Managing Challenges

Solvay Global Annual Report
2008

SOLVAY

SOLVAY

An international Chemical and Pharmaceutical Group
Sales: EUR 9.5 billion
Operating result:
EUR 1 billion
Cash flow:
EUR 0.9 billion

Employing 29 433 people
Present in 50 countries on every continent
With 400 sales and production facilities
with more than 95% of sales come
from outside Belgium and about 50%
from outside the European Union
Stable or rising dividends for the past 27 years
Operates in three Sectors:
Pharmaceuticals, Chemicals and Plastics
Listed on NYSE Euronext Brussels

Contents

Key figures – Solvay Group

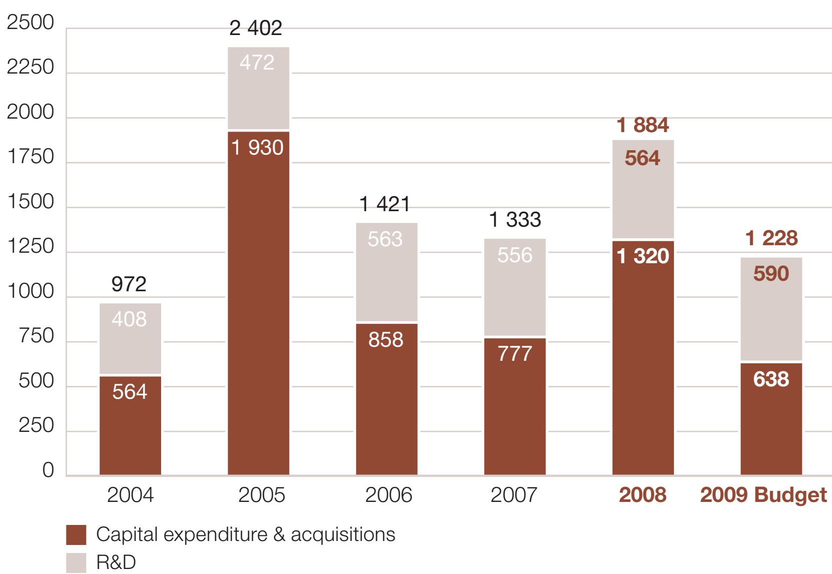
Financial data

	2004	2005	2006	2007	2008	
		millions EUR			millions EUR	millions USD[5]
Operating situation						
Sales	7 271	8 562	9 399	9 572	**9 490**	**13 207**
REBITDA[1]	1 146	1 338	1 568	1 662	**1 436**	**1 999**
REBIT[2]	741	912	1 099	1 192	**965**	**1 343**
REBIT as % of sales	10%	11%	12%	12%	**10%**	**10%**
Net income	541	816	817	828	**449**	**625**
Total depreciation and amortization[3]	449	464	522	593	**417**	**581**
Cash flow[4]	990	1 280	1 339	1 421	**866**	**1 206**
Capital expenditure	564	1 930	858	777	**1 320**	**1 837**
Research expenditure	408	472	563	556	**564**	**785**
Personnel costs	1 698	1 920	2 136	2 081	**1 981**	**2 756**
Added value	2 902	3 438	3 628	3 921	**3 083**	**4 291**
Financial situation						
Shareholders' equity	3 792	3 920	4 456	4 459	**4 745**	**6 604**
Net debt	795	1 680	1 258	1 307	**1 597**	**2 222**
Net debt/ shareholders' equity	21%	43%	28%	29%	**34%**	**34%**
Return on Equity (ROE)	15%	22%	19%	18%	**9%**	**9%**
Gross distribution to Solvay shareholders	210	221	232	240	**241**	**335**
Persons employed						
Persons employed at January 1[4]	26 926	28 730	29 258	28 340	**29 433**	**–**

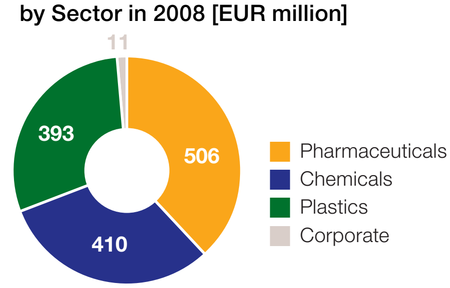
1. REBITDA = REBIT before depreciation and amortization.
2. REBIT = Recurrent EBIT.
3. Including impairment of: 23 in 2004, 20 in 2005, 48 in 2006, 123 in 2007 and 54 in 2008.
4. In full-time equivalents at January 1 of the following year; at December 31 of the same year as of 2008.
5. Exchange rate: 1 EUR : 1.3917 USD at 31/12/2008.
6. Net income + totale depreciation and amortization.

Expenditure for the future

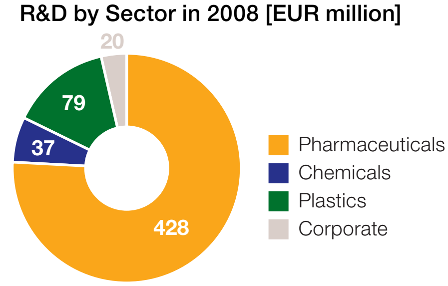
Total Group capital expenditure, acquisitions and R&D 2008 = EUR 1 884 million



Total capital expenditure & acquisitions by Sector in 2008 [EUR million]

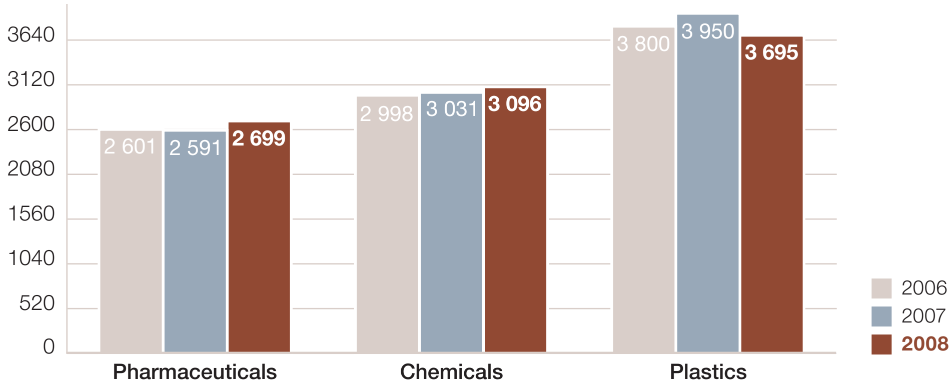


R&D by Sector in 2008 [EUR million]

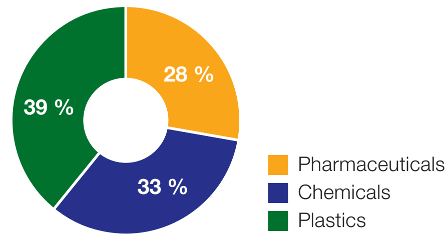


Activities

Group sales 2008 = EUR 9 490 million

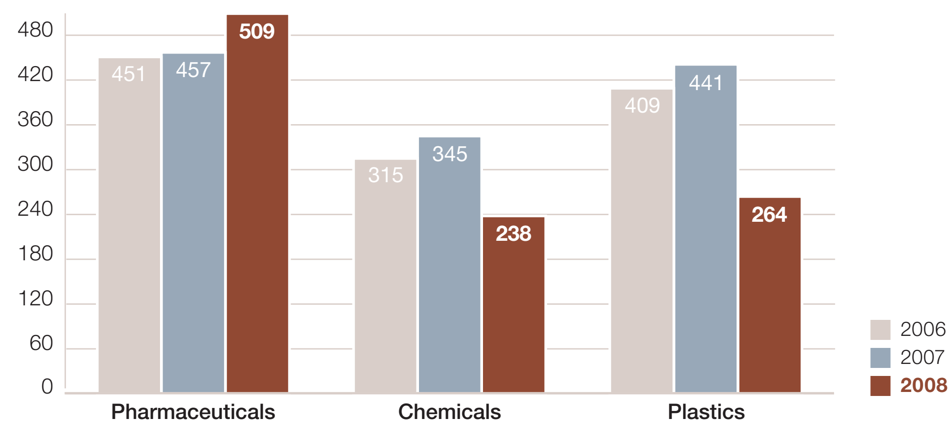


Sales by Sector in 2008



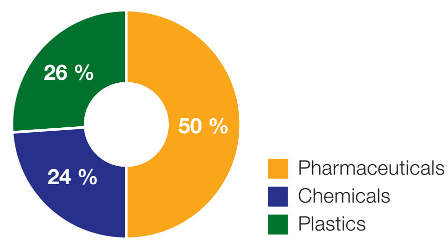
Group REBIT 2008 = EUR 965 million

[Including "Corporate & Business Support": EUR -46 million]

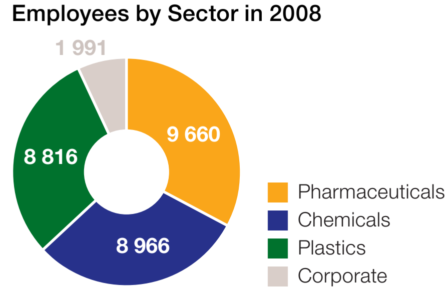


REBIT* by Sector in 2008

*Excluding "Corporate & Business Support": EUR -46 million



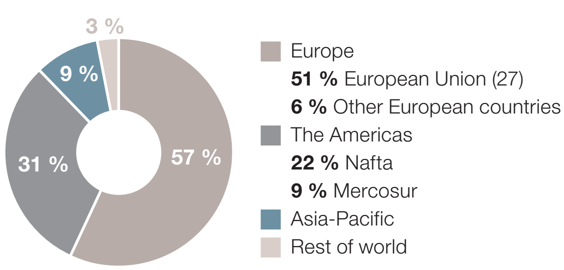
Employees by Sector in 2008



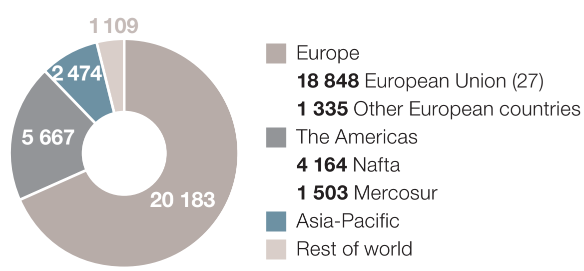
Group employees in 2008 [Dec. 31, 2008]: 29 433 people

A global presence

Group sales 2008 = EUR 9 490 million



Group employees in 2008
[Dec. 31, 2008]: 29 433 people



Customer markets

Group sales 2008 = EUR 9 490 million

Human health	**30 %**	Paper	**4 %**
Construction and architecture	**14 %**	Detergents, cleaning and hygiene products	**3 %**
Automobile industry	**9 %**		
Chemical industry	**9 %**	Packaging	**3 %**
Glass industry	**6 %**	Consumer goods	**2 %**
Electricity and electronics	**5 %**	Human and animal food processing	**1 %**
Water and the environment	**4 %**	Other industries	**9 %**

February 1
Caprolactones
Solvay confirms sale of its Caprolactones business to Perstorp.

February 29
Bifeprunox
Solvay Pharmaceuticals acknowledges Wyeth Pharmaceuticals' decision to terminate the collaboration agreement on bifeprunox.

March 3
TRICOR®
Fournier Laboratories Ireland Ltd and Laboratoires Fournier SA file actions against Teva in the USA for infringement of patents protecting TRICOR®.

March 6
Polypropylene
Solvay finalizes sale of polypropylene compounding activity to LyondellBasell.

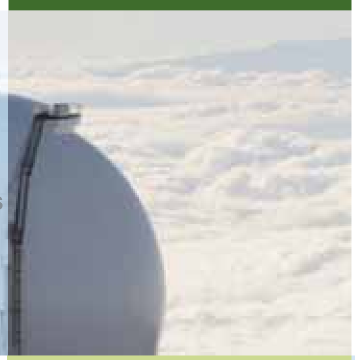
March 12
SIMCOR®
FDA (Food and Drug Administration) approval of Abbott's SIMCOR® marks start of co-promotion of this new medicine by Solvay.

April 25
Innogenetics
Solvay Pharmaceuticals SA launches successful friendly bid for Innogenetics nv.

May 8
Bernburg site
Beginning in 2010, Solvay will use refuse-derived secondary solid fuels in the thermal power plant under construction at its Bernburg (Germany) site.

May 14
SOLVAIR® Select 300
Solvay launches new SOLVAIR® Select 300 flue gas treatment product for air pollution control in USA.

May 21
Sustainable technologies
Solvay joins Capricorn Cleantech venture capital fund, exploring new business developments in sustainable technologies.



June 19
Tavaux site
The Tavaux (France) site receives green light from French authorities for biomass thermal power plant to come into operation in 2011.

June 26
China
Inergy Automotive Systems starts operations in China.

August 13
"Zero emission"
Umicore and Solvay support zero-emission car racing team by sponsoring fuel cell-powered racing kart.

September 4
Argentina
Solvay Indupa announces alliance with Albanesi group to build new power plant at Bahia Blanca (Argentina) to secure competitive and reliable energy sourcing.

September 11
Vinythai
Vinythai increases PVC production capacity in Thailand and strengthens its position as a world-class vinyls producer.

September 24
Polytetrafluoroethylene
Solvay inaugurates in China its second world-class production plant for polytetrafluoroethylene (PTFE) micronized powder.

September 25
Cooperation
Solvay Solexis enters cooperation agreement with Strategic Polymer Sciences to develop ultra-high energy density capacitor materials.

September 29
Energy
Solvay invests EUR 55 million to reduce energy consumption and environmental impact of its electrolytic unit at Tavaux (France).

October 6
CEFIC
Solvay CEO Christian Jourquin elected President of CEFIC, the European Chemical Industry Council.

October 15
Sustainable Development
In its eighth Sustainable Development report, Solvay sets ambitious, quantified targets to curb the environmental impact of the Group's businesses and products.

October 17
Egypt
Solvay acquires Alexandria Sodium Carbonate Company in Egypt, continuing its expansion into growing Egyptian, Middle Eastern and North African markets.

November 17
SLV319
Solvay Pharmaceuticals discontinues R&D activities on its SLV319 anti-obesity compound.

November 27
Charter
Solvay's management and European Works Council sign charter on Sustainable Development and corporate social responsibility.

December 2
REACH
Solvay completes pre-registration of 400 substances under the European REACH regulations.

December 3
Fuel cells
Solvay takes stake in fuel cell developer ACAL Energy to invest in innovative low-cost and high-reliability fuel cell technology.

December 12
Innogenetics
Solvay Pharmaceuticals now owns all of Innogenetics nv, which is delisted.

December 16
TRILIPIX™
Solvay welcomes FDA approval for TRILIPIX™, jointly developed by Solvay and Abbott, the first and only fibrate authorized in combination with a statin to control cholesterol.

Managing Challenges

It is with confidence in its potential that the Solvay group is today managing unprecedented challenges. Unprecedented as they may be in their combination and scope, this is not the first time since it was founded in 1863 that Solvay has faced a major economic crisis. But today the Group is committing itself - resolutely and with a long term vision - to Sustainable Development, in order to provide viable answers to the challenges that the planet must meet to ensure its continued existence.

Solvay closed 2008 with a robust balance sheet and a solid financial structure, both major factors in ensuring its longevity. The debt/equity ratio is just 34%, with no significant debt repayment scheduled before 2014.

While Group sales have remained stable compared with 2007, operating results did not escape the effects of the crisis, suffering a 19% drop in 2008 – compared to the record profits of the preceding year – to EUR 965 million. The Chemicals and Plastics Sectors suffered significant energy and raw material cost increases, only partially compensated for by sales price increases, before being confronted by a contraction in demand in the fourth quarter.

The Pharmaceuticals Sector, for its part, posted record operating results, thanks to the vigorous growth of its primary products and to the success of its strategy of geographic expansion.

After four years of rising profits, reaching record levels, the Group's net income for 2008, at EUR 449 million, is well down on that of 2007. Apart from the lower operating result, it has suffered a EUR 309 million impairment loss on the shares held in Fortis. This latter factor explains why the Return on Equity (9%) is below the Group objective of 15%, after exceeding it for the past four years.

Ready today

Solvay has always sought to be part of the flow of history. Beginning in early 2008, we began preparing actively for the pending crisis – which we guessed would be severe. We consolidated our strong points and reinforced our competitiveness.

In this context, we continued during the year to reorganize the fluor chemicals activities to ensure their future. We have withdrawn them from commodities markets that are suffering from excess capacity, have increased their competitiveness and are developing more innovative specialties. The joint venture in automotive fuel systems, Inergy Automotive Systems, had already begun to take painful but essential measures in preparation for a market downturn.

The Pharmaceuticals Sector continued in 2008 to implement its "INSPIRE" plan. As well as refocusing our therapeutic priorities, this program will improve the efficiency of the pharmaceuticals business with a series of measures with a cumulative savings effect of EUR 300 million a year by 2010. At the end of 2008 we had achieved 80% of this objective.

Apart from increasing our competitiveness, in 2008 we positioned ourselves to search for growth where it can be found, with a view to sustainable and profitable expansion.

This determination is perfectly illustrated, in our Chemicals Sector, by the acquisition of the Alexandria Sodium Carbonate Company in Egypt. This is the first time in our Group history that we have set foot in the Middle East, in a young economy with strong growth prospects. In Europe, we completed the construction of our hydrogen peroxide megaplant near Antwerp (Belgium), which introduced a new Solvay high-productivity technology that we are persuaded will change the face of the H_2O_2 market.

In 2008 our Plastics Sector launched production units in China, Russia and India. Major measures were also taken to extend our Vinyls activity. Vinythai's Map Ta Phut (Thailand) site is now a fully integrated world-class production unit, providing maximum competitiveness in a dynamic market. In South America, major initiatives have been taken at Solvay Indupa's Argentine and Brazilian production units.

In the Pharmaceuticals Sector, sales of our main medicinal products continue to improve, in particular with impressive growth in emerging markets, which now represent around a fifth of the Sector's sales. We have also been working towards the market introduction of TRILIPIX™, our new-generation fenofibrate recently approved by the US authorities. During 2008, Solvay also successfully bid for the Belgian biotech company Innogenetics, bringing into the Group technology and know-how that will permit the faster development of better targeted, more effective and safer drugs.

More distant challenges

Beyond the short-term challenges, during 2008 Solvay was keen to project itself far into the future. This year the Group's Executive Committee focused its biennial strategic meeting on Sustainable Development and on a long-term vision. For we are convinced that our professions – chemistry and life sciences – will provide viable answers to the challenges that humanity must meet today in order to secure a harmonious tomorrow. We are already working on this, in particular by re-examining our R&D and business portfolios. We are also constantly seeking to improve our energy efficiency and minimize our carbon dioxide emissions in the longer term.

In the shorter term, Solvay will introduce a dozen or so new initiatives, including, for example, a subsidiary dedicated to managing energy and CO_2.

In our fields, energy efficiency is an essential success factor, while also permitting us to reconcile our Sustainable Development objectives with short-term competitiveness. Major projects along this line were already announced in 2008, in particular power plants fuelled by biomass or secondary fuels (sorted waste).

One Sustainable Development-related initiative that influences our business in the short term is the pre-registration of our products under the European REACH regulation. This we successfully completed by the end-November 2008 deadline.

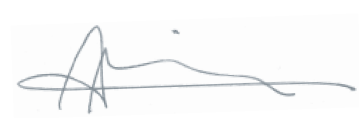
The Solvay group has established clear long-term objectives. These are essential to map out our path in the short term, to help us set priorities, and, if necessary, to define any sacrifices that the contingencies of the crisis may impose on us.

Confidence

Our balance sheet is solid – and we intend it is remain so. For this reason, we consolidated our long-term debt at a propitious moment, on good conditions. To preserve the Group's solidity, the Executive Committee has also asked that a series of appropriate measures be reinforced from autumn 2008 onwards. Investment expenditure will be refocused in 2009 on ten or so major strategic projects, with other projects advancing at a slower pace. Our working capital will be controlled more tightly, and our commercial and administrative expenses reduced. Finally, we will continue to adapt production rates to market demand.

Our competitive plants, competent employees and culture of innovation together with the value of our products for our customers will help cushion the shocks and will enable us to bounce back all the more strongly. In this way we hope to continue to merit the trust of our shareholders and everyone supporting our activities.

Christian Jourquin
Chairman of the
Executive Committee



Aloïs Michielsen
Chairman of the
Board of Directors

Ready Today

Last year we stated that we were ready and prepared for the financial and economic crisis that we saw looming. The negative signals piled up during the course of 2008, in particular the significant increase in energy, coke and coal prices. More recently, from November onwards, demand for many products has contracted sharply, with rapid, large-scale inventory reductions right along the economic chain. The crisis is proving deeper than expected, but we have already taken a series of measures to sustain our competitiveness.

1. Rigorous balance sheet control

Tracking and Reducing Working Capital Needs
A special effort was made to manage the Group's working capital needs. At the end of 2008, its level was significantly below that at the end of 2007. This effort will be continued in 2009.

Appropriate Use of the Group's Confirmed Credit Lines
As in previous years, the Group took advantage of its good rating (A / A2) to successfully issue EUR 450 million of short-term treasury bills at the end of the year.
Early in 2009, a EUR 300 million tranche was drawn under a facility with the EIB (European Investment Bank) at a fixed rate of 3.9% for seven years. These funds will serve to finance pharmaceuticals research activities.

2. Raising selling prices

The sharp rise in energy costs during the first half of 2008 called for progressive adjustment of selling prices for certain products, depending on the situation in each of the markets in question.

During the second half, caustic soda prices were raised significantly, to 50% above 2007 levels. Soda ash and sodium bicarbonate prices were also increased whenever contractually possible. Elsewhere, price increases were implemented on a case by case basis.

3. Temporary production cuts

Rapidly and sharply contracting demand for certain products, in particular for building construction (vinyl products) and the automotive industry (fuel systems, specialty polymers), has meant a rapid reduction in production rates at the related plants.

During November and December, the reduction of contract employment and optional overtime and taking of postponed holidays made it possible to avoid stockpiling finished products.

4. Strict cost control

Strict cost control at every level has enabled us to keep our activities profitable in a difficult environment.

In 2008, the Group began reaping the benefits of centralizing its finance and human resources back-office functions in Portugal, with estimated savings of EUR 27 million at the Group level.

At the start of the year, operational and functional managers had already been instructed to pay particular attention to the trend of general expenses in their own areas. These measures were intensified in the fall of 2008.

In this way, commercial and administrative expenses, expressed in current EUR, will be lower in 2009 than in 2008.

5. Targeted restructuring

The Group policy of seeking leadership based on the competitiveness of its businesses has led it to undertake targeted restructurings. The Group is keen that these take place in a calm social climate, with due respect for its Values.

Numerous initiatives were taken in this area, reducing the total Group headcount by almost 2 000 FTE (full time equivalent) positions in 2007 and 2008. The main restructurings were:

Pharmaceuticals:

- The "INSPIRE" program targets annual synergies of EUR 300 million by 2010. The efforts made in 2008 generated EUR 80 million of additional savings, on top of the EUR 160 million achieved by the end of 2007.
- The network of production sites has been selectively reorganized, down to 11 sites at the end of 2008 compared with 18 in 2005.
- Despite a major expansion of sales forces in emerging markets, the total Pharmaceuticals Sector workforce has fallen by 428 FTE since the beginning of 2007.

Chemicals:

- Terminations of activities:
  - > Caprolactones (sale finalized in early 2008);
  - > Precipitated calcium carbonate activity put up for sale.
- Restructuring:
  - > Reorganization of the fluorinated chemistry activities is under way:
    – closure of the Tarragona (Spain) production unit;
    – halting production of 134a at the Porto Marghera (Italy) site;
    – workforce reductions at Hannover, Bad Wimpfen and Frankfurt (Germany);
  - > Closure of the Bussi sul Tirino (Italy) chloromethane unit;
  - > Closure of the strontium carbonate production site at Reynosa (Mexico) by the Solvay-CPC joint venture.
  - > Cost reduction measures are under review at the Peptisyntha (Belgium) site.

Plastics:

- Sale of SEP (Solvay Engineered Polymers);
- Modernization of production units: PVC production units at Tavaux (France) and Santo André (Brazil);
- Plant closures: Solvay Solexis at Hillsborough (USA), Inergy at Oppama (Japan) and Blenheim (Canada). The closing of Inergy at Nucourt (France) and Benvic at Jemeppe (Belgium) are planned in 2009;
- Restructurings are being implemented whenever necessary, such as at Solvay Solexis at Thorofare (USA), and at Pipelife in Ireland and Spain.

6. Very selective investment in 2009 and measures to track and reduce working capital needs

The Group is taking care to maintain a healthy financial situation. In this way it ended 2008 with a net debt/equity ratio of 34%.

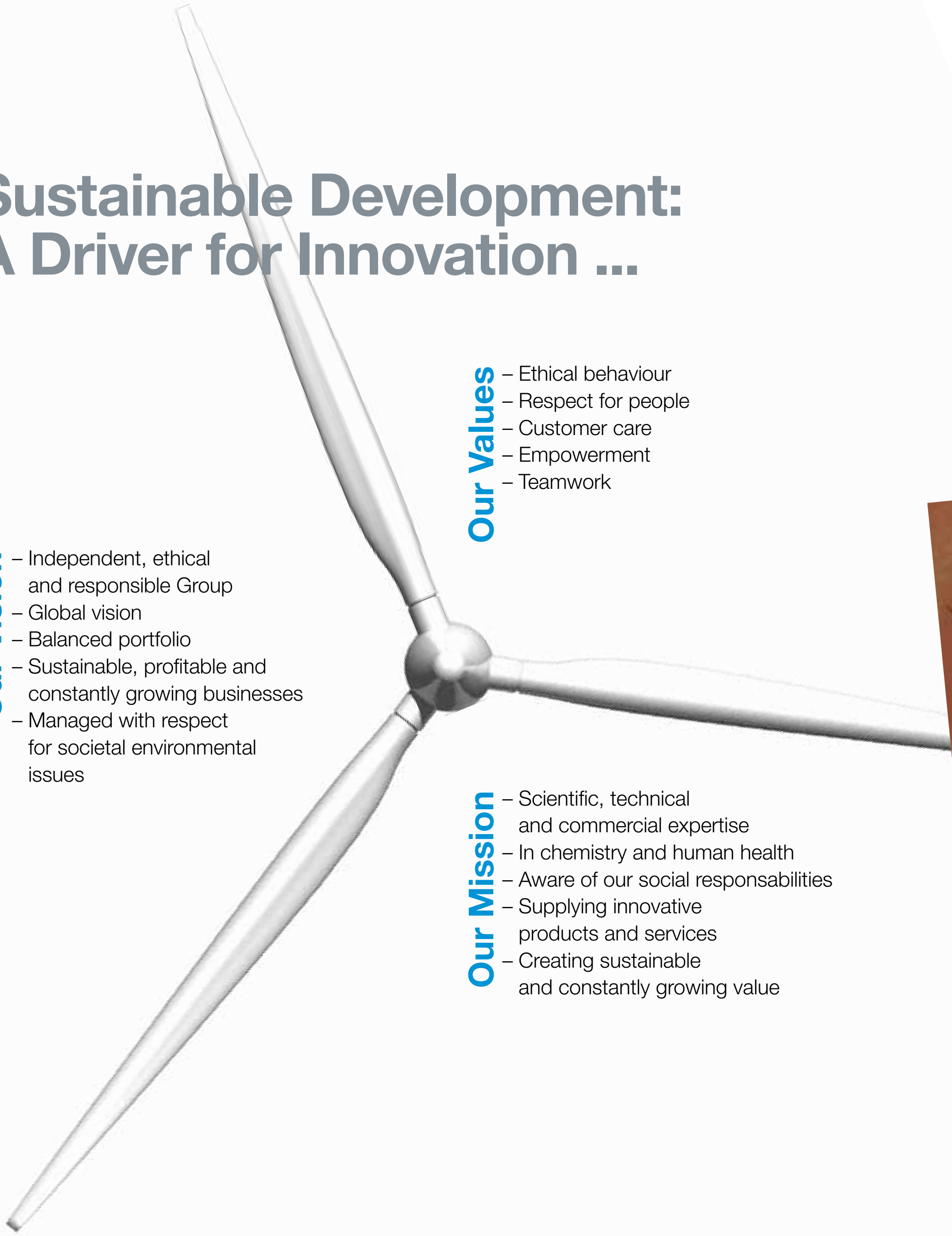
In parallel with cost controls, other major measures have been decided on in order to maintain a healthy financial situation despite the deteriorating financial and economic situation.

Capital expenditure:
The capital expenditure budget for 2009 has undergone major adjustments to bring it in line with the current economic environment.

Two thrusts have been decided on: first, to limit investment strictly to the level of depreciation, but without reducing expenditure on health, safety and the environment, and second, to concentrate strategic investment on ten or so projects in line with our emphasis on the Sustainable Development of our activities and geographic expansion.

In all, the capital expenditure budget for 2009 should reach EUR 638 million, down EUR 682 million from the actual expenditure in 2008 (which included around EUR 300 million for the acquisitions of Innogenetics (Belgium) and Alexandria Sodium Carbonate Company (Egypt)).

Sustainable Development: A Driver for Innovation ...



Our Values

– Ethical behaviour
– Respect for people
– Customer care
– Empowerment
– Teamwork

Our Vision

– Independent, ethical and responsible Group
– Global vision
– Balanced portfolio
– Sustainable, profitable and constantly growing businesses
– Managed with respect for societal environmental issues

Our Mission

– Scientific, technical and commercial expertise
– In chemistry and human health
– Aware of our social responsabilities
– Supplying innovative products and services
– Creating sustainable and constantly growing value

Our Group is:

– among the world leaders in selected markets and products, either alone or with sound partners;
– valued by its customers as a highly competent, reliable and competitive solutions provider;
– with a clear, motivating organization, developing and empowering people and teams through dialogue and rewarding and challenging jobs;
– caring, as a good corporate citizen, for the environment and for the health and safety of its employees and of the community at large;
– open to the expectations of the outside world, and contributing to economic, social and environmental progress.

... and Long-Term Value Creation

The concern for Sustainable Development both dictates Solvay's actions in the current rigorous climate and directs our long-term growth strategy.

Our Group is unambiguously committed to sustainable and profitable growth, operating on three fronts:

- giving priority to growth – in pharmaceuticals, chemicals and selected plastics;
- innovation, the key to growth and to constantly improving competitiveness; and
- expanded presence in Asia, the Americas and Eastern Europe.

The June 2008 strategic review confirmed the main themes decided upon earlier: a strategy of sustainable and profitable growth.
The review mainstreamed sustainability in the midst of the upheavals of every kind confronting the world.

- Above all this is a forward-looking approach, with which we intend to prepare our Group's long-term future. Projecting ourselves well into the future, to 2038, when Solvay will celebrate its 175th anniversary, is leading us to rethink our products and processes, our R&D portfolio and our markets;
- Chemistry and life sciences are part of the solution to the problems facing humanity today. We need to bring answers to the global challenges of tomorrow;
- Solvay is looking to play an active part in the flow of history, remaining in step with a constantly and rapidly changing world, and anticipating in its strategy large-scale movements like competition for access to energy and raw materials, the sustainability of our planet and major changes in society at large;
- Solvay also wants to pursue its founder's work. Ever since it was founded, our Group has always acted as a socially responsible company, maintaining a leading position;
- The Group's Vision, Mission and Strategy as previously defined continue to apply and now incorporate Strategic Development as a major contextual driver in all future decisions.

These strategic ambitions have been translated into action plans and objectives, with three horizons: long, medium and short term.

The first horizon, Solvay 175, sets out the Group's long-term vision. It is based on the strong conviction that chemistry and life sciences are key elements in achieving Sustainable Development and that Solvay has both the ability and the obligation to use the full range of its knowledge in creating new solutions. This involves, in particular, rethinking our product and research portfolios, improving energy efficiency while minimizing waste and targeting long-term carbon neutrality, and securing our raw materials and energy sources without competing with the food chain.

All this will be done in a spirit of openness, maintaining open dialogue with all our stakeholders, while mastering open innovation, networking and employee training. One example of this openness and dialogue was the meeting in September 2008 on these topics between senior Group management and employee representatives on the European Works Council.

The second horizon, Solvay 2020, is structured around two focal points. The first is evolving our product portfolio towards a better balance of sustainability between the processes which generate these products and the markets they address. The second is the Group's commitment to significantly improve its environmental and social footprint.

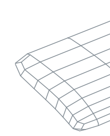
The third horizon involves starting work immediately on a series of projects that need to produce measurable effects no later than **2012**. Successfully implementing these projects should enable us to achieve our short-term (2012) and medium-term (2020) objectives, thereby leading the way for Solvay 175.

The initiatives for 2020 and 2012 are quantified with targets and corresponding indicators. These are described in detail in our report "Towards Sustainable Development – Assessment and Prospects 2008-2012".

During the 2008 strategic review, Solar Impulse was chosen as the central symbol of the Group's commitment to Innovation and Sustainable Development, which are the cornerstones of tomorrow's Solvay. Can we imagine a world less dependent on fossil energies and resources, where wastage of resources has disappeared and where environmental impacts are minimized, but also a world of progress in which the development and well-being of humanity are preserved?

The Solar Impulse project is above all **a symbol** for all of us. It seeks to generate maximum support for technologies that will permit Sustainable Development and generate a positive attitude towards renewable energies. It is drawing people's attention to the behavioural changes that are essential in order to ensure the energy and ecological future of our planet, it is giving a positive and stimulating image to environmental protection, and it is showing that alternative energy sources, allied with new technologies, will, through innovation, enable us to achieve what was hitherto thought impossible.

Solar Impulse has set off into the adventure with a **solar aircraft**. By flying both day and night on board a craft that has mastered the use of clean, readily available solar energy,



1. Omega and Deutsche Bank are the two other main partners in Solar Impulse.

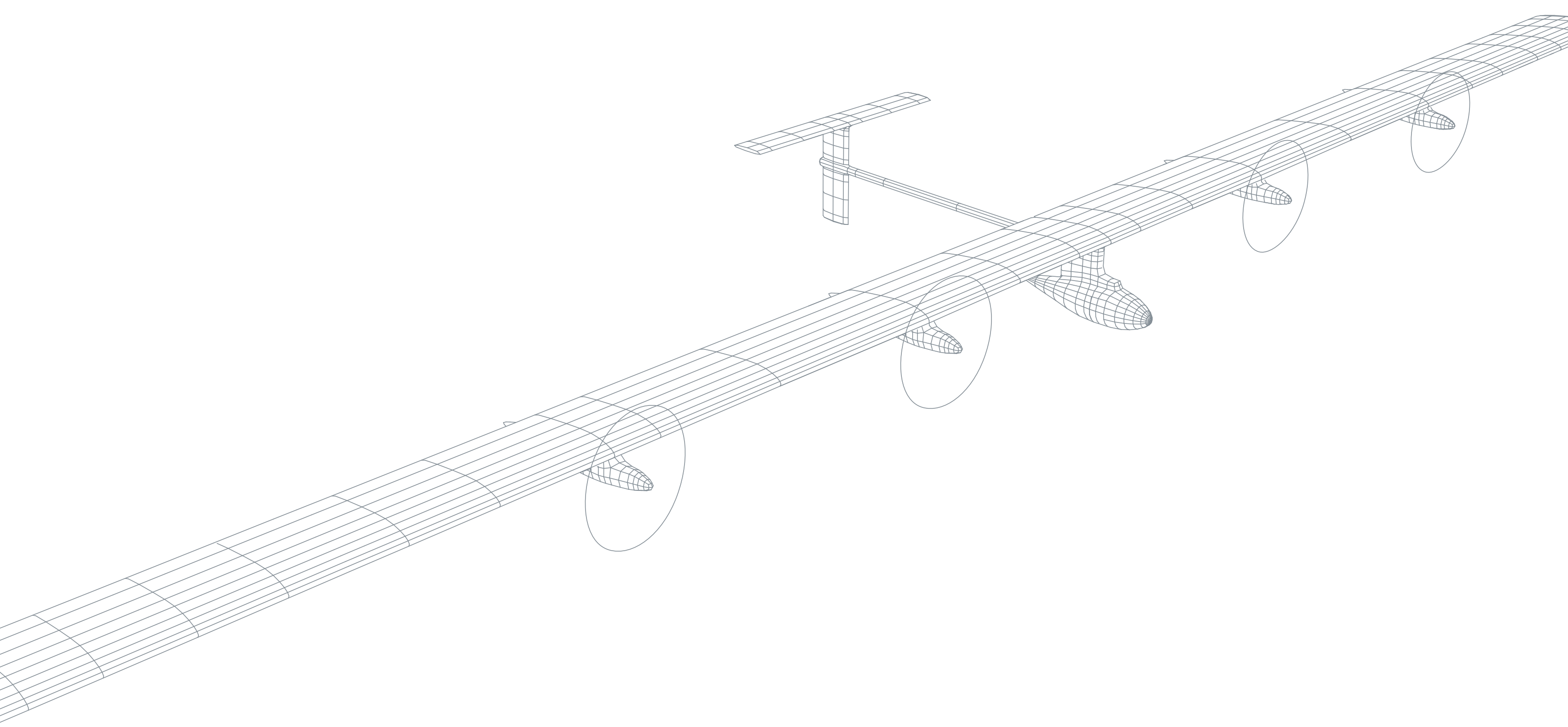
and using it without limits, the pilot will come close to perpetual flight. Zero fuel. Zero emissions. Zero pollution.

Since the project was born in 2003, Solvay has recognized in Solar Impulse the values that have sustained the Group over the past nearly 150 years: a pioneering spirit, the human dimension, environmental awareness, innovation, in a word the firm belief that chemistry and life sciences are an important part of the solution to the challenges that rise in front of us. These values have also been recognized by the European Commission, which in April 2008 made Solar Impulse a symbol of its ambitious energy policy.

As the first main partner[1] of Solar Impulse since 2004, Solvay is supporting the project financially. It is also playing a very active role by making available its skills in
(i) developing and producing innovative materials and technological solutions,
(ii) technical evaluation and testing of the same, and
(iii) forecasting and simulating their behaviour in extreme environments.

Today Solvay is contributing over 6 000 parts of every size, from nuts and bolts to the cockpit and certain battery elements, to Solar Impulse, which has become a veritable airborne laboratory.

Solar Impulse is a real innovation driver for the Group!



Strategic Positions of Solvay

Sales: EUR 9.5 billion – REBIT: EUR 965 million
29 433 employees

Pharmaceuticals

Main products	Europe	N. America	World
Fibrates	1	1	1
Antivertigo products	1	1	1
Pancreatic enzymes	1	1	1
Antispasmodics (irritable bowel syndrome)	2	2	1
Female hormone treatment	3	2	2
Male hormone treatment	3	1	1

Chemicals

Main products	Europe	World
Soda ash	1	1
Sodium bicarbonate	1	1
Hydrogen peroxide	1	1
Caustic soda	2	3

Plastics

Main products	Europe	World
Fluorinated polymers	1	3
Other Specialty Polymers	amongst the world leaders	
Inergy Automotive Systems (fuel systems)	amongst the 2 world leaders	
Vinyls	2	3
Pipelife (pipes & fittings)	leader on its markets	

Source: Solvay, calculations based on information publicly available in external publications, in particular IMS, Harriman Chemsult, CMAI, SRI.

Pharmaceuticals

Sales: EUR 2.7 billion – REBIT: EUR 509 million
9 660 employees

Therapeutic fields

Integrated franchises (R&D and commercial)

- **Cardiometabolics** (dyslipidemia, type 2 diabetes, acute heart failure, diabetic nephropathy, pulmonary hypertension, atherosclerosis);
- **Neuroscience** (psychosis, Parkinson's disease, traumatic brain injury, bipolar disorder);
- Niches in **flu vaccines** and **pancreatic enzymes**

Commercial franchises

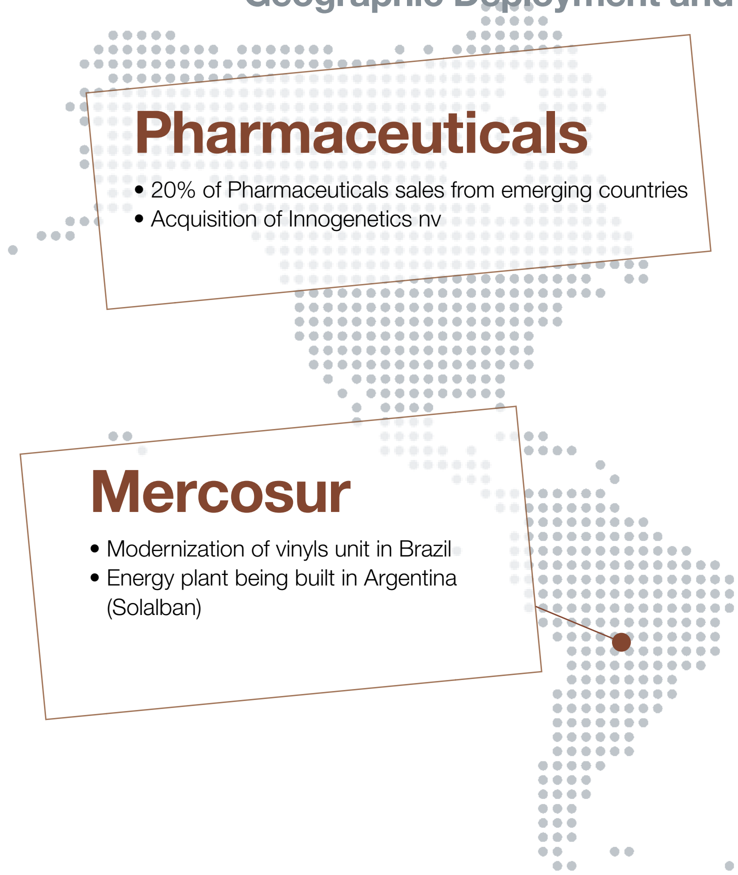
- Gastroenterology;
- Women's and men's health.

Strategic priorities (2010)

- REBIT: EUR 640 million;
- Operating margin* ≥ 20%;
- Efficiency improvements: EUR 300 million of annual synergies;
- Investment focused on R&D.

* REBIT/sales

Geographic Deployment and



Chemicals

Sales: EUR 3.1 billion – REBIT: EUR 238 million
8 966 employees

4 clusters

Minerals
- Soda ash and specialties (bicarbonate);
- Advanced Functional Minerals.

Electrochemistry, fluorinated products
- Electrochemistry and derivatives (caustic soda, epichlorohydrin);
- Fluorinated products.

Oxygen
- Hydrogen peroxide;
- Persalts.

Organic (Molecular Solutions)

Strategic priorities

- Intensifying our geographic expansion;
- Pursuing technological innovation;
- Growth in specialties (mainly bicarbonate and fluorinated and organic specialities);
- Competitiveness.

Plastics

Sales: EUR 3.7 billion – REBIT: EUR 264 million
8 816 employees

2 clusters

Specialties
- Specialty Polymers (high and ultra-high performance polymers like fluorinated Polymers, elastomers and fluids, barrier materials, polyarylamides, polysulfones, high performance polyamides, liquid crystal polymers);
- Inergy Automotive Systems (50/50 joint venture with Plastic Omnium).

Vinyls
- Vinyls (integrated electrolysis chain, VCM (monomer), PVC (polymer) and PVC compounds);
- Pipelife (50/50 joint venture with Wienerberger).

Strategic priorities

- Permanently reinforcing the robustness of our businesses;
- Focusing on:
  – society's fundamental, long-term needs;
  – specific attractive growth regions;
- Accelerating growth by taking advantage of opportunities linked to materials sciences;
- Keeping innovation and R&D as absolute priorities.

Technological Innovation Platforms

Russia/CIS

- Major industrial project in vinyls (RusVinyl)
- Inergy to start up in Russia soon

Asia

- **Thailand**: vinyls capacity extension and investments in Chemistry (epichlorohydrin (EPICEROL®), hydrogen peroxide (HPPO))
- **India**: start-up of PEEK unit (Specialty Polymers)
- **China**: start-up of Specialty Polymers plant (POLYMIST®) and Inergy plant
- **South Korea**: production unit under construction for F1EC (fluorinated specialty)

Rest of world

- Acquisition of Alexandria Sodium Carbonate Company in Egypt

12

Financial Statements part 1

2008: operating result down 19% on record 2007 figure in the context of the global economic crisis

- Sales (EUR 9.5 billion) and operating result (EUR 965 million) down from record 2007 levels
- Operating result higher in the Pharmaceuticals Sector (EUR 509 million) and lower in the Chemicals (EUR 238 million) and Plastics (EUR 264 million) Sectors
- 2008 dividend: EUR 2.9333 gross (EUR 2.20 net) per share (unchanged from 2007)
- Solid financial structure

The Management Report for the accounting period ending on December 31, 2008, consisting of pages 12 to 19, 107 to 114 (risk analysis) and 131 to 155 (Report on the Application of the Corporate Governance Rules) has been prepared in accordance with article 119 of the Companies' Code and approved by the Board of Directors on February 18, 2009.

Business progress

The Solvay group has successfully confronted the global economic crisis of recent months thanks to the diversification of its activities, the rigor of its balance sheet management and the measures taken to strengthen its competitiveness: dynamic working capital management, strict cost control, temporary production cut-backs in certain areas and timely targeted restructuring. These measures will be continued and the 2009 capital expenditure budget has been pruned sharply in order to maintain a solid financial situation while continuing to selectively implement the strategy of sustainable and profitable growth.

At EUR 9 490 million, **sales** for 2008 were slightly lower than in 2007 (-1%), owing to contracting demand in the fourth quarter (global economic crisis) and the unfavorable impact of exchange rates. At constant exchange rates, they would have risen by 1% compared with 2007.

REBIT at EUR 965 million was 19% down on the record 2007 level. The REBIT of the Pharmaceuticals Sector was up strongly (+ 11%), that of the Chemicals (-31%) and Plastics (-40%) Sectors down sharply in a very difficult economic context (high raw materials and energy costs, sharply contracting demand at year-end, mainly in Plastics).

Operating margin (REBIT as a percentage of sales) was 10.2%, compared with 12.5% in 2007.

-1%
in sales

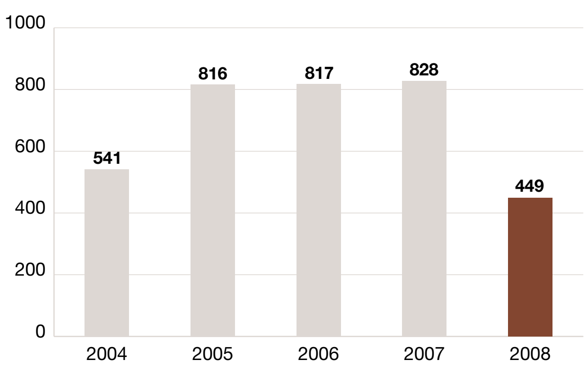
-19%
in operating results

REBITDA was EUR 1 436 million.

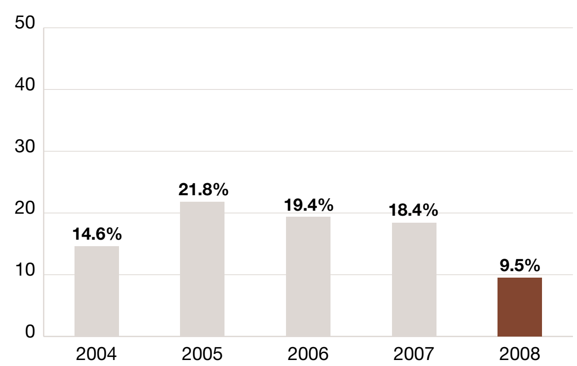
The **net income of the Group** (EUR 449 million) declined by 46% compared with 2007. This result was impacted by adjustments in book value (non cash / for a total net amount of EUR -243 million), positive for soda ash in the USA and negative for holdings in Fortis. The latter explains why the Return on Equity (9%) for 2008 was below the Group objective of 15%, after exceeding this objective for the past four years.

2008 ended with a net debt to equity ratio of 34% (compared to 29% at the end of 2007), reflecting the Group's policy of **rigorous balance sheet management**. It should be noted that the first major debt maturity will not occur until 2014.

Net income of the Group (EUR million)



Return on Equity (%)



EUR million	2007	2008	2008/2007
GROUP sales	**9 572**	**9 490**	**-1%**
Pharmaceuticals	2 591	2 699	4%
Chemicals	3 031	3 096	2%
Plastics	3 950	3 695	-6%
"Corporate and Business Support"[1]	–	–	–
GROUP REBIT	**1 192**	**965**	**-19%**
Pharmaceuticals	457	509	11%
Chemicals	345	238	-31%
Plastics	441	264	-40%
"Corporate and Business Support"[1]	-51	-46	-9%

Progress by Sector

Sales in the **Pharmaceuticals Sector** (EUR 2 699 million) increased by 4% compared with 2007. At constant exchange rates they would have increased by 8%.
Sales growth of the main products (in particular the fenofibrate franchise, ANDROGEL® and CREON®) and miscellaneous income largely compensated the negative effects of unfavorable exchange rates and significant competitive pressure from generic drugs, especially in France and in the United States (for MARINOL®).
Sales in emerging markets today represent about 20% of sales in the Pharmaceuticals Sector. It should be noted that the approval of TRILIPIX™ in mid-December generated revenues of EUR 39 million as a result of sales in the United States, among others in order to fill the distribution network. Operating result (EUR 509 million) improved by 11% compared with 2007. This figure includes the profit (EUR 44 million) on the sale of two non-strategic products (BALDRIAN® and ALVITYL®), partially compensating for the unfavorable exchange rates and the expenses linked to co-promotion of SIMCOR® in the United States.
R&D investments (EUR 428 million) were up by EUR 13 million compared with 2007.

For the **Chemicals and Plastics Sectors**, 2008 was marked by the significant and continuous increase in energy and raw materials costs, reducing the gross margin, partially offset by increased sales prices, and by a sharp contraction in demand during the fourth quarter, especially in Plastics.

Chemicals Sector sales in 2008 (EUR 3 096 million) improved by 2% (+ 5% at constant scope) compared with 2007 thanks to sustained demand during the first ten months and to price increases for certain products. Slowing demand at the end of the year led to production cut-backs in certain areas. The operating result for 2008 (EUR 238 million) declined by 31%. The Minerals cluster continued to improve sales but results were affected by energy costs. In Electrochemistry, caustic soda sales remained buoyant until the end of September.
The fourth quarter drop in demand was lower than that of production; consequently, the increase in the selling price of caustic soda continued. Epichlorohydrin results are down sharply compared with 2007. The Oxygen cluster also faced slowing demand in 2008, in Europe and also in the United States, in a context of very high energy and raw materials costs.

