

**Solvay 1Q10 Results**  
**Wednesday 12<sup>th</sup> May 2010**  
**2:00 p.m. UK time**  
Chaired by Bernard de Laguiche

**Bernard de Laguiche**

Good afternoon Ladies and Gentlemen, and welcome to this conference call on Solvay's 1Q10 results. I am Bernard de Laguiche, CFO. I am joined by my colleagues Jacques van Rijckevorsel, Group General Manager of the Plastics Sector and Vincent De Cuyper, Group General Manager of the Chemicals Sector.

I will start with a brief comment on our 1Q10 results. After that, we will have a Q&A session.

Sales of continuing activities increased by 18% compared to 1Q09 thanks to a globally more sustained level of activities. The corresponding recurring operating result or REBIT rose from 64 million euro in 1Q09 to 115 million euro, up by 80%. In comparison with the last quarter of 2009, REBIT improved some 29%. It has benefited from higher sales volumes and cost reduction measures taken in 2009 and before. Importantly, the energy costs of the 1Q10 are close to the costs recorded in the 1Q09 despite significantly higher production levels.

Total Group's REBIT, that is including discontinued operations, stands at 146 million euro at the end of the first quarter.

Pharmaceuticals' REBIT is included in the Group's results until 15 February 2010 and amounts to 31 million euro. Net profit for the period includes 1.7 billion euro net capital gain on the sale of our Pharmaceuticals business.

In our Chemicals Sector, total volume is up by 17% but prices are on average down by 23%. The lower prices mainly concern the soda ash and caustic soda businesses. In total, this resulted in a 6% decline of our sales compared to 1Q09. Thanks to the improved capacity utilization rates and well managed energy expenses, REBIT of the Chemicals Sector rose by 9% compared to the same quarter last year.

The sales of our Plastics Sector clearly improved: + 46%. This improvement mainly comes from the sharp volume recovery in Specialty Polymers, up by 37% compared to the 1Q09, while prices remained stable. Volume growth came from all regions but was most outspoken in Asia. REBIT of the Plastics Sector clearly improved; it rose from 7 million euro in 1Q09 to 59 million euro now. This is mainly driven by the Specialty Polymers business which achieved a jumpstart of the year. Vinyls remain impacted by depressed construction market in Europe and by low margins in Europe and Latin-America. However, it should be noted that there are some signs of slight recovery since March-April 2010.

In the new segment "New Business Development" we report REBIT of -6 million which compares with -5 million euro in the same period last year. For the full year 2009, REBIT amounted to -25 million euro and you can expect that this will rise to about -30 million euro this year. As indicated in previous calls, we expect some 500 million euro additional sales coming from NBD activities by 2015, directly booked in this specific segment or transferred to the relevant SBU's.

Regarding financial items I mention a change in the treatment of financial charges in line with IAS19. These include since the start of 2010 also the actualization cost of provisions as these are also expenses of a financial nature. This has led us to restate the 2009 figures.

As indicated in yesterday's 1Q10 results press release, the priority will this year go to the optimal reinvestment after the disposal of the pharmaceuticals activities. We intend to reinvest in organic and sizeable external growth, focused on long term value creation.

The selection criteria used for this reinvestment are publicly well known. Evaluations about such reinvestments are ongoing and I will avoid making other comments on this topic.

I also want to draw your attention on the Horizon project on which the group works with the objective to optimize the effectiveness of the organization and prepare it for its future growth. The cost savings potential identified in this Horizon project is estimated to reach up to 120 million euro by the end of 2012. Based on established practices we estimate the one-off costs linked to these savings to reach at least one time the yearly savings.

I want to conclude with the outlook statement which we discussed with our shareholders at yesterday's AGM:

"The year 2010 started in the context of demand recovery. Should this improvement be confirmed in the next months, it should allow the Chemicals Sector to realize a recurring operating result in line with that of last year, notwithstanding the price decreases; in Plastics, the volume growth should support REBIT expansion. The priority will this year go to the optimal reinvestment after the disposal of the pharmaceuticals activities."

