

Press conference – Brussels – February 23, 2005



SOLVAY in 2004 :
a year of record results,
a year of actions



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a year of record results, a year of actions
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**Solvay in 2004 :
a year of record results,
a year of actions**

2004, a year of record results



- **Record Group net income : EUR 541 M (+26%)**
- **Sales : +4%** (*+7% at constant exchange rates*)
- **REBIT : +17%** (*+25% excl. discontinuing operations*)
 - **REBIT/Sales of 10%**
- **Cash flow of nearly EUR 1 Bn**
- **Very healthy financial situation : 21%** (*net debt/equity*)
- **Net dividend : 5.6% increase to EUR 1.90**

Major growth projects



■ Pharmaceuticals

- **Partnerships** with highly-skilled partners to accelerate R&D
- **Business expansion** : acquisition of Neopharma (Parkinson) and Italmex (Mexico)
- **Launch of new products** (e.g. Invivac®, Teveten® Plus, Estroge®)
- **Positive R&D outcome** : registration dossiers for cilansetron (Irritable Bowel Syndrome), Phase III on track for bifeprunox (psychosis) and move to phase III for SLV 308 (Parkinson)

■ Chemicals

- **Soda ash** : letter of mutual interest with NCI/Sinopec in China
- **Hydrogen peroxide** : project in Belgium of an innovative Megaplant (JV with BASF) based on Solvay Technology; expansion of US capacity (new unique high productivity technology) and plan for new investments in Chile

■ Plastics

- **Specialty Polymers** : new transparent high-temperature sulfone polymer Supradel™ HTS; several expansion projects (e.g; RADEL® sulfone expected for 2006)
- **Vinyls** : several industrial projects in Asia, in Mercosur and in Russia; license agreement to supply VCM technology to Singpu Chemical Industries (China)
- **Automotive** : development of 3 US platforms for PZEV (partial Zero Emission Vehicule) fuel systems with super-ultra-low evaporation; intention to acquire Yapp in China

■ Others

- **Cost-efficient power supply** : a 400 megawatt power station to be built by Electrabel on Solvay industrial site in Italy
- **Participation in a Fuel Cell Venture Capital Fund** : market-driven intelligence to boost research in sustainable and clean power source

Major initiatives in Competitiveness



**the Group actively pursues
its objective of improving its productivity**

■ Industrial restructuring

- In Chemicals : closure of soda ash production in Austria (in 2005) and the electrochemical unit in Switzerland, mothballing of American Soda in the US, closure of the perborate unit at Torrelavega (E), ...
- In Plastics : closure of Luwigshafen plant in Vinyls, industrial redeployment of Inergy (F), structural improvement in Industrial Films and Pipelife, ...

■ Divestment of non core assets :

- Solvay's interest in BPS polyethylene joint ventures
- Participation in ESCO joint venture (salt)
- Hedwin (USA) and Rigid films (Italy)



Group results review

Key figures



In M EUR	2003	2004	2004 vs 2003
Sales	7,557	7,877	+4% ¹
REBIT	673	789	+17%²
EBIT	662	756	+14%
Charges on net indebtedness	-85	-91	+7%
Income taxes	-114	-129	+13%
Equity earnings	-48	-10	-79%
Income from investments	+15	+15	-
Net income of the Group	430	541	+26%
Net income (Solvay Share)	396	489	+23%
Earnings per share (in EUR)	4.78	5.92	+24%
Net Dividend (in EUR)	1.80	1.90	+5.6%

1) +7% at constant exchange rates

2) +25% excluding discontinuing operations

REBIT/Sales



(discontinuing operations^() excluded)*

In M EUR	2003	2004	2004/2003
■ Sales	7,432	7,810	+5%
■ REBIT	610	764	+25%
■ REBIT/Sales	8.2%	9.8%	

