

# ***SOLVAY GROUP***

## *9M08 Results*

30 October 2008





# Financial highlights 9m08 <sup>(1)</sup>

## ■ NET SALES (EUR 7.2bn):

- 9m: Stable (+3% at constant exchange rates)
- Q3: +4%

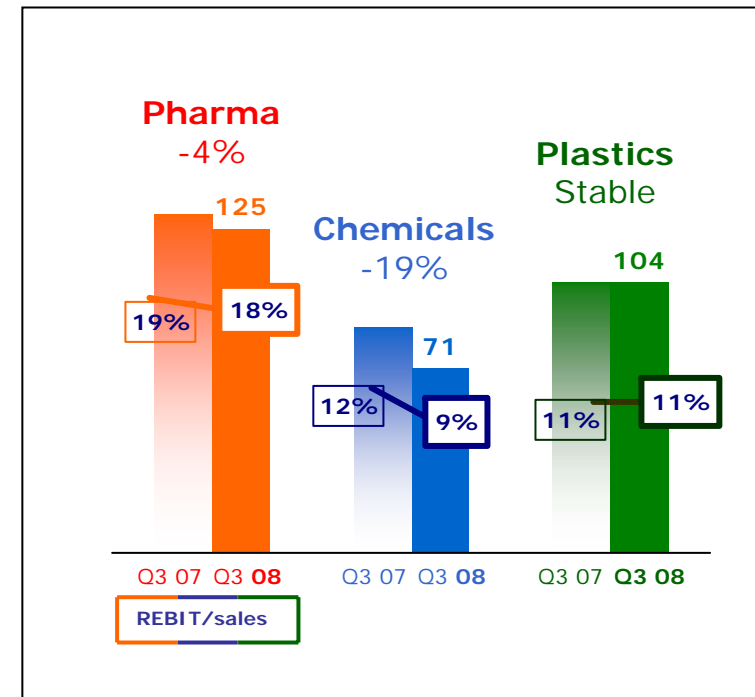
## ■ REBIT 9m (EUR 840m):

- Group: -9%
- Pharma: +11%; Chemicals: -25%; Plastics: -17%

## ➤ REBIT Q3 (EUR 292m):

- Group: -6%
- Pharma: -4%; Chemicals: -19%; Plastics: Stable

**REBIT Q3 08 versus Q3 07**



# Financial highlights 9m08 <sup>(2)</sup>



- **GROUP NET PROFIT : EUR 426m (-34%)**
  - ➔ **Non recurring items:** EUR +50m (i.e. reversal of an impairment in Soda Ash US: EUR 89m; capital gain on the sale of SEP: EUR 29m; restructuring charges (Inspire & Molecular Solutions))
  - ➔ Impairment on the **participation in Fortis:** EUR -256m, of which EUR 164 m already charged to equity in HY08, marked to market at 4.30 EUR (= share price as of 30.09.08).
  - ➔ Lower **net debt charges** in Q3/08 due to the positive non realized result on a foreign exchange hedging instrument (EUR 13m)
  - ➔ **Effective tax rate** of 26%
- **SOUND FINANCIAL STRUCTURE**
  - ➔ **Net debt/equity** : 39% after payment of EUR 157m for the acquisition of Innogenetics shares; in line with our financial targets.
  - ➔ Consistent implementation of our **strategy & our dividend policy**
- **INTERIM DIVIDEND** : EUR 1.20 per share before withholding taxes

# Pharma in 9M08



**Net sales +1%** (+6% at constant exchange rates)

## Sustained growth

- in major products
- USA (+10% in USD; -3% in EUR)
- emerging markets and Europe developing well
- aperiodical revenues in HY08 but not in Q308

## offsetting

- currency fluctuations (*sales impact: -5%, EUR 103m*)
- generic impact on Marinol® (*sales impact: -2%, EUR 39m*)
- generic competition in Europe, particularly in France (*sales impact: -1%; EUR 24m*)

## REBIT + 11%

- « Inspire » project on track
- Sale of non strategic products during HY08: EUR +71m  
more than compensate higher R&D and Simcor®'s co-promotion costs
- R&D: EUR 338m, 17,4% of revenues  
(9m07: EUR 322m, 16.6% of revenues)
- Costs (EUR -42m) related to the co-promotion of Simcor®\* with Abbott