In 2008, **Plastics Sector** sales (EUR 3 695 million) declined by 6% compared with 2007, especially following a sharp contraction in demand during the fourth quarter. The global economic crisis had a negative impact on the operating result for 2008 (EUR 264 million, down 40% compared with the excellent 2007 result). In the fourth quarter, the loss in Vinyls explained the negative operating result of the Sector. It resulted from the sharp drop in demand and prices while the cost of ethylene still remained at a high level. The reduction of production in this context weighed on results but prevented a high inventory surplus. Negative adjustments to inventory valuation (EUR -30 million), taken at the end of the year following a drop in selling prices, were thus limited to a minimum. Sales volumes of Specialty Polymers also fell off at the end of the year; evolution throughout the year 2008, however, remained positive (volumes up by 2%). Various measures were taken to further reinforce their competitiveness and sustain their results. Considering the global context, the Specialty Polymers showed a good resistance.

1. Non-allocated items, after larger direct allocations from 2007 onwards.

16

Energy situation

During the first part of 2008, energy prices soared, before falling suddenly during the second half in the wake of the global economic crisis.

The Solvay group's energy bill rose noticeably in 2008, though the Group's proactive energy policy kept the rise well below that of market prices. The 2008 net energy bill represents 10% of sales, compared with 8% in 2007.

The key features of the Group's energy policy are improving the energy efficiency of its industrial processes, diversifying energy sources, using cogeneration and renewable energies, and setting up partnerships and energy integration projects.

In 2008 this policy took concrete form in the decision to build a cogeneration unit using secondary fuels on the Bernburg (Germany) site in partnership with Tönsmeier and a cogeneration unit supplied by biomass on the Tavaux (France) site, in partnership with Dalkia. In Argentina, Solvay Indupa has secured a supply of competitively priced energy by partnering with a local energy group to build an electricity generating plant on its Bahia Blanca site.

Depending on the specific market conditions of each activity, price rises are also negotiated to compensate the rise in energy costs.

In response to the rapidly-evolving energy situation, Solvay announced in 2008 the creation of a dedicated subsidiary with the primary objective of supplying and covering the main energy needs (electricity, gas, coal, coke, etc.) of its Sectors and SBUs.

Comments on the key figures

Income statement

Non-recurring items amounted to EUR 20 million in 2008 compared with EUR 31 million in 2007.
These include:

– the reversal of the impairment on the trona mine (natural soda ash) in the USA (EUR 92 million);
– the capital gain (EUR 30 million) on the sale of Solvay Engineered Polymers in the USA;
– non-recurring restructuring charges in the Pharmaceuticals Sector (EUR 48 million for the "INSPIRE" project) and the Chemicals Sector (EUR 12 million asset depreciation as part of the restructuring of the Girindus activities in Germany).

Charges on net indebtedness (EUR 93 million) were higher than in 2007, in line with the increase in net average indebtedness. At the end of December 2008, 95% of the financial debt was covered at an average fixed rate of 5.4% for a duration of 7.4 years. The first significant debt maturity will not occur until 2014.

Income from investments included the extraordinary write-down (EUR -309 million) of holdings in Fortis (non-cash charge), posted at closing at the end of 2008 (EUR 0.929 per share). This holding was acquired by the Group between the two world wars. More recently, it generated capital gains close to EUR 200 million (in 1998 and 2007) and a dividend of EUR 20 million in 2007.

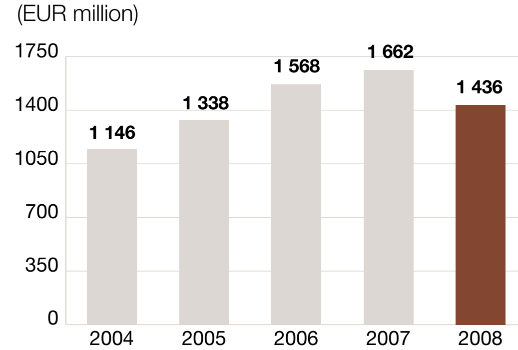
Income Taxes amounted to EUR -143 million.
The effective tax rate is 24% compared with 29% in 2007. The 2008 tax rate benefited from the reversal of provisions following the favorable outcome of tax inspections and the write up of earlier tax losses, but was negatively affected by the non-deductible write down of holdings in Fortis.

Net income of the Group (EUR 449 million) is down 46% on 2007. Minority interests are EUR 44 million compared with EUR 47 million in 2007. Net earnings per share is EUR 4.92 in 2008 (as against EUR 9.46 in 2007).

REBITDA

REBITDA amounted to EUR 1 436 million. Recurrent depreciation and amortization were stable compared with 2007. **Total depreciation and amortization** (EUR 417 million) were down 30% with the reversal of the impairment on the trona mine (natural soda ash) and the recording in 2007 of non-recurrent write-offs linked to the restructuring in the Fluorinated and Pharmaceuticals activities.

(EUR million)



Balance sheet

Total Equity stood at EUR 4 745 million at the end of 2008, up EUR 286 million compared with the end of 2007, following essentially the booking of the net income for the year (EUR 449 million) less the dividends paid during the year (EUR 257 million).

The Group set as a major priority the maintenance of a solid financial situation, in particular in the current economic context. Thus 2008 ended with a **net debt to equity** ratio of 34% (compared with 29% at the end of 2007). **Net debt** at the end of 2008 amounted to EUR 1 597 million compared with EUR 1 307 million at the end of 2007. Special efforts were made to manage **working capital** in the fourth quarter: its level at the end of 2008 was lower than at the end of 2007. Investments and acquisitions in 2008 were financed out of operating cash flow.

The Moody's and Standard &Poor's **long- and short-term ratings** for Solvay are A/A2 and A1/P1 respectively.

Capital expenditures and Research & Development

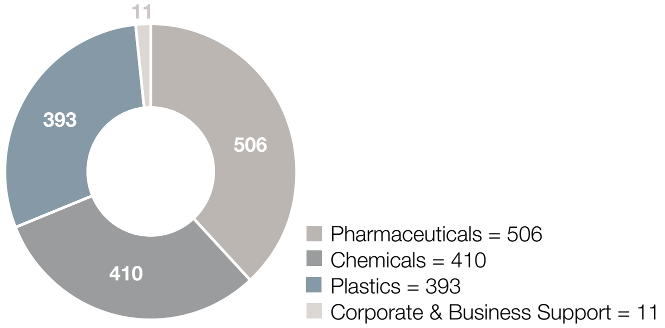
Investments in 2008 represented EUR 1 320 million, of which about EUR 100 million were for acquisition of the Alexandria Sodium Carbonate Company soda ash plant in Egypt and about EUR 190 million for acquisition of the biotechnology company Innogenetics nv. These two amounts were not included in the announced budget of EUR 1 091 million. Initiatives were also taken for development of Specialty Polymers in India and China and, in Vinyls, for capacity expansion in Thailand and modernization of the production unit in Brazil. Other capital projects targeted improvement in our energy performance.

The 2009 capital expenditures budget has been adapted to the current economic crisis. It amounts to EUR 638 million. It is based on two principles: restricting of investments to the level of depreciation, while maintaining those related to health, safety and the environment, and beyond that, concentrating of investments on a very limited number of strategic projects. These projects are oriented by priority toward geographic expansion of the Group and toward the options it has taken in terms of Sustainable Development.

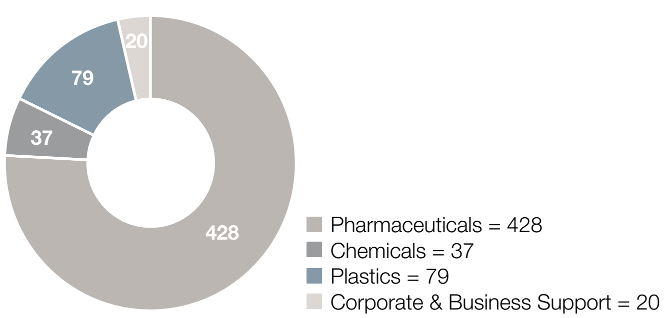
Research and Development (R&D) expenditures reached EUR 564 million in 2008 of which about 75% in the Pharmaceuticals Sector. R&D efforts by the latter represented EUR 428 million, or 16% of sales.

The R&D expenditures budget for 2009 is EUR 590 million, of which EUR 435 million, or about 75% of the total, is for the Pharmaceuticals Sector.

Investments and acquisitions by the Group in 2008 = EUR 1 320 million



Group R&D in 2008 = EUR 564 million



Financial Information per Share

Earnings per share

Net income of the Group (EUR 449 million) declined by 46% compared with 2007. Minority interests are EUR 44 million compared with EUR 47 million in 2007. **Net earnings per share** amounts to EUR 4.92 in 2008 (EUR 9.46 in 2007).

Dividend

The Board of Directors of February 18, 2009 decided to propose to the Ordinary Shareholders' Meeting of May 12, 2009 the payment of a **gross dividend** of EUR 2.9333 (EUR 2.20 net) per share, which is identical to 2007. Based on the closing price at February 17, 2009 (EUR 52.67), this represents a gross dividend yield of 5.6% and a net dividend yield of 4.2%.

Given the interim dividend of EUR 1.20 gross per share (coupon no. 83) paid on January 15, 2009, the balance of the dividend in respect of 2008, equal to EUR 1.7333 gross per share (coupon no. 84), will be paid on May 19, 2009.

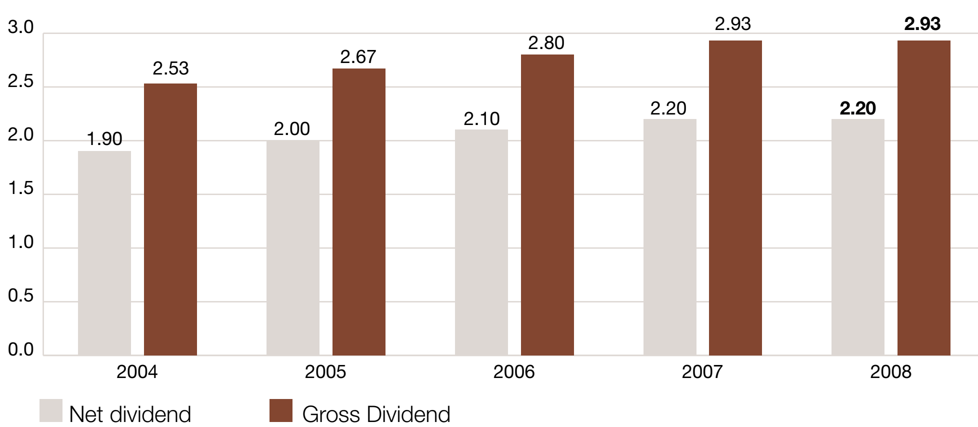
This increase is in line with Group's dividend policy of increasing the dividend whenever possible and, as far as possible, never reducing it. Over the past 27 years the dividend has been steadily increased and never reduced.

Parent company results (Solvay SA)

Solvay SA is a holding company. Its income comes essentially from managing a portfolio of investments. The operating result represents the balance of the head office operating costs partially offset by income from industrial and commercial activities not undertaken through subsidiaries.

EUR million	**2007**	**2008**
Profit for the year available for distribution	479	376
Carried forward	550	780
Total available to the General Shareholders' Meeting	**1 029**	**1 157**
Appropriation:		
Gross dividend	249	249
Carried forward	780	908
Total	**1 029**	**1 157**

Gross and net dividend per share (in EUR)



Current profit before taxes amounts to EUR 376 million, compared with EUR 105 million in 2007.

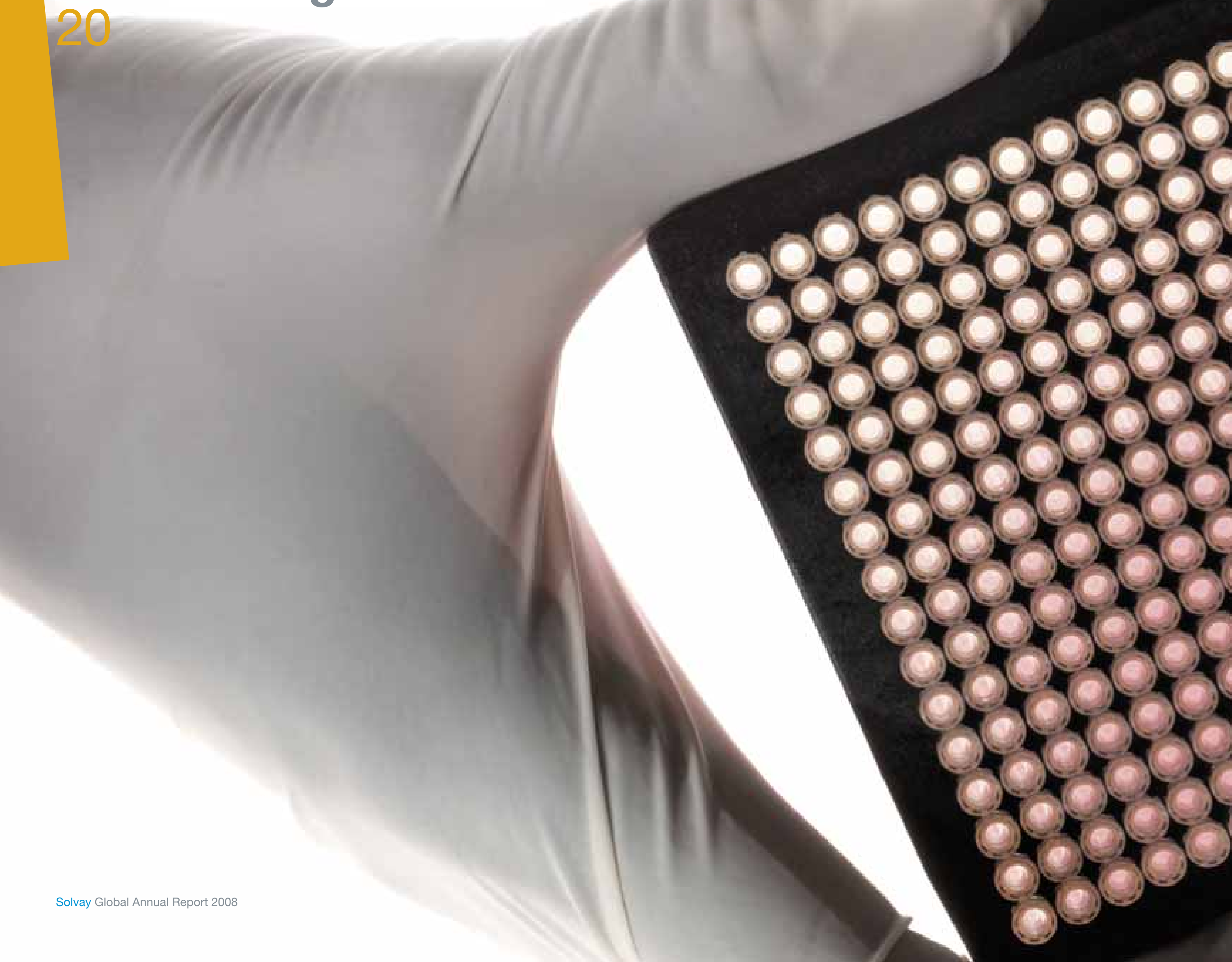
The balance of extraordinary results is EUR -15 million compared with EUR 330 million in 2007. Taking into account a EUR 15 million tax credit (2007: EUR 44 million), the net profit for the year of Solvay SA amounts in 2008 to EUR 376 million, compared with EUR 479 million in 2007. In the absence of transfers to untaxed reserves, net income for the year of EUR 376 million is available for distribution.

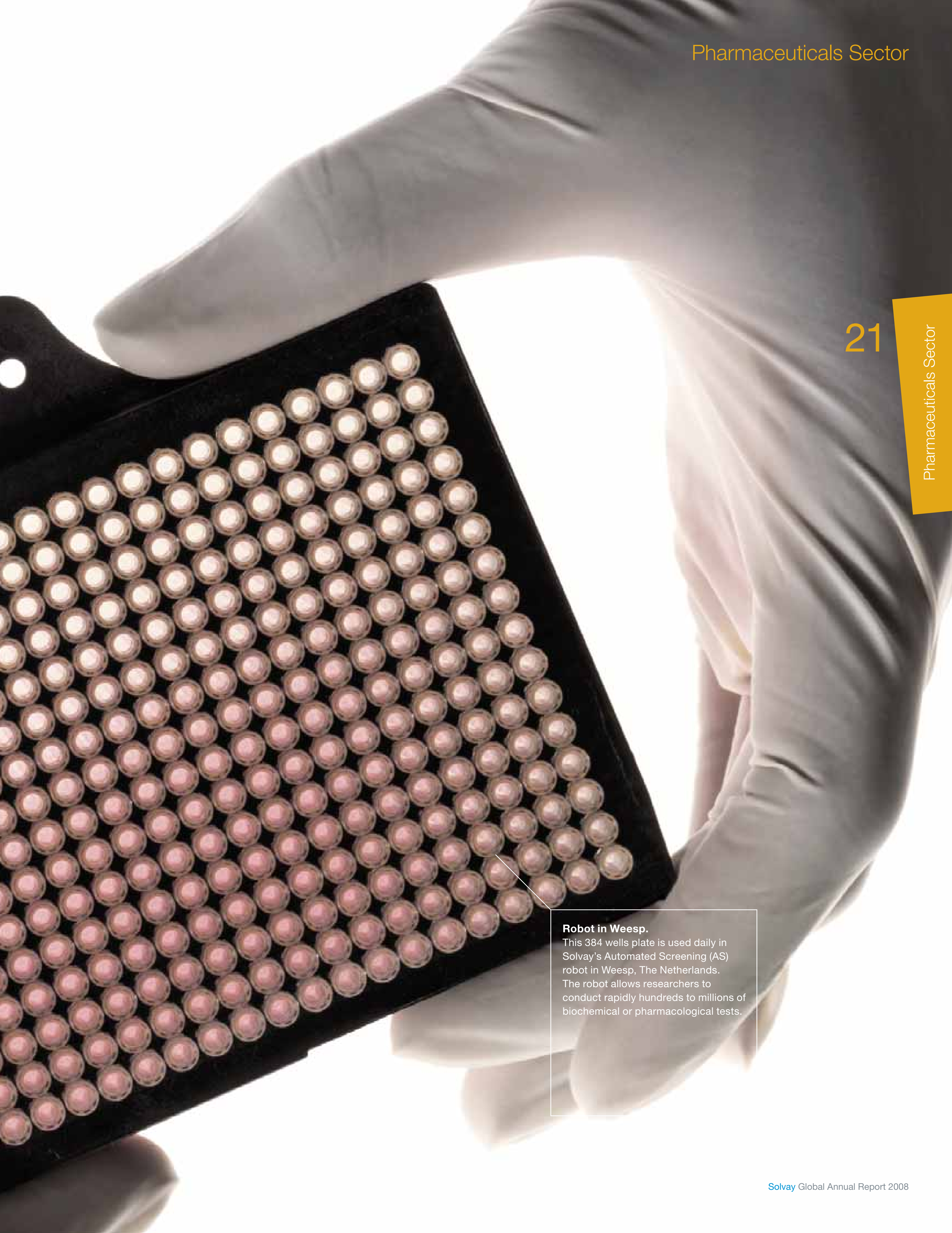
Consolidated data per share

EUR	2004	2005	2006	2007	2008
Stockholders' equity	34.92	45.46	50.97	52.10	54.05
REBITDA	13.88	16.13	18.97	20.13	17.44
Net income	5.92	9.51	9.57	9.46	4.92
Net income (excluding discontinued operations)	5.12	3.77	8.33	9.46	4.92
Diluted net income	5.90	9.46	9.52	9.40	4.91
Diluted net income (excluding discontinued operations)	5.11	3.75	8.28	9.40	4.91
Number of shares (in thousands) at December 31	*84 623*	*84 696*	*84 701*	*84 701*	*84 701*
Average number of shares (in thousands) for calculating IFRS earnings per share	*82 521*	*83 021*	*82 669*	*82 586*	*82 318*
Average number of shares (in thousands) for calculating IFRS diluted earnings per share	*82 751*	*83 491*	*83 106*	*83 054*	*82 447*
Gross dividend	2.53	2.67	2.80	2.93	2.93
Net dividend	1.90	2.00	2.10	2.20	2.20
Highest price	83.9	104.1	116.2	123.2	97.9
Lowest price	64.1	79.95	83.1	92.3	51.45
Price at December 31	81	93.1	116.2	95.7	53.05
Price/earnings at December 31	13.7	9.8	12.1	10.2	10.8
Net dividend yield	2.3 %	2.1 %	1.8 %	2.6 %	4.2%[1]
Gross dividend yield	3.1 %	2.9 %	2.4 %	3.5 %	5.6%[1]
Annual volume (thousands of shares)	27 710	44 181	46 225	57 536	94 322
Annual volume (EUR million)	2 000	4 011	4 442	6 318	7 702
Market capitalization at December 31 (EUR billion)	6.9	7.9	9.8	8.1	4.5
Velocity (%)	31.5	53.3	56.9	71.5	113.2
Velocity adjusted by Free Float (in %)	43 .1	71.1	81.2	102.1	161.7

1. Based on the closing price at February 17, 2009 (EUR 52.67).

Solvay's Pharmaceuticals Sector consistently strives to develop and bring to the market drugs with improved therapeutic efficiency which fulfill carefully selected, unmet medical needs. Solvay Pharmaceuticals seeks to drive innovation in the pharmaceutical industry while placing patients at the heart of its professions and organization.





Robot in Weesp.
This 384 wells plate is used daily in Solvay's Automated Screening (AS) robot in Weesp, The Netherlands. The robot allows researchers to conduct rapidly hundreds to millions of biochemical or pharmacological tests.

Shaping up to a Changing Industry

Solvay Pharmaceuticals operates in two key therapeutic fields, in which it undertakes a full range of Research and Development activities: Cardiometabolics (including the fenofibrate franchise); and Neuroscience.

These are supplemented by two niche areas in which Solvay is well-established, with extensive know-how: Flu vaccines and Pancreatic enzymes. And by two other commercially important fields where existing products receive management and R&D support: Female and male hormone treatments, and Gastroenterology.

Strategy

Transforming the economic model of the Pharmaceuticals Sector to combine greater efficiency and sustainable growth, through:

- Profitable growth;
- Greater operating efficiency;
- An enlarged pipeline of new products ("towards open innovation");
- Improved individual performance and management skills.

Short-term initiatives

- Almost 80% of the synergies in the "INSPIRE" plan were achieved by the end of 2008, in line with objectives:
  > Lowering of manufacturing, supply, administration and sales costs;
  > Maintaining R&D investment levels.
- Selective reorganization of production sites: 11 sites at year-end 2008 compared with 18 in 2005;
- Personnel cutbacks in markets facing competition from generics;
- Commercial success in emerging countries: Solvay is now one of the ten largest pharmaceutical enterprises in Russia.

The main drivers for change in 2008 and beyond

Deploying the "INSPIRE" program for greater efficiency
The "INSPIRE" program was launched immediately following the acquisition of Fournier Pharma in 2005 to achieve synergies from new global initiatives for all our operations.

By the end of 2008, EUR 240 million of annual synergies had been reached. This score will be further improved in 2009, on the way to the planned EUR 300 million of synergies by 2010.

Sales and marketing, manufacturing and supply, and administrative costs have all been structurally reduced, while maintaining Research and Development investments.

Improving our production and supply chains
With the rationalization of activities at all Solvay Pharmaceuticals-owned and managed production sites, selective reorganization (reduction of production sites from 18 in 2005 to 11 by year-end 2008) and the outsourcing of certain active ingredients, the Sector is shaping up for the future. Reducing production costs gives us room to respond to global efficiency improvement objectives.

Bridgeheads in emerging markets
Solvay Pharmaceuticals first built up its market presence in Western Europe. In the 1980s and 1990s it then added North America. Today, in the 2000s, solid bridgeheads have been established in emerging, new and promising markets, among them Russia, Brazil, Mexico, China, India

Key figures [EUR million]

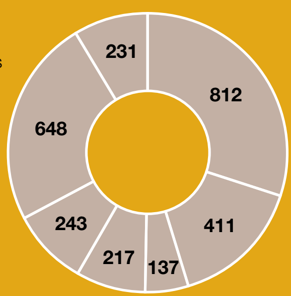
	2006	2007	**2008**
Sales	2 601	2 591	**2 699**
REBIT	451	457	**509**
REBITDA	554	559	**617**
Depreciation	113	140	**121**
Capital expenditure	201	73	**506**
R&D	424	415	**428**
Headcount*	10 088	9 178	**9 660**

* Full-time equivalents at January 1 of the following year for 2006 and 2007; December 31 of the same year for 2008.

Sales breakdown 2008: EUR 2 699 million

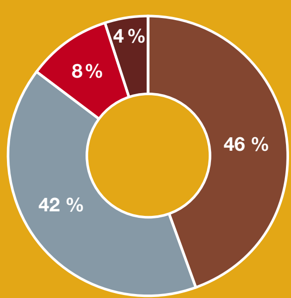
By therapeutic field

Cardiometabolics
812
Neuroscience
411
Flu vaccines
137
Pancreatic enzymes
217
Gastroenterology
243
Female and male hormone treatments
648
Others
231



By geographic area

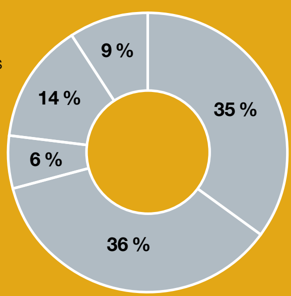
Europe **46 %**
36 % European Union (27)
10 % Other European countries
The Americas **42 %**
40 % Nafta
2 % Mercosur
Asia-Pacific **8 %**
Rest of the world **4 %**



R&D expenditure 2008: EUR 428 million

By therapeutic field

Cardiometabolics
35 %
Neuroscience
36 %
Flu vaccines
6 %
Pancreatic enzymes
14 %
Female and male hormone treatments
9 %



and Turkey, as well as numerous smaller markets in Asia, Eastern Europe and South America. In the coming years, we will strengthen our presence in these primary markets, which are growing faster than our traditional areas. In recent years, sales and marketing structures have been introduced in these new emerging countries and staffing increased. In 2008, around 20% of sales were generated in these countries, giving a strong boost to the geographic profile of Solvay Pharmaceuticals' income.

Parallel with this, we have adjusted staffing in older, better established markets, where future growth is expected to be less, and pared it considerably in markets facing competition from generics.

Continuing the good growth of products addressing urgent medical needs
Solvay Pharmaceuticals' present offerings include a certain number of products in so-called "urgent medical needs" areas.

- Our **fenofibrate franchise** products improve the blood lipids profiles of patients at risk from cardiovascular disorders. Right now these conditions are among the main causes of mortality in both industrialized and developing countries.

- Our **CREON®** pancreatic enzymes are a world-leading product line used for treating, among other things, life-threatening cystic fibrosis in infants and adults. They are also used in treating pancreatic disorders, like infections or cancers.

- **DUODOPA®** offers treatment for late-stage Parkinson's disease. The desired level of active ingredient is fed directly into the small intestine through a catheter. Solvay is also researching new treatments for Parkinson's.

- Our **INFLUVAC®** range of flu vaccines is another product that meets an urgent medical need. Vaccination against flu is one of the World Health Organization's main priorities. It contributes to fighting seasonal flu and to preparing for the next pandemic, which is now expected at any time. As well as manufacturing these vaccines with chicken eggs, using a well-established process, we are completing validation of a new plant to produce vaccines using cell cultures.

Solvay Pharmaceuticals results in 2008

Rising sales and profits in recent years
Over the **past 12 years**, Solvay Pharmaceuticals' sales have risen significantly, from EUR 1 049 million in 1997 to EUR 2 699 million in 2008. This represents an average growth of 9% a year.

In terms of profits, over the same period our REBIT has risen from EUR 118 million to EUR 509 million. This increase is paralleled by a strong improvement in the REBIT to sales ratio, from 11.2% in 1997 to 18.9% in 2008.

In 2008, the Pharmaceuticals Sector achieved sales of EUR 2 699 million, despite the negative impact of the USD exchange rate. At a constant exchange rate, growth would have been significantly more sustained, given that our US sales, expressed in USD, grew by 14% in 2008.
In 2008, operating results (REBIT) once again exceeded those of previous years (up 11% to EUR 509 million).

Certain historical records were achieved in 2008:
- sales of cardiometabolic fenofibrate passed the EUR 500 million mark, up 18% from 2007;
- worldwide sales of ANDROGEL® (men's health) exceeded EUR 330 million for the first time, up 9% from 2007;
- worldwide sales of CREON® passed the milestone of EUR 200, up 9% from 2007.

Distribution by geographic zones shows the predominance of Europe, with 46% of sales, closely followed by NAFTA in second position with 40%. Our emerging markets already represent almost 20% of sales, proving that our geographic diversification is moving ahead, which is an important trend indicator for the future.

Our Russian company has done particularly well. In 2008 it achieved a market share of 2.4%, the best score for any Solvay Pharmaceuticals entity. In Russia, now our third country in terms of sales, we are today among the top ten pharmaceuticals companies.

Flagship Products in 2008

Therapeutic field	Product	Markets	2008 sales in EUR million	% of 2008 sales	Change 2008/2007 %	Change 2008/2007 (at constant exchange rates)
Cardiometabolics	**TRICOR®/LIPANTHYL®/ TRILIPIX™**	Global	**511**	20%	+ 18%	+ 24 %
Men's health	**ANDROGEL®**	North America + Central & Eastern Europe, Middle East, South Africa	**337**	13%	+ 9%	+ 17%
Pancreatic enzymes	**CREON®**	Global	**217**	8%	+ 9%	+ 13%
Neuroscience	**SERC®**	Europe + Export	**165**	6%	+ 10%	+ 10%
Flu vaccines	**INFLUVAC®**	Europe + Export	**116**	4%	- 9%	- 8%
Cardiometabolics	**TEVETEN®**	Global [1]	**116**	4%	+ 9%	+ 9%
Gastroenterology	**DUPHALAC®**	Global	**104**	4%	+ 6%	+ 7%

1. Rights transferred in the USA to Biovail.

Thanks to diversification, seven of our products each produced sales of over EUR 100 million: the TRICOR®/ LIPANTHYL®/ TRILIPIX™, fenofibrate franchise, ANDROGEL®, CREON®, SERC®, INFLUVAC®, DUPHALAC® and TEVETEN®.

Among new and promising growth products, OMACOR® and DUODOPA® are leading the way:

- The cardiometabolic product OMACOR® generated EUR 47 million or 2% of total Pharmaceuticals Sector sales, up 43% from 2007.
- DUODOPA®, a neuroscience product with sales of EUR 42 million, also represents 2% of the total, and is up 65 % from 2007.

Major events at Solvay Pharmaceuticals in 2008

Acquisition of Innogenetics: a turn towards personalized medicines
In 2008, Solvay acquired Innogenetics, a Belgian biotech company in the diagnostics field. Work has already begun on its full integration.

For Solvay Pharmaceuticals, this strategic acquisition is another major step towards anticipating future trends in personalized medicine. In the future it will become increasingly common practice to measure patients' personal parameters before administering prescription medication, with medicines prescribed only to patients who are likely to respond to them. While this evolution will not take place overnight, this approach is already being applied in certain cancer treatments. Applications in the cardiovascular field are currently under study.

The close collaboration of the two companies' R&D entities offers a double advantage, as Innogenetics' competences in diagnostics and biomarkers will enable us to develop new medicines faster and more profitably. Combined administration of medicines and diagnostic tests will also increase the use of diagnostics in enlarged pharmaceuticals markets.

TRILIPIX™ in the United States
The new-generation TRILIPIX™ fenofibrate (fenofibric acid) was approved in late December 2008 by the American FDA. TRILIPIX™ reduces triglyceride and "bad" LDL cholesterol levels and increases levels of "good" HDL cholesterol in lipid disorder patients. TRILIPIX™ is the first and only fibrate authorized for administration in association with a statin. Abbott and AstraZeneca are also working together to co-develop and market a fixed-dose combination of TRILIPIX™ and CRESTOR® (statin) in the United States.

SLV319
In November 2008, Solvay Pharmaceuticals announced its decision to halt all research activity on SLV319, a selective cannabinoid type-1 antagonist, at the time in phase II development for the treatment of obesity. Despite recent results showing its clinical effectiveness, this decision was taken after closely examining the current regulatory context, which is characterized by new obstacles for approving a medicine in this class, following the problems encountered by candidate medicines from other companies.

OMACOR® GISSI Trial
Results of the decisive GISSI Heart Failure (GISSI-HF) trial, involving almost 7 000 patients, were presented to the 2008 congress of the European Society of Cardiology (ESC). OMACOR®, a medication to which Solvay Pharmaceuticals holds the rights in many European, Asian and Middle Eastern countries, has proved its effectiveness in reducing mortality and hospitalizations for cardiovascular problems among patients with chronic heart failure.

Tedisamil
In May 2008, Solvay Pharmaceuticals obtained the green light to market tedisamil in the United Kingdom, Spain and Sweden. Tedisamil is a cardiometabolic drug for bringing recent-onset atrial fibrillation back to a normal sinus rhythm. Tedisamil is now available for out-licensing.

Co-promotion of SIMCOR® in the United States
In April 2008 a milestone payment of USD 100 million to Abbott by Solvay marked the start of efforts to co-promote SIMCOR® in the United States. SIMCOR® (NIASPAN®/simvastatin) is a combined fixed dose lipid treatment, developed by Abbott, that reduces total cholesterol, LDL ("bad" cholesterol) and triglycerides while increasing HDL ("good" cholesterol).

GABAPENTIN GR® in the United States
At the end of November 2008, Solvay Pharmaceuticals announced it had reached agreement with Depomed to develop GABAPENTIN GR® (DM-1796) for treating neuropathic pain in post-herpetic neuralgia. Now in phase III development, GABAPENTIN GR®, which is administered in a single daily dose, could offer a new therapeutic option for patients. GABAPENTIN GR® is an important addition to Solvay Pharmaceuticals' neuroscience portfolio, with licences for the United States, Canada, Mexico and Puerto Rico.

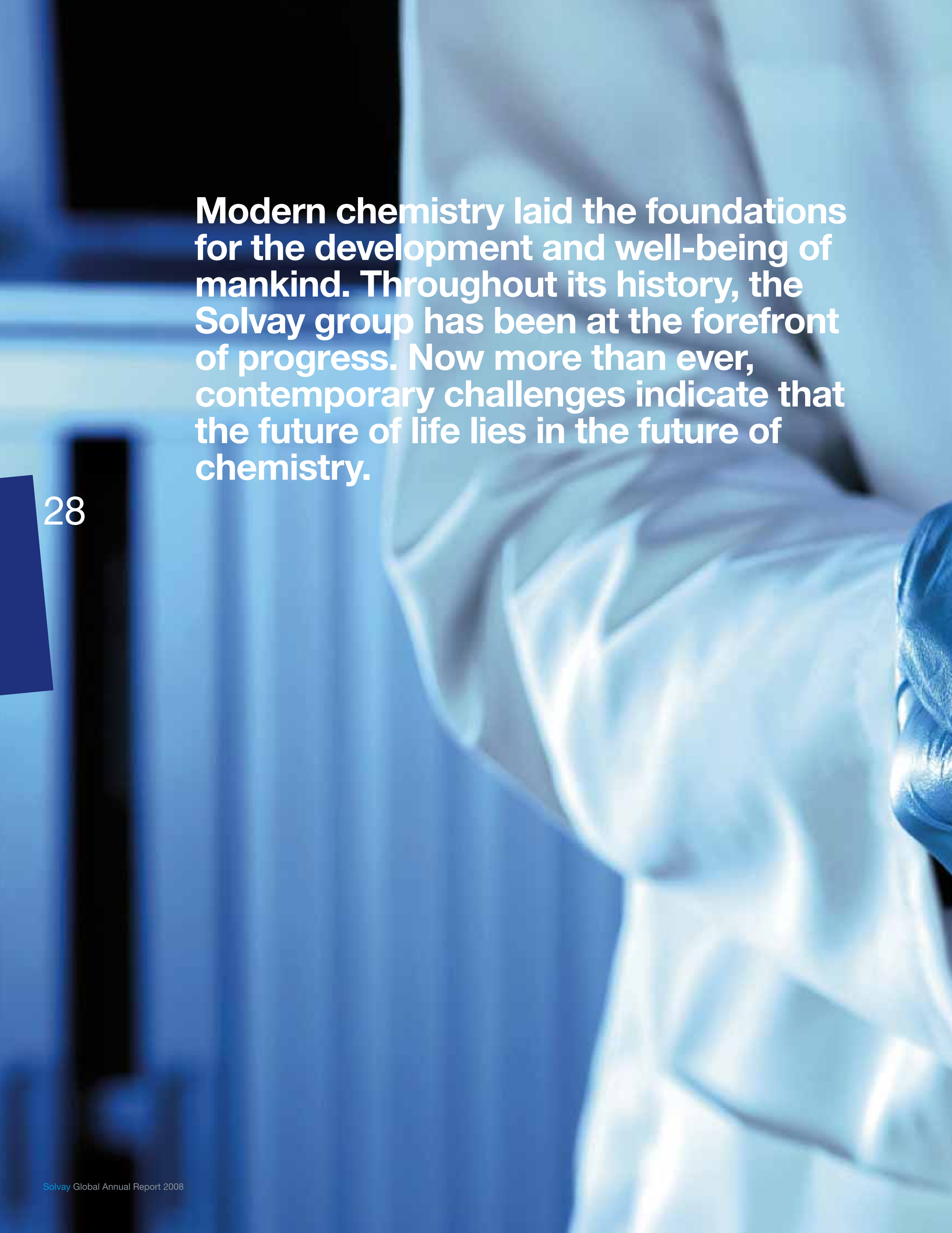
Bifeprunox
In February 2008, Solvay Pharmaceuticals acknowledged Wyeth Pharmaceuticals' decision to end their collaboration agreement in the United States. The two companies had been working since 2004 on bifeprunox and two other antipsychotic preparations (SLV313 and SLV314) at the early development stage. This decision marked the end of all R&D activity on bifeprunox in the United States.
Development of bifeprunox continues in Europe with Lundbeck.

CREON® in the United States
The Antiviral Drugs Advisory Committee of the American Food & Drug Administration (FDA) has accepted for review the marketing application for CREON®. The FDA's decision was not yet known at the end of 2008. However, the committee's comments on the existence of a major medical need for such pancreatic enzymes and on the very low risk of transmission of viral infection are encouraging and should help in gaining official approval.

Sales of less important products
In 2008, certain smaller, non-strategic products, in particular BALDRIAN® and ALVITYL®, were sold, contributing to operating profit. These divestments follow a continuous refocusing on the strategic therapeutic areas.

Research and Development Pipeline

Therapeutic field	Preclinical	Phase I	Phase II	Phase III	Filed/Approved
Cardiometabolics	SLV342 SLV346 SLV352 SLV356	SLV337 SLV338 SLV341	**daglutril** (SLV306): pulmonary arterial hypertension **SLV320**: acute heart failure	**SLV285**: (fenofibrate + statin)	**PULZIUM®** **intravenous tedisamil**: atrial fibrillation (approved in United Kingdom, Sweden and Spain) **TRILIPIX™**: new generation fenofibrate (approved in the USA)
Neuroscience	SLV338 SLV354 SLV357 SLV359 SLV360		**SLV334**: traumatic brain injury **anatibant**: traumatic brain injury (+Xytis)	**bifeprunox (EU)**: schizophrenia (+Lundbeck) **pardoprunox (SLV308)**: mild/moderate Parkinson's disease **DUODOPA® (USA)**: advanced stage Parkinson's disease **GABAPENTIN GR®**: postherpetic neuralgia	
Flu vaccines	Adjuvants H5N1 TC	**INFLUVAC® TC (USA)**: cell-culture-derived flu vaccine		**INFLUVAC® TC EU**: cell-culture-derived flu vaccine **GRIPPOL® TC Russia**: cell-culture-derived flu vaccine	**GRIPPOL® PLUS**: egg-derived flu vaccine (approved in Russia)
Pancreatic enzymes	**SLV340**: pancreatic insufficiency		**SLV339**: pancreatic insufficiency	**CREON® (JPN)**: pancreatic insufficiency	**CREON® (USA)**: pancreatic insufficiency
Women's and men's health				**ANDROGEL® (USA)**: pediatric indication	**FEMOSTON® low dose**: female hormone therapy **ANDROGEL® low volume (USA)**: male hypogonadism
Innogenetics	Targets for biomarkers and assay prototyping	LiPA HBV DR v3 IB AlzBio3 (EU/USA) LiPA CF Plus	LiA process LiA / LiPA platform (USA)	HCV Versant (USA)	LiPA HPV GT (EU)



Modern chemistry laid the foundations for the development and well-being of mankind. Throughout its history, the Solvay group has been at the forefront of progress. Now more than ever, contemporary challenges indicate that the future of life lies in the future of chemistry.

Sodium bicarbonate.
Sodium bicarbonate is a chemical speciality with multiple applications, including pharmacology and depollution.

Weather the Storm, Looking Ahead

Strategy

- Intensifying our geographic expansion through investment in flagship products and high-growth regions;
- growing in specialties, mainly bicarbonate and fluorinated and organic specialties;
- continuing our technological innovation;
- consolidating our competitiveness through operational excellence, world-class plants, and skilled management of energy and our product portfolio.

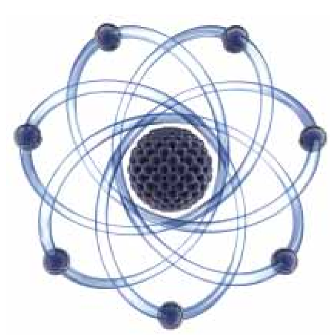
Short-term initiatives

- Stricter control of operating costs has been introduced, and is reducing fixed costs.

- Terminations of activities:
  > The sale of the Caprolactones activity was completed at the beginning of 2008;
  > The precipitated calcium carbonate activity was put up for sale.

- Restructuring plans:
  > The reorganization of the fluorinated chemistry activities is under way:
  – closing of the Tarragona (Spain) production unit;
  – halting production of 134a at the Porto Marghera (Italy) site;
  – workforce reductions at Hannover, Bad Wimpfen and Frankfurt (Germany);
  > Closing of the chloromethane unit at Bussi sul Tirino (Italy);
  > Closing of the strontium carbonate production site at Reynosa (Mexico) by the Solvay-CPC joint venture;
  > Cost reduction measures under review at the Peptisyntha (Belgium) site.

- Raising sales prices:
  To curb the spectacular impact of rising energy costs, measures were taken to increase selling prices where contract provisions permitted:
  > Major price increases (+50% from 2007) were implemented in caustic soda starting in the second half of 2008;
  > In soda ash and sodium bicarbonate, price increases were initially limited to non-contract sales and cases in which contract terms permitted it (e.g. an energy clause in the USA);
  > In other activities, price increases were applied on a case by case basis.



Key figures [EUR million]

	2006	2007	**2008**
Sales	2 998	3 031	**3 096**
REBIT	315	345	**238**
REBITDA	484	508	**398**
Depreciation	201	248	**85**
Capital expenditure	270	315	**410**
R&D	33	37	**37**
Headcount*	8 691	8 395	**8 966**

* Full-time equivalents at January 1 of the following year for 2006 and 2007; December 31 of the same year for 2008.

Sales breakdown 2008: EUR 3 096 million

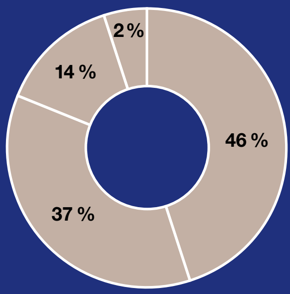
By cluster and SBU

Minerals cluster 46 %
- **40 %** Soda Ash
- **6 %** Advanced Functional Minerals

Electrochemistry and Fluorinated Products cluster 37 %
- **26 %** Electrochemicals
- **11 %** Fluorinated Products

Oxygen cluster 14 %
- **14 %** Hydrogen peroxide

Organic cluster 2 %



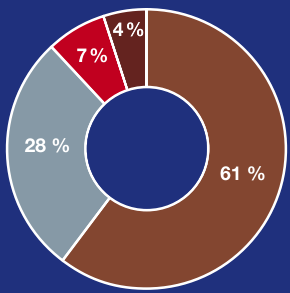
By geographic area

Europe 61 %
- **56 %** European Union (27)
- **5 %** Other European countries

The Americas 28 %
- **19 %** Nafta
- **9 %** Mercosur

Asia-Pacific 7 %

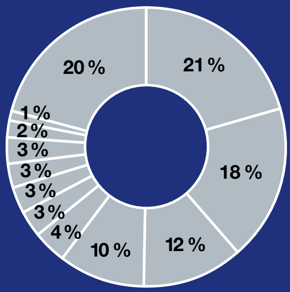
Rest of the world 4 %



Sales by customer segment 2008: EUR 3 096 million

By customer segment

Chemical industry	21 %
Glass industry	18 %
Paper	12 %
Detergents, cleaning and hygiene products	10 %
Human and animal food processing	4 %
Construction and architecture	3 %
Human health	3 %
Electricity and electronics	3 %
Water and environment	3 %
Automobile industry	2 %
Consumer goods	1 %
Other industries	20 %



The main growth drivers in markets

In the Minerals cluster: 4% average annual growth expected in the global carbonates market

- Faster growth in Eastern Europe, Asia and Mercosur;
- growth of specialties, in particular bicarbonate;
- development of new applications like glass for high energy performance buildings and for supports for solar energy systems.

In the Electrochemistry and Fluorinated Products cluster: 3%, average annual growth expected in caustic soda and 6% in epichlorohydrin

For chlorine/caustic soda co-products:

- demand for chlorine defines the market in developed countries;
- demand for caustic soda defines it in emerging countries.

For epichlorohydrin:

- worldwide development of our EPICEROL® process.

In the Oxygen cluster: 4.5% average annual growth expected

- Traditional hydrogen peroxide markets like paper, chemicals, textiles (in Asia);
- new markets like propylene oxide production (a captive market);
- growth markets like water treatment, disinfectants, ore processing, electronics.

The Minerals cluster: Soda Ash and Derivatives, Advanced Functional Minerals

In **Soda Ash**, strong demand in 2007 from growth markets continued during the first 10 months of 2008, forcing sites to produce at maximum capacity. In the final months of the year, and more particularly from mid-December, the impact of the economic crisis increased, affecting most soda ash markets to different degrees and in different timeframes, depending on the applications and degree of integration.

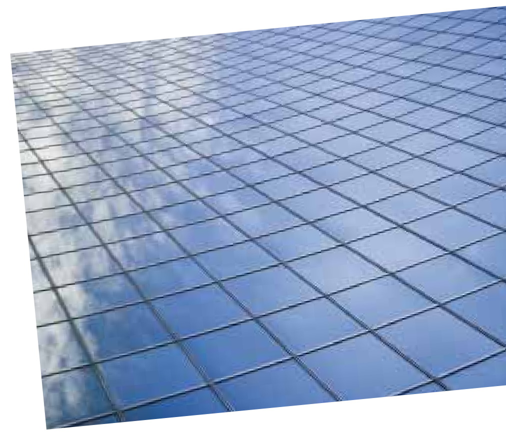
2008 also saw the cost of energy, coal, coke and gas rise to record levels. This negatively affected production costs, placing severe pressure on margins. Recent investments in co-generation at several sites have limited, but not totally offset, the impact on results of this price increase.

This did not prevent SBU Carbonate from implementing a certain number of strategically important projects.

The acquisition of the Alexandria Sodium Carbonate Company, with its soda plant close to Alexandria (Egypt), is part of the Group's geographic expansion strategy. This plant, which was built in 1974 and fully modernized in 1990, currently represents a production capacity of 130 kt/year of soda ash. It will enable Solvay to respond to the growing needs of Egyptian customers and to support projects in fast-growing Middle Eastern and North African markets.

In Bulgaria, the capacity expansion at the Devnya soda ash plant (+ 300 kt/year) will be operational from 2009.

To diversify energy sources, the Group has begun building a power plant fuelled by solid-waste derivatives at the Bernburg (Germany) site, in partnership with Tönsmeier. This plant will provide energy for the site's soda ash and hydrogen peroxide production facilities from 2010 onwards.



Using recycled materials like plastics, woodworking waste, textiles, paper and cardboard, this plant embodies the Group's commitment to search for alternatives to fossil fuels and CO_2 emissions.

Specialty soda ash derivatives are continuing to expand in terms of both volume and new applications.

Our **Bicarbonate** activity is growing dynamically in existing applications, like the SOLVAIR® Select 300 process, developed in the United States. Specifically designed to treat sulfur dioxide (SO_2), it supplements the existing range of products for treatment of incineration flue gases (NEUTREC®). SOLVAIR® Select 300, for which a new 125 kt/year production unit is under construction and will come into operation in 2010, will be produced from previously unutilized by-products, using a new process and reflecting the Group's commitment to make better use of natural resources and limit waste disposal. New applications are also being developed in nutrition, human health and agriculture. To meet these demands, capacity has been increased at the Torrelavega (Spain) plant and a new production unit is under construction at Rosignano (Italy), coming on line in 2009.

The new unit producing **calcium chloride** pearls was successfully brought into service at Rosignano at the end of 2007. The initial capacity of 60 kt/year will gradually be increased to 140 kt/year to meet growing demand.

In **Advanced Functional Minerals** the redeployment of our activities is continuing, including certain divestments. In this context the Precipitated Calcium Carbonate activity, of limited strategic interest for the Group, has been put up for sale. Five European sites are involved.

At the same time, the 75/25 Solvay-CPC joint venture closed its Reynosa, Mexico, strontium carbonate production site.

2009 will be a difficult year, but we are continuing our commercial policy of raising our prices. In particuliar soda ash and in “green” markets like glass for renovating and improving building insulation and for solar panel supports, in which Solvay has a significant presence, should remain growth segments. Applications involving sodium bicarbonate should continue to grow, in particular in the environmental field.

The Electrochemistry and Fluorinated Products cluster

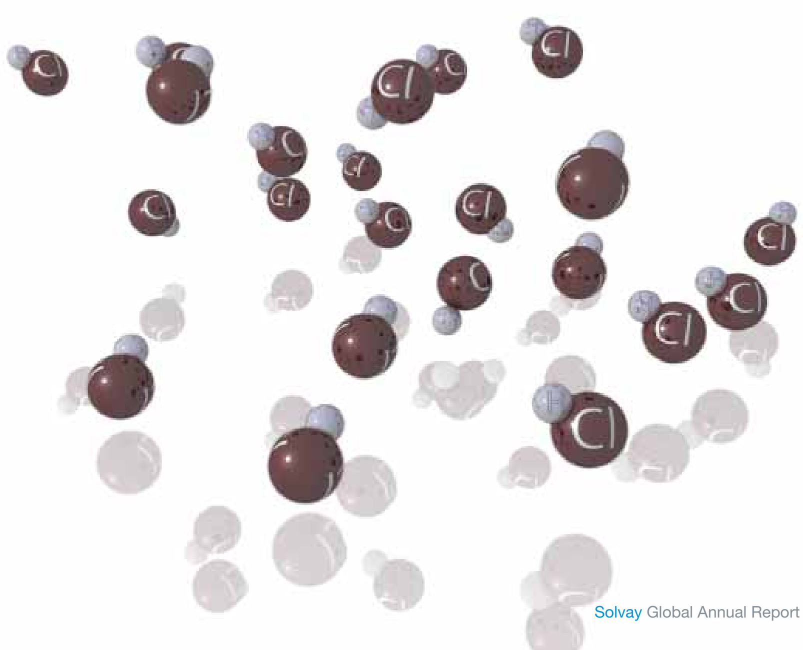
Demand for **Caustic Soda** was stable, with sales remaining buoyant until the end of the third quarter of 2008. Lower fourth-quarter sales reflect the fall in production of chlorine and its co-product, caustic soda, due in particular to falling demand for PVC from the building construction industry. Rising energy prices had a very significant impact on the operating costs of our electrolysis units. Finally, 2008 saw a very sharp rise in caustic soda prices, by over 50% in the second half in Europe and Mercosur, reflecting both a tight supply situation and sharp increases in the cost of electrical energy.