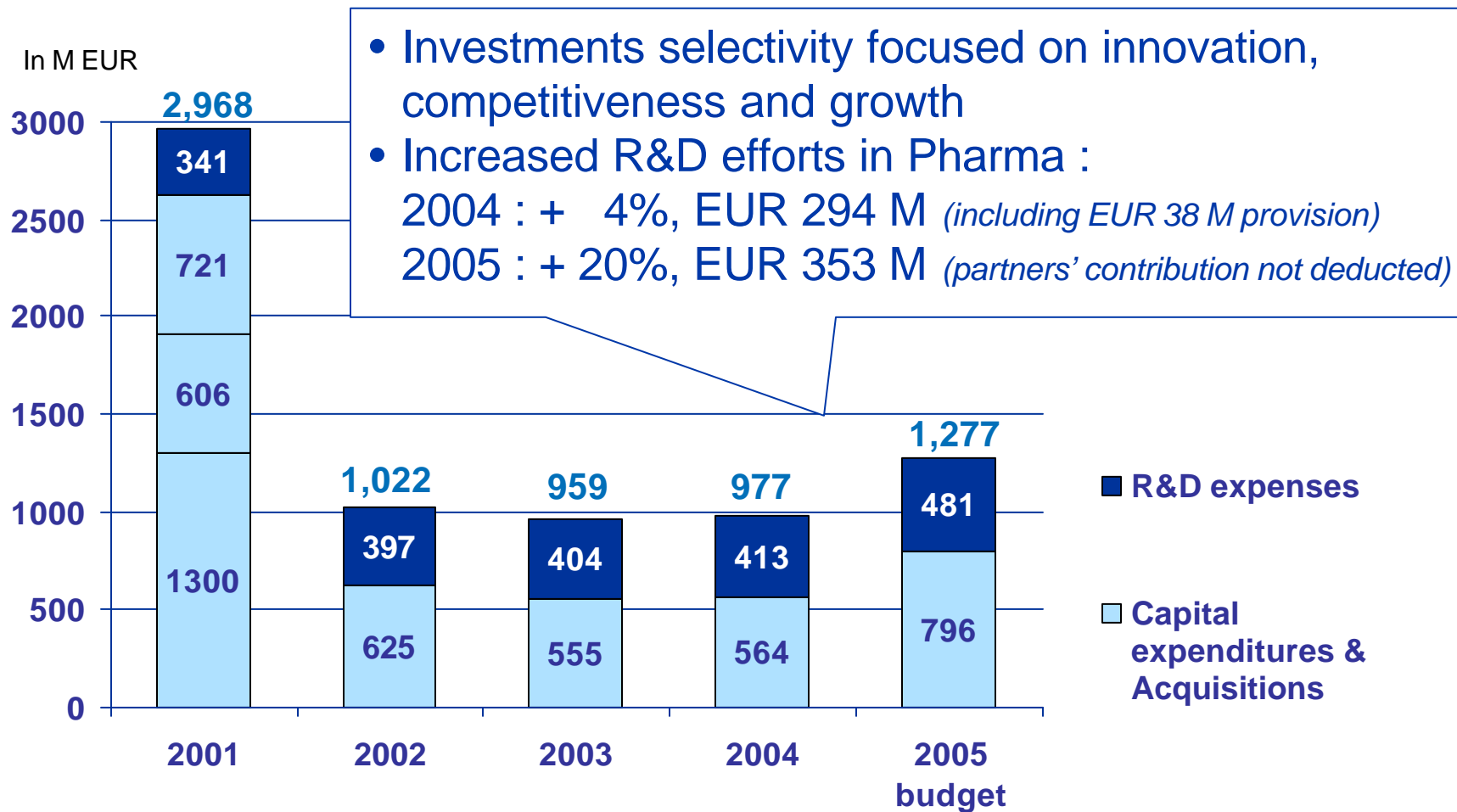
() The « discontinuing operations» are related to the high-density polyethylene activities in joint ventures with BP and salt activities. As a result of their sale, these two activities will not appear in the results beginning in 2005.*

