



**SOLVAY**

asking more from chemistry®

# Nomura Global Chemical Leaders Conference

March 22, 2013

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Member of the Executive Committee



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# A year of far reaching transformation

# Agenda

- **A year of far reaching transformation**
- **Delivering on 2012 expectations**
- **Committed to our value-creative journey**



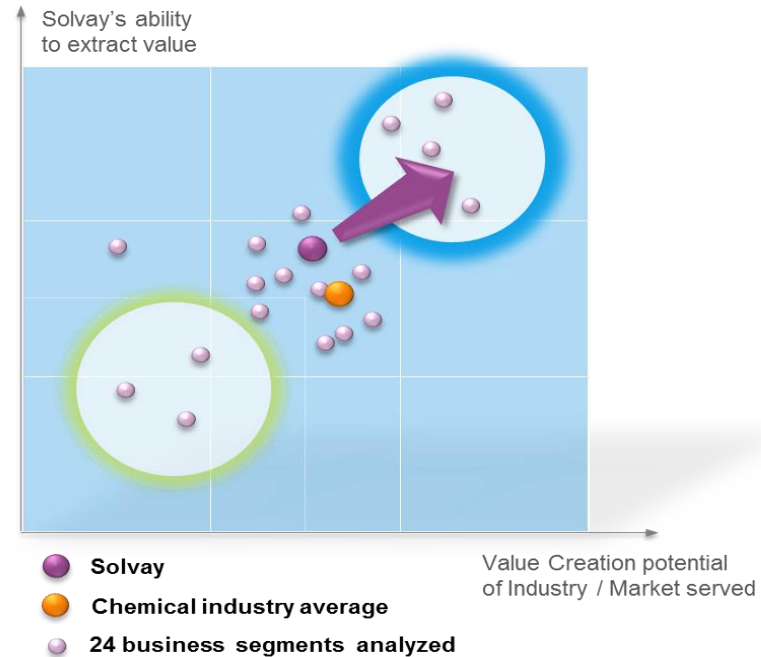


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# A year of far reaching transformation

Well-defined  
strategic **vision**



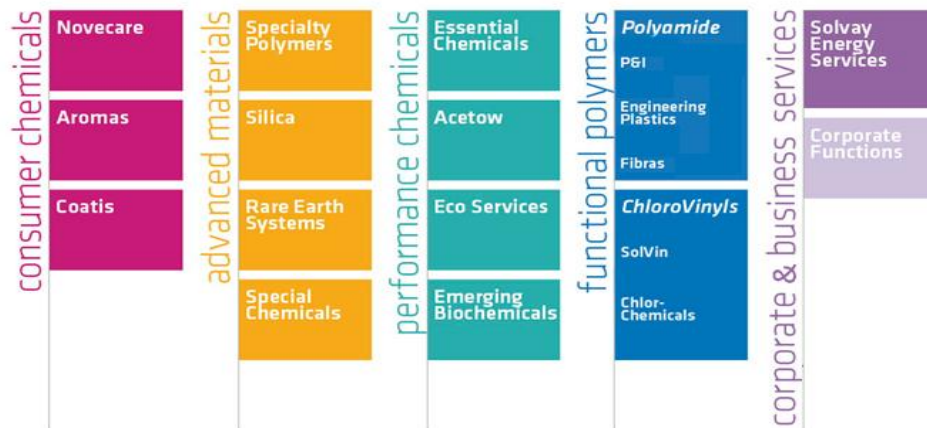
Value creative  
ambition & a **commitment**

# A year of far reaching transformation

Successful  
integration

New organization  
supporting **OUR** ambitions

## Executive Committee



- 🔗 More decentralized
- 🔗 Agile
- 🔗 Closer to customer
- 🔗 Entrepreneurial

# A major responsible chemical player

With compelling strengths

🌀 **90% of sales** in businesses among the **top 3 global leaders**

🌀 **38% of sales** in fast growing markets

🌀 **Balanced portfolio** of activities

🌀 A culture of **sustainability, innovation & operational excellence**

**29,100**  
EMPLOYEES\*  
55 COUNTRIES

**111**  
INDUSTRIAL  
SITES

**12**  
R&D CENTERS

FY'12

Net Sales: € 12.4bn

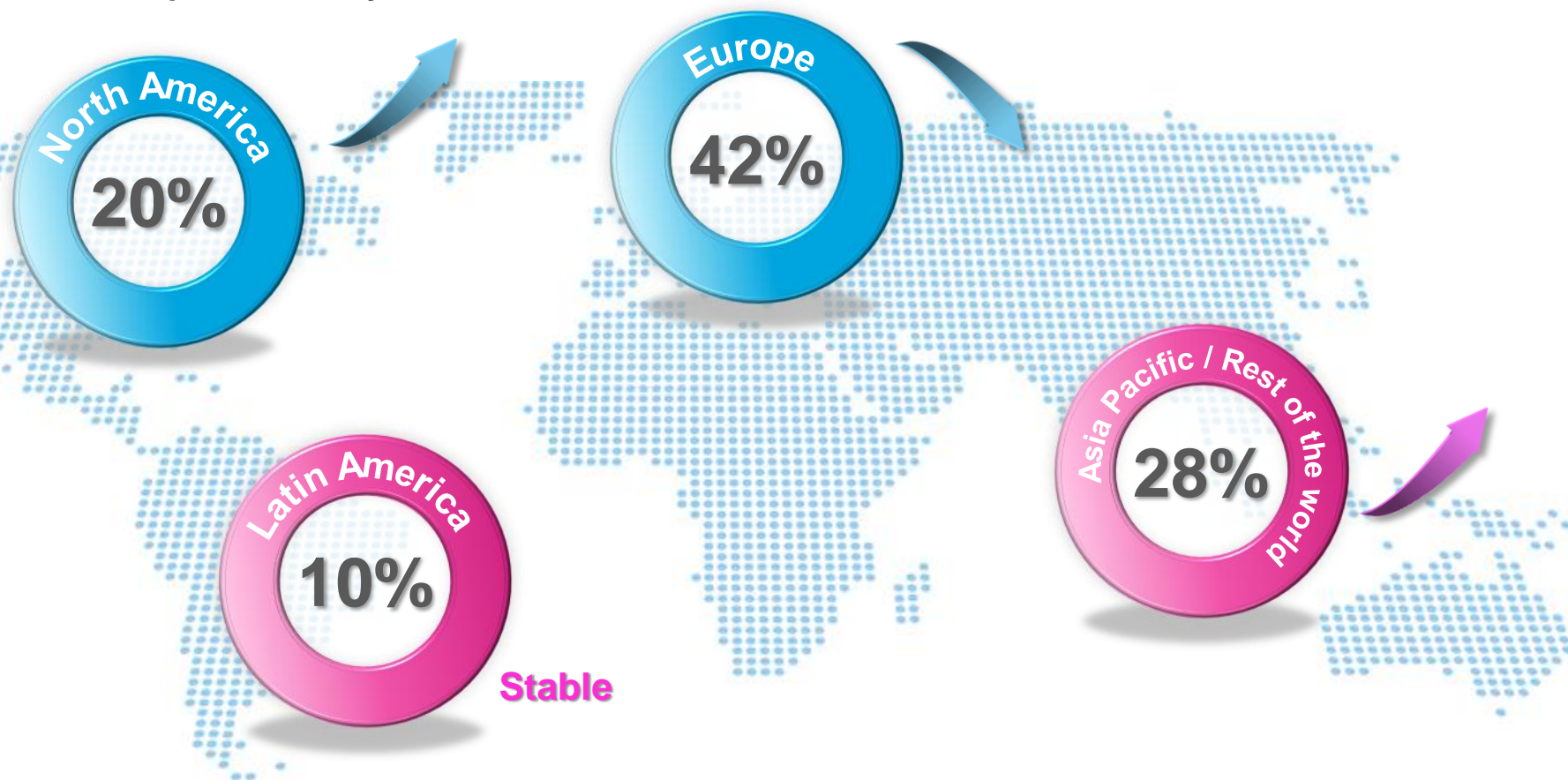
REBITDA: € 2.1bn

FCF: € 787m

\* Full time equivalent employees

# Continued focus on fast growing regions

% of Group net sales by destination



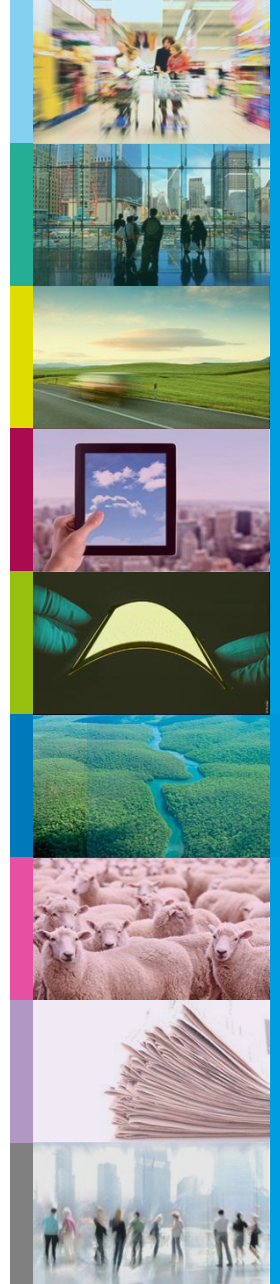
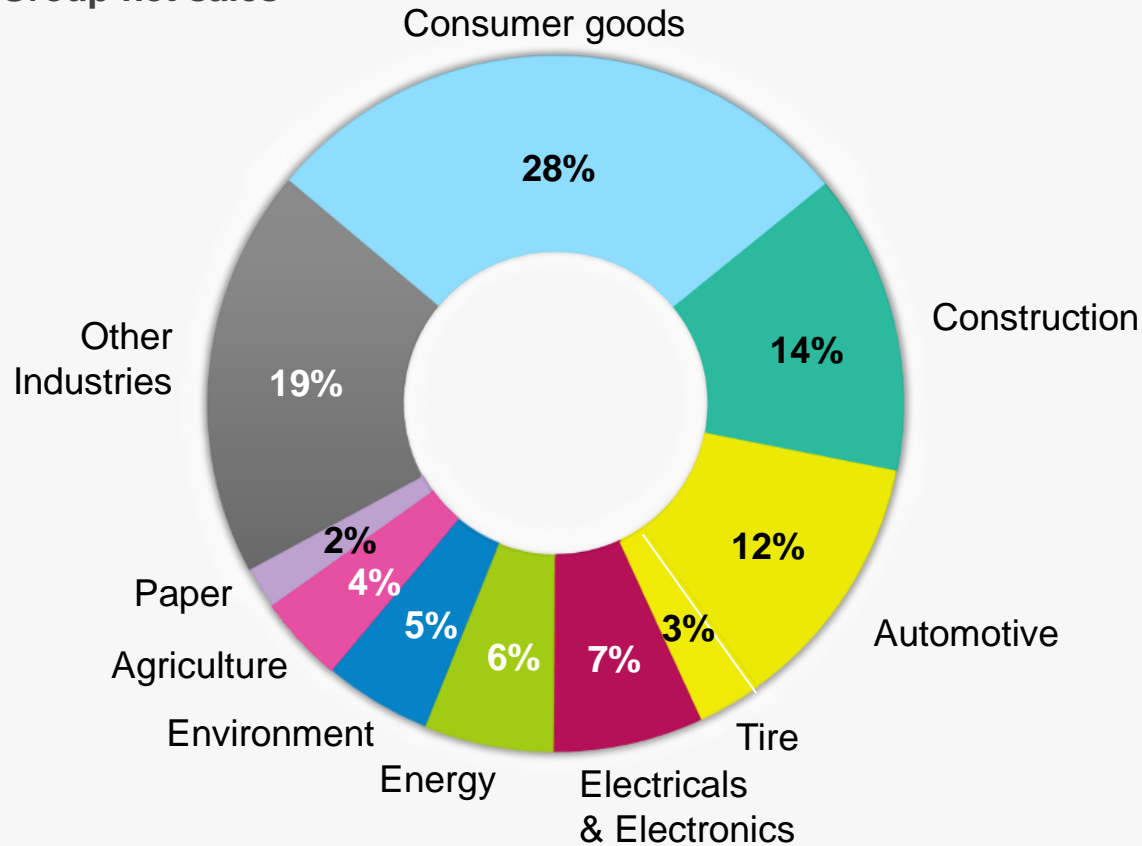
*At constant perimeter, Indupa reported as Assets held for sale*



