Solvay SA
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Chaired by Jean-Pierre Clamadieu

Jean-Pierre Clamadieu

Thank you very much. Thanks all for participating in this Q4 and Full Year 2013 results call. I am here in Brussels with Karim Hajjar and Maria Alcon Hidalgo. What we want to do with Karim is to walk you through what we think of the headlines of this results presentation, and obviously a few comments regarding 2014 and then we'll open to Q&A. We won't be following in detail the presentation for the introductory statement, it is more comments that we want to make.

Probably the first comment is that 2013 was a very strong year as far as transformation was concerned. I think we've accelerated very significantly our transformation andclearly set the stage which would allow us to benefit from what we expect to be better macro-economic conditions in 2014, and make sure that we move Solvay into a less capital intensive, higher value added company. The first element achieved is portfolio we've made a significant number of moves in 2013.

The first one was the acquisition of US-based Chemlogics which will allow us to expose ourselves much more significantly to the oil and gas market in the US. We are becoming an important provider of chemical solutions for this market, especially when it comes to unconventional oil and gas exploration and production. By the way, four months after the integration we see that this integration is going very smoothly and we are very optimistic regarding synergies. I was with Chemlogics' team a few weeks ago and I was very impressed to see that the integration is going very strongly and we see a lot of potential opportunities, both in terms of geographic extension but also in terms of technology sharing.

The second important element regarding portfolio is our chlorovinyl situation. We have signed an agreement at the end of last year to sell our stake in Indupa to Braskem, so now we are moving to close this deal. On the European front, if I may say so, we are working very hard to complete our JV with Ineos. The key next step is EU approval and we are currently negotiating with the Commission. You know that the decision is due within a couple of months, so this is really the time where we have to be in active negotiation with the merger task force at the EU. We are very committed, both Ineos and ourselves, to find the right answers to make sure that we can get this clearance and at the same time without adding to accept remedies which we had put in jeopardy the fundamentals of this JV.

Then continuing on portfolio management, today we are announcing that we want to review strategic actions for Eco Services. Good business; it is a sulphuric acid-regeneration business in North America. A good cash profile, but probably overall a business for which we have a question regarding its fit with our portfolio and we have decided to look at opportunities in the context where clearly our priorities are and continue to be our growth engines. We will come back to that.

All this has some very simple objectives; reducing the cyclicality of our portfolio, balancing our original presence. We are already today, with one-third of our businesses in Europe, one-third in Asia, one-third in the Americas, North and South; that’s good but it is really something we want to continue to focus on what see our high growth, significant opportunities region. In terms of end-market I think it is worth to notice that after the movement we have announced last year we have increased significantly our exposure to the energy and environment market - 14% of total sales, up 3% - and we have reduced our exposure to the building and construction market - 10% down 4%. The reduction is mostly in Europe which is good because it is where we see challenges in this market.

The second important achievement in 2013 is the acceleration of our breakthrough excellence initiatives. I think today this is clearly embedded in our organisation and way of doing business. We have launched more than 120 excellence programmes across businesses and function and this covers everything from manufacturing, logistics, energy efficiency to innovation and commercial excellence. Just to give you a couple of examples for the programmes which probably are the most visible, we have announced regarding soda ash a €100 million cost-based improvement plan that should be delivered by the end of 2015. One important piece of this plan was the shut down of our Povoa facility in Portugal. This took place at the end of January, just a few weeks ago, six months ahead of schedule. It is a plan that we have been able to achieve, I would say, however smoothly, trying to mitigate the impact on our employees but with a strong willingness from Solvay’s management and the soda ash business team to complete this project as soon as possible because we think that it is very important that we can strengthen our leadership position in this market.

Then probably a last comment regarding what we have achieved in 2013 from a qualitattive standpoint; I think the organisation has improved very much. We have now some new members on the executive committee and Karim will introduce himself in a few minutes for those of you who don’t know him, but with Karim coming on board, Pascal Juéry coming onboard, Gilles Auffret leaving. Jacques van Rijckevorsel will also retire in a few months. I think we have today a ComEx which is very well tuned to deliver on our 2016 objectives and I am very pleased to see that we have such a strong leadership team. A strong leadership team also at that GBU level, our organisation is very much GBU-centric. Some of you have had the opportunity to see some of our GBU General Managers during our Capital Market Day in London in December 2013. I think we have a very strong team there too, and our management model is clearly a decentralised, GBU-centric management model. Just to conclude on this part I think we have today teams which are very much focussing on delivering on our 2016 objectives with incentives aligned to this.