Let us now open it up for questions.

## Questions and Answers

### **Investor 1**

*Two questions from my side. First, on the cost-savings program of €120 million, you have been restructuring for some time now and also reduced the headcount, so my question is, why does this come on top now demand is improving? The second question is on your PVC business. You said that March seemed to be low in Europe and Mercosur. Can you confirm that is still due to the exports from the US and, if yes, can you share what is your view, how long you expect this to continue?*

### **Bernard de Laguiche**

Okay, thanks. I will answer your first question and then pass on the word to Jacques van Rijckevorsel for PVC margins. Our cost-savings program is a result of our restructuring. As you know, we sold our pharmaceutical activities and have within our organisation people who were working for the pharmaceutical activities, people in services, people in corporate functions, etc. So after we sold that sector we believe that we have to readapt our size and the size of our functions to take our new scope into account. And of course that is one part. The other part is that we want to create a group, that is more reactive and more oriented towards growth and so both considerations led us to start this new project and review our structure to make it also more motivating for our collaborators, especially those who are on the ground, meaning in sales, in production, so that they feel they are part of a more reactive Solvay Group and more growth oriented for the future. That was for the first question. Jacques, on PVC?

### **Jacques van Rijckevorsel**

Thank you Bernard. The question was about the margins and the pressure in Mercosur and in Europe and the relationship with possible US imports. The first thing is that the US imports are much less now, mainly in Europe but also in Mercosur due to two factors: the increase of the

ethylene in the US Gulf coast on the one side, and the strengthening of the dollar on the other side. The problem that we are experiencing in the two regions is more linked to the catching up of price increases of ethylene in the two regions in an environment which is improving but we still have some overcapacity, mainly in Europe.

**Investor 1**

*So you would expect the US imports to halt in the coming quarters?*

**Jacques van Rijckevorsel**

For the time being we don't see American products in Europe. We see some American products in Mercosur and if ethylene in America stays at that level and dollar stays at that level, I think that, okay, American exports are less competitive and they are more going into Asia and Russia and Turkey and so on, but less in the two regions which I just mentioned.

**Investor 1**

*Okay, that's very clear, thank you.*

**Investor 2**

*Just a few questions building further on the plastics. Have you seen in the specialties side any restocking during the quarter and could you maybe comment on the demand dynamics that you have seen coming out of the first quarter into the second quarter? And, secondly, on the vinyls specifically, can you give some indication whether you are in a profitable territory for that business on a global scale in the first quarter, given the tough conditions in the Europe and Mercosur that would be interesting. And then on the Horizon plan, finally could you give any view on how you will allocate in the time going forward the provision for this plan? Should we bank on the majority of the provision, restructuring provisions, being taken this year, or would you be able to provide some guidance on that? Thank you.*

**Bernard de Laguiche**

Okay, before responding on the provisions and passing the word to Jacques on the plastics, I would like to make a general comment on the plastics results this quarter. You will note that more than 75% of our operating result in this quarter comes from the specialty business and so you can now see that our specialty polymers business is becoming extremely important to Solvay. I can illustrate that by the fact that it is, for the first quarter, the largest profit contributing SBU in our group. So it's a very critical and important activity for our group now. By the way, it is not only specialty polymers that have contributed well in this quarter; it is the same for our chemical specialties like allylics and like bicarbonates. There, Vincent will be open to answer your questions if you have some. And now I would like to pass the word to Jacques and then I will come back on the Horizon provisions.