# A well balanced portfolio

Serving demanding markets

% of Group net sales





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# Delivering on 2012 expectations

*(\*) REBITDA: Operating result before depreciation and amortization, non-recurring items, financial charges and income taxes  
Adjusted indicators exclude non-cash PPA accounting impacts related to the Rhodia acquisition*

# FY'12: Delivering on expectations

FY'12

- 🌀 **Net sales up 2% yoy to € 12,435m**  
with volumes (4)%, prices +2%, forex +3% and scope +1%
- 🌀 **Adj. REBITDA at € 2,067m +2% yoy**
  - Confirmed pricing power
- 🌀 **Integration completed & faster delivery of cost efficiencies: € 170m in 2012; € 400m to be attained 1 year earlier in 2014**
- 🌀 **Adj. Net Income (Group share): € 710m**
- 🌀 **Free Cash Flow<sup>(1)</sup>: € 787m; Net Debt reduced to € 1.1bn**

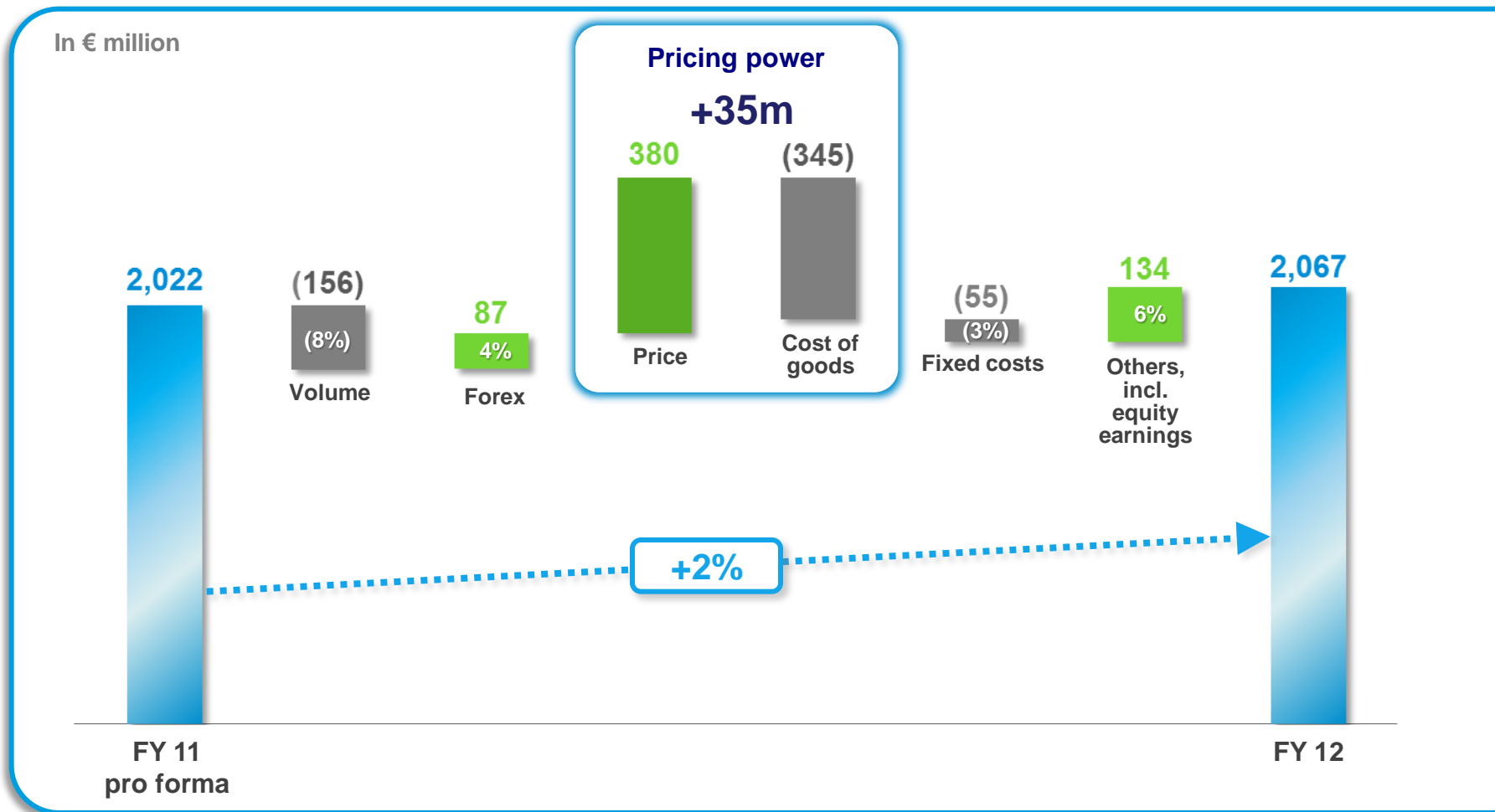
**Net Sales: € 12,435m**

**REBITDA: € 2,067m**

**FCF: € 787m**

(1) Cash flow from operating activities (including dividends from associates and joint ventures) + cash flow from investing activities (excluding acquisitions and sales of subsidiaries and other investments)

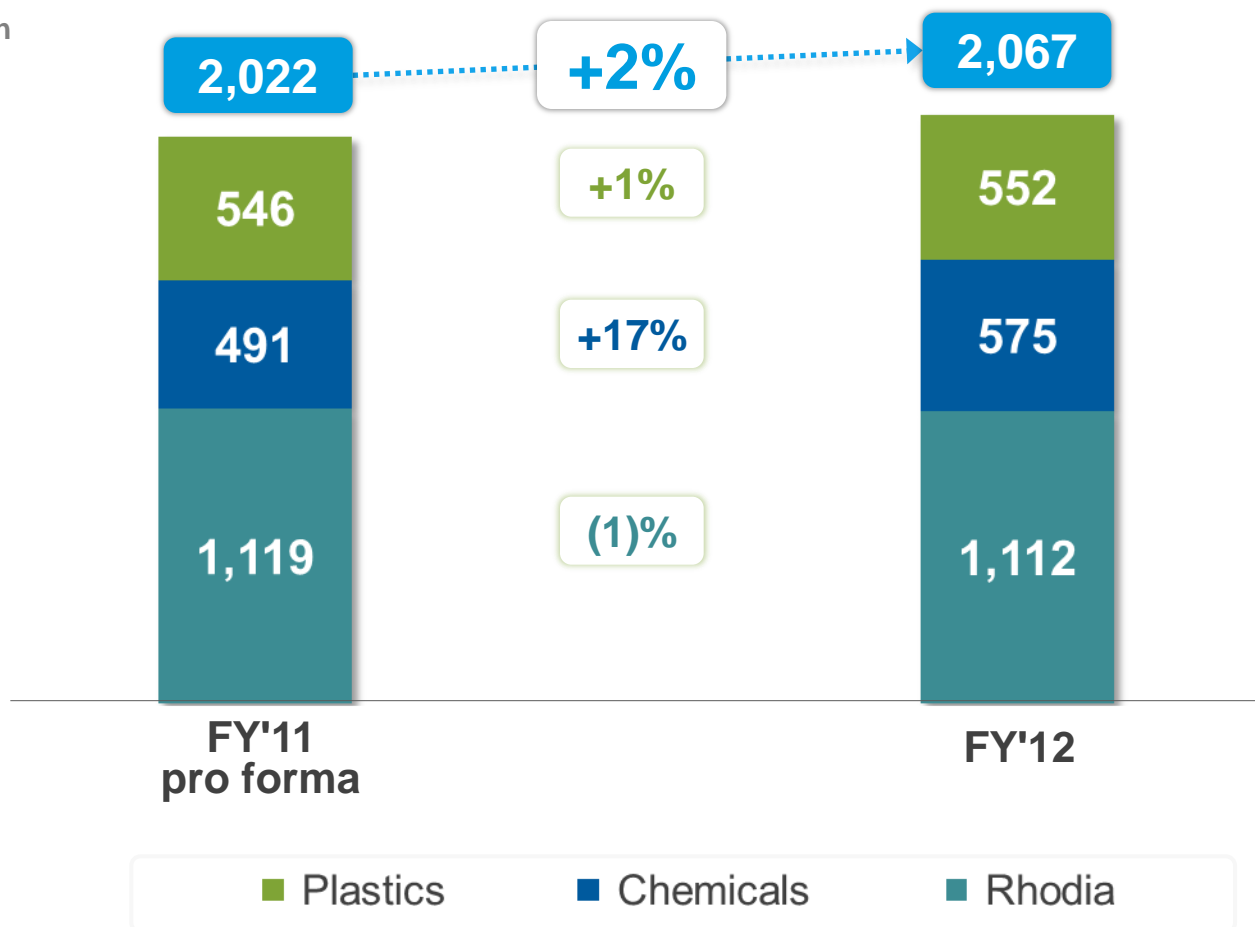
# FY'12 Adj REBITDA\*: Pricing power, higher equity affiliates' contribution & forex, offset volume decline



