

**Solvay Results Conference Call**  
**Wednesday, 9<sup>th</sup> May 2012**  
**14:00 Hrs UK time**  
Chaired by Bernard de Laguiche

**Bernard de Laguiche**

Good afternoon, ladies and gentlemen, and welcome to this conference call on Solvay's Q1 2012 earnings. I am Bernard de Laguiche, CFO. I am joined here today by my colleagues, Jacques van Rijckevorsel, Group General Manager for the Plastic Sector. Vincent De Cuyper, Group General Manager of the Chemicals Sector, and Gilles Auffret, Group General Manager of Rhodia. I will commence with Solvay's Q1 2012 results, the financials and free cash flow, before concluding with our outlook for the full year 2012. After that we will be pleased to respond to your questions.

As a foreword, let me remind you that the Group's performance over the quarter and going forward is best represented by our adjusted accounts, as opposed to our IFRS accounts, which as you know, include the non cash purchase price allocation, or PPA, impacts associated with the Rhodia acquisition. The differences between the two sets of accounts reside in two elements. First the residual impact of the step up of inventories that amounted to €45 million in the quarter. Second, the recurrent, additional amortisation charges, resulting from the fair valuation of Rhodia intangible assets, upon the acquisition for €35 million in the quarter. Thus, a combined €80 million difference on a pre-tax basis or €60 million after tax between the two sets of P&L accounts. You can find the full reconciliation on our Q1 earnings available on our website. With this in mind, let me now turn to our results.

Our first quarter 2012 performance continued to prove the global resilience of Solvay's portfolio. The Group net sales at 3.2 billion grew by 8% sequentially and by 3% year on year. Our so-called growth engine businesses, such as Speciality Polymers and Consumer Chemicals, demonstrated a strong performance once more. While Essential Chemicals, by the business dynamics, were equally excellent. Further, as anticipated, our most cycle-sensitive businesses, Vinyls and Polyamine Materials, posted an important recovery and reported volume increases in excess of 10% sequentially. Overall, compared to the strong business dynamics of last year's first quarter, volumes were down by 3%, while prices increased by 4% in a context of increasing raw material prices.

Solvay's recurring EBITDA at €523 million, raised by 47% compared with the fourth quarter 2011 level of €355 million, but was down by 9% against last year's high first quarter reference. Good pricing power across most businesses was more than neutralised by persisting poor market conditions in our cycle-sensitive businesses. In the Plastic Sector, sales of €951 million were up by 15% sequentially and stable year on year. It's REBITDA of €137 million doubled compared to last

quarter, but decreased by 18% versus the first quarter 2011. On the back of excellent pricing, Speciality Polymers posted sustained strengths with sales up 2% compared to the already high level reached in Q1 2011. Volume though, was temporarily down by 5%, impacted by technical problems at our Italian Spinetta fluoropolymer plant, following severe winter conditions in February. REBITDA for Speciality Polymers, continued exhibiting an excellent margin of 29%, despite the production incident at Spinetta. As mentioned before, Vinyl sales recovered sequentially, thanks to improved volumes, namely in Europe. REBITDA of €44 million was considerably restored from the €9 million loss posted last quarter. Still lower than the strong first quarter of 2011, due to the persisting margin squeeze in Europe and in South America.

Chemicals Sector performance was strong, with net sales up 4% to €736, and REBITDA up 12% to €154 million, both on a year on year basis. Essential Chemicals benefited from sustained activity levels for soda ash, caustic soda and hydrogen peroxide, whilst the epichlorohydrin business pursued a progressive recovery. REBITDA was at a record €142 million, explained by price increases and demand, coupled with a particularly favourable sales mix. Special Chemicals activity remained weak, with 9% lower volumes compared to last year's periods.

Within the Rhodia Sector, Consumer Chemicals, Advanced Materials and Acetow & Eco Services reported excellent results. Overall net sales came out at €1,554 million, a 5% growth compared to last year, resulting from price increases of 7%, whilst volumes were down by nearly 3%. Compared to the year ago period, Consumer Chemicals posted the most outstanding performance, delivering on its growth path and registering a 14% jump in REBITDA. Growth is to be ascribed to Novicare's continued strength, driven by its innovative, guar based solutions for shale Oil & Gas and Agro markets.

