



SOLVAY

Opportunities & Challenges

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*Chairman of the Executive
Committee*

SOLVAY INVESTORS DAYS
October 1, 2008



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Group – Chemicals and Pharmaceuticals

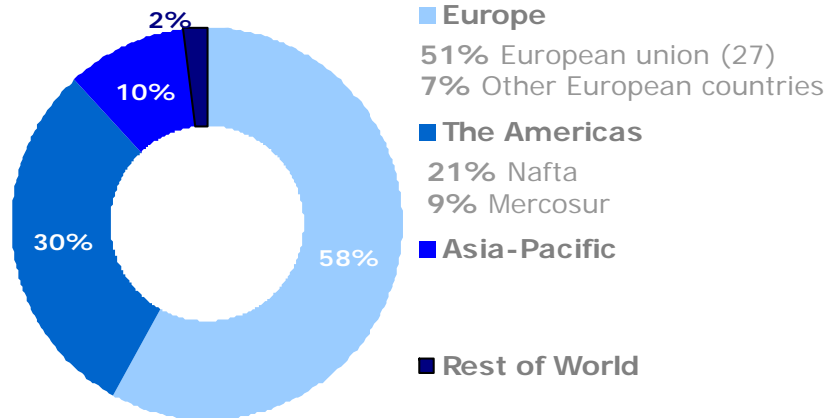
READY FOR TOMORROW



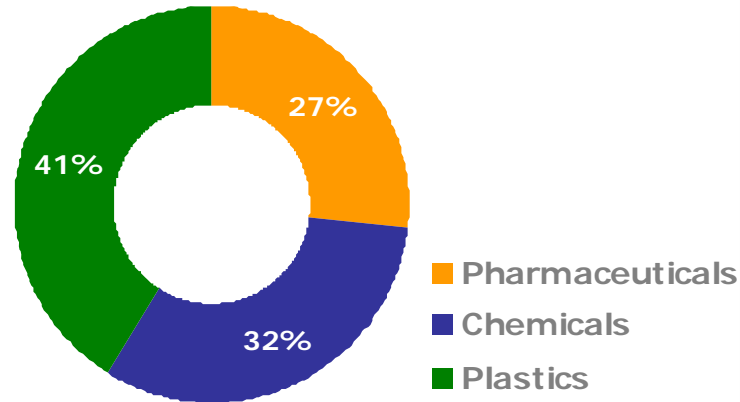
HY08

2007

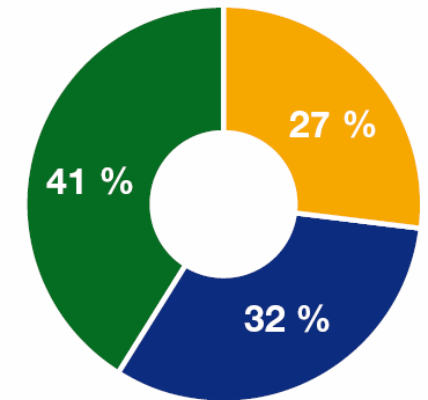
Group sales HY08 = EUR 4 731 million



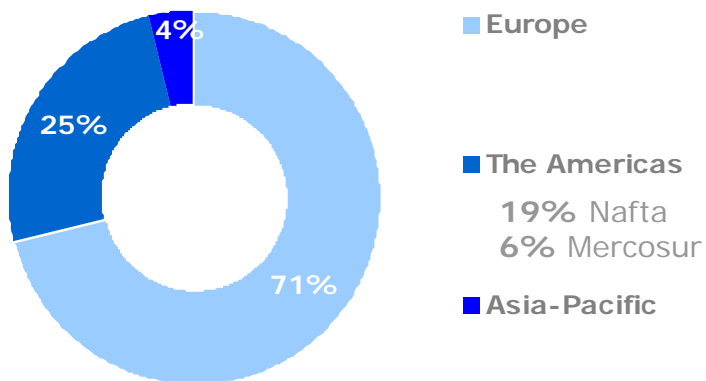
Sales = EUR 4731 million



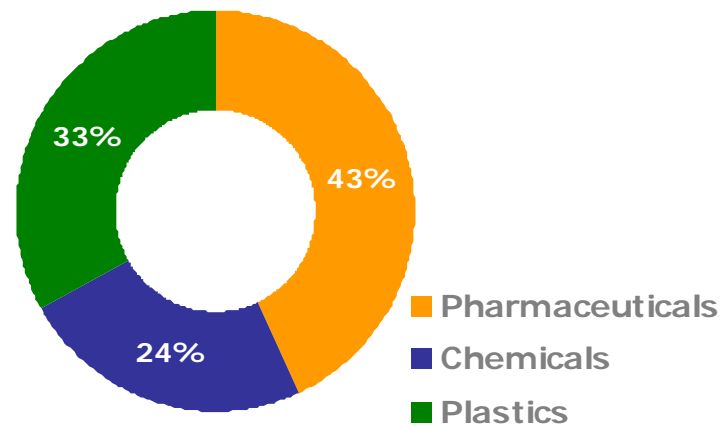
Sales = EUR 9572 million



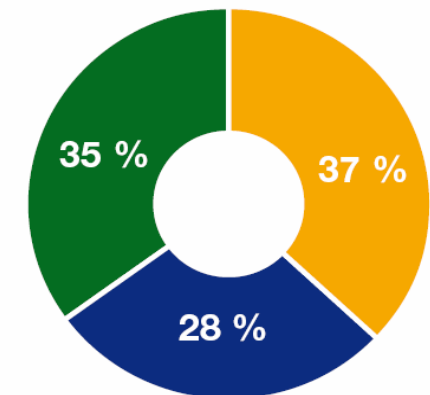
Invested capital HY08



REBIT = EUR 548 million



REBIT = EUR 1192 million



Leadership positions



Pharmaceuticals

Main Products	Europe	N. America	World
Fibrates	1	1	1
Antivertigo	1	2	1
Pancreatic enzymes	1	1	1
Antispasmodics/ irritable bowel syndrome	2	3	1
Male hormone treatment	3	1	1

Chemicals

Main Products	Europe	World
Soda ash	1	1
Hydrogen peroxide	1	1
Caustic soda	2	3
Sodium bicarbonate	1	1

Plastics

Main Products	Europe	World
Specialty Polymers		among the world leaders
Inergy Automotive Systems (fuel systems)	1	1
Vinyls	2	3
Pipelife (tubes and fittings)		leader in its markets