2013 I was saying a year of transition; this shows in our results. We were facing in 2013 a challenging macro-environment, especially in Europe, and on top of that we had two specific items that we have been following. One being the aftermath of the guar bubble; we’ve seen very significant bubble in guar prices in 2012 and the beginning of 2013. When this bubble exploded it had significant consequences because some of our customers have built up stock. We had a situation where we had our sales high-priced inventories. The good news is that this is behind us. The not so good news is that the impact in 2013 was significant.

The second element that has impacted us - this one was absolutely predictable - it was the end of carbon credit activities, but we've started to see a very significant step-down in 2013. If you add up guar and the end of the carbon credit, this represents about €240 million of exceptional REBITDA, which means when you look at our results that the other businesses overall, they have performed very well and we will go into more details as we develop this presentation. Allowing for for this exceptional 2013, again on the REBITDA level, was essentially flat despite the challenging conditions that we have seen.

In Q4 - and Karim will give a bit more detail on that - the trends are slightly positive; if we correct for guar and carbon credit, we see an 8% increase in REBITDA which means the seasonality was less pronounced than it has been in the past couple of years, and that once again we start to see a more positive dynamic and this is good.

What I suggest is that I leave the floor to Karim to give you a bit more flavour on our results. Maybe just one last point before we move, you'll see that we have changed the name of one of our cluster Consumer Chemicals is becoming Advanced Formulation; a very simple reason for that, after the Chemlogic's integration, energy market becomes for this cluster similar in weight to the consumer goods, so we think it is better to use the wording which describes more accurately what we have in this cluster.

With that, I'll turn to Karim.

Karim Hajjar

Thank you Jean-Pierre and good morning; I'll start with Q4 where REBITDA of €384 million was 6% down on last year resulting from a 5% fall in sales. These results reflect normal seasonal effect impacting specialty polymers, Eco Services and polyamide although this was actually less pronounced than we've seen in the last two years. It is worth noting that silica, rare earth and Acetow showed some resilience in quarter. The REBITDA that you see in the quarter also includes €13 million relating to Chemlogics for the two months since we acquired that business. Jean-Pierre referred to the exceptionals and yes they are essentially largely behind us, but we still had an impact of €60 million in respect of the reduction in carbon credit impact and the tail end of the guar effects. Allowing for these exceptionals, underlying REBITDA in the quarter was 8% up year-on-year.

If I turn to the full year and start with the net sales, they are down 5% at €9.9 billion Euros; 3% of that decline was due to conversion the Forex effect mainly in US Dollar, Brazilian Reals and to an extent the Yen, and pricing down 2%. REBITDA was down 12% at € 1,663 m, fully in line with our expectations, and again, excluding those same exceptionals and before the beneficial effect of Chemlogics, the 13 million, it was flat year-on-year.

Before I turn to the operative segments, I would like to make two comments; one is on pricing power which you see is €3 million. A deeper look at pricing power reveals some strengths, some resilience that might otherwise escape your attention, if you take account of the fact that this is after the guar derivative margin squeeze and also the continued margin impact on rare earth that we've seen for the last two years.

The second comment I'd like to make is around our excellence programmes. They are delivering. They've help to mitigate the inflationary effect on our €3 billion fixed cost base reducing what would otherwise have been a 80-90 million cost increase to 36 million year-on-year.

Turning to the operating segments, advanced formulations was 369 million and essentially was flat if we take account of the 150 million impact on guar, both in terms of the native high chem guar and the high cost of inventory that we've worked through the system this year across both 2012 and 2013. Excluding guar, Novecare grew driven by agro and coatings markets, although we did see some softening demand in HPC applications. We also saw resilience both at Coatis and Aroma performance. Record performance was delivered at Advanced Materials which was up 3%, Speciality Polymers improved despite low demand in energy markets, and also despite a very demanding comparable electronics and small devices last year, where customers built up inventories quite significantly. We also saw record performance at silica, driven by both volumes and pricing, and an improvement at Special Chemicals with a portfolio improvement with a strategic exit over loss-making life science business. These achievements helped to overcome the margin squeeze at Rare Earth that we referred topreviously.