In Polyamine Materials, volume improved from the Q4 lows by over 10%, but margin pressure remained in a context of weak demand. Rhodia Sector's REBITDA of €261 million stood 13% higher sequentially and 12% lower on a year on year consideration. Below the REBITDA, let me highlight a couple of points.

First, net financial charges amounted to €78 million, slightly below last year. A second point, income taxes on an adjusted basis totalled €80 million. To be noted, our first quarter included a-periodic items with a related €24 million tax impact. Excluding these items, the effective tax rate would have amounted to 31%. On an annual basis now, we continue to expect an effective tax rate around 30%.

And to complete this review I'd like to reinstate that in the current business and macroeconomic environment, where challenges still persist, the group has continued to observe a strict financial discipline, with strong focus on cash and priority given to growth engine businesses.

This brings me to the last three remarks. First, Solvay's industrial working capital remains tightly managed, resulting on the ratio to sales of 13.1%, similar to last quarter's level. Second, capex or capital investments amounted to €144 million in the quarter, nearly 20% of our 806 million annual budget. A very high ratio compared to the historically low investment quarter. And last but not least, free cash flow resulted in a positive €52 million, whereby seasonal important cash outflows such as variable remuneration and other exceptional payments were covered by the €97 million inflow post-closing instalment subsequent to the sale of our pharmaceutical business.

Let's conclude with our outlook statement for the full year 2012. Solvay foresees that the strength in business growth engines should continue, whilst prevailing challenging market condition in its most cycle-sensitive businesses may remain through the year. We are confident in the success of the on-going integration and of the numerous operational excellence initiatives that represent important competitive advantages going forward. The first important cost efficiencies should be attained already in the current year. In this context, Solvay expects to achieve a full year REBITDA similar to the strong 2011 pro forma level.

And with this, we are ready for the Q & A session. Operator?

#### **Operator**

Thank you, sir. If you do have a question at this time, please press \* followed by 1 on your telephone keypad. To cancel your question, please press the hash or pound key. Once again, that's \*1 to register a question and the hash or pound key to cancel. There will be a short silence while participants register for questions.

The first question comes from Investor A. Please go ahead with your question.

#### **Investor A**

Oh yes, hi, good afternoon everyone. Thanks for taking my question. I'll start with three questions if I can. Spectacular results in Essential Chemicals. You mentioned in the press release some factors. Obviously, we were aware of the strong prices, but one other factor you mentioned is the mix effect. Can you bring a bit of colour on what is the mix effect here? You know, what type of specific products to help your margins to reach these record levels? And is it just a lumpy mix effect or is it a strong structural mix effect? That's question number one.

Question number two: Rare Earths, I mean Advanced Materials, particularly, price increase was almost as strong as in Q4, close to 40%. Now, we know that the base effect is higher in Q1 '12 than it was in Q4, which suggests to me that sequentially your prices went up Q4 '11 to Q1 '12. I just would like to get a confirmation of that. And if that is true, then I'm a bit surprised because the prices as far as I can track them were down sequentially. So, I'd like to understand the difference here.

And the third question is a cash flow question. It's really related about, you know, the M&A transactions and the legacy cash in and cash out. I see on your notes you mentioned €47 million cash out related to the Pharma disposal. And I think we talked in previous conference calls as a potential earn-out of €100 million related to Androgel and there might be also an earn-out payment at the end of the year related to Feixiang. Can you help us a little bit to reconcile the cash effects in 2012 related to those past M&A transactions? Thanks very much.

**Bernard de Laguiche**

So, I will start with your questions on the cash flow then pass the word to Vincent on the mix effect in Essentials and to Gilles on Advanced Material and the price evolution of Rare Earths Q4 versus Q1.

**Investor A**

Thank you.

**Bernard de Laguiche**

So, in our cash flow statement in this quarter and I'm talking here related to the pharma transaction, you see... sorry, there is noise on the line, operator. Thank you. You see indeed two effects related to the Pharma transaction. There is cash in effects, and that is the payment of a milestone related to Androgel. The first milestone related to Androgel's sales of 2011, but it's paid in 2012. And we had a cash out impact of around €45 million of post-closing adjustments related to the working capital of the Pharma activity we sold that was booked in '11 and partly in '10, but paid at the beginning of this year. Now, on Feixiang, there will be a payment at year end 2012 and that will be recorded outside of our free cash flow definition, but it is not in the Q1 cash flow results. Does that answer your question on cash flow?