Financial items



- **Non-recurring items : EUR -33 M**
 - capital gain on the sale of Sofina shares, divestments (Esco, Hedwin)
 - provisions for restructuring (e.g. closure of soda ash production unit in Austria and of pharmaceutical production site in France)
 - a provision for risks relating a.o. to the current proceedings of the European authorities concerning hydrogen peroxide
- **Charges on net debt expenses : +7%**
 - including net interest paid (“negative carry”) for long-term bonds issued at historically low rates (→ strategic financial reserves)
- **Minority interests : EUR 52 M**
 - EUR 16 M for 100% consolidation of Solvay Indupa
 - EUR 24 M for EUR 800 M preferred shares
- **Cash flow : EUR 990 M (+ 15%)**

Expenditures for the future

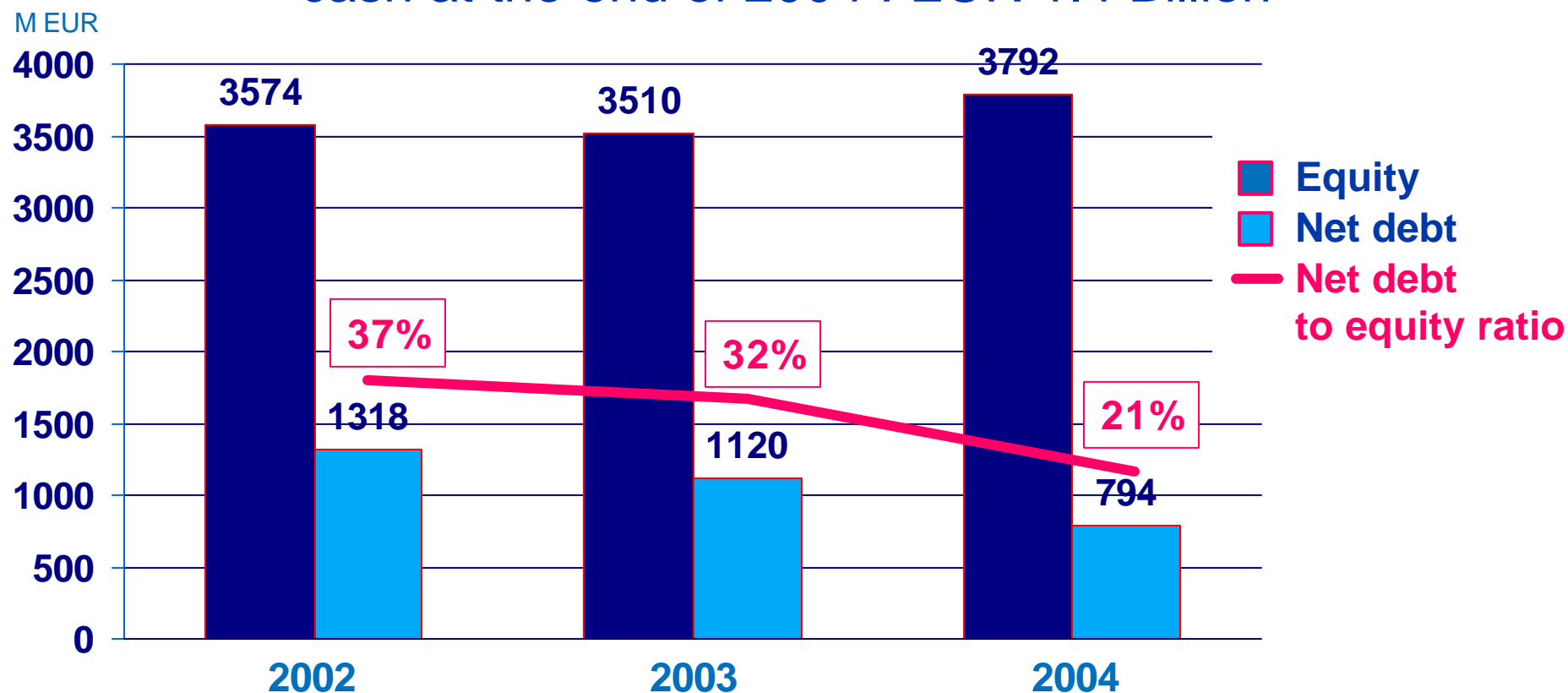


Sound balance sheet



Important decrease of net debt to equity ratio

→ strategic financial reserves for possible strategic move :
cash at the end of 2004 : EUR 1.4 Billion





