

**Solvay**  
**Thursday, 29<sup>th</sup> July 2010**  
**14:00 Hrs UK time**  
Chaired by Christian Jourquin

**Christian Jourquin**

Good morning and good afternoon, ladies and gentlemen and welcome to this conference call on Solvay's First Half Year Results of 2010. I'm Christian Jourquin; I am joined here by my colleagues of the Executive Committee, Bernard de Laguiche, CFO; Jacques van Rijckevorsel, Group General Manager of the Plastics Sector; and Vincent De Cuyper, Group General Manager of the Chemical Sector.

I will start with some comments on the Half Year results of continuing operations; Bernard de Laguiche will follow with more details on the financials and after that we will open it up for a Q&A session.

Sales of continuing operations increased by 25% compared to HY09, thanks to a more sustained global level of activity. Recurring operating result, or REBIT, of continuing operation reaches €183 million in the Second Quarter. This represents a significant increase both sequentially and year-on-year. REBIT rises from €26 million to €298 million for the first half of 2010. Net profit of the Group includes €1.7 billion net capital gain on the sale of our pharmaceutical business.

In our Chemical sector in Q2, total volume is up by 15%, but sales price is on an average down by 8%. The lower sales price mainly concerns soda ash and caustic soda. In total, this leads to a 12% increase of our sales compared to 2Q09. Thanks to better capacity utilisation rates, cost reduction and energy expenses which are well under control, REBIT of the Chemical sector rises by 11% in Q2. Let's not forget that the operating result in the Chemical sector resisted very well in 2009. Chemicals REBIT also benefits from strong results in fluorinated chemicals as well as in hydrogen peroxide.

In our Plastics sector in Q2, total volume is up by 23%, mainly on the back of high volumes growth of specialty polymers plus 48%, and at Inergy Automotive Systems plus 43% in Q2. Volume grows in all regions, but the improvement is most outspoken in Asia that accounts for more than 25% of our specialty polymer sales. Though current demand may also include some restocking, our specialty polymer business works at full capacity. Contrary to most other activities, specialty polymers always benefit from stable sales prices. Higher production rates have, as a consequence, a more important impact on the operating results. Additionally, we fully benefit from the recent capacity expansion in PVDF and PVDC and obviously cost containment.

In the vinyls cluster, we notice a limited pickup of demand since March, though the European construction sector remains under pressure. Sales price in our Plastic sector rose on average by 16% in Q2; REBIT in Plastics rose from €9 million in 1Q10 to €14 million in Q2. This progress comes mainly from the specialties cluster, which benefits from surging volumes. We signed a binding agreement with Plastic Omnium that will acquire our 50% stake in Inergy Automotive Systems for €70 million cash, or an enterprise value of €30 million. In the new segment, new business development we report REBIT of -€6 million in Q2, which compares with -€5 million in the same period last year. You can expect that this will rise to about -€30 million for the full year 2010.

I would like now to ask Bernard to continue with more details on the financials. Bernard, the floor is yours.

### **Bernard De Laguiche**

From a financial perspective I want to highlight the following items. First, a technical one: we decided to terminate the sale process of our precipitated calcium carbonate activities, which were since October 2008 accounted for as assets held for sale. As a consequence, we had to recognise the accumulated depreciation since 4Q08. This impacted in the Second Quarter of this year the REBIT of the chemical sector negatively for €10 million.

Second, some analysts underestimate the charges on net indebtedness, which amounted to €1 million in the first half of 2010. It may be useful to draw your attention on the different components included in this line, which are -€70 million charges on borrowing; -€6 million costs of discounting provisions; -€5 million other financial charges, and +€9 million interest income. I would like to indicate here also that we continue to proactively manage the maturity profile of our financial instruments. In that framework I am happy to announced that we have used a market window to extend the maturity of the existing, but unused credit line of €50 million from October 2011 to July 2015 while increasing the amount from €50 million to €1 billion.

Third, compared to the end of June 2009, working capital of continuing operations rose by 7%. This increase reflects our continued stringent policy, certainly if you compare it with the 25% higher sales in the first half of this year.

