

**Solvay Results Conference Call**  
**Thursday, 16<sup>th</sup> February 2012**  
**14:00 Hrs UK time**  
Chaired by Christian Jourquin

**Christian Jourquin**

Good afternoon ladies and gentlemen, welcome to the conference call on Solvay's fourth quarter and full year 2011 results. I am Christian Jourquin, CEO and I am joined by my colleagues, Jean-Pierre Clamadieu, Deputy CEO, Bernard de Laguiche, CFO, and our three General Managers for the three business sectors, Jacques van Rijckevorsel, Vincent De Cuyper and Gilles Auffret. I will comment our fourth quarter results, hand it over to Bernard de Laguiche for some more details on the financials and then we will then open it up for a Q&A session. However, I would like to focus first on the integration of Rhodia. Jean-Pierre, could you please comment on the process and the progress we are making here.

**Jean-Pierre Clamadieu**

Thank you Christian. I think integration is going very well and very much as we planned it. We have established a very solid organisation and process to make sure that as quickly as possible we operate with one single and very efficient organisation. As we've commented in previous meetings, our focus today is really on the functional activities. We wanted to make sure that business would continue to operate without being distracted by the integration process, and by the way, I think the results that we are showing today demonstrate that yes indeed, Solvay's businesses from all sectors are focusing very much on delivering what we expect them to deliver in this complex environment. Regarding integration, we are working with four different ways. The first one, and it's really a priority for us, was purchasing, because we think that this is where a significant amount of synergy lies. And we started back in October, putting together a very comprehensive operation which will allow us to meet our expectations regarding synergies. We have created in the same time, Solvay Energy Services which will have a responsibility to optimise our energy purchasing activities. The second way is with corporate functions, and we are at a point of time where organisational decisions have been taken regarding the way these corporate functions will operate and we have identified the key people we'll put in place in the organisation. In the second quarter of the year we're meeting the third way which deals with technical functions, R&D, innovation, industrial, engineering and related, related functions. And then, during the second half of the year - and we wanted to take a bit of time before taking these decisions - we'll be making key decisions regarding back offices integration, where we expect significant synergies to derive from. But for that we need to also have a clear view of the IT systems that will support the new group. Regarding cost savings, because this is something which we are all tracking very... in a very meticulous way, we have realised €20 million synergies last year. And when I say synergies, obviously for us, we are talking both on the synergies linked to the integration of Solvay and Rhodia but also the Horizon programme that Solvay announced a bit more than a year ago. We expect this amount to increase to €100 million at the end of this year and our total objective is to reach efficiency gains of €370 million by 2014 and we have full confidence that we will be able to reach this figure and this confidence is based on all the work that we have been doing together since the integration, which took place from a

financial standpoint, in September 2011. The costs which are necessary to realise this integration programme amount to €150 million, which will be roughly equally spread over the next three years. Christian?

### **Christina Jourquin**

Thank you Jean-Pierre. Now let me continue with some words on our full year 2011 pro forma results, which give you, I would say, the economic view of the group as if Rhodia had been part of Solvay from January 1<sup>st</sup>. Our perception is that this is the best performance going forward. Net sales rose by 14% to €2.7 billion and REBITDA increased by 11% to €2.1 billion. The three sectors delivered on their promise, increasing recurring operating profitability versus last year. If we were to look at business dynamics within Solvay's portfolio, we could talk about three differentiated buckets. First, the clusters with continued strong activity and profitability growth. This in particular is the case for Consumer Chemicals where REBITDA increased with 32% to €64 million, for Specialty Polymers with REBITDA plus 27% to €65 million and for Advanced Materials with REBITDA plus 134% to €67 million. Each of these businesses confirmed its role as a growth engine in our portfolio. There is secondly a category of clusters which showed resilience, both in sales and in profitability development, despite a more difficult market environment. Good examples here are Essential Chemicals on the one hand and Acetow and Eco Services on the other. Essential Chemicals is a resilient business with REBITDA up by 9% to €491 million. Acetow and Eco Services operate mature resilient market segments. It delivered a 7% higher REBITDA of €202 million. But we also have a few businesses more exposed to economic cycles. Vinyls in Europe and Polyamide Materials were confronted to the slow down in demand during the last months of the year. REBITDA of Vinyls came in at €18 million, down 4%, while Polyamide Materials delivered a REBITDA of €96 million, which means 23% lower than last year's demanding comparable.

Let's now focus briefly on our fourth quarter 2011 results. Net sales rose by 5% to €2,998 million, while REBITDA decreased by 23% to €355 million. We experienced overall good resilience, but reported a significant slow down in demand for Vinyls in Europe. In this context, PVC prices declined faster than ethylene prices leading to margin compression. The first contribution of Rhodia to REBITDA amounted to €231 million in line with its last year's performance. Now, important point, the priority given to cash generation led to a considerable decrease of stocks and to free cash flow of €246 million. That impacted profit negatively by approximately €50 million. Net result, excluding purchase price allocation or PPA impact came in at €19 million. Last point before giving the word to Bernard, I want to draw your attention to the sale of our stake in Pipelife announced yesterday. This frees up €172 million fire power for more strategic activity. I would like to ask Bernard now to continue with some financial elements. Bernard, the floor is yours.

