

SOLVAY

**Moderator: Jean-Pierre Clamadieu
February 26, 2015**

Operator: Thank you for standing by and welcome to the Solvay 2014 annual results earnings conference call. At this time, all participants are in on a listen only mode. There will be a presentation, followed by a question and answer session at which time if you wish to ask a question, you'll need to press *, 1 on your telephone keypad. I must advise you the conference is being recorded today, Thursday, the 26th of February, 2015.

I would now like to hand the call over to our speakers today, Jean-Pierre Clamadieu, CEO, and Karim Hajjar, CFO. Please go ahead, sirs.

Jean-Pierre Clamadieu: Thank you very much. Thanks, everyone for joining us for this call, where we will share with you our Q4 result, but also obviously, when you look back at the full year 2014. I'm here in Brussel with Karim, our CFO and Maria, Investor Relation person.

So in a nutshell, we are very pleased and probably even proud to present you this 2014 results. You know that Solvay's a company in transformation. We started this transformation at the end of 2012, after all what I think was really a quick integration between Solvay and RHodia. And this transformation has gathered speed and momentum during the past couple of years. And as you will hear at the end of this presentation, we think that we need to continue and probably accelerate with transformation in the next few years.

But it's good to be busy with transformation. It's even better to see that this is indeed turning into results. And when –I looked at our Q4 results and full year 2014 results, I think that indeed, we see this transformation turning into results, turning into REBITDA, turning into cash.

We've been using four main levels to achieve a transformation. Portfolio upgrade, innovation, excellence initiatives, and developing a culture of delivery, a culture of excellence. And I think we've made progress along this various fronts.

Our Operational performance was strong. Quarter after quarter, we've been able to publish RREBITDA growth over 10 percent. And for the full year, we are at 11 percent RREBITDA growth, which I think is very satisfactory in an environment, which is a challenging one, as we all know.

We've been able to generate strong free cash flow, mostly in the fourth quarter. But overall for the full year with € 656 million of free cash flow, I think it's also clearly solid results.

So we think in a nutshell, that this transformation is allowing Solvay to become a higher growth, less cyclical and greater returns group.

I will share a few comments with you as an introduction on all these elements regarding the transformation. And when I will pass on to Karim, we'll focus on the financial part, and I will come with some comments looking forward before opening the Q and A.

I won't be following, as far as I'm concerned, the presentation, which is available on the web. I think Karim will use some of these slides to make it easier for you to follow.

Portfolio clearly, it's an important part of our strategic agenda. We've made significant progress in 2014, but there are still things to be delivered in 2015.

Regarding divestment, a simple and easily and well executed project was the Eco Service divestiture. That's clearly one in which we were able to be very pragmatic to take the market at the right time. And in fact, we were able to sell this business quickly and in very good condition.

We are continuing with a lot of smaller project, more recently the refrigerant business, a special chemical was sold, which is good, because it isolates us from this market, which was a bit of a challenging one.

Clearly, Inovin is our next important project. We are at the final stage of the delivery of this project. We are waiting for the confirmation of the EU that it would agree with the divestiture we had committed ourselves to do. So once we got the final approval from the EU, we will be able to move into the actual closing of the deal, I think. So we should probably expect to receive the answer from the EU in the next few weeks. And then we move very quickly into the closing of this project, and I can just tell you that both Ineos and ourselves are very motivated and very determined to bring this to a conclusion. It has been a bit of a long and painful process. But hopefully, we should be approaching to the conclusion.

Indupa in Latin America was clearly a setback. So we have decided to wait out the process. We've seen already a number of expression of interest. The fact that Braskem now, unfortunately, is out of the game is probably creating a bit more interest from other players, which we're a little bit afraid of Braskem as a competitor in this process.

On the investment side of the equation, ChemlogicsChemlogics integration was completed in 2014. Great performance in 2014. More than 30 percent growth, which was very good. Obviously, we are creating in the market where we've seen a few things changing in the past month. So I'll comment on that later on, but we think that this creates certainly short term some challenges, but a bit longer term also opportunities for ChemlogicsChemlogicsChemlogics.

And then, we've bought two other businesses. adds-on type acquisition Ryton in the U.S. Very good way to increase our offer to the automotive industry. Very good complement with what Specialty Polymers has in its product range.

And then, a smaller project, Flux in Germany, which enhance our position of leader on aluminum Brazing solutions offering.

In terms of operational performance, clearly strong operational performance throughout the year. I will comment the full year results and Karim will focus a bit more on Q4. Net sales is a € 10.2 billion, 5 percent increase. Volume year on year, 4 percent. Clearly, a good performance. RREBITDA up to 11

percent to 1,783. Margin up 90 basis point at 17.5%. And once again, if you compare us with other large diversified European headquartered chemical companies, that's a very, very good results.

All operating segments contributed. Clearly, our growth engines were the strongest driver. And we see indeed the fact that the businesses that we qualify today as growth engines are indeed delivering volume growth with very strong margin. And this is something which is very positive to us.

But we see also other businesses. The ones that we've qualified as cash generators being able to improve their performance. And also, much thanks to volume increase, but thanks to a strong focus on cost competitiveness and pricing power.

Growth engines today represent 58 percent of our global RREBITDA, which shows that indeed, the transformation is really taking shape, and that growth engines contribution to Solvay is more and more significant, and clearly this is the transformation, but will continue.

Excellence delivery, I was mentioning this as one of the key lever of transformation. Excellence delivered around € 300 million in 2014 in anything from manufacturing to commercial to supply chain. This is an important contributor of the improvement of our performance. And we will continue to focus, and I think we have built today within the company, a momentum, which gives us a lot of confidence that not only we will have enough project to sustain our excellence initiatives in 2015, which we are already building with 2016 portfolio.

Innovation, it was a key contributor to our results in 2014. Especially in the advance material cluster, we've made some breakthrough in the electronic segment for Specialty Polymers. But more than that, most of the segment that we serve, we've been able to bring new innovative solutions to the market. And this is clearly paying off.