Performance Chemicals can be summed up as one word which resilience. Essential Chemicals was broadly stable relative to last year where Acetow achieved a record high driven by continued pricing power. These helped to mitigate the effects of challenging cyclical conditions at emerging bio-chemicals, which witnessed continued demand weakness in both vinyls and Epichlorohydrin. Functional polymers were down 7% which reflects persisting challenging trading conditions at Polyamide and Fibras, only partially offset by strength and improvement at Engineering Plastics driven by good automotive demand. For completeness our European Chlorovinyls business, which we reported has discontinued operations, delivered REBITDA of 153 million in 2013, some 10% down on last year.

Adjusted net income of 422 million is lower than last year by €285 million, related in a large part to non-cash effects and non-recurring charges. These increased from a positive 55 million last year to a negative 239 million this year. By way of reminder, last year we benefited from a reversal, again of a non-cash soda ash impairment of 149 million and an exceptional 19 million gained from the sale of a business called Pipelife and of the sale of corporate buildings. In 2013 we took impairments related to Benvic and Plextronics of 62 million collectively.

Financial charges were 109 million lower at 250 million this year, due mainly to changes in discount rates impacting environmental liabilities, where the weighted average discount rate increased from 3.7% to 4.5% at the end of this year. The cost of net debt at 162 million, compares with 151 million last year, although that had the benefit of a 17 million fair value adjustment on a bond. Therefore cost of net debt is essentially flat year-on-year.

Taxes; the tax charge of 229 million equates to a nominal tax rate of 46% compared to 36% last year. If we exclude the distorted effect of non-recurring and prior items, our underlying tax rate in 2013 was 36%. This compares with 32% last year and this increase is a direct consequence of the reduction in the tax-free carbon credit income that we saw in 2013. Looking ahead, we anticipate an underlying tax rate, excluding non-recurring items, to be in the region of the low to the mid 30s.

Turning to cash flow; we saw strong generation in Q4, 246 million of strength, which took the annual free cash flow to 524 million for the year, driven by strong performance in working capital, where the working capital to total sales at year-end closed at 12.4% which is at the top end of our expectations and our targets for the 2016 road map. We have got more work to do, but the reduction was driven both by inventories and receivables where we achieved a record day sales outstanding - a DSO - of 45 days which maintain and build on that success.

CAPEX came in at €708 million which is at the lower end of our guidance and we expect 2014 to be at the upper end of that same range. Net debt was essentially flat at 1.1 billion although you will note that this excludes the 1.2 billion of hybrid bonds which we correctly reflect and disclose as equity in accordance with IFRS.

I will say a few words about CFROI, the cash flow return on investments; this increased from 6.5% to 6.9%. By way of reminder, this metric measures the cash returns on the total gross replacement cost of our assets and as such it is a highly demanding measure of value creation. The progress that we have seen in 2013 is a reflection of the portfolio management actions that we talked about and that Jean-Pierre described, that contributed 1.4%, and this helped to overcome the 1% deterioration that the exceptional factors that we talked about contributed to as well.

Finally, we are proposing a stable dividend totalling €3.2 gross to the general shareholders' meeting on 13 May 2014.

With that I hand you back to Jean-Pierre.

Jean- Pierre Clamadieu

Thank you very much Karim. As you understand, we are entering 2014 with I would say a level of cautious optimism or cautious confidence. Cautious because the macro-economic environment is probably still a bit fragile; confidence or optimism because we think the company is really ready to take advantage of what overall we expect to see a bit of a more favourable environment. Going by cluster-by-cluster Advance Formulation, we think that we are really clearly back on track for growth. The guar environment today has normalised; there is no more inventory issues in the supply chain and we are starting to see demand picking up very significantly, but more than that we are now a strong player in the chemical formulation for oil and gas in North America and certainly ready to benefit from a very favourable environment.

Advance Materials outperformed in 2013 and will continue to outperform in terms of profitability; Speciality Polymers and Silica are at a very high level; the Rare Earth market squeeze is behind us and we are starting to see volume growth opportunities linked to innovation or linked to opportunities in several markets materialising. Performance Chemical has demonstrated that it is able to generate solid and sustainable results and there too, we see opportunities for upside. Functional Polymer, which is today Polyamide is still challenging, although the repositioning of the EP of Engineering Plastic, part of it, the downstream part of Polyamide has been very successful and we see today EP generating a profitability on performance which puts us very well within our portfolio. The challenge today continues to be on the intermediate side of the equation.

