

Earnings Q1'13

Transcription

Jean-Pierre Clamadieu

Thank you everyone, I'm here in Brussels, with Bernard de Laguiche and Maria Cornell Alcon. The unusual timing of this call is due to the fact that we have today, we hold today our shareholder meeting, here in Brussels, and we wanted to have this call with you right before the shareholder meeting starts.

So, we are presenting today results which in my view show that the company, that Solvay is resisting well in a challenging environment. And, as you know, and we've discussed with some of you, a few days ago, we are continuing and we are accelerating our transformation of the company.

So, Q1 results are sequentially better in the context that remains as challenging as the one we've seen in Q4 2012. Although this is below last year's demanding comparison, sales stands at 3,010 billion Euros, down 3% year on year, volume declining 2%, namely in Europe, but pricing stood overall stable, and when we look at what we call pricing power, which is the net impact on EBITDA of selling price evolution, versus raw material and energy costs, we see a ten million positive impact, which in our view is a very good sign.

EBITDA stands at €454 million, plus 6% quarter-on-quarter, which means in comparison with Q4 2012, minus 12% year-on-year. You know that when we look at the comparison with 2012, we need to take into account two exceptional elements that we benefited from in 2012, and which are not there anymore. One is, our Guar exceptional pricing situation. The second one is the fact that we are seeing a quick phasing out of our carbon credits, as expected.

Looking at the environment where we operate, I won't surprise you by telling you that in Europe, we see a situation where activity did not pick up as expected, after the Q4. Q4 in Europe for many years is always a very slow quarter, everyone focusing on ending of the year with the lowest possible level of inventories, usually we see a significant pick up in the first weeks of the new year. This did not happen in Europe this year.

North-America and Asia broadly speaking performed very well, very...in a way which gives us a lot of confidence. Latin America remains a little bit on the soft side, but the issue clearly is Europe.

When we look at the performance of our different sectors, we see significant differences, very strong performance in our growth engines, which again is in our view a good sign. Consumer Chemicals generating a 10% EBITDA increase, mostly driven by Novacare. Despite the absence of the exceptional Guar pricing that we've seen.

We've seen some slowdown in the derivative guar () () (), mostly due to destocking in the oil and gas, but overall a very good situation in terms of volume and pricing, which explains this 10% EBITDA increase in consumer chemicals.

Advanced Material 3% increase in EBITDA, two positive elements, Speciality Polymers, high single digit growth, Silica, double digit growth and these two elements partially offset the, sorry, this growth partially offset by Rare-Earth which continue to suffer from price decline and low demand in electronics. You know, the specific challenges we are facing in electronics, due to the fact that some regulation which were expected to take place in North America were postponed by a couple of years.

Performance Chemicals, it's where we see a significant impact from the European situation, EBITDA is down 17%, when we look at the various businesses within this segment, Acetow posted record profit, Eco Services profits were affected by some production issues at some of our customer's plants, but the most significant part of this impact is linked to our Soda Ash business. We've seen a situation which continues to be satisfactory in North America. In Europe, we suffer from low volumes, but prices are satisfactory there. And, in the export market, we see a significant pressure on prices.

Functional Polymers EBITDA is down 14%, versus last year, continuing to suffer from different demand and weak margins, but I would say there, it's not a surprise, carbon credits, as you know, we are in a phase down, we see volumes reduced by 70% from 3.5 million tons last year to one million ton in Q1 2013, but again, this is very much in line with our expectations, as we expect carbon credits to disappear by year end.

So, I will turn now to Bernard, to give you some more flavour on the financial elements of these results.

Bernard de Laguiche

Thank you, Jean-Pierre. First, as introductory remarks, on our presentation of accounts, three remarks. Number one, we are introducing IAS19 revised, as of January 2013, and so our reference basis of 2012 has also been restated. This is true for P&L and Balance Sheets.

Second, as we've been doing since the combination with Rhodia, all our analysis is to be deemed on an adjusted basis, meaning excluding the non-cash impacts of purchase price accounting, unless of course otherwise stated.