Fourth and finally, our effective tax rate of continuing operations in the first half stands at 26% due to changes in the tax mix. Our medium term tax guidance, less than 30%, remains unchanged.

Back to you Christian.

### **Christian Jourquin**

Thank you so much, Bernard. As indicated in our results press release, the priority goes this year to the optimal reinvestment after the disposal of the pharmaceutical 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. I will avoid making other comments on this topic.

We work on optimising the effectiveness of our organisation and prepare for our future growth with the Project Horizon. Aside from improving our organisation, cost savings estimated to reach up to €20 million by the end of 2012, have been identified in this project. All decisions that will be taken in this project will be implemented in line with legislation and with our values.

Let me conclude with our outlook statement for the full year 2010. The first half of 2010 was characterised by demand recovery. At current market conditions the chemical sector should realise a recurring operating result in line with that of last year, notwithstanding the price decreases. In Plastics the volume growth should support sharp REBIT expansion. The priority goes this year to the optimal reinvestment after the disposal of the pharmaceutical activities.

Now I want to open it up for questions.

## Questions and Answers

### **Investor 1**

*Thanks for taking my questions. I've got three please: two on specialty polymers. First, in Q2 you benefited from a significant sequential improvement in volumes; is it fair to say that you are now close to full capacity, or is there scope to take more volume? Another question on specialty polymers: on pricing, which has been stable since last year, could you talk a bit about your expectations on pricing and input costs going forward into the second half? A third question, a slightly separate question from the results: you've announced the exit from Inergy Automotive yesterday; I wondered if you could please talk a bit more about the rationale, as the business does appear to fit many of your acquisition criteria, it is green, it is growing in the emerging markets and so on; was profitability the main issue, or was it a move away from the cyclical automotive markets, given you are looking to become more defensive?*

### **Christian Jourquin**

Jacques, will you take the two first questions?

### **Jacques van Rijckevorsel**

Thank you for the questions. About the specialty polymers, the first question was about sequential improvement and how close we are to the maximum capacity. It is true that for some grades we are running at full capacity. Not for all of them, but for some of them we are indeed at full capacity.

Then the second question, pricing for the future; yes, the prices stayed stable during last year; we even could increase here and there when we had a feedstock increase but currently we do not have a specific move on the pricing front.

### **Christian Jourquin**

Maybe then the answer on Inergy, I believe we have to put that in the line of the strategy we developed in the past. When we built up the joint venture with Inergy those partners were bringing specific capabilities and from our side obviously the knowledge and the expertise we had in polyethylene was key in creating value. After ten years that were very positive for both partners, we came to the conclusion that from our side we couldn't bring anything more to this joint venture and seeing the interest of the partner to take over our participation, we considered that the price that was offered reflected a fair value of our contribution to this joint venture.

### **Investor 2**

*Again a question on specialties on Plastics; you had a very nice margin improvement in the Second Quarter and I'm just curious about the difference of operating leverage between Inergy and specialty polymers. Obviously it's important for us, given that Inergy will be eventually out of your portfolio; can you just compare whether Inergy was indeed the main contributor of the margin improvement? We note that Plastic Omnium has quoted an estimated 8% EBIT margin for that division. I remember in the past it was more about 4-5% margin, so it seems there's quite a nice improvement in that business. The same question on specialty polymers; you gave a historical range of 20-25% EBITDA margin; can you just tell us where you are now at full capacity; are you above 25% or are you just at the high part of that bracket?*

*Third question is on raw materials and chemicals. You mentioned that thanks to integration, you have been able to mitigate some of the raw material price increases. Can you just elaborate on that? What were the prices that have increased significantly in the Second Quarter and that you have been able to mitigate.*

*The last question is on balance sheet. You received 9 million interest despite the fact that you have significant cash on your balance sheet. Can you share with us your thoughts on investing your cash on higher yielding instruments please? Thank you.*

### **Christian Jourquin**

The first two first questions, I would suggest Jacques to address them, Vincent and then Bernard, on Specialty Polymers and the differential.

Just a global comment on the Specialty Polymers; we defined one or two years ago the non-cyclical aspect of the Specialty Polymers. Last year the situation of the demand in quantity was such that it was, I would say, a little bit contradicted. Now the fact that today the prices have not moved, and that we can take the full benefit of the improved demand, shows that it was cyclical last year because everything was down; this year we feel comfortable.