**Investor A**

Yes, can you quantify this earn-out payment that is yet to come related to Feixiang?

**Bernard de Laguiche**

No, at this stage I would not do that.

**Investor A**

Okay, but the Androgel milestone was received?

**Bernard de Laguiche**

Androgel milestone €100 was received and the post-closing adjustment €45 million was paid.

**Investor A**

Okay, great. Thank you.

**Bernard de Laguiche**

Now Vincent on the mix in Essential Chemicals.

**Vincent de Cuyper**

Yes, there are a few reasons to explain the very strong performance of the Q1. First of all, typically the Q1 is a strong quarter in the Chemicals because of the full impact of the price increase at the beginning of the year. Now, linked to the favourable mix, I think there are two kinds of impacts. First of all, there is a geographical impact during this quarter because we had quite strong volumes in the production regions, so meaning on our domestic markets where our activities in Europe and the US have been quite good. So, we had better netbacks then on the export market. So, this is what we mean by favourable mix, geographically speaking.

There has been also a positive impact I think on developing the sales of our so-called specialties in the Essentials and this is the special grades linked to special markets, also in the Minerals activities, the very good level of sales in bicarbonates. So, this is adding also to the excellent results of the Essentials for the first quarter.

And finally there is... I'll take the opportunity to make a comment. There is an additional effect which is non-recurrent if you compare it to the Q1 2011. In Q1 2011, we had some HSE provisions and in this quarter 2012, we didn't have any significant HSE provisions taking our reserves.

**Investor A**

But it was last year charge was not recurring or this charge is supposed to be recurring?

**Vincent de Cuyper**

More typically we have a few HSE provisions coming. It depends on each year; it can vary from one quarter to another. This quarter we hadn't any. Last year we had some significant ones for €6 million. So, this explains part of the difference.

**Investor A**

Okay!

**Gilles Auffret**

Now, let me comment now on the Advanced Materials. You noticed that the REBITDA went from €56 in Q4 and €53 in Q1 last year and now it's at €49 million. So, if I have to comment on that, it is true that we have known extreme volatility of rare earth prices over the last month, peaks in August; that were probably not sustainable in long run. However, we have to say that the declined pace observed since then has not been uniform between light and heavy rare earths. Within the light rare earth, Cerium for instance has gone from USD 150 in July and down to USD 28 at the end of the Q1, which is back to 2<sup>nd</sup> half 2010 price levels. Now as regards Terbium for instance,

which is heavy rare earth family, prices have remained fairly high; USD 2,450 a kilo at the end of Q1 '12. But, it's still significantly higher than prices prevailing in 1Q 2011. So, I reckon that this niche situation makes your projection task difficult, just like ours I must say. But if I have to say what it could give for the next quarter, I think that the first quarter performance represents quite well, a good proxy for the rest of the year.

**Investor A**

Thank you very much.

**Bernard de Laguiche**

Next question please.

**Investor B**

Good afternoon. On the non-recurring items, I was wondering if you could give us any guidance on what that might be for the year, because obviously there's quite a large number that came through in Q1. And then also, on the Associates line, there was quite a significant increase there as well, and if you could give us more colour on that, and whether that's the sort of run rates we might be expecting going forward? And then, just finally, on the Special Chemicals, and particularly around the fluor chemicals, do you see this business as challenged for the next, for most of this year, or do you think you're starting to see some areas of improvement? Thank you.

**Bernard de Laguiche**

Okay, I will answer your question on non-recurring items of the quarter. I will pass the word to Vincent, Special Chemicals, and then the second question I did not get it exactly.

**Investor B**

It was on the Associates and JV line, there was a significant increase in Q1.

**Bernard de Laguiche**

Ah yes. Yes, okay. I will answer that one too. So, in the non-recurring items, if you look at the non-adjusted accounts they do include the impacts of PPA accounting, and namely the step up of inventory of €45 million in the quarter, which I mentioned. They also include a special amount of €23 million linked to deferred payments, linked to the Rhodia acquisition, and I'm talking here of indexation of free shares given to Rhodia personnel. So that has a total impact of €68 million, and this is indeed linked to the Rhodia acquisition. Apart from that, we are already provisioning some costs in order of magnitude, €13 million, linked to the costs of integration, or to the cost of implementing synergies. It would be difficult to give you a guidance of these non-recurring items over the year, because as they are non-recurring, they are, by essence, very difficult to guide, but we have already announced two of them. One will be the capital gain on the sale of Pipelife, which will be closed probably in Q2, and the second one is the gain on the sale of our building in

