



Managing Challenges

*Operating result
19% below
record result of 2007*

February 19, 2009



Introduction

● RESULTS 08

- record results in Pharma
- tough Q4 in Chemicals and Plastics
- consistent implementation of our strategy

● MANAGING CHALLENGES

● CLOSING COMMENTS

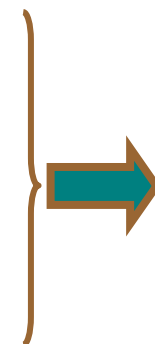
Financial Highlights 2008

- **RECORD REBIT in Pharma**

- **NET SALES :** -1% to EUR 9.5bn

+1% at constant exchange rates

- **REBIT :** -19% to EUR 965m



**REBIT
margin**

10.2%
(12.5% in 2007)

- **Operating result by SECTOR**

(incl. EUR 30m inventory write-downs in Plastics)

	<i>Revenue</i>	<i>REBIT</i>
Pharma	+4%	+11% (EUR 509m)
Chemicals	+2%	- 31% (EUR 238m)
Plastics	-6%	- 40% (EUR 264m)

Focus on Q4/08

- **GROWTH IN PHARMA**
- **SIGNIFICANT DOWNTURN** in Chemicals and Plastics

● REBIT	<u>first 9m08 (vs 9m07)</u>	<u>Q4/08 (vs Q4/07)</u>
Pharma	EUR 372m (+11%)	EUR 138m (+13%)
Chemicals	EUR 206m (-25%)	EUR 31m (-54%)
<u>Plastics</u>	<u>EUR 291m (-17%)</u>	<u>EUR -26m</u>
Total	EUR 840m (-9%)	EUR 125m (-53%)

- **PRODUCTION SLOWDOWN**

- to ensure low inventory level
- to limit inventory write-downs (EUR 30m in Plastics)

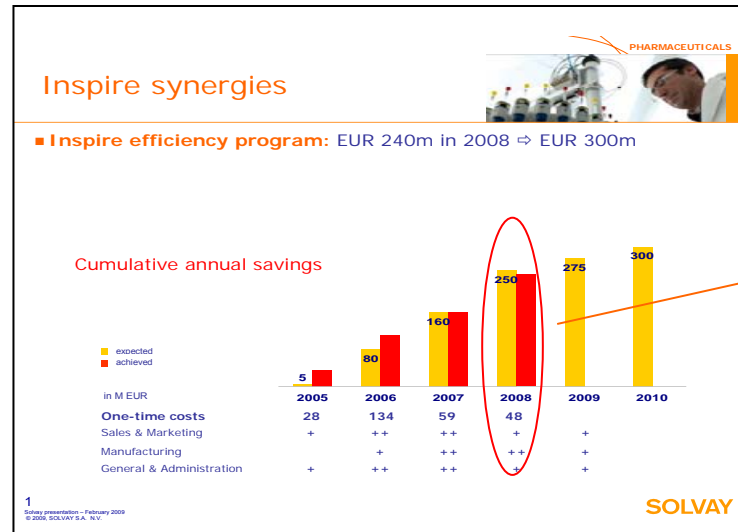
- **WORKING CAPITAL REDUCTION** (EUR -432m vs 12/07)

Financial Highlights 2008 (cont'ed)

