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Chaired by Bernard de Laguiche

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Bernard de Laguiche

Good afternoon Ladies and Gentlemen, and welcome to this conference call on Solvay's 9M09 results. I am Bernard de Laguiche, CFO. I am joined by my colleagues Jacques van Rijckevorsel, Group General Manager of the Plastics Sector, Werner Cautreels, Group General Manager of the Pharmaceuticals Sector, and Vincent De Cuyper, Group General Manager of the Chemicals Sector.

I will briefly comment our 9M09 results. After that, I will open it up for a Q&A session.

Our total sales decreased by 13% in the first nine months of this year and by 10% in 3Q09. REBIT decreased to 592 million Euro in the first nine months of 2009 due to the global crisis but our operating result of the 3rd quarter remained in line with that of last year and improved significantly against the two preceding quarters.

We have benefited from higher Pharmaceuticals results. In our Pharmaceuticals Sector, sales increased by 5% in 9M09, and by 8% in 3Q09. The continued growth of our main drugs more than compensated for the impact of generic competition on Marinol[®] and lower stock levels of TrilipixTM in the States. R&D efforts were lower in 9M09 and accounted for 15.5% of pharma sales.

REBIT rose by 10% to 410 million Euro. If one excludes the miscellaneous income of 71 million Euro from 9M08 figures, total REBIT of our Pharmaceuticals Sector would have risen by 36% in 9M09.

Our Chemicals Sector sales are down by 11% in the first nine months of 2009 compared to last year and by 18% in the third quarter. Volume improved slightly but caustic soda suffered from price pressure. As a consequence REBIT for 3Q09 came in at 56 million Euro versus 71 million last year. REBIT for 9M09 is down by 14%. Caustic prices are slightly up in the last few weeks.

Activities in Vinyls and Specialty Polymers are severely hit by the crisis, even if demand trends improve. Volumes in Specialty Polymers decreased by 25% compared to 9M08 but prices remain

stable. In the 3rd quarter, volumes of PVC rose due to slightly improving demand. In spite of PVC price increases since the 2nd quarter of 2009, margins are still at a very low level. Compared to 9M08, REBIT dropped to 46 million Euro with 39 million Euro in the 3rd quarter only.

The resilience of the Solvay Group is the consequence of the strict measures we have taken to cope with a challenging economic environment. The impact of these measures on 9M09 results can be summarized as follows:

First: at constant scope and USD exchange rate, the fixed production costs and the commercial and administrative costs decreased by a total amount of around 140 million Euro.

Second: the number of full time equivalents decreased by some 1,200 people, mainly in Europe.

Third: industrial working capital decreased by 561 million Euro compared to the end of September 2008.

Fourth: our significantly lower CAPEX budget of 638 million for the FY09 still holds as we stick to a strict control at all levels.

Consequently, compared with the first 9M08, cash flow from operating activities minus investment rose by some EUR 500m.

From a financial perspective, I would like to highlight four items:

- First: foreign exchange had a positive impact on REBIT. After hedging the net impact was +18 million Euro at Group level and +7 million Euro in Pharma.
- Second: net debt to equity stands at 36%.
- Third: tax charges decreased due to lower results and to some tax credits. We continue to stick to our medium term tax guidance with a tax rate below 30% though this year's effective tax rate may be an exception to that medium term guidance.
- Fourth: financial charges were impacted by the funding cost in local currencies of our development in Eastern Europe and by currently low yield on cash.

We have agreed, as you know, to sell our Pharmaceuticals business to Abbott for a full value of 5.2 billion Euro. We will not make comments on the reinvestment before it takes place.

I want to conclude with our outlook statement for the full year 2009:

"The decision to sell its entire pharmaceutical business, as announced on September 28, will not impact 2009 Group's operating performance.

As announced, the Pharmaceuticals Sector will achieve in 2009 a higher operating result than last year.