# Growth in major products

Net sales (EUR m)		2007	9m08	9m08 vs 9m07	9m08 vs 9m07 (constant exchange rates)
<b>PHARMACEUTICALS</b>		2,591	1,944	+1%	+6%
Cardiometabolic	Fenofibrates	433	345	+7%	+16%
<i>TriCor sales booked by Abbott in the US in 9m08 : USD 886m (+7%)</i>					
Women's & Men's health	Androgel®	308	239	+2%	+15%
Pancreatic enzymes	Creon®	198	158	+10%	+16%
Neuroscience	Serc®	150	123	+8%	+8%
Influenza vaccines	Influvac®	127	78	-16%	-16%
Cardiometabolic	Teveten®	106	88	+13%	+13%
Gastroenterology	Duphalac®	99	78	+6%	+7%
Women's & Men's health	Duphaston®	90	71	+12%	+12%
Neuroscience	Marinol®	105	41	-49%	-42%
Neuroscience	Luvox®	83	63	+5%	+7%



# Pharma R&D developments

## ■ **Cardiometabolic:**

- **treatment of dyslipidemia: fenofibrate franchise expansion:**
  - TriLipix™ (\*): US regulatory submission in Q4/07; expected response in Q4/08
  - Fixed dose combinations :
    - focus on (a) TriLipix™+Crestor™ (b) Zolip (Fenofibrate NFE & simvastatin)
- **SLV319** (obesity, worldwide rights back to Solvay) : Phase II trial completed
- **PULZIUM® intravenous** : approved in EU (UK, Spain, Sweden)
- **SLV320** (acute heart failure): Phase II ongoing

## ■ **Neuroscience:**

- **bifeprunox:**
  - Clinical trials in Europe continue (together with Lundbeck)
  - Clinical development on hold in US
- **pardoprunox** (SLV308): phase III ongoing (regulatory submission targeted in 2011)
- **Duodopa®**: US phase III ongoing

## ■ **Pancreatic enzymes:** Creon®:

answers to the « approvable » letter submitted to the FDA  
Phase III studies ongoing in Japan with Eisai

## ■ **Influenza vaccines:**

- validation of **cell based production**: completion in 2009; commercialization in Russia from season 09 onwards;
- 1<sup>st</sup> clinical study **in the US** completed in Q4/07; EMEA & FDA regulatory submission targeted by end 2010

6 \* developed with Abbott (ABT 335)

# Acquisition of Innogenetics



- **Solvay holds 93,1% Innogenetic shares** mid October
- **Offer extended** from October 22 to November 12, 2008
- **Transaction value** for 100% of the outstanding shares of EUR 200.7m (EUR 6.50 per share); financed by available resources
- **An opportunity for Solvay Pharmaceuticals :**
  - **Accelerate** the development of Solvay's therapeutic pipeline
    - Expand biomarker technologies and enter progressively into the field of personalized medicine
  - **Expand** the diagnostic activities
    - Reinforce existing commercial operations
    - Continue the development of Innogenetics' diagnostics pipeline

# Chemicals in 9m08



m EUR	NET SALES <sup>[1]</sup>			REBIT	Comments
	2007	9m08	9m08 vs 9m07		
<b>CHEMICALS</b>	<b>3,031</b>	<b>2,330</b>	<b>+2%</b>	<b>-25%</b>	<ul style="list-style-type: none"> <li>→ Generally <b>good demand</b></li> <li>→ <b>Continued increase</b> of energy, coke, propylene and distribution costs; one-time production and start-up costs</li> <li>→ <b>Price increases</b> of caustic soda in Q3</li> <li>→ « <b>Minerals</b> » : sales growth but results under pressure due to increase of energy costs.</li> <li>→ « <b>Electrochemistry &amp; fluor chemicals</b> » : good demand and important price increases for caustic soda; results of epichlorohydrin under pressure.</li> <li>→ « <b>Oxygen</b> » : price pressure in Europe and sale of caprolactones in 2007</li> </ul>
<b>Minerals cluster <sup>[2]</sup></b>	<b>1,336</b>	<b>1,059</b>	<b>+6%</b>	<b>↘</b>	
<b>Electrochemicals and Fluor chemicals cluster</b>	<b>1,103</b>	<b>875</b>	<b>+4%</b>	<b>↘</b>	
<b>Oxygen cluster <sup>[3]</sup></b>	<b>528</b>	<b>344</b>	<b>-14%</b>	<b>↘</b>	

[1] including SBU Molecular Solutions

[2] including SBUs Soda ash and related specialties and Advanced Functional Minerals.

[3] including SBUs Hydrogen peroxide, Detergent and Caprolactones (until December 31, 2007 for this latter with sales of EUR 79m)



# Chemicals in 9m08



## ■ Minerals: **soda ash**

- Good global demand
- Results under pressure: 2008 annual price in Europe does not compensate higher costs
- Growth in bicarbonate

## ■ Electrochemicals and Fluor chemicals

### **Electrochemistry (caustic soda / epichlorhydrin)**

- Caustic soda: Good demand; Strong price increases during Q3 08
- Epichlorohydrin: Results under pressure due to increase of raw material costs, higher competition and low USD.

