

SOLVAY GROUP :

Excellent results in 9M06,
reflecting further sustained growth in Q3/06

**FOCUS ON OUR STRATEGY :
PRIORITY TO SUSTAINABLE
AND PROFITABLE GROWTH**

October 27, 2006



HIGHLIGHTS



- Excellent results in 9M06, reflecting further sustained growth in Q3/06
- Submission of bifeprunox registration dossier in the US on Oct. 11, 2006
- Positive outlook for FY06 confirmed
- Sound financial structure

EXCELLENT RESULTS 9M06



- **REVENUE** +13% to EUR 7,049 M
 - **REBIT** +31% to EUR 883 M
- } → margin of 13%

	<u>Revenue</u>	<u>REBIT</u>
Pharma	+24%	+88%
Chemicals	+9%	+10%
Plastics	+10%	+6%

- **GROUP NET PROFIT: EUR 671 M**
→ QUALITY OF RESULTS:
significantly less non operating items
- **NET DEBT TO EQUITY RATIO : 33%** (vs. 43% end of 05)

RECENT STRATEGIC DEVELOPMENTS



■ Pharmaceuticals

- ✓ **Transformation of Solvay Pharmaceuticals** = « Inspire » project
- ✓ Submission of **bifeprunox** registration dossier in the US on Oct. 11, 2006
- ✓ **Expansion of the fenofibrate franchise**: development of next generation fenofibrate and fixed dose combination products

■ Chemicals

- ✓ **Hydrogen peroxide** : ongoing construction of a mega-plant (230kt/year) with BASF/Dow (propylene oxide); capacity expansion in Finland
- ✓ Ongoing construction of a plant for **Fluor products** in Korea and joint venture with Zhejiang Lantian for fluor feedstock (HF) in China

■ Plastics

- ✓ Capacity increases and acquisitions in Asia and US in **Specialty Polymers**; expansion and upgrade in ultra-high polymers PEEK in India; launches of new grades of ultra-performance polymers
- ✓ **Restructuring and selective growth in Vinyls** : closure of Ludwigshafen and transfer of capacities to other units in Europe; doubling of the salt-UE-VCM capacities in Thailand and plant upgrade in Brazil

■ Sale of all Solvay's industrial foils (EUR 103 M net capital gain)

GROWTH IN THE THREE SECTORS IN 9M06



■ PHARMACEUTICALS : REVENUE +24%, REBIT +88% ⁽¹⁾

- ✓ Strong growth in our major products / end of Pantoloc® sales in May 06
- ✓ Significant increase (+30%) of R&D expenses (16% of revenue)
- ✓ « Inspire » project (= integration + transformation by 2010) on track

■ CHEMICALS : REVENUE +9%, REBIT +10%

- ✓ Continued favorable balance between supply and demand
- ✓ Pressures of high energy costs; positive effects of ongoing restructurings
- ✓ Results improvement in « Minerals » and « Oxygens »; lower results in « Electrochemistry and Fluorinated products » (mainly in Fluor)

■ PLASTICS : REVENUE +10%, REBIT +6%

- ✓ 9M06 results outperform excellent 9M05 results
- ✓ Growth in Specialties (Specialty Polymers & Inergy Automotive Syst.)
- ✓ Vinyls : results improved in Q3 due to a good demand, gradual price increases and competitiveness improvements

⁽¹⁾ 9M06 figures include Fournier Pharma, 9M05 include Fournier Pharma only since August

LESS NON OPERATING ITEMS



<i>(M EUR)</i>	9M05	9M06	% change
REBIT	676	883	+31%
TOTAL NON RECURRING ITEMS	-295	-119	-60%
Capital gain on sale buildings	+125		
Capital gain on sale Sofina		+75	
Provisions (Pharma & Chemicals)	-424		
Restructuring charges « INSPIRE » (Pharma)		-106	
Restructurings & litigations (mainly in Chemicals)		-49	
Impairment & Reorganization in barium/strontium carbonates		-37	
EBIT	381	764	
DISCONTINUED OPERATIONS	454	103	-77%
Group net profit	685	671	

- Favorable tax impact of non operating items 2006
→ Tax rate below normalized rate of about 30%

BUILDING THE NEXT SOLVAY PHARMACEUTICALS

Performance goals

- **20% REBIT/sales**
- **> 7% Growth* in Revenues****

Portfolio Focus

- **Key focus areas**
- **Specific medical needs**
- **Marketing excellence**

Global Organisation

- **300 MEUR of stepwise efficiency improvements**

**Complete
integration
and
transformation
by 2010**



* above current industry average of 7%

** basis proforma 2004 (after the acquisition of Fournier Pharma) = EUR 2,338 M

GROWTH IN PHARMA

Revenue +24%, REBIT +88% (to EUR 365 M)