(\* Above representation excludes CBS and NBD)

# Group Adj.REBITDA\* by sectors

In € million



(\*) Above representation excludes CBS and NBD

# Progressive improvement of industrial working capital

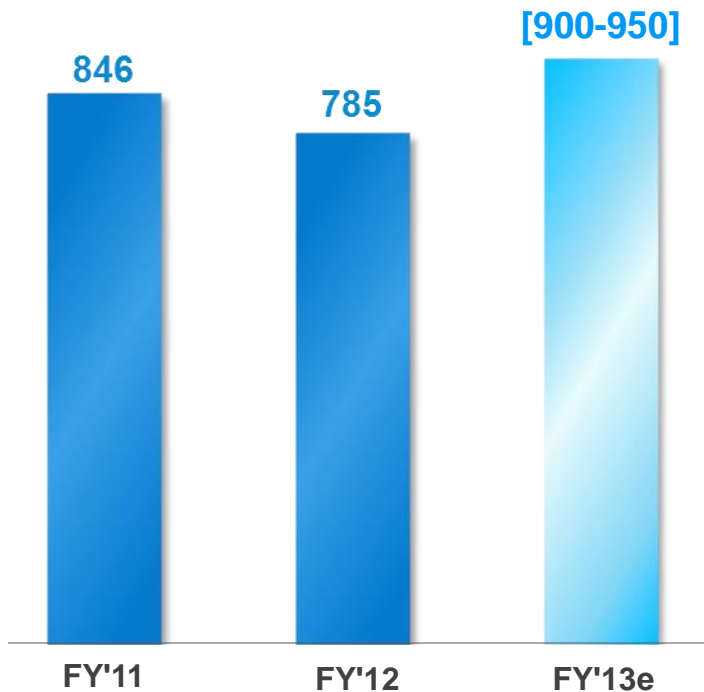
## Industrial Working Capital, % of total sales



# Investing selectively

2012

## CAPITAL EXPENDITURES In € million



 CAPEX does not include investment in participations

### **Novecare**

Production capacity for derivatized guar products in USA and China



### **Specialty Polymers**

- Start-up of a specialty polymers compounds plant in China,
- New SOLEF® production capacity in TAVAUX
- PEEK production capacity expansion in India



### **EPICEROL®**

New Epichlorohydrin site in Thailand



### **Rare Earth Systems**

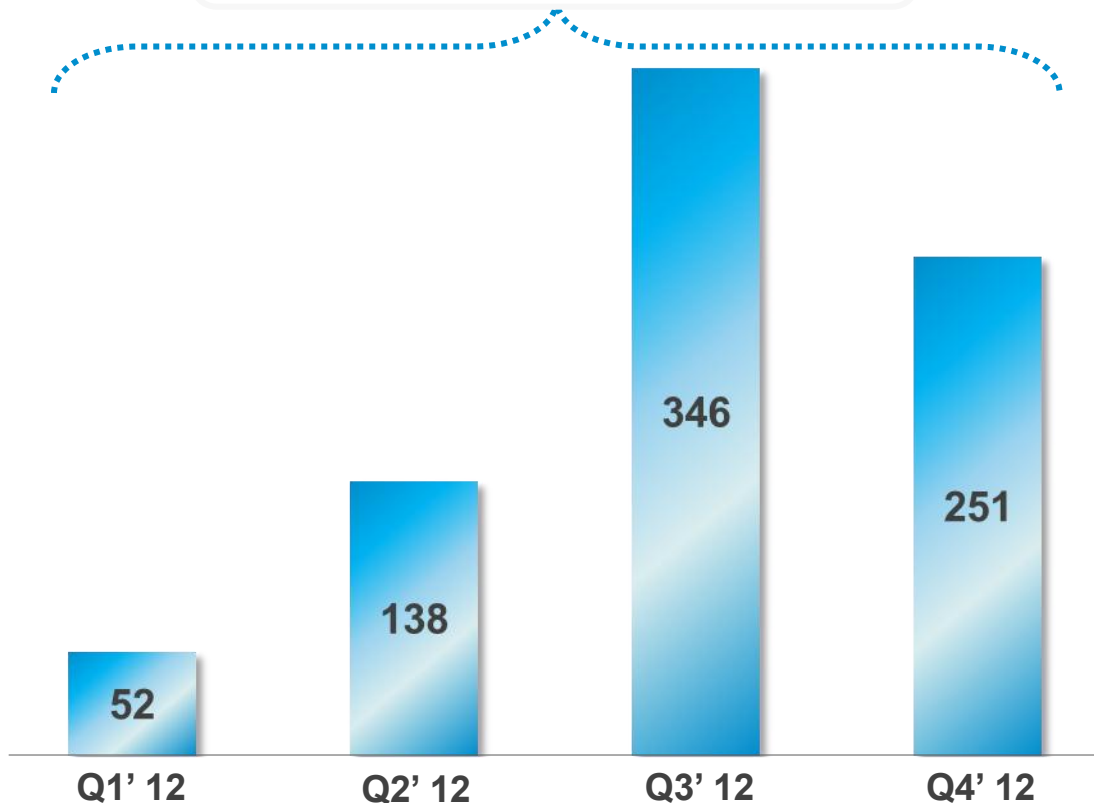
New recycling activity in France



# Strong Free Cash Flow generation

In € million

€ 787m ↗ +20% yoy



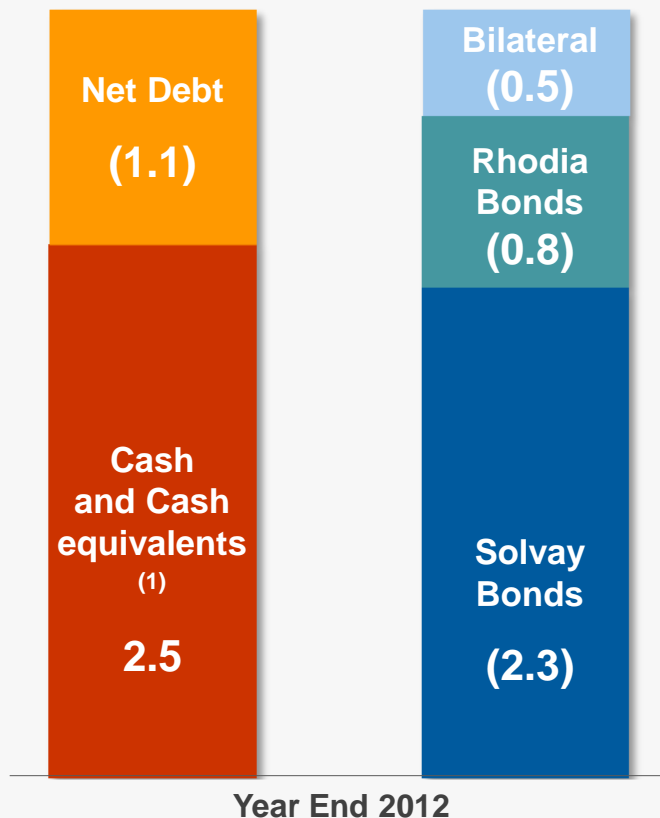
focus on cash

\* Free Cash Flow: Cash flow operating activities (incl. dividends from associates and JVs) + Cash flow from investing activities, excluding acquisitions and sales of subsidiaries and other investments.