### **Fluor commodities**

- Favorable evolution of fluor specialties
- First results of the ongoing restructuring program
- Still difficult market conditions for fluor commodities

## ■ Oxygen : **hydrogen Peroxide**

- Good demand and prices, except in Europe
- Results impacted by the increase of energy costs



# Plastics in 9m08

m EUR	NET SALES			REBIT	Comments
	2007	9m08	9m08 vs 9m07		
<b>PLASTICS</b>	<b>3,950</b>	<b>2,942</b>	<b>-1%</b>	<b>-17%</b>	<p><b>Specialty polymers</b></p> <ul style="list-style-type: none"> <li>→ Generally good demand: average volume growth (+9%)</li> <li>→ Impact of strong EUR</li> <li>→ Performance improvement in Q3 versus last year</li> <li>→ Sale of SEP<sup>(1)</sup> in February 08</li> </ul> <p><b>Vinyls</b></p> <ul style="list-style-type: none"> <li>→ Europe: price increases to compensate higher ethylene and energy prices in Q3/08.</li> <li>→ Asia &amp; Mercosur: market remained favorable in Q3/08.</li> <li>→ Economic crisis has recently impacted global PVC demand</li> </ul>
Specialties cluster <sup>[1]</sup>	1,737	1,172	-10%	↘	
Vinyls cluster <sup>[2]</sup>	2,213	1,770	+5%	↘	

[1] Including SBUs Specialty Polymers and Inergy Automotive Systems (fuel systems) Sale of Solvay Engineered Polymers in February 2008 (2007 sales : EUR 168m).

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

# Plastics in 9m08



## ■ Specialty Polymers

- Good global demand; volume growth: +9% vs 9m07 (double digits growth in Asia; significant growth in Nafta; moderate growth in Europe)
- Major growth drivers: metal replacement, oil & gas, medical, alternative energy sources
- Several price increases for all product lines to mitigate the impact of the raw material price increases
- Sustained R&D efforts (5% of sales) & new sales ratio > 30%.

## ■ Energy:

- Results affected by cost pressures and slowdown in automotive industry
- Impact mitigated thanks to costs reduction and industrial redeployment

## ■ Vinyls

- Europe: price increases to compensate higher ethylene & energy prices in Q3/08; in Asia & Mercosur, the market remained favorable in Q3/08
- Economic crisis has recently impacted global PVC demand

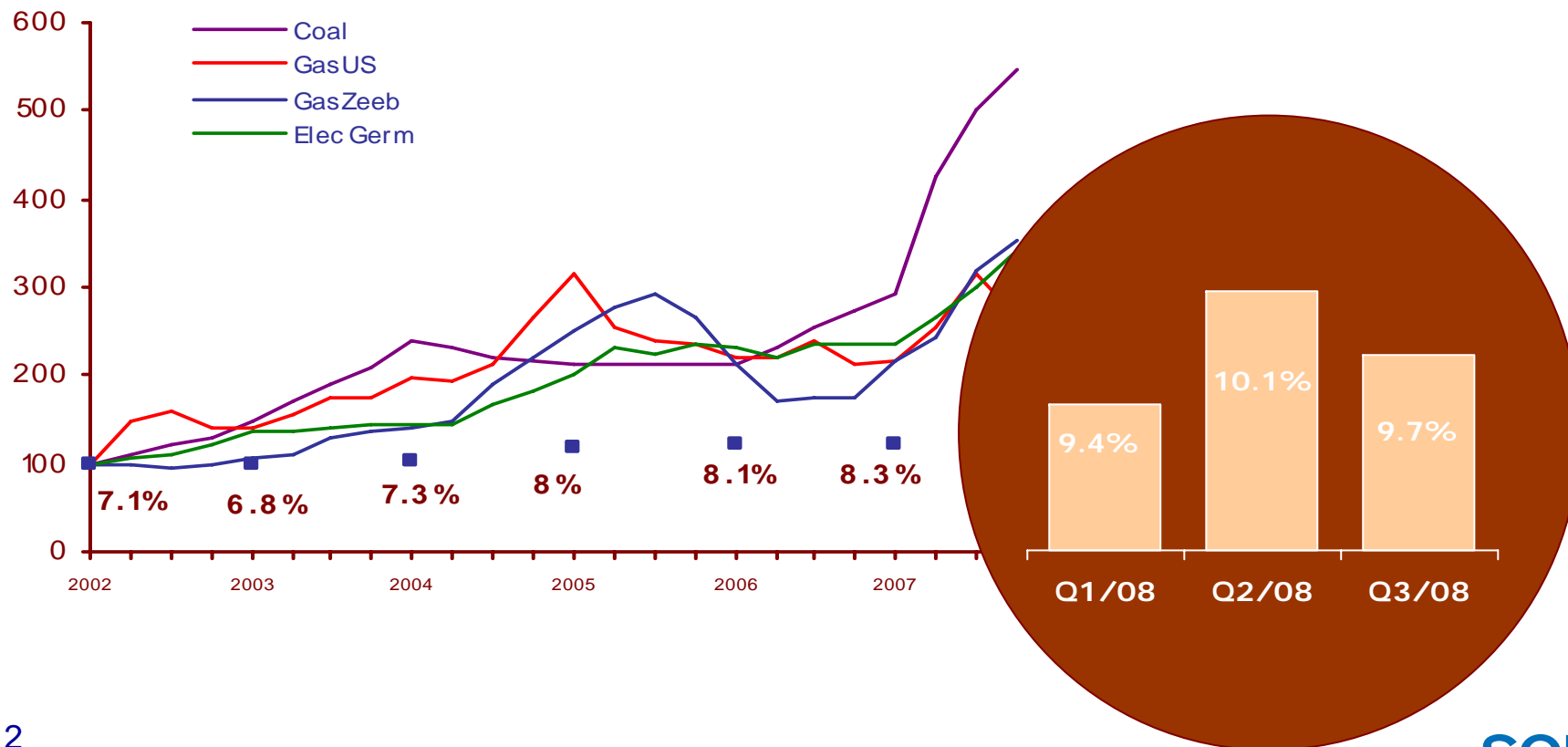
## ■ Pipelife: Volume growth in Central & Eastern Europe; resilient results