In 2008 we brought online our membrane electrolysis unit at Bussi (Italy). This reflects our strategic choice of gradually replacing our mercury electrolysis units with membrane ones and of supporting this sustainable process which saves water and energy and produces fewer by-products. At the end of 2008 it was also decided to convert part of the electrolysis facility at Tavaux from mercury to membrane technology.

Again with the objective of sustainable, profitable growth, Solvay participates in Exeltium, an industrial consortium of major electricity consumers in France, to ensure stable energy supplies at more competitive prices.

In **Allyls**, demand for epichlorohydrin dropped sharply at the end of the year and market conditions have become very difficult. In the long term, we remain confident that demand will pick up, linked to growth in epoxy resins, which in particular are gradually replacing steel in the automotive and aviation industries, and which are a major component in most fibre-based composite structures. All these applications mean weight reductions and energy savings.

Epichlorohydrin production using the EPICEROL® process has become one of the Group’s flagship processes. The use of natural glycerine, a co-product of the production of biodiesel, as a raw material and the major reduction in by-products and waste are concrete expression of our desire to reduce our industrial impact on the environment.



In 2008, the EPICEROL® team continued work on optimizing the functioning of the Tavaux (France) unit.

For SBU **Fluorinated Products**, 2008 saw sharp rises in raw materials and energy prices, an even more unfavourable euro exchange rate, competition from low-cost Asian products and overcapacities in certain products, leaving little room for any price increases.

In Europe, the restructurings announced in 2007 – Hannover, Bad Wimpfen and Frankfurt (Germany), and Porto Marghera (Italy) – were implemented, and the plant at Tarragona (Spain) was effectively shut without incident. Transfer of SOLKANE® 227 production from Tarragona to Bad Wimpfen is beginning in 2009 as scheduled.

The other strategic development axis consists of expanding sales in the promising North American and Asian markets. In 2008, both regions outperformed expectations. In the United States, selling prices for our products remained favourable, while Asia benefited from the development of our specialties products at the Onsan (South Korea) site.

Conditions in automotive and electronics markets worsened during the last quarter of 2008. Certain production units, like that for NOCOLOK® (aluminium brazing), were therefore shut down.

Continuing the expansion of its Specialties portfolio, Solvay has launched an innovative fluorinated specialty in the form of F1EC, an electrolyte additive that can extend the life of lithium-ion batteries. The manufacturing process was perfected and optimized at Bad Wimpfen prior to upscaling at Onsan, where an industrial-scale production unit is currently under construction and is scheduled to come onstream in 2009.

For caustic soda, trends in prices and quantities during 2009 will depend on the global economic situation, in particular in developing countries. The epichlorohydrin market will remain very difficult. Despite this, it has been decided to build a 100kt/year industrial-scale unit in Thailand. A new operating subsidiary, Solvay Biochemicals Thailand (SBT), has been created to this end. In the longer term, this will enable us to respond to constantly growing demand for epichlorohydrin from the Asia-Pacific region.

For fluorinated products, the restructuring of activities undertaken in 2007-2008 and the ongoing efforts to develop specialty products will continue to bear fruit.

The Oxygen cluster: Hydrogen peroxide

Expansion of the traditional markets for **hydrogen peroxide** slowed in 2008, stabilizing at the high level reached after several years of sustained growth. Europe showed a negative trend, due to ongoing restructurings in the pulp and paper industry, while other regions performed better. A certain deterioration was nevertheless observed during the final quarter of 2008 (in the USA, South America and Asia). Operating margins were also affected by rising energy costs (for gas and electricity).

As part of our partnership with BASF and the Dow Chemical Company to produce propylene oxide at Antwerp (Belgium) using a hydrogen peroxide based process (HPPO), construction of the world's largest-ever hydrogen peroxide unit, with a capacity of 230 kt/year (at 100% concentration), was successfully completed. Work has since begun on a second mega-plant in Thailand, in partnership with the Dow Chemical Company. This is due to come onstream in 2011. These mega-plants are ideal platforms for the Group to further develop its hydrogen peroxide markets and consolidate its lead position. In effect, the combination of captive demand for use in propylene oxide production and demand from traditional markets enables these units to achieve new economies of scale and benefit from synergies available only on large integrated sites.

In **Persalts**, sodium percarbonate is continuing to grow, confirming the better resistance of the detergents market to a less propitious economic environment. The portfolio of specialty peroxide products has performed well, thanks to its positioning in fast-growing niche markets. Two peracetic acid (PAA) grades have been approved by the US Environmental Protection Agency (EPA) for disinfecting waste water and preventing disease in livestock farming.

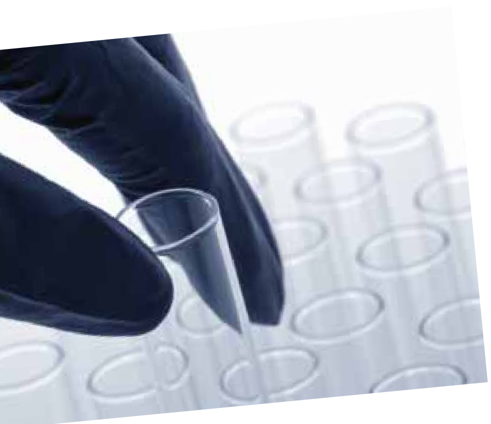
High-purity chemicals for the electronics industry performed well throughout 2008, but with signs of a slowing in the semiconductor industry becoming apparent just at the end of the year. In China, INTEROX® Pico, which is manufactured in the new high-purity plant at Suzhou, has been approved by two major semiconductor producers.

In 2009 the situation will remain difficult for the Oxygen cluster in general and for pulp and paper in particular.

The Organic cluster: Molecular Solutions

In organic chemistry, two courses of action were followed during 2008.

First, peptide and oligonucleotide



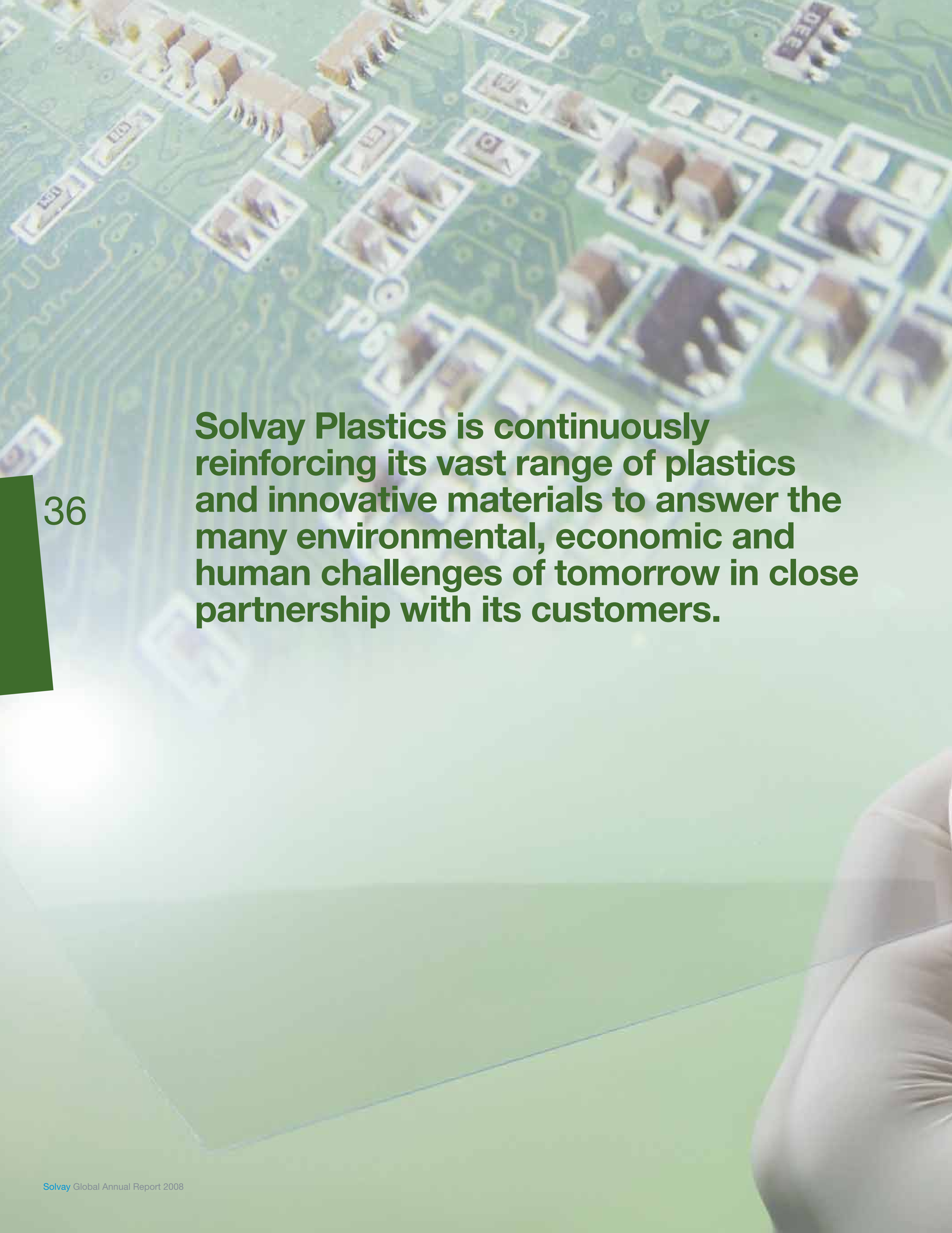
activities were stepped up, with work continuing on developing the pipeline of future molecules. Second, cost reduction measures were taken to react to falling sales in this activity:

- Girindus sold its Kuensebeck (Germany) site;
- cost reduction measures are being reviewed at the Peptisyntha (Belgium) site.

In 2009 the economic crisis is widely impacting the industry and our main customers, in particular for peptides and oligonucleotides.

Innovation

As well as developing new, innovative projects like the SOLVAIR® S300 process, the EPICEROL® process, the high productivity hydrogen peroxide process, and the new F1EC fluorinated compound, in 2008 the Chemical Sector launched a cross-SBU initiative entitled “Seeds for Growth.” This initiative consists of gathering new ideas for growth by developing products or processes in response to the increased scarcity of available fossil resources. This unifying theme, aligned with the Group’s Sustainable Development thrust, has brought in over 1 000 ideas. Sixty ideas grouped around 10 themes have been selected for further examination in 2009.



Solvay Plastics is continuously reinforcing its vast range of plastics and innovative materials to answer the many environmental, economic and human challenges of tomorrow in close partnership with its customers.

Solvay specialty polymers
The outstanding properties of Solvay specialty polymers allow the development of complex, innovative usages, such as the implementation of SOLEF® in printed electronics applications.

Robust and Ready

Strategy

- Constantly reinforcing the robustness of our businesses;
- Focusing on:
  > Society's fundamental long-term needs like water, energy savings, housing, health and well-being;
  > Attractive growth regions like the BRIC countries (Brazil, Russia, India, China) and central and eastern Europe;
- speeding growth by seizing opportunities in materials sciences;
- Keeping innovation and R&D as absolute priorities.

Short-term initiatives

- Adapting SBU Specialty Polymers' activities to the slowing in certain markets:
  > Cost control, adjusting production levels, price increases;
  > Sale of Solvay Engineered Polymers, which sold primarily to the automobile industry.
- Restructuring Inergy Automotive Systems to deal with the automobile crisis that appeared on the horizon in 2008:
  > Closing of the production units at Blenheim (Canada, in 2008) and Nucourt (France, planned for 2009);
  > shedding of 695 FTE in 2008.
- Vinyls: optimizing operating costs through greater integration;
  > concentration on highly competitive world-scale production units;
  > developing synergies in the chlorine chain with BASF at Antwerp (Belgium);
  > concentrating PVC compounds activities on three sites in Europe.
- Restructuring of Pipelife (pipes and fittings) in Spain and Ireland.

The markets' main growth drivers

Innovation: the New Sales Ratio reached 31% in 2007.

In the Specialties cluster: 5 to 10% average annual global growth
- Reducing weight and costs (substitution for metal, glass, etc.);
- Rising demand for healthcare and ageing populations;
- Environmental protection (water and gas treatment) and alternative energies;
- New products and technologies requiring ever higher performance materials.

In the Vinyls cluster: 5% average annual global growth
- Strong growth in building construction and civil engineering in emerging countries;
- Growth in building renovation and civil engineering in developed countries.

Key figures [EUR million]

	2006	2007	**2008**
Sales	3 800	3 950	**3 695**
REBIT	409	441	**264**
REBITDA	595	636	**458**
Depreciation	192	195	**201**
Capital expenditure	367	334	**393**
R&D	88	87	**79**
Headcount*	8 889	8 977	**8 816**

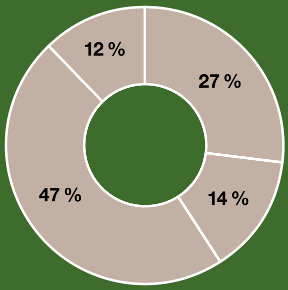
* Full-time equivalents at January 1 of the following year for 2006 and 2007; December 31 of the same year for 2008.

Sales breakdown 2008: EUR 3 695 million

By cluster and SBU

Specialties 41 %
- **27 %** Specialty Polymers
- **14 %** Inergy Automotive Systems

Vinyls cluster 59 %
- **47 %** Vinyls
- **12 %** Pipelife (pipes and fittings)



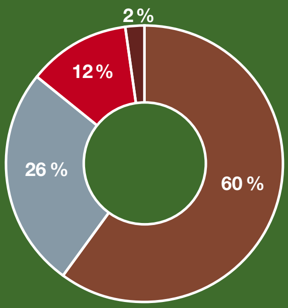
By geographic area

Europe 60 %
- **56 %** European Union (27)
- **4 %** Other European countries

The Americas 26 %
- **12 %** Nafta
- **14 %** Mercosur

Asia-Pacific 12 %

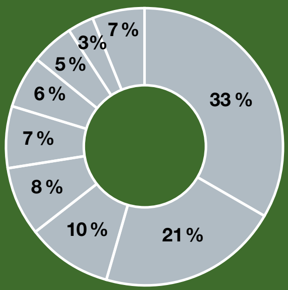
Rest of the world 2 %



Sales by customer segment 2008: EUR 3 695 million

By customer segment

Construction and architecture	33 %
Automobile industry	21 %
Electricity and electronics	10 %
Water and environment	8 %
Chemical industry	7 %
Packaging	6 %
Consumer goods	5 %
Human health	3 %
Other industries	7 %



The Specialties cluster

Specialty Polymers
In 2008, SBU Specialty Polymers pursued its expansion policy, with sustained growth during the first three quarters (+ 9% in volume terms compared with the same period in 2007).

The significant fluctuations in exchange rates and in energy costs called for a series of initiatives involving selling price increases and optimizing raw materials supply.

From the fourth quarter of 2008, sales began to slow noticeably in certain markets (mainly automotive and building construction), with many customers adopting a wait-and-see attitude.

To adjust to this new environment, SBU Specialty Polymers took a series of measures, such as tightening control of fixed costs and adjusting production rates to demand.

Despite this difficult environment, markets have held up, in particular the oil & gas markets with SOLEF® (PVDF), RADEL® R polysulfones (PPSU), KETASPIRE® high purity plastics (PEEK) and DIOFAN® (PVDC), in particular for pharmaceutical blister packs.

1. Cartridges containing SOLEF® (PVDF) fibres for water treatment.
2. Car equipped with ScR DINOX module enabling significant reduction of NOx.
3. DIOFAN® - superior binders for water based protective paints.

The SBU Specialty Polymers strategy has three cornerstones:

1. Creating and capturing growth in high performance polymers
The industrial-scale KETASPIRE® (PEEK) production unit at Panoli (India) came into operation on schedule. Combining very strong mechanical properties and very high temperature resistance, these plastics are opening doors to numerous applications that replace traditional materials. Several commercial distribution contracts have since been signed for KETASPIRE® (PEEK) and AVASPIRE® (modified PEEK). Sales are in line with expectations.

The startups of the ALGOFLON® (PTFE) fine powder and the HYFLON® (MFA & PFA) units have also taken the product range further in the direction of specialties.

2. Innovation
Research and Development plays an essential role for Specialty Polymers, by enlarging the product range, reducing production costs and increasing plant safety.

Research efforts at Solvay Solexis have enabled it to launch AQUIVION™, a perfluorosulfonic acid-based polymer, specially designed to meet the needs of the fuel cell industry for polymeric membranes.

Solvay is promoting an open research approach here, in conjunction with external partners. One example is the cooperation agreement concluded between Solvay Solexis and Strategic Polymer Sciences, a US company specializing in electronic polymeric materials and equipment for energy storage and medical equipment. This cooperation is aimed at developing SOLEF® (PVDF)-based materials for ultra-high energy density capacitors. These can store around 10 times more energy than those made with conventional materials, and can be used in producing hybrid electrical vehicles.

3. Globalization and selective capacity extensions
A new POLYMIST® (PTFE) plant has been put in service at Changshu (China). This initial success constitutes the ideal bridgehead for expanding our Specialty Polymers business in China. Other capacity increases are in hand, in particular at Tavaux (France), where production capacity for DIOFAN® (PVDC) and SOLEF® (PVDF) will be significantly increased in the course of 2009.

In **propylene compounds**, the refocusing of the activities portfolio continued, with the February 2008 closing of the sale to LyondellBasell of Solvay Engineered Polymers, a US subsidiary producing primarily for the automobile industry.

Inergy Automotive Systems (50/50 joint venture with Plastic Omnium in fuel systems)
The world leader in fuel systems for the automotive industry, with more than 11 million systems sold, Inergy Automotive Systems experienced a marked drop (-12%) in 2008 sales volumes, accelerating to -30% in the last quarter. On top of this, the rising cost of petroleum products directly affected the price of high density polyethylene, the main raw material for fuel tanks, by EUR 20 million in 2008.

Major efforts to improve competitiveness and to lower production and overhead costs were unable to offset both falling markets and rising raw materials costs. As a result, while holding up well, earnings were down from 2007.

For this activity, the three key strategic elements remain unchanged:
• Operating excellence and flexibility;
• Geographic growth;

- Technological leadership through Research and Innovation.

In certain regions, production capacities had to be adapted to falling customer demand.
The Blenheim (Canada) plant was closed and the closing of the Nucourt (France) plant and the resizing of the other French plants have been announced. In 2008, 695 positions had to be eliminated. At the same time productivity, quality and safety performance all improved considerably. Negotiations were begun with automotive customers to distribute as well as possible the intensity and brutality of the economic downturn.

2

On the other hand, new plants have been rolled out or are on the drawing board in emerging countries:

- In China, the Wuhan plant has begun operations and a second plant is planned in the Beijing region;
- Preparations are in hand for starting up the Stavrovo plant in Russia;
- A project is under way to build a plant close to Chennai in India.

Innovation and Research remain key strategic elements in this activity. Production of the fuel system for the new 7-series BMW has started in Germany, utilizing the innovative Twin-Sheet Blow-Molding (TSBM) technology. This techology has received two awards, including the Innovation Prize of the Society of Plastics Engineers (SPE).
At the same time, industrial-scale production of the SCR system (selective catalytic reduction of NOx – nitrogen oxide – emissions using urea) has begun for the Audi Q7 TDI diesel. This system meets the demanding Ultra Low Emissions Systems (ULES) standards of the California Air Resources Board (CARB).

The Vinyls cluster: electrolysis chain, vinyl chloride monomer, polyvinyl chloride, PVC compounds and Pipelife, a 50/50 joint venture with Wienerberger in pipes and fittings

The Vinyls chain

The global economic slowdown that started in the United States developed essentially as had been anticipated until October. From then on, following the financial crisis at the end of the summer, economic deterioration accelerated at a scarcely foreseeable rate. Our earnings, until that point in line with our expectations, then fell significantly in every region in which we operate. During the first three quarters, falling demand for polyvinyl chloride (PVC) in Western Europe was offset by strong growth in Eastern Europe and Turkey. From November onwards, demand in Europe collapsed to historically low levels, due to massive inventory drawdowns throughout the supply chain, initiated by falling prices and the need to conserve liquidity, mainly downstream from our activities.

In Mercosur, production units at Solvay Indupa (a quoted Argentine company in which Solvay holds a majority interest) operated in strongly rising markets during the first nine months of 2008. Production was reduced beginning in July owing to maintenance shutdowns at our

3

ethylene suppliers. This produced a temporary erosion of market shares in the region. A net increase of imports from America and a sharp devaluation of the Brazilian real also negatively impacted earnings.

In Asia-Pacific, with the rapid fall in oil prices, the price of ethylene-based PVC became more competitive than that of Chinese PVC produced from acetylene (a more polluting process consuming twice as much energy). With the shutdown of many uncompetitive production units, the Chinese market became tight. This helped Vinythai (a quoted Thai company in which Solvay has a major stake) hold up well in the unfavourable economic environment and to present 2008 earnings well up from those of 2007.

The Vinyls strategy has three primary thrusts:

1. Fully integrated, competitive production units

In Europe, SolVin (a joint venture held 75% by Solvay and 25% by BASF) is continuing its program of optimizing operating costs through the extensive integration of its value chain from ethylene and salt onwards, energy co-generation, utilizing geographically well-situated, worldscale production units, and developing synergies in the chlorine chain with BASF at the Antwerp (Belgium) site. The program of cost savings at every level (procurement, energy, conversion efficiency, logistics, fixed costs) will be continued and expanded in 2009. This policy aimed at competitiveness is enabling SolVin to strengthen its competitive leadership among European producers.

1

In Europe, BENVIC® (PVC) compounds will refocus production on three sites in order also to boost competitiveness. Development of their range of high added value products will continue in the form of partnerships.

In Russia, the Soligran joint venture will concentrate activities at a single site at Tver. In Thailand, Vinythai has aligned its electrolysis and its vinyl chloride monomer (VCM) production capacities at 400 kt/year and has increased its PVC capacity from 210 to 280 kt/year.

2. Operating excellence

A fixed-cost reduction program was launched in Brazil and Argentina. The necessary investments were made in 2007 and 2008 and should bear fruit in the course of 2009.

In the field of raw materials, numerous projects were undertaken:

- In ethylene, several research programs are under way aimed at diversifying sources of supply. Of note is the project in Brazil to produce ethylene from ethanol derived from cane sugar, a renewable raw material.
- In energy, the Solalban joint venture has been created with Albanesi in Argentina to build and operate a combined-cycle gas-fired electricity generating station. In Europe, the projects to build thermal power stations fuelled with biomass (Tavaux, France) or secondary waste (Rheinberg, Germany) are excellent examples of Solvay's new energy approach.

The VINYLOOP® process, which SolVin has developed, is the only recycling process able to process complex PVC waste such as flexible PVC composites like those in cabling and floor coverings. The Solvay group is also a major player in the Vinyl 2010 voluntary commitment, which

2

has already met 90% of its objective of recycling 200 kt of PVC by 2010.

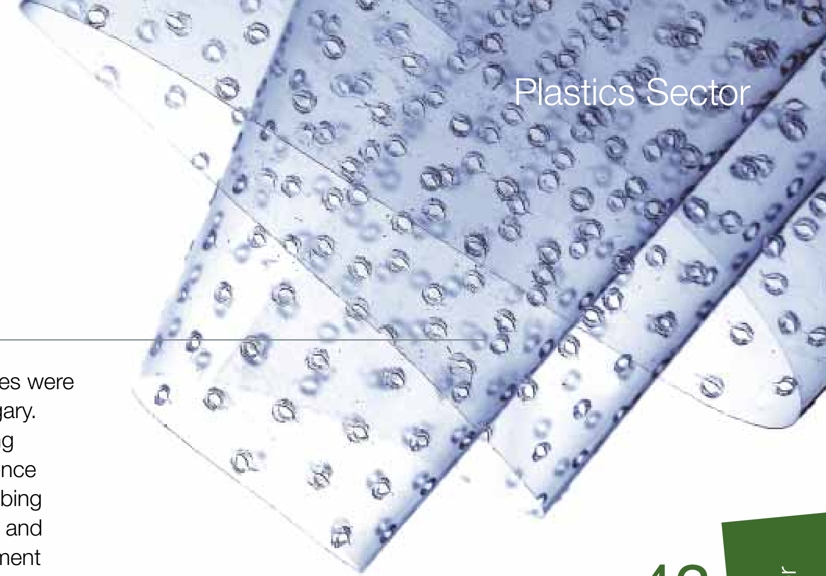
3. Development in high-growth countries:

In Russia

Work continues on setting up Rusvinyl in partnership with Sibur, with the construction at Kstovo of an integrated 300 kt/year PVC unit, potentially expandable at a later date to 500 kt/year. The engineering and management-training phases are already well in hand. The severity of the global crisis has required postponement of the start-up to 2012, instead of 2010 as originally planned. This delay will be used to optimize construction and start-up preparation and to negotiate more favourable financing conditions.

In Mercosur

As part of a vast production modernization process, SOLVIN® PVC-S (suspension process)



production capacities have been increased in Brazil from 220 to 275 kt/year, in line with the VCM production capacities, in order to keep pace with the rapid growth of this market.

In Asia-Pacific

Vinythai has increased its annual PVC production capacity at its Map Ta Phut (Thailand) plant by 70 kt to 280 kt/year. This expansion will enable it to support its customers' growth projects in the dynamic south-east Asian markets.

Pipelife (50/50 joint venture with Wienerberger in pipes and fittings)

Pipelife was confronted in 2008 with building construction and civil engineering markets struggling with the financial crisis, especially in certain countries like the USA, the United Kingdom and Spain. Despite this difficult environment, Pipelife managed to maintain sales at 2007 levels.
Pipelife has a three-pronged strategy of:

- Operating excellence;
- Geographic deployment in central and eastern Europe in particular; and
- innovation.

2008 saw major restructurings in Ireland and Spain, the countries hardest hit by the crisis. In other western European countries, measures were introduced to reduce overall cost levels. Pipelife's competitiveness is also benefiting from the restructuring efforts undertaken since 2001.

To further increase plant safety, Pipelife introduced in 2008 the STOP® (Safety, Training, Observation, Prevention) process. This approach makes every employee responsible for eliminating the risks of accidents.

Instaplast was acquired in the Czech Republic. Several extrusion lines were started up in Russia and Hungary. These investments are enabling Pipelife to strengthen its presence in the hot & cold market (plumbing piping using special polymers) and the vital waste water management market. Geographically, central and eastern Europe is a fast-growth zone, already representing 40% of European sales volumes in 2008.

Pipeline extended its product range in 2008, with for example:

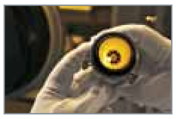
- the STORMBOX® system for managing flash floods in urban environments. The system collects the rain water and redistributes it at an environmentally more absorbable flow rate.
- ECO 1, an oil separation system for treating waste water from small-sized restaurants. This system can prevent pollution of the soil by oil residues mixed in with the water.


3

1. Strong growth for Pipelife in central & eastern Europe.
2. Wood PVC composite pontoon combining wood appearance and SOLVIN® (PVC) durability.
3. A wide range of sport floorings are made of SOLVIN® (PVC).

Looking ahead is a cornerstone of the Group’s strategy fostering sustainable and profitable growth. Solvay’s New Business Development teams have been set up to create innovative materials and systems based on leading edge technologies, beyond those implemented today in the Group’s activities.

OLED.
Organic light emitting diodes are paving the way for new display and lighting concepts. Solvay is developing materials permitting large-scale production of such structures with simplified processes.



The mission of the New Business Development (NBD) teams is to develop new activities by creating new materials and innovative systems using technologies that go beyond those applied in our traditional businesses.
These will supplement our current activities or will contribute to creating new activities that will be integrated into the existing Sectors.
The objective is to contribute EUR 500 million of annual sales by 2015.

These research activities are structured according to the principle of open innovation. This consists of multiplying contacts between our researchers and targeted external organizations to promote creative cooperation and share databases. We can mention here:

- cooperation programs with universities;
- cooperation with scientific and professional organizations;
- investment in venture capital funds;
- taking shareholdings in small research companies.

The NBD activity is organized into strategic platforms around particular themes. Future Businesses Competence Center manages two platforms, Organic Electronics and Renewable Energies.

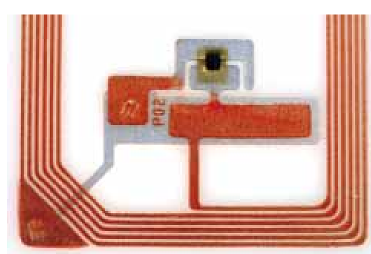
A second Competence Centre, Advanced Technologies, is tasked with finding and acquiring innovative technological know-how of potential interest to Solvay. Two platforms, Nanotechnologies and Renewable Chemistry, are currently active here.

The Organic Electronics platform

Organic Electronics is arousing growing interest in the context of Sustainable Development, as it opens the way to a range of potential applications (flat screens, lighting, printed circuits, radio frequency identification (RFID) systems, etc.) using mass production techniques offering unequalled savings in terms of product and energy use.

An open innovation approach has also permitted new advances in the field of printable electronics:

- existing cooperative arrangements with several academic institutions



  have been continued, in particular the ambitious program linking Solvay with the Center for Organic Photonics and Electronics (COPE) of the Georgia Institute of Technology at Atlanta (USA). New programs have been launched, in particular in the field of semiconductor materials that can be used, for example, in field-effect transistors;

- interaction has been increased with Plextronics (Pittsburgh, USA), a company in which Solvay invested in 2007, in the form of joint technical development programs;

- co-operation with Pangaea Ventures Fund II in Vancouver (Canada) is continuing.

Parallel with this, an R&D team has been created at Central Management Research and Technology at Neder-over-Heembeek (Belgium). This team is developing two main competencies: the synthesis and purification of organic or organometallic compounds, and the use of these compounds in representative systems for target applications (essentially OLEDs and transistors). Since 2008, it has had available to it a new laboratory, specially dedicated to this R&D field and fitted with the latest equipment, designed to meet the demanding requirements for developing organic materials for electronics.

The Renewable Energies platform: the energies of tomorrow

These programs aim to develop the materials and components for the energy solutions of the 21st century, meeting the challenges of fossil fuel exhaustion and global warming.

Work is concentrating on meeting new electricity production needs:

- with photovoltaics, using organic materials to convert solar radiation into electricity;

- with fuel cells, in which hydrogen (the new energy medium of the future) reacts with atmospheric oxygen in an electrochemical reaction (the reverse of electrolysis);

- developing hydrogen storage solutions by investing on the Conduit Ventures Fund (UK).

In the field of hydrogen-based energy production, Solvay Solexis is developing AQUIVION™ perfluorinated proton exchange membranes for PEMFCs (Proton Exchange Membrane Fuel Cells).

For its part, the SolviCore 50/50 joint venture with Umicore is developing and manufacturing on a pilot scale membrane-electrode assemblies (MEAs) that combine Solvay's expertise in membrane polymers with Umicore's in precious metals used as catalysts. SolviCore maintains close contacts with certain players in the hydrogen and fuel cells chain.

At the end of 2008, Solvay invested GBP 1.25 million in ACAL Energy (UK), which is developing an original fuel cell concept in which the platinum cathode is replaced with a circulating of an aqueous solution of a more stable and less expensive liquid catalyst.

The Nanotechnologies platform

These technologies for structuring the infinitely small have at times already led to specific products. Examples include the development and marketing of nanostructured fluorinated polymers and the launch of NANOLIPANTHYL®, a new formulation of an existing drug that facilitates assimilation.

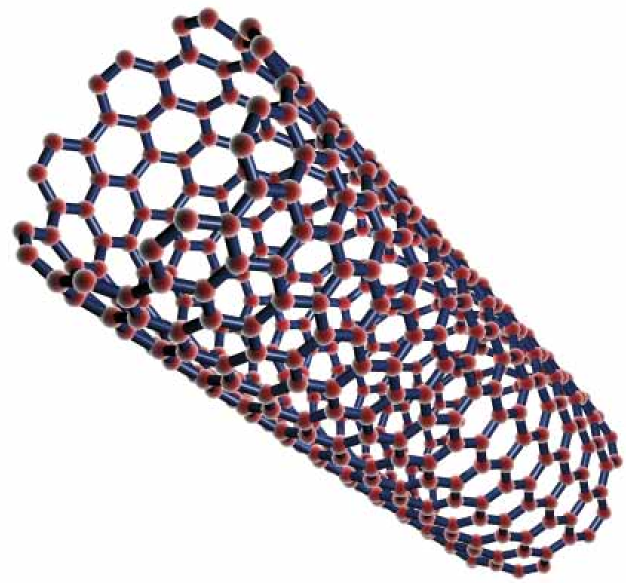
The platform was launched in mid-2008 with the mission of gathering, constructing and disseminating expertise in a multidisciplinary context, finding and supporting specific projects, and undertaking a scientific and technology watch in nanotechnologies. Four programs were activated in 2008.

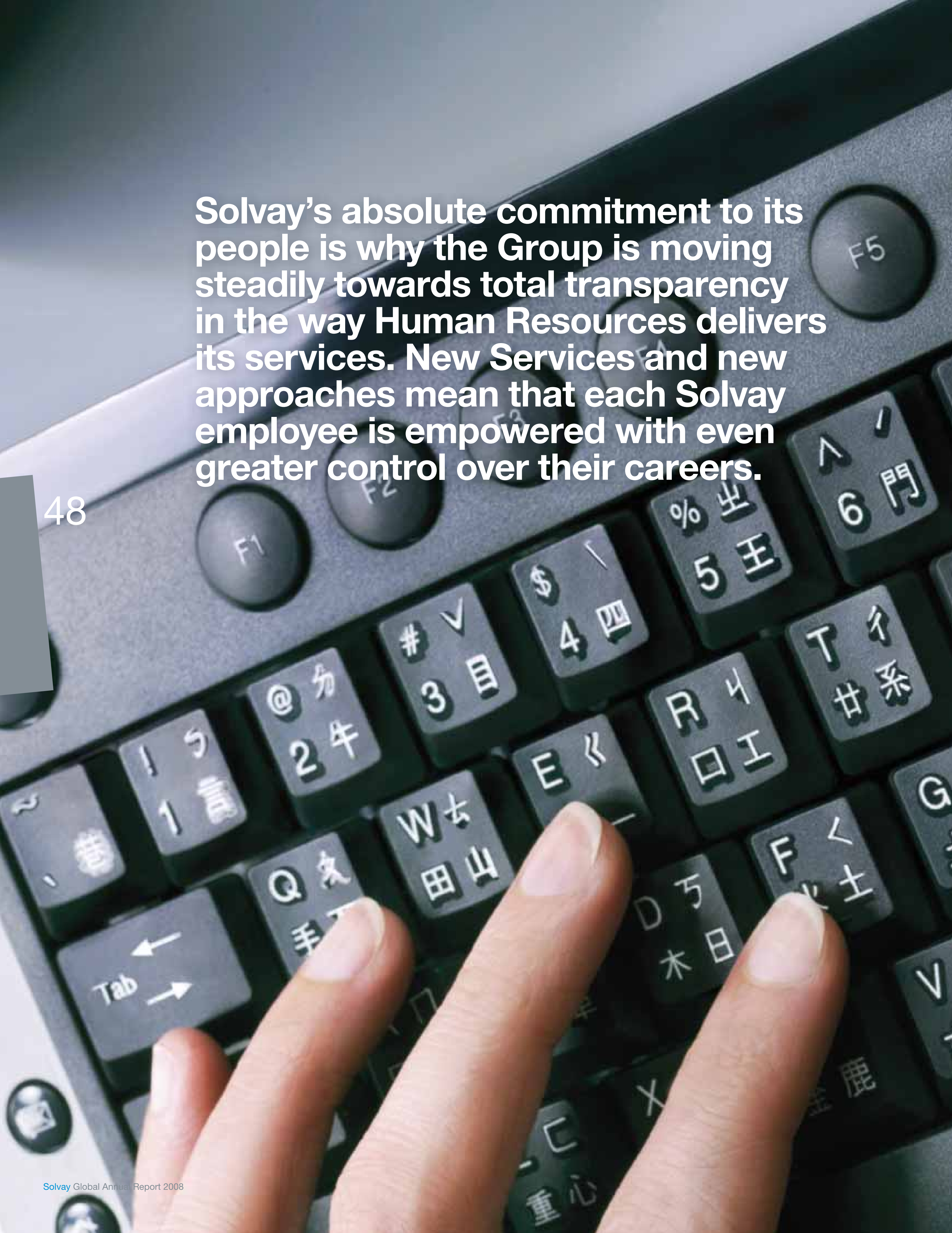
The Renewable Chemistry and Industrial Biotechnology platform

This new platform has the mission of exploring Solvay's development potential in these fields. It will also cover the different "renewable materials" chains. The first concrete results in this area are the production of epichlorohydrin by the EPICEROL® process and the project for a first ethanol-based ethylene unit for PVC production in Brazil.

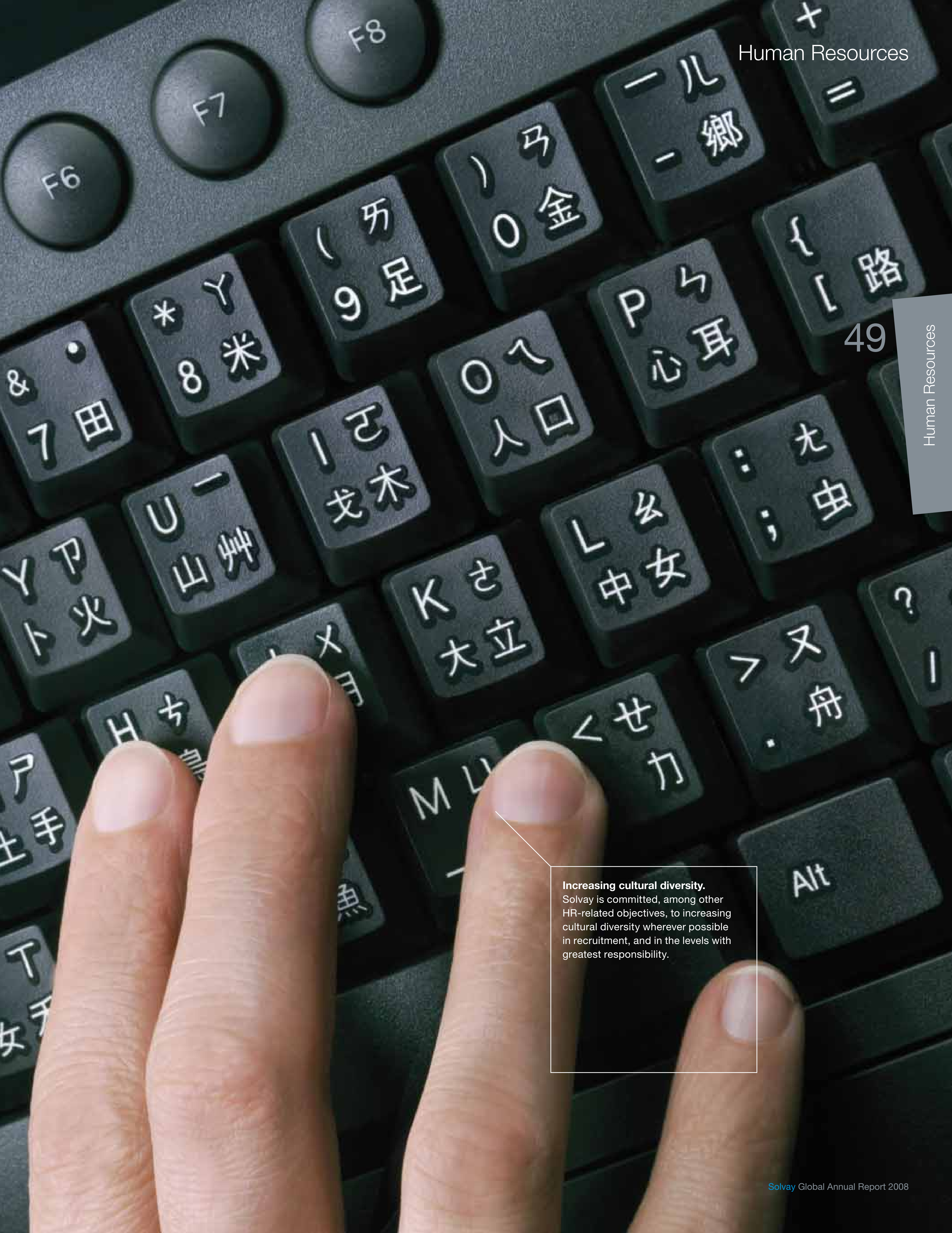
For Renewable Chemistry, an initial series of partnerships were put together in 2008:

- membership in Europabio, the European Association for Bioindustries;
- participation in ACDV (Association Chimie du Végétal), a joint partnership in France between the UIC (Union des Industries Chimiques) and the corresponding agricultural industries;
- participation in the BioHub program in France, which is subsidized by the AII (Agence de l'Innovation Industrielle);
- participation in the Eureka-labelled Halobios Plastici project, with French start-up SeaDev;
- investment in Capricorn Cleantech Fund, at Leuven (Belgium).





Solvay's absolute commitment to its people is why the Group is moving steadily towards total transparency in the way Human Resources delivers its services. New Services and new approaches mean that each Solvay employee is empowered with even greater control over their careers.



Increasing cultural diversity.
Solvay is committed, among other HR-related objectives, to increasing cultural diversity wherever possible in recruitment, and in the levels with greatest responsibility.

Objectives Aligned with our Values

In order to contribute to Solvay's strategic objectives, Human Resources in 2008 adopted a new organization aligned with its key processes and systems.

As a global enterprise, the Solvay group needs to be sure that all its personnel are ready to meet the challenges of a constantly changing world.

With the progress made in 2008 in the practical implementation of the Group's HR strategy "Growing our people to grow our Group", the HR organization, policies and systems have been adapted to meet these challenges.

This strategy, developed in 2006, is the foundation on which all the new processes and systems are built.

In 2008, a year of "firsts" in HR management, the reorganization of the HR structure and the "Renaissance" project bore fruit as the new HR organization and tools became operational.

HUMAN
RESOURCES
SOLVAY

New HR organization

The new HR organization has undertaken a Group-made assessment of professional competences. Dedicated to specific processes and fields of expertise, HR is responding more and more effectively to the needs of each Sector and of Solvay employees, wherever the Group is active:

- **HR teams in the businesses** are teams of business-oriented HR professionals who are now an integral part of each Group Sector and General Management, providing both global strategic support and HR representation at local and site levels.

- **Business Support Centers.** Three shared-services organizations operate in the following areas:
  - > **HR administration:** The payroll, compensation and pensions processes and the entire related data management are now managed from a single central base;
  - > **People development and performance management:** Recruitment, training and development, and performance management are now coordinated with a shared-services approach. This regrouping ensures that essential investment in training is undertaken in areas vital for attaining Group objectives;
  - > **International mobility:** All expatriation processes have now been simplified and standardized.

- **Competence Centers.** The HR functional areas that are critical to the Group's long-term development have now been centralized in four Competence Centers: People Development and Performance, Organization Design and Performance, Compensation and Pension and Benefits.

New HR tools

Thanks to SAP/HR, the Group's global Human Resources data processing system for Human Resources, and with the support of the services provided by 3S[1] in Lisbon (Portugal), Group managers and employees can now manage their main HR transactional operations on the Group intranet.

In a secure IT environment, they can update personnel information in real time, manage their absences, fill in their assessment and development interviews, administer pay, manage organization diagrams, and request and take the on-line training courses (using a new electronic training tool) that are available in the Solvay Corporate University.

1. 3S: Solvay Shared Services, the Group's shared services center for Finance and Human Resources.

New career management process

In 2008 the Group formally adopted the "Talent Roundtables" process for all Sectors, General Managements and Regions. These are sponsored by all levels of the organization, including the Executive Committee. The identification of promising talent, associated with systematic and global succession management, makes sure that the Group has the managerial talent that it will need in the future.

A new personnel needs planning process was also pilot tested in 2008. The positive results obtained will help concretely in defining an HR strategy in each entity to better meet personnel needs. This approach will be widely used from 2009 onwards.

New impetus to Industrial Relations and Sustainable Development

In November 2008, a Sustainable Development and Corporate Social Responsibility charter was signed by Christian Jourquin, Chairman of the Executive Committee and the members of the European Works Council. This charter sets out 10 principles for Solvay's management of employee relations in Europe. These related to equal opportunities, promotion of diversity, free job choice, rejection of child labor, social dialogue, training and competencies, job safety, wages, well-being at work and contribution to the Group's Sustainable Development thrust in terms of safety and environment.

Concrete achievements in these fields are presented in the chapter "Sustainable Development".

Solvay Corporate University

Founded in 2006 and managed by the newly-created Chief Learning Officer function, the Solvay Corporate University opened its doors in 2008, to supply the skills required by a worldwide enterprise and to develop the training programs required by employees and the needs of the business. This is a "virtual" university, charged with making sure that the knowledge and skills acquired by employees are directly connected with the Group's strategies, values and objectives.

The University will create a new training culture, encompass new people and activities and contribute to the permanent introduction of significant changes within the Group.

Among the management development initiatives offered by Solvay Corporate University in 2008 are the Quest and Global Leadership programmes, responding to the needs of the Pharmaceuticals Sector, and Pinnacle, which is more adapted to those of the Chemicals and Plastics Sectors.

The special attention that the Group is giving to its employees will continue in 2009.

The HR strategy of "Growing our people to grow our Group" will become even more important in the present climate of economic uncertainty.

The Group is committed to continue to implement this strategy.

Renaissance is under way

This conversion of systems and functions, scheduled for completion around mid-2010, will continue across the Group, except Asia.

The 2009 Solvay People Survey

Given the uncertainties connected with the global economic crisis, Solvay managers need to remain in contact with their employees, their questions, concerns and expectations. For this reason, a new survey of employee commitment will be undertaken in mid-2009, the results of which will be shared with everyone towards the end of 2009.

June 2008 strategy review - Sustainable Development and Human Resources

During this strategic review, senior Group managers recognized the importance of encouraging all employees to get involved in the process of open innovation.

Among the 10 short-term initiatives decided upon, the Research and Innovation group will promote several projects aimed at evaluating and developing principles, incentives and competencies supporting open innovation, by supplying the research teams with the necessary training. The results of these initiatives will be shared in 2009.

Solvay intends to remain a supplier of solutions for the future, while contributing to solving today's problems, through constant dialogue with all stakeholders on these issues, which involve the entire life cycle of the Group's products.

The 5x5 Matrix
The 5x5 Matrix is the reference framework for the Group's Sustainable Development policy. Its implementation allows the integration of stakeholders' expectations in the five main strategic action lines.

Quantified Objectives

After formalizing its Sustainable Development approach in 2007, the Group took two major steps in 2008:

- The June 2008 strategic review, which was entirely devoted to this theme; and
- Publication of the report "Towards Sustainable Development, 2008-2012".

The June 2008 strategic review, the key decisions from which are set out in the "Strategy" chapter, has also translated into concrete action plans, complete with progress indicators and short, medium and long-term objectives.

The 2020 objectives are structured around two action lines.

The first is the Group's commitment to reduce significantly its energy consumption and emissions.
By 2020, the Group undertakes to reduce[1]:

- Its total energy consumption by at least 20%:
  - > in its primary production and processes;
  - > in its sites and buildings (based on energy audits);
- Its logistics impact (transport, in road tonne/km in Europe) by at least 20%;
- Its global emissions of greenhouse gases (in CO_2 equivalent) by at least 20%:
  - > including cuts in company vehicle fleet emissions of at least 30%;
- Its global air emissions index by at least 20%;
- Its global water emissions index by at least 20%.

The Group has also set itself the ambitious objective of achieving a zero frequency level for lost-time accidents[2].

In the shorter term (2012), the Group has committed to:

- Create an energy subsidiary to centralize management and negotiation of energy and CO_2;
- Assess the feasibility of building a chemical biomass complex;
- Strengthen its strategy to secure its raw materials needs;
- Launch a comprehensive energy-savings and greenhouse gas-reduction program;
- Use a CO_2 reference price (see box) for sensitivity analyses and decision-making, in all investment projects;
- Develop a systematic assessment of all sites based on a Best Available Technologies (BAT) model;
- Use Process/Markets sustainability analysis to position its products and direct its R&D programs in all its activities;
- Constantly review its product portfolio so as to balance opportunities and risks;
- Adapt the governance and improve the organization of its Research activities; and
- Promote the attitudes, skills and know-how needed for open innovation and a learning organization.

The second action line consists of growing our product portfolio towards better a better balance of Process/Market sustainability.
To this end, we are currently developing a consistent Group-wide analysis grid.

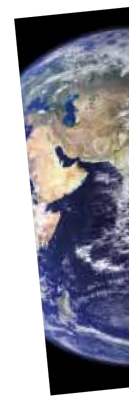
The summary and prospects document "Towards Sustainable Development, 2008-2012" takes up and elaborates all these objectives. It defines 107 objectives at Group level, including 25 main objectives highlighted for their particular importance for the 2012 and 2020 horizons. These are updated annually.

This document is structured on a 5X5 matrix, which constitutes the reference framework for the Group's sustainable development thrust. It reflects the main sustainability expectations expressed by our stakeholders vis-à-vis enterprises like ours.

One axis consists of five strategic elements (Vision and Values, Management Methods, Products & Activities Today, Future Development, Critical Risks), the other being Solvay's five stakeholder groups:

- Investors;
- Society;
- Customers and suppliers;
- Personnel and subcontractors;
- Local communities.

2008 saw the Group move forward on a broad front of initiatives that, to various degrees, meet the expectations of our stakeholders. Some of the most significant of these are briefly mentioned here by stakeholder group.



Definition of a reference value for CO_2 prices is already an integral part of our five-year planning process. The values used for the final year of the plan correspond to "trend" values to be used for the subsequent years of the plan and for calculating project profitability.
The definition of ranges of possible variations, for CO_2, for energy and for other parameters to be used in sensitivity calculations of the return on projects, is nearing completion. This new tool will supplement the methodology for calculating the return on projects.

1. On a like-for-like basis, with 2006 as base year.
2. Number of accidents with more than 24 hours of lost time, by million hours worked.