# Sound financial structure (IFRS)

In € billion



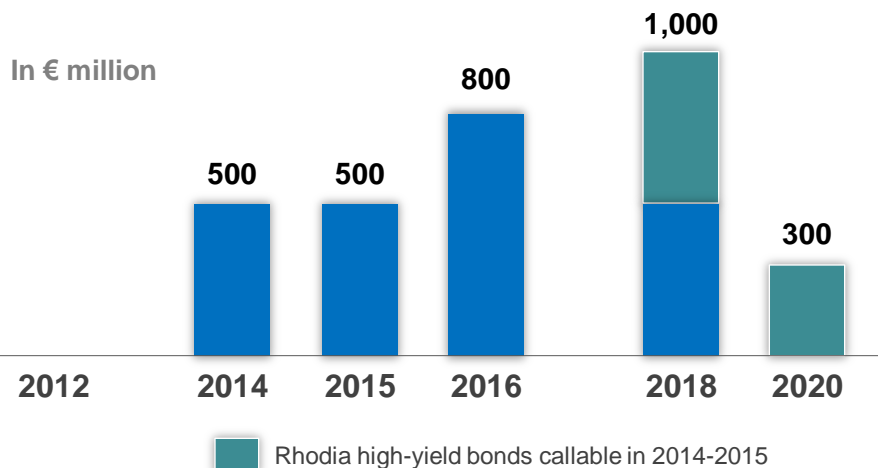
Net debt/Equity ratio<sup>(2)</sup>

**17%**

Leverage ratio<sup>(3)</sup>

**0.5x**

Long-dated maturity debt



(1) Cash, cash equivalents and other current financial assets

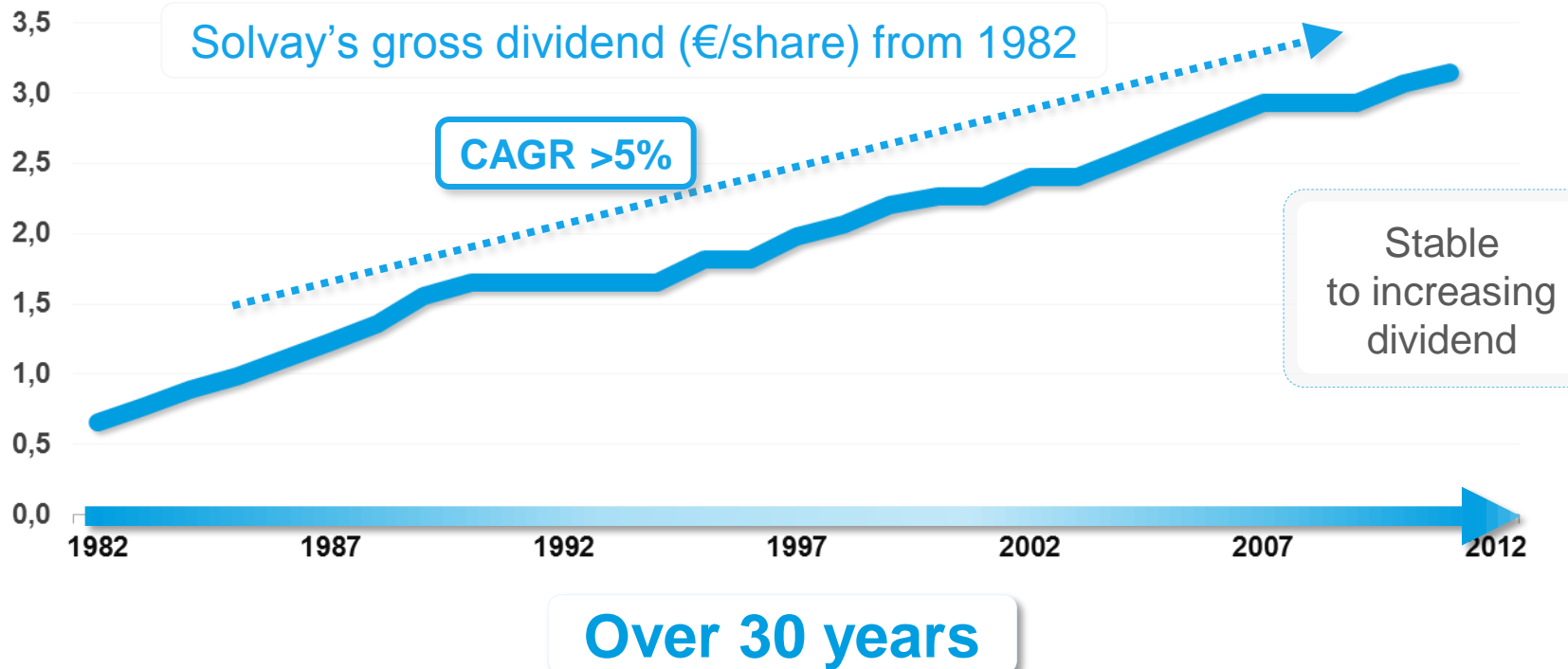
(2) Net financial debt/Shareholders' Equity

(3) Net financial debt/REBITDA

# Over 30 years of gradual dividend increase

2012 total gross dividend per share: € 3.20

4.3% up compared to 2011, dividend yield(\*): 2.7%



(\*) based on closing price before results announcement



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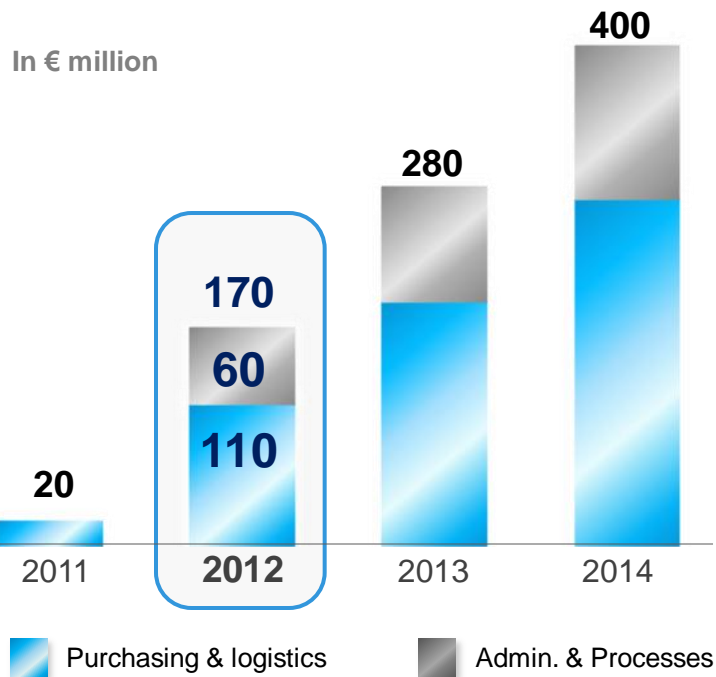
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**Committed to our  
value-creative ambition**

# Delivering faster on savings

## INTEGRATION-RELATED & HORIZON

### Synergies & Cost Efficiency programs



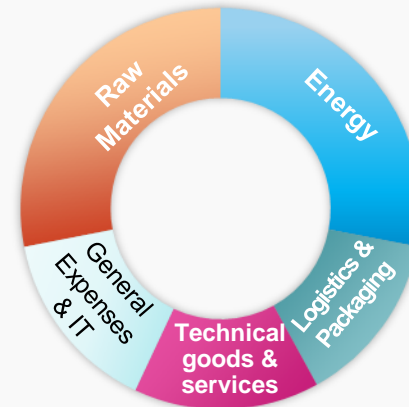
Overall € (150)m in restructuring and integration related costs over 2012-2013

2012

**Purchasing & Logistics € 110m**

2012 purchases

- € 1,3bn Energy
- € 4,7bn Raw Materials



**Administration & Processes**

**€ 60m**

MORE & FASTER

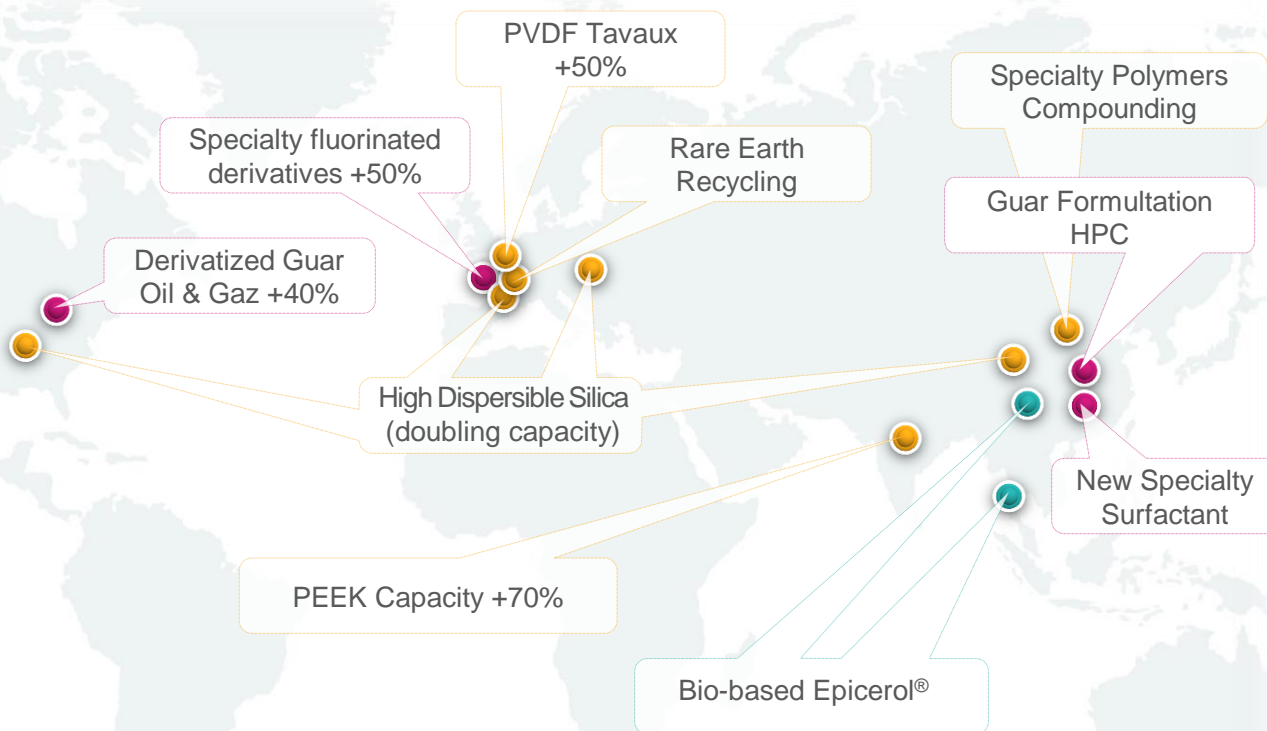
IN LINE

# Focus on Portfolio reshaping

ACTING DILIGENTLY THROUGH MULTIPLE LEVERS



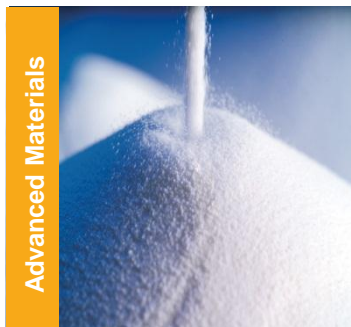
# Investing selectively for future value creative growth



**Growth investments aligned with geographic dynamics and strategic priorities**



Derivatized guar production capacity increase by 40%, serving Oil & Gas and HPC markets



Highly Dispersible Silica for energy efficient tires: +30% production capacity, doubling pre-2010 levels

# Growing through innovation

Major worldwide R&D centers

12

R&D employees

1,900

R&D spending

€ c.300m

Venturing & start-ups

€ 85m

New patents

300

Collaborative innovation projects

>100

2012 developments

Renewable Chemistry

Advanced Materials & Formulations


Sustainable Energy

Organic Electronics

Eco-processes

Consumer Chemicals

Developed at GBUs

- Pesticide anti drift  Starguar™
- Bio-sourced epichlorohydrin Epicerol®
- Biobutanol technology

- Lithium salt (LiTFSI) for LMP batteries
- Lithium-Ion batteries – PVDF binder

- Rare earths recycling process

Corporate and long term open innovation

- Water retention for agrochemicals market
- Participation in Sofinova Green Fund and Aster II
- Co-funder of PIVERT Research Institute

- Fuel cells development
- Participation in Aster II

- Salt-free vanillin technology
- Mixer, reactor & distillation innovative technologies
- Biosol remediation
- Participation in Axelera
- Co-funder of IDEEL Research Institute

Providing today's and tomorrow's solutions

## Outlook

*The macroeconomic environment remains contrasted in the beginning of the year, in line with the preceding quarter. The situation in Asia is improving and North America is pursuing its recovery path. However, the situation remains uncertain in Latin America and challenging in Europe.*

In this context, the Group will continue reshaping its business portfolio, optimizing its industrial footprint, and enhancing the implementation of operational excellence initiatives across the board.

Solvay is committed to deliver on its €3 billion REBITDA ambition at constant perimeter in 2016 and will maintain selective investments to support its growth engines.