The Chemicals and Plastics Sector showed good resilience against the crisis thanks to their competitive positions and to the measures taken, but the market conditions remain difficult. Full year operating result of the Group will be lower than last year."

On that note, I want to open it up for questions. Operator, can we have the first question?

Questions and Answers

Question 1

I've got three questions. The first is on Plastics. You mentioned for the first time that you're seeing threats from American PVC imports; given American PVC has been cheaper than European products for some time now can you clarify whether you had any impact already in Q3 or is this a new risk from Q4 onwards? Secondly, on costs, you've mentioned that you had 140 million of fixed cost savings; could you share with us the figure, excluding the Pharma business if possible? Thirdly, a more general question, a number of companies have talked about potential destocking again in December and longer customer shutdowns than usual; could you share with us your thoughts on Q4? Thanks.

Bernard de Laguiche

I will take the question on costs and then give the floor to Jacques on Plastics and US imports and maybe have Vincent's comments on destocking, and conclude on destocking for the whole Group. Our costs, indeed, we have a fixed, administrative and commercial cost savings of €140 million. We will not disclose and we do not disclose the portion by sector. What I can tell you now is that the majority of these savings is in Chemicals and Plastics, but we do not disclose this figure by sector. Now, Jacques, maybe if you want to go to the Plastics and the US imports.

Jacques van Rijckevorsel

Thank you, Bernard. Before giving a specific answer to that specific question, I would like to remind what we are doing in the Plastics so that maybe some other questions will be answered beforehand. What we do – and then we will talk about the market – what we do, we are taking structural measures to improve the resilience and the earning potential of the sector. We are doing industrial restructurings, some reorganisations in the Vinyls in Brazil for instance, but we also have closed the compounding unit in Jemeppe, in Energy we have closed one plant in France and as mentioned we have very strict and aggressive cash and cost control campaign across the sector; first point.

Second point, we have also some selective capacity expansions, sectorial and geographical, in PVDC, in Vinyls in Brazil, in PVDF and so on. Third, we are launching innovative solutions, for instance, new PVDF for lithium-ion batteries, some new applications and the Selective Catalytic Reduction innovation for Inergy. Fourth, always in the structural measures, we are reviewing some business models in the organisation and we already have implemented some changes in our business models. The general result of that should be translated in a higher quality of our portfolio, both in terms of growth potential and in terms of competitiveness. That is what we do.

Now, the market; the market is currently showing a progressive recovery of the demand and I would say that that recovery is volatile; in some places is it doing better, in other places it is doing worse and a couple of weeks later it is different, but anyway we see a global progressive demand recovery, and especially in the Specialty Polymers. In the Vinyls, I would say, and you will see that I come to your question, in Vinyls we see that in Asia it is okay; in South America we are seeing progressive improvement in Brazil and we are also taking profit from the restructuring that we did there and the capacity expansion. In Europe, which is maybe the more tricky part of our portfolio today, in Europe, the volatility is high for different reasons. The first one is a demand in sales. Destocking; not for the industry, because we are at 12 days of stocks, of inventories; it is not that much with our customers, because also they have a very aggressive cash control. Maybe it is lower in the chain, but we don't feel that for the time being for the destocking.

For the PVC import from America, this is new data that is due to two factors. The first one is the weakening of the Dollar; and the second one is the high difference, the high discrepancy in the ethylene price between Europe and North America. That came progressively during the year. We feel that more, I would say, in the Q4 and it was much less present in the Q3. That is my answer. I hope it is complete enough for you.

Yes, that's very helpful; thank you.

Bernard de Laguiche

Vincent, do you want to comment on the destocking?

Vincent De Cuyper

Yes, maybe I can comment a little bit on the destocking/restocking in the Chemical sector. We do not see a significant effect in our activities. What we see is that we remain extremely cautious so that we adapt our production rates to the evolution of the demand, so we generally keep low inventories and what we do observe is that our customers follow exactly the same policy, so there is no huge destocking or restocking effect in the Chemical activities for the time being. What is a positive sign is that in the Q3 we saw globally in all main activities a slow, but progressive recovery of the demand from our customers.

