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## Excellent operating results for the Solvay group in the 1<sup>st</sup> half of 2006, again reflecting strong growth

- ♦ Growth in **revenue** of 17% (EUR 4,744 million) and **operating results** of 40% (EUR 597 million).
- ♦ Strong growth in **Pharmaceutical** activities; growth in **Chemicals** sector and very good performance by the **Plastics** sector.
- ♦ **Net income of the Group** (EUR 484 million) reflecting much less significant non-operating items than in the 1<sup>st</sup> half of 2005.

**Revenue** in the 1<sup>st</sup> half of 2006 posted an increase of 17% (+15% in the 2<sup>nd</sup> quarter of 2006) and reached EUR 4,744 million. Revenue increased in the three sectors in the 1<sup>st</sup> half of 2006: Pharmaceuticals +44%, Chemicals +10% and Plastics +10%.

**REBIT** (EUR 597 million) was up by 40% in the 1<sup>st</sup> half of 2006 compared to the 1<sup>st</sup> half of 2005 (+45% in the 2<sup>nd</sup> quarter 2006). Operating margin (REBIT on sales) reached 13%, up from 11% in the 1<sup>st</sup> half of 2005.

The **net income of the Group** in the 1<sup>st</sup> half of 2006 reached EUR 484 million (EUR 246 million in the 2<sup>nd</sup> quarter 2006). It includes a net capital gain of EUR 103 million on the sale of industrial foils business to Renolit, completed in the 1<sup>st</sup> quarter of 2006, and a negative balance of non-recurring items of EUR 86 million. It should be recalled that the results of the 1<sup>st</sup> half of 2005 included a net profit of EUR 451 million from discontinued operations and a negative balance of non-recurring items of EUR 280 million.

**Cash flow**<sup>1</sup> for the 1<sup>st</sup> half of 2006 amounted to EUR 749 million and **REBITDA**<sup>2</sup> to EUR 826 million. The **net debt to equity ratio** was 38% at the end of the 1<sup>st</sup> half of 2006.

Revenue for the **Pharmaceuticals Sector**<sup>3</sup> (EUR 1,320 million) in the 1<sup>st</sup> half of 2006 increased by 44% (+33% in the 2<sup>nd</sup> quarter of 2006). Beyond the significant growth of Cardiometabolic sales, sales of Solvay Pharmaceuticals' major products grew strongly. Cardiometabolic sales included EUR 229 million for fenofibrate, a blockbuster drug that exceeds our expectations and is part of the results since August 1, 2005. Research efforts, EUR 217 million i.e. 16% of sales, were up significantly in the 1<sup>st</sup> half of 2006. The operating results of the Pharmaceuticals sector in the 1<sup>st</sup> half of 2006 were exceptionally high and reached EUR 243 million (EUR 119 million in the 2<sup>nd</sup> quarter 2006). Overall for the year 2006, the results and margins for Solvay Pharmaceuticals will be significantly up by comparison to 2005. The Pharmaceuticals sector is confident in its ability to realize the goals announced by 2010 in the context of the "INSPIRE"<sup>4</sup> project.

Revenue of the **Chemicals sector** increased 10% in the 1<sup>st</sup> half of 2006 (+7% in the 2<sup>nd</sup> quarter of 2006). Results, REBIT of EUR 172 million, increased by 6% in the 1<sup>st</sup> half of 2006 compared to the 1<sup>st</sup> half of 2005 (+2% in the 2<sup>nd</sup> quarter of 2006). This performance was due to the persistence of a continued favorable global balance between supply and demand, at a time of increasing energy costs that reached very high levels. Results from the "Minerals" cluster improved while the "Oxygen" cluster continued to achieve good results; the "electrochemistry" activities (caustic soda) and fluorinated products trended downward.

Revenue from the **Plastics sector** increased 10% (+11% in the 2<sup>nd</sup> quarter 2006). Results, REBIT of EUR 217 million, were maintained at the exceptional levels of the 1<sup>st</sup> half of 2005 (+2% in the 2<sup>nd</sup> quarter of 2006). Results from Specialties (Specialty Polymers and Inergy Automotive Systems) increased compared to the 1<sup>st</sup> half of 2005, while results from Vinyls for the 1<sup>st</sup> half of 2006 decreased compared to the excellent levels of the 1<sup>st</sup> half of 2005, due to globally lower spreads.

***"Overall for 2006, Solvay should record increased revenue and operating results, considering the generally favorable business climate, the enrichment of its portfolio of activities and its continuous efforts to improve competitiveness."***