# Measures to support industrial margins

## ■ Price increases from 10% to 50%

- To reflect continued increase of energy, coke and ethylene costs
- Implemented as markets & contracts permit



# Measures to support industrial margins



## ■ **Strict cost control + effects of ongoing restructuring**

To maximize competitiveness

2007/2008 reduction of ~2,000 FTEs

### ■ **Pharmaceuticals**

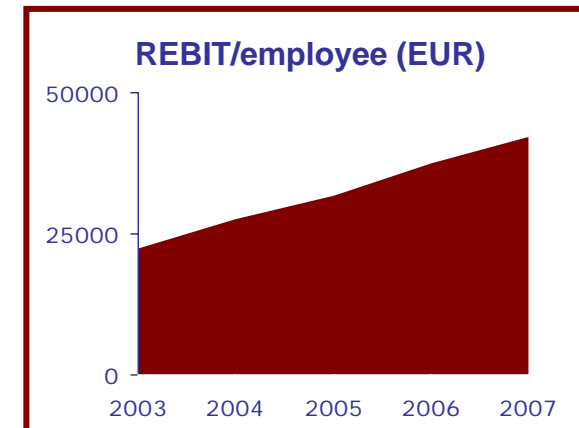
Inspire program

### ■ **Chemicals**

Chloromethane unit (Bussi, Italy);  
restructuring of Girindus (Germany) : sale  
of activities in Kuensebeck; Restructurings  
in fluorinated commodities (5 sites in Italy,  
Spain & Germany)

### ■ **Plastics**

Vinyls (Brazil; Benvic®, Belgium); Inergy  
Automotive Systems (Japan & Canada),  
Specialty Polymers & Pipeline (Spain)



## ■ **European backoffice functions (HR & Finance) centralized in Portugal**

→ **Yearly cost savings of EUR 27m as from 2008**



# Strong financial structure

→ No major maturity before 2011

	<u>2011</u>	<u>2013</u>	<u>2014</u>	<u>2016</u>	<u>2018</u>
<b>1. <u>Net debt:</u></b>	1.9				
Of which EMTN issues	1.0		0.5		0.5
Hybrid issue	0.5			0.5	
with fixed rates	1.5				
<b>2. <u>Undrawn commitments:</u></b>	1.8				
CP (unused)	0.6				
Revolving credits (unused)	1.2	0.8	0.4		

→ **End of September 2008**

Financial debt covered up to 79% (fixed rate of 5.4%; duration of 7.6 years)

# Outlook 2008

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*«As previously announced, the operating results of the Solvay group for the year 2008 will remain at a sustained level but will not reach the record results of the year 2007. The operating result of the Pharmaceuticals sector should exceed the record level of 2007.»*

*Press release of October,30 2008*

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