Bernard de Laguiche

Thank you, Vincent. Maybe a last remark on the level of inventories for the Group; we have been driving down inventories significantly and continuously since the beginning of this year. This is in all of our sectors, Pharma, Plastics very significantly, and also Chemicals, so that we can see that at the Solvay level our inventories are at a low level in value and also in relative terms meaning in percentage of sales. If that answers the question, maybe a next question.

Question 2

I have three questions with regard to the results in the Plastics division, they improved significantly in Q3. Could you indicate which business units accounted for the largest improvement? Second question, could you give an indication on how large the impact of Governments' car incentives could have been on Solvay's results. Thirdly, with regard to cost savings, already 140 million done; what do you believe that Solvay can ultimately achieve with regard to cost savings?

Bernard de Laguiche

I think the first two questions are for you, Jacques, and I will go to the third one.

Jacques van Rijckevorsel

The first question is about which business unit improved the most in Q3. What I can tell you is that all business units improved compared to Q2; all have a significant improvement and the highest improvement has been in the Vinyls; that is for the first question.

Then the Government support for the car industry, it is a reality that across the world there have been incentives for the car industry, the Cash for Clunker in North America and also the equivalent in Germany, in Italy, in Spain, in UK, in China, in Japan, everywhere around the world you have that. That is why we have seen that progressively during the year these things improved, Q3 was rather strong, and I believe that in the statistics for the September month, world sales of light vehicles increased versus last year. Then obviously Inergy Automotive Systems took profit from that, they could react very, very quickly to that increased demand.

Now, the point is what is the perspective? Some countries have abandoned the system, like for instance USA and Germany and other countries are phasing out more progressively these incentives, but clearly for us in the Q4 if we compare with the Q4 of last year there should be still an improvement. We are not sure that it will also be an improvement versus the Q3.

Bernard de Laguiche

Your question on cost saving, you are right, we already achieved 140 million Euro. We do not guide on this figure for the whole year. What I can tell you is that we are not slowing down the pace and we are intensifying our efforts to work on our structure and to work on our fixed costs, and so this is what we are doing also because we are driving the Group to be ready to pass a difficult 2010 and our cost basis and our breakeven points are one area of priority focus.

I have one more question with regard to the cost savings. Can you please indicate how much cost savings you already achieved in Q2?

Bernard de Laguiche

Yes, we mentioned that figure at that time, 75 million Euro for six months year-to-date this year.

Question 3

Just quickly coming back to the US import of PVC, can you confirm whether that is more or less than 5% of total quantity for the fourth quarter, what is your best guess? Secondly, on Influvac, the seasonal flu deliveries in the Q3, do you expect further sales kickers in Q4 or was it all basically booked already? Thirdly, maybe if you can just give us an update on the capex guidance given you have a couple of projects in the pipeline, capex for 2010 that is. Thank you.

Bernard de Laguiche

You want guidance for capex in 2010?

Yes, just an update if possible.

Bernard de Laguiche

You know we don't give guidance on our 2010 capex at this stage. We will publish our capex budget when we have our full year figures.

Because you gave a longer term capex guidance some time back, so I just wondered if you have an update; no worries.

Bernard de Laguiche

Typically we don't give long term guidance, but we gave our actual budget at the beginning of the year, so it will be in February next year, but maybe the floor to Werner on Influvac.

Werner Cautreels

Concerning Influvac, I believe last time you mentioned already that in 2009 we would have a much better season, like most of the manufacturers by the way for the seasonal with an increase compared to last year of about 30%. Indeed because of the timing of the season this year and the availability of the supply, the bulk of that indeed came in Q3, but there is still something like about 25-30% of the supply that would be coming in Q4. On PVC?

Jacques van Rijckevorsel

I understood that the question was the percentage of American imports towards Europe, and you mentioned 5%. What I can say is that the export capacity for Q4 of the whole American PVC industry is not 5% of the European market. Then that should not exceed the number that you are mentioning.