1 Net income plus total depreciation.

2 REBITDA : REBIT, before recurring depreciation.

3 Results from the Pharmaceuticals sector include results from Fournier Pharma since August 1, 2005.

4 See also comments on page 7.

## SOLVAY Group – Summary Financial Information <sup>5</sup>

<i>Millions of EUR</i> <i>(except for per-share figures, in EUR)</i>	1 <sup>st</sup> half 2005	1 <sup>st</sup> half 2006	1 <sup>st</sup> half 2006/ 1 <sup>st</sup> half 2005	2 <sup>nd</sup> quarter 2005	2 <sup>nd</sup> quarter 2006	2 <sup>nd</sup> quarter 2006/ 2 <sup>nd</sup> quarter 2005
Revenue	4,039	4,744	+17%	2,081	2,388	+15%
<b>REBIT</b>	<b>427</b>	<b>597</b>	<b>+40%</b>	<b>209</b>	<b>304</b>	<b>+45%</b>
Non-recurring items	-280	-86	-69%	+42	+2	-95%
EBIT	147	511	+248%	251	306	+22%
Charges on net indebtedness	-38	-45	+18%	-18	-23	+28%
Income taxes	-67	-97	+45%	-71	-49	-31%
Discontinued operations	451	103	-77%	6	0	n.s.
Income from investments	16	12	-25%	16	12	-25%
<b>Net income of the Group</b>	<b>509</b>	<b>484</b>	<b>-5%</b>	<b>184</b>	<b>246</b>	<b>+34%</b>
Net income (Solvay share)	492	468	-5%	172	236	+37%
Depreciation and amortization	219	265	+21%	109	146	+34%
REBITDA	622	826	+33%	308	420	+36%
Cash flow	728	749	+3%	293	392	+34%
<i>(per share, in EUR)</i> Earnings per share <sup>6</sup>	5.93	5.66	-5%	2.07	2.86	+38%
Net debt to equity ratio	20%	38%				

### Notes on Solvay Group summary financial information

**Non-recurring items** in the 1<sup>st</sup> half of 2006 showed a negative balance of EUR 86 million. This included:

- the capital gain of EUR 75 million on the 2<sup>nd</sup> quarter sale of 49.6% in Financière Keyenveld S.A. (Sofina S.A holding.);
- EUR 101 million of restructuring costs, recorded primarily in the 1<sup>st</sup> quarter of 2006, to meet the 2010 objectives of the Pharmaceuticals Sector (the “INSPIRE<sup>7</sup> project”); and
- EUR 58 million of restructuring costs and additional provisions for miscellaneous litigation, primarily in the chemical sector, notably the reorganization of barium and strontium carbonate activities subjected to significant competitive pressures.

**Charges on net indebtedness** amounted to EUR 45 million. Financial debt was totally covered at a fixed rate at the end of the 1<sup>st</sup> half of 2006 thanks to the issue in May of EUR 500 million of a hybrid non-dilutive financial instrument carrying a payment at a fixed interest rate for the first 10 years. This issue allowed the Group to reinforce its financial structure while at the same time benefiting from favorable conditions in the capital market.

**Income Taxes** amounted to EUR 97 million in the 1<sup>st</sup> half of 2006, or a rate of 21%, taking into account tax credits in Germany and Spain and the non-taxable capital gain on the sale, in the 2<sup>nd</sup> quarter, of 49.6% in S.A. Financière Keyenveld. This tax amount is not comparable to that from the same period last year due to the establishment in 2005 of significant provisions, which in part were not tax-deductible.

Results from **discontinued operations** represent in the 1<sup>st</sup> half of 2006, the net income and the net capital gain (EUR 103 million) on the sale of industrial foils to Renolit in March 2006. It should be recalled that, in the 1<sup>st</sup> half of 2005, the results from discontinued operations included a net capital gain (EUR 443 million) on the sale of Solvay’s American and European interests in the high-density polyethylene activities to BP on January 6, 2005 and the net income of the industrial foils activities.

<sup>5</sup> Figures subjected to limited review by Deloitte

<sup>6</sup> Calculated on the basis of the weighted average number of shares outstanding after deducting shares purchased to cover stock option program, or a total of 82,987,400 shares in the 1<sup>st</sup> half of 2005 and 82,660,864 shares in the 1<sup>st</sup> half of 2006.

<sup>7</sup> See also comments on page 7.

**Income from investments** represents the annual dividends paid by Fortis and Sofina. For Fortis, given the dividend prepayment made in the 3<sup>rd</sup> quarter of 2005, the amount recorded in the 2<sup>nd</sup> quarter of 2006 represents only the balance of the dividend.

**Net income of the Group** amounted to EUR 484 million. **Net earnings per share** in the 1<sup>st</sup> half of 2006 amounted to EUR 5.66 (EUR 2.86 in the 2<sup>nd</sup> quarter of 2006), compared with EUR 5.93 for the same period of 2005 (EUR 2.07 in the 2<sup>nd</sup> quarter 2005).

**Depreciation and amortization** amounted to EUR 265 million, up 21% compared to the 1<sup>st</sup> half of 2005. **Cash flow** amounted to EUR 749 million and was up 3%. **REBITDA** amounted to EUR 826 million, up 33%, given the strong growth in operating results.

**Stockholders' equity** amounted to EUR 4,159 million at the end of the 1<sup>st</sup> half of 2006, up EUR 239 million compared to the end of 2005. **Net debt** of the Group as of June 30, 2006 (EUR 1,599 million) decreased by EUR 81 million compared to that of December 31, 2005. The **net debt to equity ratio** was 38%, down in comparison to 43% at the end of 2005.