**Jacques van Rijckevorsel**

Thank you, Bernard. First the question about the specialties, do we see restocking. I think that there is a part of the increase that is coming indeed from restocking, but not only with our customers but also further down in the value chain; for instance, you have also restocking by the OEMs in the automotive industry and so on, and that of course creates some demand. But I would stress the fact that the demand in specialty polymers has also experienced material growth towards new countries and new applications. And I am talking about Asia, for instance, where we are with more than a quarter of our sales in specialty polymers. So there is on one side restocking, on the other side you have the underlying demand, and new applications, new countries and Asia mainly. So then about the Vinyls, are we profitable? Yes, Mr de Laguiche already gave you some hint on that and, yes, we are profitable in these three regions.

**Bernard de Laguiche**

Now on the provisions concerning Horizon, first of all, we wanted to give to you in this quarter an indication of what the total costs could be, and that is why we mentioned costs that could be above one times savings, one-off costs. Now how will we book that? We will book them in the next quarters, according to our decisions, and to the applicable social procedures and corporate governance rules. So that will indeed happen in the next quarters.

**Investor 2**

*But you cannot give any indication whether that's 20% of the amount for this year and the bulk in 2011 or something like that?*

**Bernard de Laguiche**

No, we are not giving any indication, but you know that the savings we give in the frame of Horizon project are of course internal and external costs altogether, and there too I will not give an indication at this stage; it is too early.

**Investor 3**

*I have two questions, first on chemicals. Could you maybe elaborate on the market conditions, the market balance pricing outlook for key products like caustic soda, soda ash and hydrogen peroxide? And what assumptions are you taking into your model for making the outlook statement for chemicals on pricing for the remainder of the year for those products? And the second question is on the working capital. We saw an increase in working capital of €191 million in the first quarter. Could you maybe guide us through whether you expect further increases in the months or quarters ahead? Thank you.*

**Bernard de Laguiche**

Maybe I start with the working capital, Vincent, and then pass the word to you on the price of the main chemicals. So the working capital increase in the first quarter is approximately €200 million, and there are different explanations for that. The main one is the fact that our business increased and that has an impact of more than €100 million, mainly on receivables, slightly on inventories, but inventories were not the major impact. Then we had suppliers and our suppliers, we financed through suppliers relatively less in the first quarter. One reason for that is also that we invested less in the first quarter of 2010 than in the fourth quarter or at the end of 09. And so the suppliers for capex were less important and this increased the working capital.

We do expect that in going concern during the next quarters, our suppliers should go back to a relatively normal level, meaning the working capital should go down for the suppliers of CAPEX and the receivables and inventories will reflect business. But of course you will note that inventories are at a much lower level now than they were one and a half year ago. What I would like also to insist on is that our DSO - days sales outstanding - for our receivables, is very well under control and we have seen no major problem at all, arising from the financial crisis in the past 18 months. That is also a positive and our DSO, everything included, is around 50 days. That was on the working capital. Maybe Vincent on the chemicals?

**Vincent De Cuyper**

Yes, I will make an overview on our main commodities on markets and pricing, present situation. So let's start with soda ash. As you know, you're seeing that our sales in the minerals cluster are down by 8% compared to the first quarter of 2009. We have to take into account that the soda ash industry is a laggard and that the first quarter of last year was still quite a good business quarter in terms of activity. How is the market today in soda ash? We have seen some improvement in

volumes, as we mentioned, and this is mostly driven by export markets. Asia and South America are doing better, reflecting a better growth environment in these areas. In the US and Europe I must say that the domestic market remains quite flat. We see very, very slow recovery in Europe and the US and this is mostly linked to the fact that the soda ash in Europe and the US is depending on construction. Of course, in the automobile industry, detergent industry and so on, we see some improvement, but the impact of the no improvement in the construction activity in Europe and the US is slowing down the recovery in Europe and the US.

As far as the pricing is concerned, we see flat prices for the time being in soda ash activities. The overcapacities which are still looming in this industry do not allow an improvement of pricing for the next quarters.