Sector results review

Strategic focus on Pharmaceuticals



THE MEANS TO SEE THE FUTURE WITH CONFIDENCE

- Pharmaceuticals pipeline has never been this rich
 - 31 molecules
- Alliances with highly skilled partners :
third party endorsement of our R&D pipeline
 - Wyeth, Lundbeck, BMS, Quintiles, Zentaris, Hormos, Novozymes, Innogenetics, others
- Successful milestones for numerous products (2004/2005) :
 - (launched) Invivac®, Estrogel®, Teveten®Plus, (filed) cilansetron, (development) Phase III : bifeprunox (psychosis) / SLV 308 (Parkinson)
- Expansion through acquisitions
 - Neopharma in Sweden (Parkinson), Italmex in Mexico
- Creation of Solvay Pharmaceuticals SARL
 - 100% Solvay, consolidating all pharmaceutical companies

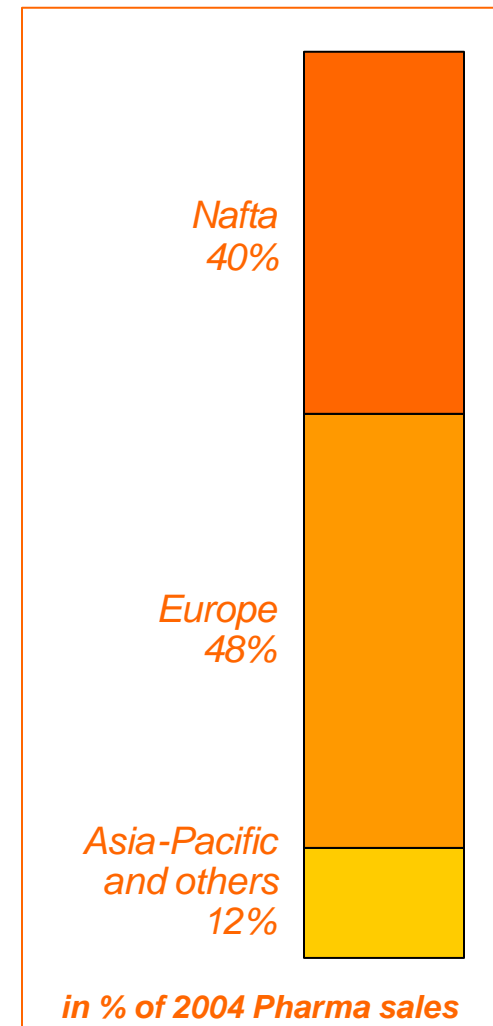
Evolution of sales by region



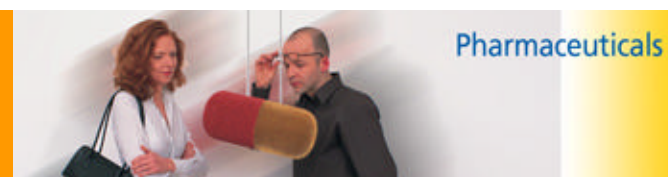
- **Nafta sales : -5% (in USD)**
 - Renegotiations of contracts with US distributors
 - Q4/04 : generic competition for Rowasa®
 - BUT evolution of prescriptions according to expectations