## **RESULTS BY SEGMENT**<sup>8</sup>

<i>Millions of EUR</i>	1 <sup>st</sup> half 2005	1 <sup>st</sup> half 2006	1 <sup>st</sup> half 2006/ 1 <sup>st</sup> half 2005	2 <sup>nd</sup> quarter 2005	2 <sup>nd</sup> quarter 2006	2 <sup>nd</sup> quarter 2006/ 2 <sup>nd</sup> quarter 2005
<b>GROUP REVENUE</b>	<b>4,039</b>	<b>4,744</b>	<b>+17%</b>	<b>2,081</b>	<b>2,388</b>	<b>+15%</b>
Pharmaceuticals	917	1,320	+44%	487	648	+33%
Chemicals	1,373	1,509	+10%	710	757	+7%
Plastics	1,748	1,916	+10%	884	983	+11%
Non-allocated items	-	-	-	-	-	-
<b>GROUP REBIT</b>	<b>427</b>	<b>597</b>	<b>+40%</b>	<b>209</b>	<b>304</b>	<b>+45%</b>
Pharmaceuticals	76	243	+220%	34	119	+250%
Chemicals	163	172	+6%	82	84	+2%
Plastics	218	217	-	111	113	+2%
Non-allocated items	-30	-35	+17%	-17	-12	-29%
<b>GROUP REBITDA</b>	<b>622</b>	<b>826</b>	<b>+33%</b>	<b>308</b>	<b>420</b>	<b>+36%</b>
Pharmaceuticals	103	293	+184%	47	145	+209%
Chemicals	240	255	+6%	121	126	+4%
Plastics	303	307	+1%	155	159	+3%
Non-allocated items	-24	-29	+21%	-15	-10	-33%

<sup>8</sup> Results by sector include results from the three sectors of the Group as well as non-allocated items.

# IFRS FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT

<i>In millions of EUR (except for per share figures, in EUR)</i>	1 <sup>st</sup> half 2005	1 <sup>st</sup> half 2006	2 <sup>nd</sup> quarter 2005	2 <sup>nd</sup> quarter 2006
<b>Revenue</b>	<b>4,039</b>	<b>4,744</b>	<b>2,081</b>	<b>2,388</b>
Cost of goods sold	-2,748	-3,073	-1,421	-1,551
<b>Gross margin</b>	<b>1,291</b>	<b>1,671</b>	<b>660</b>	<b>837</b>
Commercial and administrative costs	-642	-776	-327	-386
Research and development costs	-203	-288	-110	-145
Other operating gains & losses	-3	3	-5	5
Other financial gains & losses	-16	-13	-9	-7
<b>REBIT</b>	<b>427</b>	<b>597</b>	<b>209</b>	<b>304</b>
Non-recurring items	-280	-86	42	2
<b>EBIT</b>	<b>147</b>	<b>511</b>	<b>251</b>	<b>306</b>
Charges on net indebtedness	-38	-45	-18	-23
Income taxes	-67	-97	-71	-49
Discontinuing operations	451	103	6	0
Income from investments	16	12	16	12
<b>Net income of the Group</b>	<b>509</b>	<b>484</b>	<b>184</b>	<b>246</b>
Minority interests	-17	-16	-12	-10
<b>Net income (Solway share)</b>	<b>492</b>	<b>468</b>	<b>172</b>	<b>236</b>
Earnings per share (in EUR)	5.93	5.66	2.07	2.86
Diluted income per share <sup>(*)</sup> (in EUR)	5.90	5.64	2.06	2.85

(\*) calculated on the number of shares diluted by awarded stock options

## CONSOLIDATED CASH FLOW STATEMENT

<i>In millions of EUR</i>	1 <sup>st</sup> half 2005	1 <sup>st</sup> half 2006
EBIT	147	511
Depreciation and amortization	219	265
Changes in working capital	-236	-318
Changes in provisions	449	50
Income taxes paid	-123	-120
Others	-225	-118
<b>Cash flow from operating activities</b>	<b>231</b>	<b>270</b>
Acquisition/sale of investments	992	294
Acquisition/sale of assets	-162	-219
Income from investments	16	12
Changes in financial receivables	18	36
Effect of changes in method of consolidation	12	2
<b>Cash flow from investing activities</b>	<b>876</b>	<b>125</b>
Increase/decrease of capital	-804	-5
Acquisition/sale of own shares	23	-24
Changes in borrowings	27	479
Charges on net indebtedness	-40	-45
Dividends	-182	-230
<b>Cash flow from financing activities</b>	<b>-976</b>	<b>175</b>
<b>Net change in cash and cash equivalents</b>	<b>131</b>	<b>571</b>
Currency translation differences	30	-17
Opening cash balance	1,406	457
<b>Ending cash balance</b>	<b>1,567</b>	<b>1,011</b>

## CONSOLIDATED BALANCE SHEET\*

<i>In millions of EUR</i>	At 31 December 2005	At 30 June 2006
<b>Non-current assets</b>	<b>7,051</b>	<b>6,986</b>
Intangible assets	770	751
Consolidation differences	1,079	1,144
Tangible assets	3,784	3,715
Other investments	706	693
Deferred tax assets	510	520
Financial receivables and other non-current assets	202	163
<b>Current assets</b>	<b>4,189</b>	<b>4,539</b>
Inventories	1,162	1,164
Trade receivables	1,703	1,768
Income tax receivables	143	194
Other receivables	427	402
Cash and cash equivalents	449	1,011
Assets to be sold	305	0
<b>TOTAL ASSETS</b>	<b>11,240</b>	<b>11,525</b>
<b>Total Shareholders' equity</b>	<b>3,920</b>	<b>4,159</b>
Capital and reserves	3,774	3,924
Minority interests	146	235
<b>Non-current liabilities</b>	<b>3,496</b>	<b>4,075</b>
Long-term provisions	2,310	2,323
Deferred tax liabilities	154	166
Long-term financial debt	984	1,532
Other non-current liabilities	48	54
<b>Current liabilities</b>	<b>3,824</b>	<b>3,291</b>
Short-term provisions	209	208
Short-term financial debt	1,145	1,079
Trade liabilities	1,278	1,095
Income tax payable	161	190
Other current liabilities	883	719
Liabilities linked to assets to be sold	148	0
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>11,240</b>	<b>11,525</b>

\* The Group does not expect a significant impact on its financial statements from the introduction, on January 1, 2006, of IFRIC4 ("International Financial Reporting Interpretations Committee 4") on "determining if an agreement contains a leasing agreement".