In peroxide business we have seen a good start of the year and we have in fact a double effect. On the one side the pulp and paper industry are doing very well in China, which was driving imports from the US and Europe of pulp and paper for the paper industry in China. And on the other side we had the earthquake in Chile, which had a small short-term positive effect, where the delivery of pulp and paper from Chile to Asia was stopped and this has been compensated by increased pulp and paper coming from the US and Europe, which have benefited our hydrogen peroxide business in the US and Europe in the first quarter. What is also important to mention is that we have a positive impact of our hydrogen peroxide for the propylene oxide plant in Antwerp.

If you look at the caustic soda business, again there are still some overcapacities though the industry in general in Europe is running at around 80%, meaning that even if the production is up from last year – and we had a nice improvement of the demand – a partial recovery in Europe, I would say, and again an improvement of the exports to Asia from Europe, as well as from the US. But as far as the prices are concerned, after the improvement we had in 4Q09, we have a stabilisation of the caustic soda price. The price mentioned by Harriman is around €290 per tonne on the European market. What is interesting to mention is that we start to see some improvement in the spot export prices for caustic soda. We had some difficulties to go over the \$200 per tonne export price for caustic soda and recently we went up to that level, which is a kind of psychological level that has been over passed now. So we could see some further improvement of caustic soda prices in the quarters to come. This being said, still, the utilisation of the production capacity in Europe is still around the 80% level. In Asia and Latin America we see some positive trend in terms of price and volumes in the caustic soda business, which is also positive for the future.

#### **Investor 4**

*I have three follow-up questions, the first one on soda ash. Vincent, you just mentioned that the price is expected to be slight going forward, but in a press release that you said that there is a slight uptake in spot price for soda ash. Can you clarify that? Is there a difference between the spot price and the contract price that you have with your clients? And the second question is coming back to the PVC. You say that you saw some kind of recovery in March and April. Could you elaborate on that a bit? Are we talking about better volumes but still low margin in both Europe and Mercosur or should we also see some recovery in the margin, i.e. higher PVC price relative to ethylene? And the last question, regarding the provisions for the new cost-savings program, can you just confirm that nothing has been included in the 48 nonrecurring items in Q1 of the cost respect for this time? Thank you.*

#### **Bernard de Laguiche**

I will start with the provisions and then pass the word to Vincent and to Jacques. I would not like to give a detail of our provisions on Horizon at this stage and please don't nail me on smaller figures. What I can tell you is that there is no significant amount included into our non-recurring

items of the first quarter. But we will communicate clearly on the Horizon when we will have all the elements. Please understand that now it is not the time, but that it should be part of a larger social communication and also a growth project communication. Vincent, on the chemicals?

### **Vincent De Cuyper**

There is a slight uptake in the spot export prices and this is mostly linked to the good demand from China, where also in China you have some production cost increase. This being said, what I said remains valid: the non spot prices remain quite flat for the time being in the US and in Europe. In the US what is mentioned by Harriman is between \$130 and \$190 per tonne and in Europe, by Harriman, the numbers mentioned are between €160 and €190 per tonne, which are exactly the same number I mentioned in the last quarter. So on the spot export prices, yes, we have some uptake.

One important interesting statistic to mention is that in China the statistics show that the demand for soda ash is now 15% higher than in 2008, so above the pre-crisis level. And of course there have been additional capacities in China, but this is explaining why also there is some small uptake in the spot prices for soda ash.

### **Jacques van Rijckevorsel**

So the situation for the PVC. Yes, we are seeing a recovery of the demand in April; some figures year to date, if we take the European market, that is the 27 countries of the European Union, the volumes year to date were +8% and in April it was double digit, more than 8%. That is for the volumes and we see indeed that the demand is there, even if we feel some nervousness from some customers that are more exposed to the construction and building, but that is known.

As far as the prices are concerned, we have there sequential increases, month after month, even if we would like to do more. But, okay, the market is there and we need to follow the general balance between supply and demand. And another element which is contributing to the improvement of our reserves is the progressive ramping up of Mercosur operations. You remember that we had new production capacities and new technologies, membrane instead of mercury and so on, and, okay, all that asked for some ramp-up. And now the situation is improving on the industrial front and consequently we can sell more products. The unknown is ethylene on a worldwide scale, ethylene in the Gulf Coast, ethylene in China where you have acetylene, and that is I think the unknown. The other unknown in the currency situation is mainly the dollar.