- **Pressure on prices in Western Europe**

- **Growth in Central and Eastern Europe, Asia, Middle East, Latin America**



Evolution of sales : flagship products



	2003 <i>M EUR</i>	2004 <i>M EUR</i>	2004/2003 <i>M EUR</i>	2004/2003 <i>constant exchange rates</i>
PHARMACEUTICALS	1.832	1.745	-5%	-2%
Androgel®	250	231	-8%	+1%
Pantoloc®	124	139	+12%	+15%
Creon®	137	130	-5%	-3%
Estratest®	131	100	-24%	-16%
Serc®	86	96	+12%	+12%
Luvox®	80	77	-4%	-4%
Influvac®	68	76	+12%	+11%
Teveten®	68	72	+6%	+7%
Marinol®	70	63	-10%	-1%

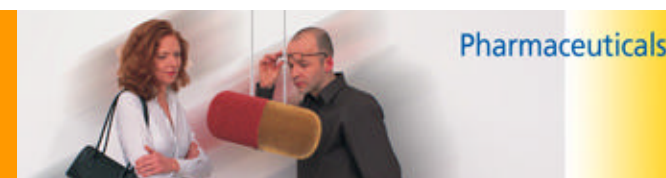
2004 REBIT : EUR 236 M (-3%)



- **Major positive impact of the agreements with Wyeth, BMS and Barr settlement**
- **Pressure on sales**
- **Still negatively affected by the weak USD**
 - sales -5% in EUR, -2% at constant exchange rates
- **Increased R&D : +4%**
 - to EUR 294 M, 17% of Pharma sales
- **Commercial preparation for the launch of products**
- **Q4/04 : generic competition for Rowasa® and validation costs of new manufacturing units (Netherlands, France)**

→ Pharmaceuticals in transition BUT major events in 2005

Rich pipeline with more than 30 molecules



	Gastro-Enterology	Mental Health	Womens Health Mens Health	Cardiology
Pre-Clinical	321, NASEP, 332	318, 326		316, 322, 327, 329, 330, 331
Phase I =6	1 317	2 314, MARINOL aerosol	1 E+P gel	2 319 tedisamil (oral)
Phase II = 6	2 324, 325	2 310, 313	0	2 306, 320
Phase III = 8		4 308; bifeprunox MARINOL (EU) fluvoxamine CR	3 cetorelix, INFLUVAC TC FEMOSTON low dose	1 tedisamil (intravenous)
Filed/ Approved = 11	2 CREON (Japan) CILANSETRON	3 LUVOX SAD (Japan) LUVOX OCD (USA) DUODOPA	4 ESTROGEL (USA) PRESOMEN (D) INFLUVAC TC (EU) INVIVAC (EU)	2 TEVETEN COMBI MOXONIDINE COMBI
Total= 31	5	11	8	7

Critical steps



- **Cilansetron (IBS) :**
 - Regulatory action dates :
 - USA : April 1, 2005
 - UK : May 11, 2005
- **Bifeprunox (Psychosis) - with LUNDBECK and WYETH**
 - Phase III : outcome of pivotal trials
- **SLV 308 (Parkinson)**
 - Move to Phase III
- **Duodopa (Parkinson)**
 - Further regulatory approvals and commercialization
- **Influvac® TC**
 - Start up of a new manufacturing unit (cell culture) in Weesp (NI)

Strategic focus on Chemicals

Chemicals



**Unlocking resources to support ambitious growth :
continued reinforcement of leadership and
competitiveness through acquisitions, partnerships,
restructuring, rationalizations, ...**

- letter of mutual interest with NCI/Sinopec in China,
- agreement with BASF for the supply of H₂O₂ for the production of Propylene Oxide,
- mothballing of American Soda in the US,
- sale of the participation in ESCO joint venture to K+S,
- closure of the soda ash production in Ebensee (A) (effective in 2005), of the electrochemical unit in Zurzach (CH) and of the perborate unit at Torrelavega (E)