Going down the P and L, we had a number of exceptionals this year. Some of them already announced. The impairment linked to the formation of our

European Chlorovinyls JV, but also, the Russian crisis, which is impacting us through the ruble devaluation. Karim will come back to this.

In terms of cash, € 656 million, very strong free cash flow performance, which allow us some -- and then this despite the significant amount of capital investment, which are there to support future growth.

But again, I think we are demonstrating that also, as far as cash is concerned, we are able, we are very disciplined and able indeed to deliver.

Maybe a few comments by regions and markets. First regions, today as you know, we are a well balanced company in terms of exposure. One-third Europe, one-third Americas, and one-third in Asia.

We see very different behavior in this regions. It won't surprise you, European stability, Europe stability, I should say, Latin America, very disappointing performance in Brazil, which had almost no growth last year and 2015 is probably another year without much growth. Brazil is really the region where we see the challenge in our current business setup.

North America, which represent today one-fourth of our sales, we confirm that our markets are very dynamic. There are some specific situations that I will comment regarding the tight oil market. But overall, a very good group dynamic in North America, and also in Asia. I know that some people are a little bit disappointed by China performance. Frankly speaking, looking at China, from Solvay standpoint, we see a lot of opportunities in front of us. We are continuing to grow significantly in China. Almost 9 percent last year. And this is something which is very good.

A few comments by markets. Maybe first starting with oil and gas and conventional oil and gas, which is an important business from Novecare. Although our exposure to tight oil for Solvay is less than 5 percent of our sales, we are ready to put things in perspective.

Up until the end of the year, and I can probably say up until January, we've seen very, very good level of activities for Chemlogics. We know

that some of the U.S. producers are hedged as far as the oil price is concern. And it explains why it has continued to produce heavily up until now.

We expect to see some disruption in the market obviously with the current oil prices. But frankly speaking, no catastrophe. And we think that as this supply chain will have to reinvent itself, and we see the already the larger oil companies and the service companies focused very much on the cost optimization, cost competitiveness as far as production of tight oil in the U.S. is concerned. We think that this will also create some opportunities for our businesses.

I think the supply chain, which was a little bit fragmented, is going into some type of concentration. And, again, I think Solvay through Chemlogics Chemlogics is well positioned to take advantage of some of this combination.

Regarding another business where we see some changes, the Acetow business, we've seen new capacity coming in China during the second half of 2014. So this explain why we've seen some de-stocking. And indeed, we've seen a disappointing volume in the second half of the year. This being said, Acetow had a very good year in 2014. 2014 is our best year ever. But again, very different.

The first half was very different from the second one. We see the industry reacting well. Eastman has announced capacity closure in Europe. We have also known some streamlining of capacity in Germany and Brazil. And I'm optimistic that the market will be rebalanced sometime in 2015. And I'm confident that acetow will continue to be a good business for Solvay.

Automotive on a more positive tone, this is a market which is growing globally, even Europe, by the way, showing some signs of improvement in the past few weeks. And clearly, we're very well positioned in this market, because we are really focusing on technologies, which are growing, which usages are growing within this automotive market.

New application, niche when it comes to electric vehicles and batteries, but much larger when it comes to use more and more polymers to replace metals and reduce the weight of a vehicle.

Automotive represent today 18 percent of our sales. And it's about 2 percent more than two years ago, and clearly a market where we have a lot to offer, and where we could see quickly some large room application being developed.

And maybe one last comment on a specific market, electronics and specifically, smartphone. This has been a great success for us in 2014. We've been able to enter this market with very innovative solutions, dealing with very demanding customers. And we think that this a very good model, but we can now develop in other segments.

So with that, Karim, I turn to you to give us a bit more flavor on the actual results of the year and the quarter.

Karim Hajjar: Thank you, Jean-Pierre. And good morning and good afternoon, everybody. I will now zoom in onto the mainly the full year results. I'll give you one of two elements on the quarterly aspects as well.

And as usual, I'll focus more in on the key bottom line and the balance sheet elements of our performance as well.

To help with that, I'm going to use five slides that are on the website. That's slide 6, 7, 8, 9, and 10. And I'd like to start with our customers and the fact that we've helped -- and that helped us to grow our net sales by 5 percent year on year.

I'm looking at slide 6 here. As I look the information that you have before you, one thing that really I find striking, very much welcome from our perspective is volume driven growth, sales growth of 4 percent. And that really reflects what I -- what we regard as effective timely customer relevant innovations that are fueling this momentum.

And we see it in quite a broad based way. We see it in Novecare. Novecare delivered double digit volume growth on an organic basis by which I mean on a like for like basis, excluding ChemlogicsChemlogics.

Now that said, having seen that major success in Novecare, we also weak performance at Coatis. Aroma Performance but there's two different reasons. And I'll come back to some of those.

But that segment still delivered a six percent sales growth overall.

Specialty Polymerss, double digit volume growth. Silica, nearly 10 percent sales growth.

Together, they have to drive a 10 percent volume growth in advanced materials.

That top line success obviously trickles all the way down to the bottom line under cash. And we'll talk about that.

Before I leave sales, I just maybe make one further reference. And it was Jean-Pierre said earlier, which is from a regional perspective, we see strength. We see resilience in Europe. We see progress. And we see growth more particularly evident in China and the U.S. as well. So fundamentally, that really positions us to deliver profits.

Turning to slide 7, and focusing on REBITDA now, at the risk of stating the obvious, our REBITDA growth, RREBITDA was 11 percent up in 2014. As I've just indicated volumes, reaching our customers' needs contributed very strongly to their performance.

So there's obviously, there's a lot more to it than that. We see very strong net pricing of 81 million. And this is despite some headwinds of a transactional foreign exchange nature of € 26 million, mainly related to the yen.

Remember, we had some hedging in place last year. And obviously, that comes back. And we see the full impact this year. So very, very strong.

Now where is it coming from? A number of levers. Jean-Pierre did allude to them, but I'll go a little bit more detail. Commercial excellence, operational

excellence, innovation have all contributed. If I look at commercial excellence, we see pricing, we see margin maintenance as well.