### **Investor 5**

*I see most of my questions have already been asked, but I think what's interesting to know is could you share with us what would be the main risks to your current outlook?*

### **Bernard de Laguiche**

Yes, the main risk to our current outlook is the economic evolution in Europe, but in the Western world, I would say. And there you have the fear one could have of a double dip. This is why we specify in our outlook that should this improvement in the demand trend be confirmed, so that would qualify as the main risk.

### **Investor 6**

*Two questions on the plastics, please. First of all, I was thinking in terms of performance of that division; I was wondering how we should be looking at the performance in March versus January and February, given that it seems that you've had quite a bit of an improvement there. Then the second question is on the Asian performance there. It seems that utilisation is very high at the*

*moment; probably you're facing some capacity constraints there. Can you give us your thoughts on capacity expansion in Asia?*

**Jacques van Rijckevorsel**

Yes, the situation of the plastic sector improved month after month this quarter and we see that very clearly. The most important improvement has been in a sequential way on the speciality polymers. This is very clear, yes, it is improving significantly. For Asia, okay, utilisation rate, that's true that we are running at full speed there, full capacity in our operation in Vinythai. We are very happy with that investment. You remember that we made a doubling of the capacities of VCM and a major expansion in PVC two years ago and I would say that it was really, really on time and despite the downturn of the world economy last year, we made money last year with Vinythai and we are very happy with that.

**Investor 6**

*So there is no imminent need to make decisions now and quickly ramp up your capacity?*

**Jacques van Rijckevorsel**

Well, currently we do not envisage a major expansion in Asia, seeing that we just launched that new capacity two years ago. But we are monitoring the market. Then if you ask me about capacity expansion in Asia in plastics, I would like to stress what we have done in the specialty polymers. We started a new plant in polymers in China and we are running there also at a very, very high level of production rate and we are making money. And the same time, our expansion in PEEK in India, currently we are sold out. We are looking at possible capacity increase in that area. I would say that we are happy with those expansions.

Let us look now at other capacity expansions, not only in Asia, remember that one year ago we announced expansions in PVDC and in PVDF, and those products are global products serving the world industry. PVDC, that is mainly coating for the pharmaceutical industry and there, okay, the capacity is full. Last year we increased and it is already full. And in PVDF you have read probably that we have a new rate for iron batteries and also there we have difficulty to follow the demand.

**Investor 7**

*A few questions actually. Firstly on the upswing that you've seen in certain areas in your business, very strong in the first quarter, are there any areas that have begun to slow in the second quarter where actually you're seeing in April, well, probably in May actually, and maybe for the June order book, slightly lower levels of demand from the very strong Q1 levels? Secondly, on capacity again, just following up on your last question, can you update me where you are with your Russian PVC expansion? A PVC plant was scheduled for start this year. Where are you with those and what's the scale of those relative to your existing capacity? Following on from your comments on PEEK, what is your total production and total sales of PEEK in tonnage? I believe that you had somewhere close to 500 tonnes of capacity. I just wondered where you were in terms of production levels. And then finally acquisitions, obviously you've made your comments, but are you getting any closer? Do you feel that you've made more progress or is it still potentially in the early stages?*

**Bernard de Laguiche**

So on your fourth and last question, as I said in the introductory script, there will be no remark. On the first question concerning slow demand or a potential slower demand in Q2, well, first of all, April, we have just got our profit figures for April so the second quarter is starting. Looking at it, it's too early to speak. But looking at demand on a global basis worldwide, I think we cannot say

that we see a slowing demand. What we see is differences in margins, of course, depending on the evolution of cost factors versus prices; there, there are some different evolutions. But on demand we see no negative evolution of demand there, I would say. So you cannot say that the first quarter was a sort of bubble that is going down again; that is not at all the case. And even on margins, I would say you don't see any bubble effect of the first quarter as of today, of course.