Investors: responding to growing interest in sustainability issue

Presenting the Sustainable Development Strategy to Investors

- The Group wants to be better recognized as a reference investment in terms of sustainability. Its Sustainable Development policy and the implementation of its attendant strategy were presented to institutional investors in 2008.

Society at large: better exercise of our social responsibility

Selected Corporate Responsibility Initiatives

- Donations following the 2004 tsunami are continuing. EUR 80 000 allowed an eight-bed care centre to be set up in the city of Galle (Sri Lanka), which was struck by the disaster.
- To help victims of the Sichuan (China) earthquake, Solvay's Chinese staff and employees from different Group entities organized a collection, to which Solvay contributed to bring it to EUR 230 000.
- Solvay Pharmaceuticals is supporting organizations working in training, research and patient assistance related to disorders for which it produces medicines: cystic fibrosis (CREON®), influenza (INFLUVAC®) and Parkinson's (DUODOPA®).

Customers: taking account of the life cycles of our products

The European REACH regulation for chemical substances

- Pre-registration with the European Chemicals Agency (ECHA) of our products affected by this regulation was completed on time. In all 666 dossiers representing 400 substances were filed. These will now be registered during the set transition periods: by 2010, 2013 or 2018.

Personnel: respect for our employees and developing their competencies

A commitment to Sustainable Development shared by employees and management

- The Sustainable Development thrust initiated jointly by senior Group management and the Group's European Works Council in 2005 crossed a new threshold with the seminar held in Bruges (Belgium) in October 2008. This set seven joint action paths for the coming years.

- **Launch of the Medexis project** In the longer term this will assemble, in a single IT system, both industrial health data (exposure to physical and chemical agents) and health data from medical monitoring of employees.

Safety: ZERO accident target

- Deployment continues of the behavioural safety program. New plants have signed up for this approach, including recently Tavaux (France), Martorell (Spain), Santo André (Brazil) and Povoa (Portugal). Accident frequency statistics for recent years are given in the table below. In 2008 we regrettably recorded three accidental deaths of subcontractor personnel at our sites, in Thailand, Bulgaria and Italy. The Group objective here remains ZERO accident.

Site neighbours

Youth Employment Program

- Training courses and initiatives were held in Spain and Bulgaria as part of our "Youth Employment" program. This aims at equipping young people to enter the world of work, in particular when our sites are located in areas where entry is particularly difficult.

High environmental performance

- Given the evolution of the Group's activities (+37% sales over the past 10 years), the changes in the global air emissions index (-48%) and the global water emissions index (-32%) correspond to reductions per unit produced of -64% and -62% respectively.

Protection of soils and the environment

- Under an agreement concluded this year, the Port of Venice region (Italy) will, along with the canals of the Walloon Region (Belgium), be one of the first sites to benefit from our NOVOSOL® process for stabilizing contaminated sediments. By opening the way to treating dredging sludge, the process is facilitating the rehabilitation of waterways.

Accident frequency rate*

	All personnel	Contractor personnel	Solvay personnel
2004	**3.4**	6.5	2.3
2005	**3.2**	4.4	2.7
2006	**2.7**	4.7	2.1
2007	**2.4**	3.2	2.1
2008	**2.4**	3.2	2.0

* Number of accidents leading to a work stoppage of over 24 hours, by million hours worked, except joint ventures.

Financial Statements Part 2

Financial Statements

The following financial statements were approved by the Board of Directors meeting on February 18, 2009.
They have been drawn up in accordance with the IFRS accounting policies which are set out in the coming pages.
Information on related parties required by IAS 24 can be found in the "Corporate Governance" chapter.

Consolidated income statement (Notes 1-2)

EUR Million	Notes	2007	**2008**
Sales		9 572	9 490
Cost of goods sold		-6 242	-6 381
Gross margin	(3)	3 330	3 109
Commercial and administrative costs	(4)	-1 523	-1 567
Research and development costs	(5)	-556	-564
Other operating gains and losses	(6)	-44	-10
Other financial gains and losses	(7)	-16	-2
REBIT	(8)	1 192	965
Non-recurring items	(9)	31	20
EBIT		1 223	985
Cost of borrowings	(10)	-106	-138
Interest on lending and short-term deposits	(10)	23	26
Other gains and losses on net indebtedness	(10)	2	18
Income/loss from available-for-sale investments	(11)	24	-299
Earnings before taxes		1 165	592
Income taxes	(12a)	-337	-143
Net income of the Group	(13)	828	449
Minority interests		-47	-44
Net income (Solvay share)		781	405
Earnings per share (EUR)		9.46	4.92
Diluted earnings per share (EUR)	(14)	9.40	4.91

RATIOS

		2007	2008
Gross margin as a % of sales		34.8	32.8
Times charges earned		14.6	10.3
Income taxes / Earnings before taxes (%)		28.9	24.1

Times charges earned = REBIT / Charges on net indebtedness.
Explanatory notes are found after the financial statements.

In 2007 and 2008 the Group has no discontinued operations as defined by IFRS 5.

Consolidated cash flow statement

EUR Million	Notes	2007	**2008**
EBIT		1 223	985
Depreciation, amortization and impairments	(15)	593	417
Changes in working capital	(16)	-319	356
Changes in provisions	(17)	-140	-167
Income taxes paid		-238	-302
Other	(18)	-266	-12
Cash flow from operating activities		852	1 277
Acquisition (-) / sale (+) of investments	(19)	5	-453
Acquisition (-) / sale (+) of assets	(19)	-433	-747
Income from investments		24	10
Changes in loans		-46	-21
Effect of changes in method of consolidation		6	12
Cash flow from investing activities		-445	-1 200
Capital increase (+) / redemption (-)	(20)	-19	-12
Acquisition (-) / sale (+) of treasury shares	(21)	-95	7
Changes in borrowings		188	578
Cost of borrowings		-106	-138
Interest on lending and short-term deposits		23	26
Other		2	18
Dividends		-243	-240
Cash flow from financing activities		-250	239

Net change in cash and cash equivalents		157	316
Currency translation differences		-15	-8
Opening cash balance		433	575
Ending cash balance	(30)	575	883

Explanatory notes are found after the financial statements.

Consolidated balance sheet

EUR Million	Notes	2007	2008
ASSETS			
Non-current assets		6 999	7 752
Intangible assets	(22)	662	726
Goodwill	(23)	1 210	1 667
Tangible assets	(24)	3 885	4 218
Available-for-sale investments	(25)	318	30
Other investments	(26)	148	187
Deferred tax assets	(12b)	524	649
Loans and other non-current assets	(28)	252	273
Current assets		4 180	4 513
Inventories	(27)	1 255	1 255
Trade receivables	(28)	1 711	1 666
Income tax receivables		73	92
Other receivables	(28)	566	555
Cash and cash equivalents	(30)	575	883
Assets held for sale	(32)	0	61
Total assets		11 180	12 264

EQUITY & LIABILITIES			
Total equity		4 459	4 745
Share capital		1 271	1 271
Reserves		3 032	3 179
Minority interests		156	296
Non-current liabilities		3 963	4 185
Long-term provisions: employee benefits	(29)	1 119	1 106
Other long-term provisions	(29)	966	922
Deferred tax liabilities	(12b)	245	258
Long-term financial debt	(30) (31)	1 565	1 852
Other non-current liabilities		68	46
Current liabilities		2 758	3 334
Short-term provisions: employee benefits	(29)	68	43
Other short-term provisions	(29)	161	80
Short-term financial debt	(30) (31)	317	627
Trade liabilities		1 246	1 337
Income tax payable		86	49
Other current liabilities		880	1 183
Liabilities associated with assets held for sale	(32)	0	14
Total equity & liabilities		11 180	12 264
RATIOS			
Return on equity (ROE)		18.4	9.5
Net debt to equity ratio		29.3	33.7

ROE = net income of the Group / total equity before allocation of fair value differences directly to equity.
Net debt to equity ratio = net debt / total equity.
Net debt = short and long-term financial debt less cash and cash equivalents.
Explanatory notes are found after the financial statements.

Statement of changes in equity

EUR Million	Equity attributable to equity holders of the parent								
	Share capital	Issue premiums	Retained earnings	Treasury shares	Currency translation differences	Fair value differences	Total	Minority interests	**Total equity**
Balance at 31/12/2006	1 271	18	3 283	-138	-420	200	4 214	242	4 456
Net profit for the period			781				781	47	828
Income and expenses directly allocated to equity					-119	-248	-367	-39	-406
Total comprehensive income			781		-119	-248	414	8	422
Cost of stock options			6				6		6
Dividends			-236				-236	-12	-248
Acquisitions / sale of treasury shares				-95			-95		-95
Other			-1				-1	-82	-83
Balance at 31/12/2007	1 271	18	3 834	-233	-539	-48	4 303	156	4 459
Net profit for the period			405				405	44	449
Income and expenses directly allocated to equity					-82	62	-20	-9	-29
Total comprehensive income			405		-82	62	385	35	420
Cost of stock options			8				8		8
Dividends			-246				-246	-11	-257
Acquisitions / sale of treasury shares				7			7		7
Other			-8				-8	116	108
Balance at 31/12/2008	1 271	18	3 994	-226	-621	14	4 449	296	4 745

Currency translation differences

The closing balance sheet exchange rate for the US dollar changed from 1.4721 at the end of 2007 to 1.3917 at the end of 2008. Despite the stronger dollar, the currency translation difference is negative, the main reason being the weakening of the Argentinian peso, the Brazilian real, the British pound and the Thai baht. The total difference amounts to EUR 91 million of which 82 million EUR for the Group's share, which takes the balance of this item from EUR 539 million at the end of 2007 to EUR 621 million at the end of 2008.

Fair value differences

These differences represent the marking to market of available-for-sale investments and financial derivatives used for hedging purposes.

In 2008, the positive variation of EUR 62 million is due principally to the recycling to the income statement of the latent capital loss on our shareholding in Fortis (EUR 41 million) and to the reversal of the unrecognized loss allocated directly to equity at year end 2007 on Innogenetics shares in an amount of EUR 20 million as Innogenetics is fully consolidated and no longer classified as an available-for-sale investment.

The fair value differences also include the marking to market of financial instruments accounted for according to IAS 39 as cash flow hedges. Only the effective part of the hedge is recognized in equity, with the balance being taken directly into income. The variation in this effective part, recognized among fair value differences, amounted to EUR 10 million at the end of 2008 (end 2007: EUR 7 million).

When the financial instrument designated as a hedge matures, its value recognized in equity is transferred to the income statement. In 2008, there was no transfer from equity to the income statement.

Minority interests

The increase in the “other” caption is mainly due to the full consolidation of SolVin with minority interests (25 %) in an amount of EUR 128 million.

Number of shares (in thousands)[1]	
Shares issued and fully paid in at 1/1/2008	84 701
Capital increase	0
Shares issued and fully paid in at 31/12/2008	84 701
Treasury shares held at 31/12/2008	2 568
Shares authorized but not yet issued	0
Par value (per share)	15 EUR / share

1. See the consolidated data per share in the financial infromation per share given in the Management Report.

Information on the dividend proposed to the Shareholders’ Meeting can be found in the Management Report.

IFRS accounting policies

The main accounting policies used in preparing these consolidated financial statements are set out below:

1. General information and applicable IFRS

Solvay (the "Company") is a public limited liability company (société anonyme) governed by Belgian law and quoted on NYSE Euronext Brussels. The principal activities of the Company, its subsidiaries and its joint ventures (jointly the "Group") are described in note 1 on segment information.

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Standards and Interpretations applicable for the first time in 2008
In the current year, the Group has adopted the following standards and interpretations:
- IFRIC 11 IFRS 2
  Group and Treasury Share Transactions (applicable for accounting years beginning on or after 1 March 2007);
- IFRIC 1++2
  Service Concession Arrangements (applicable for accounting years beginning on or after 1 January 2008);
- IFRIC 14 IAS 19
  The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
  (applicable for accounting years beginning on or after 1 January 2008);
- Amendments to IAS 39
  Financial Instruments: Recognition and Measurement
  and IFRS 7
  Financial Instruments: Disclosures (amendments to be applied as from 1 July 2008 onwards).

The adoption of these amendments and interpretations has not led to any changes in the 2008 financial statements.

Early adoption of Standards and Interpretations
The Group has elected not to adopt any standards or interpretations in advance of their effective application dates.

Standards and Interpretations issued but not yet effective
At the date of authorization of these financial statements, the following standards and interpretations were issued but not yet effective:
- IAS 1
  Presentation of Financial Statements (annual periods beginning on or after 1 January 2009). This Standard replaces IAS 1 *Presentation of Financial Statements* (revised in 2003) as amended in 2005;
- Amendment to IAS 27
  Consolidated and Separate Financial Statements (applicable for annual periods beginning on or after 1 July 2009). This Standard amends IAS 27 *Consolidated and Separate Financial Statements* (revised 2003);
- Amendment to IFRS 2
  Share-based payment - Vesting Conditions and Cancellations (applicable for annual periods beginning on or after 1 January 2009);
- Amendment to IAS 32
  Financial Instruments: Presentation
  and IAS 1
  Presentation of Financial Statements – Puttable Financial Instruments and Obligations arising on Liquidation (annual reporting periods beginning on or after 1 January 2009);
- Amendment to IAS 39
  Financial Instruments: Recognition and Measurement – Eligible Hedged Items (annual periods beginning on or after 1 July 2009);
- IFRS 3
  Business Combinations (applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). This Standard replaces IFRS Business Combinations as issued in 2004;
- IFRS 8
  Operating Segments (applicable for accounting years beginning on or after 1 January 2009);
- Amendment to IAS 23
  Borrowing Costs (applicable for accounting years beginning on or after 1 January 2009);
- Improvements to IFRS (2008) (applicable for accounting years beginning on or after 1 January 2009);
- Amendment to IFRS 1
  First Time Adoption of International Financial Reporting Standards
  and IAS 27
  Consolidated and Separate Financial Statements (prospective application for annual periods beginning on or after 1 January 2009);
- IFRIC 13
  Customer Loyalty Programs (applicable for accounting years beginning on or after 1 July 2008);

- IFRIC 15
  Agreements for the construction of real estate (applicable for accounting years beginning on or after 1 January 2009);
- IFRIC 16
  Hedges of a net investment in a foreign operation (applicable for accounting years beginning on or after 1 October 2008);
- IFRIC 17
  Distributions of Non-cash Assets to Owners (applicable for accounting years beginning on or after 1 July 2009);
- IFRIC 18
  Transfers of assets from customers (applicable for accounting years beginning on or after 1 July 2009).

Adoption of these new standards and interpretations in subsequent years will have the following main impacts:
– the disclosure of comprehensive income will lead to the separate presentation of a table reconciling net income (as currently presented) with total comprehensive income, which in 2008 represents an additional expense of EUR 29 million (IAS 1);
– acquisition costs and subsequent milestones, if any, will have to be recognized in the income statement (IFRS 3);
– some additional disclosures in the financial statements.

2. Consolidation

Companies controlled by the Group (i.e. in which the Group has, directly, or indirectly, an interest of more than one half of the voting rights or is able to exercise control over the operations) have been fully consolidated. Separate disclosure is made of minority interests.

All significant transactions between Group companies have been eliminated on consolidation.

Companies over which the Group exercises joint control with a limited number of partners (joint ventures) are consolidated using the proportionate consolidation method.

Investments in companies over which the Group exercises significant influence, but which it does not control, are accounted for using the equity method.

3. Goodwill

Goodwill represents the difference between the cost of acquisition and the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or joint venture, at the acquisition date.
Positive goodwill is not amortized, but tested at least annually for impairment. Any negative goodwill is immediately credited to the income statement.

4. Foreign currencies

Foreign currency transactions by Group companies are recorded initially at the exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in such currencies are then re-translated at the exchange rates prevailing at the end of the accounting period with resulting profits and losses recorded in the income statement for the period.

Assets and liabilities of foreign entities included in the consolidation are translated into EUR at the exchange rates prevailing at the end of the accounting period. Income statement items are converted into EUR at the average exchange rates for the period. The resulting translation differences are transferred to the equity item "currency translation differences".

The main exchange rates used are:

		Year-end rate		Average rate	
		2007	**2008**	2007	**2008**
1 Euro =					
Pound sterling	GBP	0.7334	0.9525	0.6843	0.7963
US Dollar	USD	1.4721	1.3917	1.3706	1.4708
Argentinian Peso	ARS	4.6348	4.8175	4.2696	4.6379
Brazilian Real	BRL	2.6220	3.2436	2.6638	2.6736
Thai Baht	THB	43.7999	48.2849	44.4257	48.4769
Japanese Yen	JPY	164.9300	126.1400	161.2498	152.4565

5. Retirement benefit costs

The Group operates a number of defined benefit and defined contribution retirement benefit plans. Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

The Group's commitments under defined benefits plans, and the related costs, are valued using the "projected unit credit method" in order to determine the present value of the obligation at closing date.

The amount recorded in the balance sheet represents the present value of the defined benefit obligations, adjusted for actuarial differences, for unrecognized past service costs and for the fair value of external plan assets, limited in the case of a surplus to the present value of available refunds and/or reductions in future contributions.

Actuarial differences exceeding the higher of 10 % of the present value of the retirement benefit obligations and 10 % of the fair value of the assets of the external plan assets at balance sheet closing date are amortized over the expected average remaining working life of the participating employees.

6. Non-recurring items

Non-recurring items mainly include:

- gains and losses on the sale of subsidiaries, joint-ventures, affiliates accounted for under the equity method that do not qualify as discontinued operations, and available-for-sale investments; gains and losses on the sale of real estate not directly linked to an operating activity;
- restructuring charges associated with the shutdown of an activity;
- impairment of tangible assets, intangible assets and goodwill associated with the shutdown of an activity and/or a restructuring plan;
- the impact of significant litigation.

7. Income taxes

Income taxes on profits for the period include both current and deferred taxes. They are recorded in the income statement except where they relate to items recorded directly in equity, in which case they too are recorded in equity.

Current taxes are taxes payable on the taxable profit for the period, calculated at the tax rates prevailing at the balance sheet closing date, as well as adjustments relating to previous periods.

Deferred tax assets and liabilities are required to be measured at the tax rates that are expected to apply to the financial year in which the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities relating to subsidiaries' profits that the Group does not intend distributing in the foreseeable future are not accounted for.

Deferred tax assets are recognized only where taxable profits are likely to be realized, against which the deferred tax assets will be imputed.

8. Tangible and intangible assets

Tangible and intangible assets are carried at their historical cost less depreciation/amortization. Depreciation/amortization is included in the income statement under cost of goods sold, commercial and administrative costs, and in R&D costs.

Depreciation/amortization is calculated on a straight-line basis, according to the useful life listed below:

Buildings	30 years
IT equipment	3 - 5 years
Machinery and equipment	10 - 20 years
Transportation equipment	5 - 20 years
Development costs	2 - 5 years
Patents, trademarks and other intangible assets	5 - 20 years

Assets held under finance leases are initially recognized as assets at the lower of their fair value or the present value of the minimum lease payments related to the contracts. The corresponding liability is included in financial debts. Financial charges, representing the difference between the full amount of the lease obligations and the fair value of the assets acquired, are charged to the income statement over the duration of the contract. Agreements not in the legal form of a lease contract are analyzed with reference to IFRIC 4 to determine whether or not they contain a leasing contract to be accounted for in accordance with IAS 17.

Borrowing costs directly attributable to the acquisition, construction or production of an asset requiring a long preparation period are added to the cost of this asset until it is ready for use.

Grants for the purchase of assets are recorded net of the value of these assets.

9. Research and Development costs

Research costs are charged in the period in which they are incurred.

Development costs are capitalized if, and only if all the following conditions are fulfilled:

- the product or process is clearly defined and the related costs are measured reliably and can be separately identified;
- the technical feasibility of the product has been demonstrated;
- the product or process will be placed on the market or used internally;
- the assets will generate future economic benefits (a potential market exists for the product or, where it is to be used internally, its future utility is demonstrated);
- the technical, financial and other resources required to complete the project are available.

The capitalized development costs are amortized on a straight-line basis over their useful lives. Income-related grants are netted against the related expense.

10. Impairment

Every year the Group carries out impairment tests on goodwill. At each balance sheet date, the Group reviews the carrying amounts of investments and tangible and intangible assets to determine whether there is any indication that any of these assets might have suffered a reduction in value. Where such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount is the higher of the fair value less costs to sell the asset and its value in use. The value in use is the net present value of the estimated future cash flows from the use of an asset. The recoverable amount is calculated at the level of the cash-generating unit to which the asset belongs. Where the recoverable amount is below the carrying amount, the latter is reduced to the recoverable amount.

This impairment is immediately charged to the income statement as a non-recurring item. Where a previously recorded impairment no longer exists, the carrying amount is partially or totally re-established through non-recurring items, except in the case of goodwill, where the write-down cannot be reversed.

11. Inventories

Inventories are stated at the lower of purchasing cost (raw materials and merchandise) or production cost (work in progress and finished goods) and net realizable value. Net realizable value represents the estimated selling price, less all estimated costs of making the product ready for sale, including marketing, selling and distribution costs. Inventories are generally valued by the weighted average cost method.

Cost of inventories includes the purchase, conversion and other costs incurred to bring the inventories to their present location and condition.

12. Financial instruments

Trade receivables
Trade receivables are stated at their nominal value less estimated non-recoverable amounts.

- Listed financial investments
Listed financial investments not considered as trading assets (securities available for sale according to IAS 39) are valued at the stock market price on each closing date. Unrealized profits and losses are recorded directly to equity. When such assets are sold, any profit or loss already taken into equity is then included in the net income for the period.

- Borrowings
Borrowings and overdrafts are accounted for in the amount of the net proceeds received after deduction of costs. Financial charges, including any settlement or redemption premiums, are charged over the term of the facility.

- Trade liabilities
Trade liabilities are stated at their nominal value.

- Derivative financial instruments
Derivative financial instruments are initially recorded at cost and re-measured to their fair value at every closing date.
Changes in fair value linked to designated and effective cash flow hedges are recognized immediately in equity. Changes in fair value not linked to cash flow hedging operations are recorded in the income statement.

- Cash and cash equivalents
The cash and cash equivalents consists of cash and sight deposits, short-term deposits (under 3 months) and highly liquid investments which are easily convertible into a known cash amount and where the risk of a change in value is negligible.

13. Provisions

A provision is set up whenever the Group has a legal or implicit obligation at the balance sheet date:

- resulting from a past event and,
- which is likely to result in charges and,
- where the amount of such charges can be reliably estimated.

Commitments resulting from restructuring plans are recognized at the time these plans are announced to the persons concerned.

14. Segment information

Segment information is produced according to two distinct criteria: a primary criterion based on the Group's Sectors of activity, and a secondary criterion based on the main geographical regions.

15. Revenue recognition

A revenue is recognized once it is probable that it will be acquired and its amount can be reliably measured.

Net sales consist of sales to third parties, less trade discounts. They are recognized when the significant risks and rewards attached to the ownership of the goods are transferred to the buyer.

Dividends are recorded in the income statement when declared by the Shareholders' Meeting of the distributing company.

Interest income is recognized *pro rata temporis* based on the effective yield of the investment.

16. Assets held for sale

Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Assets are classified as "held for sale" where the sale is highly probable, with a formal commitment by senior management.

An impairment loss is recognized upon a significant or prolonged decline below its cost in the fair value of an investment in an equity instrument.

17. Share options

Under the transitional provisions, IFRS 2 has been applied to all share options granted after November 7, 2002 which were not yet exercisable at January 1, 2005.

Share options are measured at their fair value at the date of grant. This fair value is assessed using the Monte Carlo option pricing model and is expensed on a straight-line basis over the vesting period of these rights, taking into account an estimate of the number of options that will eventually vest.

18. Accounting for CO_2 emission rights

CO_2 emission rights are accounted for based on IAS 38 (intangible assets), IAS 37 (provisions) and IAS 20 (government grants).

Emission rights which have been granted free of charge are accounted for as intangible assets at a symbolic EUR 1 to the extent that they are 100 % subsidized, with a balancing entry in other current liabilities in the same amount.

To the extent that the rights granted to the Group for 2008 exceed the expected actual emission, no obligation exists at balance sheet date, and no provision needs to be recorded.

Market sales of emission rights acquired free of charge generate a profit that is immediately recognized in income.

Key assumptions & key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described on pages 62-66, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date which, if they were to change, would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Full consolidation of the companies of the SolVin Group on July 1

With the planned shutdown of SolVin's electrolysis at Zandvliet (a BASF site), by the end of 2012 at the latest, as announced on September 16, 2008, all major restructuring plans contemplated in the initial business plan of the Joint Venture agreed between Solvay and BASF have been carried out by SolVin on units operated on BASF sites, and consequently Solvay has decided, in agreement with BASF, to fully consolidate SolVin as from July 2008.

Cash generating units

The essential part of the goodwill comes from the Fournier acquisition in 2005. To the extent that this goodwill represents in each country synergies which will benefit all Pharmaceuticals Sector products, goodwill cannot be allotted by product, but only by region. As a result, the cash-generating units used for the annual impairment tests on this particular goodwill item are based on the regions.

Development costs

Management considers that development costs in the Pharmaceuticals Sector generally do not meet the criteria for recognition as an asset because technical feasibility has not yet been demonstrated. Consequently those development costs are expensed when incurred.

Functional currency

Management considers that the functional currency of Solvay Pharma in Russia is the euro, consistent with the economic substance of the transactions relevant to that entity.
Consequently, the financial statements of this subsidiary have been denominated in euro.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.
Further details are provided in note 23.

Deferred tax assets

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

The Corporate tax competence center, which has the overview of the Group deferred tax situation, is systematically involved in assessing deferred tax assets.

Employment benefits provisions

The actuarial assumptions used in determining the pension obligation at December 31 as well as the annual cost can be found on pages 91-96. All main employee benefits plans are assessed annually by independent actuaries. Discount rates and inflation rates are defined globally by management, the other assumptions (such as future salary increases, expected long-term rates of return on plan assets and expected rates of medical care cost increases) are defined at a local level. All plans are supervised by the Group's central HR department with the help of one central actuary to check the acceptability of the results and assure uniformity in reporting.

Health, Safety and Environmental Provisions (HSE)

HSE provisions are managed and coordinated jointly by an HSE competence center and corporate finance in cooperation with the strategic business units and local management.

Events, the probable occurrence of which lies more than 20 years into the future, have not been taken into account in the provision amount since it is considered that, except on rare occasions, estimates of expenditures are no longer reliable beyond this period.

The forecasts of expenses are set up in constant currency, with assumptions made regarding inflation and technological innovations in the environmental field.

The forecasts of expenses are discounted to present value in accordance with IFRS rules.

The discount rate (4 % in 2007 and 2008) corresponds to an average risk-free rate on 10-year government bonds. This rate is set annually by Solvay's corporate finance department and can be revised based on the evolution of economic parameters of the country involved.

To reflect the nearness of the probable date of occurrence of the expenses, the provisions are increased each year on a prorated basis at the discount rate defined by Solvay's corporate finance department. This increase is applied systematically to provisions with a probability of occurrence less than or equal to 10 years. Provisions in the 10-20 year bracket are examined annually and updated if necessary.

Provisions for litigation

All significant legal litigations[1] (or threats of litigation) are reviewed by Solvay's in-house lawyers with the support, when appropriate, of external counsels at least every quarter. This review includes an assessment of the need to recognize provisions or adapt existing provisions together with Solvay's corporate finance department and the insurance department. The resulting report is submitted to the Executive Committee by the Group general counsel and thereafter to the Audit Committee.

Doubtful trade receivables

Customer credit risk exceeding EUR 500 000 per customer is managed by a risk committee and by in-house credit management, who fix credit limits for customers and follow up on cash collections. Additionally, Solvay also uses credit insurance policies to manage customer credit risk.

1 A similar procedure is implemented for tax litigations.

General description of the segments

The three Sectors are:

Pharmaceuticals
Therapeutic fields:
Integrated franchises (R&D and commercial)
- **Cardiometabolics** (dyslipidemia, type 2 diabetes, acute heart failure, diabetic nephropathy, pulmonary hypertension, atherosclerosis)
- **Neuroscience** (psychosis, Parkinson's disease, traumatic brain injury, bipolar disorder)
- Niches in **flu vaccines** and **pancreatic enzymes**

Commercial franchises
- Gastroenterology
- Women's and men's health

Chemicals
4 clusters:
- **Minerals**
  - Soda ash and specialties (bicarbonate)
  - Advanced Functional Minerals
- **Electrochemistry, fluorinated products**
  - Electrochemistry and derivates (caustic soda, epichlorohydrin)
  - Fluorinated products
- **Oxygen**
  - Hydrogen peroxide
  - Persalts
- **Organic (Molecular Solutions)**

Plastics
2 clusters:
- **Specialties**
  - Specialty polymers (high and ultra-high performance polymers like fluorinated polymers, elastomers and fluids, barrier materials, polyarylamides, polysulfones, high performance polyamides, liquid crystal polymers)
  - Inergy Automotive Systems (50/50 joint venture with Plastics Omnium)
- **Vinyls**
  - Vinyls (integrated electrolysis chain, VCM (monomer), PVC (polymer) and PVC compounds)
  - Pipelife (50/50 joint venture with Wienerberger)

The three Sectors are extensively described in the general section of this report.

Notes to the financial statements

The notes below are cross-referenced to the summary consolidated financial statements.

Consolidated income statement

(1) Financial data by Business Segment

The Sectors form the basis for the reporting by primary segments.
The Pharmaceuticals, Chemicals and Plastics Sectors are extensively described in the general section of this report.
The Corporate & Business Support (CBS) sector consists of the staff and installations of the various Group headquarters which are not specifically attributable to the other three sectors, along with certain sites where industrial operations have been discontinued.

Information per primary segment for 2007 is presented below:

2007 EUR Million **Income statement items**	Pharmaceuticals	Chemicals	Plastics	Corporate & Business Support	Consolidated
Sales	2 591	3 315	4 462	0	10 367
- Inter-segment sales[1]	0	-284	-512	0	-795
External sales	2 591	3 031	3 950	0	9 572
Gross margin	1 847	636	847	0	3 330
REBIT	457	345	441	-51	1 192
Non-recurring items	-71	2	-15	115	31
EBIT	386	346	426	64	1 223

Cash flow items	Pharmaceuticals	Chemicals	Plastics	Corporate & Business Support	Total from continuing operations
EBIT	386	346	426	64	1 223
Recurrent depreciation and amortization	102	163	194	11	470
Impairments	37	85	0	0	123
Changes in provisions and other non-cash items	-141	-143	7	-129	-406
Changes in working capital	-66	-199	-58	4	-319
Cash flow from operating activities before taxes	318	253	570	-51	1 090
Capital expenditures	73	315	334	55	777

Balance sheet and other items	Pharmaceuticals	Chemicals	Plastics	Corporate & Business Support	Consolidated
Investments[2]	2 385	1 940	1 915	109	6 349
Working capital[3]	297	627	619	-57	1 485
Provisions	368	818	265	863	2 315
Headcount at Jan. 1 of following year	9 178	8 395	8 977	1 790	28 340

1 Inter-segment transfer prices are based on market prices.
2 Non-current assets with the exception of deferred tax assets and other long-term receivables.
3 Short-term assets and liabilities and other non-current assets and liabilities, with the exception of dividends payable.

In 2007, the Group had no discontinued operations as defined by IFRS 5.

Information per primary segment for 2008 is presented below:

2008 EUR Million **Income statement items**	Pharmaceuticals	Chemicals	Plastics	Corporate & Business Support	Consolidated
Sales	2 699	3 254	3 929	0	9 881
- Inter-segment sales[1]	0	-157	-234	0	-391
External sales	2 699	3 096	3 695	0	9 490
Gross margin	1 944	504	661	0	3 109
REBIT	509	238	264	-46	965
Non-recurring items	-49	23	-5	51	20
EBIT	460	261	259	5	985

Cash flow items	Pharmaceuticals	Chemicals	Plastics	Corporate & Business Support	Total from continuing operations
EBIT	460	261	259	5	985
Recurrent depreciation and amortization	108	160	194	9	471
Impairments	13	-75	7	0	-54
Changes in provisions and other non-cash items	-24	-47	-32	-76	-179
Changes in working capital	115	147	78	17	356
Cash flow from operating activities before taxes	673	445	506	-45	1 579
Capital expenditures	506	410	393	11	1 320

Balance sheet and other items	Pharmaceuticals	Chemicals	Plastics	Corporate & Business Support	Consolidated
Investments[2]	2 661	2 165	2 109	89	7 024
Working capital[3]	99	471	546	-64	1 053
Provisions	286	771	291	803	2 151
Headcount at Jan. 1 of following year	9 660	8 966	8 816	1 991	29 433

1 Inter-segment transfer prices are based on market prices.
2 Non-current assets with the exception of deferred tax assets and other long-term receivables.
3 Short-term assets and liabilities and other non-current assets and liabilities, with the exception of dividends payable.

In 2008, the Group has no discontinued operations as defined by IFRS 5.

(2) Financial data by region

Group sales by market location are as follows:

EUR Million	2007	%	**2008**	**%**
Europe	5 400	56 %	5 370	57 %
NAFTA	2 272	24 %	2 116	22 %
Mercosur	793	8 %	826	9 %
Asia-Pacific and other	1 106	12 %	1 178	12 %
Total	9 572	100 %	9 490	100 %

Invested capital and capital expenditure by geographical segment are shown below.

	Invested capital				Capital expenditure			
EUR Million	2007	%	**2008**	**%**	2007	%	**2008**	**%**
Europe	5 987	77 %	5 776	71 %	578	74 %	1 060	80 %
NAFTA	1 117	14 %	1 519	19 %	74	10 %	74	6 %
Mercosur	395	5 %	449	6 %	74	10 %	152	11 %
Asia-Pacific and other	335	4 %	334	4 %	50	6 %	33	3 %
Total	7 834	100 %	8 077	100 %	777	100 %	1 320	100 %

Invested capital includes the non-current assets and working capital as defined in the financial data per Sector above.

(3) Gross margin

Expressed as a percentage of sales, gross margin is equal to 32.8 % in 2008, compared to 34.8 % in 2007.

Gross margin includes EUR 53 million related to milestones for the out-licensing of LUVOX® (EUR 28 million), royalties for the co-promotion agreement for MARINOL® (EUR 12 million), royalties for the co-promotion agreement for SIMCOR® (EUR 5 million), rebates and returns (EUR -22 million) and the launch of TRILIPIX™ sales in the last quarter (EUR 30 million). In 2007, it included EUR 8 million for the settlement of the lawsuit filed against Impax Laboratories concerning CREON®.

It includes also write-downs on inventories of finished goods in the Vinyls activity (EUR -29 million) to align the book value of inventories with PVC selling prices.

(4) Commercial and administrative costs

The Group's commercial and administrative costs increased overall by 2.9 % between 2007 and 2008.

In the Pharmaceuticals Sector, they increased by 5 %, mainly due to promotional expenses for SIMCOR® (EUR 50 million) and a write-down on a receivable from Jazz Pharmaceuticals (EUR 10 million), while a EUR 11 million write-down on trade receivables from the Russian authorities was reversed in 2007.

In the Chemicals and Plastics sectors, commercial and administrative costs decreased by respectively 5.5 % and 3.7 %.

(5) Research and development costs

These have increased by 1.4 % versus last year.

Research costs are higher (3.2 %) in the Pharmaceuticals Sector and lower in the Chemicals Sector (-0.9 %) and in the Plastics Sector (-8.4 %).

For the Pharmaceuticals Sector, which represents 75 % of the Group's R&D expense budgets, the 3.2 % increase is explained by higher expenses for the write-off of clinical supply for SLV308 phase III combined with higher bifeprunox expenses related to the termination of 4 clinical studies. On the other hand, expenses have been reduced by the reversal of the Bipolar provision of EUR 25 million that was included in the bifeprunox development with Wyeth.

(6) Other operating gains and losses

EUR Million	2007	**2008**
Start-up, formation and preliminary study costs	-33	-38
Cost of closures and demolitions	-15	-15
Costs of trials and tests	-5	-3
Balance of other gains and losses	10	46
Other operating gains and losses	-44	-10

Start-up costs relate mainly to the Weesp site in the Netherlands, where the Pharmaceuticals Sector is building a facility to produce INFLUVAC® cell-cultured flu vaccine (EUR -26 million in 2008 versus EUR -18 million in 2007), and to the new hydrogen peroxide plant in Belgium (EUR -4 million).

The balance of the other gains and losses item includes in particular:
- the gain from the sale of underground cavities in Germany (EUR 51 million compared with EUR 52 million in 2007),
- the gain from the sale of licences of pharmaceutical products (EUR 43 million compared with EUR 15 million in 2007),
- restructuring charges (EUR -22 million compared with EUR -20 million in 2007),
- the temporary shutdown costs of plants in the Vinyls activity (EUR -17 million),
- a change in post-employment benefits in the United States (EUR 17 million),
- the net impact of changes in HSE provisions (EUR -39 million compared with EUR -22 million in 2007).

(7) Other financial gains and losses

EUR Million	2007	**2008**
Cost of discounting provisions	-42	-43
Income from investments and interest on loans to joint ventures and non-consolidated companies	17	14
Net foreign exchange gains and losses	16	4
Balance of other gains and losses	-7	22
Other financial gains and losses	-16	-2

The foreign exchange gains and losses relate to profits and losses realized on financial instruments recognized as cash flow hedges.

(8) REBIT

REBIT (recurring EBIT) is equal to current operating earnings, i.e. excluding non-recurring earnings.
This item decreased by 19 % from EUR 1 192 million to EUR 965 million in 2008.

(9) Non-recurring items

Non-recurring items mainly include:
- gains and losses on the sale of subsidiaries, joint-ventures, affiliates accounted for under the equity method that do not qualify as discontinued operations, available-for-sale investments; gains and losses on the sale of real estate not directly linked to an operating activity;
- restructuring charges associated with the shutdown of an activity;
- impairment of tangible assets, intangible assets and goodwill associated with the shutdown of an activity and/or a restructuring plan;
- the impact of significant litigation.

Non-recurring items break down as follows:

EUR Million	2007	2008
Impairments	-123	54
Other expenses and income	154	-34
Non-recurring items	31	20

The EUR 54 million of asset impairments relates mainly to:

– in the Chemicals Sector, the reversal of the impairment of the trona mine tangible assets in the United States (natural soda ash) in an amount of EUR 92 million (before taxes) due to the improvement of the expected cash flows;
– in the Chemicals Sector, impairments linked to the reorganization of SBU Molecular Solutions (EUR 17 million, of which EUR 5 million in respect of intangible assets);
– in the Pharmaceuticals Sector, impairment of tangible assets linked to the pursual of the "INSPIRE" project (EUR 10 million).

The other non-recurring items produced a net loss of EUR 34 million.
Income items include here the capital gains on the sale of Solvay Engineered Polymers (EUR 30 million).
Expense items consist essentially of restructuring costs, in particular EUR 38 million in relation to the "INSPIRE" project and EUR 10 million in respect of Solvay Benvic in Belgium.

(10) Charges on net indebtedness

EUR Million	2007	2008
Cost of borrowings	-106	-138
Interest on lending and short-term deposits	23	26
Other gains and losses on net indebtedness	2	18
Charges on net indebtedness	-82	-93

The average net indebtedness for 2008 amounts to EUR 1 634 million, above the average level of EUR 1 450 million in 2007.

Average interest charges on borrowings rose from 5.5 % in 2007 to 5.7 % in 2008 excluding the payment of the interest due on the milestone paid to the former Fournier shareholders (EUR 10 million). Including the latter, they rose from 5.5 % in 2007 to 6.1 % in 2008. The returns on cash and cash equivalents deteriorated from 4.7 % to 4.2 %.

Borrowing costs incorporated into the cost of assets amounted in 2008 to EUR 8 million (EUR 2 million in 2007).
The weighted average capitalization rate generally used is 5.8 % a year (4.3 % a year in 2007).

(11) Income/loss from available-for-sale investments

The loss from available-for-sale investments amounts to EUR -299 million, which results from:
- the impairment loss of EUR -309 million on the Fortis shares available for sale (15.7 million shares impaired, based on the difference between the cost of EUR 20.6 /share and the market value of EUR 0.93 /share on December 31, 2008);
- dividends of EUR 9 million paid in 2008 by Fortis and of EUR 0.4 million by Sofina (compared with EUR 20 million of Fortis and EUR 4 million of Sofina dividends last year).

(12) Income taxes and deferred taxes

(12a) Income taxes

Components of the tax charge

The tax charge on earnings consists of current and deferred tax.

– Current tax represents the tax paid or payable (recovered or recoverable) in respect of the taxable profit (tax loss) for the past year, as well as any adjustments to tax paid or payable (recovered or recoverable) in relation to previous years;
– Deferred tax represents the tax which will be owed (or recovered) during future years, but which has already been recognized during the past year, and which corresponds to the variation in the deferred tax items recorded in the balance sheet (see below).

The deferred tax charge referring to items accounted for under shareholders' equity is also recorded in this latter item. The tax charge breaks down as follows:

EUR Million	2007	2008
Current taxes related to current year	-287	-246
Current taxes related to prior years	40	-5
Deferred income tax before valuation allowance	0	109
Unrecognized of deferred tax assets (-/+)	-6	3
Tax effect of changes in the nominal tax rates on deferred taxes	-84	-4
Total	-337	-143

EUR Million	2007	2008
Income tax on items allocated directly to equity	0	1
Total	0	1

Reconciliation of the tax charge

The effective tax charge has been reconciled with the theoretical tax charge obtained by applying to the pre-tax profit of each Group entity the nominal tax rate prevailing in the country in which it operates.

EUR Million	2007	2008
Earnings before taxes	1 165	592
Reconciliation of the tax charge		
Total tax charge of the Group entitites computed on the basis of the respective local nominal rates	-350	-154
Weighted average nominal rate	30 %	26 %
Tax effect of non-deductible expenses	-128	-195
Tax effect of tax-exempt revenues	243	181
Tax effect of changes in tax rates	-84	-4
Tax effect of current and deferred tax adjustments related to prior years	-12	-8
Unrecognized deferred tax assets	-6	37
Effective tax charge	-337	-143
Effective tax rate	29 %	24 %

Analysis of the tax charge

The Group's effective tax rate (24 %) is lower than the weighted average nominal rate (26 %), owing mainly to the recapture of tax provisions (EUR 14 million) existing in the Group and to the recognition of deferred tax assets (EUR 67 million) in Solvay Chemicals International and in Solvay Finance Luxembourg. These positive effects were offset by the non-deductible impairment on the available-for-sale investment in Fortis.

In 2007, the negative effect of changes in tax rates applied to Italy and Germany.

(12b) Deferred taxes on the balance sheet

Deferred tax assets and liabilities are recorded in the balance sheet in respect of temporary differences arising from the fact that the tax authorities apply different rules when assessing assets and liabilities than those used for drawing up annual accounts. Variations occurring during the year in the deferred taxes recorded in the balance sheet are taken into income, except where they relate to items that are recorded directly in shareholders' equity (see above).

Deferred taxes are calculated based on the prevailing tax rates, or where they have been changed, at the enacted rates that are expected to apply at the time of recording the taxes payable (or recoverable) in the statutory accounts.

Deferred tax assets are written down to the extent that it appears unlikely, in the light of expected future tax situations, that they will in the future generate either a reduction in the tax base or tax credits.

Unless a dividend payment is planned, no deferred tax is calculated on the undistributed profits of subsidiaries reinvested locally.

The deferred taxes recorded in the balance sheet fall into the following categories:

	Deferred tax assets		Deferred tax liabilities	
EUR Million	2007	**2008**	2007	**2008**
Employee benefits obligations	190	192		
Provisions other than employee benefits	198	159		
Tax losses	305	483		
Tax credits	57	128		
Depreciation of tangible assets and amortization of intangible assets	241	199	-366	-367
Development costs			-29	-4
Other	264	213	-200	-236
Total (gross amount)	1 255	1 374	-595	-607
Employee benefits obligations	-59	-68		
Provisions other than employee benefits	-33	-35		
Tax losses	-146	-191		
Tax credits	-57	-62		
Depreciation of tangible assets and amortization of intangible assets	-37	-22		
Other	-50	-1		
Total unrecognized deferred tax assets	-381	-379		
Offset	-350	-344	350	344
Total (net amount)	524	651	-245	-263

In the above table, the 2008 totals include the amount of deferred taxes presented as "assets held for sale" and "liabilities associated with assets held for sale" in the balance sheet (EUR 2 million of deferred tax assets and EUR 5 million of deferred tax liabilities).
Unused tax losses (credits) and deductible temporary differences for which a deferred tax asset has not been recognized amount to EUR 379 million including in this figure tax losses amounting to EUR 191 million (mainly Solvay SA: EUR 86 million and Solvay Chimie: EUR 21 million) and tax credits of EUR 62 million (R&D tax credits in Belgium, mainly for Solvay SA: EUR 53 million and Solvay Chimie: EUR 3 million).

Other information

All the Group's tax loss carryforwards have generated deferred tax assets (some of which have not been recognized). These carried-forward tax losses are given below by expiry date.

EUR Million	2007	2008
Within 1 year	1	11
Within 2 years	14	36
Within 3 years	38	23
Within 4 years	24	18
Within 5 or more years	113	127
No time limit	820	881

The acquisition during 2008 of Innogenetics increased the Group's total tax-loss carryforwards by EUR 170 million.

(13) Net income of the Group

Net income amounted to EUR 449 million. This is EUR 379 million (-45.8 %) lower than net income in 2007 (EUR 828 million). This result reflects the decrease in operating results and the EUR -309 million impact of the impairment on the Fortis shares available for sale.

The minority interest in this net income figure is EUR 44 million compared with EUR 47 million in 2007.

The impact of the change of consolidation method applied to the SolVin Group from proportionate consolidation (75 %) to full consolidation with minority interests (25 %) is EUR 1 million.

(14) Diluted earnings per share

The diluted earnings per share amount is obtained by dividing net income by the number of shares, increased by the number of potentially diluting shares attached to the issue of share options.

Full data per share can be found in the management report.

Consolidated cash flow statement

(15) Depreciation, amortization and impairments

Total depreciation, amortization and impairment losses amount to EUR 417 million, down EUR 176 million with respect to 2007 (EUR 593 million).

Normal straight-line depreciation and amortization remain stable: EUR 471 million in 2008 against EUR 470 million in 2007.

In 2008, the net balance of impairment losses is positive (EUR 54 million) because of the reversal of the EUR 92 million impairment loss recorded earlier on the trona mine in the US (natural soda ash). In 2007, the impairment losses of EUR 123 million were linked to the restructuring of the Fluor and Molecular Solutions activities and, for the Pharmaceuticals Sector, to the write-down of an intangible asset and the recognition of impairment losses in the context of the "INSPIRE" project.

(16) Changes in working capital

The change in working capital amounts to EUR -356 million and results mainly from the collection of the receivable as of December 2007 on the sale of the Caprolactones business (EUR -189 million), from the net increase (EUR -120 million) of the payable for Fournier milestones and from a higher volume of trade payables at year-end 2008.

(17) Changes in provisions

In 2008, the change in provisions in the balance sheet (including the variation of EUR +13 million in pension fund surpluses) amounts to EUR 176 million. In the cash flow statement this variation (at constant exchange rate and consolidation scope) amounts to EUR -167 million. See note 29 on provisions.

In 2007 the variation in provisions in the cash flow statement was EUR -140 million.

(18) Other

This item serves to take out of cash flow from operating activities those items already included in cash flow from investing activities (gains on the sales of assets). For 2008, the elimination relates essentially to the gains on the sales of Solvay Engineered Polymers (EUR 30 million).
For 2007 the elimination relates essentially to the gains on the sales of the Caprolactones activity (EUR 151 million), the Sofina shares (EUR 73 million) and subscription rights to the capital increase in Fortis (EUR 37 million).

(19) Acquisition / sale of assets and investments

2007 EUR Million	Acquisitions	Disposals	**Total**
Subsidiaries	-34		
Associates			
Joint ventures	-26		
Available for sale investments	-37	136	
Other	-35	1	
Total investments	-132	137	5
Tangible/intangible assets	-644	211	-433
Total	-777	348	-429

2008 EUR Million	Acquisitions	Disposals	**Total**
Subsidiaries	-508	100	-408
Associates			
Joint ventures			
Available for sale investments			
Other	-49	4	-45
Total investments	-557	104	-453
Tangible/intangible assets	-763	16	-747
Total	-1 320	120	-1 200

The acquisitions in 2008 consist mainly of:
- the recognition of milestones and earn-outs payable to the former Fournier shareholders (EUR 200 million),
- the acquisition of Innogenetics nv in Belgium (EUR 189 million),
- the acquisition of Alexandria Sodium Carbonate Co, a sodium carbonate manufacturer located in Egypt (EUR 107 million),
- the acquisition of Ajedium in the United States (EUR 8 million).

"Other" (EUR 49 million) refers to companies of non-significant size which are neither consolidated nor accounted for by the equity method and includes mainly the following acquisitions in 2008:
- Rusvinyl in Russia (EUR 14 million),
- Solalban Energia in Argentina (EUR 11 million),
- Solvay Biochemicals Thailand (EUR 8 million),
- The joint venture for H_2O_2 in Thailand (EUR 8 million).

The disposal of subsidiaries amounts to EUR 100 million and is mainly related to the sale of Solvay Engineered Polymers for EUR 90 million, generating a capital gain of EUR 30 million.

The acquisition of tangible/intangible assets in 2008 relates to various projects, many of them extending over several years:
- the conversion of mercury electrolysis units to membrane electrolysis and the extension of VCM/PVC manufacturing units at Santo André (Brazil);
- the construction of a hydrogen peroxide unit in a joint venture with BASF and an oxychlorination unit at Zandvliet (Belgium);
- the SIMCOR® co-promotion agreement in Pharmaceuticals;
- the capacity increase at the Devnya soda plant (Bulgaria);
- the PVDF capacity increase at Tavaux (France);
- the Fluorolink capacity increase at Spinetta (Italy).

Acquisitions and disposals of consolidated subsidiaries in 2008 are set out in the tables below.

Acquisitions of subsidiaries

EUR Million	**Total**
Intangible assets	35
Tangible assets	49
Other investments	3
Deferred tax assets	1
Loans and other non-current assets	1
Non-current assets	89
Current assets other than cash and cash equivalents	34
Cash and cash equivalents	9
Current assets	43
Long-term provisions	1
Deferred tax liabilities	1
Long-term financial debt	10
Non-current liabilities	12
Current liabilities	63
Net assets	57
Goodwill	283
Price paid at 31/12/2008	340
Bank balances and cash acquired	0
Net cash outlay on acquisition - prior years	32
Net cash outlay on acquisition - 2008	308

Innogenetics nv

In December 2008, the Solvay group finalized the purchase of 100 % of Innogenetics nv, a Belgian biotechnology company, for a net cash outflow of EUR 221 million, of which EUR 189 million was paid in 2008 (including EUR 2 million of acquisition costs) and EUR 32 million represents shares previously owned.