Key figures

Chemicals



<i>In M EUR</i>	SALES			REBIT Evolution
	2003	2004	2004/2003	2004/2003
CHEMICALS	2,385	2,433	+2%	-1%
Minerals cluster ^[1]	1,045	1,105	+6%	↘
Electrochemistry and Fluor chemicals cluster	914	892	-3%	↗
Oxygen cluster ^[2]	426	436	+2%	↗

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

[2] including SBUs Hydrogen peroxide, Detergent and Caprolactones

2004 REBIT (EUR 180 M) : -1%

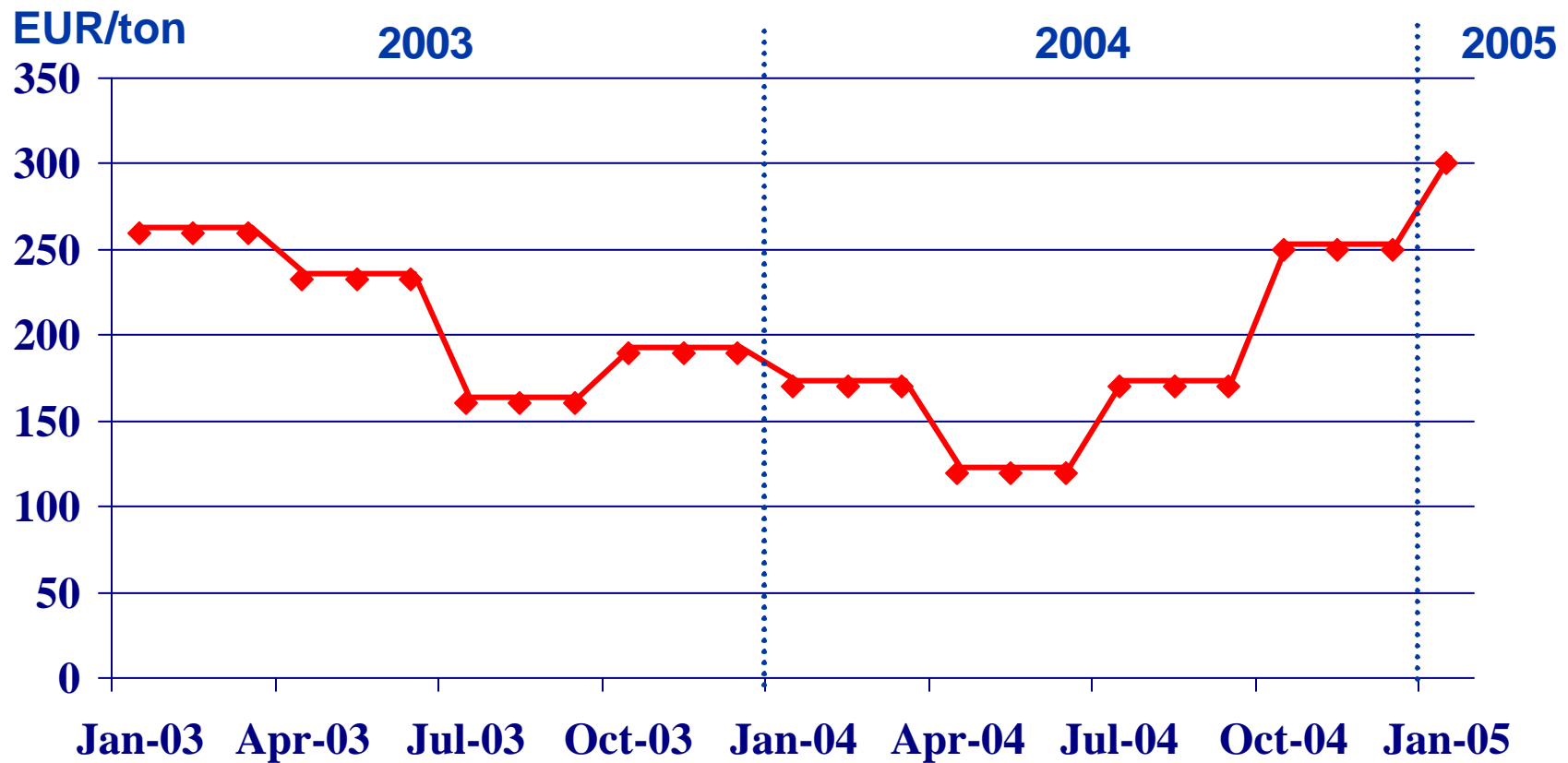


- **Progressive improvement in 2004**
 - REBIT/Sales : H2 : 8% vs H1 : 7%
 - **Soda ash**
 - results suffered from significant increases of energy and transportation costs
 - improving market conditions in Europe and in the US
 - measures to restore margins in 2005 (restructuring, price increases, ...)
 - **Electrochemistry :**
significant recovery of caustic soda prices since June 2004 thanks to better market conditions
 - **Stronger business in Hydrogen Peroxyde in all regions**
 - **Fluor results are improving thanks to sales growth of Solkane® 365mfc**
- favorable market conditions at the beginning of 2005**

Caustic soda prices in Europe

Source : HARRIMAN NWE Liquid NaOH Average Market Price

Chemicals



Strategic focus on Plastics



Enrichment of portfolio and regrouping of forces :

■ Specialties :

rapid growth and geographic expansion

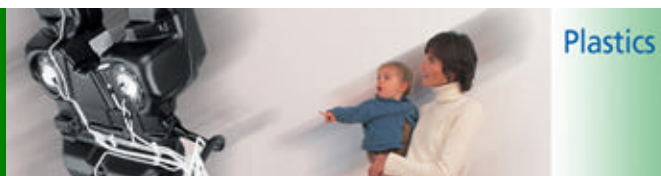
- Specialty polymers, major contributors to Group results
