

# Building the new Solvay: a value creative transformation

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*Chief Executive Officer*



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# AGENDA

- 1 • **Strong fundamentals**
- 2 • **A well defined strategy**
- 3 • **A transformation already underway**



# 1 • Strong fundamentals

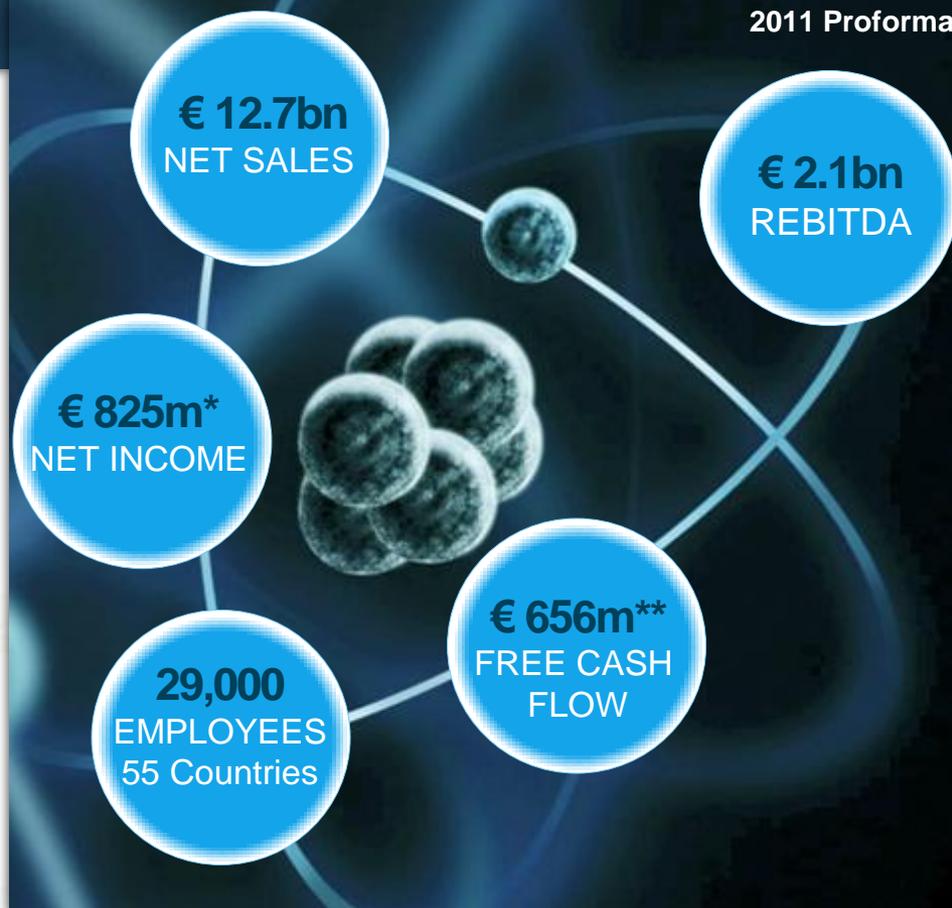


# A major player in chemicals with compelling strengths

## Our strengths

- **Within top 10 worldwide** largest chemical players from developed markets
- **90%** of sales in businesses ranking among the **top 3 global leaders**
- Global presence with **40% of sales in fast growing countries**
- **Diversified end-markets** creating resilience through cycles
- Differentiated innovation focused on **sustainable development**
- Committed to **operational excellence** targeting best-in-class process efficiency

2011 Proforma



REBITDA: operating result before amortization, non recurring elements, financial charges and taxes