## STATEMENT OF CHANGES IN EQUITY

<i>in millions of EUR</i>	Capital	Issue premiums	Reserves	Own shares	Exchange differences	Direct charges to shareholders' equity	Shareholders' equity	Minority interests	Total equity
<b>Book value at the end of the period (12/31/2005)</b>	<b>1,270</b>	<b>18</b>	<b>2,721</b>	<b>-131</b>	<b>-283</b>	<b>179</b>	<b>3,774</b>	<b>146</b>	<b>3,920</b>
Income for the period			468				468	16	484
Cost of stock options			2				2		2
Dividends			-145				-145	-5	-150
Changes in exchange rates					-98		-98	-7	-105
Acquisition/sale of own shares				-24			-24		-24
Net gains and losses not recorded in the income statement						-52	-52	27	-25
Increase of capital							0		0
Other			-1				-1	58	-57
<b>Book value at the end of the period (06/30/2006)</b>	<b>1,270</b>	<b>18</b>	<b>3,045</b>	<b>-155</b>	<b>-381</b>	<b>127</b>	<b>3,924</b>	<b>235</b>	<b>4,159</b>

## **RESULTS BY SEGMENT**<sup>8</sup>

The following table shows revenue without elimination of sales between sectors as well as results by sector including non-recurring items (EBIT).

<i>Millions of EUR</i>	1 <sup>st</sup> half 2005	1 <sup>st</sup> half 2006	1 <sup>st</sup> half 2006/ 1 <sup>st</sup> half 2005	2 <sup>nd</sup> quarter 2005	2 <sup>nd</sup> quarter 2006	2 <sup>nd</sup> quarter 2006/ 2 <sup>nd</sup> quarter 2005
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<b>GROUP REVENUE</b>	<b>4,335</b>	<b>5,048</b>	<b>+16%</b>	<b>2,230</b>	<b>2,541</b>	<b>+14%</b>
Pharmaceuticals	917	1,320	+44%	487	648	+33%
Chemicals	1,498	1,650	+10%	774	829	+7%
Plastics	1,920	2,078	+8%	969	1,064	+10%
Non-allocated items	-	-	-	-	-	-

<b>GROUP EBIT</b>	<b>147</b>	<b>511</b>	<b>+248%</b>	<b>251</b>	<b>306</b>	<b>+22%</b>
Pharmaceuticals	43	139	+223%	13	97	+646%
Chemicals	155	-94 <sup>9</sup>	n.s.	77	-144	n.s.
Plastics	213	217	+2%	105	113	+8%
Non-allocated items	-263	249 <sup>9</sup>	n.s.	56	240	+329%

9. Mainly following the transfer of non-recurring provisions made up to cover the fines in Europe and in the United States in the area of peroxides, from "Non-allocated items" to "Chemicals sector". See also page 12.

# ANNEX TO PRESS RELEASE COMMENTS ON 1<sup>ST</sup> HALF 2006 RESULTS OF THE SOLVAY GROUP

## PHARMACEUTICALS SECTOR

### Strategic developments

♦ ***Acceleration of strategic transformation of the Pharmaceuticals sector: integration of Fournier Pharma and Solvay Pharmaceuticals***

Since August 1, 2005, the sector has benefited from results of Fournier Pharma. This transaction added a significant product line for treatment of dyslipidemia to Solvay's cardiology marketing and research, making this new cardiometabolic area the primary therapeutic axis for Solvay. The key drug, fenofibrate, marketed under the names TriCor® in the USA and Lipanthyl® elsewhere in the world, is already a blockbuster and exceeds our expectations.

With this acquisition, Solvay Pharmaceuticals defined a strategy of integration and transformation of its organization (Project INSPIRE). The Pharmaceuticals sector expects to reach an average growth in revenue<sup>10</sup> of more than 7%<sup>11</sup> per year and an operating margin of 20% by the year 2010. To do this, in allocating its research and development resources, the sector is putting a priority on a limited number of selected therapeutic areas: cardiometabolic, neuroscience, flu vaccines and pancreatic enzymes; in gastroenterology and women's and men's health, the priority will continue to be placed on maintaining presence in the market, especially of existing and well-entrenched drugs. The sector also set as a goal of gradually implementing annual cost savings of 300 million EUR by the year 2010, by optimizing the global structure of its organization both on the geographic and functional levels. The implementation of this savings plan, begun in the 4<sup>th</sup> quarter of 2005, will continue as announced. The Pharmaceuticals goals are well on their way to being realized.