Priorities for 2014; first is probably to bring to a conclusion the significant portfolio project that we have announced and this is certainly my priority for the next few months. Explore further strategic opportunities; EcoServices was signal and then continue to focus on excellence initiatives, continue to focus on innovation and make sure that we can grow with our customers. Although we expect 2014 to be a turning point, gradual recovery in Europe, better overall macro-environment and again specific signs coming from our customers in a number of markets that things are improving and are becoming a bit more optimistic and ready to move forward. I think we are very well placed in terms of geographical spread in terms of position in the various markets. We will continue to invest €700 m to € 800m, per year average during this period and yes we indeed expect our REBITDA in 2014 to grow and when I say that its growth on top of what Chemlogics will bring. With that I suggest we turn to our Q&A and Karim and myself will be delighted to answer your questions.

Questions and Answers

Analyst 1

I've got three questions here. First of all, just on the Paulinia water issue that you are having in Brazil at the moment, how much that would potentially burden the functional polymers in Q1; and then just with the other key projects, particularly the RusVinyl project, should we expect that to contribute zero still this year to REBITDA because of your ramp-up costs and then with the silica plant in Poland? Then also your Speciality Solutions project that you are doing in Berlin, just sort of an update on those projects and then finally just with the Advanced Formulations again with the margin effectively whether you start to see some margin improvement now certainly even from Q1 given that, again Q4 was still quite burdened. Thank you.

A lot of questions; polyamide, yes we had some issues in Brazil, the river which flows into our paulinia site which is one of the major site got dry for a few days. We had to declare forced majeur so there is some impact. I don't know if we want to quantify them but I would say probably around 10 million so nothing which is very significant looking at the overall group. RusVinyl we expect to start up; during some time in Q3 this year and depending on when it starts up, yes we should expect probably some negative REBITDA contribution in the remaining part of the year as usual for the start up of such a plant. Again nothing probably hugely significant and something we are taking into account but there is a significant sensitivity on the actual start up date which for such a large project is always a bit of a question mark. On the third question related to what, sorry?

Then just also with the other projects that you have running as well.

The other projects, currently our expectation is also for start up at the end of 2014 so very difficult to have a view on their contribution on our EBITDA, probably marginal being both the silica project in Poland and the ethoxilation project in Germany. Regarding the Advanced Formulation, yes the guar effect is behind us so this means that we will start the year in a normalised situation as far as guar is concerned so we should expect some improvement in margin; and in terms of volume things will come, I would say, progressively during the course of 2014 but on oil and gas markets Chemlogics is performing very well and guar business is coming back and probably quite strongly, although the impact on Q1 is still something that is probably a little bit too specific to comment as we speak, but certainly significant opportunities for improvement in Advanced Formulation.

Thank you very much.

Analyst 2

I have a couple of questions; firstly just to go back to the discussion about the tax rate, Karim, you mentioned a tax rate going forward in the low- to mid-30s. If the explanation for the hike in 2013 was the absence of some of the carbon credits, I would have thought that there was further upside pressure to that. I just wonder if you could give us some colour on some of the other dynamics there and particularly if you could explain the tax rate in the Fourth Quarter which obviously was very significant. Going back to the RusVinyl issue, there was an adjustment of 6m between the EBITDA, the REBITDA and the REBIT line; it doesn't sound as if those are ramp-up costs because the plant is not on stream so I wonder if you could just clarify what that is and how we should see that moving forward and then can you tell us if the inventory step-up at Chemlogics has all been done or is there more effect to be seen in Q1 please. Thank you.

Good morning Peter; three questions, one is on tax, let me start there. The Fourth Quarter, you're right is very high at a nominal level, but is a direct consequence of the distortions of the non-cash non-recurring impacts. The underlying rate, as I mentioned, is higher than last year by 4%. Looking forward, we actually see some upside from the 36% towards the low to mid thirties. Bear in mind we still have to work through and overcome the fact that we still have something like € 60m of carbon credits income in 2013. We will mitigate that because of the growth we are anticipating and let's say more the geographic mix of that profit will also help as we go forward.