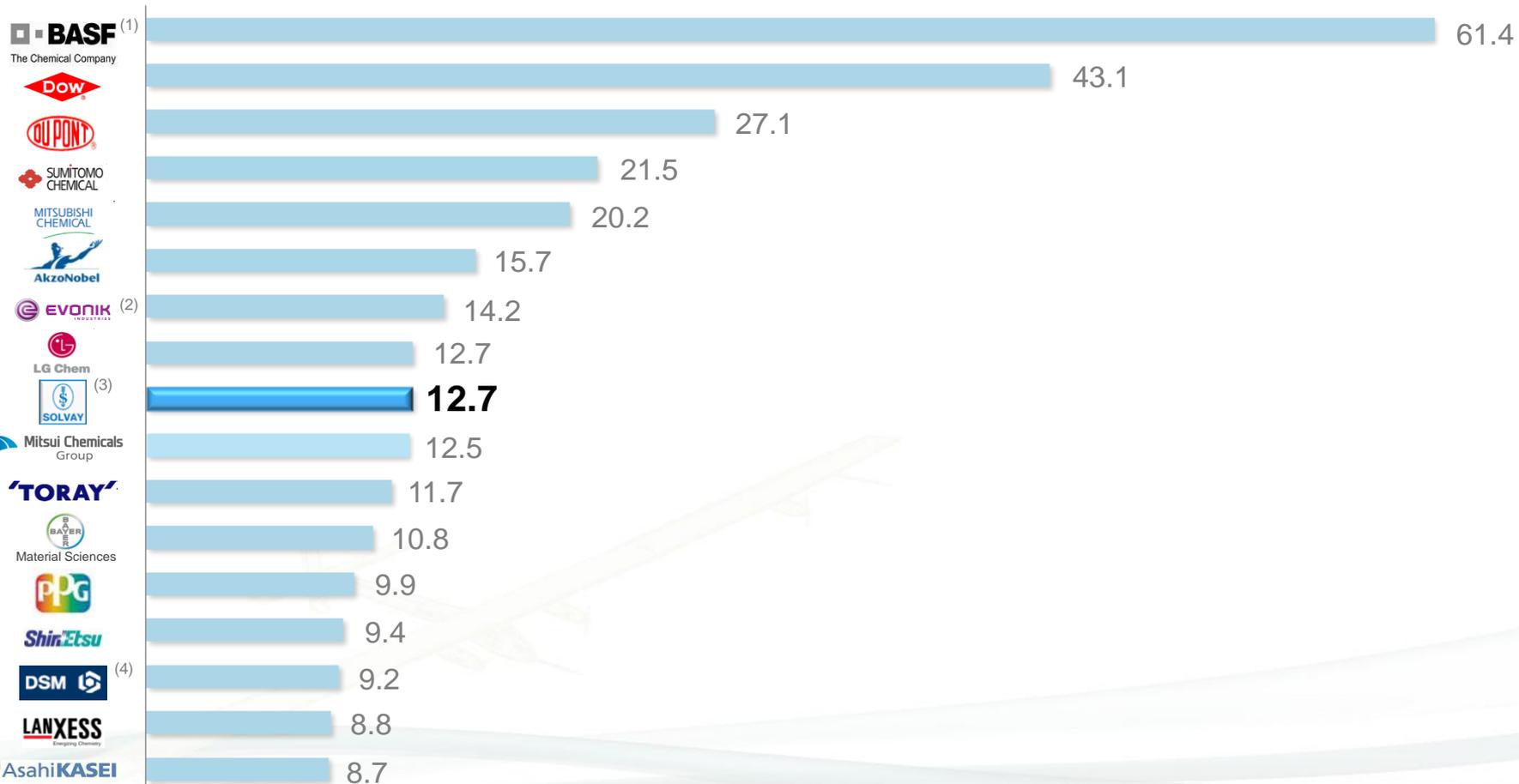
\* From continuing operations

\*\* Cash flow from operating activities + cash flow from investing activities, excluding acquisitions and sales of subsidiaries and other investments + dividends from associates and JVs.

# Solvay in the global top league

## Largest chemical players from developed markets

2011 Revenue, EUR billions



SOURCE: Reuters; Chemical & Engineering News; Annual reports

- 1) BASF excluding Oil and Gas activities
- 2) Evonik excluding Real Estate activities
- 3) Proforma 2011
- 4) Consolidated revenues

# Strong global leadership positions

World leader with 90% of its sales in businesses in which it is in the top 3

## Specialty Polymers

#1

High Barrier Polymers, High-Performance Engineering Polymers & Compounds, Fluorinated Polymers