Question 4

First question, actually it is clarification on the figures you gave on the Pharma balance sheet. I think if you look at the net assets, I think we can see the net assets of Pharma is about 2.1 billion in this quarter and the equity value of the disposal was 4.5 billion, which makes a difference of 2.1 billion. On the first page of your press release you're guiding us for capital gain of 1.7 billion, so there's about a 400 million gap here. Can you explain where that difference is coming from? I

think you said at a conference call that that transaction will be tax free, so that's not tax. Do you expect the assets to go up by the closure or what's happening?

The second question is actually you wrote on the press release that we should expect some provisions when the transaction closes, because you will cover presumably some risks on the Pharma business. I imagine that you don't have a figure at this stage, but can you just qualitatively tell us what are the products you're talking about and any kind of guidance where a level of scale of how big will be those provisions going forward.

The third question I have is on maintenance, usually for the Chemicals and Plastics business we have in a normal year lower profitability in Q4, because you have some maintenance. Obviously '09 is a special year, because so many plants were running at low operating rates, so I was just wondering if we should expect any of those maintenance related costs in Q4 or most of the maintenance has been already done in '09 and so therefore there will be no impact.

If I can try a last question, on the PVC volumes in Q4, my understanding is that you temporarily gain market share in Europe, because some of your large competitors, I think it was Arkema and Ineos, they had shutdowns; can you just quantify the volume impact on your plus 5% coming from that phenomenon? Thank you.

Bernard de Laguiche

Thank you for all of these questions. I will answer the two first ones on the Pharma balance sheet and on the provisions, then pass the word to Vincent on maintenance, and then finally to Jacques on maintenance and PVC market share. On the Pharma balance sheet, well spotted; the capital gain of 1.7 billion Euro is the value of the capital gain on the sale of Pharma at the date of 30th September this year. It is obtained by deducting from the agreed price the Pharma historical net equity and so you cannot reconcile it with the consolidated IFRS balance sheet data as these data do not take into account, amongst others, the inter-company receivables and payables, which are taken into account when considering the equity of Pharma for that calculation, but are not in the IFRS consolidated balance sheet that is published this quarter; so this in one element. Then you also have translation differences reflecting the difference between Pharma's historical and Pharma's current net equity value. These are the main factors that explain the difference between the calculation you make and our 1.7 billion Euro.

On the provisions I think you will well understand that I cannot say more now than what is said in our press release and if we knew the amounts that we would have to reserve for, then we would publish them as soon as we know them, so if we don't publish them it's because there will be provisions, but we can't say yet how much. We are working on that and we will know more about that when we announce the closure of the deal. Now maybe some comments on maintenance; Vincent.

Vincent De Cuyper

One comment on the maintenance, I think the year 2009 will be not very different from the other years in the sense that usually production is going lower in the last quarter of the year due to lower demand, so we take advantage to make some maintenance activities, so no change in the global pattern. I'd just like to indicate year-on-year today we are in the Chemical sector in maintenance activities 12% lower than last year. Obviously in the global programme of containment of costs we will continue these efforts during Q4r.

Bernard de Laguiche

Thank you, Vincent. Jacques, on the maintenance in Plastics and then PVC market share.

Jacques van Rijckevorsel

For the maintenance, I have nothing to add to what Vincent just explained. We do not expect special items versus last year. For the question about the Arkema and Ineos and other competitors, you understand that for obvious anti-competition reasons, we will not comment about market share that we have taken and what our competitors are doing, I will not comment on that. What I can, however explain is that the global volume increase, the plus 5% which we mentioned is also related to the export activities that we have and we have those exports directly and also indirectly, for instance, which are compounding through PipeLife and have helped of course to keep the volumes up.

Can I just ask the question differently then? What was the demand trend for Q3?