### **Bernard de Laguiche**

Thank you, Christian. From a financial perspective I would like to make four points. First, Christian has introduced you to our pro forma results. We believe that in this quarter, pro forma figures show the economic view of our performance rather than IFRS figures. They show the income statement of the enlarged Solvay as if we had made the Rhodia acquisition effective from January 1<sup>st</sup> 2010, and of course, under harmonised accounting rules and without any impact of purchase price accounting. Second, purchase price accounting impacts associated to Rhodia acquisition is an important topic to be able

to assess the performance of Solvay 4<sup>th</sup> quarter 2011 and over the next years. We have revaluated our stock at fair value, which represented €205 million. The reversal of this inventory step up in non recurring items represented €60 million in this quarter 2011 and there is another €45 million to come in the first quarter of 2012. In addition, fair valuation of assets, both tangible and intangible entailed an increase in depreciation and amortisation by €29 million in Q4, and by €16 million per year going forward. There are more details on slides number 17 and 18 of the presentation on our website. Thirdly, Solvay has a very sound financial structure with a net debt of €1.8 billion and a leverage ratio, net financial debt REBITDA of 0.9 times. Importantly, net pension debt is €2.4 billion. Expected cash outflows for this pension debt is around €200 million per annum in 2011 and also foreseeable for 2012. Fourth, entering 2012 we will continue to focus on stringent cash management. Industrial working capital represented that year in €1.6 billion or 12.6% of pro forma 2011 sales. Pro forma 2011 capex came at €1.1 billion and the budget for this year is down by 20% to €60 million, reflecting a selective investment policy focused on the most promising business segments of the portfolio. Back to you Christian.

### **Christian Jourquin**

Thank you Bernard. Before wrapping it up, I would like to highlight the wealth of information on the new Solvay in the road show presentation on our website. With the inclusion of Rhodia, it's useful to get more details on amongst our geographical breadth, our highly diversified end-market exposure or the resilience of our portfolio of activities. Please do have a look at that presentation too. Obviously there is more to come during the Solvay investor day which will be organised on April 24<sup>th</sup>. Let's now look at how we see economic environment at the beginning of 2012. Growth prospects are highly differentiated from one world region to another. While Asia pursues its growth path, North America provides signs of recovery and Brazil is resuming growth after the slight inflection a yearend. Europe experiences a mild recession causing uncertainty and affecting certain segments of the demand. In this macro economic environment overall market conditions seem to progressively recover. In this context Solvay emphasises a stringent operational and financial management; you've seen that in the last quarter of the previous year. As a major group in chemistry and a global leader in its activities, it enjoys solid competitive advantages. The good progress with Rhodia integration and the deployment of Horizon are essential leaders. Well, let's open it up now for questions. Operator can we have the first question please?

## **Questions and Answers**

### ***Investor 1***

*Thank you very much for giving me the opportunity. Two questions from my side; first of all, I think there's some confusion on some comments you probably made during the press conference this morning regarding Rhodia's Advanced Materials results. I think it says that you expect the Advanced Materials results to be better than 2011 or better than 2010, that's something where there is un-clarity about. And then regarding your Pipelife disposal you say it represents an enterprise value of around €257 million; is this including your 50% of Pipelife's net debt and liabilities or are you including 100% of Pipelife's net debt and the liabilities in this calculation?*

*And secondly relating to that, if I'm not mistaken Solvay consolidates Pipelife in the plastics division and this contributes close to 35 million in EBITDA over 2011, is that correct?*

**Christian Jourquin**

I suggest we divide the question in two. The first one, clarification on what has been said this morning about Advanced Materials, Gilles, would you take that one?

**Gilles Auffret**

Yes, I am pleased to clarify what has been said this morning. You're right to point out that 2011 was an exceptional year for the reasons I raised up this morning, that is to say, a sweet spot in the price for rare earths. Now what I said is 2012 would be a year in which the exceptional performance would be of course very difficult to do again, but, that the 2012 results should be significantly better than the 2010, and not 2011, results.

**Christian Jourquin**

Does that clarify the comment on the first question?

**Investor 1**

*Yes, perfectly clear, thank you very much.*

**Christian Jourquin**

Second question, Bernard maybe you can give information about the debt situation of Pipelife.

**Bernard de Laguiche**

So the enterprise value of Pipelife we give is for you to be able to calculate the enterprise value multiple we achieve by this transaction. It does not mean that the debt and liabilities of Pipelife were consolidated in our balance sheet because obviously we consolidate Pipelife through the equity method, so the debt was not consolidated in the Solvay balance sheet.

**Jacques van Rijckevorsel**

Thank you Christian and thank you Bernard. Indeed, Pipelife was consolidated according to the equity method therefore then the equity value was €172 million. Then you had also liabilities inside Pipelife of 85 and you add up the 172 with 85 you come up to the €257 million enterprise value for 50%. Now the question about the contribution to the Plastics reserves as it is an equity consolidation it is only the net result of Pipelife that was booked and it is €1 million in the REBITDA of the Plastics sector in 2011. That €1 million corresponds to 50% of the net result of Pipelife.

**Christian Jourquin**

Okay, is that now clear?

**Investor 1**

*I'm still confused a little bit here because I think you use the full net debt of Pipelife for your EV calculation while you only own 50% of Pipelife.*

**Jacques van Rijckevorsel**

Pipeline as a company had €170 million liabilities divided between net debt and other liabilities like pension provisions and so on and to calculate the enterprise value we only take of course half of that, €85 million plus the cash that we are getting €172 million for the shares.

**Investor 1**

*Okay, thank you very much.*

**Investor 2**

*Good afternoon, I've got three questions; could you please give some guidance on the REBITDA for the corporate and the new business development division in 2012. Secondly, also some guidance on the depreciation amortisation for 2012 as well and that question is based on the fact that you commented on the depreciation charge of 116 million extra so I was just wondering what would that then amount to in total for the group in depreciation-amortisation. Then lastly on the Polyamide business of Rhodia the volume performance has been quite, well not very attractive in 2011 if I look at the quarterly performance and obviously in the fourth quarter we had severe de-stocking. What do you expect for this business going into 2012 now and what are the indications for that? Thank you.*

**Christian Jourquin**

I would suggest Bernard you take the first one, the second one, maybe you could clarify a little bit the question, but Bernard will answer it and Gilles will then take the third one.