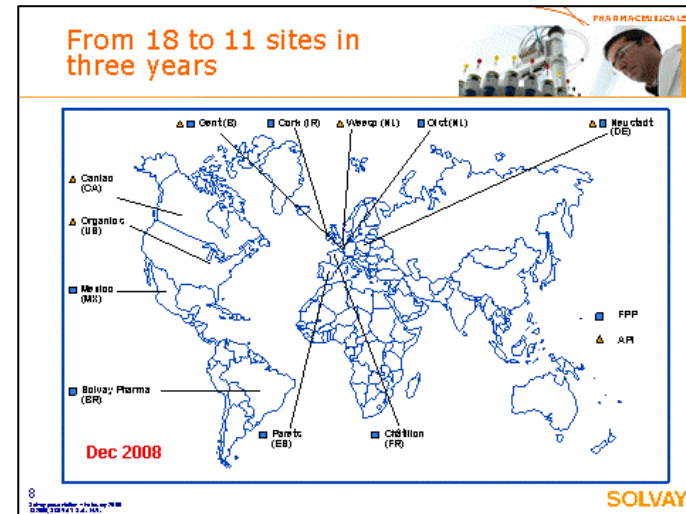
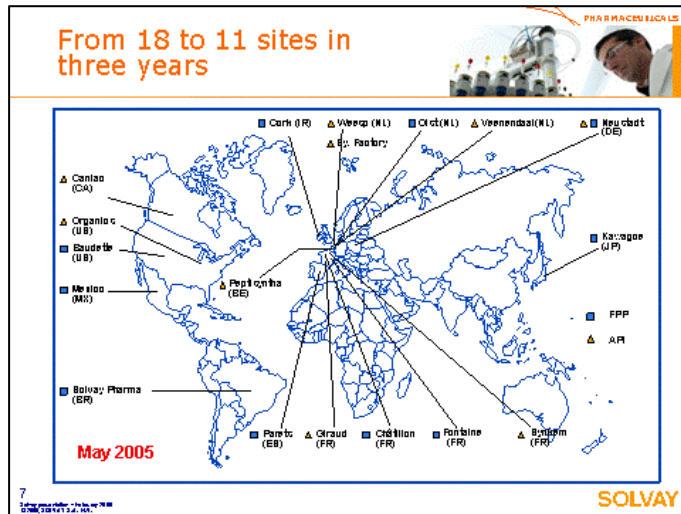
- **GROUP NET PROFIT: -46% to EUR 449m** (-87% in Q4/08)
 - ✓ Impairment on **participation in Fortis**: EUR -309m non-cash charge
 - ✓ **Non recurring items**: EUR +20m
 - ✓ **Net financial debt** covered up to 95% at **fixed average rate of 5.4%**
 - ✓ **Effective tax rate**: 24%
- **STRONG FINANCIAL POSITION**
 - ✓ **Lower working capital** (EUR -432m)
 - ✓ **Operating cash flow** financed 08 CAPEX and acquisitions
 - ✓ **Net debt to equity**: 34% (29% in 2007)
- **STABLE DIVIDEND**
 - ✓ **Dividend per share**: 2.9333 EUR before withholding taxes, dividend yield^(*): 5.6%

()*: Based on closing price of February 17, 2009

Pharma: INSPIRE on track committed to 2010 targets



main contribution in 2008 came from Manufacturing



Pharma in 2008

REBIT : EUR 509m (+11%)

Net sales +4% (+8% at constant exchange rates)

Sustained growth

- in major products
- USA (+14% in USD; +7% in EUR), Trilipix™ already in distribution channels (EUR 39m)
- Emerging markets (20% of sales)

exceeding

- currency fluctuations (*sales impact: -3%, EUR -91m*)
- impact on Marinol® (*sales impact: -56%, EUR -58m*)
- generic competition, particularly in France (*sales impact: -13%; EUR -24m*)

REBIT + 11% at record level

- « INSPIRE » on track for EUR 300m annual cost savings in 2010
- Sale of non strategic products : EUR +44m (after unwinding of Flammazine® sale) partially compensated Simcor® co-promotion costs (EUR -58m) and negative impact of foreign exchange (EUR -47m)
- R&D: EUR 428m or 16,0% of revenues (07: EUR 415m, 16.0% of revenues)