Brussels, which could be booked in P&L in the next quarters. So that is on non-recurring. Now, on the income from affiliates, you will see here the dividends paid by our non-consolidated subsidiaries, and the main impact we have there is, first of all, we do not have any more the contribution of Pipelife. That was a 50/50 joint venture and, as I said, it is now in process of being sold. And number two, we do have, in positive, a high income from a joint venture, producing guar in India in the Consumer Chemical segments. So the main in component of the figure you see is, indeed, the dividend payment from the Indian joint venture in the guar segment. Now, Vincent, please on Special Chemicals?

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### **Vincent de Cuyper**

Yes, so the comment on the fluor reserves. Well, first of all, as you may have seen the reserves of the fluor business have been going down since mid of last year, and they bottomed in, I would say, December last year, and we have seen a recovery during the first quarter. This being said, if you compare to the first quarter of last year, we are still far lower in terms of pricing. And there is a good reason for that. During the first quarter of last year, we hit a strong peak of the fluorspar prices, due to Chinese shortage at that time. So what is the evolution? I think the evolution is positive and it will further improve the reserves of the fluor business in the second quarter. During the first quarter we still had some, and we mentioned that in the press release, we still had some impact of cost in the business; cost of sulphuric acid and some costs of fluorspar due to some production problems in our mine in Namibia that have been solved since then, but we have been impacted by some additional costs from that point of view. So, I'm quite positive in terms of evolution of Special Chemicals in the months to come.

### **Investor B**

Thank you.

### **Bernard de Laguiche**

Sorry, I would like to come back on what I said on the income from affiliates. Indeed, these are not the dividends you would see in the cash flow statement. What you see in the P&L is our share of the results of these affiliates, so not the dividend, the share in the results, and that, indeed, it comes mainly from our joint venture in India in the health care segments. Next question?

### **Investor C**

Yes, thanks for taking my question. I have two, for the time being. First of all, could you quantify or indicate the contribution of cost savings in the first quarter? I did not see that immediately in the press release, so some help or some guidance on how this €110 million additional, if I'm not mistaken, would be built up over the year, would be helpful. And then, secondly, on the Latin American PVC market, could you maybe give some indication on the importance of Colombia in your, in the Indupa business? Thank you.

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**Bernard de Laguiche**

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I will answer your first question on the cost savings, and then pass the word to Jacques on PVC in Latin America. So, on our cost savings, we have guided for the full year 2012, we have guided €130 million total. Now, if I want to split that in quarters it's difficult. What I can give you as an indication would be for first part of the year and second part of the year. In the first part of the year, meaning half one, we would have, more or less, €50-60 million, so let's say €55 million. Which leaves us, for the second part, or for the second half of the year with, more or less, €75 million. This is what we plan for the time being. What I should say is that you cannot assume that these savings will increase linearly in the first half. Why? For example, in the case of purchasing savings, we have tried to reach these purchasing savings as soon as possible, so some of them have kicked in at the beginning of the year. So, it is not a linear, spread over the first semester, but more or less, €55 million first semester, €75 million second semester. Now, Jacques maybe on the PVC Latin America?

**Jacques van Rijckevorsel**

Yes, thank you for the question. Vinyls in South America, what is the influence on Colombia? In Colombia we have Mexichem, which is a local producer, and they are important to Brazil and to their own integration, as you know they did buy some manufacturing in Brazil. But, Mexichem has also to optimise their own system and you are probably aware that the Mexican market is doing very well, which is also helping to ease the pressure in Brazil.

**Investor C**

Okay, thank you.

**Bernard de Laguiche**

Next question please?

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**Investor D**

Yes, hi. I have two questions. First, on Consumer Chemicals, you said in the report that you expect a good performance going forward through guar dynamics. Are you referring to new price increases or set rising prices and can you clarify if your Q1 results in Consumer Chemicals were already affected by the spike in guar pricing? And, secondly, in Vinyls I read in an industry report that you had force majeure in Europe in Q1. Can you confirm that this is correct and, if so, were your results affected by this? Thank you.

**Bernard de Laguiche**

Thank you. First question is for Gilles, and second for Jacques.