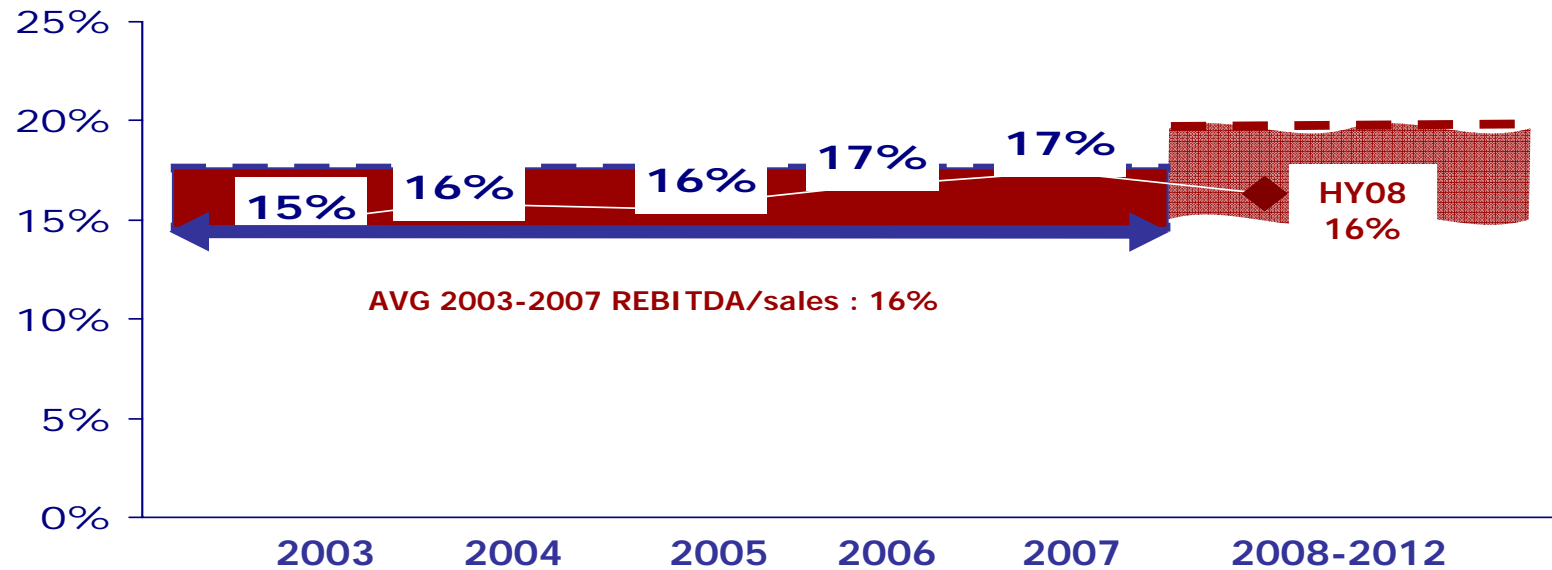
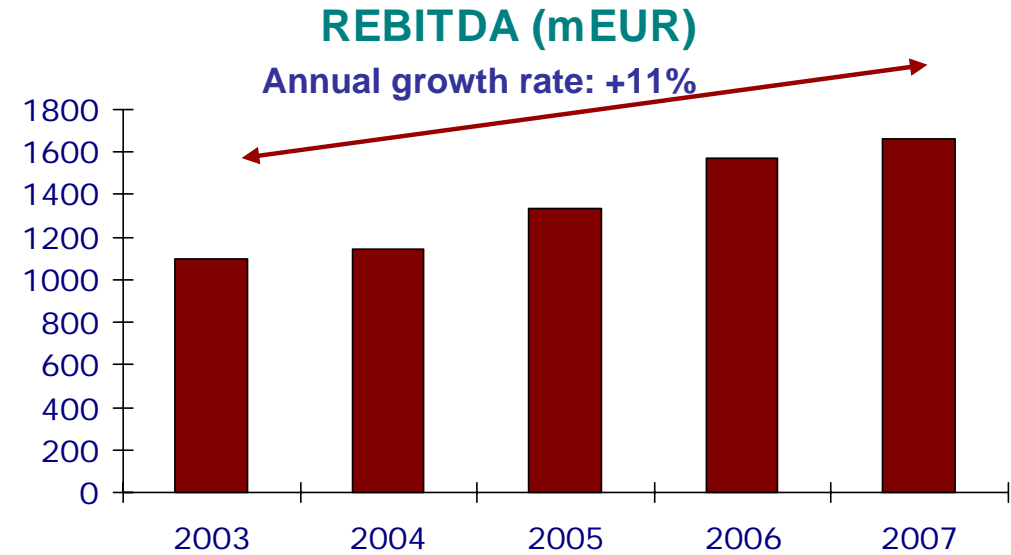
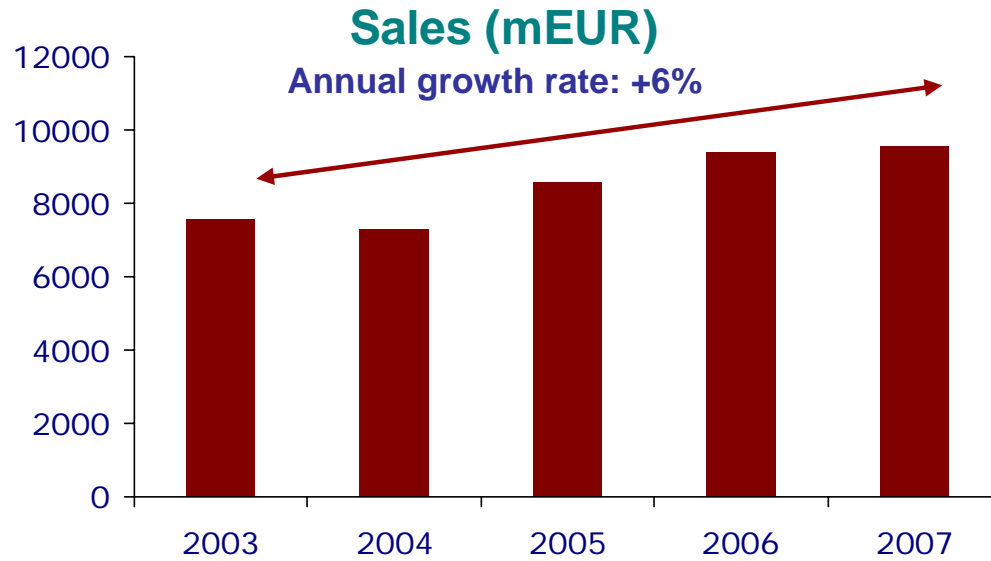
Sustainable & Profitable Growth Strategy



- Our priority is **sustainable & profitable growth** in selected areas of Pharmaceuticals, Chemicals & Plastics
- **Innovation & geographic expansion** key to our growth strategy
- **Highly competitive positions** through vertical integration, pro-active energy management and portfolio management



Key Financials



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Long Term Industry Opportunities & Challenges



Opportunities

Growth in Emerging Markets
 Innovation
 Competitiveness
 Pharma growth drivers

Challenges

Energy
 Raw materials
 Environmental footprint

Implications for the Industry

SOLVAY's ANSWERS

Sustainable & Profitable Growth strategy

Reduced cyclicity

Manage growth in **Emerging Markets**



Opportunities/ Challenges

2 billion new customers coupled with fast growing middle class to support sustained demand in emerging markets