- Inergy Automotive Systems

■ Vinyls cluster :

consolidation, growth and geographic expansion

- strong leadership
- ongoing measures to reinforce competitiveness
(e.g. closure of Ludwigshafen plant in Vinyls, industrial redeployment of Inergy in France, structural improvement in Industrial Films and Pipelife, ...)

Key figures



Plastics

<i>In M EUR</i>	SALES			REBIT Evolution
	2003	2004	2004/2003	2004/2003
PLASTICS^[1]	3,215	3,632	+13%	+76%
Vinyls cluster ^[2]	2,019	2,338	+16%	↗
Specialty polymers and Inergy Automotive Systems	1,196	1,294	+8%	↗

[1] *Plastics and Processing were regrouped on June 1, 2004*

[2] *Including SBUs Vinyls, Performance compounds, Industrial foils and Pipelife (pipes & fittings)*

2004 REBIT (EUR 397 M) : +76%



Plastics

- **REBIT/Sales : 11% (vs 7% in 2003)**
 - **Specialty Polymers, major contributor to the results :**
 - Sales : +11%, mainly in the US and in Asia
 - Existing applications
(semi-conductors, electronics, aerospace, medical, ...)
 - Development of new applications : 52 patents in 2004
 - **Vinyls cluster**
 - **PVC :**
 - sustained demand and price increases in Europe, Asia, Mercosur
 - high prices : raw material (ethylene, ...) and utilities (gas, electricity, ...)
 - **Plastic processing**
margins under pressure, partly compensated by competitive efforts and structural improvement
- favorable market conditions at the beginning of 2005**