So it's a geographical issue…?

The geographic growth of our portfolio will have to contribute to an improvement over time. Let's see what non-recurring items can distort but the underlying will absolutely improve. Turning to RusVinyl, what we have here is purely the foreign exchange impact on the Euro loan of €50m in that JV and this is only something we do in the pre-commissioning and once we commission in the Third Quarter we anticipate that factor to stop. The inventory step up on Chemlogics, you are absolutely correct, there will be a small amount left for the First Quarter that we will take of that of the order of €4m. I think that completes the three questions.

Thank you, yes, I wonder if I could add one follow up and apologies, it's unrelated to the first three, but Jean-Pierre can you just talk a little bit in more detail about your thoughts on the EcoServices exit. In the past you have always categorised businesses as growth engines effectively cash cows and then the challenge businesses. Clearly EcoServices is a cash cow so it's quite a nice business to retain just consistently generating 70 million or so of REBITDA. Is that to give you more balance sheet flexibility for something else or is it just purely it doesn't fit with the current structure of the business?

A couple of comments; first when yet I think this business could be qualified as a cash cow or a sustainable cash generator, to use a nice terminology, but you have to wait to look at such a business. You can receive cash every year or you can cash it once. Clearly our view there is that the profile and the growth potential of this business are such that it makes sense to look at other options. Second, it would reduce significantly the complexity of the group; and third we want to reallocate resources, both capital employed but also management time to our growth engines so it's the way you should look at this.

Understood; thank you very much.

Analyst 3

Good morning; three questions as well; first of all you mentioned signs of improvement and you said that you see this in guar for example. Can you also give us more anecdotal evidence where you see this? Second question on the phasing of the restructuring; maybe if you can guide us or give us an indication when we should expect what kind of costs and what kind of savings in this year; and then lastly again on start up costs maybe you can also guide us here what you expect the start up costs in 2014 - start up costs overall for 2014.

On guar I think the situation is very simple. We suffered last year from a very sharp drop in guar prices, one, and second we suffered from the fact that within the supply chain some customers in the heart of the bubble have built very significant level of inventories. When I said service, the situation is normalised today; it means that there is no more extraordinary or unnecessary inventories in the supply chain everyone more or less as what they need. Second, we have prices are back to historical levels and we don't have any more ourselves, expensive raw material in our own supply chains so we are really starting from a clean plate. Substitution didn't happen and we are seeing today our customers coming back with significant requests for guar derivatives and again in the context where Solvay is becoming a key supplier of chemical solutions for this oil and gas segment; so all of this gives me the feeling that there is good news coming from this segment which will develop during 2014. Regarding the phasing, I will let Karim give you his detailed answer. What you have to realise is that what we are discussing today is a mostly excellence programme and parts of the excellence programme are based on costs when I was using the example of the Povoa shut down, that's a very simple example of an excellence programme which translates immediately into a fixed cost reduction, but some of this excellence programme our aim either on margins because we are working on full commercial excellence initiatives on pricing. Or we have more capacity available for OEE improvement so it's a restructuring process, just one facet of this programme that Karim can elaborate a bit on what we are doing.

Yes, of course Jean-Pierre; Markus, the point on restructuring that follows, we fundamentally have booked as you know 110m in 2012 and 115m of restructuring costs and that is very much the bulk of what we anticipated as we integrated the two businesses, as we launched the profit recovery and excellence programme. Looking forward, I would anticipate that a normal activity in this context would be the order €50-70 million a year related, as Jean-Pierre said, directly to the support and the investment for the excellence programme so that would be the level that we anticipate being at normal at this stage.

Okay and the kind of savings then coming from the restructuring programme; what do you see as a phasing for the savings?

The best way to look at that question is this is very much a tool for us to deliver the 670 million over the next three years, rather than we are not going to give you any long slices of individual decisions, very much the investment. Typically we look for a payback of two years, perhaps slightly longer or less depending on the opportunity. Its cash flow positive within the timeframes you are talking about.

Start up costs; probably difficult to isolate start up costs, they are obviously included in the comments I was making about our ability to grow our REBITDA in 2014, but I think it's very difficult to make specific demands on start up costs here and there.