Penetration of EU27 Chemicals & Pharma companies remains relatively low

Implications for the industry

Significant growth potential in new markets
Relocation of industrial customers
Focus areas for future CAPEX programs
Develop local management's bench strength

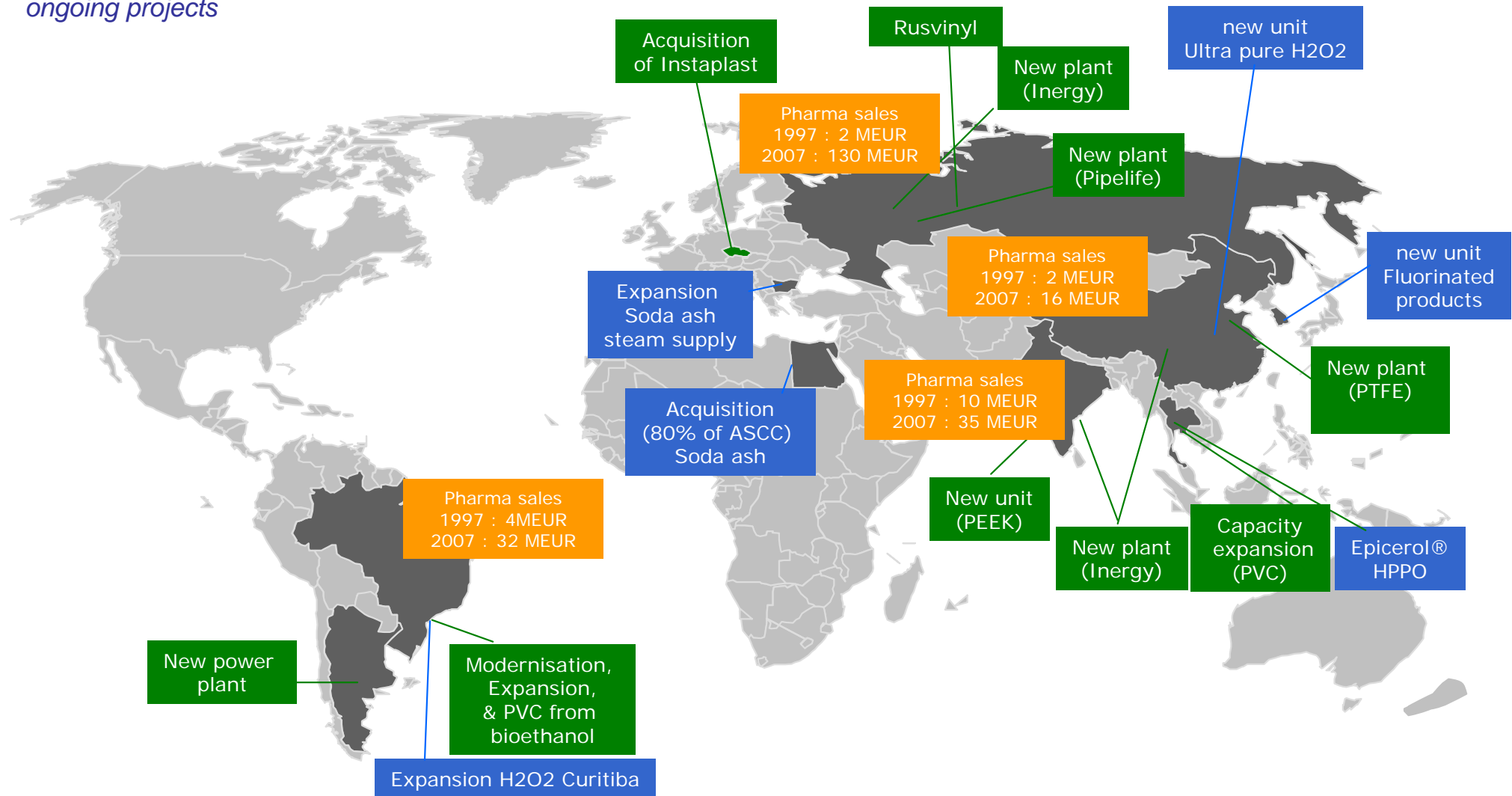
SOLVAY

Longstanding position in Mercosur and Thailand
Some 20% of Pharma sales in Emerging Markets
Expansion programs : Egypt, Mercosur, Russia, Thailand, ...
Multicultural tradition of the Group
Partnerships with customers