Specialty Polymers high added value markets



**Chemical
Industry**



**Computer
Industry**



**Aircraft
Aerospace**



Medical



**Consumer
goods**



**Tele-
communication**



**Wire
and Cables**



**Automotive
Industry**



Coatings



**Fittings and
Plumbing**

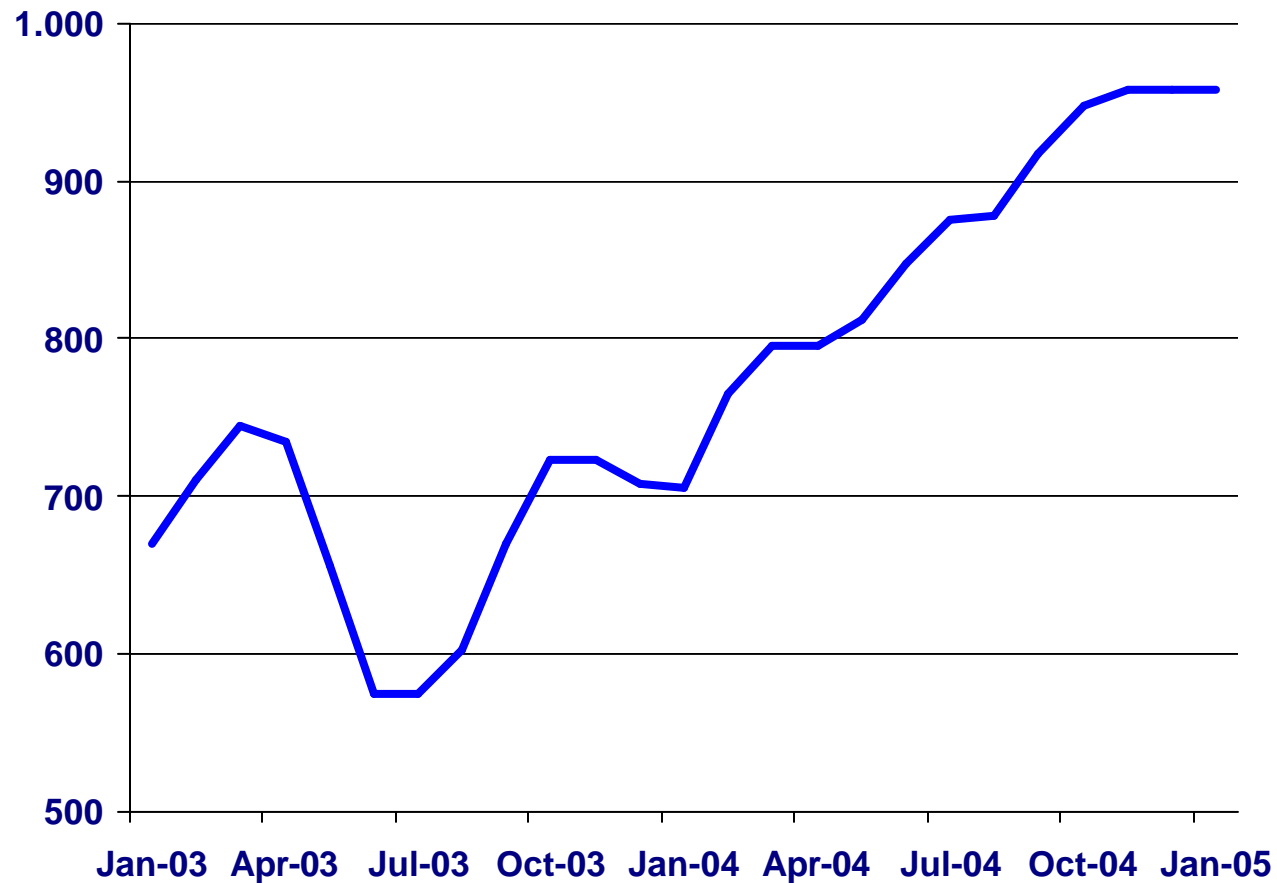
PVC prices

Source : Harriman



Plastics

PVC-Suspension prices in Western-Europe (EUR/t)



Trends for 2005



“The record results achieved in 2004 are the fruit of a change strategy applied with determination that has translated into significant productivity improvement and the launch of new products. The Group overall has had a good beginning to the year 2005, under the influence of favorable market conditions. In addition, innovation and competitiveness efforts implemented in 2004 are bearing fruit and should continue.”

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