### **Jacques van Rijckevorsel**

Then for the Specialty Polymers the first question was for specialities; did the improvement in margin between H1 2010 and H1 2009 come more from the Specialty Polymers or from Inergy? The answer is definitely it is coming from the Specialty Polymers by far, even if Inergy also showed an improvement. The second question was about the EBITDA margin of the Specialty Polymers, the range 20 to 25%. I can tell you that that range is still valid, but currently we are more at the upper limit of the range.

### **Christian Jourquin**

We switch to Vincent about mitigation of costs through integration.

### **Vincent De Cuyper**

We mentioned that as quite a general statement in fact; it is mostly linked to the evolution of the energy costs. We can see that for the time being our energy costs remain globally unchanged reported to the turnover in the chemicals. While when you see the evolution on the market prices, you start to see some progressive increases of prices, even if limited, but for example if you take the coal, the pricing we were measuring in the past of \$83-85 per ton, today in the range of 90-95; and the forward for 2011 is at \$100. If you take energy - where we are well integrated through all the projects we have - we can mention very recently the investment in the refuse derived fuel project in Germany, as well in the investment in the nuclear electricity in France, the Exceltium Project. We also see that progressively the electricity price is increasing in Europe, and we talk now about €50-55 per megawatt hour. This is what we were mentioning to that remark in the press release.

### **Bernard de Laguiche**

Yes on the balance sheet and on the interest income, you are right we have a very low interest income. It corresponds to 0.4% per annum; that is the consequence of our policy, which we do not intend to change. It is a policy of capital preservation and of liquidity. Capital preservation means that we are only investing in top quality Government bonds and Triple-A rated money market funds; and liquidity means that we are investing short

term, because in the end the aim is to have liquidities available for our redeployment. Included also, but not included in the cash figures, is our treasury share purchase programme, with a ceiling of 5.1 million shares, and we bought 880,000 shares to date.

**Investor 2**

*Which it will remain until an acquisition?*

**Christian Jourquin**

Exactly.

**Investor 3**

*Actually one question from my side; it is on the outlook for Chemicals. You expect a similar operating result to last year i.e. 251 million, however year-to-date you have reported 157 million if I correct for the precipitated calcium carbonate activity. That will mean a decline versus the first half in the second half. I am just wondering, can you talk us through what you are assuming there for that decline to happen. Thank you.*

**Vincent De Cuyper**

One comment on that outlook; first of all I would like to remind that we had excellent results last year in 2008 and even slightly better than 2008. When we speak about good results and in line with 2009, that is quite positive in the statement. Second point is; you know that traditionally in the second half of the year in the Chemical activities, we have some potential impact of holiday period, and particularly as well of some additional maintenance expenses that we have typically in the Fourth Quarter of the year. This is why we maintain the present statement. We also want through that statement to show that there is a difference in the increase of the REBIT with the Plastics where there is in the statement, a very sharp increase of the REBIT. We need to put that into perspective in the two sectors. Finally I think we need to also consider that the Chemical activities are more linked to the commodities business, to the global economy, and we have to observe what will be the evolution, the global economical recovery during the second half, as well as the evolution of the energy price; and particularly in Europe.

**Investor 3**

*It still seems very conservative to assume a drop of 40% half year-on-half year.*

**Christian Jourquin**

I would say that the visibility that we have today on the European market, which is for our Chemical activities, still the largest one means that we have to remain quite cautious. We shouldn't underestimate the impact of the Dollar on our exports from Europe. When we speak about improvement in Europe, we shouldn't fool ourselves. A part of the improvement in Europe is coming through the exports due to the high Dollar. I would be extremely careful to make any statement about re-improvement of local conditions for Europe.