Manage growth in Emerging Markets



ongoing projects



Driving Innovation



Opportunities/ Challenges

Mature industry

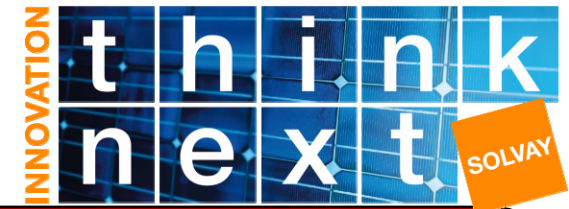
Drive for
Sustainability will
create new
markets/applications

Steady decrease of
the number of
students with a
scientific curriculum
in developed
regions

Implications for the industry

Shortage of scientific & engineering talent
Need for comprehensive innovation programs

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Long tradition of in-house product- and process- engineering
to support our projects

Solvay Corporate University

Comprehensive innovation program and clear CAPEX
commitment for innovative projects

Active participation in venture funds

Innovation scorecard



Growth

Group income from new products, applications or technologies (developed within the last five years).

Target 30%

22.0%

20.3%

Partnerships

Projects developed in partnership with external partners in the framework of structured agreements.

Target 50%

48%

48%

People

Participation level in terms of realization of innovation projects/targets

Target 100%

82 %

75 %

2009
2007
2006



Active participation in new ventures

READY FOR TOMORROW



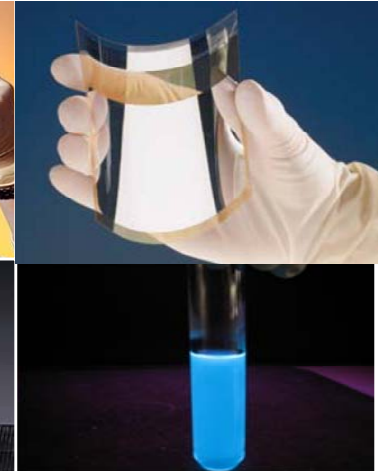
Fuel cells



Organic photovoltaic cells



Printed electronics



OLED materials



Be prepared for new Pharma industry drivers



Opportunities/ Challenges

Growing importance of new stakeholders

Emergence of personalized medicine

Shift in regulatory environment

Implications for the industry

Changing Commercial / R&D model → change in resources allocation ratios

Increased transparency of clinical data, more focus on safety, higher regulatory hurdles

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Inspire 2010 and Transformation 2015

Acquisition of Innogenetics, biomarker approach

Leverage external expertise

Further increase of spend in R&D/product sourcing

Increase Competitiveness



Opportunities/ Challenges

Long term
sustainability of
market position

Exposure to
economic cycles

Implications for the industry

Low cost production

Focus on economies of scale

Reduce impact of cyclicalities through portfolio
diversification

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Timely restructurings

Portfolio management

Efficient network in main global businesses

Top class productivity & plant size

INSPIRE project to improve competitiveness in Pharma

Secure **Energy** supply at competitive pricing



Opportunities/ Challenges

Decreasing availability of fossil energy leading to higher prices and greater volatility

Technology “push” and regulatory “pull” make renewable energies increasingly attractive

Implications for the industry

Energy has become a crucial competitive differentiator

Fundamental changes to be expected in whole industry: some businesses will go, innovative leaders in energy management will get stronger

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Stronger competitive position through:

- Energy efficiency: clear targets and increasing efforts to reduce specific consumptions and carbon footprint
- Significant benefits from cogeneration plants
- Improve the reliability of supply
- Develop synergies with partners and integrate upstream (Exeltium, Solalban, biomass, Refuse Derived Fuel, ...)
- Set up of a dedicated company : SOLVAY ENERGY

Secure long term access to **Raw Materials**



Opportunities/ Challenges

Sustained demand driven by emerging markets

Apparent or real scarcity, higher & volatile prices, consolidation among producers

Implications for the industry

Greater dependence on a limited number of producers
Risk of supply shortages
Less predictable profitability

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Vertical integration in Chemicals & Plastics

(partial : ethylene & energy)

Less impact of raw materials in Pharma & Specialty polymers

Bio-ethanol project (Brazil)

Reduce Environmental Footprint



Opportunities/ Challenges

Emissions are increasing dramatically

Costs for emitting will skyrocket

Developed regions could be at a significant disadvantage

Implications for the industry

Electricity costs and emission taxes to increase

Energy consumption to be reduced

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Sustainability strategy with clear targets

Best available technologies in Chemicals & Plastics

Develop new applications / penetrate new market segments: Specialty Polymers, PVC (Vinyloop® & bio-ethanol), Hydrogen Peroxide, Epicerol®, ...