Despite a deflationary raw material price environment, such as in Butadiene, Guar, and rare earth, operational excellence is really impacting our bottom line. We see it across the board in variable and fixed costs.

And it has certainly helped to offset inflation of our essentially € 3 billion fixed cost base. Inflation alone would be about 87 million a year.

That said, our global fixed costs have risen. And that reflects two main factors. One, the additional provisions for performance related compensation to all the people in Solvay who have contributed to the success. And more importantly, continued sustained investment to grow our capability in Novacare, in Specialty Polymerss mainly to reposition us, for success going forward.

If we take a step back, we certainly recall that we committed to 670 million REBITDA increase over three years visible by the end of 2016. 670 million was a three year objective. In 2014, we've delivered 300 million. That's 40 percent.

Now the risk of stating the obvious, at one level, we're very, very pleased, but we absolutely commit to maintaining this momentum. We need to accelerate it, as Jean-Pierre was saying as well.

Other charges chiefly reflect the startup operational costs of Rusvinyl very much in line with expectations, as well as a non repeated positive gain that we saw last year in our insurance captive of € 22 million.

Taking all of these factors into account, our REBITDA margin has improved by 90 basis points to 17.5 percent, which I believe will continue to position Solvay in the leading pack, and very much on track towards a 2016 objective of 18 percent.

Let's zoom in to some of our key businesses. And before going to the detail of the full year result, maybe just highlight the fact that what we see in Solvay is

a combination of normal seasonal patterns in Q4, for example, the expected slowdown in Silica and Polyamide, but robust resilience continued momentum, which is quite raw based. We saw that continued momentum in Novacare, Specialty polymers, in Soda Ash and in Peroxides. And then, again, that is part of the quality that we appreciate in terms of the momentum.

But let me look at the full year now. And I'll start with advanced formulations. What is the fact? The fact is that RREBITDA's increased by 23 percent. Now clearly, Chemlogics has contributed very positively to that.

We've also seen strong volume growth at Novacare, mainly linked to oil and gas. And as Jean-Pierre said earlier, we are not seeing clear evidence at this stage of any slowdown. So we're very, very encouraged.

Novacare excluding Chemlogics Chemlogics, delivered a double digit RREBITDA growth on an organic basis. Now that strong performance was however more than offset by margin squeeze in Coatis, which is impacted by the Latin American challenging market conditions, as well as by previously signaled and announced production interruptions at the Aroma Performance. Taking all that into account, our margin was up 66 basis points to 15 percent.

Advanced materials, REBITDA up 14 percent. Volume mict a contributing factors both in Silica and Specialty Polymerss in particular.

Let me start with Specialty Polymerss. You've heard about the key drivers from Jean-Pierre. Fundamentally, that business has been particularly successful in responding to its customers' needs for relevant innovative product in a very timely manner. Electronics, automotive, we were there. And we were there meeting the needs in a very competitive environment.

And that more than offset the transaction foreign exchange headwinds, which I've previously referred to mainly in relation to the yen.

We saw strong volume growth in Silica in EU, absolutely. In Asia and North America, clearly not in Latin America. We also saw some margin recovery in rare earth, as we saw also some stabilization in the raw material price environment.

Special chemicals, these are special mention as well, because it benefited in 2014 from the very fact that we sold the loss making business, the life science activity in 2013. That is continuing to work on this portfolio. We're looking to upgrade that business. We required -- we've announced the acquisition of the flux Brazing business at the end of 2014. And we've also recently announced the sale of its refrigerant business. This is all about a portfolio upgrade at a more of a micro level. And that's a very, very important lever.

Taken together, the REBITDA margin segment is up 122 basis points and now stands at 26 percent. Growth is a key part of the agenda.

Performance chemicals, RREBITDA up 6 percent. And that really supports it by margin improvements in Acetow and soda ash, but also in volume growth in peroxides. Soda ash has delivered solid performance. In fact, solid performance is perhaps too much of a British understatement. It is very strong in the current market for that space.

And we see good, robust price increases across all regions. And that's tentatively underpinned by very effective operation excellence programs. I'll remind you that the targeted 100 million annual cost savings plan is pretty much on track. And we could see that in the bottom line now.

Peroxide had benefited from broad based increased demand in H₂O₂. Acetow had another record year, really driven by high prices, which more than offset weakening volumes, which we anticipated as well and we previously discussed in the latter half of 2014.

Emerging biochemicals is well poised in a market that remains weak. Its performance is flat year on year. Taking these things together, margin is up 109 basis points to 25 percent.

Functional polymers, RREBITDA up 25 percent. Strong margin improvement in P& I, thanks again to the delivery of the profit restoration plan that the teams are so committed to and determined to achieve. But complemented as well by solid performance in engineering plastics, which

more than offsets a margin squeeze in Fibras, clearly impacted by a challenging Latin American market as well.

Startup operations costs weighed on the performance of Rusvinyl but was pretty much in line with expectations for such a complex project in the ramp up phase. It's currently in excess of 60 percent utilization rate, and very much on track.

Taking all these factors, again, into account, our margin is up 169 basis points to 6.7 percent.

Corporate and business services, now it may not jump off the page when you look at the numbers, but fundamentally, we're keeping a very strong focus on our corporate and business service costs. If one takes account of the non repeat of the CER sales, the carbon credit sales loss here, and again, the non-recurring gain of 22 million in our insurance captive, our underlying costs are up 3 percent.

And that reflects a number of factors. It reflects continued cost reduction offset by performance related compensation charges, but also, the full year impact of the investment and capability we made during the course of last year.

You might have noticed that from a sequential point of view, Q4 corporate costs were higher than the previous three-quarters. But I will say to you that looking at it in the order of € 210 million, it's very much on track with what we expected. And, again, we are timing the decisions, the phasing of certain programs that create values. And for us, gives us the confidence we're timing things to create value the right way. So very much in line with what we expected. And we expect to continue the current rate of span of the order of below 200s.

I'm now going to turn to other elements below the RREBITDA line and direct your attention to slide number 9. As you would have gathered, there are a number of larger exceptional items, unusual items, let's say.