Innogenetics nv has been fully consolidated since September 30, 2008 (with impact on the income statement from October 1, 2008).

The net assets acquired in the transaction and the resulting goodwill are:

EUR Million	Carrying amount before acquisition	Fair value adjustments	**Total**
Intangible assets	19	13	32
Tangible assets	12	0	12
Other investments	3	0	3
Deferred tax assets	0	0	0
Loans and other non-current assets	2	0	2
Non-current assets	36	13	49
Current assets other than cash and cash equivalents	21	0	21
Cash and cash equivalents	8	0	8
Current assets	29	0	29
Long-term provisions	0	0	0
Deferred tax liabilities	0	0	0
Long-term financial debt	11	0	11
Non-current liabilities	11	0	11
Current liabilities	58	0	58
Net assets	-4	13	9
Goodwill			212
Price paid at 31/12/2008			221
Bank balances and cash acquired			0
Net cash outlay on acquisition - prior years			32
Net cash outlay on acquisition - 2008			189

Innogenetics contributed EUR 10 million of Group sales and EUR -1 million of REBIT from October 1 to December 31.

If the Solvay Group had acquired 100 % and consolidated Innogenetics nv on January 1, 2008,
the impact for 2008 would have amounted to EUR 55 million on revenue and EUR -10 million on net income.

Alexandria Sodium Carbonate

On 17 October 2008, the Solvay group purchased 100 % of Alexandria Sodium Carbonate Co, a sodium carbonate manufacturer located in Egypt, for a net cash outflow of EUR 107 million.

This acquisition is accounted for on a provisional basis, as not all information is available at year-end closing. Corrections will be made at the quarter-end closing at the end of March 2009.

The net assets acquired in the transaction and the resulting goodwill are:

EUR Million	Carrying amount before acquisition	Fair value adjustments	**Total**
Intangible assets	0	0	0
Tangible assets	33	0	33
Other investments	0	0	0
Deferred tax assets	0	0	0
Loans and other non-current assets	0	0	0
Non-current assets	33	0	33
Current assets other than cash and cash equivalents	9	0	9
Cash and cash equivalents	1	0	1
Current assets	10	0	10
Long-term provisions	0	0	0
Deferred tax liabilities	0	0	0
Long-term financial debt	0	0	0
Non-current liabilities	0	0	0
Current liabilities	2	0	2
Net assets	41	0	41
Goodwill			66
Price paid at 31/12/2008			107
Bank balances and cash acquired			0
Net cash outlay on acquisition			107

Ajedium

On August 29, 2008, the Solvay group purchased assets from Ajedium Film Group LLC for a net cash outflow of EUR 8 million. This is a business combination as the assets acquired constitute a business for the Solvay group.

The net assets acquired in the transaction and the resulting goodwill are:

EUR Million	Carrying amount before acquisition	Fair value adjustments	**Total**
Intangible assets	0	1	1
Tangible assets	1	0	1
Other investments	0	0	0
Deferred tax assets	0	1	1
Loans and other non-current assets	0	0	0
Non-current assets	1	2	3
Current assets other than cash and cash equivalents	1	0	1
Cash and cash equivalents	0	0	0
Current assets	1	0	1
Long-term provisions	0	0	0
Deferred tax liabilities	0	1	1
Long-term financial debt	0	0	0
Non-current liabilities	0	1	1
Current liabilities	0	0	0
Net assets	2	1	3
Goodwill			5
Price paid at 31/12/2008			8
Bank balances and cash acquired			0
Net cash outlay on acquisition			8

Disposal of subsidiaries

EUR Million	2007	**2008**
Non-current assets	0	62
Current assets	0	58
Non-current liabilities	0	30
Current liabilities	0	19
Net assets	0	71
Gain (loss) on disposal	0	29
Total consideration received[1]	0	100
Bank balances and cash disposed of	0	0
Net cash inflow on disposal	0	100

1 not including any deferred payment.

The disposal of subsidiaries amounts to EUR 100 million and is mainly related to the sale of Solvay Engineered Polymers for EUR 90 million.

(20) Capital increase / redemption

As in 2007, the Solvay group reimbursed in 2008 to minority shareholders a portion of the capital of our natural carbonate activities in the United States (EUR -12 million).

(21) Acquisition / sale of treasury shares

At the end of December 2007, Solvay S.A. held 2 638 000 treasury shares to cover the share options offered to Group executives. At the end of 2008, the company held 2 567 568 treasury shares, which have been deducted from consolidated shareholders' equity.
As it has in every year since 1999, the Board of Directors renewed the share option plan offered to executive staff (around 300 persons) with a view to involving them more closely in the long-term development of the Group. The majority of the managers in question subscribed the options offered them in 2008 with an exercise price of EUR 58.81, representing the average stock market price of the share for the 30 days prior to the offer.
The 3-year vesting period is followed by a 5-year exercise period, at the end of which any unexercised options expire.
The settlement method is in equity.

Share options	2002	2003	2004	2005	2006	2007	**2008**
Number of share options granted and still outstanding at 31/12/2007	187 000	267 200	446 900	512 100	499 100	508 800	
Granted share options							522 700
Forfeitures of rights and expiries						-2 000	
Share options exercised	-9 500	-7 400	-12 700				
Number of share options at 31/12/2008	177 500	259 800	434 200	512 100	499 100	506 800	522 700
Share options exercisable at 31/12/2008	177 500	259 800	434 200	0	0	0	0
Exercise price (EUR)	63.76	65.83	82.88	97.30	109.09	96.79	58.81
Fair value of options at measurement date (EUR)	9.60	9.50	7.25	10.12	21.20	18.68	14.95

	2007		**2008**	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
At 1/1	2 142 200	86.78	2 421 100	90.90
Granted during the year	508 800	96.79	522 700	58.81
Forfeitures of rights and expiries during the year	0	-	-2 000	96.79
Exercised during the year	-229 900	65.54	-29 600	72.48
At 31/12	2 421 100	90.90	2 912 200	85.32
Exercisable at 31/12	454 200		871 500	

The share options resulted in a charge in 2008 of EUR 8 million calculated by a third party according to the Monte Carlo model and recorded in the income statement under commercial and administrative costs.

The model places a value on the options taking into account the fact that some of them will be exercised before the option maturity.

The value of the option is based on:

– the price of the underlying asset (Solvay share): EUR 53.05 at December 31, 2008,
– the time outstanding until the option maturity: exercisable from February 15, 2012,
– the option exercise price: EUR 58.81,
– the risk-free return: 3.32 %,
– the volatility of the underlying yield: 42.53 %.

Consolidated balance sheet

(22) Intangible assets

EUR Million	Development costs	Patents and trademarks	Other intangible assets	Total
Gross carrying amount				
At 31 December 2006	70	931	111	1 112
Capital expenditures	14	4	3	21
Disposals	-2	-2	-4	-8
Changes in consolidation scope	0	9	0	10
Currency translation differences	-3	-16	-8	-28
Other	0	-61	75	14
At 31 December 2007	79	864	178	1 121
Capital expenditures	14	76	3	93
Disposals	-3	-3	-9	-14
Changes in consolidation scope	0	58	1	59
Currency translation differences	1	-8	2	-6
Transfer to assets held for sale	-3	0	0	-3
Other	4	15	-34	-16
At 31 December 2008	93	1 000	141	1 234
Accumulated amortization				
At 31 December 2006	-39	-278	-74	-391
Recurring depreciation	-8	-46	-5	-59
Impairments	0	-22	-3	-25
Reversal of impairments	0	0	0	0
Disposals and closures	1	2	4	7
Changes in consolidation scope	0	0	0	0
Currency translation differences	2	6	6	13
Other	0	37	-41	-4
At 31 December 2007	-44	-301	-114	-459
Recurring depreciation	-6	-58	-8	-72
Impairments	0	-7	0	-7
Reversal of impairments	0	20	0	20
Disposals and closures	2	3	8	13
Changes in consolidation scope	0	-22	-1	-23
Currency translation differences	-1	0	0	-1
Transfer to assets held for sale	2	0	0	2
Other	-3	5	18	20
At 31 December 2008	-50	-359	-98	-507
Net carrying amount				
At 31 December 2006	31	653	37	721
At 31 December 2007	35	563	64	662
At 31 December 2008	42	641	43	726

(23) Goodwill

EUR Million	Total
Gross carrying amount	
At 31 December 2006	1 214
Arising on acquisitions	32
Change in consolidation scope	0
Impairments	-26
Currency translation differences	-10
Other	0
At 31 December 2007	1 210
Arising on acquisitions	483
Change in consolidation scope	-10
Impairments	0
Currency translation differences	-10
Transfer to assets held for sale	-4
Other	-3
At 31 December 2008	1 667

In 2008, the increase in goodwill comes from:

– the recognition of an earn-out and milestones payable to the former Fournier shareholders (EUR 200 million),
– the acquisition of Innogenetics (EUR 212 million),
– the acquisition of Alexandria Sodium Carbonate Co (EUR 66 million).

The goodwill impairment tests did not lead to any impairment losses being recognized in 2008. For these tests, the Group prepares cash-flow forecasts based on the most recent financial projections approved by executive management for the next five years. For the following years, the extrapolation of the cash flows is based on a growth rate which does not exceed the average long-term growth rate of the markets in question.

The forecasted cash flows for each of the cash-generating units concerned have been discounted to net present value at specific rates, based on external references and measuring the risks inherent to the specific sector and geographic location of the cash-generating units. These discount rates range between 8.3 % and 9.3 %, to which country risk premiums can in some cases be added (up to 6 %).

The essential part of the goodwill comes from the Fournier acquisition (EUR 1 221 million) and from the Innogenetics acquisition (EUR 212 million). To the extent that this goodwill represents in each country synergies which will benefit all Pharmaceuticals Sector products, goodwill cannot be allocated by product, but only by region. As a result, the cash-generating units used for the annual impairment tests on this particular goodwill item are based on the regions.

(24) Tangible assets (including finance leases)

EUR Million	Land & Buildings	Fixtures & Equipment	Other tangible assets	Properties under construction	**Total**
Gross carrying amount					
At 31 December 2006	2 117	7 455	97	545	10 214
Capital expenditures	43	259	3	317	623
Disposals and closures	-31	-250	-3	0	-284
Changes in consolidation scope	7	13	0	1	21
Currency translation differences	-34	-126	-4	-11	-174
Other	1	240	1	-285	-43
At 31 December 2007	2 104	7 591	95	567	10 358
Capital expenditures	27	193	4	446	670
Disposals and closures	-28	-117	-8	-2	-154
Changes in consolidation scope	47	408	31	7	493
Currency translation differences	-14	-115	0	-14	-144
Transfer to assets held for sale	-35	-75	0	-3	-113
Other	22	382	-11	-372	20
At 31 December 2008	2 123	8 266	111	630	11 130
Accumulated depreciation					
At 31 December 2006	-1 122	-5 154	-69	0	-6 345
Depreciation	-57	-348	-6	0	-411
Impairments	-21	-57	0	0	-78
Reversal of impairments	1	5	0	0	6
Disposals and closures	27	214	3	0	244
Changes in consolidation scope	-2	-6	0	0	-8
Currency translation differences	13	67	3	0	83
Other	31	5	0	0	36
At 31 December 2007	-1 129	-5 274	-70	0	-6 472
Depreciation	-54	-339	-4	-1	-398
Impairments	-5	-23	-1	0	-29
Reversal of impairments	10	62	0	0	72
Disposals and closures	19	108	7	0	134
Changes in consolidation scope	-33	-296	-17	0	-346
Currency translation differences	3	73	1	0	77
Transfer to assets held for sale	21	52	0	0	73
Other	14	-48	12	0	-22
At 31 December 2008	-1 153	-5 685	-73	-1	-6 912
Net carrying amount					
At 31 December 2006	995	2 301	28	545	3 869
At 31 December 2007	975	2 318	25	567	3 885
At 31 December 2008	970	2 581	37	629	4 218

Finance leases

EUR Million	Land and buildings	Fixtures and equipment	Total
Net carrying amount of finance leases included in the table above	15	2	18

The carrying amount of lease obligations approximates to their fair value.

Finance lease obligations

EUR Million	Minimum lease payments		Present value of minimum lease payments	
Amounts payable under finance leases:	2007	2008	2007	2008
Within one year	2	4	1	3
In years two to five inclusive	8	17	7	15
Beyond five years	1	1	1	1
Less: future finance charges	-2	-3		
Present value of Lease Obligations	9	19	9	19
Less: Amount due for settlement within 12 months			1	3
Amount due for settlement after 12 months			8	17

Operating lease obligations

EUR Million	2007	2008
Total minimum lease payments under operating leases recognized in the income statement of the year	57	62

EUR Million	2007	2008
Within one year	48	53
In years two to five inclusive	129	128
Beyond five years	66	56
Total of future minimum lease payments under non-cancellable operating leases	243	238

(25) Available-for-sale investments

EUR Million	2007	2008
Fair value at 1 January	657	318
Disposed of during the year	-82	0
Acquired during the year	37	0
Increase (decrease) in fair value	-293	-278
Other	0	-11
Fair value at 31 December	318	30
Of which recognized directly in equity	-49	4

This heading contains the following available-for-sale investments: Fortis, Sofina and Arqule. Fortis and Sofina are not allocated to segments, whilst Arqule is allocated to the Pharmaceuticals Sector.
The “other” caption (EUR -11 million) represents the value of the Innogenetics available-for-sale investment at the end of 2007.
The decrease of EUR -278 million consists mainly of the mark-to-market variance for Fortis shares (EUR -268 million) and for Sofina shares (EUR -8 million).

(26) Other investments

EUR million	2007	2008
Fair value at 1 January	133	148
Disposed of during the year	-2	-4
Acquired during the year	35	49
Increase (decrease) in fair value	0	0
Other	-19	-5
Fair value at 31 December	148	187

Other investments include companies of non-significant size which are neither consolidated nor accounted for by the equity method. The main acquisitions in 2008 are related to new subsidiaries with capital expenditures in progress:

- Rusvinyl in Russia (EUR 14 million),
- Solalban Energia in Argentina (EUR 11 million),
- Solvay Biochemicals Thailand (EUR 8 million),
- The joint venture for H_2O_2 in Thailand (EUR 8 million).

(27) Inventories

EUR million at December 31	2007	2008
Finished goods	689	699
Raw materials and supplies	532	577
Work in progress	61	67
Transfer to assets held for sale	0	-13
Other inventories	4	5
Total brut	1 286	1 335
Write-downs	-31	-81
Net total	1 255	1 255

(28) Trade receivables, other receivables, loans, and other non-current assets

In 2008, trade receivables represented 70 days' sales. The carrying value of the trade receivables is a good approximation of the fair value at balance sheet closing date.

There is no significant concentration of credit risk at Group level to the extent that the receivables risk is spread over a large number of customers and markets.

The ageing of trade receivables, other receivables, loans and other non-current assets is as follows:

2007 EUR Million	**Total**	**With write-down**	**Of which receivables without write-down**				
			Not past due	Less than 30 days past due	Between 30 & 60 days past due	Between 60 & 90 days past due	More than 90 days past due
Trade receivables	1 711	12	1 470	158	39	14	17
Other current receivables	566	8	521	8	13	1	15
Loans and other non-current assets	252	0	237	6	0	0	9
Total	2 529	20	2 228	171	52	15	42

2008 EUR Million	**Total**	**With write-down**	**Of which receivables without write-down**				
			Not past due	Less than 30 days past due	Between 30 & 60 days past due	Between 60 & 90 days past due	More than 90 days past due
Trade receivables	1 666	8	1 432	158	37	14	18
Other current receivables	555	11	501	17	8	4	15
Loans and other non-current assets	273	1	264	0	0	1	8
Total	2 495	19	2 197	175	45	19	41

The other current receivables consist essentially of other receivables, deferred charges and accrued income.

Other non-current assets consist essentially of pension fund surpluses and other amounts receivable after more than one year.

The table below shows the evolution of write-downs on trade and financial receivables and other non-current assets.

EUR Million	2007	**2008**
At 1 January	-20	-17
Net change	3	-56
At 31 December	-17	-73

The net change of EUR 56 million is mainly related to write-downs recorded on financial receivables of non-consolidated companies of the Innogenetics group recognized before the acquisition of the latter by Solvay.

The management of credit risk is commented on in the “Management of Risks” section (page 107).

(29) Provisions

EUR Million	Employee benefits	Health, safety and environment	Litigation	Other	**Total**
At 31 December 2007	1 187	417	473	237	2 314
Additions*	133	44	41	43	261
Reversals**	-42	-6	-21	-77	-146
Uses	-162	-24	-54	-76	-316
Currency translation differences	6	1	-6	0	1
Acquisitions and changes in consolidation scope	28	1	8	0	37
Disposals	0	0	0	0	0
Other	0	0	0	0	0
At 31 December 2008	1 150	433	441	127	2 151
Of which short-term provisions	43	29	11	40	123
* Of which interest cost	123	6			
** Of which past discount adjustment		-5			

In total, provisions decreased by EUR 163 million (-7 %), mainly due to:
– the reclassification from provisions to working capital (short-term liabilities) of EUR 50 million of milestones due to the previous shareholders of Fournier Laboratories as a consequence of the absence of generics for TRICOR® in 2008;
– a net reduction of EUR 45 million (USD 67 million) in the provisions for settling certain US and Canadian class actions with respect to alleged unfair competition practices in the peroxides activities in the NAFTA region;
– the full consolidation of SolVin companies, which increases the Group's provisions by EUR 36 million;
– a net decrease of provisions for termination benefits of EUR 31 million;
– a reversal of a provision of EUR 25 million for Bipolar expenses under the partnership agreement with Wyeth.

Provisions for post-employment benefits

Personnel expenses amounted to EUR 1 981 million in 2008 (EUR 2 081 million in 2007).
Provisions for employee benefits were EUR 1 150 million in 2008 (EUR 1 187 million in 2007).

These provisions have been set up primarily to cover post-employment benefits granted by most Group companies in line, either with local rules and customs, or with established practices which generate constructive obligations.

Provisions for post-employment benefits amounted to EUR 948 million in 2008 (EUR 956 million in 2007) before deducting the EUR 86 million capitalized (2007: EUR 73 million) pension asset.

These provisions are set up on the basis of the IFRS accounting policies defined in item 5 of the present report and reflect the estimated compensation at the time of retirement.

The balance consists of provisions for termination benefits (EUR 139 million, EUR 170 million in 2007), provisions for other long-term benefits (EUR 51 million, EUR 49 million in 2007) and provisions for benefits not valued in accordance with IAS 19 (EUR 12 million, the same as in 2007).

The largest pension plans are in Belgium, France, Germany, the Netherlands, the United Kingdom and the United States. Certain companies provide post-employment health or life insurance cover to their employees and related beneficiaries. This cover is either financed under insurance contracts or is covered by provisions for post-employment benefits.

Total Group post-employment benefit obligations by country

	in % at end 2007	in % at end 2008
Netherlands	26 %	26 %
Germany	23 %	24 %
Belgium	17 %	19 %
USA	16 %	17 %
UK	6 %	5 %
France	6 %	7 %
Other countries	6 %	4 %

Post-employment benefit plans are classified into defined contribution and defined benefit plans.

Defined contribution plans

Defined contribution plans are those for which the company pays fixed contributions into a separate entity or fund in accordance with the provisions of the plan. Once these contributions have been paid, the company has no further obligation. EUR 30 million of contributions to these plans were charged to income in 2008 (EUR 32 million in 2007). This decrease is mainly due to the sale of Solvay Engineered Polymers in the USA.

Defined benefit plans

All plans which are not defined contribution plans are deemed to be defined benefit plans. These plans can be either funded via outside pension funds or insurance companies ("funded plans") or financed within the Group ("unfunded plans"). All main plans are assessed annually by independent actuaries. The amounts charged to income in respect of these plans are:

EUR Million	2007	2008
Service cost: employer	48	44
Interest cost	115	123
Expected return on plan assets	-79	-81
Amortization of actuarial net losses / gains (-)	14	14
Impact of change in asset ceiling - current year	0	-12
Past service cost - recognized in current year	0	-13
Losses / gains (-) on curtailments / settlements	-1	-9
Net expense recognized - Defined benefit plans	97	66

The cost of these benefit plans is charged variously to cost of sales, commercial and administrative costs, research & development costs, other financial or operating gains and losses and non-recurring items.

Overall the charge has decreased to EUR 66 million mainly due to:

– a EUR -17 million amendment of the post retirement medical plan in the US (past service cost - recognized in current year), partially offset by adjustments of plans in Switzerland and the Netherlands that were previously treated as defined contributions;

– curtailment on retiree medical plan in Inergy US, on post-employment benefits in sold activities (Solvay Engineered Polymers and Solvay Interox UK for Caprolactones) and on non-competition indemnities in Belgium.

The favorable impact of change in asset ceiling that corresponds to an income of EUR 9 million for Solvay Chemie Netherlands and of EUR 3 million for Portugal is offset by an amortization of actuarial net losses.

The amounts recorded in the balance sheet in respect of defined benefit plans are:

EUR Million	2007	2008
Defined benefit obligations - funded plans	1 580	1 522
Fair value of plan assets at end of period	-1 341	-1 049
Deficit for funded plans	238	473
Defined benefit obligations - unfunded plans	775	710
Funded status	1 013	1 183
Unrecognized actuarial gains / losses (-)	-150	-340
Unrecognized past service cost	5	15
Amounts not recognized as asset due to asset ceiling	15	4
Net liability (asset) in balance sheet	883	862
Liability recognized in the balance sheet	956	948
Asset recognized in the balance sheet	-73	-86

The funded status of our post-employment benefit plans (total obligations less the value of plan assets) increased by EUR 170 million and has been impacted by:
– the impact of the financial crisis on the value of assets in an amount of EUR -255 million,
– gains resulting mainly from the increase in discount rate in the Eurozone and the UK.

These two changes do not immediately impact the net liability in the balance sheet, as they pass through unrecognized actuarial losses.

Defined benefit obligations evolved as follows:

EUR Million	2007	2008
Defined benefit obligation at beginning of period	2 491	2 355
Service cost: employer	48	44
Interest cost	115	123
Actual employee contributions	6	7
Plan amendments	2	-22
Acquisitions / Disposals (-)	6	0
Curtailments	-2	-14
Settlements	0	0
Actuarial loss / gain (-)	-129	-135
Actual benefits paid	-130	-144
Other	-52	18
Defined benefit obligation at end of period	2 355	2 232
Defined benefit obligations - funded plans	1 580	1 522
Defined benefit obligations - unfunded plans	775	710

The plan amendments of EUR -22 million include EUR -40 million in the post retirement medical plan in the US of which EUR -17 million recognized in 2008.
The actuarial gain of EUR -135 million includes EUR -133 million due to changes in assumptions (mainly discount rate).
The “Other” caption includes the impact of the full consolidation of SolVin since July 1 (EUR 29 million).

The fair value of plan assets evolved as follows:

EUR Million	2007	2008
Fair value of plan assets at beginning of period	1 298	1 341
Expected return on plan assets	79	81
Actuarial gain /loss (-)	-19	-336
Actual employer contributions	134	115
Actual employee contributions	6	7
Acquisitions / Disposals (-)	5	0
Settlements	0	-2
Actual benefits paid	-130	-144
Other	-31	-14
Fair value of plan assets at end of period	1 341	1 049
Actual return on plan assets	60	-255

The “Other” caption includes the impact of the full consolidation of SolVin since July 1 (EUR 6 million).

Changes in net obligations during the period:

EUR Million	2007	2008
Net amount recognized at beginning of period	932	883
Net expense - Defined benefit plans	97	66
Actual employer contributions / direct actual benefits paid	-134	-115
Impact of acquisitions / disposals	0	0
Changes in consolidation scope	1	21
Currency translation differences	-13	7
Other	0	0
Net amount recognized at end of period	883	862

The change in consolidation scope results mainly from the full consolidation of SolVin since July 1.

Actuarial assumptions used in determining the pension obligation at December 31

	Eurozone		Europe Other		USA		Other	
	2007	2008	2007	2008	2007	2008	2007	2008
Discount rates	5 %	5.5 %	3.5 % - 5.75 %	3.5 % - 6.25 %	6 %	6 %	9.7 %	8.6 % - 9.7 %
Expected rates of future salary increases	2.5 % - 4.5 %	2.5 % - 4.5 %	2 % - 5 %	2 % - 5 %	4 %	4 %	7 %	5.5 % - 6.6 %
Expected rates of pension growth	0 % - 2 %	0 % - 2 %	0 % - 3.1 %	0 % - 3.1 %	not avail.	not avail.	not avail.	not avail.
Expected rates of medical care cost increases	0 % - 2 %	0 % - 2 %	not avail.	not avail.	5 % - 8 %	5 % - 8 %	5.6 %	7.1 %

Actuarial assumptions used in determining the annual cost

	Eurozone		Europe Other		USA		Other	
	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**
Discount rates	4.5 %	5 %	3.5 % - 6 %	3.5 % - 5.75 %	5.8 %	6 %	11.3 %	9 % - 9.7 %
Expected rates of future salary increases	2.5 % - 4.5 %	2.5 % - 4.5 %	2 % - 5 %	2 % - 5 %	4 %	4 %	8 %	5.5 % - 6.6 %
Expected (long-term) rates of return on plan assets	4.5 % - 6 %	4.5 % - 6 %	3.5 % - 5.95 %	3.5 % - 5.9 %	8.5 %	8.25 %	11.3 %	8.5 % - 9.7 %
Expected rates of pension growth	0 % - 2 %	0 % - 2 %	0 % - 2.7 %	0 % - 3.1 %	not avail.	not avail.	not avail.	not avail.
Expected rates of medical care cost increases	0 % - 2 %	0 % - 2 %	not avail.	not avail.	5 % - 9 %	5 % - 8 %	6.6 %	7.1 %

The main categories of plan assets are:

	2007	**2008**
Shares	48 %	39 %
Bonds	47 %	55 %
Property	2 %	3 %
Other assets	3 %	3 %

With respect to the invested assets, it should be noted that:

- in 2008, because of the financial crisis, the value of invested assets has decreased by EUR 255 million;
- these assets do not contain any direct investment in Solvay group shares or in property or other assets occupied or used by Solvay. This does not exclude Solvay shares being included in mutual investment fund type investments;
- the expected rate of return is defined at local level with the help of a local actuary. It is determined using the “building block approach” which factors in long-term inflation and the expected long-term rate of return on each asset category.

The Group expects to pay cash contributions for the post-employment Defined Benefits in the amount of EUR 130 million for 2009 (EUR 160 million for 2009 when including defined contribution), compared with EUR 115 million for 2008 (EUR 145 million for 2008 when including defined contribution).

The assumptions made for medical expenditure have an impact on the amounts recognized in the income statement. Sensitivity to a change of percentage in the expected rates of increase of medical expenses is as follows:

EUR Million	1 % increase	1 % decrease
Effect on the aggregate of the service cost and the interest cost	3	-2
Effect on defined benefit obligation	14	-12

Historical development of defined benefit plans:

EUR Million	2005	2006	2007	2008
Defined benefit obligation	2 471	2 491	2 355	2 232
Plan assets	-1 232	-1 298	-1 341	-1 049
Deficit / surplus (-)	1 239	1 193	1 013	1 183
Experience adjustments on plan liabilities	not avail.	-14	-12	6
Experience adjustments on plan assets	not avail.	-36	6	336

Of which historical development of post-employment medical plans:

EUR Million	2005	2006	2007	2008
Defined benefit obligation	125	134	130	99
Experience adjustments on plan liabilities	not avail.	-3	2	0

Health, safety and environment (HSE) provisions

These provisions stand at EUR 433 million, compared with EUR 417 million at the end of 2007.

These are intended to cover the liabilities and charges of the following main areas:
- mines and drilling operations to the extent that legislation and/or operating permits in relation to quarries, mines and drilling operations contain requirements to pay compensation to third parties. These provisions, based on local expert advice, can be expected to be used over a 10-20 year horizon;
- provisions related to the cessation of mercury electrolysis activities: forecasted expenditure is staggered over time as a function of the envisaged reutilization of the sites, national regulations on the management of contaminated soils and the state of contamination of soils and groundwater. Most of these provisions can be expected to be used over a 10-20 year time horizon;
- dikes, dump sites and land: the provisions relate mainly to soda plant dikes, old lime dikes and land and dump sites linked to activities at certain industrial sites; these provisions have a horizon of 1 to 20 years;
- asbestos: an asbestos removal program is under way: provisions for asbestos removal work and occupational diseases have a horizon of 1 to 15 years.

The estimated amounts are discounted as a function of the probable date of disbursement. As well as being updated annually, provisions are adjusted every year to reflect the increasing proximity of such disbursement.

Provisions for litigation

Provisions for litigation stand at EUR 441 million at the end of 2008 compared with EUR 473 million at the end of 2007. The net reduction of EUR 32 million between 2007 and 2008 is due mainly to:
– net reduction of EUR 45 million (USD 67 million) of US and Canadian class actions with respect to alleged unfair competition practices in the peroxides activities in the NAFTA region;
– increase of EUR 8 million due to the full consolidation of SolVin;
– reversal of 50 % of the peroxides fine for Solvay Solexis for EUR 15 million following an agreement with Edison.

The main provisions at the end of 2008 serve to cover:

– the financial consequences of the EUR 193 million fine imposed by the European authorities for infringement of competition rules in the peroxides area, against which the Solvay group has appealed, and in an ancillary manner the remaining financial exposure of litigations in process (class actions and individual suits) in the USA and of potential customer recourse in Europe in the same area;

– the risks attached to ongoing litigation in the USA in relation to our pharmaceutical products, in the field of female hormone treatments in the USA, following the publication of study reports on female hormone treatments by the "Women's Health Initiative" in 2002. The amount of the provisions reflects the current estimate of the number of plaintiffs treated with our products; the number of cases continues to evolve, though it has tended to stabilize since 2007. The status of this litigation did not change significantly in 2008. Proceedings can be expected to continue in 2009 and after.

The litigation (class actions and individual suits) outstanding against Laboratoires Fournier relates to the application of competition rules linked to changes in fenofibrate formulation in the USA and Canada. Our opponents here are generic product manufacturers, distributors and third party medical care reimbursement bodies. These risks are the subject of certain contractual guarantees furnished by the former Fournier shareholders at the time of the acquisition in 2005. Proceedings are expected to continue during 2009 and beyond.

In January 2008 the Group was informed that an application to register a generic equivalent of TRICOR® had been filed by Teva in the United States (ANDA: Abbreviated New Drug Application). Fournier Laboratories Ireland Ltd and Laboratories Fournier SA together with Abbott Laboratories and Elan Plc filed patent infringement actions against Teva in the USA. Similar circumstances occurred in September 2008 with an ANDA filed by Biovail Corp.
Solvay Pharmaceuticals, Inc. was informed in January 2009 that the U.S. Federal Trade Commission (FTC) and the California attorney-general had filed suit in the U.S. District Court of California contesting the validity of the agreements concluded in 2006 with Watson and Par regarding ANDROGEL®. Solvay Pharmaceuticals is disputing the merits of this case and will defend its actions in court.

Other provisions

Other provisions, set up to cover specific risks such as obligations related to the shutdown or disposal of activities, amount to EUR 127 million, compared with EUR 237 million at the end of 2007.
This decrease is mainly due to:
– reclassification from provisions to working capital (short-term liabilities) of EUR 50 million of milestones due to the previous shareholders of Fournier Laboratories as a consequence of the absence of generics for TRICOR® in 2008;
– reversal of a provision of EUR 25 million originally set up to cover the additional research expenses to speed up development of the psychiatric compounds included in the agreement concluded with Wyeth.

Group policy on insurance

Solvay's group policy is only to use insurance to cover very large risks, when insurance is required by law as well as whenever insurance represents the best financial solution for Solvay.

The Group maintains and develops appropriate insurance coverage for insurable risks in line with the policy to limit the financial impact of risks that could materialize.

In 2008, the global insurance programs were renewed with improved coverage and at a lower level of premium. The liability insurance market remains difficult for companies selling pharmaceutical products.

(30) Net indebtedness

The Group's net indebtedness is the balance between its financial debts and cash and cash equivalents. It increased by EUR 290 million from EUR 1 307 million at the end of 2007 to EUR 1 597 million at the end of 2008.

EUR Million	2007	**2008**
Financial debt	1 882	2 480
- Cash and cash equivalents	-575	-883
Net indebtedness	1 307	1 597

The Group's net debt to equity ratio increased from 29 % at the end of 2007 to 34% at the end of 2008. Solvay's long-term rating has been confirmed by the two rating agencies and remains at A (stable outlook) at Standard and Poors and A2 (stable outlook) at Moody's.

Financial debt

Financial debt increased by EUR 598 million from EUR 1 882 million to EUR 2 480 million.
Bonds increased after the tap issue for a nominal amount of EUR 200 million on the already existing EMTN-note, maturing in 2018.
The rise in long-term debts to financial institutions is explained by the long-term borrowings obtained by Solvay Sodi and Solvay Indupa to finance industrial projects in Bulgaria and in Brazil respectively.

Other short-term borrowings rose, mainly due to the use of the Belgian Treasury Bills program in an amount of EUR 455 million (EUR 143 million at the end of 2007).

EUR Million	2007	**2008**
Subordinated loans	500	501
Bonds	800	985
Long-term finance lease obligations	8	17
Long-term debts to financial institutions	192	261
Other long-term debts	65	88
Amount due within 12 months (shown under current liabilities)	9	19
Other short-term borrowings (including overdrafts)	308	609
Total financial debt (short and long-term)	1 882	2 480

Borrowings and credit lines

The largest borrowings maturing after 2008 are:

- in Belgium: EMTN-note type bond issues by Solvay SA totaling EUR 1 billion:
  - EUR 500 million with 4.99 % effective fixed rate, maturing in 2014;
  - EUR 500 million maturing in 2018, consisting of an initial issue of 300 million in 2003 with a 4.75 % effective fixed rate and a tap issue of EUR 200 million in 2008 with an effective fixed rate of 5.71 %;
- in France: a EUR 500 million deeply subordinated debt issue by Solvay Finance SA with support from Solvay SA. This borrowing matures in 2104 and carries an annual coupon of 6.375 %. Rating agencies Moody's and Standard & Poors have treated this issue as part equity (50 %), part debt (50 %). In IFRS, however, it is treated 100 % as debt. This debt is subordinated to the other debts of the Group and is listed in Luxembourg. The coupon carries a fixed rate for the first ten years. In 2016 the coupon converts to a floating rate (3-month Euribor + 335 basis points) until maturing in 2104. Solvay has an option to redeem this issue at par from 2016 onwards. The issuer has a coupon non-payment option governed by the rules of the coupon carry forward mechanism;
- in Germany: the financing of SolVin, amounting to EUR 130 million until EUR 2008 and EUR 120 million from 2008 to 2012;
- in Austria: our 50 % share of the amounts borrowed under a EUR 165 million revolving credit facility to finance Pipelife (final maturity: 2012);
- in Bulgaria: our 75 % share of the amounts borrowed under a EUR 80 million revolving credit facility by Solvay Sodi, of which EUR 40 million maturing in 2011 and a further EUR 40 million in 2012;
- In Brazil: the financing of Solvay Indupa do Brasil, amounting to BRL 259 million under a long-term credit maturing in July 2014.

In addition, in early 2009, Solvay drew down EUR 300 million under a EUR 350 million credit facility with the European Investment Bank for the financing of pharmaceutical research in Europe. (fixed rate of 3.90 %, maturing in 2016).

Fair value of financial debts

For floating rate financial debts, the fair value is equal to the face value (see also note 31). The fair value of the Group's fixed rate debt at the end of 2008 is as follows:
• EMTN EUR 500 million 2014: EUR 501 million,
• EMTN EUR 500 million 2018: EUR 474 million,
• Hybrid EUR 500 million 2104: EUR 372 million.
The fair value is based on the quoted market price at the end of 2008.

Cash and cash equivalents

Cash and cash equivalents amounted to EUR 883 million, up by EUR 308 million from end-2007, mainly because the Group secured EUR 455 million of funding using its Belgian Treasury Bill program, thereby reducing its liquidity risk at year-end.

EUR Million	2007	**2008**
Shares	3	20
Fixed-income securities	33	11
Term deposits	245	239
Cash	294	613
Cash and cash equivalents	575	883

The shares mentioned in the above table consist of investments in money market funds. The carrying amount is the fair value of the shares, fixed income securities and term deposits.

Liquidity risk

EUR Million	2007	2008
Outflows of cash related to financial liabilities:	4 162	5 095
on demand or within one year	2 597	3 242
in year two	43	47
in years three to five	104	320
beyond five years	1 418	1 486

The above table gives the nominal amount repayable, undiscounted, and due at maturity. The Group staggers the maturities of its financing sources over time in order to minimize its liquidity risk.

In addition to the above-mentioned financing sources, the Group also has access to the following instruments:
• a Belgian Treasury Bill program in an amount of EUR 1 billion, of which EUR 455 million was used at the end of 2008, or as an alternative a US commercial paper program in an amount of USD 500 million, unused at the end of 2008. In addition to the credit lines mentioned below, the higher ceiling of the two programs is also covered by back-up credit lines (EUR 592 million) and a EUR 400 million bank credit line, maturing in October 2013. Both were unused at the end of 2008;
• a EUR 850 million bank credit line (unused at end-2008), maturing in 2011.

The liquidity risk management is described in the "management of risks" section.

(31) Derivative financial instruments

The Solvay group uses derivatives to hedge clearly identified foreign exchange and interest rate risks (hedging instruments). However, the required criteria to apply hedge accounting according to IFRS are not met in all cases. This means that this form of accounting is not always applicable when the Group covers its economic risks. The Group's exchange risk hedging policy is based essentially on the principles of financing its activities in local currency, systematically hedging transactional exchange risk at the time of invoicing (risks which are certain) and monitoring and hedging where appropriate exchange rate positions generated by the Group's activities, based on expected cash flows.

Currency translation differences

Exchange rate fluctuations, particularly of the US dollar, can affect earnings. In the course of 2008 the EUR / USD exchange rate moved from 1.4721 at the start of January to 1.3917 at the end of December. The average rate in 2008 (1.4708) compared to the average rate in 2007 (1.3706) clearly shows a weaker USD in 2008.

Managing the exchange risk on debt

Group borrowings are generally carried out by the Group's financial companies, which make the proceeds of these borrowings available to the operating entities.

The choice of borrowing currency depends essentially on the opportunities offered by the various markets. This means that the selected currency is not necessarily that of the country in which the funds will be invested. Nonetheless, operating entities are financed in their own local currencies, with this currency being obtained, where appropriate, by currency swaps against the currency held by the financing company. The cost of these currency swaps is included under the cost of borrowing. These enable us to limit the exchange risk both in the financial company and in the company finally using the funds.

In emerging countries it is not always possible to borrow in local currency, either because local financial markets are too narrow and funds are not available, or because the financial conditions are too onerous. In such a situation the Group has to borrow in a different currency. Nonetheless the Group has taken advantage of any opportunities to refinance its borrowing in emerging countries with local currency debt. In this way, at the end of 2008, the Group had a very limited foreign exchange exposure on its residual currency borrowings in Bulgaria.

Managing the translation exchange risk

The translation exchange risk is the risk affecting the Group's consolidated accounts related to subsidiaries operating in a currency other than the EUR (the Group's functional currency).

a) Currency translation risk in the income statement

For the Solvay group, this risk relates mainly to the translation into EUR of earnings generated in the NAFTA region. Based on the expected net earnings in the NAFTA region for the period in question and depending on market conditions, steps may be taken to hedge this translation risk.

During 2008, the Solvay group did not hedge the income statement currency translation risk.

b) Balance sheet risk

The Group's net assets (EUR 4.7 billion at end 2008) are distributed as follows, by reducing order of importance:
- Euro Zone: 48 %
- NAFTA: 30 %
- Brazil and Argentina: 7 %
- Asia-Pacific: 6 %
- Bulgaria: 3 %
- Great Britain: 2 %
- Other: 4 %

In all the Group is exposed to 30 currencies in the NAFTA region, Latin America, Asia and Eastern Europe.
A VaR (Value at Risk) analysis has been carried out to quantify the balance sheet risk. Based on market expectations for the volatility of the currency pairs, the VaR (EUR 770 million) appears to be close to 16 % of the Group's current equity within a 99 % confidence interval. This risk has increased compared with the end of 2007 (EUR 298 million) owing mainly to the very high volatility observed on foreign exchange markets at the end of 2008.
Measures to hedge equity have not been considered.

Managing the transactional exchange risk

This is the exchange risk linked to a specific transaction, such as a Group company buying or selling in a currency other than its functional currency.

a) Hedging transactional exchange risk when certain

Subsidiaries are required to transfer their foreign exchange positions (e.g. customer invoices, supplier invoices) when certain, to Solvay CICC[1]. This systematic hedging centralizes the Group's foreign exchange position at CICC and relieves operating subsidiaries of the administrative burden of exchange risk management.

CICC's foreign exchange position is then managed under rules and specific limits which have been set by the Group.
The main management tools are the spot and forward purchase and sale of currencies.

b) Hedging forecast short / medium-term foreign currency flows

Forecasted foreign currency flows are regularly mapped, by SBU, in order to measure the Group's expected exposure to transactional exchange risk on an annual horizon. Based on current risk management policy, the hedging amount is up to 75 % of the expected foreign currency flows as mapped on an annual basis.

In its present structure, the Group's exposure is essentially linked to the EUR / USD risk: the Group is "long" in USD by around USD 740 million a year as the Group's overall activities generate a net positive USD flow. Based on this mapping and depending on market conditions, foreign exchange hedging can be carried out on the basis of expected flows. The main financial instruments utilized are forward currency sales and the purchase of put options. The Group covered its 2008 exposure in an amount of USD 450 million. The Group is exposed to currency exchange risks for other currencies for which the risk is considered minimal, with the exception of the yen (JPY 18 billion "long" exposure).

By using financial instruments to cover its medium-term currency exchange risk, Solvay is exposed to the risks attached to these foreign currency derivatives. From the accounting point of view, the covering operation is preferably documented in a way that enables it to be treated as a perfect hedge.

Changes in the exchange rates of the currencies on which these transactions are based impact the fair value differences in equity as well as the fair values of these hedging instruments. Upon maturity, the gains and losses on these financial instruments are recognized in the gross margin.

1. Solvay Coordination Internationale des Crédits Commerciaux, SA.

In 2007 the Group had hedged USD 5 million with forward foreign exchange contracts which were accounted for as a perfect hedge. These operations matured before the end of 2007 and therefore, had no significant impact on the income statement.

In 2008 certain foreign currency derivatives, mainly “average rate options”, are not documented in a way that allows them to be treated as perfect hedges. Exchange rate variations impact the value of these instruments and are accounted for in other financial gains and losses in an amount of less than EUR 1 million in 2008, corresponding to the hedging operations for 2008 and 2009.

The foreign exchange risk exposure, which is centralized at Solvay CICC, was not significant at the end of 2008. For this reason, the Group’s foreign exchange exposure on financial instruments is essentially related to derivatives used to cover short and medium term transactional exchange risks which were still outstanding at the end of 2008 The USD/EUR exchange risk stood at 1.3917 USD/EUR at the end of 2008.
All other variables being constant, a 5 % higher (lower) exchange rate at the end of the year would have occasioned a variation in “other financial gains and losses” of EUR 10 (-9) million [11 (-6) million in 2007]. The fair value differences in total equity would not have been affected.

Managing interest rate risk

Interest rate risk is managed at Group level. At December 31, around EUR 1.5 billion of the Group’s debt was fixed-rate.
- The Group has fixed the interest rates of its bond loans (EUR 500 million maturing 2018, EUR 500 million maturing 2014);
- The hybrid subordinated issue placed on the market in 2006 (EUR 500 million maturing 2104) carries a fixed coupon until 2016 and floating thereafter;
- Our share (50 %) of floating-to-fixed interest rate swaps on a notional amount of EUR 20 million by Pipelife. This swap has increased to EUR 30 million at the end of January 2009 and will expire at the end of July 2009.

Interest rate exposure by currency is summarized below:

EUR Million	At 31 December 2007			At 31 December 2008		
Currency	Fixed rate	Floating rate	**Total**	Fixed rate	Floating rate	**Total**
Financial debt						
EUR	-1 368	-303	-1 671	-1 510	-747	-2 257
USD	-3	-6	-9	-3	-12	-16
GBP	0	-3	-3	0	0	0
BRL	0	-47	-47	0	-78	-78
Other	0	-152	-152	0	-129	-129
Total	-1 371	-511	-1 882	-1 513	-967	-2 480
Cash and cash equivalents						
EUR	0	166	166	0	513	513
USD	0	184	184	0	207	207
Other	0	225	225	0	163	163
Total	0	575	575	0	883	883

For the sensitivity analysis, an increase (decrease) of the average interest rate for the reporting period is applied to the floating rate debt.

All other variables being equal, a 1 % higher (lower) interest rate would translate into EUR 7 million higher (lower) borrowing charges in 2008 (EUR 6 million in 2007).

This impact would have been partially offset by a higher (lower) interest rate on cash and cash equivalents of EUR 5 million in 2007 and 2008.

Financial instruments

IAS 39 defines the categories of financial assets and liabilities. IFRS 7 requires the net carrying amount and the fair value to be indicated for each category of financial assets and liabilities.

	2007		2008	
EUR Million	Net carrying amount	Fair value	Net carrying amount	Fair value
Financial assets at fair value through profit or loss – upon initial recognition	0	0	0	0
Financial assets at fair value through profit or loss – held for trading	17	17	80	80
Held-to-maturity investments	0	0	0	0
Loans and receivables (including cash and cash equivalents)	2 466	2 466	2 738	2 738
Available-for-sale financial assets	318	318	30	30
Financial liabilities at fair value through profit or loss – upon initial recognition	0	0	0	0
Financial liabilities at fair value through profit or loss – held for trading	0	0	-9	-9
Financial liabilities measured at amortized cost (includes trade liabilities)	-3 291	-3 275	-3 971	-3 847

Where certain expenses are deducted from the proceeds of a borrowing, these are charged over the life of the borrowing. This is a good approximation to the amortized cost rule, the difference with the linear method not being significant at Group level.

The category "financial assets at fair value through profit or loss – held for trading" contains mainly financial instruments, and in particular "average rate options", that are used for the Group's currency risk management, but which are not documented in a way which allows them to be treated as hedging instruments. This category also includes financial derivatives at fair value qualifying for hedge accounting (EUR 10 million) with change in fair value recorded in equity.

These operations are detailed in the table below:

	2007		2008	
EUR Million	Notional amount	Fair value	Notional amount	Fair value
Foreign currency derivatives				
Foreign exchange contracts and swaps	414	2	699	22
Options	306	14	644	58
Interest rate derivatives				
Swaps	68	1	20	0
Other	0	0	0	0
Other derivatives	0	0	0	0
Total derivative financial instruments	788	17	1 363	80

Income and expenses on these financial instruments break down as follows:

EUR Million	2007	2008
Recognized in the income statement		
Interest on cash and cash equivalents	23	26
Interest on loans and receivables	6	6
Income on available-for-sale financial assets	61	-258
Net gain on disposal of available-for-sale financial assets transferred from equity	73	-41
Changes in the fair value of financial assets held for trading	17	22
Changes in the fair value of cash flow hedges transferred from equity	0	0
Ineffective portion of the changes in fair value of cash flow hedges	0	0
Interest expense on financial liabilities measured at amortized cost	-106	-138
Total	74	-383
Recognized directly in equity		
Net change in the fair value of available-for-sale financial assets	-293	11
Net change in available-for-sale financial assets transferred to the income statement	-73	41
Effective portion of changes in fair value of cash flow hedge	7	10
Changes in the fair value of cash flow hedges transferred to the income statement	0	0
Total	-359	62

Conventionally, (+) indicates an increase and (-) a reduction in equity.

In 2008, charges on available-for-sale financial assets (EUR -258 million) and net loss transferred from equity (EUR -41 million) were mainly linked to write-downs on the investment in Fortis SA, after the significant decrease of its share price.

In 2007, the income on available-for-sale financial assets included earnings generated by the sale of subscription rights received in the capital increase of Fortis SA (EUR 37 million). The net gain on the disposal of available-for-sale assets (EUR 73 million) was linked to the sale of Sofina shares.

Hedge accounting

The Group uses derivatives to hedge clearly identified foreign exchange rate risks (hedging instruments). At the end of 2008, the Group had hedged 2009 forecasted sales in a nominal amount of USD 200 million via forward foreign exchange contracts. These derivatives qualify for hedge accounting and can be summarized as follows:

		Change in fair value		
EUR Million	Fair value end 2007	through equity	through income statement	**Fair value end 2008**
Forward exchange contracts	0	10	0	10

(32) Assets held for sale and liabilities associated with assets held for sale

At the end of 2008 precipitated calcium carbonate activities, which are part of the Chemicals Sector, have been separately classified (see details in the table below) in the consolidated balance sheet under “assets held for sale” (EUR 61 million) and “liabilities associated with assets held for sale” (EUR 14 million). A sale is expected to take place in 2009.

EUR Million	2008
ASSETS	
Non-current assets	47
Intangible assets	1
Goodwill	4
Tangible assets	40
Deferred tax assets	2
Current assets	14
Inventories	13
Income tax receivables	1
Total assets	61
LIABILITIES	
Non-current liabilities	6
Deferred tax liabilities	5
Long-term financial debt	1
Current liabilities	8
Trade liabilities	6
Other current liabilities	2
Total liabilities	14

(33) Commitments to acquire tangible and intangible assets

EUR Million	2007	2008
Commitments for the acquisition of tangible and intangible assets	94	102
of which: Joint ventures	19	14

The increase reflects the nearing completion of major new investment projects.

(34) Contingent liabilities

EUR Million	2007	2008
Liabilities and commitments of third parties guaranteed by the company	271	318
Additional milestones for Fournier	190	70
Litigation and other major commitments	17	15

The liabilities and commitments of third parties guaranteed by the company relate mainly to VAT payment guarantees that have been issued.

The amount of milestone payable to former Fournier shareholders as at the end of 2008 depends on future product performance. The decrease in 2008 compared with 2007 corresponds to a portion of the increase of milestones recognized in goodwill.

The amounts relating to Joint Ventures are included in the table below.

EUR Million	2007	**2008**
Liabilities and commitments of third parties guaranteed by the company	2	9
Litigation and other major commitments	0	0

(35) Joint ventures

The Joint Ventures are proportionately consolidated in the annual accounts at the following amounts (see the list of proportionately consolidated companies).

EUR Million	2007	**2008**
Non-current assets	1 004	667
Current assets	665	421
Non-current liabilities	350	180
Current liabilities	527	366
Sales	2 209	1 143
Cost of goods sold	-1 791	-971

Management of Risks

Acting responsibly as a corporate citizen and caring for the health, safety and environment of its employees and the community at large are key components of Solvay's vision that are embedded through the Group's Responsible Care® policy.