Jacques van Rijckevorsel

The demand for Q3 was still significantly lower than last year. The market is about at minus 20% versus last year, but it is progressively improving, as I said. For the last quarter there the comparison will become a little bit more delicate, because the last quarter of last year was very weak, then I would not be surprised if the demand progressively will become higher than last year, but that is not a normal comparison.

For Vinyls the demand was in Q3 20% lower than last year, that's what you said.

Jacques van Rijckevorsel

In Western Europe, yes.

Question 5

I've got three questions myself. First one on soda ash; I believe you were intending to conclude these contracts usually on a yearly basis; have these negotiations already started for next year and can you say something about the pricing we should expect there? Secondly, energy constitutes a great part of your costs; could you give us some colour on how that's developing and what we should expect versus the year so far in the months ahead? Third in Pipelife, some of your competitors in that business have managed to get their margins back to pre crisis levels; are you seeing the same thing in that business and could you give some colour on what the demand drop year-on-year has been in Q3?

Bernard de Laguiche

I will pass the word to Vincent for the two first questions, soda ash and energy; and then to Jacques on PipeLife.

Vincent De Cuvper

Thank you, Bernard. Soda ash, you know that in 2009 already there was some discussion about fixing yearly contracts or not due to the very unpredictable economic environment, so what's the situation today for the 2010 price negotiations? The environment for 2010 is still quite unpredictable, so negotiations for the time being are delayed and pushed for later in Q4, so there is no real negotiation started so far. I think we could probably turn again to not yearly contracts, but maybe yearly contracts with the revision during half of the year like we did this year or something more flexible that would be, I think, suitable for us as well as for the customers, but it's too early to mention what will be the tendency.

As far as the pricing is concerned, it's too early as well to say. What we know is that the demand is progressively recovering, although very slowly. On the other side energy costs are going down, so we will see what will be the negotiation. Usually these pricing negotiations on soda ash are difficult; it will be the same next year, but we are used to that, so no big change.

Bernard de Laguiche

And one comment for the Group on energy costs, they are easing down somewhat, but they are still at a high level. Just to give a couple of key figures, last year, 2008, net energy expenses represented 10.3% of our sales. In the First Quarter of '09, that went slightly up to 10.9% and now over the nine months year-to-date we would be at 9.3%, which is down vis-à-vis 10.9 but it's still at a very high level.

Vincent De Cuyper

One additional comment maybe, is that if you compare Q-on-Q it's important to mention that the 4Q08 was the highest, the peak of the energy price, so the 4Q09 should compare positively.

Bernard de Laguiche

Maybe, Jacques, on Pipelife.

Jacques van Rijckevorsel

On Pipelife I understood two questions. The first, are we back to the margin level before the crisis? Correct, we are back to the margin level of one year ago, of the 3Q09 versus the 3Q08 globally. Then for the volumes, in the Q3 it is a patchwork; we have regions where we have increased, other regions where we have decreased, but globally the volumes were lower than the 3Q08.

Can you give an indication on the sequential Q2 to Q3 on the volumes?

Jacques van Rijckevorsel

There is a constant improvement month after month during the Q3.

Most of my questions have been answered; one left on caustic soda. What is your feeling on the 4Q09r average pricing when you compared it to the 3Q? I was wondering if you could give some insight on that, thanks.

Vincent De Cuyper

One quick comment on the caustic soda business evolution; what we have seen is that the lowest point was reached in July and since then we see some tendency to slower price increase and the price which is published by Harriman so far for October had increased by €30 per tonne to the level of €250 per tonne on the European domestic market. What we do expect for the Q4 is certainly a stable price compared with the Q3, possibly slightly higher. This is mainly based on the evolution of the inventories of caustic soda in Europe. These levels reached for the time being the level of 240,000 tonnes in Europe, which is the lowest level for the year 2009, so the tendency is positive in terms of reduction of inventories, although this level of inventories is still higher than the level of 2008.