## safe harbour

*"To the extent that any statements made in this presentation contain information that is not historical, these statements are essentially forward-looking. The achievement of forward-looking statements contained in this presentation is subject to risks and uncertainties because of a number of factors, including general economic factors, interest rate and foreign currency exchange rate fluctuations; changing market conditions, product competition, the nature of product development, impact of acquisitions and divestitures, restructurings, products withdrawals; regulatory approval processes, all-in scenario of R&D projects and other unusual items. Consequently, actual results may differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements can be identified by the use of words such as "expects," "plans," "will," "believes," "may," "could" "estimates," "intends", "goals", "targets", "objectives", "potential", and other words of similar meaning. Should known or unknown risks or uncertainties materialize, or should our assumptions prove inaccurate, actual results could vary materially from those anticipated. The Company undertakes no obligation to publicly update any forward-looking statements"*

# Appendices

- **Segment information 2012**  
(reported vs new organization restatement)
- **IFRS/ pro forma 2011 - IFRS /Adjusted 2012**
- **Business performance: Q4'12 REBITDA & FCF**
- **Additional financial indications**
- **Balance sheet**

# 2012 segment reporting

2012 in € million

*As per organization effective until December 31<sup>st</sup> 2012*

	Consumer Chemicals	Specialty Polymers	Special Chemicals	Advanced Materials	Essential Chemicals	AES	Polyamide Materials	Vinyls	Energy Services	Corporate <sup>(1)</sup> & NBD
Net Sales	2,548	1,345	629	826	2,358	929	1,702	1,948	166	n.m
REBITDA	531	401	55	173	520	246	99	151	131	(240)

*Restated figures as per new organization<sup>(2)</sup> effective as from January 1<sup>st</sup> 2013*

	Consumer Chemicals	Advanced Materials	Performance Chemicals	Functional Polymers	Corporate <sup>(1)</sup> & Energy
Net Sales	2,565	2,743	3,162	3,808	157
REBITDA	518	627	750	251	(79)

(1) Solvay CBS, Rhodia Corporate & Others & New Business Development

(2) Under the new organization, there are changes in the allocation criteria of formerly non-allocated elements and other structure costs between corporate functions and operating segments

# Q4'12 marked improvement in a challenging environment

NET SALES  
in € million

2,872

10  
stable  
Volume

43  
1.5%  
Price

50  
2%  
Forex

15  
0.5%  
Structure

2,989

+4%

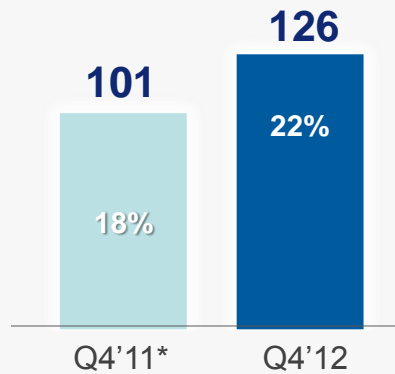
Q4'11  
pro forma

Q4'12

# Q4'12 Chemicals

## REBITDA (€ million) and margins (%)

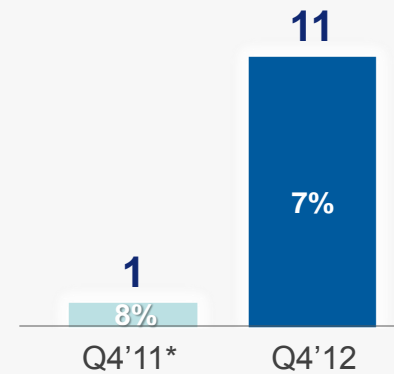
### Essential Chemicals



### Continued performance

- REBITDA up +25% yoy based on selling prices

### Special Chemicals



### Significant improvement

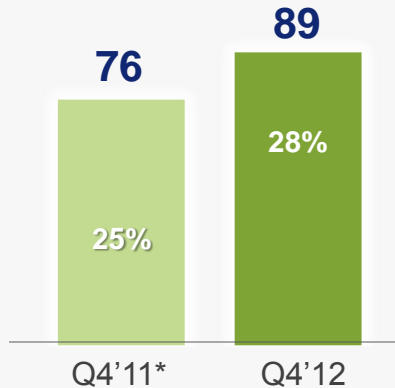
- Resilience in key products
- Improvement in volumes and selling prices

\* Pro forma

# Q4'12 Plastics

## REBITDA (€ million) and margins (%)

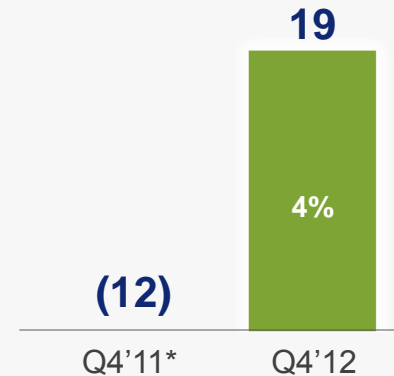
### Specialty Polymers



### Good performance

- Contribution of operational excellence programs
- Strong performance in smart devices and consumer applications

### Vinyls



### Challenging market conditions

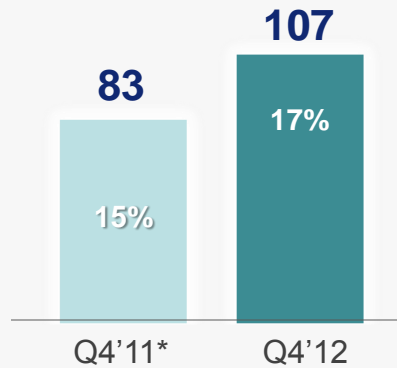
- Very differentiated business dynamics by region
- Better production and lower energy costs

\* Pro forma

# Q4'12 Rhodia

## REBITDA (€ million) and margins (%)

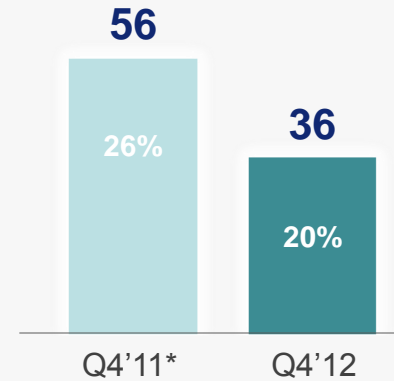
### Consumer Chemicals



### Strong results

- Performance driven by Novecare
- Positive volumes and pricing power

### Advanced Materials



### Demand slowdown in selective markets

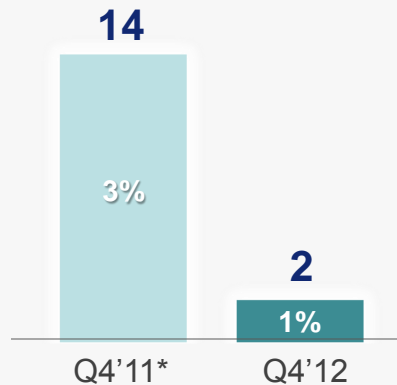
- Silica: Volumes on sales resisted and strong selling prices
- Rare Earth System: weak volumes combined with last year exceptional pricing conditions

\* Pro forma

# Q4'12 Rhodia

## REBITDA (€ million) and margins (%)

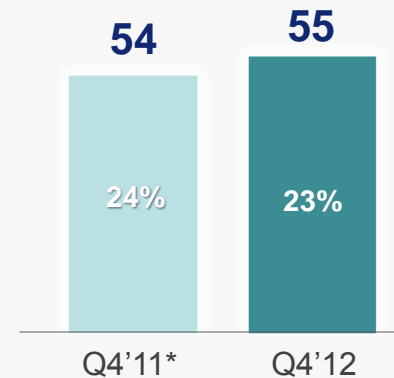
### Polyamide Materials



### Further deterioration of market conditions

- Lack of volumes and margin erosion

### Acetow & Eco Services



### Sustained strong performance

- Strong pricing power and favorable mix in both segments

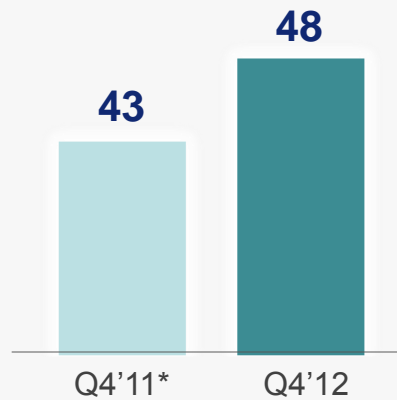
\* Pro forma



# Q4'12 Rhodia

## REBITDA (€ million)

### Energy Services



- CER sales in line with FY expectations (14 mT)
- Average prices was high at € 11.1 per ton versus € 9.5 in Q4'11

\* Pro forma

# FY'12: Volume decline offset by price actions and favorable forex

NET SALES  
in € million

12,149



FY'11  
pro forma

(433)

(4%)

Volume

243

2%

Price

408

3%

Forex

71

1%

Structure

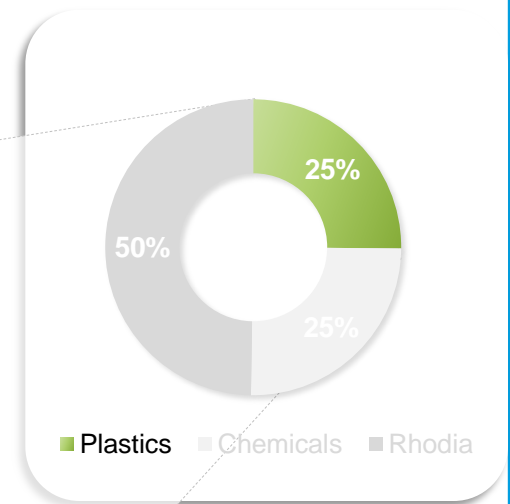
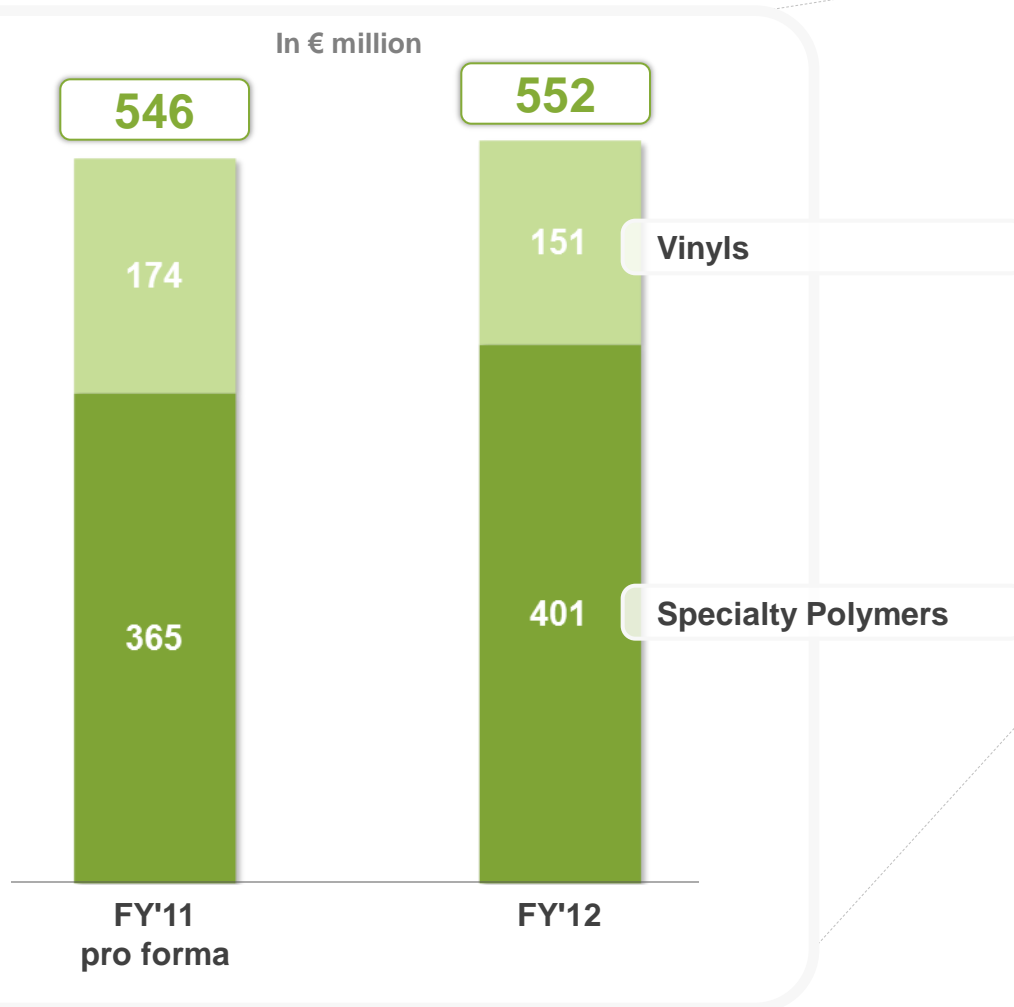
12,435