Sustainability & our environmental commitment



- Our commitment to sustainability implies we integrate it in our strategy and implementation, in everything we do
- Definition of the strategy at Group and Sector level
- Focus on five major topics :
 - Raw Materials/Energy
 - Process Technology
 - Products
 - Research & Innovation
 - Solvay Pharma Transformation 2015
- Deployment teams led by an Executive Committee member



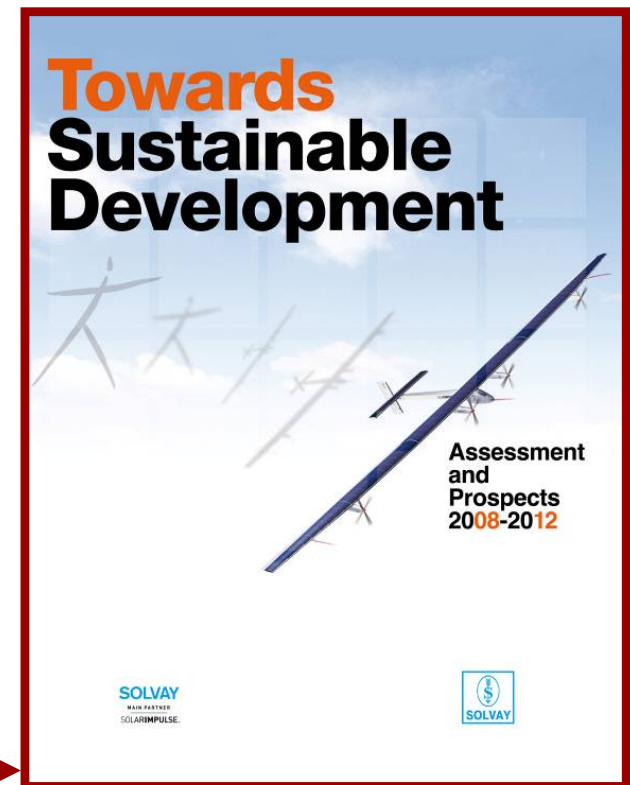
Our environmental commitment

➔ Positive impact on global CO₂ emissions from our existing cogeneration plants : more than 4 Mt per year

Group targets by 2020⁽¹⁾

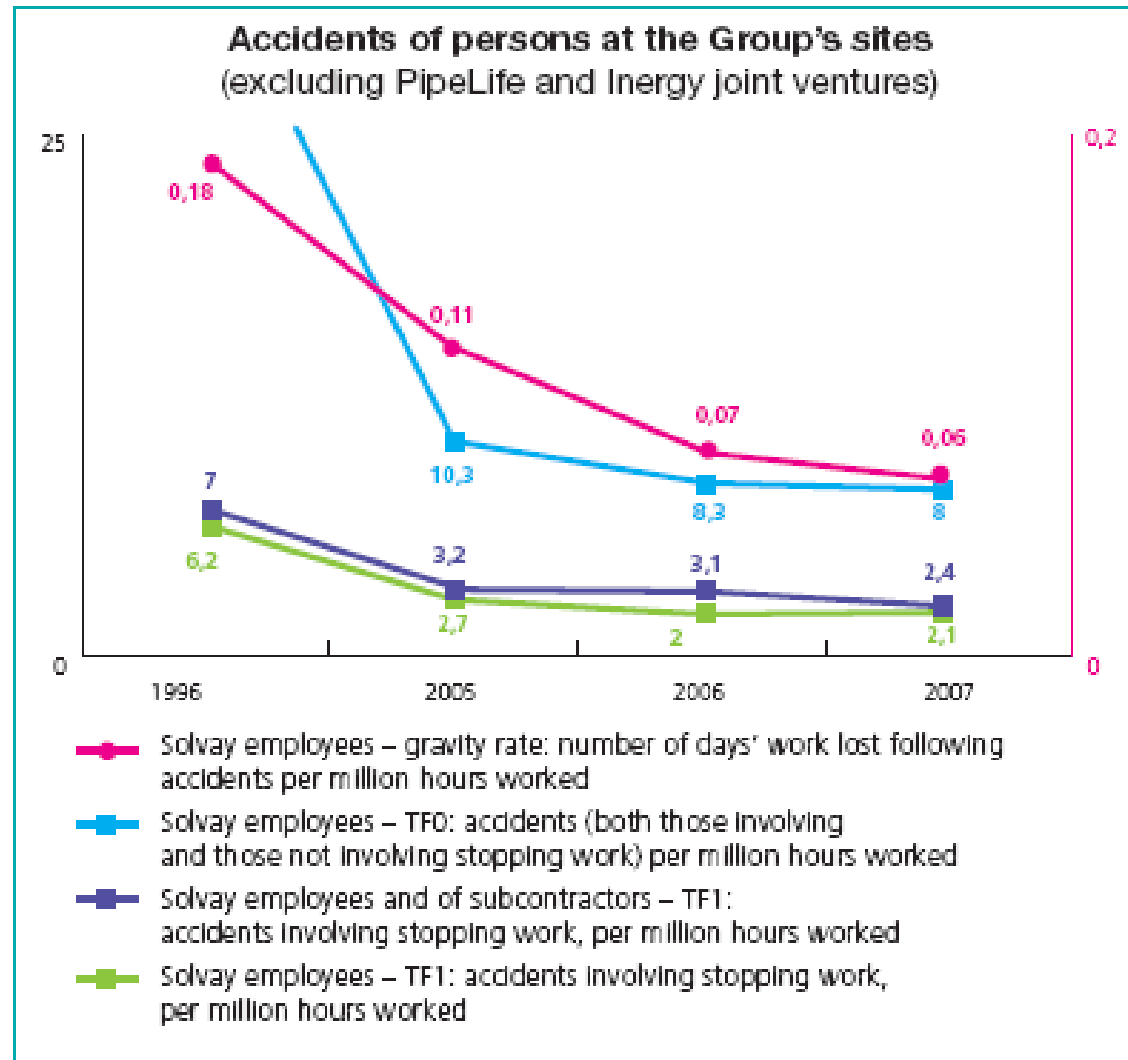
- Energy consumption -20%
 - Transportation -20%
 - GHG (CO₂ equivalent) -20%
 - Air/water emission index -20%
- Safety policy FR1 = 0