Question 6

Maybe a first question on your working capital, that improvement was relatively modest in the 3Q, if I'm not mistaken; maybe can you comment a bit on that? Then if I'm not mistaken your Full Year capex budget is at €550 million; you're currently at around 350 million. Should I assume a

step up in Q4 or is the capex budget maybe a bit on the high side? Then on your Antwerp plan for H202, hydrogen peroxide; can you maybe give some comments on the quarter-on-quarter volume improvement that the volume contribution from that plant to your hydrogen peroxide business and maybe also some thoughts on the Q3 to Q4 improvement that we could see from this new Antwerp plant. Then finally, I think you also had this production setback in PVC in Germany in Q3; I was wondering whether you could give some comments on to what extent that impacted your results in PVC in 3Q. Thank you very much.

Bernard de Laguiche

So these are four questions. I will answer the one on the capex budgets, then pass the word to Vincent on Antwerp and Jacques too for plastics and come back to you on working capital, just to have the data.

On capex, so we fixed our capex budget; you know there is always a little bit of a time phase between accounting capex and the budget, but over the year that will even out and so you can expect that our budget for the full year will be met. Vincent?

Vincent De Cuyper

Yes, thank you for your question on peroxide. Maybe I can take the opportunity to brief you about the situation on the peroxide business, because we have seen a significant improvement of the global business from Q2 to Q3 in the peroxide activities, with everywhere in the world an increase of our operating rates. If you come to point of the HPPO plant in Antwerp, you know that this plant started with some delay early 2009 and progressively went in production; the production in the beginning was slowed down due to the lack of demand from the PO side. But we have now since few months and this is already included in the Q3, a positive impact from that plant which is running today globally at 60-65% of the production capacity. This is already the case in the Q3. We do expect to maintain that 65% production rate level in Q4 and even until mid of next year, due to the demand of PO that is forecasted to increase by mid of next year.

Jacques van Rijckevorsel

Yes, the question about a production incident that we had in Germany, you know that it is common in the life of an industrial company to have here and there sometimes production incidents. Of course when you have low inventories as it is the case for us, an incident is more difficult to manage. But anyway we did it and I don't see any material effect of that on our result.

Bernard de Laguiche

Now on working capital. Let me give you some elements. First of all in June, working capital was lower than May and lower than July. But if you take the trend, April to September, you see it going down significantly. Of course in our working capital you have elements like payments of a milestone to former shareholders etc. that play an impact. I believe I should give you also some elements that give to you the view of Fournier on the operating performance of the working capital. Just an example, our DSO; our DSO is now 49 days and the average payment delays that we have are 5 days; and actually our DSO is improving if you compare it to the average 12 past months of the year. So on the receivables side, we have a situation that is well under control.

A second aspect is the inventories; inventories as percentage of sales. If you look at the level we have at the end of September, it is 11.9% of sales of the annualised past three months and that compares to 13.2% which would be the average level over the past 12 months. There again, inventories in percentage of sales, which is the right indicator for the year performance measure, is going down. So that leads us to say that over the year, also compared to June this year, our operating working capital is down and well under control.

Question 7

Two questions. First on your cost savings programme of 140 million achieved in the first nine months; can you tell us how much of that was in Pharma or was related to the Inspire programme? Then secondly, can you talk about your current capacity utilisation for the Group but also per line of business and I'm particularly interested in the soda ash business? Thank you.

Bernard de Laguiche

Maybe we can answer your question on the capacity of soda ash and then Jacques can give some indications in the Plastics sector. On cost savings; as already said, we do not comment by sector for the 140 million Euro, but indeed a significant part of that was resulting from Inspire, although less than the majority. But Vincent, on the capacity utilisation?

Vincent De Cuyper

I can make a global comment on the operating rates in our business. First of all in soda ash; I was mentioning a slightly improved demand, this is true in Europe. On the export side from Europe, due to the competition from soda ash coming from the US, the export business is slightly lower. So that in Europe I do consider that the operating rate remains quite stable from the Q2, at the level of 70-75%. The main change in soda ash came from the US, where the soda ash industry or players, have really decided to push strongly to recover market share on the export markets worldwide and retaliating to the competition from Chinese producers and they have been very successful. So, we do see operating rates in the soda ash industry which has significantly increased from Q2 to Q3 and they are running today at a level close to 90% operating rate.