Maybe on Russian PVC, Jacques, and then on PEEK?

**Jacques van Rijckevorsel**

About the Russian PVC, we announced that the start of production would be in 2013 and you mentioned, I think, 2010. It is true that was the first announcement but with the financial crisis and so on, together with our partner we decided for obvious reasons to delay the start-up to 2013. Yes, the project is going on and we are proceeding in a very good collaboration with our partner and with the Russian authorities and we still expect to start the production during 2013. And at that time we are very confident that the crisis and the volatility that we currently know will be over, also because the Russian market needs a lot of products for the time being. So that is for the Russian PVC expansion.

For the PEEK we announced a capacity of 500 tonnes a year in the frame of 1,000, but the 500 tonnes a year itself was with sub-steps and we already have covered the first sub-step and we are going to the second one to progressively achieve the 500.

**Investor 7**

*And what's the first step in terms of production?*

**Jacques van Rijckevorsel**

The first step in terms of production, absolutely.

**Investor 7**

*But what is that in numeric terms?*

**Jacques van Rijckevorsel**

Yes, I think that for competitive reasons it would be more prudent not to mention it. Sorry for that.

**Investor 8**

*Some follow-up questions, if I may. First of all, on the energy cost outlook, could you give some view on what you feel are the energy trends going forward and any cost trends going forward and raw material trends going forward for your main businesses? And then, secondly, a number of financial questions. We've seen that the trade receivables and trade payables compared to 31<sup>st</sup> December have increased a lot and I understood that that was something to do with the former divestment business. Could you give some clarification on what kind of impact that could have for Solvay and how long this could still be relevant for your balance sheet? And then, thirdly, on the discount provision, that it's now recorded below the EBIT line. Is the 12 million that we've seen in the first quarter a good benchmark going forward for the rest of the year? Thank you.*

**Bernard de Laguiche**

I will answer on the working capital. Indeed there is an impact of the divestment of the pharma business, although the working capital we carry on our books at the end of the first quarter for the pharma business is carried out at risk of Abbott. And so apart from the receivables that are being paid and that were there before closing in pharma, there is no working capital that is carried in the books of Solvay at the risk of Solvay for the pharma business. So that should disappear in the course of the year and you will see the figures coming back to normal. When I made my comments

on working capital, I was talking to you about the continuing operations and so that is net without any effect of the pharma, and I think that is what you should look at and what you should hear from us as an explanation. And there again the key performance indicators are inventories which as a percentage of sales are going down, although they are increasing slightly versus end of the year, continuing operations.

On the receivables side there is an increase trade receivables minus payables of more or less 150 million versus December 09 and that is mainly due to the increase of business and to the fact, as I have explained previously, that we were less financed by suppliers in the first quarter. That should come back to normal in the following quarters. And the other key performance indicators are the DSO and there we have a 50-day DSO which is inline with what we expect and inline with our payment terms.

**Investor 8**

*If I can build on to that, so for a temporary period you would be kind of acting as a factoring agent for the pharma receivables but at no risk because that is carried by Abbott?*

**Bernard de Laguiche**

Correct.

**Investor 8**

*Okay, and what is that transition period?*

**Bernard de Laguiche**

Until the receivables are all netted and paid.

Then the other financial question you had was concerning the cost of discounting provisions, so is it a good proxy for the total year? Yes, the 12 million is a good proxy for the total year; these things are, as you well know, typically linear so you can estimate that they will be inline with that times four.

That was on the financial questions. Then I will give a general view of the energy trend and then pass the word to Vincent as chemicals are the most, let's say, impacted by energy price. You have seen that energy costs in percentage of sales have increased from 11% to 13% from last quarter to this quarter and that indeed shows that costs have increased, but of course our activity volumes have also increased. And so, Vincent, maybe you can shed some light on how you see the evolution for the total year in the chemicals sector.