**Gilles Auffret**

So, on Consumer Chemicals your question related directly to pricing power. What I can say on that is first the strategy over the past years has been directed towards the segments where we could exert pricing power and with attractive added value. So, you may see continuing pricing power in this sector. Now, as far as guar is concerned, that is your second question, the guar prices continue in its growing mode, clearly, and this indeed represents for us an opportunity at the beginning of the year because we enjoy competitive sourcing with Hichem and pricing power. We have to say also that time lag is to the favour of those with good sourcing but of course when guar exceptional prices would decline, and we do think that it could happen in H2, similar to what we have seen in Rare Earths, then our profitability will normalise. That means that it would be lower in H2 than in H1, probably.

**Bernard de Laguiche**

Jacques from PVC in Europe?

**Jacques van Rijckevorse**

Yes, thank you for the question. We indeed had Force Majeure in Europe. That was due to the bad weather, you know, the frost that we had in February and we had some incidents in our plants in France and in Belgium. At this time of course it's over. And the influence should not be very, very material on the results of the Q1.

**Investor D**

Thank you very much.

**Benard de Laguiche**

Next question, please.

**Investor E**

Yes, thank you, I've got three or four questions, please. Firstly, on PVC in Latin America, you commented about the competitive environment and imported product in the first quarter in Brazil. I think there was a second round of import duties that Brazil put in place during the first quarter. Are you seeing or do you expect any impact of that on vinyls in the second quarter?

Secondly, on Essential Chemicals can you talk about the ramp-up of the Epicerol<sup>®</sup> plant in Thailand and when you expect to see the profit impact of that plant, how you see that progressing through this year, and also just to pick up on something, Vincent, you said to an earlier question. You talked about the mix effect of special grades in Essential Chemicals but, from what I understand, there's been a scope shift of special grades from Essential Chemicals into Special Chemicals in the first quarter of this year. Do I understand that correctly?

Then one for Gilles on Consumer Chemicals. There was obviously a big deceleration in the rate of pricing improvement in Q1. I wonder if you could put that in the context of sequential pricing, please, and perhaps discuss whether there's been any mix effect in the first quarter. And then finally I just had a question on the Energy business. I don't quite understand the step-down in level of business from the quarterly run rate last year to this year, given that the hedging that you had in place from a pricing perspective this year combined with a... you know, for 80% of your production or 85% of your production and spot for the rest should actually give you roughly a flat pricing environment. Thank you.

### **Bernard de Laguiche**

Thank you. So, three questions or three groups of answers. PVC Latin America, Jacques. Then Essentials and Special Chemicals, Vincent, and finally Gilles on Energy and the pricing sequential.

### **Jacques van Rijckevorsel**

Yes. Very, very quickly, indeed the import duties were confirmed at the end of last year in Brazil and there are now... in some states like Santa Carina and others there are now also kind of easings that are taken away. That means that it should help to have a better price level in Brazil. Another point that we should also take into account is the exchange rate. I don't know what the Brazilian real will do in the future but maybe we have seen that in the last weeks it has weakened a lot. That's adds, of course, to the competitiveness of the local producers.

### **Vincent De Cuyper**

Yes. On the Chemicals part, first of all for the Epicerol<sup>®</sup>, I must say that we have been very pleased by the start-up of our unit which is a brand new one in Thailand. We started the first production end of January, on the 23<sup>rd</sup>, if I remember, and on 16 February we were in commercial production delivering product to our first customers, which is extremely fast and since then the product has been approved by all our customers in terms of quality and requirements.

So, we are really extremely pleased by that. So, our ramping up for the time being, in fact as far as the financial items are concerned, there is slightly negative impact on the Q1 because of the start-up cost. I think the Q2 we will be probably close to zero in terms of results and we could see to start some positive results effects during the second half of the year with a full impact starting from next year. That's what we target for the Epicerol<sup>®</sup>.

Maybe I can clarify on the special grades. It's true that we transferred part of the commercialisation of the special grades to the Special Chemicals in order to have better channel to the customer but this has been done mostly for what we call the pharma grades and not all special grades. You have a certain number of special grades in hydrogen peroxide for iron ore industry or mining industry, food industry, pharma grades and so on, where the pricing are better

than in the pulp and paper but this business is still in the Essential Chemicals. And when we talk about commercialisation of the pharma grades in Special Chemicals, the turnover is mostly remaining in the Essentials but a margin is given to the Special Chemicals for the commercialisation. So, that's the reason why the most important positive effect is, in fact, in the Essentials. So, it's a little bit special.