## Silica & Rare Earth Systems

#1

High-Performance Silicas, Rare Earth Systems

## Consumer Chemicals

#1

Specialty Surfactants, Phosphorus Chemistry & Diphenols

## Essential Chemicals

#1

Hydrogen Peroxide, Soda Ash & Sodium Bicarbonate

## Polyamide & Intermediates

#2

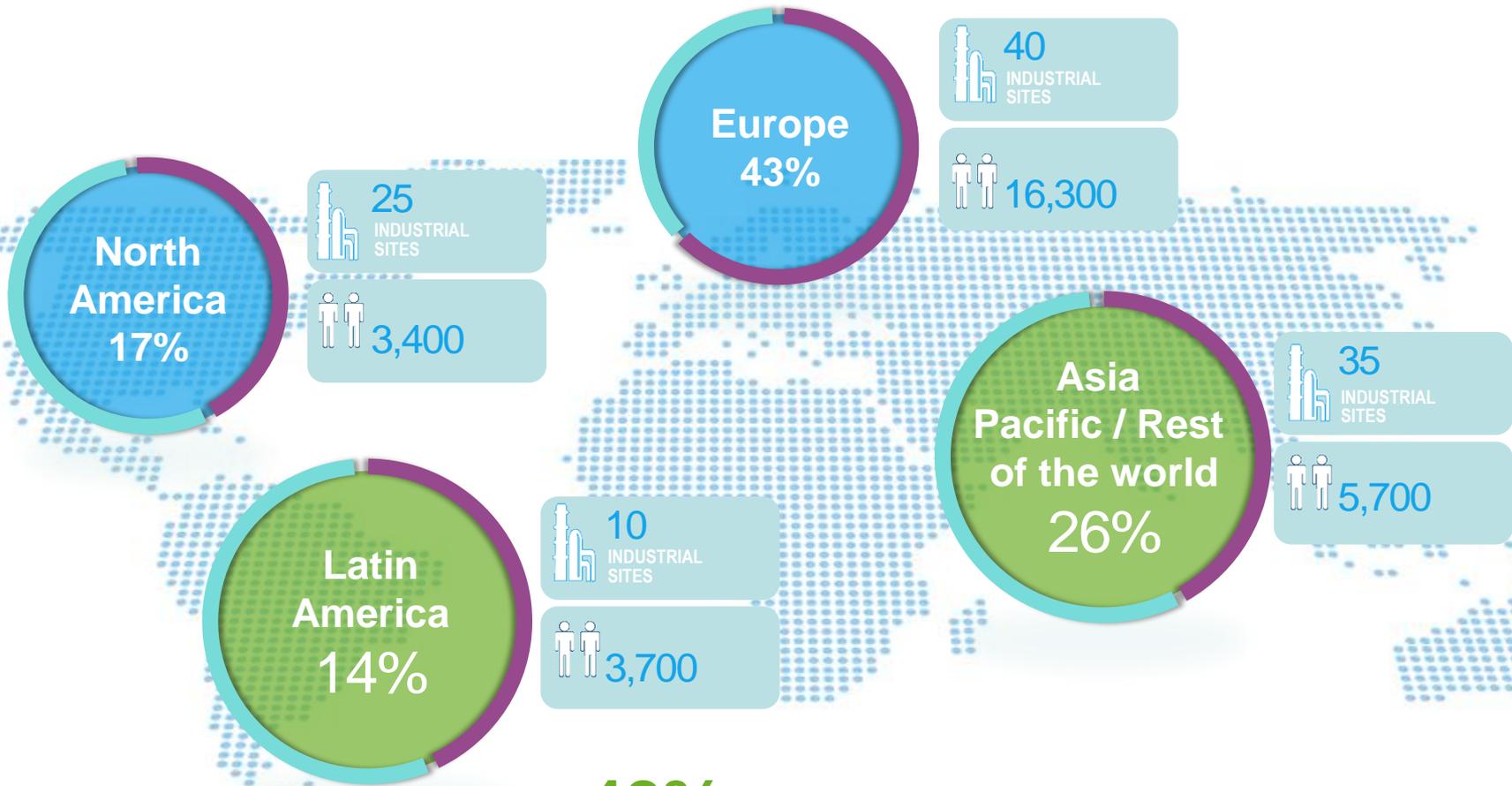
PA 6.6 Polymers, Intermediates & Engineering Plastics