And I'll start with other elements. Now these largely comprise non-operation factors. I'll start with the devaluation of the Russian ruble against the Euro, which is 60 percent over the year. And that significantly impacts the value of Rusvinyl Euro denominated debt.

Over the year, this has had a negative impact on our P & L of the order of 65 million Euros. Non-recurring costs. 308 million Euros. And that mainly reflects the fact that we took 2 non-cash impairments at year end.

The first one relates to Rusvinyl of 110 million. Now I've talked about the fact that we're very, very pleased with the operational ramp up of that asset. And it is a very competitive asset. And that doesn't change.

We also expect that the demand for PVC will remain resilient in Russia. But the impairment only reflects one thing. It reflects the fact that the value in Euros of a future ruble dividend stream is clearly worth a lot less today than it would have been a year ago. Hence, we respect the accounting rules clearly, and reflect an impairment.

Finally, we also took an impairment in respect of our Epicerol plant in China, having previously frozen construction in 2013, and really spent quite a long time looking at all interruptions to see what we can do to create value. And we've taken a prudent approach in this regard.

Restructuring expenses, I think, we're all attentive to. And the good news is that we have seen that. They've gone down from 115 million in 2013, to just under 50 million in 2014.

Net financial charges are up by € 96 million. Why? Largely, because of lower discount rates, which impact pension and environmental liabilities. Together, particularly the environmental liabilities account for 76 million of that 96 million increase.

Now net debt charges themselves fell by € 21 million to 145 million. And that in another surprise, we shouldn't be surprised following the redemption of debt in the first half of the year. The underlying net debt charges, excluding for example, the 20 million of interest rate swap costs earlier in the year, was

124 million. And I further expect this to drop further to the order of 100 million in 2015.

I'd like to pause, and then maybe just make one other comment on our balanced sheets, which is talking about debt. And that is to highlight the fact that our balance sheet today is more efficient. It is prudent. And you have absolute confidence in the liquidity reserves, but it's far more efficient.

Our negative carry has been more than hard. The cost of our gross debt is down from 5.3 percent last year to 4.8 percent in 2014. We should also finally note that 2013 included 40 million of non-recurring income from the sale of financial assets, which clearly you don't have a similar repeat in 2014.

In 2014, taxes, income taxes are the headline of 24.6 percent, but that reflects benefits of 110 million recognition of a deferred tax asset. The underlying tax rate is what really matters. And at 33 percent we're by in line with our guidance of mid to low 30s.

The result from discontinued operations largely comprise previously announced impairments of the European Chlorovinyls business, but also some good news as well on the other side, a capital gain of 177 million on the sale of Eco Services, which closed in early December 2014.

Taking all of these elements that I mentioned into consideration, the adjusted net income growth share fell to 256 million from 378 million last year. Excluding these one-off elements, and more details available on page 14 of our press release, the adjusted net income would have been 635 against an equivalent 507 in 2013.

Slide 10, cash. Cash is what it's all about. I recall quite a few challenging comments. And we indicated that we expected to deliver -- produce cash flow. And we've come in with € 656 million 35 percent up on last year.

Clearly, a strong REBITDA contributes to that. Our capex of 861 million absolutely is a signal of our commitment of determination to grow value. So where does that performance come from? Largely, two, three factors.

Working capital discipline is alive and well in Solvay, and has really contributed to a class leading working capital to sales ratio of 12.8 percent at year end. We saw new records being established in some of the more operational KPIs. Our day sales outstanding, overdues. Our overdues as an example have been more than halved year on year. And that has significantly contributed to the strong cash performance. And we began to see sustained evidence of that from about April 2014 onwards.

We've also monetized nearly 100 million of longstanding VAT balances. Now success of this nature is great. We welcome it. But clearly, it's not as easy to repeat every year. That said, we're absolutely determined to continue to look for ways to optimize our working capital further.

Now to insert the positive contribution from discontinued operations of 145 million. And clearly, as we realize the portfolio strategy, by definition that is going to meet, you can't expect that cash to stay there.

Very significant cash inflow from M& A of € 416 million. Two, three things to mention. One, € 721 million received on the sale of Eco Services and a few acquisitions that you're aware of, Ryton PPS, Flux, Dhaymers, etcetera.

Due to one thing, which is we've yet to pay the taxes on the capital gain of Eco Services, which will come out in the first quarter of 2015. And that will amount to € 220 million.

Finally, net financial charges include the make all cashout of 50 million, which you'd previously been made aware of. And I will just highlight one final thing, which is the dividends also may include the first payment on the dividends on the hybrid bond of € 41 million in the year.

As a consequence in all of this, our net debt is down to € 778 million as of December. With this, I hand you back to Jean-Pierre.

Jean-Pierre Clamadieu: Thank you very much, Karim for his very detailed presentation of our numbers. So I will conclude with a few comments regarding 2015. So first, as we enter into the new year, how do we see the macro environment? Frankly speaking, not very different from what we've seen last year as far as

the growth opportunities in the various regions. And the comments I have made at the beginning of -- clearly are still valid for 2015. One disappointment in Brazil, Europe very low growth, but very solid growth in North America and Asia.

The positive is clearly the more supportive foreign currencies. I remind you that 10 cents of U.S. dollar Euro change brings to us € 100 million of extra REBITDA. So that's a very significant contribution.

On top of this, clearly in some businesses, we are regaining competitiveness or improving our competitiveness versus other customers or in the markets when we export out of Europe. So this is clearly a positive.

as far as oil price is concerned, and I know that this has been a concern of some of you, as I said in the beginning, today we have only 5 percent of our sales and probably less than 5 percent, which are linked to our activities to North American tight oil, very clearly, there could be some impact on short term, although I'm quite confident that longer term, I'm talking quarters, not years, we should see some -- also have opportunities to benefit from the new environment that is being built regarding tight oil production in North America.

But clearly, lower oil price brings also a number of opportunities in various businesses. Part of it will be passed onto our customers. But I think we'll be able to keep some of it. And clearly, there will be some opportunities in all the supply chain and logistic management.