**Bernard de Laguiche**

The first on the REBITDA for the Corporate Segment and New Business Development together in Q4 2011 was €4 million minus. You can expect this level to be stable, except the effect of synergies when they kick in pro rata in the course of 2012.

**Christian Jourquin**

That was the first question and for the second one on depreciation.

**Investor 2**

*Yes maybe if I try to clarify it. I just was wondering because obviously we have now in 2012 Rhodia contributing three extra additional quarters incrementally versus 2011 so that obviously increases the depreciation and amortisation charge incrementally as well, so I was just wondering if you could provide some indication where the total depreciation amortisation charge will be in 2012 for the group.*

**Bernard de Laguiche**

I will come back to you on that.

**Christian Jourquin**

So in the meantime then really you can take the question on the volumes of Polyamides?

**Gilles Auffret**

Yes about Polyamides and without entering into details what you can retain is that the Q4 poor performance is a combination of adverse factors; demand slowdown, low production level, reduced selling prices following the butadiene cost deflation in August or since

August, less absorption of costs across the inventory. We have given a priority to cash management and reducing our production significantly. In Q4 though it seems that we have reached the bottom of the EBITDA level, January has witnessed a progressive recovery of the activity and despite the early Chinese New Year and the Thailand Floods.

Now, having said that, the visibility remains somehow reduced and while we predict a progressive recovery at this stage, we have to be prudent.

**Christian Jourquin**

Thank you, Gilles in the meantime, Bernard did you have the possibility to collect the figures to answer the question?

**Bernard de Laguiche**

Yes, depreciation and amortisation for Solvay legacy was €450 million, on the Rhodia side 270 million, and this is what you can assume to be at today's investment rate a constant depreciation and amortisation number. To that you have to add what is PPA related and that is €120 million.

**Investor 2**

*And that won't be treated as an exceptional so we will add together 450 plus 270 plus 120 and then we have the total?*

**Bernard de Laguiche**

No we will single out the 120 in order for you to be able to see the performance without the PPA effects.

**Investor 2**

*Okay, so that will be treated as an exceptional then?*

**Bernard de Laguiche**

That will be treated as an adjustment.

**Investor 2**

*As an adjustment, okay thank you. Very helpful, thanks.*

**Investor 3**

*Good afternoon, two questions from my side. First, could you may be comment on your view of the PVC industry in various regions and I'm specifically interested in your view about the risk of US imports, not only in Latin American but maybe also coming to Europe, given the favourable energy situation in the US for US producers. Then also your view on the Chinese players, the capacities there and how that can impact the Asian PVC markets. Then second question is on epichlorohydrin you are installing or you are building new capacity there, you seem to indicate in the press release there are some signs of improvement early in the year for that market but will the market be strong enough to absorb the capacity you will put on stream later? I'd appreciate your thoughts about that, thank you.*

**Christian Jourquin**

Thank you, so first question, Jacques on the PVC in Europe and the rest of the world.

**Jacques van Rijckevorsel**

Thank you for the question. PVC we start with Europe; last year we had a difficult last quarter, as I explained, the volumes went down by 10% and as a whole year market went down by about 2 to 3%. That means that at the beginning of the year there was a growth but at the end of the year, as I said, it shrank. The consequence of that is less volume, pressure on the prices, also related to the international prices and I will come back on your question about America. The combination of the low spread and the low volumes of course was a burden on our margins and our reserves.

And we have reacted very strongly reducing the productions and keeping the inventories at the lowest possible level and that reduction of our production rates as a consequence extra cost related to the closure, but also related to some take-or-pay penalties that we had to pay to ethylene producers and also to electrical power producers. And all that of course is in the results of Q4.

Then Europe, that was for the last year. The beginning of this year, we see that the restocking effect that we've experienced seems to be over and the demand is back to a normal level for this part of the year of course; one week maybe with frost was a little bit slower but at the end it is exactly in line with this part of the year. Prices are coming up, not only in Europe but also globally and that leads me to America, the imports from America that you are mentioning.

It is true that some American players have the advantage of have ethylene from ethane and cheap and therefore also normally cheaper power. It is less the case for the time being because the ethylene price in North America is increasing very fast and we see that the international prices everywhere in the world are also increasing. This, of course, is better for the global exchanges, there are less international trades.

If we go to Asia there the situation in Asia last year was good, results of our Vinythai operations were good and we suffered a little bit, it is true, at the end of the year with the floods in Thailand but now we notice, I would say an inverted effect in the sense that the rebuilding in Thailand is creating an extra demand and we are running at full production with healthy margins.

In South America, as it was mentioned in the introduction, Brazil suffered a little bit at the end of the year but now gives signs that it is picking up; you have the World Cup, you have the Olympic Games and you have also incentives that are being given by the Government in order to help the economy. There we see that the demand is recovering progressively and the exposure to the American imports is there but remember that we, as an industry managed to get anti-dumping measures for American producers' imports in Brazil. That is a protection that we have got.

If we now go to China, your question about the Chinese based capacity, as you know about two-thirds are on acetylene which is dirty technology. By the way, it is even of a stricter technology in the new five year plan of the Chinese Government and they are not running well, not only because the power and the shortage, there is a power shortage there and it is less easy for them to produce, but also the general environment and climate there is again that kind of technology. We do not see a major threat coming from Chinese producers.