## Vinyls & Acetow

#3

PVC, Cellulose Acetate Fiber

# Strong footprint in fast growing regions



Plastics & Chemicals  
Rhodia

**40%** OF NET SALES AND INDUSTRIAL ASSETS  
**32%** OF HUMAN RESOURCES

# R&D capabilities boosted by open innovation network

2011 proforma figures

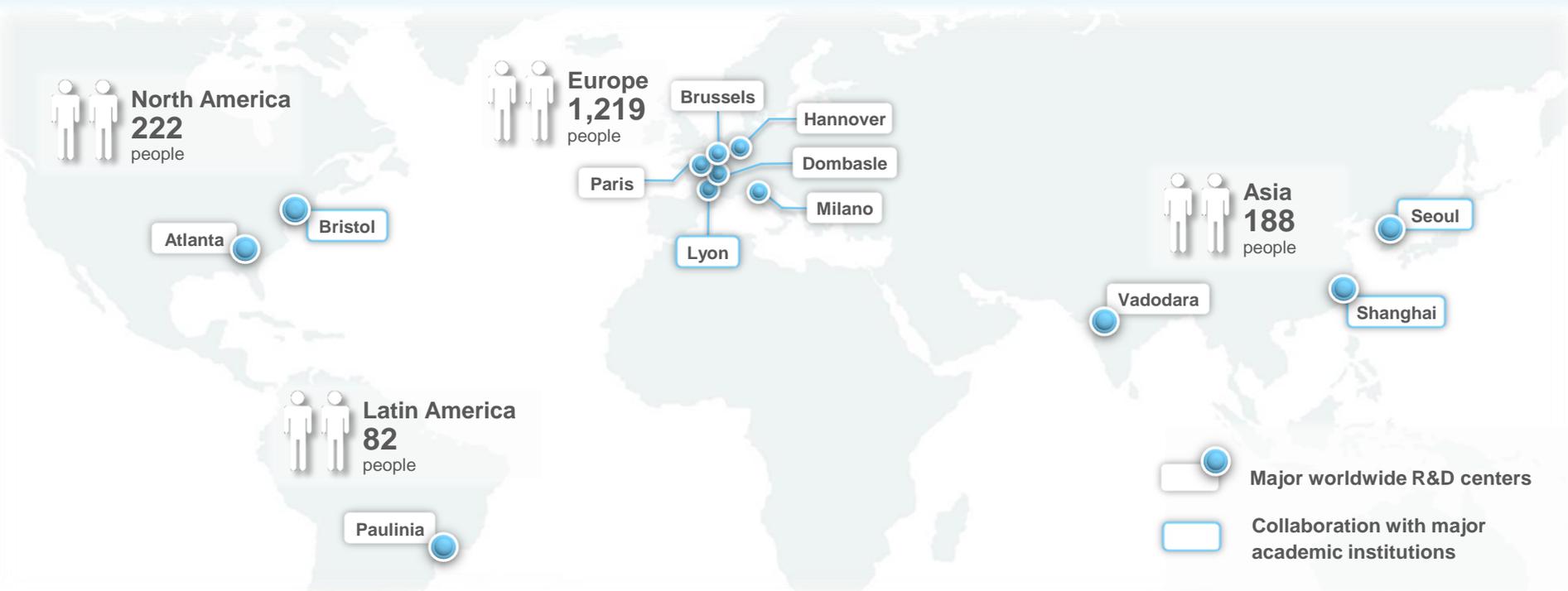
**12** major worldwide R&D centers

**1,700** R&D employees

**€ 218m** net R&D investment

**€ 54m** in venturing

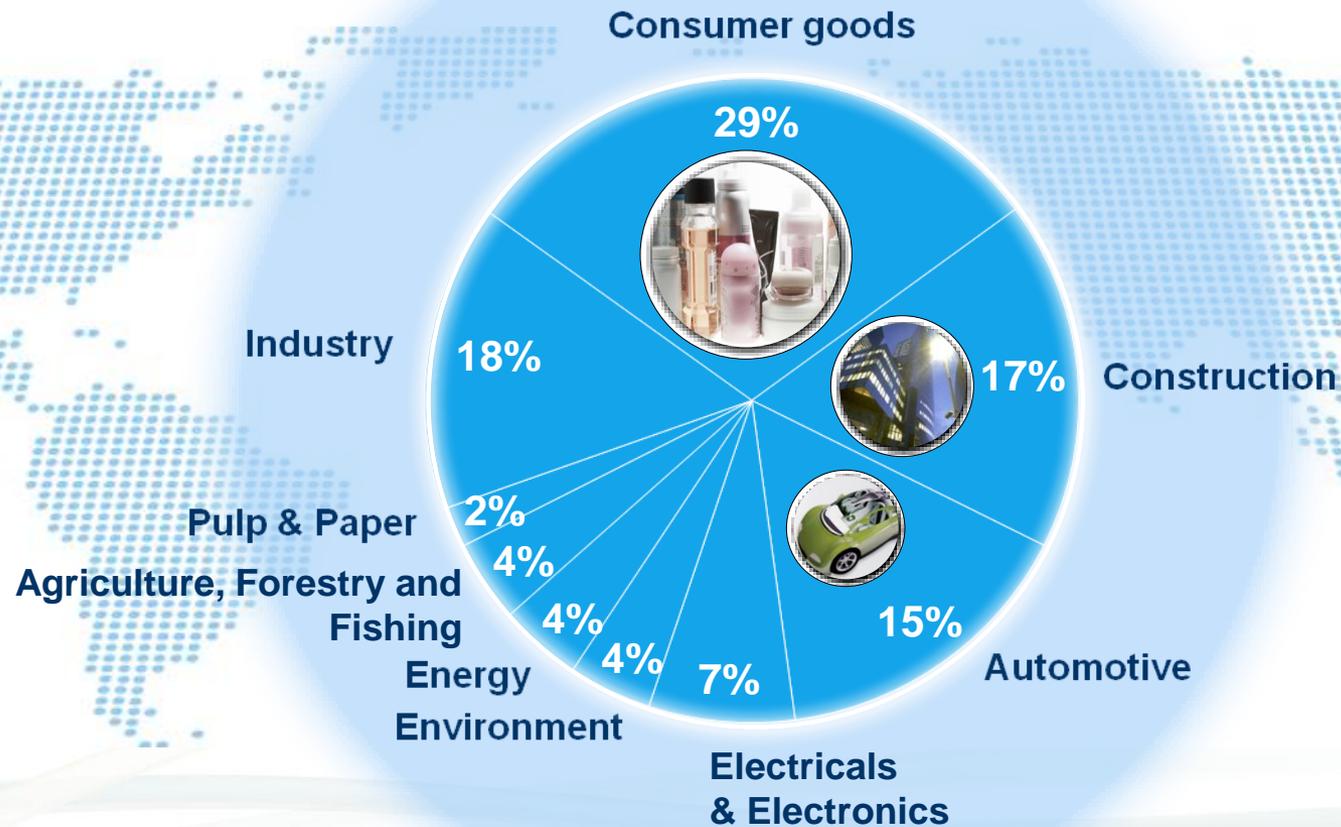
