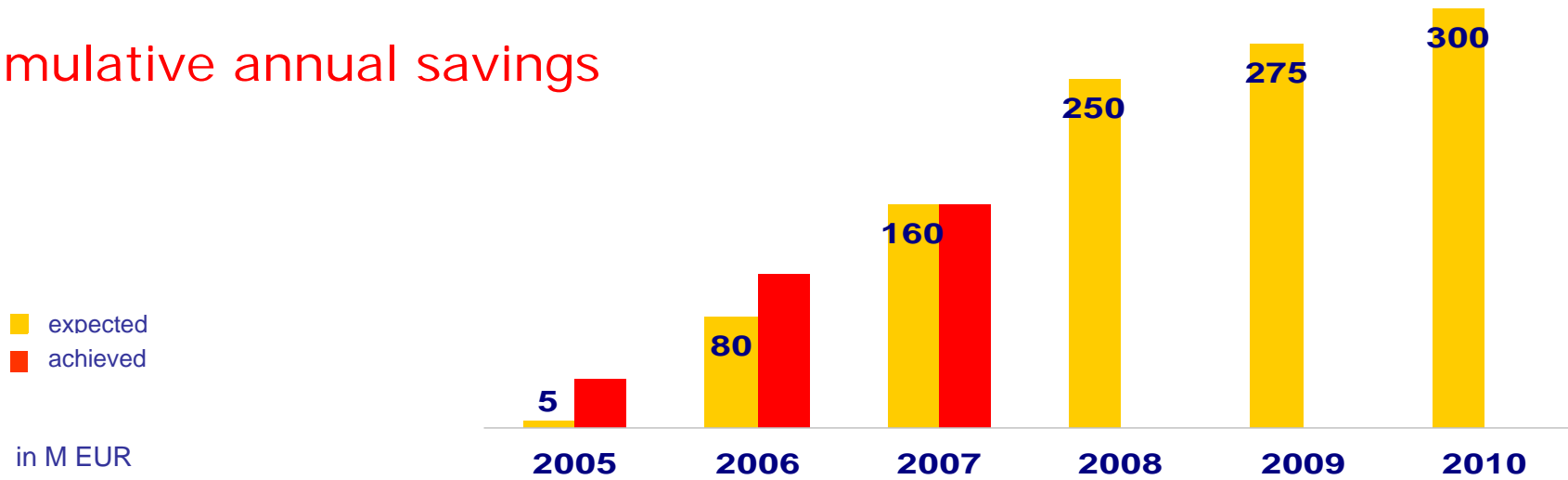




# Committed to 2010 targets

- **Revenues:** EUR 2.6 Bn in 2007 ⇒ EUR 3.2 bn
- **REBIT/Sales:** 17.6% in 2007 ⇒ 20%
- **Inspire efficiency program:** EUR 160 m ⇒ EUR 300 m
- **Higher R&D/sales**

## Cumulative annual savings



■ expected  
■ achieved

in M EUR

### One-time costs

Sales & Marketing

Manufacturing

General & Administration

	2005	2006	2007	2008	2009	2010
One-time costs	28	134	59			
Sales & Marketing	+	++	++	+	+	
Manufacturing		+	++	++	+	
General & Administration	+	++	++	+	+	

# Growth in Chemicals in 2007

Net sales +1%, REBIT +9% (to EUR 345m)



m EUR	NET SALES <sup>[1]</sup>		REBIT	Comments
	2007	2007 vs 2006		
<b>CHEMICALS</b>	<b>3,031</b>	<b>+1%</b>	<b>+9%</b>	<ul style="list-style-type: none"> <li>✓ Continued favorable conditions</li> <li>✓ High energy costs</li> </ul>
<b>Minerals cluster</b> <sup>[2]</sup>	<b>1,336</b>	<b>+2%</b>	<b>↗</b>	<ul style="list-style-type: none"> <li>✓ Excellent results in « <b>Minerals</b> », in « <b>Oxygens</b> » and in « <b>Electrochemistry</b> » (caustic soda/epichlorohydrin)</li> <li>✓ Lower results in <b>fluor chemical commodities</b> (restructuring ongoing)</li> </ul>
<b>Electrochemicals and Fluor chemicals cluster</b>	<b>1,103</b>	<b>-2%</b>	<b>↗</b>	
<b>Oxygen cluster</b> <sup>[3]</sup>	<b>528</b>	<b>+7%</b>	<b>↗</b>	

<sup>[1]</sup> including SBU Molecular Solutions

<sup>[2]</sup> 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 ».