In terms of R&D and expansion of activities, important steps are under way:

- bifeprunox, a schizophrenia treatment from Solvay and its partner in the USA, Wyeth Pharmaceuticals, entered the final phase of preparation of a registration application to the FDA (for the US market). Submission of the dossier is scheduled for the 3<sup>rd</sup> quarter of 2006.
- In the area of fenofibrates, Solvay Pharmaceuticals decided to accelerate R&D efforts for development of successors to TriCor®/Lipanthyl®. These efforts mainly involve the molecule ABT335/HEXA, a next-generation fenofibrate, currently in Phase III and developed by Abbott and Solvay as a new agent for regulating lipids. Also, Solvay Pharmaceuticals is developing several combinations of fenofibrate with other molecules. These include Synordia® (a combination of fenofibrate and metformin) designed for treatment of dyslipidemia in patients suffering from type 2 diabetes, for which a registration has just been filed in Europe. Also, the pharmaceutical groups AstraZeneca and Abbott announced joint development and marketing in the United States of a fixed-dosage combination product combining Crestor® (rosuvastatin from AstraZeneca) and either TriCor® or the next generation fenofibrate, ABT335/HEXA. Filing of the registration for this combined product is set for 2009, and will contribute to an increase of income from the fenofibrate franchise in the United States.

Also, it should be remembered that the results communicated from the FIELD<sup>12</sup> study showed favorable clinical effects on type 2 diabetics without prior cardiovascular histories. It also showed that fenofibrate has both favorable micro-vascular (eye and kidney) and macro-vascular effects and is generally well tolerated when it is used alone or in combination with statins. This study opens the way to new uses of fenofibrate, alone and in combination with statins.

- The new flu vaccine unit, using cell-based production, will be validated in the summer of 2006. This new installation will also be used for the production of a vaccine against bird flu. In the United States, Solvay Pharmaceuticals, Inc. obtained a subsidy of USD 298 million from the American Department of Health and Human Services (HHS) for development of a cell-based flu vaccine and the design of an installation for manufacturing vaccines for the US market.
- In July 2006 the FDA filed our registration application in the United States for fluvoxamine CR ("Controlled Release" - an oral form taken once daily), designed for treatment of obsessive-compulsive disorders and social anxiety disorders.

10 Based on proforma sales of 2004 including Fournier Pharma, or 2,338 million EUR

11 Above the industry average estimated at 7%

12 "Fenofibrate Intervention and Event Lowering in Diabetes," the most extensive study to date for prevention of cardiovascular diseases among diabetics.

- In the 1<sup>st</sup> quarter of 2006 Solvay Pharmaceuticals also concluded new agreements to increase the geographic expansion of AndroGel® in Latin America, several countries in Asia, all the African countries and five additional European countries (France, Belgium, United Kingdom, Spain and Greece).

## Key figures

### Sales by major product

<i>In millions of EUR</i>	2005 <sup>13</sup>	1 <sup>st</sup> half 2005	1 <sup>st</sup> half 2006	1 <sup>st</sup> half 2006/ 1 <sup>st</sup> half 2005
<b>PHARMACEUTICALS SECTOR</b>	<b>2,270</b>	<b>917</b>	<b>1,320</b>	<b>+44%</b>
<b>CARDIOMETABOLIC</b>	<b>434</b>	<b>114</b>	<b>371</b>	<b>+225%</b>
Fenofibrate	185	-	229	-
Teveten®	91	45	47	+4%
Physiotens®	52	27	27	0%
Aceon®	19	9	13	+44%
<b>NEUROSCIENCE</b>	<b>376</b>	<b>185</b>	<b>224</b>	<b>+21%</b>
Serc®	122	59	78	+32%
Marinol®	84	42	50	+19%
Luvox®	80	42	46	+10%
<b>INFLUENZA VACCINES</b>	<b>128</b>	<b>18</b>	<b>24</b>	<b>+33%</b>
Influvac®	100	6	12	+100%
<b>PANCREATIC ENZYMES (Creon®)</b>	<b>162</b>	<b>76</b>	<b>96</b>	<b>+26%</b>
<b>GASTROENTEROLOGY</b>	<b>401</b>	<b>189</b>	<b>188</b>	<b>-1%</b>
Pantoloc®	166	71	72	+1%
Duphalac®	85	43	45	+5%
<b>WOMEN'S AND MEN'S HEALTH</b>	<b>542<sup>14</sup></b>	<b>243</b>	<b>309</b>	<b>+27%</b>
AndroGel®	239	106	141	+33%
Estratest®	91	45	41	-9%
Prometrium®	71	34	40	+18%

## Comments

Results from the **Pharmaceuticals sector** have included results from Fournier Pharma since August 1, 2005.

- **Revenue** for the Pharmaceuticals sector in the 1<sup>st</sup> half 2006 improved by 44% and reached EUR 1,320 million.

In a context of pressure on prices, sales in Europe increased due to integration of Fournier Pharma. Also, sales grew in North America (+55%) and continued to experience rapid growth in emerging countries and Russia.

All therapeutic areas made progress except gastroenterology (-1%). In 2006, cardiometabolic sales included the earnings from fenofibrate (TriCor®, Lipanthyl®) from Fournier Pharma (EUR 229 million). Note that sales of TriCor® 145mg NFE by Abbott in the United States reached USD 456 million, up 17% compared to the 1<sup>st</sup> half of 2005. This confirmed the excellent performance of this product. In neuroscience, there was an increase of 21% due to the marked growth in Serc® (+32%) and Marinol® (+19%). Flu vaccines improved by 33% due to the fact that we participate to vaccination campaigns in the southern hemisphere which take place in different seasons compared to our traditional campaigns in Europe. Pancreatic enzymes (Creon®) and women's and men's health were up by 26% and 27% respectively. Sales of AndroGel® increased sharply (+33%), in the American market.