**322** new patents



## Venture Capital investments

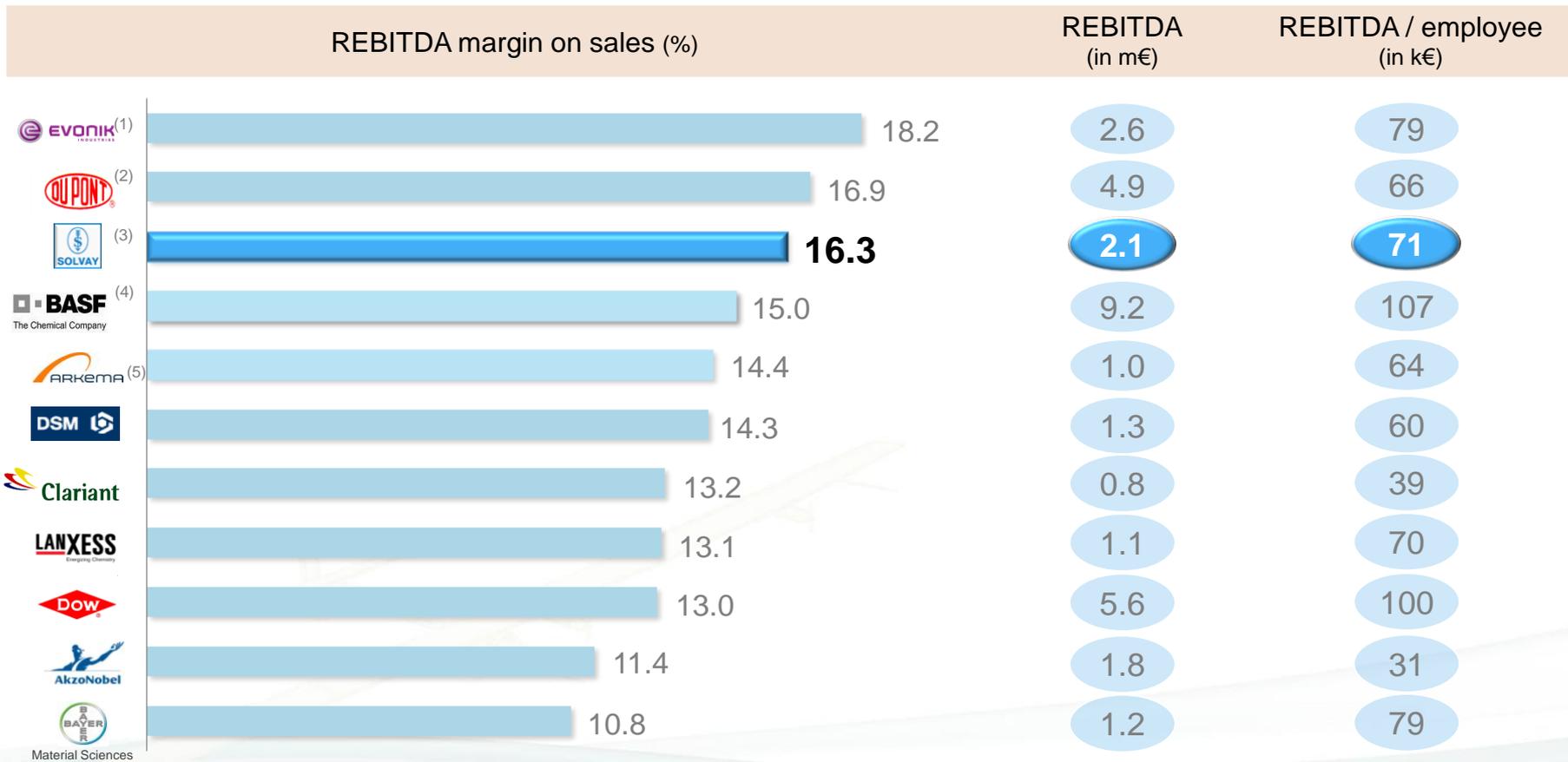


# Resilience to cycles resulting from diversified end-markets



# Best-in-class profitability

## 2011 REBITDA margin ranking



<sup>1</sup> Excl. Real Estate

<sup>2</sup> Excl. Pharma

<sup>3</sup> Proforma FY 11, assuming Rhodia was consolidated into Solvay's accounts from 1 January 2011