FY'12

+2%

# Plastics Adj. REBITDA



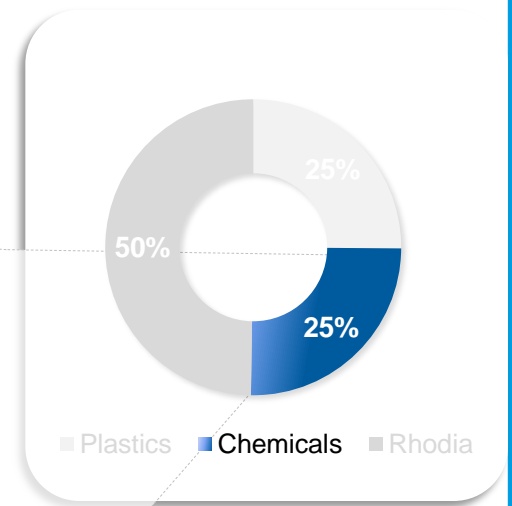
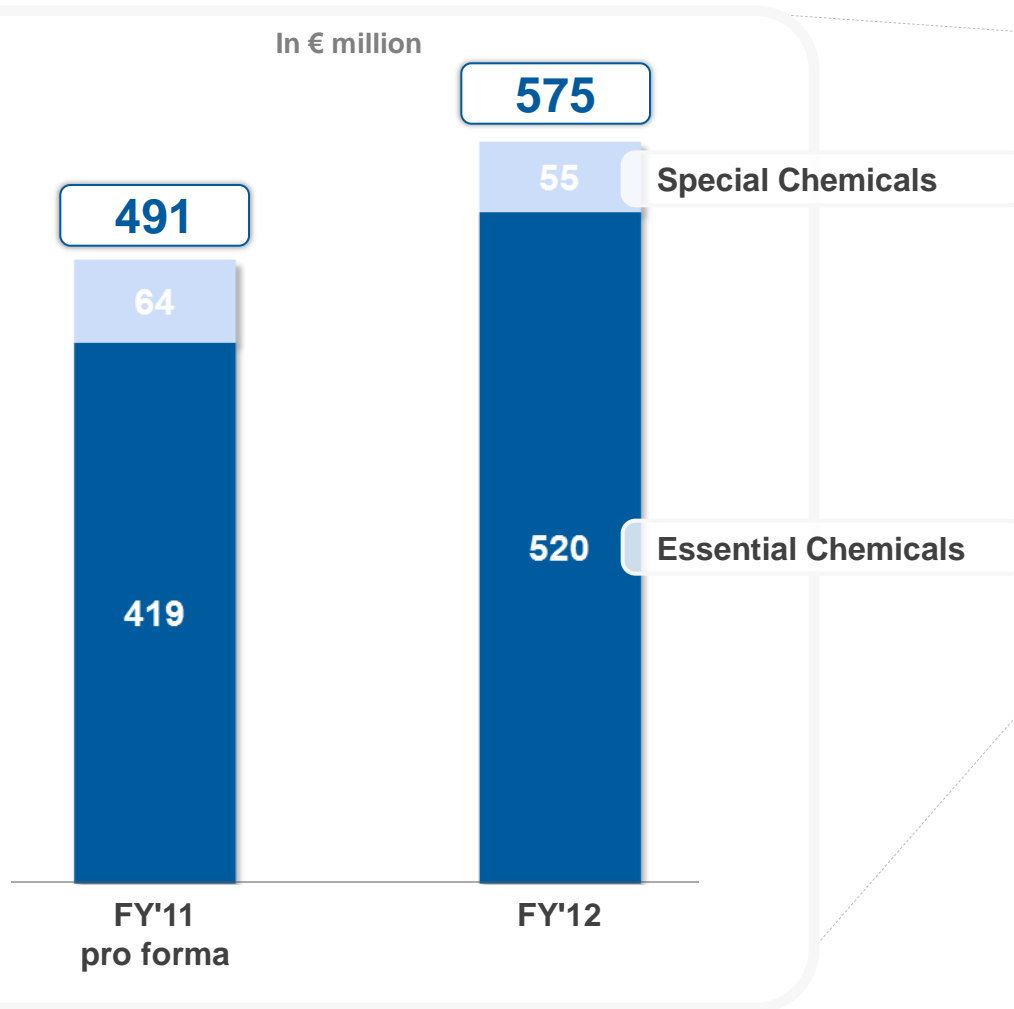
## Specialty Polymers

- Strong performance in Smart Devices, Oil & Gas, Healthcare and Automotive markets
- Operational excellence programs contributed to the results growth

## Vinyls

- Challenging market conditions
- Very differentiated business dynamics across regions

# Chemicals Adj. REBITDA



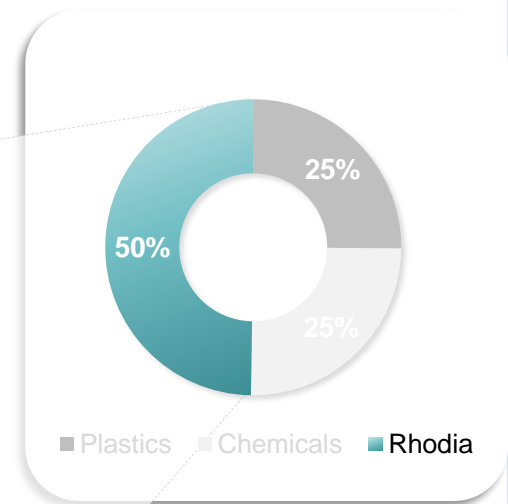
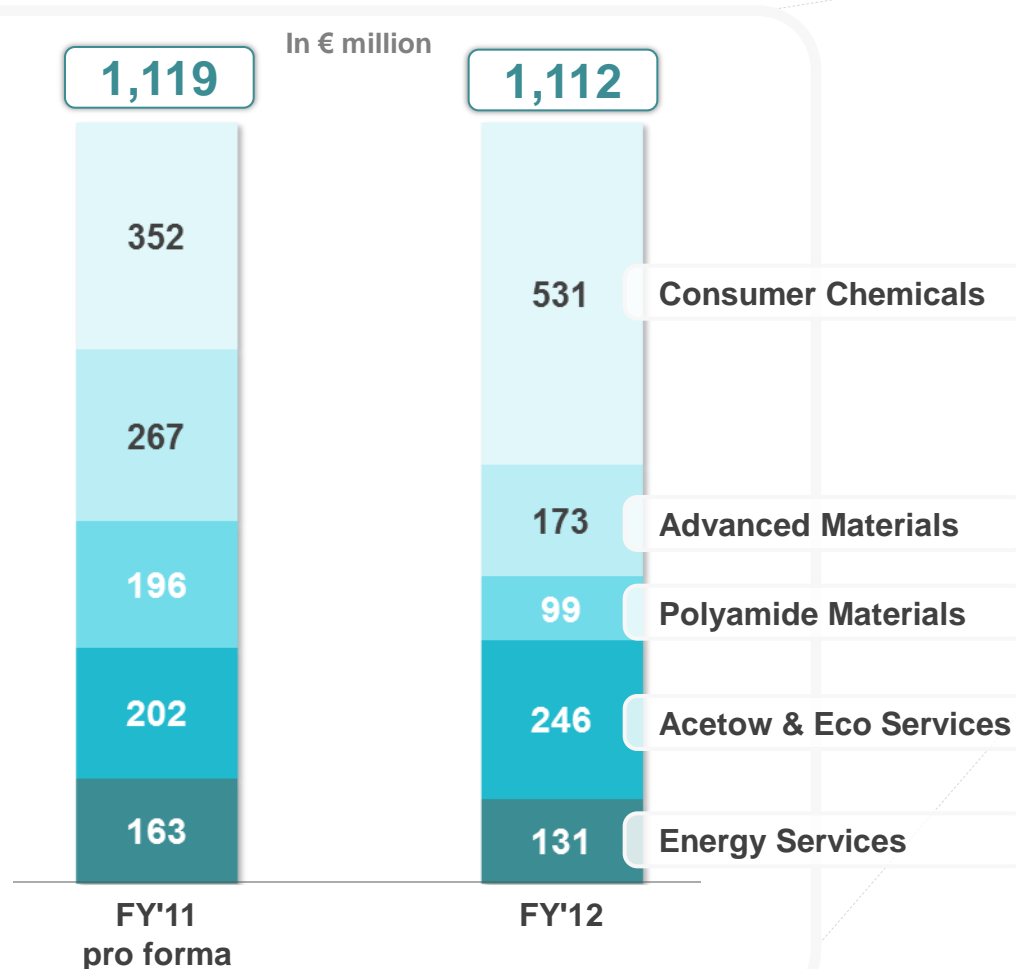
## Essential Chemicals