So, overall, my view is that the current oil price imbalance offers more opportunities than risk for Solvay. Then, we'll continue to focus on what I would call the self-help initiatives. And this means innovation, we continue to focus on developing innovation. And what we've done this year is a very -- last year, I should say, 2014, is a very good base to continue to deliver growth in 2015, linked to the new product of the new segments that we believe we will enter.

We continue to focus on excellence initiatives. I think it's clearly something which has helped us achieve our 2014 results. And it will be there in 2015,

the dynamic that we've built the momentum that we've built within the company is indeed very strong. And frankly speaking, will continue not only to transform the company, but I think we will accelerate this transformation into 2015.

Regarding portfolio, we continue to look in an opportunistic way to opportunities that will happen here and there. And, again, overall, I think that 2015 should be a good year for Solvay. We are not usually giving precise guidance before the first quarter. So I won't make things different today, but I think we are on track to round out 2016 ambition.

I think we've indeed been able to make very tangible, very visible progress over the last two years in creating a higher growth, more valued, and less cyclical group. 2015 is starting from a good foot. And I'm quite confident that we'll be able to sustain the momentum.

Confirmation that we're seeing will be stepped up. And we've all the levers in place. I think we are well equipped to move in line with our midterm ambition.

Maybe one last point on dividend. As a sign of confidence and in line with our dividend policy, which i remind you, never decrease it and increase it when it's possible, the board yesterday decided to propose € 3.4 dividend to the shareholder meeting, which represent a 6.3 percent increase. This is a sign of our confidence.

With that, I will now open for Q and A.

Investor A: Hi, good afternoon.

Jean-Pierre Clamadieu: Hello.

Investor A: I'm first interested in your recent expansion announcement in Specialty Polymers. First of all, why in the U.S.? And can I just confirm that there's no change in strategy here? Are you going to continue selling, you know,

tailored blends of your products to your customers? And you're not intending to go into, you know, the upstream? Or does it really depend on the situation?

And then, I was also interested in the 43 million negative in the associates line. What was this about? And do you have any hints into 2015, please? Thank you.

Jean-Pierre Clamadieu: Thank you, (Heidi). So peek, no, no, it's really a continuation of our strategy. We are very optimistic that peek blend and formulation have a great future. We've made some significant entry into the smartphone segment this year. And, in fact, we are in a situation where we had to secure product coming from some of our competitors. And we feel that there's still a lot to come regarding peek utilization.

So it's why we decided on top of a Panoli India expansion, to build a facility in North America. Why North America? For security of supply. We think that having -- offering to our customers double sourcing and they are coming from very different region is clearly a must. And it's something that we have tested with our customers.

And we felt that we had in our U.S. facility all that we need to have a cost effective and competitive production. But yes, I mean, our strategy is not to become the peek specialist. Other companies are going this route. Our strategy is different. Our strategy is really offering to our customers tailor made solutions. And frankly speaking, this is working very well. And I am very optimistic that in other markets, we'll see peek coming. And the fact that we are showing our confidence by making this investment is something which is important to secure the confidence of our customers.

Karim, you want to comment on the associate line?

Karim Hajjar: Yeah, sure. I think the associate line mainly reflect into what's new is Rusvinyl, which had an operating loss and also referred to the 65 million foreign exchange ruble related loss. The combination of those two is what contributes to a lot of the number, (Heidi).

Investor A Thank you.

Jean-Pierre Clamadieu: Thanks.

Investor B: Thank you for giving me the chance. The first is on Acetow. Could you highlight it a little bit, how you see the pricing compared to the lower raw material costs in 2015? You were mentioning positive pricing on soda as business, was it only a comment on how it was in 2014? Or is it also continuing in 2015?

And could you give maybe a guidance what we should expect as pension interest costs for 2015 based on the lower interest rate?

And maybe, last, not least, in the non-recurring items where there quite a number of things, it's from today's point of view something we have to have in mind for 2015 as some legacy payouts for this year? Thank you.

Jean-Pierre Clamadieu: Thank you very much. On Acetwo, clearly, the challenge in 2015 is much more volume than prices or much more volume than margin. We think that the raw materials environment is reasonably favourable. And we think once again that the margin, but we will be able to generate are satisfactory for the business.

Volumes will be low in the first part of the year. Our view is that we should see some increase as the de-stocking will come to an end.

And on Soda Ash, the comment is true in 2014, but it's also -- I'm also optimistic regarding 2015. It's a business where we have a yearly contract. We have negotiated most of it. There's always a part which goes spot, but most of it goes for contract. And indeed, we should be able to demonstrate once again our pricing power in this segment.

Karim, you want to comment on the pensions.

Karim Hajjar: One is there are certain things that are outside of our control. For example, discount rates do have an impact. And we can't speculate to predict what that would do.

But there are much more -- very much within our control of things that, such as restructuring charges. And you've seen a figure of just under 50 million this year. And I would say that's the right order of magnitude that we anticipate going forward.

And we want to anticipate a huge change going forward.

Jean-Pierre Clamadieu: Exceptionals, anything?

Karim Hajjar: Oh, exceptionals are typically related to portfolio changes. And, again, until such anything happens, let's wait and see. But certainly, nothing in the pipeline or that we actually help you expect or anticipate at this stage.

But clearly, when there is portfolio change, there is change of that nature. You saw with the chloro vinyls business. You saw positive with Eco Services. So let's see. But it's a normal consequence of portfolio change clearly.

Investor B: And from today's point of view, would you be able to say what we should have in our models as costs in the financial line for pensions and environmental provisions?

Karim Hajjar: I think if you were to assume 100 on pensions and HSE.

Investor C: Great, thanks a lot. Two or three questions, if I can. The first one, I know you've obviously touched on this, on Acetow. I mean, my understanding was that at least in Europe, you've got pretty good visibility. In other words, you set your prices almost for the year ahead and likewise on raw materials.

So maybe if you could say anything on the numbers there. Maybe a unit margin's going to be up a little bit year on year, down, or flat, obviously. That's question 1.