And, thirdly, Q1 2013 reflects our new operating segment organisation, which is effective since the beginning of the year.

So, beyond the EBITDA comments Jean-Pierre just made, I would like to give you some details on the financial elements. First of all, non-recurring items. They were minus €40 million, mainly charges, €16 million related to the ongoing integration and efficiency programmes, as well as new actions being launched in Polyamide. It's our profitability announcement programme that is supposed to bring profitability up by €100 million in two years.

We've also booked in the quarter charges related to restructuring and disposal of Life Science, and non-recurring also includes provisions for environmental and litigation, for a total of €14 million. That was for non-recurring items.

Net financial expenses amounted to €85 million, versus €79 million the same quarter last year. Two aspects, borrowing costs, they were at €46 million last year, no, they were at €46 million in line with last year, and financial income decreased to €4 million from €6 million last year.

Q1 2013 included €4 million losses, related to the impact of exchange rates on the \$400 million high yield Rhodia bonds, and secondly, the cost of discounting provisions stood stable at €39 million. Discounting costs included the impact of IAS19 revised, of €5 million in Q1 2013, versus €6 million in the restated Q1 2012 figures.

Now, income taxes, they are high. They amount to €64 million, resulting in a tax rate of 39%, but for the year, we still expect the tax rates to be in line with 30%.

Our results from discontinued operations, related to Solvay Indupa and Pharma, they were immaterial, and amounted to €1 million in this quarter, versus minus €6 million last quarter.

Net income was €101 million, versus €119 million last year.

Now, on the investments, the group continued to observe a selective policy in capex, totalling €150 million, or around 16% of the guidance we gave, or the budget we gave of €900-950 million for the year.

The first quarter is traditionally a low quarter, in terms of capex, but we have announced already some noticeable projects. For example, in Novacare, our Alkoxylation unit in Singapore and our new silica plant in Poland.

Our industrial working capital came out at 13.9% of sales, with inventory levels high, anticipating large manufacturing turnarounds for maintenance. Our objective remains intact. It is to continue driving down working capital, between 11 to 12% on total sales over time.

Finally, cash considerations in the quarter, Solvay received €144 million cash inflows, related to the post closing instalments for Androgel in pharma, and other adjustments related to the disposal of our pharmaceutical business. Our free cash flow over the period included important seasonal cash outflows, like the annual payment for variable compensation, that coupled with a significant working capital outflow of €252 million, as evoked before, resulted in a negative €17 million free cash flow balance.

Back to you, Jean-Pierre.

Jean-Pierre Clamadieu

Thank you Bernard, now for a few comments before opening the Q&A session. Outlook, to tell you the truth, visibility today is limited, especially in Europe, where as you've understood, we see the most significant challenges. So, we are not taking a view on whether the situation will improve or not in the second half of the year. I can just tell you that, looking at April and May, we don't see to date signs that things will be significantly changing, but even if the situation was to persist throughout the year, we would be able to improve our EBITDA, compared to 2012, excluding its impact of exceptional pricing and the phasing out of CO revenues, which will present our remaining €190 million.

So, to date, our view is that we'll do better than this underlying 2012 EBITDA.

This being said, we continue to focus on the transformation of the company, and we remain committed to our 2016 value creation ambitions and objectives. We are continuing to capture integration synergies and there I would say the dynamic is very positive, and there is no sign that integration synergies would reduce versus what we've communicated to you.

We are, and this is I think something very important, we are continuing to progress, to improve on the critical areas that we pointed out a year ago.

You've seen, you've heard the announcement we've made some months ago, regarding Polyamide. We have in place a plan which will bring €100 million profitability improvement by 2014. Regarding the Chlorovinyls activities, we are progressing on the divestiture of Indupa business, and more important than that, we have announced a week ago the decision, the fact that we have signed a letter of intent to move our assets into a JV with INEOS. This operation will reduce very significantly our exposure to Chlorovinyls activities.

We are also working on soda ash. We've mentioned this and we've made some announcements at the end of last year. We will communicate in the next few weeks, an action plan which will help improve our profitability in Europe and we will rebalance capacity in the southern part of this continent.