<sup>[3]</sup> including SBUs Hydrogen peroxide, Detergent and Caprolactones (until December 31, 2007 for this latter)

# Growth in Chemicals

Net sales +1%, REBIT +9% (to EUR 345m)



## ■ Minerals

### Growth in Soda ash

- ✓ Global market conditions and prices remain favorable
- ✓ Significant growth in bicarbonate volumes in Europe and US

## ■ Electrochemicals and Fluor chemicals

### Growth in Electrochemistry (caustic soda / epichlorhydrin)

- ✓ Sustained global demand
- ✓ Stable prices at high levels

### Fluor commodities under pressure

- ✓ Difficult year for refrigerants (Solkane® 134a)
- ✓ Favorable evolution of specialties (start-up Onsan )
- ✓ First results of the ongoing restructuring program

## ■ Oxygen

### Growth in Hydrogen Peroxide

- ✓ Volume growth in all regions , particularly out of Europe
- ✓ European prices under pressure
- ✓ Energy costs under control

# Growth in Plastics in 2007

Net sales +4%, REBIT +8% (EUR 441m)



M EUR	Revenue		REBIT evolution	Comments
	2007	2007 vs 2006		
<b>PLASTICS</b>	<b>3,950</b>	<b>+4%</b>	<b>+8%</b>	✓ 2007 results <b>outperform</b> excellent 2006 results
Specialties cluster <sup>[1]</sup>	1,737	+1%	↗	✓ <b>Continued growth</b> in « Specialties » and in « Vinyls » clusters
Vinyls cluster <sup>[2]</sup>	2,213	+6%	↗	

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

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

# Growth in Plastics

*Net sales +4%, REBIT +8% (EUR 441m)*



## ■ Growth in Specialty Polymers

- ◆ Continued growth in market segments with higher added value
- ◆ Growth in Asia (13% of sales)
- ◆ Start-up of new production plants and launch of new grades
- ◆ Sustained R&D efforts (5% of sales)
- ◆ Results increase despite unfavorable USD & JPY

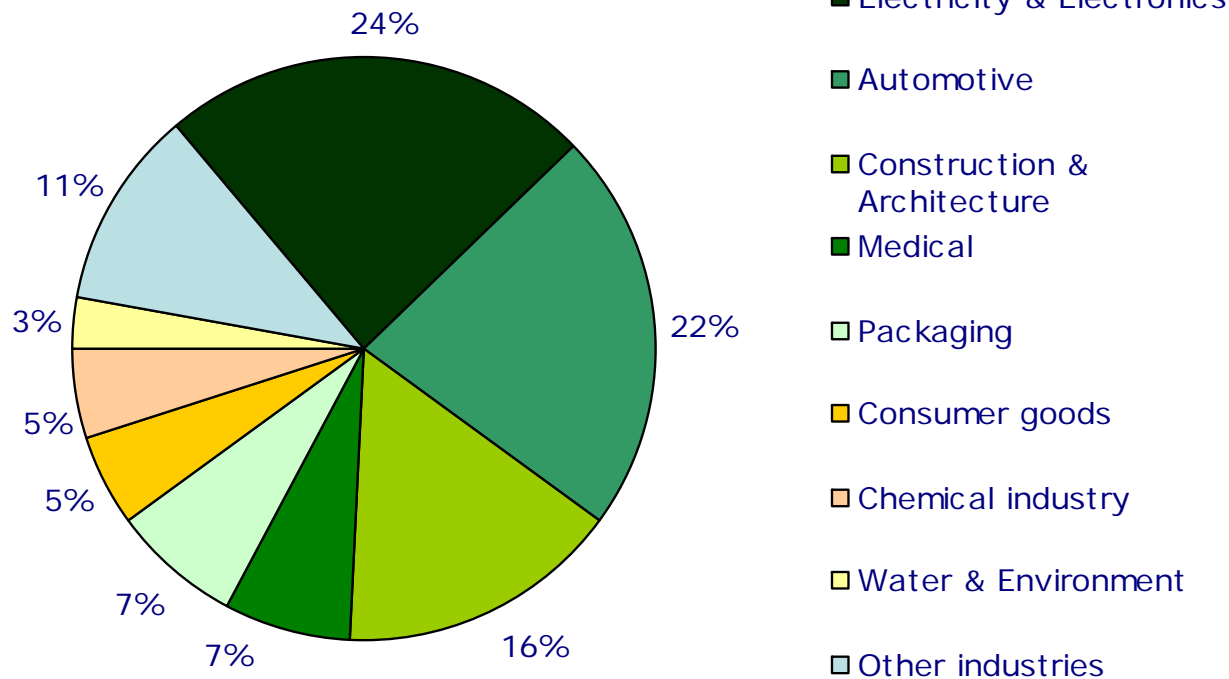
## ■ Continued strong growth of the world demand in Vinyls