**Investor 3**

*Thank you very helpful.*

**Investor 4**

*Two questions if I may; first of all on the non-recurring items; you reported 68 million in the Second Quarter of which some 41 million in the Chemicals cluster in the Second Quarter. Can you provide some detail on what kind of elements drove this number? Secondly, also in Chemicals, in caustic soda, I understood from other players in caustic that due to the low demand from the PVC side, there was some flexibility, some room I would say to obtain better margins in the caustic side. Maybe could you qualify or give some comments on that statement please. Maybe a detailed question, building on the Chemicals outlook statement; what is actually the benchmark number? Do you re-qualify the '09 benchmark for the calcium carbonate business and the provision discounting that is now moving below the REBIT line? Maybe provide a benchmark number for that chemicals outlook please. Thank you.*

**Christian Jourquin**

The first and third question I would suggest Bernard takes these, and that the caustic question is addressed by Vincent, so first on the exceptional results.

**Bernard De Laguiche**

I will cover the non-recurring items; I will also cover the comparability of the figures in Chemicals, but actually for Solvay for the Quarters. First of all on non-recurring, you are right; the non-recurring expenses for the Second Quarter 2010 are €69 million. There is a lot into that that is restructuring; you can expect restructuring to bear fruit in the future. That is mainly the case for our fluorine activity, where we are shutting down two plants, or parts of plants in Germany and in Italy; that represents a total of €18 million. Then there is another aspect of reserves for HSE. This is what we reserved for in Spinetta representing €19 million, so 18 Fluor and 19 Spinetta HSE. For the rest you have a whole list of smaller or more limited litigations or restructuring reserves.

On the restatement for the adding back or taking in charge of the depreciation concerning CCP; no there is no restatement, because there is no materiality to justify such a restatement. We took the charge in the Second Quarter and identified it for you. On the cost of discounting provisions, I think it is important to underline that all the figures we mention talking of operating results of the sectors, are comparable for this change. Also in the reference Quarters we have adapted the numbers so that they are comparables with the numbers we speak of today, meaning with cost of discounting provisions below the REBIT line; and that is true for Chemicals, and it is also true for Plastics by the way.

**Christian Jourquin**

Your perspective on caustic, Vincent.

**Vincent De Cuyper**

One comment on the caustic soda activity; there is no significant change from the previous months. We see, particularly in Europe, the industry running at around 80%, with reasonably good demand, particularly in the pulp and paper industry, and this is exactly the same as in the hydrogen peroxide business. With prices progressively strengthening, even if the progress is extremely progressive, but month-after-month on the spot market we see small improvement of prices. For the Third Quarter in Europe, there have been price increases in some countries, we had some rollovers in other countries. I think this is showing that the economy is progressively improving, but on a soft pace.

The inventories remain at a level which is, I think, not authorising a very strong increase of prices in the short term.

**Investor 5**

*Good afternoon and congratulations, good results. I have a couple of questions: first, could you quantify the foreign exchange effect on your top line and REBIT in the Second Quarter. Then on energy costs, Mr De Cuyper hinted that energy costs as a percentage shows revenues were quite stable for the Chemicals division. Was that also the case for the Plastic division; could you quantify the percentage overall for the Group level? Then last question on the Plastics division, could you maybe give an insight in the current order books for the various businesses, and especially in the Specialty Polymers activity; and also maybe comment on the current conditions in Asia? Is there any cooling of the Chinese market or not? Thank you.*

**Bernard De Laguiche**

To give the conversion impact on the sales level, I would say it is around €70-75 million positive, comparing first half of 2010 to first half of '09. On the cost side there is also a positive effect of slightly less than €10 million, and I am talking here of production costs; €10 million positive also on gross margin. On REBIT, I don't have the exact number available. I would also like to underline the exchange rate impact on working capital, comparing if we take the working capital of end of June, comparing it to the working capital of end of December, we have an increase due to exchange rate effect of €50 million.

**Vincent De Cuyper**

Just one comment on the energy price, when we talk about stable energy prices, we include Plastics in the statement; it is valid for Plastics and Chemicals all together.

**Christian Jourquin**

But when we speak about energy we don't include ethylene which is another topic.

**Jacques van Rijckvorsel**

Absolutely; then indeed for the energy costs in the Plastics, we have the same comment, and ethylene on the other side increased this year if we compare with last year. There is also a sequential increase, till two months ago, now in July it declined and in August we expect also that it will further decline in Europe. In Asia ethylene started to decline, and in Mercosur it is more or less stable.