And, if I look at the impact of these improvements on our business profile, probably the most significant or the most visible improvement is linked to our geographical spread. I remind you, the data that we shared a week ago, when we presented the PVC project, once this project will be in place, we will have a balanced geographical exposure across continents. Europe will represent a third of our activities, Asia a third and the Americas another third.

So, with this, Bernard and myself are ready to take your questions?

Questions and Answers

Investor A

Good morning, I have several questions. The first one is about your target for 2013. Do you still assume that you will reach €110 million of cost savings this year, and if yes, then excluding the cost savings, in which areas of your business do you expect to grow?

The second question is, on the turnaround that you expect, in which areas do you expect the shut downs and in which quarter, and what potential impact do you think it will bring?

And, the last one, if I may, on advanced materials, what is the currency component in basically, in growth of EBITDA this quarter, thank you.

Jean-Pierre Clamadieu

On 2013, the answer is yes, regarding the impact of synergies, €110 million that we have signalled our expectations has no change, and we are continuing to deliver very regularly. Regarding the dynamic of our businesses, I think we would expect them in the continuity of what we've seen during the first quarter, in growth engines we continue to perform well, taking into account as far as Consumer Chemicals is concerned, the impact, that we've communicated extensively about. The dynamic is very good there.

Advanced Materials also a very favourable dynamic, Functional Polymer we don't expect significant improvement there, and then in Performance Chemicals, we'll continue to see, we think, a challenging situation in Soda Ash, so I would say very much in line with what we have seen during the first quarter.

Once again, and when I look at the comments that my colleagues in other chemical companies have made, some of them are a little bit more optimistic regarding the second half, others are as prudent as we are. We are not saying that we won't see an improvement in the overall situation. What we are saying is that if we don't see such an improvement, we are confident that we would be able to do better in 2013 than the underlying EBITDA that we generated in 2012.

As far as turnaround is concerned, the only one which is significant is Polyamide, then we have the usual turnaround of our Chalampé plant, which means that, which happens every two years.

This means that we have built some inventories in Q1, to continue to serve our customers, and in Q2, we'll use this inventory to serve our customers, as I was just saying, so not a very significant impact on our EBITDA, probably a few million, but in inventories, a significant impact, which explains why we ended up the quarter a little bit higher than we did last year, as Bernard explained.

Bernard, can you take the last question, which is the impact of currency on Advanced Materials?

Bernard de Laguiche

So, currencies have an impact on Advanced Material, and there two currencies play a larger impact. This is Yen and Dollar, versus Euro and Yen versus Dollar and Euro. In both cases, we are hedged, according to our policy, meaning we hedge our exposure, our cash flow exposure three quarters in advance, more or less, and so we have a positive impact of our hedge, market to market in Q1, because we hedged the Yen at a higher level than it is today, and on the Dollar, we are more or less at the level of the Dollar we have in the same quarter last year, so that the year Forex impact for Advanced Materials is more or less 1% year on year, in terms of EBITDA, QoQ, sorry.

Investor A

Thank you, yes, I understand. Thank you.

Investor B

Good morning, just three questions, if I may? Just on with the Consumer Chemicals, and again the exceptional performance there, is there anymore colour, have you been looking at the portfolio products, or if there's been some sort of repricing exercise? Just some understanding around the EBITDA growth there.

And then, with the Polyamide shutdowns and the increase in working capital that you've taken on, can we assume that you've taken on enough inventory now to cover any sales impact, from the shutdowns?

And then, just finally on the Advanced Materials, again obviously the ongoing saga with the high efficiency light bulbs in the US, with the new phase in dates, when would you see or expect to see some sort of restock again on rare earth materials, in preparation for re-phasing in the high efficiency light bulbs? Thank you.

Jean-Pierre Clamadieu

Thank you very much, so on Novecare, sorry I should say on Consumer Chemicals, clearly the driver of this good performance is Novecare, and this is linked to innovation. This is linked to the good dynamic that we see in some of the markets, where we have a leading position, especially the agro chemical market, but also personal care and some industrial markets, so there is not one specific action, but a dynamic, which is very positive.