**Vincent De Cuyper**

Yes, Bernard, it's important to remind that if you compare with 1Q09 we were at 16% of turnover dedicated to energy expenses, so the 13.3% for the Q1 is still an improvement. Now, if you look at the trend in the energy market, first of all on gas, it's still interesting to see that there is an important disconnect between the evolution of the gas price and the oil price, where you have seen an evolution, an increase of the oil price. On the gas price clearly, the inventories and the production capacities today are such that we do not see an increase of gas prices in Europe or the US in the 12 months to come. And the forecasts from the specialists do not see a change before 2011.

If you look at electricity and steam price for us, yes, there you see some increase. In Europe, for example, we had a low point of €46 per megawatt hour on the European market at the end of 2009 and the present forward price for end of the year is about €50, between €50 and €55 per megawatt hour, which is showing some increase of electricity price in the 12 months to come. This being

said, until the gas price increases, there should not be a huge opportunity for electricity price increase in the short-term.

On coal there also some change. Last year we had a coal price in the average of \$70 per tonne and today you see that price in the range of \$85, sometimes \$90 per tonne, and this is clearly showing the increase of activity in Asia, which has put the coal price again on an increased strength. This being said, you know, our energy specialist – we have a special organisation, Solvay Energy, which is working specifically on that – and we have some protection through forward contracts on the coal price for this year. So we should not have a huge impact on our cost price for this year.

**Investor 8**

*Could you indicate how much of the exposure has been covered?*

**Vincent De Cuyper**

In gas, for the time being, we don't have a huge coverage of hedging of our needs because we do not see... It would be too expensive to cover a price which is not increasing. On coal we have detected already last year that the price would increase and we have reasonably well covered our coal needs for the year 2010.

**Bernard de Laguiche**

More than 50%.

**Investor 9**

*Yes, also a couple of follow-up questions from my side. The first one: Inergy Automotive Systems. If I'm correct, prices were up 8% quarter on quarter. Do you think that prices can increase further or should we take the level of Q1 as a run rate? And, secondly, on the tax rate, in the press release you stated that the capital gain from the effective tax rate was 31%. But if you look at the P&L of the continuing operations, the tax rate is 48%. Can you explain the difference and why that is so high?*

**Bernard de Laguiche**

You mention a figure of 31% and that is the tax rate, our tax rate excluding the pharmaceutical capital gain. And I think that is the figure you should look at if you want to estimate our tax rate for the year. What I can see, as I see each time, we would guide to a tax rate that is lower than 30%; that would be our guidance for this year too. In the other years we were significantly lower than 30% but this year, of course, I maintain the guidance but no more. Now, I don't know the calculation you made specifically on continuing operations. I think, okay, what's our guidance? The 30% or 31% tax rate should be your key parameters. On Inergy, Jacques, do you want to take the points?

**Jacques van Rijckevorsel**

Yes, I understand that you made some calculation and now that you concluded that it was +8%. What I can tell you is that it is not the case in our books and it is true that Inergy Automotive Systems has very efficient pricing power, but you also know that the OEMs are pushing as much as they can the prices down. What maybe you have in your calculation is an effect of the mix; one fuel tank is not another one. And then you can have, for instance, one model with lower price that went down and another model with higher prices that went up. Another effect that we should take into account is that the life of a model is a few years and then while one model is coming to the end, you have a new one, a new platform and so on, and with the new price and all that, of course, is complicating the calculation. But you don't have a price stack and price increases for fuel systems.

**Investor 9**

*Yes, but looking at the price and mix together, you say that's not as high as 8%, so I'm a bit too high there?*

**Jacques van Rijckevorsel**

Could you rephrase your question please?