I think the only thing maybe to talk on is RusVinyl start up costs, what we will experience is much more in the early phases of the financing costs on 750 million of debt on that business and as you ramp up in the first six to twelve months, we will see a predictable and totally expected small EBIT loss as we go forward from that JV.

Analyst 4

Good morning everyone; two questions please; first on the outlook, you talk about growing REBITDA in 2014. Can you share with us what kind of growth you expect excluding the acquisition of Chemlogics? A feel of whether this will be minimal or more substantial; and then secondly is on the corporate and energy line and as business has been quite volatile in terms of earnings in the previous quarter so I was wondering if you could provide us with some guidance for 2014. Thanks.

On the outlook, we don’t want to give too specific of a guidance; usually we do that with our Q1 results. I think it is very important to understand that we do expect growth on top of Chemlogics. No doubt about this and where do we expect growth; I have mentioned it, we expect in fact our various segments to contribute to that. Advanced Formulation we see some opportunities for growth; Advanced Material also; Advanced Formulation because the issues we had especially with guar are now behind us; Advanced Materials because we have worked to improve again the profitability in 2013 and we are seeing now new projects and new opportunities coming which will allow us to achieve also some volume growth; and Performance Chemical, we think that there are also some opportunities there. The soda ash restructuring that we are completing is one of them and soda ash business per say is also showing some, I would say, slightly positive signs both in Europe and in North America; so although we think that these three clusters will contribute to the improvement of our performance. Functional Polymers, polyamide, I think is probably a bit more uncertain. We see some positives here and there but still no doubt a challenging environment on the intermediate part of polyamide. Overall, a good level of optimism, but again probably too early to quantify what we expect in terms of actual growth in 2014.

Turning to your second question, Mutlu, on the corporate and energy, I acknowledge that that line is particularly volatile and perhaps difficult to understand, particularly when you have the loss of the carbon credit income that we’ve seen. I think to answer your question of what can you expect going forward, I would say what you’ve seen in the Fourth Quarter at 66 million is a good indicator of the run rate we anticipate and that also reflects, for example, the fact that we are investing in our Solvay business services in the next years to deliver cost reductions of the order of 40 million in 2016. I do anticipate to maintain the current run rate, although clearly changes in portfolio and items such as what we had in the Third Quarter an insurance benefit. These things can always come in there as well to influence it. I would take the Fourth Quarter as a good indicator of the future.

Thank you for your answer. Just maybe a follow up question on the guar basis and the guar effect actually because if I am not mistaken you had previously said that you expected that the guar margin squeeze would last about two quarters; it looks like you've done it early. I was wondering if I look at the volume side, I don't see a significant improvement on the volumes in advanced formulations so could you maybe share with us how you were able to go through those volumes while maybe not with high volumes?

In fact I think we've deducted a little bit the solutioning of the guar issue and when I say we its all the supply chain which, in a situation where as guar consumption on the ground is continuing to be satisfactory, people are able to deal with their excess inventories a little bit faster than what we expected so there might be a remaining effect in Q1 on the comparison base; there is probably still some item contribution in Q1 2013 which will create a bit of a challenging comparison but again I think the message today is that we are starting in guar from a very clean situation. guar consumption on the ground is continuing to increase and more than that I think we have to look at Solvay now as an integrated provider solution to the oil and gas industry and there clearly the synergies we're expecting with Chemlogics and the Solvay portfolio are happening very quickly and both are very large players in the oil and gas service industry and its smaller tier 2 and even tiers 3 player we are seeing us becoming a very strong supplier with a lot of opportunities in front of us so it's clearly an area that I'm looking at with very significant hopes for 2014.

Okay thanks very much.

Analyst 5

Hi good morning, a few questions from my side. Can you comment a little bit on what you see for Rare earth 2014 and maybe going forward in terms of dynamics in the market? Is it bottoming out or do you think that it's continuing at this current level? The second question is for Karim. Can you comment a little bit more on details on the cash flow from discontinued operations in terms of what was driving the 234 million there? Now a third question; could you comment a little bit on the disparity of growth along the business unit? Were you able to raise prices in silica per say? I know you don't really comment on business lines but just to have a feeling that this business is actually in a very strong pricing power situation. Speaking of guar maybe it's very early but again with the volumes you're seeing do you see some sort of pricing recovery in 2014? Lastly, if I may, can you comment more also on the Ineos joint venture/negotiation? Is there scope for you guys to reduce the scope and the synergies potential of this JV with what you're discussing with the EU Commission? Thanks.