Growth in major products

Net sales (EUR m)		2007	2008	2008 vs 2007	2008 vs 2007 (constant exchange rates)
PHARMACEUTICALS		2,591	2,699	+4%	+8%
Cardiometabolic	Fenofibrates	433	511	+18%	+24%
<i>TriCor® /Trilipix™ sales booked by Abbott in the US in 2008 : USD 1,341m (+10%)</i>					
Women's & Men's health	Androgel®	308	337	+9%	+17%
Pancreatic enzymes	Creon®	198	217	+9%	+13%
Neuroscience	Serc®	150	165	+10%	+10%
Influenza vaccines	Influvac®	127	116	-9%	-8%
Cardiometabolic	Teveten®	106	116	+9%	+9%
Gastroenterology	Duphalac®	99	104	+6%	+7%
Women's & Men's health	Duphaston®	90	96	+7%	+8%
Neuroscience	Luvox®	83	89	+7%	+6%
Neuroscience	Marinol® [1]	105	47	-56%	-53%

[1] : generic competition since June 2008

Pharma R&D developments

■ Prioritization of R&D portfolio

- take into account new stakeholder requirements
 - recalibration of scientific and economic value
 - confirmed commitment to
 - therapeutic area focus
 - 2010 profit target
- } R&D budget 2009 : EUR 435m (~ 2008)

■ Cardiometabolic:

- **treatment of dyslipidemia: fenofibrate franchise expansion:**
 - TriLipix™: US approval and launch in December 08
 - Fixed dose combinations :
 - focus on TriLipix™/Crestor, SLV285 (Zolip)
- **PULZIUM® intravenous** : approved in EU (UK, Spain, Sweden)
- Phase II development **SLV306** (pulmonary hypertension) and **SLV320** (acute heartfailure) ongoing

■ Neuroscience:

- **bifeprunox**:
 - US : on hold
 - Europe with Lundbeck : development ongoing
- **pardoprunox** (SLV308): phase III ongoing (submission targeted in 2012)
- **Duodopa®** in the US: 1st Phase III clinical study started in Q1/08
- **GabapentinGR®** : phase III ongoing

Pharma R&D developments *(cont'ed)*

■ Pancreatic enzymes:

→ Creon®:

- FDA advisory Committee in Dec 2008
- FDA review period prolonged until March 2009
- Phase III studies ongoing in Japan with Eisai

■ Influenza vaccines:

- validation of **cell based production** throughout 1H09 commercialization from season 09 onwards;
- 1st clinical study **in the US** completed in Q4/07

Pharma strategy

2008

2008 results

- REBIT : EUR 509m
- REBIT margin : 18.8 %

2010

2010 targets

- REBIT : EUR 640m
- REBIT margin : ≥ 20 %
- Synergies : EUR 300m

2015

Transformation 2015

2010 targets

- REBIT and synergies on track
- prioritization of R&D portfolio
- top line will depend on ForEx and other factors

Transformation 2015

- preparing Solvay Pharmaceuticals for the challenges of the pharmaceutical industry
- new organization being implemented, other initiatives ongoing

Chemicals in 2008

REBIT : EUR 238m (-31%)



m EUR	NET SALES ^[1]			REBIT	Comments
	2007	2008	2008 vs 2007		
CHEMICALS	3,031	3,096	+2%	-31%	<p>→ Generally good demand, softening at year end</p> <p>→ Continued high energy costs - partially reflected in sales prices - further cost increase in Q4</p> <p>→ European soda ash contracts 2009: significant price increase</p> <p>→ Oxygen cluster: stable Net sales excluding sale of Caprolactones</p>
Minerals cluster ^[2]	1,336	1,426	+7%	↘	
Electrochemicals & Fluor chemicals cluster	1,103	1,154	+5%	↘	
Oxygen cluster ^[3]	528	448	-15%	↘	

[1] including SBU Molecular Solutions

[2] including SBUs Soda ash and related specialties and Advanced Functional Minerals.