- **Research** efforts, EUR 217 million i.e.16% of revenue, were up significantly in the 1<sup>st</sup> half of 2006, due to the magnitude and acceleration of certain research projects in the "Neuroscience" and "Cardiometabolic" areas, in particular the more rapid development of new products to reinforce the franchise value of fenofibrate (Tricor®/Lipanthyl®).
- **Operating results** in the Pharmaceuticals sector in the 1<sup>st</sup> half of 2006 were exceptionally high; they reached EUR 243 million, including capital gains (EUR 28 million) on the sale of Estrogel®, a female hormone treatment in the United States, and other minor products, as well as an award of EUR 10 million in litigation in the United States. Operating results in the 2<sup>nd</sup> quarter reached EUR 119 million. The operating margin in the Pharmaceuticals Sector in the 1<sup>st</sup> half of 2006 reached 18% compared to 8% in the 1<sup>st</sup> half of 2005 and 13% overall for the year 2005. The implementation of an annual savings plan of EUR 300 million for the year 2010 continued as planned and restructuring charges (EUR 101 million in the 1<sup>st</sup> half of 2006) were recorded, primarily in the 1<sup>st</sup> quarter of 2006.

<sup>13</sup> Including five months of sales by Fournier Pharma (EUR 265 million). Excluding Fournier Pharma, Solvay Pharmaceuticals' sales would have increased by 15%.  
<sup>14</sup> Restated following the integration of some small products.

As indicated before, **overall for 2006** the results and margins for Solvay Pharmaceuticals will be significantly better than in 2005 that included already 5 months of Fournier's results from August 1, 2005 onwards. This performance will be achieved despite the May 2006 expiration of Canadian rights to sell Pantoloc®, sales of which reached EUR 166 million in 2005 and EUR 72 million for the 1st five months of 2006. It reflects the announced savings (EUR 75 million in 2006), the very good performance of fenofibrate and our major products as well as the increased research efforts (budget of EUR 413 million planned for 2006, +18% compared to 2005). The Pharmaceuticals sector is confident in its ability to realize the objectives announced by 2010 in the context of the "INSPIRE" project.

## CHEMICALS SECTOR

### Strategic Developments

- ♦ ***In parallel with consolidation in Essential products, creation of new opportunities to sustain growth by development of Specialties and geographic expansion.***

The decision to develop activities in Asia took concrete form with the announcement of construction of a fluorinated specialties plant in Korea intended to serve strongly growing markets in this region of the world, such as semiconductors and liquid-crystal displays (LCDs), and the creation of a joint venture in China for ultra-pure hydrogen peroxide.

Also of note:

- in hydrogen peroxide, construction of a mega-plant (230 kt/year) at Antwerp in partnership with BASF and Dow to supply hydrogen peroxide for propylene oxide production, startup of a capacity expansion in Finland in the 1<sup>st</sup> quarter of 2006, a project for a new site in Chile and the shutdown of a hydrogen peroxide unit at Torrelavega in Spain;
- in bicarbonate, a specialty designed for a wide range of high-growth applications (environmental protection, pharmaceuticals, etc.), the announced expansion of capacity in Germany;
- in calcium chloride, the decision to construct a new unit in Italy by the year 2007. Solvay will then have the largest site in the world in this field, thus reinforcing its competitiveness with a broadened portfolio of products;
- in barium and strontium carbonates, a strategic reorganization consisting, for Solvay, of repositioning itself in specialty grades while moving the technical grades into a joint venture with CPC (USA) in order to meet the significant competitive pressures of the end-market in a period of rapid change, both from a geographic as well as a technological viewpoint. Also noteworthy in this area was the restructuring under way in Germany.

The acquisition in August 2005 of a majority holding (75%) in the German company Girindus reinforced the capabilities of the Group in the area of organic molecules designed for high-tech markets. Following this acquisition, the sector created a new Strategic Business Unit, "Molecular Solutions," also including Peptisyntha (peptide synthesis), the organic chemicals line from Fluor and the fine chemistry marketing and production activities of Solvay Specialties France. This new SBU should quickly become financially independent and reach the critical size necessary for these activities.

Finally, the Chemicals Sector is paying particular attention to the developments in the energy situation, which is characterized by a general increase in prices of gas and electricity. Technological leadership in processes, adaptable high-performance industrial infrastructures, such as the investments planned in Bulgaria, cogeneration units, and a strategy of supply coverage with medium- to long-term contracts help mitigate the energy impact. Solvay's participation in founding Exeltium, a group of electric-intensive industries in France, should assure Solvay's large French production sites of reliable and competitive energy supplies, especially for the Tavaux site. As permitted by the specific market conditions of each SBU, price hikes are negotiated to compensate the increase of energy costs.