I remind you also that on the side of the guar, we have increased our capacity to produce guar derivatives. This did not impact very much our results because this market was slow, but we are expecting things to pick up during the remaining quarter. As guar derivatives are more and more used by our customers, instead of guar native.

Polyamide, the shutdown will start in a few weeks, so it's yes, the inventory build-up was sufficient to allow us to continue to serve smoothly our customers.

On Advanced Material, Rare Earth, the situation is complex, mostly our customers. It's our customers who built up inventories of product, and raw material, and my feeling is that it will take another few quarters before the situation normalises, so we are prudent regarding our performance throughout 2013.

Investor C

Good morning. Three questions as well. First of all, on soda ash, are there already signs for lower price pressure at the beginning of the second quarter? You mentioned quite significant price pressures on Q1.

Then, second question, am I right that the margins of Polyamide have not yet recovered yet, and are they therefore still around the breakeven level, and when do you expect the restructuring to kick in?

And then, my last question, can you give us your EBITDA excluding PVC and here the year on year change, as this is now, this is becoming less and less part of the company, which is then reported under the continued line?

Jean-Pierre Clamadieu

Okay, Bernard will answer the last question. PVC is still part until the transaction is completed, but soda ash, do we see a significant increase in price pressure? I would say, no, do we see in this weak volume environment signs that there is some pressure? Yes. But, so far, I would say we are resisting reasonably well, so I think the focus of the teams is much more on the export market, making sure that we make the right decision, because it's in the export market that we've had the most significant price pressure.

Margins on Polyamide, they are slightly recovering but very far from where they were and where we would like to see them. When do we expect things to improve? Very difficult to say, we will probably need to see a better level of activity in Europe, and especially some picking up in the car production numbers in Europe, to see some impact on polyamide margins.

So the good news on automotive is that since we are at the bottom of a curve, when I discuss with car or part makers, the feeling is that Q2 is likely to be an inflection point. This being said, we are at a level of production which is very significantly below last year, which means two years in a row in Europe a decrease in car production.

Bernard, margins with PVC?

Bernard de Laguiche

What I can give you as information is our chlorovinyls EBITDA of last year. For the year it will be around €160 million for Chlorine and vinyls.

Investor C

Okay, perfect, thanks.

Jean-Pierre Clamadieu

Next question?

Investor D

Yes. Good morning. I've got two questions. The first one is on PBDS and your comments that the energy-related application, so oil and gas and photovoltaics; I've seen some destocking and we started to see that, I think, in Q4. Can you talk about where you think we are in that stocking, destocking cycle? Do you think that this is one where also Q2 could be an inflection point like in Polyamide?

And the second question is on Silica, where you managed to have year on year growth despite some pretty bad news on the tyre side. Again, can you maybe talk about where you think we are in, on the inventory side, maybe competitive pressure on pricing and you gaining market share? Any sort of feeling for what's going on in Silica would be greatly appreciated. Thank you.

Jean-Pierre Clamadieu

Thanks. On PBDS, in fact, we are, when we say energy we are referring to two very different market. One is photovoltaic. There I think you have plenty of data or comments coming from our competitors and our people which are involved in this supply chain. Yes, I have a bit of a feeling that we could be at an inflection point after the rather more positive comments coming from some people, especially in the silicon or silicium part of this supply chain. I would be very prudent there and I don't think we have a better view than others.

The second part is very different, it's oil and gas and we've seen a situation which was linked to very specific customer and operational activities, even trading activities. We see a situation in which people were moving into project where they needed less of PVDF because PVDF is especially used when conditions, green conditions are getting tough. So our view on this market

is a bit more optimistic and, yes, we do expect to see a situation where our customers will come back to buy more of our product.

But again, on oil and gas, it's something which we are not referring to the overall cycle of the business, it's customer-specific situation and very closely linked to where we are drilling, in which conditions.