Question 2, if I count on special polymers as well, obviously, you've had a lot of fairly strong orders coming in Q4, particularly from the electronics factor, consumer electronics. So I wonder if you could comment on the phasing of those orders, and whether or not you see kind of the strong momentum there, continuing into Q1 and Q2. That's a bit of a slowdown.

And then, the last thing, I just wanted to go back on currencies. if you went to mark to market all of your F/X spot rates here today, kind of net of hedging and all that, what type of tail wind would you expect REBITDA for 2015 on 2014? That's the third question, thank you.

Jean-Pierre Clamadieu: OK, thank you very much. On the first question, I think I've already answered. I think on margins, I'm reasonably positive. And I don't want to be more specific than this. As you said, we operate mostly with mostly with at least a significant part of our business in yearly contract. So, again, the challenge is more on volumes than it is on margin.

Specialty Polymers, we expect a strong dynamic to continue. It's always a little bit difficult to make quarterly forecasts. And we could always see some volumes shifting from one quarter to the next. But overall, no significant reason to believe that the momentum will slow down.

And, again, I've mentioned electronic, because it's clearly an area where we've made a big entry in 2014, but overall, Specialty Polymers is doing very well in all the segments where we operate. And I'm quite confident that 2015 will be another year of meaningful growth for this business.

Karim Hajjar: Forex, on the forex, I think, if we look at the current prevailing exchange rates, and look at the impact on a run rate basis, , we're probably talking around 100 million. But obviously, that doesn't take into account the fact that we're hedging forward six to nine months, etcetera. But nevertheless, to answer your question Run rates would be 100 on a full year annual basis.

(Ben Scarlett): And that would be -- so that's not net of hedges? The last one there, if we hedge, is rolled off? It'll be 100?

Karim Hajjar: Correct. So you would not see that during the course of -- say -- if basically forex exchange rates as we are today from the first of January till to the end of December, that's where you'd see.

OK, now we do have a hedging program in place, which obviously secures us in certain times, but doesn't let us benefit from the full upside otherwise. You're not going to see that the full impact in one year.

Investor C: OK, perfect. Thanks a lot.

Jean-Pierre Clamadieu: And dont forget that we are only hedging transactional exposure

Karim Hajjar: Correct

Jean-Pierre Clamadieu: And not with total exposure.

Karim Hajjar: And overly half of it is conversion in fact, rather than transactional. So you will see part of that contribute to the bottom line.

Hopefully what you'll think is a helpful analysis on page 37 or slide 37 on the web as well on that then.

Investor C: Okay, great.

Karim Hajjar: Don't forget also on forex that there is a competitiveness impact, which in some business is meaningful, which means that with the current exchange rate, we are better position to export out of the Euro Zone or to compete within the Euro Zone with product coming, especially from North America.

Investor C: Yeah.

Karim Hajjar: So overall, again, it's really something which is having a significant impact on the company.

Investor C: And just to be clear, that 100 million is -- so that's factoring everything, the real, the yen, and so on and so on? It's not just the Euro dollar?

Karim Hajjar: I think implicitly, but I would say the Euro dollar is probably about 75, 80 percent what we're talking about. The real, the thaibat, all of these things do have an impact, but our profit pools in those currency a less significant to us. And volatility therefore is less meaningful.

Investor C: OK, but net, net, net, 100 million for F/X Karim Hajjar: It indicate to -- correct.

Investor C: Perfect. Thanks a lot.

Jean-Pierre Clamadieu: Thank you.

Investor D: Hi. It's good. Three questions. Just on the 2016 targets, what -- do you have sort of assumptions in there on acquisition kind of growth or acquisition contribution to the target?

And then also potentially maybe, what kind of leverage you might go, particularly if you saw an acquisition that you'd like to or fairly large one?

And then, just on the Specialty Polymers side, OK, obviously, the volume's very strong, but some decline in margins. Just some sort of insight there into maybe what's been happening with the mix?

And then just finally, with the Acetow business, given where it is now, and what's going on in the market with the additional supply, is this potentially other in asset that ultimately be thinking about maybe selling or, you know, what would be the sort of maybe the longer term strategy in this business?
Thank you.

Jean-Pierre Clamadieu: Well, on Specialty Polymers, frankly speaking, I would not worry too much about margin in Specialty Polymers. It's advanced material. I would not worry very much on the slight changes that you see in margin. This business is clearly a high margin business. There are some mixed variation from one quarter to the next, which could lead to small changes in margins.

But the priority for the team, once we have reached, this level 24, 25 percent is clearly not increased margin. It's increased volumes. And it's in a business where growth is absolutely key. And the quality of the business is very good.

I mean, I remember a question two or three years ago, people saying once you've achieved the 20 percent, you will see a big pressure on margin, it's not always the case. And I see a lot of opportunities in this business to come up with new solutions in segments where we have today a small presence, which will fuel the growth of our Specialty Polymers business.

I see to your question was on --

Investor D: Yeah, just given, you know, with the added capacity in the markets, you know, as you said, there's been now some discipline from competitors. But as you see the asset now and out, I guess fits in your overall portfolio. And you know, essentially, whether this is, you know, on the longer term would be potentially something that you might divest or --

Jean-Pierre Clamadieu: Well, I won't make a very different comment from the one I made last time. I mean, it's a business that we consider as a cash generators. you can generate cash quarter after quarter, or in one installment.

We'll make a decision when we think that it's time to do so. And we'll communicate. And frankly speaking, it's -- we have not made the decision today. And then, there's nothing more that I can share with you. I think it's always an option for such a business. And yes, indeed, it will certainly raise a lot of interest.

But today, we are focusing on making the best out of the more challenging business environment at the beginning of 2014. But, again, I remind you that 2014 was the best year ever for Acetow. So it's challenging, but with level of performance, which is quite good.

Regarding 2016, I will ask you to be a little bit patient. I think the capital market there that we have set for next June will be an opportunity to revisit in more detail our midterm target. I think the simple way to look at it, and I know that having set target in absolute terms, and with significant amount of portfolio movement, this is making your life a little bit difficult.