If we now go to the specific question about the order book in the Plastics, in the Specialty Polymers, we are full. We are very happy to have invested last year in new capacity, in PVDF, in PVDC, in some fluids and so on, fluorinated polymers because all those capacities are very well, if not fully utilised. That is for the Specialty Polymers; as I said at the beginning, we still have some free capacity for some products, but the situation anyway is tight.

Then where does it come from? It is coming from everywhere, it can be on a regional basis, but it can be also on the sectoral basis. We have very healthy demand coming from the automotive, except in Europe, but for the rest of the world. Healthy demand coming from electronic and electrics; healthy demand coming from the healthcare, water management, and all the different applications are really bullish. Then Asia is also

interesting for us because the vinyl producers or the PVC producers in Asia are mostly working on assets then and they experienced an increase in both electrical power and coal power prices. That means that they are less competitive and it is an opportunity for the other players to import products in China and one of them, of course, is us with our operations in Thailand. That means that in Asia, non-core operations are doing very well in vinyl. In Europe the situation is improving month after month and in South America the situation is still difficult due to American imports in Brazil and the spreads are squeezed. The operations are improving in Brazil and in Argentina; currently we have some problems with a cracker of our supplier of ethylene, which is limited in production due to the winter in the gas production.

### **Christian Jourquin**

Maybe one comment, the comment that you make about the export from US to South America, we have to be fair and say that we see much less American PVC in Europe today and here, the level of the Dollar is protecting us.

### **Jacques van Rijckvorsel**

Very true, one year ago we saw the American imports in Europe; now those imports have largely disappeared and on one side the demand for them is also improving, progressively in America and, on the other side, the weak Euro, of course, is protecting us and American producers are finding new outlets. Like, for instance, China, again, due to the loss of competitiveness of the acetylene product.

### **Christian Jourquin**

Just to close the aspect on energy in China, I saw the situation of energy price in China is such that what you see is an increase of exports from US to Asia isn't it?

### **Vincent De Cuyper**

No, I think we see exactly the same as in the PVC industry were the soda ash coming of US is competitive, again, particularly on the export market to Asia. While, due to the increase of energy price in China, but on the other hand the higher Dollar value compared to the Euro is presenting some export from US to Europe; certainly far less export from US to Europe in soda ash in than in the previous quarters which is helping our European industry.

### **Investor 6**

*Yes, thank you very much for giving me the opportunity to ask a question. I have one. I understand you are very conservative on your acquisition policy, but I think the results also made clear that the cash on your balance sheet is not yielding a lot of money. Can you please shed some more light on your acquisition base and what is keeping you from putting the cash to work?*

### **Christian Jourquin**

First of all we are fully aware about the non-productive aspect of this on our balance sheet. As I mentioned earlier, the process is underway and we work on the concept and, for the rest, I wouldn't give any statement further; next question.

**Investor 7**

*Yes, good afternoon gentlemen. Thanks for taking my questions as well. I've got two; 1), perhaps you could run me by again how your EBIT or REBIT market works in the plastics, especially in the speciality plastics because I see a delta of about €66 million of sales and the brunt of the 55 million improvement comes from Speciality Polymers. Maybe you can run me through the math, give a split between vinyls, energy and specialty polymers because I don't see how that incremental margin would work if I subtract the additional margin, you say you've gone from energy and a slightly better cash margin you see there vinyls. That's an incremental margin of 60 to 70% if not better; 2) Secondly your presentation, you're talking about market developments. Especially about the passenger car registrations, you expect year-on-year. Is this, also, you have lines going up or downwards in terms of what you expect. You have 26% and 17% growth in the first half for passenger car registrations. You expect a higher, also year-on-year number. Could you give us a bit more colour on which you expect in the second half there? Thank you very much.*

**Jacques van Rijckevorsel**

First the question about the Speciality Polymers and the split of the margin between the different businesses; you understand that we do not disclose that business-by-business but what I can tell you is that the Speciality Polymers. If we talk in REBIT not in REBITDA anymore, but anyway the comment will be the same. If we talk in REBIT the Speciality Polymers are by far the biggest, largest contributor to the REBIT of the sector for the first 6 months of the year. They are, also, by far the most important contributor for the increase of the margin between 2010 and 2009. Then, the second improvement that we see is coming from the vinyl and it is, also, the second contributor of the sector. Then after that we have Inergy Automotive Systems and Pipeline.