Since its foundation in 1863, Solvay has successfully demonstrated its ability to anticipate and respond appropriately to an ever-changing world and to achieve sustainable and profitable growth with a profound respect and concern for the environmental and social contexts in which it operates. During its June 2006 strategic review, the Executive Committee highlighted risk management as a priority, and decided to further enhance the related processes and measures implemented throughout the Group. Solvay is attentive to taking adequate and selective measures to continue on this path. In the context of the present economic and financial crisis, these elements constitute very important assets for helping the Group to face its various challenges.

In its 146-year history, Solvay has built up a solid track record of good practices in the management of the risks inherent to its chemical and pharmaceutical activities. The diverse businesses within the Group generate a variety of risks, some of which could possibly affect the Company as a whole. But diversification contributes to the reduction of the overall risk, as the Company's different businesses, processes, policies and structures offset some risks against each other, merely through a balanced portfolio of products.

Solvay's policy is to achieve good Enterprise Risk Management:

- our policy is to identify, assess and manage all potentially significant business opportunities and risks, by applying systematic risk management integrated with strategy, business decisions and operations;
- while continuously improving our risk management capabilities, we achieve risk awareness and confidence in entrepreneurship and make risk management part of everyone's job.

Solvay has defined ten categories of risk:
- Market & Growth – Strategic risk,
- Supply Chain and Manufacturing risk,
- Regulatory, Political and Legal risk,
- Corporate Governance and risks attached to Internal Procedures,
- Financial risk,
- Product risk,
- Risk to people,
- Environmental risk,
- Information and IT risk,
- Reputational risk.

A special Competence Center within Financial Management develops tools, provides advice and proposes strategies to help entities manage their risks more systematically. In the course of 2006-2008, each Business Unit was analyzed to identify the significant risks, in the above ten categories, and initiatives have been undertaken to mitigate the main ones among them. This group-wide risk analysis with ensuing risk reduction measures will be repeated in 2009. Risk management is now widely integrated into enterprise strategies, enabling the Group to move ahead in major investment strategies cognizant of the attached risks and taking the necessary steps to mitigate them.

The following objectives have been validated for 2012:
- systematically improving risk management in each of the ten categories;
- raising awareness so that each manager knows the main risks in his or her own area of responsibility, and steps that can be taken to reduce them.

The purpose of this report is to describe the risk associated with each category and to outline the actions undertaken by the Group to reduce that risk. The dramatic deterioration of financial markets and of global macro economic conditions has increased risks like volatility of raw material and energy prices, counterparty risks and reduced availability of funding. Solvay has responded with appropriate mitigation measures. The Sustainable Development initiative is helping to reduce risk and realize opportunities, especially in the Strategic Risk area.

The order in which these risk categories are listed is not an indication of their severity or probability. The mitigation efforts described are no guarantee that risks will not materialize but demonstrate the Group's efforts to reduce risk exposures in an entrepreneurial way.

1. Market & Growth – Strategic Risk

Strategic Risk is Solvay's exposure to adverse developments in our markets or our competitive environment as well as the risk of making erroneous strategic decisions. Examples of such risks are technological leaps allowing the development of substitute products or manufacturing processes, drastic changes in energy prices, the lack of success of a new product, product pipeline failures, scarcity of key raw materials, reduction of demand in our main markets as a consequence of new legislation, events affecting our most important customers, significant imbalances between supply and demand in our markets, and major social crises.

Prevention and Mitigation efforts
The potential impact of adverse events is managed at Group level, and involves in particular:
– Managing activities and maintaining a balanced portfolio of products,
– Diversification of the customer base in different market segments,
– Adaptation of operations to the changing macroeconomic and market environment,
– Selective vertical integration to limit potential cumulative effects from raw materials,
– Strict financial policy of controlling the net debt to equity ratio.

The periodic review of the main macroeconomic assumptions, market assumptions and key strategic issues of each Strategic Business Unit (SBU) for the next five years is managed in the strategy and plan process of the Group. The strategy phase focuses on market and competitive environment assumptions and on the strategic options of each SBU. The planning phase focuses on the business plan, scenarios, and on the main projects on which execution of the strategy relies. The strategy and business plans of each SBU are presented by the management of the SBU to, discussed with and amended and approved by the Executive Committee. The Corporate Development department acts as facilitator in the process, cross-checking assumptions between the different business units and with external sources. Corporate Development continuously updates its strategic analysis of the competitive environment. The major strategic orientations are submitted to the Board of Directors, which has the ultimate responsibility for the Group's strategy.

2. Supply Chain and Manufacturing Risk

Supply Chain and Manufacturing Risk attached to production units is Solvay's exposure to risks associated with raw material, suppliers, production units and transportation, such as risks of major equipment failure or damage, transportation accidents, drastic shortages of raw materials or energy, natural disasters or transportation strikes.

Prevention and Mitigation efforts
Key risk areas are addressed with policies and risk control programs such as health and safety, process safety, risk engineering, integrated resource planning and supply chain optimization systems (ERP), emergency response, central and local crisis management, business continuity, etc.

Our plants are regularly subject to audits and in this context the risks of damage to production units and consequential business interruption events are identified and quantified by risk engineers. Solvay evaluates the recommendations and implements those it finds appropriate.

The geographical distribution of production units around the world reduces the overall impact of one production unit being damaged or interrupted. Some pharmaceutical and specialty products are however, only produced in one single plant. The inventories of finished products and raw material for pharmaceutical and some specialty products are managed to create buffer stocks.

Solvay buys insurance to reduce the financial impact of potential events causing extensive damage and consequential interruption of supply.

In reference to *Raw Materials*, in addition to owning several mines and quarries, Solvay reduces the risk of disruption (availability, reliability and price) by:

– the use of medium and long-term contracts,
– the diversity and the flexibility of the sources of raw materials to the extent possible,
– the development of partnerships with preferred suppliers,
– processes to ensure REACH compliance up the supply chain and/or substitution, to minimize the risk of raw materials disruption.

In the field of *Energy Supply*, Solvay has been consistently implementing programs to reduce its energy consumption for many years. While Solvay has energy-intensive industrial activities, particularly in Europe (soda ash, electrolysis), it also operates a range of industrial activities with a relatively low energy consumption, in particular in the Pharmaceuticals Sector and SBU Specialty Polymers.

The risk exposure to availability and reliability of energy supply has to be managed well. A number of strategic initiatives are realized by Solvay to reduce the effect of the volatility of energy markets:

– technological leadership in processes, to minimize energy consumption;
– high-performance industrial operations;
– diversification and flexible use of the different types and sources of primary energies;
– long-term partnerships or backward integration in steam and electricity generation (gas cogeneration, biomass or secondary fuels cogeneration,…);
– strategy of supply coverage with medium to long-term contracts;
– mitigation of price volatility by the development of hedging.

As permitted by the specific market conditions of each SBU, price increases are negotiated to offset the increase of energy costs. Solvay is a founding member of Exeltium, a project by a group of electro-intensive industries in France intended to ensure reliable and sustainable energy supply at a competitive price. In Belgium, Solvay is examining a similar project called Blue Sky.

Solvay is monitoring the effect of the Kyoto protocol and the cost of CO_2 emissions. The Kyoto protocol is endorsed by Solvay and is integrated in its strategy as it at least indirectly affects every company including upstream operators (through energy cost and raw materials) and downstream businesses (with an impact on transport, contractors and customers). In 2008, Solvay committed to a structured program dedicated to Sustainable Development. It includes objectives to reduce by 2020 Solvay's energy consumption and greenhouse gas emissions by 20 % (compared to 2006 levels).

3. Regulatory, Political and Legal Risk

Regulatory Risk is Solvay's exposure to events like the non-approval of a new pharmaceutical product, government price regulation, new legislation affecting imports and exports, new regulations banning a product, setting marketing and use restrictions or making it uneconomical to produce, etc.

Legal Risk is the exposure to adverse consequences of non-compliance with regulations or contractual undertakings, or the loss of rights or benefits expected from protection by regulation or contract. This includes various areas like product liability, administrative or criminal sanctions, contractual or intellectual property disputes, as well as the potentially adverse outcome of ongoing litigation. The significant deterioration of macro economic conditions may also create potential risks of contractual non-performance.

Political Risk is Solvay's exposure to, for example, the destruction or loss of control of production means or the unavailability of raw materials, utilities or logistic or transport facilities resulting from political decisions, civil war, nationalization, terrorism or other circumstances where the normal exercise of public authority is disrupted.

Solvay must obtain and retain regulatory approval for operating most of its production facilities, and for its products. Regulatory approval is required for the marketing and sale of pharmaceutical products and specialty products for specific uses like healthcare. A significant number of substances manufactured or used in Solvay activities (chemicals, plastics and pharmaceuticals) will require registration under the REACH Regulation, in addition to the other requirements preexisting to REACH, related to applications (such as food/feed, food contact, cosmetics,etc.).

Given the international scope of the Group, those regulatory approvals emanate from authorities or agencies in many countries. The withdrawal of any previously granted approval or the failure to obtain an authorization may have an adverse effect on our business and operating results. The same could also apply in the case of regulatory changes likely to cause us to incur additional costs.

To the same extent, the existence of price controls in the Pharmaceuticals Sector negotiated with or imposed by relevant health authorities or the possible existence of trade barriers and tariffs could also limit our revenues and have an adverse impact on our business and operating results.

The geographical spread of the Group around the world is a factor reducing some regulatory and political risks.

Prevention and Mitigation efforts
Proper design of products and their production processes contributes to the management of regulatory and legal risks, as do timely and thorough applications for necessary approvals.

In pharmaceuticals, processes have been set up for contacts with regulators and to promote the accurate and appropriate flow of product information among all stakeholders, such as prescribers, patients, and regulators supervising and controlling product use.

In Chemicals and Plastics, Solvay has set up a dedicated organization to deal with compliance with specific product regulations covering pharmaceuticals, medical devices, cosmetics, personal care, food, feed and related packaging.

In 2008, Solvay achieved the pre-registration of all its products concerned by REACH.

To manage legal risk Solvay maintains in-house legal and intellectual property resources, and relies on additional external professional resources as appropriate. The simple fact of doing business exposes Solvay to disputes and litigation. Adverse outcome of such disputes or litigations is always possible. The Group is managing this risk by relying on internal and external resources and by making appropriate financial provisions.

In the chemicals and plastics industries, technological know-how can remain protected by way of trade secret, which is often a good substitute for patent protection and Solvay is, in many cases, a leader in the technological know-how for its production processes. However, Solvay systematically considers patenting new products and processes and maintains continuous efforts to preserve its proprietary information.

In respect of political risks, Solvay's actions include risk-sharing with local or institutional partners as well as insurance solutions.

4. Corporate Governance and Risk attached to Internal Procedures

The risk attached to Internal Procedures is Solvay's exposure to failure to comply with its own Code of Conduct, policies and processes. Examples of risks are failed Human Resources strategy, failure to integrate an acquired company, failure to comply with internationally recognized Corporate Governance rules and good practices, etc.

Prevention and Mitigation efforts
In the field of Corporate Governance, Solvay has a comprehensive corporate governance charter, publicly available on www.solvay.com, and publishes its yearly report on the application of Solvay's Corporate Governance rules.

With respect to behavioral risks, training programs are being widely deployed in order to make managers aware of the importance of legal and antitrust risks. Training courses are organized to enhance ethical compliance with Solvay's Code of Conduct. Any violation of the Code will be acted upon.

Since 2007 a compliance organization under the leadership of the Group General Counsel has been in place to promote and monitor compliance with the Code of Conduct across the Group. Compliance Officers have been appointed in all regions. A training course entitled “One Group, One Code, One Path” has been deployed to familiarize all employees with the Code of Conduct and promote respect of it. Regular campaigns are organized to train new employees and to ensure that the rules of conduct are embodied in the way business is done at Solvay. Any violation of this code will lead to sanctions in accordance with prevailing legislation. Reporting of violations is encouraged and various avenues are proposed to employees including the Compliance Officers.

5. Financial Risk

Financial Risk is Solvay’s exposure to foreign exchange risk, liquidity risk, interest rate risk, counterparty risk (credit risk), or failure to fund pension obligations.

- *Liquidity Risk* relates to Solvay’s ability to service and refinance its debt, including notes issued, and to fund its operations. This depends on its ability to generate cash from operations.

Prevention and Mitigation efforts
The Group is recognized as historically having a prudent financial profile, as illustrated by its “mid single A” rating (stable outlook). In particular credit spreads for “mid single A” issuers suffer less from deteriorating credit conditions than those of issuers with weaker ratings. Solvay maintains as its objective a net debt to equity ratio not durably exceeding 45 %. Its liquidity profile is very strong, mainly supported by long-term bond issuance (first significant maturity in 2014) and substantial liquidity reserves (cash and committed credit lines, including two syndicated loans of EUR 450 and 850 million respectively, and a credit line of EUR 350 million with the European Investment Bank).

- Solvay is naturally exposed to *Foreign Exchange Risk* as a consequence of its international activities. In its present structure, the Group’s exposure is mainly associated with the EUR/USD risk, as the Group‘s overall activities generate a net positive USD flow. Consequently, a depreciation of the USD will generally result in lower revenues for Solvay.

Prevention and Mitigation efforts
The geographical diversification of production and sales provides a natural currency hedge because of the resulting combination of an income stream and an expense base in local currency. Furthermore, Solvay closely monitors the foreign exchange market and enters into hedging measures for terms of between 6 and 24 months whenever deemed appropriate. In practice, Solvay enters into forward and option contracts securing the EUR value of cash flows in foreign currency during the following months.

- *Interest-rate risk* is Solvay’s exposure to fluctuating interest rates. In its present structure, the Group has locked in the largest part of its net indebtedness with fixed interest rates.

Prevention and Mitigation efforts
Solvay closely monitors the interest rate market and enters into interest rate swaps whenever deemed appropriate.

- Solvay is exposed to *Counterparty Risk* in its cash management and in its foreign exchange risk and interest rate risk management as well as in its commercial relations with customers. A default by one of Solvay’s banking counterparties could cause a loss in value of one of its bank deposits or the loss of an interest rate or foreign exchange hedge. The failure to pay by one of Solvay’s customers could lead to a write-down on the trade receivables.

Prevention and Mitigation efforts
Solvay manages its financial counterparty risk by working with banking institutions of the highest caliber (with selection based on major rating systems) and minimizes the concentration of risk by limiting its exposure to each of these banks to a certain threshold, set in relation to the institution’s credit rating. Furthermore, 60 % of turnover is assigned to an in-house factoring company, Solvay CICC, which is in charge through a network of credit managers of risk assessment per country / customer and of cash collection. A Risk Committee follows the performance of the customer portfolio and sets credit policy guidelines. Solvay CICC receivables are reinsured, depending on the country, by Euler Hermes or Ducroire.

• With regard to the *Risk of Funding Pension Obligations*, Solvay is exposed whenever it operates defined-benefit plans. Fluctuations in discount rates, salaries and social security, longevity and asset / liability matching can have a major impact on the liabilities of such pension plans.

Prevention and Mitigation efforts
The Group has reduced its exposure to defined-benefit plans by converting existing plans into pension plans with a lower risk profile for future services or by closing them to new entrants. Examples of plans with a lower risk profile are hybrid plans, cash balance plans and defined-contribution plans. Solvay has developed guidelines and processes to better manage the pension funding risk. Over the past years the major defined-benefit pension plans (Germany, Netherlands, UK, USA, Spain and Belgium), representing more than 80 % of the Group's pension obligations (under IFRS), have been reviewed in line with the above principles. The previously announced global asset/liability management study was completed in 2007. This shows the level of risk to be within the predefined threshold. The exposure to equity risk has been reduced by temporary investment in cash and in long term bonds.

Following the asset/liability management study carried out in 2007, the Group has defined Pension Corporate Governance guidelines in order to maximize its influence over local pension fund decisions within the limits provided by local law, in particular, decisions related to investment and funding, selection of advisors, appointments of employer-nominated trustees to local pension fund boards and other cost management decisions. Implementation of the recommendations began in 2008 and will be finalized in 2009.

6. Product Risk

• Product Liability Risk is Solvay's exposure stemming from injury or damage to third parties or their property arising from the use of a Solvay product, as well as the resulting litigation. Product liability may arise from out-of-specification products, inappropriate use or previously unidentified effects. Risks in Chemicals and Plastics also include the possibility of manufacturing errors resulting in defective products, product contamination or altered product quality and potential recalls.

Prevention and Mitigation efforts
Product liability exposure is reduced by quality assurance and control, adequate information and technical assistance to customers and health and safety programs. The Group supplies information relating to the safe use and handling of its products. For products with significant hazards, which in general are only sold directly to industrial users, the SBUs involved have product stewardship programs including material safety data sheets and regulatory compliance statements. Regulatory watch & intelligence processes are aimed at ensuring product regulatory compliance. In Pharmaceuticals, stringent processes govern product labeling. Implementation of the REACH directive is expected to result in a reduction of Product Liability Risk exposure in Europe.

• Product Development Risk is Solvay's exposure to failure to develop new products and technologies or scale up a process. Solvay's operating results depend, among other factors, on the innovation and development of commercially viable new products and production technologies. Because of the lengthy development process, technological challenges and intense competition, Solvay cannot ensure that the products it develops will become market-ready or achieve commercial success. If Solvay is unsuccessful in developing new products and production processes in the future, its competitive position and operating results will be harmed.

Prevention and Mitigation efforts
Solvay devotes substantial resources to Research and Development. Solvay continuously improves the competitiveness of its essential products over the long term, through technological improvements and innovation. Innovation is the cornerstone of the Group's strategy, and Solvay considers that managing the challenges related to product development is more about opportunity than risk for the company.

Management of R&D through programs and projects that are fully in line with Solvay's strategy enhances R&D performance and reduces the risk of failure.

Management by projects, with a conceptual and operational roadmap for moving a new product project from idea to launch, also ensures that resources are used in an optimal way.

Participation in venture capital funds allows Solvay to remain engaged at the forefront of emerging businesses such as alternative renewable energies and organic electronics.

Solvay launched a dynamic innovation program at corporate level nine years ago, covering its main fields of activity, including R&D.

7. Risk to People

Risk to People is the exposure of employees, contractors and the public to adverse effects from Solvay's activities and products, for example from plant processes or from transportation of hazardous chemicals. A major accident can injure people or lead to the temporary closing of a plant and ultimately expose Solvay to significant liabilities.

Prevention and Mitigation efforts
Solvay considers the safety and health of people key aspects in the management of its activities. The Group has consistently developed and implemented stringent safety programs. Related policies and risk control programs apply to all production units and other facilities, including to contractors and newly acquired plants.

The risk of hazardous chemicals transportation is reduced by mapping and minimizing transport routes and by the operation of integrated production units, which do not require the transportation of intermediate goods.

Solvay follows the recommendations of associations like Eurochlor, ECVM or CTEF, and programs like Responsible Care®.

8. Environmental Risk

Environmental Risk is Solvay's exposure stemming from the accidental release of a chemical substance following a plant equipment failure, a transport accident or production problems resulting in exceeding permitted emission levels.

Solvay operates manufacturing plants in many regions. Like most industrial equipment, this may create environmental risks through the accidental release of chemicals into the environment. Around 30 sites are covered by regulations dealing with major risks. Like most other industrial companies, Solvay has to manage and remediate historical soil contamination at some of its sites.

Prevention and Mitigation efforts
Solvay considers environmental protection as a key aspect in the management of its activities. Well-defined pollution and accident prevention measures have been in place at Solvay for a long time. Policies and risk control programs are applied in all production units and other facilities, including newly acquired plants. The Group has, in particular, taken the necessary steps to comply with regulations concerning major risks, which include detailed accident-prevention measures. The Group has developed internal expertise in soil management. Hydrogeological studies and soil characterizations are conducted systematically to diagnose potential problems, evaluate risks to aquifers and discuss with the relevant authorities remediation or confinement actions. A number of such actions have been completed or are under way.

9. Information and IT Risk

IT is integrated in the business to process and exchange information and to optimize business processes such as, for example, industrial production unit controls and management, inventory management, supply chain management and productivity enhancement. IT choices and strategy therefore strongly impact the business. The losses from outages, service-level degradation or IT systems failure can raise business continuity issues and can result in the loss of revenue.

Business information is a real asset within the corporation that must be valued and protected by structured processes like access management or controlled duplication. The two challenges regarding information assets are to reduce the risks of accidental unavailability or loss and the risks of deliberate misuse, abuse and theft.

Prevention and Mitigation efforts
Every employee is responsible for the appropriate management of information in compliance with the laws and policies related to information and to the use of IT systems.
Internal IT specialists manage and safeguard systems and their integrity, and support and train employees in IT security, making regular back-up copies and ensuring safer use of the systems. In this area Solvay is investing strongly in communication towards all employees.

Some important IT systems are hosted and technically managed by external IT suppliers. The choice of these suppliers, the contractual conditions and the level of services they can provide are crucial to reducing the risks linked to IT.

10. Reputational Risk

Reputation is a key asset. Loss of reputation can result in competitive disadvantage. The reputational risk deals with the subjective, composite perception of a company by its different stakeholders. Trust is a fundamental ingredient to reputation.

Prevention and Mitigation efforts
Besides overall good management, control practices and systems, efficient communication (transparent, consistent and timely) and long-term solid relationships, both inside and outside the organization, contribute in the long run to establishing trust. Among those relationships, Solvay participates in specific programs in the US (through the American Chemistry Council) and Europe (through CEFIC) to improve the reputation of the chemical industry.

Furthermore, communication processes, systems, plans and programs are established in order to create, develop and maintain a regular flow of two-way communication with the main stakeholders: shareholders and the financial community, employees, customers, authorities, local communities and opinion leaders, directly or through press and other media. Examples are the quarterly release of the Group's results, internal magazines, websites, open doors, meetings and events.

Clear values supported by the Code of Conduct, combined with a high level of Corporate Governance, are instrumental in reducing the reputational risk.

Specific management and communication systems exist to give early warning of developing crises and to ensure an adequate response in the case of unexpected and sudden adverse events that can potentially harm the Group's reputation. Dedicated people are trained to face such situations while crisis simulations are organized on a regular basis.

Compensation report

1. Description of the procedure for:

1.1. Developing a compensation policy:

a) for Directors :
Directors of Solvay SA are remunerated with fixed emoluments, the common basis of which is set by the ordinary Shareholders' Meeting, and any complement thereto by the Board of Directors on the basis of article 27 of the by-laws, viz.
Article 27: "Directors shall receive emoluments payable from overhead costs; the shareholders' meeting shall determine the amount and terms of payment. That decision shall stand until another decision is taken.
The Board of Directors shall be authorized to grant directors with special duties (the Chairman, vice-chairmen, directors charged with day-to-day management, members of the Executive Committee) fixed emoluments in addition to those provided for in the above paragraph.
Each of the Directors responsible for day-to-day management is also entitled to variable remuneration determined by the Board of Directors on the basis of their individual results and of the consolidated results of the Solvay Group.
The sum referred to in the two preceding sub-sections are also paid out of overhead costs."

b) for Executive Committee members:
Compensation policy is decided by the Board of Directors based on proposals by the Compensation and Appointments Committee.
In 2005, based on a proposal by the Compensation and Appointments Committee, the Board of Directors updated its compensation policy for its main senior managers, including the members of the Executive Committee. This policy is set out in an annex to this document.

1.2. Setting individual compensation:

a) for Directors:
(i) – the June 2005 Ordinary Shareholders' Meeting decided to set Directors' pay, starting from the 2005 financial year, as follows: on the one hand to grant an annual gross fixed remuneration of EUR 35 000 per Director and, on top of this, an attendance individual fee of EUR 2 500 gross per Board meeting attended;
– and on the other hand to confirm the Audit Committee attendance fees, viz.: EUR 4 000 gross for members and EUR 6 000 gross for the Chairman;
– and, lastly, to grant attendance fees, for the Compensation and Appointments Committee and for the Finance Committee, of EUR 2 500 gross per member and EUR 4 000 gross for the Chairmen of these Committees;
– but with the specification that the Chairman of the Board, the Chairman of the Executive Committee and the Executive Directors would not receive attendance fees for taking part in these Committees.
(ii) The Board of Directors has made use of the authorization conferred on it by article 27 of the by-laws to grant an additional fixed compensation of EUR 225 208 gross to the Chairman of the Board of Directors by reason of the work load and the responsibility attached to this task. The Chairman of the Board of Directors also receives an amount of EUR 422 386 a year to compensate the postponement of his rights to the Solvay complementary pension, which should have been paid at the end of his mandate as Chairman of the Executive Committee, but which has not owing to his mandate as Chairman of the Board.

b) for Executive Committee members:
The compensation of the Chairman and the members of the Executive Committee is set as a global gross amount. This includes not only the gross remuneration earned at Solvay SA, but also amounts deriving, contractually or as directors' emoluments, from companies throughout the world in which Solvay SA holds majority or other shareholdings.
Individual compensation is set by the Board of Directors based on recommendations by the Compensation and Appointments Committee.

2. Declaration concerning compensation policy for the Chairman and members of the Executive Committee:

The compensation policy adopted by the Board of Directors in 2005, and which remained valid for the 2008 financial year, is set out in an annex to this document. The Board does not intend to fundamentally change this policy over the next two years.

This policy contains: the basic compensation principles, indicating the relationship between compensation and performance, including the criteria for assessing the Executive Committee member in relation to the objectives, and the relative importance of various compensation components.

3. Amount of the compensation and other benefits granted directly or indirectly to Directors (executive and non-executive) by the company or by an affiliated company.

(see table page 116)

4. Amount of compensation and other benefits granted directly or indirectly to the Chairman of the Executive Committee.
(see table page 117)

The Chairman of the Executive Committee has requested the Board of Directors to reduce, for 2008, his variable remuneration to EUR 216 093, by way of exception to the policy set by the Board, which would have permitted him to receive an amount of EUR 616 093.

In December 2008 the Board of Directors allotted, on the proposal of the Compensation and Appointments Committee, share options to senior Group managers. The exercise price amounts to EUR 58.81 per option, with a three-year non-exercise period. The Chairman of the Executive Committee accepted 25 000 such options and the Chief Financial Officer 18 000 (see also 2.1.3. Article 523 of the Companies' Code, page 134).

In the area of extra-legal pension rights, given his self-employed status in Belgium, the Chairman of the Executive Committee has his own separate contractual regime, with pension, death-in-service and disability rules which are financially comparable with those applicable, leaving aside any contributions, to his Executive Committee colleagues

COMPENSATION AND OTHER BENEFITS GRANTED TO DIRECTORS

Compensation	2007		2008	
	Gross amount	Of which Board of Directors and Committees attendance fees	Gross amount	Of which Board of Directors and Committees attendance fees
A. Michielsen				
– Fixed emoluments + attendance fees	47 500.04	12 500.00	57 500.04	22 500.00
– "Article 27" supplement	217 523.79		225 207.86	
– Compensation for complementary pension rights	407 974.20		422 385.97	
N. Boël	52 500.04	17 500.00	62 500.04	27 500.00
D. Solvay	64 500.04	29 500.00	60 000.04	25 000.00
C. Jourquin	47 500.04	12 500.00	57 500.04	22 500.00
H. de Wangen	45 000.04	10 000.00	52 500.04	17 500.00
J-M. Solvay	47 500.04	12 500.00	57 500.04	22 500.00
G. de Selliers	64 500.04	29 500.00	81 000.04	46 000.00
Wh. Sadler	71 500.04	36 500.00	81 500.04	46 500.00
J. van Zeebroeck	52 500.04	17 500.00	62 500.04	27 500.00
J-M. Folz	50 000.04	15 000.00	57 500.04	22 500.00
J. Saverys	17 325.28	5 000.00		
K. Van Miert	57 500.04	22 500.00	62 500.04	27 500.00
U-E. Bufe	57 500.04	22 500.00	62 500.04	27 500.00
B. de Laguiche	47 500.04	12 500.00	57 500.04	22 500.00
B. Scheuble	61 000.04	26 000.00	71 000.04	36 000.00
A. Van Rossum	61 000.04	26 000.00	71 000.04	36 000.00
C. Casimir-Lambert	34 174.76	7 500.00	73 500.04	38 500.00
	1 491 998.63	**315 000.00**	**1 675 594.48**	**468 000.00**

affiliated to the Pension Regulations for executives in Belgium.

5. Global amount of compensation and other benefits granted directly or indirectly to the seven other members of the Executive Committee by the company or an affiliated company.
(see table below)

Executive Committee members' expenses, including those of its Chairman, are governed by the same rules as apply to all Group management staff that is: the justification of all professional expenses, item by item.
Private expenses are not reimbursed. In the case of mixed professional/private expenses (like cars), a proportional rule is applied in the same way as to all management staff in the same position.

In the area of insurance, the Company subscribes the same type of cover for Executive Committee members as it does for its senior managers.

Pensions and retirement and death-in-service coverage for Executive Committee members are based in principle on the provisions of the applicable schemes in their base countries.

6. Options

In December 2008 the Board of Directors allotted, on the proposal of the Compensation and Appointments Committee, stock options to senior Group managers.

The exercise price amounts to EUR 58.81 per option, with a three-year non-exercise period. Executive Committee members together were granted 112 000 options in 2008, compared with 120 000 in 2007.

7. The most important provisions of their contractual relationships with the company and/or an affiliated company, including the provisions relating to compensation in the event of early departure.

Executive Committee members, including the Chairman, have directorships in Group subsidiaries as a function of their responsibilities. Where such mandates are compensated, they are included in the amounts given above, regardless of whether the mandate is deemed to be salaried or undertaken on a self-employed basis under local legislation. No Executive Committee member, including the Chairman, benefits from any "golden parachute" clause.

If their function ends anticipatedly, only the legal system applies.

Compensation and other benefits granted to the Chairman of the Executive Committee	2007	2008
Base compensation	755 351	774 266
Variable compensation	906 421	216 093
Pension and death-in-service and disability coverage (costs paid or provided for)	197 015	209 661
Other remuneration components[1]	14 216	13 410

Compensation and other benefits granted to the other members of the Executive Committee	2007	2008
Base compensation	2 635 689	2 633 232
Variable compensation	2 159 590	1 628 323
Pension and death-in-service and disability coverage (costs paid or provided for)	1 465 485[2]	605 462
Other remuneration components[3]	113 446	107 492

1. Company vehicules.
2. Adjustment linked to the pension retirement of a member of the Executive Committee.
3. Representation allowance, luncheon vouchers, company car.

2008 Consolidation Scope

The Group consists of Solvay SA and a total of 401 subsidiaries and associated companies in 50 countries.

Of these, 170 are fully consolidated and 82 are proportionately consolidated, whilst the other 149 do not meet the criteria of significance.

In accordance with the principle of materiality, certain companies which are not of significant size have not been included in the consolidation scope. Companies are deemed not to be significant when they do not exceed any of the three following thresholds in terms of their contribution to the Group's accounts:
• sales of EUR 20 million,
• balance sheet total of EUR 10 million,
• headcount of 150 persons.

Companies that do not meet these criteria are, nevertheless, consolidated where the Group believes that they have a potential for rapid development, or where they hold shares in other companies that are consolidated under the above criteria.

Globally, the non-consolidated companies have no material impact on the consolidated data of the Group, their overall impact on the Group net profit being of the order of 0.1 %.

The full list of companies is filed with the National Bank of Belgium as an attachment to the annual report, and can be obtained from the company head office.

List of companies entering or leaving the Group

Ch = Chemicals Ph = Pharmaceuticals Pl = Plastics - = not allocated

Companies entering the Group

Country	Company	Sector	Comments
BELGIUM	Innogenetics BV	Ph	purchase
	Solvay Nafta Development and Financing SA	-	new company
NETHERLANDS	Solvay Biologicals BV	Ph	meets the consolidation criteria
	Twebotube BV	Pl	purchase
CZECH REPUBLIC	Instaplast Praha AS	Pl	purchase
SWEDEN	Solvay Pharma AB	Ph	meets the consolidation criteria
RUSSIA	Inergy Automotive Systems OOO	Pl	meets the consolidation criteria
EGYPT	Alexandria Sodium Carbonate Co.	Ch	purchase
UNITED STATES	Ajedium Film Group, LLC	Pl	purchase
	Solvay Biologicals, LLC	Ph	new company
	Rocky Mountain Coal Company, LLC	Ch	new company
INDIA	Inergy Automotive Systems India Pvt Ltd	Pl	new company
CHINA	Inergy Automotive Systems Consulting (Beijing) Co.	Pl	meets the consolidation criteria

Companies leaving the Group

Country	Company	Sector	Comments
BELGIUM	Fournier Pharma SA/NV	Ph	liquidated
FRANCE	Synkem SAS	Ph	sold
GERMANY	Cavity GmbH & Co KG	-	absorbed by Solvay GmbH
	Hispavic GmbH	Pl	absorbed by Solvay GmbH
	Solvay Management Support GmbH	-	absorbed by Solvay GmbH
	Solvay Engineered Polymers GmbH	Pl	sold
	Solvay Salz Beteiligungs GmbH & Co KG	-	absorbed by Solvay GmbH
SPAIN	Laboratorios Fournier SA	Ph	absorbed by Solvay Pharma SA
SWITZERLAND	Girindus SA	Ch	liquidated
PORTUGAL	Thylmer Farmaceutica Lda	Ph	liquidated
UNITED STATES	Solvay Engineered Polymers, Inc.	Pl	sold
	Ajedium Film Group LLC	Pl	absorbed by Solvay Solexis, Inc.
CANADA	Solvay Engineered Polymers (Canada), Inc	Pl	sold
MEXICO	Solvay Engineered Polymers Mexico SA de CV	Pl	sold
BRAZIL	Solvay do Brasil Ltda	Pl	absorbed by Solvay Quimica Ltda renamed Solvay do Brasil Ltda
AUSTRALIA	Fournier Pharma Australia Pty Ltd	Ph	liquidated
CHINA	Changzhou Pipelife Reinforced Plastic Co Ltd	Pl	deconsolidated
	Sichuan Chuanxi Plastic Co Ltd	Pl	deconsolidated

Change of consolidation method

Country	Company	Sector	Comments
BELGIUM	Solvic SA	Pl	fully consolidated
	SolVin SA	Pl	fully consolidated
NETHERLANDS	SolVin Holding Nederland BV	Pl	fully consolidated
FRANCE	SolVin France SA	Pl	fully consolidated
ITALY	SolVin Italia France SpA	Pl	fully consolidated
GERMANY	SolVin GmbH	Pl	fully consolidated
	SolVin Holding GmbH	Pl	fully consolidated
SPAIN	Vinilis SA	Pl	fully consolidated
	Hispavic Iberica SL	Pl	fully consolidated

List of fully consolidated Group companies

Indicating the percentage holding, followed by the Sector.
It should be noted that the percentage of voting rights is very close to the percentage holding.
Ch = Chemicals Ph = Pharmaceuticals Pl = Plastics - = not allocated

BELGIUM		
Financière Keyenveld SA, Bruxelles (liquidation in progress)	50.4	-
Innogenetics NV, Gent	100	Ph
Mutuelle Solvay SCS, Bruxelles	99.9	-
Peptisyntha SA, Neder-Over-Heembeek	100	Ch
Solvay Benvic & Cie Belgium SNC, Bruxelles	100	Pl
Solvay Chemicals International SA, Bruxelles	100	Ch
Solvay Chemie SA, Bruxelles	100	Ch
Solvay Coordination Internationale des Crédits Commerciaux (CICC) SA, Bruxelles	100	-
Solvay Nafta Development and Financing SA, Bruxelles	100	-
Solvay Participations Belgique SA, Bruxelles	100	-
Solvay Pharma SA, Bruxelles	100	Ph
Solvay Pharmaceuticals SA - Management Services, Bruxelles	100	Ph
Solvay Specialties Compounding SA, Bruxelles	100	-
Solvay Stock Option Management SPRL, Bruxelles	100	-
Solvic SA, Bruxelles	75	Pl
SolVin SA, Bruxelles	75	Pl
LUXEMBOURG		
Solvay Finance (Luxembourg) SA, Luxembourg	100	-
Solvay Pharmaceuticals Sarl, Luxembourg	100	Ph
NETHERLANDS		
Physica BV, Weesp	100	Ph
Sodufa BV, Weesp	100	Ph
Sodufa Pharmaceuticals BV, Weesp	100	Ph
Sodufa Biologicals BV, Weesp	100	Ph
Solvay Chemicals and Plastics Holding BV, Weesp	100	-
Solvay Chemie BV, Linne-Herten	100	Ch
Solvay Finance BV, Weesp	100	-
Solvay Holding Nederland BV, Weesp	100	-
Solvay Pharma BV, Weesp	100	Ph
Solvay Pharmaceuticals BV, Weesp	100	Ph
SolVin Holding Nederland BV, Weesp	75	Pl
FRANCE		
Fournier Industrie et Santé SA, Dijon	100	Ph
Laboratoires Fournier SA, Dijon	100	Ph
Solvay Benvic France SAS, Paris	100	Pl
Solvay - Carbonate - France SAS, Paris	100	Ch
Solvay - Electrolyse - France SAS, Paris	100	Ch
Solvay Energie France SAS, Paris	100	-
Solvay Finance France SA, Paris	100	-
Solvay Finance SA, Paris	100	-
Solvay - Fluorés - France SAS, Paris	100	Ch
Solvay - Organics - France SAS, Paris	100	Ch
Solvay - Olefines - France SAS, Paris	100	Pl
Solvay Participations France SA, Paris	100	-
Solvay Pharma SAS, Suresnes	99.9	Ph
Solvay Pharmaceuticals SAS, Suresnes	100	Ph
Solvay Solexis SAS, Paris	100	Pl
Solvay - Spécialités - France SAS, Paris	100	Ch

SolVin France SA, Paris	75	Pl
Vivalsol SNC, Paris	100	Ph
ITALY		
SIS Italia SpA, Rosignano	100	-
Società Elettrochimica Solfuri e Cloroderivati (ELESO) SpA, Milano	100	Ch
Società Generale per l'Industria della Magnesia (SGIM) SpA, Angera	100	Ch
Solvay Bario e Derivati SpA, Massa	100	Ch
Solvay Benvic - Italia SpA, Rosignano	100	Pl
Solvay Chimica Italia SpA, Milano	100	Ch
Solvay Chimica Bussi SpA, Rosignano	100	Ch
Solvay Fluor Italia SpA, Rosignano	100	Ch
Solvay Finanziaria SpA, Milano	100	-
Solvay Padanaplast SpA, Roccabianca	100	Pl
Solvay Pharma SpA, Grugliasco	100	Ph
Solvay Solexis SpA, Milano	100	Pl
SolVin Italia SpA, Ferrara	75	Pl
GERMANY		
Cavity GmbH & Co KG, Hannover	100	Ch
Fournier Pharma GmbH, Thansau	100	Ph
Girindus AG, Bensberg	75	Ch
Kali-Chemie AG, Hannover	100	-
Salzgewinnungsgesellschaft Westfalen mbH & Co KG, Epe	65	Ch
Solvay GmbH, Hannover	100	-
Solvay Advanced Polymers GmbH, Hannover	100	Pl
Solvay Arzneimittel GmbH, Hannover	100	Ph
Solvay Chemicals GmbH, Hannover	100	Ch
Solvay Fluor GmbH, Hannover	100	Ch
Solvay Infra Bad Hoenningen GmbH, Hannover	100	Ch
Solvay Interox Bitterfeld GmbH, Bitterfeld	100	Ch
Solvay Kali-Chemie Holding GmbH	100	-
Solvay Organics GmbH, Hannover	100	Ch
Solvay Pharmaceuticals GmbH, Hannover	100	Ph
Solvay Verwaltungs-und Vermittlungs GmbH, Hannover	100	-
SolVin GmbH & Co KG, Hannover	75	Pl
SolVin Holding GmbH, Hannover	75	Pl
SPAIN		
Electrolisis de Torrelavega AEI, Torrelavega	100	Ch
Hispavic Iberica SL, Martorell	75	Pl
Solvay Benvic Iberica SA, Barcelona	100	Pl
Solvay Fluor Iberica SA, Tarragona	100	Ch
Solvay Ibérica SL, Barcelona	100	-
Solvay Participaciones SA, Barcelona	100	-
Solvay Pharma SA, Barcelona	100	Ph
Solvay Quimica SL, Barcelona	100	Ch
Vinilis SA, Martorell	75	Pl
SWITZERLAND		
Solvay (Schweiz) AG, Zurzach	100	Ch
Solvay Pharmaceuticals Marketing & Licensing AG, Allschwil	100	Ph
Solvay Pharma AG, Bern	100	Ph
PORTUGAL		
3S Solvay Shared Services-Sociedade de Serviços Partilhados Unipessoal Lda, Carnaxide	100	-
Solvay Farma Lda, Porto Salvo	100	Ph
Solvay Interox - Produtos Peroxidados SA, Povoa	100	Ch
Solvay Portugal - Produtos Quimicos SA, Povoa	100	Ch
Voxfarma, Produtos Farmaceuticos, Unipessoal, Lda, Porto Salvo	100	Ph

AUSTRIA		
Solvay Österreich GmbH, Wien	100	Ch
Solvay Pharma GmbH, Klosterneuburg	100	Ph
GREAT BRITAIN		
Fournier Pharmaceuticals Ltd, Slough	100	Ph
Solvay Chemicals Ltd, Warrington	100	Ch
Solvay Healthcare Ltd, Southampton	100	Ph
Solvay Interox Ltd, Warrington	100	Ch
Solvay UK Holding Company Ltd, Warrington	100	-
Solvay Speciality Chemicals Ltd, Warrington	100	Ch
IRELAND		
Fournier Laboratories Ireland Ltd, Cork	100	Ph
Solvay Healthcare Ltd , Dubin	100	Ph
Solvay Finance Ireland Ltd , Dublin	100	-
FINLAND		
Solvay Chemicals Finland Oy, Voikkaa	100	Ch
SWEDEN		
Neopharma AB, Västra Frölunda	100	Ph
Solvay Pharma AB, Västra Frölunda	100	Ph
POLAND		
Fournier Polska Sp. z o.o., Warszawa	100	Ph
Solvay Pharma Sp. z o.o., Piaseczno	100	Ph
Solvay Pharma Polska Sp. z o.o., Warszawa	100	Ph
BULGARIA		
Solvay Bulgaria AD, Devnya	100	Ch
GREECE		
Solvay Pharma M.E.P.E., Alimos	100	Ph
TURKEY		
Solvay Ilac Ve Ecza Ticaret Limited Sirketi, Istanbul	100	Ph
EGYPT		
Alexandria Sodium Carbonate Co, Alexandria	100	Ch
RUSSIA		
Solvay Pharma OOO, Moscow	100	Ph
UNITED STATES		
American Soda LLP, Parachute, CO	100	Ch
Ausimont Industries, Inc., Wilmington, DE	100	Pl
Fournier Pharma Corp, Inc., Parsippany NJ	100	Ph
Girindus America, Inc., Cincinnati OH	75	Ch
Montecatini USA, Wilmington, DE	100	Pl
Peptisyntha, Inc., Torrance, CA	100	Ch
Rocky Mountain Coal Company, LLC, Houston, TX	100	Ch
Solvay Advanced Polymers, LLC, Alpharetta, GA	100	Pl
Solvay Alkalis, Inc., Houston, TX	100	Ch
Solvay America, Inc., Houston, TX	100	-
Solvay America Holdings, Inc., Houston, TX	100	-
Solvay Automotive Plastics & Systems, Inc., Troy, MI	100	Pl
Solvay Biologicals, LLC, Marietta, GA	100	Ph
Solvay Chemicals, Inc., Houston, TX	100	Ch
Solvay Finance (America) LLC, Houston, TX	100	-
Solvay Fluorides, LLC, Greenwich, CT	100	Ch
Solvay Information Services NAFTA, LLC, Houston, TX	100	-
Solvay North America LLC, Houston, TX	100	-
Solvay North America Investments, LLC, Houston, TX	100	-
Solvay Pharma US Holdings, Inc., Houston, TX	100	Ph
Solvay Pharmaceuticals, Inc., Marietta, GA	100	Ph

Solvay Soda Ash Joint Venture, Houston, TX	80	Ch
Solvay Soda Ash Expansion JV, Houston, TX	80	Ch
Solvay Solexis, Inc., Wilmington, DE	100	Pl
Unimed Pharmaceuticals Inc., Deerfield, IL	100	Ph
CANADA		
Fournier Pharma, Inc., Montreal	100	Ph
Solvay Pharma, Inc., Scarborough	100	Ph
Solvay Pharma Canada, Inc., Scarborough	100	Ph
MEXICO		
Italmex SA, Mexico	100	Ph
Solvay Fluor Mexico SA de CV, Ciudad Juarez	100	Ch
Solvay Mexicana S. de RL de CV, Monterrey	100	Ch
Solvay Quimica Y Minera Servicios SA de CV, Monterrey	100	Ch
Solvay Quimica Y Minera Ventas SA de CV, Monterrey	100	Ch
BRAZIL		
Solvay Farma Ltda, Sao Paulo	100	Ph
Solvay do Brasil Ltda, Sao Paulo	100	Ch
Solvay Indupa do Brasil SA, Sao Paulo	69.9	Pl
ARGENTINA		
Solvay Indupa S.A.I.C., Bahia Blanca	69.9	Pl
Solvay Argentina SA, Buenos Aires	100	-
Solvay Quimica SA, Buenos Aires	100	Ch
AUSTRALIA		
Solvay Interox Pty Ltd, Banksmeadow	100	Ch
Solvay Pharmaceuticals Pty Ltd, Pymble	100	Ph
JAPAN		
Nippon Solvay KK, Tokyo	100	Ch
Solvay Advanced Polymers KK, Tokyo	100	Pl
Solvay Seiyaku KK, Tokyo	100	Ph
Solvay Solexis KK, Minato Ku-Tokyo	100	Pl
CHINA		
Solvay (Shanghai) Ltd, Shanghai	100	Pl
THAILAND		
Solvay Peroxythai Ltd, Bangkok	100	Ch
SINGAPORE		
Solvay Singapour Pte Ltd, Singapore	100	-
INDIA		
Solvay Pharma India Ltd, Mumbai	68.9	Ph
Solvay Specialities India Private Ltd, Mumbai	100	Pl
CAYMAN ISLANDS		
Blair International Insurance (Cayman) Ltd, Georgetown	100	-
SOUTH KOREA		
Daehan Specialty Chemicals Co., Ltd, Seoul	100	Ch
Solvay Fluor Korea Co. Ltd, Seoul	100	Ch

List of proportionately consolidated Group companies

BELGIUM		
BASF Interox H_2O_2 Production NV, Bruxelles	50	Ch
Inergy Automotive Systems (Belgium) NV, Herentals	50	Pl
Pipelife Belgium SA, Kalmthout	50	Pl
Inergy Automotive Systems Research SA, Bruxelles	50	Pl
NETHERLANDS		
Inergy Automotive Systems Netherlands Holding BV, Weesp	50	Pl
Pipelife Finance BV, Enkhuizen	50	Pl
Pipelife Nederland BV, Enkhuizen	50	Pl
Twebotube BV, Enschede	50	Pl
FRANCE		
Inergy Automotive Systems SA, Paris	50	Pl
Inergy Automotive Systems France SAS, Compiègne	50	Pl
Inergy Automotive Systems Management SA, Paris	50	Pl
Pipelife France SNC, Gaillon	50	Pl
GERMANY		
Inergy Automotive Systems (Germany), Karben	50	Pl
Pipelife Deutschland Verwaltungs-GmbH Bad Zwischenahn, Bad Zwischenahn	50	Pl
Pipelife Deutschland GmbH & Co KG Bad Zwischenahn, Bad Zwischenahn	50	Pl
Pipelife Deutschland Asset Management GmbH, Bad Zwischenahn	50	Pl
Solvay & CPC Barium Strontium GmbH & Co KG, Hannover	75	Ch
Solvay & CPC Barium Strontium International GmbH, Hannover	75	Ch
SPAIN		
Inergy Automotive Systems (Spain) SL, Vigo	50	Pl
Inergy Automotive Systems Valladolid, SL, Gava	50	Pl
Pipelife Hispania SA, Zaragoza	50	Pl
PORTUGAL		
Pipelife Portugal-Sistemas de Tubagens Plasticas Lda, Nogueira Da Maia	50	Pl
AUSTRIA		
Pipelife International GmbH, Wiener Neudorf	50	Pl
Pipelife Austria GmbH & Co KG, Wiener Neudorf	50	Pl
Solvay Sisecam Holding AG, Wien	75	Ch
GREAT BRITAIN		
Inergy Automotive Systems (UK) Ltd, Warrington	50	Pl
Qual-Plumb (UK) Ltd, Corby	50	Pl
IRELAND		
Dromalour Plastics Ltd, Cork	50	Pl
Inergy Reinsurance Ltd , Dublin	50	Pl
Kenfern Investments Ltd, Cork	42.5	Pl
Quality Plastics (Holding) Ltd, Cork	50	Pl
Quality Plastics Ltd, Cork	50	Pl
Qualplast Sales Ltd, Cork	50	Pl
SWEDEN		
Pipelife Sverige AB, Oelsremma	50	Pl
Pipelife Hafab AB, Haparanda	50	Pl
Pipelife Nordic AB, Göteborg	50	Pl
NORWAY		
Pipelife Norge AS, Surnadal	50	Pl

FINLAND		
Pipelife Finland OY, Oulu	50	Pl
Propipe OY, Oulu	50	Pl
POLAND		
Inergy Automotive Systems Poland Sp. z o.o., Warszawa	50	Pl
Pipelife Polska SA, Karlikowo	50	Pl
ROMANIA		
Inergy Automotive Systems Romania SRL, Pitesti	50	Pl
Pipelife Romania SRL, Cluj-Napoca	50	Pl
SLOVENIA		
Pipelife Slovenija, d.o.o., Trzin	50	Pl
ESTONIA		
Pipelife Eesti AS, Tallinn	50	Pl
LITHUANIA		
Pipelife Lietuva UAB, Vilnius	50	Pl
LATVIA		
Pipelife Latvia SIA, Riga	50	Pl
BULGARIA		
Deven AD, Devnya	75	Ch
Pipelife Bulgaria EOOD, Plovdiv	50	Pl
Solvay Sodi AD, Devnya	75	Ch
CROATIA		
Pipelife Hrvatska Republika d.o.o., Karlovac	50	Pl
HUNGARY		
Pipelife Hungaria Kft, Debrecen	50	Pl
CZECH REPUBLIC		
Instaplast Praha AS, Otrokovice	50	Pl
Pipelife Czech s.r.o., Otrokovice	50	Pl
SLOVAKIA		
Inergy Automotive Systems Slovakia s.r.o., Bratislava	50	Pl
Pipelife Slovakia s.r.o., Piestany	50	Pl
GREECE		
Pipelife Hellas SA, Moschato Attica	50	Pl
TURKEY		
Arili Plastik Sanayii AS, Pendik	50	Pl
RUSSIA		
Pipelife Russia OOO, Moscou	50	Pl
Soligran ZAO, Moscou	50	Pl
Stavroro Automotive Systems LLC, Vladimir	50	Pl
UNITED STATES		
Inergy Automotive Systems Holding (USA), Troy, MI	50	Pl
Inergy Automotive Systems (USA) LLC, Troy, MI	50	Pl
Pipelife Jet Stream, Inc. Siloam Springs, AR	50	Pl
CANADA		
Inergy Automotive Systems (Canada), Inc., Blenheim	50	Pl
MEXICO		
Inergy Automotive Systems Mexico SA de CV, Ramos	50	Pl
Solvay & CPC Barium Strontium Reynosa S. de RL de CV, Reynosa	75	Ch
Solvay & CPC Barium Strontium Monterrey S. de RL de CV, Monterrey	75	Ch
BRAZIL		
Dacarto Benvic SA, Santo André	50	Pl
Peroxidos do Brasil Ltda, Sao Paulo	69.4	Ch
Inergy Automotive Systems Brazil Ltda, Sao Paulo	50	Pl
ARGENTINA		
Inergy Automotive Systems Argentina SA, Buenos Aires	50	Pl

CHINA		
Inergy Automotive Systems (Wuhan) Co., Ltd, Wuhan	50	Pl
Inergy Automotive Systems Consulting (Beijing) Co., Ltd, Beijing	50	Pl
THAILAND		
Inergy Automotive Systems Thailand Ltd, Bangkok	50	Pl
Vinythai Public Company Ltd, Bangkok	49.9	Pl
INDIA		
Inergy Automotive Systems India Pvt Ltd, Mumbai	50	Pl
SOUTH KOREA		
Inergy Automotive Systems Co. Ltd, Kyungju	50	Pl
Solvay & CPC Barium Strontium Korea Co. Ltd, Onsan	75	Ch
JAPAN		
Inergy Automotive Systems KK, Tokyo	50	Pl
SOUTH AFRICA		
Inergy Automotive Systems South Africa (Pty) Ltd, Brits	50	Pl
VIRGIN ISLANDS		
Pipelife Holding (HK) Ltd, Tortola	50	Pl

Summary financial statements of Solvay SA

The annual financial statements of Solvay SA are presented in summary format below. In accordance with the Companies' Code, the annual financial statements of Solvay SA, the management report and the statutory auditor's report will be deposited with the National Bank of Belgium.