I will take the business question and leave the discontinued operation cash question to Karim. Going backwards, with Ineos we have a very active dialogue with the Commission as we should in such a situation, and again this dialogue is what could make this deal approvable by the Commission without impacting the JV viability and frankly speaking it's rather a surprise to us to be in a situation where we need to have this active dialogue. I would say that it's moving and obviously at the end of the day the decision is not Solvay's or Ineos'. It will be a full Commission decision in a Phase 2 project but we are very committed with Ineos to make this JV happen. I think it's a great opportunity for the PVC industry and also an opportunity for people who are using PVC because it will secure production in Europe in a challenging context. I think this is really a very good project and I'm confident that we will bring it to a conclusion. On pricing power, overall I don't see us having a pricing power issue. When you look at the pricing situation versus the raw material situation in 2013 and despite the challenges of the year, despite the specific situation that we've had in businesses like guar, it's a situation where price impact and cost impact are more or less balanced. For people who have questions about our pricing power I think the answer overall is very simple and very clear.

Going into more specific businesses; on guar what we are seeing is the normalisation of raw material costs after this bubble and this will bring normalisation of margins but on the guar derivative business we have enjoyed and we will go back to a situation where we enjoy what I think are very solid and very satisfactory margins. The question now is volume coming back, and yes we see actual signs which means orders which gives us confidence that we'll see some upside there.

Silica; it's a very good business and I want to reassure the people who think that we might be under a lot of pressure coming from competition. The reality is very simple. We are supplying silica to the ten largest tyre makers. We have market share which makes us by far the leader in this market and the competition is very far away. In products which have a safety role for tyres which means a product for which substitution is not very easy. The contract we have and we are always operating and with silica we have a long term contracts. The contracts we have provide price escalation linked to energy costs which are by far the most important element in our cost structure and this gives us the ability to continue to generate very strong margins, giving us the return on capital which gives us the confidence to continue to invest; so no pressure on margin on silica.

Rare Earth, we think that the worst is behind us . You know that we were impacted by a couple of issues. First the change in behaviour coming from the Chinese authorities which today has made it much easier for everyone to export product from China to the rest of the world; and we were probably in a situation where we benefited when the situation was different, we benefited from our ability to manage a global supply chain for Rare Earth. This advantage has partially reduced. We've seen a lot of challenges in the electronic market, mostly lightening due to the change in expected regulations in North America. The catalyst market is doing very well and we are starting to see and this will continue to do very well. We are also a strong leader in this market. We are starting to see some opportunities here and there in the electronic market so I would probably expect some slight improvement in this area of the business in 2014; not as significant as I was commenting for other parts of the advanced materialsegments, but clearly the worst is behind us and we are now probably in a situation where we see some reasonable improvement starting to happen as we enter into 2014. Discuss cash from discontinued operation, Karim.

Patrick, the cash in discontinued has three main elements. One is the pharma business that we exited, the milestone €100 million positive. We have cash from chlorovinyl EU business which we've discontinued of about €107 million; and with Indupa €28 million. That gives you the totals that you referred to.

Thank you very much; very clear.

Analyst 6

Coming back to the start-up cost with RusVinyl, could you quantify these because on the slide at the end of the presentation REBITDA considerations are mentioned, so I was just wondering if you could specify the specific start-up cost for RusVinyl? Also just to clarify that I heard correctly on the corporate costs, you were saying that the 66 million in the Fourth Quarter is a good run rate for 2014 so you are essentially guiding for about 260 million in corporate costs in 2014, I just wanted to double check that. Lastly, on the contribution of cost savings, in your REBITDA bridge to 2016 you note that cost savings will be a net contributor of about 40 million to get to this target. In 2013 that wasn't the case, as you said before; you had gross fixed cost inflation of about 80 to 90 and thanks to the cost savings it was only 36 million, but cost savings were under net contributor to REBITDA so I was just wondering where you get the confidence from that going forward there will be a net contributor to the REBITDA line. Thank you.