**Christian Jourquin**

Okay, Jacques if you agree with my statement first of all when we look at the average size of the plants that we have in Europe I believe that we can say that the competitiveness of Solvay is better than our European competitors and that the resilience of our situation is better than the European ones. Which would you agree with that?

**Jacques van Rijckevorsel**

I fully agree.

**Christian Jourquin**

And, as a second comment, well it is quite clear that the changes and the turbulence in the market created from one side the acquisition of Tessenderlo by Ineos and from Arkema by another investor have created some turbulence in the market. This is a difficult period to read.

**Jacques van Rijckevorsel**

Thank you for, Christian for reminding me of that. It is true that at the end of last year we also had those structural moves on the suppliers side and that has created a little bit of instability in the market and reconfiguration of some purchasing portfolio of some customers and so on and all that, of course, has put the spread under pressure. That is true.

**Christian Jourquin**

So maybe then we can shift to epichlorohydrin.

**Vincent De Cuyper**

Yes, we are fully confident that we are at the right time and at the right place, that's the market for Asia and for China. And, as you said, we see the first signs of improvement in the epichlorohydrin business. The epoxy business for which it is dedicated is a market which is reacting quite fast to the economic downturn so we have been observing slowdown of prices and volumes in epichlorohydrin in the last four/five months of 2011. And we see from January on the first signs of improvement. We had expected the market to improve from the end of Q1 so I think as far as the timing is concerned we are at the right time.

Second point I would like to mention is this is a green product, it's a green technology, it's really something that our customers want, not only from the epoxy customers but what's interesting now is you see the coating producers, meaning the customers of our customers who are really willing this product in their coatings. So we have this image advantage and we're on top of the competitive advantage from the better production costs if you compare to the classical propylene technology.

By the way, this has been confirmed recently by the Chinese authorities which have declared the new green technology for epichlorohydrin would be the one favoured for Chinese investment, banning the future propylene based epichlorohydrin investment in China which is good news for us.

Third point is some news on the technology. You know that this is some new technology, the first time we build a 100,000 ton plant. It is under start-up for the time being so we will not put 100,000 tons on the market in 2012; it is a progressive build-up, of course. The good news is that the start-up went very well and after two weeks of start-up we are still ongoing, of course in the start-up, but we are selling already 100 tons a day from Vinythai plant which is really showing that this product is expected from our customer.

And finally, just to comment on commercial strategy; a significant part of that plant is linked today to contracts with customers. So all in all we are quite optimistic about the development of that business.

### **Christian Jourquin**

Does that answer your two questions?

Good, then we take the next one.

### **Investor 4**

*Good afternoon a couple of questions please, firstly, with regards to the existing debt and bonds that are outstanding and the maturity profile of those, I wonder if you could talk a little bit about the extent to which you've investigated options to redeem, or the cost of redeeming some of the higher coupon debt there on the basis that presumably now with the combined balance sheet you'd be able to fund at a lower interest rate.*

*Second question; on your comments on running down inventory and working capital to sales, is it fair to say that that is probably below a sustainable level at the end of the year and therefore what would you view as a sustainable level for the combined group for 2012 and looking beyond that? Then, finally, just very quickly I wonder if you could try and give us some indication of your thoughts on a combined group tax rate for the forthcoming years.*

### **Jean-Pierre Clamadiou**

I just wanted to answer a question on working capital, I tend to think that we have achieved at the end of the year is sustainable and clearly we will be working during the course of 2012 to make sure that this company operates with the minimum possible working capital. When I look at what we did at Rhodia during the last few years I think we were able to improve our performance regarding working capital needs and I tend to think that's the best way to continue to do that in the context of the new Solvay. Clearly we will be working along these lines as you will have noticed that the focus on cash is a clear priority for the management of the company.

### **Bernard de Laguiche**

Obviously we always look at our maturity profile and at the interest of buying back one or the other bonds. We monitor that constantly. If you talk of high coupons, our highest coupon is on our hybrid bonds and this has a first call possibility in 2016 with also an option to extend. The other so-called high yield bonds of Rhodia, after consolidation they were marked to market so the real coupon is not as high as the face coupon. And obviously, again, we look at all of our bonds constantly and monitor month after month if there is an opportunity to buy them back, of course at an acceptable cost.

### **Investor 5**

*Thank you very much, several questions I'm afraid. Firstly, you mentioned that the Pipelife disposal proceeds were now freed-up for more strategic activities and in light of the continued strength of the balance sheet I wonder if you could give us some idea as to your thoughts as to what those strategic activities might be, please. Secondly, on polyamide you commented that the engineering plastics volumes declined for the first time, just wonder if you could tell us if there's been some sort of structural change in the engineering plastics market that might have driven that, that change the dynamics of the business going forward? Or whether it's just we saw an exceptional impact in the fourth quarter?*

*On Advanced Materials, obviously we've seen a decline from those, sort of, exceptional profitability levels of Q2 and Q3 in that division in the fourth quarter. In light of the, sort of, continued decline in rare earth pricing, do you think Q4 is a sustainable level of margin or are we likely to see some further pressure from this point in the early part of 2012.*

*Then, finally, a question about the Special Chemicals business and the fluorochemicals business, you were talking about a very tough cost environment in the fourth quarter, partly due to some sourcing problems I think at fluorspar in Q4. Have they been resolved; what should we think about Special Chemicals from this point in 2012? Thank you.*

### **Christian Jourquin**

Maybe the first point on Pipelife I would like to stress the fact that when we have the opportunity to find a good way to exit activities that we don't consider any more as strategic we take this opportunity. I remind you that the same year as we sold the pharma business we used the same process to step out of the automotive fuel systems. So we had a good opportunity and I would say we had, as a matter of fact, other ideas about investment and certainly what could be strategic. Jean-Pierre, you will be more precise in the future about the strategy investment piece.