### Key figures

(in millions of EUR)	Revenue				REBIT change
	2005	1 <sup>st</sup> half 2005	1 <sup>st</sup> half 2006	1 <sup>st</sup> half 06 / 1 <sup>st</sup> half 05	1 <sup>st</sup> half 06/ 1 <sup>st</sup> half 05
<b>CHEMICALS</b>	<b>2,785<sup>15</sup></b>	<b>1,373</b>	<b>1,509<sup>15</sup></b>	<b>+10%</b>	<b>+6%</b>
Minerals cluster <sup>16</sup>	1,223	601	649	+8%	↗
Electrochemistry and fluor chemicals cluster	1,099	554	584	+5%	↘
Oxygen cluster <sup>17</sup>	453	219	242	+11%	↘

<sup>15</sup> Including Molecular Solutions SBU

<sup>16</sup> Including the Soda Ash and Derivatives, Barium and Strontium Carbonates, and Advanced Functional Materials SBUs

## Comments

- ♦ **Improvement in Chemicals activities due to globally favorable market conditions, in a context of marked increases in energy costs.**

Revenue of the **Chemicals sector** increased 10% in the 1<sup>st</sup> half of 2006 (+7% in the 2<sup>nd</sup> quarter of 2006). Results, REBIT of EUR 172 million, increased by 6% in the 1<sup>st</sup> half of 2006 compared to the 1<sup>st</sup> half of 2005 (+2% in the 2<sup>nd</sup> quarter of 2006). This performance was due to the persistence of a continued favorable global balance between supply and demand, at a time of increasing energy costs that reached very high levels. Results from the “Minerals” cluster improved while the “Oxygen” cluster continued to achieve good results; the “electrochemistry” activities (caustic soda) and fluorinated products trended downward.

- **Soda Ash** activities improved due to well-oriented demand and rising prices in the context of very high energy costs. Specialty derivatives of soda ash, bicarbonate in particular, witnessed good global volumes and prices; their growth continued due to the development of a portfolio of products and geographic expansion.
- Volumes of **Caustic Soda** remained high. However, despite prices that remained at high levels, the increase in the cost of energy put pressure on margins; price hikes are expected within the next few months.
- In the 1<sup>st</sup> half of 2006, the primary **Fluoride Products**, such as Solkane® 365mfc, a product used in insulation materials, experienced higher volumes and prices than in the 1<sup>st</sup> half of 2005. The refrigerants, such as Solkane® 134a, are, however, undergoing intense competitive pressures in China.
- In favorable market conditions, results of **Hydrogen Peroxide** remain good despite a slight easing; the high level of energy costs, in particular in Europe, was not compensated for by price. Following the fine of 193 million EUR<sup>18</sup> imposed last April by the European Commission in the area of peroxides, Solvay, filed an appeal with the Court of First Instance of the European Community in Luxemburg in early July 2006. In view of the appeal procedure, Solvay has set up a bank guarantee corresponding to the amount of the fine, already covered by provisions made in 2004 and 2005.

## **PLASTICS SECTOR**

### Strategic Developments

- ♦ **Enriching the portfolio and capitalizing on our strengths.**  
**Transfer of Industrial Foils, recording a net capital gain of 103 million EUR<sup>19</sup>.**

The strategy of the Plastics sector is characterized as follows:

- on the one hand by the development of Specialties: Specialty Polymers and Inergy Automotive Systems, a 50/50 joint venture with Plastic Omnium in fuel systems, are both growth activities with high added value and have become one of the primary contributors to the Group's results.

In Specialty Polymers, the Group is reinforcing its research and proceeding with production-capacity expansions in order to meet the growing demand for these high-added-value products. It is also bringing to fruition structural projects in the United States and Asia. These include, among others, the opening of a new technical centre in Shanghai and construction (with completion set in 2007) of a world-class plant for the production of micronized polytetrafluoroethylene (PTFE) powder, in order to meet the local growth in demand for these innovative, high-performance materials. Also, two acquisitions were recently completed: the plastics division of Gharda in India, which among other things provides access to the very-high-performance polymer PEEK, and the company Mississippi Polymer Technologies, a start-up which launched PARMAX®, a new family of specialty materials with unique characteristics. These products are designed for markets such as electronics, aerospace, medical and automotive applications. Finally, SolviCore, a 50/50 joint venture between Solvay and Umicore for research, development, production and marketing of membrane-electrode assemblies (MEA), designed for application in fuel cells (FC), began operations.

- On the other hand, strong leadership, targeted growth and continuous reinforcement of competitiveness remain priorities for the activities in the Vinyls area. It is in this context that the Thai subsidiary, Vinythai, doubled its capacity (salt/chlorine/EDC/VCM), and capacity expansions for VCM and PVC started up in Brazil. Southeast Asia and Mercosur constitute, alongside Europe, important areas of growth for vinyl activities. In Europe, the competitive position of Solvin was further reinforced with the shutdown of the Ludwigshafen unit on January 1, 2006 and the transfer of capacities to other units.

<sup>17</sup> Including the Hydrogen Peroxide, Detergents and Caprolactones SBUs

<sup>18</sup> This amount includes 26 million EUR imposed on Solvay Solexis SA (Ausimont SpA before 2002), along with Edison SpA.

<sup>19</sup> After the sale in 2005 of rigid sheet to Ineos, the Group finalized the sale of other industrial films to Renolit in March 2006 for a price of 330 million EUR. The net capital gain on this sale is recorded under the heading “discontinued operations” in 2005 and 2006.

## Key figures

(in millions of EUR)	Revenue <sup>20</sup>				REBIT change
	2005	1 <sup>st</sup> half 2005	1 <sup>st</sup> half 2006	1 <sup>st</sup> half 06 / 1 <sup>st</sup> half 05	1 <sup>st</sup> half 06 / 1 <sup>st</sup> half 05
<b>PLASTICS</b>	<b>3,507</b>	<b>1,748</b>	<b>1,916</b>	<b>+10%</b>	-
Specialty Polymers and Inergy Automotive Systems	1,610	787	895	+14%	↗
Vinyls cluster <sup>21</sup>	1,897	961	1,021	+6%	↘

## Comments

### ♦ Growth in Specialties and resilience in Vinyls.

Revenue from the **Plastics sector** increased 10% (+11% in the 2<sup>nd</sup> quarter 2006). Results, REBIT of EUR 217 million, were maintained at the exceptional levels of the 1<sup>st</sup> half of 2005 (+2% in the 2<sup>nd</sup> quarter of 2006). Results from Specialties (Specialty Polymers and Inergy Automotive Systems) increased compared to the 1<sup>st</sup> half of 2005, while results from Vinyls for the 1<sup>st</sup> half of 2006 decreased compared to the excellent levels of the 1<sup>st</sup> half of 2005, due to globally lower spreads.