**Investor 9**

*So, if I understand correctly, you're saying that if we would take price and mix together, it is not as high as 8%?*

**Jacques van Rijckevorsel**

Price, mix and don't forget the conversion, okay, meaning the currency effect.

**Investor 10**

*I note that the plan is to buy as much as 5.1 million shares back with the proceeds from the pharma sale. What progress has been made on that to date and where's your share count stand now?*

**Bernard de Laguiche**

Indeed, we have an agreement from our board to buy up to 5.1 million shares and, due to the Belgian Stock Exchange regulations, we have to publish very precise information each time we do that. And so the public information we published until now is that we bought 143,000 shares.

**Richard Howe – Polaris Capital Management, Boston**

*Since quarter end?*

**Bernard de Laguiche**

No, since the beginning of our program, or since announcement of our program.

**Investor 10**

*Okay, very good. Also, another question regarding your capital expenditure. What is the total guidance for your capital expenditure for the full year of 2010 and could you break it down a little bit about where it's going?*

**Bernard de Laguiche**

Yes, so we publish with our full year figures of 09. We typically publish our capex budget and that's €673 million. That includes maintenance capex, expansion capex and even some small acquisitions that we would have in mind. That obviously does not include the reinvestment of our pharma proceeds.

**Investor 10**

*And how much of the €673 million is for maintenance?*

**Bernard de Laguiche**

Well, we typically see and we would guide you saying that €350 million of our total capex would be a maintenance capex.

**Investor 11**

*In the vinyl segment for Europe, could you indicate what the impact of harsh winter weather has been, both on vinyls and pipe life? How many weeks do you estimate of business that you have lost?*

**Bernard de Laguiche**

It's a good question because indeed the hard winter had a big impact on vinyls and especially on pipes. Jacques, do you want to put some colours on that question?

**Jacques van Rijckevorsel**

Thank you for the question. Indeed, the beginning of the year was more difficult, mainly in Pipelife, by the way. For the vinyls, the vinyls itself, the PVC, it was also difficult but less because the diversification was bigger. For Pipelife it was more difficult but now it is coming back.

**Investor 11**

*And is there any figure we could attach to it in terms of revenue lost or weeks of revenue lost perhaps?*

**Jacques van Rijckevorsel**

What do you mean, for Pipelife, what is the revenue lost?

**Investor 11**

Yes.

**Jacques van Rijckevorsel**

I have not the figures here for that. Maybe you can give me two minutes and I will come back to you.

**Jacques van Rijckevorsel**

*Perhaps as an indication. Some of your competitors said before that a couple of weeks of loss, so two to three weeks of revenue loss in the first quarter.*

**Investor 12**

*I've got one question regarding cost savings. In 2009 you had total cost savings in chemicals, plastics and the CBS [?] provision of €105 million. Is that something you tried to repeat in 2010 or what is your guidance in terms of additional cost savings this year? Thank you.*

**Bernard de Laguiche**

A good question. First of all, these cost savings are recurring partly, so per se they will repeat themselves in 2010. That does not mean that we want to increase them by again the same amount and then have other savings through Horizon. That would probably be overstating the cost savings potential.

**Investor 12**

*So will you take out further fixed costs out of the system, or is that it basically? So can we take the fixed cost block from 2009 and just use it for 2010?*

**Bernard de Laguiche**

I think you can take the fixed cost block as a fixed, although of course each time we see opportunities we will reduce and manage the fixed cost block. But you can expect it to be relatively flat. That is without the impact of Horizon of course.

**Bernard de Laguiche**

To come back on the previous question, I think Jacques has now the answer on the winter impact on sales in pipes.

**Jacques van Rijckevorsel**

So I have here the figures and what I can tell you is that globally 1Q10 and 1Q09 were the same as far as volumes are concerned. The beginning of the year was indeed very tough and it could be compensated a bit in March.

**Closing Comments****Bernard de Laguiche**

Thank you, ladies and gentlemen, for your interest in our company and thank you very much. Have a nice afternoon or day.