[3] including SBUs Hydrogen peroxide, Detergent and Caprolactones (until December 31, 2007 for this latter with sales of EUR 79m)

Measures taken in Chemicals

- **Strict cost control:** fixed costs reductions
- **Sale of activities**
 - Caprolactones finalised in early 08
 - Precipitated Calcium Carbonate on-going
- **Selective restructuring**
 - Fluorchemicals (closures in Spain and Italy, restructuring of 3 sites in Germany implemented in 08)
 - Chloromethane: closure at Bussi sul Tirino (Italy)
 - Strontiumcarbonate: closure of Solvay-CPC at Reynosa (Mexico)
 - Peptisyntha: restructuring (Belgium)
- **Price increases**
 - Caustic soda in 2H08
 - Soda ash if the contract allowed it
 - Depending on market developments for all other products
- **Selective production reductions**
 - Fluor chemicals, H₂O₂, caustic soda, epichlorohydrin

Chemicals in 2008

■ Minerals : soda ash

- Good global demand, softening at year-end
- Results under pressure:
Annual price increase in Europe did not compensate higher costs
- Growth in bicarbonate

■ Electrochemicals and fluor chemicals

Electrochemistry (caustic soda / epichlorhydrin)

- Caustic soda : tight market and strong price increases in 2H08
- Epichlorohydrin: results under pressure due to increase of raw material costs, higher competition; depressed demand

Fluor chemicals

- Good evolution of fluor specialties, difficult market for fluor commodities, positive results of restructuring program

■ Oxygen : hydrogen peroxide

- Slowing global demand, very weak European market, results impacted by high energy costs

Plastics in 2008

REBIT : EUR 264m (-40%)



m EUR	NET SALES			REBIT	Comments
	2007	2008	2008 vs 2007		
PLASTICS	3,950	3,695	-6%	-40%	<p><u>Specialties</u></p> <ul style="list-style-type: none"> → SEP: Sold in 02/2008 → Inergy Automotive Systems: Marked slowdown → Specialty polymers: <ul style="list-style-type: none"> → Continued price increases → Good resistance <p><u>Vinyls</u></p> <ul style="list-style-type: none"> → loss in Q4 mainly due to inventory write-down
Specialties cluster ^[1]	1,737	1,512	-13%	↘	
Vinyls cluster ^[2]	2,213	2,183	-1%	↘	

[1] Including SBUs Specialty Polymers and Inergy Automotive Systems (fuel systems) Sale of Solvay Engineered Polymers in February 2008 (2007 sales: EUR 168m).

[2] Including SBUs Vinyls and Pipelife (pipes & fittings)

Measures taken in Plastics

PRODUCTION REDUCTION ACROSS THE BOARD

■ Specialty Polymers

- Strict cost control, gradual price increases
- Sale of Solvay Engineered Polymers (North-American car industry exposure)

■ Inergy:

- Closure of Blenheim (Canada in 08) and Nucourt (France in 09)
- Personnel: around 700 FTE less

■ Vinyls optimization of operating costs

- Focus on largest & most competitive plants
- Synergies in chlorine chain with BASF Antwerp (Belgium)
- PVC compound activities concentrated in three European plants in 09

■ Pipelife

- Restructuring in Spain & Ireland

Plastics in 2008

■ Specialty Polymers

- Volume growth: +2%
- Major growth drivers: metal replacement, oil & gas, medical, alternative energy sources
- Several price increases to mitigate impact of the raw material price increases
- Sustained R&D efforts (5% of sales)

■ Inergy:

- Results affected by volume decline (-12%) and polyethylene cost pressures
- Impact mitigated by drastic cost reductions and industrial redeployment

■ Vinyls

- Europe: plummeting demand in Q4/08 following massive de-stocking
- Mercosur: favorable demand, lower results after turnaround major cracker and devaluation Brazilian Real; weaker Q4
- Asia: favorable demand & higher operating results