### **Jean-Pierre Clamadia**

Well maybe just a couple of comments on the way we should look at this transaction. The first comment is probably that we want to be very pragmatic and when there are opportunities to manage our portfolio effectively to create value for our shareholders we do it; we take the opportunity and it's exactly what happened with Pipelife. Clearly, we don't have any specific plans regarding the way to use the proceeds of this divestiture but we will have the opportunity during our capital market day that takes place, as Christian mentioned, at the end of April, to share with you more views.

We have businesses for which we have growth ambitions and I won't surprise you if I mention Specialty Polymers, if I mention the Novecare business. Or the Consumer Chemicals business of Rhodia or Advanced Materials also could show some growth opportunities. So, yes, we are looking and we've been looking in the past years in both companies and we're looking at the opportunity to continue to develop our positions. And obviously in terms of geography, and I won't surprise you there too, that the priority for us is fast developing economies.

We enjoy a very strong exposure today with 40% of our sales in Latin America and Asia but we are looking at opportunities to continue to develop exposure. The Feixiang acquisition that we did 18 months ago turns out to be a very successful one as you've seen in the Consumer Chemicals results and we'll continue to focus on that.

Maybe just one comment on Advanced Materials because I'm a bit surprised by the line of questioning which tends to imply that there might be some risk there. My feeling is that there are plenty of opportunities in the Advanced Materials cluster, both from the silicone and the rare earth side. It's true that we enjoy doing a couple of quarters a very favourable situation that probably won't replicate but overall we have been able to extract much more value from our rare earth formulations than we did in the past, demonstrating to our customers that we can offer them security of supplies. We've made in terms of R&D some technical breakthroughs, especially in the electronic business developing new applications.

So overall, and I don't want to comment further than 2012 whether for this cluster will be higher than 2011 or not, it's too early in the year to make this type of comment, but overall I see a lot of opportunities and I certainly expect midterm earnings growth for this cluster.

**Christian Jourquin**

Thank you, Jean-Pierre. Maybe a last word about Pipelife. It's quite clear that even if we have Jean-Pierre's strategic projects one of our objectives is to keep a very strong balance sheet and the policy that we followed at the end of the year to generate a strong cash flow we've seen has had an impact on the results but we were extremely happy to have this stronger financial position. Gilles, some more on...

**Gilles Auffret**

Yes, I also have to answer the question about polyamides and engineering plastics...Is it a structural or a short term adjustment? Clearly, it's a short term adjustment; it's due to the slowdown of the economy at the end of last year and the adjustments on the inventories. But if I look at the segments, all the segments were negative except automotive and if I compare to Q4 2010 and Q4 2011 we were in the last quarter of 2011 significantly lower what we did last quarter 2010.

**Christian Jourquin**

Okay. So, Vincent, Special Chemicals?

**Vincent De Cuyper**

Yes, a comment on Special Chemicals. Indeed in the last six months the fluor chemicals particularly have been impacted by squeezed margins and this is due, as we mentioned in the press release, to a drop in sales in some end markets, like the electronics, but also to some pricing pressure, again from the refrigerant Chinese competition.

The news on these two aspects, I think it will progressively improve during 2012. Electronic industry is still weak, but it should progressively improve during the year. Competition from the Chinese on the refrigerants, we have seen some stabilisation of the prices in January, so I do hope that the worst is over, but still the recovery of price in the refrigerants should be quite slow.

As far as the sourcing of fluorspar is concerned, yes, we faced some difficulties in the last month. This is due to bad weather conditions in Namibia and difficulties for logistics and so on, which impacted the cost price of fluorspar activities and forced us also to buy some additional fluorspar on the market at a very high price, so impacting our margins. These programmes are progressively solved at the level of the mine, but still there will be some impact on the Q1 reserves due to inventories at higher cost price.

Also to mention that you know that we made the acquisition of the Bulgarian mine for fluorspar and we intend to progressively in 2012 start supplying small quantities from that mine. And a final comment, and this is not in the fluor chemicals but this is in the Special Chemicals, you know that our results are impacted by the low performance of our so-called Molecular Solutions' life science activities, which remains loss-making and we will try to work on finding a solution for that part of the business during 2012. Okay?

**Investor 5**

*Thank you very much.*

**Christian Jourquin**

Thank you to you. So next question, please.

**Investor 6**

*Good afternoon, just a couple of questions. First of all, on specialty plastics, we saw obviously a sequential margin decline there into Q4; just sort of some more colour on that, if it was more sort of a mixture? And I know you indicated there were some problems on volumes, but also if there was a radical change or some sort of change in mix?*

*And then also on the Consumer Chemicals side, the pricing traction that you had, particularly in the fourth quarter, again very strong, and any more colour on that, if it was sort of largely related to oil or gas or what kind of end sectors were really driving that? Thank you very much.*

**Christian Jourquin**

Okay, so Jacques, Specialty Polymers, your jewel?

**Jacques van Rijckevorsel**

Yes, Specialty Polymers, our jewel, that's true. Then the question that you raise about the sequential decline on the REBITDA and the margin percentage, it is related to the slowdown of some activities, mainly in electric and electronics, and for that we had the same policy as for the other activities; cash management, containment of the inventories and so on. And we have put some production line on reduced rates and that has created indeed some extra costs, one-offs and so, but fundamentally there is no change in the pricing power and margin power of the Specialty Polymers.

On the contrary, I had the opportunity to explain last year during the conference call that the Specialty Polymers were working on the manufacturing excellence and creating more production and more productivity with the existing assets, and I can tell you, it is a real success. Then there is nothing to fear about the margins. Now, the point is today, how do we see the situation? We see that the demand is back at a very good level compared to of course, the season of the year.