- ◆ Overall higher spreads and results

# Introducing new ultra-polymers Solviva™ Biomaterials



- Significant Investments
- Biocompatibility Tests
- Dedicated Facilities
- Quality Assurance



Specialty Polymers 2007 sales\* by application

(\* excluding Solvay Engineered Polymers to be sold in Q1/08)



# Vinyls: global competitiveness, regional leadership, and expansion in selected fast growing markets

PLASTICS



**n°2 in EUROPE and n°3 WORLDWIDE**

SBU Vinyls REBIT evolution by region across the cycles

## Enhanced margins in Europe and expansions in growth markets

### Europe :

- increased results; gradual price increases after the summer to reflect higher ethylene prices
- benefiting from restructuring and optimization

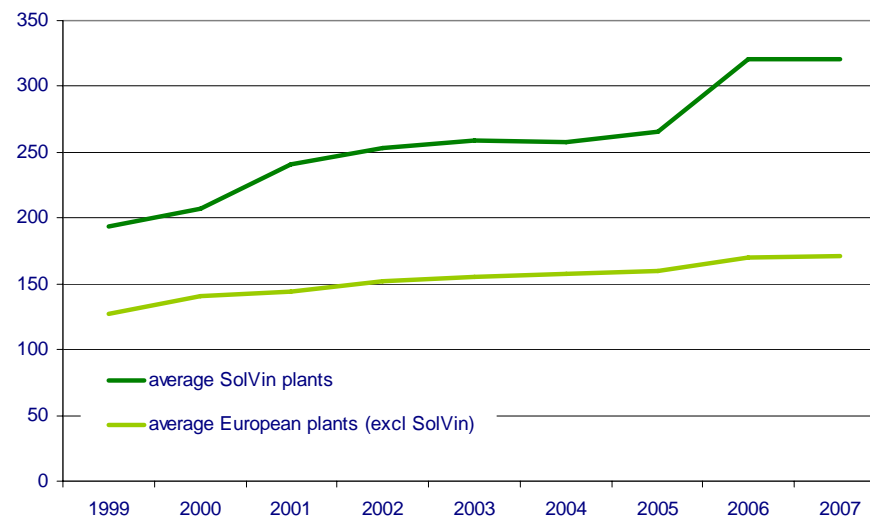
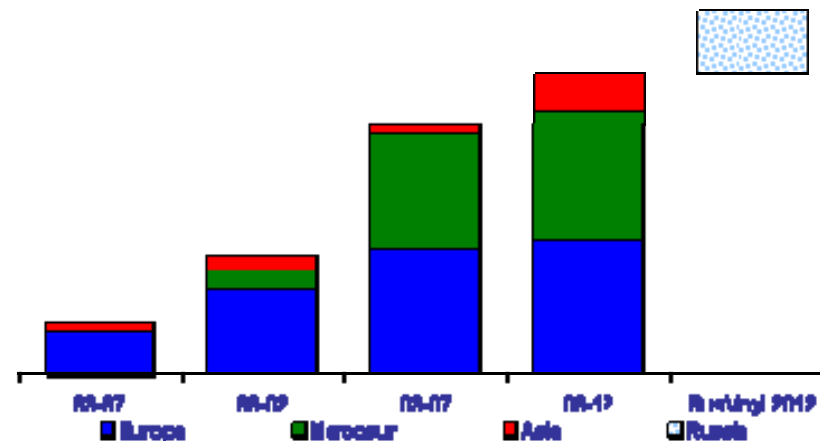
### Thailand :

- improving market conditions and results
- capacity doubled in Map Ta Phut; expansion ongoing

### Mercosur :

- strong demand growth (+15% on average) upgrade and expansion in Santo Andre

Very good performance of downstream integration





■ FOURTH RECORD YEAR

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consistent implementation of our strategy for sustainable and profitable growth

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# Ready for the future



- Growing presence in emerging markets
- Strong competitive positions:  
leadership, vertical integration and energy  
management
- Dynamic portfolio management  
support CAPEX and R&D investments