My simplistic view is that 2016 target meant a 10 percent increase year on year regarding REBITDA. We've achieved 11 percent in 2014. So that's a reasonable start. And we'll focus on making sure that in the next two years, we continue to deliver at a level which allow us to meet these targets.

But to get more visibility on the impact of perimeter, let's wait until our capital market debt.

Investor D: Thank you very much.

Investor E: Yes, good afternoon.

Jean-Pierre Clamadieu: Hello.

Investor E: A number of questions if I can. One on Novecare. I mean, the rigcount in the U.S. really started to collapse in January. So I was wondering if you could tell us if you've started to see some de-stocking perhaps, especially when rigs, you know, get shut down and you get the transfer of your products from one week to another.

And so, yeah, I'm just wondering what you think in terms of volumes, and what you seen so far.

Generally on formulations, so I see the positives of F/X innovation and new products, raw materials head winds. And on the other side, you've got this oil and gas exposure and perhaps Latam at Coatis.

So generally, how confident are you that you can grow REBITDA in formulation this year? And then, two technical questions maybe for Karim. First one is on discontinued operations. The cash flow of 145 million in 2014, how much of that was in Eco Services and discontinued and gone versus what was in PVC, which is discontinued, but not going?

And the second technical question, can you educate me on this tax impact on Eco Services? I mean, the book gain is below 200 million. The tax impact, the tax outflow for Q1 is over 200 million. So I am a bit lost. Thank you.

Jean-Pierre Clamadieu: OK, on Novecare I mean on formulation to be -- to speak more broadly, you have laid out very well what are the opportunities and the challenges overall, do I expect this cluster to grow yes? But it's a little bit early to quantify the growth.

I think North care business is growing, except ChemlogicsChemlogics. I mean, outside of the oil and gas segment, to say that a bit differently. So that's a positive.

Oil and gas, I'm not expecting a catastrophe. Yes, indeed, we are starting to see some volume reduction, but at this stage, not massive. But we expect, again, the -- this industry to go through a very significant or readjustment of its model. Probably short term, a negative impact for us in terms of volumes. Strong pressure on prices. But also opportunities to come up with product and solution, which will help improve the competitiveness of production.

Probably also, in some segment of activities, the fact that some of our smaller competitors will disappear, which will give us opportunities to increase a little bit our presence. And, again, looking at the other businesses within this cluster, even Coatis, I mean, would expect some improvement versus 2014 performance.

So my view today would be growth. But again, I will be prudent. And I won't qualify and even less quantify this growth. Karim?

Karim Hajjar: On discontinued operations cash flows, I'll give you the breakdown. It goes as follows. The last milestone on the Pharma Androgel payments is 100. Eco is of the order of 40. And the balance, which is essentially PVC, including Indupa and Europe so you're mixed up for the rest. It's 5 to 10 million. So that's where it comes from.

And as far as the tax impact of 200 million in reference on the sale of Eco Services, the fact that you see such a relatively large figure stems from the fact there are very low tax basis of the assets. And that is very much what we anticipate.

The part of the accounting gain that we have is almost moderated by the fact that there is goodwill that clearly doesn't have a tax effect on that as well.

Investor E: OK, thank you.

Karim Hajjar: Thanks.

Investor F: On advanced materials segment, I saw that pricing was positive in Q4. And according to my figures, it was negative the previous quarters. So can you help me to understand why prices moved up in that segment?

Second question is on energy costs. I think it's largely related with -- to gas. Can you tell me your energy bill in the year 2014 and your assumption about the potential decrease in energy costs in 2015 on the back of lower oil price?

And the third question is related to your slide 7 in your presentation, where you say that 300 million was the contribution from your excellence initiatives. Where do I find this 300 million in your RREBITDA bridge? I see that roughly half of the 300 million has been achieved with volume growth. You said also that 87 million was a negative effect from cost inflation. But what is the rest?

Jean-Pierre Clamadieu: OK, Karim will have a clear answer to this question. I won't have as clear ones on the first two. But Advanced Materials, frankly speaking, we are talking about small changes of mix from one quarter to the next. But the big picture is really the fact that innovation is bringing volumes but also pricing, because the way it's encountered for its innovation, increased margins, it also -- it's also a contribution to a price -- to our price performance.

Energy cost, I will be prudent. Karim will give you the total view in 2014, but forecasts for '15 are difficult. What we buy in term of energy today is mostly gas and to a certain extent coal. Gas being also a raw material. So it's a little bit a complex picture. Gas is mostly in Europe.

We've seen some decrease in Europe, but as pronounced as oil prices, but some decreases in Europe. So clearly, the energy bill will go down, but I think it's -- I don't feel comfortable enough to quantify this for you.

So Karim, energy bill, total energy bill and excellence initiatives

Karim Hajjar: Yeah.

Jean-Pierre Clamadieu: -- excellence initiatives?

Karim Hajjar: OK, I'll address both of these. So, the energy bill in 2014 just under € 900 million. And there was 5 percent down on 2013.

Jean-Pierre Clamadieu: This includes gas raw material.

Karim Hajjar: Exactly. And that's about 70 percent , if you get coal, anthracite, etcetera, you get -- you make up for the rest.

And as Jean-Pierre was saying, about 60 percent of that is expense and incurred in Europe and the balance in North America and Asia. So that really is the answer on energy. And our objective is to maintain and enhance our margins clearly, which is really expected in our business.

Turning to your question, your excellent question on our excellence programs. Where do you see it? 300 million. broadly, one-third of it comes from commercial excellence and innovation. And that really is visible in our -- on our volume and partly in our pricing as well.

The remainder, so roughly 200, is fixed and variable costs, very difficult to see in the bridge as represented, because there are many other factors. But the guidance I can give you is about 80 million or thereabouts on fixed and the balanced on variable costs as well.

That is how we track and monitor that bottom line delivery.

And that is also one of the factors that has helped to underpin our -- our positive pricing power.

Investor F: Thank you. That helps.

Karim Hajjar: OK, thanks.

Jean-Pierre Clamadieu: So we probably another two questions. So next one?