Yes, on Silica it's true that the picture represent today is a little bit different than the picture we see coming from other tyre makers. The reason is very simple; we've continued to take market share, we've continued to sign a large volume, multi-year contract with some of the very big player in this industry and some of the improvement that we are seeing in pricing, for example this quarter, are linked to this fact that we are continuing to develop a very close relationship with very large users. Probably something which differentiates us from other chemical companies serving the tyre market is that we focus very much on the real high end energy-efficient tyres and there the impact of the current economic situation is less than what it is when you look at the broader segment of the tyre industry. But we are very pleased with the performance of our Silica business and this encourage us to continue with our growth project in this segment.

Investor D

And just if I can have a follow-up on this, because your sales in silicas went down through each quarter last year so you had a very good Q1 and then sales sort of fell down a bit. Is that normal seasonality or should we assume that those new contracts that you just mentioned kicked in end of last year and we should see positive momentum through 2013?

Jean-Pierre Clamadieu

Well, you know, our customers are not always perfect as far as volume forecast are concerned so we see some slight changes quarter to quarter so I probably wouldn't draw too much conclusion looking at last year or at last year profile. I think the only significant seasonality is a tendency to see volumes trailing down at the end of the year and people starting to order more at the beginning of a new year. And this is what we've seen in this business in 2013, contrary to the behaviour, as was mentioning, in other areas.

Investor D

Thanks, that's very clear.

Investor E

Yes, hi, good morning, everyone, a few questions. First of all, Functional Polymers; the EBITDA recovery sequentially was quite impressive, you almost reached the level of last year. Can you help us to bridge quarter on quarter from Q4 to Q1 to explain what was the main driver, was that the surge of the export in PVC, was it the inventory build-up you mentioned in Polyamide, was that the improved spreads? Any more colours of how you went from 17 to 72 would be great for our understanding.

Secondly, soda ash; I know you'll make an announcement in a few weeks but I'm very curious to know, you know, to share your thoughts on what you want to do in soda ash in Europe and, I mean, we all know the situation, you have high market share, you have some high cost capacities, the volumes are down because of construction, automobile and, more importantly, ETI soda will add some quite substantial capacity at low cost. What is it that you want to do, are you going to take off capacity that represent what ETI soda is adding? Is that what you want to do, or it's just about reducing fixed cost and adjusting your logistics in southern Europe? Any colour there would be great.

And then lastly, a few – yes, just lastly, two last question if I can; Consumer Chemicals; you mentioned price were up in Coatis so I understand benzene prices were down. Can you tell us, what was the contribution from your phenol business in Latin America on your good performance in Q1? Thank you very much.

Jean-Pierre Clamadieu

Okay, taking your question backwards, Consumer Chemical; yes, I mean, we've seen some improvement in phenol margin Coatis but this is very, very minimal. I mean, the good performance of Coatis is linked to – the good performance, sorry, of Consumer Chemicals is linked to Novecare. It's really there and it's really the innovation, pricing power and other positive volumes dynamic in some of the market that we serve. Coatis represent a small part of consumer chemical.

Soda ash; what we want to do is both, I mean, one, improving the overall competitiveness of our European sites and second, yes, we want to participate in the rebalancing of supply and demand equation and, yes, I would ask you to be a little bit more patient, to put some colour up there. But it's really these two objectives that we have in mind.

Obviously, on the second one, we are not planning to take off all the capacity that, all the new capacity that ETI soda have announced that they will build one day but we think that as a market leader we need to make, take actions to participate in the rebalancing.

On the, your first question, maybe I'll ask Bernard to comment a little bit on what were the reasons of the improvement in Functional Polymers which, yes, is significant versus last quarter but still at a level which is not very enthusiastic.

Bernard de Laguiche

On Functional Polymers, indeed, as you pointed out, we have an improvement Q4 on Q1 from 17 to 72 and there both Polyamides and Chlorovinyls contributed to this strong improvement. And I would say Chlorovinyls may be slightly more but both contributed strongly. Q1 is lower than Q1 2012 so, as Jean-Pierre said, we are still not at all at the level of profitability we want to reach but, yes, an improvement Q4 on Q1, both Polyamide and PVC – Chlorovinyls, I should say.