■ Revenue

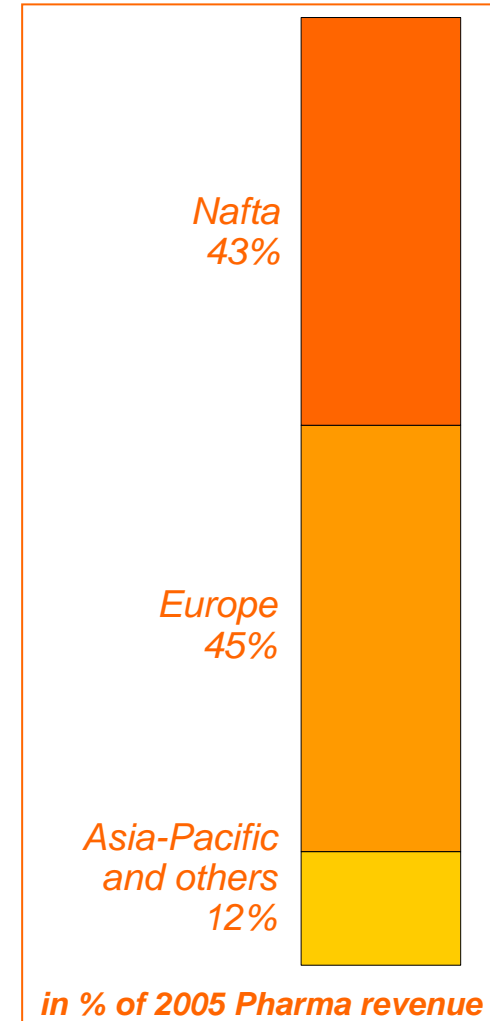
- All major products are growing
- Geographical revenue growth :
 - ✓ Nafta (+30%) :
 - fenofibrate sales in the US* : USD 722 M, +17%
 - ✓ Significant growth in Russia and emerging countries
 - ✓ Revenue increase in Europe due to Fournier
- Q3/06 mainly affected by the expiration of marketing rights of Pantoloc® in May 06
 - ⇒ -4% versus Q3/05

■ R&D efforts +30% (EUR 306 M, 16% of sales)

- ✓ Acceleration of projects in neuroscience and cardiometabolic to reinforce the value of « fenofibrate » franchise

■ Particularly high results in 9M06

- ✓ Operating margin of 19% (vs 13% in 9M05)
- ✓ Capital gain on sale of small products and settlement in the US (Creon®) : EUR 38 M



* Booked by Abbott

GROWTH IN ALL MAJOR PRODUCTS



<i>Revenue (M EUR)</i>	2005	9M06	9M06 vs 9M05
PHARMACEUTICALS	2,270	1,934	+24%
Fenofibrates	185 ⁽¹⁾	323	-
Androgel®	239	212	+27%
Creon®	162	141	+19%
Serc®	122	112	+24%
Pantoloc®	166	71 ⁽¹⁾	-38%
Marinol®	84	73	+14%
Teveten®	91	70	+3%
Luvox®	80	64	+7%
Duphalac®	85	66	+2%
Estratest®	91	60	-10%

⁽¹⁾ 5 months only

R&D DEVELOPMENTS



- **bifeprunox** : submission dossier in the US on October 11, 2006
- **Fenofibrate franchise expansion** :
 - ✓ next generation fenofibrate (ABT335/Hexa) in Phase III
 - ✓ single pill combination (fenofibrate/statin) for lipid management in development
 - ✓ submission of Synordia® (fenofibrate/metform) in Europe for type 2 diabetics
- **Influenza** :
 - ✓ cell culture manufacturing in the Netherlands : industrial production will start before flu vaccine campaign of 08; suited to manufacture avian flu vaccines
 - ✓ USD 298 M milestone-based award from the US Department of HHS* to develop cell-based influenza vaccine (seasonal / pandemic) and design a manufacturing capacity in the USA by 2011
- **Pulzium® (tedisamil - arrhythmia)** :
preparation of registration dossier, expected to be submitted in 2006
- **SLV 319 (obesity)** : end of phase I, expected Phase II to start in Q4/06

* HHS : Human Health Services

PHARMA OUTLOOK



« Overall for 2006 : results and margins for Solvay Pharmaceuticals will be significantly better than in 2005, with an operational margin of about 17%.

This forecast takes into account the industry's more aggressive inventory management policy in the United States which will have a temporarily unfavorable effect on the performance of the 4th quarter 2006; impact on the REBIT will be about 35 million EUR.