- Sustained performance and improved pricing

## Special Chemicals

- Operating margins under pressure

# Rhodia Adj. REBITDA\*



## Consumer Chemicals

- Record results driven by guar business developments, innovation & commercial excellence

## Advanced Materials

- Resilience at Silica while Rare-Earths suffered from peak price comparison coupled with severe destocking

## Polyamide

- Difficult trading conditions, margin erosion

## Acetow & Eco Services

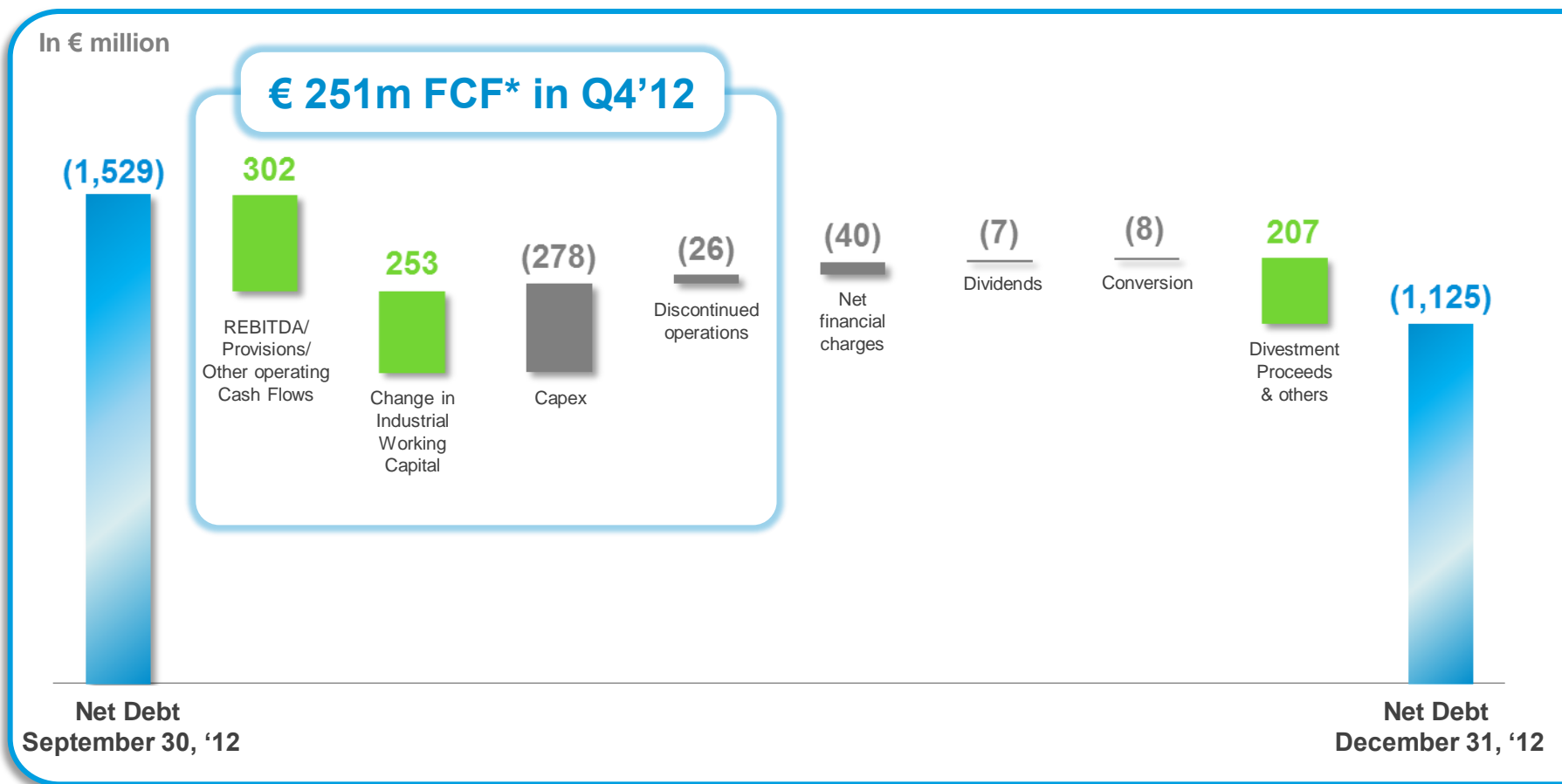
- Pricing power & operating excellence

## Energy Services

- 14 mt CER sold at an average price of € 11.1 per ton (vs. € 11.5 in 2011)

(\*) Above representation excludes Rhodia 's "Corporate & Others"

# Free Cash Flow generation and Net Debt reduction



\* Free Cash Flow: Cash flow operating activities (incl. dividends from associates and JVs) + Cash flow from investing activities, excluding acquisitions and sales of subsidiaries and other investments.

# Income Statement

In € million	Adjusted FY'12	PPA impacts	IFRS FY'12
NET SALES	12,435		12,435
REBITDA	2,067	(45)	2,022
REBIT	1,403	(176)	1,227
<b>Non recurring items</b>	<b>48</b>		<b>48</b>
<b>Net financial expenses</b>	<b>(356)</b>		<b>(356)</b>
<b>Income taxes</b>	<b>(328)</b>	<b>50</b>	<b>(278)</b>
<b>Net result from continuing operations</b>	767	(126)	640
Net result from discontinued operations	(40)		(40)
<b>Net result</b>	727	(126)	601

\* Harmonization of accounting principles, elimination of acquisition costs and financial revenues

# Balance sheet IFRS

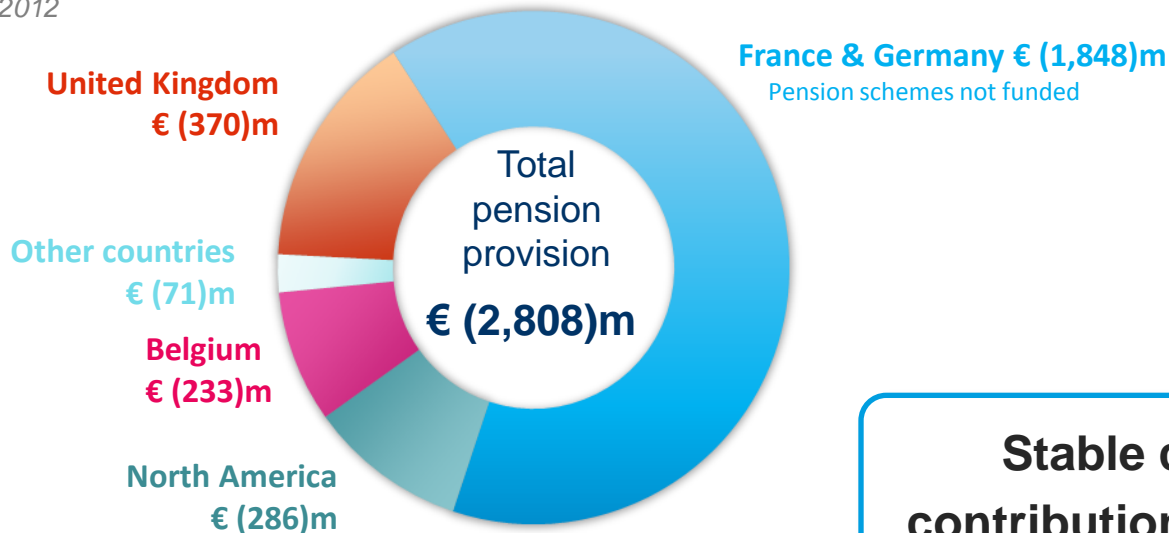
€ million	2012	2011
Fixed assets	9,572	9,956
Investment and shares	1,057	908
Financial receivables	208	246
Asset held for sale	425	96
Taxes payable / receivable+Others	1	62
Working capital*	1,379	1,434
<b>Total Invested Capital</b>	<b>12,642</b>	<b>12,702</b>
Shareholder's equity	6,596	6,653
Provisions	4,482	4,189
Dividends	103	100
Net financial debt	1,126	1,760
Liabilities related to assets held for sale	336	
<b>Total Financing</b>	<b>12,642</b>	<b>12,702</b>

\* including other long term receivables/payables



# Well-managed pension<sup>(1)</sup> situation: stable cash-out; B/S affected by historically-low discount rates

As of December 31, 2012



**Stable cash  
contribution in 2012  
€ (206)m**

## Discount rates used at YE' 12

**3.63%  
average  
discount rate**

- EUR: 3.25% (-150 bp since YE' 11)
- GBP: 4.25% (-50 bp since YE' 11)
- USD: 3.75% (-100 bp since YE' 11)

## Pension assets portfolio: € 1,931m by YE' 12

- 50% Equities / Diversified alternative Funds
- 50% Bonds / Real Estate

(1) Post-employment benefits

# Additional financial indications

## P&L considerations

- **Depreciation & amortization** (excl. PPA),  
yearly ~ € 670m
- **Average cost of gross financial debt 4.9%**
- **Other financial expenses**

Post-employment benefits liabilities net finance costs  
€ (93)m in 2012 \*

Environmental liabilities € (37)m\*\* in 2012 for recurring  
discounting effect (4.6 % of end '12 Provisions and fairly stable  
throughout 2016)

- **Tax rate**

30 to 35 %

(\*) Average discount rate on post employment benefit liabilities applicable to high quality corporate bonds in Euro, GBP and US zones as of Dec 31st, 2011. Impact of lower discounting interest rates in EUR and GBP pension-related liabilities as of Dec 2012 compared to the 2011 year end situation booked through Statement of Comprehensive Income

(\*\*) Reduction in 2012 generated additional cost of discounting provisions of € (50)m.



# Additional financial indications

- **Post-employment benefits**

## **2013 projections**

P&L overall impact: € 166m in 2013

- € (64)m Service costs (up € (20)m because lower discount rates)
- € (102)m Financial costs (up € (10)m because lower discount rates \*)

Cash outflows: € 206m in 2012 and stable beyond

## **Limited impact from implementation of revised IAS 19 as from 2013 onwards:**

- P&L impacts (financial costs): Partially compensated by decrease of discount rates end-2012
- B/S impacts (Liability/(Equity)): € 20-35m

(\*) Average discount rate on post employment benefit liabilities of 3,63%, applicable to high quality corporate bonds in Euro, GBP and US zones as of Dec 31st, 2012.