I hope that that can help you in your reasoning, but I am afraid that I cannot be more precise for the figures themselves. Now, for the automotive market it is very interesting to see the evolution of the automotive market in the world. We have some places, some areas in the world where we see really double-digit growth and even, in some places, triple digit growth in the automotive market. We talk about Asia, of course, and some places in South America. Now, Europe is down and for the second part, we anticipate that some incentive measure that were taken by the Government – Cash for Clunkers – will create a further reduction of the demand, at least, in Europe.

I would say that the situation is rather volatile. What we see, also, is that for the time being the industry is building more cars, probably, than the industry is selling cars. That means that somewhere the pipe is filling up and sooner or later either the pipe will stabilise or we will have a correction.

**Christian Jourquin**

Anyway, Jacques, I believe the fact that we dispose of Inergy Automotive Systems should reduce our exposure to the automotive industry which is highly, highly cyclical so I would say we would reduce our exposure on that element if you agree with this statement; next question

**Investor 8**

*Yes, good afternoon gentlemen. Most of my questions have been answered. Could you just shed some light, maybe, on what you see in the emerging markets going into the second half in terms of growth for Asia and Latin America and what is your percentage of your sales currently coming from emerging markets as of the Second Quarter, that's the first question. The second is, could you shed some more light on the order pattern in your chemicals and in your plastic division. What does that tell you about the Third Quarter or the second half of the year? Thank you very much.*

**Christian Jourquin**

I would suggest that we go around the different businesses and that we listen to my two colleagues. Vincent, you have quite clear reading of the regional developments in the chemicals.

**Vincent De Cuyper**

I think that we can start by a very obvious one which is South America where, really, all businesses are doing extremely well supported by the pulp and paper industry, but in general by the whole industry. Thanks to infrastructure programmes and so on, so we do expect continuous growth in South America, certainly. In Asia all our businesses are doing well it's true that we have seen in June in the last two months a certain softening of the growth in Asia and in China, particularly, but we still believe that the growth will continue in that part of the world. The US market, I would say that the domestic market remains quite soft, particularly if you look at the soda ash activity, the statistics of the growth of soda ash domestic market in the US is 3.5% compared to last year, which is a certain recovery, but very, very progressive. This is still due to the fact that the construction industry in general is not recovering very fast in the US. I would say that Europe is facing exactly the same challenge as US. The difference between US and Europe is that the export and, particularly in soda ash from US, are still very competitive compared to the export from Europe.

Now, I can give you an insight on our sales today by destination. For the chemical sector today we have, I would say, 15% of our sales coming from Latin America and Asia Pacific with a 21% on the US market so just giving you our exposure to this market; the rest being mostly Europe and Eastern Europe. Maybe one comment on the operating rate of our industry which is giving an insight on the present situation, I would say that the hydrogen peroxide business, the operating rates, are extremely high for the time being and they're in the 90's%, and we do expect that to continue in the second half of the year. In the soda ash business, we have seen some progressive improvement, but we talk now about operating rates in Europe. In Europe around 80% where we were talking previously about 75% and in the US we run at quite high rates as well in the 90s which is linked, as I mentioned earlier, to the very good export business. We do expect some further progressive improvement of the soda ash business. As you know this is the business, which enters into the crisis the last and which will get out of the crisis the last as well, but we start to see progressive improvement. As we always said, recovery will come starting from end of 2010/early 2011 in the soda ash business.

**Christian Jourquin**

*Jacques, could you put some colours on your sector too?*

***Jacques van Rijckevorsel***

I would suggest that two different approaches 1) is regional and 2) the other one is sectoral. The first one is regional. We are globally, as a sector in South America and in Asia for about 30% of our sales. Now, between South America and Asia, and we feel that in South America the economy is very healthy, it's mainly building and construction. There are programmes, incentive programmes and it is very healthy. Then in Asia, the demand is, also, very, very strong for different reasons. Of course, building and construction but, also, there are other applications, other sectors. Like, for instance, electric and electronic where you have new innovations that have been brought out on the market by OEMs. I would mention no name, but some of those innovations are really a boom and they are using our Speciality Polymers for that, then we, of course, see that in our own operating rates.