**Christian Jourquin**

So Gilles, maybe?

**Gilles Auffret**

On Consumer Chemicals I can say that on the two segments that are Oil & Gas and Agro we benefited from our strong position there. We were able to pass on very rapidly the price increase on the guar price, which has increased significantly, and in our activity which is guar derivatives we've been very successful.

On top of that, in all segments and especially on Feixiang we were also able to benefit from our strong position in surfactants. So all-in-all, you see that the price increase has been 19%, which is very impressive.

**Christian Jourquin**

Okay. Does that answer your question?

**Investor 6**

*Yes, thank you.*

**Christian Jourquin**

Thank you. So the next one, please.

**Operator**

The next question comes from the line of *Investor 7*. Please go ahead with your question.

**Investor 7**

*Yes, good afternoon, everyone. I've got three questions. The first is for Jacques on the Pipelife disposal. You kindly told us that you booked a net income in the EBITDA of the division of 11 million related to Pipelife. Could you tell us what the Q4 contribution was in the minus nine of EBITDA?*

*The second question is for Vincent on soda ash pricing. We've read a number of publications talking about price increases of anything between plus five and plus 10%. Could you maybe consent those numbers for your business for the European assets?*

*And the third question is for probably Bernard actually on... if I go back to the Abbott disposal, at the time there were some payments that were relying on milestone performance, I think up to €300 million. If I remember correctly, that could kick in in 2012. Could you maybe give us some colour on that?*

**Christian Jourquin**

So, thank you. You've distributed nicely the questions among my different colleagues. So Jacques, will you start giving us clarity on the Pipelife?

**Jacques van Rijckevorsel**

Yes, for Pipelife, as I mentioned, that company was consolidated in equity. That means that only the net result was booked in the EBITDA, and for the year it was €1 million for of course a 50% stake in Pipelife. Now, for Q4 it was slightly positive. That being said, normally December is a weak month, that is the winter and so on, but Q4 was slightly positive.

**Investor 7**

*Thank you.*

**Christian Jourquin**

So Vincent, soda ash?

**Vincent De Cuyper**

Yes, a few comments on the soda ash price increase. Indeed there's been a variety of announcements in the press. I think the reality is probably for the European market between €10 and €15 per tonne, depending on the part of Europe where we are selling. In USA there have been some price increases, but the information is quite reliable, published in Harriman with pricing around \$10 per tonne increase on domestic market.

As far as the export market is concerned, there has been information about a \$50 per tonne price increase, which is by far exaggerated, and I think the reality, again depending on the end-market, Latin America or Asia will be probably half of this \$50 price increase, which is still good numbers which would help restoring the margin of soda ash business in the first part of the year.

**Investor 7**

*Vincent, if I can follow up? As contracts seem to have moved to a six-month period rather than a one-year period for the European market, should we assume that you've only recouped some of the margin loss of Q2-Q3 last year, because you will be able to*

*renegotiate again for the second half if energy prices go up again in the first half? Is that a fair assumption?*

**Vincent De Cuyper**

Yes, indeed. I think you know that a few years ago we tried to move to get out of these annual contract prices which squeezed us totally in 2008 and we tried at that time to negotiate shorter contracts with customers, but they were quite reluctant at that time and I was disappointed that we couldn't do it.

It seems that people understand now that the economic environment is such that it's better for everybody to have some possibility to adjust pricing according to energy prices, even if it's not directly related, but in the negotiation, it's a part of the negotiation, and I'm pretty happy with the evolution of this contract price structure.

This being said, in Europe most of the contracts are six-month based for 2012, but still some are yearly based. Some customers prefer yearly based contracts. In US it remains for the time being mostly yearly based contracts and on export markets we have a variety of short-term, quarterly based contracts, or even annual contracts.

**Christian Jourquin**

So Bernard, impact of Androgel?

**Bernard De Laguiche**

So on Androgel, thank you for the question and you do indeed have a good memory. Androgel payments will, the first one will kick in in 2012. Just to remind the facts: we had three Androgel milestones of €100 million each, based on the sales figures of the product for 2011, 2012 and 2013. When we recorded the transaction and registered the capital gain, we did not register the full face value of the three milestones, but discounted and with a probability we did register €200 million in the capital gain calculations. And we will receive the first part of that in 2012 based on the good sales reached by Abbott in 2011.

**Christian Jourquin**

Okay?

**Investor 7**

*Thank you.*

**Christian Jourquin**

So the next one, please.

**Investor 8**

*Yes, hi. Good afternoon, everyone. A couple of questions as well. First of all, quite pleased to see that you have reduced your Capex budget by 20%, which clearly will reduce capital intensity of the group, at least for this year. I just would like to understand how you construct a tighter Capex budget for this year? Is it by reducing maintenance investment? Are you postponing some of the projects that you announced in the past, like, for example, switching to membrane technology your ECU plants, or is there any delay on the growth initiatives? Just to get a bit of colour around the Capex project, so that's the first question.*

*The second question is just going back on the issue of the squeeze of margin on Specialty Chemicals. You just reported a 2% price drop in Q4 and yet the margins are close to zero, so clearly there's a cost phenomenon that is important. Now, my understanding was that you were mostly backward integrated in fluorspar; I just would like to get a confirmation of whether it's right or wrong. And, if that's the case, I would suppose that most of the cost pressure is because of the production issue you had in Namibia, so can you bring a bit of colour around here?*

*And going forward, what are the reserves that you have in fluorspar? Should we consider yourself as being exposed to the volatility of fluorspar's prices? So that's the second question. And the very last one, Consumer Chemicals, indeed a strong price increase this quarter. Are you ready to share the raw material index increase in Q4 year-on-year? Thank you.*

### **Christian Jourquin**

So Jean-Pierre, maybe the first one?