# Strong global leadership positions

- World leader with 90% of its sales in businesses in which it is in the top 3

## Specialty Polymers

#1

High Barrier Polymers, High-Performance Engineering Polymers & Compounds, Fluorinated Polymers

## Silica & Rare Earth Systems

#1

High-Performance Silicas, Rare Earth Systems

## Consumer Chemicals

#1

Specialty Surfactants, Phosphorus Chemistry & Diphenols

## Essential Chemicals

#1

Hydrogen Peroxide, Soda Ash & Sodium Bicarbonate

## Polyamide & Intermediates

#2

PA 6.6 Polymers, Intermediates & Engineering Plastics

## Vinyls & Acetow

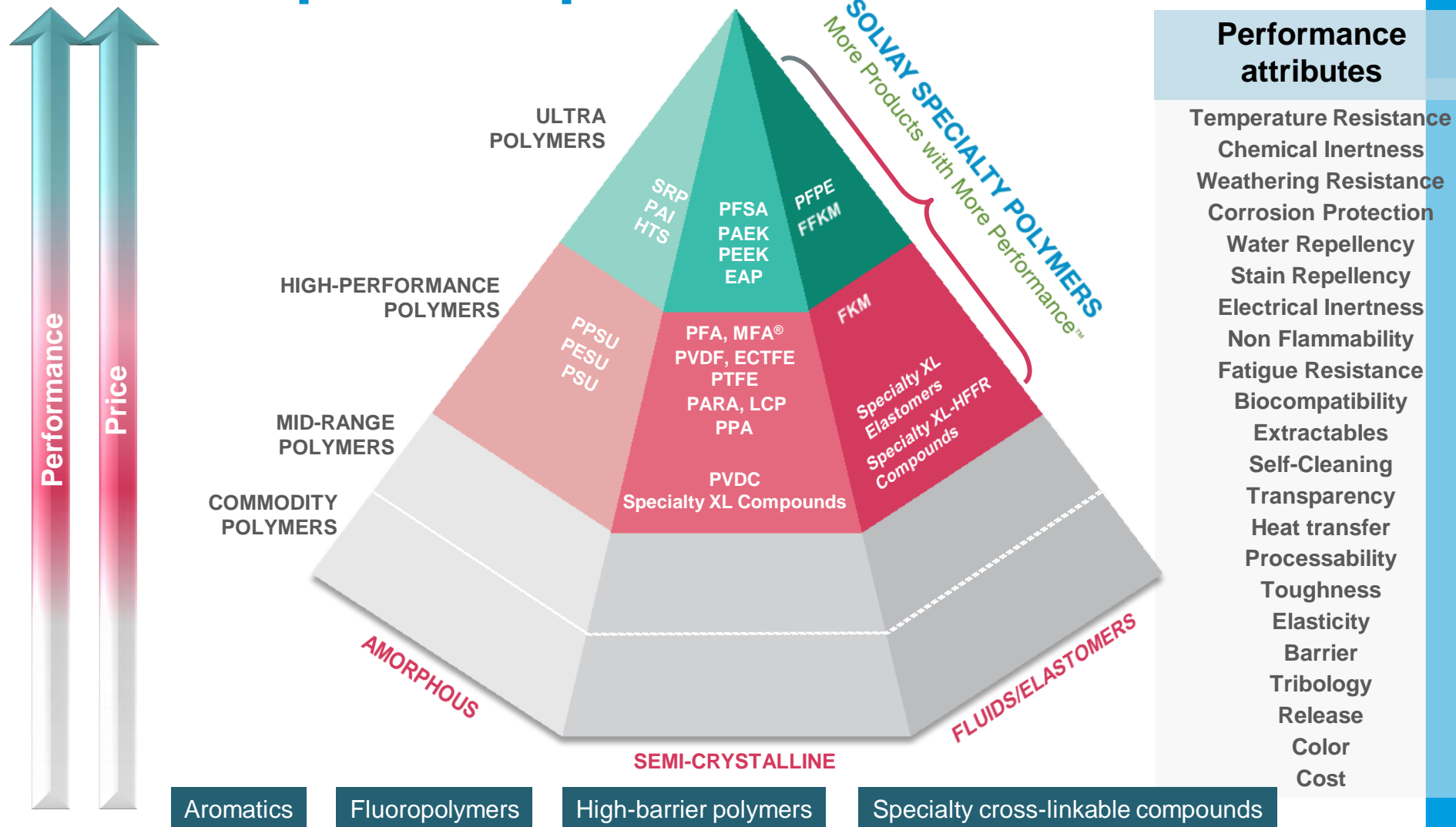
#3

PVC, Cellulose Acetate Fiber

# Specialty Polymers: broadest portfolio of high and ultra high performance polymers

	PVDC	HPPA	PARA	PPS	LCP	PSU PESU PPSU	PEEK	PAI	PI	SRP/ HPS	PEI	PTFE	PVDF	FEP MFA® PFA	FKM/ FFKM	PFPE	ECTFE/ ETFE	XLCP
Solvay	✓	✓	✓		✓	✓	✓	✓		✓		✓	✓	✓	✓	✓	✓	✓
Arkema		✓											✓					
BASF						✓												
Celanese				✓	✓													
Daikin												✓	✓	✓	✓	✓	✓	
DSM		✓																
DuPont		✓							✓			✓		✓	✓	✓	✓	
Dyneon												✓	✓	✓	✓	✓	✓	
EMS		✓																
Evonik							✓											
Kuraray		✓																
MEP			✓															
SABIC											✓							
Victrex							✓											

# Leading at the top of the pyramid with the widest product portfolio

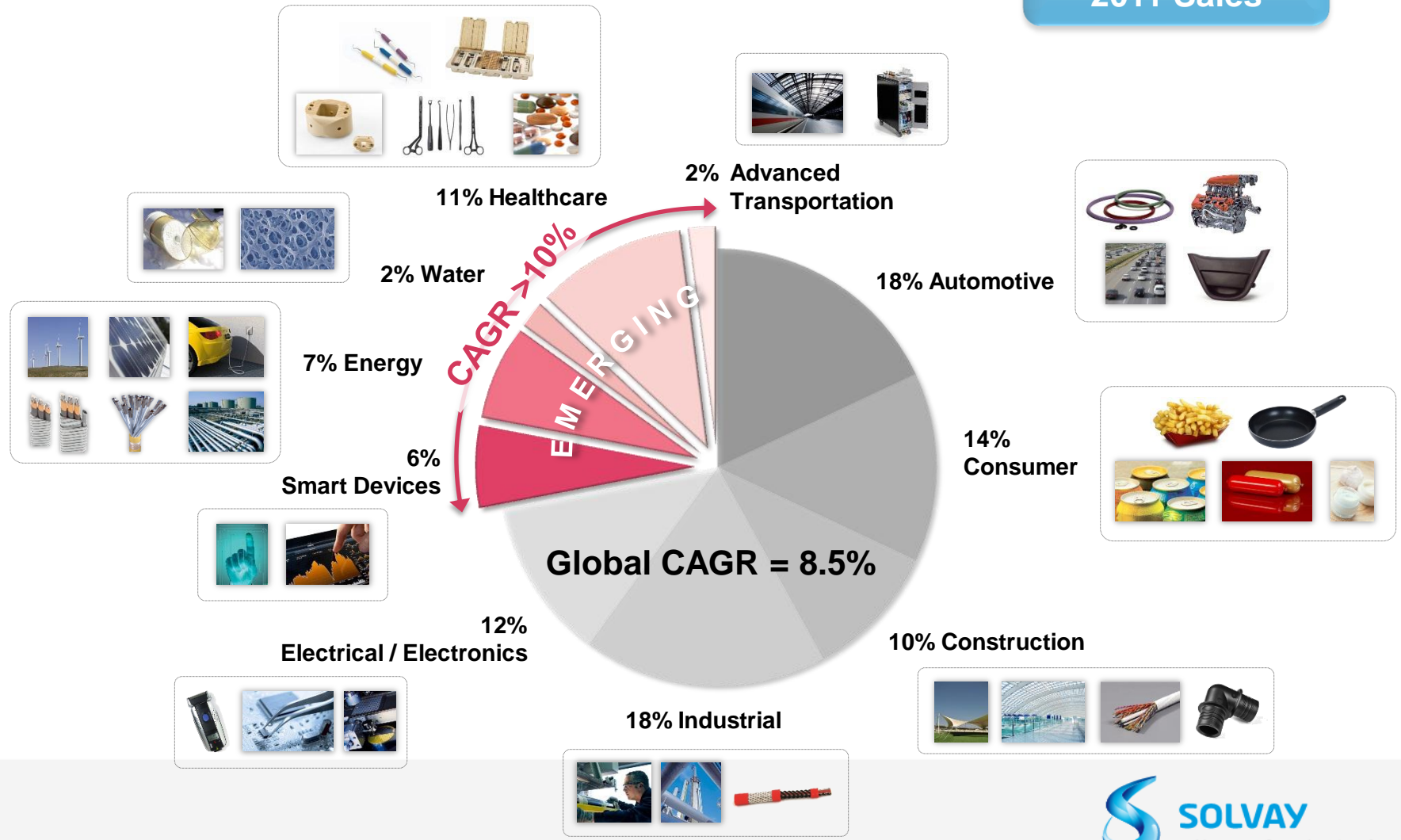


**Built on four product technologies**

# Serving well-diversified and highly dynamic markets

Emerging markets will be 60% of top line growth by 2016

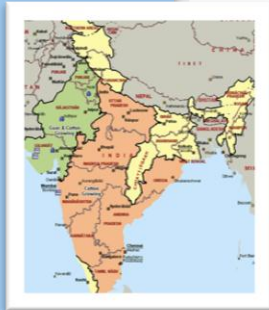
2011 Sales



# Market leadership in guar-based formulations

## What is Guar

- Guar gum, 4 feet high large leaves and clusters of pods
- India produces 80-90% of world supply
- 20 million seed bags
- produced by c. 3 million farmers
- 2.85 million hectares planted
- Seed taken to markets, traded by hundreds of brokers on commodity exchanges such as NCDEX
- Market prices for seed highly volatile



Natural polymer allowing a large variety of physical properties through chemical formulation knowledge (eg. particles size-control, sand transportation in Oil & Gaz fracturing, ...)



# Guar innovation addressing fast growing market segments

Leading bio-sourced technology for many applications & functions



## Best Process

- Process leadership in guar derivative delivers the best quality and enhances competitiveness in USA and China

## Unique position

Oil & Gas gelling agent for fracturing in shale reservoir



- Tailor-made formulations for Key Accounts
- +40% production capacity in Vernon (USA) and in China starting in 2013



Personal Care Polymer for conditioner



- New cationic polymers to deliver breakthrough performance
- Hipro plant supports global customer development in Asia

Agro Water Retention



- New project to start delivery in 2013
- Germination booster to increase agricultural yield

Agro Pesticide Anti Drift



- Tailor-made sustainable solutions for farmers
- > 60 M€ new business with strong IP by 2016



**SOLVAY**

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