**Gilles Auffret**

Let me comment on your two questions, one about the Energy and the other about Consumer Chemicals. On Energy there is a strong drop from €44 million last year to €33 million, mainly due to volumes and volumes, it's linked to the fact that last year the first part, that is the first quarter, we had a high volume due to accelerated process at the UNFCC authorisation to get the CER. Now, if you look at the whole year, we will... What we give as numbers, first the volume will be around 14 million tonnes. So, it can derive from one quarter to the other. And as far as prices are concerned, we have hedged 80% of these volumes and the remaining being on spot and, as you may see on the spot market, they are today around €4 per tonne compared to our hedging price which is just under €12 per tonne, €11.5 more precisely.

On Consumer Chemicals, once more we have to separate the pricing power which is due to our position in each segment and that should maintain or improve in the quarter to come. But we have to separate that from the guar price effect I talked of a few minutes ago. Just to tell you that the guar effect is still positive and we expect it to be positive in H1 but probably will be negative in H2 due to the fact that the guar price should at one moment decrease and therefore let the results of Novacare be closer to what it should be.

**Investor E**

If I can just come back on those last two points, on Consumer pricing, was there any unusual mix effect from Q4 to Q1 other than the sort of normal Agro mix effect, please?

**Gilles Auffret**

No.

**Investor E**

Okay. And then on Energy, I'm still a little confused in terms of understanding the volume issue because the volumes in the last three quarters of last year I thought were roughly the sort of run rate that you must have seen in the first quarter of this year and so much of your production this year is hedged but should I...? Is it safest for us to assume the Q1 number remains flat for the rest of this year? Is that the easiest way to think about that business?

**Gilles Auffret**

Yes. It should remain flat for the rest of the year, even if you could have ups and downs, depending on each quarter, depending on the sales we are going to do. But roughly speaking in this sector or this field of activity, we have to think on a yearly basis and, back to what I said, it's 14 million tonnes hedged 80% at a price of €11.5 per tonne, the rest being on the spot market around €4 per tonne today. Right?

**Investor E**

Thank you.

**Bernard de Laguiche**

Next question, please.

**Investor F**

Yes, good afternoon, I've got two questions, please. The first one is on Polyamides. Gilles, could you please give us some kind of feeling for the different building blocks within the Group, i.e. adipic acid, other Polyamide Intermediates and Engineering Plastics. I think that adipic acid margins have improved sequentially for the first quarter and it looks like April and May are as good as actually the best month of Q1. So, should we assume that that alone could be enough to get Polyamide up for the second quarter? And then the second question is a very quick one for Vincent. I think you announced a project in China for Epicerol<sup>®</sup>, a second project, early last year. Could you give us some detail on that and are you still targeting a 2013 start-up? Thank you.

**Bernard de Laguiche**

Maybe, Vincent, you can answer the second question first and then the word to Gilles on polyamides.

**Vincent De Cuyper**

Yes, on Epicerol<sup>®</sup> project in China, we are progressing very fast indeed. We said that we were moving forward with the studies, so significant progress. And the fact that we have a very positive start-up in Thailand is certainly one of the important items we were waiting for before deciding. In terms of start-up, I think if... as a decision has not yet been announced, probably we talk about early 2014 for start-up.

**Investor F**

Thank you.

**Gilles Auffret**

On Polyamide I start with the adipic acid. It's a small part now of Polyamide and it represents something like 15%. Most of our sales are on contract and there is not strong volatility today with that. Now, the second point is about the breakdown between Polyamide Intermediates and

Engineering Plastics. As far as volumes are concerned the rough numbers are one-third are in Engineering Plastics and two-thirds in Polyamides and Intermediates.

**Bernard de Laguiche**

Okay. Next question, please.

**Investor G**

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Just a very quick sort of housekeeping question, really, on the timing of how we treat these carbon trading credits within Energy. Can you just remind us about that, as to when they're likely to fall away? Thanks.