### **Jean-Pierre Clamadieu**

Yes, on the first one, well, I would say we've run the typical exercise that we would run in a similar situation, which is to re-challenge our investment programme or to challenge our investment programme, putting some clear priority on projects which fit very well with the strategy that we are currently developing. Did we postpone any major projects? No. Did we slow down projects which have been already started? No. I think it's just a better prioritisation based on strategic analysis and also on return obviously.

Regarding maintenance capex, again in such situations, we have also the flexibility to make specific priorities and it's what we did. Should we expect to see, which might be what you have in mind, an increase in maintenance capex needs in the next few years? I don't think so. I think it's a significant optimisation of our capex programme. At the same time, we will be investing more than €800 million next year, which in my view, is a sizeable amount and should cover both our needs on continuing to maintain our site to the best possible level, and at the same time, being able to deliver on some significant growth projects.

### **Investor 8**

*Okay, thank you.*

### **Christian Jourquin**

We will then switch to Special Chemicals.

### **Vincent De Cuyper**

Just trying to confirm, yes, that we are mostly integrated in fluorspar, as far as the mine is producing, so as I mentioned, we had several issues during the last quarter, which are being progressively solved, but which will still be impacting the results during the first quarter.

The problem is that when you have this kind of rupture of supply, and you need to buy urgently fluorspar on the market, obviously you are impacted by the very high price you have to pay for fluorspar, which is controlled by a few players, and this is justifying why we are integrated in fluorspar, and in our strategy for fluorine chemicals.

This being said, we had also other costs impacting during the last quarter, as we mentioned in the press release. This is a quarter where we have typically more maintenance activities on the site, and so on, so the conjunction of several factors, which is explaining the high cost we faced in fluoric chemicals in the quarter, and I take opportunity also to remind that in our strategy, we want to reduce our exposure to that Namibian mine. That's why we acquired the Bulgarian mine during the year 2011, and we intend to progressively start it up during the year 2012.

**Investor 8**

*Thank you.*

**Gilles Auffret**

On Consumer Chemicals, there is no index on raw material. There is a basket of raw materials, which is very large, with oleochemicals, ethylenoxide, guar, cumin, phenol, etc, but I just take this opportunity to tell you that in each segment, what we tried to do systematically is to have the situation in which we can pass on very rapidly to our customers any price increase in our raw materials, and the segments are selected by that criteria, to ensure the strong pricing power that we are exerting, and systematically, I should say.

**Christian Jourquin**

Okay? The next question?

**Investor 8**

*Thank you, and so raw material pricing increase of that basket was roughly of the same magnitude, 19%, of price increases was more significant than the raw material price increase?*

**Gilles Auffret**

It was even more.

**Investor 8**

*It's a lag effect, mainly?*

**Christian Jourquin**

Okay, next one.

**Investor 8**

*Thank you.*

**Christian Jourquin**

Next question, please?

**Investor 9**

*Good afternoon, and thanks for taking my questions. First up, I wondered if you could remind us how much visibility you have by division. And, secondly, in terms of the capex, are you able to break out for 2011 on a pro forma basis approximately how much of that is maintenance, versus growth, and then with regards to that, on the 20% capex cut, I'm assuming that at some point that has to impact on your longer term growth rate? It just seems a bit at odds that you'd be able to cut capex, but there would be no impact on that.*

*And, then thirdly, on the CERs, how much income are you expecting on an EBITDA basis, for 2012, 2013, and 2014? And then, the last question was on the plastics area. I realise that January looks better than we've seen in the fourth quarter. I'm trying to get a sense, is that on fundamentals specifically improving, or do you believe it's restocking, or I believe one of the industry consultants was talking about some pre-buying ahead of price increases, in ethylene coming through in February, so causing customers to bring forward purchasing? Thanks.*

**Christian Jourquin**

Maybe on the visibility and the different sectors, I would like to ask my colleagues, just in a few words, to give their perception of the situation. On the capex, Jean-Pierre, maybe you can then take the lead, and then we will come back to plastics and the specific situation you mentioned, so maybe we can start with chemicals. What is the perception you have?

**Vincent De Cuyper**

Maybe a quick comment by product line. I mentioned already for Epichlorohydrin which is a business going down quite early in the cycle, and it starts to recover. We expect a full recovery by the end of the first quarter. Peroxide business, in the cycle follows. Volumes are a little bit on the low side in December and January, with stable pricing, and then if you come to caustic soda, I would say that the volumes remain at a good level, with some price increase, which has been passed from Q4 2011 to Q1 2012, but we see also there price stabilising, because the chlorine derivative, and particularly PVC is maybe picking up a little bit. And then, finally on the soda ash. Soda ash is the latest in the cycle, and there, the volumes remain good, and that's why we have been able to increase the prices early 2012.

**Investor 9**

*I just wondered, really what I was trying to get a sense of, is how much in terms of time, how far out can you see, is it two month's worth or into the second quarter, or how far can you actually get that visibility?*

**Vincent De Cuyper**

For which business?

**Investor 9**

*Really across, I was looking across each of the divisions, just on average, how do you see, or how far out can you see?*

**Vincent De Cuyper**

It's too early to really comment on that.

**Christian Jourquin**

I believe that this is true for all the businesses. The volatility in the business is such that making any strong statement about sustainability of what we see in the first weeks would be extremely dangerous and misleading. We see recovery in some markets. We mention that, don't make automatically the conclusion that it is a solid trend, because we can't say that today, and you read the situation everywhere, volatility remains very high, and that's the reason why we keep our strict financial policy as we did in the last quarter. If it is positive, so better. Gilles?