If you take the Peroxides, I mentioned that this business was also improving worldwide and this is what we are seeing globally in all parts of the world, we have seen from Q2 to Q3 operating rates improving in the range of 5-10%. We are today in Europe and US around 80-85% operating rate, while in Mercosur and Asia Pacific we are at high level, around 90%.

Jacques van Rijckevorsel

For the utilisation rate, it is in the range of 75-90%.

Question 8

Two questions. First of all on caustic soda; can you please quantify maybe the impact of the price decline in Q3 compared to Q2 on the REBIT?. Second question on PVC in China; you mentioned that acetylene based producers seem to have come back, I thought that there had been a ban made by local authorities. Can you put more colour on that? Last question is on, just to re-focus. You said that the evaluation about for investment are currently ongoing; can you confirm what you said in the last conference call, after the Pharma sale that you are not in discussion with third parties and wait for the closing of the deal?

Bernard de Laguiche

First of all I will start with your third question and then give the word to Vincent on caustic soda and to Jacques on PVC in China.

Sorry, but I would just like to repeat, that at this stage we do not comment. What we have said we believe is very clear. We announced how we will redeploy strategically at the time we disclosed our Pharma agreement with Abbott. We repeated what we had said in our last press release and that's all I can say today. But more importantly for the quarter, Vincent – the impact of caustic soda.

Vincent De Cuyper

The impact is significant obviously. I'd like to speak about revenue rather than REBIT. Our revenue have decreased significantly; if you look at the impact of price and volumes, if we compare, we have an improvement of volumes compared with last year, but the price effect is significant, it's close to 40% now. So certainly there is a significant impact, which has impacted the Q3 results. But I would not give you impact on the REBIT of the caustic soda business itself.

But is the margin strongly under pressure between Q2 and Q3 for caustic? You mentioned a price decrease, but is also the margin strongly under pressure, or does input costs move in the good direction?

Vincent De Cuyper

Yes, the margins are under pressure and it's true, yes. I will not quantify them.

Bernard de Laguiche

But in the case of caustic, I think we can say that input costs did absolutely not compensate for the price decreases, so margins were significantly under pressure. Jacques – China?

Jacques van Rijckevorsel

PVC in China. and the acetylene technology. Your question is, what happens with this technology; are there bans made by the local authorities for this technology for environment reasons – yes, that is true and some plants have to be closed or are already closed and other are under scrutiny.

Bernard de Laguiche

Does that answer your question Mr Cornu?

Yes, if I can just follow-up on the question on PVC in China. Does the decision of the local authorities, would mean that in the long term the plants that seem to have restarted in the short term, could be definitely closed?

Jacques van Rijckevorsel

I think that some of them, the problem in China is that you can have general rules or roles that are taken, but not always are those rules and roles implemented by the provincial authorities, because of course they are looking at employment and other considerations that we of course can understand. The point is, logically, progressively, that technology should be phased out.

Question 9

I would try to ask a question on the strategic review. You've been indeed very clear in the last conference call and I think I understand most of the points of what you're looking...trying to do; but I just have one remaining question if I can try. The chemicals in most of the Plastics business is relatively capital intensive and obviously Solvay before the Pharma disposal, could balance the capital intensity with the light capital intensity of Pharma; and I just would like to...I would just be interested about whether you're looking through your strategic transformation to add businesses that will allow again a more balanced mix of capital intensity – in other words, acquiring business that will be light in capital intensity to balance the chemical in Plastics? The second question is more on the acquisition you've made in Russia. I was wondering if you could give some colour about the profitability please? Thank you.

Bernard de Laguiche

First of all on capital intensity, sorry I will have to be extremely synthetic on that answer – no comment.