**Gilles Auffret**

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So, as far as the timing is concerned, in 2012 no issue, as I said, 14 million tonnes. In 2013 they will disappear but we will still have 8 million tonnes to sell in 2013 on the back of some production that will be authorised to be filled in 2013. So we will have still a positive effect, significant positive effect in 2013. I must add that almost two thirds of those Certified Emission Reductions have been hedged.

**Investor G**

**OK, very clear.**

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**Bernard de Laeguiche – Solvay - CFO**

Okay, next question, please.

**Investor H**

Okay, good afternoon, and thanks for taking my questions. You've commented on restocking in the vinyl's area along the chain – is it possible you could give us a sense as to whether or not that has continued into the second quarter? And then, more generally just across the group, are you able to give a comment on your visibility over destocking and restocking effects, thinking, you know, from the fourth quarter through to the first quarter specifically? And then lastly, just, there was a comment on PVC assets that I think the CEO made on Bloomberg saying that, you know, there's potential that the PVC assets could be sold in the next few years – would it be possible to sell the PVC assets without accessing significant parts of the chemicals business? If you could just give us a comment on that, thanks.

**Bernard de Laguiche**

So I will answer the question on PVC. There is no intent today to sell the PVC business. There are links between the PVC business and the Chemical business; there are also synergies, as you know, in Tavaux we produce chlorine and caustic and also VCM for the PVC business. But, of course, any carve out would be manageable – that is not the main point. The main point is that

the priority today for our PVC business, as for a large part of our portfolio, is to improve a performance to raise the competitiveness level and to improve the strategic position of our businesses. So the question of a sale today is not the order of the day.

On the restocking in the group, what I can say as a general comment and then I will pass the word to Jacques on the specific of Vinyls in Q2 this year. But between Q4 and Q1 there was no significant restocking effect as reflected in our P&L, and for the Group generally on average across the businesses. But for Vinyls in Q1 versus Q4 or Q1 to Q2 – Jacques,

### **Jacques van Rijckevorsel**

Yes. Thank you. Then the question is... let's first start with the Q4. The Q4, we indeed kept our inventories at the level and therefore as the demand was reducing we have reduced on our production – one. And, second, we had also to apply the marked-to-market rule that means that we had also to depreciate some inventories at the end of the year, and that is why the Q4 was so affected in the group, in the Vinyls.

Now, if we look at Q1 again, we kept and as far as we know, with the public statistics. The industry kept the level at the minimum level. There has not been restocking in the industry – I mean, the producers. Now, the downstream, there I do not exclude indeed that some processors have increased some inventory or rebuilt some inventory because they had really reduced their... their inventory to the minimum at the end of the year. And we know that for sure because when the year started we had to raise to [show] of customers that we're out of stock.

### **Bernard de Laguiche**

And maybe to complete the answer on the group, it is very difficult indeed to have a view of stocking effects over the year, over the coming quarter, so that would be very difficult to guide you on that one in Vinyls as in the other businesses actually, because as you know, our supply chains are sometimes long and we have to see the stocks or inventory situation of customers. Over the next quarter it's very difficult to give you guidance on that.

### **Investor H**

True. How do you actually... how do you go about monitoring that in terms of the destock/restock situation, you know, with your customers. Is it a case of actually discussing with your customers what their inventory levels are or, you know, how is...?

### **Jacques van Rijckevorsel**

First, at least, in Europe, and there are official statistics that are available and that are produced and we know what are the inventories of the industry. As a rule, of course, we're following in detail what, who has what. And there we have an idea of what is the producer inventory level – that is why I gave you that answer for the producers.

Now for the customers, indeed, we have discussions with our customers and we know... we have discussions about their production plannings for the month and we can feel if they are stretched or on the contrary, or if they are long – indeed, we are monitoring that.

**Gilles Auffret**

The same in the Rhodia Sector – we monitor very closely the forecast of our customers and once we have assessed the level of what could be required for the one or two quarters to come, then we fix what is the level of production in order to reduce the inventories at what we call the Just Needed Inventory. So there is a very close monitoring all along the year, you know, to adapt the production and therefore, the inventories to the demand.

**Investor H**

Okay, all right, thank you.

**Bernard de Laguiche**

Next question, please.

**Investor I**

Yes, good afternoon, gentlemen. I have a couple of questions – three, to be precise. The first one is, could you just give us a little bit more colour in terms of how the electricity costs are developing – i.e. the question is basically linked to Essential Chemicals and Acetow. Both these businesses, if I understand correctly, are heavy electricity users and both had a very interesting margin development year-on-year, so did you actually save costs because Rhodia Solvay are together?