■ Pipelife

- Volume growth in Central & Eastern Europe; lower results due to Q4

Managing challenges

(1) Diversified activities

(2) Strong balance sheet

- lower working capital
- no major debt reimbursement before 2014

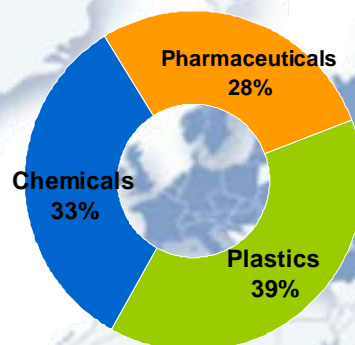
(3) Competitiveness

- strict cost control
- restructuring
- temporarily reduced production where needed

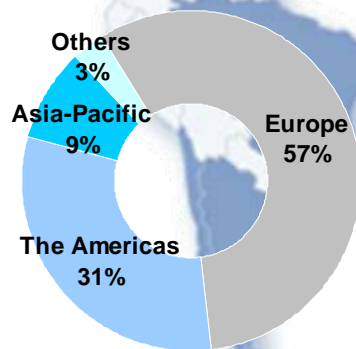
(4) Selectivity in 09 CAPEX

Diversified activities

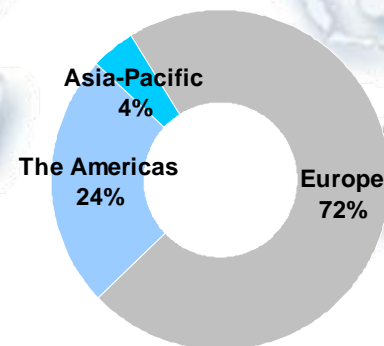
Sales 2008 by Sector



Sales 2008 by geographic area



Invested capitals 2008 by geographic area



Strong balance sheet

→ No major maturity before 2014

		<u>2011</u>	<u>2013</u>	<u>2014</u>	<u>2016</u>	<u>2018</u>
1. <u>Net debt:</u>		1.6				
Of which EMTN issues		1.0		0.5		0.5
Hybrid issue		0.5			0.5	
with fixed rates		1.5				
2. <u>Undrawn commitments:</u>						
CP (unused)		0.5				
Revolving credits (unused)		1.2	0.8	0.4		
EIB line (used in 09)		0.3				

→ Year-end 08

Financial debt covered up to 95% (fixed rate of 5.4%; duration of 7.4 years)

Competitiveness

- **European backoffice functions centralized**
EUR 27m annual savings from 2008,
- **Temporarily reduced production where needed**
- **Strict cost control + effects of ongoing restructuring**
To maximize competitiveness

2007/2008 substantial FTE reduction at constant scope

- **Pharmaceuticals**

INSPIRE program

- **Chemicals**

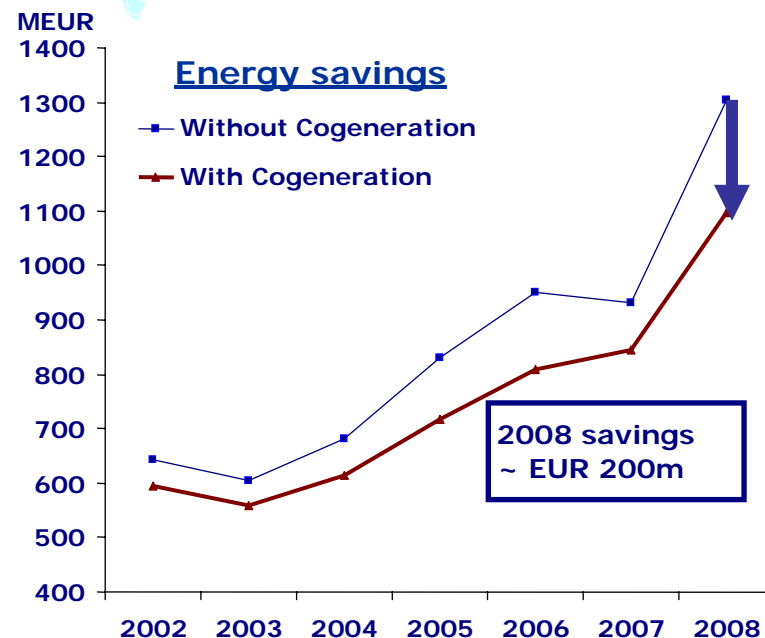
Chloromethane unit (Bussi, Italy); restructuring of Girindus (Germany) : sale of activities in Kuensebeck; Restructurings in fluorinated commodities (5 sites in Italy, Spain & Germany)