These documents are also available free of charge on the internet or upon request from:

Solvay SA
rue du Prince Albert 33
B - 1050 Brussels

The Statutory Auditor has expressed a reservation with regard to the decision of 2006 to maintain the value of Solvay Finance (Luxembourg) at the historical value of the investments contributed to it. The reserve relates solely to the accounts of Solvay SA and does not in any way concern the Group's consolidated accounts.

Balance sheet of Solvay SA (summary)

EUR Million	2007	**2008**
ASSETS		
Fixed assets	3 579	4 266
Start-up expenses and intangible assets	73	40
Tangible assets	59	63
Financial assets	3 447	4 163
Current assets	2 668	2 356
Inventories	34	32
Trade receivables	119	86
Other receivables	2 515	1 072
Short-term investments and cash equivalents	0	1 166
Total assets	6 247	6 622
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	4 017	4 145
Capital	1 271	1 271
Issue premiums	18	18
Reserves	1 948	1 948
Net income carried forward	780	908
Investment grants	0	0
Provisions and deferred taxes	248	240
Financial debt	1 537	1 782
– due in more than one year	814	996
– due within one year	723	786
Trade liabilities	96	93
Other liabilities	349	362
Total shareholders' equity and liabilities	6 247	6 622

Income statement of Solvay SA (summary)

EUR Million	2007	2008
Operating income	770	813
Sales	309	405
Other operating income	461	408
Operating expenses	-792	-942
Operating profit / loss	-22	-129
Financial gains / losses	127	505
Current profit before taxes	105	376
Extraordinary gains / losses	330	-15
Profit before taxes	435	361
Income taxes	44	15
Profit for the year	479	376
Transfer to (-) / from (+) untaxed reserves	-	-
Profit available for distribution	479	376

STATUTORY AUDITOR'S REPORT

To the shareholders' meeting of Solvay SA on the consolidated financial statements for the year ended 31 December 2008.

To the shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the consolidated financial statements together with the required additional comment.

Unqualified audit opinion on the consolidated financial statements

We have audited the accompanying consolidated financial statements of SOLVAY SA ("the Company") and its subsidiaries (jointly "the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. Those consolidated financial statements comprise the consolidated balance sheet as at 31 December 2008, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of EUR 12 264 million and the consolidated income statement shows a consolidated profit (Group share) for the year then ended of EUR 405 million.

The financial statements of several significant entities included in the scope of consolidation which represent total assets of EUR 128 million and a total profit of EUR 27 million have been audited by other auditors. Our opinion on the accompanying consolidated financial statements, insofar as it relates to the amounts contributed by those entities, is based upon the reports of those other auditors.

The Board of Directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the Company and the presentation of the consolidated financial statements, taken as a whole. Finally, the board of directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence we have obtained, together with the reports of other auditors on which we have relied, provides a reasonable basis for our opinion.

In our opinion, and based upon the reports of other auditors, the consolidated financial statements give a true and fair view of the Group's financial position as of 31 December 2008, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU and with the legal and regulatory requirements applicable in Belgium.

Additional comment

The preparation and the assessment of the information that should be included in the directors' report on the consolidated financial statements are the responsibility of the Board of Directors.

Our responsibility is to include in our report the following additional comment which does not change the scope of our audit opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law and is in agreement with the consolidated financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the Group, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.

Diegem, 19 February 2009

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Michel Denayer

Report on the application of the Corporate Governance rules

Table of contents

Introduction

This report presents the application in 2008 of the Solvay group's Corporate Governance rules. It presents the application of the recommendations of the Belgian Corporate Governance Code in accordance with the "comply or explain" principle, as well as the changes which were introduced by Belgian law in 2008 and which will become applicable from 2009 onwards.

1. Legal and shareholding structure of Solvay SA

1.1. Solvay SA is a société anonyme (public limited liability company) created under Belgian law, having its registered office at 33, rue du Prince Albert, 1050 Brussels, Belgium. The company's by-laws can be found on the Solvay internet site: www.solvay-investors.com. Its company purpose consists of pharmaceutical, chemical and plastic activities.

1.2. Its shares are either registered, dematerialized or bearer shares (in denominations of 1, 10, 100 or 1 000 shares). Since January 1, 2008 it has no longer been possible to receive paper (bearer) shares. Bearer shares already in a securities file have automatically been converted into dematerialized shares. Additionally, the General Shareholders' Meeting of May 8, 2007 resolved that, no later than June 30, 2011, all bearer shares issued by the company and which have not been recorded on dematerialized or registered securities accounts, will be converted as of right into dematerialized shares. Shares may be converted into nominal shares, via a bank, through deposit in the Solvay SA securities file "Counterpart of registered certificates" with Euroclear Belgium.

At December 31, 2008, the capital of Solvay SA was represented by 84 701 133 shares, including 2 567 568 shares held by Solvay SA via its Solvay Stock Option Management (SSOM) sub-subsidiary to cover the stock option program (further details under 2.1. "Company capital").
Each share entitles its holder to one vote whenever voting takes place (except for the shares held by SSOM, the voting rights for which are suspended). All shares are equal and common.

The share is listed on the NYSE Euronext Brussels. Solvay's share price is also included in several indexes:
- Euronext 100, consisting of the leading 100 European companies listed on NYSE EURONEXT, where Solvay ranks in 62nd place (0.4% of the index) (at December 31, 2008).
- The BEL 20 index, based on the 20 most significant shares listed on Euronext Brussels. At December 31, 2008, Solvay represented around 5.8% of the value of this index (7th place in this index). Solvay shares are included in the 'Chemicals - Specialties' category of the Euronext Brussels sectoral index.
- The DJ Stoxx, DJ Euro Stoxx, FTSE 300, FTSE4Good, MSCI and other indexes.

Since February 15, 2007, and for a one year period, tacitly renewable, Solvay Stock Option Management SPRL has mandated the bank Rothschild & Cie., under a liquidity contract, to improve the liquidity of the share on Euronext Brussels. This mandate remained in place in 2008.

In the USA, shareholders can acquire Solvay shares in the form of ADRs (American Depositary Receipts) under a program (no. 834437-10-5) sponsored by Solvay SA and managed by J.P. Morgan Chase & Co (New York). These ADRs are not listed in the USA. One ADR represents one share and entitles its holder to vote on the basis of the underlying share.

1.3. Solvay SA's main shareholder is Solvac SA, a registered company which at January 1, 2009 held a little over 30% of capital and voting rights in Solvay. Solvac SA has filed the transparency declarations that are required for shareholdings exceeding the thresholds of 3 and 5% (and multiples thereof). It has also made the notifications required by law with regard to public purchase bids.
Solvac SA is a société anonyme established under Belgian law and listed on Euronext Brussels. Its shares, all of which are registered, may be held by physical persons only. The very large majority (around 80%) of its capital is held by members of the Solvay SA founder families.

On September 3 2008, the Axa Group declared that it held a little over 10% of the shares, via three of its subsidiaries, (AllianceBernstein, AXA Rosenberg and AXA Investment Managers)*.

In addition, just over 3% of the shares are held by Solvay Stock Option Management SPRL (SSOM) to cover the Solvay stock options program.

The latest transparency declarations relating to these various shareholdings are available on the internet site www.solvay-investors.com.

The remaining shares are held by:
- individual shareholders who hold shares directly in Solvay SA. None of these persons, either individually or in concert with others, reaches the 3% transparency declaration threshold;
- European and international institutional shareholders, whose number and growing interest can be measured by the intensity of contacts at the many roadshows, by the regular publication of analysts' reports and by the significant increase in trading volumes over recent years (an average daily trading volume of 368 000 shares in 2008 and 226 000 shares in 2007).

* AllianceBernstein and its subsidiaries, which held around more than 8%, fell below the 3% threshold on March 5, 2009.

The company has been informed that certain individual shareholders have decided to arrange to consult together when questions of particular strategic importance are submitted by the Board of Directors to the Shareholders' Meeting. Each of these shareholders remains, however, free to vote as he chooses.

1.4. At the May 2007 and May 2008 Shareholders' Meetings, shares were deposited and votes cast in respect of an average 45% of Solvay SA's capital.

2. Capital and dividend policy

2.1. Policy in respect of capital

2.1.1. Since being converted into a société anonyme and listed on the Stock Exchange in 1969, the company has not made public calls for capital from its shareholders, instead self-financing out of its profits, only a portion of which are distributed (see "Dividend policy" below).

2.1.2. In December 1999 the company introduced a new annual stock option program for Group executives worldwide. This program is covered by own shares purchased by Solvay SA on the stock exchange. Since January 2007, the covering program has been taken care of by Solvay Stock Option Management SPRL, a sub-subsidiary of Solvay SA. Authorizations of this covering program have been granted several times by Extraordinary Shareholders' Meetings for 18-month periods each time for purchases by Solvay SA itself. The renewal of this authorization was approved by the Extraordinary Shareholders' Meeting of May 13, 2008.

At December 31, 2008 the holding of its own shares by Solvay SA via SSOM represented 3.0% (2 567 568 shares) of the company capital.
The most recent annual program of stock options (exercisable from January 1, 2012 to December 10, 2016) was offered at the end of 2008 to around 300 Group executives, at an exercise price of EUR 58.81 per share. This price represents the average closing price of the Solvay share on Euronext during the 30 days preceding the offering of options. 96.9% of these stock options were accepted by these executives.

In 2008, stock options representing a total of 66 120 shares were exercised (it should be noted that options are in principle exercisable over a period of 5 years after being frozen for 3 years). The total number of stock options exercised break down as follows:

- 1999 stock option plan: 434 800 shares
- 2000 stock option plan: 477 060 shares
- 2001 stock option plan: 388 450 shares
- 2002 stock option plan: 318 100 shares
- 2003 stock option plan: 205 500 shares
- 2004 stock option plan: 12 700 shares

Voting and dividend rights attached to these shares are suspended as long as they are held by the company.

2.1.3. Article 523 of the Companies' Code
At its December 11, 2008 meeting, the Board of Directors implemented its annual stock option plan in favour of around 300 Group executives of which the Members of the Executive Committee.
These include Mr. Christian Jourquin and Mr. Bernard de Laguiche, who are also directors. The latter persons therefore declared their situation and abstained, for ethical reasons, from the deliberations of the Board of Directors that concerned them with respect to stock options.

Stock option plans

Issue date	Exercise price (in EUR)	Exercise date	Acceptance rate
1999	76.14	02/2003-12/2007	99.2%
2000	58.21	02/2004-12/2008	98.9%
2001	62.25	02/2005-12/2009	98.6%
2002	63.76	02/2006-12/2010	98.4%
2003	65.83	02/2007-12/2011	97.3%
2004	82.88	02/2008-12/2012	96.4%
2005	97.30	02/2009-12/2013	98.8%
2006	109.09	02/2010-12/2014	97.2%
2007	96.79	01/2011-12/2015	97.6%
2008	58.81	01/2012- 12/2016	96.9%

* Increased to 8 years in the case of the 1999 to 2002 Stock Options Plans, for beneficiaries in Belgium.

The Board of Directors noted their declaration of abstention, deeming that their participation in this plan fell under Article 523 §3.2 of the Companies' Code covering habitual operations undertaken at normal market conditions and under normal market guarantees for operations of the same type. Mr. Christian Jourquin and Mr. Bernard de Laguiche accepted 25 000 and 18 000 options respectively.

2.1.4. In 2003 the company decided not to renew the "poison pill" defensive warrants that allowed it to oppose any hostile takeover bid through a capital increase of 24 million new shares reserved for four allied companies, including Solvac SA. It has, however, retained the ability to buy back up to 10% of its own shares on the stock market in the event of a threat of serious and imminent damage, such as, for example, a hostile public takeover bid. This system was renewed in May 2008 for a three-year period by an Extraordinary Shareholders' Meeting of the company.

2.1.5. The company's by-laws contain so-called "authorized capital" provisions empowering the Board of Directors to increase the capital of the company by up to EUR 25 million. During the past five years this right has been used only to cover the former stock option scheme.

2.2. Dividend policy

2.2.1. Board policy is to propose a dividend increase to the Shareholders' Meeting whenever possible, and as far as possible, never to reduce it. This policy has been followed for very many years. The graph below illustrates the application of this policy over the past 20 years.

2.2.2. The annual dividend is paid in two instalments, in the form of an advance payment (interim dividend) and a payment of the balance.
In October 2006 the Board of Directors decided to change the way the advance payment is set.

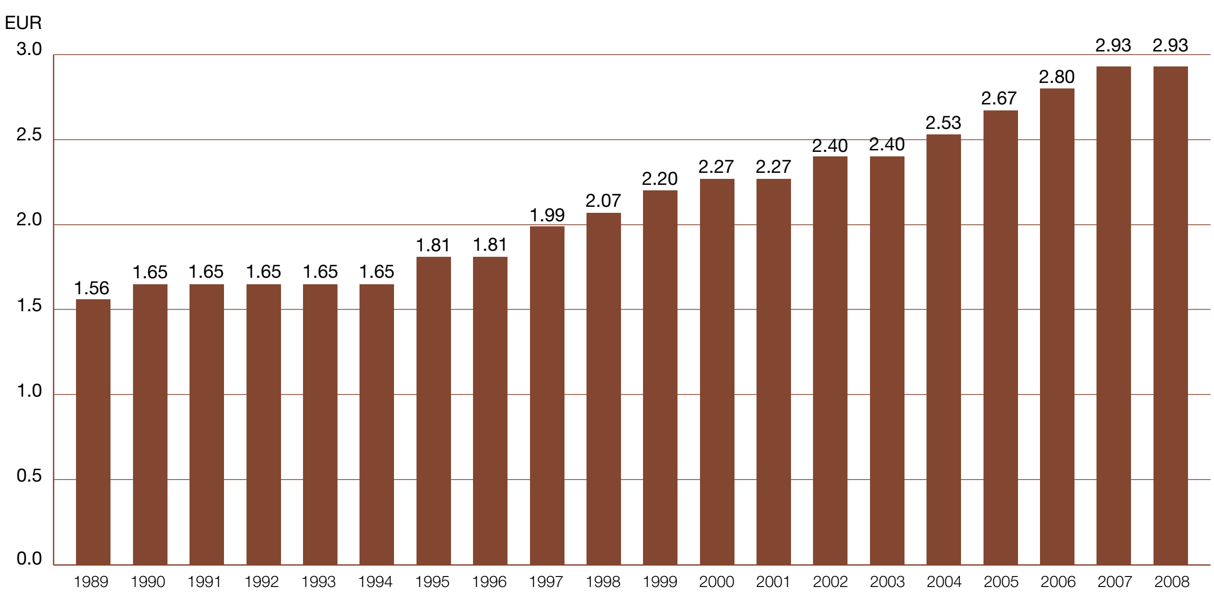
From 2006 onwards this method includes a guidance of 40% (rounded) of the total previous year's dividend, and takes into account the results for the first nine months of the current year.

In this way, for 2008, an interim dividend of EUR 0.90 net per share (EUR 1.20 gross before Belgian withholding tax at 25% in full discharge) was approved by the Board of Directors on October 29, 2008.
This interim dividend (coupon no. 83), which was paid on January 15, 2009, is to be offset against the total dividend for 2008, which was proposed by the Board of Directors on February 18, 2009.

As to the balance, once the annual financial statements have been completed, the Board of Directors proposes a dividend, in accordance with the policy described above, which it submits to the Ordinary Shareholders' Meeting for approval.
The second dividend instalment, i.e. the balance after deducting the advance payment, is payable in May.

The net dividend for 2008 proposed to the General Shareholders' Meeting

Solvay dividend (gross) from 1989 to 2008 (in EUR)



of May 12, 2009 is EUR 2.20 net per share (EUR 2.9333 gross per share), unchanged from 2007. Given the advance dividend payment made on January 15, 2009 (EUR 0.90 net per share – coupon no. 83), the balance of EUR 1.30 net per share will be payable from May 19, 2009 (coupon no. 84).

2.2.3. Shareholders who have opted to hold registered shares receive the advance dividend and the balance of the dividend automatically and free of charge by transfer to the bank account they have indicated, on the dividend payment date.

Shareholders owning bearer or dematerialized shares receive their dividends via their banks or as they elect and arrange.

Coupons representing the advance dividend and dividend balance are payable at the banking institutions below, with which the company has established payment procedures:
Centralizing paying agent:
- Fortis Bank SA,
  Montagne du Parc 3
  1000 Brussels (Belgium)

Other paying agents:
- ING Belgium South West Europe,
  Cours Saint Michel 60
  1040 Brussels (Belgium)
- KBC Bank SA, Havenlaan 2
  1080 Brussels (Belgium).

Dividends in respect of ADRs are payable by Morgan ADR Service Center, P.O. Box 8205 – USA-Boston, MA 02266-8205.

2.2.4. The company does not have any reduced-tax VVPR shares, given that almost its entire capital was issued before the introduction of this pro-dividend tax regime. The company has not, up to this point, proposed optional dividends to its shareholders, i.e. stock instead of cash dividends, as this option does not offer in Belgium any tax or financial benefit to make it attractive to investors.

3. Shareholders' meetings

3.1. Place and date

The company's annual Ordinary Shareholders' Meeting is held on the second Tuesday of May at 14:30 in the Auditorium, 44 rue du Prince Albert, Ixelles.

The Board tries to organize any necessary Extraordinary Shareholders' Meeting immediately before or after the annual Shareholders' Meeting. The next Ordinary and Extraordinary Shareholders' Meetings will therefore be held on Tuesday May 12, 2009 starting at 14:30.

3.2. Agenda

The Shareholders' Meeting is convened by the Board of Directors, which also sets its agenda. Shareholders may, however, request the calling of a Shareholders' Meeting and/or the addition of an item to the agenda where those shareholders together represent 20% of the capital, as required by Belgian law. In this case, their request is mandatorily granted.

If these shareholders represent less than 20% of the capital, their request must be sent in good time to the Board of Directors which will be the sole judge of whether or not to accede to it. Where the request is submitted in good time by shareholders together representing more than 5% of the capital and consists of adding an item to the agenda of an already-planned shareholders' meeting, this request will be taken into consideration unless it is harmful to the interests of the company.

The agenda of the Annual Ordinary Shareholders' Meeting as a rule includes the following items:
- the Board of Directors' and the auditor's reports on the financial year;
- the Corporate Governance report for the financial year;
- the consolidated financial statements for the year;
- approval of the annual financial statements;
- setting the dividend for the year;
- discharge of the directors and the statutory auditor in respect of the financial year;
- setting the number of directors and of independent directors, the length of their terms of office and the rotation of renewals;
- election of directors and of the external auditor (renewals or new appointments);
- setting of directors' fixed compensation and attendance fees for their work in the Board of Directors or on the Committees (only in the case of changes);
- setting the auditor's annual fee for the external audit for the duration of the auditor's appointment; and
- approval of change of control clauses in significant contracts (e.g. joint ventures).

Extraordinary Shareholders' Meetings are required in particular for all matters affecting the content of the company's by-laws.

Every time the Board of Directors prepares a special report in advance of an Extraordinary Shareholders' Meeting, this special report is enclosed with the notice of the meeting and is published on the company's internet site.

3.3. Procedure for calling meetings

The notices convening Shareholders' Meetings contain the place, the date and the time of the meeting, the agenda, the reports, proposed resolutions on each item to be voted on, and the procedure for taking part in the meeting or for appointing proxies. Holders of registered shares receive notice of the meeting by mail at the address they have given, including notification of participation and proxy forms. Persons owning bearer or dematerialized shares are notified of meetings by announcements in the Belgian press. These notices of meetings are published in the official Belgian gazette (Moniteur Belge/ Belgisch Staatsblad) and in Belgium's French and Dutch-language financial newspapers (L'Echo and De Tijd). The major banks established in Belgium also receive the necessary documentation to pass on to Solvay shareholders among their clients.

3.4. Blocking of shares and appointment of proxies

Belgian legislation provides for the temporary blocking of shares to enable the company to identify with certainty the shareholders authorized to vote at the Shareholders' Meeting. The company has not opted for the optional registration date system.

3.4.1. For holders of registered shares, shares are blocked automatically to the extent that their rights are represented by an entry in the shareholders' register held by the company itself or for its account. All that is required is for them to send either their notification of participation or proxy form to the company's General Secretariat. In both cases, documents must reach the company five working days before the Shareholders' Meeting for the shareholder to be permitted to vote.

3.4.2. For holders of bearer or dematerialized shares, the procedure is not automatic and the shareholder must block his shares until the Shareholders' Meeting, either with his bank, which will advise the General Secretariat, or at the company's registered office. Notice of blocking must be in the hands of the General Secretariat five working days before the Meeting for the shareholder to be entitled to vote. Similarly, a shareholder wishing to be represented by another party must also send a proxy form that reaches the General Secretariat at least five working days before the Meeting.

3.4.3. The exercise of voting rights attached to shares that are jointly owned or the usufruct and bare property rights of which have been separated, or shares belonging to a minor or a legally incapacitated person, follows special legal and statutory rules, a common feature of which is the appointment of a single representative to exercise the voting right. Failing this, the voting right is suspended until such appointment.

3.4.4. When a proxy is appointed, this proxy must be a shareholder himself for the appointment to be valid (with certain exceptions, i.e. a spouse or legal persons).
The company will count proxy votes in accordance with the mandating party's instructions.
Where the proxy wishes to modify the instruction in a mandate during the course of the Shareholders' Meeting, the proxy must state this expressly, on his or her responsibility, at the time of the vote.
Blank proxy forms are treated as positive votes unless otherwise stated by the proxy at the time of the vote. Invalid proxy forms are excluded from the count. Abstentions formally expressed as such during a vote or on proxy forms are counted as such.

3.5. Procedure

3.5.1. The Shareholders' Meeting is chaired by the Chairman of the Board or, in his absence, by the Vice-Chairman.

The Chairman will preside over the discussions following Belgian practice for deliberative meetings. He will take care to ensure that questions from the Meeting are answered, whilst respecting the agenda and confidentiality commitments. He will appoint the tellers as well as the secretary of the meeting, who as a rule is the Corporate Secretary.

3.5.2. Resolutions in Ordinary Shareholders' Meetings are passed by a simple majority of votes of shareholders present and represented on a "one share, one vote" basis.

3.5.3. In the case of Extraordinary Shareholders' Meetings, the law requires a quorum (including proxies) of 50% of the capital, failing which a new Shareholders' Meeting must be convened, which may deliberate even if a quorum has still not been achieved.

Additionally, resolutions need to be passed by qualified majorities, in most cases of at least 75% of votes cast.

3.5.4. Voting is, as a general rule, public, by show of hands or by electronic voting. Votes are counted and the results announced immediately. Provision is made for secret balloting in exceptional cases when a particular person is involved.

This procedure has never been requested until now. This by-law was amended at the Extraordinary Shareholders' Meeting of May 9, 2006 so as to set a threshold of 1% of capital to be reached by one or more shareholders acting in concert, and only when there is more than one candidate for a given office.

The minutes of the Shareholders' Meeting are drawn up and adopted by shareholders at the end of the meeting. They are signed by the Chairman, secretary, tellers and those shareholders who wish to do so.
Minutes of Extraordinary Shareholders' Meetings are notarized.

3.5.5. Minutes of the most recent Shareholders' Meetings are published on the company's internet site (www.solvay-investors.com).
Copies or official extracts may be

obtained on request by shareholders, in particular under the signature of the Chairman of the Board.

3.6. Documentation

Documentation relating to Shareholders' Meetings (notice of meeting, agenda, proxy and notification of participation forms, special report of the Board of Directors, etc.) is available every year on the Internet site www.solvay-investors.com. This documentation is available in French and Dutch (official versions) and in English (unofficial translation).

4. Board of Directors

4.1. Role and mission

The Board of Directors is the highest management body of the company. The law accords to it all powers which are not attributed, by law or by the by-laws, to the Shareholders' Meeting.
In the case of Solvay SA, the Board of Directors has reserved certain key areas for itself and has delegated the remainder of its powers to an Executive Committee (see below). It has not opted to set up a Management Committee (Comité de Direction/ Directiecomité) as defined by Belgian law.

The main key areas which the Board of Directors has reserved for itself are:

1. Matters for which it has exclusive responsibility, either by law or under the by-laws, for example:
   • the preparation and approval of the consolidated periodical financial statements and those of Solvay SA (quarterly - consolidated only, half-yearly and annual) and the related communications;
   • adoption of accounting standards (in this case the IFRS standards for the consolidated accounts and Belgian standards for the Solvay SA unconsolidated accounts);
   • convening Shareholders' Meetings and drawing up the agenda and proposals for resolutions to be submitted to them (concerning, for example, company financial statements, dividends, amendments to the by-laws, etc.).

2. Setting the main policies and general strategic directions of the Group.

3. Adopting the budget and longterm plan, including investments, R&D and financial objectives.

4. Appointing the Chairman and members of the Executive Committee and the Corporate Secretary, and setting their missions and the extent of the delegation of powers to the Executive Committee.

5. Supervision of the Executive Committee and ratification of its decisions, where required by law.

6. Appointing from among its members a Chairman and a Vice-Chairman, and creating from among its members an Audit Committee, a Compensation and Appointments Committee and a Finance Committee, defining each Committee's mission and determining its composition and its duration.

7. Major decisions concerning acquisitions, divestitures, the creation of joint ventures and investments.
   Major decisions are considered to be those involving amounts of EUR 50 million or more.

8. Setting the compensation of the Chairman of the Executive Committee, of Executive Committee members and of General Managers belonging to the Office of the Executive Committee.

9. Establishing internal Corporate Governance and Compliance rules.

In all matters for which it has exclusive responsibility, the Board of Directors works in close cooperation with the Executive Committee, which in particular is responsible for preparing most of the proposals for decisions by the Board of Directors.

4.2. Modus operandi and representation

4.2.1. Board Members have available to them the information needed to carry out their functions in the form of dossiers drawn up under instructions from the Chairman and sent out to them by the Corporate Secretary several days before each session. They may also receive additional information of any kind that may be of use to them from, depending on the nature of the question, the Chairman of the Board, the Chairman of the Executive Committee or the Corporate Secretary.
Decisions to obtain outside expertise, when necessary, are taken by the Board of Directors, for those subjects falling within its authority.

4.2.2. The company is validly represented with regard to third parties by the joint signature of persons with the following capacities: the Chairman of the Board of Directors and/or directors belonging to the Executive Committee.
For documents relating to the day-to-day management of the company, the signature of a single director on the Executive Committee is sufficient. Powers may also be delegated on a case-by-case basis as needs arise.

4.3. Composition of the Board of Directors

4.3.1. Size & Composition
At January 1, 2009, the Board of Directors consisted of 16 members, as listed on p. 139. This number is justified by the diversified nature of the

	Year of birth	Year of 1st appointment	Solvay SA mandates, and expiry date of directorship	Diplomas and activities outside Solvay	Presence at meetings in 2008 as a function of date of appointment
Mr. Aloïs Michielsen (B)	1942	1990	2009 Chairman of the Board of Directors and of the Finance and Compensation/ Appointments Committees	Civil engineering degree in chemistry and MA in Applied Economics (Catholic University of Louvain), Business Administration (University of Chicago) Director of Miko, Director of Fortis.	9/9
Mr. Denis Solvay (B)	1957	1997	2010 Independent Director, Vice-Chairman of the Board of Directors and Member of the Compensation/Appointments Committee	Commercial engineering degree (Free University of Brussels), Director (and Member of the Audit Committee) of Eurogentec, Director and Chairman of Abelag Holding.	9/9
Mr. Christian Jourquin (B) (*)	1948	2005	2009 Chairman of the Executive Committee, Director, member of the Finance Committee and guest of the Compensation/Appointments Committee	Commercial Engineering degree (Free University of Brussels), ISMP Harvard.	9/9
Mr. Bernard de Laguiche (F) (*)	1959	2006	2009 Member of the Executive Committee, Director and member of the Finance Committee	Commercial Engineering degree, MA in economics HSG (University of St. Gallen, Switzerland).	9/9
Baron Hubert de Wangen (F)	1938	1981	2009 Independent Director	Chemical engineering degree (Ecole Polytechnique Fédérale de Lausanne), Former Executive Director of Kowasa and non-executive Director of Jotace (Spain).	7/9
Mr. Jean-Marie Solvay (B)	1956	1991	2012 Independent Director Member of the New Business Board	CEO of Albrecht RE Immobilien GmbH&Co. KG.	9/9
Chevalier Guy de Selliers de Moranville (B)	1952	1993	2009 Independent Director Member of the Finance Committee and the Audit Committee	Civil engineering degree in mechanical engineering, and MA in Economics (Catholic University of Louvain), Executive Chairman of Hatch Corporate Finance (UK), Member of the Supervisory Board and Chairman of the Audit Committee of Advanced Metal Group (Netherlands), Director and Chairman of the Governance Committee of Wimm-Bill Dann Foods OJSC (Russia).	9/9
Mr. Nicolas Boël (B)	1962	1998	2009 Independent Director Member of the Compensation/ Appointments Committee	MA in Economics (Catholic University of Louvain), Master of Business Administration (College of William and Mary – USA) Managing Director of BMF-Participations SA, Director of Sofina.	9/9
Mr. Whitson Sadler (US)	1940	2002	2011 Independent Director Chairman of the Audit Committee	Bachelor of Arts in Economics (University of the South, Sewanee – USA), Master of Business Administration Finance (Harvard), Retired General Manager of Solvay SA for the NAFTA region.	9/9
Mr. Jean van Zeebroeck (B)	1943	2002	2010 Independent Director Member of the Compensation/ Appointments Committee	Doctorate of Law and diploma in Business Administration (Catholic University of Louvain), MA in Economic Law (Free University of Brussels), Master of Comparative Law (University of Michigan – USA), General Counsel of 3B Fibreglass Company.	9/9
Mr. Jean-Martin Folz (F)	1947	2002	2010 Independent Director Member of the Compensation/ Appointments Committee	Ecole Polytechnique and Mining Engineer (France), Chairman of the Association Française des entreprises privées (AFEP) Director of Saint-Gobain, of Société Générale, of Carrefour and Alstom, Member of the Supervisory Board of Axa.	7/9
Mr. Karel Van Miert (B)	1942	2003	2009 Independent Director Member of the Finance Committee	MA in Diplomacy (University of Ghent), Former Competition Commissioner for the European Commission, Board member of Agfa Gevaert, the Persgroep group and Sibelco SA, member of the Supervisory Boards of Royal Philips Electronics, RWE AG, Munchner Ruck and Anglo American Vivendi Universal, Member of the Advisory Boards of Eli Lilly Holdings Ltd, and Goldman Sachs International, former Chairman of the Executive Board of the University of Nijenrode (Netherlands).	8/9
Dr Uwe-Ernst Bufe (D)	1944	2003	2009 Independent Director Member of the Finance Committee	Doctorate in Chemistry (Technical University of Munich), Member of the Supervisory Boards of UBS Deutschland AG, Akzo Nobel NV, Umicore SA, Sunpower Inc. and Kali+Salz AG.	8/9
Prof. Dr. Bernhard Scheuble (D)	1953	2006	2010 Independent Director Member of the Audit Committee	MSc,Nuclear Physics & PhD, Display Physics (Freiburg University). Former Chairman of the Executive Board of Merck KGaA, Darmstadt and former Member of the E. Merck OHG Board.	8/9
Mr. Anton van Rossum (Nl)	1945	2006	2010 Independent Director Member of the Audit Committee	MA in Economics and Business Administration (Erasmus University Rotterdam), Board Member of Crédit Suisse (Zurich), Chairman of the Supervisory Board of Royal Vopak (Rotterdam), Member of the Supervisory Board of Rodamco Europe (Schiphol), Chairman of the Supervisory Board of Erasmus University Rotterdam. Trustee of the Conference Board (New York) and Special Advisor to General Atlantic (London).	8/9
Mr. Charles Casimir-Lambert (B/CH)	1967	2007	2011 Director Member of the Audit Committee	MBA Columbia Business School (New York)/London Business School (London), Master's degree (lic.oec.HSG) in economics, management and finance (University of St.Gallen – Switzerland), Supervising family interests across the world.	9/9

* Full-time activity in the Solvay group.

Group's activities and its international character.

4.3.2. During 2008, the Board of Directors was chaired by Mr. Aloïs Michielsen, with Mr Denis Solvay as Vice-Chairman.

At the Ordinary Shareholders' Meeting of May 13, 2008, Mr. Jean-Marie Solvay's independent directorship was renewed for a four-year term.

At the Ordinary Shareholders' Meeting of May 12, 2009, the Board of Directors will propose that the directorships of Messrs. Aloïs Michielsen, Christian Jourquin, Bernard de Laguiche, Nicolas Boël, Karel Van Miert and Chevalier Guy de Selliers de Moranville be renewed for four-year terms. It will also propose that the Meeting appoint as director, for four year terms, Baron Hervé Coppens d'Eeckenbrugge, to replace Baron Hubert de Wangen, who will retire in the customary manner with respect to the age limit. As the mandate of Mr. Uwe-Ernst Bufe has expired, the Board of Directors will propose an independent candidate in the calling documents for the Shareholders' Meeting of May 2009.

Terms of office and age limit
Directors are appointed by the Shareholders' Meeting for 4 years. They may be reappointed.

To avoid all directorships terminating at once, a rotation was established by lot when the company was converted into a *Societé Anonyme* over 40 years ago.

The age limit for membership of the Board is the annual Shareholders' Meeting following the member's 70th birthday. In this case, the director in question resigns, and is replaced, for his remaining term of office, by a successor appointed by the Shareholders' Meeting.

Following the recommendations of the Belgian Corporate Governance Code on the terms of directorships, the Shareholders' Meeting decided in 2005 to shorten directors' terms of office from 6 to 4 years.

4.3.3. Criteria for appointment
The Board of Directors applies the following primary criteria when proposing candidates for election to directorships by the ordinary Shareholders' Meeting:

- ensuring that a substantial majority of directors on the Board are non-executive. At January 1, 2009, 14 out of 16 directors were non-executive, and two belonged to the Executive Committee (Mr. Christian Jourquin and Mr. Bernard de Laguiche);
- Belgian law and the by-laws of the company permit spontaneous candidacies for the post of director. These must be addressed to the company in writing at least 30 days before the ordinary Shareholders' Meeting. Exercise of this right is not encouraged;
- ensuring that a large majority of non-executive directors are independent according to the criteria, defined by law and further tightened by the Board of Directors (see "criteria of independence" below). In this respect, the independent status of 12 out of 14 non-executive directors has been recognized by the ordinary Shareholders' Meeting;
- ensuring that the members of the Board of Directors together reflect the shareholder structure and possess the wide range of competences and experience required by the Group's activities;
- ensuring that the Board of Directors' international composition appropriately reflects the geographic extent of its activities. At January 1, 2009 the Board included members of six different nationalities;
- ensuring that the candidates it presents commit to devoting sufficient time to the task entrusted to them. In this respect, attendance at Board Meetings was very high in 2008;
- ensuring, finally, that it does not select any candidate holding an executive position in a competing company or who is or was involved in the external audit of the Group.

The Chairman of the Board gathers the information allowing the Board of Directors to verify that the selected criteria have been met at the time of appointment, renewal and during the term of office.

4.3.4. Criteria for independence
Based on Belgian law, the Board of Directors sets the criteria for determining directors' independence. Each director fulfilling these criteria is presented to the ordinary Shareholders' Meeting for confirmation.

The Board has chosen to apply in particular the following criteria:

- to be viewed as independent, a director may not have exercised a significant executive function within the Solvay group or have been an executive or non-executive director of Solvac SA during the past three years at least. In this respect the Board of Directors is stricter than the law, which sets a limit of only two years.
  According to this criterion, Mr. Christian Jourquin and Mr. Bernard de Laguiche, as members of the Executive Committee, are not independent. Mr. Aloïs Michielsen, having been Chairman of the Executive Committee of Solvay until May 9, 2006, is not recognized as independent. The case of Mr. Charles-Casimir Lambert is set out below. He is not considered as independent. On the other hand, the executive position of Mr. Denis Solvay at the Mutuelle Solvay, the almost exclusive role of which consists of holding the Fortis and Sofina shareholdings, has not been considered sufficiently significant to jeopardize his independence in matters relevant to the Board of Directors of Solvay SA;

- being a non-executive director of a local Group holding or administrative company has not been considered as an obstacle to independence. This is the case of Mr. Whitson Sadler, who remains a non-executive director of Solvay America, Inc., the principal role of which is to house functional services shared by subsidiaries in the US. These local services are not matters falling within the remit of the Board of Directors. They do not therefore affect Mr. Whitson Sadler's independence in matters falling within the remit of the Board of Directors, nor his role on the Audit Committee;
- a director who is a major shareholder is not considered as being independent. The law considers a shareholding to be significant when it reaches or exceeds 10%. This is the case of Solvac SA, of which Mr Charles Casimir-Lambert was a Director until May 2007. No director holds more than 1% of Solvay shares;
- finally, to be viewed as independent, a director may not have business or other relations with the Solvay group, for example as a customer or supplier, the nature or size of which could potentially affect the independence of his judgment. In this respect, the fact that PSA is a customer of the Inergy joint venture in the fuel systems field has not been considered as potentially affecting the independence of judgment of Mr. Jean-Martin Folz (former Chairman of the Board of PSA).
- The same applies to Mr. Uwe-Ernst Bufe as a Director of Umicore, a company with which Solvay has formed a joint venture in the field of research, the size of which is not significant.

At January 1, 2009, 12 out of 16 directors fulfilled the criteria of independence, as confirmed by a vote of the ordinary Shareholders' Meeting of May 13, 2008.

In future, the criteria of independence will be more strictly regulated by new legal provisions that will come into force at the time of renewals or new appointments, and no later than July 1, 2011. These legal criteria, as defined by the law of 17 December 2008 (art. 16), will be as follows:

1. During five years prior to appointment, not to have exercised a mandate of executive member of the managing body or a function of member of the executive committee or day-to-day executive manager, either in the company, or in a company or person affiliated to it within the meaning of article 11 of the Companies' Code;
2. Not to have sat on the board of directors in the capacity of a non-executive director for more than three successive terms of office or more than twelve years;
3. During three years prior to appointment, not to have been part of the senior management, within the meaning of article 19.2 of the law of September 20, 1948 on the organization of the economy, of the company or of a company or person affiliated to it within the meaning of article 11 of the Companies' Code;
4. Not to be in receipt of, or to have received, compensation or any other significant benefit of a patrimonial nature from the company or from a company or person affiliated to it within the meaning of article 11 of the Companies' Code, with the exception of any profit percentages (*tantièmes*) or fees received in the capacity of non-executive member of the management body or a member of the supervisory body;
5. a) Not to hold any ownership rights in the company representing a tenth or more of the capital, or the company equity, or a category of shares of the company;
   b) Where the person in question holds ownership rights of under 10%:
      a) When these ownership rights are added to those held in the same company by companies over which the independent director has control, these ownership rights may not reach one tenth of the capital, of the company equity, or a category of shares of the company;
      or
      b) The use of these shares or the exercise of the rights attached to the same may not be subject to contract stipulations or to unilateral commitments to which the independent member of the management body has subscribed;
      c) Not to represent in any way a shareholder fulfilling the conditions of the present item;
6. Not to maintain, or to have maintained during the past financial year, a significant business relationship with the company or with a company or person affiliated to it within the meaning of article 11 of the Companies' Code, either directly or in the capacity of partner, shareholder, member of the management body or of member of senior management, within the meaning of article 19.2 of the law of September 20, 1948 on the organization of the economy, of a company or a person maintaining such relationship;
7. Not to have been, during the past three years, a partner or salaried employee of the present or previous external auditor of the company or of a company or person affiliated with it within the meaning of article 11 of the Companies' Code;
8. Not to be an executive member of the management body of another company in which an executive director of the company acts as a non-executive member of the management body or member of the supervisory body, nor to maintain other major connections with the executive directors of the company as a result of functions exercised in other companies or bodies;

9. Not to have, either within the company or within a company or a person affiliated to it within the meaning of article 11 of the Companies' Code, a spouse or legally cohabiting partner, or parents or relations up to the second degree of kinship exercising a mandate of member of the management body, of member of the executive committee, of day-to-day executive manager or of member of senior management, within the meaning of article 19.2 of the law of September 20, 1948 on the organization of the economy, or falling under one of the other cases defined in items 1 to 8.

4.3.5. Appointment, renewal, resignation and dismissal of Directors

The Board of Directors submits directors' appointments, renewals, resignations or dismissals to the ordinary Shareholders' Meeting for approval, after first seeking the opinion of the Compensation and Appointments Committee, which is tasked with defining and assessing the profil of any new candidate in respect of the criteria of appointment and of specific competences set by itself. The ordinary Shareholders' Meeting decides on proposals made by the Board of Directors in this area by a simple majority.

When a directorship becomes vacant during a term of office, the Board of Director may appoint a new member, subject to ratification by the next following Ordinary Shareholders' Meeting.

4.3.6. Frequency, preparation and holding of Board meetings

The Board of Directors met nine times in 2008 (five ordinary and four extraordinary meetings). Five ordinary meetings are planned in 2009.

The dates of ordinary meetings are set by the Board of Directors itself, more than one year before the start of the financial year. Additional meetings can, if needed, be called by the Chairman of the Board of Directors, after consulting with the Chairman of the Executive Committee.

The agenda for each meeting is set by the Chairman of the Board of Directors after consulting with the Chairman of the Executive Committee. The Corporate Secretary is charged, under the supervision of the Chairman of the Board of Directors, with organizing meetings, and sending notices of meetings, agendas and the dossier containing the item-by-item information required for decision-making. To the extent possible, he ensures that directors receive notices of meetings and complete files at least five days before the meeting.

The Corporate Secretary prepares the minutes of the Board Meetings, presenting the draft to the Chairman and then to all members. Finalized minutes that have been approved at the following Board meeting are signed by all directors having taken part in the deliberations.

The Board of Directors takes its decisions in a collegial fashion by a simple majority of votes. Certain decisions that are considered particularly important by the company's by-laws require a three-quarters majority. The Board may not validly transact its business unless half of its members are present or represented.
Given the very high level of attendance, the Board of Directors has never been unable to transact its business.

4.4. Evaluation and Training

4.4.1. Evaluation

Between the end of 2006 and the 1st quarter of 2007 the Board of Directors reviewed its own composition, modus operandi and the composition and modus operandi of the committees created by it. Board members were invited to express their views on these various points based on a questionnaire drawn up with the help of the Belgian Governance Institute, now under the name of GU**BE**RNA. The Chairman of the Board of Directors has taken note of the results of this review. The next review will take place during 2010.

4.4.2. Training

An induction program is provided for new Directors, aimed at acquainting them with the Solvay group as fast as possible. The program includes a review of the Group's strategy and its three sectors of activity and of the main challenges in terms of growth, competitiveness and innovation, as well as finance, research & development directions, human resources management, the legal context and the general organization of operations.

This program is open to every Director who wishes. It also includes a visit to an industrial or research site.

4.5. Committees

4.5.1. Rules common to the various Committees

- The Board of Directors has set up three specialized Committees: the Audit Committee, the Finance Committee and the Compensation and Appointments Committee.
- These Committees do not have decision-making powers. They are advisory in nature and report to the Board of Directors, which takes the decisions. They are also called on to give opinions at the request of the Board of Directors or Executive Committee. After presentation to the Board of Directors, the Committees' reports are attached to the minutes of the next following Board meeting.
- All terms of office on the three Committees are for two years. They are renewable.
- Committee members (except for Executive Committee members) receive separate compensation for this task.

4.5.2. The Audit Committee

At January 1, 2009, the Audit Committee was composed of Mr. Whitson Sadler (Chairman), Chevalier Guy de Selliers de Moranville, Mr. Bernhard Scheuble, Mr. Anton van Rossum and Mr. Charles Casimir-Lambert. All are independent non-executive directors, with the exception of Mr. Charles Casimir-Lambert (non-executive, non-independent). The Secretariat is provided by a member of the Group's internal legal staff.

This Committee met four times in 2008, each time before a Board meeting scheduled to consider the publication of periodical results (quarterly, half-yearly, annual). Participation in Audit Committee meetings was a very high 100%.

The Audit Committee oversees the internal control of Group and Solvay SA accounting, checking in particular its reliability and compliance with legal and internal accounting procedures. Its mission has been set out in an internal "Terms of Reference" document (see Annex 1). This mission will be reviewed in 2009 to integrate the requirements of the legal mission instituted by the Belgian law of December 17, 2008.

At each meeting, the Audit Committee hears reports from the General Manager for Finance (Mr. Bernard de Laguiche), the Head of the Internal Audit Department (Mr. Thierry Duquenne) and of the Auditor in charge of the External Audit (Deloitte, represented by Mr. Michel Denayer). It also examines the quarterly report of the Group's Legal Competence Centre on significant ongoing legal disputes and reports on tax and intellectual property disputes. It meets alone with the auditor in charge of the external audit whenever it deems such meetings useful. The Chairman of the Executive Committee (Mr. Christian Jourquin) is invited, once a year, to discuss the major risks to which the Group is exposed.

4.5.3. The Finance Committee

At January 1, 2009 the Finance Committee consisted of Mr. Aloïs Michielsen (Chairman), Mr. Christian Jourquin (Chairman of the Executive Committee) and Mr. Bernard de Laguiche (Member of the Executive Committee and General Manager for Finance) and three non-executive, independent directors, Messrs. Karel Van Miert, Uwe-Ernst Bufe and Chevalier Guy de Selliers de Moranville. The Corporate Secretary, Mr. Jacques Lévy-Morelle, acts as secretary to the Committee. This Committee met four times in 2008. Participation of members of the Finance Committee was a very high 88%. The Committee gives its opinion on financial matters such as the amounts of the interim and final dividends, the levels and currencies of indebtedness in the light of interest rate developments, the hedging of foreign exchange and energy risks, the content of financial communication, etc. It prepares the press releases announcing the quarterly results. It may also be called on to give opinions on Board policies on these matters.

4.5.4. The Compensation and Appointments Committee

At January 1, 2009, this Committee consisted of Mr. Aloïs Michielsen (Chairman) and four independent, non-executive directors, Messrs. Jean van Zeebroeck, Nicolas Boël, Denis Solvay and Jean-Martin Folz. Mr. Christian Jourquin is invited as Chairman of the Executive Committee. Mr. Daniel Broens, the Group's General Manager Human Resources, reports to the Committee and acts as secretary. The Committee met twice in 2008. Participation of the members of the Compensation and Appointments Committee was very high (90%). The Committee gives its opinion on appointments to the Board of Directors (Chairman, Vice-Chairman, new members, renewals and Committees) to Executive Committee positions (Chairman and members) and to General Manager positions. In the area of compensation, it advises the Board of Directors on compensation policy and compensation levels for members of the Board of Directors, the Executive Committee and General Management. It also gives its opinion to the Board of Directors and/or Executive Committee on the Group's main compensation policies (including stock options).

In future the Committee will also prepare the report on compensation required, from 2010 onwards, by a draft new provision of Belgian law to be inserted into art. 96 of the Companies' Code. This report will be put to the vote of the Ordinary General Meeting starting on 2011.

4.6. Compensation

4.6.1. General principles

Directors of Solvay SA are compensated with fixed emoluments, the common basis of which is set by the ordinary Shareholders' Meeting, and any supplement thereto by the Board of Directors on the basis of article 27 of the by-laws. Directors do not receive any variable compensation linked to results or other performance criteria. They are not entitled to stock options, nor to any supplemental pension scheme.

4.6.2. Compensation

The compensation policy applied to members of the Board of Directors and its Committees, as well as the application of this policy in 2008, are detailed in Chapter 6 below.

4.6.3. Expenses

The company reimburses directors' travel and subsistence expenses for meetings and while exercising their Board and Board Committee functions. The Chairman of the Board of Directors is the sole non-executive director having permanent logistics support (office, secretariat, car). The other non-executive directors receive logistics support from the General Secretariat as and when needed. The company also carries customary insurance policies covering the activities of Board Members in carrying out their duties.

5. Executive Committee

5.1. Role and Mission

5.1.1. The Board of Directors defines the role and mission of the Executive Committee. The main discussion and decisions on this subject date back to December 14, 1998. There have been no significant changes since then.