And the second question is on Essential Chemicals - I mean, do we, going forward, assume now that this business unit has structural margin improvement, i.e. you know, instead of an average over the last few years? Should we now expect a couple of percentage points given the reasons that you've discussed already?

And then the last question is really on your guidance. If I can just sort of get more clarity, do we expect an H1 year-on-year lower than last year and then a pick-up in H2 year-on-year because you get a lot of cost savings and your base last year in Q4, especially, was too low? Thank you.

**Bernard de Laguiche**

Okay, thank you. I think your two first questions relate to Essential Chemicals, so I will pass the word to Vincent and then answer your question on the year guidance.

**Vincent de Cuyper**

Yes, Sir, I can make maybe a broad comment on energy prices, and I will not comment the savings we intend to do through Solvay Energy Services.

What we see for the time being that on net electricity price in Europe, the prices has decreased slightly, but remains at quite a high level and is not expected to go down. If you look at the market price for Europe it remains still in the range of €50 per megawatt hour. What is more annoying is the gas price remains quite high in Europe and is impacting somewhere our cost price, and this is why we don't see prices going down because of the cost push. And in the press, from some of our competitors who have seen some companies calling for further price increases in order to pass to the customers the energy price, particularly in Europe. So therefore, I think when you speak about long term improvement of the margins – well, this is clearly what has been explained by Mr Clamadieu in this presentation for the strategy of the group in the five years to come.

Yes, there is a requirement to improve margins and it is valid for Essential Chemicals, but is valid for all segments of the group, to reach improvement of the margins through a variety of action plans including excellence programmes and so on. So this is medium to long term target for the Chemicals, yes.

**Bernard de Leguiche**

So on the guidance it was split by semester; I think what I can say it is very likely, and we believe that the second semester this year will be above the second semester last year, and one of the reasons is, as you know, the second semester last year was weak mainly because of Q4.

**Investor I**

All right, thank you.

**Bernard de Leguiche – CFO - Solvay**

Last question?

**Investor J**

Yes, thank you very much. Just one remaining question, and if it's already been asked, I'm sorry I couldn't join from the beginning. It's with regards to the Specialty Polymers – you had a negative €10 million in the REBITDA effect from the Spinetta incident and the technical problems there, and that was also, as you wrote, the main reason for the volume decrease in Specialty Polymers year-over-year. Could you give us maybe an idea of what the volume development would have been without that incident year-over-year and what we could expect from Specialty Polymers in terms of volumes for 2012?

**Bernard de Laguiche**

Yes, so I will pass the question to Jacques. He's very pleased to answer it.

**Jacques van Rijckevorsel**

So, thank you for, for... thank you for the question. Indeed, we have the technical problem – again, it was forced in Spinetta and for that we could not follow the demand. And as we've explained in our press release the influences about €10 in the REBITDA deal. Then what is the exact influence on the volumes? For that I don't... I could not say exactly. We have 5% year-on-year declining for the Q1 and, of course, without this incident... If I should make a calculation, but anyway, I expect that it would be a negative trend, a slightly negative trend.

Another point is the volumes for 2012 and it is clear that Specialty Polymers currently are doing very well, and we have mainly projects going on. As you know, we also have invested in new capacity – that can be in China, that can be in France, that can be in Italy, that can be in India, and all the projects are currently on time and the start-ups are confirmed, and we see that the demand is still very healthy. Some segment may be doing less well, but the other segments are more than compensating that reduction.

**Investor J**

So, if I understand you correctly, you expect a significant positive volume development for 2012 in that segment or a positive in general?

**Jacques van Rijckevorsel**

Now, globally, we expected it, an increase in the volumes this year for the specialty polymers.

**Investor J**

Okay, thanks, that was very clear. Thank you.

**Bernard de Leguiche**

Thank you. Now, ladies and gentleman, thank you very much for your questions and your intellect. Let me just wrap up by restating that our first quarter's performance proved the global resilience of service portfolio, and the potential of its growth engine businesses. We are engaged in a major transformation, and the [enlarge] group will reinforce its leadership positions and execute its profitable growth strategy aiming at reaching a constant scope, recurring EBITDA of €3 billion in 2016. Thank you once more for your attendance. Thank you and good-bye.