Update of Sustainability targets
2008-2012 : new report available soon
on www.solvay.com



(1) : Compared to 2006

Safety and personal development



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Significant Ongoing Initiatives

Opportunities/Challenges

	Raw materials	Energy	Environment	Competitive Position	Emerging markets	Innovation
▪ « INSPIRE »				✓	✓	✓
▪ TriLipix™, Innogenetics, cell based flu vaccine plant				✓		✓
▪ HPPO	✓	✓	✓	✓	✓	✓
▪ Epicerol®	✓	✓	✓	✓	✓	✓
▪ Mine & quarry	✓			✓		
▪ Rusvinyl, Vinythai	✓		✓	✓	✓	✓
▪ Bio-ethanol	✓		✓	✓	✓	✓
▪ Specialty polymers			✓	✓	✓	✓
▪ Solalban, Biomass, Refuse Derived Fuel,...		✓		✓		✓

→ EUR 1.1 Bn+ additional sales by 2012 from new projects in Chemicals & Plastics; Pharma on top

Portfolio Management

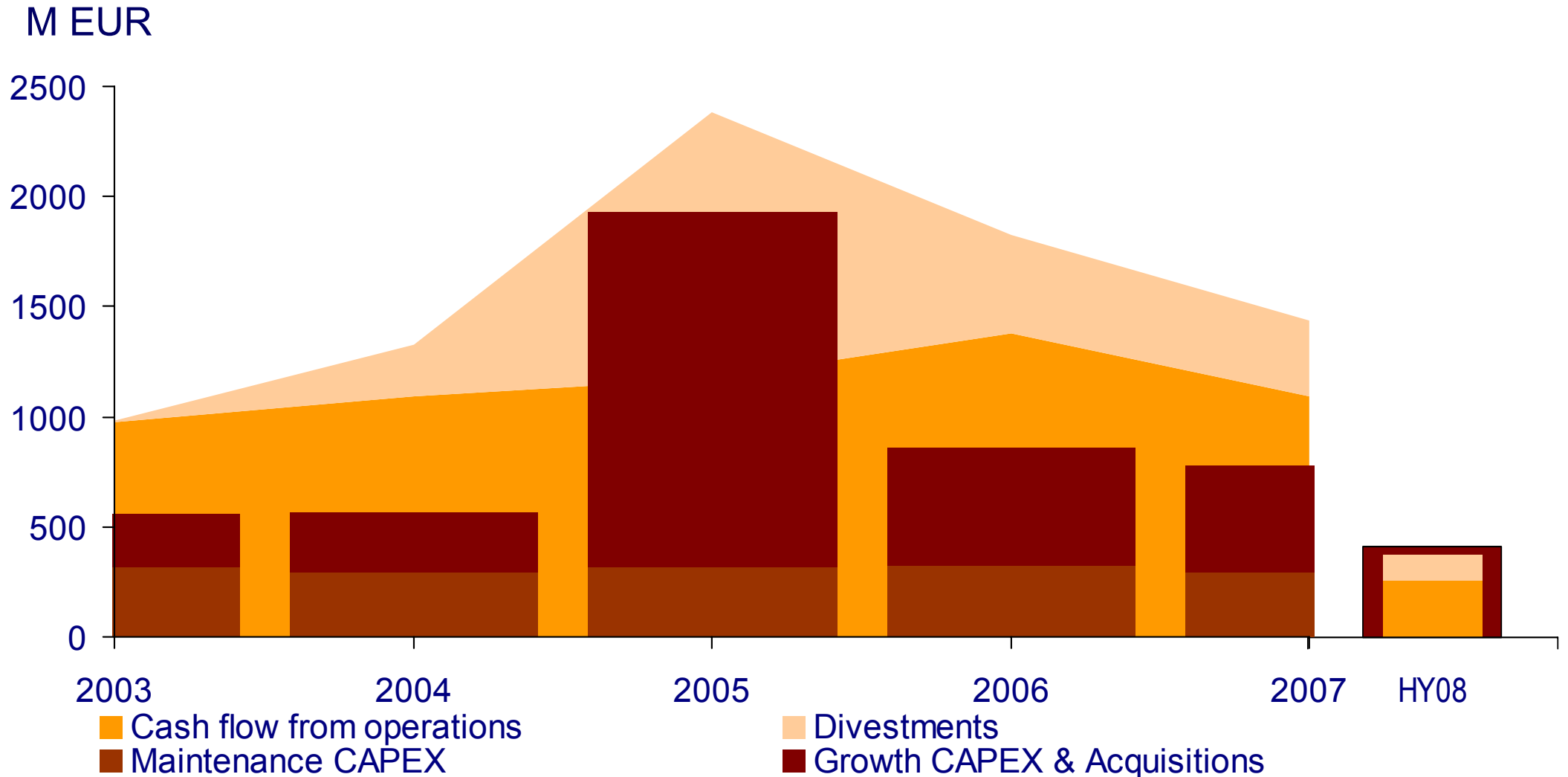


divestments of non strategic activities =
additional cash to finance growth capex

Activities	Year	(EUR m)
→ Salt	2004	92
→ Real estates divestitures	2005	134
→ Exercice of the put for HDPE activities	2005	1,021
→ Sale of Industrial Foils	2006	289
→ Sofina shares	2004/2006/2007	294
→ Caprolactones business	2007	189
→ Solvay Engineered Polymers	2008	86
→ Precipitated Calcium Carbonate	ongoing	



Disciplined use of cash & growth CAPEX



2005 : acquisition of Fournier (EUR 1,182 m)

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The industry today



- High energy prices
- Construction & automotive industries slow down
- Global financial crisis accelerates the slowdown
- Low USD/EUR rate impacts European competitive position
- Inflationary pressures

Solvay's business today



■ Chemicals

- Soda ash: tight market, increased energy, coal & coke costs versus yearly fixed sales price in Europe;
- Caustic soda: strong demand & price increases in Q3 but some margin pressure in Epichlorohydrin;
- Hydrogen Peroxyde: in Europe and Nafta, volume growth and price increases in H2/08 wherever possible; good growth in Brazil.

Solvay's business today (cont'ed)