- **Plastics**

Vinyls (Brazil; Benvic®, Belgium); Inergy Automotive Systems (Japan & Canada), Specialty Polymers & Pipelife (Spain)

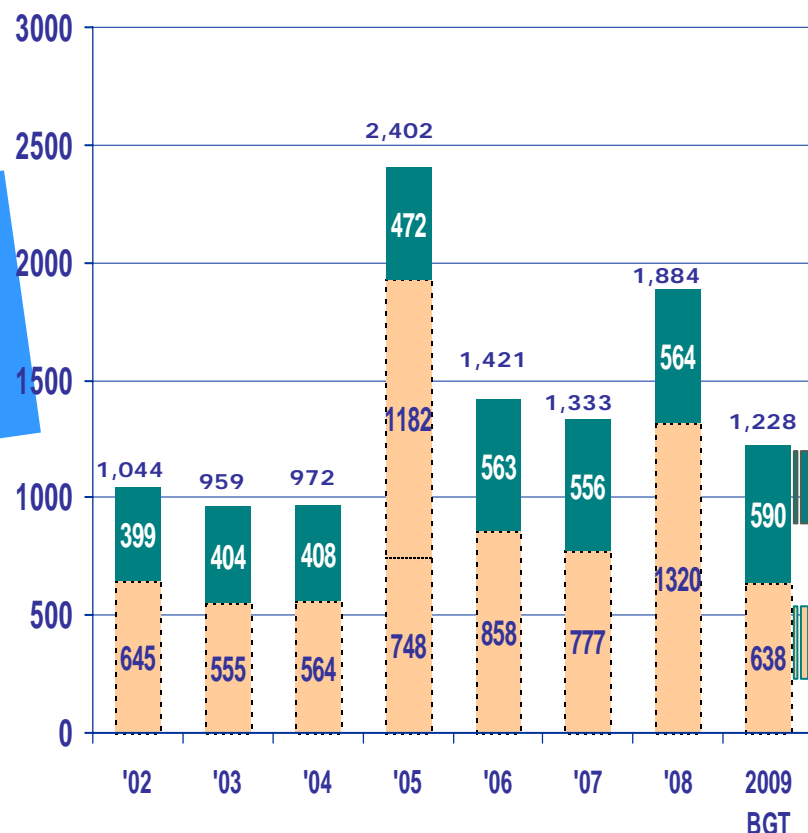
Competitiveness

- **Leadership** in soda ash, hydrogen peroxide, caustic soda, vinyls, ...
- **Vertical integration** largely integrated in Chemicals, fluorine monomers, partially in ethylene
- **Energy management** network of cogeneration plants
Energy as % of group sales:
12.0% (Q4/08) 10.3% (FY08)



Selectivity in 09 CAPEX

In M EUR



Major strategic initiatives: Fournier Pharma - EUR 1.2 Bn (2005)

■ Capital expenditures & Acquisitions ■ R&D expenses

Growth of the business

R&D : 75% in Pharma, 12% in Specialty Polymers and Inergy

50% = Maintenance & upgrade
50% = strategic projects

«The macro-economic and financial uncertainties limit the visibility in 2009. Market conditions remain difficult at the beginning of the year. The competitive positions of the Group, its diversification, the measures taken to support the profitability and maintain its healthy financial standing will help to cope »

Press release of February 19, 2009

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