Investor G : Hi, good afternoon. Thanks for taking the questions. Firstly, can you talk a little more about how you think about your outlook statement for 2016? I was thinking of that as a target to hit somewhere between € 2.3 billion and € 2.5

billion of RREBITDA. And then, I thought I heard you say earlier on the call that you were thinking about it more or less as growing RREBITDA by greater than 10 percent CAGR which I guess if you did just 10 percent CAGR for the next couple years, you'd fall a little bit short. So just some clarification on how you think about that target?

Secondly, in the cash flow statement, I see that a nice boost in the fourth quarter from changes in working capital, I can see that's not from changes due to industrial working capital. Can you help me understand what the difference is between those two that's giving you that nice boost?

And then thirdly, I also saw that your accounts payable is also very nicely drawn out by several days, boosting cash a little bit as well. Is that a sustainable level? Or how should we think about that, please? Thanks.

Jean-Pierre Clamadieu: Just to go back to what I was saying, we have set an objective in absolute terms for a company, which is going for significant portfolio transformation. It means that we'll have to come back next June to give you a clear view of where we stand.

When we presented these objectives we've said that it was equivalent to 10 percent growth year on year. And I'm telling you that we are more or less on this trajectory. In fact, we are slightly over this trajectory. That's all.

Again, wait until the capital market in June to have a clear view of how the portfolio movement is impacting or is bringing us to some adjustment in the midterm target.

On maybe just one comment on working capital before Karim goes into the detail. So we had a very good performance at year end. It's been said, I think, that there are still some opportunities here and there to make some progress. So don't discount this.

We have also probably a need to manage working capital throughout midterm and what we currently do. But for us, it's here really an area where I think we have developed a very, very good toolbox. We have a very good alignment of our teams. And this was demonstrated by the very strong performance in Q4.

And it's really something that we want to continue to build on. I think we should be able to manage very, very effectively our cash within Solvay.

Karim Hajjar: Yeah, maybe just to add to what you just said, Jean-Pierre. I think the fourth quarter to my mind was I would say honestly slightly ahead of what we were expecting. Some very, very strong performance. We sometimes don't expect every single thing to go in the way you anticipate.

So what we saw is very strong performance on receivables. But that quality was more of the same, but we started to see systematically from about April time last time last year.

To your point on payables, yes, there has some been, let's say, prudent wise management commercially agreeing with our supplies, terms that we think made sense. And what's absolutely underpinning our cashflow performance.

Inventories is one area where I would say it's not quite -- there's some slack, but we see opportunities become even more effective than we are already, which is why we quite appreciate the performance at year end. The fourth quarter was very strong, but as you already point at, is it sustainable? I'd say it's not easy to replicate, we absolutely determined to build on that performance. And during the year as well.

Investor H: Yes, good afternoon. Actually, all my questions have already been answered, but I just have a couple of others. Regarding rare earth I was wondering, I've read recently that the situation was changing in China. So did you currently see some pricing improvements right now? Or do you expect the situation to improve over the 2015 year? So that's my first question.

And second one, but I guess you won't be able to answer it directly right now, but it's just M&A wise. You mentioned that you were still transforming the portfolios. I was wondering what the strategy would look like. Would it be like the pearl necklace building, but like bolt on acquisitions on selected segments? Or are you targeting some larger acquisition in the coming years? Thank you very much.

Jean-Pierre Clamadieu: Well, you guess that very well. I won't be able to give you a lot of color on M & A. What I think is at portfolio transformation is an element of our transformation. It's in fact something which is playing an important role.

We have set up clearly our priorities, grow our growth engines, and manage the rest of the portfolio, taking advantage of opportunities, which can arise here and there. And it's the reason why we decided at some point of time last year to divest Eco Services. So we are looking at various opportunities, but nothing which will materialize in the next few days. So be a little bit patient.

I think in acquisition, we have built over the years a reasonable track record. I mean, the ones we've done were done at the right price. And I've delivered and will continue to be very demanding when we look at opportunities.

On rare earth, frankly speaking, we have not seen much changes today. We still have one segment which works very well, which is the automotive catalyst business, where we have very strong positions, strong technology push, pushing customers to use our most advanced product. An electronic segment, which is suffering, well, this is a small part of the advanced material cluster. And by the way, some of the very small change in margin that you see in Q4 for the segment is mostly linked to rare earth performance.

But overall, I would say no major changes. And still the need for us to continue to manage well our very strong position in the automotive catalyst. But we need also to focus on finding opportunities to improve the other segment, where we operate.

So maybe it's time to close this call. Once, again, I think Solvay is a company in transformation. We've done a lot, but we think that there are still a lot to do in terms of transformation. Transformation based on portfolio management, transformation based on better innovation delivery, transformation based on excellence initiative, which allow us to use as much self-help as possible in an overall environment, which is challenging.

You've heard me making reasonably optimistic comments regarding 2015. We think that the momentum that we see last year is continuing in the beginning of the year. We see a couple of positive macro effects, currency

being one. O&G on a more modest stand is also another -- expected positive contributor. So clearly, I think the company is well positioned to date to benefit from the 2015 environment. And moving in the direction of the ambitions that we've set in -- for 2016.

So two, maybe two last comment, one on a different tone. You know that our big contributor to the Solar Impulse project, this is for the flying lab. We are proud that 6,000 parts mostly made of Specialty Polymers are in this plane. It's about to take off from Abu Dhabi for it's first world trip. So good adventure. And I suggest that you follow it. For us, it's a really good demonstration that indeed chemistry is able to bring solutions to some of the challenges that the world is facing. And being part of the first trip around the world made by an airplane with zero emission is something which gives us a lot of pride.

And second, going back to our usual relationships, we'll see each other on the capital market day on June - on next June in Italy. I think it will be an opportunity to give you a deep dive of Specialty Polymers. Clearly, that's a business which will play a very, very important role in the future of Solvay.

I'm going to see our teams and our labs next to Milano. I know it's a great opportunity. I hope I'll have a pleasure to see most of you there.

With that, I will end this call. And don't hesitate to call the IR team, should you have any questions that we have not answered during the call. Thank you very much for your time.

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