This performance will be achieved despite the May 2006 expiration of Canadian rights to sell Pantoloc® (2005 sales : 166 MEUR, 5M06 : 71 MEUR)

It will reflect :

- *the announced savings (EUR 75 M in 2006)*
- *the very good performance of the fenofibrate franchise and our major products*
- *the increased R&D efforts (budget of 413 MEUR in 2006, +18% vs 2005)*

CHEMICALS : EARNING THE RIGHT TO GROW

Geographic expansion

Through investments in flagship products in high-growth areas

Technological innovation

Growth in specialties

In existing businesses, extend products range and developing new usages and markets

Leverage existing know-how in organic chemistry with external partnerships with major customers and leading science developers

Consolidation in Essentials

Following a policy of continuous improvement
Managing the product portfolio



GROWTH IN CHEMICALS

M EUR	REVENUE ^[1]		REBIT evolution	Comments
	2005	9M06 vs 9M05		
CHEMICALS	2,785	+9%	+10%	<ul style="list-style-type: none"> ✓ Continued favorable global balance between supply & demand ✓ Very high energy costs; positive effects of ongoing restructurings
Minerals cluster ^[2]	1,223	+8%	↗	<ul style="list-style-type: none"> ✓ Results improvement in « Minerals »
Electrochemistry and Fluor chemicals cluster	1,099	+3%	↘	<ul style="list-style-type: none"> ✓ Lower results in electrochemistry and fluorinated products (mainly in fluor)
Oxygen cluster ^[3]	453	+10%	→	<ul style="list-style-type: none"> ✓ Good performance in « Oxygens »

[1] including SBU Molecular Solutions

[2] including SBUs Soda ash and derivatives, Barium and Strontium carbonates, Advanced Functional Minerals

[3] including SBUs Hydrogen peroxide, Detergent and Caprolactones

GROWTH IN CHEMICALS IN 9M06

Revenue +9%, REBIT +10% (to EUR 255 M)

- **Growth in Soda ash**
 - ✓ Favorable worldwide market conditions
 - ✓ Price increases
 - ✓ Steady growth in bicarbonate :
product mix and geographical expansion
- **Good volumes in caustic soda**
 - ✓ Given sustained demand & low inventories; price increases reflect higher energy costs
- **Fluor under pressure**
 - ✓ Volume and price growth for some products, in particular of Solkane® 365mfc (insulation)
 - ✓ Intensified competitive pressures from China on refrigeration products such as Solkane® 134a
- **Good results in Hydrogen Peroxide**
 - ✓ Results improvement in Q3/06 based on sales growth and lower gas prices in USA

STRATEGY : EXTENDING OUR PORTFOLIO & LEVERAGING OUR STRENGTHS

**Specialty Polymers &
Inergy Automotive Systems :
product leadership and geographic globalization**

- R&D intensive
- High growth markets

**Vinyls & Pipelife :
regional leadership and
geographic diversification**

- Strengthening our competitive position
- Selective growth



GROWTH IN PLASTICS



(M EUR)	Revenue ^[1]		REBIT evolution	Comments
	2005	9M06 vs 9M05		
PLASTICS	3,507	+10%	+6%	<ul style="list-style-type: none"> ✓ Specialties : growth → major contributor to the results ✓ Sustained results in Vinyls : good demand & price increases + competitiveness improvements
Specialties cluster ^[2]	1,610	+10%	↗	
Vinyls cluster ^[3]	1,897	+10%	→	

[1] Restated figures : excluding the Industrial Foils (accounted for in « discontinued ioperations ») and after the consolidation from January 1, 2006 of the Performance Compounds SBU into other SBUs : “PVC compounds” into the Vinyls SBU and “Polyolefin compounds” into the Specialty Polymers SBU.

[2] Including SBUs Specialty Polymers and Inergy Automotive Systems (fuel systems)

[3] Including SBUs Vinyls and Pipelife (pipes & fittings)

GROWTH IN PLASTICS in 9M06

Revenue +10%, REBIT +6% (EUR 315 M)



■ Growth in Specialties

- ✓ Strong growth in sales : increases of volumes and prices
- ✓ Strong growth in some market segments (oil industry, telecommunications, semiconductor, automotive and medical applications) and in Asia
- ✓ Strong results growth despite high raw material costs and increased R&D efforts (+20%)

■ Resilience of Vinyls

- ✓ Good volumes in Mercosur and Europe
- ✓ Improved competitive position in Europe and Brazil
- ✓ Improved Q3 results in Europe : increase of prices and positive impact of Ludwigshafen closure on cost base
- ✓ Q4/06 : good demand and further price increases in Europe, in a context of very high ethylene prices
- ✓ Asia : improvement during the summer but pressure on prices and spreads due to unbalanced supply/demand in China

OUTLOOK 2006



“Overall for 2006, revenue and operating results of Solvay will significantly increase, considering the generally favorable business climate, the enrichment of portfolio of activities and the continuous efforts to improve its competitiveness.”

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