Investor E

How much was the contribution from the surge of export you mentioned?

Bernard de Laguiche

The surge on exports?

Investor E

On PVC; you mentioned that on the press release.

Bernard de Laguiche

I don't remember that we mentioned – exports were very good in PVCD but I would not say that it had, perceived a strong contribution to this improvement Q4 on Q1.

Investor E

Okay, thank you.

Investor F

Yes. A few small questions; on the net working capital you have said that you prepare, that you have prepared for the planned turnaround. Looking forward, in the second quarter, given the fact that the overall business activity is, yes, at last year or even below last year, can we assume that net working capital will come down to a level where we have seen it in the last year?

And secondly on PVC, at what time, at what quarter will you put this on the discontinued line, will that already be the case in the second quarter? And one question on the profitability in the chlorines business and the PVC margin have not improved in the first quarter and construction activity was probably also very low. Is it fair to assume that all the improvement came from the caustic soda price and could you say whether this caustic soda, whether you profit from the spot price increase or whether most of your business is on a contract base, please?

Jean-Pierre Clamadieu

On working capital, yes, I mean, Bernard mentioned this in his introduction. We expect to come back to the level that we've seen last year. In fact, we continue to have a view that there are some potential improvement in working capital on sales and Q1, end of Q1 working capital on sales was exceptionally high due to this inventory situation.

Discontinued operation, we've mentioned during last week call but we would move PVC base category once we will have a very clear and detailed view of the perimeter and there are still some points of discussion. So will this be Q2 or Q3? It's probably too early to tell.

Caustic; yes, it was – when you look at the Chlorovinyls situation and improvement, caustic is an element of explanation and, as usual in this business, we have a mix of contract and spot prices and it's probably a little bit too specific of an information to tell you which part is contract, which part is spot, knowing that even when we have contract prices there's always an element of variability which is linked to the actual market prices. But caustic is an element in this improvement of price.

Investor G

I've got three questions. Could you provide a bit more granularity on the margin performance in Consumer Chemicals and Advanced Materials and the sustainability of these margins going forward? Because it seems like a significant step up to what we've seen in the previous year at least and also in the years beforehand. And in that context I would like to understand better the sales and EBITDA bridge because in the sales bridge you have 0% price and in the EBITDA bridge you mention a 4% price increase so where's this coming from? Some details on that would be helpful.

Secondly, on the 190 million of exceptional profit, as you define them now, how much of that was there in the first quarter last year, so we can have a comparison how then on the true underlying business you performed?

And then could you lastly provide a brief update on the cost savings? You want to achieve an incremental 110 million this year. How much have you achieved in the first quarter? Thank you.

Jean-Pierre Clamadieu

So on the impact of the exceptional in Q1, this represent €30 million, the impact of guar and carbon credit, 30 million out of the 190 that we have mention.

Regarding margins, in Consumer, Chemicals and Advanced Materials, yes, we have seen some improvements and in Novecare for Consumer Chemicals and in Specialty Polymers for Advanced

Materials we are continuing to make progress. And I wouldn't consider our Q1 results in these two businesses as being exceptionally good, I think this is just in line with our expectation of improvement. Obviously in such businesses, I mean, there could be a variation from one quarter to the next so we can't promise you that things will be on the exact same trend quarter after quarter. But once again, the Q1 performance, in my view, reflects well the improvement that, the fact that we are in an improvement trajectory for both businesses.

So, Bernard, can you explain this, the question on the bridge?

Bernard de Laguiche

Yes, on the bridge, the difference in price effect between sales and EBITDA basically comes from the profitability of the mix effect so you can have, in terms of sales, a slightly different impact as in terms of EBITDA and this is explained by the mix effect.

Investor G

And the update on the cost savings?

Jean-Pierre Clamadieu

Oh, yes, so the cost savings were very much in line and it's, I don't want to give a number, quarter after quarter but we are in a situation where we will probably have a bit more benefit in the second part of the year as programmes are picking up but again, a very, delivery of cost savings is very much in line with the yearly objective so no surprises to expect there.