5.1.2. The Executive Committee, as a group, has been assigned the following main tasks by the Board of Directors:

- day-to-day management of the company is delegated to it;
- it ensures that the company, its subsidiaries and its affiliates are properly organized, through the choice of members of their governing bodies (boards of directors, etc.);
- it appoints senior managers (except to those functions where the decision lies with the Board of Directors);
- it supervises subsidiaries;
- it has delegated authority from the Board of Directors for investment and divestiture decisions (including acquisitions and sales of know-how) up to a ceiling of EUR 50 million. At each meeting, the Board of Directors is informed of and ratifies the Executive Committee's decisions and recommendations in respect of investments of between EUR 3 and 50 million for the immediately preceding period;
- it sets Group policies, except for the most important ones, which it proposes to the Board of Directors;
- it sets executives' compensation (except where the decision lies with the Board of Directors);
- it prepares and proposes to the Board of Directors, for its decision:
  – General strategies (including the effect of strategies on the budget and 5-year plan and the allocation of resources);
  – general internal organization;
  – major financial steps that have the effect of modifying the company's financial structure;
  – the creation and termination of major activities, including the corresponding entities (branches, subsidiaries, joint ventures); and
  – the company's financial statements.
- it submits to the Board of Directors all questions lying within the latter's competence, and reports to the Board on the exercise of its mission;
- it executes the decisions of the Board of Directors.

5.2. Delegation of powers

The Executive Committee operates on a collegial basis, whilst consisting of members exercising General Management functions.

The execution of Executive Committee decisions and the following up of its recommendations is delegated to the Executive Committee member (or another General Manager) in charge of the activity or of the function

	Year of birth	Year of 1st appointment	Term of office ends	Diplomas and main Solvay activities	Presence at meetings (as a function of date of appointment)
Mr. Christian Jourquin (B)	1948	1996	2010	Commercial Engineering degree (Free University of Brussels), ISMP Harvard, Chairman of the Executive Committee.	20/20
Mr. Bernard de Laguiche (F)	1959	1998	2010	Commercial engineering degree – MA in economics HSG (University of St. Gallen - Switzerland), Executive Committee Member in charge of Finance/IT.	20/20
Mr. René Degrève (B) – until May 2008	1943	1994	2008	Commercial engineering degree (Free University of Brussels), Master of Business Administration (INSEAD). Executive Committee member in charge of NAFTA Regional Management.	7/7
Mr. Jacques van Rijckevorsel (B)	1950	2000	2011	Civil Engineering degree in Mechanics (Catholic University of Louvain) Advanced studies in Chemical Engineering (Free University of Brussels), AMP Harvard, Executive Committee member in charge of the Plastics Sector.	20/20
Mr. Werner Cautreels (B)	1952	2005	2011	Bachelor and Master of Science in Chemistry and Doctorate in Chemistry (University of Antwerp), AMP Harvard, Executive Committee member in charge of the Pharmaceuticals Sector.	20/20
Mr. Vincent De Cuyper (B)	1961	2006	2010	Chemical engineering degree (Catholic University of Louvain Master in Industrial Management (Catholic University of Louvain), AMP Harvard, Executive Committee member in charge of the Chemicals Sector.	19/20
Mr. Jean-Michel Mesland (F)	1957	2007	2010	Engineering degrees from the Ecole Polytechnique and the Ecole des Mines (Paris) – AMP Harvard. Executive Committee member in charge of Research and Technology.	20/20
Mr. Roger Kearns (US) – from July 2008	1963	2008	2010	Bachelor of Science – Engineering Arts (Georgetown College - Georgetown), Bachelor of Science – Chemical Engineering (Georgia Institute of Technology - Atlanta), MBA (Stanford University). Executive Committee member in charge of Asia-Pacific Regional Management.	10/10

corresponding to the decision or recommendation.

5.3. Composition of the Executive Committee

5.3.1. Size and composition

At January 1, 2009, the Executive Committee had seven members.

On May 13, 2008, Mr. René Degrève, Member of the Executive Committee and Region General Manager NAFTA, left the Executive Committee at the age of 65. He remains Region General Manager NAFTA. Based on a proposal from the Compensation and Appointments Committee, the Board of Directors decided unanimously to appoint Mr. Roger Kearns to the positions of Region General Manager Asia-Pacific and Member of the Executive Committee from July 1, 2008.

5.3.2. Terms of office and age limits

Executive Committee members are appointed by the Board of Directors for two-year renewable terms.
The Board of Directors has set an age limit of 65 for Executive Committee membership.

5.3.3. Criteria for appointment

The Executive Committee is a collegial body made up of specialist members, generally from the Group's General Managements. Members must work full-time for the Group. Apart from the Chairman, its members were in 2008 the Chief Financial Officer, the Group General Managers of the three Sectors (Chemicals, Plastics and Pharmaceuticals), the Group General Manager of Research and Technology, the Region General Manager NAFTA (until May 2008) and the Region General Manager Asia-Pacific (from July 2008).
All Executive Committee members have employment contracts with the Group companies, except for the Chairman, who has self-employed status. The post of Chairman of the Executive Committee may not be held concurrently with that of Chairman of the Board of Directors.

5.3.4. Appointment and renewal procedure

The Chairman of the Executive Committee is appointed by the Board of Directors based on a proposal by the Chairman of the Board of Directors and with recommendations by the Compensation and Appointments Committee and the outgoing Chairman of the Executive Committee.
The other Executive Committee members are also appointed by the Board of Directors, but on the proposal of the Chairman of the Executive Committee in agreement with the Chairman of the Board of Directors and with the concurrence of the Compensation and Appointments Committee.
Executive Committee members' performance is assessed annually by the Chairman of the Executive Committee. This assessment is undertaken together with the Chairman of the Board and with the Compensation and Appointments Committee whenever proposals are made for setting variable compensation.

5.4. Frequency, preparation and procedure of Executive Committee meetings

5.4.1. The Executive Committee met 20 times in 2008.
Meetings are generally held at the Company's registered office, but can also be held elsewhere at the decision of the Executive Committee Chairman. The Executive Committee sets the dates of its meetings more than a year before the start of the financial year. Additional meetings can be convened by the Chairman of the Executive Committee, who sets the agenda based, inter alia, on proposals from the General Managements.
5.4.2. The Corporate Secretary, who acts as secretary to both the Board of Directors and the Executive Committee, is responsible, under the supervision of the Chairman of the Executive Committee, for organizing meetings and sending out notices of meetings, agendas and the dossiers containing the item-by-item information required for decision-making. He makes sure that members receive notices and dossiers – complete whenever possible – at least five days before meetings.

The Corporate Secretary draws up the minutes of Executive Committee meetings and has them approved by the Chairman of the Executive Committee and subsequently by all members. Minutes are formally approved at the following meeting. They are not signed, but the Chairman of the Executive Committee and the Corporate Secretary may deliver certified conformed extracts.

5.4.3. The Executive Committee takes its decisions by a simple majority, with its Chairman having a casting vote.
If the Chairman of the Executive Committee finds himself in a minority he may, if he wishes, refer the matter to the Board of Directors which will then decide on the matter.
In practice, however, almost all Executive Committee decisions are taken unanimously, so that the Chairman has never made use of his casting vote.

Attendance at meetings was close to 100% in 2008. The Executive Committee has not appointed any specialist Committees from among its members. For important projects, however, it does set up ad hoc working teams, led mainly by General Managers chosen on the basis of the competences required.
The Executive Committee regularly invites other employees to its discussions on specific subjects.

5.4.4. Every two years the Executive Committee holds an off-site meeting to discuss the group's strategic directions. A meeting of this type was organized in 2008, devoted mainly to the directions to be taken in Sustainable Development.

5.5. Compensation

5.5.1. General principles

The compensation of Executive Committee members is set as a global gross amount. This includes not only the gross compensation earned at Solvay SA, but also amounts received as compensation or as directors' fees from companies throughout the world in which Solvay SA holds majority or other shareholdings. In 2005 the Board of Directors updated, based on a proposal from the Compensation and Appointments Committee, a compensation policy applicable to its main executives, including the members of the Executive Committee. This policy is set out in an annex 2. Its application in 2008 to Executive Committee members is detailed in Chapter 6 below.

6. Compensation report

6.1. Description of the procedure for:

6.1.1. Developing a compensation policy:

a) for Directors :
Directors of Solvay SA are remunerated with fixed emoluments, the common basis of which is set by the ordinary Shareholders' Meeting, and any complement thereto by the Board of Directors on the basis of article 27 of the by-laws, viz.
Article 27: "Directors shall receive emoluments payable from overhead costs; the shareholders' meeting shall determine the amount and terms of payment. That decision shall stand until another decision is taken.
The Board of Directors shall be authorized to grant directors with special duties (the Chairman, vice-chairmen, directors charged with day-to-day management, members of the Executive Committee) fixed emoluments in addition to those provided for in the above paragraph.
Each of the Directors responsible for day-to-day management is also entitled to variable remuneration determined by the Board of Directors on the basis of their individual results and of the consolidated results of the Solvay Group.
The sum referred to in the two preceding sub-sections are also paid out of overhead costs."

b) for Executive Committee members:
Compensation policy is decided by the Board of Directors based on proposals by the Compensation and Appointments Committee.
In 2005, based on a proposal by the Compensation and Appointments Committee, the Board of Directors updated its compensation policy for its main senior managers, including the members of the Executive Committee. This policy is set out in an annex 2 to this document.

6.1.2. Setting individual compensation:

a) for Directors:
(i) – the June 2005 Ordinary Shareholders' Meeting decided to set Directors' pay, starting from the 2005 financial year, as follows: on the one hand to grant an annual gross fixed remuneration of EUR 35 000 per Director and, on top of this, an attendance individual fee of EUR 2 500 gross per Board meeting attended;
– and on the other hand to confirm the Audit Committee attendance fees, viz.: EUR 4 000 gross for members and EUR 6 000 gross for the Chairman;
– and, lastly, to grant attendance fees, for the Compensation and Appointments Committee and for the Finance Committee, of EUR 2 500 gross per member and EUR 4 000 gross for the Chairmen of these Committees;
– but with the specification that the Chairman of the Board, the Chairman of the Executive Committee and the Executive Directors would not receive attendance fees for taking part in these Committees.
(ii) The Board of Directors has made use of the authorization conferred on it by article 27 of the by-laws to grant an additional fixed compensation of EUR 225 208 gross to the Chairman of the Board of Directors by reason of the work load and the responsibility attached to this task. The Chairman of the Board of Directors also receives an amount of EUR 422 386 a year to compensate the postponement of his rights to the Solvay complementary pension, which should have been paid at the end of his mandate as Chairman of the Executive Committee, but which has not owing to his mandate as Chairman of the Board.

b) for Executive Committee members:
The compensation of the Chairman and the members of the Executive Committee is set as a global gross amount. This includes not only the gross remuneration earned at Solvay SA, but also amounts deriving, contractually or as directors' emoluments, from companies throughout the world in which Solvay SA holds majority or other shareholdings.
Individual compensation is set by the Board of Directors based on recommendations by the Compensation and Appointments Committee.

6.2. Declaration concerning compensation policy for the Chairman and members of the Executive Committee:

The compensation policy adopted by the Board of Directors in 2005, and which remained valid for the 2008 financial year, is set out in an annex to this document. The Board does not intend to fundamentally change this policy over the next two years.

This policy contains: the basic compensation principles, indicating the relationship between compensation and performance, including the criteria for assessing the Executive Committee member in relation to the objectives, and the relative importance of various compensation components.

6.3. Amount of the compensation and other benefits granted directly or indirectly to Directors (executive and non-executive) by the company or by an affiliated company. (see table below)

6.4. Amount of compensation and other benefits granted directly or indirectly to the Chairman of the Executive Committee.
(see table page 148)

The Chairman of the Executive Committee has requested the Board of Directors to reduce, for 2008, his variable remuneration to EUR 216 093, by way of exception to the policy set by the Board, which would have permitted him to receive an amount of EUR 616 093.

In December 2008 the Board of Directors allotted, on the proposal of the Compensation and Appointments Committee, share options to senior Group managers. The exercise price amounts to EUR 58.81 per option, with a three-year non-exercise period.

COMPENSATION AND OTHER BENEFITS GRANTED TO DIRECTORS

Compensation	2007		2008	
	Gross amount	Of which Board of Directors and Committees attendance fees	Gross amount	Of which Board of Directors and Committees attendance fees
A. Michielsen				
– Fixed emoluments + attendance fees	47 500.04	12 500.00	57 500.04	22 500.00
– “Article 27” supplement	217 523.79		225 207.86	
– Compensation for complementary pension rights	407 974.20		422 385.97	
N. Boël	52 500.04	17 500.00	62 500.04	27 500.00
D. Solvay	64 500.04	29 500.00	60 000.04	25 000.00
C. Jourquin	47 500.04	12 500.00	57 500.04	22 500.00
H. de Wangen	45 000.04	10 000.00	52 500.04	17 500.00
J-M. Solvay	47 500.04	12 500.00	57 500.04	22 500.00
G. de Selliers	64 500.04	29 500.00	81 000.04	46 000.00
Wh. Sadler	71 500.04	36 500.00	81 500.04	46 500.00
J. van Zeebroeck	52 500.04	17 500.00	62 500.04	27 500.00
J-M. Folz	50 000.04	15 000.00	57 500.04	22 500.00
J. Saverys	17 325.28	5 000.00		
K. Van Miert	57 500.04	22 500.00	62 500.04	27 500.00
U-E. Bufe	57 500.04	22 500.00	62 500.04	27 500.00
B. de Laguiche	47 500.04	12 500.00	57 500.04	22 500.00
B. Scheuble	61 000.04	26 000.00	71 000.04	36 000.00
A. Van Rossum	61 000.04	26 000.00	71 000.04	36 000.00
C. Casimir-Lambert	34 174.76	7 500.00	73 500.04	38 500.00
	1 491 998.63	**315 000.00**	**1 675 594.48**	**468 000.00**

The Chairman of the Executive Committee accepted 25 000 such options and the Chief Financial Officer 18 000 (see also 2.1.3. Article 523 of the Companies' Code, page 134).

In the area of extra-legal pension rights, given his self-employed status in Belgium, the Chairman of the Executive Committee has his own separate contractual regime, with pension, death-in-service and disability rules which are financially comparable with those applicable, leaving aside any contributions, to his Executive Committee colleagues affiliated to the Pension Regulations for executives in Belgium.

6.5. Global amount of compensation and other benefits granted directly or indirectly to the seven other members of the Executive Committee by the company or an affiliated company.
(see table below)

Executive Committee members' expenses, including those of its Chairman, are governed by the same rules as apply to all Group management staff that is: the justification of all professional expenses, item by item.

Private expenses are not reimbursed. In the case of mixed professional/private expenses (like cars), a proportional rule is applied in the same way as to all management staff in the same position.

In the area of insurance, the Company subscribes the same type of cover for Executive Committee members as it does for its senior managers.

Pensions and retirement and death-in-service coverage for Executive Committee members are based in principle on the provisions of the applicable schemes in their base countries.

6.6. Options

In December 2008 the Board of Directors allotted, on the proposal of the Compensation and Appointments Committee, stock options to senior Group managers.

The exercise price amounts to EUR 58.81 per option, with a three-year non-exercise period. Executive Committee members together were granted 112 000 options in 2008, compared with 120 000 in 2007.

Compensation and other benefits granted to the Chairman of the Executive Committee	2007	2008
Base compensation	755 351	774 266
Variable compensation	906 421	216 093
Pension and death-in-service and disability coverage (costs paid or provided for)	197 015	209 661
Other remuneration components[1]	14 216	13 410

Compensation and other benefits granted to the other members of the Executive Committee	2007	2008
Base compensation	2 635 689	2 633 232
Variable compensation	2 159 590	1 628 323
Pension and death-in-service and disability coverage (costs paid or provided for)	1 465 485[2]	605 462
Other remuneration components[3]	113 446	107 492

1. Company vehicules.
2. Adjustment linked to the pension retirement of a member of the Executive Committee.
3. Representation allowance, luncheon vouchers, company car.

6.7. The most important provisions of their contractual relationships with the company and/or an affiliated company, including the provisions relating to compensation in the event of early departure.

Executive Committee members, including the Chairman, have directorships in Group subsidiaries as a function of their responsibilities. Where such mandates are compensated, they are included in the amounts given above, regardless of whether the mandate is deemed to be salaried or undertaken on a self-employed basis under local legislation. No Executive Committee member, including the Chairman, benefits from any “golden parachute” clause.

If their function ends anticipatedly, only the legal system applies.

7. Chairmen's roles in achieving harmony between the Board of Directors and the Executive Committee

The Chairman of the Board of Directors and the Chairman of the Executive Committee work together to harmonize the work of the Board of Directors (including its committees) with that of the Executive Committee.

The following measures have been introduced to achieve this:
- the two Chairmen meet as often as is necessary on matters of common interest to the Board of Directors and the Executive Committee;
- the Chairman of the Board of Directors is invited once a month to join the Executive Committee meeting during its discussion of the most important items on which proposals will be made to the Board of Directors;
- the Chairman of the Executive Committee (along with the Finance

Manager, a member of the Executive Committee), is also a member of the Board of Directors, where he presents the Executive Committee's proposals.

8. External Auditing

The auditing of the company's financial situation, its financial statements and the regular nature of the same with respect to the Companies' Code and the by-laws, and of the operations to be recorded in the financial statements, is entrusted to one or more auditors appointed by the Shareholders' Meeting from among the members, either physical or legal persons, of the Belgian Institute of Company Auditors.

The mission and powers of the auditor(s) are those granted by the law. The Shareholders' Meeting sets the number of auditors and fixes their emoluments in accordance with the law. Auditors are also entitled to reimbursement of their travel expenses for auditing the company's plants and administrative offices. The Shareholders' Meeting may also appoint one or more alternate auditors. Auditors are appointed for three-year renewable terms, which may not be revoked by the Shareholders' Meeting other than for good reasons.

The mandate of the audit company Deloitte, Réviseurs d'Entreprise – represented by Mr. Michel Denayer, was renewed at the Shareholders' Meeting of May 8, 2007 and will expire at the end of the ordinary Shareholders' Meeting of 2010.

The Shareholders' Meeting of May 8, 2007 also renewed the mandate of the alternate auditor, the audit company Deloitte, Réviseurs d'Entreprise, represented by Mr. Ludo De Keulenaar, also expiring at the end of the Ordinary Shareholders' Meeting of 2010.

The Shareholders' Meeting also established the Auditor's annual emoluments at EUR 340 000, all costs included, excluding VAT, for the duration of its mandate.

The latter's report is shown on page 129. Additional fees received by Deloitte in 2008 amount to EUR 950 711. For the entire consolidated Group, the fees received by Deloitte break down as follows:
- fees for auditing the financial statements: EUR 5 153 704
- other audit and miscellaneous services: EUR 755 439
- special mission and tax advice: EUR 195 272.

9. Code of Conduct

The Solvay Code of Conduct expresses certain values that serve as a reference framework for the Group's decisions and actions:
- Ethical behaviour
- Respect for people
- Customer care
- Empowerment
- Teamwork.

All these Values need to be respected and applied constantly and consistently.

The Code of Conduct is part of the Group's constant efforts to maintain and strengthen trust both among all its employees and between the Group and its partners, including its employees, their representatives, shareholders, customers and suppliers, government agencies and all other third parties.
The Code also draws inspiration from international conventions such as the Universal Declaration of Human Rights, the Convention on the Rights of the Child, and the conventions of the International Labour Organization (ILO).

To obtain the widest possible involvement of all employees in implementing this Code, the Group will continue to promote a rich and balanced social dialogue between senior management and social partners.

The Solvay group takes various measures to ensure that this Code is applied, including targeted training programs, in order to minimize the danger of violation and with provision for clear sanctions where necessary. A compliance organization has also been set up under the authority of the Group General Counsel with a network of compliance officers.

The Group encourages its employees to take up any difficulty relating to the application of the Code of Conduct with its hierarchy or other identified interlocutors (legal staff, human resources, and an ombudsman in the person of the Corporate Secretary). It is also progressively introducing the possibility, in every region, of talking to an external service to express any difficulties.

It should also be noted that strict rules are in place with regard to respecting competition law. These are the subject of regular control procedures.

In the joint ventures, our Board representatives make every effort to have rules adopted that are in line with the Group's Code of Conduct.

10. Preventing insider trading

10.1. The Group has introduced a policy in this area

The interpretation and control of the respect of these rules are entrusted to a Transparency Committee chaired by the Corporate Secretary. In particular this Committee advises the Board of Directors, the Executive Committee and any employee finding themselves confronted with a difficult situation.

10.2. Special measures within the Board of Directors

The Board of Directors subscribes to the Group rules on ethical values, in particular as regards confidentiality and non-usage of insider information. Notably, it has adopted strict rules defining the periods during which members should abstain from all direct or indirect transactions involving Solvay shares (and related derivative instruments) before the publication of results or other information that could affect the market price of Solvay shares.

Subject to the items set out in item 2.1.3. (Article 523 of the Companies' Code, page 134), in 2008 members of the Board of Directors were not confronted with conflict of interest situations requiring the implementation of the legal procedures provided for by the Companies' Code. On the other hand, and in a very limited number of cases, one or the other member has preferred, for ethical reasons, to withdraw and to abstain from participating in debates and in voting, for example directors belonging to the Executive Committee when the Board of Directors were deciding on the renewal of their terms of office, on their bonus or the number of stock options to allocate to them.

10.3. Special measures within the Executive Committee

The Executive Committee respects the same ethical and compliance rules as the Board of Directors (see above).

These rules are, however, tighter in at least two respects:
- In questions of insider information, given the Executive Committee's participation in major decisions, including the establishment of the results, and the allocation of stock options, stricter rules apply to avoid any insider trading, for example, as regards the sale during possibly sensitive periods of shares obtained from the exercise of stock options;
- in the area of "compliance," given the problems encountered with regard to compliance with competition rules, in particular in Europe but also in the USA, compliance policy has been tightened at all levels at the behest of the Executive Committee, including setting up a network of compliance officers.

10.4. Notification to the Banking, Finance and Insurance Commission of transactions involving Solvay shares

Persons exercising managing responsibilities within the Group, and persons who are closely related to them, that is:
- the members of the Solvay SA Board of Directors
- the members of the Executive Committee
- the Corporate Secretary
- the General Manager Human Resources and
- the General Counsel

have been informed of their obligation to declare to the Banking, Finance and Insurance Commission every transaction involving Solvay shares undertaken for their own account within the meaning of the Law of August 2, 2002. The Corporate Secretary also keeps an updated list of persons having access to periodical insider information.

11. Internal organization of the Solvay group

11.1. The activities of the Solvay group are organized as follows:
- the Pharmaceuticals Sector
- the Chemicals Sector
- the Plastics Sector.

11.2. Each Sector, except Pharmaceuticals, is in turn divided by business area into Strategic Business Units (SBUs). Each SBU's field of activity is set out in greater detail in the pages of the annual report devoted to the Sectors.
The SBUs in the Chemicals and Plastics Sectors are almost entirely composed of individual subsidiaries by business area and by country. In most cases these subsidiaries are held by local national holding companies, particularly where tax consolidation is permitted. Examples of this are Solvay America, Inc. in the USA and Solvay GmbH (formerly Solvay Deutschland GmbH) in Germany.
A different subsidiary holding structure exists for the Pharmaceuticals activity. Rather than being held by national holding companies, all the Group's pharmaceuticals subsidiaries are held by a single holding company, Solvay Pharmaceuticals Sàrl, in Luxembourg. This pharmaceuticals holding company is ultimately 100% owned by Solvay SA.

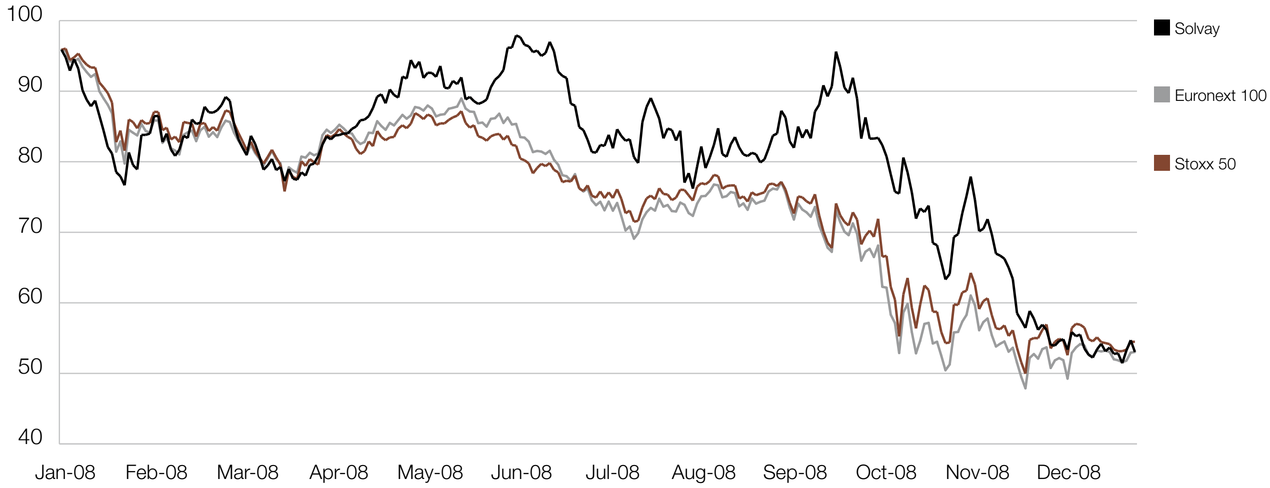
11.3. The Sectors and SBUs are supported by five Functional Managements (Finance, Research & Technology, Human Resources, Legal and Compliance* and Corporate Secretariat)*, in turn subdivided into Competence Centers.
Nearly all Functional Managements and their Competence Centers are located at Solvay SA in Brussels and in national holding companies, where they are part of Regional or Country Managements.

11.4. Sectors and SBUs are also supported by specialist services organized into Business Support Centers (BSCs). These BSCs can be global, international, national or site-specific. Depending on their particular purpose, they are attached to a Functional Management, to a Sector, to an SBU or to a Regional or Country Management.

11.5. The Executive Committee is assisted in its task by the Office of the Executive Committee, composed of:

* Distinct functional entities since January 1, 2007.

EUR **The Solvay share compared with the indexes (2008)**



- the Corporate Secretary, the General Counsel and the General Manager Human Resources;
- the Region Managers for Europe, NAFTA, Mercosur and Asia-Pacific;
- the General Secretariat – Corporate Affairs;
- the Shareholder Services Department;
- Corporate Development;
- the Group Head of Communications;
- the Group Head of Government & Public Affairs;
- the Group Innovation Champion;
- the officer in charge of monitoring the implementation of the Executive Committee's decisions mentioned in paragraph 5.4.4.

The Office of the Executive Committee is not a collegiate body.
It consists of individual persons and of three departments chosen to provide the Executive Committee with advice or, in the case of the Corporate Secretariat and Shareholder Services, to provide logistic and operational support.

12. Relations with shareholders and investors

The Group thanks its shareholders and all others, in particular journalists and analysts, for the interest they continue to express in Solvay.

12.1. The Solvay share in 2008

The development of the Solvay share was marked in 2008 by the global financial and economic crisis, in particular during the 4th quarter.

The highest price was EUR 97.9 (June 5, 2008), compared with EUR 123.2 in 2007. The average price was EUR 80.68 (EUR 110.2 in 2007). The lowest price was EUR 51.45 (December 24, 2008) as against EUR 92.3 in 2007. Average daily trading volumes also increased in 2008 by over 60% to 368 000 shares compared with 226 000 shares in 2007.

The evolution of Solvay shares in 2008 are comparable to the trend of market indexes, as shown above.

12.2. Active financial communication

Throughout the year the Investor Relations Team is ready to meet individual and institutional shareholders and investors, as well as analysts, to answer their questions and to explain short and long-term developments at the Group to them, with appropriate regard for the equal treatment of all shareholders.
The Group's communication policy is to disseminate, as soon as reasonably possible, information that is of material interest for the market in the form of press releases and/or press conferences.

Solvay SA
Investor Relations
Rue du Prince Albert, 33
B-1050 Brussels (Belgium)
Telephone: +32 2 509 72 43
Fax: +32 2 509 72 40
e-mail: investor.relations@solvay.com
Internet: www.solvay-investors.com

For addition information on ADRs, a telephone hotline is also available at 1-800-428-4237 (from the USA and Canada) or 1-651-453-2128 (from other countries).

12.3. Flow of financial information

EIn 2008, the Belgian Financial Analysts' Association recognized the quality of the information contained in Solvay's quarterly and annual publications, of the Investor Relations department and of the Solvay group Internet site, by awarding the Group its second prize for best financial information.

12.4. Shareholder Clubs and Individual Investors

For many years the Group has maintained very close relations with clubs of individual investors both by taking part in fairs and conferences and by providing regular information on the life of the Group (press releases, the annual report, etc.) on request.

In 2008, the Solvay group actively continued its meetings with individual investors.

To give examples:

- Solvay's participation in "Share Day" was a chance to meet again our individual shareholders;
- in April 2008, Solvay took part in the 'Investors' Event organized by the (Flemish Association of Investors and Investors Clubs), which every year brings together more than 1 000 participants, with Mr. Christian Jourquin presenting the Group's latest strategic developments;
- Solvay also took part in the Financial Cocktails organized by Euronext, the most recent of which was held in November in Brussels.

12.5. Roadshows and meetings for professionals

Roadshows and meetings with senior Group managers are organized regularly for international professionals (analysts, portfolio managers, press, etc.)
In 2008 over 300 contacts were established at meetings and events organized in Europe (Brussels, London, Paris, Frankfurt, Geneva, Zurich, Milan, etc.), the United States and Canada. The annual analysts' meeting and institutional investors' meeting, which is also open to the financial press, was attended by over 40 participants from eight European countries and the USA. The visit provided an opportunity to examine Group strategy, major changes in the activities portfolio and recent developments.

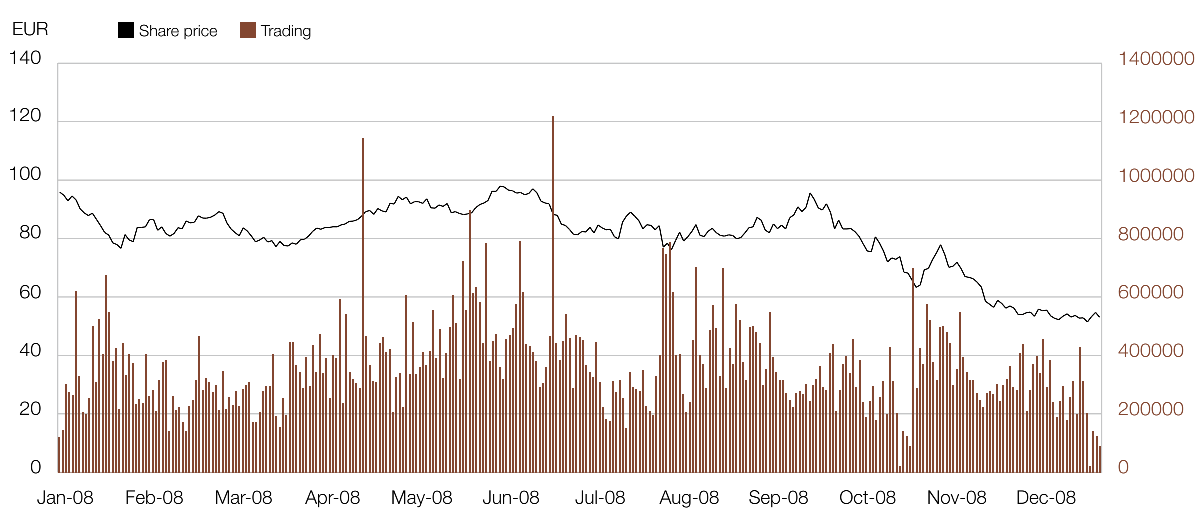
Conference calls with management are also systematically organized, every quarter, to comment on Group results.

12.6. A specific internet site

A dedicated internet site, www.solvay-investors.com, provides shareholders and investors with the latest published financial and strategic information from the Group. The site informs investors and shareholders of many valuable services. It also provides useful contacts with chemicals and pharmaceutical analysts who closely track the Group. Surfers can also join a Shareholders' and Investors' Club in order to receive e-mail notification in three languages (French, Dutch, English) of the publication of information of various kinds: agendas of certain meetings, including the annual Shareholders' Meeting, draft wording of by-law amendments, special reports of the Board of Directors, publication of the annual report, unconsolidated parent company accounts, payment of dividends, etc.

12.7. Quarterly earnings publication

Out of a desire to provide ever more finely tuned and regular communication, the Group began in 2003 to publish quarterly results in accordance with International Financial Reporting Standards (IFRS).



ANNEX 1

Audit Committee Mission Statement

1. Members

The Audit Committee consists of a Chairman and at least two members, all three of whom are non-executive directors and at least two of whom are independent directors.

2. Guests

The Audit Committee generally invites the following persons to report to its meetings:

a) the Group's chief financial officer;
b) the head of the internal audit department;
c) a representative of the Group's statutory auditor.

3. Frequency of meetings

The Audit Committee meets at least four times a year prior to the publication of the annual, half-yearly and quarterly results. Additional meetings may be organized to discuss and agree on the scope of audit plans and on audit costs, and to discuss other important financial questions.

4. Main tasks of the Audit Committee

a) The Audit Committee ensures that the annual report and accounts, the periodic financial statements and all other important financial communications by the Group conform to generally accepted accounting principles (IFRS for the Group, Belgian accounting law for the parent company). These documents should provide a fair and relevant view of the business of the Group and of the parent company and meet all legal and stock market requirements.

b) The Audit Committee regularly examines the accounting strategies and practices that are applied in preparing the Group's financial reports, making sure that these conform to good practices and meet the requirements of the appropriate accounting standards.

c) The Audit Committee regularly examines the scope of the external audit and the way it is implemented across the Group.
The Audit Committee studies the recommendations of the external audit and the auditor's report to the Board of Directors.

d) The Audit Committee monitors the effectiveness of the Group's internal control systems, and in particular the financial, operational and conformity controls, along with risk management. The Audit Committee also satisfies itself that the electronic data processing systems used to generate financial data meet the required standards. The Audit Committee ensures that these systems meet legal requirements.

e) In respect of the internal audit, the Audit Committee verifies the scope/programs/results of the work of the internal audit department and makes sure that the internal audit organization has the necessary resources.
The Audit Committee checks that internal audit recommendations are properly followed up.

f) The Audit Committee examines the appointment of the Statutory Auditors and assesses the appropriateness of their fees. In consultation with the chief financial officer, the Audit Committee participates in the choice of head of the internal audit department.

g) The Audit Committee examines areas of risk that can potentially have a material effect on the Group's financial situation.
These include, for example, the foreign exchange risk, major legal disputes, environmental questions, product liability issues, etc.
During such examination, the Audit Committee examines the procedures in place to identify these major risks and to quantify their potential impact on the Group and the way the control systems work.

5. Minutes

As a sub-committee of the Group's Board of Directors, the Audit Committee prepares minutes of each of its meetings and submits them to the Board.

ANNEX 2

Compensation policy for General Managers

In general

This compensation policy applies to Solvay's General Managers, i.e. the CEO, the members of the Executive Committee and the General Managers belonging to the Office of the Executive Committee.
General Managers' compensation is set by the Board of Directors based on the recommendations of the Compensation and Appointments Committee.
The guiding principles of Solvay's compensation policy for its General Managers can be summarized as follows:

• to ensure overall competitive compensation opportunities which will enable Solvay to attract, retain, motivate and reward executives of the highest calibre essential to the successful leadership and effective management of a global chemical and pharmaceutical company;

- to focus executives' attention on critical success factors for the business that are aligned with the company's interests in the short, medium and long term;
- to encourage executives to act as members of a strong management team, sharing in the overall success of the Group, while still assuming individual roles and responsibilities;
- to maintain and further strengthen the performance culture of the Group by linking compensation directly to the fulfilment of demanding individual and collective performance targets.

The composition and level of the General Managers' total compensation (fixed and variable) is reviewed annually.

Compensation reflects overall responsibility as well as individual experience and performance. It takes into account relevant competitive practice considering the nature and level of the position as well as specific characteristics of the business sectors in which Solvay operates. Other factors which are deemed relevant, such as fairness and balance within the company, are also taken into consideration.

To assess relevant competitive practice, Solvay considers a blend of some 20 leading European chemical and pharmaceutical companies as its frame of reference, taking into consideration Solvay's relative size in terms of sales revenues and headcount vis-à-vis these companies.

The composition of this group will be reviewed on a periodic basis to assure that it continues to reflect the company's strategic orientation.
For executives with a non-European home country and who are based outside Europe, the home country practice (ideally weighted towards the chemical and pharmaceutical sectors) constitutes the reference.

For external market data, the services of internationally recognized compensation consultants are retained.

Solvay's objective is to provide total compensation levels which are at or around the median of the retained reference market for normal performance and close to the upper quartile level of the market in case of outstanding collective and individual performances.

Elements of compensation

The compensation of the General Managers comprises base salary, annual incentives (i.e. performance bonuses) and longterm incentives, which constitute the General Managers' total direct compensation. General Managers also enjoy other benefits such as, essentially, retirement, death-in-service, disability and medical benefits.
Performance-based and, hence, variable pay represents at a minimum close to 50% of the General Managers' total direct compensation.

Base salary

Base salary is reviewed - but not necessarily changed - on an annual basis. This review assesses current levels against median levels of the reference market taking into account the responsibilities and scope of the position of the General Manager, as well as individual competencies, relevant professional experience, potential for future development and sustained performance over time.

Annual incentives

The incentive levels are related to the full achievement of all pre-set performance objectives and range from 50% to 100% of the base salary depending upon the position in the Office of the Executive Committee. These percentages have been determined taking into consideration median target bonus levels observed in the retained reference market and Solvay's policy regarding the target compensation mix and competitive positioning.

Generally speaking, Solvay aims at offering, on average, base salary plus annual incentive opportunities close to the median levels observed in the reference market.

The actual annual bonus amount varies according to the performance of the Solvay group, its various sectors and the individual General Managers' performances. The actual bonus ranges from zero in the case of poor performances up to 150% of the amount corresponding to normal performance in case of outstanding achievements.

The overall business performance is measured in terms of ROE (return on equity); the individual performance is measured against a set of predetermined region/business sector/function goals as well as other executive-specific critical objectives approved by the Board of Directors.

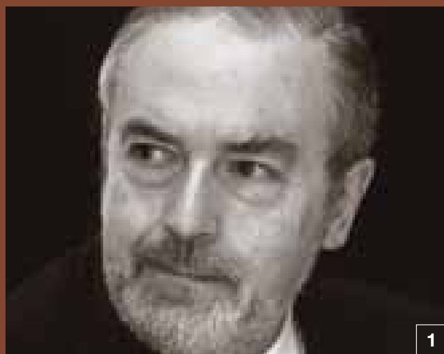
Long-term incentives

The long-term incentive is delivered through periodic grants of stock options.
Each year, the Board of Directors, upon the recommendation of the Compensation and Appointments Committee, sets the number of stock options that are granted respectively to the Chairman of the Executive Committee, the members of the Executive Committee and the other members of the Office of the Executive Committee. In determining the actual number of options to be granted to each group of General Managers, the Board is guided by prevailing long-term incentive levels and practices in the reference market. The options strike price is equal to the average closing price of the Solvay share on Euronext Brussels

during the 30 days preceding the start of the offer. The options expire eight years after the date of grant.
They vest as from the first day of the year following the third anniversary of the grant and can be exercised during specified "open periods".

Other benefits

The General Managers are entitled to retirement, death-in-service and disability benefits, as a rule, on the basis of the provisions of the plans applicable in their home country. Other benefits, such as medical care and company cars or car allowances, are also provided according to the rules applicable in the host country. The nature and magnitude of these other benefits are largely in line with the median market practice. The retained reference market is, as a rule, a blend of some 20 leading Belgian companies and Belgian subsidiaries of foreign-owned organisations generally considered as attractive employers by national and international executive talent and for which the representative benefit practices can be regarded as sufficiently in line with prevailing European standards at executive level.


1

2

3

4

5

6

7

8

Executive Committee and General Managers


9

10

11

12

13

14

Executive Committee

1 | Christian Jourquin
Chief Executive Officer

2 | Bernard de Laguiche
Chief Financial Officer

3 | René Degrève
Region General Manager NAFTA
(member of the Executive Committee until May 13, 2008)

4 | Jacques van Rijckevorsel
Group General Manager of the Plastics Sector

5 | Werner Cautreels
Group General Manager
of the Pharmaceuticals Sector

6 | Vincent De Cuyper
Group General Manager of the Chemicals Sector

7 | Jean-Michel Mesland
Group General Manager of Research and Technology

8 | Roger Kearns
Region General Manager Asia Pacific
(from July 1, 2008)

General Managers

2 | Bernard de Laguiche
Chief Financial Officer

3 | René Degrève
Region General Manager NAFTA

4 | Jacques van Rijckevorsel
Group General Manager of the Plastics Sector

5 | Werner Cautreels
Group General Manager
of the Pharmaceuticals Sector

6 | Vincent De Cuyper
Group General Manager of the Chemicals Sector

7 | Jean-Michel Mesland
Group General Manager of Research and Technology

8 | Roger Kearns
Region General Manager Asia Pacific
(from July 1, 2008)

9 | Jacques Lévy-Morelle
Group Corporate Secretary

10 | Marc Duhem
Region General Manager Europe

11 | Christian De Sloover
Region General Manager Asia Pacific
(until June 30, 2008)

12 | Daniel Broens
Group General Manager Human Resources

13 | Paulo Schirch
Region General Manager Mercosur

14 | Dominique Dussard
Group General Counsel

3S: Solvay Shared Services, the Group's shared services center for Finance and Human Resources
ABAF: Belgian Financial Analysts Association (Association Belge des Analystes Financiers)
ACDV: Association chimie du végétal
ADR: American Depositary Receipt
AII: Agence de l'innovation industrielle
BAT: Best Available Technologies
BRIC: Brazil, Russia, India, China
BSC: Business Support Centre
CARB: California Air Resources Board
CC: Competence Centre
CEFIC: European Chemical Industry Council
Central Europe: Hungary, Poland, Czech Republic, Romania, Slovakia, Germany, Austria, Slovenia, Bulgaria
CEO: Chief Executive Officer
CIS: Community of Independent States consisting of Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldavia, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan
COPE: Center for Organics Photonics and Electronics
Eastern Europe: Belarus, Estonia, Latvia, Lithuania, Moldavia, Romania, Russia, Ukraine
ECHA: European Chemicals Agency
EIB: European Investment Bank
EPA: Environmental Protection Agency
ESC: European Society of Cardiology
Europe-27: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom
FDA: Food and Drug Administration
FTE: Full time equivalent
GISSI-HF: GISSI Heart Failure
HDL-cholesterol: High density lipoprotein – "good" cholesterol
HPPO: Hydrogen Peroxide to Propylene Oxide
HR: Human Resources
ILO: International Labour Organization
Kt: Kilotonne
LCD: Liquid Cristal Display
LDL-cholesterol: Low density lipoprotein – "bad" cholesterol
MEA: Membrane Electrode Assembly
Mercosur: South American Common Market (Republics of Argentina, Brazil, Paraguay and Uruguay)
NAFTA: North American Free Trade Agreement (Canada, United States, Mexico)
NBD: New Business Development
OLED: Organic Light Emitting Diodes
PAA: Peracetic acid
PEEK: Polyether-ether-ketone
PEMFC: Proton Exchange Membrane Fuel Cells
PPSU: Polyphenylsulfone
PTFE: Polytetrafluoroethylene
PVC: Polyvinyl chloride
PVC-S: Suspension process
PVDC: Polyvinylidene chloride
PVDF: Polyvinylidene fluoride
R&D: Research and Development
REACH: Registration, Evaluation and Authorization of Chemicals
RFID: Radio-Frequency Identification
SAP: Systems, Applications and Products for data processing
SBU: Strategic Business Unit
SBT: Solvay Biochemicals Thailand
SEP: Solvay Engineered Polymers
SPE: Society of Plastics Engineers
SSOM: Solvay Stock Option Management
STOP: Safety, Training, Observation, Prevention
TSBM: Twin-Sheet Blow-Molding. Fuel systems manufacturing systems which combines the advantages of blow molding with that of thermoforming
UIC: Union des industries chimiques
ULES: Ultra-low-Emissions Systems
VCM: Vinyl chloride monomer
Western Europe: Germany, Andorra, Austria, Belgium, Denmark, Spain, Finland, France, Greece, Ireland, Iceland, Italy, Liechtenstein, Luxembourg, Malta, Norway, Netherlands, Portugal, United Kingdom, San Marino, Switzerland, Sweden, Vatican

ABAF: Belgian Financial Analysts Association (Association Belge des Analystes Financiers)
Cash flow: Net income plus total depreciation, amortization, impairments and other write-downs
Corporate and Support Activities: Non-allocated items
Corporate & Business Support: Non-allocated items, after larger direct allocations from 2007 onwards
Dividend yield (net): Net dividend divided by the closing price on December 31
Dividend yield (gross): Gross dividend divided by the closing price on December 31
Earnings per share: Net income (Solvay's share) divided by the weighted average number of shares, after deducting treasury shares bought in to cover stock option programs
Earnings per share (excluding discontinued operations): As earnings per share, but excluding discontinued activities from the net income (Solvay share)
Earnings per share (diluted): Net income (Solvay share) divided by the weighted average number of shares, after deducting treasury shares bought in to cover stock option programs, and adding back other potential sources of dilution
Earnings per share (diluted, excluding discontinued operations): As diluted earnings per share, but excluding discontinued activities from the net income (Solvay share)
EBIT: Earnings before interests and taxes
Equity (per share): equity divided by the average number of shares for calculating IFRS results Idem for REBITDA
IFRS: International Financial Reporting Standards
REBIT: Operating result, i.e. EBIT before non-recurring items
REBITDA: REBIT before recurrent depreciation and amortization
ROE: Return on equity
Velocity: Total number of shares traded during the year divided by the total number of listed shares, using the Euronext definition
Velocity adjusted by free float: Velocity adjusted as a function of the percentage of listed shares held by the public, using the Euronext definition

Shareholders' Diary

- **Tuesday May 12, 2009:**
  announcement of the three months 2009 results (at 13.00) and Annual and Extraordinary Shareholders' Meetings (at 14.30)
- **Tuesday May 19, 2009:**
  payment of the balance of the 2008 dividend (coupon no. 84) Quotation ex-dividend from May 14, 2009
- **Thursday July 30, 2009:**
  announcement of six months 2009 results (at 07.30)
- **Thursday October 29, 2009 (at 07.30):**
  announcement of nine months 2009 results and the interim dividend for 2009 (payable in January 2010, coupon no. 85)
- **Mid-February 2010:**
  announcement of annual results for 2009

Solvay SA
Rue du Prince Albert, 33
1050 Bruxelles, Belgique
t : 32 2 509 6111
f : 32 2 509 6617
www.solvay.com

Germany
SOLVAY GmbH
Hans Böckler-Allee, 20
D-30173 Hannover
t : 49 511 8570
f : 49 511 282126
www.solvay.de

Austria
Solvay Österreich GmbH
Stättermayergrasse, 28
1150 Wien
t : 43 1 716 88 0
f : 43 1 710 24 26

Brazil and Argentina
Solvay do Brasil Ltda
Rua Urussui, 300 - 5° andar
Itaim Bibi - São Paulo, SP
Brasil
t : 55 11 3708 5000
f : 55 11 3708 5287
e-mail:
comunicacao.corporativa@solvay.com

Bulgaria
Solvay Sodi AD
Administrative Building
BG-9160 Devnya
t : 359 51 99 5000
f : 359 51 99 5001

Spain
Solvay Ibérica S.L.
Avenida Diagonal, 549
3rd & 6th floors
E-08029 Barcelona
t : 34 93 3652600
f : 34 93 4197852
www.solvay.es
e-mail: solvay.iberica@solvay.com

United States, Canada and Mexico
Solvay North America, Inc
3333 Richmond Avenue
Houston, TX 77098-3099
USA
t : 1 713 525 6000
f : 1 713 525 7887
www.solvaynorthamerica.com

France
Solvay SA – France
25 rue de Clichy
F-75009 Paris
t : 33 140758000
f : 33 145635728
www.solvay.fr

Great Britain
Solvay UK Holding Company Ltd
Solvay House
Baronet Road
Warrington
Cheshire WA4 6 HA
t : 44 1925 651277
f : 44 1925 655856

Italy
Solvay SA – Italy
Via Marostica, 1
I-20146 Milano MI
t : 39 02 290921
f : 39 02 6570581

Portugal
Solvay Portugal –
Produtos Químicos SA
Rua Eng. Clément Dumoulin
P-2625-106 Póvoa de Santa Iria
t : 351 219534000
f : 351 219534490

Switzerland
Solvay (Schweiz) AG
Zürcherstrasse, 42
CH-5330 Zurzach
t : 41 56 2696161
f : 41 56 2696363

South East Asia
Solvay (Thailand) Ltd.
Solvay Asia Pacific Company Ltd.
Solvay Biochemicals (Thailand) Ltd.
Solvay Peroxythai Ltd.
Wave Place, 16 th - 17th Fl.
55 Wireless Road
Lumpini, Pathumwan
Bangkok 10330
Thailand
t : +66-2-610-6300
f : +66-2-610-6399

China
Solvay (Shanghai) Co., Ltd.
Greater China Management/Plastics/
R&D
Building 7, No.899, Zu Chong Zhi Road,
Zhangjiang High-Tech Park,
Pudong New Area,
Shanghai (201302)
P.R. China
t : +86-21-5080 5080
f : +86-21-5027 5636
e-mail: anna.zhuang@solvay.com

Solvay (Shanghai) Co., Ltd.
Pharmaceuticals & Chemicals
Unit K, Floor 14,
International Shipping & Finance Center
No. 720 Pudong New Area,
Shanghai (200120)
P.R. China
t; +86-21-3842 4788
f: +86-21-6385 5708

Japan
Nippon Solvay K.K.
4th Flr, Toranomon 30 Mori Building
Toranomon 3-2-2, Minato-ku
Tokyo 105-0001
Japan
T: 81/3/5425/4310
F: 81/3/5425/4311
e-mail : zenya.kinoshita@solvay.com

Korea
Solvay Korea Co., Ltd
5th Fl, Donghwa Building
58-7, Seosomun-Dong, Jung-Gu
Seoul 100-736, Korea
t : +82-2-756 0350
f : +82-2-756-0354
e-mail: andre.nothomb@solvay.com

Solvay SA
Société Anonyme
Registred Office : Ixelles (Brussels)
Rue du Prince Albert, 33
t : 32 2 509 6111
f : 32 2 509 6617

Brussels RPM : 0403 091 220
TVA : BE 0403 091 220

www.solvay.com

Layout and production:
The Crew
www.thecrewcommunication.com

Printing:
Deckers Druk

Publication management:
Solvay Secrétariat Général –
Corporate Communications
t : + 32 2 509 70 46
f : + 32 2 509 72 40

Photos:
Solvay, Solar Impulse / EPFL Artist
Claudio Leonardi, Jean-Jacques
Micheli, Bernard Foubert,
Michel Gronemberger, Herwig Vergult,
SolVin, Corbis, Shutterstock.

Translation:
Lomax S.P.R.L., Brussels

Ce rapport est aussi disponible en français.
Het jaarverslag is ook beschikbaar in het Nederlands.

SOLVAY sustainable

SOLVAY

a Passion for Progress®