<sup>4</sup> Excl. Oil and Gas activities

<sup>5</sup> Incl. Vinyls

SOURCE: Annual reports 2011

## 2. A well defined strategy



## Our ambition

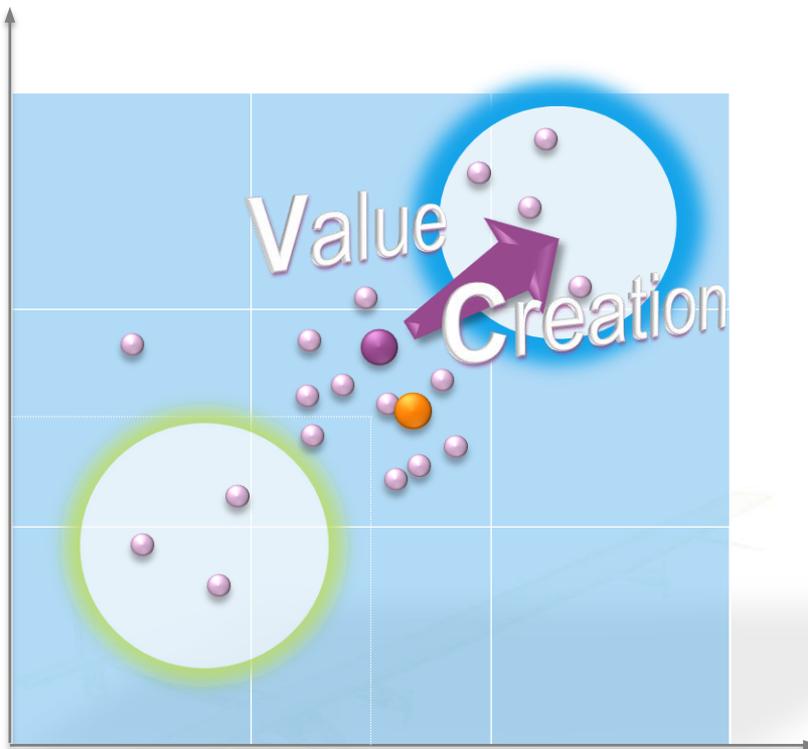
- Build a strong leader participating in the reshaping of the global chemical industry
- Be a model of sustainable chemistry, attracting and growing the people who will imagine, engineer and make the solutions that meet the global challenges society faces, creating value for all our stakeholders

# A transformation geared towards value creation

**Portfolio thorough strategic analysis** performed early 2012

Solvay's ability to extract value

● Solvay  
● Chemical industry average



- **Growth engines**
  - Priority to seize GROWTH: organic, innovation, external
- **Areas of challenge requiring strategic position improvement**
  - Priority to operational excellence and disciplined cash management