■ **Plastics:**

- Specialty Cluster: sustained growth of specialty polymers and pressure on Inergy;
- Vinyls Cluster:
 - Europe : ethylene price volatility, and ↑ PVC price in Q3;
 - Asia & Mercosur: good growth, turnaround of major cracker in Brazil;

■ **Pharmaceuticals**

- Results in line with HY08 comments;
- Completion of Innogenetics transaction ongoing;
- On track for 2010 targets



Conclusion

Opportunities/ Challenges



SOLVAY's ANSWERS

Sustainable & Profitable Growth Strategy

GROWTH

Growth projects
in emerging markets
Driving Innovation

SUSTAINABILITY

Competitiveness
Energy Management
Vertical integration
Environmental footprint

PORTFOLIO MANAGEMENT

Reduced
cyclicality

“To the extent that any statements made in this presentation contain information that is not historical, these statements are essentially forward-looking. The achievement of forward-looking statements contained in this presentation is subject to risks and uncertainties because of a number of factors, including general economic factors, interest rate and foreign currency exchange rate fluctuations; changing market conditions, product competition, the nature of product development, impact of acquisitions and divestitures, restructurings, products withdrawals; regulatory approval processes, all-in scenario of R&D projects and other unusual items. Consequently, actual results may differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements can be identified by the use of words such as "expects," "plans," "will," "believes," "may," "could" "estimates," "intends", "goals", "targets", "objectives", "potential", and other words of similar meaning. Should known or unknown risks or uncertainties materialize, or should our assumptions prove inaccurate, actual results could vary materially from those anticipated. The Company undertakes no obligation to publicly update any forward-looking statements”



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