Start-up costs; I think it's difficult to be too specific because it will depend on when we will actually start the unit. I would say probably a few tens of millions of REBITDA is reasonable, between 20 and 40 million, but again this is included in our guidance for EBITDA growth and this will be dependent on the actual time of the start-up of such a significant operation. I will let Karim answer the other two questions but I have just one comment on fixed cost. When we start to see things like the shut-down of Povoa we are seeing a much more significant impact on our fixed cost base; so yes we expect and confirm what we said at the Capital Markets Day. What we have seen developing in 2013 was just the first step in this various excellence initiative.

There are so two questions I should adress. I'll start with the point that you've just made, Jean-Pierre, which is the cost. The bridge that we talked about looks not just at fixed costs but fixed and variable costs which we said between now and 2016 will deliver 300 million which will be offsetting the inflationary effect of 260. In 2013 we delivered broadly a figure of about 75 million including both variable and fixed. You can see in the fixed line something like 40/45 million and the balance is in the variable costs, so 75 million has been delivered. It hasn't fully mitigated the inflation. Obviously we can only do the maths. What I would highlight is that it takes time for some of these programmes to ramp up; mature and deliver the run rates we want. For example the polyamide restructure plan, the soda ash; we will begin to see that benefit far more in 2015 and 2016 but let's be clear that in 2013 we're seeing the bottom line impact as well. We're very much on track and the 120 programmes that we've got that will deliver that 300+ absolutely is what is giving us the confidence. We're seeing it not daily but on a monthly run rate.

On the corporate costs question I don't want to be overly precise by saying 2014 will have 260 million in corporate cost. I'd say the average as I look forward this year will give you 250/260. I think that probably is a fairer indication of what to expect. Before the impact of things we can't expect like insurance items or even any significant portfolio changes so that really is a good run rate.

Thank you.

Analyst 7

Hi; good morning everybody, thanks for taking the question; I just have one remaining question. It goes back to the cost savings point for this year. From previous guidance we still have 120 million of cost savings from the Rhodia integration less for this year, and then we have all these efficiency measures which include the polyamides and the soda ash, 100 million of each. I would ask if it would be fair to assume somewhere between 50 to 100 million contributions from the polyamides and soda ash cost savings plus the 120 million of the Rhodia integration. Do these numbers make sense? Thank you very much.

What I'd like to suggest Fabio is the best way to look at this is some of the figures you refer to have a lot of history and they're off the 2010 base. I'd say that history is now behind us; we have delivered. The capital markets have always said that looking forward from 2013 this is what we will deliver and I think that's very much what I'd like us to focus on. I think there's been significant delivery in the last two years. Looking forward we will want more and polyamide and soda ash are part of the recipe but there's a lot more to it that we'll deliver. I'd suggest that the real answer is there's been delivery and there's a lot more to go for and we're on the case.

Let me rephrase it because the bridge goes until 2016 and then you have 300 million of cost savings on the bridge from the capital market today. Is that front-loaded or back-loaded?

I'd say it won't be linear; so I'd expect it to be more visible in 2015 and 2016.

Okay, perfect, thank you.

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Closing Comments

Very good so thank you very much, maybe just a few words of conclusion. Looking back to 2013 we've seen clearly a challenging year and overall I think that despite the one offs effects that we've seen in a couple of businesses, mostly guar and the end of the carbon credit, most of our businesses performed well and demonstrated that indeed the strategic intent that we have for them is reasonable. The second comment is that 2013 was the year of transformation and we need to continue this transformation. We're focusing on the strategic portfolio management in 2014, to complete the deals that we have started and the sooner will be the better obviously and to look at the opportunities I mentioned regarding ecoservice. We then need to continue to develop our excellence initiative throughout the organisation. I think we've reached a point where they are clearly embedded in our way of doing and managing our businesses, but clearly we need to continue to have a very high level of ambition regarding this excellence initiative. The last point innovation; I mentioned that we expect to see in business like Novecare with our activities in oil and gas and specialty polymer, even in silica we are starting to see new innovative product come in, which is very well with our customer expectation.

Overall we think that 2014 will be a turning point, not just because we expect a better macro-economic environment and again we've seen in some of our markets some signs for it, but because we've seen that the transformation of the company gives us confidence that on top of this macro environment we have the ability to create more value for our shareholders. Tank you very much for your attendance to this call and we'll talk to each other again in early May to discuss our Q1 results. Thank you very much.