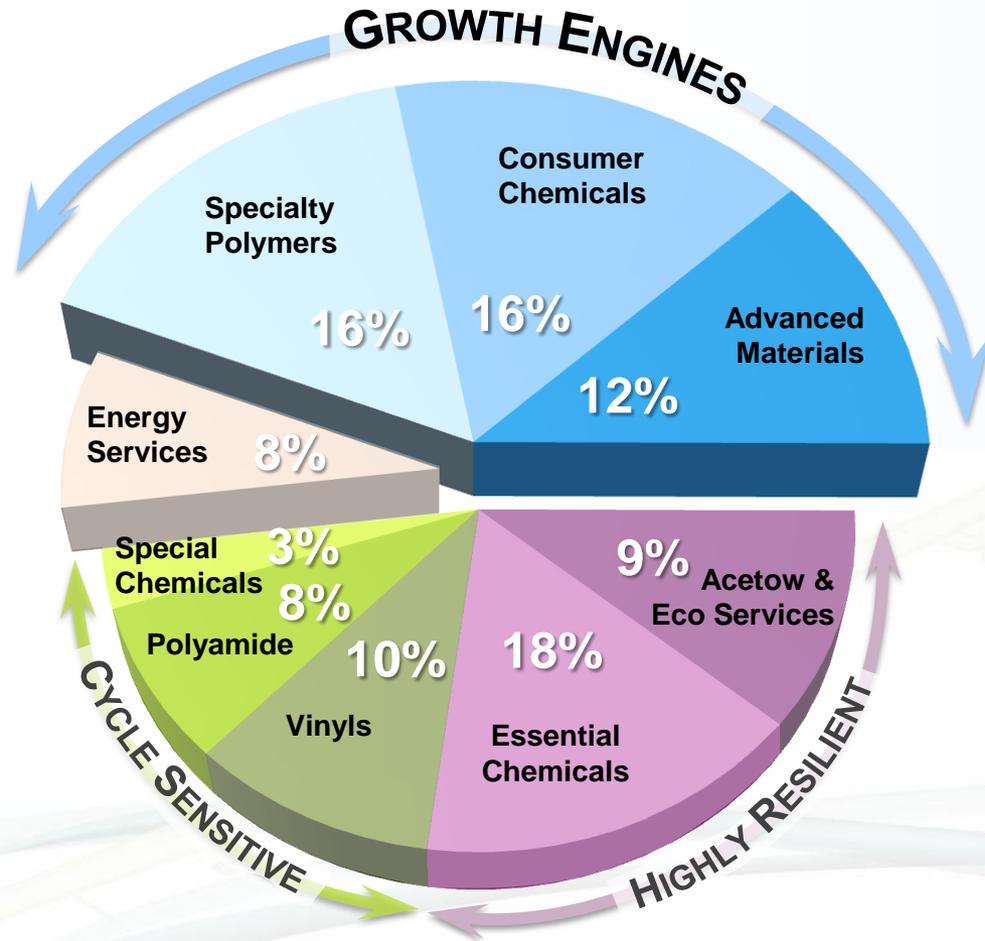
● 24 business segments analyzed

Value Creation potential of Industry / Market served

**Clear strategic intent for each portfolio component**

# Value creation through differentiated strategic priorities

## Portfolio Strategic Management



### Focus on growth opportunities

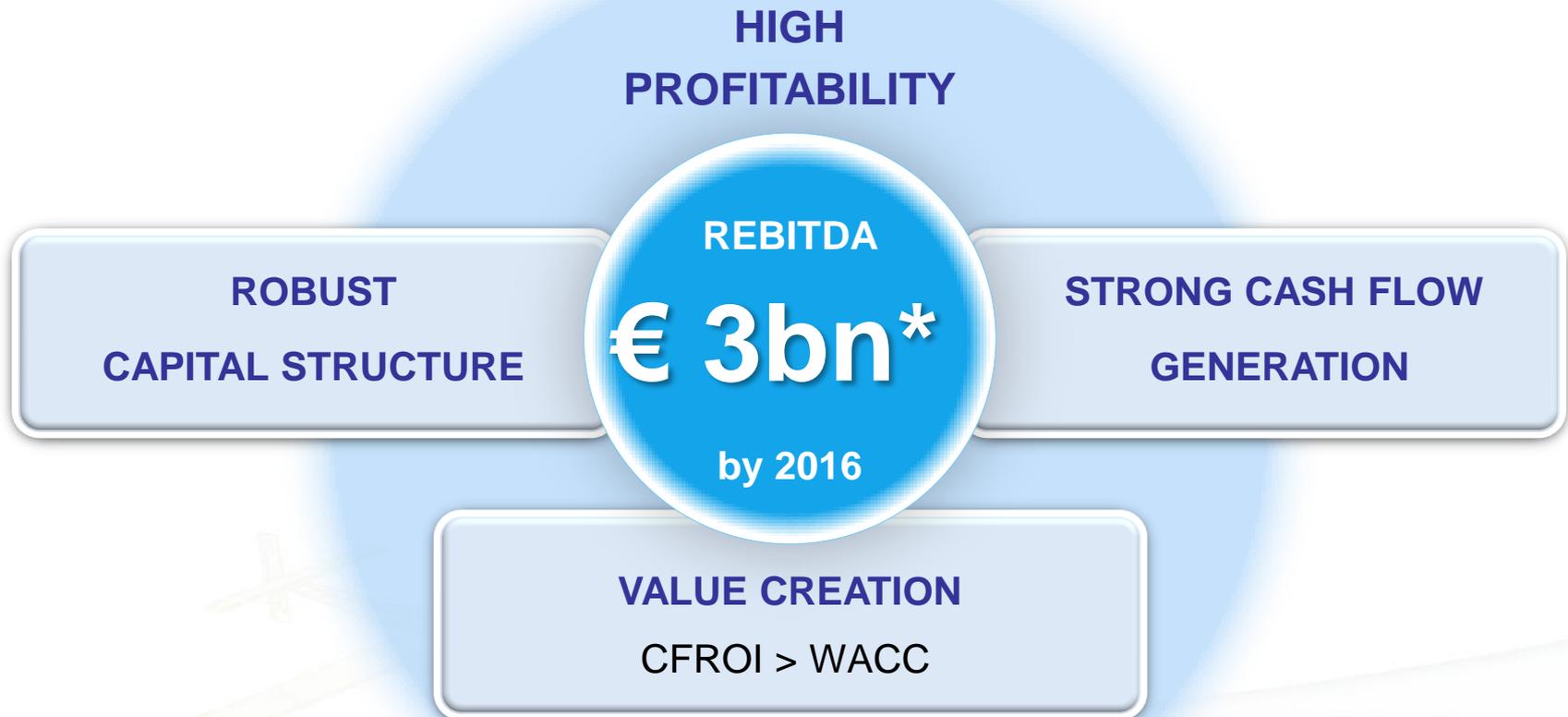
- Organic growth
  - Innovation
  - External growth
- › Double-digit profit growth
  - › Outperforming the market

### Focus on cash management and strategic positioning improvement

- Improve contribution margin
  - Reduce costs
  - Enhance cash generation
- › Regain strategic flexibility
  - › Secure sustained cash generation

Focused on value creation

## Culture of Excellence



## Leveraging on strong track record

*\* At constant scope and assuming no major macroeconomic crisis*

# 3 • A major transformation underway



# Building a strong leader

- **Integration** well **advanced**
  - Most workstreams completed by year-end
- Focus now on building the **new Solvay**
- **Key levers**
  - Operational excellence
  - Growth
    - Innovation aligned with megatrends
    - Geographical footprint
    - External growth



**Focus on value creation**

# Solvay & Rhodia combination: a powerful catalyst to unlock value



(\*) Vs. 2010 Cost base

# Purchasing & Logistics excellence

**Buy Cheaper, Buy Better, Buy Less**

Volume bundling

Prices and contractual terms benchmarking

Supplier rationalization

Standardization

Specification best practices

Make-or-Buy

## PURCHASES

- Raw materials
- Energy
- Logistics & packaging
- Technical goods & services
- General expenses / IT / Insurance

**€ 250m**

*by 2014*

**€ 75m**

*in 2012*

**Team in place since Nov 11, led by J. Matias: 250 people mobilized in over 40 workgroups**

# Administrative & process efficiencies

## Streamlined organization

### Horizon

- Processes redesigned to improve productivity
- 800 full-time employees
- Deployment completed by YE 12