- **Specialty Polymers**, among the major contributors to the Group's results, witnessed a very strong increase in sales in the 1<sup>st</sup> half 2006 due to volumes and prices, which were overall on the rise, in particular fluoro-polymers, -fluids and -elastomers, as well as polysulfones. Sales were particularly high in certain markets such as electronics, medical applications and new automotive applications, petroleum drilling and packaging. Sales also increased sharply in Asia where the commercial presence was reinforced. Results were strong despite the negative effects of raw material costs that remained high as well as the increase of R&D efforts (+23% compared to the 1<sup>st</sup> half of 2005) required to continue to meet the growing demand for new high-performance polymers.

Results from **Inergy Automotive Systems** improved but at a less sustained pace considering the marked slowdown in the worldwide automobile market. Volumes (6.9 million fuel systems) in the 1<sup>st</sup> half of 2006 were maintained compared to the 1<sup>st</sup> half of 2005, due to the steadiness of certain models and to favorable geographic diversification. Also, the costs of raw materials remained a pressure point.

- Results from **Vinyls** in the 1<sup>st</sup> half 2006 were down compared to the exceptional level of the 1<sup>st</sup> half 2005, due to globally lower spreads; this was despite high volumes in Mercosur and in Europe. Results for the 2<sup>nd</sup> quarter 2006 improved compared to the 1<sup>st</sup> quarter of 2006 due to improvements in results from Europe. The latter witnessed a favorable trend in volumes, rising prices to compensate for the increase in very high ethylene prices and favorable effects of the shutdown of the Ludwigshafen unit. Demand at the start of the 3<sup>rd</sup> quarter of 2006 remains good and should, especially in Europe, permit continued price increases while ethylene is again going up significantly. In Asia, the imbalance between supply and demand in China is still weighing on prices and spreads.

Results at **Pipelife** were up due to the significant improvement in volumes of pipes and fittings in the 1<sup>st</sup> half of 2006. Good geographic diversification and development of a product mix and certain innovative specialties promoted price hikes in a context of increasing prices for raw materials.

<sup>20</sup> Restated figures : without the industrial films (carried in "discontinued operations" following the announcement of their transfer in 2005) and following elimination of the Performance Compounds SBU whose activities are consolidated in the Specialty Polymers (Polyolefins compounds) and Vinyls SBUs (PVC compounds) since 01/01/2006.

<sup>21</sup> Including the Vinyls and Pipelife (pipes and fittings) SBUs

## REMARKS

### 1. Limited quarterly review

Deloitte have conducted a limited review of the half-yearly consolidated situation that closed on 30 June 2006. This consisted principally of analysis, comparison and discussions of financial information and therefore was less extensive than an audit that would be undertaken for annual statements. This review did not disclose any elements that would have required significant corrections in the interim statements.

### 2. Primary exchange rates.

1 Euro =		Closing			Average		
		2005	1 <sup>st</sup> half 2005	1 <sup>st</sup> half 2006	2005	1 <sup>st</sup> half 2005	1 <sup>st</sup> half 2006
Pound Sterling	GBP	0.6853	0.6742	0.6921	0.6838	0.6860	0.6870
American Dollar	USD	1.1797	1.2092	1.2713	1.2438	1.2846	1.2288
Argentine Peso	ARS	3.5731	3.4974	3.9241	3.6362	3.7426	3.7664
Brazilian Real	BRL	2.7446	2.8367	2.7568	3.0367	3.3150	2.6935
Thai Baht	THB	48.4369	49.913	48.575	50.0668	50.5618	47.5962
Japanese Yen	JPY	138.9001	133.95	145.75	136.8686	136.2105	142.1058

### 3. Solvay Shares.

	1 <sup>st</sup> half 2005	1 <sup>st</sup> half 2006
Number of shares issued at the end of the period	84,675,933	84,698,133
Average number of shares for IFRS calculation of earnings per share	82,987,400	82,660,864

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### Key dates for financial communications

- ♦ Monday 2 October and Tuesday 3 October 2006: annual analysts and investors meeting
- ♦ Friday, 27 October 2006 (at 8:00 a.m.): publication of results for the 1st 9 months of 2006
- ♦ Friday, 15 December 2006 (at 8:00 a.m.): announcement of the interim dividend relating to 2006

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SOLVAY is an international chemical and pharmaceutical Group with headquarters in Brussels. It employs some 30,000 people in 50 countries. In 2005 its consolidated sales amounted to EUR 8.6 billion generated by its three activity sectors: Chemicals, Plastics and Pharmaceuticals. SOLVAY (Euronext : SOLB.BE - Bloomberg: SOLB.BB - Reuters: SOLB.BR) is listed on the Euronext stock exchange in Brussels. Details are available at [www.solvay.com](http://www.solvay.com)

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