Investor G

All right, and just to, just a quick follow-up; so there were no legacy guar pricing in Consumer Chemicals so you would consider the roughly 18, 18.5% margin now as sort of a, as something we could model in going forward so a structural improvement in the margin. Is that right?

Jean-Pierre Clamadieu

Yes, there is no more impact of the extraordinary pricing situation that we've seen in guar, which started to phase out at the end of Q3 and then into Q4. With the comment I've made, I mean, we are in businesses where there could be slight ups and downs quarter after quarter depending on customer behaviour, depending on products mix and so on but I think the improvement in margins that we have achieved are very much a sign that the strategy we have in this business is being successful.

Investor G

Right, thank you very much.

Investor H

I have just one clarifying question about inventory build-up in Polyamide. You, as far as I understand, so far you haven't yet seen any pickup in demand in Polyamide, yet you pre-produced in anticipation of a shutdown of Polyamide plants. So do you expect that, when do you expect the demand to pick up?

Jean-Pierre Clamadieu

No, but what you have to realise is that when you say shutdown, it's probably a four-week shutdown. We have rather a long supply chain in Polyamide and we are in a situation where, especially because inventories usually are very low, we need to be ready to, we need to be able to continue to supply our customers so there is no other way to – even if you don't expect any pickup in demand, there's no other way than to pre-produce, as you say, and be able to continue to operate our downstream production facilities when the upstream one is shut down.

When do we expect a pickup? I've made, I made the comment a few minutes ago. I think what could be a significant element for polyamide would be a pickup in car production in Europe. There are some signs that we are at an inflection point but I won't make a better forecast than my colleagues in the automotive industry or with part makers. I think we have to be very prudent when start predicting when we will see a material pickup but once again, the inventory build-up is

not linked to the fact that we expect a pick-up, it's just linked to the fact that we're at very, very low inventory level and we are able to manage within Solvay our businesses with low inventories.

And once we have long turnaround, which is the case in our upstream Polyamide facilities, we need to continue to serve our customers and pre-produce to achieve this.

Maybe we'll take one last question.

Investor I

Yes, again. Only one last question; the last days there was news out that India lifted its ban to hatch guar [?]. Is there any impact from this news on your business or on your joint venture?

Jean-Pierre Clamadieu

No, and I'm questioning the actual impact of this decision and we don't expect to see significant changes. We are focusing today very much on derivatized guar, which means transformed guar versus guar native but again, the significance of this decision is still to be seen or understood but for me it's not a major change in the guar market.

Investor I

Okay.

Jean-Pierre Clamadieu

So with that, I would just like to thank all of you. I think once again, in my view, in a very challenging environment, especially in Europe, our results today show that Solvay is resisting well. Especially positive is the behaviour of Consumer Chemicals and Advanced Materials. This gives us confidence that even if the overall economic environment does not improve in Europe – and again, I'm not taking a view that this will be the case, I'm just taking a prudent hypothesis – we will be able to do better in 2013 than in 2012, taking into account the 190 million exceptionals.

Second important element is the fact that we are continuing the transformation of the company. What we have announced regarding PVC a week ago is a very important milestone and a very good example. We'll continue with some announcements regarding soda ash in the next few weeks and we'll continue during the course of the next years to move in the direction of our 2016 ambitions and target.

And maybe to end up on a lighter note, you know that we are a very proud sponsor of Solar Impulse, the aircraft which flies using solar energy. We are following, all of our teams are following what's happening currently in North America. The plane is flying from San Francisco to New York. It's currently in Phoenix, Arizona and we are very pleased to know that this is being made possible thanks to the product that Solvay has brought on these planes; 8,000 parts made of most of our Specialty Polymers technology. And this shows that, yes, we should ask more from chemistry and that Solvay is ready to bring very, very innovative solutions to various markets.

Thanks a lot and I guess we'll talk to you on July 31st for our Q2 results presentation. I remind you now that we have scheduled a Capital Markets Day on November 6th. With that, have a very good day, thank you.