€ 65m annual savings

€ 150m\*  
by 2014

~ € 55m\*  
in 2012

### Integration synergies

- Streamlined global organization
- Unified corporate functions
- Deployment of "best in class" Global Business Services organisation

€ 85m annual savings

**Primarily impacting support functions**

(\* ) Vs. 2010 Cost base

# Industrial & supply chain excellence

## Developing the best tools to support excellence initiatives

Overall Equipment Efficiency

Excellence in Maintenance

Yield Improvement

Reduction of Fixed Costs

Working Capital Management

Improve competitiveness

Reduce Capital intensity

Maximize Free Cash Flow

## Marketing and Commercial excellence

- **Value pricing** for innovative solutions
- **Pricing power**
- **Revenue synergies** through cross-selling opportunities and faster project developments across markets and geographies

# Innovation focused on growth megatrends

## SUSTAINABILITY

## GEOGRAPHIC SHIFT & NEW DEMAND PATTERNS

### MEGATRENDS DRIVING GROWTH IN CHEMICALS



SOLVAY'S 6 INNOVATION PLATFORMS	Renewable Chemistry	✓	✓		
	Eco-Efficient Processes	✓	✓		
	Sustainable Energy Solutions	✓		✓	
	Organic Electronics	✓		✓	
	Nanotechnologies & Advanced Materials	✓		✓	✓
	Consumer Chemicals	✓	✓	✓	✓

Cornerstone of Solvay's competitive differentiation

# Innovation fueling sustainable growth

## Sustainable Energy

### Generation

- Fuel cells: membranes & Membrane Electrode Assembly
- Photovoltaic materials
- Organic Photovoltaic



### Storage

- Li-Ion battery offering
- New batteries (e.g. Li-Air)
- Energy storage through H<sub>2</sub>



### Driving megatrends

- Fossil fuel replacement
- GHG emissions reduction

## Digitalization

### Smart devices

- High mechanical performance polymers for complex parts



- High performance chemicals in semicon fab's

- Organic Light Emitting Diodes materials for emerging displays



### Driving megatrends

- Electronic everywhere
- Information everywhere

# Expanding industrial & human footprint in fast growing regions

~50% of Solvay investments over 2010/11

## Russia

Rusvinyl (330 kt/y, 2013)  
& Surfactants JV with



## Korea

Joint R&D with  
EWHA University

## Middle East

HPPO with  
(2015) **صدارة Sadara**

## China

- Feixiang
- Specialty Polymers in Changshu
- Soda Ash JV in Tianjin
- Hydrogen Peroxide (50 kt/y) in partnership with
- Rare Earths Automotive Catalysis line in Liyang
- Surfactants (50 kt in Q1 12) in Zuhai



## India

- Vadodara R&D center
- Savil R&D (Q2 12)

## Thailand

- HPPO JV with  (330kt/y, YE 11)
- Epichlorhydrine (100 kt in Q1 12)

## Brazil

Hydrogen Peroxide (180 kt/y)

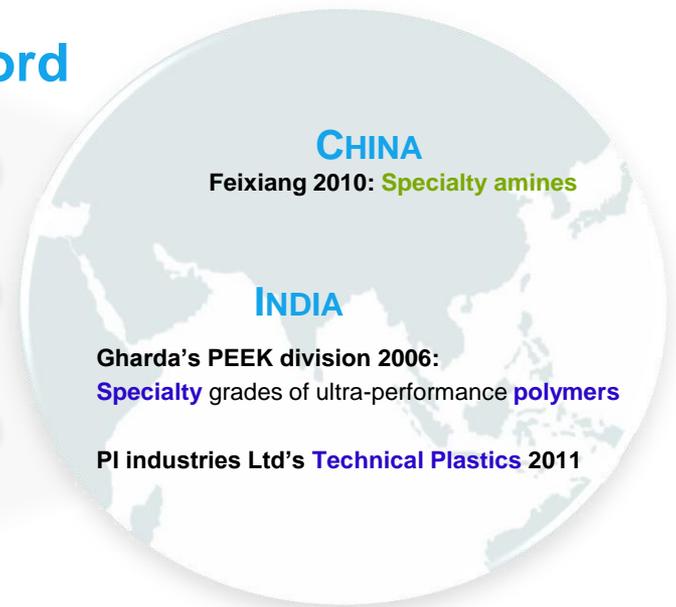
Growth investments aligned with geographic dynamics and strategic priorities

# Pursuing strategic bolt-on acquisition opportunities



## Spotless track record

- Targeted ✓
- Successfully integrated ✓
- Outperforming initial expectations ✓



## Going forward, targeted bolt-on acquisitions aimed at:

- Strengthening positions in attractive business segments and regions
  - ➔ Expansion into high value added downstream
  - Market share gains
- Participating in the industry consolidation

**Financial flexibility allowing to be proactive**

# Building the new Solvay: A value creative journey

Strong fundamentals

Clear strategic vision

Strong and highly motivated teams

A culture of excellence

Execution track record





[www.solvay.com](http://www.solvay.com)

**a Passion for Progress®**

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