**Gilles Auffret**

Just a very quick comment; all the businesses of Rhodia are entering in 2012 in good condition, except for Polyamides which is still low, but with a progressive recovery, we see on Q1 and then on Q2, so that's what I can say today.

**Christian Jourquin**

Jacques?

**Jacques van Rijckevorsel**

Yes, the current reading that we have in the plastics is in Specialty Polymers, volumes are back to a good level for the season of the year, maybe electric and electronics are still a little bit weaker, but other segments, like for instance oil and gas are very strong, and we are also very happy with the last investments that we did, with new capacities, because they are running very well. That is for the Specialty Polymers.

For the Vinyls, volumes are back. Asia is really good. Latin America, we believe that it is bottoming out. Europe then, volumes are back, and your question about the pre-buy and possible restocking? Of course, we cannot exclude that, and I think that a part of the demand that we are now seeing is coming from restocking, but what we see is that with the last frost, some plants were in force major, and the customers were calling, because they did not find materials and they were desperate to find materials. That means that they have not that much material in stock.

**Christian Jourquin**

Jean-Pierre, maybe?

**Jean-Pierre Clamadiou**

We had the discussion many times and you know that in chemicals, we don't have a very significant orderbook. Usually it's between a few weeks and a few months. At the same time, especially at the time where everyone wants to keep inventory low, and supply chains are very tight, we are in constant discussion with our customers, which allows us in some cases to have a view, which extends into fewer quarters, and just to complement what Christian was saying, the situation is very different from one country to the next, and we should not forget it. Again, in emerging or fast growing economies, Latin America or Asia, we see a very good dynamic, and probably not much reason to worry. US, the situation is getting better and the further dynamic is good too, so really the situation under Christian's command, focuses very much on Europe, where uncertainty is the current situation and we try to manage our businesses as well as we can in this context.

Regarding capex, we probably need to do a bit more work, to make sure that we fully realigned with the definitions between the various parts of the group, but I would say if you look back at 2011, a good way to split between maintenance a growth capex is 40% on maintenance, the remaining part on growth.

Looking forward, yes, we will do less things. We have 800 million and what we could with one billion. Will it impact our growth aspect? For the whole group, I have some doubt. Clearly, we need to move into, we need to make sure that we spend our money wisely, and when you do such an exercise of prioritisation, I think it gives you the ability to do that.

The Solvay Group is quite capital intensive, and looking forward, my expectation is that we will take that into account, and make sure that we get the most out of every Euro that we invest. I think that the investment we are doing in 2012 is not something which should impact our growth strategy, it's something which will help us drive our growth in areas which are less capital intensive, than others.

**Christian Jourquin**

Okay, so maybe a last question?

**Investor 10**

*Hi, thank you very much. Most of my questions have been answered, but I just wanted to ask you quickly on the Vinyls business, and in the slides, you talked about your capacity and cost position, versus your peers. What is Solvay thinking about capacity on, in the Euro region for PVC over the next two years? Because, it seems like CMAI had downgraded its expectations for actually closures within the region?*

**Christian Jourquin**

I'm afraid the question, there was some rumour in the microphone, so we didn't get it properly, the question, I'm afraid. Could you repeat slowly that we catch it?

**Investor 10**

*Sure, just for the vinyl's business, and in PVC in particular, I just wanted to ask your opinion about capacity over the next two years? If you see more closures across the industry? Because CMAI actually downgraded its expectations of capacity closures or basically upgraded its supply estimates for Europe in particular, and I just wanted to get your view on that?*

**Jacques van Rijckevorsel**

Sure, the capacity in Europe, it is I think, it would be normal that there is some rationalisation in the European industry in the coming years. I cannot elaborate on my competitors, of course, but I think that it would be normal that we see some rationalisation.

In Asia, on the contrary the capacity is missing there, and in South America also, capacity is missing.

**Christian Jourquin**

Okay, so maybe Jean-Pierre, some words before we conclude?

**Jean-Pierre Clamadieu**

Just to move on the last questions, and to stress the fact that Solvay is much more than just vanilla, and when we look at these results, I think one of the interesting conclusions is that with the current portfolio, which means portfolio integration, we have, I think, a portfolio which allows us to move rather well in this uncertain economic environment. We saw a number of businesses which have not been impacted at all by the slowdowns that were experienced during Q4, and this is very good news. I saw a number of our businesses which are very resilient in this context and a couple of businesses which have specific challenges, and we've covered them during this call, but overall, I think we have now a group which is resilient and which has the ability to weather uncertain economic conditions in quite a good way.

Maybe, the last comment before turning back to you, Christian, is that our key priority for 2012 is integration. We want to make sure that at the end of the year, we have a group which is ready to face the challenges of the future, and a group which is ready to play within the strong leader of this industry, and this is really where all the exco members and I would say all the Solvay teams will be focusing their thoughts during the next months.

**Christian Jourquin**

Thank you Jean-Pierre.

Ladies and gentlemen, that was most probably the last time I have the opportunity to have the contact with you, and I believe that this meeting was quite important, because you will remember that when we sold our pharmaceutical activities, we were very strict in the way we would reinvest the money and the proceeds of the pharma. We reviewed all the markets that could be considered for the future, and in every single market, we looked at the best possible target. When we look at the performance that we have reached in this last quarter, and the feeling that we have for the coming years, I'm really convinced that we made the good move, and I am pretty sure that under the leadership of Jean-Pierre, our group will grow, and that the results will become better and better.

So, thank you for the trust you always showed in our company, and I believe it will deserve even more in the future. Thank you very much.