Other segments that are doing well are health, water and haemodialysis, membranes. That was for South America and for Asia. Then if we go to USA, there is a progressive fragile recovery and all the segments are involved in that and there is no differentiation, and in Western Europe the situation is volatile and it will depend on the austerity measures.

Now the last point, that was global for the sector, now if we look at the Speciality Polymers then I can tell you that for this year currently we are not far away from 30% of our sales in Asia in Speciality Polymers. In many segments, in many applications again that mean that we have there double protection.

***Christian Jourquin***

I believe that this review was quite interesting and maybe I would like to add three elements to what my colleagues have said and especially when we look at Asia. The three remarks are linked with the quality of the situation there. We speak or we hear a lot about slowing down in China, but what Jacques has just illustrated for Speciality Polymers.; we see that for high-end, the upper end of the range of the products the market is quite demanding. Second remark is the attitude of Chinese producers as far as overcapacity is concerned. You will remember that in the fluorinated gases, the situation has been extremely negative for a certain time because the Chinese producers using the advantage of access to fluorspar had practically built in one year 1.5 times the world capacity. What we have seen today is that at the prices they export it, practically they were losing money and they withdrew largely from export markets. As a consequence the impact on our situation in fluorinated gases has improved dramatically. I would say, you see a consciousness about the value of the product which is changing. Third point, the impact of energy on Chinese export, we heard what Jacques said about PVC on the basis of acetylene using coal and electricity. What we see today, it's not competitive and China is withdrawing from export. Exactly the same could be said about soda ash, where we see that China is much less present on export than in the past and with the market price of soda ash in China, I would say that their competitiveness is, obviously, suffering from our American product.

If you look at the growth rate it's not just a percentage, it's also a quality and, I believe that for our products we remain on that aspect quite confident; next question.

***Investor 9***

*Yes, good afternoon. Sorry, most of my questions have been answered but I have three little tidying-up ones, if I can please. Firstly, just pulling together the comments you're making about underlying activity and your order books. It sounds to me as if you're seeing no real evidence of the typical summer lull so far in the Third Quarter, is that correct? Secondly, just to pick up on your comments about the exceptional charges in the*

*Second Quarter are any of those charges related to the details of your Horizon cost cutting programme or is that still yet to come, please. Thirdly, you've given, obviously, some guidance on the tax rate below 30%, but with the 26% in the first half and that being between 31% in Q1 and 18% or so in Q2. I wonder if you could give us some idea of the lower end of the range that you might anticipate on the tax rate please. Thank you.*

**Christian Jourquin**

Tax rate and Horizon booking...

**Bernard de Laguiche**

There is nothing concerning Horizon in our exceptional charges and on tax rates, well you could expect the actual tax rate slightly above 25% to be at the low side of the range.

**Christian Jourquin**

I believe it's fair to say that we announced, in the previous press release, what would be the charges for Horizon just not to surprise the market later on at the moment we will have to take them in charge. You have an idea about what could come, but today we have nothing in that. Order book...

**Vincent De Cuyper**

Just to comment on the summer lull or not. July, so far, at the end of the July we are in line with the excellent Second Quarter.

**Investor 9**

*That's great, thank you very much.*

**Christian Jourquin**

In plastics...

**Jacques van Rijckevorsel**

The same comment for the plastics.

**Christian Jourquin**

Yes, but you have the winter effect in South America.

**Jacques van Rijckevorsel**

Yes, as I mentioned the same comment as for the chemicals, but indeed I mentioned that there is winter now in South America and we have the cracker who feeds our operations in Argentina and who is running slowly because there is lack of gas and ethane for the production of ethylene, but we expect, of course, that sooner or later the situation should change.

**Christian Jourquin**

Should change when the summer is coming back anyway; next question.

**Closing Comments**

Thank you. Thank you for these questions and we hope that we have answered appropriately your expectation. If you have no more questions thank you very much. Have a nice summer period and we will meet then at the end of the Third Quarter. Thank you very much. Good-bye.