On Russia, indeed, we have announced a significant investment for us and Vincent if you want to comment?

Vincent De Cuyper

Not specifically. It is a profitable business today, historically that plant has been running at high rates and with good profitability. Of course, linked to the global soda ash activity normal level, but it is profitable – yes.

Bernard de Laguiche

I think you know if I can give one element more, we have consistently said that soda ash at this level of prices and margins, does not justify greenfield investments. So what we are doing in Russia, shows that we are looking for brownfield investments and they remain profitable of course. But there are not so many in the world and when we have an opportunity we go.

But you can assume, is that the acquisition price will be paid, or the payback period will be around three years.

Question 10

Good afternoon. I just have a general question. Basically, what is the current state and your expectations of the most important end markets of Solvay regarding regions and the industry i.e. construction, automotive and the chemicals industry? Thank you very much.

Bernard de Laguiche

We do publish our main markets and the breakdown. I'm not sure I have the figures with me right now.

Ouestion 11

It's more a qualitative question regarding the development of these markets and your expectations going forward, going into 2010. The development for instance of the construction industry in Asia etc?

Bernard de Laguiche

What we can see today is that our demand is growing in Asia and we can see that in PVC that we produce locally in Thailand. We see that in all of our major markets. We are much more prudent on the demand side and for the fourth quarter as well as 2010 for the US and for Europe. And of course you have to take into account the impact of the Dollar, the weak Dollar, that makes imports in Europe from the Dollar zone or from the US possible.

Vincent De Cuyper

Maybe I can make some comments on chemical markets. For soda ash; what we see on the flat glass, which is mainly used in the car industry, is that there is a slow but progressive recovery. But we really remain very low compared to 2008 level and we do not expect to recover the 2008 level before 2011. One of the outlets of soda ash is in the glass container industry and this industry is resisting quite well, we have seen in the US that the sales level is around 5% lower than 2008. Then you have all the applications linked to the detergents and other activities, these are quite stable compared to 2008. A comment maybe on the pulp and paper industry, because I was mentioning that the peroxide business is recovering. We see an improvement in the pulp and paper industry and this is driven by a strong demand coming from China and a lot of pulp and paper

today is moving from US and also Europe to China for the development of the paper market. But if you considered the real demand in paper itself in US and in Europe, it remains quite low compared to 2008, we speak about a level that is 15% lower than 2008 in terms of paper demand on domestic market.

Bernard de Laguiche

Jacques, do you want to give indications on the end markets for Plastics?

Jacques van Rijckevorsel

As you know the main segments are construction, automotive, electric and electronic and equipment. Construction, you followed the statistics like I do, North America is not in a good shape. But in other parts of the world and mainly in Asia, we see a very strong recovery; and Brazil also, after a few difficult months at the beginning of the year is picking up again. For the automotive, what we see is that in the BRIC countries – Brazil, Russia, India and China, the growth is there. In China year to date end of September figures are +42% for the automotive market. This is year to date, nine months accumulated. Then in other parts of the world, for instance North America, the automotive market is down and we do not anticipate that it will recover very quickly.

Then electric and electronic. There we see for the specialty polymers mainly, that we are taking profit of some recovery of the generally demand on the one hand, but also with new applications innovations that we have put on the market. For the equipment industry, there of course it remains a little bit difficult, because as you know, the focus goes mainly to monitoring and controlling the capexes.

Bernard de Laguiche

Maybe a last comment on demand. If we look at our activities and remaining prudent of course, we see that demand is slowly picking up again on specialty polymers as Jacques has just said and that would also be the activity that is benefiting from a certain pick-up for the time being.

Before going to the next question, I just wanted to correct part of the answer I made earlier on Russia, it is not the payback that will be over three years, it is the payment of the investment which will be made over the three coming years. Sorry for this correction.

Closing Comments

Thank you very much to everybody. It was nice to have this opportunity to talk to you about our third quarter results; and I would like to thank you for all your questions and attention. Thank you very much.