# Growing presence in emerging markets



## ASIA

- platform in Thailand :
  - new developments (Inergy, Epicerol®, Hydrogen peroxide for Propylene Oxide)
  - ongoing further capacity expansion in Vinyls
- India (Specialty Polymers, Pharma), China (Ultra pure H<sub>2</sub>O<sub>2</sub>, Specialty Polymers, Pharma), South Korea (Fluor)



## MERCOSUR

- further expansion in Vinyls, incl. bioethanol-based
- development of Pharmaceuticals
- development of Inergy, Specialty Polymers



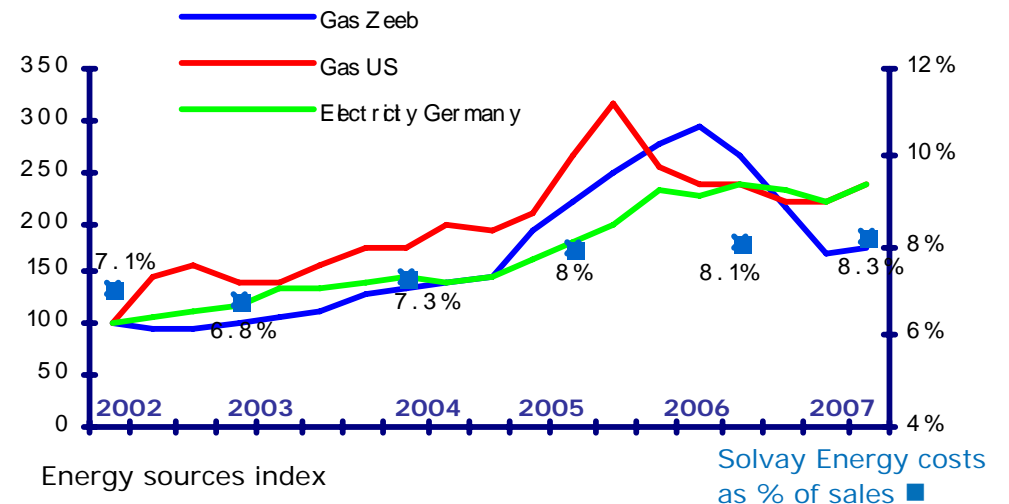
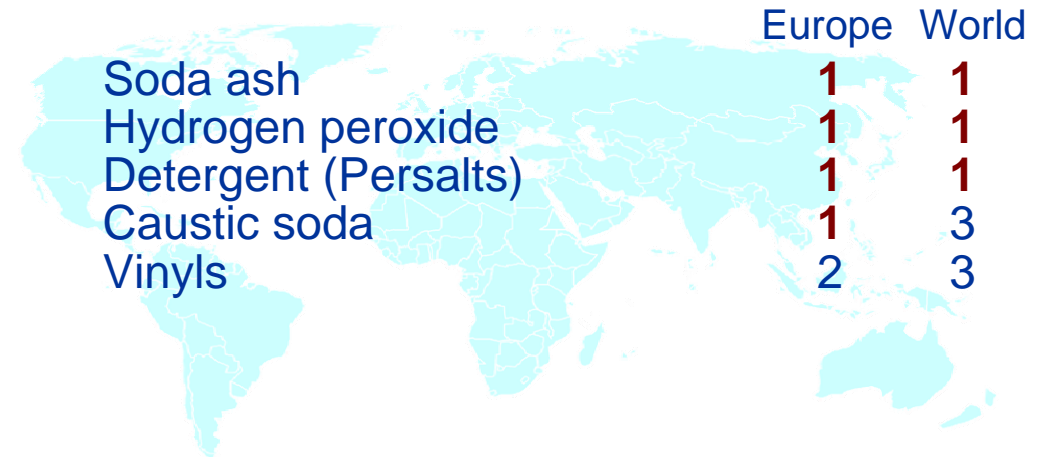
## RUSSIA/CIS

- Commercial entities
- Pharma : sales X3 over past 5 years
- Industrial project in Vinyls (RusVinyl)
- JV in Vinyl compounds
- Pipelife & Inergy

# Strong competitive position: leadership, raw materials, energy



- **Leadership** in soda ash, hydrogen peroxide, caustic soda, vinyls, ...
- **Vertical integration** largely integrated in Chemicals, partially in ethylene, fluorine monomers
- **Energy management** stable energy expenses/sales over the last years

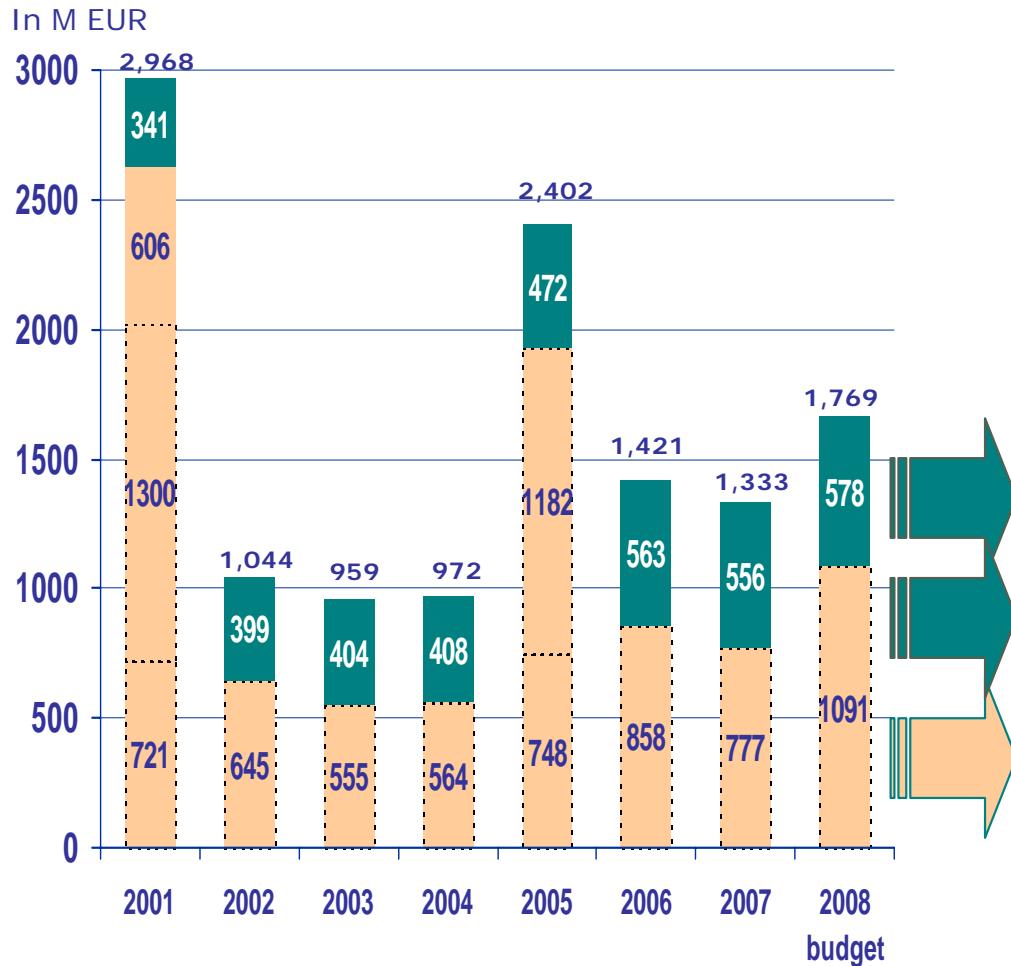


# Dynamic portfolio Management



- **Expansion & acquisitions**  
(Simcor®, Specialty Polymers, Soda ash, ...)
- **Sale** of caprolactones business (end 2007)  
and Solvay Engineered Polymers (ongoing)
- **Restructuring** in fluorinated gases, organic chemistry, Vinyls in Europe, Pipelife in Spain, Inergy Automotive in Canada & INSPIRE project in Pharma

# CAPEX & R&D investments for future growth of results



**Growth of the business**

- Pharmaceuticals & Specialties
- Focused growth in Essentials (Chemicals and Vinyls)
- R&D : 75% in Pharma, 15% in Specialty Polymers and Inergy

**Maintenance and upgrade**

■ Capital expenditures & Acquisitions    ■ R&D expenses

**Major strategic initiatives:**  
 Ausimont/BP high performance polymers (2001), Fournier Pharma - EUR 1.2 Bn (2005)



## ■ FOURTH RECORD YEAR

## ■ READY FOR THE FUTURE

consistent implementation of our strategy for sustainable and profitable growth

## ■ **2008 STARTED IN A FAVORABLE BUSINESS CONTEXT**

# Outlook 2008



*“The record results of 2007 are the fruit of our strategy of sustainable and profitable growth which we will continue. At the start of the year 2008, the business context on our main markets remains favorable and we remain attentive to the volatile evolution of global macroeconomic conditions.”*

*Press release of February 15, 2008*

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